Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,953	-0.1	2.4
Nifty-50	22,529	0.1	3.7
Nifty-M 100	52,068	0.4	12.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,321	0.3	11.6
Nasdaq	16,833	0.2	12.1
FTSE 100	8,416	-0.1	8.8
DAX	18,727	-0.2	11.8
Hang Seng	6,821	-2.1	18.2
Nikkei 225	38,947	-0.3	16.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	82	-1.1	5.1
Gold ($/OZ)	2,421	-0.2	17.4
Cu (US$/MT)	10,742	-0.5	26.9
Almn (US$/MT)	2,673	3.8	14.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.3	0.0	0.1
USD/EUR	1.1	0.0	-1.7
USD/JPY	156.2	-0.1	10.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	-0.01	-0.1
10 Yrs AAA Corp	7.6	-0.01	-0.2
Flows (USD b)	**21-May**	**MTD**	**CYTD**
FIIs	-0.2	-3.57	-3.1
DIIs	0.43	4.90	22.8
Volumes (INRb)	**21-May**	**MTD***	**YTD***
Cash	1,400	1089	1168
F&O	3,40,726	3,27,632	3,79,891

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

MTAR Technologies (Initiating Coverage): The clean revolution!

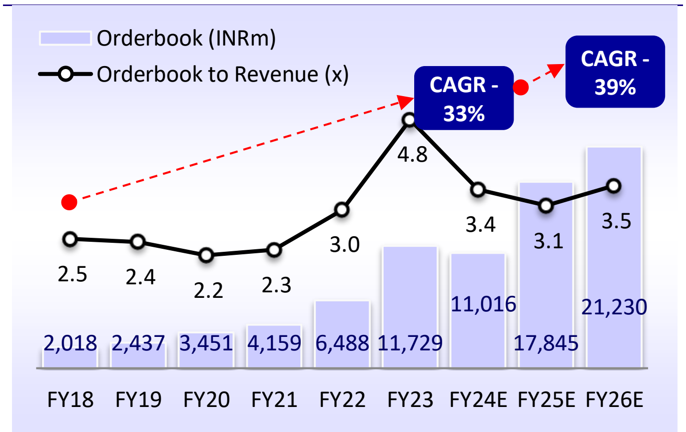
- MTARTECH has over the years created a niche for itself in the industry, being the key supplier of mission precision engineered systems to large global MNCs, government departments and large Indian public and private sector companies. As the largest supplier of fuel cell components to BE (global leader), the company will benefit from the emerging demand for fuel cells in the coming years.
- Apart from fuel cells, its other business segments (such as nuclear, space, defense and products) offer a huge runway for growth. We believe the company can capitalize on this opportunity with its strong manufacturing capabilities and customer relationship management.
- The company has registered a strong revenue CAGR of 25% over FY18-24E (despite the pandemic), aided by healthy 33% order book growth during the same period.
- We expect MTARTECH to clock a revenue/EBITDA/ adj. PAT CAGR of 38%/53%/67% over FY24-26, with RoE/RoCE of ~23%/21% by FY26E (vs. ~12%/11% in FY24). We believe that: 1) a 67% earnings CAGR over FY24- 26E, 2) strong return ratios (RoE of 23%, ROCE of 21%, and RoIC of 22% in FY26E), 3) a robust order book CAGR of 39% over FY24-26E, and 4) a healthy balance sheet will help MTARTECH trade at premium multiples.
- We initiate coverage on MTARTECH with a BUY rating and a TP of INR2,800 (premised on 40x FY26E EPS).

Research covered

Cos/Sector	Key Highlights
MTAR Technologies (Initiating Coverage)	The clean revolution!
ONGC	Volume outlook robust; execution will be key
Other Updates	SAIL | Data Patterns | Eris Lifesciences | Transport Corporation of India | VRL Logistics | P I Industries | Hitachi Energy | Galaxy Surfact. | Avaition (Monthly)

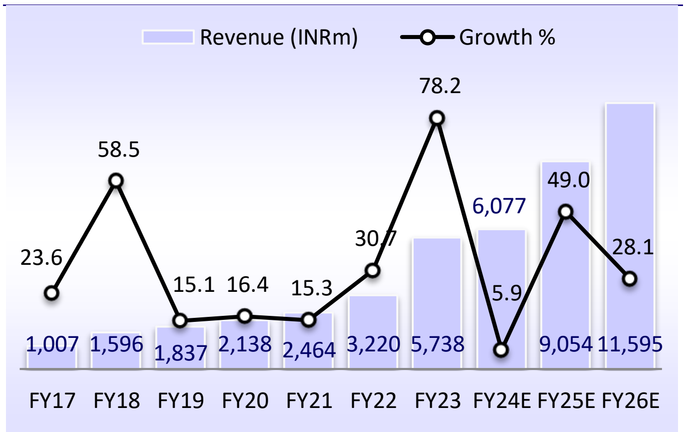
Chart of the Day: MTAR Technologies (The clean revolution!)

Exponential increase in order book…



Source: MOFSL, Company

…to drive higher revenue growth



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

Sebi issues guidelines to manage stock impact from rumours

Stock market regulator Sebi has issued fresh guidelines to manage the stock market impact arising out of market rumours, according to a circular dated May 21

2

India likely to grow by 7.5% in Q1, says RBI Bulletin

"According to the economic activity index (EAI), activity rebounded in April, and early estimates suggest that GDP growth for Q1:2024-25 is likely to remain close to 7.5 per cent," it said.

3

Apollo Tyres block deal: Warburg Pincus arm likely to sell 3.5% stake for Rs 1,040 crore

The floor price for the block deal will likely be Rs 460-465 per share

4

Gail may line up Rs 50,000 crore capex in big petrochemical bet

Gail (India) intends to invest up to ₹50,000 crore in constructing a 1.5 million tonnes per annum ethane cracking unit at Sehore, Madhya Pradesh, according to sources familiar with the matter. This significant investment marks one of the largest proposed capital expenditures by the state-run gas utility.

5

Govt rolls out mandatory quality norms for asbestos cement products

To safeguard the domestic small/micro industries and ensure smooth implementation of the QCO and ease of doing business, relaxations have been granted to small/micro industries as regards to timeliness. An additional nine months have been given to small industries and an additional 12 months to micro industries to meet the norms.

6

Delhi's peak power demand breaks record! Reaches all-time high of 7,717 MW as city battles extreme heat

The city saw its peak power demand at 7,572 MW on May 20

7

State-run IREDA plans FPO in FY25 as loan demand for renewable projects rises

Currently, IREDA's net worth is around ₹8,600 crore and its loan book stands at around ₹59,698 crore. In FY24, the company disbursed around ₹25,089 crore, higher from ₹21,639 crore in FY23.

MTAR Technologies

BSE SENSEX	S&P CNX
74,006	22,502

Bloomberg	MTARTECH IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	62.8 / 0.8
52-Week Range (INR)	2920 / 1660
1, 6, 12 Rel. Per (%)	10/-22/-16
12M Avg Val (INR M)	856

Financials & Valuations (INR b)

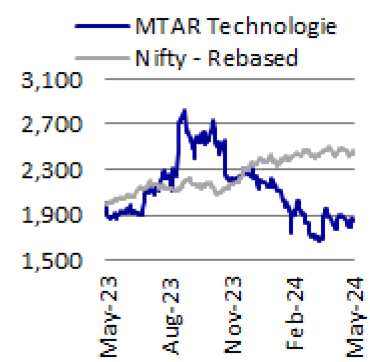
Y/E MARCH	2024E	2025E	2026E
Sales	6.1	9.1	11.6
EBITDA	1.4	2.3	3.2
Adj. PAT	0.8	1.5	2.2
EBITDA Margin (%)	22.7	25.5	27.7
Cons. Adj. EPS (INR)	25.4	47.3	70.5
EPS Gr. (%)	-24.4	86.3	48.9
BV/Sh. (INR)	227.0	274.3	344.8
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	11.9	18.9	22.8
RoCE (%)	11.3	16.8	20.8
Valuations			
P/E (x)	80.4	43.1	29.0
EV/EBITDA (x)	46.3	27.6	19.7
FCF Yield (%)	-0.2	0.2	1.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	37.3	37.3	46.6
DII	18.1	19.0	27.6
FII	10.6	11.0	2.5
Others	34.1	32.7	23.3

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,042 TP: INR2,800 (+37%) Buy

The clean revolution!

Running at full throttle and ready to take off

MTAR Technologies (MTARTECH) has established itself as a key supplier of precision engineered systems for clean energy – fuel cells, nuclear, etc. – to global MNCs, government departments, and large Indian public and private sector enterprises. The company has seven manufacturing units (including one EOU) in Hyderabad.

- **MTARTECH's business segments are poised to report strong order inflows (39% CAGR during FY24-26E), aided by emerging global demand (fuel cells) and accelerated government initiatives (in nuclear, space, and defense).**
- **Clean Energy – the fuel cells segment is likely to maintain its dominance in the order book/revenue, with its contribution expected to be ~50%/57% by FY26 vs 55%/60% in FY24.**
- **The nuclear, space, and defense sectors are also expected to see a significant ramp-up in order flows with increase in the government's focus on indigenization. Further, import substitution will emerge as a new growth engine for the company, with the development of critical parts for the existing business segments.**
- **We expect a revenue/EBITDA/adj. PAT CAGR of 38%/53%/67% over FY24-26, with RoE/RoCE improving to ~23%/21%% by FY26 from ~12%/11% in FY24. We initiate coverage on MTARTECH with a BUY rating and a TP of INR2,800 (premised on 40x FY26E EPS).**
- **Key risks include client concentration (Bloom Energy), order deferment, supply chain issues, and a rise in working capital requirement.**

Clean Energy – an emerging source of energy

- MTARTECH manufactures power units, specifically hot boxes (Yuma and Santa Cruz), used in solid oxide fuel cell (SOFC) and electrolyzers for Bloom Energy USA (BE), a global leader in SOFC manufacturing.
- Hot box is a chamber containing a cathode and anode, in which the chemical reaction to generate power takes place. It is located inside a fuel cell enclosure.
- It is the fastest-growing segment (41% CAGR over FY18-23) and forms the majority of MTARTECH's revenue (~77%/62% in FY23/9MFY24).
- The US and South Korea together account for 95% of the installed capacity of large-scale fuel cells for stationary applications. Other regions, such as Europe and Japan, are also evaluating options for installing fuel cells.
- BE has received USD4.5b worth of orders from the SK Group in South Korea for ~500MW of methane-based fuel cells. For this, MTARTECH has received a mandate of 10,000 boxes from BE to be delivered to South Korea in the next three years.
- The South Korean government is looking to install 15GWe of fuel cells by CY40, which could translate into 0.3m of hot boxes. This demand is solely from South Korea, while other regions are also looking to adopt fuel cells as a clean energy source. This could create a **massive opportunity for MTARTECH** as it is the largest supplier of hot boxes to BE. The company is set to increase its wallet share by offering new products such as sheet metal fabrication and enclosures for fuel cells.

