Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	78,593	-0.2	8.8
Nifty-50	23,993	-0.3	10.4
Nifty-M 100	55,516	-0.6	20.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,240	1.0	9.9
Nasdaq	16,367	1.0	9.0
FTSE 100	8,027	0.2	3.8
DAX	17,354	0.1	3.6
Hang Seng	5,853	-0.4	1.5
Nikkei 225	34,675	10.2	3.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	76	-0.7	-1.7
Gold ($/OZ)	2,391	-0.8	15.9
Cu (US$/MT)	8,804	0.4	4.0
Almn (US$/MT)	2,234	2.1	-4.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.1	0.9
USD/EUR	1.1	-0.2	-1.0
USD/JPY	144.3	0.1	2.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.02	-0.3
10 Yrs AAA Corp	7.4	0.02	-0.3
Flows (USD b)	**6-Aug**	**MTD**	**CYTD**
FIIs	-0.4	-1.04	3.1
DIIs	0.40	1.81	32.7
Volumes (INRb)	**6-Aug**	**MTD***	**YTD***
Cash	1,336	1476	1298
F&O	4,79,104	3,36,362	3,77,851

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology: Beyond the wild swings of greed and fear!

What changed in 1QFY25?

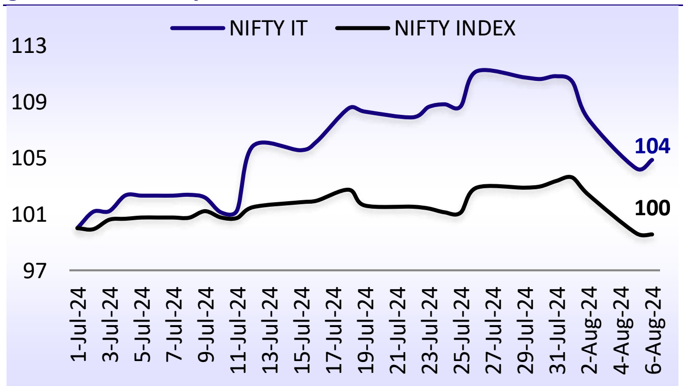
- **Banking and Financial Services (BFS) returns to growth and (slightly) positive commentary:** After a few quarters of sequential revenue declines, the BFS vertical has finally turned a corner, experiencing growth in 1QFY25 (as shown in Exhibit 4). While this is certainly a glimmer of hope, it is too early to declare a full recovery.
- Potential interest rate cuts could stimulate spending and aid recovery; however, the looming threat of a recession could exacerbate balance sheet issues, potentially hindering the sector's resurgence.
- **Early signs of shifting the focus away from cost-takeout deals:** Clients are transitioning from cost-cutting measures to prioritizing the high-impact transformation initiatives. This includes resuming data and ERP modernization projects that were previously delayed due to inflation concerns. While the pace of adoption may be cautious, vendors with robust transformation offerings stand to gain.

Research covered

Cos/Sector	Key Highlights
Technology	Beyond the wild swings of greed and fear!
Fusion Microfinance	Weak quarter; no respite in sight; Downgrade to Neutral
Bharti Airtel	Capex moderates; deleveraging continues
ONGC	KG-98/2 to drive medium-term volumes
Other Updates	Titan Company | Vedanta | TVS Motor Company | Gland Pharma | Triveni Turbine | Godrej Agrovet | Syrma SGS Technology | V-Mart Retail | VRL Logistics | Cummins India | Shree Cement | Bosch | Lupin | PI Industries | Gujarat Gas | IIFL Finance | Raymond | Indigo Paints

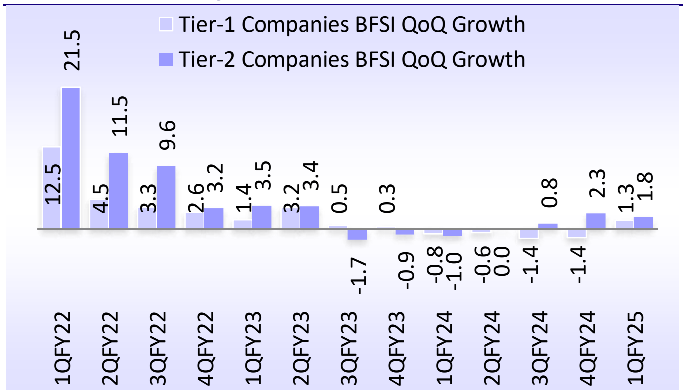
Chart of the Day: Technology (Beyond the wild swings of greed and fear!)

Nifty IT rallied during 1Q results but faced setbacks due to global uncertainty



Source: Company, MOFSL

BFSI rebounded to growth in 1QFY25 (%)



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Relief for property owners: Centre moves amendment for indexation proposal on real estate, will offer options to taxpayers

Indexation adjusts the purchase price of an asset for inflation, thereby reducing the gains and, ultimately, the tax liability.

2

Suzlon to acquire 51% stake in Renom Energy Services for Rs 400 crore

Suzlon Group will acquire another 25 percent within 18 months for an additional consideration of Rs 260 crore

3

To unlock full potential of Finance & IT Arms, Mahindra & Mahindra to rev up services business

Mahindra & Mahindra has seen its services sector contribute around 30-40 percent to profits. With further growth in Mahindra Finance and Tech Mahindra, services could play a major role in future profitability.

4

Bangladesh crisis: FMCG majors swing into action

Indian consumer goods companies have paused their operations in Bangladesh following violent protests that led Prime Minister Sheikh Hasina to flee. Major companies like Coca-Cola and Marico are prioritizing employee safety and suspending sales until normalcy returns.

5

Vedanta to save Rs 1,000 crore in interest costs yearly on debt repayment

Vedanta expects to save ₹1,000 crore annually in interest costs after utilizing proceeds from a recent ₹8,500 crore fund-raising to repay debt. Their June quarter profit surged 54%, while margins hit a seven-quarter high. This financial improvement follows significant debt reduction measures and a strategic focus on refinancing existing loans.

6

Tata Power looking at new thermal projects, says CEO Sinha

Tata Power has so far maintained that it will not do new thermal projects as it is focusing on renewable energy — targeting for it to be two thirds of the capacity by 2030.

7

India's e-lifestyle market set to reach $40-45 billion by 2028: Bain-Myntra report

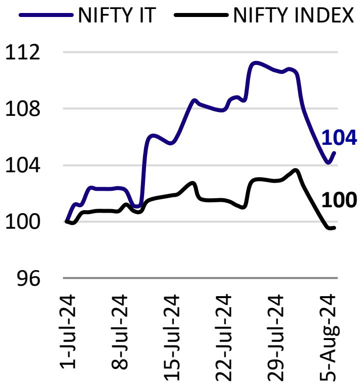
Currently, over 175 million Indians shop online for lifestyle products, making an average of 6-7 transactions per year

Technology

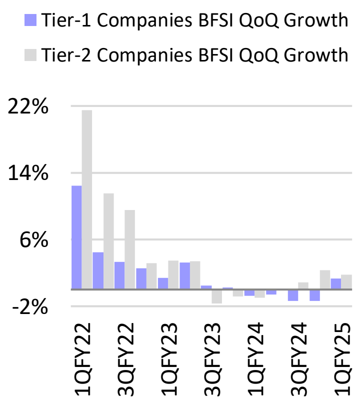
Beyond the wild swings of greed and fear!

July turned out to be an eventful month for IT services stocks. It all kicked off with a wave of optimism, fueled by a lack of negative news, which sparked a resurgent rally (refer to Exhibit 1). However, that excitement was soon dampened by the global macro-economic uncertainty. As we assess the current landscape, it is essential to reflect on the transformations since 4QFY24 and identify the ongoing challenges. Our exploration dives deep into these dynamics, shedding light on what has evolved and the obstacles that still lie ahead.

Nifty IT rallied during 1Q results but faced setbacks due to global uncertainty



BFSI rebounded to growth in 1QFY25



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- **Early signs of shifting the focus away from cost-takeout deals:** Clients are transitioning from cost-cutting measures to prioritizing the high-impact transformation initiatives. This includes resuming data and ERP modernization projects that were previously delayed due to inflation concerns. While the pace of adoption may be cautious, vendors with robust transformation offerings stand to gain.

What challenges remain?

- **Continued weakness in communications:** The communications sector remains challenged, as clients continue to grapple with the lingering impacts of significant capex and high interest rates. Although potential rate cuts could offer some relief, any substantial rise in tech spending is likely dependent on the transition from 5G infrastructure investments to service-oriented spending. This, however, hinges on the widespread adoption of enterprise 5G use cases.
- **Persistent Hi-Tech spending weakness:** Spending in the hi-tech realm continues to shift towards hardware and semiconductors. Product engineering software expenditures are expected to follow, though with a delay. This ongoing trend may continue to impact the sector in the foreseeable future.

A closer look at 1QFY25

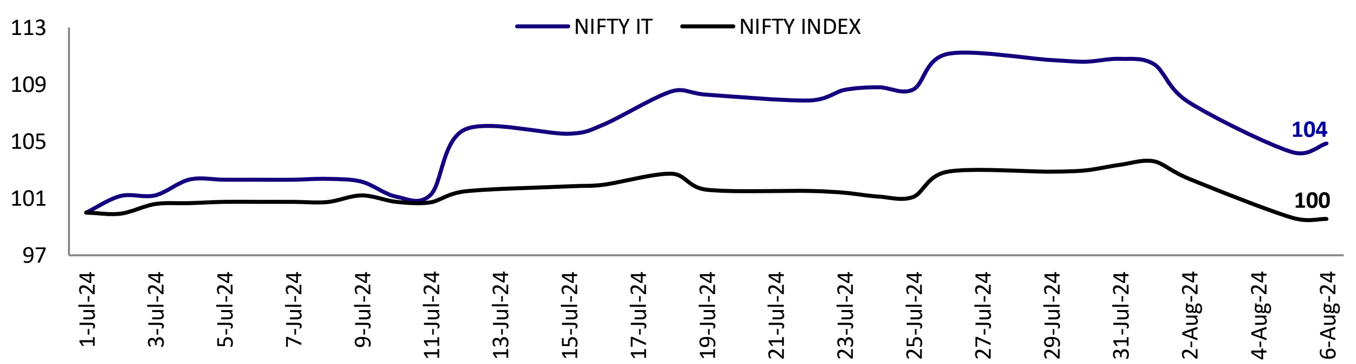
- **Aggregate performance:** The IT Services companies (MOFSL Universe) reported healthy performance (beating our estimates) in 1QFY25 with median revenue growth of 1.2% QoQ CC. With mild recovery in discretionary spending among BFSI clients, their focus is now slightly shifting away from cost-takeout deals to "high-priority" transformation deals in some pockets. Nonetheless, the overarching pressure on discretionary spending persists. That said we believe the cycle could be turning and clients are beginning to reinvest their savings from cost-reduction programs to reduce technological debt.

- **Healthy revenue growth**: Tier-1 saw a median revenue growth of 1.5% QoQ CC, while Tier-2 companies reported a growth of 0.8% QoQ CC dragged by CYL's weak performance of -5.0% QoQ CC. Excluding CYL, Tier-2 reported an in-line growth of 1.6% QoQ CC. WPRO (-1.0% QoQ CC) and CYL (-5.0% QoQ CC) were clear disappointments. On the margins front, Tier-1 companies reported ~20bp QoQ contraction, while Tier-2 companies saw a contraction of ~150bp QoQ primarily due to the 250bp QoQ dip in CYL's margin. The margin compression for tier-1 was majorly attributed to wage hikes and a reduction in ER&D margin (HCLT), while tier-2 posted weak margins owing to some one-offs, higher SG&A, and Visa costs for selective names.
- **TCV back to normal run-rate:** The deal TCV growth has normalized (down 23% QoQ) for Tier-1 companies, with Infosys being an exception in 1Q. Tier-2 companies have followed the same trend with 20% QoQ decline. INFO's deal wins remained strong in 1Q as the company reported the highest number of large deal wins at 34 with a TCV of USD4.1b (57.6% net new deals). Within Tier-2, Coforge experienced moderate growth due to a high base in 4Q, while MPHL reported strong growth from a low base in 4Q. The 1Q book-to-bill was decent at 1.0x for both Tier-1 and Tier-2 players.
- **Headcount movement**: The hiring activities were muted in 1Q; the net headcount reported a decline of 1.7k for Tier-1, while Tier-2 saw a net addition of ~150. The attrition rate remained rangebound at lower levels for a majority of the companies and utilization improved further across the board in 1QFY25.
- **Top picks:** We prefer HCLT and LTIM among large-caps and PSYS in the mid-cap space. HCLT has managed seasonality well and is poised for a strong 2HFY25, with an achievable 2.5% growth target. Its FCF metrics have meaningfully improved and now match those of TCS and Infosys, justifying a premium valuation. LTIM is well-positioned for growth in data engineering and ERP modernization, positioning it well to capture the pre-GenAI expenditures. We anticipate LTIM to outperform its large-cap peers and expect low double-digit CC growth for FY26. PSYS's strong earnings growth and strategic shift to platform-based services for GenAI spending support a projected 17% USD revenue CAGR and ~25%+ EPS CAGR, justifying a premium valuation multiple.
- **Significant Beat:** Infosys/LTIM (revenue growth), HCLT (revenue growth & margin), Persistent (revenue growth)
- **Significant Miss:** Cyient (revenue growth & margin), Wipro (margin), LTTS (revenue growth & margin)
- **Significant Surprise:** Cyient (revenue guidance cut)
- **Major EPS upgrades/downgrades:** Infosys' FY25E and FY26E EPS were upgraded by 3% and 6%, respectively. LTTS' FY24E/FY25E EPS were cut by 5%/1%. Cyient (DET business)'s FY24E and FY25E EPS were lowered by 17% and 6%, respectively. ZENT's FY24E/FY25E EPS were upgraded by 6%/1%.

Guidance highlights

- **TCS:** It remains cautious about near-term demand amid adverse macros, while it is quite optimistic about the secular long-term demand. Management does not see a material change in customer behavior. Clients continue to prioritize high-ROI cost optimization projects over discretionary projects. Further stated that BFSI clients are expected to increase spending on an integrated cloud model, and the company sees some positive movement in BFSI. FY25 is expected to be better than FY24, with broad-based growth across verticals and geographies.
- **INFO:** The company revised its revenue growth guidance in this quarter to 3-4% CC for FY25 and maintained its margin guidance in the range of 20-22%.
- **WPRO:** Positive momentum is seen among the US consumers, Capco business, and BFSI sectors. The company believes WPRO is in a better position now than in 1QFY25. It expects revenue from the IT Services business to be in the range of -1.0% to +1.0% in CC terms for 2QFY25. The company expects margin to sustain to its current level with an upward bias.
- **HCLT:** It is optimistic about growth improvement in 2QFY25 compared to 1QFY25, both at the company and IT services levels. Sequential growth is expected across verticals and geographies, except for the Financial Services vertical, which will be affected by State Street divestment (~80bp impact). HCLT maintained services organic revenue growth at 3-5% CC and EBIT margin at 18-19% for FY25.
- **TECHM:** Management expects the weakness in communications to continue; however, TECHM expects to see improvement on a YoY basis going forward. TECHM is focused on the strategy pillar of better integration of portfolio companies and consistently working toward increasing its offshoring mix.
- **LTIM:** The company expects growth momentum to continue in 2QFY25 as deals won in the earlier quarter are ramping up according to the plan. Some verticals, especially BFSI, have high-priority projects kicking in as well, which gives confidence for a strong 2Q. The sustained deal TCV and healthy deal pipeline, give confidence to the management to deliver better performance in FY25. LTIM expects margins to improve going forward as revenue growth itself serves as a key margin lever, alongside optimizing the pyramid structure.

Nifty IT rallied during 1Q results but faced setbacks due to global uncertainty



Source: Company, MOFSL

Fusion Microfinance

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	FUSION IN
Equity Shares (m)	101
M.Cap.(INRb)/(USDb)	43.7 / 0.5
52-Week Range (INR)	675 / 416
1, 6, 12 Rel. Per (%)	-3/-35/-53
12M Avg Val (INR M)	214

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total Income	16.2	20.1	23.5
PPP	10.3	12.5	14.1
PAT	5.1	4.4	7.2
EPS (INR)	50.2	43.3	72.0
EPS Gr. (%)	30	-14	66
BV (INR)	283	326	398
Valuations			
NIM (%)	14.1	14.5	14.0
C/I ratio (%)	36.6	37.7	39.8
RoAA (%)	4.8	3.4	4.7
RoE (%)	19.5	14.2	19.9
Valuations			
P/E (x)	8.6	10.0	6.0
P/BV (x)	1.5	1.3	1.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	57.7	57.7	68.2
DII	22.8	23.3	16.5
FIIFIIFII	4.3	6.4	5.7
Others	15.2	12.6	9.6

FII Includes depository receipts

CMP: INR433 TP: INR440 (+2%) Downgrade to Neutral

Weak quarter; no respite in sight

Credit costs shot through the roof, stood at ~13% (annualized)

- Fusion reported a net loss of ~INR356m in 1QFY25 (vs. profit of ~INR1.2b in 1QFY24) because of elevated credit costs. NII grew ~35% YoY to ~INR4b (8% beat), while PPoP also grew ~26% YoY to ~INR3b (6% beat).
- The cost-income ratio stood at ~38% (PQ: ~37% and PY: ~36%). Increase in opex was because of branch openings and increase in door step collections. Net credit costs stood at ~INR3.5b (vs. est. ~INR1.2b). **Annualized credit costs rose sharply to ~13% (PY: ~3.6% and PQ: 4.8%).**
- Disbursements were up 31% YoY and flat QoQ at ~INR29.9b. AUM grew 26% YoY/6% QoQ to ~INR122b. Fusion shared that in light of forward flows and weaker collections, it has calibrated disbursements in 2Q in line with portfolio risk assessment and stopped disbursements across 104 branches. It has also tightened new customer acquisition criteria and revamped its incentive structure to better align it with collections.
- We model credit costs of 6%/3.3% (as % of loans) in FY25/FY26. We cut our FY25/FY26 EPS estimates by ~32%/8% to account for higher credit costs. We model an AUM CAGR of ~23% and PAT CAGR of ~20% over FY24-FY26E. We estimate RoA/RoE to decline to ~3.4%/14% in FY25.
- Fusion shared that ~24% of its borrowers (as of Mar'24) have MFI loans from five or more lenders and that the stress currently being seen in the sector is predominantly because of customer over-leveraging, weak center meeting attendance, customer migrations and field attrition.
- While this is still an evolving situation, our view is that the current sectoral stress because of high customer-leverage is more broad-based across geographies (rather than being state-specific) and will perhaps linger on for longer than most expectations. Guardrails put in place by MFIN will calibrate the growth in the sector and might bring back normalcy in asset quality/collections, but not before the current stress in the sector has run its course. During this period, credit costs will continue to remain elevated.
- We remain watchful of the asset quality stress, which is unfolding in the sector and might again get accentuated by floods (in 2Q) in various parts of the country. With no upside catalysts, we downgrade the stock to **Neutral with a revised TP of INR440 (based on 1.1x FY26E P/BV).**
- **Upside risk:** This sectoral stress turning out to be transitory in nature, resulting in provision write-backs in 2HFY25. **Downside risk:** Further deterioration in asset quality would keep credit costs higher for longer.

Yields and CoB decline ~10bp QoQ; Spreads stable QoQ

- Yields declined ~10bp QoQ to 21.7%, while CoF declined ~10bp QoQ to ~10.1%, which led to stable spreads of ~11.6%. Reported NIM rose ~5bp QoQ to ~11.65%.

- The share of foreign borrowings in the borrowing mix increased ~3pp to ~17.4% in 1QFY25 (PQ: 14.4%), while the share of private sector banks declined ~2pp QoQ to ~40%. The company aims to diversify its liability mix to reduce dependence on bank term loans.
- Marginal CoB declined ~15bp QoQ to ~10.1%. We model NIMs of 14.5%/14.0% in FY25/FY26.

