

AMP

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5 February 2024

ANTIQUE'S MORNING PRESENTATION

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

State Bank of India

Employee provisions impact PAT; credit cost a key earning support

Torrent Pharmaceuticals

India business to grow at ~13%, margin guidance raised

Mankind Pharma

Robust India business growth to drive margins

Indian Hotels Company

Robust demand to continue; valuation expensive

Mphasis

Miss on revenue growth; outlook cautiously optimistic

Bayer Cropscience

Margins surprise positively

Devyani International

Operating deleverage impacts profitability

Sumitomo Chemical India

The worst is behind; gradual recovery expected

RITES

New export orders on the cards!

Century Textiles & Industries

Improvement in paper; strong guidance on real estate

Jupiter Wagons

Beat on all the fronts

Engineers India

Margin-led miss on the operational front

Raymond

Apparel showing strength in addition to real estate

MOIL

Higher volumes drove sharp YoY growth; better pricing outlook 4QFY24 onwards

Dhanuka Agritech

Sailing strong through the headwinds

Somany Ceramics

Muted demand scenario to continue in the near term

Arvind SmartSpaces

Growth momentum to continue

SECTOR UPDATE

Automobile

Bharat Mobility Global Expo 2024: Focus on new-age electric vehicles and alternative fuel

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	38,654	0.3	2.6
NASDAQ	15,629	1.7	4.1
FTSE	7,616	(0.1)	(1.5)
CAC	7,592	0.0	0.7
DAX	16,918	0.4	1.0
Russia	1,117	(0.7)	3.1
Bovespa	127,182	(1.0)	(5.2)
Nikkei	36,158	0.4	8.0
Hang Seng	15,534	(0.2)	(8.9)
Shanghai Composite	2,730	(1.5)	(8.2)

Indian Indices	Closing	% Chg	% YTD
Sensex	72,086	0.6	(0.2)
Nifty	21,854	0.7	0.6
MSCI India	951	0.9	3.2
CNX Midcap	48,477	0.4	5.0
BSE Smallcap	45,850	0.5	7.4

Flows (USD mn)	Prev. Day	MTD
FII	38	38

Provisional flows	(USD mn)
FII	9
Local	297

Volumes	USD bn	% Chg
Cash (NSE + BSE)	18.9	2.5
F&O (net)	2,132.1	(64.5)

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	870	72
Open Int (%)	0.7	(0.6)

ADR/GDR Gainers	Last	% Chg
Reliance	70.2	1.7
Wipro	5.8	1.2
Infosys	20.4	0.8

ADR/GDR Losers	Last	% Chg
HDFC	54.8	(3.3)
ICICI Bank	24.6	(2.0)
SBI	77.8	(1.3)
Dr Reddy	72.2	(0.3)

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	44,328	0.4	0.8	5.0
BSE Bank	51,975	(0.5)	(0.0)	(4.4)
BSE Cap Goods	56,072	0.0	(1.1)	0.8
BSE Cons dur	50,050	0.4	(0.6)	0.1
BSE FMCG	19,899	(0.2)	0.0	(2.8)
BSE IT	38,045	2.2	1.8	5.6
BSE Health	33,786	0.2	(0.1)	7.1
BSE Metal	27,276	2.9	1.9	1.1
BSE Oil	27,005	4.2	4.2	17.3
BSE Power	6,475	1.8	2.5	11.3
BSE PSU	17,937	2.8	3.7	15.3
BSE Realty	6,752	0.8	(0.2)	9.1
BSE TECK	16,842	1.7	1.2	5.7

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Bharat Petroleum Corp Ltd	558	9.8	11.1	23.9
Power Grid Corp Of India Ltd	277	4.3	6.9	16.8
Oil & Natural Gas Corp Ltd	257	3.9	2.0	25.5
Adani Ports And Special Econ	1,261	3.5	4.5	23.1
Ntpc Ltd	333	3.3	4.7	6.9
Coal India Ltd	420	3.2	3.4	11.6
Tata Consumer Products Ltd	1,163	2.9	4.0	7.0

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Eicher Motors Ltd	3,826	(2.7)	(0.4)	(7.7)
Axis Bank Ltd	1,067	(1.6)	(0.1)	(3.2)
Hdfc Life Insurance Co Ltd	579	(1.4)	0.4	(10.5)
Hdfc Bank Limited	1,446	(1.4)	(1.1)	(15.4)
Hindustan Unilever Ltd	2,453	(0.8)	(1.2)	(7.9)
Larsen & Toubro Ltd	3,376	(0.6)	(3.0)	(4.3)
Itc Ltd	440	(0.6)	(0.3)	(4.8)

Bulk Deals

Security Name	Client Name	Buy/Sell	Qty	Price	Value (mn)
One 97 Communications Ltd	Morgan Stanley Asia (Singapore) Pte. - ODI	Buy	50,00,000	487.20	2,436
Swan Energy Limited	2I Capital PCC	Sell	25,00,000	657.27	1,643
Pricol Limited	PHI Capital Solutions LLP	Sell	20,00,000	408.08	816
HMA Agro Industries Ltd	Radiant Global Fund	Sell	70,00,000	72.50	508
Indiabulls Hsg Fin Ltd	Vibgyor Investors ## Developers Pvt Ltd	Sell	25,00,000	189.12	473

Delivery Spike

Company	Volume Spike (%)	Chg (%)	
Steel Authority of India Ltd	56,688,260	419%	7.54%
Bharat Petroleum Corp Ltd	12,832,667	353%	9.81%
Coal India Ltd	14,380,645	293%	3.22%
GMR Airports Infrastructure Ltd	43,872,568	256%	7.71%
Tata Chemicals Ltd	973,773	208%	-1.73%
Hindustan Petroleum Corp Ltd	5,736,613	196%	4.95%
Zee Entertainment Enterprises Ltd	18,802,240	166%	1.38%
Tata Steel Ltd	34,918,844	162%	2.89%
Exide Industries Ltd	3,278,495	143%	2.74%
Wipro Ltd	3,034,068	139%	2.50%

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
HINDCOPPER	302.95	2.83	17.30	46438
ALKEM	4922.10	0.79	13.26	1009
CUMMINSIND	2317.45	2.31	12.45	3910
TORNTPHARM	2520.4	0.61	11.85	1760

Short Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
CUB	138.15	-4.63	22.64	37940
BATAINDIA	1456.95	-0.35	13.16	2412
TATACHEM	992.80	-1.99	11.35	13700
MRF	141907.65	-1.04	7.79	34

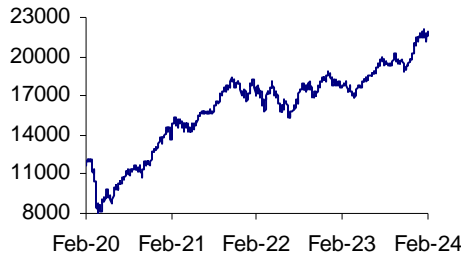
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
JKCEMENT	4390.55	-0.61	-7.35	794
MPHASIS	2577.65	-0.33	-5.66	2904
INDIACEM	241.2	-0.84	-5.26	27967
INDUSTOWER	217.15	-1.63	-4.41	149423

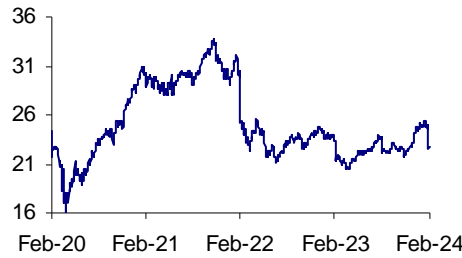
Long Unwinding

Company	Last	% Chg	% Chg OI	OI (in 000)
SAIL	128.10	7.20	-13.42	157032
HAVELLS	1346.05	1.97	-8.31	4674
RECLTD	498.60	0.16	-6.78	36668
GAIL	178.80	2.38	-5.31	141321

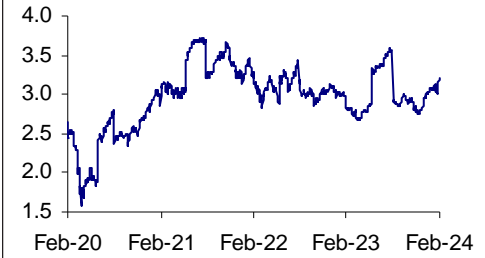
Nifty



Nifty P/E

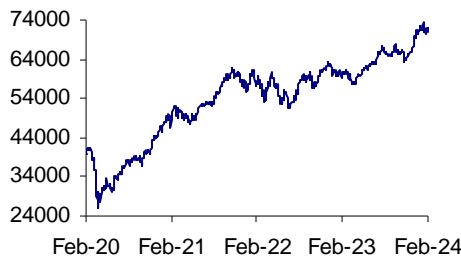


Nifty P/B

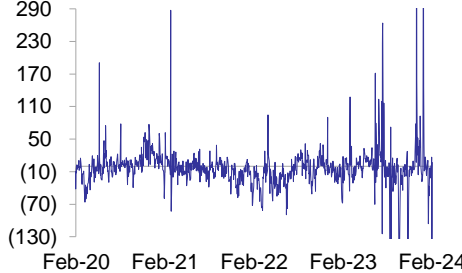


Source: Bloomberg

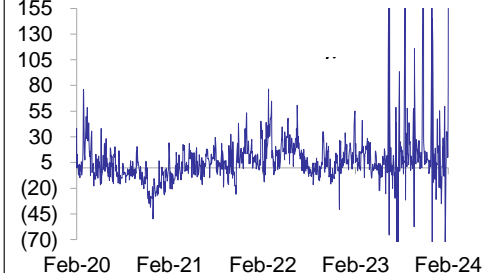
Sensex



FII Provisional Flows (INR bn)



DII Provisional Flows (INR bn)



Source: Bloomberg

Economy, Money & Banking

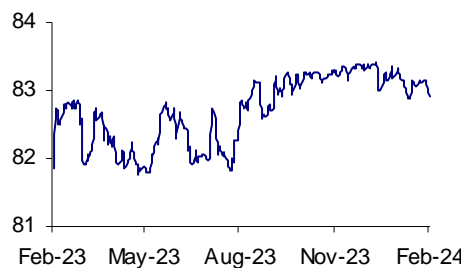
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	82.9	0.1	0.1	0.3
INR~EUR	90.3	(0.8)	(0.5)	1.8
INR~GBP	105.8	(0.7)	(0.5)	(0.1)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	7.1	(0)	(9)	(12)
Interbank call	5.8	-	(110)	(49)

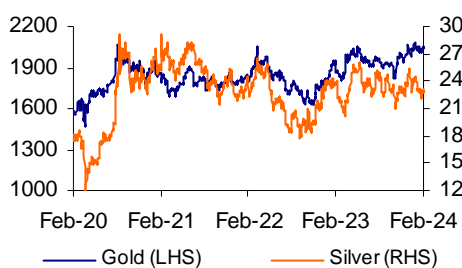
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	2,040	(0.7)	0.0	(1.1)
Crude Oil (\$/Bl)	72	(2.1)	(4.7)	0.6
Aluminium (\$/t)	2,196	(0.5)	(2.0)	(6.4)
Copper (\$/t)	8,374	(0.6)	(1.5)	(1.1)
Zinc (\$/t)	2,440	(1.1)	(3.1)	(7.6)
Lead (\$/t)	2,146	(0.6)	(1.0)	5.5
Nickel (\$/t)	15,985	0.0	(0.2)	(2.4)

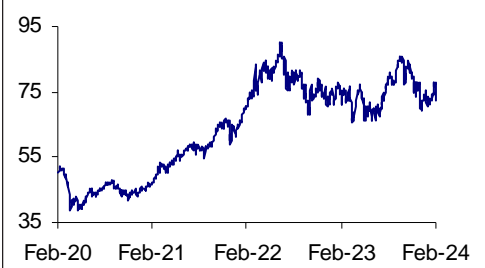
INR/USD



Gold and silver prices (USD/Tr.Oz)

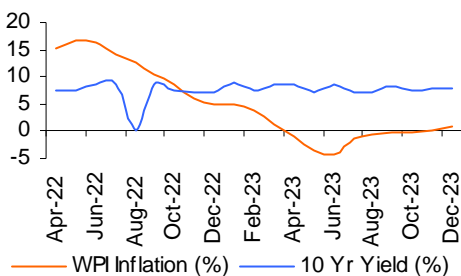


Crude prices (USD/barrel)

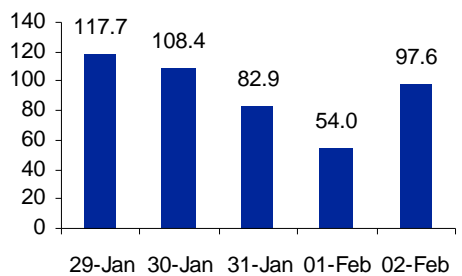


Source: Bloomberg

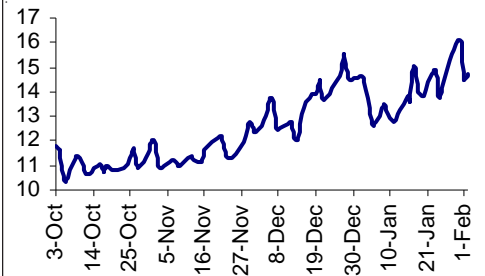
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

CMP	: INR 650
Reco	: BUY ↔
Target Price	: INR 750 ↔
Target Price Change	: No Change
Target FY26 BV (x)*	: 1.2 (SoTP)
EPS Change FY24/ 25/ 26:	-10%/ 0%/ -1%

* Core BV

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Market data	
Sensex	: 72,086
Sector	: Banks
Market Cap (INR bn)	: 5,797.9
Market Cap (USD bn)	: 69.917
O/S Shares (mn)	: 8,924.6
52-wk HI/LO (INR)	: 661/502
Avg. Daily Vol ('000)	: 22,939
Bloomberg	: SBIN IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	59	68	76
BVPS (INR)*	347	401	462
PE (x)*	8.6	7.2	6.1
P/BV (x)*	1.5	1.2	1.0
ROA (%)	0.9	0.9	0.9

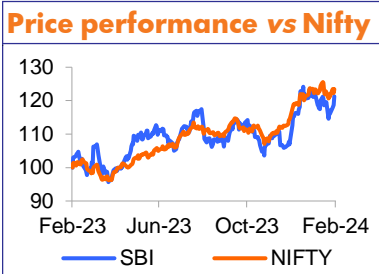
Source: Company, Antique; * adj. for subsidiaries

Returns (%)				
	1m	3m	6m	12m
Absolute	2	14	9	23
Relative	1	1	(1)	2

Source: Bloomberg

Shareholding pattern	
Promoters	: 57%
Public	: 43%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

State Bank of India

Employee provisions impact PAT; credit cost a key earning support

State Bank of India (SBIN) reported a 3QFY24 PAT of INR 92 bn (-35% YoY; RoA of 0.6%) which was below our estimate of INR 119 bn on account of a one-time exceptional pension and gratuity liability impact of INR 71 bn (not to reoccur in coming quarters). PAT was also impacted by a higher wage revision provision of INR 63 bn vs. INR 50 bn that was factored (INR 112 bn in 9MFY24, a final tranche of INR 54 bn to be taken in 4QFY24). Management mentioned normalized salary bills of INR 660 bn for FY25 vs. INR 840 bn in FY24 (including an INR 71 bn pension gratuity hit). NII grew 5% YoY (in-line) and NIM moderated by 7 bps QoQ to 3.2%. Fee income grew 5% YoY. Credit cost was low at 21 bps (vs. 22 bps in 2QFY24) and a write-back of INR 6 bn on investment depreciation supported profitability. Asset quality continues to be in pristine form. Loan growth was strong at 5% QoQ/15% YoY with domestic gross LDR at 68%. CET 1 stood at 10.4%, including 9MFY24 profits (49 bps impact of regulatory action). Overall performance was healthy and the bank continues to gain from the low credit cost cycle, which can continue for some time and is difficult to precisely time the normalization. We largely maintain our earnings for FY25/ 26 and expect SBIN to report a RoA of 0.9% and RoE of 17%. Maintain BUY with an unchanged TP of INR 750 (1.2x FY26 core BV + INR 189 for subsidiaries).

Margin performance was in line

Overall and domestic NIMs contracted 7 and 4 bps QoQ to 3.2% and 3.3% (in line with estimates), management expects NIMs to be largely stable from hereon. Fee income grew 10% YoY and other non-core income increased 23% QoQ on account of higher trading gains of INR 25 bn and forex income of INR of 9 bn. Provisions of INR 63 bn related to wage hikes led to cost growth of 27% YoY and the bank reported an exceptional item of INR 71 bn for pension and gratuity liabilities (factored in employee expenses in our model). The pending wage revision provision for 4QFY24 would be INR 54 bn. Management guided for FY24 employee expense of INR 84 bn (implies INR 22 bn for 4QFY24) and FY25 of INR 66 bn. PPOP (ex-exceptional hit) declined 19% YoY to INR 203 bn (estimate of INR 199 bn). Credit cost was low at 21 bps and provisions to average assets were 5 bps. Reported RoA came in at 0.6% but after normalizing employee expenses it would have been 1.1%–1.2%.

Asset quality is in pristine form

Annualized slippage/ net ratio came in at 0.7% (0.6% in 2QFY24) and 0.4% (vs. 0.1% in 2QFY24). SMA loans (above INR 50 mn) and restructured loans remained low at 0.1% and 0.5% respectively. GNPL % declined from 2.6% to 2.4% and NNPL% was flat at 0.6% QoQ. PCR stood at 74% (91.5% including TWO); SBIN is carrying standard asset provisions of INR 335 bn— 1% of loans (INR 90 bn over and above the standard asset provisions, 0.3% of loans).

Loan growth was strong across segments; domestic LDR still below par

Net loans grew 5.2% QoQ (15% YoY), led by 5% QoQ/ 14% YoY domestic loan growth and overseas loans increased by 5% QoQ (14% YoY). Within domestic loans, growth was strong across the segment as SME loans grew by 7.5% QoQ (19% YoY), retail loans increased by 4% QoQ (15% YoY), and the corporate segment witnessed a pick-up in growth at 5% QoQ (11% YoY vs. 7% YoY in 2QFY24). Within retail, home loans grew 3% QoQ/ 13% YoY, unsecured Xpress Credit book was up 5% QoQ/ 16% YoY, gold loans were up 14% YoY, and auto loans were up by 8% QoQ/ 21% YoY. Deposits grew 1.6% QoQ/ 13% YoY, within which CASA moderated marginally (-0.3% QoQ) and CASA ratio stood at 41%. The gross domestic loan to deposit ratio increased from 66% to 68% QoQ. CET 1 (including 9MFY24 profits stood at 10.4%, our back of the envelope calculations suggest the bank on the back of internal accruals can grow its loan book at a CAGR of 13%–14% without dipping into CET 1.

Investment Summary

SBIN remains one of the key beneficiaries of the improved credit quality cycle and strong internal accruals, excess liquidity (68% domestic gross loan to deposit ratio), best-in-class cost of deposits 4.75%, and low credit cost (21 bps in 3QFY24) would continue to support earnings. Maintain BUY with an unchanged TP of INR 750.

Table 1: Calculation for Adjusted RoA

	3QFY24 - INR mn			3QFY24 - % of average assets		
	Reported	Adjusted	Adjusted	Reported	Adjusted	Adjusted
NII	3,98,157	3,98,157	3,98,157	2.70	2.70	2.70
Fees	62,410	62,410	62,410	0.42	0.42	0.42
Treasury	25,050	25,050	25,050	0.17	0.17	0.17
Forex	9,070	9,070	9,070	0.06	0.06	0.06
recovery	16,280	16,280	16,280	0.11	0.11	0.11
others	1,779	1,779	1,779	0.01	0.01	0.01
core income (NII + Fees)	4,60,567	4,60,567	4,60,567	3.12	3.12	3.12
Opex	3,80,434	2,61,306	2,61,306	2.58	1.77	1.77
Employee expense	1,30,538	1,30,538	1,60,194	0.89	0.89	1.09
One Time	71,000			0.48		
Provision for wage hike	63,128			0.43		
Normalized wage provisions		15,000			0.10	
Other Opex	1,15,767	1,15,767	1,15,767	0.79	0.79	0.79
core PPP	80,134	1,99,262	1,84,606	0.54	1.35	1.25
PPP	1,32,313	2,51,441	2,36,785	0.90	1.71	1.61
Provisions	6,879	6,879	6,879	0.05	0.05	0.05
NPL	17,570	17,570	17,570	0.12	0.12	0.12
Std	1,810	1,810	1,810	0.01	0.01	0.01
MTM	-5,990	-5,990	-5,990	-0.04	-0.04	-0.04
Other Provision	-6,512	-6,512	-6,512	-0.04	-0.04	-0.04
Core PBT (core PPP less NPL provisions)	62,564	1,81,692	1,67,036	0.42	1.23	1.13
PBT	1,25,434	2,44,562	2,29,906	0.85	1.66	1.56
Tax	33,843	65,959	62,006	0.23	0.45	0.42
Tax Rate	27	27	27			
PAT	91,592	1,78,604	1,67,900	0.62	1.21	1.14
Average Assets	5,89,59,673	5,89,59,673	5,89,59,673			

Source: Company, Antique

Note: In the above table we have tried to adjust 3QFY24 numbers to indicate what would have been normalized ROA adjusted for one-off and excess wage hike provisions.

In case 1: We stripped off one-off pension and gratuity provisions and excess wage hike provisions and deducted normalized wage hike provisions that management had indicated and

In case 2: We deducted normalized wage bill that management had indicated. Thereby, we see that bank would have reported normalized ROA of 1.1%-1.2% instead of 0.6%.

Table 2: Quarterly Earnings – Reported

Profit and Loss (INR mn)	3QFY24	3QFY23	YoY %	2QFY24	QoQ %	3QFY24E	Deviation (%)	9MFY24	9MFY23	YoY %
Net Interest Income	3,98,157	3,80,686	4.6	3,95,000	0.8	4,03,918	-1.4	11,82,206	10,44,480	13.2
Other Income	1,14,589	1,14,677	-0.1	1,07,906	6.2	1,17,864	-2.8	3,43,129	2,26,542	51.5
Reported Fee income	62,410	59,280	5.3	65,360	-4.5	66,014	-5.5	1,94,020	1,82,420	6.4
Core Income	4,60,567	4,39,966	4.7	4,60,360	0.0	4,69,932	-2.0	13,76,226	12,26,900	12.2
Other non-core Income	52,179	55,397	-5.8	42,546	22.6	51,850	0.6	1,49,109	44,122	237.9
Operating Expenses	3,80,386	2,43,171	56.4	3,08,740	23.2	3,23,183	17.7	9,45,839	6,80,103	39.1
Employee *	2,64,618	1,47,567	79.3	1,89,264	39.8	2,02,512	30.7	6,19,889	3,96,754	56.2
Others	1,15,767	95,604	21.1	1,19,476	-3.1	1,20,671	-4.1	3,25,950	2,83,349	15.0
Core Operating Profits	80,182	1,96,796	-59.3	1,51,620	-47.1	1,46,749	-45.4	4,30,387	5,46,797	-21.3
Operating Profits	1,32,361	2,52,193	-47.5	1,94,166	-31.8	1,98,599	-33.4	5,79,496	5,90,919	-1.9
Provisions	6,879	57,606	-88.1	1,153	496.7	37,356	-81.6	33,044	1,31,916	-75.0
PBT	1,25,482	1,94,587	-35.5	1,93,013	-35.0	1,61,243	-22.2	5,46,452	4,59,002	19.1
Taxes	33,843	52,534	-35.6	49,713	-31.9	41,762	-19.0	1,42,669	1,23,623	15.4
PAT	91,640	1,42,053	-35.5	1,43,300	-36.1	1,19,481	-23.3	4,03,783	3,35,379	20.4

Source: Company, Antique; *INR 71,000 mn of exceptional item included in employee expenses

Table 3: We largely maintain FY25/ 26 earnings estimate

(INR bn)	Old Est.			New Est.			Change (%)		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Net Interest Income	1,588	1,777	2,059	1,582	1,727	1,981	-0.4	-2.8	-3.8
Other Income	457	489	551	475	497	544	4.1	1.6	-1.4
Net Income	2,044	2,266	2,610	2,058	2,224	2,524	0.6	-1.9	-3.3
Operating Cost	1,149	1,238	1,350	1,298	1,196	1,297	13.0	-3.4	-3.9
Pre-provisioning profit	896	1,028	1,260	760	1,028	1,227	-15.2	0.0	-2.6
Provisions	108	216	335	51	217	315	-53.3	0.9	-5.8
PBT	788	813	925	709	810	912	-10.0	-0.3	-1.4
Tax	204	207	236	184	207	233	-9.6	-0.3	-1.4
PAT	584	605	689	525	604	679	-10.1	-0.3	-1.4

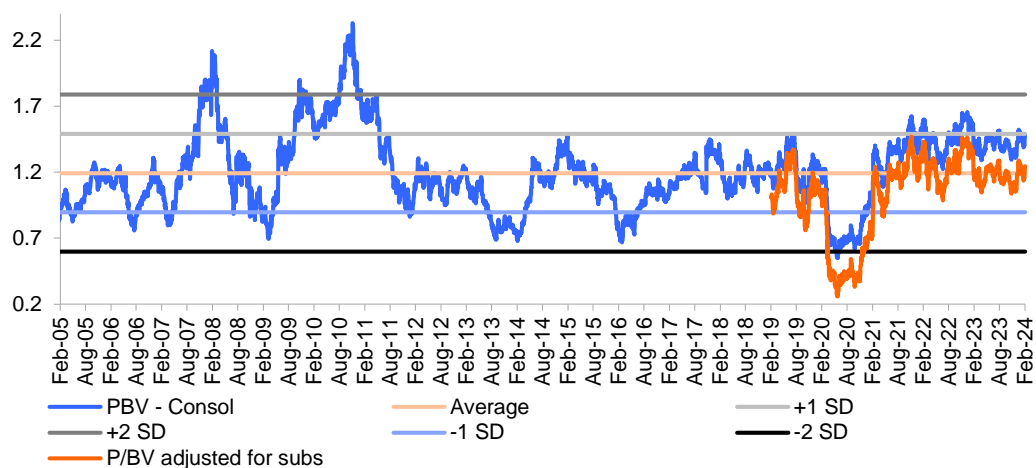
Source: Company, Antique

Table 4: SoTP valuation (FY26)

	Stake (%)	Entity Value (INR bn)	Value for SBIN (INR bn)	Value Per Share (INR)
SBI (Parent Bank)		3,761	4,631	561
Subsidiaries				
SBI Life	55	1,256	978	110
SBI Cards	69	571	521	58
SBI MF	63	320	243	27
Others			145	41
Value of key ventures			1,837	236
Value for SBIN - post 20% discount			1,470	189
SoTP				750

Source: Company, Antique

Exhibit 1: SBIN: PBV chart – one-year forwards basis



Source: Company, Antique

Analyst Meet Highlights

- The bank's loan growth is expected to be in the range of 14%–15% in FY24.
- The bank is guiding to deliver RoE of more than 15% on a sustainable basis.
- Management stated that a large part of the deposit book has been repriced. NIM is expected to be at the current level going ahead.
- The bank has excess SLR to the tune of INR 4 trn.
- The bank's LCR ratio stood at 131% for the quarter.
- The bank has taken a one-time hit of INR 71 bn, of which INR 54 bn was towards estimated liability on account of pension at an uniform rate of 50% for all pensioners and a provision of INR 17 bn on account of ex-gratia benefits and neutralization of Dearness Relief to pre-November 2002 retirees and family pensioners.
- The bank has taken an additional wage revision provision of INR 63 bn during the quarter. Further, wage revision provision in the next quarter is expected to be at INR 54 bn.
- Based on loan growth demand and trend if that exceeds management expectations, the bank is open to raising capital. Including profit for 9MFY24, CET 1 ratio stands at 10.4%.
- With the current capital adequacy ratio, management believes, the bank can accelerate the loan book of INR 7.5 trn without raising capital.
- RBI's increase in risk weights on NBFCs and unsecured loans has impacted the bank's CET I ratio by 49 bps. The bank has increased the lending rate on NBFCs and its Xpress credit book due to an increase in the risk weights of the portfolio.
- Management is hoping to improve the cost to income ratio by improving productivity, leveraging analytics, and technology.
- The share of fixed rate book stood at 21%, MCLR book at 38%, and the balance is other EBLR-linked loans.

Table 5: DUPONT Analysis: Reported RoA at 0.6% (% of average assets)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	Q3FY24
NII	2.4	2.7	2.6	2.5	2.5	2.8	2.9	3.0	2.8	2.8	2.7
Fees	0.5	0.5	0.5	0.7	0.5	0.5	0.5	0.6	0.5	0.5	0.4
Operating Income	2.9	3.2	3.1	3.2	3.0	3.2	3.3	3.6	3.3	3.2	3.1
Employee Exp.	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.3	1.2	1.3	1.8
Other Exp.	0.7	0.8	0.7	0.9	0.7	0.8	0.7	0.9	0.7	0.8	0.8
Core PPP	1.1	1.3	1.3	1.3	1.3	1.4	1.5	1.4	1.4	1.1	0.5
Forex	0.1	0.0	0.0	0.1	0.2	0.0	0.1	0.0	0.0	0.0	0.1
Trading & Others	0.5	0.2	0.2	0.2	-0.5	0.2	0.3	0.4	0.4	0.3	0.3
Other Income	1.0	0.7	0.7	1.0	0.2	0.7	0.9	1.0	0.9	0.8	0.8
PPP	1.7	1.6	1.6	1.6	1.0	1.7	1.9	1.8	1.8	1.4	0.9
Provisions	0.9	0.7	0.6	0.6	0.4	0.2	0.4	0.2	0.2	0.0	0.0
PBT	0.8	0.9	1.0	1.0	0.7	1.4	1.5	1.6	1.6	1.4	0.9
Tax	0.2	0.2	0.3	0.3	0.2	0.4	0.4	0.3	0.4	0.3	0.2
PAT	0.6	0.7	0.7	0.7	0.5	1.0	1.1	1.2	1.2	1.0	0.6
Leverage	17.6	17.5	17.5	17.6	17.5	17.1	16.8	16.7	16.5	16.2	16.2
RoE	10.1	11.5	12.4	13.1	8.5	17.8	18.2	20.6	20.1	16.3	10.1

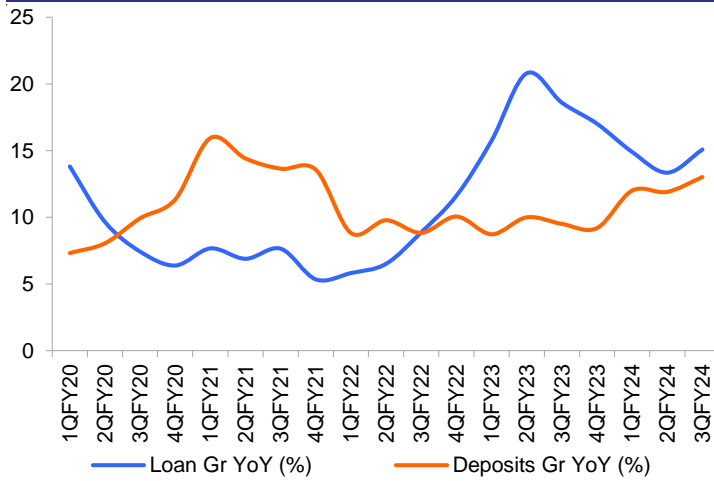
Source: Company, Antique

Table 6: DUPONT Analysis: RoA expected to be around 0.9% over FY24/ 26E respectively (% of average assets)

Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Interest Income	2.4	2.2	2.5	2.6	2.6	2.5	2.8	2.7	2.7	2.8
Core Fee Income	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Core Income	3.1	2.9	3.2	3.2	3.2	3.1	3.2	3.2	3.1	3.2
Operating Expenses	1.9	1.8	2.0	2.0	1.9	2.0	1.9	2.2	1.8	1.8
Employee cost	1.1	1.0	1.2	1.2	1.2	1.2	1.1	1.4	1.1	1.0
Others	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Core operating Profits	1.3	1.2	1.2	1.2	1.2	1.1	1.4	1.0	1.3	1.4
Non-interest income	1.4	1.3	1.0	1.2	1.0	0.9	0.7	0.8	0.8	0.8
Non-recurring Income	0.7	0.6	0.3	0.5	0.5	0.3	0.2	0.3	0.3	0.3
Operating Profits	1.9	1.8	1.6	1.8	1.7	1.4	1.6	1.3	1.6	1.7
Provisions	2.0	2.2	1.5	1.1	1.0	0.5	0.3	0.1	0.3	0.4
NPA	1.8	2.1	1.5	1.1	0.6	0.3	0.2	0.1	0.3	0.4
PBT	0.0	-0.5	0.0	0.7	0.6	0.9	1.3	1.2	1.3	1.3
Tax	0.0	-0.3	0.0	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Tax Rate	-43.3	57.8	46.4	42.2	25.7	27.1	25.3	26.0	25.5	25.5
RoA	-0.1	-0.2	0.0	0.4	0.5	0.7	1.0	0.9	0.9	0.9
Leverage (x)	18.5	18.8	18.9	19.6	20.2	20.3	19.7	18.9	18.3	17.7
RoE	-1.1	-3.6	0.5	7.5	9.7	13.5	18.8	17.0	17.1	16.8

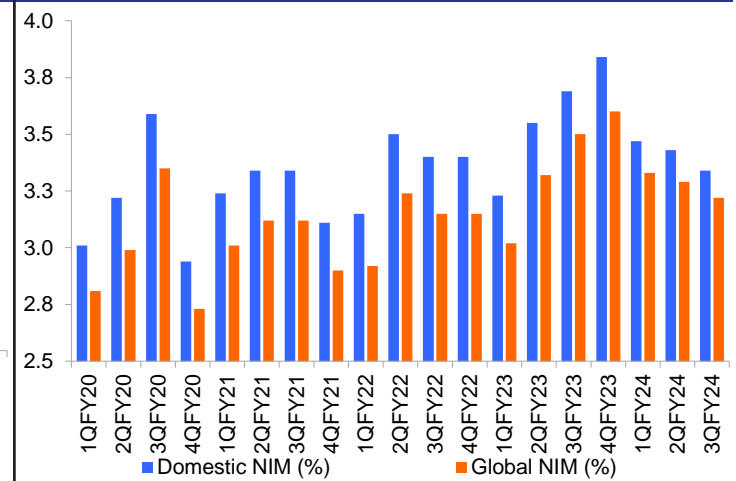
Source: Company, Antique

Exhibit 2: Loan book growth was healthy



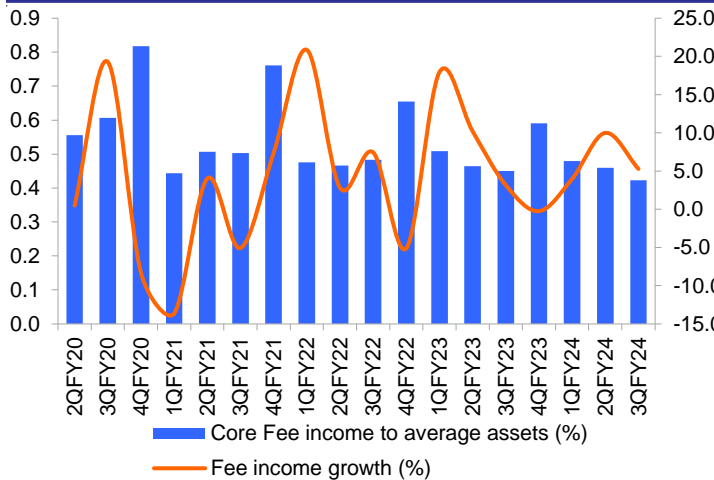
Source: Company, Antique

Exhibit 3: NIM contracted marginally on sequential basis



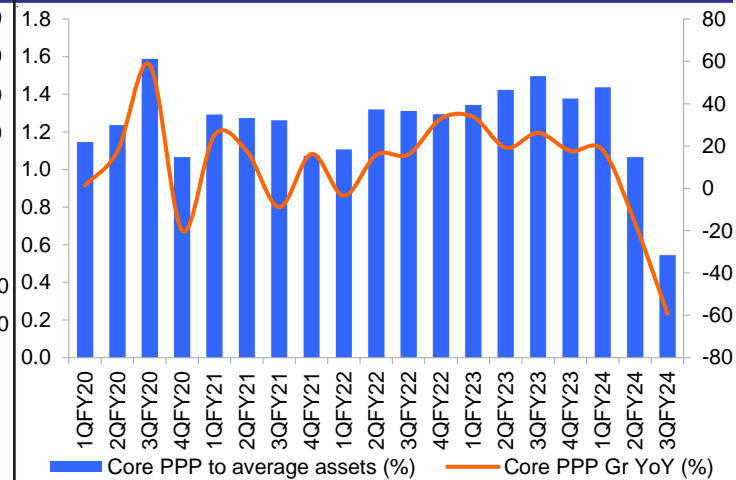
Source: Company, Antique

Exhibit 4: Fee income contribution remained stable QoQ



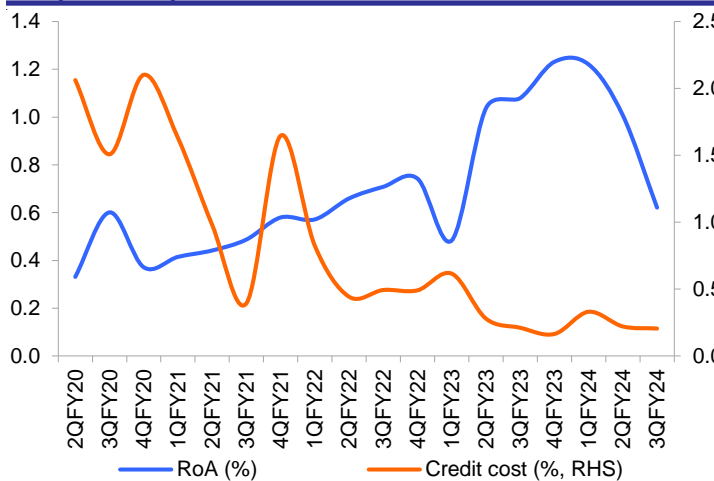
Source: Company, Antique

Exhibit 5: High opex led to decline in core PPP growth



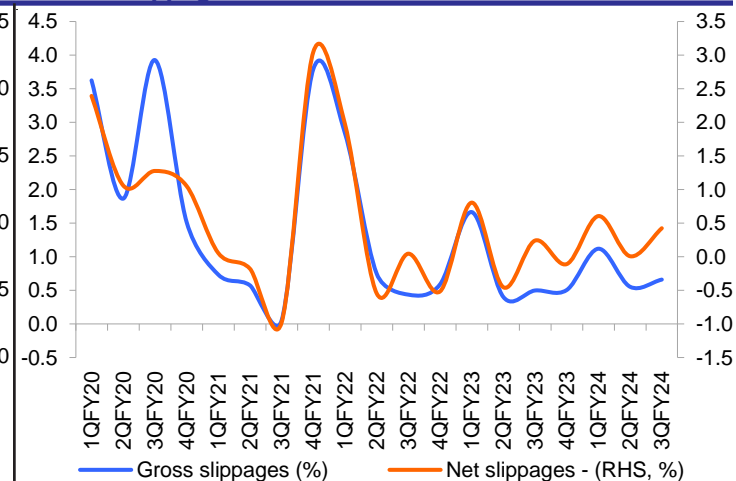
Source: Company, Antique

Exhibit 6: Reported RoA impacted by one-time exceptional expense



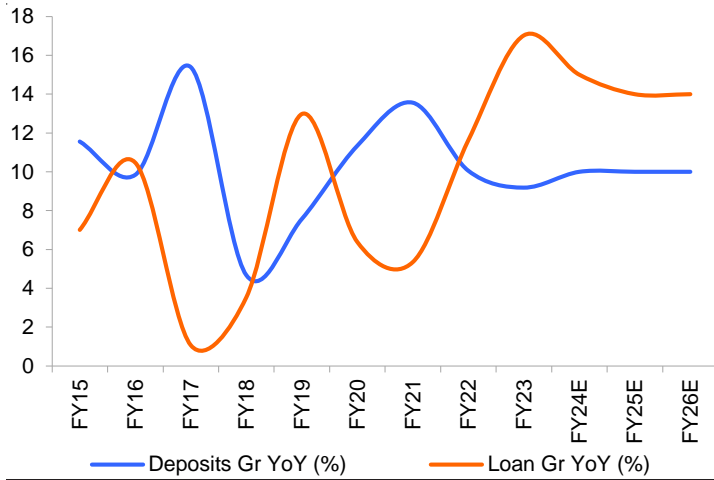
Source: Company, Antique

Exhibit 7: Slippages are well under control



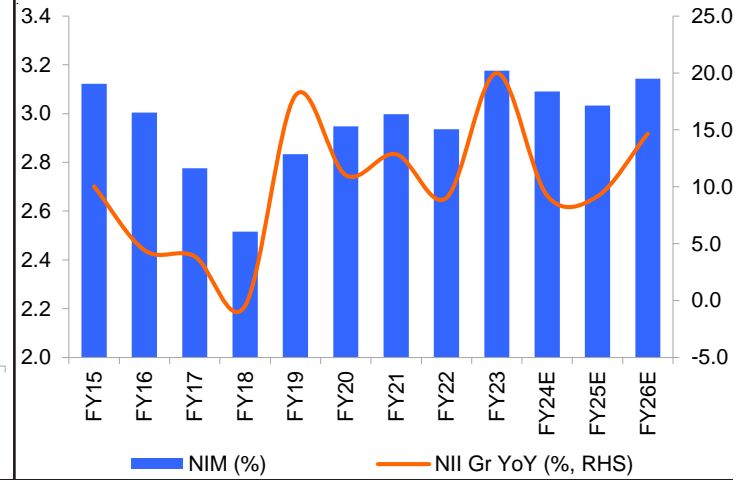
Source: Company, Antique

Exhibit 8: Loan growth expected to remain healthy



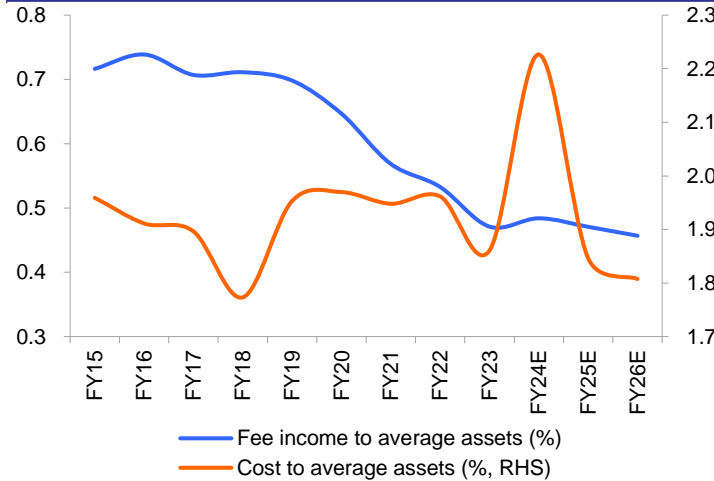
Source: Company, Antique

Exhibit 9: Margins expected to sustain at +3%



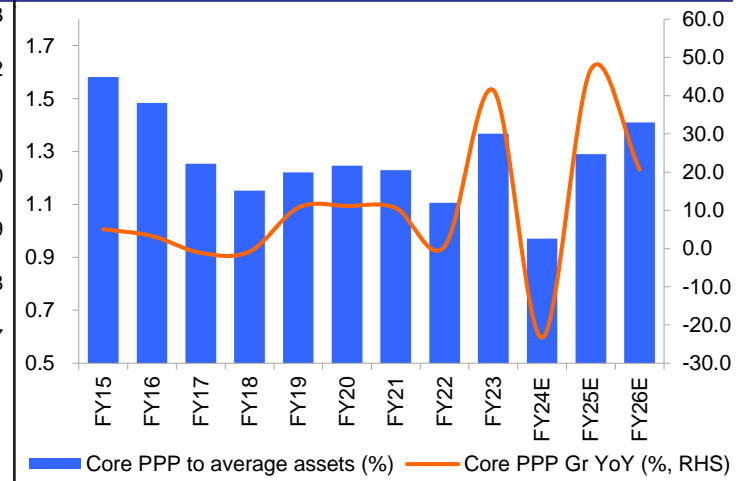
Source: Company, Antique

Exhibit 10: Fee income contribution to remain stable



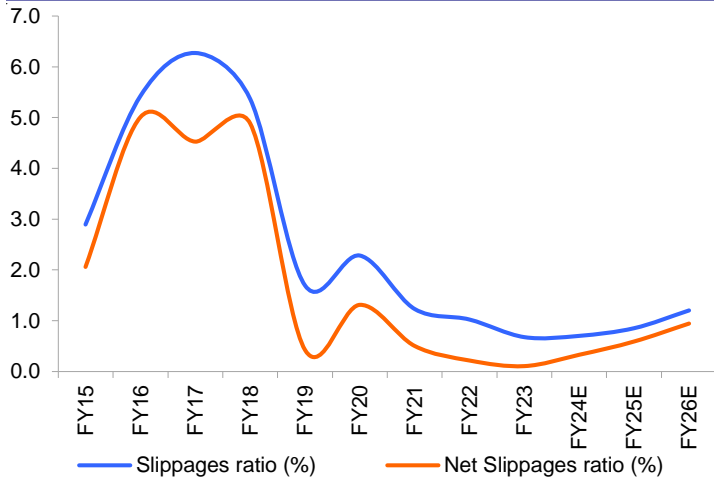
Source: Company, Antique

Exhibit 11: Core PPP as % of average assets to bounce back in FY25/26



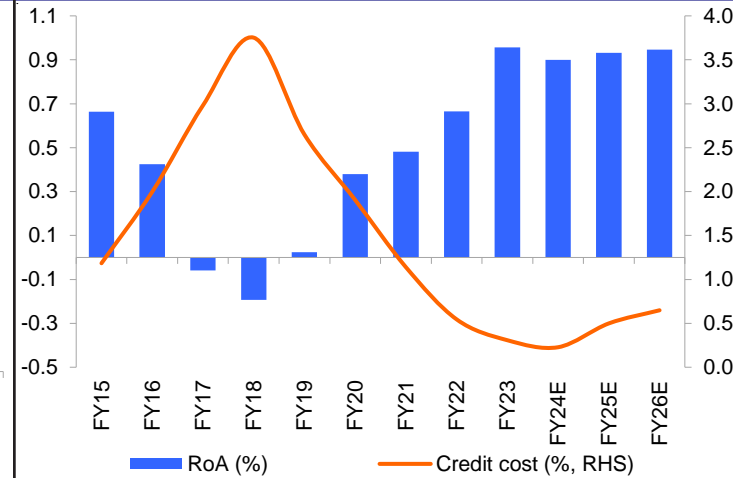
Source: Company, Antique

Exhibit 12: Gradual increase in slippages expected



Source: Company, Antique

Exhibit 13: RoA expected to be around 0.9% over FY24-26



Source: Company, Antique

Table 7: Quarterly performance snapshot

INR mn	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
Net Interest Income	3,06,874	3,11,979	3,11,959	3,51,834	3,80,686	4,03,925	3,89,050	3,95,000	3,98,157	1	5
Other Income	86,734	1,18,802	23,122	88,743	1,14,677	1,39,614	1,20,634	1,07,906	1,14,589	6	0
Trading profits	5,140	1,780	-65,490	4,570	29,380	18,000	38,470	20,210	25,050	24	-15
Fee Income	57,470	80,230	63,720	59,420	59,280	80,030	66,250	65,360	62,410	-5	5
Forex Income	4,840	15,210	20,140	4,060	13,880	-290	2,860	2,980	9,070	204	-35
Others	19,284	21,582	4,752	20,693	12,137	41,874	13,054	19,356	18,059	-7	49
Total Income	3,93,608	4,30,780	3,35,081	4,40,577	4,95,364	5,43,539	5,09,683	5,02,906	5,12,746	2	4
Operating Expenses	2,08,392	2,33,612	2,07,556	2,29,377	2,43,171	2,97,328	2,56,714	3,08,740	3,80,386	23	56
Employee	1,24,715	1,25,560	1,20,514	1,28,674	1,47,567	1,76,164	1,66,007	1,89,264	2,64,618	40	79
Others	83,677	1,08,052	87,042	1,00,703	95,604	1,21,164	90,707	1,19,476	1,15,767		
Operating Profits	1,85,216	1,97,168	1,27,526	2,11,200	2,52,193	2,46,211	2,52,969	1,94,166	1,32,361	-32	-48
Provisions	69,740	72,375	43,924	30,387	57,606	33,157	25,013	1,153	6,879	497	-88
Prov. for NPA	30,961	32,617	42,680	20,110	15,860	12,780	26,520	18,149	17,570	-3	11
PBT	1,15,477	1,24,794	83,602	1,80,813	1,94,587	2,13,054	2,27,956	1,93,013	1,25,482	-35	-36
Taxes	31,158	33,659	22,921	48,168	52,534	46,109	59,113	49,713	33,843	-32	-36
PAT	84,319	91,135	60,681	1,32,645	1,42,053	1,66,945	1,68,843	1,43,300	91,640	-36	-35
Asset Quality (INR bn)											
GNPA	1,200	1,120	1,133	1,068	983	909	913	870	867	0	-12
NNPA	345	280	283	236	235	215	230	214	224	5	-5
GNPA (%)	4.5	4.0	3.9	3.5	3.1	2.8	2.8	2.6	2.4	-13	-72
NNPA (%)	1.3	1.0	1.0	0.8	0.8	0.7	0.7	0.6	0.6	0	-13
PCR (Calculated, %)	71.2	75.0	75.1	77.9	76.1	76.4	74.8	75.4	74.2	-128	-195
PCR (Reported, %)	88.4	90.2	90.1	91.5	91.5	91.9	91.4	91.9	91.5	-44	-3
Slippages	26	36	101	24	32	35	79	41	50	24	57
Slippage Ratio (%)	0.4	0.6	1.7	0.4	0.5	0.5	1.1	0.6	0.7	11	16
Net Slippages	3	-32	49	-28	16	-7	43	1	32	4,821	107
Net Slippage Ratio (%)	0.0	-0.5	0.8	-0.5	0.2	-0.1	0.6	0.0	0.4	42	18
Credit Cost (%)	0.5	0.5	0.6	0.3	0.2	0.2	0.3	0.2	0.2	-2	-1
Margins - reported (%)											
Yield on Advances	7.6	7.6	7.4	7.7	7.9	8.1	8.8	8.9	8.9	2	101
Cost of deposits	3.8	3.8	3.8	3.8	3.9	4.0	4.6	4.7	4.8	10	85
Global NIMs - Quarterly	3.2	3.2	3.0	3.3	3.5	3.6	3.3	3.3	3.2	-7	-28
Ratios (%)											
CAR	13.2	13.8	13.4	13.5	13.3	14.7	14.6	14.3	13.1		
CET 1	9.4	9.9	9.7	9.5	9.3	10.3	10.2	9.9	9.1		
Tier I	10.9	11.4	11.2	11.1	10.8	12.1	12.0	11.8	10.6		
RoA (cal)	0.7	0.7	0.5	1.0	1.1	1.2	1.2	1.0	0.6		

Source: Company, Antique

Quarterly performance continued...

