

AMP

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23 October 2023

ANTIQUÉ'S MORNING PRESENTATION

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

ICICI Bank

In-line; consistently strong performance

Kotak Mahindra Bank

Core performance strong; RBI approves new MD & CEO

JSW Steel

EBITDA aided by higher volumes and lower costs

Hindustan Zinc

In-line performance; lower costs offset weaker metal prices

Havells India

Lloyd hampers earnings yet again

JSW Energy

Remains on the guided path!

Voltas

EMP provision mars profits yet again, pain to persist for now

Laurus Labs

Inferior business mix drags margins

Kajaria Ceramics

In-line quarter, demand revival anticipated

Century Textiles & Industries

Real estate on a strong growth path; a blip in paper

Equitas Small Finance Bank

Steady earnings growth; asset quality to be monitored

South Indian Bank

Core profitability was impacted by higher costs

Kirloskar Pneumatic Company

Another soft quarter

ANTIQUÉ'S INDIA ECONOMIC MONITOR

Monetary policy

Rates may remain unchanged in FY24

Global News

- The major averages saw further downside going into the close, ending the session near their worst levels of the day. The Nasdaq plunged 202.37 points or 1.5 percent to 12,983.81, the S&P 500 tumbled 53.84 points or 1.3 percent to 4,224.16 and the Dow slid 286.89 points or 0.9 percent to 33,127.28.
- The Nikkei 225 Index fell 0.54% to close at 31,259 while the broader Topix Index lost 0.38% to 2,256 on Friday, hitting their lowest levels in two weeks and tracking losses on Wall Street overnight, as US Federal Reserve Chair Jerome Powell said that inflation remains too high and monetary policy was not yet too tight.

Sector & Corporate News

- **Zydus Lifesciences** has received approval from the United States Food and Drug Administration (USFDA) for its New Drug Application (NDA) for ZITUVIO (Sitagliptin) tablets, 25 mg, 50 mg, and 100 mg. ZITUVIO contains active ingredient Sitagliptin, a dipeptidyl peptidase-4 (DPP-4) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.

Please refer to disclosures at the end of the Research Report

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	33,127	(0.9)	(0.1)
NASDAQ	12,984	(1.5)	24.1
FTSE	7,402	(1.3)	(0.7)
CAC	6,816	(1.5)	5.3
DAX	14,798	(1.6)	6.3
Russia	1,081	2.3	11.4
Bovespa	113,155	(0.7)	3.1
Nikkei	31,259	(0.5)	19.8
Hang Seng	17,172	(0.7)	(13.2)
Shanghai Composite	2,983	(0.7)	(3.4)

Indian Indices	Closing	% Chg	% YTD
Sensex	65,398	(0.4)	7.5
Nifty	19,543	(0.4)	7.9
MSCI India	820	(0.4)	6.3
CNX Midcap	39,879	(1.1)	26.6
BSE Smallcap	38,199	(0.8)	32.1

Flows (USD mn)	Prev. Day	MTD
FII	(114)	(1,115)

Provisional flows	(USD mn)
FIIs	55
Local	1

Volumes	USD bn	% Chg
Cash (NSE + BSE)	9.2	3.5
F&O (net)	1,580.4	(68.0)

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(98)	(77)
Open Int (%)	(0.3)	(4.1)

ADR/GDR Gainers	Last	% Chg
HDFC	57.3	0.0

ADR/GDR Losers	Last	% Chg
SBI	67.2	(1.9)
Dr Reddy	66.2	(1.5)
Wipro	4.6	(1.3)
Reliance	54.8	(1.3)
Infosys	17.0	(0.7)

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	37,471	(0.6)	2.3	29.6
BSE Bank	49,184	(0.1)	(2.0)	0.6
BSE Cap Goods	47,213	(1.0)	(1.1)	41.6
BSE Cons dur	45,489	(1.7)	0.3	14.5
BSE FMCG	18,749	(1.4)	0.4	16.6
BSE IT	31,940	(0.3)	(0.4)	11.4
BSE Health	28,001	(0.8)	(1.7)	21.6
BSE Metal	22,963	(1.5)	(1.0)	10.1
BSE Oil	18,586	(1.7)	(2.3)	(8.9)
BSE Power	4,472	(0.6)	(4.0)	2.1
BSE PSU	12,397	(1.2)	(2.0)	23.7
BSE Realty	4,777	(1.1)	3.7	38.6
BSE TECK	14,410	(0.2)	(0.4)	7.4

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Kotak Mahindra Bank Ltd	1,770	1.8	2.0	(3.2)
Indusind Bank Ltd	1,469	1.3	2.8	20.4
Tata Consultancy Svcs Ltd	3,495	1.1	(1.0)	9.5
Sbi Life Insurance Co Ltd	1,363	1.1	4.4	10.7
Ntpc Ltd	241	0.6	(1.9)	44.8
Nestle India Ltd	24,280	0.6	7.9	23.8
Hdfc Bank Limited	1,523	0.5	(0.2)	(6.5)

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Itc Ltd	438	(2.7)	(1.4)	33.0
Tata Steel Ltd	123	(2.3)	(4.5)	9.3
Divi'S Laboratories Ltd	3,554	(2.3)	(5.6)	4.1
Hindustan Unilever Ltd	2,495	(2.1)	1.2	(2.6)
Bharat Petroleum Corp Ltd	346	(2.1)	(0.1)	4.8
Cipla Ltd	1,200	(1.9)	1.2	11.5
Hindalco Industries Ltd	472	(1.7)	(4.2)	(0.3)

Bulk Deals

Security Name	Client Name	Buy/Sell	Qty	Price	Value (mn)
Zomato Limited	SVF Growth (Singapore) Pte. Ltd	Sell	9,35,69,368	111.20	10,405
MTAR Technologies Limited	BNP Paribas Arbitrage	Sell	4,10,507	2,729.20	1,120
Cupid Limited	Cliff Trexim Private Limited	Buy	2,70,000	518.55	140
Asian Granito India Limit	Jainam Broking Limited	Buy	11,12,659	81.13	90
Shriram Properties Ltd	Citadel Securities India Markets Private Limited	Buy	8,80,606	96.72	85

Delivery Spike

Company	Volume Spike (%)	Chg (%)	
United Breweries Ltd	513,319	661%	2.84%
Kotak Mahindra Bank Ltd	3,851,814	280%	1.79%
Hindustan Petroleum Corp Ltd	2,310,664	265%	-3.48%
Mahindra & Mahindra Financial Services Ltd	1,363,910	250%	-1.61%
ACC Ltd	267,707	247%	-3.32%
Marico Ltd	650,675	196%	-1.01%
Ambuja Cements Ltd	1,089,002	179%	-1.51%
LIC Housing Finance Ltd	1,220,930	158%	-1.68%
Hindustan Zinc Ltd	311,232	154%	-1.84%
Divi's Laboratories Ltd	223,375	142%	-2.29%

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
SBILIFE	1364.05	0.97	13.97	7047
METROPOLIS	1511.70	0.30	13.61	2196
LALPATHLAB	2517.00	0.29	11.41	1324
DIXON	5514.15	0.24	10.26	1590

Short Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
MGL	1033.55	-8.14	43.75	3469
IGL	404.15	-11.94	35.63	19009
CROMPTON	285.10	-3.63	10.31	13563
DABUR	524.7	-0.16	10.23	21525

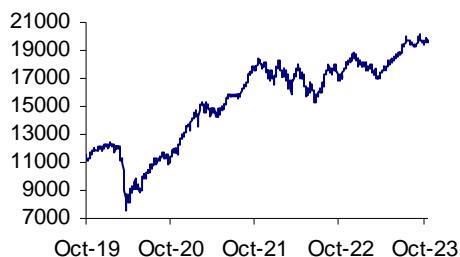
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
LTIM	5427.3	-0.64	-13.52	1692
GUJGASLTD	413.15	-1.61	-8.54	12508
ATUL	6632	-1.58	-8.39	558
ULTRACEMCO	8461.4	-0.95	-6.27	1609

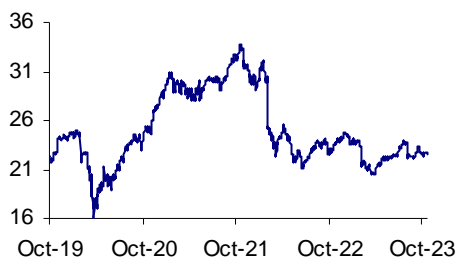
Long Unwinding

Company	Last	% Chg	% Chg OI	OI (in 000)
MCX	2269.70	4.10	-12.90	2171
MUTHOOTFIN	1275.80	2.08	-8.98	6459
KOTAKBANK	1768.10	1.54	-7.86	28796
BERGEPAINT	584.65	1.74	-7.54	12553

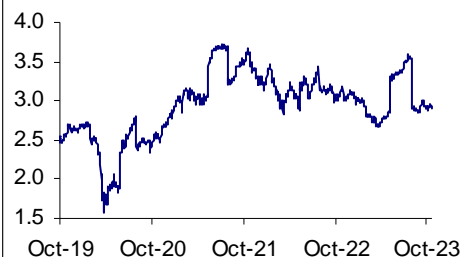
Nifty



Nifty P/E



Nifty P/B

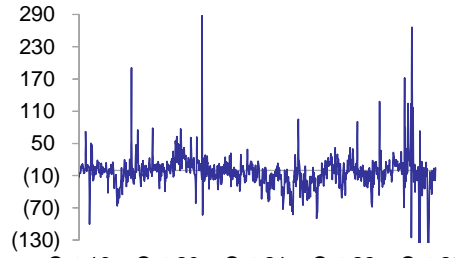


Source: Bloomberg

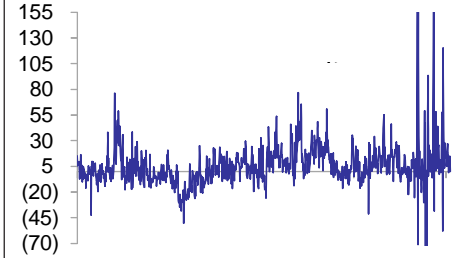
Sensex



FII Provisional Flows (INR bn)



DII Provisional Flows (INR bn)



Source: Bloomberg

Economy, Money & Banking

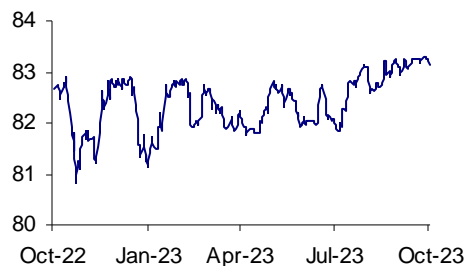
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	83.1	0.1	(0.1)	(0.5)
INR~EUR	88.0	(0.3)	0.2	0.2
INR~GBP	100.8	(0.0)	1.0	(1.3)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	7.4	(1)	15	4
Interbank call	5.8	(105)	(75)	(55)

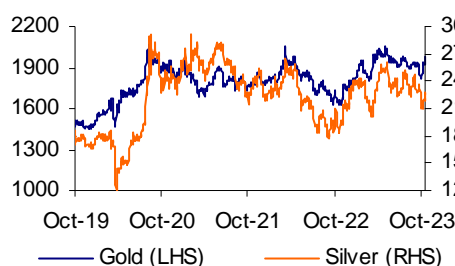
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,981	0.4	7.2	8.6
Crude Oil (\$/Bbl)	88	(0.3)	(0.8)	13.9
Aluminium (\$/t)	2,157	(0.1)	(7.4)	(8.2)
Copper (\$/t)	7,880	(0.6)	(4.1)	(5.8)
Zinc (\$/t)	2,433	1.0	(7.9)	(19.0)
Lead (\$/t)	2,141	0.9	(2.7)	(8.4)
Nickel (\$/t)	18,406	0.7	(0.2)	(38.4)

INR/USD



Gold and silver prices (USD/Tr.Oz)

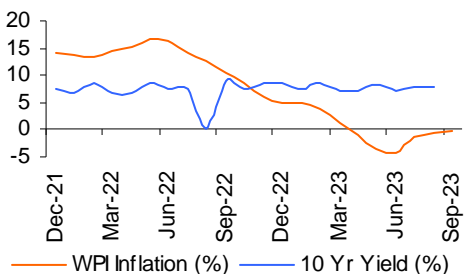


Crude prices (USD/barrel)

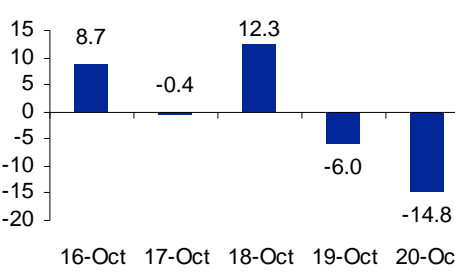


Source: Bloomberg

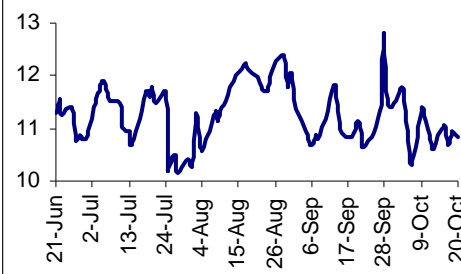
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

CMP	: INR 932
Reco	: BUY ↔
Target Price	: INR 1,225 ↑
Target Price Change	: 4%
Target 1H FY26 AP/BV* (x)	: 2.8 (SoTP)
EPS Change FY24/ 25	: No Change

*core banking business

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Market data

Sensex	: 65,398
Sector	: BANKS
Market Cap (INR bn)	: 6,533.3
Market Cap (USD bn)	: 78.600
O/S Shares (mn)	: 7,004.4
52-wk HI/LO (INR)	: 1009/796
Avg. Daily Vol ('000)	: 8,700
Bloomberg	: ICICIBC IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	55.7	56.5	65.3
PE (x)	14.4	13.9	11.7
AP/ABV (x)*	2.6	2.2	1.9
NIM (%)	4.73	4.39	4.32
Adj. BVPS (INR)	313.4	358.6	410.9

Source: Company *adjusted for investment in subsidiaries

Returns (%)

	1m	3m	6m	12m
Absolute	(6)	(6)	4	5
Relative	(3)	(3)	(5)	(5)

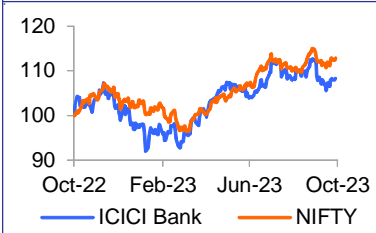
Source: Bloomberg, Antique

Shareholding pattern

Promoters	: -
Public	: 100%
Others	: -

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

ICICI Bank

In-line; consistently strong performance

ICICI Bank (ICICIBC) reported a 2QFY24 PAT of INR 102 bn (RoA of 2.4%; stable QoQ), up 35% YoY, beating our and consensus estimate of INR 96.7 bn/ INR 94.9 bn respectively due to lower than expected provision. NII growth was at 24% YoY (in-line). NIM declined 25 bps QoQ (was still up 22 bps YoY) at 4.5%. Fee income growth was healthy at 16% YoY/ 8% QoQ led by an improvement in corporate fee growth of 22% YoY. Core PPP grew 23% YoY (marginally ahead of estimate, 3.2% of average assets) and credit cost was low at 22 bps. Gross slippage ratio declined sequentially from 2.4% to 2%. NNPLs were stable QoQ at 0.4%, restructured loans remain low at 0.3%, and BB and below pool at 0.4% continues to moderate with countercyclical buffers standing at 1.5% of overall loans. Loan growth remains healthy (5% QoQ and 18% YoY), with a fairly good all-round growth. Deposit mobilization was strong at 4.5% QoQ (19% YoY) led by a sharp 9% QoQ increase in TD while CASA growth declined by 2% QoQ. We largely maintain our estimates and introduce FY26 estimates with a revised TP of INR 1,225 (1HFY26 SoTP) vs. INR 1,175 earlier. Maintain BUY.

Core performance was in-line; low credit cost drives PAT beat: NIM contracted 25 bps QoQ (KMB: -35 bps QoQ) at 4.5% (domestic NIM at 4.6%; -27 bps QoQ) as cost of funds increased by 18 bps QoQ, while yield on loans declined marginally 5 bps QoQ. Management stated that NIM in FY24 will remain in the range of FY23 (which was at 4.5%). NII grew 24% YoY/ flat QoQ; fees grew strongly 16% YoY/ 8% QoQ. Opex growth was at 4% QoQ (21% YoY) due to a 9% QoQ increase in other opex. Core PPP grew 23% YoY/ 1% QoQ and stood at 3.2% of average assets. Core credit cost was low at 22 bps (vs. 50 bps in 1QFY24) which led to PAT growth of 35% YoY/ 6% QoQ and RoA remained stable QoQ at 2.4%.

Loan growth remained broad-based; deposit growth was led by TD: Domestic loans grew 19% YoY/ 5% QoQ and overseas loans increased by 13% QoQ. Within domestic loans, SME growth was strong at 29% YoY (7% QoQ), retail book grew 22% YoY (6% QoQ), and corporate book growth was at 15% YoY/ 3% QoQ. Within retail, growth was strong in the unsecured portfolio, PL (40% YoY/ 10% QoQ), credit cards were up 29% YoY/ 6% QoQ, which together contributed 13% of the overall loans. Management stated that the bank is comfortable with its unsecured portfolio and does not see any concerning trends. Mortgages grew 16% YoY/ 4% QoQ, business banking was up by 11% QoQ, and rural loans were up 4% QoQ. Deposits grew 19% YoY/ 5% QoQ, led by a 9% QoQ increase in TD, while CASA declined 2% QoQ and the average CASA ratio stood at 40.8% (vs. 42.6% in 1QFY24).

Headline NPL ratio declined sequentially; net slippages were NIL: Gross slippage ratio declined from 2.4% to 2% QoQ as retail slippages declined from 3.3% to 2.7% while corporate & SME slippages remained stable QoQ at 0.4%. Recoveries and upgrades remain healthy which led to NIL net slippage ratio (vs. 0.8% in 1QFY24). GNPL/ NNPL/ PCR ratios were at 2.5%/ 0.4%/ 83% as against 2.8%/ 0.5%/ 83% respectively in 1QFY24. Net stress on B/S (including NNPL, restructuring book, and BB & below) was at 1.6%. The bank continues to hold a contingency provision buffer, which stood at 147 bps of loans.

Investment Summary

The bank continues to consistently deliver strong performance with superior RoA, strong asset quality, and balance sheet. While core revenue is expected to moderate and low credit cost is expected to normalize, strong buffers created would help protect/ smoothen earnings, even if the macroeconomic environment turns adverse. We expect RoA of 2.3%/ 2% and RoE of 18%/ 16% over FY24/ 26E and maintain BUY with a revised SoTP-based TP of INR 1,225 (2.8x for banking business and INR 156 for subsidiaries).

Quarterly Earnings

Profit and Loss (INR mn)	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	H1FY24	H1FY23	YoY %	2QFY24E	Deviation (%)
Net Interest Income	1,83,079	1,47,868	23.8	1,82,265	0.4	3,65,344	2,79,968	30.5	1,82,363	0.4
Other Income	57,767	50,549	14.3	54,353	6.3	1,12,119	97,201	15.3	56,688	1.9
Reported Fee income	52,040	44,800	16.2	48,430	7.5	1,00,470	87,230	15.2	50,488	3.1
Core Income	2,35,119	1,92,668	22.0	2,30,695	1.9	4,65,814	3,67,198	26.9	2,32,852	1.0
Other non-core Income	5,727	5,749	-0.4	5,923	-3.3	11,649	9,971	16.8	6,200	-7.6
Operating Expenses	98,553	81,614	20.8	95,226	3.5	1,93,779	1,57,277	23.2	97,269	1.3
Employee	37,254	28,885	29.0	38,837	-4.1	76,091	57,377	32.6	38,060	-2.1
Others	61,299	52,728	16.3	56,389	8.7	1,17,688	99,900	17.8	59,209	3.5
Core Operating Profits	1,36,566	1,11,055	23.0	1,35,469	0.8	2,72,035	2,09,921	29.6	1,35,583	0.7
Operating Profits	1,42,293	1,16,803	21.8	1,41,391	0.6	2,83,684	2,19,892	29.0	1,41,783	0.4
Provisions	5,826	16,445	-64.6	12,924	-54.9	18,751	27,883	-32.8	12,787	-54.4
PBT	1,36,466	1,00,358	36.0	1,28,467	6.2	2,64,933	1,92,009	38.0	1,28,996	5.8
Taxes	33,856	24,480	38.3	31,985	5.9	65,841	47,081	39.8	32,249	5.0
PAT	1,02,610	75,878	35.2	96,482	6.4	1,99,092	1,44,928	37.4	96,747	6.1

Source: Company, Antique

We largely maintain our estimate

INR bn	Old est		New est		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Interest Income	732	800	732	789	0.0	-1.4
Other Income	233	269	237	277	1.6	3.3
Total Income	965	1,069	969	1,067	0.4	-0.2
Operating Expenses	396	458	400	462	1.1	1.1
Operating Profits	570	611	569	604	-0.1	-1.2
Provisions	56	86	50	78	-9.9	-9.0
PBT	514	526	519	526	1.0	0.1
Tax	128	131	130	132	1.0	0.1
PAT	385	394	389	395	1.0	0.1

Source: Company, Antique

SoTP-based target price of INR 1,225 based on H1FY26 BV

	Stake (%)	Total Value for ICICIBC		Value Per Share INR			% of Total		
		INR bn		INR					
		FY25	FY26	FY25	FY26	H1FY26	FY25	FY26	H1FY26
ICICI Bank		7,015	7,843	1,009	1,128	1,069	87	87	87
ICICI Pru Life Insurance	51	375	431	54	62	58	5	5	5
ICICI Home Finance	100	19	20	3	3	3	0	0	0
ICICI Pru AMC	51	316	348	46	50	48	4	4	4
ICICI Securities	75	139	167	20	24	22	2	2	2
ICICI Lombard Gen. Ins	48	313	367	45	53	49	4	4	4
Others		98	114	14	16	15	1	1	1
Total Value of Ventures		1,261	1,446	181	208	195	16	16	16
Less: 20% holding Discount		252	289	36	42	39	3	3	3
Value of Key Ventures		1,009	1,156	145	166	156	13	13	13
Target Price Post 20% Holding Co. Disc.		8,023	8,999	1,154	1,295	1,225	100	100	100

Source: Company, Antique

DUPONT Analysis - Quarterly: Core performance remains strong; RoA stable QoQ (% of average assets)

Y/E March	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Net Interest Income (%)	3.7	3.7	3.6	3.7	4.1	4.4	4.6	4.5	4.3
Core Fee Income (%)	1.2	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
Core Income	5.0	5.0	4.9	4.9	5.3	5.6	5.8	5.7	5.6
Operating Expenses	2.1	2.2	2.0	2.1	2.2	2.2	2.3	2.4	2.3
Employee expenses	0.8	0.8	0.7	0.8	0.8	0.8	0.9	1.0	0.9
Others	1.3	1.4	1.3	1.3	1.5	1.4	1.4	1.4	1.5
Core operating Profits	2.9	2.9	2.9	2.8	3.1	3.4	3.5	3.4	3.2
Trading and others	0.3	0.2	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Operating Profits	3.2	3.1	3.0	2.9	3.2	3.5	3.6	3.5	3.4
Provisions (%)	0.9	0.6	0.3	0.3	0.5	0.6	0.4	0.3	0.1
PBT	2.3	2.5	2.7	2.6	2.8	2.9	3.1	3.2	3.2
Tax	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.8	0.8
RoA	1.8	1.9	2.0	2.0	2.1	2.2	2.3	2.4	2.4
RoE	14.3	15.5	16.8	15.9	16.8	17.8	18.6	18.7	19.2

Source: Company, Antique

DUPONT Analysis: RoA expected to be 2.3%/ 2% over FY24/26E (% of average assets)

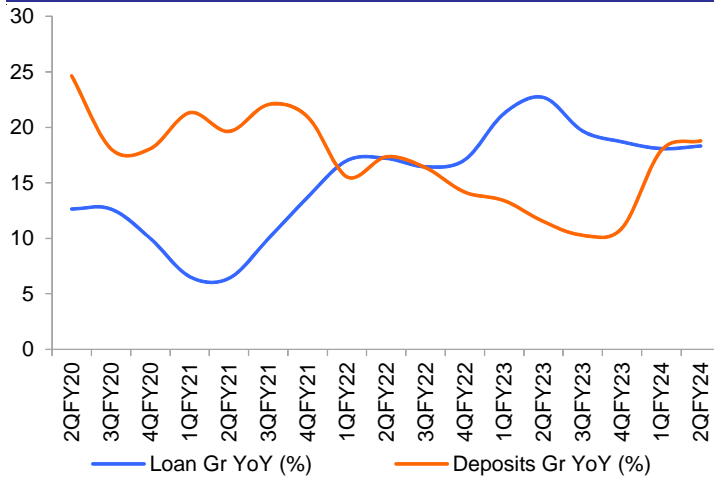
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Interest Income	3.1	2.9	2.8	2.9	3.2	3.3	3.6	4.1	4.3	3.9	3.9
Core Fee Income	1.3	1.3	1.3	1.3	1.3	1.1	1.2	1.2	1.2	1.2	1.3
Core Income	4.4	4.2	4.0	4.2	4.6	4.4	4.8	5.3	5.5	5.2	5.1
Operating Expenses	1.9	2.0	1.9	2.0	2.1	1.9	2.0	2.2	2.3	2.3	2.3
Employee cost	0.7	0.8	0.7	0.7	0.8	0.7	0.7	0.8	0.9	0.9	0.9
Others	1.1	1.2	1.2	1.2	1.3	1.2	1.3	1.4	1.4	1.4	1.4
Core operating Profits	2.5	2.2	2.1	2.3	2.5	2.6	2.8	3.2	3.2	2.9	2.9
Non-core Income	1.0	1.3	0.9	0.3	0.3	0.5	0.2	0.1	0.1	0.1	0.1
Operating Profits	3.5	3.5	3.0	2.5	2.7	3.1	3.0	3.3	3.3	3.0	3.0
Provisions	1.7	2.0	2.1	2.1	1.4	1.4	0.7	0.4	0.3	0.4	0.4
NPA	1.1	2.0	1.7	1.8	0.9	0.9	0.5	0.0	0.3	0.4	0.4
PBT	1.8	1.5	0.9	0.4	1.4	1.7	2.3	2.8	3.0	2.6	2.6
Tax	0.4	0.2	0.1	0.0	0.6	0.3	0.6	0.7	0.8	0.7	0.7
RoA	1.4	1.3	0.8	0.4	0.8	1.4	1.8	2.1	2.3	2.0	2.0
Leverage (x)	8.4	8.3	8.4	9.0	9.6	9.1	8.5	8.2	8.1	8.3	8.4
RoE	11.9	10.9	6.9	3.3	7.4	12.7	15.1	17.6	18.3	16.2	16.4

Source: Company, Antique

Conference Call Highlights

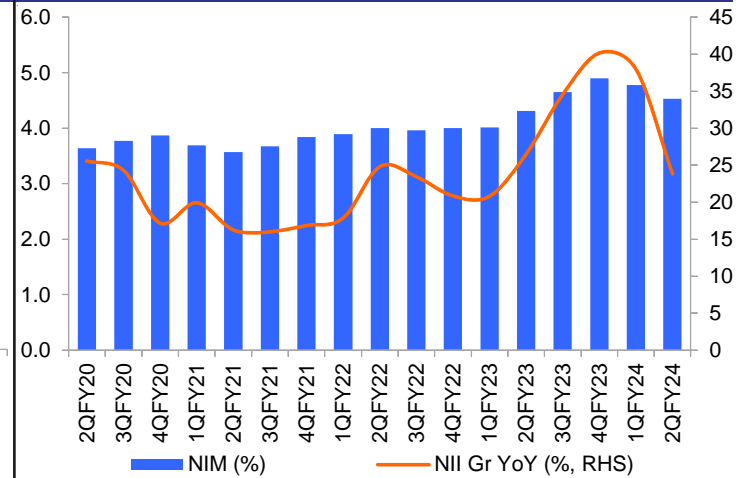
- The bank's strategic focus continues to be on growing core operating profit through 360-degree customer-centric approach.
- The bank's overseas loan portfolio comprises 3% of the total loan book. Of the overseas portfolio, 90% comprise Indian corporates, 6% overseas corporate with India linkage, 2% comprise companies owned by NRIs, and the balance 2% is non-India linked.
- Loan book by benchmark type: 48% repo linked, 18% MCLR, 31% fixed rate loans, and 3% other external benchmark-linked.
- Average LCR for the quarter was 122%.
- Sequential decline in NIM was due to the lagged impact of an increase in term deposit rate on the cost of deposits. However, incremental retail term deposit rates have largely stabilized.
- Management expects a further increase in the cost of deposits which may impact NIM, but NIM in FY24 is likely to be in the range of FY23.
- Impact of interest on income tax refund on NIM was NIL during the quarter as compared to 3 bps impact in the previous quarter.
- ICRR impact on NIM was marginal at 2–3 bps.
- Retail accounts for 78% of the total fees.
- Increase in other opex was due to retail business-related and technology expenses. Technology expenses were about 9.2% of opex in 1HFY24.
- Decline in provision on a sequential basis reflects higher NPA addition from the KCC portfolio in the previous quarter and corporate recoveries and upgrades.
- On unsecured portfolio, management stated that trends in personal loans and credit cards are quite stable and delinquencies are well within the range. However, on industry-wise trends, there is some level of distinction between large-ticket size and small-ticket size personal loans. The bank has a very minimal presence in smaller ticket-size loans.
- The bank continue to monitor the unsecured loans portfolio and current trends are not concerning.

Loan growth remained strong; deposit growth picked up



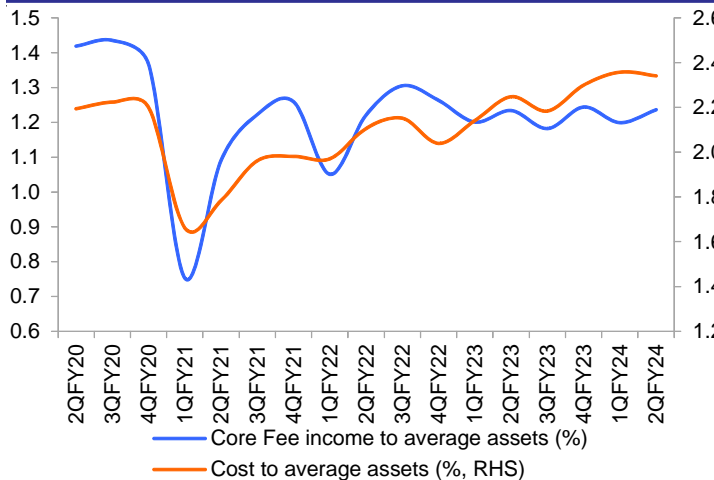
Source: Company, Antique

NIM moderated QoQ due to rise in cost of funds



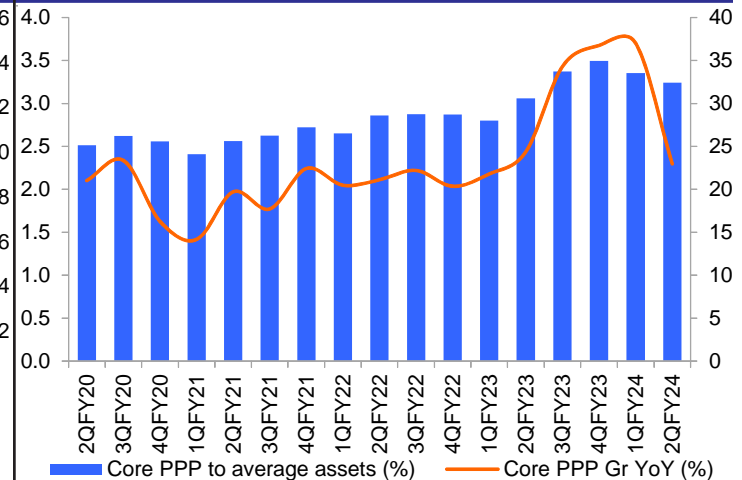
Source: Company, Antique

Core fee income contribution remains stable QoQ



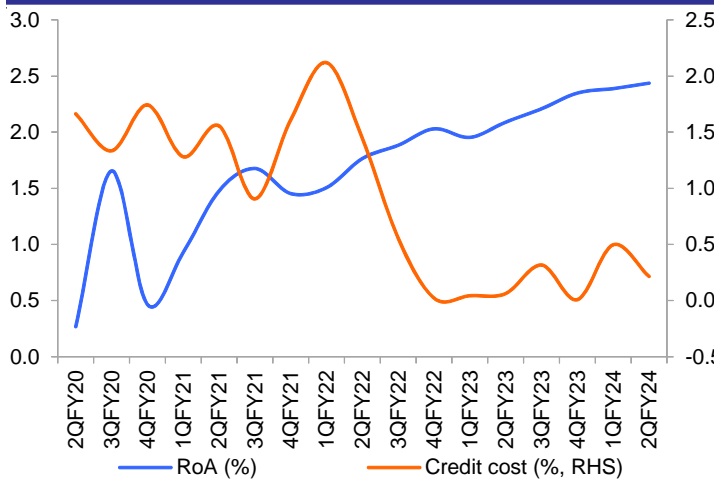
Source: Company, Antique

Core PPP growth moderated



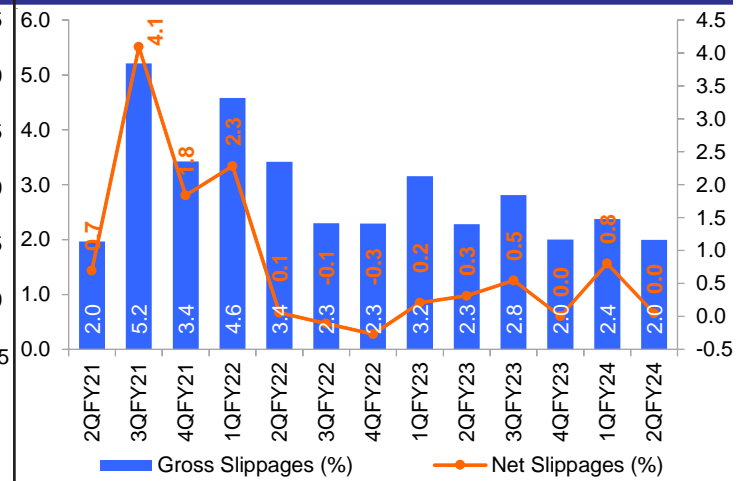
Source: Company, Antique

Credit cost remained benign; RoA stable QoQ



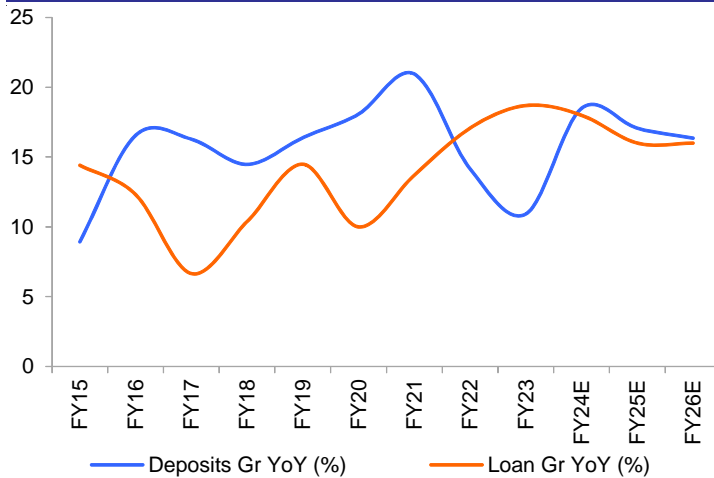
Source: Company, Antique

Slippages declined sequentially



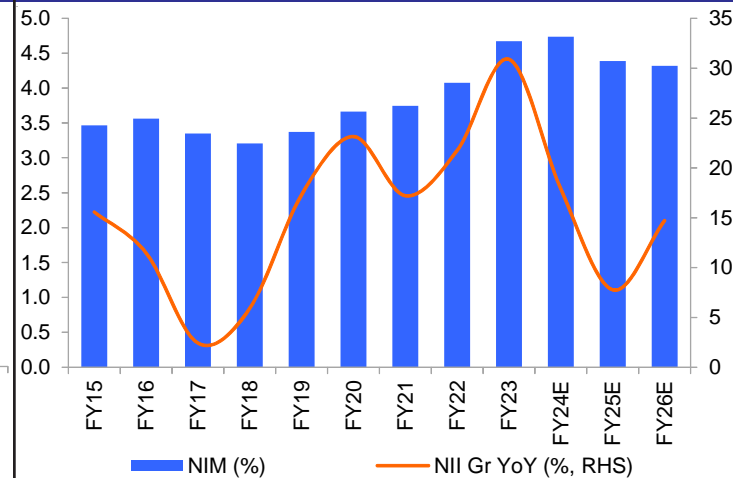
Source: Company, Antique

Business growth expected to remain strong



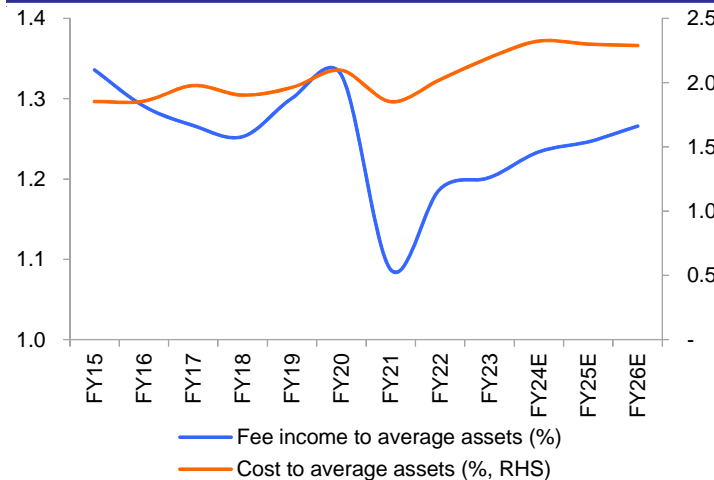
Source: Company, Antique

Margin expected to sustain at >4%



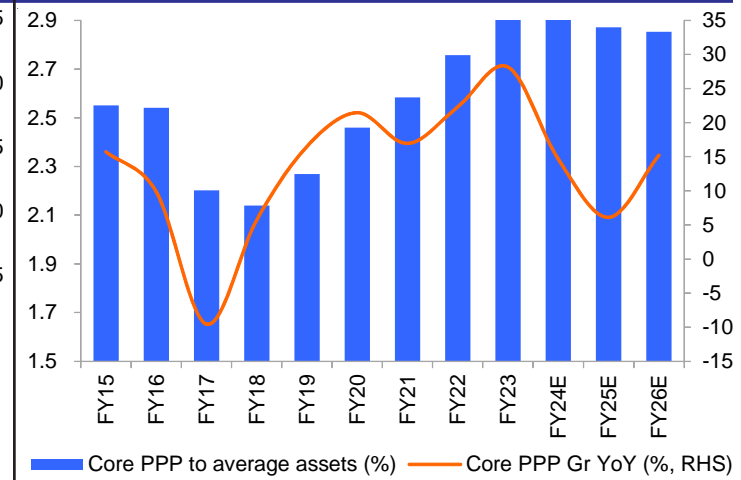
Source: Company, Antique

Fee income share as a % of average assets



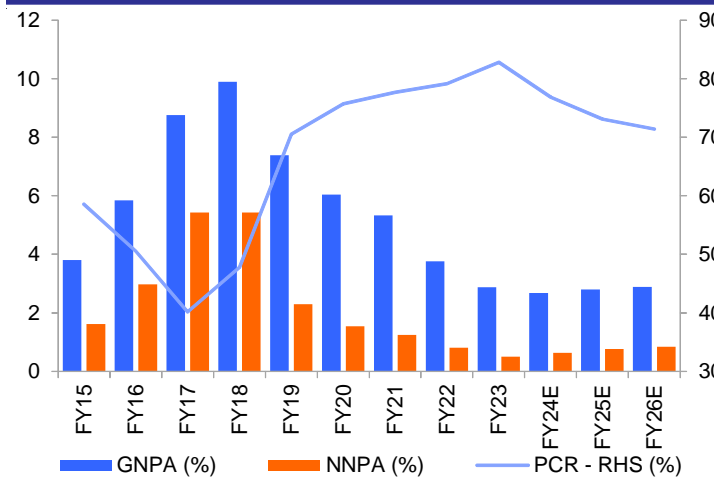
Source: Company, Antique

Core PPP growth expected to moderate



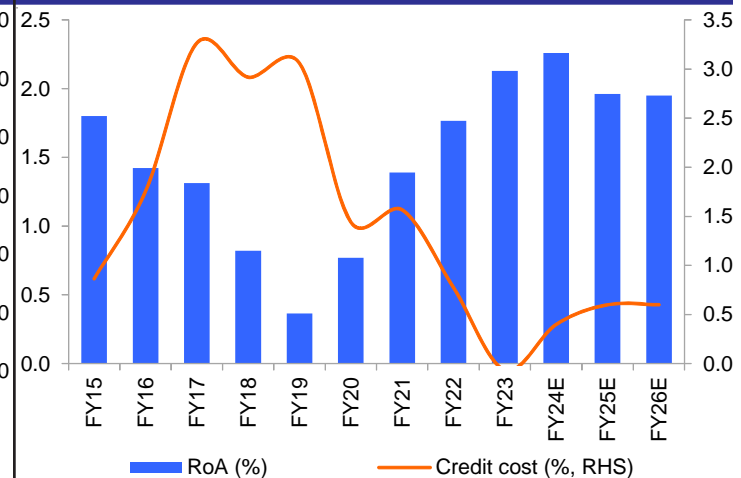
Source: Company, Antique

Asset quality expected to remain stable



Source: Company, Antique

RoA expected to be at 2.3%/ 2% over FY24/ 26E



Source: Company, Antique

Quarterly earnings snapshot

INR mn	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Profit and Loss											
Net Interest Income	1,16,897	1,22,360	1,26,046	1,32,100	1,47,868	1,64,650	1,76,668	1,82,265	1,83,079	0	24
Other Income	47,972	49,871	47,374	46,652	50,549	50,236	50,878	54,353	57,767	6	14
Trading profits	3,970	880	1,290	360	-850	360	-400	2,520	-850	NA	NA
Fee Income	38,110	42,910	43,660	42,430	44,800	44,480	48,300	48,430	52,040	7	16
Miscellaneous Income	5,892	6,081	2,424	3,862	6,599	5,396	2,978	3,403	6,577	93	0
Total Income	1,64,869	1,72,231	1,73,420	1,78,752	1,98,417	2,14,886	2,27,545	2,36,617	2,40,846	2	21
Operating Expenses	65,722	70,749	70,490	75,663	81,614	82,174	89,282	95,226	98,553	3	21
Employee	23,846	24,848	24,289	28,492	28,885	29,212	34,010	38,837	37,254	-4	29
Others	41,876	45,900	46,201	47,171	52,728	52,962	55,272	56,389	61,299	9	16
Operating Profits	99,147	1,01,483	1,02,929	1,03,089	1,16,803	1,32,712	1,38,264	1,41,391	1,42,293	1	22
Provisions	27,135	20,073	10,690	11,438	16,445	22,574	16,198	12,924	5,826	-55	-65
PBT	72,012	81,410	92,240	91,651	1,00,358	1,10,138	1,22,066	1,28,467	1,36,466	6	36
Taxes	16,903	19,471	22,053	22,601	24,480	27,019	30,847	31,985	33,856	6	38
PAT	55,109	61,938	70,187	69,049	75,878	83,119	91,219	96,482	1,02,610	6	35
Asset Quality											
GNPA	4,14,374	3,70,527	3,39,195	3,31,630	3,25,710	3,25,282	3,11,840	3,18,220	2,98,370	-6	-8
NNPA	81,610	73,439	69,609	66,560	60,990	56,512	51,550	53,820	50,460	-6	-17
GNPA (%)	4.8	4.1	3.6	3.4	3.2	3.1	2.8	2.8	2.5		
NNPA (%)	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.4		
PCR (Calculated, %)	80	80	79	80	81	83	83	83	83		
GNPA - Retail	1,73,880	1,35,940	1,28,320	1,27,190	1,23,430	1,22,450	1,21,130	1,29,350	1,28,520	-1	4
NNPA - Retail	60,300	55,210	53,050	50,220	47,810	43,510	42,040	43,830	44,250	1	-7
Prov. for NPA in qtr	27,140	10,950	440	940	1,440	7,570	190	12,920	5,830	-55	305
Credit Cost	1.4	0.6	0.0	0.0	0.1	0.3	0.0	0.5	0.2		
Ratios (%)											
Fees to Total Income	23.1	24.9	25.2	23.7	22.6	20.7	21.2	20.5	21.6		
Cost to Core Income	40.8	41.3	41.0	42.4	41.0	38.3	39.2	40.7	40.8		
Tax Rate	23.5	23.9	23.9	24.7	24.4	24.5	25.3	24.9	24.8		
CASA	46.1	47.2	48.7	46.9	46.6	45.3	45.8	43.3	40.8		
Dom. Loan/Deposit (Rep)	75.0	77.0	77.5	81.6	83.3	84.7	84.5	83.8	84.1		
Loan / Deposit	78.3	80.0	80.7	85.3	86.1	86.8	86.3	85.4	85.8		
Margins - Reported (%)											
Yield on funds	7.3	7.2	7.2	7.2	7.6	8.1	8.6	8.7	8.6		
Yield on loans	8.3	8.2	8.3	8.1	8.6	9.1	9.8	9.9	9.8		
Cost of funds	3.7	3.7	3.7	3.7	3.8	4.0	4.3	4.6	4.8		
Cost of deposits	3.5	3.5	3.5	3.5	3.6	3.7	4.0	4.3	4.5		
Quarterly NIMs	4.0	4.0	4.0	4.0	4.3	4.7	4.9	4.8	4.5		
Domestic quarterly NIM	4.1	4.1	4.1	4.1	4.5	4.8	5.0	4.9	4.6		
Overseas quarterly NIM	0.3	0.3	0.4	0.3	0.5	0.6	1.0	1.0	1.6		

Source: Company, Antique

Quarterly earnings snapshot (continued)

Balance Sheet (INR bn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Networth	1,568	1,631	1,705	1,779	1,825	1,913	2,007	2,110	2,160	2	18
Deposits	9,774	10,175	10,646	10,503	10,900	11,220	11,808	12,387	12,947	5	19
CA	1,321	1,460	1,585	1,403	1,454	1,456	1,615	1,610	1,553	-4	7
SA	3,186	3,346	3,600	3,518	3,625	3,632	3,798	3,752	3,723	-1	3
CASA	4,507	4,807	5,184	4,921	5,078	5,088	5,413	5,362	5,276	-2	4
CASA Ratio (%)	46	47	49	47	47	45	46	43	41		
Overall Loans	7,649	8,140	8,590	8,956	9,386	9,740	10,196	10,576	11,105	5	18
Total Retail Advances	5,226	5,509	5,849	6,123	6,500	6,790	7,174	7,482	7,915	6	22
Housing	2,647	2,783	2,931	3,051	3,186	3,314	3,447	3,556	3,704	4	16
Auto Loans	375	387	403	424	446	473	497	525	554	6	24
Auto loans (commercial vehicles)	248	257	262	261	262	265	275	282	295	5	12
Two wheeler	13	15	16	17	18	19	22	23	22	-5	25
Personal loans	526	570	629	684	744	809	881	948	1,044	10	40
Credit Cards	198	228	251	280	334	345	378	407	432	6	29
Business Banking	446	485	534	574	636	669	721	749	828	11	30
Others	773	785	824	832	874	896	952	992	1,036	4	18
SME	331	364	405	394	419	454	482	506	543	7	29
International	387	407	413	458	380	353	341	323	363	13	-4
Domestic Corporate	1,755	1,914	1,937	2,023	2,160	2,262	2,348	2,414	2,490	3	15
Loan mix (%)											
Total Retail Advances	68	68	68	68	69	70	70	71	71		
Housing	35	34	34	34	34	34	34	34	33		
Auto Loans	5	5	5	5	5	5	5	5	5		
Auto loans (commercial vehicles)	3	3	3	3	3	3	3	3	3		
Two wheeler	0	0	0	0	0	0	0	0	0		
Personal loans	7	7	7	8	8	8	9	9	9		
Credit Cards	3	3	3	3	4	4	4	4	4		
Business Banking	6	6	6	6	7	7	7	7	7		
Others	10	10	10	9	9	9	9	9	9		
SME	4	4	5	4	4	5	5	5	5		
International	5	5	5	5	4	4	3	3	3		
Domestic Corporate	23	24	23	23	23	23	23	23	22		

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Income	8,63,746	10,92,313	14,23,555	16,65,822	19,32,439
Interest Expense	3,89,085	4,71,027	6,91,225	8,76,618	10,27,158
Net Interest Income	4,74,661	6,21,286	7,32,330	7,89,204	9,05,281
% NII Growth	21.7	30.9	17.9	7.8	14.7
Fee Income	1,56,870	1,80,010	2,12,412	2,50,646	2,95,762
Non-interest income	1,85,175	1,98,315	2,36,890	2,77,472	3,27,481
Net Revenue	6,59,836	8,19,600	9,69,220	10,66,676	12,32,762
Employees Expenses	96,727	1,20,599	1,54,367	1,77,522	2,04,151
Other Op. Expenses	1,70,606	2,08,133	2,45,597	2,84,893	3,30,475
Operating Profit	3,92,503	4,90,868	5,69,256	6,04,261	6,98,136
% OP Growth	7.8	25.1	16.0	6.1	15.5
Tax	72,694	1,05,247	1,29,709	1,31,574	1,51,924
Total Provisions	86,414	66,656	50,421	77,966	90,440
Net Profit	2,33,395	3,18,965	3,89,126	3,94,722	4,55,772

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Capital	13,900	13,968	13,968	13,968	13,968
Reserves and Surplus	16,91,220	19,93,186	23,04,487	26,20,264	29,84,882
Deposits	1,06,45,716	1,18,08,407	1,39,92,268	1,63,80,417	1,90,59,045
Borrowings	10,72,314	11,93,255	13,60,915	16,20,748	19,42,554
Other Liabilities & Provisions	6,89,828	8,33,251	9,15,497	9,99,407	10,91,708
Total liabilities	1,41,12,977	1,58,42,067	1,85,87,134	2,16,34,803	2,50,92,157
Cash & Balances with RBI	10,95,228	6,85,262	10,67,384	12,80,647	14,39,955
Bal. with banks/ call money	5,82,995	5,09,121	3,07,064	3,60,023	4,20,032
Investment	31,02,410	36,23,297	42,75,491	50,45,079	59,53,193
Loans and advances	85,90,204	1,01,96,383	1,20,31,732	1,39,56,809	1,61,89,899
Fixed Assets	93,738	95,998	1,00,259	1,06,519	1,14,779
Other Assets	6,48,401	7,32,005	8,05,206	8,85,726	9,74,299
Total assets	1,41,12,977	1,58,42,067	1,85,87,134	2,16,34,803	2,50,92,157

Per share data (INR)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Book value per share (INR)	240	282	326	371	424
Adj. BVPS (INR)	227	269	313	359	411
Price/ Adj. Book value	3.6	3.1	2.6	2.2	1.9
EPS (INR)	34	46	56	57	65
P/E Ratio	27.8	20.4	16.7	16.5	14.3
DPS	2.0	8.0	11.1	11.3	13.1

Source: Company, Antique *adjusted for investment in subsidiaries

Asset Quality

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross NPA (INR mn)	3,32,949	2,99,861	3,28,851	3,97,945	4,77,903
Gross NPA (%)	3.76	2.87	2.68	2.79	2.89
Net NPA (INR mn)	69,310	51,501	76,037	1,07,165	1,36,683
Net NPA (%)	0.81	0.51	0.63	0.77	0.84
% coverage of NPA	79.2	82.8	76.9	73.1	71.4
Delinquencies (%)	2.6	2.1	2.0	2.0	2.0

Capital Adequacy Ratio

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RWA (INR mn)	88,35,910	1,07,05,150	1,29,31,850	1,54,84,938	1,84,61,354
Tier I (%)	18.4	17.6	17.0	16.2	15.6
Tier II (%)	0.8	0.7	0.6	0.5	0.4
Total CAR (%)	19.2	18.3	17.6	16.7	16.0

Business Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Credit / Deposit (%)	80.7	86.3	86.0	85.2	84.9
Investment / Deposit (%)	29.1	30.7	30.6	30.8	31.2
CASA (%)	48.7	45.8	41.1	40.3	39.5
RoA (%)	1.8	2.1	2.3	2.0	2.0
Core RoE (%)	14.8	17.4	18.3	16.0	16.2
Dividend Yield (%)	0.2	0.9	1.2	1.2	1.4

Key assumptions

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Deposit					
Deposit growth (%)	14.2	10.9	18.5	17.1	16.4
Cost of deposits (%)	3.3	3.5	4.7	5.0	5.1
Advances					
Advances growth (%)	17.1	18.7	18.0	16.0	16.0
Yield on advances (%)	8.0	8.9	10.0	10.0	10.0
Investments					
Investments growth (%)	10.3	16.8	18.0	18.0	18.0
Yield on investments (%)	5.5	6.2	7.2	7.2	7.2

Earnings Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Inc. / Avg. assets (%)	6.5	7.3	8.3	8.3	8.3
Interest Exp./ Avg. assets (%)	2.9	3.1	4.0	4.4	4.4
NIM (%)	4.1	4.7	4.7	4.4	4.3
Int. exp/ Int earned (%)	45.0	43.1	48.6	52.6	53.2
Oth. Inc./ Tot. Inc. (%)	28.1	24.2	24.4	26.0	26.6
Staff exp/Total opt. exp (%)	36.2	36.7	38.6	38.4	38.2
Cost/ Income Ratio (%)	40.5	40.1	41.3	43.4	43.4
Prov./ Operating Profit (%)	22.0	13.6	8.9	12.9	13.0
Loan loss prov./Avg. loans (%)	0.8	(0.1)	0.4	0.6	0.6

Source: Company Antique

CMP	: INR 1,770
Reco	: BUY ↔
Target Price	: INR 2,250 ↔
Target Price Change	: No Change
Target H1FY26 P/BV (x)	: 2.9 Consol (SoTP)
EPS Change FY24/ 25	: 3%/2%

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Market data	
Sensex	: 65,398
Sector	: BANKS
Market Cap (INR bn)	: 3,517.1
Market Cap (USD bn)	: 42.313
O/S Shares (mn)	: 1,987.5
52-wk HI/LO (INR)	: 2064/1644
Avg. Daily Vol ('000)	: 2,505
Bloomberg	: KMB IN

Source: Bloomberg

	FY24e	FY25e	FY26e
Cons EPS (INR)	87.9	96.8	111.0
Cons P/E (x)	20.1	18.3	15.9
Cons P/BV (x)	2.7	2.4	2.1
NIM (%)	5.1	5.0	4.9
Con. BVPS (INR)	645	737	842

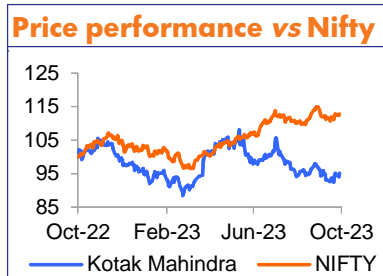
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(1)	(10)	(6)	(5)
Relative	1	(7)	(14)	(14)

Source: Company, Antique

Shareholding pattern	
Promoters	: 26%
Public	: 74%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

Kotak Mahindra Bank

Core performance strong; RBI approves new MD & CEO

Kotak Mahindra Bank (KMB) reported a 2QFY24 standalone PAT of INR 31.9 bn (24% YoY, 4% above estimate) with RoA of 2.4% and consolidated PAT of INR 44.6 bn. Key highlights: NIM at 5.22%, down 35 bps QoQ (of which, management mentioned, 15 bps was one-off due to higher liquidity buffers built-in) as cost of funds increased 42 bps QoQ (36 bps QoQ in 1QFY24) and yield on loans were flat. Nil growth of 23% YoY was in line with estimates; core PPP grew 28% YoY, 6% QoQ (5% above est.) driven by strong core fee income of INR 20.3 bn (24% YoY, 11% QoQ, 6% above estimate). Opex and provisions were flat QoQ. SA deposits were flat QoQ (2% YoY), but TD sweep saw an acceleration (28% QoQ). Loan growth momentum was strong at 6% QoQ and 18% YoY with the share of unsecured retail loans now at 11% vs. 8.7% YoY. Asset quality continues to remain strong with the net slippage ratio at 0.5%. Subsidiaries' performance was better than estimated, especially from the broking business. The bank has got approval from RBI to appoint Mr. Ashok Vaswani as the new CMD & CEO for a period of three years. He has a strong track record of over three decades with global banks such as Barclays Bank, UK (ex-CEO) and Citi (CEO-APAC). We largely maintain estimates as we roll forward to 1HFY26 and retain BUY with an unchanged TP at INR 2,250 (2.9x for banking business and INR 597 for subsidiaries).

