MOTILAL OSWAL
FINANCIAL SERVICES

3 December 2024

MORNING INDIA

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team.
We request your ballot.

EXTEL POLL 2024
Best Domestic Brokerage
Ranked Top 3 (CY21-CY23)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,248	0.6	11.1
Nifty-50	24,276	0.6	11.7
Nifty-M 100	57,001	1.1	23.4
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,047	0.2	26.8
Nasdaq	19,404	1.0	29.3
FTSE 100	8,313	0.3	7.5
DAX	19,934	1.6	19.0
Hang Seng	7,009	0.9	21.5
Nikkei 225	38,513	0.8	15.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	73	-1.6	-5.9
Gold ($/OZ)	2,639	-0.2	27.9
Cu (US$/MT)	8,874	-0.2	4.8
Almn (US$/MT)	2,566	-0.4	9.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.7	0.3	1.8
USD/EUR	1.0	-0.7	-4.9
USD/JPY	149.6	-0.1	6.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	-0.03	-0.5
10 Yrs AAA Corp	7.2	-0.06	-0.5
Flows (USD b)	**2-Dec**	**MTD**	**CYTD**
FIIs	0.0	-2.19	-2.1
DIIs	0.42	5.69	59.3
Volumes (INRb)	**2-Dec**	**MTD***	**YTD***
Cash	1,074	1074	1266
F&O	1,31,465	1,31,465	3,77,355

Note: Flows, MTD includes provisional numbers. *Average

Today's top research idea

Cummins India: Plant visit and interaction takeaways

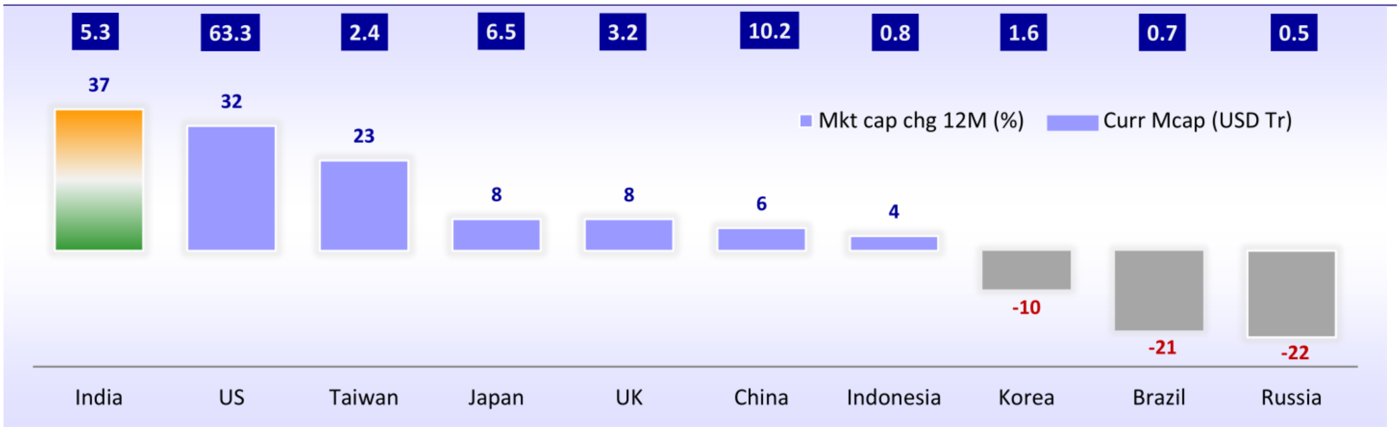
- Our recent interaction with the management of Cummins India Ltd (KKC) reinstated that demand has continued to remain strong for the powergen segment from key user industries.
- Additionally, other segments, such as distribution and industrial, continue to benefit from initiatives taken over the years to enhance customer reach and the overall positive macro environment.
- The company has transitioned well in the CPCB 4+ norm shift and expects the market to normalize in the coming quarters. With cost efficiencies and value addition in products, the company aims to maintain margins at similar levels as in 1HFY25.
- We continue to maintain our positive stance on the company and reiterate BUY with a TP of INR4,300, based on 45x two-year forward earnings.

Research covered

Cos/Sector	Key Highlights
Cummins India	Plant visit and interaction takeaways
Bulls & Bears	Markets remain volatile; DII inflows keep Indian equities afloat
Indian Bank	Delivering sustainable growth and profitability
NMDC	Increasing EC limit to drive volumes; capex underway to support higher volumes
Consumer	Expert Speak: Industry trends in diamonds and LGDs
Greenlab Diamonds	Plant and management meet

Chart of the Day: Bulls & Bears (Markets remain volatile; DII inflows keep Indian equities afloat)

Change in market cap over the last 12 months (%) – Global market cap increase 17.5% (USD18.7t), whereas India's market cap surges 36.6%



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In the news today

Kindly click on textbox for the detailed news link

1

Protean eGov Technologies secures ₹161 crore work order from CERSAI

Protean eGov Technologies Ltd has received a work order worth approximately ₹161 crore from the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

2

GoM recommends 35% GST on tobacco, aerated drinks: Sources

The Group of Ministers (GoM) set up by the GST Council has proposed a new "special rate" of 35% for tobacco and aerated beverages. Currently, all types of tobacco products attract a GST rate of 28%

3

FAME II scheme violations: SFIO probes 3 electric vehicle cos; conducts search ops

The Serious Fraud Investigation Office (SFIO) has conducted search operations at the premises of Hero Electric Vehicles, Benling India Energy and Technology, and Okinawa Autotech International for fraudulently availing subsidies worth Rs 297 crore under the government scheme for making electric vehicles.

4

Godavari Biorefineries signs pact with Catalyxx to enhance ethanol

As part of this partnership, GBL will establish and operate a cutting-edge facility aimed at producing 15,000 tonnes of biobutanol and other higher alcohols annually in the first phase.

5

Solar Industries bags new ₹2,039-crore export order for defence products

Solar Industries India Ltd, along with its subsidiary, has secured export orders worth ₹2,039 crore for the supply of defence products to international clients.

6

Pricol to acquire Sundaram Auto unit for ₹215.3 crore, invest ₹120 crore in subsidiary

Pricol Ltd said its board of directors has approved the acquisition of the injection-moulded plastic component division of Sundaram Auto Components Ltd, a wholly-owned subsidiary of TVS Motor Company, for ₹215.3 crore.

7

Indoco Remedies partners with Clarity Pharma to launch 20 products in UK market

Indoco Remedies Ltd announced that the company has entered a strategic partnership with Clarity Pharma of UK.

Cummins India

BSE SENSEX	S&P CNX
80,248	24,276

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	950.8 / 11.2
52-Week Range (INR)	4172 / 1836
1,6,12 Rel. Per (%)	-2/-11/59
12M Avg Val (INR M)	2333

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	106.6	126.4	147.8
EBITDA	21.8	26.0	30.4
PAT	20.5	24.6	28.9
EPS (INR)	74.1	88.7	104.3
GR. (%)	23.6	19.6	17.7
BV/Sh (INR)	251.2	286.0	327.2
Ratios			
ROE (%)	31.3	33.0	34.0
RoCE (%)	29.5	31.2	32.3
Valuations			
P/E (X)	46.3	38.7	32.9
P/BV (X)	13.7	12.0	10.5
EV/EBITDA (X)	42.9	35.8	30.4
Div Yield (%)	1.2	1.4	1.7

CMP: INR3,430 TP: INR4,300 (+25%) Buy

Plant visit and interaction takeaways

Our recent interaction with the management of Cummins India Ltd (KKC) reinstated that demand has continued to remain strong for the powergen segment from key user industries. Additionally, other segments, such as distribution and industrial, continue to benefit from initiatives taken over the years to enhance customer reach and the overall positive macro environment. The company has transitioned well in the CPCB 4+ norm shift and expects the market to normalize in the coming quarters. With cost efficiencies and value addition in products, the company aims to maintain margins at similar levels as in 1HFY25. We continue to maintain our positive stance on the company and reiterate BUY with a TP of INR4,300, based on 45x two-year forward earnings.