Sharp deterioration in asset quality; credit costs shot through the roof

- GS3/NS3 rose ~260bp/ ~65bp QoQ to 5.5%/1.3%. This included ~INR2.2b of loans (~55k customers), which Fusion has proactively moved from Stage 1 and Stage 2 into Stage 3. ~94% of these ~55k stressed customers are in their 2nd cycle or higher. These customers made NIL payments in July, exhibited higher leverage as per credit bureau data, showed low center meeting attendance or had migrated. A higher impact was seen in Tamil Nadu, Rajasthan, Odisha, Jharkhand and MP. This led to additional provisions of ~INR1.4b in the quarter.
- Stage 2 rose ~35bp QoQ to 1.5%. The company increased PCR across Stage 1 and 2, resulting in ECL/EAD (incl. management overlay of ~INR595m) of ~5.9% (PQ: 3.45%).
- Fusion tightened its ECL model based on updated flow and recovery data. This is an annual exercise and led to additional provisions of ~INR660m.
- Write-offs for the quarter stood at ~INR590m. Collection efficiency (including arrears) declined to ~96.3% (PQ: 97.3%). The over-leveraging problem seems to have been building up for the last few quarters. **Annualized credit costs spiked to ~13% (PY: ~3.6% and PQ: 4.8%). We model credit costs of 6.0%/3.3% for FY25 and FY26.**

Adding strength to distribution through branch expansion

- The company's borrower base rose to 3.95m as on Jun'24 (up from 3.85m as on Mar'24). Fusion added 101 branches in the quarter and now has presence across 22 States (including 3 UT) with total branch count at 1,398.
- Capital adequacy stood at ~25.9% as on Jun'24.

Highlights from the management commentary

- Management shared that as the dynamics are still evolving on the ground, it is difficult to guide for anything at this juncture. The company remains watchful of the situation on the ground and will give guidance on credit costs post 2QFY25.
- There has been moderation in the collection efficiencies (CE) from April to July. CE in June stood at ~96% and July was also in a similar range.
- The sharp increase in GNPA led to a breach in covenant but there was no breach on PAR90. Very few banks have objected to the breach in covenant.

Valuation and view

- The macro economic environment seems to have accentuated the problem in 1QFY25. We too will monitor the situation closely but remain wary of calling the evolving situation as just 'transitory'. Over-leveraging of customer cohorts typically manifests itself in asset quality stress over longer periods, which we have seen until now.
- Fusion, in our view, can deliver an AUM CAGR of ~23% and PAT CAGR of ~20% over FY24-FY26E. We estimate RoA/RoE to decline to ~3.4%/14% in FY25. With no respite in sight, we downgrade to **Neutral with a revised TP of INR440 (based on 1.1x FY26E P/BV).**

Quarterly Performance **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	4,790	4,968	5,400	5,761	6,213	6,399	6,495	6,734	20,919	25,841	5,962	4
Interest Expenses	1,835	1,910	2,015	2,149	2,234	2,335	2,400	2,533	7,908	9,501	2,278	-2
Net Interest Income	**2,955**	**3,058**	**3,386**	**3,612**	**3,979**	**4,065**	**4,095**	**4,201**	**13,011**	**16,340**	**3,684**	**8**
YoY Growth (%)	*58.7*	*26.1*	*34.2*	*30.6*	*34.6*	*32.9*	*21.0*	*16.3*	*35.9*	*25.6*	25	
Other Income	738	745	732	991	854	890	879	1,147	3,205	3,769	856	0
Total Income	**3,693**	**3,803**	**4,118**	**4,603**	**4,833**	**4,954**	**4,974**	**5,348**	**16,216**	**20,109**	**4,540**	**6**
YoY Growth (%)	*70.0*	*28.9*	*38.0*	*32.8*	*30.9*	*30.3*	*20.8*	*16.2*	*40.1*	*24.0*	23	
Operating Expenses	1,339	1,385	1,515	1,696	1,855	1,859	1,865	2,004	5,935	7,584	1,725	8
Operating Profit	**2,354**	**2,418**	**2,603**	**2,907**	**2,978**	**3,095**	**3,109**	**3,344**	**10,281**	**12,525**	**2,815**	**6**
YoY Growth (%)	*95.8*	*29.1*	*41.6*	*31.5*	*26.5*	*28.0*	*19.4*	*15.0*	*44.3*	*21.8*	20	
Provisions & Loan Losses	759	762	938	1,190	3,485	1,568	1,098	660	3,649	6,811	1,154	202
Profit before Tax	**1,595**	**1,656**	**1,665**	**1,717**	**-507**	**1,527**	**2,011**	**2,684**	**6,633**	**5,714**	**1,661**	**-131**
Tax Provisions	390	399	401	390	-151	366	485	660	1,580	1,360	415	-136
Net Profit	**1,205**	**1,257**	**1,265**	**1,327**	**-356**	**1,160**	**1,526**	**2,024**	**5,053**	**4,354**	**1,246**	**-129**
YoY Growth (%)	*60*	*32*	*23*	*16*	*-130*	*-8*	*21*	*53*	*31*	*-13.8*	3	-3,891
Key Parameters (%)												
Yield on loans	21.5	21.7	21.9	21.8	21.7							
Cost of funds	10.6	10.6	10.4	10.2	10.1							
Spread	10.9	11.1	11.5	11.6	11.6							
NIM	10.9	11.1	11.5	11.6	11.6							
Credit cost	0.8	0.8	1.0	1.2	3.28							
Cost to Income Ratio (%)	36.3	36.4	36.8	36.8	38.4							
Tax Rate (%)	24.5	24.1	24.1	22.7	29.8							
Performance ratios (%)												
Avg o/s per borrower (INR '000)	26	26	27	29	30							
AUM/ RO (INR m)	14.0	14.0	13.0	13.0	1.2							
AUM/ Branch (INR m)	91	88	9	9	9							
Borrower/ Branch (INR m)	3,513	3,381	3,260	3,204	3,017							
Balance Sheet Parameters												
AUM (INR B)	**97.1**	**100.3**	**106.9**	**114.8**	**121.9**							
Change YoY (%)	31.4	24.6	23.6	23.5	25.5							
Disbursements (INR B)	**22.8**	**23.4**	**27.1**	**29.5**	**29.9**							
Change YoY (%)	15.2	14.2	24.0	24.4	30.7							
Borrowings (INR B)	**71.9**	**75.3**	**80.2**	**86.2**	**91.2**							
Change YoY (%)	19.6	15.0	22.7	27.1	26.9							
Borrowings/Loans (%)	85.5	86.6	85.8	86.6	89.0							
Debt/Equity (x)	2.9	2.9	3.0	3.0	3.2							
Asset Quality (%)												
GS 3 (INR M)	**2,790**	**2,411**	**2,939**	**2,973**	**5,952**							
G3 %	3.2	2.7	3.0	2.9	5.5							
NS 3 (INR M)	664	569	730	603	1,301							
NS3 %	0.8	0.7	0.8	0.61	1.27							
PCR (%)	**76.2**	**76.4**	**75.2**	**79.7**	**78.1**							
ECL (%)	3.8	3.3	3.2	3.4	5.9							
Return Ratios - YTD (%)												
ROA (Rep)	5.0	4.9	4.7	4.6	-1.2							
ROE (Rep)	20.2	20.0	19.1	19.1	-5.0							

E: MOFSL Estimates

Bharti Airtel

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BHARTI IN
Equity Shares (m)	6083
M.Cap.(INRb)/(USDb)	8628 / 102.8
52-Week Range (INR)	1539 / 847
1, 6, 12 Rel. Per (%)	2/18/39
12M Avg Val (INR M)	7556

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Sales	1,500	1,650	1,896
EBITDA	783	872	1,064
Adj. PAT	113	181	309
EBITDA Margin (%)	52.2	52.8	56.1
Adj. EPS (INR)	19.7	31.4	53.8
EPS Gr. (%)	37	60	71
BV/Sh. (INR)	147	219	274
Ratios			
Net D:E	2.4	1.2	0.7
RoE (%)	14.2	17.7	22.5
RoCE (%)	9.6	12.0	14.8
Div. Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	13.4	11.5	9.0
P/E (x)	75	47	27
P/BV (x)	10.0	6.7	5.4
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	53.2	53.5	55.0
DII	19.3	19.4	19.7
FII	24.7	24.4	21.5
Others	2.9	2.8	3.8

FII Includes depository receipts

CMP: INR1,444 TP: INR1,650 (+14%) Buy

Capex moderates; deleveraging continues

- Bharti Airtel (BHARTI) reported in-line revenue/EBITDA growth of 2%/3% QoQ for its India business, supported by 0.6%/1.0% QoQ subscriber/ARPU growth. BHARTI continued with its deleveraging exercise, aided by healthy FCF generation during the quarter. Capex moderated at INR80b.
- Over the next 2-3 years, BHARTI is well poised to gain from sector consolidation and tariff hikes and drive strong FCF generation. We maintain our estimates for FY25/26. **Reiterate BUY with an SoTP-based TP of INR1,650.**

India Mobile and Africa's EBITDA (CC) at +3%/+2% QoQ

- Consol. revenue/EBITDA rose 2.4%/1.8% QoQ to INR385b/INR197b (in line), led by all segments.
- India Mobile's revenue at INR225b grew 2% QoQ (in line), aided by 1% ARPU growth to INR211 and 0.6% subscriber growth to 355m. EBITDA was up 3% QoQ to INR125b (in line), and margin improved 50bp QoQ to 55.6%.
- Africa's revenue/EBITDA declined 15%/22% QoQ to INR96b/INR44b (reported currency) due to the Naira devaluation. However, in CC terms, revenue/EBITDA grew 5%/2% QoQ to USD1.17b/USD531m.
- Adjusted (for exceptional) consol. PAT (post-minority) stood at INR29b (vs. INR30b QoQ and INR37b estimated).
- FCF (post-interest) stood at INR53b, led by EBITDA growth, WC release, and reduction in capex. The capex declined 24% QoQ to INR800b. FCF generation led to a debt reduction (ex-LL) of INR58b to INR1.35t.

Key highlights from the management commentary

- **Current environment:** BHARTI has seen some modest SIM consolidation in the 2G market. Data users did not witness any major downgrading. The benefits of tariff hikes will flow into the next 2-3 quarters.
- **Capital allocation:** The company does not need to raise the Rights issue money. Overall capex for FY25 will be lower than FY24, and going forward, it will moderate. The organic FCF generation would be used in deleveraging and dividend payments.
- **Enterprise business:** The slowdown has been in the global business as OTT deferred their spending. CPaaS, Cloud, and Security remained the three strong portfolios.
- **Data center:** The data center continued to remain strong domestically, and internationally. Management mentioned the need for parity within Nxtra and Indus Tower, and after that, it can expect consolidation.

Valuation and view

- We broadly maintain our estimates for FY25/FY26, expecting a 12%/17% CAGR in revenue/EBITDA over FY24-FY26. We expect a 1% compounded decline in subscribers for the next two years due to the expectation of some SIM consolidation as subscriber churn and MNP are still elevated. We have modeled an ARPU CAGR of 18% over FY24-26E, factoring in the recent tariff hikes and the probability of the next round of tariff hikes in FY26.
- The company can grow its EBITDA by ~40% and halve its net debt over the next 2-3 years. It is well poised to benefit from the sector tailwinds, and improved ARPU driven by the premiumization of customers and tariff hikes and non-wireless segments, such as Home and Enterprise.
- Management indicated that FY25 capex should moderate. We believe that cash flow generation will suffice for capex and deleveraging.
- After the tariff hikes, we expect the catalysts for the telecom stocks to be subscriber gains, a reduction in churn, 5G adoption, and an increase in data customers.
- The stock is trading at 9x FY26E consolidated EV/EBITDA, with the India business trading at 9.8x and Africa at 3.6x. We factor in 12%/17% consol. revenue/EBITDA growth over FY24-26E. We assign an FY26E EV/EBITDA of 11x/5x to the India Mobile/Africa businesses and arrive at our SoTP-based TP of INR1,650. **We reiterate our BUY rating.**

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			4QE	Var (%)
Revenue	**374**	**370**	**379**	**376**	**385**	**403**	**423**	**439**	**1,500**	**1,650**	**387**	-0.4
YoY Change (%)	14.1	7.3	5.9	4.4	2.8	8.9	11.6	16.7	7.8	10.0	3.3	
Total Expenditure	178	175	181	182	188	193	197	201	717	778	184	2.4
EBITDA	**196**	**195**	**198**	**194**	**197**	**211**	**226**	**238**	**783**	**872**	**203**	-3.0
YoY Change (%)	18.6	10.9	7.4	3.6	0.6	8.0	14.1	22.8	9.8	11.3	3.6	-85
Depreciation	97	97	101	101	105	108	109	112	395	434	106	-0.4
Net Finance cost	56	52	66	52	52	53	53	52	226	208	53	-3.2
Other Income	9	9	11	11	13	13	14	15	41	54	12	7.2
PBT before EO expense	**53**	**55**	**42**	**52**	**53**	**64**	**78**	**89**	**203**	**284**	**56**	-5.4
Extra-Ord expense	34	16	1	25	-7	0	0	0	76	-7	0	
PBT	**19**	**39**	**41**	**28**	**60**	**64**	**78**	**89**	**127**	**291**	**56**	7.7
Tax	3	18	12	7	13	16	19	22	41	70	14	-6.5
Rate (%)	18.0	46.9	30.0	25.6	21.7	24.7	24.7	24.7	32.5	24.1	25.0	
Minority Interest & P/L of Asso. Cos.	-1	8	4	0	6	6	7	9	11	28	5	
Reported PAT	**16**	**13**	**24**	**21**	**42**	**42**	**51**	**58**	**75**	**193**	**37**	13.6
Adj PAT	**29**	**30**	**25**	**30**	**29**	**42**	**51**	**58**	**113**	**181**	**37**	-20.1
YoY Change (%)	91.3	44.2	25.0	13.9	0.8	41.1	106.2	97.5	38.6	59.8	26.2	

E: MOFSL Estimates

Exhibit 1: SoTP-based valuation on FY26E basis

	EBITDA (INR b)	Ownership	Proportionate EBITDA (INR b)	EV/ EBITDA	Fair Value (INR b)	Value/ Share
India SA business (excl. towers)	859	100%	859	11	9,447	1642
Tower business (20% discount to fair value)		48.0%			408	71
Africa business	205	56.3%	116	5	520	90
Less net debt					851	148
Total Value					**9524**	**1650**
Shares o/s (b)	5.8					
CMP						**1466**
Upside (%)						**13**

Source: Company, MOFSL

06 Aug 2024

1QFY25 Results Update | Sector: Oil & Gas

ONGC

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USDb)	3850.8 / 45.9
52-Week Range (INR)	345 / 172
1, 6, 12 Rel. Per (%)	8/3/54
12M Avg Val (INR M)	4683

Financials & Valuations (consol) (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	6,430.4	6,424.0	6,650.8
EBITDA	1,086.5	1,135.3	1,230.3
Adj. PAT	583.0	602.6	674.1
Adj. EPS (INR)	46.3	47.9	53.6
EPS Gr. (%)	44.9	3.4	11.9
BV/Sh.(INR)	262.7	297.9	335.8
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	18.8	16.8	16.6
RoCE (%)	14.6	13.9	14.5
Payout (%)	27.5	25.0	27.8
Valuations			
P/E (x)	6.6	6.4	5.7
P/BV (x)	1.2	1.0	0.9
EV/EBITDA (x)	4.4	3.8	3.1
Div. Yield (%)	4.0	3.8	4.8
FCF Yield (%)	15.7	17.5	20.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.9	58.9	58.9
DII	29.1	29.2	30.1
FII	8.6	8.9	8.1
Others	3.5	3.1	2.9

FII Includes depository receipts

CMP: INR306 | TP: IN360 (+18%) | Buy

KG-98/2 to drive medium-term volumes

- ONGC's reported EBITDA stood at INR186.2b (-4% YoY) in 1QFY25, in line with our estimate. PAT was 9% below our estimate, mainly due to higher depreciation and dry well write-offs, and lower other income QoQ.
- ONGC management expects total crude oil/gas production volume (incl. JV) to rise by 12%/27% to 23.1mmt/25.9mmt by FY27, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 4QFY25, is expected to ramp up to 6mmscmd by FY25 end, while oil production could ramp up to 30,000bopd by 4QFY25. ONGC expects capex to normalize at INR300b in FY25/FY26.
- Other key takeaways from the conference call:
- Daman upside project would be completed by Oct'26 and KG98/2 in FY25. Mozambique field is also expected to resume by Jan'25.
- Total gas production volumes are expected to go up to 6mmscmd by Mar'25 end (currently at 2.4mmscmd), led by six more wells by Mar'25.
- OVL's cost has declined significantly since the royalty for the block in Columbia has shifted from 'Royalty in Cash' to 'Royalty in Kind' structure.
- We cut our domestic production assumptions for FY25/FY26 by 2%/2.5%. Considering the weak 1Q performance by MRPL and HPCL, we reduce our FY25/FY26 consolidated PAT estimates by 5%/4%, as we had trimmed HPCL's FY25E EBITDA/PAT by 23%/35%, conservatively accounting for LPG under recoveries. We value the standalone business at 8x FY26E adj. EPS of INR32 and add the value of investments to arrive at a TP of INR360, implying 18% potential upside. **We reiterate our BUY rating on the stock.**

EBITDA in line; but PAT miss due to higher dry well write-offs and lower sequential other income

- In 1QFY25, crude oil sales came in 5% below our estimate at 4.6mmt, while gas sales came in line at 3.8bcm. VAP sales stood at 629tmt (est. 836tmt).
- Crude oil production (incl. JVs) stood at 5.24mmt, down 1% YoY.
- Gas production (incl. JVs) stood at 5bcm, down 4% YoY.
- Reported oil realization was in line with our est. at USD83.1/bbl (+9% YoY).
- EBITDA came in line with our est. at INR186.2b (-4% YoY), while PAT of INR89.4b was 9% below our est. of INR98.3b.
- The PAT miss was led by higher-than-expected depreciation and dry well write-offs, and lower other income QoQ.
- **OVL's** oil production increased by 1% QoQ to 1.79mmt, while gas production was 0.722bcm (-14% QoQ).
- Crude oil sales stood at 1.18mmt (-4% YoY), while gas sales came in at 0.485bcm (-14% YoY).
- OVL's revenue was INR24.8b (+5% YoY). PBDT stood at INR11.7b (+38% YoY).
- ONGC announced five hydrocarbon discoveries to date. It has submitted a field development plan to DGH for monetization of the Hatta Discovery Vindhyan Basin, Madhya Pradesh.

Valuation and view

- ONGC has guided for 12%/27% growth in crude oil/gas production volume over the next three years, driven by rising production from KG 98/2 asset, Daman upside development, and monetization of stranded gas reserves. While volume guidance is upbeat, execution is vital, and should ONGC achieve guided volumes, we see upside risk to our and Street earnings estimates.
- ONGC is trading at 3.3x FY26E EV/EBITDA (SA) and 8.2x FY26E P/E (SA). We value the company at 8x FY26E adj. EPS of INR32 and add the value of investments to arrive at our TP of INR360 (18% upside potential). **We reiterate our BUY rating** on the stock.