- Apart from BE, MTARTECH is also in talks with other players in the clean energy domain to widen its scope and absorb more opportunities in this budding space along with de-risking its customer profile. One such new addition is Fluence Energy, an energy storage company formed by Siemens and AES. The management expects this client's revenue mix to become as large as BE in the next couple of years.
- We expect this business to post a 35% CAGR over FY24-26 and maintain its dominant share in MTARTECH's order book and revenue at 50% and 57% respectively, in FY26.

Traction improves in the Space and Nuclear sectors

- MTARTECH has been a key supplier of mission-critical components and critical assemblies for the space and nuclear sectors since their inception.
- In FY23, 9%/11% of its revenue/order book mix came from the space segment, which clocked a 22% revenue CAGR over FY18-23. Conversely, the nuclear segment recorded flat growth over FY18-23 and contributed to ~8%/17% of revenue/order book in FY23.
- The Department of Space's budget is forecasted at INR130b by FY25 vs. INR125b in FY22, taking into account plans to launch 30-35 satellite missions over FY23 and FY25. Further, the Indian satellite manufacturing and launch systems market is estimated to reach INR46-48b by FY25 at a CAGR of 7-8%.
- In the nuclear sector, the GoI has planned to build 10-12 reactors, taking the total capacity to ~22.4 GWe by CY31. For the same, NPCIL has started floating tenders for fleet reactors that could translate into order inflows for MTARTECH in the coming quarters.
- The total investment for building these reactors would be INR1,760-1,800b. Of this, the equipment market share would be INR350-435b. MTARTECH has ~20-25% equipment share in each nuclear reactor.
- Further, the company has an opportunity of ~INR70-80b from the refurbishment market, where 2.6 GWe is currently in refurbishment stage and another 3.5-4.0 GWe is expected to come by CY25. MTARTECH is expected to **receive a huge order flow of ~INR5b for Kaiga 5 and 6 reactors in FY25,** thereby boosting its nuclear revenue growth.
- We expect the space/nuclear businesses to report a revenue CAGR of 94%/22% over FY24-26, supported by an order book CAGR of 19%/75%.

Valuation and view: Primed to take off; initiate coverage with a BUY rating

- MTARTECH, being the key supplier of precision engineered systems to large global MNCs, government departments, and large Indian public and private sector enterprises, has over the years created a niche for itself in the industry.
- As the largest supplier of fuel cell components to BE (global leader), the company will benefit from the emerging demand for fuel cells in the coming years. Further, the company is also increasing its wallet share with BE by offering more products, such as precision sheet metal fabrication and enclosures, with the aim of carrying out a complete fuel cell integration for BE.
- Apart from fuel cells, its other business segments (such as nuclear, space, defense and products) offer a huge runway for growth. We believe the company

can capitalize on this opportunity with its strong manufacturing capabilities and customer relationship management. Consequently, MTARTECH is likely to clock a CAGR of 39% in the order book and 38% in revenue during FY24-26.

- We expect MTARTECH to clock a revenue/EBITDA/ adj. PAT CAGR of 38%/53%/ 67% over FY24-26, with RoE/RoCE of ~23%/21% by FY26E (vs. ~12%/11% in FY24).
- During FY24-26, the company is anticipated to generate a cumulative FCF of INR673m, with CFO/EBITDA averaging at 26%.
- We initiate coverage on MTARTECH with a BUY rating and a TP of INR2,800, premised on 40x FY26E. We believe that: 1) a 67% earnings CAGR over FY24-26E, 2) strong return ratios (RoE of 23%, ROCE of 21%, and RoIC of 22% in FY26E), 3) a robust order book CAGR of 39% over FY24-26E, and 4) a healthy balance sheet will help MTARTECH trade at premium multiples.

ONGC

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USDb)	3523.7 / 42.3
52-Week Range (INR)	293 / 150
1, 6, 12 Rel. Per (%)	0/33/46
12M Avg Val (INR M)	3436

Financials & Valuations (consol) (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	6,430.4	6,613.7	6,871.2
EBITDA	1,086.5	1,186.9	1,262.8
Adj. PAT	583.0	664.0	722.6
Adj. EPS (INR)	46.3	52.8	57.4
EPS Gr. (%)	44.9	13.9	8.8
BV/Sh.(INR)	262.7	301.3	342.1
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	18.8	18.3	17.5
RoCE (%)	14.6	15.2	15.4
Payout (%)	27.5	25.3	27.6
Valuations			
P/E (x)	6.0	5.3	4.9
P/BV (x)	1.1	0.9	0.8
EV/EBITDA (x)	4.1	3.3	2.7
Div. Yield (%)	4.4	4.7	5.5
FCF Yield (%)	17.1	20.6	22.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	58.9	58.9	58.9
DII	29.2	29.0	30.2
FII	8.9	9.2	8.0
Others	3.1	2.9	3.0

FII Includes depository receipts

CMP: INR280 TP: IN340 (+21%) Buy

Volume outlook robust; execution will be key

- ONGC's reported EBITDA stood at INR174b (+7% YoY) in 4QFY24, 3% below our estimate, mainly due to higher-than-expected other expenses. The sharp rise in other expenses was due to one-off charges of INR9b for tax-related matters. 4Q PAT was 13% higher than our estimate, mainly aided by lower-than-expected depreciation and dry well write-offs.
- ONGC management expects total production (excl. JV) to rise to 47mmtoe in the next three years from 39mmtoe now, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 3QFY25, is expected to ramp up to 10mmscmd by FY25 end, while oil production could ramp up to 45,000bopd by 4QFY25. FY24 capex stood at INR370b, attributed to one-off projects and the capitalization of some expenses. ONGC expects capex to normalize at INR330-350b in FY25.
- We increase our total production assumptions for FY25/FY26 by 2%/3%. We value the standalone business at 7x FY26E adj. EPS of INR34 and add the value of investments to arrive at our TP of INR340, implying 21% potential upside. **We reiterate our BUY rating on the stock.**

EBITDA in line; PAT beat led by lower dry well write-offs

- Crude oil sales stood at 4.7mmt in 4QFY24, while gas sales came in at 3.8bcm (both marginally below). VAP sales stood at 622tmt (our est. of 590tmt).
- Reported oil realization was in line with our est. at USD80.8/bbl (+5% YoY).
- EBITDA came in 3% below our est. at INR174b (+7% YoY), while PAT was INR99b (our est. of INR87b). The outperformance in PAT was aided by lower-than-expected depreciation and dry well write-offs. Operating performance was also boosted by inventory gains of INR9b.
- ONGC has declared a final dividend of INR2.5/share, in addition to the INR9.75/share declared earlier in FY24.
- OVL's oil production declined 2% QoQ to 1.78mmt, while gas production was 0.843bcm in 4QFY24 (-2% QoQ). Crude oil sales stood at 1.184mmt (-3% YoY), while gas sales came in at 0.444bcm (-15% YoY).
- OVL's revenue was INR20.8b (-15% YoY) and PBDT stood at INR18.8b (+106% YoY).

Valuation and view

- ONGC has guided for 6% production volume CAGR over the next three years, driven by rising production from KG 98/2 asset, Daman upside development, and monetization of stranded gas reserves. While volume guidance is upbeat, execution is vital, and should ONGC achieve guided volumes, we see upside risk to our and Street earnings estimates.
- ONGC is trading at 2.8x FY26E EV/EBITDA (SA) and 7.1x FY26E P/E (SA). We value the company at 7x FY26E adj. EPS of INR34 and add the value of investments to arrive at our TP of INR340. **We reiterate our BUY rating** on the stock with a 21% upside potential.

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**423.2**	**383.2**	**385.8**	**362.9**	**338.1**	**351.6**	**347.9**	**346.4**	**1,555.2**	**1,384.0**	**348.8**	**-1%**
YoY Change (%)	83.8	57.4	35.5	5.2	-20.1	-8.2	-9.8	-4.6	40.9	-11.0	-3.9	
EBITDA	**259.3**	**188.1**	**204.1**	**163.4**	**194.5**	**183.6**	**171.6**	**174.1**	**814.9**	**723.8**	**180.1**	**-3%**
Margin (%)	61.3	49.1	52.9	45.0	57.5	52.2	49.3	50.3	52.4	**-734.8**	51.6	
Depreciation	57.1	53.1	64.6	82.7	67.0	59.6	69.3	71.9	251.0	260.6	87.5	
Interest	6.4	6.7	6.9	7.1	10.1	10.2	10.2	10.3	27.0	40.8	10.5	
Other Income	7.6	35.3	14.1	19.3	16.1	20.9	34.0	36.8	76.3	107.8	34.3	
PBT before EO expense	**203.4**	**163.6**	**146.7**	**92.9**	**133.6**	**134.7**	**126.1**	**128.6**	**613.2**	**530.2**	**116.3**	**11%**
Extra-Ord expense	0.0	0.0	0.0	92.4	0.0	0.0	0.0	0.0	92.4	0.0	0.0	
PBT	**203.4**	**163.6**	**146.7**	**0.6**	**133.6**	**134.7**	**126.1**	**128.6**	**520.9**	**530.2**	**116.3**	**11%**
Tax	51.4	35.3	36.3	-4.7	33.5	32.6	27.2	29.9	119.9	124.9	29.3	
Rate (%)	25.3	21.6	24.7	-828.7	25.0	24.2	21.6	23.3	23.0	23.6	25.2	
Reported PAT	**152.1**	**128.3**	**110.4**	**5.3**	**100.2**	**102.2**	**98.9**	**98.7**	**401.0**	**405.3**	**87.0**	**13%**
Adj PAT	**152.1**	**128.3**	**110.4**	**69.5**	**100.2**	**102.2**	**98.9**	**98.7**	**460.3**	**399.9**	**87.0**	**13%**
YoY Change (%)	250.8	50.9	26.0	-21.5	-34.1	-20.3	-10.4	41.9	51.1	-13.1	40.8	
Margin (%)	35.9	33.5	28.6	19.2	29.6	29.1	28.4	28.5	29.6	28.9	24.9	
Key Assumptions (USD/bbl)												
Oil Realization (pre windfall tax)	108.5	95.5	87.1	77.1	76.5	84.8	81.1	80.8	92.1	80.8	80.8	0%
Crude Oil Sold (mmt)	5.0	4.8	4.7	4.7	4.7	4.7	4.7	4.7	19.2	18.8	4.9	-4%
Gas Sold (bcm)	4.1	4.2	4.2	4.1	4.1	4.0	4.0	3.8	16.7	15.9	4.0	-5%
VAP Sold (tmt)	671	640	599	613	589	651	573	622	2,523	2,435	590	5%