Higher fees and stable opex led to core PPOP beat: Nil grew 24% YoY, 1% QoQ as NIM compressed 35 bps QoQ to 5.2% (53 bps decline in 1HFY24). NIM compression was largely driven by the cost of funds rising 42 bps QoQ (78 bps – 1HFY24) with the yield on loans remaining flat QoQ. Management has maintained its +5% NIM guidance as the yield on loans is expected to be stable and the pace of increase in the cost of funds likely to moderate. Fees grew 24% YoY, 11% QoQ. Non-core income declined QoQ due to lower trading and MTM gains of INR 1.5 bn vs. INR 2.4 bn QoQ as well as dividends from subsidiaries of INR 3.1 bn in 1QFY24. This led to PPOP declining by 7% QoQ despite a strong 29% YoY growth. Opex and provisions were stable QoQ with credit cost declining to 47 bps vs. 54 bps in 1QFY24. Overall, PAT saw 23% YoY growth but an 8% QoQ decline leading to RoA coming in at 2.4% vs. 2.8% QoQ (share of non-core income in RoA declining back to 0.2% from 0.7%).

Loan growth (ex-corporate) was strong, unsecured lending growth momentum remains strong: Loans grew 18% YoY/ 6% QoQ. All segments grew at a healthy pace with CV (9% QoQ/ 26% YoY), secured WC (11%QoQ/ 21% YoY), mortgages (4% QoQ/ 15% YoY), tractors (3% QoQ/ 20% YoY). Unsecured lending (including PL/ BL/ MFI and credit cards) grew 10% QoQ and 51% YoY—now accounting for 11% of loans vs. 8.7% YoY, and management aims to raise it to low/ mid-teens. Deposits saw strong momentum with 23% YoY (4% QoQ) growth, within which SA deposits were flat QoQ (2% YoY) and continue to remain a challenge, especially in the higher ticket size. TD grew 3% QoQ/ 43% YoY (TD Sweep - Activ Money grew +28% QoQ). CASA ratio continues to decline, currently at 48.3% from 49% QoQ & 56.2% YoY. Loan to deposit ratio increased from 85.5% to 86.9% sequentially with LCR at 120%.

Asset quality remains strong: GNPL/ NNPL/ PCR were 1.7%/ 0.4%/ 79% respectively and stable QoQ. Restructured loans declined 4 bps to 15 bps of loans and the bank holds 9 bps of loans as contingency provisions. The slippage ratio increased marginally to 1.8% as compared to 1.7% QoQ, however, higher recoveries and upgrades brought net slippages down to 0.5% vs. 0.7% sequentially.

Subsidiaries reported a healthy performance: Kotak Securities saw strong PAT growth of 45% YoY with the overall market share improving to 8.8% vs. 5% a year ago. Within other lending businesses, KMIL posted strong growth of 62% YoY and 24% QoQ. Kotak Life bounced back from a slow 1Q with PAT growth of 28% QoQ but still down 9% YoY. Within the AMC business, AUM grew 28% YoY.

Investment Summary

KMB's performance continues to be healthy with a RoA of 2.4%. Even as NIM moderates and credit cost normalizes around 50 bps, we expect RoA of 2.4%/ 2.1% and core RoE of 14%–15% over FY24/ 26E. While we do not foresee a very near-term challenge, the key test for the bank would be sustaining performance in a weaker consumer credit cycle given the late push in unsecured retail assets (unseasoned) and diminishing strength on the liability side. Maintain BUY with SoTP-based TP of INR 2,250.

Quarterly Earnings

Profit and Loss (INR mn)	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	2QFY24E	Diff (%)	1HFY24	1HFY23	YoY %
Net Interest Income	62,966	50,994	23.5	62,337	1.0	62,420	0.9	1,25,303	97,965	27.9
Other Income	23,145	18,324	26.3	26,833	-13.7	22,684	2.0	49,978	30,762	62.5
Reported Fee income	20,260	16,380	23.7	18,270	10.9	19,184	5.6	38,530	32,940	17.0
Core Income	83,226	67,374	23.5	80,607	3.2	81,603	2.0	1,63,833	1,30,905	25.2
Other non core Income	2,885	1,944	48.4	8,563	-66.3	3,500	-17.6	11,448	-2,178	NM
Operating Expenses	40,011	33,643	18.9	39,674	0.8	40,273	-0.7	79,684	65,219	22.2
Employee	16,346	14,147	15.5	16,470	-0.8	16,141	1.3	32,816	25,876	26.8
Others	23,665	19,496	21.4	23,204	2.0	24,132	-1.9	46,868	39,343	19.1
Core Operating Profits	43,216	33,731	28.1	40,933	5.6	41,331	4.6	84,149	65,686	28.1
Operating Profits	46,101	35,675	29.2	49,496	-6.9	44,831	2.8	95,597	63,508	50.5
Provisions	3,666	1,370	167.6	3,643	0.6	3,950	-7.2	7,309	1,606	355.1
PBT	42,436	34,305	23.7	45,853	-7.5	40,881	3.8	88,288	61,902	42.6
Taxes	10,526	8,498	23.9	11,330	-7.1	10,302	2.2	21,856	15,384	42.1
PAT	31,910	25,807	23.6	34,523	-7.6	30,579	4.4	66,433	46,518	42.8
Subsidiaries										
Kotak Mahindra Prime	2,080	2,220	-6.3	2,180	-4.6	2,180	-4.6	4,260	3,790	12.4
Kotak Mahindra Investments	1,260	780	61.5	1,020	23.5	1,020	23.5	2,280	1,410	61.7
Kotak Mahindra Capital Company	270	220	22.7	550	-50.9	550	-50.9	820	730	12.3
Kotak Securities	3,240	2,240	44.6	2,190	47.9	2,190	47.9	5,430	4,430	22.6
International subsidiaries	410	50	720.0	320	28.1	320	28.1	730	190	284.2
Kotak Mahindra AMC & Trustee Co	1,240	1,060	17.0	1,060	17.0	1,060	17.0	2,300	2,120	8.5
Kotak Mahindra Life Insurance	2,470	2,700	-8.5	1,930	28.0	1,930	28.0	4,400	5,180	-15.1
Others + General insurance	1,350	640	110.9	1,080	25.0	1,080	25.0	2,430	1,080	125.0
Consolidated PAT	44,230	35,707	23.9	44,853	-1.4	44,853	-1.4	89,083	65,438	36.1
Equity Affiliates	380	370	2.7	-3,340	-111.4	-3,340	-111.4	-2,960	-1,810	63.5
PAT (after minority interest / adj)	44,610	36,077	23.7	41,513	7.5	41,513	7.5	86,123	63,628	35.4

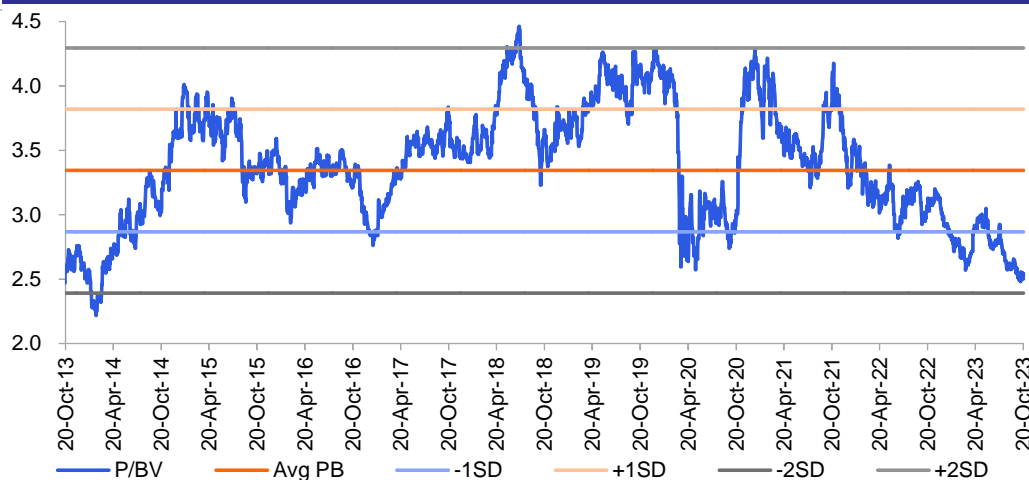
Source: Company, Antique

We largely maintain our FY24/ 25 earnings estimate

INR bn	Old Est.		Revised Est.		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Interest Income	253.0	293.2	253.0	293.2	0.0	0.0
Other Income	97.2	110.9	99.3	111.8	2.2	0.8
Total Income	350.2	404.1	352.3	405.0	0.6	0.2
Operating Expenses	165.4	190.3	165.4	190.3	0.0	0.0
Operating Profits	184.8	213.9	186.9	214.8	1.1	0.4
Provisions	15.8	28.4	15.8	28.4	0.0	0.0
PBT	169.0	185.5	171.1	186.4	1.2	0.5
Tax	42.6	46.7	42.9	47.0	0.8	0.5
Standalone PAT	126.4	138.7	128.1	139.4	1.4	0.5
Consolidated PAT	169.0	189.3	174.7	192.3	3.4	1.6

Source: Company, Antique

1-year forward P/BV consolidated-trading at almost 10-year low valuations



Source: Company, Antique

SoTP: we value the bank at INR 2,250 (2.9x H1FY26 Consolidated BV)

SOTP Valuation	Value (INR bn)			INR per share			% To Total		
	FY25	FY26	H1FY26	FY25	FY26	H1FY26	FY25	FY26	H1FY26
Lending Business	3,425	3,927	3,676	1,724	1,957	1,841	82	82	82
Kotak Mahindra Bank	3,078	3,527	3,302	1,549	1,756	1,653	73	73	73
Kotak Prime (Car and other loans)	233	268	250	117	135	126	6	6	6
Kotak Investment Company (LAS)	115	132	123	58	67	62	3	3	3
Asset Management Business	396	456	426	213	243	228	10	10	10
Capital Markets related Business	189	209	199	95	105	100	5	4	4
Kotak Securities	166	182	174	83	92	88	4	4	4
Kotak Investment Banking (KMCC)	23	27	25	12	14	13	1	1	1
Kotak Life Insurance	432	483	457	217	243	230	10	10	10
Value of Subsidiaries	1,364	1,548	1,456	700	793	747	33	33	33
20% holding company discount	273	310	291	140	159	149	7	7	7
Subsidiaries Value after 20% discount	1,091	1,239	1,165	560	635	597	27	27	27
SOTP	4,169	4,765	4,467	2,110	2,391	2,250	100	100	100

Source: Company, Antique

Earnings snapshot

KMB Group: Earnings Estimates (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Kotak Mahindra Bank (Standalone)	34,115	40,843	48,653	59,472	69,648	85,727	1,09,393	1,28,133	1,39,395	1,59,700
Kotak Mahindra Prime	5,160	6,059	5,904	6,731	5,347	8,860	8,290	8,853	10,181	11,708
Kotak Mahindra Investments	1,970	2,450	2,006	2,414	2,502	3,962	3,400	5,115	5,123	5,892
Lending Business	41,245	49,352	56,564	68,617	77,497	98,548	1,21,083	1,42,101	1,54,699	1,77,300
International subsidiaries	860	1,150	1,495	1,190	1,540	1,180	760	1,216	1,459	1,751
Kotak Mahindra AMC & Trustee Co	560	813	2,290	3,370	3,460	4,540	5,550	5,130	6,596	7,585
Kotak Investment Advisors	-230	130	100	900	1,000	920	2,500	5,000	5,500	6,000
Asset Management Business	1,190	2,093	3,885	5,460	6,000	6,640	8,810	11,346	13,555	15,336
Kotak Securities	3,610	4,986	4,076	5,351	7,836	10,494	8,393	11,296	11,834	13,018
Kotak Mahindra Capital Company	460	649	469	790	820	2,450	1,490	1,530	1,683	1,851
Capital Market Business	4,070	5,634	4,545	6,141	8,656	12,944	9,883	12,826	13,517	14,868
Kotak OM Life Insurance	3,030	4,140	5,070	6,080	6,920	4,250	10,530	10,635	12,762	15,315
Consol. PAT Including Kotak Life	49,404	62,010	72,040	85,934	99,723	1,21,623	1,49,136	1,74,688	1,92,313	2,20,600
YoY Growth (%)	43	26	16	19	16	22	23	17	10	15

Source: Company, Antique

Loan growth was broad-based across segments (INR mn)

	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	% of Loans
Commercial Vehicles	3,10,460	2,46,040	26	2,85,260	9	9
Home loans & LAP	9,91,000	8,58,430	15	9,51,470	4	28
Agri & MFI	3,50,180	2,94,450	19	3,34,760	5	10
Tractor	1,43,760	1,20,150	20	1,39,160	3	4
Consumer Bank (secured)	3,30,950	2,74,040	21	2,99,060	11	10
PL Business Loans and consumer durables	1,78,620	1,31,970	35	1,66,920	7	5
Credit Cards	1,25,970	79,030	59	1,13,600	11	4
Corp Banking	8,18,440	6,95,310	18	7,75,690	6	23
SME	2,45,690	2,11,750	16	2,33,120	5	7
Other advances	75,050	50,000	50	71,270	5	2
Loans	34,82,841	29,40,232	18	32,85,820	6	
Total Customers assets	38,04,120	32,34,180	18	36,22,040	5	

Source: Company, Antique

Lending business led by the bank

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Kotak Mahindra Bank (standalone)										
Loans (INR mn)	21,74,470	23,49,650	25,29,350	27,12,536	28,01,710	29,40,232	31,07,340	31,98,612	32,85,820	34,82,841
Gr. YoY, %	6.6	14.7	18.1	21.3	28.8	25.1	22.9	17.9	17.3	18.5
NII (INR mn)	39,417	40,206	43,343	45,214	46,970	50,994	56,529	61,026	62,337	62,966
Gr. YoY, %	5.8	3.2	11.8	17.7	19.2	26.8	30.4	35.0	32.7	23.5
PAT (INR mn)	16,419	20,320	21,314	27,674	20,712	25,807	27,919	34,956	34,523	31,910
NNPL (%)	1.3	1.1	0.8	0.7	0.6	0.6	0.4	0.4	0.4	0.4

Kotak Prime

Loans (INR mn)	2,09,380	2,19,080	2,43,410	2,42,300	2,42,970	2,59,570	2,69,830	2,87,920	2,95,750	3,16,400
Gr. YoY, %	-8.3	-3.5	15.7	11.1	16.0	18.5	10.9	18.8	21.7	21.9
NII (INR mn)	3,070	3,380	3,780	4,270	4,170	4,080	4,200	4,380	4,430	4,600
Gr. YoY, %	2.3	12.7	18.1	36.4	35.8	20.7	11.1	2.6	6.2	12.7
PAT (INR mn)	790	2,400	2,540	3,130	1,570	2,220	2,250	2,240	2,180	2,080
NNPL (%)	2.4	1.8	2.1	1.7	1.5	1.3	1.1	0.9	0.8	0.8

Kotak Investments

PAT (INR mn)	710	890	1,110	1,010	630	780	860	1,000	1,020	1,260
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Lending Business (including Bank)

PAT (INR mn)	17,919	23,610	24,964	31,814	22,912	28,807	31,029	38,196	37,723	35,250
Gr. YoY, %	32.2	-1.3	19.4	64.0	27.9	22.0	24.3	20.1	64.6	22.4
Contribution to consol PAT	99.2	79.0	73.3	81.7	83.2	79.8	77.7	83.7	90.9	79.0

Source: Company, Antique

Capital market business earnings share has increased QoQ

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
K-sec										
Market Share	2.4	2.4	3.0	3.7	4.3	5.0	5.8	6.4	7.5	8.8
PAT (INR mn)	2,360	2,430	2,700	2,520	2,190	2,240	2,410	1,820	2,190	3,240
KMCC										
PAT	420	580	1,030	420	510	220	280	480	550	270
Capital Market Business										
PAT (INR mn)	2,780	3,010	3,730	2,940	2,700	2,460	2,690	2,300	2,740	3,510
YoY Gr. (%)	58.9	41.3	68.0	10.5	-2.9	-18.3	-27.9	-21.8	1.5	42.7
Contribution to Consol. PAT %	15.4	10.1	11.0	7.6	9.8	6.8	6.7	5.0	6.6	7.9
AMC - PAT										
PAT	1,370	1,240	1,900	1,220	1,200	1,110	1,720	2,280	1,380	1,650
YoY Gr. (%)	9.6	-3.9	97.9	-18.7	-12.4	-10.5	-9.5	86.9	15.0	48.6
Contribution to Consol. PAT %	7.6	4.1	5.6	3.1	4.4	3.1	4.3	5.0	3.3	3.7
Life Insurance										
PAT	-2,430	1,550	2,470	2,670	2,480	2,700	3,300	2,050	1,930	2,470
YoY Gr. (%)	-250.9	-9.4	47.9	38.3	-202.1	74.2	33.6	-23.2	-22.2	-8.5
Contribution to Consol. PAT %	-13.5	5.2	7.3	6.9	9.0	7.5	8.3	4.5	4.6	5.5

Source: Company, Antique

DUPONT Analysis: RoA to stay +2% (% of average assets)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Interest Income	3.8	4.0	4.0	3.9	4.0	4.1	4.1	4.7	4.7	4.6	4.6
Fee income	1.2	1.3	1.4	1.5	1.4	1.2	1.4	1.5	1.6	1.5	1.5
Core Income	5.0	5.3	5.4	5.3	5.4	5.3	5.5	6.2	6.3	6.2	6.1
Operating Expenses	3.0	2.8	2.7	2.6	2.6	2.3	2.6	3.0	3.1	3.0	2.9
Core operating Profits	2.0	2.5	2.7	2.7	2.8	3.0	2.9	3.2	3.2	3.2	3.2
Trading and others	0.2	0.4	0.2	0.2	0.2	0.2	0.1	0.0	0.3	0.2	0.2
Operating Profits	2.2	2.9	3.0	2.9	3.0	3.2	3.0	3.2	3.5	3.4	3.4
Provisions	0.5	0.4	0.4	0.3	0.7	0.7	0.2	0.1	0.3	0.4	0.6
NPA	0.4	0.3	0.3	0.3	0.4	0.5	0.3	0.1	0.3	0.4	0.5
Others	0.1	0.1	0.1	0.0	0.2	0.2	-0.1	0.0	0.0	0.0	0.0
PBT	1.7	2.5	2.6	2.6	2.3	2.5	2.8	3.1	3.2	2.9	2.8
Tax	0.6	0.9	0.9	0.9	0.6	0.6	0.7	0.8	0.8	0.7	0.7
RoA	1.1	1.7	1.7	1.7	1.8	1.9	2.1	2.4	2.4	2.2	2.1
Leverage (x)	8.2	8.1	7.8	7.7	7.8	7.0	6.3	6.2	6.2	6.4	6.7
RoE	9.4	13.7	13.2	13.0	13.9	13.1	13.2	14.7	14.9	14.1	14.1

Source: Company, Antique

DUPONT Analysis: Lower non core income brings down RoA

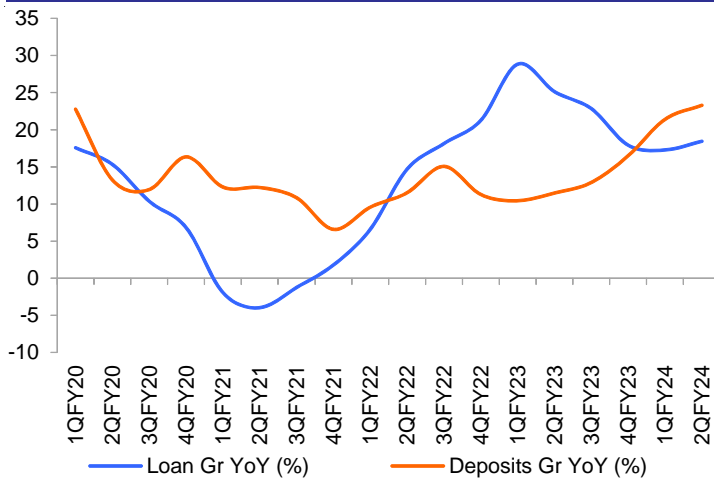
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	Q32023	Q42023	1QFY24	2QFY24
Interest income	6.7	6.6	6.7	6.7	6.9	7.5	7.9	8.2	8.4	8.6
Interest cost	2.6	2.6	2.5	2.4	2.5	2.8	3.0	3.1	3.4	3.7
Net interest income	4.1	4.0	4.2	4.3	4.4	4.7	5.0	5.1	5.0	4.8
Fee income	1.2	1.4	1.4	1.5	1.6	1.5	1.5	1.6	1.5	1.5
Core Income	5.3	5.4	5.6	5.8	5.9	6.2	6.5	6.7	6.4	6.4
Cost/ Core income (%)	47.0	49.9	51.4	47.3	49.7	49.9	51.1	45.3	49.2	48.1
Operating cost	2.5	2.7	2.9	2.7	3.0	3.1	3.3	3.1	3.2	3.1
- Employee Expenses	1.1	1.2	1.2	1.1	1.1	1.3	1.3	1.2	1.3	1.3
- Other Expenses	1.4	1.5	1.7	1.7	1.9	1.8	2.0	1.8	1.9	1.8
Core operating profit	2.8	2.7	2.7	3.0	3.0	3.1	3.2	3.7	3.3	3.3
Fx and other non core Income	0.2	0.4	-0.1	0.1	-0.4	0.2	0.2	0.2	0.7	0.2
Operating Profit	3.0	3.1	2.6	3.2	2.6	3.3	3.4	3.9	3.9	3.5
Provisions	0.7	0.4	-0.1	-0.3	0.0	0.1	0.1	0.1	0.3	0.3
PBT	2.2	2.7	2.7	3.4	2.6	3.2	3.3	3.8	3.7	3.2
Tax	0.6	0.7	0.7	0.8	0.6	0.8	0.8	0.8	0.9	0.8
RoAA	1.7	2.0	2.1	2.6	1.9	2.4	2.5	2.9	2.8	2.44
Leverage (x)	6.0	6.1	6.1	6.0	5.8	5.7	5.8	5.9	5.9	5.9
RoAE	10.2	12.3	12.5	15.6	11.3	13.6	14.3	17.2	16.2	14.5

Source: Company, Antique

Conference Call Highlights

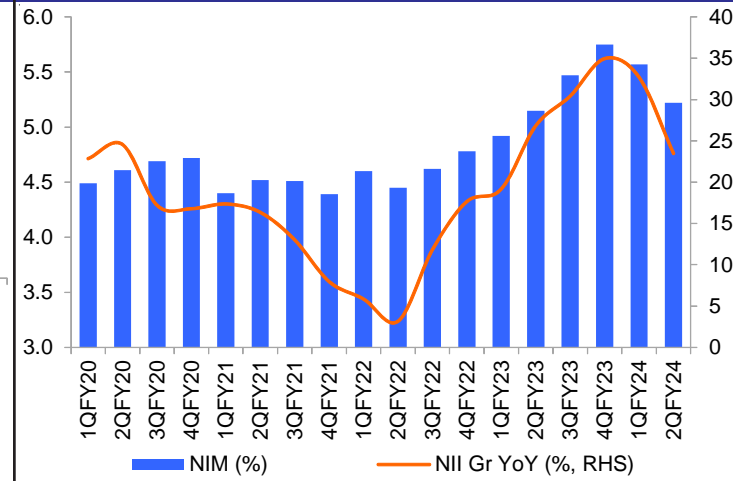
- NIM compressed 35 bps QoQ. 15 bps was a one-off effect (not expected to occur in coming qtrs.) due to higher liquidity buffers and also to an extent due to ICRR.
- NIM compression largely on account of cost of deposits going up and yields staying stable.
- Cost of funds to increase in the coming qtrs. But the pace would moderate. The average duration of liabilities – 10 to 12 months.
- Majority of the repricing has already been done on the asset side.
- Continues to maintain the highest NIM amongst peer banks.
- Growth to NIM trade-off to be better than growth to credit trade-off.
- Other income was down this quarter on a QoQ basis due to dividend income from subsidiaries of INR 3.1 bn in 1Q.
- Tech costs will continue to occur for the next six months.
- Credit environment is normalizing and credit costs will remain at par with current levels.
- SA balances continue to face pressure, especially higher ticket size a/c balances.
- LCR for the bank stands at 120%, for the group it is 127%.
- Will strive to maintain the CASA ratio.
- Activ money seeing strong growth again this qtr.
- MFI book has crossed INR 1 bn for the first time.
- Seeing strong traction in LAP.
- Credit cards – market share rising on both the number of cards and spends.
- Working capital loans – slow improvement in limiting utilization levels.
- Home loans down due to prepayment and foreclosures.
- Delinquencies in both secured and unsecured book stable.
- Unsecured portfolio has increased to 11%.
- Seeing pricing pressure in SMEs.
- Market share of Kotak Securities increased from 5% to 8.8%.

Deposit growth outpacing loan growth led by TD growth



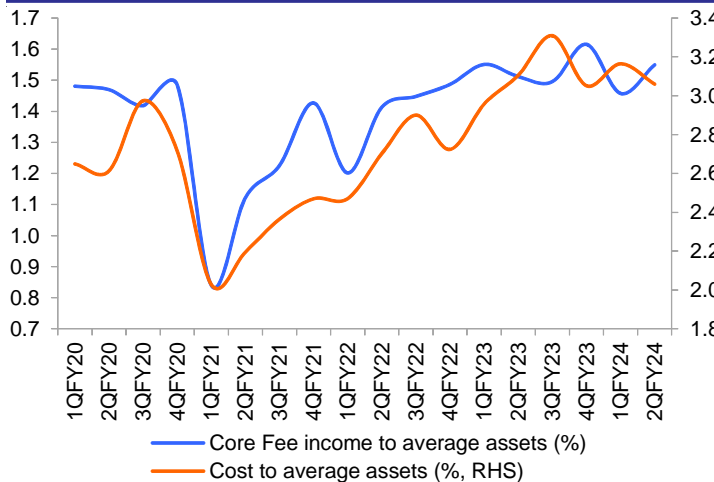
Source: Company, Antique

NIM coming off from peak levels as cost of funds rise



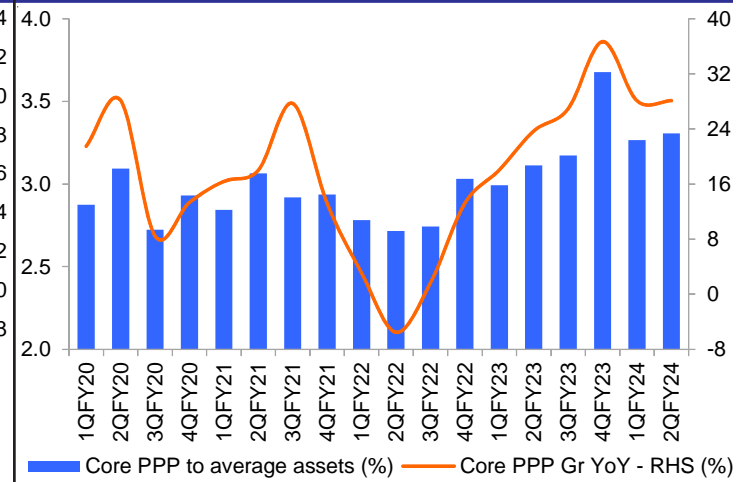
Source: Company, Antique

Cost to average assets remain elevated above 3%



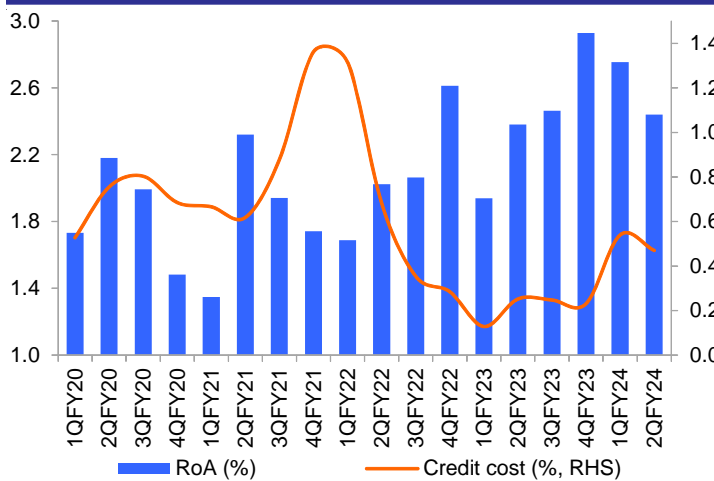
Source: Company, Antique

Core PPOP growth moderating



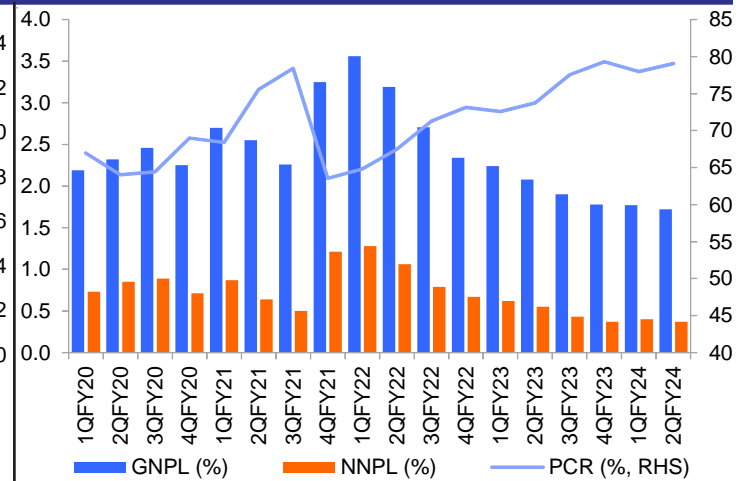
Source: Company, Antique

RoA declined with lower non-core income



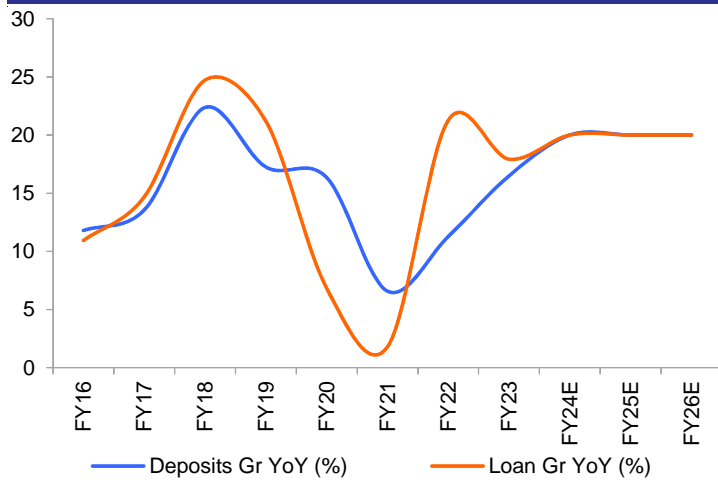
Source: Company, Antique

Stable asset quality with rising PCR



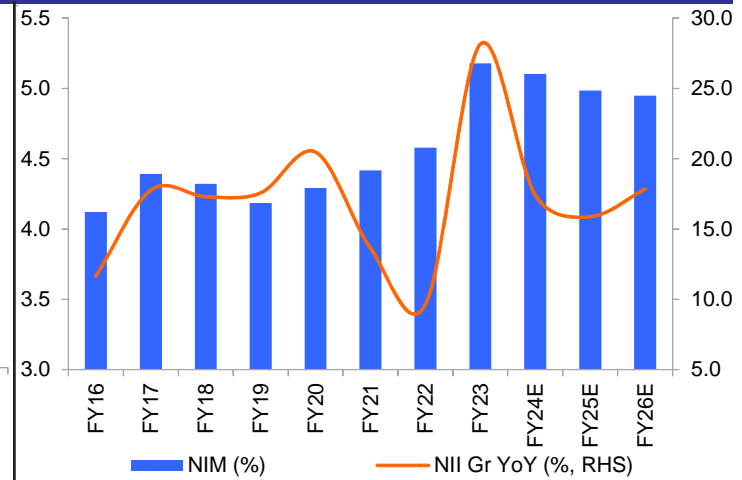
Source: Company, Antique

Loan & deposit growth expected to remain strong



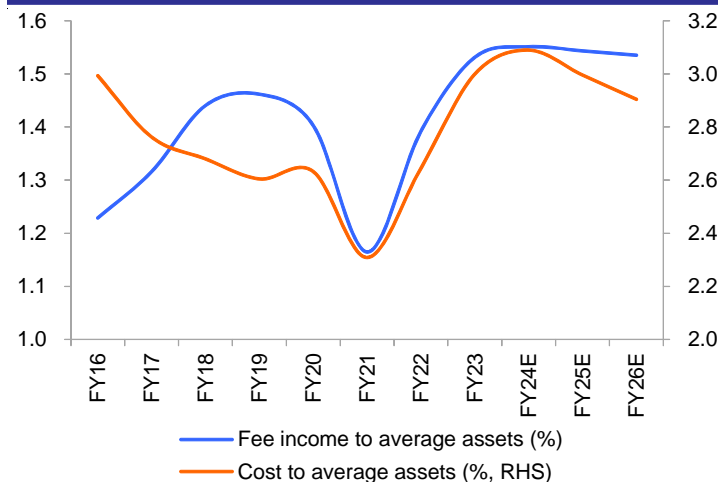
Source: Company, Antique

Building NIM moderation from current level



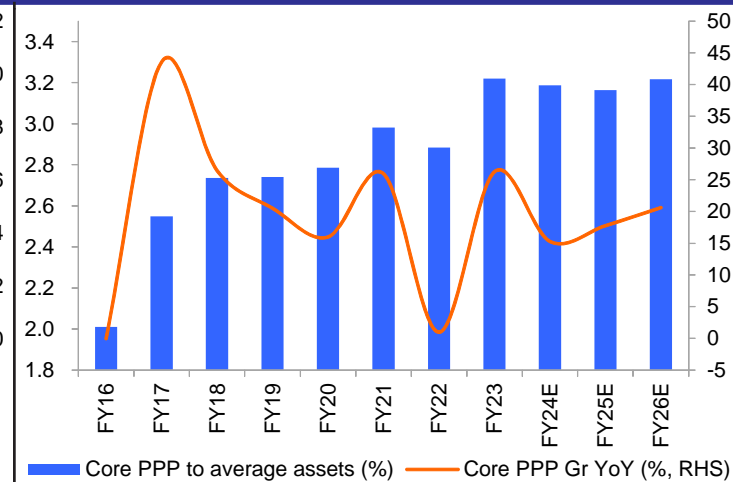
Source: Company, Antique

Cost to average assets to drop down over next 12-24 months



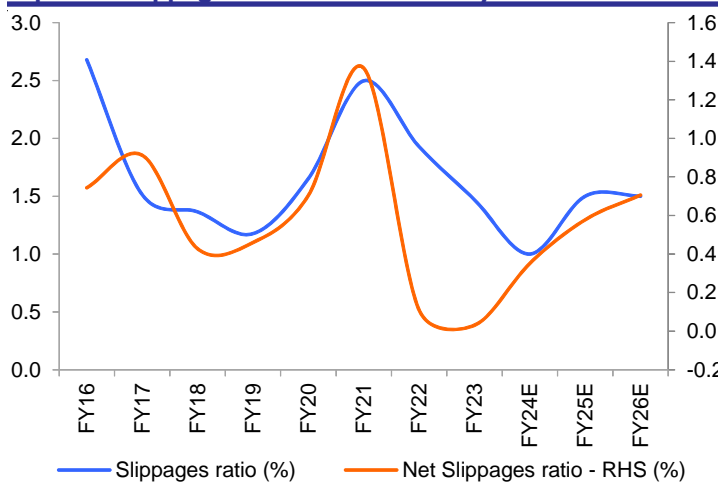
Source: Company, Antique

Core PPOp as % of average assets to remain stable



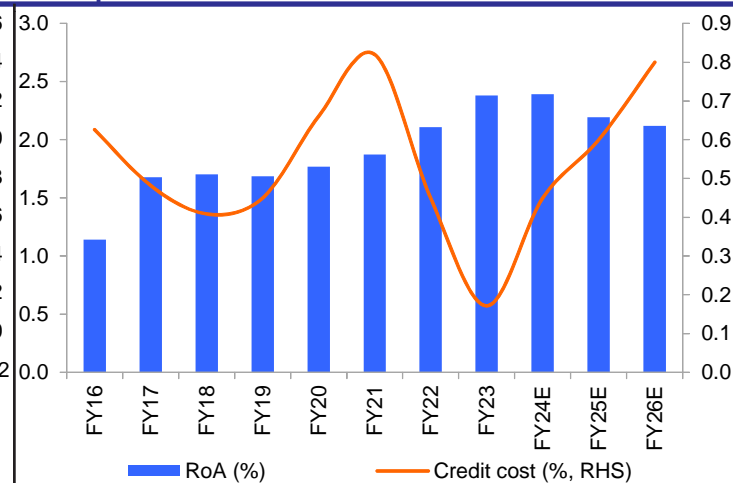
Source: Company, Antique

Expect net slippage ratio to rise as credit cycle normalizes



Source: Company, Antique

RoA expected to sustain at +2%



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Income	2,70,388	3,42,509	4,51,684	5,46,121	6,49,208
Interest Expense	1,02,209	1,26,989	1,98,654	2,52,920	3,03,700
Net Interest Income	1,68,179	2,15,519	2,53,030	2,93,201	3,45,509
% Nil Growth	9.6	28.1	17.4	15.9	17.8
Fee Income	56,590	70,390	83,060	98,011	1,15,653
Non-interest income	59,859	70,831	99,319	1,11,820	1,31,012
Net Revenue	2,28,038	2,86,350	3,52,349	4,05,021	4,76,520
Employees Expenses	46,134	55,478	66,573	76,559	88,043
Other Op. Expenses	61,396	82,392	98,871	1,13,701	1,30,756
Operating Profit	1,20,509	1,48,480	1,86,905	2,14,760	2,57,720
% OP Growth	2.5	23.2	25.9	14.9	20.0
Tax	27,886	34,517	42,939	46,962	53,803
Total Provisions	6,896	4,570	15,833	28,404	44,218
Net Profit	85,727	1,09,393	1,28,133	1,39,395	1,59,700
Consolidated PAT	1,21,623	1,49,136	1,74,688	1,92,313	2,20,600

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Capital	9923	9933	9933	9933	9933
Reserves and Surplus	7,09,641	8,19,667	9,43,023	10,77,221	12,30,967
Deposits	31,16,841	36,30,961	43,57,153	52,28,583	62,74,300
Borrowings	2,64,671	2,39,163	2,63,079	2,89,387	3,18,326
Other Liabilities & Provisions	1,92,894	1,98,299	2,37,959	2,85,551	3,42,661
Total liabilities	42,93,971	48,98,022	58,11,146	68,90,674	81,76,186
Cash & Balances with RBI	3,60,262	1,99,656	2,42,098	2,83,117	3,33,212
Bal. with banks/ call money	68,977	1,25,768	1,08,929	1,30,715	1,56,857
Investment	10,05,802	12,14,037	14,32,564	16,47,449	18,94,566
Loans and advances	27,12,536	31,98,612	38,38,334	46,06,001	55,27,202
Fixed Assets	16,437	19,203	19,601	19,850	20,098
Other Assets	1,30,269	1,41,349	1,69,619	2,03,543	2,44,251
Total assets	42,94,284	48,98,625	58,11,146	68,90,674	81,76,186

Asset Quality

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross NPA (INR mn)	64,697	57,683	63,712	83,060	1,14,773
Gross NPA (%)	2.34	1.78	1.64	1.78	2.05
Net NPA (INR mn)	17,367	11,933	15,928	23,257	32,136
Net NPA (%)	0.64	0.37	0.41	0.50	0.58
% coverage of NPA	73.2	79.3	75.0	72.0	72.0
Delinquencies (%)	1.9	1.5	1.0	1.5	1.5

Capital Adequacy Ratio

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RWA (INR mn)	31,10,553	37,22,955	44,74,582	53,74,726	64,59,187
Tier I (%)	21.7	21.8	20.3	19.4	18.5
Tier II (%)	1.0	0.9	0.7	0.6	0.5
Total CAR (%)	22.7	21.8	21.0	20.0	19.0

Source: Company, Antique

Business Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Credit / Deposit(%)	87.0	88.1	88.1	88.1	88.1
Investment / Deposit (%)	32.3	33.4	32.9	31.5	30.2
CASA (%)	60.7	52.8	49.2	47.2	45.2
RoA (%)	2.1	2.4	2.4	2.2	2.1
Core RoE (%)	13.2	14.7	14.9	14.1	14.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1

Key assumptions

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Deposits					
Deposit growth (%)	11.3	16.5	20.0	20.0	20.0
Cost of deposits (%)	3.1	3.5	4.7	5.0	5.0
Advances					
Advances growth (%)	21.3	17.9	20.0	20.0	20.0
Yield on advances (%)	7.8	9.1	10.2	10.3	10.3
Investments					
Investments growth (%)	(4.3)	20.7	18.0	15.0	15.0
Yield on investments (%)	6.5	5.8	6.5	6.8	6.8

Earnings Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Inc. / Avg. assets (%)	6.7	7.5	8.4	8.6	8.6
Interest Exp./ Avg. assets (%)	2.5	2.8	3.7	4.0	4.0
NIM (%)	4.6	5.2	5.1	5.0	4.9
Int. exp/ Int earned (%)	37.8	37.1	44.0	46.3	46.8
Oth. Inc./ Tot. Inc. (%)	26.2	24.7	28.2	27.6	27.5
Staff exp/Total opt. exp (%)	42.9	40.2	40.2	40.2	40.2
Cost/ Income Ratio (%)	47.2	48.1	47.0	47.0	45.9
Prov./ Operating Profit (%)	5.7	3.1	8.5	13.2	17.2
Loan loss prov./Avg. loans (bps)	27.9	15.5	45.0	67.3	87.3

Per Share Data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Consolidated BV	486	561	645	737	842
Book value per share (INR)	348	401	464	531	609
Adj. BVPS (INR)	320	377	436	499	570
Price/ Adj. Book value	5.5	4.7	4.1	3.6	3.1
EPS (INR)	43	55	64	70	80
P/E Ratio	41.0	32.1	27.4	25.2	22.0
DPS	1.4	1.8	2.1	2.2	2.6

Source: Company Antique

CMP	: INR 770
Reco	: HOLD ↔
Target Price	: INR 763 ↑
Target Price Change	: 7%
Target 1HFY26 EV/EBITDA (x)	: 6.5
EBITDA Change FY24/ 25	: No Change

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Market data

Sensex	:	65,398
Sector	:	Metals
Market Cap (INR bn)	:	1,881.5
Market Cap (USD bn)	:	22.636
O/S Shares (mn)	:	2,445.5
52-wk HI/LO (INR)	:	840/615
Avg. Daily Vol ('000)	:	1,556
Bloomberg	:	JSTL IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	51.2	62.8	69.6
P/E (x)	15.0	12.3	11.1
P/BV (x)	2.6	2.2	2.0
EV/EBITDA (x)	8.4	7.3	6.7
Dividend Yield (%)	0.6	0.6	0.6

Source: Company, Antique

Returns (%)

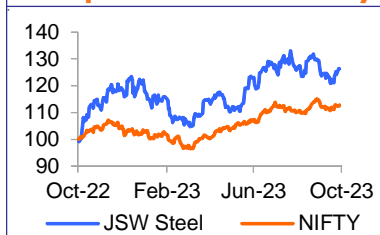
	1m	3m	6m	12m
Absolute	(2)	(4)	7	22
Relative	(0)	(1)	(2)	11

Source: Bloomberg

Shareholding pattern

Promoters	:	45%
Public	:	55%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

JSW Steel

EBITDA aided by higher volumes and lower costs

JSW Steel's 2QFY24 standalone revenue at ~INR 337.4 bn was ~3% above our estimate, growing 3.8% YoY and 2.9% QoQ, with higher volumes offsetting lower realization. Standalone steel sales volume at ~5.4 MT (6% above estimate) grew 8% YoY and 9.7% sequentially. Blended steel realization at INR 61,527 per ton (3.1% below estimate) declined 3.9% YoY and 6.7% QoQ. Standalone EBITDA at ~INR 69 bn was 9.2% above our estimate, materially higher 296% YoY and 41.9% QoQ (aided by lower coking coal costs, reduction in iron ore royalty premium on account of lower captive ore production). Consolidated net debt rose 3.6% sequentially to ~INR 692 bn while net debt to EBITDA improved to 2.52x from the 1QFY24 level of 3.14x, but still reasonably high in comparison to peers. Steel spreads are expected to be impacted in 2QFY24 with higher coking coal prices coming in with a lag. We roll over our earnings estimate and arrive at a TP of INR 763 at a multiple of 6.5x 1HFY26 EV/EBITDA. We maintain HOLD rating (as valuations are rich, debt levels are high) and await better entry levels.

