Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,149	-0.3	10.9
Nifty-50	24,414	-0.3	12.3
Nifty-M 100	56,873	1.0	23.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,427	-2.3	13.8
Nasdaq	17,342	-3.6	15.5
FTSE 100	8,153	-0.2	5.4
DAX	18,436	-0.7	10.1
Hang Seng	6,142	-0.8	6.5
Nikkei 225	39,155	-1.1	17.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	82	0.0	5.8
Gold ($/OZ)	2,414	0.2	17.0
Cu (US$/MT)	9,047	0.0	6.9
Almn (US$/MT)	2,240	0.0	-4.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.0	0.6
USD/EUR	1.1	-0.1	-1.8
USD/JPY	154.5	-0.7	9.6
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)	**24-Jul**	**MTD**	**CYTD**
FIIs	-0.6	3.91	4.9
DIIs	0.37	0.82	28.9
Volumes (INRb)	**24-Jul**	**MTD***	**YTD***
Cash	1,462	1503	1287
F&O	7,10,198	3,75,540	3,78,271

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Larsen & Toubro: Good start to the year

Strong growth in international markets drives revenue/PAT beat

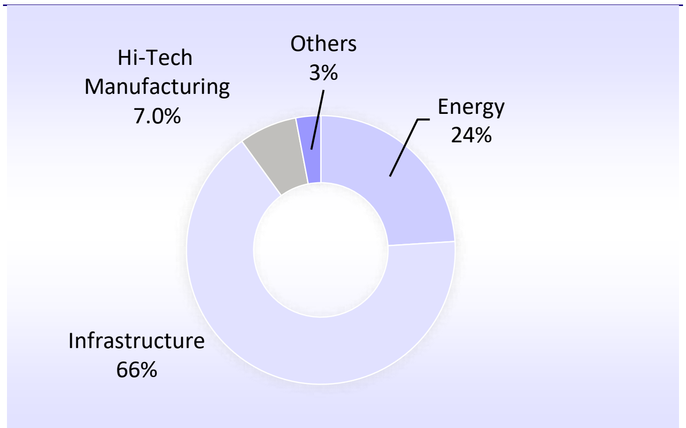
- LT's 1QFY25 results were 3% ahead of our estimates on both revenue and PAT. The company reported 15%/15%/12% YoY growth in revenue/EBITDA/PAT on a consolidated basis. In a seasonally weak quarter, core E&C revenues and EBITDA also grew by 18%/21% YoY, with Core E&C margins improving by 10bp to 7.6%.
- Both Core E&C revenue and margin beat our estimates. Core E&C revenue growth was largely driven by sharp improvement in overseas revenue, while domestic revenue was flat YoY due to elections, labor shortage and heat waves. Order inflows/order book were up by 8%/19% YoY, mainly driven by international geographies. NWC remained low at 13.9% of sales.
- We maintain our estimates and TP of INR4,150 based on SOTP, valuing core business at 30x P/E on Jun'26E EPS.

Research covered

Cos/Sector	Key Highlights
Larsen & Toubro	Good start to the year
Axis Bank	High provisions drag earnings; elevated C/D ratio to suppress loan growth
SBI Life Insurance	Gross premium in line; VNB margin contracts to 26.8%
Other Updates	Jindal Steel & Power | United Spirits | SRF | Petronet LNG | Federal Bank | SONA BLW Precision Forging | DCB Bank | Hitachi Energy | Indraprastha Gas | Craftsman Automation | Mahindra Lifespace | SIS | MAS Financial Services

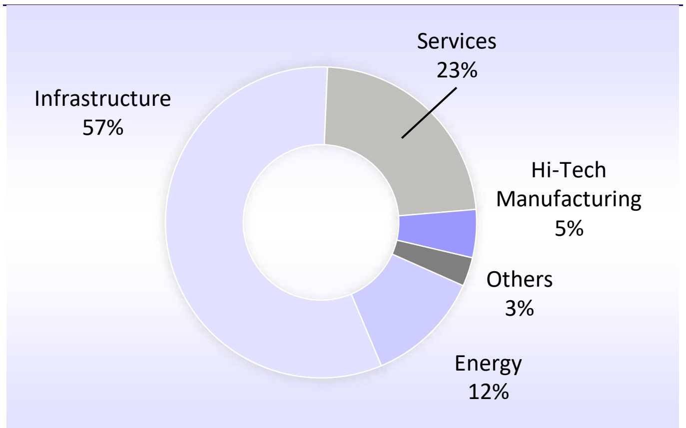
Chart of the Day: Larsen & Toubro (Good start to the year)

Segmental breakup of INR4.9t order book



Source: MOFSL, Company

Segmental breakup of INR709b order inflows



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

Focus on affordable housing, infrastructure bodes well for realty sector

Industry experts anticipate a significant boost to India's real estate sector due to the government's focus on affordable housing, infrastructure development, and urban planning initiatives.

2

Porsche India retail sales grow 40% in January-June period

Manolito Vujicic, Brand Director, Porsche India, said that the desire to own a Porsche in India continues to grow. He added that this reflects what has been a solid, continuous growth of sales right across each model line for Porsche in India over the past few years.

3

PLI for toys, leather and footwear gets nod, Rs 6,000 outlay seen for scheme till FY32

The PLI for toys will have an outlay of Rs 3,489 crore, while the footwear and leather sector will receive Rs 2,600 crore. These schemes are pending cabinet approval, with a token allocation provided for this year.

4

India losing skilled labor to infrastructure projects in Middle East: L&T CFO

Shankar Raman added that increasing salaries of laborers is not a big issue for large infrastructure companies.

5

India's fast pace transformation reflects changing consumer trends: HUL MD

With increasing affluence, the new India is spearheaded by aspiration for better quality of life, he says

6

Net credit card additions down to 2 mn due to seasonal, regulatory factors

Card spend flat at Rs 4.79 trillion but likely to pick up in coming quarters

7

Credit rating agencies upbeat on India's fiscal consolidation plan

Moody's Ratings notes that the Budget is credit positive

Larsen & Toubro

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	LT IN
Equity Shares (m)	1375
M.Cap.(INRb)/(USDb)	4838.7 / 57.8
52-Week Range (INR)	3949 / 2547
1, 6, 12 Rel. Per (%)	-4/-16/11
12M Avg Val (INR M)	8514

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	2,497.2	2,857.2	3,215.4
EBITDA	10.8	11.3	11.3
PAT	145.5	187.0	230.5
EPS (INR)	105.8	136.0	167.6
GR. (%)	13.3	27.6	23.5
BV/Sh (INR)	710.4	815.2	944.5
Ratios			
ROE (%)	16.0	17.9	19.1
RoCE (%)	9.2	10.2	11.3
Valuations			
P/E (X)	33.3	25.9	21.0
P/BV (X)	5.0	4.3	3.7
EV/EBITDA (X)	17.9	15.0	13.3
Div Yield (%)	0.7	0.9	1.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	38.7	37.9	37.9
FII	23.9	25.4	26.2
Others	37.4	36.7	35.9

FII Includes depository receipts

CMP: INR3,519 TP: INR4,150 (+18%) Buy

Good start to the year

Strong growth in international markets drives revenue/PAT beat

LT's 1QFY25 results were 3% ahead of our estimates on both revenue and PAT. The company reported 15%/15%/12% YoY growth in revenue/EBITDA/PAT on a consolidated basis. In a seasonally weak quarter, core E&C revenues and EBITDA also grew by 18%/21% YoY, with Core E&C margins improving by 10bp to 7.6%. Both Core E&C revenue and margin beat our estimates. Core E&C revenue growth was largely driven by sharp improvement in overseas revenue, while domestic revenue was flat YoY due to elections, labor shortage and heat waves. Order inflows/order book were up by 8%/19% YoY, mainly driven by international geographies. The order prospect pipeline was down by 10% YoY at INR9.1t due to a drop in hydrocarbon prospects. NWC remained low at 13.9% of sales. We maintain our estimates and TP of INR4,150 based on SOTP, valuing core business at 30x P/E on Jun'26E EPS and 25% holding company discount for subsidiaries.

Results better than our estimates

LT reported a better-than-expected core E&C performance with revenue of INR386.2b (est. INR372.5b), up 18% YoY. This was primarily led by a robust performance of the Infrastructure segment, which grew by a healthy 22% YoY to INR269b. Similarly, Energy Projects revenue grew 27% YoY to INR84.9b, led by strong execution of the order book. Core E&C EBITDA margin came in at 7.6%, largely in line with our estimate and up 10bp YoY. For the infrastructure segment, margin improved by ~70bp YoY to 5.8%. Energy Projects margin contracted ~40bp YoY to 8.7%. Thus, core E&C EBITDA grew by 21% YoY. NWC to sales improved YoY to 13.9% of sales and RoE improved to 14.7% of sales. Order inflow grew 8% YoY to INR544.4b, driven by international geographies (+25% YoY). Domestic orders declined 1% YoY, due to general elections during the quarter. The order book remains robust at INR4.9t (+19% YoY). On a consolidated basis, revenue grew 15% YoY to INR551.2b, while EBITDA rose 15% YoY to INR56.2b. Margin was flat YoY at 10.2%, while PAT increased by 12% YoY to INR27.9b (3% beat). For FY25, the management maintained the guidance of order inflow growth of 10%, revenue growth of 15%, NWC to sales of 15%, and a margin of 8.25%.

We see possibility of revenue outperformance vs. guidance in FY25

LT's 1Q revenue growth of 18% in a seasonally weak quarter was driven by a strong order book and sharp growth in international revenue. Domestic revenue growth was affected by elections and labor issues, and we expect it to revive sharply only during 2HFY25. With strong international order inflows in FY24, we expect execution to remain strong. Hence, we see a possibility of LT's revenue growth outperforming its guidance of 15% for FY25 despite a guidance of flat margins on a YoY basis.

Prospect pipeline down 10% YoY due to moderation in GCC prospects

LT's order book grew 19% YoY to INR4.9t (3x TTM revenue). The international segment now forms 38% of the overall order book. Within international, 92% comes from the Middle East. LT's prospect pipeline for the remaining nine months is down 10% YoY at INR9.1t, owing to a marginal increase in infrastructure prospects (at INR6.02t, up 3% YoY) and a decline in hydrocarbon prospects (at INR2.2t, down 37% YoY). Within the domestic infrastructure pipeline, the company is eyeing large-sized projects in water, urban transportation, bridges, B&F, T&D and renewables. LT expects a hit rate of 20-25% in the domestic prospect pipeline, which will drive growth in domestic order inflows.

Eyeing growth from new areas

The company is eyeing opportunities in new areas such as offshore wind projects, where it has already made its foray with an order win of USD100m. It is also looking for opportunities in green hydrogen and nuclear projects construction. On domestic private capex, LT expects capex from traditional industries, state road projects, water projects and new-age projects from data centers, electronics manufacturing and semiconductor manufacturing. Though Saudi Aramco's oil-related capex may see a decline in coming years, LT is in active discussions with the client to target gas-based opportunities in overall capex. The Middle East region is already spending on renewable and hydrocarbon and the next leg of spending can come in railways and metro related orders where LT would keep targeting projects.

Maintains its long-term target of 18% RoE

LT's RoE stands at 14.7% and it has maintained its long-term target of 18% RoE. This RoE target can be achieved via 1) a reduction in losses from Hyderabad metro, which can add 1% to RoE; 2) improvement in margins, which can add 1%; and 3) capital restructuring in terms of rewarding shareholders, which can add 1% to RoE.

Valuation and view

We maintain our estimates and TP of INR4,150 based on SOTP, valuing core business at 30x P/E on Jun'26E EPS and 25% holding company discount for subsidiaries. We reiterate our BUY rating on LT. Our multiple takes into account a strong prospect pipeline and improvements in NWC and RoE, despite margins being still far off from earlier highs.

Key risks and concerns

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

Consolidated earning model (INR b)

Y/E March - INR b	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**479**	**510**	**551**	**671**	**551**	**566**	**622**	**758**	**2,211**	**2,497**	**535**	**3**
YoY Change (%)	33.6	19.3	18.8	15.0	15.1	10.9	12.9	13.0	20.6	36.2	11.7	
Total Expenditure	430	454	494	598	495	505	554	674	1,976	2,227	481	
EBITDA	**49**	**56**	**58**	**72**	**56**	**60**	**68**	**84**	**235**	**270**	**54**	**4**
Margins (%)	10.2	11.0	10.4	10.8	10.2	10.6	10.9	11.1	10.6	10.8	10.1	
Depreciation	8	9	9	10	10	10	10	10	37	39	10	1
Interest	9	9	9	9	9	8	8	8	35	33	8	7
Other Income	11	11	8	10	9	8	9	9	42	34	8	9
PBT before EO expense	**43**	**50**	**48**	**63**	**47**	**50**	**58**	**75**	**204**	**232**	**44**	**5**
Extra-Ord expense	0	0	0	-1	0	0	0	0	-1	0	0	
PBT	**43**	**50**	**48**	**64**	**47**	**50**	**58**	**75**	**205**	**232**	**44**	**5**
Tax	12	11	12	14	12	13	15	20	49	60	11	
Rate (%)	28.1	22.8	24.7	22.1	26.4	25.8	25.8	27.2	24.1	25.8	25.8	
Minority Interest	6	6	6	6	7	6	6	7	25	25	6	
Reported PAT	**25**	**32**	**29**	**44**	**28**	**31**	**37**	**48**	**131**	**147**	**27**	**3**
Adj PAT	**25**	**32**	**29**	**43**	**28**	**31**	**37**	**48**	**130**	**147**	**27**	**3**
YoY Change (%)	46.5	44.6	20.0	8.4	11.7	-2.8	25.5	10.1	49.8	13.0	8.4	
Margins (%)	5.2	6.3	5.3	6.4	5.1	5.5	5.9	6.3	5.9	5.9	5.1	

Axis Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	AXSB IN
Equity Shares (m)	3090
M.Cap.(INRb)/(USDb)	3830.5 / 45.8
52-Week Range (INR)	1340 / 921
1, 6, 12 Rel. Per (%)	-3/3/3
12M Avg Val (INR M)	11029

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	498.9	549.8	621.1
OP	371.2	418.8	486.8
NP	248.6	264.3	303.3
NIM (%)	3.8	3.7	3.7
EPS (INR)	80.7	85.6	98.3
EPS Gr. (%)	14.9	6.1	14.8
BV/Sh. (INR)	487	563	653
ABV/Sh. (INR)	469	543	632
Ratios			
RoE (%)	18.0	16.3	16.2
RoA (%)	1.8	1.7	1.7
Valuations			
P/E(X)	15.4	14.5	12.6
P/E(X)*	14.0	13.2	11.5
P/BV (X)	2.3	2.0	1.7
P/ABV (X)	2.4	2.1	1.8

* adjusted for subs

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	7.9	7.9	8.0
DII	30.2	29.1	29.0
FII	55.6	55.4	53.4
Others	6.3	7.5	9.6