SAIL

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	SAIL IN
Equity Shares (m)	4131
M.Cap.(INRb)/(USDb)	720.1 / 8.6
52-Week Range (INR)	175 / 80
1, 6, 12 Rel. Per (%)	18/78/88
12M Avg Val (INR M)	3954
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,019	1,148	1,251
EBITDA	77	125	144
APAT	11	45	56
EBITDA Margin (%)	8	11	12
Cons. Adj. EPS (INR)	3	11	14
EPS Gr. (%)	-44	297	25
BV/Sh. (INR)	138	145	153
Ratios			
Net D:E	0.6	0.5	0.5
RoE (%)	1.9	7.7	9.1
RoCE (%)	3.6	8.5	9.7
Payout (%)	76.7	40.0	40.0
Valuations			
P/E (x)	66.7	16.1	12.8
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	14.0	8.2	7.0
Div. Yield (%)	1.1	2.5	3.1
FCF Yield (%)	-1.8	11.4	8.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.0	65.0	65.0
DII	15.9	15.5	12.4
FII	3.2	4.3	4.7
Others	16.0	15.2	17.9

FII Includes depository receipts

CMP: INR170 TP: INR174 (-2%) Neutral

Revenue in line; EBITDA below our estimate

- In 4QFY24, SAIL received a one-time revenue and EBITDA gain of INR17b related to rail price revisions for FY22. For a like-to-like comparison, we have adjusted its 4QFY24 financials by excluding this one-time gain.
- SAIL reported a revenue of INR262b (-10%/+12% YoY/QoQ), which was in line with our estimate. ASP for the quarter stood at INR57,554/t (-8%/-6% YoY/QoQ) vs. our estimate of INR59,021/t.
- EBITDA declined 40% YoY and 17% QoQ to INR18b, which was slightly below our estimate of INR19b, due to muted realization and higher costs.
- APAT came in at INR1.8b, which declined 85% YoY and 51% QoQ, 8% above our estimate of INR1.7b during the quarter.
- Saleable steel production came in at 4.7mt (flat/+4% YoY/QoQ) vs. our estimate of 4.2mt. Sales volume was 4.6mt (-3%/+20% YoY/QoQ), 3% above our estimate of 4.4mt.
- All five major plants of SAIL reported net profit, while the alloy steel plants, VISP and Salem, reported operating losses during 4QFY24 and FY24.
- SAIL received a one-time revenue and EBITDA gain of INR17.5b and INR17.0b in 2Q and 4QFY24, respectively, related to rail price revisions. For a like-to-like comparison, we have adjusted the same during 2Q / 4QFY24 and FY24 financials by excluding this one-time gain.
- SAIL achieved crude steel production and sales of 18.5mt and 17.0mt in FY24, respectively. Revenue came in at INR1,019b (-2% YoY), EBITDA was INR77b (-4% YoY), while APAT stood at INR11b (-44% YoY) in FY24.
- As of Mar'24, total debt stood at INR306b vs. INR281b in 3QFY24; the increase was mainly because of higher inventory and muted realization.

Highlights from the management commentary

- In 4QFY24, coking coal costs increased to INR26,000/t against INR23,693/t in 3QFY24. In 1QFY25, management expects the coking coal costs to decline roughly by USD30/t, vs. 4QFY24.
- In 4QFY24, the long NSR stood at INR55,400/t and the flat NSR was INR53,700/t. Management foresees long NSR to be in the range of INR54,600/t and flat at INR53,500/t for 1QFY25.
- SAIL guided INR63b of expansion capex for FY25E.
- In Apr'24, the long prices ranged at INR51,700/t, which rose to INR54,600/t in May'24. Management foresees possibility of a price increase in the coming month.
- Management guided a production volume of 20mt, and sales volume of 19mt (incl. inventory of 1.6mt) for FY25.
- Debt is expected to be at INR300, with lower coal prices and incremental realizations from railways.
- VAP stood at 9.5mt and management expects to achieve 11mt of VAP.

Valuation and view

- SAIL is planning to undertake multiple expansions to reach the installed capacity of 35mt by FY30-31. We anticipate that there will be no new facilities coming on stream in the next 2-3 years, as the company will focus on ramping up utilization levels and enhancing existing productivity.
- As the capex intensity is likely to pick up after FY25/FY26, it would limit the deleveraging going ahead and thereby exert pressure on the balance sheet and cash flow.
- We raise our EBITDA estimates by 2%/3% for FY25/26, envisaging lower coking coal costs.
- SAIL trades at an FY26E EV/EBITDA of 7x. We believe that the stock is fully priced in at current levels. **We reiterate our Neutral rating on the stock with a revised TP of INR170 (premised on 7x FY26E EV/EBITDA).**

Quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Production (m tons)	4.1	4.1	4.4	4.7	4.4	4.8	4.6	4.7	17.2	18.5	4.2	13
Change (YoY %)	8.2	-5.1	0.8	5.9	8.0	17.5	3.9	0.4	2.3	7.1		
Sales (m tons)	3.2	4.2	4.2	4.7	3.9	4.8	3.8	4.6	16.2	17.0	4.4	3
Change (YoY %)	-5.2	-1.6	8.1	-0.6	23.1	14.0	-8.5	-2.6	0.2	5.2		
Realization (INR per ton)	76,185	62,328	60,328	62,232	62,717	58,256	61,444	57,554	64,486	59,795	59,021	-2
Change (YoY %)	22.8	-0.5	-8.2	-4.7	-17.7	-6.5	1.8	-7.5	0.7	-7.3		
Net Sales	**240**	**262**	**250**	**291**	**244**	**280**	**233**	**262**	**1,044**	**1,019**	261	1
Change (YoY %)	16.4	-2.2	-0.8	-5.3	1.4	6.5	-6.8	-9.9	0.9	-2.4		
Change (QoQ %)	-21.9	9.2	-4.6	16.3	-16.4	14.8	-16.5	12.4				
Total Expenditure	217	255	230	262	227	258	212	245	964	942		
EBITDA	**23**	**7**	**21**	**29**	**16**	**21**	**21**	**18**	**80**	**77**	19	-5
Change (YoY %)	-64.9	-89.6	-39.1	-33.0	-28.4	189.2	3.1	-39.5	-62.4	-4.4		
Change (QoQ %)	-47.1	-68.1	182.7	40.7	-43.6	28.9	0.8	-17.4				
EBITDA per ton (INR)	7,297	1,746	5,007	6,247	4,245	4,429	5,638	3,879	4,964	4,509	4,211	-8
Interest	4	5	6	5	6	6	6	6	20	25		
Depreciation	12	12	12	14	13	13	13	14	50	53		
Other Income	2	4	1	3	5	1	1	3	10	11		
Share of Asso/JV/investments	1	1	1	3	1	1	1	1	6	4		
PBT (before EO Inc.)	**10**	**-4**	**4**	**16**	**3**	**4**	**5**	**2**	**26**	**14**		
EO Income(exp)	0	0	3	-0	0	13	1	12	3	26		
PBT (after EO Inc.)	**10**	**-4**	**7**	**16**	**3**	**18**	**6**	**14**	**29**	**41**		
Total Tax	2	-1	2	4	1	5	1	3	7	10		
% Tax	23.2	25.6	25.3	25.8	26.3	26.2	24.8	21.9	24.8	24.5		
Reported PAT	**8**	**-3**	**5**	**12**	**2**	**13**	**4**	**11**	**22**	**31**		
Adjusted PAT	**8**	**-3**	**2**	**12**	**2**	**3**	**4**	**2**	**19**	**11**	2	8
Change (YoY %)	-79.8	PL	LP	-53.5	-73.6	LP	50.3	-84.9	-84.8	-43.8		
Change (QoQ %)	-65.6	PL	LP	392.1	-82.3	49.7	15.1	-50.7				

Note – 2QFY24 and 4QFY24 financials have been adjusted by excluding one-time revenue and EBITDA benefit recognized due to rail price revision (INR17.5b in 2QFY24 and INR17b in 4QFY24).

21 May 2024

4QFY24 Results Update | Sector: Midcaps

Data Patterns (India)

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	DATAPATT IN
Equity Shares (m)	56
M.Cap.(INRb)/(USDb)	177.8 / 2.1
52-Week Range (INR)	3444 / 1565
1, 6, 12 Rel. Per (%)	12/58/74
12M Avg Val (INR M)	812

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	5.2	6.7	9.0
EBITDA	2.2	2.8	3.8
Adj. PAT	1.8	2.3	3.1
EBITDA Margin (%)	42.6	42.1	42.5
Cons. Adj. EPS (INR)	32.4	40.6	55.2
EPS Gr. (%)	46.6	25.0	36.1
BV/Sh. (INR)	236.5	276.1	330.3
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	14.6	15.8	18.2
RoCE (%)	15.1	16.3	18.6
Valuations			
P/E (x)	98	78	58
EV/EBITDA (x)	77	61	44

Shareholding pattern (%)

As on	Mar-24	Dec-23	Mar-23
Promoter	42.4	42.4	42.4
DII	11.6	9.2	11.6
FII	14.6	6.7	5.1
Others	31.4	41.7	40.9

Note: FII includes depository receipts

CMP: INR3,180 TP: INR2,760 (-13%) Neutral

Margin expansion drives earnings growth

Earnings below estimates

- Data Patterns (DATAPATT) reported a revenue decline of ~2% YoY in 4QFY24. However, operating performance was healthy (EBITDA margin up 11.4pp YoY) as gross margin improved (up 14pp YoY), aided by a favorable business mix during the quarter.
- Factoring in 4Q results and lower growth guidance for FY25, we cut our FY25/FY26 EPS estimates by 7%/5%. **We reiterate our Neutral rating with a TP of INR2,760 (premised on 50x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Order inflows remain healthy

- Consolidated revenue declined 2% YoY (up 31% QoQ) to INR1.8b (est. INR2.3b), due to a decline in production and service revenue and spillover of delivery of two orders in next quarter.
- EBITDA margins expanded 11.4pp YoY/8pp QoQ to 51% (est. 44.7%), led by a favorable business mix. EBITDA grew 27% YoY/55% QoQ to INR930m (est. INR1b).
- Adjusted PAT grew 29% YoY/39% QoQ to INR711m (est. INR746m).
- The order book stood at INR10.8b as of Mar'24 vs. INR9.6b/INR9.2b in Dec'23/Mar'23, led by strong order inflows of ~INR3b (up 37% YoY) in 4Q.
- For FY24, revenue/EBITDA/adj. PAT grew 15%/29%/47% YoY to INR5.2b/INR2.2b/INR1.8b.