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY24				FY25				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**338.1**	**351.6**	**347.9**	**346.4**	**352.7**	**364.4**	**353.5**	**355.5**	**1,384.0**	**1,426.1**
YoY Change (%)	*-20.1*	*-8.2*	*-9.8*	*-4.6*	*4.3*	*7.8*	*0.5*	*2.2*	*-11.0*	*3.0*
EBITDA	**194.5**	**183.6**	**171.6**	**174.1**	**186.2**	**200.1**	**206.1**	**206.2**	**723.8**	**798.5**
Margin (%)	*57.5*	*52.2*	*49.3*	*50.3*	*52.8*	*54.9*	*58.3*	*58.0*	*52.3*	*56.0*
Depreciation	67.0	59.6	69.3	71.9	75.4	73.9	75.0	75.5	260.6	299.8
Interest	10.1	10.2	10.2	10.3	11.8	14.6	14.6	17.3	40.8	58.3
Other Income	16.1	20.9	34.0	36.8	20.6	24.1	24.1	27.7	107.8	96.6
PBT before EO expense	**133.6**	**134.7**	**126.1**	**128.6**	**119.6**	**135.7**	**140.6**	**141.1**	**530.2**	**537.0**
Extra-Ord expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	**133.6**	**134.7**	**126.1**	**128.6**	**119.6**	**135.7**	**140.6**	**141.1**	**530.2**	**537.0**
Tax	33.5	32.6	27.2	29.9	30.2	34.2	35.4	35.5	124.9	135.3
Rate (%)	*25.0*	*24.2*	*21.6*	*23.3*	*25.2*	*25.2*	*25.2*	*25.2*	*23.6*	*25.2*
Reported PAT	**100.2**	**102.2**	**98.9**	**98.7**	**89.4**	**101.6**	**105.2**	**105.6**	**405.3**	**401.8**
Adj PAT	**100.2**	**102.2**	**98.9**	**98.7**	**89.4**	**101.6**	**105.2**	**105.6**	**399.9**	**401.8**
YoY Change (%)	*-34.1*	*-20.3*	*-10.4*	*41.9*	*-10.8*	*-0.6*	*6.4*	*7.0*	*-13.1*	*0.5*
Margin (%)	*29.6*	*29.1*	*28.4*	*28.5*	*25.3*	*27.9*	*29.8*	*29.7*	*28.9*	*28.2*
Key Assumptions (USD/bbl)										
Oil Realization (pre windfall tax)	76.5	84.8	81.1	80.8	83.1	75.0	75.0	75.0	80.8	77.0
Crude Oil Sold (mmt)	4.7	4.7	4.7	4.7	4.6	4.9	4.9	4.9	18.8	19
Gas Sold (bcm)	4.1	4.0	4.0	3.8	3.8	4.1	4.1	4.1	15.9	16
VAP Sold (tmt)	589	651	573	622	629	836	836	836	2,435	3,138

Particulars	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	83.9	85.0
APM Gas Price (USD/mmBtu)	3.5	3.8	2.3	2.6	7.3	6.6	6.5	7.0
Brent crude price (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.7	75.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.1	21.4	22.2
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	22.0	24.6
Domestic Production (mmtoe)	**50.0**	**48.3**	**45.3**	**43.4**	**42.8**	**41.8**	**43.4**	**46.8**
OVL Production (mmtoe)	**14.8**	**14.7**	**13.0**	**12.3**	**9.8**	**10.5**	**11.4**	**11.8**
Group Production (mmtoe)	**64.9**	**62.9**	**58.4**	**55.7**	**52.6**	**52.3**	**54.7**	**58.6**
Oil Price Realization (USD/bbl)								
Gross	68.9	58.8	42.8	76.4	92.1	80.8	78.3	75.0
Windfall tax	0.0	0.0	0.0	0.0	13.0	10.4	5.2	2.0
Net (post windfall)	**68.9**	**58.8**	**42.8**	**76.4**	**79.0**	**70.4**	**73.0**	**73.0**
Consolidated EPS	**27.7**	**13.3**	**16.5**	**32.9**	**32.0**	**46.3**	**47.9**	**53.6**

6 August 2024

Annual Report Update | Sector: Retail

Titan Company

BSE SENSEX	S&P CNX
78,593	23,993

Stock Info

Stock Info	
Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	2960.9 / 35.3
52-Week Range (INR)	3887 / 2882
1, 6, 12 Rel. Per (%)	3/-16/-8
12M Avg Val (INR M)	3933
Free float (%)	47.1

Financials Snapshot (INR b)

Y/E Dec	2024	2025E	2026E
Sales	510.8	594.1	692.0
Sales Gr. (%)	25.9	16.3	16.5
EBITDA	52.9	62.2	74.1
Margins (%)	10.4	10.5	10.7
Adj. PAT	35.0	40.9	50.7
Adj. EPS (INR)	39.3	46.0	56.9
EPS Gr. (%)	6.8	17.1	23.8
BV/Sh.(INR)	105.5	137.7	177.6
Ratios			
RoE (%)	32.9	37.8	36.1
RoCE (%)	17.3	17.4	18.0
Payout (%)	28.0	30.0	30.0
Valuations			
P/E (x)	85.3	72.8	58.8
P/BV (x)	31.7	24.3	18.9
EV/EBITDA (x)	57.1	48.3	40.3
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	52.9	52.9	52.9
DII	10.9	10.5	10.7
FII	18.3	19.1	18.5
Others	17.9	17.6	17.9

FII Includes depository receipts

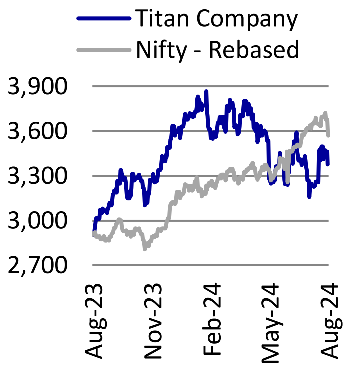
CMP: INR3,335 TP: INR4,000 (+20%) Buy

Navigating growth through innovation and adaptability

In FY24, TTAN posted a strong double-digit growth (26% YoY) despite various demand challenges. The company continued to invest in supply chains, digital data, omni-channel capabilities, retail networks, and international markets. However, it witnessed margin pressure across its verticals. Jewelry business margin (standalone, ex-bullion) contracted by 140bp to 12.3% (at par with FY19). Volatile and elevated gold rates amid growing competition affected TTAN's jewelry margin. The company had to invest more on consumer promotions (lowering premium pricing) to drive growth and acquire customers. Jewelry revenue/EBIT (standalone, ex-bullion) grew 20%/8% YoY. Watches & Wearables division continued to enjoy the premiumization journey, clocking 19% revenue growth. EyeCare division witnessed modest revenue growth (up 5%), with EBIT margin contraction of 300bp to 11% due to high overhead expenses and negative op lev. Other business saw healthy revenue growth. TTAN clocked an impressive five-year CAGR of 21%/20% in sales/PAT. Here are the key takeaways from the company's FY24 annual report:

- **Jewelry:** TTAN holds ~8% market share in the Indian jewelry market (Mkt size of INR5.3t FY24, as per company). It is continuously expanding its retail network, with total 937 stores in 282 towns across India as of FY24. Despite volatility in geopolitical conditions and gold prices, TTAN reported revenue growth of 27% to INR455b in FY24, led by 1) wedding jewelry, 2) new product innovation, 3) focus on gold exchange using 40-45% recycled gold, 4) leveraging technology, and 5) marketing campaign to attract customers. The division posted a five-year CAGR of 23%/20% in revenue/EBIT.
- **Watches and Wearable**: It posted sales growth of 19% YoY to INR39b, with EBIT margin of 10% in FY24 (vs. 12% in FY23). Margin contacted mainly due to higher variable expenses. Despite headwinds in the affordable segment, analogue watches grew by 12%, increasing market share in MBO. Premium brands like Titan and international brands saw strong consumer interest. The division expanded to 1,120 stores, adding 116 new stores and renovating 90.
- **Eye Care:** The division reported 5% growth YoY to INR7.3b and EBIT margin of 5% in FY24. 1HFY24 saw a healthy performance with double-digit growth, while 2HFY24 was weak for the division. It added only 6 new stores of Titan Eye+ and closed 2 fastrack stores, taking the total to 905 stores in India. Currently, it has 4 international Titan Eye+ stores.
- **Other Business:** Emerging businesses, Fragrances and Fashion Accessories and Indian dress wear (Taneira), reported revenue growth of 48% YoY to INR14.4b in FY24. The fragrance business saw single-digit growth on a high base, with the perfume segment estimated to be around INR 24-26b, growing at a rate of 13-14%. In the Bags segment, the company plans to open 30 new stores by the end of FY25. Taneira scaled up its operations with 32 new stores, reaching a total of 73 stores, and plans to open 35-40 new stores annually for the next three years.

Stock Performance (1-year)



Valuation and view

- TTAN, with its superior competitive positioning (in sourcing, studded ratio, youth-centric focus, and reinvestment strategy), has continued to outperform other branded players. The brand recall and business moat are not easily replicable; therefore, Tanishq's competitive edge will remain strong in the category. The store count reached 3,096 stores as of Jun'24, and the expansion story remains intact.
- TTAN's EBITDA margin has been under pressure during FY24 owing to a lower studded mix. It will be critical to monitor the margin outlook amid intensifying competition. The non-jewelry business is also scaling up well and will contribute to growth in the medium term. The business currently accounts for 12% and 9% of revenue and EBIT, respectively.
- We model 16%/18%/20% revenue/EBITDA PAT CAGR during FY24-26E. TTAN's valuation is rich, but it offers a long runway for growth with a superior execution track record. **Reiterate BUY with a TP of INR4,000 (based on 65x Jun'26E EPS)**.

TTAN delivered strong sales, EBITDA, and PAT growth over the last 3/5/10 years

Y/E March (INR b)	FY14	FY19	FY21	FY24	10Y CAGR (%)	5Y CAGR (%)	3Y CAGR (%)
Total Revenue	**109.2**	**197.8**	**216.4**	**510.8**	**16.7**	**20.9**	**33.1**
Gross Profit	28.7	53.8	52.3	116.5	15.1	16.7	30.6
Gross Margin (%)	26.3	27.2	24.2	22.8	-3 bps	-441 bps	-135 bps
EBIDTA	**10.5**	**19.9**	**17.2**	**52.9**	**17.6**	**21.6**	**45.3**
Margin (%)	9.6	10.1	8.0	10.4	75 bps	29 bps	239 bps
Profit after Taxes	**7.4**	**13.9**	**9.8**	**35.0**	**16.8**	**20.2**	**52.8**
Margin (%)	6.8	7.0	4.5	6.8	5 bps	-19 bps	232 bps
CFO	**-5.5**	**12.4**	**41.4**	**17.0**	**-**	**-**	**-**
FCF	-7.7	9.8	40.0	10.2	-	-	-

Source: MOFSL, Company

Vedanta

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	VEDL IN
Equity Shares (m)	3717
M.Cap.(INRb)/(USDb)	1618.5 / 19.3
52-Week Range (INR)	507 / 208
1, 6, 12 Rel. Per (%)	-11/37/45
12M Avg Val (INR M)	5263
Free float (%)	43.6

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	1,390	1,476	1,594
EBITDA	304	408	479
EBITDA margin	21.9	27.7	30.0
APAT	49	125	165
Adj. EPS (INR)	13.3	33.6	44.4
EPS Gr (%)	-53.1	153.8	31.9
BV/Sh. (INR)	83	93	116
Ratios			
Net D:E	1.9	1.6	1.1
RoE (%)	14.1	38.2	42.4
RoCE (%)	18.9	25.7	28.6
Payout (%)	309.8	67.9	49.2
Valuations			
P/E (x)	31.3	12.3	9.4
P/BV	5.0	4.4	3.6
EV/EBITDA (x)	8.7	6.4	5.4
Div. Yield (%)	9.9	5.5	5.3
FCF Yield (%)	12.2	10.6	16.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	59.3	62.0	68.1
DII	14.9	13.2	10.1
FII	10.4	9.0	7.6
Others	15.4	15.9	14.3

FII Includes depository receipts

CMP: INR415 TP: INR460 (+11%) Neutral

Operating performance in line; lower tax outgo leads to APAT beat

Consolidated performance
- Vedanta (VEDL) posted consol. net sales of INR358b (+6% YoY/flat QoQ), in line with our estimate. The growth was driven by favorable market prices.
- VEDL's consolidated EBITDA came at INR99b (+55% YoY and +13% QoQ) vs. our estimate of INR95b.
- APAT for the quarter stood at INR36b (+320% YoY and +130% QoQ) against our estimate of INR26b, on account of lower tax outgo.
- VEDL's net debt of INR613b as of Jun'24 translates into a net debt/EBITDA ratio of 1.5x compared to 1.9x in 1QFY24.

Aluminum business
- VEDL produced 596kt of aluminum, registering a growth of 4% YoY (flat QoQ). The alumina production from Lanjigarh refinery jumped 36% YoY and grew 11% QoQ to 539kt in 1QFY25.
- Net sales stood at INR135b (YoY/QoQ: +14% / +9%) was in line with our est. of INR136b. Reported EBITDA came in at INR44b (YoY/QoQ: +144% / +48%), 8% above our estimate of INR41b.
- The CoP declined 11% YoY and remained flat QoQ, during the quarter.

Zinc International
- Zinc production at 37kt declined 45% YoY due to lower tons milled and lower zinc grades, while it grew 12% QoQ due to higher zinc grades and recoveries.
- Revenue stood at INR7.5b (YoY/QoQ: -32% /+19%), in line with our estimate. EBITDA was INR1.9b (YoY/QoQ: -34%/+214%) vs. our estimate of INR1b.
- Overall cost of production was down 4% QoQ.

Copper
- Copper cathode production declined 35% YoY and 38% QoQ to 20KT.
- Revenue came in at INR47b (YoY/QoQ: flat / -6%); the impact of weak volume was offset by healthy pricing during the quarter.
- The copper unit posted an operating loss of INR570m

Iron Ore
- Revenue stood at INR13b (YoY/QoQ: -32%/-47%), while EBITDA came in at INR1.8b (YoY/QoQ: +12% / -67%).
- Karnataka saleable ore production stood at 1.2mt (-9% YoY and -41% QoQ), due to the temporary suspension of mine production in May'24.

Highlights from the management commentary

- Management expects to realize a higher premium going forward on account of the higher VAP product.
- The cost of aluminum is expected to be around USD1,600/t and zinc is likely to be ~USD1,000/t in the near to medium term.
- The company hedged ~10% of both aluminum and zinc volumes.
- The cost of production for the industry rose USD100/t, due to the increase in alumina prices.
- VEDL targets to deliver USD10b of EBITDA in the near term. Out of USD10b EBITDA target, management believes the aluminum business to contribute USD4.0b, Zinc India to contribute ~USD2.7b, and O&G USD1b, while the rest is expected from iron ore, steel, power and others.
- VEDL committed to execute about USD8b of growth capex in the next few years.
- It is aiming to reach a production of 300,000 barrels/day for its oil & gas business, whereas the iron ore business in Liberia is likely to produce ~30mtpa.
- The BALCO expansion is scheduled to be commissioned this year in 4QFY25 (earlier 3QFY25), and the operation is likely to commence from 1QFY26.
- The Radhikapur coal block is likely to start operations by 4QFY25, having secured environmental clearance and completed stage 1 forest clearances, following compliance checks.

Valuation and view

- VEDL's performance in 1QFY25 came largely in line across segments. The capex plans are progressing well, which would lead to further cost savings.
- Management targets to clock USD10b of EBITDA, led by the upcoming capacity, which will produce higher VAP product. VEDL remains firm on its deleveraging plans, and higher cash flow going forward will support its expansion plan along with deleverage.
- **The stock currently trades at 5.4x FY26E EV/EBITDA. We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR460.**

Quarterly Performance (Consolidated) (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**337**	**342**	**355**	**355**	**358**	**356**	**362**	**401**	**1,390**	**1,476**	**345**	4
Change (YoY %)	-12.7	-6.7	4.2	-6.4	6.0	4.2	1.8	12.9	-5.7	6.2		
Change (QoQ %)	-11.1	1.3	4.0	-0.1	0.7	-0.4	1.6	10.8				
Total Expenditure	273	275	270	267	258	258	259	293	1,085	1,068		
EBITDA	**64**	**67**	**85**	**88**	**99**	**98**	**103**	**108**	**304**	**408**	**95**	5
Change (YoY %)	-37.0	-12.7	20.7	-7.3	54.9	45.4	20.9	23.2	-11.6	34.2		
Change (QoQ %)	-32.1	4.6	27.0	2.8	13.4	-1.8	5.6	4.7				
As % of Net Sales	19.0	19.7	24.0	24.7	27.8	27.4	28.5	27.0	21.9	27.7		
Finance cost	21	25	24	24	22	24	24	25	95	95		
DD&A	26	26	28	27	27	28	28	28	107	110		
Other Income	5	6	8	6	9	7	7	4	25	26		
PBT (before EO item)	**23**	**22**	**41**	**42**	**59**	**53**	**59**	**59**	**128**	**230**		
EO exp. (income)	-18	-60	0	2	0	0	0	0	-76	0		
PBT (after EO item)	**41**	**82**	**41**	**40**	**59**	**53**	**59**	**59**	**204**	**230**	**50**	
Total Tax	7.8	90.9	12.4	17.2	8.3	18.6	20.5	21.6	128.3	69		
% Tax	19.0	111.2	30.1	43.1	14.0	35.0	35.0	36.6	63.0	30.0		
PAT before MI and Asso.	**33**	**-9**	**29**	**23**	**51**	**34**	**38**	**37**	**75**	**161**	**35**	
Profit from Asso.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0		
Minority interest	6.7	8.7	8.6	9.1	14.9	9.0	9.0	3.0	33.0	36		
PAT after MI and Asso.	**26**	**-18**	**20**	**14**	**36**	**26**	**29**	**34**	**42**	**125**		
APAT	**9**	**5**	**20**	**16**	**36**	**26**	**29**	**34**	**49**	**125**	**26**	39
Change (YoY %)	-80.5	-65.7	29.0	-49.6	319.5	423.4	44.6	119.1	-53.1	153.8		
Change (QoQ %)	-72.4	-43.3	312.5	-22.0	129.8	-29.2	14.0	18.2				

Sources: MOFSL, Company

Business-wise EBITDA (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
EBITDA	**64**	**67**	**85**	**88**	**99**	**98**	**103**	**108**	**304**	**408**	**95**	5
Copper	(0.0)	(0.6)	0.1	(0.1)	(0.6)	0.0	0.0	0.6	(0.7)	0.0	0	
Aluminum	18.2	19.7	28.7	30.0	44.4	43.3	45.9	46.8	96.6	180.4	41	
Iron ore	1.6	3.2	6.3	5.6	1.8	3.2	3.2	4.5	16.8	12.8	2	
Power	2.9	2.5	2.1	2.2	2.8	2.6	2.4	2.9	9.7	10.7	3	
Zinc-India	33.5	31.4	35.2	36.5	39.5	39.4	41.9	44.9	136.6	165.6	38	
Zinc-Int	2.8	2.9	0.6	0.6	1.9	2.0	2.4	0.3	6.9	6.5	1	
Oil & Gas	11.5	11.0	12.6	15.1	10.8	8.8	9.0	9.8	50.2	38.5	11	
Steel	0.2	1.2	1.1	(0.2)	0.8	1.2	1.2	2.0	2.2	5.2	1	
Others	(6.4)	(4.0)	(1.4)	(2.1)	(2.0)	(2.8)	(2.8)	(3.7)	(13.9)	(11.4)	(3)	
Change (YoY %)	-37.0	-12.7	20.7	-7.3	54.9	45.4	20.9	23.2	-11.6	34.2		
Change (QoQ %)	-32.1	4.6	27.0	2.8	13.4	-1.8	5.6	4.7				
As % of Net Sales	19.0	19.7	24.0	24.7	27.8	27.4	28.5	27.0	21.9	27.7		

Sources: MOFSL, Company

TVS Motor Company

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USDb)	1177.6 / 14
52-Week Range (INR)	2602 / 1317
1, 6, 12 Rel. Per (%)	3/12/59
12M Avg Val (INR M)	2071

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	317.8	361.8	412.4
EBITDA	35.1	43.8	52.0
Adj. PAT	20.8	27.1	33.3
EPS (INR)	43.8	57.1	70.0
EPS Gr. (%)	44.4	30.2	22.7
BV/Sh (INR)	162.7	210.8	268.9
Ratios			
RoE (%)	30.2	30.6	29.2
RoCE (%)	33.8	36.8	36.8
Payout (%)	18.2	15.8	17.1
Valuations			
P/E (x)	56.9	43.7	35.6
P/BV (x)	15.3	11.8	9.2
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	2.2	1.4	2.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.3	50.3	50.3
DII	20.1	20.3	23.4
FII	21.1	20.8	18.1
Others	8.6	8.7	8.2

FII Includes depository receipts

CMP: INR2,479 TP:INR2,265 (-9%) Neutral

In-line quarter, EBITDA margin continues to improve

Product launches announced for ICE 2W and EV 2W/3W in 2QFY25

- TVS Motor (TVSL) posted an in-line performance, achieving yet another quarter of EBITDA margin improvement due to material cost savings and a better mix. While the domestic demand outlook is healthy with rural demand coming back, geopolitical uncertainties in key export markets may dent the overall growth.
- Moreover, we believe strong earnings growth driven by recovery in the underlying segments and margin improvement is fairly captured in the current valuations of ~44x/36x FY25E/FY26E EPS. We raise our FY25E/26E EPS by ~3%/7% to factor in better margins and higher other income. **Reiterate Neutral** with a TP of ~INR2,265 (based on ~28x Jun-'26E EPS and INR201/sh for NBFC).