Key investment thesis

Powergen market pricing to mature in coming quarters while demand remains strong

KKC is well-positioned in the powergen market with its wide range of nodes across CPCB 4+ as well as the HHP portfolio. We expect the company to continue to benefit from 1) its leadership positioning in the genset market, where price discovery will play out in the coming quarters, with nearly 25-30% YoY higher prices seen so far for CPCB4+ products; 2) strong YoY demand momentum from areas such as residential, hospitality, manufacturing, healthcare as well as data center, which is witnessing multi-year growth; 3) the focus on controlling costs and maintaining margins, with incremental value addition despite a higher share of imported content and project business for certain nodes, particularly HHP; and 4) the normalization of channel inventory with market shift toward CPCB 4+. We maintain our estimates for KKC's powergen segment and expect powergen revenues to clock a CAGR of 21% over FY24-27.

Industrial business witnessing healthy growth over past few quarters

The growth of the industrial segment has remained fairly strong of late. Infrastructure serves as the macro driver. The company provides engine solutions to construction equipment makers, compressors, and railways. In this segment, emission norms for construction engines (CEV-V regulations) will be implemented from 4QFY25 onwards, thereby creating pre-buying opportunities in 3QFY25 and potentially boosting demand further.

Distribution segment to continue witnessing stable and healthy growth

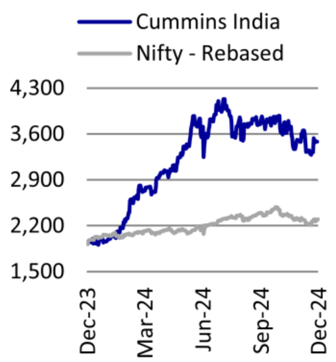
The company's distribution segment has posted a healthy 25% CAGR over the last three years. KKC has reoriented itself in this segment, which has started yielding results now. However, the company mentioned that there is still a lot more that can be done in this segment. As the installed base continues to rise, we expect KKC to benefit further with a stable 25% CAGR in its revenues over FY24-27.

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.0	51.0	51.0
DII	22.6	22.4	22.2
FII	17.5	18.0	16.5
Others	8.9	8.7	10.4

FII includes depository receipts

Stock Performance (1-year)



Export markets recovering selectively

KKC's exports were impacted in the last few years as Africa and Latin America slowed down after good growth. With exports already bottoming out since 3QFY24, we expect both YoY and QoQ growth to be visible in 3QFY25. KKC exports to the US, Europe, China, Latin America, and SE Asia and is witnessing the growth of select pockets in export markets.

Financial outlook

We maintain our estimates and expect a CAGR of 18%/20% in revenue/PAT over FY24-27. We build in EBITDA margin of 20.4%/20.5%/20.5% for FY25/FY26/FY27.

Valuation and recommendation

The stock is currently trading at 38.7x/32.9x on FY26E/FY27E EPS. We maintain our TP of INR4,300, based on 45x two-year forward EPS. Reiterate BUY rating on the stock.

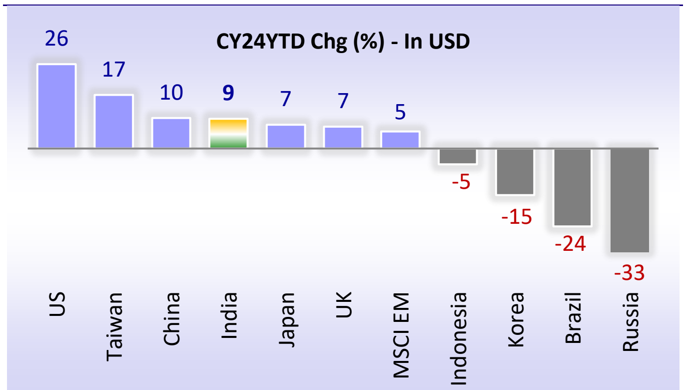
Key risks and concerns

Key risks to our recommendation would come from lower-than-expected demand for key segments, higher commodity prices, increased competitive intensity, and lower-than-expected recovery in exports.

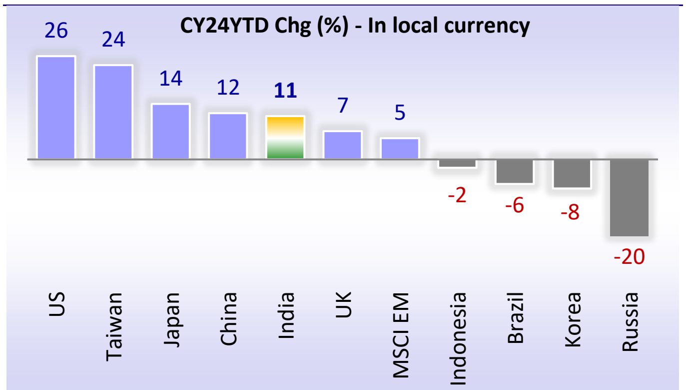
Strategy: Markets remain volatile; DII inflows keep Indian equities afloat

- **Nifty-50 ends lower for the second consecutive month:** The Nifty further corrects marginally by 0.3% MoM in Nov'24 after a 6.2% decline in Oct'24. The Nifty-50 closed in the red for the second consecutive month. Notably, the benchmark index was extremely volatile and hovered around 1,274 points before closing 74 points lower. The Nifty-50 is up 11% in CY24YTD. During the last 12 months, midcaps and smallcaps have gained 31% and 32%, respectively, and outperformed largecaps, which have risen 20%. During the last five years, midcaps have outperformed largecaps by 127%, while smallcaps have outperformed largecaps by 121%.
- **Second successive month of FII outflows; DII inflows remain strong:** In Nov'24, DIIs recorded inflows of USD5.3b. In contrast, FIIs recorded the second consecutive month of outflows at USD2.2b. FII outflows into Indian equities stand at USD2.1b in CY24YTD vs. inflows of USD21.4b in CY23. DII inflows into equities in CY24YTD continue to be strong at USD58.9b vs. USD22.3b in CY23.
- **Breadth adverse in Nov'24:** Among sectors, Technology (+7%), Capital Goods (+2%), Real Estate (+2%), Telecom (+2%), PSU Banks (+1%), and Financials (+1%) were the gainers. Conversely, Oil & Gas (-5%), Utilities (-4%), Metals (-3%), Healthcare (-2%), and Consumer (-2%) were the top laggards MoM. Among stocks, M&M (+9%), Bharat Electronics (+8%), TCS (+8%), Tech Mahindra (+6%), and Infosys (+6%) were the top performers, while Adani Enterprises (-16%), Asian Paints (-16%), Britannia (-14%), Adani Ports (-14%), and SBI Life (-11%) were the key laggards.
- **India among the laggards in Nov'24:** Among the key global markets, the US (+6%), the UK (+2%), Russia (+2%), and China (+1%) ended higher in local currency terms. However, Indonesia (-6%), Korea (-4%), MSCI EM (-4%), Brazil (-3%), Taiwan (-2%), Japan (-2%), and India (-0%) ended lower MoM in Nov'24. Over the last 12 months, the MSCI India Index (+25%) has outperformed the MSCI EM Index (+9%). Over the last 10 years, the MSCI India Index has notably outperformed the MSCI EM index by a robust 165%.
- **Corporate earnings moderate YoY following a healthy 21% CAGR over FY20-24:** After recording a healthy 21% CAGR over FY20-24, corporate earnings have moderated in 1HFY25. Earnings for the MOFSL Universe (-1% YoY) and Nifty-50 (+4% YoY) in 2QFY25 were the lowest in 8 and 17 quarters, respectively. However, excluding global commodities, earnings were strong at 12%/11% YoY for MOFSL/Nifty-50 Universe. Since Aug'24, we have cut our FY25E for Nifty EPS by 5%, and we now expect a modest 5% growth for Nifty earnings in FY25, the first year of single-digit growth in five years. However, compared to the muted 1H, we expect corporate earnings to recover in 2HFY25 (9% YoY growth for MOFSL Universe in 2HFY25 vs. flat YoY performance in 1H), aided by a rise in rural spending, a buoyant wedding season in 2HFY25 (30% higher weddings YoY), and a pick-up in government spending.
- **Our view:** Indian stock markets corrected ~8% from the top over Sep-Nov'24, due to a variety of factors, viz. earnings moderation and elevated valuations in midcaps and smallcaps, along with global factors, such as a fragile geopolitical backdrop in the Middle East and a strengthening dollar index following the Trump victory. FIIs sold equities worth ~USD13b in Oct-Nov'24. The correction has cooled off the valuations in largecaps, even as mid/ smallcaps trade at expensive multiples. Nifty-50 is now trading at 19.5x FY26E EPS, while mid-cap/small-cap indices are trading at 30x/24x one-year forward P/E multiples, off from the Sep'24 highs but still rich vs. their own history as well as relative to Nifty-50. Our model portfolio reflects our conviction in domestic structural as well as cyclical themes. We are OW on IT, Healthcare, BFSI, Consumer Discretionary, Industrials, and Real Estate. We are UW on Metals, Energy, and Automobiles.
- **Top ideas: Largecaps** – ICICI Bank, Bharti Airtel, SBI, HCL Technologies, L&T, M&M, Power Grid, Titan, Trent, and Mankind Pharma; **Midcaps** and **Smallcaps** – Indian Hotels, Cummins India, Persistent Systems, Dixon Tech, Godrej Properties, Coforge, Metro Brands, Global Health, Angel One, PNB Housing, and Cello World.