Highlights from the management commentary

- **Guidance**: The company expects to achieve ~20-25% revenue growth in FY25. This is a conservative guidance and revenue growth can exceed this range in FY25. It is targeting over 25% revenue CAGR over the next two to three years. Margins are likely to sustain at ~40%.
- **Capex and new product development**: It will spend INR1b in the next two years to develop infrastructure on the already acquired land. DATAPATT also plans to spend ~INR1b on the development of new products in FY25.
- Working capital: Net working capital will decline as and when the mix of production contracts increases. The cash conversion cycle is expected to decline to ~270-280 days in the longer run (from ~432 days in FY24).

Valuation and view

- DATAPATT, a prominent player in the aerospace and defense electronics sector in India, is set to capture a larger share of pie (TAM of ~USD2b as of CY20; a 9% CAGR) with its vast experience, strong core competencies, and robust executional capabilities.
- We estimate a CAGR of 31%/31%/30% in revenue/EBITDA/adj. PAT over FY23-26, driven by robust order book growth (~43% CAGR over FY19-24).
- Factoring in 4Q results and lower growth guidance for FY25, we cut our FY25/FY26 EPS estimates by 7%/5%. **We reiterate our Neutral rating with a TP of INR2,760 (premised on 50x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Consolidated - Quarterly Perf. (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Gross Sales	**684**	**882**	**1,118**	**1,851**	**897**	**1,083**	**1,395**	**1,823**	**4,535**	**5,198**	**2,304**	**-21**
YoY Change (%)	NA	136.8	88.8	322.2	31.2	22.9	24.8	-1.5	45.9	14.6	24.5	
Total Expenditure	471	580	648	1,117	619	676	795	893	2,816	2,982	1,275	
EBITDA	**213**	**302**	**470**	**734**	**278**	**408**	**600**	**930**	**1,718**	**2,217**	**1,029**	**-10**
Margins (%)	31.1	34.2	42.1	39.6	31.0	37.6	43.0	51.0	37.9	42.6	44.7	
Depreciation	20	21	21	22	28	31	33	70	84	162	42	
Interest	16	12	21	28	17	23	23	30	77	93	35	
Other Income	17	19	19	38	116	108	113	123	92	460	45	
PBT before EO expense	**194**	**287**	**446**	**721**	**349**	**463**	**657**	**953**	**1,649**	**2,422**	**997**	
PBT	**194**	**287**	**446**	**721**	**349**	**463**	**657**	**953**	**1,649**	**2,422**	**997**	
Tax	52	76	113	168	91	125	148	242	409	605	251	
Rate (%)	26.7	26.6	25.4	23.3	25.9	27.0	22.4	25.4	24.8	25.0	25.2	
Reported PAT	**142**	**211**	**333**	**554**	**258**	**338**	**510**	**711**	**1,240**	**1,817**	**746**	
Adj PAT	**142**	**211**	**333**	**554**	**258**	**338**	**510**	**711**	**1,240**	**1,817**	**746**	**-5**
YoY Change (%)	NA	104.4	158.5	517.9	81.4	60.5	53.0	28.4	32.2	46.6	34.8	
Margins (%)	20.8	23.9	29.8	29.9	28.8	31.2	36.5	39.0	27.3	35.0	32.4	

Eris Lifesciences

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	ERIS IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	123.5 / 1.5
52-Week Range (INR)	972 / 605
1, 6, 12 Rel. Per (%)	2/-16/22
12M Avg Val (INR M)	164

Financials & valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	20.1	31.0	35.5
EBITDA	7.0	10.8	12.5
Adj. PAT	4.0	4.5	6.1
EBIT Margin (%)	25.5	25.7	26.5
Cons. Adj. EPS (INR)	29.2	33.1	44.4
EPS Gr. (%)	5.2	13.1	34.1
BV/Sh. (INR)	188.1	215.7	254.5
Ratios			
Net D:E	1.0	1.7	1.3
RoE (%)	16.8	16.4	18.9
RoCE (%)	11.8	10.4	10.9
Payout (%)	19.3	16.6	12.4
Valuations			
P/E (x)	31.1	27.5	20.5
EV/EBITDA (x)	21.7	16.2	13.7
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	-1.7	-17.3	5.0
EV/Sales (x)	7.5	5.7	4.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	54.9	54.9	52.9
DII	15.6	14.6	10.0
FII	14.3	13.1	14.9
Others	15.2	17.4	22.3

FII includes depository receipts

CMP: INR908 TP: INR950 (+5%) Neutral

Healthy execution and addition of business drive 4Q

Efforts towards integrating the acquired business and reduce debt

- Eris Lifesciences (ERIS) delivered better-than-expected revenue, while it missed on earnings due to a lower-than-expected EBITDA margin and a higher interest outgo. ERIS clocked organic revenue growth of 15%/10% YoY in 4QFY24/FY24.
- We maintain our estimates for FY25/FY26. We value ERIS at 23x 12M forward earnings to arrive at our TP of INR950.
- We factor in 21% earnings growth over FY24-26, led by: 1) an improving traction in dermatology, anti-diabetes, and women healthcare, 2) integration of the recently acquired business (Swiss Parenterals/Biocon's branded formulation business), and c) reduction in financial leverage from operating cash flows. However, the current valuation adequately factors in the upside in earnings. **Reiterate Neutral.**

Improved operating profit offset by higher interest/depreciation

- ERIS's 4QFY24 revenues grew 36.8% YoY to INR5.5b (vs. our est.: INR5.1b).
- Gross margin dipped 340bp YoY to 78.5% due to a change in product mix.
- There was a one-time expense of INR210m related to SAP implementation, deal-related expenses, and some donations.
- Adjusting for the same, EBITDA margin expanded 130bp YoY to 30.8% (our est. 34.6%), due to lower employee expenses/other expenses (-270bp/ -200bp as a % of sales).
- Likewise, EBITDA increased 42.8% YoY to INR1.7b (in line).
- Adj. PAT grew 25% YoY to INR815m (vs. our est.: INR974m); PAT growth was lower than EBITDA growth due to higher interest and depreciation.
- **During FY24,** revenue/EBITDA/Adj. PAT grew 19%/30%/5.3% YoY to INR20b/INR7b/INR4b.

Highlights from the management commentary

- On an organic basis, management expects 12-14% YoY revenue growth and focuses on maintaining the EBITDA margin at 36% in FY25.
- The outstanding debt, including funding for acquisition, is INR30b at the end of FY24. Eris intended to reduce the net debt by INR4b in FY25.
- Eris would implement a capex of INR700-800m annually for FY25/FY26, largely towards fill-finish blocks of hormones and Insulins.
- The excess operational cost at the Ahmedabad plant will be normalized by the end of 4QFY25.
- Eris has good visibility of 20+ first-in-market launches through the R&D pipeline.

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

Y/E March	FY23				FY24				FY23	FY24	Estimate	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Gross Sales	**3,986**	**4,605**	**4,233**	**4,028**	**4,666**	**5,053**	**4,863**	**5,509**	**16,851**	**20,091**	**5,139**	7.2
YoY Change (%)	14.1	28.0	27.4	31.7	17.1	9.7	14.9	36.8	25.1	19.2	27.6	
Total Expenditure	2,694	3,091	2,861	2,839	2,969	3,242	3,108	3,811	11,484	13,129	3,362	
EBITDA	**1,292**	**1,514**	**1,372**	**1,189**	**1,697**	**1,811**	**1,755**	**1,698**	**5,368**	**6,962**	**1,777**	-4.4
Margins (%)	32.4	32.9	32.4	29.5	36.4	35.8	36.1	30.8	31.9	34.7	34.6	
Depreciation	234	286	299	351	409	421	457	539	1,171	1,830	522	
Interest	72	71	30	89	174	163	181	330	262	848	153	
Other Income	27	52	22	10	10	35	42	151	112	238	12	
PBT before EO expense	**1,013**	**1,209**	**1,065**	**759**	**1,125**	**1,262**	**1,159**	**980**	**4,046**	**4,522**	**1,114**	-12.0
Extra-Ord expense	0	0	0	0	0	0	0	214	0	214	0	
PBT	**1,013**	**1,209**	**1,065**	**759**	**1,125**	**1,262**	**1,159**	**766**	**4,046**	**4,308**	**1,114**	
Tax	82	16	63	144	188	39	144	-30	305	342	187	
Rate (%)	8.1	1.3	5.9	19.0	16.7	3.1	12.4	-3.9	7.5	7.9	16.8	
Minority Interest & Profit/Loss of Asso. Cos.	15	13	13	39	12	11	13	-87	80	-51	48.0	
Reported PAT	**946**	**1,207**	**1,015**	**654**	**948**	**1,234**	**1,027**	**710**	**3,822**	**3,916**	**974**	-27.2
Adj PAT	**946**	**1,207**	**1,015**	**654**	**948**	**1,234**	**1,027**	**815**	**3,822**	**4,021**	**974**	-16.3
YoY Change (%)	-11.3	1.9	0.8	-18.2	0.3	2.3	1.2	24.6	-5.8	5.2	48.9	
Margins (%)	23.7	26.2	24.0	16.2	20.3	24.4	21.1	14.8	22.7	20.0	19.0	

E: MOFSL Estimates

21 May 2024

Company Update | Sector: Logistics

Transport Corporation of India

BSE SENSEX	S&P CNX
73,953	22,529

TCI LEADERS IN LOGISTICS

Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	78
M.Cap.(INRb)/(USDb)	70.8 / 0.8
52-Week Range (INR)	1080 / 637
1, 6, 12 Rel. Per (%)	5/-8/16
12M Avg Val (INR M)	62
Free float (%)	31.1

Financials Snapshot (INR b)

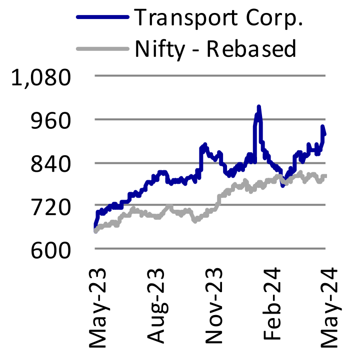
Y/E March	2024	2025E	2026E
Net Sales	40.2	45.1	52.6
EBITDA	4.1	4.8	5.9
Adj. PAT	3.5	3.9	4.8
EBITDA Margin (%)	10.2	10.8	11.3
Adj. EPS (INR)	45.8	50.9	62.9
EPS Gr. (%)	10.1	11.2	23.4
BV/Sh. (INR)	259.9	307.3	366.7
Ratios			
Net D/E (x)	0.0	0.0	-0.1
RoE (%)	18.7	17.7	18.4
RoCE (%)	18.0	16.9	17.7
Payout (%)	15.4	6.9	5.6
Valuations			
P/E (x)	19.9	17.9	14.5
P/BV (x)	3.5	3.0	2.5
EV/EBITDA (x)	15.9	13.2	10.4
Div. Yield (%)	0.8	0.4	0.4
FCF Yield (%)	0.8	0.9	1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	68.9	68.9	69.0
DII	12.2	12.8	12.2
FII	2.7	2.6	2.8
Others	16.2	15.7	16.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR910 TP: INR1,080 (+19%) Buy

