Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,352	0.5	11.2
Nifty-50	24,433	0.5	12.4
Nifty-M 100	57,078	0.3	23.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,577	0.1	16.9
Nasdaq	18,429	0.1	22.8
FTSE 100	8,140	-0.7	5.3
DAX	18,236	-1.3	8.9
Hang Seng	6,276	-0.1	8.8
Nikkei 225	41,580	2.0	24.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	86	-1.9	10.8
Gold ($/OZ)	2,364	0.2	14.6
Cu (US$/MT)	9,711	-0.5	14.7
Almn (US$/MT)	2,437	-1.5	3.9
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.3
USD/EUR	1.1	-0.1	-2.0
USD/JPY	161.3	0.3	14.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.00	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**9-Jul**	**MTD**	**CYTD**
FIIs	0.0	3.15	1.5
DIIs	0.17	3.60	28.8
Volumes (INRb)	**9-Jul**	**MTD***	**YTD***
Cash	1,456	1486	1269
F&O	3,48,657	3,37,010	3,76,406

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Raymond: Pushing for growth with simplifying structure

- The company is pushing for growth in the lifestyle business by adding 250-300 new stores in the next 12-18 months and product expansion by launching a sleepwear product (SleepZ by Raymond) and Park Avenue innerwear. In the engineering business, growth will be led by the aerospace segment (+30% CAGR), operating cost synergies, benefits from China + 1, and the hybrid and EV segments.
- For real estate, MMR is a USD2t opportunity and therefore, signing new projects worth INR100b every year should not be a challenge. It has already signed INR50b worth of projects and the pipeline remains strong with a couple of projects at an advanced stage of closure.
- Our SOTP-based model values the real estate business at INR1,200/share, the engineering business at INR215/share and the lifestyle business at INR2,340/share. The combined value of the three businesses works out to be INR3,755/share.

Research covered

Cos/Sector	Key Highlights
Raymond	Pushing for growth with simplifying structure
EcoScope	Public sector capex back to the pre-Covid high in FY24P
Maruti Suzuki	UP govt exempts road tax on strong hybrids
Oil & Gas	US EIA raises CY25 oil price forecast to USD88/bbl

Chart of the Day: Raymond (Pushing for growth with simplifying structure)

Financials bifurcation among the three segments

Segment	Lifestyle		Real estate		Engineering		Consol	
INR m	FY24	FY26	FY24	FY26	FY24	FY26	FY24	FY26
Revenue	**70,052**	**82,655**	**15,922**	**21,275**	**17,961**	**21,535**	**90,195**	**1,21,055**
EBITDA	11,126	12,695	3,686	4,225	2,676	3,446	13,091	17,922
PAT	**6,652**	**7,799**	**NA**	**NA**	**NA**	**NA**	**6,498**	**10,082**
EV	1,55,978	1,55,978	80,093	80,093	27,565	27,565	2,31,882	2,23,542
Market cap	1,55,978	1,55,978	80,093	80,093	21,695	21,695	2,04,902	2,04,902
PE Ratio	23.4x	20.0x	NA	NA	NA	NA	31.5x	20.3x
EV/EBITDA multiple	14.0x	12.3x	21.7x	19.0x	10.3x	8.0x	17.7x	12.5x

**Note: Adjusting full year depreciation and interest in Life9style business.*

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India and Russia aim to boost bilateral trade to over USD 100 billion by 2030

In a joint statement following the 22nd Annual Bilateral Summit between President Putin and PM Modi in Moscow, both sides reiterated their commitment to bolstering the special and privileged strategic partnership

2

Labour commissioner summons Paytm management over alleged layoffs

The development comes after series of complaints were filed by employees with the Ministry of Labour and Employment wherein they accused Paytm of forcing terminations without pay

3

F&O crackdown: Only one weekly options contract per exchange, min lot size Rs 20-30 lakh, derivatives panel suggests

The expert working committee appointed by Sebi has suggested a host of measures to rein in speculative trading in derivatives

4

UP gives Maruti a head 'start' in strong hybrids

Maruti Suzuki India saw a nearly 7% surge in its stock price following Uttar Pradesh's decision to waive registration levies on strong hybrid and plug-in vehicles.

