1 August 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,741	0.4	13.2
Nifty-50	24,951	0.4	14.8
Nifty-M 100	58,991	0.6	27.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,522	1.6	15.8
Nasdaq	17,599	2.6	17.2
FTSE 100	8,368	1.1	8.2
DAX	18,509	0.5	10.5
Hang Seng	6,107	2.0	5.9
Nikkei 225	39,102	1.5	16.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	2.9	5.0
Gold ($/OZ)	2,448	1.5	18.6
Cu (US$/MT)	9,102	2.9	7.5
Almn (US$/MT)	2,228	3.2	-5.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.0	0.6
USD/EUR	1.1	0.1	-1.9
USD/JPY	150.0	-1.8	6.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	-0.01	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**31-Jul**	**MTD**	**CYTD**
FIIs	-0.4	3.27	4.0
DIIs	0.40	3.21	31.3
Volumes (INRb)	**31-Jul**	**MTD***	**YTD***
Cash	1,451	1499	1293
F&O	5,62,390	3,80,942	3,78,996

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Maruti Suzuki: Strong performance despite weak demand

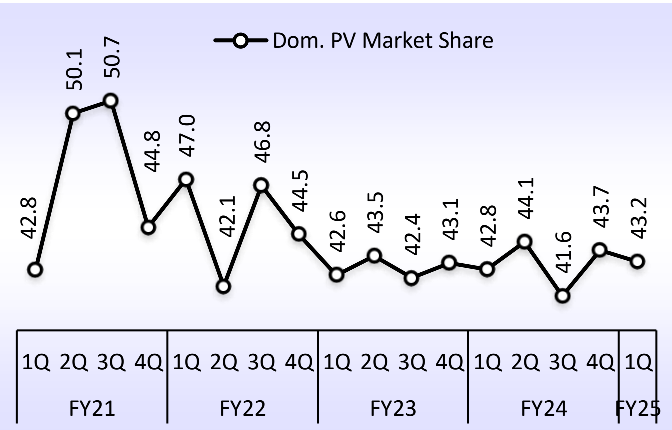
- MSIL's 1QFY25 operating performance was ahead of estimates as it was able to post margin improvement QoQ despite lower volumes and higher discounts. Margin improvement was driven by lower input cost, favorable currency benefit and higher other operating income. We have marginally tweaked our estimates. We expect MSIL to continue to outperform industry growth over FY25-26E.
- While bulk of the input cost benefits are likely to be behind, we expect MSIL to post about 90bps margin improvement to ~12.5% in FY25E largely led by improved mix. This would in turn drive a steady 15% earnings CAGR over FY24-26E.
- Any GST cut or favorable policy towards hybrids by the Government may drive a re-rating as MSIL would be the key beneficiary of the same. The stock trades at 26x/22x FY25E/FY26E consolidated EPS. Reiterate BUY with a TP of INR15,160 (premised on 26x Jun'26E EPS).

Research covered

Cos/Sector	Key Highlights
Maruti Suzuki	Strong performance despite weak demand
Mahindra & Mahindra	Auto and FES segments drive healthy margin beat
Coal India	Revenue in line, lower costs lead to strong EBITDA beat
Other Updates	Ambuja Cements | GAIL | Macrotech Developers | Bank of Baroda | Indus Towers | Godrej Properties | Mankind Pharma | 360ONE WAM | Star Health | Aegis Logistics | Castrol (India) | Relaxo Footwears | R R Kabel | Zee Entertainment | TeamLease | Barbeque Nation Hospitality | Technology | Tata Steel | Prestige Estates Projects | Phoenix Mills | Five Star Business Finance | JK Lakshmi Cement | EcoScope

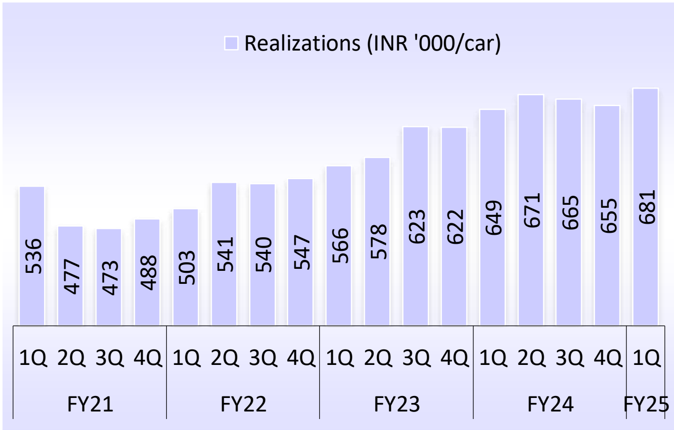
Chart of the Day: Maruti Suzuki (Strong performance despite weak demand)

Domestic PV market share trends (%)



Source: Company, MOFSL

Trend in realization per unit



Source: Company, MOFSL

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Kindly click on textbox for the detailed news link

1

US Fed holds rates steady, nods to possible September cut

While Fed officials are wary of any actions that could mar their data-not-politics approach to setting monetary policy, the steady drop in inflation in recent months prompted a broad consensus that the inflation battle was near its end.

2

Infosys: GST Intelligence alleges Rs 32,000 Crore tax evasion

The notice claims that Infosys is liable to pay Rs 32,403.46 crore in IGST for the period from July 2017 to March 2022.

3

Bank of Baroda recovers ₹301 crore from Go First under ECLGS

The government's National Credit Guarantee Trustee Co Ltd has released ₹301 crore to Bank of Baroda (BoB) as part of its claim from loans given to the defunct Go First Airlines under the Emergency Credit Line Guarantee Scheme (ECLGS).

4

SWIFT, Axis Bank launch AI pilot to tackle payment fraud

The pilot is expected to leverage a secure infrastructure that will enable financial institutions to exchange relevant information with strong privacy-preserving controls, according to the two partners. SWIFT's AI anomaly detection model will then be able to gather insights and identify potential fraud patterns from a much richer dataset…

5

DTH, teleport company expect new policy to lower satellite costs

DTH and teleport operators in India are anticipating reduced satellite capacity costs following the government's new mandate for foreign satellite operators to establish local units by April 2025. This policy change is expected to enable long-term contracts in Indian rupees, avoiding foreign currency fluctuations and simplifying transactions.

6

Zee to acquire remaining 20% share in technology platform Margo Networks

The media company said that there is no governmental or regulatory approval that is required for the acquisition and the acquisition will complete approximately in two months

7

After FY26, fiscal deficit target will be a range: Finance Secy Somanathan

Path towards a reduction in the debt-GDP ratio will be announced later

Maruti Suzuki

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MSIL IN
Equity Shares (m)	314
M.Cap.(INRb)/(USDb)	4123.6 / 49.3
52-Week Range (INR)	13390 / 9254
1, 6, 12 Rel. Per (%)	5/14/7
12M Avg Val (INR M)	6378

Financials & valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,409	1,511	1,678
EBITDA	164	189	218
Adj. PAT	132	151	176
EPS (INR)*	429	486	565
EPS Gr. (%)	56.8	13.3	16.3
BV/Sh. (INR)	2,671	3,027	3,442
Ratios			
RoE (%)	15.7	15.9	16.3
RoCE (%)	20.5	20.7	21.1
Payout (%)	29.1	29.8	29.2
Valuations			
P/E (x)	29.6	26.1	22.4
P/BV (x)	4.7	4.2	3.7
EV/EBITDA (x)	20.1	17.1	14.4
Div. Yield (%)	1.0	1.1	1.3

*Cons. Adj.

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.2	58.2	56.5
DII	19.5	19.0	18.2
FII	19.0	19.7	21.9
Others	3.3	3.2	3.4

FII Includes depository receipts

CMP: INR13,116 TP: INR15,160 (+16%) Buy

Strong performance despite weak demand

To unveil its first EV model at the upcoming Auto Expo in early 2025

- MSIL's 1QFY25 operating performance beat our estimates as margins improved QoQ despite lower volumes and higher discounts. Margin improvement was driven by lower input costs, favorable currency benefits and higher other operating income.
- The stock trades at 26x/22x FY25E/FY26E consolidated EPS. Any favorable tax on hybrids may drive incremental re-rating. **Reiterate BUY with a TP of INR15,160 (premised on 26x Jun'26E consolidated EPS).**

Margins improve QoQ despite higher discounts and lower volumes

- Revenue/EBITDA/PAT grew 10%/51%/47% YoY to ~INR355.3b/INR45b/INR36.5b in 1QFY25 (est. INR350.2b/INR42.2b/INR34.3b).
- Net realizations grew 5% YoY to INR680.8k/unit (est. INR671k), mainly due to higher UVs in overall mix. Volumes grew 5% YoY.
- Gross margins expanded 260bp YoY (+120bp QoQ) to 29.8% (est. 29%).
- EBITDA margins improved 350bp YoY to 12.7%. EBITDA/unit improved by ~INR26.4k YoY to INR86.3k. EBITDA grew 51% YoY (-4% QoQ) to INR45b (est. INR42.2b).
- MSIL was able to post a 30bp QoQ margin improvement in 1Q, which was driven by the reversal of one-off costs in 4Q, lower input costs, favorable currency and higher other operating income.
- EBIT margins improved 370bp YoY to 10.6% (est. 9.8%).
- Despite lower-than-estimated other income, adj. PAT came in at INR36.5b (est. INR34.3b), up 47% YoY.

Highlights from the management commentary

- **Demand outlook**: 1Q volumes were affected by heatwaves and elections. However, the management has maintained its volume growth guidance for the industry for FY25 at about 4%, led by an expected pickup in demand amid good rainfall across India so far.
- Export growth was driven by good demand from geographies like Africa, the Middle East and Latin America. Jimny was the most exported model in 1QFY25, followed by Dzire/Baleno/Fronx/Grand Vitara. MSIL is confident of achieving exports of 300k units in FY25.
- **Margins**: MSIL was able to post a 30bp QoQ margin improvement in 1Q, which was driven by the reversal of one-off costs in 4Q (+60bp benefits), lower input costs (+30bp), favorable currency (Yen depreciated vs. USD) and higher other operating income.
- MSIL commissioned a new assembly line in Manesar, which increased the plant capacity by 100k vehicles per annum to 900k vehicles.

Valuation and view

- We have marginally tweaked our estimates. We expect MSIL to continue to outperform industry growth over FY25-26E. While the bulk of input cost benefits are likely to be over, we expect MSIL to post a 90bp margin improvement to ~12.5% in FY25E, largely led by an improved mix. This would in turn drive a steady 15% earnings CAGR over FY24-26E.
- Any GST cut or favorable policy for hybrids by the government may drive a re-rating as MSIL would be the key beneficiary. The stock trades at 26x/22x FY25E/FY26E consolidated EPS. **Reiterate BUY with a TP of INR15,160 (premised on 26x Jun'26E EPS).**

S/A Quarterly Performance (INR Million)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	(%)
Volumes ('000 units)	498.0	552.1	501.2	584.0	521.9	560.3	536.3	580.7	2,135.3	2,199.2	521.9	0.0
Change (%)	6.4	6.7	7.6	13.4	4.8	1.5	7.0	-0.6	8.6	3.0	4.8	
Realizations (INR/car)	6,49,095	6,71,348	6,64,570	6,54,672	6,80,850	6,87,659	6,87,659	6,92,128	6,60,006	6,87,223	6,71,039	1.5
Change (%)	14.6	16.1	6.6	5.2	4.9	2.4	3.5	5.7	10.4	4.1	3.4	
Net operating revenues	**3,23,269**	**3,70,621**	**3,33,087**	**3,82,349**	**3,55,314**	**3,85,320**	**3,68,786**	**4,01,890**	**14,09,326**	**15,11,309**	3,50,194	1.5
Change (%)	22.0	23.8	14.7	19.3	9.9	4.0	10.7	5.1	19.9	7.2	8.3	
RM Cost (% of sales)	72.8	70.6	70.9	71.4	70.2	71.0	70.7	71.4	71.4	70.8	71.0	-80BP
Staff Cost (% of sales)	4.5	3.5	4.0	3.6	4.4	3.7	3.8	3.4	3.9	3.8	4.3	10BP
Other Cost (% of sales)	13.5	12.9	13.3	12.8	12.8	12.8	13.0	12.7	13.1	12.8	12.7	10BP
EBITDA	**29,830**	**47,842**	**39,079**	**46,850**	**45,023**	**48,245**	**46,191**	**49,771**	**1,64,011**	**1,89,230**	**42,180**	6.7
EBITDA Margins (%)	9.2	12.9	11.7	12.3	12.7	12.5	12.5	12.4	11.6	12.5	12.0	60BP
Depreciation	7,475	7,941	7,517	7,290	7,310	7,500	7,700	8,014	30,223	30,524	7,800	
EBIT	**22,355**	**39,901**	**31,562**	**39,560**	**37,713**	**40,745**	**38,491**	**41,758**	**1,33,788**	**1,58,706**	**34,380**	9.7
EBIT Margins (%)	6.9	10.8	9.5	10.3	10.6	10.6	10.4	10.4	9.5	10.5	9.8	
Interest	465	351	354	762	573	500	450	477	1,932	2,000	360	
Non-Operating Income	10,012	8,436	9,330	11,180	9,751	9,800	9,500	9,457	38,548	38,508	10,200	
PBT	**31,902**	**47,986**	**40,538**	**49,978**	**46,891**	**50,045**	**47,541**	**50,737**	**1,70,404**	**1,95,214**	**44,220**	
Effective Tax Rate (%)	22.1	22.6	22.8	22.4	22.2	22.5	22.5	22.8	22.5	22.5	22.5	
Adjusted PAT	**24,851**	**37,165**	**31,300**	**38,778**	**36,499**	**38,785**	**36,844**	**39,163**	**1,32,094**	**1,51,290**	**34,271**	6.5
Change (%)	145.4	80.3	33.1	47.8	46.9	4.4	17.7	1.0	64.1	14.5	37.9	

Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25E	FY25
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Dom. PV Market Sh (%)	42.8	44.1	41.6	43.1	43.2				43.1		
Volumes ('000 units)	498.0	552.1	501.2	584.0	521.9	560.3	536.3	580.7	2,135.3	2,199.2	521.9
Change (%)	6.4	6.7	7.6	13.4	4.8	1.5	7.0	-0.6	8.6	3.0	4.8
Discounts (INR '000/unit)	16.2	17.7	23.3	14.5	21.7				18.0	19.7	
% of Net Realn	2.5	2.6	3.5	2.2	3.2				2.7	2.9	
ASPs (INR '000/unit)	649.1	671.3	664.6	654.7	680.9	687.7	687.7	692.1	660.0	687.2	671.0
Change (%)	14.6	16.1	6.6	5.2	4.9	2.4	3.5	5.7	10.4	4.1	3.4
Gross Profit (INR/unit)	176.6	197.3	193.4	187.4	203.1	199.4	201.5	197.7	188.9	200.3	194.6
EBITDA (INR '000/unit)	59.9	86.7	78.0	80.2	86.3	86.1	86.1	85.7	76.8	86.0	80.8
EBIT (INR '000/unit)	44.9	72.3	63.0	67.7	72.3	72.7	71.8	71.9	62.7	72.2	65.9

Mahindra & Mahindra

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MM IN
Equity Shares (m)	1244
M.Cap.(INRb)/(USDb)	3615.9 / 43.2
52-Week Range (INR)	3014 / 1416
1, 6, 12 Rel. Per (%)	-2/61/71
12M Avg Val (INR M)	6149

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	991	1,156	1,345
EBITDA	131.5	160.6	185.2
Adj. PAT	106.4	127.6	149.5
Adj. EPS (INR)	88.7	106.4	124.7
EPS Gr. (%)	34.0	19.9	17.1
BV/Sh. (INR)	436	519	618
Ratios			
RoE (%)	22.3	22.3	21.9
RoCE (%)	20.3	21.2	21.1
Payout (%)	23.7	22.0	20.8
Valuations			
P/E (x)	33.0	27.5	23.5
P/BV (x)	6.7	5.6	4.7
Div. Yield (%)	0.7	0.8	0.9
FCF Yield (%)	1.8	3.0	3.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	18.1	18.1	18.9
DII	25.7	25.6	26.3
FII	46.8	46.8	45.4
Others	9.4	9.5	9.5

FII Includes depository receipts

CM-P: INR2,908 TP: INR3,310 (+14%) Buy

Auto and FES segments drive healthy margin beat

On track to achieve 15-20% EPS growth in the long run

- MM reported a strong operating performance in 1QFY25, with EBITDA margin of 14.9%, up 130bp YoY (est. 13.8%). While EBITDA margin was driven by margin expansion in two core segments, the auto segment's notable PBIT margin of 9.5% stood out as the highest in recent years.
- We maintain our FY25E/FY26E EPS, as margin gains are expected to be offset by lower other income. **Reiterate BUY with a TP of INR3,310 (based on Jun'26E SOTP**).

Auto and FES segments post healthy margin improvement

- 1QFY25 revenue/EBITDA/adj. PAT grew 12%/22%/23% YoY to INR270.4b/INR40.2b/INR26.1b (est. INR280.6b/INR38.7b/INR29.8b). These results are restated to include the effect of the merger of MHEL, MTWL and Tringo.
- Volumes grew 11% YoY, while ASP rose ~1% YoY.
- Gross margin rose 130bp YoY (-50bp QoQ) to 26.3% (est. 26%), driven by commodity benefits in both auto and FES segments and a better mix.
- Due to lower other expenses, EBITDA margin expanded to 14.9%, up 130bp YoY/180bp QoQ (est. 13.8%).
- Healthy operating performance was offset by lower other income, resulting in lower adj. PAT at INR26.1b (est. INR29.8b), up 23% YoY.
- **Auto:** Revenue grew 13% YoY to INR189.5b and volumes grew 13% YoY, but ASP declined 1% YoY. ASP was down ~4.5% QoQ as there was a significant ramp-down of XUV300 in 4QFY24 along with higher XUV400 volumes. PBIT margin came in at 9.5% (+180bp YoY/+50bp QoQ vs. our est. of 8.8%). Auto segment posted margin improvement QoQ despite the launch expense of XUV3XO in 1Q and its initial aggressive price positioning, which is commendable.
- **FES:** Revenue grew 9% YoY to INR81.4b and volumes/ASP grew 6%/3% YoY. PBIT margin came in at 18.5% (+100bp YoY/+270bp QoQ vs. est. 16.5%). As tractor volumes have started improving, MM has benefitted from low marketing spending and operating leverage in 1Q.

Highlights from the management commentary

- **Auto:** The management has reiterated its FY25 volume growth guidance of mid- to high-teens YoY for its UV segment. Despite tepid demand, new launches should help MM outperform. There was lower conversion of existing bookings in Jun'24 due to heatwaves and model changes. Inventory stands at 4-5 days higher than normal, which MM targets to normalize through improved retails.
- Given the increased capacity, the order backlog has declined to 178k units. While the order book has decreased, the pace of new bookings and the upcoming new launch of 5-door Thar should give MM confidence of achieving its FY25 volume growth guidance in UVs.

- **XUV700:** MM aims to make the brand more accessible and hence the price reduction was a structural long-term decision. Also, there were benefits of reduced costs through value engineering and normalized semiconductor premiums as the chip requirement in the model is much higher vs. others.
- **Tractors:** MM has reiterated its growth guidance of ~5% for FY25. Given positive trade terms, a good monsoon outlook, increased government spending in rural areas and Navratra in 2HFY25, there could be an upside risk to the current guidance. MM has reduced its tractor inventory QoQ.

Valuation and view

- We maintain our FY25E/FY26E EPS. We estimate MM to post a CAGR of ~17%/19%/19% in revenue/EBITDA/PAT over FY24-26. While MM has outperformed its own targets on earnings growth and RoE of 18% in FY24, it remains committed to delivering 15-20% EPS growth and 18% ROE, ensuring sustained profitability and shareholder value.
- The implied core P/E for MM stands at 27.2x/23.4x FY25E/FY26E EPS. Maintain BUY rating with a revised TP of INR3,310 (based on Jun'26E SOTP)**.**

Quarterly Performance **(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
INR b	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	(%)
Total Volumes ('000 units)	301	302	313	285	333	331	352	349	1,202	1,365	333	0.0
Growth YoY (%)	10.7	10.6	11.1	2.2	10.6	9.6	12.4	22.5	8.7	13.6	10.6	
Net Realization (INR '000/unit)	802	805	808	883	812	828	831	914	825	847	842	-3.6
Growth YoY (%)	10.5	4.6	5.1	9.1	1.3	2.9	2.9	3.5	7.4	2.7	5.5	
Net Op. Income	**241**	**243**	**253**	**252**	**270**	**274**	**292**	**319**	**991**	**1,156**	**281**	-3.6
Growth YoY (%)	22.4	15.7	16.8	11.6	12.0	12.7	15.7	26.8	16.6	16.7	16.6	
RM Cost (% of sales)	75.1	75.6	75.4	73.2	73.7	75.1	75.1	75.5	74.7	74.9	74.0	-30bp
Staff (% of sales)	4.4	4.6	4.5	4.5	4.3	4.3	4.1	3.7	4.5	4.1	4.3	0bp
Oth. Exp. (% of Sales)	7.0	7.2	7.3	9.2	7.0	7.2	6.7	7.5	7.6	7.1	7.9	-90bp
EBITDA	**33**	**31**	**32**	**33**	**40**	**37**	**41**	**43**	**131**	**160.6**	**39**	4.0
EBITDA Margins (%)	13.6	12.6	12.8	13.1	14.9	13.4	14.1	13.3	13.3	13.9	13.8	110bp
Other income	9.3	21.5	7.4	3.5	3.5	22.0	6.0	6.0	39.4	37.5	8.0	
Interest	0.3	0.3	0.3	0.4	0.5	0.3	0.3	0.2	1.4	1.3	0.4	
Depreciation	8.4	8.2	8.2	9.9	9.1	9.0	9.0	9.2	34.9	36.3	8.8	
PBT after EO	33.4	43.7	31.2	26.2	34.1	49.4	37.9	39.2	134.6	**160.5**	**37.5**	-9.1
Tax	5.8	9.2	6.7	6.2	7.9	10.1	7.8	7.1	28.2	32.9	7.7	
Effective Tax Rate (%)	17.4	21.0	21.4	23.8	23.3	20.5	20.5	18.1	20.9	20.5	20.5	
Reported PAT	27.6	34.5	24.5	20.0	26.1	39.2	30.1	32.1	106.4	**127.6**	**29.8**	-12.3
Adj PAT	21.2	34.5	24.5	20.0	26.1	39.2	30.1	32.1	106.4	**127.6**	**29.8**	-12.3
Change (%)	51.0	47.6	10.7	1.3	23.2	13.7	22.8	60.7	34.2	19.9	7.5	

E: MOFSL Estimates

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
Segmental (M&M + MVML)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Realizations (INR '000/unit)											
Auto	900	868	879	938	896	891	900	965	899	915	923
Farm Equipment	648	657	662	730	670	677	677	746	670	688	708
Blended	**802**	**805**	**808**	**883**	**812**	**828**	**831**	**914**	**825**	**847**	**842**
Segment PBIT Margins (%)											
Auto	7.7	9.0	8.3	9.0	9.5	9.5	9.5	9.5	8.6	9.5	8.8
Farm Equipment	17.5	16.0	15.5	15.8	18.5	17.5	18.2	17.6	16.2	18.0	16.5

Coal India

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	COAL IN
Equity Shares (m)	6163
M.Cap.(INRb)/(USDb)	3218.2 / 38.4
52-Week Range (INR)	527 / 226
1, 6, 12 Rel. Per (%)	6/14/101
12M Avg Val (INR M)	5327

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,423	1,497	1,694
Adj. EBITDA	418	451	549
Adj. PAT	374	382	420
EBITDA Margin (%)	29.4	30.2	32.4
Cons. Adj. EPS (INR)	60.7	61.9	68.1
EPS Gr. (%)	17.8	2.0	10.0
BV/Sh. (INR)	134	164	198
Ratios			
Net D:E	-0.3	-0.3	-0.3
RoE (%)	45.2	37.7	34.5
RoCE (%)	50.2	40.0	36.4
Payout (%)	42.0	50.0	50.0
Valuations			
P/E (x)	7.9	7.7	7.0
P/BV (x)	3.6	2.9	2.4
EV/EBITDA(x)	6.4	5.9	4.7
Div. Yield (%)	5.3	6.5	7.1
FCF Yield (%)	0.5	5.4	8.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	63.1	63.1	63.1
DII	23.3	23.3	22.4
FII	8.4	8.4	9.3
Others	5.2	5.2	5.2

CMP: INR522 TP: INR600 (+15%) Buy

Revenue in line, lower costs lead to strong EBITDA beat

- Coal India (COAL)'s revenue for 1QFY25 came in at INR365b (YoY/QoQ: +1%/ -3%) and was in-line with our est. of INR364b. Blended ASP was INR1,687/t (-5% YoY/-1% QoQ) and was 2% below our estimates.
- Adj. EBITDA (excluding OBR costs) stood at INR115b (YoY/QoQ: +3% / +17%) against our est. of INR98b. The beat was due to lower than estimated operating expenses. Adj EBITDA/t stood at INR587 (-2% YoY/ +20% QoQ) against our est. of INR497/t.
- APAT came in at INR110b (YoY/QoQ: +4% / +26%) against our estimate of INR74b. This was mainly on account of the EBITDA beat and higher-than-expected OBR reversal.
- Production for 1QFY25 stood at 189mt (YoY/QoQ: +8%/ -22%). The QoQ decline in volumes was due to seasonal weakness in mining operations. Volume offtake for 1QFY25 stood at 197mt (YoY/QoQ: +5%/ -3%).
- The company in Feb'24 approved the change in accounting policy on stripping activity, which the group was consistently following in the case of open-cast mining with a rated capacity of 1MTPA or more. The effect of the same has been provided in 1QFY25, 4QFY24, and the previous financials have been restated by the company to this effect.
- COAL started its non-coking coal washery operations with a capacity of 10MTPA from mid-April'24, incurring a total cost of INR3.98b.
- COAL stood as a preferred bidder for MP's Khattali Chotti graphite block.
- Bharat Coal Gasification & Chemicals Limited (BCGCL) was incorporated as a new subsidiary for the coal gasification business during May'24.