Well positioned to capitalize on the multi-modal opportunity

We recently hosted Transport Corporation of India (TRPC) for a non-deal roadshow (NDR). The key highlights are as follows:

- TRPC is benefiting immensely from being a multi-modal logistics provider. It is the only player in the domestic logistics industry that offers services across road, rail, and sea. Apart from its freight business, TRPC has a healthy presence in supply chain solutions and seaways segments. This has helped the company during an industry downturn.
- In the recent past, with robust automotive demand, the supply chain business has registered a 16% revenue CAGR over FY21-FY24. It is expected to continue growing at a higher double-digit rate due to sustained demand in the auto industry as well as the retention and expansion of businesses with existing clients.
- The seaways division, which is the highest-margin business for TRPC, has been facing slowdown in recent years primarily due to volatility in freight rates and the docking of several ships. Management is in the process of acquiring two new ships, with delivery expected in 2.0-2.5 years. It is also considering purchasing second-hand ships in the near term, although this appears less probable given the current circumstances. Any growth in the seaways division is limited by the addition of new ships to its fleet. TRPC expects flat growth in FY25 in this business.
- The freight division is likely to benefit from a higher LTL contribution (40% by FY26E vs. 36% in Mar'24), a shift from the unorganized sector, and traction in multi-modal logistics. We expect a revenue CAGR of 14% over FY24-26.
- **We expect TRPC to achieve a 14% revenue CAGR over FY24-26, driven by continued growth in the supply chain division, a rising proportion of LTL shipments within the freight division (36% in FY24), and a presence across the multi-modal logistics value chain (including a JV with Container Corporation of India Ltd (CCRI) for rail transportation). New capacity additions in the near term in the Seaways segment could improve the growth outlook significantly. We reiterate our BUY rating with a TP of INR1,080 (based on 17x FY26E EPS).**

Freight division's growth hit by competition in FY24; higher proportion of LTL and branch network to aid growth

- TRPC reported 4% growth in its freight services in FY24 due to a general slowdown in the economy and competitive pressures.
- TRPC operates over 4,600 trucks and has 25 strategically located hubs across India, which enables its freight division to expand its distribution network and improve reliability in cargo consolidation and transportation. Further, TRPC intends to open 75 new branches for its freight business in FY25, expanding on the 30 branches established in FY24.
- The freight division is likely to benefit from a higher LTL contribution (40% by FY26E vs. 36% in Mar'24), a shift from the unorganized sector, and traction in multi-modal logistics. We expect a revenue CAGR of 14% over FY24-26.

Supply chain to be the key growth business segment for TRPC

- The supply chain division delivered a strong growth of 14% YoY and an EBIT margin of 6.5% (+40bp YoY) in FY24, owing to the retention and expansion of business with existing clients and new business acquisitions.
- The supply chain business operates with a strong asset base, including ownership and lease of modern warehouse facilities totaling 15m sq. ft. Additionally, the company has a customized fleet of over 5,500 trucks and trailers, stainless steel tank containers, and other physical assets.
- The supply chain segment is expected to be the fastest-growing segment for TRPC due to: a) continued growth in the auto segment, b) opportunities in the defense and EMS sectors, and c) the potential for significant growth in the chemical business. We expect the supply chain segment to report a revenue CAGR of 16% over FY24-26.

Higher capacity utilization and addition of new ship(s) to trigger growth

- In the seaways division, revenue declined 8% YoY, with EBIT margin contracting 240bp YoY to 25.1% in FY24. This contraction can primarily be attributed to volatility in freight rates and the dry docking of several ships during the year.
- The company is in the process of acquiring two new ships, with delivery expected in 2.0-2.5 years. It is also open to purchasing second-hand ships in the near term, though this seems less likely given the current circumstances.
- Seaways revenue is likely to remain flat or grow marginally in FY25. Growth in FY26E will depend on addition of another ship to its fleet. Further, management aims to increase the capacity in this business by 50% and expects a sustainable EBITDA margin of 30% over the long term.
- We expect the seaways business to post a 10% revenue CAGR over FY24-26.

Valuation and view

- TRPC is expected to achieve steady growth due to: 1) the increasing proportion of LTL shipments within the freight division, 2) the ongoing demand in the automotive sector supporting the supply chain division, and c) the growing benefits from the expansion of multi-modal logistics. We also derive comfort from the fact that TRPC is not adding ship capacity by buying at elevated prices, which could affect the return ratios.
- We expect TRPC to achieve a CAGR of 14%/20%/17% in revenue/EBITDA/PAT over FY24-FY26. **We reiterate our BUY rating on the stock with a TP of INR1,080, based on 17x FY26E EPS.**

VRL Logistics

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	VRLL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	51.2 / 0.6
52-Week Range (INR)	799 / 517
1, 6, 12 Rel. Per (%)	3/-30/-35
12M Avg Val (INR M)	100

Financial Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	28.9	32.8	38.0
EBITDA	3.9	4.6	5.5
Adj. PAT	0.9	1.4	2.1
EBITDA Margin (%)	13.6	14.1	14.6
Adj. EPS (INR)	10.1	16.2	24.0
EPS Gr. (%)	-46.1	60.0	48.2
BV/Sh. (INR)	108.1	114.3	126.4
Ratios			
Net D:E	0.3	0.2	0.1
RoE (%)	9.2	14.6	20.0
RoCE (%)	11.6	15.0	19.4
Payout (%)	0.0	61.7	49.9
Valuations			
P/E (x)	57.9	36.2	24.4
P/BV (x)	5.4	5.1	4.6
EV/EBITDA(x)	13.7	11.5	9.4
Div. Yield (%)	0.0	1.7	2.0
FCF Yield (%)	2.7	2.9	4.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	60.2	60.2	64.2
DII	26.6	28.1	24.2
FII	3.3	2.5	2.4
Others	9.9	9.1	9.3

FII Includes depository receipts

CMP: INR586 TP: INR680 (+16%) Buy

Performance in line, subdued growth in Southern market impact tonnage growth in FY24

Network expansion to play a key role in volume growth

- VRL Logistics (VRL)'s 4QFY24 revenue grew 10% YoY/4% QoQ to ~INR7.7b (in line with our estimate). Volumes increased ~10% YoY to 1.13m tons in 4QFY24. The sluggish demand in Southern States affected volume growth during the quarter. Realization per tonne stood at INR 6,724 (+1% YoY and QoQ).
- EBITDA margins stood at 13.7%, against our estimate of 13.3%. Lower volumes and higher employee costs adversely impacted the margins. Further, increased costs have not been passed on to customers, leading to pressure on EBITDA margins. EBITDA stood at INR1.05b (in line with our estimate).
- APAT declined 65% YoY to INR 215m (in line with our estimate of INR 218m). Weak operating performance, higher depreciation, interest expense, and lower other income dragged APAT.
- During FY24, revenues grew 9% YoY to INR28.9b. EBITDA margins stood at 13.6%. APAT reported a 47% YoY decline to INR886m. Volumes increased 9% YoY to 4.2m tons in FY24, while realization per ton stood at INR 6,676 (+1% YoY).
- The performance in 4Q was largely in line with our estimates though tonnage growth in FY24 was adversely impacted by the slowdown in agro and textile commodity volume in Southern states, which contributes ~40% to tonnage. However, significant volume growth was observed from the Northern, Eastern, and North Eastern states due to the expanded branch network. Tonnage growth of 12-15% is expected in FY25. While we maintain our EBITDA estimates for FY25/26, we cut FY25/FY26 APAT estimates by ~11%/5 to factor in higher depreciation costs. We expect VRL to clock a CAGR of 13%/15%/19%/54% in volume/revenue/EBITDA/PAT over FY24-26. We retain our BUY rating with a revised TP of INR680 (based on 28x FY26E EPS).

Highlights from the management commentary

- Within tonnage mix, Textile and cloth grew 6% YoY, agro-commodities grew 4-5% YoY, and other commodities 12-13% YoY in FY24. Textile and agro commodities make up ~40% of total tonnage, hence, slowdown in these segment led to subdued volume growth for VRL in FY24.
- Management plans to focus aggressively on branch expansion, with 40 branches already operational as of Apr-May 2024. It is targeting to add 50 branches in 1QFY25, with a concentrated focus on Eastern and Northeastern markets. Overall, the plan is to introduce 100 new branches in FY25.
- VRL incurred a capex of INR 2.9b in FY24, primarily for adding trucks and plans to invest INR 3b in FY25, majorly toward vehicle addition.
- VRL expects tonnage growth rate of 12-15% in FY25. Revenue growth is expected to be stronger in FY25 with higher freight rates.

Valuation and view

- Volumes in FY24 were affected by uneven rainfall patterns across India and subdued demand in the southern states, adversely impacting the textile and agro-commodities, which form the major product segment (~40% of total tonnage). Volumes are expected to pick up in FY25 post general elections as the management has added 40 new branches in the first two months of FY25, especially in high growth regions of East and North East.
- We expect VRL to clock a CAGR of 13%/15%/19%/54% in volume/revenue/EBITDA/PAT over FY24-26. We retain our BUY rating with a revised TP of INR680 (based on 28x FY26E EPS).