Sales volume higher YoY and QoQ aided by domestic sales, inventory liquidation

Standalone steel sales volume at ~5.4 MT (6% above estimate) grew 8% YoY and 9.7% QoQ. Lower exports (fell to 11% of the sales mix vs. 15% in 1QFY24) were offset by 18% sequentially higher domestic sales and 300 KT inventory liquidation. Value-added and specialty products rose to 62% of sales (61% in 1QFY24). Management reiterated sales guidance for FY24 at 24.2 MT (9% higher YoY).

Lower coking coal costs aid margin; spreads to be impacted in 2HFY24

Blended steel realization at INR 61,527 per ton (3.1% below estimate) declined 3.9% YoY and 6.7% QoQ. EBITDA per ton came in at INR 12,750, materially higher 266.7% YoY and 29.3% QoQ, aided by lower coking coal costs (a sequential fall by USD 54 per ton to USD 231 per ton in the quarter) and lower iron ore royalty premium (on account of lower captive ore production). Management expects the improvement in realization could partly offset approx. USD 30 rise in coking coal costs and iron ore costs in 3QFY24 (spot inflated coking coal prices to come in with a lag in 2HFY24).

Foreign subsidiaries' performance muted amidst a weaker economic scenario

The USA plate and pipe mill reported EBITDA of ~USD 26 mn (USD 45 mn in 1QFY24), while the Ohio plant reported EBITDA loss of USD 29 mn (EBITDA of USD 2.6 mn in 1QFY24). Management is apprehensive about Ohio's weak performance in 3QFY24. The Italian subsidiary reported EBITDA of ~EUR 8.9 mn (EUR 18.6 mn in 1QFY24) and is expected to remain range-bound in 2HFY24. Bhushan Power and Steel reported EBITDA of INR 7.4 bn while coated products reported EBITDA of INR 4.1 bn.

Debt rose QoQ primarily on account of the JISPL merger

Consolidated net debt (excluding acceptances) rose 3.6% sequentially to ~INR 692 bn (impacted by the consolidation of ~INR 22 bn debt from the JISPL merger) while net debt to EBITDA improved to 2.52x from the 1QFY24 level of 3.14x, but still reasonably high in comparison to peers. Total capex outlay for FY24 stands at INR 188 bn (32% up from FY23 capex of INR 142 bn). High capex outlay (8.5 mtpa capacity addition in the next 1.5 years, development of iron ore and coal mines, brownfield expansions to further grow to 50 mtpa capacity) could impact deleveraging.

Investment Summary

Domestic steel demand is expected to grow 8%–10% annually aided by strong capex on infrastructure, defence indigenization, and energy transition. 5 mtpa Vijaynagar brownfield expansion and BPSL phase 2 expansion (1.5 mtpa) are expected to be completed by FY24, with incremental volumes coming in FY25 onwards. We roll over our earnings estimate and arrive at a TP of INR 763 at a multiple of 6.5x 1HFY26 EV/EBITDA. We maintain HOLD rating (as valuations are rich, debt levels are high) and await better entry levels.

JSW Steel, quarterly performance (INR mn)

Standalone summary	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Sales	3,37,380	3,24,940	3.8	3,27,910	2.9	6,65,290	6,35,990	4.6
Stock adjustment	12,940	28,100	-54.0	(9,210)	(240.5)	3,730	(19,190)	(119.4)
Cost of Material Consumed	1,62,900	1,89,430	-14.0	1,80,370	(9.7)	3,43,270	4,07,570	(15.8)
% of sales	48.3	58.3	-1001 bps	55.0	-672 bps	51.6	64.1	-1249 bps
Employee cost	5,760	4,990	15.4	5,900	(2.4)	11,660	9,360	24.6
% of sales	1.7	1.5	17 bps	1.8	-9 bps	1.8	1.5	28 bps
Other expenses	86,800	85,000	2.1	1,02,240	(15.1)	1,89,040	1,87,310	0.9
% of sales	25.7	26.2	-43 bps	31.2	-545 bps	28.4	29.5	-104 bps
Total Exp	2,68,400	3,07,520	(12.7)	2,79,300	(3.9)	5,47,700	5,85,050	(6.4)
EBITDA	68,980	17,420	296.0	48,610	41.9	1,17,590	50,940	130.8
Margin %	20.4	5.4	1508 bps	14.8	562 bps	17.7	8.0	967 bps
Other income	4,290	4,220	1.7	4,380	(2.1)	8,670	7,050	23.0
Depreciation	13,590	12,070	12.6	12,650	7.4	26,240	23,840	10.1
Interest expenses	15,310	10,930	40.1	14,570	5.1	29,880	21,230	40.7
Profit Before Tax	44,370	(1,360)	n.a.	25,770	72.2	70,140	12,920	442.9
Exceptional item	2010	0	0.0	0	0	2010	0	0.0
PBT after exceptional	46,380	(1,360)	n.a.	25,770	80.0	72,150	12,920	458.4
Tax	17,250	(450)	n.a.	8,720	97.8	25,970	4,270	508.2
Tax Rate %	37.2	33.1	410 bps	33.8	335 bps	36.0	33.0	294 bps
Reported Net Profit	29,130	(910)	n.a.	17,050	70.9	46,180	8,650	433.9
Adjusted Net Profit	27,120	(910)	n.a.	17,050	59.1	44,170	8,650	410.6
EPS (INR)	11.2	-0.4	n.a.	7.1	59.1	18.3	3.6	410.6

Key operating metrics	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Crude steel production (MT)	5.4	5.0	9.1	5.4	(0.7)	10.8	10.0	8.9
Saleable steel volume (MT)	5.4	5.0	8.0	4.9	9.7	10.3	9.0	14.4
Average realization (INR/ton)	61,527	64,032	(3.9)	65,966	(6.7)	63,746	70,045	(9.0)
EBITDA/ton (INR)	12,750	3,477	266.7	9,860	29.3	11,305	5,897	91.7

Consolidated summary	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Sales	4,45,840	4,17,780	6.7	4,22,130	5.6	8,67,970	7,98,640	8.7
Stock adjustment	27,090	34,730	-22.0	(21,950)	(223.4)	5,140	(28,420)	(118.1)
Cost of Material Consumed	2,16,560	2,42,630	-10.7	2,35,650	(8.1)	4,52,210	5,01,850	(9.9)
% of sales	48.6	58.1	-950 bps	55.8	-725 bps	52.1	62.8	-1074 bps
Employee cost	10,970	9,640	13.8	11,610	(5.5)	22,580	18,890	19.5
% of sales	2.5	2.3	15 bps	2.8	-29 bps	2.6	2.4	24 bps
Other expenses	1,12,360	1,13,260	(0.8)	1,26,360	(11.1)	2,38,720	2,45,710	(2.8)
% of sales	25.2	27.1	-191 bps	29.9	-473 bps	27.5	30.8	-326 bps
Total Exp	3,66,980	4,00,260	(8.3)	3,51,670	4.4	7,18,650	7,38,030	(2.6)
EBITDA	78,860	17,520	350.1	70,460	11.9	1,49,320	60,610	146.4
Margin %	17.7	4.2	1349 bps	16.7	100 bps	17.2	7.6	961 bps
Other income	2,370	1,880	26.1	3,310	(28.4)	5,680	3,770	50.7
Depreciation	20,190	18,050	11.9	19,000	6.3	39,190	35,830	9.4
Interest expenses	20,840	15,230	36.8	19,630	6.2	40,470	29,450	37.4
Profit Before Tax	40,200	(13,880)	n.a.	35,140	14.4	75,340	(900)	n.a.
Exceptional item	5,890	5910	-0.3	-	0	5,890	5,910	-0.3
PBT after exceptional	46,090	(7,970)	n.a.	35,140	31.2	81,230	5,010	1,521.4
Tax	18,120	620	2,822.6	10,520	72.2	28,640	5,040	468.3
Tax Rate %	39.3	-7.8	4709 bps	29.9	938 bps	35.3	100.6	-6534 bps
Minority Interest	130	(670)	n.a.	900	(85.6)	1,030	(660)	n.a.
Share of profit from associates	(240)	(560)	(57.1)	(340)	(29.4)	(580)	(730)	(20.5)
Reported Net Profit	27,600	(8,480)	n.a.	23,380	18.0	50,980	(100)	n.a.
Adjusted Net Profit	21,710	(14,390)	n.a.	23,380	(7.1)	45,090	(6,010)	n.a.
EPS (INR)	9.0	-6.0	n.a.	9.7	(7.1)	18.7	-2.5	n.a.

Source: Company, Antique

Consolidated Balance Sheet

(INR mn)	1HFY24	FY23
Share Capital	3,050	3,010
Reserves & Surplus	7,36,530	6,53,940
Networth	7,39,580	6,56,950
Debt	8,18,740	8,08,530
Minority Interest	14,410	13,440
Net deferred Tax liabilities	92,350	79,360
Capital Employed	16,65,080	15,58,280
Gross Fixed Assets	10,77,250	10,43,280
Capital work in progress	2,88,720	2,21,660
Net Fixed Assets	13,65,970	12,64,940
Goodwill	5,640	1,280
Investments	71,850	48,060
Non Current Investments	61,530	48,010
Current Investments	10,320	50
Current Assets, Loans & Advances	7,15,920	7,96,500
Inventory	3,38,420	3,31,350
Debtors	71,870	71,340
Cash & Bank balance	1,00,690	2,07,140
Loans & advances and others	2,04,940	1,86,670
Current Liabilities & Provisions	4,94,300	5,52,500
Liabilities	4,76,900	5,35,750
Provisions	17,400	16,750
Net Current Assets	2,21,620	2,44,000
Application of Funds	16,65,080	15,58,280

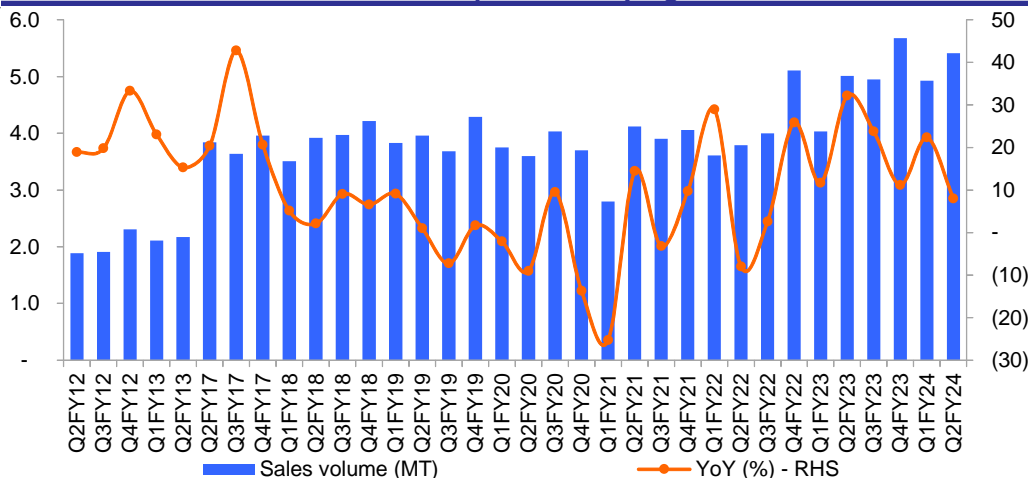
Source: Company, Antique

SoTP valuations

1HFY26e EBITDA - INR mn	3,68,533
Target multiple	6.5
Target EV - INR mn	23,95,461
Less: Net debt 1HFY26e - INR mn	6,46,196
Add: FY26e CWIP @ 0.3x book - INR mn	94,980
Target market capitalization - INR mn	18,44,245
Target price - INR per share	763

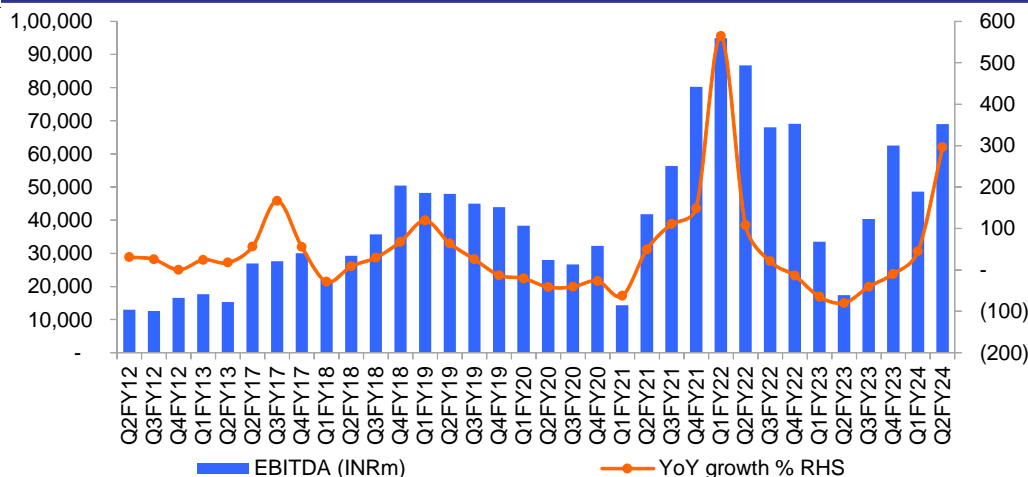
Source: Company, Antique

Volumes rose YoY and QoQ with lower exports offset by higher domestic sales



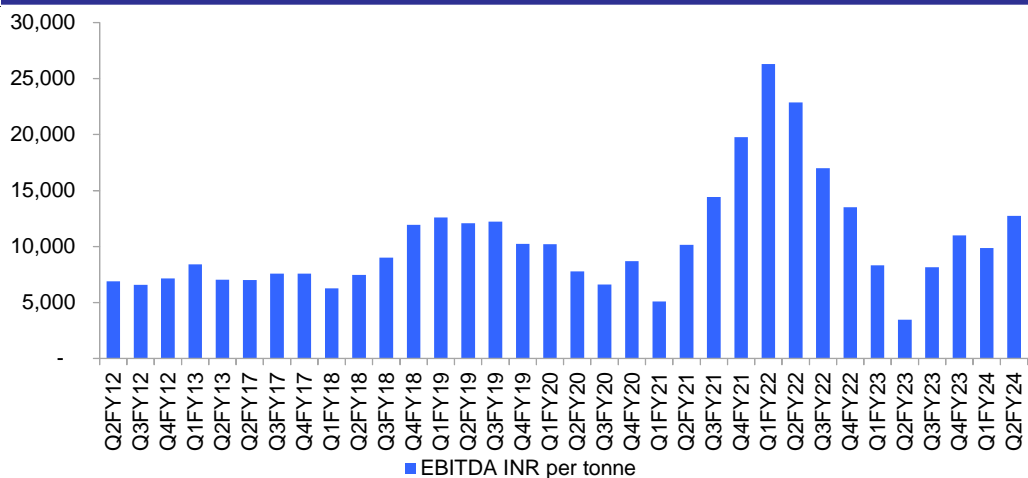
Source: Company, Antique

EBITDA materially rose YoY and grew QoQ aided by lower coal costs



Source: Company, Antique

EBITDA per ton higher YoY and QoQ



Source: Company, Antique

Financials

Profit and loss account (INR bn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenues	1,464	1,660	1,677	1,788	1,987
Expenses	1,074	1,474	1,369	1,432	1,606
EBITDA	390	185	307	356	381
Depreciation & amortisation	60	75	81	89	98
EBIT	330	111	227	267	283
Other income	15	10	4	5	6
Interest expense	50	69	67	67	66
Profit before tax	296	52	164	204	223
Extraordinaries	-7	6	0	0	0
Tax	88	15	38	51	53
Profit after tax	200	43	125	153	169
Minorities and share of associates	6	-1	-1	-1	-1
Rep. PAT after minority/asso.	207	41	124	152	168
Adj. PAT after minority/asso.	214	36	124	152	168
EPS (INR)	88.6	14.7	51.2	62.8	69.6

Balance sheet (INR bn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	2	2	2	2	2
Reserves & Surplus	671	655	724	830	944
Networth	673	657	727	833	946
Debt	738	832	832	831	821
Minority Interest	12	13	13	13	13
Deferred tax/ other liabilities	76	79	79	79	79
Capital Employed	1,500	1,582	1,652	1,756	1,860
Gross Fixed Assets	1,280	1,386	1,479	1,664	1,849
Accumulated Depreciation	282	343	424	513	611
Net Assets	998	1,043	1,055	1,151	1,238
Capital work in progress	169	222	317	317	317
Investments	49	48	48	48	48
Current Assets Loans & Advances					
Inventory	338	331	357	363	387
Debtors	75	71	80	85	92
Cash & Bank	174	207	100	103	114
Loans & advances and others	161	187	200	215	236
Current Liabilities & Provisions					
Creditors	448	512	490	508	554
Provisions	17	17	17	18	19
Net Current Assets	282	268	230	239	256
Goodwill on consolidation	1	1	1	1	1
Application of Funds	1,500	1,582	1,652	1,756	1,860

Per share data*

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	2,417	2,417	2,417	2,417	2,417
BVPS (INR)	278.4	271.8	300.6	344.5	391.4
CEPS (INR)	113.4	45.6	84.7	99.7	110.2
DPS (INR)	17.4	3.4	4.5	4.5	4.5

Source: Company, Antique;

* on fully diluted number of shares

Cash flow statement (INR bn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	296	52	164	204	223
Depreciation	60	75	81	89	98
Interest	50	69	67	67	66
(Inc)/ Dec in working capital	-120	48	-69	-7	-5
Tax paid	-88	-15	-38	-51	-53
CF from operating activities	198	229	204	303	330
Capex	-254	-159	-188	-185	-185
(Inc)/ Dec in Investments	36	1	0	0	0
CF from investing activities	-218	-158	-188	-185	-185
Inc/ (Dec) in debt	57	94	0	-1	-10
Dividends & Interest paid	-58	-80	-78	-67	-66
Others	67	-52	-45	-47	-56
CF from financing activities	66	-37	-123	-116	-133
Net cash flow	46	33	-107	2	12
Add: Opening balance	128	174	207	100	103
Closing balance	174	207	100	103	114

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	83.3	13.4	1.0	6.6	11.1
EBITDA	93.7	(52.5)	65.8	15.7	7.3
PAT	167.8	(83.4)	248.5	22.7	10.7
EPS	167.8	(83.4)	248.5	22.7	10.7

Valuation

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	8.7	52.4	15.0	12.3	11.1
P/BV (x)	2.8	2.8	2.6	2.2	2.0
EV/EBITDA (x)	6.2	13.4	8.4	7.3	6.7
EV/Sales (x)	1.7	1.5	1.5	1.4	1.3
Dividend Yield (%)	2.3	0.4	0.6	0.6	0.6

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE	37.5	5.3	17.9	19.5	18.9
RoCE	20.3	6.5	12.6	13.3	13.4
Debt/Equity (x)	0.8	1.0	1.0	0.9	0.7
EBIT/Interest (x)	6.6	1.6	3.4	4.0	4.3

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA	26.6	11.2	18.3	19.9	19.2
EBIT	22.5	6.7	13.5	14.9	14.2
PAT	14.6	2.1	7.4	8.5	8.5

Source: Company Antique

CMP	: INR 307
Reco	: HOLD ↔
Target Price	: INR 288 ↔
Target Price Change	: No Change
Target 1HFY26 EV/EBITDA (x)	: 6.0
EPS Change FY24/25	: No Change

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Market data	
Sensex	: 65,398
Sector	: Metals
Market Cap (INR bn)	: 1,303.9
Market Cap (USD bn)	: 15.687
O/S Shares (mn)	: 4,225.3
52-wk HI/LO (INR)	: 383/277
Avg. Daily Vol ('000)	: 806
Bloomberg	: HZ IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	20.2	21.8	23.2
P/E (x)	15.2	14.1	13.3
P/BV (x)	8.6	7.2	6.0
EV/EBITDA (x)	8.8	8.1	7.5
Dividend Yield (%)	4.9	4.9	4.9

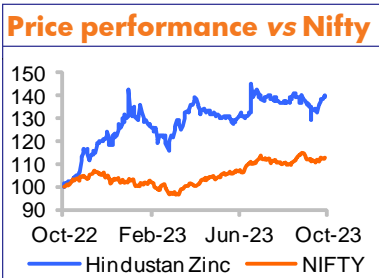
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(2)	(5)	(6)	11
Relative	(0)	(1)	(14)	0

Source: Bloomberg

Shareholding pattern	
Promoters	: 65%
Public	: 35%
Others	: 0%

Source: Bloomberg



2QFY24 RESULT REVIEW

Hindustan Zinc

In-line performance; lower costs offset weaker metal prices

Hindustan Zinc's (HZ) revenue declined 18.5% YoY and 6.7% QoQ to ~INR 67.9 bn, primarily impacted by lower sales volume and weaker zinc prices. Mined metal production marginally fell YoY and QoQ to 252 KT (effected by lower ore production at Rampura Agucha and Kayad mines, partly offset by better metal grades). Refined zinc production at 185 KT fell ~2% YoY and 12% QoQ, while refined lead production at 57 KT was flat YoY and rose 12% QoQ. EBITDA at ~INR 31.4 bn declined 28.8% YoY and 6.2% sequentially (impacted by lower revenue partially offset by cost improvement), was ~3% below our and 8% lower than consensus estimates. Cost of zinc metal production, excluding royalty, declined 6% YoY and 4% QoQ in INR terms to INR 93,981 per ton. Cost reduction was aided by the softening of thermal coal prices, higher linkage coal availability, and lower specific coal consumption through technological improvement. Adjusted PAT at INR 17.4 bn declined 35.2% YoY and 11.8% QoQ. ILZSG expects zinc and lead to remain balanced/ marginally surplus globally. Plausible revival of Chinese domestic consumption, Tara mine shutdown (~40% of Boliden's metal concentrate output), and Almina-Mias shutdown (~99 KT of zinc, 29 KT lead in Portugal) indicate to some supply tightness. We roll over our earnings estimate factoring in the lower zinc price, higher lead price, and cost guidance leading to a TP of INR 288 at a multiple of 6x 1HFY26E EV/EBITDA. We maintain HOLD rating as valuations are rich and dividend prospects stands affected.

Marginally lower mined metal production; Pyro plant run in lead mode

Mined metal production marginally fell QoQ and YoY to 252 KT with lower ore production at Rampura Agucha, Kayad mines partly offset by better overall metal grades. Refined zinc production at 185 KT fell ~2% YoY and 12% QoQ, while refined lead production at 57 KT was flat YoY and rose 12% QoQ in line with pyro plant operations on lead mode during the quarter. Silver production in 1QFY24 was at 181 tons, marginally up QoQ but down 6.8% YoY. Management maintained FY24 guidance for mined metal production at 1.08-1.1 MT and silver production at 725-750 MT (additional 30-ton silver and 7 KT metal recovery is expected through the fumer plant, Rajpura Dariba mill commissioned in 2QFY24).

Cost of production declined YoY and QoQ aided by lower coal prices

The cost of zinc metal production, excluding royalty, declined 6% YoY and 4% QoQ in INR terms to INR 93,981 per ton. Cost reduction was aided by the softening of thermal coal prices, higher linkage coal availability, and lower specific coal consumption through technological improvement. For FY24, management believes that the cost of production would be closer to the lower range of the earlier stipulated band of USD 1,125-1,175 per ton.

Aggressive capex, ESG stewardship might affect dividend prospects

The company is currently de-commoditizing its product portfolio, transitioning into a product-based company through 30 ktpa zinc alloy plant (hot commissioning done in 2QFY24), 0.5 mtpa DAP/ NPK fertilizer plant (currently underway), and additional fumers (emphasizing higher silver production). Utilization of operational cash flow for such capex projects and aggressive ESG stewardship could impact potential dividend prospects (gross investments, cash and cash equivalents stood at INR 113.9 bn at the end of 2QFY24, while total outstanding borrowings were at INR 113.2 bn).

Investment Summary

The company enjoys low-cost producer advantage (first decile of the cost curve) and product portfolio improvement could support long-term business prospects. ILZSG expects zinc and lead to remain balanced/ marginally surplus globally. We roll over our earnings estimate factoring in the lower zinc price, higher lead price, and cost guidance leading to a TP of INR 288 at a multiple of 6x 1HFY26E EV/EBITDA. We maintain HOLD rating as valuations are rich and dividend prospects stands affected.

Quarterly standalone performance (INR mn)

Standalone performance	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Sales	67,920	83,360	(18.5)	72,820	(6.7)	140,740	177,230	-20.6
Cost of Material Consumed	(440)	(280)	57.1	1,420	(131.0)	980	580	69.0
% of sales	-0.6	-0.3	-31 bps	2.0	-260 bps	0.7	0.3	37 bps
Employee cost	2,110	2,280	-7.5	1,910	10.5	4,020	4,370	(8.0)
% of sales	3.1	2.7	37 bps	2.6	48 bps	2.9	2.5	39 bps
Other expenses	34,860	37,280	(6.5)	36,010	(3.2)	70,870	76,820	(7.7)
% of sales	51.3	44.7	660 bps	49.5	187 bps	50.4	43.3	701 bps
Total Exp	36,530	39,280	(7.0)	39,340	(7.1)	75,870	81,770	(7.2)
EBITDA	31,390	44,080	(28.8)	33,480	(6.2)	64,870	95,460	(32.0)
Margin %	46.2	52.9	-666 bps	46.0	24 bps	46.1	53.9	-777 bps
Other income	2,310	3,670	(37.1)	2,870	(19.5)	5,180	6,770	(23.5)
Depreciation	8,250	7,980	3.4	8,010	3.0	16,260	15,290	6.3
Interest expenses	2,320	510	354.9	2,180	6.4	4,500	950	373.7
Profit Before Tax	23,130	39,260	(41.1)	26,160	(11.6)	49,290	85,990	(42.7)
PBT after exceptional	23,130	39,260	(41.1)	26,160	(11.6)	49,290	85,990	(42.7)
Tax	5,760	12,450	(53.7)	6,460	(10.8)	12,220	28,250	(56.7)
Tax Rate %	24.9	31.7	-681 bps	24.7	21 bps	24.8	32.9	-806 bps
Reported Net Profit	17,370	26,810	(35.2)	19,700	(11.8)	37,070	57,740	(35.8)
Adjusted Net Profit	17,370	26,810	(35.2)	19,700	(11.8)	37,070	57,740	(35.8)
EPS (INR)	4.1	6.3	(35.2)	4.7	(11.8)	8.8	13.7	(35.8)

Source: Company, Antique

Operating metrics

	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Mined metal production ('000 tonne)	252	255	(1.2)	257	(1.9)	509	507	0.4
Refined zinc production ('000 tonne)	185	189	(2.1)	209	(11.5)	394	395	(0.3)
Refined lead production ('000 tonne)	57	57	-	51	11.8	108	111	(2.7)
Refined silver production (tonne)	181	194	(6.7)	179	1.1	360	371	(3.0)
LME zinc price (USD per tonne)	2,435	3,275	(25.6)	2,527	(3.6)	2,481	3,589	(30.9)
LME lead price (USD per tonne)	2,171	1,976	9.9	2,118	2.5	2,145	2,084	2.9
Silver realization (INR per kg)	71,657	55,619	28.8	72,514	(1.2)	72,086	59,137	21.9
INR:USD	82.7	79.8	3.6	82.2	0.5	82.4	78.5	5.0
Zinc cost of production - excl royalty (INR per tonne)	93,981	100,307	(6.3)	98,103	(4.2)	96,042	98,865	(2.9)
Zinc cost of production - excl royalty (USD per tonne)	1,137	1,259	(9.7)	1,194	(4.8)	1,166	1,262	(7.6)

Source: Company, Antique

Revision in estimates

Particulars	FY23	Earlier estimate		Current estimate		
		FY24e	FY25e	FY24e	FY25e	FY26e
Revenue (INR mn)	340,980	302,614	315,092	288,674	304,607	311,249
EBITDA (INR mn)	175,120	159,915	166,337	147,375	157,241	164,510
PAT (INR mn)	105,200	98,198	101,169	85,551	92,261	97,818
LME Zinc price (USD per ton)	3,330	2,650	2,700	2,500	2,550	2,550
LME Lead price (USD per ton)	2,102	2,150	2,100	2,150	2,150	2,150

Source: Company, Antique

Valuation

1HFY'26e EBITDA (INR mn)	160,875
EV/EBITDA multiple	6.0
Target EV (INR mn)	965,253
Add: Net cash @ 1HFY26e	252,075
Target market capitalisation (INR mn)	1,217,327
Target price (INR per share)	288

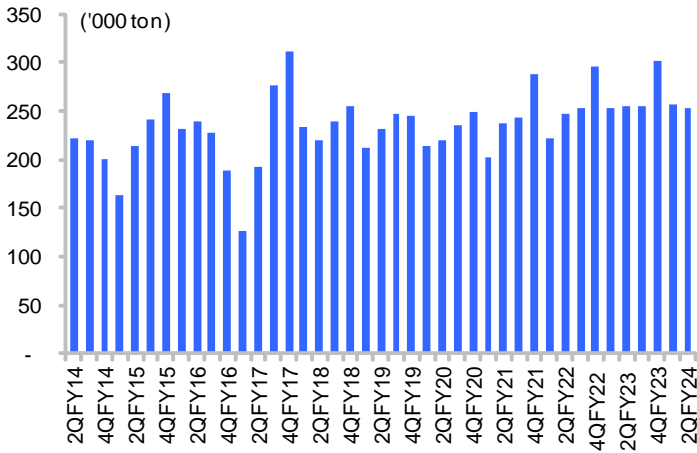
Source: Company, Antique

Balance sheet

Standalone Balance Sheet - HZL (INR mn)	1HFY24	FY23
Share Capital	8,450	8,450
Reserves & Surplus	128,330	120,970
Networth	136,780	129,420
Debt	115,410	118,810
Minority Interest	0	0
Net deferred Tax liabilities	22,790	23,140
Capital Employed	274,980	271,370
Gross Fixed Assets	185,470	176,200
Accumulated Depreciation	0	0
Capital work in progress	12,500	21,070
Net Fixed Assets	197,970	197,270
Goodwill	0	0
Investments	110,740	101,070
Non Current Investments	3,980	2,570
Current Investments	106,760	98,500
Current Assets, Loans & Advances	44,650	56,200
Inventory	17,870	18,620
Debtors	2,170	3,800
Cash & Bank balance	5,860	14,120
Loans & advances and others	18,750	19,660
Current Liabilities & Provisions	78,380	83,170
Liabilities	75,820	81,020
Provisions	2,560	2,150
Net Current Assets	-33,730	-26,970
Miscellaneous expenses		
Application of Funds	274,980	271,370

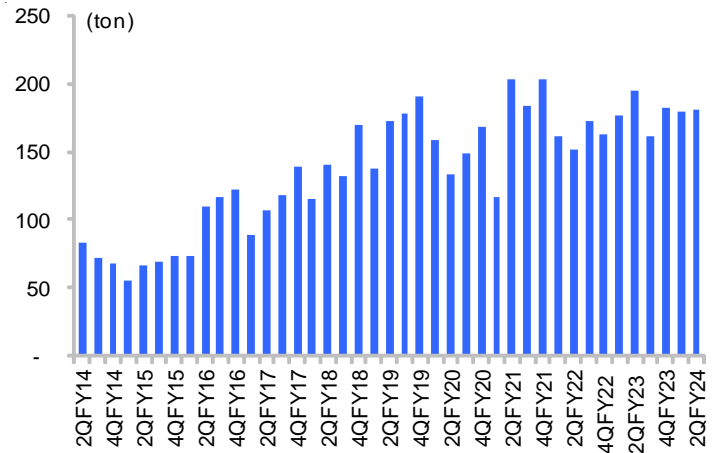
Source: Company, Antique

Mined metal production marginally lower YoY and QoQ



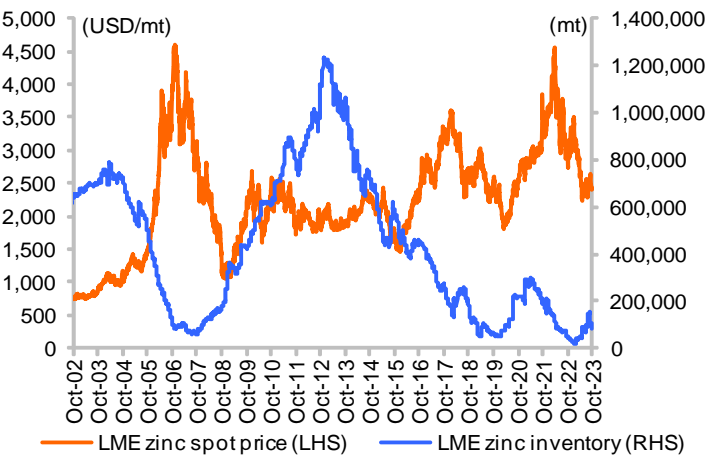
Source: Company, Antique

Silver integrated production lower YoY but higher QoQ



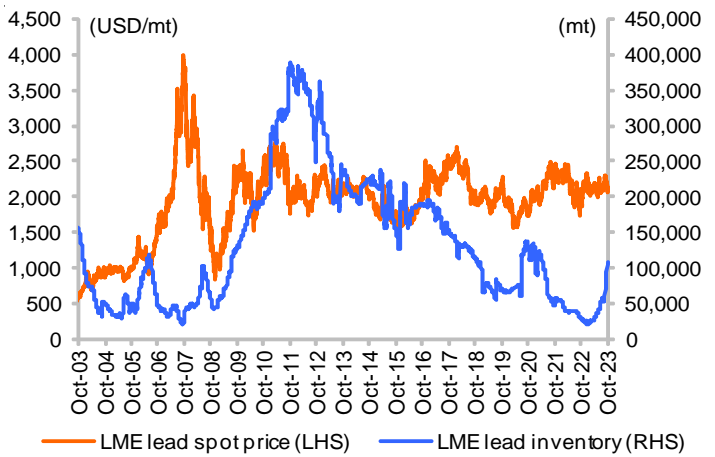
Source: Company, Antique

LME zinc spot prices lower from 2QFY24 level



Source: Bloomberg, Antique

LME lead spot prices lower MoM but higher YoY



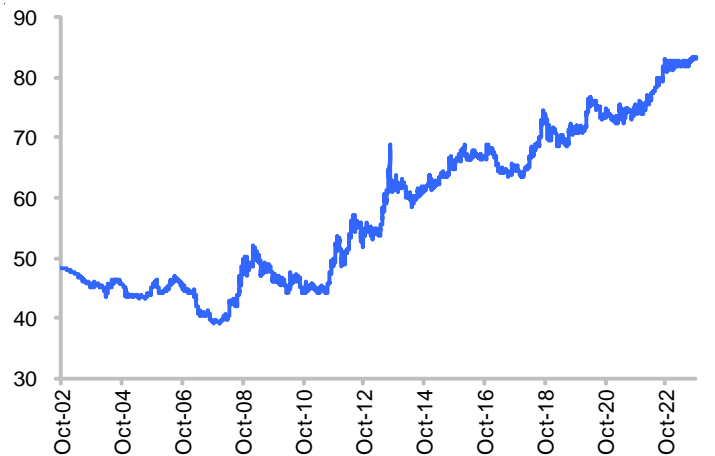
Source: Bloomberg, Antique

Silver spot prices higher from 2QFY24 exit level



Source: Bloomberg, Antique

INR stabilizes at lower level



Source: Bloomberg, Antique

Financials

Profit and loss account (INR bn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Revenues	294	341	289	305	311
Expenses	132	166	141	147	147
EBITDA	162	175	147	157	165
Depreciation & amortization	29	33	33	36	39
EBIT	133	142	114	121	126
Other income	12	14	9	9	9
Interest expense	3	3	10	8	5
Profit before tax	142	153	114	123	130
Extraordinaries	(1)	-	-	-	-
Tax	45	48	29	31	33
Profit after tax	96	105	86	92	98
Adjusted PAT	98	105	86	92	98
EPS (INR)	23.1	24.9	20.2	21.8	23.2

Balance sheet (INR bn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	8	8	8	8	8
Reserves & Surplus	334	121	143	172	206
Networth	343	129	152	180	215
Debt	47	119	119	97	60
Deferred tax/ other liabilities	9	23	23	23	23
Capital Employed	400	271	294	300	299
Gross Fixed Assets	354	382	434	472	509
Accumulated Depreciation	180	206	239	275	313
Net Assets	174	176	196	197	196
Capital work in progress	21	21	6	6	6
Investments	151	101	101	101	101
Liquid Investments	151	99	101	101	101
Current Assets Loans & Advances					
Inventory	20	19	20	21	21
Debtors	7	4	3	3	3
Cash & Bank	58	14	14	18	17
Loans & advances and others	17	20	17	18	18
Current Liabilities & Provisions					
Creditors	45	81	62	62	62
Provisions	2	2	2	2	2
Net Current Assets	54	(27)	(9)	(4)	(5)
Application of Funds	400	271	294	300	299

Per share data

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	4,225	4,225	4,225	4,225	4,225
BVPS (INR)	81.1	30.6	35.9	42.7	50.9
CEPS (INR)	30.0	32.6	28.1	30.3	32.3
DPS (INR)	18.0	75.5	15.0	15.0	15.0

Source: Company Antique

Cash flow statement (INR bn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
PBT	142	153	114	123	130
Depreciation	29	33	33	36	39
Interest	3	3	10	8	5
(Inc)/ Dec in working capital	(5)	38	(18)	(1)	(1)
Tax paid	(45)	(48)	(29)	(31)	(33)
CF from operating activities	124	179	110	135	141
Capex	(32)	(28)	(38)	(38)	(37)
(Inc)/ Dec in Investments	(21)	49	-	-	-
Income from investments	(1)	-	-	-	-
CF from investing activities	(55)	21	(38)	(38)	(37)
Inc/ (Dec) in debt	(32)	71	-	(22)	(36)
Dividends & Interest paid	(79)	(322)	(73)	(71)	(68)
Others	5	7			
CF from financing activities	(106)	(244)	(73)	(93)	(104)
Net cash flow	(36)	(44)	0	4	(1)
Add: Opening balance	94	58	14	14	18
Closing balance	58	14	14	18	17

Growth indicators (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Revenue	30.1	15.8	(15.3)	5.5	2.2
EBITDA	39.0	7.9	(15.8)	6.7	4.6
PAT	22.4	7.7	(18.7)	7.8	6.0
EPS	22.4	7.7	(18.7)	7.8	6.0

Valuation

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	13.3	12.3	15.2	14.1	13.3
P/BV (x)	3.8	10.0	8.6	7.2	6.0
EV/EBITDA (x)	7.0	7.5	8.8	8.1	7.5
EV/Sales (x)	3.9	3.8	4.5	4.2	4.0
Dividend Yield (%)	5.9	24.6	4.9	4.9	4.9

Financial ratios

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
RoE	29.3	44.6	60.9	55.6	49.5
RoCE	50.6	61.7	59.0	58.1	59.8
Debt/Equity (x)	(0.5)	0.0	0.0	(0.1)	(0.3)
EBIT/Interest (x)	45.9	42.8	12.0	15.7	26.0

Margins (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
EBITDA	55.1	51.4	51.1	51.6	52.9
EBIT	45.2	41.8	39.6	39.8	40.4
PAT	33.2	30.9	29.6	30.3	31.4

Source: Company Antique

CMP	: INR 1,293
Reco	: HOLD ↔
Target Price	: INR 1,359 ↔
Target Price Change	: No Change
Target 1HFY26E (P/E)	: 44
EPS Change FY23/ 24/ 25	: -7%/ -7%

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Market data	
Sensex	: 65,398
Sector	: Industrials
Market Cap (INR bn)	: 810.3
Market Cap (USD bn)	: 9.748
O/S Shares (mn)	: 626.7
52-wk HI/LO (INR)	: 1466/1025
Avg. Daily Vol ('000)	: 1,196
Bloomberg	: HAVLIN

Source: Bloomberg

Valuation			
	FY24e	FY25e	FY26e
EPS (INR)	21.9	27.7	34.0
P/E (x)	59.0	46.6	38.0
P/BV (x)	10.5	8.9	7.4
EV/EBITDA (x)	38.8	30.6	24.6
Dividend Yield (%)	0.3	0.3	0.3

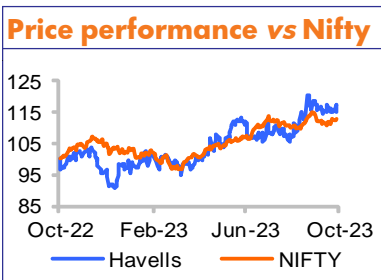
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(9)	(4)	7	7
Relative	(7)	(1)	(2)	(3)

Source: Bloomberg

Shareholding pattern	
Promoters	: 59%
Public	: 41%
Others	: 0%

Source: Bloomberg



Source: Bloomberg

2QFY24 RESULT REVIEW

Havells India

Lloyd hampers earnings yet again

Havells India's (Havells) 2QFY24 performance was below our estimates on all fronts; revenue witnessed a growth of 6% YoY supported by Lloyd (+19% YoY), however, the core business reported a subdued growth of merely 4% YoY. EBITDA margin saw a 180 bps expansion to 9.6% supported by the softening of commodity prices, though it was below our estimates due to a higher than anticipated losses in Lloyd. Over the years, Havells has developed multiple growth levers by expanding its product portfolio in the core light electrical business and venturing into white goods by acquiring Lloyd. This would enable it to remain one of the key beneficiaries if the consumption pick-up theme plays out. Given the higher than anticipated losses in Lloyd and management's focus on gaining market share at the cost of margins, we cut our FY24/ 25E earnings by 7% each. Given the rich valuations and competitive pressures leading to a near-term margin squeeze, we maintain a HOLD rating on the stock with a TP of INR 1,359 (44x 1HFY26E EPS).

Operational performance stands below expectation on all fronts

Havells' overall 2QFY24 performance was below our estimates on all fronts. Revenue stood at INR 38.9 bn (+6% YoY), below our estimate of INR 42 bn impacted by weaker than estimated performance in the Core business (ex Lloyd). Although Lloyd reported a strong revenue growth of 19% YoY, Core business reported subdued 4% YoY growth impacted by weak demand across categories. Operating profit although reported healthy 30% YoY growth; it was meaningfully below our estimate of INR 4.7 bn impacted by higher than estimated loss in Lloyds EBITDA margin improved 180bps YoY to 9.6% (est. of 11.2%) supported by improved margins in the Core business (EBIT margin of 13.5% vs 11.0% in 2QFY23). PAT at INR 2.49 bn (+33% YoY) was also below our estimate of INR 3.17 bn. Although demand in the B2B category remains robust, B2C demand remains sluggish and is expected to normalize in the upcoming festive season.

Core business reports muted revenue growth of 4% YoY due to weak consumer demand

Havells saw its core business (ex-Lloyd) register moderate revenue growth of 4% YoY to INR 34 bn. Core business revenue growth was supported by sales growth in the Cables & Wires and Switchgear segments, and demand improvement in B2B businesses. However, change in norms and weak consumer demand led to a 5% decline in the ECD segment. The Lighting segment was flat YoY despite a decent volume growth impacted by price deflation in LED lighting. Core business EBIT margin expanded 250 bps YoY to 13.5% supported by margin expansion in Cables & Wires (+530 bps YoY to 11.6%) and Switchgear segments (+140 bps YoY to 26.4%). However, ECD (flat YoY at 11.6%) and lighting (flat YoY at 14.4%) margins remained stable, leading to an EBIT of INR 4.6 bn (+27% YoY).

Strong revenue performance by Lloyd; manufacturing overheads of new facility broadens losses

Lloyd registered a 19% YoY improvement to INR 4.9 bn, marginally below our estimate of INR 5.2 bn, however Lloyds reported loss on INR 0.7 bn much higher than our estimate of INR 0.4 bn on account of under absorption of fixed cost aggravated by commissioning of its new facility at Sricity, underutilization of the facility given off season and prevailing competitive pressure.. Havells expects Lloyd's operational performance to improve from 2HFY24 onwards due to a revival in demand, softening of commodity prices, and operating leverage.

Working capital days remain stable

Having repaid its entire borrowings in 1HFY23, Havells is currently sitting on INR 23 bn cash (INR 18.6 bn in FY23). It spent INR 4.1 bn in FY23 on capex and is looking to spend INR 6 bn in FY24. A majority of this capex is allocated towards the Tumkur facility (INR 3 bn) to increase its cables and wires capacity. NWC days for 2QFY24 remain stable at 39 from 36 in 1QFY24 and 42 in 2QFY23.

Investment Summary

Over the years Havells has developed multiple growth levers by expanding its product portfolio basket in the core light electrical business and venturing into the white goods business by acquiring Lloyd. And this would enable it to remain one of the key beneficiaries if the consumption pick-up theme plays out. We maintain HOLD rating on the stock with a TP of INR 1,359 (44x 1HFY26E EPS of INR 30.9).

Conference Call Highlights

- Witnessed softness in consumer demand, however, infra and housing demand led to healthy growth in B2B categories.
- Commodity price normalization and product cost-led initiatives to drive further margin improvement.
- The company will focus on small domestic appliances, washing machines, refrigerators, and lighting for the festive season. The company has improved its presence in modern retail and believes it will help the company grow faster.
- International business does have macro tailwinds and the company is taking additional steps and being focused, however, certifications along with other formalities will require 12-18 months. The company expects to scale it up in the next 4-5 years.
- 1H has witnessed lower demand due to price hikes.
- Product mix to remain the same between Core and Lloyd.
- Expect a capex of INR 6 bn in FY24.
- Operating leverage will kick going forward with higher volumes. The company has been investing in R&D, manpower, infra, and IT for the longer term.

Core business

- Cables and wires - Volume growth was at 10% YoY. The off-take has been on the underground cables side where the company has a capacity constraint till the next year. 40% of the revenue in the segment is from underground cables, and the capex will expand this capacity by 25%. In wires, the company has no capacity constraints. Growth in wires has been tepid vs. industrial cables. Channel inventory in wires has normalized.
- Switchgear - Consumer demand weak, industrial very strong. Has a wide range of products that are well placed. No capacity constraints in the segment and expects demand to improve going forward.
- ECD - Expect better demand for premium fans going ahead. Better consumer off-take is expected in 2HFY24 in the segment. The kitchen portfolio is expanding rapidly and new products will be introduced very soon.
- Lighting - Witnessed a decent volume growth; price deflation in LED impacted revenue. But feel it has bottomed out. 65% consumer lighting and 35% profession. Consolidation in the segment will be between branded players.

Lloyd

- In Lloyd, the RAC segment has performed better than other products. Under absorption of manufacturing overheads due to the new Sri City facility led to higher losses during the quarter. Expect margin improvement in the coming quarters with improvement in volumes.
- Focus to be to on increasing sales and continue to spend on brand building, etc. The long-term view is to target to be among the top three players. Margins are expected to expand as cost rationalization happens in the medium term.
- Revenue contribution - RAC - 50% and others - 50%.
- Advertising expenses will remain at 2.5%-3% of revenue.