FII Includes depository receipts

CMP: INR1,240 TP: INR1,175 (-5%) Neutral

High provisions drag earnings; elevated C/D ratio to suppress loan growth

Asset quality deteriorates slightly

- Axis Bank (AXSB) reported a net profit of INR60.3b (+4% YoY; 6% miss) in 1QFY25. The miss was due to higher provisions.
- NII grew 12% YoY and 3% QoQ to INR134.5b (in line). NIM moderated 1bp QoQ to 4.05%, displaying continued resilience. Provisioning expenses were INR20.4b (sharply higher than MOFSLe), thus leading to the 6% miss at the PBT level.
- Loans grew 14% YoY (2% QoQ). Deposits grew 13% YoY (-1% QoQ), thus resulting in further increase in the C/D ratio to 92%. CASA mix stood at 42%.
- Fresh slippages came in at INR47.93b (vs. INR39.9b in 1QFY24). GNPA/NNPA ratios thus increased 11bp/3bp QoQ to 1.54%/0.34%. PCR stood broadly stable at 78%. About 55% of the rise in credit costs is attributed to lower recoveries in the corporate portfolio this quarter.
- **We cut our earnings estimates by 5.6%/7.8% in FY25/26, as we moderate our growth assumptions and build in higher credit costs. We thus estimate FY26E RoA/RoE of 1.7%/16.2%. Reiterate Neutral with a revised TP of INR1,175 (based on 1.7x FY26E ABV).**

Business growth muted; NIM moderates 1bp QoQ

- AXSB reported a net profit of INR60.3b (+4% YoY; 6% miss) in 1QFY25. The miss was due to higher provisions.
- NII grew 12% YoY and 3% QoQ to INR134.5b (in line). NIM moderates 1bp QoQ to 4.05%. Other income grew 14% YoY to INR57.8b. Treasury gains stood at INR4.06b (vs. INR10.2b in 4QFY24). Total revenue thus grew 13% YoY to INR192.3b (in line) during the quarter.
- Opex grew 11% YoY to INR91.3b (4% beat). The C/I ratio stood at 47.5%, while the cost-to-assets ratio improved to 2.5%.
- PPoP thus grew 15% YoY to INR101.1b (in line). The bank suggested continuing investments in the business while maintaining the ability to tighten the overall opex run-rate.
- AXSB's loan book grew 14.2% YoY/1.6% QoQ, with retail/commercial loans being flat/up 4% QoQ and SME loans growing at 20% YoY/0.3% QoQ. Deposit growth was modest at 12.8% YoY/down 0.6% QoQ. Retail TD dipped 0.9% QoQ while non-retail TD grew 4.8% QoQ. CASA mix moderated 100bp QoQ to 42%. C/D ratio increased 194bp QoQ to 92.2%.
- Fresh slippages came in at INR47.93b (INR39.9b in 1QFY24). GNPA / NNPA ratio thus increased by 11bp/3bp QoQ to 1.54% and 0.34% respectively. PCR stood broadly stable at 78%.

- Net credit costs came in higher at 97bp due to seasonality and lower recoveries & upgrades and did not reflect the full-year credit costs owing to timing differences. About 55% of the rise in credit costs is attributed to lower recoveries in the corporate portfolio this quarter. Excluding this timing difference, the effective credit costs would be 67bp. The restructured loans edged lower to 0.14% of net advances.

Highlights from the management commentary

- The new investment guidelines had a net positive impact of INR12.19b, reducing RoE by 82bp and RoA by 7bp. However, CET 1 improved 14bp.
- ECL provisions included INR50.12b in extra provisions, providing a cushion of 40bp over the reported capital ratio.
- In 1QFY25, the net credit costs did not reflect the full-year outlook due to timing differences. Approximately 55% of the increase is attributed to lower recoveries in the corporate portfolio.
- Excluding this 55% impact from timing differences, the effective credit costs would be 67bp. About 32% of gross slippages were linked accounts that were standard; as these slippages regularize, so would the linked provisions.

Valuation and view

AXSB reported a mixed quarter, with higher provisions leading to the earnings miss, while margin witnessed a meager 1bp QoQ moderation. Asset quality deteriorated, with credit costs increasing sharply due to the timing difference and lower recoveries. Loan growth was driven by the corporate segment, while deposits saw a muted growth leading to an increase in the C/D ratio to 92.2%. We will keenly monitor the near-term growth as an elevated C/D ratio will constrain credit growth, while continued re-pricing of deposits may keep margins under check. The bank has a healthy LCR of 120%, as it maintains the industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be monitored over the coming quarters. **We cut our earnings estimate by 5.6%/7.8% in FY25/26, as we moderate our growth assumptions and build in higher credit costs. We thus estimate FY26E RoA/RoE of 1.7%/16.2%. Reiterate Neutral with a revised TP of INR1,175 (1.7x FY26E ABV).**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	Est
Net Interest Income	**119.6**	**123.1**	**125.3**	**130.9**	**134.5**	**135.2**	**138.2**	**141.9**	**498.9**	**549.8**	**133.2**	**1%**
% Change (Y-o-Y)	27.4	18.9	9.4	11.5	12.5	9.8	10.3	8.4	16.2	10.2	11.4	
Other Income	50.9	50.3	55.5	67.7	57.8	60.5	64.2	71.1	224.4	253.6	60.1	-4%
Total Income	**170.5**	**173.5**	**180.9**	**198.5**	**192.3**	**195.7**	**202.3**	**213.0**	**723.4**	**803.4**	**193.3**	**-1%**
Operating Expenses	82.3	87.2	89.5	93.2	91.3	94.2	97.2	101.9	352.1	384.5	95.5	-4%
Operating Profit	**88.1**	**86.3**	**91.4**	**105.4**	**101.1**	**101.5**	**105.2**	**111.1**	**371.2**	**418.8**	**97.9**	**3%**
% Change (Y-o-Y)	49.7	11.9	-1.5	14.9	14.7	17.6	15.1	5.4	16.8	12.8	11.0	
Provisions	10.3	8.1	10.3	11.9	20.4	16.8	16.3	13.0	40.6	66.5	12.2	67%
Profit before Tax	**77.8**	**78.2**	**81.1**	**93.5**	**80.7**	**84.7**	**88.9**	**98.0**	**330.6**	**352.3**	**85.7**	**-6%**
Tax	19.8	19.5	20.4	22.2	20.3	21.4	22.4	24.0	82.0	88.1	21.6	-6%
Net Profits	**58.0**	**58.6**	**60.7**	**71.3**	**60.3**	**63.4**	**66.5**	**74.0**	**248.6**	**264.3**	**64.1**	
% Change (Y-o-Y)	40.5	10.0	3.7	7.6	4.1	8.1	9.5	3.8	15.2	6.3	10.6	
Operating Parameters												
Deposit (INR t)	9.4	9.6	10.0	10.7	10.6	11.1	11.6	12.2	10.7	12.2	11.0	-4%
Loan (INR t)	8.6	9.0	9.3	9.7	9.8	10.0	10.4	10.8	9.7	10.8	9.9	-1%
Deposit Growth (%)	17.2	17.9	18.5	12.9	12.8	16.1	15.3	14.0	12.9	14.0	16.9	
Loan Growth (%)	22.4	22.8	22.3	14.2	14.2	11.4	11.6	12.0	14.2	12.0	15.8	
Asset Quality												
Gross NPA (%)	2.0	1.7	1.6	1.4	1.5	1.7	1.7	1.6	1.5	1.6	1.5	
Net NPA (%)	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.4	0.3	
PCR (%)	79.6	79.5	77.8	78.5	78.1	77.8	77.4	77.4	78.5	77.4	78.7	

E: MOFSL Estimates

SBI Life Insurance

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	SBILIFE IN
Equity Shares (m)	1002
M.Cap.(INRb)/(USDb)	1635.5 / 19.5
52-Week Range (INR)	1665 / 1251
1, 6, 12 Rel. Per (%)	9/2/0
12M Avg Val (INR M)	1818

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Premiums	805.9	949.9	1,106.4
Surplus / Deficit	28.0	36.8	43.3
Sh. PAT	18.9	19.9	23.2
NBP gr- unwtd (%)	29.2	18.0	18.0
NBP gr- APE (%)	17.5	17.6	18.0
Premium gr (%)	22.8	16.0	16.5
VNB margin (%)	28.1	27.6	28.1
RoEV (%)	26.5	21.9	20.5
Total AUMs (INRt)	3.9	4.6	5.4
VNB	55.5	63.5	76.1
EV per share	583	710	856
Valuations			
P/EV (x)	2.8	2.3	1.9
P/EVOP (x)	16.3	14.0	11.6

*VNB, VNB margins based on ETR

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.4	55.4	55.5
DII	15.9	15.4	14.2
FII	24.7	25.2	26.2
Others	4.0	4.0	4.2

FII Includes depository receipts

CMP: INR1,636 TP: INR1,900 (+16%) Buy

Gross premium in line; VNB margin contracts to 26.8%

Focus on protection and non-par to improve margins in FY25E

- SBI Life Insurance (SBILIFE) reported a decent performance in 1QFY25. APE grew 20% YoY (in line) to INR36.4b, whereas absolute VNB grew 11.5% YoY (a marginal miss of 2.4%) to INR9.7b during the quarter.
- Strong growth in ULIPs and a blip in protection sales led to a contraction in VNB margin for 1QFY25. VNB margin came in at 26.8% vs. 28.8% in 1QFY24 (our estimate at 27.5%).
- We expect SBILIFE to deliver an 18% CAGR in APE and VNB over FY24-26, while RoEV is likely to remain ~20%. **We reiterate our BUY rating on the stock with a TP of INR1,900 (premised on 2.2x Mar'26E EV).**

ULIP's share in APE increases to 61% in 1QFY25

- SBILIFE reported 15% YoY growth in gross premium to INR155.7b (in line), led by 16% growth in renewal premium.
- Total APE rose 20% YoY (in line), within which, non-par and ULIPs grew 20.7% and 39.6%, respectively. The total protection business, however, dipped 18.9% YoY, led by a 28.6% YoY decline in individual protection business. The Par/Annuity segments decreased 30.0%/7.7%, YoY.
- The total cost ratio for 1QFY25 was 10.5% vs. 10.8% in 1QFY24. The commission ratio was 4.4% vs. 4.0% in 1QFY24. The operating expense ratio was 6.1% vs. 6.8% in 1QFY24.
- For 1QFY25, the share of ULIPs in APE increased to 61.0% from 52.5% in 1QFY24. The share of protection business declined YoY to 8.2% in 1QFY25 from 12.2%. On a YoY basis, the share of group protection and individual protection declined during the quarter.
- On the distribution front, the share of the banca and agency channels in total APE stood at 59.3% and 29.9%, respectively.
- On a YoY basis, except for the 49th Month (which declined 110bp YoY to 67.7% in 1QFY25), persistency improved across all cohorts.
- Shareholders' PAT jumped 36% YoY to INR5.2b (vs. our estimate of INR4.0b; registering a 30.5% beat).

Highlights from the management commentary

- SBILIFE guided 18-20% premium growth and ~28% VNB margin for FY25.
- Lower VNB margin in 1QFY25 was due to: 1) a lower share of protection and 2) a reduced margin on non-par products due to timing differences between interest rate movement and IRR change.
- For reviving the protection segment, SBILIFE is working actively with SBI and, based on its customer data, will launch a protection product on the Yono app with: 1) pre-authorization, 2) simple product features, and 3) competitive pricing. Further, it plans to launch a new product in Aug'24 for the HNI segment with higher sum assured. Higher non-medical limits are also being implemented.

Valuation and view

SBILIFE reported a decent performance during the quarter, with APE and VNB in line with estimates (VNB margin contracted to 26.8% in 1QFY25). New product launches are likely to kick-start the recovery in the protection segment. Further, the impact of surrender charges is likely to be minimal. Considering the seasonality, the SBI channel is anticipated to see recovery in growth in 2Q and 3Q. SBILIFE continues to maintain its cost leadership. We expect SBILIFE to deliver an 18% CAGR in APE/VNB over FY24-26, while RoEV is projected to remain ~20%. **We reiterate our BUY rating on the stock with a TP of INR1,900 (premised on 2.2x Mar'26E EV).**

Quarterly performance **(INR b)**

Policy holder's A/c	FY24				FY25				FY24	FY25E	FY25E	V/s est
(INR b)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
First year premium	26.4	46.3	56.8	45.3	31.5	53.4	65.7	53.8	174.8	205.3	32.4	(3.0)
Growth (%)	*3%*	*33%*	*12%*	*11%*	*19%*	*15%*	*16%*	*19%*	*15%*	*17%*	23%	
Renewal premium	73.5	101.2	127.2	130.0	85.4	121.9	147.3	152.4	431.9	507.8	86.3	(1.1)
Growth (%)	*28%*	*11%*	*17%*	*9%*	*16%*	*20%*	*16%*	*17%*	*14%*	*18%*	17%	
Single premium	35.7	54.2	40.6	77.1	38.9	63.9	49.2	95.9	207.6	245.9	36.9	5.4
Growth (%)	*18%*	*35%*	*21%*	*93%*	*9%*	*18%*	*21%*	*24%*	*44%*	*18%*	3%	
Gross premium income	**135.6**	**201.8**	**224.6**	**252.4**	**155.7**	**239.2**	**262.2**	**302.0**	**814.3**	**959.1**	155.7	0.0
Growth (%)	*19%*	*21%*	*16%*	*26%*	*15%*	*19%*	*17%*	*20%*	*21%*	*18%*	*15%*	
PAT	**3.8**	**3.8**	**3.2**	**8.1**	**5.2**	**4.0**	**3.6**	**8.4**	**18.9**	**19.9**	4.0	30.5
Growth (%)	*45%*	*1%*	*6%*	*4%*	*36%*	*5%*	*11%*	*3%*	*10%*	*5%*	4%	
Key metrics (INRb)												
New Business APE	30.3	51.8	61.3	53.3	36.4	59.8	70.6	63.4	195.5	229.9	36.1	0.8
Growth (%)	4.5	31.7	12.9	17.1	20.1	15.5	15.2	18.9	17.5	17.6	19.2	
VNB	8.7	14.9	16.8	15.1	9.7	16.5	19.4	17.9	55.5	63.5	9.9	(2.4)
Growth (%)	-1.1	20.2	11.3	4.9	11.5	10.7	15.2	18.6	9.5	14.3	14.2	
AUM	3,283	3,452	3,714	3,889	4,148	4,339	4,549	4,558	3,889	4,558	4,014	3.3
Growth (%)	25.1	22.1	23.8	26.5	26.3	25.7	22.5	17.2	26.5	17.2	22.3	
Key Ratios (%)												
VNB margins (%)	28.8	28.5	27.4	28.3	26.8	27.6	27.4	28.3	28.1	27.6	27.5	*(70)*

Jindal Steel & Power

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	992 / 11.8
52-Week Range (INR)	1097 / 582
1, 6, 12 Rel. Per (%)	-13/24/30
12M Avg Val (INR M)	1844
Free float (%)	38.8

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	500	600	755
EBITDA	102	134	181
APAT	59	65	97
Adj. EPS (INR)	58	64	96
EPS Gr. (%)	60.4	8.9	50.4
BV/Sh. (INR)	442	499	585
Ratios			
Net D:E	0.2	0.2	0.1
RoE (%)	14.1	13.5	17.6
RoCE (%)	12.2	15.1	19.5
Payout (%)	3.4	10.0	10.0
Valuations			
P/E (x)	16.6	15.3	10.2
P/BV (x)	2.2	1.9	1.7
EV/EBITDA(x)	10.7	8.2	5.8
Div. Yield (%)	0.2	0.7	1.0
FCF Yield (%)	-2.6	3.0	6.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	61.2	61.2	61.2
DII	15.3	14.7	14.8
FII	13.4	13.7	14.2
Others	10.0	10.4	9.9

FII Includes depository receipts

CMP: INR972 TP: INR1200 (+23%) Buy

In-line revenue with a slight miss on margins; outlook bright

- Jindal Steel & Power (JSP)'s 1QFY25 revenue stood in line at INR136b (YoY/ QoQ: +8%/+1%), driven by decent volume growth. Sales volume came in at 2.09mt (YoY/QoQ: +14%/ +4%) vs. our est. of 2.02mt. Production volume stood at 2.05mt (YoY/QoQ: flat) in 1QFY25.
- EBITDA came in at INR28b (YoY/QoQ: +8%/+16%), 8% below our est. of INR31b led by higher-than-expected cost and weak realization. EBITDA/t was INR13,585 (YoY/QoQ: -5%/+12%) vs. our est. of INR15,195 in 1QFY25.
- APAT for the quarter stood at INR13b (YoY/QoQ: -21% /+43%) vs. our est. of INR14b. The share of exports reduced to 7% in 1QFY25 vs. 11% in 4QFY24.
- Net debt stood at INR104.6b at the end of Jun'24 (vs. INR112b at the end of Mar'24). Net debt-to-EBITDA stood at 1x as of Jun'24 vs. 1.1x at Mar'24.

