30 July 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,356	0.0	12.6
Nifty-50	24,836	0.0	14.3
Nifty-M 100	58,362	1.0	26.4
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,464	0.1	14.5
Nasdaq	17,370	0.1	15.7
FTSE 100	8,292	0.1	7.2
DAX	18,321	-0.5	9.4
Hang Seng	6,081	1.2	5.4
Nikkei 225	38,469	2.1	15.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	0.0	4.8
Gold ($/OZ)	2,394	0.3	16.0
Cu (US$/MT)	9,026	0.3	6.6
Almn (US$/MT)	2,250	0.7	-4.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.0	0.6
USD/EUR	1.1	-0.1	-1.8
USD/JPY	153.7	-0.1	8.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	-0.02	-0.3
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**29-Jul**	**MTD**	**CYTD**
FIIs	-0.3	4.06	4.7
DIIs	0.68	2.42	30.2
Volumes (INRb)	**29-Jul**	**MTD***	**YTD***
Cash	1,594	1501	1291
F&O	3,42,282	3,65,752	3,76,844

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Bharat Electronics: Better than expected performance

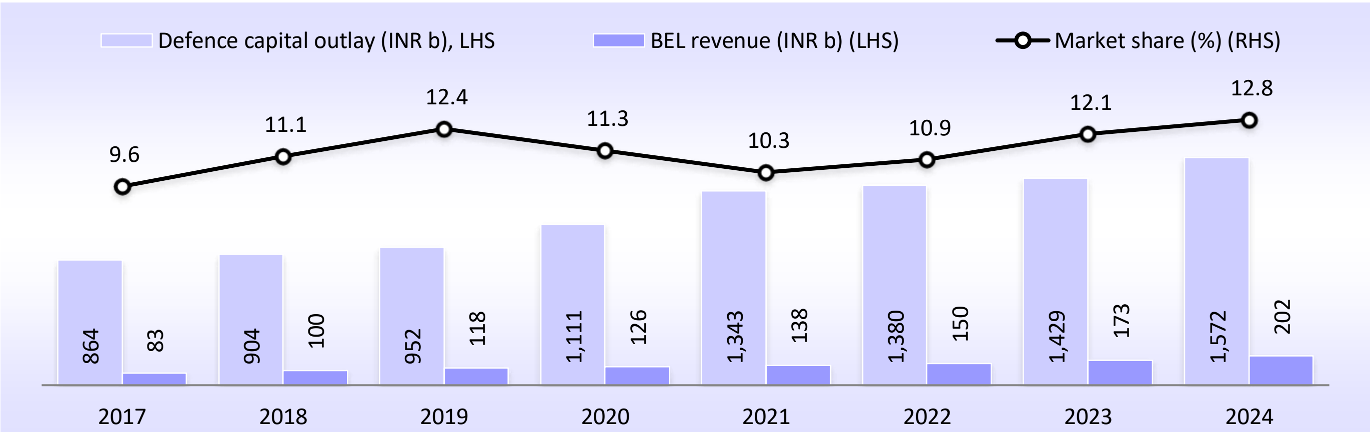
- BHE's 1QFY25 results came ahead of estimates, driven by better-than-expected revenue and PAT. Revenue growth was led by a strong order book, which stood at INR767b. Order inflows stood at INR49.6b.
- BHE targets order inflows of INR250b in FY25, which can include projects such as air defense fire control radar, security and surveillance system for army, EWC radar, mountain radar, Ground Based Mobile ELINT System, Shivalik, combat weapon systems, etc. QRSAM trials are completed and it is expected to be finalized by 1QFY26, which would be an additional inflow of INR200-250b.
- The company has maintained its guidance on revenues and order inflows. We maintain our estimates and BUY rating with a two-year forward TP of INR360 on BHE.

Research covered

Cos/Sector	Key Highlights
Bharat Electronics	Better than expected performance
Adani Ports & SEZ	Robust volume growth aided by ramp up and expansion
Cholamandalam Inv. & Finance	Operating beat but PAT in line due to high credit costs
Colgate	Volume print improves; margin and valuations peak
Other Updates	Indian Bank | ACC | KEC International | MCX | Zen Technologies | Lemon Tree | Transport Corporation of India | HPCL | KEI Industries | Vedant Fashion | Kalpataru Projects | Data Pattern (India) | Quess Corp | Restaurant Brands Asia | Automobiles

Chart of the Day: Bharat Electronics (Better than expected performance)

BHE's revenue market share has inched up in the past few years



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

India's steel sector likely to see investment of Rs 30,000-crore by 2029: Ministry of Steel Secy

India's steel sector is poised to receive an investment of nearly Rs 30,000 crore and boost its production capacity by 25 million tonnes within five years, according to a senior official from the Ministry of Steel. By the end of FY 2029...

2

Blackstone readies Rs 40,000 crore bid to acquire 51% stake in Haldiram's

A Blackstone spokesperson said that the firm had not placed a new bid for Haldiram's following their initial proposal in May 2024, noting that discussions had earlier halted due to a disagreement on valuation.

3

Carlyle likely to sell up to 5% stake in PNB Housing Finance via block deals: CNBC-Awaaz

Carlyle is looking to sell PNB Housing Finance's shares worth Rs 1,000 crore and base price is likely to be in the range of Rs 750-Rs 760

4

FirstCry likely to list on stock exchanges on August 13

The startup will launch the anchor book for its IPO on August 5, with the issue likely to open for public subscription between August 6 and August 8, sources told Moneycontrol

5

Hindustan Zinc to focus on batteries for energy transition

"Hindustan Zinc, one of India's most valuable companies in the metals & minerals sector, already produces zinc and silver, two critical metals which will see ever increasing demand given their use in new, emerging technologies in addition to the traditional demand," chairperson Priya Agarwal Hebbar told shareholders at the company's annual general meeting on Monday.

6

HPCL seeks large-scale investment in petrochemical manufacturing capacities: Chairman

Hindustan Petroleum Corporation (HPCL) is actively investing in petrochemical manufacturing capacities through joint ventures, aiming to expand its portfolio as stated in their annual report.

7

L&T bags large multiple orders in India and abroad for its Power Transmission & Distribution biz

L&T said that its Power Transmission & Distribution (PT&D) business has secured new orders in India and abroad

Bharat Electronics

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BHE IN
Equity Shares (m)	7310
M.Cap.(INRb)/(USDb)	2349 / 28.1
52-Week Range (INR)	341 / 124
1, 6, 12 Rel. Per (%)	2/54/120
12M Avg Val (INR M)	6704

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	236.5	285.1	336.0
EBITDA	59.4	71.6	84.4
PAT	48.6	59.7	72.2
EPS (INR)	6.7	8.2	9.9
GR. (%)	21.0	22.7	20.9
BV/Sh (INR)	27.8	34.7	43.2
Ratios			
ROE (%)	24.0	23.5	22.9
RoCE (%)	26.7	26.1	25.4
Valuations			
P/E (X)	48.3	39.4	32.5
P/BV (X)	11.6	9.2	7.4
EV/EBITDA (X)	37.3	30.3	25.0
Div Yield (%)	0.3	0.4	0.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.1	51.1	51.1
DII	20.6	22.7	24.8
FII	17.4	17.6	17.4
Others	10.8	8.7	6.7

FII Includes depository receipts

CMP: INR321 TP: INR360 (+12%) Buy

Better than expected performance

BHE's 1QFY25 results came ahead of estimates, driven by better-than-expected revenue and PAT. Revenue growth was led by a strong order book, which stood at INR767b. Order inflows stood at INR49.6b. The company has maintained its guidance on revenues and order inflows despite a strong execution in 1Q. We maintain our estimates and TP of INR360 on BHE with a BUY rating on the stock.

Results outperformed expectations

BHE's performance was ahead of our estimates during 1QFY25. Revenue grew 20% YoY to INR42b (est. INR37.8b), led by strong execution of the order book. Gross margin was up ~190bp YoY at 45.4%. EBITDA grew 41% YoY to INR9.4b, with margin at 22.3%, up ~240bp YoY. PAT grew 46% YoY to INR7.7b (4% beat). The order book stood at INR767b, up 17% YoY. Order inflows stood at INR49.6b, down YoY. Order inflows were diversified across BMP 2 upgrade, T/R module, MPR radar, Akash AMC, CMS system, spares for ships etc. The company has maintained its guidance of 15% growth in revenue and EBITDA margins in the range of 22-23% for FY25. It has also maintained its order inflow guidance of INR250b each for FY25/FY26, excluding the QRSAM project.

Strong FY24 inflows of INR350b took order book to record high of INR760b

BHE targets order inflows of INR250b in FY25, which can include projects such as air defense fire control radar – Atulya, security and surveillance system for army, EWC radar, mountain radar, Ground Based Mobile ELINT System, Shivalik, combat weapon systems, etc. QRSAM trials are completed and it is expected to be finalized by 1QFY26, which would be an additional inflow of INR200-250b. BHE's scope of work in Sukhoi would include supply of radar, EW systems, radio and communication system and this would be an opportunity worth INR40-50b from the first batch of 84-100 number of Sukhoi upgrades. BHE is also eyeing orders from Kavach from Indian railways, Netra and Uttam radar.

Supply chain issues have largely eased out

BHE's revenue growth was strong at 20% YoY in 1Q. Key projects contributing to revenue growth during the quarter included LRSAM (INR8.4b), civil sector project (INR3b), hammer missile system (INR2.4b), platform terminal (INR1.4b), IACCS (INR1.3b), EW system (INR1.3b), naval systems (INR950m), etc. Going ahead too, execution over the next two years would come from projects like Akash, LRSAM, Himshakti, Arudra radar, air defense control, etc.

Financial outlook

We keep our estimates unchanged and expect a CAGR of 19%/19%/22% in revenue/ EBITDA/PAT over FY24-27. We expect OCF/FCF to remain strong over FY24-27, given its control over working capital. Further, the company has a cash surplus of INR39b (as of FY24), providing scope for further expansion in capacities.

Key risks and concerns

A slowdown in order inflows from the defense and non-defense segments, increased competition, further delays in finalization of large tenders, a sharp rise in commodity prices and delays in payments from MoD can adversely impact our estimates on revenues, margins and cash flows.

Valuation and view

BHE is currently trading at 39.4x/32.5x on FY26E/FY27E EPS. We maintain our two-year forward TP of INR360 and maintain BUY rating on BHE.

Quarterly Earning Model

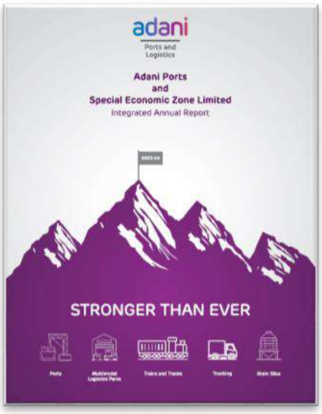
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var. (%)
Net Sales	**35,108**	**39,933**	**41,367**	**85,285**	**41,988**	**47,297**	**49,662**	**97,538**	**2,01,694**	**2,36,484**	**37,838**	**11**
Change (%)	12.8	1.2	0.1	32.1	19.6	18.4	20.1	14.4	14.3	17.2	7.8	
EBITDA	**6,644**	**10,044**	**10,494**	**22,800**	**9,367**	**11,020**	**12,960**	**26,036**	**49,982**	**59,383**	**8,703**	**8**
Change (%)	29.4	17.4	23.0	24.9	41.0	9.7	23.5	14.2	23.5	18.8	31.0	
As of % Sales	18.9	25.2	25.4	26.7	22.3	23.3	26.1	26.7	24.8	25.1	23.0	
Depreciation	1,013	1,004	998	1,109	997	1,084	1,110	1,361	4,124	4,552	1,059	(6)
Interest	11	15	5	39	12	18	18	23	70	70	18	(33)
Other Income	1,417	1,705	2,232	2,205	2,015	2,331	2,388	3,057	7,558	9,792	2,277	(12)
PBT	**7,038**	**10,729**	**11,723**	**23,856**	**10,373**	**12,250**	**14,220**	**27,708**	**53,346**	**64,552**	**9,903**	**5**
Tax	1,729	2,606	2,790	6,021	2,612	3,019	3,504	6,828	13,146	15,907	2,440	
Effective Tax Rate (%)	24.6	24.3	23.8	25.2	25.2	24.6	24.6	24.6	24.6	24.6	24.6	
Reported PAT	**5,308**	**8,123**	**8,933**	**17,835**	**7,761**	**9,231**	**10,716**	**20,880**	**40,200**	**48,645**	**7,463**	**4**
Change (%)	23.0	32.9	49.2	30.6	46.2	13.6	20.0	17.1	33.7	21.0	40.6	
Adj PAT	**5,308**	**8,123**	**8,933**	**17,835**	**7,761**	**9,231**	**10,716**	**20,880**	**40,200**	**48,645**	**7,463**	**4**
Change (%)	**23.0**	**32.9**	**49.2**	**30.6**	**46.2**	**13.6**	**20.0**	**17.1**	33.7	21.0	40.6	

29 July 2024

Annual Report Update | Sector: Logistics

Adani Ports & SEZ

BSE SENSEX	S&P CNX
81,356	24,836



Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	3345.4 / 40
52-Week Range (INR)	1621 / 752
1, 6, 12 Rel. Per (%)	1/15/79
12M Avg Val (INR M)	6851
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Sales	267.1	307.7	349.9
EBITDA	158.6	182.5	210.9
Adj. PAT	89.1	104.2	124.7
EBITDA Margin (%)	59.4	59.3	60.3
Adj. EPS (INR)	41.3	48.2	57.7
EPS Gr. (%)	16.5	16.9	19.7
BV/Sh. (INR)	245.1	286.1	335.1
Ratios			
Net D/E (x)	0.6	0.6	0.5
RoE (%)	18.1	18.2	18.6
RoCE (%)	11.1	11.7	12.5
Payout (%)	14.5	15.0	12.5
Valuations			
P/E (x)	37.5	32.1	26.8
P/BV (x)	6.3	5.4	4.6
EV/EBITDA (x)	23.2	20.3	17.5
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	2.3	2.0	2.3

CMP: INR1,549 TP: INR1,790 (+16%) Buy

Robust volume growth aided by ramp up and expansion

In this note, we present the key takeaways from Adani Ports & SEZ (APSEZ)'s FY24 Annual Report.

On track to become India's largest transport utility company

- APSEZ ended FY24 with 24% volume growth, taking the total volumes to 420 MMT, well surpassing even its guidance. This was supported by a network of 15 ports across the country's coastline, including India's largest port at Mundra that handled ~180MMT of cargo in FY24.
- In India, APSEZ handled 408.4MMT cargo, through its 12 operating ports/terminals. APSEZ India ports portfolio witnessed ~21% YoY volume growth, which was ~3x of India's cargo growth rate in FY24.
- In FY24, ~27% of all-India cargo volumes was routed through APSEZ ports. For FY25, the company is targeting cargo volumes of 470 MMT.
- Revenue grew 28% YoY to INR267b, supported by 30% YoY jump in the ports business revenue and 19% in logistics business. APSEZ recorded the highest-ever EBITDA of INR829b (~USD10b, +45% YoY). The company's net debt to EBITDA further reduced to 2.1x from 2.8x over Mar'23, giving APSEZ additional headroom for future growth.
- **APSEZ targets becoming India's largest integrated transport utility and the world's largest private port company by 2030. APSEZ has a diversified cargo mix and is looking to increase the cargo share of ports on the east coast. We expect APSEZ to report 11% growth in cargo volumes over FY24-26. This would drive a revenue/EBITDA/PAT CAGR of 14%/15%/19% over FY24-26. We reiterate our BUY rating with a TP of INR1,790 (premised on 20x FY26E EV/EBITDA).**

Market share gains driven by operational efficiencies; expansion across business segments has remained the focus area in FY24

- APSEZ achieved a notable 3x industry growth, elevating its market share to ~27% in FY24 from 10% in FY13. The incorporation of new cargo classes at Mundra and Dhamra ports, a pickup in coal & coastal coal cargo at Gangavaram and Dhamra, aided by robust economic growth contributed to this growth.
- Additionally, the advantages of an integrated port-cum-logistics service have significantly helped gain market share.
- Further, the company's strategic sensitivity to specific cargo classes, such as thermal coal and iron ore, is proving beneficial as volume levels normalize in select ports such as Mundra, Gangavaram, and Krishnapatnam.

Building infrastructure for strong future growth in the logistics business

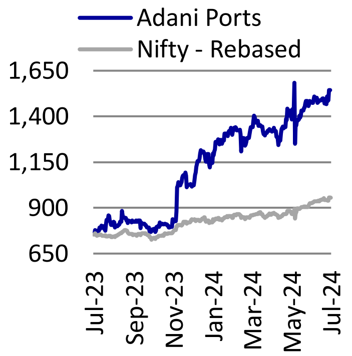
- As APSEZ embarks on becoming India's largest integrated transport utility company by 2030, it is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last mile delivery, ICDs, etc.). Hence, it offers end-to-end service to its customers, thereby capturing a higher wallet share and also making the cargo sticky in nature.

