3 July 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,441	0.0	10.0
Nifty-50	24,124	-0.1	11.0
Nifty-M 100	55,855	-0.8	20.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,509	0.6	15.5
Nasdaq	18,029	0.8	20.1
FTSE 100	8,121	-0.6	5.0
DAX	18,164	-0.7	8.4
Hang Seng	6,375	0.7	10.5
Nikkei 225	40,075	1.1	19.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	89	0.6	14.2
Gold ($/OZ)	2,329	-0.1	12.9
Cu (US$/MT)	9,527	0.5	12.6
Almn (US$/MT)	2,476	0.2	5.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.1	0.4
USD/EUR	1.1	0.0	-2.7
USD/JPY	161.4	0.0	14.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.00	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.2
Flows (USD b)	**2-Jul**	**MTD**	**CYTD**
FIIs	-0.2	2.87	0.3
DIIs	0.08	3.51	29.0
Volumes (INRb)	**2-Jul**	**MTD***	**YTD***
Cash	1,412	1358	1258
F&O	4,52,842	3,34,726	3,77,945

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

The Corner Office - Emami: Growth print to improve; comfort on valuation

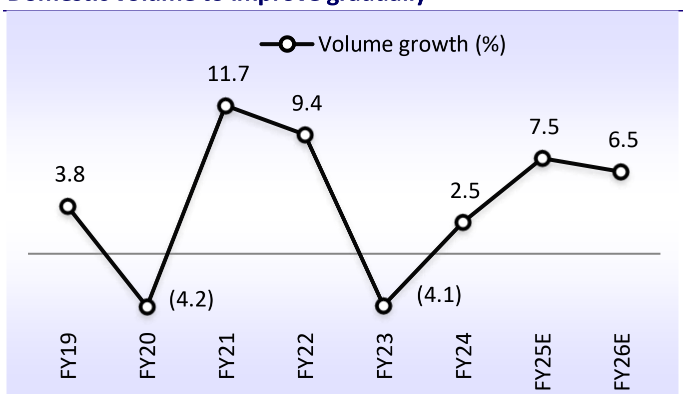
- Emami's management aims to create a consistent business model by expanding its reach in rural markets, improving distribution network and increasing its presence in modern trade and e-commerce. The company plans to strengthen its core portfolio by expanding its distribution model (alternate channel sales contribution reached to 25% vs. ~5% FY19) and focusing on brand investment and brand extensions.
- Emami is also looking to neutralize seasonal fluctuations by expanding its non-seasonal portfolio through acquisitions and brand extensions. The company is looking to drive revenue growth mainly by volume, with a limited price hike (~2%) over the next two years. Rural growth is trending at healthy pace; the management is positive on the govt's initiatives to drive rural income and expects positive steps in the upcoming budget. Domestic business can deliver a revenue CAGR in high single digits during FY24-26E. International business is also expected to deliver healthy double-digit growth.
- Promoters' pledge has reduced to 9-10% now from ~32-33% earlier and is expected to fall further to low single digits going forward. With growth dynamics improving along with consistent reduction in promoters' pledge, we expect a case of re-rating in Emami. We retain our BUY rating on the stock with a revised price target of INR850, based on 35x Jun'26E EPS (earlier 28x P/E).

Research covered

Cos/Sector	Key Highlights
The Corner Office	Emami: Growth print to improve; comfort on valuation
Bulls & Bears	Market makes a smart comeback; closes above 24k in Jun'24
Other Updates	Avenue Supermarts | Mahindra Finance | V-Mart Retail

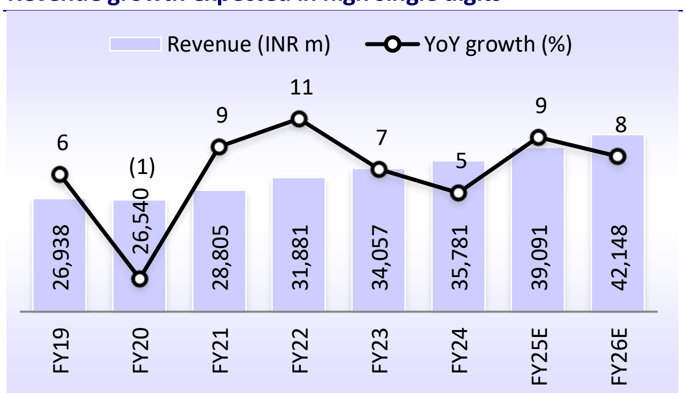
Chart of the Day: Emami (Growth print to improve; comfort on valuation)

Domestic volume to improve gradually



Source: MOFSL, Company

Revenue growth expected in high single digits



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Adi-Nadir Godrej family to buy 12.65% in Godrej Ind as part of family pact

Acquiring cousin Rishad Naoroji's stake in company in block deals valued at Rs 3,653 crore.