Valuation and view

- COAL supplies ~90% of its production to the power sector (including CPPs), and thermal power accounts for +80% of total power generated in India.
- To meet the increasing coal requirements of the power sector, COAL has made a long-term commitment via FSA agreements and BLCs. It targets to achieve a production of 838mt in FY25, with dispatches under e-auction at ~15% of total volumes.
- With a robust volume outlook, healthy e-auction premiums, and lower costs, the outlook for COAL remains positive. We largely maintain our EBITDA for FY25E and FY26E. We, however, raise our PAT estimates for FY25/FY26 by 11% and 3%, majorly on account of higher than expected OBR reversals. **The stock is trading at 4.7x FY26E EV/EBTIDA. We reiterate our BUY rating with a revised TP of INR600, valuing the stock at 6x EV/EBITDA on FY26E. COAL remains our top pick in the metals and mining sector.**

Consolidated quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales	**360**	**328**	**362**	**374**	**365**	**346**	**384**	**402**	**1,423**	**1,497**	**364**	**0**
Change YoY (%)	2.5	9.8	2.8	-1.9	1.3	5.4	6.3	7.4	2.9	5.2		
Change QoQ (%)	-5.7	-8.9	10.3	3.5	-2.5	-5.2	11.3	4.5				
Adj. EBITDA	**112**	**89**	**119**	**98**	**115**	**101**	**113**	**122**	**418**	**451**	**98**	**18**
Change YoY (%)	-12.4	10.9	6.2	14.0	3.4	13.1	-5.4	24.3	3.0	7.9		
Change QoQ (%)	29.3	-20.3	34.2	-17.5	17.3	-12.8	12.2	8.4				
EBITDA per ton	**597**	**512**	**624**	**488**	**587**	**533**	**535**	**556**	**555**	**553**	**497**	**18**
Depreciation	15	16	16	20	20	20	20	21	67	81	20	
OBR	(24)	(11)	(11)	(15)	(28)	(17)	(15)	(15)	(61)	(74)	(7)	
Interest	2	2	2	2	2	3	3	3	8	10	3	
Other Income	15	20	22	22	19	16	16	12	80	62	15	
EO Inc/(Exp)	-	-	-	-	-	-	-	-	-	-	-	
PBT after EO	**134**	**103**	**133**	**114**	**141**	**110**	**120**	**126**	**484**	**497**	**97**	**45**
Tax	29	23	35	28	32	28	30	31	114	120	24	
Tax Rate (%)	21.5	22.3	26.1	24.6	22.8	25.0	25.0	24.3	23.7	24.2	25.0	
PAT before MI & Asso.	**105**	**80**	**99**	**86**	**109**	**83**	**90**	**95**	**369**	**377**	**73**	**50**
MI	**(0)**	**0**	**0**	**(0)**	**(0)**	**-**	**-**	**-**	**(0)**	**(0)**		
Sh. of Assoc.	**(0)**	**1**	**3**	**1**	**1**	**1**	**1**	**2**	**4**	**5**		
PAT After MI & Asso.	**105**	**81**	**101**	**87**	**110**	**84**	**92**	**97**	**374**	**382**	**74**	
Adjusted PAT	**105**	**81**	**101**	**87**	**110**	**84**	**92**	**97**	**374**	**382**	**74**	**49**
Change YoY (%)	19.2	33.4	30.6	26.3	4.1	4.0	-9.6	11.3	17.8	2.0		
Change QoQ (%)	53.1	-23.4	25.7	-14.3	26.2	-23.5	9.2	5.5				

Source: MOFSL, Company

Note - COAL opted for a change in accounting policy on stripping activity (OBR expense), which it was following in the case of opencast mining with a rated capacity of 1MTPA or more. In 1Q FY25 and 4QFY24, COAL provided for the effect of this change and restated previous financials.

Ambuja Cements

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	ACEM IN
Equity Shares (m)	2463
M.Cap.(INRb)/(USDb)	1674.8 / 20
52-Week Range (INR)	707 / 404
1, 6, 12 Rel. Per (%)	-2/7/21
12M Avg Val (INR M)	2117
Free float (%)	29.7

Consol. Financial Snapshot (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	347.8	419.7	474.4
EBITDA	67.8	95.9	115.6
Adj. PAT	31.1	44.8	53.9
EBITDA Margin (%)	19.5	22.8	24.4
Adj. EPS (INR)	12.6	18.2	21.9
EPS Gr. (%)	-9.1	44.0	20.3
BV/Sh. (INR)	224	240	258
Ratios			
Net D:E	-0.5	-0.3	-0.3
RoE (%)	6.4	7.8	8.8
RoCE (%)	7.1	9.5	10.6
Payout (%)	15.9	16.5	18.3
Valuations			
P/E (x)	46.0	31.9	26.5
P/BV (x)	2.6	2.4	2.2
EV/EBITDA(x)	23.9	18.0	14.6
EV/ton (USD)	230	190	177
Div. Yield (%)	0.3	0.4	0.6
FCF Yield (%)	0.2	1.1	3.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	70.3	66.7	63.2
DII	13.3	14.5	14.4
FII	9.6	11.2	12.5
Others	6.8	7.7	9.9

FII Includes depository receipts

CMP: INR680 TP: INR800 (18%) Buy

Weak realizations drag profitability

Penna acquisition to be completed in 2QFY25E

- Ambuja Cements (ACEM)'s 1QFY25 performance was below our estimate due to weak realizations. Its standalone EBITDA declined 32% YoY (11% miss), and EBITDA/t stood at INR695 vs. our estimate of INR774. Adj. PAT declined 10% YoY to INR5.8b (vs. our est. of INR4.8b, mainly led by higher other income). Consol. volume grew 3% YoY in 1QFY25. However, consol. EBITDA declined 23% YoY to INR12.8 and EBITDA/t was down 25% YoY to INR810.
- ACEM reiterated its capacity target of 140mtpa and cost reduction targets of INR530/t by FY28. The acquisition process of Penna is at an advance stage and likely to be completed in 2QFY25. ACEM expects cement demand to grow 7-9% YoY in FY25, and cement prices to improve post-monsoon.
- We cut our consol. EBITDA/PAT estimates by 8% (each) for FY25 due to pricing pressure, while we maintain our FY26E/FY27E earnings. ACEM trades at 18x FY26E EV/EBITDA (consolidated). **We upgraded ACEM from Neutral to BUY** in our Thematic report given its value-accretive acquisitions and ambitious organic expansion plan.

Consolidated volume rises 3% YoY; opex/t declines 3% YoY

- ACEM's standalone revenue/EBITDA/Adj. PAT stood at INR45.2b/INR6.5b/INR5.8b (down 5%/32%/10% YoY and down 3%/11%/up 22% vs. our est.) in 1QFY25. Sales volume up 2% YoY to 9.3mt (in line).
- Realization/t declined 7% YoY (3% below our estimate). Opex/t was flat YoY/QoQ (in line). Freight costs/other expenses/t down 5%/2% YoY. However, variable cost/t rose 4% YoY (down 1% QoQ). EBITDA/t declined 34% YoY to INR695. OPM contracted 5.8pp YoY to 14.3%. Depreciation/interest cost grew 6%/3%, while 'Other Income' grew 122% YoY.
- Consol. revenue/EBITDA/Adj. PAT stood at INR83.1b/INR12.8b/INR6.5b (down 5%/23%/29% YoY) in 1QFY25. Sales volume up ~3% YoY to 15.8mt. Realization declined 7% YoY to INR5,260 and EBITDA/t declined 25% YoY to INR810. Opex/t declined 3% YoY to INR4,450.

Highlights from the management commentary

- The share of WHRS in power mix rose to 15.1% from 11.5%. It is focusing on increasing AFR to ~27% by FY28, which has improved to 9.3% vs. ~7%.
- Kiln fuel cost declined to INR1.73/kcal vs. INR2.08/INR1.84 YoY/QoQ. The premium products as a % of trade volume increased 200bp YoY to ~24%.
- Consol. capex was pegged at INR100b for the expansions (including Penna acquisition), cost efficiency, and maintenance capex. It expects cash and cash equivalent to be around INR100b by FY25-end.

Valuation and view

- ACEM's performance in 1QFY25 was below our estimates due to lower-than-estimated realization. However, it is continuously focusing on cost reduction through increasing green power share, logistic optimization via lead distance reduction, and warehouse and rail-road mix optimization.
- **We upgraded ACEM from neutral to BUY** in our Thematic report given its value-accretive acquisitions and ambitious organic expansion plan. The stock trades at 18x FY26E EV/EBITDA (consolidated). We value ACEM at 20.0x Jun'26E EV/EBITDA to arrive at our TP of INR800. **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	(%)
Net Sales	**47.3**	**39.7**	**44.4**	**47.8**	**45.2**	**40.4**	**47.6**	**55.3**	**179.2**	**188.5**	**46.6**	(3)
Change (YoY %)	18.4	8.0	7.5	12.3	-4.5	1.7	7.2	15.7	-10.3	5.2	-1.5	
EBITDA	**9.5**	**7.7**	**8.5**	**8.0**	**6.5**	**5.3**	**9.4**	**12.7**	**33.7**	**33.8**	**7.2**	(11)
Margin (%)	20.1	19.5	19.2	16.7	14.3	13.2	19.7	22.9	18.8	17.9	15.5	(121)
Depreciation	2.3	2.3	2.3	2.4	2.5	2.5	2.5	2.9	9.4	10.3	2.5	(2)
Interest	0.4	0.4	0.5	0.3	0.4	0.4	0.3	0.1	1.6	1.2	0.3	24
Other Income	1.9	3.8	1.1	1.8	4.2	3.6	1.8	2.0	8.5	11.6	2.0	109
PBT before EO Item	**8.7**	**8.8**	**6.8**	**7.0**	**7.8**	**6.1**	**8.3**	**11.7**	**31.2**	**33.9**	**6.4**	22
Extraordinary Inc./(Exp.)	0.0	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	-0.2	-0.1	0.0	
PBT after EO Exp./(Inc.)	**8.7**	**8.8**	**6.8**	**6.8**	**7.7**	**6.1**	**8.3**	**11.7**	**31.1**	**33.8**	**6.4**	20
Tax	2.2	2.4	1.7	1.5	2.0	1.6	2.1	2.7	7.7	8.4	1.6	
Prior period tax adj. and reversal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Rate (%)	25.6	26.8	24.5	21.8	25.7	25.6	25.6	23.4	24.9	24.9	25.6	
Reported Profit	**6.4**	**6.4**	**5.1**	**5.3**	**5.7**	**4.5**	**6.2**	**8.9**	**23.3**	**25.4**	**4.8**	20
Adjusted PAT	**6.4**	**6.4**	**5.1**	**5.4**	**5.8**	**4.5**	**6.2**	**8.9**	**23.5**	**25.5**	**4.8**	22
Change (YoY %)	(28.2)	328.5	23.8	(3.3)	(10.0)	(29.4)	20.3	64.1	(6.9)	8.5	(26.0)	

Per tonne analysis

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Volume	9.1	7.6	8.2	9.5	9.30	8.37	9.37	10.63	34.4	37.5	9.3	(0)
Change (YoY %)	23	8	6	18	2	10	14	12	14	9	3	
Blended Realization	**5,209**	**5,235**	**5,414**	**5,016**	**4,856**	**4,826**	**5,076**	**5,204**	**5,209**	**5,026**	**4,986**	(3)
Change (YoY %)	-3.6	0.3	1.2	-4.9	-6.8	-7.8	-6.2	3.7	-1.5	-3.5	-4.3	
Raw Material	1,067	958	1,375	1,545	1,480	1,412	1,322	1,297	1,201	1,405	1,380	7
Staff Cost	187	196	167	138	149	168	152	135	171	150	143	4
Power and fuel	1,290	1,273	1,047	932	978	990	1,010	1,017	1,129	1,005	1,020	(4)
Freight	1,153	1,124	1,114	1,098	1,095	1,085	1,080	1,073	1,122	1,088	1,100	(0)
Other expenditure	468	663	673	466	459	534	514	490	607	500	570	(19)
Total cost	**4,164**	**4,215**	**4,376**	**4,179**	**4,161**	**4,189**	**4,078**	**4,012**	**4,229**	**4,149**	**4,212**	(1)
EBITDA	**1,045**	**1,020**	**1,038**	**837**	**695**	**637**	**998**	**1,192**	**980**	**877**	**774**	(10)

Consolidated quarterly performance (INR b)

Y/E December	FY24				FY25				FY24	FY25E	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			(%)	(%)
Sales Volume (m ton)*	15.4	13.1	14.1	16.6	15.8	13.8	15.8	19.0	59.2	64.3	3	(5)
YoY Change (%)	9	2	3	18	3	5	12	14	35	9		
Cement Realization (INR/ton)	5,658	5,667	5,765	5,368	5,260	5,315	5,565	5,466	5,601	5,408	(7)	(2)
YoY Change (%)	(1)	2	(0)	(5)	(7)	(6)	(3)	2	(1)	(3)		
QoQ Change (%)	0	0	2	(7)	(2)	1	5	(2)				
Net Sales	**87.1**	**74.2**	**81.3**	**88.9**	**83.1**	**73.1**	**87.9**	**103.6**	**331.6**	**347.8**	(5)	(7)
YoY Change (%)	8.5	4.1	2.8	11.6	-4.6	-1.5	8.1	16.5	-14.8	4.9		
EBITDA	**16.7**	**13.0**	**17.3**	**17.0**	**12.8**	**12.0**	**18.2**	**24.7**	**64.0**	**67.8**	(23)	(25)
Margins (%)	19.1	17.5	21.3	19.1	15.4	16.5	20.7	23.8	19.3	19.5	(373)	(370)
Depreciation	3.7	3.8	4.2	4.5	4.7	5.1	5.2	5.8	16.2	20.7	26	3
Interest	0.5	0.6	0.7	0.9	0.7	1.3	1.4	1.0	2.8	4.4	30	(27)
Other Income	2.6	4.8	1.9	2.3	3.5	5.2	2.5	3.1	11.7	14.4	35	52
PBT before JV profit/(Loss)	**15.1**	**13.4**	**14.4**	**13.9**	**11.0**	**10.9**	**14.2**	**21.1**	**56.4**	**56.9**	(27)	(21)
Share of JV profit	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.2	(36)	(1)
PBT before EO	**15.1**	**13.4**	**14.5**	**13.9**	**11.0**	**10.9**	**14.3**	**21.1**	**56.9**	**57.4**	(27)	(21)
Extraordinary Inc/(Exp)	0.0	0.0	0.0	-2.1	0.0	0.0	0.0	0.0	-2.1	0.1		
PBT after EO Exp/(Inc)	**15.1**	**13.4**	**14.4**	**11.7**	**11.0**	**10.9**	**14.2**	**21.1**	**54.3**	**57.0**	(27)	(6)
Tax	3.8	3.5	3.6	0.8	3.1	2.9	3.8	5.4	11.6	15.3		
Rate (%)	25.0	26.4	24.9	6.4	28.5	26.7	26.7	25.8	21.4	26.8		
Reported Profit	**11.4**	**9.9**	**10.9**	**15.3**	**7.9**	**8.0**	**10.5**	**15.7**	**47.4**	**42.1**	(30)	(48)
Minority Interest	2.3	1.9	2.7	4.7	1.4	1.7	3.1	4.7	11.6	11.0		
PAT after MI	**9.1**	**7.9**	**8.2**	**5.3**	**6.5**	**6.3**	**7.4**	**11.0**	**30.5**	**31.1**	(29)	21

GAIL

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	GAIL IN
Equity Shares (m)	6575
M.Cap.(INRb)/(USDb)	1584.4 / 18.9
52-Week Range (INR)	246 / 112
1, 6, 12 Rel. Per (%)	6/25/76
12M Avg Val (INR M)	4095

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	1,306.4	1,382.5	1,399.9
EBITDA	134.8	146.2	160.7
Adj. PAT	90.2	100.5	111.5
Adj. EPS (INR)	13.7	15.3	17.0
EPS Gr. (%)	70.1	11.5	10.9
BV/Sh.(INR)	101.8	110.9	121.1
Ratios			
Net D:E	0.2	0.2	0.2
RoE (%)	15.0	15.0	15.2
RoCE (%)	11.9	11.7	11.7
Payout (%)	40.1	40.1	40.1
Valuations			
P/E (x)	14.9	13.4	12.1
P/BV (x)	2.0	1.8	1.7
EV/EBITDA (x)	8.6	7.8	7.0
Div. Yield (%)	2.4	2.6	2.9
FCF Yield (%)	3.1	2.3	3.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.5	51.5	51.5
DII	25.6	27.0	25.8
FII	15.8	14.8	16.7
Others	7.1	6.7	6.0

FII Includes depository receipts

CMP: INR241 TP: INR275 (+14%) Buy

Transmission and marketing drive 1Q performance

- GAIL reported EBITDA of INR45.3b in 1QFY25, 32% above our estimate, and resultant PAT came in 21% above our estimates. The beat was driven by a robust physical performance in gas transmission segment and increased natural gas marketing volumes in domestic market. This was marginally offset by weak performance in petchem, LPG and Liq. HC segments.
- GAIL anticipates robust domestic gas demand, projecting gas transmission volumes to reach 132/142/152mmscmd by end of FY25/FY26/FY27. For the trading segment, the management guides EBIT of at least INR45b in FY25. For petchem, the management is hopeful of healthy FY25 profitability.
- Other key takeaways from the earnings call: 1) recent increase in LPG tariffs will generate INR1.2-1.4b p.a. incremental PBT for GAIL; 2) Ex-Apr'24, polymer segment volumes stand at 105% utilization, in line with FY25 target volume; 3) expected completion of 5,465km of pipeline projects and 60ktpa Polypropylene plant at Pata in FY25.
- We raise our FY25/FY26 earnings estimates by 16%/6% as we 1) increase trading EBIT to INR55b/INR53b in FY25/FY26 (from INR36b/INR47b earlier) after a strong 1Q performance, and 2) build in the impact of impending tariff hike in LPG pipelines. We value the core business at 15x FY26E adj. EPS of INR15.3. Adding the value of listed and unlisted investments of INR46, we arrive at a TP of INR275. Maintain BUY.

Strong transmission momentum; trading gains drive EBITDA/PAT beat

- EBITDA was up 73% YoY at INR45.3b (32% above our est. of INR34.4b).
  - The beat was driven by stronger-than-expected performances in the gas transmission and natural gas marketing segments, partially offset by weaker-than-expected performance in the Petchem, LPG, and Liq. HC segments.
- PAT rose 71% YoY to INR27.2b (21% above our est. of INR22.5b), despite lower other income and higher DDA vs. our estimates.
- Natural gas transmission volume stood at 131.8mmscm (vs. our est. of 124.1mmscm; 123.7mmscm in 4QFY24), likely driven by strong power demand-related LNG imports, in our view.
- Petchem sales declined 30% QoQ to 169tmt (vs. our est. of 212.6mmscm), leading to petchem segment slipping into an operating loss.

Segmental EBIT details for 1QFY25:

- Gas transmission business posted EBIT of INR14.5b (up 41% YoY; our est. of INR12.5b).
- LPG transmission EBIT stood at INR808m (in line YoY).
- Marketing business posted EBIT of INR20.3b (up 101% YoY; our est. of INR11.5b).
- Petchem segment posted an EBIT loss of INR415m (vs. EBIT loss of INR3b in 1QFY24; our est. of INR1.7b).
- LPG and HC reported EBIT of INR1.7b (up 10% YoY).
- In 1QFY25, GAIL incurred a capex of INR16.6b (21% of annual capex target of INR80.4b), primarily on pipelines, petrochemicals and equity to JVs.

Valuation and view

- We reiterate our BUY rating on GAIL with a TP of INR275. During FY24-26E, we estimate an 11% CAGR in PAT driven by:
  - An increase in natural gas transmission volumes to 140mmscmd in FY26 from 120mmscmd in FY24;
  - Substantial improvement in petchem segment's profitability over 2HFY25- FY26 as new petchem capacity will be operational and low inventories globally will drive re-stocking demand thus improving spreads; and
  - Healthy trading segment profitability with expected EBIT of INR45b.
- We expect GAIL's ROE to improve to ~15% in FY26 from 9.5% in FY23 with healthy FCF generation of INR46b in FY26 (vs. -INR45.3b in FY23), which we believe can drive a re-rating for the stock. **Reiterate BUY.**

Standalone quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**324.1**	**318.2**	**342.5**	**323.3**	**336.7**	**340.1**	**340.6**	**365.1**	**1,308.2**	**1,382.5**	**325.4**	**3%**
Change (%)	-13.7	-17.3	-3.2	-1.6	3.9	6.9	-0.6	12.9	-9.3	5.7	0.4	
EBITDA	**26.1**	**34.9**	**38.2**	**35.6**	**45.3**	**36.7**	**37.5**	**26.7**	**134.8**	**-330.2**	**34.4**	**32%**
% of Net Sales	8.1	11.0	11.2	11.0	13.4	10.8	11.0	7.3	10.3	-23.9	10.6	
Depreciation	6.4	7.5	7.8	11.6	10.5	10.5	10.5	3.7	33.3	35.2	8.7	
Interest	1.8	1.7	1.6	1.9	2.1	1.6	1.4	1.3	7.0	6.3	1.6	
Other Income	2.7	5.6	8.1	6.4	3.7	6.0	5.5	9.2	22.8	24.4	6.1	
PBT	**20.7**	**31.3**	**36.9**	**28.4**	**36.4**	**30.7**	**31.1**	**31.0**	**117.3**	**-347.3**	**30.3**	**20%**
Rate (%)	23.0	23.2	23.0	23.4	25.2	25.6	25.6	11.8	23.2	-8.2	25.6	
PAT	**15.9**	**24.0**	**28.4**	**21.8**	**27.2**	**22.8**	**23.1**	**27.3**	**90.2**	**-376.0**	**22.5**	
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	-5.0	-18.7	25.4	70.1	-516.9	41.5	
Extraord.: Tax Prov. Write Back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adj PAT	**15.9**	**24.0**	**28.4**	**21.8**	**27.2**	**22.8**	**23.1**	**27.3**	**90.2**	**100.5**	**22.5**	**21%**
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	-5.0	-18.7	25.4	70.1	11.5	41.5	
Key Assumptions												
Gas Trans. volume (mmscmd)	116.3	120.3	121.5	123.7	131.8	128.5	129.7	129.0	120.5	129.7	124.1	6%
Petchem sales ('000MT)	162.0	168.0	215.0	242.0	169.0	212.6	212.6	256.3	787.0	212.6	212.6	-21%

31 July 2024

1QFY25 Results Update | Sector: Real Estate

Macrotech Developers

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	LODHA IN
Equity Shares (m)	995
M.Cap.(INRb)/(USDb)	1302.2 / 15.6
52-Week Range (INR)	1650 / 641
1, 6, 12 Rel. Per (%)	-17/7/46
12M Avg Val (INR M)	1490

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	103.2	138.3	181.1
EBITDA	26.8	36.7	51.6
EBITDA (%)	25.9	26.5	28.5
Net profit	16.3	22.5	34.0
EPS (INR)	16.9	23.4	35.3
EPS Growth (%)	6.0	38.3	51.0
BV/Share (Rs)	183.5	204.6	237.6
Ratios			
Net D/E	0.3	0.3	0.2
RoE (%)	10.7	12.1	16.0
RoCE (%)	8.6	9.9	13.2
Payout (%)	14.4	9.9	6.6
Valuations			
P/E (x)	78.1	56.5	37.4
P/BV (x)	7.2	6.5	5.6
EV/EBITDA (x)	49.4	36.2	25.4
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	72.1	72.2	75.0
DII	3.0	3.3	4.1
FII	24.2	23.8	19.8
Others	0.7	0.7	1.1

CMP: INR1,328 TP: INR1,770 (+34%) Buy

Steady bookings; BD momentum intact

Reiterates guidance of 20% growth in bookings

- LODHA recorded bookings of INR40b (in line) in 1QFY25, up 20% YoY. Adjusted for land sales of INR5b, residential bookings were up 10% YoY at INR35b.
- Sales volumes decreased 14% YoY to 2.4msf, but blended realization rose 29% YoY due to decreased contributions from township and eastern suburbs to 17% vs. TTM average of 28%. Among its key markets, western suburbs and Pune outperformed, with 2x YoY growth in pre-sales.
- In line with its medium-term target, the company expects to deliver 20% growth in pre-sales to INR175b in FY25. The growth will be largely driven by ~INR300b of ready and ongoing inventory and 11msf of launches with a GDV of ~INR150b (vs. initial guidance of INR121b).
- **Financial Performance:** LODHA reported revenue of INR28b, up 76% YoY (18% below estimate). EBITDA (excl. other income) increased 129% YoY to INR10.5b (19% above our estimate), as margin improved by 600bp YoY to 26.6%. PAT came in at INR4.8b, up 166% YoY, with margin of 17%.