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	65.9	65.9	62.9
DII	12.5	11.8	12.4
FII	15.2	15.0	17.0
Others	6.4	7.3	7.7

FII Includes depository receipts

Stock's performance (one-year)



- Adani Logistics (ALL) expanded its services to cover container train operations, container handling in logistic parks, and warehouses offering storage and trucking solutions. With 12 multi-modal logistics parks, 127 trains, 2.4m sq. ft. of warehousing space, and 1.2 million metric tons of grain silos, ALL aims to establish a nationwide presence by further developing logistic parks and warehouses.

Improving balance sheet position

- Despite raising INR200b via FPO, the Board returned the proceeds to investors amid accusations.
- To improve its leverage position, APSEZ focused on debt optimization, repurchasing USD325m in bonds, bringing down net debt-to-EBITDA to 2.1x in Mar'23 from 2.8x in Mar'23.
- The US Development Finance Corporation (USDFC) injected USD553m into CWIT, Adani's joint venture in Sri Lanka, to develop a deep-water shipping container terminal at Colombo Port. This investment is a strategic step showcasing the confidence of the USDFC on Adani's capabilities.

Focus on ESG initiatives

- Through the Adani Saksham (skill development) initiative, the company empowered 0.17m young individuals with essential skills, helping them secure a brighter future and potentially become entrepreneurs.
- Agricultural programs revitalized 26,000 acres of land, introducing sustainable practices and natural farming techniques that promise a greener tomorrow.
- Health outreach programs, including mobile health care units and camps, touched 2 million lives, ensuring that essential services reach the most remote communities.
- The company's water conservation initiatives created a staggering 13.8 million cubic meters of storage capacity, ensuring water security and supporting the ecological balance of its ecosystems.

Valuation and view

- APSEZ is anticipated to outpace India's overall growth, driven by a balanced port mix along India's western and eastern coastlines and a diversified cargo mix. The company continues to invest heavily in the ports and logistics business to drive growth. The commencement of operations at the transshipment hubs will enable the company to further boost volumes.
- **We expect APSEZ to** report **11% growth in cargo volumes over FY24-26. This would drive a CAGR of 14%/15%/19% in revenue/EBITDA/PAT over FY24-26. We reiterate our BUY rating with a TP of INR1,790 (premised on 20x FY26E EV/EBITDA).**

Cholamandalam Inv. & Finance

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	CIFC IN
Equity Shares (m)	840
M.Cap.(INRb)/(USDb)	1204.4 / 14.4
52-Week Range (INR)	1477 / 997
1, 6, 12 Rel. Per (%)	-3/2/0
12M Avg Val (INR M)	2135

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total Income	99.9	138.7	176.5
PPP	59.0	81.2	107.7
PAT	34.2	45.9	61.9
EPS (INR)	40.7	54.6	72.2
EPS Gr. (%)	26	34	32
BV (INR)	233	285	373
Valuations			
NIM (%)	6.7	7.0	7.1
C/I ratio (%)	40.9	41.5	39.0
RoAA (%)	2.5	2.6	2.7
RoE (%)	20.2	21.1	22.1
Payout (%)	4.9	3.7	3.5
Ratios			
P/E (x)	35.2	26.2	19.8
P/BV (x)	6.2	5.0	3.8
Div. Yield (%)	0.1	0.1	0.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.3	50.4	51.5
DII	16.9	17.0	20.4
FII	26.6	26.0	20.9
Others	6.2	6.6	7.3

FII Includes depository receipts

CMP: INR1,433 TP: INR1,675 (+17%) Buy

Operating beat but PAT in line due to high credit costs

Strong AUM growth of ~35% YoY; NIM expanded ~10bp QoQ

- Mr. Ravindra Kundu (currently Executive Director) has been appointed MD & CEO for a period of five years, effective 7th Oct'24.
- CIFC's 1QFY25 PAT grew ~30% YoY to INR9.4b (in line). NII grew ~40% YoY to ~INR25.7b (in line). Other income grew ~62% YoY to~INR4.6b (6% beat).
- Opex rose ~50% YoY to ~INR11.8b and the cost-income ratio rose ~2pp YoY to ~39% (vs. ~37% in 1QFY24). This was primarily driven by ~110% YoY growth in employee expenses. PPoP grew ~38% YoY to INR18.5b (8% beat).
- GS3/NS3 increased ~15bp/10bp QoQ to 2.6%/1.4%, while PCR on S3 declined ~1pp QoQ to ~45.5%. ECL/EAD increased to 1.77% (~1.72% in 4Q). This translated into annualized credit costs of ~1.5% (1.3% in 1QFY24). Write-offs stood at ~INR3.2b in 1QFY25 (vs. INR2.01b in 1QFY24)
- Disbursements were strong at ~INR243b (in line), up ~22% YoY. New lines of businesses contributed ~24% to the disbursement mix (23% in 4Q). The company continued to conservatively guide for an AUM CAGR of 25-30% over the next five years. We model AUM CAGR of ~27% over FY24-26.
- Yields (calc.) improved ~30bp QoQ to ~14.6%, while CoF (calc.) declined ~15bp QoQ to ~7.9%. NIM expanded ~10bp QoQ to ~6.85%.
- The management expects vehicle finance (VF) yields to improve, with marginal yields around ~40bp higher than book yields. This will reflect in book yields over the next 3-4 quarters. Borrowings from PSBs are typically based on the MCLR, which could see a minor increase going ahead. However, the management anticipates the overall CoB to stabilize. We expect NIMs to expand to ~7.0%/7.1% in FY25/FY26 (vs. ~6.7% in FY24).
- We estimate a CAGR of 22%/27%/35% in disbursement/AUM/PAT over FY24-FY26. While opex may remain high for a year or two due to ongoing investments and pilots in new businesses, CIFC has levers on cost ratios and business AUM growth to deliver healthy RoA/RoE of ~2.7%/22% in FY26. We retain **BUY on CIFC with a TP of INR1,675 (4.5x FY26E BVPS).**
- **Key risks to our target price are** 1) higher delinquencies and credit costs in new businesses, particularly CSEL (Partnerships); and 2) cyclicality in the VF business, despite management making efforts to mitigate it.

Key highlights from the management commentary

- Guided for AUM mix of ~50% in VF, ~35% in HL and LAP and ~15% in new businesses. The unsecured portfolio will remain at ~8%.
- Guided for through-cycle credit costs of 1.0-1.2%. It aims to improve RoA to ~3%, aided by opex and NIM improvements over the next two years.

Valuation and view

- CIFC is equipped to deliver strong AUM growth with benign credit costs (vs. peers), leading to strong RoE of ~21-22% across economic cycles.
- The stock trades at 3.8x FY26E P/BV. We believe that the premium valuation multiple will sustain as investor confidence improves 1) in the company's execution capabilities in newer product lines and 2) how it navigates any cyclicality in vehicle demand to deliver strong AUM growth and asset quality through a diversified product mix. **Reiterate BUY.**

Quarterly Performance (INR M)

Y/E March	FY24				FY25E				FY24	FY25	1QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	38,492	42,205	46,099	49,341	53,695	57,615	62,224	66,329	1,76,137	2,39,862	53,634	0
Interest Expenses	20,071	22,052	24,390	25,793	27,957	30,277	31,942	33,572	92,306	1,23,748	28,115	-1
Net Interest Income	**18,421**	**20,153**	**21,709**	**23,548**	**25,738**	**27,338**	**30,282**	**32,757**	**83,831**	**1,16,115**	**25,519**	1
YoY Growth (%)	*24.3*	*35.4*	*35.8*	*33.4*	*39.7*	*35.6*	*39.5*	*39.1*	*32.4*	*38.5*	*38.5*	
Other Income	2,845	3,514	4,088	5,580	4,595	6,030	5,498	6,458	16,026	22,581	4,331	6
Total Income	**21,265**	**23,667**	**25,797**	**29,127**	**30,333**	**33,368**	**35,779**	**39,215**	**99,857**	**1,38,695**	**29,849**	2
YoY Growth (%)	*29.7*	*39.4*	*40.8*	*41.4*	*42.6*	*41.0*	*38.7*	*34.6*	*38.1*	*38.9*	*40.4*	
Operating Expenses	7,867	9,461	10,640	12,850	11,834	13,719	14,896	17,044	40,818	57,493	12,665	-7
Operating Profit	**13,399**	**14,206**	**15,157**	**16,278**	**18,499**	**19,649**	**20,884**	**22,171**	**59,039**	**81,202**	**17,184**	8
YoY Growth (%)	*26.4*	*37.1*	*40.4*	*27.9*	*38.1*	*38.3*	*37.8*	*36.2*	*32.7*	*37.5*	*28.3*	
Provisions & Loan Losses	3,723	3,998	3,588	1,908	5,814	5,300	4,500	3,802	13,218	19,416	4,800	21
Profit before Tax	**9,675**	**10,208**	**11,569**	**14,369**	**12,685**	**14,349**	**16,384**	**18,369**	**45,821**	**61,786**	**12,384**	2
Tax Provisions	2,415	2,583	2,807	3,788	3,263	3,616	4,096	4,905	11,593	15,879	3,121	5
Net Profit	**7,260**	**7,625**	**8,762**	**10,581**	**9,422**	**10,733**	**12,288**	**13,464**	**34,228**	**45,907**	**9,263**	2
YoY Growth (%)	*28.3*	*35.3*	*28.0*	*24.1*	*29.8*	*40.8*	*40.2*	*27.2*	*28.4*	*34.1*	*27.6*	
Key Parameters (Calc., %)												
Yield on loans	14.1	14.3	14.4	14.3	14.6					14.5		
Cost of funds	7.8	7.8	8.0	8.0	7.9					8.0		
Spread	6.3	6.6	6.4	6.2	6.7					6.5		
NIM	6.7	6.7	6.7	6.7	6.8					7.0		
C/I ratio	37.0	40.0	41.2	44.1	39.0					41.5		
Credit cost	1.3	1.3	1.1	0.5	1.5					1.2		
Tax rate	25.0	25.3	24.3	26.4	25.2					25.7		
Balance Sheet Parameters												
Disbursements (INR b)	**200**	**215**	**224**	**248**	**243**	**265**	**280**	**307**	**887**	**1,095**		
Growth (%)	50.2	47.3	27.5	17.9	21.6	23.0	25.0	24.0	33.4	23.5		
AUM (INR b)	**1,148**	**1,242**	**1,338**	**1,456**	**1,554**	**1,665**	**1,784**	**1,895**	**1,456**	**1,895**		
Growth (%)	40.1	41.7	40.1	36.7	35.4	34.0	33.3	30.2	36.7	30.2		
AUM mix (%)												
Vehicle finance	61.9	60.7	59.5	58.0	57.0				58.0	54.4		
Home Equity	19.9	19.9	20.1	20.5	20.7				20.5	21.5		
Home loans & Others	18.2	19.4	20.4	21.4	22.3				12.2	13.9		
Borrowings (INR b)	**1,081**	**1,195**	**1,231**	**1,345**	**1,499**				**1,345**	**1,749**		
Growth (%)	46.3	50.6	37.8	38.1	38.6				38.1	30.1		
Asset Quality Parameters												
GS 3 (INR B)	35.5	37.2	38.1	36.5	41.2				36.5	42.1		
GS 3 (%)	3.1	3.0	2.8	2.5	2.6				2.5	2.2		
NS 3 (INR B)	19.4	19.6	20.9	19.5	22.5				19.5	22.7		
NS 3 (%)	1.7	1.6	1.6	1.4	1.5				1.4	1.2		
PCR (%)	45.4	47.3	45.1	46.4	45.5				46.4	46.0		
Vehicle finance AUM mix (%)												
LCV	20.8	20.7	19.9	19.7	19.8				19.7	19.8		
Cars & MUV	20.7	21.2	21.8	22.3	22.8				22.3	22.8		
3W & SCV	4.0	3.9	3.9	3.7	3.6				3.7	3.6		
Used CV	26.7	26.9	27.0	27.3	27.4				27.3	27.4		
Tractor	8.1	7.8	7.5	6.9	6.5				6.9	6.5		
HCV	6.9	6.7	6.6	6.7	6.7				6.7	6.7		
CE	6.6	6.5	6.5	6.6	6.5				6.6	6.5		
Two wheeler	6.1	6.4	6.8	6.7	6.8				6.7	6.8		

E: MOFSL estimates

Colgate

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	873.1 / 10.4
52-Week Range (INR)	3272 / 1902
1, 6, 12 Rel. Per (%)	9/13/30
12M Avg Val (INR M)	1066

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	56.8	63.0	68.4
Sales Gr. (%)	8.7	10.9	8.6
EBITDA	19.0	21.9	23.6
EBITDA Margin (%)	33.5	34.7	34.5
Adj. PAT	13.4	15.7	16.9
Adj. EPS (INR)	49.2	57.7	62.2
EPS Gr. (%)	26.8	17.4	7.8
BV/Sh.(INR)	68.9	81.7	93.9
Ratios			
RoE (%)	74.5	76.7	70.9
RoCE (%)	73.6	76.2	70.6
Payout (%)	81.3	77.9	80.3
Valuation			
P/E (x)	65.2	55.6	51.6
P/BV (x)	46.6	39.3	34.2
EV/EBITDA (x)	45.2	39.2	36.2
Div. Yield (%)	1.2	1.4	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.0	51.0	51.0
DII	6.0	6.1	7.8
FII	24.4	24.5	21.8
Others	18.6	18.4	19.4

FII Includes depository receipts

CMP: INR3,210 TP: INR3,150 (-2%) Neutral

Volume print improves; margin and valuations peak

- Colgate (CLGT) delivered a 13% YoY revenue growth to INR15b (est. INR14.4b) in 1QFY25. Volume growth spiked at a high-single digit (flattish in the previous four quarters). The rural market continued to display positive signs of demand recovery, and it is growing ahead of urban. HUVR reported mid-single digit revenue growth in oral care in 1QFY25.
- Gross margin continued to expand, up 220bp YoY to 70.6%, aided by moderating RM prices, cost savings, and price-led growth. In line with the industry trend, A&P spending was high at 10% YoY. Despite this, EBITDA margin expanded 240bp YoY to 34%. EBITDA jumped 22% YoY to INR5.1b.
- Product innovations and marketing efforts have enabled CLGT to achieve volume growth in 1QFY25. While price hikes have contributed to overall growth in FY24, the positive volume trend indicates a promising outlook. It will be important to monitor if this momentum sustains throughout FY25.
- The personal care portfolio is under-indexed; we would like to see if CLGT can boost this portfolio. We believe it will be challenging for CLGT to expand its operating margin level. The current valuations at 56x/52x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,150 (based on 50x Jun'26E EPS).**

Volume-led beat; positive trends for rural demand

- **Volume grew in high-single digit:** CLGT's sales grew 13% YoY to INR15.0b (est. INR14.4b); the last four-quarters clocked 9% YoY average growth. Rural markets continued to exhibit positive signs of demand pickup, growing ahead of urban**.** Toothpaste delivered a high-single digit volume growth (est. 2.5%), the last four-quarters clocked around flat YoY volume growth. The toothbrush portfolio witnessed a competitive growth trajectory, with strong double-digit revenue growth.
- **Margin at an all-time high**: Gross margin improved 220bp YoY to 70.6% (est. 69.0%). As a percentage of sales, staff costs rose 30bp YoY to 7.5%, ad-spends dipped 40bp YoY to 13.3%, and other expenses were flat at 16.0%. EBITDA margin expanded ~240bp YoY to 34.0%.
- **Double-digit growth**: EBITDA grew 22% YoY to INR5.1b (est. INR4.7b). PBT rose 26% YoY to INR4.9b (est. INR4.5b). Adj. PAT grew 26% YoY to INR3.6b (est. INR3.3b).

Valuation and view

- We raise our EPS estimates for FY25 and FY26 by 6-7% on the back of improving volume performance, aggressive pricing strategy, and consistent operating margin expansion.
- CLGT's sales growth lagged staples peers from a 5-/10- year CAGR prospective. Overall growth also appears stagnant. Additionally, due to high oral care penetration (99%) and competition from herbal players, CLGT has struggled to outperform. Premiumization in general trade and traction in the personal care portfolio have been slow.