3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)	
Balance Sheet (INR bn)											
Net Loans	25,784	27,340	28,152	29,513	30,582	31,993	32,350	33,452	35,195	5	15
Gross Loans	26,646	28,187	29,006	30,351	31,336	32,692	33,037	34,113	35,843	5	14
Gross Domestic Loans	22,642	24,068	24,508	25,474	26,472	27,768	28,204	28,840	30,303	5	14
Large Corporate	7,834	8,707	8,740	9,170	9,250	9,798	9,822	9,777	10,241	5	11
SME	3,072	3,055	3,128	3,169	3,506	3,593	3,699	3,890	4,181	7	19
Agri	2,215	2,282	2,299	2,386	2,470	2,586	2,641	2,739	2,917	7	18
Retail	9,522	10,023	10,341	10,749	11,245	11,792	12,043	12,434	12,963	4	15
Home	5,385	5,617	5,751	5,943	6,132	6,407	6,525	6,723	6,939	3	13
Auto	774	791	820	872	933	975	1,009	1,049	1,131	8	21
Others	3,363	3,615	3,770	3,934	4,180	4,409	4,509	4,663	4,893	5	17
Xpress Credit	2,287	2,477	2,595	2,718	2,880	3,040	3,108	3,203	3,354	5	16
Gross Overseas Loans	4,004	4,119	4,498	4,877	4,864	4,924	4,833	5,272	5,540	5	14
% of Gross loans											
Gross Domestic Loans	85.0	85.4	84.5	83.9	84.5	84.9	85.4	84.5	84.5		
Large Corporate	29.4	30.9	30.1	30.2	29.5	30.0	29.7	28.7	28.6		
SME	11.5	10.8	10.8	10.4	11.2	11.0	11.2	11.4	11.7		
Agri	8.3	8.1	7.9	7.9	7.9	7.9	8.0	8.0	8.1		
Retail	35.7	35.6	35.7	35.4	35.9	36.1	36.5	36.5	36.2		
Home	20.2	19.9	19.8	19.6	19.6	19.6	19.8	19.7	19.4		
Auto	2.9	2.8	2.8	2.9	3.0	3.0	3.1	3.1	3.2		
Others	12.6	12.8	13.0	13.0	13.3	13.5	13.6	13.7	13.7		
Xpress Credit	8.6	8.8	8.9	9.0	9.2	9.3	9.4	9.4	9.4		
Gross Overseas Loans	15.0	14.6	15.5	16.1	15.5	15.1	14.6	15.5	15.5		
Deposits											
Deposits	38,478	40,515	40,457	41,903	42,136	44,238	45,312	46,892	47,622	2	13
CA	2,272	2,619	2,337	2,326	2,277	2,814	2,582	2,530	2,495	-1	10
SA	14,735	15,132	15,340	15,652	15,730	15,815	16,078	16,330	16,318	0	4
Term deposits	21,471	22,765	22,780	23,925	24,129	25,609	26,652	28,032	28,809	3	19
% of deposits											
CA	5.9	6.5	5.8	5.6	5.4	6.4	5.7	5.4	5.2		
SA	38.3	37.3	37.9	37.4	37.3	35.7	35.5	34.8	34.3		
Term deposits	55.8	56.2	56.3	57.1	57.3	57.9	58.8	59.8	60.5		

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Income	27,54,573	33,21,031	41,46,760	47,38,768	53,35,615
Interest Expense	15,47,497	18,72,626	25,64,502	30,11,581	33,55,057
Net Interest Income	12,07,076	14,48,405	15,82,259	17,27,188	19,80,558
% Nil Growth	9.0	20.0	9.2	9.2	14.7
Fee Income	2,45,652	2,62,447	2,78,193	2,94,885	3,12,578
Non-interest income	4,05,639	3,66,156	4,75,463	4,96,696	5,43,622
Net Revenue	16,12,715	18,14,561	20,57,721	22,23,883	25,24,180
Employees Expenses	5,75,620	5,72,918	8,36,461	6,85,898	7,40,770
Other Op. Expenses	3,58,355	4,04,513	4,61,644	5,10,265	5,56,210
Operating Profit	6,78,740	8,37,130	7,59,617	10,27,720	12,27,200
% OP Growth	-5.1	23.3	-9.3	35.3	19.4
Tax	1,17,459	1,69,732	1,84,354	2,06,622	2,32,561
Total Provisions	2,44,521	1,65,073	50,564	2,17,438	3,15,197
Net Profit	3,16,760	5,02,324	5,24,699	6,03,660	6,79,442

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Capital	8,925	8,925	8,925	8,925	8,925
Reserves and Surplus	27,91,956	32,67,160	36,86,919	41,69,847	47,13,401
Deposits	4,05,15,341	4,42,37,778	4,86,61,556	5,35,27,711	5,88,80,482
Borrowings	42,60,434	49,31,352	59,94,300	68,82,145	77,07,063
Other Liabilities & Provisions	22,99,318	27,24,571	30,87,068	35,33,373	40,46,418
Total liabilities	4,98,75,974	5,51,69,785	6,14,38,768	6,81,22,001	7,53,56,289
Cash & Balances with RBI	31,82,652	24,70,876	23,49,578	28,63,074	31,40,836
Bal. with banks/ call money	7,62,871	6,08,120	4,96,172	5,45,732	6,00,006
Investment	1,48,14,455	1,57,03,662	1,68,02,919	1,73,07,006	1,78,26,216
Loans and advances	2,73,39,666	3,19,92,693	3,67,91,597	4,19,42,420	4,78,14,359
Fixed Assets	3,77,082	4,23,818	4,32,294	4,40,940	4,49,759
Other Assets	33,99,249	39,70,616	45,66,208	50,22,829	55,25,112
Total assets	4,98,75,974	5,51,69,785	6,14,38,768	6,81,22,001	7,53,56,289

Asset Quality

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross NPA (INR mn)	11,20,234	9,09,278	8,65,021	9,67,597	11,64,470
Gross NPA (%)	4.0	2.8	2.3	2.3	2.4
Net NPA (INR mn)	2,79,657	2,14,666	2,43,223	2,63,965	3,69,128
Net NPA (%)	1.0	0.7	0.7	0.6	0.8
% coverage of NPA	74.9	76.2	71.9	72.7	68.3
Delinquencies (%)	1.0	0.7	0.7	0.9	1.2

Source: Company, Antique

Capital Adequacy Ratio

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RWA (INR mn)	2,47,87,215	2,78,30,587	3,25,62,547	3,67,85,881	4,14,45,959
Tier I (%)	11.4	12.1	11.6	11.6	11.7
Tier II (%)	2.4	2.6	2.4	2.3	2.1
Total CAR (%)	13.8	14.7	14.0	13.9	13.8

Business Ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Credit / Deposit (%)	67.5	72.3	75.6	78.4	81.2
Investment / Deposit (%)	36.6	35.5	34.5	32.3	30.3
CASA (%)	44.5	42.7	40.5	39.6	38.8
RoA (%)	0.7	1.0	0.9	0.9	0.9
Core RoE (%)	13.5	18.8	17.0	17.1	16.8
Dividend Yield (%)	1.1	1.7	1.8	2.1	2.3

Key assumptions

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Deposits					
Deposit growth (%)	10.1	9.2	10.0	10.0	10.0
Cost of deposits (%)	3.7	3.8	4.8	5.1	5.2
Advances					
Advances growth (%)	11.6	17.0	15.0	14.0	14.0
Yield on advances (%)	6.6	7.5	8.4	8.6	8.8
Investments					
Investments growth (%)	9.6	6.0	7.0	3.0	3.0
Yield on investments (%)	6.0	6.3	6.7	6.9	7.0

Earnings Ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Interest Inc. / Avg. assets (%)	5.8	6.3	7.1	7.3	7.4
Interest Exp./ Avg. assets (%)	3.3	3.6	4.4	4.6	4.7
NIM (%)	2.9	3.2	3.1	3.0	3.1
Int. exp/ Int earned (%)	56.2	56.4	61.8	63.6	62.9
Oth. Inc./ Tot. Inc. (%)	25.2	20.2	23.1	22.3	21.5
Staff exp/Total opt. exp (%)	61.6	58.6	64.4	57.3	57.1
Cost/ Income Ratio (%)	57.9	53.9	63.1	53.8	51.4
Prov./ Operating Profit (%)	36.0	19.7	6.7	21.2	25.7
Loan loss prov./Avg. loans (bps)	55	31	23	50	65

Per Share Data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Book value per share (INR)	255	300	347	401	462
Adj. BVPS (INR)	233	283	328	380	433
Price/ Book value	2.1	1.8	1.5	1.2	1.0
EPS (INR)	35	56	59	68	76
P/E Ratio	15.4	9.3	8.6	7.2	6.1
DPS	7.1	11.3	11.8	13.5	15.2

Source: Company Antique

CMP	: INR 2,525
Reco	: BUY ↔
Target Price	: INR 2,955 ↑
Target Price Change	: 19%
Target FY26 P/E (x)	: 40
EPS Change FY24/ 25/ 26:	3%/ 4%/ 5%

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Market data	
Sensex	: 72,086
Sector	: Pharmaceuticals
Market Cap (INR bn)	: 854.8
Market Cap (USD bn)	: 10.308
O/S Shares (mn)	: 338.4
52-wk HI/LO (INR)	: 2576/1446
Avg. Daily Vol ('000)	: 316
Bloomberg	: TRP IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	48.4	61.0	73.9
P/E (x)	52.2	41.4	34.2
P/BV (x)	12.5	10.8	9.3
EV/EBITDA (x)	26.3	22.4	19.4
Dividend Yield (%)	1.2	1.2	1.5

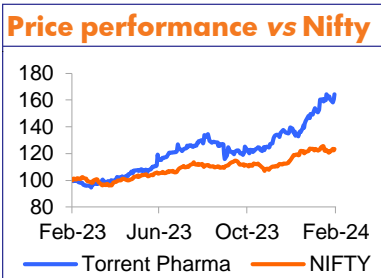
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	9	31	28	64
Relative	8	16	17	36

Source: Bloomberg

Shareholding pattern	
Promoters	: 71%
Public	: 29%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Torrent Pharmaceuticals

India business to grow at ~13%, margin guidance raised

Torrent Pharma (TRP) reported a revenue growth of ~10% on a YoY basis, largely in line with our estimate. Its branded India formulations business grew by ~12%, driven by new launches, growth in top brands, and the consumer health portfolio. Amongst its key growth drivers-volume and new introductions combined contributed ~7%, and price growth was ~5%. On the export front, Brazil formulations grew at a healthy growth rate of 16% in CC terms on a YoY basis, driven by improved pricing and new launches. TRP launched three products in the Brazil market during CY23 and expects to launch about five more in CY24. Brazil remains the largest and the most profitable export geography for TRP. During the quarter, the German business also maintained its growth momentum by growing 12% YoY on account of new tender wins and higher market share in existing tenders.

Gross margin continues to remain healthy at ~74.5% for the quarter, improving ~3.8% on a YoY basis driven by improved business mix and price hikes. TRP's EBITDA margin too reflected a similar improvement with the margin coming in at ~31.8%. With a strong growth outlook for India and Brazil businesses coupled with improving German and US formulations, we expect TRP's revenue to grow at a CAGR of 12% over a two-year period. We increase our revenue estimates by ~4%, EBITDA margin assumption to ~33%, driving our EPS to rise by ~5% for FY26. We maintain BUY rating on the stock and increase our target price to INR 2,955 (earlier INR 2,481), valuing the company at revised PE multiple of 40x on FY26 EPS as against 35x P/E earlier, on account of strong business momentum and structural improvement in RoCE.

Building a sustainable India and Brazil model

During the quarter, the branded India business grew by 12%, within which volume growth including new introductions remained robust at ~7%. After its foray into the OTC business in FY24, TRP now has Shelcal 500, Unienzyme, Tedibar, and Ahaglow as anchor brands. TRP believes the OTC foray is likely to accelerate volume growth and margins as the discounts extended in the Rx channel is ~30%, which are relatively lower for OTC channels, with no change in prices.

With an expected higher sales growth from its OTC foray, faster integration of the Curatio portfolio along with price hikes, and new launches in its base business, we expect TRP's India business revenue to grow at ~13% CAGR over a two-year period driven by ~5% price increase and ~8% volume (incl. new launches).

Brazil too delivered a healthy growth of 16% in CC terms, led by price hikes and new launches. Going forward, TRP will be launching around five products annually in its core therapies of Cardiac, CNS, and Anti-diabetic. TRP has ~300 MRs and plans to add newer therapies of Derma and Oncology to expand its product portfolio. On the back of these initiatives and an expected patent cliff we expect TRP's Brazil business to grow at 11% CAGR over a two-year period.

Investment Summary

We continue to remain constructive on TRP's domestic business and the Brazil franchise, with both geographies expected to grow higher than market growth rates. Given the (i) OTC foray, (ii) Higher growth in its key geographies of India and Brazil, and (iii) Recovery in the German and US formulations businesses, we expect the EBITDA margin to improve to ~33% by FY26. With the strong underlying cash flow from its India business, TRP has been able to repay debt of INR 10+ bn and is expected to halve its debt by FY25. With RoCE likely to move at ~35% and EPS likely to grow at a healthy ~24% over a two-year period, we maintain BUY rating on the stock.

Conference Call Highlights

Operational highlights

- TRP in 3QFY24 reported sales of INR 27.3 bn, growing 10% YoY, primarily aided by India and Brazil markets.
- Gross margin expanded 380 bps YoY to 74.5%
- Staff cost and other expenses grew 17% and 9% respectively.
- The margin came at 31.8%, an expansion of 270 bps YoY and 80 bps QoQ.
- R&D spend for the quarter was 4.6% at INR 1.27 bn.
- The company reported negative other income of INR 330 mn due to an INR 350 mn forex loss which is expected to be reversed in the coming quarter.
- For the quarter, the company recognized a net gain of INR 880 mn on the sale of a liquid facility in the US which was impaired during the earlier years.
- ETR for 3Q was 29.8% vs. 30.9% YoY due to a change in the geographic mix.
- PAT for the quarter was INR 4.43 bn, growing ~57% YoY.

India Formulations

- The branded India business grew 12% YoY for the quarter to INR 14.15 bn. The growth was driven by new launches, top brands, and the consumer healthcare business.
- India accounted for 52% of quarterly sales.
- As per AIOCD, IPM grew 9% with TRP growing at a faster rate. Volume growth for IPM was ~1% while TRP's volume growth was ~3%.
- Sitagliptan is now an INR 1 bn+ brand for TRP.
- Shelcal 500 supported by a national media campaign.
- Tedibar and Shelcal are not part of AIOCD, as the channel is different, which is why there is a difference in AIOCD and the reported numbers.
- TRP now has 13 INR 1 bn+ revenue brands.
- MR strength is now at 5,700.
- 20 of TRP's brands are now in the top 100.
- Curatio:
 - The company marked the completion of 1+ year since the Curatio acquisition.
 - Curatio QoQ business margins expand aided by cost optimization measures such as the merged MR division and increase in doctor coverage.
 - Dermatology and pediatric doctor coverage has increased by 20%-25%.
- The company is now confident of outperforming IPM.
- Trade generic accounts for ~2%-3% of geography revenue but has been growing at ~25% YoY rate. The company expects the growth rate to sustain for the coming 1-2 years on a low base with a focus on profitability.
- Growth in branded chronic generics to be driven by new launch, improving productivity and MR expansion.
- The company guided to adding ~200-300 MRs annually.
- MR productivity now stands at INR 0.8 mn levels and targets to reach INR 1 mn PCPM (same as pre-MR expansion and pre-Curatio acquisition).
- In CY23, the company entered into two in-licensing opportunities, of which one is a chronic product. The company will continue to enter a chronic product in-licensing opportunity annually.
- Management expects ~3% volume growth for FY25.

US generics

- The US business grew 10% QoQ to USD 33 mn.
- 7-8 new launches are expected in the US in the next six quarters.
- The company continues to await inspection of the Indrad unit.
- The US price erosion for TRP is in low single digits.
- The company will focus on profitable growth for the market i.e. achieving positive pre-R&D EBITDA. The current business has almost broken even at pre-R&D EBITDA level.

Germany

- The German business grew 12% YoY to INR 2.7 bn driven by tenders.
- New tenders won by the company during the current quarter will begin to contribute from 1QFY25.
- TRP launched seven products in the market and plans to launch 10 annually.
- TRP now accounts for ~5.7% of the German market share.
- Segment to see QoQ improvement for the next three quarters.

Brazil

- Brazil's revenue grew 26% YoY to INR 3,120. CC growth was 16% to BRL 185 mn. The growth was driven by new launch momentum and generic business.
- The company launched three products during the year. It plans to launch five branded products annually.
- During the quarter CNS field force expansion was completed.
- The company has 318 MRs in the market, consisting of two CNS teams and one Cardio.
- On the generic side, the company plans to add 5-10 molecules annually.
- TRP expects to sustain double-digit growth in the market.
- TRP now ranks 20th in the Brazilian pharma market as per IQVIA vs. 27th five years ago.
- Generics now account for ~14% of sales.
- In the near future, the company plans to expand its therapeutic presence in Derma and Oncology.
- The company's Brazilian market growth to be driven by ~5%-10% annual price increase, patent expiries, and unmet demand. TRP to grow through volume growth, pricing, and new launches.
- Brazil's operating leverage is better given TRP's lean cost structure.
- The company is currently selling 24 products and has 15 products awaiting approval.

Guidance

- The company is confident of sustaining ~32% margin with ~100 bps annual improvement.
- R&D spend to be ~5%-5.5% for FY25 and ~5.5%-6% for FY26.
- The company is currently not actively looking for M&A.

Exhibit 1: Segmental Revenue snapshot

(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
India	14,150	12,590	12	14,440	(2)	42,850	37,280	15
US	2,740	2,910	(6)	2,480	10	8,150	8,820	(8)
Brazil	3,120	2,480	26	2,520	24	7,540	6,170	22
Germany	2,700	2,410	12	2,660	2	7,940	6,750	18
RoW	2,400	2,600	(8)	2,480	(3)	7,380	6,410	15
CRAMS (incl. Others)	1,800	1,600	13	1,700	6	4,810	4,690	3
Gross sales	26,910	24,590	9	26,280	2	78,670	70,120	12

Source: Antique & Company

Exhibit 2: Quarterly snapshot

(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenue	27,320	24,910	10	26,600	3	79,830	71,290	12
Cost of Material Consumed	6,970	7,300	(5)	6,600	6	20,070	20,310	(1)
% of sales	25.5	29.3	(379)bps	24.8	70 bps	25.1	28.5	(335)bps
Employee cost	4,960	4,230	17	5,030	(1)	14,980	12,370	21
% of sales	18.2	17.0	117 bps	18.9	(75)bps	18.8	17.4	141 bps
Other expenses	6,700	6,140	9	6,720	(0)	19,930	17,460	14
% of sales	24.5	24.6	(12)bps	25.3	(74)bps	25.0	24.5	47 bps
Total Exp	18,630	17,670	5	18,350	2	54,980	50,140	10
EBIDTA	8,690	7,240	20	8,250	5	24,850	21,150	17
Margin %	31.8	29.1	274 bps	31.0	79 bps	31.1	29.7	146 bps
Other income	(330)	(100)		260		270	360	
Interest	800	1,020		910		2,740	2,260	
Depreciation	2,130	1,930		2,010		6,050	5,110	
PBT before exceptional	5,430	4,190	30	5,590	(3)	16,330	14,140	15
Exceptional item	(880)	-		-		(880)	-	
PBT after exceptional	6,310	4,190	51	5,590	13	17,210	14,140	22
Tax	1,880	1,360		1,730		5,140	4,650	
Tax Rate %	29.8	32.5	(266)bps	30.9	(115)bps	29.9	32.9	(302)bps
PAT before MI	4,430	2,830	57	3,860	15	12,070	9,490	27
Reported PAT	4,430	2,830	56.5	3,860	14.8	12,070	9,490	27.2
Adjusted PAT	3,855	2,830	36.2	3,860	(0.1)	11,495	9,490	21.1
Adj. EPS (INR)	11.4	8.4	36.2	11.4	(0.1)	34.0	28.0	21.1

Source: Antique & Company

Exhibit 3: 3QFY24 actual vs. estimate

(INR mn)	3QFY24		
	Actual	Estimated	% Variance
Revenue	27,320	27,826	(2)
EBITDA	8,690	8,656	0
EBITDA Margin (%)	31.8	31.1	70 bps
Adjusted PAT	3,855	4,134	(7)
Adj. EPS (INR)	11.4	12.2	(7)

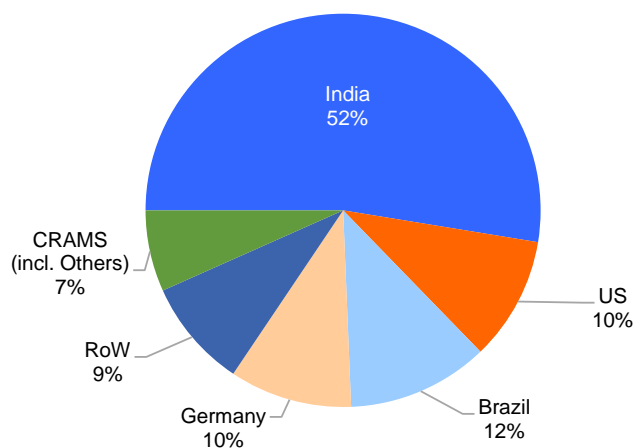
Source: Company, Antique

Exhibit 4: Old vs. new estimates

(INR mn)	New estimates			Old estimates			Change %		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Rating			BUY			BUY			
Target (INR)			2,955			2,481			19
Sales	1,08,218	1,21,980	1,35,245	1,06,415	1,18,147	1,29,564	2	3	4
EBITDA	33,772	39,012	44,217	32,627	37,191	42,092	4	5	5
EBITDA%	31.2	32.0	32.7	30.7	31.5	32.5	51 bps	50 bps	21 bps
PAT	16,379	20,642	25,001	15,882	19,810	23,991	3	4	4
EPS (INR)	48.4	61.0	73.9	46.9	58.5	70.9	3	4	4

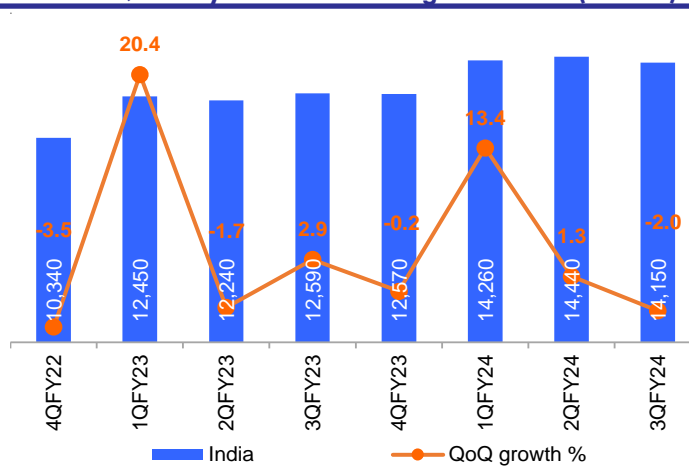
Source: Company, Antique

Exhibit 5: 3QFY24 region-wise revenue split



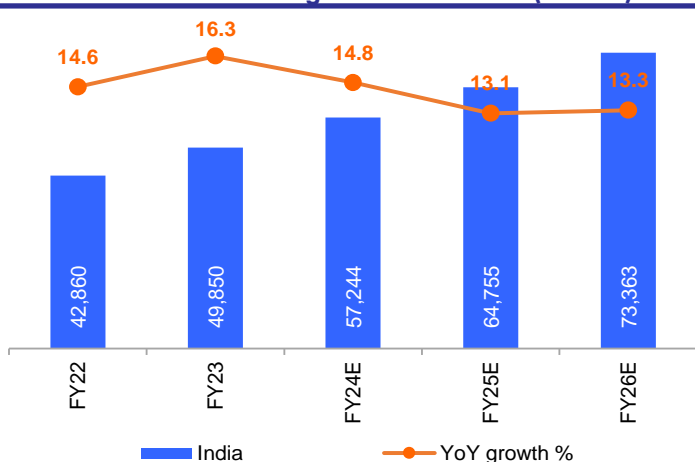
Source: Company, Antique

Exhibit 6: Quarterly India Revenue & growth trend (INR mn)



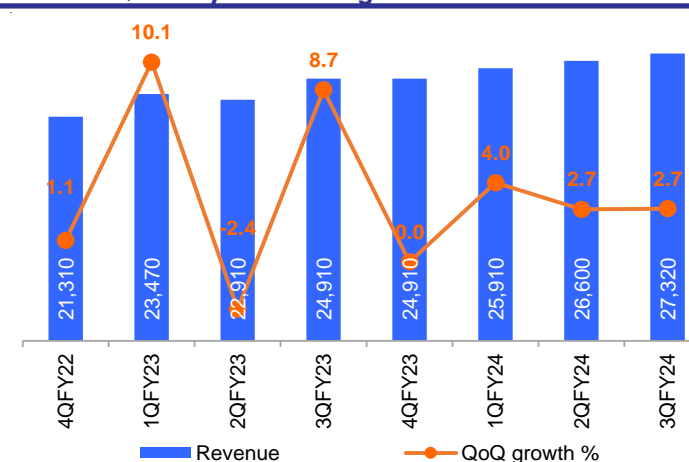
Source: Company, Antique

Exhibit 7: India business to grow at 13% CAGR (INR mn)



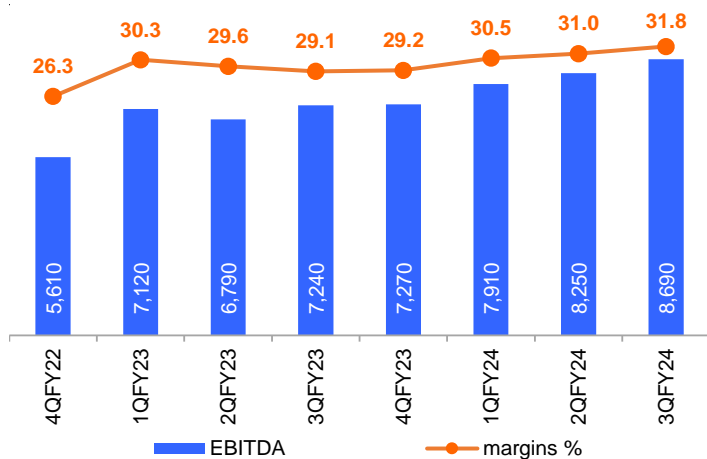
Source: Company, Antique

Exhibit 8: Quarterly Revenue & growth trend



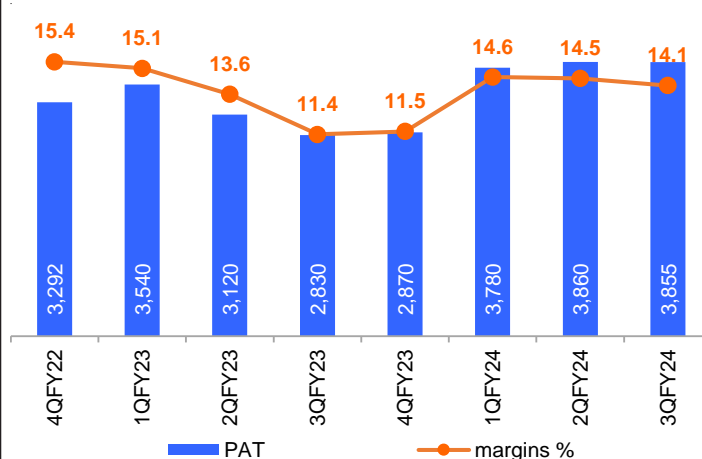
Source: Company, Antique

Exhibit 9: Quarterly EBITDA & margin (INR mn)



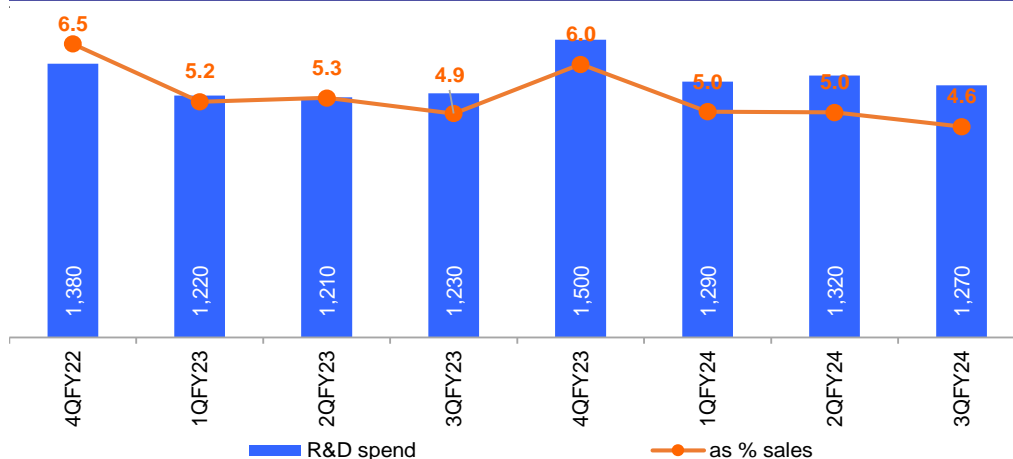
Source: Company, Antique

Exhibit 10: Quarterly PAT & margin (INR mn)



Source: Company, Antique

Exhibit 11: Quarterly R&D (INR mn)



Source: Bloomberg, Antique

Exhibit 12: Peer valuation table

	P/E(x)			EV/EBITDA(x)			RoE (%)		
	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e
Torrent Pharma	51.1	40.6	33.5	25.8	22.0	19.1	25.1	28.0	29.4
Mankind	46.0	37.1	32.1	32.5	25.9	21.9	21.6	22.0	20.9
Eris ^	28.6	26.2	21.3	18.1	15.3	13.3	18.1	17.4	18.5
Cipla	36.8	33.1	28.9	22.5	20.1	17.1	12.4	12.4	12.8
Lupin	40.5	25.9	23.6	21.4	15.1	13.7	12.8	17.6	16.7
Zydus lifescience	28.0	27.9	26.0	18.5	17.8	16.1	14.8	13.2	12.7
Alkem	34.2	29.5	25.4	25.4	21.6	18.2	17.8	18.0	18.2
Ajanta ^	34.5	29.3	25.2	23.9	20.8	18.4	22.0	22.2	22.7
Average	37.5	31.2	27.0	23.5	19.8	17.2	18.1	18.8	19.0

Source: Antique & Company, ^Bloomberg estimates

Key Risks

- New molecules coming under price control; currently ~10% of the domestic portfolio is under price control.
- Escalation of regulatory issues for Indrad facility would weigh on earnings.
- Risk of delay in new product launches in Brazil, Germany may impact earnings growth.
 - Adverse currency swings in markets like Brazil.

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	85,100	96,200	1,08,218	1,21,980	1,35,245
Op. Expenses	60,740	67,780	74,446	82,969	91,028
EBITDA	24,360	28,420	33,772	39,012	44,217
Depreciation	6,620	7,070	8,222	8,538	8,684
EBIT	17,740	21,350	25,550	30,474	35,534
Other income	1,950	450	1,000	1,000	1,000
Interest Exp.	2,580	3,330	3,481	2,401	1,321
Reported PBT	12,260	18,470	23,069	29,073	35,212
Tax	4,490	6,110	6,690	8,431	10,212
Reported PAT	7,770	12,360	16,379	20,642	25,001
Net Profit	7,770	12,360	16,379	20,642	25,001
Adjusted PAT	11,347	12,360	16,379	20,642	25,001
Adjusted EPS (INR)	33.5	36.5	48.4	61.0	73.9

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	850	1,690	1,690	1,690	1,690
Reserves & Surplus	58,680	60,290	66,842	77,162	89,663
Networth	59,530	61,980	68,532	78,852	91,353
Debt	40,700	53,680	38,680	26,680	14,680
Net deferred Tax liabilities	(3,000)	(1,420)	(1,420)	(1,420)	(1,420)
Capital Employed	97,230	1,14,240	1,05,792	1,04,112	1,04,613
Gross Fixed Assets	1,04,695	1,24,742	1,26,992	1,29,242	1,31,492
Accumulated Depreciation	43,055	46,902	55,124	63,661	72,345
Capital work in progress	6,290	7,650	7,900	8,150	8,400
Net Fixed Assets	67,930	85,490	79,768	73,731	67,547
Goodwill	2,590	3,380	3,380	3,380	3,380
Investments	2,260	1,990	2,430	2,430	4,430
Non Current Investments	420	430	430	430	430
Current Investments	1,840	1,560	2,000	2,000	4,000
Current Assets, Loans & Adv.	53,280	53,820	62,919	70,973	79,218
Inventory	24,620	22,300	28,166	31,748	35,201
Debtors	16,330	19,440	21,347	24,062	26,678
Cash & Bank balance	4,030	5,710	3,521	4,286	5,507
Loans & advances and others	8,300	6,370	9,885	10,877	11,832
Current Liabilities & Provisions	28,830	30,440	42,706	46,401	49,962
Liabilities	21,030	22,570	34,836	38,531	42,092
Provisions	7,800	7,870	7,870	7,870	7,870
Net Current Assets	24,450	23,380	20,213	24,572	29,256
Application of Funds	97,230	1,14,240	1,05,792	1,04,112	1,04,613

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	170.0	338.0	338.0	338.0	338.0
Diluted no. of shares (mn)	170.0	338.0	338.0	338.0	338.0
BVPS (INR)	350.2	183.4	202.8	233.3	270.3
CEPS (INR)	84.6	57.5	72.8	86.3	99.7
DPS (INR)	48.0	22.0	29.1	30.5	37.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	12,260	18,470	23,069	29,073	35,212
Depreciation & amortization	6,620	7,070	8,222	8,538	8,684
Interest expense	2,550	3,330	3,481	2,401	1,321
(Inc)/Dec in working capital	(3,530)	(180)	977	(3,593)	(3,463)
Tax paid	(4,210)	(3,980)	(6,690)	(8,431)	(10,212)
Less: Interest/Div. Income Recd.	(70)	(150)	-	-	-
Other operating Cash Flow	4,410	(880)	-	-	-
CF from operating activities	18,030	23,680	29,059	27,988	31,543
Capital expenditure	(1,970)	(24,150)	(2,500)	(2,500)	(2,500)
Inc/(Dec) in investments	(325)	1,250	(440)	-	(2,000)
Add: Interest/Div. Income Recd.	70	130	-	-	-
CF from investing activities	(2,225)	(22,770)	(2,940)	(2,500)	(4,500)
Inc/(Dec) in debt	(8,460)	12,650	(15,000)	(12,000)	(12,000)
Dividend Paid	(6,770)	(8,630)	(9,827)	(10,321)	(12,500)
Others	(2,580)	(3,250)	(3,481)	(2,401)	(1,321)
CF from financing activities	(17,810)	770	(28,309)	(24,722)	(25,822)
Net cash flow	(2,005)	1,680	(2,189)	765	1,221
Opening balance	6,035	4,030	5,710	3,521	4,286
Closing balance	4,030	5,710	3,521	4,286	5,507

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)	6.3	13.0	12.5	12.7	10.9
EBITDA (%)	(2.0)	16.7	18.8	15.5	13.3
Adj PAT (%)	(9.4)	8.9	32.5	26.0	21.1
Adj EPS (%)	(9.4)	8.9	32.5	26.0	21.1

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	75.3	69.1	52.2	41.4	34.2
P/BV (x)	7.2	13.8	12.5	10.8	9.3
EV/EBITDA (x)	36.5	31.7	26.3	22.4	19.4
EV/Sales (x)	10.5	9.4	8.2	7.2	6.4
Dividend Yield (%)	1.9	0.9	1.2	1.2	1.5

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	19.2	20.3	25.1	28.0	29.4
RoCE (%)	19.7	20.6	24.1	30.0	35.0
Asset/T.O (x)	0.9	1.0	1.0	1.2	1.4
Net Debt/Equity (x)	0.6	0.7	0.5	0.3	0.1
EBIT/Interest (x)	7.6	6.5	7.6	13.1	27.7

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	28.6	29.5	31.2	32.0	32.7
EBIT Margin (%)	20.8	22.2	23.6	25.0	26.3
PAT Margin (%)	13.0	12.8	15.0	16.8	18.3

Source: Company Antique

CMP	: INR 2,037
Reco	: BUY ↔
Target Price	: INR 2,220 ↓
Target Price Change	: -1%
Target FY26 P/E (x)	: 35
EPS Change FY24/ 25/ 26	: -2%/ -1%/ -1%

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Market data	
Sensex	: 72,086
Sector	: Pharmaceuticals
Market Cap (INR bn)	: 815.3
Market Cap (USD bn)	: 9.832
O/S Shares (mn)	: 400.6
52-wk HI/LO (INR)	: 2261/1241
Avg. Daily Vol ('000)	: 527
Bloomberg	: MANKIND IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	44.3	54.9	63.4
P/E (x)	46.0	37.1	32.1
P/BV (x)	9.0	7.4	6.1
EV/EBITDA (x)	32.5	25.9	21.9
Dividend Yield (%)	0.2	0.3	0.3

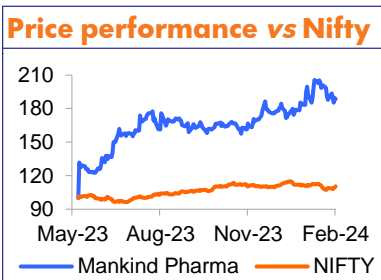
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(3)	13	17	-
Relative	(4)	0	7	-

Source: Bloomberg

Shareholding pattern	
Promoters	: 77%
Public	: 23%
Others	: 0%

Source: Bloomberg



Source: Bloomberg

Indexed to 100

3QFY24 RESULT REVIEW

Mankind Pharma

Robust India business growth to drive margins

MANKIND Pharma (MANKIND) reported a revenue growth of 25% on a YoY basis, with the India business growing at a robust 20% YoY. Within this, its branded prescription business grew 22% YoY, largely driven by chronic therapies viz. Cardiac, and Anti-Diabetes. MANKIND also benefited from the recovery in the acute segment, as its largest therapy viz. Anti-infective grew by 14%. The growth in Consumer Healthcare remained muted for the second consecutive quarter on account of initiatives taken towards the optimization of channel inventory and streamlining the business. The company expects growth in Consumer Healthcare to remain muted in FY24. In order to grow its business on a sustainable basis, MANKIND continues to invest in brand building by increasing its presence in modern trade channels and e-commerce. We expect the Consumer Healthcare segment to grow at ~7% CAGR, driven by premiumization of existing brands and new launches. Growth in the export segment continues to surprise positively with the revenue growing 16% QoQ, US generics remains its key growth driver as the company continues to gain from limited competition opportunities in an Ophthalmic product.

Gross margin for the quarter came in at 68.3%, improving ~0.7% on a YoY basis, driven by price hikes and lower RM costs. Its EBITDA margin improved by ~2.4% YoY, driven by positive operating leverage. MANKIND has maintained its margin guidance range of 24%–26%. However, we believe the guidance is conservative given the improvement in contribution from the chronic portfolio, new launches, and faster growth from Panacea’s portfolio. With IPM likely to grow at ~10%, we expect MANKIND to grow at ~13% CAGR over a two-year period. We keep our estimates largely unchanged and maintain BUY rating on the stock with a revised target price of INR 2,220 (earlier INR 2,251), valuing the company at 35x FY26 EPS.

Chronic contribution improves

MANKIND’s branded India business grew at 22% on a YoY basis, the robust growth came on a low base of 3QFY23 and was also aided by recovery in acute season. The contribution from the chronic portfolio improved to 35% as against 34% YoY, with Cardiac and Anti-diabetic growing at double-digit growth rates. In its bid to increase its market share in metros and Tier 1 cities, MANKIND will be offering US & CEP DMF grade products at affordable prices. Most of the product offerings are going to be in the chronic and sub-chronic segments.

In the past two years, MANKIND has created 10 dedicated divisions and field force for targeting key therapies viz. Cardiac, Diabetes, CNS, Respiratory, Ophthalmology, and Gynecology. For its Consumer Healthcare business, the focus remains on increasing penetration in rural markets for its key brands viz. Manforce Condoms, Gas-o-Fast, HealthOK, and Prega News. The company will also leverage its existing brand equity by launching line extensions viz. Prega News Advance, Ova News, PregaHope & Prega Happy. On the back of these measures, we expect the India business to grow at ~13% CAGR over a two-year period.

Investment Summary

MANKIND’s ability to take price hikes and improve its chronic therapies is going to be key drivers for gross margin improvement in FY25. We like MANKIND’s India franchise given its healthy regional mix, improving acute-chronic ratio, and growing Consumer Healthcare business. As MANKIND’s pricing is lower than its peers for a larger part of its portfolio, we believe steady price hikes are also a growth lever. We also expect MANKIND to grow its Anti-diabetic and Cardiac franchise via new launches (large brands going off-patent in India) and a focused brand/ sub-therapy marketing approach. With pricing tailwind and improved contribution from the chronic portfolio, we believe the gross margin can improve further. On the whole, we expect MANKIND to deliver ~26% EBITDA margin and ~13% EPS CAGR over a two-year period. We maintain BUY rating on the stock.

Conference Call Highlights

Operational highlights

- MANKIND in 3QFY24 reported sales of INR 26 bn, growing 25% YoY led by India-branded formulations.
- Gross margin expanded 70 bps YoY to 68.3% due to changes in business mix
- Employee cost and other expenses grew ~20%, each accounting for 22% and 23% of sales respectively.
- R&D spend for the quarter was INR 560 mn at 2.1% of sales.
- EBITDA margin expanded 240 bps to 23.3%
- ETR for the quarter was 18%
- PAT grew 60% YoY to INR 4.54 bn.
- Capex for the quarter was INR 990 mn and INR 3.24 bn for 9MFY24.
- Cash flow from operations for 9MFY24 was INR 16.4 bn, growing 23% YoY and INR 6.7 bn for 3QFY24.
- Net cash balance of INR 27.56 bn as of Dec'23.
- Working capital days declined to 42 for 9MFY24 vs. 45 days as of Mar'23 and 53 days for 9MFY23.

Branded India formulations

- India business registered 20% YoY growth to INR 24 bn, accounting for 92% of quarterly sales.
- The YoY growth was supported by outperformance in chronic therapies, recovery in anti-infective and strong growth in modern trade and hospital sales.
- The Panacea business reported a +25% YoY growth.
- India formulations
 - India formulations grew 22% YoY to INR 22.5 bn, led by robust growth in chronic, recovery in anti-infective, and strong growth in modern trade and hospital sales.
 - During the quarter, Mankind's secondary sales growth was ~9% vs. 8.3% for IPM and 8.6% vs. 8.2% for IPM in 9MFY24. The reported growth was higher than IQVIA growth as IQVIA doesn't capture sales to modern trade and hospitals.
 - Modern trade accounts for ~5%–6% of sales. Almost a year ago, the company pivoted the strategy to supply to modern trade channels on its own vs. stockiest supplying them before.
 - The top 5 therapeutics by sales have outperformed the IPM by 1.5x.
 - Mankind's market share expanded is 18 out of the top 20 brands on both YoY and QoQ basis.
 - The company maintained rank #4 with a market share of 4.5% in 3QFY24 vs. 4.5% in 3QFY23 with rank #2 in the covered market (CVM) with a market share of 6.6% in 3QFY24.
 - Chronic growth of 12.2% vs. 9.5% IPM chronic growth in 3QFY24 indicates outperformance of 1.3x as compared to IPM.
 - The company now has over 39 brands with sales of over INR 500 mn.
 - The company is exploring M&A and in-licensing opportunities to boost formulation growth.
 - The company is aiming for a +40% chronic contribution driven by specialty divisions incorporated in the past.

- MR strength now stands at ~15,700 MRs, including ~3,700 managers.
- Codistar's monthly run rate has bounced back to INR 60 mn a month (vs. INR 80 mn prior to government action).
- The company highlighted that gross margins are ~10%–12% better in chronic therapies than in acute.
- The company has guided to take price increases in the non-NLEM portfolio in-line with historic range, and depending on competition and market scenario.

■ **India consumer healthcare**

- The consumer healthcare business declined 5% YoY to INR 1.5 bn due to initiatives taken during the last quarter towards the optimization of channel inventory.
- The company continues to witness strong growth in secondary/ tertiary sales in key brands further enhancing its market share.
- The company is focusing on increasing rural penetration in key brands Gas-o-Fast® and Prega News®.

Export formulations

- Export business grew 118% YoY to INR 2 bn aided by certain one-off opportunities in the US.
- MANKIND to focus on differentiated filings, including in-licensing for key markets.
- In addition to the USA, the company is exporting to countries including Sri Lanka, Nepal, Chile, Kenya, etc.
- ~60% of the YoY growth has been driven by the one-time monopolistic opportunity. Competition is not visible yet but may be expected in the future. The company guided moderation from high teens to double-digit growth in FY25.
- It has seen a large opportunity for Dydrogesterone in markets like China, Russia, and Korea and plans to start exporting from CY26.
- The company has been filing ANDAs for the past couple of years, which has now resulted in it receiving a number of product approvals.

Guidance

- Gross margin guidance of 68% for FY24.
- R&D spend guidance at 2%–2.5% of sales.
- EBITDA margin guided to be in the 24%–26% range.
- Quarterly depreciation guidance of INR 1 bn.
- Capex spend for FY24 is guided to be under INR 5 bn.
- The company is exploring M&A and in-licensing opportunities to drive formulations growth.
- The company is to continue maintaining 90% revenue contribution from the domestic business.

Exhibit 1: Segment revenue snapshot

(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
India Branded Formulations	22,510	18,390	22	23,360	(4)	67,980	59,410	14
Consumer Healthcare	1,490	1,570	(5)	1,930	(23)	5,500	5,400	2
Domestic sales	24,000	19,960	20	25,290	(5)	73,480	64,810	13
Exports	2,070	950	118	1,790	16	5,460	2,150	154
Gross sales	26,070	20,910	25	27,080	(4)	78,940	66,960	18

Source: Company, Antique

Exhibit 2: Quarterly snapshot

(INR mn)	3QFY24	3QFY23	YoY (%)	1QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Sales	26,070	20,909	25	25,786	1	78,937	66,968	18
Cost of Material Consumed	8,276	6,784	22	8,200	1	24,724	22,400	10
% of sales	31.7	32.4	(70)bps	31.8	(5)bps	31.3	33.4	(213)bps
Employee cost	5,684	4,715	21	5,529	3	16,932	14,226	19
% of sales	21.8	22.5	(75)bps	21.4	36 bps	21.5	21.2	21 bps
Other expenses	6,045	5,040	20	5,509	10	17,841	15,414	16
% of sales	23.2	24.1	(91)bps	21.4	182 bps	22.6	23.0	(42)bps
Total Exp	20,005	16,539	21	19,238	4	59,497	52,040	14
EBITDA	6,065	4,370	39	6,548	(7)	19,440	14,928	30
Margin %	23.3	20.9	236 bps	25.4	(213)bps	24.6	22.3	234 bps
Other income	701	371		586		1,887	811	
Interest	92	128		63		241	393	
Depreciation	1,097	848		874		2,936	2,414	
PBT before exceptional	5,577	3,766	48	6,197	(10)	18,150	12,932	40
Exceptional item	-	-		-		-	89	
PBT after exceptional	5,577	3,766	48	6,197	(10)	18,150	12,843	41
Tax	1,025	833		1,303		3,626	2,780	
Tax Rate %	18.4	22.1	(373)bps	21.0	(264)bps	20.0	21.6	(167)bps
PAT before MI	4,552	2,934	55	4,895	(7)	14,524	10,063	44
P/L from associates	46	24		47		128	97	
MI	61	116		73		235	196	
Reported PAT	4,538	2,842	60	4,869	(7)	14,417	9,964	45
Adjusted PAT	4,538	2,842	60	4,869	(7)	14,417	10,039	44
Adj. EPS (INR)	11.3	7.1	60	12.2	(7)	36	25	44

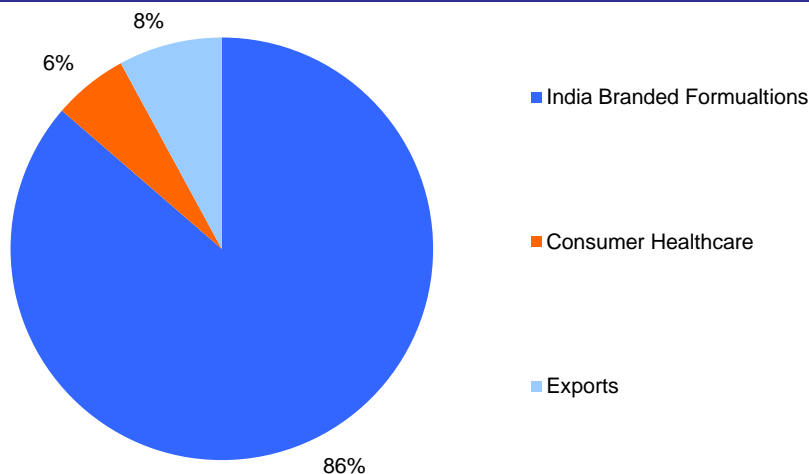
Source: Company, Antique

Exhibit 3: Actual vs Estimates

(INR mn)	3QFY24		
	Actual	Estimated	% Variance
Revenue	26,070	27,351	(5)
EBITDA	6,065	6,789	(11)
EBITDA margin (%)	23.3	24.8	(156)bps
APAT	4,537.6	4,848.0	(6)
Adj. EPS (INR)	11.3	12.1	(6)

Source: Company, Antique

Exhibit 4: 3QFY24 revenue split



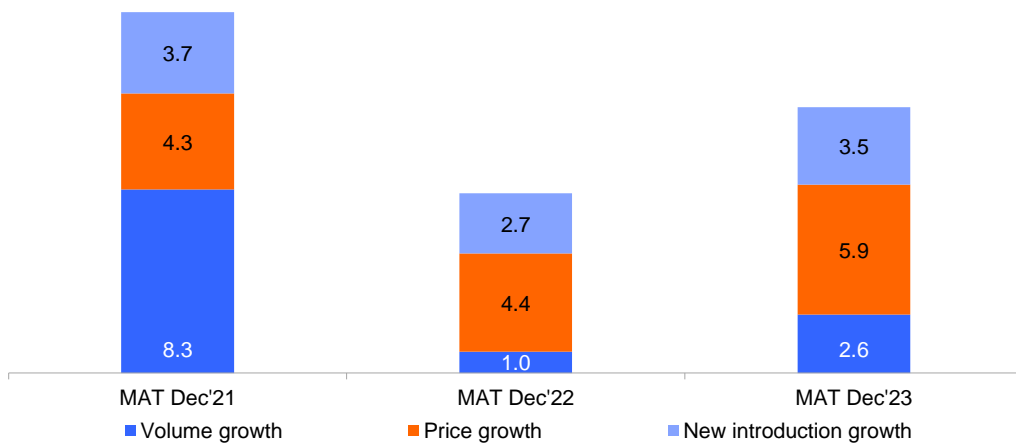
Source: Company, Antique

Exhibit 5: Old vs. new estimates

(INR mn)	New estimates			Old estimates			Change %		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Rating			BUY			BUY			
Target (INR)			2,220			2,251			(1)
Sales	1,03,923	1,17,789	1,32,949	1,01,857	1,15,159	1,29,649	2	2	3
EBITDA	24,472	30,250	34,805	25,573	31,229	35,838	(4)	(3)	(3)
EBITDA%	23.5	25.7	26.2	25.1	27.1	27.6	(156)bps	(144)bps	(146)bps
PAT	17,749	22,007	25,412	18,151	22,315	25,761	(2)	(1)	(1)
EPS (INR)	44.3	54.9	63.4	45.3	55.7	64.3	(2)	(1)	(1)

Source: Company, Antique

Exhibit 6: Growth drivers—Price to lead growth



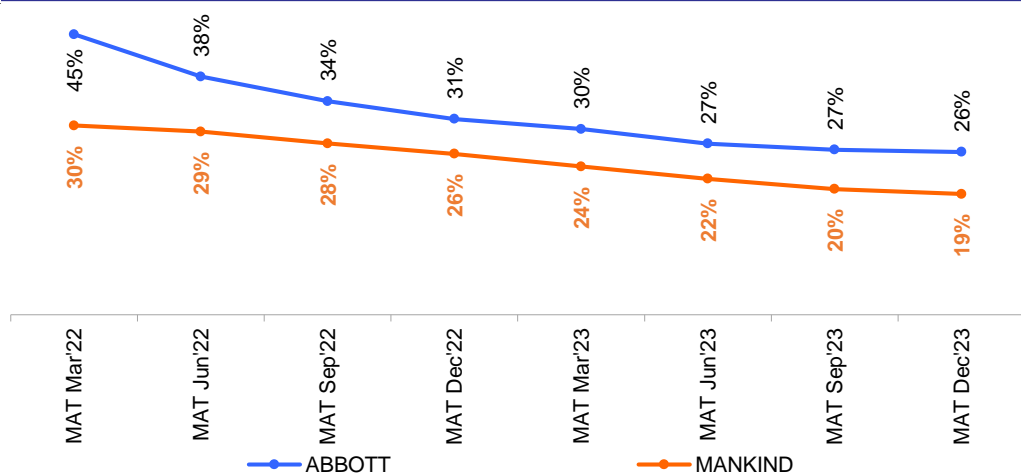
Source: IQVIA IMS, Antique

Exhibit 7: Robust performance of top 10 brands over 3-years

Brand name	MAT Dec'23 (INR mn)	3 Year CAGR (%)
MANFORCE	4,764	25
MOXIKIND-CV	3,771	18
UNWANTED-KIT	2,405	15
AMLOKIND-AT	2,261	11
PREGA NEWS	2,255	22
DYDROBOON	2,007	44
GUDCEF	1,997	21
CANDIFORCE	1,894	(0)
GLIMESTAR-M	1,840	10
NUROKIND-GOLD	1,539	14