Yet another quarter of EBITDA margin improvement

- TVSL's revenue/EBITDA/adj. PAT grew 16%/26%/23% YoY in 1QFY25 to INR83.8b/INR9.6b/INR5.8b (in line with our estimates).
- Revenue growth was led by ~14% YoY growth in volumes and ~2% YoY growth in ASP to INR77k/unit (vs. est. INR77.6k).
- Revenue from the international market and spares grew ~18% YoY each to ~INR19.63b and INR8.46b.
- Gross margin expanded 320bp YoY/ 140bp QoQ to 28.6% (est. 27.2%) driven by material cost savings and favorable product mix. It has also taken a price hike of ~0.2% in 1Q and another 0.2% in 2QFY25.
- There was some impact of the RM price increase in 1Q, with aluminum prices rising while other materials and precious metals softened. It expects a mixed outlook for commodities, with some slight increases likely in 2Q.
- Better gross margin was partially offset by higher operating expenses, resulting in an EBITDA margin of 11.5% (est. 11.7%, +90bp YoY/+20bp QoQ). EBITDA grew ~26% YoY to IN9.6b (in line).
- Other income was above estimate at INR363m (est. INR100m) as it included INR280m towards fair valuation of investments in the TVS supply chain.

Key takeaways from the management interaction

- **Domestic:** Vahaan reported ~13% YoY growth for the 2W industry in 1QFY25, with rural growing ~17% YoY. With normal monsoon expected for this fiscal, TVS expects rural recovery to drive sustained momentum for the industry in the coming quarters. Management expects the 2W industry to post 10%+ growth for FY25E.
- **International market:** There were some challenges in the Red Sea that were affecting the transit times, and also the timely availability of vessel containers is a concern. While African markets face currency devaluation, LATAM and the Middle East offer significant opportunities for TVS. Despite some challenges in Bangladesh, management expects stabilization soon.

- **Norton:** It is going to launch six new products over the next three years, with the first launch likely by FY26 end. The new range of motorcycles will be more affordable than the earlier line-up. TVSL has so far invested INR12b in Norton.
- **Capex and investments:** Management guided a capex of INR10-11b for FY25, with similar guidance for investments. In 1Q, the major investments were INR3b in TVS Credit Services, INR1b in Norton, and INR0.3b in the e-bikes business, with a smaller amount in TVS Digital.

Valuation and view

- We remain optimistic about domestic 2W demand growth over the next two years, driven by a strong recovery in rural demand. TVSL's domestic growth will be supported by new product launches, but geopolitical uncertainties are likely to continue to affect exports (about 24% of total volumes) thereby limiting its growth opportunities.
- Valuations at 44x/36x FY25E/FY26E EPS reflect TVSL's strong earnings growth potential and proactive stance in the EV business. **Reiterate Neutral with a TP of ~INR2,265 (premised on ~28x Jun'26E EPS + INR201/share for NBFC).**

S/A Quarterly Performance (INR m)

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Vols ('000 units)	**953.2**	**1,074.4**	**1,100.8**	**1,062.5**	**1,087.2**	**1,172.9**	**1,208.1**	**1,167.4**	**4,191**	**4,636**	**1,087.2**
Growth (%)	5.1	4.6	25.2	22.4	14.1	9.2	9.7	9.9	13.8	10.6	14.1
Realn (INR '000/unit)	**75.7**	**75.8**	**74.9**	**76.9**	**77.0**	**77.8**	**78.6**	**78.7**	**75.8**	**78.0**	**77.6**
Growth (%)	14.3	7.9	0.6	1.1	1.7	2.6	4.9	2.3	5.8	2.9	2.5
Net Sales	**72,179**	**81,446**	**82,450**	**81,688**	**83,756**	**91,261**	**94,940**	**91,835**	**3,17,764**	**3,61,792**	**84,419**
Growth (%)	20.1	12.8	26.0	23.7	16.0	12.1	15.1	12.4	20.5	13.9	17.0
RM (% of sales)	74.6	74.0	73.7	72.8	71.4	72.3	73.0	72.4	73.7	72.3	72.8
Emp cost (% of sales)	5.2	4.8	4.9	5.1	5.7	5.2	5.2	5.5	5.0	5.4	5.1
Other exp (% of sales)	9.6	10.1	10.2	10.8	11.4	10.0	9.7	9.8	10.2	10.2	10.4
EBITDA	**7,638**	**8,998**	**9,244**	**9,262**	**9,602**	**11,403**	**11,525**	**11,320**	**35,141**	**43,849**	**9,917**
EBITDA margin (%)	10.6	11.0	11.2	11.3	11.5	12.5	12.1	12.3	11.1	12.1	11.7
Interest	474	523	448	372	372	330	300	272	1,816	1,274	350
Depreciation	1,636	1,701	1,781	1,887	1,763	1,820	1,850	1,875	7,004	7,308	1,870
Other Income	576	462	734	-287	363	150	160	227	1,485	900	100
PBT before EO Exp	**6,104**	**7,237**	**7,750**	**6,716**	**7,829**	**9,403**	**9,535**	**9,400**	**27,807**	**36,167**	**7,797**
PBT after EO Exp	**6,104**	**7,237**	**7,750**	**6,716**	**7,829**	**9,403**	**9,535**	**9,400**	**27,807**	**36,167**	**7,797**
Tax	1,427	1,871	1,817	1,862	2,056	2,351	2,384	2,251	6,977	9,042	1,949
Total Tax	**1427**	**1871**	**1817**	**1862**	**2056**	**2351**	**2384**	**2251**	**6977**	**9042**	**1949**
Tax rate (%)	23.4	25.9	23.4	27.7	26.3	25.0	25.0	24.0	25.1	25.0	25.0
Adjusted PAT	**4,677**	**5,366**	**5,934**	**4,854**	**5,773**	**7,052**	**7,151**	**7,148**	**20,830**	**27,125**	**5,848**
Growth (%)	45.9	31.7	68.2	33.4	23.4	31.4	20.5	47.3	44.4	30.2	25.0

Gland Pharma

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	GLAND IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	347.1 / 4.1
52-Week Range (INR)	2221 / 1301
1, 6, 12 Rel. Per (%)	16/-11/35
12M Avg Val (INR M)	929

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	56.6	63.7	69.6
EBITDA	13.5	15.5	18.5
Adj. PAT	7.8	9.2	11.2
EBITDA Margin (%)	23.8	24.4	26.6
Cons. Adj. EPS (INR)	47.6	56.1	67.8
EPS Gr. (%)	(5.6)	17.8	20.9
BV/Sh. (INR)	529.7	585.8	653.5
Ratios			
Net D:E	(0.2)	(0.2)	(0.2)
RoE (%)	9.4	10.1	10.9
RoCE (%)	9.4	9.7	10.6
Payout (%)	-	-	-
Valuations			
P/E (x)	44.5	37.8	31.3
EV/EBITDA (x)	24.7	21.9	18.2
Div. Yield (%)	-	-	-
FCF Yield (%)	(1.2)	(2.3)	0.2
EV/Sales (x)	5.9	5.3	4.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.8	57.9	57.9
DII	32.8	25.2	23.4
FII	6.9	3.6	2.8
Others	8.5	13.3	16.0

FII Includes depository receipts

CMP: INR2,107 TP: INR2,440 (+16%) Buy

Lower milestone income and ROW sales hurt earnings

Reviving strategic growth drivers is the key

- Gland Pharma (GLAND) reported a miss on its 1QFY25 earnings, largely due to lower milestone income for the quarter. Further, postponement of the off-take of products by European customers hit 1QFY25 performance to some extent. Having said this, management maintained its outlook for the base business as well as for Cenexi.
- We cut our estimates by 6%/2% for FY25/FY26 factoring a) maintenance shutdown at Cenexi facilities, b) muted outlook for India segment, and c) gradual improvement in outlook of business from China. We value GLAND at 30x 12M forward earnings to arrive at our TP of INR2,440.
- GLAND is implementing efforts towards: a) reviving the biologics-based contract manufacturing business, b) building a healthy product pipeline for the US market, and c) scaling as well as improving the profitability of Cenexi. In fact, the favorable regulatory developments at the industry level would enable better business prospects for GLAND as well. **Reiterate BUY.**

Product mix and reduced operating leverage drag margins YoY/QoQ

- GLAND's 1QFY25 revenue grew 16% YoY to INR14b (est: INR15b). The base business (ex-Cenexi) rose 14% YoY to INR10b in 1QFY25. Core market sales grew 24% YoY to INR10.6b (76% of sales). RoW sales declined 4.9% YoY to INR2.7b (20% of sales). India sales fell 18.5% YoY to INR527m (4% of sales).
- Gross margin (GM) declined 280bp YoY to 59.7% due to change in product mix in base business offset by higher GM in Cenexi business.
- EBITDA margin contracted 550bp YoY to 18.9% (our estimate: 23.7%), led by higher employee costs (up 430bp YoY as % of sales), offset by lower other expenses of 160bp YoY as a % of sales. On ex-Cenexi basis, the EBITDA margin was 29% (-70bp YoY/- 770bp QoQ).
- Consequently, EBITDA declined 10% YoY to INR2.6b (our est: INR3.6b).
- Adj. PAT declined 26% YoY to INR1.4b (our estimate: INR2.1b) due to higher depreciation, and tax-related expenses.

Highlights from the management commentary

- GLAND maintained its guidance of mid-teens YoY growth in revenue (Ex-Cenexi) for FY25.
- GLAND is witnessing traction in inquires at its biologics facility at Genome Valley for CDMO of monoclonal antibodies and novel plasma-based proteins. Further, it is discussion with large biologics companies for commercial CDMO and in licensing the molecules for key markets.
- The changing regulations in developed markets are enabling more inquiries from global pharma companies to outsource to Indian companies (including GLAND).
- Management guided ROW markets to grow at a healthy rate for the year.
- For the quarter, the milestone income was 9% vs. 16% in 4QFY24 (as a % of revenue; ex-Cenexi) and profit share was stable QoQ at 10% (ex-Cenexi).

Consol. - Quarterly perf. (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**12,087**	**13,734**	**15,452**	**15,375**	**14,017**	**14,033**	**16,251**	**19,364**	**56,647**	**63,665**	**15,138**	-7.4
YoY Change (%)	41.1	31.5	64.7	95.9	16.0	2.2	5.2	25.9	56.3	12.4	25.2	
Total Expenditure	9,147	10,493	11,710	11,788	11,373	11,282	11,977	13,498	43,138	48,131	11,566	
EBITDA	**2,940**	**3,241**	**3,742**	**3,587**	**2,644**	**2,750**	**4,274**	**5,866**	**13,509**	**15,534**	**3,573**	-26.0
YoY Change (%)	8.9	5.3	29.2	113.0	-10.1	-15.1	14.2	63.6	30.4	15.0	21.5	
Margins (%)	24.3	23.6	24.2	23.3	18.9	19.6	26.3	30.3	23.8	24.4	23.6	
Depreciation	653	813	1,053	926	920	960	990	1,113	3,446	3,983	930	
Interest	49	60	53	100	56	19	18	-19	262	74	20	
Other Income	375	532	374	421	514	490	500	406	1,702	1,910	450	
PBT before EO expense	**2,613**	**2,899**	**3,009**	**2,982**	**2,182**	**2,261**	**3,766**	**5,177**	**11,503**	**13,387**	**3,073**	-29.0
One-off income/(expense)	0	0	178	0	0	0	0	0	178	0	0	
PBT	**2,613**	**2,899**	**2,832**	**2,982**	**2,182**	**2,261**	**3,766**	**5,177**	**11,325**	**13,387**	**3,073**	-29.0
Tax	672	958	913	1,058	745	706	1,183	1,517	3,601	4,150	953	
Rate (%)	25.7	33.0	32.2	35.5	34.1	31.2	31.4	29.3	31.8	31.0	31.0	
Reported PAT	**1,941**	**1,941**	**1,919**	**1,924**	**1,438**	**1,556**	**2,583**	**3,660**	**7,724**	**9,237**	**2,120**	-32.2
Adj PAT	**1,941**	**1,941**	**2,039**	**1,918**	**1,438**	**1,556**	**2,583**	**3,660**	**7,839**	**9,237**	**2,120**	-32.2
YoY Change (%)	-15.3	-22.7	-12.1	61.7	-25.9	-19.8	26.7	90.8	-5.6	17.8	9.2	

E: MOFSL Estimates

Key performance Indicators (Consolidated) (INR m)

Y/E March	FY24				FY25E				FY24	FY25E
INRm	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Core Markets	8564	10198	12000	12047	10641	11118	12059	13930	42750	38663
YoY Growth (%)	21.4	36.4	81.1	119.1	24.3	9.0	0.5	15.6	59	-10
India	647	876	761	526	527	569	571	665	2810	2332
YoY Growth (%)	26.9	20.7	-6.5	-18.7	-18.5	-35.0	-25.0	26.5	12	-17
Rest of the world	2876	2660	2842	2802	2734	2345	3621	3918	11239	6198
YoY Growth (%)	187.0	18.6	46.3	64.3	-4.9	-11.8	27.4	39.8	61	-45
Cost Break-up										
RM Cost (% of Sales)	37.5	38.0	38.8	39.0	40.3	40.0	38.0	36.2	38.4	38.4
Staff Cost (% of Sales)	21.1	22.2	22.3	22.9	25.4	25.0	21.7	18.3	22.2	22.2
Other Cost (% of Sales)	17.1	16.2	14.7	14.8	15.5	15.4	14.0	15.2	15.6	15.0
Gross Margins(%)	62.5	62.0	61.2	61.0	59.7	60.0	62.0	63.8	61.6	61.6
EBITDA Margins(%)	24.3	23.6	24.2	23.3	18.9	19.6	26.3	30.3	23.8	24.4
EBIT Margins(%)	18.9	17.7	17.4	17.3	12.3	12.8	20.2	24.5	17.8	24.3

Triveni Turbine

Estimate changes	↓
TP change	⟷
Rating change	⟷

Bloomberg	TRIV IN
Equity Shares (m)	318
M.Cap.(INRb)/(USDb)	196.9 / 2.3
52-Week Range (INR)	676 / 311
1, 6, 12 Rel. Per (%)	-1/36/33
12M Avg Val (INR M)	554

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	20.3	26.5	35.6
EBITDA	4.1	5.2	6.9
PAT	3.4	4.3	5.9
EPS (INR)	10.8	13.6	18.4
GR. (%)	27.5	26.1	35.5
BV/Sh (INR)	38.0	47.8	61.0
Ratios			
ROE (%)	31.7	31.8	33.9
RoCE (%)	31.8	31.9	34.0
Valuations			
P/E (X)	57.4	45.5	33.6
P/BV (X)	16.3	13.0	10.1
EV/EBITDA (X)	47.3	37.0	27.2
Div Yield (%)	0.5	0.6	0.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.8	55.8	55.8
DII	12.3	12.7	12.6
FII	27.5	27.3	26.8
Others	4.3	4.2	4.8

FII Includes depository receipts

CMP: INR619 TP: INR720 (+16%) Buy

Exports on strong footing

TRIV's 1QFY25 results exceeded our expectations on all parameters. The company reported revenue/EBITDA/PAT growth of 23%/35%/32% YoY. Persistent weakness and the impact of elections resulted in muted 2% YoY growth in domestic order inflows, whereas export order inflows surged 74% YoY. While we expect exports to improve further going ahead as the US foray ramps up, the domestic order inflow pipeline will see a gradual pickup in ensuing quarters given a strong enquiry pipeline from key end-user industries. We tweak our estimates to factor in lower domestic revenues and roll forward our valuation. We maintain our BUY rating with a TP of INR720, based on 48x Jun'26E EPS.

Beat across all parameters

Revenue grew 23% YoY to INR4.6b, fueled by strong execution of the order book. Domestic/export revenue growth stood at 27%/19% YoY. Gross margin expanded ~40bp YoY to 51.8%, while EBITDA margin was up ~180bp YoY to 20.6%, aided by operating leverage benefits. Accordingly, EBITDA grew 35% YoY/6% QoQ to INR956m. PBT at INR1.1b grew 37% YoY, supported by higher other income (+45% YoY). PAT rose 32% YoY, despite a higher effective tax rate (25.4% vs. 22.5% in 1QFY24). Order inflow came in at a record INR6.4b, up 40% YoY, largely propelled by export order bookings (+74% YoY), while domestic orders inched up 2% YoY. Total order book stood at INR17.2b (+23% YoY).

Pipeline shaping up well across geographies

For the past few quarters, domestic ordering has been weak due to finalization delays from key end-user industries. Stable commodity prices too have affected demand as rising prices prompt companies to add capacity. Further, companies had adopted a wait-and-watch mode in light of elections and union budget. However, TRIV is confident of an uptick, as improving enquiries from several sectors, such as steel, cement, waste-to-energy, renewable, plastic, paper, etc., are expected to translate into orders. The outlook for exports continues to be strong across key geographies such as Europe, SE Asia, Middle East, US, etc. for both products (industrial and API turbines) and aftermarket (refurbishment, spares, services). Notably, TRIV is expanding its offerings by foraying into service of utility and geothermal turbines. It has also bagged an order for API turbines from the Middle East, underscoring the increasing acceptability of its products.

Current order book mix provides margin stability

TRIV's current order book is skewed toward exports and aftermarket, which have a superior margin profile. This, coupled with stable commodity prices, provides better predictability in input costs, ensuring a stable margin trajectory. Even though the scale-up in the US market in the refurbishment and aftermarket categories will necessitate upfront costs, it will not have any material margin impact in the long run.

Investment geared toward R&D and personnel

Despite a robust cash balance, the company would prefer to maintain its asset-light model, with incremental investments being channeled toward R&D, so as to innovate newer products and solutions such as 120MW turbines, sCO2, tCO2 based solutions. In line with its comprehensive IP strategy, the company has secured a substantial number of IP rights globally, with 374 global IPR filings as of 1QFY25. With its focus on capitalizing on aftermarket opportunities in the US and other geographies, TRIV would increase its employee base, which has doubled from FY22 levels.

We expect a PAT CAGR of 30% over FY24-27

We tweak our estimates to factor in lower domestic ordering and consequently, revenues, with a slight downward margin revision to account for higher employee costs. We expect TRIV's revenue/EBITDA/PAT to clock a CAGR of 29%/30%/30% over FY24-27. Backed by a comfortable negative working capital cycle, strong margins, and low capex requirements, we expect its OCF and FCF to report a CAGR of 37% and 40% over the same period, respectively.

Valuation and view

The stock is currently trading at 45x/34x FY26E/FY27E EPS. We marginally revise our estimates and roll forward our TP to Jun'26E EPS. We maintain our TP of INR720 based on 48x Jun'26E EPS. Key risks to our recommendation would come from slower-than-expected order inflow growth (particularly in domestic markets), lower-than-expected margins, and a slowdown in global geographies.