5

H2GO: Reliance Industries, L&T, Adani and John Cockerill to manufacture electrolysers by 2025

Currently, India is reliant on the global market to source electrolysers for its green hydrogen projects. To counter this, as well as reduce the cost of green hydrogen production, the Solar Energy Corporation of India, in July 2023, issued a request for selection of electrolyser manufacturers to set up 1.5 gigawatts (GW) of capacity.

6

Vedanta to raise Rs 1,000 cr in debt

Vedanta Ltd will issue ₹1,000 crore in non-redeemable non-convertible debentures (NCDs) with a 15-month tenure linked to MIBOR, paying 3.75% over the one-month overnight indexed swap rate.

7

HDFC Defence Fund to halt new SIP registrations from July 22

The scheme invests in companies with good quality management with demonstrated track record and aims to achieve diversification by following a multi-cap strategy.

Raymond

BSE SENSEX	S&P CNX
80,352	24,433

Bloomberg	RW IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	204.9 / 2.5
52-Week Range (INR)	3496 / 1487
1, 6, 12 Rel. Per (%)	20/63/50
12M Avg Val (INR M)	828

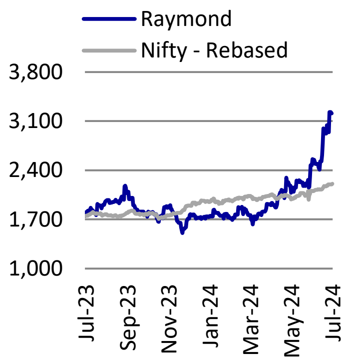
Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Sales	90.2	105.9	121.1
EBITDA	13.1	15.0	17.9
PAT	6.9	7.9	10.1
EPS (INR)	104.1	119.0	151.5
GR. (%)	10.2	14.3	27.3
BV/Sh (INR)	694	809	955
ROE (%)	18.4	15.8	17.2
RoCE (%)	15.0	12.6	13.7
RoIC (%)	14.9	11.7	13.3
P/E (X)	29.6	25.9	20.3
P/BV (X)	4.4	3.8	3.2
EV/EBITDA (X)	17.7	15.6	12.5
Div Yield (%)	0.3	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Jun-23
Promoter	49.1	49.1
DII	8.8	5.5
FII	14.5	17.8
Others	27.6	27.6

Stock's performance (one-year)



CMP: INR3,077 TP: INR3,755 (+22%) Buy

Pushing for growth with simplifying structure

We attended Raymond's analyst meet, wherein the company provided insights into its expansion plans for its three business verticals. Here are the key highlights:

Real Estate: Aiming for 20% growth on sustainable basis

- The group will now have a pure-play real estate arm focused on monetizing its legacy land parcel in Thane, along with expanding footprints in MMR and Pune. At Thane, the company has created various brands in each segment, such as aspirational (Ten X), premium (Address by GS) and luxury (Invictus by GS), and all its projects will be positioned within these three brands.
- MMR is a USD2t opportunity; therefore, signing new projects worth INR100b every year should not be a challenge. It has already signed INR50b worth of projects over the past six months and the pipeline remains strong with a couple of projects at advance stages of closure.
- The company achieved bookings of INR22b in FY24 and while the aim is to double it over the next 3-4 years, we believe timely launches of all non-Thane projects (expected by 1HFY26) can enable it to achieve the milestone a year in advance in FY26. Over the medium term, the management is targeting to deliver 20% pre-sales growth on a sustainable basis, along with 20% EBITDA margin and 20% ROCE.

