Today's top research idea

HDFC Life Insurance: APE up 23% YoY, VNB margins 100bp below estimate

- ❖ HDFCLIFE remains focused on maintaining a balanced product mix, with an emphasis on product innovation and superior customer service. Growth in lower-tier cities will be in focus with the expansion of HDFC Bank's branch network and the deepening of HDFCLIFE's branch network.
- ❖ Persistency improved across cohorts, which will keep the renewal premium growth healthy. The company aims to double its APE/VNB over the next four years. Surrender charges are likely to bring in new commission constructs, and hence, distributor adaptability will be critical.
- ❖ We have raised our APE growth estimates but lowered our VNB margin assumptions, based on the 1Q performance and guidance. We now estimate HDFCLIFE to deliver an ~18% VNB CAGR over FY24-26 and steady margin in the range of 25-26%. Maintain BUY with a TP of INR750 (premised on 2.5x Mar'26E EV).

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,665	0.2	11.7
Nifty-50	24,587	0.3	13.1
Nifty-M 100	57,664	0.9	24.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,631	0.3	18.1
Nasdaq	18,473	0.4	23.1
FTSE 100	8,183	-0.8	5.8
DAX	18,591	-0.8	11.0
Hang Seng	6,422	-1.7	11.3
Nikkei 225	41,191	0.0	23.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	87	-1.2	11.6
Gold ($/OZ)	2,422	0.4	17.4
Cu (US$/MT)	9,653	-0.8	14.0
Almn (US$/MT)	2,403	-0.5	2.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.6	0.1	0.5
USD/EUR	1.1	-0.1	-1.3
USD/JPY	158.1	0.1	12.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	-0.01	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**15-Jul**	**MTD**	**CYTD**
FIIs	0.3	2.62	2.6
DIIs	-0.04	0.52	29.0
Volumes (INRb)	**15-Jul**	**MTD***	**YTD***
Cash	1,415	1507	1277
F&O	2,51,257	3,37,728	3,75,289

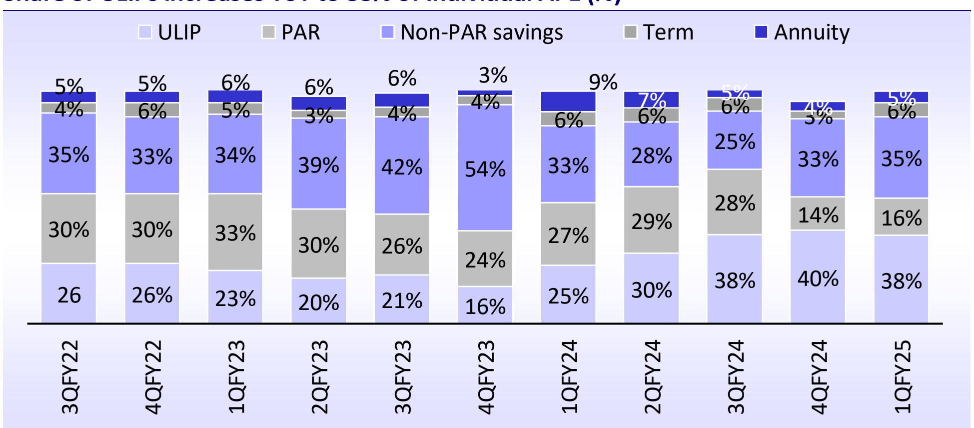
Note: Flows, MTD includes provisional numbers.
*Average

Research covered

Cos/Sector	Key Highlights
HDFC Life Insurance	APE up 23% YoY, VNB margins 100bp below estimate
Varun Beverages	Hungry For More: Scaling up snack food business
Metals Monthly	Steel prices dip in Jun'24; to remain under pressure
Angel One	Strong PAT beat driven by lower opex
Jio Finance	Steady quarter; strategic initiatives continue
EcoScope	WPI rises to a 16-month high of 3.4% in Jun'24
	May CPI inflation at 4-month high of 5.1%

Chart of the Day: HDFC Life Insurance (APE up 23% YoY, VNB margins 100bp below estimate)

Share of ULIPs increases YoY to 38% of Individual APE (%)



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Kindly click on textbox for the detailed news link

1

Adani upbeat on its India ports biz, expects volumes to double in 5 years

Revenue from the ports segment grew to Rs 20,972 crore in FY24, from Rs 17,304 crore in the previous year.

2

Indian Oil Corp receives two bids for green hydrogen plant amid scrutiny and industry concerns

Indian Oil Corp (IOC) received only two bids for its green hydrogen plant project at the Panipat refinery in Haryana, indicating a lack of broad interest from major players despite initial engagement.

3

Adani-Hindenburg Case: Supreme Court dismisses plea seeking review of order recommending SEBI probe

Adani-Hindenburg Case: Earlier this year on January 3, the apex court had refused to order an SIT or a CBI probe in the stock crash case.

4

Varun Beverages Ltd to set up units for PepsiCo snacks in Zimbabwe, Zambia

Varun Beverages (VBL), PepsiCo's bottling franchise partner, plans to establish manufacturing units in Zimbabwe and Zambia with an investment of $7 million.

5

Scindia meets telecom panels to prepare self-reliance road map

In his first formal interaction with the industry stakeholders after taking charge, Scindia said the idea is to get feedback from the industry on the pain points so that they could be addressed, as well as initiatives which can be taken to ensure the sector can grow at a faster rate.

6

Fraud tag on loans only after hearing borrowers: RBI to banks

The RBI has mandated banks to give borrowers three weeks to respond before labeling accounts as fraudulent, aligning with a Supreme Court ruling on natural justice.

7

Govt may chip in further to aid semiconductor sector

The government has committed Rs 70,000 crore for various programmes, but more needs to be done as the industry would need 250-300 suppliers of gases, equipment and high-precision machinery to laundries that can provide clean room workwear and each of them made by different manufacturers.

16 July 2024

1QFY25 Results Update | Sector: Financials

HDFC Life Insurance

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2151
M.Cap.(INRb)/(USDb)	1372.4 / 16.4
52-Week Range (INR)	711 / 511
1, 6, 12 Rel. Per (%)	2/-7/-30
12M Avg Val (INR M)	2672

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Premiums	619.6	737.4	880.3
Surplus / Deficit	7.8	9.1	12.4
Sh. PAT	15.7	16.6	20.7
NBP gr- unwtd (%)	1.9	18.0	18.0
NBP gr - APE (%)	-1.0	21.6	18.0
Premium gr (%)	9.6	19.0	19.4
VNB margin (%)	26.3	25.8	26.1
RoEV (%)	20.1	16.7	16.5
Total AUMs (INRt)	2.9	3.5	4.1
VNB (INRb)	35.0	40.6	48.5
EV per share	220	257	300
Valuations			
P/EV (x)	2.9	2.5	2.1
P/EVOP (x)	19.8	17.2	15.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	50.4	50.4	50.3
DII	7.9	6.6	6.6
FII	30.1	31.3	29.9
Others	11.6	11.8	13.2

FII Includes depository receipts

CMP: INR640 TP: INR750 (+16%) BUY

APE up 23% YoY, VNB margins 100bp below estimate

Guides for doubling APE/VNB in four years

- HDFC Life Insurance (HDFCLIFE) in 1QFY25 reported lower-than-expected VNB margins at 25% (est. 26%), with absolute VNB increasing 18% YoY to INR7.2b (in line with estimate).
- Total APE grew 23% YoY to INR28.7b (4% higher than estimates) in 1QFY25 as ULIP/non-par grew 88%/37% YoY.
- EV grew 19% YoY to INR496b, while solvency was at 186% vs. 200% in 1QFY24. The company has received approval to raise INR20b via sub-debt, which will improve solvency.
- 1Q PAT at INR4.8b grew 15% YoY but was 8% below our estimate.
- We have raised our APE growth estimates but lowered our VNB margin assumptions based on 1Q performance and the guidance. We now estimate HDFCLIFE to deliver an ~18% VNB CAGR over FY24-26 and steady margin in the range of 25-26%. **Maintain BUY with a TP of INR750 (premised on 2.5x Mar'26E EV).**

Strong growth of 88% YoY in ULIPs

- Total premium rose 9.7% YoY to INR128.1b (7% miss), with new business premium up 9.1% YoY and renewal premium up 10.5% YoY.
- Total APE grew 23% YoY to INR28.7b in 1QFY25, with individual APE at INR24.7b (up 31% YoY). Based on total APE, ULIPs grew 88% YoY and Non-Par products surged 37% YoY. Par/Protection/Annuity segments witnessed a decline of 18%/3%/32% YoY.
- VNB grew 18% YoY (in line), with margins missing our estimates by 100bp at 25% (120bp decline YoY) in 1QFY25.
- On the distribution front, based on individual APE, the share of banca was stable at 65%, while agency channel made up 17%. The share of direct and broker channels stood at 11% and 7%, respectively.
- EV grew 19% YoY to INR496b. Total AUM increased 22.5% YoY to INR3.1t, while the solvency ratio stood at 186% (200% in 1QFY24)

Highlights from the management commentary

- The company aims to double its APE and VNB in the next four years. APE growth will be driven by the HDFC Bank channel and agency channel, where investments have been made. VNB growth will come from a favourable mix (share of ULIPs to decline) and higher rider attachments.
- HDFCLIFE expects a 100bp impact on VNB margins from surrender charges, considering no changes by the company in the new environment. The impact is relatively lower as it assumes miniscule surrender profits in VNB margin calculations.
- HDFCLIFE expects moderation in share of ULIPs to continue as new product launches in other segments pick up momentum. Strong growth was seen in non-par products, especially in new variants in click-to-achieve segment.

