20th Annual Global Investor Conference

19th – 21st Aug, 2024 | Grand Hyatt, Mumbai

Motilal Oswal 20th Annual Global Investor Conference

EMBRACING AMRITKAAL, ENVISIONING THE FUTURE

India's Distinguished Investor Conference

6 DAYS TO GO…

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,649	-0.1	10.3
Nifty-50	24,347	-0.1	12.0
Nifty-M 100	57,331	0.3	24.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,344	0.0	12.0
Nasdaq	16,781	0.2	11.8
FTSE 100	8,210	0.5	6.2
DAX	17,726	0.0	5.8
Hang Seng	6,030	0.2	4.5
Nikkei 225	35,025	0.0	4.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	83	1.7	7.0
Gold ($/OZ)	2,473	1.7	19.9
Cu (US$/MT)	8,908	1.8	5.2
Almn (US$/MT)	2,254	0.1	-3.9
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	0.1	-1.0
USD/JPY	147.2	0.4	4.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.00	-0.3
10 Yrs AAA Corp	7.4	-0.01	-0.3
Flows (USD b)	**12-Aug**	**MTD**	**CYTD**
FIIs	-0.6	-1.96	2.3
DIIs	0.53	3.87	34.6
Volumes (INRb)	**12-Aug**	**MTD***	**YTD***
Cash	1,342	1370	1297
F&O	2,91,151	3,56,058	3,77,797

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Signature Global | Initiating Coverage: Growth gem in making!

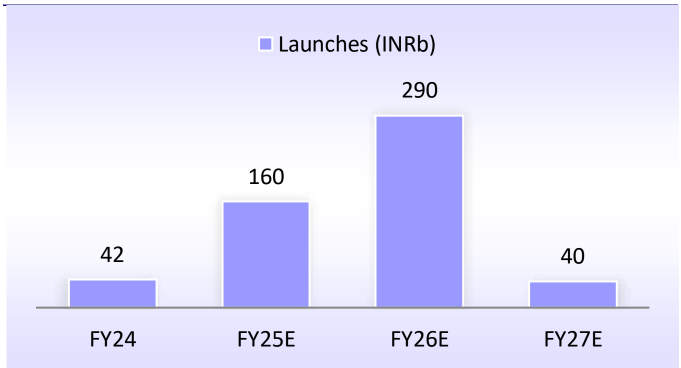
- Signature Global commenced its journey in the affordable and low/mid-income housing segment by leveraging the state government's housing policies. Through its standardized offerings and quick turnaround strategy, SIGNATUR has scaled up rapidly and delivered a 42% CAGR in pre-sales over FY21-23.
- Its agility in adapting to changing market preferences has enabled SIGNATUR to foray into the premium segment, which doubled its pre-sales to INR73b in FY24. It has identifed a strong ~30msf project pipeline to be launched over the next two years.
- We, thus, expect the growth momentum to remain intact and expect SIGNATUR to deliver 35% CAGR in pre-sales over FY24-27E to INR178b. The management's disciplined land acquisition strategy has enabled it to curtail costs and report margins of over 35% (better than peers). We initiate coverage on SIGNATUR with a BUY rating and a DCF-based target price of INR2,000, implying 38% upside potential

Research covered

Cos/Sector	Key Highlights
Signature Global | Initiating Coverage	Growth gem in making!
India Strategy	Nifty-50 P/E dissection: Devil is in the details!
Aurobindo Pharma	Operationally in-line quarter; broad-based growth across segments
Other Updates	Voltas| APL Apollo Tubes | Metro Brands | Nalco | Vinati Organics | The Corner Office | Angel One | Alkyl Amines | Campus Activewear | Vodafone Idea | NMDC | Senco Gold | India Life Insurance | India Financials – NBFC/HFC | Oil & Gas | EcoScope

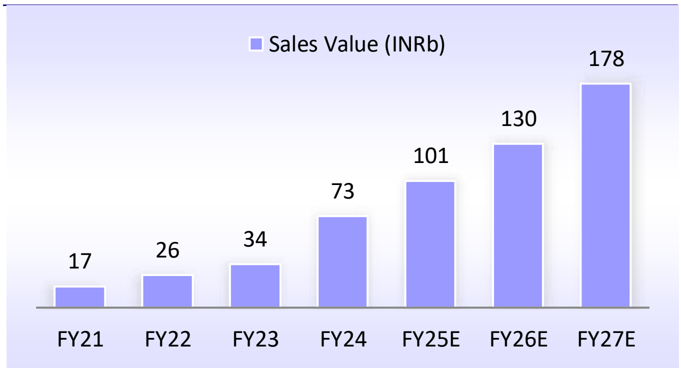
Chart of the Day: Signature Global | Initiating Coverage (Growth gem in making!)

Launches to increase by 4x in FY25



Source: Company, MOFSL

Pre-sales to grow at 35% CAGR over FY24-27E



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Bharti ups global play with big stake in UK's BT Group

The purchase will be made by Bharti Global, which is the international arm of Bharti Enterprises, through Bharti Televentures. As per the terms of the deal, Bharti Televentures has acquired a 9.99% stake in BT Group's issued capital via open market trade.

2

Ginger & Spice: IHCL new biz has growth flavour

Indian Hotels Company (IHCL) is focusing on expanding its new businesses, including Ginger, Qmin, ama Stays & Trails, and the Tree of Life brand, to address India's diverse market and diversify revenue and non-linear revenue growth businesses.

3

Not worried about Birla's entry: Berger MD

Paints major hopes to double turnover to Rs 20,000 crore by FY29

4

VA Tech Wabag bags ₹415 crore repeat order from Chennai Water board

Inaugurated in 2013, the Nemmeli Desalination Plant is the first municipal desalination plant built in India on Design, Build, Operate (DBO) basis for drinking water purposes.

5

ONGC, Oil India to price gas from new wells at 20% premium

The implementation of the policy comes amidst the government's target of increasing the share of natural gas to 15% in the energy mix from the current 6% by 2030.

6

Thermal share in power generation to decline to 67% by FY26

In the fiscal 2023-24, thermal power accounted for 73% of the country's cumulative power generation while the share of RE stood at 11%, as per data from Crisil.

7

Axis Commercial Real Estate Fund announces maiden investment in Chennai's Fintech City

Located in Nandambakkam, the plot is part of a broader vision by the Tamil Nadu government to develop a Fintech City, aiming to attract ₹12,000 crore in investments and generate 80,000 jobs.

Signature Global

BSE Sensex	S&P CNX
79,649	24,347

Stock Info

Bloomberg	SIGNATUR IN
Equity Shares (m)	141
M.Cap.(INRb)/(USDb)	204.7 / 2.4
52-Week Range (INR)	1575 / 444
1, 6, 12 Rel. Per (%)	-3/-2/-
12M Avg Val (INR M)	673
Free float (%)	30.4

Financial Snapshot (INR b)

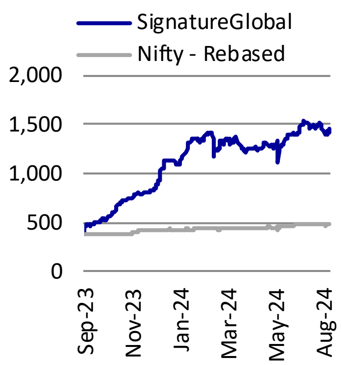
Y/E Mar	FY24	FY25E	FY26E
Sales	12.4	37.3	52.3
EBITDA	-0.3	8.8	12.8
EBITDA Margin (%)	-2.2	23.6	24.5
Adj PAT	0.2	6.7	9.7
Cons. EPS (INR)	1.2	47.4	69.2
EPS Growth (%)	NA	NA	46.1
BV/Share (INR)	44.6	92.0	161.2
Ratios			
Net D/E	1.9	0.3	-0.2
RoE (%)	4.9	69.4	54.7
RoCE (%)	5.8	28.9	40.5
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	30.7	21.0
P/BV (x)	32.6	15.8	9.0
EV/EBITDA (x)	NM	23.6	15.5
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24
Promoter	69.6	69.6
DII	5.3	5.1
FII	8.3	6.1
Others	16.7	19.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,453 TP: INR2,000 (+38%) BUY

Growth gem in making!

Expect to clock pre-sales CAGR of 35% over FY24-27; Initiate with BUY rating

SignatureGlobal India (SIGNATUR) began its operations in 2014 and in just a decade, it has become one of the leading real estate developers in the Delhi-NCR market. The company commenced its journey in the affordable and low/mid-income housing segment by leveraging the state government's housing policies. Through its standardized offerings and quick turnaround strategy, SIGNATUR has scaled up rapidly and delivered a 42% CAGR in pre-sales over FY21-23. Its agility in adapting to changing market preferences has enabled SIGNATUR to foray into the premium segment, which doubled its pre-sales to INR73b in FY24. Its strong execution capabilities have enabled it to churn the capital and gear up with a strong ~30msf project pipeline to be launched over the next two years. We, thus, expect the growth momentum to remain intact and expect SIGNATUR to deliver 35% CAGR in pre-sales over FY24-27E to INR178b. The management's disciplined land acquisition strategy has enabled it to curtail costs and report margins of over 35% (better than peers). We initiate coverage on SIGNATUR with a BUY rating and a DCF-based target price of INR2,000, implying 38% upside potential.

Key risks: 1) High concentration in Gurugram, 2) inability to replenish its project pipeline, and 3) slowdown in demand.

Solid track record of execution in just one decade of operations

Since commencing operations in 2014, SIGNATURE has focused on the underserved segment of affordable and mid-income housing in Gurugram through the state government's policy. Development through government initiatives has allowed the company to improve its cost economics and gain exposure to a wider customer base. Its quick turnaround strategy (land acquisition to launch) has led to a rapid scale-up. Further, its focus on value home products led to oversubscription (3x demand on average) of units at the time of launch. In a short span of a decade, the company has sold over 32,000 units or ~25msf and reported a pre-sales CAGR of 63% over FY21-24. Its standardized offerings with respect to design, layout and adoption of construction technology have helped SIGNATURE shorten its construction cycle and reduce the cost. As of Mar'24, the company has delivered 6msf and expects to deliver 16msf by FY26, within just one decade of operations, whereas some of its peers took more than a decade to reach this scale.

Exposure to strategic locations of burgeoning Gurugram market

Right from the onset, the management has set its sights on the fast-growing Gurugram and Sohna markets in Haryana. In CY23, Gurugram's residential demand surpassed its CY09 highs and reported absorption of over 21,000 units. However, we believe the market is still some distance away from unlocking its full potential, considering some key infrastructure projects that have been delivered in Gurugram over the last decade, which can continue to result in job creation and attract migration. Unlike West or South India, Gurugram is the only metro city and the commercial hub in North India, serving a population of 400m across key states. Thus, supply constraints remain the key barrier to unlocking growth potential in Gurugram. SIGNATURE, with its fast turnaround and assembly line kind of approach, will be the key beneficiary of this burgeoning market. Through its deep understanding of the Gurugram market, SIGNATURE has gained access to strategic locations like Sohna Road, SPR, and the Dwarka Expressway, which will witness both volume and realization growth.

Shifting focus to premium segment with strong project pipeline

SIGNATURE's agility in adapting to changing market needs has enabled it to foray into the premium housing segment amid increasing preference for larger homes. The company launched its first premium project in 4QFY24, which was sold out within 48 hours with 5.4x subscription. Its second project, with a larger ticket size, has also received a strong response, with 85% of inventory sold out within the launch period. SIGNATURE targets to launch 16msf of projects across the mid-income and premium segments over the next two years. We, thus, expect SIGNATURE to clock 35% CAGR in pre-sales over FY24-27E.

Strong cash flows to enable continued investment

In FY24, SIGNATURE generated OCF of INR9b and raised primary capital of INR6b through IPO. It spent INR14b on land acquisition in FY24 and aims to spend aggressively on land acquisition as it continues to replenish its project pipeline. In FY25, SIGNATURE expects OCF to increase to INR22b, of which it will spend INR15b on land acquisition and the rest on debt reduction. As a result, the company's net debt of INR11b as of Mar'24 will turn into net cash by FY25 end, which will further strengthen its balance sheet. Over FY25-27, we expect SIGNATURE to generate cumulative OCF of INR95b, leaving ample room for growth.

Margin improvement on cards with focus on premiumization

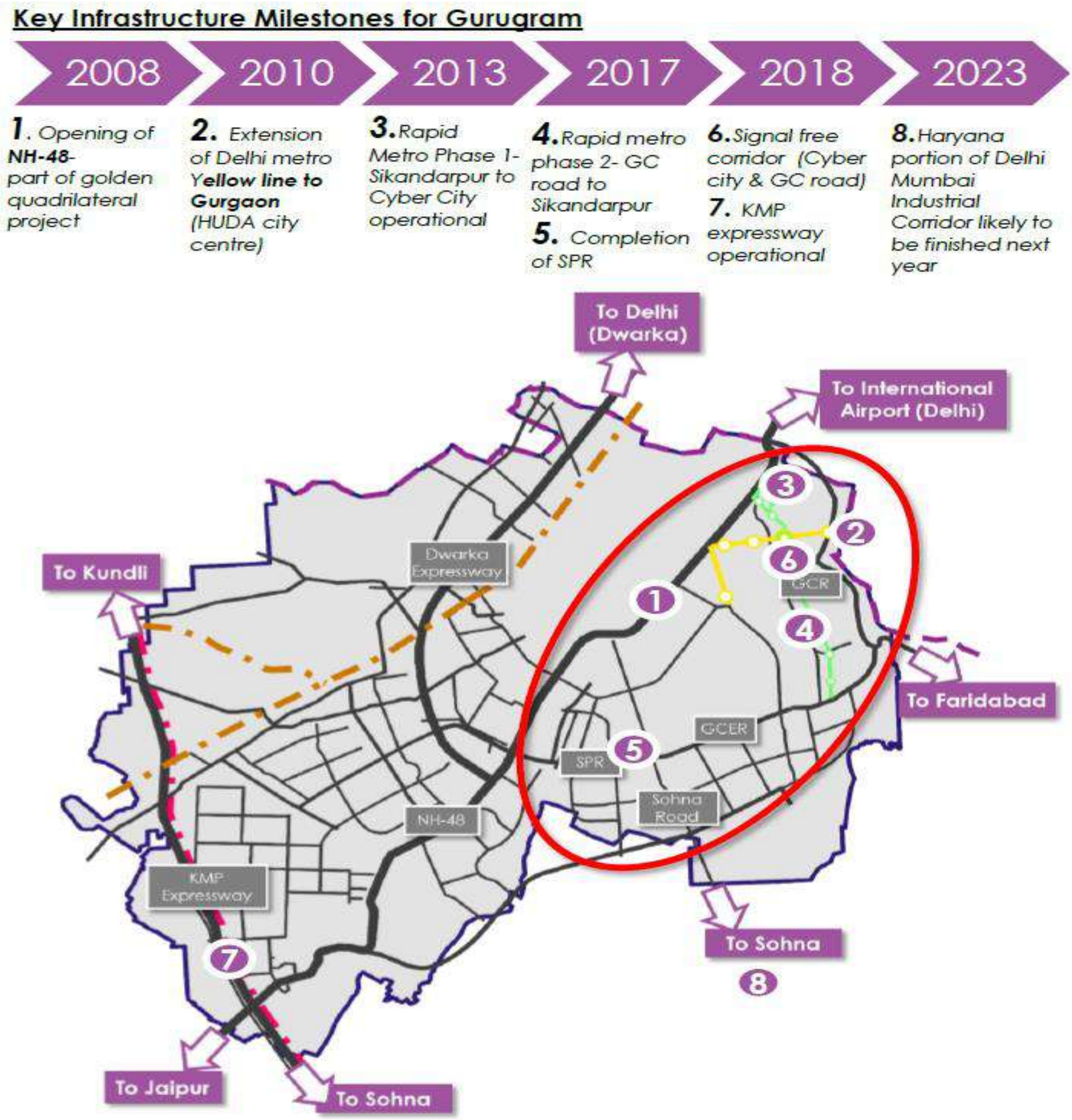
SIGNATURE's erstwhile product mix was tilted toward the affordable and mid-income segment, which constrained its gross margins to ~20% over FY21-24. That said, the company's disciplined land acquisition strategy and a jump in realization in Gurugram have restricted the cost of land to 10-15% of revenue. Its premiumization strategy will drive further margin improvement ahead. While SIGNATURE expects embedded EBITDA margin to improve to 35%, our calculation of cost economics suggests EBITDA margin can increase to over 40% over FY25-27 for the upcoming project pipeline. These margins will be reflected in P&L with a lag. As the company delivers 16.4msf of ongoing projects over the next two years, we expect SIGNATURE to clock a CAGR of 105% in revenue over FY24-26E and EBITDA/PAT increasing multi-fold to INR13b/9.6b respectively

Valuation and view: Valuations yet to capture future growth potential

- SIGNATURE reported a strong 63% CAGR in pre-sales over FY21-24, driven by an increase in projects under execution and premiumization. As SIGNATURE gears up with a strong launch pipeline of premium projects, we expect it to deliver 35% CAGR in bookings over FY24-27E as the growth momentum remains intact.
- Strong pre-sales growth will also lead to a rapid scale-up in operations across the key parameters, e.g., cash flows, revenue and profitability, which will give confidence in the company's execution capability and future growth potential.