2

Zepto may go for another funding round to raise $250 million

Valuation likely to rise to $4.6 billion from $3.6 billion in June fund raise.

3

Steep hike in power demand; govt to revise National Electricity Plan

Peak demand may touch 260 GW by Sept-Oct, 400 GW by 2031-32, says Power Secretary.

4

Indian fast fashion sector may hit $50 billion by FY31

In FY24, the fast fashion industry recorded a growth rate of 30-40%, significantly outperforming the broader Indian fashion sector's growth of just 6%.

5

EV makers seek stability in incentives, call for long-term subsidy assurance before FAME III roll out

The Faster Adoption and Manufacturing of Electric Vehicles (FAME) scheme was originally launched in 2015 to encourage the adoption of electric and hybrid vehicles. Under it, a subsidy was provided to EV makers who used it to lower the prices of their products.

6

CIEL HR hits ₹1,000 crore revenue mark; plans three acquisitions in FY25

CIEL Group had earlier announced its intention to raise ₹500 crore via IPO by the third quarter of the current fiscal.

7

Capgemini to invest Rs 1,000 crore in new Chennai facility in 3 years

Scheduled for completion in April 2027, the 5,000-seat facility is designed with environmentally friendly practices in mind.

Growth print to improve; comfort on valuation

We met with the top management of Emami, represented by Mr. Mohan Goenka – Vice Chairman & whole time director, to discuss the current demand trends, recovery in rural region, the company's growth outlook for business verticals, profitability goals, and other focus areas. Here are the key takeaways from the discussion:=

Emami's management aims to create a consistent business model by expanding its reach in rural markets, improving distribution network and increasing its presence in modern trade and e-commerce. The company plans to strengthen its core portfolio by expanding its distribution model (alternate channel sales contribution reached to 25% vs. ~5% FY19) and focusing on brand investment and brand extensions. Besides, Emami is also looking to neutralize seasonal fluctuations by expanding its non-seasonal portfolio through acquisitions and brand extensions. We believe that the company's seasonal portfolio is expected to perform well, which, along with steady macro recovery, should improve its volume delivery in FY25. The company is looking to drive revenue growth mainly by volume, with a limited price hike (~2%) over the next two years. Rural growth is trending at healthy pace; the management is positive on the govt's initiatives to drive rural income and expects positive steps in the upcoming budget. Domestic business can deliver a revenue CAGR in high single digits during FY24-26E. International business is also expected to deliver healthy double-digit growth and its revenue contribution is expected to increase to over 20% from 17-18% over the next two to three years.

With a softening in RM prices, gross margin is expected to expand in FY25. The company plans to pass on some benefits by stepping up investments in branding. EBIDTA margin is expected to be in the range of 27-29% (barring any significant volatility in input prices) over the next two years. Promoters' pledge has reduced to 9-10% now from ~32-33% earlier and is expected to fall further to low single digits going forward. With growth dynamics improving along with consistent reduction in promoters' pledge, we expect a case of re-rating in Emami. We retain our BUY rating on the stock with a revised price target of **INR850, based on 35x Jun'26E EPS (earlier 28x P/E).**

Emami

Mohan Goenka, Vice Chairman & Whole-time Director

Mr. Goenka is a promoter of Emami and has been serving the company for over two decades, spearheading multiple functions including overseeing marketing strategies, product development, brand management and growing the business successfully. He is honorary Consul of Poland in Kolkata and is the former Chairman of ASSOCHAM National Council for FMCG. He holds a degree in Commerce and has received advanced business training from reputed institutions