Expansion status and update

- The BOF-II plant construction is delayed and is likely to be completed by Mar'25 (earlier 2QFY25). BOF-III, which will be in the same vicinity, should be commissioned by 3QFY26E.
- As of Jun'24, JSP spent ~INR175b of the INR310b of the announced capex plan. Management does not foresee any cost increase due to the delay in the expansion process. Going forward, JSP foresees incurring the remaining ~INR135b in the next three years (~INR75-100b each year) subject to better operating cash flows and balance sheet position.
- The company is targeting to increase the EC limit of Gare Palma IV/6 coal mine to 5MTPA by FY25-end from 4MTPA.
- JSP is in the last leg of EC limit approvals for Utkal B1 mines and expects the same in the next 2-3 months. Utkal B2 is under clearance and is likely to open in FY25.

Highlights from the management commentary

- Based on current price trends, management expects coking coal costs to moderate by USD30-35/t in 2QFY25
- Iron ore costs to reduce by ~INR500-INR1000/t in 2QFY25
- Blended realization would see softening of 1% going forward, as the overall steel prices remain soft.
- Management targets to keep net debt/EBITDA below 1.5x.

Valuation and view

- While 1Q EBITDA was marginally lower than our estimate, the outlook remains bright. JSP foresees coking coal/iron costs to be lower in 2QFY25, translating into a better margin despite softening NSR. The ongoing capex would lead to more value-added products, which would yield better profitability.
- **We broadly retain our estimates and reiterate our BUY rating on JSP with a TP of INR1200, based on 7x FY26E EV/EBITDA. The stock is currently trading at 5.8x FY26E EV/EBITDA and 1.7x FY26E P/B.**

Consolidated quarterly performance **(INR b)**

Y/E March	FY24				FY25				FY24	FY25E	FY25	Vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales (kt)	1,840	2,010	1,810	2,010	2,090	2,312	2,250	2,399	7,670	9,050	2,024	**3**
Change (YoY %)	5.7	0.0	-4.7	-1.0	13.6	15.0	24.3	19.3	-0.1	18.0		
ASP	68,415	60,946	64,648	67,099	65,157	64,506	66,332	69,116	65,224	66,332	67,532	**-4**
Net Sales	**126**	**123**	**117**	**135**	**136**	**149**	**149**	**166**	**500**	**600**	**137**	**-0**
Change (YoY %)	-3.5	-9.4	-6.0	-1.5	8.2	21.7	27.5	22.9	-5.1	20.0		
Change (QoQ %)	-8.1	-2.7	-4.5	15.3	1.0	9.5	0.1	11.1				
Total Expenditure	100	100	89	110	108	115	115	129	398	467		
EBITDA	**26**	**23**	**28**	**24**	**28**	**34**	**34**	**37**	**102**	**134**	**31**	**-8**
Change (YoY %)	-23.6	18.3	19.6	11.8	8.0	50.3	19.5	51.5	2.7	31.1		
Change (QoQ %)	20.2	-13.0	24.4	-14.0	16.2	21.0	-1.1	9.0				
EBITDA/t	**14,283**	**11,372**	**15,705**	**12,162**	**13,585**	**14,861**	**15,102**	**15,443**	**13,306**	**14,781**	**15,195**	**-11**
Interest	3	3	3	3	3	3	3	8	13	18		
Depreciation	6	6	6	10	7	7	7	11	28	31		
Other Income	1	0	0	0	0	0	0	0	2	2		
PBT (before EO item)	**18**	**14**	**19**	**12**	**19**	**25**	**24**	**19**	**62**	**87**	**19**	
Extra-ordinary Income	0	0	0	0.0	0	0	0	0.0	0	0		
PBT (after EO item)	**18**	**14**	**19**	**12**	**19**	**25**	**24**	**19**	**62**	**87**	**19**	**-2**
Total Tax	1	-0	-0	2	5	6	6	4	3	22		
% Tax	4.2	-0.4	-0.1	19.8	28.0	25.2	25.2	22.5	4.8	0.0		
PAT (before MI/Sh. Asso.)	**17**	**14**	**19**	**9**	**13**	**18**	**18**	**15**	**59**	**65**	**14**	
MI - Loss/(Profit)	0	0	-0	-0	0	0	0	0	0	0		
Associate	-0	-0	0	0	0	0	0	0	-0	0		
PAT (after MI and Sh. of Asso.)	**17**	**14**	**19**	**9**	**13**	**18**	**18**	**15**	**59**	**65**		
Adjusted PAT	**17**	**14**	**19**	**9**	**13**	**18**	**18**	**15**	**59**	**65**	**14**	**-6**
Change (YoY %)	15.3	102.2	114.9	52	-20.7	32.3	-6.2	59	62.3	8.9		
Change (QoQ %)	173.8	-17.7	38.9	-51	43.0	37.2	-1.5	-18				

24 July 2024

1QFY25 Results Update | Sector: Consumer

United Spirits

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	UNITDSPR IN
Equity Shares (m)	727
M.Cap.(INRb)/(USDb)	1005.8 / 12
52-Week Range (INR)	1417 / 973
1, 6, 12 Rel. Per (%)	3/11/17
12M Avg Val (INR M)	1141

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	106.9	117.1	127.7
Sales Gr. (%)	3.1	9.5	9.1
EBITDA	17.1	19.7	22.1
Margin (%)	16.0	16.9	17.3
PAT	13.1	14.0	16.0
EPS (INR)	18.1	19.3	22.0
EPS Gr. (%)	42.7	6.3	14.1
BV/Sh.(INR)	95.8	115.1	137.1
Ratios			
RoE (%)	18.9	16.7	16.0
RoCE (%)	26.2	23.9	22.8
Payout (%)	38.6	46.7	54.6
Valuations			
P/E (x)	61.0	57.4	50.3
P/BV (x)	11.5	9.6	8.1
EV/EBITDA (x)	45.7	39.4	34.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	56.7	56.7	56.7
DII	14.0	12.3	12.7
FII	15.1	16.7	15.9
Others	14.2	14.4	14.8

FII Includes depository receipts

CMP: INR1,395 TP: INR1400 (+1%) Neutral

Beat on EBITDA; retains double-digit growth guidance for FY25

- UNSP reported revenue growth of 8% YoY (in line) in 1QFY25. Prestige & Above (P&A) segment clocked revenue growth of 10% YoY and volume growth of 5% YoY. The popular segment posted a decline of 3%/5% YoY in value/volume.
- The premiumization trends in the liquor category continued to drive the P&A portfolio. Pricing strategies also played a role in achieving better value growth. The proposed excise policy reform in Karnataka, which includes a duty reduction, will enhance demand trends and foster premiumization in the market. The company remains committed to driving double-digit growth in FY25, backed by better growth in 2HFY25.
- Gross margin expanded 90bp YoY to 44.5% (est. 43.2%), led by mix and pricing. The company benefited from a 100bp reduction in overheads (true-up the provisions) and lower A&P spending due to seasonality, which resulted in EBITDA margin expansion of 590bp QoQ/170bp YoY to 19.5% (est. 17.5%), a 23-quarter high margin. The management has guided that 1QFY25 margin was a one-off event and it will normalize in the coming quarters. We estimate 17% EBITDA margin in FY25 (16% in FY24), factoring in expectations of stable raw material inflation, steady product mix, and effective cost control.
- We value UNSP at 55x Jun'26E standalone EPS and include INR150/share for its RCB+ non-core assets to arrive at a **TP of INR1,400**. With the limited upside, we maintain our Neutral rating on the stock.

In-line revenue; EBITDA beat estimate

- **Volume growth in mid-single digit:** Standalone net sales increased 8% YoY to INR23.5b (est. INR23.6b) in 1QFY25, with P&A revenue growth of 10% (90% revenue mix). Popular revenue declined 3% YoY as inflation continued to affect the price-sensitive segment. Volume growth stood at 3.5%, with P&A volume up 5.1% to 11.5mn cases (est. 11.4mn cases) and Popular volume down 5% to 2.2mn cases (est. 2.4mn cases).
- **Operating leverage-led margin expansion:** Gross margin was up 90bp YoY at 44.5% (est. 43.2%). Excluding a one-off benefit of INR130m due to a write-back in the 1QFY24, gross margin expanded 150bp YoY. As a percentage of sales, advertising costs rose 60bp YoY to 7%, staff costs remained flat at 6%, and other expenses were down 150bp YoY at 12%. EBITDA margin was up 170bp YoY at 19.5% (est. 17.5%). Excluding the one-offs in 1QFY24, EBITDA margin expanded 230bp YoY.
- **Double-digit EBITDA growth**: Employee and A&P expenses were up by 7% and 19% YoY, respectively, while other expenses declined by 4% YoY. EBITDA grew 19% YoY to INR4.6b (est. INR4.1b). Higher other income resulted in 25% YoY growth in PBT and APAT to INR4.0b and INR3.0b, respectively (est. INR3.5b/INR2.6b).

Highlights from the management commentary

- 1HFY25 is expected to see single-digit revenue growth, while 2HFY25 should witness revenue growth in double digits. The management expects to meet its double-digit growth guidance for FY25.
- The company approved investments in V9 Beverages Rise Up, the maker of sober non-alcoholic beverages, and Indie Brews and Spirits, the maker of coffee liqueurs, as part of its strategy to add premium Indian provenance craft brands.
- The price mix was 4.8%, contributing to an overall portfolio NSV growth of 8.3% for the quarter. The company maintains that the price mix as a whole, the volume value delta, will stay in the range of about 6-8% on a full-year basis.
- ENA continues to experience inflation, while the rest of the commodity remains stable.
- The new policy in Karnataka suggests slab changes with a reduction in duty, which is a positive development. It will drive some premiumization, but the product will remain relatively expensive compared to other markets.

Valuation and view

- With consistent improvements in gross and EBITDA margin, we increase our FY25/FY26 EPS estimates by 3%/4%. We model EBITDA margin of 17% for FY25E/FY26E (vs. 16% in FY24).
- UNSP sold a large part of its popular portfolio to concentrate on its global strategy for the premium portfolio. The liquor industry is currently experiencing an upgrading trend, aligning well with UNSP's renewed emphasis on P&A, which fits into the long-term liquor upgrading narrative in India.
- We value UNSP at 55x Jun'26E standalone EPS and include INR150 per share for its RCB + non-core assets to arrive at a **TP of INR1,400**. With the limited upside, we maintain our Neutral rating on the stock.

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
(Standalone)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Volume growth %	**5.8**	**1.0**	**-1.8**	**3.7**	**3.5**	**4.4**	**6.6**	**7.3**	**1.9**	**5.5**	**4.2**	
Total revenues	**21,719**	**28,647**	**29,893**	**26,660**	**23,520**	**30,773**	**32,998**	**29,782**	**1,06,920**	**1,17,072**	**23,550**	-0.1%
YoY change (%)	-1.0	-1.4	7.5	6.9	8.3	7.4	10.4	11.7	3.1	9.5	8.4	
Gross Profit	**9,474**	**12,437**	**12,979**	**11,550**	**10,460**	**13,601**	**14,519**	**13,048**	**46,440**	**51,629**	10,173	2.8%
Margin (%)	43.6	43.4	43.4	43.3	44.5	44.2	44.0	43.8	43.4	44.1	43.2	
Total Exp	17,868	23,946	24,979	23,040	18,940	25,487	27,425	25,494	89,840	97,346	19,433	
EBITDA	**3,851**	**4,701**	**4,914**	**3,620**	**4,580**	**5,286**	**5,574**	**4,288**	**17,080**	**19,727**	**4,117**	11.2%
Margins (%)	17.7	16.4	16.4	13.6	19.5	17.2	16.9	14.4	16.0	16.9	17.5	
EBITDA growth (%)	42.4	6.3	33.6	7.1	18.9	12.4	13.4	18.4	20.4	15.5	6.9	
Depreciation	650	653	628	710	650	676	700	724	2,640	2,750	663	
Interest	193	262	164	290	220	225	225	230	910	900	232	
Other income	209	388	461	2,290	320	500	500	1,265	3,350	2,585	280	
PBT	**3,217**	**4,174**	**4,583**	**4,910**	**4,030**	**4,885**	**5,149**	**4,599**	**16,880**	**18,662**	**3,502**	15.1%
Tax	814	1,068	1,102	760	1,040	1,229	1,296	1,157	3,740	4,665	881	
Rate (%)	25.3	25.6	24.0	15.5	25.8	25.2	25.2	25.2	22.2	25.0	25.2	
Adj. PAT	**2,397**	**3,183**	**3,481**	**4,073**	**2,990**	**3,655**	**3,853**	**3,441**	**13,140**	**13,996**	**2,620**	14.1%
YoY change (%)	8.1	20.7	61.0	91.7	24.8	14.8	10.7	-15.5	49.2	6.5	9.3	

E: MOFSL Estimate

SRF

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SRF IN
Equity Shares (m)	296
M.Cap.(INRb)/(USDb)	701.8 / 8.4
52-Week Range (INR)	2697 / 2040
1, 6, 12 Rel. Per (%)	-6/-10/-14
12M Avg Val (INR M)	1264

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	131.4	153.8	178.6
EBITDA	26.6	31.0	39.7
PAT	14.1	15.6	22.0
EBITDA (%)	20.3	20.1	22.2
EPS (INR)	47.5	52.6	74.0
EPS Gr. (%)	(37.7)	10.7	40.7
BV/Sh. (INR)	386	423	480
Ratios			
Net D/E	0.4	0.3	0.3
RoE (%)	13.0	13.0	16.4
RoCE (%)	10.5	10.6	13.0
Payout (%)	16.0	28.8	23.0
Valuations			
P/E (x)	49.8	45.0	32.0
EV/EBITDA (x)	28.0	24.1	18.7
Div Yield (%)	0.3	0.6	0.7
FCF Yield (%)	(0.3)	1.0	1.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.3	50.3	50.5
DII	16.6	16.0	13.7
FII	18.7	19.1	20.0
Others	14.4	14.6	15.7

Note: FII includes depository receipts

CMP: INR2,368 TP: INR2,130 (-10%) Neutral

Chemical businesses mar operating performance

Operating performance in line.

