

ANTIQUE'S MORNING PRESENTATION

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

Hindustan Aeronautics

In-line quarter; supply chain normalization key monitorable

Grasim Industries

Core business in-line; paint on track

Solar Industries India

Defence segment positivity continues; rich valuations

PI Industries

Margin boost, positive outlook maintained

Thermax

Margin-led miss on the operational front; maintain HOLD

National Aluminium Company

Alumina segment drives sharp beat in performance; outlook strong

Bharat Dynamics

Supply chain continues to dent performance; Execution to see ramp up in 2HFY25

Bayer Cropscience

Volume led growth; Margin pressure persists

Brigade Enterprises

Strong quarter, but catch-up needed in 2HFY25

Crompton Greaves Consumer Electricals

Margin led beat on operational performance; maintain BUY

PTC Industries

Excellent quarter; execution of titanium plant well on track!

Garden Reach Shipbuilders & Engineers

EBITDA grew YoY and QoQ supported by strong execution

Sobha

Muted quarter due to limited launches, all eyes on 2HFY25

Honasa Consumer

Inventory correction much higher than anticipated

Shilpa Medicare

Strong NDDS launch pipeline to drive margins

Senco Gold

Custom duty cut led to a demand uptick

PNC Infratech

Valuation in a stress case scenario but to watch for inflow

Dilip Buildcon

Guidance on debt free balance sheet moved to FY26E

Ganesha Ecosphere

Expands value-added capacity in Odisha

Indian Hume Pipe Company

EBITDA below estimates: order book higher YoY and QoQ

Yatra Online

MICE business a positive; all eyes on margin

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	43,445	(0.7)	15.3
NASDAQ	18,680	(2.2)	24.4
FTSE	8,064	(0.1)	4.3
CAC	7,270	(0.6)	(3.6)
DAX	19,211	(0.3)	14.7
Bovespa	1,27,792	0.0	(4.8)
Nikkei	38,643	0.3	15.5
Hang Seng	19,426	(0.0)	14.0
Shanghai Composite	3,331	(1.5)	12.0

Indian Indices	Closing	% Chg	% YTD
Sensex	77,580	(0.1)	7.4
Nifty	23,533	(0.1)	8.3
MSCI India	1,026	-	11.3
CNX Midcap	54,043	0.5	17.0
BSE Smallcap	52,382	0.8	22.7

Flows (USD mn)	Prev. Day	MTD
FII	(43)	337
MF	75.6	121.2

Provisional flows	(USD mn)
FIIs	(219)
Locals	294

Volumes	USD bn	% Chg
Cash (NSE + BSE)	10.9	(15.2)
F&O (net)	4,627.1	(41.9)

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	-	0.0
OI (%)	-100.0	(100.0)

ADR/GDR Losers	Last	% Chg
Infosys	21.5	(1.3)
Wipro	6.7	(1.0)
SBI	94.9	(0.9)
Reliance	59.4	(0.7)
ICICI Bank	29.5	(0.6)

Global News

- The Nasdaq is down 370.30 points or 1.9 percent at 18,737.35, the S&P 500 is down 66.47 points or 1.1 percent at 5,882.70 and the Dow is down 232.27 points or 0.5 percent at 43,518.59.
- The Nikkei 225 Index dropped 0.48% to close at 38,536, while the broader Topix Index fell 0.27% to 2,701 on Thursday, reversing gains from earlier in the session, weighed down by losses in the technology sector following similar moves on Wall Street overnight.

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	51,751	0.6	(3.3)	22.5
BSE Bank	57,277	0.1	(2.4)	5.3
BSE Cap Goods	66,026	0.1	(4.5)	18.7
BSE Cons dur	60,115	(0.1)	(0.9)	20.2
BSE FMCG	20,458	(1.4)	(5.6)	(0.1)
BSE IT	42,079	0.0	4.1	16.8
BSE Health	42,509	0.2	(3.2)	34.7
BSE Metal	29,429	(0.1)	(5.9)	9.0
BSE Oil	26,201	(0.5)	(4.6)	13.8
BSE Power	7,309	(0.4)	(6.6)	25.6
BSE PSU	18,983	(0.7)	(4.6)	22.0
BSE Realty	7,397	1.1	(5.3)	19.6
BSE TECK	19,119	(0.0)	2.6	20.0

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Eicher Motors Ltd	4,884	6.4	(0.2)	17.9
Upl Ltd	526	2.0	(5.0)	(10.5)
Hero Motocorp Ltd	4,604	1.9	(7.7)	11.8
Hdfc Life Insurance Co Ltd	694	1.3	(3.6)	7.3
Reliance Industries Ltd	1,268	1.2	(4.8)	(1.9)
Kotak Mahindra Bank Ltd	1,708	1.2	(1.3)	(10.5)
Sbi Life Insurance Co Ltd	1,562	1.0	(3.7)	9.1

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Hindustan Unilever Ltd	2,389	(3.1)	(5.1)	(10.0)
Tata Consumer Products Ltd	925	(2.9)	(7.7)	(13.8)
Britannia Industries Ltd	4,916	(2.6)	(14.2)	(7.9)
Bharat Petroleum Corp Ltd	298	(2.5)	(4.0)	32.3
Nestle India Ltd	2,183	(2.3)	(3.5)	(17.9)
Ntpc Ltd	373	(2.3)	(8.7)	19.7
Indusind Bank Ltd	1,017	(1.9)	(3.6)	(36.4)

Bulk Deals

Security Name	Client Name	Buy/Sell	Qty	Price	Value (mn)
BROOKS	Aryan Mahajan	Sell	4,80,000	137.40	66
BROOKS	RR Family Trust	Buy	2,18,300	137.40	30
BROOKS	Atul Ranchal	Sell	2,00,000	137.40	27
SRESTHA	Shristidata Distributors Private Limited	Sell	3,01,00,000	0.68	20
AFEL	Seifer Richard Mascarenhas	Sell	6,27,014	24.15	15

Delivery Spike

Company	Volume	Spike (%)	Chg (%)
United Breweries Ltd	1,85,839	604%	1.46%
Bharat Forge Ltd	6,44,880	333%	0.55%
Adani Ports & Special Economic Zone Ltd	15,99,482	166%	-1.81%
UPL Ltd	16,82,349	130%	2.02%
Ambuja Cements Ltd	9,66,334	122%	-0.16%
United Spirits Ltd	3,60,153	113%	1.03%
Tech Mahindra Ltd	13,03,740	84%	0.71%
HCL Technologies Ltd	13,96,593	76%	-0.31%
Colgate-Palmolive India Ltd	3,49,244	71%	-1.95%
Hindustan Unilever Ltd	14,60,608	60%	-3.07%

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
ALKEM	5,529.90	0.86	11.33	1,572
APOLLOHOSP	6,861.70	0.21	4.38	1,899
HINDALCO	627.35	0.19	4.09	51,644
ZYDUSLIFE	957.15	0.73	3.98	13,482
DIVISLAB	5,749.95	0.58	3.43	3,227

Short Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
GNFC	554.65	(1.57)	12.42	7,191
NATIONALUM	220.05	(0.71)	8.60	68,823
CANFINHOME	825.40	(1.08)	6.05	3,434
CUB	172.24	(0.80)	5.86	34,275
MOTHERSON	165.77	(3.11)	4.49	1,06,624

Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
EICHERMOT	4,893.35	(6.15)	(14.82)	4,557
UBL	1,862.80	(1.12)	(6.42)	1,969
UPL	528.80	(1.97)	(4.71)	33,680
DEEPAKNTR	2,620.50	(5.39)	(4.09)	2,469
APOLLOTYRE	473.55	(4.30)	(3.64)	13,931

Long Unwinding

Company	Last	% Chg	% Chg OI	OI (in 000)
PIIND	4,251.30	4.83	(16.36)	1,476
TATACONSUM	927.90	2.87	(11.14)	13,823
MANAPPURAM	155.11	1.34	(8.64)	60,168
ABB	6,700.30	1.84	(8.32)	1,836
DALBHARAT	1,718.90	1.34	(7.63)	2,485

Nifty



Nifty P/E

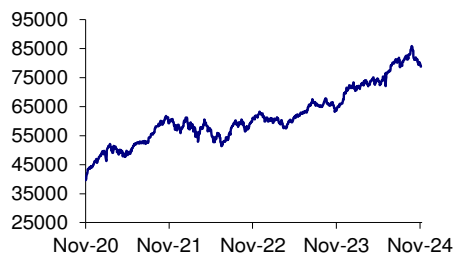


Nifty P/B

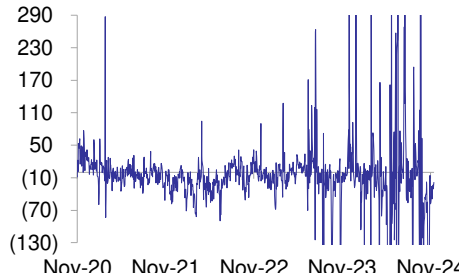


Source: Bloomberg

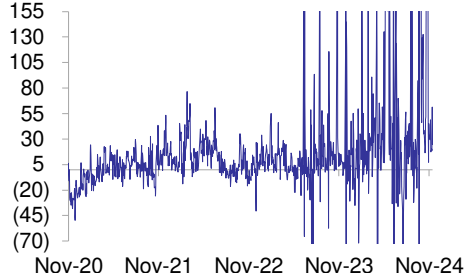
Sensex



FII Provisional Flows (INR bn)



DII Provisional Flows (INR bn)



Source: Bloomberg

Economy, Money & Banking

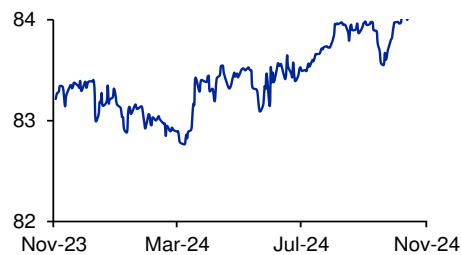
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	84.4	(0.0)	(0.4)	(1.4)
INR~EUR	88.8	1.0	2.9	3.5
INR~GBP	106.8	0.0	2.2	(1.0)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	6.9	3	2	(31)
Interbank call	5.8	(85)	-	(49)

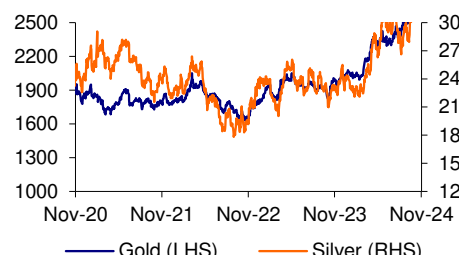
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	2,563	(0.1)	(6.6)	24.2
Crude Oil (\$/Bl)	67	(2.4)	(3.2)	(4.7)
Aluminium (\$/t)	2,627	5.5	1.4	12.0
Copper (\$/t)	8,882	0.2	(5.2)	4.9
Zinc (\$/t)	2,964	0.8	(2.2)	12.3
Lead (\$/t)	1,924	0.1	(2.8)	(5.4)
Nickel (\$/t)	15,292	(0.5)	(1.0)	(6.6)

INR/USD



Gold and silver prices (USD/Tr.Oz)

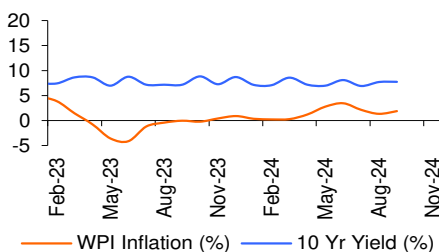


Crude prices (USD/barrel)

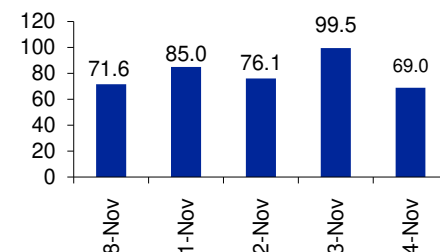


Source: Bloomberg

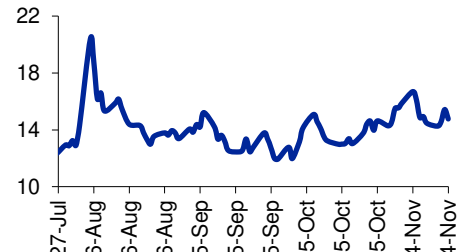
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

CMP	: INR 4,087
Reco	: BUY ↔
Target Price	: INR 5,902 ↓
Target Price Change	: -4%
Target FY27e P/E (x)	: 40
EPS Change FY25/ 26/ 27 :	No Change

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Market data

Sensex	:	77,580
Sector	:	Defense
Market Cap (INR bn)	:	2,733.3
Market Cap (USD bn)	:	32.381
O/S Shares (mn)	:	668.8
52-wk HI/LO (INR)	:	5675/2041
Avg. Daily Vol ('000)	:	1,451
Bloomberg	:	HNALIN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	100.7	129.6	147.5
P/E (x)	41.7	32.4	28.5
P/BV (x)	8.4	7.2	6.2
EV/EBITDA (x)	29.4	21.8	18.2
Dividend Yield (%)	0.7	0.9	1.1

Source: Bloomberg

Returns (%)

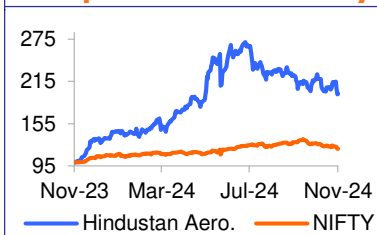
	1m	3m	6m	12m
Absolute	(9)	(12)	0	98
Relative	(4)	(11)	(5)	66

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Hindustan Aeronautics

In-line quarter; supply chain normalization key monitorable

Hindustan Aeronautics (HAL) delivered in-line 2QFY25 operational performance amidst supply side challenges it is facing from GE for GE 404 engines for its Tejas MKIA fighter aircraft. 2Q revenue stood at INR 59.8 bn (+6% YoY) vs. our estimate of INR 62.0 bn. EBITDA at INR 16.3 bn (+7% YoY) was marginally below our estimate of INR 17.4 bn as the margin stood at 27.3% (+20 bps YoY), marginally below our estimate of 28%. PAT at INR 14.8 bn (+20% YoY) was above our estimate of INR 14.1 bn. The supply of engines GE holds the key for HAL to start delivering Tejas MKIA to the Indian Armed Forces and will be the key monitorable. We factor in four Tejas MKIA delivery in FY25 as against its scheduled delivery of sixteen aircrafts and expect a pick-up in FY26 with base assumption of normalization of engine delivery from GE. We remain confident of HAL's business prospects as India is in the midst of modernizing its armed forces due to (1) Obsolescence and (2) Prevailing adverse geopolitical situation, leading to strong ordering for fighter aircrafts and helicopter from Indian armed forces. HAL should deliver 18% earnings CAGR over FY24–27E supported by base assumption of resolution of supply-side challenges and timely execution of strong order backlog. Given the strong business outlook & steady performance, we retain BUY rating with a revised TP of INR 5,902 (earlier INR 6,145) as we roll over our exit multiple to FY27 valuing the company at 40x FY27E earnings (45x 1HFY27E earnings).

Steady quarter, supply chain normalization key monitorable

HAL reported a revenue of INR 59.8 bn (+6% YoY), in line with our estimate of INR 62 bn. It had guided for double-digit revenue growth in FY25 factoring in timely execution of the LCA, however, supply side challenges in procuring GE 404 engines from GE can lead to moderation in revenue booking in FY25 as HAL has not been able to deliver Tejas MKIA aircraft in 1HFY25 as against expectation of delivery of eight aircraft. HAL delivered operating profit growth of 7% YoY and EBITDA margin of 27.3% (+20 bps YoY) vs. our est. of 28%. Margin improvement on YoY basis could be attributed to better revenue mix in favor of RoH. Adjusted PAT for the quarter came in at INR 14.8 bn (+20% YoY) supported by strong other income (INR 5.4 bn; +16% YoY) and lower depreciation charge for the quarter (3% of sales vs. 6% of sales in 2QFY24).

Margin stands healthy likely driven by RoH revenue mix

HAL's revenue mix is expected to be dominated by RoH, as manufacturing order execution, especially large-ticket Tejas MKIA orders, are facing execution challenges on account of supply issues from GE. Given RoH is driving revenue (better margin business), HAL posted an EBITDA margin of 27.3% (+20 bps YoY; est. of 28%). Going ahead we expect the margin to remain in the 25%-26% bracket, lower than 27% margin reported in FY24 as contribution from lower margin manufacturing revenue is expected to increase from the current 32% in FY24 to 42% in FY26. We factor in earnings CAGR of 18% to play out in FY24–27E with base assumption of normalization of Tejas MKIA delivery from FY26 onwards.

Robust order book; pipeline looks equally promising

HAL's order book currently stands at ~INR 1.1 trn, incrementally, the order pipeline also looks very promising with anticipated contracts for an additional 97 LCA MK IA, 156 LCH Prachand, 43 ALH Dhruv, 60 utility helicopters for marine. The expected order pipeline would be worth ~INR 1,600-1,700 bn, likely to be awarded within the next 1.5-2 years. HAL expects an order inflow of INR 470 bn, including the recently finalized AL-31FP Sukhoi engine order worth INR 260 bn, to materialize in FY25 which it believes is easily achievable.

Investment Summary

We believe that HAL with its long-term business outlook and strong execution capabilities is well on track to report 15% revenue CAGR over FY24–27E. Given the multi-year double-digit earnings growth potential and robust return ratio profile of +20%, we believe that the stock is attractively valued. We retain BUY rating with a revised TP of INR 5,902, valuing the company at a PE of 40x its FY27E earnings.

Table 1: Quarterly performance table (Standalone)

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total revenues (net)	59,766	56,358	6.0	43,476	37.5	1,03,241	95,512	8.1
RM	24,591	23,544	4.4	14,517	69.4	39,108	33,803	15.7
% of Sales	41.1	41.8	-63 bps	33.4	775 bps	37.9	35.4	249 bps
Staff cost	13,724	11,924	15.1	12,444	10.3	26,169	25,919	1.0
% of Sales	23.0	21.2	181 bps	28.6	-566 bps	25.3	27.1	-179 bps
Other operating expenses	5,149	5,602	(8.1)	6,577	(21.7)	11,726	11,706	0.2
% of Sales	8.6	9.9	-132 bps	15.1	-651 bps	11.4	12.3	-90 bps
Total expenditure	43,464	41,070	5.8	33,538	29.6	77,003	71,427	7.8
EBITDA	16,301	15,288	6.6	9,937	64.0	26,239	24,084	8.9
EBITDA Margin(%)	27.3	27.1	15 bps	22.9	442 bps	25.4	25.2	20 bps
Depreciation	1,774	3,495	(49.2)	1,491	19.0	3,265	5,507	(40.7)
Interest	-	3	(100.0)	1	-100.0	1	3	(58.1)
Other income	5,440	4,710	15.5	7,376	(26.3)	12,816	8,818	45.3
Extraordinary items	59	-	-	-	-	59	-	-
PBT	19,967	16,501	21.0	15,822	26.2	35,789	27,392	30.7
Tax	5,122	4,148	23.5	1,466	249.4	6,588	6,897	(4.5)
Tax rate (%)	25.7	25.1	52 bps	9.3	1639 bps	18.4	25.2	-677 bps
Reported net profit	14,904	12,353	20.6	14,356	3.8	29,260	20,495	42.8
Adjusted net profit	14,845	12,353	20.2	14,356	3.4	29,201	20,495	42.5
EPS (INR)	44.4	36.9	20.2	42.9	3.4	87.3	61.3	42.5

Source: Company, Antique

Table 2: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	3,344	3,344	-	3,344	3,344	-
Reserves and Surplus	3,07,512	2,47,528	24	3,30,135	2,87,120	15
Loan Funds	3	4	-	4	4	-
Deferred Tax Liability	(14,835)	(12,985)	-	(14,543)	(14,543)	-
Total	2,96,024	2,37,891	24	3,18,940	2,75,924	16
Fixed Assets	59,192	81,574	(27)	75,799	82,866	(9)
Capital Work-in-Progress	9,935	7,851	27	9,358	9,358	-
Investments	59,581	13,851	330	14,825	14,971	(1)
Current Assets, Loans And Advances	7,20,447	6,01,403	20	7,60,635	6,58,100	16
Inventories	1,73,525	1,38,974	25	1,65,078	1,32,259	25
Sundry Debtors	45,273	1,43,126	(68)	1,72,648	1,65,106	5
Cash and Bank Balances	2,89,002	2,13,821	35	3,21,433	2,64,218	22
Loans and Advances	2,12,646	1,05,483	102	1,01,476	96,516	5
Current Liabilities and Provisions	5,53,131	4,66,788	18	5,41,677	4,89,369	11
Liabilities	4,63,452	3,85,703	20	4,43,016	3,97,624	11
Provisions	89,679	81,086	11	98,661	91,745	8
Net Working Capital	1,67,316	1,34,615	24	2,18,958	1,68,730	30
Total	2,96,024	2,37,891	24	3,18,940	2,75,925	16
Net debt	(2,88,999)	(2,13,817)	35	(3,21,430)	(2,64,215)	

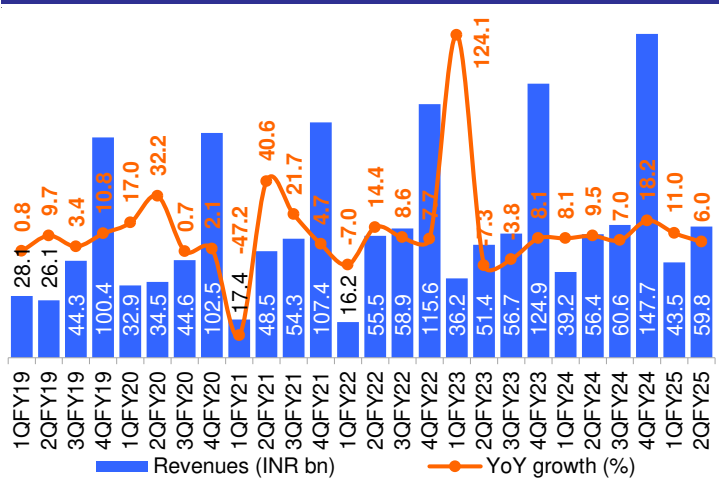
Source: Company, Antique

Tables 3: Cash flow

(INR mn)	1 HFY25	1 HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	29,260	20,494	43	90,023	75,950	19
Depreciation	3,321	5,606	(41)	15,067	14,214	6
Interest	0	0	-	321	321	-
Others	2,140	6,580	(67)	-	59,049	
Changes in working capital	(11,678)	2,991	(490)	6,987	(31,220)	(122)
Tax Paid	(17,888)	(12,146)		(22,686)	(19,693)	
Operating cash flow	28,511	17,543		69,012	82,257	(16)
Capex	(7,702)	(6,940)	11	(8,000)	(17,549)	(54)
Others	(2,877)	(29,490)	(90)	20,846	16,357	
Investing cash flow	(10,579)	(36,430)	(71)	12,846	(64,117)	
Others	(9,007)	(5,272)	71	(24,643)	43,017	(157)
Financing cash flow	(9,007)	(5,272)	71	(24,643)	43,017	(157)
Net cash flow	8,925	(24,195)	(137)	57,215	61,157	(6)
Opening cash balance	42,542	44,390	(4)	2,64,218	2,03,062	30
Closing cash balance	51,467	20,195	155	3,21,433	2,64,219	22
Free cash flow	20,809	10,603	96	61,012	64,708	(6)

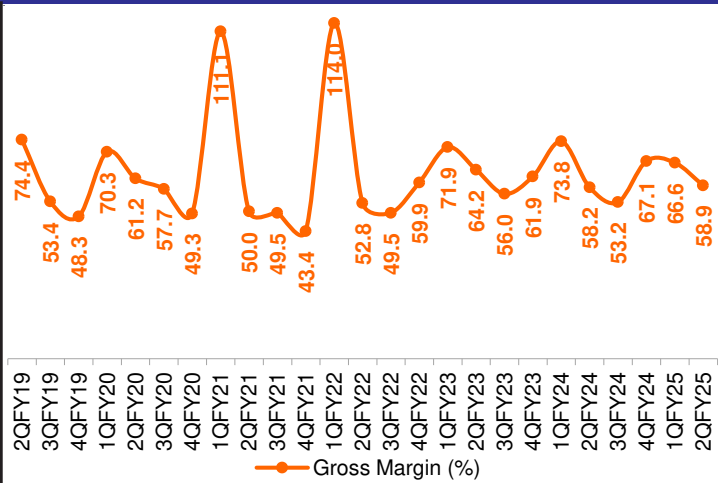
Source: Company, Antique

Exhibit 1: Registers 6% YoY revenue growth



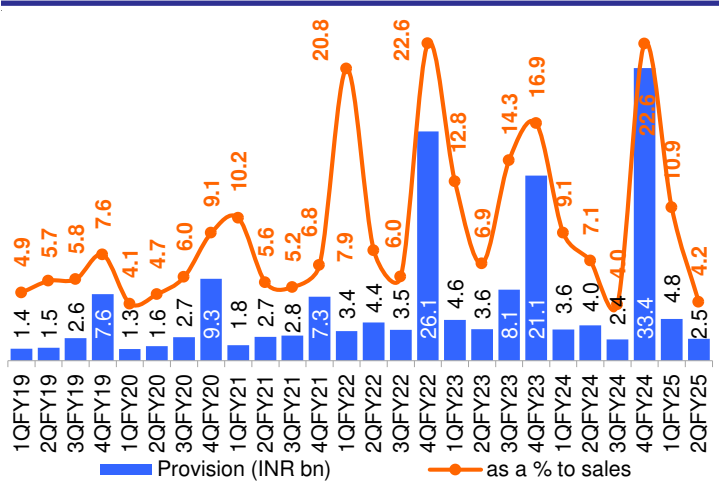
Source: Company, Antique

Exhibit 2: Gross margin improves 60 bps YoY



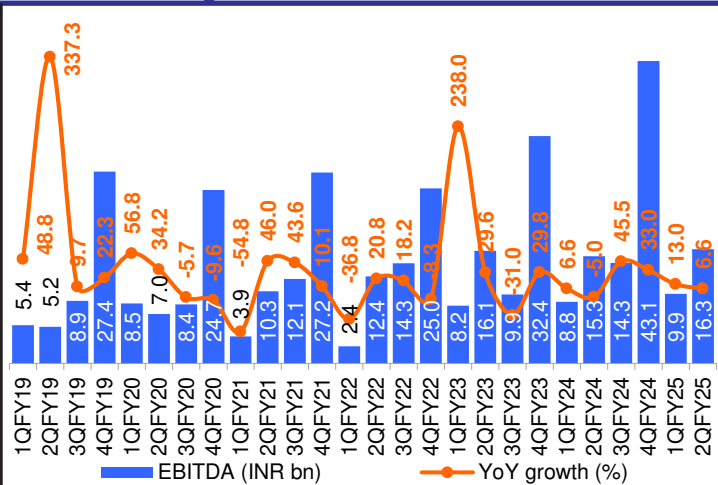
Source: Company, Antique

Exhibit 3: Provisions during the quarter stood at 4.2% of sales vs. 7.1% in 2QFY24