Comfortable debt level despite continued BD spending

- Collections increased 12% YoY to INR27b. However, LODHA reported a 20% YoY decline in OCF to INR7b due to increased outflow on construction.
- Additionally, LODHA spent INR18b on land acquisition and JV-related investments as it added INR111b worth of new projects (50% of full-year guidance) in 1QFY25. As a result, net debt increased to INR43b (vs. INR41b in 4QFY24), with net D/E of 0.24x – well below the ceiling of 0.5x.

Key concall highlights

- **Demand:** LODHA noted that demand has been consistent across segments and a premiumization trend is emerging. The company had 24k footfalls with 8.2% conversion vs. 7.3% in 1QFY24.
- **Market diversification:** LODHA is approaching the end of its pilot phase in Bengaluru with the success of two projects. The management is now evaluating new city that can be a potential market for LODHA and will decide by end of FY25. Within MMR, the company has strong presence in north Thane and intends to penetrate the southern region with recent acquisitions.
- **Township projects:** The Airoli freeway is expected to open in FY25 and the Navi Mumbai airport in FY26. LODHA intends to benefit from improved connectivity by developing premium housing at Palava in addition to mid-income development currently underway. In FY25, LODHA targets 20% growth in bookings from township projects.

Valuation and view: Well placed to deliver consistent growth; retain BUY

- LODHA has been delivering a steady performance across its key parameters of pre-sales, cash flows, business development, profitability, and return ratios over the last two years.
- As it prepares to capitalize on the strong growth and consolidation opportunities, we expect this consistency in operational performance to continue.
- At Palava, the company indicates a development potential of 600msf on ~4,300-acre land. However, we assume a portion of that land to be monetized as industrial land sales. We value 250msf of residential land to be monetized over the next three decades at INR515b.
- We use the DCF-based method for ex-Palava residential segment and arrive at a value of ~INR1,115b, assuming WACC of 11% and a terminal growth rate of 5%. **Reiterate BUY with an unchanged TP of INR1,770, indicating 34% upside potential.**

Financial Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%/bp)
Gross Sales	**16,174**	**17,496**	**29,306**	**40,185**	**28,465**	**31,124**	**33,199**	**45,540**	**1,03,161**	**1,38,327**	**34,582**	**-18**
YoY Change (%)	-40	-1	65	23	76	78	13	13	8.9	34.1	113.8	
Total Expenditure	12,874	13,335	20,479	29,716	20,897	23,446	24,650	32,677	76,404	1,01,670	25,245	
EBITDA	**3,300**	**4,161**	**8,827**	**10,469**	**7,568**	**7,677**	**8,549**	**12,863**	**26,757**	**36,657**	**9,337**	**-19**
Margins (%)	20.4	23.8	30.1	26.1	26.6	24.7	25.8	28.2	25.9	26.5	27.0	
Adj. EBITDA (as per co.)	**4,600**	**5,500**	**10,800**	**13,400**	**9,600**	**7,677**	**8,549**	**12,863**	**72,989**	**38,689**	**9,337**	**3**
Margins (%)	28.4	31.4	36.9	33.3	33.7	24.7	25.8	28.2	70.8	28.0	27.0	
Depreciation	240	293	333	1,173	604	410	437	371	2,039	1,822	222	
Interest	1,241	1,231	1,168	1,158	1,172	1,113	1,002	1,031	4,798	4,319	1,100	**7**
Other Income	544	55	281	654	718	400	400	417	1,534	1,935	490	**47**
PBT before EO expense	**2,363**	**2,692**	**7,607**	**8,792**	**6,510**	**6,554**	**7,509**	**11,878**	**21,454**	**32,451**	**8,505**	**-23**
Extra-Ord expense	0	0	1,049	0	0	0	0	0	-1,049	0	0	
PBT	**2,363**	**2,692**	**6,558**	**8,792**	**6,510**	**6,554**	**7,509**	**11,878**	**20,405**	**32,451**	**8,505**	**-23**
Tax	556	624	1,439	2,115	1,747	1,966	2,253	3,769	4,734	9,735	2,551	
Rate (%)	23.5	23.2	21.9	24.1	26.8	30.0	30.0	31.7	0.2	0.3	30.0	
MI & Profit/Loss of Asso. Cos.	15	40	67	7	4	41	43	92	180	180	45	
Reported PAT	**1,792**	**2,028**	**5,052**	**6,670**	**4,759**	**4,547**	**5,213**	**8,016**	**15,491**	**22,536**	**5,908**	**-19**
Adj PAT (as per co.)	**1,700**	**2,100**	**5,700**	**6,670**	**4,800**	**4,547**	**5,213**	**8,016**	**16,170**	**22,577**	**5,908**	**-19**
YoY Change (%)	42	-43	90	-11	182	117	-9	20	5.2	39.6	247.5	
Margins (%)	10.5	12.0	19.4	16.6	16.9	14.6	15.7	17.6	15.7	16.3	17.1	-22bp

Operational Performance

Key metrics	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%/bp)
Sale Volume (msf)	2.8	2.6	2.6	3.3	2.4	3.1	3.2	3.7	10.9	12.4	3.2	**-25**
Sale Value (INRb)	33.5	35.3	34.1	42.3	40.3	42.4	42.6	52.5	144.5	165.2	40.0	**1**
Collections (INRb)	24.0	27.5	25.9	35.1	26.9	34.4	32.4	43.8	106.8	137.4	30.0	**-10**
Realization (INR/sft)	11,429	13,308	12,192	12,394	14,708	13,500	13,500	14,132	13,223	13,311	12,500	**18**

Bank of Baroda

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BOB IN
Equity Shares (m)	5171
M.Cap.(INRb)/(USDb)	1311.7 / 15.7
52-Week Range (INR)	300 / 186
1, 6, 12 Rel. Per (%)	-12/-12/-1
12M Avg Val (INR M)	4845

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	447.2	472.8	522.4
OP	309.7	320.7	373.7
NP	177.9	194.3	220.7
NIM (%)	3.1	2.9	2.9
EPS (INR)	34.4	37.5	42.6
EPS Gr. (%)	26.1	9.2	13.6
BV/Sh. (INR)	211	241	274
ABV/Sh. (INR)	194	224	256
Ratios			
RoE (%)	17.8	16.9	16.8
RoA (%)	1.2	1.2	1.2
Valuations			
P/E(X)	7.4	6.8	6.0
P/BV (X)	1.2	1.1	0.9
P/ABV (X)	1.3	1.1	1.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	64.0	64.0	64.0
DII	16.0	16.3	16.0
FII	11.5	12.4	12.3
Others	8.6	7.3	7.7

CMP: INR254 TP: INR290 (+14%) Buy

Earnings in line aided by lower provisions

Guides an RoA of 1.1%

- Bank of Baroda (BOB) reported a 1QFY25 PAT of INR44.6b (in line), up 9.5% YoY, driven by lower provisions. NIM contracted 9bp QoQ to 3.18% amid yield moderation and stable CoF.
- Provisions came in lower amid reversal in provision of standard as well as lower NPA provisions. Opex was lower, led by a dip in employee expenses.
- Business growth was soft, with a loan growth of 8.8% YoY (down 1.7% QoQ) and a deposit growth of 9% YoY (down 1.5% QoQ). CD ratio, thus, stood stable at 80.2%, while LCR increased to 138% (vs. 121% in 4Q).
- Slippages stood stable at 1.2%. GNPA declined 4bp QoQ to 2.88%, while NNPA stood largely flat at 0.69%. PCR declined marginally to 76.6%.
- We slightly reduce our FY25/FY26 EPS estimates by 1.8%/3.3% and estimate FY26E RoA/RoE at 1.2%/16.8%, respectively. **We reiterate our BUY rating on the stock with TP of INR290 vs. INR300 earlier.**

Business growth soft; BOB guides a lower credit cost of 0.75%

- PAT grew 9.5% YoY (down 8.8% QoQ) to INR44.6b, dragged by lower other income, which was partly offset by lower opex and lower provisions. NII stood in line, with NIMs contracting 9bp QoQ to 3.18%.
- Other income declined 25% YoY/ 41% QoQ to INR24.9 (30% miss), amid lower fee income and treasury income at IN0.88b (vs. INR5.19b in 4Q). Opex declined 12% QoQ (6.6% YoY, 6% lower than MOFSLe). PPoP, thus declined 12% QoQ to INR71.6b (8% miss on MOFSLe).
- Provisions declined by 48% YoY/ 22% QoQ to INR 10.1b/0.4%, while BOB expects the credit cost to remain contained at <0.75% annualized.
- Advances dipped 1.7% QoQ (up 9% YoY). Among segments, corporate book declined 6.4% QoQ (up 2.5% YoY), while retail loans grew at 3.5% QoQ (21% YoY). SME/Agri books both grew 0.4% QoQ each. In retail, home loans rose 2.6% QoQ, auto grew 4% QoQ, personal loans grew 3% QoQ, while gold grew at 38% QoQ during the quarter.
- Deposits too declined 1.5% QoQ (up 8.9% YoY), amid the seasonal outflow of CA deposits (12.7% QoQ decline), while SA book declined 2%. Domestic CASA mix thus stood at 40.6% (down 71bp QoQ), while the bulk deposits declined 10.7% QoQ.
- On the asset quality front, slippages were elevated at 1.2%. However, healthy recoveries, upgrades, and accelerated w-offs resulted in a modest decline of 4bp in the GNPA ratio to 2.88%, while the NNPA ratio was flat at 0.69%. PCR declined slightly to 76.6%, while SMA 1/2 increased 3bp QoQ to 18bp.
- RoA stood at 1.13% in 1Q, while RoE came in at 17.5%.

Highlights from the management commentary

- There is a reclassification benefit due to the RBI guidelines of ~INR20-INR30m and BOB has also reduced its bulk deposits in the current quarter.
- A dip in the treasury income is due to the new valuation norms by the RBI and led to a decline in operating profit.
- NIM moderated 9bp QoQ to 3.18% in 1QFY25. There has been some seasonal effect of the year-end recoveries, and excluding this, NIM would be ~3.15% for 4QFY24. Hence, the bank has been able to maintain a healthy margin.
- Bank maintains previous NIMs guidance of 3.15% (+/- 5bp).
- Credit cost guidance is less than 0.75%.

Valuation and view: Reiterate BUY with a TP of INR290

BOB reported a slightly weaker quarter, characterized by lower other income but offset by reduced opex and LLP. The bank saw lower provisions in the first quarter and guided credit costs of 0.75% for FY25, which should support the return ratios. Margin contracted 9bp QoQ, but after adjusting for one-off recoveries in the fourth quarter, NIMs improved by 3bp QoQ. Business growth was sluggish as the bank decreased its corporate book and reduced its reliance on bulk deposits to manage NIMs more efficiently. The outflow of CA deposits in the first quarter led to a decline in the CASA ratio. The bank anticipates steady growth in advances at 12-14%, which appears challenging given the overall system credit growth has slowed to 14%, while it aims to maintain its CD ratio at 80-82%. Slippages remained high due to increased retail slippages, which should be seasonal, while the NNPA ratio was ~0.7%. We cut our FY25/FY26 EPS estimates by 1.8%/3.3%, due to a slight reduction in loan growth estimates, while we expect lower provisions and a slight moderation in NIM. We estimate an FY26 RoA/RoE at 1.2%/16.8%. **Reiterate BUY with a revised TP of INR290 (premised on 1.1x FY26E ABV).**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
Net Interest Income	**110.0**	**108.3**	**111.0**	**117.9**	**116.0**	**114.6**	**119.2**	**123.1**	**447.2**	**472.8**	**116.2**	**0%**
% Change (YoY)	24.4	6.4	2.6	2.3	5.5	5.8	7.4	4.4	8.1	5.7	5.6	
Other Income	33.2	41.7	28.1	41.9	24.9	35.9	36.2	42.2	145.0	139.2	35.4	-30%
Total Income	**143.2**	**150.0**	**139.1**	**159.8**	**140.9**	**150.5**	**155.4**	**165.3**	**592.2**	**612.0**	**151.6**	**-7%**
Operating Expenses	64.9	69.8	69.0	78.8	69.3	71.5	73.1	77.4	282.5	291.3	73.9	-6%
Operating Profit	**78.2**	**80.2**	**70.2**	**81.1**	**71.6**	**79.0**	**82.2**	**87.8**	**309.7**	**320.7**	**77.7**	**-8%**
% Change (YoY)	72.8	33.0	-14.8	0.4	-8.5	-1.5	17.2	8.4	15.3	3.6	-0.7	
Provisions	19.5	21.6	6.7	13.0	10.1	16.8	15.0	18.2	60.8	60.2	16.2	-37%
Profit before Tax	**58.8**	**58.6**	**63.5**	**68.0**	**61.5**	**62.1**	**67.2**	**69.7**	**248.9**	**260.5**	**61.5**	**0%**
Tax	18.1	16.1	17.7	19.2	16.9	15.7	16.9	16.7	71.0	66.2	15.5	9%
Net Profit	**40.7**	**42.5**	**45.8**	**48.9**	**44.6**	**46.5**	**50.3**	**53.0**	**177.9**	**194.3**	**46.0**	**-3%**
% Change (YoY)	87.7	28.4	18.9	2.3	9.5	9.3	9.8	8.5	26.1	9.2	13.1	
Operating Parameters												
Deposit (INR b)	11,999	12,496	12,453	13,270	13,070	13,535	14,066	14,597	13,270	14,597	13,498	-3%
Loan (INR b)	9,635	9,980	10,241	10,658	10,479	10,882	11,329	11,777	10,658	11,777	10,870	-4%
Deposit Growth (%)	16.2	14.6	8.3	10.2	8.9	8.3	13.0	10.0	10.2	10.0	12.5	
Loan Growth (%)	20.5	19.3	15.0	13.3	8.8	9.0	10.6	10.5	13.3	10.5	12.8	
Asset Quality												
Gross NPA (%)	3.5	3.3	3.1	2.9	2.9	2.8	2.6	2.6	2.9	2.6	2.9	
Net NPA (%)	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.6	0.7	
PCR (%)	78.5	77.6	77.7	77.3	76.6	76.8	76.5	76.4	76.2	76.4	77.5	

E: MOFSL Estimates

Indus Towers

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	INDUSTOW IN
Equity Shares (m)	2695
M.Cap.(INRb)/(USDb)	1167.3 / 13.9
52-Week Range (INR)	453 / 157
1, 6, 12 Rel. Per (%)	11/80/126
12M Avg Val (INR M)	5907

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Net Sales	286.0	305.0	332.2
EBITDA	145.6	164.7	173.9
Adj. PAT	60.4	64.0	68.8
EBITDA Margin (%)	50.9	54.0	52.3
Adj. EPS (INR)	22.4	23.7	25.5
EPS Gr. (%)	151.1	5.9	7.7
BV/Sh. (INR)	100.3	124.1	149.6
Ratios			
Net D:E	0.2	0.0	-0.2
RoE (%)	25.1	21.2	18.7
RoCE (%)	23.0	21.9	19.6
Valuations			
EV/EBITDA (x)	8.3	7.1	6.4
P/E (x)	19.3	18.2	16.9
P/BV (x)	4.3	3.5	2.9
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	52.0	69.0	69.0
DII	17.0	9.9	4.5
FII	23.2	16.4	24.0
Others	7.8	4.7	2.5

FII Includes depository receipts

CMP: INR433 TP: INR395 (-9%) Neutral

Reversal in VIL provision improved EBITDA

- Indus Towers reported revenue growth of +2.6% QoQ in 1QFY25, led by strong tower/rental adds of 6.2k/6.4k and INR7.6b in provision write-back. As a result, EBITDA/PAT grew 11%/4% QoQ. Tower additions were led by only one operator, which led to a decline in average sharing factor (ASF).
- VIL's fund raise and network investment will benefit Indus in terms of towers /tenancy additions, which will improve the company's ASF and collection of past dues (INR46b). We broadly maintain our revenue/EBITDA estimates for FY25/FY26 and estimate 8%/7% growth in revenue/PAT over FY24-26E. We reiterate our Neutral rating.

Revenue picks up due to tower adds; ASF declines

- Revenue rose 2.6% QoQ to INR74b (in line), led by a 2.8% increase in towers. It added 6,174 towers (est. 6k adds) and 6,340 co-locations. ASF decreased slightly QoQ from 1.69x to 1.67x.
- EBITDA was up 11% QoQ at INR45b (17% beat) due to a reversal in VIL provisions for doubtful receivables of INR7.6b (vs. INR3.6b reversal in 4QFY24), aided by collections against past overdue.
- **Adj. EBITDA rose 1% QoQ to INR37.4b (in line), while margin declined 90bp QoQ to 50.7%** due to higher fuel costs (+210bp) amid seasonality, offset by reduction in other expenses (-120bp) due to reduction in rates and taxes.
- Depreciation/interest costs were stable at INR15.6b/INR4.6b, while interest income declined to INR476m (vs. INR3.4b QoQ). Consequently, PAT increased by 4% QoQ to INR19.3b (19% beat).
- OCF increased by 11% QoQ to INR36b, led by EBITDA growth. Capex declined by 26% QoQ to INR18.8b, led by a decline in tower adds QoQ. This led to FCF generation of INR17.5b (vs. INR7.3b QoQ). Hence, net debt declined by INR18.7b QoQ to INR23.8b.

Highlights from the management commentary

- **Opportunity:** Towers for Bharti are still being rolled out by the Indus, and 5G continues to be Indus' long-term prospect as loading income is expected to rise with 4.5L BTS throughout India.
- **Confident on VIL collection:** Indus has collected past overdue from VIL for the third consecutive quarter, while sustaining 100% collections against the monthly billings. Hence, it is confident about VIL collections, along with its network expansion plans.
- **VIL rollout:** The company is in discussion with VIL about when to rollout and with what combination of macro/leaner towers.
- **Competition:** Indus views the business as competitive and continues to gain market share (currently at 45-50% in India). Even despite pricing pressure in the past, the company has gained market share.

Valuation and view

- Indus could leverage the benefits of BHARTI's aggressive network densification and the rollout of 5G services. The new leaner sites (small cells) with sharing alternatives could support business economics, while there is a churn in tenancies.
- VIL's fund raise and network investment will benefit Indus in terms of towers and tenancy additions and will also provide comfort in the collection of past dues (INR46). VIL's financial stability after FY27 (after the end of moratorium) would be vital for Indus.
- However, for FY24-27, the increase in tenancy and tower additions would result in FCF generation, which will help Indus deleverage its balance sheet and maintain dividend payouts.
- We broadly maintain our revenue/EBITDA estimates for FY25/FY26 and estimate 8%/7% growth in revenue/PAT over FY24-26E.
- We arrive at a TP of INR395, implying an EV/tenancy ratio of INR2.4m and an EV/EBITDA ratio of 6x. We reiterate our Neutral rating on the stock.

Quarterly Performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. (%)
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	
Revenue from operations	71	71	72	72	74	75	77	79	286	305	74	-0.2
YoY Change (%)	2.6	-10.5	6.4	6.5	4.3	5.6	6.9	9.8	0.8	6.7	4.6	
Total Expenditure	36	37	36	31	29	37	37	38	140	140	36	-18.9
EBITDA	**35**	**34**	**36**	**41**	**45**	**38**	**40**	**41**	**146**	**165**	**38**	17.1
YoY Change (%)	53.8	21.7	208.3	18.6	29.4	12.4	11.2	1.5	50.6	13.1	10.6	
Depreciation	14	15	16	16	16	16	17	18	61	67	16	-3.2
Interest	4	2	0	1	4	4	4	4	7	15	2	101.3
Other Income	1	1	1	1	1	1	1	1	4	3	1	-54.5
PBT before EO expense	**18**	**17**	**21**	**25**	**26**	**19**	**20**	**21**	**81**	**86**	**22**	20.2
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**18**	**17**	**21**	**25**	**26**	**19**	**20**	**21**	**81**	**86**	**22**	20.2
Tax	5	5	5	6	7	5	5	5	21	22	5	
Rate (%)	25.5	25.9	25.8	25.5	25.7	25.2	25.2	25.2	25.7	25.3	25.2	
Reported PAT	**13**	**13**	**15**	**19**	**19**	**14**	**15**	**15**	**60**	**64**	**16**	19.4
Adj PAT	**13**	**13**	**15**	**19**	**19**	**14**	**15**	**15**	**60**	**64**	**16**	19.4
YoY Change (%)	182.4	48.5	-550.9	32.4	42.9	11.7	-3.7	-17.0	151.1	5.9	19.7	

E: MOFSL Estimates

Godrej Properties

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	895.2 / 10.7
52-Week Range (INR)	3403 / 1495
1, 6, 12 Rel. Per (%)	-4/21/59
12M Avg Val (INR M)	1873

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	30.4	34.7	36.9
EBITDA	-1.3	2.2	2.1
EBITDA (%)	-4.3	6.2	5.7
PAT	7.5	14.4	9.6
EPS (INR)	26.9	52.0	34.4
EPS Gr. (%)	113.1	132.6	28.0
BV/Sh. (INR)	359.5	411.5	445.9
Ratios			
Net D/E	0.6	0.6	0.5
RoE (%)	8	13	8
RoCE (%)	5	7	5
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	120	62	94
P/BV (x)	9	8	7
EV/EBITDA (x)	NM	448	456
Div Yield (%)	0	0	0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.5	58.5	58.5
DII	5.6	5.6	4.3
FII	29.9	29.7	28.9
Others	6.0	6.3	8.4

CMP: INR3,220 TP: 3,725 (+16%) Buy

A strong start to the year!

Pre-sales jump fourfold driven by new launches

- Godrej Properties (GPL) continued to witness strong demand momentum as it reported bookings of INR86.4b, which surged 4x YoY led by new launches.
- GPL launched INR86b worth of projects across 9.8msf of saleable area, of which 84% of the inventory was sold during the quarter and contributed to 88% in value in pre-sales.
- Sales volume too jumped 4x to 9msf, while realizations remained flat YoY at INR9,600/sqft. Bengaluru reported over 5x jump in sales and contributed 37% to overall volumes while NCR/MMR contributed 26%/22%.
- GPL launched ~30% of the planned launches in 1Q and has achieved 32% of FY25 pre-sales guidance of INR270b. Management reiterated both its FY25 launch (INR300b) and pre-sales guidance.
- **P&L Performance:** Revenue declined by 21% YoY to INR7.4b, but was 6% higher than our estimate. Gross margin was healthy at 33%; however, higher other expenses due to the launches led to an operating loss of INR1.2b. PAT jumped threefold to INR5.2b due to higher other income of INR9.6b. Other income included INR5b of one-off gains from stake sale and revaluation of investment in its office project “Godrej Two”.

Net debt rises due to increased investments on land

- GPL’s gross collections jumped 54% YoY to INR34b and led to over eight-fold jump in OCF (pre-interest and tax) to INR9.9b, despite a 16% growth in construction and other outflows.
- The company spent INR20b on new land investments and approvals, which resulted in a cash shortfall of INR13b and an increase in net debt to INR74.3b or 0.7x of equity (v/s 0.6x as of Mar’24).

Key highlights from the management commentary

- **Demand:** Management remains confident about the sustainability of the demand for a couple of years and highlighted that we are in the early-to-mid-stage of the cycle. GPL remains on track to meet or exceed its guidance for all key parameters
- **Business development:** GPL is selling faster than BD additions, and hence spending on new additions will remain elevated while maintaining strong balance sheet. Management is comfortable with gearing of 0.5-1x and sees enough opportunities to strengthen the pipeline. GPL will continue to be opportunistic for plotted opportunities and will be focused on 4 markets for group housing.
- **Collections:** The collections in 1Q are always slow and generally pick up during the year. The collection efficiency (payment received within 30 days of invoicing) was 94% in 1Q v/s industry norm of 60-70%. The thumb rule is to match the current year collections with the average of the last two years of pre-sales.

- **Margin:** GPL will continue to focus on margin improvement, and the margin in 1Q was slightly above the FY24 level. On an annual basis, the imputed margin will be around FY24 level, with an upward bias.