- Based on NPV method, we value SIGNATURE's existing project pipeline of ~30msf at INR150b. Thus, the current valuation implies 30% of going concern premium for the company (versus 50-100% for comparable peers), indicating that a large part of future growth potential is yet to be accounted for.
- At the current valuations, SIGNATURE trades at 5x implied EV/EBITDA on FY26E pre-sales, while comparable peers are trading above 8-10x EV/EBITDA, further confirming the discounted valuation.
- We initiate coverage on SIGNATURE with a BUY rating and DCF-based TP of INR2,000/share, implying 38% upside potential.

Infrastructure evolution in Gurugram

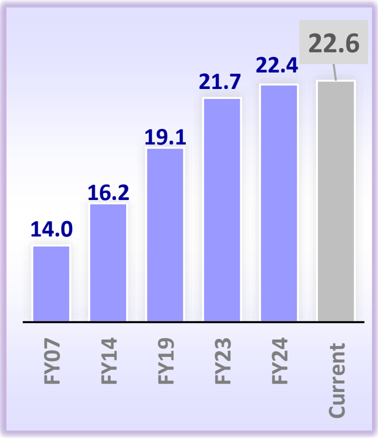


Source: Company, MOFSL

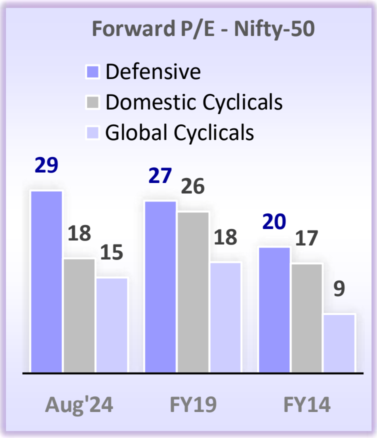
BSE Sensex: 79,649 **Nifty-50: 24,347**

Nifty-50 P/E dissection: Devil is in the details!

Nifty-50: 10-year rolling average trailing P/E since FY07



Nifty-50: Forward P/E multiple – broad classification



Strong micro-macro dynamics – the base for premium P/E...

- **India commands premium valuation:** The Nifty-50 trades at 20.3x its one-year forward earnings. Following the recent correction, it is fairly valued and within its 10-year forward average multiple of 20.4x. Compared to its EM peers, India has been considered relatively expensive for a long period. *An anomaly in a data set can be overlooked, but when consistent, it becomes the norm*. India enjoys its premium valuations due to: 1) Nifty PAT, which has compounded by 25%/18%/ 12% over the last 3/5/10 years; 2) a strong, continuous, and stable political setup, with the victory of PM Narendra Modi/BJP (under NDA) for the third consecutive term that provides policy continuity and reforms momentum, 3) a GDP growth rate ranging between 6% and 7% during this period; and 4) healthy macros – stable currency, twin deficits under control, peaking of interest rates, moderating inflation print, and massive development of digital and physical infrastructure.

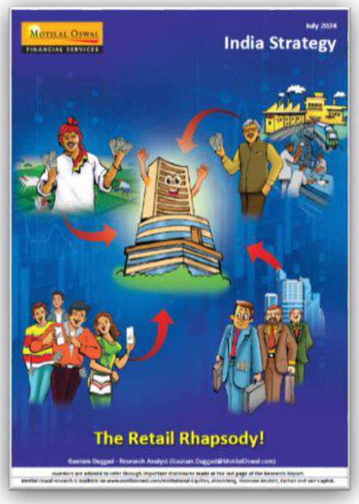
...however, India is always considered expensive, but why?

- **Re-rating and composition changes:** In FY07, the 10-year rolling average trailing P/E was only 14.0x. It increased to 15.5x/19.1x/22.6x in FY12/FY19/Aug'24. The re-rating has been consistent and incremental over 17+ years, in unison with the growth potential of these stocks and earnings delivery. This trend has been driven by the inclusion of high P/E names in retail, logistics, and consumer sectors. Since FY07, the trailing P/E has nearly doubled for the Metals, Auto, Technology, Oil & Gas, Cement, Telecom and Healthcare sectors. In contrast, it has remained flat for the BFSI (ex-Insurance), Consumer, and Utility sectors. ***Interestingly, as of FY14, only 14% of the stocks were trading above 30x trailing P/E, but this figure has now surged to 50%!***
- **Secular sectors (Pvt Banks + Consumer + Retail + Tech) have driven multiples up between FY14 and FY19, but since then it has tapered off:** Between FY14 and FY23, the market cap contribution of secular sectors to Nifty-50 was 3 percentage points (p.p.) to 11 p.p. higher vs. its Nifty PAT contribution. However, since FY20, the gap has been reducing. In FY24, the trends have nearly converged as Private Banks, Consumer, and Technology stocks have underperformed. Their earnings are likely to clock 13% CAGR over FY24-FY26E, while for the Nifty-50, the CAGR is expected to be at 15% over the same period. Due to the higher possibility of rate cuts by the Fed, an expected revival in consumer demand, the emergence of AI-based themes, and a potential revival in IT spending towards the end of CY24, the risk-reward dynamics appear in favor of it.
- **Nifty-50's forward P/E in line with its LPA:** Within Nifty, the domestic and global cyclicals trade at a one-year forward P/E of 18.2x and 15.2x, respectively. Meanwhile, the Nifty-50 defensive basket, driven by the Consumer sector, is trading at 29x one-year forward P/E, at a 43% premium to the index.
- **Of the 17 Nifty-50 sectors, three are trading at a discount** to their historical averages, while the rest 14 trade at a premium. Private Banks/PSU Banks/NBFCs are currently trading at 18%/13%/5% discounts to their 10-year avg. forward P/E ratios of ~ 20x/10x/19x. Utilities/ Logistics/Cement are trading at a premium of

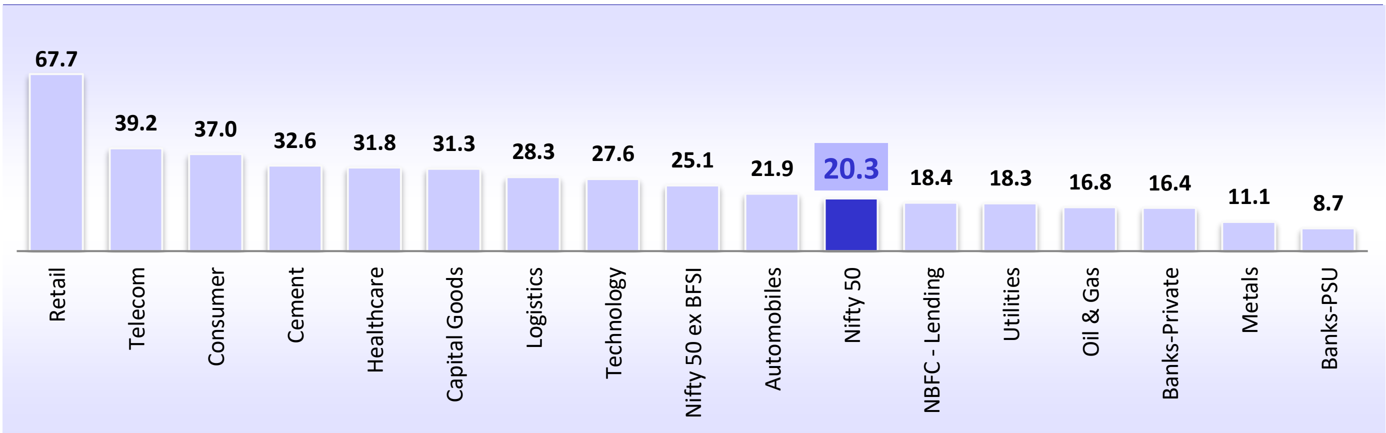
74%/ 50%/46% to their 10-year average forward P/E ratios of ~10x/19x/22x. The pro-infrastructure policies of the government, since Covid-19, have pushed the valuations in the expensive territory compared to their historical averages.

- **Banking sector's valuations appear attractive**. In our opinion, valuations are not completely factoring in the recapitalized balance sheets of PSU Banks, decadal low net NPAs, and a robust 15-16% credit growth. With the possibility of a rate cut by the RBI delayed, NIMs may still remain stable at current levels, albeit, with a slight decline due to rising borrowing costs. Private Banks are currently trading at an 18% discount on a forward multiple basis. The discount remains relatively consistent on a trailing and forward basis, indicating parity in historical earnings growth and future 12-month expectations. While Metals, Telecom, and Healthcare sectors are trading at a premium on a trailing P/E basis, on forward earnings, the valuations are near their long-term averages, suggesting stronger earnings potential in the next 12 months compared to their past performances.
- **View:** Over the past five years, the Nifty-50 has delivered stellar returns at 17% CAGR, supported by equally impressive corporate earnings CAGR of 18%, resulting in an increase in Nifty profits to INR7.9t in FY24 from INR3.5t in FY19. We expect the earnings momentum to sustain; albeit, the magnitude of its growth is expected to moderate to ~15% over FY24-26. As highlighted in this note, the Nifty P/E remains well within its 10-year average range and is expected to maintain this level going forward. We remain constructive on the markets, and our preference is predominantly in favor of large-caps, as the valuations of mid- and small-cap indices are trading at a premium of 79% and 8% to Nifty-50, respectively. Our model portfolio underscores our strong belief in the domestic structural and cyclical themes. We continue to remain bullish on PSU Banks, Consumption, Industrials, and Real Estate, and we have turned constructive on Technology. We also remain positive on Healthcare, and remain underweight on Private Banks and Energy.
- **MOFSL Top Ideas: Largecaps –** ICICI Bank, SBI, HUL, L&T, HCL Tech, M&M, Coal India, Titan, Hindalco and Mankind Pharma**; Midcaps and Smallcaps –** Indian Hotels, Godrej Properties, Ashok Leyland, Persistent System, Kaylan Jewellers, KEI Industries, Metro Brands, PNB Housing, Cello World and Angel One.

Refer to our Jun'24 Quarter Preview for model portfolio



BFSI (ex. Insurance), Oil & Gas, Utilities, and Metals trail Nifty-50 (one-year forward P/E)



Methodology: In the study we have kept current Nifty-50 constituents constant, for the last ~10 years of the data. We have used the computed free float percentage, FF PAT, and FF Market Cap for each Nifty-50 constituent. Appropriate adjustments have been made in the banking stocks due to sharp fall in profits/losses.

Aurobindo Pharma

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	ARBP IN
Equity Shares (m)	586
M.Cap.(INRb)/(USDb)	856.5 / 10.2
52-Week Range (INR)	1498 / 815
1, 6, 12 Rel. Per (%)	11/31/44
12M Avg Val (INR M)	2250

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	290.0	309.4	339.8
EBITDA	58.4	70.2	75.1
Adj. PAT	32.8	38.9	43.2
EBIT Margin (%)	14.9	17.3	16.9
Cons. Adj. EPS (INR)	56.0	66.3	73.8
EPS Gr. (%)	46.1	18.3	11.3
BV/Sh. (INR)	509.3	572.0	641.8
Ratios			
Net D:E	0.0	-0.1	-0.1
RoE (%)	11.6	12.3	12.2
RoCE (%)	10.7	11.2	11.3
Payout (%)	6.6	6.1	5.4
Valuations			
P/E (x)	26.2	22.1	19.9
EV/EBITDA (x)	14.7	11.7	10.8
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	-0.6	4.4	1.8
EV/Sales (x)	3.0	2.7	2.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.8	51.8	51.8
DII	24.8	23.3	15.7
FII	16.7	18.0	24.1
Others	6.7	6.9	8.3

FII Includes depository receipts

CMP: INR1,462 TP: INR1,500 (+3%) Neutral

Operationally in-line quarter; broad-based growth across segments

Efforts under way to resolve regulatory issue/scale up Pen-G production

- Aurobindo Pharma (ARBP) delivered in-line operational performance in 1QFY25. The robust execution across key markets was partly offset by seasonality and higher remediation costs for the quarter.
- We largely maintain our estimates for FY25/FY26. We value ARBP at 18x 12M forward earnings to arrive at our TP of INR1,500.
- ARBP is progressing well on: a) scaling up its Pen-G production, b) resolving regulatory issues at the Eugia site III, c) clinical development of the biosimilar portfolio, and d) strengthening the US generic pipeline. We model a 15% earnings CAGR over FY24-26. Considering limited upside from the current level, **we reiterate our Neutral rating on the stock**.

Product mix drives margin on a YoY basis

- ARBP's 1QFY25 sales grew 10.5% YoY to INR75.7b (our estimate: INR77b). Overall formulation sales grew 11% YoY to INR64.8b. The US formulation revenue grew 7.6% YoY to INR35.6b (CC: +5.7% YoY to USD426m; 47% of sales). Europe formulation sales grew 7.9% YoY to INR19.8b (26% of sales). Growth markets sales jumped 45.9% YoY to INR7.1b (9.4% of sales). ARV revenue grew 20.2% YoY to INR2.3b (3% of sales). API sales rose 5.7% YoY basis to INR10.9b (14% of sales).
- Gross margin (GM) expanded 540bp YoY to 59.4%.
- Ex-remediation costs, EBITDA margin expanded 560bp YoY to 22.4% (our estimate: 22.1%) led by improved gross margin offset by increase in employee cost/other expense (+30bp/+80bp YoY as a % of sales).
- EBITDA was up 41% YoY to INR16.2b (our estimate: INR17.0b).
- Adjusting for the forex gain of INR10m, PAT grew at a higher rate of 52% YoY to INR9.0b (our est.: INR9.7b), led by 1.5x YoY jump in other income, offset by a higher tax outgo.

Highlights from the management commentary

- ARBP aims to sustain the growth momentum and maintain its EBITDA margin of 21-22% for FY25. Adj. for remediation related measures, it achieved 22.4% EBITDA margin in 1QFY25.
- While injectable sales were impacted due to remediation measures in 1QFY25, ARBP aspires to achieve USD600m sales for FY25.
- With respect to b-Denosumab, recruitment for the Phase III clinical trial has been completed in May'24 for the EU market. The trial would be completed in Jun'25. ARBP expects to file the product in the US/EU by 2QFY26.
- ARBP plans to file b-Omalizumab in 3QFY26 with the EMA and FDA, b-Trastuzumab by 2QFY25 in the US, and b-Tocilizumab by 2Q/FY25/3QFY25 in India and EM.