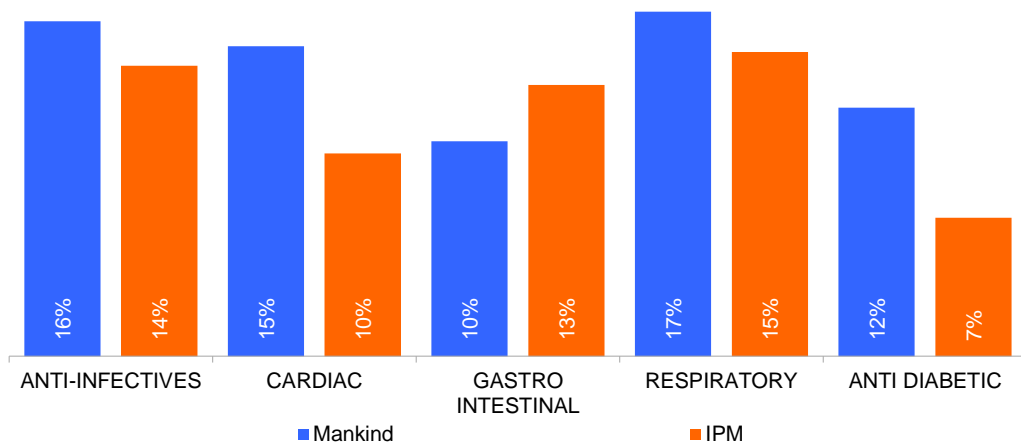
Source: IQVIA IMS, Antique

Exhibit 8: Dydrogesterone market share trend



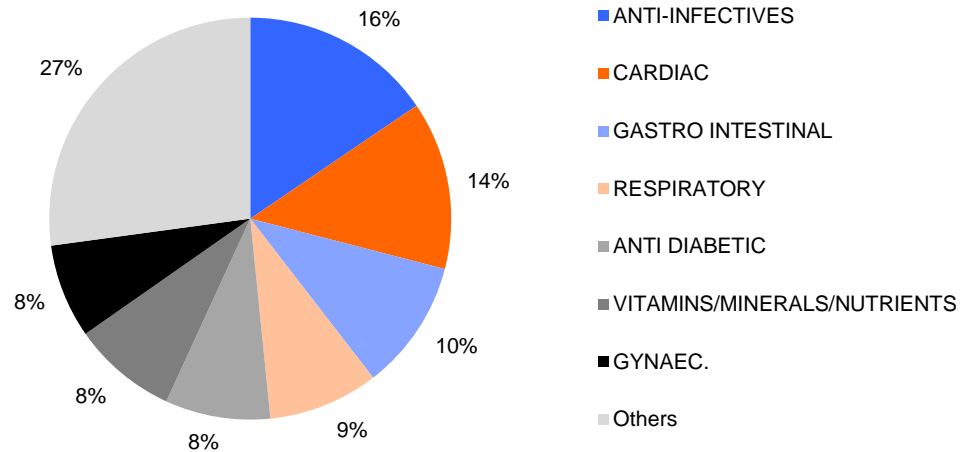
Source: IQVIA IMS, Antique

Exhibit 9: MANKIND's core therapies outperform IPM - 3-year CAGR



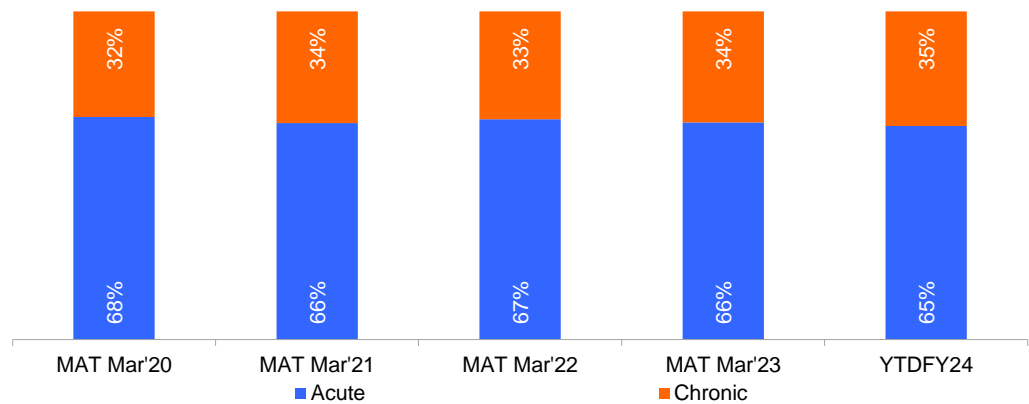
Source: IQVIA IMS, Antique

Exhibit 10: Well diversified therapy mix



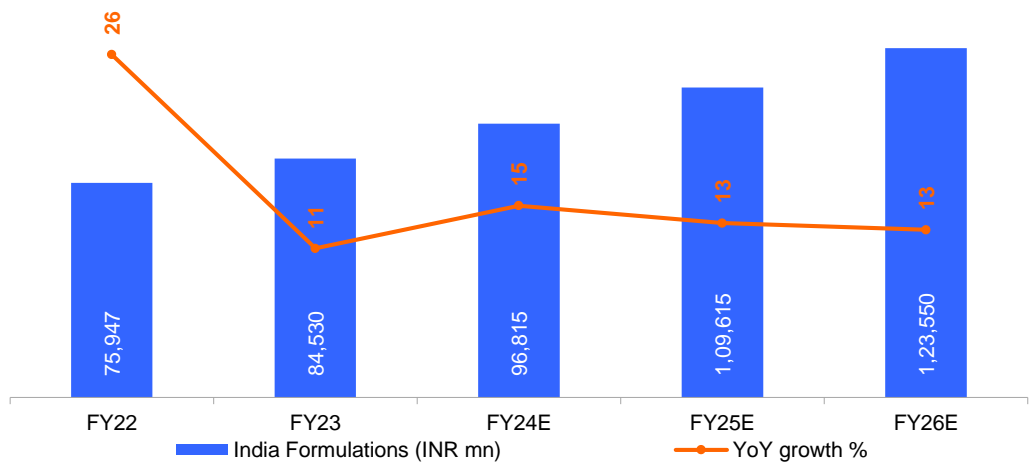
Source: IQVIA IMS, Antique

Exhibit 11: Growing chronic share



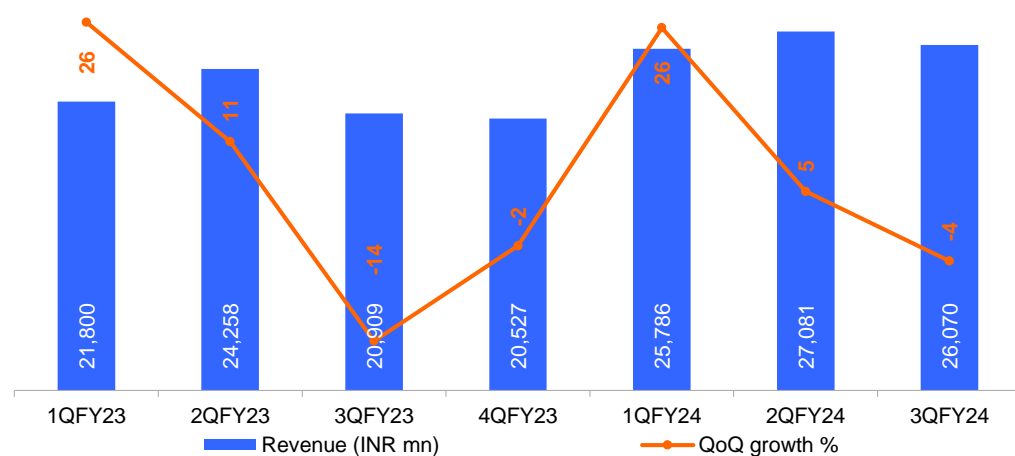
Source: IQVIA IMS, Antique

Exhibit 12: India business revenue to grow at ~13% CAGR



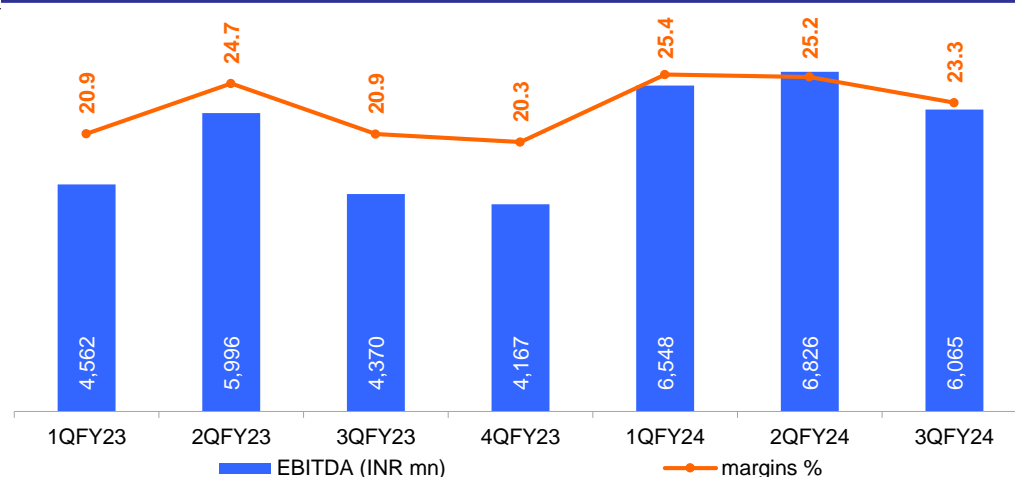
Source: Company, Antique

Exhibit 13: Revenue to grow at ~13% CAGR



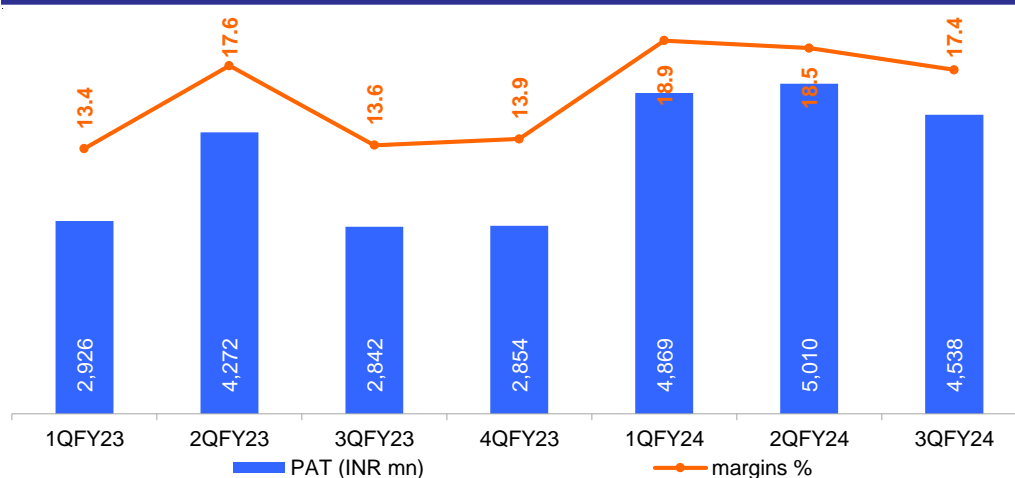
Source: Company, Antique

Exhibit 14: EBITDA margin to improve to ~26%



Source: Company, Antique

Exhibit 15: PAT to grow at ~13% CAGR



Source: Company, Antique

Exhibit 16: Peer valuation table

	P/E (x)			EV/EBITDA (x)			RoE (%)		
	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e
Mankind	46.0	37.1	32.1	32.5	25.9	21.9	21.6	22.0	20.9
Torrent Pharma	51.1	40.6	33.5	25.8	22.0	19.1	25.1	28.0	29.4
Eris^	28.6	26.2	21.3	18.1	15.3	13.3	18.1	17.4	18.5
Alkem	34.2	29.5	25.4	25.4	21.6	18.2	17.8	18.0	18.2
Cipla	36.8	33.1	28.9	22.5	20.1	17.1	12.4	12.4	12.8
JB chemical	45.6	36.1	31.0	28.1	22.4	19.3	21.2	22.8	22.4
ZYDUSLYF	28.0	27.9	26.0	18.5	17.8	16.1	14.8	13.2	12.7
Sun pharma^	35.6	30.4	26.5	25.3	22.0	19.5	15.8	16.7	17.1
Average	36.4	31.5	27.3	24.3	20.7	17.9	17.4	17.5	17.5

Source: Company, Antique; ^Bloomberg estimates

Risks and Concerns

- 1) MANKIND grows below IPM** – Since ~92% of MANKIND's revenue comes from the India business any slowdown in IPM growth rate can result in the company's volume growth being lower.
- 2) Expansion in metro cities** – MANKIND derives ~53% of its revenue from metro and Tier 1 cities, these markets are highly competitive on price and quality, and there remains a risk on MANKIND's ability to improve its share of revenue from metro cities.
- 3) DMF grade products at affordable prices** – As MANKIND is launching expensive DMF grade products in Metro region at affordable prices, this could dent margins in the near term.
- 4) Increased genericization in India Rx business.**

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	77,816	87,494	1,03,923	1,17,789	1,32,949
Op. Expenses	57,922	68,488	79,451	87,539	98,144
EBITDA	19,894	19,006	24,472	30,250	34,805
Depreciation	1,666	3,259	3,769	4,087	4,278
EBIT	18,227	15,747	20,702	26,162	30,527
Other income	1,960	1,286	2,500	2,500	2,500
Interest Exp.	586	445	256	256	256
Reported PBT	19,602	16,588	22,947	28,407	32,772
Tax	5,216	3,616	5,048	6,250	7,210
Reported PAT	14,385	12,973	17,899	22,157	25,562
Minority Int./Profit (loss) From Asso.	(50)	(154)	(150)	(150)	(150)
Net Profit	14,335	12,819	17,749	22,007	25,412
Adjusted PAT	14,335	12,819	17,749	22,007	25,412
Adjusted EPS (INR)	35.8	32.0	44.3	54.9	63.4

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	401	401	401	401	401
Reserves & Surplus	61,152	73,952	89,925	1,09,732	1,32,603
Networth	61,552	74,352	90,326	1,10,133	1,33,003
Debt	8,731	1,704	1,704	1,704	1,704
Minority Interest	1,611	1,881	2,191	2,501	2,811
Net deferred Tax liabilities	(484)	(87)	(87)	(87)	(87)
Capital Employed	71,410	77,849	94,133	1,14,250	1,37,431
Gross Fixed Assets	42,261	52,005	59,005	62,005	65,005
Accumulated Depreciation	6,638	9,752	13,522	17,609	21,886
Capital work in progress	7,015	5,501	3,001	4,001	5,001
Net Fixed Assets	42,638	47,754	48,485	48,398	48,120
Goodwill	204	200	200	200	200
Investments	9,417	11,650	19,000	37,000	57,000
Non Current Investments	673	895	2,000	7,000	7,000
Current Investments	8,745	10,755	17,000	30,000	50,000
Current Assets, Loans & Adv.	38,027	36,227	47,674	51,397	56,517
Inventory	17,602	14,985	16,229	18,394	20,762
Debtors	3,882	5,764	9,965	11,295	12,749
Cash & Bank balance	4,059	4,532	6,345	5,048	4,679
Loans & advances and others	12,483	10,946	15,135	16,660	18,328
Current Liabilities & Provisions	18,876	17,982	21,225	22,745	24,406
Liabilities	15,431	13,927	16,670	18,190	19,851
Provisions	3,445	4,055	4,555	4,555	4,555
Net Current Assets	19,150	18,245	26,448	28,652	32,111
Application of Funds	71,410	77,849	94,133	1,14,250	1,37,431

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	400.6	400.6	400.6	400.6	400.6
Diluted no. of shares (mn)	400.6	400.6	400.6	400.6	400.6
BVPS (INR)	153.7	185.6	225.5	274.9	332.0
CEPS (INR)	40.1	40.5	54.1	65.5	74.5
DPS (INR)	0.0	0.0	4.4	5.5	6.3

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	19,746	16,712	22,947	28,407	32,772
Depreciation & amortization	991	3,259	3,769	4,087	4,278
Interest expense	141	402	256	256	256
(Inc)/Dec in working capital	(5,861)	6,338	(6,391)	(3,501)	(3,827)
Tax paid	(4,995)	(3,231)	(5,048)	(6,250)	(7,210)
Less: Interest/Div. Income Recd.	(129)	(128)	-	-	-
Other operating Cash Flow	(695)	(550)	-	-	-
CF from operating activities	9,198	22,804	15,533	22,999	26,268
Capital expenditure	(23,424)	(8,260)	(4,500)	(4,000)	(4,000)
Inc/(Dec) in investments	4,929	(6,802)	(7,350)	(18,000)	(20,000)
Add: Interest/Div. Income Recd.	303	128	160	160	160
CF from investing activities	(18,192)	(14,934)	(11,690)	(21,840)	(23,840)
Inc/(Dec) in debt	6,219	(6,987)	-	-	-
Dividend Paid	-	-	(1,775)	(2,201)	(2,541)
Others	(173)	(410)	(256)	(256)	(256)
CF from financing activities	6,046	(7,397)	(2,030)	(2,456)	(2,797)
Net cash flow	(2,948)	473	1,813	(1,297)	(369)
Opening balance	7,007	4,059	4,532	6,345	5,048
Closing balance	4,059	4,532	6,345	5,048	4,679

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)	25.2	12.4	18.8	13.3	12.9
EBITDA (%)	19.4	(4.5)	28.8	23.6	15.1
Adj PAT (%)	13.3	(10.6)	38.5	24.0	15.5
Adj EPS (%)	13.3	(10.6)	38.5	24.0	15.5

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	56.9	63.7	46.0	37.1	32.1
P/BV (x)	13.3	11.0	9.0	7.4	6.1
EV/EBITDA (x)	40.8	42.2	32.5	25.9	21.9
EV/Sales (x)	10.4	9.2	7.6	6.6	5.7
Dividend Yield (%)	0.0	0.0	0.2	0.3	0.3

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	26.4	18.9	21.6	22.0	20.9
RoCE (%)	33.2	22.8	27.0	27.5	26.2
Asset/T.O (x)	1.6	1.4	1.5	1.6	1.7
Net Debt/Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
EBIT/Interest (x)	34.4	38.3	90.8	112.2	129.2

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	25.6	21.7	23.5	25.7	26.2
EBIT Margin (%)	23.4	18.0	19.9	22.2	23.0
PAT Margin (%)	18.0	14.4	16.7	18.3	18.8

Source: Company Antique

CMP	: INR 500
Reco	: HOLD ↔
Target Price	: INR 450 ↑
Target Price Change	: 4%
Target FY26 EV/EBITDA (x)	: 22
EBITDA Change FY24/25/26:	2%/3%/4%

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Market data	
Sensex	: 72,086
Sector	: Hospitality
Market Cap (INR bn)	: 711.7
Market Cap (USD bn)	: 8.583
O/S Shares (mn)	: 1,423.4
52-wk HI/LO (INR)	: 519/298
Avg. Daily Vol ('000)	: 3,936
Bloomberg	: IH IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	8.7	11.2	12.4
P/E (x)	57.8	44.7	40.2
P/BV (x)	8.0	6.9	6.1
EV/EBITDA (x)	33.4	26.9	24.2
Dividend Yield (%)	0.4	0.4	0.4

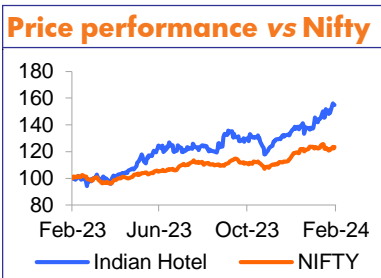
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	14	28	26	57
Relative	14	14	15	31

Source: Bloomberg

Shareholding pattern	
Promoters	: 38%
Public	: 62%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Indian Hotels Company

Robust demand to continue; valuation expensive

Indian Hotels Company (IHCL) reported 3QFY24 consolidated revenue of INR 19.6 bn, up 16.5% YoY and above our expectations, driven by strong ARR. EBITDA margin came in at 37.3%, in line with our expectation of 36.7% (vs. 35.4% in 3QFY23). Management expects double-digit revenue growth to continue in FY25 driven by growth in the portfolio, new businesses, and asset management initiatives. IHCL is confident of tailwinds remaining intact on the back of factors such as demand growth outpacing supply, opportunities for market penetration, and other short-term drivers like IPL, new MICE venues, and recovery in Foreign Tourist Arrivals (FTAs). IHCL highlighted that leisure demand is strong and expected to rise going ahead. Management noted that rates growing further by 10%-15% next FY should not be surprising. RevPAR was up 25% YoY at INR 13.9k, driven by strong 17% YoY growth in ARR at INR 18.1k, while occupancy continues to improve, now at 77% vs. 76% last quarter. New brands and reimagined businesses are expected to continue to grow around the +30% mark YoY, with the company targeting to accelerate the launch of new hotel brands in Tier 2 and 3 cities. Asset management initiatives (investment in and displacement of assets) are continuing to drive profitability. We maintain HOLD rating on relative premium valuation, while we increase the TP to INR 450 (from INR 435) as we increase the revenue growth assumption for FY24/25/ 26 leading to 2%/3%/4% increase in EBITDA. We continue to value IHCL at 22x EV/EBITDA on FY26E EBITDA.

3QFY24 result highlights

IHCL reported 3QFY24 consolidated revenue of INR 19.6 bn, up 16.5% YoY and above our expectations, driven by strong ARR. Room/ F&B revenue were up 21%/ 11% YoY, while the management fees segment was up 12.6%. The increase in hotels under management will fuel further growth in management fee income. EBITDA margin stood at 37.3% vs. 35.4% in 3QFY23. Standalone business revenue was up 20.6% YoY at INR 12.8 bn, with an EBITDA margin of 43.6% vs. 41.4% in 3QFY23. Standalone occupancy improved to 77% vs. 76% in 2QFY24; ARR/ RevPAR were up 17%/ 25% YoY at INR 18.1k/ INR 13.9k. ARR/ occupancy for international hotels came in at USD 330/ 70% vs. USD 340/ 63% in 3QFY23. RevPAR declined in the USA by 3% while it increased in the UK by 10% YoY. Ginger recorded revenue of INR 1.34 bn in 3QFY24, up 34% YoY, with EBITDA margin of 44%. The company signed 16 hotels and opened 11 new hotels in 3Q; hotels signed include the Ginger brand, flagship, and a 371-room hotel at the Mumbai Airport. The company is on track to achieve a target of 20 hotel openings in FY24.

Investment Summary

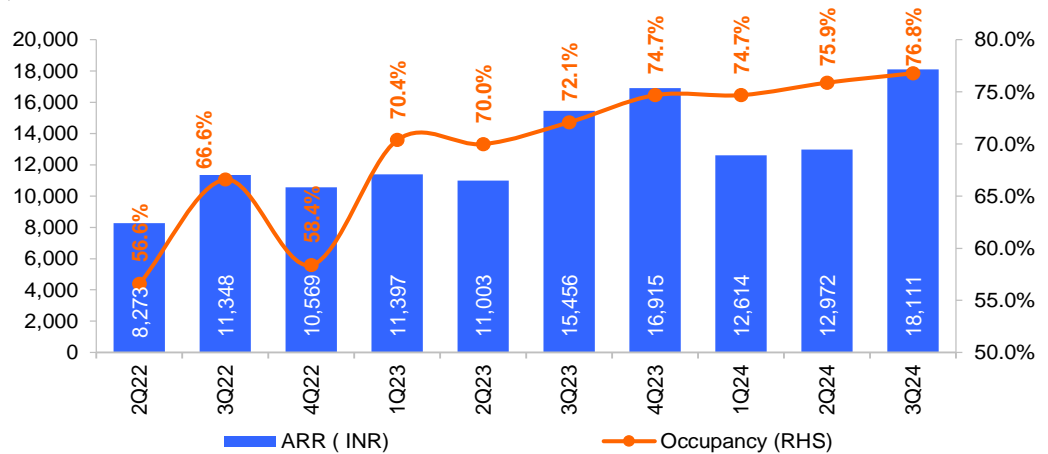
We maintain HOLD rating on relative premium valuation, while we increase the TP to INR 450 (from INR 435) as we increase the revenue growth assumption for FY24/25/ 26 leading to 2%/3%/4% increase in EBITDA. We continue to value IHCL at 22x EV/EBITDA on FY26E EBITDA. We expect the company to maintain a valuation premium to peers due to its strong brand, which helps pricing and occupancy levels. In addition, the company will get preference over peers in getting hotels on management contracts, which will help improve margins further.

Table 1: Quarterly performance

INR mn	3QFY24	2QFY24	QoQ	2QFY23	YoY	FY23	FY24e	FY25e	FY26e
Revenues	19,638	14,332	37.0%	16,858	16.5%	58,099	67,403	77,062	83,997
EBITDA	7,324	3,548	106.4%	5,972	22.6%	18,046	21,408	26,227	28,588
EBITDA Margins	37.3%	24.8%		35.4%		31.1%	31.8%	34.0%	34.0%
EBIT	6,181	2,436	153.8%	4,939	25.1%	13,885	16,912	21,627	23,988
EBIT Margins	31.5%	17.0%		29.3%		23.9%	25.1%	28.1%	28.6%
PAT	4,519	1,669	170.7%	3,827	18.1%	9,993	12,296	15,900	17,671
EPS	3.2	1.2	170.7%	2.7	18.1%	7.0	8.7	11.2	12.4

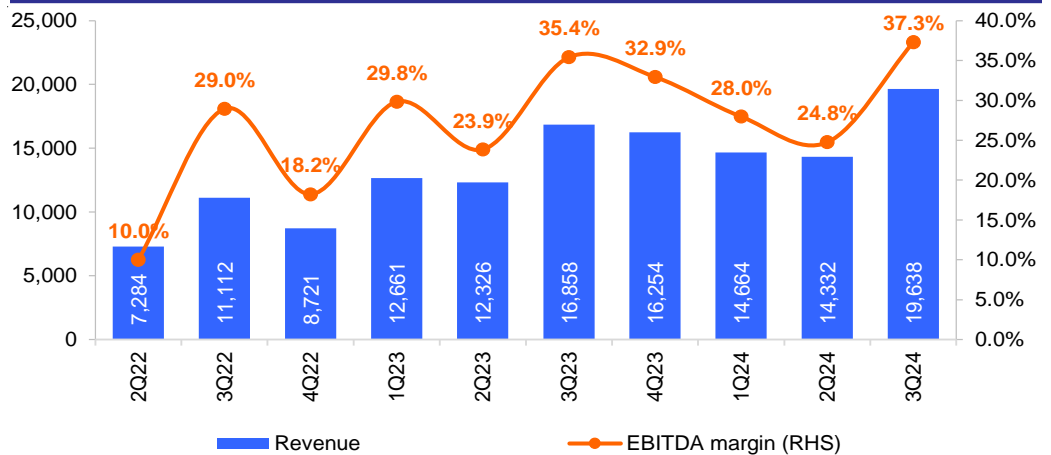
Source: Company, Antique; Note: *Standalone

Table 2: ARR and occupancy trends



Source: Company, Antique

Table 3: Revenue and EBITDA margin



Source: Company, Antique

Peer comparison

Revenue (INR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL	5,599	6,150	3,446	7,284	11,112	8,721	12,661	12,326	16,858	16,254	14,664	14,332	19,638
EIH	1,792	2,152	952	2,290	3,601	3,010	3,943	4,011	5,864	6,371	4,981	5,306	
Chalet	851	978	695	1,284	1,642	1,480	2,529	2,477	2,898	3,378	3,108	3,067	3,708
Lemon Tree	684	951	422	969	1,437	1,195	1,920	1,967	2,335	2,527	2,223	2,272	
ITC hotels	2,489	3,024	1,337	3,110	4,955	4,074	5,807	5,604	7,393	8,087	6,249	6,750	8,725
Taj GVK	363	441	248	560	820	643	855	891	1,054	1,036	916	894	
Oriental hotels	460	528	247	523	763	661	886	888	1,057	1,114	926	910	1,021
Total	12,237	14,224	7,347	16,019	24,330	19,784	28,601	28,163	37,460	38,767	33,066	33,610	33,120

Revenue y-o-y growth	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL	-55%	-86%	140%	184%	98%	42%	267%	69%	52%	86%	16%	16%	16%
EIH	-65%	-48%	220%	218%	101%	40%	314%	75%	63%	112%	26%	32%	
Chalet	-69%	-57%	32%	118%	93%	51%	264%	93%	76%	128%	23%	27%	29%
Lemon Tree	-66%	-46%	4%	104%	110%	26%	356%	103%	63%	111%	16%	15%	
ITC hotels	-57%	-39%	436%	255%	99%	35%	334%	80%	49%	98%	8%	20%	18%
Taj GVK	-60%	-42%	664%	434%	126%	46%	244%	59%	29%	61%	7%	0%	
Oriental hotels	-45%	-26%	437%	231%	66%	25%	259%	70%	39%	69%	4%	3%	-3%
Average	-60%	-49%	276%	220%	99%	38%	291%	78%	53%	95%	14%	16%	15%

EBITDA Margins	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL	-3%	12%	-43%	10%	29%	18%	30%	24%	35%	33%	28%	25%	37%
ITC hotels (EBIT)	-29%	-13%	-119%	-16%	11%	-7%	20%	15%	20%	25%	22%	20%	27%
Chalet	12%	2%	-12%	27%	25%	21%	40%	34%	39%	45%	35%	40%	45%
Lemon Tree	29%	30%	0%	35%	44%	18%	46%	48%	54%	55%	47%	45%	
Taj GVK	17%	11%	-15%	24%	35%	20%	35%	35%	31%	24%	29%	24%	
Oriental hotels	3%	11%	-51%	9%	26%	18%	28%	26%	31%	29%	24%	22%	28%
Average	5%	9%	-40%	15%	28%	15%	33%	30%	35%	35%	31%	29%	34%

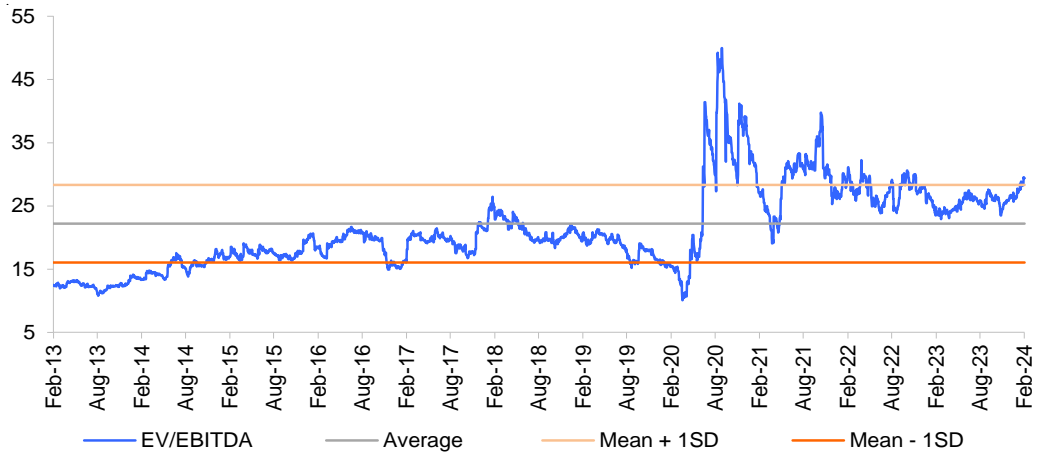
Occupancy	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL (Standalone)	47%	57%	29%	57%	67%	58%	70%	70%	72%	75%	75%	76%	77%
Chalet	33%	39%	36%	56%	60%	55%	78%	71%	65%	74%	70%	73%	71%
Lemon Tree	42%	59%	30%	51%	58%	46%	65%	66%	68%	74%	70%	72%	

ARR (INR)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL (Standalone)	8,300	8,537	7,024	8,273	11,348	10,569	11,397	11,003	15,456	16,915	12,614	12,972	18,111
Chalet	4,023	4,173	3,523	3,882	5,078	5,429	7,457	7,930	10,168	11,304	10,317	9,610	10,974
Lemon Tree	2,528	2,498	2,362	3,028	3,901	4,093	4,822	4,917	5,738	5,824	5,237	5,268	

RevPAR (INR)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
IHCL (Standalone)	3,936	4,877	1,992	4,679	7,559	6,176	8,021	7,681	11,137	12,634	9,428	9,840	13,918
Chalet	1,328	1,627	1,268	2,174	3,047	2,986	5,816	5,630	6,609	8,365	7,222	7,015	7,792
Lemon Tree	1,073	1,481	700	1,544	2,246	1,888	3,138	3,257	3,877	4,287	3,678	3,775	

Source: Company, Antique

Indian Hotels is trading above Mean + 1SD levels (one-year forward EV/EBITDA)



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	30,562	58,099	67,403	77,062	83,997
Op. Expenses	26,515	40,054	45,994	50,834	55,410
EBITDA	4,048	18,046	21,408	26,227	28,588
Depreciation	4,061	4,161	4,496	4,600	4,600
EBIT	(13)	13,885	16,912	21,627	23,988
Other income	1,552	1,389	1,668	1,200	1,200
Interest Exp.	4,277	2,361	2,188	2,000	2,000
Extra Ordinary Items -gain/(loss)	156	-	-	-	-
Reported PBT	(2,582)	12,914	16,393	20,827	23,188
Tax	(358)	3,232	4,495	5,207	5,797
Reported PAT	(2,224)	9,681	11,898	15,621	17,391
Minority Int./Profit (loss) From Asso. 253	(312)	(398)	(280)	(280)	(280)
Net Profit	(2,477)	9,993	12,296	15,900	17,671
Adjusted PAT	(2,633)	9,993	12,296	15,900	17,671
Adjusted EPS (INR)	(2.1)	7.0	8.7	11.2	12.4

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	1,420	1,420	1,420	1,420	1,420
Reserves & Surplus	69,202	78,399	87,855	1,00,914	1,15,744
Networth	70,623	79,820	89,275	1,02,335	1,17,165
Debt	38,879	31,390	31,390	31,390	31,390
Minority Interest	5,930	6,601	7,107	7,107	7,107
Net deferred Tax liabilities	876	1,567	1,567	1,567	1,567
Capital Employed	1,16,307	1,19,378	1,29,339	1,42,399	1,57,229
Gross Fixed Assets	77,927	81,728	82,232	83,132	84,032
Capital work in progress	1,933	3,242	3,242	3,242	3,242
Net Fixed Assets	79,860	84,970	85,474	86,374	87,274
Goodwill	6,229	6,536	6,536	6,536	6,536
Investments	19,668	18,910	19,815	20,095	20,375
Non Current Investments	10,643	11,337	12,241	12,521	12,801
Current Investments	9,025	7,573	7,573	7,573	7,573
Current Assets, Loans & Adv.	25,139	26,271	34,824	46,704	60,354
Inventory	1,008	1,092	1,267	1,449	1,579
Debtors	2,553	4,465	5,179	5,922	6,455
Cash & Bank balance	11,878	10,534	18,198	29,154	42,140
Loans & advances and others	9,700	10,180	10,180	10,180	10,180
Current Liabilities & Provisions	14,589	17,310	17,310	17,310	17,310
Liabilities	11,680	14,051	14,051	14,051	14,051
Provisions	2,909	3,259	3,259	3,259	3,259
Net Current Assets	10,550	8,961	17,515	29,394	43,044
Application of Funds	1,16,307	1,19,378	1,29,339	1,42,399	1,57,229

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	1,280	1,420	1,420	1,420	1,420
Diluted no. of shares (mn)	1,280	1,420	1,420	1,420	1,420
BVPS (INR)	55.2	56.2	62.9	72.0	82.5
CEPS (INR)	1.4	9.7	11.5	14.2	15.5
DPS (INR)	1.0	1.5	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	(2,582)	12,946	16,393	20,827	23,188
Depreciation & amortization	4,061	4,161	4,496	4,600	4,600
Interest expense	4,277	2,361	2,188	2,000	2,000
(Inc)/Dec in working capital	1,212	241	(890)	(924)	(663)
Tax paid	551	(2,504)	(4,495)	(5,207)	(5,797)
Less: Interest/Div. Income Recd.	(785)	(503)	(1,668)	(1,200)	(1,200)
Other operating Cash Flow	(18)	(511)	-	-	-
CF from operating activities	6,716	16,190	16,024	20,097	22,128
Capital expenditure	(3,180)	(4,706)	(5,000)	(5,500)	(5,500)
Inc/(Dec) in investments	(13,437)	2,910	-	-	-
Add: Interest/Div. Income Recd.	193	350	1,668	1,200	1,200
CF from investing activities	(16,425)	(1,446)	(3,332)	(4,300)	(4,300)
Inc/(Dec) in share capital	39,820	13	-	-	-
Inc/(Dec) in debt	(29,703)	(13,370)	-	-	-
Dividend Paid	(524)	(644)	(2,841)	(2,841)	(2,841)
Others	6,996	(1,277)	(2,188)	(2,000)	(2,000)
CF from financing activities	16,588	(15,279)	(5,028)	(4,841)	(4,841)
Net cash flow	6,879	(534)	7,663	10,956	12,987
Opening balance	943	7,835	7,301	14,964	25,920
Closing balance	7,835	7,301	14,964	25,920	38,907
Bank balance	4,043	3,233	3,233	3,233	3,233
Cash and bank balance	11,878	10,534	18,198	29,154	42,140

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	94.0	90.1	16.0	14.3	9.0
EBITDA	NM	345.8	18.6	22.5	9.0
Adj PAT	NM	NM	23.0	29.3	11.1
Adj EPS	NM	NM	23.0	29.3	11.1

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	NM	71.1	57.8	44.7	40.2
P/BV (x)	9.1	8.9	8.0	6.9	6.1
EV/EBITDA (x)	179.9	40.1	33.4	26.9	24.2
EV/Sales (x)	23.8	12.5	10.6	9.1	8.2
Dividend Yield (%)	0.2	0.3	0.4	0.4	0.4

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	(4.9)	13.3	14.5	16.6	16.1
RoCE (%)	1.5	13.0	14.9	16.8	16.8
Asset/T.O (x)	0.4	0.6	0.7	0.7	0.7
Net Debt/Equity (x)	0.3	0.2	0.1	(0.1)	(0.2)
EBIT/Interest (x)	0.4	6.5	8.5	11.4	12.6

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	13.2	31.1	31.8	34.0	34.0
EBIT Margin (%)	(0.0)	23.9	25.1	28.1	28.6
PAT Margin (%)	(8.2)	16.8	17.8	20.3	20.7

Source: Company Antique

CMP	: INR 2,561
Reco	: BUY ↔
Target Price	: INR 3,000 ↔
Target Price Change	: No Change
Target FY26P/E (x)	: 26
EPS Change FY25/26	: NM

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Market data	
Sensex	: 72,086
Sector	: IT
Market Cap (INR bn)	: 483.4
Market Cap (USD bn)	: 5.830
O/S Shares (mn)	: 188.8
52-wk HI/LO (INR)	: 2789/1660
Avg. Daily Vol ('000)	: 616
Bloomberg	: MPHL IN

Source: Bloomberg

Valuation			
	FY24e	FY25e	FY26e
EPS (INR)	83.2	95.5	111.9
P/E (x)	30.8	26.8	22.9
P/BV (x)	5.6	5.2	4.8
EV/EBITDA (x)	19.0	16.7	14.0
Dividend Yield (%)	1.6	1.9	2.2

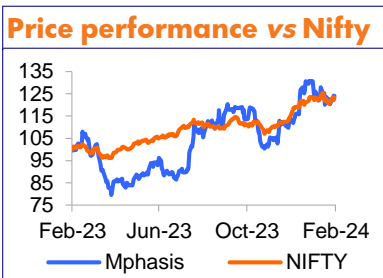
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(4)	17	16	22
Relative	(4)	4	6	2

Source: Company, Antique

Shareholding pattern		
Promoters	:	56%
Public	:	44%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Mphasis

Miss on revenue growth; outlook cautiously optimistic

Mphasis (MPHL) reported flat organic revenue growth QoQ in CC terms, below expectations. Growth was impacted due to higher than normal impact from furloughs and continued pressure on discretionary spending by clients. Management is seeing signs of stability in the mortgage business, aided by new deal wins, but there are still pockets of weakness in a few segments of the Banking vertical. DXC (down 10% USD QoQ) continued to be a laggard in 3Q. Management highlighted the strong, double-digit growth in pipeline, majorly characterized by growth outside of the top 10 clients, and noted that TCV to revenue conversion is picking up. New TCV wins of USD 241 mn vs. USD 255 mn in 2Q, compared to the last eight-quarter average of ~USD 370 mn, while 9MFY24 TCV stood at USD 1,203 mn, up 20% YoY. Management noted that the company still has some backlog to fall back on from the deals signed in 1QFY24, worth INR 700 mn in TCV. EBIT margin was above our expectations, aided by structural benefits from the high gross margin Silverline business and better execution. Management's 4QFY24 outlook is for improved revenue growth, led by the reversal of furloughs along with margin stability in the range of 15.25%-16.25% (ex. M&A impact). MPHL noted that growth in 4Q will be driven by the BFS and TMT verticals and continued stability in mortgage. Our earnings estimates change marginally post the results and we maintain BUY rating on the stock with a TP of INR 3,000 (26x FY26 P/E) (unchanged), given the expected revenue growth recovery in 4Q and the potential for strong growth acceleration in FY25.

3QFY24 result highlights

Mphasis reported 3QFY24 revenue of USD 402.3 mn, up 1.0% CC QoQ (organic: flat) vs. our expectation of 3.0% growth in CC. On YoY basis, revenue was down 6.8% in CC terms vs. larger peers-HCLT (+4.3%), TCS (+1.7%), Infosys (-1%), Accenture (-1.0% organic), Wipro (-6.9%), and mid-cap peers: PSYS (+13.7%), Coforge (+12.0%), and LTTS (+11.0%). EBIT margin was above our expectations at 14.9% (our estimate: 14.6%; consensus: 14.5%), down 60 bps QoQ. The above includes a 110 bps impact of the Silverline acquisition. There was a reduction of one client each in the USD 50 mn+ and 20 mn+ buckets. Total billable headcount was up 1.7% QoQ while offshore utilization (excluding trainees) decreased by 300 bps again to 74%. Onsite revenue mix was up 110 bps QoQ at 53.2% and DSO decreased by one to 69 days.

Weakness in TMT due to furloughs

In terms of verticals, BFS was up 0.9% in USD terms, Insurance was up 7.6%, Tech was down 8.5%, Logistics was up 4.0%, and others (Healthcare, Manufacturing & Retail, etc.) was up 11.7%. Management has called out BFSI and TMT for recovery in 4Q. Among geographies, the Americas was up 2.1% while EMEA was down 2.5%.

Investment Summary

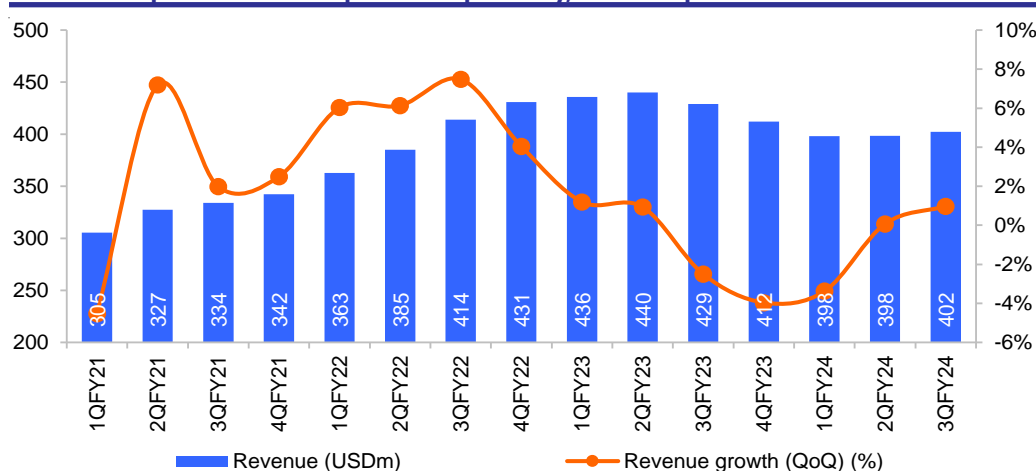
We expect Mphasis' revenue growth to be better in 4QFY24 and further accelerate in FY25E, driven by the bottoming out of the Mortgage business and the strong deal pipeline. Our earnings estimates change marginally post the results and we maintain BUY rating on the stock, with a target price of INR 3,000 (26x FY26 P/E) (unchanged).

Table 1: Financial Summary

INR mn	3QFY24	2QFY24	QoQ (%)	3QFY23	YoY (%)	FY22	FY23	FY24e	FY25e	FY26e
Revenue (USDmn)	402	398	1.0	429	(6.2)	1,593	1,717	1,613	1,809	2,052
Revenue	33,380	32,765	1.9	35,062	(4.8)	1,19,616	1,37,986	1,33,240	1,50,974	1,71,243
EBIT	4,972	5,067	(1.9)	5,354	(7.1)	18,271	21,088	20,324	23,549	27,673
EBIT margin (%)	14.9	15.5		15.3		15.3	15.3	15.3	15.6	16.2
PBT	4,986	5,217	(4.4)	5,510	(9.5)	19,132	21,732	20,861	23,989	28,113
Adjusted PAT	3,736	3,920	(4.7)	4,123	(9.4)	14,311	16,381	15,667	17,992	21,085
Adjusted EPS (INR)	19.8	20.8	(4.7)	21.9	(9.4)	76.3	86.9	83.2	95.5	111.9

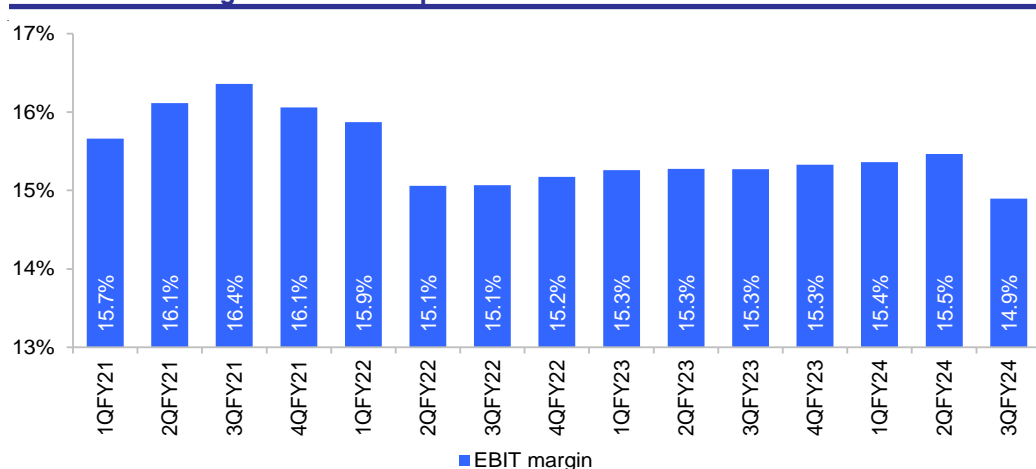
Source: Company, Antique

Exhibit 1: Reported revenue up 1.0% sequentially, below expectations



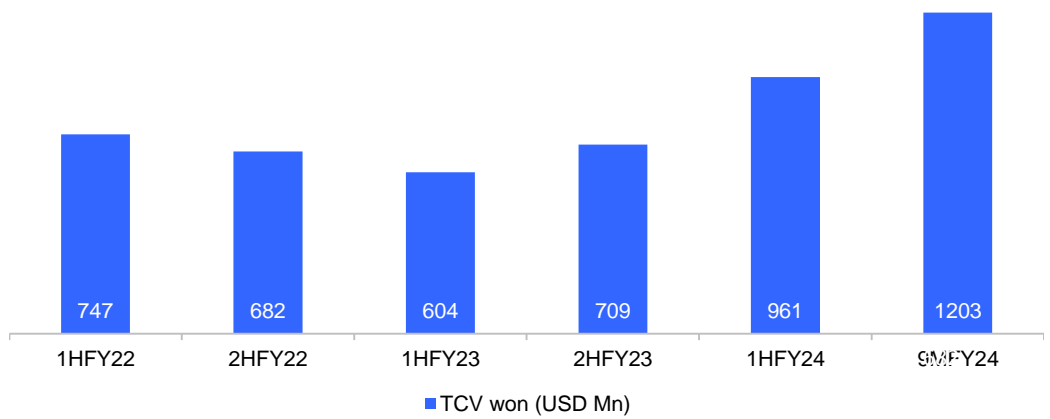
Source: Company, Antique

Exhibit 2: EBIT margin was above expectations at 14.9%



Source: Company, Antique

Exhibit 3: 9MFY24 TCV stands at USD 1,203 mn



Source: Company, Antiqué

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
Net Revenue	1,19,616	1,37,986	1,33,240	1,50,974	1,71,243
Op. Expenses	98,439	1,13,645	1,09,254	1,23,952	1,39,631
EBITDA	21,177	24,341	23,986	27,022	31,612
Depreciation	2,906	3,253	3,662	3,472	3,939
EBIT	18,271	21,088	20,324	23,549	27,673
Other income	1,605	1,617	1,986	1,800	1,800
Interest Exp.	744	973	1,449	1,360	1,360
Reported PBT	19,132	21,732	20,861	23,989	28,113
Tax	4,821	5,351	5,194	5,997	7,028
Reported PAT	14,311	16,381	15,667	17,992	21,085
Net Profit	14,311	16,381	15,667	17,992	21,085
Adjusted PAT	14,311	16,381	15,667	17,992	21,085
Adjusted EPS (INR)	76.3	86.9	83.2	95.5	111.9

Balance sheet (INR mn)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
Share Capital	1,878	1,884	1,884	1,884	1,884
Reserves & Surplus	67,553	77,464	83,731	90,928	99,362
Networth	69,431	79,348	85,615	92,812	1,01,246
Debt	5,272	1,985	1,985	1,985	1,985
Net deferred Tax liabilities	(670)	(1,175)	(1,175)	(1,175)	(1,175)
Capital Employed	74,034	80,158	86,424	93,621	1,02,055
Gross Fixed Assets	10,645	13,145	15,645	18,145	20,645
Accumulated Depreciation	6,493	9,746	13,408	16,880	20,819
Capital work in progress	110	324	334	344	354
Net Fixed Assets	4,262	3,723	2,570	1,608	179
Goodwill	27,348	29,586	29,586	29,586	29,586
Investments	18,130	17,526	17,526	17,526	17,526
Non Current Investments	3,778	3,848	3,848	3,848	3,848
Current Investments	14,352	13,679	13,679	13,679	13,679
Current Assets, Loans & Adv.	56,205	62,693	67,987	76,341	86,501
Debtors	22,269	25,206	30,378	32,564	35,063
Cash & Bank balance	9,494	10,534	9,783	14,892	21,291
Loans & advances and others	24,442	26,952	27,826	28,885	30,147
Current Liabilities & Provisions	31,912	33,515	31,245	31,440	31,738
Liabilities	8,496	8,641	7,184	8,150	9,181
Provisions	23,416	24,874	24,061	23,290	22,557
Net Current Assets	24,294	29,178	36,742	44,901	54,763
Application of Funds	74,034	80,157	86,424	93,621	1,02,055

Per share data

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
No. of shares (mn)	188	188	188	188	188
Diluted no. of shares (mn)	188	188	188	188	188
BVPS (INR)	370	421	454	493	537
CEPS (INR)	91.8	104.2	102.6	113.9	132.8
DPS (INR)	38.2	43.5	41.6	47.7	56.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
PBT	19,129	21,731	20,861	23,989	28,113
Depreciation & amortization	2,908	3,252	3,662	3,472	3,939
Interest expense	744	973	1,449	1,360	1,360
(Inc)/Dec in working capital	(1,501)	(5,779)	(9,462)	(4,198)	(4,610)
Tax paid	(3,686)	(5,926)	(5,194)	(5,997)	(7,028)
Less: Interest/Div. Income Recd.	(352)	(350)	(1,861)	(1,800)	(1,800)
Other operating Cash Flow	(84)	718	-	-	-
CF from operating activities	17,157	14,618	9,456	16,827	19,973
Capital expenditure	(6,411)	(1,112)	(2,325)	(2,468)	(2,468)
Inc/(Dec) in investments	3,270	2,650	1,105	1,105	1,105
Add: Interest/Div. Income Recd.	321	286	1,861	1,800	1,800
CF from investing activities	(2,820)	1,825	641	437	437
Inc/(Dec) in share capital	442	271	-	-	-
Inc/(Dec) in debt	(1,411)	(5,050)	-	-	-
Dividend Paid	(12,918)	(9,622)	(10,849)	(12,155)	(14,011)
CF from financing activities	(13,887)	(14,402)	(10,849)	(12,155)	(14,011)
Net cash flow	557	2,173	(753)	5,108	6,399
Opening balance	7,712	8,269	10,442	9,690	14,798
Closing balance	8,269	10,442	9,690	14,798	21,198
Bank balance	1,225	92	94	94	94
Cash and bank balance	9,494	10,534	9,783	14,892	21,291

Growth indicators (%)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
Revenue (%)	23.0	15.4	(3.4)	13.3	13.4
EBITDA (%)	17.5	14.9	(1.5)	12.7	17.0
Adj PAT (%)	17.6	14.5	(4.4)	14.8	17.2
Adj EPS (%)	16.8	13.9	(4.4)	14.8	17.2

Valuation (x)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	33.6	29.5	30.8	26.8	22.9
P/BV (x)	6.9	6.1	5.6	5.2	4.8
EV/EBITDA (x)	21.6	18.7	19.0	16.7	14.0
EV/Sales (x)	3.8	3.3	3.4	3.0	2.6
Dividend Yield (%)	1.5	1.7	1.6	1.9	2.2

Financial ratios

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
RoE (%)	21.2	22.0	19.0	20.2	21.7
RoCE (%)	27.7	29.5	26.8	28.2	30.1
Asset/T.O (x)	4.1	4.5	3.7	3.5	3.4
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

Margins (%)

Year-ended March 31	FY21	FY22	FY23	FY24e	FY25e
EBITDA Margin (%)	17.7	17.6	18.0	17.9	18.5
EBIT Margin (%)	15.3	15.3	15.3	15.6	16.2
PAT Margin (%)	11.8	11.7	11.6	11.8	12.2

Source: Company Antique

CMP	: INR 5,786
Reco	: HOLD ↔
Target Price	: INR 6,380 ↑
Target Price Change	: 9.6%
Target FY26 P/E (x)	: 25
EPS Change FY24/ 25/ 26	: 8%/ 9%/ 10%

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Market data	
Sensex	: 72,086
Sector	: Agrochemicals
Market Cap (INR bn)	: 260.2
Market Cap (USD bn)	: 3.137
O/S Shares (mn)	: 44.9
52-wk HI/LO (INR)	: 6166/3920
Avg. Daily Vol ('000)	: 21
Bloomberg	: BYRCS IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	193.5	223.7	255.0
P/E (x)	29.9	25.9	22.7
P/BV (x)	8.9	8.3	7.7
EV/EBITDA (x)	21.8	18.7	16.5
Dividend Yield (%)	2.6	3.0	3.5

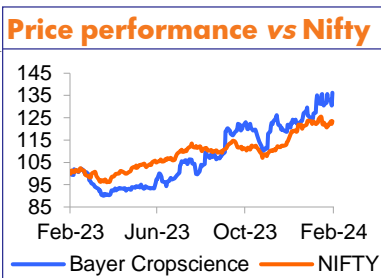
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	6	18	26	31
Relative	5	5	15	9

Source: Bloomberg

Shareholding pattern	
Promoters	: 71%
Public	: 29%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Bayer Cropscience

Margins surprise positively

Bayer CropScience (Bayer) reported strong numbers during 3QFY24, beating our and consensus estimates on EBITDA/ PAT. Revenue/ EBITDA/ Adj. PAT were up -8%/ 50%/ 53% YoY to INR 9.5 bn/ INR 1.3 bn/ INR 931 mn. Key highlights are 1) Revenue decline on the back of lower volumes and sales return in CP business due to adverse weather conditions; seeds business led by maize did well, 2) Gross margin expanded by ~200 bps YoY, which we believe is on account of the benefit of low priced RMs and superior product mix, 3) EBITDA margin expansion of ~520 bps YoY to 13% led by operating leverage benefit. The company has highlighted it has been making significant investments in future growth and market reach. We raise our FY24/ 25/ 26 EPS estimate by 8%/ 9%/ 10% each. However, near-term challenges with respect to a slowdown in new launches continue to persist. Thus, we continue to maintain HOLD with a revised TP of INR 6,380 (earlier INR 5,820) valuing it at 25x FY26E EPS (five-year high/ low 43x/ 19x, average 29x). We remain positive about Bayer’s business model, riding a comprehensive distribution network, innovative products, and a healthy balance sheet.

Adverse weather conditions impact topline growth

During 3QFY24, Bayer reported a revenue decline of 8% YoY at INR 9.5 bn (9MFY24 INR 43.1 bn, up 4%) vs. our estimate of INR 10.8 bn. Topline was impacted by sluggish liquidation in CP business on account of lower volume and sales return owing to crop shift and missed spray led by lower reservoir levels. However, a diversified corn footprint supported sales. Moreover, we believe that the lower price of the largest selling product i.e. Glyphosate (Brand Roundup) on a YoY basis affected revenue growth.

Operating leverage benefits drive operational performance

During 3QFY24, Bayer’s gross margin expanded by ~200 bps YoY to 45% (down ~265 bps to 41.2% in 9MFY24) which we believe is on the back of a) Benefits of low-priced RM and b) Superior product mix i.e. higher contribution of maize seeds. The company’s EBITDA grew 50% YoY to INR 1.3 bn vs. our estimate of INR 1.0 bn. EBITDA margin was up ~520 bps YoY to 13% (up ~260 bps to 19.9% in 9MFY24). EBITDA margin expansion was supported by a) Gross margin expansion, b) Managing rebates and discounts, 3) Operating leverage benefits led by a 23%/ 12% YoY decline in employee costs/ other expenses, down ~230 bps/ ~90 bps YoY as a % of the topline. PAT was down 30% to INR 931 mn as the base quarter had an exceptional gain of INR 1 bn (INR 735 mn net of tax) on account of profit on the sale of the environmental science business. Adjusted for the same, PAT was up 53% YoY vs. our estimate of INR 739 mn (adj. PAT was up 23% YoY to INR 6.4bn in 9MFY24).

Investment Summary

We believe that near-term challenges with respect to a slowdown in new launches continue to persist. Thus, we continue to maintain HOLD with a revised TP of INR 6,380 (earlier INR 5,820) valuing it at 25x FY26E EPS (five-year high/ low 43x/ 19x, average 29x). We remain positive about Bayer’s business model, riding a comprehensive distribution network, innovative products, and a healthy balance sheet.