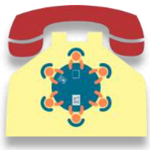
Quarterly performance — INR m

Y/E March (INR m)	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Sales	6,143	6,545	6,815	6,982	6,742	7,093	7,367	7,684	26,485	28,886	7,733	(1)
YoY Change (%)	48.5	2.8	13.3	17.6	9.7	8.4	8.1	10.1	17.9	9.1	10.8	
EBITDA	913	930	1,033	1,141	1,019	918	944	1,053	4,017	3,935	1,028	2
Margins (%)	14.9	14.2	15.2	16.3	15.1	12.9	12.8	13.7	15.2	13.6	13.3	
YoY Change (%)	153.0	-17.9	-12.1	-0.7	11.7	-1.3	-8.6	-7.7	5.2	-2.0	-9.9	
Depreciation	334	384	421	453	489	522	568	583	1,591	2,162	569	
Interest	120	139	151	133	163	185	213	218	543	779	210	
Other Income	30	22	45	47	89	60	24	38	143	211	42	
PBT before EO expense	488	429	506	602	456	271	187	291	2,025	1,205	291	
Extra-Ord expense	-134	0	-114	-1,322	0	-3	0	0	-1,571	-3	0	
PBT	622	429	620	1,924	456	274	187	291	3,596	1,208	291	
Tax	121	122	128	-7	117	77	50	76	364	319	73	
Rate (%)	19.5	28.4	20.7	-0.4	25.6	28.0	26.9	26.0	10.1	26.4	25.1	
Reported PAT	501	307	492	1,932	339	197	137	215	3,232	889	218	
Adj PAT	367	307	378	610	339	194	137	215	1,661	886	218	(1)
YoY Change (%)	NA	-37.9	-33.1	16.6	-7.5	-36.7	-63.7	-64.7	9.2	-46.7	-64.3	
Margins (%)	6.0	4.7	5.5	8.7	5.0	2.7	1.9	2.8	6.3	3.1	2.8	

PI Industries

BSE SENSEX	S&P CNX
73,953	22,529

Conference Call Details



Date: 23rd May 2024
Time: 2:00pm IST
Dial-in details:
Click Here

CMP: INR3585 — Buy

Operating performance in line; PAT beat on lower taxation

- Consolidated revenue stood at INR17.4b (est. INR19.4), up 11% YoY.
- Consolidated EBITDA stood at INR4.4b (in line), up 29% YoY. EBITDA margin expanded 350bp YoY to 25.4% (est. 23.4%); gross margin, at 53.9%, improved 900bp YoY; employee expenses were up 170bp YoY to 10.2%; other expenses rose 390bp YoY to 18.2% of sales.
- Adj. PAT was up 32% YoY to INR3.7b (est. INR3.4b), led by a lower effective tax rate of ~10.2% (est. 17.0%) vs. 15.7% in 4QFY23.
- Revenue/EBITDA/PAT for FY24 grew 18%/31%/37% YoY to INR76.7b/INR20.1b/INR16.8b.
- Agrochemical revenue in 4QFY24 stood at INR16.7b (up 6.6% YoY). EBIT grew 34% YoY to INR4.5b, with EBIT margin of ~27% (up 550bp YoY).
- Pharma revenue in 4QFY24 stood at INR715m, down 44% QoQ. EBIT loss was at ~INR390m vs. loss of INR183m in 3QFY24.

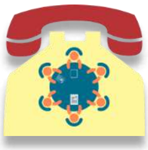
Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Net Sales	**15,432**	**17,700**	**16,132**	**15,656**	**19,104**	**21,169**	**18,975**	**17,410**	**64,920**	**76,658**	**19,441**	**-10**
YoY Change (%)	29.3	30.7	18.9	12.2	23.8	19.6	17.6	11.2	22.5	18.1	24.2	
Total Expenditure	11,976	13,381	11,981	12,228	14,426	15,655	13,439	12,992	49,566	56,512	14,896	
EBITDA	**3,456**	**4,319**	**4,151**	**3,428**	**4,678**	**5,514**	**5,536**	**4,418**	**15,354**	**20,146**	**4,546**	**-3**
Margins (%)	22.4	24.4	25.7	21.9	24.5	26.0	29.2	25.4	23.7	26.3	23.4	
Depreciation	560	560	567	577	697	803	783	799	2,264	3,082	820	
Interest	36	111	89	33	43	78	70	109	269	300	50	
Other Income	241	317	502	495	469	469	561	579	1,555	2,078	420	
PBT before EO expense	**3,101**	**3,965**	**3,997**	**3,313**	**4,407**	**5,102**	**5,244**	**4,089**	**14,376**	**18,842**	**4,096**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**3,101**	**3,965**	**3,997**	**3,313**	**4,407**	**5,102**	**5,244**	**4,089**	**14,376**	**18,842**	**4,096**	
Tax	516	629	484	519	625	317	772	418	2,148	2,132	696	
Rate (%)	16.6	15.9	12.1	15.7	14.2	6.2	14.7	10.2	14.9	11.3	17.0	
MI & P/L of Asso. Cos.	-39	-12	-5	-12	-47	-20	-14	-24	-68	-105	-18	
Reported PAT	**2,624**	**3,348**	**3,518**	**2,806**	**3,829**	**4,805**	**4,486**	**3,695**	**12,296**	**16,815**	**3,417**	
Adj PAT	**2,624**	**3,348**	**3,518**	**2,806**	**3,829**	**4,805**	**4,486**	**3,695**	**12,296**	**16,815**	**3,417**	**8**
YoY Change (%)	40.2	45.8	58.0	37.3	45.9	43.5	27.5	31.7	45.7	36.8	21.8	
Margins (%)	17.0	18.9	21.8	17.9	20.0	22.7	23.6	21.2	18.9	21.9	17.6	

Hitachi Energy

BSE SENSEX	S&P CNX
73,953	22,529

Conference Call Details



Date: 22nd May 2024
Time: 2:00pm IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	52.4	62.1	76.0
EBITDA	3.5	5.3	8.3
Adj. PAT	1.6	2.8	5.0
Adj. EPS (INR)	38.6	66.0	116.9
EPS Gr. (%)	74.4	167.1	77.0
BV/Sh.(INR)	325.3	377.3	494.2
Ratios			
RoE (%)	11.9	17.5	23.6
RoCE (%)	12.2	17.1	22.7
Payout (%)	-	-	-
Valuations			
P/E (x)	280.7	124.9	70.5
P/BV (x)	33.3	21.8	16.7
EV/EBITDA (x)	131.9	66.4	41.5
Div. Yield (%)	-	-	-

CMP: INR10,832 — Sell

Robust quarter; beat on all fronts

- Revenue at INR16.9b (+27% YoY) came in ahead of our estimates, led by robust execution of the opening order book of INR75.5b.
- Despite a ~500bp YoY contraction in gross margin, the company managed to expand EBITDA margin by 360bp to 10.7% on the back of cost control initiatives on the other expenses front. Accordingly, EBITDA grew by 91% YoY to INR1.8b.
- PAT at INR1.1b clocked in a YoY growth of 124% on the back of strong operational performance.
- Order inflows during the quarter came in at INR14b, up 11% YoY. The order book stood at INR72b, up 2% YoY.
- For the full year, revenue/EBITDA/PAT grew 17%/48%/74% while OCF came in at INR2.5b vs. INR53m in FY23. FCF swung into a positive INR1.6b vs. a negative INR66m in FY23.

Other highlights from the press release

- Electrification and digitalization of energy networks significantly contributed to orders, and the transmission segment was healthy. Service orders were up 43% YoY.
- Export order inflow grew 43% YoY, aided by transformers and power quality technologies. Key geographies include the Middle East, SE Asia, and neighboring countries in South Asia.

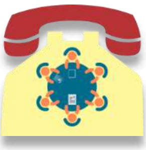
Standalone Quarterly Earning Model (INR m)

	FY23				FY24				FY23	FY24	FY24E	Est
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**			**4QE**	**Var (%)**
Net Sales	**9,860**	**11,146**	**10,339**	**13,340**	**10,401**	**12,280**	**12,742**	**16,953**	**44,685**	**52,375**	**15,271**	**11**
Change (%)	25.8	31.3	-7.9	19.8	5.5	10.2	23.2	27.1	NA	17.2	14.5	
EBITDA	**256**	**757**	**395**	**951**	**337**	**653**	**680**	**1,820**	**2,359**	**3,490**	**1,099**	**66**
Change (%)	-28.1	3.5	-36.1	43.5	31.3	-13.7	72.4	91.4	-24.1	47.9	15.6	
As of % Sales	2.6	6.8	3.8	7.1	3.2	5.3	5.3	10.7	5.3	6.7	7.2	
Depreciation	205	184	202	211	223	225	227	225	802	900	216	4
Interest	84	75	130	112	110	107	137	112	401	466	142	-21
Other Income	53	4	71	23	29	2	22	39	151	93	22	75
PBT	**21**	**502**	**134**	**651**	**34**	**324**	**338**	**1,522**	**1,308**	**2,217**	**764**	**99**
Tax	8	131	88	143	10	76	108	385	369	579	218	
Effective Tax Rate (%)	36.5	26.0	65.8	21.9	28.7	23.6	32.0	25.3	28.2	26.1	28.5	
Reported PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**1,137**	**939**	**1,638**	**546**	**108**
Change (%)	-91.8	8.1	-92.6	-1.6	79.9	-33.3	401.5	123.7	-44.0	74.4	7.5	
Adj PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**1,137**	**939**	**1,638**	**546**	**108**
Change (%)	-91.8	8.1	-92.6	-1.6	79.9	-33.3	402	123.7	-44.0	74.4	7.5	

Galaxy Surfactants

BSE SENSEX	S&P CNX
73,953	22,529

Conference Call Details



Date: 21st May 2024
Time: 1200hours IST
Dial-in details:
+91 22 6280 1309
+91 22 7115 8210

CMP: INR2,545 — Buy

Miss across the board; margins contract YoY

- Revenue stood at INR9.3b (our est. of INR9.6b, -5% YoY).
- EBITDA came in at INR1b (est. of INR1.4b, -24% YoY). Gross margin was 32.6% (-10bp YoY), with **EBITDAM at 10.9% (-280bp YoY).**
- PAT came in at INR775m (est. of INR869m, -14% YoY).

- **During FY24**, revenue was INR37.9b (-15% YoY), EBITDA stood at INR4.6b (-19% YoY), while PAT was at INR3b (-21% YoY). EBITDAM was 12.2% (-60bp YoY).
- The BoD declared a final dividend of INR22/share for FY24.

- The BoD has also approved the setting up of two overseas subsidiaries in North America/LATAM. GALSURF would be the sole shareholder in the subsidiaries.
- **The objective is to promote business interests** in the areas of surfactants, specialty ingredients, active, and proteins (including the businesses of investment holding, trading & marketing, distribution, manufacturing, project execution, implementation, etc.

Further details awaited.