Quarterly performance (Consolidated) (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est
Net Sales	**68.5**	**72.2**	**73.5**	**75.8**	**75.7**	**77.8**	**78.7**	**77.2**	**290.0**	**309.4**	**76.6**	**-1.2%**
YoY Change (%)	9.9	25.8	14.7	17.1	10.5	7.7	7.1	1.8	16.7	6.7	11.8	
EBITDA	**11.5**	**14.0**	**16.0**	**16.9**	**16.9**	**17.8**	**18.0**	**17.5**	**58.4**	**70.2**	**16.9**	**0.1%**
YoY Change (%)	12.4	33.4	67.8	68.3	47.2	26.9	12.1	3.8	44.9	20.2	47.0	
Margins (%)	16.8	19.4	21.8	22.3	22.4	22.9	22.8	22.7	20.1	22.7	22.1	
Depreciation	3.3	4.2	4.2	3.5	4.0	4.1	4.2	4.4	15.2	16.7	3.6	
EBIT	**8.2**	**9.9**	**11.8**	**13.3**	**12.9**	**13.7**	**13.8**	**13.1**	**43.2**	**53.5**	**13.3**	
YoY Change (%)	10.7	30.7	86.1	103.0	56.5	39.4	16.7	-1.9	54.9	23.7	61.8	
Interest	0.6	0.7	0.8	0.9	1.1	1.1	1.0	0.9	2.9	4.1	0.9	
Other Income	0.8	1.9	1.2	1.4	1.2	1.4	1.4	1.5	5.2	5.5	1.0	
PBT before EO expense	**8.5**	**11.0**	**12.2**	**13.8**	**13.0**	**14.0**	**14.2**	**13.7**	**45.5**	**54.9**	**13.4**	**-3.4%**
Forex loss/(gain)	-0.4	0.3	-0.5	0.1	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	
Exceptional (expenses)/income	-0.7	0.0	0.0	-1.2	0.2	0.0	0.0	0.0	-1.9	0.2	0.0	
PBT	**8.1**	**10.7**	**12.7**	**12.4**	**13.3**	**14.0**	**14.2**	**13.7**	**44.0**	**55.2**	**13.4**	**-1.4%**
Tax	2.4	3.2	3.2	3.2	4.1	4.0	4.1	3.8	12.1	16.0	3.6	
Rate (%)	29.7	30.1	25.5	26.0	30.6	28.5	29.0	28.0	27.5	29.0	27.0	
Minority Interest	0.0	-0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	
Reported PAT	**5.7**	**7.6**	**9.4**	**9.1**	**9.2**	**10.0**	**10.1**	**9.7**	**31.7**	**39.0**	**9.7**	**-5.3%**
Adj PAT	**5.9**	**7.8**	**9.0**	**10.1**	**9.0**	**10.0**	**10.1**	**9.7**	**32.8**	**38.9**	**9.7**	**-7.1%**
YoY Change (%)	0.9	17.2	87.4	96.3	51.9	29.0	11.5	-3.5	46.1	18.3	63.6	
Margins (%)	8.7	10.8	12.3	13.3	11.9	12.9	12.8	12.6	11.3	12.6	12.7	

E: MOFSL Estimates

Key performance Indicators (Consolidated) (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Formulations	**58.2**	**59.7**	**62.9**	**65.1**	**64.8**	**64.8**	**67.4**	**68.9**	**244.2**	**265.9**	**66.0**
YoY Change (%)	9.2	25.1	15.4	19.3	11.3	8.6	7.1	5.9	16.2	8.9	20.9
ARV form.	1.9	2.5	1.8	2.4	2.3	2.3	2.1	2.2	8.7	8.9	2.9
YoY Change (%)	-49.8	52.4	-28.7	49.7	20.2	-10.0	20.0	-9.0	-9.0	2.0	80.4
US generic form.	33.0	33.9	37.6	35.9	35.6	36.7	38.9	40.9	138.7	152.0	37.4
YoY Change (%)	11.2	28.3	25.1	17.8	7.6	8.3	3.6	13.9	19.0	9.6	22.9
EU and ROW form.	23.2	23.3	23.6	26.8	26.9	25.9	26.3	25.9	96.8	105.0	25.7
YoY Change (%)	17.4	18.5	7.0	19.2	15.8	11.0	11.7	-3.5	15.3	8.4	14.0
APIs	**10.3**	**11.7**	**10.2**	**10.2**	**10.9**	**12.9**	**11.3**	**8.3**	**42.4**	**43.5**	**8.3**
YoY Change (%)	14.0	20.3	7.1	0.2	5.7	11.0	11.0	-18.9	10.2	2.5	-18.2
Cost Break-up											
RM Cost (% of Sales)	46.1	44.8	42.9	40.4	40.6	40.9	40.7	40.2	43.5	40.6	43.2
Staff Cost (% of Sales)	13.9	13.2	13.5	13.5	14.2	13.9	13.9	13.6	13.5	13.9	13.4
R&D Expenses(% of Sales)	5.7	4.2	5.4	5.2	4.5	4.7	4.9	5.5	5.1	4.9	5.2
Other Cost (% of Sales)	17.6	18.3	16.5	18.7	18.4	17.6	17.7	18.0	17.5	17.9	17.6
Gross Margin (%)	53.9	55.2	57.1	59.6	59.4	59.1	59.3	59.8	56.5	59.4	56.8
EBITDA Margin (%)	16.8	19.4	21.8	22.3	22.4	22.9	22.8	22.7	20.1	22.7	20.6
EBIT Margin (%)	12.0	13.7	16.0	17.6	17.1	17.7	17.5	16.9	14.9	17.3	14.7

E: MOFSL Estimates

Voltas

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	523.6 / 6.2
52-Week Range (INR)	1598 / 794
1, 6, 12 Rel. Per (%)	5/35/66
12M Avg Val (INR M)	1839
Free float (%)	69.7

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	146.7	162.5	181.5
EBITDA	10.7	13.6	16.4
Adj. PAT	8.3	10.9	13.8
EBITA Margin (%)	7.3	8.3	9.0
Cons. Adj. EPS (INR)	25.1	33.0	41.8
EPS Gr. (%)	246.7	31.4	26.7
BV/Sh. (INR)	198.9	225.6	259.1
Ratios			
Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	12.6	14.6	16.1
RoCE (%)	13.1	14.6	15.4
Payout (%)	25.0	25.0	25.0
Valuations			
P/E (x)	63.1	48.0	37.9
P/BV (x)	8.0	7.0	6.1
EV/EBITDA (x)	48.7	37.8	30.8
Div Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.8	1.8	2.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	30.3	30.3	30.3
DII	40.4	40.6	33.9
FII	15.1	14.7	19.1
Others	14.2	14.4	16.8

FII Includes depository receipts

CMP: INR1,583 TP: INR1,800 (+15%) BUY

Strong show as the EMPS segment turns around

UCP's overall volumes rise ~67% YoY

- Voltas (VOLT)'s 1QFY25 performance was above our estimates, led by higher-than-estimated revenue growth in the UCP and EMPS segments, and a profit in EMPS vs. our estimate of a loss. Revenue stood at INR49.2b vs. est. INR39.4b. EBITDA was INR4.2b v/s est. INR2.6b. OPM surged 3.1pp YoY to 8.6% (est. 6.6%). Adj. PAT jumped 159% YoY to INR3.3b (est. INR1.9b).
- The management indicated that UCP's overall volume grew 67% YoY in 1Q, and it maintained its leadership position in the RAC segment with an exit market share of 21.2% as of Jun'24. In EMPS, domestic projects continued to grow, and the outlook remains positive. Whereas, in the international project, the UAE and Saudi Arabia have delivered good performance leading to revenue growth, which, along with strong execution and controlled costs, has led to profits following losses in the last six quarters.
- We raise our EPS estimates by 19%/4% for FY25/FY26 led by strong revenue growth and 1Q performance. We also introduce FY27 estimates. We would keenly monitor the continuity of profitability in the EMPS segment. We **reiterate our BUY rating** on the stock with a revised TP of INR1,800 (vs. INR1,670) based on 50x Sep'26E EPS for the UCP segment, 35x Sep'26E EPS for the PES and EMPS segments, and INR38/share for Voltbek.

UCP margin improves 35bp YoY to 8.6% (est. 8.8%) in 1QFY25

- Consol. revenue/EBITDA/Adj. PAT stood at INR49.2b/INR4.2b/INR3.3b (up 46%/129%/159% YoY and 25%/64%/76% above our estimates) in 1QFY25. Gross margin dipped 20bp YoY to 20.9%.
- Segmental highlights: a) **UCP** – revenue was up 51% YoY at INR38.0b and EBIT rose 58% YoY to INR3.3b. EBIT margin was up 35bp YoY to 8.6%. b) **EMPS** – revenue grew 40% YoY to INR9.5b. It reported EBIT of INR675m vs. a loss before interest and tax of INR519m in 1QFY24. c) **PES** – revenue grew by 13% YoY to INR1.6b, while EBIT declined 17% YoY to INR448m. EBIT margin was down 10.1pp YoY at ~28%.

Valuation and view

- We expect VOLT's EBITDA/adjusted profit to report a CAGR of 51%/79% over FY24-27, partly due to a low base (in FY24, it provided higher provisioning in the EMPS segment for losses in Qatar projects). RoE should be at ~15%/16% in FY26E/FY27E vs. 4.1% in FY24 (average of 12.3% over FY13-23).
- We expect UCP margin to improve to 8.8%/9.3%/9.5% for FY25E/26E/27E v/s 8.5% in FY24. We **reiterate our BUY rating** on the stock with a revised TP of INR1,800 (vs. INR1,670) based on 50x Sep'26E EPS for the UCP segment, 35x Sep'26 EPS for the PES and EMPS segments, and INR38/share for Voltbek.

Quarterly performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Sales	**33,599**	**22,928**	**26,257**	**42,029**	**49,210**	**24,917**	**28,431**	**44,147**	**1,24,812**	**1,46,705**	**39,430**	**25**
Change (%)	21.4	29.7	30.9	42.1	46.5	8.7	8.3	5.0	31.4	17.5	**17.4**	
Adj. EBITDA	**1,854**	**703**	**284**	**1,906**	**4,238**	**1,158**	**1,891**	**3,365**	**4,746**	**10,652**	**2,590**	**64**
Change (%)	4.7	(30.3)	(62.8)	(12.6)	128.6	64.7	565.4	76.6	(17.1)	124.4	**39.7**	
Adj. EBITDA margin (%)	5.5	3.1	1.1	4.5	8.6	4.6	6.7	7.6	3.8	7.3	**6.6**	204
Depreciation	113	117	128	118	134	144	159	167	476	605	**169**	(21)
Interest	101	115	135	208	98	130	110	193	559	530	**150**	(35)
Other Income	700	710	579	544	803	813	600	635	2,533	2,850	**700**	15
Extra-ordinary items	0	-	-	-	0	0	0	0	0	0	**0**	
PBT	**2,339**	**1,181**	**599**	**2,124**	**4,809**	**1,696**	**2,222**	**3,640**	**6,244**	**12,367**	**2,971**	**62**
Tax	735	493	515	634	1,165	454	595	948	2,377	3,178	**796**	**46**
Effective Tax Rate (%)	31.4	41.7	85.9	29.9	24.2	26.8	26.8	26.0	38.1	25.7	**26.8**	
Share of profit of associates/JV's	(312)	(321)	(389)	(325)	(294)	(240)	(220)	(176)	(1,347)	(930)	**-270**	9
Reported PAT	**1,293**	**367**	**(304)**	**1,164**	**3,350**	**1,001**	**1,406**	**2,516**	**2,520**	**8,259**	**1,905**	**76**
Change (%)	18.7	NM	NM	(19.1)	159.1	173.0	NA	116.1	86.7	227.7	**47.3**	
Adj. PAT	1	(10)	28	(58)	8	(10)	20	(57)	(39)	(39)		
Change (%)	**1,293**	**367**	**(304)**	**1,038**	**3,342**	**1,011**	**1,386**	**2,572**	**2,394**	**8,298**	**1,900**	**76**

Note: 4QFY24 and FY24 Adj. PAT is after adjusting tax related to earlier periods

Segmental revenue (INR m)

	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY24	FY25E	1QE	Var. (%)
EMP & Services	6,791	9,242	9,819	10,979	9,491	10,259	10,310	12,066	36,830	42,126	7,266	31
Engineering products and services	1,423	1,344	1,548	1,564	1,608	1,479	1,687	1,752	5,879	6,526	1,494	8
Unitary cooling business	25,140	12,088	14,826	29,551	38,022	13,055	16,308	30,150	81,605	97,535	30,545	24
Others	245	253	65	-65	89	125	125	178	498	518	125	(28)
Total	**33,599**	**22,928**	**26,257**	**42,029**	**49,210**	**24,917**	**28,431**	**44,147**	**1,24,812**	**1,46,705**	**39,430**	**25**
Segment PBIT												
EMP & Services	(519)	(490)	(1,200)	(1,077)	675	-	206	383	(3,285)	1,264	(436)	NA
Engineering products and services	541	539	499	478	448	399	472	507	2,057	1,827	456	(2)
Unitary cooling business	2,073	928	1,229	2,704	3,270	1,044	1,354	2,915	6,935	8,583	2,688	22
Total PBIT	**2,096**	**977**	**528**	**2,105**	**4,394**	**1,444**	**2,032**	**3,805**	**5,707**	**11,674**	**2,708**	**62**
Segment PBIT (%)												
EMP & Services (%)	(7.6)	(5.3)	(12.2)	(9.8)	7.1	-	2.0	3.2	(8.9)	3.0	(6.0)	1,311
Engineering products and services (%)	38.0	40.1	32.2	30.6	27.9	27.0	28.0	28.9	35.0	28.0	30.5	(261)
Unitary cooling business (%)	8.2	7.7	8.3	9.2	8.6	8.0	8.3	9.7	8.5	8.8	8.8	(20)
Total PBIT (%)	**6.2**	**4.3**	**2.0**	**5.0**	**8.9**	**5.8**	**7.1**	**8.6**	**4.6**	**8.0**	**6.9**	**206**

APL Apollo Tubes

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	APAT IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	397.7 / 4.7
52-Week Range (INR)	1806 / 1305
1, 6, 12 Rel. Per (%)	-6/-7/-33
12M Avg Val (INR M)	1430

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	181.2	218.2	276.1
EBITDA	11.9	14.3	19.7
PAT	7.3	9.1	13.6
EBITDA (%)	6.6	6.5	7.1
EPS (INR)	26.4	32.9	48.9
EPS Gr. (%)	14.1	24.6	48.7
BV/Sh. (INR)	130.0	156.9	199.8
Ratios			
Net D/E	0.2	-0.1	-0.3
RoE (%)	22.2	22.9	27.4
RoCE (%)	19.0	20.2	25.8
Payout (%)	18.9	18.2	12.3
Valuations			
P/E (x)	54.6	43.8	29.4
EV/EBITDA (x)	34.2	27.7	19.6
Div Yield (%)	0.3	0.4	0.4
FCF Yield (%)	1.1	3.4	2.8

Shareholding pattern (%)

As on	Jun-24	Mar-24	Jun-23
Promoter	28.3	29.4	30.6
DII	14.9	14.1	12.7
FII	31.6	30.7	25.1
Others	25.2	25.8	31.6

Note: FII includes depository receipts

CMP: INR1,433 TP: INR1,720 (+20%) Buy

Muted earnings as volume growth offset by margin contraction

Earnings below our estimates

- APL Apollo Tubes (APAT) reported healthy sales volume of 721kmt (up 9% YoY/6% QoQ) in 1QFY25, led by the ramp-up of its Raipur and Dubai plants. However, EBITDA/MT fell ~10% YoY to ~INR4,183, due to high operational expenses (high employee, freight, power cost and ad spending in 1Q).
- We cut our FY25E/FY26E earnings by 13%/12%, primarily due to lower EBITDA/MT (reduced by 8% for both years). We value the stock at 35x FY26E EPS to arrive at a TP of INR1,720. **Reiterate BUY**.

Higher operational expenses hurt margins

- Consolidated revenue grew 9% YoY/4% QoQ to INR49.7b (est. INR50b) in 1QFY25, led by volume growth of 9% YoY/6% QoQ to 721kmt.
- VAP mix stood at 60% in 1QFY25 vs. 57%/60% in 1QFY24/4QFY24. VAP mix improved YoY, led by the ramp-up of the Raipur and Dubai plants.
- Gross profit/MT stood at INR9,772 (up 4% YoY/5% QoQ), led by favorable product mix. EBITDA/MT stood at INR4,183 down 10% YoY (up 1% QoQ) due to high employee, freight and power costs and high ad spend on branding in 1Q. EBITDA fell 2% YoY (up 8% QoQ) to INR3b (est. INR3.3b).
- Adjusted PAT was flat YoY but up 13% QoQ to INR1.9b (est. INR2b).