- FY25 will be a testing period for CLGT in terms of margin trajectory and volume expansion. It seems both gross margin and EBITDA margin have reached peak levels. The dilemma about prioritizing growth vs. maintaining margins will persist, and to accelerate growth, margins may contract.
- The current valuations at 56x/52x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,150 (premised on 50x Jun'26E EPS, earlier 45x P/E).**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Volume Gr %	**3.0**	**-1.0**	**-1.0**	**1.0**	**7.0**	**6.5**	**7.0**	**6.5**	**0.5**	**6.8**	**2.5**	
Net Sales (incldg. OOI)	**13,237**	**14,711**	**13,957**	**14,900**	**14,967**	**16,328**	**15,352**	**16,371**	**56,804**	**63,019**	**14,433**	3.7%
YoY change (%)	10.6	6.0	8.1	10.3	13.1	11.0	10.0	9.9	8.7	10.9	9.0	
Gross Profit	**9,058**	**10,117**	**10,073**	**10,327**	**10,574**	**11,511**	**11,054**	**11,478**	**39,574**	**44,617**	**9,959**	6.2%
Gross margin (%)	68.4	68.8	72.2	69.3	70.6	70.5	72.0	70.1	69.7	70.8	69.0	
EBITDA	**4,181**	**4,821**	**4,684**	**5,322**	**5,083**	**5,611**	**5,275**	**5,930**	**19,008**	**21,899**	**4,698**	8.2%
Margins (%)	31.6	32.8	33.6	35.7	34.0	34.4	34.4	36.2	33.5	34.7	32.6	
YoY growth (%)	28.4	18.2	29.6	17.8	21.6	16.4	12.6	11.4	22.9	15.2	12.4	
Depreciation	438	443	414	421	415	435	445	465	1,715	1,760	445	
Interest	11	11	15	14	10	14	14	17	50	55	14	
Financial other Income	150	210	179	227	234	225	225	224	765	908	215	
PBT	**3,883**	**4,578**	**4,434**	**5,114**	**4,893**	**5,387**	**5,041**	**5,672**	**18,008**	**20,992**	**4,454**	9.8%
Tax	951	1,178	1,133	1,315	1,253	1,352	1,265	1,414	4,577	5,284	1,118	
Rate (%)	24.5	25.7	25.6	25.7	25.6	25.1	25.1	24.9	25.4	25.2	25.1	
Adj PAT	**2,883**	**3,401**	**3,301**	**3,798**	**3,640**	**4,035**	**3,775**	**4,258**	**13,383**	**15,708**	**3,336**	9.1%
YoY change (%)	33.1	22.3	35.7	19.6	26.2	18.6	14.4	12.1	26.8	17.4	15.7	

E: MOFSL Estimates

Indian Bank

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	INBK IN
Equity Shares (m)	1347
M.Cap.(INRb)/(USDb)	791 / 9.4
52-Week Range (INR)	633 / 336
1, 6, 12 Rel. Per (%)	4/8/44
12M Avg Val (INR M)	1231

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	232.7	253.4	280.7
OP	168.4	184.7	204.9
NP	80.6	101.8	115.2
NIM (%)	3.2	3.1	3.2
EPS (INR)	62.2	75.6	85.5
EPS Gr. (%)	46.7	21.5	13.1
BV/Sh. (INR)	409	469	537
ABV/Sh. (INR)	396	452	517
Ratios			
RoE (%)	17.1	18.0	17.7
RoA (%)	1.1	1.2	1.3
Valuations			
P/E(X)	9.4	7.8	6.9
P/BV (X)	1.4	1.3	1.1
P/ABV (X)	1.5	1.3	1.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	73.8	73.8	79.9
DII	16.9	17.0	11.6
FII	5.4	5.3	4.0
Others	3.9	3.9	4.6

CMP: INR587 TP: INR670 (+14%) Buy

NII, PPoP in line; earnings outlook buoyant

Guides for controlled credit cost

- Indian Bank (INBK) reported 1QFY25 PAT of INR24b (41% YoY, 9% beat), driven by lower provisions (as the bank reversed INR970m on account of the sale of stressed assets in 1Q).
- NII growth was healthy at 8.3% YoY (in line). Margin was broadly flat with a 1bp QoQ increase to 3.53%.
- Net advances grew 14% YoY/1.2% QoQ, while deposits rose 9.6% YoY but fell 1% QoQ. Consequently, the C/D ratio increased by 162bp QoQ to 76.5%. The CASA ratio moderated 174bp QoQ to 39%.
- Fresh slippages increased to INR19.6b, mainly due to seasonality. Healthy recoveries/upgrades resulted in 18bp/4bp QoQ improvements in GNPA/NNPA ratios to 3.8%/0.4%. SMA book stood at 0.5% of loans during the quarter.
- We raise our earnings estimates by 4% for FY25 and expect the bank to deliver RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR670 (premised on 1.2x FY26E BV).**

Operational performance in line; guides for NIM at ~3.4-3.5%

- PAT growth was healthy at 41% YoY/7% QoQ to INR24b (9% beat), led by lower provisions (as the bank reversed INR970m on account of the sale of stressed assets in 1Q).
- NII grew 8.3% YoY/2.7% QoQ to INR62b (in line). Margin was broadly flat, with a 1bp QoQ increase to 3.53% as funding costs remained under control.
- Other income grew 11.5% YoY/declined 16% QoQ to INR19.1b (in line), resulting in 9% YoY growth in total revenue (in line). Treasury income stood at INR2.6b vs. INR1.9b in 4QFY24.
- Opex grew 9% YoY/declined 10% QoQ (3% lower than MOFSLe). As a result, the C/I ratio moderated 368bp QoQ to 44.3%. PPoP grew 9% YoY (in line) to INR45b in 1QFY25.
- Gross advances grew 12.5% YoY (up 1% QoQ) to ~INR5.4t, led by Retail and Agri. Within Retail, housing and vehicle maintained healthy growth momentum. Deposit growth was modest at 9.6% YoY (down 1% QoQ). CASA ratio thus declined 174bp QoQ to 39%. C/D ratio increased by 162bp QoQ to 76.5%. The management expects to maintain CD ratio at around 80%.
- Fresh slippages increased to INR19.6b vs. INR12.7b in 4QFY24. Healthy recoveries/upgrades resulted in 18bp/4bp QoQ improvements in GNPA/NNPA to 3.8%/0.4%. Specific PCR remained strong at ~90%.
- SMA book stood at 0.5% of loans during the quarter. The total restructured portfolio declined to 1.5% of loans (vs. ~1.7% in 4QFY24).

Highlights from the management commentary

- The guidelines for ECL are still in draft form and their impact is expected to be minimal. The bank will also pass on charges to customers. The ECL impact is spread over a five-year period, resulting in a minimal effect.
- Deposits are expected to grow by 8-10%. Advances are projected to grow by 11-13%.
- 61% of the loan book is based on MCLR, with an external T-bill exposure of INR10b. Of the MCLR loans, 80% are linked to one-year MCLR.
- NIM guidance is 3.4% (±10 bp), with the bank aiming to exceed this guidance.

Valuation and view

INBK reported a healthy quarter, with earnings led by lower provisions and controlled opex. Loan growth remained healthy, while deposit growth was modest, which led to an increase in the CD ratio. INBK has gradually raised its MCLR-linked loans, which should provide cushion to its margins, particularly as the rate cycle turns. The management expects margins at ~3.4% in FY25 and the growth trend to remain steady. It will continue to focus on profitable growth. Slippages were higher primarily due to seasonality, heatwaves, and the elections. However, the management has successfully recovered INR3.12b of these slippages so far and anticipates further recoveries in 2Q. Despite this, asset quality ratios have improved, with the bank maintaining a best-in-class coverage ratio, which, along with a low SMA book, provided comfort on incremental credit costs. We raise our earnings estimates by 4% for FY25 and expect the bank to deliver RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR670 (premised on 1.2x FY26E BV).**

Quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	v/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Est
Net Interest Income	**57.0**	**57.4**	**58.1**	**60.2**	**61.8**	**62.8**	**63.6**	**65.3**	**232.7**	**253.4**	**61.5**	**1%**
% Change (YoY)	25.8	22.5	5.7	9.2	8.3	9.4	9.3	8.6	15.1	8.9	7.8	
Other Income	17.1	19.9	19.0	22.6	19.1	21.1	21.9	23.7	78.7	85.7	19.4	-2%
Total Income	**74.1**	**77.3**	**77.2**	**82.8**	**80.8**	**83.9**	**85.4**	**89.0**	**311.4**	**339.2**	**80.9**	**0%**
Operating Expenses	32.8	34.3	36.2	39.7	35.8	37.3	38.8	42.5	143.0	154.5	36.8	-3%
Operating Profit	**41.3**	**43.0**	**41.0**	**43.0**	**45.0**	**46.6**	**46.6**	**46.5**	**168.4**	**184.7**	**44.1**	**2%**
% Change (YoY)	16.0	18.6	0.9	7.2	8.9	8.2	13.8	8.0	10.3	9.7	6.6	
Provisions	17.4	15.5	13.5	12.5	12.6	12.2	11.9	11.9	58.9	48.6	14.6	-14%
Profit before Tax	**23.9**	**27.5**	**27.5**	**30.6**	**32.4**	**34.3**	**34.8**	**34.6**	**109.5**	**136.1**	**29.5**	**10%**
Tax	6.9	7.6	6.3	8.1	8.4	8.6	8.8	8.5	28.9	34.3	7.4	
Net Profit	**17.1**	**19.9**	**21.2**	**22.5**	**24.0**	**25.7**	**26.0**	**26.1**	**80.6**	**101.8**	**22.1**	**9%**
% Change (YoY)	40.8	62.2	51.8	55.3	40.6	29.1	22.7	16.1	52.7	26.2	29.1	
Operating Parameters												
Deposits (INR b)	6,215	6,408	6,542	6,880	6,812	7,128	7,282	7,499	6,880	7,499	7,009	-3%
Loans (INR b)	4,564	4,706	4,896	5,149	5,208	5,386	5,534	5,741	5,149	5,741	5,214	0%
Deposit Growth (%)	6.4	8.8	9.6	10.8	9.6	11.2	11.3	9.0	10.8	9.0	11.0	
Loan Growth (%)	13.6	14.2	12.3	14.6	14.1	14.4	13.0	11.5	14.6	11.5	13.6	
Asset Quality												
Gross NPA (%)	5.5	5.0	4.5	4.0	3.8	3.6	3.4	3.1	4.0	3.1	3.8	
Net NPA (%)	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.4	
PCR (%)	87.8	88.5	88.7	89.5	90.0	89.6	89.8	83.6	89.5	83.6	89.5	

E: MOFSL Estimates

ACC

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	ACC IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	489.1 / 5.8
52-Week Range (INR)	2844 / 1803
1, 6, 12 Rel. Per (%)	-4/-10/7
12M Avg Val (INR M)	1292

Financials & Valuations (INR b)

Y/E Dec	FY25E	FY26E	FY27E
Sales	209.1	229.1	249.6
EBITDA	34.9	41.8	48.8
Adj. PAT	20.8	25.2	29.9
EBITDA Margin (%)	16.7	18.2	19.5
Adj. EPS (INR)	110.5	134.3	158.8
EPS Gr. (%)	11.2	21.6	18.3
BV/Sh. (INR)	955	1,076	1,220
Ratios			
Net D:E	-0.3	-0.4	-0.5
RoE (%)	12.2	13.2	13.8
RoCE (%)	12.5	13.5	14.1
Payout (%)	12.7	10.4	9.4
Valuations			
P/E (x)	23.6	19.4	16.4
P/BV (x)	2.7	2.4	2.1
EV/EBITDA(x)	11.9	9.6	7.6
EV/ton (USD)	121	110	96
Div. Yield (%)	0.5	0.5	0.6
FCF Yield (%)	3.8	4.3	6.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	56.7	56.7	56.7
DII	25.0	24.8	19.5
FII	5.6	6.2	10.0
Others	12.7	12.3	13.8

FII Includes depository receipts

CMP: INR2,604 TP: INR3,300 (+27%) Buy

EBITDA misses estimate due to weak realization

Sales volume rises 9% YoY (+3% vs. estimate)

- ACC's 1QFY25 performance was below our estimate primarily due to lower-than-estimated realization (2% below). EBITDA at INR6.8b was 7% below our estimate; while EBITDA/t stood at INR664 vs. our estimate of INR736. OPM contracted 165bp YoY to ~13% (est. ~14%). PAT stood at INR3.7b vs. our estimate of INR4.2b, due to lower operating performance and other income.
- Management remains positive on the industry demand outlook and expects cement demand growth of ~7-9% YoY in FY25, supported by higher govt. spending towards infrastructure projects, including the construction of roads and highways. In 1Q, the company reported volume growth of ~9% supported by an increase in premium products and efficiency improvement.
- We cut our EBITDA by ~7% for FY25E due to persistent pricing pressure, while we maintain our FY26/FY27E. In our recent Thematic report, we **upgraded ACC from Neutral to BUY** given its attractive valuation and structural changes in operations. ACC trades at 12x/9.5x FY25E/FY26E EV/EBITDA. We value the stock at 12x Jun'26E EV/EBITDA to arrive at our TP of INR3,300.

Realization deteriorates 9% YoY; Opex/t down 7% YoY

- Revenue/EBITDA/adj. PAT stood at INR51.6b/INR6.8b/INR3.7b (down 1%/12%/21% YoY and up 1%/down 7%/12% vs. our estimates) in 1QFY25. Cement volume grew 9% YoY to 10.2mt (up 3% vs. our estimate). RMC revenue declined 9% YoY to INR3.3b (26% above our estimate). The RMC segment reported an EBIT margin of 7% in 1QFY25 vs. 1%/5% in 1Q/4QFY24.
- Opex/t dipped 7% YoY (flat QoQ), led by 14%/3%/2% YoY decline in freight costs/variable costs/other expenses. Employee costs declined 19% YoY/2% QoQ to INR1.6b. EBITDA/t stood at INR664 vs. INR818/802 in YoY/QoQ.
- Interest cost/depreciation increased 32%/11% YoY, whereas 'Other Income' declined 11% YoY during the quarter.

Highlights from the management commentary

- Kiln fuel cost declined 19%/9% YoY/QoQ to INR1.73/Kcal. The WHRS share in total power consumption stood at ~10% (up 1.6pp YoY/1pp QoQ) in 1Q.
- Kiln heat consumption declined to 739 Kcal from 757 Kcal, with further improvement expected going forward. The company achieved a thermal substitution rate (TSR) of 11.1% and targets to achieve 27% by FY28.
- The company's cash & cash equivalent was INR27.5b vs. INR46.7b in Mar'24.

Valuation and view

- ACC's performance in 1QFY25 was below our estimate mainly due to lower-than-estimated realization. Cement prices are estimated to remain under pressure in the near-term due to monsoons. However, it is witnessing steady improvement in opex/t led by various cost reduction initiatives.
- Expected improvement in profitability, led by cost-saving initiatives, strong brand positioning, and structural changes in the operations (higher volume under MSA and leveraging group synergies), will drive re-rating in the stock. We value ACC at 12x Jun'26E EV/EBITDA to arrive at our TP of INR3,300. **Reiterate BUY**.

Standalone quarterly performance (INR b)

Y/E December/ March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Cement Sales (mt)	9.40	8.10	8.88	10.44	10.20	8.67	9.68	11.28	36.9	39.83	9.56	3
Change (YoY %)	23.8	18.2	15.3	24.0	8.5	7.0	9.0	8.1	19.5	8.0	12.4	
Net Sales	**52.0**	**44.3**	**49.2**	**54.0**	**51.6**	**44.7**	**52.1**	**60.6**	**199.5**	**209.1**	**51.2**	1
Change (YoY %)	16.4	11.2	8.4	12.7	(0.9)	0.9	6.0	12.3	(10.2)	4.8	6.9	
EBITDA	**7.7**	**5.5**	**9.0**	**8.4**	**6.8**	**5.5**	**9.5**	**13.1**	**30.6**	**34.9**	**8.1**	(7)
Margin (%)	14.8	12.4	18.4	15.5	13.1	12.4	18.2	21.7	15.3	16.7	15.9	(113bp)
Depreciation	2.0	2.1	2.3	2.3	2.2	2.3	2.3	2.4	8.8	9.2	2.4	(3)
Interest	0.3	0.3	0.3	0.7	0.3	0.4	0.4	0.4	1.5	1.4	0.4	(40)
Other Income	0.8	2.1	0.8	1.2	0.7	1.0	0.8	0.9	4.9	3.4	0.9	(36)
PBT before EO Item	**6.2**	**5.2**	**7.2**	**6.6**	**4.9**	**3.9**	**7.6**	**11.3**	**25.2**	**27.7**	**6.3**	(11)
EO Income/(Expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after EO Item	**6.2**	**5.2**	**7.2**	**6.6**	**4.9**	**3.9**	**7.6**	**11.3**	**25.2**	**27.7**	**6.3**	(11)
Tax	1.6	1.3	1.9	-0.9	1.3	1.0	1.9	2.8	3.9	6.9	1.5	
Rate (%)	25.5	25.5	26.6	(13.2)	25.6	25.0	25.0	24.7	15.7	25.0	24.6	
Reported PAT	**4.6**	**3.8**	**5.3**	**7.5**	**3.7**	**2.9**	**5.7**	**8.5**	**21.2**	**20.8**	**4.7**	(12)
Adjusted PAT	**4.6**	**3.8**	**5.3**	**4.9**	**3.7**	**2.9**	**5.7**	**8.5**	**18.7**	**20.8**	**4.7**	(12)
Margin (%)	8.9	8.7	10.7	9.1	7.1	6.5	11.0	14.0	9.4	9.9	9.2	
Change (YoY %)	108.8	NM	212.1	72.0	(21.1)	(24.2)	8.4	72.5	88.7	11.2	65.2	

Source: MOSFL, Company

Per ton analysis, including RMC (INR/t)