- SRF posted muted 1QFY25, with a material decline in operating profitability (EBIT down 20% YoY), due to the continuing weakness in the Chemical businesses (EBIT dipped 33% YoY), which offset the strong performance in the Packaging Film/Technical Textile businesses (EBIT grew 69%/12% YoY).
- We maintain our FY25/FY26 EBITDA estimates. We value the stock on an SoTP-basis to arrive at our TP of INR2,130. **Reiterate NEUTRAL.**

Inventory rationalization/plant ramp ups hit chemical business margins

- SRF reported overall revenue of INR34.6b (est. of INR32.9b) in 1QFY25, up ~4% YoY. EBITDA margin contracted 360bp YoY to 17.9% (est. of 19.7%). EBITDA stood at INR6.2b (est. of INR6.5b), down 14% YoY. Adj. PAT declined 30% YoY to INR2.7b (est. of INR3.1b).
- **Chemicals'** revenue (43%/63% of total sales/EBIT in 1QFY25) dropped 11% YoY to INR14.8b, while EBIT declined 33% YoY to INR3.1b. EBIT margin contracted 700bp YoY to 20.7%. The specialty chemicals business continued to face headwinds due to inventory rationalization by certain key customers, while the Fluorochemicals business was affected by low margins in the Chloro-methane segment. However, the domestic refrigerant gasses business witnessed an improved performance in 1QFY25.
- **Packaging Film's** revenue (39%/18% of total sales/EBIT in 1QFY25) grew 22% YoY to INR13.4b, while EBIT grew 69% YoY to INR868m. Margin expanded 180bp YoY to 6.5%. The BOPP films segment performed well while, the BOPET films segment continued to witness an oversupply situation.
- **Technical Textiles'** revenue (15%/14% of total sales/EBIT in 1QFY25) grew 13% YoY to INR5.3b. EBIT grew 12% YoY to INR677m. EBIT margin contracted 20bp YoY to 12.9%. The segment performed well, led by healthy volumes in Nylon Tyre Cord Fabrics (NTCF) and Polyester Industrial Yarn (PIY).

Highlights from the management commentary

- The **Chemical business** is likely to witness a revival in 2HFY25. Despite weak 1Q, it is confident of achieving ~20% revenue growth within chemicals business in FY25. FY25 margins to be plus or minus 2% of FY24.
- **Packaging business:** The BOPET films segment continued to witness an oversupplied market. The business also had tough competition from the Chinese players in the Southeast Asian markets. Aluminum foil export sampling is under way, and production is expected to ramp-up from 2HFY25.
- **Capex:** SRF plans to incur a total capex of ~INR15-19b in FY25 (including INR6b towards the commissioning of three new fluoropolymer facilities).

Valuation and view

- The chemicals business (fluorochemicals and specialty chemicals) is expected to achieve major improvement from 2HFY25 onwards. The packaging business is likely to remain under pressure in the medium term, while the technical textile business is likely to continue the current growth momentum.
- We maintain our FY25/FY26 EBITDA estimates. We value the stock on an SoTP basis to arrive at our TP of INR2,130. Reiterate **NEUTRAL.**

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	%
Net Sales	**33,384**	**31,774**	**30,530**	**35,697**	**34,641**	**36,309**	**38,349**	**44,472**	**1,31,385**	**1,53,772**	**32,860**	**5**
YoY Change (%)	-14.3	-14.8	-12.0	-5.5	3.8	14.3	25.6	24.6	-11.6	17.0	-1.6	
Total Expenditure	26,184	25,320	24,691	28,581	28,435	29,384	30,483	34,488	1,04,777	1,22,789	26,389	
EBITDA	**7,200**	**6,453**	**5,839**	**7,116**	**6,207**	**6,925**	**7,866**	**9,985**	**26,608**	**30,983**	**6,471**	**-4**
Margins (%)	21.6	20.3	19.1	19.9	17.9	19.1	20.5	22.5	20.3	20.1	19.7	
Depreciation	1,566	1,612	1,689	1,859	1,882	1,950	1,950	2,180	6,726	7,962	1,900	
Interest	656	793	674	900	965	750	760	832	3,023	3,307	700	
Other Income	118	291	188	234	253	280	220	296	830	1,049	200	
PBT before EO expense	**5,095**	**4,339**	**3,664**	**4,591**	**3,612**	**4,505**	**5,376**	**7,269**	**17,689**	**20,762**	**4,071**	
Extra-Ord expense & DO	237	191	181	158	172	0	0	0	767	172	0	
PBT	**4,858**	**4,148**	**3,483**	**4,433**	**3,440**	**4,505**	**5,376**	**7,269**	**16,922**	**20,590**	**4,071**	
Tax	1,265	1,140	949	211	918	1,104	1,317	1,782	3,565	5,120	997	
Rate (%)	24.8	26.3	25.9	4.6	25.4	24.5	24.5	24.5	20.2	24.7	24.5	
Reported PAT	**3,593**	**3,008**	**2,534**	**4,222**	**2,522**	**3,402**	**4,059**	**5,487**	**13,357**	**15,470**	**3,074**	
Adj PAT	**3,830**	**3,199**	**2,715**	**4,380**	**2,695**	**3,402**	**4,059**	**5,487**	**14,124**	**15,642**	**3,074**	**-12**
YoY Change (%)	-39.5	-38.1	-48.4	-25.8	-29.6	6.3	49.5	25.3	-37.7	10.7	-20	
Margins (%)	11.5	10.1	8.9	12.3	7.8	9.4	10.6	12.3	10.8	10.2	9.4	

Key Performance Indicators

Y/E March	FY24E				FY25E				FY24	FY25E	FY25E
Consolidated	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Segment Revenue (INR m)											
Technical Textile	4,647	5,062	4,584	4,689	5,253	5,568	5,225	5,392	**18,980**	**21,438**	**5,065**
Chemicals	16,605	14,263	13,941	18,161	14,820	15,975	18,821	24,517	**62,970**	**74,132**	**14,447**
Packaging Film	10,948	11,215	10,907	11,824	13,363	13,346	13,088	13,361	**44,893**	**53,158**	**12,043**
Others	1,187	1,269	1,136	1,062	1,262	1,421	1,215	1,203	**4,653**	**5,101**	**1,306**
Segment Revenue Growth (%)											
Technical Textile	-18.6	8.6	7.6	8.9	13.1	10.0	14.0	15.0	**0.2**	**12.9**	**9.0**
Chemicals	-3.6	-22.1	-20.6	-13.6	-10.8	12.0	35.0	35.0	**-15.0**	**17.7**	**-13.0**
Packaging Film	-26.8	-15.7	-9.3	2.5	22.1	19.0	20.0	13.0	**-13.4**	**18.4**	**10.0**
Other	12.4	26.4	23.0	12.6	6.3	12.0	7.0	13.3	**18.5**	**9.6**	**10.0**
Segment Results (INR m)											
Technical Textile	607	750	688	698	677	779	784	863	**2,742**	**3,103**	**760**
Chemicals	4,601	3,478	3,219	4,977	3,064	3,674	4,705	6,620	**16,274**	**18,063**	**3,525**
Packaging Film	513	773	449	331	868	867	916	1,002	**2,065**	**3,653**	**422**
Others	232	331	212	156	236	355	231	180	**930**	**1,002**	**261**
Segment EBIT Margins (%)											
Technical Textile	13.1	14.8	15.0	14.9	12.9	14.0	15.0	16.0	**14.4**	**14.5**	**15.0**
Chemicals	27.7	24.4	23.1	27.4	20.7	23.0	25.0	27.0	**25.8**	**24.4**	**24.4**
Packaging Film	4.7	6.9	4.1	2.8	6.5	6.5	7.0	7.5	**4.6**	**6.9**	**3.5**
Others	19.5	26.1	18.7	14.7	18.7	25.0	19.0	15.0	**20.0**	**19.6**	**20.0**
Cost Break-up											
RM Cost (% of sales)	50.9	51.0	50.9	51.4	52.7	52.7	52.6	52.0	**51.1**	**52.5**	**48.1**
Staff Cost (% of sales)	6.5	7.1	8.0	6.9	7.3	7.0	6.7	5.8	**7.1**	**6.7**	**7.6**
Power and Fuel Cost (% of sales)	10.6	10.8	10.5	9.2	9.9	10.5	10.0	9.7	**10.2**	**10.0**	**10.4**
Other Cost (% of sales)	10.4	10.7	11.5	12.6	12.2	10.7	10.2	10.0	**11.3**	**10.7**	**10.4**
Gross Margins (%)	49.1	49.0	49.1	48.6	47.3	47.3	47.4	48.0	**48.9**	**47.5**	**51.9**
EBITDA Margins (%)	21.6	20.3	19.1	19.9	17.9	19.1	20.5	22.5	**20.3**	**20.1**	**19.7**
EBIT Margins (%)	16.9	15.2	13.6	14.7	12.5	13.7	15.4	17.5	**15.1**	**15.0**	**14.5**

Petronet LNG

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USDb)	525.9 / 6.3
52-Week Range (INR)	359 / 187
1, 6, 12 Rel. Per (%)	4/21/33
12M Avg Val (INR M)	1593

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	527.3	585.8	582.4
EBITDA	52.1	67.2	68.3
Adj. PAT	35.4	46.3	47.0
Adj. EPS (INR)	23.6	30.9	31.3
EPS Gr. (%)	9.1	30.9	1.5
BV/Sh.(INR)	113.1	129.7	146.5
Ratios			
Net D:E	-0.4	-0.5	-0.5
RoE (%)	22.2	25.4	22.7
RoCE (%)	23.5	26.5	23.7
Payout (%)	46.3	46.3	46.3
Valuation			
P/E (x)	14.9	11.4	11.2
P/BV (x)	3.1	2.7	2.4
EV/EBITDA (x)	8.7	6.5	6.1
Div. Yield (%)	3.1	4.1	4.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.0	50.0	50.0
DII	12.9	11.4	5.0
FII	25.6	26.2	34.3
Others	11.6	12.4	10.8

FII Includes depository receipts

CMP: INR351 TP: INR380 (+8%) Neutral

Adj. PAT in line; utilization may soften in 2Q

- Petronet LNG (PLNG) recorded lower-than-estimated EBITDA of INR13.7b in 1QFY25. Dahej utilization was up 13% QoQ at 112%, while Kochi utilization stood at 22% (+1.6pp YoY). Reported PAT at INR11.4b was above our estimate. In 1Q, the company booked additional provisions worth INR1.3b with respect to use-or-pay (UoP) charges.
- The Dahej terminal expansion from 17.5mmt to 22.5mmt is expected to be completed by Mar'25, after which it will be available for use . However, till now, there has not been any material progress on signing anchor customers for the expanded capacity. The management highlighted that the 250km stretch of the Kochi-Bangalore pipeline will be completed by Mar'25, after which Kochi terminal utilization should improve. In 2Q, utilization trends for Dahej/Kochi are expected to remain robust, though likely down QoQ.
- PAT, adjusted for one-off income (net basis) of INR1.9b, came in-line with our estimate. In 2Q, utilization trends are expected to soften given weaker power demand and some spot LNG inflation (Asia JKM +11% QoQ in Jul'24'TD vs 1QFY25 avg.). Going forward, the key catalysts will be 1) the commissioning of the expanded Dahej capacity, and 2) pipeline connectivity for the Kochi terminal. While the PDH-PP project and Gopalpur FSRU can support the future volume trajectory, we believe that economics of these projects are yet to be established and that they are longer-dated projects. As such, we maintain our **Neutral rating with a TP of INR380.**

Beat on volumes led by robust utilization

- 1Q revenue came in 10% below our estimate at INR134.2b (+15% YoY).
- EBITDA also came in 10% below our estimates at INR13.7b (+16% YoY).
  - In 1Q, inventory gains stood at INR2.65b, while trading gains stood at INR580m.
- Other income stood at INR2.2b (est. INR1.2b, +49% YoY). Resultant reported PAT was INR11.4b (est. INR10.3b, +45% YoY).
  - However, adjusted PAT came in line with our estimates at INR10b.
- Operational performance:
  - Total volumes stood at 262Tbtu (est. of 232.8Tbtu, +14% YoY).
  - Dahej utilization stood at 112% (+14pp YoY), above our estimate. Kochi utilization at 22.2% (+1.6pp YoY) came in line with our estimate.
- In 1QFY25, PLNG provisioned INR1.3b for UoP dues. Additionally, PLNG has waived off UoP charges of INR632m.
- **As of Jun'24**, provisions on UoP dues stood at INR4.9b.
  - UoP dues of INR17.9b (net provision INR13b) are included in trade receivables as of Jun'24. The company has obtained bank guarantees from customers to recover UoP charges for FY22 and FY23. The customers have not given balance confirmations toward these dues. However, the management is confident of recovering such charges.

Valuation and view

- PLNG's volume utilization improved substantially in 1QFY25 amid moderate spot LNG prices and robust demand. While we remain positive about volume growth, we believe ongoing uncertainty around UoP provisioning and rising competition will prevent further re-rating.
- We increase our FY25 estimates to account for a strong 1Q operational performance. Additionally, we raise FY26E volumes to account for the start of expanded capacity at Dahej, even though the company is yet to tie up with off-takers for new capacity.
- We value PLNG at 12x FY26E EPS to arrive at a TP of INR380. **We reiterate our Neutral rating** on the stock.