Highlights from the management commentary

- **Demand scenario**: Demand in 2Q is expected to remain under pressure. Dealers are wary of restocking due to falling steel prices (can fall further by 3,000-4,000/MT in 2Q). 2HFY25 is expected to be solid.
- **Guidance**: APAT has lowered its volume guidance to 3.2mtpa in FY25. It targets ~20-25% volume growth in FY26 and aims to reach 5mmt by FY27. In FY25, the company targets to match EBITDA/MT of FY24. It expects net debt to be near zero by the end of FY25.
- **Market share:** APAT is expected to gain market share from secondary scrap steel manufacturers amid the narrowing pricing gap (~5%) in primary and secondary steel. If HR Coil prices stabilizes at ~INR45-48K/MT, then the company is confident of gaining this market share.

Valuation and view

- The incremental capacity from the upcoming plants and debottlenecking, along with the addition of high-margin products from the Raipur and Dubai units, should result in strong volume growth and margin expansion going forward.
- We expect a CAGR of 23%/28%/36% in revenue/EBITDA/PAT over FY24-26. We cut our FY25E/FY26E earnings by 13%/12% primarily due to lower EBITDA/MT (reduced by 8% for both years). We value the stock at 35x FY26E EPS to arrive at a TP of INR1,720. **Reiterate BUY**.

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY24				FY25				FY24	FY25E	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Gross Sales	**45,449**	**46,304**	**41,778**	**47,657**	**49,743**	**54,666**	**53,117**	**60,696**	**1,81,188**	**2,18,222**	**49,969**	**0**
YoY Change (%)	32.2	16.7	-3.5	7.6	9.4	18.1	27.1	27.4	12.1	20.4	9.9	
Total Expenditure	42,377	43,054	38,982	44,854	46,727	51,291	49,466	56,466	1,69,266	2,03,950	46,708	
EBITDA	**3,072**	**3,250**	**2,795**	**2,804**	**3,016**	**3,375**	**3,651**	**4,230**	**11,922**	**14,273**	**3,261**	**-8**
Margins (%)	6.8	7.0	6.7	5.9	6.1	6.2	6.9	7.0	6.6	6.5	6.5	
Depreciation	409	413	471	466	465	535	560	603	1,759	2,163	490	
Interest	271	266	285	311	278	255	200	155	1,134	888	290	
Other Income	217	196	150	186	247	235	188	246	749	916	249	
PBT before EO expense	**2,608**	**2,767**	**2,190**	**2,212**	**2,520**	**2,821**	**3,079**	**3,718**	**9,777**	**12,138**	**2,731**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**2,608**	**2,767**	**2,190**	**2,212**	**2,520**	**2,821**	**3,079**	**3,718**	**9,777**	**12,138**	**2,731**	
Tax	672	738	535	508	589	710	775	936	2,453	3,009	687	
Rate (%)	25.8	26.7	24.4	23.0	23.4	25.2	25.2	25.2	25.1	24.8	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,936**	**2,029**	**1,655**	**1,704**	**1,932**	**2,111**	**2,304**	**2,782**	**7,324**	**9,128**	**2,043**	
Adj PAT	**1,936**	**2,029**	**1,655**	**1,704**	**1,932**	**2,111**	**2,304**	**2,782**	**7,324**	**9,128**	**2,043**	**-5**
YoY Change (%)	60.5	35.1	-2.2	-15.5	-0.2	4.0	39.2	63.2	14.1	24.6	5.5	
Margins (%)	4.3	4.4	4.0	3.6	3.9	3.9	4.3	4.6	4.0	4.2	4.1	

Key performance indicators

Y/E March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YOY	QOQ
Segment Volumes ('000 MT)							
Apollo Structural							
Big Section	45	51	62	64	58	31%	-9%
Super Heavy Section	4	5	7	8	11	146%	44%
Light Structures	112	113	95	102	110	-2%	7%
General Structures	282	301	249	272	288	2%	6%
Apollo Z - Rust-proof structures	170	144	124	156	168	-1%	8%
Apollo Z- Coated Products	19	29	36	40	52	165%	29%
Apollo Galv - Agri/Industrial	30	32	30	37	34	13%	-6%
TOTAL	662	675	604	679	721	9%	6%
Value Added Products	381	374	355	407	433	14%	6%
Segment EBITDA/MT (INR/MT)							
Apollo Structural							
Big Section	7,618	8,481	8,177	7,845	7,901	4%	1%
Super Heavy Section	8,777	10,014	9,551	9,210	9,425	7%	2%
Light Structures	5,775	6,258	5,771	5,187	5,169	-10%	0%
General Structures	2,252	2,152	1,771	1,802	1,944	-14%	8%
Apollo Z - Rust-proof structures	6,749	6,721	6,144	4,865	4,958	-27%	2%
Apollo Z- Coated Products	4,044	7,472	7,516	6,023	5,757	42%	-4%
Apollo Galv - Agri/Industrial	6,196	7,196	6,452	5,725	5,698	-8%	0%
Cost Break-up							
RM Cost (% of sales)	86%	86%	86%	87%	86%	-43bps	-88bps
Employee Cost (% of sales)	1%	1%	2%	1%	2%	28bps	14bps
Other Cost (% of sales)	6%	6%	6%	6%	6%	85bps	56bps
Gross Margins (%)	14%	14%	14%	13%	14%	43bps	88bps
EBITDA Margins (%)	6.8%	7.0%	6.7%	5.9%	6.1%	-70bps	18bps

Metro Brands

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	METROBRA IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	356.5 / 4.2
52-Week Range (INR)	1441 / 986
1, 6, 12 Rel. Per (%)	-1/7/-4
12M Avg Val (INR M)	270

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	23.6	26.2	31.7
EBITDA	7.0	7.9	9.9
Adj. PAT	4.1	4.0	4.9
EBITDA Margin (%)	29.7	30.2	31.2
Adj. EPS (INR)	12.7	14.8	18.1
EPS Gr. (%)	(5.2)	16.1	22.3
BV/Sh. (INR)	70.2	82.7	97.9
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	20.3	19.8	20.5
RoCE (%)	17.7	14.3	14.6
Payout (%)	14.9	17.6	17.6
Valuations			
P/E (x)	102.6	88.4	72.2
EV/EBITDA (x)	52.2	46.3	37.0
EV/Sales (X)	15.5	14.0	11.5
Div. Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.2	74.2	74.2
DII	5.6	6.0	5.7
FII	3.1	2.7	2.6
Others	17.2	17.1	17.5

FII Includes depository receipts

CMP: INR1,311 TP: INR1,460 (+11%) Buy

Marginal dip in PAT despite weak SSS

- Metro's revenue declined 1% YoY (9% miss), due to weak same-store sales (SSS); however, store additions supported revenue. A higher contribution of INR3,000+ ASP products and own-brand products boosted gross margins. Controlled costs and higher gross margins restricted the decline in EBITDA/PAT to only 3%/2% (11% miss).
- In the near term, we believe that soft demand, delayed BIS implementation (which delayed FILA's repositioning), and margin contraction could weigh on growth. However, in the long term, healthy store economics, steady store additions, and a growth opportunity in Fila/Foot Locker should drive a CAGR of 16%/19% in revenue/PAT over FY24-26. We reiterate our BUY rating on the stock.

Revenue/PAT down 1%/2% YoY

- Consolidated revenue declined 1% YoY to INR5.8b (9% miss) due to a 10% YoY decline in revenue per sqft. Area addition remained strong at 12% YoY.
  - The company added 17 stores (in two new cities) and closed two stores, taking the net store additions of 15 and the total count to 854 stores (including three FILA stores).
  - The management attributed weak revenue growth to fewer wedding dates, election-related headwinds, and subdued footfalls due to intense heatwaves.
- Gross profit was flat at INR3.4b (9% miss), while margin expanded 40bp YoY to 59.5%.
  - **GM remained elevated due to a higher sales contribution from INR3,000+ ASP** products a**nd own-brand products.**
- **Despite weak SSS, the company was able to restrict the EBITDA decline at 3% YoY to INR1.8b (11% miss) due to strong cost-control measures.**
  - Margin contracted 70bp YoY to 31.3% during the quarter.
  - Depreciation/finance costs grew 11%/12% YoY, while other income rose 63% YoY.
- Resultantly, PAT declined 2% YoY to INR919m (11% miss).

Key takeaways from management commentary

- **Guidance remain intact**: The company is expected to open 100/225 stores (excluding FILA but including Footlocker) in the next one/two fiscal years. Given the subdued 1Q, the management has guided for 12-15% growth. However, in the long term, the company reiterated its guidance of 15-18% growth, 55-57% gross margin, 30-33% EBITDA margin and 15-17% PAT margin.

- **Current environment**: The management is noticing a pick-up in business environment QoQ. However, headwinds persist in some casual footwear, athletic footwear and the Crocs range. It expects SSS to pick up in 3Q as there are no headwinds of disproportionate marriages.
- **New Era**: The product will be sold in Footlocker stores. It is a niche play in the premium category with a price range of INR3k-4k. This segment bodes well with the business. The management expects to launch the first kisok in the next few months. MBL will buy the products at a particular price with certain markup and the inventory risk will be on MBL.
- **BIS**: The BIS extension has come to an end. The sell-off period is two years. The company is in compliance with this rule. However, there is no clarity for BIS for the sports division (FILA).

Valuation and view

- METRO trades at a rich valuation of 70x FY26E EPS, backed by: 1) a strong runway for growth, largely funded by internal sources, given its strong OCF-to-EBITDA ratio of over 50%; and b) superior store economics reflected in the balance sheet and a healthy RoIC of +50%.
- In the near term, we believe that soft demand and delayed BIS implementation are affecting FILA's repositioning, and a moderation in margins could weigh on growth. But, in the long term, healthy store economics, steady store adds and a growth opportunity in Fila/Foot Locker should drive growth.
- We cut our PAT estimates by 3%/5% for FY25/FY26, factoring in a CAGR of 16%/19% in revenue/PAT over FY24-26 and assigning a PE of 70x FY26E PAT of METRO's existing portfolio. A combination of superior store economics and a strong runway of growth should allow Metro to garner rich valuations going ahead.
- We have not factored in Fila and Foot Locker earnings in our estimates, but we believe they have revenue potential of INR15-20b over the next 3-5 years (i.e. 30-40% share of Metro). Since both the brands are in the initial stage of investment, we value Fila/Foot Locker at a ~75% discount to the potential value, which creates an option value of INR190 (Exhibit 2), arriving at a valuation of INR1,460 per share.

Consolidated - Quarterly Earning (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Revenue	**5,825**	**5,557**	**6,355**	**5,830**	**5,761**	**5,921**	**7,575**	**6,924**	**23,567**	**26,180**	**6,342**	**-9.2**
YoY Change (%)	14.7	16.7	6.1	7.1	-1.1	6.5	19.2	18.8	10.8	11.1	8.9	
Total Expenditure	3,959	4,003	4,365	4,244	3,957	4,239	5,076	5,002	16,571	18,275	4,320	-8.4
EBITDA	**1,866**	**1,554**	**1,990**	**1,586**	**1,804**	**1,681**	**2,499**	**1,922**	**6,996**	**7,906**	**2,022**	**-10.8**
EBITDA Margin (%)	32.0	28.0	31.3	27.2	31.3	28.4	33.0	27.8	29.7	30.2	31.9	0.6
Depreciation	543	572	586	591	600	635	670	662	2,291	2,567	614	-2.3
Interest	185	197	204	203	208	221	236	231	789	896	216	-3.9
Other Income	144	162	160	244	234	234	234	234	708	935	195	20.0
PBT	**1,282**	**946**	**1,359**	**1,036**	**1,230**	**1,059**	**1,827**	**1,262**	**4,624**	**5,377**	**1,386**	**-11.3**
Tax	353	275	379	-508	309	267	460	318	499	1,354	349	-11.6
Rate (%)	27.5	29.1	27.9	-49.0	25.1	25.2	25.2	25.2	10.8	25.2	25.2	
MI & Profit/Loss of Asso. Cos.	6	5	7	12	2	0	0	0	30	2	0	
PAT before MI	**929**	**671**	**981**	**1,544**	**921**	**792**	**1,366**	**944**	**4,124**	**4,023**	**1,037**	**-11.2**
Adj PAT post MI	**935**	**676**	**988**	**866**	**919**	**792**	**1,366**	**944**	**3,465**	**4,021**	**1,037**	**-11.4**
YoY Change (%)	-12	-13	-13	26	-2	17	38	9	-5.2	16.1	11	

E: MOFSL Estimates

Nalco

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USDb)	320 / 3.8
52-Week Range (INR)	210 / 86
1, 6, 12 Rel. Per (%)	-11/9/59
12M Avg Val (INR M)	3331

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	131	138	166
EBITDA	29	34	41
Adj. PAT	17	21	26
EBITDA Margin (%)	22	24	25
Cons. Adj. EPS (INR)	9.1	11.2	13.9
EPS Gr. (%)	16	23	25
BV/Sh. (INR)	78	86	96
Ratios			
Net D:E	-0.2	-0.3	-0.3
RoE (%)	12	14	15
RoCE (%)	16	18	20
Payout (%)	44	36	29
Valuations			
P/E (x)	19.2	15.6	12.5
P/BV (x)	2.2	2.0	1.8
EV/EBITDA(x)	10.1	8.3	6.6
Div. Yield (%)	2.3	2.3	2.3
FCF Yield (%)	3.7	5.8	5.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.3	51.3	51.3
DII	19.1	18.8	15.4
FII	10.4	9.0	15.0
Others	19.2	20.9	18.4

FII Includes depository receipts

CMP: INR174 TP: INR185 (+6%) Neutral

Weakness in the chemical business hits performance

- Nalco (NACL)'s revenue stood at INR29b in 1QFY25 (-10% YoY/-20% QoQ vs. our est. of INR39b). The miss was mainly due to the weak operational performance in the chemical business.
- Consolidated EBITDA stood at INR9.0b (YoY/QoQ: +57% /-16%) against our est. of INR11.3b during the quarter.
- EBITDA margin stood at 32.7% (our est. 26%) vs. 18.7% in 1QFY24 and 30.9% in 4QFY24, supported by healthy operating margin from the aluminum segment.
- APAT for the quarter stood at INR5.9b (YoY/QoQ: +76% /-13%) vs. our est. of INR7.4b.
- The Board declared a final dividend of INR2 per share for FY24.

Aluminum business: Strong performance

- Revenue came in line at INR25.3b, up 4% YoY and 3% QoQ, driven by favorable pricing during the quarter.
- EBIT came in at INR8b, up +113% YoY and 72% QoQ.

Chemical business: Weak Performance

- Revenue for the vertical declined 27% YoY and 46% QoQ to INR8.5b during the quarter primarily due to lower shipments.
- EBIT stood at INR311m, and reported a significant decline of 71% YoY and 94% QoQ during the quarter.