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24					Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	4QAct	(%)	(%)	(%)
Gross Sales	**11,589**	**12,365**	**10,851**	**9,796**	**9,418**	**9,831**	**9,405**	**9,575**	**9,290**	**-3%**	**-5%**	**-1%**
YoY Change (%)	40.2	40.9	16.8	-7.0	-18.7	-20.5	-13.3	-1.7	-5.2			
Gross Margin (%)	30.8%	27.2%	31.9%	32.8%	32.4%	31.5%	31.8%	36.8%	32.6%	-4.1%	-0.1%	0.8%
EBITDA	**1,480**	**1,317**	**1,540**	**1,345**	**1,232**	**1,249**	**1,125**	**1,356**	**1,017**	**-25%**	**-24%**	**-10%**
Margin (%)	12.8	10.7	14.2	13.7	13.1	12.7	12.0	14.2	10.9	-3.2	-2.8	-1.0
Depreciation	189	205	216	225	238	247	251	267	262			
Interest	44	56	56	61	57	54	59	64	54			
Other Income	-20	11	37	70	25	27	64	57	239			
PBT	**1,227**	**1,067**	**1,307**	**1,129**	**962**	**975**	**878**	**1,081**	**940**	**-13%**	**-17%**	**7%**
Tax	223	228	245	224	210	201	165	212	165			
Rate (%)	18.2	21.4	18.7	19.8	21.8	20.6	18.8	19.6	17.5			
Reported PAT	**1,004**	**839**	**1,062**	**905**	**752**	**774**	**714**	**869**	**775**	**-11%**	**-14%**	**9%**
YoY Change (%)	30.7	100.0	132.7	-8.0	-25.1	-7.7	-32.8	-4.0	-14.4			
Margin (%)	8.7	6.8	9.8	9.2	8.0	7.9	7.6	9.1	8.3	-0.7	-0.9	0.8

Aviation

Demand stays put; IndiGo market share flat MoM

- **Domestic air passenger (PAX) traffic grew ~2% YoY in Apr'24 to 13.2m (down ~1% MoM). This figure surpassed pre-Covid levels. Passenger growth for the Air India (AI) group remained flat MoM, while it declined for IndiGo, SpiceJet, and Akasa. However, it grew 22% MoM for 'Others'.**
- **The average domestic Passenger Load Factor (PLF) declined 50bp MoM in Apr'24. While it increased for IndiGo, it declined for the rest of the airlines. On-time performance (OTP) declined 440bp MoM, with the domestic average falling to 72.4% in Apr'24. The cancellation rate increased 20bp to 0.9% in Apr'24.**
- **IndiGo's market share has risen since the collapse of GoFirst, which ceased operations in May'23, surpassing 60% and remaining stable over the past four months. However, the airline has grounded more than 70 planes due to issues with Pratt and Whitney (PW) engines.**

India's domestic air PAX and market share

- India's domestic air PAX increased ~2% YoY (declined ~1% MoM) to 13.2m in Apr'24. This is the lowest level of growth YoY in 26 months, mainly due to the higher base of last year when the domestic aviation industry made full recovery from the pandemic.
- Constraining capacity deployment and ramp-up by Indian carriers have also been adding to the downward pressure on passenger growth over the past few months.
- Domestic PAX stood at 8m for IndiGo (up 8% YoY), 3.9m for the AI group (up 17% YoY), 0.58m for Akasa (up 13% YoY), and 0.62m for SpiceJet (down 17% YoY).
- Domestic market share stood at 60.6% for IndiGo (up 310bp YoY), 29.9% for the AI group (up 380bp YoY), 4.4% for Akasa (up 40bp YoY), and 4.7% for SpiceJet (down 110bp YoY).

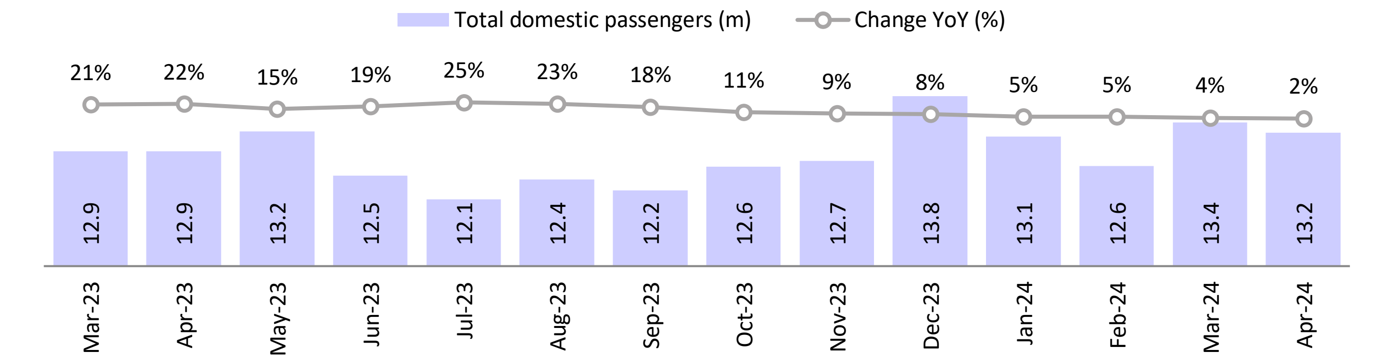
Domestic industry's PLF and OTP

- Domestic PLF stood at 70.4% in Apr'24 (88.3% in Apr'23 and 71% in Mar'24). PLF stood at 86.6% for IndiGo (down 80bp YoY), 87% for the AI group (down 280bp YoY), 87.9% for Akasa (up 300bp YoY), and 90.9% for SpiceJet (down 130bp YoY).
- On Apr 7, 2024, Vistara announced that it would be reducing its capacity by 10%, which amounts to 25-30 flights daily, as the carrier strives to stabilize operations.
- Average OTP for domestic airlines at the top four airports declined to 72.4% (down 690bp YoY/440bp MoM). OTP stood at 76.1% for IndiGo (down ~13.5pp YoY), 75.9% for Air India group (down ~10.9pp YoY), 89.2% for Akasa (down 480bp YoY), and 64.2% for SpiceJet (down ~500bp YoY).
- Vistara experienced significant disruption with over 150 flights cancelled and 200 delayed for more than two hours, primarily due to challenges with "crew unavailability" caused by multiple factors.

Other highlights

- Air turbine fuel (ATF) price for May'24 till date is at INR101,643/klit (up 1% MoM). For 4QFY24, ATF price was at INR101,387/klit (down 9% QoQ). Brent crude currently is at ~USD82.5/bbl (USD86.4/bbl in 1QFY25'td), while it was at USD83.1/bbl in 4QFY24.

Domestic PAX saw grew 2% YoY, while it declined 1% MoM



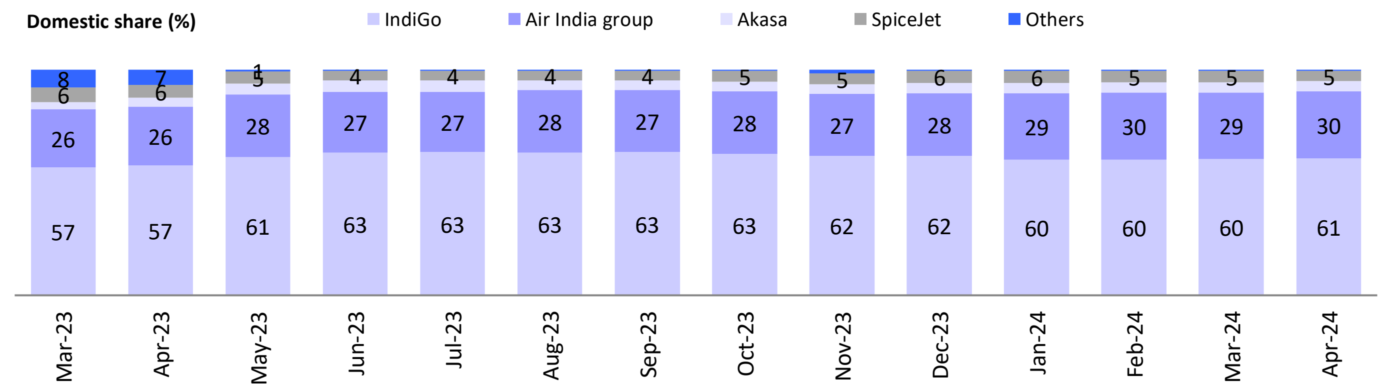
Source: DGCA, MOFSL

Historical domestic passenger trend (m)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	12.5	11.3	11.6	11.0	12.2	12.0	11.9	11.8	11.5	12.3	12.9	13.0
2020	12.7	12.3	7.7	-	0.3	2.0	2.1	2.8	3.9	5.3	6.3	7.3
2021	7.7	7.8	7.8	5.7	2.1	3.1	5.0	6.7	7.1	9.0	10.5	11.2
2022	6.4	7.6	10.0	10.4	11.4	10.7	9.1	10.1	10.3	11.4	11.7	12.9
2023	12.5	11.9	13.0	12.9	13.2	12.5	12.2	12.5	12.3	12.6	12.7	13.8
2024	13.1	12.7	13.4	13.3	8.5							

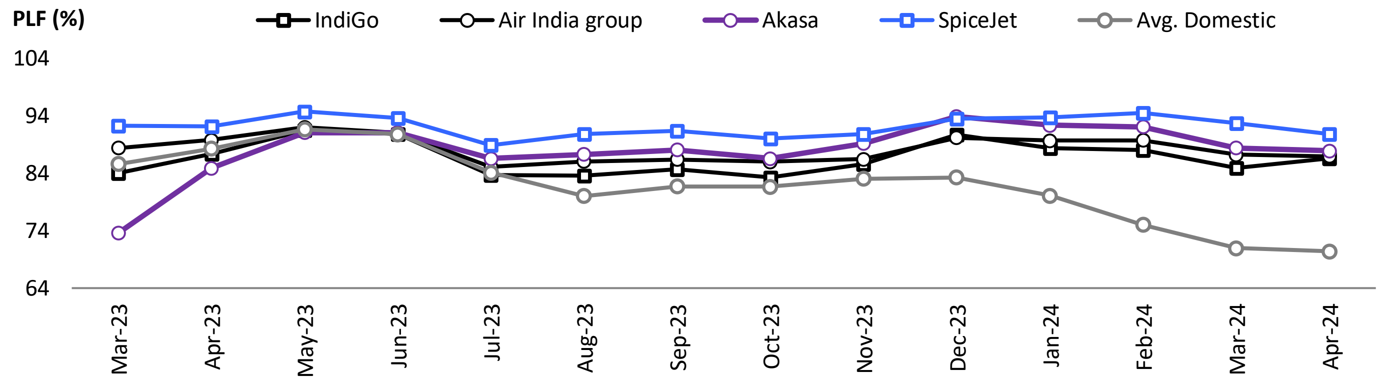
Source: MoCA, MOFSL

IndiGo's domestic market share stood at 60.6% in Apr'24, while the same was at 29.9% for the Air India (AI) group