Valuation and view

HDFCLIFE remains focused on maintaining a balanced product mix, with an emphasis on product innovation and superior customer service. Growth in lower-tier cities will be in focus with the expansion of HDFC Bank's branch network and deepening of HDFCLIFE's branch network. Persistency improved across cohorts, which will keep the renewal premium growth healthy. The company aims to double its APE/VNB over the next four years. Surrender charges are likely to bring in new commission constructs, and hence, distributor adaptability will be critical. We have raised our APE growth estimates but lowered our VNB margin assumptions based on the 1Q performance and the guidance. We now estimate HDFCLIFE to deliver an ~18% VNB CAGR over FY24-26 and steady margin in the range of 25-26%. Maintain BUY with a TP of INR750 (premised on 2.5x Mar'26E EV).

Quarterly performance **(INR m)**

Policy holder's A/c (INR b)	**FY24**				**FY25E**				**FY24**	**FY25E**	**FY25E**	**V/s**
	1Q	**2Q**	**3Q**	**4Q**	**1Q**	**2QE**	**3QE**	**4QE**			**1Q**	**est**
First year premium	18.5	25.7	26.8	40.1	23.6	33.0	31.6	47.5	111.1	136.4	23.4	0.8
Growth (%)	*8.4%*	*5.9%*	*-1.7%*	*-10.1%*	*27.4%*	*28.6%*	*18.1%*	*18.2%*	*-1.9%*	*22.7%*	26.4%	
Renewal premium	58.0	78.4	84.0	114.1	64.1	92.2	100.3	139.5	334.5	401.0	72.7	-11.8
Growth (%)	*13.8%*	*13.5%*	*16.8%*	*23.3%*	*10.5%*	*17.7%*	*19.4%*	*22.3%*	*17.6%*	*19.9%*	25.3%	
Single premium	40.2	45.4	44.5	55.2	40.4	55.5	46.9	68.3	185.2	213.3	41.2	-1.9
Growth (%)	*24.0%*	*14.7%*	*-4.6%*	*-6.6%*	*0.6%*	*22.3%*	*5.4%*	*23.7%*	*4.3%*	*15.2%*	2.6%	
Gross premium inc.	**116.7**	**149.4**	**155.3**	**209.4**	**128.1**	**180.7**	**178.8**	**255.3**	**630.8**	**750.7**	137.3	-6.7
Growth (%)	*16.2%*	*12.5%*	*6.5%*	*6.7%*	*9.7%*	*20.9%*	*15.2%*	*21.9%*	*9.6%*	*19.0%*	*17.6%*	
PAT	**4.2**	**3.8**	**3.7**	**4.1**	**4.8**	**3.7**	**3.8**	**5.2**	**15.7**	**16.6**	**5.2**	-8.1
Growth (%)	*15.4%*	*15.5%*	*15.8%*	*14.6%*	*15.0%*	*-2.9%*	*4.8%*	*25.4%*	*15.3%*	*6.0%*	*25.2%*	
Key metrics (INRb)												
New business APE	23.3	30.5	31.9	47.3	28.7	38.5	36.3	54.2	129.6	157.7	27.5	4.1
Growth (%)	12.8	6.8	-2.1	-8.4	23.1	26.6	13.8	14.6	-1.0	21.6	18.3	
VNB	6.1	8.0	8.56	12.34	7.2	9.9	9.4	14.11	35.0	40.6	7.2	0.3
Growth (%)	17.8	4.0	-2.2	-18.3	17.7	24.2	9.5	14.4	-4.7	16.0	17.4	
AUM (INR b)	2,533	2,649	2,797	2,922	3,102	3,205	3,349	3,538	2,922	3,538	3,090	0.4
Growth (%)	18.7	17.8	19.6	22.4	22.5	21.0	19.8	21.1	22.4	21.1	22.0	
Key Ratios (%)												
VNB Margins (%)	26.2	26.2	26.8	26.1	25.0	25.8	25.8	26.1	26.3	25.8	26.0	-100

Varun Beverages

BSE SENSEX	S&P CNX
80,665	24,587

CMP: INR1,628 TP: INR1,900 (+17%) Buy

Stock Info

Bloomberg	VBL IN
Equity Shares (m)	1299
M.Cap.(INRb)/(USDb)	2115.3 / 25.3
52-Week Range (INR)	1674 / 785
1, 6, 12 Rel. Per (%)	-5/17/70
12M Avg Val (INR M)	2615
Free float (%)	37.3

Financials Snapshot (INR b)

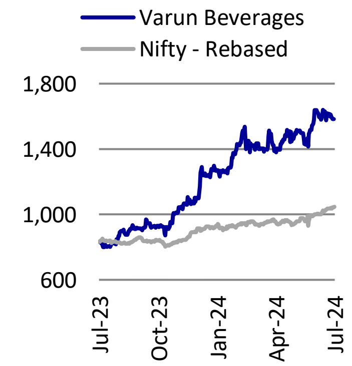
Y/E MARCH	2024	2025	2026
Sales	206.4	246.4	286.8
EBITDA	48.3	55.5	65.9
Adj. PAT	28.2	34.5	43.7
EBITDA Margin (%)	23.4	22.5	23.0
Cons. Adj. EPS (INR	21.7	26.6	33.6
EPS Gr. (%)	37.2	22.4	26.7
BV/Sh. (INR)	72.6	96.7	127.3
Ratios			
Net D:E	0.5	0.2	-0.1
RoE (%)	34.5	31.4	30.0
RoCE (%)	23.5	24.6	28.2
Payout (%)	11.5	9.4	8.9
Valuations			
P/E (x)	75.0	61.3	48.4
EV/EBITDA (x)	44.8	38.5	31.9
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.2	1.6	2.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	62.7	62.9	63.6
DII	4.6	4.2	3.2
FII	25.3	25.8	26.7
Others	7.5	7.2	6.5

FII Includes depository receipts

Stock performance (one-year)



Hungry For More: Scaling up snack food business

- **Varun Beverages (VBL) has inched closer to its goal of becoming a full-scale F&B player with the recent agreement with PepsiCo to manufacture, distribute, and sell snack food items in Zimbabwe and Zambia. We believe this agreement will serve as a building block for VBL's snack food business.**
- **This is an exclusive snacks franchising agreement with PepsiCo to manufacture, distribute, and sell snack foods under the brand name "Simba Munchiez" in Zimbabwe and Zambia. VBL will set up a 5,000mtpa manufacturing capacity in each location for aggregate capex of ~INR1.2b.**
- **The total addressable market (TAM) for VBL's snack food division has expanded by 67% with the addition of two new geographies (vs. only Morocco earlier). The snack food products market in these geographies is valued at ~USD833m (aggregate) in CY24. This region accounts for ~6.5% of Africa's snack market size of USD12.9b, which is expected to clock an ~8.1% CAGR over CY24-29E. PepsiCo, which holds the highest market share globally in this segment (as of CY23), will be a perfect partner for VBL to tap into this massive opportunity.**
- **Going ahead, we believe VBL and PepsiCo may expand their partnership in this segment, especially within the African continent, where PepsiCo does not have any manufacturing partner and primarily relies on imports.**

Accelerating activities in snack food segment

- In line with its strategy of becoming a full-scale F&B company, VBL has forayed into the snack food business by entering into a snacks manufacturing and distribution agreement with PepsiCo for **Morocco in Feb'24** (VBL to invest INR1b for manufacturing facility; commercial production to commence in May'25).
- To further scale up and penetrate in this segment, VBL has entered into another agreement with PepsiCo for **Zimbabwe and Zambia.**
- Under this agreement, VBL, through subsidiaries Varun Foods Zimbabwe Pvt. Ltd and Varun Beverages Zambia Ltd, has entered into an exclusive snacks franchising agreement with Premier Nutrition Trading LLC, Dubai (a PepsiCo subsidiary), to manufacture, distribute, and sell snack foods under the brand of **"Simba Munchiez"** in Zimbabwe and Zambia.
- VBL **will invest ~USD7m (INR600m) each** in Zimbabwe and Zambia for setting up a **manufacturing facility of ~5,000mtpa each.**
- The manufacturing facilities in Zimbabwe/Zambia are expected to start **commercial production by Oct'25/Apr'26**.