Valuation and view

- The recent exploration and lithium mining agreement with Argentina's CAMYEN SE, will help NACL establish its presence, diversify product offerings, and enhance the supply chain for critical and strategic minerals.
- Until the fifth stream of alumina comes on stream, we expect NACL to operate at full capacity, leaving little room for capacity expansion over the next two years. The next phase of growth is anticipated once the additional 1mt capacity of the alumina refinery comes on stream by May'25.
- The Utkal D coal block will fulfill ~25-28% of the coal requirements for the Angul smelter. This will enhance raw material security and boost the margins until the augmented capacity comes on stream.
- Owing to the weak performance in 1QFY25, we trim our revenue/EBITDA/ APAT estimates by ~6/6%/9% for FY25. We broadly maintain our FY26E.
- At CMP, NACL trades at 6.6x on EV/EBITDA and 1.8x on P/B and appears to be largely priced at current levels. **We reiterate our NEUTRAL rating on the stock with a TP of INR185, valuing it at 7x FY26E EV/EBITDA.**

Quarterly performance INR m

Y/E March	FY24				FY25E				FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**31,784**	**30,434**	**33,469**	**35,791**	**28,561**	**32,728**	**36,942**	**39,474**	**1,31,477**	**1,37,705**	**38,821**	**-26**
Change (YoY %)	-16.0	-12.8	1.7	-2.5	-10.1	7.5	10.4	10.3	-7.6	4.7		
Change (QoQ %)	-13.4	-4.2	10.0	6.9	-20.2	14.6	12.9	6.9				
Total Expenditure	25,840	26,469	25,738	24,715	19,219	25,143	29,110	30,606	1,02,762	1,04,078	27,443	
EBITDA	**5,943**	**3,965**	**7,731**	**11,075**	**9,342**	**7,585**	**7,832**	**8,868**	**28,715**	**33,627**	**11,378**	**-18**
Change (YoY %)	-31.6	18.6	68.2	44.5	57.2	91.3	1.3	-19.9	18.2	17.1		
Change (QoQ %)	-22.5	-33.3	95.0	43.3	-15.6	-18.8	3.3	13.2				
Interest	23	40	21	89	34	21	24	23	172	102		
Depreciation	1,697	1,862	1,538	2,400	1,743	1,900	2,000	2,334	7,497	7,977		
Other Income	485	686	510	840	605	720	730	745	2,521	2,800		
PBT (before EO)	**4,709**	**2,750**	**6,682**	**9,427**	**8,170**	**6,384**	**6,538**	**7,256**	**23,568**	**28,347**	**10,146**	**-19**
EO (income) /exp	0	0	0	4,268	0	0	0	0	4,268	0		
PBT (after EO)	**4,709**	**2,750**	**6,682**	**13,695**	**8,170**	**6,384**	**6,538**	**7,256**	**27,836**	**28,347**		
Total Tax	1,215	687	1,797	3,537	2,158	1,604	1,642	1,717	7,236	7,121		
% Tax	25.8	25.0	26.9	25.8	26.4	25.1	25.1	23.7	30.7	25.1		
PAT before MI and Asso.	**3,494**	**2,063**	**4,885**	**10,158**	**6,012**	**4,780**	**4,895**	**5,539**	**20,600**	**21,227**		
Minority interest	0	0	0	0	0	0	0	0	0	0		
Sh. of Associate	-156	-189	-179	-191	-128	-180	-190	-191	-715	-689		
Reported PAT after MI and Asso.	**3,338**	**1,874**	**4,706**	**9,967**	**5,884**	**4,600**	**4,705**	**5,348**	**19,885**	**20,538**		
Adjusted PAT	**3,338**	**1,874**	**4,706**	**6,766**	**5,884**	**4,600**	**4,705**	**5,348**	**16,684**	**20,538**	**7,414**	**-21**
Change (YoY %)	-40.2	49.4	83.6	36.7	76.3	145.5	0.0	-21.0	16.3	3.3		
Change (QoQ %)	-32.6	-43.9	151.2	43.8	-13.0	-21.8	2.3	13.7				

Vinati Organics

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VO IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	218.5 / 2.6
52-Week Range (INR)	2331 / 1462
1, 6, 12 Rel. Per (%)	11/18/-10
12M Avg Val (INR M)	147

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	19.0	25.2	29.9
EBITDA	4.7	6.3	7.8
PAT	3.2	4.4	5.6
EPS (INR)	31.2	42.7	53.9
EPS Gr. (%)	-22.8	36.8	26.4
BV/Sh.(INR)	237.7	270.8	312.6
Ratios			
Net D:E	-0.0	0.1	0.1
RoE (%)	13.8	16.8	18.5
RoCE (%)	13.1	15.0	16.0
Payout (%)	22.4	22.4	22.4
Valuations			
P/E (x)	67.6	49.4	39.1
P/BV (x)	8.9	7.8	6.7
EV/EBITDA (x)	46.5	35.2	28.2
Div. Yield (%)	0.3	0.5	0.6
FCF Yield (%)	0.5	-0.8	1.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.3	74.3	74.1
DII	6.8	7.3	8.1
FII	5.3	4.9	4.5
Others	13.6	13.5	13.4

FII Includes depository receipts

CMP: INR2,108 TP: INR2,425 (+15%) Buy

Subdued performance but confident of regaining momentum

- Vinati Organics (VO)'s 1QFY25 revenue came in below our estimate at INR5.2b. Gross margin declined 270bp YoY to 44.9%, while EBITDAM was up 100bp YoY at 23.8%. EBITDA increased 25% YoY to INR1.3b and PAT grew 24% to INR860m (our est. INR1.1b). The management noted that 1QFY24 result was restated to give effect to the scheme of merger approved by NCLT.
- VO's global market share in ATBS is 62-65%. VO is enhancing its ATBS capacity by 50%, which is expected to come online in 2H. Revenue from the Butyl Phenol (BP) segment was INR3b in FY24. The management in its previous concall highlighted that it expected peak revenue of INR3-3.2b. The customized products portfolio is expected to deliver good growth going forward as well.
- The management in 4QFY24 guided for a revenue CAGR of 20% in the next three years, driven by new as well as existing products, with the product mix being similar as it is currently. Although it looks like a farfetched idea after the 1Q earnings, we do expect momentum to pick up in subsequent quarters. We expect a CAGR of 25%/ 29%/ 31% in revenue/ EBITDA/ PAT during FY24-26, with EBITDAM likely to gradually cross 26% by FY26E.
- We keep our estimates unchanged. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value VO at 45x FY26E EPS to arrive at our TP of INR2,425. **We reiterate our BUY rating on the stock.**

Miss across board; sequential decline in margin

- Revenue was INR5.2b (est. INR5.6b, +25% YoY). EBITDA stood at INR1.3b (est. INR1.5b, +50% YoY).
- Gross margin was 44.9% (-270bp YoY), with EBITDAM of 23.8% (+100bp YoY).
- PAT was INR860m (est. of INR1.1b, +51% YoY).

Valuation and view

- Veeral Organics (a wholly owned subsidiary of VO) has commissioned a plant for MEHQ and Guaiacol with other products (Anisole, 4-MAP, Iso Amylene, etc.), which will come online in FY25. VO has 3ktpa capacity (combined) for MEHQ and Guaiacol, 5ktpa for Anisole, 30ktpa Iso Amylene and 1ktpa for 4-MAP. These products will be the key growth drivers for VO going forward.
- The supply of AOs has also started in FY24 with revenue of INR1.5b for the year. The amalgamation of VO with Veeral Additives is approved by the NCLT. VO is now the largest and the only double-integrated manufacturer of AOs in India. Our long-term view remains robust for the segment, although there is a threat of Chinese supplies.
- We continue to believe that VO's long-term growth outlook is healthy. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value the company at 45x FY26E EPS to arrive at a TP of INR2,425. **We reiterate our BUY rating on the stock.**

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	**4,387**	**4,629**	**4,480**	**5,503**	**5,247**	**6,141**	**6,613**	**7,192**	**19,000**	**25,193**	**5,605**	**-6%**
YoY Change (%)	*-13.3*	*-18.3*	*-13.3*	*6.0*	*19.6*	*32.7*	*47.6*	*30.7*	*-8.3*	*32.6*	*30.0*	
Gross Margin (%)	*47.6%*	*45.8%*	*47.2%*	*46.6%*	*44.9%*	*46.2%*	*48.0%*	*50.1%*	*46.8%*	*47.5%*	*46.9%*	*-2.0%*
EBITDA	**1,004**	**1,048**	**1,147**	**1,502**	**1,251**	**1,530**	**1,651**	**1,884**	**4,701**	**6,317**	**1,502**	**-17%**
Margin (%)	*22.9*	*22.6*	*25.6*	*27.3*	*23.8*	*24.9*	*25.0*	*26.2*	*24.7*	*25.1*	*26.8*	*-2.9*
Depreciation	167	173	193	194	196	215	219	239	728	869	212	
Interest	9	9	10	9	4	9	10	17	36	40	10	
Other Income	98	106	88	96	93	126	123	162	388	504	139	
PBT before EO expense	**925**	**972**	**1,032**	**1,396**	**1,144**	**1,432**	**1,545**	**1,791**	**4,325**	**5,912**	**1,419**	**-19%**
PBT	**925**	**972**	**1,032**	**1,396**	**1,144**	**1,432**	**1,545**	**1,791**	**4,325**	**5,912**	**1,419**	**-19%**
Tax	231	247	262	351	284	361	389	455	1,091	1,488	357	
Rate (%)	*25.0*	*25.4*	*25.4*	*25.1*	*24.8*	*25.2*	*25.2*	*25.4*	*25.2*	*25.2*	*25.2*	
Reported PAT	**694**	**725**	**770**	**1,045**	**860**	**1,072**	**1,156**	**1,336**	**3,234**	**4,424**	**1,061**	**-19%**
Adj PAT	**694**	**725**	**770**	**1,045**	**860**	**1,072**	**1,156**	**1,336**	**3,234**	**4,424**	**1,061**	**-19%**
YoY Change (%)	*-31.4*	*-37.5*	*-28.0*	*-0.2*	*23.9*	*47.8*	*50.1*	*27.9*	*-22.8*	*36.8*	*27.5*	
Margin (%)	*15.8*	*15.7*	*17.2*	*19.0*	*16.4*	*17.4*	*17.5*	*18.6*	*17.0*	*17.6*	*18.9*	*-2.5*

Angel One

Mr. Dinesh D. Thakkar

Mr. Dinesh D. Thakkar, Chairman & Managing Director, is the promoter of Angel One Group and has over 30 years of experience in capital markets. He has been instrumental in transforming Angel One from being a leading traditional broker into one of the top three discount brokers. He is now building a diversified business model for Angel One, spanning across the distribution of financial products, AMC, wealth management and broking.

Diversification is the next mantra

We met the top management team of ANGELONE, represented by Mr. Dinesh Thakkar, Chairman & MD; Mr. Vineet Agrawal, Group CFO; Mr. Amit Majumdar, Group Chief Strategy Officer; and Mr. Hitul Gutka, Head IR, to discuss the massive changes in the regulatory environment and ANGELONE's growth and expansion strategies amid such changes. Here are the key takeaways from the discussion:

Regulatory changes customer-centric, ANGELONE has levers to offset the impact

- With options volumes in India significantly ahead of any other developed world exchanges (NSE ranks 1st in number of contracts traded), market regulator SEBI has been concerned about the risk emanating from a high share of derivative volumes.
- Accordingly, with the interest of retail customers at core, SEBI has rolled out a consultation paper enlisting several measures to protect marginal retail participants. For AGENONE, the number of customers buying options is substantial; hence, it is pertinent to evaluate the impact on such customers. Among the measures, the increase in the lot size and the reduction in expiries are likely to affect the business of AGENLONE. It has a market share of over 20% in F&O ADTO.
- Even in the past, there have been several regulatory interventions for customer protection. For instance, the upfront and peak margin regulations have helped build a level playing field in the industry and protected retail participants by enabling a reduction in the undue exposure offered by some brokers. As envisaged, these measures have resulted in cash segment volumes hitting new highs since.
- If all the measures listed in the consultation paper are included in the final regulations, turnover volumes for ANGELONE are likely to be impacted. However, it is difficult to ascertain the absolute impact at the current juncture.
- Most importantly, changes in customer behavior are difficult to predict. In the past, the allocation of customers' money from their wallets to trading activities has not changed meaningfully even after regulatory changes.
- ANGELONE has several levers to offset the impact of these changes (assuming all changes come through), along with the impact of true-to-label charges. These levers include 1) rationalizing the pricing structure, 2) levying charges on cash delivery, which is free currently (57% of cash segment orders for ANGELONE in FY24 were delivery orders), 3) levying charges for accepting non-cash collateral beyond 50% of the overall margin, among others.
- Which measure to implement and the quantum of charges will be decided closer to the execution of final regulations, as and when they are announced. Actions by competitors will be tracked closely before executing any of these steps. The choice for ANGELONE and its peers will be between 1) taking a hit on margins, leading to a higher market share, and 2) raising the charges and risking losing some market share in the interim.
- Important criteria before deciding on final actions for ANGELONE would be the impact on LTV of the customer from these regulations. Ideally, since the measures are aimed at reducing customer losses (if implemented), the longevity of the customer in the system increases. Additional products will only add to the LTV in the longer term, thus giving the company the ability to spend on higher acquisitions.
- In a nutshell, while the rules of the game are changing, the game (investing in Indian equities) continues to be exciting given the strong economic backdrop and India's demographic dividend advantage.

Broking industry well positioned to sustain strong momentum

- India has seen a strong momentum in demat account additions in the past three years, from 62m in Jun'21 to 162m in Jun'24. However, the penetration is still low at 11% in India compared to 65% in the US and 15% in China. A soft interest rate environment for the long term could be a key driver of customer additions.
- Penetration is increasing in low-tier cities, which are witnessing structural changes in customer behavior on the back of low internet data charges, deeper smartphone penetration, and increasing financial literacy.
- Customer-centric regulations, such as 100% upfront margin norms, upstreaming of funds to clearing corporations, and client-level segregation of margins, among others, have ensured the safety of customers' funds lying with intermediaries.
- Any future regulatory interventions, which are focused on insulating retail investors' funds or equity holdings, will only enhance confidence in the markets and, in turn, lead to higher participation in the long term.

Strengthening its position in broking through app innovations and pricing

- ANGELONE has an enviable market share across parameters —23% in incremental demat accounts, 15.2% in NSE active clients, ~20.4% in F&O retail ADTO (for options premium turnover is considered), 16.6% in cash retail ADTO and 58% in commodities retail ADTO as of 1QFY25.
- To further enhance its market share, ANGELONE has brought in innovations in its Super App. Client experience has improved with features such as – 1) F&O on-boarding journey (launched for beginners to simplify their trading journey), 2) live trading sessions by experts to educate options traders, 3) vernacular FAQ to break the language barrier, and 4) aggregated news about markets, personalized to users' portfolios and watch lists. There are multiple other such features in the development pipeline.
- ANGELONE is keen to scale up its market share in the cash segment, as it penetrates deeper into tier 3 & 4 cities focusing on on-boarding new-to-market clients. It has also reduced charges in the cash segment from 0.25% of turnover to 0.03% recently.

ANGELONE scaling up MTF book

- ANGELONE's MTF book size stood at INR34b at the end of 1QFY25. Over the next 1-2 years, the company aims to garner a better market share in this segment as it focuses on significantly growing this book.
- The impact of regulations on F&O segment may shift some of the customer activities toward the cash segment, giving ANGELONE the opportunity to grow its book.
- ANGELONE is experimenting with differentiated MTF pricing, with yields ranging 14-15% for a few Assisted Business clients, while on the B2C side, it is still holding the rates at 18%.

Beefing up Assisted Business to scale new heights

- The Assisted Business unit accounts for over 22% of net broking revenues for ANGELONE. It plans to materially scale up its authorized person (AP) network and demerge this segment into a separate subsidiary.
- Currently, most of the APs are primarily focusing on broking products. However, ANGELONE believes that the potential is huge for APs to sell other financial products, such as mutual funds, insurance and loans. Hence, the focus will be on adding APs with capabilities to distribute multiple products.
- With its technology and digital prowess, ANGELONE aims to build an ecosystem for APs that will ensure them the right training, product suite, and execution. It will leverage NXT, an in-house developed technology platform, to enhance partner engagement.

Non-broking businesses to scale up materially over the next few years

- ANGELONE currently derives over 95% of its revenues from broking-related activities (brokerage, interest income, and allied activities). Distribution is primarily restricted to IPOs and mutual funds (low revenue contribution as majority of it is done via the direct route). However, over the medium term (5-7 years), the share of non-broking businesses is expected to increase materially as multiple business lines become accretive.

Wealth Management:

- ANGELONE is building its wealth management business under a separate subsidiary and has infused INR2.5b into this business in Mar'24. The right to win for Angel One Wealth comes from its established brand, tech innovations and an able team.

- Currently, the targeted ticket size is INR100-150m, but eventually with the variety of products and technology, the ticket size is expected to come down to INR10m.
- To grow exponentially, the company targets to make this segment phygital (good interface on the mobile app) over time, rather than relying on RMs like other traditional wealth management companies.
- In the next three years, the management aspires to build significant AUM and achieve breakeven. The current annual cost estimated for this segment is around INR500-600m (1% of consolidated OPM vs. 1.5% of OPM for all new businesses).
- AIFs and PMS manufacturing will be under Angel One Wealth.

Loan Distribution:

- ANGELONE has a total customer base of over 24.7m, with 6.7m active broking customers. The company believes that digital players will play an excellent role in acquiring customers for lenders, given the strong understanding of customer behavior, which enables lenders to underwrite efficiently.
- Personal loan distribution (ticket size of INR 0.1m) is just the beginning of a long journey of financial product distribution.
- The company is evolving the app to keep customers engaged with different services and use data analytics to cross-sell. For example, a client investing in mutual funds via a direct SIP route is likely to exhibit a higher lifetime value, given their frequent engagements with the platform and an increased potential for cross-selling other products.