Standalone - Quarterly Earning Model **(INR b)**

Y/E March	FY24				FY25	FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q			1QE	(%)
Net Sales	**116.6**	**125.3**	**147.5**	**137.9**	**134.2**	**527.3**	**583.5**	**148.9**	**-10%**
YoY Change (%)	*-18.3*	*-21.6*	*-6.5*	*-0.6*	*15.1*	*-12.0*	*10.7*	*27.8*	
Total Expenditure	105	113	130	127	120	475	519	134	0%
EBITDA	**11.8**	**12.1**	**17.1**	**11.0**	**13.7**	**52.1**	**64.9**	**15.3**	**-10%**
Margin (%)	*10.1*	*9.7*	*11.6*	*8.0*	*10.2*	*9.9*	*11.1*	*10.3*	
Depreciation	1.9	1.9	2.0	1.9	1.9	7.8	8.5	2.1	
Interest	0.7	0.7	0.7	0.7	0.7	2.9	2.5	0.6	
Other Income	1.5	1.6	1.6	1.6	2.2	6.2	6.1	1.2	
PBT before EO expense	**11**	**11**	**16**	**10**	**13**	**48**	**60**	**14**	**-3%**
Extra-Ord expense	0	0	0	0	-2	0	-2	0	0%
PBT	**10.6**	**11.0**	**16.0**	**10.0**	**15.2**	**47.6**	**61.8**	**13.8**	**10%**
Tax	2.7	2.8	4.1	2.6	3.8	12.2	16.0	3.5	
Rate (%)	*25.6*	*25.8*	*25.5*	*25.9*	*24.9*	*25.7*	*25.8*	*25.2*	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0%
Reported PAT	**7.9**	**8.2**	**11.9**	**7.4**	**11.4**	**35.4**	**45.9**	**10.3**	**11%**
Adj PAT	**7.9**	**8.2**	**11.9**	**7.4**	**10.0**	**35.4**	**44.0**	**10.3**	**-3%**
YoY Change (%)	*12.7*	*9.9*	*0.9*	*20.1*	*26.5*	*9.1*	*24.3*	*30.4*	
Margin (%)	*6.8*	*6.5*	*8.1*	*5.3*	*7.4*	*6.7*	*7.5*	*6.9*	
Key Assumptions									
Regas volume (Tbtu)	123	102	110	108	144	443	369	92	**56%**
Sales volume (Tbtu)	107	121	122	126	118	476	571	141	**-16%**
Total Volumes (TBtu)	230.0	223.0	232.0	234.0	262.0	919.0	940.2	232.8	13%
Operational details									
Dahej throughput (Tbtu)	**217**	**210**	**218**	**219**	**248**	**864**	**885**	**219**	**13%**
Long term	90	102	104	107	97	403	430	107	-10%
Third-party	123	102	110	108	144	443	369	92	56%
Short term/spot	4	6	4	4	7	18	86	19	-64%
Kochi throughput (Tbtu)	**13**	**13**	**14**	**15**	**14**	**55**	**56**	**14**	**1%**
Dahej utilization (%)	*98%*	*95%*	*99%*	*99%*	*112%*	*98%*	*100%*	*99%*	*13%*
Kochi utilization (%)	*21%*	*21%*	*22%*	*24%*	*22%*	*22%*	*22%*	*22%*	*0%*

Federal Bank

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	FB IN
Equity Shares (m)	2448
M.Cap.(INRb)/(USDb)	492.5 / 5.9
52-Week Range (INR)	204 / 131
1, 6, 12 Rel. Per (%)	11/28/26
12M Avg Val (INR M)	2361

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
NII	82.9	96.7	116.0
OP	51.7	63.3	78.1
NP	37.2	42.5	50.5
NIM (%)	3.3	3.2	3.3
EPS (INR)	16.3	17.4	20.7
EPS Gr. (%)	14.5	6.7	18.9
BV/Sh. (INR)	119	134	153
ABV/Sh. (INR)	112	127	143
Ratios			
ROE (%)	14.7	13.7	14.5
ROA (%)	1.3	1.3	1.3
Valuations			
P/E(X)	12.4	11.6	9.7
P/BV (X)	1.7	1.5	1.3
P/ABV (X)	1.8	1.6	1.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	44.7	44.9	41.8
FII	29.4	29.3	27.1
Others	25.9	25.8	31.1

CMP: INR201 **TP: INR230 (+14%)** **Buy**

Steady quarter; asset quality remains stable

Restructured book declines to ~0.8%

- Federal Bank (FB) reported a 4% beat on PAT at INR10.1b fueled by controlled provisions and healthy other income.
- NII stood broadly in line, while NIM contracted 5bp QoQ to 3.16%. Slippages inched up following a dip in 4QFY24, while income from PSLC, revaluation of investments, and recoveries from w-off accounts led to higher other income.
- Business growth was robust, with advances growing 20.3% YoY/5.4% QoQ, while deposits grew 19.6% YoY/5.4% QoQ. CASA mix dipped 11bp QoQ to 29.3%.
- Fresh slippages increased marginally to INR4.2b/0.8% from INR3.5b/0.8% in 4QFY24. GNPA/NNPA stood largely flat at 2.11%/0.6%, while the restructured book declined ~14bp QoQ to 0.8%.
- We broadly maintain our estimates with an RoA/RoE of 1.3%/14.5% for FY26. **We reiterate our BUY rating on the stock with a TP of INR230.**

Business growth healthy; NIM contracts 5bp QoQ to 3.16%

- FB reported an earnings beat of 4% at INR10.1b amid controlled provisions and healthy other income. NII stood broadly in line at INR22.9b (up 19.5% YoY/ 4.4% QoQ), while NIM contracted 5bp QoQ to 3.16%. The bank expects NIM to be broadly at the same level over the next two quarters.
- Other income rose 25% YoY/21.4% QoQ to INR9.15b (11% above est.) amid higher PSLC fees of INR9b (seasonal in 1Q), revaluation and MTM on investments at INR5b, and a recovery from the w-off pool to the tune of INR4b.
- Opex stood at INR17.1b (3% higher than MOFSLe) mainly due to the increase in other opex, as FB maintains its guidance of continuous investments in the franchise. C/I ratio stood at 53.2%, while the bank guided for achieving about 50% C/I over the next 4-6 quarters, with income being the driver. Thus, PPoP increased 15.2% YoY/ 35.2% QoQ to INR15b (4% higher than MOFSLe).
- On the business front, advances growth stood robust at 20% YoY/5.4% QoQ to INR2.2t, led by broad-based growth. Retail grew 3.8% QoQ, while SME rose 5.9% QoQ, and corporate growth was 5.7% QoQ. Deposits too grew at a faster rate at 19.6% YoY/ 5.4% QoQ amid healthy growth in CASA as well as TDs. The CASA ratio contracted marginally by 11bp QoQ to 29.3%. FB has seen a revival in the NR deposit segment over the past two quarters.
- Fresh slippages inched up to INR4.24b/0.8% from INR3.7b/0.8% in 4QFY24, while GNPA/NNPA ratios stood broadly flat at 2.11%/0.6%. PCR stood healthy at 71.9% in 1QFY25. Restructured book declined ~14bp QoQ to 0.8%.

Highlights from the management commentary

- Credit costs were contained within 30bp, significantly lower than normalized levels. The expected range for credit costs is 30-35bp, and credit quality should remain stable.
- NIM is likely to remain at the same level for the next two quarters.
- Recoveries from W-off accounts stood at INR400m; revaluation from investments stood at INR500m, and income from PSLC and dividends from the life insurance subsidiary stood at INR900m.

Valuation and view: Reiterate BUY with a TP of INR230

Overall, FB reported a healthy quarter characterized by a slight earnings beat, robust business growth, and healthy asset quality. Other income was healthy, while opex inched up. Credit costs remained in check due to controlled slippages, and FB guided steady trends. NIM contracted 5bp QoQ, while management guided stable margin. We believe that FB is well placed among the mid-size private sector banks to deliver a healthy earnings trajectory aided by steady business growth and further improvement in operating leverage. We broadly maintain our earnings estimates and project FY26E RoA/RoE at 1.3%/14.5%. **We reiterate our BUY rating on the stock with a TP of INR230 (premised on 1.5x FY26E ABV).**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	Est
Net Interest Income	**19.2**	**20.6**	**21.2**	**22.0**	**22.9**	**23.8**	**24.6**	**25.4**	**82.9**	**96.7**	**22.9**	**0.1%**
% Change (YoY)	19.6	16.7	8.5	15.0	19.5	15.9	15.7	15.7	14.7	16.6	19.3	
Other Income	7.3	7.3	8.6	7.5	9.2	8.9	9.3	8.9	30.8	36.3	8.2	11%
Total Income	**26.5**	**27.9**	**29.9**	**29.5**	**32.1**	**32.7**	**33.9**	**34.3**	**113.7**	**133.0**	**31.1**	**3%**
Operating Expenses	13.5	14.6	15.5	18.4	17.1	17.2	17.6	17.9	62.0	69.7	16.6	3%
Operating Profit	**13.0**	**13.2**	**14.4**	**11.1**	**15.0**	**15.6**	**16.3**	**16.4**	**51.7**	**63.3**	**14.5**	**3%**
% Change (YoY)	33.8	9.3	12.8	-16.8	15.2	17.4	13.6	47.8	7.9	22.3	11.4	
Provisions	1.6	0.4	0.9	-0.9	1.4	1.5	1.8	1.6	2.0	6.3	1.5	-5%
Profit before Tax	**11.5**	**12.8**	**13.5**	**12.0**	**13.6**	**14.1**	**14.5**	**14.8**	**49.8**	**57.0**	**13.0**	**4%**
Tax	2.9	3.3	3.4	3.0	3.5	3.5	3.7	3.9	12.6	14.5	3.3	6%
Net Profit	**8.5**	**9.5**	**10.1**	**9.1**	**10.1**	**10.5**	**10.9**	**11.0**	**37.2**	**42.5**	**9.7**	**4%**
% Change (YoY)	42.1	35.5	25.3	0.4	18.2	10.4	8.0	21.0	23.6	14.2	13.8	
Operating Parameters												
Deposit (INR b)	2,225	2,329	2,396	2,525	2,661	2,753	2,857	2,980	2,525	2,980	2,661	
Loan (INR b)	1,835	1,928	1,992	2,094	2,208	2,280	2,366	2,467	2,094	2,467	2,208	
Deposit Growth (%)	21.3	23.1	19.0	18.3	19.6	18.2	19.3	18.0	18.3	18.0	19.6	
Loan Growth (%)	21.0	19.6	18.4	20.0	20.3	18.3	18.8	17.8	20.0	17.8	20.3	
Asset Quality												
Gross NPA (%)	2.4	2.3	2.3	2.1	2.1	2.1	2.0	2.0	2.1	2.0	2.1	
Net NPA (%)	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.6	
PCR (%)	71.3	72.3	72.3	72.3	71.9	72.2	72.5	72.6	72.3	72.6	72.0	

E: MOFSL Estimates

SONA BLW Precision Forging

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SONACOMS IN
Equity Shares (m)	586
M.Cap.(INRb)/(USDb)	403.2 / 4.8
52-Week Range (INR)	765 / 488
1, 6, 12 Rel. Per (%)	4/4/-6
12M Avg Val (INR M)	1100

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	31.8	37.6	46.0
EBITDA (%)	28.3	28.8	28.8
Adj. PAT	5.2	6.2	7.8
EPS (INR)	8.9	10.6	13.3
EPS Gr. (%)	31.6	18.7	25.3
BV/Sh. (INR)	47.7	54.7	63.6
Ratios			
Net D:E	0.1	0.1	0.0
RoE (%)	20.6	20.7	22.5
RoCE (%)	18.0	18.0	19.8
Payout (%)	33.4	34.5	33.0
Valuations			
P/E (x)	76.8	64.7	51.6
P/BV (x)	14.4	12.6	10.8
EV/EBITDA (x)	44.6	37.0	30.1
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.9	0.9	1.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	29.7	29.7	29.8
DII	29.5	28.8	28.2
FII	32.0	32.9	31.7
Others	8.8	8.6	10.4

FII Includes depository receipts

CMP:INR687 TP: INR620 (-10%) Neutral

In line; rising trend of EV mix in the business continues

Takes an enabling resolution for a fundraise of up to INR24b

- SONA BLW Precision Forging (SONACOMS)'s 1QFY25 operating performance was in line on all fronts. The healthy revenue/PAT growth of ~22%/24% YoY, despite a weak environment, stems from its growth in the BEV segment along with an effective execution of the robust order book. The BEV segment now accounts for 33% of the revenue vs. ~29% in FY24.
- SONACOMS' strong performance is evident in its attractive valuations of ~65x/52x FY25E/FY26E EPS, reflecting its robust EV order book and superior earnings and return profile. However, given the demand uncertainties in its key markets and limited potential for a re-rating, we **reiterate our Neutral** rating with a TP of INR620, premised on ~45x Jun'26E consol. EPS.

Robust growth in the BEV segment fuels a strong outperformance

- SONACOMS' consol. revenue/EBITDA/Adj. PAT rose ~22%/24%/ 24% YoY to INR8.9b/INR2.5b/INR1.4b (in line vs. our est. of INR9.1b/ INR2.6b/INR1.5b).
- Revenue growth was largely driven by the BEV revenue growth of ~53% YoY to INR2.8b, as it now constitutes ~33% to the total revenue (vs. ~29% in FY24). The sales of the light vehicle industry in its top-3 markets (North America, India, and Europe) grew just 3% YoY during the quarter.
- The share of revenue from North America has increased to ~43% in 1QFY25 vis-à-vis 40% in FY24, while it declined to 23% for Europe, down 300bp vis-à-vis FY24. The India revenue share remained flat YoY.
- Gross margin came in better at 57.6% (+70bp YoY/120bp QoQ; est. 56.3%).
- This was partially offset by higher-than-expected other operating expenses, resulting in an EBITDA of INR2.5b, up 24% YoY (in line). EBITDA margin came in at 28.1% (+30bp YoY, +10bp QoQ) during the quarter.
- Adjusting for the ESOP impact of INR82m, the EBITDA margin would have been at 29%. Its margins were also hit by higher freight costs during the quarter due to the Red Sea crisis.

Highlights from the management commentary

- The Indian e-2Ws market continues to face challenges related to FAME and the subsequent fall of demand. It is also seeing some launch delays in e2Ws. Most of the e2Ws have come close to ICE price points; despite that the ramp-ups have been very slow, indicating structural demand issues. Given this, the company will focus more on e-3Ws, e-LCVs, and e-buses.
- Demand remains weak in the Europe LV and the US off-highway markets.
- **The order book as of 1QFY25 stood at INR233b (vs. INR226b in 4QFY24), as it added INR11b orders during the quarter.** The EV order book stood at INR184b and now contributes ~79% to the total order backlog.
- **The company has won new orders in:**
  - Sensors and Software business – The order was won for in-cabin sensors for a new electric passenger vehicle OEM in Asia. This has added INR1.5b to the order book, and SOP is from 3QFY27.
  - Driveline – The order was won for the final drive differential, intermediate gears, input shaft, and park gear for Class 5 Electric CVs. This was for an existing customer based in North America, and this would add INR6.8b to the order book, and SOP is from 4QFY25.

- **Fundraise-** SONACOMS has passed an enabling resolution for the fundraise of upto INR24b. This has been announced to fund any strategic inorganic growth opportunities or partnerships that it may consider.