Seasonal tailwinds along with gradual recovery in rural demand

The management highlighted that its summer portfolio (Navratna and Dermicool range) has benefitted from a severe summer season, clocking strong growth. Kesh King is witnessing demand issues due to increased competition from D2C brands. Balm portfolio is seeing subdued demand, but it should recover in the coming quarters. Emami expects that its healthcare portfolio will rebound as the penetration of nature-based supplements, OTC and Ayurveda products in India is lower, and with innovations in the category, the growth momentum can sustain. The company plans to actively expand its portfolio through strategic acquisitions, particularly focusing on D2C brands and innovative products. There is a strong innovation pipeline with several new launches expected in the coming quarters, which should drive aggressive growth. In FY24, Emami launched more than 35 products and variants in the domestic market. Its Healthcare, Boroplus and International businesses are also performing well. Its winter portfolio, which saw muted growth in FY24, is expected to improve growth delivery in FY25.

Double-digit revenue growth in International business

International business continues to do well. In FY24, it delivered revenue growth of 12% in constant currency and 9% in INR, driven by the MENA region. Emami expects double-digit growth in the international markets, aided by strategic initiatives taken by the company. Emami continues to invest in brand building and marketing initiatives to enhance brand visibility and consumer engagement. It is also doing local innovation, manufacturing and procurement of raw material in many countries, along with strategic partnerships and collaborations to strengthen distribution networks and market presence. The contribution of its international business currently stands at ~17% and is expected to cross 20% in the next two to three years. International business margins are comparatively lower than India business margins due to its presence in multiple geographies, which require higher marketing investment.

Margins expected to improve

Emami has seen margin expansion for the past 12-13 years, driven by successful acquisitions, cost efficiency, prudent pricing actions, and a better mix. The company has not seen inflation in input prices (in fact, metha prices came down sharply). Incremental savings in gross margins will be invested in advertising. As a result, EBITDA margins will improve gradually in FY25 (~100-150bp gain) and would remain stable at ~27-29% over the next two years.

Focusing on distribution expansion

Emami has taken initiatives to improve its overall distribution network and has invested aggressively in chemists, Project Khoj and rural expansion. The company has improved its reach from 32,000 villages in FY21 to over 52,000 villages in FY24, with ~75k outlet addition through Project Khoj. It reaches ~1m direct outlets across rural and urban networks. Modern trade and e-commerce channels also have been showing steady growth. Currently, these channels contribute ~25% to revenue, up from ~5% before Covid. These channels should continue to grow in the coming years as online purchasing by consumers has surged, which is driving investment not only in D2C brands but also in existing brands like Navratna, Healthcare, Zandu care, etc. The company in 4QFY24 opened three EBOs for Zandu healthcare to assess the feasibility of leveraging malls and other physical spaces alongside online channels.

Improving profitability of D2C portfolio

Emami's D2C portfolio, particularly with brands like The Man Company and Brillare, is poised for continued growth, with strategic initiatives focusing on both online and potential offline expansion, profitability improvement, and leveraging digital channels for product launches. In the last three years, it has launched several digital-first products, focusing on customized or specific health benefits that are well suited for the D2C market. The Man Company and Brillare together contributed INR2b to revenue in FY24 with 59% YoY growth. Their revenue jumped 5x in FY24 from FY20. With The Man Company being EBITDA positive in FY24, the focus will likely be on sustaining this profitability while reducing losses in Brillare and other D2C ventures. This will ensure that D2C channels not only grow in terms of revenue but also contribute to overall profitability.

Other takeaways:

- Current pledge on Emami book stands at ~9-10% and will decline going forward.
- The effective tax rate will be 10-12% for FY25 and FY26.
- The company anticipates a moderate price increase of 2-2.5% in FY25.