Triveni Turbine

Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**3,764**	**3,878**	**4,317**	**4,581**	**4,633**	**4,879**	**5,285**	**5,531**	**16,539**	**20,328**	**4,268**	**9**
YoY Change (%)	45.3	32.4	32.5	23.9	23.1	25.8	22.4	20.8	32.6	22.9	13.4	
Total Expenditure	3,055	3,134	3,480	3,682	3,677	3,903	4,228	4,454	13,352	16,262	3,423	
EBITDA	**709**	**744**	**837**	**898**	**956**	**976**	**1,057**	**1,077**	**3,188**	**4,066**	**845**	**13**
Margins (%)	18.8	19.2	19.4	19.6	20.6	20.0	20.0	19.5	19.3	20.0	19.8	
Depreciation	49	51	55	53	62	63	63	63	208	251	63	-2
Interest	7	6	6	7	10	5	5	5	27	20	5	91
Other Income	133	144	171	176	194	192	197	205	622	788	170	14
PBT before EO expense	**786**	**830**	**947**	**1,014**	**1,078**	**1,100**	**1,186**	**1,214**	**3,576**	**4,582**	**947**	**14**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**786**	**830**	**947**	**1,014**	**1,078**	**1,100**	**1,186**	**1,214**	**3,576**	**4,582**	**947**	**14**
Tax	177	190	264	252	274	277	298	320	883	1,152	238	
Rate (%)	22.5	22.9	27.9	24.9	25.4	25.1	25.1	26.4	24.7	25.1	25.1	
Reported PAT	**610**	**640**	**683**	**762**	**804**	**824**	**888**	**894**	**2,693**	**3,430**	**709**	**13**
Adj PAT	**610**	**640**	**683**	**762**	**804**	**824**	**888**	**894**	**2,693**	**3,430**	**709**	**13**
YoY Change (%)	59.0	38.2	29.8	37.0	31.9	28.6	30.0	17.3	39.6	27.3	16.3	
Margins (%)	16.2	16.5	15.8	16.6	17.4	16.9	16.8	16.2	16.3	16.9	16.6	

6 Aug 2024
1QFY25 Results Update | Sector: Midcap

Godrej Agrovet

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	GOAGRO IN
Equity Shares (m)	192
M.Cap.(INRb)/(USDb)	152.1 / 1.8
52-Week Range (INR)	878 / 446
1, 6, 12 Rel. Per (%)	2/38/41
12M Avg Val (INR M)	186

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	95.6	99.8	115.1
EBITDA	7.0	9.1	11.1
Adj. PAT	3.6	5.2	6.8
EBITDA Margin (%)	7.3	9.2	9.6
Cons. Adj. EPS (INR)	18.7	27.2	35.2
EPS Gr. (%)	44.1	45.5	29.3
BV/Sh. (INR)	131	148	173
Ratios			
Net D:E	0.5	0.3	0.2
RoE (%)	14.8	19.5	22.0
RoCE (%)	10.3	14.0	16.3
Payout (%)	53.4	38.5	29.8
Valuations			
P/E (x)	42.3	29.1	22.5
EV/EBITDA (x)	24.0	18.1	14.7
Div. Yield (%)	1.3	1.3	1.3
FCF Yield (%)	1.8	3.3	3.0

Shareholding pattern (%)

	Jun-24	Mar-24	Jun-23
Promoter	74.0	74.1	74.1
DII	12.1	12.9	13.6
FII	1.7	1.7	1.6
Others	12.1	11.4	10.8

Note: FII includes depository receipts

CMP: INR791 TP: INR880 (11%) Neutral

Animal feed and dairy business drives operating profit

Operating performance in line with estimates

- Godrej Agrovet (GOAGRO) reported strong operating performance (EBIT up ~22% YoY) in 1QFY25, driven by improved profitability in the animal feed (AF) business (EBIT up ~45% YoY) and a turnaround in the dairy business (EBIT of INR185m vs. operating loss of ~INR25m). The crop protection (CP) business also contributed positively, with EBIT growing 9% YoY, driven by standalone CP business. However, the palm oil /poultry and processed food (Tyson) business recorded a weaker performance, with EBIT declining ~14%/28% YoY.
- Factoring in strong operating performance, we raise our EBITDA estimates for FY25/FY26 by 8% each to account for improved profitability of the AF, dairy and standalone CP businesses. We retain our **Neutral** rating on the stock.

Revenue declines due to lower volumes in AF, palm oil and Tyson

- Consolidated revenue declined 6% YoY to INR23.5b (est. INR27b). EBITDA margins expanded by 190bp YoY to 9.6% (est. 8.3%), led by expansion in gross margins by 260bp YoY to 26.8%. EBITDA stood at INR2.3b, up 17% YoY (est. in line). Adj. PAT grew 28% YoY to INR1.4b (in line).
- **Animal Feed business:** Revenue declined ~10% YoY to INR11.6b, led by a volume decline of 8% YoY to 346kmt due to subdued milk prices and lower placements. EBIT/kg grew 57% YoY to INR2.26, led by favorable commodity price movement.
- **Palm Oil business:** Revenue grew 12% YoY to INR2.6b. EBIT margin contracted 290bp YoY to 9.2%. EBIT stood at INR241m, down 14% YoY. Lower fresh fruit bunch (FFB) arrivals led to lower segmental revenue (excluding trading revenues), while a lower oil extraction ratio (OER) affected profitability.
- **Crop Protection business**: Consolidated revenue declined 5% YoY to INR3.65b. However, EBIT grew 9% YoY to INR868m, led by strong performance from standalone CP business. Astec Lifesciences revenue declined 57% YoY to INR505m, while it recorded an operating loss of ~INR270m in 1Q due to continued pricing and demand headwinds in enterprise products, which necessitated write-down of inventories.
- **Dairy business** revenue inched up ~1% YoY to INR4.3b. Operating profit stood at INR185m in 1QFY25 vs. operating loss of INR25m in 1QFY24, due to significant improvement in operational efficiencies and improved milk spread.
- **Poultry and Processed Food** business revenue declined ~25% YoY to INR2.3b, led by lower volumes in live bird business as the company continues to focus on branded business. EBIT margin contracted 50bp YoY to 8.2%. EBIT stood at INR193m, down 28% YoY.

Highlights from the management commentary

- **Outlook and guidance:** Going ahead, production is expected to improve sequentially in Palm oil segment. The company expects to achieve steady production YoY in FY25. Within AF business, the company believes that EBIT/kg of INR2 is sustainable going ahead.
- **Astec:** The company's CDMO business is expected to grow by 50-60% over the next 2-3 years. It will defer a major capex by another year and will only do debottlenecking, quality improvement and environmental spending in FY25.
- **Capex:** The company will incur ~INR800-900 in capex in FY25 to add one more refinery in palm oil. Also, the company has received in-principal approval for building a new facility for INR1.1b for AF business.

Valuation and view

- GOAGRO is expected to witness near-term hurdles in its enterprise product segment of crop protection business (Astec). However, AF and standalone crop protection businesses are likely to sustain their healthy performances.
- In 1QFY25, the dairy and Tyson businesses sustained the turnaround witnessed in 4QFY24 and are poised to maintain robust performance in FY25. This growth trajectory is led by enhanced focus on value-added products/ branded products.
- Factoring in strong operating performance, we raise our EBITDA estimates for FY25/FY26 by 8% each to account for improved profitability of the AF, dairy and standalone CP businesses. We retain our **Neutral rating** on the stock with our SoTP-based **TP of INR880.**

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	**25,102**	**25,709**	**23,452**	**21,343**	**23,508**	**27,054**	**25,501**	**23,721**	**95,606**	**99,783**	**27,030**	**-13**
YoY Change (%)	0.0	5.1	0.9	1.9	-6.4	5.2	8.7	11.1	2.0	4.4	7.7	
Total Expenditure	23,173	23,694	21,861	19,863	21,246	24,603	23,190	21,600	88,591	90,639	24,796	
EBITDA	**1,929**	**2,014**	**1,591**	**1,480**	**2,261**	**2,451**	**2,311**	**2,121**	**7,015**	**9,144**	**2,234**	**1**
Margins (%)	7.7	7.8	6.8	6.9	9.6	9.1	9.1	8.9	7.3	9.2	8.3	
Depreciation	528	529	530	556	546	579	598	619	2,143	2,342	551	
Interest	295	279	251	254	302	254	268	288	1,079	1,112	243	
Other Income	115	112	84	102	92	112	98	149	413	452	107	
PBT before EO expense	**1,222**	**1,318**	**894**	**772**	**1,506**	**1,730**	**1,543**	**1,363**	**4,206**	**6,142**	**1,547**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**1,222**	**1,318**	**894**	**772**	**1,506**	**1,730**	**1,543**	**1,363**	**4,206**	**6,142**	**1,547**	
Tax	353	369	191	220	345	435	388	343	1,133	1,512	389	
Rate (%)	28.9	28.0	21.3	28.5	22.9	25.2	25.2	25.2	26.9	24.6	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-185	-104	-215	-19	-190	-156	-138	-118	-523	-602	-137	
Reported PAT	**1,053**	**1,053**	**918**	**571**	**1,352**	**1,450**	**1,293**	**1,138**	**3,596**	**5,232**	**1,295**	
Adj PAT	**1,053**	**1,053**	**918**	**571**	**1,352**	**1,450**	**1,293**	**1,138**	**3,596**	**5,232**	**1,295**	**4**
YoY Change (%)	27.3	46.7	43.5	84.2	28.3	37.7	40.8	99.2	44.1	45.5	22.9	
Margins (%)	4.2	4.1	3.9	2.7	5.7	5.4	5.1	4.8	3.8	5.2	4.8	

Syrma SGS Technology

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	SYRMA IN
Equity Shares (m)	178
M.Cap.(INRb)/(USDb)	76 / 0.9
52-Week Range (INR)	705 / 386
1, 6, 12 Rel. Per (%)	-13/-34/-33
12M Avg Val (INR M)	479

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	31.5	45.8	61.8
EBITDA	2.0	2.9	4.3
Adj. PAT	1.1	1.6	2.7
EBITDA Margin (%)	6.3	6.4	7.0
Cons. Adj. EPS (INR)	6.1	9.0	15.4
EPS Gr. (%)	-9.3	47.1	70.6
BV/Sh. (INR)	90.9	98.4	112.3
Ratios			
Net D:E	0.3	0.2	0.1
RoE (%)	6.9	9.5	14.6
RoCE (%)	7.5	9.8	14.4
Valuations			
P/E (x)	70	47	28
EV/EBITDA (x)	41	27	19

Shareholding pattern (%)

As on	Jun-24	Mar-24	Jun-23
Promoter	46.9	46.9	47.3
DII	6.5	5.8	9.2
FII	10.4	13.0	9.3
Others	36.2	34.4	34.2

Note: FII includes depository receipts

CMP: INR428 TP: INR540 (+26%) Buy

High mix of consumer business hurts overall margin

Operating performance below estimates

- SYRMA reported a weak operating performance in 1QFY25, with EBITDA margins declining 230bp YoY due to an unfavorable business mix (higher share of low-margin consumer business at 53% in 1QFY25 vs. 39% in 1QFY24). However, revenue growth was robust at 93% YoY, majorly driven by consumer segment (up 2.7x YoY).
- Factoring in the 1QFY25 performance, we have lowered our EPS estimate for FY25 by 7% while maintaining FY26E EPS. We retain our BUY rating on the stock with a TP of INR540 (35x FY26E EPS).

Broad-based growth across verticals

- Consolidated revenue grew 93% YoY to INR11.6b (est. INR10b) owing to strong growth across verticals (Healthcare/consumer/IT & Railways/ automotive/ industrial vertical grew 3.8x/2.7x/2.7x/29%/21% YoY).
- EBITDA margins contracted 230bp YoY to 3.8% (est. 5.5%), led by gross margins contraction by 710bp YoY to 15%, due to an unfavorable business mix. EBITDA grew 21% YoY to INR446m (est. INR554m). Adj. PAT declined 32% YoY to INR193m (est. INR266m), led by increasing depreciation (up 71% YoY) and interest costs (up 73% YoY).
- The order book stood at ~INR45b as of Jun'24 vs. ~INR45b/INR35b in Mar'24/Jun'23. The consumer/industrial/automotive/healthcare segments accounted for ~38-40%/22-25%/23-25%/6-7% of total orders as of Jun'24. 1Q order inflow stood at INR12b, largely from consumer (~INR4b), auto (~INR4b) and industrial (~INR3.6b).
- Gross debt increased to ~INR6.1b as of Jun'24 vs. ~INR5.8b as of Mar'24. Net debt stood at ~INR4.9b as of Jun'24 (vs. net debt of ~INR4b as of Mar'24).

Highlights from the management commentary

- **Guidance**: The management has maintained its revenue growth target of ~40-45% for FY25, with EBITDA margins of ~7% (including PLI and forex gains/ losses). The increasing mix of industrial and healthcare segments and higher exports may boost margins in the rest of FY25.
- **Exports** accounted for ~16% of total sales in 1QFY25. SYRMA expects exports of ~INR10-11b in FY25 (~20-25% YoY growth), with an aim to take exports to 1/3rd of sales in the longer run.
- **Capex**: SYRMA expects to spend ~INR1.35-1.4b on capex in FY25 (INR700-750m already spent in 1Q). The major portion of capex (INR1b) will be incurred for Pune facility, while the rest will be for Germany facility (prototyping and assembly lines).

Valuation and view

- SYRMA should significantly benefit from the rapid growth in the electronic systems design and manufacturing (ESDM) industry, given its: 1) rich experience of over three decades, 2) a strong order book of INR45b, 3) growing exports, and 4) strong executional capabilities.
- We estimate a CAGR of 40%/48%/58% in revenue/EBITDA/adj. PAT over FY24-26, driven by a robust revenue growth and a healthy order book.
- Factoring in the 1QFY25 performance, we have lowered our EPS estimate for FY25 by 7% while maintaining FY26E EPS. We retain our BUY rating on the stock with a TP of INR540 (35x FY26E EPS).

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Gross Sales	**6,013**	**7,117**	**7,067**	**11,341**	**11,599**	**11,032**	**9,753**	**13,382**	**31,538**	**45,766**	**10,042**	**16**
YoY Change (%)	54.4	52.4	37.9	66.9	92.9	55.0	38.0	18.0	54.0	45.1	47.8	
Total Expenditure	5,644	6,627	6,679	10,604	11,153	10,404	9,073	12,213	29,554	42,842	9,488	
EBITDA	**369**	**490**	**388**	**737**	**446**	**628**	**680**	**1,170**	**1,984**	**2,923**	**554**	**-20**
Margins (%)	6.1	6.9	5.5	6.5	3.8	5.7	7.0	8.7	6.3	6.4	5.5	
Depreciation	101	116	139	158	174	176	180	182	515	712	160	
Interest	75	80	100	123	130	115	100	86	378	431	115	
Other Income	221	89	121	156	153	165	180	177	587	675	150	
PBT before EO expense	**413**	**383**	**270**	**612**	**295**	**502**	**580**	**1,078**	**1,678**	**2,455**	**429**	
Extra-Ord expense	0	14	0	0	0	0	0	0	14	0	0	
PBT	**413**	**370**	**270**	**612**	**295**	**502**	**580**	**1,078**	**1,664**	**2,455**	**429**	
Tax	130	64	67	160	91	126	146	271	421	635	108	
Rate (%)	31.5	17.4	24.8	26.1	31.0	25.2	25.2	25.2	25.3	25.9	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-2	22	48	103	10	70	85	56	170	222	55	
Reported PAT	**285**	**283**	**155**	**349**	**193**	**306**	**349**	**751**	**1,073**	**1,598**	**266**	
Adj PAT	**285**	**297**	**155**	**349**	**193**	**306**	**349**	**751**	**1,087**	**1,598**	**266**	**-27**
YoY Change (%)	84.0	4.8	-53.2	-17.4	-32.3	3.0	124.7	114.9	-8.9	47.1	-37.1	
Margins (%)	4.7	4.2	2.2	3.1	1.7	2.8	3.6	5.6	3.4	3.5	2.7	

V-Mart Retail

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	64.3 / 0.8
52-Week Range (INR)	3734 / 1591
1, 6, 12 Rel. Per (%)	1/45/19
12M Avg Val (INR M)	93

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	32.6	37.9
EBITDA	2.1	3.6	4.7
NP	-1.0	-0.1	0.5
EBITDA Margin (%)	7.6	11.1	12.4
Adj. EPS (INR)	-53.5	-3.0	29.5
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	409.8	439.3
Ratios			
Net D:E	1.8	2.0	1.9
RoE (%)	NM	NM	7.0
RoCE (%)	0.4	4.6	7.1
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	110.2
EV/EBITDA (x)	36.6	22.0	17.0
EV/Sales (x)	2.3	2.0	1.7
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	44.3	44.3	44.3
DII	32.6	34.0	31.0
FII	15.5	15.3	14.8
Others	7.6	6.4	9.9

FII Includes depository receipts

CMP: INR3,253 TP: INR3,500 (+8%) Neutral

Strong performance amid weak environment

- VMART's EBITDA jumped 89% YoY (beat) in 1QFY25, aided by 11% SSSG, a reduction in Limeroad losses and controlled ad spending.
- We raise our EBITDA estimates by 14%/11% for FY25/FY26, considering strong cost-control measures (rationalizing losses in Limeroad), the closure of non-performing stores, and improved SSSG (as indicated in our report) appeared to have played out in VMART's favor.
- We estimate a CAGR of 17%/48% in revenue/EBITDA over FY24-26. The ongoing demand recovery in the value fashion category could be a key growth driver for VMART. **Reiterate Neutral with a TP of INR3,500.**

EBITDA up 89% YoY (big beat) led by SSSG and reduction in LR losses

- Revenue grew 16% YoY to INR7.9b (in line), led by 11% blended SSSG and 4% footprint addition. SSSG for V-Mart (core) and Unlimited has improved for the third straight quarter and stood at 12% and 8%, respectively.
- The company opened 7 new stores (5 in V-Mart and 2 in Unlimited) and closed 3 stores of Unlimited (none in V-Mart) during the quarter, taking the total store count to 448 (V-Mart 370 and Unlimited 78).
- Gross profit grew 14% YoY to INR2.8b (in line), but margins declined 60bp YoY, led by a decline in Limeroad's revenue contribution.
- Other expenses declined 21% YoY to INR937m, which could mainly be due to lower losses in Limeroad, closures of loss-making stores, and lower ad spending.
- Resultantly, EBITDA grew by 89% YoY to INR990m (47% beat), with margin expansion of ~490bp to 12.6%. Pre Ind-AS 116 EBITDA stood at INR437m with 5.6% margin.
- PAT stood at INR121m (vs. est. loss of INR176m), led by EBITDA improvement.

Highlights from the management commentary

- **Demand recovery:** The management expects better demand trends going forward as employment is picking up on the ground level. The management is getting a good response in July, similar to 1Q.
- **Guidance:** The company guided for SSSG of ~10% or high single digits, which should bring back pre-Ind-AS EBITDA margin of ~8.5%.
- **Store addition:** The management plans to add 50 new stores in FY25. While most of the unprofitable store have already been closed now, 3-4 closures are expected.
- **Inventory:** Inventory management will led to improvement in working capital and freshness in the upcoming festive season. The company has also reported higher shrinkage due to strict provision policies and provisioning on aged inventories.