Leveraging the existing distribution network to scale new business

- VBL, through its subsidiaries, expects to **leverage its distribution prowess** in the African region (through existing beverage business) to introduce the new affordable range of snack food products of PepsiCo.

- Currently, VBL has manufacturing and distribution presence in Morocco, Zambia, Zimbabwe, Eswatini, Lesotho and South Africa, with only distribution rights in Namibia, Botswana, Mozambique and Madagascar.
- Apart from this, PepsiCo will also give a strong push in certain fast-moving SKUs of Simba Munchiez through price initiatives.
- Currently PepsiCo has multiple snack food brands in the African continent, e.g., Lays, Fritos, Doritos, Simba, Sunchips, Funyuns, Cracker Jack and Sabritones.
- We believe that these are the building blocks of VBL's snack food business, and the company is consciously accelerating its activities in the segment in order to tap into the massive opportunity, which could potentially be a key growth driver for the company in the longer run.

Set to tap into huge opportunity by partnering with market leader

- Globally, the snack food market is valued at USD251b in CY24 and is expected to reach USD341b by CY29 (at a CAGR of ~6.3%), supported by changing consumer lifestyles, increasing urbanization, and a growing preference for on-the-go food options. (Source: Statista)
- As per PepsiCo's latest annual report, the company generated ~59% of its revenue from the food business in CY23. As of CY23, PepsiCo held the top spot in the global snack food production (Source : Ibis World)
- The snack food market in Africa is valued at ~USD13b in CY24 and is expected to clock an ~8.1% CAGR over CY24-29E.
- While the snack food industry in Morocco/Zimbabwe/Zambia is estimated to grow to ~USD500m/USD177m/USD156m in CY24.
- Going ahead, we expect more such announcements from VBL, especially in the African continent, where VBL and PepsiCo will look forward to expand its presence.

Valuation and view

- We expect VBL to maintain its earnings momentum, aided by: 1) increased penetration in newly acquired territories in Africa, 2) higher acceptance of newly launched products, 3) ramp-up of snack food segment, 4) continued expansion in capacity and distribution reach, 5) growing refrigeration in rural and semi-rural areas, and 6) a scale-up in international operations.
- We expect a CAGR of 21%/22%/29% in revenue/EBITDA/PAT over CY23-26. We value the stock at 60x Sep'26E EPS to arrive at a TP of INR1,900. We reiterate our BUY rating on the stock.

Indian companies valuation

	Price	EV/ EBITDA (x)		P/B (x)	
	(INR)	FY24	FY25E	FY24	FY25E
Steel					
Tata	167	12.8	8.1	2.4	2.2
JSW	931	10.6	7.3	2.9	2.5
JSP	1,008	11.0	8.4	2.3	2.0
SAIL	152	12.8	7.5	1.1	1.1
Non-ferrous					
Vedanta	461	7.5	6.6	5.6	5.4
Hindalco	700	8.1	7.0	1.9	1.7
Nalco	199	11.7	10.1	2.5	2.3
Mining					
Coal	498	6.6	6.2	3.7	3.1
HZL	659	22.5	16.1	8.6	8.1
NMDC	247	8.7	6.8	2.8	2.3

Global companies valuation

Company	M. Cap	EV/EBITDA (x)		P/B (x)
	USD b	CY23/ FY24	CY24/ FY25E	CY23/ FY24
Steel				
AM	20	3.8	3.4	0.3
SSAB	6	3.0	3.4	0.9
Nucor	39	8.5	7.7	1.8
POSCO	24	6.7	5.7	0.6
JFE	9	6.2	5.6	0.6
Aluminum				
Norsk Hydro	13	5.9	4.7	1.3
Alcoa	7	7.3	5.3	1.7
Zinc				
Teck	26	5.4	6.4	1.4
Korea Zinc	8	8.7	8.1	1.1
Iron ore				
Vale	51	3.7	3.6	1.2
Diversified				
BHP	150	5.8	5.5	3.4
Rio	115	4.8	4.7	1.8

Steel prices dip in Jun'24; to remain under pressure

- Steel prices, which held up well in May'24, corrected in Jun'24. This was due to the onset of monsoons, elevated imports, and a decline in global steel prices. While flat steel prices saw a minor correction, long steel prices declined 2% MoM during Jun'24. Primary steel mills have undertaken further price cuts of ~2% in Jul'24, mainly due to the monsoons.
- With lower global steel prices, exports were severely impacted in Jun'24. Exports dipped 20% MoM and 32% YoY. Conversely, imports rose 14% YoY (down 24% MoM) in Jun'24.
- NMDC announced a price cut of INR500/t during Jun'24. This was after two rounds of price hikes taken during Apr and May'24. The premium coking coal price rose 4% to USD267/t in Jun'24.
- Our channel checks suggest that steel prices could remain subdued over the next few months. It could, however, improve during the start of 2HFY25.
- Non-ferrous prices corrected 3-5% in Jun'24 across aluminum, copper, zinc, and lead. Alumina price, however, jumped ~20% MoM during Jun'24, majorly due to supply constraints with the shutdown of Kwinana refinery.

Domestic coal production up 15% YoY in Jun'24

- Domestic coal production rose 15% YoY to ~84.7mt in Jun'24, driving India's cumulative 1QFY25 coal production to 247mt (+11% YoY).
- Coal India (COAL)'s production during 1QFY25 was up 8% YoY to ~189mt, touching a monthly run-rate of ~63mt vs. ~58mt during 1QFY24.
- COAL achieved 102% of its monthly production target, with three subsidiaries (viz. NCL, SECL, and MCL) achieving over 100% of their monthly production targets.
- During Jun'24, the total domestic dispatches increased 12% YoY to ~215mt, whereas COAL's dispatches rose 7% to ~65mt.
- COAL's dispatch to the power sector (including CPP) stood at 81% each during Jun'24 and 1QFY25 compared to ~88% each during 4QFY24.
- The demand for coal is likely to remain at an elevated level as the government banks on thermal power plants to meet the overall power demand. The total coal required by the power sector is expected to be in the range of 850-890mt.

Commodities and forex tracker

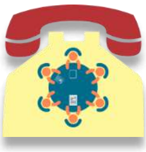
	UoM	Spot	WoW (%)	MoM (%)
India HRC (ex-Mum)	INR/t	52,750	-0.8	-2.1
India TMT Prime (ex-Mum)	INR/t	54,300	-1.6	-6.5
India TMT Secondary (ex-Mum)	INR/t	46,800	-2.7	-8.8
Korea HRC - FoB	USD/t	570	0.0	0.0
China HRC Dom.	USD/t	505	-1.1	-2.9
China HRC - FoB	USD/t	510	-1.0	-3.8
India Prem HCC CNF	USD/t	269	-1.5	-1.8
India 64 Mid Vols CNF	USD/t	237	-0.4	-1.7
India Low Vols PCI CNF	USD/t	217	2.4	12.4
Iron Ore Fines (Odisha Index) Fe 62%	INR/t	4,750	-1.0	-13.6
Iron Ore Fines (China - CNF) Fe 62%	USD/t	108	-5.3	-0.9
Europe Scrap HMS 1&2(80:20)	USD/t	389	-0.3	-2.5
C-DRI (ex-Raipur)	INR/t	26,800	-1.8	-7.3
RB1 (6000 NAR) SA FoB	USD/t	121	-2.4	-4.7
RB2 (5500 NAR), SA FoB	USD/t	108	-1.8	-5.3
Indonesia (4200 GAR) Futures	USD/t	54	0.1	-2.8
Copper	USD/t	9,673	-1.4	0.2
Aluminium	USD/t	2,422	-2.2	-1.8
Zinc	USD/t	2,870	-1.9	5.1
Lead	USD/t	2,129	-3.6	0.9
Nickel	USD/t	16,578	-3.6	-4.3
Alumina	USD/t	479	-3.0	-6.1
Ali UBC Scrap	USD/t	1,698	-1.3	-1.3
Ali UBC Scrap Spread	USD/t	724	-4.2	-2.9
INR:USD	x	83.5	0.0	0.0
USD:EUR	"	1.09	0.6	1.7
USD:GBP	"	1.30	1.3	2.2
CNY:USD	"	7.26	-0.1	0.1
JPY:USD	"	158	-1.7	0.4