Table 1: Quarterly financial snapshot (INR mn)

Year to March	3QFY24	3QFY23	% change	2QFY24	% change	9MFY24	9MFY23	% change
Revenues	9,549	10,379	(8.0)	16,172	(41.0)	43,117	41,572	3.7
Cost of Material Consumed	5,284	5,950	(11.2)	10,091	(47.6)	25,348	23,347	8.6
% of sales	55.3	57.3	(199 bps)	62.4	(706 bps)	58.8	56.2	263 bps
Employee cost	1,139	1,475	(22.8)	1,008	13.0	3,080	4,023	(23.4)
% of sales	11.9	14.2	(228 bps)	6.2	569 bps	7.1	9.7	(253 bps)
Other expenses	1,847	2,100	(12.0)	2,024	(8.7)	6,115	7,018	(12.9)
% of sales	19.3	20.2	(89 bps)	12.5	683 bps	14.2	16.9	(270 bps)
Total expenditure	8,270	9,525	(13.2)	13,123	(37.0)	34,543	34,388	0.5
EBITDA	1,279	854	49.8	3,049	(58.1)	8,574	7,184	19.3
EBITDA Margin (%)	13.4	8.2	517 bps	18.9	(546 bps)	19.9	17.3	260 bps
Other income	146	152	(3.9)	161	(9.3)	514	432	19.0
Depreciation	152	143	6.3	116	31.0	581	524	10.9
Interest Expense	31	34	(8.8)	37	(16.2)	147	150	(2.0)
Profit Before Tax	1,242	829	49.8	3,057	(59.4)	8,360	6,942	20.4
Exceptional items (Net of tax)	0	735	-	0	-	0	735	-
PBT after exceptional item	1,242	1,564	(20.6)	3,057	(59.4)	8,360	7,677	8.9
Tax	311	219	42.1	828	(62.4)	1,915	1,680	14.0
Tax Rate (%)	25.0	14.0	1,105 bps	27.1	(205 bps)	22.9	21.9	103 bps
Reported Net Profit	931	1,345	(30.8)	2,229	(58.2)	6,445	5,997	7.5
Adjusted Net Profit	931	610	52.6	2,229	(58.2)	6,445	5,262	22.5
Adj EPS	20.7	13.6	52.6	49.6	(58.2)	143.5	117.2	22.5

Source: Company, Antique

Table 2: Actual vs. estimated performance in 3QFY24

(INR mn)	Actual	ASBLe	Var (%)	Cons. Est.	Var (%)
Revenues	9,549	10,825	(11.8)	11,192	(14.7)
EBITDA	1,279	1,053	21.4	1,138	12.4
EBITDA margins (%)	13.4	9.7	366 bps	10.2	323 bps
Adjusted PAT	931	739	26.1	777	19.8

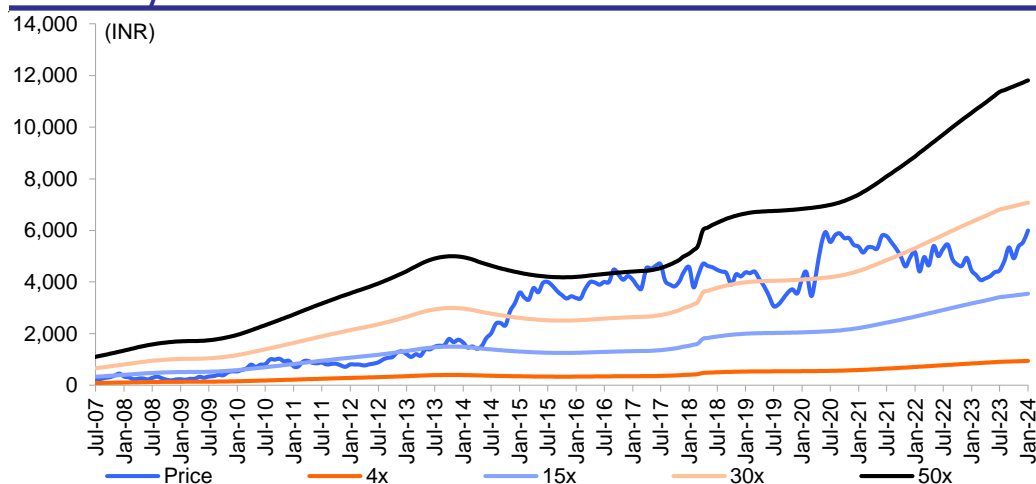
Source: Company, Antique

Table 3: Change in estimates

	FY24E			FY25E			FY26E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	55,509	53,967	-2.8%	61,060	59,364	-2.8%	67,166	65,300	-2.8%
EBITDA	10,658	11,441	7.3%	12,334	13,238	7.3%	13,903	14,954	7.6%
PAT	8,014	8,687	8.4%	9,220	10,046	9.0%	10,452	11,450	9.6%
EPS	178.5	193.5	8.4%	205.3	223.7	9.0%	232.8	255.0	9.6%

Source: Company, Antique

Exhibit 1: 1-year forward PE



Source: Bloombergs, Antique

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	47,344	51,397	53,967	59,364	65,300
Op. Expenses	39,233	42,155	42,526	46,125	50,346
EBITDA	8,111	9,242	11,441	13,238	14,954
Depreciation	645	795	874	929	984
EBIT	7,466	8,447	10,567	12,309	13,970
Other income	546	639	770	770	910
Interest Exp.	129	223	200	200	200
Extra Ordinary Items -gain/(loss)	(421)	(768)	-	-	-
Reported PBT	8,304	9,631	11,137	12,879	14,680
Tax	1,851	2,049	2,450	2,833	3,230
Reported PAT	6,453	7,582	8,687	10,046	11,450
Net Profit	6,453	7,582	8,687	10,046	11,450
Adjusted PAT	6,032	6,814	8,687	10,046	11,450
Adjusted EPS (INR)	134.3	151.8	193.5	223.7	255.0

Balance sheet (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	449	449	449	449	449
Reserves & Surplus	24,794	26,672	28,624	30,812	33,283
Networth	25,243	27,121	29,073	31,261	33,732
Net deferred Tax liabilities	(73)	-	-	-	-
Capital Employed	25,170	27,121	29,073	31,261	33,732
Gross Fixed Assets	7,883	8,591	9,091	9,591	10,091
Accumulated Depreciation	2,619	3,160	4,034	4,963	5,947
Capital work in progress	133	29	29	29	29
Net Fixed Assets	5,397	5,460	5,086	4,657	4,173
Investments	646	667	256	256	256
Non Current Investments	261	256	256	256	256
Current Investments	385	411	-	-	-
Current Assets, Loans & Adv.	37,413	40,657	44,407	48,660	53,466
Inventory	15,120	18,072	19,568	21,334	23,468
Debtors	10,047	9,756	10,244	11,268	12,395
Cash & Bank balance	7,874	8,678	10,444	11,906	13,452
Loans & advances and others	4,372	4,151	4,151	4,151	4,151
Current Liabilities & Provisions	18,286	19,663	20,677	22,312	24,164
Liabilities	8,198	8,730	9,453	10,306	11,337
Provisions	10,088	10,933	11,224	12,006	12,828
Net Current Assets	19,127	20,994	23,731	26,348	29,302
Application of Funds	25,170	27,121	29,073	31,261	33,732

Per share data

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	44.9	44.9	44.9	44.9	44.9
Diluted no. of shares (mn)	44.9	44.9	44.9	44.9	44.9
BVPS (INR)	562.2	604.0	647.5	696.2	751.3
CEPS (INR)	158.1	186.6	212.9	244.4	276.9
DPS (INR)	150.0	130.0	150.0	175.0	200.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
PBT	8,468	9,901	11,137	12,879	14,680
Depreciation & amortization	645	795	874	929	984
Interest expense	129	223	200	200	200
(Inc)/Dec in working capital	(4,062)	(1,409)	(970)	(1,155)	(1,408)
Tax paid	(2,642)	(2,395)	(2,450)	(2,833)	(3,230)
Less: Interest/Div. Income Recd.	(279)	(484)	(970)	(970)	(1,110)
Other operating Cash Flow	(104)	(538)	-	-	-
CF from operating activities	2,155	6,093	7,820	9,049	10,116
Capital expenditure	141	385	(500)	(500)	(500)
Inc/(Dec) in investments	-	344	-	-	-
Add: Interest/Div. Income Recd.	501	104	1,181	770	910
CF from investing activities	642	833	681	270	410
Inc/(Dec) in debt	(263)	(521)	-	-	-
Dividend Paid	(6,728)	(5,611)	(6,735)	(7,858)	(8,980)
Others	23	75	(0)	-	-
CF from financing activities	(6,968)	(6,057)	(6,735)	(7,858)	(8,980)
Net cash flow	(4,171)	869	1,766	1,462	1,546
Opening balance	12,045	7,874	8,678	10,444	11,906
Closing balance	7,874	8,678	10,444	11,906	13,452

Growth indicators (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Revenue(%)	11.1	8.6	5.0	10.0	10.0
EBITDA(%)	(0.1)	13.9	23.8	15.7	13.0
Adj PAT(%)	(2.1)	13.0	27.5	15.6	14.0
Adj EPS(%)	(2.1)	13.0	27.5	15.6	14.0

Valuation (x)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	43.1	38.1	29.9	25.9	22.7
P/BV (x)	10.3	9.6	8.9	8.3	7.7
EV/EBITDA (x)	31.0	27.1	21.8	18.7	16.5
EV/Sales (x)	5.3	4.9	4.6	4.2	3.8
Dividend Yield (%)	2.6	2.2	2.6	3.0	3.5

Financial ratios

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	23.8	26.0	30.9	33.3	35.2
RoCE (%)	31.7	34.8	40.4	43.4	45.8
Asset/T.O (x)	1.9	2.0	2.0	2.0	2.0
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
EBIT/Interest (x)	62.1	40.7	56.7	65.4	74.4

Margins (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin(%)	17.1	18.0	21.2	22.3	22.9
EBIT Margin(%)	15.8	16.4	19.6	20.7	21.4
PAT Margin(%)	12.6	13.1	15.9	16.7	17.3

Source: Company Antique

CMP	: INR 173
Reco	: BUY ↔
Target Price	: INR 227 ↓
Target Price Change	: -7%
Target FY26 EV/EBITDA (x)	: 24
EBITDA Change FY24/ 25/ 26	: -11%/-10%/-8%

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Market data	
Sensex	: 72,086
Sector	: Restaurants
Market Cap (INR bn)	: 208.6
Market Cap (USD bn)	: 2.516
O/S Shares (mn)	: 1,205.9
52-wk HI/LO (INR)	: 228/134
Avg. Daily Vol ('000)	: 3,047
Bloomberg	: DEVYANIIN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	1.1	1.9	3.0
P/E (x)	158.9	90.6	57.7
P/BV (x)	20.2	16.5	12.9
EV/EBITDA (x)	32.4	23.1	17.4
Dividend Yield (%)	-	-	-

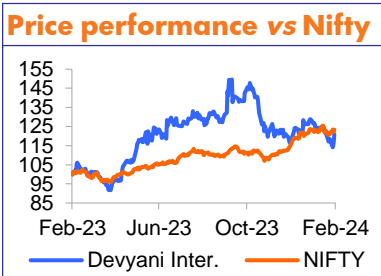
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(9)	(6)	(11)	15
Relative	(9)	(17)	(19)	(4)

Source: Bloomberg

Shareholding pattern	
Promoters	: 63%
Public	: 37%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Devyani International

Operating leverage impacts profitability

Devyani International's (Devyani) 3QFY24 performance was below our estimates, impacted by weak demand environment for KFC and heightened competition for Pizza Hut. KFC reported 14% revenue growth driven by aggressive store addition (50 stores) while SSSG declined 4.7%. Pizza Hut reported a 2% revenue decline with SSSG declining 13%. KFC and Pizza Hut's ROM margins contracted by 70 bps and 800 bps YoY due to operating leverage. Consolidated gross margin improved due to moderation of inflation while restaurant profitability was impacted by operating leverage (lower ADS). Going ahead, moderating inflation should help in the recovery of the demand environment and operating margins. Devyani has completed the acquisition of Restaurants Development Co. Ltd. RD is one of the franchisee partners of KFC in Thailand and its operations will be consolidated from 4QFY24. Post 3QFY24 results, we have cut our EBITDA estimates by 8%–11% for FY24–26 and expect Devyani to deliver revenue and EBITDA CAGR of 21% over FY23–26E. The near-term demand environment remains challenging, however, we remain optimistic about Devyani's long-term growth potential based on strong brand equity and superior execution. We maintain BUY recommendation with a revised target price of INR 227, based on 24x FY26 EV/EBITDA (implying 34x on pre-Ind AS FY26E EV/EBITDA).

KFC's SSSG declined 4.7%; profitability was impacted due to negative operating leverage

KFC's revenue grew 14% YoY to INR 5.2 bn with SSSG decline of 4.7%. KFC's ADS declined by 10% YoY to INR 104,000 due to a general slowdown in demand and the geopolitical tension. A part of the ADS impact was also due to aggressive store addition. DIL successfully completed the acquisition of Restaurants Development Co. Ltd. Notably, gross margin expanded 127 bps YoY to 70.6% due to price hikes and receding commodity price inflation. Restaurant EBITDA margin contracted 74 bps YoY to 19% on a high base of last year due to operating leverage. During the quarter, Devyani added 50 stores (total 590). The company maintained aggressive store addition guidance for KFC by adding 120–130 new stores in FY24. Devyani continues to focus on menu innovation to drive footfall.

Pizza Hut's disappointing performance continues

Pizza Hut's revenue declined 2% YoY to INR 1.8 bn with a 13% SSSG decline. Pizza Hut's ADS declined 14% YoY to INR 37,000 due to an increase in competitive intensity and consumer down trading to the fun flavor range. Gross margin expanded by 214 bps YoY to 75.8% due to receding inflation. Restaurant EBITDA margin contracted 798 bps YoY to 6.1% due to operating leverage (lower ADS). Devyani added 30 stores during the quarter, taking its total store count to 565. The company lowered its store addition guidance to 70–80 stores in FY25. During the quarter, there was no pricing intervention. We expect Pizza Hut's near-term performance to remain under pressure due to an increase in competitive intensity and volatile raw material prices.

Costa Coffee's performance is improving with revenue growing 51% with SSSG of 5.9%. ADS declined 5.4% YoY to INR 35,000 due to store addition. Profitability declined due to negative operating leverage. International business was impacted due to currency devaluation in Nigeria, impacting consumer demand.

Investment Summary

Post the 3QFY24 performance, we have trimmed our EBITDA estimate by 11%/ 10%/ 8% FY24/ FY25/ FY26. Devyani would continue its superior execution and maintain its aggressive store expansion strategy for KFC and Pizza Hut, driving revenue and EBITDA CAGR of 21% over FY23–26E. We expect the KFC/ Pizza Hut store network to expand by 19%/ 13% over FY23–26E. We are positive about Devyani as it will continue to outperform peers driven by aggressive store addition and superior execution. We maintain BUY recommendation and a revised target price of INR 227 (previously INR 245), based on 24x FY26E EV/EBITDA.

Conference Call Highlights

- The company has successfully completed the acquisition of Restaurants Development Co. Ltd. RD one of the franchisee partners of KFC in Thailand. This has led to the addition of 283 KFC stores as on 31st December.
- RD's consolidation would happen from 4QFY24. Roughly, it would be consolidated for 2.5 months.
- The incidence of eating out frequency in Thailand is 7–8x higher than in India. Also, poultry consumption is much higher which is very beneficial for KFC. Also, Thailand's economy is more tourist dependent and tourism is not back to pre-Covid-19 levels.
- The company is confident of bringing Thailand's EBITDA margin to India's level.
- The company can double the store count in the medium to long term in Thailand.
- RD's acquisition cost is INR 10.6 bn, out of which INR 3.4 bn is funded by DIL (borrowed locally), INR 3.3 bn by Temasek, and the balance is funded by low-cost local debt.
- Although the company is working on financials and strategy, the future growth and repayment of debt of the Thailand business would be self-funded.
- Consumer sentiment remains subdued despite the festive season. Additionally, because of the geopolitical tension, there was an impact on demand during the quarter.
- The company is confident of adding 250–270 stores during the current financial year. With the acquisition of RD, the company is confident of achieving 2,000 stores in 2024.
- In FY25, the company aims to add 250–300 stores of Pizza Hut, the addition being 70–80 stores, 50–60 stores of Costa Coffee, 120–130 stores of KFC, and the balance from other brands.
- Non-metro cities account for 52% of its overall stores portfolio.
- In the international business, the currency headwinds in Nigeria have impacted international business performance. Currency depreciation has impacted the purchasing power of the consumer. The impact of currency is accounted for in G&A expenses.
- The company is cautious about Pizza Hut's growth trajectory where the store addition has moderated due to heightened competitive intensity.

Table 1: Quarterly financials

	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	Growth
Revenue	8,431	7,906	6.6	8,195	2.9	25,092	22,427	11.9
COGS	2,478	2,424	2.2	2,393	3.5	7,339	6,690	9.7
Gross Profit	5,954	5,482	8.6	5,802	2.6	17,753	15,737	12.8
Gross margin %	70.6	69.3	127 bps	70.8	-18 bps	70.8	70.2	58 bps
Employee cost	1,176	860	36.8	1,109	6.0	3,404	2,507	35.8
% of sales	14.0	10.9	308 bps	13.5	41 bps	13.6	11.2	239 bps
Other expenditure	3,314	2,883	15.0	3,105	6.8	9,565	8,193	16.7
% of sales	39.3	36.5	284 bps	37.9	142 bps	38.1	36.5	159 bps
EBITDA	1,463	1,739	(15.9)	1,588	(7.8)	4,785	5,038	(5.0)
EBITDA margin %	17.4	22.0	-465 bps	19.4	-202 bps	19.1	22.5	-339 bps
Depreciation	930	706	31.6	863	7.7	2,589	2,004	29.2
Interest cost	482	378	27.6	417	15.8	1,303	1,054	23.6
Other Income	46	81	(42.8)	66	(29.9)	180	216	(16.5)
PBT	97	736	(86.8)	373	(74.1)	1,073	2,195	(51.1)
Tax	46	(62)	(173.9)	(168)	(127.5)	24	(19)	(221.5)
PAT	51	798	(93.6)	541	(90.6)	1,049	2,214	(52.6)
Exceptional items	-	(88)	(100.0)	(183)	(100.0)	(656)	(188)	249.2
Reported PAT	51	710	(92.9)	358	(85.8)	393	2,026	(80.6)
Minority Interest	45	6	623.1	(25)	(285.6)	155	16	842.6
Adjusted PAT	96	804	(88.0)	517	(81.4)	1,204	2,231	(46.0)

Source: Company, Antique

Table 2: Change in estimates

INR mn	FY24			FY25			FY26		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	33,217	35,322	(6.0)	43,383	45,298	(4.2)	53,614	55,350	(3.1)
EBITDA	6,352	7,167	(11.4)	8,872	9,888	(10.3)	11,564	12,558	(7.9)
EBITDA Margin	19.1	20.3	-117 bps	20.4	21.8	-138 bps	21.6	22.7	-112 bps
PAT	1,298	1,666	(22.1)	2,276	3,081	(26.1)	3,576	4,386	(18.5)
EPS	1.1	1.4	(22.3)	1.9	2.6	(26.3)	3.0	3.7	(18.6)

Source: Company, Antique

Table 3: Segment-wise performance

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
KFC									
Stores	339	364	391	423	461	490	510	540	590
ADS (INR `000)	124	113	127	121	116	106	117	109	104
SSG (%)	24	3	64	13	3	2	(1)	(4)	(4.7)
Revenue (INR mn)	3,621	3,526	4,250	4,430	4,595	4,439	5,164	5,090	5,243
Gross Margin (%)	69.3	69.3	69.0	67.9	67.6	68.6	69.7	69.0	69.4
Store EBITDA Margin (%)	23.0	21.8	22.4	21.5	19.7	17.5	21.1	19.4	19.0
Pizza Hut									
Stores	391	413	436	466	483	506	521	535	565
ADS (INR `000)	47	41	44	45	43	39	40	39	37
SSG (%)	25	2	32	3	(6)	(3)	(5)	(10)	(13)
Revenue (INR mn)	1,556	1,464	1,651	1,812	1,836	1,697	1,835	1,840	1,796
Gross Margin (%)	75.6	75.5	76.2	74.5	73.6	73.2	74.9	75.7	75.8
Store EBITDA Margin (%)	16.8	17.6	17.5	17.0	14.1	9.3	10.1	7.7	6.1
Costa Coffee									
Stores	50	55	69	88	103	112	123	146	154
ADS (INR `000)	37	30	36	31	37	36	33	31	35
SSG (%)	101	24	207	51	20	43	9	9	6
Revenue (INR mn)	143	137	176	220	291	331	324	346	397
Gross Margin (%)	79.7	81.8	81.8	79.5	77.7	78.2	77.2	76.3	77.1
Store EBITDA Margin (%)	32.2	29.9	30.7	19.5	26.5	20.2	21.0	14.7	14.9
Total									
Stores	884	938	1,008	1,096	1,177	1,243	1,280	1,358	1,452
Revenue (INR mn)	6,244	5,907	7,047	7,474	7,906	7,550	8,466	8,195	8,431
Gross Margin (%)	71.4	71.3	71.1	70.2	69.3	69.6	70.8	70.8	70.6
Adj. EBITDA (INR mn)	1,026	978	1,137	1,125	1,172	913	1,115	946	787
Adj. EBITDA Margin (%)	16.4	16.6	16.1	15.1	14.8	12.1	13.2	11.5	9.3
Rep EBITDA (INR mn)	1,478	1,433	1,643	1,655	1,739	1,513	1,734	1,588	1,463
Rep EBITDA Margin (%)	23.7	24.3	23.3	22.1	22.0	20.0	20.5	19.4	17.4

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	20,840	29,977	33,217	43,383	53,614
Op. Expenses	(16,080)	(23,426)	(26,864)	(34,512)	(42,050)
EBITDA	4,760	6,551	6,352	8,872	11,564
Depreciation	(2,213)	(2,788)	(3,526)	(4,082)	(4,842)
EBIT	2,546	3,763	2,826	4,790	6,722
Other income	161	326	250	200	200
Interest Exp.	(1,270)	(1,475)	(1,770)	(1,947)	(2,141)
Extra Ordinary Items -gain/(loss)	(171)	(200)	(656)	-	-
Reported PBT	1,267	2,414	651	3,043	4,781
Tax	320	206	(164)	(767)	(1,205)
Reported PAT	1,586	2,620	487	2,276	3,576
Net Profit	1,586	2,620	487	2,276	3,576
Adjusted PAT	1,734	2,850	1,298	2,276	3,576
Adjusted EPS (INR)	1.5	2.4	1.1	1.9	3.0

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	1,205	1,205	1,205	1,205	1,205
Reserves & Surplus	5,658	8,499	8,985	11,261	14,837
Networth	6,863	9,703	10,190	12,466	16,042
Debt	1,325	774	774	774	774
Minority Interest	(47)	(62)	(62)	(62)	(62)
Net deferred Tax liabilities	(649)	(1,353)	(1,353)	(1,353)	(1,353)
Capital Employed	7,492	9,063	9,549	11,825	15,402
Gross Fixed Assets	21,186	28,925	33,850	41,507	49,190
Accumulated Depreciation	(4,275)	(5,303)	(8,829)	(12,911)	(17,753)
Capital work in progress	68	153	153	153	153
Net Fixed Assets	16,979	23,775	25,174	28,749	31,590
Goodwill	644	644	644	644	644
Intangible Assets	644	644	644	644	644
Current Assets, Loans & Adv.	4,353	4,113	5,183	7,022	11,070
Inventory	855	1,290	1,430	1,868	2,308
Debtors	211	289	91	119	147
Cash & Bank balance	659	851	1,451	2,458	5,669
Loans & advances and others	2,628	1,682	2,211	2,577	2,946
Current Liabilities & Provisions	14,485	19,470	21,452	24,590	27,903
Liabilities	14,224	19,193	21,147	24,231	27,490
Provisions	261	277	305	358	413
Net Current Assets	(10,132)	(15,357)	(16,269)	(17,568)	(16,833)
Application of Funds	7,492	9,063	9,549	11,825	15,402

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	1,192	1,192	1,192	1,192	1,192
Diluted no. of shares (mn)	1,192	1,192	1,192	1,192	1,192
BVPS (INR)	5.8	8.1	8.5	10.5	13.5
CEPS (INR)	3.2	4.5	3.4	5.3	7.1
DPS (INR)	-	-	-	-	-

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	1,267	2,414	651	3,043	4,781
Depreciation & amortization	2,213	2,788	3,526	4,082	4,842
Interest expense	1,270	1,475	1,770	1,947	2,141
(Inc)/Dec in working capital	162	246	17	662	668
Tax paid	(103)	(478)	(164)	(767)	(1,205)
Other operating Cash Flow	(480)	(480)	(480)	(480)	(480)
CF from operating activities	4,329	5,964	5,319	8,487	10,747
Capital expenditure	(2,930)	(4,240)	(4,925)	(7,657)	(7,683)
Inc/(Dec) in investments	(913)	693	-	-	-
Add: Interest/Div. Income Recd.	90	50	-	-	-
CF from investing activities	(3,753)	(3,497)	(4,925)	(7,657)	(7,683)
Inc/(Dec) in share capital	4,174	215	-	-	-
Inc/(Dec) in debt	(3,308)	(551)	-	-	-
Others	(1,449)	(2,491)	(275)	(303)	(333)
CF from financing activities	(584)	(2,827)	(275)	(303)	(333)
Net cash flow	(8)	(361)	120	527	2,731
Opening balance	405	659	851	1,451	2,458
Closing balance	659	851	1,451	2,458	5,669

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	83.6	43.8	10.8	30.6	23.6
EBITDA	109.7	37.6	(3.0)	39.7	30.3
Adj PAT	(222.4)	64.3	(54.5)	75.4	57.1
Adj EPS	(218.4)	64.3	(54.5)	75.4	57.1

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	118.9	72.4	158.9	90.6	57.7
P/BV (x)	30.1	21.3	20.2	16.5	12.9
EV/EBITDA (x)	43.5	31.5	32.4	23.1	17.4
EV/Sales (x)	9.9	6.9	6.2	4.7	3.8
Dividend Yield (%)	-	-	-	-	-

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	43.4	34.4	13.0	20.1	25.1
RoCE (%)	42.8	49.4	33.1	46.7	50.8
Asset/T.O (x)	3.7	3.9	3.8	4.3	4.1
Net Debt/Equity (x)	0.1	(0.0)	(0.1)	(0.1)	(0.3)
EBIT/Interest (x)	(2.1)	(2.8)	(1.7)	(2.6)	(3.2)

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	22.8	21.9	19.1	20.4	21.6
EBIT Margin (%)	12.2	12.6	8.5	11.0	12.5
PAT Margin (%)	8.3	9.4	3.9	5.2	6.6

Source: Company Antique

CMP	: INR 400
Reco	: BUY ↔
Target Price	: INR 480 ↓
Target Price Change	: -2%
Target FY26 P/E (x)	: 40
EPS Change FY24/ 25/ 26	: -7%/ -4%/ -2%

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Market data

Sensex	:	72,086
Sector	:	Agrochemicals
Market Cap (INR bn)	:	199.7
Market Cap (USD bn)	:	2.408
O/S Shares (mn)	:	499.1
52-wk HI/LO (INR)	:	482/371
Avg. Daily Vol ('000)	:	447
Bloomberg	:	SUMICHEM IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	6.7	9.6	12.0
P/E (x)	59.7	41.7	33.3
P/BV (x)	7.5	6.5	5.5
EV/EBITDA (x)	45.2	31.3	25.1
Dividend Yield (%)	0.3	0.3	0.3

Source: Company, Antique

Returns (%)

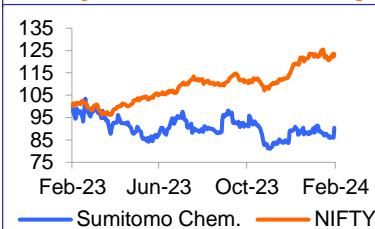
	1m	3m	6m	12m
Absolute	(3)	7	(2)	(13)
Relative	(4)	(5)	(10)	(28)

Source: Bloomberg

Shareholding pattern

Promoters	:	75%
Public	:	25%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Sumitomo Chemical India

The worst is behind; gradual recovery expected

Sumitomo Chemical India (Sumitomo) reported weak 3QFY24 performance, missing our and consensus estimates, with revenue/ EBITDA/ PAT declining 28%/ 45%/ 40% YoY respectively. Key highlights are 1) Domestic revenue was down -16% YoY due to a drop in price/ volume; 2) Export revenue was down 55% YoY due to volume decline; 3) Lower RM prices and high-cost inventory liquidation resulted in GM expansion of ~440 bps YoY to 40%, back to normalized levels; 4) Lower fixed cost absorption resulted in ~385 bps YoY EBITDA margin contraction; 5) NWC days were down by 17 to 82 YoY; 6) Launched six products in the domestic market during 9MFY24, none in 3QFY24.

The company expects demand in the domestic market to normalize from 4QFY24 onwards. Improved realization, normalized demand scenario, and assuming a normal monsoon will further drive growth in FY25. In the export market, the demand scenario is expected to improve in FY25 led by restocking by global players. This will lead to improvement in EBITDA margin YoY in FY25 as realizations stabilize and better operating leverage with higher volume offtake. However, we cut our FY24/ 25/ 26 EPS estimates by -7%/ -4%/ -2% considering the challenging near-term situation. We continue to maintain BUY with a revised TP of INR 480 (earlier INR 490), valuing it at 40x FY26 EPS.

Demand headwinds impact topline growth

During 3QFY24, the company's revenue declined 28% YoY to INR 5.4 bn (Antique est. INR 6.0 bn), with domestic/ exports down by 16%/ 55% YoY, respectively. In the domestic market, the decline was both price and volume-led as low reservoir levels impacted sowing during the Rabi season. Further, we believe the correction in Glyphosate prices (the company's key product) would also have contributed to a realization decline. With respect to the export market, the decline was led by a sharp volume decline on the back of surplus channel inventory.

Lower fixed cost absorption impacts EBITDA margin

Sumitomo's gross margin stood at 39.8%, up ~442 bps YoY and ~140 bps QoQ, indicating high-cost inventory is largely liquidated. Further, lower priced RMs have benefitted GM expansion as well. EBITDA was down 45% YoY to INR 658 mn (Antique est. INR 804 mn), with EBITDA margin contracting by 385 bps YoY to 12% (Antique est. 13%) due to lower absorption of fixed costs on the back of lower volume offtake. Employee cost/ other expenses as a % to topline was up ~300 bps/ 525 bps YoY. PAT declined 40% YoY to INR 547 mn (Antique est. INR 603 mn) partially offset by 104% YoY growth in other income to INR 269 mn.

CRAMS opportunity and capex plan

The contribution from five molecules to be supplied to the parent in FY25 is expected to be INR 1.5-2.0 bn, with little contribution in FY24. Sumitomo will incur regular capex of INR 0.7-0.8 bn/p.a. going forward. The company has alluded to receiving environmental approval for an additional capex in Dahej and expects to spend INR 3 bn over the next three years for phase 1. The capex will largely be to manufacture products for the parent and currently the company is in the process of narrowing down the list of products.

Other key highlights

During 3QFY24, the company's NWC was down from INR 876 mn to INR 543 mn YoY, resulting in NWC days coming down by 17 days to 82 YoY. While inventory days have increased by two to 115 due to lower volume offtake, receivable days are down by seven days to 93 days. Collections during 9MFY24 was at INR 26 bn, down 9% YoY, vs. a 24% decline in revenue. Further, the company has launched six new products in the domestic market in 9MFY24, none in 3QFY24.

Investment Summary

We expect the situation to bounce back in FY25 led by volume growth and the company to attain a normalized EBITDA margin of 18%-19%. Further, the CRAMS opportunity and upcoming capex at Dahej will continue the growth journey for Sumitomo. However, we cut our FY24/ 25/ 26 EPS estimates marginally by -7%/ -4%/ -2% considering the challenging near-term situation. We continue to maintain BUY with a revised TP of INR 480 (earlier INR 490), valuing it at 40x FY26 EPS.

Table 1: Quarterly financial snapshot (INR mn) Profit and Loss

Year to March	3QFY24	3QFY23	% ch	2QFY24	% ch	9MFY24	9MFY23	% ch
Sales	5,420	7,537	(28.1)	9,035	(40.0)	21,697	28,608	(24.2)
Cost of Material Consumed	3,265	4,873	(33.0)	5,569	(41.4)	13,823	18,232	(24.2)
% of sales	60.2	64.7	(442 bps)	61.6	(140 bps)	63.7	63.7	(2 bps)
Employee cost	539	523	3.0	589	(8.5)	1,728	1,639	5.4
% of sales	9.9	6.9	300 bps	6.5	343 bps	8.0	5.7	223 bps
Other expenses	958	936	2.4	997	(3.9)	1,844	1,941	(5.0)
% of sales	17.7	12.4	525 bps	11.0	663 bps	8.5	6.8	171 bps
Total expenditure	4,762	6,332	(24.8)	7,155	(33.4)	17,395	21,813	(20.3)
EBITDA	658	1,204	(45.4)	1,879	(65.0)	4,302	6,796	(36.7)
EBITDA Margin	12.1	16.0	(384 bps)	20.8	(866 bps)	19.8	23.8	(393 bps)
Other income	269	132	103.9	246	9.4	690	284	143.1
Depreciation	161	114	41.5	158	2.2	454	378	20.0
Interest	12	13	(7.2)	12	(2.2)	38	40	(5.1)
Profit Before Tax	754	1,209	(37.7)	1,955	(61.5)	3,542	5,726	(38.1)
PBT after exceptional	754	1,209	(37.7)	1,955	(61.5)	3,542	5,726	(38.1)
Tax	206	304	(32.2)	520	(60.4)	943	1,425	(33.8)
Tax Rate (%)	27.4	25.2	221 bps	26.6	75 bps	26.6	24.9	174 bps
Reported Net Profit	547	905	(39.5)	1,434	(61.8)	2,599	4,301	(39.6)
Adjusted Net Profit	547	905	(39.5)	1,434	(61.8)	2,599	4,301	(39.6)
EPS	1.1	1.8	(39.5)	2.9	(61.8)	5.2	8.6	(39.6)

Source: Company, Antique

Table 2: Change in estimates

	FY24E			FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	29,387	28,131	(4.3)	34,281	33,854	(1.2)	39,613	38,633	(2.5)
EBITDA	4,702	4,220	(10.3)	6,445	5,992	(7.0)	7,725	7,340	(5.0)
EBITDA Margin (%)	16.0	15.0	(100 bps)	18.8	17.7	(110 bps)	19.5	19.0	(50 bps)
PAT	3,603	3,343	(7.2)	4,999	4,791	(4.2)	6,102	5,985	(1.9)
EPS	7.2	6.7	(7.2)	10.0	9.6	(4.2)	12.2	12.0	(1.9)

Source: Company, Antique

Table 3: Actual vs. estimated performance

(INR mn)	Actual	ASBL	Var (%)	Cons. Est.	Var (%)
Revenues	5,420	6,024	(10.0)	6,347	(14.6)
EBITDA	658	804	(18.1)	1,053	(37.5)
EBITDA margin (%)	12.1	13.3	(120 bps)	16.6	(445 bps)
Adjusted PAT	547	603	(9.3)	754	(27.4)

Source: Company, Antique

Table 4: Key export market technical prices

Particulars															
(INR/kg) - Export	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Aluminium Phosphide	417	410	400	411	414	408	517	639	660	686	697	715	738	688	664
YoY Growth (%)	-	-	-	-	-1%	0%	29%	55%	59%	68%	35%	12%	12%	0%	-5%
QoQ Growth (%)	-	-2%	-2%	3%	1%	-1%	27%	24%	3%	4%	2%	3%	3%	-7%	-3%
Chloropyriphos	505	479	443	435	437	432	654	628	615	592	628	630	537	478	448
YoY Growth (%)	-	-	-	-	-14%	-10%	48%	44%	41%	37%	-4%	0%	-13%	-19%	-29%
QoQ Growth (%)	-	-5%	-8%	-2%	0%	-1%	51%	-4%	-2%	-4%	6%	0%	-15%	-11%	-6%
Fenpropathrin	1,502	1,473	1,455	1,442	1,444	1,460	1,486	1,482	1,534	1,562	1,616	1,631	1,622	1,643	1,650
YoY Growth (%)	-	-	-	-	-4%	-1%	2%	3%	6%	7%	9%	10%	6%	5%	2%
QoQ Growth (%)	-	-2%	-1%	-1%	0%	1%	2%	0%	4%	2%	3%	1%	-1%	1%	0%
Fluroxypyr				1,683	2,093		2,269	2,827	2,653	2,282	2,247	2,199	2,025	1,775	1,729
YoY Growth (%)	-	-	-	-	-	-	-	68%	27%	-	-1%	-22%	-24%	-22%	-23%
QoQ Growth (%)	-	-	-	-	-	-	-	25%	-6%	-14%	-2%	-2%	-8%	-12%	-3%
Glyphosate		366	429	427	481	440	460		873	1,062	743	733	620	537	--
YoY Growth (%)	-	-	-	-	-	20%	7%	-100%	81%	141%	62%	-	-29%	-49%	-
QoQ Growth (%)	-	-	17%	0%	13%	-9%	5%	-100%	-	22%	-30%	-1%	-15%	-13%	-
Profenofos	551	567	524	512	544	521	614	617	630	660	621	592	557	508	450
YoY Growth (%)	-	-	-	-	-1%	-8%	17%	21%	16%	27%	1%	-4%	-12%	-23%	-28%
QoQ Growth (%)	-	3%	-8%	-2%	6%	-4%	18%	0%	2%	5%	-6%	-5%	-6%	-9%	-11%
Sulphur	67	59	58	59	51	72	78	111	129	105	102	82	85	81	74
YoY Growth (%)	-	-	-	-	-23%	21%	35%	89%	151%	47%	30%	-26%	-34%	-22%	-27%
QoQ Growth (%)	-	-12%	-2%	2%	-12%	39%	9%	42%	16%	-19%	-3%	-20%	4%	4%	-9%
Tebuconazole	1,818	1,529	1,019	1,030	923	886	1,174	1,733	1,261	1,254		934	883	876	838
YoY Growth (%)	-	-	-	-	-49%	-42%	15%	68%	37%	42%	-100%	-46%	-30%	-30%	-
QoQ Growth (%)	-	-16%	-33%	1%	-10%	-4%	33%	48%	-27%	-1%	-100%	-	-5%	-1%	-4%
Zinc Phosphide	519	475	447	457	478	479	549	691	746	688	653	642	640	653	611
YoY Growth (%)	-	-	-	-	-8%	1%	23%	51%	56%	44%	19%	-7%	-14%	-5%	-6%
QoQ Growth (%)	-	-8%	-6%	2%	5%	0%	15%	26%	8%	-8%	-5%	-2%	0%	2%	-6%

Source: Antique; Note: The above list is not an exhaustive one. It is based on best judgment and channel checks.

Table 5: Geography-wise revenue break-up (INR in mn)

Particulars	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Domestic	4,580	4,009	21,934	6,799	7,582	5,051	4,468	23,900	7,884	9,184	5,246	4,029	26,343	6,228	8,258	4,390
Export	1,021	1,329	4,493	1,016	1,522	2,020	2,183	6,741	1,971	2,033	2,290	2,487	8,781	1,014	777	1,030
Total	5,601	5,339	26,427	7,815	9,104	7,072	6,651	30,641	9,855	11,217	7,537	6,516	35,124	7,242	9,035	5,420
Growth (%) - YoY	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Domestic	3.9	47.0	11.7	23.8	(3.5)	10.3	11.4	9.0	16.0	21.1	3.9	(9.8)	10.2	(21.0)	(10.1)	(16.3)
Export	21.6	(23.2)	(2.5)	4.8	29.7	97.9	64.2	50.1	94.0	33.6	13.4	13.9	30.3	(48.6)	(61.8)	(55.0)
Total	6.8	19.8	9.0	21.0	0.9	26.3	24.6	15.9	26.1	23.2	6.6	(2.0)	14.6	(26.5)	(19.5)	(28.1)
Contribution (%)	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Domestic	81.8	75.1	83.0	87.0	83.3	71.4	67.2	78.0	80.0	81.9	69.6	61.8	75.0	86.0	91.4	81.0
Export	18.2	24.9	17.0	13.0	16.7	28.6	32.8	22.0	20.0	18.1	30.4	38.2	25.0	14.0	8.6	19.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Antique

Table 6: Geography-wise export break-up (INR in mn)

Particulars	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Japan	159	(51)	793	-	508	452	266	1,226	99	534	226	898	1,756	145	181	108
Europe	202	107	529	78	91	71	67	306	296	126	151	130	702	145	18	271
Africa	103	689	1,321	313	195	452	266	1,226	493	350	588	677	2,107	217	108	325
Asia (Excl India)	112	107	529	156	182	141	133	613	296	337	226	(156)	702	145	181	108
LATAM	233	424	1,057	313	533	1,073	1,145	3,064	690	574	1,024	873	3,161	290	199	163
Others	211	53	264	156	13	(169)	306	306	99	112	75	65	351	72	90	54
Total	1,021	1,329	4,493	1,016	1,522	2,020	2,183	6,741	1,971	2,033	2,290	2,487	8,781	1,014	777	1,030

Growth (%) - YoY	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Japan	1.3	(171.2)	9.0	-	40.6	183.5	(624.5)	54.6	-	5.1	(50.0)	237.5	43.3	47.0	(66.1)	(52.1)
Europe	28.5	(75.7)	(45.5)	(39.5)	0.9	(65.0)	(37.7)	(42.0)	278.3	38.2	113.1	95.9	129.3	(51.0)	(85.8)	79.9
Africa	(50.7)	(14.8)	(9.2)	21.0	(28.0)	337.0	(61.4)	(7.2)	57.6	79.6	30.0	154.5	71.9	(55.9)	(69.1)	(44.6)
Asia (Excl India)	(28.8)	(20.2)	(27.3)	21.0	0.9	26.3	24.6	15.9	89.2	84.8	59.9	(217.1)	14.6	(51.0)	(46.3)	(52.1)
LATAM	121.7	376.1	118.0	142.0	96.9	361.4	169.7	189.9	120.7	7.7	(4.6)	(23.8)	3.2	(58.0)	(65.4)	(84.1)
Others	301.9	(71.9)	9.0	-	-	(180.2)	474.0	15.9	(36.9)	770.4	(144.5)	(78.7)	14.6	(26.5)	(19.5)	(28.1)
Total	21.6	(23.2)	(2.5)	4.8	29.7	97.9	64.2	50.1	94.0	33.6	13.4	13.9	30.3	(48.6)	(61.8)	(55.0)

Contribution (%)	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Japan	15.6	(3.8)	17.6	-	33.4	22.4	12.2	18.2	5.0	26.3	9.9	36.1	20.0	14.3	23.3	10.5
Europe	19.8	8.0	11.8	7.7	6.0	3.5	3.0	4.5	15.0	6.2	6.6	5.2	8.0	14.3	2.3	26.3
Africa	10.1	51.8	29.4	30.8	12.8	22.4	12.2	18.2	25.0	17.2	25.7	27.2	24.0	21.4	13.9	31.6
Asia (Excl India)	11.0	8.0	11.8	15.4	12.0	7.0	6.1	9.1	15.0	16.6	9.9	(6.3)	8.0	14.3	23.3	10.5
LATAM	22.8	31.9	23.5	30.8	35.0	53.1	52.4	45.5	35.0	28.3	44.7	35.1	36.0	28.6	25.6	15.8
Others	20.7	4.0	5.9	15.4	0.8	(8.4)	14.0	4.5	5.0	5.5	3.3	2.6	4.0	7.1	11.6	5.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Antique

Table 7: Category-wise revenue break-up (INR in mn)

Particulars	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Insecticides	2,146	2,402	11,892	2,892	4,214	3,210	2,860	13,176	3,844	4,796	3,662	2,802	15,103	2,825	3,686	2,819
Fungicides	900	587	2,907	547	1,145	707	971	3,371	788	1,108	392	873	3,161	290	850	596
Herbicides	642	803	5,021	2,813	1,247	1,217	1,157	6,435	3,154	2,536	1,463	1,278	8,430	2,390	2,330	704
PGR	995	376	2,907	469	1,392	538	359	2,758	591	1,516	754	300	3,161	507	1,121	542
Metal Phosphides	426	585	1,850	547	637	735	838	2,758	788	687	528	807	2,810	579	560	379
AND & EHD	491	585	1,850	547	468	664	466	2,145	690	574	738	456	2,459	652	488	379
Total	5,601	5,339	26,427	7,815	9,104	7,072	6,651	30,641	9,855	11,217	7,537	6,516	35,124	7,242	9,035	5,420

Growth (%) - YoY	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Insecticides	(13.0)	15.8	4.4	(6.7)	(0.7)	49.6	19.0	10.8	32.9	13.8	14.1	(2.0)	14.6	(26.5)	(23.1)	(23.0)
Fungicides	56.0	(22.8)	9.0	5.9	26.8	(21.4)	65.4	15.9	44.1	(3.2)	(44.5)	(10.2)	(6.2)	(63.3)	(23.3)	52.1
Herbicides	(32.0)	97.5	15.1	67.5	(34.2)	89.5	44.0	28.2	12.1	103.3	20.1	10.5	31.0	(24.2)	(8.1)	(51.9)
PGR	72.4	6.7	19.9	3.7	28.5	(45.9)	(4.7)	(5.1)	26.1	8.9	40.1	(16.3)	14.6	(14.3)	(26.1)	(28.1)
Metal Phosphides	16.1	75.9	9.0	41.1	41.2	72.4	43.4	49.1	44.1	7.7	(28.2)	(3.7)	1.9	(26.5)	(18.4)	(28.1)
AND & EHD	55.9	10.3	9.0	69.4	3.7	35.3	(20.4)	15.9	26.1	22.7	11.2	(2.0)	14.6	(5.5)	(15.1)	(48.6)
Total	6.8	19.8	9.0	21.0	0.9	26.3	24.6	15.9	26.1	23.2	6.6	(2.0)	14.6	(26.5)	(19.5)	(28.1)

Contribution (%)	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Insecticides	38.3	45.0	45.0	37.0	46.3	45.4	43.0	43.0	39.0	42.8	48.6	43.0	43.0	39.0	40.8	52.0
Fungicides	16.1	11.0	11.0	7.0	12.6	10.0	14.6	11.0	8.0	9.9	5.2	13.4	9.0	4.0	9.4	11.0
Herbicides	11.5	15.0	19.0	36.0	13.7	17.2	17.4	21.0	32.0	22.6	19.4	19.6	24.0	33.0	25.8	13.0
PGR	17.8	7.0	11.0	6.0	15.3	7.6	5.4	9.0	6.0	13.5	10.0	4.6	9.0	7.0	12.4	10.0
Metal Phosphides	7.6	11.0	7.0	7.0	7.0	10.4	12.6	9.0	8.0	6.1	7.0	12.4	8.0	8.0	6.2	7.0
AND & EHD	8.8	11.0	7.0	7.0	5.1	9.4	7.0	7.0	7.0	5.1	9.8	7.0	7.0	9.0	5.4	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Antique

Table 8: Segment-wise revenue break-up (INR in mn)

Particulars	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Generic	3,697	3,844	17,762	5,861	5,474	5,218	5,234	21,787	7,391	7,359	5,276	4,912	24,938	5,142	6,089	3,740
Speciality	1,904	1,495	8,665	1,954	3,629	1,854	1,417	8,854	2,464	3,858	2,261	1,603	10,186	2,100	2,946	1,680
Total	5,601	5,339	26,427	7,815	9,104	7,072	6,651	30,641	9,855	11,217	7,537	6,516	35,124	7,242	9,035	5,420
Growth (%) - YoY	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Generic	2.1	10.5	5.4	37.5	(8.1)	41.1	36.2	22.7	26.1	34.4	1.1	(6.1)	14.5	(30.4)	(17.3)	(29.1)
Speciality	17.1	52.4	17.4	(11.0)	18.3	(2.7)	(5.2)	2.2	26.1	6.3	22.0	13.2	15.0	(14.8)	(23.6)	(25.7)
Total	6.8	19.8	9.0	21.0	0.9	26.3	24.6	15.9	26.1	23.2	6.6	(2.0)	14.6	(26.5)	(19.5)	(28.1)
Contribution (%)	3QFY21	4QFY21	FY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24
Generic	66.0	72.0	67.2	75.0	60.1	73.8	78.7	71.1	75.0	65.6	70.0	75.4	71.0	71.0	67.4	69.0
Speciality	34.0	28.0	32.8	25.0	39.9	26.2	21.3	28.9	25.0	34.4	30.0	24.6	29.0	29.0	32.6	31.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	30,646	35,110	28,131	33,854	38,633
Op. Expenses	24,647	28,444	23,912	27,862	31,293
EBITDA	5,999	6,666	4,220	5,992	7,340
Depreciation	448	519	638	758	877
EBIT	5,551	6,147	3,581	5,235	6,463
Other income	268	449	942	1,224	1,592
Interest Exp.	62	54	54	54	54
Reported PBT	5,757	6,542	4,469	6,405	8,001
Tax	1,522	1,520	1,126	1,614	2,016
Reported PAT	4,235	5,022	3,343	4,791	5,985
Net Profit	4,235	5,022	3,343	4,791	5,985
Adjusted PAT	4,235	5,022	3,343	4,791	5,985
Adjusted EPS (INR)	8.5	10.1	6.7	9.6	12.0

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	4,991	4,991	4,991	4,991	4,991
Reserves & Surplus	14,281	18,826	21,570	25,763	31,098
Networth	19,272	23,818	26,562	30,754	36,090
Debt	247	-	-	-	-
Capital Employed	19,519	23,818	26,562	30,754	36,090
Gross Fixed Assets	5,850	6,733	8,233	9,733	11,233
Accumulated Depreciation	1,805	2,257	2,895	3,653	4,530
Capital work in progress	211	535	535	535	535
Net Fixed Assets	4,256	5,010	5,872	6,614	7,237
Investments	3,561	2,389	2,389	2,389	2,389
Non Current Investments	1	1	1	1	1
Current Investments	3,560	2,388	2,388	2,388	2,388
Current Assets, Loans & Advances					
Inventory	9,378	8,887	8,365	8,082	9,384
Debtors	8,431	9,461	7,707	9,275	10,584
Cash & Bank balance	791	3,028	6,629	9,406	12,765
Loans & advances and others	3,679	4,916	4,916	4,916	4,916
Current Liabilities & Provisions					
Liabilities	5,172	4,906	4,461	4,310	5,005
Provisions	5,405	4,967	4,855	5,618	6,181
Net Current Assets	11,702	16,419	18,301	21,751	26,464
Application of Funds	19,519	23,818	26,562	30,754	36,090

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	499	499	499	499	499
Diluted no. of shares (mn)	499	499	499	499	499
BVPS (INR)	38.6	47.7	53.2	61.6	72.3
CEPS (INR)	9.4	11.1	8.0	11.1	13.7
DPS (INR)	1.00	1.20	1.20	1.20	1.30

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	5,757	6,542	3,528	5,181	6,409
Depreciation & amortization	448	519	638	758	877
Interest expense	62	54	54	54	54
(Inc)/Dec in working capital	(2,576)	(1,352)	1,718	(673)	(1,353)
Tax paid	(1,426)	(1,681)	(1,126)	(1,614)	(2,016)
Less: Interest/Div. Income Recd.	(137)	(249)	942	1,224	1,592
Other operating Cash Flow	90	61	-	-	-
CF from operating activities	2,218	3,894	5,753	4,930	5,562
Capital expenditure	(1,125)	(1,195)	(1,500)	(1,500)	(1,500)
Inc/(Dec) in investments	(1,836)	(106)	-	-	-
Add: Interest/Div. Income Recd.	59	(1,971)	-	-	-
CF from investing activities	(2,902)	(3,272)	(1,500)	(1,500)	(1,500)
Dividend Paid	(400)	(499)	(599)	(599)	(649)
Others	(7)	2,114	(54)	(54)	(54)
CF from financing activities	(408)	1,615	(653)	(653)	(703)
Net cash flow	(1,092)	2,237	3,600	2,777	3,359
Opening balance	1,883	791	3,028	6,629	9,406
Closing balance	791	3,028	6,629	9,406	12,765

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	15.9	14.6	(19.9)	20.3	14.1
EBITDA	23.2	11.1	(36.7)	42.0	22.5
Adj PAT	22.6	18.6	(33.4)	43.3	24.9
Adj EPS	22.6	18.6	(33.4)	43.3	24.9

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	47.1	39.7	59.7	41.7	33.3
P/BV (x)	10.4	8.4	7.5	6.5	5.5
EV/EBITDA (x)	32.6	29.1	45.2	31.3	25.1
EV/Sales (x)	6.4	5.5	6.8	5.5	4.8
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	24.4	23.3	13.3	16.7	17.9
RoCE (%)	33.2	30.4	18.0	22.5	24.1
Asset/T.O (x)	2.1	1.9	1.2	1.3	1.2
Net Debt/Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
EBIT/Interest (x)	94.4	122.3	83.9	119.7	149.3

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	19.6	19.0	15.0	17.7	19.0
EBIT Margin (%)	18.1	17.5	12.7	15.5	16.7
PAT Margin (%)	13.7	14.1	11.5	13.7	14.9

Source: Company Antique

CMP	: INR 699
Reco	: BUY ↔
Target Price	: INR 787 ↑
Target Price Change	: 21%
Target FY26 P/E (x)	: SoTP
EPS Change FY24/ 25/ 26:	20%/ 11%/ 0%

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Market data	
Sensex	: 72,086
Sector	: Infra
Market Cap (INR bn)	: 168.4
Market Cap (USD bn)	: 2.031
O/S Shares (mn)	: 240.3
52-wk HI/LO (INR)	: 766/311
Avg. Daily Vol ('000)	: 16,391
Bloomberg	: RITE IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	18.2	25.0	24.7
P/E (x)	38.4	28.0	28.3
P/BV (x)	6.4	5.8	5.4
EV/EBITDA (x)	25.8	17.3	17.6
Dividend Yield (%)	2.0	2.1	2.1

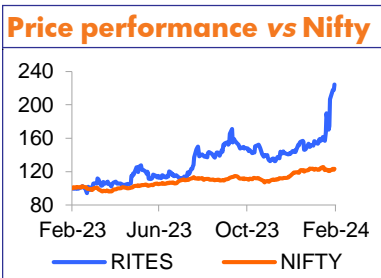
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	40	58	52	111
Relative	39	41	39	76

Source: Bloomberg

Shareholding pattern	
Promoters	: 72%
Public	: 28%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

RITES

New export orders on the cards!

We are upgrading Rail Technical and Economic Service's (RITE) TP to INR 787/ share and maintain BUY rating. This is on account of: (1) Having increased our FY24E estimates on improved 9MFY24 execution; (2) With 4-5 additional export order potential, RITE can surprise on inflows; and (3) With RITE moving beyond the railway to other verticals, the valuation gap for BSE CG PE multiple and RITE should narrow.

Converts INR 3 bn of Mozambique export order

After a gap of four years, RITE wins an export order. There is potential for new inflows-Zimbabwe (INR 8.5 bn) and Bangladesh (INR 8.3 bn), where negotiations or L1 is yet to translate into LoA. Besides these two countries, RITE is exploring options to win new order inflows (each ticket size of USD 100 mn a country) across 4-5 countries given the lag between winning and executing an order is 12-18 months, the key lies in squeezing the timeline.

Export orders are won on the tendering route

RITE claims to win orders in a complete global tender competition. This is contrary to the conventional opinion that RITE wins orders on the government-to-government route. Further, RITE admits lines of credit are extended on G2G orders. And the tendering process floated by, say, the Exim Bank, sees participation by Indian entities. So even in a G2G order, the tendering process, rather than a nomination process, is the order of the day.

FY24 revenue guidance is flat growth-as against a 16% decline assumption

RITE plans to match FY24 revenue on par with FY23. With export order backlog drying up, we estimate a decline of 16% YoY. However, in 9MFY24, RITE achieved INR 17 bn, down 8% YoY. The scope of a big jump in consultancy, at this juncture, looks bleak. RITE reported INR 8 bn in consultancy revenue for 9MFY24, up 8% annually. Turnkey remains the sweet spot of INR 2.5 bn-a-quarter. Exports were a drag for two years. However, this segment is expected to revive in FY25E.