Y/E December/ March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Blended Realization	**5,533**	**5,475**	**5,538**	**5,171**	**5,054**	**5,162**	**5,386**	**5,373**	**5,410**	**5,249**	**5,158**	(2)
Change (YoY %)	(6.0)	(5.9)	(6.0)	(9.1)	(8.7)	(5.7)	(2.7)	3.9	(6.0)	(3.0)	(6.8)	
Raw Material	1,596	1,598	1,512	1,746	1,730	1,630	1,550	1,479	1,570	1,603	1,560	11
Staff Cost	210	240	201	157	157	181	177	166	199	169	177	(11)
Power and fuel	1,196	1,093	1,141	931	970	1,050	1,080	1,062	1,083	1,040	1,040	(7)
Freight	1,245	1,177	1,084	1,058	1,075	1,070	1,080	1,070	1,136	1,074	1,085	(1)
Other expenditure	469	689	583	477	458	591	521	433	584	495	561	(18)
Total Expenditure	**4,715**	**4,798**	**4,521**	**4,369**	**4,391**	**4,522**	**4,408**	**4,209**	**4,572**	**4,382**	**4,422**	(1)
EBITDA	**818**	**677**	**1,017**	**802**	**664**	**640**	**979**	**1,164**	**838**	**867**	**736**	(10)

Source: MOSFL, Company

29 July 2024

1QFY25 Result Update | Sector: Capital Goods

KEC International

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	KECI IN
Equity Shares (m)	257
M.Cap.(INRb)/(USDb)	224.7 / 2.7
52-Week Range (INR)	969 / 550
1, 6, 12 Rel. Per (%)	-5/26/11
12M Avg Val (INR M)	545

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	222.8	254.2	294.4
EBITDA	16.1	21.6	25.0
PAT	6.3	10.2	12.1
EPS (INR)	24.5	39.6	47.1
GR. (%)	81.6	61.6	19.0
BV/Sh (INR)	176.5	204.4	237.5
Ratios			
ROE (%)	14.6	20.8	21.3
RoCE (%)	13.6	17.1	18.2
Valuations			
P/E (X)	35.7	22.1	18.6
P/BV (X)	5.0	4.3	3.7
EV/EBITDA (X)	15.9	11.9	10.4
Div Yield (%)	-	-	-

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.9	51.9	51.9
DII	25.3	25.8	26.7
FII	12.7	12.5	11.6
Others	10.2	9.8	9.9

FII Includes depository receipts

CMP: INR875 TP: INR830 (-5%) Neutral

In-line result; improved outlook for T&D pipeline

KEC International (KEC)'s 1QFY25 revenue and PAT performances were largely in line, with lower- than-expected EBITDA margin being offset by higher other income from claims. Revenue growth could have been higher had it not been hit by supply chain and labor-related issues. Net debt, including acceptances, declined YoY on better collections. YTD order inflows stood strong at INR77b. KEC is also looking to grow inorganically and strengthen its balance sheet; it is looking to raise funds for the same. Overall, we continue to expect KEC to benefit from a strong T&D tendering pipeline. We marginally tweak our estimates for FY25/ FY26 to bake in the impact of lower order inflow from railways. We reiterate our NEUTRAL rating on the stock with a TP of INR830.

Result largely in line with estimates

KEC's result was largely in-line with our expectations. Revenue at INR45.1b grew by 6% YoY, driven by a healthy order book, which stood at INR327.1b (+9% YoY). T&D/non-T&D mix in the OB stood at 51%/49%. Gross margin contracted ~90bp YoY to 23.8% due to the impact of legacy projects. Sequentially, there was a ~430bp expansion in gross margin. Staff costs stood at 8.2% of sales; flat YoY. Other expenditure as a % of sales dipped ~100bp YoY to 9.6%. EBITDA margin stood at 6.0%, up ~20bp YoY, while there was a QoQ ~30bp contraction. Interest expenses as a % of sales eased to 3.4% vs. 3.7% in 1QFY24. PAT growth was 107% YoY, aided by higher other income (INR431m vs. INR28m in 1QFY24). Order inflows spiked 70% YoY to INR76.6b, backed by healthy T&D ordering. The order book was INR327.1b, while order book + L1 position stood at INR420b.

Segmental performance driven by T&D and O&G

The segmental performance was fueled by growth in T&D and O&G. The T&D segment revenue grew 17% YoY, driven by a strong order book of INR166.8b and inflows of ~INR50b. The Civil segment revenue grew 11% YoY, and this was hit by delays in some projects as well as labor-related issues. KEC is eyeing a revenue growth of 30% in the civil segment for the full year. The Railway segment revenue declined sharply due to the company's conscious strategy to stay away from the highly competitive project bids. The Cable business revenue stood at INR3.6b and KEC is expanding the capacity of the aluminum conductor and has also obtained UL approvals for cable exports to the US.

Enabling resolution to raise funds

KEC has taken an enabling resolution from Board to raise funds worth INR45b by way of QIP and to raise NCD worth INR15b. In the long run, the company intends to be ready for opportunities related to: 1) inorganic acquisitions, 2) strengthening of the balance sheet, and 3) expansion of the existing businesses, such as cables and conductors or any other future opportunities. KEC has clarified that it will continue to remain an EPC focused player and does not intend to enter into an 'ownership model' of projects. KEC is also realigning the business by transferring cable business into a separate company and is planning to capitalize on cable industry growth by further investing in the business for expanding capacity of both cable and conductor.

Outlook on order inflow and tendering

The overall prospect pipeline for KEC stands strong at INR1.5t, which is spread across transmission (40-50%) equally in the domestic and international segments, civil and renewable, and a relatively smaller share from railways. Transmission opportunity remains strong across domestic and international markets, with domestic markets growing at a much faster pace than international. KEC is also witnessing a significant uptick in international markets such as the Middle East, Americas, Africa, SAARC, EAP, CIS on T&D opportunities. Civil ordering was relatively slow during the quarter due to elections, but areas such as real estate, water (Jal Jeevan mission projects), data center, and industrial will continue to grow at a faster pace. It is selectively eyeing opportunities from railways and is focused mainly on Kavach and upgradation of existing OHE network. KEC is also investing in building capabilities in renewable space. We factor in a 29% CAGR in order inflows over FY24-27.

Financial outlook

We expect a revenue/EBITDA CAGR of 14%/27% over FY24-27 for KEC. This will be driven by: 1) order inflow growth of 29% over the same period, led by a strong prospect pipeline, 2) a gradual recovery in EBITDA margin to 7.2%/8.5%/8.5% by FY25/26/27, and 3) a control over working capital due to improved customer advances, and higher debtor collections from railways and the Afghanistan projects. With improvement in margins and stable working capital, we expect the RoE and RoCE to improve to 21.3% and 18.2% by FY27, respectively.

Key risks and concerns

A slowdown in order inflows, higher commodity prices, an increase in receivables and working capital, and heightened competition are some of the risks that could potentially affect our estimates.

Valuation and recommendation

KEC is currently trading at 22.1x/18.6x on FY26E/27E earnings. We value the company at a slightly higher valuation multiple of 20x on two-year forward estimated earnings to take into account an improved prospect pipeline from the domestic transmission projects. Our estimates bake in a revenue CAGR of ~14% and EBITDA margin of 8.5%/8.5% for FY26-27. Reiterate Neutral with a TP of INR830.

Quarterly performance

Y/E March - INR m	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**42,436**	**44,990**	**50,067**	**61,648**	**45,119**	**51,233**	**60,143**	**66,257**	**1,99,141**	**2,22,751**	**45,050**	**0**
YoY Change (%)	27.9	10.7	14.4	11.6	6.3	13.9	20.1	7.5	15.2	11.9	6.2	
Total Expenditure	39,992	42,247	46,988	57,768	42,415	47,749	55,812	60,620	1,86,996	2,06,619	42,077	
EBITDA	**2,444**	**2,743**	**3,079**	**3,880**	**2,704**	**3,484**	**4,330**	**5,637**	**12,146**	**16,132**	**2,973**	**(9)**
Margins (%)	5.8	6.1	6.1	6.3	6.0	6.8	7.2	8.5	6.1	7.2	6.6	
Depreciation	418	465	488	483	465	494	518	518	1,853	1,995	491	(5)
Interest	1,587	1,778	1,644	1,543	1,550	1,550	1,627	1,627	6,551	6,354	1,481	5
Other Income	28	158	260	78	431	83	83	83	524	680	101	326
PBT before EO expense	**467**	**658**	**1,207**	**1,933**	**1,120**	**1,523**	**2,268**	**3,574**	**4,265**	**8,463**	**1,102**	**2**
PBT	**467**	**658**	**1,207**	**1,933**	**1,120**	**1,523**	**2,268**	**3,574**	**4,265**	**8,463**	**1,102**	**2**
Tax	44	100	239	415	245	390	581	951	798	2,166	282	
Rate (%)	9.4	15.2	19.8	21.5	21.8	25.6	25.6	26.6	18.7	25.6	25.6	
Reported PAT	**423**	**558**	**969**	**1,517**	**876**	**1,133**	**1,687**	**2,622**	**3,467**	**6,296**	**820**	**7**
Adj PAT	**423**	**558**	**969**	**1,517**	**876**	**1,133**	**1,687**	**2,622**	**3,467**	**6,296**	**820**	**7**
YoY Change (%)	36.8	1.0	449.5	110.2	106.9	103.1	74.2	72.8	96.9	81.6	93.7	
Margins (%)	1.0	1.2	1.9	2.5	1.9	2.2	2.8	4.0	1.7	2.8	1.8	

Segmental performance

INR m	FY23				FY24				FY25	FY24	FY25E	YoY (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
Segmental revenue												
T&D (domestic + SAE)	16,450	20,910	22,340	27,720	21,400	22,090	27,230	33,840	24,990	1,04,560	1,28,139	22.6
Cables	4,190	3,900	3,680	4,390	3,890	4,130	3,830	4,610	3,630	16,460	20,048	21.8
Railways	7,050	8,580	9,100	12,420	7,640	7,760	6,530	9,220	4,710	31,150	23,312	-25.2
Civil	6,950	8,460	10,310	12,860	11,080	12,560	14,380	16,370	12,580	54,390	59,540	9.5
Less inter-segmental	-1,450	-1,210	-1,680	-2,140	-1,560	-1,550	-1,920	-2,390	-790	-7,420	-8,289	11.7
Grand total	**33,190**	**40,640**	**43,750**	**55,250**	**42,450**	**44,990**	**50,050**	**61,650**	**45,120**	**1,99,140**	**2,22,751**	11.9

29 July 2024
1QFY25 Results Update | Sector: Financials

MCX

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	214.3 / 2.6
52-Week Range (INR)	4289 / 1538
1, 6, 12 Rel. Per (%)	4/9/125
12M Avg Val (INR M)	2824
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	6.8	9.8	12.1
EBIT Margin (%)	4.2	52.2	56.3
PAT	0.8	4.8	6.2
EPS (INR)	16.3	93.9	121.3
EPS Gr. (%)	-44.2	476.3	29.2
BV/Sh. (INR)	270.3	289.1	313.3
Ratios			
RoE (%)	5.8	33.6	40.3
Valuations			
P/E (x)	257.8	44.7	34.6
P/BV (x)	15.5	14.5	13.4
Div Yield (%)	0.0	0.8	0.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	57.3	56.9	55.1
FII	20.9	23.4	25.0
Others	21.9	19.7	19.9

FII Includes depository receipts

CMP: INR4,203 TP: INR4,850 (+15%) Buy

Strong volume growth, in-line performance excl. SGF

- MCX reported PAT of INR1.1b (5% miss) in 1QFY25, up 4.6x YoY and 26% QoQ. Excluding the voluntary contribution to core SGF, overall profitability was in line with our estimate.
- Total revenue came in at INR2.3b (4% beat), up 60.8% YoY and 29.4% QoQ.
- Total volumes increased significantly by 116.8% YoY to INR112.3t. Futures volumes stood at INR16.9t, up 27% YoY and 53% QoQ. Option volumes jumped 148% YoY and 33% QoQ to INR95.4t.
- We cut our FY25 EPS estimate by 12% owing to a higher SGF contribution, but we broadly maintain our FY26 EPS estimate. We reiterate our BUY rating with a one-year TP of INR4,850 (premised on 40x FY26E EPS).

Energy and bullion drive overall volume growth

- Volumes in the Energy segment jumped 122% YoY, fueled by a 126%/108% YoY surge in crude oil/Natural Gas volumes in 1QFY25.
- Bullion volumes rose 108% YoY, driven by 118%/99% YoY rise in gold/silver volumes.
- Overall base metal volumes grew 52% YoY, led by 60%/31% YoY growth in Copper/Aluminum volumes in 1QFY25.
- Futures volumes stood at INR16.9t, up 27% YoY/53% QoQ. Options volumes surged 148% YoY/33% QoQ to INR95.4t. Overall volumes increased strongly by 116.8% YoY to INR112t.
- Total revenue grew 60.8% YoY to INR2.3b (4% higher than our estimates).
- Staff costs stood at INR321m (10.4% above our estimate) and product license fees stood at INR132m (44% above our estimates).
- Other expenses surged 47% YoY to INR201m (20% above our estimates). This was mainly due to a revised payment of regulatory fees based on an annual turnover considering the notional value of options contracts instead of the premium value (INR45m paid with interest).
- In 1Q, MCX provided a voluntary contribution of INR99.1m to core SGF as exchange contribution. In May'24, MCXCCL has contributed INR10m to core SGF as financial disincentive on account of the delayed start of the market.
- Other income declined 8% YoY to INR188m (in line) vs. INR204m in 1QFY24.

Key takeaways from the management commentary

- The regulatory requirement to redesign the existing charge structure (INR17.5 to INR26 per million on futures contracts and INR400-500 per million of premium) to make it uniform and equal for all its members. The current slab-wise structure is dependent on volume or activity of members. The new structure will be in effect in Oct'24 and the exchange will issue further directions in this regard.

- The cotton candy contract has been amended and the new series contract of November has been launched, where the only change is the reduction in the trading and delivery unit from 100 days to 25 days.
- Crude sunflower, Gold 10 gram (monthly futures) and cotton wash sheet oil will be launched soon as they are under the testing phase. Electricity futures contract is in the pipeline, approval from the regulators.

Valuation and view

We expect MCX to deliver a CAGR of 33%/239%/173% in revenue/EBITDA/PAT over FY24-26, led by strong growth in options volumes. We highlight several near- to medium-term drivers of volume growth: 1) new product launches – futures & options (short-duration contracts); 2) continued volatility in key commodity prices (gold, crude oil & natural gas) amid global uncertainties; and 3) a rise in retail participation in the options market. We expect no impact from competition on MCX's volumes, as similar products are currently available on other exchanges. With the technology overhang behind MCX and near-term potential drivers in place, we see meaningful re-rating potential. We cut our FY25 EPS estimate by 12% owing to a higher SGF contribution, but we broadly maintain our FY26 EPS estimate. We reiterate our BUY rating with a one-year TP of INR4,850 (premised on 40x FY26E EPS).

Quarterly Performance

	FY24				FY25				FY24	FY25E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(%/bp)
Sales	**1,458**	**1,651**	**1,915**	**1,811**	**2,344**	**2,379**	**2,521**	**2,606**	6,835	9,850	2,248	4.2
YoY Gr. (%)	34.0	29.6	33.4	35.4	60.8	44.1	31.6	43.9	33.1	44.1	54.2	
Staff Costs	253	274	290	307	321	323	333	337	1,123	1,314	291	10.4
Other expenses	1,098	1,664	1,822	484	697	676	732	746	5,069	2,852	576	21.0
EBITDA	107	-287	-197	1,020	1,326	1,379	1,456	1,523	643	5,684	1,382	(4.1)
Depreciation	43	66	113	138	134	134	134	136	359	539	140	(4.1)
EBIT	**64**	**-353**	**-310**	**882**	**1,191**	**1,245**	**1,321**	**1,387**	**283**	**5,145**	1,242	(4.0)
Margins (%)	4.4	-21.4	-16.2	48.7	50.8	52.3	52.4	53.2	4.1	52.2	55.2	
Interest Costs	1	1	1	1	1	1	1	1	3	3	1	
Other Income	204	189	177	183	188	198	207	227	754	821	192	(2.1)
PBT bef. Exceptional items	**267**	**-164**	**-133**	**1,065**	**1,379**	**1,442**	**1,528**	**1,614**	**1,035**	**5,963**	**1,433**	(4)
Tax	58	16	-91	205	273	288	306	325	189	1,193	287	(4.7)
Rate (%)	21.6	-9.9	68.3	19.3	19.8	20.0	20.0	20.2	18.2	20.0	20.0	
Profit from associate	-13	-10	-11	19	4	0	0	0	-15	4	19.0	
PAT	**197**	**-191**	**-54**	**878**	**1,109**	**1,154**	**1,222**	**1,289**	**831**	**4,774**	**1,166**	(5)
Y-o-Y Gr. (%)	-53	-130	-114	1,512	464	-705	-2,385	47	-44	474	493	
EPS (INR)	**3.9**	**-3.7**	**-1.1**	**17.3**	**21.8**	**22.7**	**24.0**	**25.3**	**16.3**	**93.6**	**22.9**	(5)
Total volumes (INR t)	**51.8**	**67.0**	**73.6**	**82.7**	**112.3**	**124.9**	**136.6**	**145.9**	**275.0**	**519.8**	**112.3**	-
Q-o-Q Gr. (%)	23.4	29.3	9.9	12.4	35.8	11.2	9.4	6.8			35.8	
Y-o-Y Gr. (%)	80.7	86.3	80.6	97.1	116.8	86.5	85.7	76.5	86.7	89.0	116.8	

Zen Technologies

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	ZEN IN
Equity Shares (m)	84
M.Cap.(INRb)/(USDb)	135.2 / 1.6
52-Week Range (INR)	1609 / 578
1, 6, 12 Rel. Per (%)	33/97/130
12M Avg Val (INR M)	402

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	9.1	13.2	18.6
EBITDA	3.4	4.9	6.9
PAT	2.4	3.4	4.9
EPS (INR)	28.4	40.7	57.9
GR. (%)	88.4	43.0	42.4
BV/Sh (INR)	82.4	123.0	180.9
Ratios			
ROE (%)	41.7	39.6	38.1
RoCE (%)	42.1	39.8	38.3
Valuations			
P/E (X)	56.5	39.5	27.8
P/BV (X)	19.5	13.1	8.9
EV/EBITDA (X)	39.1	27.0	18.8
Div Yield (%)	-	-	-

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.1	55.1	57.5
DII	3.4	3.3	0.2
FII	3.6	4.5	4.2
Others	37.9	37.2	38.1

FII Includes depository receipts

CMP: INR1,609 TP: INR1,820 (+13%) Buy

Strong execution

ZEN reported 92%/56%/57% YoY increase in revenue/EBITDA/PAT in 1QFY25, driven by an order book of INR11.6b. EBITDA margin remained strong at 40% as the company continued to benefit from backward integration and control over supply chain. As a result, PAT margin came in at 29.2%. Order inflows will start ramping up from 2HFY25 onward. We marginally revise our estimates to factor in the 1Q performance and maintain BUY rating ZEN with a TP of INR1,820, based on 40x Jun'26E EPS (vs. INR1,775 earlier). The current valuation of ZEN is still cheaper than that of other comparable companies in the private defense sector and ZEN has the advantage of a faster CAGR, stronger margins and reasonable NWC. Maintain BUY.