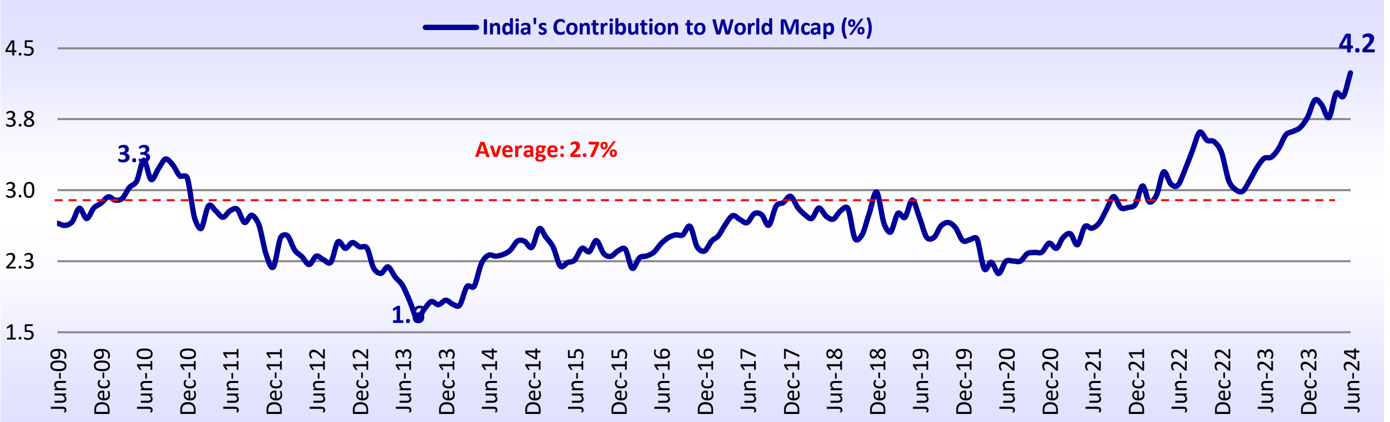
Valuation and view

- Emami's core categories are niche and they have been witnessing slow user addition over the last five years. Although it commands a high market share in core categories, the share gain is no longer a catalyst for volume growth.
- The management has initiated several steps (e.g., team additions, new launches, hiring consultants, marketing spending, etc.) over the last three to four years to revive volume growth; however, the desired result has not been achieved yet. However, we expect volume growth acceleration in FY25, driven by rural growth improvement and seasonal tailwinds.
- Emami is currently trading at 34x /31x FY25E/ FY26E EPS. With likely reduction in the promoters' pledge and consistent earnings growth going forward, we expect a re-rating in valuation. We retain our BUY rating on the stock with a **revised price target of INR850, based on 35x Jun'26E EPS (earlier 28x P/E multiple).**

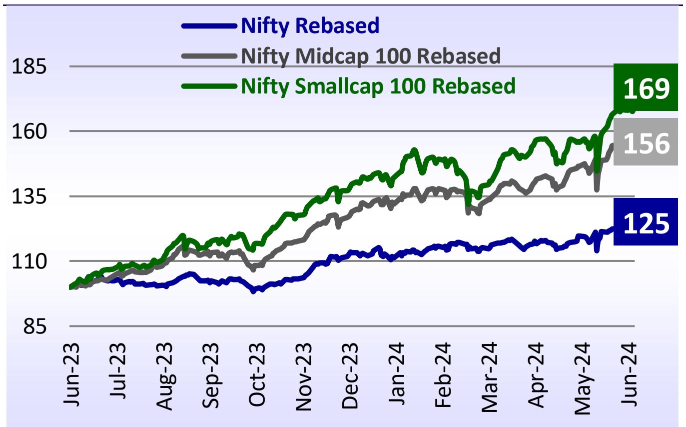
Strategy: Market makes a smart comeback; closes above 24k in Jun'24