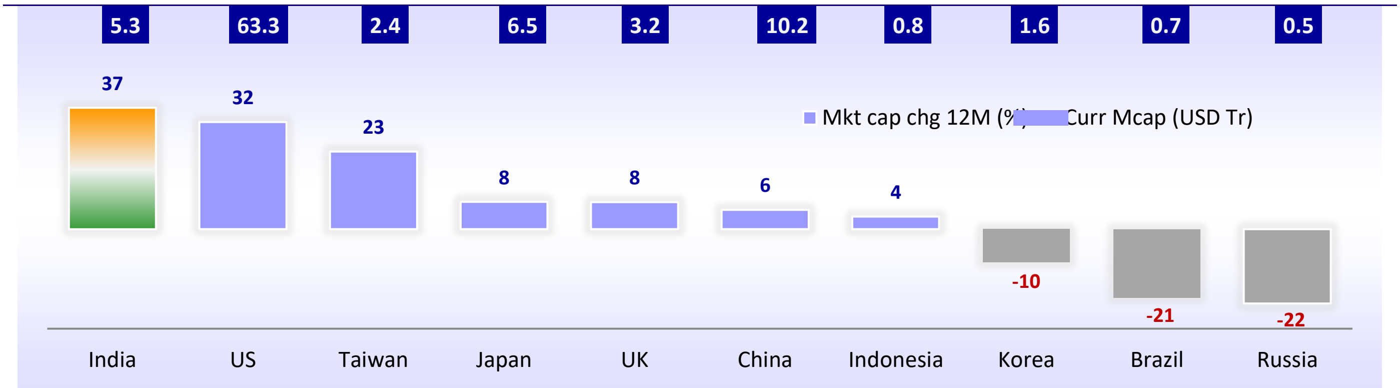
World equity indices in CY24YTD in USD terms (%)



World equity indices in CY24YTD in local currency terms (%)



Change in market cap over the last 12 months (%) – Global market cap increase 17.5% (USD18.7t), whereas India's market cap surges 36.6%



Indian Bank

BSE SENSEX	S&P CNX
80,248	24,276

इंडियन बैंक Indian Bank
Taking Banking Technology to the Common Man

Bloomberg	INBK IN
Equity Shares (m)	1347
M.Cap.(INRb)/(USDb)	784.8 / 9.3
52-Week Range (INR)	633 / 391
1,6,12 Rel. Per (%)	0/-5/25
12M Avg Val (INR M)	1268

Financials &Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	232.7	253.0	275.3
OP	168.4	186.8	201.2
NP	80.6	104.1	112.8
NIM calc (%)	3.2	3.1	3.1
EPS (INR)	62.2	77.3	83.7
EPS Gr. (%)	46.7	24.2	8.4
BV/Sh. (INR)	409	471	537
ABV/Sh. (INR)	396	461	524
Ratios			
RoA (%)	1.1	1.3	1.2
RoE (%)	17.1	18.4	17.3
Valuations			
P/E(X)	9.2	7.4	6.8
P/BV (X)	1.4	1.2	1.1
P/ABV (X)	1.4	1.2	1.1

CMP: INR583 TP: INR670 (+15%) Buy

Delivering sustainable growth and profitability

RoA to remain robust at 1.2%

- **Indian Bank (INBK) has emerged as one of the better-performing PSU banks with the best-in-class profitability and asset quality ratios. The bank stands out for its prudent strategy, i.e., increasing its MCLR book ahead of a potential reversal in the rate cycle and strengthening its balance sheet with a robust PCR and contingency buffer.**
- **INBK has reported loan growth of 3.5% in 1HFY25 YTD (13% in FY24) and muted deposit growth of 0.7% (11% in FY24). Its CD ratio has, thus, increased to 76.9%. The bank guides for better traction in business growth in 2H and aims to maintain a CD ratio of <80%.**
- **INBK wants to maintain a balance between NIMs and growth and does not want to unnecessarily chase growth. It expects NIMs to remain stable at 3.4%.**
- **Asset quality remains robust and the bank sees further potential to reduce its slippage run-rate over the medium term, aided by the benefits of improved technology usage and digital monitoring as well as process reengineering. The credit cost is thus likely to remain under control. The bank holds a healthy contingency buffer of INR62b, which provides comfort.**
- **Additionally, improvements in the bank's underwriting quality have strengthened its asset quality ratios, with GNPA at 3.5%, NNPA at 0.3%, and PCR at 92.5%. The transition to ECL norms will have a limited impact on the bank's RoA trajectory, given its healthy capital ratios, robust PCR and contingency buffer.**
- **INBK remains our preferred idea among the mid-size PSU banks. We reiterate our BUY rating with a TP of INR670 (1.3x FY26E ABV).**

Guides 13% growth in loan book; RAM mix to sustain at ~63%

INBK maintains a healthy credit growth rate of 13%, backed by good traction in the RAM segment. The retail segment remains a growth driver, led by its mortgage and vehicle finance (VF) verticals. PL growth continues to moderate as the bank maintains its cautious view on the unsecured loan segment. With faster growth in the RAM segment over the years, the RAM segment's overall share has risen to 63% (higher vs. other peers), which should help the bank maintain healthy NIMs and profitability. We conservatively estimate a modest 11% CAGR in loans over FY24-27 amid system-wide growth moderation.

Deposit growth to sustain at 11%; CD ratio to stay below 80%

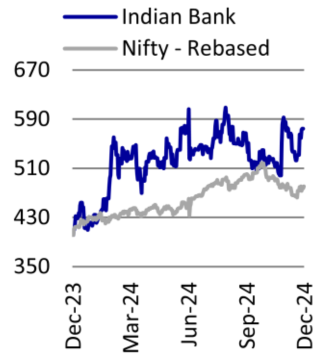
The bank's deposit growth recovered to 11% in FY24 after dipping to ~4.6% in FY23. While the overall system's deposit growth continues to be challenging amid intense competition for CASA deposits, INBK expects its CASA ratio to sustain at 40%. The bank expects ~11% deposit growth in FY25, with healthy traction anticipated in 2H. We estimate a 9.3% CAGR in deposits during FY24-27E and expect the CD ratio to inch up gradually to 75.9% in FY25E, 77% in FY26E and 77.5% in FY27E.