Quarterly Performance

Particulars (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Total revenues (net)	38,912	36,689	6.1	48,237	(19.3)	87,149	78,991	10.3
RM	25,953	25,356	2.4	33,579	(22.7)	59,531	55,395	7.5
% of Sales	66.7	69.1	-242 bps	69.6	-292 bps	68.3	70.1	-182 bps
Staff cost	3,766	3,068	22.8	3,552	6.0	7,318	6,089	20.2
% of Sales	9.7	8.4	132 bps	7.4	231 bps	8.4	7.7	69 bps
Other operating expenses	5,459	5,394	1.2	7,082	(22.9)	12,541	11,022	13.8
% of Sales	14.0	14.7	-67 bps	14.7	-65 bps	14.4	14.0	44 bps
Total expenditure	35,178	33,819	4.0	44,213	(20.4)	79,391	72,506	9.5
EBITDA	3,735	2,871	30.1	4,024	(7.2)	7,759	6,485	19.6
EBITDA Margin (%)	9.6	7.8	177 bps	8.3	126 bps	8.9	8.2	69 bps
Depreciation	812	721	12.6	763	6.4	1,575	1,441	9.2
Interest	93	68	36.6	85	10.2	178	166	7.3
Other income	524	433	20.9	647	(19.0)	1,171	903	29.6
PBT	3,354	2,515	33.4	3,823	(12.3)	7,177	5,780	24.2
Tax	863	646	33.5	950	(9.1)	1,812	1,487	21.8
Tax rate (%)	25.7	25.7	3 bps	24.8	89 bps	25.3	25.7	-48 bps
Reported net profit	2,491	1,869	33.3	2,874	(13.3)	5,365	4,293	25.0
Adjusted net profit	2,491	1,869	33.3	2,874	(13.3)	5,365	4,293	25.0
EPS (INR)	4.0	3.0	33.3	4.6	(13.3)	8.6	6.9	25.0

Source: Company, Antique

Segmental Performance

Segmental (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Sales								
Switchgear	5,324	4,878	9.1	5,407	(1.5)	10,731	10,045	6.8
Cables & Wires	14,702	13,594	8.1	14,852	(1.0)	29,553	25,523	15.8
Consumer Durable	7,331	7,735	(5.2)	8,770	(16.4)	16,101	16,116	(0.1)
Lighting & Fixtures	3,965	3,970	(0.1)	3,670	8.0	7,635	7,681	(0.6)
Others	2,662	2,372	12.2	2,483	7.2	5,145	4,648	10.7
Lloyd Electric	4,930	4,141	19.1	13,055	(62.2)	17,984	14,978	20.1
Profit Contribution								
Switchgear	2,108	1,854	13.7	2,185	(3.5)	5,453	6,894	(20.9)
Cables & Wires	2,279	1,291	76.5	2,198	3.7	5,251	6,777	(22.5)
Consumer Durable	1,723	1,686	2.2	1,991	(13.5)	5,899	7,137	(17.4)
Lighting & Fixtures	1,130	1,131	(0.1)	1,068	5.8	3,629	4,256	(14.7)
Others	469	417	12.2	452	3.7	1,350	1,612	(16.3)
Lloyd Electric	192	(70)	(373.1)	666	(71.1)	939	1,553	(39.5)
Contribution Margin (%)								
Switchgear	39.6	38.0		40.4		50.8	68.6	
Cables & Wires	15.5	9.5		14.8		17.8	26.6	
Consumer Durable	23.5	21.8		22.7		36.6	44.3	
Lighting & Fixtures	28.5	28.5		29.1		47.5	55.4	
Others	17.6	17.6		18.2		26.2	34.7	
Lloyd Electric	3.9	(1.7)		5.1		5.2	10.4	
EBIT								
Switchgear	1,407	1,220	15.3	1,499	(6.1)	2,905	2,573	12.9
Cables & Wires	1,707	859	98.7	1,691	0.9	3,397	1,734	95.9
Consumer Durable	848	901	(5.8)	957	(11.4)	1,806	1,999	(9.7)
Lighting & Fixtures	569	570	(0.2)	529	7.7	1,098	1,181	(7.0)
Others	40	41	(1.7)	88	(54.2)	128	163	(21.5)
Lloyd Electric	(733)	(833)	NA	(608)	NA	(1,341)	(1,392)	NA
EBIT Margin (%)								
Switchgear	26.4	25.0	141 bps	27.7	-129 bps	27.1	25.6	145 bps
Cables & Wires	11.6	6.3	529 bps	11.4	23 bps	11.5	6.8	470 bps
Consumer Durable	11.6	11.6	-7 bps	10.9	66 bps	11.2	12.4	-119 bps
Lighting & Fixtures	14.4	14.4	-1 bps	14.4	-5 bps	14.4	15.4	-99 bps
Others	1.5	1.7	-21 bps	3.5	-202 bps	2.5	3.5	-102 bps
Lloyd Electric	(14.9)	(20.1)	524 bps	(4.7)	-1022 bps	(7.5)	(9.3)	183 bps

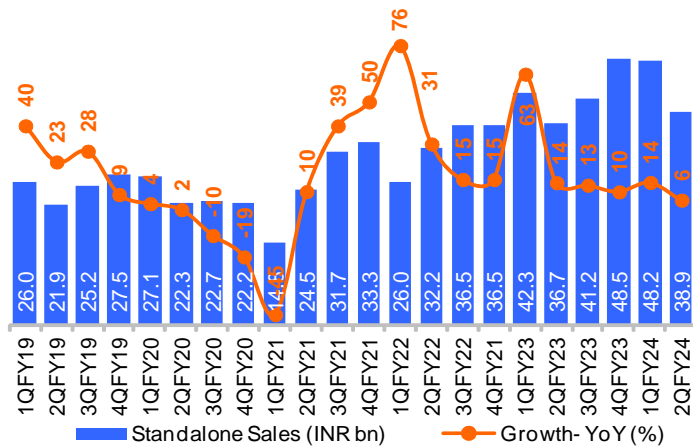
Source: Company, Antique

Change in earnings

INR mn	OLD			NEW			Change (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	168,684	195,774	224,602	168,684	190,898	217,993	0.0%	-2.5%	-2.9%
EBITDA	16,030	21,535	26,952	16,030	20,044	25,069	0.0%	-6.9%	-7.0%
EBITDA margin	9.5%	11.0%	12.0%	9.5%	10.5%	11.5%	0.0%	-0.5%	-0.5%
Reported PAT	10,750	14,730	18,664	10,750	13,690	17,341	0.0%	-7.1%	-7.1%
Adj. PAT	10,750	14,730	18,664	10,750	13,690	17,341	0.0%	-7.1%	-7.1%

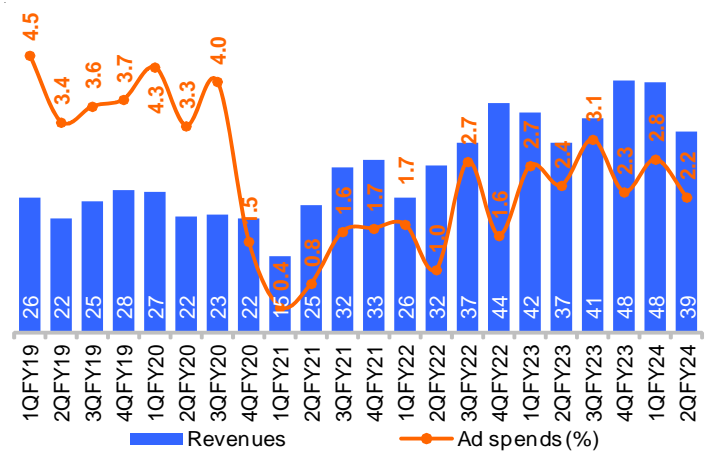
Source: Company, Antique

Revenue witnesses 6% YoY growth supported by Lloyd's business



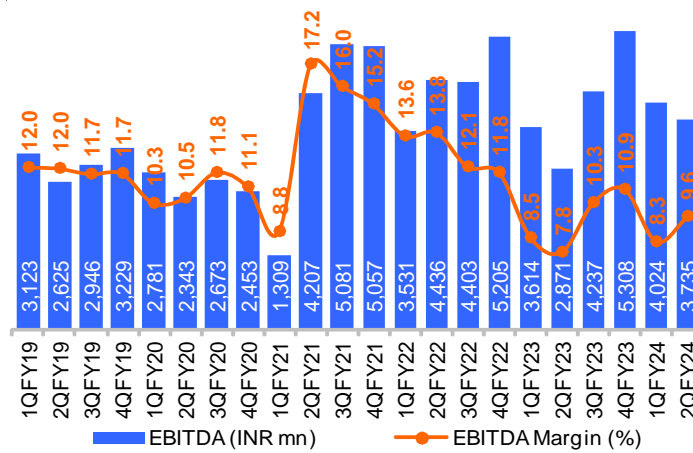
Source: Company, Antique

Ad spend at INR 848 mn (2.2% of revenue)



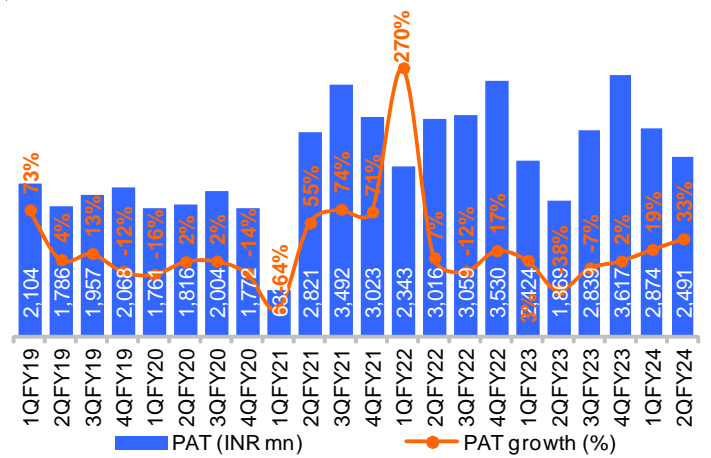
Source: Company, Antique

Op. margin improves 180 bps YoY



Source: Company, Antique

Higher other income led to a 33% YoY growth in PAT



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	138,890	168,684	190,898	217,993	250,137
Op. Expenses	121,309	152,654	170,854	192,923	219,620
EBITDA	17,581	16,030	20,044	25,069	30,517
Depreciation	2,608	2,961	3,346	3,640	3,993
EBIT	14,973	13,069	16,699	21,429	26,523
Other income	1,604	1,770	2,124	2,337	2,570
Interest Exp.	534	336	353	371	389
Reported PBT	16,043	14,503	18,470	23,395	28,704
Tax	4,091	3,753	4,780	6,054	7,428
Reported PAT	11,952	10,750	13,690	17,341	21,276
Net Profit	11,952	10,750	13,690	17,341	21,276
Adjusted PAT	11,952	10,750	13,690	17,341	21,276
Adjusted EPS (INR)	19.1	17.2	21.9	27.7	34.0

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	625	625	625	625	625
Reserves & Surplus	59,260	65,628	75,947	89,916	107,820
Networth	59,885	66,253	76,572	90,541	108,445
Debt	3,955	-	-	-	-
Net deferred Tax liabilities	3,506	3,615	3,615	3,615	3,615
Capital Employed	67,347	69,868	80,187	94,156	112,060
Net Fixed Assets	20,781	23,913	22,887	23,383	23,550
Goodwill	14,126	13,958	13,958	13,958	13,958
Investments	4,277	2,009	2,009	2,009	2,009
Current Assets, Loans & Adv.	65,866	71,694	88,050	106,778	130,703
Inventory	29,681	37,086	41,970	47,927	54,994
Debtors	7,675	9,755	11,040	12,607	14,466
Cash & Bank balance	25,358	18,702	30,990	41,870	56,512
Loans & advances and others	3,152	6,151	4,050	4,374	4,732
Current Liabilities & Provisions	37,704	41,705	46,717	51,972	58,160
Liabilities	23,794	26,432	29,913	34,158	39,195
Provisions	13,910	15,273	16,804	17,813	18,965
Net Current Assets	28,162	29,989	41,333	54,806	72,543
Application of Funds	67,347	69,868	80,187	94,156	112,060

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	624	624	624	624	624
Diluted no. of shares (mn)	624	624	624	624	624
BVPS (INR)	95.9	106.1	122.6	145.0	173.7
CEPS (INR)	23.3	22.0	27.3	33.6	40.5
DPS (INR)	3.0	4.5	4.5	4.5	4.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	16,043	14,503	18,470	23,395	28,704
Depreciation & amortization	2,608	2,961	3,346	3,640	3,993
Interest expense	534	336	353	371	389
(Inc)/Dec in working capital	3,040	(8,386)	841	(2,594)	(3,095)
Tax paid	4,091	3,753	4,780	6,054	7,428
CF from operating activities	18,134	5,661	18,230	18,758	22,564
Capital expenditure	(3,920)	(6,093)	(2,320)	(4,135)	(4,161)
Inc/(Dec) in investments	(1,200)	2,171	105	-	-
CF from investing activities	(4,913)	(3,754)	(2,215)	(4,135)	(4,161)
Inc/(Dec) in share capital	(1,348)	(901)	(0)	(0)	(0)
Inc/(Dec) in debt	19	(3,955)	-	-	-
Dividend Paid	2,248	3,372	3,372	3,372	3,372
Others	534	336	353	371	389
CF from financing activities	(4,111)	(8,564)	(3,725)	(3,742)	(3,761)
Net cash flow	9,111	(6,657)	12,290	10,880	14,642
Opening balance	16,247	25,358	18,702	30,990	41,870
Closing balance	25,358	18,702	30,992	41,870	56,512

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	33.2	21.5	13.2	14.2	14.7
EBITDA	12.3	(8.8)	25.0	25.1	21.7
Adj PAT	15.0	(10.1)	27.4	26.7	22.7
Adj EPS	15.0	(10.1)	27.4	26.7	22.7

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	67.6	75.2	59.0	46.6	38.0
P/BV (x)	13.5	12.2	10.5	8.9	7.4
EV/EBITDA (x)	44.7	49.2	38.8	30.6	24.6
EV/Sales (x)	5.7	4.7	4.1	3.5	3.0
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	21.4	17.0	19.2	20.8	21.4
RoCE (%)	26.2	21.6	25.1	27.3	28.2
Asset/T.O (x)	3.1	3.3	3.2	3.1	2.9
Net Debt/Equity (x)	(0.4)	(0.3)	(0.4)	(0.5)	(0.5)
EBIT/Interest (x)	31.0	44.1	53.3	64.1	74.8

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	12.7	9.5	10.5	11.5	12.2
EBIT Margin (%)	10.8	7.7	8.7	9.8	10.6
PAT Margin (%)	8.5	6.3	7.1	7.9	8.4

Source: Company Antique

CMP	: INR 388
Reco	: BUY ↔
Target Price	: INR 488 ↑
Target Price Change	: 40%
Target 1HFY26 P/E (x)	: 31
EPS Change FY24/ 25	: 7%/ 2%

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Market data	
Sensex	: 65,398
Sector	: Utilities
Market Cap (INR bn)	: 638.4
Market Cap (USD bn)	: 7.680
O/S Shares (mn)	: 1,644.7
52-wk HI/LO (INR)	: 449/205
Avg. Daily Vol ('000)	: 5,494
Bloomberg	: JSW IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	11.6	15.5	16.1
P/E (x)	33.5	25.1	24.2
P/BV (x)	3.2	2.8	2.6
EV/EBITDA (x)	13.4	11.0	10.9
Dividend Yield (%)	0.4	0.4	0.4

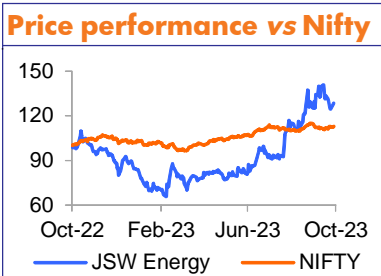
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(5)	32	50	22
Relative	(3)	36	36	11

Source: Bloomberg

Shareholding pattern	
Promoters	: 74%
Public	: 26%
Others	: 0%

Source: Bloomberg



2QFY24 RESULT REVIEW

JSW Energy

Remains on the guided path!

JSW Energy (JSW) reported a consolidated EBITDA of INR 19 bn, up 111% annually. The core EBITDA was INR 11 bn, plus new RE and Mytrah contributed INR 6.3 bn. Merchant power contributed INR 1.9 bn and Hydro INR 1.7 bn. Excluding the seasonality of hydro, the variable component from short-term and regulatory benefits from the existing 6.7 GW portfolio, there is a case for annual EBITDA of INR 9 bn/GW. Thereby, with 10 GW expected to be operational before FY26E, INR 90 bn EBITDA is clearly on the cards. We maintain BUY with a revised TP of INR 488/share (including PVGO of new RE assets and pumped hydro).

Broadly retaining FY24 estimates; lean season for spot market ahead

Going ahead, as Indian spot markets are expected to be weak seasonally, we broadly retain our annual estimates. It is true that in 2QFY24 JSW locked in short-term sales at INR 8.1/kWh—as against the average spot market tariff of INR 5.9/kWh. As we understand, blocks in the evening/ night peak—where solar was not contributing to India’s grid, the spot prices were closer to the regulatory cap of INR 10/kWh. To make the situation better, imported coal price during the quarter (benchmark to API 6000GCV) was USD 113/ton, down 65% YoY. Structurally, RE addition through solar addresses supply only in the morning hours. As India’s base and peak demand grows, non-solar hours will see bouts of higher spot prices. Make no mistake: the windfall gains are here for the long haul.

Operationally strong performance

In 1HFY24, JSW generated 15.3 BU, up 22% YoY. Thermal assets (3.1 GW) generated 8.7 BU, up 11% YoY. The deemed PLF of 1HFY24 at Ratnagiri was 96%, Barmer at 74%, and Vijaynagar at 57%. The operational performance of hydro (1.39 GW) was 3.9 BU, down 13% YoY; solar (253 MW) was 274 MU, up 57% YoY; and the newly added wind assets (216 MW) at 227 MU.

The transition to 10 GW in CY24, from 6.7 GW now

JSW has committed INR 193 bn for adding 3.4 GW of assets. Till 1HFY24, JSW has spent INR 113 bn.

- **SECI IX (810 MW), SECI X (454 MW), and SECI XII (300 MW):** SECI IX (810 MW) is likely to be commissioned from 3QFY24 onwards, which has a 25-year PPA with SECI. Similarly, SECI X (454 MW) has seen a 216 MW commissioning. Finally, SECI XII (300 MW) is likely to be commissioned by March-25.
- **Group captive (958 MW):** The asset is likely to be commissioned by 3QFY24, with 225 MW already operational.
- **Kutehr (240 MW):** The plant has a 35-year PPA with Haryana and is likely to be commissioned by September-2024.
- **Ind Bharat (700 MW):** Unit 1 is likely to be commissioned in 3QFY24 and unit 2 by 4QFY24.

Committed to strategy 2.0

JSW will be a 20 GW generation entity by FY30, from 6.6 GW as of now with storage and green hydrogen options. From normalized FY23 EBITDA, JSW aims to grow EBITDA by 3.5–4x and net profit by 3.2–3.75x. The net debt/equity will be down to 3.5x–4x from 4.4x now.

Investment Summary

JSW’s RoE remained subdued due to assets of 3 under the commissioning stage. JSW is generating a cash flow of INR 25 bn with 18% CRoNW. With leverage, JSW aims at INR 750 bn in capex till FY30. The path ahead for strategy 2.0 is clear: backward integration to lower input costs, locked-in sites for lower capex/MW, and the first mover advantage in energy storage. We are including PVGO as the company is about to unlock the platform value for green assets through strategic stake sale. Including PVGO of new RE assets and 2 GWh of PSP, we ascribe a revised SoTP target of INR 488 and recommend BUY.

Financial Highlights

In INR mn	Quarter Ended					Year Ended		
	Sep-23	Sep-22	% Chg	Jun-23	% Chg	1HYFY24	1HYFY23	% Chg
Net Sales	32,594	23,875	36.5	29,279	11.3	61,873	54,142	14.3
EBIDTA	18,804	8,896	111.4	12,221	53.9	31,025	19,120	62.3
Other income	1,279	2,088	(38.7)	854	49.9	2,133	2,979	(28.4)
PBIDT	20,083	10,984	82.8	13,075	53.6	33,158	22,098	50.0
Depreciation	(4,087)	(2,942)	38.9	(3,979)	2.7	(8,066)	(5,827)	38.4
Interest	(5,137)	(2,045)	151.3	(4,857)	5.8	(9,994)	(3,976)	151.4
PBT	10,919	6,047	80.6	4,260	156.3	15,179	12,213	24.3
Tax	(2,351)	(1,481)	58.7	(1,356)	73.3	(3,707)	(3,461)	7.1
Adjusted PAT	8,568	4,566	87.7	2,904	195.0	11,472	8,752	31.1
Reported PAT	8,568	4,566	87.7	2,904	195.0	11,472	10,113	13.4
No. of shares (mn)	1,645	1,645		1,645		1,645	1,645	
EBIDTA margin (%)	57.7	37.3	54.8	41.7		50.1	35.3	42.0
PBIDT margin (%)	61.6	46.0	33.9	44.7		53.6	40.8	31.3
EPS - annualized (INR)	20.8	11.1	87.7	7.1	195.0	14.0	10.6	31.1

Source: Company, Antique

Operational Highlights

Net generation In million units	Quarter Ended					Year Ended		
	Sep 23	Sep 22	% Chg	Jun 23	% Chg	1HYFY24	1HYFY23	% Chg
Ratnagiri (1200MW)	1,752	1,311	33.6	1,939	(9.6)	3,691	2,829	30.5
Barmer (1080MW)	1,593	1,651	(3.5)	1,418	12.3	3,011	3,205	(6.1)
Vijaynagar (860MW)	900	736	22.3	1,074	(16.2)	1,974	1,836	7.5
Nandyal (18MW)	25	-	NM	10	150.0	35	10	250.0
Total Thermal (3158MW)	4,270	3,698	15.5	4,441	(3.9)	8,711	7,879	10.6
Mytrah-Wind (1330MW)	1,141	-	NM	695	64.2	1,836	-	NM
Mytrah-Solar (422MW)	165	-	NM	216	(23.6)	381	-	NM
Hydro (1300MW)	2,766	2,900	(4.6)	1,144	141.8	3,910	4,472	(12.6)
Solar (9MW)	123	76	61.8	150	(18.0)	273	174	56.9
Wind SECI 10	173	-	NM	53	NM	226	-	NM
Total ex of Mytrah	7,332	6,674	9.9	5,788	26.7	13,120	12,525	4.8
Total	8,638	6,674	29.4	6,699	28.9	15,337	12,525	22.5

Source: Company, Antique

Sum-of-the-parts

Type of Assets	in MW	In INR mn	Ann. 1HFY26 EBITDA	EV/EBITDA (x)	Stake adjusted EV
Thermal	860	Vijaynagar	5,483	8	41,124
Thermal	1200	Ratnagiri	7,870	8	59,022
Thermal	1080	Barmer	13,963	8	1,04,723
Solar	235	Solar VijayNagar	1,215	10	12,147
Hydro	300	BASPAIL	2,118	10	21,176
Hydro	1091	Karcham Wangtoo	7,701	10	77,011
Solar	18	Solar Nandyal	104	10	1,039
Wind	810	SECI-9	5,709	10	57,091
Wind	450	SECI-10	2,959	10	29,589
Wind	300	SECI-12	2,086	10	20,861
Wind	733	Group Captive	5,687	10	56,865
Wind/Solar	1753	Mytrah	10,122	10	1,01,217
Thermal	700	Ind Bharat	4,118	8	32,945
Hydro	240	Kutehr	5,992	10	59,915
BESS SECI		BESS SECI-Pilot	3,588	10	35,880
Transmission		JPTL	837	5	4,187
Enterprise Value					7,14,792
Investments/CWIP					1,54,566
Debt					2,83,214
Equity Value					5,86,144
Outstanding shares					1,645
Target Price					356
PVGO for New Renewable assets					
Additional RE Assets till FY30					10
EBITDA from Future RE Assets					7
EV Multiple for Future RE assets					10
EV of future RE assets					700
Debt of future RE assets					350
Equity value of future RE assets					350
Discounted factor					2
Present equity value of future RE assets					174
Outstanding shares					2
PVGO of new RE assets					106
Target Price including PVGO of new RE assets					462
PVGO for Pumped Hydro Project					
New Pumped Hydro assets till 2030					2
EBITDA from Future Pumped Hydro Project					7
EV Multiple for Future PHP assets					10
EV of future PHP assets					168
Debt of future PHP assets					84
Equity value of future PHP assets					84
Discounted factor					2
Present equity value of future PHP assets					42
Outstanding shares					2
PVGO of new PHP assets					25
Target Price including PVGO of Pumped Hydro and new RE					488

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	81,672	1,03,318	1,32,135	1,60,570	1,70,015
Op. Expenses	(45,982)	(70,499)	(71,940)	(78,859)	(83,468)
EBITDA	35,690	32,819	60,195	81,711	86,547
Depreciation	(11,311)	(11,692)	(22,367)	(29,367)	(30,931)
EBIT	24,380	21,127	37,828	52,343	55,617
Other income	5,687	5,352	5,357	4,507	4,857
Interest Exp.	(7,769)	(8,443)	(17,657)	(22,753)	(25,131)
Extra Ordinary Items -gain/(loss)	85	1,393	-	-	-
Reported PBT	22,383	19,429	25,527	34,097	35,343
Tax	(4,948)	(4,627)	(6,433)	(8,593)	(8,906)
Reported PAT	17,435	14,802	19,094	25,505	26,436
Minority Int./Profit (loss) From Asso.	(15)	(24)	(30)	(37)	(39)
Net Profit	17,420	14,778	19,064	25,468	26,397
Adjusted PAT	17,335	13,385	19,064	25,468	26,397
Adjusted EPS (INR)	10.6	8.1	11.6	15.5	16.1

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	16,397	16,405	16,405	16,405	16,405
Reserves & Surplus	1,57,349	1,69,883	1,85,515	2,07,927	2,31,157
Networth	1,73,745	1,86,288	2,01,921	2,24,333	2,47,562
Debt	68,764	1,88,809	2,26,571	2,83,214	3,25,696
Minority Interest	21	1,054	1,054	1,054	1,054
Capital Employed	2,42,530	3,76,151	4,29,545	5,08,600	5,74,312
Gross Fixed Assets	2,22,224	3,34,785	4,47,347	5,87,347	6,87,347
Accumulated Depreciation	(73,918)	(84,580)	(1,06,948)	(1,36,315)	(1,67,246)
Capital work-in-progress	20,906	47,882	3,913	3,913	3,913
Net Fixed Assets	1,69,212	2,98,087	3,44,312	4,54,945	5,24,014
Investments	1,22,703	1,26,701	1,26,701	1,26,701	1,26,701
Non-current Investments	1,22,703	1,26,701	1,26,701	1,26,701	1,26,701
Current Assets, Loans & Adv.	59,484	1,07,743	1,24,347	98,801	1,00,517
Inventory	9,010	9,871	7,602	9,238	9,782
Debtors	6,702	15,319	18,101	21,996	23,290
Cash & Bank balance	11,341	40,139	57,012	23,951	20,866
Loans & advances and others	32,430	42,415	41,632	43,616	46,580
Current Liabilities & Provisions	30,766	33,283	42,718	49,890	54,964
Liabilities	29,525	32,457	41,632	48,571	53,567
Provisions	1,241	826	1,086	1,320	1,397
Net Current Assets	28,718	74,460	81,629	48,911	45,553
Miscellaneous expenses	(78,103)	(1,23,097)	(1,23,097)	(1,21,957)	(1,21,957)
Application of Funds	2,42,530	3,76,151	4,29,545	5,08,600	5,74,312

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	1,628	1,645	1,645	1,645	1,645
Diluted no. of shares (mn)	1,628	1,645	1,645	1,645	1,645
BVPS (INR)	106.7	113.3	122.8	136.4	150.5
CEPS (INR)	17.7	17.7	25.2	33.4	34.9
DPS (INR)	2.0	2.0	1.7	1.5	1.6

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	22,383	23,104	25,527	34,097	35,343
Depreciation & amortization	11,344	10,663	22,367	29,367	30,931
Interest expense	7,769	8,443	17,657	22,753	25,131
(Inc)/Dec in working capital	10,838	(16,945)	9,704	3,552	273
Tax paid	(4,948)	(4,627)	(6,433)	(8,593)	(8,906)
Less: Interest/Div. Income Recd.	(5,687)	(5,352)	(5,357)	(4,507)	(4,857)
Other operating Cash Flow	(11,003)	9,157	(12,300)	(18,246)	(20,274)
CF from operating activities	30,696	24,443	51,166	58,424	57,640
Capital expenditure	(19,461)	(1,39,537)	(68,593)	(1,40,000)	(1,00,000)
chg in investments	(2,636)	66,064	(5,387)	(9,579)	(4,896)
Add: Interest/Div. Income Recd.	5,687	5,352	5,357	4,507	4,857
CF from investing activities	(16,411)	(68,122)	(68,623)	(1,45,072)	(1,00,039)
Inc/(Dec) in share capital	(27)	9	-	-	-
Inc/(Dec) in debt	(960)	1,20,045	37,762	56,643	42,482
Dividend Paid	(3,287)	(3,288)	(3,432)	(3,056)	(3,168)
Others	(3,462)	(44,290)	-	-	-
CF from financing activities	(7,736)	72,476	34,330	53,587	39,314
Net cash flow	6,550	28,798	16,874	(33,061)	(3,085)
Opening balance	4,792	11,341	40,139	57,012	23,951
Closing balance	11,341	40,139	57,012	23,951	20,866

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	18.0	26.5	27.9	21.5	5.9
EBITDA	19.4	-8.0	83.4	35.7	5.9
Adj PAT	95.0	-22.8	42.4	33.6	3.6
Adj EPS	95.0	-23.6	42.4	33.6	3.6

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	36.4	47.7	33.5	25.1	24.2
P/BV (x)	3.6	3.4	3.2	2.8	2.6
EV/EBITDA (x)	19.5	24.0	13.4	11.0	10.9
EV/Sales (x)	8.5	7.6	6.1	5.6	5.5
Dividend Yield (%)	0.5	0.5	0.4	0.4	0.4

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	10.7	9.5	9.8	11.9	11.2
RoCE (%)	8.1	6.1	7.2	8.8	8.4
Asset/T.O (x)	0.3	0.2	0.2	0.3	0.6
Net Debt/Equity (x)	0.3	0.8	0.8	1.2	1.3
EBIT/Interest (x)	3.87	3.14	2.45	2.50	2.41

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	43.7	31.8	45.6	50.9	50.9
EBIT Margin (%)	29.9	20.4	28.6	32.6	32.7
PAT Margin (%)	19.8	12.3	13.9	15.4	15.1

Source: Company Antique

CMP	: INR 819
Reco	: HOLD ↔
Target	: INR 855 ↔
Target Price Change	: No Change
Target 1HFY26 P/E(x)	: 36
EPS change 24/25	: -15%/ -5%

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Market data

Sensex	:	65,398
Sector	:	Industrial
Market Cap (INR bn)	:	270.9
Market Cap (USD bn)	:	3.259
O/S Shares (mn)	:	330.9
52-wk HI/LO (INR)	:	934/737
Avg. Daily Vol ('000)	:	915
Bloomberg	:	VOLT IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	14.2	23.4	28.6
P/E (x)	57.9	34.9	28.7
P/BV (x)	4.7	4.3	3.9
EV/EBITDA (x)	45.0	24.6	20.3
Dividend Yield (%)	0.5	0.9	1.0

Source: Company, Antique

Returns (%)

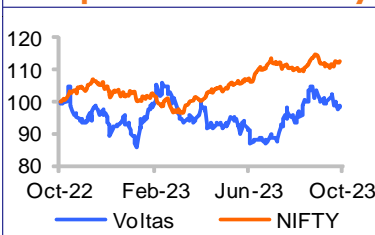
	1m	3m	6m	12m
Absolute	(6)	5	(6)	(6)
Relative	(4)	9	(14)	(15)

Source: Bloomberg

Shareholding pattern

Promoters	:	30%
Public	:	70%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

Voltas

EMP provision mars profits yet again, pain to persist for now

Voltas' 2QFY24 operational performance was below our expectations on the profitability front, despite strong revenue booking impacted by yet another provisioning in the EMP segment. Voltas, over the past few quarters, has been struggling on the margin front given severe competition & soft RAC demand, which has also led to some market share loss in the RAC segment (19.5% vs. peak share of 25.9% in Aug 2021) and also on account of losses booked in the EMP segment. With the indication from the management that provisioning might continue for another 2-3 quarters we cut our FY24/ 25E earnings by 15%/ 5% respectively. We like the RAC under penetration theme from a long-term view and believe that Voltas would be one of the key beneficiaries of the theme. However given premium valuations, we maintain HOLD rating with a SoTP TP of INR 855 and await a better entry point.

Operational performance misses estimate as EMP segment continues to report losses

Voltas reported revenue at INR 22.9 bn (+30% YoY) ahead of our estimate of INR 21.1 bn supported by strong execution in the EMP segment (+67% YoY), however, it missed our estimate on the profitability front. EBIDTA for the quarter stood at INR 703 mn (-30% YoY) was below our estimate of INR 1.4 bn impacted by weaker than estimated EMP segment performance (-5.3% vs. est. of 2.5%), due to continued provisioning in the international project business to account for delayed collections. Operating margin stood below our estimate at 3.1% (-260 bps YoY, est. of 6.7%), largely impacted by higher other expenses (13% vs. est. of 9.7%). Adj. PAT stood at INR 357 mn (-64% YoY), meaningfully below our estimate of INR 986 mn.

UCP segment performance meets expectations

Voltas' UCP business performance met our expectations on the revenue front as it clocked quarterly growth of 15% YoY with revenue at INR 12.1 bn (est. of INR 12.6 bn). Even the margin bounced back and improved by 40 bps YoY to 7.7% (est. of 7.5%) supported by pricing discipline and softness in commodity pricing. Voltas suffered a market share loss of 110 bps (market share of 19.5% vs. 20.6% in 1QFY24) given the intense competitive pressure prevailing in the sector. We believe that given the under penetration of RAC, government support in terms of PLI, and pricing pressure easing off given the softening of commodity pricing, the RAC industry will revert back to a strong growth trajectory moving ahead and Voltas would be a key beneficiary of the business trend. Voltas has plans to incur a capex of INR 5 bn over the next two years to set up a backward integrated facility for sub-components under the PLI scheme for RAC.

EMP business continues to reel under losses; pain to continue for another 2-3 quarters

EMP business witnessed a rough quarter, with Voltas reporting a loss of INR 490 mn on account of provisions worth INR 860 mn made due to delays in collection in the international business. This is the fifth quarter over the last six quarters where Voltas has created a provision in the international business. EMP business reported a robust revenue growth of 67% YoY to INR 9.2 bn, above our estimate of INR 6.8 bn supported by a strong order book. However, the margin continued to disappoint and stood at -5.3% vs. 2.6% in 2QFY23 (est. of 2.5%). The only bright spot for the EMP division was order inflow, which stood at INR 11.2 bn, taking the order book to INR 86.8 bn (2.9x its TTM revenue). Voltas expects the margin to revert to the normal 5% level in the medium term.

Investment Summary

We believe the worst seems to be behind in terms of margin erosion for Voltas and operational performance should improve from hereon. We like the RAC under penetration theme from a long-term view and believe that Voltas would be one of the key beneficiaries of the same. However, given premium valuations, we maintain HOLD rating with a SoTP TP of INR 855 and roll over to 1HFY26E EPS.

Conference Call Highlights

- The rural economy still witnessing muted growth owing to high inflation. The upcoming festive season may help in reviving demand.
- Commodity prices have softened, but still remains volatile. Stabilization in prices should help maintain margins in the future.
- Margins are weak due to the INR 860 mn provision created due to delayed collection in the overseas business.
- The board in its meeting has approved the issuance of listed unsecured non-convertible debentures to the tune of up to INR 5 bn for funding capital expenditure plans.
- FY24 capex to be around INR 5-6 bn covering both, the RAC project as well as the commercial refrigerator project.

UCP business

- The Onam festival in Kerala led to strong growth in appliances after three years of muted sales. Higher tertiary sales in the upcoming festive season are hence expected.
- The focus on the inverter category and promotion of higher energy-efficient products has resulted in a healthy product mix contributing to the overall margins.
- Revenue split - RAC 80%, commercial refrigerator 17%-18%, and air coolers 2%.
- Voltas continued its leadership in multi-brand outlets with YTD market share of 19.2%, exit August market share of 19.5%, amidst an intensely competitive and fragmented market.
- Commercial refrigeration witnessed muted growth on account of cautious investments by B2B due to lower demand for cold beverages, chocolates, and ice-creams. Retail channel focus and product mix led to strong volume growth on a high base.
- Water cooler demand was buoyant. Air coolers witnessed strong demand in the East and South, however, demand was tepid in North India. Increased channel participation, network expansion, and product launch resulted in 50% volume growth with an exit market share of 7.7% (July). Achieved 2nd position in the industry.
- In the commercial AC category, chillers and packaged ACs witnessed good demand. The slowdown in projects will have some impact in the near term, however, the focus on customer retention and retrofit jobs will continue to support growth.
- The strategy continues to remain the same with an equal focus on market share and margin preservation.
- The company witnessed a 15% YoY growth in the RAC segment. Air coolers (50%) and sub-commercial refrigerators category, like water coolers and water dispensers performed well. The remaining commercial refrigerator segment had muted growth during the quarter.

EMP business

- Healthy order book and scheduled execution have resulted in strong growth for domestic projects.
- Order book stood at INR 87 bn. Domestic projects stand at INR 53 bn containing orders across water, HVAC, rural electrification, and urban infra activities. International order book stood at INR 34 bn largely in UAE, Qatar & Saudi Arabia.
- Focus on collections and certifications has improved the overall working capital and return on capital. The company is also trying to expedite certification by engaging with customers and improving collections. The company is careful about taking new international orders to mitigate issues and has put checks and balances in place to avoid problems in this area. New projects will come in at a similar or higher margin.
- Loss of INR 490 mn due to the creation of a provision of INR 860 mn on account of delayed collections in overseas projects.

- All the provisions in the past few quarters have been on a conservative basis, the company is positive on getting reversals here. Provisioning might continue on a conservative basis for another two to three quarters.

Engineering products

- A customer-oriented approach continued to support Mozambique operations, contributing significantly to results. However, a sluggish iron ore market and a slower pace of infra rollout have muted domestic mining business performance.
- In the textile machinery business, capital machinery rollout from the principles remained positive, although a reduction in yarn prices and acceleration in exports, coupled with supply chain disruption, has lowered the momentum. Focus on the sale of accessories contributed positively to overall performance.

Voltas Beko

- Crossed a cumulative volume of 4 million units since launch. Fastest to achieve the milestone.
- Volume growth was in excess of 40% against a muted growth for the industry.
- Revenue share of frost-free refrigerators and automatic washing machines has increased.
- Spending on digital and social media has helped connect with the youth and target customers in an effective manner.
- Increased touch points, leveraging on distribution reach of Voltas. The strategic tie-up with modern trade and e-commerce partners, in addition to the traditional channel, has contributed to achieving much higher volume growth than the industry.
- Market share for refrigerators and washing machines increased by 0.9% and 1.4% to 3.3% and 5.4% respectively.
- Favorable product mix coupled with localization has resulted in higher gross margin. However, higher advertising spends and spends on BTL activities have resulted in consolidation.
- Target EBITDA breakeven - FY25.

Quarterly Performance

Particulars (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Total revenues (net)	22,928	17,684	29.7	33,599	(31.8)	56,526	45,364	24.6
RM	17,305	13,375	29.4	26,503	(34.7)	43,808	35,368	23.9
% of Sales	75.5	75.6	-16 bps	78.9	-341 bps	77.5	78.0	-46 bps
Staff cost	1,945	1,748	11.3	1,805	7.7	3,750	3,252	15.3
% of Sales	8.5	9.9	-140 bps	5.4	311 bps	6.6	7.2	-54 bps
Other operating expenses	2,975	1,552	91.6	3,436	(13.4)	6,412	3,965	61.7
% of Sales	13.0	8.8	420 bps	10.2	275 bps	11.3	8.7	260 bps
Total expenditure	22,225	16,675	33.3	31,745	(30.0)	53,970	42,585	26.7
EBITDA	703	1,008	(30.3)	1,854	(62.1)	2,556	2,778	(8.0)
EBITDA Margin(%)	3.1	5.7	-264 bps	5.5	-245 bps	4.5	6.1	-160 bps
Depreciation	117	97	20.4	113	3.7	229	182	26.1
Interest	115	67	69.9	101	13.3	216	107	101.1
Other income	710	644	10.3	700	1.4	1,410	911	54.7
Extraordinary items	-	(1,064)	-	-	-	-	(1,064)	-
PBT*	1,181	1,488	(20.6)	2,340	(49.5)	3,521	3,401	3.5
Tax	493	195	153.1	735	(32.9)	1,228	703	74.7
Tax rate (%)	41.7	13.1	2865 bps	31.4	1034 bps	34.9	20.7	1421 bps
Minority Interest & Share in associates	(332)	(289)	NA	(310)	NA	(642)	(599)	NA
Reported net profit	357	1,004	(64.5)	1,295	(72.5)	1,651	2,099	(21.3)
Adjusted net profit	357	(60)	(690.2)	1,295	(72.5)	1,651	1,035	59.5
EPS (INR)	1.1	3.0	(64.5)	3.9	(72.5)	5.0	6.3	(21.3)

Source: Company, Antique; *PBT excludes exception loss due to provision

Segmental Performance

Particulars (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Sales								
EMP & Services	9,242	5,540	66.8	6,791	36.1	16,033	10,087	58.9
Engineering products and services	1,344	1,374	(2.1)	1,423	(5.5)	2,767	2,617	5.7
Unitary cooling business	12,088	10,477	15.4	25,140	(51.9)	37,228	32,099	16.0
Total	22,674	17,391	30.4	33,353	(32.0)	56,028	44,803	25.1
PBIT								
EMP & Services	(490)	143	NA	(519)	NA	(1,008)	19	(5,492.5)
Engineering products and services	539	480	12.3	541	(0.4)	1,080	989	9.3
Unitary cooling business	928	765	21.3	2,073	(55.3)	3,001	2,427	23.7
Total	586	911	(35.7)	1,741	(66.3)	3,073	3,435	(10.5)
PBIT Margins (%)								
EMP & Services	(5.3)	2.6	-789 bps	(7.6)	NA	(6.3)	0.2	-648 bps
Engineering products and services	40.1	35.0	516 bps	38.0	208 bps	39.0	37.8	126 bps
Unitary cooling business	7.7	7.3	38 bps	8.2	-57 bps	8.1	7.6	50 bps
Total (%)	2.6	5.2	-266 bps	5.2	-264 bps	5.5	7.7	-218 bps

Source: Company, Antique

Balance Sheet

Particulars (INR mn)	1HFY24	FY23	1HFY23
Shareholder's fund	57,145	54,521	55,911
Total Loans	5,633	6,592	4,029
Total LIABILITIES	63,609	61,582	60,483
Fixed Assets	6,773	6,229	5,496
Total Current Assets	61,129	55,338	47,808
Total Current Liabilities	36,491	41,209	32,212
Net current assets	24,638	14,130	15,596
TOTAL ASSETS	63,609	61,582	60,483
Working Capital (Days)			
Inventory	55	61	63
Debtors	90	84	73
Other Current Assets	15	16	24
Loans and Advances	27	24	12
Trades Payables	87	116	92
Current Liabilities	30	33	25
Provisions	9	10	13
Net Working Capital (INR mn)	17,840	7,046	10,061
Net WC Days	61	27	41

Source: Company, Antique

Change in earnings

INR mn	OLD			NEW			Change (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	94,988	111,054	129,419	94,988	113,239	129,463	0%	2%	0%
EBITDA	5,724	7,785	11,189	5,724	5,993	10,822	0%	-23%	-3%
EBITDA margin	6.0%	7.0%	8.6%	6.0%	5.3%	8.4%	0.0%	-1.7%	-0.3%
Reported PAT	1,350	5,512	8,205	1,350	4,681	7,755	0%	-15%	-5%
Adj. PAT	3,788	5,512	8,205	3,788	4,681	7,755	0%	-15%	-5%

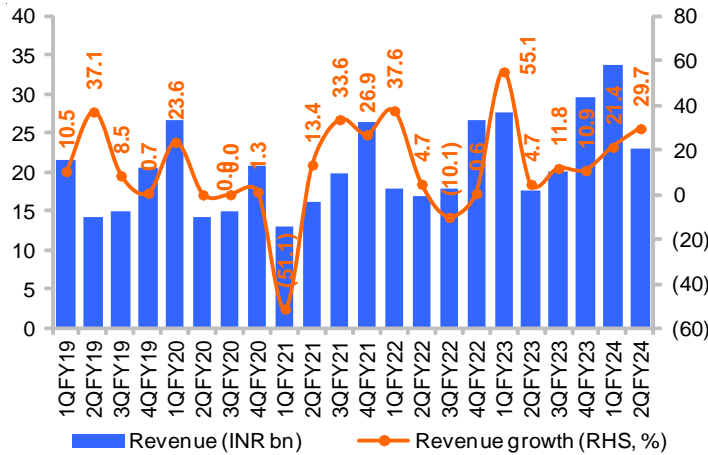
Source: Company, Antique

SoTP table

Name of segment	1HFY26E EPS	Multiple	Value/Share
Unitary Colling Products	18.8	36.0	678
Engineered Products Services	6.2	12.0	74
Electro Mechanical Products(incl. non allocable)	4.4	10.0	44
Less: BEKO JV loss	(3.1)	DCF	59
Total	26.2		855

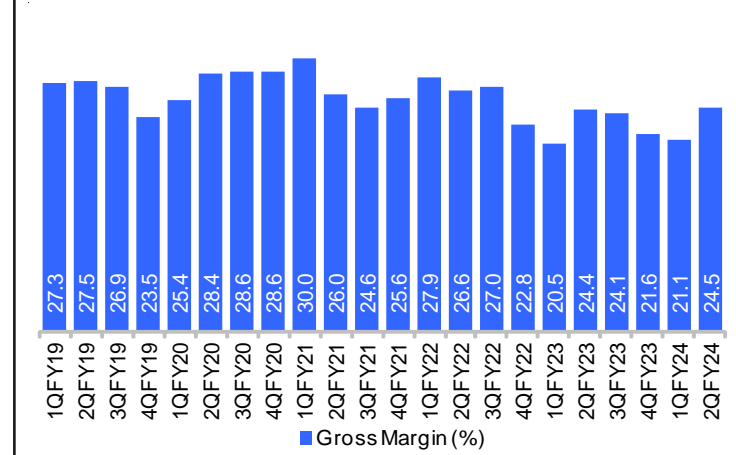
Source: Industry, Antique

Revenue growth stands at 30% YoY



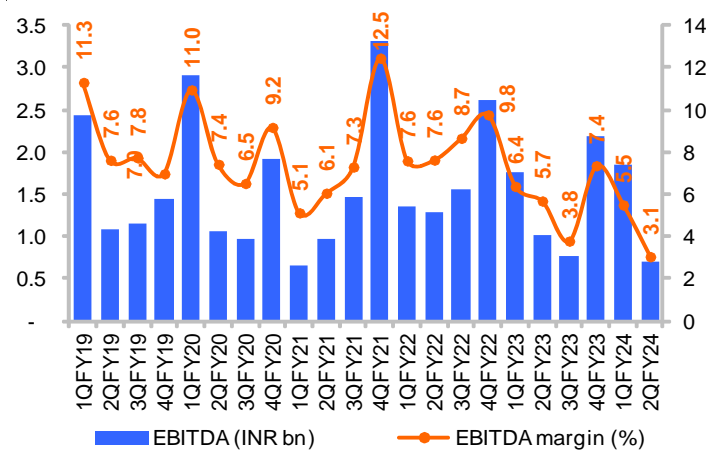
Source: Company, Antique

GM remains stable at 24.5%



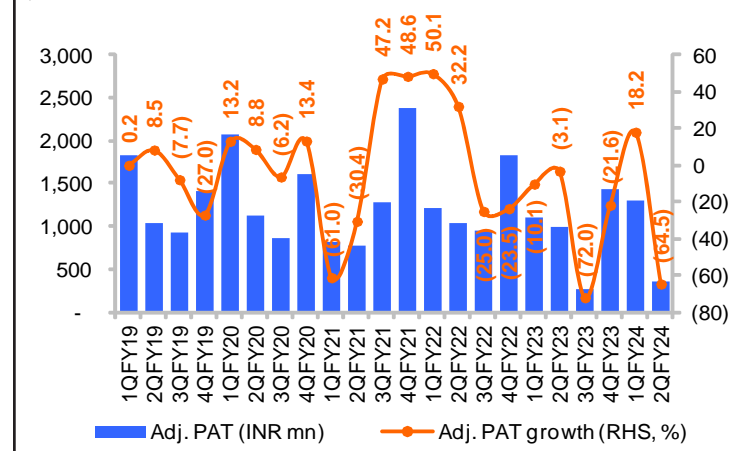
Source: Company, Antique

EBITDA margin continues to decline YoY as profitability in EMP faces pressure



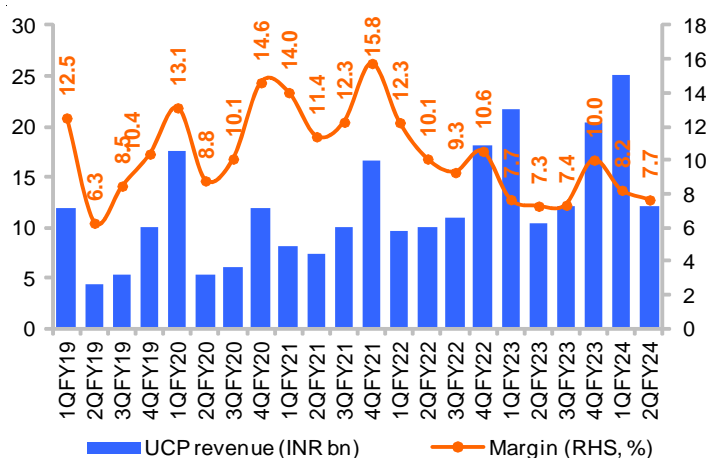
Source: Company, Antique

PAT declines 65% YoY impacted by weak operational performance in EMP segment



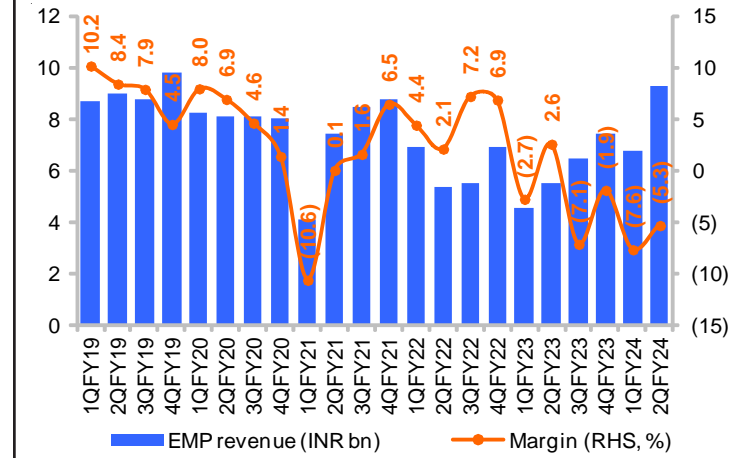
Source: Company, Antique

UCP revenue registers growth of 15% YoY, margins improve YoY



Source: Company, Antique

EMP execution witness sharp improvement, however books losses



Source: Company, Antique

Financials - Consolidated

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	79,345	94,988	113,239	129,463	149,361
Op. Expenses	72,529	89,264	107,246	118,641	136,506
EBITDA	6,816	5,724	5,993	10,822	12,855
Depreciation	373	396	440	484	528
EBIT	8,335	7,012	8,396	12,238	14,357
Other income	1,892	1,685	2,843	1,900	2,031
Interest Exp.	259	296	428	330	330
Extra Ordinary Items-gain/(loss)	-	(2,438)	-	-	-
Reported PBT	8,076	6,716	7,968	11,908	14,028
Tax	1,913	1,709	2,008	3,001	3,535
Reported PAT	5,041	1,350	4,681	7,755	9,455
Minority Int./Profit (loss) From Asso.	(646)	(1,122)	(1,219)	(1,279)	(1,152)
Net Profit	5,041	1,350	4,681	7,755	9,455
Adjusted PAT	5,041	3,788	4,681	7,755	9,455
Adjusted EPS (INR)	15.2	11.5	14.2	23.4	28.6

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	331	331	331	331	331
Reserves & Surplus	54,665	54,190	57,467	62,895	69,513
Networth	54,996	54,521	57,797	63,226	69,844
Debt	3,743	6,592	6,592	6,592	6,592
Minority Interest	381	417	417	417	417
Net deferred Tax liabilities	(317)	(303)	(303)	(303)	(303)
Capital Employed	58,803	61,226	64,503	69,931	76,549
Gross Fixed Assets	7,534	9,010	10,010	11,010	12,010
Accumulated Depreciation	4,090	4,486	4,926	5,411	5,939
Capital work in progress	593	983	983	983	983
Net Fixed Assets	4,037	5,506	6,066	6,582	7,054
Goodwill	723	723	723	723	723
Investments	43,637	40,867	40,867	40,867	40,867
Non Current Investments	43,637	40,867	40,867	40,867	40,867
Current Assets, Loans & Adv.	48,957	55,338	65,974	77,925	92,704
Inventory	16,614	15,920	18,979	21,698	25,033
Debtors	21,097	21,919	26,371	30,149	34,783
Cash & Bank balance	5,717	7,084	8,207	11,881	16,509
Loans & advances and others	1,664	6,253	7,455	8,523	9,833
Current Liabilities & Provisions	38,221	41,209	49,127	56,165	64,797
Liabilities	29,421	30,126	35,915	41,061	47,371
Provisions	8,800	11,082	13,212	15,105	17,426
Net Current Assets	10,736	14,130	16,847	21,760	27,906
Application of Funds	59,133	61,226	64,503	69,932	76,550

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	331	331	331	331	331
Diluted no. of shares (mn)	331	331	331	331	331
BVPS (INR)	166.3	164.8	174.7	191.1	211.1
CEPS (INR)	16.4	5.3	15.5	24.9	30.2
DPS (INR)	5.5	4.3	4.2	7.0	8.6

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	8,076	6,716	7,968	11,908	14,028
Depreciation & amortization	373	396	440	484	528
Interest expense	(19)	(12)	(12)	(12)	(12)
(Inc)/Dec in working capital	(3,236)	(3,233)	(2,861)	(2,378)	(2,544)
Tax paid	(1,913)	(1,709)	(2,008)	(3,001)	(3,535)
CF from operating activities	3,281	2,158	3,527	7,001	8,464
Capital expenditure	(834)	(2,196)	(1,000)	(1,000)	(1,000)
Inc/(Dec) in investments	(3,370)	574	(1,000)	(1,000)	(1,000)
CF from investing activities	(3,370)	574	(1,000)	(1,000)	(1,000)
Inc/(Dec) in debt	936	2,849	-	-	-
Dividend Paid	(1,820)	(1,406)	(1,404)	(2,327)	(2,836)
CF from financing activities	(884)	1,443	(1,404)	(2,327)	(2,836)
Net cash flow	(973)	4,175	1,122	3,675	4,628
Opening balance	4,588	5,717	7,084	8,207	11,881
Closing balance	3,614	9,892	8,207	11,881	16,509

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	5.0	19.7	19.2	14.3	15.4
EBITDA	6.3	(16.0)	4.7	80.6	18.8
Adj PAT	(4.0)	(24.8)	23.6	65.7	21.9
Adj EPS	(4.0)	(24.8)	23.6	65.7	21.9

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	53.7	71.5	57.9	34.9	28.7
P/BV (x)	4.9	5.0	4.7	4.3	3.9
EV/EBITDA (x)	39.5	47.3	45.0	24.6	20.3
EV/Sales (x)	3.4	2.8	2.4	2.1	1.7
Dividend Yield (%)	0.7	0.5	0.5	0.9	1.0

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	9.6	6.9	8.3	12.8	14.2
RoCE (%)	18.4	14.5	17.9	21.0	22.4
Asset/T.O (x)	6.3	5.5	5.3	5.1	4.7
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
EBIT/Interest (x)	39.5	29.4	26.2	42.9	49.7

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin	8.6	6.0	5.3	8.4	8.6
EBIT Margin	10.5	7.4	7.4	9.5	9.6
PAT Margin	6.2	3.9	4.0	5.9	6.2

Source: Company, Antique

CMP	: INR 400
Reco	: HOLD ↔
Target Price	: INR 301 ↑
Target Price Change	: 9%
Target 1HFY26 P/E (x)	: 23
EPS Change FY24/ 25	: -38%/-7%

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Market data	
Sensex	: 65,398
Sector	: Pharmaceuticals
Market Cap (INR bn)	: 216.0
Market Cap (USD bn)	: 2.598
O/S Shares (mn)	: 538.7
52-wk HI/LO (INR)	: 531/279
Avg. Daily Vol ('000)	: 1,965
Bloomberg	: LAURUS IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	5.4	11.1	15.0
P/E (x)	73.8	35.9	26.7
P/BV (x)	5.0	4.5	3.9
EV/EBITDA (x)	25.3	16.5	13.3
Dividend Yield (%)	0.2	0.3	0.4

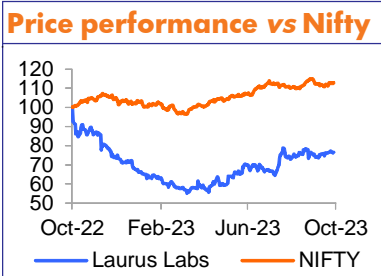
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	14	31	(24)
Relative	4	18	19	(31)

Source: Bloomberg

Shareholding pattern	
Promoters	: 27%
Public	: 73%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Laurus Labs

Inferior business mix drags margins

Laurus Labs (Laurus) reported a 2QFY24 revenue growth of ~4% on a QoQ basis. However, it fell short of our estimates, largely on account of lower revenue from CDMO and Generic API segments. To our surprise, the CDMO segment showcased a ~10% sequential decline in revenue, mainly on account of a delay in procurement from its key customer. Despite improvement in revenue on a sequential basis, the EBITDA margin largely remained flat at ~15%, reflecting erosion in margins in its base business. Going forward, we expect improvement from 4QFY24 onwards on account of pick up in the FDF business via supplies to NACO tenders, improved off-take in other APIs and commercialization of animal health contract. However, we remain skeptical about any significant improvement in margins as ARVs are likely to remain a large portion of Laurus’ revenue (~40%) for FY24 and FY25; we believe gross margin will remain in range of 52%–54%.