- **Nifty rebounds and closes above 24k in Jun'24:** The Nifty, after consolidating in May'24, touched a fresh high of 24,174 before ending +6.6% MoM at 24,011 in Jun'24. Notably, the index was extremely volatile and swung around 2,893 points before closing 1,480 points higher. Midcaps and smallcaps outperformed largecaps by 1.2% and 3.1%, respectively, in Jun'24. Similarly, in CY24YTD, midcaps and smallcaps have outperformed largecaps and have risen 20.7% and 21%, respectively, vs. a 10.5% rise for the Nifty.
- **FIIs report inflows after two consecutive months of outflows:** FIIs turned buyers of USD3.1b in Jun'24, after remaining net sellers for two months. DIIs recorded inflows of USD3.4b in Jun'24 after clocking USD6.7b of inflows in May'24. FII inflows into Indian equities stand at USD0.3b in CY24YTD vs. inflows of USD21.4b in CY23. DII inflows into equities in CY24YTD continue to be strong at USD28.5b vs. USD22.3b in CY23.
- **Breadth favorable in Jun'24:** Among sectors, Technology (+12%), Telecom (+11%), Real Estate (+8%), Private Banks (+8%), and Automobiles (+8%) were the top gainers, whereas PSU Banks (-0.3%) was the only laggard MoM. Shriram Finance (+24%), Ultratech (+18%), Wipro (+17%), TechM (+16%), and Grasim (+15%) were the top performers, while Adani Ent. (-7%), Coal India (-4%), L&T (-3%), BPCL (-3%), and Maruti (-3%) were the key laggards.
- **Major economies end higher in Jun'24:** Among the key global markets, Taiwan (+9%), India (+7%), Korea (+6%), MSCI EM (+4%), the US (+3%), Japan (+3%), Brazil (+1%), and Indonesia (+1%) ended higher in local currency terms. However, Russia MICEX (-5%), China (-4%), and the UK (-1%) ended lower MoM in Jun'24. Over the last 12 months, the MSCI India Index (+35%) has significantly outperformed the MSCI EM Index (+10%). Over the last 10 years, the MSCI India Index has notably outperformed the MSCI EM index by a robust 199%.
- **Earnings – Corporate profit to GDP rebounds to a 15-year high in FY24!:** In 2024, the corporate profit to GDP ratio for the Nifty-500 Universe and listed India Inc. swelled to 4.8% and 5.2%, respectively, scaling a 15-year high. The YoY improvement was led by the BFSI, Oil & Gas, and Automobile sectors, which contributed 95% of the total improvement. Conversely, Metals, Technology, and Chemicals contributed adversely. The 0.8% YoY improvement in the 2024 profit to GDP ratio for Nifty-500 was propelled by the BFSI (0.3% increase), Oil & Gas (0.3% rise), and Automobile (0.2% increase) sectors **(Detailed report).**
- **Economy – Budget 2025 Preview:** Spending growth likely to be increased in FY25: From the Budget 2025 perspective, we believe that the new government will largely retain its tax and non-debt capital receipt (including disinvestment) projections as presented during the Interim Budget in Feb'24. If so, a transfer of INR2.11t by the RBI implies excess receipts of about INR1.5t in FY25. A large part of these additional receipts, we believe, would be spent under various heads, while a small portion could be used to reduce the fiscal deficit.
- **Our view:** Fundamentally, India is witnessing its own mini-Goldilocks moment with excellent macros (GDP growth of 8.2% in FY24 on the back of ~7% growth in FY23, inflation at ~5%, both current account and fiscal deficits well within tolerance band, stable currency, etc.), robust corporate earnings (Nifty ended FY24 with 25% earnings growth and FY25/26 earnings are likely to post 14-15% CAGR), focus on manufacturing, capex and infrastructure creation, and valuations. That said, sectors with overheated valuations and recent sharp outperformance, viz. Industrials, Railways, Defense, and PSUs may see more moderation in valuations before they become attractive again from a risk-reward perspective.
- **Top ideas:** Largecaps – ICICI Bank, ITC, HCL Tech, Coal India, SBI, L&T, M&M, Zomato, Ultratech, CIFC and Hindalco; Midcaps and Smallcaps – Indian Hotels, Ashok Leyland, Godrej Properties, Global Health, KEI Industries, PNB Housing, Cello World, Senco Gold and Kirloskar Oil.

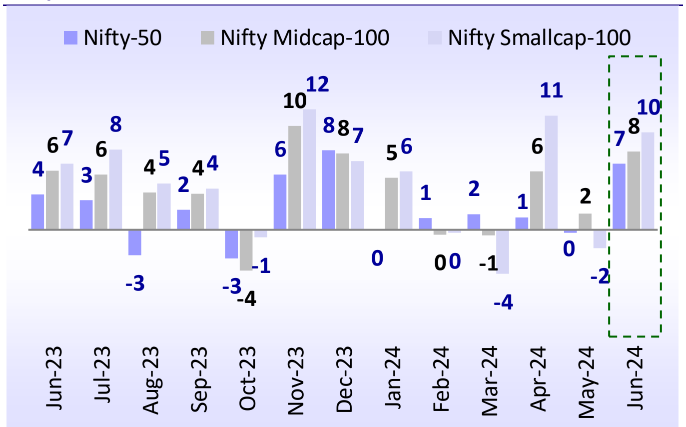
Trend in India's contribution to the global market cap (%) – at its all-time high