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	73.8	73.8	79.9
DII	17.4	16.9	11.8
FII	5.0	5.4	4.3
Others	3.8	3.9	4.1

FII includes depository receipts

Stock Performance (1-year)



NIMS to remain healthy at 3.4% backed by healthy share of RAM, MCLR-linked loans

While the yields increased by 161bp from 1QFY23 to 2QFY25, the cost of deposits saw a slower increase at 128bp over the same period. The bank's focus on RAM segment has helped to manage cost and thus retain healthy NIMs at 3.4%. On the other hand, over the years, the bank has gradually increased its MCLR book to 58% (highest among PSU banks), and this should be beneficial when the rate cycle turns. Thus, with a healthy share of RAM and a higher share of MCLR book, INBK is one of the few PSU banks with a stable margin trajectory. The management thus expects to sustain NIMs at 3.4% vs. 3.49% in 2QFY25.

Opex growth to stay under control; C/I ratio to remain steady at 46%

After an 18% jump in FY24, opex growth is expected to moderate going ahead, which can result in a decline in the cost ratios over FY25-27. We expect the bank's opex growth to closely follow asset growth, with both clocking a 10.1% CAGR over FY24-27E. Faster growth in NII and other income will lead to a 10% CAGR in total income. On the other hand, INBK enjoys healthy PSLC income (~10% of other income), which further supports revenue growth. As a result, we expect the C/I ratio to sustain at 46% by FY27E.

Asset quality trends stable, healthy capital buffer offers comfort

The bank experienced seasonally higher slippages in 1H at INR33.4b (1.4% of loans). This stress is expected to ease as the portfolio quality remains strong. The bank does not face any imminent asset quality concerns and has no exposure to the government telco account. Further, the bank has a recovery target of INR70-80b, while it aims to improve the slippage run rate by ~50bp, benefitting from improved technology usage and digital monitoring as well as process reengineering. The bank has maintained a strong GNPA ratio of 3.5% and an industry-leading NNPA ratio of 0.27%, alongside a healthy coverage ratio of 92.5% (97.6% including TWO). As ECL norms are set to be implemented next year, the bank's coverage ratio is robust enough to absorb any potential P&L impact, and its CET-1 ratio of 13.5% adds further reassurance. The bank also maintains a healthy floating provision of INR62b/1.2% of loans (sitting in Tier-2 capital), which offers further comfort.

Valuation and view: Reasonable valuations; reiterate BUY

INBK has emerged as one of the better performing PSU banks with the best-in-class profitability and asset quality ratios. The bank stands out for its prudent strategy that is well-aligned with market conditions, i.e., increasing its MCLR book and strengthening its balance sheet by making additional specific and floating provisions. Additionally, improvements in the bank's underwriting quality have strengthened its asset quality ratios, with GNPA at 3.5%, NNPA at 0.3%, and PCR at 92.5%. The transition to ECL norms will have a limited impact on the bank's RoA trajectory, given its healthy capital ratios and robust provisioning coverage. In terms of leadership changes, the current tenure of Mr. S.L. Jain as MD and CEO is ending in Dec'24 and he will be replaced by Mr. Binod Kumar, ED of PNB. INBK remains our preferred stock among the mid-size PSU banks. **We maintain a BUY rating on the stock with a TP of INR670 (1.3x FY26E ABV).**

2 December 2024

Update | Sector: Metals

NMDC

BSE SENSEX	S&P CNX
80,248	24,276

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NMDC

Stock Info

Bloomberg	NMDC IN
Equity Shares (m)	2931
M.Cap.(INRb)/(USDb)	679.2 / 8
52-Week Range (INR)	286 / 180
1, 6, 12 Rel. Per (%)	4/-19/8
12M Avg Val (INR M)	3540
Free float (%)	39.2

Financials Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	257	273	306
Adj EBITDA	88	105	120
Adj. PAT	68	79	89
EBITDA Margin (%)	34	38	39
Cons. Adj. EPS (INR)	23	27	30
EPS Gr. (%)	18	16	12
BV/Sh. (INR)	103	122	144
Ratios			
Net D:E	-0.4	-0.4	-0.4
RoE (%)	24.4	24.1	22.8
RoCE (%)	30.0	30.2	29.1
Payout (%)	33.3	31.3	28.1
Valuations			
P/E (x)	10.0	8.6	7.7
P/BV (x)	2.2	1.9	1.6
EV/EBITDA(x)	6.5	5.2	4.2
Div. Yield (%)	3.3	3.7	3.7

CMP: INR232 TP:INR280 (+21%) BUY

Increasing EC limit to drive volumes; capex underway to support higher volumes

- Iron ore production in 1HFY25 stood at 17.5mt (down 11% YoY) and sales volume at 20mt (down 3% YoY). In Oct'24, NMDC reported production of 4.07mt (+4% YoY) and sales volume of 4.03mt (+17% YoY). YTD volumes have been impacted by heavy rainfall. With expectation of ramp-up in 2HFY25, management expects to end FY25 with ~50mt volumes.
- In 1HFY25, net realization increased by 13% YoY to INR5,160/t, owing to a favorable pricing environment (especially in 1QFY25).
- In 2H, we expect 20% YoY growth in volumes (29mt), primarily led by an increase in EC limit to ~51mt recently. NMDC recently announced two prices hikes in Oct'24, with cumulative hikes of INR1,000/t for lumps and INR800/t for fines. As a result, we expect NSR to remain firm in 2HFY25.
- Muted volume in 1HFY25 restricted revenue growth at 10% YoY (INR103b), EBITDA growth at 17% YoY (INR37b), and adj. PAT at 18% YoY (INR32b). In 2HFY25, we expect revenue to grow by 29% YoY, EBITDA by 24% YoY, and APAT by 18% YoY. This performance will be primarily driven by better volume in 2H and healthy realization.
- During Oct'24, NMDC's total rake movement increased to 506 rakes against 408 rakes in Sep'24. Dispatches to JSTL (Dolvi) for Oct'24 were at 135 rakes (vs. 100 rake in Sep'24) and RINL was 103 rakes (vs. 117 rakes in Sep'24). The combined share of RINL and JSTL in total rake movement stood at ~47% in Oct'24 (vs. 53% in Sep'24).

Robust capex to support volume; incremental EC to drive volumes beyond FY26

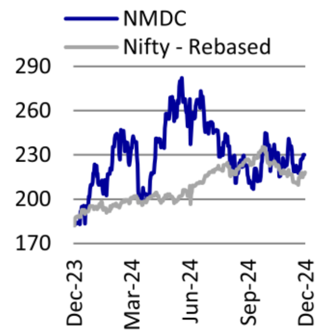
- NMDC has got 1.5mt EC for Kumaraswamy mines and is trying to take 10mt, which will take its total capacity to 64mt by next year.
- As of now, NMDC's total EC limit has reached ~51mt, of which ~19mt each is in Kirandul and Bacheli, and the rest in Karnataka.
- NMDC plans to enhance EC for Kirandul and Bacheli to 30-35mt each in the next 4-5 years.
- It is undertaking multiple capex projects to augment ore production, improve the product mix, and enhance mining capacities.
- The 15mt slurry pipeline from Bailadila to Nagarnar is progressing well with almost all approvals received. Out of 131km, ~73km has already been laid and the rest to be done soon.