Lifestyle business: Growth led by branded apparel

The record date of demerger is 11th Jul'24 and the company expects the lifestyle business to be listed in the next two months. The expansion plan for the lifestyle segment will be led by EBO expansion and product expansion. EBO expansion will be done by adding 250-300 new stores in 12-18 months (vs. 409 EBOs in FY24). Product expansion will include the launch of i) sleepwear brand – SleepZ by Raymond, which will be launched in Jul'24 at an attractive ASP range of INR500-999 and will be distributed via distributors across India, and ii) Park Avenue Innerwear in the next 3-4 months at a price range of INR250-600. Over FY24-26, we expect an 18% CAGR in revenue from the branded apparel segment over FY24-26 and 9%/7% growth in Lifestyle revenue/EBITDA. We value the segment by assigning a P/E of 20x on FY26E to the lifestyle business, arriving at a valuation of INR156b (INR2,930/share of RLL and INR2,340 in RL SOTP).

Engineering business: Growth led by Aerospace segment

After the demerger of real estate and lifestyle businesses, Raymond Ltd will be an engineering company headed by Mr. Gautam Maini (founder of MPPL). The company has three segments: a) steel files and tools & hardware, b) auto and EV components, and c) aerospace & defense. Going forward, the company will merge the 'a and b' into one company and aerospace & defense into a second company. The growth will be led by the aerospace segment (+30% CAGR), operating cost synergies, benefits from China + 1 and bulk of incremental growth from the hybrid and EV segments. The pro forma revenue/EBITDA for FY24 (including MPPL) was INR18b/INR2.7b (15% margin). We estimate a CAGR of 9%/13% in revenue/EBITDA over FY24-26. We value the engineering business at 8x FY26E EV/EBITDA, arriving at a valuation of INR22b. Considering RL's 66.3% stake in MPPL, RL's SOTP-based value stands at INR215/share.

Valuation and view

- Our SOTP-based model values the real estate business at 8x FY26E EV/EBITDA on embedded EBITDA, assuming pre-sales of INR40b and 25% EBITDA margin, and arrives at a valuation of INR80b (i.e., INR1200/share). We assign a P/E of 20x on FY26E to the lifestyle business, arriving at a value of INR2,340/share (INR2,930 post demerger in RLL). The engineering business is valued at 8x FY26E EV/EBITDA, arriving at a value of INR215/share. The combined value of the three businesses works out to be INR3,755/share. **We retain BUY rating on the stock.**
- Accordingly, we expect the per share value of RL will be ~INR1,415 (value of INR94b) after the record date (11 Jul'24), which includes INR1,200 of real estate and INR215 of the engineering business. The Lifestyle business could be listed at ~INR2,930/share (20x FY26E EPS) and value of INR156b.

Lifestyle business- Valuation on FY26 (INR m)

INR	FY26E
EBITDA	12,695
PAT	7,799
EPS	117
PE Ratio	20
Per share value	2,340

Source: Company, MOFSL

Real Estate business- Valuation on FY26 (INR m)

INR m	FY26E
Pre-sales	40,046
Margin	25%
EV/ EBITDA	8.0x
EV= Equity	80,093
No of shares	67
Per share value	1,200

Source: Company, MOFSL

Engineering business - Valuation on FY26 (INR m)

INRm	FY26E
EBITDA	3,446
EV/ EBITDA	8.0x
EV	27,565
less: debt	-5,870
Equity	21,695
Raymond stake	66.3%
Raymond stake in NewCo	14,384
No of shares	67
Per share value	215

Source: Company, MOFSL

RAYMOND valuation on FY26 (INR)

INR	Valuation
Lifestyle Valuation	2,340
Real estate Valuation	1,200
Engineering Valuation	215
Consol value	3,755
CMP	3,078
Upside	22%

Source: Company, MOFSL

Financials bifurcation among the three segments

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EV/EBITDA multiple	14.0x	12.3x	21.7x	19.0x	10.3x	8.0x	17.7x	12.5x