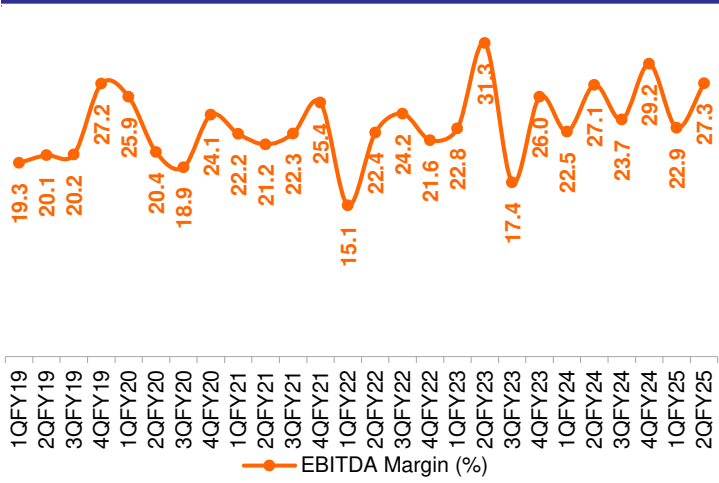
Source: Company, Antique

Exhibit 4: EBITDA grew 7% YoY



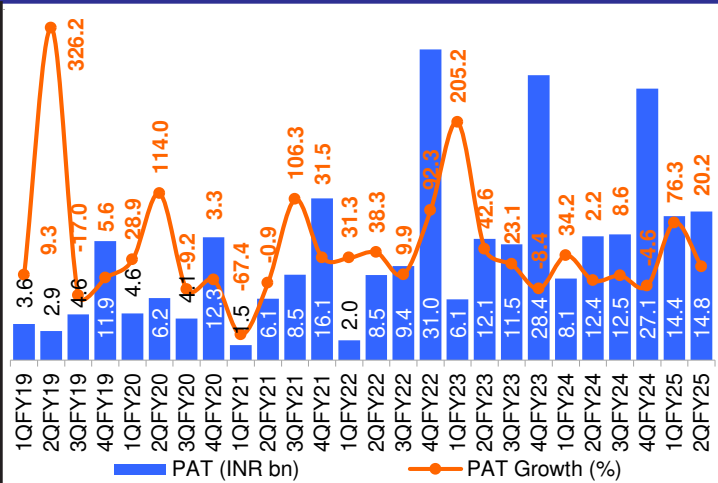
Source: Company, Antique

Exhibit 5: EBITDA margin expands 20 bps YoY



Source: Company, Antique

Exhibit 6: Registers PAT growth of 20% YoY



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	2,69,279	3,02,760	3,33,629	4,33,813	4,91,751
Op. Expenses	2,02,649	2,21,419	2,48,918	3,23,194	3,64,301
Gross Profit	1,68,099	1,92,000	1,93,505	2,40,766	2,72,922
EBITDA	66,630	81,340	84,710	1,10,619	1,27,451
Depreciation	17,839	14,065	15,067	15,668	16,269
EBIT	48,791	67,276	69,644	94,951	1,11,182
Other income	16,718	18,985	20,700	21,214	21,052
Interest Exp.	579	321	321	321	321
Extra Ordinary Items -gain/(loss)	-	15,000	-	-	-
Reported PBT	64,929	1,00,941	90,023	1,15,844	1,31,913
Tax	6,818	26,039	22,686	29,193	33,242
Reported PAT	58,112	74,902	67,337	86,651	98,671
Net Profit	58,112	74,902	67,337	86,651	98,671
Adjusted PAT	58,112	59,902	67,337	86,651	98,671
Adjusted EPS (INR)	86.9	89.6	100.7	129.6	147.5

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	3,344	3,344	3,344	3,344	3,344
Reserves & Surplus	2,31,718	2,87,120	3,30,135	3,85,488	4,48,519
Networth	2,35,062	2,90,464	3,33,479	3,88,832	4,51,863
Debt	20	4	4	4	4
Net deferred Tax liabilities	(11,257)	(14,543)	(14,543)	(14,543)	(14,543)
Capital Employed	2,23,824	2,75,924	3,18,940	3,74,292	4,37,324
Gross Fixed Assets	1,65,498	1,81,566	1,89,566	1,97,566	2,05,566
Accumulated Depreciation	84,744	98,701	1,13,767	1,29,435	1,45,703
Capital work in progress	6,358	9,358	9,358	9,358	9,358
Net Fixed Assets	87,113	92,224	85,157	77,490	69,221
Investments	13,854	14,971	14,825	14,825	14,825
Non Current Investments	13,854	14,971	14,825	14,825	14,825
Current Assets, Loans & Adv.	5,58,950	6,58,100	7,60,635	9,81,183	11,48,703
Inventory	1,21,607	1,32,259	1,65,078	2,27,425	2,57,799
Debtors	1,40,955	1,65,106	1,72,648	2,24,492	2,54,475
Cash & Bank balance	2,03,062	2,64,218	3,21,433	4,00,238	4,91,668
Loans & advances and others	93,328	96,516	1,01,476	1,29,028	1,44,761
Current Liabilities & Provisions	4,36,093	4,89,369	5,41,677	6,99,205	7,95,425
Liabilities	3,54,997	3,97,624	4,43,016	5,74,962	6,55,944
Provisions	81,096	91,745	98,661	1,24,242	1,39,481
Net Current Assets	1,22,858	1,68,730	2,18,958	2,81,978	3,53,278
Application of Funds	2,23,824	2,75,925	3,18,940	3,74,293	4,37,324

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	669	669	669	669	669
Diluted no. of shares (mn)	669	669	669	669	669
BVPS (INR)	351.5	434.3	498.6	581.4	675.7
CEPS (INR)	113.6	110.6	123.2	153.0	171.9
DPS (INR)	25.0	33.6	30.2	38.9	44.3

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	58,112	75,950	90,023	1,15,844	1,31,913
Depreciation & amortization	23,813	14,214	15,067	15,668	16,269
Interest expense	258	321	321	321	321
(Inc)/Dec in working capital	4,556	(31,220)	6,987	15,784	20,131
Tax paid	(27,557)	(19,693)	(22,686)	(29,193)	(33,242)
Less: Interest/Div. Income Recd.	(15,008)	(16,363)	(20,700)	(21,214)	(21,052)
Other operating Cash Flow	44,181	59,049	-	-	-
CF from operating activities	88,355	82,257	69,012	97,210	1,14,339
Capital expenditure	(17,811)	(17,549)	(8,000)	(8,000)	(8,000)
Inc/(Dec) in investments	(1,062)	(1,120)	146	-	-
Add: Interest/Div. Income Recd.	7,406	17,477	20,700	21,214	21,052
CF from investing activities	(57,343)	(64,117)	12,846	13,214	13,052
Dividend Paid	(16,719)	(19,729)	(24,322)	(31,298)	(35,640)
Others	(594)	62,745	(321)	(321)	(321)
CF from financing activities	(17,313)	43,017	(24,643)	(31,619)	(35,961)
Net cash flow	13,699	61,157	57,215	78,805	91,430
Opening balance	1,89,363	2,03,062	2,64,218	3,21,433	4,00,238
Closing balance	2,03,062	2,64,219	3,21,433	4,00,238	4,91,668

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	9.4	12.4	10.2	30.0	13.4
EBITDA	19.2	22.1	4.1	30.6	15.2
Adj PAT	49.2	3.1	12.4	28.7	13.9
Adj EPS	49.2	3.1	12.4	28.7	13.9

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	47.0	45.6	41.7	32.4	28.5
P/BV (x)	11.6	9.4	8.4	7.2	6.2
EV/EBITDA (x)	38.0	30.4	29.4	21.8	18.2
EV/Sales (x)	9.4	8.2	7.5	5.6	4.7
Dividend Yield (%)	0.6	0.8	0.7	0.9	1.1

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	27.2	22.8	21.6	24.0	23.5
RoCE (%)	28.5	25.6	22.7	25.1	24.4
Asset/T.O (x)	1.4	1.3	1.2	1.3	1.3
Net Debt/Equity (x)	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)
EBIT/Interest (x)	113.1	269.1	281.9	362.4	412.6

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin	24.7	26.9	25.4	25.5	25.9
EBIT Margin	18.1	22.2	20.9	21.9	22.6
PAT Margin	21.6	19.8	20.2	20.0	20.1

Source: Company Antique

CMP	: INR 2,529
Reco	: BUY ↔
Target Price	: INR 2,875 ↓
Target Price Change	: -4%
Target FY27 EV/EBITDA (x)	: 8
EBITDA Change FY25/ 26/ 27	: -16/-13/-8

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Market data

Sensex	:	77,580
Sector	:	Cement
Market Cap (INR bn)	:	1,697.4
Market Cap (USD bn)	:	20.110
O/S Shares (mn)	:	658.5
52-wk HI/LO (INR)	:	2878/1906
Avg. Daily Vol ('000)	:	686
Bloomberg	:	GRASIM IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	8.3	17.3	25.0
P/E	82.7	39.8	27.6
P/BV	2.4	2.5	2.5
EV/EBITDA	35.6	23.8	17.9
Dividend Yield (%)	0.4	0.4	0.4

Source: Company, Antique

Returns (%)

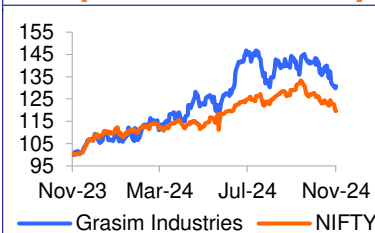
	1m	3m	6m	12m
Absolute	(7)	0	6	31
Relative	(2)	2	0	10

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Grasim Industries

Core business in-line; paint on track

Grasim's 2Q standalone EBITDA at INR 3.3 bn (flat QoQ) was ~20% below our/ consensus owing to higher expenses in paints business. CSF + CFY EBITDA rose 6% YoY to INR 4.9 bn, while chemical segment EBITDA rose 16% YoY to INR 2.7 bn—both broadly in line with our estimates. The company continues to gain traction in the paints business with revenue (estimated at >INR 4 bn) and market share rising to ~2% (our estimate) despite the challenging demand environment and rising competitive intensity which resulted in operating losses rising QoQ. Management indicated that they are on track to achieve high single-digit market share in paints on exit basis by Mar'25 and reiterated their guidance of achieving INR 100 bn revenue by FY28 with positive profitability. Factoring higher paint business expenses, we reduce our FY25-27E standalone EBITDA by 8%-16%, while we reduce our SoTP-based target price to INR 2,875 (earlier INR 3,000) factoring the recent fall in stock price of its various holdings and assuming an unchanged 40% holdco discount and 8x FY27E EV/EBITDA (earlier 1HFY27E) on standalone business ex-paints/ new ventures. Maintain BUY, given (a) Core business margins have likely bottomed out, (b) Our positive view on UTCEM (~55% of overall valuation), and (c) The possibility of long-term value creation in paints and B2B platform businesses.

CSF segment: Profitability improves; capacity constraint may restrict higher growth

2Q CSF volume rose 4% YoY/ ~3% QoQ to ~219 KT implying ~100% utilization led by stable domestic demand. China's operating rates rose 400 bps QoQ to 86% for 2QFY25 with inventory days declining by four days QoQ to eight days. International grey CSF prices rose 6% YoY and was flat QoQ. CSF EBITDA, including CFY, at INR 4.9 bn rose from INR 4.1 bn QoQ and was up 6% YoY. CFY volume rose QoQ (flat YoY) as business remains impacted by cheap imports in an already weak demand market. With CSF utilization remaining high, the company is exploring various debottlenecking/ brownfield expansion options.

Chemical segment: Profitability improves YoY

Caustic segment volume de-grew 4% YoY/ rose 3% QoQ to 295 KT implying 86% utilization due to Vilayat plant shutdown. Segment EBITDA rose 16% YoY (declined 13% QoQ) to INR 2.7 bn with an EBITDA margin of 14% driven by higher profitability in chlorine derivatives and specialty chemicals. International caustic soda prices (Asia) improved by 13% YoY to USD 471/MT in 2QFY25. Domestic caustic prices remain lower due to demand supply mismatch. ECU realization declined 4% YoY/ 6% QoQ in 2Q. The company is increasing capacity by 13% to 1,530 ktpa by 1HFY26.

Paints business: Targets high single-digit market share on exit FY25 basis

GRASIM is ramping up operations at Panipat, Ludhiana and Cheyyar plants. It has started trial production at Chamarajanagar and Mahad and expects commissioning Kharagpur by 4Q. The company has placed ~90% range of 145 planned products. It incurred a capex of INR 85 bn (~85% of the planned outlay for the paints business) till 2QFY25, including INR 14 bn in 1HFY25. The balance capex would be incurred in FY25. The company already has 114 depots operational across India with products available across 4,300+ towns. It has launched a 2nd media campaign ("Naye Zamane ka Naya Paint") with focus on rapid brand building across all marketing channels. Implied revenue for 2Q was around INR 4 bn with an estimated market share of ~2%.

Standalone net debt may peak at ~INR 80 bn by FY27E

Net debt rose from INR 60 bn to INR 67.5 bn in 2Q. Over FY25-26E, the company is likely to incur INR 70 bn in capex (including INR 30 bn on paints in FY25). Also, the paints business is likely to incur an EBITDA loss and require a higher working capital during FY25-26E. Accordingly, standalone net debt may peak at ~INR 80 bn by FY27E after factoring in INR 40 bn via rights issue (final call money of INR 20 bn to be raised in 2HFY25 with December 13, 2024 as the record date). Management indicated net debt to EBITDA (including other income) is unlikely to cross 3x.

Investment Summary

We factor 4% CAGR in CSF volume over FY25-27E and factor in an EBITDA margin of 11%-12% vs. the past 10-year average of ~16% and 4% CAGR in caustic soda volume over FY25-27E and build in 15%-16% EBITDA margin for the chemical division, lower than the past 10-year average of ~21% given the over-supply situation. Maintain BUY with a revised target price of INR 2,875. **Key risks:** Lower demand/ prices in its core businesses.

Conference Call Highlights

- **Paints:** On target to hit 50k dealers by the end of FY25. Product quality is excellent and has been received well by the market. Witnessing large-scale adoption with many dealers removing tinting machines of competition. Manufactured a bulk of the products and only category C/ D products are pending. Present in all states and improved intensity with additional coverage. Average trial production period is ~3 months and sales/ expenses during this period was capitalized. Inventory lying is very low, indicating most of it has been sold. Comprehensive Birla Opus website launched. While the demand environment was weak in 2Q, it was not as weak as emphasized by other competition.
- **B2B e-com:** Focus on increasing geographical reach and customers. Planning to become one-stop shop. Revenue crossed INR 5.5 bn in 2Q. Gross margin would be 1.5%-4% across products. Losses aren't material.
- **Renewable:** Plans to double renewable capacity from 1 GW to 2 GW in FY25. Further, plans to add 1 GW every year for the next 2-3 years.
- **CSF:** CSF is being preferred over textile and cotton. Expect margin to remain range-bound.

Quarterly performance

Table 1: Actual vs. estimated performance

(INR mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	76,233	74,319	2.6	74,893	1.8
EBITDA	3,251	3,913	(16.9)	4,276	(24.0)
EBITDA margin (%)	4.3	5.3	-100bps	5.7	-144bps
Adj net income	7,708	8,699	(11.4)	8,592	(10.3)
FDEPS (INR)	11.7	13.2	(11.4)	13.1	(10.3)

Source: Company, Antique

Table 2: Quarterly financials

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
Sales	76,233	64,420	18.3	68,939	10.6
Cost of Material Consumed	52,475	44,151	18.9	48,256	8.7
% of sales	68.8	68.5	30bps	70.0	-116bps
Employee cost	6,527	5,331	22.4	5,896	10.7
% of sales	8.6	8.3	29bps	8.6	0.0
Other expenses	13,980	9,003	55.3	11,536	21.2
% of sales	18.3	14.0	436bps	16.7	161bps
Total Exp	72,982	58,484	24.8	65,688	11.1
EBITDA	3,251	5,936	(45.2)	3,251	-
Margin %	4.3	9.2	-495bps	4.7	-45bps
Other income	12,935	7,603	70.1	931	1,288.9
Depreciation	4,057	2,919	39.0	3,486	16.4
Interest expenses	1,614	1,069	51.0	1,399	15.4
Profit Before Tax	10,515	9,552	10.1	(702)	NA
Exceptional item	(500)	-	NA	-	NA
PBT after exceptional	10,015	9,552	4.9	(702)	NA
Tax	2,807	1,604	75.0	(181)	NA
Tax Rate %	28.0	16.8	66.9	25.8	NA
Reported Net Profit	7,208	7,947	(9.3)	(521)	NA
Adjusted Net Profit	7,708	7,947	(3.0)	(521)	NA
EPS (INR)	11.7	12.1	(3.0)	(0.8)	NA

Source: Company, Antique

Table 3: Segmental revenue and EBITDA

Revenue - INR mn	3QFY24	4QFY24	FY24	1QFY25	2QFY25
VSF	30,850	31,020	1,23,149	32,270	34,450
VFY	6,300	6,600	26,351	5,600	6,800
VSF+VFY	37,150	37,620	1,49,500	37,870	41,250
Chemicals	19,960	20,830	82,130	20,660	20,540
Paints + B2B	2,710	5,001	10,449	6,314	10,480
Others	6,900	6,780	27,070	6,730	6,500
Inter-segment	(2,718)	(2,556)	(10,675)	(2,636)	(2,537)
Total	64,003	67,675	2,58,473	68,939	76,233

EBITDA - INR mn	3QFY24	4QFY24	FY24	1QFY25	1QFY25
VSF+VFY	3,670	4,220	16,470	3,650	4,240
Chemicals	2,640	1,950	10,530	3,100	2,730
Paints + B2B	(1,341)	(995)	(4,215)	(2,960)	(3,530)
Others	530	490	2,430	210	(50)
Inter-segment	(274)	(399)	(2,055)	(749)	(139)
Total	5,225	5,266	23,160	3,251	3,251

Source: Company, Antique

Table 4: Table 4: We reduce our FY25-26 EBITDA by 13%-16% and FY27 EBITDA by 8%

	FY25E			FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue (INR mn)	3,07,955	3,13,200	1.7	3,47,162	3,50,476	1.0	4,03,964	4,06,695	0.7
EBITDA (INR mn)	17,342	14,575	-16.0	25,491	22,184	-13.0	32,319	29,766	-7.9
EBITDA margin (%)	5.6	4.7	-98bps	7.3	6.3	-101bps	8.0	7.3	-68bps
Net profit (INR mn)	8,650	5,536	-36.0	14,763	11,517	-22.0	19,521	16,619	-14.9
EPS (INR)	13.1	8.4	-36.0	22.4	17.5	-22.0	29.7	25.2	-14.9

Source: Company, Antique

Table 5: Our FY25/ 26/ 27 EBITDA estimates are 27%/ 21%/ 12% below consensus

INR Mn	Consensus			Antique			Variance		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	2,97,831	3,30,087	3,80,639	3,13,200	3,50,476	4,06,695	5	6	7
EBITDA	20,102	28,051	33,909	14,575	22,184	29,766	(27)	(21)	(12)
APAT	10,198	13,714	16,434	5,536	11,517	16,619	(46)	(16)	1

Source: Company, Antique

Grasim's SoTP Valuation

	at 40% Hold co discount	at 45% Hold co discount	at 35% Hold co discount
Standalone Business (Grasim+ABNL)			
EBITDA (INRmn)	36,766	36,766	36,766
EV/EBITDA Target multiple (x)	8.0	8.0	8.0
EV (INRmn)	2,94,127	2,94,127	2,94,127
Net Debt (INRmn) ex-paints	21,771	21,771	21,771
Equity Value (INRmn)	2,72,355	2,72,355	2,72,355
Value per share of Grasim (INR)	400	400	400
Cement Business			
UTCEM - MCap (INRmn)	31,61,069	31,61,069	31,61,069
Grasim holding in UTCEM	57.3%	57.3%	57.3%
Hold Co Discount	40%	45%	35%
Grasim's share in Ultratech post discount (INRmn)	10,86,586	9,96,037	11,77,135
Value per share of Grasim (INR)	1,597	1,464	1,732
Financial Services Business			
ABCL MCap (INRmn)	4,91,400	4,91,400	4,91,400
Grasim holding in ABCL	52.7%	52.7%	52.7%
Hold Co Discount	40%	45%	35%
Grasim's share in ABCL post discount (INRmn)	1,55,410	1,42,459	1,68,361
Value per share of Grasim (INR)	228	209	247
Other Investments			
Equity Value (@Hold Co discount) (INRmn)	65,807	60,323	71,291
Value per share of Grasim (INR)	100	92	109
Renewables and other investments at cost (INRmn)	1,14,155	1,14,155	1,14,155
Value per share of Grasim (INR)	168	168	168
B2B platform (1.5x FY27E revenue) (INR Mn)	1,20,000	1,20,000	1,20,000
Less: Net debt for B2B (INR Mn)	10,000	10,000	10,000
Net value for B2B (INR Mn)	1,10,000	1,10,000	1,10,000
Value per share of Grasim (INR)	162	162	162
Paints (2.5x investments) (INR Mn)	2,50,000	2,50,000	2,50,000
Less: Net debt for paints (INR Mn)	1,00,000	1,00,000	1,00,000
Net value for paints (INR Mn)	1,50,000	1,50,000	1,50,000
Value per share of Grasim (INR)	220	220	220
Target Market Cap (INRmn)	18,44,313	17,35,330	19,53,297
No of Shares (mn)	681	681	681
Fair Value (INR)	2,875	2,715	3,038

Source: Company, Antique

Table 7: Balance sheet

	FY21	FY22	FY23	FY24	1HFY24	1HFY25
Non-current assets						
Propoerty, Plant and Equipment	97,635	1,36,452	1,50,348	1,54,392	1,45,711	1,85,975
CWIP	40,334	17,401	29,190	71,156	55,546	50,997
Investment property						
Goodwill	28	28	28	28	28	28
Other intangible assets	9,432	8,962	8,178	7,536	7,877	7,316
Right of use assets	2,570	3,136	7,643	9,097	7,917	10,695
Intangible assets under development	-	27	66	153	82	163
Financial assets						
- Equity- accounted investees	2,17,568	2,18,556	2,23,000	2,31,689	2,33,000	2,31,775
- Investments	88,709	1,20,862	85,411	1,31,229	1,12,323	1,52,162
- Loans	2,275	91	1,003	909	986	109
- Other financial assets	584	3,114	3,392	3,439	3,308	3,371
Deferred tax assets						
Non current tax assets	450	599	1,914	1,133	2,097	1,347
Other non-current assets (incl. capital advances)	1,035	2,058	2,401	4,613	7,088	3,947
Total non-current assets	4,60,619	5,11,284	5,12,574	6,15,374	5,75,962	6,47,885
Current Assets						
Inventories	21,790	39,408	44,928	52,150	44,366	65,592
Financial assets						
- Investments	30,120	47,490	30,556	29,204	31,249	31,440
- Trade receivables	13,120	16,904	15,973	19,743	16,409	23,722
- Cash and cash equivalents	692	527	165	482	915	564
- Bank balances	635	1,726	4,579	2,614	2,234	2,230
- Loans	1,038	264	37	1,635	2,398	1,289
- Others	565	956	1,339	2,362	1,143	1,953
Other current assets	5,200	7,801	9,621	14,669	11,928	17,965
Assets Held for Disposal	13,222					
Total current assets	86,382	1,15,078	1,07,197	1,26,004	1,10,642	1,44,754
TOTAL ASSETS	5,47,002	6,26,362	6,19,771	7,41,378	6,86,604	7,92,639
EQUITY AND LIABILITIES						
Equity						
Equity share capital	1,316	1,317	1,317	1,328	1,317	1,339
Other equity	4,28,162	4,84,841	4,65,672	5,19,818	4,96,662	5,48,691
Total equity	4,29,479	4,86,158	4,66,989	5,21,146	4,97,979	5,50,030
Liabilities						
Non-current liabilities						
Financial liabilities						
Borrowings	30,895	30,345	43,292	73,922	61,506	80,411
Lease liability	453	556	744	2,105	1,089	3,379
Other financial liabilities	29	31	106	241	105	596
Long-term provisions	376	549	642	741	671	764
Deferred tax liabilities	17,339	18,414	15,348	22,971	19,454	28,098
Other non-current liabilities	1,187	717	71	150	127	567
Total non-current liabilities	50,279	50,611	60,203	1,00,129	82,952	1,13,815

Table 7: Balance sheet (continue...)

Current liabilities

Financial liabilities

Borrowings	10,740	10,863	9,810	20,607	19,277	21,379
Lease liabilities	145	241	230	658	298	1,051
Trade payables	27,069	46,507	47,112	54,826	48,045	65,973
Other financial liabilities	12,478	13,874	16,178	20,169	16,345	15,239
Other current liabilities	8,992	10,675	9,880	9,720	11,826	10,683
Provisions	2,874	2,871	3,224	7,644	3,532	7,396
Current tax liabilities	4,947	4,563	6,144	6,478	6,350	7,072
Total current liabilities	67,243	89,593	92,579	1,20,103	1,05,674	1,28,794

TOTAL EQUITY AND LIABILITIES	5,47,001	6,26,362	6,19,771	7,41,378	6,86,604	7,92,639
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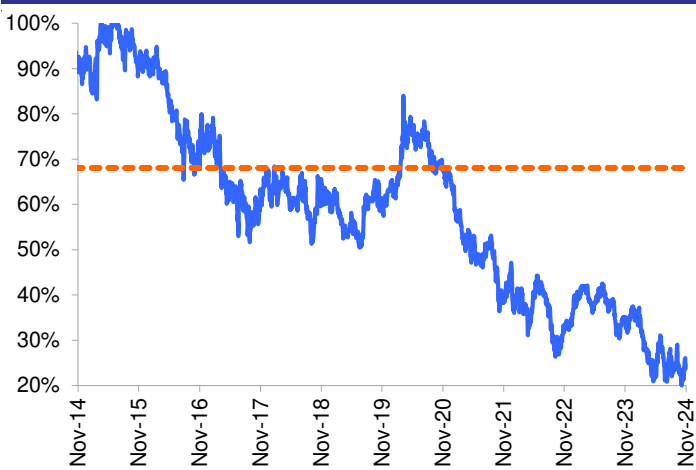
Source: Company, Antique

Table 8: Cash flow

Cash Flow	FY22	FY23	FY24	1H FY24	1H FY25
PBT	28,812	27,333	19,172	13,510	9,314
Depreciation & amortization	9,140	10,973	12,151	5,796	7,544
Interest expense	2,472	3,677	4,404	2,126	3,014
(Inc)/Dec in working capital	132	(5,663)	(4,791)	2,986	(8,329)
Tax paid	(6,502)	(5,215)	(2,562)	(949)	3,537
Less: Interest/Div. Income Recd.	(6,430)	(3,677)	(4,404)	(7,363)	(12,439)
Other operating Cash Flow	(1,032)	-	-	(762)	(77)
Cash flow from operating activities	26,591	27,427	23,970	15,343	2,562
Capital expenditure	(25,382)	(40,420)	(59,060)	(29,633)	(19,065)
Inc/(Dec) in investments	-	10,171	(53,154)	(9,344)	490
Add: Interest/Div. Income Recd.	6,633	-	-	7,204	12,158
Cash flow from investing activities	(18,749)	(30,249)	(1,12,214)	(31,772)	(6,417)
Inc/(Dec) in share capital	425	-	11	(639)	9,281
Inc/(Dec) in debt	1,456	11,895	41,427	28,268	7,295
Dividend Paid	(5,915)	(6,584)	(6,640)	(6,574)	(6,654)
Others	(2,881)	0	51,799	(3,875)	(5,985)
Cash flow from financing activities	(6,916)	5,311	86,597	17,180	3,937
Net cash flow	927	2,490	(1,647)	751	82
Opening balance	1,327	2,254	4,744	164	481
Closing balance	2,254	4,744	3,096	915	562

Source: Company, Antique

Exhibit 1: Holding company discount trend based on P/E



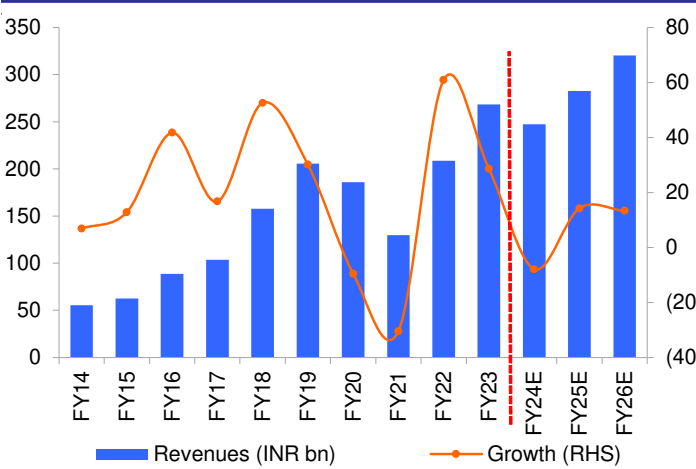
Source: Company, Antique

Exhibit 2: Holding company discount trend based on EV/E



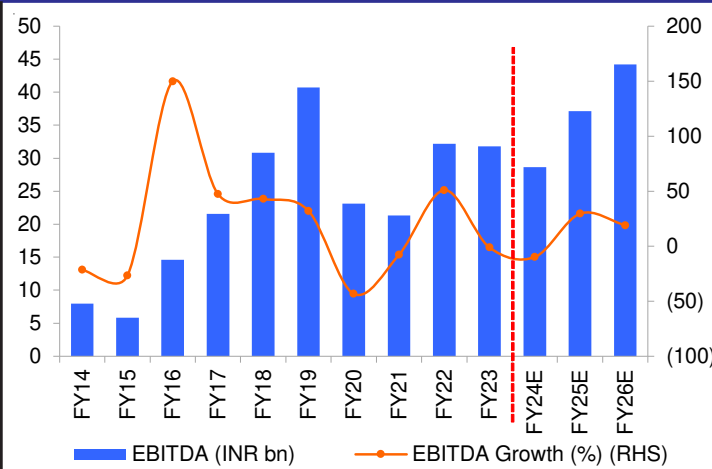
Source: Company, Antique

Exhibit 3: Revenue to grow at 16% CAGR over FY24-27E



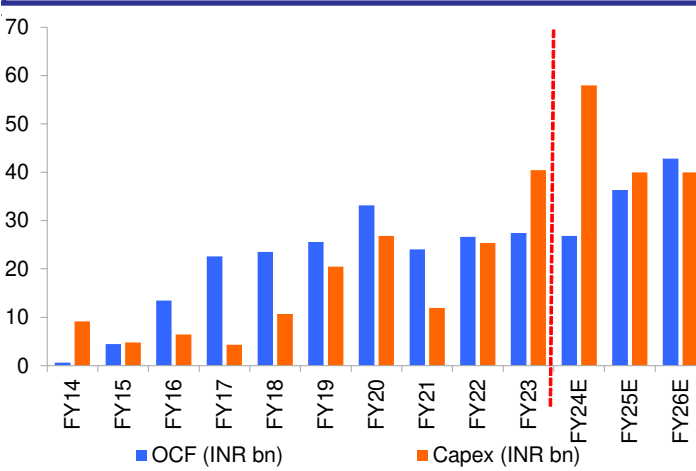
Source: Company, Antique

Exhibit 4: EBITDA to grow at 9% CAGR over FY24-27E



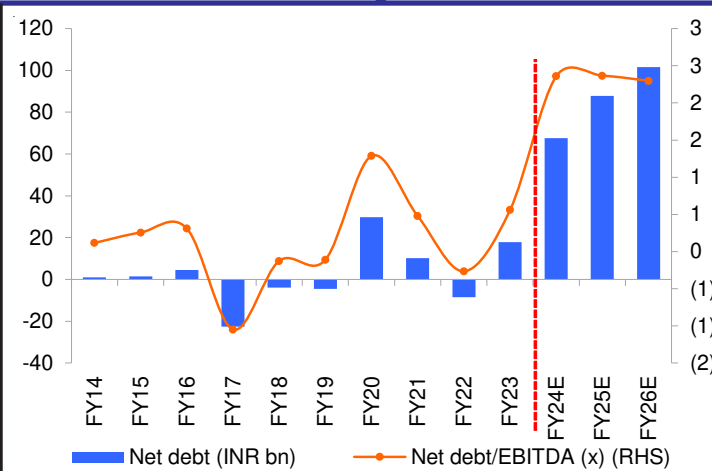
Source: Company, Antique

Exhibit 5: Capex intensity to increase as Grasim enters paints business....