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	60.8	60.8	60.8
DII	14.1	14.3	17.7
FII	12.6	12.8	8.3
Others	12.5	12.1	13.2

FII includes depository receipts

Stock Performance (1-year)



Valuation and view

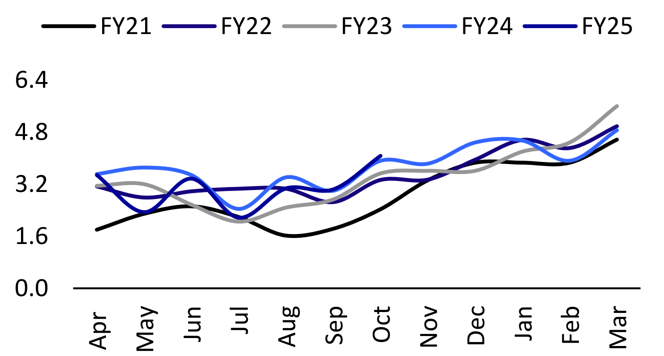
- India's crude steel capacity is expected to reach 300mt by FY30-31, which will increase the iron ore requirement to ~435-445mt. As NMDC holds 16% of the market share, we believe it is well placed to capitalize on the opportunities ahead.
- NMDC has planned capex for various evacuation and capacity enhancement projects, which are expected to improve the product mix and increase its production capacity to ~100mt by FY29-30E.
- **At CMP, NMDC trades at 4.2x EV/EBITDA on FY27E. We reiterate our BUY rating on NMDC with a TP of INR280 (based on 6x Sep'27E EV/EBITDA).**
- **Key risks:** Increasing competition for NMDC - since FY16, +100 iron ore blocks have been auctioned, and when these mines become operational, it would lead to higher supply; 2) NMDC relies heavily on a few customers, which exposes it to business risk.

100mt volumes under NMDC 2.0 strategy

Mine	State	Area in Ha	Lease validity
Bailadila Deposit – 11 (A,B & C)	Chhattisgarh	874.92	10/09/2037
Bailadila Deposit – 14	Chhattisgarh	322.37	11/09/2035
Bailadila Deposit – 14NMZ	Chhattisgarh	506.74	06/12/2035
Bailadila Deposit – 5	Chhattisgarh	540.05	10/09/2035
Bailadila Deposit – 10	Chhattisgarh	309.24	10/09/2035
Donimalai	Karnataka	597.54	03/11/2038
Kumaraswamy	Karnataka	639.80	17/10/2042

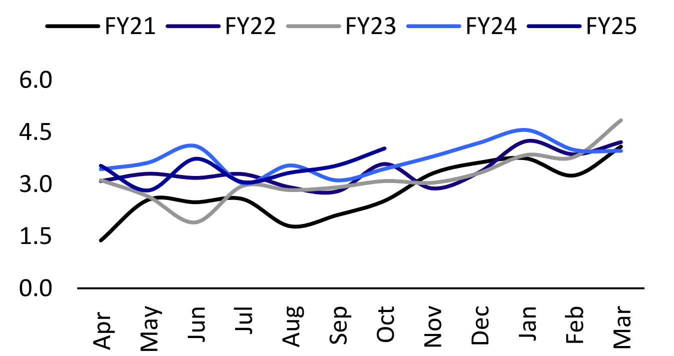
Source: MOFSL, Company

2QFY25 monthly production (mt) fell QoQ



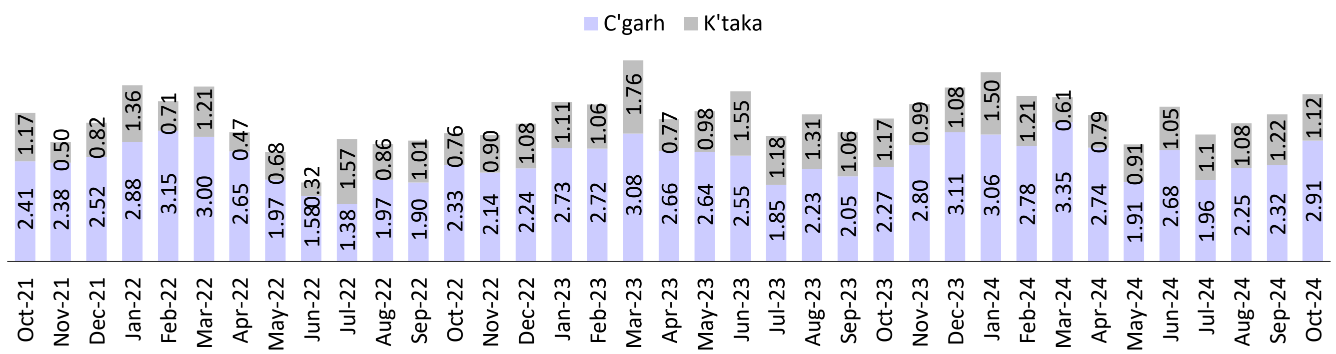
Source: MOFSL, Company

Sales (mt) declined QoQ in 2QFY25



Source: MOFSL, Company

Sales volume mix between Chhattisgarh and Karnataka (in mt)



Source: MOFSL, Company

Industry trends in diamonds and LGDs

We hosted an interaction with Mr. Anmol Bhansali, Managing Director, Goldiam International Ltd., to understand industry trends in diamonds and lab-grown diamonds (LGDs). Here are the takeaways:-

Mr. Anmol Bhansali
Managing Director, Goldiam International Ltd.

Mr. Bhansali completed Bachelor of Science in Business Administration from Wharton School, University of Pennsylvania. He also acquired GEM130 and GEM230 certifications, constituting two-thirds of 'Diamonds and Diamond Grading' course, from Gemology Institute of America in 2017. He has over six years of rich experience in diamond business, including

Company overview

- Goldiam, established in 1986, is a leading global supplier of diamond jewelry, catering to prominent retailers, departmental stores, and wholesalers. The company offers a diversified product portfolio, including natural diamond jewelry and LGDs.
- It has recently entered the Indian retail market with its branded LGD jewelry under the name **ORIGEM**.
- The company has transitioned from a commodity business of diamond cutting to a value-added jewelry business. Goldiam pioneered LGD jewelry and distribution. It has consolidated its stake in Eco-Friendly Diamonds LLP to strengthen the supply chain integration.
- Exports contribute 100% of its revenue. The company primarily caters to the US market, which accounts for 90% of its total sales.
- Goldiam aspires to become the foremost vendor-partner to the US retail diamond jewelry industry while establishing a strong branded jewelry distribution network in India.
- Unlike competitors (Tanishq and CaratLane), ORIGEM offers **100% IGI certification** for its diamonds, providing both full and mini certifications.
- In the US, organized retail sales contribute 60% of its business, while 40% comes from mom-and-pop stores.

Transition to LGD

- LGDs have become a disruptive force in the diamond industry, driving a significant shift in consumer preferences.
- Goldiam foresaw this trend in 2015-16 through its subsidiary, Eco-Friendly Diamonds, and began experimenting with LGD manufacturing.
- LGDs are now chemically, physically, and optically identical to natural diamonds, but their cost is just one-tenth of natural diamonds. This has significantly boosted the adoption of LGDs among middle-class consumers.
- LGD jewelry accounted for 77% of its 2QFY25 revenue, up from 34% in 2QFY24.
- Online sales contributed 21% of its 2Q revenue, showcasing the company's growing omnichannel presence.
- Realizations for LGD jewelry remain at a premium compared to mined-diamond jewelry due to higher carat sales.
- Since 2021, LGD production efficiency has improved by 2.5x, reducing the cost to USD100-150 per carat.
- Retail prices range between INR30,000 and INR100,000 per carat, depending on clarity and color.
- Operational strength in LGDs:
  - Complete backward integration of manufacturing and exporting processes for LGD jewelry
  - Competitive sourcing through the acquisition of Eco-Friendly Diamonds (88%), ensuring control over raw materials
  - Low-cost, efficient manufacturing, coupled with analytics-driven product design and development
  - Expanding product offerings, particularly in LGDs, to address the growing demand for accessible luxury
  - Targeting higher margins, with the LGD segment delivering up to 25% EBITDA margin vs. 15% from natural diamonds

Industry challenges and opportunities

- Prices of natural diamonds have declined by 25-40%, indicating demand pressure from China.
- Large players in the industry, such as Washington Diamonds, have faced liquidation, while LGD manufacturers in India are under pressure, reducing production to manage the oversupply.
- In contrast, Goldiam benefits from upfront payments from US customers, showcasing its strong positioning in the market.
- After the fall in diamond prices, the company is seeing higher demand for mini-certification for its diamonds. Mini-certification costs around USD5-10 per certificate vs. full certification cost of USD30-40 per certificate.