**Note: Adjusting full year depreciation and interest in Lifestyle business.*

Public sector capex back to the pre-Covid high in FY24P…

…and is likely to sustain in FY25BE

- **It is widely known and acknowledged that the total investment (i.e., capex) of the Central government has increased rapidly in the past three years. Excluding loans & advances (L&As) and equity infusion into public sector enterprises (PSEs), the Central government's capex posted a staggering 32% CAGR in the last three years and is estimated to be INR7.3t in FY24P, up from INR3.2t in FY21.**
- **Although this is highly appreciated, we have highlighted numerous times (see here or here) that this is largely a reallocation of capex from the Central PSEs (or CPSEs) to the fiscal accounts. On an aggregate basis, the combined capex of CPSEs (excluding Food Corporation of India, FCI) and the Central government is likely to be 3.5% of GDP in FY24P, compared to the average of 3.7% of GDP in the 2010s decade. This is because, although Center's capex has risen to 2.5% of GDP in FY24P from 1.5% in the 2010s decade, CPSEs' capex has declined to 1% (based on revised estimates, REs) from 2.2% of GDP earlier. This re-allocation, however, could have had a positive impact on investment efficiency.**
- **Further, it is largely believed that the last five years, i.e., FY19-FY24P, have seen superior growth in the government's capex. Although this is certainly true for the Center's capex, it is not true for the combined capex of the Central government and CPSEs[1]. A comparison with previous five-year periods (starting FY00) confirms that the combined capex growth in recent five years (FY19-24) was only 7.5% per annum vs. a CAGR of 11-17% in the previous episodes. CPSEs capex, thus, was only 40% of the center's capex in FY24, compared to almost 1.5x a decade ago.**
- **This is not only true for the combined capex of the government, but also for the 'roads & national highways' sector. As against the CAGR of 18.8% and 41.8%, respectively, during FY09-14 and FY14-19, capex in the roads sector increased at an average of 15% during the last five years. Of course, a higher base matters, as the growth during FY14-19 was remarkable in this sector. For railways also, the average growth during FY14-FY19, at 21.2%, was higher than during the last five years (14.5%) and the CAGR of 12.4% between FY09 and FY14. In contrast, defense spending grew at the slowest pace during FY14-FY19 (at only 3.8%), compared to 10.5% in the last five years and 14.1% between FY09 and FY14.**
- **In contrast to the central government, states' aggregate capex (excluding loans & advances) is estimated to have increased at a CAGR of 11.5% during the last five years, weaker than 14.8% in the previous five years but much better than 9.0% during FY09-FY14 period. This decent CAGR in the recent period was largely driven by almost two-decade high growth of 27% YoY in FY24P[2]. Accordingly, states' capex increased from a very stable rate of 2.0-2.3% of GDP during the past two decades to its all-time high level of 2.6% of GDP in FY24P.**
- **Thanks to the states, the total public sector (Centre + CPSEs + states) capex increased 17.5% YoY in FY24P, marking the second-highest growth in eight years. However, notwithstanding such strong growth in FY24P, the total capex of the public sector clocked a 9.1% CAGR in the last five years, weaker than 12.3% and 10.1% CAGR during FY14-FY19 and FY09-FY14, respectively. Notably, though, the total capex of the public sector increased to 6.1% of GDP last year, the same as in the pre-Covid years and compared to an eight-year low of 5.7% of GDP in FY23.**
- **Going by the Union and states' 2024-25 budgets[3], the total capex of the public sector is budgeted to grow 9.6% YoY in FY25 vs. FY24RE and 15.3% vs. FY24P. Assuming that states – on an aggregate – spend 90% of their budget estimates (BEs) in FY25 (compared to an estimated 88% in FY24P and an average of 77-78% in the last five or ten years) and the Center/CPSEs meet their BEs, the total public sector capex would grow 10.3% YoY next year, standing at 6.1% of GDP.**
- **Since we expect India's nominal investments (GFCF + change in inventories) to grow 12% YoY in FY25, better than +9.8% YoY in FY24, it also means that we expect the private sector capex (household + corporate) to grow 12.3% YoY in FY25 vs. +8.1% YoY in FY24. Within that, while household capex growth could slow to 11% YoY (from +12% YoY in FY24P), private corporate capex will have to increase 13.5% YoY this year, compared to just 4.3% growth in FY24.**