Asset Management:

- ANGELONE will focus on passives. It believes that passives align well with the customer segment it serves, specifically catering to the customer base in tier 2, 3 & 4 towns.
- With respect to active funds, the management believes there are many players in the market who have matured, so the competition will be much higher.
- The final approval for the AMC business is likely in the near term and the company is closely engaged with the regulator for all their requirements.

Huge operating leverage from acquired base

- With respect to customer acquisition costs (CoA), ANGELONE achieves breakeven in about six months. Acquired clients are profitable from Year 1, indicating the robustness of the digital business model. From Year 2 onward, the contribution margin exceeds 90%, and the 3-year revenue-to-CoA ratio for clients acquired in FY22 remains robust at 7.9x.
- The revenue-to-CoA ratio is expected to further expand, driven by the benefits of offering multi-products in the Super App, thereby enhancing the lifetime value of every cohort.
- IPL: The company spent around INR1.4b in the last IPL season to create brand awareness and make people recognize ANGELONE as a tech player and not just a traditional broking company. This year the benefit was reflected in increased brand visibility and recall.

Valuations and view:

- ANGELONE stock price is down 38% YTD as the markets were anticipating regulatory actions on F&O segment. The consultation paper has cleared up the uncertainty. With regards to true-to-label charges, the company has highlighted that various levers will be used to fully offset the impact on revenues and margins.
- For every 10% hit in true-to-label charges, earnings are hit by ~4%, and for every 10% hit in the number of orders, earnings are hit by ~12%. On the other hand, an INR2 per order increase in realizations can increase earnings by ~10%.
- While pricing action on various aspects of the business can have an offsetting impact, optimizing the cost is another lever. In the past, the company has slowed down customer acquisitions to keep costs under control intermittently.
- Furthermore, in our estimates, we have not built in additional revenues from new products (fixed income and loan distribution) and new businesses (Wealth management, AMC, new push on associated persons). However, the incremental costs for these businesses are built into our estimates.
- We are not changing our estimates yet as we await the final regulations. However, we cut our FY26E P/E multiple to 14x to arrive at a 1-year TP of INR3,000. Maintain BUY.

Alkyl Amines

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	AACL IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	105.1 / 1.3
52-Week Range (INR)	2735 / 1805
1, 6, 12 Rel. Per (%)	0/-18/-38
12M Avg Val (INR M)	171

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	14.4	17.3	21.6
EBITDA	2.5	3.5	4.4
PAT	1.5	2.1	2.9
EPS (INR)	29.1	41.5	55.8
EPS Gr. (%)	-34.9	42.7	34.5
BV/Sh.(INR)	247.7	274.9	311.6
Ratios			
Net D:E	-0.0	-0.1	-0.1
RoE (%)	12.2	15.9	19.0
RoCE (%)	11.5	15.3	18.4
Payout (%)	34.4	34.4	34.4
Valuations			
P/E (x)	70.6	49.5	36.8
P/BV (x)	8.3	7.5	6.6
EV/EBITDA (x)	41.8	29.8	23.2
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	1.5	1.7	1.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	72.0	72.0	72.0
DII	1.1	1.1	1.2
FII	3.1	3.0	2.9
Others	23.9	23.9	24.0

FII Includes depository receipts

CMP: INR2,056 TP: INR1,955 (-5%) Neutral

Robust quarter; expect momentum to continue

- Alkyl Amines (AACL)'s 1QFY25 revenue declined 2% YoY to INR4b, with gross margin of 47% (up 230bp YoY) and EBITDAM of 19.8%. PAT stood at INR489m vs. our estimate of INR407m.
- A new Ethylamines plant was commissioned in FY24, which clocked 60% utilization in 2HFY24. AACL has a larger market share vs. competition, and with steady growth in demand (5-7% every year) and improved margin, the management is confident of maintaining its market share despite capacity expansions by competition.
- AACL continues to maintain its market share in ACN. The company has applied for an anti-dumping duty (ADD) and expects interim relief in FY25, which could lead to a market share gain for AACL. Currently the impact from imports is to the tune of 15-20% of revenues from ACN.
- We keep our estimates unchanged. We expect a CAGR of 22%/33%/38% in revenue/EBITDA/EPS during FY24-26 (due to a lower base in FY24). The stock is trading at 36.8x FY26E EPS of INR55.8 and 23.2x FY26E EV/EBITDA. **We reiterate our Neutral rating on the stock and value it at 35x FY26E EPS to arrive at our TP of INR1,955.**

Earnings beat with expansion in margin YoY

- Revenue stood at INR4b (est. INR3.8b, -2% YoY). **Gross margin was 47%** with EBITDAM of 19.8% (vs. ~18.1% in 1QFY24).
- EBITDA came in at INR791m (est. INR699m, +7% YoY). PAT stood at INR489m (est. INR407m, -2% YoY).
- The board has approved the reappointment of Mr. Yogesh Kothari, Mr. Kirat Patel and Mr. Suneet Kothari for a term of five years in their respective positions in AACL.

Valuation and View

- The company commissioned its Ethylamines plant in FY24 and has boosted its aliphatic amines capacity by ~30%. AACL's total capacity stands at ~200ktpa (including derivatives and specialty chemicals). Additionally, AACL is venturing into new specialty products that are likely to improve its margins. This would be driven by robust demand for amine derivatives and specialties, although near-term headwinds persist.
- Over FY24-26, we estimate a ~22% revenue CAGR and a 38% EPS CAGR (due to lower base in FY24) for AACL. The potential risk to our outlook is high competition (both domestic and imports, mainly for China), leading to limited pricing power for AACL.
- The stock is trading at 36.8x FY26E EPS of INR55.8 and 23.2x FY26E EV/EBITDA. **We reiterate our Neutral rating on the stock, and value it at 35x FY26E EPS to arrive at our TP of INR1,955**.

Standalone - Quarterly Snapshot (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	**4,098**	**3,522**	**3,221**	**3,566**	**3,997**	**4,214**	**4,408**	**4,668**	**14,406**	**17,287**	**3,760**	**6%**
YoY Change (%)	*-13.5*	*-13.9*	*-17.1*	*-13.5*	*-2.5*	*19.7*	*36.9*	*30.9*	*-14.4*	*20.0*	*-8.2*	
Gross Margin (%)	*44.7%*	*45.7%*	*47.6%*	*49.2%*	*47.0%*	*47.7%*	*48.3%*	*48.8%*	*46.7%*	*48.0%*	*49.2%*	*-2.2%*
EBITDA	**740**	**483**	**596**	**689**	**791**	**856**	**892**	**940**	**2,507**	**3,479**	**699**	**13%**
Margin (%)	*18.1*	*13.7*	*18.5*	*19.3*	*19.8*	*20.3*	*20.2*	*20.1*	*17.4*	*20.1*	*18.6*	*1.2*
Depreciation	122	125	168	174	177	186	191	200	589	754	182	
Interest	9	17	11	7	2	10	13	23	44	48	8	
Other Income	55	24	46	26	47	28	40	45	151	160	36	
PBT before EO expense	**664**	**364**	**463**	**533**	**659**	**689**	**727**	**762**	**2,025**	**2,838**	**544**	**21%**
PBT	**664**	**364**	**463**	**533**	**659**	**689**	**727**	**762**	**2,025**	**2,838**	**544**	**21%**
Tax	166	92	129	149	170	174	183	187	536	714	137	
Rate (%)	*25.0*	*25.2*	*27.8*	*27.9*	*25.9*	*25.2*	*25.2*	*24.6*	*26.5*	*25.2*	*25.2*	
Reported PAT	**498**	**272**	**334**	**385**	**489**	**516**	**544**	**575**	**1,489**	**2,124**	**407**	**20%**
Adj PAT	**498**	**272**	**334**	**385**	**489**	**516**	**544**	**575**	**1,489**	**2,124**	**407**	**19%**
YoY Change (%)	*-39.2*	*-48.0*	*-26.8*	*-20.9*	*-1.8*	*89.3*	*62.8*	*49.6*	*-34.9*	*42.6*	*-18.2*	
Margin (%)	*12.1*	*7.7*	*10.4*	*10.8*	*12.2*	*12.2*	*12.3*	*12.3*	*10.3*	*12.3*	*10.8*	*1.4*

MOTILAL OSWAL | MORNING INDIA

12 Aug 2024

1QFY25 Results Update | Sector: Footwear

Campus Activewear

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CAMPUS IN
Equity Shares (m)	305
M.Cap.(INRb)/(USDb)	89 / 1.1
52-Week Range (INR)	324 / 213
1, 6, 12 Rel. Per (%)	0/4/-24
12M Avg Val (INR M)	459

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	14.5	16.0	18.8
EBITDA	2.1	2.5	3.3
Adj. PAT	0.9	1.3	1.7
EBITDA Margin (%)	14.6	15.9	17.3
Adj. EPS (INR)	2.9	4.3	5.6
EPS Gr. (%)	-23.6	46.8	30.6
BV/Sh. (INR)	21.3	25.6	31.2
Ratios			
Net D:E	0.2	0.2	0.0
RoE (%)	13.7	16.8	18.0
RoCE (%)	13.1	16.3	17.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	99.8	68.0	52.1
EV/EBITDA (x)	43.1	35.6	27.6
EV/Sales (X)	6.3	5.7	4.8
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	2.1	0.9	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	73.9	73.9	73.9
DII	9.5	7.8	6.6
FII	5.9	5.2	11.5
Others	10.8	13.1	7.9

FII Includes depository receipts

CMP: INR292 TP: INR335 (+15%) Buy

Weak revenue hurts PAT

- Campus Activewear (Campus) posted a revenue decline of 4% YoY (9% miss), due to weak performances of both the trade distribution channel (TD) and D2C online channel. Growth in open footwear was a silver lining in 1QFY25. Weak revenue led to 22%/19% YoY decline in EBITDA/PAT (21%/22% miss) for the quarter.
- We broadly maintain our estimates, factoring in 14%/38% revenue/PAT CAGR over FY24-26. The stock has corrected sharply; however, Campus's strong market position, stabilization of D2C online/TD channels, and a long runway for growth should result in a market recovery in 2HFY25E. **Reiterate BUY with a TP of INR335.**

Revenue/PAT down 4%/19% YoY

- Revenue declined 4% YoY to INR 3.4b (9% miss) due to muted demand environment.
  - Volumes increased 3% YoY to 5.8m led by open footwear; however, the ASP declined 7% YoY to INR585 due to a change in mix towards open footwear.
- TD channel declined 9% YoY; D2C channel declined 6% YoY and expect stabilization.
- Gross profit declined 5% YoY to INR 1.8b (9% miss), and margin dipped 40bp YoY to 53%. GM contraction could be due to a change in mix towards open footwear.
- EBITDA declined 22% YoY to INR517m (21% miss) due to decline in GP. Margins declined 350bp YoY to 15.3%.
- This has led to decline in PAT by 19% YoY to INR254m (22% miss). PAT margin contracted 140bp YoY to 7.5%.

Key takeaways from the management commentary

- **BIS**: It is fully effective from 1st Aug'24, while the mandated time to liquidate the inventory is the end of Jun'25. The cheap imports have reduced. Campus is fully compliant with the BIS norms. The cost impact on BIS for the company is very small.
- **Distribution**: The company has strengthened its distribution side by adding a few more superstockists and eight new distributors. The dip in trade distribution was due to open footwear sales-driven lower ASP. In terms of volumes, the channel grew YoY. Management expects to keep the mix at 50:50 going forward.
- **ASP**: The ASP decline was largely led by the higher share of open footwear. Management does not expect the ASP to increase considerably in FY25; however, as demand picks up, management is hopeful of the ASP to improve.

Valuation and view

- Our channel checks depict: 1) prolonged macro headwinds, particularly in the value segment, in the northern belt, as evident from the performances of all players, and 2) increased competitive intensity as other players are offering low-ASP products and high channel commissions, which have led to distributor churn. Campus's premiumization strategy, focusing on the INR1,000-2,000 ASP segment, could see headwinds in the current weak environment, where we see down-trading across discretionary categories.
- The ongoing weak environment, coupled with the churn in distributors and decline in O2O business partners, hurt revenue growth. However, stabilization in D2C online and trade distribution channels provides comfort.
- We broadly retain our estimates, factoring in 14%/38% revenue/PAT CAGR over FY24-26. **Reiterate BUY with a TP of INR335 (premised on 60x P/E on FY26E EPS).**

Consolidated - Quarterly Earnings (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var. (%)
Revenue	**3,538**	**2,587**	**4,720**	**3,639**	**3,392**	**3,360**	**5,251**	**3,999**	**14,483**	**16,001**	**3,724**	**-8.9**
YoY Change (%)	4.8	-22.4	1.4	4.6	-4.1	29.9	11.2	9.9	-2.4	10.5	5.3	
Gross Profit	**1,888**	**1,406**	**2,420**	**1,815**	**1,797**	**1,781**	**2,720**	**2,023**	**7,528**	**8,321**	**1,974**	-9.0
Gross margin	53.4	54.3	51.3	49.9	53.0	53.0	51.8	50.6	52.0	52.0	53.0	-3
Total Expenditure	2,876	2,342	4,158	3,000	2,874	2,833	4,400	3,350	12,375	13,457	3,072	-6.4
EBITDA	**662**	**245**	**563**	**639**	**517**	**528**	**851**	**649**	**2,108**	**2,544**	**652**	**-20.6**
EBITDA margins (%)	18.7	9.5	11.9	17.6	15.3	15.7	16.2	16.2	14.6	15.9	17.5	-224
Depreciation	171	181	184	186	162	172	182	195	721	713	192	-15.5
Interest	69	65	58	40	37	40	40	44	232	161	40	-8.7
Other Income	2	4	14	25	23	23	23	12	45	80	13	79.9
PBT	**424**	**4**	**335**	**438**	**341**	**338**	**651**	**421**	**1,200**	**1,750**	**432**	**-21.1**
Tax	109	1	86	110	87	84	163	103	306	438	108	-19.3
Rate (%)	25.8	13.5	25.6	25.2	25.6	25.0	25.0	24.6	25.5	25.0	25.0	
Reported PAT	**315**	**3**	**249**	**328**	**254**	**253**	**488**	**318**	**894**	**1,313**	**324**	**-21.6**
Adj PAT	**314**	**3**	**249**	**328**	**254**	**253**	**488**	**318**	**894**	**1,313**	**324**	**-21.6**
YoY Change (%)	1	-98	-48	43	-19	7,811	96	-3	-23.6	46.8		

E: MOFSL Estimates

Vodafone Idea

BSE SENSEX	S&P CNX
79,649	24,347

CMP: INR16 **Neutral**

Conference Call Details

Date: 13th Aug 2024

Time: 02:30pm IST

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Net Sales	427	453	525
EBITDA	171	190	229
Adj. PAT	-320	-303	-302
EBITDA Margin (%)	40.2	42.0	43.6
Adj. EPS (INR)	-11.1	-10.6	-10.5
EPS Gr. (%)	9.3	-5.2	-0.6
BV/Sh. (INR)	-32.4	-35.6	-45.0
Ratios			
Net D:E	-2.4	-2.3	-2.0
RoE (%)	NM	NM	NM
RoCE (%)	-3.6	-3.7	-2.6
Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	19.3	17.8	15.9
P/E (x)	-1.4	-1.5	-1.5
P/B (x)	-0.5	-0.4	-0.4
Div. Yield (%)	0.0	0.0	0.0

Revenue down marginally; subscriber loss continues

- VIL's revenue declined 1% QoQ to INR105b (in line), led by a 1% QoQ subscriber loss (2.5m loss). ARPU was flat QoQ at INR146.
- Reported EBITDA declined 3% QoQ to INR42b (in line) and margin contracted 90bp QoQ to 40% due to operating deleverage.
- **Pre-Ind-AS EBITDA declined 4% QoQ to INR21b (in line), and margin contracted 60bp QoQ to 20%.**
- VIL reversed the interest cost of INR2,630m following the Hon'ble Supreme Court's pronouncement of a further judgment regarding the waiver of interest on tax.
- Adj. net loss reduced to INR67b from INR77b loss QoQ.
- Net debt reduced INR114b to INR1.96t. This included: 1) Spectrum and AGR debt, which accounted for INR2.1b, and b) market debt at INR47b. The growth in cash was led by FPO.
- **Capex** increased to INR7.6b (from INR5.5b in 4Q) and INR18.5b in FY24. Bharti/RJio's annual network capex has been INR331b/INR533b for FY24, significantly above VIL's, despite having a higher capacity.