The large ongoing capex coupled with the weak realization from its base business has resulted in higher opex, which is likely to keep EBITDA margin in the range of ~20%–22% for FY25, we cut our EPS estimate by ~7% for FY25. We continue to maintain a HOLD rating on the stock with a revised target price of INR 301 (earlier INR 277), valuing the company at 23x P/E on 1HFY26 earnings.

Custom Synthesis (CS) – known events are priced in

The CDMO segment reported revenue of INR 2,240 mn declining ~10% sequentially. The decline was on account of deferment in order procurement from its key client. However, Laurus remains confident of recouping in the coming quarters. During the quarter, Laurus’ animal health unit has started commercial validation batches, and expects commercial supplies to commence from 4QFY24. We factor in USD 50–60 mn revenue from the animal health contract for FY25 with the value to remain steady in the initial years. The CDMO segment remains the sole growth driver for Laurus, with the business getting diversified between pharma, animal health, and Crop Science commercializing in late FY25. We expect the CS business to grow on a sustainable basis from FY25 with a CAGR of ~25% over a three-year period (ex-Paxlovid base).

Generics Formulations (FDF)—remains margin dilutive

The FDF segment recorded 16% sequential revenue growth; largely on account of higher off-take in ARV tenders also supported by stable developed market sales. During the quarter, LAURUS announced 20% order win in the NACO tenders for its ARV business. We expect commercial supplies to begin from 4QFY24 with a quantum of ~INR 2,000 mn. We believe, in order to utilize its excess capacities, LAURUS will continue to participate in low-margin tender business viz. NACO. With the expected regimen change to DLTAf in CY24 we see further risk of decline in ARV tender prices. Besides, there has been a slowdown in approvals from the US market for LAURUS, resulting in a diminishing opportunity size for its ANDAs. On the whole, we expect the formulations business to remain flat on four-year CAGR, on a base of FY22.

Our View

The quarterly results reflected low margins with an inferior business mix and we believe the transition from ARV to non-ARV/ CS will result in a challenging FY25. Given the adverse business mix and lower tender pricing in the ARV FDF business coupled with higher opex, we expect the EBITDA margin to stabilize at ~23% for FY25. We also remain concerned about the stress on the balance sheet with a higher Debt/EBITDA ratio of ~2x and a declining RoCE profile, we maintain HOLD rating on the stock.

Conference Call Highlights

Operational highlights

- Laurus Labs reported a 22% YoY decline in revenue in 2QFY24, amounting to INR 12.2 bn. This decline was due to the high base of the previous year resulting from the large purchase order (PO). Adjusting for the purchase order, the revenue grew by 18% YoY.
- The revenue mix between the ARV and Non-ARV businesses stood at 49% and 51% for the quarter.
- Gross margin declined by ~260 bps YoY to 52.5% due to changes in the business mix.
- The margin contracted by ~1300 bps YoY to 15.3% due to negative operating leverage.
- PAT declined by 84% YoY to INR 370 mn.
- The company also proposed a dividend of INR 0.4 per share.
- Net debt increased to INR 19.7 bn in Sep'23 from INR 19.2 bn in Mar'23.
- Capex spending for 1H stood at INR 3.85 bn.
- The R&D spend for 1HFY24 stood at INR 1.05 bn (~4.4% of sales), driven by the acquisition of intellectual rights for a few gene therapy products from IIT Kanpur.

Generic API

- The Generic API segment declined by 8% YoY to INR 6.3 bn, accounting for 51% of the quarterly revenue.
- The ARV API business witnessed a 9% YoY decline during the quarter, amounting to INR 3.7 bn. The ARV business maintained a steady momentum in volume, though 2Q experienced a slight moderation due to cyclical in ordering, declining 8% both YoY and sequentially.
- Laurus continues to maintain its leadership position in the first-line HIV treatment-related APIs.
- Onco API recorded a strong bounce back to INR 1.2 bn.
- Other API declined by 38% YoY to INR 1.4 bn, primarily due to scheduling patterns from customers.
- The CMO order book for other APIs remains healthy, providing visibility. Given the strong order book, the company is building additional capacity in Unit 3 for Onco API.

Custom Synthesis

- The custom synthesis segment declined by 70% YoY to INR 2.2 bn, driven by the execution of a large PO the previous year.
- Baseline business (business ex-PO) recorded healthy growth, and the project pipeline continues to scale up.
- The CS segment accounted for approximately 20% of the quarterly revenue.
- Commercial activity initiated from the animal health site LSPL-U2 began in Oct'23. The company has begun supplying commercial validation batches and expects commercial supplies to commence from 2HFY25. The R&D center is expected to be operational by the end of FY24.
- The company signed a multi-year commercial contract with a leading global crop science company, further deepening its engagement. Commercial manufacturing is set to begin in 2HFY25.
- The company currently has 60+ active projects, with 10 in the commercial stage, including three API products.

Generic Formulations

- The finished dosages segment recorded robust growth, with revenue amounting to INR 3.3 bn, driven by recovery in the ARV FDF business and stable pricing.
- The FDF segment accounted for approximately 30% of the quarterly revenue.

- ARV FDF business generated INR 1.05 bn in revenue during the quarter.
- The LMIC business remained stable, supported by stable prices, while the developed markets grew, supported by market share expansion.
- The company won 20% of the NACO ARV tender, marking its first tender from NACO.
- Utilization of the available capacity continues to improve. The management aims to achieve optimum utilization in FY25.
- The company plans to launch two products in the Canadian market in 2HFY24.
- The company expects North America to generate approximately USD 35–40 mn in FY24.
- In 1H, the company filed 1 ANDA, bringing the cumulative total to 38, of which 15 have been approved by the USFDA and 13 have received tentative approvals.
- In Canada, the company has filed 21 products, of which 13 have been approved. The company has launched nine products so far.
- In the EU, the company has 14 approved products, while four await approval.
- In the ROW market, the company has filed 61 products, of which 47 have been approved.

Laurus Bio

- Laurus Bio grew by 44% YoY to INR 390 mn, driven by traction in the CDMO business along with customer addition.
- Laurus acquired an additional 13.2% stake in Laurus Bio for INR 720 mn, taking its total ownership to around 88%.
- The downstream expansion at R2 is on track and expected to commercialize from Dec'23.
- The design for the new R3 has been finalized. The new unit will strengthen expertise in r-protein.

Disruptive technology

■ ImmunoAct:

- ImmunoAct received CDSCO approval for NexCAR19 to treat r/r Lymphoma/Leukemia indications in Oct'23.
- Laurus increased its stake in ImmunoACT to around 34%.
- Commercial supply of NexCAR19 is set to begin in the coming months.
- The cost to hospitals is expected to be around INR 3 mn per patient, although the cost to customers may vary.
- Immuno-Act has partnered with a Mexican company to begin trials from next year.
- Immuno-Act is also in early talks to in-license the product for the European market.
- The pipeline has two more products, one of which will move to phase 2 in CY24.
- Laurus has two board seats in Immuno-Act while having no control over daily operations.

■ Gene therapy:

- Collaboration with IIT Kanpur to in-license and fund the development of gene therapy assets.
- GLP lab construction work has been initiated for AAV Vectors and gene therapy products.

Guidance

- FY24 is expected to be a year of consolidation.
- Cost optimization efforts are expected to show results from 2H, along with a reduction in negative operating leverage.
- The company has allocated a capex of INR 10 bn in FY24.
- R&D spend for FY24 is expected to be around 4.8%.
- The company plans to prioritize the following in 2HFY24:
 - Higher capacity utilization across the network to support growth acceleration.
 - Scale-up of the new animal health commercial asset.
 - Continuous improvement initiatives.
- Margins are expected to improve with the uptake in the CDMO business.

Exhibit 1: Actual vs. estimate

(INR mn)	2QFY24		
	Actual	Estimated	% Variance
Net sales	12,245	13,150	(7)
EBITDA	1,879	2,515	(25)
EBITDA margin (%)	15.3	19.1	(378)bps
PAT	370	878	(58)
EPS (INR)	0.7	1.6	(58)

Source: Antique, Company

Exhibit 2: Segmental Revenue

(INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
ARV API	3,711	4,080	(9)	4,060	(9)	7,771	7,870	(1)
ONCO API	1,195	476	151	537	122	1,732	1,117	55
OTHERS API	1,384	2,244	(38)	1,373	1	2,757	3,643	(24)
Generic API	6,290	6,800	(8)	5,970	5	12,260	12,630	(3)
CS	2,240	7,200	(69)	2,500	(10)	4,740	12,970	(63)
FDF	3,320	1,490	123	2,850	16	6,170	4,980	24
Richcore	390	270	44	500	(22)	890	570	56

Source: Antique, Company

Exhibit 3: Quarterly snapshot

(INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Sales	12,245	15,759	(22)	11,818	4	24,062	31,149	(23)
Cost of Material Consumed	5,811	7,074	(18)	5,839	(0)	11,650	13,604	(14)
% of sales	47.5	44.9	257 bps	49.4	(195) bps	48.4	43.7	474 bps
Employee cost	1,639	1,470	12	1,599	3	3,239	2,990	8
% of sales	13.4	9.3	406 bps	13.5	(14) bps	13.5	9.6	386 bps
Other expenses	2,916	2,726	7	2,712	8	5,628	5,524	2
% of sales	23.8	17.3	652 bps	22.9	86 bps	23.4	17.7	566 bps
Total Exp	10,366	11,270	(8)	10,151	2	20,517	22,118	(7)
EBIDTA	1,879	4,489	(58)	1,667	13	3,546	9,031	(61)
Margin %	15.3	28.5	(1,314) bps	14.1	124 bps	14.7	29.0	(1,426) bps
Other income	18	11		36		54	29	
Depreciation	934	818		906		1,839	1,526	
Interest expenses	424	401		392		816	694	
PBT before exceptional	539	3,281	(84)	406	33	945	6,840	(86)
PBT after exceptional	539	3,281	(84)	406	33	945	6,840	(86)
Tax	146	943		122		268	1,976	
Tax Rate %	27.0	28.7	(170) bps	30.0	(298) bps	28.3	28.9	(57) bps
Reported Net Profit	370	2,328	(84)	248	49	618	4,842	(87)
Adjusted Net Profit	370	2,328	(84)	248	49	618	4,842	(87)
Adj. EPS (INR)	0.7	4.3	(84)	0.5	49	1.1	9.0	(87)

Source: Antique, Company

Exhibit 4: Balance sheet snapshot

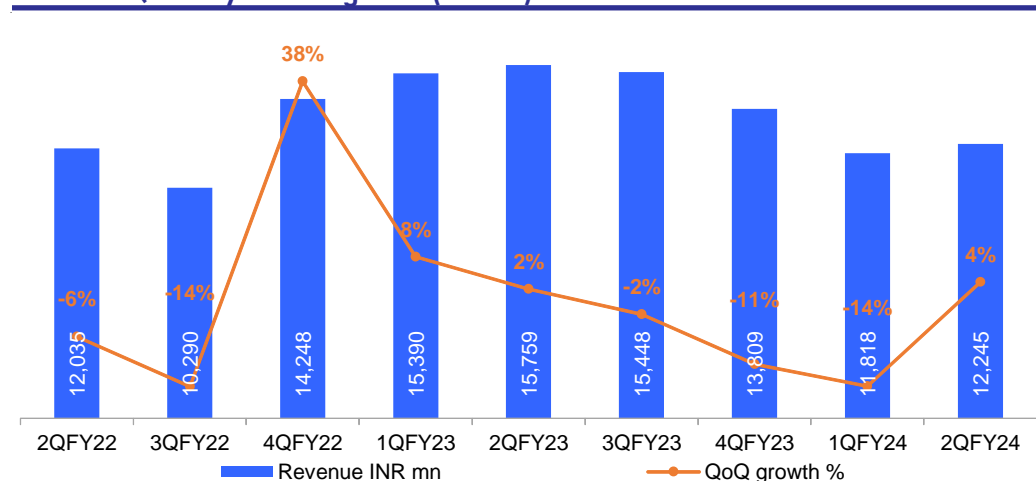
	1HFY24	FY23	1HFY23
Share Capital	1,077	1,077	1,075
Reserves & Surplus	39,221	39,298	36,560
Networth	40,298	40,375	37,635
Debt	21,343	20,151	20,950
Minority Interest	132	111	94
Net deferred Tax liabilities	772	825	1,011
Capital Employed	62,546	61,462	59,690
Capital work in progress	4,435	5,508	4,712
Net Block	34,838	31,623	29,826
Goodwill	2,463	2,463	2,463
Investments	941	499	301
Non Current Investments	941	499	301
Current Assets, Loans & Advances	37,899	36,307	43,256
Inventory	18,655	16,848	22,614
Debtors	15,488	15,804	17,324
Cash & Bank balance	672	485	522
Loans & advances and others	3,085	3,170	2,797
Current Liabilities & Provisions	18,030	14,938	20,868
Liabilities	16,880	13,922	19,881
Provisions	1,150	1,016	987
Net Current Assets	19,869	21,369	22,388
Application of Funds	62,546	61,462	59,690

Source: Antique, Company

Exhibit 5: Old vs. new estimate

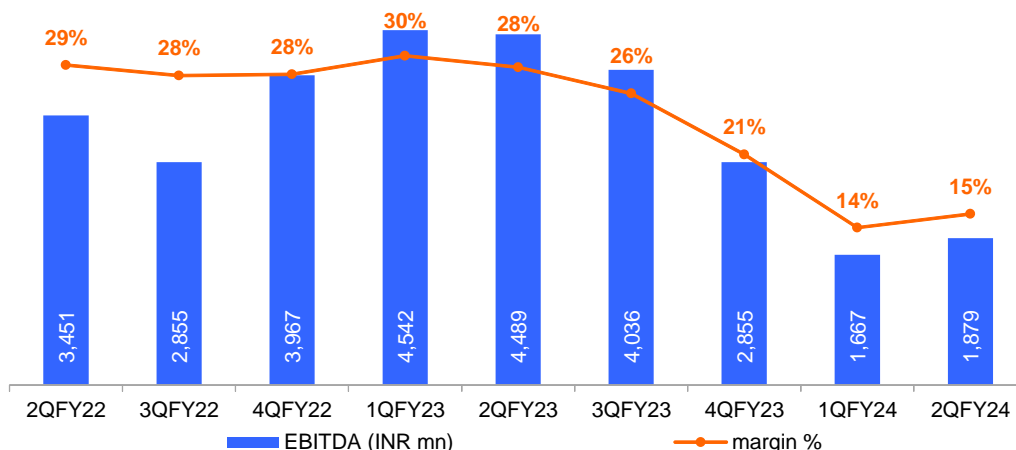
(INR mn)	New estimates			Old estimates		Change %	
	FY24E	FY25E	FY26E	FY24E	FY25E	FY24E	FY25E
Rating	HOLD			HOLD			
Target (INR)	301			277		9	
Sales	52,984	63,266	70,067	58,073	64,025	-9	-1
EBITDA	9,241	14,226	17,461	11,860	14,731	-22	-3
EBITDA%	17.4	22.5	24.9	20.4	23.0	(298)bps	(52)bps
PAT	2,920	6,005	8,074	4,729	6,464	-38	-7
EPS (INR)	5.4	11.2	15.0	8.8	12.0	-38	-7

Source: Antique, Company

Exhibit 6: Quarterly revenue growth (INR mn)

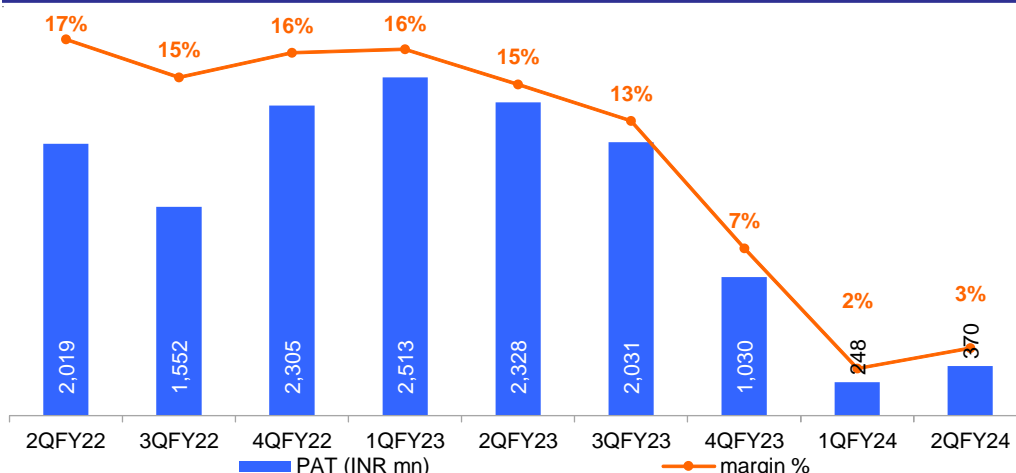
Source: Antique, Company

Exhibit 7: EBITDA margins at multi quarter low



Source: Antique, Company

Exhibit 8: PAT Margins at multi quarter low



Source: Antique, Company

Exhibit 9: Filings in various markets

Geography	Approved	Pending	Total
US*	28	10	38
EU	14	4	18
Canada	13	8	21
RoW	47	14	61
Total	102	36	138

Source: Antique, Company

Exhibit 10: Peer comparison table

	P/E (x)			EV/EBITDA(x)			RoE (%)		
	FY23a	FY24e	FY25e	FY23a	FY24e	FY25e	FY23a	FY24e	FY25e
Laurus Lab	27.3	73.8	35.9	14.8	25.3	16.5	21.4	7.0	13.2
Syngene Pharma ^	51.6	41.1	42.7	29.6	25.3	20.6	12.7	14.3	16.1
Divi's ^	49.8	39.7	32.1	37.6	34.7	28.0	15.1	14.3	16.2
Neuland Labs ^	28.5	25.4	33.0	26.5	17.2	15.4	11.4	17.0	16.3
Piramal Pharma ^	70.0	26.4	Na	38.8	16.2	12.4	-0.2	3.2	6.8
Suven Pharma ^	32.1	28.5	32.5	26.5	22.9	20.3	23.9	24.3	22.7
Average	43.2	39.2	35.2	29.0	23.6	18.9	14.1	13.4	15.2

Source: Company, Antique; ^Bloomberg estimates

Risk to our assumptions

- **Regimen change in ARV**—We anticipate a regimen in ARV segment with a move towards DLTAf to begin from CY24 onwards. The new regimen will have a lower volume of Tenofovir (25 mg) as against current usage (300 mg) per pill. This change is likely to impact API revenue coming from Tenofovir, which will also result in idle capacities as Laurus has ~1,000 MT of annual Tenofovir capacity and a reduction in revenue contribution from Tenofovir.
- **Earlier than anticipated introduction of DOVATO in LMIC**—In April 2019, USFDA approved Dovato, a two-drug regimen for the treatment of HIV-1 infection in adults with no ARV treatment history and with no known resistance to the individual components of Dovato. Given that its two-drug regimen with Dolutegravir and Lamivudine, an early adoption of Dovato in LMIC will be a risk to Laurus' ARV portfolio.
- **Cabotegravir/ Rilpivirine long-acting injectable for treatment**—The USFDA in Jan 2021 approved Cabenuva, which consists of Rilpivirine and Cabotegravir, for treating HIV-1 infection in adults. This therapy is the first once-a-month, long-acting injectable (LAI) for the treatment of HIV.

The patient needs to adhere to the following procedure:

- I. For the 1st month, the patient has to take a lead—in daily dose of one 30 mg tablet of VOCABRIA (oral Cabotegravir) and one 25 mg tablet of EDURANT (oral Rilpivirine).
- II. Initiate injections on last day of lead—in daily tablets.
- III. CABENUVA contains Cabotegravir and Rilpivirine extended-release injectable suspensions. The recommended initial injection doses of CABENUVA in adults is a single 600 mg (3-mL) gluteal intramuscular injection of Cabotegravir and a single 900 mg (3-mL) gluteal intramuscular injection of Rilpivirine.

We don't think Cabotegravir will be a part of LMIC treatment before CY25 at best. It is important to note that Dolutegravir, which was first approved by USFDA in 2013, was only introduced in LMIC in 2019. And Cabenuva being a first-in-class long acting injectable will see a similar timeline for introduction in the LMIC region. Along with this there will be cost and logistical challenges that will be detrimental in wider patient adoption scenario.

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	49,356	60,406	52,984	63,266	70,067
Op. Expenses	35,131	44,484	43,743	49,040	52,606
EBITDA	14,224	15,923	9,241	14,226	17,461
Depreciation	2,515	3,241	3,629	4,387	4,787
EBIT	11,709	12,682	5,613	9,839	12,674
Other income	153	60	100	100	100
Interest Exp.	1,024	1,652	1,713	1,713	1,713
Reported PBT	10,838	11,090	4,000	8,226	11,061
Tax	2,514	3,123	1,080	2,221	2,986
Reported PAT	8,324	7,967	2,920	6,005	8,074
Minority Int./Profit (loss) From Asso.	(37)	(65)	-	-	-
Net Profit	8,287	7,902	2,920	6,005	8,074
Adjusted PAT	8,287	7,902	2,920	6,005	8,074
Adjusted EPS (INR)	15.4	14.7	5.4	11.1	15.0

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	1,075	1,077	1,077	1,077	1,077
Reserves & Surplus	32,437	39,298	41,868	47,152	54,257
Networth	33,512	40,375	42,945	48,229	55,335
Debt	20,800	20,151	20,151	20,151	20,151
Minority Interest	79	111	111	111	111
Net deferred Tax liabilities	691	825	825	825	825
Capital Employed	55,081	61,462	64,032	69,316	76,421
Gross Fixed Assets	35,084	45,562	53,562	58,562	63,562
Accumulated Depreciation	11,022	13,939	17,568	21,955	26,743
Capital work in progress	8,132	5,508	7,508	8,508	9,508
Net Fixed Assets	32,194	37,131	43,502	45,115	46,327
Goodwill	2,463	2,463	2,463	2,463	2,463
Investments	308	499	499	499	499
Non Current Investments	308	499	499	499	499
Current Assets, Loans & Adv.	34,674	36,307	37,505	43,439	50,828
Inventory	17,603	16,848	18,545	22,143	24,524
Debtors	13,542	15,804	14,306	17,082	18,918
Cash & Bank balance	759	485	1,485	1,044	4,217
Loans & advances and others	2,769	3,170	3,170	3,170	3,170
Current Liabilities & Provisions	14,558	14,938	19,938	22,200	23,696
Liabilities	13,666	13,922	18,922	21,184	22,680
Provisions	892	1,016	1,016	1,016	1,016
Net Current Assets	20,116	21,369	17,567	21,239	27,132
Application of Funds	55,081	61,462	64,032	69,316	76,421

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	537.4	538.7	538.7	538.7	538.7
Diluted no. of shares (mn)	537.4	538.7	538.7	538.7	538.7
BVPS (INR)	62.4	75.0	79.7	89.5	102.7
CEPS (INR)	20.2	20.8	12.2	19.3	23.9
DPS (INR)	1.5	2.0	0.7	1.3	1.8

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	10,839	11,089	4,000	8,226	11,061
Depreciation & amortization	2,515	3,241	3,629	4,387	4,787
Interest expense	862	1,455	1,713	1,713	1,713
(Inc)/Dec in working capital	(3,416)	(3,154)	4,802	(4,113)	(2,720)
Tax paid	(1,823)	(2,855)	(1,080)	(2,221)	(2,986)
Less: Interest/Div. Income Recd.	(17)	(46)	-	-	-
Other operating Cash Flow	152	207	-	-	-
CF from operating activities	9,111	9,938	13,064	7,993	11,854
Capital expenditure	(8,767)	(9,875)	(10,000)	(6,000)	(6,000)
Inc/(Dec) in investments	(389)	(117)	-	-	-
Add: Interest/Div. Income Recd.	17	46	-	-	-
CF from investing activities	(9,139)	(9,946)	(10,000)	(6,000)	(6,000)
Inc/(Dec) in share capital	-	74	-	-	-
Inc/(Dec) in debt	2,702	2,216	-	-	-
Dividend Paid	(859)	(1,075)	(350)	(721)	(969)
Others	(1,541)	(1,482)	(1,713)	(1,713)	(1,713)
CF from financing activities	303	(266)	(2,063)	(2,433)	(2,682)
Net cash flow	275	(275)	1,001	(441)	3,172
Opening balance	485	759	485	1,485	1,044
Closing balance	759	485	1,485	1,044	4,217

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	2.5	22.4	(12.3)	19.4	10.8
EBITDA	(8.3)	11.9	(42.0)	53.9	22.7
Adj PAT	(15.7)	(4.7)	(63.0)	105.7	34.5
Adj EPS	(15.7)	(4.7)	(63.0)	105.7	34.5

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	26.0	27.3	73.8	35.9	26.7
P/BV (x)	6.4	5.3	5.0	4.5	3.9
EV/EBITDA (x)	16.6	14.8	25.3	16.5	13.3
EV/Sales (x)	4.8	3.9	4.4	3.7	3.3
Dividend Yield (%)	0.4	0.5	0.2	0.3	0.4

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	27.9	21.4	7.0	13.2	15.6
RoCE (%)	24.4	21.9	9.1	14.9	17.5
Asset/T.O (x)	1.1	1.1	0.9	1.0	1.0
Net Debt/Equity (x)	0.6	0.5	0.4	0.4	0.3
EBIT/Interest (x)	11.6	7.7	3.3	5.8	7.5

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	28.8	26.4	17.4	22.5	24.9
EBIT Margin (%)	23.7	21.0	10.6	15.6	18.1
PAT Margin (%)	16.7	13.1	5.5	9.5	11.5

Source: Company Antique

CMP	: INR 1,232
Reco	: BUY ↔
Target Price	: INR 1,530 ↑
Target Price Change	: 2%
Target 1HFY26 P/E (x)	: 35
EPS Change FY24/ 25	: -6%/ -10%

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Market data	
Sensex	: 65,398
Sector	: Building Materials
Market Cap (INR bn)	: 195.9
Market Cap (USD bn)	: 2.357
O/S Shares (mn)	: 159.3
52-wk HI/LO (INR)	: 1524/1006
Avg. Daily Vol ('000)	: 124
Bloomberg	: KJC IN

Source: Bloomberg

Valuation			
	FY24e	FY25e	FY26e
EPS (INR)	30.8	38.6	48.9
P/E (x)	40.0	31.9	25.2
P/BV (x)	7.5	6.6	5.6
EV/EBITDA (x)	24.7	19.8	15.9
Dividend Yield (%)	1.1	1.2	1.5

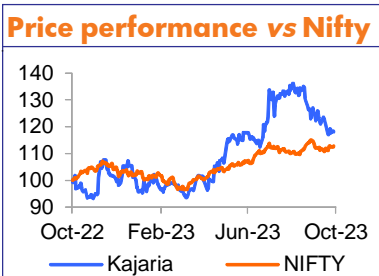
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(10)	(16)	13	12
Relative	(8)	(13)	3	1

Source: Company, Antique

Shareholding pattern	
Promoters	: 47%
Public	: 53%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

Kajarja Ceramics

In-line quarter, demand revival anticipated

Kajarja Ceramics (Kajarja) delivered volume/ revenue/ EBITDA/ PAT growth of 6%/ 4%/ 39%/ 55% YoY during 2QFY24 amidst a challenging demand environment. EBITDA margin surged 400 bps YoY led by lower gas prices. Key highlights are: 1) The export industry is on track to grow to INR 200–210 bn in size (1HFY24 – INR 100 bn), up ~25% YoY. 2) Domestic demand remained sluggish in 2QFY24. However, signs of revival are visible from Sept’23 onwards (9% YoY volume growth). Anticipating revival in 2HFY24 driven by continued traction in the real estate segment. 3) EBITDA margin stood at 16% despite higher employee costs and advertising spends. 4) Capex of INR 3.7 bn to be incurred in FY24 (INR 1.6 bn in 1HFY24). Management reduced FY24 volume guidance to 9%–10% YoY from 13%–15% earlier and maintained margin guidance at 14%–16%. Considering a delay in demand revival, we cut our FY24/ FY25 EPS estimates by 6%/ 10% respectively and roll forward our valuation to 1HFY26. Maintain BUY with a revised TP of INR 1,530 (earlier INR 1,500) based on 35x 1HFY26 EPS. (5-yr. high/ low/ average of 53x/ 15x/ 33x).

Volume grew 6% YoY in 2Q; FY24 guidance cut to 9%–10%

Kajarja reported 2Q revenue of INR 11.2 bn, +4% YoY. Bathware/ plywood/ adhesive segment revenue grew 15%/ -21%/ 38% YoY to INR 0.8 bn/ INR 0.2 bn/ INR 0.1 bn. Tile volume at 26.5 msm grew 6% YoY. The muted demand scenario continued in 2Q and signs of demand revival were witnessed from Sept’ 23 onwards which reported 9% YoY volume growth. Realization declined 3% YoY to INR 378/scm as Kajarja passed on the benefits of reduced gas prices to dealers. Demand is expected to revive from 3Q onwards on the back of strong real estate demand. Management reduced its volume growth guidance to 9%–10% for FY24 from 13%–15% earlier. We are factoring in 14%/ 15% volume/ revenue CAGR over FY23–26.

EBITDA margin remains stable at 16%

Kajarja’s EBITDA grew 39% YoY to INR 1.8 bn in 2Q. EBITDA margin at 16.0% expanded 400 bps/ 10 bps YoY/ QoQ. Margin expansion was driven by operating leverage and a reduction in fuel costs. Provision for increments led to increase in employee expenses by 14% each on a YoY and QoQ basis. Advertising expenses for 1HFY24 stood at INR 0.6 bn (FY24 budget of INR 1.3–1.4 bn). The average gas price for 2QFY24 stood at INR 38/scm (-32%/ -3% YoY/ QoQ). Management expects gas costs to remain range-bound at current levels. Management expects better margins in the upcoming quarters driven by operating leverage and has maintained guidance of 14%–16% margin in FY24. It is factoring in savings of ~INR 1.5 bn (~INR 0.9 bn in 1HFY24) from reduced gas costs which will be partially be passed on to dealers in the form of increased discounts. We have factored in EBITDA CAGR of 27% over FY23–26E and expect FY24/ FY25/ FY26 margins of 16.4%/ 17.4%/ 18.2% respectively.

Investment Summary

Demand over the medium term is expected to improve on the back of strong traction in the real estate sector. Switching to cheaper alternate fuel and stable gas prices will aid in maintaining margins in the near term. We maintain BUY rating at a revised TP of INR 1,530 (earlier INR 1,500).

Quarterly result

INR mn	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Sales	11,216	10,778	4.1	10,642	5.4	21,859	20,860	4.8
Cost of Material Consumed	4,582	4,519	1.4	4,717	(2.9)	9,299	8,259	12.6
% of sales	40.8	41.9	(108 bps)	44.3	(348 bps)	42.5	39.6	295 bps
Employee cost	1,300	1,138	14.2	1,137	14.3	2,436	2,282	6.8
% of sales	11.6	10.6	103 bps	10.7	91 bps	11.1	10.9	21 bps
Power and Fuel	2,211	2,672	(17.2)	1,937	14.1	4,148	5,357	(22.6)
% of sales	19.7	24.8	(508 bps)	18.2	151 bps	19.0	25.7	(670 bps)
Other expenses	1,327	1,155	14.9	1,159	14.4	2,486	2,133	16.6
% of sales	11.8	10.7	112 bps	10.9	94 bps	11.4	10.2	115 bps
Total Exp	9,419	9,484	(0.7)	8,950	5.2	18,369	18,030	1.9
EBIDTA	1,797	1,294	38.9	1,692	6.2	3,489	2,830	23.3
Margin %	16.0	12.0	402 bps	15.9	12 bps	16.0	13.6	240 bps
Other income	83	76	8.4	93	(10.7)	175	157	11.5
Depreciation	361	337	7.2	305	18.2	666	660	0.9
Interest expenses	43	32	34.8	53	(19.2)	95	68	40.8
Profit Before Tax	1,477	1,002	47.4	1,427	3.5	2,903	2,259	28.5
Exceptional item	-	(27)	(100.0)	-	-	-	(27)	(100.0)
Share in associates/(minority)	(31)	10	NA	(16)	96.2	47	(3)	(1,600.0)
PBT after exceptional	1,446	984	46.9	1,411	2.5	2,950	2,228	32.4
Tax	366	286	28.0	336	9.0	702	613	14.4
Tax Rate %	25.3	29.1	(374 bps)	23.8	152 bps	23.8	27.5	(373 bps)
Reported Net Profit	1,080	698	54.6	1,075	0.4	2,248	1,615	39.2
Adjusted Net Profit	1,110	716	55.1	1,091	1.8	2,201	1,645	33.8
EPS (INR)	7.0	4.5	55.1	6.9	1.8	13.9	10.4	33.8

Source: Company, Antique

Semi-annual balance sheet

Particulars	1HFY24	1HFY23	YoY (%)	FY24E	FY23	YoY (%)
Share Capital	159	159	0.1	159	159	0.0
Reserves and Surplus	24,871	22,207	12.0	25,946	23,109	12.3
Minority Interest	635	775	(18.1)	798	776	2.8
Loan Funds	1,250	1,870	(33.1)	1,575	2,093	(24.7)
Deferred Tax Liability	732	745	(1.7)	738	738	-
Total	27,647	25,755	7.3	29,217	26,875	8.7
Fixed Assets (net of accumulated depreciation)	15,336	14,220	7.8	16,513	14,124	16.9
Capital Work-in-Progress	730	559	30.6	817	817	-
Goodwill	327	357	(8.5)	341	341	-
Investments	146	-	-	165	19	752.6
Current Assets, Loans And Advances						
Inventories	5,641	5,818	(3.0)	5,682	5,647	0.6
Sundry Debtors	5,564	5,416	2.7	6,562	6,012	9.2
Cash and Bank Balances	5,168	3,380	52.9	3,240	3,938	(17.7)
Loans and Advances	1,068	1,189	(10.1)	2,185	1,986	10.0
Other current assets	39	393	(90.2)	8	8	-
Less: Current Liabilities and Provisions						
(a) Trade Payables	3,350	2,837	18.1	3,409	3,104	9.9
(b) Liabilities	2,666	2,424	10.0	2,393	2,419	(1.1)
(c) Provisions	356	317	12.2	496	496	-
Net Current Assets	11,108	10,618	4.6	11,380	11,573	(1.7)
Total	27,647	25,755	7.3	29,217	26,875	8.7
Net Debt	(3,918)	(1,510)	159.4	(1,665)	(1,845)	(9.8)

Source: Company, Antique

2QFY24 performance: actuals vs. estimates

Particulars	2QFY24	Antique	%ch	Consensus	%ch
Revenues	11,216	11,687	(4.0)	11,608	(3.4)
EBITDA	1,797	1,905	(5.7)	1,868	(3.8)
PAT	1,110	1,221	(9.1)	1,215	(8.6)
EBITDA Margin	16.0%	16.3%	(28 bps)	16.1%	(7 bps)

Source: Company, Bloomberg, Antique

Conference Call Highlights

- Outlook:** Domestic demand for tiles continues to remain weak. Witnessing gradual pick-up in volume from Sept'23 onwards. Sep'23 witnessed 9% YoY volume growth for Kajaria. Expect improvement in the demand environment and better volume growth in 2HFY24 on the back of strong real estate growth. Anticipate higher volume growth in smaller towns.
- Export market:** India has emerged as a low-cost production hub for tiles globally. India contributes ~15% of global tile exports. It is expected that India will be the largest tile exporter (by volume) by FY25. Expect the export industry to reach INR 200–210 bn market size in FY24 (~INR 100 bn in 1HFY24) from INR 160 bn in FY23.
- Guidance:** FY24 volume growth guidance has been cut to 9%–10% from 13%–15% earlier. Margin guidance maintained at 14%–16%. However, expect margins to be at the higher end of the guidance as 2HFY24 margins will be higher than that of 1H. Targeting INR 1 bn+ turnover in the plywood segment for FY24. Bathware is expected to grow at +20% YoY in FY24 on the back of higher growth expected in 2HFY24.
- Margin:** 2QFY24 Tiles/ Bathware/ Plywood margins – 16%/ 9%/ (2%) – (3%)
- Capex:** Capex guidance of INR 3.7 bn in FY24 is as follows: 1) 1HFY24 - Sikandarabad expansion (3 msm with outlay of INR 1 bn), Galipur expansion (1.92 msm with outlay of INR 0.6 bn); 2) 2HFY24 – Nepal JV Investment (INR 0.9 bn), Kerovit Global (setting up 0.6 mn pieces p.a. sanitaryware capacity (INR 0.8 bn), corporate office (INR 0.6 bn), maintenance capex (INR 0.3 bn). With no major expansions planned, expect INR 2.0–2.5 bn capex spend for each of the next three years. Sikandarabad and Galipur expansion will aid in the manufacturing of large-size tiles and achieve energy efficiency.
- Capacity utilization:** 2QFY24 – 98%.
- Gas cost:** West/ North/ South/ Blended: INR 33/ INR 40/ INR 38/ INR 38 per scm. Expect blended gas cost to remain range bound as Kajaria is also using bio fuels. Power and fuel cost savings due to a reduction in gas prices was ~INR 0.9 bn in 1HFY24 (INR 1.5 bn estimated for FY24 at the beginning of the year).
- Employee costs:** The increase in employee costs during 2QFY24 is on account of provisions made for increments. Expect the run rate to continue.
- Advertising spends:** FY23/ 1HFY24/ FY24E – INR 1.1 bn/ INR 0.6 bn/ INR 1.3–1.4 bn.
- Distribution network:** The number of dealers stood at 1,840/ 1950 as of Mar'23/ Sept' 23. Plans to increase the dealers to 2,000 in FY24, of which 500 are expected to be exclusive. Kajaria is expanding its reach in smaller towns and introducing innovative products.
- Regional sales:** Tier 1/ Tier 2/ Tier 3/ Tier 4 - 30%/ 30%/ 38% / 2%. Revenue from the North market is ~40%.