Robust 1Q results

Revenue grew 92% YoY/87% QoQ to INR2.5b, led by robust execution of the opening order book of INR14b. EBITDA came in at INR1b, up 56% YoY/129% QoQ. EBITDA margin contracted ~960bp YoY to 40%; however, it was down only 60bp vs. the FY24 level and well within the management's guidance. PAT grew 57% YoY to INR742m, with margin at 29.2%. The order book stood at INR11.6b (+113% YoY). 1Q saw nil order inflow as decision-making was delayed due to elections. Order inflows will start ramping up from 3QFY25 onward.

Order inflow visibility will emerge in coming months

1Q saw nil order inflow owing to elections. However, inflows are likely to ramp up in the coming quarters from both domestic and international geographies. ZEN is already working on various products like Hawkeye anti-drone system, Barbarik URCWS, Prahasta automated quadruped, and Sthir Stab 640 stabilized sight and platforms like tactical simulator, weapon-training simulators, advanced counter drone systems, which will see improved inflows and revenue traction ahead. We expect the new products for anti-drone system to boost revenue and order inflows from FY26 onward. We currently estimate order inflows of INR18b/INR25b/INR35b for FY25/FY26/FY27.

Export inflow and revenue were nil during the quarter

Export inflow and revenues were also nil during the quarter, as the existing order book in exports has not reached the revenue recognition stage. Currently, ZEN has a presence in markets such as Nigeria, Qatar, Malaysia, UAE, Kenya and Egypt. Its export order book stands at INR4.4b diversified across simulators (INR1.6b) and anti-drone systems (INR2.8b). With an increased focus on exports, the company intends to increase the revenue share of exports to 35% by FY28.

Zen is ideally positioned to capture a healthy market share

In the simulator market, ZEN competes with 4-5 players and managed a market share of more than 80% during FY24. In the anti-drone market, ZEN competes with 5-6 players, but it has an edge over others in terms of backward integration. ZEN has a portfolio of over 40 products designed and developed indigenously, ranging from live fire, live instrumented, virtual, and constructive training systems for individual and collective training, as well as counter-drone solutions. Its extensive product portfolio is also complemented by a services division that provides after-sales service, warranty, and AMC, et al. ZEN also boasts 150+ filed patents, with nearly 70 already granted. We thus expect it to be ideally positioned to capture a decent share in the upcoming orders on simulators and anti-drone segment.

Financial outlook

We expect a CAGR of 63%/57%/57% in revenue/EBITDA/PAT during FY24-27. This growth will be led by: 1) order inflow growth of 37%, due to a strong pipeline across simulators and anti-drones, 2) EBITDA margin of 37.5%/37%/37% for FY25/FY26/ FY27, and 3) enhanced control over working capital due to improved collections. With a substantial revenue growth, healthy margins, and stable working capital, we expect ZEN's RoE and RoCE to improve to 38% and 38% by FY27, respectively.

Key risks and concerns

Any slowdown in procurement from the defense industry, especially for simulators, can expose the company to the risk of reduced order inflows and hinder its growth. ZEN is also exposed to foreign currency risks for its export revenue. High working capital can also pose risks to cash flows, as ZEN's working capital has remained high historically due to issues related to high debtors and high inventories. This is likely to come down due to improved collections and lower inventory, as per the management. However, any delays in the same can affect cash flows in FY25/FY26.

Valuation and view

We value the stock at 40x Jun'26E EPS. We marginally revise our estimates to factor in the 1Q performance and maintain a BUY rating on the stock with a revised TP of INR1,820 (vs. INR1,775 earlier). We expect the company to: 1) grow at a much faster pace than the industry, 2) have a very strong margin, and 3) expand its capabilities across other defense segments. The current valuation of ZEN is still cheaper than that of other comparable companies in the private defense sector and ZEN has the advantage of a faster CAGR, stronger margins and reasonable NWC. Maintain BUY.

Zen Technologies

Quarterly Earning Model - Standalone (INR m)

Y/E March	FY23				FY24				FY25	FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q		
Net sales	332	211	329	741	1,324	640	981	1,357	2,540	4,303	9,094
YoY Change (%)	263.9	30.0	166.5	364.4	298.5	203.1	197.8	83.0	91.7	166.5	111.4
Total Expenditure	220	157	246	478	663	423	539	906	1,508	2,530	5,684
EBITDA	112	54	84	263	662	218	442	451	1,032	1,772	3,410
Margins (%)	33.8	25.5	25.4	35.5	50.0	34.0	45.1	33.2	40.6	41.2	37.5
Depreciation	9	10	11	14	15	18	19	22	22	73	90
Interest	6	6	5	3	4	4	4	6	10	18	28
Other Income	21	28	19	2	26	48	42	23	30	139	137
PBT before EO expense	119	66	87	248	670	243	461	446	1,030	1,820	3,430
Extra-Ord expense	0	0	20	0	0	0	0	24	0	24	0
PBT	119	66	67	248	670	243	461	422	1,030	1,796	3,430
Tax	37	20	31	75	199	70	144	140	288	552	1,040
Rate (%)	30.8	30.4	46.5	30.3	29.6	28.7	31.2	33.2	28.0	30.7	30.3
Reported PAT	82	46	36	173	471	173	317	282	742	1,244	2,390
Adj PAT	82	46	56	173	471	173	317	306	742	1,268	2,390
YoY Change (%)	-2,501.7	440.1	4,614.9	928.2	474.2	279.1	467.2	77.3	57.4	237.0	88.4
Margins (%)	24.7	21.7	17.0	23.3	35.6	27.1	32.3	22.6	29.2	29.5	26.3

29 July 2024

Company Update | Sector: Others

Lemon Tree

BSE Sensex	S&P CNX
81,356	24,836

Bloomberg	LEMONTRE IN
Equity Shares (m)	792
M.Cap.(INRb)/(USDb)	115.7 / 1.4
52-Week Range (INR)	158 / 91
1, 6, 12 Rel. Per (%)	-2/-10/34
12M Avg Val (INR M)	782

Financials Snapshot (INR b)

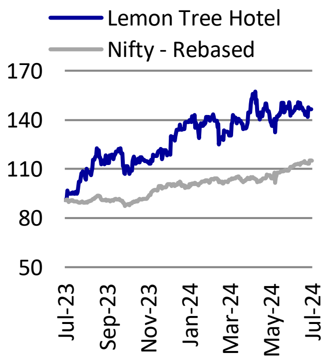
Y/E MARCH	2024	2025E	2026E
Sales	10.7	13.7	15.9
EBITDA	5.2	6.7	8.1
Adj. PAT	1.49	2.12	3.16
EBITDA Margin (%)	48.6	48.6	51.3
Cons. Adj. EPS (INR)	1.9	2.7	4.0
EPS Gr. (%)	25.7	42.8	48.9
BV/Sh. (INR)	12.4	15.1	19.1
Ratios			
Net D:E	1.9	1.3	0.7
RoE (%)	16.3	19.8	23.6
RoCE (%)	10.2	12.8	16.8
Payout (%)	-	-	-
Valuations			
P/E (x)	77.3	54.1	36.4
EV/EBITDA (x)	26.8	20.4	16.3
Div. Yield (%)	-	-	-
FCF Yield (%)	1.1	5.1	6.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	22.8	22.9	23.6
DII	15.2	15.4	10.4
FII	27.7	27.2	25.6
Others	34.3	34.6	40.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR146 TP: INR175 (+20%) Buy

Strong growth runway to continue over medium term

LEMONTRE, being one of the fastest-growing (22% growth in FY24) hotel companies, has fostered new strategies proactively to accelerate its growth. Be it expanding brands across price points (recently in upper-upscale through Aurika), growing its brand through management contracts or deriving higher value from existing hotels (renovations and upgradation), LEMONTRE has done it all.

- **LEMONTRE is investing aggressively in upgrading its existing portfolio, starting with Keys and Premier hotels (renovation expenses of INR400m/INR1b/INR1b for FY24/FY25E/FY26E). The resultant increase in average room rate (ARR) and occupancy rate (OR) is expected to be a key driver of incremental EBITDA from FY26 onward.**
- **Aurika Sky City, Mumbai, is expected to stabilize in FY25 with better occupancy (led by strong focus on MICE and improving share of online channels) and improved ARR (after replacing airline crew rooms with a mix of corporate and retail guests).**
- **We expect revenue/EBITDA contributions of ~INR2.4b/INR1.2b from Aurika Mumbai in FY25 (~18%/19% of consolidated revenue/EBITDA), led by OR of 67% and ARR of ~INR11,000.**
- **Management contracts continue to be the key growth driver for LEMONTRE, with the number of managed rooms expected to double over FY24-27E. Accordingly, we expect management fees to reach INR1b by FY26 at a ~43% CAGR.**

Investment in renovations to generate returns from FY26 onward

- The hospitality industry is in the midst of an uptrend, with hotels laying out multiple strategies to garner more revenue out of this. One such strategy is renovating the existing hotels, resulting in an upgrade in ARR (quicker and easier method).
- LEMONTRE has proactively adopted this strategy across its brands (specifically in Keys). The company has spent ~INR400m on renovations in FY24. The majority of its renovation expenses have been incurred to upgrade its Keys portfolio.
- With these investments, LEMONTRE will improve its position across brands (especially in Keys) and will look forward to capture better pricing and demand, leading to improved OR and ARR.
- LEMONTRE targets a payback period of two years for any renovations.
- The company has recently demonstrated success in its Key hotel in Pimpri, Maharashtra, which was reopened in 4QFY24 after renovation and was able to clock a ~21% YoY increase in ARR to INR4,600 and ~35% YoY increase in RevPAR to INR3,900.
- The company has also renovated the Lemon Tree Premier in Delhi, which resulted in improved ARR for renovated hotels to ~INR10,000 from INR8,000 previously.
- Going ahead, the company plans to spend ~INR1b on renovation in FY25/FY26 each, with almost all of renovations to be over by 1HFY26.

- Of this ~INR1b, 60-65% will be opex and the balance will be capex. The company generally spends more in 1H than in 2H, as 1H is seasonally a weak period.
- However, the management is confident of regaining total renovation expenses within the next couple of years through incremental EBITDA.

Ramp-up of Aurika Mumbai to drive incremental growth

- Aurika Mumbai (669 rooms owned hotel; ~12% of total owned/leased inventory) was opened in Oct'23. The hotel witnessed occupancy of ~37%/66% in 3Q/4QFY24 and ARR of INR8,000/INR9,000, with a significant share of rooms being occupied by airline crew.
- Going forward, LEMONTRE aims to ramp up OR by undertaking larger events/conferences and increase the room rates by replacing airline crew rooms (which generate much lower ARR) to a mix of corporate and retail guests.
- The company is strongly focusing on increasing MICE activities in the hotel to quickly ramp up OR and increase F&B and banqueting revenues. The hotel has a banquet hall, a convention hall and five meeting rooms. It will further add a new larger banquet hall by 3QFY25.
- Apart from this, it is also focusing on increasing the bookings through online channels such as OTAs and its own website (currently 10% of total inventory vs. ~35-40% for other large hotels within the area) to increase the mix of retail guests.
- We expect Aurika Mumbai to stabilize in FY25 and generate revenue of INR2.4b (led by OR of 67% and ARR of ~INR11,000) and EBITDA margin of over 50% in FY25.
- The ramp-up of Aurika Mumbai in 1QFY25 is expected to be little slower due to general elections and fewer wedding dates; however, it will be offset by strong 3Q/4QFY25.

Robust pipeline of management contracts to boost growth

- LEMONTRE has a strong pipeline of ~4,156 rooms (~42% of the current total operational rooms), including ~4,087 managed rooms (~99% of the current management rooms).
- This pipeline inventory is expected to become operational over FY24-FY27E, taking the total number of rooms to ~14,019 in 166 hotels (based on the current pipeline).
- Out of the current pipeline, the majority of the inventory is located in Tier II cites and Tier III cities (~58%) and a significant portion of inventory is coming in key leisure locations (~33%). (Refer Exhibit 12)
- The current hospitality industry uptrend is expected to remain intact as demand growth for branded rooms (~10.6% CAGR) is expected to outpace supply growth (~8% CAGR) over the next three years.
- This scenario is much more favorable for the leisure market, led by higher demand in key leisure locations (~13.3% CAGR over FY24-27).
- Going ahead, the traction in the leisure and Tier II/Tier III markets is expected to continue, led by higher disposable incomes of young middle-class population, better connectivity (improving connectivity in all mode of transport - road, rail and air), and various government initiatives, such as 'Wed in India' and 'PRASHAAD scheme'.

- LEMONTRE, in its roadmap for next five years, has highlighted its target to increase its room network (operational rooms + pipeline) to over 20,000 and increase its managed and franchised room inventory to ~70% of the total inventory (vs. ~42% in FY24).
- Accordingly, we expect management fees to double to INR1b by FY26 (vs. INR501m in FY24) at a ~43% CAGR.

Valuation and view

- Overall, we expect the strong momentum for LEMONTRE to continue going forward, led by: i) further improvements in OR and ARR given a resilient demand scenario; ii) ramp-up of Aurika Mumbai; iii) strong addition of hotels under management contracts; and iv) renovations of hotels and rooms leading to increased ARR.
- We expect LEMONTRE to deliver a revenue/EBITDA/Adj. PAT CAGR of 22%/25%/46% over FY24-26E, with RoE improving to ~23.6% by FY26 (vs. 16.3% in FY24). We reiterate our BUY rating on the stock with our SoTP-based TP of INR175.

29 July 2024

1QFY25Results Update | Sector: Logistics

Transport Corporation of India

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	TRPC IN
Equity Shares (m)	78
M.Cap.(INRb)/(USDb)	77.8 / 0.9
52-Week Range (INR)	1080 / 686
1, 6, 12 Rel. Per (%)	7/5/8
12M Avg Val (INR M)	66

Financial Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	40.2	45.1	52.6
EBITDA	4.1	4.9	5.9
Adj. PAT	3.5	4.1	5.0
EBITDA Margin (%)	10.2	10.8	11.3
Adj. EPS (INR)	45.8	52.6	64.5
EPS Gr. (%)	10.1	14.8	22.6
BV/Sh. (INR)	259.9	309.0	370.0
Ratios			
Net D:E	0.0	0.0	-0.1
RoE (%)	18.7	18.2	18.8
RoCE (%)	18.0	17.4	18.0
Payout (%)	15.4	6.7	5.4
Valuations			
P/E (x)	21.7	18.9	15.5
P/BV (x)	3.8	3.2	2.7
EV/EBITDA(x)	17.5	14.5	11.5
Div. Yield (%)	0.7	0.4	0.4
FCF Yield (%)	0.8	0.8	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	68.9	68.9	68.9
DII	12.2	12.2	12.8
FII	2.9	2.7	2.5
Others	16.0	16.2	15.8

FII Includes depository receipts

CMP: INR998 TP: INR1,160 (+16%) Buy

In-line performance; margins improve in the seaways segment sequentially

- Transport Corporation of India (TRPC)'s revenue grew 10% YoY to ~INR10.5b in 1QFY25 (in line). EBITDA margin came in at 9.9% (down 70bp YoY/20bp QoQ) vs. our estimate of 10.3%. EBITDA increased 3% YoY to INR1b, while APAT grew 11% YoY to ~INR910m (our estimate was INR880m).
- Supply chain revenue grew 12.9% YoY, while freight/seaways revenue rose 8%/13% YoY. EBIT margins for Freight/Supply Chain/Seaways contracted 30bp/30bp/60bp to 3%/6%/28.6% during the quarter.
- TRPC has entered into an agreement with Taizhou Sanfu Ship Engineering, a Chinese shipbuilding company, to build, equip, and commission two cellular container vessels with a dead weight capacity of ~7,300mt each. The vessels will be delivered to the company before 26th Dec'26. The total purchase price of both vessels is ~USD38.8m. Currently, TRPC has six domestic ships with a capacity of 77,957mt.
- **The 1QFY25 performance was in line driven by growth in the supply chain division. Going forward, the freight services segment is expected to gain from the transition to organized sectors, while the supply chain division should continue to witness strong growth in FY25, supported by ongoing growth in the automotive industry. The new ship addition would ensure strong growth beyond FY26 in the high-margin Seaways segment. We retain our estimates for FY25/FY26 and reiterate our BUY rating with a revised TP of INR1,160 (based on 18x FY26E EPS).**

Growth to be driven by supply chain and the seaways division; new ships ordered

- TRPC reported 8% growth in its freight services in 1QFY25, primarily due to the competitive pressure in the LTL segment. Going forward, as demand improves, the freight business is expected to witness strong growth, driven by the LTL segment.
- The supply chain business remained robust, with strong growth in value-added services for clients. TRPC invested ~INR900m in new trucks to meet the contracted business demands.
- The seaways business beat expectations, with freight rates firming up slightly. Despite two dry docks in 1Q, TRPC maintained the usual number of voyages.
- TRPC has reordered the two ships (which were cancelled earlier), through a different shipbuilding company in China for delivery in 2026, having an order value of ~USD38.8m. It is also seeking to buy a second-hand ship.