Angel One

BSE SENSEX	S&P CNX
80,665	24,587

CMP: INR2,278 **Buy**

Conference Call Details



Date: 16th Jul 2024

Time: 11:00am IST

Link for the call

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Revenues	33.3	49.0	59.4
Opex	17.7	27.7	34.2
PBT	15.1	20.3	23.7
PAT	11.3	15.0	17.6
EPS (INR)	135.9	181.3	212.1
EPS Gr. (%)	26.4	33.4	17.0
BV/Sh. (INR)	366.7	729.0	856.2
Ratios (%)			
C/I ratio	53.1	56.6	57.6
PAT margin	33.8	30.7	29.6
RoE	43.3	33.1	26.8
Div. Payout	27.0	0.0	40.0
Valuations			
P/E (x)	17.3	13.0	11.1
P/BV (x)	6.4	3.2	2.7
Div. Yield (%)	1.5	0.0	3.3

Strong PAT beat driven by lower opex

- Net brokerage income was up 72% YoY and flat QoQ at INR6.8b in 1QFY25. Net revenue from operations grew 76% YoY and 5% QoQ to INR 9.2b.
- The 65% YoY growth in gross broking business (INR9.2b) was driven by F&O segment (+65% YoY) and cash segment (81% YoY).
- Net interest income stood at INR2.4b, up 89% YoY and 24% QoQ (5% beat). MTF book stood at INR26.26b vs. INR11.17b in 1QFY24.
- Total operating expenses grew 115% YoY and 18% QoQ (6% lower than expectations). On a sequential basis, the CI ratio rose to 62.3% in 1QFY25 (vs. our expectation of 67.9%). Excluding IPL sponsorship costs of INR1.14b, the CI ratio came in at 52.1% in 1QFY25.
- PAT stood at INR2.9b, up 33% YoY (beat 21%).

Strong growth in F&O and Cash segments

- The 65% YoY growth in gross broking business (INR9.2b) was driven by F&O segment (+65% YoY) and cash segment (81% YoY).
- Net interest income stood at INR2.4b, up 89% YoY and 24% QoQ (5% beat). MTF book stood at INR26.26b vs. INR11.17b in 1QFY24.
- Other income increased by 82% YoY to INR1.99b.

Ex-IPL sponsorship costs, CI ratio stands at 52.1%

- Total operating expenses grew 115% YoY and 18% QoQ (6% lower than expectations). On a sequential basis, the CI ratio increased to 62.3% in 1QFY25 (vs. our expectation of 67.9%).
- Employee costs rose 63% YoY to INR2b (9% above est.), while admin & other expenses (incl. IPL cost) surged 147% YoY (12% lower than est.).

Total orders grew 86% YoY

- ADTO stood at INR40.4t, up 93% YoY and flat QoQ. The total number of orders increased to 462m in 1QFY25 from 249m in 1QFY24.
- The number of F&O orders grew 75% YoY to 348m (199m in 1QFY24). Revenue per order was flat at INR22.1.
- Cash ADTO grew 16% QoQ to INR88b (+167% YoY). The number of orders rose 155% YoY to 97m. Sequentially, revenue per order inched up to INR10.4.
- Commodity ADTO jumped 101% YoY and 35% QoQ. However, the total number of orders in commodities segment increased to 17m.

Valuation and view

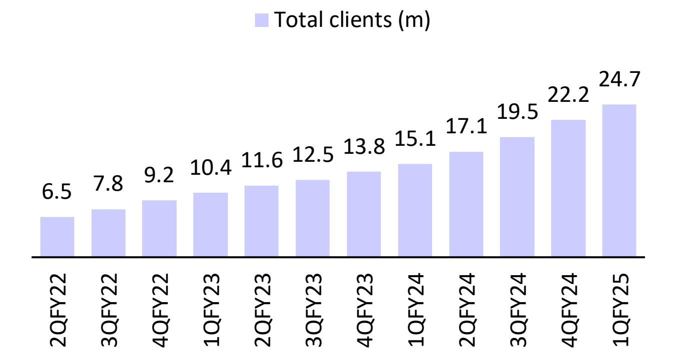
ANGELONE is undertaking a change in its business model, wherein incrementally the focus will be on gaining market share in the cash segment, along with strong growth in distribution revenues, over the next 2-3 years. Growth in distribution segment will be driven by loans, insurance and few other products. The management continues to invest in technology to strengthen its position. We may review our estimates after the concall on 16th Jul'24.

Quarterly Performance (INR m)

Y/E March	FY24				FY25	FY24	FY25E	1QFY25E	Act v/s Est. (%)	YoY Growth	QoQ Growth
	1Q	2Q	3Q	4Q	1Q						
Revenue from Operations	5,198	6,747	6,874	8,742	9,150	27,562	40,745	8,931	2.5	76%	5%
Other Income	1,088	1,411	1,401	1,869	1,983	5,769	8,301	1,958	1.3	82%	6%
Total Income	**6,286**	**8,158**	**8,275**	**10,611**	**11,133**	**33,331**	**49,046**	**10,890**	**2.2**	77%	5%
Change YoY (%)	22.0	46.0	43.9	64.7	77.1	45.3	47.2	73.2	5.3		
Operating Expenses	3,230	3,974	4,635	5,856	6,940	17,695	27,776	7,392	-6.1	115%	18%
Change YoY (%)	21.4	49.3	75.1	114.0	114.8	65.3	57.0	128.9	-10.9		
Depreciation	89	112	131	167	226	498	968	240	-5.8	155%	35%
PBT	**2,967**	**4,072**	**3,509**	**4,588**	**3,968**	**15,137**	**20,303**	**3,258**	**21.8**	34%	-14%
Change YoY (%)	22.3	42.5	16.1	26.9	33.7	26.9	34.1	9.8	244.6		
Tax Provisions	759	1,027	907	1,188	1,041	3,881	5,249	844	23.4	37%	-12%
Net Profit	**2,208**	**3,045**	**2,602**	**3,400**	**2,927**	**11,255**	**15,053**	**2,414**	**21.2**	33%	-14%
Change YoY (%)	21.6	42.5	13.9	27.3	32.5	26.4	33.7	9.3	249.5		
Key Operating Parameters (%)											
Cost to Income Ratio	51.4	48.7	56.0	55.2	62.3	53.1	56.6	67.9	-555bps	1095bps	714bps
PBT Margin	47.2	49.9	42.4	43.2	35.6	45.4	41.4	29.9	572bps	-1157bps	-760bps
Tax Rate	25.6	25.2	25.8	25.9	26.2	25.6	25.9	25.9	34bps	66bps	33bps
PAT Margins	35.1	37.3	31.4	32.0	26.3	33.8	30.7	22.2	412bps	-884bps	-575bps
Revenue from Operations (INR M)											
Gross Broking Revenue	5,575	7,270	7,084	9,240	9,173	29,169	41,099	9,016	1.7	65%	-1%
F&O	4,683	6,180	5,951	7,854	7,705	24,667	35,994	7,735	-0.4	65%	-2%
Cash	558	800	779	1,016	1,009	3,153	3,567	900	12.1	81%	-1%
Commodity	279	291	354	370	459	1,293	1,538	381	20.4	65%	24%
Net Broking Revenue	3,933	5,199	5,107	6,822	6,762	21,062	30,362	6,663	1.5	72%	-1%
Net Interest Income	1,265	1,548	1,767	1,920	2,388	6,500	10,383	2,269	5.3	89%	24%
Revenue from Operations Mix (%)											
As % of Gross Broking Revenue											
F&O	84.0	85.0	84.0	85.0	84.0	84.6	87.6	85.8	-2.1	0bps	-100bps
Cash	10.0	11.0	11.0	11.0	11.0	10.8	8.7	10.0	10.2	100bps	0bps
Commodity	5.0	4.0	5.0	4.0	5.0	4.4	3.7	4.2	18.3	0bps	100bps
Net Broking (As % Total Revenue)	75.7	77.1	74.3	78.0	73.9	76.4	74.5	74.6	-0.9	-177bps	-414bps
Net Interest Income (As % Total Revenue)	24.3	22.9	25.7	22.0	26.1	23.6	25.5	25.4	2.8	177bps	414bps
Expense Mix (%)											
Employee Expenses	37.1	32.5	29.7	26.4	28.0	30.6	26.9	24.2	15.8	-908bps	169bps
Admin Cost	59.7	64.3	67.1	70.4	68.3	66.7	69.7	72.6	-5.9	868bps	-202bps
Depreciation	2.7	2.7	2.7	2.8	3.2	2.7	3.4	3.1	0.4	49bps	38bps