Valuation and view

- Improved performance of V-Mart/Unlimited stores and the company's decision to close down non-performing stores and reduce losses in the online segment will address near-term profitability concerns mentioned earlier in our report.
- The massive growth opportunity in the value fashion segment and VMART's strong execution capability remain key drivers of VMart's success. These drivers have the potential to sustain double-digit revenue growth for an extended period, underpinned by new store additions. With its low price points, cost leadership, strong liquidity, and prudent inventory management, VMART has a competitive edge over its rivals.
- The stock has recovered from its recent lows; a recovery in demand and improved profitability in the online segment remain the key catalysts for the stock going forward.
- We raise our EBITDA estimates for FY25/FY26 by 14%/11%, factoring in a CAGR of 17%/48% in revenue/ EBITDA over FY24-26. **We reiterate our Neutral rating with a TP of INR3,500 (premised on 35x pre Ind-AS EV/EBITDA on Mar'26E).**

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

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Var. (%)
Revenue	**6,785**	**5,494**	**8,891**	**6,686**	**7,861**	**6,372**	**10,138**	**8,219**	**27,856**	**32,590**	**7,860**	**0**
YoY Change (%)	15.4	8.5	14.4	12.6	15.9	16.0	14.0	22.9	13.0	17.0	15.8	
Total Expenditure	6,261	5,488	7,694	6,284	6,871	6,117	8,618	7,373	25,725	28,979	7,189	-4
EBITDA	**525**	**7**	**1,197**	**402**	**990**	**255**	**1,521**	**846**	**2,131**	**3,611**	**671**	**48**
EBITDA Margin (%)	7.7	0.1	13.5	6.0	12.6	4.0	15.0	10.3	7.6	11.1	8.5	
Depreciation	499	532	583	607	568	602	638	697	2,221	2,506	613	-7
Interest	330	359	376	359	375	375	375	293	1,424	1,417	352	7
Other Income	15	20	130	44	46	56	67	71	210	240	60	-23
PBT	**-290**	**-864**	**369**	**-520**	**93**	**-667**	**574**	**-73**	**-1,305**	**-72**	**-234**	**-140**
Tax	-70	-223	87	-131	-28	202	-174	-18	-337	-18	-59	
Rate (%)	24.2	25.8	23.5	25.1	-30.3	-30.3	-30.3	24.2	25.9	25.0	25.0	
Reported PAT	**-219**	**-641**	**282**	**-389**	**121**	**-868**	**748**	**-55**	**-968**	**-54**	**-176**	**-169**
Adj PAT	**-219**	**-641**	**282**	**-389**	**121**	**-868**	**748**	**-55**	**-968**	**-54**	**-176**	**-169**
YoY Change (%)	-207.3	466.8	41.3	5.3	-155.3	35.4	165.0	-85.8	1,132.9	-94.4	-19.9	

6 August 2024

1QFY25 Results Update | Sector: Logistics

VRL Logistics

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	VRLL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	46.9 / 0.6
52-Week Range (INR)	799 / 511
1, 6, 12 Rel. Per (%)	-6/-32/-48
12M Avg Val (INR M)	101

Financial Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	28.9	32.2	37.7
EBITDA	3.9	4.4	5.4
Adj. PAT	0.9	1.1	2.0
EBITDA Margin (%)	13.6	13.7	14.4
Adj. EPS (INR)	10.1	12.7	23.4
EPS Gr. (%)	-46.1	25.7	83.6
BV/Sh. (INR)	108.1	110.9	122.2
Ratios			
Net D:E	0.3	0.2	0.1
RoE (%)	9.2	11.6	20.1
RoCE (%)	11.6	13.4	20.4
Payout (%)	0.0	78.5	51.3
Valuations			
P/E (x)	53.0	42.2	23.0
P/BV (x)	5.0	4.8	4.4
EV/EBITDA(x)	12.6	11.0	8.8
Div. Yield (%)	0.0	1.9	2.2
FCF Yield (%)	3.0	3.9	4.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	60.2	60.2	64.2
DII	25.6	26.6	25.1
FII	3.8	3.3	2.2
Others	10.3	9.9	8.5

FII Includes depository receipts

CMP: INR536 TP: INR660 (+23%) Buy

Labor shortage due to elections hits tonnage; volumes likely to improve going forward

Network expansion to play a key role in volume growth

- VRL Logistics (VRL)'s 1QFY25 revenue grew 8% YoY (-5% QoQ) to ~INR7.3b (in line). Volumes increased 7% YoY to 1.07m tons in 1QFY25. Volumes were hit by general elections and sluggish demand in the southern states. Realization per ton stood at INR 6,723 (flat YoY and QoQ).
- EBITDA margin stood at 11.9% vs. our estimate of 13.0%. The margin was adversely impacted YoY by an increase in operating expenses and staff costs. The election period caused a prolonged shortage of drivers and loading/unloading staff, affecting services and vehicle turnaround. A heatwave in the North also reduced efficiency. VRL hired temporary workers to maintain operations, which led to additional costs. EBITDA declined 15% YoY to INR869m (6% below our estimate of INR925m).
- Higher depreciation and interest costs were partially offset by higher other income. During the quarter, VRL sold immovable property (comprising land and building) to a promoter group company for INR149m. In 1QFY25, APAT declined 60% YoY to INR134m (vs. our estimate of INR202m).
- Tonnage growth in 1QFY25 was hit by the general elections and slowdown in agro commodity volume in the southern states, which contributed ~40-45% to tonnage. With good monsoons and labor issues behind, management expects the tonnage growth to improve in coming the quarters. We cut our FY25/FY26E EPS by ~20%/1% to factor in lower-than expected margins. **We expect VRL to clock a volume/revenue/EBITDA/PAT CAGR of 11%/14%/ 18%/52% over FY24-26. We reiterate our BUY rating with a revised TP of INR660 (based on 28x FY26E EPS).**

Highlights from the management commentary

- Driven by branch network expansion, management expects volume growth in the range of 10% in FY25 and 12-14% in FY26.
- Textile and agro commodities make up ~40% of total tonnage. Good monsoon and pickup in rural economy would support volume growth in 2HFY25.
- VRL has taken a freight rate hike to the tune of 6% in July. This would help offset the cost increases due to toll, labor charges, etc.
- VRL plans to focus aggressively on branch expansion, with net 36 branches already added in 1Q. It is targeting to add a minimum of 100 branches in FY25, with a concentrated focus on eastern/northeastern markets.

Valuation and view

- While VRL faced growth challenges in the recent past (due to elections and driver shortages), volume growth could improve going forward. Volumes picked up in Jul'24, and with good monsoons, the pickup in agricultural and textile commodities should boost improvement in volumes.
- Further, with price hikes undertaken across commodities and customers, margins should also improve going forward.
- We expect VRL to report an 11% volume CAGR over FY24-26, with faster addition of branches in the untapped regions. We anticipate VRL to deliver a revenue/EBITDA/PAT CAGR of 14%/18%/52% over FY24-26. **We reiterate our BUY rating with a revised TP of INR660 (based on 28x FY26E EPS).**

Quarterly performance INR m

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	vs Est
Net Sales	**6,742**	**7,093**	**7,367**	**7,684**	**7,272**	**7,789**	**8,326**	**8,821**	**28,886**	**32,208**	**7,114**	**2**
YoY Change (%)	9.7	8.4	8.1	10.1	7.9	9.8	13.0	14.8	9.1	11.5	5.5	
EBITDA	**1,019**	**918**	**944**	**1,053**	**869**	**1,061**	**1,201**	**1,291**	**3,935**	**4,422**	**925**	**(6)**
Margins (%)	15.1	12.9	12.8	13.7	11.9	13.6	14.4	14.6	13.6	13.7	13.0	
YoY Change (%)	11.7	-1.3	-8.6	-7.7	-14.7	15.5	27.2	22.6	-2.0	12.4	-9.2	
Depreciation	489	522	568	583	615	610	614	615	2,162	2,454	550	
Interest	163	185	213	218	226	210	195	189	779	820	170	
Other Income	89	60	24	38	148	50	60	80	211	337	65	
PBT before EO expense	**456**	**271**	**187**	**291**	**176**	**291**	**452**	**566**	**1,205**	**1,485**	**270**	
Extra-Ord expense	0	-3	0	0	0	0	0	0	-3	0	0	
PBT	**456**	**274**	**187**	**291**	**176**	**291**	**452**	**566**	**1,208**	**1,485**	**270**	
Tax	117	77	50	76	42	73	114	142	319	371	68	
Rate (%)	25.6	28.0	26.9	26.0	23.6	25.2	25.2	25.2	26.4	25.0	25.2	
Reported PAT	**339**	**197**	**137**	**215**	**134**	**218**	**338**	**424**	**889**	**1,114**	**202**	
Adj PAT	**339**	**194**	**137**	**215**	**134**	**218**	**338**	**424**	**886**	**1,114**	**202**	**(34)**
YoY Change (%)	-7.5	-36.7	-63.7	-64.7	-60.4	11.9	146.7	96.6	-46.7	25.7	-40.4	
Margins (%)	5.0	2.7	1.9	2.8	1.8	2.8	4.1	4.8	3.1	3.5	2.8	

Cummins India

BSE SENSEX	S&P CNX
78,593	23,993

Conference Call Details

Date: 7th August 2024
Time: 11:30am IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024	2025	2026E
Sales	89.6	106.6	126.3
EBITDA	17.6	21.8	25.9
Adj. PAT	16.6	20.6	24.7
Adj. EPS (INR)	60.0	74.2	89.0
EPS Gr. (%)	33.4	23.7	19.9
BV/Sh.(INR)	222.3	251.4	286.2
Ratios			
RoE (%)	28.8	31.3	33.1
RoCE (%)	28.1	29.6	31.3
Valuations			
P/E (x)	58.7	47.4	39.6
P/BV (x)	15.8	14.0	12.3
EV/EBITDA (x)	54.6	43.9	36.8
Div. Yield (%)	1.0	1.2	1.4

CMP: INR3,522 Buy

Healthy beat on all fronts

- 1QFY25 revenue of INR23b (+4% YoY) came in 11% ahead of our estimates and 8% ahead of consensus estimates. The growth was entirely driven by domestic revenue (+12% YoY), while exports remained tepid (-22% YoY). However, exports improved 13% QoQ.
- Cummins sustained its strong EBITDA margin trajectory as 1Q EBITDA margin surged 490bp YoY to 20.3% (est. 19.9%), driven by a 520bp YoY improvement in gross margin.
- As a result, PAT of INR4.2b exceeded our and Street estimates.
- Mr. Ashwath Ram has resigned from the post of Managing Director as he is now assuming a full-time global role at Cummins Inc. The company has appointed Ms. Shveta Arya as an Additional Director and Managing Director (Designate), with effect from 8th Aug'24.

Standalone Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**22,087**	**18,997**	**25,341**	**23,162**	**23,042**	**22,388**	**29,850**	**31,328**	**89,586**	**1,06,607**	**20,788**	**11**
YoY Change (%)	31.0	-2.6	16.2	20.3	4.3	17.8	17.8	35.3	15.7	19.0	-5.9	
Total Expenditure	18,681	15,611	19,961	17,719	18,369	17,934	23,644	24,216	71,972	84,818	16,653	
EBITDA	**3,406**	**3,386**	**5,379**	**5,443**	**4,673**	**4,453**	**6,206**	**7,112**	**17,614**	**21,789**	**4,135**	**13**
Margins (%)	15.4	17.8	21.2	23.5	20.3	19.9	20.8	22.7	19.7	20.4	19.9	
Depreciation	358	379	419	420	439	387	396	403	1,576	1,625	378	16
Interest	77	67	63	62	48	70	72	105	268	295	69	(31)
Other Income	1,175	1,322	1,136	2,045	1,322	1,378	1,411	1,675	5,678	5,786	1,345	(2)
PBT before EO expense	**4,146**	**4,263**	**6,034**	**7,006**	**5,509**	**5,374**	**7,149**	**8,279**	**21,448**	**25,656**	**5,034**	**9**
Extra-Ord expense			17						17	0		
PBT	**4,146**	**4,263**	**6,017**	**7,006**	**5,509**	**5,374**	**7,149**	**8,279**	**21,431**	**25,656**	**5,034**	**9**
Tax	989	978	1,467	1,390	1,311	1,292	1,719	1,847	4,824	6,170	1,211	
Rate (%)	23.9	22.9	24.4	19.8	23.8	24.0	24.0	22.3	22.5	24.0	24.0	
Reported PAT	**3,157**	**3,285**	**4,549**	**5,615**	**4,198**	**4,082**	**5,430**	**6,432**	**16,606**	**19,486**	**3,824**	**10**
Adj PAT	**3,157**	**3,285**	**4,562**	**5,615**	**4,198**	**4,082**	**5,430**	**6,432**	**16,619**	**19,486**	**3,824**	**10**
YoY Change (%)	50.6	30.2	26.7	76.3	33.0	24.2	19.0	14.5	45.7	517.3	21.1	
Margins (%)	14.3	17.3	18.0	24.2	18.2	18.2	18.2	20.5	18.6	18.3	18.4	

Shree Cement

BSE Sensex	S&P CNX
78,593	23,993

Conference Call Details

Date: 07 August 2024
Time: 16:00 IST
Dial-in details:
+ 91 22 6280 1143
+ 91 22 7115 80454
Link for the call

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	206.9	231.6	256.6
EBITDA	46.6	54.2	60.2
Adj. PAT	22.6	22.5	25.2
EBITDA Margin (%)	20.3	23.4	23.5
Adj. EPS (INR)	565	624	698
EPS Gr. (%)	-17.4	-0.3	11.9
BV/Sh. (INR)	6,156	6,630	7,149
Ratios			
Net D:E	-0.3	-0.2	-0.1
RoE (%)	10.6	9.8	10.1
RoCE (%)	10.6	9.7	10.1
Payout (%)	19.2	24.0	25.8
Valuations			
P/E (x)	41.7	41.8	37.4
P/BV (x)	4.2	3.9	3.7
EV/EBITDA(x)	17.5	16.0	14.7
EV/ton (USD)	185	161	142
Div. Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-0.5	-0.7	-0.8

CMP: INR26,122 | **Neutral**

Weak realization leads to earnings miss

- SRCM's 1QFY25 performance was below our estimates due to lower-than-estimated realization. EBITDA declined ~2% YoY to INR9.2b (~23% miss). EBITDA/t was down 9% YoY at INR951 (est. INR1,239). Blended realization/t declined 6% QoQ (vs. our estimate of flat QoQ realization). OPM was flat YoY at ~19% (est. ~23%). PAT declined 45% YoY to INR3.2b (est. INR5.4b). ETR was ~9.4% (est. 25.5%).
- The company achieved 1GW of Installed power capacity (included a mix of solar, wind, thermal and WHRS plant). It is setting up an additional solar power capacity of 135MW across its plants in Rajasthan, Panipat, Jharkhand, Uttarakhand and Uttar Pradesh.
- We have a **Neutral rating** on the stock. We will review our assumptions after the concall.

Volumes rise 8% YoY; opex/t declines 10% YoY

- 1Q standalone revenue/EBITDA/PAT stood at INR48.3b/INR9.2b/INR3.2b (down 3%/2%/45% YoY and down 5%/23%/42% vs. our estimate). Sales volumes grew 8% YoY to 9.64mt. Blended realization declined 10% YoY and 6% QoQ to INR5,015/t (~6% below our estimate).
- Opex/t declined 10% YoY (in line), due to ~20%/3% decline in variable costs/ freight costs. Other expenses/t increased 5% YoY. OPM was flat at 19% and EBITDA/t declined 9% YoY to INR951. Depreciation rose 108% YoY, while interest costs declined 24% YoY. 'Other income' declined 17% YoY. PAT was down 45% YoY at INR3.2b.

Highlights from the management commentary

- The share of green power stood at ~54% vs. 56% in 4QFY24. With additional investments in renewable energy capacity, green power share will increase.
- In 1QFY25, the company commissioned a 3mtpa integrated cement plant in Guntur, Andhra Pradesh. Further, the company's ongoing expansion plans at various locations - Ras, Rajasthan (6.0 MTPA); Kodla, Karnataka (3.0 MTPA); Baloda Bazar, Chhattisgarh (3.4 MTPA); and Etah, Uttar Pradesh (3.0 MTPA) are progressing as per schedule.
- The company is further expanding its capacities in different geographies to reach its capacity target ahead of schedule.

Valuation and view

- SRCM's 1QFY25 performance was significantly below our estimates mainly due to a sharp decline in blended realization. Moreover, the benefit of lower-than-estimated variable costs was largely offset by higher-than-estimated freight/other expanses.
- We will review our assumptions after the concall on 07th Aug'24 at 16:00 (IST) Concall Link

Quarterly Performance (S/A) (INR Million)

	FY24				FY25				FY25	Var.
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2QE**	**3QE**	**4QE**	**1QE**	**(%)**
Net Sales	**49.7**	**45.8**	**49.0**	**50.7**	**48.3**	**48.2**	**53.6**	**56.7**	**50.7**	-5
YoY Change (%)	18.3	21.3	20.4	6.0	-2.7	5.1	9.4	11.2	1.4	
Total Expenditure	40.4	37.1	36.7	37.5	39.2	37.4	41.4	42.3	**11.8**	1
EBITDA	**9.3**	**8.7**	**12.3**	**13.3**	**9.2**	**10.8**	**12.2**	**14.4**	23.3	-23
Margins (%)	18.8	19.0	25.2	26.2	19.0	22.5	22.8	25.4	5.2	
Depreciation	3.1	3.3	3.5	6.3	6.4	5.1	5.3	6.5	0.6	24
Interest	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.5	1.3	-5
Other Income	1.6	1.3	1.4	1.4	1.3	1.2	1.4	1.5	**7.3**	6
PBT before EO Exp	**7.1**	**6.0**	**9.7**	**7.7**	**3.5**	**6.3**	**7.8**	**8.9**	0.0	-52
Extra-Ord Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**7.3**	
PBT	**7.1**	**6.0**	**9.7**	**7.7**	**3.5**	**6.3**	**7.8**	**8.9**	1.9	-52
Tax	1.3	1.1	2.3	1.1	0.3	1.6	2.0	2.3	25.5	
Rate (%)	18.2	17.6	24.0	14.3	9.4	25.5	25.5	25.5	**5.4**	
Reported PAT	**5.8**	**4.9**	**7.3**	**6.6**	**3.2**	**4.7**	**5.8**	**6.6**	0.0	-42
Tax adjustment prior period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**5.4**	
Adj PAT	**5.8**	**4.9**	**7.3**	**6.6**	**3.2**	**4.7**	**5.8**	**6.6**	-6.4	-42
YoY Change (%)	84.2	159.1	165.3	68.8	-45.3	-3.9	-20.8	0.0	**50.7**	

E:MOSL Estimates

Quarterly performance

	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	Var. (%)
Sales Dispat. (m ton)	**8.92**	**8.20**	**8.89**	**9.53**	**9.64**	**8.93**	**9.96**	**10.26**	**9.55**	1
YoY Change (%)	18.8	9.9	10.7	8.0	8.1	8.9	12.0	7.7	7.1	
Realization	**5,575**	**5,594**	**5,513**	**5,323**	**5,015**	**5,397**	**5,388**	**5,528**	**5,308**	-6
YoY Change (%)	-0.5	10.3	8.8	-1.8	-10.0	-3.5	-2.3	3.3	-5.3	
Expenditure										
RM Cost	638	556	494	372	422	464	464	563	464	-9
Staff Cost	263	285	264	247	254	281	258	264	255	-0
Power & Fuel	1,700	1,671	1,393	1,498	1,458	1,460	1,480	1,440	1,500	-3
Freight	1,192	1,160	1,095	1,097	1,157	1,110	1,125	1,159	1,100	5
Other Expenses	735	861	880	717	775	870	830	699	750	3
Total Op cost	**4,529**	**4,533**	**4,125**	**3,930**	**4,065**	**4,185**	**4,157**	**4,125**	**4,069**	-0
EBITDA	**1,046**	**1,062**	**1,388**	**1,393**	**951**	**1,213**	**1,230**	**1,403**	**1,239**	-23

Source: Company, MOFSL Estimates

Bosch

BSE SENSEX	S&P CNX
78,593	23,993

CMP:INR32,700 **Neutral**

Conference Call Details

Date: 07th Aug 2024
Time: 4.30pm IST
Dial-in details:
[Webex link]

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	167.3	188.5	213.0
EBITDA	20.9	26.9	31.9
Adj. PAT	18.3	24.3	28.4
EPS (INR)	620.5	824.7	962.2
EPS Gr. (%)	28.5	32.9	16.7
BV/Sh. (INR)	4,091	4,530	5,072
Ratios			
RoE (%)	15.9	19.1	20.0
RoCE (%)	20.6	24.4	25.4
Payout (%)	44.4	46.7	43.7
Valuations			
P/E (x)	52.7	39.7	34.0
P/BV (x)	8.0	7.2	6.4
Div. Yield (%)	1.1	1.2	1.3
FCF Yield (%)	1.0	1.6	1.7

Operating performance below estimate mainly due to higher-than-estimated other expenses

- Net revenue rose ~4% YoY to INR43.2b (est. INR44.1b). The auto segment's revenue grew 3% YoY, whereas the non-auto segment's revenue grew ~7% YoY. Power solution business (72% contribution in autos) grew 2% YoY mainly due to PV demand. The Mobility Aftermarket business rose 8.1% vs. the same quarter last year owing to increased market demand for new generation diesel components and strong performance in our core product categories.
- Gross margins largely remained flat YoY (+90bp QoQ) to 35.4% (est. 35.8%).
- However, higher other expenses sequentially (+290bp; as a % of sales) restricted EBITDA margin to 12% (+70bp YoY/-120bp QoQ v/s est.13.6%).
- Adj. PAT came in at INR4.65b (est. INR5.4b), and grew 14% YoY.
- As per Mr. Guruprasad Mudlapur, President Bosch group "The financial year commenced with moderate growth in automotive market despite the challenges of a high base from the previous year, a slowdown related to elections and the summer heatwaves. Continued demand in the passenger car segment, coupled with growth in production and wholesale, resulted in growth for Bosch Limited, this quarter. However, retail sales have remained sluggish leading to a rise in the pipeline inventory. Despite the challenges, the overall sentiment in the automotive sector remains positive.
  The optimistic growth in Indian economy with higher disposable incomes puts us in a sweet spot with the continued growth in demand for the auto sector. With sustained infrastructural investments, we are well positioned for growth in our Power Tools and Building Technologies businesses. Bosch will continue to strengthen its portfolio through localization and capitalize on the potential of alternate fuel technologies and electric vehicles to usher in a new era of mobility"
- **Valuation & view:** The stock trades at 40x/34x FY25E/FY26E EPS.