EBIT margin compressed by 200 bps annually

In 3QFY24, consultancy clocked 42% EBIT margin, as against 46% in the base year. Turnkey continues to maintain its characteristic volatile profile: 2%, as against 5% in 3QFY24. Note, in 9MFY24, turnkey struggles to cross the 2% EBIT margin barrier. With export revenue crashing down to INR 580 mn in 2QFY24, the potential to move up from here remains strong-in the context of winning the Mozambique order.

Order backlog of INR 55 bn

RITE follows the strategy of winning an order-a-day. The order backlog of INR 55 bn is spread across: INR 26 bn in consultancy (48% of OB); INR 23 bn in construction (42% of OB); INR 3 bn in exports; INR 1.8 bn in lease; and INR 1.2 bn in REMC. 74% of the order backlog is won through a nomination and 26% through competition.

Investment Summary

Even in a bear case, that is, if exports are won at low margins, we see a 5% net profit CAGR at the least. We ascribe a (1) PE multiple of 30x for FY26E standalone PAT (parity to BSE CG index); (2) 20x for energy management vertical and other investments at invested value. With a target price of INR 787, we maintain BUY.

Table 1: Financial Highlights

In INR mn	Quarter Ended				Year Ended			
	Dec-23	Dec-22	% Chg	Sep-23	% Chg	9MFY24	9MFY23	% Chg
Net Sales	6,528	6,506	0.3	5,493	18.8	17,058	18,606	(8.3)
EBIDTA	1,443	1,710	(15.6)	1,107	30.3	3,813	4,850	(21.4)
Other income	249	254	(2.0)	514	(51.7)	939	880	6.8
PBIDT	1,691	1,963	(13.9)	1,621	4.3	4,752	5,730	(17.1)
Depreciation	(126)	(167)	(24.6)	(117)	7.6	(382)	(446)	(14.2)
Interest	(19)	(20)	(6.0)	(14)	31.5	(42)	(43)	(1.4)
PBT	1,546	1,777	(13.0)	1,490	3.8	4,327	5,242	(17.4)
Tax	(361)	(460)	(21.4)	(324)	11.5	(1,018)	(1,318)	(22.8)
Adjusted PAT	1,185	1,316	(10.0)	1,166	1.6	3,310	3,923	(15.6)
Reported PAT	1,185	1,316	(10.0)	1,166	1.6	3,310	3,923	(15.6)
No. of shares (mn)	240	240		240		240	240	
EBIDTA margin (%)	22.1	26.3		20.2		22.4	26.1	
PBIDT margin (%)	25.9	30.2		29.5		27.9	30.8	
EPS - annualized (INR)	19.7	21.9	(10.0)	19.4	1.6	18.3	21.7	(15.6)

Source: Company, Antique

Table 2: Operational Highlights

Segment Details All figures in INR mn, stated otherwise	Quarter Ended				Year Ended			
	Dec 23	Dec 22	% Chg	Sep 23	% Chg	9MFY24	9MFY23	% Chg
Consultancy-Domestic	2,862	2,510	14.1	2,757	3.8	7,992	7,437	7.5
Consultancy-Abroad	157	350	(55.2)	179	(12.3)	662	1,048	(36.8)
Export	580	934	(37.9)	7	7,959.7	972	2,524	(61.5)
Leasing-Domestic	365	355	3.0	313	16.6	987	1,047	(5.7)
Turnkey construction- Domestic	2,564	2,357	8.8	2,236	14.7	6,445	6,550	(1.6)
Total segment revenue	6,529	6,506	0.3	5,493	18.9	17,058	18,605	(8.3)
Consultancy-Domestic	1,199	1,150	4.3	1,161	3.3	3,406	3,334	2.2
Consultancy-Abroad	20	152	(87.1)	18	10.7	184	468	(60.6)
Export	174	252	-31	-23	NM	194	635	(69.5)
Leasing-Domestic	147	116	26.3	127	16.2	388	383	1.1
Turnkey construction- Domestic	60	119	(49.2)	22	174.9	122	275	(55.7)
Total segment EBIT	1,600	1,789	(10.5)	1,304	22.7	4,293	5,096	(15.7)
Segment margin								
Consultancy-Domestic	42%	46%		42%		43%	45%	
Consultancy-Abroad	12%	43%		10%		28%	45%	
Export	30%	27%		-315%		20%	25%	
Leasing-Domestic	40%	33%		40%		39%	37%	
Turnkey construction- Domestic	2%	5%		1%		2%	4%	
Total EBIT margin	25%	27%		24%		25%	27%	

Source: Company, Antique

Table 3: Sum of the parts

In INR mn, stated otherwise	FY26E	Remarks
Standalone PAT	5,926	
PE (x)	30	BSE CG sector average of 29x
Standalone Business	177,780	
REMCL	7,050	20x PE
IRSDC	480	Invested value
SAIL-RITES	240	Invested value
Value of the company	185,550	
O/S shares	240	
Expected Dividend Per Share (INR)	15	
Target value	787	

Source: Company, Antique

Table 4: Change in Estimates (in INR million)

	New Estimates			Old Estimates			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	23,205	28,275	32,795	21,255	27,112	32,795	9%	4%	0%
EBITDA	5,285	7,766	7,502	4,764	6,998	7,503	11%	11%	0%
Net profit	4,370	6,006	5,926	3,627	5,397	5,926	20%	11%	0%

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	25,750	25,196	23,205	28,275	32,795
Op. Expenses	(19,230)	(18,646)	(17,919)	(20,509)	(25,293)
EBITDA	6,520	6,550	5,285	7,766	7,502
Depreciation	(584)	(594)	(653)	(718)	(790)
EBIT	5,936	5,956	4,632	7,047	6,712
Other income	860	1,192	1,270	1,051	1,285
Interest Exp.	(50)	(66)	(61)	(70)	(76)
Reported PBT	6,746	7,081	5,841	8,028	7,921
Tax	(1,774)	(1,776)	(1,471)	(2,022)	(1,995)
Reported PAT	4,972	5,305	4,370	6,006	5,926
Net Profit	4,972	5,305	4,370	6,006	5,926
Adjusted PAT	4,972	5,305	4,370	6,006	5,926
Adjusted EPS (INR)	20.7	22.1	18.2	25.0	24.7

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	2,400	2,403	2,403	2,403	2,403
Reserves & Surplus	21,588	22,627	23,937	26,400	28,829
Networth	23,988	25,033	26,340	28,803	31,232
Debt	1,466	2,994	2,994	2,994	2,994
Net deferred Tax liabilities	(520)	(735)	(735)	(735)	(735)
Capital Employed	24,934	27,292	28,599	31,062	33,491
Gross Fixed Assets	6,525	7,094	7,663	7,981	8,581
Accumulated Depreciation	(2,600)	(3,175)	(3,829)	(4,547)	(5,337)
Capital work in progress	580	948	948	948	948
Net Fixed Assets	4,505	4,866	4,782	4,382	4,191
Investments	4,485	4,850	4,846	4,846	4,847
Non Current Investments	4,485	4,850	4,846	4,846	4,847
Current Assets, Loans & Adv.	45,944	47,079	46,499	52,045	59,495
Inventory	1,190	309	127	1,162	1,348
Debtors	6,810	8,693	8,010	9,761	12,579
Cash & Bank balance	32,660	33,967	34,547	36,475	39,279
Loans & advances and others	5,284	4,111	3,814	4,648	6,289
Current Liabilities & Provisions	30,000	29,503	27,528	30,211	35,041
Liabilities	29,140	28,723	26,701	29,437	34,143
Provisions	860	780	826	775	898
Net Current Assets	15,944	17,576	18,971	21,834	24,454
Application of Funds	24,934	27,292	28,599	31,062	33,492

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	240	240	240	240	240
Diluted no. of shares (mn)	240	240	240	240	240
BVPS (INR)	100.0	104.2	109.6	119.9	130.0
CEPS (INR)	22.5	23.6	20.9	28.0	27.9
DPS (INR)	17.5	18.0	14.3	14.7	14.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	6,746	7,081	5,841	8,028	7,921
Depreciation & amortization	552	575	653	718	790
(Inc)/Dec in working capital	(64)	(1,165)	(815)	(935)	184
Tax paid	(1,898)	(1,991)	(1,471)	(2,022)	(1,995)
Other operating Cash Flow	(2,426)	213	-	-	-
CF from operating activities	2,910	4,715	4,208	5,790	6,901
Capital expenditure	(773)	(937)	(569)	(318)	(600)
chg in investments	1,530	128	-	-	-
CF from investing activities	757	(809)	(569)	(318)	(600)
Inc/(Dec) in share capital	(3)	3	-	-	-
Inc/(Dec) in debt	(679)	(1,153)	-	-	-
Dividend Paid	(4,205)	(4,326)	(3,059)	(3,543)	(3,496)
Others	629	2,876	-	-	-
CF from financing activities	(4,258)	(2,599)	(3,059)	(3,543)	(3,496)
Net cash flow	(591)	1,307	580	1,928	2,804
Opening balance	33,251	32,660	33,967	34,547	36,475
Closing balance	32,660	33,967	34,547	36,475	39,279

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	39.7	-2.2	-7.9	21.8	16.0
EBITDA	29.0	0.5	-19.3	46.9	-3.4
Adj PAT	17.3	6.7	-17.6	37.4	-1.3
Adj EPS	17.4	6.6	-17.6	37.4	-1.3

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	33.7	31.7	38.4	28.0	28.3
P/BV (x)	7.0	6.7	6.4	5.8	5.4
EV/EBITDA (x)	21.0	20.9	25.8	17.3	17.6
EV/Sales (x)	5.3	5.4	5.9	4.8	4.0
Dividend Yield (%)	2.5	2.6	2.0	2.1	2.1

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	21.1	21.6	17.0	21.8	19.7
RoCE (%)	23.5	22.3	16.2	23.1	18.7
Asset/T.O (x)	0.5	0.4	0.4	0.5	0.6
Net Debt/Equity (x)	-1.3	-1.4	-1.3	-1.3	-5.8
EBIT/Interest (x)	136	108	97	116	105

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	25.3	26.0	22.8	27.5	22.9
EBIT Margin (%)	23.1	23.6	20.0	24.9	20.5
PAT Margin (%)	18.7	20.1	17.9	20.5	17.4

Source: Company, Antique

CMP	: INR 1,545
Reco	: BUY ↔
Target Price	: INR 2,230 ↑
Target Price Change	: 31%
Target FY26 EV/EBITDA (x)	: 12
EPS Change F24/ 25/ 26	: No Change

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Market data	
Sensex	: 72,086
Sector	: Textiles
Market Cap (INR bn)	: 172.8
Market Cap (USD bn)	: 2.084
O/S Shares (mn)	: 111.7
52-wk HI/LO (INR)	: 1599/588
Avg. Daily Vol ('000)	: 378
Bloomberg	: CENTIN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	45.2	49.9	80.1
P/E (x)	34.2	31.0	19.3
P/BV (x)	4.0	3.6	3.1
EV/EBITDA (x)	19.0	16.6	12.1
Dividend Yield (%)	0.4	0.4	0.5

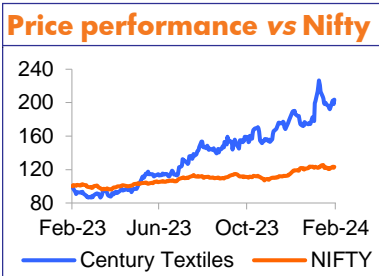
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	22	42	50	121
Relative	22	26	37	84

Source: Bloomberg

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

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Century Textiles & Industries

Improvement in paper; strong guidance on real estate

Century Textiles & Industries' (CENT) 3QFY24 quarter highlight is the strong performance of the paper business. Volume growth of 24% YoY (11% QoQ) led to a paper segment revenue of INR 8.8 bn (10%/ 2% QoQ/ YoY) with a margin of 15% during the quarter. In the real estate business, CENT initiated delivery of Birla Alokya, Bengaluru and would commence delivery of a few towers of Birla Vanya, Kalyan and Birla Navya, Gurugram in 4QFY24. Sales bookings have been muted (INR 1.9 bn, -51% YoY) during the quarter as there were no new launches and the lack of unsold inventory. However, the launch pipeline for 4QFY24 looks heavy with the impending launch of Birla Niyara phase 2, Worli (~GDV INR 45.0 bn) and one project in Raja Rajeshwari Nagar, Bengaluru (~GDV INR 1.0 bn). The company expects a strong response to these launches and expects to surpass INR 30.0 bn in sales booking in FY24 (9MFY24 sales booking at INR 11.0 bn, -20% YoY). In addition, the company gave a strong sales booking (>INR 50.0) guidance and business development (~GDV of INR 200 bn) for FY25. Reiterate BUY with a revised target price (TP) of INR 2,230 (previously INR 1,700) valuing the company on a SoTP-based EV/ EBITDA multiple of 12x on implied EBITDA of FY26 (earlier NAV).

3QFY24 in a nutshell

Sales booking was at INR 1.9 bn (-73%/ -51% QoQ/ YoY) (vs. our estimate of INR 2.5 bn); 9MFY24 sales booking at INR 11.0 bn (-20% YoY). Collections stood at INR 1.8 bn (-27%/ -17% QoQ/ YoY). Real estate revenue jumped to INR 860 mn (115%/ 139% QoQ/ YoY) due to project deliveries. The delivery of other projects would commence in 4QFY24. Thus, the real estate segment would see an incremental revenue recognition of ~INR 17 bn in FY24. Paper revenue at INR 8.8 bn (10%/ 2% QoQ/ YoY), EBITDA was strong at INR 1.3 bn (74%/ 32% QoQ/ YoY) with a margin of 15% (550 bps/ 340 bps QoQ/ YoY). Capacity utilization stood at 104% in 3QFY24 and 96% in 9MFY24. Textiles continued to witness headwinds with revenue declining 16%/ 15% QoQ/ YoY to INR 2.1 bn. Net debt stood at INR 23.6 bn as of Dec'23.

Strong FY25 guidance

In addition to the launch of Niyara phase 2 and Raja Rajeshwari Nagar in 4QFY24, the company has a strong launch pipeline for FY25 viz. Sarjapur, Pune, Delhi, new phase of Trimaya in FY25 and Walkeshwar. The cumulative GDV of these launches would be ~INR 80-90 bn. The launch of tower 3 of Niyara would depend on the response to Niyara tower 2. If tower 3 is launched then another INR 50 bn worth of project would be launched in FY25; the launch of Gurugram phase 4 would add a GDV of INR 12 bn. On the back of such a strong launch pipeline and good response to new launches, CENT believes it could do sales booking of INR 50-60 bn in FY25.

Aggressive business development to continue

The company during this year to date has done business development (BD) of INR 160 bn and expects to close a few deals (which might spill over to FY25). On an average, CENT expects to do BD of ~GDV of INR 200 bn every year. With all ongoing projects significantly sold and cash flow positive, we believe the aggressive BD won't stretch its balance sheet too much (peak debt may go up to INR 30 bn).

Investment Summary

CENT's real estate business is going strong with most of the projects significantly sold out and the paper business is doing steady business. We believe a strong response to Niyara phase 2 (expected to be launched in Feb 2024) would give it the impetus to scale the real estate business. We continue to remain structurally positive on CENT's growth prospect in the medium to long term. **Reiterate BUY with a revised target price (TP) of INR 2,230 (previously INR 1,700) valuing the company on a SoTP-based EV/ EBITDA multiple of 12x on implied EBITDA of FY26 (earlier NAV).** Key monitorable remains the response to the launch of Niyara phase 2 in February 2024.

Rationale for implied EBITDA

Currently, we are seeing an exuberance in the realty sector with strong demand from end users across markets. We expect this up-cycle to continue at least for the next few years. In such a strong growth cycle, NAV premiums become highly subjective and NAV calculations do not fully capture the strong volume growth (>10%). NAV calculations are a good valuation methodology when growth rates are less than 10%–15%. Currently, in India, we are seeing strong volume growth as well as price growth, leading to sales booking growth >25%–30% amongst leading developers. Thus, the stock will trade much above NAV.

With the upcycle expected to continue and companies generating strong cash flows, these cash flows would be reinvested fuelling growth. Consequently, to capture strong growth in valuation we have used implied EBITDA (EBITDA on sales booking expected in FY26) and used a multiple on it. The advantage of this method is that it captures the operational performance and future growth.

Valuation using implied EBITDA

Management expects CENT to surpass INR 30 bn in FY24 and with the launch of Niyaara 2 and the RR Nagar project. Aided by robust launch pipeline and aggressive business development velocity, we expect CENT to surpass INR 50 bn in FY25 and INR 60 bn in FY26.

Table 1: SoTP valuation

	FY26E
Sales booking	INR 60 bn
Implied EBITDA @30%	INR 18 bn
(a) EV of residential at 12x to EV/implied EBITDA	INR 214 bn
(b) Commercial assets at 7.5% cap rate	INR 18 bn
(c) Paper business at 5x EV/EBITDA	INR 40 bn
(d) Net debt (INR bn)	INR 24 bn
(e) Equity value (a + b +c -d)	INR 249 bn
(f) # of shares	112 mn
(g) Target Price (e/f)	INR 2,230

Source: Company, Antique

Table 2: NAV methodology

Commercial Leasing - Operational	18,437
Century Mills Worli	98,708
Residential - ongoing	15,152
New project addition	38,369
Paper	40,396
Textile	3,092
Land Bank	10,308
Total EV (INR mn)	2,24,462
Less: net Debt	23,560
NAV (INR mn)	2,00,902
no. of share (mn)	112
per share value (INR)	1,799
TP	2,230
Implied premium (%) to NAV	23.4%

Source: Company, Antique

Quarterly snapshot – 3QFY24

Table 3: Operational performance – Real estate

INR mn	3QFY24	2QFY24	QoQ %	3QFY23	YoY %	9MFY24	9MFY23	FY23	FY22
Sales booking	1,890	7,080	-73%	3,830	-51%	11,040	13,780	21,840	19,131
Collection	1,820	2,510	-27%	2,187	-17%	8,020	6,470	8,620	3,514
Leasing income	270	320	-16%	280	-4%	890	800	1,100	1,207

Source: Company, Antique

Table 4: Financial performance

INR mn	3QFY24	2QFY24	QoQ %	3QFY23	YoY %
Net Sales	12,719	11,031	15.3	11,687	8.8
Total Expenditure	10,943	10,692	2.3	10,817	1.2
EBITDA	1,776	338	424.9	870	104.1
Margins (%)	14.0	3.1	1090 bps	7.4	652 bps
Depreciation	612	592	3.3	570	7.3
Interest	156	170	(8.3)	128	21.9
Other Income	264	118	123.5	43	515.2
PBT before EO expense	1,273	-305	na	215	491.5
PBT	1,273	-305	na	215	491.5
Tax	412	-33		145	
Rate (%)	32.4	10.9		67.1	
MI & Profit/Loss of Asso. Cos.	28	33		-17	
Reported PAT	833	-304	na	87	855.3
Adj PAT	833	-304	na	87	855.3
Margins (%)	6.55	-2.76	na	0.75	580 bps

Source: Company, Antique

Conference Call highlights

Real estate

- **Received OC** for three projects and delivery has begun. There is a possibility of spillover, but most of it will come through this quarter. Topline of INR 17–18 bn and margin of 30%.
- **Launch pipeline in 4QFY24:** Niyara RERA received and launch expected in Feb'24. RR Nagar awaiting RERA approval, may come through in late Feb or early March. Walkeshwar is close to receiving and Gurugram in 1QFY25.
- **Launch in FY25:** Sarjapur, Pune, Delhi, new phase of Trimaya. Thane will take time and most likely will spill over to FY26. If the Walkeshwar project misses its timeline it will then be 4QFY24. INR 80–90 bn of launches in FY25. The launch of tower 3 depends on the response to tower 2 in Niyara. If tower C is launched then another INR 50 bn will be deployed.
- Strong pipeline of **business development (BD)** may happen in 4QFY24 or spillover to 1QFY25. Target BD of INR 200 bn per annum. In 9MFY24, INR 160 bn is already done. The typical BD size of GDV of INR 15 bn.
- **Land payments** have already been done for all acquisitions. Only Thane has not been paid for. INR 6 bn spread over a few years to be paid.
- All ongoing projects are funded through internal accruals, except for Kalyan.
- **Niyara tower C:** 3–4 competitor projects expected on Worli Sea face but none similar in size to Niyara. Niyara C will have 149 units. Largely 4–5 BHKs and some large 3 BHKs.
- Textile Mill policy – Some surplus TDR available. TDR sales of INR 860 mn.
- **Guidance** >INR 30 bn in FY24, INR 50–60 bn in FY25. EBITDA margin 30%–35%.

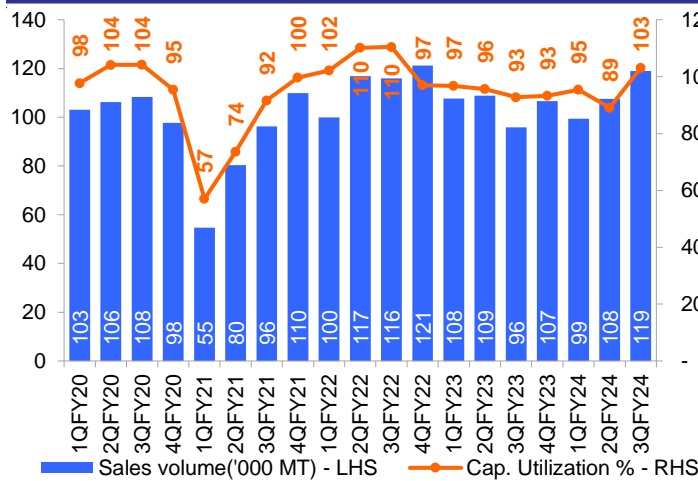
- **Rental rate** may go up during the re-leasing of its two office towers.
- Hardly any inventory left ~INR 8 bn.
- **Focus on 4 markets** – MMR, NCR, Bengaluru, and Pune.

Paper

- Working on **cost reduction** such as chemical, power, etc., leading to better margins.
- The wood supply situation has improved. Stocked up for April-June months as supply is weak during this period.
- **Paper margin** 15% in FY24. Target EBITDA/kg INR 50/kg in paper for FY25.

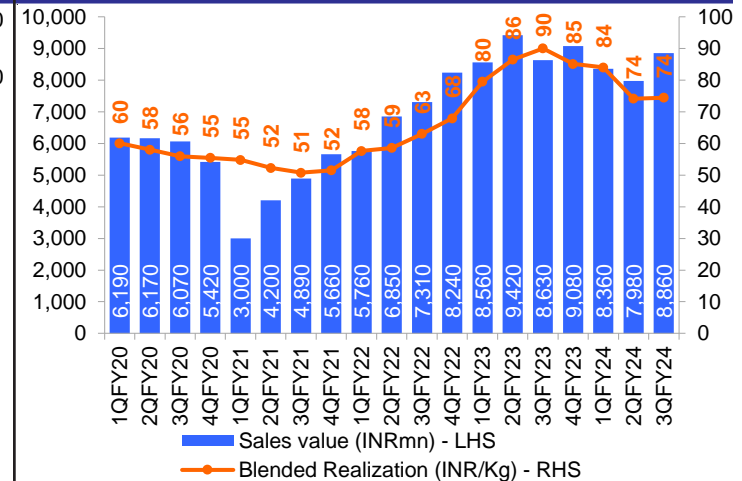
Story in Charts

Exhibit 1: Paper volume rose...



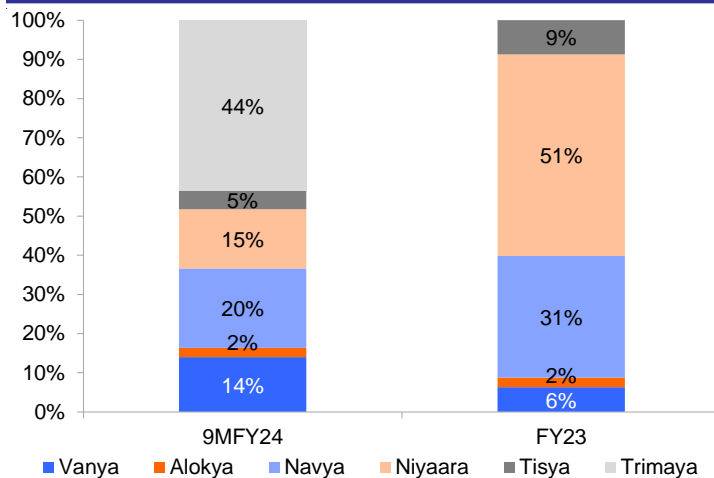
Source: Company, Antique

Exhibit 2: ...despite marginal reduction realization



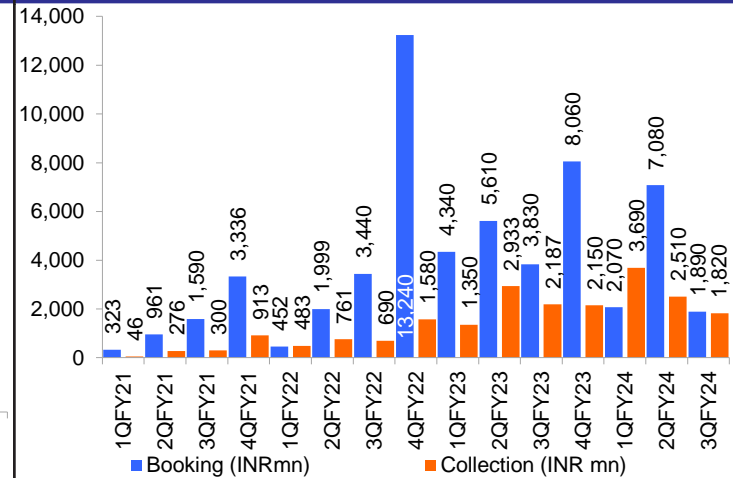
Source: Company, Antique

Exhibit 3: Birla Trimaya key contributor to sales booking in 9MFY24



Source: Company, Antique

Exhibit 4: Sales bookings were muted due to no new launches in 3QFY24



Source: Company, Antique

Financials

14.5% EBITDA in FY24

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
cash credit facilities	112	1,689	-	-	-
Bank balance	795	1,026	-	-	-
Cash & Bank balance	1,143	1,511	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)	108.5	125.3	34.2	31.0	19.3
P/BV (x)	4.6	4.4	4.0	3.6	3.1
EV/EBITDA (x)	41.2	34.4	19.0	16.6	12.1
EV/Sales (x)	4.4	3.8	2.8	2.7	2.5
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.5

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 405
Reco	: HOLD ↔
Target	: INR 362 ↑
Target Price Change	: 18%
Target FY26 P/E (x)	: 25
EPS Change FY24/ 25/ 26:	9%/ 13%/ 18%

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Market data	
Sensex	: 72,086
Sector	: Comm. Vehicles
Market Cap (INR bn)	: 167.2
Market Cap (USD bn)	: 2.016
O/S Shares (mn)	: 412.3
52-wk HI/LO (INR)	: 434/85
Avg. Daily Vol ('000)	: 1,530
Bloomberg	: JWLIN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	7.9	11.1	14.5
P/E (x)	51.1	36.4	28.0
P/BV (x)	10.1	8.0	6.3
EV/EBITDA (x)	35.1	25.2	19.6
Dividend Yield (%)	0.1	0.1	0.2

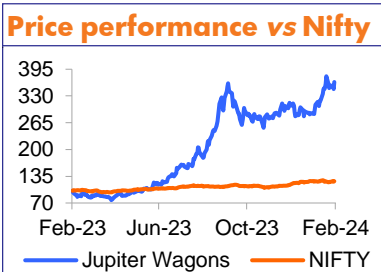
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	27	33	103	265
Relative	27	18	85	203

Source: Bloomberg

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

Source: Bloomberg



Source: Bloomberg

3QFY24 RESULT REVIEW

Jupiter Wagons

Beat on all the fronts

Jupiter Wagons (JWL) delivered a robust performance in 3QFY24 reporting 39%/ 55%/ 80% YoY growth in revenue/ EBITDA/ PAT respectively and beating our estimates on all fronts. The strong execution in railway wagons and CV load bodies segment coupled with operating leverage resulted in a 140 bps expansion in EBITDA margin to 13.9% (est. of 13.3%). The order book witnessed a 24% YoY growth to INR 71 bn providing revenue visibility of 2.2x TTM revenue. We firmly believe that JWL stands as a top-tier player in the field of mobility solutions, particularly in the domains of railways and roadways, and is well positioned to increase its turnover (INR 25 bn in 9MFY24) to an impressive range of INR 70-80 over the next five years. We increase our FY24/ 25/ 26E earnings estimate by 9%/ 13%/ 18% respectively due to consistent improvement in execution. However, we believe the stock is fairly priced and await a better entry point. We therefore maintain a HOLD rating with a target price of INR 362 (earlier INR 307) valuing the company at 25x FY26E EPS.

Strong operational performance aided by a 39% YoY revenue growth

JWL's overall 3QFY24 performance was ahead of our estimates. Revenue stood at INR 8.96 bn (+39% YoY), ahead of our estimate of INR 8.28 bn despite a 10-day production loss during the quarter. Revenue growth was supported by volume growth in both the railway wagons segment (+95% YoY) and CV load bodies segment (+45% YoY). Gross margin stood at 23.1% (+20 bps YoY), above our estimate of 22%, supported by a better revenue mix. Operating profit saw a 55% YoY growth to INR 1.25 bn (est. of INR 1.1 bn); EBITDA margin stood at 13.9% (+140 bps YoY; est. of 13.3%) supported by a higher gross margin and operating leverage. PAT at INR 834 mn (+80% YoY) was also above our estimate of INR 718 mn.

Strong order backlog coupled with industry tailwinds to aid long-term growth

JWL witnessed a 53% YoY growth in its calculated order inflow to INR 20.2 bn supported by the recently won 4,000 wagon tender from the Indian Railways. Given the strong pipeline for wagon players with 13,000 wagon tenders currently active, 10,000 new-age wagon tenders to be floated in the near term and 20,000+ wagon ordering expected from the Indian Railways in FY25, we expect the ordering momentum to continue. The company has an order backlog of INR 71 bn providing a revenue visibility of 2.2x TTM revenue. Given the strong industry tailwinds, we believe JWL will be able to deliver a 41% revenue CAGR over FY23-26E.

Capex of INR 10 bn for capacity expansion and backward integration

JWL has increased its wagons capacity from ~500-550 wagons/month in FY22 to ~800 wagons/month currently on account of robust ordering from both the private sector and Indian Railways. However, given the strong industry tailwinds, the company plans to increase its Kolkata capacity by 200 wagons/month (foundry capacity from 2,500 MT to 3,000 MT) and set up a new foundry in Jabalpur with a capacity of 2,000 tons (200 wagons/month) leading to an aggregated capacity of 1,200 wagons/month by the end of FY25. Additionally, with the recent acquisition of Stone India, the company plans to backward integrate its manufacturing process by producing freight brakes, valves, etc. The company also has plans to set up a wheel manufacturing plant in the future. We believe JWL has the potential to sustain a +13% margin over the medium term supported by backward integration and high-capacity utilization.

Investment Summary

We expect JWL to post revenue/ EBITDA/ earnings CAGR of 41%/ 49%/ 68% over FY23-26E and generate an average RoE of +25%. JWL's stock has meaningfully appreciated in the past year, led by more than doubling of profit in FY23. Although JWL has a strong growth trajectory supported by sectorial tailwinds, we believe the stock is fairly valued. We therefore maintain a HOLD rating with a revised target price of INR 362 (earlier INR 307) valuing the company at 25x FY26E EPS and await a better entry point.

Conference Call Highlights

- **Margin** — Margin expansion supported by favorable product mix and operating leverage.
- **Revenue** — The company crossed the INR 9 bn milestone in execution despite a 10-day production loss due to the festive season. Expect non-wagon revenue to increase to more than 50% in the medium term.
- Execution momentum has improved YoY from 550 wagons/month in FY22 to ~800 wagons/month.
- **Order wins** — Wagon business won orders worth over INR 22 bn, this includes INR 16 bn from the Indian Railways, INR 4.7 bn from the Ministry of Defence, and INR 1 bn from an auto major.
- **Expansion** — A new foundry is scheduled to be established in Jabalpur over the course of the next 18 months with a capacity of 2,000 tons, catering to both captive use and exports. This initiative is expected to yield cost savings in freight expenses. This expansion will lead to a capacity of 200 wagons/month.
- **Capex plan** — INR 10 bn in the next 2-3 years. Will be used to increase wagon capacity from 800 to 1000 in the Kolkata factory, capex of Jabalpur factory and also for brakes.
- **Brakes and hubs** — The company also won INR 1.12 bn worth orders for the axle-mounted brake disc system from the Indian Railways. Execution is expected to start from 4QFY24.
- Expect a revenue of INR 4-5 bn in FY25 from the brakes business. Plans to scale up the brakes business to INR 10 bn in the next 3-4 years.
- Brake and brake disc is scaling as expected and execution is ramping up.
- Strong demand witnessed for hubs in the export market.
- **EV Mobility** — Awaiting final ARAI certification and launch expected in 4QFY24. Will be launching 3-4 vehicles from 1-ton to 5-ton payload capacity. Has export potential as well in this business.
- **CMS** — Expansion currently going on and will take 3-4 months. Once done there will be a significant jump (tentative 2QFY25).
- **Wagon** — Order book - 40% from the Indian Railways and 60% from private players.
- **Wagon pipeline** — Currently two tenders for a total of 13,000 wagons have been floated. The company expects the Indian Railways to order an additional 20,000-30,000 wagons in FY25.
- **Global wagon tender** — For 10,000 new-age wagons with a completely different design, better loading capacity, and modern bogies. This is a higher margin tender. It will be awarded only to one player and will have to be executed over five years.
- **Private sector** — The private sector is witnessing strong demand and enquires are consistently increasing. Don't expect elections to affect demand from the private sector.
- **Stone India** — To be operational FY25 onwards.
- **Sector tailwinds** — Govt plans to establish three significant corridors aimed at addressing congestion, reduce turnaround time, and lower the logistic costs for mineral and cement transport. Additionally, Govt plans to convert 40,000 normal rail bogies into Vande Bharat. Furthermore, projects such as Metro Rail, Nammo Bharat, etc. across multiple cities provides strong opportunities for both freight and passenger rail players.
- **Containers** — The company has a strong order book and has been upgrading its container factory (automation/ robotics). Expect container revenue to normalize FY25 onwards.

Table 1: Financial performance

Particulars (INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)
Total revenues (net)	8,958	6,444	39.0	8,793	1.9	13,565	25,283	86.4
RM	6,887	4,968	38.6	6,873	0.2	10,252	19,595	91.1
% of Sales	76.9	77.1	-21 bps	78.2	-129 bps	75.6	77.5	193 bps
Staff cost	123	107	15.1	118	4.8	299	353	18.2
% of Sales	1.4	1.7	-29 bps	1.3	4 bps	2.2	1.4	-81 bps
Other operating expenses	700	562	24.5	590	18.6	1,405	1,901	35.3
% of Sales	7.8	8.7	-91 bps	6.7	110 bps	10.4	7.5	-284 bps
Total expenditure	7,710	5,637	36.8	7,581	1.7	11,956	21,850	82.7
EBITDA	1,248	807	54.7	1,212	3.0	1,609	3,433	113.4
EBITDA Margin (%)	13.9	12.5	141 bps	13.8	15 bps	11.9	13.6	172 bps
Depreciation	68	61	11.4	71	(3.9)	188	205	9.3
Interest	115	74	54.1	104	10.0	202	302	50.0
Other income	50	19	159.1	54	(7.7)	41	126	208.3
PBT	1,115	690	61.5	1,090	2.2	1,261	3,051	142.1
Tax	281	227	23.9	274	2.3	415	766	84.6
Tax rate (%)	25.2	32.8	-763 bps	25.2	2 bps	32.9	25.1	-780 bps
Reported net profit	834	464	79.8	816	2.2	846	2,286	170.2
Adjusted net profit	834	464	79.8	816	2.2	846	2,286	170.2
EPS (INR)	2.0	1.1	79.8	2.0	2.2	1.5	4.0	175.9

Source: Company, Antique

Table 2: Volumes (Nos.)

Volumes (Nos.)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)
Railway Wagons	1,850	862	114.6	1,713	8.0	2,815	5,487	94.9
CMS Crossing	126	400	(68.5)	157	(19.7)	1,234	428	(65.3)
Commercial Vehicle Bodies & Components	44.9	2,431	1,490	63.2	2,191	11.0	5,447	7,895
Containers	131	424	(69.1)	112	17.0	1,088	433	(60.2)
Brake Disc Assemblies	1,429	-	-	1,172	21.9	-	3,857	-
Hubs	10	-	-	-	-	-	2,204	-

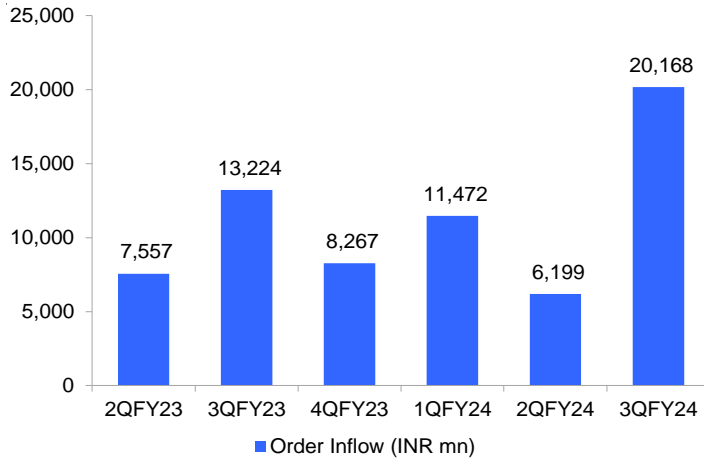
Source: Company, Antique

Table 3: Earnings Change

INR mn	Old			New			Change (%)		
	FY24E	FY25E	FY26	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	33,238	42,817	52,821	35,462	47,323	58,448	7%	11%	11%
EBITDA	4,421	5,823	7,184	4,787	6,531	8,358	8%	12%	16%
EBITDA margin	13.3%	13.6%	13.6%	13.5%	13.8%	14.3%	0.2%	0.2%	0.7%
Reported PAT	2,984	4,068	5,064	3,265	4,588	5,965	9%	13%	18%
Adj. PAT	2,984	4,068	5,064	3,265	4,588	5,965	9%	13%	18%

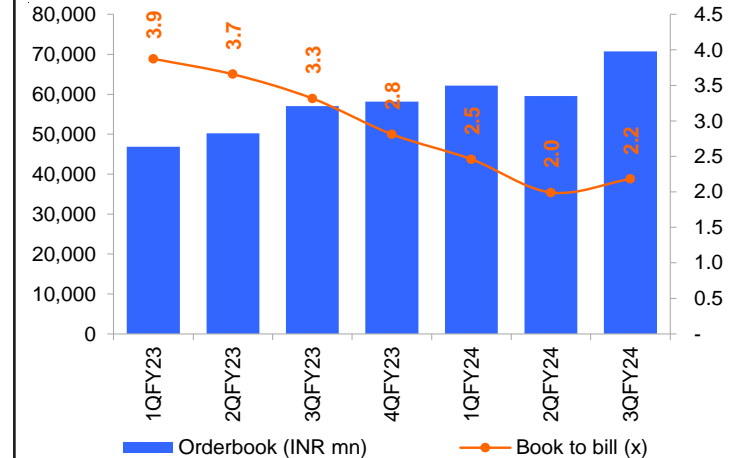
Source: Company, Antique

Exhibit 1: Calculated order inflow for the quarter at INR 20.2 bn



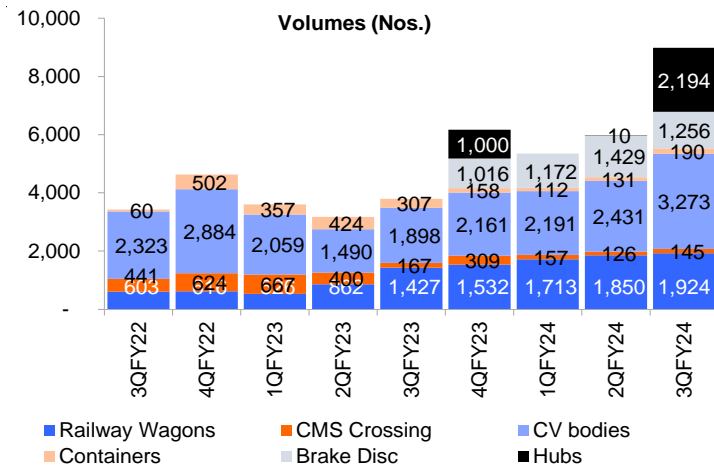
Source: Company, Antique

Exhibit 2: Order book stood at INR 71 bn providing a revenue visibility of 2.2x TTM revenue



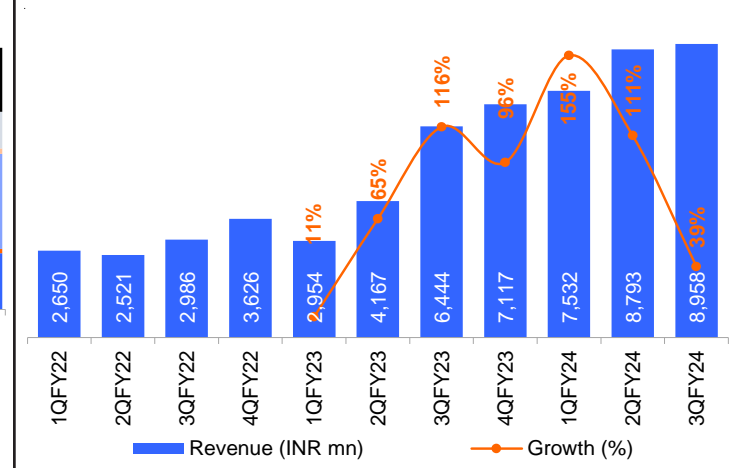
Source: Company, Antique

Exhibit 3: Strong volume growth in railway wagons segment



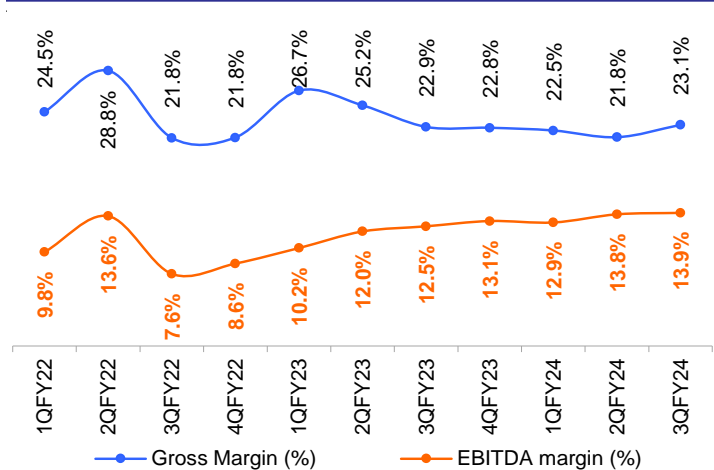
Source: Company, Antique

Exhibit 4: Witnessed a revenue growth of 39% YoY



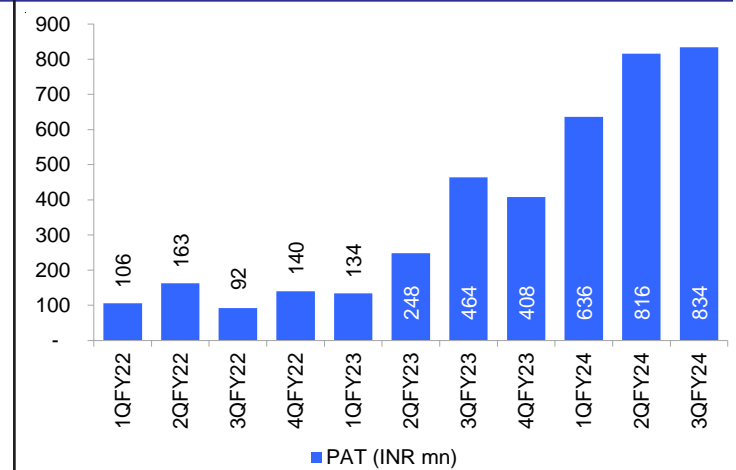
Source: Company, Antique

Exhibit 5: EBITDA margin improves by 140 bps YoY supported by operating leverage



Source: Company, Antique

Exhibit 6: Earnings witnessed a robust 80% YoY growth aided by both volume growth and operating leverage



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	11,784	20,682	35,462	47,323	58,448
Op. Expenses	10,642	18,143	30,674	40,792	50,090
EBITDA	1,141	2,539	4,787	6,531	8,358
Depreciation	233	249	285	330	356
EBIT	908	2,290	4,503	6,200	8,002
Other income	34	51	178	187	215
Interest Exp.	182	289	426	521	643
Reported PBT	760	2,052	4,255	5,866	7,574
Tax	260	798	1,072	1,478	1,909
Reported PAT	500	1,254	3,183	4,388	5,666
Minority Int./Profit (loss) From Asso.	-	-	83	200	299
Net Profit	500	1,254	3,265	4,588	5,965
Adjusted PAT	500	1,254	3,265	4,588	5,965
Adjusted EPS (INR)	1.3	3.2	7.9	11.1	14.5

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	3,874	3,874	4,123	4,123	4,123
Reserves & Surplus	2,959	4,212	12,348	16,706	22,373
Networth	6,833	8,086	16,471	20,829	26,496
Debt	1,387	2,877	2,727	2,727	2,227
Net deferred Tax liabilities	(271)	300	300	300	300
Capital Employed	7,950	11,263	19,498	23,856	29,023
Gross Fixed Assets	5,174	5,710	6,710	7,710	7,810
Accumulated Depreciation	917	1,081	1,366	1,697	2,052
Capital work in progress	222	260	260	260	260
Net Fixed Assets	4,479	4,889	5,605	6,274	6,019
Investments	100	164	714	1,264	1,764
Non Current Investments	100	164	714	1,264	1,764
Current Assets, Loans & Adv.	5,877	11,334	22,409	28,635	36,453
Inventory	3,194	4,912	8,744	12,317	15,212
Debtors	710	2,133	3,886	5,186	6,405
Cash & Bank balance	761	1,661	5,377	5,258	7,580
Loans & advances and others	1,212	2,628	4,402	5,874	7,255
Current Liabilities & Provisions	2,507	5,125	9,230	12,317	15,212
Liabilities	2,446	5,061	8,744	11,669	14,412
Provisions	61	64	486	648	801
Net Current Assets	3,370	6,209	13,179	16,318	21,240
Application of Funds	7,950	11,263	19,498	23,857	29,023

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	387	387	412	412	412
Diluted no. of shares (mn)	387	387	412	412	412
BVPS (INR)	17.6	20.9	39.9	50.5	64.3
CEPS (INR)	1.9	3.9	8.4	11.4	14.6
DPS (INR)	10.5	0.2	0.4	0.6	0.7

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	760	2,052	4,255	5,866	7,574
Depreciation & amortization	233	249	285	330	356
Interest expense	168	253	426	521	643
(Inc)/Dec in working capital	(537)	(1,744)	(3,254)	(3,258)	(2,600)
Tax paid	(16)	(94)	(1,072)	(1,478)	(1,909)
Other operating Cash Flow	(14)	13	-	-	-
CF from operating activities	595	729	639	1,981	4,064
Capital expenditure	(364)	(651)	(1,000)	(1,000)	(100)
Inc/(Dec) in investments	227	(36)	(468)	(351)	(201)
CF from investing activities	(137)	(687)	(1,468)	(1,351)	(301)
Inc/(Dec) in share capital	-	-	5,283	-	-
Dividend Paid	-	-	(163)	(229)	(298)
Others	(167)	1,212	(576)	(521)	(1,143)
CF from financing activities	(168)	1,212	4,544	(750)	(1,441)
Net cash flow	(63)	752	3,716	(119)	2,322
Opening balance	972	909	1,661	5,377	5,258
Closing balance	909	1,661	5,377	5,258	7,580

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	18.3	75.5	71.5	33.4	23.5
EBITDA	7.3	122.5	88.5	36.4	28.0
Adj PAT	(6.5)	150.6	160.5	40.5	30.0
Adj EPS	(6.5)	150.6	144.8	40.5	30.0

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	313.6	125.2	51.1	36.4	28.0
P/BV (x)	23.0	19.4	10.1	8.0	6.3
EV/EBITDA (x)	146.9	66.6	35.1	25.2	19.6
EV/Sales (x)	14.2	8.2	4.7	3.5	2.8
Dividend Yield (%)	2.6	0.0	0.1	0.1	0.2

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	7.6	16.8	26.6	24.6	25.2
RoCE (%)	12.5	24.4	30.4	29.5	31.1
Asset/T.O (x)	2.8	2.8	3.7	3.2	2.8
Net Debt/Equity (x)	0.2	0.4	0.2	0.1	0.1
EBIT/Interest (x)	5.2	8.1	11.0	12.3	12.8

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	9.7	12.3	13.5	13.8	14.3
EBIT Margin	7.7	11.1	12.7	13.1	13.7
PAT Margin	4.2	6.1	9.2	9.7	10.2

Source: Company Antique

CMP	: INR 261
Reco	: HOLD ↔
Target Price	: INR 238 ↑
Target Price Change	: 40%
Target FY26 P/E (x)	: 30
EPS Change FY24/ 25/ 26:	-3%/8%/14%

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Market data	
Sensex	: 72,086
Sector	: Industrials
Market Cap (INR bn)	: 147.0
Market Cap (USD bn)	: 1.773
O/S Shares (mn)	: 562.0
52-wk HI/LO (INR)	: 274/70
Avg. Daily Vol ('000)	: 6,623
Bloomberg	: ENGRIN

Source: Bloomberg

Valuation (consolidated)			
	FY24e	FY25e	FY26e
EPS (INR)	5.4	6.3	7.5
P/E (x)	48.6	41.8	34.8
P/BV (x)	6.4	5.8	5.2
EV/EBITDA (x)	48.0	39.1	30.7
Dividend Yield (%)	1.1	0.9	1.1

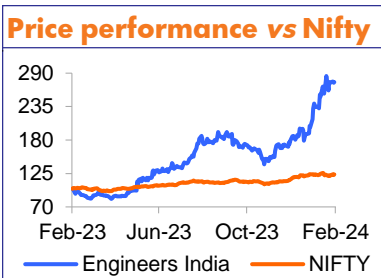
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	33	108	76	208
Relative	32	85	61	156

Source: Bloomberg

Shareholding pattern		
Promoters	:	51%
Public	:	49%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Engineers India

Margin-led miss on the operational front

Engineers India's (EIL) 3QFY24 operational performance was below our estimates despite in-line revenue performance impacted by profitability in the consultancy segment. The EBITDA margin missed our estimate by 230 bps impacted by higher than estimated employee cost (29.8% of sales, +140 bps YoY; est. of 27%). Order inflow grew 140% YoY to INR 6.4 bn on a weak base of INR 2.6 bn supported by consultancy orders. Order book witnessed a subdued growth of 2% YoY to INR 80 bn (providing revenue visibility of 2.4x TTM revenue. With the improving order book and strong order pipeline for the medium term, we believe execution will witness an improvement and thus revise our earnings upwards by 8%/14% for FY25E/26E respectively. However, due to the uncertainty with regards to the timeline of multiple large ticket orders in the pipeline, we maintain our HOLD rating with a revised target price of INR 238 based on SoTP valuation.

In-line execution; margins disappoint

3QFY24 operational performance was below our estimates despite an in-line revenue. Total Revenue came at INR 8.6 bn (+3.1% YoY; estimate of INR 8.8 bn) in line with our estimate. Gross margin stood at 44% (+60 bps YoY) in line with our estimate of 43.6%. However, the EBITDA margin stood at 5.6% below our estimate of 7.9% due to higher than estimated employee cost (29.8% of sales, +140 bps YoY; est. of 27%) leading to a miss on the operational front. PAT as well was below our estimate and stood at INR 502 mn (+5% YoY; est. of INR 709 mn). The management is confident of achieving an INR 35 bn revenue in FY24 and hence maintained its guidance.

Turnkey segment margins surprise positively

The turnkey segment registered revenue of INR 4.97 bn (+4% YoY), in line with our estimate of INR 5.04 bn. However, it displayed a strong operational performance with EBIT at INR 237 mn (+161% YoY; est. of INR 101 mn) and a margin above our estimate at 4.8% (+290 bps YoY; est. of 2.2%). The margin improvement is primarily on account of the company having started executing the ONGC project. Management maintains its 3%-5% EBIT margin guidance for FY24. Lack of orders during the quarter led to a 4% decline in order backlog to INR 32.4 bn, providing revenue visibility of 1.7x its TTM revenue. However, EIL has also received the go-ahead letters worth INR 16 bn from its clients for a turnkey project, which will take its order book to INR 48.4 bn (2.6x TTM revenue).

Consultancy segment margins hamper profitability

Consultancy segment's operational performance was below our expectations. Revenue stood at INR 3.6 bn (+3% YoY; est. of INR 3.7 bn), EBIT stood at INR 654 mn (-5% YoY; est. of INR 974 mn), and EBIT margin stood at 18.2% (-1.5 pps YoY; est. of 26%). Consultancy margins were impacted by the hiring of employees to expand in overseas markets leading to higher employee costs. Management expects EBIT margin to hover in the 20%-25% range going forward. Order inflow in 3QFY24 stood at INR 6.4 bn resulting in an order book of INR 47.5 bn (3.3x TTM revenue). EIL expects a strong order inflow in FY24 & FY25 with multiple petrochemical, upstream, infrastructure, and international projects in the pipeline. Additionally, EIL expects the share of consultancy projects from energy transition areas like hydrogen, coal gasification, renewables, etc. to increase to 15%-20% in the medium term from the current 8% levels in FY23.

EIL looks to target oil and gas opportunities in the MENA region

EIL has started to explore opportunities in the oil and gas sector to broaden its business. They have been actively bidding for projects in Algeria and are expected to enter into countries like Egypt. In the Middle East, it is trying to focus on all the major markets like Kuwait, Oman & Abu Dhabi. Additionally, it is also planning to expand in Guyana, a very small market, which has large resources and is on a strong growth trajectory.

Investment Summary

Engineers India historical operating performance has been impacted by multiple negative triggers in terms of weak order inflow, depleting order book, execution constraints, and margin pressure in both segments. However business momentum is expected to pick pace with improvement in execution as well as finalization of multiple large ticket order. With the improving order book and strong order pipeline for the medium term, we believe execution will witness an improvement and thus revise our earnings upwards by 8%/14% for FY25E/26E respectively. However, due to the uncertainty with regards to the timeline of multiple large ticket orders in the pipeline, we maintain our HOLD rating with a revised target price of INR 238 based on SoTP valuation.