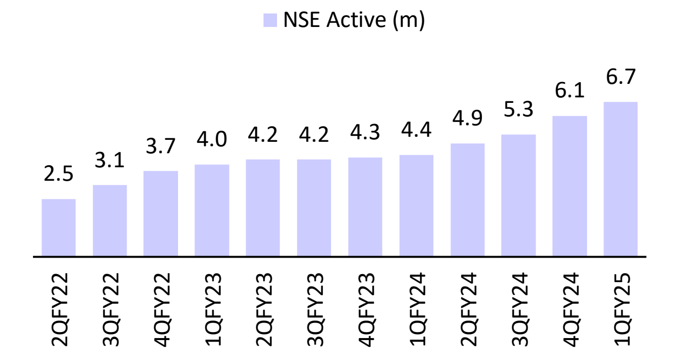
Key exhibits

Exhibit 1: Total clients continued to rise



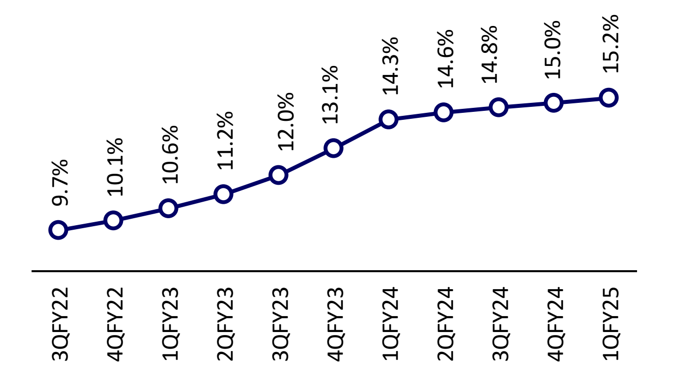
Source: MOFSL, Company

Exhibit 2: NSE active clients increased QoQ



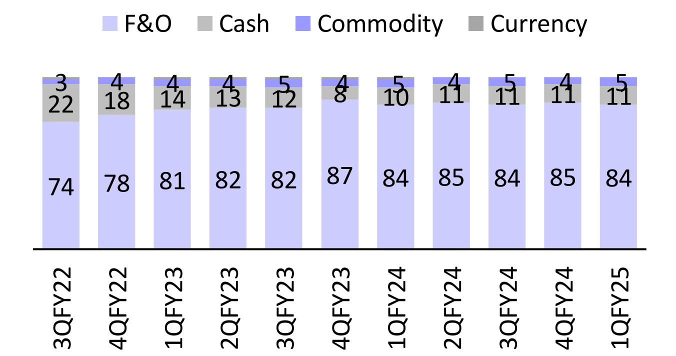
Source: MOFSL, Company

Exhibit 3: Market Share in NSE active clients continue to rise



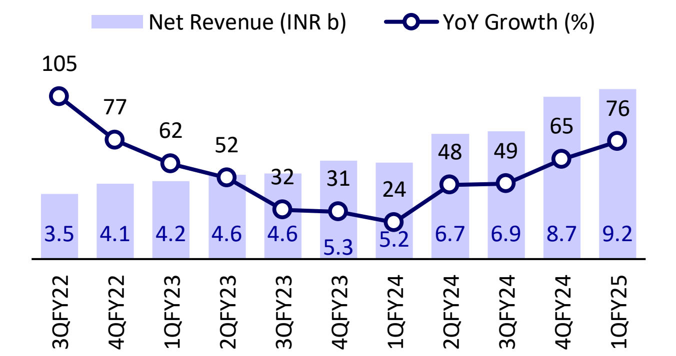
Source: MOFSL, Company

Exhibit 4: Gross broking revenue mix



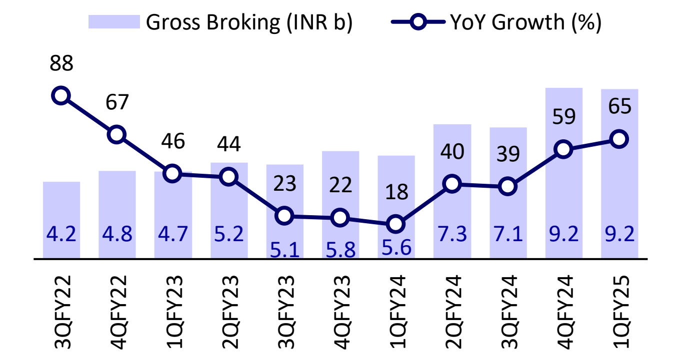
Source: MOFSL, Company

Exhibit 5: Net revenue improves YoY…



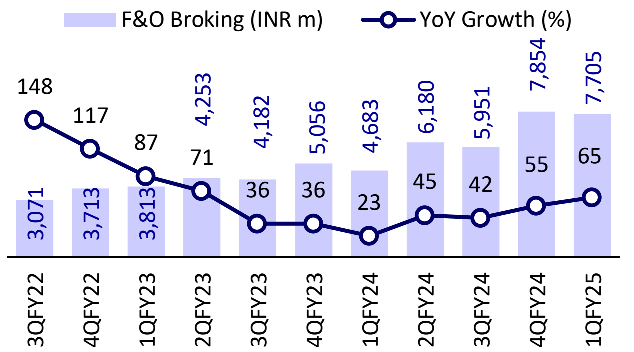
Source: MOFSL, Company

Exhibit 6: …as Gross broking revenue improves



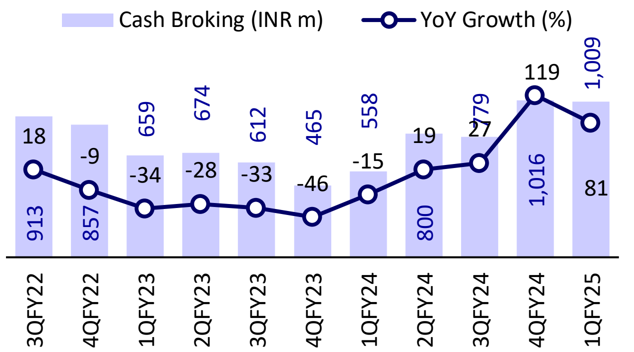
Source: MOFSL, Company

Exhibit 7: Strong revenue growth in F&O segment



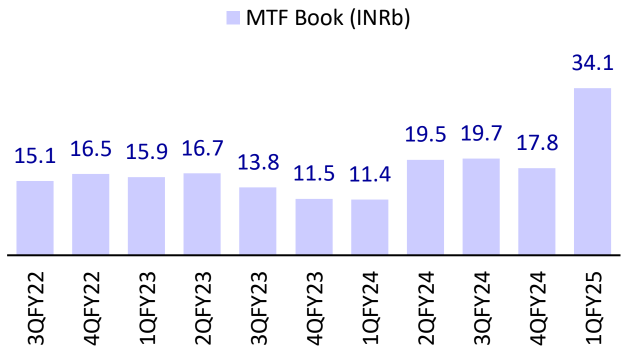
Source: MOFSL, Company

Exhibit 8: Revenue momentum in Cash broking continues



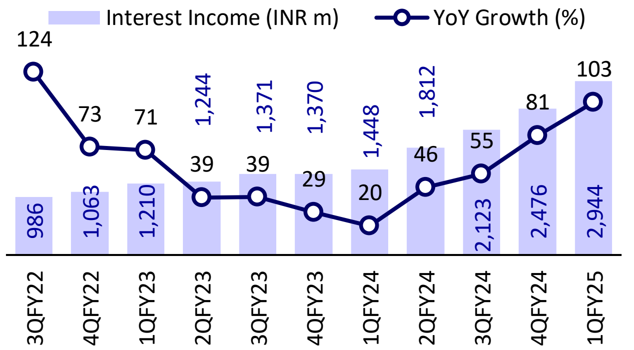
Source: MOFSL, Company

Exhibit 9: MTF book increased to INR34.1b



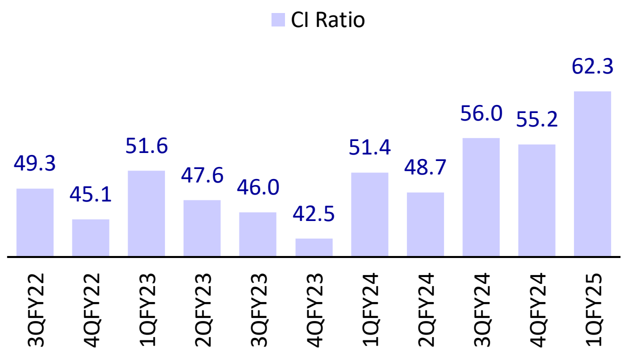
Source: MOFSL, Company

Exhibit 10: Interest income increases



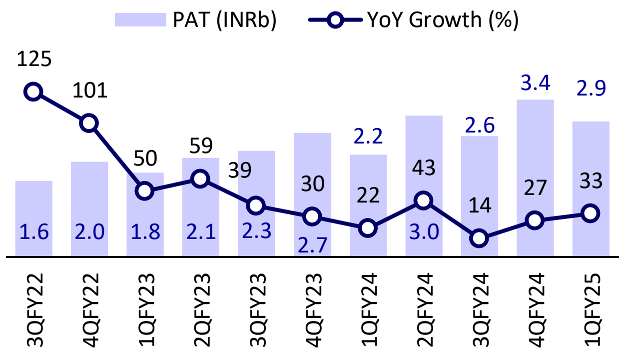
Source: MOFSL, Company

Exhibit 11: CI ratio increases QoQ



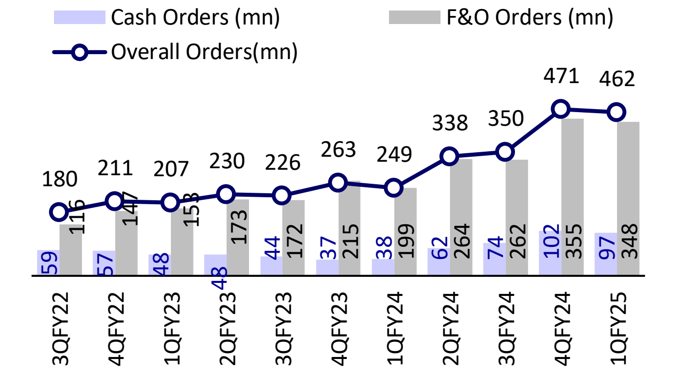
Source: MOFSL, Company

Exhibit 12: Trend in PAT growth



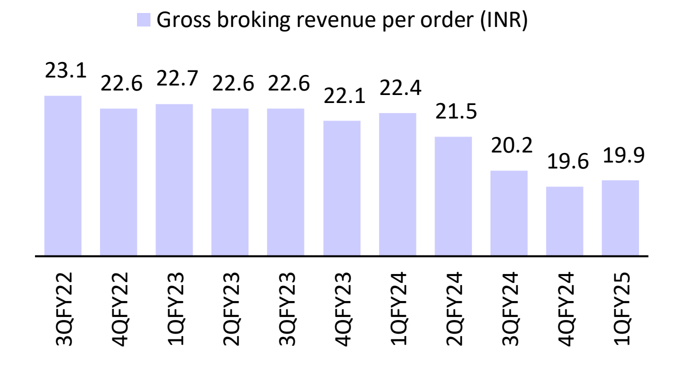
Source: MOFSL, Company

Exhibit 13: No. of orders were flat…



Source: MOFSL, Company

Exhibit 14: …whereas gross broking revenue per order increases marginally



Source: MOFSL, Company

Exhibit 15: Consistent Total Net Revenue From Every Cohort

		Actuals				
(₹ Mn)	Gross Acquisition (Mn)	FY20	FY21	FY22	FY23	FY24
Pre-FY20		3,589	3,358	3,606	3,439	3,681
FY20	0.6	1,116	2,066	1,801	1,743	1,894
FY21	2.4		3,472	6,455	5,760	6,037
FY22	5.3			4,885	8,233	8,483
FY23	4.7				3,728	7,081
FY24	8.8					6,156
Total Net Revenue		**4,705**	**8,896**	**16,747**	**22,902**	**33,331**
(-) Employee + Opex (Ex-Branding Spend)		3,205	4,436	7,951	10,479	16,817
Margin (Ex-Branding Spend)		**1,500**	**4,460**	**8,797**	**12,423**	**16,514**
Margin (Ex-Branding Spend)		*31.9%*	*50.1%*	*52.5%*	*54.2%*	*49.5%*
(-) Branding Spend		103	165	243	202	878
Operating Profit		**1,397**	**4,295**	**8,554**	**12,221**	**15,637**
Operating Profit Margin (%)		*29.7%*	*48.3%*	*51.1%*	*53.4%*	*46.9%*
Break-even (# of months)				5	7	7

Source: MOFSL, Company

Jio Financial Services

BSE SENSEX	S&P CNX
80,665	24,587

CMP: INR355 **Not Rated**

Steady quarter; strategic initiatives continue

- NII declined ~42% QoQ to INR1.6b in 1QFY25 (vs. ~INR2.8b in 4QFY24).
- Other income increased ~86% QoQ to INR2.6b.
- Operating expenses declined ~22% QoQ to INR790m due to the absence of business set-up costs in 1QFY25 (vs. ~INR1.0b in 4QFY24).
- Operating profit rose ~7% QoQ to INR3.4b.
- Credit costs stood at INR3m (vs. INR18m in 4QFY24).
- The profit contribution of JVs and associates fell ~20% QoQ to ~INR619m.
- PBT grew ~2% QoQ to INR4.0b, while PAT grew ~1% QoQ to ~INR3.1b.

Strategic advancements and market expansion

- The company is currently working to enhance its market position and operational capabilities. Focusing on the digital-first approach, the company has launched several initiatives, e.g., acquiring multi-bank UPI and integrated payments solutions and streamlining transaction processes, thereby improving customer convenience.

Diversified product offerings and financial solutions

- A cornerstone of company's growth strategy is its diversified product portfolio and innovative financial solutions. Recently, the company introduced embedded finance products like EMI options on credit/debit cards and Brand EMI. This move not only enhances affordability for consumers but also strengthens competitiveness in the marketplace.