Operating metrics

- **VIL's subscriber loss (since the last 23 quarters) stood at 2.5m (vs. 2.6m in 4Q; with an average 4m loss in the last eight quarters) to 210.1m**
  - Active subs too saw a decline of 5m (vs. average 4m loss in the last eight quarters) to 188.3m. RJio/Airtel added 7.9m/2.3m subscribers on a net basis during the quarter.
  - Churn elevated to 4% (vs. 3.9% QoQ). Churn for RJio/Airtel stood at 1.7%/2.8%.
  - Data subscribers were flat QoQ at 136.9m (65% of total subscribers).
  - 4G subscribers were flat QoQ at 126.7m (60% of total subscribers).
- **ARPU stood flat QoQ to INR146; it has slowed down (vs. +2% in the last eight quarters).**
- Data traffic improved 1% QoQ to 6.1bGB. Data usage/subs increased 5% QoQ to 15.4GB.
- MOU (min/sub/month) declined 3% QoQ to 607min. RJio/Airtel's MOU were 974mins/1128mins.

Strategic plans-

- **Capex plans:**
  - **Capex is expected to be in the range of INR500-550b over the next three years, and VIL is in discussion towards debt funding.**
  - Following the recent equity raise, VIL is in the process of expanding its 4G coverage and capacity as well as the launch of 5G services.
  - Some capex has already been ordered and it is under execution. We expect ~15% increase in data capacity and an increase in 4G population coverage by ~16m by end-Sep'24.
  - It has completely shut down its 3G sites in seven circles and is in the process of shutting down 3G across other circles as well.

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Revenue	**107**	**107**	**107**	**106**	**105**	**111**	**118**	**120**	**427**	**453**	**106**	**-0.9**
YoY Change (%)	2.4	1.0	0.5	0.7	-1.4	3.1	10.2	12.8	1.1	6.2	0.6	
Total Expenditure	65	64	63	63	63	65	67	68	255	263	64	-1.0
EBITDA	**42**	**43**	**44**	**43**	**42**	**46**	**51**	**52**	**171**	**190**	**42**	**-0.7**
YoY Change (%)	-4.0	4.5	4.1	3.0	1.1	6.5	16.7	19.4	1.8	11.1	0.5	
Depreciation	56	57	56	58	54	55	57	80	226	245	59	-8.5
Net Finance Costs	64	65	65	62	53	53	54	88	257	248	63	-17.0
PBT before EO expense	**-78**	**-79**	**-77**	**-77**	**-64**	**-63**	**-61**	**-116**	**-312**	**-303**	**-80**	**19.4**
Extra-Ord expense	0	0	-8	0	0	0	0	0	-8	0	0	
PBT	**-78**	**-79**	**-70**	**-77**	**-64**	**-63**	**-61**	**-116**	**-304**	**-303**	**-80**	**19.4**
Tax	0.0	8.2	0.0	0.1	0.1	0.0	0.0	-0.1	8.3	0.0	0.0	**#DIV/0!**
Rate (%)	0.0	-10.3	0.0	-0.1	-0.1	0.0	0.0	0.0	-2.7	0.0	0.0	
Reported PAT	**-78**	**-87**	**-70**	**-77**	**-64**	**-63**	**-61**	**-116**	**-312**	**-303**	**-80**	**19.4**
Adj PAT	**-78**	**-87**	**-77**	**-77**	**-67**	**-63**	**-61**	**-116**	**-320**	**-306**	**-80**	**16.1**
YoY Change (%)	7.4	15.0	-3.1	20.0	-14.6	-28.4	-21.6	51.0	9.3	-4.3	24.7	

E: MOFSL Estimates

NMDC

BSE SENSEX	S&P CNX
79,649	24,347

Conference Call Details

Date: TBD
Time: TBD

CMP: INR230 **BUY**

Revenue in line; lower royalty expense leads to EBITDA beat

Highlights of the 1QFY25 consolidated results:

- Revenue was in line with our estimate at INR54b, flat YoY/down 17% QoQ. The QoQ decline was primarily due to weak volumes, partially offset by higher NSR.
- Iron Ore production stood at 9.19mt (YoY/QoQ: -14%/ -31%), while sales stood at 10.1mt (YoY/QoQ: -8%/ -20%) during the quarter.
- ASP for the quarter improved to INR5,337/t (YoY/QoQ: +9%/+4%) and was in line with our estimate.
- EBITDA stood at INR23b (YoY/QoQ: +17%/+11%) against our estimate of INR18b. The beat was primarily due to the lower royalty expense and other operating costs.
- EBITDA/t stood at INR2,324 (YoY/QoQ: +28% / +39%) vs. our estimate of INR1,741.
- APAT for the quarter stood at INR20b (YoY/QoQ: +19%/ +37%) vs. our estimate of INR15b, on account of strong operating performance.
- The company provided for INR16b as contingent liabilities related to the ongoing mining matter with the State government.

We will release a detailed update after our interaction with the management.

Consolidated Quarterly Performance (INR b)

Y/E March	FY24				FY25E	FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q			1QE	(%)
Iron ore Production (mt)	11	9	12	13	9	45	51	9	-
Iron ore Sales (mt)	11	10	11	13	10	44	51	10	-
Avg NSR (INR/t)	4,915	4,194	4,748	5,174	5,377	4,623	4,816	5,329	1
Net Sales	54	40	54	65	54	213	244	54	1
Change (YoY %)	13.2	20.6	45.4	10.9	0.4	20.6	14.5		
Change (QoQ %)	-7.8	-25.6	34.8	20.0	-16.6				
EBITDA	20	12	20	21	23	73	90	18	33
Change (YoY %)	5.0	39.9	76.0	-2.8	17.4	20.5	23.6		
Change (QoQ %)	-7.8	-40.3	68.6	4.7	11.3				
EBITDA per ton (INR/t)	1,816	1,244	1,762	1,676	2,324	1,640	1,779	1,741	33
Interest	0.1	0.2	0.3	0.2	0.2	0.8	1.0		
Depreciation	0.7	0.9	0.8	1.1	0.7	3.5	3.6		
Other Income	2.9	3.2	3.4	4.2	3.6	13.7	14.3		
PBT (before EO Item)	22	14	22	24	26	82	100	20	31
Extra-ordinary item	0.0	0.0	-2.5	-0.3	0.0	-2.8	0.0		
PBT (after EO Item)	22	14	20	24	26	80	100		
Total Tax	5.5	3.8	5.1	9.4	6.4	23.8	25.0		
% Tax	24.9	27.0	25.7	40.0	24.7	29.9	25.0		
PAT before MI and Sh. of Asso.	17	10	15	14	20	56	75		
MI	0	0	0	0	0	0	0		
Sh. of Asso.	0	0	0	0	0	0	0		
PAT after MI and Sh. of Asso.	17	10	15	14	20	56	75		
Adjusted PAT	17	10	17	14	20	58	75	15	32
Change (YoY %)	14.3	5.6	83.6	-9.0	18.8	18.0	29.4		
Change (QoQ %)	5.1	-37.9	63.2	-14.6	37.2				

E: MOFSL Estimates

Senco Gold

BSE SENSEX	S&P CNX
79,649	24,347

Conference Call Details

Date: 14nd August 2024
Time: 10:30 AM
Dial-in details:
+91 22 6280 1325 / +91 22 7115 8226
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	52.4	63.1	74.3
Sales Gr. (%)	28.5	20.4	17.8
EBITDA	3.8	4.5	5.4
EBITDA mrg. (%)	7.2	7.2	7.3
Adj. PAT	1.8	2.4	2.9
Adj. EPS (INR)	23.3	30.3	37.1
EPS Gr. (%)	1.6	30.0	22.6
BV/Sh.(INR)	175.7	204.0	238.2
Ratios			
Debt/Equity	0.7	0.7	0.7
RoE (%)	15.7	15.9	16.8
RoIC (%)	11.8	11.7	12.1
Valuation			
P/E (x)	44.5	34.2	27.9
EV/EBITDA (x)	21.5	17.8	15.1

CMP: INR1,036

Beat on margin despite weak sales performance

Consolidated results

- Senco's 1QFY25 consolidated revenue grew 8% YoY to INR14,039m (est. INR15,469m). vs INR13,054m in 1QFY24.
- The company, in its quarterly business update in Jul'24, had already highlighted slow growth in 1QFY25 due to several external challenges in industry demand.
- Consolidated gross margin expanded 480bp YoY/20bp QoQ to 17%. (est. 13%), despite fewer wedding days and competitive pressure.
- As a percentage of sales, staff costs rose 50bp YoY and other expenses increased 170bp YoY.
- EBITDA margin expanded 260bp YoY to 7.7% (est. 5.1%) vs 7.7% in Q4FY24.
- EBITDA/PBT/adj. PAT grew 62%/89%/84% YoY to INR1,087m/INR708m/ INR513m (est. INR809m/INR487m/ INR365m).

Other key highlights

- The company reported 9% YoY revenue growth on a standalone basis, with an 11% increase in retail revenue.
- Same-store sales increased by 4% YoY in 1QFY25.
- Senco opened 6 stores (4 owned — 1 in Dubai; 2 franchisees), taking the total count to 165.
- Sales performance during Akshay Tritiya (first 41 days of 1Q) was in line with company expectations, with an impressive 21% YoY growth despite challenges such as extreme heat, Lok Sabha elections, and fewer wedding days.
- The company performed well during Bangle Utsav, Poila Boisakh, and Akshay Tritiya, leading to strong margins.
- Average transaction value increased by 12% to INR73,900, and average selling price grew by 13% to INR49,000, driven by events.
- The percentage of sales from recycled gold (old gold from customers) increased from 32% to 35%, with ~43,000 customers benefiting from this offer during 1Q.
- The company has also launched lab-grown diamonds (LGD) under the Sennes brand; it is a margin-accretive segment.
- Senco introduced over 8,000 new designs during 1Q.
- The reduction in customs duties is anticipated to stimulate future demand, particularly addressing the pent-up demand from 1Q.
- Lower gold prices are expected to drive footfalls and increase market share for organized jewelry players.

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	**13,054**	**11,466**	**16,522**	**11,373**	**14,039**	**13,873**	**20,239**	**14,971**	**52,414**	**63,123**	**15,469**	(9.2)
Change (%)	29.6	25.8	23.3	39.7	7.5	21.0	22.5	31.6	28.5	20.4	18.5	
Gross Profit	**1,632**	**1,354**	**3,083**	**1,944**	**2,428**	**1,595**	**3,886**	**1,872**	**8,014**	**9,782**	**1,965**	23.6
Gross Margin (%)	12.5	11.8	18.7	17.1	17.3	11.5	19.2	12.5	15.3	15.5	12.7	
Operating Expenses	960	960	1,272	1,067	1,341	1,105	1,635	1,159	4,259	5,239	1,156	
% of Sales	7.4	8.4	7.7	9.4	9.5	8.0	8.1	7.7	8.1	8.3	7.5	
EBITDA	**672**	**395**	**1,811**	**877**	**1,087**	**491**	**2,251**	**713**	**3,755**	**4,543**	**809**	34.4
Margin (%)	5.1	3.4	11.0	7.7	7.7	3.5	11.1	4.8	7.2	7.2	5.2	
Change (%)	22.1	21.2	11.3	31.5	61.8	24.3	24.3	-18.7	18.6	21.0	20.4	
Interest	266	234	283	298	322	266	311	269	1,081	1,167	285	
Depreciation	126	133	158	184	181	159	193	165	601	698	151	
Other Income	94	110	89	128	123	118	110	114	422	465	113	
PBT	**375**	**139**	**1,459**	**524**	**708**	**184**	**1,857**	**393**	**2,495**	**3,142**	**487**	45.4
Tax	98	20	366	202	195	46	466	81	685	789	122	
Effective Tax Rate (%)	26.1	14.1	25.1	38.6	27.6	25.1	25.1	20.6	27.5	25.1	25.1	
Adjusted PAT	**277**	**119**	**1,093**	**322**	**513**	**138**	**1,391**	**312**	**1,810**	**2,353**	**365**	40.6
Change (%)	23.5	22.9	5.3	24.9	84.0	28.6	28.0	-3.1	14.2	30.0	31.8	

E: MOFSL Estimates

Insurance Tracker

Individual WRP for private players grew 30% YoY in Jul'24

Overall Ind WRP grew 19% YoY; LIC's Ind WRP flat YoY

- **In Jul'24, the individual weighted received premium (WRP) for private players grew 30% YoY (a three-year CAGR of 16.6%), while for the industry growth was at 19% YoY (a three-year CAGR of 13%).**
- **Among listed players, individual WRP for HDFCLIFE showed a strong growth of 57.8% YoY. MAXLIFE/IPRULIFE/Bajaj Allianz saw strong growth of 44.8%/40.4%/47.5% YoY. SBI Life growth was relatively weaker at 20.8% YoY.**
- **Individual WRP for LIC remained flat YoY in Jul'24 (vs. a growth of 12.7% in Jun'24).**
- **IRDAI has announced new regulations regarding surrender values, to be implemented from 1st Oct'24. The product and commission construct could undergo significant changes, leading to volatility in premium growth for the rest of the fiscal year. Nevertheless, over the medium term, we believe these changes are favorable for customers and will bring back growth. SBILIFE and HDFCLIFE are our preferred picks in the space.**

Individual WRP and YoY growth (%)

Individual WRP, INR m	Jul'24	YoY gr. (%)
Grand Total	**96,316**	**19.0%**
Total Private	**66,424**	**30.0%**
LIC	**29,892**	**0.2%**
Total Public	29,892	0.2%
SBI Life	16,513	20.8%
HDFC Life*	10,705	57.8%
ICICI Prudential	6,815	40.4%
Bajaj Allianz	6,316	47.5%
Max Life	6,205	44.8%
Tata AIA	5,888	12.2%
Birla Sun life	2,613	36.3%
Kotak Life	1,916	18.7%

Source: IRDAI, LIC Council, MOFSL
Note - *including Excide life

On an Individual WRP basis, the market share for private players increased to ~69%

In terms of individual WRP, the market share of private players increased ~70bp MoM to 69% in Jul'24. LIC's market share declined to 31%. On a YTD basis, market share for private players increased 340bp YoY led by HDFCLIFE/IPRU with gains of 140/130bp YoY respectively. For Jul'24, SBILIFE (17.1%) remained the largest private insurer in terms of individual WRP, followed by HDFCLIFE (11.1%) and Ipru (7.1%). On an Un-weighted basis too, SBILIFE was the largest private insurer, with a market share of 9.4%, followed by HDFCLIFE (8.5%) and IPRU (5.5%).

Performance of key private players

On an Individual WRP basis, the combined market share of the listed players – SBILIFE, HDFCLIFE, IPRU, and MAXLIFE – accounted for 60.6% of the private insurance industry in Jul'24. Among the prominent private insurers, IPRULIFE secured the third position in terms of Individual WRP, while Bajaj Allianz and Max took the fourth and fifth positions, respectively, in Jul'24. Max held the sixth position. Among key listed players on the basis of Individual WRP –

- **HDFCLIFE** (including Exide merger) grew 11% YoY in Jul'24 (up 36.7% YoY YTD FY25). Total Un-weighted premium grew 33.8% YoY (up 15.4% YoY YTD FY25).
- **SBILIFE** grew 20.8% YoY in Jul'24 (up 20.8% YoY in YTD FY25). Total Un-weighted premium declined 26.4% YoY in Jul'24 (down 2.4% YoY in YTD FY25).
- **IPRU** grew 40.4% YoY in Jul'24 (up 44.9% YoY in YTD25). Total Un-weighted premium grew 7.4% YoY in Jul'24 (up 17.9% YoY in YTD FY25).
- **MAXLIFE** grew 44.8% YoY in Jul'24 (up 32.4% YoY in YTD FY25). Total Un-weighted premium grew 27.8% YoY in Jul'24 (up 16.4% YoY in YTD FY25).