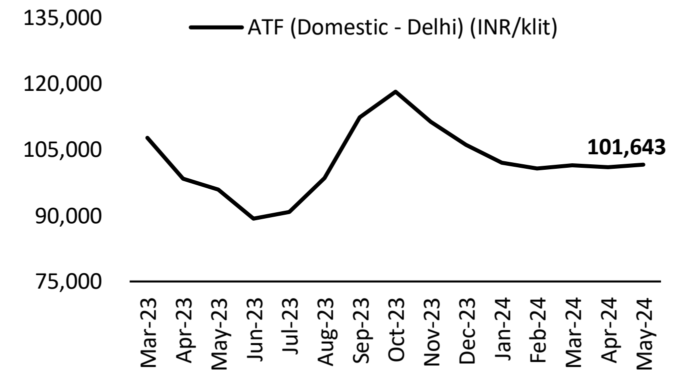
Source: DGCA, MOFSL

Average domestic PLF stood at 70.4%, while it was the highest for SpiceJet at 90.9% in Apr'24



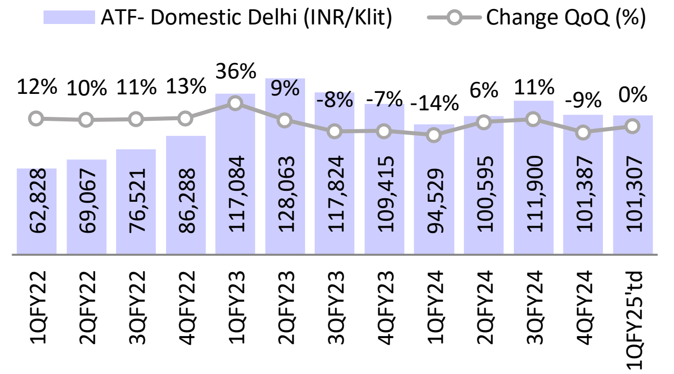
Source: DGCA, MOFSL

Increase in ATF prices in May'24 to date…



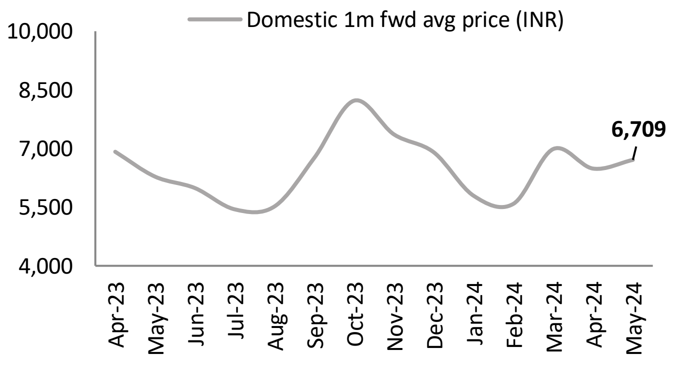
Source: HPCL, MOFSL

…with the same increasing 7% YoY in 1QFY25'td



Source: HPCL, MOFSL

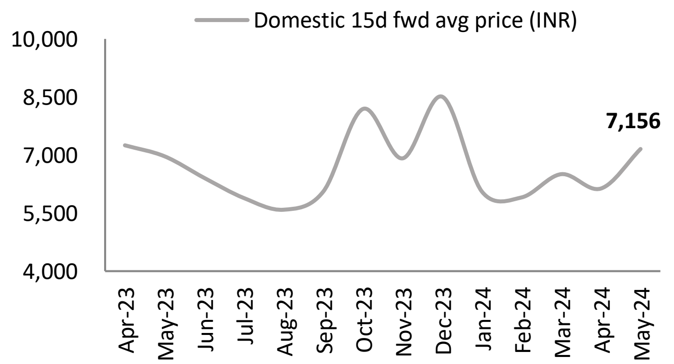
Domestic fares on 1-month forward basis



*May'24 till date

Source: MakeMyTrip, MOFSL

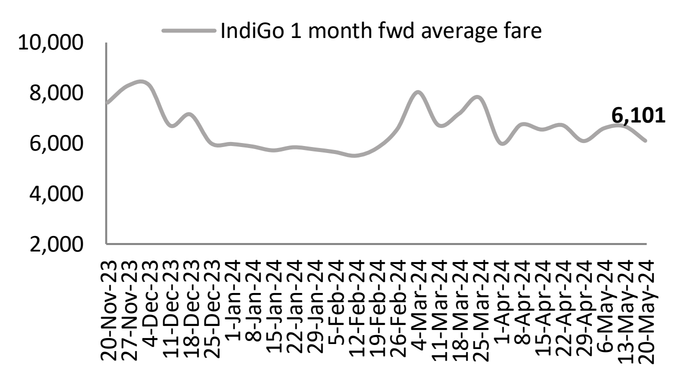
Domestic fares on 15-day forward basis



*May'24 till date

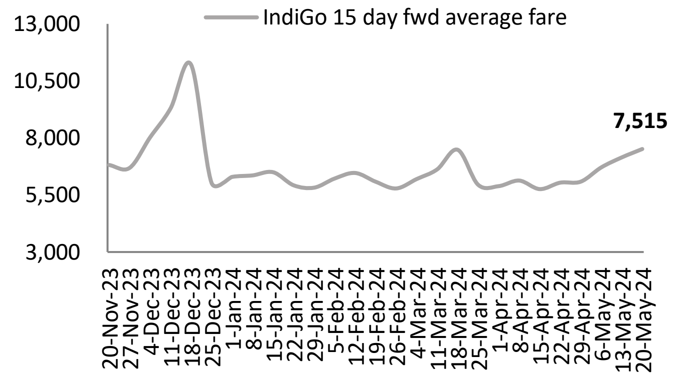
Source: MakeMyTrip, MOFSL

IndiGo fares on 1-month forward basis



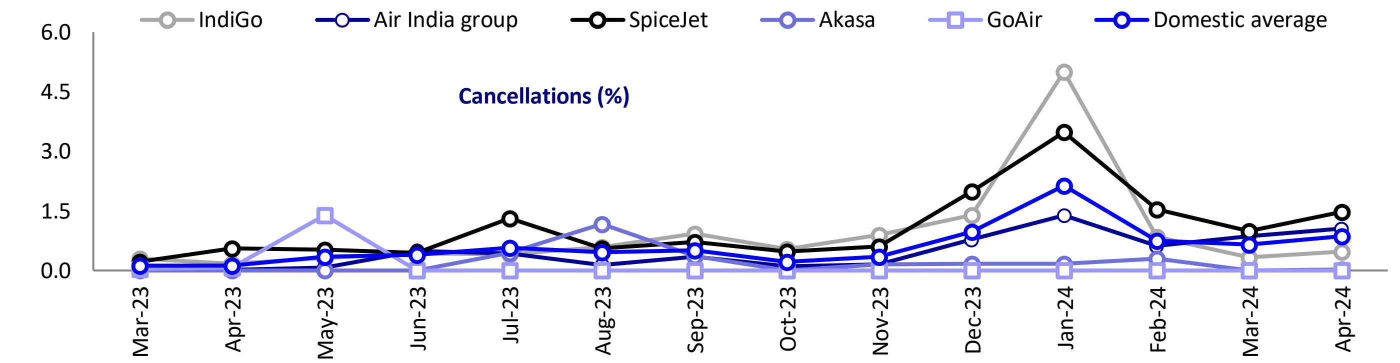
Source: MakeMyTrip, MOFSL

IndiGo fares on 15-day forward basis



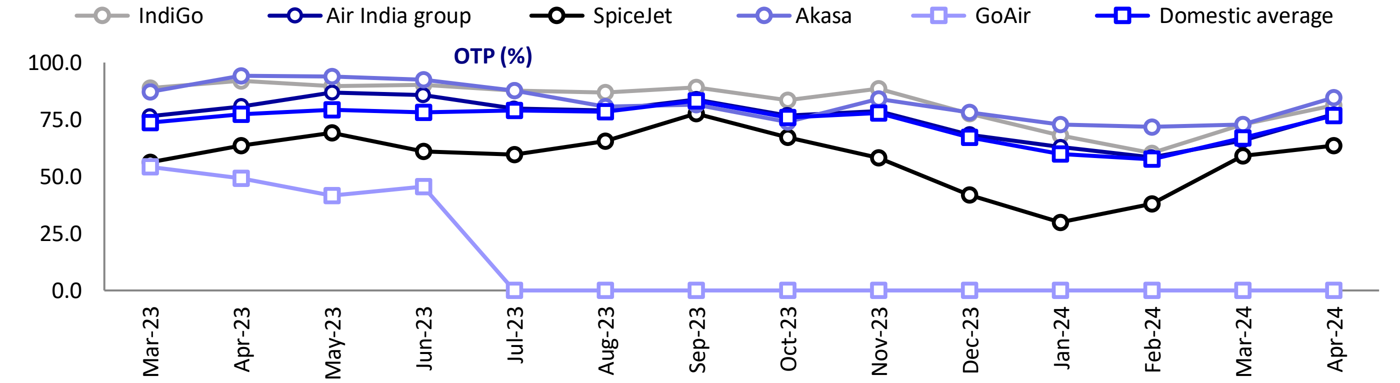
Source: MakeMyTrip, MOFSL

% cancellations increased YoY in Apr'24; Vistara saw the highest number of cancellations in the month



Source: DGCA, MOFSL

OTP declined YoY for airlines at the top four metro airports in Apr'24



Source: DGCA, MOFSL

Bandhan Bank: Decided to retire from the bank as I have bigger strategic role to play in the holding company; Chandra Shekhar Ghosh, MD

- We are a micro credit organization, we train on campus & grown business, accordingly
- Search committee has been set up to replace the MD & CEO candidate
- No plans of inorganic move

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- Pursuing backward integration in mobile display and washing machine
- Confident on taking 20-25% market share in mobile segment in coming 3 years

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- Aim to achieve 15% revenue growth rate in next 2-3 years
- Targeting 20% revenue growth in next 5 years with new order inflow
- Expect order-book of around Rs. 1.25 lk cr in FY25
- Continuously undertaking capacity

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- 2-Wheeler sector is bouncing back due to good demand from rural segment

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- Customers prefer coming to stores
- Very bullish on athleisure wear
- Cash reserve to be focused in bottomwear

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- Seeing improved footfall compared to previous quarter
- Decline in wedding segment seen due to decrease in no. of weddings in May-June this year
- Should grow by 18-19% in terms of revenue this year
- Expecting the same store sales growth to improve

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- ATBS did well in CY2022, CY2023 was slow due to destocking
- Seeing good recovery in ATBS starting this CY
- ATBS capacity will increase by 20k MTPA
- Growth led by vol. growth, demand is picking up across segment

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- Expecting topline of Rs. 23k crore in FY25
- Aiming to have orderbook of 3-4x of topline at all time
- Nomination orderbook is getting reduced
- Aiming to grow bottom-line by 15%

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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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