Valuation and view

- GPL started the year with a strong performance across key operational parameters of pre-sales and cash flows. With a strong launch pipeline, it remains on-track to achieve its full year pre-sales guidance. Thus, we maintain our FY25/FY26 pre-sales estimates unchanged.
- While gross margin has sustained at a healthy 35-40% for recognized projects in P&L, the higher scale of operations has led to a proportionately high overhead increase, leading to an operating loss. We expect sales booked in the last two years with a better margin profile and outright ownership will be recognized post-FY26, which will allay investor concerns.
- We believe GPL will continue to surprise on growth, cash flows, and margins, given its strong pipeline and healthy realizations, which have been the key investor concerns. **We reiterate our BUY rating with an increased TP of INR3,725, implying 16% potential upside.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	(%/bp)
Gross Sales	**9,360**	**3,430**	**3,304**	**14,261**	**7,390**	**5,211**	**8,685**	**13,454**	**30,356**	**34,741**	**6,948**	**6**
YoY Change (%)	282.6	107.8	68.4	-13.4	-21.05	51.93	162.84	-5.65	34.8	14.4	-25.8	
Total Expenditure	10,853	4,047	3,720	13,033	8,641	4,366	7,625	11,957	31,653	32,589	6,764	
EBITDA	**-1,493**	**-617**	**-416**	**1,228**	**-1,251**	**845**	**1,060**	**1,498**	**-1,297**	**2,152**	**185**	
Margins (%)	-15.9	-18.0	-12.6	8.6	-16.9	16.2	12.2	11.1	-4.3	6.2	2.7	
Depreciation	69	74	142	161	166	67	111	101	446	446	89	
Interest	297	480	430	315	408	801	865	1,130	1,521	3,204	897	
Other Income	3,299	2,621	2,179	4,887	9,605	2,915	3,886	3,026	12,986	19,432	3,081	
PBT before EO expense	**1,440**	**1,451**	**1,192**	**5,639**	**7,780**	**2,892**	**3,970**	**3,292**	**9,723**	**17,934**	**2,280**	**241**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**1,440**	**1,451**	**1,192**	**5,639**	**7,780**	**2,892**	**3,970**	**3,292**	**9,723**	**17,934**	**2,280**	**241**
Tax	592	388	319	1,230	1,974	673	1,121	716	2,529	4,484	567	
Rate (%)	41.1	26.7	26.8	21.8	25.4	23.3	28.2	21.7	26.0	25.0	24.9	
Minority Interest & P/L of Asso. Cos.	488	-336	-245	371	-618	150	250	1,217	277	999	200	
Reported PAT	**1,336**	**726**	**627**	**4,780**	**5,188**	**2,369**	**3,099**	**3,794**	**7,471**	**14,450**	**1,913**	**171**
Adj PAT	**1,336**	**726**	**627**	**4,780**	**5,188**	**2,369**	**3,099**	**3,794**	**7,471**	**14,450**	**1,913**	
YoY Change (%)	208.5	8.4	11.2	5.2	288.3	226.2	394.1	-20.6	20.3	93.4	43.2	
Margins (%)	14.3	21.2	19.0	33.5	70.2	45.5	35.7	28.2	24.6	41.6	27.5	
Operational Metrics												
Sale Volume (msf)	2.3	5.2	4.3	8.2	9.0	5.5	6.5	5.9	16	23	8.5	**6**
Sale Value (INRb)	23	50	57	95	86	55	65	63	225	270	85.0	**2**
Collections (INRb)	22	27	27	53	34	53	59	71	129	0	41.2	**-16**
Realization/sft	10,018	9,607	13,180	11,651	9,607	10,000	10,000	10,741	11,264	10,032	10,000	**-4**

Mankind Pharma

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MANKIND IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	812.5 / 9.7
52-Week Range (INR)	2490 / 1681
1, 6, 12 Rel. Per (%)	-9/-13/-10
12M Avg Val (INR M)	1580

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	103.3	114.3	127.8
EBITDA	25.4	29.3	33.6
Adj. PAT	19.1	21.8	25.0
EBIT Margin (%)	24.5	25.6	26.3
Cons. Adj. EPS (INR)	47.8	54.5	62.4
EPS Gr. (%)	38.5	14.1	14.6
BV/Sh. (INR)	233.7	274.8	322.5
Ratios			
Net D:E	-0.4	-0.5	-0.6
RoE (%)	22.8	21.4	20.9
RoCE (%)	22.8	21.4	20.9
Payout (%)	20.0	19.7	20.0
Valuations			
P/E (x)	42.5	37.3	32.5
EV/EBITDA (x)	32.0	27.5	23.2
Div. Yield (%)	0.5	0.5	0.6
FCF Yield (%)	2.7	4.7	4.6
EV/Sales (x)	7.8	7.0	6.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.9	74.9	76.5
DII	9.9	11.1	4.6
FII	11.6	9.9	4.2
Others	3.6	4.1	14.7

FII Includes depository receipts

CMP: INR2,028 TP: INR2,650 (+31%) Buy

Chronic therapies/exports drive earnings

Focused approach to strengthen the niche portfolio offerings

- Mankind Pharma (Mankind) delivered in-line 1QFY25 earnings. The overall growth in revenue was led by improved traction in chronic therapies (1.3x IPM growth in 1Q) and curated launches in the exports market. This was offset by delayed seasonality and the impact of product withdrawals in 1QFY25.
- We largely maintain our estimates for FY25/FY26. We value Mankind at 40x 12M forward earnings to arrive at our TP of INR2,650. While the outlook of Bharat Serum and Vaccines (BSV) remains exciting, we await clarity on further financial details to incorporate in the earnings model.
- We remain positive on Mankind on the back of: 1) consistent enhancement of portfolio with the addition of niche products through M&A as well as in-licensing, 2) better-than-industry growth in the prescription segment, and c) re-structuring in the consumer wellness segment. **Reiterate BUY.**

Segment mix benefit offset by higher opex on a YoY basis

- Sales grew 12% YoY to INR28.9b for the quarter (vs. est. INR28.3b). The domestic business (91% of sales) grew 8.9% YoY to INR26b for the quarter. Prescription business (Rx; 92% of domestic sales) rose 9.8% YoY to INR24b. The consumer business (8% of domestic sales) declined 1% YoY to INR2b. Exports (9% of sales) grew 61.9% YoY to INR2.6b.
- Gross margin expanded 370bp to 71.9% due to a change in the product mix and a decline in RM prices.
- EBITDA margin dipped 40bp to 25% due to the increase in employee costs/other expenses (up 50bp/360bp as a % of sales).
- Consequently, EBITDA grew 10% YoY to INR7.2b (vs. our est. of INR7.1b).
- Adj. PAT grew 17% YoY to INR5.7b (vs. our est. of INR5.4b).

Highlights from the management commentary

- Mankind guided 25-26% EBITDA margin for FY25
- The company has reduced the stockiest by almost 60% to channelize the efforts and enhance productivity. Mankind expects consumer healthcare business growth to improve going forward.
- Management indicated gross margin to sustain at ~70%.
- The Panacea business is at 30% EBITDA margin now, post-takeover and after the execution efforts by Mankind.
- Other expenses are higher despite adjusting for the one-time cost, due to launch of four new divisions.
- The volume growth in the prescription segment is muted at the industry level largely due to seasonality and the increased share of trade generics business. Further, the hospital prescription is not captured by IQVIA, affecting the volume growth at the industry level.
- Metro and tier 1 cities witnessed 9.6% YoY growth at industry level in the Rx segment. Mankind exhibited 10.6% YoY growth in the same space.

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Estimate	Var. %
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Gross Sales	**25,786**	**27,081**	**26,070**	**24,411**	**28,934**	**29,982**	**28,990**	**26,398**	**1,03,348**	**1,14,303**	**28,256**	2.4
YoY Change (%)	18.3	11.6	24.7	18.9	12.2	10.7	11.2	8.1	18.1	10.6	9.6	
Total Expenditure	19,238	20,254	20,004	18,500	21,697	22,037	21,365	19,943	77,996	85,041	21,135	
EBITDA	**6,548**	**6,827**	**6,065**	**5,911**	**7,238**	**7,945**	**7,624**	**6,455**	**25,351**	**29,262**	**7,120**	1.6
YoY growth %	34.5	9.9	29.7	30.7	10.5	16.4	25.7	9.2	25	15	**9**	
Margins (%)	25.4	25.2	23.3	24.2	25.0	26.5	26.3	24.5	24.5	25.6	25.2	
Depreciation	874	965	1,097	1,047	1,077	1,075	1,085	1,065	3,983	4,302	1,065	
Interest	63	86	92	94	109	78	70	48	335	305	90	
Other Income	586	600	701	921	1,006	732	752	460	2,809	2,950	712	
PBT before EO expense	**6,197**	**6,375**	**5,577**	**5,692**	**7,057**	**7,524**	**7,221**	**5,802**	**23,842**	**27,604**	**6,677**	5.7
Extra-Ord expense	0	0	0	0	420	0	0	0	0	420	0	
PBT	**6,197**	**6,375**	**5,577**	**5,692**	**6,637**	**7,524**	**7,221**	**5,802**	**23,842**	**27,184**	**6,677**	
Tax	1,303	1,298	1,025	950	1,246	1,422	1,386	1,508	4,576	5,563	1,215	
Rate (%)	21.0	20.4	18.4	16.7	18.8	18.9	19.2	26.0	19.2	20.5	18.2	
Minority Interest & Profit/Loss of Asso. Cos.	25.9	66.8	14.5	29.5	26.7	111.0	127.0	-128.1	136.6	136.6	69.0	
Reported PAT	**4,869**	**5,010**	**4,538**	**4,712**	**5,365**	**5,991**	**5,708**	**4,422**	**19,129**	**21,486**	**5,393**	-0.5
Adj PAT	**4,869**	**5,010**	**4,538**	**4,712**	**5,706**	**5,991**	**5,708**	**4,422**	**19,129**	**21,827**	**5,393**	5.8
YoY Change (%)	53.9	12.8	47.3	50.5	17.2	19.6	25.8	-6.2	38.4	14.1	10.8	
Margins (%)	18.9	18.5	17.4	19.3	19.7	20.0	19.7	16.8	18.5	19.1	19.1	

E: MOFSL Estimates

31 July 2024

1QFY25 Results Update | Sector: Financials

360ONE WAM

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	360ONE IN
Equity Shares (m)	363
M.Cap.(INRb)/(USDb)	411.6 / 4.9
52-Week Range (INR)	1139 / 469
1, 6, 12 Rel. Per (%)	12/68/91
12M Avg Val (INR M)	513

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Net Revenues	18.5	22.9	26.3
Opex	9.6	10.7	11.7
Core PBT	8.9	12.2	14.5
PAT	8.0	10.7	12.8
EPS	22.4	29.8	35.6
EPS Grw (%)	21.3	33.2	19.3
BV	96.1	102.1	109.2
Ratios			
PBT margin (bp)	22.0	22.9	23.1
PAT margin (bp)	19.9	20.1	20.3
RoE (%)	24.5	30.1	33.7
Div. Payout (%)	74.9	80.0	80.0
Valuations			
P/E (x)	50.5	37.9	31.8
P/BV (x)	11.8	11.1	10.4
Div. Yield (%)	1.5	2.1	2.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	15.8	17.8	21.5
DII	8.7	8.3	3.8
FII	64.6	63.2	63.9
Others	10.9	10.7	10.8

FII Includes depository receipts

CMP: INR1,132 TP: INR1,300 (+15%) Buy

Strong operating performance boosts profitability

- Total revenue grew 48% YoY to INR6b in 1QFY25 (17% beat), aided by a 174% YoY surge in TBR income (79% above our estimates).
- Total AUM rose 36% YoY to INR5.2t amid continued focus on scaling up ARR assets. Active ARR AUM was up 34% YoY at INR2.2t and yields stood at 71bp. TBR AUM grew 38% YoY to INR 2.99t and yields jumped to 32bp from 17bp in 1QFY24 (flat QoQ).
- PBT (before exceptional items) stood at ~INR4.3b (51% beat). PAT grew 31% YoY to INR2.44b (9% beat).
- The board has approved a dividend of INR3.5 per share.
- We have increased our EPS estimates by 11.6%/9.9% for FY25/FY26 to factor in higher revenues and other income. **We retain our BUY rating with a one-year TP of INR1300 (based on 36x Mar'26E EPS).**

Strong TRB AUM growth drives overall revenue growth

- AUM for 360ONE stood at INR5.2t, consisting of ARR AUM of INR2.21t and transactional/ brokerage AUM of INR2.99t.
- Wealth Management ARR AUM rose to INR1.41t (+39% YoY), supported by robust growth across segments. 360ONE Plus proposition saw growth of 71% YoY, while Distribution and Lending businesses grew by 26% YoY and 35% YoY, respectively.
- Asset Management ARR AUM increased to INR796b (+24% YoY), mainly driven by growth in Listed Equity (+42% YoY), Credit (+23% YoY) and Private Equity (+11% YoY) segments.
- Combined ARR retention remained stable at 72bp. Within that, Wealth Management retention was at 71bp, while Asset Management retention was at 74bp.
- Total opex was ~INR2.6b, up 27% YoY and 4% higher than our estimate. Employee costs increased by 28% YoY to INR1.9b (7% above our estimate) and other admin costs stood at INR713m (in line).
- During the quarter, the cost-to-income ratio declined by ~740bp YoY to 44.1% (vs. our estimate of 49.3%). Operating profits came in at INR3.35b, up 70% YoY (29% higher than our estimates).
- Other income came in at INR969m (vs. our estimate of INR 250m), an increase of 234% YoY. Higher other income was on account of higher MTM unrealized gains.
- The company entered into a settlement deed and paid GBP11.1m to settle the proceedings. The company has provided INR1.1b for this settlement, with INR876.3m disclosed as an exceptional item in 1QFY25.
- PBT (before exceptional items) stood at ~INR4.3b (51% beat). PAT grew 31% YoY to INR2.44b (9% beat).

Highlights from the management commentary

- Mid-market segment: Total strength of RMs should be ~70-75 by FY25 end (up ~35-40 from current team). The corporate team, product team, and investment team on the business are ready to go. The monetization of the business starts in Aug'24.
- Objectives of the global platform: 1) to become the preferred advisor for the India allocation part of the client's portfolio, and 2) become an advisor and effectively be able to help manage the entire global portfolio as an advisor rather than as a pure executor.
- Total net flows are expected at ~12-15% of ARR AUM (INR250-300b of net flows expected in FY25). In Asset Management, 360ONE expects to end the year with INR80-100b of net flows (INR130-140b of gross flows).

Valuation and view: Strong 1Q performance; reiterate BUY

360ONE is looking to diversify its presence in terms of client segment (mass affluent) and geography (lower tier cities). It is also building a global platform. Resultant investments into team building have kept the costs high. The benefits of these investments are likely to be back-ended. We have increased our EPS estimates by 11.6%/9.9% for FY25/FY26 to factor in higher transaction revenues. **We retain our BUY rating with a one-year TP of INR1300 (based on 36x Mar'26E EPS).**

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	1Q FY25E	Act. Vs Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Revenues	**4,060**	**4,270**	**4,400**	**5,730**	**6,002**	**5,968**	**5,244**	**5,652**	**18,460**	**22,866**	**5,143**	**17**
Change (%)	8.4	11.6	6.0	45.8	47.8	39.8	19.2	-1.4	18.0	23.9	26.7	
ARR Assets Income	3,240	3,110	3,390	3,570	3,756	3,910	4,125	4,498	13,310	16,289	3,888	-3
TBR Assets Income	820	1,160	1,010	2,160	2,247	2,057	1,119	1,154	5,150	6,577	1,255	79
Operating Expenses	**2,090**	**2,140**	**2,310**	**3,000**	**2,649**	**2,655**	**2,663**	**2,703**	**9,540**	**10,670**	**2,537**	**4**
Change (%)	25.1	19.3	24.0	62.1	26.7	24.1	15.3	-9.9	32.9	11.8	21.4	
Cost to Income Ratio (%)	51.5	50.1	52.5	52.4	44.1	44.5	50.8	47.8	51.7	46.7	49.3	-520bps
Operating Profits	**1,970**	**2,130**	**2,090**	**2,730**	**3,354**	**3,313**	**2,581**	**2,949**	**8,920**	**12,196**	**2,606**	**29**
Change (%)	-5.1	4.9	-8.6	31.3	70.2	55.5	23.5	8.0	5.3	36.7	32.3	
Other Income	290	140	270	500	969	260	260	261	1,200	1,750	250	**288**
Profit Before Tax	**2,260**	**2,270**	**2,360**	**3,230**	**4,323**	**3,573**	**2,841**	**3,210**	**10,120**	**13,946**	**2,856**	**51**
Change (%)	12.1	0.7	5.7	61.4	91.3	57.4	20.4	-0.6	19.0	37.8	26.4	
PBT (after exceptional item)	**2,260**	**2,270**	**2,360**	**3,230**	**3,447**	**3,573**	**2,841**	**3,210**	**10,120**	**13,946**	**2,856**	**21**
Tax	403	408	429	803	1,009	825	656	745	2,043	3,236	628	
Tax Rate (%)	17.8	18.0	18.2	24.9	23.3	23.1	23.1	23.2	20.2	23.2	22.0	
PAT	**1,857**	**1,862**	**1,931**	**2,427**	**2,437**	**2,748**	**2,185**	**2,465**	**8,077**	**10,711**	**2,228**	**9**
Change (%)	18.4	6.8	12.6	56.2	31.2	47.6	13.1	1.5	22.7	32.6	20.0	
PAT Margins (%)	45.7	43.6	43.9	42.4	40.6	46.0	41.7	43.6	43.8	46.8	43.3	-271bps
Key Operating Parameters (%)												
AUM (INR b)	**3,827**	**4,125**	**4,539**	**4,669**	**5,212**	**5,274**	**5,446**	**5,999**	**4,669**	**5,999**	**4,903**	**6**
Change (%)	21.6	23.8	31.7	37.0	36.2	27.8	20.0	28.5	37.0	28.5	28.1	
ARR Assets	1,657	1,725	1,867	2,004	2,213	2,335	2,463	2,909	2,004	2,909	2,393	-8
TBR Assets	2,170	2,400	2,672	2,665	2,999	2,939	2,983	3,090	2,665	3,090	2,510	19
Yield on AUM - Calculated (%)	**0.45**	**0.43**	**0.41**	**0.50**	**0.49**	**0.45**	**0.39**	**0.39**	**0.46**	**0.43**	**0.44**	
ARR Assets	0.78	0.74	0.76	0.74	0.71	0.67	0.67	0.67	0.72	0.66	0.65	
TBR Assets	0.17	0.20	0.16	0.32	0.32	0.28	0.15	0.15	0.23	0.23	0.20	

Star Health

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	STARHEAL IN
Equity Shares (m)	585
M.Cap.(INRb)/(USDb)	354.9 / 4.2
52-Week Range (INR)	675 / 455
1, 6, 12 Rel. Per (%)	5/-10/-31
12M Avg Val (INR M)	527

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
NEP	129.4	150.9	179.4
U/W Profit	0.9	2.2	4.2
PBT	11.3	14.4	19.2
PAT	8.5	10.8	14.4
Ratios (%)			
Claims	66.5	66.0	66.0
Commission	13.2	13.6	13.6
Expense	17.0	16.2	15.4
Combined	96.7	95.8	95.0
RoE	12.8	15.0	17.1
EPS (INR)	14.4	18.4	24.6
EPS Growth (%)	35.8	27.6	33.4
Valuations			
P/E (x)	42.0	32.9	24.6
P/BV (x)	5.4	4.6	3.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	57.9	57.9	58.3
DII	15.1	11.1	3.1
FII	21.6	26.6	33.1
Others	5.4	4.4	5.6

FII Includes depository receipts

CMP: INR606 TP: INR 730 (+20%) Buy

PAT below estimates due to lower investment income; miss on combined ratio

- 1QFY25 profit stood at INR3.2b vs. our estimate of INR4.1b (22.4% miss).
- Incurred claims came in 5.3% above our estimates at INR23.8b (vs. INR19.9b in 1QFY24). Claims ratio was 360bp above our estimate at 67.6%.
- Combined ratio was 99.2% vs. our estimate of 95.7% and 97.8% in 1QFY24.
- Considering the long-term growth potential for the industry, along with investments by STARHEAL in profitable channels and products, we retain our BUY rating on the stock with a TP of INR730 (based on 30x FY26E EPS).

Claims ratio above estimate leading to increase in combined ratio

- STARHEAL's net earned premium grew 15% YoY to INR35b in 1QFY25. GDPI rose 18% YoY to INR35b. Retail Health/Group Health/Personal Accident segments grew 15%/63%/6% YoY.
- Incurred claims were 5.3% above our est. at INR23.8b (INR19.9b in 1QFY4). Claims ratio was 360bp above our est. at 67.6%, up 220bp YoY/340bp QoQ.
- Commission ratio at 13.5% was 50bp lower than our expectation. Expense ratio at 18.1% was higher than our expectation by 40bp. Overall the combined ratio at 99.2% was higher than our estimate of 95.7% due to a higher claim ratio. Combined ratio was 97.8% in 1QFY24.
- Investment income in policyholders account stood at INR1.7b (7.4% miss), while shareholders investment income at INR1,255m (4.6% beat).
- PAT came in at INR3.2b, up 11% YoY and 124% QoQ, but was 22.4% below our estimate due to lower investment income.
- Solvency ratio was at 2.3x vs. 2.2x in 4QFY24.

Key takeaways from the management commentary

- More than expected frequency on account of fever and other cases resulted in higher loss ratios in 1QFY25.
- If regulation comes up on composite licenses, the company is ready to launch new protection plans in life and non-life segments.
- The management expects GWP of INR300b and PAT of INR25b by FY28.
- Loss ratio trends will inch up in the coming quarters vs. previous year.

Valuation and view: Increase in EPS estimates with BUY

- We remain optimistic on the overall prospects for Star Health, backed by: a) strong growth in retail health industry, given its under-penetration, b) strong push from the banca channel, c) sustained growth in specialized products and deepening presence. With price hikes on the radar, the company expects overall loss ratios to dip 50bp in FY25 vs. FY24.
- Our estimates broadly remain unchanged. We expect STARHEAL to report a CAGR of 18%/30% in NEP/PAT over FY24-26E. We maintain our BUY rating on the stock with a TP of INR730 (based on 30x FY26E EPS).