Performance of midcaps/smallcaps vs. largecaps over the last 12 months



MoM performance (%) – Midcaps and smallcaps outperforms in Jun'24



Avenue Supermarts

BSE SENSEX	S&P CNX
79,441	24,124

CMP: INR4,778 TP: INR 5,310(+11%) Neutral

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	508	624	770
EBITDA	41	55	71
Adj. PAT	25	34	45
EBITDA Margin (%)	8	9	9
Adj. EPS (INR)	39	53	70
EPS Gr. (%)	6	35	32
BV/Sh. (INR)	287	340	409
Ratios			
Net D:E	-0.1	-0.1	NA
RoE (%)	14.6	16.8	18.6
RoCE (%)	14.3	16.5	18.3
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	122.6	90.8	68.7
EV/EBITDA (x)	75.7	56.6	43.3
EV/Sales (X)	6.1	5.0	4.0
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.0	0.1	0.6

1QFY25 pre-quarter update

Revenue grew 18% YoY (in line)

Revenue growth supported by high productivity and footprint adds

- Standalone revenue grew 18% YoY to INR137b (in line), driven by 5% growth in revenue/store and 13% YoY store addition.
- Revenue/store rose 5% YoY to INR1,490m (+7% YoY in 4QFY24).
- Revenue/sqft (calc) increased by ~4% YoY to INR35.9k. The gap between revenue/store and revenue/sqft stood at ~1%.

Recovery visible:

- Revenue/sqft has been growing for the last 4-5 quarters (4-6% YoY growth in each quarter).
- In the last three years, revenue/sqft remained subdued due to the **addition of large-size stores** and **weak discretionary spending (revenue contribution 23-25%). This trend has been reversing gradually for the last 4-5 quarters,** which is evident from the narrowing gap between revenue/store growth and revenue/sqft growth.

Store addition:

- The company added seven stores in 1QFY25, taking the total count to 371 stores.

Trajectory in store additions and thru-put

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Revenue (INR b)	98	104	113	103	116	123	132	124	137
YoY growth	95%	36%	25%	20%	18%	19%	17%	20%	18%
Store count	294	302	306	324	327	336	341	365	371
Store adds	10	8	4	18	3	9	5	24	6
YoY growth	26%	23%	16%	14%	11%	11%	11%	13%	13%
Total Area (mn sqft)	12.1	12.4	12.6	13.4	13.5	13.9	14.2	15.2	15.4
YoY growth	38%	31%	22%	17%	12%	12%	13%	13%	14%
Rev/Store (INR m)	1,357	1,394	1,487	1,313	1,424	1,485	1,565	1,404	1,490
YoY growth	59%	10%	4%	4%	5%	7%	5%	7%	5%
Rev/sq ft*	33,244	33,909	36,175	31,807	34,452	35,935	37,728	33,793	35,900
YoY growth	47%	2%	-2%	1%	4%	6%	4%	6%	4%

Source: MOFSL, Company ; *calculated number

Mahindra Finance

BSE SENSEX	S&P CNX
79,441	24,124

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	71.4	87.1	102.2
PPP	41.8	53.6	64.7
PAT	17.6	27.8	34.4
EPS (INR)	14.3	22.5	27.9
EPS Gr. (%)	-11	58	24
BV/Sh.(INR)	141	156	176
Ratios			
NIM (%)	7.2	7.3	7.4
C/I ratio (%)	41.4	38.5	36.7
RoA (%)	1.7	2.2	2.4
RoE (%)	10.4	15.2	16.8
Payout (%)	44.2	31.1	28.5
Valuations			
P/E (x)	21.0	13.3	10.7
P/BV (x)	2.1	1.9	1.7
Div. Yield (%)	2.1	2.3	2.7

CMP: INR302 — Buy

Business assets up ~22% YoY; Stage 2/Stage 3 rose by ~100bp/30bp QoQ

CE stood at 95% (PY: 96%)

Key takeaways from Jun'24 business update:

- Jun'24 disbursements grew ~3% YoY to ~INR43.7b. 1QFY25 disbursements grew 5% YoY to INR127b.
- Gross business assets as of Jun'24 stood at ~INR1.06t, up 22% YoY/4% QoQ.
- Jun'24 collection efficiency (CE) stood at 95% (vs. 96% in Jun'23). 1QFY25 CE stood at 94% (vs. 94% in Jun'23).
- MMFS reported that its Stage 3 is estimated at 3.6% in 1QFY25 (vs. 3.4% in 4QFY24) and Stage 2 at 6.1% (vs. 5.0% in 4QFY24). Asset quality deterioration could be attributed to seasonality, elections and heat waves.
- As of Jun'24, MMFS maintained a comfortable liquidity position at ~INR80b.