Retail expansion

- Goldiam's retail initiative, ORIGEM, focuses on LGD jewelry. Its first store in Borivali commenced operations on Dhanteras (Oct'24 end) and achieved INR2.5m in sales during its first 10 days.
- The company plans to expand further by opening stores in Kharghar (Navi Mumbai) next week and Turner Road (Bandra) by Jan'25.
- Kharghar store focuses on smaller, affordable designs and Turner Road store targets premium customers with larger diamond pieces.
- Goldiam plans to open additional 12–15 stores over the next 6-7 months, targeting key metro regions such as Mumbai, NCR, and Bangalore.
- The company intends to operate these stores under a company-owned, company-operated model to maintain full control over operations and branding.
- In the B2B segment, Goldiam aims to achieve double-digit growth through increased penetration with existing clients and expansion into new geographies.
- The company plans to open 10–12 additional stores across key locations in the next six months.
- Goldiam is testing different pricing strategies and product designs at various store locations to better cater to diverse customer segments.
- Capex is ~INR10m per store, including rental deposits. Inventory requirement is INR22-26m per store, financed partially through gold metal loans (GML).

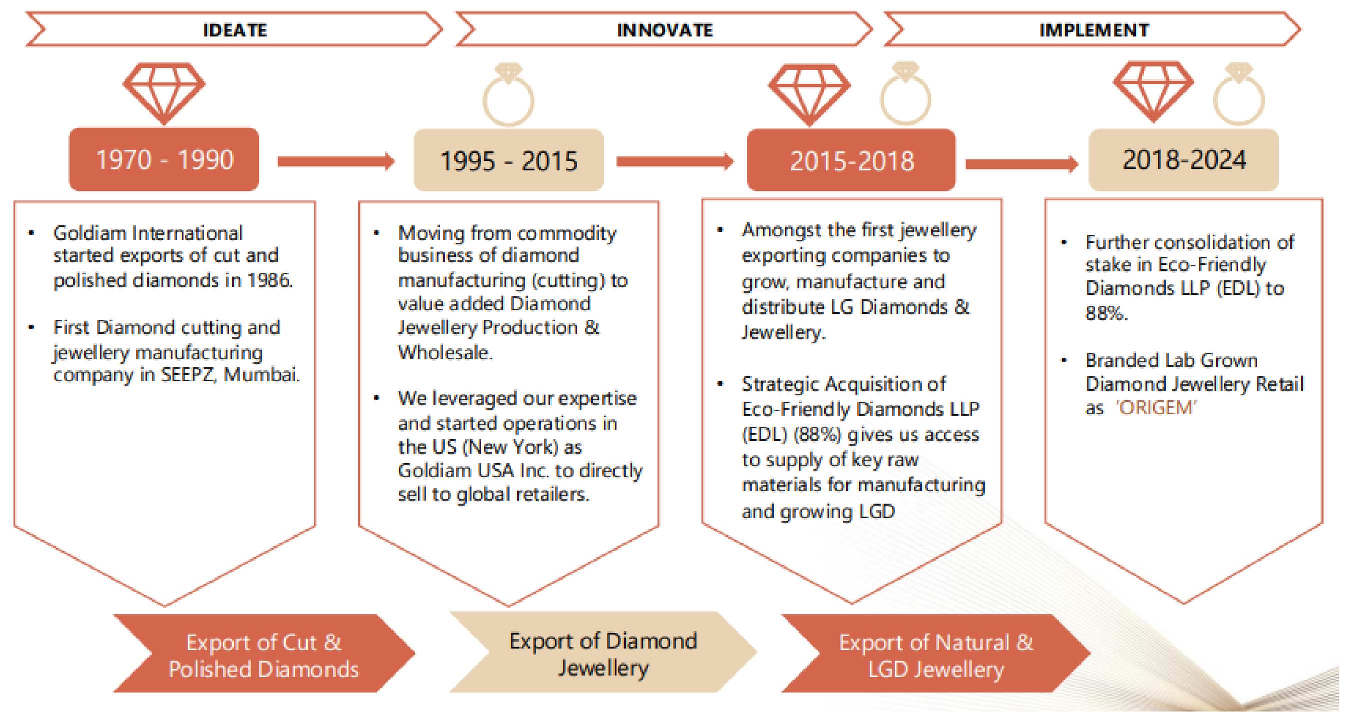
E-commerce

- E-commerce has significantly boosted its operations and improved working capital management.
- The company does not have its own e-commerce platform but collaborates with retailers listing over 1,000 SKUs on their websites.
- E-commerce now contributes 20-25% of revenue, offering short payment cycles (90-120 days) and high returns.

Financials

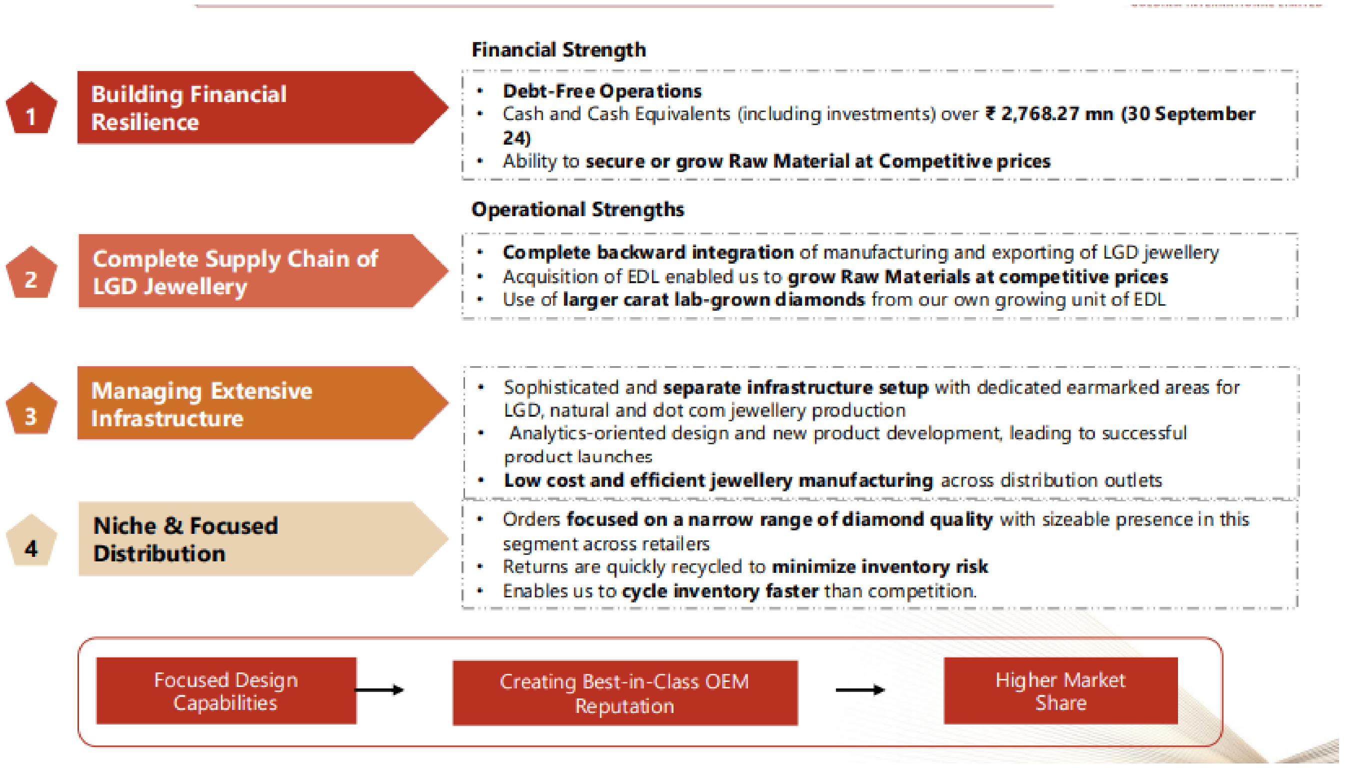
- Goldiam has debt-free operations with a consistent focus on cash flow management.
- The company has INR3b of cash and investments.
- It achieved a cash-adjusted ROCE of >35% in FY24 and maintained ROE of 15% over the last four years.
- It is committed to a 50% payout ratio of standalone PAT through dividends or share buybacks, ensuring value for shareholders.
- Goldiam maintains 63% of inventory with customers on consignment, enabling faster inventory turnover and lower risk.
- It focuses on narrow quality ranges, facilitating competitive advantages in pricing and faster order execution.
- The management is confident about its ability to sustain strong performance across both retail and B2B segments.
- Although the company's retail expansion is expected to increase operating expenses, consolidated EBITDA margins are projected to remain in the 18-22% range.
- The management believes that gross margin improvements, driven by strategic inventory purchases, are sustainable if current diamond pricing trends continue.
- The company's inventory strategy includes leveraging its position as a large buyer to secure favorable pricing from suppliers.