[1] Actual data on CPSEs capex is available only from FY10. Only budget and revised estimates (BEs and REs) were available prior to that.
[2] FY24P estimates are based on provisional/supplementary monthly data available up to March 2024 for 20 large states.
[3] Based on an analysis of 20 large states, of which eight states have presented Vote-on-account (VoA) budgets, just like the Central government. Please refer to our recently released report on State Budgets 2024-25

Maruti Suzuki

BSE SENSEX	S&P CNX
80.352	24,433

CMP: INR12,828

UP govt exempts road tax on strong hybrids

Positive for MSIL; other states could follow the suit

As per the media reports [Link for media article], the Uttar Pradesh (UP) government has announced its decision to waive road tax and registration fees for strong hybrid and plug-in hybrid cars, along with electric vehicles (EVs), for three years under its EV policy introduced in 2022. Currently, UP imposes a road tax of 8-10% on petrol and diesel cars, based on the vehicle's cost. The contribution of UP to the total passenger vehicle (PV) industry and to MSIL sales mix is ~10%. Additionally, for MSIL, ~20-25% of Grand Vitara sales (~9,000 units per month) account for strong hybrids. This development is certainly positive for MSIL; however, it will be interesting to see if other states follow this move. MSIL continues to be our top pick among Auto OEMs.

- In the FY24, ~90k hybrid vehicles were sold in India, accounting for ~2% of total car sales. Key manufacturers of hybrid vehicles in India include MSIL (Grand Vitara and Invicto), Toyota (Hyryder and Innova Hycross), and Honda (e-HEV). This tax reduction could potentially boost hybrid car sales further.
- With this decision, strong hybrid cars have become cheaper in UP by up to INR312k or 10% of the vehicle cost (Source:CarWale).

Model name	Present road tax in Lucknow, UP (in INR)
MSIL Grand Vitara	189-213k
MSIL Invicto	256-293k
Toyota Hyryder	168-204k
Toyota Innova Hycross	262-312k
Honda City e-HEV	195-218k

- According to Mr. RC Bhargava, Chairman of MSIL, alternative technologies are essential for reducing dependence on imported oil. He emphasized that relying solely on EVs is insufficient to achieve this goal. Hybrid cars, being less polluting than petrol and diesel vehicles, represent a viable solution. He hopes that other states would also support hybrid vehicles and anticipates a short-term increase in sales in UP. He urged both central and state governments to review policies to achieve carbon neutrality and reduce oil imports.
- The stock trades at 26x/24x FY25E/FY26E consolidated EPS.

Oil & Gas

US EIA raises CY25 oil price forecast to USD88/bbl

The US Energy Information Administration (EIA) released its short-term energy outlook for Jul'24.

- **Brent crude forecast revised up 2%/4% for CY24/CY25:** Brent crude oil spot price forecast for CY24 was raised by 2% (vs. Jun'24 forecasts) to USD86/bbl. CY25 forecast was also increased by 5% to USD88/bbl. The anticipated increase in prices in 2HCY24 is driven by US EIA's forecast of continued depletion in global oil inventories. US EIA projects that global oil inventories declined by 0.5mb/d in 1HCY24 and it expects a further reduction of 0.7mb/d in 2HCY24. The risk to EIA's CY25 oil price forecast of USD88/bbl stems from 1) oil demand growth coming in lower than 1.8mb/d assumed by EIA, and 2) un-winding of OPEC+ production cuts in a bid to protect market share.
- **US crude production forecast for CY25 increased by 1%:** US crude oil production forecast remains unchanged at 13.2mb/d for CY24. For CY25, forecast was raised by 1% (vs. Jun'24 forecast) to 13.8mb/d. We believe production growth momentum in the US will continue to accelerate in CY26 and beyond.
- **HH gas price forecast for CY25 revised up by 3%:** CY24 forecast for natural gas price at Henry Hub remains unchanged. However, CY25 forecast was revised up 3% (vs. Jun'24 forecast) to USD3.3/mmbtu.
- **LNG growth remains robust in CY25:** Gross export forecast of US liquefied natural gas remains unchanged for CY24 and CY25 at 12bcf/d and 14bcf/d, respectively.