Trends in disbursements, collection efficiency, and asset quality

MMFS	1QFY24			2QFY24			3QFY24			4QFY24			1QFY25		
	Apr-23	May-23	Jun-23	Jul-23	Aug-22	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Disbursements (INR b)	37.8	41.5	42.5	44.0	44.0	45.0	52.5	53.0	49.0	44.0	47.3	61.0	39.3	44.3	43.7
Growth - YoY (%)	37%	40%	13%	12%	18%	10%	0%	18%	5%	10%	13%	9%	4%	7%	3%
Business Assets (INR b)	839	855	866	881	905	936	958	966	969	982	1001	1024	1040	1053	1062
Growth - YoY (%)			28%	28%	28%	27%	27%	26%	25%	26%	24%	24%	24%	23%	23%
Collection Efficiency [Monthly]	92%	96%	96%	96%	96%	97%	94%	94%	98%	95%	97%	101%	89%	96%	95%
Collection Efficiency [Quarterly]		94%			96%			95%			98%			94%	
Stage 2			6.4%			5.8%			6.0%			5.1%			6.1%
Stage 3			4.3%			4.3%			4.0%			3.3%			3.6%
Stage 2 + Stage 3 [30+dpd]			**10.7%**			**10.0%**			**10.0%**			**8.4%**			**9.7%**
Write-offs (INR b)		3.3			3.4			4.5			6.0				

MMFS	1QFY24			2QFY24			3QFY24			4QFY24			1QFY25		
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Commentary on Asset Quality															
Stage 2	Range-bound vs. Mar'23	Range-bound vs. Mar'23	~40bp QoQ increase to 6.4%	Range-bound vs. Jun'23	Range-bound vs. Jun'23	~60bp QoQ decline to 5.8%	Range-bound vs. Sep'23	Range-bound vs. Sep'23	Range-bound vs. Sep'23	Range-bound vs. Dec'23	Range-bound vs. Dec'23	QoQ reduction of ~90bp vs. Dec'23	Range-bound vs. Mar'24	Stage 2 and 3 remained below 10%	~100bp QoQ increase to Stage 2
Stage 3/NPA contracts	Range-bound vs. Mar'23	Range-bound vs. Mar'23	Sequential reduction vs. Mar'23	Range-bound vs. Jun'23	Range-bound vs. Jun'23	Range-bound vs. Jun'23	Range-bound vs. Sep'23	Range-bound vs. Sep'23	QoQ reduction of ~30bp vs. Sep'23	Range-bound vs. Dec'23	Range-bound vs. Dec'23	QoQ reduction of ~70bp vs. Dec'23	Range-bound vs. Mar'24		~30bp QoQ increase to Stage 3
Excess IRAC GNPA (INR b)															

V-Mart Retail

BSE SENSEX	S&P CNX
79,441	24,124

CMP: INR2,892 TP: INR 2,800(-3%) Neutral

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	32.3	37.3
EBITDA	2.1	3.2	4.2
NP	-1.0	-0.4	0.3
EBITDA Margin (%)	7.6	9.8	11.3
Adj. EPS (INR)	-53.5	-23.3	15.1
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	389.5	404.6
Ratios			
Net D:E	1.8	2.1	2.0
RoE (%)	NM	NM	3.8
RoCE (%)	0.4	2.9	6.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	188.6
EV/EBITDA (x)	32.9	22.3	16.9
EV/Sales (x)	2.1	1.8	1.6
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	3.8	1.3	3.5

1QFY25 pre-quarter update

Revenue up 16% YoY (in line) led by 11% SSSG; recovery continues in both the segments