Goldiam doing constant value addition



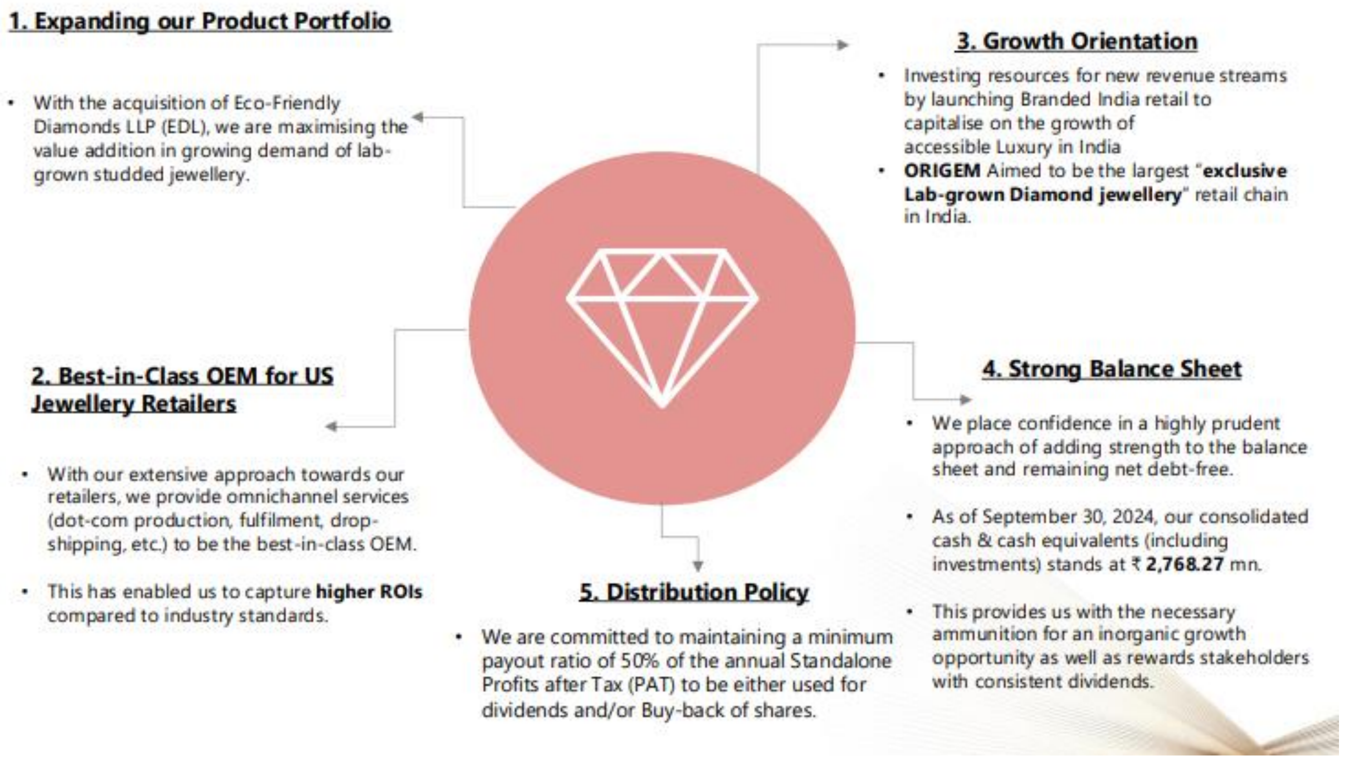
Source: GOLDIAM PPT, MOFSL

Company building momentum with strength



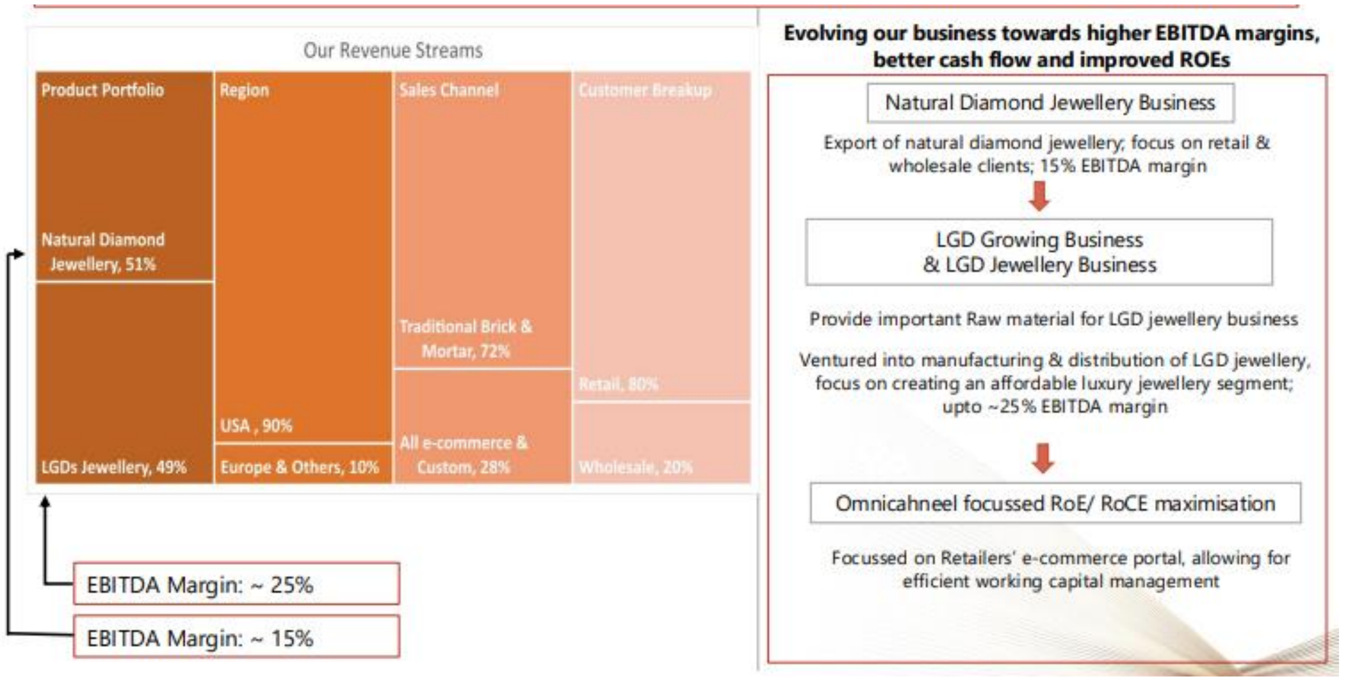
Source: GOLDIAM PPT, MOFSL

Play on value addition and strong financials



Source: GOLDIAM PPT, MOFSL

Strengthening the revenue streams along with better RoE



Source: GOLDIAM PPT, MOFSL

Significant transition from natural diamond to LGD jewelry

Q2FY25					
	INSTORE		ONLINE		Value (%)
Revenue Breakup	Qty	Value	Qty	Value	Total
LAB-GROWN	58%	64.6%	8%	12.1%	77%
NATURAL	23%	14.1%	11%	9.2%	23%
Total	81%	79%	19%	21%	100%