Highlights from the management commentary

- TRPC plans to open 75 new freight branches in FY25, building on the 30 added in FY24. Freight rates are expected to rise with the festival season kicking in, although fuel prices are a concern.
- TRPC has reordered two ships, each with a 7,300 deadweight tonnage, for delivery in 2026. The order value is USD 38.8m. TRPC is also seeking a second-hand ship.
- The seaways business is projected to grow by 10% in FY25 with margins similar to 1QFY25.
- In FY25, the company expects revenue/PAT growth of 10%/15% YoY.

Valuation and view

- TRPC is expected to achieve steady growth due to 1) the increasing proportion of LTL shipments within the freight division, and 2) the ongoing demand in the automotive sector supporting the supply chain division and the growing benefits from the expansion of multi-modal logistics.
- We have retained our estimates for FY25/FY26 and expect TRPC to achieve a CAGR of 14%/20%/19% in revenue/EBITDA/PAT over FY24-FY26. **We reiterate our BUY rating with a revised TP of INR1,160, based on 18x FY26E EPS.**

Quarterly snapshot INR m

Y/E March	FY24				FY25E				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est
Net Sales	**9,498**	**9,935**	**10,020**	**10,789**	**10,451**	**11,114**	**11,459**	**12,058**	**40,242**	**45,082**	**10,331**	**1**
YoY Change (%)	5.2	6.6	3.7	10.2	10.0	11.9	14.4	11.8	6.4	12.0	8.8	
EBITDA	**1,008**	**1,004**	**999**	**1,094**	**1,038**	**1,159**	**1,253**	**1,420**	**4,105**	**4,870**	**1,068**	**(3)**
Margins (%)	10.6	10.1	10.0	10.1	9.9	10.4	10.9	11.8	10.2	10.8	10.3	
YoY Change (%)	-3.1	4.6	-12.7	1.2	3.0	15.5	25.4	29.8	-3.2	18.6	6.0	
Depreciation	308	311	331	334	290	330	360	392	1,284	1,372	340	
Interest	23	34	35	41	42	33	35	30	133	140	40	
Other Income	85	113	95	165	109	130	125	140	458	504	120	
PBT before EO expense	**762**	**772**	**728**	**884**	**815**	**926**	**983**	**1,138**	**3,146**	**3,862**	**808**	**1**
Extra-Ord expense	0	0	0	24	0	0	0	0	24	0	0	
PBT	**762**	**772**	**728**	**860**	**815**	**926**	**983**	**1,138**	**3,122**	**3,862**	**808**	**1**
Tax	104	96	108	28	110	130	133	168	336	541	109	
Rate (%)	13.6	12.4	14.8	3.3	13.5	14.0	13.5	14.8	10.8	14.0	13.5	
Minority Interest	-9.0	-8.0	-8.0	-12.0	-6.0	-5.0	-7.0	-12.0	-37.0	-30.0	-9.0	
Profit/Loss of Asso. Cos	174	202	182	201	211	200	180	173	759	764	190	
Reported PAT	**823**	**870**	**794**	**1,021**	**910**	**992**	**1,023**	**1,131**	**3,508**	**4,055**	**880**	**3**
Adj PAT	**823**	**870**	**794**	**1,045**	**910**	**992**	**1,023**	**1,131**	**3,532**	**4,055**	**880**	**3**
YoY Change (%)	5.8	20.3	-7.4	23.2	10.6	14.0	28.8	8.2	10.1	14.8	6.9	
Margins (%)	8.7	8.8	7.9	9.7	8.7	8.9	8.9	9.4	8.8	9.0	8.5	

HPCL

BSE SENSEX	S&P CNX
81,356	24,386

Conference Call Details

Date: 30 July 2024
Time: 1200 hours IST
Dial-in details:
+91-22-7195 0000

CMP: INR381 — Buy

EBITDA/PAT miss led by LPG "losses"

- **EBITDA stood at INR21b in 1QFY25 (vs. our estimate of INR33b).**
- **The miss was attributed to LPG under-recovery of INR23.5b, which we believe will be reversed later this year as LPG remains a controlled product.**
- Refining throughput was 7% above our estimate at 5.8mmt (+7% YoY). Reported GRM was 14% below our estimate at USD5/bbl (-32% YoY).
- Marketing volumes stood at 12.6mmt (est. 12.2mmt), up 7% YoY.
  - Marketing margin (including inv.) stood at ~INR3/lit (est. INR4.1/lit), down 64% YoY. The miss is likely attributable to LPG under-recovery.
- PAT came in at INR3.6b (vs. our estimate of INR12.4b) due to lower-than-estimated other income.
- **As of Jun'24**, HPCL had a cumulative negative net buffer of INR24.4b, due to the under-recovery on LPG cylinders (INR1b as of Mar'24).

Press release 1QFY25 highlights:

- Operational performance:
  - HPCL clocked its highest-ever quarterly sales volume of 12.63mmt (including exports), implying 0.25% market share gain among PSU OMCs.
  - Lubricant business sales stood at 152tmt (+3% YoY). Additionally, it posted the highest-ever petrochemical sales of 30.3tmt in 1Q.
  - The highest-ever pipeline throughput of 6.83mmt was recorded in 1Q.
  - HPCL has commissioned 126 new retail outlets nationwide, bringing the total number of outlets to 22,148.
  - The company achieved the highest-ever Ethanol blending of 14.3% in 1Q.
- Update on ongoing projects:
  - Capex of INR20.2b was incurred in 1QFY25.
  - HRRL:
    - ✓ Key process units, diesel hydro-treating (DHDT) and hydrogen generation unit (HGU), are currently in the pre-commissioning phase. The overall physical progress of the project has surpassed 80%.
    - ✓ As of Jun'24, total commitments stood at INR698.5b and capex was INR480b.
  - Visakh Refinery: The 3.55mmtpa residue upgradation facility at its Visakh refinery, one of the largest and most energy-efficient residue hydrocracker units globally, is anticipated to be mechanically completed in 2QFY25, with the commissioning expected in 3QFY25.
- Other highlights
  - During 1QFY25, HPCL's lubricants division introduced new brands, including Finit, Rustop HP-50, and the premium brand Futur-X.
  - HPCL has finalized three master sales purchase agreements (MSPAs) with suppliers for sourcing spot LNG cargoes, bringing the total number of MSPAs to eight.

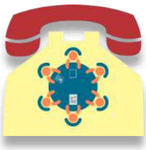
Standalone - Quarterly Earning Model (INR b)

Y/E March	FY24				FY25		Var	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	1QE	(%)	(%)	(%)
Net Sales	**1,119.6**	**957.0**	**1,113.1**	**1,145.6**	**1,138.0**	**1,055.6**	**8%**	**2%**	**-1%**
YoY Change (%)	*-2.2*	*-11.7*	*3.1*	*6.1*	*1.6*	*-5.7*			
EBITDA	**95.2**	**85.8**	**21.3**	**48.7**	**20.8**	**32.6**	**-36%**	**-78%**	**-57%**
Margin (%)	*8.5*	*9.0*	*1.9*	*4.2*	*1.8*	*3.1*			
Depreciation	13.6	12.4	13.4	16.1	14.8	16.8			
Forex loss	-1.3	3.6	-0.4	0.6	-0.3	0.0			
Interest	5.9	5.8	6.1	7.3	7.3	6.3			
Other Income	6.3	3.4	5.6	8.5	5.7	7.1			
PBT before EO expense	**83.3**	**67.4**	**7.7**	**33.1**	**4.7**	**16.6**	**-72%**	**-94%**	**-86%**
Extra-Ord expense	0.0	0.0	0.0	0.0	0.0	0.0			
PBT	**83.3**	**67.4**	**7.7**	**33.1**	**4.7**	**16.6**	**-72%**	**-94%**	**-86%**
Tax	21.3	16.2	2.4	4.7	1.2	4.2			
Rate (%)	*25.5*	*24.1*	*31.1*	*14.2*	*24.5*	*25.2*			
MI & Profit/Loss of Asso. Cos.	0.0	0.0	0.0	0.0	0.0	0.0			
Reported PAT	**62.0**	**51.2**	**5.3**	**28.4**	**3.6**	**12.4**	**-71%**	**-94%**	**-87%**
Adj PAT	**62.0**	**51.2**	**5.3**	**28.4**	**3.6**	**12.4**	**-71%**	**-94%**	**-87%**
YoY Change (%)	*LP*	*LP*	*-83.6*	*-11.8*	*-94.3*	*-80.0*			
Margin (%)	*5.5*	*5.3*	*0.5*	*2.5*	*0.3*	*1.2*			
Key Assumptions									
Refining throughput (mmt)	5.4	5.8	5.3	5.8	5.8	5.4	7%	7%	-1%
Reported GRM (USD/bbl)	7.4	13.3	8.5	6.9	5.0	5.9	-14%	-32%	-27%
Marketing sales volume incl exports (mmt)	11.9	10.7	11.9	12.3	12.6	12.2	4%	7%	2%
Marketing GM incld inv (INR/litre)	8.4	5.9	2.7	4.8	3.0	4.1	-26%	-64%	-36%

KEI Industries

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details



Date: 30th July 2024
Time: 12:00 IST
Dial-in details:
+91 22 6280 1455
+ 91 22 7115 8828
Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	81.0	94.4	110.1
EBITDA	8.4	10.5	13.3
PAT	5.8	7.2	8.9
EBITDA Margin (%)	10.3	11.1	12.1
Adj. EPS (INR)	64.4	79.9	99.1
EPS Gr. (%)	21.7	24.0	24.1
BV/Sh. (INR)	349	424	517
Ratios			
Net D:E	(0.2)	(0.0)	(0.0)
RoE (%)	18.5	18.8	19.2
RoCE (%)	18.5	18.1	18.9
Payout (%)	4.8	6.0	6.1
Valuations			
P/E (x)	67.2	54.1	43.6
P/BV (x)	12.4	10.2	8.4
EV/EBITDA(x)	45.9	37.1	29.3
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.5	(1.2)	0.6

CMP: INR4,324 **Buy**

EBITDA in line; cables & wires margin up 2.3pp YoY to 11%

- KEII's 1QFY25 operating performance was in line with our estimates. Its revenue grew 16% YoY to INR20.6b (est. INR20.0b), led by 16%/22% growth in the cables & Wires/EPC segment, while stainless steel wires revenue declined 9%. EBITDA grew 20% YoY to INR2.15b (est. INR2.08b). PAT grew 24% YoY to INR1.5b (+10% vs. our estimate due to higher other income).
- Cable & wires sales through dealers rose 29% YoY/3% QoQ. Sales through dealer contributed ~53% of overall sales as against ~47% in 1QFY24. Total active working dealers surged to 2,015 vs. 1,990 as of Mar'24-end.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 30th Jul'24.

Revenue/EBITDA up 16%/20% YoY; margin up 40bp YoY to 10.4%

- KEII's revenue was up 16% YoY to INR20.6b. EBITDA grew 20% YoY to INR2.15b. OPM improved 40bp YoY to 10.4% (in line). Gross margin expanded 70bp YoY to 24.4%. Depreciation/interest cost was up 6%/58% YoY, whereas 'other income' grew 114%. PAT grew 24% YoY to INR1.5b.
- Segmental highlights: a) **Cables and Wires:** revenue was up 16% YoY to INR18.8b and EBIT was up 46% YoY to INR2.1b. EBIT margin expanded 2.3pp YoY to 11%. b) **EPC business:** revenue up 22% YoY to INR2.3b and EBIT grew 16% YoY to INR298m. EBIT margin declined 70bp YoY to 13.2%. c) **Stainless steel wires (SSW)**: revenue declined 9% YoY to INR538m and EBIT declined 67% YoY to INR10m. EBIT margin was down 3.4pp YoY to 1.9%.
- The company's net debt (including channel finance and acceptances) stood at INR700m vs. net cash of INR600m as of Mar'24.

Valuation and view

- Despite the increase in raw material prices, the company's cables & wires margin improved 2.3pp YoY to 11.0% (up 50bp vs. our estimate) and was a positive surprise.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 30th Jul'24 (concall Link).

Quarterly Performance (INR m)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25 1Q	FY25 2QE	FY25 3QE	FY25 4QE	FY24	FY25E	MOSL 1QE	Var. (%)
Sales	**17,826**	**19,466**	**20,594**	**23,193**	**20,605**	**23,086**	**24,468**	**26,290**	**81,041**	**94,449**	**19,966**	**3**
Change (%)	13.9	21.1	15.4	18.8	15.6	18.6	18.8	13.4	17.3	16.5	**12**	
Adj EBITDA	**1,783**	**2,039**	**2,146**	**2,446**	**2,146**	**2,517**	**2,801**	**3,050**	**8,375**	**10,514**	**2,079**	**3**
Change (%)	11.7	27.0	17.8	20.9	20.4	23.5	30.6	24.7	19.3	25.5	**17**	
Adj EBITDA margin (%)	10.0	10.5	10.4	10.5	10.4	10.9	11.4	11.6	10.3	11.1	**10.4**	(0)
Depreciation	147	156	154	158	155	166	167	180	614	668	**164**	(5)
Interest	89	75	109	165	142	160	180	236	439	717	**170**	(17)
Other Income	83	77	142	152	178	85	160	137	490	560	**90**	98
Extra-ordinary Items	-	-	-	(2)	-	-	-	-	(2)	-	**-**	
PBT	**1,630**	**1,884**	**2,024**	**2,274**	**2,027**	**2,276**	**2,614**	**2,771**	**7,813**	**9,690**	**1,836**	**10**
Tax	416	482	518	587	525	585	672	703	1,993	2,483	**472**	
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.9	25.7	25.7	25.4	25.5	25.6	**26**	
Reported PAT	**1,214**	**1,402**	**1,507**	**1,686**	**1,502**	**1,691**	**1,942**	**2,068**	**5,818**	**7,206**	**1,364**	**10**
Change (%)	17.0	31.2	17.2	22.1	23.8	20.6	28.9	22.7	22.4	23.9	**12**	
Adj PAT	**1,214**	**1,402**	**1,507**	**1,688**	**1,502**	**1,691**	**1,942**	**2,068**	**5,820**	**7,206**	**1,364**	**10**
Change (%)	17.0	31.2	17.2	22.2	23.8	20.6	28.9	22.5	22.5	23.8	**12**	

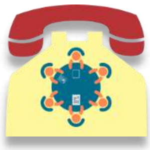
Segmental Performance (INR m)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25 1Q	FY25 2QE	FY25 3QE	FY25 4QE	FY24	FY25E	FY25 1QE	Var. (%)
Sales												
Cables (Power + Housing wires)	16,119	17,755	18,671	20,691	18,757	20,774	22,779	24,822	73,236	87,131	18,215	3
Stainless steel wires	590	591	461	572	538	632	507	721	2,214	2,398	620	(13)
EPC Business	1,847	3,131	3,769	3,405	2,261	2,880	3,392	2,403	12,151	10,936	2,031	11
EBIT												
Cables (Power + Housing wires)	1,415	1,919	1,979	2,258	2,067	2,244	2,551	2,896	7,570	9,759	1,913	8
Stainless steel wires	31	36	36	13	10	43	38	81	117	173	40	(75)
EPC Business	256	314	439	422	298	317	373	237	1,431	1,225	234	28
EBIT Margin (%)												
Cables (Power + Housing wires)	8.8	10.8	10.6	10.9	11.0	10.8	11.2	11.7	10.3	11.2	10.5	52
Stainless steel wires	5.3	6.1	7.8	2.3	1.9	6.8	7.5	11.3	5.3	7.2	6.5	(460)
EPC Business	13.9	10.0	11.6	12.4	13.2	11.0	11.0	9.9	11.8	11.2	11.5	168

Vedant Fashion

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details



Date: 30th July 2024
Time: 4pm IST
Dial-in details:
+91 22 6280 1259

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	13.7	15.1	18.1
EBITDA	6.6	7.5	9.1
Adj. PAT	4.1	4.7	5.8
EBITDA Margin (%)	48.1	49.3	50.2
Adj. EPS (INR)	17.1	19.3	23.8
EPS Gr. (%)	(3.5)	13.2	23.3
BV/Sh. (INR)	64.0	75.2	89.0
Ratios			
Net D:E	(0.4)	(0.5)	(0.5)
RoE (%)	27.6	26.9	25.9
RoCE (%)	23.9	23.2	25.1
Payout (%)	49.8	40.0	40.0
Valuations			
P/E (x)	64.1	56.6	45.9
EV/EBITDA (x)	41.0	35.8	29.1
EV/Sales (X)	19.7	17.6	14.6
Div. Yield (%)	0.8	0.7	0.9

CMP: INR1,094 — Neutral

Weak numbers due to subdued wedding season

Revenue/PAT decline 23%/24% YoY (9%/3% miss)

- Revenue declined 23% YoY to INR2.4b (9% miss). Store area additions (sq. ft.) were 10% YoY, while SSS declined 27.2% YoY due to negligible wedding dates.
  - It is consolidating the smaller stores into larger ones by closing 14 stores and adding net 3.3k sqft. The average store size rose 10% YoY to ~2,600sqft.
  - In India, it closed net 15 stores and opened net 1 international store.
  - The total sales to customers declined 22% YoY to INR3.3b, led by negligible wedding dates in 1QFY25.
  - Blended revenue per sq. ft. and revenue per store decreased 32%/25% YoY to INR1,407 per sq. ft. and INR3.6m per store for 1QFY25.
- Gross profit declined 21% YoY to INR1.7b, while margin improved 180bp YoY to 73.8%.
- Employee costs/other expenses declined 3%/19% YoY to INR146m/INR496m due to lower advertisements, slowdown in store area additions, and cost control measures.
- Depreciation/Finance costs grew 24%/48% YoY, while other income increased 43% YoY.
- Consequently, PAT declined 32% YoY to INR625m (5% miss).