Conference Call Highlights

- **Revenue guidance** — The company expects to achieve INR 35 bn in revenue this financial year and a growth of 10% in FY25 given some of the projects in the pipeline will come through.
- **Consultancy & engineering projects** — The company has two projects from IOCL in the pipeline, one is for sustainable aviation fuel where it has emerged as the lowest bidder & is expecting it to be awarded soon and the other one is for a chemical complex. Apart from these, the company has three mega complexes under negotiation, one an overseas one, one in India from a PSU, and one from a private specialty chem company. Expect margin to remain in the 20%-25% range in the segment.
- **Turnkey segment** — The company conveyed there is an improvement in EBIT margin due to the execution of a particular ONGC project. Guidance of 3%-5% EBIT margin is still intact.
- **BPCL petchem project** — The company has been given some assignments related to modification and conceptualization. Once it's cleared from the management side it will be awarded.
- The company stated that the share of turnkey EPC from petchem projects is higher than for refinery projects.
- **Infra consultancy projects** — The company is focusing on niche projects vs. the regular kind of projects and hence getting into RBI data center projects, air development projects, etc. The company is acting as a project consultant for such projects and expects the share of revenue from infrastructure projects to increase going forward.
- **Overseas projects:** The company is in talks with a fertilizer complex company in Nigeria and has reestablished itself in Africa. In talks for a project in Algeria as well for a petchem project. It is exploring markets in the Middle East - Egypt, Kuwait, Oman, Abu Dhabi & hoping to get good business by next year.
- **Export order** — Export orders are largely going to be consultancy orders & the company is specific about going for EPC orders. The company is looking out for risk-free opportunities & it believes that International orders have good margins enabling them to maintain overall margins.
- **Barmer refinery** — 71.5% of the Barmer refinery project has been completed.
- **Order inflow** — The company is maintaining its guidance of order inflow higher than that of last year. It is confident about achieving at least INR 45-47 bn inflows in FY24.
- **Order pipeline** — BORL refinery/ hydrogen plant, Paradeep expansion, IOC Panipat refinery, GAIL's west coast petchem complex and the Cauvery basin refinery project.
- **Diversification** — The company is looking into other sector consultancy projects like biofuels, coal gasification, fertilizers, non-ferrous metals, green hydrogen (green ammonia, electrolyzers), and defence.
- **Sunrise CSP** — This MoU is for solar technology BOP. The company expects a phase-wise transition and it is in talks with one of the public sector companies. Currently in the feasibility stage and expects the project to materialize in FY24.
- **Energy transition** — Strong opportunities from the segment. Includes green hydrogen, alternative fuels, biofuel, and ethanol blending currently. FY23 revenue from these streams was 7%-8% and the company plans to take it up to around 15%-20% in the medium term.
- **Coal gasification** — Coal gasification hasn't come on ground and been in discussion for the last two years. Management believes that issues related to technology and the execution still exists.

Table 1: Quarterly financial

Particulars (INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total revenues (net)	8,563	8,306	3.1	7,772	10.2	24,419	24,176	1.0
RM	4,793	4,700	2.0	3,668	30.7	12,987	13,465	(3.6)
% of Sales	56.0	56.6	-61 bps	47.2	878 bps	53.2	55.7	-251 bps
Staff cost	2,554	2,360	8.2	2,395	6.6	7,265	6,992	3.9
% of Sales	29.8	28.4	141 bps	30.8	-99 bps	29.8	28.9	83 bps
Other operating expenses	738	781	(5.5)	758	(2.6)	2,051	2,373	(13.6)
% of Sales	8.6	9.4	-78 bps	9.7	-113 bps	8.4	9.8	-142 bps
Total expenditure	8,085	7,841	3.1	6,820	18.5	22,303	22,831	(2.3)
EBITDA	478	465	2.8	952	(49.8)	2,116	1,345	57.3
EBITDA Margin(%)	5.6	5.6	-2 bps	12.2	-666 bps	8.7	5.6	310 bps
Depreciation	83	66	26.6	81	2.4	239	182	31.0
Interest	7	4	50.5	4	61.2	22	10	114.2
Other income	292	257	13.6	466	(37.3)	1,685	1,198	40.6
PBT	681	652	4.4	1,333	(48.9)	3,540	2,351	50.6
Tax	179	175	2.3	311	(42.5)	879	517	70.1
Tax rate (%)	26.2	26.8	-53 bps	23.3	291 bps	24.8	22.0	285 bps
Reported net profit	502	478	5.1	1,022	(50.9)	2,661	1,834	45.0
Adjusted net profit	502	478	5.1	1,022	(50.9)	2,661	1,834	45.0
EPS (INR)	0.8	0.8	5.1	1.6	(50.9)	4.2	2.9	45.0

Source: Company, Antique

Table 2: Quarterly segmental

Particulars (INR m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Sales								
Consultancy & Engineering Projects	3,591	3,503	2.5	3,611	(0.6)	10,658	10,464	1.9
Turnkey Projects	4,973	4,804	3.5	4,161	19.5	13,761	13,712	0.4
Total	8,563	8,306	3.1	7,772	10.2	24,419	24,176	1.0
EBIT								
Consultancy & Engineering Projects	654	690	(5.2)	822	(20.4)	2,361	1,965	20.2
Turnkey Projects	237	91	161.2	492	(51.9)	824	319	158.5
Total	395	399	(1.1)	871	(54.6)	1,877	1,163	61.4
EBIT Margin (%)								
Consultancy & Engineering Projects	18.2	19.7	-148 bps	22.8	-455 bps	22.2	18.8	338 bps
Turnkey Projects	4.8	1.9	288 bps	11.8	-707 bps	6.0	2.3	366 bps
Total	4.6	4.8	-20 bps	11.2	-659 bps	7.7	4.8	288 bps

Source: Company, Antique

Table 3: Earnings Change

INR mn	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	34,682	39,319	48,068	34,682	39,319	48,068	0%	0%	0%
EBITDA	3,168	3,487	4,068	3,187	3,862	4,822	1%	11%	19%
EBITDA margin	9.1%	8.9%	8.5%	9.2%	9.8%	10.0%	0.1%	1.0%	1.6%
Reported PAT	3,507	3,738	4,243	3,396	4,028	4,824	-3%	8%	14%
Adj. PAT	3,507	3,738	4,243	3,396	4,028	4,824	-3%	8%	14%

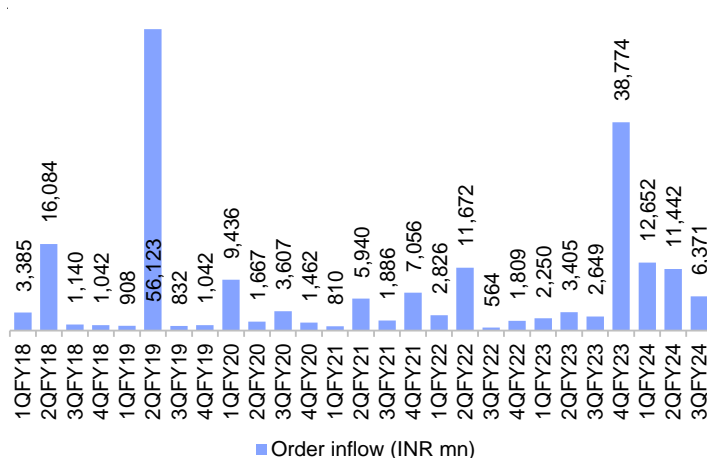
Source: Company, Antique

Table 4: SoTP

Target Price derivation	FY26E	Target Multiple	Target Price
Core EPS	5.9	30x	178
Cash/investment per share	59.7	1x	60
Total			238

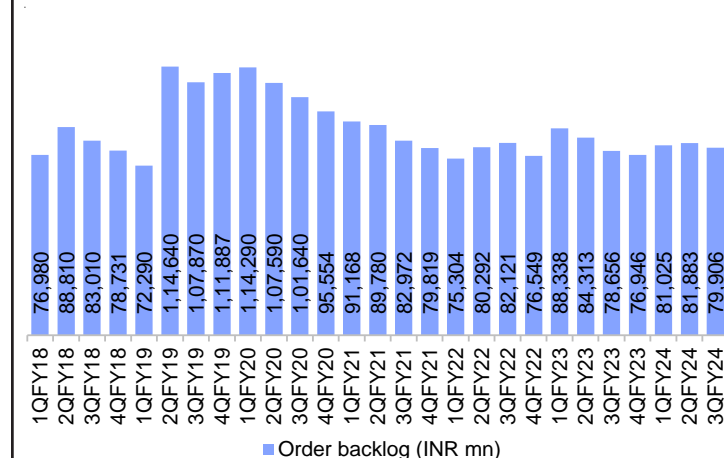
Source: Company, Antique

Exhibit 1: Order inflow during the quarter supported by consultancy segment



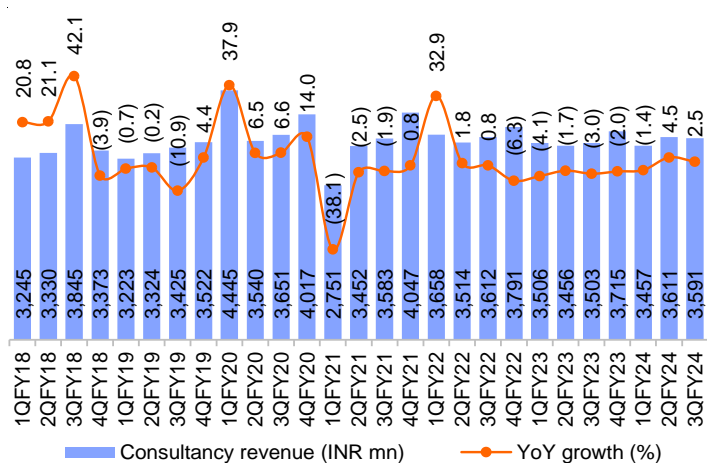
Source: Company, Antique

Exhibit 2: Order backlog provides limited revenue visibility



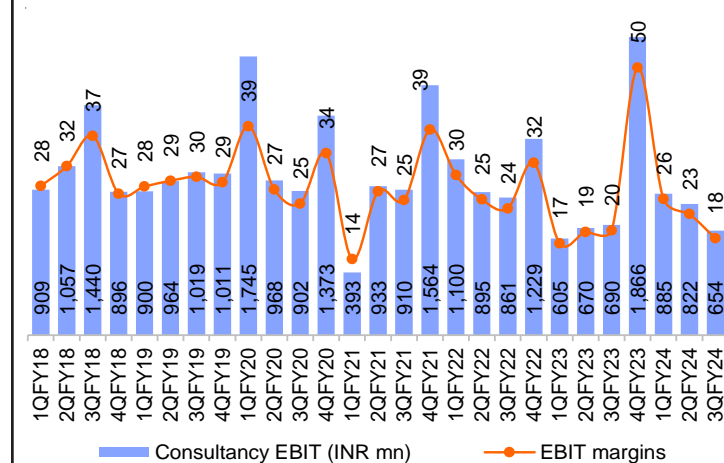
Source: Company, Antique

Exhibit 3: Consultancy revenue grew merely 3% YoY



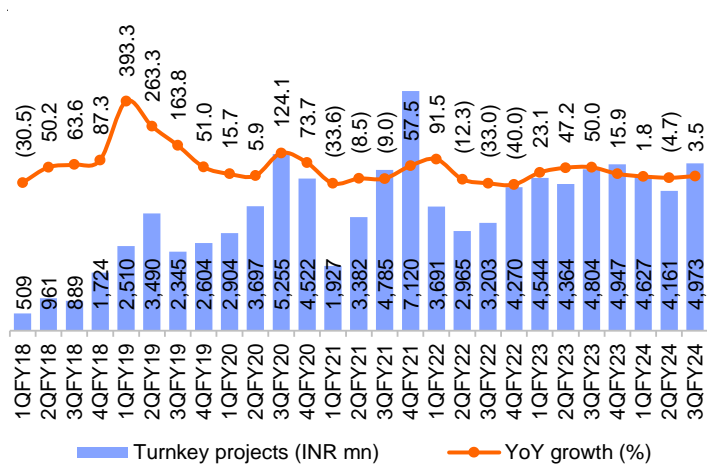
Source: Company, Antique

Exhibit 4: Consultancy margin declines to 18.2%



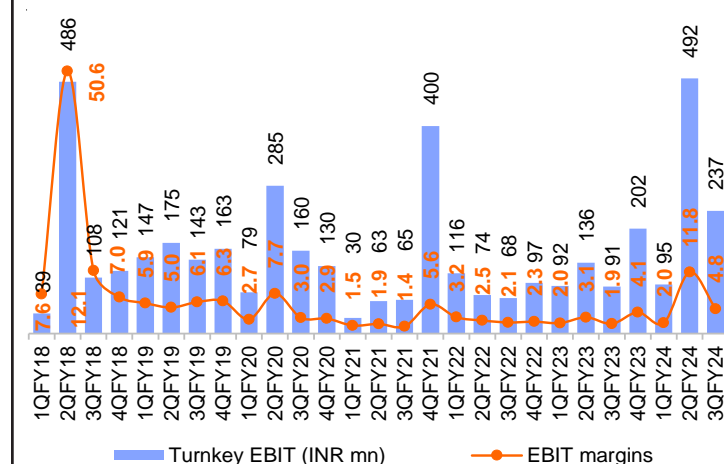
Source: Company, Antique

Exhibit 5: Turnkey segment revenue registered a 4% YoY growth



Source: Company, Antique

Exhibit 6: Turnkey margins expand 290 bps YoY to 4.8%



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	28,704	32,838	34,682	39,319	48,068
Op. Expenses	25,352	29,862	31,495	35,456	43,246
EBITDA	3,352	2,976	3,187	3,862	4,822
Depreciation	232	252	292	317	342
EBIT	3,120	2,724	2,895	3,545	4,480
Other income	1,367	1,691	1,661	1,749	1,866
Interest Exp.	8	14	14	14	14
Reported PBT	4,478	4,400	4,541	5,280	6,331
Tax	1,034	979	1,144	1,331	1,596
Reported PAT	3,444	3,421	3,396	3,950	4,736
Net Profit	3,444	3,421	3,396	3,950	4,736
Adjusted PAT	3,444	3,421	3,396	3,950	4,736
Adjusted EPS (INR)	5.5	5.4	5.4	6.3	7.5

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	2,810	2,810	2,810	2,810	2,810
Reserves & Surplus	16,440	18,246	20,284	22,654	25,496
Networth	19,250	21,057	23,095	25,464	28,306
Net deferred Tax liabilities	(3,375)	(3,337)	(3,337)	(3,337)	(3,337)
Capital Employed	15,876	17,719	19,757	22,127	24,969
Gross Fixed Assets	4,243	4,658	5,073	5,488	5,903
Accumulated Depreciation	1,639	1,891	2,183	2,500	2,842
Capital work in progress	62	259	259	259	259
Net Fixed Assets	2,666	3,026	3,149	3,247	3,320
Investments	13,220	14,042	14,042	14,042	14,042
Non Current Investments	13,220	14,042	14,042	14,042	14,042
Current Assets, Loans & Adv.	23,906	24,714	27,091	31,118	38,094
Inventory	23	11	12	13	16
Debtors	3,710	3,529	3,728	4,226	5,166
Cash & Bank balance	13,201	10,277	11,844	13,832	16,962
Loans & advances and others	6,972	10,896	11,508	13,046	15,950
Current Liabilities & Provisions	23,917	24,062	24,525	26,280	30,488
Liabilities	16,011	16,693	17,155	18,910	23,118
Provisions	7,906	7,370	7,370	7,370	7,370
Net Current Assets	(10)	651	2,566	4,838	7,607
Application of Funds	15,876	17,719	19,757	22,127	24,968

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	562	562	562	562	562
Diluted no. of shares (mn)	562	562	562	562	562
BVPS (INR)	34.3	37.5	41.1	45.3	50.4
CEPS (INR)	6.5	6.5	6.6	7.6	9.0
DPS (INR)	1.8	3.0	3.0	2.4	2.8

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	4,478	4,400	4,541	5,280	6,331
Depreciation & amortization	232	252	292	317	342
(Inc)/Dec in working capital	(1,869)	(3,586)	(348)	(283)	362
Tax paid	(1,073)	(942)	(1,144)	(1,331)	(1,596)
CF from operating activities	1,768	125	3,340	3,983	5,439
Capital expenditure	(227)	(415)	(415)	(415)	(415)
Inc/(Dec) in investments	330	(822)	-	-	-
Add: Interest/Div. Income Recd.	(51)	(197)	-	-	-
CF from investing activities	52	(1,434)	(415)	(415)	(415)
Inc/(Dec) in share capital	482	71	0	-	-
Dividend Paid	(1,686)	(1,686)	(1,359)	(1,580)	(1,894)
CF from financing activities	(1,204)	(1,615)	(1,359)	(1,580)	(1,894)
Net cash flow	616	(2,924)	1,567	1,988	3,130
Opening balance	12,585	13,201	10,278	11,844	13,832
Closing balance	13,201	10,278	11,844	13,832	16,962

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	(7.5)	14.4	5.6	13.4	22.3
EBITDA	(0.8)	(11.2)	7.1	21.2	24.9
Adj PAT	(8.0)	(0.7)	(0.7)	16.3	19.9
Adj EPS	(8.0)	(0.7)	(0.7)	16.3	19.9

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	47.9	48.2	48.6	41.8	34.8
P/BV (x)	7.6	7.0	6.4	5.8	5.2
EV/EBITDA (x)	45.3	52.0	48.0	39.1	30.7
EV/Sales (x)	5.3	4.7	4.4	3.8	3.1
Dividend Yield (%)	0.7	1.1	1.1	0.9	1.1

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	19.0	17.0	15.4	16.3	17.6
RoCE (%)	23.4	20.4	18.2	18.9	20.2
Asset/T.O (x)	20.7	10.4	7.4	5.7	5.1
Net Debt/Equity (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.6)
EBIT/Interest (x)	528	306	316	367	440

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin	11.7	9.1	9.2	9.8	10.0
EBIT Margin	10.9	8.3	8.3	9.0	9.3
PAT Margin	11.5	9.9	9.3	9.6	9.5

Source: Company Antique

CMP	: INR 1,775
Reco	: BUY ↔
Target Price	: INR 2,670 ↔
Target Price Change	: No Change
Target FY26 EV/EBITDA (x)	: SoTP Based
EBITDA Change FY24/ 25/ 26	: No Change

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Market data

Sensex	:	72,086
Sector	:	Retail
Market Cap (INR bn)	:	118.5
Market Cap (USD bn)	:	1.429
O/S Shares (mn)	:	66.6
52-wk HI/LO (INR)	:	2240/1093
Avg. Daily Vol ('000)	:	287
Bloomberg	:	RWIN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	252.3	120.9	156.3
P/E (x)	7.0	14.7	11.4
P/BV (x)	2.6	2.2	1.9
EV/EBITDA (x)	10.7	9.2	7.3
Dividend Yield (%)	0.3	0.3	0.3

Source: Company, Antique

Returns (%)

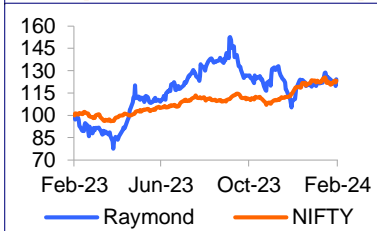
	1m	3m	6m	12m
Absolute	4	(2)	(4)	25
Relative	3	(13)	(13)	4

Source: Bloomberg

Shareholding pattern

Promoters	:	49%
Public	:	51%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Raymond

Apparel showing strength in addition to real estate

Raymond's (RW) performance was marginally ahead of our expectations driven by branded apparel (20% YoY), cotton shirting fabric (10% YoY), and real estate (+50% YoY). Branded textiles and garmenting business had a soft quarter. EBITDA grew 13% YoY majorly due to margin improvement in branded apparel and garmenting business. Overall revenue and EBITDA have grown at 6% and 15% CAGR over the last four years (pre-Covid-19 levels). At the group level, Raymond has a net cash surplus of INR 13 bn on account of the sale of the FMCG business and free cash flow generation. Management remains optimistic about the apparel and garmenting business supported by store expansion. Additionally, the company targets to generate revenue of INR 35–40 bn per annum from the real estate business. We maintain our estimates and BUY recommendation with a target price of INR 2,670 (SoTP-based valuation on FY26E).

Apparels and real estate drive a majority of the growth

During 3QFY24, branded textile revenue (36% of revenue mix) grew ~1% YoY at INR 9.1 bn (four-year CAGR at 1%). Apparel revenue (18% of revenue mix) grew by 20% YoY to INR 4.4 bn [four-year CAGR (-3%)] driven by store addition and a focused approach on casualization and new designs across brands. Garmenting revenue (11% of revenue mix) remained flat at INR 2.8 bn (four-year CAGR at 4%). High-value cotton shirting (9% of revenue mix) grew 10% amounting to INR 2.1 bn (four-year CAGR at 6%). Engineering business grew 4% YoY at INR 2.2 bn. Real estate revenue grew 50% YoY standing at INR 4.4 bn during the quarter. Overall revenue grew at 6% CAGR over FY20 levels.

EBITDA grew at 15% CAGR over the last four years with margin expansion of 423 bps over FY20

Staff costs increased by 11% YoY to INR 2.9 bn, while other expenses grew 68% YoY to INR 12.8 bn. EBITDA increased 13% YoY to INR 3.6 bn with a margin expansion of 45 bps YoY to 15.2%. Depreciation grew 21.5% YoY to INR 703 mn, while interest expense grew by 47% YoY to INR 1 bn. Other income increased ~104% to INR 642 mn. Consequently, recurring PAT grew 84.7% to INR 1.8 bn. In terms of segments, apparels witnessed a margin expansion of 270 bps YoY to 13.9%. Branded textiles and garmenting witnessed margin expansion of 70 bps and 170 bps YoY to 21.6% and 10.8% respectively.

Turned net cash at INR 13 bn from the proceeds of the FMCG business sale

At the group level, Raymond has turned net cash surplus of INR 13 bn due to the sale of the FMCG business and internal free cash flow generation. Net working capital days increased to 71 as against 55 in the base quarter, primarily due to a) Higher inventory to cater to the demand from the upcoming festive season, b) Increase in real estate related to construction costs & new project approvals, and c) Higher receivables due to trade partner order deferment on account of delay of festivities to 3QFY24. Operating cash flow for 9MFY24 was positive at INR 1.2 bn and FCF was negative at INR 2 bn.

Investment Summary

In terms of outlook, management highlighted that consumer demand is expected to witness improvement in 4QFY24 onwards. It intends to add ~200 stores over the next 12–18 months. In the export business, despite concerns about inflation in the US & European markets, the company has a strong order book in place for the near term in the garmenting business. Within the real estate business, the company remains confident of generating an annual revenue of INR 35–40 bn. We maintain our estimates and BUY recommendation with a target price of INR 2,670 (SoTP-based valuation on FY26E).

Conference Call Highlights

- Sales during the festive season did well, post which demand was weak. Demand in fabric apparel was impacted due to weak discretionary spending. Real estate and apparel business fueled overall revenue growth.
- Branded textile was impacted due to muted demand post the festive season. Branded apparel grew 20% YoY led by premiumization and casualization.
- Growth was seen across all brands, with the new ethnic brand leading especially during the festive season.
- Engineering revenue was impacted due to the sluggish export market. Going ahead, the engineering business could be weak, although auto and ancillary looks good.
- There was a reduction in inventory in lifestyle and other businesses.
- Demerger of the lifestyle business is on track with the approval of SEBI.
- Consumer sentiment appears to be modest even in 4Q.
- 250–300 stores to be opened in the next 18 months
- On the cash flow front, the company to focus on maintaining free cash flow generation.
- The company to double the amount spent on brand image compared to last year to target footfalls in retail stores. The company is to incur incremental advertising spend of INR 650 to 700 mn.
- Ethnic business witnesses more seasonality as compared to apparel.
- Garment business was weak due to two reasons a) Worldwide weak demand for denim and b) An order of 3QFY24 was postponed to the next quarter. Demand in the US and UK are strong and the company is open to new geographies.
- SSG will further improve with category growth and brand building which will lead to apparel saliency going up.
- Raymond home brand has the potential to double in the next 3–4 years.
- In real estate, the company signed two new JDA projects during the quarter. The Thane land is a total of 100 acres, out of which 60 acres have INR 160 bn revenue potential and the balance 40 acres is under construction with INR 90 bn revenue potential. The company expects INR 35–40 bn revenue on an annual basis from this business.
- Raymond's real estate business as of now stands among the top 5 developers in Mumbai.
- Overall, omni-channel registered low double-digit growth.
- Stores take about 18–20 months to mature.
- Raymond's retail network remains strong with 65 new stores opened and 100 stores of ethnic by Raymond.

Table 1: Quarterly financials

INR mn	3QFY24	3QFY23	% Chg	2QFY24	% Chg	9MFY24	9MFY23	% Chg
Net Sales	23,862	21,682	10.1	22,534	5.9	64,110	60,645	5.7
RM/Purchased Goods Cost	4,536	8,253	(45.0)	8,204	(44.7)	19,621	21,987	(10.8)
Gross Profit	19,325	13,429	43.9	14,330	34.9	44,489	38,658	15.1
Gross Margin (%)	81.0	61.9	1,905	63.6	1,740	69.4	63.7	565
Operating Expenses	15,706	10,237	53.4	11,183	40.4	35,757	30,032	19.1
EBITDA	3,619	3,192	13.4	3,146	15.0	8,732	8,626	1.2
EBITDA Margin (%)	15.2	14.7	45	14.0	120	13.6	14.2	(60)
Depreciation	703	579	21.5	654	7.5	1,954	1,738	12.5
Other Income	642	314	104.5	673	(4.6)	1,864	802	132.4
Interest Expense	1,035	705	46.9	893	16.0	2,723	1,930	41.1
Profit Before Tax	2,523	2,222	13.5	2,273	11.0	5,920	5,761	2.8
Tax Expense	626	1,161	(46.1)	508	23.4	1,401	2,235	(37.3)
Exceptional Items	-	(45)		(230)	(100.0)	(324)	(141)	
Net Profit	1,897	1,016	86.6	1,535	23.6	4,195	3,385	23.9
Share of Associates	(19)	(18)	7	(14)	37	(47)	(59)	(20)
Minority interest	(43)	(51)	(16)	77	(156)	9,938	19	51,661
Reported PAT	1,835	948	93.5	1,598	15	14,085	3,346	321.0
Recurring PAT	1,835	994	84.7	1,828	0.4	14,410	3,487	313.2

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	61,785	82,147	90,945	99,557	1,14,198
Op. Expenses	54,674	70,153	78,211	85,496	97,454
EBITDA	7,111	11,994	12,734	14,061	16,744
Depreciation	2,398	2,354	2,630	2,805	2,941
EBIT	4,713	9,641	10,104	11,256	13,804
Other income	1,695	1,223	2,660	2,874	3,247
Interest Exp.	2,277	2,573	3,598	3,405	3,210
Extra Ordinary Items -gain/(loss)	(1,636)	(1,072)	-	-	-
Reported PBT	2,496	7,219	9,166	10,724	13,841
Tax	(219)	2,004	2,200	2,574	3,322
Reported PAT	2,715	5,215	6,966	8,151	10,519
Minority Int./Profit (Loss) From Asso.	(111)	74	9,828	(104)	(115)
Net Profit	2,604	5,289	16,794	8,047	10,404
Adjusted PAT	4,239	6,361	16,794	8,047	10,404
Adjusted EPS (INR)	63.7	95.6	252.3	120.9	156.3

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	666	666	666	666	666
Reserves & Surplus	22,925	28,324	44,715	52,387	62,426
Networth	23,591	28,990	45,381	53,052	63,092
Debt	20,663	21,275	26,695	25,695	23,695
Minority Interest	772	850	926	1,030	1,146
Net deferred Tax liabilities	(3,853)	(1,876)	(1,876)	(1,876)	(1,876)
Capital Employed	41,173	49,239	71,126	77,902	86,057
Gross Fixed Assets	34,336	37,248	39,248	41,248	43,248
Accumulated Depreciation	15,567	17,920	20,550	23,355	26,296
Capital work in progress	246	359	359	359	359
Net Fixed Assets	19,015	19,687	19,057	18,252	17,311
Goodwill	10	10	10	10	10
Investments	10,998	16,391	26,241	26,241	26,241
Non Current Investments	10,998	16,391	26,241	26,241	26,241
Current Assets, Loans & Adv.	39,813	43,900	58,572	69,253	83,622
Inventory	20,113	24,966	31,146	34,095	39,109
Debtors	8,731	7,443	10,216	11,183	12,828
Cash & Bank balance	3,363	3,258	8,121	14,050	20,337
Loans & advances and others	7,606	8,234	9,089	9,925	11,348
Current Liabilities & Provisions	28,663	30,750	32,754	35,855	41,128
Liabilities	27,737	29,872	31,782	34,792	39,908
Provisions	925	877	971	1,063	1,220
Net Current Assets	11,151	13,151	25,818	33,398	42,494
Application of Funds	41,173	49,239	71,126	77,902	86,057

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	66.6	66.6	66.6	66.6	66.6
Diluted no. of shares (mn)	66.6	66.6	66.6	66.6	66.6
BVPS (INR)	354.4	435.5	681.7	796.9	947.8
CEPS (INR)	76.8	113.7	144.1	164.6	202.2
DPS (INR)	-	3.0	6.0	6.0	6.0

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	11.5	14.6	14.0	14.1	14.7
EBIT Margin (%)	7.6	11.7	11.1	11.3	12.1
PAT Margin (%)	6.7	7.6	17.9	7.9	8.9

Source: Company, Antique

Key assumptions

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Branded Textiles growth YoY %	77.5	20.6	7.0	6.0	6.0
Branded Apparel growth YoY %	95.2	49.0	15.0	13.0	13.0
Branded Textile EBITDA margins (%)	17.6	20.9	21.0	21.2	21.2
Branded Apparel EBITDA margins (%)	4.8	10.8	11.5	11.5	11.5

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	4,068	8,445	19,071	10,724	13,841
Depreciation & amortization	2,398	2,354	2,630	2,805	2,941
Interest expense	2,277	2,573	3,598	3,405	3,210
(Inc)/Dec in working capital	46	(3,862)	(7,803)	(1,652)	(2,808)
Tax paid	(344)	(724)	(2,200)	(2,574)	(3,322)
Other operating Cash Flow	(1,670)	(742)	(2,660)	(2,770)	(3,132)
CF from operating activities	6,774	8,042	12,635	9,939	10,730
Capital expenditure	(317)	(1,023)	(11,850)	(2,000)	(2,000)
Inc/(Dec) in investments	(5,787)	(4,447)	9,850	-	-
Add: Int./Div. Income Recd.	1,855	712	2,660	2,874	3,247
CF from investing activities	(4,249)	(4,758)	660	874	1,247
Inc/(Dec) in debt	937	-	5,420	(1,000)	(2,000)
Dividend Paid	(96)	(200)	(479)	(479)	(479)
Others	(5,219)	(6,097)	131	-	-
CF from financing activities	(4,377)	(6,297)	5,071	(1,479)	(2,479)
Net cash flow	(1,851)	(3,013)	18,366	9,334	9,498
Opening balance	5,521	3,363	3,258	8,121	14,050
Closing balance	3,363	3,258	8,121	14,050	20,337

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	79.3	33.0	10.7	9.5	14.7
EBITDA	-1173.9	68.7	6.2	10.4	19.1
Adj PAT	-242.7	50.1	164.0	-52.1	29.3
Adj EPS	-242.7	50.1	164.0	-52.1	29.3

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	27.9	18.6	7.0	14.7	11.4
P/BV (x)	5.0	4.1	2.6	2.2	1.9
EV/EBITDA (x)	19.0	11.4	10.7	9.2	7.3
EV/Sales (x)	2.2	1.7	1.5	1.3	1.1
Dividend Yield (%)	-	0.2	0.3	0.3	0.3

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	19.0	24.2	45.2	16.3	17.9
RoCE (%)	16.3	24.0	21.2	19.0	20.8
Asset/T.O (x)	2.0	2.6	2.3	2.1	2.0
Net Debt/Equity (x)	0.7	0.6	0.4	0.2	0.1
EBIT/Interest (x)	2.8	4.2	3.5	4.1	5.3

Source: Company Antique

CMP	: INR 355
Reco	: BUY ↔
Target Price	: INR 386 ↑
Target Price Change	: 6%
Target FY26 EV/EBITDA (x)	: 5.5
EBITDA Change FY24/ 25/ 26	: -32%/ -12%/ 0%

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Market data	
Sensex	: 72,086
Sector	: Metals
Market Cap (INR bn)	: 72.3
Market Cap (USD bn)	: 0.872
O/S Shares (mn)	: 203.5
52-wk HI/LO (INR)	: 370/141
Avg. Daily Vol ('000)	: 4,453
Bloomberg	: MOIL IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	14.5	26.5	39.0
P/E (x)	24.5	13.4	9.1
P/BV (x)	3.4	2.9	2.3
EV/EBITDA (x)	13.6	7.6	4.9
Dividend Yield (%)	1.0	1.0	1.1

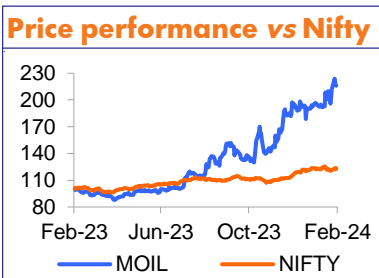
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	12	53	89	121
Relative	12	36	72	84

Source: Bloomberg

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

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

MOIL

Higher volumes drove sharp YoY growth; better pricing outlook 4QFY24 onwards

MOIL's 3QFY24 revenue at ~INR 3.1 bn was 5% below our estimate, it rose by 1.4% YoY but shrunk 11.9% QoQ. Blended ore realization at INR 8,544 per ton (4.3% below our estimate) declined by 9.7% YoY and 7.1% sequentially. It was impacted by the three consecutive price cuts in high-grade manganese ore (in the range of 1.8%–5%) during 3QFY24 (partially offset by a price hike of 1.5%–2% for other products taken in October'23 and November'23). Manganese ore sales volume at 344 KT grew 15.8% YoY but fell 4.7% QoQ, while quarterly ore production at 458 KT grew 35.9% YoY and 20.8% QoQ. EBITDA at INR 894 mn sharply jumped 61.6% YoY (aided by higher ore sales YoY) but declined 7.1% QoQ, sequentially impacted by lower volumes, realizations and higher proportion of fines in sales mix. EBITDA per ton improved 39.5% YoY but fell 2.6% QoQ to INR 2,600. Adjusted PAT at INR 541 mn grew 36.9% YoY but declined 12.1% QoQ (with sequentially higher other income offset by higher depreciation and tax). Higher realization in 4QFY24 would be supported by the effect of a price hike coming in (5% price hike taken across most categories in February'24). Manganese ore demand could be supported by higher ferro alloy and crude steel production in 4QFY24 (typically the largest quarter for steel makers). We incorporate lower volumes (11% lower in FY24), softer realizations which would be offset by higher volumes FY25 onwards. We maintain BUY rating and arrive at a revised TP of INR 386 (earlier INR 365) at a target 5.5x (raised from 5x earlier, basis strong FY26 volume outlook and recovery in prices) FY26E EV/EBITDA multiple.

Deliveries higher YoY but lower QoQ; highest ever monthly production in December'23

Manganese ore sales volume at 344 KT was in line with estimate and grew 15.8% YoY but fell 4.7% QoQ. 9MFY24 ore sales volume at 1.1 MT is 39.9% higher over the corresponding period last year. Quarterly ore production at 458 KT grew 35.9% YoY and 20.8% QoQ (December'23 witnessed the highest-ever monthly ore production of 185 KT). Management's earlier guidance for FY24 production at ~1.8 MT (35% higher YoY) seems achievable. Manganese ore demand could be supported by higher ferro alloy and crude steel production in 4QFY24 (sales volume is expected to recover, inventory build-up is temporary).

Price cuts impact realization; price hike effect to come in 4QFY24

Blended ore realization at INR 8,544 per ton (4.3% below our estimate) declined by 9.7% YoY and 7.1% sequentially. It was impacted by three consecutive price cuts in high-grade manganese ore (in the range of 1.8%–5%) during 3QFY24 (partially offset by a price hike of 1.5%–2% for other products taken in October'23 and November'23). Higher realization in 4QFY24 would be supported by the effect of a price hike coming in (5% price hike taken across most categories in February'24).

High capex to increase capacity; would remain cash positive

The company is aggressively undertaking exploration activities; 9MFY24 witnessed exploratory core drilling of 60,870 meters (~2x rise over CPLY). Long term annual production target remains strong at 3.5 MT by 2030. The company recently announced an interim dividend of INR 3.5 per equity share for FY24. Despite the 14% YoY rise in annual capex to ~INR 3 bn, MOIL is expected to end FY24 with cash and cash equivalents of INR 10.8 bn, which constitutes 15% of its current market capitalization. This provides a high margin of safety.

Investment Summary

Manganese ore demand in India is expected to grow 1.6x times from the current level of ~7 mtpa to 11 mtpa by 2030 in line with the 300 MT installed steel capacity target set under the National Steel policy. The company is incurring high capex to enhance its production capacity. Despite the capex, FY24 cash is expected to be 15% of its market cap which provides a high margin of safety. We incorporate lower volumes (only for FY24), softer realizations which would be offset by higher volumes. We maintain BUY rating and arrive at a revised TP of INR 386 (earlier INR 365) at a target 5.5x (raised from 5x earlier, basis strong FY26 volume outlook and recovery in prices) FY26E EV/EBITDA multiple.

Table 1: Quarterly performance (INR mn)

Standalone performance	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY24TD	CPLY (FY23)	YoY (%)
Sales	3,063	3,020	1.4	3,475	(11.9)	10,335	9,136	13.1
Stock adjustment	(502)	(93)	n.a.	(99)	n.a.	(538)	(803)	n.a.
Cost of Material Consumed	65	54	20.5	66	(1.1)	178	167	6.5
% of sales	2.1	1.8	34 bps	1.9	23 bps	1.7	1.8	-11 bps
Employee cost	1,391	1,336	4.1	1,340	3.8	4,044	4,302	(6.0)
% of sales	45.4	44.2	119 bps	38.6	685 bps	39.1	47.1	-796 bps
Other expenses	1,214	1,169	3.8	1,205	0.7	3,558	3,104	14.6
% of sales	39.6	38.7	92 bps	34.7	496 bps	34.4	34.0	44 bps
Total Exp	2,169	2,467	(12.1)	2,512	(13.7)	7,241	6,770	7.0
EBIDTA	894	553	61.6	963	(7.1)	3,095	2,366	30.8
Margin %	29.2	18.3	1087 bps	27.7	148 bps	29.9	25.9	405 bps
Other income	234	209	12.3	205	14.4	696	569	22.3
Depreciation	365	301	21.3	352	3.6	1,050	829	26.7
Profit Before Tax	764	461	65.6	816	(6.4)	2,740	2,106	30.1
Exceptional item	0	0	n.a.	0	-	0	28	n.a.
PBT after exceptional	764	461	65.6	816	(6.4)	2,740	2,134	28.4
Tax	223	66	237.4	201	11.0	718	438	64.1
Tax Rate %	29.1	14.3	1484 bps	24.6	456 bps	26.2	20.5	571 bps
Reported Net Profit	541	395	36.9	615	(12.1)	2,022	1,696	19.2
Adjusted Net Profit	541	395	36.9	615	(12.1)	2,022	1,668	21.2
EPS (INR)	2.7	1.9	36.9	3.0	(12.1)	9.9	8.2	21.2

Source: Company, Antique

Table 2: Operating metrics

	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY24TD	CPLY (FY23)	YoY (%)
Manganese ore despatches (MT)	0.34	0.30	15.8	0.36	(4.7)	1.10	0.79	39.9
Manganese ore realization (INR per ton)	8,544	9,459	(9.7)	9,201	(7.1)	8,992	10,826	(16.9)
EBITDA (INR per ton)	2,600	1,864	39.5	2,668	(2.6)	2,797	2,900	(3.5)

Source: Company, Antique

Table 3: Segmental information (INR mn)

Revenue	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY24TD	CPLY (FY23)	YoY (%)
Mining products	2,939	2,809	4.6	3,322	(11.5)	9,916	8,503	16.6
Manufactured products	169	249	(32.1)	184	(8.1)	499	757	(34.1)
Power	36	44	(17.4)	74	(50.8)	169	173	(2.1)
Total	3,145	3,103	1.3	3,580	(12.2)	10,584	9,433	12.2
Inter-segment revenues	81	83	(1.4)	104	(21.8)	248	297	(16.5)
Net sales/ income from operations	3,063	3,020	1.4	3,475	(11.9)	10,335	9,136	13.1

EBIT	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY24TD	CPLY (FY23)	YoY (%)
Mining products	518	201	157.5	532	(2.7)	1,862	1,289	44.4
Manufactured products	2	27	(93.2)	29	(93.7)	82	135	(39.2)
Power	10	25	(60.6)	50	(80.6)	101	113	(10.5)
Total	529	253	109.6	611	(13.4)	2,045	1,537	33.0

EBIT Margins (%)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY24TD	CPLY (FY23)	YoY (%)
Mining products	17.6	7.2	1046 bps	16.0	160 bps	18.8	15.2	361 bps
Manufactured products	1.1	10.7	-966 bps	15.6	-1456 bps	16.5	17.8	-138 bps
Power	26.8	56.2	-2941 bps	68.0	-4124 bps	59.6	65.2	-561 bps

Source: Company, Antique

Table 4: Key Assumptions

MOIL (standalone)	Previous estimates			Current estimates			% change		
	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e	FY24	FY25	FY26
Manganese ore sales volume (tons)	17,50,000	20,12,500	23,14,375	15,50,000	20,12,500	25,15,625	-11%	0%	9%
Blended realization/t (INR)	10,343	10,532	10,545	9,433	9,958	9,920	-9%	-5%	-6%
Revenue (INR mn)	18,100	21,196	24,406	14,621	20,041	24,955	-19%	-5%	2%
EBITDA (INR mn)	6,638	8,795	10,940	4,517	7,757	10,963	-32%	-12%	0%
Blended EBITDA/t (INR)	3,793	4,370	4,727	2,914	3,854	4,358	-23%	-12%	-8%
PAT (INR mn)	4,390	6,014	7,680	2,942	5,396	7,943	-33%	-10%	3%

Source: Bloomberg, Antique

Table 5: MOIL target price

FY26e EBITDA - INR mn	10,963
EV/EBITDA multiple	5.5
Target EV - INR mn	60,296
Add: FY26e Net cash INR mn	18,287
Target market capitalisation - INR mn	78,583
Target price - INR per share	386

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenues	14,363	13,416	14,621	20,041	24,955
Expenses	8,882	9,725	10,104	12,284	13,992
EBITDA	5,481	3,691	4,517	7,757	10,963
Depreciation & amortization	1,031	1,143	1,376	1,540	1,717
EBIT	4,450	2,548	3,141	6,217	9,246
Other income	793	769	793	997	1,373
Interest expense	74	-	-	-	-
Profit before tax	5,169	3,316	3,934	7,214	10,619
Extraordinaries	64.2	28.2	-	-	-
Tax	1,463	839	991	1,818	2,676
Reported Profit after tax	3,770	2,506	2,942	5,396	7,943
Adjusted PAT	3,706	2,478	2,942	5,396	7,943
EPS (INR)	18.2	12.2	14.5	26.5	39.0

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	2,035	2,035	2,035	2,035	2,035
Reserves & Surplus	19,380	20,408	22,600	27,245	34,374
Networth	21,415	22,443	24,635	29,280	36,409
Deferred tax/ other liabilities	(201)	(256)	(256)	(256)	(256)
Capital Employed	21,215	22,187	24,378	29,023	36,152
Gross Fixed Assets	14,450	17,083	19,383	21,683	24,183
Accumulated Depreciation	7,686	8,562	9,938	11,478	13,195
Net Assets	6,764	8,521	9,445	10,205	10,988
Capital work in progress	3,142	2,704	3,354	4,144	5,044
Investments	2,315	1,516	1,585	1,904	2,222
Liquid Investments	2,241	1,430	1,499	1,818	2,136
Current Assets Loans & Advances					
Inventory	1,001	1,702	760	858	873
Debtors	1,729	1,433	1,642	2,251	2,803
Cash & Bank	8,406	8,125	9,327	11,727	16,151
Loans & advances and others	2,239	2,659	2,913	3,992	4,971
Current Liabilities & Provisions					
Creditors	3,248	3,162	3,286	4,282	4,878
Provisions	1,134	1,311	1,362	1,776	2,022
Net Current Assets	8,993	9,446	9,994	12,771	17,898
Application of Funds	21,215	22,187	24,378	29,023	36,152

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	203	203	203	203	203
BVPS (INR)	90.2	94.6	103.8	123.4	153.4
CEPS (INR)	18.4	14.1	16.8	26.9	37.5
DPS (INR)	6.0	3.7	3.7	3.7	4.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	5,169	3,316	3,934	7,214	10,619
Depreciation	1,031	1,143	1,376	1,540	1,717
Interest	74	-	-	-	-
(Inc)/ Dec in working capital	(266)	(735)	653	(376)	(704)
Tax paid	(1,463)	(839)	(991)	(1,818)	(2,676)
CF from operating activities	4,544	2,886	4,972	6,560	8,956
Capex	(2,075)	(2,195)	(2,950)	(3,090)	(3,400)
(Inc)/ Dec in Investments	930	799	(69)	(318)	(318)
Income from investments	64	28	-	-	-
CF from investing activities	(1,080)	(1,367)	(3,019)	(3,408)	(3,718)
Inc/ (Dec) in share capital and premium	(338)	(0)	-	-	-
Dividends & Interest paid	(1,295)	(751)	(751)	(751)	(814)
Others	(9,230)	(1,050)	-	-	-
CF from financing activities	(10,863)	(1,801)	(751)	(751)	(814)
Net cash flow	(7,399)	(281)	1,202	2,400	4,424
Add: Opening balance	15,805	8,406	8,125	9,327	11,727
Closing balance	8,406	8,125	9,327	11,727	16,151

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	22.0	(6.6)	9.0	37.1	24.5
EBITDA	91.1	(32.7)	22.4	71.7	41.3
PAT	63.5	(33.1)	18.7	83.4	47.2
EPS	63.5	(33.1)	18.7	83.4	47.2

Valuation

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	19.5	29.1	24.5	13.4	9.1
P/BV (x)	3.9	3.8	3.4	2.9	2.3
EV/EBITDA (x)	11.2	17.0	13.6	7.6	4.9
EV/Sales (x)	4.3	4.7	4.2	2.9	2.2
Dividend Yield (%)	1.7	1.0	1.0	1.0	1.1

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE	14.9	11.3	12.5	20.0	24.2
RoCE	32.0	16.1	17.6	31.5	40.9
Net debt/Equity (x)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA	38.2	27.5	30.9	38.7	43.9
EBIT	31.0	19.0	21.5	31.0	37.1
PAT	25.8	18.5	20.1	26.9	31.8

Source: Company Antique

CMP	: INR 1,132
Reco	: BUY ↔
Target Price	: INR 1,280 ↑
Target Price Change	: 10%
Target FY26 P/E (x)	: 16
EPS Change FY24/ 25/ 26	: -5%/ -1%/ -2%

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Market data

Sensex	: 72,086
Sector	: Agrochemicals
Market Cap (INR bn)	: 51.5
Market Cap (USD bn)	: 0.621
O/S Shares (mn)	: 45.6
52-wk HI/LO (INR)	: 1298/603
Avg. Daily Vol ('000)	: 46
Bloomberg	: DAGRIIN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	52.6	62.3	70.9
BVPS (INR)	275.5	325.8	383.7
P/E (x)	21.5	18.2	16.0
P/BV (x)	4.1	3.5	3.0
RoE (%)	20.7	20.7	20.0

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	2	46	52	67
Relative	2	29	38	39

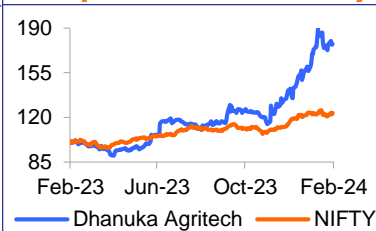
Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Dhanuka Agritech

Sailing strong through the headwinds

Dhanuka Agritech (Dhanuka) reported revenue/ EBITDA/ PAT growth of 3%/ 20%/ -2% YoY during 3QFY24, in line with our and consensus estimates. Key highlights are 1) Volume/ realization growth of +9%/ -6% YoY; contribution from Dahej was INR 37.5 mn, 2) Volume growth was led by strong demand for new product launches, 3) Gross margin expanded by ~570 bps YoY to 39% with better product mix contributing 200–300 bps YoY, 4) EBITDA margin expanded by ~225 bps YoY to 15%, including Dahej plant loss of INR 50 mn (ex-Dahej cost, margin is 17%), 5) ITI for 9MFY24 was 15%. Management highlighted it has seen strong demand for its new product launches, led by product Decide. Due to adverse weather conditions, the company reduced its topline growth guidance from double-digit growth to high single-digit growth and maintained its 50–100 bps YoY EBITDA margin expansion for FY24. It continues to maintain double-digit topline growth guidance for FY25. Going forward, we believe the ramp-up of the Dahej project and the scale-up of the export opportunity will put Dhanuka on the next growth trajectory. We broadly maintain FY24/ 25/ 26 EPS estimates. Citing strong growth and domestic market share gains, we are revising upwards our target multiple from 16x to 18x. Maintain BUY with a revised target price of INR 1,280 (earlier INR 1,160) based on 18x FY26E EPS (five-year high/ low 20x/ 7x, average 13x).

Strong volume growth partially offset by a drop in realization

During 3QFY24, revenue was up 3% YoY to INR 4.0 bn (Antique est.: INR 4.1 bn), led by volume/ realization growth of 9%/ -6% YoY. Volume growth, despite lower reservoir levels and weak sowing, was led by strong demand for new product launches, including Decide (technical name: Etofenprox + Diafenthiuron), especially in South India as the product caters to the chili crop. Gross margin expanded by ~570 bps YoY to 39% with a better product mix contributing 200–300 bps of margin expansion while the rest came from phasing out of old molecules which has thin margins. EBITDA was up 20% YoY to INR 622 mn YoY (Antique est.: INR 644 mn), with margin expanding by ~225 bps YoY to 15%. This includes an increase in costs related to the Dahej project up to INR 50 mn, excluding which EBITDA margin was 16.7%. PAT was down 2% YoY to INR 454 mn (Antique est.: INR 435 mn) on the back of an 189% YoY increase in depreciation to INR 129 mn led by commercialization of the Dahej plant.

Dahej—contributed marginally to revenue, EBITDA loss stood at INR 50 mn in 3QFY24

The Dahej plant was commercialized in Aug’23. In 3QFY24, the company did a revenue of INR 37.5 mn with an EBITDA loss of INR 50 mn (revenue of INR 37.5 mn and EBITDA loss of INR 110 mn in 9MFY24). For FY24, the company has reduced its revenue generation guidance from the Dahej plant to INR 500 mn and has guided to revisit FY25 revenue generation guidance of INR 800 mn-INR 1 bn, given the current market scenario. Considering this, the project’s margin profile is currently dilutive in nature. The company had alluded to initially starting production of Bifenthrin technical and then adding Lambda Cyhalothrin as well. We believe this capex in the near term is expected to be margin dilutive with a poor return profile, as the company plans on manufacturing synthetic pyrethroids, which are low-margin in nature. However, the company is in discussion with global MNCs for CRAMS opportunity which will lead to superior profitability over mid to long term.

FY24 guidance revised downwards; confident of delivering double-digit topline growth in FY25

For FY24, the company revised its revenue growth guidance downwards from double-digit to high single-digit growth YoY due to the impact of adverse weather conditions. It has continued to maintain EBITDA margin expansion guidance of 50–100 bps which will be supported by a fall in RM prices as well as a better product mix. For FY25, the company is confident of delivering double-digit growth led by strong volume growth driven by the scale-up of new product launches. Further, the company is targeting to launch eight new products across all segments over the next two years.

Investment Summary

Going forward, we believe the ramp-up of the Dahej project and the scale-up of the export opportunity will put Dhanuka on the next growth trajectory. We broadly maintain FY24/ 25/ 26 EPS estimates. Citing strong growth and domestic market share gains, we are revising upwards our target multiple from 16x to 18x. Maintain BUY with a revised target price of INR 1,280 (earlier INR 1,160) based on 18x FY26E EPS (five-year high/ low 19x/ 6x, average 13x).