Key parameters

Particulars	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
Tiles segment											
Revenue (INR mn)											
Own Manufacturing	5,242	5,522	5,587	5,381	5,968	5,592	5,994	5,393	5,705	(4.4)	5.8
Joint Ventures	1,480	1,381	1,439	1,321	1,621	1,640	1,867	1,340	1,825	12.6	36.2
Third-party outsourcing	2,104	2,714	2,912	2,386	2,155	2,608	2,980	2,833	2,469	14.5	(12.8)
Total	8,826	9,616	9,937	9,087	9,745	9,839	10,841	9,566	9,998	2.6	4.5
Production volumes (msm)											
Own Manufacturing	13.0	14.2	13.7	14.7	15.0	15.5	14.7	14.1	14.9	(0.8)	6.1
Joint Ventures	4.5	4.4	4.5	5.0	3.9	5.0	5.9	4.7	5.1	29.8	9.5
Total	17.6	18.6	18.2	19.7	19.0	20.5	20.5	18.7	20.0	5.5	7.0
Sales volumes (msm)											
Own Manufacturing	14.1	14.4	14.4	13.4	14.8	14.0	15.2	13.8	14.8	0.1	7.1
Joint Ventures	4.3	3.7	3.7	3.4	4.2	5.2	6.1	4.8	4.8	15.3	0.4
Third-party outsourcing	6.4	7.5	7.9	6.6	6.0	6.3	6.8	6.4	6.9	15.1	7.0
Total	24.8	25.6	26.0	23.3	24.9	25.5	28.0	25.0	26.5	6.3	5.8
Realizations (INR/ sqm)											
Own Manufacturing	373	384	389	401	404	401	396	391	386	(4.5)	(1.2)
Joint Ventures	343	371	385	394	388	316	308	279	379	(2.4)	35.6
Third-party outsourcing	328	360	370	364	362	414	438	442	360	(0.5)	(18.6)
Total	356	375	383	390	391	387	387	382	378	(3.4)	(1.2)
Region wise gas cost (INR/ scm)											
West	36-40	58	62	67	53	48	41-42	37	33	(37.7)	(10.8)
North	38	43	46	52	59	57	43	39	38	(35.6)	(2.6)
South	40-45	56	60	60	48	44	55	44	40	(16.7)	(9.1)
Blended	38	47	51	55	56	53	46	39	38	(32.1)	(2.6)
Other financial information											
Sanitaryware revenue (INR mn)	744	817	827	714	744	795	904	837	853	14.6	1.9
Plywood revenue (INR mn)	165	249	192	203	194	188	188	143	235	21.0	64.0
Adhesives revenue (INR mn)	-	-	61	78	94	90	115	96	130	38.2	35.9
Power and fuel cost (INR mn)	1,776	2,234	2,283	2,685	2,672	2,783	2,414	1,937	2,211	(17.2)	14.1
Power and fuel cost/ sqm of production volumes (INR)	101	120	125	136	141	136	118	104	111	(21.6)	6.7
EBITDA (INR mn)	1,805	1,838	1,659	1,536	1,294	1,331	1,759	1,692	1,797	38.9	6.2
EBITDA/ sqm of sales volumes (INR)	73	72	64	66	52	52	63	68	68	30.7	0.4

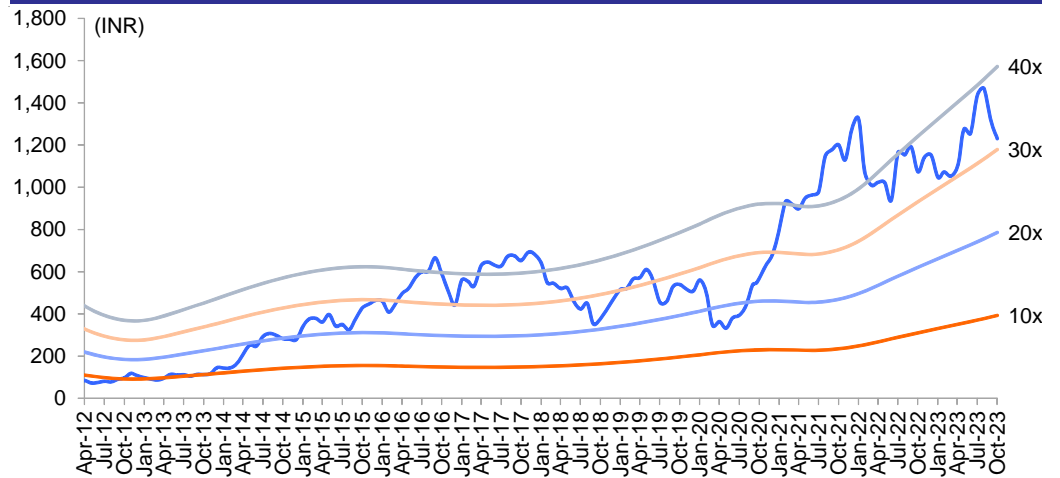
Source: Company, Antique

Changes in estimates

Particulars	Previous		Revised		% ch	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Volume (msm)	117	135	112	129	(4.5)	(3.8)
Revenue	50,730	59,003	47,905	56,027	(5.6)	(5.0)
EBITDA	8,414	10,662	7,873	9,771	(6.4)	(8.4)
EBITDA Margin (%)	16.6	18.1	16.4	17.4	(15bps)	(63bps)
Net Profit	5,248	6,831	4,930	6,172	(6.1)	(9.7)
EPS (INR)	32.8	42.7	30.8	38.6	(6.1)	(9.7)
TP (INR)	1,500		1,530		2.0	

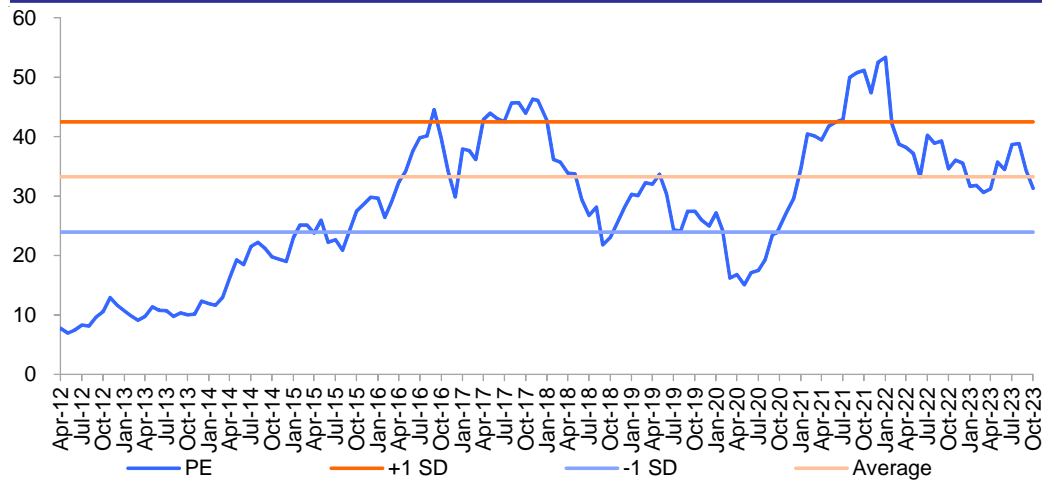
Source: Antique

One-year forward P/E



Source: Bloomberg, Antique

P/E band chart



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue		37,052	43,819	47,905	56,027	66,039
Op. Expenses		30,945	37,899	40,032	46,256	54,004
EBITDA		6,107	5,920	7,873	9,771	12,035
Depreciation		1,154	1,329	1,481	1,738	1,915
EBIT		4,953	4,592	6,392	8,033	10,120
Other income		276	336	370	407	529
Interest Exp.		127	223	189	189	189
Extra Ordinary Items -gain/(loss)		-	59	-	-	-
Reported PBT		5,102	4,764	6,573	8,251	10,460
Tax		1,274	1,182	1,643	2,079	2,636
Reported PAT		3,827	3,581	4,930	6,172	7,824
Minority Int./Profit (loss) From Asso.		58	18	21	26	31
Net Profit		3,770	3,564	4,908	6,146	7,794
Adjusted PAT		3,770	3,504	4,908	6,146	7,794
Adjusted EPS (INR)		23.7	22.0	30.8	38.6	48.9

Balance sheet (INR mn)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
Share Capital		159	159	159	159	159
Reserves & Surplus		21,065	23,109	25,946	29,704	34,631
Networth		21,224	23,268	26,106	29,863	34,790
Debt		1,279	2,093	1,575	1,575	1,575
Minority Interest		648	776	798	823	854
Net deferred Tax liabilities		726	738	738	738	738
Capital Employed		23,877	26,875	29,217	33,000	37,957
Gross Fixed Assets		19,809	22,925	26,795	29,795	32,795
Accumulated Depreciation		8,313	8,459	9,941	11,678	13,593
Capital work in progress		2,634	817	817	817	817
Net Fixed Assets		14,130	15,283	17,671	18,934	20,019
Investments		-	19	165	165	165
Non Current Investments		-	19	165	165	165
Current Assets, Loans & Adv.		15,728	17,591	17,678	21,110	26,124
Inventory		4,659	5,647	5,682	6,522	7,600
Debtors		5,133	6,012	6,562	7,675	9,046
Cash & Bank balance		4,244	3,938	3,240	4,501	6,825
Loans & advances and others		1,693	1,995	2,193	2,412	2,652
Current Liabilities & Provisions		5,981	6,018	6,298	7,209	8,351
Liabilities		2,981	3,104	3,409	3,913	4,560
Provisions		3,000	2,915	2,889	3,296	3,791
Net Current Assets		9,747	11,573	11,380	13,901	17,773
Application of Funds		23,877	26,875	29,217	33,000	37,957

Per share data

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)		159	159	159	159	159
Diluted no. of shares (mn)		159	159	159	159	159
BVPS (INR)		133.3	146.2	163.9	187.5	218.5
CEPS (INR)		31.3	30.8	40.3	49.7	61.2
DPS (INR)		11.0	9.0	13.0	15.0	18.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
PBT		5,102	4,625	6,203	7,844	9,932
Depreciation & amortization		1,154	1,329	1,481	1,738	1,915
Interest expense		127	223	189	189	189
(Inc)/Dec in working capital		(621)	(1,851)	(505)	(1,260)	(1,548)
Tax paid		(1,285)	(1,265)	(1,643)	(2,079)	(2,636)
Less: Interest/Div. Income Recd.		(238)	(243)	(370)	(407)	(529)
Other operating Cash Flow		17	138	348	381	498
CF from operating activities		4,255	2,955	5,704	6,406	7,821
Capital expenditure		(2,634)	(2,082)	(3,870)	(3,000)	(3,000)
Inc/(Dec) in investments		(560)	(25)	(146)	-	-
Add: Interest/Div. Income Recd.		215	270	370	407	529
CF from investing activities		(2,979)	(1,837)	(3,646)	(2,593)	(2,471)
Inc/(Dec) in share capital		52	12	0	(0)	(0)
Inc/(Dec) in debt		281	427	(518)	-	-
Dividend Paid		(1,273)	(1,433)	(2,070)	(2,389)	(2,867)
Others		(519)	(430)	(168)	(163)	(158)
CF from financing activities		(1,460)	(1,424)	(2,756)	(2,552)	(3,025)
Net cash flow		(184)	(306)	(698)	1,261	2,325
Opening balance		4,428	4,244	3,938	3,240	4,501
Closing balance		4,244	3,938	3,240	4,501	6,826

Growth indicators (%)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)		33.2	18.3	9.3	17.0	17.9
EBITDA (%)		20.0	(3.1)	33.0	24.1	23.2
Adj PAT (%)		22.4	(7.0)	40.1	25.2	26.8
Adj EPS (%)		22.3	(7.0)	40.0	25.2	26.8

Valuation (x)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)		52.0	56.0	40.0	31.9	25.2
P/BV (x)		9.2	8.4	7.5	6.6	5.6
EV/EBITDA (x)		31.6	32.8	24.7	19.8	15.9
EV/Sales (x)		5.2	4.4	4.1	3.4	2.9
Dividend Yield (%)		0.9	0.7	1.1	1.2	1.5

Financial ratios

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)		18.9	15.8	19.9	22.0	24.1
RoCE (%)		23.3	19.4	24.1	27.1	30.0
Asset/T.O (x)		1.7	1.7	1.7	1.8	1.9
Net Debt/Equity (x)		(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
EBIT/Interest (x)		41.1	22.1	35.8	44.7	56.3

Margins (%)

Year-ended	March 31	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)		16.5	13.5	16.4	17.4	18.2
EBIT Margin (%)		13.4	10.5	13.3	14.3	15.3
PAT Margin (%)		10.1	7.9	10.2	10.9	11.7

Source: Company, Antique

CMP	: INR 1,082
Reco	: BUY ↔
Target Price	: INR 1,319 ↑
Target Price Change	: 8%
Target 1HFY26 P/E (x)	: 20.3
EPS Change F24/ 25	: 34%/ 14%

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Market data	
Sensex	: 65,398
Sector	: Textiles
Market Cap (INR bn)	: 121.1
Market Cap (USD bn)	: 1.457
O/S Shares (mn)	: 111.7
52-wk HI/LO (INR)	: 1223/588
Avg. Daily Vol ('000)	: 569
Bloomberg	: CENTIN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	45.2	49.9	80.1
P/E (x)	23.9	21.7	13.5
P/BV (x)	2.8	2.5	2.1
EV/EBITDA (x)	13.6	12.1	8.9
Dividend Yield (%)	0.5	0.6	0.6

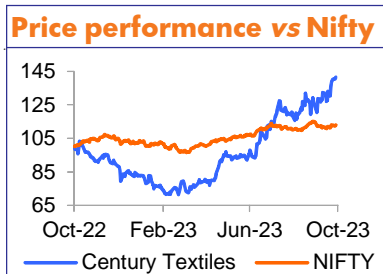
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	6	12	60	28
Relative	8	15	46	15

Source: Bloomberg

Shareholding pattern	
Promoters	: 50%
Public	: 49%
Others	: 1%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Century Textiles & Industries

Real estate on a strong growth path; a blip in paper

Century Textiles & Industries' (CENT) 2QFY24 quarter highlights were the spectacular response to the newly launched project Birla Trimaya phase 1 in Bengaluru and the dip in profitability in the paper business. On launch, Birla Trimaya sold ~96% of the inventory valued at INR 4.67 bn. The company has a strong project launch pipeline of INR 65.0 bn in 2HFY24, including Niyaara phase 2 (GDV INR 4.0 bn). On the back of strong demand across markets, spectacular response to Trimaya, and a strong launch pipeline in 2HFY24, we expect CENT to easily surpass sales booking of INR 30 bn in FY24 (guidance for FY24) and INR 50 bn in FY25. Delivery of three projects in 2HFY24 beginning with Alokya, Bengaluru in Oct'23 to see revenue recognition of the real estate segment. The company in 1HFY24 added projects with GDV of INR 167 bn and is expected to add another >INR 100 bn in 2HFY24. Reiterate BUY with a revised target price (TP) of INR 1,319 (previous INR 1,222).

2QFY24 in a nutshell

In 2QFY24, sales booking was at INR 7.08 bn (242%/ 26% QoQ/ YoY), in line with our estimate of INR 7.0 bn, largely due to a strong response to Trimaya. The collection was INR 2.5 bn (-32%/ -14% QoQ/ YoY). Paper & Pulp witnessed a muted quarter on account of muted demand in pulp and lower realization. The pulp and paper segment saw a significant decline in its profitability in this quarter due to a decline in net sales realization (-12%/ -15% QoQ/ YoY), leading to an EBITDA margin of 10% (-800/ -1100 bps QoQ/ YoY). However, as per the company, prices have bottomed out and demand is expected to pick up in 2HFY24, and EBITDA margin expected to revert to 17%–18%. Net debt during the quarter went up by INR 3.08 bn to INR 22.43 bn with D/E at 0.58x. Net debt went up by INR 12.04 bn in the last two quarters due to an increase in business development activities. The company expects net debt to go up by another INR 5.0 bn depending on further business development activities.

Strong launch pipeline spread across geographies

Given new project additions, CENT's launch pipeline has become taller for the remainder of the year and 2HFY24 is likely to witness some interesting launches with a potential booking value of INR 65 bn. Key projects to be launched in 2HFY24 are (a) Birla Niyaara phase 2, which will be of a high ticket size >INR 200 mn/unit with ~150 units and a selling rate of >INR 80,000/sq. ft. (carpet), translating in to potential booking value >INR 40 bn, (b) Rajeshwari Nagar, South Bengaluru project with potential booking value of INR 9.0 bn, (c) The new phase of Birla Navya, Gurugram with potential booking value of INR 10.0 bn; might spill over to 1QFY25, (d) Walkeshwar with booking value of INR 6.0 bn. The remaining new additions, such as—Pune, Sarjapur, Bengaluru, and Delhi (cumulative GDV of INR 81 bn) will be launched in FY25; Kalwa Thane (GDV of INR 76 bn) will spill over to FY26. Key monitorable would be the response to the launch of Niyaara phase 2 (in Feb'24). Niyaara 1 has already sold inventory valued at INR 24.7 bn with cost for the entire phase 1 at INR 9.0 bn; it is currently selling at INR 80,000/sq. ft. (carpet). Thus, the successful launch of Niyaara phase 2 would provide strong visibility of future cash flow and provide the impetus and the cash flow for future business development.

Investment Summary

Management's sharp focus on scaling the real estate business while utilizing surplus cash flows from the steady businesses bodes well for the company. We remain structurally positive on CENT's growth prospect in the medium to long term. We value the company on a SoTP-based valuation, where we assign 5x EV/EBITDA on 1HFY26 for both the paper and textile businesses factoring in steady growth over the next few years while valuing the annuity leasing segment of Birla Estate at a 9% cap rate. Residential real estate is valued using the NPV method at a 12% discount rate. Reiterate BUY on the stock with a revised TP of INR 1,319 (earlier INR 1,222) to factor in an increase in the selling rate of Niyaara and improved sales velocity across markets. Key monitorable remains the response to the launch of Niyaara phase 2 in February 2024.

Conference call highlights

Real estate

- **Niyaara** demand in 2Q has been very strong. Niyaara is selling at INR 80,000/sq. ft. (carpet). 85% of Birla Niyaara's inventory has been sold to date. Collected INR 7.5 bn and expect tower 2 to launch in 4QFY24. EBITDA margin to be 50%
- **Business development:** Strong pipeline of project acquisition with GDV of INR 45 bn. Will add another INR 100 bn in 2HFY24. GDV run rate of INR 250–300 bn every year going forward.
- **Trimaya** – Sold entire phase 1 inventory with a booking value of INR 4.7 bn.
- **Launch pipeline in 2HFY24:** Niyaara phase 2, Bengaluru (RR Nagar), Walkeshwar, and Gurugram. Gurugram seeing approval delay by Haryana govt. Gurugram launch may spill over to 1QFY25.
- **Revenue recognition:** In FY24, 1,600 units are to be delivered in three projects with overall revenue from real estate to be INR 20 bn with a 25%–30% margin.
- **Prabhadevi:** Not focusing on Prabhadevi as it doesn't want to cannibalize Niyaara.
- **Debt:** Existing projects can self-fund on the basis of sales so far. Incremental cash flow is needed for growth. Thus, debt may go up by another INR 5 bn or so for business development.
- **Target sales booking of INR 100 bn** on track; to reach INR 100 bn in the next four years' time.

Paper & pulp

- **Prices** have remained under pressure but have bottomed out and have seen USD 100/ton increase in the last two weeks of Sept'23.
- **Capacity utilization** was high during the quarter.
- Domestic demand and export demand of **tissues** have remained sluggish in 2QFY24 but have now improved in 3QFY24 due to the festive season.
- **Writing paper demand** has improved and expect exports to pick up.
- **Outlook for 2HFY24** is good. EBITDA margin to be in the ~18% range.

Textiles

- Sales are down due to sluggish demand in domestic apparel.
- Focus on productivity and working capital improvement.

Other highlights

- Employee costs have risen due to appraisal and variable pay.

Quarterly snapshot – 2QFY24

Operational - real estate

INR mn	2QFY24	1QFY24	QoQ %	2QFY23	YoY %	1HFY24	1HFY23	FY23	FY22
Sales booking	7,080	2,070	242%	5,610	26%	9,150	9,950	21,840	19,131
Collection	2,510	3,690	-32%	2,933	-14%	6,200	4,283	8,620	3,514
Leasing income	320	300	7%	240	33%	620	520	1,100	1,207

Source: Company, Antique

Financial

INR mn	2QFY24	1QFY24	QoQ %	2QFY23	YoY %
Net Sales	11,031	11,173	(1.3)	12,325	(10.5)
Total Expenditure	10,692	9,910	7.9	10,529	1.6
EBITDA	338	1,263	(73.2)	1,797	(81.2)
Margins (%)	3.1	11.3	-824 bps	14.6	-1151 bps
Depreciation	592	584	1.4	569	4.1
Interest	170	130	30.9	155	9.5
Other Income	118	81	46.7	96	23.3
PBT before EO expense	-305	630	na	1,169	na
Extra-Ord expense		(644)			
PBT	-305	-14	na	1,169	na
Tax	-33	5		459	
Rate (%)	10.9	-35.2		39.3	
MI & Profit/Loss of Asso. Cos.	57	40		-6	
Reported PAT	-329	-59	na	716	na
Adj PAT	-329	585	na	716	na
Margins (%)	-2.98	5.24	na	5.81	na

Source: Company, Antique

Half Yearly Balance Sheet

Year ended	1HFY24	1HFY23	YoY	FY24E	FY23	YoY
Share Capital	1,117	1,117		1,117	1,117	
Reserves & Surplus	36,497	36,609	(113)	47,024	37,751	9,273
Networth	37,613	37,726		48,141	38,868	
Debt	22,379	13,497	8,882	24,698	10,377	14,321
Minority Interest	1,461	1,555		1,521	1,521	
Net deferred Tax liabilities	326	224		406	406	
Capital Employed	61,779	53,002		74,767	51,173	
Gross Fixed Assets	88,355	86,922		92,512	86,512	
Accumulated Depreciation	(57,679)	(55,319)		(60,040)	(55,319)	
Capital work in progress	896	1,985		1,897	1,897	
Net Fixed Assets	31,571	33,588		34,370	33,090	
Investments	12,967	11,588		10,608	10,608	
Non Current Investments	10,880	11,198		10,578	10,578	
Current Investments	2,087	390		30	30	
Current Assets, Loans & Advances	57,551	37,338		63,407	40,819	
Inventory	44,420	28,498	15,921	47,740	32,561	15,179
Debtors	1,511	2,091		1,910	1,564	
Cash & Bank balance	4,612	1,960	2,652	8,041	1,511	6,530
Loans & advances and others	7,008	4,788	2,220	5,716	5,182	
Current Liabilities & Provisions	40,940	29,736		33,618	33,343	
Liabilities	33,338	21,808	11,530	24,659	25,577	
Provisions	7,601	7,928		8,959	7,766	
Net Current Assets	16,611	7,602		29,789	7,475	
Miscellaneous expenses	629	224		-	-	
Application of Funds	61,779	53,002		74,767	51,173	

Source: Company, Antique

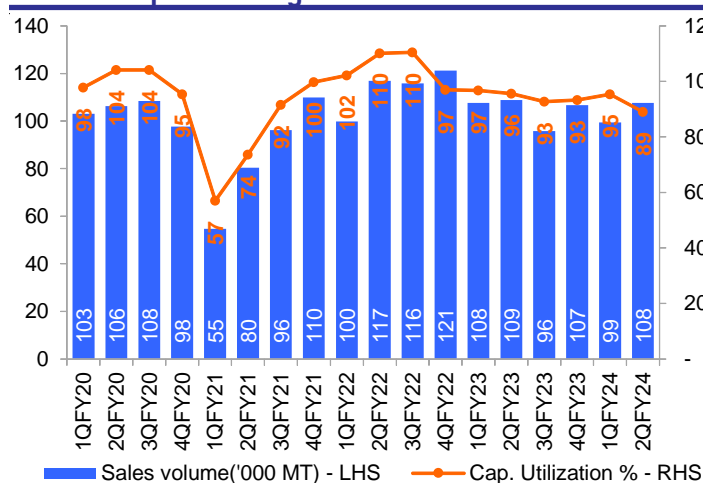
SoTP Valuation

	INR mn	% share	Comments	Change
Commercial Leasing - Operational	16,311	10%	Cap rate - 9%, WACC:12%	
Century Mills Worli	55,973	33%	Cap rate -9%, WACC:12% (Leasing), WACC:12% (Resi)	Selling rate raised to INR50,000/sqft
Residential	7,438	4%	Discount rate: 12%	Increased the sales velocity of North Bengaluru project
New project addition	37,502	22%	Pune, Walkeshwar, Sarjapur and Hindalco	
Paper	39,107	23%	1HFY26 EV/EBITDA - 5x	Rolled over to 1HFY26
Textile	3,092	2%	1HFY26 EV/EBITDA - 5x	Rolled over to 1HFY26
Land Bank	10,308	6%		Value of Prabhadevi changed on the basis of higher selling rate in Niyaara
Total EV (INRmn)	1,69,731			
Less: net Debt	22,430			Debt increased by INR3.1bn
Implied Mcap (INR mn)	1,47,301			
no. of share (mn)	112			
per share value	1,319			

Source: Company, Antique

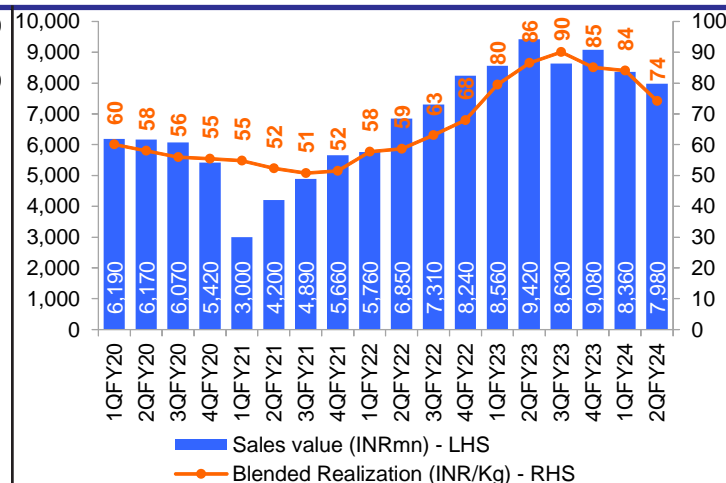
Story in Charts

Exhibit 1: Paper – although volume rose...



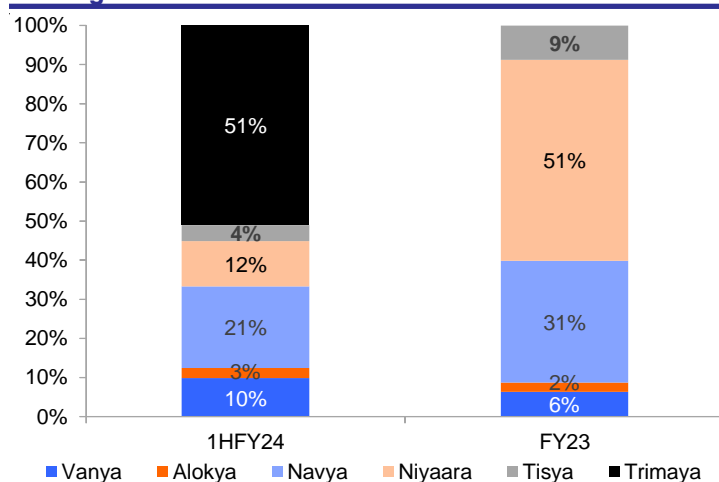
Source: Company, Antique

Exhibit 2: ...realization declined



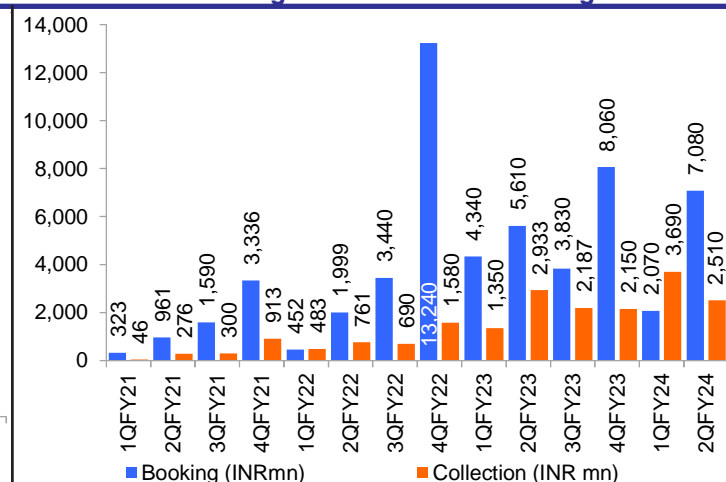
Source: Company, Antique

Exhibit 3: Birla Trimaya key contributor to sales booking in 1HFY24



Source: Company, Antique

Exhibit 4: Sales bookings continue to remain strong



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	41,310	47,997	65,723	69,701	77,512
Op. Expenses	(36,864)	(42,723)	(56,145)	(58,317)	(61,234)
EBITDA	4,445	5,273	9,578	11,384	16,277
Depreciation	(2,307)	(2,271)	(2,321)	(2,400)	(2,486)
EBIT	2,139	3,003	7,258	8,984	13,792
Other income	431	275	383	406	452
Interest Exp.	(522)	(539)	(923)	(1,972)	(2,377)
Extra Ordinary Items -gain/(loss)	75	-	-	-	-
Reported PBT	2,123	2,739	6,719	7,418	11,867
Tax	(504)	(1,417)	(1,727)	(1,906)	(2,986)
Reported PAT	1,618	1,322	4,992	5,512	8,881
Minority Int./Profit (loss) From Asso.	47	55	58	61	64
Net Profit	1,665	1,377	5,050	5,572	8,944
Adjusted PAT	1,590	1,377	5,050	5,572	8,944
Adjusted EPS (INR)	14.2	12.3	45.2	49.9	80.1

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	1,117	1,117	1,117	1,117	1,117
Reserves & Surplus	36,071	37,751	42,159	47,024	55,192
Networth	37,188	38,868	43,276	48,141	56,309
Debt	13,156	10,377	20,377	24,698	31,234
Minority Interest	1,580	1,521	1,521	1,521	1,521
Net deferred Tax liabilities	-	406	406	406	406
Capital Employed	51,924	51,173	65,580	74,767	89,470
Gross Fixed Assets	85,247	86,512	89,012	92,512	95,512
Accumulated Depreciation	(53,048)	(55,319)	(57,640)	(60,040)	(62,526)
Capital work in progress	1,746	1,897	1,897	1,897	1,897
Net Fixed Assets	33,945	33,090	33,269	34,370	34,884
Investments	12,840	10,608	10,608	10,608	10,608
Non Current Investments	11,530	10,578	10,578	10,578	10,578
Current Investments	1,310	30	30	30	30
Current Assets, Loans & Adv.	30,604	40,819	56,344	63,407	79,448
Inventory	23,309	32,561	37,813	47,740	63,708
Debtors	2,168	1,564	1,801	1,910	2,124
Cash & Bank balance	1,143	1,511	11,249	8,041	7,437
Loans & advances and others	3,984	5,182	5,480	5,716	6,179
Current Liabilities & Provisions	25,464	33,343	34,641	33,618	35,469
Liabilities	17,262	25,577	25,856	24,659	26,170
Provisions	8,202	7,766	8,785	8,959	9,300
Net Current Assets	5,139	7,475	21,703	29,789	43,978
Application of Funds	51,924	51,173	65,580	74,767	89,470

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	112	112	112	112	112
Diluted no. of shares (mn)	112	112	112	112	112
BVPS (INR)	333	348	387	431	504
CEPS (INR)	35	32	65	71	102
DPS (INR)	4.0	5.0	5.8	6.3	7.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	2,047	4,063	6,719	7,418	11,867
Depreciation & amortization	2,307	2,271	2,321	2,400	2,486
Interest expense	522	539	923	1,972	2,377
(Inc)/Dec in working capital	(4,046)	(2,073)	(4,490)	(11,295)	(14,794)
Tax paid	(652)	(747)	(1,727)	(1,906)	(2,986)
Less: Interest/Div. Income Recd.	(99)	(104)	(383)	(406)	(452)
Other operating Cash Flow	(590)	(1,239)	2,715	-	-
CF from operating activities	(511)	2,710	6,077	(1,818)	(1,502)
Capital expenditure	(765)	(1,180)	(2,500)	(3,500)	(3,000)
Inc/(Dec) in investments	(1,133)	1,211	-	-	-
Add: Interest/Div. Income Recd.	136	1,354	383	406	452
CF from investing activities	(1,762)	1,385	(2,117)	(3,094)	(2,548)
Inc/(Dec) in debt	2,867	(4,356)	10,000	4,321	6,536
Dividend Paid	(115)	(447)	(642)	(706)	(777)
Others	(684)	(732)	(865)	(1,911)	(2,314)
CF from financing activities	2,068	(5,535)	8,493	1,703	3,445
Net cash flow	(206)	(1,440)	12,453	(3,208)	(604)
Opening balance	442	237	(1,204)	11,249	8,041
Closing balance	237	(1,204)	11,249	8,041	7,437

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	57.9	16.2	36.9	6.1	11.2
EBITDA	98.7	18.6	81.6	18.8	43.0
Adj PAT	NM	(13.4)	266.8	10.4	60.5
Adj EPS	NM	(13.4)	266.8	10.4	60.5

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	76.0	87.8	23.9	21.7	13.5
P/BV (x)	3.2	3.1	2.8	2.5	2.1
EV/EBITDA (x)	29.6	24.6	13.6	12.1	8.9
EV/Sales (x)	3.2	2.7	2.0	2.0	1.9
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.6

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	4.4	3.6	12.3	12.2	17.1
RoCE (%)	5.3	6.4	13.1	13.4	17.3
Asset/T.O (x)	1.1	1.2	1.4	1.2	1.1
Net Debt/Equity (x)	0.3	0.2	0.2	0.3	0.4
EBIT/Interest (x)	(4.9)	(6.1)	(8.3)	(4.8)	(6.0)

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	10.8	11.0	14.6	16.3	21.0
EBIT Margin (%)	5.2	6.3	11.0	12.9	17.8
PAT Margin (%)	3.8	2.9	7.6	7.9	11.5

Source: Company Antique

CMP	: INR 101
Reco	: HOLD ↔
Target Price	: INR 105 ↑
Target Price Change	: 17%
Target 1HFY26 P/BV (x)	: 1.7
EPS Change FY24/ 25	: 5%/6%

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Market data	
Sensex	: 65,398
Sector	: NBFC
Market Cap (INR bn)	: 112.7
Market Cap (USD bn)	: 1.356
O/S Shares (mn)	: 1,121.7
52-wk HI/LO (INR)	: 102/47
Avg. Daily Vol ('000)	: 6,099
Bloomberg	: EQUITASB IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	7	8	11
BVPS	49	55	62
P/E (x)	13.9	12.3	9.5
P/BV (x)	2.0	1.8	1.6

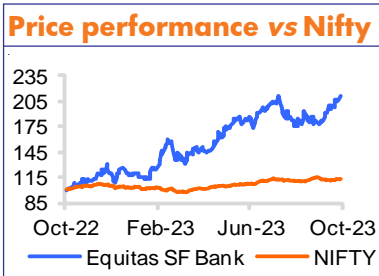
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	20	4	44	112
Relative	22	8	32	92

Source: Company, Antique

Shareholding pattern	
Promoters	: 0%
Public	: 100%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

Equitas Small Finance Bank

Steady earnings growth; asset quality to be monitored

Equitas Small Finance Bank (Equitas SFB) reported PAT of INR 2.0 bn (4% above our and consensus estimate of INR 1.9 bn), 70% YoY, RoA of 2.0%. NIM declined 33 bps QoQ to 8.4% driven by rising cost of term deposits. Management expects the pace of cost increase to moderate in 2H with the cost of funds expected to reach 7.5% (2QFY24 - 7.2%). Strong loan growth of 32% YoY and 4% QoQ drove NII (26% YoY, in line with estimate). Other income was strong with 25% YoY growth led by 32% growth in core fee income. Operating expenses grew at 20% YoY and 2% QoQ and the cost to income ratio declined marginally to 65%. GNPA stayed flat sequentially ex-ARC sale of INR 1.6 bn (INR 1.2 bn in recoveries). However, slippages increased to INR 2.6 bn (4.7% of last year's opening loans) driven by the weak vehicle finance segment, leading to net slippage ratio (ex-ARC sale) rising to 1.7%. We expect RoA of 2%-1.9% and RoE of 15%. We roll forward to FY26 and increase our TP to INR 105 at (1.7x 1HFY26 P/BV) from INR 90, maintain HOLD.

Steady quarter despite continued NIM contraction

NIM contracted 33 bps QoQ (34 bps decline in 1QFY24) on account of an increase in the cost of funds by 27 bps QoQ to 7.21% (33 bps increase in 1QFY24). The CoF increase was largely driven by term deposit costs rising 46 bps to 7.9% vs. 44 bps in 1QFY24. Management believes that the pace of cost of fund increase will moderate in 2HFY24 and it is likely to be 7.5% by year-end. NII grew 26% YoY (3% QoQ), in line with estimates. Fees grew 32% YoY led by both asset and liability-related fees. Fee income would pick up in 2H as disbursement activity increases. Other income grew 6% QoQ & 25% YoY. Cost growth moderated QoQ to 2% as 2Q generally sees higher employee costs on account of salary hikes and incentive payout. Costs as a percentage of average assets stood at 6.3% vs. 6.6% QoQ with cost to income ratio declining 74 bps to 65.1%. Core PPP grew 42% YoY (3.0% of average assets) and credit cost stayed below 1%. Overall RoA was strong at 2.0%, with this being the 4th consecutive quarter with +2% RoA. The bank clocked a RoE of 14.6% in 2QFY24 with Tier 1 at 20.6%.

Strong deposit growth driven by retail term deposits

AUM grew 37% YoY and 6% QoQ while net loans grew 32% YoY and 4% QoQ, led by 29% YoY growth in disbursements. Disbursements were strong across the board on YoY & QoQ basis except for MFI. Deposits witnessed strong growth of 11% QoQ and 42% YoY led by strong growth in retail term deposits (61% of overall TDs) at 31% QoQ and 80% YoY-with the blended cost of term deposits at 7.9% (peak term deposit rate offered was 9%). With a majority of the old deposits at lower rates being replaced at higher rates, management expects further increase in interest costs but the pace of increase is likely to moderate over the next two quarters. SA declined 3% QoQ with the blended cost of saving deposits at 6.17%. CASA ratio declined further to 33.6% vs. 38.4%. CASA as a % of total deposits and borrowings is now at 28.8% vs. 32.2% QoQ.

Slippages higher QoQ driven by weak vehicle finance

GNPL & NNPL declined 48/ 21 bps QoQ to 2.1%/ 0.9%. Excluding the INR 1.2 bn recovery component from the sale of ARC of INR 1.6 bn, GNPL would have been flat. The bank made additional provisions of INR 0.28 bn maintaining PCR at 57.7% (the bank aspires to reach 70% in 2 years). GNPA within vehicle finance & MFI increased sequentially to 2.4% & 2.2% vs. 2.3% & 2.5%. Slippages increased to INR 2.6 bn (4.7% of last year's opening loans) driven by vehicle finance. Net slippage ratio (ex-ARC sale) increased to 1.7% (vs. 1.5% in 1QFY24).

Investment Summary

Equitas SFB is one of the few small finance banks that has a diversified product offering and should continue to benefit from cyclical recoveries in some of the segments it operates, in the form of better growth rates and low credit costs. However, the strength of liability franchise (ex-interest rates), cost growth, and credit quality needs to be monitored. We expect RoA of 2%-1.9% and RoE of 15%. We increase our TP to INR 105 from INR 90 partially due to better earnings expectations and on account of roll forward to 1HFY26 valuing the company at 1.7x PBV (1.6x earlier).

Quarterly Earnings

Profit and Loss (INR mn)	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	2QFY24E	Deviation (%)	1HFY24	1HFY23	YoY %
Net Interest Income	7,656	6,097	25.6	7,431	3.0	7,557	1.3	15,087	11,903	26.8
Other Income	1,814	1,450	25.1	1,714	5.8	1,850	-2.0	3,527	2,782	26.8
Fee income	1,430	1,080	32.4	1,210	18.2	1,650	-13.3	2,640	2,010	31.3
Core Income	9,086	7,177	26.6	8,641	5.1	9,207	-1.3	17,727	13,913	27.4
Other non core Income	384	370	3.6	504	-23.8	200	91.9	887	772	14.9
Operating Expenses	6,168	5,124	20.4	6,024	2.4	6,298	-2.1	12,191	9,580	27.3
Employee	3,315	2,751	20.5	3,280	1.1	3,444	-3.7	6,595	5,008	31.7
Others	2,853	2,373	20.2	2,744	3.9	2,854	-0.1	5,597	4,573	22.4
Core Operating Profits	2,918	2,053	42.1	2,618	11.5	2,910	0.3	5,536	4,333	27.8
Operating Profits	3,302	2,423	36.3	3,121	5.8	3,110	6.2	6,423	5,105	25.8
Provisions	632	901	-29.9	601	5.2	566	11.7	1,233	2,317	-46.8
PBT	2,670	1,522	75.4	2,521	5.9	2,544	4.9	5,191	2,788	86.2
Taxes	689	358	92.3	609	13.1	641	7.4	1,297	654	98.4
PAT	1,982	1,164	70.2	1,912	3.6	1,903	4.1	3,894	2,134	82.4

Source: Company, Antique

We increase our FY24/ 25 earnings estimate

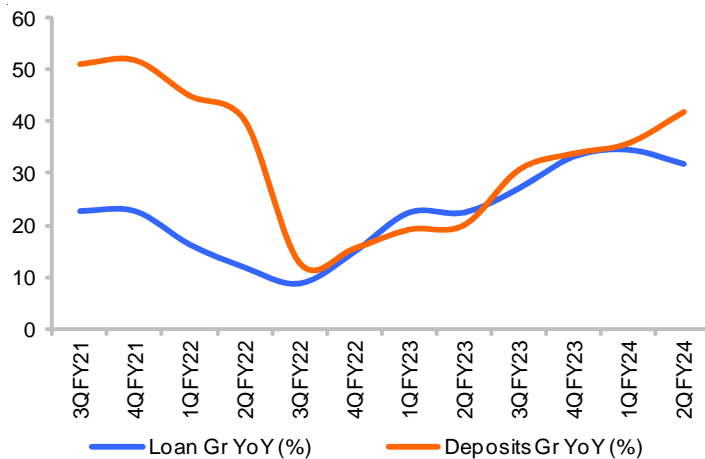
INR bn	Old Est.		New Est.		% Change	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Interest Income	31.6	38.1	31.4	37.3	-1	-2
Other Income	7.6	9.1	7.6	9.1	0	0
Total Income	39.2	47.2	39.0	46.4	-1	-2
Operating Expenses	25.8	30.5	25.3	29.7	-2	-3
Operating Profits	13.4	16.7	13.7	16.7	2	0
Provisions	3.0	5.0	2.7	4.3	-10	-14
PBT	10.4	11.6	10.9	12.3	5	6
Tax	2.6	3.0	2.8	3.1	5	6
PAT	7.7	8.7	8.2	9.2	5	6

Source: Company, Antique

Conference Call Highlights

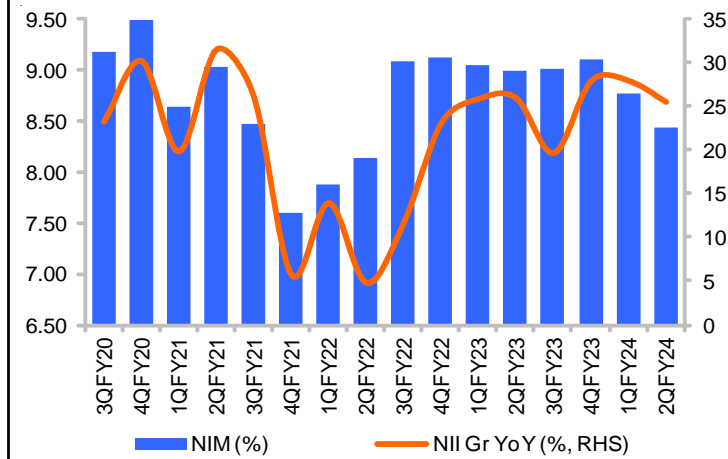
- Strong activity being witnessed across sectors with all lead indicators showing healthy growth.
- Credit momentum to continue for the remaining year as well and would end the year at 25%-30% advance growth.
- Pace of Cost of funds increase to moderate in 2H. Management believes CoF to rise to 7.5% by year-end.
- NIM drop is also expected to moderate in the 2nd half of the year.
- The bank stands to benefit if interest rates continue to remain steady as 85% of the loans are on a fixed rate basis.
- Fee income is expected to increase in 2H with higher disbursement activity.
- Credit cycle to remain benign for the rest of the year. Aiming for 70% PCR in the next two years.
- Sale to ARC amounted to INR 1.62 bn, within which INR 1.18 bn is coming in from recoveries and INR 0.44 bn from write-offs.
- Cost to income ratio may improve gradually in the 2nd half as income builds up. However, it would hover around 63%-64% levels for the next two years.
- Management continues to focus on CASA mobilization despite continuous decline.
- CET1 remains strong at +20%. Not included PAT for 1H in CET1 calculation as per RBI guidelines.

Deposit growth outpaces loan growth



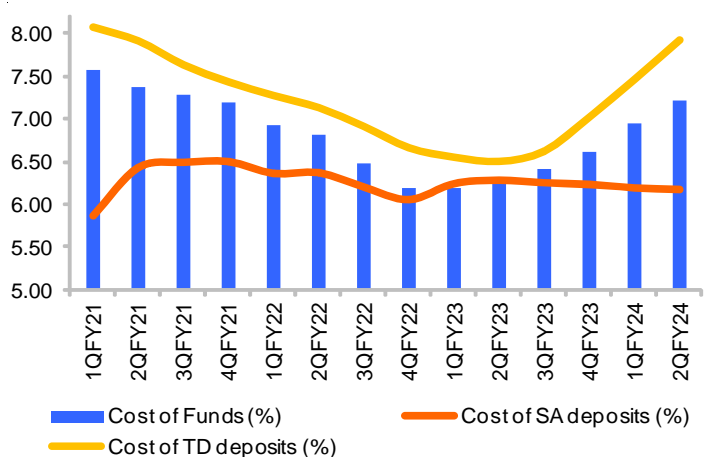
Source: Company, Antique

NIM compression continues for the 2nd consecutive quarter



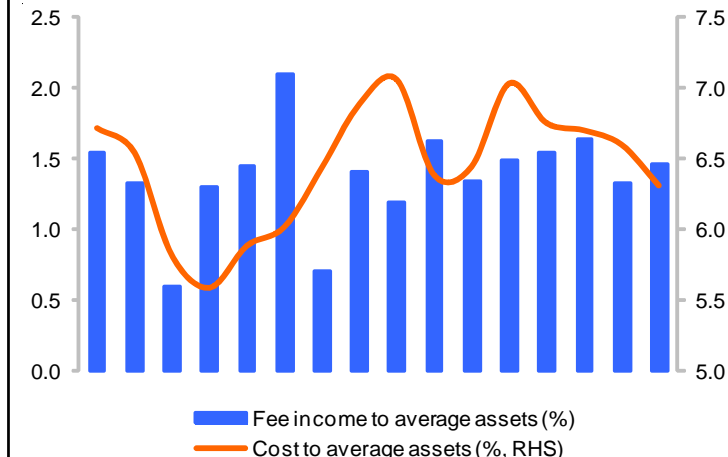
Source: Company, Antique

Cost of funds increase led by term deposits



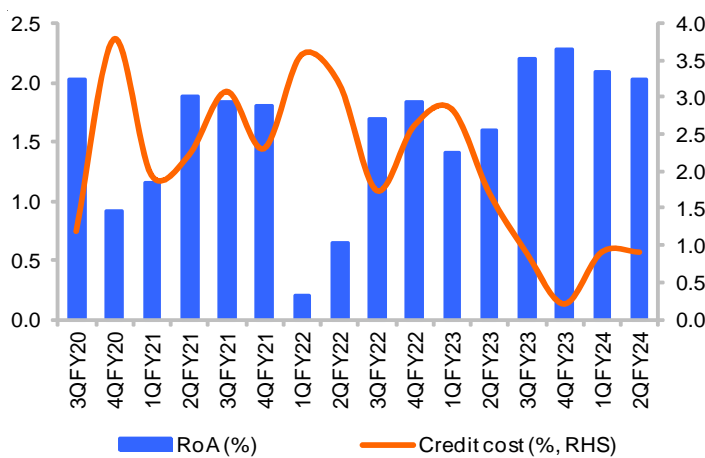
Source: Company, Antique

Cost to average assets decline



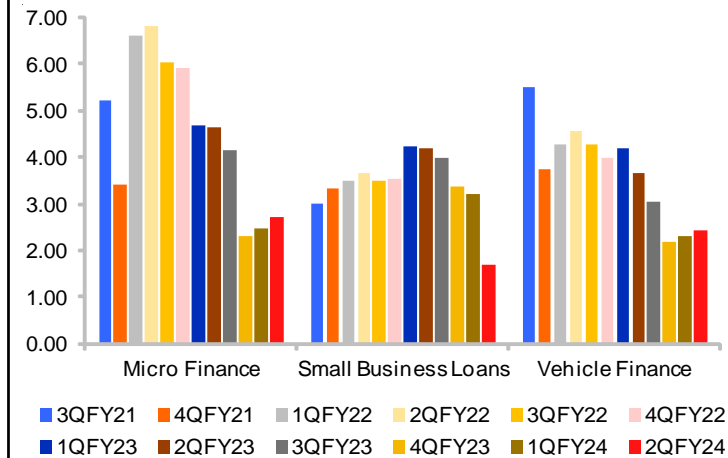
Source: Company, Antique

RoA continues to stay above 2%



Source: Company, Antique

MFI & vehicle finance GNPA inch up



Source: Company, Antique

DuPont Analysis: RoA is expected to be in the range of 2%-1.8% over FY24-26E

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Interest Income	7.6	7.9	8.5	8.2	7.9	8.2	7.8	7.3	7.3
Core Fee and Secu. Inc	2.2	1.9	1.6	1.7	1.9	2.1	1.4	1.4	1.3
Core Income	9.9	9.8	10.1	9.9	9.8	10.3	9.2	8.7	8.7
Operating Expenses	7.8	6.9	6.7	6.0	6.6	6.6	6.3	5.8	5.5
Employee cost	4.6	3.8	4.0	3.6	3.5	3.5	3.4	3.1	3.0
Other expenses	3.2	3.1	2.7	2.4	3.1	3.0	2.9	2.7	2.5
Core Operating Profit	2.0	2.9	3.4	3.8	3.2	3.7	2.9	2.9	3.1
Non-Interest income	2.1	1.9	1.6	1.9	2.1	2.2	1.9	1.8	1.7
Trading and others	-0.1	0.0	0.0	0.2	0.2	0.1	0.5	0.4	0.3
Operating Profit	2.0	2.9	3.4	4.0	3.4	3.8	3.4	3.3	3.5
Provisions	1.5	0.7	1.4	1.7	1.9	1.3	0.7	0.8	1.0
NPA	1.5	0.6	0.8	2.0	1.3	0.9	0.6	0.8	0.9
Others	0.0	0.1	0.7	-0.3	0.6	0.4	0.0	0.1	0.1
PBT	0.4	2.2	2.0	2.3	1.5	2.5	2.7	2.4	2.5
Tax	0.1	0.8	0.6	0.6	0.4	0.6	0.7	0.6	0.6
Tax Rate (%)	34.4	35.0	30.6	24.8	25.8	25.4	25.5	25.5	25.4
RoA	0.3	1.4	1.4	1.7	1.1	1.85	2.03	1.80	1.86
Leverage (x)	5.6	6.8	7.0	7.2	6.8	6.6	7.3	8.3	9.2
RoE	1.6	9.8	9.7	12.5	7.3	12.2	14.9	15.0	17.2

Source: Company, Antique

Quarterly DuPont Analysis: RoA at +2% for the 4 consecutive quarters

DuPont	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Interest Income	13.2	13.3	14.1	13.7	13.6	13.8	13.8	13.8	13.7	13.9
On loans	11.9	12.1	12.8	12.4	12.4	12.4	12.4	12.5	12.5	12.5
On Investments	0.9	0.9	1.0	1.0	0.9	1.0	1.0	1.2	1.2	1.3
On others	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.1	0.0	0.1
Interest expense	5.8	5.7	5.6	5.3	5.2	5.4	5.4	5.4	5.6	6.1
NII	7.4	7.6	8.5	8.5	8.4	8.4	8.4	8.5	8.1	7.8
Fees	0.7	1.4	1.2	1.6	1.3	1.5	1.5	1.6	1.3	1.5
Core revenue	8.1	9.0	9.7	10.1	9.7	9.8	9.9	10.1	9.5	9.3
Operating expenses	6.4	6.9	7.1	6.4	6.4	7.0	6.8	6.7	6.6	6.3
Employee	3.6	3.6	3.8	3.2	3.3	3.8	3.8	3.6	3.6	3.4
Other operating expenses	2.9	3.3	3.3	3.2	3.2	3.3	3.0	3.1	3.0	2.9
Core PPP	1.7	2.1	2.6	3.7	3.3	2.8	3.2	3.4	2.9	3.0
Non-core income	1.7	2.3	2.1	2.3	1.9	2.0	2.0	2.9	1.9	1.9
Ex-fees	1.0	0.9	0.9	0.6	0.6	0.5	0.4	1.2	0.6	0.4
PPP	2.6	3.1	3.5	4.3	3.9	3.3	3.6	4.6	3.4	3.4
Provisions	2.4	2.2	1.2	1.9	2.0	1.2	0.6	1.5	0.7	0.6
PBT	0.2	0.9	2.3	2.5	1.8	2.1	3.0	3.1	2.8	2.7
Tax	0.0	0.2	0.6	0.6	0.4	0.5	0.8	0.8	0.7	0.7
Tax rate (%)	16.3	27.5	26.1	25.6	23.4	23.5	25.8	27.1	24.1	25.8
ROA	0.2	0.6	1.7	1.8	1.4	1.6	2.2	2.3	2.1	2.0
Leverage (x)	7.3	7.4	7.2	6.7	6.4	6.6	6.8	6.8	6.9	7.2
ROE	1.4	4.8	12.3	12.2	9.0	10.6	14.9	15.5	14.5	14.6

Source: Company, Antique

Quarterly Performance Snapshot

Profit and Loss (INR mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Interest Income	8,436	9,009	8,958	9,404	10,024	10,634	11,557	12,540	13,590	8	36
Interest Expenses	3,597	3,601	3,434	3,598	3,927	4,159	4,488	5,108	5,934	16	51
Net Interest Income	4,838	5,408	5,525	5,806	6,097	6,475	7,070	7,431	7,656	3	26
Other Income	1,478	1,341	1,481	1,332	1,450	1,526	2,387	1,714	1,814	6	25
Total Income	6,316	6,749	7,006	7,138	7,547	8,001	9,457	9,145	9,470	4	25
Operating Expenses	4,370	4,502	4,167	4,456	5,124	5,210	5,593	6,024	6,168	2	20
Employee	2,275	2,404	2,086	2,257	2,751	2,920	3,039	3,280	3,315	1	21
Others	2,095	2,098	2,081	2,200	2,373	2,290	2,553	2,744	2,853	4	20
Operating Profits	1,946	2,247	2,839	2,682	2,423	2,791	3,864	3,121	3,302	6	36
Provisions	1,378	784	1,232	1,416	901	499	1,256	601	632	5	-30
PBT	568	1,463	1,607	1,266	1,522	2,292	2,608	2,521	2,670	6	75
Taxes	156	382	412	296	358	591	707	609	689	13	92
PAT	412	1,081	1,195	970	1,164	1,701	1,900	1,912	1,982	4	70
Asset Quality											
GNPA	8,808	8,638	8,372	8,560	8,703	8,614	7,240	7,702	6,605	-14	-24
NNPA	4,396	4,594	4,795	4,412	4,309	4,234	3,120	3,251	2,793	-14	-35
GNPA (%)	4.6	4.4	4.1	4.0	3.8	3.5	2.6	2.6	2.1		
NNPA (%)	2.4	2.4	2.4	2.1	1.9	1.7	1.1	1.1	0.9		
PCR (Calculated, %)	50.1	46.8	42.7	48.5	50.5	50.8	56.9	57.8	57.7		
Slippage Ratio (%)	8.5	6.3	9.7	7.1	7.0	6.3	3.9	4.2	4.7		
Ratios (%)											
Yield on loans	17.8	18.1	17.2	17.2	17.1	17.0	17.1	17.1	17.4		
Cost of funds	6.8	6.5	6.2	6.2	6.3	6.4	6.6	6.9	7.2		
NIM	8.1	9.1	9.1	9.1	9.0	9.0	9.1	8.8	8.4		
RoA	0.6	1.7	1.8	1.4	1.6	2.2	2.3	2.1	2.0		
RoE	4.8	12.3	12.2	9.0	10.6	14.9	15.5	14.5	14.6		

Source: Company, Antique

Quarterly Performance Snapshot continue...