Quarterly Performance												(INR m)
Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Gross premium	29,486	37,317	36,058	49,683	34,759	44,780	43,270	58,008	1,52,545	1,80,818	34,794	-0.1
Net written premium	28,008	35,446	31,519	45,700	31,702	40,840	39,462	52,902	1,40,674	1,64,906	32,010	-1.0
Net earned premium	30,438	32,056	32,936	33,953	35,203	37,573	41,435	36,678	1,29,383	1,50,889	35,308	-0.3
Investment Income	1,460	1,510	1,626	1,810	1,713	1,800	1,900	1,943	6,407	7,356	1,850	-7.4
Total Income	**31,898**	**33,566**	**34,563**	**35,764**	**36,916**	**39,373**	**43,335**	**38,621**	**1,35,790**	**1,58,245**	**37,158**	**-0.6**
Change YoY (%)	13.6	15.0	15.9	17.1	15.7	17.3	25.4	8.0	15.4	16.5	16.5	
Incurred claims	19,909	22,022	22,295	21,774	23,789	26,113	27,554	22,204	85,999	99,660	22,597	5.3
Net commission	3,668	4,854	3,499	6,516	4,288	5,554	5,367	7,218	18,537	22,427	4,481	-4.3
Employee expense	3,577	3,952	3,861	4,732	3,739	4,370	4,222	5,242	16,122	17,573	3,585	4.3
Other expenses	1,829	2,012	2,140	1,842	1,984	2,246	2,289	2,551	7,823	9,070	2,081	-4.7
Total Operating Expenses	28,983	32,839	31,794	34,864	33,800	38,283	39,432	37,214	1,28,480	1,48,729	32,744	3.2
Change YoY (%)	14.5	17.0	16.0	17.1	16.6	16.6	24.0	6.7	16.2	15.8	13.0	
Underwriting profit	1,454	-784	1,142	-911	1,404	-711	2,003	-536	903	2,160	2,563	
Operating profit	2,915	726	2,769	900	3,117	1,089	3,903	1,407	7,309	9,516	4,413	-29.4
Shareholder's P/L												
Transfer from Policyholder's	2,915	726	2,769	900	3,117	1,089	3,903	1,407	7,309	9,516	4,413	-29.4
Investment income	1,040	1,066	1,223	1,146	1,255	1,300	1,375	1,421	4,475	5,351	1,200	4.6
Total Income	3,954	1,792	3,992	2,046	4,371	2,389	5,278	2,828	11,784	14,866	5,613	
Provisions other than taxation	1	2	1	21	0	-	-	-	25	0	-	
Other expenses	110	119	114	128	109	120	120	121	470	471	130	-16.1
Total Expenses	111	121	115	149	110	120	120	121	496	471	130	-15.8
PBT	**3,844**	**1,671**	**3,877**	**1,897**	**4,262**	**2,269**	**5,158**	**2,706**	**11,289**	**14,395**	**5,483**	**-22.3**
Change YoY (%)	33.5	38.5	37.6	39.5	10.9	35.8	33.0	.	36.6	27.5	42.7	
Tax Provisions	965	418	981	474	1,072	567	1,289	666	2,838	3,595	1,371	-21.8
Net Profit	**2,879**	**1,253**	**2,896**	**1,423**	**3,189**	**1,702**	**3,868**	**2,040**	**8,450**	**10,800**	**4,113**	**-22.4**
Change YoY (%)	35.0	34.6	37.6	39.8	10.8	35.8	33.6	43.4			42.9	
Key Parameters (%)												
Claims ratio	65.4	68.7	67.7	64.1	67.6	69.5	66.5	60.5	66.5	66.0	64.0	3.6
Commission ratio	13.1	13.7	11.1	14.3	13.5	13.6	13.6	13.6	13.2	13.6	14.0	-0.5
Expense ratio	19.3	16.8	19.0	14.4	18.1	16.2	16.5	14.7	17.0	16.2	17.7	0.4
Combined ratio	97.8	99.2	97.8	92.8	99.2	99.3	96.6	88.9	96.7	95.8	95.7	3.5
Solvency	2.2	2.1	2.2	2.2	2.3	-	-	-	2.2	2.1		

Aegis Logistics

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	AEGISLOG IN
Equity Shares (m)	351
M.Cap.(INRb)/(USDb)	291.2 / 3.5
52-Week Range (INR)	970 / 280
1, 6, 12 Rel. Per (%)	-9/105/91
12M Avg Val (INR M)	588

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Net Sales	70.5	83.1	80.4
EBITDA	9.2	11.9	14.2
NP	5.7	6.1	7.6
EPS (INR)	16.2	17.5	21.7
EPS Gr.%	10.8	7.9	24.2
BV/Share	111.0	122.3	136.4
RoE (x)	15.3	15.0	16.8
RoCE (x)	15.1	15.0	16.5
Payout (%)	35.5	35.0	35.0
P/E (x)	52.5	48.7	39.2
P/BV (x)	7.7	7.0	6.2
EV/EBITDA (x)	30.7	23.8	20.0
Div Yield (%)	0.7	0.8	0.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.1	58.1	58.1
DII	6.7	4.9	3.7
FII	17.7	18.2	18.3
Others	17.5	18.8	19.9

FII Includes depository receipts

CMP: INR830 TP: INR760 (-8%) Neutral

Volume growth in focus; Mumbai terminal announced

- AGIS reported EBITDA of INR2.3b in 1QFY25 (6% miss), up 19% YoY, mainly aided by strong EBIT growth of 29% YoY for the liquids division.
- AGIS announced its plan to build a 150,000kl storage terminal at Mumbai with an investment of INR52.5b. This is in addition to the ongoing aggressive capacity expansion in the liquids and gas divisions.
- Other key takeaways: 1) The management re-iterated its growth guidance of 25%-30% CAGR over the next three years, primarily led by robust upcoming capacities; 2) capex rate of INR10b p.a. until FY27 and beyond (vs. INR9b previously guided).
- We estimate a 16% CAGR in EPS over FY24-26. However, the current valuations at FY26E PE of 39x and PB of 6.2x (FY26 ROE: 17%) are no longer inexpensive. Hence, we maintain our Neutral rating on the stock with a TP of INR760, based on 35x FY26E EPS of INR22.

EBITDA marginally below estimates; PAT in line

- EBITDA stood at INR2.3b (+19% YoY, -24% QoQ), marginally below our est. of INR2.5b.
- However, reported PAT was 3% above our estimate at INR1.3b (+14% YoY, -33% QoQ), mainly due to lower-than-estimated depreciation and interest rate.
- In 1Q, standalone revenue stood at INR7.3b (-14% YoY, +1% QoQ).
- Standalone PAT came in at INR1.7b (+123% YoY, 31% QoQ).

Segmental performance in 1QFY25:

- Liquids division revenue was INR1.4b (+24% YoY, -26% QoQ) and EBIT was INR857m (+47% YoY, -36% QoQ).
- Gas division revenue stood at INR14.6b (-27% YoY, -11% QoQ) and EBIT was INR1.3b (+7% YoY, -24% QoQ).

Valuation and view: Maintain Neutral

- AGIS has reiterated its ambitious capex plan for: 1) the commissioning of 25,000kl at Kandla in FY25, 2) the full commissioning of 110,000kl capacity at JNPT by FY25, 3) 71,000kl capacity at Mangalore to be operational in FY25, and 4) additional 25000kl capacity to be operational in FY25 at Kochi. Additionally, in the gas division, two cryogenic LPG projects at Pipavav and Mangalore are progressing on time and within budget. Additionally, it has announced its plan for a 150,000kl storage terminal at Mumbai.
- While we estimate a 16% CAGR in EPS over FY24-26, we believe that the current valuations at 39x FY26E EPS already factor in the strong expansion in capacity and earnings. We value the stock at 35x FY26E EPS of INR21.7 to arrive at our TP of INR759. **We maintain our Neutral rating on the stock**.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**21,005**	**12,349**	**18,734**	**18,372**	**16,013**	**20,775**	**20,775**	**25,537**	**70,459**	**83,101**	**29,774**	**-46%**
YoY Change (%)	*-6.0*	*-42.6*	*-10.2*	*-14.7*	*-23.8*	*68.2*	*10.9*	*39.0*	*-18.3*	*17.9*	*41.7*	
EBITDA	**1,959**	**2,083**	**2,118**	**3,068**	**2,323**	**2,982**	**2,982**	**3,614**	**9,227**	**11,902**	**2,876**	**-19%**
Margin (%)	*9.3*	*16.9*	*11.3*	*16.7*	*14.5*	*14.4*	*14.4*	*14.2*	*13.1*	*14.3*	*9.7*	*4.9*
Depreciation	333	341	345	334	368	454	454	539	1,353	1,814	454	
Interest	298	266	302	292	313	499	499	685	1,158	1,996	499	
Other Income	374	444	446	632	435	374	374	313	1,896	1,496	536	
PBT	**1,702**	**1,920**	**1,918**	**3,073**	**2,077**	**2,403**	**2,403**	**2,703**	**8,613**	**9,587**	**2,459**	**-16%**
Tax	375	420	396	700	496	606	606	708	1,891	2,416	620	
Rate (%)	*22.0*	*21.9*	*20.6*	*22.8*	*23.9*	*25.2*	*25.2*	*26.2*	*22.0*	*25.2*	*25.2*	
MI & P/L of Asso. Cos.	169	230	221	410	266	266	266	233	1,030	1,030	258	3%
Reported PAT	**1,158**	**1,270**	**1,301**	**1,963**	**1,315**	**1,532**	**1,532**	**1,762**	**5,692**	**6,141**	**1,582**	**-17%**
YoY Change (%)	*-24.9*	*36.0*	*3.8*	*39.4*	*13.5*	*20.7*	*17.7*	*-10.2*	*10.8*	*2.8*	*36.6*	
Margin (%)	*5.5*	*10.3*	*6.9*	*10.7*	*8.2*	*7.4*	*7.4*	*6.9*	*8.1*	*7.0*	*5.3*	*2.9*

Segmental Highlights	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
LPG logistics volumes ('000 MT)	637	833	988	876	881	1,020	1,097	1,017	1,013	15.0	-0.4
YoY change (%)	*12.2*	*12.9*	*31.3*	*9.5*	*38.3*	*22.4*	*11.0*	*16.1*	*15.0*		
LPG distribution volumes ('000 MT)	85	116	156	136	159	131	144	126	129	-18.9	2.4
YoY change (%)	*176.3*	*224.3*	*271.6*	*165.4*	*86.4*	*12.7*	*(7.8)*	*(7.5)*	*(18.9)*		
LPG sourcing volumes ('000 MT)	230	228	200	237	226	174	179	220	124	-45.1	-43.6
YoY change (%)	*129.9*	*282.7*	*58.9*	*(12.4)*	*(1.7)*	*(23.7)*	*(10.5)*	*(7.2)*	*(45.1)*		
Gas division EBITDA (INR m)	1,090	1,140	1,630	1,460	1,340	1,510	1,470	1,810	1,420	6.0	-21.5
YoY change (%)	*67.7*	*12.9*	*44.2*	*31.5*	*22.9*	*32.5*	*(9.8)*	*24.0*	*6.0*		
Liquids division EBITDA (INR m)	550	690	770	700	780	800	850	1,530	1,080	38.5	-29.4
YoY change (%)	*12.2*	*50.0*	*67.4*	*29.6*	*41.8*	*15.9*	*10.4*	*118.6*	*38.5*		

31 July 2024

2QCY24 Results Update | Sector: Oil & Gas

Castrol (India)

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	CSTRL IN
Equity Shares (m)	989
M.Cap.(INRb)/(USDb)	259.3 / 3.1
52-Week Range (INR)	280 / 132
1, 6, 12 Rel. Per (%)	27/18/55
12M Avg Val (INR M)	1293

Financials & Valuations (INR b)

Y/E Dec	CY23	CY24E	CY25E
Sales	50.7	54.4	58.1
EBITDA	12.0	13.3	14.9
PAT	8.6	9.7	10.9
EPS (INR)	8.7	9.8	11.0
EPS Gr. (%)	6.0	12.6	11.9
BV/Sh.(INR)	21.5	22.8	24.4
Ratios			
Net D:E	-0.6	-0.5	-0.5
RoE (%)	43.1	44.4	46.6
RoCE (%)	43.4	44.7	46.9
Payout (%)	85.8	85.8	85.8
Valuations			
P/E (x)	30.3	26.9	24.1
P/BV (x)	12.4	11.6	10.9
EV/EBITDA (x)	20.8	18.8	16.7
Div. Yield (%)	2.8	3.2	3.6
FCF Yield (%)	2.9	3.5	4.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.0	51.0	51.0
DII	16.1	16.4	16.5
FII	10.0	9.5	11.4
Others	22.9	23.1	21.1

FII Includes depository receipts

CMP: INR262 TP: INR310 (+18%) Buy

Volume growth key to sustaining re-rating

- Castrol's (CSTRL) revenue grew 5% YoY to INR14b in 2QCY24, driven by 5% YoY growth in volumes. EBITDA margin stood at 23.1%, mainly due to higher other expenses during the quarter.
- The management highlighted that it remains focused on brand building, widening its distribution network, and launching new products, all of which we believe will contribute to volume growth and market share expansion.
- CSTRL management maintains a bullish outlook on India as a market and expects robust demand for lubricants to remain stable until late CY30s and early CY40s, largely attributed to the low penetration of cars in the country. While the threat from EVs is real, EV adoption is expected to be gradual.
- Given strong volume growth in 1HCY24 and recent launch of new products, we increase our volume growth to 6% each for CY24/CY25 vs. 4% each previously. The management maintained its guidance of growing at higher than the industry's average growth rate of 4-5% while aiming for 22-25% EBITDA margin for CY24. We estimate 24%/26% EBITDA margin in CY24/CY25.
- CSTRL has always enjoyed strong brand legacy, and we are confident in its ability to maintain profitability through an improved product mix, stringent cost-control measures, and the launch of advanced products that command better realization. **We reiterate our BUY rating on the stock with a TP of INR310.**

Miss on PAT due to high finance costs

- 2QCY24 revenue stood at ~INR14b (+5% YoY/+5% QoQ), in line with our est. of INR13.8b.
- EBITDA was also in line with our est. at INR3.2b (+4%YoY, +10% QoQ).
  - EBITDA margin stood at 23% (vs. 22% in 1QCY24).
- PAT was 6% below our est. at INR2.3b (+3%YoY, 7%QoQ), primarily due to higher-than-expected finance costs of INR26m (vs. our est. of INR8m).
- For 1HCY24, revenue stood at INR27b and PAT at INR4.5b.
  - Capex for 1HCY24 was at ~INR514.8m
- CSTRL declared an interim dividend of INR3.5/share.

Other key highlights

- Empowered 12k truckers in 35 cities nationwide.
- CSTRL has expanded its footprint to over 9k multi-brand passenger car workshops and nearly 28k independent bike workshops.

Valuation and view

- Given strong volume growth in 1HCY24 and recent launch of new products, we raise our CY25/CY26 earnings estimates by 1%/6%.
- Our EBITDA margin assumptions are already at the higher end of the company's guided range of 22-25%.
- We also increase the valuation multiple to 27x (average: 23x and mean + 1 S.D.: 31x) and raise our TP to INR310. **We reiterate our BUY rating on the stock.**

Standalone Quarterly Performance												(INR m)
Y/E December	CY23				CY24				CY23	CY24E	CY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume (m litres)	**55.0**	**58.0**	**51.0**	**55.0**	**58.0**	**61.0**	**53.6**	**59.6**	**219.0**	**232.1**	**59.5**	**3%**
Realization	**235**	**230**	**232**	**230**	**228**	**229**	**234**	**246**	232	234	**232**	**-1%**
Net Sales	**12,939**	**13,338**	**11,829**	**12,640**	**13,252**	**13,975**	**12,556**	**14,646**	**50,746**	**54,430**	**13,800**	**1%**
YoY Change (%)	4.7	7.4	5.5	7.5	2.4	4.8	6.1	15.9	6.3	7.3	3.5	
EBITDA	**2,950**	**3,098**	**2,686**	**3,291**	**2,937**	**3,224**	**3,000**	**4,101**	**12,024**	**13,262**	**3,373**	**-4%**
YoY Change (%)	-7.0	8.3	4.4	31.3	-0.4	4.1	11.7	24.6	8.2	10.3	8.9	
Margin (%)	22.8	23.2	22.7	26.0	22.2	23.1	23.9	28.0	23.7	24.4	24.4	-0.1
Depreciation	227	218	229	250	237	261	248	217	924	963	236	
Interest	17	15	24	20	21	26	14	19	75	79	8	
Other Income	176	186	202	223	241	204	204	143	787	792	187	
PBT before EO expense	**2,883**	**3,050**	**2,635**	**3,243**	**2,921**	**3,142**	**2,942**	**4,008**	**11,811**	**13,012**	**3,316**	**-5%**
PBT	**2,883**	**3,050**	**2,635**	**3,243**	**2,921**	**3,142**	**2,942**	**4,008**	**11,811**	**13,012**	**3,316**	**-5%**
Tax	858	797	691	824	758	820	741	960	3,170	3,279	836	
Rate (%)	29.8	26.1	26.2	25.4	26.0	26.1	25.2	23.9	26.8	25.2	25.2	
PAT	**2,025**	**2,253**	**1,944**	**2,419**	**2,162**	**2,322**	**2,201**	**3,048**	**8,641**	**9,733**	**2,480**	**-6%**
Adj PAT	**2,025**	**2,253**	**1,944**	**2,419**	**2,162**	**2,322**	**2,201**	**3,048**	**8,641**	**9,733**	**2,480**	**-6%**
YoY Change (%)	-11.3	9.2	3.9	25.2	6.8	3.1	13.2	26.0	6.0	12.6	10.1	
Operational Details (INR/lit)												
Volume (m litres)	55.0	58.0	51.0	55.0	58.0	61.0	53.6	59.6	219.0	232.1	59.5	3%
Realization	235.3	230.0	231.9	229.8	228.5	229.1	234.5	245.8	231.7	234.5	232.1	-1%
Gross margin	110.7	108.5	109.2	116.9	109.4	111.3	113.8	120.5	111.3	113.8	112.6	-1%
EBITDA	53.6	53.4	52.7	59.8	50.6	52.9	56.0	68.8	54.9	57.1	56.7	-7%
PAT	36.8	38.8	38.1	44.0	37.3	38.1	41.1	51.2	39.5	41.9	41.7	-9%

31 Jul 2024

1QFY25 Results Update | Sector: Footwear

Relaxo Footwears

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USDb)	216.3 / 2.6
52-Week Range (INR)	974 / 758
1, 6, 12 Rel. Per (%)	1/-14/-34
12M Avg Val (INR M)	93

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Sales	29.1	31.4	35.9
Gross Profit	16.9	19.1	21.9
EBITDA	4.1	4.9	5.9
Adj. PAT	2.0	2.4	3.1
Gross Margin (%)	58.1	61.0	61.0
EBITDA Margin (%)	14.0	15.6	16.5
Adj. EPS (INR)	8.1	9.8	12.3
EPS Gr. (%)	29.8	22.1	24.9
BV/Sh. (INR)	80.4	87.8	97.0
Ratios			
Net D:E	0.0	-0.1	-0.1
RoE (%)	10.4	11.7	13.3
RoCE (%)	10.0	11.1	12.7
RoIC (%)	10.6	12.5	15.7
Valuations			
P/E (x)	107.9	88.4	70.7
EV/EBITDA (x)	53.3	43.7	35.9
EV/Sales (X)	7.4	6.8	5.9
Div. Yield (%)	0.3	0.3	0.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	71.3	71.3	71.3
DII	9.6	9.3	8.3
FII	3.4	3.3	2.9
Others	15.8	16.1	17.5

FII Includes depository receipts

CMP: INR869 TP: INR790 (-9%) Neutral

Growth hit by weak market condition

- Relaxo Footwears (Relaxo) posted a soft revenue growth of 1% YoY, led by the price hikes, which also resulted in GM expansion of 460bp YoY. Volume declined for the second straight quarter YoY due to a weak environment. Due to the increase in wage costs, EBITDA/PAT declined by 8%/21% YoY, leading to a big miss.
- Volume growth led by price reduction last year, softening RM prices and renewed focus on sports footwear should bolster the company's growth outlook. Considering a weak macro environment and slow recovery, we cut our estimates and expect a CAGR of 11%/24% in revenue/PAT over FY24-26E. The stock is trading at 70x FY26E EPS and appears expensive in a soft earnings environment. **We reiterate our Neutral rating.**

Big miss led by weak revenue

- Revenue increased 1% YoY to INR7.5b (4% miss), due to weak consumer sentiment, election-related disruptions and severe heatwaves.
- Volumes declined 2% YoY to 50m pairs, which was offset by the increase in ASP by 3% YoY to INR150. The management indicated in 4QFY24 that the nominal price hike was taken in open footwear.
- Price hikes and cool-off in RM prices led to an increase in GP by 9% YoY to INR4.6b and margins improved by 460bp to 62%.
- EBITDA declined 8% YoY to INR989m (18% miss), led by 13%/17% YoY increase in employee costs/SG&A expenses. This was due to an increase in minimum wage, which was mandated by the government. Hence, margins declined 130bp YoY to 13.2%.
- Depreciation/finance costs increased 13%/10% YoY.
- As a result, PAT declined 21% YoY to INR444m (28% miss) and margins declined by 170bp YoY to 5.9%.

Management commentary

- The management remains optimistic about future growth given favorable monsoon forecasts and benefits from various sales transformation initiatives taken to connect with distributors, retailers and consumers.
- An abnormal increase in minimum wages was mandated by the government, which the company did not pass on to consumers.
- Depreciation increased because of incremental capex incurred to manufacture higher volumes in the future.

Valuation and view

- A gradual recovery in rural areas, improved gross margin trajectory and growth in Sparx portfolio will help Relaxo gain market share in closed footwear. These factors can act as positive catalysts for volume growth.

- The company reduced its ASP in FY24, which should now help it sustain its market share gains from unorganized players.
- Going ahead, a) recovery in the open footwear category, b) product mix-led ASP improvement, and c) increasing mix of closed footwear – particularly in the S&A wear, should boost the company's growth outlook.
- We cut our PAT estimates for FY25/FY26 and build in a gradual recovery. We estimate a CAGR of 11%/24% in revenue/PAT over FY24-26E.
- We ascribe a P/E of 65x on FY26E EPS to arrive at our TP of INR790 and **reiterate our Neutral rating on the stock.**

Consolidated - Quarterly Earning **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Gross Sales	**7,388**	**7,153**	**7,127**	**7,472**	**7,482**	**7,341**	**8,048**	**8,496**	**29,141**	**31,367**	**7,769**	**-4**
YoY Change (%)	10.7	6.8	4.7	-2.3	1.3	2.6	12.9	13.7	4.7	7.6	5.2	
Total RM Cost	3,151	3,013	3,065	2,968	2,847	2,900	3,139	3,348	12,197.0	12,233	3,147	-10
Gross Profit	**4,237**	**4,140**	**4,062**	**4,504**	**4,635**	**4,441**	**4,909**	**5,148**	**16,944**	**19,134**	**4,623**	**0**
Margins (%)	57.4	57.9	57.0	60.3	62.0	60.5	61.0	60.6	58.1	61.0	59.5	245
Total Expenditure	6,313	6,238	6,255	6,269	6,493	6,387	6,640	6,954	25,075	26,474	6,565	-1
EBITDA	**1,076**	**915**	**872**	**1,204**	**989**	**954**	**1,408**	**1,542**	**4,066**	**4,893**	**1,204**	**-18**
Margins (%)	14.6	12.8	12.2	16.1	13.2	13.0	17.5	18.1	14.0	15.6	15.5	-228
Depreciation	346	369	375	385	391	403	415	428	1,475	1,637	396	-1
Interest	45	47	48	47	49	50	50	52	187	201	56	-13
Other Income	73	105	60	51	54	54	54	54	289	217	72	-25
PBT before EO expense	**758**	**604**	**508**	**823**	**603**	**555**	**997**	**1,116**	**2,693**	**3,272**	**824**	**-27**
PBT	**758**	**604**	**508**	**823**	**603**	**555**	**997**	**1,116**	**2,693**	**3,272**	**824**	**-27**
Tax	195	162	123	209	160	140	251	274	688	825	208	-23
Rate (%)	25.7	26.8	24.1	25.4	26.5	25.2	25.2	24.5	25.6	25.2	25.2	
Reported PAT	**563**	**442**	**386**	**614**	**444**	**416**	**746**	**842**	**2,005**	**2,448**	**617**	**-28**
Adj PAT	**563**	**442**	**386**	**614**	**444**	**416**	**746**	**842**	**2,005**	**2,448**	**617**	**-28**
YoY Change (%)	45.6	97.0	28.3	-3.0	-21.2	-6.0	93.4	37.2	29.8	22.1	9.5	
Margins (%)	7.6	6.2	5.4	8.2	5.9	5.7	9.3	9.9	6.9	7.8	7.9	-201

E: MOSL Estimates

R R Kabel

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RRKABEL IN
Equity Shares (m)	113
M.Cap.(INRb)/(USDb)	202.5 / 2.4
52-Week Range (INR)	1903 / 1137
1, 6, 12 Rel. Per (%)	-1/10/-
12M Avg Val (INR M)	588
Free float (%)	38.1

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	76.9	94.6	109.9
EBITDA	5.7	8.4	10.4
Adj. PAT	3.9	5.7	7.1
EBITDA Margin (%)	7.5	8.9	9.5
Cons. Adj. EPS (INR)	34.2	50.1	63.2
EPS Gr. (%)	29.5	46.6	26.0
BV/Sh. (INR)	189.3	230.4	284.6
Ratios			
Net D:E	(0.0)	(0.0)	(0.1)
RoE (%)	19.5	23.9	24.5
RoCE (%)	18.6	23.3	24.4
Payout (%)	20.5	17.9	14.2
Valuations			
P/E (x)	52.5	35.8	28.4
P/BV (x)	9.5	7.8	6.3
EV/EBITDA (x)	35.2	24.0	19.0
Div Yield (%)	0.4	0.5	0.5
FCF Yield (%)	0.2	0.9	1.8

Shareholding pattern (%)

As On	Jun-24	Mar-24
Promoter	61.9	62.8
DII	13.5	9.4
FII	6.5	4.2
Others	18.1	23.7

FII Includes depository receipts

CMP: INR1,795 TP: INR2,140 (+19%) BUY

Weak margins led to a miss on estimates

Cables & wires margin to improve 60-80bp in FY25

- RRKABEL's 1QFY25 earnings were below our estimate (27% miss on EBITDA/ PAT). Revenue growth for cables & wires was ~11% YoY (vs. our est. of ~9% growth). While, EBIT margin of the cables & wires segment came at 7.2% (vs. our est. 8.6%). FMEG revenue grew 24% YoY (vs. our est. of 18% growth). However, FMEG loss increased to INR207m (vs. estimated loss of INR109m).
- Management indicated RRKABEL's cable volumes should grow at ~30% YoY vs. 13-14% YoY growth for wires. Further, it expects a 60-80bp improvement in margins in the cable & wire segment in FY25. In FMEG, there was an additional A&P spending of INR120m due to the ongoing brand transition.
- We cut our FY25E/FY26E EPS by 11%/4% due to the underperformance in 1QFY25 and higher losses in the FEMG business (est. EBIT loss of INR559m/ INR99m in FY25/FY26 vs. previous est. of INR344m/break-even). We also introduce FY27E. We estimate an EPS CAGR of 34% over FY24-27. We value RRKABEL at 40x Jun'26E EPS to arrive at our TP of INR2,140. **Reiterate BUY.**

EBITDA declines 16% YoY; OPM contracts 1.8pp YoY to 5.6% (est. 7.4%)

- Revenue/EBITDA/PAT stood at INR18.1b/INR949m/INR644m (up 13%/ down 16%/13% YoY and up 2%/down 27%/27% vs. our estimates). Gross margin was down 90bp YoY to 17.4% (est. 19.3%). Employee cost increased 16% YoY (4.9% of revenue vs. 4.8% in 1QFY24). Other expenses increased 28% YoY (7.2% of revenue vs. 6.4% in 1QFY24), aided by higher AD spends.
- Segmental highlights: a) Cables and Wires: revenue was up 11% YoY at INR15.8b while, EBIT declined 9% YoY to INR1.1b. EBIT margin dipped 1.6pp YoY to 7.2%. b) FMEG business: revenue was up 24% YoY at INR2.3b. EBIT loss increased to INR207m from INR170m/INR194m in 1Q/4QFY24.
- Interest cost declined 19% YoY, whereas 'other income' grew 14% YoY.