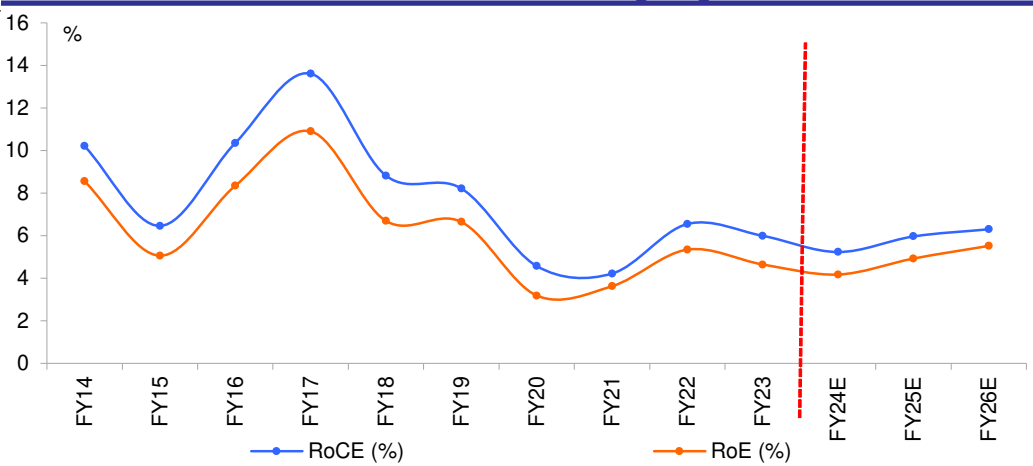
Source: Company, Antique

Exhibit 6: ..and as a result leverage to increase



Source: Company, Antique

Exhibit 7: Both RoE and RoCE to remain in low to mid-single digits



Source: Company, Antique

Financials (Standalone)

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	2,68,397	2,58,473	3,13,200	3,50,476	4,06,695
Op. Expenses	2,36,598	2,35,313	2,98,625	3,28,292	3,76,929
EBITDA	31,799	23,160	14,575	22,184	29,766
Depreciation	10,973	12,151	16,403	19,684	22,637
EBIT	20,826	11,010	(1,829)	2,500	7,129
Other income	10,183	12,566	15,466	17,466	18,863
Interest Exp.	3,677	4,404	6,717	6,728	6,891
Extra Ordinary Items-gain/(loss)	880	7,156	-	-	-
Reported PBT	27,333	19,172	6,920	13,238	19,102
Tax	5,215	2,562	1,384	1,721	2,483
Reported PAT	22,998	23,766	5,536	11,517	16,619
Net Profit	22,998	23,766	5,536	11,517	16,619
Adjusted PAT	22,118	16,610	5,536	11,517	16,619
Adjusted EPS (INR)	33.6	25.0	8.3	17.3	25.0

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	1,317	1,328	1,328	1,328	1,328
Reserves & Surplus	4,65,672	5,19,818	5,58,714	5,63,591	5,73,570
Networth	4,66,989	5,21,146	5,60,042	5,64,919	5,74,898
Debt	53,102	94,529	99,029	1,07,279	1,11,779
Net deferred Tax liabilities	15,348	22,971	22,971	22,971	22,971
Capital Employed	5,35,439	6,38,646	6,82,042	6,95,169	7,09,648
Gross Fixed Assets	2,50,945	2,68,038	3,58,038	3,88,038	4,18,038
Accumulated Depreciation	84,683	96,833	1,13,237	1,32,921	1,55,557
Capital work in progress	29,190	71,156	21,156	11,156	6,156
Net Fixed Assets	1,95,452	2,42,361	2,65,958	2,66,274	2,68,637
Investments	3,38,967	3,92,122	4,02,122	4,12,122	4,22,122
Non Current Investments	3,08,411	3,62,918	3,72,918	3,82,918	3,92,918
Current Investments	30,556	29,204	29,204	29,204	29,204
Current Assets, Loans & Advs	85,352	1,06,895	1,19,661	1,35,052	1,56,140
Inventory	44,928	52,150	60,066	67,215	77,996
Debtors	15,973	19,743	24,026	30,727	38,998
Cash & Bank balance	4,744	3,096	3,944	4,176	4,347
Loans & advances and others	19,708	31,905	31,625	32,935	34,799
Current Liabilities & Provisions	84,332	1,02,732	1,05,698	1,18,278	1,37,251
Liabilities	84,332	1,02,732	1,05,698	1,18,278	1,37,251
Net Current Assets	1,020	4,163	13,962	16,774	18,889
Application of Funds	5,35,440	6,38,646	6,82,042	6,95,169	7,09,648

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (m)	658	664	664	664	664
Diluted no. of shares (m)	658	664	664	664	664
BVPS (INR)	709.3	784.9	843.4	850.8	865.8
CEPS (INR)	51.6	54.1	33.0	47.0	59.1
DPS (INR)	10.0	10.0	10.0	10.0	10.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	27,333	19,172	6,920	13,238	19,102
Depreciation & amortization	10,973	12,151	16,403	19,684	22,637
Interest expense	3,677	4,404	6,717	6,728	6,891
(Inc)/Dec in working capital	(5,663)	(4,791)	(8,952)	(2,579)	(1,945)
Tax paid	(5,215)	(2,562)	(1,384)	(1,721)	(2,483)
Less: Interest/Div. Income Recd.	(3,677)	(4,404)	(6,717)	(6,728)	(6,891)
CF from operating activities	27,427	23,970	12,988	28,622	37,311
Capital expenditure	(40,420)	(59,060)	(40,000)	(20,000)	(25,000)
(Inc)/Dec in investments	10,171	(53,154)	(10,000)	(10,000)	(10,000)
CF from investing activities	(30,249)	(1,12,214)	(50,000)	(30,000)	(35,000)
Inc/(Dec) in share capital	-	11	-	-	-
Inc/(Dec) in debt	11,895	41,427	4,500	8,250	4,500
Dividend Paid	(6,584)	(6,640)	(6,640)	(6,640)	(6,640)
Others	0	51,799	40,000	(0)	0
CF from financing activities	5,311	86,597	37,860	1,610	(2,140)
Net cash flow	2,490	(1,647)	848	232	171
Opening balance	2,254	4,744	3,096	3,944	4,177
Closing balance	4,744	3,096	3,944	4,177	4,347

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	28.7	-3.7	21.2	11.9	16.0
EBITDA(%)	-1.1	-27.2	-37.1	52.2	34.2
Adj PAT(%)	-9.5	-24.9	-66.7	108.0	44.3
Adj EPS(%)	-9.5	-25.5	-66.7	108.0	44.3

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E	29.7	27.6	82.7	39.8	27.6
P/BV	2.9	2.9	2.4	2.5	2.5
EV/EBITDA	14.8	22.3	35.6	23.8	17.9
EV/Sales	1.8	2.0	1.7	1.5	1.3
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	4.6	3.4	2.5	2.6	3.3
RoCE (%)	6.0	4.4	3.7	3.6	4.3
Asset/T.O (x)	1.5	1.2	1.2	1.2	1.3
Net Debt/Equity (x)	0.04	0.12	0.14	0.16	0.16
EBIT/Interest (x)	8.4	5.4	3.1	3.2	3.7

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	11.8	9.0	4.7	6.3	7.3
EBIT Margin(%)	7.8	4.3	(0.6)	0.7	1.8
PAT Margin(%)	8.2	6.4	1.8	3.3	4.1

Source: Company Antique

CMP	: INR 9,992
Reco	: HOLD ↔
Target Price	: INR 10,670 ↑
Target Price Change	: 10%
Target FY27 P/E (x)	: 50
EPS Change FY25/ 26/ 27	: 2%/ 1%/ 1%

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Market data

Sensex	:	77,580
Sector	:	Midcaps
Market Cap (INR bn)	:	905.7
Market Cap (USD bn)	:	10.729
O/S Shares (mn)	:	90.5
52-wk HI/LO (INR)	:	13300/5909
Avg. Daily Vol ('000)	:	43
Bloomberg	:	SOIL IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	145.3	179.8	213.4
PE (x)	68.8	55.6	46.8
P/BV (x)	20.0	15.0	11.6
EV/EBITDA (x)	44.0	35.5	29.8
Dividend Yield (%)	0.1	0.1	0.1

Source: Company, Antique

Returns (%)

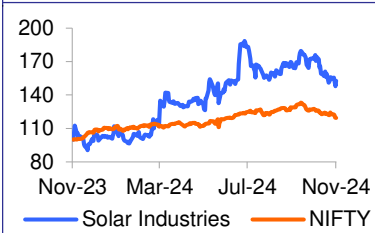
	1m	3m	6m	12m
Absolute	(11)	(2)	16	61
Relative	(6)	0	10	35

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg

Indexed to 100

2QFY25 RESULT REVIEW

Solar Industries India

Defence segment positivity continues; rich valuations

Solar Industries (Solar) continues to deliver strong performance with revenue/ EBITDA/ PAT growth of 27%/ 32%/ 43% YoY. EBITDA margin of 25.9% expanded stabilization of overseas geographies and improvement in defence mix. Key highlights are: 1) Ammonium Nitrate prices have now stabilized. 2) Domestic volume growth of 7% YoY was impacted by slowdown in mining and infrastructure activities due to the elections. 3) Defence revenue of INR 3.2 bn grew 204%/ 58% YoY/ QoQ. Receipt of Pinaka orders has been delayed (expected to be received by Dec'24). Defence & exports and overseas to contribute 60%-70% of revenue going forward. 4) Total/ defence order book stood at INR 57.6 bn/ INR 33.4 bn (+21%/ +33% QoQ). INR 8.9 bn/ INR 1.1 bn of orders were received from SCCL/ international defence customers to be executed over 2/ 3-5 years. 5) Expects to be net debt positive in FY25. 6) FY25 guidance of +15% volume growth; INR 15 bn defence revenue; +25% EBITDA margin maintained. INR 12 bn (earlier INR 8 bn) capex to be invested in FY25. Expect high capex investments to continue. We broadly maintain our EPS estimates and roll forward valuation to FY27 (earlier 1HFY27). Maintain HOLD rating with a revised TP of INR 10,670 (earlier INR 9,730) based on a PE multiple of 50x FY27 EPS (five-year avg., high, low of 34x, 65x, 18x).

FY25 volume growth guidance of +15%

Solar reported a revenue of INR 17.2 bn, growing 27% YoY. Explosive volume grew 7% YoY. Explosives/ initiating systems revenue grew 5%/ -10% YoY. Domestic demand was subdued due to the elections and incessant monsoon which impacted the execution of mining & infrastructure activities. Defence revenue of INR 3.2 bn in 2Q grew 204% YoY. Exports and overseas revenue of INR 8.0 bn grew 25% YoY. Ammonium Nitrate prices were flat on YoY basis and have now stabilized. The government's push on infrastructure, housing, and road development and rising demand for power in India is expected to be positive for the domestic explosives industry. This combined with expected large orders from the defence segment is expected to deliver volume growth of +15% in FY25 and defence revenue of INR 15 bn (20% of total revenue). We are factoring in volume/ revenue CAGR of 19%/ 23% over FY24-27E.

EBITDA margin guidance maintained at +25%

EBITDA of INR 4.4 bn grew 32% YoY and EBITDA margin stood at 25.9% (+100 bps YoY). The margin expansion was driven by: 1) Improvement in performance of overseas geographies, 2) Reduction in overheads related to product development, 3) Higher mix of defence segment. All the overseas geographies are now EBITDA positive, and 4) Reduction in foreign exchange losses from hyperinflationary conditions in overseas geographies. Management maintained FY25 margin guidance of +25%. We have factored in an EBITDA margin of 26.1%/ 26.5%/ 26.6% for FY25/ 26/ 27 respectively.

Orders from SCCL and defence customers received

Overall, the order book stood at INR 57.6 bn (+47%/ +21% YoY/ QoQ). Explosives/ defence order book stood at INR 24.2 bn/ INR 33.4 bn. In Nov'24, Solar received orders worth INR 10 bn (INR 8.9 bn from SCCL and INR 1.1 bn orders from international defence customers) to be executed over the next 2-5 years. In the tenders made for Pinaka, Solar has L1 status. Expect the Pinaka order by Dec'24 (to be the largest order in Solar's history). New defence products like SEBEX 2 have been approved for different usage by the Indian Navy. However, orders for new explosive products are expected to be received after 1-2 years. RPFs for the chaff and flare systems have been submitted and orders are awaited.

Investment Summary

We are positive about Solar's business considering its leadership position, backward integration, geographical diversification, and defence opportunities. We have factored in revenue/ EBITDA/ EPS CAGR of 23%/ 30%/ 32% respectively over FY24-27E (past ten years: 18%/ 21%/ 21%). Maintain HOLD.

Table 1: Quarterly results

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Sales	17,158	13,475	27.3	16,848	1.8	34,006	30,297	12.2
Cost of Material Consumed	8,430	6,527	29.1	8,702	(3.1)	17,131	16,151	6.1
% of sales	49.1	48.4	69 bps	51.6	(252 bps)	50.4	53.3	(293 bps)
Employee cost	1,447	1,033	40.0	1,311	10.4	2,758	2,034	35.6
% of sales	8.4	7.7	76 bps	7.8	65 bps	8.1	6.7	140 bps
Other expenses	2,834	2,553	11.0	2,341	21.0	5,175	5,519	(6.2)
% of sales	16.5	18.9	(243 bps)	13.9	262 bps	15.2	18.2	(300 bps)
Total Exp	12,711	10,113	25.7	12,354	2.9	25,065	23,704	5.7
EBIDTA	4,448	3,362	32.3	4,494	(1.0)	8,942	6,593	35.6
Margin %	25.9	24.9	97 bps	26.7	(75 bps)	26.3	21.8	453 bps
Other income	305	77	294.4	243	25.4	547	159	244.1
Depreciation	436	337	29.5	400	9.1	836	678	23.3
Interest expenses	297	249	19.5	275	8.3	572	496	15.4
Profit Before Tax	4,019	2,853	40.9	4,062	(1.1)	8,081	5,579	44.9
Share of associate/minority interest	(128)	(96)	32.9	(120)	6.6	(248)	(139)	78.4
PBT after exceptional	3,891	2,757	41.1	3,942	(1.3)	7,833	5,439	44.0
Tax	1,032	755	36.6	1,078	(4.2)	2,109	1,464	44.1
Tax Rate %	26.5	27.4	(88 bps)	27.3	(81 bps)	26.9	26.9	2 bps
Reported Net Profit	2,859	2,001	42.8	2,865	(0.2)	5,723	3,976	44.0
Adjusted Net Profit	2,859	2,001	42.8	2,865	(0.2)	5,723	3,976	44.0
EPS (INR)	31.6	22.1	42.8	31.7	(0.2)	63.2	43.9	44.0

Source: Company, Antique

Table 2: Semi-annual balance sheet

Particulars (INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Capital	181	181	-	181	181	-
Reserves and Surplus	37,763	28,406	32.9	44,945	32,875	36.7
Minority Interest	1,047	1,147	(8.8)	1,899	1,217	56.1
Loan Funds	11,581	10,289	12.6	10,050	11,050	(9.1)
Deferred Tax Liability (Net)	260	296	(12.4)	376	376	-
Total	50,832	40,320	26.1	57,451	45,698	25.7
Fixed Assets	27,840	20,785	33.9	34,541	24,461	41.2
Goodwill On Consolidation	1,131	108	950.7	714	714	-
Investments	1,923	779	146.8	3,699	3,699	-
Current Assets, Loans And Advances						
Inventories	10,687	9,547	11.9	10,415	8,468	23.0
Sundry Debtors	12,185	8,078	50.9	10,866	8,449	28.6
Cash And Bank Balances	2,898	2,563	13.1	563	2,873	(80.4)
Other Current Assets	8,017	7,473	7.3	6,749	6,749	-
Loans And Advances	349	821	(57.4)	358	358	-
Less: Current Liabilities And Provisions						
Current Liabilities	4,253	5,466	(22.2)	10,168	9,800	3.8
Provisions	9,947	4,369	127.7	286	272	5.0
Total	50,832	40,320	26.1	57,451	45,698	25.7
Net Debt	8,683	7,726	12.4	9,487	8,177	16.0

Source: Company, Antique

Table 3: Abridged semi-annual cash flow statement

Particulars (INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Profit before tax	8,081	5,570	45.1	18,456	11,609	59.0
Depreciation	836	678	23.3	1,920	1,434	33.9
Interest	572	496	15.4	1,213	1,094	10.9
Others	451	505	(10.7)	(889)	1,115	NA
Changes in working capital	(2,269)	899	NA	(3,982)	1,804	NA
Tax Paid	(2,218)	(1,411)	57.1	(4,799)	(2,996)	60.2
Operating cash flow	5,453	6,736	(19.0)	11,919	14,060	(15.2)
Capex	(4,356)	(1,989)	119.0	(12,000)	(5,485)	118.8
Others	284	(437)	(165.0)	889	(1,780)	(150.0)
Investing cash flow	(4,071)	(2,426)	67.8	(11,111)	(7,265)	52.9
Net proceeds from borrowings	62	(1,362)	(104.5)	(1,000)	(1,556)	(35.7)
Others	(1,635)	(3,143)	(48.0)	(2,118)	(5,091)	(58.4)
Financing cash flow	(1,573)	(4,506)	(65.1)	(3,118)	(6,647)	(53.1)
Net cash flow	(191)	(196)	(2.4)	(2,310)	148	NA
Opening cash balance	2,762	2,450	12.7	2,873	2,601	10.4
Changes in other bank balances	327	308	6.1	-	124	(100.0)
Closing cash balance	2,898	2,563	13.1	563	2,873	(80.4)
Free cash flow	1,098	4,747	(76.9)	(81)	8,576	NA

Source: Company, Antique

Table 4: Actual vs. estimated performance

Particulars (INR mn)	2QFY25	Antique	% ch	Consensus	% ch
Revenue	17,158	19,072	(10.0)	17,432	(1.6)
EBITDA	4,448	5,405	(17.7)	4,627	(3.9)
PAT	2,987	3,168	(5.7)	3,032	(1.5)
EBITDA Margin(bps)	25.9%	28.3%	(242 bps)	26.5%	(62 bps)

Source: Company, Antique

Table 5: Change in estimates

Particulars (INR mn)	Previous			Revised			% ch		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	79,319	96,769	1,13,451	79,319	96,769	1,13,451	-	-	-
EBITDA	20,845	25,596	30,211	20,700	25,596	30,211	(0.7)	(0.0)	-
EBITDA Margin	26.3	26.5	26.6	26.1	26.5	26.6	(18 bps)	(0 bps)	0 bps
Net Profit	12,870	16,088	19,132	13,152	16,272	19,312	2.2	1.1	0.9
EPS (INR)	142.2	177.8	211.4	145.3	179.8	213.4	2.2	1.1	0.9
TP (INR)	9,310			10,670			14.6		

Source: Company, Antique

Conference Call Highlights

1. Government's ongoing commitment to housing & infrastructure development and rising power demand will aid in achieving annual guidance.
2. **Guidance:** Guidance of +15% YoY volume growth with EBITDA margin of +25% in FY25. Defence revenue of INR 15 bn in FY25 (20% of revenue). FY25 capex of INR 12 bn (earlier INR 8 bn) to be funded through internal accruals. Expects to be net debt positive in FY25 on the back of expected advances in the defence segment.
3. **Ammonium Nitrate prices:** Flat on YoY basis and has not stabilized.
4. **Revenue mix:** Export & overseas and defence segment is expected to contribute 60%-7% of revenue going forward.
5. **The purchase of traded goods** has increased in two as drones were purchased from Zmotion (associate company). Ammunition was added to drones and sold for execution of orders.
6. **Working capital:** Normalized working capital days range from 85-90. WC days have increased in 2Q due to: 1) Higher inventory days on account of weak domestic demand; 2) Higher receivable days as the international business has higher credit period.
7. **Domestic industry:** The execution of mining & infrastructure activities was impacted resulting in subdued demand in 2Q due to: 1) The elections and 2) Incessant monsoon season.
8. There is improvement in the operational performance of new overseas geographies, including South Africa and Australia. This has aided in margin improvement. All the subsidiaries are now EBITDA positive.
9. **Recent orders:** Singhereni Collieries Company Limited – INR 8.87 bn order to be executed over the next two years; defence export orders worth INR 1.1 bn to be executed over the next 3-5 years.
10. **New defence product developments:** Efforts towards developing the long-range guided Pinaka rockets are underway. The program for the same is still in initial stages. Bhargavastra orders can take 1-2 years to be received. The product is being fine-tuned as per customer requirements.
11. **EBITDA margin improvement** is driven by reduction in overheads from product development, forex loss and losses of overseas geographies. Also, improvement in mix of defence products is contributing to margin expansion.
12. **Defence:** The indigenous development of three new explosives: SEBEX_2, SITBEX-1, and SIMEX-4 are being tested by the Navy. These are long-term initiatives as developing and approval of products made from these explosives take time. Awaiting results for RFPs submitted for chaff and flares.
13. **Pinaka** orders are yet to be received. Solar was expecting Pinaka orders in Oct'24. However, the same was delayed due to festivities and vacations. Pinaka orders are now expected to be received by Dec'24. Apart from Indian opportunities, a lot of other friendly countries are now showing interest in buying Indian defence products.