Continued expansion in NBFC, leasing and investments

- **NBFC:** JFSL has launched vendor financing, loans against mutual funds and introduced device financing solutions. It is beta-testing home loans and aims to expand its presence in secured lending products like LAP and Loan against securities. It further aims to enhance customer engagement through D2C strategies with a digital-first approach.
- **Leasing:** Company has initiated operating lease business of AirFiber devices in Jun'24. Its embedded finance product provides customers with cost-effective leasing options, reducing asset ownership risks. With shareholder approval for related party transactions up to INR360b, the company is focused on scaling up operations. Future plans include launching leasing services for solar panels and IT equipment.
- **Investments:** JFSL and BlackRock have formed a 50:50 JV to enter the wealth management and broking business. Key leadership roles have been identified, with infrastructure and tech platforms in advanced stages of development.

Infrastructure and technological developments

The company is making significant strides in infrastructure and technology development. Platforms for UPI acceptance, billing terminals, and mini-point-of-sale (mPoS) systems are in advanced stages of development. Moreover, it is leveraging AI-driven solutions, including a chatbot on its merchant business app, to enable self-help capabilities and optimize operational efficiencies.

CONFERENCE CALL

Highlights from the management commentary

Financial update

- 1QFY25 PAT stood at ~INR3.1b.
- Treasury income declined as high-yielding FDs matured during the quarter. The amount received on maturity was invested in liquid instruments.
- Total expense stood at INR790. Expenses declined QoQ due to the exclusion of business setup costs in 1Q.

Business update

- Green shoots observed in each of the business.
- Operating lease business commenced operations.
- Working on setting the governance and policy framework.
- Hiring talent across all entities.
- Setting a model for cost-effective technology to increase efficiency across all verticals.

Milestones achieved and new offerings

- The beta version of the Jio Finance app has been launched, consolidating the offerings of the JFS group. This launch follows the introduction of a merchant application in Jan'24.
- Achieved 500k downloads on Play store/App store.
- Launched loan against mutual funds and home loans in beta mode, which will be available to consumers soon.
- Commenced operating lease business with AirFiber devices.
- Acquired over 1mn+ CASA customers.
- Received approval from the RBI in Jul'24 to operate as a core investment company.
- Continues to expand the product suite with more launches in the upcoming period.

Jio Finance Limited

- Successfully launched vendor financing in May'24 and loan against MF in Jul'24
- Introduced enterprise solutions for providing device financing in Jun'24
- Launched home loans (Beta launch)
- Focus remains on expanding secured lending products such as LAP and loan against securities
- Embracing D2C strategies with a digital-first approach, utilizing fit-for-purpose technology. This shift enhances customer engagement and satisfaction through personalized, efficient interactions, tailored to meet specific operational needs and preferences

Jio Leasing Services

- During the last quarter, it started operating lease business with AirFiber devices in June'24.
- Embedded finance product offers customers cost-effective leasing options instead of outright purchases, thereby minimizing asset ownership risks.
- With shareholder approval for related party transactions of up to INR360b, the company is focusing on scaling up operations.
- Going forward, it plans to launch leasing services for solar panels and IT equipment.