Valuation and view

- Despite the volatile geopolitical scenario impacting different key geographies globally, SONACOMS reported a PAT growth of 24% YoY in 1QFY25, driven by healthy order execution and its focus on the growing EV segment. SONACOMS remains a good proxy play for the global electrification trend, with a ~33% revenue mix from EVs and a ~79% mix in the order book. Moreover, its focus on expanding the product portfolio, global scale, and customer base should translate into strong earnings growth and healthy capital efficiency.
- However, valuations at ~65x/52x FY25E/FY26E consol. EPS largely factor in these positives. **Reiterate Neutral with a TP of INR620 (based on ~45x Mar'26E consol. EPS).**

Consol. Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Net operating revenues	**7,322**	**7,908**	**7,766**	**8,853**	**8,930**	**9,363**	**9,170**	**10,132**	**31,848**	**37,596**	**9,140**
Change (%)	24.3	20.3	13.4	19.0	22.0	18.4	18.1	14.5	19.0	18.0	24.8
EBITDA	**2,034**	**2,233**	**2,273**	**2,481**	**2,512**	**2,697**	**2,687**	**2,934**	**8,651**	**10,829**	**2,550**
EBITDA Margins (%)	27.8	28.2	29.3	28.0	28.1	28.8	29.3	29.0	27.2	28.8	27.9
Depreciation	511	534	559	598	606	620	640	661	2,202	2,528	590
EBIT	**1,523**	**1,699**	**1,714**	**1,883**	**1,905**	**2,077**	**2,047**	**2,272**	**6,449**	**8,301**	**1,960**
EBIT Margins (%)	20.8	21.5	22.1	21.3	21.3	22.2	22.3	22.4	20.2	22.1	21.4
Interest	53	60	73	71	86	70	65	59	258	280	70
Non-Operating Income	54	61	50	75	70	72	65	76	239	283	70
PBT	**1,495**	**1,641**	**1,690**	**1,886**	**1,889**	**2,079**	**2,047**	**2,290**	**6,343**	**8,304**	**1,960**
Effective Tax Rate (%)	25.1	24.4	21.0	21.5	25.0	25.0	25.0	25.0	24.3	25.0	25.0
Adjusted PAT	**1,142**	**1,286**	**1,336**	**1,481**	**1,417**	**1,559**	**1,535**	**1,717**	**4,871**	**6,228**	**1,470**
Change (%)	50.6	39.0	24.7	20.2	24.0	21.2	14.9	16.0	31.8	27.9	28.7
Cost Break-up											
RM Cost (% of sales)	43.1	44.9	40.9	43.6	42.4	42.9	43.2	43.4	43.1	43.0	43.7
Staff Cost (% of sales)	6.7	7.0	9.4	8.2	8.5	8.3	7.5	7.5	7.9	8.0	8.2
Other Cost (% of sales)	22.4	19.9	20.4	20.2	20.9	20.0	20.0	20.1	21.8	20.2	20.2
Gross Margins (%)	56.9	55.1	59.1	56.4	57.6	57.1	56.8	56.6	56.9	57.0	56.3
EBITDA Margins (%)	27.8	28.2	29.3	28.0	28.1	28.8	29.3	29.0	27.2	28.8	27.9
EBIT Margins (%)	20.8	21.5	22.1	21.3	21.3	22.2	22.3	22.4	20.2	22.1	21.4

E:MOFSL Estimates

DCB Bank

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	DCBB IN
Equity Shares (m)	313
M.Cap.(INRb)/(USDb)	41.7 / 0.5
52-Week Range (INR)	163 / 110
1, 6, 12 Rel. Per (%)	-9/-21/-17
12M Avg Val (INR M)	377

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	19.3	22.1	26.8
OP	8.6	10.1	13.1
NP	5.4	6.1	7.5
NIM (%)	3.7	3.5	3.6
EPS (INR)	17.1	19.5	24.0
EPS Gr. (%)	14.6	13.5	23.3
BV/Sh. (INR)	157	174	196
ABV/Sh. (INR)	146	163	184
Ratios			
RoE (%)	11.9	12.1	13.3
RoA (%)	0.9	0.9	0.9
Valuations			
P/E (x)	7.8	6.8	5.5
P/BV (x)	0.8	0.8	0.7
P/ABV (X)	0.9	0.8	0.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	14.8	14.8	14.8
DII	27.6	29.7	39.8
FII	14.7	12.8	12.3
Others	43.0	42.8	33.1

FII Includes depository receipts

CMP: INR133 TP: INR175 (+31%) Buy

One-offs, higher opex drag down earnings

Operating leverage to improve; re-iterates margin, growth guidance

- DCB Bank (DCBB) reported 3.5% YoY decline in PAT to INR1.3b (7% miss) in 1QFY25, due to lower net interest income and higher opex.
- NII grew 5.5% YoY to INR4.97b (6% miss). NIMs moderated 23bp QoQ to 3.39%, affected by interest reversals (due to regulatory changes) and the replacement of penal interest with penal charges.
- Advances grew 19% YoY/3.1% QoQ, supported by healthy growth in mortgages and gold loans. Deposits rose 20.2% YoY/4.7% QoQ, led by growth in term deposits. CASA mix moderated 62bp QoQ to 25.4%.
- Fresh slippages increased to INR3.72b (vs. INR3.22b in 4QFY24) due to higher slippages in mortgages. GNPA/NNPA ratios increased by 10bp/7bp QoQ to 3.33%/1.18%.
- We cut our earnings estimates by 4.3%/3.8% for FY25/FY26. We estimate FY26 RoA/RoE at 0.93%/13.3%. **Reiterate Buy with a TP of INR175 (based on 1x FY26E ABV).**

Business growth healthy; one-offs dent NIMs by 23bp QoQ

- DCBB reported 3.5% YoY growth in PAT to INR1.3b (7% miss), hit by lower NII and higher opex. NIMs moderated 23bp QoQ to 3.39%, affected by interest reversals (due to regulatory changes) and the replacement of penal interest with penal charges.
- NII thus grew 5.5% YoY to INR4.97b (6% miss, down 2% QoQ). Other income grew 33.7% YoY to INR1.4b (12% beat), resulting in 10.7% YoY growth in total revenues (in line). The management guides for an unchanged NIM outlook at 3.65%-3.75%.
- Opex increased 17.7% YoY (4% above MOFSLe) as the bank continued to invest in the business and increased the employee count. PPoP thus declined 1.6% YoY to INR2.05b. C/I ratio increased to 67.9%. Provisions stood at INR284m (down 24.8% YoY/up 18% QoQ).
- Advances grew 19% YoY, supported by healthy growth in mortgages and gold loans. Business loan as % of mortgage stood at 50%, but the bank expects to improve it going further to improve yields. Deposits rose 20.2% YoY/4.7% QoQ, led by growth in term deposits. CASA mix moderated 62bp QoQ to 25.4%. CD ratio thus stood at 81.6% and the management aims to bring it below 80%.
- Fresh slippages increased to INR3.72b (vs. INR3.22b in 4QFY24) due to higher slippages in mortgages. GNPA/NNPA ratios deteriorated 10bp/7bp QoQ to 3.33%/1.18%. PCR moderated 123bp QoQ to 65.2%. The restructured book stood at INR9.87b (2.3% of loans).

Highlights from the management commentary

- The management guided for RoA of 1% and RoE at ~14% in the near term.
- NIM compression was a result of two components: 1) the bank is in the last leg of term deposit renewals, and 2) some regulatory changes in loans resulted in interest reversal, which was a one-time item and included replacement of penal interest with penal charges.
- The bank has also ensured that loan disbursal interests are accrued from the handover date and not necessarily from the disbursal date, so on an ongoing basis, NIM is expected to go up as the bank expects the one-off to get eliminated.

Valuation and view

DCBB reported a mixed quarter as earnings came in below our estimate due to lower NII and higher opex and margin moderated 23bp QoQ due to a one-off event. However, the management expects NIMs to remain steady in the coming quarters as the asset mix improves in favor of high-yielding business loans and the bank focuses on SME overdrafts rather than smaller-tenor SME loans. Moreover, margin will also benefit from increased EBLR due to a shift in hybrid loans from fixed rates to floating rates. Loan growth was steady, led by healthy growth in mortgages and gold loans, while deposits too grew strongly. Fresh slippages increased, with asset quality ratios witnessing marginal deterioration. The restructured book was under control at 2.3% of loans. We cut our earnings estimates by 4.3%/3.8% for FY25/FY26. We estimate FY26 RoA/RoE at 0.93%/13.3%. **Reiterate Buy with a TP of INR175 (based on 1x FY26E ABV).**

Quarterly Performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
Net Interest Income	4.7	4.8	4.7	5.1	5.0	5.4	5.7	6.0	19.3	22.1	5	-6%
% Change (Y-o-Y)	25.9	15.7	6.3	4.4	5.5	13.3	20.3	19.0	12.3	14.6	11.8	
Other Income	1.1	1.1	1.2	1.4	1.4	1.4	1.5	1.5	4.7	5.8	1	12%
Total Income	5.8	5.8	6.0	6.4	6.4	6.8	7.2	7.6	24.0	27.9	7	-2%
Operating Expenses	3.7	3.7	3.9	4.1	4.3	4.4	4.5	4.6	15.4	17.8	4	4%
Operating Profit	2.1	2.1	2.1	2.3	2.1	2.4	2.7	2.9	8.6	10.1	2	-13%
% Change (Y-o-Y)	25.6	15.3	9.0	(4.2)	(1.6)	15.0	27.6	24.8	9.9	16.7	12.5	
Provisions	0.4	0.4	0.4	0.2	0.3	0.5	0.5	0.6	1.4	1.9	0	-36%
Profit before Tax	1.7	1.7	1.7	2.1	1.8	2.0	2.2	2.3	7.2	8.2	2	-7%
Tax	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	1.9	2.1	0	-7%
Net Profit	1.3	1.3	1.3	1.6	1.3	1.5	1.6	1.7	5.4	6.1	1	-7%
% Change (Y-o-Y)	30.7	12.9	11.2	9.5	3.5	15.1	27.2	9.3	15.1	13.5	11.4	
Operating Parameters												
Deposit (INR b)	430.1	455.0	471.2	493.5	516.9	541.6	565.7	589.8	493.5	589.8	512.9	1%
Loan (INR b)	354.7	372.8	389.5	409.2	421.8	447.1	466.0	485.0	409.2	485.0	424.6	-1%
Deposit Growth (%)	22.6	23.1	19.3	19.7	20.2	19.1	20.1	19.5	19.7	19.5	19.2	
Loan Growth (%)	19.0	19.1	18.2	19.0	18.9	19.9	19.6	18.5	19.0	18.5	19.7	
Asset Quality												
Gross NPA (%)	3.3	3.4	3.4	3.2	3.3	3.1	3.0	2.8	3.4	2.8	3.2	
Net NPA (%)	1.2	1.3	1.2	1.1	1.2	1.1	1.1	1.0	1.2	1.0	1.1	
PCR (%)	64.1	62.8	65.1	66.4	65.2	65.5	65.1	65.3	63.9	65.3	66.3	

E: MOFSL Estimates

Hitachi Energy

BSE SENSEX	S&P CNX
80,149	24,414

CMP: INR12,030 Neutral

Conference Call Details

Date: 25th July 2024
Time: 4:00pm IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	52.4	65.2	88.8
EBITDA	3.5	6.2	10.8
Adj. PAT	1.6	3.7	7.0
Adj. EPS (INR)	38.6	86.8	165.4
EPS Gr. (%)	74.4	124.7	90.6
BV/Sh.(INR)	320.7	407.5	572.9
Ratios			
RoE (%)	12.0	21.3	28.9
RoCE (%)	13.6	21.7	28.9
Payout (%)	8.8	-	-
Valuations			
P/E (x)	311.9	138.8	72.8
P/BV (x)	37.6	29.6	21.0
EV/EBITDA (x)	146.4	81.9	46.8
Div. Yield (%)	-	-	-

Disappointing quarter

- Hitachi Energy posted an extremely weak set of numbers in 1QFY25, as net profit came in significantly below our estimates due to a sharp contraction in margins.
- Revenue grew 27.6% YoY to INR13.3b (est. INR13.7b).
- EBITDA margin stood at 3.6%, sharply lower than our estimate of 9%. It was affected by higher raw material expenses. More clarity is expected in the analyst call.
- Order inflow for the quarter stood at INR24.4b, up 112% YoY, and order backlog stood at INR85.4b. Orders came from renewables, distribution utilities, upgrade of digital solutions and service orders. Export orders for transformers, power quality technologies and other key products were booked from markets like Europe, the Middle East, Australia and neighboring countries in South Asia.
- The company remains optimistic about opportunities in energy transition as well as from high-growth segments such as renewables, HVDC, data centers, electrification of transport, etc. However, we believe that margin improvement is critical for valuations to sustain at the current levels. We have a Neutral rating on the stock. We will review our estimates after the concall.

Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**10,401**	**12,280**	**12,742**	**16,953**	**13,272**	**15,648**	**16,300**	**19,979**	**52,375**	**65,198**	**13,692**	**-3**
Change (%)	5.5	10.2	23.2	27.1	27.6	27.4	27.9	17.8	17.2	24.5	31.6	
EBITDA	**337**	**653**	**680**	**1,820**	**479**	**1,487**	**1,548**	**2,703**	**3,490**	**6,217**	**1,232**	**-61**
Change (%)	31.3	-13.7	72.4	91.4	42.3	127.5	127.7	48.5	47.9	78.1	266.0	
As of % Sales	3.2	5.3	5.3	10.7	3.6	9.5	9.5	13.5	6.7	9.5	9.0	
Depreciation	223	225	227	225	221	233	238	244	900	978	227	-3
Interest	110	107	137	112	109	94	94	94	466	375	94	16
Other Income	29	2	22	39	1	29	29	58	93	117	28	-97
PBT	**34**	**324**	**338**	**1,522**	**150**	**1,189**	**1,246**	**2,423**	**2,217**	**4,982**	**939**	**-84**
Tax	10	76	108	385	46	311	325	633	579	1,301	245	
Effective Tax Rate (%)	28.7	23.6	32.0	25.3	30.8	26.1	26.1	26.1	26.1	26.1	26.1	
Extra-ordinary Items												
Reported PAT	**24**	**247**	**230**	**1,137**	**104**	**878**	**920**	**1,790**	**1,638**	**3,680**	**694**	**-85**
Change (%)	79.9	-33.3	401.5	123.7	332.4	254.9	300.6	57.5	74.4	124.7	2,778.7	
Adj PAT	**24**	**247**	**230**	**1,137**	**104**	**878**	**920**	**1,790**	**1,638**	**3,680**	**694**	**-85**
Change (%)	79.9	-33.3	402	123.7	332.4	254.9	300.6	57.5	74.4	124.7	2,778.7	

Indraprastha Gas

BSE SENSEX	S&P CNX
80,149	24,414

CMP: INR549 — Sell

Beat on EBITDA and PAT due to stronger-than-expected margin performance

- Total volumes were in line with our estimate at 8.63mmscmd (+5% YoY)
  - **CNG volumes were at 6.45mmscmd** (+5% YoY) and PNG volumes stood at 2.18mmscmd (+7% YoY).
- **EBITDA/scm came in 11% above our est. at INR7.4** (vs. our est. of INR6.7).
  - Gross margin came in at INR13.2/scm (vs. INR14.4/scm in 1QFY24).
  - Opex was INR5.8/scm (vs. INR8.6 in 1QFY24).
- The resultant EBITDA stood at INR5.8b (our est. of INR5.4b, -9% YoY), primarily due to lower opex.
- PAT came in above our estimate at INR4.0b (est. of INR3.7b, -8% YoY).
- During 1QFY25, IGL invested INR88m in IGL Genesis Technologies Limited, its 51% subsidiary.