We remain positive on upstream as well as OMCs given range-bound oil prices. We maintain BUY on ONGC, Oil India and HPCL.

Jul'24 forecasts	2023	2024	2025	2024/23 (%)	2025/24
Brent crude oil spot price (USD/bbl)	82.00	86.00	88.00	5	2
U.S. crude oil production (mb/d)	12.90	13.20	13.80	2	5
Natural gas price at Henry Hub (USD/mmbtu)	2.50	2.50	3.30	0	32
U.S. liquefied natural gas gross exports (bcf/d)	12.00	12.00	14.00	0	17

Source: U.S. EIA STEO, MOFSL

	Change vs previous forecast (%)		
	2023	2024	2025
Brent crude oil spot price (USD/bbl)	0	2	4
U.S. crude oil production (mb/d)	0	0	1
Natural gas price at Henry Hub (USD/mmbtu)	0	0	3
U.S. liquefied natural gas gross exports (bcf/d)	0	0	0

Source: U.S. EIA STEO, MOFSL

Jun'24 forecasts	2023	2024	2025	2024/23 (%)	2025/24 (%)
Brent crude oil spot price (USD/bbl)	82.00	84.00	85.00	2	1
U.S. crude oil production (mb/d)	12.90	13.20	13.70	2	4
Natural gas price at Henry Hub (USD/mmbtu)	2.50	2.50	3.20	0	28
U.S. liquefied natural gas gross exports (bcf/d)	12.00	12.00	14.00	0	17

Source: U.S. EIA STEO, MOFSL

Maruti Suzuki India: Commendable and wise move from UP Govt; RC Bhargava, Chairman

- Alternate tech needed towards journey of substitution of imported oil
- Lowering dependence on imported oil cannot be achieved only by EV
- Hybrid cars are less polluting compared to petrol and diesel
- Hopeful that other states will also consider push for hybrids
- Expect a short term impact of increase of sales in UP
- Retail sales in June not as high as expected
- Centre & State Govts should review the policy to achieve carbon neutrality & cut oil imports

Read More

Aurionpro Solutions: The data centre is on the the large bets for us; see robust demand all over the world; Ashish Rai, CEO

- More demand than supply in the data centre market, which could make up 16% to 17% of out revenue
- Data centre business is growing at a 40% to 50% growth rate for us
- Data centre industry can grow at around 40% CAGR for the next 4 to 5 years
- Have a strong team n the R&D side and are focusing on R&D to build the best products
- Open to any acquisition opportunities
- Digitization is happening all across India, and we expect more demand for data centres from tier 2 and 3 cities.

Read More

PG Electroplast: Seeing very strong demand in the AC segment; Vikas Gupta, MD

- Formalising its strategy to invest in the PLI scheme fr white goods
- Revenue guidance of Rs. 3,400 crore for FY25
- Expecting Rs. 500 to Rs. 600 crore in revenues from JV to TVs
- Ac and washing machines businesses are goring at around 40%
- Expanding further capacity on the AC side to capture the demand for the next summer season. Planning to launch a couple of new products line soon.
- Under the AC PLi incentive, company expects around Rs. 50 crore for FY25

Read More

Senco Gold & Diamond: Heat Wave, Elections & Lesser Wedding dates have kept growth lower; Suvankar Sen, MD

- Number of weddings much lower in the first half of FY 25 (heat waves, election, less wedding dates as compared to in FY24.
- Growth for Senco has been dim at around 9% overall including exports, ecom, b2b)
- With the anticipation that the prices of the gold will rise in the second half – buyers will now go out and evaluate purchase today
- **TARGET** - 18-20 stores in total (10-12 COCO + 8- 10 franchise) – 6 added in the first quarter
- Studded ratio remains around 11.5% + consumer is slow in buying

Read More

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

*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.

Disclosures:
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