Table 6: Product-wise performance (standalone)

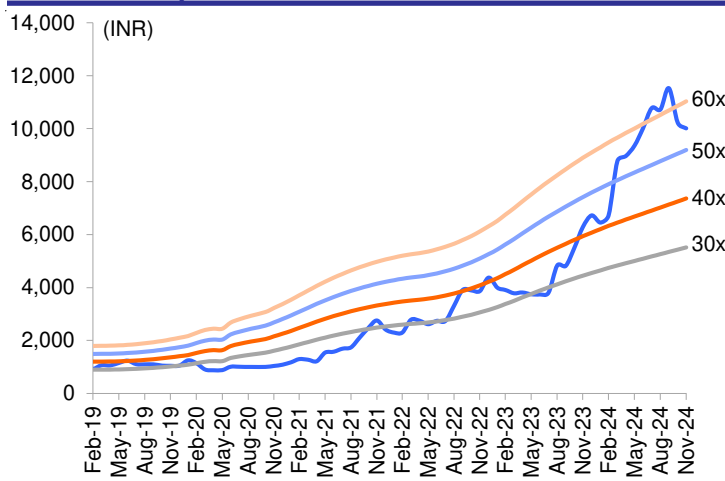
Standalone (INR mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY	QoQ
Bulk explosive											
Quantity (MT)	87,661	1,22,030	1,35,007	1,29,362	99,410	1,54,421	1,66,899	1,50,339	1,06,057	6.7	(29.5)
Value	6,220	8,760	9,030	7,580	5,090	6,920	7,360	7,790	5,340	4.9	(31.5)
Realization (INR/MT)	70,955	71,786	66,885	58,595	51,245	44,813	44,099	51,816	50,379	(1.7)	(2.8)
Initiating Systems											
Value	1,260	1,330	1,690	1,650	1,340	1,370	1,800	1,840	1,200	(10.4)	(34.8)
Total Value	7,480	10,090	10,720	9,230	6,430	8,290	9,160	9,630	6,540	1.7	(32.1)
Bulk Share (%)	83.2	86.8	84.2	82.1	79.2	83.5	80.3	80.9	81.7	249 bps	76 bps
Accessories share (%)	16.8	13.2	15.8	17.9	20.8	16.5	19.7	19.1	18.3	-249 bps	-76 bps

Source: Company, Antique

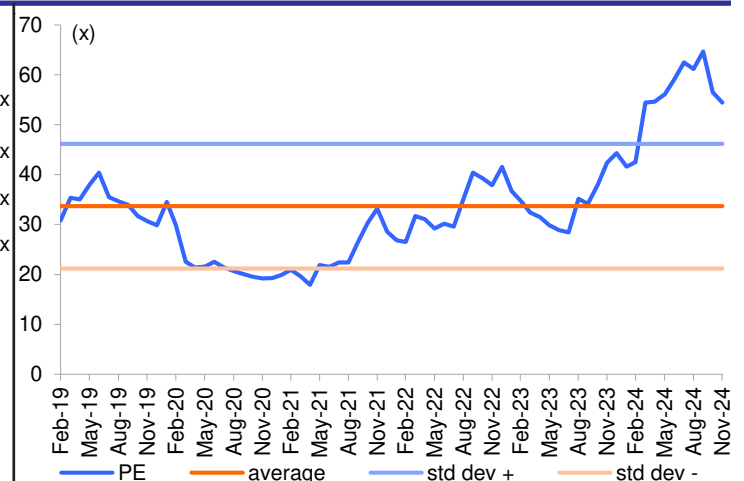
Table 7: Consolidated gross revenue break-up

Customer-wise break-up	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY	QoQ
Revenue (INR mn)											
Coal India	1,980	3,140	3,040	2,680	1,850	2,340	2,420	2,460	1,690	(8.6)	(31.3)
Defence	1,110	1,100	1,110	1,550	1,060	620	1,940	2,040	3,220	203.8	57.8
Institutional	2,670	3,420	3,790	2,940	2,040	2,450	2,640	3,040	2,240	9.8	(26.3)
Housing and Infra	2,400	3,040	3,790	3,490	2,040	2,510	3,130	3,530	1,910	(6.4)	(45.9)
Export and Overseas	7,390	7,290	7,370	6,050	6,390	6,240	5,890	5,790	7,990	25.0	38.0
Others	110	130	190	110	90	130	90	90	110	22.2	22.2
Total	15,660	18,120	19,290	16,820	13,470	14,290	16,110	16,950	17,160	27.4	1.2
Contribution to the Revenue (%)											
Coal India	12.6	17.3	15.8	15.9	13.7	16.4	15.0	14.5	9.8	-389 bps	-466 bps
Defence	7.1	6.1	5.8	9.2	7.9	4.3	12.0	12.0	18.8	1090 bps	673 bps
Institutional	17.0	18.9	19.6	17.5	15.1	17.1	16.4	17.9	13.1	-209 bps	-488 bps
Housing and Infra	15.3	16.8	19.6	20.7	15.1	17.6	19.4	20.8	11.1	-401 bps	-970 bps
Export and Overseas	47.2	40.2	38.2	36.0	47.4	43.7	36.6	34.2	46.6	-88 bps	1240 bps
Others	0.7	0.7	1.0	0.7	0.7	0.9	0.6	0.5	0.6	-3 bps	11 bps
Total	100	100	100	100	100	100	100	100	100		

Source: Company, Antique

Exhibit 1: One-year forward P/E

Source: Company, Bloomberg, Antique

Exhibit 2: P/E band chart

Source: Company, Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	69,225	60,695	79,319	96,769	1,13,451
Op. Expenses	56,336	47,003	58,619	71,172	83,240
EBITDA	12,889	13,692	20,700	25,596	30,211
Depreciation	1,282	1,434	1,920	2,722	3,370
EBIT	11,607	12,258	18,780	22,874	26,842
Other income	315	445	1,067	1,334	1,668
Interest Exp.	904	1,094	1,213	1,156	1,156
Reported PBT	11,019	11,609	18,634	23,053	27,354
Tax	2,904	2,861	4,799	5,936	7,040
Reported PAT	8,114	8,749	13,835	17,117	20,314
Minority Int./Profit (loss) From Asso.	(543)	(390)	(683)	(845)	(1,002)
Net Profit	7,572	8,359	13,152	16,272	19,312
Adjusted PAT	7,572	8,359	13,152	16,272	19,312
Adjusted EPS (INR)	83.7	92.4	145.3	179.8	213.4

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	181	181	181	181	181
Reserves & Surplus	25,922	32,875	44,945	59,908	77,676
Networth	26,103	33,056	45,126	60,089	77,857
Debt	11,692	11,050	10,050	10,050	10,050
Minority Interest	1,404	1,217	1,899	2,744	3,746
Net deferred Tax liabilities	314	376	376	376	376
Capital Employed	39,514	45,698	57,451	73,259	92,028
Gross Fixed Assets	22,451	27,118	39,118	51,118	63,118
Accumulated Depreciation	5,407	6,840	8,760	11,482	14,852
Capital work in progress	2,794	4,898	4,898	4,898	4,898
Net Fixed Assets	19,839	25,175	35,255	44,533	53,163
Investments	985	3,699	3,699	3,699	3,699
Non Current Investments	785	1,565	1,565	1,565	1,565
Current Investments	200	2,134	2,134	2,134	2,134
Current Assets, Loans & Advances					
Inventory	10,980	8,468	10,415	12,661	14,852
Debtors	8,253	8,449	10,866	13,256	15,541
Cash & Bank balance	2,601	2,873	563	3,920	11,029
Loans & advances and others	6,430	7,107	7,107	7,107	7,107
Current Liabilities & Provisions					
Liabilities	5,216	5,799	5,967	7,206	8,416
Provisions	4,358	4,274	4,487	4,712	4,947
Net Current Assets	18,690	16,824	18,497	25,027	35,166
Application of Funds	39,514	45,698	57,451	73,259	92,028

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	91	91	91	91	91
Diluted no. of shares (mn)	91	91	91	91	91
BVPS (INR)	288.4	365.3	498.6	664.0	860.3
CEPS (INR)	103.8	112.5	174.1	219.2	261.7
DPS (INR)	8.0	8.5	10.0	12.0	14.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	11,019	11,609	18,456	22,831	27,076
Depreciation & amortization	1,282	1,434	1,920	2,722	3,370
Interest expense	904	1,094	1,213	1,156	1,156
(Inc)/Dec in working capital	(5,267)	1,804	(3,982)	(3,173)	(3,030)
Tax paid	(2,544)	(2,996)	(4,799)	(5,936)	(7,040)
Other operating Cash Flow	1,172	1,115	(889)	(1,112)	(1,390)
CF from operating activities	6,565	14,060	11,919	16,488	20,142
Capital expenditure	(4,731)	(5,485)	(12,000)	(12,000)	(12,000)
Inc/(Dec) in investments	(519)	(1,867)	-	-	-
Add: Interest/Div. Income Recd.	60	87	889	1,112	1,390
CF from investing activities	(5,190)	(7,265)	(11,111)	(10,888)	(10,610)
Inc/(Dec) in debt	2,787	(1,556)	(1,000)	-	-
Dividend Paid	(679)	(766)	(905)	(1,086)	(1,267)
Others	(1,880)	(4,325)	(1,213)	(1,156)	(1,156)
CF from financing activities	229	(6,647)	(3,118)	(2,242)	(2,423)
Net cash flow	1,604	148	(2,310)	3,358	7,108
Opening balance	988	2,601	2,873	563	3,920
Closing balance	2,591	2,749	563	3,920	11,029
Changes in other bank balances	10	124	-	-	-
Cash and cash equivalents	2,601	2,873	563	3,920	11,029

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	75.4	-12.3	30.7	22.0	17.2
EBITDA(%)	72.5	6.2	51.2	23.7	18.0
Adj PAT(%)	71.6	10.4	57.3	23.7	18.7
Adj EPS(%)	71.6	10.4	57.3	23.7	18.7

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PE (x)	119.4	108.2	68.8	55.6	46.8
P/BV (x)	34.6	27.4	20.0	15.0	11.6
EV/EBITDA (x)	70.8	66.5	44.0	35.5	29.8
EV/Sales	13.2	15.0	11.5	9.4	7.9
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	33.5	28.3	33.6	30.9	28.0
RoCE (%)	33.7	29.8	38.5	37.0	34.5
Asset/T.O (x)	2.0	1.5	1.7	1.6	1.4
Net Debt/Equity (x)	0.3	0.2	0.2	0.1	(0.0)
EBIT/Interest (x)	13.2	11.6	16.4	20.9	24.7

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	18.6	22.6	26.1	26.5	26.6
EBIT Margin(%)	16.8	20.2	23.7	23.6	23.7
PAT Margin(%)	10.9	13.7	16.4	16.6	16.8

Source: Company Antique

CMP	: INR 4,267
Reco	: BUY ↔
Target Price	: INR 4,960 ↑
Target Price Change	: 13%
Target FY27 P/E (x)	: 35
EPS Change FY25/ 26/ 27	: 4%/ -3%/ -3%

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Market data

Sensex	: 77,580
Sector	: Agrochemicals
Market Cap (INR bn)	: 647.1
Market Cap (USD bn)	: 7.666
O/S Shares (mn)	: 151.7
52-wk HI/LO (INR)	: 4804/3060
Avg. Daily Vol ('000)	: 218
Bloomberg	: PI IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	114.4	123.3	141.8
BVPS (INR)	671.8	777.1	899.9
P/E (x)	37.3	34.6	30.1
P/BV (x)	6.4	5.5	4.7
RoE (%)	18.4	17.0	16.9

Source: Company, Antique

Returns (%)

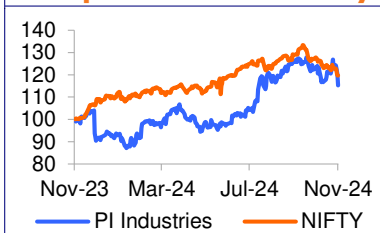
	1m	3m	6m	12m
Absolute	(7)	(2)	16	16
Relative	(1)	0	10	(3)

Source: Bloomberg

Shareholding pattern

Promoters	: 46%
Public	: 54%
Others	: 0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

PI Industries

Margin boost, positive outlook maintained

PI Industries (PI) reported broadly in-line numbers for 2QFY25 with revenue/ EBITDA/ PAT growth of 5%/ 14%/ 6% YoY respectively. Key highlights are 1) CSM revenue was up 10% YoY led by volume growth; new products grew 42% YoY and contributed ~16%-18%; 2) Domestic revenue down -5% YoY due to delayed and incessant rainfall and destocking; biological products grew by 18% YoY; 3) Pharma revenue was INR 411 mn, down 43% YoY due to subdued demand on account of inventory pile-up in the system; 4) Gross margin up ~520 bps YoY at 52% led by improved product mix; 5) EBITDA margin at 28% (ex-pharma 32%) up ~220 bps. PI has lowered its FY25 topline growth guidance to high single-digit YoY (earlier 15%) with EBITDA margin sustaining at 26%. Tax rate for FY25 at 22%-23%. We believe the slowdown in global agro market is temporary and pricing pressure will be easing out in a phase manner from FY26. Considering 1H performance, we have broadly maintained our EPS earnings estimates for FY25/ 26/ 27. Maintain BUY with a revised TP of INR 4,960 (earlier INR 4,770), valuing the stock at 35x FY27E EPS (five-yr. high/ low/ average 43x/ 21x/ 31x).

Volume and new products growth drives CSM business; domestic business was subdued

Consolidated revenue surged 5% YoY in 2QFY25 to INR 22.2 bn (Antique est. INR 23.1 bn). CSM business was up 10% YoY led by volume growth as well as 42% growth in new products. However, one customer has filled Chapter 11 due to which some revenue loss is expected. Domestic business continued to remain under pressure, down -5% YoY, impacted by delayed and incessant rainfall and destocking. Biological products grew 18% YoY and pharma was INR 411 mn, down 43% YoY, due to lower demand led by inventory pile-up at the innovator level. PI has lowered its growth guidance for the CSM business to a single digit in 2H due to subdued demand in the global market, however, it expects strong demand traction in new products. It expects the contribution of new molecules to be higher in coming years from 16%–18% currently. Further, for FY25, the company has guided for a higher single-digit topline growth for FY25.

Better product mix drives EBITDA margin performance

Gross margin expanded ~520 bps YoY to 52% led by improved product mix. CSM contribution to topline improved to 77% vs. 74% in 2QFY24. EBITDA was INR 6.3 bn, up 14% YoY vs. an estimate of INR 6.1 bn. However, EBITDA margin expanded only by ~224 bps YoY to 28% (vs. est. of 26%) due to a ~110 bps/ 190 bps expansion of employee/ other expenses as a % of topline. The other expenses at INR 3.3 bn was up 20%, attributable to a) Acquisition of Plant Health Care and b) Higher overhead in pharma business. EBITDA margin for the standalone business (ex-pharma) came in at 32%, up ~400 bps YoY. The pharma business reported an EBITDA loss of INR 374 mn due to high development spends which are expected to continue for the next few quarters. **The company has maintained its EBITDA margin guidance at 26% for FY25.**

Robust product pipeline

CSM order book is at USD 1.45 bn, down 19%/ 7% YoY/ QoQ, which is executable in the next 4–5 years. Capex guidance for FY25 is INR 8–9 bn for commissioning two new dedicated plants. In 1HFY25 in CSM, the company commercialized four new products and plans to aggressively commercialize 8-10 new products in FY25. In the domestic market, the company launched four new brands and has 2-3 more brands in the pipeline to be launched in FY25. Further, it has 20 under registration and development to be launched over the next few years.

Investment Summary

We believe a) Strong volume-led growth in CSM and domestic market, b) A robust pipeline of product launches for 3–4 years, c) Growing CSM order book, and d) Scale-up of the pharma business will continue to drive growth for PI over the medium term. PI has provided a topline growth guidance of high single-digit YoY with EBITDA margin sustaining at 26% levels. Maintain BUY.

Conference Call Highlights

■ CSM business:

- The order book size at USD 1.45 bn will provide growth visibility in the CSM business for the next 4-5 years.
- Launching four new products in 1HFY25. Expects growth to come from newly launched products.
- New product contribution will increase to 30%-35% over the next 2-3 years from the current 16%-18%.
- Margin profile for new and existing products are more or less similar, except changes in RM prices. Further expecting growth will be majorly driven by new products.

■ Domestic business:

- Brand business was up 7%, majorly driven by 12% volume uptick.
- Growth has been impacted due to adverse weather.
- It will continue to focus on scaling up the biologicals business, which grew by 18% in 2QFY25 YoY.
- The company reduced dependency on generic products and focus will be on scaling up new products.
- In the domestic market, the company launched three new brands and has two more in the pipeline to be launched in 2HFY25.
- Focusing on horticulture and biological products which will be margin accretive. Further, indicating commercialization of 6-7 molecules.
- Expects good momentum, especially in crops like chili, rice, pulses, fruits, and vegetables in 2H.

■ Acquisition of Plant Health Care Plc (PHC):

- Completed acquisition of PHC during 1Q. Will take 2 to 3 years to contribute profitably.
- There was a one-off expense related to PHC acquisition during 2Q.
- Making investment in market development of PHC's existing portfolio and in R&D for its existing pipeline.
- Looking to commercialize some of the products in India for which the initial work has started.

■ Pharma business:

- Saw a temporary softness in demand due to inventory pile-up at the innovator level, but expecting recovery in the next 2-3 quarters.
- R&D center in Hyderabad and the Gulfport facility are also now operational.
- Capex will be in the range of INR 1-1.2 bn in FY25.
- The company has 100+ scientists specifically for the pharma business.

■ Capex: PI has given a capex guidance of INR 8-9 bn for FY25. This will include commercialization of two new dedicated facilities.

■ Trade working capital: Improved to 70 days vs. 84 days in the base quarter led by 13 days reduction in inventory days to 50 days.

Table 1: Financial snapshot - (Consolidated) (INR in mn)

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	22,210	21,169	4.9	20,689	7.4	42,899	40,273	6.5
Cost of Material Consumed	10,714	11,311	(5.3)	9,977	7.4	20,691	21,529	(3.9)
% of sales	48.2	53.4	(519 bps)	48.2	2 bps	48.2	53.5	(523 bps)
Employee cost	1,956	1,638	19.4	2,001	(2.2)	3,957	3,373	17.3
% of sales	8.8	7.7	107 bps	9.7	(86 bps)	9.2	8.4	85 bps
Other expenses	3,258	2,706	20.4	2,879	13.2	6,137	5,179	18.5
% of sales	14.7	12.8	189 bps	13.9	75 bps	14.3	12.9	145 bps
Total expenditure	15,928	15,655	1.7	14,857	7.2	30,785	30,081	2.3
EBITDA	6,282	5,514	13.9	5,832	7.7	12,114	10,192	18.9
Margin %	28.3	26.0	224 bps	28.2	10 bps	28.2	25.3	293 bps
Other income	1,222	469	160.6	727	68.1	1,949	938	107.8
Depreciation	798	803	(0.6)	834	(4.3)	1,632	1,500	8.8
Interest expenses	85	78	9.0	83	2.4	168	121	38.8
Profit Before Tax	6,621	5,102	29.8	5,642	17.4	12,263	9,509	29.0
PBT after exceptional	6,621	5,102	29.8	5,642	17.4	12,263	9,509	29.0
Tax	1,546	317	387.7	1,175	31.6	2,721	942	188.9
Tax Rate %	23.3	6.2	1,714 bps	20.8	252 bps	22.2	9.9	1,228 bps
Reported Net Profit	5,075	4,785	6.1	4,467	13.6	9,542	8,567	11.4
Adjusted Net Profit	5,082	4,805	5.8	4,488	13.2	9,570	8,634	10.8
EPS	33.5	31.7	5.8	29.6	13.2	63.2	57.0	10.8

Source: Company, Antique

Table 2: Half-yearly balance sheet

(INR mn)	2QFY25	2QFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	152	152	-	152	152	-
Reserves and surplus	95,302	79,668	19.6	1,01,959	87,158	17.0
Loan funds	1,073	1,261	(14.9)	617	1,279	(51.8)
Deferred tax liability (Net)	344	89	286.5	-267	-267	-
Total	96,871	81,170	19.3	1,02,461	88,322	16.0
Fixed assets	44,589	36,774	21.3	46,108	38,064	21.1
Investments	12,331	11,507	7.2	13,363	13,363	-
Current assets, loans and advances						
Inventories	11,648	13,998	(16.8)	13,956	13,012	7.3
Sundry debtors	15,451	14,643	5.5	10,232	9,299	10.0
Cash and bank balances	28,440	18,105	57.1	29,971	27,039	10.8
Other current assets	7,492	6,184	21.2	6,394	6,394	-
Less: Current liabilities and provisions						
Trade Payables	13,342	12,045	10.8	10,198	11,484	(11.2)
Current liabilities	8,967	7,374	21.6	7,365	7,365	-
Net Current Assets	40,722	33,511	21.5	42,989	36,895	16.5
Total	97,642	81,792	19.4	1,02,461	88,322	16.0
Net Working Capital	13,757	16,596	(17.1)	13,989	10,827	29.2

Source: Company, Antique

Table 3: Cash flow statement

(INR mn)	1 HFY25	1 HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	12,291	9,576	28.4	22,736	18,947	20.0
Depreciation	1,632	1,500	8.8	3,456	3,082	12.1
Interest	168	(684)	(124.6)	400	300	33.3
Others	(6,888)	(149)	4,522.8	(3,531)	(1,782)	—
Tax	(1,811)	(1,552)	—	(5,457)	(3,750)	—
Changes in working capital	2,614	(1,994)	—	(3,162)	3,671	—
Operating cash flow	8,006	6,697	19.5	14,547	20,359	(28.5)
Capex	(3,840)	(2,944)	—	(11,500)	(6,190)	—
Others	(3,035)	(4,603)	(34.1)	3,531	(11,815)	—
Investing cash flow	(6,875)	(7,547)	—	(7,969)	(18,005)	—
Net proceeds from borrowings	(236)	98	—	(662)	(19)	—
Others	(1,624)	(999)	—	(2,984)	(2,197)	—
Financing cash flow	(1,860)	(901)	—	(3,646)	(2,216)	—
Net cash flow	(729)	(1,751)	—	2,932	138	—
Opening cash balance	8,865	8,727	1.6	8,865	8,727	1.6
Closing cash balance	8,136	6,976	16.6	11,797	8,865	33.1
Bank Balance	20,304	11,129	-	18,174	18,174	0.0
Cash and Bank Balance	28,440	18,105	57.1	29,971	27,039	10.8
Free cash flow	4,166	3,753	11.0	3,047	14,169	(78.5)

Source: Company, Antique

Table 4: Actual vs. estimated performance

(INR mn)	Actual (Reported)	ASBL	Var(%)	Cons. Est.	Var(%)
Revenues	22,210	23,065	(3.7)	23,036	(3.6)
EBITDA	6,282	6,076	3.4	6,402	(1.9)
EBITDA margins (%)	28.3	26.3	194	27.8	49
Adjusted PAT	5,082	4,782	6.3	4,747	7.1

Source: Company, Antique

Table 5: Change in estimates

	FY25E			FY26E			FY27E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	88,648	82,992	(6.4)	1,01,818	92,807	(8.9)	1,17,508	1,04,162	(11.4)
EBITDA	23,295	23,061	(1.0)	26,851	24,773	(7.7)	30,768	28,269	(8.1)
EBITDA Margin(%)	26.3	27.8	151 bps	26.4	26.7	32.1 bps	26.2	27.1	95.6 bps
PAT	16,654	17,385	4.4	19,231	18,738	(2.6)	22,160	21,555	(2.7)
EPS	109.6	114.4	4.4	126.5	123.3	(2.6)	145.8	141.8	(2.7)

Source: Company, Antique

Table 6: Key technical prices

Particulars (INR/kg)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Amisulbrom	10,374	10,896	11,291	11,424	11,405	10,893	10,938	--	-	-
YoY Growth (%)	--	--	10%	13%	10%	0%	-3%	--	--	--
QoQ Growth (%)	2%	5%	4%	1%	0%	-4%	0%	--	--	--
AE 747 ETHER	3,936	4,213	4,243	3,988	3,988	4,010	3,968	3,772	-	-
YoY Growth (%)	21%	31%	31%	12%	1%	-5%	-6%	-5%	--	--
QoQ Growth (%)	11%	7%	1%	-6%	0%	1%	-1%	-5%	--	--
Metominostrobin	2,700	2,825	2,936	2,916	2,916	2,681	2,921	2,858	2,424	2,421
YoY Growth (%)	6%	12%	24%	14%	8%	-5%	-1%	-2%	-17%	-10%
QoQ Growth (%)	5%	5%	4%	-1%	0%	-8%	9%	-2%	-15%	0%
PCM (Herbicide Intermediate)	3,661	3,719	3,789	3,586	3,614	3,285	3,193	3,185	3,212	3,054
YoY Growth (%)	28%	30%	19%	7%	-1%	-12%	-16%	-11%	-11%	-7%
QoQ Growth (%)	9%	2%	2%	-5%	1%	-9%	-3%	0%	1%	-5%
Pyroxasulfone	6,874	6,898	7,096	7,140	7,116	7,157	7,210	7,102	7,067	7,098
YoY Growth (%)	19%	20%	21%	8%	4%	4%	2%	-1%	-1%	-1%
QoQ Growth (%)	4%	0%	3%	1%	0%	1%	1%	-2%	0%	0%
Tefuryltrione	8,494	8,494	8,700		8,293	8,343	8,402	8,399	7,927	7,956
YoY Growth (%)	22%	22%	22%	--	-2%	-2%	-3%	--	-4%	-5%
QoQ Growth (%)	19%	0%	2%	--	--	1%	1%	0%	-6%	0%
Triazole Intermediate					3,366	3,385	4,000	3,120	3,140	3,146
YoY Growth (%)	--	--	--	--	--	--	--	--	-7%	-7%
QoQ Growth (%)	--	--	--	--	--	1%	18%	-22%	1%	0%
Fluindapyr - New Product		6,853	7,176	6,847	6,812	--	--	6,428	6,311	6,317
YoY Growth (%)	--	--	--	--	--	--	--	-6%	-7%	--
QoQ Growth (%)	--	--	5%	-5%	-1%	--	--	--	-2%	0%
Fluxapyroxad - New Product								6,708	6,708	-
YoY Growth (%)	--	--	--	--	--	--	--	--	--	--
QoQ Growth (%)	--	--	--	--	--	--	--	--	--	--
Saflufenacil - New Product				5,646	6,816	6,891	6,901	6,506	5,825	5,760
YoY Growth (%)	--	--	--	--	--	--	--	15%	-15%	-16%
QoQ Growth (%)	--	--	--	--	--	--	--	-6%	-10%	-1%

Source: Antique

Table 7: Quarterly revenue and growth

Particulars (INR in mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
CSM Revenue	11,421	12,783	13,286	12,814	15,187	15,610	15,037	13,986	17,241	17,199
Growth YoY (%)	41.6	28.7	23.5	15	33	22.1	13.2	9.1	13.5	10.2
Domestic Revenue	4,011	4,917	2,846	2,842	3,474	4,840	2,665	2,709	3,195	4,600
Growth YoY (%)	3.6	36.2	1.5	1.1	-13.4	-1.6	-6.4	-4.7	-8	-5
Pharma Revenue					443	719	1,273	715	253	411
Growth YoY (%)	-	-	-	-	-	-	-	-	-	-
Total Revenue	15,432	17,700	16,132	15,656	19,104	21,169	18,975	17,410	20,689	22,210
Growth YoY (%)	29.3	30.7	18.9	12.2	23.8	19.6	17.6	11.2	-2.3	17

Source: Company, Antique

Table 8: Quarterly EBITDA and EBITDA margin

Particulars (INR in mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
EBITDA	3,456	4,319	4,151	3,428	4,678	5,514	5,536	4,418	5,832	6,282
EBITDA Margin (%)	22.4	24.4	25.7	21.9	24.5	26	29.2	25.4	28.2	28.3

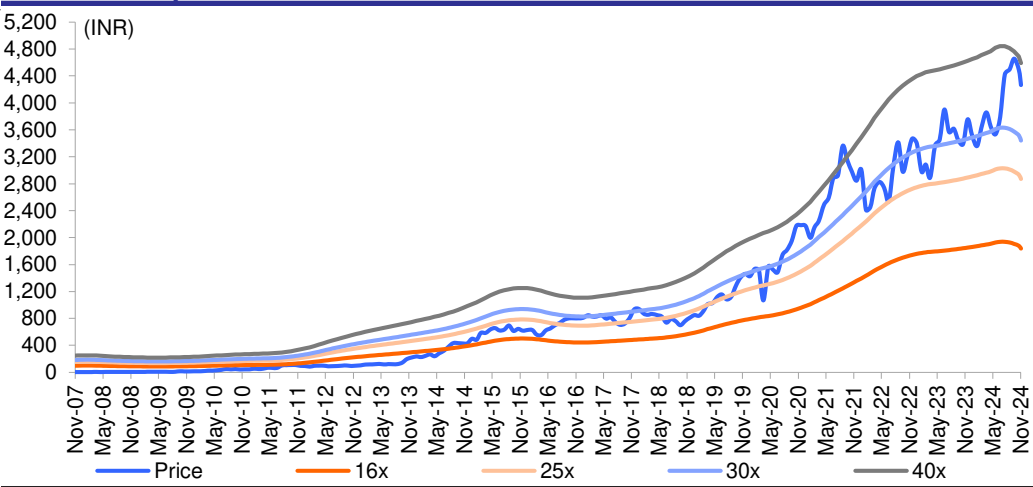
Source: Company, Antique

Table 9: Quarterly CSM order book and YoY growth

Particulars (USD in mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
CSM Order book	1,400	1,800	1,800	1,800	1,800	1,800	1,700	1,750	1,550	1,450
Growth YoY (%)	-7	29	29	29	29	-	-6	-3	-14	-19

Source: Company, Antique

Exhibit 1: One-year forward PE



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	64,920	76,658	82,992	92,807	1,04,162
Gross Profit	29,393	38,282	43,809	47,047	52,227
Op. Expenses	49,499	56,511	59,931	68,034	75,893
EBITDA	15,421	20,147	23,061	24,773	28,269
Depreciation	2,265	3,082	3,456	4,093	4,731
EBIT	13,156	17,065	19,605	20,680	23,539
Other income	1,590	2,077	3,531	4,237	5,084
Interest Exp.	371	300	400	400	400
Reported PBT	14,375	18,842	22,736	24,517	28,223
Tax	2,148	2,132	5,457	5,884	6,774
Reported PAT	12,227	16,710	17,280	18,633	21,450
Minority Int./Profit (loss) From Asso.	68	105	105	105	105
Net Profit	12,159	16,605	17,175	18,528	21,345
Adjusted PAT	12,295	16,815	17,385	18,738	21,555
Adjusted EPS (INR)	80.9	110.6	114.4	123.3	141.8