Balance Sheet (INR mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Loans	1,78,370	1,83,150	1,93,740	2,04,790	2,18,400	2,32,770	2,57,986	2,75,260	2,87,679	5	32
Deposits	1,80,940	1,78,840	1,89,510	2,03,860	2,17,260	2,33,930	2,53,806	2,77,090	3,08,395	11	42
CASA Deposits	82,000	90,850	98,550	1,05,480	1,04,560	1,08,170	1,07,320	1,06,420	1,03,490	-3	-1
TD	98,940	87,990	90,950	97,650	1,12,700	1,25,760	1,46,490	1,70,670	2,04,900	20	82
- Retail TD	67,670	70,000	70,930	70,840	76,650	82,700	89,359	1,05,815	1,38,339	31	80
- Bulk TD	31,270	17,990	20,020	26,810	36,050	43,060	57,131	64,855	66,561	3	85
CASA (%)	45.3	50.8	52.0	51.7	48.1	46.2	42.3	38.4	33.6		
Total Assets	2,57,480	2,52,610	2,69,520	2,83,680	2,99,240	3,18,050	3,49,581	3,80,420	4,01,294	5	34

Disbursements										QoQ (%)	YoY (%)
Total Disbursements	31,450	28,610	32,780	32,380	38,450	47,970	59,170	47,570	49,610	4	29
Micro finance	9,380	10,100	9,720	9,390	9,710	13,400	16,760	14,640	14,060	-4	45
Small Business	9,510	7,280	9,400	9,780	10,960	12,600	14,640	13,610	14,940	10	36
Housing finance	2,030	1,770	2,670	2,660	3,880	4,270	5,570	4,380	5,000	14	29
Vehicle finance	7,820	7,780	9,390	8,890	10,980	13,340	15,910	11,680	13,410	15	22
MSE (WC loan)	980	540	720	730	770	920	880	910	1,020	12	32
NBFC	1,360	500	280	300	1,350	2,610	4,250	1,350	250	-81	-81
Others	370	640	600	630	800	830	1,160	1,000	930	-7	16

AUM Break-up											
Total AUM	1,78,030	1,96,870	2,05,970	2,16,880	2,27,790	2,49,150	2,78,610	2,96,010	3,12,290	5	37
Micro finance	34,380	36,950	39,070	40,070	41,440	46,000	52,250	56,260	58,780	4	42
Small Business	74,210	76,090	78,810	82,340	87,250	93,120	1,00,830	1,07,870	1,15,500	7	32
Housing finance	11,750	13,100	16,410	18,210	21,210	24,630	28,730	32,060	35,820	12	69
Vehicle finance	46,700	48,450	50,470	52,790	56,410	62,030	69,710	73,420	77,770	6	38
MSE (WC loan)	11,700	11,940	11,640	11,220	11,570	11,720	11,750	10,930	10,380	-5	-10
NBFC	9,080	8,170	7,580	6,920	7,090	8,720	11,840	11,780	10,420	-12	47
Others	1,960	2,170	1,990	5,330	2,820	2,930	3,500	3,690	3,620	-2	28

AUM Break-up (%)											
Micro finance	19.3	18.8	19.0	18.5	18.2	18.5	18.8	19.0	18.8		
Small Business	41.7	38.6	38.3	38.0	38.3	37.4	36.2	36.4	37.0		
Housing finance	6.6	6.7	8.0	8.4	9.3	9.9	10.3	10.8	11.5		
Vehicle finance	26.2	24.6	24.5	24.3	24.8	24.9	25.0	24.8	24.9		
MSE (WC loan)	6.6	6.1	5.7	5.2	5.1	4.7	4.2	3.7	3.3		
NBFC	5.1	4.1	3.7	3.2	3.1	3.5	4.2	4.0	3.3		
Others	1.1	1.1	1.0	2.5	1.2	1.2	1.3	1.2	1.2		

Franchise											
Branches	861	860	869	876	887	901	922	927	956		
Employees	17,441	17,509	17,607	17,936	18,962	20,005	20,563	20,996	21,862		

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Income	34,597	41,619	56,411	69,362	84,826
Interest Expense	14,211	16,172	25,025	32,107	37,844
Net Interest Income	20,385	25,447	31,386	37,255	46,981
% NII Growth	13.4	24.8	23.3	18.7	26.1
Fee Income	4,949	6,396	5,693	7,117	8,576
Non-interest income	5,376	6,696	7,593	9,117	10,776
Net Revenue	25,761	32,143	38,980	46,372	57,757
Employees Expenses	8,982	10,967	13,527	16,059	19,425
Other Op. Expenses	8,059	9,416	11,770	13,654	16,111
Operating Profit	8,719	11,760	13,682	16,659	22,221
% OP Growth	-1.7	34.9	16.3	21.8	33.4
Tax	974	1,952	2,790	3,148	4,067
Total Provisions	4,938	4,072	2,741	4,313	6,208
Net Profit	2,807	5,736	8,151	9,198	11,946

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Capital	12,520	11,106	11,217	11,217	11,217
Reserves and Surplus	29,941	40,474	46,726	53,781	62,943
Deposits	189,508	253,806	342,638	438,576	561,377
Borrowings	26,164	29,738	37,172	44,606	53,528
Other Liabilities & Provisions	11,343	14,459	17,350	20,820	24,985
Total liabilities	269,476	349,581	455,103	569,001	714,050
Cash & Balances with RBI	20,770	11,739	23,141	30,250	35,271
Bal. with banks/ call money	555	703	3,798	4,832	12,298
Investment	44,498	66,646	89,972	112,464	140,581
Loans and advances	193,742	257,986	322,482	403,102	503,878
Fixed Assets	2,004	3,791	5,687	6,824	8,189
Other Assets	7,906	8,716	10,024	11,527	13,833
Total assets	269,476	349,581	455,103	569,001	714,050

Asset Quality

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross NPA (INR mn)	8,372	7,240	9,322	10,293	12,763
Gross NPA (%)	4.24	2.76	2.84	2.52	2.50
Net NPA (INR mn)	4,795	3,120	3,920	5,008	6,950
Net NPA (%)	2.47	1.21	1.22	1.24	1.38
% coverage of NPA	42.7	57.6	57.9	51.3	45.5
Delinquencies (%)	8.2	5.6	4.8	4.3	4.3

Source: Company, Antique

Capital Adequacy Ratio

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RWA (INR mn)	210,191	272,673	354,980	426,751	556,959
Tier I (%)	20.2	22.1	23.5	21.2	17.9
Tier II (%)	1.4	1.7	1.7	1.4	1.1
Total CAR (%)	25.2	23.8	25.2	22.6	19.0

Business Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Credit / Deposit (%)	102.2	101.6	94.1	91.9	89.8
Investment / Deposit (%)	23.5	26.3	26.3	25.6	25.0
CASA (%)	52.0	42.3	33.0	34.0	35.0
RoaA (%)	1.1	1.9	2.0	1.8	1.9
Core RoE (%)	7.3	12.2	14.9	15.0	17.2
Dividend Yield (%)	-	1.0	1.5	1.6	2.1

Key assumptions

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Deposits					
Deposit growth (%)	15.6	33.9	35.0	28.0	28.0
Cost of deposits (%)	6.4	6.1	7.4	7.4	6.8
Advances					
Advances growth (%)	15.0	33.2	25.0	25.0	25.0
Yield on advances (%)	17.3	16.7	17.5	17.2	16.8
Investments					
Investments growth (%)	20.1	49.8	35.0	25.0	25.0
Yield on investments (%)	6.0	5.7	6.5	6.3	6.2

Earnings Ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Inc. / Avg. assets (%)	13.4	13.4	14.0	13.5	13.2
Interest Exp./ Avg. assets (%)	5.5	5.2	6.2	6.3	5.9
NIM (%)	8.6	9.0	8.5	8.0	8.0
Int. exp/ Int earned (%)	41.1	38.9	44.4	46.3	44.6
Oth. Inc./ Tot. Inc. (%)	20.9	20.8	19.5	19.7	18.7
Staff exp/Total opt. exp (%)	52.7	53.8	53.5	54.0	54.7
Cost/ Income Ratio (%)	66.2	63.4	64.9	64.1	61.5
Prov./ Operating Profit (%)	56.6	34.6	20.0	25.9	27.9
Loan loss prov./Avg. loans (bps)	1.9	1.3	0.9	1.1	1.3

Per Share Data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Book value per share (INR)	34	46	52	58	66
Adj. BVPS (INR)	31	45	49	55	62
Price/ Adj. Book value	3.2	2.3	2.0	1.8	1.6
EPS (INR)	2	5	7	8	11
P/E Ratio	45.0	19.6	13.9	12.3	9.5
DPS	-	1.0	1.5	1.6	2.1

Source: Company Antique

CMP	: INR 26
Reco	: HOLD ↔
Target Price	: INR 25 ↑
Target Price Change	: 19%
Target 1HFY26 P/BV (x)	: 0.6
EPS Change FY24/ 25	: 8%/ 1%

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Market data	
Sensex	: 65,398
Sector	: BANKS
Market Cap (INR bn)	: 54.4
Market Cap (USD bn)	: 0.655
O/S Shares (mn)	: 2,092.7
52-wk HI/LO (INR)	: 28/10
Avg. Daily Vol ('000)	: 33,019
Bloomberg	: SIB IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	4.4	4.4	5.4
BPVS (INR)	34.1	38.0	42.8
P/E (x)	6.0	5.9	4.8
P/BV (x)	0.8	0.7	0.6
NIMs	3.2	3.1	3.1

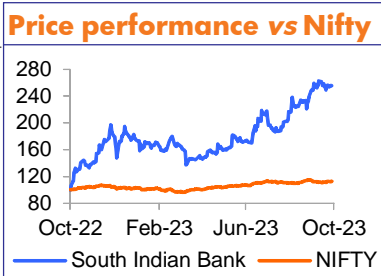
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	19	68	148
Relative	3	23	53	124

Source: Company, Antique

Shareholding pattern	
Promoters	: 0%
Public	: 100%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

2QFY24 RESULT REVIEW

South Indian Bank

Core profitability was impacted by higher costs

South Indian Bank (SIB) reported PAT growth of 23% YoY at INR 2.7 bn, higher than our estimate of INR 2.2 bn (RoA of 1%) as (1) Provisions were lower at INR 0.5 bn as against our expectation of INR 1.2 bn and 2) Other income being high at INR 3.6 bn as against the expectation of INR 2.7 bn led by strong fees and healthy treasury income. Reported NII increased by 14% YoY/ 3% QoQ led by a lower than expected decline in NIM (-3 bps QoQ). As highlighted by management, 2/3rd of the deposits are expected to re-price over the next two quarters, which may keep deposit costs high and could thus impact NIM negatively. Fee income growth was strong at 14% QoQ despite which core PPP declined 12% YoY (15% below expectation) as opex was high at 7% QoQ on account of staff cost increase of 3% QoQ and other cost increase of 12% QoQ. Loan growth was soft at 1% QoQ/ 10% YoY and slippage ratio improved from 3% to 1.9% QoQ. CET I stood at 13%. We increase our FY24/ 25 earnings by 8%/ 1% respectively and introduce FY26 estimates. Maintain HOLD with a revised TP of INR 25 based on 1HFY26 PBV of 0.6x, and expect RoA of 0.7%–0.8% and RoE of 12%–14% in FY26E.

Core profitability was impacted by high costs: NII grew 14% YoY/ 3% QoQ, 4% higher than the estimate, as NIM decline was lower than the expectation at 3 bps QoQ. Yield during the quarter increased by 14 bps which has offset the impact of the 16 bps cost of funds increase. Management stated that 2/3rd of the deposit book is yet to re-price over the next two quarters and drive the cost of funds higher. Fees grew 21% YoY but opex growth was higher than the estimate at 31% YoY, within which employee costs grew 27% YoY. This led to core PPP decline by 12% YoY (15% lower than the estimate). Provisions reduced 74% QoQ. PAT grew 23% YoY and RoA came in at 1% (0.7% in 1QFY24).

Slippage ratio declined sequentially with NIL corporate slippages: The bank reported slippages of INR 3.2 bn (annualized slippage ratio of 1.9% vs. 3.1% in 1QFY24). This was led by NII slippages in the corporate segment and SME slippages declined from 5.8% to 4.2% QoQ. GNPL/ NNPL ratios declined from 5.1%/ 1.9% in 1QFY24 to 5%/ 1.7% respectively in 2QFY24. The bank had taken a provision of INR 380 mn in 1QFY24 on the card portfolio, which has reversed during this quarter, leading to a decline in provision of 74% YoY. Credit cost for the quarter stood at 0.4% as compared to 1.4% QoQ. Restructured loans declined a further 11% QoQ and stood at 1.6% of loans. Total stressed loans including (NNPA + restructured loans + SR) declined from 3.9% to 3.5% QoQ. CET 1 ratio was at 13.2%.

Loan growth was soft due to a marginal QoQ decline in SME and corporate loans: Gross loans grew 1% QoQ (10% YoY) driven by the retail segment (2% QoQ) and SME & corporate portfolio's growth of -0.3% QoQ (10% YoY). Retail book growth was led by the unsecured segment (PL + CC grew 13% QoQ) and housing book growth of 2% QoQ. Gold loans increased 4% QoQ/ 16% YoY led by agri gold book growth of 5% QoQ. Deposit growth was at 2% QoQ/ 10% YoY led by TD growth of 14% YoY/ 3% QoQ, while CASA remained impacted and the CASA ratio stood at 32% (vs. 33% in 1QFY24).

Investment Summary

SIB's overall performance was decent and though the core performance has improved as compared to the past, bottom-line volatility remains high. We need to keep watch on the new MD's strategy and execution over the near term. We maintain HOLD rating on the stock with a revised TP of INR 25, based on 0.6x 1HFY26 PBV.

Quarterly Earnings

Profit and Loss (INR mn)	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	2QFY24E	Deviation (%)	1HFY24	1HFY23	YoY %
Net Interest Income	8,306	7,264	14.3	8,078	2.8	8,002	3.8	16,384	13,298	23.2
Other Income	3,558	2,551	39.5	3,613	-1.5	2,700	31.8	7,171	5,014	43.0
Reported Fee income	1,708	1,420	20.3	1,500	13.8	1,600	6.7	3,208	2,700	18.8
Core Income	10,014	8,684	15.3	9,578	4.6	9,602	4.3	19,591	15,998	22.5
Other non-core Income	1,850	1,131	63.6	2,113	-12.5	1,100	68.2	3,963	2,314	71.2
Operating Expenses	7,259	5,558	30.6	6,788	6.9	6,360	14.1	14,048	10,887	29.0
Employee	4,176	3,282	27.2	4,030	3.6	3,546	17.8	8,206	6,355	29.1
Others	3,083	2,275	35.5	2,759	11.7	2,814	9.6	5,842	4,532	28.9
Core Operating Profits	2,754	3,126	-11.9	2,789	-1.3	3,242	-15.0	5,544	5,111	8.5
Operating Profits	4,604	4,257	8.2	4,902	-6.1	4,342	6.1	9,507	7,425	28.0
Provisions	513	1,793	-71.4	1,985	-74.2	1,223	-58.1	2,498	3,187	-21.6
PBT	4,092	2,464	66.0	2,917	40.3	3,119	31.2	7,009	4,238	65.4
Taxes	1,344	233	476.0	894	50.3	936	43.6	2,238	854	162.1
PAT	2,748	2,231	23.2	2,024	35.8	2,183	25.9	4,772	3,385	41.0

Source: Company, Antique

We revise our FY24/ 25 earnings estimate downwards by 8%/ 1% respectively

INR bn	Old		New		Change %	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Interest Income	32.8	36.3	33.0	36.1	0.8	-0.5
Other Income	12.0	12.4	13.6	14.2	12.9	14.0
Total Income	44.8	48.7	46.6	50.3	4.1	3.2
Operating Expenses	26.7	30.1	28.8	32.0	7.8	6.3
Operating Profits	18.1	18.6	17.8	18.3	-1.4	-1.8
Provisions	6.0	6.4	4.6	6.0	-23.9	-6.6
PBT	12.1	12.2	13.2	12.3	9.7	0.7
Tax	3.6	3.1	4.1	3.1	13.4	0.7
PAT	8.5	9.1	9.1	9.2	8.1	0.7

Source: Company, Antique

Quarterly performance snapshot

Profit and Loss (INR mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Net Interest Income	5,272	5,729	5,977	6,034	7,264	8,252	8,572	8,078	8,306	3	14
Other Income	1,572	2,220	2,040	2,463	2,551	-342	3,454	3,613	3,558	-2	39
Total Income	6,843	7,949	8,017	8,497	9,815	7,910	12,026	11,691	11,864	1	21
Operating Expenses	5,147	5,149	5,138	5,329	5,558	5,877	6,410	6,788	7,259	7	31
Operating Profits	1,696	2,800	2,879	3,168	4,257	2,032	5,616	4,902	4,604	-6	8
Provisions	4,196	3,464	777	1,394	1,793	414	390	1,985	513	-74	-71
NPA provisions	2,690	2,790	1,180	1,810	1,660	620	780	2,470	700	-72	-58
PBT	-2,500	-664	2,102	1,774	2,464	1,618	5,226	2,917	4,092	40	66
Taxes	-629	-161	-618	621	233	591	1,887	894	1,344	50	476
PAT	-1,871	-503	2,720	1,154	2,231	1,028	3,339	2,024	2,748	36	23
Asset Quality											
GNPA	38,796	38,830	36,481	37,986	38,561	38,436	37,083	38,039	37,139	-2	-4
NNPA	21,785	20,188	17,778	18,005	16,471	15,299	12,936	13,257	12,340	-7	-25
GNPA (%)	6.7	6.6	5.9	5.9	5.7	5.5	5.1	5.1	5.0		
NNPA (%)	3.9	3.5	3.0	2.9	2.5	2.3	1.9	1.9	1.7		
PCR (Calculated, %)	44	48	51	53	57	60	65	65	67		
Slippages	5,350	3,960	3,450	4,540	3,700	3,310	3,580	4,870	3,150	-35	-15
Slippage Ratio (%)	3.4	2.6	2.4	3.2	2.6	2.3	2.4	3.1	1.9		
Credit Cost (%)	1.9	2.0	0.8	1.2	1.0	0.4	0.5	1.4	0.4		
Restructured Loans	23,100	25,670	24,170	21,980	19,970	17,810	15,160	12,970	11,590	-11	-42
% of Loans	4.08	4.47	4.03	3.50	3.03	2.62	2.17	1.81	1.60		
Ratios (%)											
Non Int. to Total Income	23.0	27.9	25.4	29.0	26.0	-4.3	28.7	30.9	30.0		
Cost to Core Income	64.4	68.6	60.2	63.0	58.1	54.5	51.2	62.2	63.2		
Tax Rate	25.2	24.3	-29.4	35.0	9.5	36.5	36.1	30.6	32.8		
Loan/Deposit	67.1	67.0	69.4	73.4	76.9	77.5	78.8	77.7	77.3		
CAR	15.7	15.7	15.9	16.3	16.0	16.3	17.3	16.5	16.7		
Tier I	12.8	12.7	13.2	13.6	13.4	13.7	14.7	14.0	14.2		
Ratios - reported (%)											
Yield on advances	8.8	8.8	8.6	8.1	8.5	8.8	9.3	9.2	9.3		
Cost of Deposits	4.8	4.7	4.5	4.4	4.2	4.3	4.6	4.9	5.0		
Cost of Funds	4.8	4.7	4.5	4.4	4.2	4.3	4.6	4.9	5.0		
NIMs	2.5	2.6	2.8	2.7	3.2	3.5	3.7	3.3	3.3		
Balance Sheet (INR bn)											
Gross Advances	583	592	619	648	680	702	722	742	751	1	10
Deposits	868	883	891	882	885	907	917	955	971	2	10
CASA Deposits	268	282	296	303	305	307	302	312	311	(0)	2
Franchise											
Branches	924	925	929	927	926	928	940	941	944		
ATMs	1,294	1,293	1,270	1,272	1,275	1,277	1,289	1,296	1,310		
Employees	8,487	9,077	9,232	9,553	9,608	9,733	9,677	9,894	9,962		

Source: Company, Antique

Quarterly performance snapshot continued

(INR bn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Balance Sheet											
Loans	567	574	600	628	658	679	698	717	726	1.2	10.3
Investments	221	201	214	224	251	229	246	259	259	(0.0)	3.3
Deposits	868	883	891	882	885	907	917	955	971	1.7	9.7
Borrowings	44	23	33	47	85	48	70	56	59	4.5	(30.9)
Total Assets	986	980	1,001	1,006	1,058	1,038	1,077	1,105	1,127	2.0	6.6
Deposits Break Up											
CASA Deposits	268	282	296	303	305	307	302	312	311	(0.2)	1.8
% of total Deposits	30.8	32.0	33.2	34.4	34.5	33.8	33.0	32.6	32.0		
Savings	224	236	247	255	255	253	252	260	260	(0.0)	1.8
% of total Deposits	25.8	26.7	27.8	28.9	28.9	27.9	27.5	27.2	26.8		
Current	44	47	49	49	50	53	50	52	51	(1.0)	1.7
% of total Deposits	5.0	5.3	5.5	5.5	5.7	5.9	5.4	5.4	5.3		
Term Deposits	601	601	595	579	579	600	614	643	660	2.6	13.9
% of total Deposits	69.2	68.0	66.8	65.6	65.5	66.2	67.0	67.4	68.0		
Loan book by Geography (%)											
Kerala	44.0	43.6	42.0	41.3	40.0	39.3	39.7	37.0	37.3		
South (ex-Kerala)	35.6	34.5	34.5	33.1	34.5	34.3	34.9	35.0	34.3		
Rest of India	20.4	21.8	23.4	25.7	25.5	26.3	25.4	28.0	28.4		

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Interest Income	65,865	72,332	86,640	99,217	1,12,046
Interest Expense	43,468	42,211	53,592	63,107	70,772
Net Interest Income	22,398	30,121	33,047	36,110	41,275
% NII Growth	(6.9)	34.5	9.7	9.3	14.3
Fee Income	9,679	11,771	11,486	12,269	13,547
Non-interest income	10,341	8,126	13,586	14,169	15,547
Net Revenue	32,739	38,247	46,633	50,279	56,822
Employees Expenses	11,979	13,004	16,515	18,166	19,983
Other Op. Expenses	8,284	10,170	12,311	13,816	15,312
Operating Profit	12,476	15,073	17,807	18,297	21,528
% OP Growth	-24.9	20.8	18.1	2.7	17.7
Tax	(1,370)	3,331	4,106	3,104	3,829
Total Provisions	13,396	3,991	4,562	5,980	6,332
Net Profit	450	7,751	9,140	9,213	11,366

Balance sheet (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Capital	2,093	2,093	2,093	2,093	2,093
Reserves and Surplus	56,451	64,654	72,729	80,869	90,911
Deposits	8,91,421	9,16,514	10,44,825	11,91,101	13,57,855
Borrowings	32,945	69,939	73,524	76,390	92,110
Other Liabilities & Provisions	17,614	23,783	25,460	28,074	30,966
Total liabilities	10,00,524	10,76,982	12,18,631	13,78,526	15,73,935
Cash & Balances with RBI	72,766	46,392	56,212	80,278	90,903
Bal. with banks/ call money	39,268	24,413	18,807	11,911	13,579
Investment	2,14,450	2,46,418	2,83,381	3,11,719	3,64,711
Loans and advances	5,99,934	6,98,044	7,95,771	9,07,179	10,34,184
Fixed Assets	8,111	8,779	8,879	9,079	9,279
Other Assets	65,995	52,935	55,582	58,361	61,279
Total assets	10,00,524	10,76,982	12,18,631	13,78,526	15,73,935

Asset Quality

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Gross NPA (INR mn)	36,481	37,083	38,861	43,061	48,439
Gross NPA (%)	5.90	5.13	4.72	4.59	4.53
Net NPA (INR mn)	17,778	12,936	11,659	12,325	13,879
Net NPA (%)	2.96	1.85	1.47	1.36	1.34
% coverage of NPA	51.3	65.1	70.0	71.4	71.3
Delinquencies (%)	3.7	2.5	2.0	2.0	2.0

Per Share Data

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Book value per share (INR)	26.5	30.2	34.1	38.0	42.8
Adj. BVPS (INR)	21.0	26.2	30.4	34.1	38.4
Price/ Book value	1.0	0.9	0.8	0.7	0.6
EPS(INR)	0.2	3.7	4.4	4.4	5.4
P/E Ratio	121.0	7.0	6.0	5.9	4.8
DPS	-	0.4	0.4	0.4	0.5

Source: Company, Antique

Capital Adequacy Ratio

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
RWA (INR mn)	4,57,436	4,62,248	5,60,570	6,61,693	7,86,967
Tier I (%)	13.2	14.7	13.6	12.8	12.0
Tier II (%)	2.6	2.5	2.1	1.8	1.5
Total CAR (%)	15.9	17.3	15.7	14.5	13.5

Business Ratios

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Credit / Deposit(%)	67.3	76.2	76.2	76.2	76.2
Investment / Deposit (%)	24.1	26.9	27.1	26.2	26.9
CASA (%)	33.2	33.0	31.1	30.6	30.0
RoA (%)	0.0	0.7	0.8	0.7	0.8
Core RoE (%)	0.8	13.1	13.6	12.2	13.5
Dividend Yield (%)	-	1.4	1.7	1.7	2.1

Key assumptions

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Deposits					
Deposit growth (%)	7.8	2.8	14.0	14.0	14.0
Cost of deposits (%)	4.7	4.3	5.1	5.3	5.2
Advances					
Advances growth (%)	3.3	16.4	14.0	14.0	14.0
Yield on advances (%)	8.6	8.8	9.3	9.3	9.2
Investments					
Investments growth (%)	5.5	14.9	15.0	10.0	17.0
Yield on investments (%)	5.0	5.6	5.8	6.0	6.1

Earnings Ratios

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Interest Inc. / Avg. assets (%)	6.8	7.0	7.5	7.6	7.6
Interest Exp./ Avg. assets (%)	4.5	4.1	4.7	4.9	4.8
NIM (%)	2.6	3.3	3.2	3.1	3.1
Int. exp/ Int earned (%)	66.0	58.4	61.9	63.6	63.2
Oth. Inc./ Tot. Inc. (%)	31.6	21.2	29.1	28.2	27.4
Staff exp/Total opt. exp (%)	59.1	56.1	57.3	56.8	56.6
Cost/ Income Ratio (%)	61.9	60.6	61.8	63.6	62.1
Total Prov./ Operating Profit (%)	107.4	26.5	25.6	32.7	29.4
Loan loss prov./Avg. loans (bps)	2.0	1.0	0.7	0.7	0.6

Source: Company Antique

CMP	: INR 608
Reco	: BUY ↔
Target Price	: INR 733 ↓
Target Price Change	: -10%
Target 1HFY26E (P/E)	: 24x
EPS Change FY24/25	: -16%/-11%

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Market data	
Sensex	: 65,398
Sector	: Industrials
Market Cap (INR bn)	: 39.2
Market Cap (USD bn)	: 0.472
O/S Shares (mn)	: 64.7
52-wk HI/LO (INR)	: 700/512
Avg. Daily Vol ('000)	: 143
Bloomberg	: KKPCIN

Source: Bloomberg

Valuation			
	FY24e	FY25e	FY26e
EPS (INR)	19.6	27.3	33.8
P/E (x)	31.0	22.3	18.0
P/BV (x)	6.8	5.8	0.0
EV/EBITDA (x)	18.9	13.6	10.5
Dividend Yield (%)	0.6	0.6	0.6

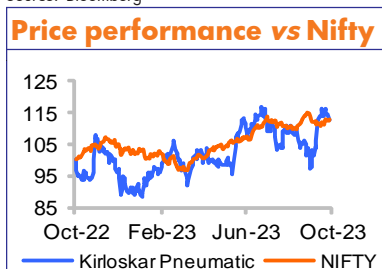
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	6	(6)	3	2
Relative	8	(3)	(6)	(7)

Source: Bloomberg

Shareholding pattern		
Promoters	:	39%
Public	:	61%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Kirloskar Pneumatic Company

Another soft quarter

Kirloskar Pneumatic (KKPC) reported lower than estimated operational performance in 2QFY24. The company registered a revenue decline of 5% YoY on account of lower exports and also a 230 bps contraction in EBITDA margin due to a one-time employee settlement expense of INR 40 mn and high CSR expense amounting to INR 12 mn during the quarter. The company has received orders worth ~INR 4.1 bn and witnessed a pick-up in the ordering of booster compressors leading to a record order book of INR 14.5 bn. Although INR 8.5 bn of this order book is executable only in 2HFY24, reluctance in accepting delivery by customers is hampering the company's revenue booking potential. We therefore cut our earnings estimate for FY24/25E by 16%/ 11% respectively.

We believe KKPC has multiple growth drivers: a) Market share gains in the screw and centrifugal compressor segment; b) Strong traction in the gas compressor segment, supported by CGD network development; c) Traction in export orders with the highest revenue booking of INR 1.77 bn in FY23, which can help the company deliver +19% revenue CAGR and achieve its INR 20 bn revenue target by FY26E. We maintain BUY rating with a revised TP of INR 733 valuing the company at 24x its 1HFY26E earnings.

2QFY24 result highlights

- Revenue at INR 2.82 bn (-5% YoY) stood below our estimate of INR 2.45 bn, impacted by lower export sales (INR 270 mn vs. INR 430 mn in 2QFY23; -51% YoY).
- Gross margin stood at 45.9% (+1.5 pps YoY), above our estimate of 44% supported by a shift in revenue mix from projects to products.
- EBITDA stood at INR 317 mn (-20% YoY), below our estimate of INR 475 mn. EBITDA was impacted by a one-time employee settlement cost of INR 40 mn and a CSR cost of INR 12 mn during the quarter-under the non-reportable segment.
- EBITDA margin stood at 11.2% (-230 bps YoY), below our estimate of 14% impacted by higher employee cost (%) at 15.7% vs. est. of 11.5%. Compression segment margin stood at 18.1% (+20 bps YoY).
- Other income stood at INR 42 mn vs. INR 44 mn in 2QFY23. (est. of INR 31 mn).
- Tax rate was 24.8% vs. 24.2% in 2QFY23.
- PAT stood at INR 202 mn (-26% YoY), below our estimate of INR 306 mn.
- Order book stood at INR 14.5 bn (+21% YoY). Order inflow stood at INR 4.1 bn (+52% YoY).

Investment Summary

KKPC is amongst the oldest players in the compressor market in India and will be a key beneficiary of the massive ordering that is about to take place on account of the CGD network layout where it enjoys a +50% market share. Incrementally, it has bridged the product portfolio gap by entering into the rotary screw compressor business, thus increasing its addressable market opportunity and generating a new revenue stream, which will contribute to scaling up its earnings in the medium to long term. Further, KKPC has a strong order backlog of INR 14.5 bn+, which it expects to complete over the next year. This makes us believe that it has the potential to deliver a 19% earnings CAGR over FY23-26E, which in turn leads to an improvement in its RoE ratio profile from 14% in FY22 to 19% in FY26E. We maintain BUY rating with a revised TP of INR 733 (24x its 1HFY26E EPS).

Conference Call Highlights

- **Outlook** - Since KKPC is vertically integrated, the geopolitical situation does not affect the supply chain or raw material issue of the company. Additionally, as export is not a significant part of its revenue currently, the company expects to perform well despite these issues due to buoyant demand from the domestic market driven by govt. capex. Finalization of contracts remains a concern in the domestic market as well.
- **Revenue** - Lower off-take in CNG compressor and decline in export revenue from INR 430 mn to INR 270 mn along with modest execution led to a decline in sales. However, domestic sales growth is expected to drive sales growth in FY24.
- The company is ready with two additional packages in Oct worth INR 600 mn; expect a strong performance in 2HFY24.
- **Revenue bifurcation:** Air - ~20%, refrigeration - 25%-30%, gas - 40%-45%.
- **Revenue bifurcation:** Project 50% and products 50%.
- **Revenue guidance** - Expect to achieve a double-digit growth in FY24. Maintains its guidance of achieving INR 20 bn revenue in two years.
- **Gross margin** - Change in revenue mix towards products led to higher margins and will be maintained at the same level.
- **EBITDA margin** - INR 40 mn employee settlement cost along with INR 12 mn CSR spend led to higher unallocable expense and lower margin.
- **Order book** - Strong ordering of INR 4.1 bn led to an all-time high order book of INR 14.5 bn. Although, INR 8.5 bn of orders are executable in FY24, acceptance of delivery by customers remains a concern. INR 6 bn worth of orders will be executed in FY25 from the current order book.
- **Order pipeline** - Export orders in discussion at INR 8 bn; domestic order pipeline greater than this.
- **Compression margin** - 18% will be achieved in FY24.
- **Air compressor business** continues to grow steadily with screw compressor sales catching up with the reciprocating compressor business supported by the new range of centrifugal compressors (the most efficient oil-free dry-air compressor in the market with lowest cost to market).
- **Refrigeration compressor business** - Sales from ammonia compressors to cold chains and ice plants continue to grow. Khione compressor scaling has been slow.
- Received significant orders for refrigeration packages from petrochemical and fertilizer plants, which will be executed in FY24.
- **Processed gas compressors** - There has been a delay in order finalization, which has affected margins. Clearances to install packages were an issue in the past but have witnessed traction Sept onwards. With the stabilization of LPG prices expect significant traction for booster compressors in 2HFY24. These package orders are placed by EPC players executing international projects.
- **Aria range of compressors** - Targeted for off-the-shelf use and can be used for various purposes. Demand is largely from MSMEs. These are for smart use and are cost competitive.
- **Khione compressor** - The company underestimated the resistance for scaling up of Khione, but has changed the strategy and expects it to pick up from 2HFY24. Market size of 300-500 compressors/year.

- **Turkey order** - The company has delivered the entire ammonia compressor order, however, it was a small project. The acceptance of the product was better than expected, however, due to the current market condition the company isn't pushing for additional ordering in the region. Will scale in the future.
- **CNG compressor packages** - Opportunity of 5,000 stations in the next seven years. Currently, seeing traction in booster compressors as these are in the North Eastern and J&K regions. These compressors have lower unit costs and are slightly lower in margin (low capex driven). Packages will take time as the infrastructure is yet to be in place, medium-term outlook is still very positive.
- The company expects to deliver 100+ booster compressors in FY24.
- **Capex** to date stood at INR 280 mn. The forging and fabrication facility in Nashik has been completed.
- **Road railer business** expected to start getting monetized from 3QFY24 and will help reduce unallocable expenses.
- **Sector outlook** - Tremendous growth is expected from the capital goods sector driven by the domestic market due to higher localization. Global conditions won't affect the growth trajectory and the sector is well poised for consistent double-digit growth.

Quarterly Highlights

Particulars (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Total revenues (net)	2,819	2,952	(4.5)	2,422	16.4	5,241	5,675	(7.6)
RM	1,526	1,641	(7.0)	1,239	23.2	2,765	3,238	(14.6)
% of Sales	54.1	55.6	-145 bps	51.2	298 bps	52.8	57.1	-429 bps
Staff cost	444	351	26.3	417	6.6	860	723	19.0
% of Sales	15.7	11.9	384 bps	17.2	-145 bps	16.4	12.7	367 bps
Other operating expenses	533	562	(5.2)	502	6.2	1,034	1,036	(0.1)
% of Sales	18.9	19.0	-15 bps	20.7	-182 bps	19.7	18.3	148 bps
Total expenditure	2,503	2,554	(2.0)	2,157	16.0	4,660	4,997	(6.7)
EBITDA	317	398	(20.4)	265	19.5	581	678	(14.3)
EBITDA Margin (%)	11.2	13.5	-224 bps	10.9	29 bps	11.1	12.0	-86 bps
Depreciation	90	83	8.2	87	3.0	177	165	7.4
Interest	0	-		0		0	-	
Other income	42	44	(5.9)	57	(27.7)	99	62	58.5
PBT	268	359	(25.2)	235	14.2	503	576	(12.6)
Tax	67	87	(23.3)	56	19.4	122	141	(13.5)
Tax rate (%)	24.8	24.2	62 bps	23.7	108 bps	24.3	24.5	-23 bps
Reported net profit	202	272	(25.8)	179	12.5	381	435	(12.4)
Adjusted net profit	202	272	(25.8)	179	12.5	381	435	(12.4)
EPS (INR)	3.1	4.2	(25.8)	2.8	12.5	5.9	6.8	(12.4)

Segmental (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenue								
Compression Systems	2,565	2,773	(7.5)	2,202	16.4	4,767	5,320	(10.4)
Transmission Products	255	179	42.3	220	15.8	475	355	33.7
EBIT								
Compression Systems	464	495	(6.4)	363	27.9	827	877	(5.8)
Transmission Products								
EBIT Margin (%)								
Compression Systems	18.1	17.9	22 bps	16.5	162 bps	17.3	16.5	85 bps
Transmission Products								

Source: Company, Antique

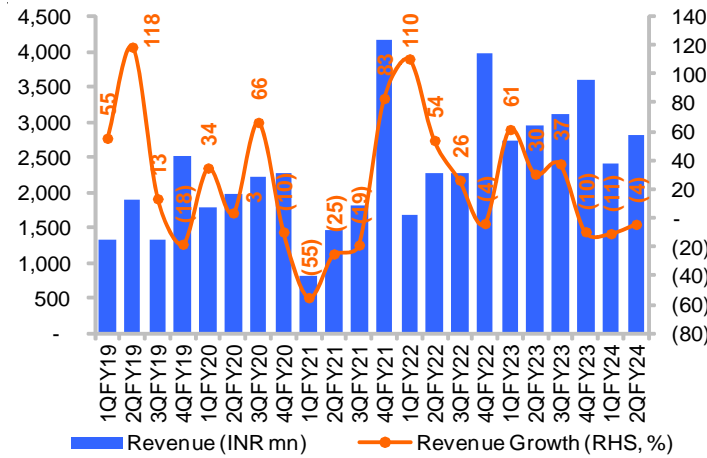
Change in earnings

INR mn	OLD			NEW			Change (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	12,393	15,437	19,348	12,393	13,637	17,100	0%	-12%	-12%
EBITDA	1,657	2,238	2,902	1,657	1,896	2,565	0%	-15%	-12%
EBITDA margin	13.4%	14.5%	15.0%	13.4%	13.9%	15.0%	0.0%	-0.6%	0.0%
Reported PAT	1,086	1,493	1,979	1,086	1,261	1,753	0%	-16%	-11%
Adj. PAT	1,086	1,493	1,979	1,086	1,261	1,753	0%	-16%	-11%

Source: Company, Antique

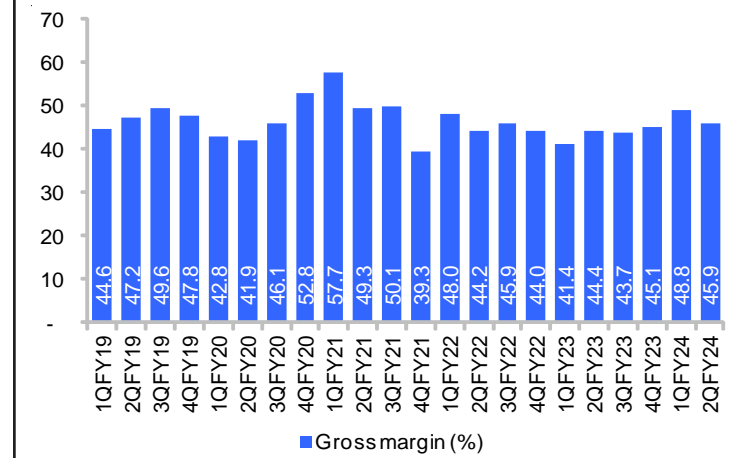
Story in charts

Revenue declines 5% YoY due to absence of export packages and low installation of CNG packages



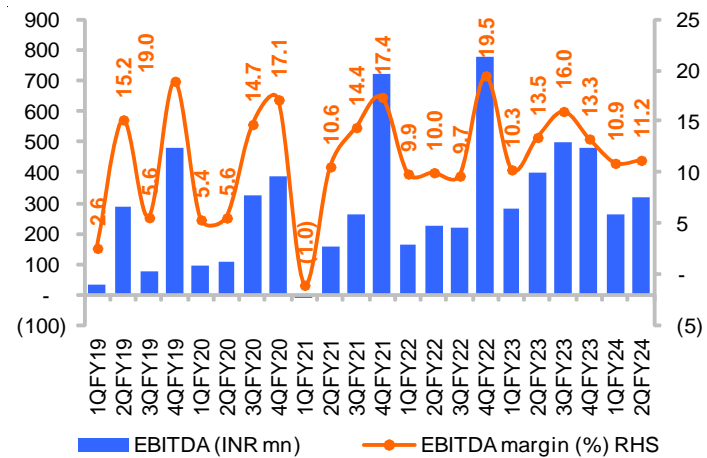
Source: Company, Antique

GM up 1.5 pps to 45.9% YoY supported by change in revenue mix towards high margin products



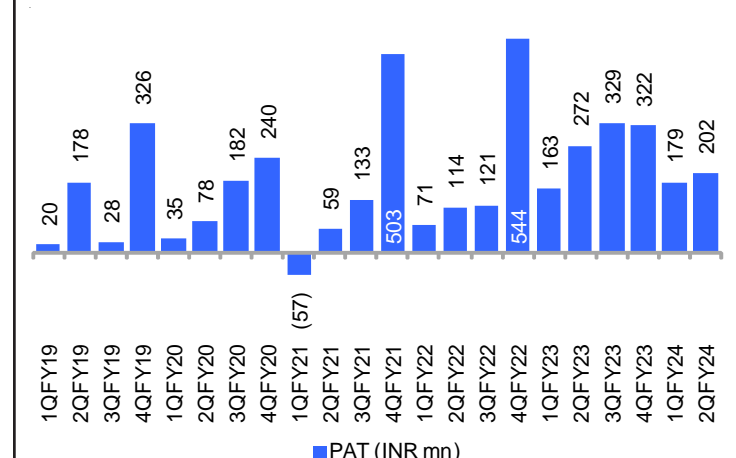
Source: Company, Antique

EBITDA declines 20% YoY, margin contracts to 11.2%



Source: Company, Antique

KKPC registers 26% YoY decline in earnings



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	10,212	12,393	13,637	17,100	20,640
Op. Expenses	8,820	10,736	11,742	14,535	17,441
EBITDA	1,391	1,657	1,896	2,565	3,199
Depreciation	352	335	388	409	508
EBIT	1,039	1,322	1,507	2,156	2,692
Other income	123	112	179	188	207
Interest Exp.	21	1	-	-	-
Reported PBT	1,141	1,433	1,686	2,344	2,898
Tax	292	347	425	591	730
Reported PAT	849	1,086	1,261	1,753	2,168
Adjusted PAT	849	1,086	1,261	1,753	2,168
Adjusted EPS (INR)	13.2	16.9	19.6	27.3	33.8

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	129	129	128	128	128
Reserves & Surplus	6,456	7,822	8,860	10,389	12,333
Networth	6,585	7,952	8,988	10,517	12,461
Net deferred Tax liabilities	54	131	131	131	131
Capital Employed	6,639	8,083	9,119	10,648	12,592
Gross Block	5,246	5,546	5,846	6,346	6,846
Accumulated Depreciation	2,952	3,288	3,676	4,085	4,593
Capital work in progress	52	214	214	214	214
Net Fixed Assets	2,346	2,472	2,384	2,475	2,467
Investments	789	1,419	1,419	1,419	1,419
Current Investments	1,266	1,038	1,038	1,038	1,038
Current Assets, Loans & Adv.	5,846	6,391	8,115	10,702	14,431
Inventory	2,028	1,768	1,952	2,537	2,875
Debtors	2,988	3,292	3,363	4,216	6,503
Cash & Bank balance	388	394	2,124	3,142	4,311
Loans & advances and others	34	580	319	449	384
Other Current Assets	408	357	357	357	357
Current Liabilities & Provisions	3,608	3,212	3,836	4,985	6,762
Liabilities	3,487	3,074	3,700	4,848	6,626
Provisions	121	139	136	137	137
Net Current Assets	2,238	3,179	4,279	5,717	7,669
Application of Funds	6,639	8,083	9,119	10,648	12,592

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	64.2	64.2	64.2	64.2	64.2
Diluted no. of shares (mn)	64.2	64.2	64.2	64.2	64.2
BVPS (INR)	102.5	123.8	139.9	163.7	194.0
CEPS (INR)	18.7	22.1	25.7	33.7	41.7
DPS (INR)	2.4	3.5	3.5	3.5	3.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	1,141	1,433	1,686	2,344	2,898
Depreciation & amortization	352	335	388	409	508
Interest expense	21	1	-	-	-
(Inc)/Dec in working capital	(615)	(178)	(181)	(813)	(1,381)
Tax paid	(292)	(347)	(425)	(591)	(730)
CF from operating activities	607	1,244	1,468	1,350	1,295
Capital expenditure	(906)	(462)	(300)	(500)	(500)
Inc/(Dec) in investments	178	(402)	-	-	-
CF from investing activities	(728)	(863)	(300)	(500)	(500)
Inc/(Dec) in share capital	(1)	(0)	1	-	-
Inc/(Dec) in debt	(375)	-	-	-	-
Dividend Paid	(154)	(226)	(224)	(224)	(224)
Others	515	(148)	784	392	598
CF from financing activities	(15)	(375)	561	168	374
Net cash flow	(136)	6	1,730	1,018	1,169
Opening balance	524	388	394	2,124	3,142
Closing balance	388	394	2,124	3,142	4,311

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	24.0	21.4	10.0	25.4	20.7
EBITDA	23.1	19.1	14.4	35.3	24.7
Adj PAT	33.0	27.8	16.2	39.0	23.7
Adj EPS	33.0	27.8	16.2	39.0	23.7

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	46.0	36.0	31.0	22.3	18.0
P/BV (x)	9.2	7.6	6.8	5.8	0.0
EV/EBITDA (x)	26.9	22.7	18.9	13.6	10.5
EV/Sales (x)	3.7	3.0	2.6	2.0	1.6
Dividend Yield (%)	0.4	0.6	0.6	0.6	0.6

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	13.6	14.9	14.9	18.0	18.9
RoCE (%)	18.0	19.5	19.6	23.7	24.9
Asset/T.O (x)	2.4	2.4	2.2	2.3	2.3
Net Debt/Equity (x)	(0.1)	(0.0)	(0.2)	(0.3)	(0.3)
EBIT/Interest (x)	55.1	1,792.0	NA	NA	NA

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin	13.6	13.4	13.9	15.0	15.5
EBIT Margin	10.2	10.7	11.1	12.6	13.0
PAT Margin	8.2	8.7	9.1	10.1	10.4

Source: Company Antique



ANTIQUÉ'S INDIA ECONOMIC MONITOR

Monetary policy

Rates may remain unchanged in FY24

Reserve Bank of India (RBI) released minutes of the monetary policy meeting held on October 4–6, 2023. Key observations made by various members are: a) Domestic growth outlook has improved as compared to the last meeting. Buoyancy in domestic economic activities has helped, particularly due to the revival in investment demand; b) Rising global bond yields, crude oil prices, higher dollar, and volatility in food, energy, and financial markets are the key risks; c) Emphasized the need to achieve 4% inflation target and the need for monetary policy to remain actively disinflationary to ensure that the ongoing disinflation process progresses smoothly. We believe that the rate cut cycle may resume from 1QFY25 aligned with the US rate cut cycle and the emergence of clear signs of inflation trending towards the 4% target. We believe that the possibility of a ~125 bps rate cut in FY25 does exist considering RBI's 2Q-4Q FY25 CPI estimate of 4.3% and 0.8%–1.0% real neutral rate.

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Dr. Shashanka Bhide, Honorary Senior Advisor, NCAER, Delhi

1. RBI's enterprise survey points towards continuous input price pressures in 3Q and 4Q FY24 and the expectation of higher selling prices, particularly in the manufacturing and infrastructure sectors as compared to the services sector.
2. The survey also indicates an expectation of improved demand in 2Q/ 3Q/ 4Q FY24 with relatively higher optimism in the manufacturing sector as compared to the services and infrastructure sectors.
3. On the demand side, investment spending is increasing at a faster rate than consumption, with external demand being a drag
4. Recent consumer confidence of urban households is showing cautious optimism.

Dr. Ashima Goyal, Emeritus Professor, IGIDR, Mumbai

1. Pent-up demand is waning for services but remains robust. Many indicators suggest a revival in private investment post recovery, but some suggest election uncertainties may delay projects. However, this is unlikely in sectors that are close to full capacity with robust demand.
2. There are signs of investment demand revival after more than a decade. In the past, the revival did not sustain due to sharp financial tightening in 2011 and 2017. It is important to sustain it this time, which may persist as there is no excess lending or infrastructure boom.
3. Interest rate rise may not be required unless there are second round effects from repeated supply shocks.
4. Despite the narrower interest rate differential with the US, debt flows continue due to index inclusion in the near term, lower country risk, stable currency, and higher expected growth.