Conference Call Details

Date: 26 July 2024
Time: 12:00 HRS IST
Dial in:
+91 22 6280 1259
+91 22 7115 8160

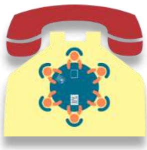
Standalone Quarterly performance (INR m)

Y/E March	FY24				FY25					Var.	YoY	QoQ
	1Q	2Q	3Q	4QAct	1Q	2QE	3QE	4QE	1QE	(%)	(%)	(%)
Net Sales	**34,070**	**34,585**	**35,504**	**35,968**	**35,206**	**34,217**	**34,217**	**33,558**	**34,217**	**3%**	**3%**	**-2%**
Change (%)	*6.7*	*-2.7*	*-4.3*	*-2.3*	*3.3*	*-1.1*	*-3.6*	*-6.7*	*0.4*			
EBITDA	**6,424**	**6,569**	**5,582**	**5,225**	**5,819**	**5,702**	**5,702**	**5,867**	**5,391**	**8%**	**-9%**	**11%**
EBITDA (INR/scm)	8.6	8.6	7.2	6.6	7.4	7.1	7.1	7.1	6.7	11%	-14%	13%
% Change	*4.0*	*24.5*	*30.3*	*13.4*	*-9.4*	*-13.2*	*2.2*	*12.3*	*-16.1*			
Depreciation	989	1,022	1,018	1,108	1,143	1,163	1,163	1,183	1,163			
Interest	24	25	18	26	22	21	21	19	21			
Other Income	457	1,340	610	1,094	727	705	705	684	706			
PBT after EO	**5,867**	**6,862**	**5,155**	**5,187**	**5,380**	**5,224**	**5,224**	**5,349**	**4,914**	**9%**	**-8%**	**4%**
Tax	1,483	1,514	1,235	1,359	1,366	1,315	1,315	1,495	1,237			
Rate (%)	*25.3*	*22.1*	*23.9*	*26.2*	*25.4*	*25.2*	*25.2*	*27.9*	*25.2*			
PAT	**4,384**	**5,348**	**3,921**	**3,828**	**4,015**	**3,909**	**3,909**	**3,854**	**3,677**	**9%**	**-8%**	**5%**
PAT (INR/scm)	5.9	7.0	5.0	4.8	5.1	4.8	4.8	4.7	4.6	12%	-13%	6%
Change (%)	*4.2*	*28.5*	*40.9*	*16.1*	*-8.4*	*-26.9*	*-0.3*	*0.7*	*-16.1*			
EPS (INR)	**6.3**	**7.6**	**5.6**	**5.5**	**5.7**	**5.6**	**5.6**	**5.5**	**5.3**	**9%**	**-8%**	**5%**
Gas Volumes (mmscmd)												
CNG	6.17	6.25	6.33	6.37	6.45	6.62	6.54	6.86	6.54	-1%	5%	1%
PNG	2.03	2.06	2.15	2.35	2.18	2.25	2.23	2.35	2.23	-2%	7%	-7%
Total	**8.20**	**8.30**	**8.48**	**8.73**	**8.63**	**8.87**	**8.77**	**9.21**	**8.77**	**-2%**	**5%**	**-1%**

Craftsman Automation

BSE SENSEX	S&P CNX
80,149	24,414

Conference Call Details



Date: 25th Jul'24
Time: 4PM IST
Dial-in details: Diamond pass
+91 22 6280 1568 /
+91 22 7115 8391

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	44.5	50.7	59.3
EBITDA	8.8	10.0	12.2
Adj. PAT	3.0	4.2	5.8
EPS (INR)	144.2	176.6	245.0
EPS Gr. (%)	22.6	22.5	38.7
BV/Sh. (INR)	785	1,357	1,580
Ratios			
RoE (%)	20.1	17.2	16.7
RoCE (%)	15.2	13.5	14.4
Payout (%)	7.8	10.2	9.0
Valuations			
P/E (x)	36.9	30.1	21.7
P/BV (x)	6.8	3.9	3.4
Div. Yield (%)	0.2	0.3	0.4
FCF Yield (%)	-0.8	3.1	2.9

CMP:INR5313 Buy

Higher RM costs dent operating performance

- Overall financials:
  - Consol 1QFY25 revenues grew 11% YoY to INR11.5b (est. INR11.2b). This was driven by 9%/17%/22.5% YoY growth in Auto powertrain/Alu products/industrial segments. DR Axion grew 3% YoY.
  - Gross margin declined 380bp YoY to 43.7% (est. 46%). EBITDA margin declined 350bp YoY (-160bp QoQ) to 17.1% (est. 19.4%).
  - EBITDA declined 8% YoY to INR1.97b (est.INR2.2b).
  - Higher interest costs led to a decline in adj. PAT by 29% YoY to INR532m (est. INR801m).
- Segmental performance:
  - Revenue for Auto powertrain/Alu products /industrial grew 9%/17%/ 22.5% YoY.
  - PBIT margin for both auto powertrain and industrial declined 490bp YoY to 17%/1.7%, while that for Alu products grew 60bp YoY to 13.2%.
- DR Axion- 1QFY25 performance (derived)
  - Revenue grew 3% YoY to INR2.9b (est.INR3.2b).
  - EBITDA margins declined 100bp YoY to 17.1% (est.20.3%). EBITDA declined 3% YoY to INR494m (est.INR657m).
- Others:
  - The company has decided to infuse INR600m in its German subsidiary to acquire assets of Fronberg Guss (company under liquidation) to expand its presence and operations in the European market, including Germany. It specializes in iron casting solutions across markets and customers.
- **Valuation view:** The stock trades at 30x/22x FY25E/FY26E EPS.

Quarterly (Consol) **(INR Million)**

	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net operating income	**10,376**	**11,791**	**11,297**	**11,053**	**11,512**	**13,304**	**13,194**	**12,684**	**44,517**	**50,695**	**11,217**
Change (%)	53.5	52.9	50.8	12.7	10.9	12.8	16.8	14.8	39.9	13.9	8.1
RM/Sales (%)	52.5	53.2	53.2	54.1	56.3	53.3	52.6	52.4	53.3	53.6	54.0
Staff Cost (% of Sales)	6.5	6.1	6.8	6.6	6.4	6.2	6.1	6.4	6.5	6.3	6.5
Other Exp. (% of Sales)	20.4	20.6	20.6	20.5	20.1	20.2	20.1	21.0	20.5	20.4	20.1
EBITDA	**2,142**	**2,375**	**2,202**	**2,069**	**1,973**	**2,711**	**2,791**	**2,559**	**8,788**	**10,035**	**2,181**
EBITDA Margins (%)	20.6	20.1	19.5	18.7	17.1	20.4	21.1	20.2	19.7	19.8	19.4
Non-Operating Income	37	47	35	53	48	40	39	34	172	161	38
Interest	424	416	442	464	492	345	340	267	1745	1443	440
Depreciation	683	668	703	723	725	770	755	909	2777	3159	720
Minority Int/Share of Profit	62	97	82	79	61	0	0	0	320	0	0
PBT after EO items	**1,011**	**1,241**	**1,010**	**856**	**744**	**1,636**	**1,735**	**1,418**	**4,118**	**5,594**	**1,059**
Eff. Tax Rate (%)	26.3	23.8	27.6	27.2	28.5	24.7	24.8	23.6	26.1	24.7	24.4
Rep. PAT	**745**	**945**	**731**	**623**	**532**	**1,232**	**1,304**	**1,083**	**3,045**	**4,212**	**801**
Change (%)	34.0	56.0	41.7	-22.3	-28.6	30.3	78.4	73.8	22.6	38.3	7.5
Adj. PAT	**745**	**945**	**731**	**623**	**532**	**1,232**	**1,304**	**1,083**	**3,045**	**4,212**	**801**
Change (%)	34.0	56.0	41.7	-22.3	-28.6	30.3	78.4	73.8	22.6	38.3	7.5

E: MOFSL Estimates

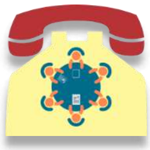
Key Performance Indicators

	FY24				FY25E				FY24	FY25E	FY25E
Segment Revenues	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2QE**	**3QE**	**4QE**			**1Q**
Auto Powertrain	3,824	3,938	3,925	3,897	4,163	4,663	4,896	3,313	15,584	17,035	3,702
Growth (%)	10.0	4.1	-3.9	-0.8	8.9	18.4	24.8	-15.0	2.0	9.3	-3.2
Contribution(%)	36.9	33.4	34.7	35.3	36.2	48.7	51.7	38.1	35.0	33.6	
PBIT Margin (%)	21.9	19.6	18.2	15.2	17.0	0.0	0.0	0.0	18.7	17.8	
Aluminium Products	2,076	2,350	2,232	2,517	2,423	2,616	2,355	3,169	9,175	10,563	2,593
Growth (%)	21.1	19.7	26.9	27.8	16.7	11.3	5.5	25.9	23.9	15.1	24.9
Contribution(%)	20.0	19.9	19.8	22.8	21.0	27.3	24.9	36.4	20.6	20.8	
PBIT Margin (%)	12.6	15.1	13.4	14.9	13.2	0.0	0.0	0.0	14.1	3.9	
Industrial	1,658	1,956	1,895	1,810	2,030	2,302	2,212	2,223	7,320	8,767	1,680
Growth (%)	5.8	-0.6	16.0	-7.6	22.5	17.6	16.7	22.8	2.7	19.8	1.3
Contribution(%)	16.0	16.6	16.8	16.4	17.6	24.0	23.4	25.5	16.4	17.3	
PBIT Margin (%)	6.6	10.3	6.2	2.2	1.7	0.0	0.0	0.0	6.4	3.8	
DR Axion	2,819	3,546	3,245	2,829	2,896	3,723	3,732	3,979	12,439	14,331	3242
Growth (%)				45.2	2.7	5.0	15.0	40.7	514.7	15.2	15.0
Contribution (%)	27.2	30.1	28.7	25.6	25.2	38.9	39.4	45.7	27.9	28.3	
EBIT Margin (%)	14.4	15.4	15.9	17.3	13.3	17.6	17.3	16.2	15.7	16.3	
Total Product sales	**10,376**	**11,791**	**11,297**	**11,053**	**11,512**	**9,581**	**9,462**	**8,705**	**44,517**	**50,695**	**11,217**

Mahindra Lifespace

BSE SENSEX	S&P CNX
80,149	24,414

Conference Call Details



Date: 27 July 2024
Time: 11:00 IST
Dial-in details:
Diamond pass link

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	2.1	4.0	4.9
EBITDA	-1.7	-1.0	-0.9
EBITDA Margin (%)	NM	NM	NM
PAT	1.0	1.2	1.0
EPS (INR)	6.3	7.7	6.3
EPS Gr. (%)	111.6	21.2	-18.1
BV/Sh. (INR)	120.8	126.2	130.1
Ratios			
RoE (%)	5.3	6.2	4.9
RoCE (%)	-3.2	-2.7	-2.4
Payout (%)	36.3	30.0	36.6
Valuations			
P/E (x)	99.2	80.9	98.8
P/BV (x)	5.2	4.9	4.8
EV/EBITDA (x)	NM	NM	NM
Div yld (%)	0.4	0.4	0.4

CMP: INR626 — Buy

In-line performance with respect to bookings

Achieves the highest ever quarterly collections

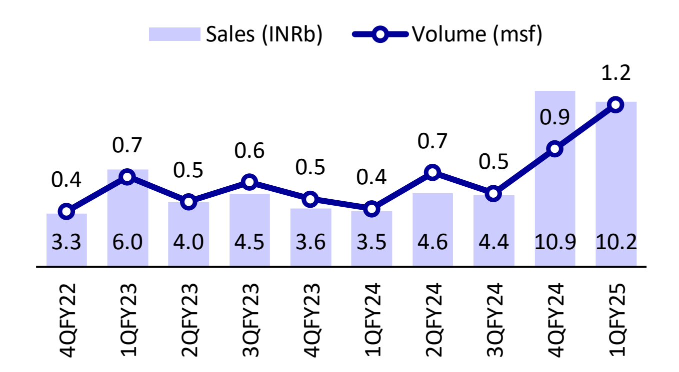
Operational performance

- MLDL achieved bookings of INR10.2b, up 195% YoY (in line), driven by a strong response in the new projects in Pune and Bengaluru, which were launched towards the end of 4QFY24. These two projects generated ~INR7b of pre-sales.
- Sales volume in 1QFY25 stood at 1.2msf, up 179% YoY.
- The company achieved the highest ever quarterly collections of INR5.4b, up 96%/31% YoY/QoQ. Blended realization for the quarter was up 6% YoY to ~INR8700 psf.
- In 1QFY25, MLDL acquired its third redevelopment project, located in Borivali (Mumbai); the project has a GDV of INR14b.
- Launches in the near term are expected to remain strong as the company has a pipeline of ~6.5msf across its new and existing projects.
- In the IC segment, the company leased 19 acres for INR0.8b.

Financial performance

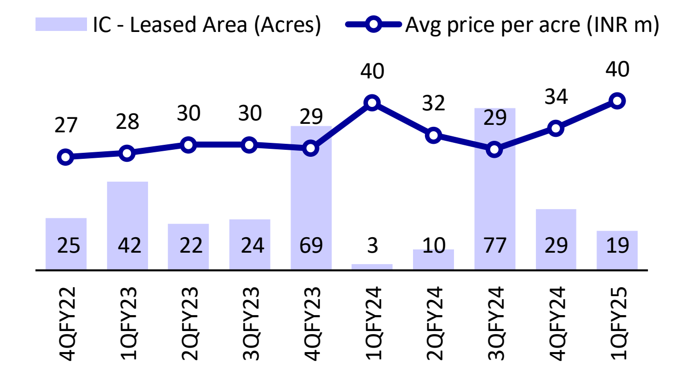
- MLDL's revenue came in at INR1.9b, up 92% YoY, driven by 0.1msf completion of the premium project Vicino.
- It reported an operating loss of INR0.4b.
- However, PAT came in at INR127m, aided by INR365m of contribution from the JV projects and the IC business.