Balance sheet (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	152	152	152	152	152
Reserves & Surplus	71,833	87,158	1,01,959	1,17,961	1,36,627
Networth	71,985	87,310	1,02,111	1,18,113	1,36,779
Debt	-	1,279	617	617	617
Net deferred Tax liabilities	213	(267)	(267)	(267)	(267)
Capital Employed	72,198	88,322	1,02,461	1,18,463	1,37,129
Gross Fixed Assets	36,416	48,616	60,116	68,616	77,116
Accumulated Depreciation	9,662	12,283	15,739	19,832	24,563
Capital work in progress	625	1,731	1,731	1,731	1,731
Net Fixed Assets	27,379	38,064	46,108	50,515	54,284
Investments	10,156	13,363	13,363	13,363	13,363
Non Current Investments	313	903	903	903	903
Current Investments	9,843	12,460	12,460	12,460	12,460
Current Assets, Loans & Adv.	47,262	55,744	60,553	73,860	90,364
Inventory	13,976	13,012	13,956	16,298	18,498
Debtors	7,720	9,299	10,232	11,442	12,842
Cash & Bank balance	22,429	27,039	29,971	39,725	52,631
Loans & advances and others	3,137	6,394	6,394	6,394	6,394
Current Liabilities & Provisions	12,599	18,849	17,563	19,275	20,882
Liabilities	8,380	11,484	10,198	11,910	13,517
Provisions	4,219	7,365	7,365	7,365	7,365
Net Current Assets	34,663	36,895	42,989	54,584	69,482
Application of Funds	72,198	88,322	1,02,461	1,18,463	1,37,129

Per share data

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	152	152	152	152	152
Diluted no. of shares (mn)	152	152	152	152	152
BVPS (INR)	473.6	574.4	671.8	777.1	899.9
CEPS (INR)	95.3	130.2	136.4	149.5	172.2
DPS (INR)	10.0	15.0	17.0	18.0	19.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	14,443	18,947	22,736	24,517	28,223
Depreciation & amortization	2,265	3,082	3,456	4,093	4,731
Interest expense	371	300	400	400	400
(Inc)/Dec in working capital	2,050	3,671	(3,162)	(1,841)	(1,992)
Tax paid	(2,558)	(3,750)	(5,457)	(5,884)	(6,774)
Less: Interest/Div. Income Recd.	-	(1,249)	(3,531)	(4,237)	(5,084)
Other operating Cash Flow	(1,489)	(533)	-	-	-
CF from operating activities	15,014	20,359	14,547	17,153	19,609
Capital expenditure	(3,263)	(6,190)	(11,500)	(8,500)	(8,500)
Inc/(Dec) in investments	(2,547)	(12,811)	-	-	-
Add: Interest/Div. Income Recd.	848	996	3,531	4,237	5,084
CF from investing activities	(4,962)	(18,005)	(7,969)	(4,263)	(3,416)
Inc/(Dec) in debt	(2,669)	(19)	(662)	-	-
Dividend Paid	-	(1,744)	(2,584)	(2,736)	(2,888)
Others	(2,162)	(453)	(400)	(400)	(400)
CF from financing activities	(4,831)	(2,216)	(3,646)	(3,136)	(3,288)
Net cash flow	5,221	138	2,932	9,754	12,905
Opening balance	3,506	8,727	8,865	11,797	21,551
Closing balance	8,727	8,865	11,797	21,551	34,457
Bank Balance	13,702	18,174	18,174	18,174	18,174
Cash and Bank Balance	22,429	27,039	29,971	39,725	52,631

Growth indicators (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	22.5	18.1	8.3	11.8	12.2
EBITDA(%)	35.0	30.6	14.5	7.4	14.1
Adj PAT(%)	45.7	36.8	3.4	7.8	15.0
Adj EPS(%)	45.7	36.8	3.4	7.8	15.0

Valuation (x)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	52.8	38.6	37.3	34.6	30.1
P/BV (x)	9.0	7.4	6.4	5.5	4.7
EV/EBITDA (x)	39.8	30.2	26.2	24.0	20.6
EV/Sales (x)	9.5	7.9	7.3	6.4	5.6
Dividend Yield (%)	0.2	0.4	0.4	0.4	0.4

Financial ratios

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	18.5	21.1	18.4	17.0	16.9
RoCE (%)	21.5	23.8	24.3	22.6	22.4
Asset/T.O (x)	1.1	1.1	1.0	1.0	0.9
Net Debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
EBIT/Interest (x)	39.7	63.8	57.8	62.3	71.6

Margins (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	23.8	26.3	27.8	26.7	27.1
EBIT Margin(%)	20.3	22.3	23.6	22.3	22.6
PAT Margin(%)	18.5	21.4	20.1	19.3	19.7

Source: Company Antique

CMP	: INR 4,999
Reco	: HOLD ↔
Target Price	: INR 5,300 ↑
Target Price Change	: 3%
Target FY27E (P/E)	: 45
EPS Change FY25/26/27	: -9%/-2%/-2%

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Market data

Sensex	:	80,982
Sector	:	Industrial
Market Cap (INR bn)	:	596.2
Market Cap (USD bn)	:	7.064
O/S Shares (mn)	:	119.2
52-wk HI/LO (INR)	:	5840/2500
Avg. Daily Vol ('000)	:	48
Bloomberg	:	TMX IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	54.7	84.1	117.8
P/E (x)	91.4	59.5	42.4
P/BV (x)	11.3	9.8	8.2
EV/EBITDA (x)	64.0	42.6	30.6
Dividend Yield (%)	0.2	0.2	0.3

Source: Company, Antique

Returns (%)

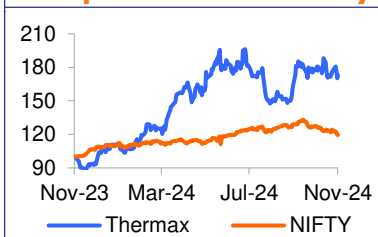
	1m	3m	6m	12m
Absolute	(2)	16	7	72
Relative	3	19	0	44

Source: Bloomberg

Shareholding pattern

Promoters	:	62%
Public	:	33%
Others	:	5%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Thermax

Margin-led miss on the operational front; maintain HOLD

Thermax's 2QFY25 results missed our estimates on the profitability front despite registering in-line revenue at INR 25.5 bn (+11% YoY; adjusting for INR 656 mn it received as incentive) impacted by weaker than estimated margin in the industrial infrastructure segment. Thermax is confident of improving the segment's profitability in 2HFY25 as a majority of the legacy orders in the FGD segment are nearing completion. Ordering activity for 2QFY25 remained strong with an inflow of INR 33.5 bn (+70% YoY) & current order book at INR 1,116 bn (+13% YoY) providing limited revenue visibility with 1.2x its TTM. However, enquiry level from sectors like steel, chemical, biofuel, and F&B has been robust which is expected to beef-up the order book in FY25 and business outlook remains positive across core segments. We trim our estimates by 9%/ 2%/ 2% for FY25/ 26/ 27 respectively to factor in the 1HFY25 margin miss in the industrial infrastructure segment and given premium valuation, we maintain HOLD rating on the stock with a revised TP of INR 5,300 (earlier INR 5,144) as we roll over our exit multiple to FY27 and value the company at 45x FY27E EPS (earlier 50x 1HFY27) and await a better entry point.

Miss on the profitability front as industrial infrastructure division margins continue to disappoint

Thermax's 2QFY25 results missed our estimate on the profitability front impacted by weaker than estimated margin (adjusting for incentive of INR 656.2 mn) in the industrial infrastructure segment (2% vs. est. of 5.5%), impacting the company's quarterly performance. Revenue booking (adjusting for one-off incentive received worth INR 656 mn) for the quarter stood in line with our estimate at INR 25.5 bn (+11% YoY; est. of INR 26 bn) while adjusted EBIDTA missed our estimate by 14% and stood at INR 2.1 bn (+4% YoY) given weaker than estimated performance of the industrial infrastructure segment. Adjusted PAT at INR 1.5 bn (-6% YoY) also stood 21% below our estimate.

Industrial infrastructure segment margin disappoints; expect it to revert to normalcy in 2HFY25

Despite strong revenue booking in the industrial infrastructure segment (+15% YoY), the segment's margin (adjusting for one-off incentive of INR 656 mn) declined 340 bps YoY and stood at 1.9% for 2QFY25. The segment has been at a breakeven level on the profitability front in 1HFY25 as 1QFY25 witnessed provision across projects in the bio CNG, FGD, and Sulphur recovery segment leading to loss in 1QFY25 while 2QFY25 margin was depressed at 1.9% on account of execution of legacy and weak margin orders in the FGD and Sulphur recovery segment. Thermax believes that most of the provisions are being booked and legacy orders are nearing completion in 1HFY25 and the margin should improve in 2HFY25. Business outlook continues to remain promising in the power, cement, and bio CNG markets and expects business to gain momentum in the years to come.

Order booking witness healthy growth in 2QFY25; business outlook remains positive

Thermax's order inflow for 2QFY25 (INR 33.5 bn; +70% YoY) was healthy supported by large energy project orders that it received from an industrial conglomerate in Botswana worth INR 10.3 bn. Industrial infra (INR 1.7 bn; +167% YoY), industrial products (INR 1.4 bn; 25% YoY), and chemical (INR 199 mn; +11% YoY) segment ordering witnessed growth, whereas green solutions (INR 57 mn; -2% YoY) segment ordering was subdued during the quarter. It expects ordering activity to remain healthy in 2HFY25 as order finalization in sectors like power, steel, chemical, biofuel, and F&B are expected to gain momentum.

Investment Summary

We maintain HOLD rating on the stock given the current premium valuation and await a better entry point. We cut our earnings estimate by 9%/ 2%/ 2% for FY25/ 26/ 27E respectively to factor in the weak margin it booked in the industrial infrastructure segment in 1HFY25. And given the premium valuations we have revised our TP to INR 5,300 (earlier INR 5,144) as we roll over our exit multiple to FY27, valuing the company at 45x FY27E EPS and await a better entry point.

Conference Call Highlights

1. Industrial Infra:

- a. TBWES received two orders for four CFBC boilers for setting up 2 x 300 MW energy project from a mining conglomerate in Botswana, Southern Africa. No civil work involved. Margins in-line with large boiler business segment.
- b. Synchronized a 1 x 8 MW cogen power plant on an EPC basis.
- c. Profitability is better due to PSI income. However, YTD profitability is lower due to lower margins in projects due to cost overruns in 1Q.

2. Industrial products segment:

- a. Steady growth with products across multi-end use. Small boilers impacted due to slowdown in ethanol theme.
- b. Order size also increasing gradually. Working on improving margins across parameters.

3. Chemical - Green shots in order inflow. Revenue affected primarily due to higher input and freight cost as Europe is a major market.

4. Project segment - Taken a step back in medium projects in the range of INR 2-5 bn. The company is looking to strategize and then bid only if orders are more profitable comparatively.

5. Taking a moderate impact on the Tamil Nadu project.

6. FEPL:

- a. Commissioned 2 MW solar project in Maharashtra.
- b. Initiated phased commissioning of 39 MW wind project in Tamil Nadu.
- c. Newer projects have better profitability and return ratios. Expecting more orders in coming quarters.

7. TOESL:

- a. Commissioned green steam plant for a European confectionery major and a global food MNC reducing 60,000 tons/year of emissions and building a 200+ TPD supply chain.
- b. Order inflow remained subdued in 1HFY25. Expecting strong order inflow in 2HFY25.

8. Ceres partnership: Partnership for Green Hydrogen Production with large-scale Solid Oxide Electrolysis Cell (SOEC) manufacturing in India.

9. Single large order of INR 40-60 bn executable over 3-4 years with civil work is not Thermax's forte and will not bid for them.

10. Sweet spot for the company is small base orders in the range of INR 20-25 bn.

11. Refining order pipeline is developing well. Biomass doing well and is expected to continue growing.

12. Reasonable pipeline in steel as well. Ordering likely in 4QFY25/ 1QFY26.

13. Wind grid at Gujarat was shut down during the quarter due to monsoon.

Table 1: Quarterly highlights

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total revenues (net)	25,460	23,025	10.6	21,844	16.6	47,304	42,354	11.7
RM	14,405	12,805	12.5	12,288	17.2	26,692	23,579	13.2
% of Sales	56.6	55.6	96 bps	56.3	33 bps	56.4	55.7	76 bps
Staff cost	3,229	2,843	13.6	2,913	10.8	6,142	5,401	13.7
% of Sales	12.7	12.3	34 bps	13.3	-65 bps	13.0	12.8	23 bps
Other operating expenses	5,703	5,330	7.0	5,231	9.0	10,934	10,006	9.3
% of Sales	22.4	23.2	-75 bps	23.9	-155 bps	23.1	23.6	-51 bps
Total expenditure	23,336	20,978	11.2	20,433	14.2	43,769	38,986	12.3
Adjusted EBITDA	2,124	2,046	3.8	1,412	50.4	3,535	3,368	5.0
EBITDA Margin (%)	8.3	8.9	-55 bps	6.5	188 bps	7.5	8.0	-48 bps
Depreciation	421	330	27.6	360	16.8	781	624	25.2
Interest	294	198	48.4	275	7.0	569	332	71.5
Other income	598	659	(9.2)	841	(28.9)	1,439	1,189	21.0
Extraordinary items	656	-	-	-	-	656	(506)	-
PBT	2,663	2,177	22.3	1,617	64.6	4,280	3,602	18.8
Tax	683	589	15.9	519	31.5	904	904	-
Tax rate (%)	25.6	27.0	-141 bps	32.1	-645 bps	21.1	25.1	-398 bps
Reported net profit	1,980	1,586	24.8	1,094	81.0	2,186	2,186	-
Adjusted net profit	1,485	1,586	(6.4)	1,094	35.7	2,579	2,692	(4.2)
EPS (INR)	17.6	14.1	24.8	9.7	81.0	27.3	23.9	14.2

Source: Company, Antique

Table 2: Segmental highlights

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Sales								
Chemicals	1,903	1,879	1.3	1,708	11.4	3,612	3,486	3.6
Industrial Products	10,576	9,894	6.9	9,608	10.1	20,184	18,253	10.6
Industrial Infra	11,770	10,851	8.5	9,251	27.2	21,021	20,013	5.0
Green Solutions	1,751	1,246	40.5	1,737	0.8	3,488	2,378	46.7
Total	25,460	23,025	10.6	21,844	16.6	47,304	42,354	11.7
EBIT								
Chemicals	306	345	(11.4)	304	0.8	610	611	(0.2)
Industrial Products	1,145	988	15.9	867	32.1	2,012	1,548	30.0
Industrial Infra	225	573	(60.6)	(184)	(222.8)	42	875	(95.2)
Green Solutions	216	80	171.1	230	(6.0)	446	180	148.0
Total	1,599	1,788	(10.6)	942	69.7	2,541	2,882	(11.8)
EBIT Margins (%)								
Chemicals	16.1	18.4	-231 bps	17.8	-170 bps	16.9	17.5	-64 bps
Industrial Products	10.8	10.0	84 bps	9.0	181 bps	10.0	8.5	149 bps
Industrial Infra	1.9	5.3	-336 bps	(2.0)	390 bps	0.2	4.4	-417 bps
Green Solutions	12.3	6.4	595 bps	13.2	-88 bps	12.8	7.6	522 bps
Total (%)	6.3	7.8	-148 bps	4.3	197 bps	5.4	6.8	-143 bps

Source: Company, Antique

Table 3: Balance sheet

(INR mn)	1 HFY25	1 HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	225	225	0%	225	225	0%
Reserves and Surplus	45,974	39,662	16%	49,408	44,173	12%
Minority Interest	77	41		-	-	
Loan Funds	14,520	10,555		13,060	12,560	4%
Deferred Tax Liability	347	40		(963)	(963)	
Total	61,144	50,523	21%	61,730	55,995	10%
Fixed Assets	28,571	21,630	32%	18,949	19,116	-1%
Capital Work-in-Progress				5,132	5,194	
Investments	18,908	17,230		17,651	17,651	
Deferred Tax Asset	1,334	974				
Current Assets, Loans And Adv.	60,872	53,298	14%	69,318	58,485	19%
Inventories	8,181	7,571	8%	8,558	7,649	12%
Sundry Debtors	22,631	19,463	16%	24,293	22,671	7%
Cash and Bank Balances	7,668	9,976	-23%	15,867	9,753	63%
Loans and Advances	57	60	-5%	20,600	18,412	12%
Other current assets	22,336	16,228	38%			
Current Liabilities and Provisions	48,542	42,608	14%	49,319	44,450	11%
Liabilities	44,642	39,488	13%	45,842	40,972	12%
Provisions	3,900	3,120	25%	3,478	3,478	0%
Net Working Capital	12,330	10,689	15%	19,998	14,035	42%
Total	61,144	50,523	21%	61,730	55,995	10%
Net debt	6,852	579	1083%	(2,807)	2,806	NM

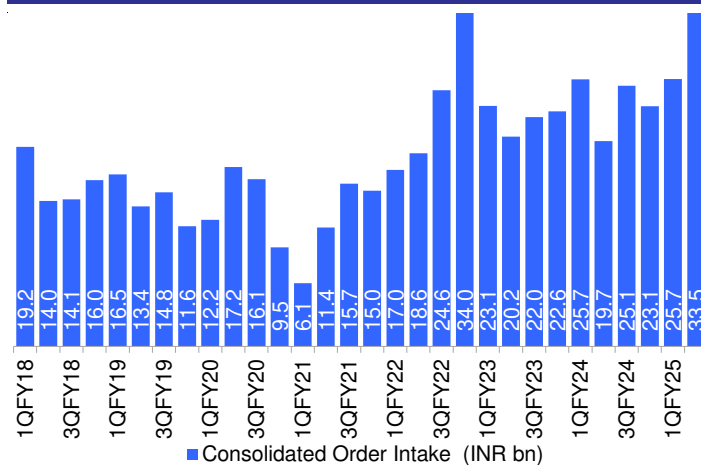
Source: Company, Antique

Table 4: Cash flow

(INR mn)	1 HFY25	1 HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	4,271	3,083	39%	8,242	7,943	4%
Depreciation	781	597	31%	1,728	1,481	17%
Interest	502	276	82%	-	-	
Others	(834)	881		656	849	-23%
Changes in working capital	830	(1,018)		150	(2,927)	
Operating cash flow	5,162	1,746	196%	8,700	5,088	71%
Capex	(5,313)	(4,525)		(1,500)	(8,970)	
Others	(621)	228		-	(1,390)	
Investing cash flow	(5,934)	(4,297)		(1,508)	(10,369)	
Net proceeds/Repayment from borrowings	1,806	2,201	-18%	500	4,454	-89%
Others	(1,933)	(1,156)		1,578	1,434	10%
Financing cash flow	(127)	1,045	-112%	(1,078)	3,717	
Net cash flow	(899)	(1,506)		6,114	(1,563)	
Opening cash balance	4,668	4,473	4%	9,753	11,316	-14%
Closing cash balance	3,872	2,986	30%	15,867	9,753	63%
Free cash flow	(151)	(2,779)		7,200	(3,882)	

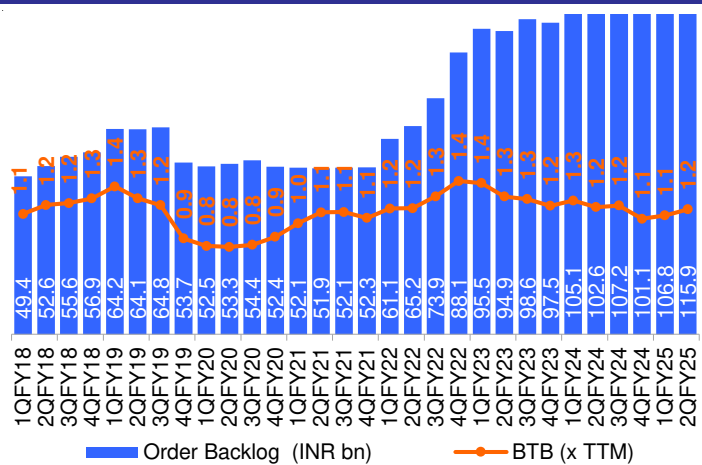
Source: Company, Antique

Exhibit 1: Order inflow up 70% YoY



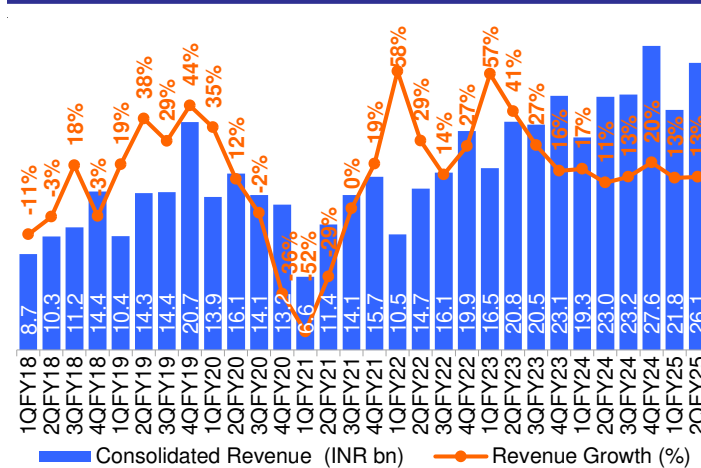
Source: Company, Antique

Exhibit 2: Order backlog stands at INR 116 bn providing visibility of 1.2x its TTM revenue



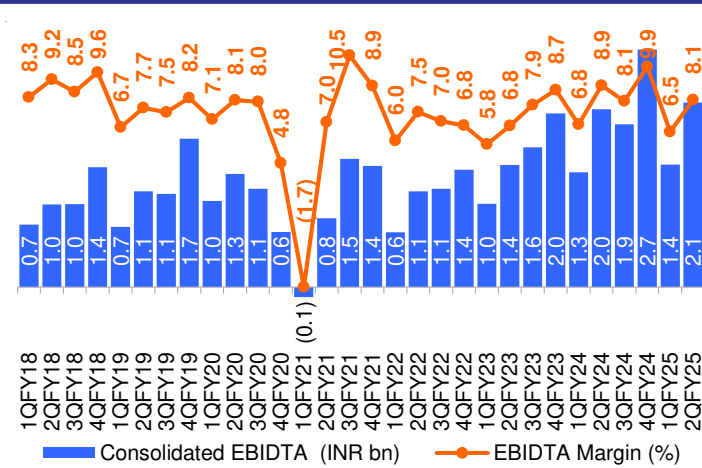
Source: Company, Antique

Exhibit 3: Revenue improves 11% YoY supported by healthy revenue booking in industrial infrastructure segment



Source: Company, Antique

Exhibit 4: Adjusted EBIDTA margin stands at 8.3% (-60 bps YoY)



Source: Company, Antique

Table 5: Change in earnings (New vs old sheet)

INRm	OLD				NEW				Change			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Revenue	93,235	1,06,196	1,27,754	1,54,812	93,235	1,04,316	1,25,496	1,52,084	0%	-2%	-2%	-2%
EBITDA	7,974	9,695	13,431	18,401	7,974	8,850	13,166	18,083	0%	-9%	-2%	-2%
EBITDA margin	8.6%	9.1%	10.5%	11.9%	8.6%	8.5%	10.5%	11.9%	0.0%	-0.6%	0.0%	0.0%
Reported PAT	6,432	6,789	9,666	13,500	6,432	6,813	9,468	13,263	0%	0%	-2%	-2%
Adj. PAT	5,677	6,789	9,666	13,500	5,677	6,157	9,468	13,263	0%	-9%	-2%	-2%

Source: Antique & Company

Financials - Consolidated

Profit and loss account (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	80,898	93,235	1,04,316	1,25,496	1,52,084
Op. Expenses	74,923	85,261	95,466	1,12,331	1,34,001
Gross Profit	34,651	41,039	46,838	57,352	69,502
EBITDA	5,976	7,974	8,850	13,166	18,083
Depreciation	1,169	1,481	1,728	1,803	1,878
EBIT	4,807	6,493	7,122	11,362	16,204
Other income	1,602	2,326	2,529	2,770	3,056
Interest Exp.	376	876	1,409	1,464	1,519
Extra Ordinary Items -gain/(loss)	-	755	656	-	-
Reported PBT	6,033	7,943	8,242	12,669	17,742
Tax	1,524	2,258	2,077	3,193	4,471
Reported PAT	4,509	5,685	6,165	9,476	13,271
Minority Int./Profit (loss) From Asso.	(2)	(8)	(8)	(8)	(8)
Net Profit	4,507	6,432	6,813	9,468	13,263
Adjusted PAT	4,507	5,677	6,157	9,468	13,263
Adjusted EPS (INR)	40.0	50.4	54.7	84.1	117.8

Balance sheet (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	225	225	225	225	225
Reserves & Surplus	38,456	44,173	49,408	57,140	68,494
Networth	38,681	44,398	49,633	57,365	68,719
Debt	8,105	12,560	13,060	13,560	14,060
Minority Interest	22	-	-	-	-
Net deferred Tax liabilities	(1,057)	(963)	(963)	(963)	(963)
Capital Employed	45,751	55,995	61,730	69,962	81,816
Gross Fixed Assets	25,701	33,816	35,316	36,816	38,316
Accumulated Depreciation	13,219	14,700	16,428	18,231	20,110
Capital work in progress	4,338	5,194	5,132	5,132	5,132
Net Fixed Assets	16,819	24,309	24,081	23,778	23,399
Investments	16,261	17,651	17,651	17,651	17,651
Non Current Investments	16,261	17,651	17,651	17,651	17,651
Current Assets, Loans & Adv.	54,220	58,485	69,318	87,161	1,11,077
Inventory	7,556	7,649	8,558	10,296	12,477
Debtors	18,766	22,671	24,293	29,225	35,417
Cash & Bank balance	11,316	9,753	15,867	22,857	33,150
Loans & advances and others	16,582	18,412	20,600	24,783	30,033
Current Liabilities & Provisions	41,549	44,450	49,319	58,627	70,311
Liabilities	39,128	40,972	45,842	55,150	66,834
Provisions	2,421	3,478	3,478	3,478	3,478
Net Current Assets	12,670	14,035	19,998	28,534	40,765
Application of Funds	45,751	55,995	61,730	69,962	81,816

Per share data

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	113	113	113	113	113
Diluted no. of shares (mn)	113	113	113	113	113
BVPS (INR)	343.5	394.3	440.8	509.5	610.3
CEPS (INR)	50.4	63.6	70.1	100.2	134.5
DPS (INR)	9.0	9.9	10.9	12.0	13.2

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	6,033	7,943	8,242	12,669	17,742
Depreciation & amortization	1,169	1,481	1,728	1,803	1,878
(Inc)/Dec in working capital	(837)	(2,927)	150	(1,545)	(1,939)
Tax paid	1,524	2,258	2,077	3,193	4,471
Other operating Cash Flow	214	849	656	-	-
CF from operating activities	5,055	5,088	8,700	9,735	13,210
Capital expenditure	(5,597)	(8,970)	(1,500)	(1,500)	(1,500)
Inc/(Dec) in investments	(1,496)	(1,390)	-	-	-
Add: Interest/Div. Income Recd.	-	-	-	1	1
CF from investing activities	(7,095)	(10,369)	(1,508)	(1,508)	(1,508)
Inc/(Dec) in debt	4,551	4,454	500	500	500
Dividend Paid	1,304	1,434	1,578	1,736	1,909
CF from financing activities	3,822	3,717	(1,078)	(1,236)	(1,409)
Net cash flow	1,781	(1,563)	6,114	6,991	10,292
Opening balance	9,535	11,316	9,753	15,867	22,857
Closing balance	11,316	9,753	15,867	22,857	33,150

Growth indicators (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	32.0	15.2	11.9	20.3	21.2
EBITDA	41.8	33.4	11.0	48.8	37.3
Adj PAT	44.3	26.0	8.5	53.8	40.1
Adj EPS	44.3	26.0	8.5	53.8	40.1

Valuation (x)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	124.9	99.2	91.4	59.5	42.4
P/BV (x)	14.6	12.7	11.3	9.8	8.2
EV/EBITDA (x)	94.0	70.7	64.0	42.6	30.6
EV/Sales (x)	694.0	605.1	542.8	446.7	364.3
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.3

Financial Ratios

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	12.2	13.7	13.1	17.7	21.0
RoCE (%)	15.5	17.3	16.4	21.5	25.4
Asset/T.O (x)	3.0	3.6	3.1	3.0	3.2
Net Debt/Equity (x)	0.2	0.3	0.3	0.2	0.2
EBIT/Interest (x)	17.0	10.1	6.8	9.7	12.7

Margins (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	7.4	8.6	8.5	10.5	11.9
EBIT Margin (%)	5.9	7.0	6.8	9.1	10.7
PAT Margin (%)	5.6	6.1	5.9	7.5	8.7

Source: Company Antique

CMP	: INR 220
Reco	: BUY ↔
Target Price	: INR 265 ↑
Target Price Change	: 12%
Target FY27 EV/EBITDA (x)	: 6.3
EBITDA Change FY25/ 26/ 27	: 27%/ 6%/ 21%

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Market data

Sensex	:	77,580
Sector	:	Metals
Market Cap (INR bn)	:	403.8
Market Cap (USD bn)	:	4.784
O/S Shares (mn)	:	1,836.6
52-wk HI/LO (INR)	:	248/90
Avg. Daily Vol ('000)	:	17,235
Bloomberg	:	NACLIN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	19.4	19.1	22.6
P/E (x)	11.3	11.5	9.7
P/BV (x)	2.4	2.1	1.8
EV/EBITDA (x)	6.7	6.6	5.5
Dividend Yield (%)	2.7	3.0	3.2

Source: Company, Antique

Returns (%)

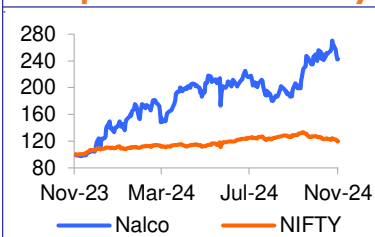
	1m	3m	6m	12m
Absolute	(3)	33	16	139
Relative	3	36	9	100

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg

Indexed to 100

2QFY25 RESULT REVIEW

National Aluminium Company

Alumina segment drives sharp beat in performance; outlook strong

Nalco's standalone revenue at INR 40 bn (4.4% above our estimate and 10.7% higher than consensus) rose 31.5% YoY and 40.1% QoQ, primarily aided by stronger alumina and aluminum prices and plausibly improved volumes (management has highlighted that 1HFY25 witnessed the best-ever 1H performance in domestic metal sales of ~222 KT). The positive impact of stronger alumina, alumina prices and YoY lower power and fuel costs (likely aided by ramp-up of captive coal mining) sharply drove 2QFY25 performance. EBITDA at INR 15.5 bn sharply rose by 290.7% YoY and 65.8% QoQ; it was 29.9% above our estimate and 30.9% higher than consensus. Aluminum segment EBIT at INR 8.6 bn materially grew by 324.7% YoY and 6.2% QoQ, while alumina segment EBIT at INR 5.9 bn rose sharply by 432.1% YoY and shot up 1,810.5% QoQ (1QFY25 witnessed lower sales due to logistic disruption and inventory build-up of alumina to aid alumina capacity expansion's calciner trial runs). Adjusted PAT at INR 10.6 bn jumped by 415% YoY and 76.7% QoQ. We incorporate 39%/ 14%/ 14% stronger alumina prices, 10%/ 13% lower alumina volumes, and 3%/ 5% reduction in power and fuel costs, leading to 27%/ 6%/ 21% rise in FY25/ 26/ 27 EBITDA. We roll over our valuation to FY27 (from 1HFY27), maintain BUY rating, and arrive at a TP of INR 265 (earlier INR 236) based on a target multiple of 6.3x FY27E EV/EBITDA.