Quarterly Earnings (INR m)

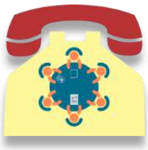
Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Revenue	**3,116**	**2,183**	**4,745**	**3,632**	**2,398**	**2,442**	**5,686**	**4,611**	**13,675**	**15,137**	**2,629**	**-8.8**
YoY Change (%)	-4.1	-11.6	7.5	6.3	-23.0	11.9	19.8	27.0	0.9	10.7	-15.6	
Total Expenditure	1,635	1,255	2,324	1,881	1,271	1,399	2,661	2,343	7,094	7,674	1,464	-13.2
EBITDA	**1,482**	**928**	**2,420**	**1,751**	**1,127**	**1,043**	**3,025**	**2,268**	**6,581**	**7,462**	**1,165**	**-3.2**
EBITDA margins (%)	47.5	42.5	51.0	48.2	47.0	42.7	53.2	49.2	48.1	49.3	44.3	
Change YoY (%)	-9.1	-19.6	7.8	4.3	-23.9	12.3	25.0	29.5	96.0	89.5	-21.4	
Depreciation	299	325	344	381	372	379	387	470	1,349	1,608	388	-4.2
Interest	94	107	112	132	139	157	157	176	445	630	157	-11.6
Other Income	150	151	155	241	215	261	261	308	697	1,045	261	-17.9
PBT	**1,238**	**648**	**2,119**	**1,479**	**831**	**767**	**2,742**	**1,930**	**5,484**	**6,270**	**880**	**-5.6**
Tax	319	161	542	321	206	190	679	505	1,342	1,580	222	-7.3
Rate (%)	25.7	24.8	25.6	21.7	24.8	24.8	24.8	26.2	24.5	25.2	25.2	-1.7
Reported PAT	**919**	**487**	**1,577**	**1,158**	**625**	**577**	**2,063**	**1,425**	**4,142**	**4,690**	**658**	**-5.1**
Adj PAT	**919**	**487**	**1,577**	**1,158**	**625**	**577**	**2,063**	**1,425**	**4,142**	**4,690**	**658**	**-5.1**
YoY Change (%)	-9	-29	5	6	-32	18	31	23	-3	13	-28	

E: MOFSL Estimates

Kalpataru Projects

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details



Date: 31st July 2024
Time: 09:00am IST
Dial-in details:
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	167.6	212.4	266.2
EBITDA	5.3	8.9	12.3
Adj. PAT	8.3	67.8	37.2
Adj. EPS (INR)	351.6	399.4	467.5
EPS Gr. (%)	9.6	14.6	17.3
BV/Sh.(INR)	9.0	12.2	14.1
Ratios			
RoE (%)	41.6	24.8	18.1
RoCE (%)	3.9	3.4	2.9
Valuations			
P/E (x)	17.9	13.2	10.5
P/BV (x)	0.5	0.5	0.5
EV/EBITDA (x)	167.6	212.4	266.2
Div. Yield (%)	13.7	18.8	24.4

CMP: INR1,357 — Buy

Revenue miss; strong order book to drive growth

- KPIL's 1QFY25 revenue of INR37b was below our estimate of INR40.3b, affected by labor shortage during elections. Revenue growth was driven by T&D, B&F, oil & gas and urban infra, while revenue from railways and water segments declined YoY. The decline in railways segment revenue was as per conscious KPIL's decision to stay away from low-margin projects. Water segment revenue declined YoY mainly due to lower collections, given a delay in budgetary allocations.
- EBITDA margin stood at 8.4% vs. 8.7% in 1QFY24. Interest cost remained high, which was in line with high working capital intensity and unrealized forex losses on borrowings related to Brazil operations. PAT was below our estimate at INR1.2b.
- Order inflow stood strong at INR70b. KPIL has L1 of INR50b till date in FY25. Order inflows (including L1) were led by T&D (61%), B&F (28%) and Water (11%). Newly won orders have relatively better margins. The order book stands strong at INR572b. The company remains optimistic on the prospect pipeline across its key segments.
- NWC moved up during 1Q, which was in line with estimates as collections were impacted by elections. KPIL targets net working capital days of below 100 by FY25 end.
- The performance of KPIL's international subsidiaries has also started improving. Linjemontage (LMG) reported its highest quarterly turnover of INR4.5b with record order inflows of INR14b. LMG's order book was at an all-time high of INR31b as of Jun'24. Fasttel too reported revenue of INR2.3b with focused progress on the closure of legacy orders.

Kalpataru Projects
Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var. (%)
Net Sales	36,220	38,440	41,470	51,470	37,220	46,724	55,220	73,219	1,67,600	2,12,383	40,353	-8
YoY Change (%)	15.4	16.7	18.2	17.1	2.8	21.6	33.2	42.3	16.9	26.7	11.4	
Total Expenditure	33,080	35,360	38,030	47,470	34,080	42,613	50,305	66,589	1,53,940	1,93,586	36,963	
EBITDA	3,140	3,080	3,440	4,000	3,140	4,112	4,915	6,630	13,660	18,797	3,390	-7
Margins (%)	8.7	8.0	8.3	7.8	8.4	8.8	8.9	9.1	8.2	8.9	8.4	
Depreciation	930	880	940	930	930	971	971	1,013	3,680	3,886	971	-4
Interest	750	850	830	940	860	919	942	1,046	3,370	3,766	897	-4
Other Income	290	250	270	320	290	220	220	149	1,130	878	220	32
PBT before EO expense	1,750	1,600	1,940	2,450	1,640	2,441	3,221	4,721	7,740	12,023	1,741	-6
Extra-Ord expense	0	0	0	350	0	0	0	0	350	0	0	
PBT	1,750	1,600	1,940	2,100	1,640	2,441	3,221	4,721	7,390	12,023	1,741	-6
Tax	490	470	500	600	470	625	825	1,158	2,060	3,078	446	
Rate (%)	28.0	29.4	25.8	28.6	28.7	25.6	25.6	24.5	27.9	25.6	25.6	
Reported PAT	1,260	1,130	1,440	1,500	1,170	1,816	2,397	3,562	5,330	8,945	1,295	-10
Adj PAT	1,260	1,130	1,440	1,750	1,170	1,816	2,397	3,562	5,582	8,945	1,295	-10
YoY Change (%)	-23.2	8.7	29.7	52.6	-7.1	60.7	66.4	103.6	19.1	60.2	2.8	
Margins (%)	3.5	2.9	3.5	3.4	3.1	3.9	4.3	4.9	3.3	4.2	3.2	

Data Pattern (India)

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details

Date: 30th July 2024
Time: 3:30pm IST
Dial-in details:
Click Here

CMP: INR3,352 — Neutral

Earnings in line with estimate

- Consolidated revenue grew 16% YoY to INR1.0b (est. INR1.15b) during the quarter.
- Gross margin improved 10.1pp YoY to 72.3%.
- EBITDA grew 34% YoY to INR372m (est. INR390b).
- EBITDA margin expanded 4.7pp YoY to 35.7% (est. of 34.0%).
- Adjusted PAT grew 27% YoY to INR328m (est. of INR316m).

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Gross Sales	**897**	**1,083**	**1,395**	**1,823**	**1,041**	**1,332**	**1,744**	**2,295**	**5,198**	**6,412**	**1,148**	**-9**
YoY Change (%)	31.2	22.9	24.8	-1.5	16.0	23.0	25.0	25.9	14.6	23.4	28.0	
Total Expenditure	619	676	795	893	669	809	988	1,220	2,982	3,686	758	
EBITDA	**278**	**408**	**600**	**930**	**372**	**524**	**756**	**1,075**	**2,217**	**2,726**	**390**	**-5**
Margins (%)	31.0	37.6	43.0	51.0	35.7	39.3	43.3	46.8	42.6	42.5	34.0	
Depreciation	28	31	33	70	31	60	40	36	162	167	68	
Interest	17	23	23	30	30	25	23	17	93	95	28	
Other Income	116	108	113	123	123	130	132	132	460	517	127	
PBT before EO expense	**349**	**463**	**657**	**953**	**435**	**569**	**825**	**1,153**	**2,422**	**2,981**	**422**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**349**	**463**	**657**	**953**	**435**	**569**	**825**	**1,153**	**2,422**	**2,981**	**422**	
Tax	91	125	148	242	107	143	208	290	605	748	106	
Rate (%)	25.9	27.0	22.4	25.4	24.5	25.2	25.2	25.2	25.0	25.1	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**258**	**338**	**510**	**711**	**328**	**426**	**617**	**863**	**1,817**	**2,234**	**316**	
Adj PAT	**258**	**338**	**510**	**711**	**328**	**426**	**617**	**863**	**1,817**	**2,234**	**316**	**4**
YoY Change (%)	81.4	60.5	53.0	28.4	26.9	25.9	21.1	21.4	46.6	22.9	22.2	
Margins (%)	28.8	31.2	36.5	39.0	31.5	31.9	35.4	37.6	35.0	34.8	27.5	

Motilal Oswal | Morning India

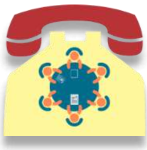
RESULTS FLASH

29 July 2024
Results Flash | Sector: Staffing

Quess Corp

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details



Date: 30th July 2024
Time: 11:00 IST
Dial-in details:
+91 22 6280 1259/
+91 22 7115 8160

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Net Sales	191.0	211.3	255.0
EBITDA	6.9	8.4	10.5
EBIT	4.1	5.5	7.1
Adj. PAT	3.1	4.5	5.5
Adj. EPS (INR)	20.4	29.8	37.0
EPS Gr. (%)	78.3	45.9	24.1
BV/Sh. (INR)	247.0	268.9	298.1
RoE (%)	11.4	15.2	17.2
RoCE (%)	13.3	16.4	18.5
Payout (%)	43.0	53.7	43.3
Div. Yield	1.5	3.0	3.0

CMP: INR712

In-line revenue and margin

Revenue of INR50b (+8.8%YoY), EBITDA of INR1.8b (19.4% YoY), adj. PAT of INR1.0b (+117% YoY)

Headline performance

- Revenue was up 1.9% QoQ/8.8% YoY in 1QFY25, in line with our expectation of 2.0% QoQ/8.9% YoY.
- Workforce Management (WFM) grew 12.5% YoY; Operating Asset Management (OAM) grew 6.2% YoY; Global Technology Solutions (GTS) grew 8.3% YoY; and Product-led business (excluding Qdigi) grew 6% YoY.

Margin performance

- EBITDA margin was down 30bp QoQ at 3.7%, in line with our estimate of 3.7%. WFM EBITDA margin was down 18bp QoQ. GTS/OAM margin contracted 122bp/64bp QoQ.
- Adj. PAT increased 117% YoY to INR1,038m, below our estimate of INR851m, largely due to lower depreciation and ETR (5.8% vs. 10% estimated).

Other

- Quess added total ~30k employees (27k employees to its workforce management business).
- In WFM, 91 new contracts were added with an ACV of INR5.1b.

Valuation

- We will review our estimates after the management's commentary. The growth outlook on macros and various key operating segments will be keenly watched.

Consolidated quarterly earnings (INR m)

Y/E March	FY24				FY25				FY24	FY25E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(%/bp)
Net Sales	**46,002**	**47,483**	**48,418**	**49,098**	**50,031**	**52,601**	**53,868**	**54,754**	**1,91,001**	**2,11,254**	**50,085**	**-0.1**
Change (YoY %)	15.6	11.1	8.4	10.6	8.8	10.8	11.3	11.5	11.3	10.6	8.9	-12
Total Expenditure	44,463	45,848	46,608	47,146	48,193	50,445	51,659	52,509	1,84,065	2,02,806	48,257	-0.1
EBITDA	**1,539**	**1,635**	**1,810**	**1,952**	**1,838**	**2,157**	**2,209**	**2,245**	**6,936**	**8,448**	**1,828**	**0.5**
Margin (%)	3.3	3.4	3.7	4.0	3.7	4.1	4.1	4.1	3.6	4.0	3.7	2.3
Depreciation	686	697	718	731	690	739	739	739	2,832	2,908	749	-7.9
EBIT	**853**	**939**	**1,092**	**1,220**	**1,148**	**1,417**	**1,469**	**1,506**	**4,104**	**5,540**	**1,079**	**6.4**
Margin (%)	1.9	2.0	2.3	2.5	2.3	2.7	2.7	2.7	2.1	2.6	2.2	14
Interest	272	281	354	266	235	264	264	264	1,173	1,027	268	-12.1
Other Income	41	151	52	50	102	132	132	132	295	498	134	
PBT before EO expense	**621**	**809**	**790**	**1,005**	**1,014**	**1,285**	**1,337**	**1,373**	**3,226**	**5,010**	**945**	**7.3**
Recurring Tax	140	83	-45	-30	69	129	134	137	148	468	95	-27.2
Rate (%)	22.6	10.3	-5.7	-3.0	6.8	10.0	10.0	10.0	4.6	9.3	10.0	
MI and P/L of Asso. Cos.	3.1	-10	-2	35	78.7	0	0	0	25.5	78.7	0	
Adjusted PAT	**478**	**735**	**838**	**1,001**	**867**	**1,157**	**1,203**	**1,236**	**3,052**	**4,463**	**851**	**1.9**
Extraordinary items	0	16	199	57	-171	0	0	0	272	-171	0	
Reported PAT	**478**	**719**	**639**	**944**	**1,038**	**1,157**	**1,203**	**1,236**	**2,780**	**4,634**	**851**	**22.0**
Change (YoY %)	-22.0	71.0	-27.4	184.9	117.1	60.8	88.3	31.0	23.8	66.7	77.9	3,921
Margin (%)	1.0	1.5	1.3	1.9	2.1	2.2	2.2	2.3	1.5	2.2	1.7	38

Restaurant Brands Asia

BSE SENSEX	S&P CNX
81,356	24,836

Conference Call Details

Date: 30th July 2024
Time: 10:00pm IST
Dial-in details:
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	24.4	29.4	35.7
Sales Gr. (%)	18.6	20.7	21.3
EBITDA	2.4	3.8	5.1
EBITDA Margin (%)	9.9	13.0	14.3
Adj. PAT	-2.4	-0.9	0.1
Adj. EPS (INR)	-4.8	-1.9	0.3
EPS Gr. (%)	N/M	N/M	L/P
BV/Sh.(INR)	12.7	10.8	11.1
Ratios			
RoE (%)	-32.1	-16.0	2.7
RoCE (%)	-4.7	1.9	7.7
Valuations			
P/E (x)	N/M	N/M	373.8
P/BV (x)	8.7	10.2	9.9
EV/EBITDA (x)	28.0	17.0	13.0
EV/sales (%)	2.8	2.2	1.9

CMP: INR110 — BUY

India outperforms; cost control sustains in Indonesia

India business

- **India business revenue up 16% YoY to INR4.9b (est. INR5.1b) led by 15% YoY store adds and 3.1% SSSG (est. 2.0%).**
  - India business ADS declined 1% YoY, while it rose 13% QoQ to INR119k
  - The company added only one store in 1QFY25 in India, taking the total store count to 456
  - BK Café store count reached 352 vs. 286 in 1QFY24 and 351 in 4QFY24 (77% of total BK stores).
- India business GP up 18% YoY to INR3.3b (est. INR3.4) and margin improved 120bp YoY/flat QoQ to 67.6%.
- **India ROM (pre-Ind-AS) increased 29% YoY to INR435m. Margin expanded 90bp YoY to 8.9%.**
- **EBITDA (pre-Ind-AS) rose 72% YoY to INR175m. Margin up 120bp YoY to 3.6%**
- EBITDA (Post-Ind-AS) up 29% YoY to INR625m (est. INR653m) and margin was at 12.7%
- Higher depreciation and interests led to losses in the India business to INR269m in 1QFY25 vs INR222m/INR310m losses in 1Q/4QFY24 (est. loss of INR147m).