Key highlights from the management commentary

- Infrastructure projects like railways, defense, solar , and T&D projects will drive growth. Cables' growth outpaced wires for the industry.
- Volume growth was 13% YoY in cables & wires, led by 20% growth in domestic markets. Volume growth for cables was at 50% YoY; while growth for wire was at 7%.
- Export volumes remain flat due to delayed shipments. However, volumes lost in 1Q were covered in Jul'24. Exports contributed 24% to total revenue.

Valuation and view

- RRKABEL's 1Q performance was weak due to RM cost volatility and higher growth in domestic cables with a low margin. Management remains optimistic on the demand outlook in the industry and indicated that volatility in margin should be negated on a full-year basis.
- We estimate RRKABEL's revenue/EBITDA/PAT CAGR of 19%/31%/34% over FY24-27. We estimate RoE/ROCE to improve to 25%/24% by FY27 vs. 18%/ 17% in FY24. We value it at 40x Jun'26E EPS to arrive at our TP of INR2,140. **Reiterate BUY.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales	**15,973**	**16,097**	**16,335**	**17,541**	**18,081**	**18,676**	**19,487**	**20,686**	**65,946**	**76,930**	**17,671**	**2**
EBITDA	**1,129**	**1,209**	**1,126**	**1,153**	**949**	**1,461**	**1,503**	**1,830**	**4,617**	**5,744**	**1,303**	**(27)**
Adj EBITDA margin (%)	7.1	7.5	6.9	6.6	5.3	7.8	7.7	8.8	7.0	7.5	**7.4**	(213)
Depreciation	161	166	165	163	162	170	179	223	655	734	**171**	(5)
Interest	144	142	124	128	116	115	110	104	539	445	**110**	6
Other Income	163	148	122	193	185	140	162	151	626	639	**160**	16
PBT	**987**	**1,049**	**959**	**1,055**	**857**	**1,316**	**1,376**	**1,654**	**4,050**	**5,203**	**1,182**	**(28)**
Tax	250	310	250	270	218	342	352	441	1,080	1,353	**307**	
Effective Tax Rate (%)	25.4	29.5	26.0	25.6	25.4	26.0	25.6	26.6	26.7	26.0	**26**	
JV share	7	2	0	2	5	3	1	1	11	10	**6**	(19)
Reported PAT	743	741	710	787	644	977	1,025	1,215	2,981	**3,860**	**881**	**(27)**
Adj PAT	**743**	**741**	**710**	**787**	**644**	**977**	**1,025**	**1,215**	**2,981**	**3,860**	**881**	**(27)**

Segmental Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales												
Cables & Wires	14,231	14,504	14,331	15,231	15,782	16,887	17,393	18,356	58,296	68,418	15,512	1.7
FMEG	1,851	1,598	2,005	2,310	2,300	1,790	2,094	2,409	7,764	8,593	2,184	5.3
EBIT											-	
Cables & Wires	1,246	1,329	1,147	1,320	1,130	1,486	1,565	1,696	5,043	5,878	1,334	(15.3)
FMEG	(170)	(198)	(124)	(194)	(207)	(125)	(150)	(77)	(685)	(559)	(109)	NA
EBIT Margin (%)											-	
Cables & Wires	8.8	9.2	8.0	8.7	7.2	8.8	9.0	9.2	8.6	8.6	8.6	(144)
FMEG	(9.2)	(12.4)	(6.2)	(8.4)	(9.0)	(7.0)	(7.2)	(3.2)	(8.8)	(6.5)	(5.0)	(398)

Zee Entertainment

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	142.8 / 1.7
52-Week Range (INR)	300 / 126
1, 6, 12 Rel. Per (%)	-6/-29/-65
12M Avg Val (INR M)	4444

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	86.4	89.4	98.6
EBITDA	9.1	12.0	15.9
Adj. PAT	4.3	6.8	9.8
EBITDA Margin (%)	10.5	13.4	16.1
Adj. EPS (INR)	4.5	7.1	10.2
EPS Gr. (%)	-4.9	56.9	43.4
BV/Sh. (INR)	113.2	118.3	126.7
Ratios			
Net D:E	-0.1	-0.2	-0.2
RoE (%)	4.0	6.1	8.3
RoCE (%)	3.4	6.2	8.3
Payout (%)	0.0	26.2	17.7
Valuations			
P/E (x)	32.7	20.8	14.5
P/B (x)	1.3	1.3	1.2
EV/EBITDA (x)	14.6	10.2	7.3
Div . Yield (%)	0.0	1.0	1.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	4.0	4.0	4.0
DII	22.5	35.6	40.8
FII	18.9	19.2	33.4
Others	54.6	41.3	21.8

FII Includes depository receipts

CMP: INR148 **TP: INR155 (+5%)** **Neutral**

Margins improving; recovery likely from 2HFY25

Soft advertising revenue offset by healthy subscription revenue

- Zee Entertainment (Zee)'s revenue grew 7% YoY (in line) in 1QFY25, led by subscription revenue and other sales & services. These, along with controlled costs, led to 75%/3x YoY jump in EBITDA/Adj. PAT (34%/48% beat). Zee5's operating loss reduced in 1Q, aiding the company in improving its margins.
- Management expects recovery in ad revenue from 2HFY25 and gradual margin improvement. We cut our revenue/PAT estimates due to weak macro environment and a slow recovery. We model a revenue/PAT CAGR of 7%/50% over FY24-26. With the merger processes now being called off, the company's growth plans going forward would remain the key monitorable. **We reiterate our neutral rating with a TP of INR155.**

Effective cost control supports margins

- Zee's consolidated revenue grew 7% YoY to INR21.3b (in-line), led by subscription and other revenue, but offset by soft advertising revenue.
- Zee's total operating expenses grew 2% YoY to INR18.6b (in-line), led by controlled programming & content costs (-300bp YoY) and lower employee expenses (-200bp YoY) during the quarter.
- As a result, EBITDA jumped 75% YoY to INR2.7b (34% beat), and margin improved 500bp YoY to 12.8% (300bp beat).
- The company reported an exceptional loss of INR286m, which pertained to restructuring costs related to employee expenses.
- Adj. PAT stood at INR1.5b (vs. INR496m YoY and INR992m estimated).

Highlights from the management commentary

- **Recovery likely in 2HFY25:** Management expects subscription revenue growth to be in line with the inflation. It anticipates growth momentum to pick up in 2HFY25 led by the onset of the festive season and rural recovery, which could improve the advertising revenue.
- **Margins trajectory:** Zee expects no more reduction in employee expenses as a large part of restructuring happened. From FY26, the company aspires to deliver 18-20% EBITDA margin.
- **Cost optimization in Zee5:** It is operating at its peak cost structure and expects overall costs to trend down. There are two levers: 1) room for optimizing existing cost structure, and b) operating leverage.
- **Competition:** The company is not overly concerned about competition as its core strength lies in general entertainment and it does not compete in sports or with high-budget movies.

Valuation and view

- The profitability improvement seen within the Zee5 segment appears positive, which has remained a drag on Zee's profitability for a long period now. Management expects an improvement in EBITDA margin to 18-20% over FY26.
- The outlook on ad revenue is expected to be gradual given the continued weakness seen within the rural segment, while the subscription revenue is likely to experience improved visibility with the implementation of NTO 3.0.
- With the merger process now being called off, it would be important to monitor the company's growth plans from here on, with focus remaining on: a) recovery in the ad market and decisions within the digital space.
- We cut our revenue estimates by 6%/8% in FY25/FY26 due to weak ad revenue; however, we model a 60/40bp margin improvement, resulting in a reduction in PAT by 6%/5% in FY25/FY26.
- Management expects a recovery in ad revenue in 2HFY25 and improvement in margins. We factor in a revenue/EBITDA/PAT CAGR of 7%/32%/50% over FY24-26. We keep our TP unchanged at INR155, after assigning 15x P/E on FY26E. **Reiterate Neutral.**

Consolidated - Quarterly Earnings **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Est (%)
Revenue	**19,838**	**24,378**	**20,457**	**21,699**	**21,305**	**21,379**	**22,618**	**24,102**	**86,372**	**89,404**	**20,870**	*2.1*
YoY Change (%)	7.5	20.6	-3.0	2.7	7.4	-12.3	10.6	11.1	6.8	3.5	5.2	
Total Expenditure	18,289	21,050	18,365	19,597	18,589	18,548	19,477	20,830	77,301	77,445	18,839	*-1.3*
EBITDA	**1,549**	**3,328**	**2,092**	**2,102**	**2,717**	**2,830**	**3,141**	**3,272**	**9,071**	**11,960**	**2,030**	*33.8*
EBITDA Margin (%)	7.8%	13.6%	10.2%	9.7%	12.8%	13.2%	13.9%	13.6%	10.5%	13.4%	9.7%	31
Depreciation	785	772	761	772	756	764	771	789	3,091	3,080	780	*-3.0*
Interest	234	234	183	69	55	60	65	69	721	250	75	*-26.1*
Other Income	145	718	276	154	190	150	150	110	1,292	600	150	*26.6*
Fair Value through P&L gain/(loss)	38	0			-11	0	0	0	38	-11	0	
PBT before EO expense	**713**	**3,039**	**1,423**	**1,415**	**2,084**	**2,156**	**2,454**	**2,524**	**6,590**	**9,218**	**1,326**	*57.2*
Extra-Ord expense	706	1,198	603	276	286	0	0	0	2,784	286	0	
PBT	**6**	**1,842**	**819**	**1,139**	**1,798**	**2,156**	**2,454**	**2,524**	**3,806**	**8,932**	**1,326**	*35.6*
Tax	-31	544	288	1,018	542	543	618	635	1,818	2,338	334	*62.5*
Rate (%)	-480.0	29.5	35.1	89.4	30.2	25.2	25.2	25.2	47.8	26.2	25.2	
MI & P/L of Asso. Cos.	-1	-1	-1	-1	-1	0	0	0	-4	-1	0	
Reported PAT	**39**	**1,299**	**532**	**122**	**1,257**	**1,614**	**1,836**	**1,889**	**1,992**	**6,595**	**992**	*26.7*
Adj PAT	**496**	**1,726**	**1,065**	**1,059**	**1,467**	**1,614**	**1,836**	**1,889**	**4,346**	**6,806**	**992**	*47.9*
YoY Change (%)	-57	21	-19	58	196	-7	72	78	-5	57	100	

E: MOFSL Estimates

TeamLease

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	TEAM IN
Equity Shares (m)	17
M.Cap.(INRb)/(USDb)	59 / 0.7
52-Week Range (INR)	3700 / 2172
1, 6, 12 Rel. Per (%)	15/8/23
12M Avg Val (INR M)	151

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	93.2	109.6	130.4
EBIT Margin (%)	0.8	0.9	1.3
Adj. PAT	1.1	1.4	2.1
EPS (INR)	64.8	89.7	137.4
EPS Gr. (%)	-0.5	38.4	53.2
BV/Sh. (INR)	474.5	556.4	682.0
Ratios			
RoE (%)	13.3	15.9	20.3
RoCE (%)	11.5	13.5	17.4
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	54.4	39.3	25.6
P/BV (x)	7.4	6.3	5.2
EV/EBITDA (x)	45.6	41.3	26.4
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	31.6	31.6	31.6
DII	31.8	34.1	27.8
FII	28.8	27.1	32.9
Others	7.8	7.3	7.7

FII Includes depository receipts

CMP: INR3,520 | TP: INR4,120 (+17%) | Buy

A mixed bag quarter

Margin likely to recover 2Q onwards

- TEAM's 1QFY25 revenue growth of 18.8% was ahead of our estimate of +16% YoY. Revenue growth was led by 7.7% QoQ growth in General Staffing (+21% YoY). Specialized staffing was down 1.3% QoQ (+3% YoY). Overall EBITDA margin of 0.9% was lower than our expectation of 1.3%, due to seasonality and delayed university billing in EdTech business and annual appraisal of core employees. Adj. PAT at INR194m was down 25% YoY/29% QoQ.
- General Staffing posted a mixed performance, with better-than-expected revenue growth but a weaker margin profile. Margins decreased by 20bp YoY to 1.0%. The management expects margin expansion in 2QFY25 due to economics of scale in General Staffing and consistent growth in volumes and profit in Degree Apprenticeship (DA). Moreover, associate addition in General Staffing was strong at 15k. Further, volumes have come back in this quarter and are expected to remain intact going forward.
- Specialized Staffing growth was driven by GCCs, despite ongoing headwinds in the IT industry. With layoffs and low hiring periods coming to end, IT hiring increased YoY in 1Q on a low base. We believe any greenshoots in IT hiring will directly contribute to profit, driving margin improvement. We expect a CAGR of 18% in consolidated revenue over FY24-26E for the company.
- We believe that with headwinds from investments in the EdTech and specialized services businesses now behind the company, margin recovery might accelerate moving forward. TEAM has also begun cross-selling and up-selling to improve realizations. We estimate FY25/FY26 EBIDTA margin at 1.3%/1.7%. This should translate into healthy earnings CAGR of 40% over FY24-26E.
- We remain positive on the medium- to long-term opportunities owing to gains from the formalization of the labor market and maintain BUY rating on the stock. We tweak our FY25/FY26 EPS estimates by -1.4%/+6.3% to factor in 1Q results. Our TP of INR4,120 implies 30x FY26E EPS.

Beat on revenue; miss on margins

- Revenue growth of 6.1% QoQ/18.8% YoY was ahead of our estimate of +16% YoY. Growth was led by General Staffing, which was up 7.7% QoQ. Specialized staffing was down 1.3% QoQ. Other HR services declined 51% QoQ on seasonality and student admission cycle in the Edtech business.
- General Staffing associate addition (net) stood at 15.4k (+6% QoQ). Specialized Staffing headcount was down by 330 (-5% QoQ). DA headcount declined by 2.4k (-5% QoQ) as discontinuance of the NEEM program.
- EBITDA margin of 0.9% was lower than our expectation of 1.3%, dragged down by seasonality and delayed university billing in EdTech business and annual appraisal of core employees.
- Adj. PAT at INR194m was down 25% YoY/29% QoQ.

Key highlights from the management commentary

- The impact of NEEM in the DA business has been largely accounted for, with most NEEM trainees offboarded during the quarter. Going forward, net growth in DA is expected to contribute to profit growth and margin expansion.
- TEAM is seeing green shoots in the BFSI sector and expects higher BFSI contribution. However, large NBFCs remain muted. Affordable housing and payment services are seeing a revival.
- The management expects margin expansion in 2QFY25 due to economics of scale in General Staffing and consistent growth in volumes and profit in DA. Any green shoots in IT hiring will directly flow to profit.
- The seasonality element in the EdTech business will be covered between 2Q and 3Q, with robust growth in revenues expected this year in line with university sign-ups and student pipeline.
- The company exited some low-margin mandates. Manufacturing exposure is ~12-15%, with significant opportunities owing to the PLI scheme and labor shortage.

Valuation and view: A key beneficiary of formalization

- As both the central and state governments look to liberalize and formalize the labor market, TEAM should be among the biggest direct beneficiaries in the medium term.
- Healthy growth and expected margin recovery should help TEAM deliver a CAGR of 18/40% in revenue/earnings over FY24-26E, which should drive a significant re-rating in the stock. We maintain BUY rating on the stock with a TP of INR4,120, implying 30x FY26E EPS.

Consolidated quarterly performance (INR m)

	FY24				FY25				FY24	FY25E	Est	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(%/bp)
Revenue	**21,716**	**22,726**	**24,454**	**24,320**	**25,799**	**26,685**	**28,608**	**28,495**	**93,215**	**1,09,587**	**25,256**	**2%**
YoY Change (%)	16%	16%	22%	20%	19%	17%	17%	17%	18%	18%	16%	
Total Expenditure	21,453	22,409	24,093	23,953	25,576	26,325	28,193	28,068	91,907	1,08,162	24,927	3%
Reported EBITDA	**263**	**318**	**361**	**367**	**223**	**360**	**415**	**427**	**1,308**	**1,425**	**328**	**-32%**
Margins (%)	1.2%	1.4%	1.5%	1.5%	0.9%	1.4%	1.5%	1.5%	1.4%	1.3%	1.3%	-44bp
Reported EBIT	**138**	**188**	**225**	**231**	**91**	**250**	**305**	**317**	**783**	**964**	**218**	**-58%**
Margins (%)	0.6%	0.8%	0.9%	0.9%	0.4%	0.9%	1.1%	1.1%	0.8%	0.9%	0.9%	-51bp
Interest	21	25	31	26	30	20	20	20	102	90	20	52%
Other Income	140	130	100	90	141	150	150	150	461	591	150	-6%
PBT before EO expense	**258**	**294**	**294**	**295**	**202**	**380**	**435**	**447**	**1,141**	**1,464**	**348**	**-42%**
Extra-Ord expense	0	0	-35	0	0	0	0	0	-35	0	0	
Reported PBT	**258**	**294**	**329**	**295**	**202**	**380**	**435**	**447**	**1,176**	**1,464**	**348**	**-42%**
Tax	1	18	18	14	8	17	19	20	51	64	14	
Rate (%)	0%	6%	6%	5%	4%	4%	4%	4%	4%	4%	4%	16bp
Adjusted PAT	**258**	**276**	**275**	**274**	**194**	**364**	**416**	**428**	**1,082**	**1,401**	**335**	**-42%**
YoY Change (%)	-3%	-13%	-5%	12%	-25%	32%	51%	56%	-3%	29%	30%	-5475bp
Margins (%)	1.2%	1.2%	1.1%	1.1%	0.8%	1.4%	1.5%	1.5%	1.2%	1.3%	1.3%	-57bp
Reported PAT	**258**	**276**	**310**	**274**	**194**	**364**	**416**	**428**	**1,118**	**1,401**	**335**	**-42%**
YoY Change (%)	-3%	-13%	7%	3%	-25%	32%	34%	56%	-2%	25%	30%	-5475bp
Margins (%)	1.2%	1.2%	1.3%	1.1%	0.8%	1.4%	1.5%	1.5%	1.2%	1.3%	1.3%	-57bp

Key performance indicators

Y/E March	FY24				FY25	FY24
	1Q	2Q	3Q	4Q	1Q	
Headcount						
General staffing associates	2,36,900	2,51,150	2,58,500	2,67,000	2,82,450	2,67,000
Apprentices	42,600	42,100	43,150	44,800	42,350	44,800
Specialised staffing	8,320	8,375	7,600	7,230	6,900	7,230
Revenue						
General staffing	20,024	20,910	22,553	22,419	24,139	85,906
Specialised staffing	1,398	1,443	1,580	1,465	1,446	5,886
Other HR Services	294	373	320	436	214	1,423
Operating Margins						
General staffing	1.2	1.2	1.2	1.2	0.9	1.5
Specialised staffing	6.2	6.2	6.4	6.6	6.0	7.3
Other HR Services	(8.9)	3.8	3.8	6.0	(44.8)	1.4

Barbeque Nation Hospitality

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	22.4 / 0.3
52-Week Range (INR)	792 / 461
1, 6, 12 Rel. Per (%)	-2/-24/-42
12M Avg Val (INR M)	72

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	12.5	13.4	15.4
Sales Gr. (%)	1.7	7.0	14.4
EBITDA	2.1	2.5	2.9
Margins (%)	16.9	18.3	18.7
Adj. PAT	-0.1	0.0	0.1
Adj. EPS (INR)	-2.9	-0.7	1.7
EPS Gr. (%)	P/L	N/M	L/P
BV/Sh.(INR)	100.6	99.9	101.6
Ratios			
RoE (%)	-2.8	-0.7	1.7
RoCE (%)	4.5	5.2	6.6
Valuation			
P/E (x)	N/M	N/M	336.4
P/BV (x)	5.7	5.7	5.6
EV/EBITDA (x)	13.6	11.5	7.3
Pre-IND AS EV/ EBITDA (x)	24.5	19.1	15.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	33.7	33.7	33.8
DII	23.4	24.7	24.5
FII	17.5	16.9	18.0
Others	25.4	24.7	23.7

FII Includes depository receipts

CMP: INR579 | TP: INR625 (+9%) | Neutral

Growth remains weak; margin improving

- Barbeque Nation (BBQN)'s revenue declined 6% YoY, hit by store closures (18 stores closed in FY24 and 2 in 1QFY25) and general election-related restrictions. The international business was hurt by the floods in Dubai. SSSG remained weak, reporting 7.4% YoY decline in 1QFY25 vs. 7.7% decline in 1QFY24 and 1.4% growth in 4QFY24. Dine-in revenue and delivery decreased 6% and 3% YoY, respectively.
- Gross margin (GM) remained strong and expanded 410bp YoY to 68.1%. ROM improved 200bp YoY to 13.8%. The cost-control initiatives helped in improving margins, which offset the adverse operating leverage pressure on margin. EBITDA margin improved 220bp+ YoY to 16.6% (est. 17.0%). The company posted a PBT loss of INR55m.
- Management is looking to add 25-30 stores in FY25 and 100 stores over the next three years. BBQN's current valuations at 19.1x FY25E and 15.5x FY26E pre-Ind-AS EV/EBITDA are comfortably positioned. However, we are watchful of its operating margin profile in FY25 amid the challenging demand environment. We **reiterate our Neutral rating** on the stock with a TP of INR625, based on 15x Jun'26E Pre Ind-AS EV/EBITDA.

Underlying growth remains weak; margin improving

- **Growth metrics remain weak:** BBQN's sales declined 6% YoY at INR3.1b (est. INR3.5b). The dine-in channel (85% of sales) dipped 6% YoY to INR2.59b. Delivery channel (15% of sales) declined 3% YoY to INR0.46b.
- **Digital KPIs:** The cumulative App downloads were 6.8m vs. 6.7m in 4QFY24 and 6.0m in 1QFY24. The company's own digital asset contribution was 30% vs. 26.4% in 4QFY24 and 25.5% in 1QFY24.
- **Store addition:** BBQN added four stores and closed two stores, which led to the total count at 219 stores. Out of 219 stores, BBQN has 186 stores, the international BBQN store count is 8, and the Toscano & Salt store count stands at 25. Total metro and tier-1 accounted for 170 stores, while tier 2/3 accounted for 49 stores in 1QFY25.
- **Improvement in margins**: GM expanded 410bp YoY to 68.1%, while it contracted 80bp QoQ. EBITDA grew 9% YoY to INR509m (est. INR606m). EBITDA margin expanded 220bp YoY to 16.6% (est. 17.0%). Pre-Ind AS EBITDA increased 18% YoY to INR212m in 1QFY25 and margin improved 140bp YoY to 6.9%.
- **PBT loss continues**: PBT loss stood at INR55m (-INR55m in 1QFY24). BBQN reported a loss of INR43m vs. a loss of INR41m in 1QFY24. The company increased its stake in Red Apple Kitchen from 82.43% to 86.75%.

Highlights from the management commentary

- **Demand:** The operating environment remained challenging in 1QFY25. SSS declined 7.4% partially due to the impact of the offer-led volume growth in 1QFY24. There was also a one-time impact of liquor-serving restaurants being closed during general elections in a few states. The network rationalization (18 store closures in FY24) also led to ~4% revenue decline.

- **Margins:** The GP margin expansion of 410bp was due to reclassification of cost, pricing, benign input costs, and structural improvement in the business. However, GP margin was down 80bp QoQ due to the rise in chicken prices. Management guided ~68% GP margin for FY25.
- **Store expansion plan:** The company plans to open 25-30 stores in FY25 and reach 240-245 stores. There are eight restaurants under construction, which will commence operations in 2QFY25 and 3QFY25. The management's goal is to open 100 new stores (10 in BBQ International, 40 stores in Premium CDR (Toscano & Salt), and 50 in BBQ India) over the next three years and reach 325 stores by FY27.