Quarterly performance (S/A) (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**41,584**	**41,301**	**42,052**	**42,334**	**43,168**	**48,322**	**48,780**	**48,211**	**1,67,271**	**1,88,482**	**44,079**	-2.1
YoY Change (%)	17.3	12.8	14.9	4.2	3.8	17.0	16.0	13.9	12.0	12.7	6.0	
RM Cost (% of sales)	64.5	66.8	62.3	65.5	64.6	63.0	63.0	61.6	64.8	63.0	64.2	
Staff Cost (% of sales)	7.4	8.1	7.9	8.5	7.8	7.5	7.5	8.2	8.0	7.8	7.7	
Other Expenses (% of sales)	17.9	13.2	16.0	12.8	15.7	15.5	15.0	13.9	14.7	15.0	14.5	
EBITDA	**4,679**	**4,913**	**5,784**	**5,572**	**5,197**	**6,766**	**7,054**	**7,867**	**20,948**	**26,884**	**5,985**	-13.2
Margins (%)	11.3	11.9	13.8	13.2	12.0	14.0	14.5	16.3	12.5	14.3	13.6	
Depreciation	921	1,013	1,173	1,188	856	1,080	1,210	1,059	4,295	4,205	1,000	
Interest	308	122	39	39	26	75	75	124	508	300	80	
Other Income	1,875	1,542	1,548	2,262	1,793	2,050	2,200	2,362	7,227	8,405	1,950	
PBT before EO expense	**5,325**	**5,320**	**6,120**	**6,607**	**6,108**	**7,661**	**7,969**	**9,046**	**23,372**	**30,784**	**6,855**	
Extra-Ord expense	0	-7,850	-588	0	0	0	0	0	-8,438	0	0	
PBT after EO Expense	**5,325**	**13,170**	**6,708**	**6,607**	**6,108**	**7,661**	**7,969**	**9,046**	**31,810**	**30,784**	**6,855**	
Tax	1,235	3,181	1,527	962	1,453	1,609	1,674	1,729	6,905	6,465	1,440	
Tax Rate (%)	23.2	24.2	22.8	14.6	23.8	21.0	21.0	19.1	21.7	21.0	21.0	
Reported PAT	**4,090**	**9,989**	**5,181**	**5,645**	**4,655**	**6,052**	**6,296**	**7,317**	**24,905**	**24,319**	**5,416**	
Adj PAT	**4,090**	**3,843**	**4,721**	**5,645**	**4,655**	**6,052**	**6,296**	**7,317**	**18,058**	**24,319**	**5,416**	-14.0
YoY Change (%)	22.4	3.2	48.0	41.5	13.8	57.5	33.4	29.6	26.8	34.7	32.4	

E: MOSL Estimates

Segmental Mix (INR m)

	FY24				FY25E				FY24
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	
Auto	36,232	35,708	36,522	35,114	37,418				1,43,576
Growth (%)	16.5	13.3	12.7	2.8	3.3				11.2
PBIT margin (%)	10.9	12.5	14.2	13.9	13.8				12.9
Contribution (%)	87.1	86.5	86.8	82.9	86.7				85.8
Non-Auto	5,424	5,634	5,764	7,256	5,814				24,078
Growth (%)	23.6	7.6	29.1	8.6	7.2				15.8
PBIT margin (%)	16.4	9.3	13.5	11.4	7.9				12.5
Contribution (%)	13.0	13.6	13.7	17.1	13.5				14.4
a) Consumer goods	3,754	3,897	3,336	5,237	3,939				16,224
Growth (%)	17.8	10.5	31.0	10.1	4.9				15.6
PBIT margin (%)	15.5	7.2	11.7	11.5	3.1				11.4
b) Others	1,670	1,737	2,428	2,019	1,875				7,854.0
Growth (%)	39.2	1.6	26.7	4.8	12.3				16.3
PBIT margin (%)	18.3	14.0	16.1	11.2	18.0				14.8
Total Revenue (post inter segment)	41,584	41,301	42,052	42,334	43,168				1,67,271
Growth (%)	17.3	12.8	14.9	4.2	3.8				12.0

E:MOSL Estimates

Lupin

BSE SENSEX	S&P CNX
78,593	23,993

CMP: INR1907

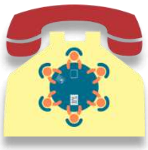
Beats estimates; the US/India sales surprise

- Lupin's (LPC) 1QFY25 revenue grew 21.5% YoY to INR56b. (our est. INR50b).
- The US sales grew 28.3% YoY to INR20.4b (up 25% YoY in CC to USD227m; 37% of sales).
- Domestic formulation (DF) sales grew 17.5% YoY to INR19.3b (35% of sales). Having said this, the IQVIA indicates 9% YoY growth in secondary sales for the quarter.
- EMEA sales grew 26.2% YoY to INR5b (9% of sales).
- Growth Market sales grew 26.7% YoY to INR5.2b (9% of sales).
- API sales grew 7.4% YoY to INR3.6b (7% of sales).
- ROW sales were stable YoY to INR1.7b (3% of sales).
- Gross margin (GM) expanded 450bp YoY to 68.8% due to better product mix.
- EBITDA margin expanded 10% YoY to 24.3%, largely due to better GM, aided by reduced employee costs/R&D expenses/other expenses (-100bp/-170bp/-300bp YoY as a % of sales).
- As a result, EBITDA doubled YoY to INR13.6b (vs. our est. of INR9.7b).
- Adjusting for provision of Glumetza case of INR751m and Forex loss of INR454m, Adj. PAT jumped 3.1x YoY to INR9.0b (our est: INR5.0b).
- Revenue/EBITDA/PAT beat Bloomberg consensus estimates by 7%/29%/59%.

Other highlights:

- LPC received six ANDA approvals from the USFDA, and launched three products during the quarter in the US market.
- Net cash at the end of 1QFY25: INR195m.
- In 1QFY25, R&D expenses stood at INR3.5b (6.3% of sales).
- Capex for the quarter was INR1.1b.
- Operating working capital as of 30th Jun'24 was INR61.7b.

Conference Call Details



Date: 7th August 2024
Time: 4:00 pm IST
Dial-in details:
Zoom Link

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	198.1	213.8	239.3
EBITDA	35.9	42.3	48.3
Adj. PAT	18.9	23.0	27.1
EBIT Margin (%)	13.1	15.0	15.9
Cons. Adj. EPS (INR)	41.5	50.7	59.6
EPS Gr. (%)	382.6	22.0	17.6
BV/Sh. (INR)	314.4	362.2	418.8
Ratios			
Net D:E	0.1	0.0	-0.1
RoE (%)	14.1	15.0	15.3
RoCE (%)	12.6	13.9	14.5
Payout (%)	6.9	5.8	4.9
Valuations			
P/E (x)	46.0	37.7	32.1
EV/EBITDA (x)	24.6	20.3	17.3
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	2.7	3.1	2.9
EV/Sales (x)	4.5	4.0	3.5

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	% Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Net Sales	**46,087**	**50,385**	**51,974**	**49,608**	**56,003**	**52,910**	**54,211**	**50,650**	**1,98,054**	**2,13,774**	**50,311**	11.3
YoY Change (%)	23.1	21.5	20.2	12.0	21.5	5.0	4.3	2.1	19.0	7.9	9.2	
Total Expenditure	39,574	41,153	41,755	39,640	42,389	42,539	43,423	43,095	1,62,123	1,71,447	40,651	
EBITDA	**6,513**	**9,232**	**10,220**	**9,968**	**13,614**	**10,370**	**10,788**	**7,555**	**35,932**	**42,327**	**9,660**	40.9
YoY Change (%)	297.3	112.6	83.8	65.0	109.0	12.3	5.6	-24.2	104.4	17.8	48.3	
Margins (%)	14.1	18.3	19.7	20.1	24.3	19.6	19.9	14.9	18.1	19.8	19.2	
Depreciation	2,347	2,479	2,572	2,559	2,477	2,570	2,575	2,620	9,956	10,242	2,562	
EBIT	**4,166**	**6,754**	**7,648**	**7,409**	**11,137**	**7,800**	**8,213**	**4,935**	**25,977**	**32,085**	**7,098**	56.9
YoY Change (%)	LP	192.7	127.9	117.9	167.3	15.5	7.4	-33.4	196.0	23.5	70.4	
Margins (%)	9.0	13.4	14.7	14.9	19.9	14.7	15.2	9.7	13.1	15.0	14.1	
Interest	856	806	740	713	680	700	716	710	3,116	2,806	720	
Other Income	228	404	294	293	678	298	293	-119	1,218	1,150	272	
EO Exp/(Inc)	-2,053	54	-160	2,012	1,204	0	0	0	-147	0	0	
PBT	**5,591**	**6,298**	**7,361**	**4,977**	**9,930**	**7,398**	**7,790**	**4,106**	**24,227**	**30,430**	**6,650**	49.3
Tax	1,055	1,344	1,174	1,295	1,875	1,776	1,909	1,744	4,867	7,303	1,563	
Rate (%)	18.9	21.3	15.9	26.0	18.9	24.0	24.5	42.5	20.1	24.0	23.5	
Minority Interest	-11	-57	-56	-88	-42	-22	-24	-9	-211	-97	-26	
Reported PAT	**4,525**	**4,898**	**6,131**	**3,594**	**8,013**	**5,601**	**5,857**	**2,353**	**19,149**	**23,029**	**5,061**	58.3
Adj PAT	**2,855**	**4,940**	**5,997**	**5,083**	**8,990**	**5,601**	**5,857**	**2,581**	**18,875**	**23,029**	**5,061**	77.6
YoY Change (%)	LP	319.9	256.1	95.0	214.9	13.4	-2.3	-49.2	382.1	22.0	77.3	
Margins (%)	6.2	9.8	11.5	10.2	16.1	10.6	10.8	5.1	9.5	10.8	10.1	

E: MOFSL estimates

PI Industries

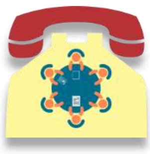
BSE SENSEX	S&P CNX
78,593	23,993

CMP: INR4,265 Buy

Earnings above estimates led by gross margins expansion

- Consolidated revenue stood at INR20.7b (est. INR22), up 8% YoY.
- EBITDA stood at INR5.8b (est. INR5.6), up 25% YoY.
- EBITDA margins grew 370bp YoY to 28.2% (est. 25.5%) led by favorable product mix and operating leverage
- Gross margins came in at 51.8% (up 530bp YoY). Employee expenses rose 60bp YoY to 9.7%. Other expenses increased 100bp YoY to 13.9% of sales.
- Adjusted PAT was up 17% YoY at INR4.5b (est. INR4b).
- Company witnessed ~14% growth in Agchem exports mainly driven by higher volumes and healthy growth within new products (up 24% YoY)
- Domestic revenues were subdued mainly due to delayed sowing and erratic spread of monsoon although favorable product mix and improved working capital management helped in containing the financial impact.
  Pharma contributed to exports revenue of INR253m in 1QFY25.

Conference Call Details



Date: 08th Aug 2024
Time: 2:00pm IST
Dial-in details:
Click Here

Quarterly Earning Model (INRm)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	(%)
Net Sales	**19,104**	**21,169**	**18,975**	**17,410**	**20,689**	**24,439**	**22,244**	**21,284**	**76,658**	**88,656**	**21,970**	**-6**
YoY Change (%)	23.8	19.6	17.6	11.2	8.3	15.4	17.2	22.3	18.1	15.7	15.0	
Total Expenditure	14,426	15,655	13,439	12,992	14,857	17,792	16,307	15,637	56,512	64,593	16,368	
EBITDA	**4,678**	**5,514**	**5,536**	**4,418**	**5,832**	**6,647**	**5,937**	**5,647**	**20,146**	**24,063**	**5,602**	**4**
Margins (%)	24.5	26.0	29.2	25.4	28.2	27.2	26.7	26.5	26.3	27.1	25.5	
Depreciation	697	803	783	799	834	890	950	1,083	3,082	3,757	850	
Interest	43	78	70	109	83	70	51	49	300	253	80	
Other Income	469	469	561	579	727	549	656	674	2,078	2,607	549	
PBT before EO expense	**4,407**	**5,102**	**5,244**	**4,089**	**5,642**	**6,236**	**5,592**	**5,189**	**18,842**	**22,659**	**5,221**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**4,407**	**5,102**	**5,244**	**4,089**	**5,642**	**6,236**	**5,592**	**5,189**	**18,842**	**22,659**	**5,221**	
Tax	625	317	772	418	1,175	1,497	1,342	1,245	2,132	5,259	1,253	
Rate (%)	14.2	6.2	14.7	10.2	20.8	24.0	24.0	24.0	11.3	23.2	24.0	
Minority Interest & Profit/Loss of Asso. Cos.	-47	-20	-14	-24	-21	-34	-24	-31	-105	-110	-21	
Reported PAT	**3,829**	**4,805**	**4,486**	**3,695**	**4,488**	**4,774**	**4,274**	**3,975**	**16,815**	**17,510**	**3,989**	
Adj PAT	**3,829**	**4,805**	**4,486**	**3,695**	**4,488**	**4,774**	**4,274**	**3,975**	**16,815**	**17,510**	**3,989**	**13**
YoY Change (%)	45.9	43.5	27.5	31.7	17.2	-0.7	-4.7	7.6	36.8	4.1	4.2	
Margins (%)	20.0	22.7	23.6	21.2	21.7	19.5	19.2	18.7	21.9	19.8	18.2	

Gujarat Gas

BSE SENSEX	S&P CNX
78,593	23,993

CMP: INR645 — Buy

EBITDA/PAT in-line; Robust volume growth continues

GUJGA reported EBITDA and PAT in-line with our estimates.

- Overall volumes in 1QFY25 came at 11mmscmd, exceeding our estimates by 8%.
- However, gains were off-set by lower EBITDA/scm, at INR5.4 (vs. our est. INR6, down 20% QoQ)
- CNG volumes at 3mmscmd (+14% YoY) continue to witness strong momentum and have steadily climbed up from 2.6mmscmd in 1QFY24.
- PNG I/C volumes reached 7.4mmscmd (our est. 6.3mmscmd, +23% YoY). The commissioning of new industrial customers added a volume of 2,00,000scmd. GUJGA has also secured a signed volume of 6,30,000scmd, scheduled for commissioning in the coming days.
- PNG domestic volumes stood at 0.6mmscmd (our est. 0.9mmscmd, +3% YoY). The company added ~37.4k new domestic customers during the quarter.
- EBITDA/scm came in at INR5.4 (est. of INR6/scm).
- Gross margin stood at INR8.6/scm (up from INR8.2 in 1QFY24). Thus, EBITDA stood at INR5.4b (est. of INR5.5b, 38% YoY).
- PAT stood at INR3.3b (est. of INR3.3b, 53% YoY).
- Earnings call is scheduled at 1500hrs IST on Thursday, 08 Aug'24.

Conference Call Details

Date: 8 Aug'24
Time: 1500 hours IST
Dial-in details:
022- 6280 1354
022-7115 8233

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25		Var.	YoY	QoQ
	1Q	2Q	3QAct	4QAct	1Q	1QE	(%)	(%)	(%)
Net Sales	**37,815**	**38,454**	**39,291**	**41,342**	**44,503**	**40,696**	**9%**	**18%**	**8%**
YoY Change (%)	-26.9	-3.3	6.6	5.2	17.7	7.6			
EBITDA	**3,880**	**4,966**	**4,007**	**5,911**	**5,356**	**5,506**	**-3%**	**38%**	**-9%**
Margin (%)	10.3	12.9	10.2	14.3	12.0	13.5			
Depreciation	1,151	1,179	1,201	1,212	1,231	1,317			
Interest	74	78	72	69	78	74			
Other Income	239	298	230	311	386	286			
PBT	**2,894**	**4,007**	**2,964**	**5,497**	**4,433**	**4,401**	**1%**	**53%**	**-19%**
Tax	743	1,029	761	1,402	1,135	1,109			
Rate (%)	25.7	25.7	25.7	25.5	25.6	25.2			
Reported PAT	**2,151**	**2,978**	**2,203**	**4,095**	**3,298**	**3,292**	**0%**	**53%**	**-19%**
YoY Change (%)	-43.6	-26.3	-40.7	10.9	53.3	53.0			
Margin (%)	5.7	7.7	5.6	9.9	7.4	8.1			
Total volume (mmscmd)	**9.2**	**9.3**	**9.2**	**9.7**	**11.0**	**10.2**	**8%**	**19%**	**13%**
CNG	2.6	2.6	2.8	2.9	3.0	3.0	0%	14%	3%
PNG - Industrials/commercial	6.0	6.0	5.7	6.0	7.4	6.3	17%	23%	24%
PNG - Households	0.6	0.7	0.7	0.9	0.6	0.9	-29%	3%	-27%
EBITDA (INR/scm)	**4.6**	**5.8**	**4.8**	**6.7**	**5.4**	**6.0**	**-10%**	**16%**	**-20%**

IIFL Finance

BSE Sensex	S&P CNX
78,593	23,993

Conference Call Details

Date: 07th Aug 2024
Time: 14:00 HRS IST
Dial-in details:
+91 22 7195 0000
Link

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	59.6	60.7	72.9
Total Income	62.9	67.9	85.3
PPoP	34.8	35.9	47.2
PAT (pre-NCI)	19.7	18.4	26.7
PAT (post-NCI)	17.6	15.9	23.7
EPS (INR)	46.2	37.4	55.8
EPS Gr. (%)	17	-19	49
BV (INR)	279	313	364
Ratios (%)			
NIM	8.3	7.4	7.7
C/I ratio	44.6	47.1	44.6
Credit cost	2.0	2.2	1.9
RoA	3.4	2.8	3.5
RoE	18.0	13.3	16.5
Valuations			
P/E (x)	9.3	11.5	7.7
P/BV (x)	1.5	1.4	1.2

CMP: INR430 BUY

Earnings miss due to elevated provisions and lower other income

Accelerated rundown in gold loans; deterioration in MFI asset quality

- NII grew 10% YoY, while it declined ~13% QoQ to ~INR14.4b (in line). Loss due to unwinding of prior assignments was ~INR1.6b. Other income loss stood at INR43m (PY: +INR1.3b).
- Opex grew 18% YoY to INR7.5b (in line), with the cost-to-income ratio at 52% (PY: 44%). PPoP stood at INR6.9b and declined ~15% YoY (15% miss).
- IIFL's PAT (post-NCI) declined 32% YoY/23% QoQ to ~INR2.9b (34% miss). 1QFY25 RoA/RoE stood at 2.3%/10.3%, with IIFL's (standalone) CRAR at ~28% (Tier 1: 22%). During the quarter, IIFL raised ~INR29b through term loans, bonds, and refinance. Additionally, ~INR18b was raised through direct assignment of loans.