EBITDA materially grew YoY and QoQ aided by strong topline

Aluminum segment EBIT at INR 8.6 bn materially grew by 324.7% YoY and 6.2% QoQ. Average spot LME aluminum price for 2QFY25 was at USD 2,382 per ton (strengthened by 10.3% YoY but lower by 5.7% QoQ). Aluminum sales volume estimated at ~121 KT grew by 2.5% YoY and 12.8% QoQ. Management has highlighted that 1HFY25 witnessed the best-ever 1H performance in domestic metal sales of ~222 KT. Power and fuel costs at INR 8.1 bn declined by 22.7% YoY but rose by 18.1% QoQ (aided by lower coal costs and ramp-up of captive coal mining at Utkal block D, but we believe further benefits will accrue in subsequent quarters as monsoon is an impediment to coal mining). Personnel cost at INR 4.8 bn was higher by 5.1% YoY and 2.1% QoQ while other expenses at INR 5.2 bn rose by 4.2% YoY and declined by 9.5% QoQ. The interplay of higher topline and all these factors led to an EBITDA of INR 15.5 bn (materially higher by 290.7% YoY and 65.8% sequentially).

Alumina segment performance improved materially

Alumina segment revenue at INR 17 bn was higher by 36.8% YoY and jumped by 99.8% QoQ (coupled with stronger prices and a lower base of 1QFY25 owing to logistic disruption and inventory build-up of alumina to aid alumina capacity expansion's calciner trial runs). Segment EBIT at INR 5.9 bn increased sharply by 432.1% YoY and shot up 1,810.5% QoQ. The ongoing 1 mtpa brownfield alumina expansion (total capital outlay of approx. INR 82.5 bn; physical progress stood at ~65% in September'24) is expected to be commissioned by September'25, implying full ramp-up in FY27. The additional alumina volume would support topline growth from FY26 onwards.

High margin of safety with attractive dividend yield and high cash levels

Despite the ongoing capex projects, cash and cash equivalents at the end of FY25 are projected at ~INR 42.3 bn, which is ~10% its current market capitalization, leading to a high margin of safety. The company has signed a MoU with NTPC for long-term supply of 1,200 MW of power, which implies 0.5 mtpa smelter expansion (estimated capex of INR 170 bn) is also planned in the next few years. It can be funded entirely through internal accruals (with 1 mtpa additional alumina volumes contributing to cash flows FY27 onwards).

Investment Summary

Nalco sells ~1.3 MT of alumina and ~0.4 MT of aluminum annually and is well positioned to benefit from their strong prices. We remain positive on Nalco in view of the steady alumina, aluminum price outlook (supported by supply tightness due to Alcoa's closure of Kwinana refinery, Rio Tinto's declaration of force majeure at Queensland refinery, recent bauxite disruptions in Guinea), and integrated business model. An additional 1 mtpa of alumina along with captive coal mining would drive margin expansion and cost reduction. We like the company's growth prospects, integrated operations, and net cash position. We maintain BUY rating and arrive at a target price of INR 265 basis a target multiple of 6.3x FY27E EV/EBITDA.

Table 1: Quarterly performance—standalone (INR mn)

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Sales	40,015	30,434	31.5	28,561	40.1	68,576	62,218	10.2
Cost of Material Consumed	6,453	6,464	(0.2)	1,941	232.5	8,393	12,379	(32.2)
% of sales	16.1	21.2	-511 bps	6.8	933 bps	12.2	19.9	-766 bps
Employee cost	4,764	4,531	5.1	4,667	2.1	9,431	10,825	(12.9)
% of sales	11.9	14.9	-298 bps	16.3	-443 bps	13.8	17.4	-365 bps
Power & fuel	8,102	10,481	(22.7)	6,858	18.1	14,960	19,664	(23.9)
% of sales	20.2	34.4	-1419 bps	24.0	-376 bps	21.8	31.6	-979 bps
Other expenses	5,206	4,994	4.2	5,753	(9.5)	10,960	9,441	16.1
% of sales	13.0	16.4	-340 bps	20.1	-713 bps	16.0	15.2	81 bps
Total Exp	24,525	26,469	(7.3)	19,219	27.6	43,744	52,309	(16.4)
EBITDA	15,490	3,965	290.7	9,342	65.8	24,832	9,909	150.6
Margin %	38.7	13.0	2568 bps	32.7	600 bps	36.2	15.9	2029 bps
Other income	718	686	4.7	605	18.6	1,323	1,171	13.0
Depreciation	1,798	1,862	(3.4)	1,743	3.2	3,541	3,558	(0.5)
Interest expenses	44	40	11.0	34	29.9	78	63	25.4
Profit Before Tax	14,366	2,750	422.4	8,170	75.8	22,536	7,459	202.1
PBT after exceptional	14,366	2,750	422.4	8,170	75.8	22,536	7,459	202.1
Tax	3,744	687	444.9	2,158	73.5	5,902	1,902	210.2
Tax Rate %	26.1	25.0	107 bps	26.4	-35 bps	26.2	25.5	68 bps
Reported Net Profit	10,622	2,063	415.0	6,012	76.7	16,634	5,557	199.4
Adjusted Net Profit	10,622	2,063	415.0	6,012	76.7	16,634	5,557	199.4
EPS (INR)	5.7	1.1	415.0	3.2	76.7	8.9	3.0	199.4

Source: Company, Antique

Table 2: Segmental Results

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Revenue								
Chemicals (alumina)	17,026	12,450	36.8	8,521	99.8	25,546	24,143	5.8
Aluminium	27,268	23,340	16.8	25,347	7.6	52,615	47,808	10.1
Unallocated common	92	61	n.m.	(16)	n.m.	76	260	n.m.
Total	44,386	35,851	23.8	33,851	31.1	78,237	72,211	8.3
less: inter segment revenue	4,371	5,412	(19.2)	5,290	(17.4)	9,661	9,986	(3.3)
Net sales from operations	40,015	30,438	31.5	28,561	40.1	68,576	62,225	10.2

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
EBIT								
Chemicals (alumina)	5,947	1,118	432.1	311	1,810.5	6,259	2,207	183.5
Aluminium	8,563	2,016	324.7	8,064	6.2	16,627	5,798	186.8
Total	14,510	3,134	363.0	8,376	73.2	22,886	8,006	185.9

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
EBIT Margins								
Chemicals (alumina)	34.9	9.0	2595 bps	3.7	3128 bps	24.5	9.1	1536 bps
Aluminium	31.4	8.6	2276 bps	31.8	-41 bps	31.6	12.1	1947 bps

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Key Monitorables								
LME Aluminum price (USD per ton)	2,382	2,160	10.3	2,525	(5.7)	2,454	2,210	11.0
USD:INR	83.8	82.7	1.4	83.4	0.4	83.6	82.4	1.4

Source: Company, Antique

Table 3: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	9,183	9,183	-	9,183	9,183	-
Reserves and Surplus	1,49,376	1,26,904	17.7	1,61,166	1,36,533	18.0
Loan Funds	908	957	(5.1)	964	964	-
Deferred Tax Liability	8,502	8,747	(2.8)	8,414	8,414	-
Total	1,67,969	1,45,791	15.2	1,79,728	1,55,095	15.9
Fixed Assets	77,792	74,715	4.1	72,455	73,843	(1.9)
Capital Work-in-Progress	42,340	37,769	12.1	55,731	45,731	21.9
Investments	7,937	6,967	13.9	5,252	5,252	-
Current Assets, Loans And Advances	79,306	64,541	22.9	88,624	69,360	27.8
Inventories	18,727	20,182	(7.2)	17,786	18,297	(2.8)
Sundry Debtors	3,581	1,084	230.4	1,700	1,535	10.7
Cash and Bank Balances	36,228	19,706	83.8	41,515	25,752	61.2
Loans and Advances	20,771	23,569	(11.9)	27,622	23,777	16.2
Current Liabilities and Provisions	39,407	38,202	3.2	42,333	39,091	8.3
Liabilities	35,924	35,575	1.0	38,893	35,652	9.1
Provisions	3,483	2,627	32.6	3,440	3,440	-
Net Working Capital	3,671	6,633	(44.7)	4,775	4,518	5.7
Total	1,67,969	1,45,791	15.2	1,79,728	1,55,095	15.9
Net debt	(35,320)	(18,749)	88.4	(40,551)	(24,788)	63.6

Source: Company, Antique

Table 4: Cashflow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	16,634	5,557	199.4	35,653	16,331	118.3
Depreciation	3,541	3,558	(0.5)	7,889	7,497	5.2
Interest	78	63	25.4	19	172	(88.8)
Changes in working capital	(13,560)	175	(7,857.2)	(258)	6,884	(103.7)
Operating cash flow	6,694	9,352	(28.4)	43,303	30,884	40.2
Capex	(7,648)	(12,828)	(40.4)	(16,500)	(21,097)	(21.8)
Others	-	-	-	-	3,725	(100.0)
Investing cash flow	(7,648)	(12,828)	(40.4)	(16,500)	(17,372)	(5.0)
Net proceeds from borrowings	(49)	(297)	(83.4)	-	(82)	(100.0)
Others	11,480	2,304	n/a	(11,039)	(8,853)	24.7
Financing cash flow	11,430	2,007	469.6	(11,039)	(8,935)	23.5
Net cash flow	10,476	(1,469)	(813.3)	15,764	4,577	244.5
Opening cash balance	25,752	21,175	21.6	25,752	21,175	21.6
Closing cash balance	36,228	19,706	83.8	41,515	25,752	61.2
Free cash flow	(954)	(3,476)	(72.5)	26,803	9,787	173.9

Source: Company, Antique

Table 5: Revision in estimates — Nalco (Standalone)

	Previous estimates			Current estimates			% change		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue (INR mn)	1,45,297	1,60,144	1,65,618	1,55,109	1,59,796	1,76,431	7%	0%	7%
EBITDA (INR mn)	42,284	49,616	50,474	53,709	52,609	60,937	27%	6%	21%
Adjusted PAT (INR mn)	27,113	32,791	33,564	35,653	35,073	41,551	31%	7%	24%
Alumina price (USD per ton)	350	350	350	485	400	400	39%	14%	14%
Alumina sales volume (tons)	13,20,250	18,21,325	20,73,500	11,89,250	15,82,250	20,73,500	-10%	-13%	0%
LME Aluminum price (USD per ton)	2,500	2,500	2,450	2,500	2,500	2,500	0%	0%	2%
Aluminium sales volume (tons)	4,60,000	4,60,000	4,60,000	4,60,000	4,60,000	4,60,000	0%	0%	0%
Power and fuel costs (INR mn)	35,645	39,514	41,669	34,544	37,535	41,669	-3%	-5%	0%

Source: Company, Antique

Table 6: Target price

	INR mn
FY27e EBITDA - INR mn	60,937
EV/EBITDA multiple	6.3
Target EV - INR mn	3,83,903
Add:	
Net cash at FY27e INR mn	69,968
CWIP at FY27e INR mn @0.4x book value	32,892
Target market capitalisation INR mn	4,86,763
Target price INR per share	265

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenues	1,42,549	1,31,492	1,55,109	1,59,796	1,76,431
Expenses	1,18,068	1,02,762	1,01,400	1,07,186	1,15,494
EBITDA	24,481	28,729	53,709	52,609	60,937
Depreciation & amortization	7,158	7,497	7,889	8,279	8,669
EBIT	17,323	21,233	45,820	44,331	52,268
Other income	2,356	2,507	2,378	3,085	3,901
Interest expense	129	172	19	19	19
Profit before tax	19,550	23,568	48,179	47,396	56,150
Extraordinaries	-	4,268	-	-	-
Tax	4,105	7,236	12,527	12,323	14,599
Profit after tax	15,445	20,600	35,653	35,073	41,551
Adjusted PAT	15,445	16,331	35,653	35,073	41,551
EPS (INR)	8.4	8.9	19.4	19.1	22.6

Balance sheet (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	9,183	9,183	9,183	9,183	9,183
Reserves & Surplus	1,23,201	1,36,533	1,61,166	1,84,301	2,12,996
Networth	1,32,385	1,45,717	1,70,350	1,93,485	2,22,179
Debt	1,046	964	964	964	964
Deferred tax/ other liabilities	9,578	8,414	8,414	8,414	8,414
Capital Employed	1,43,008	1,55,095	1,79,728	2,02,863	2,31,557
Gross Fixed Assets	1,16,924	1,24,979	1,31,479	1,37,979	1,44,479
Accumulated Depreciation	43,889	51,136	59,025	67,303	75,972
Net Assets	73,035	73,843	72,455	70,676	68,507
Capital work in progress	32,689	45,731	55,731	67,731	82,231
Investments	4,708	5,252	5,252	5,252	5,252
Liquid Investments	1,456	1,729	1,729	1,729	1,729
Current Assets Loans & Advances					
Inventory	18,402	18,297	17,786	18,897	20,435
Debtors	913	1,535	1,700	1,751	1,933
Cash & Bank	21,175	25,752	41,515	54,358	69,202
Loans & advances and others	26,464	23,777	27,622	28,457	31,419
Current Liabilities & Provisions					
Creditors	31,901	35,652	38,893	40,819	43,983
Provisions	2,477	3,440	3,440	3,440	3,440
Net Current Assets	32,576	30,269	46,291	59,205	75,568
Application of Funds	1,43,008	1,55,095	1,79,728	2,02,863	2,31,557

Per share data

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	1,837	1,837	1,837	1,837	1,837
BVPS (INR)	72.1	79.3	92.8	105.3	121.0
CEPS (INR)	12.3	13.0	23.7	23.6	27.3
DPS (INR)	4.5	4.0	6.0	6.5	7.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	19,550	23,568	48,179	47,396	56,150
Depreciation	7,158	7,497	7,889	8,279	8,669
Interest	129	172	19	19	19
(Inc)/ Dec in working capital	(13,021)	6,884	(258)	(71)	(1,519)
Tax paid	(4,105)	(7,236)	(12,527)	(12,323)	(14,599)
CF from operating activities	9,711	30,884	43,303	43,300	48,720
Capex	(16,773)	(21,097)	(16,500)	(18,500)	(21,000)
(Inc)/ Dec in Investments	(936)	(543)	-	-	-
Income from investments	-	4,268	-	-	-
CF from investing activities	(17,709)	(17,372)	(16,500)	(18,500)	(21,000)
Inc/ (Dec) in debt	275	(82)	-	-	-
Dividends & Interest paid	(8,394)	(7,519)	(11,039)	(11,957)	(12,876)
Others	231	(1,334)	-	-	-
CF from financing activities	(7,888)	(8,935)	(11,039)	(11,957)	(12,876)
Net cash flow	(15,886)	4,577	15,764	12,843	14,844
Add: Opening balance	37,061	21,175	25,752	41,515	54,358
Closing balance	21,175	25,752	41,515	54,358	69,202

Growth indicators (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	0.3	(7.8)	18.0	3.0	10.4
EBITDA	(46.2)	17.4	86.9	(2.0)	15.8
PAT	(47.7)	5.7	118.3	(1.6)	18.5
EPS	(47.7)	5.7	118.3	(1.6)	18.5

Valuation

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	26.1	24.7	11.3	11.5	9.7
P/BV (x)	3.0	2.8	2.4	2.1	1.8
EV/EBITDA (x)	15.6	13.1	6.7	6.6	5.5
EV/Sales (x)	2.7	2.9	2.3	2.2	1.9
Dividend Yield (%)	2.0	1.8	2.7	3.0	3.2

Financial ratios

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE	12.0	11.7	22.6	19.3	20.0
RoCE	13.7	12.8	27.4	24.6	26.6
Debt/Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)

Margins (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA	17.2	21.8	34.6	32.9	34.5
EBIT	12.2	16.1	29.5	27.7	29.6
PAT	10.8	12.4	23.0	21.9	23.6

Source: Company Antique

CMP	: INR 990
Reco	: BUY ↔
Target Price	: INR 1,357 ↓
Target Price Change	: -14%
Target FY27e P/E (x)	: 40
EPS Change FY25/ 26/ 27	: 4%/-22%/-15%

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Market data

Sensex	:	77,580
Sector	:	Defense
Market Cap (INR bn)	:	362.7
Market Cap (USD bn)	:	4.297
O/S Shares (mn)	:	366.6
52-wk HI/LO (INR)	:	1795/534
Avg. Daily Vol ('000)	:	522
Bloomberg	:	BDL IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	16.6	23.3	33.9
P/E (x)	60.2	42.9	29.5
P/BV (x)	9.2	8.1	6.9
EV/EBITDA (x)	64.4	38.3	23.5
Dividend Yield (%)	0.6	0.7	1.0

Source: Bloomberg

Returns (%)

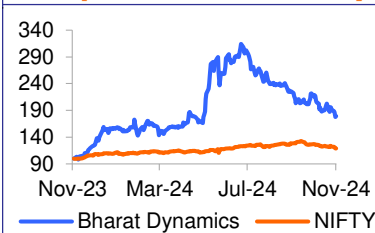
	1m	3m	6m	12m
Absolute	(18)	(25)	(1)	82
Relative	(13)	(23)	(7)	54

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Bharat Dynamics

Supply chain continues to dent performance; Execution to see ramp up in 2HFY25

Bharat Dynamics' (BDL) 2QFY25 results were below our estimates. Supply chain issues pertaining to certain electronic components have hampered BDL's performance over the past eight quarters. However, these issues are gradual receding and BDL is prioritizing delivery of orders where supply chain is functioning normally. Additionally, BDL is planning to indigenize the critical component ecosystem so as to avoid over reliance on foreign vendors. We believe that BDL has the capability to execute the existing large order backlog of INR 190 bn as supply chain issues gets sorted. Also since BDL is DRDO's production partner, it will maintain a steady inflow of orders leading to further build-up of a robust order backlog. Exports, which are 13% of the order book currently, have the potential to grow meaningfully as the Cabinet Committee on Security has approved the export of Akash missiles to nine countries. We, therefore, continue to maintain an optimistic stance on the stock and retain BUY rating with a revised TP of INR 1,357 (40x FY27E EPS; earlier TP INR 1,579) as we scale down our earnings by 22%/ 15% for FY26/ 27 respectively to factor in the BDL's higher R&D spending to develop new products and to ramp up its indigenization levels.

2QFY25 result snapshot

- **Sales** at INR 5.5 bn (-11.5% YoY) was below our estimate of INR 7.0 bn. The miss on revenue was on account of continued supply side challenges the company has been facing for the last eight quarters to execute its robust order backlog of INR 19 bn. BDL still retains its guidance of INR 30 bn+ for FY25 as it intends to prioritize delivery of orders where its supply chain is in place and push back orders facing supply challenges to FY26.
- **Gross margin** of 58.9% vs. 55.9% in 2QFY24 and above our expectation of 53%.
- EBITDA stood at INR 988 bn below our estimate of INR 1.4 bn (cons. INR 903 mn) impacted by under absorption of cost.
- EBITDA margin of 18.1% (-370 bps YoY) against our estimate of 21% (cons. 15.5%).
- Other income at INR 860 mn (+10% YoY), in line with our estimate of INR 861 mn.
- PAT at INR 1.2 bn (-16.7% YoY) was below our estimate of INR 1.57 bn (cons. INR 1.1 bn).

Ordering momentum to continue; INR 250 bn+ worth of orders expected by FY27E

BDL reported INR 17.6 bn worth of orders in FY24 supported by ATGM orders (INR 7.5 bn), Akash missile upgrade order (INR 2.5 bn), LBRM order (INR 2.5 bn), and ULPGM order (INR 1 bn). These have resulted in a robust order book of INR 190 bn, providing healthy revenue visibility of 8.6x its TTM revenue. The company expects INR 20-50 bn worth of orders to materialize in FY25. Incrementally, the ordering pipeline (INR 200 bn+) looks equally strong from the next two to three-year perspective, with large ticket orders like Astra MK II, QRSAM, and MRSAM expected to be finalized.

Supply chain issues taking time to get resolved; alternate strategy in place to accelerate execution

Despite a strong order backlog of INR 190 bn, BDL's execution has remained muted given the supply chain challenges that it faced over the last two year, however, those issues now seem to be gradually getting ironed out and additionally BDL has developed an alternate strategy to prioritize delivery of orders where its supply chain is in place and to push back execution of orders with supply chain issues to FY26. Execution is expected to gain momentum from 2HFY25. We believe normalization of supply chain and development of an alternate supply chain would help BDL smoothly execute the large order backlog it has accumulated over the last three years.