Jio Payment Bank

- Offers virtual RUPAY platinum debit card
- Garnered 1mn+ CASA customers
- Expanded business correspondent (BC) network. Received approval to setup ~16k BC outlets, which will be done in a phased manner.
- Offers interest rate of 3.5% on savings account.
- Going forward, it aims to expand channels to drive transactions and launch new cross-sell products, with an intent to increase market reach and revenue through enhanced customer engagement.

Jio Payment Solutions

- Embedded payments are now live with UPI acceptance integrated into billing terminals.
- An mPoS pilot has been launched to enable card and UPI payments for doorstep commerce.
- Additionally, a merchant business app now features a chat bot for self-help and Bharat Billpay integration, empowering merchants to accept end-consumer bill payments.
- JFSL plans to implement multi-bank UPI acquiring with smart routing for transactions to enhance efficiency in UPI payments. Additionally, it intends to introduce an affordability suite featuring EMI options on credit and debit cards, as well as Brand EMI solutions, ensuring flexible payment choices for customers.

Jio Insurance Broking Limited

- It has tie-ups with 31 insurance companies.
- Institutional channel sales gaining momentum.
- Launched digital auto and 2-wheeler insurance.
- Launched metro cash & carry for shopkeeper insurance
- In the last few months, worked toward obtaining approval from IRDA to sell insurance policies online.

JV with BlackRock

- 50:50 JV with Blackrock to launch wealth management and broking businesses
- Key leadership roles have been identified, with infrastructure and tech platforms in advanced stages of development.
- The GTM strategy and foundational building blocks are also progressing well.

JFSL - P&L Statement (INR m)

	1QFY25	4QFY24	QoQ (%)	1QFY24	YoY (%)
Interest Income	1,617	2,807	-42	2,019	-20
Interest Expenses	-	-	N/A	103	N/A
Net Interest Income	**1,617**	2,807	-42	1,916	-16
Other Income	2,561	1,374	86	2,123	21
Total Income	**4,178**	4,182	-0	4,039	3
Operating Expenses	790	1,013	-22	435	81
Operating Profit	**3,388**	3,169	7	3,603	-6
Provisions & Loan Losses	3	18	-81	-	N/A
Share of profit of JV & Associate	619	776	-20	670	-8
Profit before Tax	**4,004**	3,927	2	4,273	-6
Tax Provisions	878	820	7	954	-8
Net Profit	**3,126**	3,106	1	3,319	-6

WPI rises to a 16-month high of 3.4% in Jun'24

Led by an adverse base effect and higher food prices

- **The Wholesale Price Index (WPI)-based inflation accelerated to a 16-month high of 3.4% in Jun'24 (vs. 2.6% in May'24 and -4.2% in Jun'23), partly led by an unfavorable base effect and partly due to an increase in prices of food articles, crude petroleum & natural gas and mineral oils. Thus, WPI-based inflation remained in the positive territory for the eighth consecutive month, after having been in the deflationary zone for the majority of the previous financial year. Sequentially, WPI increased by 0.4% in Jun'24 vs. a growth of 0.3% in May'24. The figure was lower than the Bloomberg consensus of 3.6% and our expectation of 3.8%. *(Exhibit 1)***
- **The acceleration in WPI was primarily driven by higher food inflation, which was the highest in the last 11 months (8.6% YoY in Jun'24 vs. 7.4% in May'24), and a spike in prices of crude oil & natural gas, which posted highest growth in 16 months (12.6% YoY in Jun'24 vs. 9.8% in May'24). WPI, excluding food, increased 1.2% in Jun'24 vs. a growth of 0.7% in May'24. *(Exhibit 2)*.**
- **Within food, prices of primary food articles rose 10.9% in Jun'24 vs. 9.8% in May'24 (the highest in ten months), while prices of manufactured food products grew 4.3% in Jun'24 vs. 2.7% in May'24 (the highest in 18 months). Within primary food articles, a sharp acceleration in the prices of fruits and vegetables was the major driver of higher food inflation. Meanwhile, the prices of cereals and pulses remained firm. On the other hand, protein-rich items, like eggs and meat and milk, provided some relief during the month.**
- **The WPI for fuel and power increased 1% in Jun'24 vs. an increase of 1.3% in the previous month.**
- **WPI for non-food manufacturing products rose to a 16-month high of 0.8% in Jun'24 (vs. 0.4% in May'24), led by a rise in prices of edible oil, textiles, rubber & plastic products, basic metals and motor vehicles.**
- **Agro inflation stood at an 11-month high of 8.5% in Jun'24 vs. 7.1% in May'24. At the same time, agro input inflation contracted 1.1% YoY in Jun'24 vs. a contraction of 1.8% YoY in May'24. Consequently, agricultural terms of trade growth accelerated to 9.7% in Jun'24 (vs. 9.1% in May'24, highest in six months) (*Exhibit 4).* Prices of imported items increased to a 16-month high of 1.9% in Jun'24 vs. 1.2% in May'24. Additionally, non-agro domestic inflation remained steady at 1.7% YoY in Jun'24 *(Exhibit 3).***
- **We expect WPI inflation to rise in the coming months as the favorable base effect wanes and global commodity prices cool down. Elevated food inflation remains a cause for concern. It is crucial to monitor the temporal and spatial distribution of the monsoon, along with external risks emerging from ongoing geopolitical tensions.**

Exhibit 1: WPI stood at 3.4% YoY in Jun'24 vs. 2.6% in May'24…

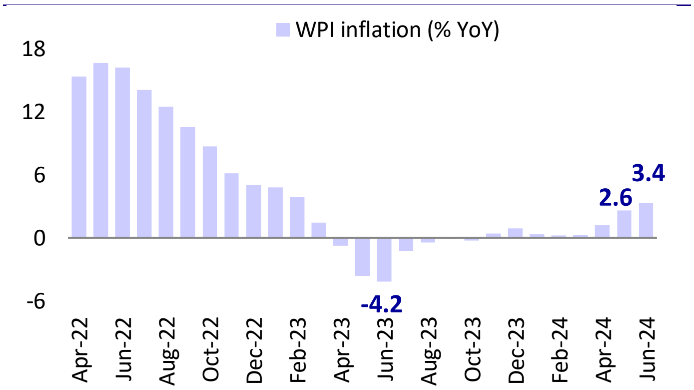


Exhibit 2: Food inflation at an 11-month high of 8.6% in Jun'24

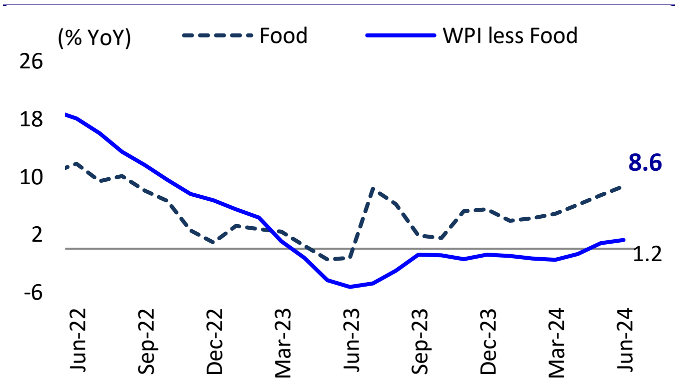
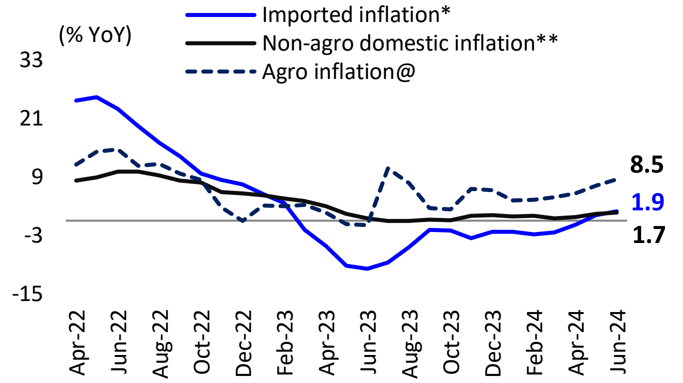
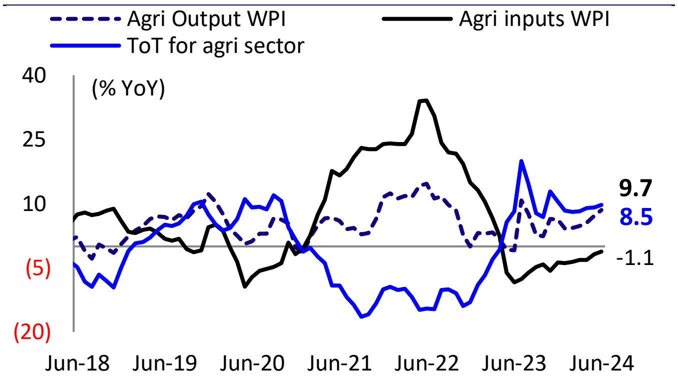