Deceleration in AUM growth due to ban on gold loans/calibration in MFI

- Consol. AUM grew 2% YoY, while it declined ~12% QoQ to INR696b. On-book loans grew ~10% YoY. Off-book formed ~35% of the AUM mix, including co-lending, which formed ~14% of the AUM mix.
- Sequential AUM decline was led by Gold loans (-37%), Wholesale CRE book (-22%) and Microfinance (-8%). Home loans rose ~2% QoQ and Digital loans grew ~7% QoQ during the quarter.
- Gold loan AUM declined to ~INR147b. Disbursements (core products) declined ~71% YoY to ~INR43b, mainly driven by the ban on gold loans and also deceleration in MFI and LAP disbursements.

NIMs compress due to ~60bp QoQ decline in yields

- Consolidated yields and CoB declined ~60bp QoQ and ~20bp QoQ to ~13.3% and ~9.5%, respectively. Calculated NIMs contracted ~70bp QoQ.

Asset quality largely stable despite seasonality

- GS3/NS3 declined ~5bp QoQ each to 2.25%/1.1%. **During the quarter, the company also sold stressed loans of ~INR4.3b from the CRE book to ARC. Total SRs stood at ~INR35.3b as of Jun'24.**
- The company reported a deterioration in its MFI asset quality, with MFI GS3 increasing to 2.3% (PQ: 1.9%).
- Consolidated credit costs rose to ~2.1% (PQ and PY at ~1.9% each).

Valuation & View

- IIFL's management shared that the company is now compliant with all the RBI observations, which led to the ban on gold loans. The company is better placed for the next phase of high-quality growth once the embargo on the gold lending business is lifted.
- The stock trades at 1.2x FY26E P/BV and ~8x P/E. IIFL can see re-rating, as investors get confidence in its core retail business once the gold loan ban is lifted by the RBI. The other material subsidiaries also reported muted disbursements and loan growth in the quarter. Liquidity and access to borrowings will ease out gradually, after the gold loan ban is lifted. We might revise our estimates after the earnings call on 07th Aug'24.

IIFL Finance (Consolidated): 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	21,989	23,576	25,630	27,200	24,721	23,485	23,954	32,753	98,386	1,04,913	25,840	-4
Interest Expenses	8,878	9,321	9,885	10,744	10,340	10,443	10,547	12,922	38,829	44,252	10,905	-5
Net Interest Income	**13,111**	**14,255**	**15,745**	**16,456**	**14,381**	**13,042**	**13,407**	**19,831**	**59,557**	**60,661**	**14,935**	**-4**
YoY Growth (%)	*48.9*	*44.7*	*44.7*	*38.9*	*9.7*	*-8.5*	*-14.8*	*20.5*	*43.6*	*1.9*	*13.9*	
Other Income	1,306	1,878	1,120	-873	-43	1,560	1,448	4,272	3,342	7,237	550	-108
Total Income	**14,417**	**16,134**	**16,865**	**15,584**	**14,338**	**14,602**	**14,855**	**24,104**	**62,899**	**67,898**	**15,485**	**-7**
YoY Growth (%)	*20*	*26*	*26*	*10*	*-1*	*-9*	*-12*	*55*	*20.4*	*7.9*	*7.4*	
Operating Expenses	6,332	6,772	7,272	7,691	7,461	7,793	8,388	8,368	28,067	32,009	7,428	0
Operating Profit	**8,085**	**9,361**	**9,593**	**7,893**	**6,877**	**6,808**	**6,467**	**15,736**	**34,832**	**35,888**	**8,057**	**-15**
YoY Growth (%)	*18.4*	*29.0*	*24.9*	*-1.6*	*-14.9*	*-27.3*	*-32.6*	*99.4*	*16.9*	*3.0*	*-0.3*	
Provisions & Loan Losses	1,901	2,526	2,430	2,356	2,516	3,522	3,346	2,361	9,113	11,744	1,885	33
Profit before Tax	**6,184**	**6,835**	**7,163**	**5,537**	**4,362**	**3,286**	**3,121**	**13,375**	**25,719**	**24,144**	**6,173**	**-29**
Tax Provisions	1,455	1,580	1,711	1,231	980	1,044	1,097	2,661	5,977	5,782	1,224	-20
PAT (Pre NCI)	**4,729**	**5,255**	**5,452**	**4,306**	**3,382**	**2,243**	**2,024**	**10,714**	**19,742**	**18,362**	**4,949**	**-32**
NCI	475	513	548	572	501	526	568	905	2,107	2,500	572	*-12.4*
PAT (Post NCI)	**4,254**	**4,743**	**4,904**	**3,734**	**2,881**	**1,717**	**1,456**	**9,809**	**17,635**	**15,862**	**4,377**	**-34**
YoY Growth (%)	*29*	*25*	*30*	*-10*	*-32*	*-64*	*-70*	*163*	*18*	*-10*	*3*	
Key Parameters (%)												
Yield on AUM	13.2	13.4	13.6	13.9	13.31							
Cost of funds	9.1	9.5	9.5	9.7	9.46							
Spread	4.1	3.9	4.1	4.3	3.8							
NIM (on AUM)	7.9	8.1	8.4	8.4	7.7							
Credit cost	1.9	2.4	2.1	1.9	2.1							
Cost to Income Ratio (%)	43.9	42.0	43.1	49.4	52.0							
Tax Rate (%)	23.5	23.1	23.9	22.2	22.5							
Balance Sheet Parameters												
Consol. AUM (INR B)	**682**	**731**	**774**	**790**	**696**							
Change YoY (%)	29	32	34	22	2							
Disbursements - Core (INR B)	**150**	**159**	**166**	**163**	**43**							
Change YoY (%)	30	32	27	-15	-71							
Borrowings (INR B)	**385**	**404**	**430**	**460**	**414**							
Change YoY (%)	11	16	19	16	8							
Borrowings/AUM (%)	56.4	**55.3**	55.5	58.2	59.5							
Debt/Equity (x)	4.1	4.1	4.1	4.4	3.4							
Asset Quality (%)												
GS 3 (INR M)	**7,639**	**7,931**	**8,026**	**11,692**	**10,231**							
G3 %	1.8	1.8	1.7	2.30	2.25							
NS 3 (INR M)	**4,400**	**4,402**	**4,045**	**5,951**	**4,982**							
NS3 %	1.1	1.0	0.9	1.18	1.11							
PCR (%)	**42.4**	**44.5**	**49.6**	**49.1**	**51.3**							
ECL (%)	2.9	2.9	2.6	2.4	2.9							
Return Ratios - YTD (%)												
ROA (Rep)	3.6	3.9	3.8	3.4	2.3							
ROE (Rep)	19.1	20.1	19.7	18.4	10.3							

E: MOFSL Estimates

Raymond

BSE SENSEX	S&P CNX
78,593	23,993

Conference Call Details

Date: 07th Aug 2024

Time: 16:00 IST

CMP: INR1,930 — BUY

Revenue doubled YoY but profits up only 27% as margins fall

- Revenue doubled YoY to INR9.4b in 1QFY25, aided by the acquisition of the precision business and strong performance in the residential business.
- EBITDA jumped 121% YoY to INR1b as margin improved by 100bp.
- However, higher depreciation and interest costs led to a ~340bp decline in PAT margin to 6%, which restricted PAT growth at 27% to INR570m.

Segment wise

Real estate - Bookings double thanks to new launches in FY24; EBITDA margins drop to below 20%

- **Operational performance:** Pre-sales jumped 85% to INR6.1b (down 23% QoQ), driven by the launch of Address by GS-2 and Invictus in Thane and its first JDA project in Bandra. Bookings from the Thane land parcel have been steady at over INR4b for the fourth straight quarter. Collections more than doubled to INR4.7b.
- **Financial performance:** Revenue grew 2x to INR4.9b as the company commenced recognition in its Bandra project. However, EBITDA growth was restricted at 56% to INR850m as margins contracted by 560bp to 17.4%.

Engineering segment buoyed by acquisition of Maini Precision Products (MPPL)

- **Engineering segment** revenue doubled to INR4.2b, driven by INR2.2b contribution from MPPL business, which was acquired in Mar'24. Excluding MPPL, engineering business revenue was down 5%.
  - EBITDA was up 91% to INR550m with margins of 13.2% (down 60bp YoY).

Lifestyle segment reported subdued performance

Revenue/EBITDA declined 8%/52% YoY to INR12.5b/INR870m and margin declined 620bp YoY to 7%, due to muted performance by all four segments. The major drag was Branded Textiles.

- **Branded textile** (45% revenue contribution) declined 18% YoY to INR5.7b due to fewer marriage dates.
  - EBITDA declined 52% YoY to INR560m and margins contracted 710bp YoY to 9.9%.
- **Branded apparel** (24% revenue contribution) was flat YoY at INR3b, aided by store additions (+2% YoY).
  - Added 15 net EBO stores in 1Q, taking total EBO store count to 424. TRS stood at 1,070 (+5 in 1Q).
  - Post-EBITDA margin stood at 5% (-130bp YoY) due to a decline in same-store sales. EBITDA declined 21% YoY to INR150m.
  - **Pre Ind-AS EBITDA margin would be 2-2.5%.**
- **Garmenting** (20% revenue contribution) rose 5% YoY to INR2.5b, while margins contracted 650bp YoY to 3.6%.
- **High-value cotton shirting** (15% revenue contribution) declined 3% YoY to INR1.9b, while margins contracted 450bp YoY to 5.4%.
- **The listing of** Raymond **Lifestyle Limited is expected by the end of 2QFY25.**

Consolidated summarized profit and loss statement (Real estate and Engineering business)

INR m	1QFY24	4QFY24	1QFY25	YoY	QoQ
Revenue	4,734	9,433	9,377	98%	-1%
EBITDA	458	1,899	1,013	121%	-47%
EBITDA margin	9.7%	20.1%	10.8%	113bps	-933bps
PAT	450	1,166	570	27%	-51%
PAT margin	10%	12%	6%	-343bps	-627bps

INR m	1QFY24	4QFY24	1QFY25	YoY	QoQ
Segmental Revenue					
Tools and Hardware	1,101	1,192	895	-19%	-25%
Auto Components	993	1,144	1,100	11%	-4%
Precision	0	0	2,196		
Real estate	2,337	6,774	4,878	109%	-28%
Others	295	323	309	5%	-4%
Intersegment	-1	0	-1		
Total	**4,724**	**9,433**	**9,377**	**98%**	**-1%**
Segmental EBIT					
Tools and Hardware	67	66	14	-80%	-80%
Auto Components	174	247	188	8%	-24%
Precision	0	0	73		
Real estate	523	1,677	830	59%	-50%
Others	-10	-26	-26		
Total	**755**	**1,963**	**1,079**	**43%**	**-45%**
Segmental EBIT margin					
Tools and Hardware	6%	6%	2%	-459bps	-404bps
Auto Components	18%	22%	17%	-48bps	-446bps
Precision			3%		
Real estate	22%	25%	17%	-538bps	-773bps
Others	-4%	-8%	-8%	-477bps	-15bps
Total	**16%**	**21%**	**12%**	**-446bps**	**-930bps**

Real estate: Operational performance	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY	QoQ
Number of units	215	285	252	374	280	30%	-25%
Sales volume (carpet area, msf)	0.15	0.30	0.21	0.28	0.27	80%	-4%
Sales bookings (INR m)	3,300	6,510	4,280	7,920	6,110	85%	-23%
Collections	2,190	3,360	3,760	5,870	4,720	116%	-20%
Realizations	22,000	21,700	20,381	28,286	22,630	3%	-20%

RLL segmental performance (INRm)	1QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s Est (%)
Branded Textile							
Revenue	6,884	9,200	5,650	-18	-39	6,196	-9
EBITDA	1,170	2,015	560	-52	-72	898	-38
margins	*17.0%*	*21.9%*	*9.9%*	*-708*	*-1199*	*14.5%*	*-459*
Branded Apparel							
Revenue	3,045	4,090	3,030	0	-26	3,106	-2
EBITDA	190	548	150	-21	-73	155	-3
margins	*6.2%*	*13.4%*	*5.0%*	*-129*	*-845*	*5.0%*	*-5*
Garmenting							
Revenue	2,390	2,800	2,520	5	-10	2,701	-7
EBITDA	240	316	90	-63	-72	249	-64
margins	*10.0%*	*11.3%*	*3.6%*	*-647*	*-773*	*9.2%*	*-563*
B2B Shirting							
Revenue	1,919	2,130	1,860	-3	-13	1,861	0
EBITDA	190	245	100	-47	-59	158	-37
margins	*9.9%*	*11.5%*	*5.4%*	*-453*	*-612*	*8.5%*	*-312*
Raymond Lifestyle Ltd							
Revenue	13,540		12,490	-8		13,290	-6
EBITDA	1,790		870	-52		1,430	-39
Margins	*13.2%*		*7.0%*	*-625*		*24.0%*	*-1700*

Indigo Paints

BSE SENSEX	S&P CNX
78,593	23,993

Conference Call Details

Date: 7thAug 2024
Time: 11:00pm IST
Dial-in details:
+91 22 6280 1144 /
+91 22 7115 8045

Diamond Pass Registration (choruscall.in)

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	13.1	14.9	17.2
Sales Gr. (%)	21.7	14.0	15.5
EBITDA	2.4	2.8	3.0
EBIT Margin (%)	18.2	18.5	17.3
Adj. PAT	1.5	1.6	1.8
Adj. EPS (INR)	31.0	34.5	37.7
EPS Gr. (%)	27.5	11.4	9.1
BV/Sh.(INR)	189.6	218.5	248.4
Ratios			
RoE (%)	17.6	16.9	16.1
RoCE (%)	17.3	16.6	15.9
Valuation			
P/E (x)	47.9	43.0	39.4
P/BV (x)	7.8	6.8	6.0
EV/EBITDA (x)	28.9	24.4	22.2
Div. Yield (%)	0.2	0.4	0.5

CMP:INR1,485

Miss on all fronts

Consolidated performance

- **Subdued sales growth** - Net sales growth was weak at 8% YoY to INR3,110m (est. INR3,259m) in 1QFY25, affected by subdued industry growth (down 2% YoY) and significant demand weakness in Kerala (~25% revenue contribution). Standalone revenue rose 6% YoY to INR2,939m. Apple Chemie delivered robust sales growth of 47% YoY to INR171m.
- **Margin contraction** - Gross margin contracted 70bp YoY and 230bp QoQ to 46.6% (est. 48.3%) due to price cuts. As a percentage of sales, employee costs increased by 130bp YoY to 9.7%, while other expenses contracted 20bp YoY to 21.7%. EBITDA margin contracted 180bp YoY and 670bp QoQ to 15.2% (est. 18.4%).
- **EBITDA/PBT/PAT declined**: EBITDA declined 4% YoY to INR474m (est. INR600m). Depreciation was up 51% YoY due to the commissioning of a new plant in Tamil Nadu. PBT decreased by 16% YoY to INR357m (est. INR477m). PAT declined 16% YoY to INR262m (est. INR358m).

Highlights from presentation

- The company has consistently surpassed industry growth (-2% in 1QFY25, +1% in 4QFY24, +7% 1QFY24) over the past five quarters, including 1QFY25.
- Putty and cement paints achieved value growth of 9% and volume growth of 8%.
- Enamels and wood coatings saw 5% volume growth, but value declined 1% due to company-initiated price reductions.
- Emulsion witnessed flat volume growth, but value declined by 3%.
- Primer and distempers witnessed volume growth of 24% and value growth of 29%.
- The company has developed differentiated products to grow its market share and expand its product portfolio on the back of inorganic growth initiatives.
- It has expanded into the non-decorative segment and forayed into adjacencies, like construction chemicals and waterproofing.
- Indigo Paints added 368 tinting machines, taking the total to 10,210.
- As of Jun'24, the number of active dealers stood at 18,500, up 395 QoQ.
- The company expects that margins will improve ahead, aided by the price hike and the upcoming festive season in 3QFY25.
- Apple Chemie is expected to clock high growth in revenue in FY25 due to the expansion in sales and marketing activities in many states.
- A&P expenses for FY25 are expected to decline marginally as a percentage of revenue, despite increasing spending on digital advertising.

Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**2,884**	**2,790**	**3,538**	**3,849**	**3,110**	**3,181**	**4,210**	**4,389**	**13,061**	**14,889**	**3,259**	-4.6%
Change (%)	28.8	15.0	25.8	18.3	7.8	14.0	19.0	14.0	21.7	14.0	13.0	
Raw Material/PM	1,519	1,519	1,833	1,968	1,661	1,749	2,189	2,173	6,839	7,772	1,685	
Gross Profit	**1,365**	**1,271**	**1,705**	**1,881**	**1,449**	**1,431**	**2,021**	**2,216**	**6,222**	**7,117**	**1,574**	-7.9%
Gross Margin (%)	47.3	45.6	48.2	48.9	46.6	45.0	48.0	50.5	47.6	47.8	48.3	
EBITDA	**491**	**421**	**622**	**846**	**474**	**484**	**727**	**1,076**	**2,381**	**2,761**	**600**	-21.1%
Margin (%)	17.0	15.1	17.6	22.0	15.2	15.2	17.3	24.5	18.2	18.5	18.4	
Change (%)	39.2	24.8	53.5	17.9	-3.5	14.8	16.8	27.3	31.2	16.0	22.2	
Interest	5	6	6	5	6	6	6	5	21	23	5	
Depreciation	101	113	146	156	152	170	180	188	516	690	160	
Other Income	38	32	31	42	42	40	40	42	142	163	42	
PBT	**423**	**335**	**501**	**727**	**357**	**348**	**580**	**925**	**1,986**	**2,210**	**477**	-25.2%
Tax	108	81	125	183	90	86	145	232	497	553	119	
Effective Tax Rate (%)	25.6	24.3	25.0	25.1	25.3	24.8	25.0	25.0	25.0	25.0	25.0	
Adjusted PAT	**310**	**253**	**373**	**537**	**262**	**258**	**432**	**690**	**1,474**	**1,642**	**358**	-26.8%
Change (%)	55.9	22.1	41.9	10.3	-15.6	1.7	16.0	28.5	27.5	11.4	15.3	

E: MOFSL Estimates

BLS International: Board approves INR2000cr fundraise via QIP; Shikhar Aggarwal, Joint Managing Director

- Maintain 30% revenue growth going forward
- Expect further growth in margins in coming quarters
- Wins service provider agreement with Axis bank
- Looking for both organic and inorganic growth

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Akums Drugs IPO: Co. lists with a sharp premium to IPO Price; Sandeep Jain, MD

- Have 30% Share In The CDMO Space
- Management says that they expect 15% revenue CAGR growth to be maintained
- Exports is 4% of sales mix, but will scale to double digits in coming years
- Business from EU to improve going forward
- Exports may reach double digits from 4% in 3 years

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Orient Cement: Post Monsoon Season Can Revisit Guidance For FY25; Deepak Khetrapal, MD & CEO

- Q1 Volumes -15%, Premium at 23% of Total Sales
- Focusing on realizations & profitability vs volumes
- Will revisit volume & EBITDA guidance post Monsoons
- Things heating up in South India
- Suitors eyeing Co, management denies being on the block

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Monte Carlo Fashions: Margin Should See 250 Bps Improvement In FY25; Sandeep Jain, ED

- Bangladesh news sentiment positive for Indian garment makers, negative for yarn exporters
- India only country which can substitute Bangladesh in garments
- Near term capacity fulfilment possible but larger extent difficult to substitute Bangladesh
- Company's margin should see 250 bps improvement in FY25
- Wollen segment dragging, cotton segment pulling them up

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Century Plyboards: MDF volume growth at 40% & value growth is limited to 25%; Keshav Bhajanka, ED

- Plywood Realization increased slightly because of price increases
- MDF volume substantial which has offset
- Laminates volumes have been flattish
- Bangladesh small market and disturbance there is inconsequential
- Planning to take a further price increase, holds earlier targets of FY25

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UNDER REVIEW	Rating may undergo a change
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