Investment Summary

Given the strong business outlook and a huge export opportunity available to BDL, we continue to remain positive on the company's long-term business prospects and maintain our positive stance on the company. We maintain BUY rating on the stock with **a revised TP of INR 1,357 (40x FY27E EPS; earlier TP INR 1,579) as we scale down our earnings by 22%/ 15% for FY26/ 27 respectively to factor in BDL's higher R&D spending that it intends to incur to develop new products and ramp up its indigenization levels.**

Table 1: Quarterly performance

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total revenues (net)	5,448	6,158	(11.5)	1,912	185.0	7,359	9,135	(19.4)
RM	2,237	2,715	(17.6)	322	593.7	2,560	3,957	(35.3)
% of Sales	41.1	44.1	-301 bps	16.9	2420 bps	34.8	43.3	-854 bps
Staff cost	1,419	1,292	9.9	1,471	(3.5)	2,890	2,645	9.3
% of Sales	26.1	21.0	507 bps	76.9	-5089 bps	39.3	29.0	1031 bps
Other operating expenses	803	811	(1.0)	642	25.1	1,444	1,519	(4.9)
% of Sales	14.7	13.2	156 bps	33.6	-1882 bps	19.6	16.6	300 bps
Total expenditure	4,459	4,818	(7.4)	2,435	83.1	6,894	8,121	(15.1)
EBITDA	988	1,340	(26.3)	(523)	(288.9)	465	1,014	(54.1)
EBITDA Margin (%)	18.1	21.8	-362 bps	(27.4)	4551 bps	6.3	11.1	-478 bps
Depreciation	176	174	1.1	157	12.5	333	343	(3.0)
Interest	7	8	(6.7)	12	(36.7)	19	16	20.7
Other income	860	783	9.9	804	7.0	1,664	1,857	(10.4)
PBT	1,665	1,941	(14.2)	112	1,382	1,777	2,513	(29.3)
Tax	439	470	(6.6)	40	993.8	480	623	(23.1)
Tax rate (%)	26.4	24.2	216 bps	35.8	-937 bps	27.0	24.8	217 bps
Reported net profit	1,226	1,471	(16.7)	72	1,599	1,298	1,889	(31.3)
Adjusted net profit	1,226	1,471	(16.7)	72	1,599	1,298	1,889	(31.3)
EPS (INR)	6.7	8.0	(16.7)	0.4	1,599	7.1	10.3	(31.3)

Source: Company, Antique

Table 2: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	1,833	1,833	0	1,833	1,833	-
Reserves and Surplus	35,488	31,901	11	38,062	34,535	10
Loan Funds	456	45	916			
Deferred Tax Liability	(695)	(618)	12	(707)	(707)	-
Total	37,082	33,161	12	39,187	35,661	10
Fixed Assets	6,569	6,674	(2)	7,596	8,236	(8)
Capital Work-in-Progress	968	547	77	743	729	2
Goodwill	2,078	1,559	33			
Investments	2,038	1,324	54			
Current Assets, Loans And Advances	92,949	82,250	13	92,237	93,728	-2
Inventories	22,574	17,377	30	23,151	19,825	17
Sundry Debtors	6,964	5,586	25	2,314	3,104	(25)
Cash and Bank Balances	34,734	38,134	(9)	45,342	42,285	7
Loans and Advances	28,676	21,153	36	21,431	28,514	(25)
Current Liabilities and Provisions	67,519	59,192	14	61,389	67,032	(8)
Liabilities	63,597	55,403	15	56,975	63,029	(10)
Provisions	3,922	3,789	4	4,414	4,003	10
Net Working Capital	25,430	23,057	10	30,848	26,696	16
Total	37,082	33,161	12	39,187	35,661	10
Net debt	(34,278)	(38,089)	N M	(45,342)	(42,285)	7

Source: Company, Antique

Table 3 Cash flow

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	1,777	2,513	(29)	8,134	6,642	22
Depreciation	333	343	(3)	955	670	42
Interest	19	16	21	32	31	2
Others	(1,584)	(1,504)	5	(4,132)	(3,618)	14
Changes in working capital	(7,204)	(1,520)	374	(1,096)	(278)	294
Tax Paid	(1,231)	(581)		(2,050)	(2,298)	
Operating cash flow	(7,890)	(734)	975	1,843	1,149	60
Capex	(983)	(295)	233	(329)	(921)	(64)
Others	5,305	(6,537)	(181)	4,132	3,618	14
Investing cash flow	4,322	(6,832)	(163)	3,803	4,452	(15)
Net proceeds/Repayment from borrowings	-20	-16	25			
Others	(407)	(16)	2,369	(2,558)	(1,874)	36
Financing cash flow	(426)	(32)	1,220	(2,589)	(1,905)	36
Net cash flow	(426)	(32)	1,220	3,057	3,696	(17)
Opening cash balance	5,938	10,529	(44)	42,285	38,589	10
Closing cash balance	1,944	2,931	(34)	45,342	42,285	7
Free cash flow	(8,873)	(1,029)	762	1,514	229	NM

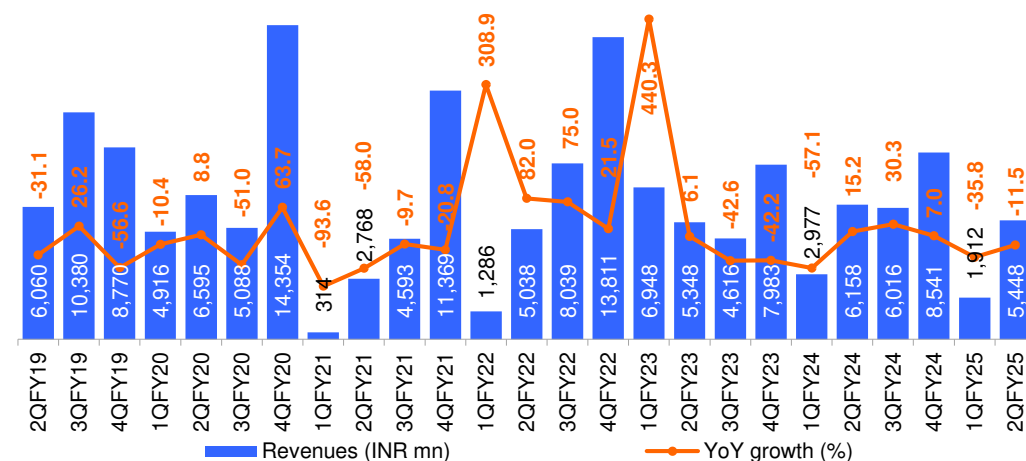
Source: Company, Antique

Table 4: Change in earnings

INR mn	OLD				NEW				Change			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Revenue	23,693	29,344	49,307	63,883	23,693	31,203	45,778	63,814	0%	6%	-7%	0%
EBITDA	3,726	4,903	11,795	16,548	3,726	4,988	8,394	13,717	0%	2%	-29%	-17%
EBITDA margin	15.7%	16.7%	23.9%	25.9%	15.7%	16.0%	18.3%	21.5%	0.0%	-0.7%	-5.6%	-4.4%
Reported PAT	4,487	5,829	11,030	14,688	4,487	6,084	8,552	12,440	0%	4%	-22%	-15%
Adj. PAT	4,487	5,829	11,030	14,688	4,487	6,084	8,552	12,440	0%	4%	-22%	-15%

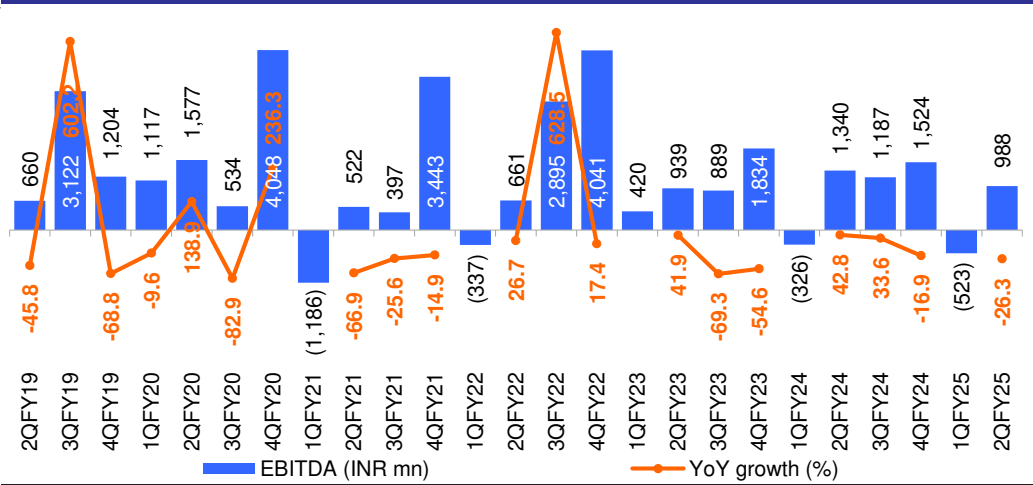
Source: Company, Antique

Exhibit 1: Execution was muted impacted by supply chain issues



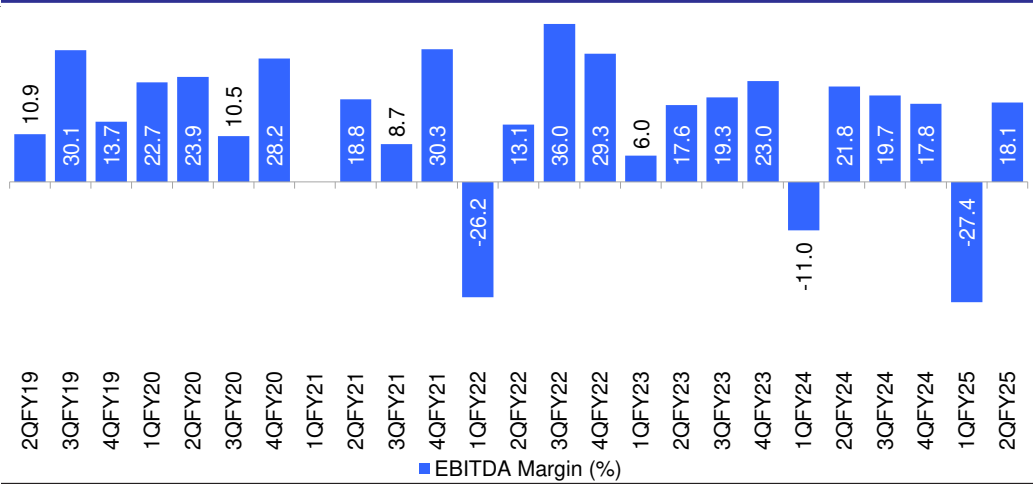
Source: Company, Antique

Exhibit 2: Profit below estimate impacted by weaker than estimated execution



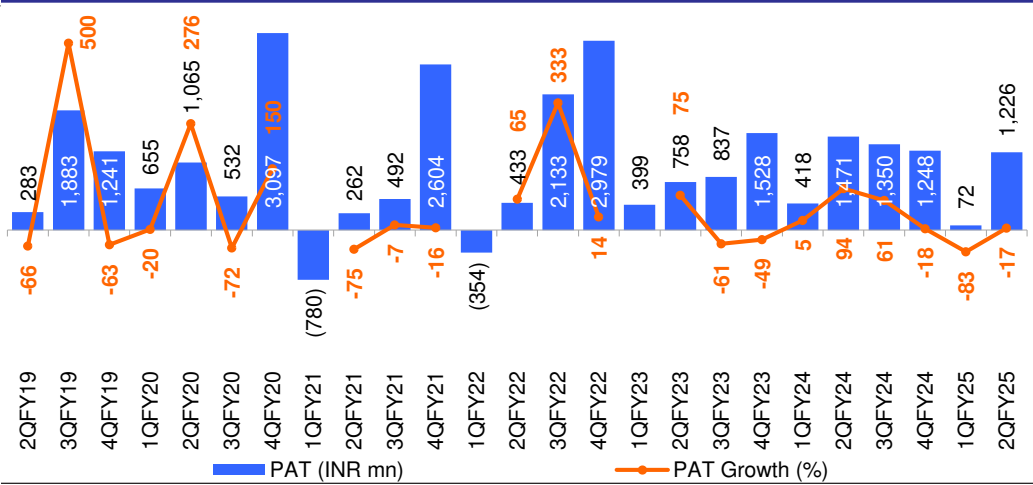
Source: Company, Antique

Exhibit 3: EBITDA margin below estimate on account of under absorption of cost



Source: Company, Antique

Exhibit 4: Registers PAT decline of 17% YoY



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	24,894	23,693	31,203	45,778	63,814
Op. Expenses	20,812	19,967	26,215	37,384	50,097
Gross Profit	12,981	13,079	16,070	22,980	33,311
EBITDA	4,082	3,726	4,988	8,394	13,717
Depreciation	773	670	955	986	1,018
EBIT	3,309	3,055	4,033	7,407	12,700
Other income	1,554	3,618	4,132	4,058	3,964
Interest Exp.	45	31	32	32	33
Extra Ordinary Items -gain/(loss)	-	1,640	-	-	-
Reported PBT	4,818	6,642	8,134	11,433	16,631
Tax	1,296	2,155	2,050	2,881	4,191
Reported PAT	3,522	6,127	6,084	8,552	12,440
Net Profit	3,522	6,127	6,084	8,552	12,440
Adjusted PAT	3,522	4,487	6,084	8,552	12,440
Adjusted EPS (INR)	9.6	12.2	16.6	23.3	33.9

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	1,833	1,833	1,833	1,833	1,833
Reserves & Surplus	30,282	34,535	38,062	43,522	51,465
Networth	32,115	36,368	39,895	45,355	53,298
Net deferred Tax liabilities	(564)	(707)	(707)	(707)	(707)
Capital Employed	31,551	35,661	39,187	44,648	52,590
Gross Fixed Assets	14,157	15,092	15,407	15,907	16,407
Accumulated Depreciation	6,071	6,856	7,811	8,797	9,815
Capital work in progress	743	729	743	743	743
Net Fixed Assets	8,829	8,965	8,339	7,853	7,335
Current Assets, Loans & Adv.	77,331	93,728	92,237	1,13,305	1,36,361
Inventory	18,224	19,825	23,151	34,875	46,664
Debtors	1,846	3,104	2,314	3,394	4,731
Cash & Bank balance	38,589	42,285	45,342	44,888	44,011
Loans & advances and others	18,673	28,514	21,431	30,148	40,954
Current Liabilities & Provisions	54,609	67,032	61,389	76,510	91,105
Liabilities	51,092	63,029	56,975	70,194	82,443
Provisions	3,517	4,003	4,414	6,316	8,662
Net Current Assets	22,722	26,696	30,848	36,795	45,255
Application of Funds	31,551	35,661	39,187	44,648	52,590

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	367	367	367	367	367
Diluted no. of shares (mn)	367	367	367	367	367
BVPS (INR)	87.6	99.2	108.8	123.7	145.4
CEPS (INR)	11.7	18.5	19.2	26.0	36.7
DPS (INR)	4.6	5.2	5.8	7.0	10.2

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	4,818	6,642	8,134	11,433	16,631
Depreciation & amortization	773	670	955	986	1,018
Interest expense	45	31	32	32	33
(Inc)/Dec in working capital	18,915	(278)	(1,096)	(6,400)	(9,337)
Tax paid	(2,181)	(2,298)	(2,050)	(2,881)	(4,191)
Less: Interest/Div. Income Recd.	(1,118)	(3,618)	(4,132)	(4,058)	(3,964)
CF from operating activities	21,252	1,149	1,843	(888)	189
Capital expenditure	(1,083)	(921)	(329)	(500)	(500)
Add: Interest/Div. Income Recd.	1,085	3,618	4,132	4,058	3,964
CF from investing activities	(11,710)	4,452	3,803	3,558	3,464
Dividend Paid	(1,669)	(2,304)	(2,558)	(3,091)	(4,497)
Others	(13)	430	0	(0)	(0)
CF from financing activities	(1,714)	(1,905)	(2,589)	(3,124)	(4,530)
Net cash flow	7,828	3,696	3,057	(454)	(877)
Opening balance	30,710	38,589	42,285	45,342	44,888
Closing balance	38,539	42,285	45,342	44,888	44,011

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	(11.6)	(4.8)	31.7	46.7	39.4
EBITDA	(43.8)	(8.7)	33.9	68.3	63.4
Adj PAT	(34.0)	27.4	35.6	40.6	45.5
Adj EPS	(34.0)	27.4	35.6	40.6	45.5

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	103.0	80.9	60.2	42.9	29.5
P/BV (x)	11.3	10.0	9.2	8.1	6.9
EV/EBITDA (x)	79.4	86.1	64.4	38.3	23.5
EV/Sales (x)	13.0	13.5	10.3	7.0	5.1
Dividend Yield (%)	0.5	0.5	0.6	0.7	1.0

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	11.3	13.1	16.0	20.1	25.2
RoCE (%)	11.6	13.4	16.3	20.5	25.6
Asset/T.O (x)	0.8	0.7	0.8	1.1	1.3
Net Debt/Equity (x)	(1.2)	(1.2)	(1.1)	(1.0)	(0.8)
EBIT/Interest (x)	107.2	214.9	257.8	354.9	505.7

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin	16.4	15.7	16.0	18.3	21.5
EBIT Margin	13.3	12.9	12.9	16.2	19.9
PAT Margin	14.1	18.9	19.5	18.7	19.5

Source: Company Antique

CMP	: INR 5,890
Reco	: HOLD ↔
Target Price	: INR 5,590 ↓
Target Price Change	: -4%
Target FY27 P/E (x)	: 25
EPS Change FY25/ 26/ 27	: -20%/ -5%/ -5%

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Market data

Sensex	:	77,580
Sector	:	Agrochemicals
Market Cap (INR bn)	:	264.8
Market Cap (USD bn)	:	3.138
O/S Shares (mn)	:	44.9
52-wk HI/LO (INR)	:	7197/4869
Avg. Daily Vol ('000)	:	14
Bloomberg	:	BYRCS IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	138.6	198.6	223.6
P/E (x)	42.5	29.7	26.3
P/BV (x)	9.5	9.1	8.7
EV/EBITDA (x)	31.5	21.9	19.5
Dividend Yield (%)	2.5	3.0	3.3

Source: Company, Antique

Returns (%)

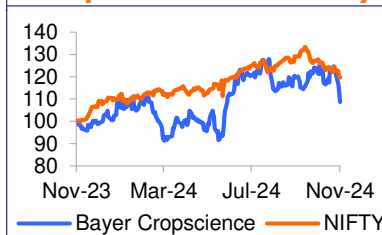
	1m	3m	6m	12m
Absolute	(11)	(5)	11	7
Relative	(6)	(3)	5	(10)

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Bayer Cropscience

Volume led growth; Margin pressure persists

Bayer CropScience (Bayer) reported decent sales growth during 2QFY25, broadly in line with our estimate. However, a decline in margins led to lower than estimated results. Revenue/ EBITDA/ PAT grew 7%/ -40%/ -39% YoY. Key highlights are a) Superior volume drove revenue growth; pricing pressure persists, b) Higher input costs in the crop protection business and production costs in the corn seed business impacted gross margin, c) One-time provision for employee severance impacted EBITDA margin. Our channel checks suggest that the company has taken sales return of high priced generic products, which has exerted pressure on sales growth and gross margin as well. Further, Bayer procures over 50% of its RMs from its European parent, which is high-cost in nature. Considering the 1HFY25 performance, we have trimmed FY25/ 26/ 27 EPS estimates by 20%/ 5%/ 5% assuming lower margins. We roll over our TP to FY27 EPS (earlier 1HFY27). Considering absence of a product launch pipeline and underperformance, we maintain HOLD rating with a revised TP of INR 5,590 (earlier INR 5,540) valuing the stock at 25x FY27E EPS (five-year high/ low 39x/ 20x, average 30x).

Volume led topline growth

During 2QFY25, Bayer reported a revenue growth of 7% YoY to INR 17.4 bn vs. Antique's estimate of INR 16.8 bn. The revenue growth was primarily driven by higher volumes which was partially offset by the pricing pressure due to oversupply from China. Further, our channel checks suggest that the company has taken sales return of high priced generic products, which has exerted pressure on topline growth as well.

Margin pressure continued

During 2QFY25, Bayer's gross margin contracted sharply by ~620 bps YoY to 31% mainly due to 1) Pricing pressure led by oversupply in the market by Chinese players, 2) Impact of higher production cost of corn seeds due to adverse weather conditions, which the company was not able to pass on, and 3) High COGS in the chemical business. Further, we believe the company has taken a hit on its high-cost inventory, especially for Glyphosate. The company's EBITDA declined by 40% YoY to INR 1.8 bn vs. Antique's estimate of INR 2.9 bn. EBITDA margin declined by ~830 bps YoY to 11% (Antique's estimate 17.4%). The contraction in EBITDA margin was on account of a) Lower gross margin and b) One-time provision of employee severance cost. PAT was down 39% to INR 1.4 bn vs. Antique's estimate of INR 2.9 bn.

Investment Summary

We believe that near-term challenges with respect to a slowdown in the CP business due to a) Pricing pressure on Glyphosate and b) Slowdown in new product launches will continue to persist. Considering absence of a product launch pipeline and underperformance, we maintain HOLD rating with a revised TP of INR 5,590 (earlier INR 5,540) valuing the stock at 25x FY27E EPS (five-year high/ low 39x/ 22x, average 98x). We remain positive about Bayer's business model, riding a comprehensive distribution network, with innovative products, and a healthy balance sheet.

Table 1: Quarterly financial snapshot (INR mn)

Year to March	2QFY25	2QFY24	% change	1QFY25	% change	1HFY25	1HFY24	% change
Revenues	17,376	16,172	7.4	16,312	6.5	33,688	33,568	0.4
Cost of Material Consumed	11,919	10,091	18.1	9,845	21.1	21,764	20,064	8.5
% of sales	68.6	62.4	620 bps	60.4	824 bps	64.6	59.8	483 bps
Employee cost	1,159	1,008	15.0	996	16.4	2,155	1,941	11.0
% of sales	6.7	6.2	44 bps	6.1	56 bps	6.4	5.8	61 bps
Other expenses	2,460	2,024	21.5	2,331	5.5	4,791	4,268	12.3
% of sales	14.2	12.5	164 bps	14.3	(13 bps)	14.2	12.7	151 bps
Total expenditure	15,538	13,123	18.4	13,172	18.0	28,710	26,273	9.3
EBITDA	1,838	3,049	(39.7)	3,140	(41.5)	4,978	7,295	(31.8)
EBITDA Margin (%)	10.6	18.9	(828 bps)	19.2	(867 bps)	14.8	21.7	(696 bps)
Other income	237	161	47.2	275	(13.8)	512	368	39.1
Depreciation	140	116	20.7	215	(34.9)	355	429	(17.2)
Interest Expense	34	37	(8.1)	42	(19.0)	76	116	(34.5)
Profit Before Tax	1,901	3,057	(37.8)	3,158	(39.8)	5,059	7,118	(28.9)
PBT after exceptional item	1,901	3,057	(37.8)	3,158	(39.8)	5,059	7,118	(28.9)
Tax	538	828	(35.0)	616	(12.7)	1,154	1,604	(28.1)
Tax Rate (%)	28.3	27.1	122 bps	19.5	879 bps	22.8	22.5	28 bps
Reported Net Profit	1,363	2,229	(38.9)	2,542	(46.4)	3,905	5,514	(29.2)
Adjusted Net Profit	1,363	2,229	(38.9)	2,542	(46.4)	3,905	5,514	(29.2)
Adj EPS	30.4	49.6	(38.9)	56.6	(46.4)	87.0	122.8	(29.2)

Source: Company, Antique

Table 2: Half-yearly balance sheet

(INR mn)	2QFY25	2QFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	449	449	-	449	449	-
Reserves and surplus	30,373	30,865	(1.6)	27,534	28,045	(1.8)
Deferred tax liability (Net)	49	54	(9.3)	0	0	-
Total	30,871	31,368	(1.6)	27,983	28,494	(1.8)
Fixed assets	4,928	5,242	(6.0)	4,796	5,080	(5.6)
Investments	875	681	28.5	251	790	(68.2)
Current assets, loans and advances						
Inventories	13,400	15,766	(15.0)	17,319	15,452	12.1
Sundry debtors	19,609	19,875	(1.3)	10,126	9,601	5.5
Cash and bank balances	9,173	5,114	79.4	12,468	11,640	7.1
Other current assets	4,720	5,457	(13.5)	3,408	3,408	-
Less: Current liabilities and provisions						
Trade Payables	8,580	5,973	43.6	6,782	6,051	12.1
Current liabilities	13,254	14,794	(10.4)	13,604	11,426	19.1
Net Current Assets	25,068	25,445	(1.5)	22,936	22,624	1.4
Total	30,871	31,368	(1.6)	27,983	28,494	(1.8)
Net Working Capital	24,429	29,668	(17.7)	20,663	19,002	8.7

Source: Company, Antique

Table 2: Cash flow

(INR mn)	2HFY25	2HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	5,059	7,118	(28.9)	7,979	9,414	(15.2)
Depreciation	355	429	(17.2)	784	740	6.0
Interest	76	116	(34.5)	200	196	2.0
Others	53	(40)	—	(1,160)	148	—
Tax	(921)	(916)	—	(1,755)	(1,321)	—
Changes in working capital	(5,478)	(8,800)	—	517	339	—
Operating cash flow	-856	-2,093	(59.1)	6,564	9,516	(31.0)
Capex	(185)	(123)	—	(500)	(394)	—
Others	367	275	33.5	1,499	398	—
Investing cash flow	182	152	—	999	4	—
Net proceeds from borrowings	-	-	—	-	(78)	—
Others	(1,795)	(1,614)	—	(6,735)	(6,482)	—
Financing cash flow	(1,795)	(1,614)	—	(6,735)	(6,560)	—
Net cash flow	(2,469)	(3,555)	—	828	2,960	—
Opening cash balance	11,568	8,608	34.4	11,568	8,608	34.4
Closing cash balance	9,099	5,047	80.3	12,396	11,568	7.2
Bank Balance	74	67	-	72	72	0.0
Cash and Bank Balance	9,173	5,114	79.4	12,468	11,640	7.1
Free cash flow	(1,041)	(2,216)	(53.0)	6,064	9,122	(33.5)

Source: Company, Antique

Table 3: Actual vs. estimated performance in 2QFY25

(INR mn)	Actual	ASBLe	Var(%)	Cons. Est.	Var(%)
Revenues	17,376	16,775	3.6	16,210	7.2
EBITDA	1,838	2,922	(37.1)	2,983	(38.4)
EBITDA margins (%)	10.6	17.4	(684 bps)	18.4	(782 bps)
Adjusted PAT	1,363	2,179	(37.5)	2,234	(39.0)

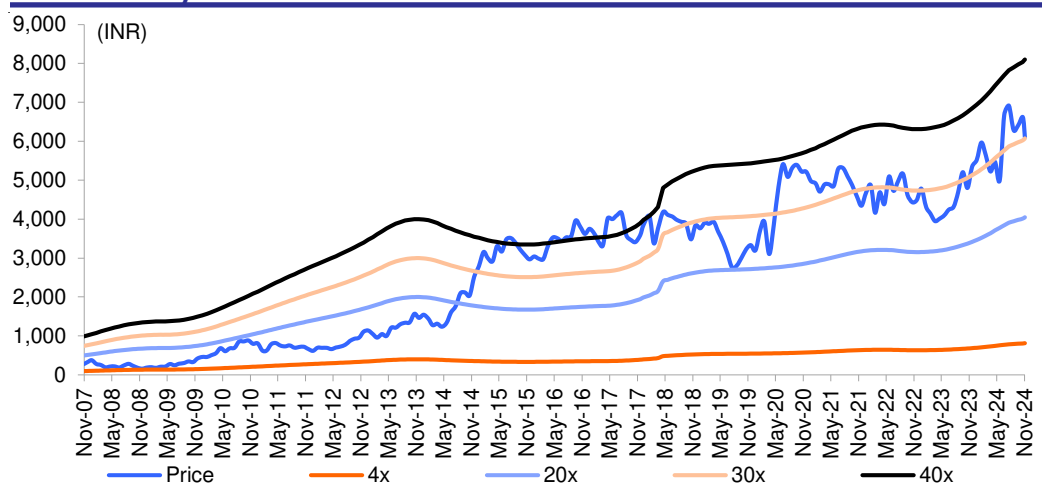
Source: Company, Antique

Table 4: Change in estimates

	FY25E			FY26E			FY27E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	55,040	53,825	-2.2%	61,394	60,058	-2.2%	68,561	67,090	-2.1%
EBITDA	9,790	8,003	-18.3%	11,679	11,425	-2.2%	13,117	12,838	-2.1%
PAT	7,778	6,224	-20.0%	9,357	8,916	-4.7%	10,517	10,042	-4.5%
EPS	173.2	138.6	-20.0%	208.4	198.6	-4.7%	234.2	223.6	-4.5%

Source: Company, Antique

Exhibit 1: One-year forward PE



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	51,397	51,032	53,825	60,058	67,090
Gross Profit	23,237	21,916	21,190	25,839	28,940
Op. Expenses	42,155	41,337	45,822	48,633	54,252
EBITDA	9,242	9,695	8,003	11,425	12,838
Depreciation	795	740	784	834	884
EBIT	8,447	8,955	7,219	10,591	11,954
Other income	639	810	960	1,040	1,120
Interest Exp.	223	196	200	200	200
Extra Ordinary Items -gain/(loss)	(768)	155	-	-	-
Reported PBT	9,631	9,414	7,979	11,431	12,874
Tax	2,049	2,009	1,755	2,515	2,832
Reported PAT	7,582	7,405	6,224	8,916	10,042
Net Profit	7,582	7,405	6,224	8,916	10,042
Adjusted PAT	6,814	7,560	6,224	8,916	10,042
Adjusted EPS (INR)	151.8	168.4	138.6	198.6	223.6

Balance sheet (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	449	449	449	449	449
Reserves & Surplus	26,672	28,045	27,534	28,592	29,878
Networth	27,121	28,494	27,983	29,041	30,327
Capital Employed	27,121	28,494	27,983	29,041	30,327
Gross Fixed Assets	8,591	8,595	9,095	9,595	10,095
Accumulated Depreciation	3,160	3,579	4,363	5,197	6,081
Capital work in progress	29	64	64	64	64
Net Fixed Assets	5,460	5,080	4,796	4,462	4,078
Investments	667	790	251	251	251
Non Current Investments	256	251	251	251	251
Current Investments	411	539	-	-	-
Current Assets, Loans & Adv.	40,657	40,101	43,322	46,631	50,721
Inventory	18,072	15,452	17,319	18,160	20,247
Debtors	9,756	9,601	10,126	11,299	12,622
Cash & Bank balance	8,680	11,640	12,468	13,764	14,444
Loans & advances and others	4,149	3,408	3,408	3,408	3,408
Current Liabilities & Provisions	19,663	17,477	20,386	22,303	24,723
Liabilities	8,730	6,051	6,782	7,111	7,929
Provisions	10,933	11,426	13,604	15,191	16,794
Net Current Assets	20,994	22,624	22,936	24,328	25,998
Application of Funds	27,121	28,494	27,983	29,041	30,327

Per share data

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
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)	604.0	634.6	623.2	646.8	675.4
CEPS (INR)	186.6	181.4	156.1	217.2	243.3
DPS (INR)	130.0	140.0	150.0	175.0	195.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
PBT	9,901	9,414	7,979	11,431	12,874
Depreciation & amortization	795	740	784	834	884
Interest expense	223	196	200	200	200
(Inc)/Dec in working capital	(1,409)	339	517	(97)	(990)
Tax paid	(2,395)	(1,321)	(1,755)	(2,515)	(2,832)
Less: Interest/Div. Income Recd.	(484)	(601)	(1,160)	(1,240)	(1,320)
Other operating Cash Flow	(538)	749	-	-	-
CF from operating activities	6,093	9,516	6,564	8,613	8,816
Capital expenditure	385	(394)	(500)	(500)	(500)
Inc/(Dec) in investments	344	381	-	-	-
Add: Interest/Div. Income Recd.	104	17	1,499	1,040	1,120
CF from investing activities	833	4	999	540	620
Inc/(Dec) in debt	(521)	(78)	-	-	-
Dividend Paid	(5,611)	(6,067)	(6,735)	(7,858)	(8,756)
Others	77	(343)	(0)	(0)	0
CF from financing activities	(6,127)	(6,560)	(6,735)	(7,858)	(8,756)
Net cash flow	799	2,960	828	1,296	680
Opening balance	7,809	8,608	11,568	12,396	13,692
Closing balance	8,608	11,568	12,396	13,692	14,372
Bank Balance	72	72	72	72	72
Cash and bank balance	8,680	11,640	12,468	13,764	14,444