Conference Call Highlights

1. The industry growth in 9MFY24 has been flat to low single-digit. The channel inventory in the industry is high, but Dhanuka's inventory is on normalized levels.
2. **Category-wise revenue mix:** Contribution from herbicides/ insecticide/ fungicide and others (PGR) stood at 35%/ 32%/ 21%/ 12% in 3QFY24.
3. **Zone-wise revenue mix:** North/ West/ East/ South contributed to 22%/ 27%/ 12%/ 39% in 3QFY24.
4. **Lol with Kimitec:**
 - a. Kimitec is a Spain-based company with whom Dhanuka has signed a non-binding Lol for the development and commercialization of biological products, largely to be sold in the domestic market.
 - b. Kimitec is a biotech company & founder of MAAVi Innovation Center, the largest European biotech innovation hub dedicated to natural molecules.
 - c. The market size for biologicals in India is INR 50 bn and is growing at a CAGR of 15%–16% p.a.
 - d. Dhanuka is expected to enter into talks with the company to start exporting and manufacturing the products in India.
5. **Kisankonnect Safe Food:**
 - a. The company has invested INR 100 mn in an agri-tech start-up, Kisankonnect Safe Food that delivers farm produce directly to customers through its application and farm stores.
 - b. The investment is more strategic in nature to create an entire agri-tech ecosystem.
6. **New product launches**
 - a. The company is targeting to launch eight new products across all segments over the next two years. It plans to launch new products in the herbicide segment for soybean crop and the insecticide segment for horticulture.
 - b. Product launch list in FY23/ FY24:

Date	Brand Name	Product Type	Technical	Crops
FY23	Cornex	Herbicide	Halosulfuron Methy 15% +Atrazine 48% WG	Maize
FY23	Zanet	Fungicide	Thiophanate Methyl 44.8%+Kasugamicin 2.6% SC	Tomato
FY23	Decide	Insecticide	Etofenprox 6% + Diafenthiuron 25% WG	Chilli
FY23	Terminal	Herbicide	Glufosinate Ammonium 13.5%	Cotton, chillies, vegetables, grapes, citrus, banana
FY23	Myco NXT	Biofertilizer	-	
FY23	Omni NXT	Biofertilizer	-	
FY23	White AXE	Biological Insecticide	Entomopathogenic: Metarhizium anisopliae	
FY23	Nemat AXE	Biological Insecticide	Nematophagous: Paecilomyces Lilacinus	
FY23	Downil	Biological Fungicide	Aerobic, Gram +ve, Motile,	
FY23	Sporenil	Biological Fungicide	Trichoderma Harzianum	
FY24	Implode	Herbicide	Topramezone	Maize
FY24	Mesotrax	Herbicide	Mesotrione 22.7% + Atrazin 22.7%	Maize
FY24	Defend	Insecticide	Triflumezopyrim 10% SC	Paddy
FY24	Tizom	Herbicide	Halosulfuron Methyl 6% + Metribuzin 50% WG	Sugarcane
FY24	Semacia	Insecticide	Chlorantraniliprole (10%)+ Lambdacyhalothrin (5%) ZC	

Source: Company, Antique

Table 1: Quarterly Financials

(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenues	4,032	3,934	2.5	6,179	(34.7)	13,902	13,290	4.6
Cost of Material Consumed	2,476	2,639	(6.2)	3,690	(32.9)	8,645	8,860	(2.4)
% of sales	61.4	67.1	(567 bps)	59.7	170 bps	62.2	66.7	(448 bps)
Employee cost	400	310	28.9	441	(9.2)	1,182	977	20.9
% of sales	9.9	7.9	203 bps	7.1	279 bps	8.5	7.4	115 bps
Other expenses	534	466	14.6	633	(15.6)	1,602	1,445	10.9
% of sales	13.2	11.9	140 bps	10.2	301 bps	11.5	10.9	65 bps
Total expenditure	3,411	3,415	(0.1)	4,763	(28.4)	11,429	11,282	1.3
EBITDA	622	518	19.9	1,416	(56.1)	2,474	2,008	23.2
Margin %	15.4	13.2	224 bps	22.9	(750 bps)	17.8	15.1	268 bps
Other income	73	77	(5.0)	58	26.4	197	300	(34.4)
Depreciation	129	45	189.1	99	30.3	274	125	119.0
Interest expenses	7	8	(4.8)	8	(2.9)	24	24	1.4
Profit Before Tax	558	543	2.9	1,367	(59.2)	2,373	2,160	9.9
PBT after exceptional	558	543	2.9	1,367	(59.2)	2,373	2,160	9.9
Tax	105	82	27.6	349	(70.1)	572	478	19.7
Tax Rate %	18.7	15.1	363 bps	25.6	(682 bps)	24.1	22.1	198 bps
Reported Net Profit	454	461	(1.5)	1,018	(55.4)	1,801	1,682	7.1
Adjusted Net Profit	454	461	(1.5)	1,018	(55.4)	1,801	1,682	7.1
EPS (INR)	10	10	0.6	22	(55.4)	39	36	7.1

Source: Company, Antique

Table 2: Actual vs. estimated performance

(INR mn)	Actual	ASBL e	Var (%)	Cons. Est.	Var (%)
Revenues	4,032	4,130	(2.4)	4,340	(7.1)
EBITDA	622	644	(3.5)	640	(2.9)
EBITDA margin (%)	15.4	15.6	(17)	14.8	66
Adjusted PAT	454	435	4.4	514	(11.8)

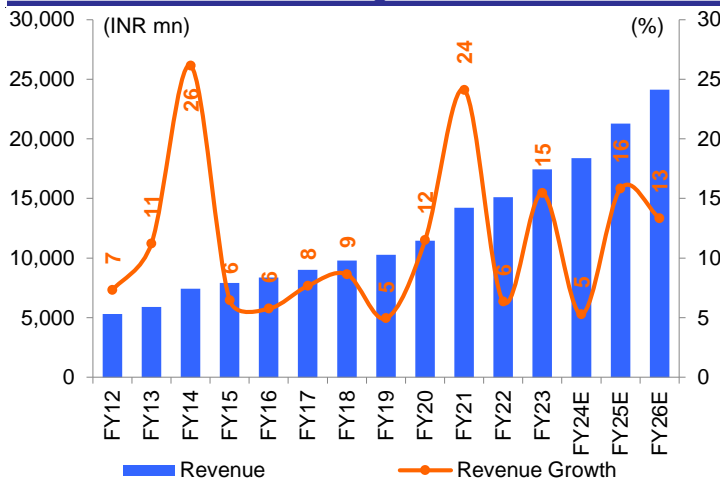
Source: Company, Antique, Bloomberg

Change in estimate

	FY24E			FY25E			FY26E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	18,739	18,103	(3.4)	21,403	20,901	(2.3)	24,448	23,625	(3.4)
EBITDA	3,416	3,367	(1.4)	3,851	3,929	2.0	4,365	4,416	1.2
EBITDA Margin (%)	18.2%	18.6%	37	18.0%	18.8%	80	17.9%	18.7%	84
PAT	2,521	2,398	(4.9)	2,869	2,841	(1.0)	3,298	3,232	(2.0)
EPS	55.3	52.6	(4.9)	63.0	62.3	(1.0)	72.4	70.9	(2.0)

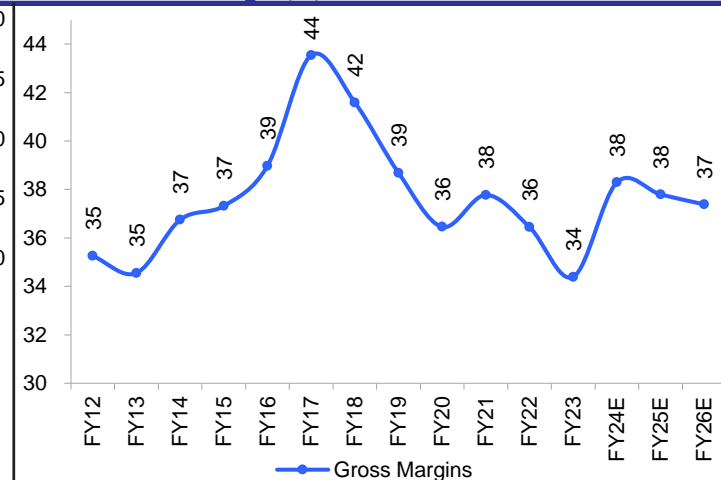
Source: Company, Antique, Bloomberg

Exhibit 1: Revenue and revenue growth



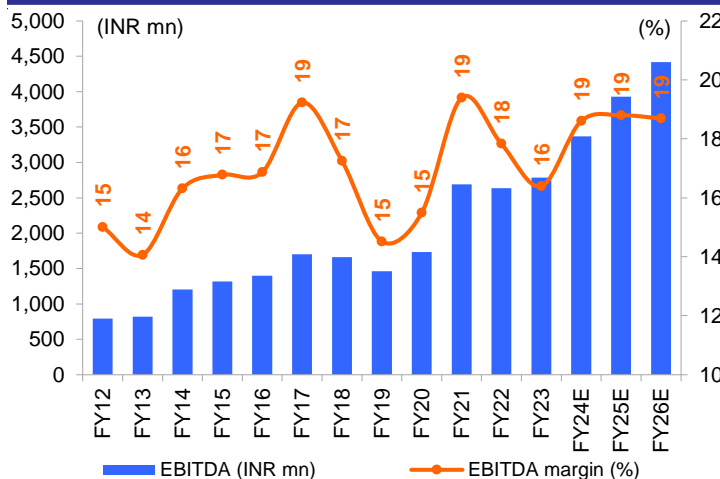
Source: Company, Antique

Exhibit 2: Gross margin (%)



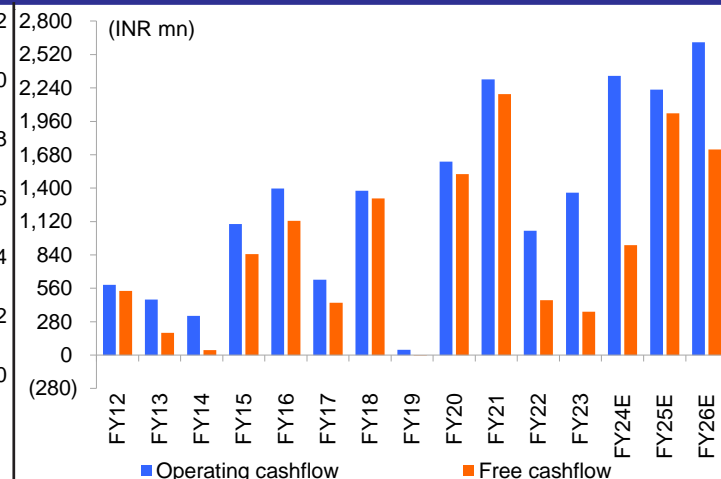
Source: Company, Antique

Exhibit 3: EBITDA & EBITDA margin (%)



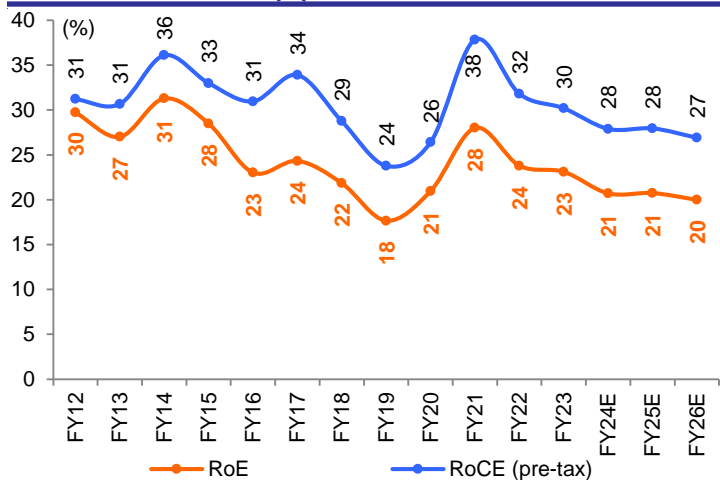
Source: Company, Antique

Exhibit 4: Steady cash flow generation



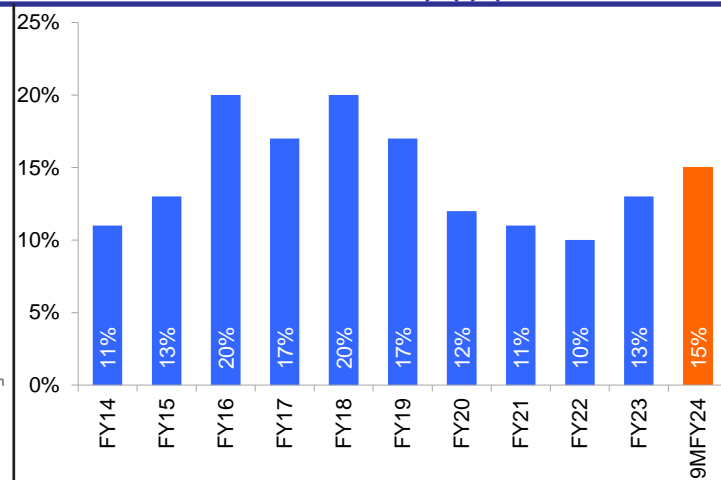
Source: Company, Antique

Exhibit 5: Return ratios (%)



Source: Company, Antique

Exhibit 6: Innovation Turnover Ratio (ITI) (%)



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	14,778	17,002	18,103	20,901	23,625
Op. Expenses	12,143	14,215	14,736	16,972	19,209
EBITDA	2,635	2,787	3,367	3,929	4,416
Depreciation	163	176	400	477	553
EBIT	2,472	2,611	2,967	3,452	3,863
Other income	336	448	269	376	489
Interest Exp.	32	31	30	30	30
Reported PBT	2,776	3,027	3,206	3,798	4,321
Tax	687	692	808	957	1,089
Reported PAT	2,089	2,335	2,398	2,841	3,232
Net Profit	2,089	2,335	2,398	2,841	3,232
Adjusted PAT	2,089	2,335	2,398	2,841	3,232
Adjusted EPS (INR)	44.8	51.2	52.6	62.3	70.9

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	93	91	91	91	91
Reserves & Surplus	9,511	10,522	12,464	14,758	17,398
Networth	9,604	10,613	12,555	14,849	17,489
Debt	10	38	-	-	-
Net deferred Tax liabilities	56	24	24	24	24
Capital Employed	9,669	10,675	12,579	14,873	17,513
Gross Fixed Assets	2,315	2,519	4,719	5,619	6,519
Accumulated Depreciation	728	873	1,273	1,750	2,303
Capital work in progress	483	1,532	750	50	50
Net Fixed Assets	2,070	3,178	4,196	3,919	4,266
Investments	3,359	2,547	2,547	2,547	2,547
Non Current Investments	1,398	1,589	1,589	1,589	1,589
Current Investments	1,961	958	958	958	958
Current Assets, Loans & Adv.	7,693	8,328	9,293	12,255	14,954
Inventory	3,472	3,451	3,519	4,096	4,660
Debtors	2,825	3,390	3,621	4,180	4,725
Cash & Bank balance	15	35	710	2,535	4,124
Loans & advances and others	1,381	1,452	1,444	1,444	1,444
Current Liabilities & Provisions	3,452	3,378	3,457	3,848	4,253
Liabilities	1,747	1,752	1,744	2,030	2,310
Provisions	1,705	1,626	1,713	1,818	1,944
Net Current Assets	4,240	4,950	5,836	8,407	10,700
Application of Funds	9,669	10,675	12,579	14,873	17,513

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	47	46	46	46	46
Diluted no. of shares (mn)	47	46	46	46	46
BVPS (INR)	206.2	232.9	275.5	325.8	383.7
CEPS (INR)	48.3	55.1	61.4	72.8	83.1
DPS (INR)	10.0	2.0	10.0	12.0	13.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	2,776	3,027	3,206	3,798	4,321
Depreciation & amortization	163	176	400	477	553
Interest expense	32	31	30	30	30
(Inc)/Dec in working capital	(1,017)	(711)	(219)	(746)	(704)
Tax paid	(660)	(733)	(808)	(957)	(1,089)
Less: Interest/Div. Income Recd.	(141)	(180)	(269)	(376)	(489)
Other operating Cash Flow	(110)	(249)	-	-	-
CF from operating activities	1,043	1,362	2,340	2,226	2,623
Capital expenditure	(192)	(992)	(1,418)	(200)	(900)
Inc/(Dec) in investments	(458)	870	-	-	-
Add: Interest/Div. Income Recd.	224	148	269	376	489
CF from investing activities	(426)	26	(1,149)	176	(411)
Inc/(Dec) in share capital	-	(1,048)	-	-	-
Inc/(Dec) in debt	(74)	28	(38)	-	-
Dividend Paid	(466)	(279)	(456)	(547)	(593)
Others	(68)	(69)	(30)	(30)	(30)
CF from financing activities	(608)	(1,368)	(524)	(577)	(623)
Net cash flow	9	20	667	1,825	1,589
Opening balance	6	15	35	710	2,535
Closing balance	15	35	710	2,535	4,124

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue(%)	6.5	15.1	6.5	15.5	13.0
EBITDA(%)	-2.1	5.8	20.8	16.7	12.4
Adj PAT(%)	-0.8	11.8	2.7	18.5	13.8
Adj EPS(%)	-0.8	14.2	2.7	18.5	13.8

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	25.2	22.1	21.5	18.2	16.0
P/BV (x)	5.5	4.9	4.1	3.5	3.0
EV/EBITDA (x)	18.8	18.2	14.8	12.2	10.5
EV/Sales (x)	3.4	3.0	2.8	2.3	2.0
Dividend Yield (%)	0.9	0.2	0.9	1.1	1.1

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	23.8	23.1	20.7	20.7	20.0
RoCE (%)	31.6	30.1	27.8	27.9	26.9
Asset/T.O (x)	2.5	2.4	2.0	1.9	1.7
Net Debt/Equity (x)	(0.2)	(0.1)	(0.1)	(0.2)	(0.3)
EBIT/Interest (x)	87.7	98.1	107.9	127.6	145.0

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin(%)	17.8	16.4	18.6	18.8	18.7
EBIT Margin(%)	16.7	15.4	16.4	16.5	16.4
PAT Margin(%)	13.8	13.4	13.1	13.4	13.4

Source: Company Antique

CMP	: INR 737
Reco	: BUY ↔
Target Price	: INR 820 ↓
Target Price Change	: -4
Target FY26 P/E (x)	: 20
EPS Change FY24/ 25/ 26	: -13%/-8%/-4%

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Market data	
Sensex	: 72,086
Sector	: Mid Cap
Market Cap (INR bn)	: 31.3
Market Cap (USD bn)	: 0.377
O/S Shares (mn)	: 42.5
52-wk HI/LO (INR)	: 819/466
Avg. Daily Vol ('000)	: 95
Bloomberg	: SOMC IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	22.3	31.9	41.3
P/E (x)	33.1	23.1	17.9
P/BV (x)	4.1	3.5	3.0
EV/EBITDA (x)	15.1	12.2	10.2
Dividend Yield (%)	0.4	0.5	0.6

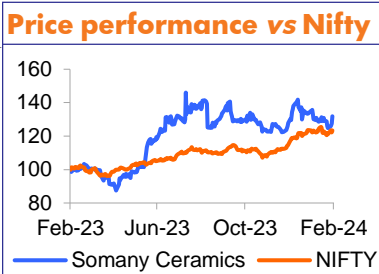
Source: Company, Antique

Returns (%)	Returns (%)			
	1m	3m	6m	12m
Absolute	2	12	1	37
Relative	2	(1)	(8)	14

Source: Bloomberg

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

Source: Bloomberg



Source: Bloomberg, Indexed to 100

3QFY24 RESULT REVIEW

Somany Ceramics

Muted demand scenario to continue in the near term

Somany Ceramics' (Somany) results missed our estimates primarily led by a volume decline of 2.5% YoY (our est. +8%) given the backdrop of a muted demand scenario. However, EBITDA/ PAT surged 46%/ 78% YoY supported by lower gas prices. Key highlights are 1) The Morbi industry is operating at 70% CU and has taken a production cut. 2) The domestic demand environment continues to remain sluggish. Guidance of 5%–7% YoY volume growth in 4QFY24. This translates to a mid-single digit volume growth for FY24, lower than the earlier guidance of high single-digit volume growth. 3) Anticipation of demand revival in FY25 on the back of strong traction in real estate. Guidance of leading industry growth by 5%–6% in FY25. 4) 3Q EBITDA margin at 9.6% remained steady on QoQ basis despite lower CU (81%) driven by cost optimization measures. Guidance of ~10% EBITDA margin in 4QFY24 and FY25 as gas costs remain steady and CU improves. 5) FY25 capex guidance of INR 150–200 mn towards the Nepal plant expansion. Considering the slow pick-up in demand, we cut our FY24/ 25/ 26 EPS estimate by 13%/ 8%/ 4% respectively. Maintain BUY with a revised TP of INR 820 (earlier INR 850) based on a PE of 20x FY26 EPS (implying 43% discount to market leader Kajaria Ceramics) (five-year high/ avg./ low of 47x/ 23x/ 5x).

Volume declines 2.5% YoY; guidance of 5%–7% YoY growth in 4Q

Somany reported revenue of INR 6.1 bn, -2% YoY, driven by volume/ realization decline of 2.5% YoY each. Volume growth was impacted by the continued weakness in domestic demand. Own manufacturing/ JV/ outsourcing volume mix stood at 37%/ 35%/ 28%. Ceramic/ GVT/ PVT volume mix stood at 36%/ 34%/ 30% in 3Q. Bathware/ bath fittings/ sanitaryware fittings revenue grew 8%/ 16%/ 3% YoY in 3QFY24. The demand environment remains sluggish in Jan'24. Management has guided for 5%–7% YoY volume growth in 4Q. This translates to a mid-single digit volume growth for FY24, lower than the earlier guidance of high single-digit volume growth. Management is expecting an improved demand outlook in FY25 on the back of a lag effect of new construction and strong growth in real estate. It has thus guided to lead industry growth by 5%–6% in FY25. Mix and realizations are expected to improve as the contribution of increased GVT and large slab capacity increases. We have factored in volume/ revenue CAGR of 8% each over FY23–26.

Margins stable at 9.6% despite lower capacity utilization

Somany reported an EBITDA of INR 590 mn, +46% YoY. EBITDA margin stood at 9.6% (+315/ -15 bps YoY/ QoQ). Cost optimization measures aided in margin improvement despite low CU (due to muted demand). Power and fuel costs declined 19% YoY. Gas prices averaged INR 47/ INR 42/ INR 54 per scm in the West/ North/ South regions in 3QFY24 respectively. Gas prices averaged INR 44/scm in 3QFY24 and are expected to average at INR 46–47 per scm in 4QFY24. Management has guided for margins to be ~10% in 4QFY24 and FY25 sighting better CU and range-bound gas prices. We expect operating leverage and reduction in gas costs to drive an EBITDA CAGR of 21% over FY23–26. EBITDA margin is expected to be 9.4%/ 10.2%/ 10.7% for FY24/ FY25/ FY26.

Investment Summary

We believe Somany's current valuation of 23x FY25/ 18x FY26 EPS is at a sharp discount to other building material peers despite EBITDA/ net profit CAGR of 21%/ 32% over FY23–26E being attractive. There is also respite as pressure on gas prices fades away and the macro environment is supportive led by a pick-up in real estate. We have factored in volume/ revenue CAGR of 8% each over FY23–26E. We have assigned a target multiple of 20x, a discount of 43% to the industry leader Kajaria. Risks to our call are demand slowdown in the domestic market and excess capacity in Morbi getting diverted to the domestic markets causing a supply glut. Maintain BUY.

Table 1: Quarterly result

Particulars (INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Sales	6,121	6,224	(1.7)	6,552	(6.6)	18,538	17,993	3.0
Cost of Material Consumed	2,728	2,784	(2.0)	2,934	(7.0)	8,419	7,583	11.0
% of sales	44.6	44.7	(18 bps)	44.8	(23 bps)	45.4	42.1	327 bps
Employee cost	794	758	4.8	822	(3.4)	2,377	2,207	7.7
% of sales	13.0	12.2	80 bps	12.5	42 bps	12.8	12.3	56 bps
Power and Fuel	1,252	1,547	(19.0)	1,379	(9.2)	3,820	4,980	(23.3)
% of sales	20.5	24.9	(439 bps)	21.0	(59 bps)	20.6	27.7	(707 bps)
Other expenses	757	729	3.8	776	(2.4)	2,185	1,946	12.3
% of sales	12.4	11.7	65 bps	11.8	53 bps	11.8	10.8	97 bps
Total Exp	5,531	5,818	(4.9)	5,910	(6.4)	16,801	16,716	0.5
EBIDTA	590	406	45.5	641	(7.9)	1,738	1,277	36.0
Margin %	9.6	6.5	313 bps	9.8	(14 bps)	9.4	7.1	227 bps
Other income	28	41	(31.5)	38	(26.8)	90	110	(17.9)
Depreciation	188	168	12.2	176	6.8	532	492	8.3
Interest expenses	109	119	(8.4)	110	(0.9)	330	287	15.0
Profit Before Tax	321	160	100.7	394	(18.3)	965	608	58.6
Exceptional item	10	-	NA	-	NA	(40)	(16)	144.0
Share in associates/(minority)	(12)	5	NA	(2)	450.0	6	47	(87.8)
PBT after exceptional	319	165	93.5	391	(18.5)	931	639	45.8
Tax	97	45	114.0	98	(1.2)	270	167	62.0
Tax Rate %	30.4	27.5	292 bps	25.1	533 bps	29.0	26.1	290 bps
Reported Net Profit	222	120	85.7	293	(24.3)	661	472	40.0
Adjusted Net Profit	212	120	77.5	293	(27.6)	701	488	43.5
EPS (INR)	5.0	2.8	77.5	6.9	(27.6)	16.5	11.5	43.5

Source: Company, Antique

Table 2: 3QFY24 consensus vs. estimate

Particulars (INR mn)	3QFY24	Antique	ch %	Consensus	ch %
Revenue	6,121	6,638	(7.8)	6,784	(9.8)
EBITDA	590	644	(8.4)	660	(10.6)
Adjusted PAT	212	280	(24.1)	314	(32.4)
EBITDA Margin	9.6	9.7	(6 bps)	9.7	(9 bps)
Volume	15.8	17.4	(9.4)	NA	NA

Source: Company, Bloomberg, Antique

Table 3: Changes in estimates

INR mn	Previous			Revised			% change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Volume (msm)	69.5	77.0	84.7	65.5	72.5	80.4	(5.8)	(5.8)	(5.1)
Net Sales	26,155	29,542	33,066	24,757	27,986	31,556	(5.3)	(5.3)	(4.6)
EBITDA	2,526	3,058	3,482	2,316	2,853	3,372	(8.3)	(6.7)	(3.2)
EBITDA Margin (%)	9.7	10.4	10.5	9.4	10.2	10.7	(30 bps)	(16 bps)	16 bps
Net Profit	1,089	1,466	1,823	914	1,307	1,692	(16.1)	(10.8)	(7.2)
EPS (INR)	25.6	34.5	43.0	22.3	31.9	41.3	(13.1)	(7.7)	(3.9)
TP (INR)		850			820			(3.5)	

Source: Antique

Conference Call Highlights

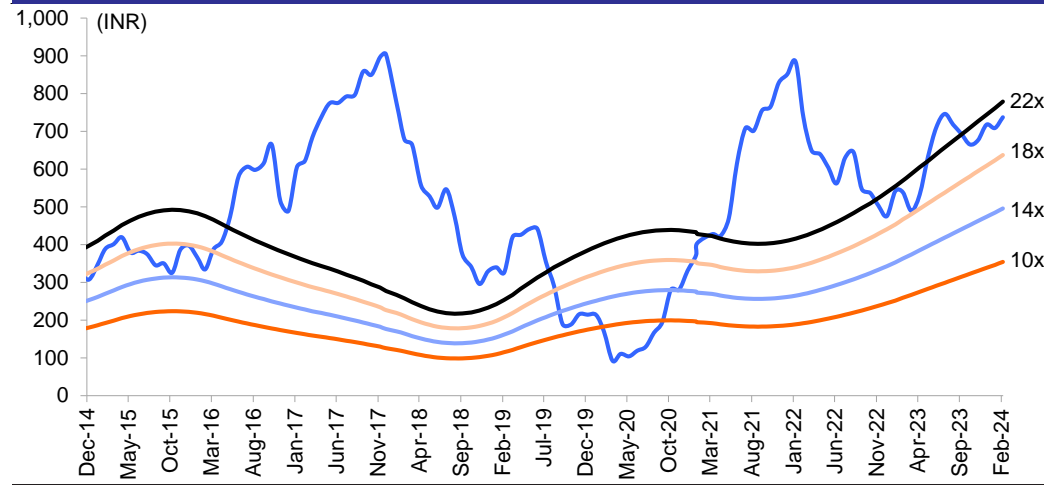
- **Outlook:** 3Q has been muted in line with the industry. Demand across building material categories, except for pipes, has been muted (especially in North India) and Jan'24 demand has been sluggish with low single-digit growth on a YoY basis. However, Jan'24 was better compared to Oct'23. Morbi has taken production cuts and is operating at ~70% CU.
- **Capacity utilization:** Tiles – 2QFY24/ 3QFY24: 91%/ 82%. Sanitaryware/ faucetware – 3QFY24: 60%/ 80%.
- **Guidance:** 4QFY24: Expect volume growth of 5%–7% YoY. EBITDA margin of +10%. FY25: Targeting to lead industry growth by 5%–6% with capacity utilization of +90%. Expect sanitaryware and bathware growth of 12%–16% YoY.
- Cost optimization has been achieved by improving the performance in JVs and undertaking line-balancing activities. In JVs, Somany broke even in 2Q and in 3Q; JVs are profitable.
- **Volume mix:** Ceramic/ GVT/ PVT: 3QFY24 36%/ 34%/ 30%.
- **Bathware/ bath fittings/ sanitaryware fittings 3QFY24 YoY revenue growth:** 8%/ 16%/ 3%.
- **Gas cost:** North/ South/ West/ Blended – INR 44/ INR 42/ INR 54/ INR 47 per scm in 3QFY24. Expect blended gas cost of INR 46–47/scm in 4Q.
- Working capital: Receivable/ net working capital days – 40/ 10.
- **Debt: Majorly in subsidiary:** INR 3.2 bn – Sudha Somany (South plant) INR 1.4 bn; Somany Max INR 0.85 bn. Will be requiring working capital debt of INR 1 bn for subsidiaries. No WC debt for standalone capacity.
- **Somany Max:** Started commercial production on January 29, 2024 with the launch of 15mm tiles (branded as cover stones) in Mumbai and Delhi. 9mm tiles to be launched soon. Expecting peak revenue of INR 2.8 bn against investment of INR 1.8 bn.
- **Advertising and distribution:** Increase in ad spends. Targeting 2.75% of ad spend in FY24. Net dealer addition of 300 dealers in FY24.
- **Capex:** INR 150–200 mn over the next 12 months for the Nepal plant (commercial production by 3QFY25) and routine maintenance capex.

Table 4: Key financial parameters

Particulars	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Revenue (INR mn)											
Own Manufacturing	1,956	1,906	1,885	2,180	2,117	2,491	2,108	2,089	1,857	(12.3)	(11.1)
Joint Ventures	1,831	2,089	1,680	2,080	2,068	1,874	1,714	1,878	1,887	(8.7)	0.5
Third-Party Outsourcing	1,338	1,362	1,234	1,158	1,246	1,469	1,253	1,664	1,419	13.9	(14.7)
Total	5,126	5,358	4,799	5,418	5,431	5,835	5,075	5,631	5,163	(4.9)	(8.3)
Revenue mix (%)											
Own Manufacturing	38.2	35.6	39.3	40.2	39.0	42.7	41.5	37.1	36.0	-301bps	-114bps
Joint Ventures	35.7	39.0	35.0	38.4	38.1	32.1	33.8	33.4	36.5	-153bps	320bps
Third-Party Outsourcing	26.1	25.4	25.7	21.4	22.9	25.2	24.7	29.5	27.5	454bps	-205bps
Total	100	100	100	100	100	100	100	100	100		
Sales volume (msm)											
Own Manufacturing	6.1	5.8	5.7	6.6	6.4	7.5	6.5	6.3	5.8	(9.4)	(8.5)
Joint Ventures	5.5	6.4	5.0	5.8	5.9	5.5	4.9	5.4	5.6	(6.6)	3.0
Third-Party Outsourcing	4.0	4.0	3.6	3.5	3.8	4.6	4.0	5.2	4.4	15.5	(15.1)
Total	15.6	16.1	14.3	15.9	16.2	17.6	15.4	16.9	15.8	(2.5)	(6.9)
Sales volume mix (%)											
Own Manufacturing	38.8	35.8	40.1	41.3	39.6	42.6	42.1	37.5	36.8	-280bps	-67bps
Joint Ventures	35.2	39.5	35.0	36.6	36.8	31.2	32.1	31.9	35.2	-154bps	336bps
Third-Party Outsourcing	25.9	24.7	24.9	22.1	23.6	26.3	25.8	30.6	27.9	435bps	-270bps
Total	100	100	100	100	100	100	100	100	100		
Realizations (INR/ sqm)											
Own Manufacturing	323	331	330	332	331	333	325	330	320	(3.2)	(2.8)
Joint Ventures	334	328	337	357	348	341	347	348	340	(2.3)	(2.4)
Third-Party Outsourcing	331	342	348	330	327	318	315	321	323	(1.4)	0.4
Total	329	333	337	341	336	332	329	333	328	(2.5)	(1.5)
Region wise gas cost (INR/ scm)											
West	62	NA	65	64	62	50	43	43	47	(24.2)	(9.3)
North	43	NA	58	65	57	51	46	43	42	(26.3)	(2.3)
South	92	NA	71	75	61	59	57	50	54	(11.5)	8.0
Blended	NA	NA	61	64	NA	50	45	44	44	NA	-
Other financial information											
Bathware revenue (INR mn)	576	621	540	565	603	742	582	640	653	8.4	2.0
Adhesives revenue (INR mn)	77	61	61	79	85	107	117	144	153	79.8	5.6
Power and fuel cost (INR mn)	1,530	1,370	1,706	1,728	1,547	1,543	1,189	1,379	1,252	(19.0)	(9.2)
Power and fuel cost/ sqm of manufactured and JV volumes	133	113	159	140	125	119	104	118	110	(12.0)	(6.1)
EBITDA (INR mn)	624	507	449	422	406	610	506	641	590	45.5	(7.9)
EBITDA/ sqm of sales volume(INR)	40	31	32	27	25	35	33	38	37	49.2	(1.2)

Source: Antique & Company, ^Bloomberg estimates

Exhibit 1: 1-year forward P/E



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	20,945	24,785	24,757	27,986	31,556
Op. Expenses	18,879	22,898	22,441	25,133	28,184
EBITDA	2,065	1,887	2,316	2,853	3,372
Depreciation	640	679	731	755	779
EBIT	1,426	1,209	1,586	2,098	2,593
Other income	134	145	148	156	164
Interest Exp.	296	404	440	395	350
Extra Ordinary Items -gain/(loss)	-	(16)	(40)	-	-
Reported PBT	1,264	934	1,255	1,859	2,407
Tax	330	265	362	483	626
Reported PAT	934	669	892	1,376	1,781
Minority Int./Profit (loss) From Asso.	47	(46)	19	69	89
Net Profit	887	715	874	1,307	1,692
Adjusted PAT	887	731	914	1,307	1,692
Adjusted EPS (INR)	20.9	17.2	22.3	31.9	41.3

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	85	85	82	82	82
Reserves & Surplus	7,178	7,785	7,289	8,452	9,960
Networth	7,263	7,870	7,371	8,534	10,042
Debt	5,112	4,884	4,884	4,384	3,884
Minority Interest	1,076	1,076	1,094	1,163	1,252
Net deferred Tax liabilities	323	243	243	243	243
Capital Employed	13,774	14,072	13,592	14,324	15,421
Gross Fixed Assets	10,177	13,196	15,296	15,796	16,296
Accumulated Depreciation	2,656	3,044	3,775	4,529	5,308
Capital work in progress	2,267	473	500	1,500	2,500
Net Fixed Assets	9,788	10,624	12,021	12,766	13,488
Investments	600	319	319	319	319
Current Investments	600	319	319	319	319
Current Assets, Loans & Adv.	7,494	9,085	7,960	8,366	9,149
Inventory	2,737	3,915	3,362	3,832	4,344
Debtors	2,368	2,683	2,713	3,067	3,458
Cash & Bank balance	1,486	1,546	940	518	395
Loans & advances and others	903	941	945	949	953
Current Liabilities & Provisions	4,108	5,955	6,707	7,126	7,534
Liabilities	2,255	3,777	4,609	4,901	5,155
Provisions	1,853	2,179	2,098	2,226	2,379
Net Current Assets	3,386	3,130	1,252	1,240	1,615
Application of Funds	13,774	14,072	13,592	14,324	15,421

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	42	42	41	41	41
Diluted no. of shares (mn)	42	42	41	41	41
BVPS (INR)	171.1	185.3	179.8	208.1	244.9
CEPS (INR)	37.1	31.7	39.6	52.0	62.4
DPS (INR)	2.4	3.0	3.0	3.5	4.5

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	1,264	929	1,128	1,635	2,154
Depreciation & amortization	640	679	731	755	779
Interest expense	296	404	440	395	350
(Inc)/Dec in working capital	(187)	(90)	1,271	(409)	(499)
Tax paid	(353)	(247)	(362)	(483)	(626)
Less: Interest/Div. Income Recd.	(73)	(74)	-	-	-
Other operating Cash Flow	(21)	45	(331)	(239)	(186)
CF from operating activities	1,566	1,646	2,876	1,653	1,972
Capital expenditure	(2,680)	(1,720)	(2,127)	(1,500)	(1,500)
Inc/(Dec) in investments	127	811	-	-	-
CF from investing activities	(2,553)	(909)	(2,127)	(1,500)	(1,500)
Inc/(Dec) in share capital	-	-	(1,250)	-	-
Inc/(Dec) in debt	878	266	-	(500)	(500)
Dividend Paid	-	(127)	(123)	(144)	(185)
Others	105	(816)	19	69	89
CF from financing activities	983	(677)	(1,354)	(575)	(595)
Net cash flow	(5)	60	(606)	(421)	(124)
Opening balance	1,491	1,486	1,546	940	518
Closing balance	1,486	1,546	940	518	395

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue(%)	26.9	18.3	(0.1)	13.0	12.8
EBITDA(%)	8.3	(8.6)	22.8	23.2	18.2
Adj PAT(%)	24.3	(17.5)	24.9	43.1	29.4
Adj EPS(%)	24.1	(17.6)	29.4	43.1	29.4

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	35.3	42.8	33.1	23.1	17.9
P/BV (x)	4.3	4.0	4.1	3.5	3.0
EV/EBITDA (x)	16.6	18.2	15.1	12.2	10.2
EV/Sales (x)	1.6	1.4	1.4	1.2	1.1
Dividend Yield (%)	0.3	0.4	0.4	0.5	0.6

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	12.8	9.7	12.0	16.4	18.2
RoCE (%)	12.4	9.7	12.5	16.1	18.5
Asset/T.O (x)	1.8	1.8	1.8	2.1	2.2
Net Debt/Equity (x)	0.4	0.4	0.5	0.4	0.3
EBIT/Interest (x)	5.3	3.4	3.9	5.7	7.9

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin(%)	9.9	7.6	9.4	10.2	10.7
EBIT Margin(%)	6.8	4.9	6.4	7.5	8.2
PAT Margin(%)	4.2	2.9	3.7	4.6	5.3

Source: Company Antique

CMP	: INR 545
Reco	: BUY ↔
Target Price	: INR 637 ↑
Target Price Change	: 39%
Target FY26 EV/EBITDA (x)	: SoTP Based
EBITDA Change FY24/25/26	: No Change

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Market data	
Sensex	: 72,086
Sector	: Real Estate
Market Cap (INR bn)	: 24.7
Market Cap (USD bn)	: 0.297
O/S Shares (mn)	: 45.3
52-wk HI/LO (INR)	: 562/223
Avg. Daily Vol ('000)	: 176
Bloomberg	: ARVSMART IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	11.4	17.8	27.6
P/E (x)	47.7	30.6	19.7
P/BV (x)	4.5	3.9	3.3
EV/EBITDA (x)	29.5	20.0	10.2
EV/Sales (x)	5.7	4.5	2.4

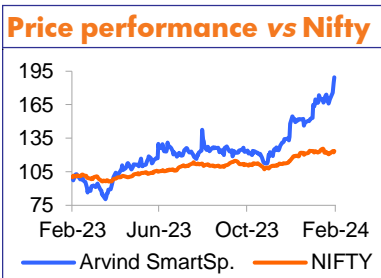
Source: Antique

Returns (%)	1m	3m	6m	12m
	Absolute	17	62	44
Relative	17	44	32	61

Source: Bloomberg

Shareholding pattern	
Promoters	: 50%
Public	: 50%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

3QFY24 RESULT REVIEW

Arvind SmartSpaces

Growth momentum to continue

Arvind Smartspaces' (ARVSMART) 3QFY24 highlights are the launch of Forest Trails, Bengaluru and Uplands 2.0 (phase 2), Ahmedabad, collectively contributing sales booking of INR 2.3 bn (82% of sales booking in 3QFY24). The strong response from new launches led to the best-ever nine-month performance with sales booking value of INR 7.8 bn (41% YoY) and collections at INR 6.6 bn (60% YoY). With a majority of the projects being horizontal (plotted/ villa/ row houses), the company experiences shorter cash collection cycles and robust operating cash flow. During the quarter, ARVSMART expanded its footprint, venturing into Surat with a township project spread over ~300 acres (GDV potential of INR 11 bn). Additionally, the company also acquired a project in Ahmedabad on an outright basis spread over ~40 acres with a topline potential of ~INR 2.5 bn. Strong business development (BD) coupled with a net cash balance sheet gives ARVSMART enough strength to undertake growth opportunities to capitalize on the underlying housing demand. We maintain BUY with a revised TP of INR 637 (earlier INR 458) valuing the company on a SoTP-based EV/ EBITDA multiple of 8x on implied EBITDA of FY26 (earlier NAV).

3QFY24 in a nutshell

In 3QFY24, ARVSMART reported a sales booking value of INR 2.8 bn (-24%/ +12% QoQ/ YoY) vs. our est. of INR 2.7 bn. In 9MFY24, sales booking was at INR 7.8 bn (41% YoY) against guidance of INR 10.0 bn for FY24. Sales booking was driven by the launch of Forest Trails, Bengaluru and phase 2 of Uplands 2.0, Ahmedabad during the quarter. Sales contribution from Ahmedabad/ Bengaluru came in at 43%/ 57%. Collections came in at INR 1.9 bn (-26%/ +15% QoQ/ YoY). The balance sheet continues to be net cash, net cash declined to INR 380 mn from INR 1,410 mn sequentially on account of business development.

Strong business development coupled with a healthy balance sheet augers well for its growth plan

For 9MFY24, ARVSMART did BD of INR 42 bn. During the quarter, it added two new projects-one in Surat (the first project in the city) and another in Ahmedabad with a cumulative GDV of INR 13.5 bn. The company continues to lean towards horizontal projects (villas + plots) and both these projects are horizontal projects. The company expects to add a few more projects with GDV ~INR 10.0 bn in the current financial year. The focus market remains on Ahmedabad, Bengaluru, and MMR; Surat is an extension of Ahmedabad. The company is exploring land parcels in Mumbai and expects it to materialize in 1QFY25. With strong cash flow generation (OCF in 9MF24 at INR 3.6 bn, >3x in 9MFY23) and balance sheet being net cash positive, ARVSMART is well placed to continue on its 25%-30% CAGR growth in this upcycle.

Investment Summary

Performance in 9MFY24 has been robust both in terms of sales booking, business development, and cash flow. The company is expected to easily surpass sales booking guidance of INR 10.0 bn for FY24 along with strong cash flow. Accelerated launches and business development coupled with a strong balance sheet position make ARVSMART one of the emerging stars in real estate to play the underlying upcycle in the housing market. We maintain BUY with a revised TP of **INR 637 (earlier INR 458) valuing the company on a SoTP-based EV/ EBITDA multiple of 8x on implied EBITDA of FY26 (earlier NAV)**-refer to page 2 for details.

Rationale for implied EBITDA

Currently, we are seeing an exuberance in the realty sector with strong demand from end users across markets. We expect this up-cycle to continue at least for the next few years. In such a strong growth cycle, NAV premiums become highly subjective and NAV calculations do not fully capture the strong volume growth (>10%). NAV calculations are a good valuation methodology when growth rates are less than 10%-15%. Currently, in India, we are seeing strong volume growth as well as price growth, leading to sales booking growth >25%-30% amongst leading developers. Thus, the stock will trade much above NAV.

With the upcycle expected to continue and companies generating strong cash flows, these cash flows would be reinvested fuelling growth. Consequently, to capture strong growth in valuation we have used implied EBITDA (EBITDA on sales booking expected in FY26) and used a multiple on it. The advantage of this method is that it captures the operational performance and future growth.

Valuation using implied EBITDA

We expect ARVSMART to easily surpass INR 10 bn in FY24 and with BD expected to be of GDV ~INR 50 bn in FY24, the company has a strong launch pipeline for FY25. Aided by robust launch pipeline and aggressive business development velocity, we expect ARVSMART to surpass INR 13.6 bn in FY25 and INR 17.0 bn in FY26.

Table 1: SoTP valuation

	FY26E
Sales booking	INR 17.0 bn
Implied EBITDA @25%	INR 4.2 bn
(a) EV of residential at 8x to EV/implied EBITDA	INR 28.9 bn
(b) Net cash (INR bn)	INR 8.0 bn
(c) Equity value (a + b)	INR 28.9 bn
(d) # of shares	45.3 mn
(e) Target Price (c/d)	INR 637

Source: Company, Antique

Table 2: NAV methodology

Valuations	Total NAV (INR mn)	Per share
Residential - for sale	12,454	275
New Project additions in 9MFY24	3,469	77
Total GAV (INR mn)	15,923	351
Less: Net Debt FY24	(380)	(8)
NAV	16,303	360
TP		637
Implied premium		77%

Source: Company, Antique

Quarterly snapshot

Table 3: Financial performance - 3QFY24

INR mn	3QFY24	2QFY24	QoQ %	3QFY23	YoY %
Net Sales	843	727	16	526	60
Total Expenditure	644	388		439	
EBITDA	199	338		87	
Margins (%)	23.7	46.6	-2291 bps	16.6	708 bps
Interest	26	192		40	
Depreciation	11	13		7	
Other Income	21	26		26	
PBT before EO expense	183	159	15	67	175
PBT	183	159		67	
Tax	67	51		16	
Rate (%)	36.4	31.8		24.1	
Profit/Loss of Asso. Cos.	0	0		0	
Minority Interest	-23	-22		-8	
Reported PAT	94	86		42	
Adj PAT	94	86	9	42	121
Margins (%)	11.2	11.9		8.1	

Source: Company, Antique

Table 4: Operational performance - 3QFY24

	3QFY24	2QFY24	QoQ %	3QFY23	YoY %	9MFY24	9MFY23	FY23	FY22
Booking volume (mn sq. ft.)	1.30	4.11	(68)	0.73	77	6.01	2.44	3.38	2.64
Booking value (INR bn)	2.80	3.69	(24)	2.50	12	7.84	5.58	8.02	6.01
Avg Realization (INR/sq. ft.)	2,157	898	140	3,417	(37)	1,305	2,284	2,369	2,275
Collections(INR bn)	1.94	2.63	(26.2)	1.68	15	6.61	4.12	6.00	5.95
Net Debt (INR bn)	-0.38	-1.41	1.03bn	-0.34	-0.04bn	-0.38	-0.34	-0.30	-0.11

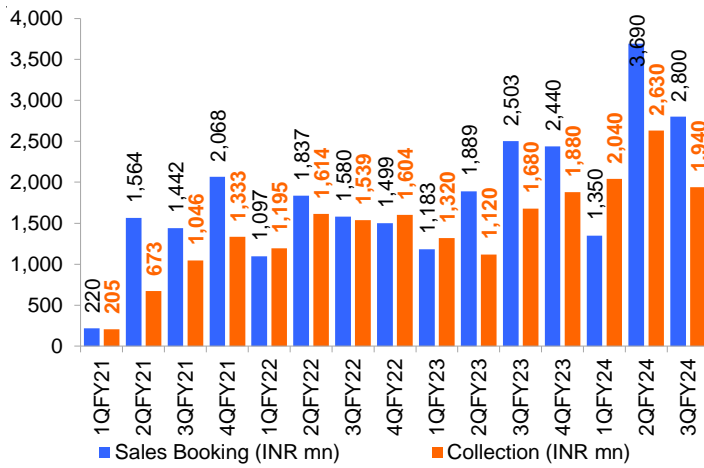
Source: Company, Antique

Conference Call Highlights

- **Macro tailwinds** continue to persist on the back of strong economic performance. Real estate reached decadal high with strong response to new launches. Despite price hikes, affordability remains due to wage inflation. The strong momentum is expected to continue in FY25. Demand from end users is robust.
- Quantum of **JDA** is on the higher side which allows the company to build strong sustainable brand. Targeting share of own projects: JDA is 60:40.
- **New geography** — Entered Surat with an INR 11 bn JDA project (55% share) spread over 300 acres.
- **Acquisition** of Ahmedabad project (horizontal) spread over 40 acres is on outright basis with GDV of INR 2.5 bn. This project is expected to be launched in FY25 with EBITDA margins of 30%-35%. Margins in vertical projects is lower at 22%-25%. In general long-term blended EBITDA margin is 25% and 12% PAT margin.
- New project **IRR** are expected to be 25%.
- **HDFC platform** — Out of the INR 9 bn commitment, the company has deployed INR 4 bn so far. Will deploy the rest of platform money in long-term and bigger projects.
- Sales velocity to be 2/3rd from new launches.
- **Unsold inventory** of INR 14 bn.
- Debt of ~INR 3 bn can be raised. Debt, HDFC platform, and internal accruals to fuel growth.
- **OCF** of INR 890 mn in 3QFY24 and INR 3.6 bn in 9MFY24. OCF from current pipeline is expected to exceed INR 25 bn.
- **Business development** of INR 40 bn in 9MFY24, out of which INR 6 bn has already been launched. Another INR 3.6 bn will be launched in FY25. Will end FY24 with a BD of INR 50 bn.
- **Focus** is on Ahmedabad, Bengaluru, and MMR. The company is exploring a land parcel in Mumbai and expects it to materialize in 1QFY25; will be a JDA project.
- 2HFY25 to be heavy on launches.

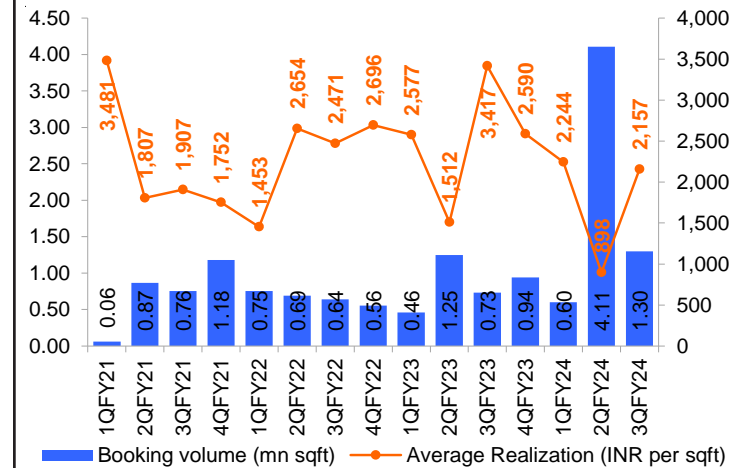
Story in Charts

Exhibit 1: Sales value and collection trajectory



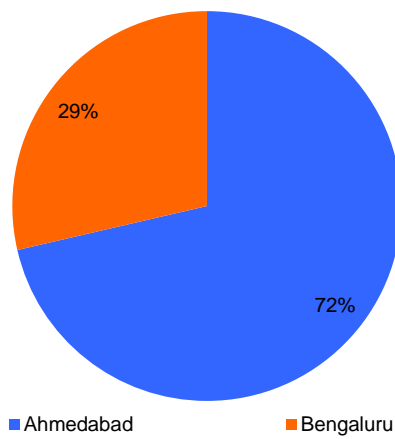
Source: Company, Antique

Exhibit 2: Sales volume and realization



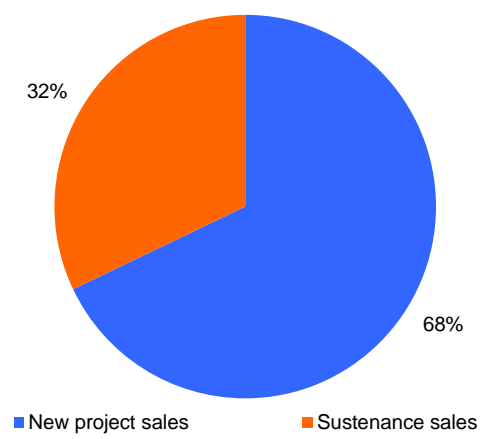
Source: Company, Antique

Exhibit 3: Sales mix - 9MFY24



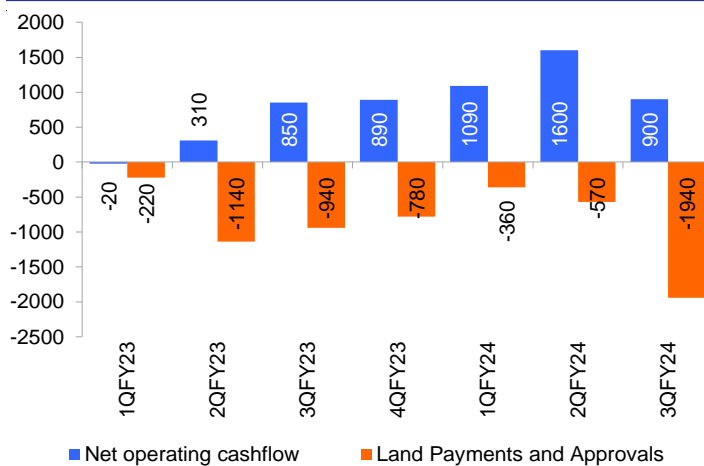
Source: Company, Antique

Exhibit 4: Sales mix in 9MFY24



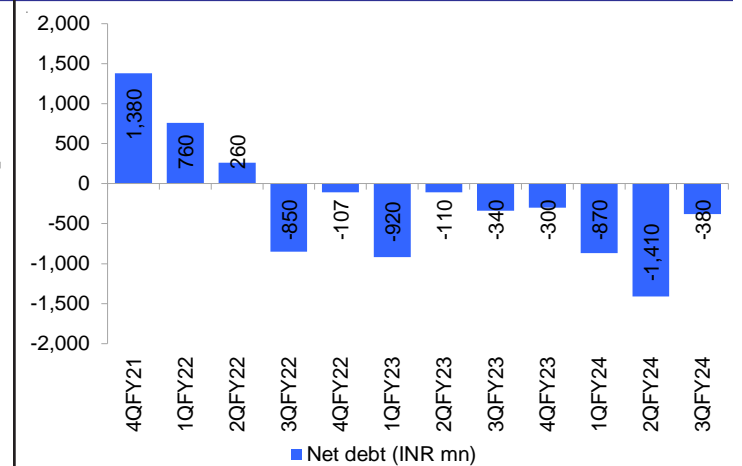
Source: Company, Antique

Exhibit 5: Cash flow from operation



Source: Company, Antique

Exhibit 6: Net debt movement



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	2,568	2,559	4,508	5,710	8,005
Op. Expenses	2,077	2,070	3,629	4,425	6,124
EBITDA	491	489	879	1,285	1,881
Depreciation	15	27	36	44	51
EBIT	476	462	843	1,241	1,830
Other income	76	73	113	143	200
Interest Exp.	168	140	191	209	228
Reported PBT	383	396	765	1,174	1,802
Tax	128	118	256	393	604
Reported PAT	255	278	509	781	1,198
Minority Int./Profit (loss) From Asso.	(4)	(22)	(23)	(24)	(26)
Net Profit	251	256	485	757	1,173
Adjusted PAT	251	256	485	757	1,173
Adjusted EPS (INR)	5.9	6.0	11.4	17.8	27.6

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	425	453	453	453	453
Reserves & Surplus	3,966	4,211	4,696	5,453	6,626
Networth	4,391	4,664	5,150	5,906	7,079
Debt	302	1,450	1,600	1,750	1,900
Minority Interest	376	290	290	290	290
Net deferred Tax liabilities	(251)	(304)	(304)	(304)	(304)
Capital Employed	4,818	6,100	6,735	7,642	8,965
Gross Fixed Assets	492	543	663	793	923
Accumulated Depreciation	59	86	122	166	217
Capital work in progress	127	172	172	172	172
Net Fixed Assets	560	629	712	799	877
Investments	3	2	2	2	2
Current Investments	3	2	2	2	2
Current Assets, Loans & Adv.	10,545	14,171	18,922	22,985	31,534
Inventory	7,663	9,570	14,202	17,990	19,738
Debtors	11	27	19	24	33
Cash & Bank balance	1,528	637	375	747	7,461
Loans & advances and others	1,344	3,937	4,326	4,225	4,302
Current Liabilities & Provisions	6,291	8,702	12,901	16,144	23,449
Liabilities	6,262	8,668	12,847	16,076	23,353
Provisions	29	34	54	69	96
Net Current Assets	4,254	5,469	6,021	6,841	8,085
Application of Funds	4,818	6,100	6,735	7,642	8,965

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	42	42	42	42	42
Diluted no. of shares (mn)	42	42	42	42	42
BVPS (INR)	103	110	121	139	167
CEPS (INR)	6.4	7.2	12.8	19.4	29.4
DPS (INR)	-	3.3	-	-	-

Source: Company Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	383	396	788	1,199	1,827
Depreciation & amortization	15	27	36	44	51
Interest expense	168	140	191	209	228
(Inc)/Dec in working capital	1,218	(1,168)	(813)	(448)	5,421
Tax paid	(138)	(364)	(256)	(393)	(604)
Less: Interest/Div. Income Recd.	(40)	(55)	(113)	(143)	(200)
Other operating Cash Flow	(0)	13	-	-	(2)
CF from operating activities	1,606	(1,010)	(167)	467	6,722
Capital expenditure	(94)	(96)	(120)	(130)	(130)
Inc/(Dec) in investments	346	(778)	-	-	-
Add: Interest/Div. Income Recd.	41	59	113	143	200
CF from investing activities	293	(815)	(7)	13	70
Inc/(Dec) in share capital	925	218	-	-	-
Inc/(Dec) in debt	(1,512)	865	150	150	150
Others	(153)	(130)	(237)	(258)	(228)
CF from financing activities	(740)	953	(87)	(108)	(78)
Net cash flow	1,159	(873)	(261)	372	6,714
Opening balance	350	1,509	636	375	747
Closing balance	1,509	636	375	747	7,461
Bank balance	18.8	0.4	-	-	-
Cash and bank balance	1,528	637	375	747	7,461

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)	72.1	(0.4)	76.1	26.7	40.2
EBITDA (%)	20.9	(0.3)	79.6	46.2	46.4
Adj PAT (%)	186.5	2.2	89.6	55.9	55.0
Adj EPS (%)	139.9	2.2	89.6	55.9	55.0

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	92.4	90.4	47.7	30.6	19.7
P/BV (x)	5.3	5.0	4.5	3.9	3.3
EV/EBITDA (x)	47.8	52.1	29.5	20.0	10.2
EV/Sales (x)	9.1	10.0	5.7	4.5	2.4
Dividend Yield (%)	-	0.6	-	-	-

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	6.7	5.7	9.9	13.7	18.1
RoCE (%)	11.5	10.1	15.3	19.7	25.0
Asset/T.O (x)	0.5	0.5	0.7	0.8	1.0
Net Debt/Equity (x)	(0.3)	0.2	0.2	0.2	(0.8)
EBIT/Interest (x)	3.3	3.8	5.0	6.6	8.9

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	19.1	19.1	19.5	22.5	23.5
EBIT Margin (%)	18.5	18.1	18.7	21.7	22.9
PAT Margin (%)	9.8	10.0	10.8	13.3	14.6

Source: Company Antique

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SECTOR UPDATE

Automobile

Bharat Mobility Global Expo 2024: Focus on new-age electric vehicles and alternative fuel

Bharat Mobility Global Expo 2024 showcased the capabilities of OEMs and the auto industry's stakeholders, marking a very clear shift in focus towards sustainability and clean energy across all the automotive segments. While new launches at the expo were limited, there was an abundance of work showcasing the clean energy side viz. EVs, flex fuels, and hydrogen at the expo across segments. In PVs, TTMT, MSIL, Hyundai, M&M, Toyota, MG, VW group, Mercedes, and Kia showcased their concepts of alternative fuel platforms to be launched in 2025E and beyond. In CVs, TTMT, AL, and VECV showcased their multi-fuel approach to clean energy in the form of LNG, EVs, and hydrogen (H2ICE and fuel cells). In 2Ws, the major emphasis was on the flex fuel models and advanced-stage EVs. In terms of key attractions on the PV side, MSIL's EVx concept, TTMT's production-ready version of Curvv (coupe) and Harrier EV, Toyota's Mirai (fuel cell-based EV), Innova Hycross flex fuel, Hyryder CNG, Hyundai Nexo (fuel cell EV), Mercedes' EQG concept, BMW i7, and Skoda Enyaq iV elicited a lot of interest. In 2Ws, TVS displayed Norton V4CR cafe racer while HMSI, RE, Bajaj showcased their flex models. Apart from this, a lot of new-age technologies were showcased by several ancillaries on batteries, tires, and components.