Valuation and view

- There are no material changes to our EBITDA estimates for FY25 and FY26.
- BBQN's PBT margin profile is weaker than QSR players. Therefore, despite a comfortable position on valuation, we are watchful of its operating margin delivery in FY25.
- **BBQN's current valuations are at 19.1x FY25E and 15.5x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR625, based on 15x Jun'26E Pre Ind-AS EV/EBITDA.**

Quarterly Performance **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
SSSG (%)	-7.7	-10.7	-4.9	1.4	-7.4	-1.0	6.0	6.4	-6.5	1.0	3.0	
No. of stores	212	212	216	217	219	225	232	242	217	242	223	
Net Sales	3,239	3,017	3,309	2,981	3,057	3,117	3,747	3,499	12,545	13,420	3,576	-14.5
YoY change (%)	2.9	-2.8	0.8	6.4	-5.6	3.3	13.3	17.4	1.7	7.0	10.4	
Gross Profit	2,073	1,990	2,245	2,053	2,081	2,082	2,529	2,397	8,361	9,032	2,367	-12.1
Margin (%)	64.0	65.9	67.9	68.9	68.1	66.8	67.5	68.5	66.6	67.3	66.2	
EBITDA	468	444	663	547	509	527	761	717	2,122	2,456	606	-16.0
EBITDA growth %	-33.6	-23.9	7.0	37.3	8.8	18.7	14.7	31.0	-8.0	15.8	29.6	
Margin (%)	14.4	14.7	20.0	18.4	16.6	16.9	20.3	20.5	16.9	18.3	17.0	
Depreciation	375	443	414	447	405	456	466	500	1,679	1,827	450	
Interest	187	195	190	186	186	211	209	199	759	805	210	
Other Income	40	43	16	77	27	30	33	50	176	140	36	
PBT	-55	-151	75	-9	-55	-110	118	68	-140	-36	-18	
Tax	-14	-32	27	-9	-11	-28	30	17	-28	-9	-4	
Rate (%)	26.1	21.3	35.5	95.9	20.9	25.2	25.2	25.2	20.3	25.2	25.2	
Adjusted PAT	-41	-119	48	0	-43	-82	89	51	-112	-27	-13	
YoY change (%)	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	

E: MOFSL Estimates

Technology

Valuation snapshot

Company	Rating	Target P/E (x)	Target Price (INR)
TCS	Buy	30	4,660
Infosys	Buy	25	2,000
Wipro	Neutral	20	500
HCL Tech	Buy	27	1,850
TechM	Neutral	23	1,470
LTIM	Buy	35	7,000
LTTS	Buy	38	5,950
Mphasis	Neutral	27	2,800
Coforge	Neutral	30	6,100
Persistent	Buy	50	5,700
Zensar	Neutral	23	750
Cyient*	Buy	22	2,070

*Only DET Business

Deep Dive – Analyzing client trends in GCC expansion…

…and inception over the past two years

It is no secret that Global Capability Centers (GCCs) have amassed significant scale over the last decade in India. While revenue for GCCs has reported ~11% CAGR over FY15-FY23, revenue of the top 5 IT services companies has clocked an 8% CAGR during the same period (albeit on a much higher base). The increase in scale is also visible from total headcount additions; the headcount for GCCs posted a 12% CAGR over 2010-2023 vs. 8% for the top 5 companies during the same period. This trend is structural rather than cyclical, in our view, and we believe this has far-reaching implications for the next recovery cycle in technology spends. In this report, we take stock of new as well as expanding GCCs and analyze which verticals are garnering the most interest from enterprises. Mature industries such as BFSI, where most large banks already have significant GCC outposts, could route a higher chunk of their technology spends through GCCs, impeding a J curve recovery in some sectors for service vendors. Software and hi-tech companies value control over data and IP, and they have been the most active in terms of expanding and opening new GCCs. On the other hand, there are many clients just setting up GCC outposts, and service vendors can add value by hand holding clients and helping them set up shop.

Software expands the most in the past two years; BFSI close on the heels

- **New GCC set up:** Data suggest that software and internet accounted for 54% and 36% of the new GCCs set up in CY22 and CY23, respectively. Some of the major companies with new GCC setups overall are Pratt and Whitney (aerospace), Suzuki, Daimler (automotive), Triton EV (automotive), Llyods (BFSI), Greenlight (BFSI), and Ethos (BFSI), et al.
- **Expansion of GCCs:** Clients from the BFSI vertical were among the most active in expanding GCCs between CY22 and CY23. Marquee client names that have expanded their presence in the Indian GCC space over the past two years are: JP Morgan, Goldman Sachs, Fidelity, Metlife, DE Shaw (BFSI), Pfizer, Boston Scientific, Sanofi, GSK (healthcare), Nissan Motors, Air Asia, Boeing, Bombardier (autos and aero), IBM, Fictiv, and Blackberry (software), et al.

GCCs at an inflection point in India

The evolution of GCCs in India can be explained in three waves.

- **Wave 1 (700+ GCCs and 400K+ Talent base):** Until the 2010s, GCCs established in India primarily aimed for cost arbitrage and efficient scaling of operations.
- **Wave 2 (2010-15; 1000+ GCCs and 750K+ Talent base):** In this wave, GCCs in India began to specialize in specific areas, evolving into Delivery Excellence Centers and functioning as satellite offices for their parent organizations.
- **Wave 3 (2015- now; 1580+ GCCs and 1600K+ talent base):** In this wave, GCCs now possess notable domain knowledge and are of strategic importance to their parent organizations.

The Indian GCC landscape is now at an inflection point and evolving into a transformation hub beyond traditional roles of cost arbitrage and delivery centers for parent organizations. Of the USD200b of Indian IT services exports, GCCs account for c22% of revenues and c30% of the IT services workforce. We believe clients with significant scale GCCs can match the cost pyramid of service vendors, and the incentive of delivery excellence and a more strategic role to play in the parents' tech transformation journey makes GCCs more relevant than ever.

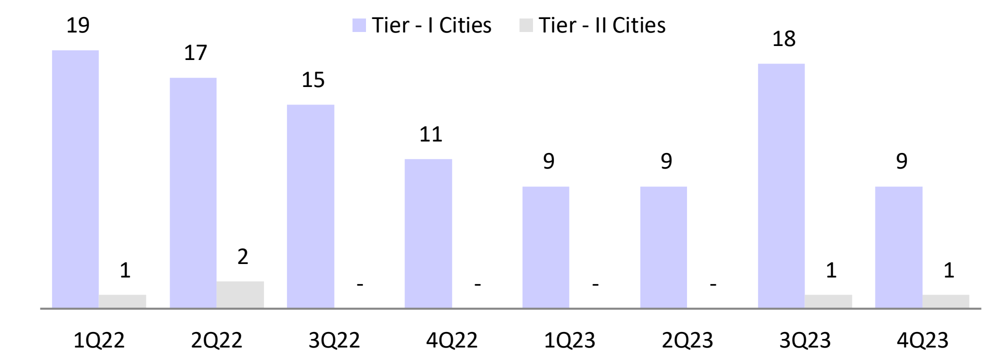
Outlook: Co-existence the new reality

Co-existence with GCCs will be the new reality for technology vendors, and we believe service vendors are an attractive proposition for clients who are just beginning and looking to set up GCC outposts in India. For mature clients in verticals such as BFSI, the equation could be tricky, and vendors may have to share the plate with GCCs when it comes to transformation projects as well. This could imply diminishing scale benefits, as project sizes and headcount requirements from vendors may be lower compared to earlier years. We believe this benefits small and mid-players, who could play an instrumental role in the next recovery cycle as well. **We reiterate Persistent and LTIMindtree as our top picks in the mid-to-large tier, and prefer HCLT as our top pick in the large cap space.**

New GCC set up in India

- India saw the establishment of 47 new GCCs (45 in Tier-I cities) in CY23, a dip from 65 new GCCs (62 in Tier-I cities) in CY22. In both years, Software & Internet verticals established the most GCCs at 35/17 (in CY22/CY23).
- In CY23, the Semiconductor sector accounted for ~9% of GCCs. India has over 55+ Semiconductor GCCs, as per NASSCOM. Moreover, BFSI vertical also consistently contributed ~5% in the newly set up GCCs in CY22/23.

Tier-I vs Tier-II – new GCCs set up



Source: NASSCOM, MOFSL

Tata Steel

BSE SENSEX	S&P CNX
81,741	24,951

Conference Call Details

Date: 1 August 2024
Time: 12:00 pm IST
Webinar via Webex: Link

ID: 2392 732 1967
Password: earn@018
Webinar via YouTube: Link

CMP: INR165 **Neutral**

In-line revenue; marginal beat in earnings driven by lower costs

Standalone results

- Revenue stood at INR330b (-7% YoY/-10% QoQ), largely in line with our estimate of INR340. The QoQ decline was driven by lower volumes and weak realization.
- ASP stood at INR66,720/t (-10% YoY/-1% QoQ) vs. our estimate of INR68,815/t.
- EBITDA stood at INR68b (+2% YoY/-16% QoQ), marginally better than our estimate of INR66b thanks to lower input costs.
- EBITDA/t stood at INR13,711/t (-2% YoY/-8% QoQ) vs. our estimate of INR13,416/t.
- APAT stood at INR36b (-23% YoY/-24% QoQ), in line with our estimate.
- Steel production stood at 5.01mt (+4% YoY/-4% QoQ). Deliveries stood at 4.94mt (+3% YoY/-9% QoQ), led by a 4% rise in domestic deliveries.

Consolidated results:

- Sales volume stood at 7.39mt (+3% YoY/-7% QoQ), 5% below our estimate.
- Revenue came in at INR548b (-8% YoY/-7% QoQ), 6% below our estimate of INR580b. The decline in revenue was attributed to lower volume QoQ.
- Blended ASP stood at INR74,116/t (-10% YoY/+1% QoQ), as expected.
- EBITDA stood at INR67b (+29% YoY/+1% QoQ) vs. our estimate of INR60b, on account of lower than expected costs.
- EBITDA/t was INR9,059/t vs. our estimate of INR7,639/t.
- APAT stood at INR13b (+112% YoY/+9% QoQ) vs. our estimate INR11b, which was mainly driven by better operating profit.

European operations (UK + Netherlands):

- Consolidated crude steel production stood at 2.37mt (+32% YoY/+11% QoQ) and sales stood at 2.15mt (+8% YoY/+1% QoQ).
- Revenue stood at INR209b (-2% YoY/+1% QoQ) vs. our estimate of INR226b. The miss on revenue was due to lower than expected volume and NSR.
- ASP stood at USD1,171/t (-10% YoY/+1% QoQ) vs. our estimate of USD1,234/t.
- EBITDA loss declined to INR5b, in line with our estimates.
- EBITDA loss per ton stood at USD28/t in 1QFY25 vs. USD38/t in 4QFY24.

Other highlights:

- Capex was INR37.8b.
- The phased commissioning of 5mtpa expansion at Kalinganagar is progressing well and BF expected to start in Sep'24.
- Net debt stands at INR822b and liquidity remains strong at INR364b, which includes cash & cash equivalents of INR108b.

Standalone Financial Performance (INR b)

Y/E March	FY24				FY25E	FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q			1QE	(%)
Sales Vol (kt)	4,790	4,820	4,880	5,420	4,940	19,910	21,170	4,934	0
Change (YoY %)	17.7	-1.8	6.3	5.2	3.1	8.4	6.3		
Change (QoQ %)	-7.0	0.6	1.2	11.1	-8.9				
ASP (INR/t)	74,083	70,924	71,069	67,592	66,720	70,812	75,843	68,815	-3
Abs Change (QoQ)	203	-3,159	146	-3,478	-872	-7,002	5,031		
Change (YoY %)	-16.9	0.5	-3.9	-8.5	-9.9	-9.0	7.1		
Net Sales	**355**	**342**	**347**	**366**	**330**	**1,410**	**1,606**	**340**	**-3**
Change (YoY %)	-2.2	-1.3	2.2	-3.7	-7.1	-1.3	13.9		
Change (QoQ %)	-6.7	-3.7	1.5	5.6	-10.0				
Total Expenditure	288	273	264	286	262	1,112	1,272	273	
As a % of net sales	81.2	79.9	76.2	78.0	79.4	78.8	79.2		
EBITDA	**67**	**69**	**82**	**80**	**68**	**298**	**333**	**66**	**2**
Change (YoY %)	-32.0	47.2	60.6	-7.0	1.6	5.5	11.7		
Change (QoQ %)	-22.9	3.0	20.1	-2.5	-15.8				
(% of Net Sales)	18.8	20.1	23.8	22.0	20.6	21.2	20.8		
EBITDA(INR/t)	13,924	14,248	16,905	14,846	13,711	14,984	15,740	13,416	2.2
Interest	10	11	11	9	9	42	41	11	
Depreciation	15	15	15	15	15	60	63	16	
Other Income	15	8	3	5	4	31	32	8	
PBT (before EO Inc.)	**56**	**51**	**60**	**61**	**47**	**228**	**261**	**48**	
EO Income(exp)	0	-130	0	-6	-2	-136			
PBT (after EO Inc.)	**56**	**-79**	**60**	**54**	**45**	**92**	**261**	**48**	
Current Tax	12	8	17	13	11	50	60		
Current Tax Rate%	21	-10	28	23	24	54	23		
Deferred Tax	-2	-2	-3	1	1	-6	5		
Total Tax	10	6	14	14	11	44	65	11	
% Tax	18.1	-7.7	22.7	25.2	25.4	47.6	25.0	24.0	
Reported PAT	**46**	**-85**	**47**	**41**	**33**	**48**	**196**	**36**	**-8**
Adjusted PAT	**46**	**45**	**46**	**47**	**36**	**184**	**196**	**36**	**-1**
Change (YoY %)	-22.7	100.5	95.8	-3.7	-23.0	19.3	6.1		
Change (QoQ %)	-5.0	-3.2	3.7	1.1	-24.0				

E: MOFSL Estimates; t=ton of steel sales

Consolidated Financial Performance (INR b)

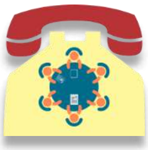
Y/E March	FY24				FY25E	FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q			4QE	(%)
Sales (k tons)	7,200	7,070	7,150	7,980	7,390	29,390	30,720	7,799	-5
Change (YoY %)	8.6	-2.2		2.6	2.6	2.1	4.5		
Avg Realization (INR/t)	82,625	78,758	77,359	73,543	74,116	77,976		74,406	0
Net Sales	**595**	**557**	**553**	**587**	**548**	**2,292**	**2,516**	**580**	**-6**
Change (YoY %)	*-6.2*	*-7.0*	*-3.1*	*-6.8*	*-7.9*	*-5.8*	*9.8*		
Change (QoQ %)	*-5.5*	*-6.4*	*-0.7*	*6.1*	*-6.7*				
EBITDA	**52**	**43**	**63**	**66**	**67**	**223**	**336**	**60**	**12**
Change (YoY %)	*-65.4*	*-29.6*	*54.7*	*-8.6*	*29.4*	*-30.9*	*50.5*		
Change (QoQ %)	*-28.3*	*-17.5*	*46.8*	*5.4*	*1.4*				
(% of Net Sales)	*8.7*	*7.7*	*11.3*	*11.2*	*12.2*	*9.7*	*13.3*		
EBITDA (INR/t)	**7,186**	**6,037**	**8,760**	**8,271**	**9,059**	**7,590**	**10,929**	**7,639**	**19**
Interest	18	20	19	18	18	75	75	17	
Depreciation	24	25	24	26	25	99	102	26	
Other Income	12	2	2	2	3	18	20	5	
PBT (before EO Inc.)	**21**	**1**	**22**	**24**	**26**	**67**	**178**	**21**	**26**
EO Income(exp)	0	-69	-3	-6	-4	-78			
PBT (after EO Inc.)	**21**	**-68**	**19**	**18**	**23**	**-11**	**178**	**21**	**9**
Current Tax	10	11	18	14	6	53	59		
Deferred Tax	3	-13	-4	-1	9	-15	5		
Total Tax	13	-2	14	13	15	38	64	11	
% Tax	*63.0*	*NA*	*64.2*	*53.0*	*55.2*	*55.9*	*36.1*	*53.1*	
PAT before MI and Sh. of associate	**8**	**-66**	**4**	**5**	**8**	**-49**	**114**	**10**	**-16**
Minority Interests	-1	-3	0	-1	0	-5			
Share of asso. PAT	-3	1	1	0	1	-1	5	1	
Adj. PAT (after MI & asso)	**6**	**7**	**8**	**12**	**13**	**34**	**119**	**11**	**18**
Change (YoY %)	*-92.0*	*-54.2*	*LP*	*-28.8*	*112.3*	*-61.0*	*252.5*		
Change (QoQ %)	*-63.4*	*13.2*	*20.6*	*42.3*	*9.3*				

E: MOFSL Estimates; t=ton of steel sales

Prestige Estates Projects

BSE SENSEX	S&P CNX
81,741	24,951

Conference Call Details



Date: 01 Aug 2024

Time: 15:30 IST

Dial-in details:

+91-22 6280 1145

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	78.8	104.2	114.3
EBITDA	25.0	27.9	31.8
EBITDA Margin (%)	31.7	26.8	27.8
PAT	7.1	7.5	9.8
EPS (INR)	19.0	19.9	26.2
EPS Gr. (%)	86.2	42.5	120.3
BV/Sh. (INR)	301.0	319.3	344.0
Ratios			
RoE (%)	6.7	6.4	7.9
RoCE (%)	9.3	7.5	8.1
Payout (%)	4.4	8.1	6.1
Valuations			
P/E (x)	95.8	91.3	69.2
P/BV (x)	6.0	5.7	5.3
EV/EBITDA (x)	32.7	28.9	25.4
Div yld (%)	0.1	0.1	0.1

CMP: INR1,816 — Buy

Muted pre-sales performance; net debt inches up

Unveils enhanced pipeline for retail and hotel assets

Operational performance

- PEPL reported bookings of INR30.3b, down 21% YoY/36% QoQ and 13% below our estimate due to muted launches.
- The company launched 1.9msf of area vs. 3.1msf/0.8msf in 1QFY24/4QFY24.
- Sales volume declined by 25% YoY/30% QoQ to 2.8msf, while realizations improved 5% YoY to INR10,700/sft.
- Bengaluru contributed 43% to overall sales, while Hyderabad and Mumbai contributed 32% and 23%, respectively.

Ongoing and future pipeline

- After new launches in 1Q, PEPL's upcoming residential pipeline stands at 73msf (vs. 75msf in 4QFY24).
- Bengaluru's upcoming pipeline declined by 10msf, which was offset by an increase in pipeline for Hyderabad (5msf), NCR (1msf) and Goa (2msf).
- The ongoing and upcoming office pipeline was unchanged at 23msf and 8msf, respectively; however, ongoing and upcoming retail pipeline increased to 12msf from 7msf in 4QFY24.
- PEPL now aims to build >2,000 keys in hospitality segment (765 keys earlier).

Cash flow

- Total collections were up 6% YoY to INR29.2b.
- Net debt increased by INR4b QoQ to INR82b, with net D/E of 0.7x.

Financial performance

- Revenue was up 11% YoY at INR18.6b (4% below estimate). EBITDA increased 51% YoY to INR8.0b (68% above estimate), aided by ~12pp increase in EBITDA margin to 43%.
- Adj. PAT declined by 13% YoY to INR2.3b due to higher interest costs and lower other income.

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	(%/bp)
Net Sales	**16,809**	**22,364**	**17,958**	**21,640**	**18,621**	**22,919**	**26,044**	**36,593**	**78,771**	**1,04,178**	**19,330**	**-4**
YoY Change (%)	-13.3	56.6	-22.5	-17.8	10.8	2.5	45.0	69.1	-5.3	32.3	15.0	
Total Expenditure	11,542	16,439	12,443	13,363	10,658	17,215	19,065	29,321	53,787	76,258	14,398	
EBITDA	**5,267**	**5,925**	**5,515**	**8,277**	**7,963**	**5,704**	**6,980**	**7,272**	**24,984**	**27,920**	**4,932**	**61**
Margins (%)	31.3	26.5	30.7	38.2	42.8	24.9	26.8	19.9	31.7	26.8	25.5	
Depreciation	1,655	1,741	1,797	1,972	1,905	2,000	2,060	2,765	7,165	8,731	2,031	
Interest	2,382	2,639	2,932	4,238	3,461	3,288	3,124	1,840	12,191	11,712	2,978	
Other Income	2,854	1,684	1,747	685	1,624	917	1,042	585	6,970	4,167	773	
PBT before EO expense	**4,084**	**3,229**	**2,533**	**2,752**	**4,221**	**1,333**	**2,838**	**3,252**	**12,598**	**11,644**	**697**	**506**
Extra-Ord expense	0	8,512	0	0	0	0	0	0	8,512	0	0	
PBT	**4,084**	**11,741**	**2,533**	**2,752**	**4,221**	**1,333**	**2,838**	**3,252**	**21,110**	**11,644**	**697**	**506**
Tax	863	2,564	723	786	1,023	333	709	845	4,936	2,911	174	
Rate (%)	21.1	21.8	28.5	28.6	24.2	25.0	25.0	26.0	23.4	25.0	25.0	
Minority Interest & Profit/Loss of Asso. Cos.	552	668	647	566	872	280	318	382	2,433	1,047	293	
Reported PAT	**2,669**	**8,509**	**1,163**	**1,400**	**2,326**	**720**	**1,810**	**2,025**	**13,741**	**7,686**	**230**	
Adj PAT	**2,669**	**1,856**	**1,163**	**1,400**	**2,326**	**720**	**1,810**	**2,025**	**13,969**	**14,699**	**230**	**913**
YoY Change (%)	174.0	397.2	-9.0	-69.5	-12.9	-61.2	55.6	44.6	93.6	5.2	-91.4	
Margins (%)	15.9	8.3	6.5	6.5	12.5	3.1	7.0	5.5	17.7	14.1	1.2	
Key metrics												
Sale Volume (msf)	3.8	6.8	5.5	4.1	2.9	5.0	6.0	6.4	20.2	19.3	4	**-22**
Sale Value (INRb)	39.1	70.9	53.3	47.1	30.3	50.0	60.0	70.1	210.4	259.8	35	**-13**
Collections - PEPL share (INRb)	25	24	29	33	25	24	29	31	110.5	0.0	25	**0**
Realization (INR/sft)	10,221	10,369	9,755	11,452	10,593	10,000	10,000	10,989	10,395	13,480	9,500	**12**

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

Phoenix Mills

BSE SENSEX	S&P CNX
81,741	24,951

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	39.8	40.1	46.7
EBITDA	21.8	23.7	28.9
PAT	54.7	59.2	61.9
EBITDA (%)	11.0	10.9	14.8
EPS (INR)	61.6	60.8	83.0
EPS Gr. (%)	50.6	-1.3	36.5
BV/Sh. (INR)	529.8	587.6	667.6
Ratios			
Net D/E	0.4	0.3	0.1
RoE (%)	12.3	10.9	13.2
RoCE (%)	12.3	11.3	13.5
Payout (%)	4.4	4.9	3.6
Valuations			
P/E (x)	65.8	66.6	48.8
P/BV (x)	7.6	6.9	6.1
EV/EBITDA (x)	35.0	31.7	25.4
Div Yield (%)	0.1	0.1	0.1

CMP: INR3,597 | Buy

Ramp-up in new malls drives strong growth in consumption

Reports steady LFL growth

Financial Performance

- PHNX reported revenue of INR9b, up 12% YoY (in line). EBITDA came in at INR5.3b, up 8% YoY (in line).
- EBITDA (excluding residential business) stood at INR5.2b, up 21% YoY.
- Adj. PAT stood at INR2.3b, flat YoY.

Retail Business

- Total consumption stood at ~INR32b, up 25% YoY. On a like-to-like basis, consumption rose 7% YoY.
- Gross retail collections stood at INR8b, up 30% YoY. The company reported rental income of INR4.9b, up 31% YoY.
- Retail EBITDA came in at INR5.2b, up 31% YoY.
- Weighted average leased occupancy across major malls stood at 97% and trading occupancy at 90% (vs. 88% in 4QFY24).
- Mall of Millennium, Pune, and Mall of Asia, Bengaluru, witnessed a ramp-up in trading occupancy to 80% and 72%, respectively (vs. 76%/57% in 4QFY24).

Office Portfolio

- Occupancy was steady at 71%.
- Gross leasing was ~0.15msf, of which 0.1msf were renewals and 0.05msf were new leases.
- Income from commercial offices increased 20% YoY to INR500m and EBITDA came in at INR320m, up 33% YoY.
- Gross rent stood at INR114/sqft per month vs. INR112 in 4QFY24.

Hospitality

- Occupancy improved YoY to 85% for St. Regis (vs. 82% in 1QFY24) but declined to 63% at Marriott Agra (vs. 72% in 1QFY24). St. Regis reported ARR of INR16,425, flat YoY. Marriott Agra's ARR declined 5% YoY to INR4,166.
- Total Income was down 4% YoY at INR1.2b. EBITDA stood at INR0.5b, flat YoY, with a margin of 44% for St. Regis and 16% for Marriott Agra.