- Consolidated revenue grew 16% YoY to INR7.9b (in line), led by 11% SSSG and 4% YoY footprint addition.
- SSSG for V-Mart (core) and Unlimited has improved for the third straight quarter and stood at 12% and 8%, respectively, in 1QFY25.
- Limeroad revenue declined 29% YoY to INR120m. This is positive, as it could curtail the consol. EBITDA loss. Adjusted for this, VMART revenue (including Unlimited stores) grew 16% YoY.
- Unlimited revenue, with throughput of ~INR1,600/sqft (+8% SSSG), stood at ~INR1.2b (calculated), up ~5% YoY.
- V-Mart (core) revenue stood at ~INR6.5b (calculated), up ~20% YoY, with throughput of ~INR2,000/sqft.
- The company opened seven new stores (five V-Mart stores and two Unlimited stores) and closed three stores during the quarter, taking the total store count to 448 stores (V-Mart: 370 | Unlimited: 78).

Financial performance for 1QFY25

V-Mart (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s est (%)
Total revenue	5,879	5,062	7,769	5,939	6,785	5,494	8,891	6,686	7,860	15.8	17.6	7,868	-0.1
Adj. revenue*	5,879	5,062	7,718	5,821	6,611	5,275	8,721	6,534	7,740	17.1	18.5		
Total stores	391	405	414	423	431	437	454	444	448	3.9	0.9	447	0.2
SSSG	-15	-5	1	10	-3	-6	4	6	11			11	
Revenue per store	15.0	12.7	19.0	14.2	15.9	12.7	20.0	14.9	17.6	10.9	18.3	17.7	
YoY	138%	22%	2%	17%	6%	0%	5%	5%	11%			11%	
Total Area (mn Sqft)	3.4	3.5	3.6	3.7	3.8	3.8	3.9	3.9	3.9	3.8	0.9	3.9	
Revenue per sq ft	1,722	1,433	2,153	1,611	1,808	1,444	2,251	1,730	2,024	12.0	17.0		

* Adj for Limeroad revenue

Total stores	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s est (%)
V-Mart	314	326	334	341	349	352	367	365	370	6.0	1.4		
Unlimited	77	79	80	82	82	85	87	79	78	-4.9	-1.3		
Total stores	**391**	**405**	**414**	**423**	**431**	**437**	**454**	**444**	**448**	**3.9**	**0.9**	**447**	**0.2**

Source: MOFSL, Company

Bajaj Auto: Economic recover finally reaching lower-income consumers; expect 6-8% growth in domestic biz in Q2; Rakesh Sharma, Executive Director

- 5% rise in total sales with 3.5 lakh units for june
- Q1 has unfolded as per expectation, saw good sales in April, but May and June were flat
- Expect 6-8% growth in Q2FY25
- Nigeria mkt used to clock over 40,000-50,000 units vs nearly 9,000 units last month
- Top range in LATAm growing at 25-30%
- Q1 volumes are flattish, EBITDA for LATAM expletive to grow in double digits
- In the 125cc plus segment, have 26-27% market share for retail
- In the 150cc plus segment, alltime high in the last 3 years with 40% market share

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Patanjali Foods: Will grow the non-food by over 15%, target improving 18% EBITDA of HPC business to over 20% in 18 months; Sanjeev Asthana, CEO

- Confident of growing the acquired HPC business at much higher pace than earlier
- Target 12-15% growth in FMCG business across the portfolio
- Will grow non-food business in excess of 15%
- Target improving 18% EBITDA of HPC business to over 20% in 18 months
- Oil & FMCG business share will be 50-50% of share in 3 years

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Ajmera Realty & Infra India: MahaRERA aims to bring in more accountability, transparency; Dhaval Ajmera, Director

- Believe that the introduction of the new rules is a good move by the MahaRERA
- Money will be returned from both the separate and transaction A/C in case of a refund
- Q1FY25 saw a little slow down on the back of elections, holiday season
- Saw a positive momentum, but slower than the previous few quarters

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Allied Blenders and Distillers: Expect the industry to grow at 9%, Allied's overall growth to be in line with the industry; Ramakrishnan Ramaswamy, CFO

- Expect premium segment of Allied to grow at midteens and mass premium segment at low teens
- Expect margins to be in line with peers over the medium term
- Expect margins to be in early teens over the short term
- Inflationary trend in raw material prices is abating
- Whisky will continue to be the major revenue contributor for us
- Looking at backward integration which will aid financials over the next 18-24 months

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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