Prof. Jayanth R. Varma, Professor, IIM (A)

1. Willingness to consume at the cost of lower savings demonstrates higher consumer confidence, which may become a self-fulfilling prophecy as robust consumption demand stimulates growth, generates income, and strengthens the household balance sheet. Even if that does not happen, global experience suggests that the debt-fuelled consumption boom may last for several years before petering out. In both instances, the medium term growth outlook looks stronger than the last meeting.

2. The real repo rate based on projected inflation is high enough to glide inflation towards the target within a reasonable period.

Dr. Rajiv Ranjan, Executive Director, RBI

1. Moderation of services inflation closer to 4% provides relief as it tends to be stickier as seen in advanced economies.
2. Going ahead, the waning effect of transitory food inflation, ongoing transmission of past monetary actions, improvement in supply chain, probable supply-side intervention by the government, and likely lower rate of increase in selling prices by firms could moderate inflation to 5.2% by 4QFY24 and 4.3% by 4QFY25.

Dr. Michael Debabrata Patra, Deputy Governor in charge of monetary policy

1. Inflation prints for September and October needs to be monitored carefully to look for the moderation that RBI projections estimate. If we tame inflation durably, then we may see long innings of strong and stable growth.
2. RBI projection estimates that growth will gather momentum from 2Q onwards. The monetary policy can contribute by remaining sufficiently disinflationary without being overly restraining.

Shri Shaktikanta Das, RBI Governor

1. The declining core inflation is a key silver lining, supported by declining cost-push pressures and ongoing transmission of past monetary actions.
2. In the current uncertain environment, the monetary policy must remain actively disinflationary to ensure that the ongoing disinflation process progresses smoothly.
3. RBI will maintain a flexible and adaptive approach to liquidity management and undertake open market operations sales if required.
4. Stressed about the need for achieving the inflation target of 4% and highlighted that the recurring incidence of supply-side shocks brings with them the risk of generalization of inflation impulses, de-anchoring of inflation expectation, and loss of monetary policy credibility.

Valuation Guide

Company	Reco	OMP	P	Return	M. Cap	M. Cap	Net profit (INR bn)			EPS (INR)			P/E (x)			EV/EBITDA (x)			P/BV (x)		RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INR bn)	(USD bn)	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY24	FY24	FY24	FY24	1m	12m
AGROCHEM & FERTILIZERS																								
Bayer Cropscience	Hold	5,088	4,870	(4)	228.7	2.7	6.8	7.6	8.7	151.8	170.1	194.7	33.5	29.9	26.1	23.8	20.4	17.9	7.5	26.6	36.2	-6	9	
Coromandel Intl.	Buy	1,138	1,360	20	334.9	4.0	20.1	20.2	21.8	68.5	68.7	74.2	16.6	16.6	15.3	11.0	10.6	9.4	3.5	23.1	33.2	3	14	
Dhanuka Agritech	Buy	839	1,010	20	38.2	0.5	2.3	2.5	2.9	51.2	54.6	63.3	16.4	15.4	13.2	13.4	11.2	9.0	3.0	21.4	28.8	-2	25	
Paradeep Phosphates	Buy	66	100	52	53.5	0.6	3.0	3.9	6.8	3.7	4.8	8.3	17.6	13.7	7.9	12.3	9.1	5.9	1.4	10.7	10.7	8	6	
PI Industries	Buy	3,467	4,440	28	526.0	6.3	12.2	14.7	16.8	80.7	96.8	111.0	43.0	35.8	31.2	32.0	26.1	21.6	6.2	18.7	22.5	2	11	
Rallis India	Hold	220	180	(18)	42.8	0.5	0.9	1.7	2.3	4.7	8.8	11.8	46.8	24.9	18.6	18.9	12.3	9.5	2.3	9.6	12.7	1	-6	
Sharda Cropchem	Hold	440	520	18	39.7	0.5	3.4	2.3	3.9	37.9	26.0	43.5	11.6	16.9	10.1	5.4	6.6	4.1	1.6	10.0	13.0	1	-1	
Sumitomo Chemical India	Buy	415	480	16	206.9	2.5	5.0	4.6	6.0	10.1	9.3	11.9	41.2	44.8	34.7	30.2	31.8	24.9	7.4	17.9	24.1	-1	-21	
UPL	Buy	603	780	29	453.0	5.4	37.2	38.7	48.7	49.6	51.6	64.9	12.2	11.7	9.3	5.8	5.5	4.6	1.5	13.7	14.5	-2	-14	
AUTO & AUTO ANC.																								
Apollo Tyres	Buy	384	506	32	243.8	2.9	10.8	17.7	18.9	17.1	27.8	29.7	22.5	13.8	12.9	8.7	6.4	5.5	1.7	13.0	13.9	3	36	
Ashok Leyland	Buy	172	215	25	505.6	6.1	13.0	23.8	28.3	4.4	8.1	9.6	39.0	21.3	17.9	18.2	12.7	10.9	5.1	25.9	27.0	4	20	
Bajaj Auto	Hold	5,489	5,543	1	1,588.4	19.1	56.3	66.4	73.8	198.9	234.5	260.7	27.6	23.4	21.1	23.4	19.0	16.8	28.8	25.3	33.6	10	50	
Balkrishna Industries	Sell	2,541	2,010	(21)	491.2	5.9	10.3	11.6	15.5	53.5	60.1	80.4	47.5	42.3	31.6	26.7	24.2	19.2	6.0	14.8	14.2	0	32	
Ceat	Buy	2,203	2,786	26	89.1	1.1	2.2	6.4	6.8	54.2	158.8	166.9	40.6	13.9	13.2	11.2	6.8	6.4	2.2	17.3	17.6	3	46	
Eicher Motors	Buy	3,481	4,186	20	952.9	11.5	29.1	36.5	44.5	106.3	133.2	162.3	32.7	26.1	21.4	27.4	22.6	18.2	5.5	22.6	25.2	2	4	
Hero MotoCorp	Hold	3,211	3,319	3	641.8	7.7	29.1	34.6	38.5	145.7	173.0	192.6	22.0	18.6	16.7	15.1	12.3	11.0	3.6	20.0	26.0	6	25	
TVS Motors	Hold	1,596	1,387	(13)	758.5	9.1	14.9	18.0	23.0	31.4	37.8	48.4	50.9	42.2	33.0	29.2	24.8	19.8	10.2	26.6	27.3	7	40	
Mahindra & Mahindra	Buy	1,558	1,850	19	1,937.7	23.3	74.8	85.7	96.6	60.3	69.1	77.9	25.8	22.5	20.0	17.7	15.3	13.3	9.4	18.4	22.1	-3	24	
Maruti Suzuki India	Buy	10,726	11,555	8	3,240.0	39.0	80.5	108.9	134.2	266.5	360.7	444.4	40.2	29.7	24.1	28.7	21.8	16.4	4.7	16.9	21.7	2	23	
Suprajit Engineering	Buy	376	459	22	52.1	0.6	1.5	2.0	2.9	11.0	14.4	20.9	34.1	26.1	18.0	17.6	14.6	10.8	3.9	15.6	16.6	-7	16	
BUILDING MATERIALS																								
Apollo Pipes	Buy	686	770	12	27.0	0.3	0.2	0.7	1.1	6.1	19.0	24.0	112.8	36.2	28.5	39.8	19.5	14.3	3.4	12.0	16.2	0	36	
Astral	Hold	1,843	1,980	7	494.9	6.0	4.6	6.4	8.1	17.0	23.9	30.1	108.6	76.9	61.3	60.4	46.7	37.5	15.1	21.5	26.7	0	23	
Cera Sanitaryware	Buy	8,889	8,870	(0)	115.6	1.4	2.1	2.5	3.0	161.0	194.9	233.4	55.2	45.6	38.1	37.3	31.5	26.1	8.6	20.1	26.2	3	63	
Finolex Industries	Hold	225	190	(15)	139.5	1.7	2.5	5.1	5.8	4.1	8.3	9.5	55.5	27.2	23.8	43.2	20.0	17.6	2.6	10.1	11.9	2	62	
Greenlam Industries	Buy	406	530	30	51.6	0.6	1.3	1.5	2.1	10.1	12.1	16.6	40.2	33.6	24.5	23.5	19.4	13.0	4.7	14.9	13.4	5	29	
Kajaria Ceramics	Buy	1,230	1,530	24	195.9	2.4	3.5	4.9	6.1	22.0	30.8	38.6	55.9	39.9	31.9	32.8	24.7	19.8	7.5	19.9	24.1	8	13	
Prince Pipes and Fittings	Buy	690	860	25	76.3	0.9	1.2	2.4	3.0	11.0	21.8	27.0	62.9	31.7	25.5	29.9	18.4	15.1	4.9	16.4	21.6	0	22	
Somany Ceramics	Buy	683	770	13	29.0	0.3	0.7	1.2	1.6	17.2	28.0	38.5	39.6	24.4	17.7	17.0	12.4	9.9	3.3	14.2	14.0	-2	27	
Supreme Industries	Buy	4,714	3,630	(23)	598.8	7.2	8.7	10.7	12.1	68.1	84.1	95.6	69.2	56.0	49.3	49.3	39.4	34.0	11.9	22.6	25.9	15	125	
CEMENT																								
ACC	Buy	1,963	2,300	17	368.7	4.4	10.5	17.9	23.0	47.1	95.4	122.6	41.7	20.6	16.0	17.5	10.7	8.3	2.4	12.1	16.3	-1	-13	
Ambuja Cement	Buy	431	550	28	855.5	10.3	27.1	26.8	33.3	12.9	10.9	13.5	33.5	39.7	31.9	24.0	16.3	13.5	2.3	7.2	10.1	2	-16	
Birla Corp	Buy	1,246	1,450	16	96.0	1.2	0.3	4.3	6.9	5.3	56.4	89.8	235.6	22.1	13.9	17.2	9.2	7.1	1.5	7.0	8.1	7	39	
Dalmia Bharat	Buy	2,158	2,500	16	404.7	4.9	6.3	9.5	13.8	34.0	51.4	74.3	63.5	42.0	29.0	17.8	13.7	11.0	2.4	5.9	8.3	-4	41	
Grasim Industries	Buy	1,946	2,030	4	1,281.6	15.4	22.1	19.3	22.6	33.6	29.3	34.4	57.9	66.4	56.6	40.9	46.8	36.5	2.7	4.1	5.2	2	16	
Heidelberg	Hold	191	175	(8)	43.3	0.5	1.1	2.2	3.0	4.8	9.7	13.1	39.9	19.7	14.5	16.1	10.0	7.8	3.0	15.1	17.8	8	3	
JK Cement	Buy	3,302	3,850	17	255.1	3.1	4.3	6.9	9.3	55.2	89.7	121.0	59.8	36.8	27.3	22.0	15.2	12.2	4.9	14.1	14.1	5	25	
JK Lakshmi Cement	Buy	678	780	15	79.7	1.0	3.6	4.5	6.0	30.5	38.5	50.9	22.2	17.6	13.3	10.6	9.1	7.0	2.5	15.5	16.3	5	27	
Nuvoco Vistas	Hold	352	415	18	125.6	1.5	4.2	2.6	4.4	11.8	7.3	12.3	29.8	48.3	28.6	14.0	8.9	7.9	1.4	2.9	6.0	5	-10	
Orient Cement	Hold	202	155	(23)	41.4	0.5	1.2	2.3	3.2	6.0	11.3	15.7	33.7	17.9	12.9	12.2	8.9	7.5	2.3	13.6	15.1	21	62	
Shree Cements	Buy	26,085	30,000	15	941.2	11.3	11.2	23.7	29.2	309.5	655.8	808.9	84.3	39.8	32.2	29.7	19.2	15.5	4.6	12.0	16.3	1	25	
Ramco Cement	Buy	994	1,035	4	234.9	2.8	3.1	5.4	8.7	13.3	22.9	36.8	74.7	43.4	27.0	23.5	16.2	12.6	3.2	7.6	9.2	16	41	
UltraTech Cement	Buy	8,461	10,500	24	2,442.6	29.4	50.6	82.4	106.8	175.4	286.0	370.8	48.2	29.6	22.8	23.3	16.9	13.5	4.0	14.3	17.7	3	33	
FMCG & RETAIL																								
Aditya Birla Fashion & Retail	Hold	229	221	(4)	217.7	2.6	-0.4	0.0	2.0	-0.4	0.0	2.1	-604.6	-11,774.4	108.7	15.5	12.8	10.2	6.5	-0.1	7.9	7	-31	
Asian Paints	Buy	3,106	3,961	28	2979.1	35.8	41.6	54.6	63.3	43.3	56.9	66.0	71.7	54.6	47.0	47.8	37.0	31.7	15.7	31.2	37.0	5	0	
Avenue Supermarts	Buy	3,750	3,893	4	2,439.9	29.3	24.2	26.7	33.5	37.3	41.3	51.8	100.5	90.9	72.4	66.3	59.8	47.9	12.7	13.9	18.8	2	-11	
Bajaj Consumer Care	Buy	239	258	8	34.2	0.4	1.4	1.8	2.0	9.8	12.4	14.3	24.3	19.3	16.7	20.0	13.4	10.7	2.9	17.6	21.5	3	59	
Colgate Palmolive	Hold	2,111	1,987	(6)	574.1	6.9	10.6	12.3	13.5	38.9	45.3	49.7	54.2	46.6	42.5	36.5	31.6	28.8	31.3	69.4	109.9	5	33	
Dabur India	Hold	525	564	7	930.0	11.2	17.1	18.8	22.1	9.7	10.6	12.5	54.3	49.4	41.9	42.9	38.6	32.6	9.5	20.0	22.9	-7	-2	
Devyani International	Buy	196	215	10	235.8	2.8	2.9	2.2	3.6	2.4	1.8	3.0	82.0	108.0	65.2	36.0	29.9	22.0	19.7	20.1	44.5	-6	2	
Emami	Buy	510	518	2	224.5	2.7	7.6	8.2	9.1	17.3	18.6	20.7	29.5	27.4	24.6	25.8	21.2							

Valuation Guide

Company	Reco	OMP	P	Return	M. Cap	M. Cap	Net profit (INR bn)			EPS (INR)			P/E (x)			EV/EBITDA (x)			P/BV (x)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INR bn)	(USD bn)	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY24	FY24	FY24	1m	12m
INDUSTRIALS & ENGINEERING																							
ABB	Buy	4,015	5,388	34	850.9	10.2	6.9	10.3	13.7	32.4	48.8	64.9	124.0	82.3	61.9	85.2	63.5	47.0	14.9	19.4	26.6	4	32
Bharat Dynamics	Buy	1,001	1,430	43	183.5	2.2	3.5	5.0	8.4	192	275	46.1	52.1	36.4	21.7	35.5	21.4	12.8	5.3	15.1	15.4	0	5
Bajaj Elec.	Hold	1,074	1,138	6	123.7	1.5	2.3	2.5	3.3	199	22.0	28.5	53.9	48.9	37.7	32.0	29.5	23.3	5.8	12.4	14.0	-1	3
BEML	Hold	2,291	2,106	(8)	95.4	1.1	1.6	2.4	3.2	378	56.8	75.6	60.6	40.3	30.3	27.1	23.6	18.7	3.7	9.5	9.5	-3	44
Bharat Electronics	Buy	134	161	20	981.0	11.8	30.1	33.3	39.0	4.1	4.6	5.3	32.6	29.5	25.2	22.3	19.0	15.9	6.3	22.8	23.7	-1	30
BHEL	Buy	125	158	26	436.0	5.2	4.5	6.2	19.1	1.3	1.8	5.5	97.4	70.1	22.8	59.2	54.7	16.2	1.6	2.3	3.8	1	92
Blue Star	Buy	919	875	(5)	189.0	2.3	2.3	3.9	5.4	11.9	20.4	27.8	77.1	45.1	33.1	39.0	28.4	21.9	11.9	27.8	28.9	3	52
Cochin Shipyard	Hold	1,004	1,132	13	132.1	1.6	2.9	4.2	4.5	22.0	31.6	34.4	45.8	31.7	29.2	32.7	21.2	14.8	2.7	8.9	12.0	0	94
Crompton Consumer	Hold	286	298	4	182.8	2.2	4.8	4.7	6.3	7.5	7.4	9.9	38.0	38.7	28.7	24.8	24.8	18.9	6.3	17.0	17.2	4	-24
Cummins India	Hold	1,693	1,844	9	469.2	5.6	11.4	12.6	14.8	41.3	45.4	53.4	41.0	37.3	31.7	36.9	32.1	26.4	8.0	22.4	28.0	-2	40
Engineers India	Hold	136	146	8	76.5	0.9	3.4	3.5	3.7	5.4	5.6	5.9	25.1	24.5	23.0	22.3	19.9	17.5	3.3	15.8	18.6	6	114
Garden Reach Shipbuilders	Buy	758	993	31	86.9	1.0	2.3	2.6	3.7	199	22.4	31.9	38.1	33.9	23.8	24.9	25.6	16.3	3.5	13.1	14.8	6	71
GE T&D	Hold	393	363	(8)	100.6	1.2	0.1	1.2	2.2	0.4	4.5	8.7	1,017.5	86.7	45.2	100.8	49.5	29.4	8.5	10.3	15.9	-2	202
Jupiter Wagons Ltd	Hold	310	286	(8)	124.0	1.5	1.3	2.9	4.1	3.2	7.2	10.1	95.9	43.4	30.6	49.3	29.4	21.5	10.3	28.4	30.7	2	322
Havells India	Hold	1,293	1,359	5	810.3	9.7	10.7	13.7	17.3	17.2	21.9	27.7	75.2	59.0	46.6	49.4	38.9	30.7	10.5	19.2	25.1	-7	11
Hindustan Aeronautics	Buy	1,913	2,589	35	1,279.2	15.4	58.1	50.3	55.9	86.9	75.3	83.6	22.0	25.4	22.9	16.2	15.1	13.7	4.8	20.0	21.2	-1	59
Hitachi Energy	Buy	4,552	4,851	7	192.9	2.3	0.9	2.6	4.6	22.2	60.3	109.0	205.2	75.5	41.7	82.2	43.2	26.3	13.8	19.6	24.9	8	41
Honeywell Automation	Hold	37,181	45,031	21	328.7	4.0	4.4	5.0	6.4	495.5	564.2	728.2	75.0	65.9	51.1	58.8	48.6	36.7	9.3	14.8	20.6	-9	-2
KEC International	Buy	653	830	27	167.9	2.0	1.8	4.7	9.8	6.8	18.2	38.3	95.4	35.9	17.1	23.9	14.2	9.8	4.1	11.9	17.5	0	56
Kirloskar Pneumatic	Buy	606	733	21	39.2	0.5	1.1	1.3	1.8	16.9	19.6	27.3	35.9	30.9	22.2	22.8	19.0	13.7	4.3	14.9	19.6	0	6
Kirloskar Oil Engines	Buy	570	699	23	82.6	1.0	2.7	3.4	4.1	18.6	23.5	28.5	30.6	24.3	20.0	18.9	14.6	11.9	3.3	14.4	18.7	18	123
Lakshmi Machine Works	Hold	14,062	14,409	2	150.2	1.8	3.5	4.1	5.4	331.1	387.3	504.6	42.5	36.3	27.9	34.5	28.7	21.5	5.8	16.9	23.0	5	13
Linde India	Buy	6,418	6,578	2	547.3	6.6	5.4	5.0	7.5	62.8	58.4	88.5	102.2	109.9	72.5	70.1	68.3	47.6	15.8	15.2	18.5	8	109
Larsen & Toubro	Buy	3,012	3,398	13	4,234.3	50.9	103.3	143.4	180.6	73.8	102.4	129.0	40.8	29.4	23.4	25.0	19.7	16.5	4.4	15.4	11.5	3	61
Mazagon Dock Shipbuilders	Buy	2,076	2,774	34	418.7	5.0	10.7	11.4	16.6	53.2	56.3	82.1	39.0	36.9	25.3	35.8	27.5	19.1	5.7	19.6	27.6	6	224
Siemens	Buy	3,442	4,909	43	1,225.7	14.7	18.9	22.9	26.9	53.1	64.2	75.5	64.8	53.6	45.6	48.1	39.5	33.4	8.7	17.2	23.4	-7	22
Thermax	Hold	3,129	2,889	(8)	372.8	4.5	4.5	5.8	7.4	40.0	51.1	65.8	78.2	61.2	47.6	61.9	46.6	35.7	8.3	14.2	17.2	5	50
Titagarh Rail Systems	Buy	844	1,013	20	107.4	1.3	1.5	2.6	4.5	12.5	20.7	35.6	67.5	40.7	23.7	41.2	27.0	16.1	7.1	21.4	28.0	9	433
Volta	Hold	819	855	4	270.9	3.3	3.8	4.7	7.8	11.5	14.2	23.4	71.5	57.8	34.9	47.2	44.9	24.5	4.7	8.3	17.9	5	5
INFRASTRUCTURE																							
Ashoka Buildcon	Buy	141	189	34	39.6	0.5	3.2	5.0	5.9	11.4	17.6	20.9	12.3	8.0	6.7	8.9	7.5	6.1	1.0	13.7	10.9	36	91
Dilip Buildcon	Hold	336	325	(3)	49.1	0.6	0.9	1.8	2.0	6.8	13.3	14.5	49.3	25.3	23.1	7.4	6.0	5.5	1.0	3.9	10.2	10	54
IRB Infra	Buy	35	49	40	212.6	2.6	8.3	7.8	11.1	1.4	1.3	1.8	25.7	27.2	19.2	11.0	10.5	9.8	1.5	5.8	6.5	18	53
IRCON International	Buy	155	176	14	145.4	1.7	7.8	8.3	9.0	8.3	8.8	9.5	18.7	17.5	16.2	19.9	13.9	11.8	2.5	15.1	10.7	9	278
KNR Constructions Ltd.	Buy	275	295	8	77.3	0.9	3.6	3.1	3.4	12.8	11.1	12.0	21.4	24.8	22.9	10.4	11.1	10.3	2.7	11.1	16.4	1	28
NBCC	Sell	69	27	(60)	123.3	1.5	4.0	4.1	4.9	2.2	2.3	2.7	30.8	29.9	25.1	34.9	27.1	20.5	5.6	20.1	16.9	17	112
NCC Ltd.	Buy	154	212	37	96.9	1.2	5.7	9.0	10.4	9.1	14.3	16.6	17.0	10.8	9.3	7.5	5.7	5.2	1.3	13.2	21.4	3	115
RITES	Buy	491	621	26	118.0	1.4	5.3	3.7	5.4	22.1	15.2	22.6	22.3	32.3	21.8	13.3	18.4	12.2	4.5	14.3	14.4	0	35
Rail Vikas Nigam Ltd	Hold	168	160	(5)	350.8	4.2	12.6	13.1	14.5	6.1	6.3	6.9	27.8	26.7	24.3	32.1	27.6	23.9	3.9	16.0	8.8	1	366
Welspun Ent.	Buy	275	376	37	38.1	0.5	2.0	2.3	4.0	13.6	16.5	28.9	20.3	16.7	9.5	17.0	12.1	6.6	1.5	8.0	8.9	0	125
IT																							
Cyient	Hold	1,696	1,600	(6)	187.9	2.3	5.7	30.2	9.4	51.4	71.5	83.5	33.0	23.7	20.3	18.6	5.4	11.6	4.9	83.3	66.0	4	124
FirstSource Sol.	Buy	167	180	8	116.3	1.4	5.1	5.6	7.0	7.4	8.1	10.0	22.6	20.7	16.6	16.0	13.1	11.0	3.3	16.7	12.7	3	60
HCL Tech	Buy	1,259	1,475	17	3,415.4	41.1	148.1	161.0	180.7	54.3	59.2	66.1	23.2	21.3	19.0	14.1	12.9	11.4	5.1	24.2	30.4	-1	23
Infosys	Hold	1,427	1,490	4	5,923.6	71.2	241.1	251.4	279.1	57.6	60.7	67.4	24.8	23.5	21.2	16.0	14.6	13.0	6.9	31.1	43.2	-5	5
ITI Mindtree	Buy	5,416	5,725	6	1,602.7	19.3	44.1	48.2	55.9	149.0	162.7	188.9	36.4	33.3	28.7	25.9	23.2	19.6	8.3	26.8	35.6	0	14
L&T Technology Services	Hold	4,313	4,550	5	455.9	5.5	11.7	13.1	14.8	110.8	124.0	140.4	38.9	34.8	30.7	25.3	22.3	19.6	8.3	25.1	31.4	-7	23
Mphasis	Buy	2,170	2,850	31	409.2	4.9	16.4	16.7	19.9	86.9	88.6	105.7	25.0	24.5	20.5	15.9	15.8	13.3	4.8	20.2	27.7	-13	6
Coforge Ltd	Buy	5,000	5,800	16	307.7	3.7	8.3	9.2	11.6	135.8	150.6	190.2	36.8	33.2	26.3	21.7	19.5	15.7	8.8	28.0	35.6	6	29
Persistent Sys	Buy	5,907	6,250	6	454.4	5.5	9.2	11.6	14.3	120.5	152.0	187.3	49.0	38.9	31.5	29.7	25.5	21.0	9.7	27.0	33.9	1	61
TCS	Hold	3,495	3,550	2	12,786.7	153.8	421.5	462.4	514.0	115.2	126.4	140.5	30.3	27.7	24.9	20.9	19.0	16.8	12.5	47.1	58.5	-3	14
TeamLease	Buy	2,604	3,800	46	43.7	0.5	1.1	1.4	1.9	67.0	81.3	111.0	38.9	32.0	23.4	32.3	27.0	18.9	4.6	15.6	16.3	4	-10
Tech Mahindra	Buy	1,171	1,300	11	1,142.																		

Valuation Guide

Company	Reco	OMP	P	Return	M. Cap	M. Cap	Net profit (INR bn)			EPS (INR)			P/E (x)			EV/EBITDA (x)			P/BV (x)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INR bn)	(USD bn)	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY24	FY24	FY24	1m	12m
METALS & MINING																							
APL Apollo Tubes	Buy	1,709	1,641	(4)	474.0	5.7	6.4	9.3	13.0	23.1	33.4	46.9	73.8	51.2	36.4	46.9	33.4	24.5	12.8	27.6	30.5	8	59
Hindalco Industries	Buy	472	526	11	1,060.1	12.7	100.6	111.9	116.1	45.2	50.3	52.2	10.4	9.4	9.0	6.7	5.8	5.5	1.0	11.3	11.4	-1	20
Hindustan Zinc	Hold	309	288	(7)	1,303.9	15.7	105.2	85.6	92.3	24.9	20.2	21.8	12.4	15.2	14.1	7.5	8.9	8.2	8.6	60.9	43.7	-2	10
Indian Hume Pipe	Buy	254	177	(30)	13.4	0.2	0.6	0.6	0.9	11.5	12.8	17.7	22.1	19.9	14.3	14.3	12.1	10.0	1.6	8.6	11.3	4	56
Jindal Steel & Power	Buy	662	804	21	675.7	8.1	46.0	51.0	71.1	45.6	50.5	70.4	14.5	13.1	9.4	7.6	6.6	5.2	1.5	12.3	13.9	-3	51
JSW Steel	Hold	769	763	(1)	1,881.5	22.6	35.5	123.8	151.9	14.7	51.2	62.8	52.3	15.0	12.2	13.5	8.5	7.3	2.6	17.9	14.3	-1	24
JTL Industries	Buy	235	286	21	39.9	0.5	0.9	1.3	1.9	5.4	7.9	11.4	43.5	29.6	20.6	30.9	21.8	15.3	7.4	28.4	35.0	5	64
Kirloskar Ferrous	Buy	475	518	9	66.0	0.8	3.5	4.1	5.9	25.2	29.2	42.7	18.8	16.2	11.1	11.3	10.4	7.6	3.4	22.8	22.3	3	85
MOIL	Buy	247	250	1	50.4	0.6	2.5	3.4	4.7	12.2	16.9	23.1	20.3	14.6	10.7	11.1	7.2	5.0	2.0	14.5	19.5	15	61
NALCO	Buy	95	116	22	173.8	2.1	15.4	13.4	16.6	8.4	7.3	9.0	11.3	13.0	10.5	6.2	5.3	4.4	1.3	9.9	12.5	1	36
NMDC	Buy	158	149	(6)	463.2	5.6	42.9	51.7	56.3	14.6	17.6	19.2	10.8	9.0	8.2	6.5	5.4	4.9	1.9	21.9	29.3	10	69
SAIL	Hold	87	94	8	358.9	4.3	17.4	48.4	49.7	4.2	11.7	12.0	20.6	7.4	7.2	8.5	5.4	5.3	0.6	8.6	9.1	-7	12
Tata Steel	Buy	123	149	21	1,504.5	18.1	86.5	113.6	168.6	7.1	9.3	13.8	17.4	13.2	8.9	6.9	6.5	5.1	1.3	10.4	10.7	-3	23
Venus Pipes	Buy	1,311	1,554	19	26.6	0.3	0.4	1.0	1.4	21.8	48.3	67.6	60.2	27.1	19.4	39.4	18.2	13.4	6.4	26.5	30.7	-12	79
Vedanta	Buy	223	325	46	828.0	10.0	107.9	115.3	135.6	29.0	31.0	36.5	7.7	7.2	6.1	3.7	3.6	3.2	2.0	28.4	23.7	-1	-20
OIL & GAS																							
BPCL	Buy	346	564	63	751.4	9.0	32.3	238.4	111.6	15.2	112.0	52.4	22.8	3.1	6.6	10.4	2.7	4.7	1.1	40.3	31.2	-2	16
GAIL	Buy	125	130	4	822.2	9.9	53.0	71.3	92.8	8.0	10.7	13.9	15.7	11.7	9.0	14.6	9.3	7.1	1.4	12.3	12.0	3	45
Gujarat Gas	Buy	413	570	38	284.4	3.4	15.3	12.0	17.0	22.2	17.4	24.8	18.6	23.7	16.7	11.7	14.1	10.1	3.7	16.4	19.4	6	-18
HPCL	Buy	253	412	63	358.5	4.3	89.7	156.8	80.4	-63.2	110.5	56.7	-4.0	2.3	4.5	-12.9	3.1	4.8	0.9	45.3	23.7	-3	23
IGL	Buy	403	552	37	282.2	3.4	14.4	17.8	17.6	20.6	25.4	25.1	19.5	15.9	16.1	12.3	10.0	9.6	3.4	22.9	29.2	-11	6
Indian Oil Corp	Buy	90	126	40	1,275.1	15.3	82.3	356.0	206.8	6.0	25.8	15.0	15.1	3.5	6.0	11.9	4.1	5.7	0.8	24.6	17.8	-2	34
Mahanagar Gas	Buy	1,030	1,287	25	101.7	1.2	7.9	10.9	8.8	79.9	110.8	89.3	12.9	9.3	11.5	7.3	5.3	6.1	2.2	24.8	31.8	1	31
Oil India	Buy	323	338	5	349.8	4.2	68.3	56.7	60.0	63.0	52.3	55.3	5.1	6.2	5.8	4.3	4.7	4.2	0.9	15.7	16.9	16	67
ONGC	Buy	186	226	21	2,342.4	28.2	457.6	425.5	466.0	36.4	33.8	37.0	5.1	5.5	5.0	3.1	2.9	2.5	0.8	15.7	18.4	1	42
Petronet LNG	Buy	226	275	21	339.1	4.1	32.4	32.5	35.1	21.6	21.7	23.4	10.5	10.4	9.7	6.3	5.8	5.7	2.1	20.9	23.7	6	15
Reliance Industries	Buy	2,299	2,721	18	15,555.8	187.0	740.9	795.8	947.3	98.6	107.1	125.0	23.3	21.5	18.4	12.6	10.9	9.4	1.9	9.7	8.9	-2	2
PHARMA & HEALTHCARE																							
Alkem	Hold	3,586	3,496	(3)	428.7	5.2	10.7	15.2	18.2	89.1	127.4	152.0	40.2	28.1	23.6	25.7	20.7	17.7	4.2	15.8	19.8	1	17
Alembic Pharma	Hold	798	676	(15)	156.9	1.9	3.4	5.7	6.0	17.4	29.2	30.7	45.9	27.3	26.0	23.1	15.2	13.7	3.3	12.5	15.2	6	47
CIPLA	Sell	1,200	890	(26)	969.0	11.7	29.3	28.1	32.7	36.4	34.9	40.6	33.0	34.4	29.6	18.5	19.7	16.8	3.8	11.4	15.6	1	6
Concord Biotech	Buy	1,175	1,339	14	122.9	1.5	2.4	3.6	4.4	22.9	34.2	42.1	51.2	34.3	27.9	35.4	24.4	19.4	8.0	25.3	32.5	19	
Dr Reddys	Sell	5,569	4,658	(16)	928.8	11.2	45.6	36.3	39.1	273.9	218.2	234.6	20.3	25.5	23.7	13.6	15.1	13.6	3.6	14.8	19.6	1	29
IOL Chemicals	Buy	456	510	12	26.7	0.3	1.4	2.3	2.5	23.6	39.9	42.5	19.3	11.4	10.7	12.1	7.4	6.6	1.6	14.5	18.8	-4	28
JB Chemicals	Hold	1,346	1,194	(11)	208.5	2.5	4.1	5.7	6.8	26.5	36.8	44.2	50.9	36.6	30.4	30.4	22.9	19.3	3.6	21.1	24.1	-2	36
Dr Lal Pathlabs	Sell	2,512	1,432	(43)	209.7	2.5	2.4	3.3	4.0	28.7	39.5	47.7	87.6	63.7	52.6	42.0	35.4	29.6	54.8	18.4	22.2	7	-2
Laurus Labs	Hold	401	301	(25)	216.0	2.6	7.9	2.9	6.0	14.7	5.4	11.1	27.3	74.0	36.0	14.8	25.4	16.5	5.0	7.0	9.1	4	-18
Lupin	Buy	1,180	1,220	3	537.0	6.5	4.3	14.9	24.6	9.5	32.7	54.0	124.8	36.1	21.8	31.5	18.2	12.4	3.9	11.4	13.2	7	74
Mankind Pharma	Buy	1,800	2,032	13	721.0	8.7	12.8	18.4	23.3	32.0	46.0	58.1	56.2	39.1	31.0	37.2	27.4	21.7	7.9	22.3	27.8	3	
Metropolis Healthcare	Sell	1,507	1,087	(28)	77.2	0.9	1.4	1.5	1.9	27.9	29.8	36.2	54.0	50.5	41.6	27.3	24.1	20.9	7.0	14.6	18.4	6	5
Solara Active Pharma	Sell	330	303	(8)	11.9	0.1	-0.2	0.6	0.7	-6.2	18.0	20.2	-53.5	18.3	16.3	16.4	7.6	6.7	0.8	4.2	7.0	-6	-20
Torrent Pharma	Buy	1,892	2,200	16	640.2	7.7	12.4	16.3	20.1	36.5	48.1	59.5	51.8	39.3	31.8	24.2	20.2	17.5	9.1	24.7	23.4	2	20
Zydus Life Science	Hold	579	585	1	586.0	7.0	24.0	24.0	27.5	23.7	23.7	27.1	24.4	24.4	21.3	15.4	15.6	13.7	3.0	13.0	15.1	-3	41
REALTY																							
Arvind SmartSpaces	Buy	342	427	25	15.5	0.2	0.3	0.5	0.8	6.0	11.4	17.8	56.7	29.9	19.2	33.3	19.0	12.8	2.8	9.9	15.3	-2	38
Brigade Enterprise	Buy	612	700	14	141.2	1.7	1.7	3.6	5.4	7.4	15.8	23.3	83.2	38.7	26.2	17.6	13.3	11.3	19.6	10.6	11.5	6	25
Century Textile & Industries	Buy	1,084	1,319	22	121.1	1.5	1.4	5.0	5.6	12.3	45.2	49.9	87.9	24.0	21.7	24.6	13.6	12.1	2.8	12.3	13.1	0	30
DLF	Buy	552	655	19	1,366.9	16.4	20.4	41.1	45.3	8.2	16.6	18.3	67.1	33.2	30.2	79.7	39.3	37.1	3.3	10.3	9.3	7	49
Godrej Properties	Hold	1,650	1,706	3	458.6	5.5	5.7	14.0	24.1	20.6	50.2	86.6	80.3	32.8	19.0	198.6	136.3	73.2	4.3	14.0	9.5	7	37
Kolte Patil	Buy	484	532	10	36.8	0.4	1.0	1.5	2.0	13.6	19.5	26.0	35.7	24.8	18.6	20.4	11.2	8.0	3.2	13.4	18.9	7	39
Macrotech Developers	Buy	815	835	2	786.0	9.5	16.6	18.9	30.3	34.5	19.7	31.4	23.6	41.5	25.9	41.5	27.9	18.8	5.2	13.7	14.1	10	62
Nexus Select Trust	Buy	129	131	2	195.2	2.3	6.3	8.5	9.9	303.0	5.6	6.5	0.4	23.0	19.8	17.6	15.0	13.8	1.2	8.9	9.3	4	
Oberoi Realty	Hold	1,100	1,069	(3)	399.8	4.8	19.0	21.6	26.7	52.4	59.5	73.4	21.0	18.5	15.0	20.4	15.2	12.5	2.8	16.3	15.5	-2	27
Phoenix	Buy	1,857	1,906	3	331.7	4.0	7.3	10.9															

Valuation Guide

Company	Reco	CMP (INR)	P (INR)	Return (%)	M. Cap (INR bn)	M. Cap (USD bn)	Net profit (INR bn)			EPS (INR)			P/E (x)			EV/EBITDA (x)			P/BV (x)	RoE (%)	RoCE (%)	Absolute (%)	
							FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25				FY23	FY24
UTILITIES																							
CESC	Buy	89	93	5	118.0	1.4	14.0	17.3	18.0	10.5	13.1	13.6	8.4	6.8	6.6	10.9	6.4	6.2	1.0	11.2	10.1	2	14
COAL India	Buy	312	340	9	1,925.2	23.1	281.2	213.7	211.3	45.3	34.4	34.0	6.9	9.1	9.2	6.4	8.1	7.5	2.9	34.4	17.1	10	31
Indian Energy Exchange	Sell	131	103	(21)	116.9	1.4	2.9	3.5	3.8	3.2	3.9	4.2	40.4	33.5	31.1	34.7	28.3	25.7	12.3	40.6	41.1	0	-2
JSW Energy	Buy	388	488	26	637.8	7.7	13.4	19.1	25.5	8.1	11.6	15.5	47.6	33.5	25.0	24.0	13.4	11.0	3.2	9.8	7.2	-8	24
NHPC	Buy	52	67	29	517.3	6.2	42.8	41.6	49.0	4.2	4.1	4.8	12.3	12.7	10.8	12.1	13.0	10.2	1.3	10.9	4.8	-1	24
NTPC	Buy	241	258	7	2,336.9	28.1	177.9	178.2	186.5	18.3	18.4	19.2	13.1	13.1	12.5	10.0	10.2	10.0	1.6	12.6	8.8	1	46
Power Grid	Buy	203	226	12	1,886.6	22.7	150.8	151.4	180.2	16.3	16.3	19.4	12.5	12.4	10.4	7.9	7.9	7.2	2.1	17.6	10.8	2	24
PTC India	Buy	147	186	26	43.6	0.5	3.2	4.0	4.2	10.8	13.3	14.3	13.6	11.0	10.3	7.3	5.4	5.0	1.0	9.4	13.2	9	112
SJVN Ltd	Buy	75	72	(4)	296.1	3.6	13.8	10.4	17.8	3.3	2.5	4.3	22.5	30.0	17.5	17.9	19.0	12.1	2.2	7.4	5.3	4	138
Torrent Power	Hold	735	608	(17)	353.4	4.2	21.8	22.9	24.0	45.3	47.7	49.8	16.2	15.4	14.8	10.0	8.7	8.4	2.8	19.4	16.2	3	56
Tata Power	Buy	247	275	11	790.5	9.5	38.1	28.1	25.5	11.9	8.8	8.0	20.8	28.2	31.0	17.3	11.1	10.6	2.6	13.2	8.1	-4	13
MIDCAPS - OTHER																							
CCL Products	Buy	630	790	25	83.8	1.0	2.7	3.3	4.2	20.2	25.0	31.4	31.1	25.2	20.0	23.0	18.8	14.9	4.8	20.7	15.8	2	31
EPL Ltd.	Buy	195	240	23	62.1	0.7	2.3	2.8	3.8	7.2	8.8	11.9	27.2	22.2	16.4	11.6	9.0	7.4	2.9	13.6	15.9	1	23
Ganesha Ecosphere	Buy	951	1,420	49	20.8	0.2	0.7	0.7	1.5	34.2	31.6	70.9	27.8	30.1	13.4	19.0	14.8	9.1	3.0	10.3	10.8	-1	20
Gravita India	BUY	996	1,250	25	68.8	0.8	2.1	2.3	3.0	29.9	33.2	43.2	33.3	30.0	23.0	27.6	21.5	16.5	8.7	33.2	28.6	23	167
Indian Hotels	Hold	405	400	(1)	575.2	6.9	10.0	12.4	14.3	7.0	8.8	10.1	57.6	46.3	40.2	32.6	27.1	23.7	6.4	14.7	14.8	0	29
Chalet Hotels	Buy	582	600	3	119.6	1.4	1.4	2.8	3.8	7.0	13.5	18.4	83.3	43.0	31.6	31.9	20.2	17.3	6.0	14.9	12.1	6	51
Mold-Tek Packaging	Buy	890	1,050	18	29.5	0.4	0.8	0.8	1.2	24.2	25.5	34.9	36.7	35.0	25.5	22.1	19.2	14.8	4.8	14.3	13.6	5	-3
Raymond	Buy	1,773	2,303	30	118.1	1.4	6.4	17.2	7.6	95.6	259.1	114.9	18.6	6.8	15.4	11.3	10.3	9.3	2.6	46.1	21.8	-4	56
Solar Industries	Hold	5,269	4,140	(21)	476.8	5.7	7.6	7.7	9.3	83.7	84.9	103.3	63.0	62.1	51.0	37.7	36.1	30.1	14.5	26.0	28.9	14	36
Varun Beverages	Hold	926	820	(11)	1,203.3	14.5	15.0	20.4	25.2	11.5	15.7	19.4	80.4	59.0	47.7	44.4	33.5	27.9	17.5	34.0	29.8	1	83

Company	Reco	CMP (INR)	P (INR)	Return (%)	M. Cap (INR bn)	M. Cap (USD bn)	Net profit (INR bn)			BVPS (INR)			P/BV (x)*			NNPA Ratio (%)			P/E (x)	RoE (%)	RoA (%)	Absolute (%)	
							FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25				FY23	FY24
FINANCIALS																							
Axis Bank	Buy	980	1,100	12	3,021.4	36.3	95.8	238.0	295.3	396.1	463.5	547.3	2.4	2.0	1.7	0.4	0.4	0.4	12.7	18.0	1.7	-4	9
Bank of Baroda	Buy	202	235	16	1,046.2	12.6	141.1	179.5	177.4	170.3	198.0	225.4	1.2	1.0	0.9	0.9	0.9	0.8	5.8	18.8	1.2	6	41
Canara Bank	Buy	369	400	8	670.0	8.1	106.0	129.8	143.9	364.3	421.5	485.0	1.0	0.9	0.8	1.7	1.3	1.5	5.2	18.2	0.9	-4	38
City Union Bank	Buy	136	160	17	101.0	1.2	9.4	9.9	10.9	100.7	112.6	125.7	1.4	1.2	1.1	2.4	2.3	2.1	10.2	12.5	1.4	5	-26
DCB Bank	Buy	119	150	26	37.2	0.4	4.7	5.3	6.2	137.0	151.8	168.7	0.9	0.8	0.7	1.0	1.0	1.0	7.0	11.9	0.9	-6	21
Equitas SFB	Buy	100	105	5	112.5	1.4	5.7	8.2	9.2	46.4	51.7	57.9	-	-	-	1.2	1.2	1.2	13.8	14.9	2.0	18	112
Federal Bank	Buy	146	170	16	342.9	4.1	30.1	35.6	38.7	101.6	117.5	130.7	1.4	1.2	1.1	0.7	0.8	1.0	9.9	14.2	1.3	0	10
HDFC Bank^	Buy	1,523	1,975	30	11,545.6	138.8	441.1	642.9	745.9	494.7	561.4	637.2	2.9	2.4	2.1	0.3	0.5	0.6	17.9	15.0	1.9	0	6
ICICI Bank	Buy	933	1,225	31	6,533.3	78.6	319.0	389.1	394.7	281.5	326.1	371.3	2.9	2.5	2.1	0.5	0.6	0.8	-	18.3	2.3	-2	3
IndusInd Bank	Buy	1,469	1,725	17	1,141.6	13.7	73.9	90.4	103.7	700.1	794.9	902.1	2.1	1.8	1.6	0.6	0.5	0.5	12.6	15.6	1.8	1	29
Karur Vysya Bank	Buy	144	175	22	115.0	1.4	11.1	13.9	14.2	107.0	122.3	137.7	1.3	1.2	1.0	0.7	0.5	0.7	8.3	15.1	1.4	6	58
Kotak Mahindra Bank	Buy	1,770	2,250	27	3,517.1	42.3	109.4	128.1	139.4	401.5	463.6	531.1	3.4	2.8	2.3	0.4	0.4	0.5	-	14.9	2.4	1	-7
Punjab National Bank	Hold	72	58	(19)	795.5	9.6	25.1	77.2	107.9	82.7	88.3	96.1	0.9	0.8	0.8	2.7	1.9	1.8	10.3	8.2	0.5	-7	77
State Bank of India	Buy	563	700	24	5,025.4	60.4	502.3	592.2	598.0	299.6	352.7	406.3	1.4	1.2	0.9	0.7	0.8	0.8	8.5	19.1	1.0	-6	0
South Indian Bank	Hold	26	25	(4)	54.4	0.7	7.8	9.1	9.2	30.2	34.1	38.0	0.9	0.8	0.7	1.9	1.5	1.4	6.0	13.6	0.8	-3	133
Ujjivan Small Bank	Buy	58	54	(6)	112.5	1.4	11.0	11.1	11.2	20.5	25.8	31.5	2.8	2.2	1.8	0.0	0.0	0.0	10.1	24.6	3.0	17	136
Union Bank of India	Buy	101	110	9	749.8	9.0	84.3	108.4	117.0	105.6	115.4	127.4	1.0	0.9	0.8	1.7	1.4	1.5	6.9	13.8	0.8	-1	106

*Adjusted for subsidiaries; ^ HDFCB Financials for FY24 and FY25 is for proforma merged entity

Company	Reco	CMP (INR)	P (INR)	Return (%)	M. Cap (INR bn)	M. Cap (USD bn)	VNB (INR bn)			EVPS (INR)			P/EV (x)			P/VNB (x)			RoEV (%)	Absolute (%)		
							FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25		FY23	FY24	FY25
Insurance																						
HDFC Life Insurance	Buy	640	780	22	1,375.9	16.5	36.7	39.0	45.9	184.0	223.2	261.0	3.5	2.9	2.5	25.8	22.1	17.0	18.3	-1	18	
ICICI Prudential Life Insurance	Buy	526	660	25	757.5	9.1	27.7	28.6	32.1	248.1	297.6	342.2	2.1	1.8	1.5	14.9	11.9	8.6	16.5	-9	3	
LIC of India	Hold	635	720	13	4,016.1	48.3	91.6	101.2	111.7	920.5	1,016.0	1,102.4	0.7	0.6	0.6	NA	NA	NA	9.7	-3	8	
Max Life Insurance*	Buy	927	1,100	19	320.1	3.8	19.5	19.7	23.0	84.8	105.1	124.9	3.1	2.5	2.1	17.6	15.4	11.5	20.6	1	33	
SBI Life Insurance	Buy	1,363	1,580	16	1,364.1	16.4	50.7	54.7	64.6	460.3	570.7	680.0	3.0	2.4	2.0	17.4	14.1	10.3	20.1	3	9	

*Valuations after factoring 20% holdco discount

Events Calendar

October/November 2023

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
23 Oct	24 Oct	25 Oct	26 Oct	27 Oct	28 Oct	29 Oct
Kewal Kiran Clothing Torrent Pharma		Axis Bank Chalet Hotels Jubilant Foodworks Lakshmi Machine Works Rallis India Tech Mahindra Welspun India	ACC Asian Paints Apollo Pipes Canara Bank Colgate Palmolive Coromandel Int'l Punjab National Bank Venus Pipes & Tubes Westlife Foodworld	BPCL Cipla City Union Bank Dr. Reddy's Labs Indian Hotels Co IRB Infra Mahanagar Gas Maruti Suzuki India SBI Life Insurance Sumitomo Chemical Ujjivan SFB Union Bank of India	Bharat Electronics Greenlam Industries Macrotech Developers NTPC	Jupiter Wagons
30 Oct	31 Oct	1 Nov	2 Nov	3 Nov	4 Nov	5 Nov
Blue Star Marico Petronet LNG Supreme Industries TVS Motor Co UPL	GAIL IOCL Larsen & Toubro Mankind Pharma Max Financial Services Nuvoco Vistas Corp Paradeep Phosphates RITES	Cera Sanitaryware Godrej Consumer Hero Motocorp Indraprastha Gas Kansai Nerolac	Dabur India Godrej Properties Gujarat Gas Kirloskar Oil Engines	Bharat Dynamics CG Consumer Electricals Thermax Titan Company	JK Cement	
6 Nov	7 Nov	8 Nov	9 Nov	10 Nov	11 Nov	12 Nov
Emami NHPC	Alembic Pharma Cochin Shipyard Cummins India Shree Cement Trent	Firstsource Solutions Teamlease Services Tata Power	ABB India The Ramco Cements	Coal India Garden Reach Shipbuilders Hindalco Industries		
13 Nov	14 Nov	15 Nov	16 Nov	17 Nov	18 Nov	19 Nov
	NMDC					
20 Nov	21 Nov	22 Nov	23 Nov	24 Nov	25 Nov	26 Nov
27 Nov	28 Nov	29 Nov	30 Nov			

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