Exhibit 3: Agro inflation came in higher at 8.5% in Jun'24 vs. 7.1% in May'24



*Constituting ~41.8% weightage in the WPI basket; **Constituting ~38.8% weightage in WPI basket @Constituting ~19.4% weightage in WPI basket

Exhibit 4: Terms of trade for agri sector grew at a six-month high of 9.7% in Jun'24



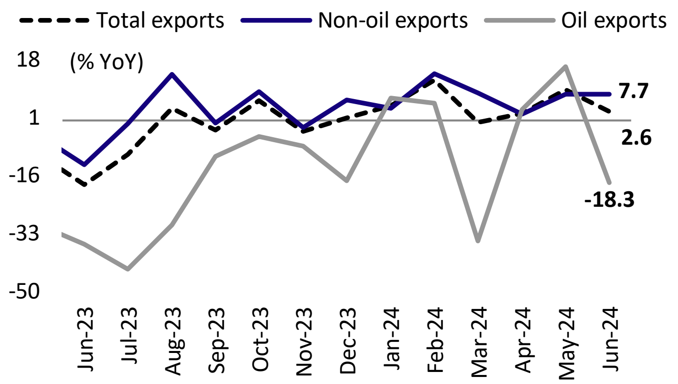
Source: Office of Economic Adviser, MOFSL

Trade deficit narrows in Jun'24

Imports decelerate faster than exports

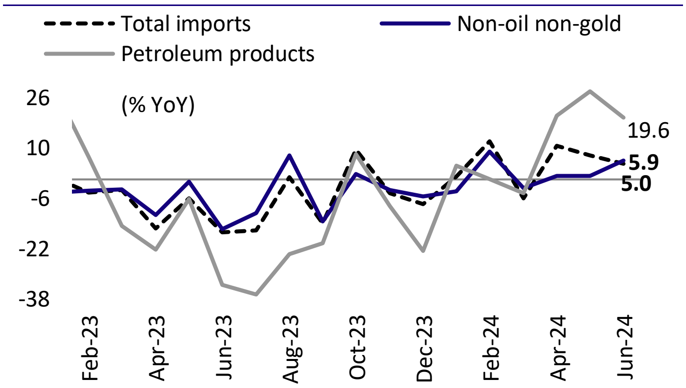
- **Merchandise exports grew marginally by 2.6% YoY in Jun'24 vs. a growth of 9.1% in May'24 and a contraction of 18.8% in Jun'23, primarily led by a sharp contraction in oil exports. Merchandise exports stood at USD35b in Jun'24 vs. USD38b in May'24 and USD34.3b in Jun'23. *(Exhibit 1)***
- **Oil exports fell to USD5.5b in Jun'24 (-18.3% YoY) vs. USD6.8b in May'24 (15.7% YoY) and USD6.8b in Jun'23. On the other hand, non-oil exports stood at USD29.8b (7.7% YoY) in Jun'24 vs. USD31.3b (7.8% YoY) in May'24. In 1QFY25, exports stood at USD108.7b compared to USD103.9b in 1QFY24, up 4.6%. Major drivers of merchandise export growth in Jun'24 were Engineering Goods, Electronic Goods, Drugs & Pharmaceuticals, Coffee and Organic & Inorganic Chemicals.**
- **Merchandise imports stood at USD56.2b in Jun'24 (5% YoY) vs. USD61.9b (7.7% YoY) in May'24 and USD53.5b in Jun'23 (-16.8% YoY). The deceleration in imports in Jun'24 was mainly led by a sharp fall in gold imports and lower oil imports. Oil imports stood at USD15b (19.6% YoY) in Jun'24 vs. USD19.9b (28.1% YoY) in May'24. At the same time, gold imports fell sharply to USD3b in Jun'24 (-38.7% YoY) vs. USD3.3b in May'24 and USD5b in Jun'23. *(Exhibit 2).***
- **Notably, non-oil non-gold imports stood at USD38.1b in Jun'24 (grew 5.9% YoY, highest in four months) vs. USD38.6b in May'24 (1.1% YoY) and USD35.9b in Jun'23 (-15.8% YoY).**
- **Consequently, the merchandise trade deficit narrowed to USD21b in Jun'24 (vs. USD23.8b in May'24 and USD19.2b in Jun'23), as imports decelerated at a faster pace than exports. The merchandise trade deficit for Jun'24 came in line with the market consensus of USD21.3b. *(Exhibit 3)***
- **In 1QFY25, exports grew 4.6% vs. a contraction of 14.1% in the same period last year. On the other hand, imports grew faster at 7.7% in 1QFY25 vs a contraction of 12.8% in 1QFY24. Consequently, the merchandise trade deficit widened to USD63.7b in 1QFY25 vs. USD56.1b in 1QFY24. *(Exhibit 4)***

Exhibit 1: Exports increased 2.6% YoY in Jun'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 2: Imports rose 5% YoY in Jun'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 3: Trade deficit narrowed to USD21b in Jun'24

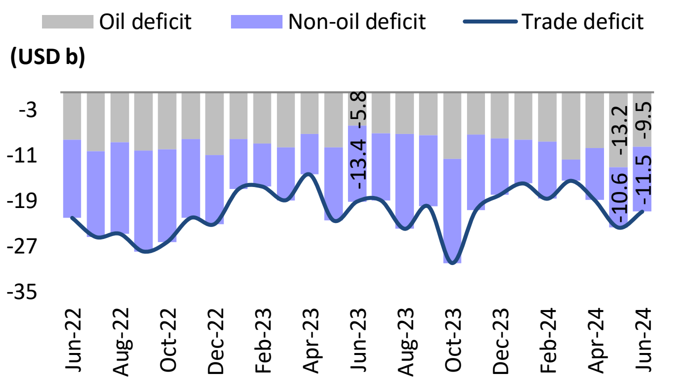
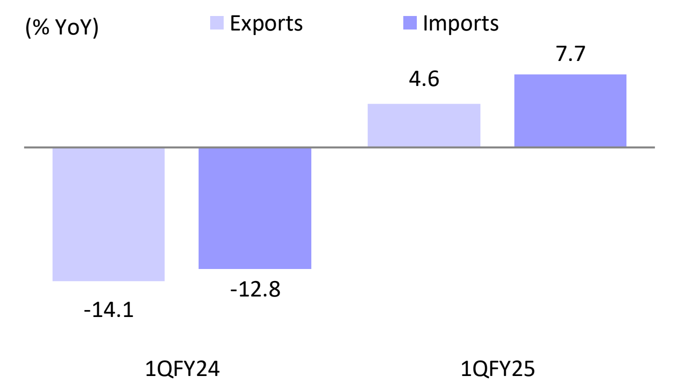


Exhibit 4: Imports grew faster than exports in 1QFY25



Puravankara: Board has approved a QIP raise of equity of up to Rs. 1,000 cr; Abhishek Kapoor, Group CEO

- Recently acquired the landowner's share for two projects in Goa
- Avg price for Goa projects is between Rs, 7,500-8,500 per sq ft
- Expect to deploy Rs. 600+ cr in new acquisitions
- Fundraising is a constant activity got the biz
- Co has not had any new launched in Q1
- No slowdown being seen in demand right now
- Avg price for land in electronic city is between 11,000-13,000 per sq ft
- Avg price for land in Thane is between 19,000-24,000 per sq ft

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LT Foods: A revenue of 100 million pounds is easily achievable on a conservative basis within the next 5 years; VK Arora, CMD

- Facility will cater to the UK market, which is a significant market in the West, second only to the USA
- Daawat brand already had a presence in UK
- A revenue of 100 million pounds is easily achievable on a conservative basis within the next 5 years
- In the UK market, we are expecting to capture a 20% market share in the next 2 years
- May also acquire some businesses in the future to expand our product line

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Blue Star: Manufacturing capacity has almost doubled in the last 3 years; many more lined-up to come online; B Thiagarajan, MD

- Witnessed huge growth in AC industry this summer season
- India is one of the fastest growing AC market globally
- Blue Star has been gaining market share hence capacity expansion is important
- Evaluating for which product we should file the PLI
- Capex growth will directly and indirectly benefit Bluestar
- Expect government to start initiative that will push the sales on energy efficient and better rated ACs

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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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