Indonesia business

- Indonesia revenue declined 11% YoY to IDR302.4b due to store closures (20% YoY dip in BK store count)
  - **ADS remained flat YoY at IDR19.4m**
  - **Same store sales declined 5.4% YoY (+5.5% YoY last year)**
  - The company closed one store in Indonesia in 1QFY25 taking the total count to 174 stores (149 BK stores/25 Indonesia Popeyes stores).
- Indonesia's GP declined 23% YoY to INR853m with gross margin contracting 400bp YoY to 54.6% (flat sequentially)
- **EBITDA (post-IND-AS) was INR33m in 1QFY25 vs. INR317mn in 4QFY24 and a loss of INR2m in 1QFY24.**
- **Indonesia ROM (pre-IND-AS) was INR25m in 1QFY25 vs. INR4m in 1QFY24 and INR16m in 4QFY24.**

Consolidated business

- Consol revenue was up 6% YoY to INR6.5b (est. INR7.2b) led by weak revenue growth of the Indonesia business
- Consolidated store count remained flattish QoQ at 630 stores (456/174 India BK/Indonesia stores)
- Consol GP rose 7% YoY to INR4.2b and margin expanded 50bp YoY/30bp QoQ to 64.5% (est. 63.9%).
- Consol. EBITDA (post-IND-AS) was up 31% YoY to INR631m (est. INR778m) and margin improved 190bp YoY, while it declined 180bp QoQ to 9.8% (est. 10.8%).

- **High depreciation (up 16% YoY) and interest costs (up 22% YoY) led to a consolidated loss of INR522m vs. INR541m loss in 1QFY24 and INR921m loss in 4QFY24 (est. loss of INR393m).**

Outlook

- In India, the company aims to increase its restaurant count from the current 456 to 510 by the end of FY25, with a further target of 700 restaurants by FY27.
- RBA plans to boost its gross profit margin target to 69% by FY27, which has also seen an increase from 67.0% in FY24 to 67.6% in 1QFY25.

Quarterly Standalone Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
SSSG (%)	3.6	3.5	2.6	1.9	3.1	5.5	6.5	8.9	2.9	6.0	2.0	
No. of stores	396	404	441	455	456	471	486	520	455	520	470	
Net Sales	4,221	4,535	4,454	4,391	4,905	5,409	5,257	5,885	17,601	21,455	5,061	-3.1
YoY change (%)	25.3	23.2	20.5	20.3	16.2	19.3	18.0	34.0	22.3	21.9	19.9	
Gross Profit	2,806	3,031	2,990	2,971	3,318	3,619	3,538	3,965	11,798	14,439	3,416	-2.9
Margin (%)	66.5	66.8	67.1	67.7	67.6	66.9	67.3	67.4	67.0	67.3	67.5	
EBITDA	485	634	708	551	625	838	820	1,113	2,377	3,397	653	-4.2
EBITDA growth %	45.9	50.7	47.9	30.3	29.0	32.2	15.9	102.0	128.6	1,261.3	34.7	
Margin (%)	11.5	14.0	15.9	12.5	12.7	15.5	15.6	18.9	13.5	15.8	12.9	
Depreciation	507	494	522	586	633	570	570	477	2,110	2,250	570	
Interest	264	273	281	324	319	292	300	274	1,141	1,185	285	
Other Income	65	40	32	48	57	50	54	52	185	213	55	
PBT	-222	-93	-64	-310	-269	26	3	414	-689	174	-147	
Tax	0	0	0	0	0	0	0	0	0	17	0	
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	
Adjusted PAT	-222	-93	-64	-310	-269	26	3	414	-689	157	-147	
YoY change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	

E: MOFSL Estimates

Quarterly Consolidated Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
No. of stores	575	578	628	630	630	650	670	714	630	714	650	
Net Sales	6,108	6,249	6,042	5,971	6,467	7,381	7,146	8,415	24,371	29,409	7,174	-9.9
YoY change (%)	24.8	19.1	14.8	16.2	5.9	18.1	18.3	40.9	18.6	20.7	17.5	
Gross Profit	3,912	4,013	3,891	3,836	4,171	4,758	4,611	5,433	15,651	18,973	4,585	-9.0
Margin (%)	64.0	64.2	64.4	64.2	64.5	64.5	64.5	64.6	64.2	64.5	63.9	
Total Exp	5,625	5,687	5,359	5,279	5,835	6,456	6,240	7,043	21,949	25,574	6,396	
EBITDA	483	562	684	692	631	925	906	1,372	2,421	3,835	778	-18.8
EBITDA growth %	65.3	123.7	130.0	152.9	30.7	64.4	32.6	98.2	117.2	58.4	61.0	
Margin (%)	7.9	9.0	11.3	11.6	9.8	12.5	12.7	16.3	9.9	13.0	10.8	
Depreciation	787	786	801	1,187	916	928	937	946	3,561	3,727	921	
Interest	307	315	317	473	374	322	323	272	1,412	1,291	313	
Other Income	71	33	35	46	137	59	63	-9	185	250	64	
PBT	-541	-507	-399	-921	-522	-266	-291	146	-2,367	-933	-393	
Tax	0	0	0	0	0	0	0	0	0	0	0	
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	-541	-507	-399	-921	-522	-266	-291	146	-2,367	-933	-393	
YoY change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	

E: MOFSL Estimates

Business performance

Particulars (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
India Business									
No. of stores	328	334	379	391	396	404	441	455	456
Net store addition	13	6	45	12	5	8	37	14	1
SSSG (%)	66.0	27.0	8.6	8.3	3.6	3.5	2.6	1.9	3.1
Net sales (INR m)	3,369	3,680	3,698	3,649	4,221	4,535	4,454	4,391	4,905
YoY growth (%)	125%	50%	32%	36%	25%	23%	20%	20%	16%
ADS (INR '000)	115.2	120.9	112.7	108.0	120.0	126.0	119.0	105.0	119.0
Gross Profits (INRm)	2,236	2,443	2,454	2,422	2,806	3,031	2,990	2,971	3,318
Gross Margins (%)	66.4%	66.4%	66.4%	66.4%	66.5%	66.8%	67.1%	67.7%	67.6%
Restaurant EBITDA (Pre -Ind AS)	206	302	385	299	338	484	543	342	435
Restaurant EBITDA Margin (%)	6.1%	8.2%	10.4%	8.2%	8.0%	10.7%	12.2%	7.8%	8.9%
EBITDA (Pre -Ind AS)	37	118	155	54	101	243	302	106	175
EBITDA Margin (%)	1.1%	3.2%	4.2%	1.5%	2.4%	5.4%	6.8%	2.4%	3.6%
EBITDA (Post -Ind AS)	332	421	479	423	485	634	708	551	625
EBITDA Margin (%)	9.9%	11.4%	12.9%	11.6%	11.5%	14.0%	15.9%	12.5%	12.7%
Indonesia									
Stores	175	179	179	186	179	174	187	175	174
Net store addition	-2	4	0	7	-7	-5	13	-12	-1
Net sales (INR m)	1,523	1,567	1,566	1,490	1,887	1,714	1,588	1,581	1,562
YoY growth (%)	3%	40%	1%	14%	24%	9%	1%	6%	-17%
Gross Profits (INR m)	912	948	895	875	1,106	982	900	864	853
Gross Margins (%)	59.9%	60.5%	57.2%	58.7%	58.6%	57.3%	56.7%	54.7%	54.6%
Restaurant EBITDA (Pre -Ind AS)	6	-122	-134	-102	4	-17	21	16	25
Restaurant EBITDA Margin (%)	0.4%	-7.8%	-8.6%	-6.8%	0.2%	-1.0%	1.3%	1.0%	1.6%
Company EBITDA (Pre -Ind AS)	-144	-272	-284	-252	-125	-149	-130	-138	-89
Company EBITDA Margin (%)	-9.5%	-17.4%	-18.1%	-16.9%	-6.6%	-8.7%	-8.2%	-8.7%	-5.7%
Consolidated Business									
No. of stores	503	513	558	577	575	578	628	630	630
Net store addition	11	10	45	19	(2)	3	50	2	-
Net sales (INR m)	4,892	5,248	5,263	5,140	6,108	6,249	6,042	5,971	6,467
YoY growth (%)	64%	47%	21%	29%	25%	19%	15%	16%	6%
Gross Profits (INRm)	3,148	3,391	3,350	3,297	3,912	4,013	3,891	3,836	4,171
Gross Margins (%)	64.3%	64.6%	63.6%	64.1%	64.0%	64.2%	64.4%	64.2%	64.5%
Restaurant EBITDA (Pre -Ind AS)	211	180	250	198	342	467	564	358	460
Restaurant EBITDA Margin (%)	4.3%	3.4%	4.8%	3.8%	5.6%	7.5%	9.3%	6.0%	7.1%
EBITDA (Pre -Ind AS)	-107	-154	-129	-198	-24	94	172	-32	86
EBITDA Margin (%)	-3.4%	-4.5%	-3.8%	-6.0%	-0.6%	2.3%	4.4%	-0.8%	2.1%
EBITDA (Post -Ind AS)	292	251	297	274	483	562	684	692	631
EBITDA Margin (%)	6.0%	4.8%	5.6%	5.3%	7.9%	9.0%	11.3%	11.6%	9.8%

Automobiles

Notable inventory buildup ahead of festive season

2Ws continue to outperform with expectation of double-digit YoY growth

"Q2 is generally a lean season with low demand due to rains, sowing season in rural India and very few marriages. Plus the inauspicious period or Shraddh is also observed in North India. This is a time when companies go all out to meet sales targets and they also want to start the festive season in Q3 on a positive note"

Mr. Nikunj Sanghi,
Former president FADA

- Demand trends in Jul'24 remained similar to the previous few months, with 2W volumes likely to maintain double-digit volume growth and all other segments expected to witness a volume decline. The key reasons behind the persistent weakness in overall demand in July is the incessant rainfall witnessed in many parts of the country, which has led to lower footfalls, and the lack of events or festivities. We expect retail volumes for 2Ws to grow by 8-10% YoY, whereas volumes are expected to decline YoY for PVs (3-5%), MHCVs (2-3%), LCVs (8-10%), and tractors (14-16%). The key highlight for the month was the launch of BJAUT's CNG bike, which has received positive initial feedback. However, this launch is currently limited to the Maharashtra region, with supplies yet to begin in other parts of the country. We noted inventory buildup before festivals across all the categories which now stands at 40-60 days across the segments. In Jul'24, we expect dispatches for 2Ws/tractors/3Ws/MHCVs to grow 10%/5%/4%/1%, followed by flat volumes for PVs. Dispatches for LCV are expected to decline 4% YoY.
- **2Ws**: Retail sales are anticipated to grow 8-10% YoY in Jul'24. Northern states, such as UP and Bihar, are likely to see double-digit volume growth compared to southern states. BJAUT's Freedom 125 was launched in Maharashtra (sales started) and Gujarat (taking bookings currently). The initial response to Freedom 125 has been impressive, with a over a one-month waiting period as the vehicle is not readily available at dealerships. Cancellations for Freedom 125 are below 5%. Another notable launch is RE's Guerrilla in the modern classic segment. However, it is too early to comment on the demand momentum for this vehicle as even test drive vehicles for Guerrilla are not yet available at all locations. There has been a steady improvement in supplies for HMCL Xtreme 125R, and the company has reinstated a cash discount of INR4,000 on HF Deluxe. Inventory levels are gradually rising and currently at 55-60 days for HMCL, 35-40 days for TVSL and HMSI, and 50-55 days for BJAUT, while RE's inventory stands at ~3 weeks. We expect dispatches for HMCL/TVSL/BJAUT/RE to grow by 12%/11%/10%/2% YoY.
- **PVs:** Retail sales in Jul'24 are expected to decline by 3-5% YoY. Retail activity, inquiries, and bookings have slowed down in many parts of the country due to the incessant rainfall. MSIL's new version of the Swift has boosted sales by about 15-20% compared to the old version. MM has reduced the prices of XUV700's AX7 and AX7L models by INR200,000, rekindling consumer interest in these models. The waiting period for XUV700 remains under 10 days, while Scorpio N waiting period has reduced to around one month. Discounts for MSIL and TTMT models have largely remained stable MoM. Jimny has seen the highest discount since its launch, totaling INR330,000 (INR150,000 cash discount plus INR180,000 if financed through Maruti Finance). TTMT has introduced a discount of INR10,000 on its best-selling compact SUV, Punch, for the first time. It has also announced King Of SUVs promotional campaign (post crossing milestone of 2mn SUV sales) wherein price cuts and special benefits would be

available across all models in July. Inventory levels for MSIL, TTMT and MM stand at 40-45 days. We expect dispatches for MSIL (including LCVs) and TTMT to decline by ~1%/4% YoY, while MM (including pickups) should see a growth of ~8% YoY.

- **CVs:** Demand for CVs remains weak, as fleet operators have not yet witnessed a pickup in business even after the elections. Jul'24 was particularly weak, with freight utilization declining to 55-60%, which is largely a seasonal phenomenon owing to monsoon. Overall, we expect MHCV/LCV retail volumes to decline 2-3%/8-10% YoY. While the agricultural segment is performing well, other industries remain subdued. Additionally, the lack of events or marriage dates has impacted overall demand. Discussions with a fleet operator based in Rajasthan revealed that operating costs have increased due to rising prices of commodities such as tyres, motor parts, and labor. Despite this, they have been unable to raise freight rates for both partial and full loads. Bus demand has remained healthy during this month. While there were no price hikes for AL in Jul'24, TTMT/Bharat Benz/MM did take a price hike across CVs. Dispatches for AL are expected to remain flat YoY, whereas they are likely to decline by 10% YoY for TTMT.
- **Tractors:** Tractor retail volumes are expected to decline 14-16% YoY in Jul'24, with variation across regions. Western UP has received good rains so far, while Eastern UP has seen deficient rainfall, leading to subdued agri sentiment. Our channel check suggests volumes for agri/non-agri segments declined ~15-17%/2-4% YoY during the month. With the anticipation of a good sugarcane harvest in Western Maharashtra, the purchase of tractors for commercial purpose is picking up. Retails are expected to see a slight growth in Maharashtra. Sonalika and Swaraj have been aggressive in the market, while MM's market share has remained stable. Inventory levels are now above seven weeks in most of the regions. We expect dispatches for MM/ESCORTS to grow ~5%/3% YoY.
- **Valuation and view**: It is now an established fact that the majority of easy gains in auto OEM stocks are now behind us, as we have witnessed significant volume growth across segments over the last two years, and input costs also appear to have bottomed out. Hence, one will have to make selective micro strategies to outperform from hereon. In this backdrop, MSIL is our top pick among auto OEMs given: 1) remains the only OE to adopt a multi-tech approach to meet emission norms, which seems best suited for India 2) its focus on improving mix and gaining share in UVs 3) attractive valuations relative to peers. We also like MM in Auto OEMs as 1) we expect it to continue to outperform peers in UVs driven by a healthy order backlog and new launches 2) expectation of revival in tractor demand. Among auto ancillaries, our top picks are CRAFTSMA, MOTHERSO and HAPPYFORG.

OLA Electric : More than 90% of offer is primary; Bhavish Aggarwal, Promoter

- Lots of growth opportunity ahead , have borrowed to create tangible assets
- Rs800 cr from IPO will be used to repay debt
- Scratching the surface with EVs, bikes will come along over the next years
- More than 90% of offer is primary

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Mankind Pharma : Debt to Equity ratio will not cross 2x while funding the deal; Rajeev Juneja, MD

- BSV has topline growth, margin more than mankind, BSV margin Is close to 27-28%
- Larger vision is to institutionalise mankind, acquisition is attractive from a financial & R&D perspective
- Have hived off consumer division, expect strong growth
- Debt to Equity ratio will not cross 2x while funding the deal

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- Q1 saw 20bps drop in NIM, Microfinance coming down as % of portfolio
- Need to hold same levels till march 2026, to be eligible for universal banking license
- MF is 17% of portfolio, expect it to drop to 15% in FY25

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- Expect 20-22% growth in disbursement in FY25, clearer picture expected in Q2
- Stick to guidance of NIM around 7.8% & credit cost of nearly 1.3% for FY25
- Asset slippages seen now will be pushed back by Q3 , Q4 FY25
- Expect Higher growth from light commercial vehicle in current year

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