Bookings surged 3x YoY to INR10b



Source: Company, MOSL

In IC segment, MLDL achieved leasing of 19 acres



Source: Company, MOSL

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	(%/bp)
Income from Operations	**980**	**178**	**820**	**143**	**1,881**	**880**	**1,040**	**198**	**2,121**	**3,999**	**1,600**	**18**
YoY Change (%)	3.7	-74.5	-56.1	-94.4	91.9	395.1	26.8	38.6	-65.0	88.6	63.2	
Total Expenditure	1,412	527	1,210	684	2,297	1,106	1,307	317	3,832	5,027	2,011	
EBITDA	**-431**	**-349**	**-390**	**-541**	**-416**	**-226**	**-267**	**-119**	**-1,711**	**-1,028**	**-411**	**1**
Margins (%)	-44.0	-196.5	-47.6	-378.6	-22.1	-25.7	-25.7	-60.0	-80.7	-25.7	-25.7	
Depreciation	30	31	38	38	43	44	39	34	137	152	39	
Interest	42	2	3	26	60	72	87	-42	74	177	31	
Other Income	120	79	68	403	186	35	42	-102	670	160	64	
PBT before EO expense	**-383**	**-303**	**-364**	**-202**	**-334**	**-308**	**-310**	**-201**	**-1,252**	**-1,197**	**-418**	**-20**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**-383**	**-303**	**-364**	**-202**	**-334**	**-308**	**-310**	**-201**	**-1,252**	**-1,197**	**-418**	**-20**
Tax	-94	-108	-109	-129	-97	-66	-78	-36	-440	-299	-120	
Rate (%)	24.4	35.7	30.1	63.8	28.9	24.5	25.1	17.9	35.2	25.0	28.7	
Minority Interest & Profit/Loss of Asso. Cos.	247	6	754	788	365	521	542	657	1,790	2,084	417	
Reported PAT	**-43**	**-189**	**500**	**715**	**127**	**319**	**309**	**439**	**979**	**1,186**	**119**	**7**
Adj PAT	**-43**	**-189**	**500**	**715**	**127**	**319**	**309**	**439**	**983**	**1,186**	**119**	
YoY Change (%)	NM	NM	NM	NM	NM	NM	-38.1	-38.6	NM	20.7	NM	
Margins (%)	-4.4	-106.5	61.0	500.2	6.8	36.2	29.8	91.5	46.3	29.7	7.4	

Operational Performance

Area sold (msf)	0.4	0.7	0.5	0.9	1.2	0.7	0.5	0.7	**2.5**	**3.1**	1.1	**5**
Booking value (INR b)	3.5	4.6	4.4	10.9	10.2	6.0	6.0	7.8	**23**	**30**	10.0	**2**
Avg Realization (INR)	8214	6691	8358	12776	8718	9000	12000	10663	**9,391**	**9,779**	9000	**-3**

Source: MOFSL, Company **Note: We will revisit our estimates after the concall**

SIS

BSE SENSEX	S&P CNX
80,149	24,414

Conference Call Details

Date: 25th July 2024
Time: 02:00 pm IST
Dial-in details:
+ 91 22 6280 1457
+91 22 7115 8137

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	122.6	135.7	150.6
EBITDA margin	4.2	5.0	5.6
Adj. PAT	1.9	4.4	6.0
EPS (INR)	13.0	29.8	40.5
EPS Gr. (%)	-44.18	129.45	35.93
BV/Sh. (INR)	369.1	434.7	522.6
Ratios			
RoE (%)	7.8	16.3	18.4
RoCE (%)	6.8	12.4	14.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	33.8	14.7	10.8
P/BV (x)	1.2	1.0	0.8
EV/EBITDA (x)	13.9	10.4	7.7
EV/Sales (x)	0.6	0.5	0.4

CMP: INR438 Buy

Miss on revenue; margins in line

Revenue up ~5% YoY, while EBITDA declines ~1% YoY

P&L highlights

- SIS' revenue grew 5% YoY/flat QoQ at ~INR31.2b, below our est. of +15% YoY.
- Revenue growth was aided by ~8.8% YoY growth in India Security, whereas Facility Management/International Security posted a modest growth of 2.2%/ 2.7% YoY.
- EBITDA margin came in at 4.4%, down 30bp YoY (vs. est. 5.0%). Margin for India Security remained flat at 5.4%, while the same for International Business contracted 60bp YoY.
- PBT stood at INR643m (down 19% YoY), below our estimates of INR1,101m.
- Consolidated adj. PAT stood at INR642m (down 28% YoY). On a standalone basis, SIS's current tax rate continues to be close to NIL due to the benefits accruing under Section 80JJAA of the Income Tax Act, 1961.
- Net debt mounted to INR10.2b from INR8.9b in 4QFY24. Net debt/EBITDA stood at 1.7x vs. 1.5x in 4QFY24.
- OCF/EBITDA conversion was weak at -30.9% owing to the four-day increase in DSO days.

Operational highlights

- Security Solutions – The India business had new wins of over INR320m of monthly revenue during the quarter with major contributions from the Manufacturing, BFSI, Automobile, and Real Estate sectors.

Valuation and view: We will revisit our estimates after the earnings call. Commentaries on the near-term outlook, verticals, and margin will be keenly monitored. **We reiterate our BUY rating on the stock.**

Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(%/bp)
Gross Sales	**29,767**	**30,736**	**30,734**	**31,376**	**31,299**	**34,855**	**34,423**	**35,141**	**1,22,614**	**1,35,717**	**34,232**	**-8.6**
YoY Change (%)	11.1	11.1	5.8	4.7	5.1	13.4	12.0	12.0	8.1	10.7	15.0	**-990bp**
Total Expenditure	28,377	29,292	29,221	30,537	29,925	33,112	32,598	33,279	1,17,426	1,28,914	32,521	-8.0
EBITDA	**1,390**	**1,445**	**1,514**	**839**	**1,374**	**1,743**	**1,824**	**1,862**	**5,188**	**6,803**	**1,712**	**-19.7**
Margins (%)	4.7	4.7	4.9	2.7	4.4	5.0	5.3	5.3	4.2	5.0	5.0	-60bp
Depreciation	358	404	416	486	427	471	478	487	1,663	1,864	497	-13.9
Interest	327	347	404	403	422	200	200	34	1,482	856	214	97.1
Other Income	88	125	54	160	118	118	118	45	427	400	100	18.3
PBT	**793**	**819**	**748**	**111**	**643**	**1,190**	**1,265**	**1,386**	**2,470**	**4,484**	**1,101**	**-41.6**
Tax	-50	132	447	289	70	59	63	69	819	262	55	26.8
Rate (%)	-6.2	16.1	59.8	261.6	10.9	5.0	5.0	5.0	33.1	5.8	5.0	590bp
Minority Interest & Profit/Loss of Asso. Cos.	52	66	69	62	69	64	64	65	249	261	54	27
Adjusted PAT	**895**	**753**	**369**	**-117**	**642**	**1,194**	**1,265**	**1,382**	**1,900**	**4,483**	**1,100**	**-41.6**
YoY Change (%)	8.4	11.6	-64.3	-112.6	-28.3	58.6	242.6	NA	-45.2	136.0	22.9	
Margins (%)	3.0	2.4	1.2	-0.4	2.1	3.4	3.7	3.9	1.5	3.3	3.2	-120bp

MAS Financial Services

BSE Sensex	S&P CNX
80,149	24,414

Conference Call Details

Date: 25 July 2024

Time: 03:30 PM IST

Dial-in details:

Link for the call

Number: +91 22 6280 1224

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total income	6.1	7.9	9.8
PPP	4.2	5.5	7.0
PAT	2.5	3.2	4.0
EPS (INR)	15.1	17.8	22.1
EPS Gr. (%)	23.3	17.7	24.1
BVPS (INR)	105	138	158
Ratios (%)			
NIM	6.2	6.2	6.1
C/I ratio	31.0	30.0	29.0
RoA	3.0	3.0	2.9
RoE	15.6	15.2	14.9
Payout	10.0	10.2	9.8
Valuations			
P/E (x)	19	16	13
P/BV (x)	2.8	2.1	1.8
Div. yield (%)	0.5	0.6	0.7

CMP: INR291 **Buy**

Earnings in line; NIM stable QoQ, while AUM grows 23% YoY

Borrowing costs stable; asset quality healthy

- MASFIN's PAT grew 23% YoY to INR704m (in line) in 1QFY25. Net total income rose ~27% YoY to INR1.75b (in line), while Opex at INR567m grew 33% YoY (in line). PPoP stood at INR1.19b (in line) and grew 25% YoY.
- Provisions stood at INR239m, translating into annualized credit costs of 0.9%, stable YoY and QoQ.
- GNPA/NNPA (basis AUM) stood broadly stable QoQ at 2.3%/1.5%. PCR on Stage 3 assets increased ~20bp QoQ to ~39%.
- CRAR stood at 28.6% with Tier 1 of ~25.4%. This was after the equity capital raise of INR5b through QIP in Jun'24.

AUM rises 23% YoY; sequential expansion in spreads

- Standalone AUM stood at ~INR103.8b and rose ~23% YoY. Within this, AUM of Micro-enterprise/SME/2Ws rose 12%/23%/17% YoY. Contribution of direct retail distribution to the standalone AUM stood at ~66% (PY: ~63%). The MSME segment contributed 62% to the incremental YoY AUM growth.
- Yields (calc.) rose ~50bp to 14.8% while CoF (calc.) grew ~30bp QoQ to 9.6%. This resulted in ~20bp QoQ expansion in spreads to ~5.1%.
- NIM (calc.) was stable QoQ at ~6.8%. Reported CoF declined ~2bp QoQ.

Other highlights

- The avg. ticket size of Micro-enterprise loans rose to ~INR69K (PQ: ~53K).
- RoTA increased ~3bp QoQ to ~2.98% in 1QFY25.

HFC subsidiary:

- MAS Housing reported an AUM of ~INR6.2b, which grew ~38% YoY.
- GS3 was stable at ~0.9% QoQ.

Valuation and view

- MASFIN has a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among (M)SME lending peers.
- The company is well placed to achieve its target AUM CAGR of 20-25%, supported by robust liability management, a strong capital base, and a healthy asset quality.
- Historically, MASFIN has managed its liquidity well and still continues to have an adequate liquidity buffer on its balance sheet. We will look to revise our estimates after the analyst call on 25th Jul'24.

Quarterly Performance

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue from Operations	**2,801**	**2,982**	**3,206**	**3,295**	**3,465**	**3,721**	**3,996**	**4,613**	**12,246**	**15,795**	**3,545**	**-2**
Interest Income	2,362	2,490	2,651	2,757	2,952	3,173	3,411	3,702	10,223	13,238	2,972	-1
Gain on assignments	242	272	319	336	304	320	336	561	1,170	1,521	354	-14
Other operating Income	196	219	236	202	210	229	249	349	853	1,037	219	-4
Interest expenses	1,428	1,461	1,638	1,615	1,714	1,852	2,000	2,360	6,142	7,926	1,761	-3
Total income	**1,373**	**1,520**	**1,569**	**1,680**	**1,751**	**1,870**	**1,996**	**2,253**	**6,104**	**7,869**	**1,784**	-2
Growth Y-o-Y (%)	*30*	*28*	*27*	*33*	*27*	*23*	*27*	*34*	*29*	*29*	*30*	
Operating Expenses	427	484	467	555	567	581	596	619	1,894	2,364	569	0
Operating Profits	**946**	**1,036**	**1,102**	**1,125**	**1,183**	**1,288**	**1,400**	**1,634**	**4,210**	**5,506**	**1,215**	**-3**
Growth Y-o-Y (%)	*34*	*34*	*35*	*27*	*25*	*24*	*27*	*45*	*33*	*31*	*28*	
Provisions	188	236	257	214	239	271	306	376	896	1,192	242	-1
Profit before tax	**758**	**800**	**845**	**911**	**944**	**1,018**	**1,095**	**1,257**	**3,314**	**4,313**	**973**	**-3**
Growth Y-o-Y (%)	*22*	*22*	*25*	*29*	*25*	*27*	*30*	*38*	*25*	*30*	*28*	
Tax Provisions	186	200	221	230	240	254	274	319	837	1,087	243	-2
Net Profit	**573**	**600**	**624**	**681**	**704**	**763**	**821**	**938**	**2,478**	**3,226**	**730**	**-4**
Growth Y-o-Y (%)	*23*	*22*	*24*	*23*	*23*	*27*	*31*	*38*	*23*	*30*	*28*	
Key Operating Parameters (%)												
Yield on loans (Cal)	14.3	14.5	14.5	14.3	14.8	15.2	15.3	15.6				
Cost of funds (Cal)	9.6	9.2	9.7	9.31	9.61	9.8	9.6	10.1				
Spreads (Cal)	4.7	5.3	4.8	5.0	5.1	5.4	5.7	5.5				
NIM on AUM (Cal)	6.7	7.0	6.7	6.8	6.8	7.0	7.0	7.4				
Credit Cost (%)	0.9	1.1	1.1	0.9	0.9	1.0	1.1	1.2				
Cost to Income Ratio	31.1	31.9	29.7	33.0	32.4	31.1	29.9	27.5				
Tax Rate	24.5	25.0	26.1	25.3	25.4	25.0	25.0	25.0				
Balance Sheet Parameters												
Standalone AUM (INR B)	**84.2**	**90.5**	**96.7**	**101.3**	**103.8**	**110.4**	**117.8**	**125.8**				
Change YoY (%)	25.9	26.7	27.2	25.1	23.4	22.1	21.8	24.2				
Disbursements (INR B)	**22.8**	**25.0**	**26.6**	**27.9**	**27.3**	**30.5**	**32.7**	**34.3**				
Change YoY (%)	5.8	10.5	19.8	11.9	19.5	22.0	23.0	23.1				
Borrowings (INR B)	**59.9**	**67.1**	**68.0**	**70.8**	**71.9**	**79.5**	**87.2**	**99.3**				
Change YoY (%)	18.5	15.0	14.5	19.9	20.1	18.4	28.3	40.2				
Debt/Equity (x)	3.8	4.1	4.0	4.0	3.1							
Asset liability Mix												
AUM Mix (%)												
Micro Enterprises	47.8	47.1	44.9	43.3	43.6							
SME loans	36.5	35.7	35.7	36.9	36.4							
2W loans	6.8	6.9	6.9	6.6	6.4							
CV loans	5.3	6.2	6.8	7.4	7.9							
Borrowings Mix (%)												
Direct Assignment	23.0	23.3	23.9	24.0	24.4							
Cash Credit	17.0	16.0	16.0	11.9	11.3							
Term Loan	48.0	50.6	51.9	54.0	52.9							
NCD	8.0	7.1	4.6	6.8	8.1							
Sub Debt	4.0	3.0	3.5	3.3	3.3							
Asset Quality Parameters (%)												
GS 3 (INR m)	1,355	1,555	1,747	1,906	2,043							
GS 3 (%)	2.13	2.17	2.23	2.25	2.29							
NS 3 (INR m)	795	916	1,023	1,164	1,243							
NS 3 (%)	1.47	1.47	1.48	1.51	1.52							
PCR (%)	41.3	41.1	41.4	38.9	39.1							
Return Ratios (%)					*0.2*							
ROA	3.0	2.9	2.9	3.0	3.0							
Tier I ratio	21.1	21.2	20.6	20.3	25.4							

E: MOFSL estimates

Knight Frank India: Don't think effective tax rate will be lower on property sales due to new tax rules; Gulam Zia, Executive Director

- Finance secretary's arguments are valid is property prices are above 11%
- Have not seen property prices surge by more than 10% in a year in a long time
- Only 15-20% are buying properties for investments, rest is largely for end use

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- Next major step towards job creation will be notification of labour codes
- Many IT coz are considering rolling back to work from home in Karnataka

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- Renewable energy push is evident
- Delivered 274 MW power in Q1, did see some spillover from Q4FY24
- Orderbook needs to be delivered in 18-24 months
- Operations & Maintenance biz is strong, around 42-43%

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- When we started mobile manufacturing in India there wasn't a component ecosystem
- 7-9% disability in mobile component manufacturing vs other countries

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- Co. has been servicing systems un GIPS segment for both rural and urban segment
- Digitised collaterals and advisory can be given for rural areas
- Urban areas GIS mapping can be used for proper recognition of taxes
- Co. offers geospatial programs
- On track to touch Rs. 1,000 cr revenue by FY27-28

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