Q2FY24					
	INSTORE		ONLINE		
Revenue Breakup	Qty	Value	Qty	Value	Total
LAB-GROWN	16%	21.7%	6%	12.2%	34%
NATURAL	66%	54.6%	12%	11.5%	66%
Total	77%	72%	23%	28%	100%

Source: GOLDIAM PPT, MOFSL

Greenlab Diamonds

Mr. Smit Patel, Director, Greenlab Diamonds LLP As a panel member of the Lab Grown Diamond Sector at the Gem & Jewellery Export Promotion Council, he brings a wealth of expertise to the industry. Mr. Patel is a pioneer in utilizing cutting-edge technology for cultivating, growing, and marketing top-quality lab-grown diamonds in an eco-friendly organizational setup.

Greenlab Diamonds – Plant and management meet

We hosted a Greenlab Diamonds plant visit in Surat and got the opportunity to interact with the promoters and CEO of the company.
Following are our key takeaways of the same:

About Greenlab Diamond:

- The company is based out of Surat, Gujarat, and specializes in the manufacturing and sale of Lab-Grown Diamonds (LGDs). Its revenue is close to INR7b, with 65% coming from exports and 35% from India. The company enjoys a healthy 10% net profit margin.
- Prior to 2017-2018, the company exclusively dealt with natural diamonds.
- The company has recently launched B-C retail stores in Delhi and at its factory outlet to tap into the emerging trend of LGDs in India.

Production process:

- The company buys LGD seeds from Japan and grows them in machines. No one in India manufactures these seeds.
- The company currently has 1,300 machines (900 new machines and 400 old machines) that consistently operate 24x365 days. All machines are manufactured in India.
- These machines apply similar pressure and heat conditions under which natural diamonds typically grow. Gases such as hydrogen and methane are used in this process.
- The machine takes varying times to grow the seed to make the raw diamond, depending on the required carat size.
- Larger-sized carats (7-8 carats) take 7-8 weeks to grow, while mid-sized carats (5-6 carats) take around 6 weeks to grow.
- After growing the seed, it goes through the laser process, wherein the original seed is removed from the raw diamond. This seed can be reused 2-3 times to grow the raw diamond.
- After this process, the raw diamond undergoes various processes, such as identifying unclear portions possible carat sizes, cutting the diamond in the required shape, polishing the diamond, etc.
- After the final process, the diamond is sent to IGI for certification. The certification charges vary depending on the carat size, where higher charges are applied for higher carat.
- Typically, the raw diamond to polished diamond ratio is 35% in size, while the industry ratio is close to 25%.
- The company manufactures 50-55% of 5-7 carats of LGDs, 20-25% of <5 carats, and 20% of >8 carats. Earlier, 4 carats used to be the maximum size.
- The company only manufactures solitaire.
- The best clarity diamonds start from ‘D’ and can go down to ‘M’. However, industry standards typically range between ‘D’ and ‘F’ for clarity.
- In raw material cost, electricity and gases containing carbon constituted 70-80% of costs for LGD production.

Capacity and expansion plans

- The company currently has 1,300 machines that operate 24x365 days.
- On average, one machine manufactures 250 carats of average monthly production. The company has significantly improved its output efficiencies. The output per machine was around 180-200 carats in 2019 compared to 130-140 carats at the beginning of the plant.
- With significant R&D and consistent efforts, the efficiency levels have improved significantly. Peer companies do not have such high levels of efficiency.
- The company plans to add 2,000 new machines over the next couple of months. Its new plant is situated in the same premise, with majority construction work already done.
- The plant is completely based on solar power.

LGDs for India

- LGD prices have witnessed a massive decline in the last 18 months. According to the management, LGD prices will now stabilize at current levels. Further price correction is not expected.
- According to the company, retailers make the highest margin in the entire value chain.
- India is still at the initial stage of the LGD evolution but is witnessing a fast demand trend.
- Consumers are purchasing LGDs as they can buy larger diamonds for the entire family, whereas the same budget would only afford a smaller natural diamond for one person.
- The younger generation prefers not to block funds in natural diamonds, making lab-grown diamonds (LGDs) an attractive option due to their affordability and comparable appearance
- Many affluent individuals are also opting for LGDs as a way to save money for other purposes.
- Many natural diamond producers are shutting down factories due to a decline in prices.
- The LGD market in India is growing on a month-to-month basis.
- The popularity of LGDs has surged since IGI began certifying them.
- The Prime Minister of India, Mr. Narendra Modi, gifted 7.5 carats of LGD to Jill Biden, the First Lady of U.S. in 2023. The diamond was manufactured at the Greenlab factory.
- The government is actively supporting the sector through initiatives such as training traditional diamond cutting and polishing labor with the use of advanced technology. It has implemented measures such as zero tax on LGD seeds import, subsidies on power consumption, interest subvention, and capital support for equipment purchase.

IGI certification

- GIA's certification is more expensive than that of IGI.
- IGI had reduced its certification charges following the decline in diamond prices, while GIA has not made similar adjustments. As a result, IGI has gained a share in the certification market.
- IGI is known for its fast execution, certifying LGDs within 30 days.
- Certification prices could decline if consumers are willing to forgo full certificates to save money.
- LGDs are expected to see success in other markets, such as the Middle East, in the coming years.

In conversation

Shree Digvijay Cement: Consolidation in the cement sector unlikely to happen at an accelerated pace; Anil Singhvi, Executive Chairman

- Demand is still weak
- No signs of pricing recovery
- Batting for government & private capex push
- Optimistic on volume growth with EBITDA/tn at 700/tn

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Aster DM-Care hospitals deal is eps accretive & will see margin improve going forward ; Alisha Moopen, Dy-MD

- Anticipate an 10-15% expansion in EBITDA in 2 years
- Revenue CAGR of 18-20% pver the next 2-3 years at a combined level
- Merged entity will be one of the leaders in central and south India
- Combined synergies include scalability which his important for Indian market

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NLC India: Plan to scale renewable capacity from 1.4 GW to 10 GW by 2030; Prasanna Kumar Motupalli, CMD

- Under-recovery for H1FY25 stood at Rs 292cr
- Under-recovery from boiler issues at the TPS-II expansion plant
  Modification of plant's boiler at unit 1 expected by Dec'24
- Expect full-year under-recovery to be at Rs 450cr led by unavailability of unit 1

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Nazara Tech: Aims foray in international markets; Nitish Mittersain, CEO

- Looking to enter international markets, growing monetization of gaming in India with ONDC
- Raised nearly ₹900cr in September for acquisitions and expansion
- Select subsidiaries are asset light and on M&A playbook
- Trinity Gaming aiding Nodwin's e-Sports excosystem

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CAMS: Operating leverage aids margins; synergies from Kfin tech joint venture; Anuj Kumar, MD & CEO

- SIP collections growing by 54% YoY
- Equity AUM market share at 66% , up 100BPS YoY
- Maintains guidance of 20% + revenue growth
- Revenue split in ratio of 50:50 between CMAS and KFin
- FY25 will be strongest in the past 5-6 years

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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