Residential Segment

- PHNX posted gross sales of INR500m and collections of INR600m.

Debt and cash flow

- Operating free cash flow (after interest and taxes) was INR4.3b, and excluding the residential business, it was INR4b, up 20% YoY.
- Consolidated net debt stood at INR20b, down by INR1b sequentially.
- The board has recommended a bonus share issuance in the ratio of 1:1, subject to shareholder approval.

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.%
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	
Gross Sales	**8,106**	**8,750**	**9,861**	**13,059**	**9,041**	**9,213**	**10,415**	**11,388**	**39,777**	**40,057**	**9,145**	-1%
YoY Change (%)	41.1	34.4	44.2	79.1	11.5	5.3	5.6	-12.8	50.8	0.7	12.8	
Total Expenditure	3,183	3,691	4,343	6,792	3,731	3,731	4,254	4,645	18,009	16,362	3,964	
EBITDA	**4,923**	**5,060**	**5,518**	**6,267**	**5,310**	**5,482**	**6,161**	**6,742**	**21,768**	**23,695**	**5,181**	2%
Margins (%)	60.7	57.8	56.0	48.0	58.7	59.5	59.2	59.2	54.7	59.2	56.7	*208bps*
Depreciation	630	659	656	757	775	849	960	1,108	2,702	3,692	886	
Interest	957	965	1,042	995	1,031	980	970	642	3,959	3,622	946	
Other Income	290	316	343	372	383	296	335	275	1,322	1,289	309	
PBT before EO expense	**3,627**	**3,752**	**4,163**	**4,886**	**3,887**	**3,949**	**4,566**	**5,267**	**16,429**	**17,669**	**3,659**	
Extra-Ord expense	0	0	0	0	-5	0	0	0	0	0	0	
PBT	**3,627**	**3,752**	**4,163**	**4,886**	**3,882**	**3,949**	**4,566**	**5,267**	**16,429**	**17,669**	**3,659**	6%
Tax	730	714	724	998	747	992	1,147	1,552	3,166	4,439	919	
Rate (%)	20.1	19.0	17.4	20.4	19.2	25.1	25.1	29.5	19.3	25.1	25.1	
MI & P/L of Asso. Cos.	492	512	646	621	809	547	618	404	2,270	2,378	571	42%
Reported PAT	2,405	2,526	2,793	3,267	2,326	2,410	2,801	3,311	10,993	10,853	2,169	7%
Adj PAT	**2,405**	**2,526**	**2,793**	**3,267**	**2,331**	**2,410**	**2,801**	**3,311**	**10,993**	**10,853**	**2,169**	7%
YoY Change (%)	48.5	35.9	58.3	58.9	-3.1	-4.6	0.3	1.3	1,880.3	1,987.6	-9.8	
Margins (%)	29.7	28.9	28.3	25.0	25.8	26.2	26.9	29.1	27.6	27.1	23.7	

Source: Company, MOFSL

Five Star Business Finance

BSE Sensex	S&P CNX
81,741	24,951

Conference Call Details

Date: 01st Aug 2024

Time: 10:00 A:M IST

Dial-in details:

+ 91-22-6280 1366,

+ 91-22-7115 8267

Link for the call

Financials & Valuation (INR b)

Y/E March	FY24	FY25E	FY26E
NII	16.5	21.1	25.9
PPoP	11.7	14.8	17.9
PAT	8.4	10.4	12.6
EPS (INR)	29	36	43
EPS Growth (%)	38	24	21
BVPS (INR)	178	213	255
Ratios (%)			
NIM	19.9	18.9	17.9
C/I ratio	32.2	32.8	34.0
Credit Costs	0.7	0.9	0.8
RoAA	8.2	7.7	7.2
RoAE	17.5	18.2	18.4
Dividend Payout	0.0	2.8	4.6
Valuation			
P/E (x)	26.4	21.2	17.5
P/BV (x)	4.2	3.5	3.0
Div. Yield (%)	0.0	0.1	0.3

CMP: INR755 **Buy**

Strong loan growth with stable asset quality; in-line earnings

NIM declined ~45bp QoQ because of improving leverage

- 1QFY25 PAT grew 37% YoY to ~INR2.5b (in line). NII grew ~31% YoY to INR4.8b (in line), while PPoP rose ~36% YoY to INR3.55b (in line).
- Other income grew 43% YoY to INR283m, aided by higher gains on fair value changes. Opex grew ~24% YoY to INR1.57b (in line). Credit costs at INR185m translated into annualized credit cost of ~70bp (PY: ~90bp).

Spreads were stable QoQ; NIM declined from improvement in leverage

- Reported yield was flat QoQ at 24.2% and CoB was also stable QoQ at 9.6%. Spreads stood at ~14.6%. NIM declined ~45bp QoQ to ~16.7%.
- Incremental CoF declined ~10bp QoQ to ~9.5%.

Asset quality largely stable; cash component in collections declines

- GS3 and NS3 remained broadly stable QoQ at 1.4% and 0.7%, respectively. Stage 3 PCR declined ~220bp QoQ to ~52%.
- Current portfolio declined to 86.7% (PQ: 87.4%). Stage 2 rose ~20bp QoQ to ~6.7%. 30+ dpd increased ~25bp QoQ to 8.1% and 1+dpd increased ~70bp QoQ to 13.3%. **Cash proportion in collections declined to ~35% (PQ: ~47% and PY: ~58%) because of strong efforts made by the company to reduce cash collections.**
- Overall collection efficiency (CE) stood at 98.5% (PQ: 99.5%). Unique loan collections (Due one, collect one) stood at 97.2% (PQ: 97.8%).

Disbursement grew ~16% YoY; AUM grew ~36% YoY

- Disbursements grew ~16% YoY (flat QoQ) to ~INR13.2b. Loans grew 36% YoY/7% QoQ to ~INR103.4b.
- RoA/RoE stood at 8.2%/19%. Capital adequacy was healthy at 48.4%.

Valuation and view

- Five Star reported decent business momentum in 1QFY25 despite the impact of elections during the quarter. We expect business momentum to improve in the subsequent quarters as the company remains on track to deliver ~35% AUM growth in FY25. Margin compression is along expected lines, driven by improvement in balance sheet leverage. Minor increase in Stage 2 is due to the seasonality in asset quality in 1Q of the fiscal year.
- The stock currently trades at 3.0x FY26E P/BV. We believe that Five Star's premium valuations will remain intact, given its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics. We will review our estimates after the earnings call on 1st Aug'24.

FIVE STAR BUSINESS: Quarterly Performance (INR M)

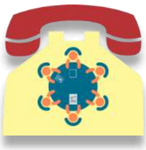
Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	4,637	5,041	5,495	5,992	6,411	6,892	7,374	7,642	21,166	28,319	6,370	1
Interest Expenses	962	1,059	1,287	1,377	1,582	1,740	1,949	1,943	4,685	7,214	1,543	3
Net Interest Income	**3,676**	**3,982**	**4,208**	**4,615**	**4,829**	**5,152**	**5,425**	**5,699**	**16,481**	**21,105**	**4,827**	**0**
YoY Growth (%)	*35.9*	*34.3*	*31.6*	*33.4*	*31.4*	*29.4*	*28.9*	*23.5*	*33.7*	*28.1*	*31.3*	
Other Income	198	183	205	199	283	208	232	263	785	986	226	25
Total Income	**3,874**	**4,165**	**4,413**	**4,814**	**5,112**	**5,360**	**5,657**	**5,962**	**17,266**	**22,091**	**5,053**	**1**
YoY Growth (%)	*41.3*	*38.4*	*35.5*	*33.0*	*32.0*	*28.7*	*28.2*	*23.8*	*36.7*	*27.9*	*30.4*	
Operating Expenses	1,263	1,389	1,412	1,488	1,565	1,771	1,998	1,908	5,553	7,242	1,496	5
Operating Profit	**2,611**	**2,775**	**3,001**	**3,326**	**3,547**	**3,589**	**3,658**	**4,054**	**11,713**	**14,849**	**3,557**	**0**
YoY Growth (%)	*40.5*	*37.9*	*45.5*	*43.6*	*35.9*	*29.3*	*21.9*	*21.9*	*42.0*	*26.8*	*36.2*	**-1**
Provisions & Loan Losses	152	106	102	194	185	191	162	455	554	993	233	-20
Profit before Tax	**2,459**	**2,670**	**2,899**	**3,132**	**3,362**	**3,399**	**3,496**	**3,600**	**11,160**	**13,856**	**3,324**	**1**
Tax Provisions	622	676	731	771	846	860	885	874	2,800	3,464	841	1
Net Profit	**1,837**	**1,994**	**2,168**	**2,361**	**2,516**	**2,539**	**2,612**	**2,726**	**8,359**	**10,392**	**2,483**	**1**
YoY Growth (%)	32	38	44	40	37	27	20	15	*38.5*	*24.3*	*35.1*	
Key Parameters (%)												
Yield on loans	25.6	25.4	25.6	25.8	25.7	25.4	25.0	24.3				
Cost of funds	9.0	9.3	9.7	9.1	9.7							
Spread	16.6	16.2	15.9	16.7	16.0							
NIM	20.3	20.1	19.6	19.9	19.3							
Credit cost	0.9	0.5	0.5	0.8	0.7							
Cost to Income Ratio (%)	32.6	33.4	32.0	30.9	30.6							
Tax Rate (%)	25.3	25.3	25.2	24.6	25.2							
Performance ratios (%)												
AUM/Branch (INR m)	196.5	181.2	186.1	185.4	189.1							
Balance Sheet Parameters												
AUM (INR B)	75.8	82.6	89.3	96.4	103.4							
Change YoY (%)	43.2	44.2	43.1	39.4	36.4							
Disbursements (INR B)	**11.3**	**12.0**	**12.1**	**13.4**	**13.2**							
Change YoY (%)	99.1	50.0	32.8	20.4	16.5							
Borrowings (INR B)	43.2	48.2	57.9	63.2	67.2							
Change YoY (%)	71.3	91.0	82.2	48.7	55.8							
Borrowings/Loans (%)	56.9	58.3	64.8	65.5	65.0							
Debt/Equity (x)	1.0	1.0	1.2	1.2	1.1							
Asset Quality (%)												
GS 3 (INR M)	**1,072**	**1,118**	**1,251**	**1,328**	**1,454**							
G3 %	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**							
NS 3 (INR M)	**598**	**557**	**572**	**607**	**697**							
NS3 %	**0.8**	**0.7**	**0.7**	**0.6**	**0.7**							
PCR (%)	**44.2**	**50.2**	**54.3**	**54.3**	**52.1**							
ECL (%)	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**							
Return Ratios - YTD (%)												
ROA (Rep)	8.4	8.5	8.3	8.4	8.2							
ROE (Rep)	16.6	17.1	17.7	18.7	19.0							

E: MOFSL Estimates

JK Lakshmi Cement

BSE Sensex	S&P CNX
81,741	24,951

Conference Call Details



Date: 1st August 2024

Time: 17:30 IST

Dial-in details:

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+ 91 22 7115 8044

Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	71.4	81.6	94.6
EBITDA	11.9	14.2	17.0
Adj. PAT	4.9	5.5	6.4
EBITDA Margin (%)	16.6	17.4	18.0
Adj. EPS (INR)	41.9	47.0	54.2
EPS Gr. (%)	5.8	12.2	15.3
BV/Sh. (INR)	307	348	396
Ratios			
Net D:E	0.5	0.6	0.6
RoE (%)	14.5	14.4	14.6
RoCE (%)	11.7	11.9	12.0
Payout (%)	14.7	13.4	11.8
Valuations			
P/E (x)	20.5	18.2	15.8
P/BV (x)	2.8	2.5	2.2
EV/EBITDA(x)	9.6	8.3	7.6
EV/ton (USD)	77	70	65
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	-0.0	-3.3	-1.8

CMP: INR886 **Buy**

Lower realizations led to earnings miss

- JKLC's consolidated 1QFY25 EBITDA was below our estimate due to lower-than-estimated realization/t. Consolidated EBITDA increased 13% YoY to INR2.2b, 11% below our estimate. EBITDA/t rose 13% YoY to INR732 vs. est. INR802. OPM stood at ~14% (up 2.9pp YoY) vs. estimated ~15%. PAT after MI stood at INR703m (est. INR1.0b).
- JKLC announced that all the cement businesses of the group (Udaipur Cement, Hansdeep-Nagaur mines, and Hidrive-Land at Surat GU) will be merged into a single entity. The shareholders of Udaipur Cement will receive four equity shares of JKLC for 100 shares in the company. JKLC will not receive any share, and its investments in Udaipur Cement will be cancelled. This scheme of arrangement is expected to become effective in 2HCY25, and the appointed date for the scheme will be 1st Apr'24.
- We have a **BUY rating** on the stock and will review our assumptions after the concall.

Sales volume flat YoY; opex/t declines 13% YoY

- Consolidated revenue/EBITDA/PAT stood at INR15.6b/INR2.2b/INR703m (down 10%/up 13%/down 10% YoY and down 6%/11%/30% vs. our estimate) in 1QFY25. Sales volumes were flat YoY at 3.04mt (-2% vs. our estimate). Realization was down 10% YoY/6% QoQ at INR5,149/t (-4% vs. our estimate).
- Opex/t declined 13% YoY (-3% vs. our estimate), led by a 17%/8%/3% YoY decline in variable/ freight/other expenses. OPM was up 2.9pp YoY at ~14% and EBITDA/t rose 13% YoY to INR732 in 1QFY25.
- Depreciation/finance costs increased 29%/46% YoY. Other income was up 18% YoY. PAT was down 10% YoY at INR703m.

Highlights from the management commentary

- JKLC is expanding its grinding capacity by 6.0mtpa at an estimated capex of INR27.25b, funded through a mix of debt and internal accruals. Expansion includes: 1) brownfield clinker/cement expansion of 2.3mtpa/ 1.2mtpa at Durg, Chhattisgarh; 2) cement expansion of 1.35mtpa at Surat, Gujarat; and 3) greenfield split location grinding units with aggregate capacity of 3.4mtpa at three different locations: Prayagraj, Uttar Pradesh; Madhubani, Bihar; and Patratu, Jharkhand.
- The company has successfully commissioned the WHR 3.5MW at Sirohi in 1Q. It is implementing a project for enhancing its TSR from 4% to 16% in a phased manner at its Sirohi cement plant as a part of its green initiatives.

Valuation and view

- We have a **BUY** rating on the stock. However, we will review our assumptions after the concall on 1st Aug'24 (Concall Link).

Quarterly performance (consolidated) **(INR b)**

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales Volumes (mt)	3.04	2.73	2.96	3.26	3.04	2.92	3.36	3.76	11.99	13.08	3.10	(2)
YoY Change (%)	1.2	12.3	7.6	0.9	0.0	6.8	13.5	15.4	5	9	2	
Net Sales	**17.3**	**15.7**	**17.0**	**17.8**	**15.6**	**15.2**	**17.8**	**22.8**	**67.9**	**71.4**	**16.7**	(6)
YoY Change (%)	4.6	14.6	9.0	(4.4)	(9.6)	(3.4)	4.8	27.8	5.2	5.2	(3.6)	
EBITDA	**2.0**	**2.2**	**3.0**	**3.4**	**2.2**	**2.1**	**3.0**	**4.5**	**10.5**	**11.9**	**2.5**	(11)
Margin (%)	11.3	13.8	17.7	18.9	14.2	14.1	16.8	19.7	15.5	16.6	14.9	
Depreciation	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	2.5	2.9	0.7	0
Interest	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	1.5	2.0	0.5	3
Other Income	0.1	0.1	0.2	0.3	0.1	0.2	0.2	0.3	0.7	0.8	0.2	(28)
PBT before EO expense	**1.2**	**1.4**	**2.1**	**2.5**	**1.2**	**1.1**	**2.0**	**3.5**	**7.2**	**7.7**	**1.5**	(22)
Extra-Ord. expense	-	-	(0.1)	-	-	-	-	-	(0.1)	-	-	
PBT	**1.2**	**1.4**	**2.2**	**2.5**	**1.2**	**1.1**	**2.0**	**3.5**	**7.3**	**7.7**	**1.5**	(22)
Tax	0.4	0.5	0.7	0.9	0.5	0.4	0.6	1.0	2.4	2.5	0.5	
Prior period tax adj.	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	32.7	32.0	32.7	35.1	43.6	32.6	32.6	28.9	33.4	32.6	32.6	
Reported PAT	**0.8**	**1.0**	**1.5**	**1.6**	**0.7**	**0.8**	**1.3**	**2.5**	**4.9**	**5.2**	**1.0**	(35)
Minority Interest	0.0	0.0	0.1	0.1	(0.1)	0.1	0.1	0.1	0.2	0.3	-	
Adj. PAT	**0.8**	**0.9**	**1.4**	**1.6**	**0.7**	**0.7**	**1.2**	**2.3**	**4.7**	**4.9**	**1.0**	
YoY Change (%)	(29.4)	51.9	80.1	42.7	(10.4)	(27.5)	(12.2)	49.4	29.9	5.8	27.5	(30)
Per ton analysis (INR)												
Net realization	**5,699**	**5,763**	**5,753**	**5,459**	**5,149**	**5,209**	**5,309**	**6,048**	**5,662**	**5,462**	**5,379**	(4)
RM Cost	1,385	1,255	1,066	1,140	1,269	1,269	1,204	737	1,210	1,099	1,140	11
Employee Expenses	357	382	370	292	334	381	337	315	348	340	341	(2)
Power, Oil, and Fuel	1,508	1,574	1,492	1,273	1,127	1,107	1,167	1,874	1,455	1,348	1,333	(15)
Freight and Handling Outward	1,131	1,094	1,117	1,064	1,038	1,028	1,038	1,170	1,101	1,074	1,074	(3)
Other Expenses	672	663	687	658	650	690	670	759	670	695	688	(6)
Total Expenses	**5,053**	**4,968**	**4,732**	**4,428**	**4,417**	**4,474**	**4,416**	**4,855**	**4,784**	**4,556**	**4,577**	(3)
EBITDA	**646**	**795**	**1,021**	**1,032**	**732**	**735**	**894**	**1,193**	**878**	**907**	**802**	(9)

Total spending contracts sharply, while receipts grow

Fiscal deficit at 8% of FY25BE in 1QFY25

- **Total spending by the central government contracted 18.4% in Jun'24 vs. a contraction of 37.9% in May'24. Growth in core spending (total spending excluding interest payments and subsidies) decelerated by 34.3% in Jun'24 vs. 26.1% in May'24. Contraction in spending was broad-based, mainly led by a sharper decline of 66.2% YoY in capital spending. At the same time, revenue spending contracted 1.6% in Jun'24 vs. a contraction of 33.1% in May'24 *(Exhibits 1 and 2).***
- **Accordingly, the government's total spending in 1QFY25 stood at INR9.7t, down 7.7% YoY and accounting for 20% of FY25BE (vs. INR10.5t in 1QFY24; 23% of FY24BE). Capital spending in 1QFY25 stood at INR1.8t, representing 16% of FY25BE (vs. 28% of FY24BE or INR2.8t achieved in 1QFY24).**
- **Meanwhile, total receipts increased 42.3% YoY in Jun'24 *(Exhibit 3).* While net tax revenue increased 48.8% in Jun'24, non-tax receipts increased 39.4%. Increase in net tax revenue was mainly led by a rise in direct tax collections. Income tax collections increased by 66.9% YoY in Jun'24, while corporate tax collections went up by 57.9% in Jun'24. Indirect tax collections grew 4.8% in Jun'24 (vs. contraction of 1.2% in May'24).**
- **For 1QFY25, therefore, total receipts of the government rose 39.2% YoY. Corporate tax collection was 26.2% higher than that of last year and income tax revenue rose by 49.9%. Total receipts stood at INR8.3t, representing 26% of FY25BE (vs. INR6t or 23% of FY24BE during 1QFY24).**
- **Consequently, in 1QFY25, the government's fiscal deficit stood at INR1.4t, accounting for only 8% of FY25BE vs. 25% of its FY24BE (or INR4.5t) in 1QFY24 *(Exhibit 4).***

Exhibit 1: Total spending contracted sharply in Jun'24…

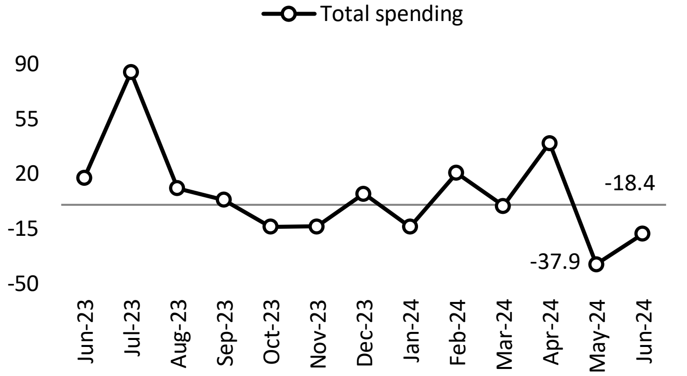
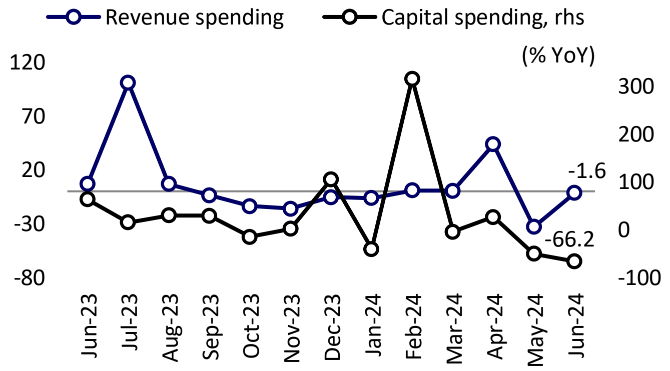


Exhibit 2: …mainly led by a sharp fall in capital spending



Source: Controller General of Accounts (CGA), MOFSL

Exhibit 3: Total receipts increased sharply in Jun'24

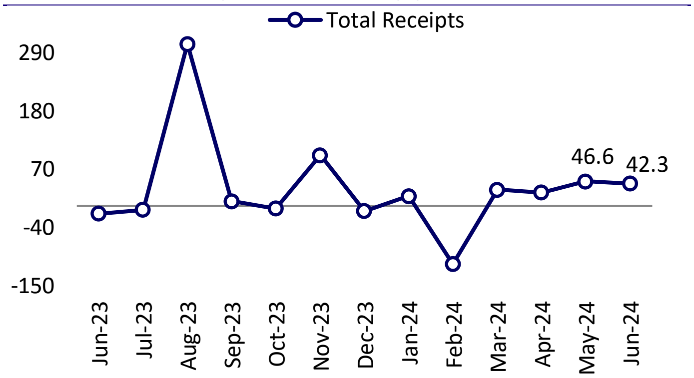
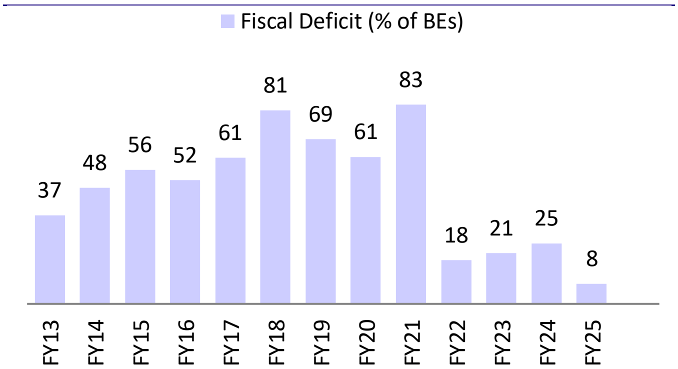


Exhibit 4: Fiscal deficit in 1QFY25 stood at 8% of BEs vs. 25% in 1QFY24



Apr-Sep for all years/ Source: CGA, MOFSL

Sapphire Foods : KFC was impacted in April to shift in festival dates; Sanjay Purohit, CEO

- KFC being non-veg dominant was impacted the most
- Saw steady performance in overall subdued demand environment
- Pizza hut may have lost some lustre in the last couple of years
- Exits were mainly PE investors

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Castrol : Double digit growth depends on diversification; Sandeep Sangwan, MD

- Volumes have been similar to revenue growth of 4% in Q2
- Double digit growth depends on diversification
- Core lubricants business will grow at 4-5%
- Advertisements expenses have gone higher by 16% in H1CY24

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Dixon Tech : Targeting 2.8-3.0 cr mobile phone production in FY25; Saurabh Gupta, CFO

- Mobile phones provide the largest opportunity pool as compared to other segments
- IT Hardware will start contributing with meaningful numbers in next 12-15 months
- IT Component will be next growth driver after mobile

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Titagarh Rail : Q1 impacted by heatwave and labour shortage; Umesh Chowdhary, MD

- Average wagon production in Q1 was 700/ month
- On track to deliver 10,000- 11,000 freight wagons this year, to meet margin target of 10% for FY25
- Passenger segment will pick up from H2 onwards
- Q1 impacted by heatwave and labour shortage

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

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