Harmonization of guidelines for HFCs

Primarily realignment of guidelines regarding acceptance of public deposits

- HFCs accepting public deposits are currently subject to more relaxed prudential parameters on deposit acceptance as compared to NBFCs. The RBI has decided to move HFCs towards the regulatory regime on deposit acceptance as applicable to deposit-taking NBFCs and specify uniform prudential parameters. **The revised regulations shall be applicable with effect from 1st Jan'25.**
- The revised guidelines dwell upon, 1) maintenance of a minimum percentage of liquid assets, 2) safe custody of liquid assets, 3) full cover for public deposits, 4) rating of deposits, ceiling on quantum of deposits, and period of deposits, 5) branches and appointment of agents to collect deposits, and 6) restrictions on investments in unquoted shares.
- The guidelines also state that ***all HFCs*** shall be allowed to hedge the risks arising out of their operations and to issue co-branded credit cards. It also details how investments through AIFs would be considered for the calculation of Net Owned Funds (NOF).

Maintenance of a minimum percentage of liquid assets

- Deposit taking HFCs are currently required to maintain 13% liquid assets against public deposits held by them.
- Going forward, all deposit-taking HFCs shall maintain, on an ongoing basis, liquid assets of ~14% by 1st Jan'25 and ~15% by 1st Jul'25. This increase will be carried out in a phased manner (Refer Exhibit 2).

Ceiling on the quantum and period of deposits

- To be eligible for accepting public deposits, the deposit taking HFCs shall invariably obtain a minimum investment-grade credit rating at least once a year. In case their credit rating is below the minimum investment grade, such HFCs shall not renew existing deposits or accept fresh deposits thereafter till they obtain an investment grade credit rating.
- **The ceiling on the quantum of public deposits held by deposit-taking HFCs will be reduced to 1.5x from 3x of NOF. All large deposit-taking HFCs have total deposits which are <1.5x of their net-worth (Refer Exhibit 1).** HFCs holding deposits in excess of the revised limit shall not accept fresh public deposits or renew existing deposits till they conform to the revised limit. However, the existing excess deposits will be allowed to run off until maturity.
- HFCs are currently allowed to accept or renew deposits between tenors of 1 year to 10 years. **Under the revised guidelines, the deposits – whether fresh or renewed – can be done for tenors between one year and five years**. Existing deposits with maturities above five years will have to be repaid as per the existing repayment profile.

All HFCs would be allowed to hedge risks and issue co-branded credit cards

- Subject to detailed guidelines and nuances, the HFCs will be allowed to hedge their operational risks through participation in exchange traded currency derivatives, interest rate futures, and credit default swaps (CDS).
- Just like their NBFC counterparts, **all HFCs will now be allowed to issue co-branded credit cards.**

Revised risk weights for undisbursed amount of housing loans/other loans

To address a potential anomaly in the computation of risk-weighted assets for undisbursed amount of housing loans/other loans compared to that for an equivalent disbursed amount of similar exposures, the RBI directed that the risk weighted assets computed for undisbursed amount of housing loans/other loans, shall be capped at the risk weighted asset computed on a ***notional basis*** for an equivalent amount of disbursed loan.

Deposits as a proportion of Net-worth – The large HFCs who accept deposits are comfortably placed

Company	As on 31 March 2024 (INR m)		
	Deposits	Networth	Deposits/ Networth (x)
LICHF	98,986	3,13,946	0.3
PNBHF	1,77,582	1,49,744	1.2
CANF	2,178	43,439	0.1

Source: Company, MOFSL

Liquid assets as a % of deposits to be increased to 15% in a phased manner

Timeline	Unencumbered approved securities, to be held as a per cent of public deposits	Total liquid assets along with unencumbered approved securities to be held as a per cent of public deposits
Currently	6.50%	13%
January 01, 2025	8.00%	14%
July 01, 2025	10%	15%

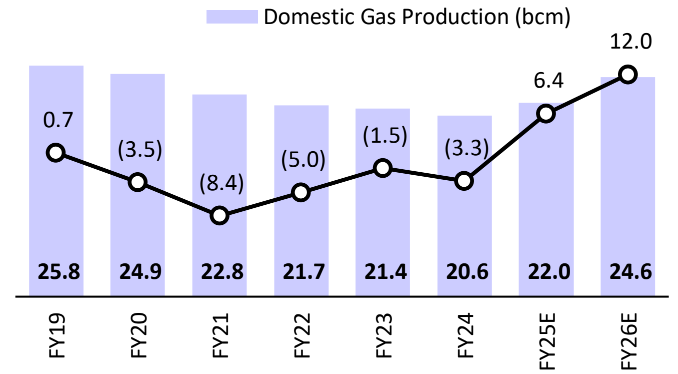
Source: RBI, MOFSL

Oil & Gas

MOP&NG approves higher gas price for new wells from nominated fields

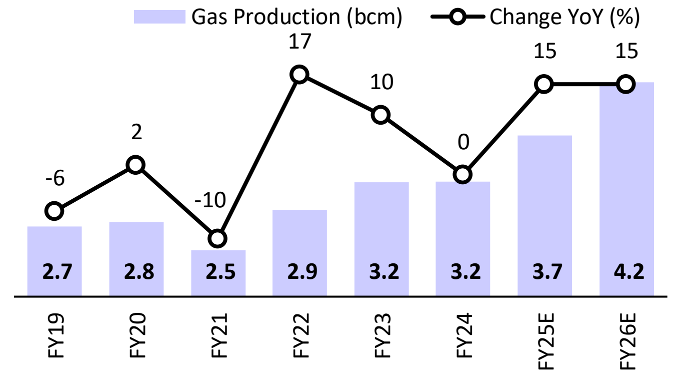
- **ONGC announced on 12th Aug'24 that the Ministry of Oil, Petroleum and Natural Gas (MOP&NG) notified that gas from new wells in nominated fields will be entitled to receive a gas price at 12% of Indian crude basket. Assuming Indian crude basket price of USD80/bbl, production from new wells from nominated fields could attract a gas price of USD9.6/mmbtu vs. USD6.5/mmbtu currently.**
- Until now, as per guidelines for domestic gas pricing, APM price was fixed at 10% of Indian crude basket price announced by PPAC monthly (for all gas from nominated fields).
- The near-term earnings impact from this development will be muted; however, in the medium term, assuming an 8% annual decline and 3% volume growth from nominated fields (for ONGC), we believe ~30% of volume could be entitled for higher gas price in three years. For Oil India, which has higher volume growth (~6%), ~35-40% of production could qualify for higher gas price in three years.
- Every USD1/mmbtu change in oil prices has ~8% impact in FY26E EBITDA for both ONGC (SA) and Oil India (SA).
- In its earnings calls, ONGC had announced that the board recently approved the Daman upside development project with peak production of ~5mmscmd. Today, ONGC further announced that the board has approved a new project for integrated development of four contract areas under DSF-II, with an estimated project cost of ~INR60b (peak production capacity of ~4mmscmd of gas). As such, the production development pipeline continues to improve and is key to future volume visibility.
- **We maintain BUY on both ONGC (TP: INR360) and Oil India (TP: INR740).**

ONGCs' gas production snapshot



Source: Company, MOFSL

OINLs' gas production snapshot



Source: Company, MOFSL

ONGC: Financial summary and assumptions – BUY (TP: INR360)

Key Assumptions

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	84.0	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**	**53.5**

Financial Summary

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales	4,536.8	4,249.6	3,605.7	5,317.6	6,848.3	6,430.4	6,171.7	6,149.1
EBITDA	840.4	611.3	566.0	857.7	857.1	1,086.5	1,139.2	1,235.4
Adj. PAT	348.8	167.3	207.0	413.6	402.4	583.0	602.6	673.6
Adj. EPS (INR)	27.7	13.3	16.5	32.9	32.0	46.3	47.9	53.5
EPS Gr. (%)	37.3	-52.1	23.8	99.8	-2.7	44.9	3.4	11.8
BV/Sh.(INR)	167.9	159.8	172.2	202.2	220.3	262.7	295.8	333.2
Ratios								
Net D:E	0.4	0.5	0.5	0.4	0.4	0.2	0.1	0.0
RoE (%)	16.7	8.0	9.7	17.2	14.8	18.8	16.8	16.7
RoCE (%)	11.3	6.4	7.3	15.7	11.9	14.6	13.9	14.6
Payout (%)	31.3	77.7	21.6	27.3	42.4	27.5	29.3	28.9
Valuations								
P/E (x)	11.0	23.0	18.6	9.3	9.6	6.6	6.4	5.7
P/BV (x)	1.8	1.9	1.8	1.5	1.4	1.2	1.0	0.9
EV/EBITDA (x)	5.8	8.0	8.8	5.8	5.8	4.4	3.8	3.1
Div. Yield (%)	2.2	1.9	1.2	3.4	3.7	4.0	4.5	4.9
FCF Yield (%)	9.1	7.3	3.9	11.4	12.1	15.7	17.1	19.7

OINL: Financial summary and assumptions – BUY (TP: INR740)

Key Assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Exchange Rate (INR/USD)	64.5	64.5	74.3	74.5	80.4	80.4	84.0	85.0
APM Gas Price (USD/mmbtu)	3.5	3.8	2.2	2.6	7.3	6.5	6.7	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								
Oil (mmt)	3.32	3.13	2.96	3.01	3.18	3.36	3.53	3.70
Gas (bcm)	2.72	2.77	2.48	2.89	3.18	3.18	3.66	4.21
Total (mmtoe)	**6.05**	**5.90**	**5.44**	**5.90**	**6.36**	**6.54**	**7.19**	**7.91**
Subsidy Sharing (INRb)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Oil Price Realization (USD/bbl)								
Net	**68.5**	**60.8**	**44.3**	**78.8**	**85.2**	**75.7**	**73.0**	**73.0**
Change (%)	*23%*	*-11%*	*-27%*	*78%*	*8%*	*-11%*	*-4%*	*0%*
EPS (INR/sh.)	**22.2**	**15.9**	**13.5**	**23.9**	**41.9**	**48.7**	**48.7**	**55.3**

Financial Summary

Y/E march	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales	137.3	121.3	86.2	145.3	232.7	221.3	236.3	251.0
EBITDA	54.8	43.7	12.7	53.7	96.8	92.6	111.1	126.1
Adj. PAT	36.2	25.8	21.9	38.9	68.1	79.1	79.2	90.0
Adj. EPS (INR)	22.2	15.9	13.5	23.9	41.9	48.7	48.7	55.3
EPS Gr. (%)	35.6	-28.6	-15.2	77.5	75.2	16.2	42.6	13.6
BV/Sh.(INR)	170.6	149.9	161.1	183.8	211.3	271.3	305.0	343.2
Ratios								
Net D:E	0.0	0.2	0.6	0.4	0.3	0.2	0.1	0.1
RoE (%)	9.3	9.9	6.9	13.9	21.2	14.1	16.9	17.1
RoCE (%)	6.8	3.6	-1.6	6.8	13.5	11.6	11.1	11.6
Payout (%)	51.7	53.5	37.5	47.8	39.8	30.8	30.8	30.8
Valuations								
P/E (x)	29.0	40.6	47.9	27.0	15.4	13.3	13.3	11.7
P/BV (x)	3.8	4.3	4.0	3.5	3.1	2.4	2.1	1.9
EV/EBITDA (x)	19.4	25.2	94.5	21.6	11.9	12.2	10.0	8.7
Div. Yield (%)	1.1	1.1	0.5	1.5	2.6	1.6	2.3	2.6
FCF Yield (%)	2.5	2.4	-0.7	3.1	4.0	3.6	4.8	5.6

Jul'24 CPI inflation eases to 59-month low of 3.5%

Monetary easing likely to happen in late CY24 or early CY25

- **Headline CPI inflation eased to a 59-month low of 3.5% YoY in Jul'24 vs. 5.1% in Jun'24, mainly led by the base effect. On the other hand, core inflation inched up to 3.4% during the month compared to 3.1% in the previous month. (Exhibit 1). The inflation number was in line with our expectation and Bloomberg consensus of 3.6%. In Apr-Jul'24, inflation stood at 4.6% vs. 5.3% in Apr-Jul'23.**
- **Food inflation came in at 5.4% YoY in Jul'24 vs. 9.3% in Jun'24, the lowest in 13 months. Details suggest that lower food inflation was mainly driven by a fall in prices of fruits, vegetables and spices. Vegetable prices came down to a 9-month low of 6.8% YoY in Jul'24, following a 29.3% YoY increase in Jun'24. CPI, excluding veggies, softened to a 57-month low of 3.3% in Jul'24 (vs. 3.5% in Jun'24) (Exhibit 2). Additionally, inflation in spices marked its first contraction after 75 months. On the other hand, prices of cereals and pulses remained firm and inflation in protein-based items such as meat & fish products and eggs increased in Jul'24. The prices of fuel and light items contracted 5.5% YoY in Jul'24 (vs. -3.7% in Jun'24). Standard core inflation (excluding food & energy) stood at a four-month high of 3.5% YoY in Jul'24 (vs. 3.3% in Jun'24).**
- **Other details suggest that: 1) Core inflation (ex F&B, F&L and P&T)* rose 3.4% vs. 3.1%. Excluding mobile charges (weight = 1.82%), core inflation eased to 3.1% last month from 3.2%; 2) Inflation in core services (weight = 13%) was 10-month high of 3.6% YoY, led by mobile charges. Excluding telecom, inflation was at a record low of 2.8%; 3) CPI ex veggies (weight 94%) softened to a 57-month low of 3.3% YoY; 4) Details confirm that disinflation continued last month, with only 20% of the CPI basket posting 6%+ inflation, the lowest level in 83 months.**
- **IIP growth decelerated to 4.2% YoY in Jun'24 (vs. 6.1% in May'24), the lowest in five months. The number was lower than the Bloomberg consensus of 5.4% and our expectation of 6.8%. The deceleration in growth was mainly led by a seven-month low growth in manufacturing sector (weight = 77.6%), which was only partly offset by eight-month highest growth in mining and robust growth in electricity sectors. In 1QFY25, industrial output grew 5.1% vs. 4.8% in 1QFY24.**
- **The growth in manufacturing sector decelerated to a seven-month low of 2.6% in Jun'24 vs. 5% in May'24 and 3.5% in Jun'23. Details of the manufacturing sector suggest that 64% of the items within the sector grew at a slower rate compared to last year (vs. 67.5% in May'24) and 88% of the items grew at a rate less than 5% (vs. 56% in May'24). On the other hand, the growth in electricity output remained robust at 8.6% in Jun'24 vs. 13.7% in May'24 and 4.2% in Jun'23. At the same time, growth in mining output accelerated sharply to 10.3% in Jun'24 (highest in eight months) vs. 6.6% in May'24 and 7.6% in Jun'23.**
- **According to the use-based classification, the growth in output of infra & construction goods decelerated to a 7-month low of 4.4% in Jun'24 (vs. 6.3% in May'24 and 13.3% in Jun'23). Additionally, capital goods output growth decelerated to 2.4% in Jun'24 vs. 2.9% in May'24, the lowest in seven months. Within consumer goods, the growth of consumer durables remained strong (8.6% in Jun'24), while consumer non-durables output contracted 1.4% in Jun'24 (vs. a growth of 2.5% in May'24).**
- **Overall, inflation trends were broadly in line with expectations. This is likely to be fleeting, as we expect inflation to inch up back to 5% YoY by Sep'24. Separately, IIP grew 4.2% YoY in Jun'24, led by only 2.6% YoY growth in the manufacturing sector. It was much lower than expected. Overall, we do not see any impact on the monetary policy from this data. We continue to expect a rate cut in 2025, unless growth falters.**

- **CPI inflation hits 59-month low:** Headline CPI inflation eased to a 59-month low of 3.5% YoY in Jul'24 vs. 5.1% in Jun'24, mainly led by the base effect. On the other hand, core inflation inched up to 3.4% during the month compared to 3.1% in the previous month, led by higher telecom charges, which rose to a 27-month high of 8.9% in Jul'24 (vs. 1% in Jun'24) *(Exhibit 1).* The inflation number was in line with our expectation and Bloomberg consensus of 3.6%. In Apr-Jul'24, inflation stood at 4.6% vs. 5.3% in Apr-Jul'23.

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