PVs

MSIL exhibited the concept EVx, its first EV developed jointly with Toyota. TTMT displayed a production-ready version of the CURVV which is expected to be launched during the festive season of 2024. It also showcased models like the Harrier EV, Nexon iCNG, and Altroz racer. Hyundai and Toyota displayed their fuel cell EVs viz. Nexo and Mirai. While M&M showcased the BE Rall-E concept and off-roader UV. VW showcased models like Shoka Enyaq iV EV SUV, Lamborghini Revuelto, and Audi ETron. Mercedes' Benz EQG concept electric variant of the G Wagon was also displayed. Largely, EVs, fuel cell, and flex fuels continued to remain the key focus areas. Going ahead, changing industry dynamics will create a level playing field for the industry participants and technological prowess will be a key factor in determining players who are poised to win.

CVs

Focus on alternate fuels gathered pace-CV OEMs leveraged the Bharat Mobility Global Expo to showcase their products and tech capabilities in alternate fuels such as hydrogen fuel and LNG. AL, VECV, and TTMT displayed several products across these technologies. Our interaction with representatives of these OEMs reveal that the total cost of ownership for hydrogen ICE technology is expected to come in line with diesel if the cost of hydrogen reaches the range of USD 2.5-3 per kilogram. On the other hand, the use of LNG is expected to be largely confined to heavy-duty vehicles, as it has better cost economics (approximately 10%-15% more efficient than diesel). However, the adoption of LNG is likely to encounter delays as the required infrastructure is not in place.

2Ws, flex fuels steals the show for Motorcycles

The 2W segment largely saw market readiness for the flex fuel technology with, RE, HMSI, HMCL, and Bajaj showcasing the flex fuel capabilities. There were multiple start-ups showcasing their EV capabilities. Hero displayed the Maverick, Xoom 125, Xoom 160, Xtreme 125, and Surge S32. While for TVS the V4CR cafe racer was the key attraction. Bajaj on the other hand showcased Pulsar NS 160 and Dominar E27.5. For RE, Shotgun 600 and Flex fuel Classic 350 were the key attractions.

Components, focus on premiumization, and adoption of new technology

On the components side, major ancillaries like Sona Comstar, Bharat Forge, Uno Minda, Spark Minda, Suprajit, etc. showcased various technology solutions which enhanced the premiumization trend in mobility which included parts for various power trains, battery technologies and configurations, sensors, ADAS, electric charging, telematics, instrument clusters, connected technology solutions, and many other future-ready products.

Our View

The Bharat Mobility Global Expo highlighted a diverse array of vehicles, emphasizing the evolving landscape of the Indian automotive industry. While the shift towards clean energy vehicles has been underway for 2Ws and PVs, we also see significant strides happening in the CV segment towards EVs and hydrogen from top-3 CV OEMs. On the components side we note the changing landscape and believe that the tech capabilities are a crucial factor to stay relevant and grow in the ever-changing industry landscape. Our top picks in the auto/ auto component sectors are MSIL, AL, and Apollo Tyres. We also like HMCL as a pure play on the domestic 2W demand recovery.

Exhibit 1: Key Models from Tata Motors- Tata Curvv, Punch EV and Harrier EV



Source: Company, Antique

Exhibit 2: Maruti's much awaited EVx; WagonR Flex fuel



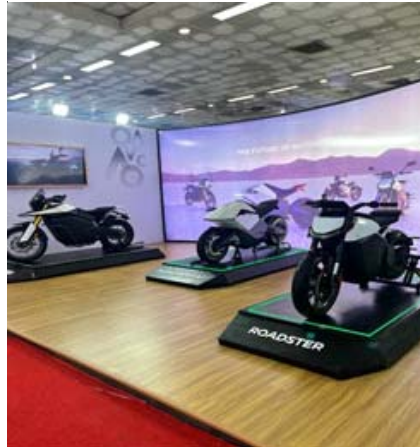
Source: Company, Antique

Exhibit 3: Few Models on Hydrogen Fuel Cell side



Source: Company, Antique

Exhibit 4: Ola E Bikes concept



Source: Company, Antique

Exhibit 5: Models from Hero's stable



Source: Company, Antique

Exhibit 6: TVS displayed Norton V4CR



Exhibit 7: Raider Flex fuel



Source: Company, Antique

Exhibit 8: Ashok Leyland Alternate fuel models



Source: Company, Antique

Exhibit 9: VECV forays into small commercial vehicle with EV model



Source: Company, Antique

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)	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25	FY25	FY25	1m	12m	
AGROCHEM & FERTILIZERS																								
Bayer Cropscience	Hold	5,789	6,380	10	260.2	3.1	8.7	10.0	11.5	193.5	223.7	255.0	29.9	25.9	22.7	21.8	18.8	16.5	8.3	33.3	43.4	5	32	
Coromandel Intl.	Buy	1,076	1,340	24	316.9	3.8	17.4	20.1	21.9	59.3	68.5	74.4	18.2	15.7	14.5	11.7	10.1	9.0	2.9	19.9	28.2	-14	23	
Dhanuka Agritech	Buy	1,130	1,280	13	51.5	0.6	2.4	2.8	3.2	52.6	62.3	70.9	21.5	18.1	15.9	14.8	12.2	10.5	3.5	20.7	27.9	-2	67	
Paradeep Phosphates	Buy	76	120	58	61.7	0.7	1.6	7.0	8.3	1.9	8.7	10.2	39.4	8.8	7.4	14.0	6.5	5.4	1.5	17.9	16.7	6	28	
PI Industries	Buy	3,376	5,160	53	512.2	6.2	15.0	17.1	19.6	98.5	112.6	129.0	34.3	30.0	26.2	24.8	21.0	17.7	5.1	18.5	22.9	-2	11	
Rallis India	Hold	255	260	2	49.6	0.6	1.6	2.3	2.8	8.4	11.6	14.6	30.5	22.0	17.4	14.8	11.4	9.2	2.5	11.9	15.5	4	24	
Sharda Cropchem	Hold	384	400	4	34.6	0.4	0.0	2.2	3.0	0.5	24.1	33.6	709.0	15.9	11.4	15.9	5.4	4.0	1.4	9.4	12.1	-14	-20	
Sumitomo Chemical India	Buy	400	480	20	199.7	2.4	3.3	4.8	6.0	6.7	9.6	12.0	59.7	41.7	33.4	45.2	31.4	25.1	6.5	16.7	22.5	-1	-11	
UPL	Buy	534	710	33	400.6	4.8	5.5	29.4	44.3	-7.4	39.2	59.0	-72.4	13.6	9.0	10.5	5.5	4.4	1.4	10.8	13.2	9	-25	
AUTO & AUTO ANC.																								
Apollo Tyres	Buy	540	562	4	342.8	4.1	17.3	18.5	21.0	27.3	29.1	33.1	19.8	18.5	16.3	8.8	7.8	6.8	2.2	12.3	13.6	20	64	
Ashok Leyland	Buy	174	234	34	511.0	6.2	21.4	25.6	30.7	7.3	8.7	10.5	23.9	20.0	16.7	13.9	12.0	10.1	4.7	25.0	27.6	-3	13	
Bajaj Auto	Hold	7,738	7,417	(4)	2,191.3	26.4	72.0	81.5	94.5	254.3	288.0	334.0	30.4	26.9	23.2	23.7	20.4	17.2	36.8	28.9	38.3	12	101	
Balkrishna Industries	Sell	2,452	2,264	(8)	474.1	5.7	11.7	14.6	17.5	60.8	75.4	90.6	40.4	32.5	27.1	23.0	19.2	16.5	5.2	16.7	16.6	-2	7	
Ceat	Buy	2,607	3,180	22	105.5	1.3	7.1	7.2	8.0	175.6	178.2	198.5	14.8	14.6	13.1	7.4	7.1	6.3	2.3	16.5	17.5	7	68	
Eicher Motors	Buy	3,826	4,819	26	1,047.3	12.6	37.8	46.0	54.9	138.0	167.9	200.3	27.7	22.8	19.1	23.9	19.2	15.4	5.1	24.4	27.5	-1	15	
Hero MotoCorp	Buy	4,717	4,876	3	942.9	11.4	34.6	40.4	47.4	173.3	202.4	237.4	27.2	23.3	19.9	18.4	15.7	13.4	4.9	21.8	28.3	20	78	
TVS Motors	Sell	2,045	1,729	(15)	971.7	11.7	19.2	24.2	30.8	40.4	50.9	64.8	50.6	40.2	31.6	29.3	23.9	19.2	10.3	28.4	31.2	3	97	
Mahindra & Mahindra	Buy	1,661	1,959	18	2,065.2	24.9	93.6	97.8	107.0	75.5	78.9	86.3	22.0	21.1	19.3	16.0	14.0	12.3	8.6	18.1	22.1	1	20	
Maruti Suzuki India	Buy	10,655	13,538	27	3,350.1	40.4	115.2	135.8	157.2	381.4	449.6	520.7	27.9	23.7	20.5	21.3	16.9	14.2	4.1	18.4	23.4	6	19	
Sansera Engineering	Buy	1,019	1,155	13	54.6	0.7	2.0	2.7	3.4	37.2	51.6	64.2	27.4	19.7	15.9	13.2	10.4	8.7	3.3	18.2	19.1	-4	42	
Suprajit Engineering	Buy	390	521	34	53.9	0.6	1.6	2.6	3.3	11.4	18.6	23.7	34.1	20.9	16.4	17.8	12.3	9.9	3.8	19.0	20.0	-1	20	
BUILDING MATERIALS																								
Apollo Pipes	Buy	678	750	11	26.6	0.3	0.5	0.8	1.0	13.7	17.9	23.6	49.3	37.8	28.7	24.4	17.9	14.0	3.6	9.8	13.9	-1	35	
Astral	Hold	1,902	2,020	6	511.0	6.2	5.9	7.6	9.0	21.9	28.1	33.6	86.7	67.7	56.6	51.9	41.1	34.4	13.2	21.3	26.7	3	24	
Cera Sanitaryware	Buy	8,239	10,010	21	107.2	1.3	2.6	3.0	3.4	197.1	229.3	263.5	41.8	35.9	31.3	30.2	25.9	22.4	6.9	20.5	26.8	6	46	
Finolex Industries	Hold	218	210	(4)	135.1	1.6	4.4	5.3	6.3	7.2	8.6	10.3	30.3	25.4	21.2	22.6	19.8	16.9	2.2	8.8	10.4	0	23	
Greenlam Industries	Buy	547	680	24	69.8	0.8	1.5	1.7	2.7	11.9	13.4	21.0	45.8	40.7	26.1	26.7	18.5	14.5	5.6	14.6	13.4	1	78	
Kajaria Ceramics	Buy	1,345	1,500	12	214.2	2.6	4.5	5.5	6.8	28.0	34.5	42.8	48.0	39.0	31.4	28.6	23.4	19.2	7.4	20.2	25.3	3	25	
Prince Pipes and Fittings	Buy	701	1,020	45	77.5	0.9	2.4	3.0	3.5	21.9	26.8	31.8	32.0	26.2	22.1	18.9	15.9	13.2	4.2	17.3	22.5	8	14	
Somany Ceramics	Buy	737	820	11	31.3	0.4	0.9	1.3	1.7	22.3	31.9	41.3	33.1	23.1	17.9	15.1	12.2	10.2	3.5	16.4	16.1	3	39	
Supreme Industries	Hold	4,138	4,690	13	525.6	6.3	10.4	12.4	14.9	81.9	97.6	117.3	50.5	42.4	35.3	33.9	28.7	23.9	8.9	22.7	27.5	6	57	
CEMENT																								
ACC	Buy	2,499	3,000	20	469.4	5.7	19.6	23.7	27.3	104.4	126.2	145.2	23.9	19.8	17.2	13.3	10.4	8.8	2.7	14.2	19.3	6	30	
Ambuja Cement	Buy	557	615	10	1,106.8	13.3	26.0	33.5	39.7	10.6	13.6	16.1	52.7	40.9	34.6	22.8	18.2	15.3	2.8	9.3	10.0	1	49	
Birla Corp	Buy	1,534	1,675	9	118.1	1.4	4.4	6.1	7.2	56.5	79.7	93.8	27.2	19.2	16.4	10.8	9.2	8.4	1.7	9.2	9.7	7	65	
Dalmia Bharat	Buy	2,259	2,550	13	423.7	5.1	9.1	13.1	17.5	49.1	71.0	94.4	46.1	31.8	23.9	14.9	12.4	10.8	2.4	7.7	10.0	-4	21	
Grasim Industries	Buy	2,139	2,360	10	1,408.7	17.0	19.7	24.1	28.0	30.0	36.5	42.6	71.3	58.5	50.2	51.5	40.3	34.2	2.8	4.9	6.0	4	33	
Heidelberg	Hold	223	210	(6)	50.5	0.6	2.0	2.6	3.1	8.9	11.6	13.5	25.2	19.1	16.4	12.4	10.0	8.7	3.3	17.6	20.5	-3	32	
JK Cement	Buy	4,366	4,500	3	337.4	4.1	8.7	10.5	11.7	112.2	136.5	151.6	38.9	32.0	28.8	17.5	15.1	13.7	5.4	18.1	16.7	12	66	
JK Lakshmi Cement	Buy	920	1,000	9	108.2	1.3	4.8	6.2	7.1	40.4	52.8	60.1	22.8	17.4	15.3	11.4	9.0	8.1	2.9	18.1	19.0	3	23	
Nuvoco Vistas	Hold	360	410	14	128.6	1.5	1.4	3.6	5.0	3.9	10.2	14.1	92.7	35.4	25.6	10.2	8.8	8.0	1.4	4.0	6.8	-3	2	
Orient Cement	Hold	280	230	(18)	57.3	0.7	2.0	2.8	3.3	9.8	13.6	16.2	28.6	20.6	17.3	12.2	9.5	8.6	2.9	14.9	16.8	0	133	
Shree Cements	Buy	28,454	32,300	14	1,026.6	12.4	22.2	27.9	32.0	613.9	773.8	885.6	46.3	36.8	32.1	22.4	18.2	15.7	4.5	12.9	16.3	0	16	
Ramco Cement	Buy	993	1,170	18	234.7	2.8	4.8	7.7	9.2	20.3	32.7	39.0	49.0	30.3	25.5	16.0	12.5	11.3	2.9	10.1	11.9	-2	45	
UltraTech Cement	Buy	10,099	11,200	11	2,915.3	35.1	74.3	97.6	121.1	257.8	332.0	411.8	39.2	30.4	24.5	21.8	17.4	14.2	4.3	15.1	19.4	1	40	
FMCG & RETAIL																								
Aditya Birla Fashion & Retail	Hold	248	258	4	235.8	2.8	-3.2	0.8	3.1	-3.3	0.9	3.3	-74.4	286.9	76.1	16.1	12.4	10.0	7.6	2.7	9.2	1	-1	
Arvind Fashions	Buy	516	605	17	68.7	0.8	0.6	1.3	2.0	4.2	10.1	15.4	121.4	51.0	33.4	13.2	10.3	8.1	5.5	10.8	20.1	21	68	
Asian Paints	Hold	2,936	3,362	15	2,816.5	33.9	56.1	58.1	64.5	58.5	60.5	67.2	50.2	48.5	43.7	35.3	33.4	29.6	12.8	28.2	33.8	-13	6	
Avenue Supermarts	Hold	3,784	4,243	12	2,462.6	29.7	26.7	33.5	40.2	41.3	51.8	62.0	91.7	73.1	61.0	60.4	48.3	40.2	10.9	14.9	20.1	-3	9	
Bajaj Consumer Care	Buy	221	283	28	31.7	0.4	1.7	2.0	2.2	12.2	13.9	15.7	18.1	16.0	14.1	12.8	10.4	8.3	2.4	15.7	19.2	-3	32	
Colgate Palmolive	Hold	2,542	2,246	(12)	691.3	8.3	13.1	13.9	15.3	48.1	51.1	56.1	52.8	49.7	45.3	36.5	34.1	30.9	33.3	69.7	108.3	2	74	
Dabur India	Hold	545	617	13	965.1	11.6	18.8	21.6	24.2	10.6	12.2	13.7	51.2											

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)	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25	FY25	FY25	FY25	1m	12m			
INDUSTRIALS & ENGINEERING																											
ABB	Buy	4,480	6,167	38	949.4	11.4	12.4	15.2	20.3	58.6	71.9	95.6	76.4	62.4	46.9	61.5	49.1	36.1	13.7	23.7	23.3	-7	60				
Bharat Dynamics	Buy	1,759	2,038	16	322.5	3.9	6.3	9.2	11.7	34.6	50.2	63.7	50.9	35.0	27.6	43.6	26.7	20.4	7.7	23.6	24.0	5	95				
Bajaj Elec.	Hold	1,058	1,099	4	121.7	1.5	2.3	2.7	3.3	19.8	23.4	28.9	53.5	45.3	36.6	31.5	26.9	22.1	5.4	12.3	13.9	3	2				
BEML	Hold	3,826	2,928	(23)	159.3	1.9	2.7	3.6	4.9	65.0	85.4	117.1	58.8	44.8	32.7	35.4	28.1	21.3	5.4	12.7	12.3	32	178				
Bharat Electronics	Buy	185	221	20	1,349.4	16.3	36.3	41.7	50.4	5.0	5.7	6.9	37.2	32.4	26.7	27.0	23.0	18.5	7.4	24.6	25.4	-1	97				
BHEL	Buy	234	230	(2)	814.1	9.8	6.2	19.1	30.8	1.8	5.5	8.8	130.9	42.6	26.5	99.7	30.0	18.4	2.8	6.8	9.8	20	212				
Blue Star	Hold	1,189	1,149	(3)	244.4	2.9	4.0	5.4	6.8	20.5	27.8	35.1	57.8	42.7	33.8	36.7	28.4	23.2	12.7	32.5	33.5	27	75				
Cochin Shipyard	Hold	905	572	(37)	238.1	2.9	6.2	5.4	5.2	23.4	20.6	19.8	38.7	44.0	45.8	28.5	31.0	34.2	4.5	10.6	13.9	33	283				
Crompton Consumer	Hold	305	343	13	194.9	2.3	4.6	6.1	7.3	7.3	9.6	11.4	42.0	31.8	26.6	26.6	20.8	17.4	6.2	20.4	20.9	4	0				
Cummins India	Hold	2,310	2,205	(5)	640.2	7.7	13.0	15.2	18.0	46.9	54.9	64.8	49.2	42.1	35.6	43.4	35.9	29.5	9.9	24.7	31.1	16	60				
Engineers India	Hold	261	238	(9)	146.9	1.8	3.4	3.9	4.7	5.4	6.3	7.5	48.6	41.8	34.9	42.4	34.5	26.9	5.8	16.3	18.9	30	212				
Garden Reach Shipbuilders	Buy	891	1,005	13	102.1	1.2	2.6	3.7	3.8	22.4	31.9	33.5	39.8	27.9	26.6	37.2	22.0	19.7	5.2	19.9	22.1	3	85				
GE T&D	Hold	709	456	(36)	181.6	2.2	1.5	2.2	3.3	5.9	8.7	13.0	119.6	81.6	54.4	72.2	53.1	36.9	12.6	16.7	23.7	18	509				
Jupiter Wagons Ltd	Hold	405	362	(11)	167.2	2.0	3.3	4.6	6.0	7.9	11.1	14.5	51.2	36.4	28.0	34.4	25.2	19.4	8.0	24.6	29.5	23	284				
Havells India	Hold	1,341	1,458	9	840.6	10.1	12.8	16.3	20.7	20.5	26.0	33.1	65.4	51.5	40.5	43.3	34.1	26.7	9.5	19.8	26.1	4	12				
Hindustan Aeronautics	Buy	2,971	3,618	22	1,986.7	23.9	53.4	56.0	69.1	79.9	83.7	103.4	37.2	35.5	28.7	25.1	22.7	18.4	6.5	19.5	20.4	2	154				
Hitachi Energy	Buy	5,746	5,936	3	243.5	2.9	1.2	3.6	6.3	29.4	84.5	148.4	195.2	68.0	38.7	83.1	39.8	25.2	15.7	25.1	32.5	2	88				
Honeywell Automation	Hold	38,807	39,125	1	343.1	4.1	5.0	5.8	6.9	569.8	653.5	782.5	68.1	59.4	49.6	53.2	45.6	37.3	8.6	15.4	21.3	6	3				
KEC International	Buy	666	746	12	171.3	2.1	3.8	8.1	12.0	14.9	31.4	46.6	44.8	21.2	14.3	14.7	11.2	8.7	3.6	18.5	21.8	13	42				
Kirloskar Pneumatic	Buy	658	810	23	42.6	0.5	1.3	1.8	2.2	19.6	27.3	33.8	33.5	24.1	19.5	20.8	15.0	11.6	4.0	18.0	23.7	9	18				
Kirloskar Oil Engines	Buy	712	851	19	103.2	1.2	3.4	4.1	5.1	23.5	28.5	35.4	30.3	25.0	20.1	18.4	15.1	12.0	3.7	15.7	20.7	6	132				
Lakshmi Machine Works	Hold	13,745	14,951	9	146.8	1.8	4.3	4.9	6.1	399.0	459.7	575.0	34.4	29.9	23.9	26.2	22.7	17.6	5.0	17.7	24.2	1	20				
Linde India	Buy	5,550	7,055	27	473.4	5.7	4.9	7.5	10.0	57.9	88.3	117.6	95.9	62.8	47.2	59.2	41.0	30.8	11.7	20.1	24.7	-1	67				
Larsen & Toubro	Buy	3,376	4,223	25	4,640.5	55.9	139.4	178.5	240.6	99.5	127.5	171.8	33.9	26.5	19.6	22.8	18.8	14.4	4.4	17.5	13.1	-2	56				
Mazagon Dock Shipbuilders	Buy	2,206	2,833	28	444.9	5.4	12.1	16.6	20.5	60.1	82.1	101.8	36.7	26.9	21.7	32.2	28.3	20.2	7.2	29.5	41.4	-2	197				
Siemens	Buy	4,162	5,656	36	1,482.3	17.9	23.2	28.1	39.0	65.0	78.9	109.6	64.0	52.7	38.0	47.7	39.2	28.0	9.6	19.3	26.2	2	37				
Thermax	Hold	3,095	3,376	9	368.8	4.4	5.5	7.1	9.5	49.0	63.4	84.4	63.2	48.8	36.7	48.0	36.7	27.1	7.3	15.8	19.2	-3	61				
Titagarh Rail Systems	Buy	1,039	1,252	20	139.9	1.7	2.7	4.5	6.4	20.9	35.4	50.1	49.7	29.3	20.8	33.7	20.7	14.8	5.0	18.6	26.8	2	428				
Volta	Hold	1,058	1,112	5	350.2	4.2	3.6	7.8	9.4	10.9	23.5	28.5	97.0	45.0	37.1	68.5	32.8	27.2	5.6	13.0	21.9	4	30				
INFRASTRUCTURE																											
Ashoka Buildcon	Buy	176	198	12	49.5	0.6	3.4	5.6	6.4	12.0	20.0	23.0	14.7	8.8	7.7	10.3	7.5	6.0	1.0	12.8	12.3	21	126				
Dilip Buildcon	Hold	414	373	(10)	60.5	0.7	3.9	3.7	4.5	28.3	27.2	32.6	14.6	15.2	12.7	6.0	5.7	5.4	1.1	7.4	13.1	7	99				
IRB Infra	Buy	67	84	25	403.1	4.9	9.4	11.3	13.8	1.6	1.9	2.3	42.7	35.7	29.3	16.0	15.4	13.2	2.6	7.6	6.3	55	142				
IRCON International	Buy	233	234	1	218.7	2.6	7.2	7.7	8.8	7.7	8.2	9.3	30.4	28.5	24.9	28.9	25.1	19.9	3.5	12.8	8.5	25	306				
KNR Constructions Ltd.	Buy	283	315	11	79.6	1.0	3.8	4.2	4.6	13.7	14.8	16.2	20.7	19.1	17.5	11.6	10.7	9.9	2.4	13.1	18.3	9	11				
NBCC	Sell	169	30	(82)	303.6	3.7	4.1	4.9	5.4	2.3	2.7	3.0	73.6	61.5	56.7	72.0	57.3	47.7	11.8	20.6	18.1	93	383				
NCC Ltd.	Buy	215	229	6	135.1	1.6	6.8	10.0	12.1	10.8	16.0	19.3	19.9	13.5	11.2	9.3	7.3	6.5	1.7	13.4	21.0	22	133				
BITES	Buy	701	787	12	168.4	2.0	4.4	6.0	5.9	18.2	25.0	24.7	38.5	28.0	28.4	25.9	17.4	17.6	5.8	21.8	23.1	35	112				
Rail Vikas Nigam Ltd	Hold	295	179	(39)	614.1	7.4	13.1	14.5	16.2	6.3	6.9	7.8	46.8	42.5	37.9	48.8	43.9	38.7	6.6	16.6	9.3	59	307				
Welspun Ent.	Buy	366	441	21	50.6	0.6	2.3	4.0	4.6	16.5	28.9	33.3	22.2	12.7	11.0	16.1	8.8	7.5	1.8	14.8	16.5	9	153				
IT																											
Cyient	Hold	2,110	1,950	(8)	233.8	2.8	7.5	9.0	10.2	60.3	67.6	79.3	35.0	31.2	26.6	17.8	14.9	12.8	5.8	23.0	24.5	-7	135				
FirstSource Sol.	Buy	200	200	0	139.0	1.7	5.2	6.6	7.4	7.5	9.5	10.7	26.6	21.1	18.7	16.0	13.7	12.0	3.6	17.9	15.0	5	72				
HCL Tech	Buy	1,584	1,650	4	4,297.8	51.8	158.5	181.8	203.1	58.3	66.5	74.0	27.2	23.8	21.4	16.6	14.4	12.8	6.2	26.6	33.7	12	38				
Infosys	Hold	1,693	1,675	(1)	7,028.2	84.7	245.5	276.9	316.8	59.2	66.8	76.5	28.6	25.3	22.1	17.9	15.7	13.4	7.3	30.4	42.3	12	6				
ITI Mindtree	Hold	5,486	6,350	16	1,624.7	19.6	47.0	54.1	62.8	158.6	182.7	212.3	34.6	30.0	25.8	24.4	20.7	17.7	7.2	25.9	34.5	-6	22				
L&T Technology Services	Hold	5,523	5,000	(9)	584.1	7.0	13.2	15.4	17.5	125.2	146.4	165.4	44.1	37.7	33.4	28.9	24.7	21.6	9.1	25.6	32.3	6	60				
Mphasis	Buy	2,560	3,000	17	483.4	5.8	15.7	18.0	21.1	83.2	95.5	111.9	30.8	26.8	22.9	19.3	16.9	14.2	5.2	20.2	28.2	-1	23				
CoForge Ltd	Buy	6,425	6,900	7	396.9	4.8	8.7	11.0	13.1	143.4	178.5	212.8	44.8	36.0	30.2	25.7	21.2	17.7	9.9	29.9	37.7	8	49				
Persistent Sys	Hold	8,503	7,875	(7)	654.1	7.9	11.2	14.3	16.9	148.3	188.6	223.5	57.3	45.1	38.0	37.8	30.5	25.7	11.7	28.3	36.1	17	76				
TCS	Hold	3,966	3,900	(2)	14,512.9	174.8	455.0	504.5	568.2	124.5	138.2	155.6	31.9	28.7	25.5	21.6	19.4	17.0	12.0	42.9	53.9	9	14				
TeamLease	Buy	2,971	4,100	38	49.8	0.6	1.3	1.9	2.0	77.0	110.4	120.2	38.6	26.9	24.7	31.6											

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)	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25	FY25	FY25	FY25	1m	12m			
METALS & MINING																											
APL Apollo Tubes	Buy	1,479	1,747	18	410.4	4.9	7.9	11.1	15.1	28.4	40.1	54.6	52.0	36.8	27.1	33.1	24.1	18.5	9.2	27.5	30.6	2	26				
Hindalco Industries	Buy	584	606	4	1,311.3	15.8	110.4	114.8	124.4	49.7	51.6	55.9	11.7	11.3	10.4	6.9	6.6	6.1	1.1	10.6	11.2	-1	27				
Hindustan Zinc	Hold	318	297	(7)	1,344.5	16.2	85.6	92.3	97.8	20.2	21.8	23.2	15.7	14.6	13.7	9.1	8.4	7.8	7.4	55.6	44.0	0	-8				
Indian Hume Pipe	Buy	247	286	16	13.0	0.2	0.5	0.8	1.1	10.4	15.8	21.0	23.7	15.6	11.7	12.6	10.0	8.2	1.5	9.9	12.2	-3	73				
Jindal Steel & Power	Buy	776	875	13	791.6	9.5	44.5	64.8	77.9	44.0	64.1	77.1	17.6	12.1	10.1	8.5	6.5	5.5	1.5	13.6	15.6	4	33				
JSW Steel	Hold	824	808	(2)	2,014.0	24.3	123.8	151.9	175.1	51.2	62.8	72.4	16.1	13.1	11.4	8.9	7.7	7.0	2.4	19.5	15.9	-2	13				
JTL Industries	Buy	270	296	10	46.0	0.6	1.2	1.8	2.4	6.9	10.4	14.1	39.2	25.8	19.1	28.3	19.1	14.1	6.6	29.1	36.3	8	70				
Kirloskar Ferrous	Buy	645	616	(5)	89.8	1.1	2.8	4.9	7.2	20.1	35.1	51.5	32.2	18.4	12.5	16.2	10.9	7.8	4.0	24.1	24.3	20	64				
MOIL	Buy	355	386	9	72.3	0.9	2.9	5.4	7.9	14.5	26.5	39.0	24.6	13.4	9.1	13.6	7.6	4.9	2.5	20.0	27.0	13	123				
NALCO	Buy	153	142	(7)	281.0	3.4	12.5	14.9	24.0	6.8	8.1	13.0	22.4	18.9	11.7	11.0	9.5	6.3	2.0	10.7	13.4	17	95				
NMDC	Buy	236	228	(3)	690.3	8.3	56.9	64.2	73.9	19.4	21.9	25.2	12.1	10.7	9.3	8.2	7.1	6.0	2.4	23.6	31.5	5	99				
SAIL	Hold	128	106	(17)	529.9	6.4	31.3	42.2	50.0	7.6	10.2	12.1	16.9	12.6	10.6	8.0	7.0	6.2	0.9	7.3	7.9	8	49				
Tata Steel	Buy	139	149	7	1,705.7	20.5	48.1	121.2	168.7	3.9	9.9	13.7	35.5	14.1	10.1	10.4	7.1	5.8	1.6	12.1	11.5	3	15				
Venus Pipes	Buy	1,435	1,689	18	29.1	0.4	0.1	1.3	1.6	6.8	64.4	76.8	210.6	22.3	18.7	42.4	14.9	13.0	5.4	27.7	30.7	4	96				
Vedanta	Buy	273	318	17	1,013.1	12.2	26.5	118.4	137.9	7.1	31.8	37.1	38.2	8.6	7.4	4.7	4.0	3.5	3.2	38.1	24.8	2	-13				
OIL & GAS																											
BPCL	Buy	558	631	13	1,211.2	14.6	265.0	124.1	123.7	124.5	58.3	58.1	4.5	9.6	9.6	3.5	6.3	7.0	1.6	17.3	16.2	23	71				
GAIL	Hold	178	162	(9)	1,169.7	14.1	97.9	89.0	84.5	14.7	13.4	12.7	12.1	13.3	14.0	9.6	10.0	10.3	1.8	13.9	13.5	9	92				
Gujarat Gas	Buy	591	551	(7)	406.7	4.9	10.9	15.0	17.2	15.9	21.8	25.1	37.1	27.1	23.6	21.9	16.3	14.2	4.7	18.5	22.1	17	26				
HPCL	Buy	489	530	8	693.5	8.4	148.4	83.0	79.6	104.6	58.5	56.1	4.7	8.4	8.7	4.7	6.4	6.5	1.6	19.7	13.8	18	115				
IGL	Buy	445	458	3	311.6	3.8	17.5	18.0	18.5	25.1	25.7	26.4	17.8	17.3	16.9	11.5	10.8	10.2	3.2	19.8	24.1	5	6				
Indian Oil Corp	Buy	163	179	10	2,300.3	27.7	389.7	229.3	236.4	28.3	16.6	17.2	5.8	9.8	9.5	5.3	7.3	6.8	1.3	14.1	11.6	24	108				
Mahanagar Gas	Buy	1,477	1,484	0	145.9	1.8	12.4	9.7	10.1	125.9	98.1	102.1	11.7	15.0	14.5	6.8	8.2	7.7	2.8	19.3	24.9	20	74				
Oil India	Buy	447	474	6	484.6	5.8	66.1	55.8	56.6	61.0	51.5	52.3	7.3	8.7	8.6	6.0	5.9	5.6	1.2	14.3	15.7	17	107				
ONGC	Buy	257	269	5	3,236.3	39.0	410.3	457.4	429.2	32.6	36.4	34.1	7.9	7.1	7.5	4.4	3.8	3.7	1.1	15.7	18.2	20	78				
Petronet LNG	Buy	269	291	8	404.2	4.9	35.6	34.3	35.4	23.7	22.9	23.6	11.4	11.8	11.4	6.8	7.6	7.9	2.3	20.4	22.4	16	34				
Reliance Industries	Buy	2,915	2,904	(0)	19,725.9	237.6	804.2	986.71	1,080.4	105.7	121.3	128.2	27.6	24.0	22.7	13.8	11.7	10.4	2.1	10.9	9.6	12	37				
PHARMA & HEALTHCARE																											
Alkem	Hold	4,918	4,262	(13)	588.0	7.1	17.2	19.9	23.2	143.9	166.5	193.7	34.2	29.5	25.4	25.4	21.6	18.2	5.0	18.0	21.7	-7	62				
Alembic Pharma	Hold	957	770	(20)	188.2	2.3	4.8	5.4	6.9	24.4	27.6	35.0	39.2	34.6	27.4	21.7	17.9	14.9	3.6	11.0	14.0	18	79				
CIPLA	Sell	1,393	1,076	(23)	1,124.4	13.5	30.5	33.9	38.8	37.8	42.0	48.2	36.8	33.1	28.9	22.6	20.1	17.2	3.9	12.4	17.2	7	36				
Concord Biotech	Buy	1,464	1,736	19	153.2	1.8	3.7	4.6	5.2	35.8	44.2	49.6	40.9	33.2	29.5	29.3	23.4	20.5	8.2	27.0	34.8	5					
Dr Reddys	Sell	6,040	5,030	(17)	1,007.4	12.1	30.8	37.1	42.7	184.5	222.4	256.0	32.7	27.2	23.6	19.4	15.8	13.4	3.5	13.7	18.4	3	39				
IOL Chemicals	Buy	441	526	19	25.9	0.3	2.3	2.4	2.6	39.9	41.3	43.9	11.1	10.7	10.1	7.1	6.6	5.9	1.3	13.3	17.4	-8	42				
JB Chemicals	Hold	1,688	1,471	(13)	261.8	3.2	5.7	7.2	8.4	37.0	46.8	54.5	45.7	36.1	31.0	28.2	22.4	19.4	3.8	22.8	26.4	2	64				
Dr Lal Pathlabs	Sell	2,453	1,670	(32)	204.8	2.5	3.7	4.2	4.6	44.1	49.8	55.7	55.7	49.2	44.1	31.8	28.0	24.7	46.2	20.3	25.4	-7	30				
Laurus Labs	Hold	393	333	(15)	211.6	2.5	2.9	5.4	7.1	5.3	9.9	13.3	73.5	39.5	29.6	24.6	17.0	13.9	4.4	11.8	13.2	9	18				
Lupin	Buy	1,503	1,467	(2)	684.5	8.2	16.9	26.4	29.0	37.1	58.1	63.8	40.5	25.9	23.6	21.4	15.1	13.7	4.2	17.6	20.0	7	103				
Mankind Pharma	Buy	2,035	2,220	9	815.3	9.8	17.7	22.0	25.4	44.3	54.9	63.4	45.9	37.0	32.1	32.4	25.9	21.9	7.4	22.0	27.5	2					
Metropolis Healthcare	Sell	1,637	1,341	(18)	83.9	1.0	1.5	1.9	2.3	29.2	37.3	44.7	56.1	43.9	36.6	26.4	22.4	19.4	6.7	16.3	21.1	-3	34				
Solara Active Pharma	Sell	401	333	(17)	14.4	0.2	-0.2	0.5	0.7	-4.4	15.1	20.8	-91.5	26.6	19.3	13.5	9.2	8.0	0.9	3.6	6.1	5	1				
Torrent Pharma	Buy	2,526	2,955	17	854.8	10.3	16.4	20.6	25.0	48.4	61.0	73.9	52.2	41.4	34.2	26.3	22.4	19.4	10.8	28.0	30.0	6	65				
Zydus Life Science	Hold	761	658	(14)	770.4	9.3	27.6	27.6	29.6	27.2	27.3	29.3	27.9	27.9	26.0	18.5	17.7	16.1	3.5	13.2	16.2	7	75				
REALTY																											
Arvind SmartSpaces	Buy	544	637	17	24.7	0.3	0.5	0.8	1.2	11.4	17.8	27.6	47.6	30.5	19.7	29.4	20.0	10.2	3.9	13.7	19.7	17	99				
Brigade Enterprise	Buy	1,032	807	(22)	238.3	2.9	4.4	6.0	6.7	19.2	26.2	29.0	53.9	39.3	35.6	19.4	16.8	15.7	27.8	15.1	14.6	12	116				
Century Textile & Industries	Buy	1,547	2,233	44	172.8	2.1	5.0	5.6	8.9	45.2	49.9	80.1	34.2	31.0	19.3	19.0	16.6	12.1	3.6	12.2	13.4	11	127				
DLF	Buy	791	887	12	1,959.1	23.6	42.4	53.8	60.0	17.1	21.7	24.2	46.2	36.4	32.7	54.8	46.1	41.0	4.1	12.1	10.1	4	124				
Godrej Properties	Hold	2,376	1,893	(20)	660.5	8.0	6.4	5.6	17.2	22.9	20.2	61.7	103.9	117.6	38.5	192.9	104.6	55.1	5.1	4.7	12.5	7	106				
Kolte Patil	Buy	492	753	53	37.4	0.5	1.5	2.0	2.1	19.5	26.0	28.0	25.2	18.9	17.6	11.3	8.2	7.5	2.8	15.8	21.1	-13	77				
Macrotech Developers	Buy	1,115	1,188	7	1,075.2	13.0	18.9	30.3	34.8	19.7	31.4	36.1	56.7	35.5	30.9	38.1	25.9	21.0	5.9	18.3	20.1	2	129				
Nexus Select Trust	Buy	129	135	5	195.1	2.3	8.5	9.9	11.1	5.6	6.5	7.3	23.0	19.7	17.5	15.0	13.8	12.8	1.2	5.9	7.3	4					
Oberoi Realty	Hold	1,285	1,189	(7)	467.3	5.6	26.5	28.0	33.8	72.8	77.1	92.9	17.7	16.7	13.8	15.0	13.9	11.4	2.6	17.2	17.0	-16					

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 (%)	
							FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25	FY25	FY25	1m	12m
UTILITIES																										
CESC	Buy	138	150	9	182.5	2.2	15.9	17.8	23.1	12.0	13.4	17.4	11.5	10.3	7.9	14.6	9.6	7.5	1.7	10.9	8.7	2	90			
COAL India	Buy	420	465	11	2,587.1	31.2	293.5	285.1	300.7	47.6	46.3	48.8	8.8	9.1	8.6	8.5	8.5	7.8	2.9	35.1	16.9	9	92			
Indian Energy Exchange	Sell	146	107	(27)	130.2	1.6	3.3	3.9	4.3	3.7	4.3	4.9	39.0	33.8	30.0	32.0	29.2	26.3	12.3	39.2	39.7	-12	6			
JSW Energy	Buy	483	567	18	794.2	9.6	21.4	25.4	33.2	13.0	15.5	20.2	37.1	31.2	23.9	16.4	12.9	10.7	3.5	11.8	8.8	13	119			
NHPC	Buy	101	78	(23)	1,011.0	12.2	42.7	49.2	55.5	4.2	4.8	5.4	24.2	21.0	18.6	21.4	16.5	15.5	2.4	12.0	5.9	46	145			
NTPC	Buy	333	364	9	3,224.1	38.8	181.4	187.6	214.7	18.7	19.3	22.1	17.8	17.2	15.0	11.4	10.9	9.9	2.0	12.1	9.4	5	101			
Power Grid	Buy	277	272	(2)	2,577.2	31.0	153.1	178.5	192.3	16.5	19.2	20.7	16.8	14.4	13.4	9.8	8.8	8.2	2.5	18.6	11.7	15	72			
PTC India	Buy	244	224	(8)	72.2	0.9	4.0	4.2	4.8	13.3	14.3	16.3	18.3	17.1	14.9	10.4	9.7	8.5	1.6	9.6	13.3	25	179			
SJVN Ltd	Buy	142	102	(28)	559.0	6.7	13.4	18.0	22.0	3.4	4.6	5.6	41.6	31.1	25.4	27.6	17.8	15.1	3.6	12.0	8.1	51	341			
Torrent Power	Hold	1,064	736	(31)	511.5	6.2	24.1	28.3	32.2	50.1	58.9	67.0	21.2	18.1	15.9	11.2	10.1	9.3	3.5	21.0	17.8	5	146			
Tata Power	Buy	390	450	16	1,245.5	15.0	37.8	42.2	51.0	11.8	13.2	15.9	33.0	29.5	24.4	17.0	16.4	13.8	3.8	12.8	6.9	15	90			
MIDCAPS - OTHER																										
CCL Products	Buy	645	910	41	85.8	1.0	3.0	3.6	4.8	22.2	27.2	36.0	29.1	23.8	17.9	19.9	16.1	12.6	4.4	19.9	15.3	2	13			
EPL Ltd.	Buy	194	310	60	61.8	0.7	2.5	3.6	4.8	7.8	11.3	15.1	24.8	17.1	12.9	9.0	7.2	5.8	2.7	16.5	20.2	-3	27			
Ganesh Ecosphere	Buy	1,120	1,510	35	24.5	0.3	0.4	1.3	1.6	18.7	61.0	75.2	59.9	18.4	14.9	21.6	11.6	9.9	3.1	18.2	16.0	18	25			
Gravita India	BUY	889	1,410	59	61.4	0.7	2.2	3.0	3.9	31.6	43.6	56.6	28.2	20.4	15.7	20.2	14.5	11.7	5.9	33.1	31.2	-17	78			
Indian Hotels	Hold	500	450	(10)	711.7	8.6	12.3	15.9	17.7	8.7	11.2	12.4	57.8	44.7	40.2	33.5	26.9	24.3	6.9	16.6	16.8	8	57			
Chalet Hotels	Buy	787	850	8	161.6	1.9	2.6	3.9	4.4	12.9	18.8	21.7	60.9	41.9	36.3	26.9	22.0	19.8	6.8	17.7	14.0	16	117			
Mold-Tek Packaging	Buy	872	1,100	26	28.9	0.3	0.7	0.9	1.2	21.5	28.0	36.4	40.6	31.1	23.9	21.4	17.2	13.8	4.3	14.4	12.7	-4	-20			
Raymond	Buy	1,780	2,670	50	118.5	1.4	16.8	8.0	10.4	252.3	120.9	156.3	7.1	14.7	11.4	10.8	9.3	7.3	2.2	16.3	19.0	2	28			
Solar Industries	Hold	6,451	5,820	(10)	583.7	7.0	9.2	10.7	13.2	101.9	117.8	145.4	63.3	54.7	44.4	39.2	33.3	27.2	13.2	27.1	33.0	-4	65			
Varun Beverages	Hold	1,286	1,010	(21)	1,670.6	20.1	20.5	26.8	33.1	15.8	20.6	25.5	81.5	62.4	50.4	47.7	36.9	30.3	18.3	33.4	30.3	2	123			
Yatra Online	Buy	179	198	11	28.1	0.3	0.2	0.9	1.3	1.4	5.7	8.2	127.1	31.2	21.7	63.6	21.7	14.7	9.8	37.4	30.0	21				

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 (%)	
							FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25	FY25	FY25	1m	12m
FINANCIALS																										
Axis Bank	Buy	1,067	1,325	24	3,291.4	39.6	239.6	286.9	336.7	464.0	539.9	625.3	2.2	1.9	1.6	0.4	0.5	0.6	11.4	18.6	1.8	5	21			
Bank of Baroda	Buy	255	260	2	1,320.0	15.9	176.5	180.1	203.6	197.6	225.4	256.8	1.3	1.1	1.0	0.7	0.7	0.9	7.3	16.4	1.0	7	56			
Canara Bank	Buy	514	550	7	933.1	11.2	144.0	152.3	172.9	427.8	495.0	571.2	1.2	1.0	0.9	1.1	1.2	1.5	6.1	18.2	1.0	11	73			
City Union Bank	Buy	137	180	31	101.7	1.2	10.2	10.7	11.9	113.1	125.9	140.4	1.2	1.1	1.0	2.2	2.0	1.8	9.5	12.1	1.4	-11	-13			
DCB Bank	Buy	137	180	31	42.9	0.5	5.1	6.5	7.4	151.2	169.7	190.6	0.9	0.8	0.7	1.3	1.1	1.1	6.6	13.0	1.0	-11	30			
Equitas SFB	Buy	105	120	15	118.3	1.4	8.0	9.3	12.2	51.2	57.5	65.8	2.0	1.8	1.6	1.2	1.2	1.2	12.7	15.1	1.8	-6	95			
Federal Bank	Buy	146	190	30	354.9	4.3	37.9	38.9	45.2	117.6	130.8	146.1	1.2	1.1	1.0	0.6	0.7	0.8	9.1	12.9	1.2	-6	9			
HDFC Bank^	Buy	1,446	2,000	38	10,982.4	132.3	647.2	746.9	883.3	561.8	637.8	707.9	2.3	2.0	1.8	0.4	0.5	0.6	14.6	18.6	1.9	-14	-13			
ICICI Bank	Buy	1,024	1,275	24	7,185.1	86.6	402.3	410.1	476.0	326.1	372.9	427.2	2.7	2.3	2.0	0.5	0.6	0.6	17.5	16.5	2.0	4	19			
IndusInd Bank	Buy	1,534	1,925	25	1,192.8	14.4	89.7	106.7	125.4	792.0	902.0	1,029.4	1.9	1.7	1.5	0.5	0.5	0.6	11.2	16.2	1.9	-7	39			
Karur Vysya Bank	Buy	194	215	11	154.6	1.9	15.4	16.9	18.7	123.8	142.5	163.3	1.6	1.4	1.2	0.4	0.5	0.5	9.2	15.7	1.5	16	83			
Kotak Mahindra Bank	Buy	1,823	2,175	19	3,623.4	43.6	127.7	134.3	153.5	463.4	528.4	602.8	2.9	2.4	2.0	0.4	0.5	0.6	27.0	13.6	2.2	-2	2			
Punjab National Bank	Hold	125	100	(20)	1,380.8	16.6	80.0	147.0	157.3	88.8	99.5	110.2	1.4	1.3	1.1	0.7	0.6	0.6	9.4	14.2	0.9	29	142			
State Bank of India	Buy	650	750	15	5,797.9	69.8	524.7	603.7	679.4	346.6	400.7	461.6	1.5	1.2	1.0	0.7	0.6	0.8	9.6	17.1	0.9	1	19			
South Indian Bank	Hold	39	31	(20)	81.0	1.0	10.5	9.6	11.4	34.6	38.7	43.5	1.1	1.0	0.9	1.6	1.6	1.6	8.4	12.5	0.8	44	119			
Ujjivan Small Bank	Buy	56	68	22	109.0	1.3	12.3	12.2	13.0	26.8	33.0	39.7	2.1	1.7	1.4	0.0	0.2	0.6	8.9	20.2	2.5	-6	89			
Union Bank of India	Buy	149	155	4	1,103.0	13.3	139.3	150.0	163.2	117.7	132.2	148.1	1.3	1.1	1.0	0.8	0.9	1.1	7.4	16.2	1.0	20	101			

*Adjusted for subsidiaries; ^ HDFCB Financials for FY24, FY25 and FY26 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 (%)	
							FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY25
Insurance																						
HDFC Life Insurance	Buy	579	760	31	1,244.9	15.0	36.1	42.6	49.8	220.1	255.9	297.7	2.6	2.3	1.9	24.9	19.3	14.7	17.2	-11	18	
ICICI Prudential Life Insurance	Buy	507	610	20	729.4	8.8	22.3	25.0	27.8	292.5	331.3	374.6	1.7	1.5	1.4	12.4	8.8	5.7	14.0	-6	21	
UC of India	Hold	945	780	(18)	5,980.0	72.0	94.2	103.8	113.3	1,041.4	1,125.9	1,218.6	0.9	0.8	0.8	NA	NA	NA	9.9	13	58	
Max Life Insurance*	Buy	888	1,180	33	306.3	3.7	18.9	21.9	25.4	572.9	678.8	802.0	2.4	2.0	1.7	16.6	12.6	9.2	19.5	-6	23	
SBI Life Insurance	Buy	1,435	1,710	19	1,437.2	17.3	54.5	62.5	71.5	557.7	662.4	782.7	2.6	2.2	1.8	15.1	11.5	8.4	19.6	0	26	

*Valuations after factoring 20% holdco discount

Events Calendar

February 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
5 Feb	6 Feb	7 Feb	8 Feb	9 Feb	10 Feb	11 Feb
Ashok Leyland Alembic Pharma Bajaj Consumer Bajaj Electricals CCL Products GE T&D Kansai Nerolac KPR Mill Linde India Orient Cement Paradeep Phosphates Prince Pipes & Fittings Varun Beverages	Birla Corp Brigade Enterprises Godrej Properties IOL Chemicals & Pharma JB Chemicals & Pharma Max Financial Services Radico Khaitan V-Mart Retail	Apollo Tyres Ashoka Buildcon EPL Firstsource Solutions Cummins India Lupin Nestle India Power Grid Corp Sobha Solar Industries Trent	BEML Concord Biotech Grasim Industries Honeywell Automation Indian Hume Pipe Co IRCON International JK Lakshmi Cement KNR Constructions LIC NCC Patanjali Foods Rail Vikas Nigam Thermax Torrent Power The Ramco Cements	Alkem Laboratories Hero MotoCorp Emami Mold-Tek Packaging PI Industries Sapphire Foods SJVN Tata Power Co Zydus Life Sciences		
12 Feb	13 Feb	14 Feb	15 Feb	16 Feb	17 Feb	18 Feb
Coal India Cera Sanitaryware Dilip Buildcon Hindustan Aeronautics Kirloskar Oil Engines Lakshmi Machine Works Mazagon Dock NHPC The Phoenix Mills Sansera Engineering	Arvind Fashions BHEL Garden Reach Shipbuilders Gujarat Gas Hindalco Industries Nalco NBCC Oil India	Aditya Birla Fashion CG Consumer Mahindra & Mahindra NMDC Suprajit Engineering Yatra Online				
19 Feb	20 Feb	21 Feb	22 Feb	23 Feb	24 Feb	25 Feb
	ABB India					
26 Feb	27 Feb	28 Feb	29 Feb			

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