Growth indicators (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	8.6	(0.7)	5.5	11.6	11.7
EBITDA(%)	13.9	4.9	(17.5)	42.8	12.4
Adj PAT(%)	13.0	11.0	(17.7)	43.3	12.6
Adj EPS(%)	13.0	11.0	(17.7)	43.3	12.6

Valuation (x)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	38.8	35.0	42.5	29.7	26.3
P/BV (x)	9.8	9.3	9.5	9.1	8.7
EV/EBITDA (x)	27.6	26.0	31.5	21.9	19.5
EV/Sales (x)	5.0	4.9	4.7	4.2	3.7
Dividend Yield (%)	2.2	2.4	2.5	3.0	3.3

Financial ratios

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	26.0	27.2	22.0	31.3	33.8
RoCE (%)	34.8	35.1	29.0	40.8	44.0
Asset/T.O (x)	2.0	1.9	1.9	2.1	2.3
Net Debt/Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
EBIT/Interest (x)	40.7	49.8	40.9	58.2	65.4

Margins (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	18.0	19.0	14.9	19.0	19.1
EBIT Margin(%)	16.4	17.5	13.4	17.6	17.8
PAT Margin(%)	13.1	14.6	11.4	14.6	14.7

Source: Company Antique

CMP	: INR 1,094
Reco	: BUY ↔
Target Price	: INR 1,666 ↑
Target Price Change	: 3%
Embedded EV/EBITDA (x)	: 11
Sales booking change FY25/26/27	: No Change

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Market data

Sensex	:	77,580
Sector	:	Real Estate
Market Cap (INR bn)	:	267.6
Market Cap (USD bn)	:	3.170
O/S Shares (mn)	:	244.2
52-wk HI/LO (INR)	:	1453/705
Avg. Daily Vol ('000)	:	358
Bloomberg	:	BRGD IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	34.0	40.6	51.4
P/E (x)	49.0	41.0	32.4
P/BV (x)	43.4	35.9	29.4
EV/EBITDA (x)	17.8	15.7	13.3
EV/Sales (x)	4.6	4.2	3.7

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	(14)	(2)	9	56
Relative	(9)	(0)	3	30

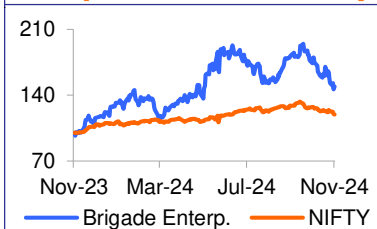
Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Indexed to 100

2QFY25 RESULT REVIEW

Brigade Enterprises

Strong quarter, but catch-up needed in 2HFY25

Brigade Enterprises' (BRGD) 2QFY25 key highlights are the strong numbers in both residential and commercial segments. In 2QFY25, BRGD reported sales booking of INR 18.2 bn (48% YoY) and rental revenue of INR 3.0 bn (28% YoY). The strong sales booking performance was primarily driven by a continued uptick in realization, which increased 45% YoY to INR 10,832/sq. ft. With unsold inventory of just 4.7 mn sq. ft. (valued at INR 51.4 bn), launches and the response to new launches will be critical for BRGD to meet its guidance of approximately INR 75.0 bn. With 1HFY25 sales booking at INR 29.1 bn (up 29% YoY), BRGD will need to catch up in the second half to achieve its guidance. Approval challenges persist, which will be a key monitorable for 2HFY25. We maintain BUY with a revised target price of INR 1,666 (previously INR 1,620), valuing the residential segment at an EV/EBITDA multiple of 11x on FY27E embedded EBITDA (previously 1HFY27E), the rental portfolio at a cap rate of 7.0% and the hospitality portfolio at 25x EV/EBITDA based on FY27E EBITDA.

2QFY25 in a nutshell

Operational performance: Sales booking: In 2QFY25, BRGD reported sales booking volume of 1.68 mn sq. ft. (46%/ 1% QoQ/ YoY) and booking value of INR 18.2 bn (68%/ 46% QoQ/ YoY). Leasing revenue in the quarter was INR 3.0 bn (14%/ 28% QoQ/ YoY). Leasing portfolio has robust occupancy of 97%. Collection in the quarter was INR 19.4 bn (21%/ 35% QoQ/ YoY); operating cash flow (OCF) was INR 6.7 bn (53%/ 47% QoQ/ YoY). **Financial performance:** In 2QFY25, BRGD's revenue was INR 10.7 bn (-1%/ -22% QoQ/ YoY), EBITDA was INR 2.9 bn (0%/ 10% QoQ/ YoY) and adj. PAT of INR 1.2 bn (44%/ -11% QoQ/ YoY). EBITDA margin was 27.2% (16 bps/ 346 bps QoQ/ YoY).

No challenges in demand

BRGD hasn't witnessed any challenges in demand. Insignia, a premium project, was launched in 2QFY25 and already sold 30%-35%. Rest of the projects launched in 2HFY25 have sold 40%-50% of the inventory. 47%-50% sales came from new launches (launched in 1HFY25). New launches Cobalt, Insignia, EL Dorado, Valencia, and Icon all are seeing good traction.

Launches key for sales momentum

BRGD has healthy launch pipeline for 2HFY25 in Hyderabad, Chennai, and a couple of projects in Bengaluru. 3 mn sq. ft. of launches in Chennai with GDV of INR 30.0 bn (to be launched over three quarters), Hyderabad project of 2.0 mn sq. ft. would have a GDV of INR 24.0 bn and Bengaluru has 2-2.5 mn sq. ft. launches with GDV of INR 22.0 bn.

Challenges in approval

Some challenges persist on the approval front, but the situation getting is improving. All the three markets Bengaluru, Hyderabad, and Chennai are seeing challenges. 2HFY25 launches may stagger up in 4QFY25 and a few projects might spill over to FY26.

Healthy performance in rental portfolio

Under the rental portfolio, revenue was INR 3.0 bn (14%/ 28% QoQ/ YoY), driven by a high occupancy rate (~97%) across the overall portfolio. BRGD has made commendable progress, steadily leasing out space from a peak vacancy rate of 33% (2.8 mn sq. ft.) at the end of FY21 to just 3% (0.26 mn sq. ft.) at the end of 1HFY25, which provides optimism for the leasing prospects of its 2.54 mn sq. ft. ongoing leasing portfolio.

Investment Summary

In our view, BRGD's increasing footprints outside its home market of Bengaluru (Chennai + Hyderabad) coupled with a strong launch pipeline of ~12.9 mn sq. ft. (residential) gives strong growth visibility. Heightened occupancy of its rental portfolio drive optimism about its upcoming rental assets (2.54 mn sq. ft.). We maintain BUY with a revised target price of INR 1,666 (previously INR 1,620). *Project launches remain key monitorable.*

Valuation using implied EBITDA

Aided by robust launch pipeline and aggressive business development velocity, we expect BRGD to 25-30% CAGR FY25E-FY27E.

Table 1: SoTP valuation

	FY27e
Sales booking	INR 108 bn
Implied EBITDA @25%	INR 27 bn
(a) EV of residential at 11x to EV/implied EBITDA	INR 297 bn
(b) Operating commercial assets at 7.0% cap rate	INR 50 bn
(c) WTC Chennai + BTG	INR 29 bn
(d) Hospitality (25x EV/EBITDA)	INR 34 bn
(e) Value of ongoing +upcoming office project	INR 6 bn
(f) Less: Net debt (INR bn)	INR -0.8 bn
(g) Equity value (a + b+ c + d + e - f)	INR 407 bn
(h) # of shares	0.244 bn
(i) Target Price (g/h)	INR 1,666

Source: Company, Antique

Table 2: NAV methodology

SoTP Valuation	INR mn	INR/ share	% share
Value of ongoing + completed+upcoming	87,200	357	34%
Land	50,058	205	19%
less residential debt	1,925	8	1%
Value of operating rental assets	50,186	205	19%
Value of WTC C + Tech Garden	29,078	119	11%
Value of Twin Tower	5,676	23	2%
Value of new project	5,559	23	2%
Value of Trivandrum	1,521	6	1%
less rental asset debt	(39,677)	(162)	-15%
SPV debt	7,792	32	3%
incremental debt	(6,772)	(28)	-3%
Hospitality	33,230	136	13%
less: Hospitality debt	(4,802)	(20)	-2%
Cash	37,837	155	15%
Total	2,58,811	1,060	100%
	INR/share	Premium to NAV	
NAV	1,060	0%	
CMP	1,094	3%	
TP	1,666	57%	

Source: Company, Antique

Quarterly performance - 2QFY25

Table 3: Financial performance

INR mn	2QFY25	1QFY25	QoQ %	2QFY24	YoY %	FY24	FY23
Net Sales	10,722	10,777	(1)	13,666	(22)	48,967	34,446
Total Expenditure	7,802	7,860		10,418		37,023	25,856
EBITDA	2,919	2,917	0	3,248	(10)	11,944	8,590
Margins (%)	27.2	27.1	16bps	23.8	346bps	24.4	24.9
Depreciation	689	679		757		3,021	3,146
Interest	1,226	1,519		1,100		4,910	4,342
Other Income	660	357		413		1,675	1,186
PBT before EO expense	1,664	1,075	55	1,804	(8)	5,687	2,289
Extra-Ord expense						-	(450)
PBT	1664	1075	55	1804	(8)	5,687	1,839
Tax	513	279		679		1,676	558
Rate (%)	30.8	26.0		37.6		29.5	30.4
MI & Profit/Loss of Asso. Cos.	-39	-32		-210		-506	-733
Reported PAT	1,190	828		1,335		4,516	2,014
Adj PAT	1,190	828	44	-694	(271)	4,516	2,464
Margins (%)	11.1	7.7	341bps	(5.1)	1618bps	9.2	7.2

Source: Company, Antique

Table 4: Operational performance

Residential	2QFY25	1QFY25	QoQ %	2QFY24	YoY %	FY24	FY23
Booked area (mn sqft)	1.7	1.2	46	1.7	1	7.6	6.3
Booked value (INR mn)	18,208	10,858	68	12,491	46	60,125	41,070
Avg realization (INR per sqft)	10,832	9,483	14	7,466	45	31,478	6,485
Annuity	2QFY25	1QFY25	QoQ %	2QFY24	YoY %	FY24	FY23
Rental income	2,594.0	2,594.0	-	2,307	12	9,377	7,517
Hospitality	2QFY25	1QFY25	QoQ %	14393	YoY %	FY24	FY23
Revenue	1,180.0	1,180.0	-	144	719	4,641	3,937

Source: Company, Antique

Table 5: Balance sheet

Year ended	Sep-2024	Sep-2023	Mar-2024
Share Capital	2,442	2,309	2,311
Reserves & Surplus	49,079	29,713	32,353
Networth	51,521	32,021	34,664
Debt 52,156	47,912	53,366	
Minority Interest	340	900	914
Net deferred Tax liabilities	(8,900)	(5,841)	(4,266)
Capital Employed	95,117	74,993	84,679
Net Fixed Assets	45,193	45,887	45,729
Capital work in progress	19,495	8,047	12,315
Net Fixed Assets	64,688	53,934	58,045
Goodwill	203	203	203
Investments	38	55	497
Non Current Investments	38	11	26
Current Investments	-	44	471
Current Assets, Loans & Advances			
Inventory	77,333	75,003	77,359
Debtors	5,820	5,111	4,997
Cash & Bank balance	36,124	13,524	17,373
Loans & advances and others	12,885	15,562	15,735
Current Liabilities & Provisions	1,32,162	1,09,200	1,15,464
Liabilities	1,01,578	88,214	89,296
Provisions	397	185	234
Net Current Assets	30,188	20,801	25,934
Application of Funds	95,117	74,993	84,679

Source: Company, Antique

Table 6: Cash Flow Statement

Year ended	Sep-2024	Sep-2023
PBT	2,748	2,104
Depreciation & amortization	1,369	1,438
Interest expense	2,746	2,182
(Inc)/Dec in working capital	4,691	(3,305)
Tax paid	(1,418)	(1,191)
Less: Interest/Dividend Income Received	(780)	(569)
Other operating Cash Flow	(22)	118
Cash flow from operating activities	9,334	777
Capital expenditure	(2,877)	(1,191)
Inc/(Dec) in investments	(15,752)	1,444
Add: Interest/Dividend Income Received	524	411
Cash flow from investing activities	(18,105)	664
Inc/(Dec) in share capital	14,748	20
Inc/(Dec) in debt	(1,770)	2,615
Dividend/Interest Paid	(3,092)	(3,873)
Others	(22)	(23)
Cash flow from financing activities	9,865	(1,261)
Net cash flow	1,094	180
Opening balance	5,702	3,751
Closing balance	6,797	3,931
Changes in other bank balances	29,118	9,308
Cash and Bank balance	36,124	13,524

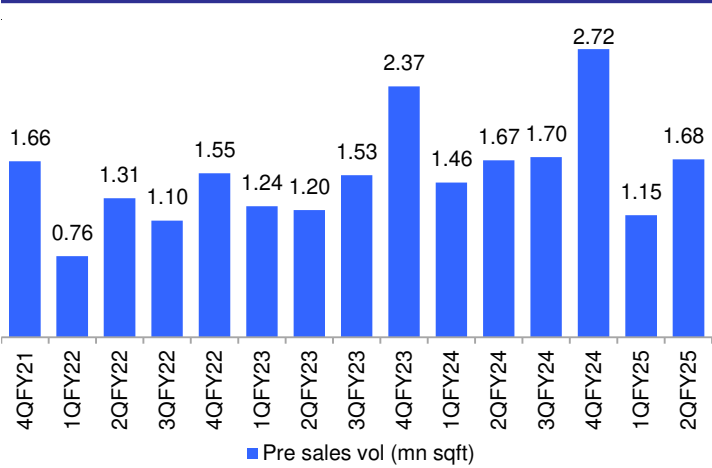
Source: Company, Antique

Conference Call Highlights

- **Demand:** No challenges in demand. Insignia a premium project launched in 2QFY25 sold 30%-35% already. Rest of the projects launched in 2HFY25 have sold 40%-50% of the inventory. 47%-50% sales from new launches (launched in 1HFY25). New launches Cobalt, Insignia, EL Dorado, Valencia, Icon all are seeing good traction.
- **Hospitality portfolio:** Filed DRHP for its hotel ventures.
- **Challenges in approvals:** Some challenges on approval front. But situation getting better. All the three markets Bengaluru, Hyderabad, and Chennai seeing challenges. 2HFY25 launches may bunch up to 4QFY25 and a few projects might spill over to FY26.
- **Launch pipeline:** Hyderabad, Chennai, couple of projects in Bengaluru. 3 mn sq. ft. of launches in Chennai with GDV of INR 30.0 bn (to be launched over three quarters), Hyderabad project of 2.0 mn sq. ft. would have GDV of INR 24.0 bn and Bengaluru has 2-2.5 mn sq. ft. launches with GDV of INR 22.0 bn.
- **Embedded margin:** Existing projects seeing embedded margin of more than 28%.
- **Rental portfolio:** Currently 2.5 mn sq. ft. under-construction for leasing.
- **Chennai:** Top 3 developer in Chennai; 3 mn sq. ft. upcoming in Chennai. Focus is on mid-segment. Expected to continue in top 3 in Chennai. Chennai market is growing and Brigade also increasing market share. Xanadu and WTC Chennai started doing well from pre-Covid-19. As Chennai market seeing increased absorption, Brigade with projects at good location witnessing increasing market share.
- **QIP** money predominantly for residential.
- **Bengaluru continues to be top market for Brigade:** 90% of sales from Bengaluru in 2QFY25.
- **Premiumization:** Products moving towards more premium and luxury that's why APR is moving up. Insignia and Icon are example of luxurious projects INR 10,000+/sq. ft.

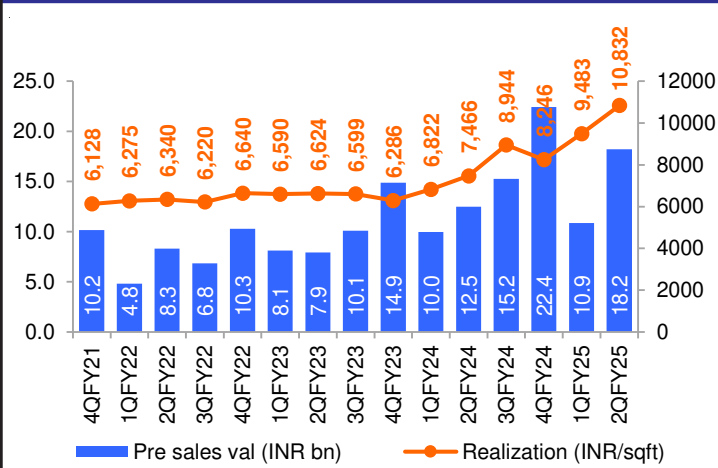
Story in Charts

Exhibit 1: Booking volume (mn sqft)



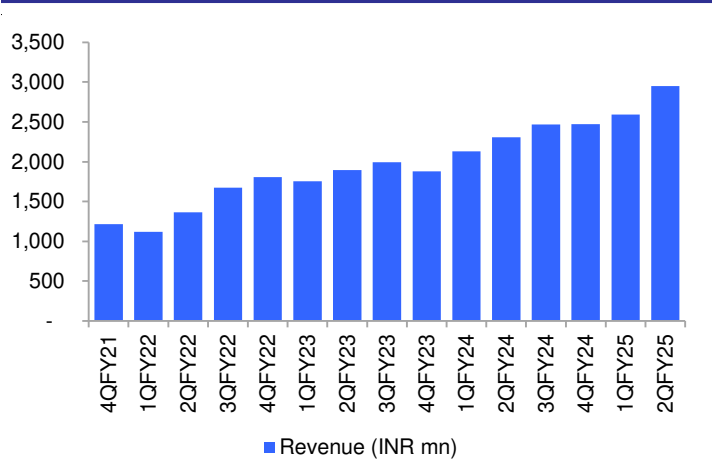
Source: Company, Antique

Exhibit 2: Realization uptick driving sales booking



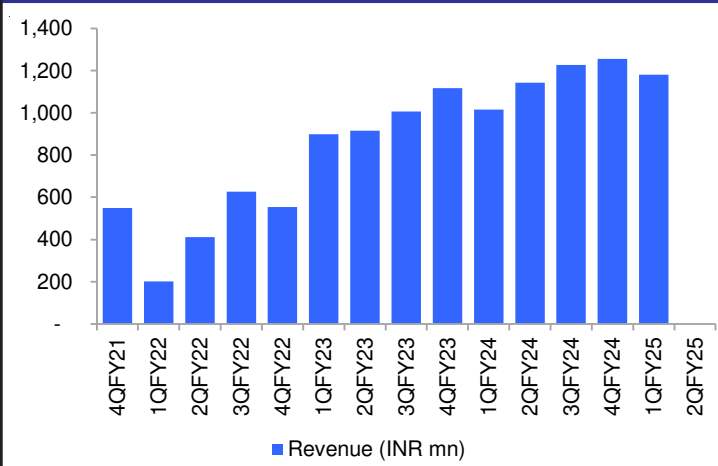
Source: Company, Antique

Exhibit 3: Rental revenue



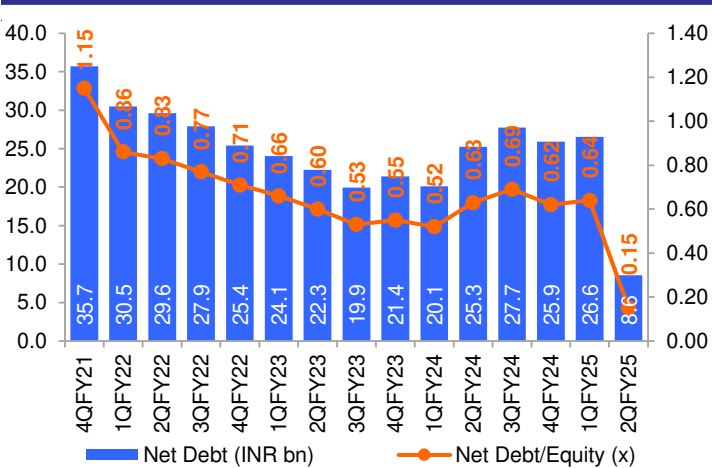
Source: Company, Antique

Exhibit 4: Hospitality revenue



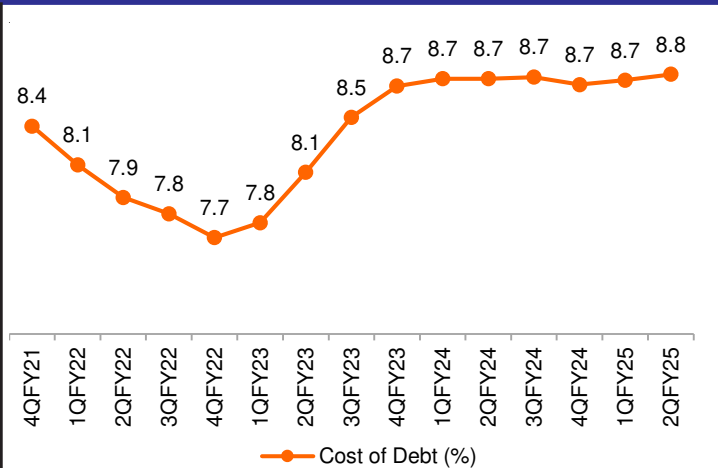
Source: Company, Antique

Exhibit 5: Net debt down due to QIP



Source: Company, Antique

Exhibit 6: Cost of debt



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	34,446	48,967	63,633	69,180	77,952
Op. Expenses	25,856	37,023	47,018	50,726	56,276
EBITDA	8,590	11,944	16,614	18,455	21,676
Depreciation	3,146	3,021	3,254	3,125	3,125
EBIT	5,444	8,923	13,360	15,330	18,552
Other income	1,186	1,675	1,968	2,140	2,411
Interest Exp.	4,341	4,910	3,733	3,733	3,733
Extra Ordinary Items -gain/(loss)	450	-	-	-	-
Reported PBT	2,739	5,687	11,595	13,736	17,229
Tax	558	1,676	2,922	3,462	4,342
Reported PAT	2,181	4,010	8,673	10,275	12,888
Minority Int./Profit (loss) From Asso.	733	506	-	-	-
Net Profit	2,914	4,516	8,673	10,275	12,888
Adjusted PAT	2,464	4,516	7,823	9,345	11,827
Adjusted EPS (INR)	10.7	19.6	34.0	40.6	51.4

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	2,307	2,311	2,311	2,311	2,311
Reserves & Surplus	30,143	34,181	42,004	51,349	63,176
Networth	32,450	36,492	44,315	53,660	65,487
Debt	46,128	53,366	53,866	54,366	54,866
Minority Interest	(1,013)	(914)	(481)	33	677
Net deferred Tax liabilities	120	266	266	266	266
Others	2,124	3,765	3,765	3,765	3,765
Capital Employed	79,809	92,975	1,01,732	1,12,090	1,25,061
Property, Plant and Equipment	46,439	45,580	49,787	46,532	43,657
Capital work in progress	7,405	12,315	-	-	-
Other Non-Current Assets	12,200	14,917	14,917	14,917	14,917
Net Fixed Assets	66,043	72,813	64,704	61,450	58,575
Investments	1,172	1,455	1,455	1,455	1,455
Non Current Investments	610	984	984	984	984
Current Investments	562	471	471	471	471
Current Assets, Loans & Adv.	96,560	1,04,595	1,27,332	1,42,119	1,59,822
Inventory	73,273	77,359	1,01,812	1,10,689	1,24,723
Debtors	4,616	4,997	10,465	11,378	12,820
Cash & Bank balance	14,781	17,373	10,188	15,187	17,413
Loans & advances and others	3,890	4,866	4,866	4,866	4,866
Current Liabilities & Provisions	83,966	85,887	91,759	92,933	94,791
Liabilities	83,878	85,674	91,546	92,721	94,578
Provisions	88	213	213	213	213
Net Current Assets	12,594	18,708	35,573	49,186	65,032
Application of Funds	79,809	92,975	1,01,732	1,12,090	1,25,061

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	1,154	1,156	1,156	1,156	1,156
Diluted no. of shares (mn)	1,154	1,156	1,156	1,156	1,156
BVPS (INR)	28	32	38	46	57
CEPS (INR)	4.6	6.1	10.3	11.6	13.9
DPS (INR)	0.3	0.4	0.4	0.4	0.4

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	2,780	5,687	11,595	13,736	17,229
Depreciation & amortization	3,146	3,021	3,254	3,125	3,125
Interest expense	4,342	4,910	3,733	3,733	3,733
(Inc)/Dec in working capital	2,374	(6,770)	(24,050)	(8,614)	(13,620)
Tax paid	(1,591)	(2,420)	(2,922)	(3,462)	(4,342)
Less: Interest/Div. Income Recd.	(781)	(1,190)	(1,190)	(1,190)	(1,190)
Other operating Cash Flow	(605)	102	1,190	1,190	1,190
CF from operating activities	9,665	3,340	(8,389)	8,519	6,125
Capital expenditure	(3,002)	(2,731)	4,854	130	(250)
(Inc)/Dec in investments	(158)	(2,105)	-	-	-
Interest Received	454	990	-	-	-
CF from investing activities	(2,706)	(3,846)	4,854	130	(250)
Inc/(Dec) in share capital	78	82	-	-	-
Inc/(Dec) in long-term debt	(2,820)	8,819	500	500	500
Interest paid	(3,841)	(5,875)	(3,733)	(3,733)	(3,733)
Dividend Paid	(346)	(462)	(416)	(416)	(416)
Others	(24)	(107)	-	-	-
CF from financing activities	(6,952)	2,458	(3,649)	(3,649)	(3,649)
Net cash flow	6	1,951	(7,184)	4,999	2,226
Opening balance	3,745	3,751	5,703	(1,482)	3,517
Closing balance	3,751	5,703	(1,482)	3,517	5,743
bank overdraft	212	40	40	40	40
Bank balance	10,818	11,630	11,630	11,630	11,630
Cash & bank balance	14,781	17,373	10,188	15,187	17,413

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue (%)	14.9	42.2	30.0	8.7	12.7
EBITDA (%)	12.1	39.0	39.1	11.1	17.5
Adj PAT (%)	76.7	83.3	73.2	19.5	26.6
Adj EPS (%)	76.7	83.3	73.2	19.5	26.6

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	155.7	84.9	49.0	41.0	32.4
P/BV (x)	59.2	52.7	43.4	35.9	29.4
EV/EBITDA (x)	32.9	24.1	17.8	15.7	13.3
EV/Sales (x)	8.2	5.9	4.6	4.2	3.7

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	8.0	13.1	19.4	19.1	19.9
RoCE (%)	8.3	12.3	15.7	16.3	17.7
Asset/T.O (x)	0.4	0.6	0.7	0.7	0.7
Net Debt/Equity (x)	0.9	1.0	1.0	0.7	0.6
EBIT/Interest (x)	1.3	1.8	3.6	4.1	5.0

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	24.9	24.4	26.1	26.7	27.8
EBIT Margin (%)	15.8	18.2	21.0	22.2	23.8
PAT Margin (%)	6.9	8.9	11.9	13.1	14.7

Source: Company Antique

CMP	: INR 371
Reco	: BUY ↔
Target	: INR 496 ↓
Target Price Change	: -1%
Target FY27 P/E (x)	: 35
EPS Change FY25/ 26/ 27	: No Change

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Market data

Sensex	:	77,580
Sector	:	Industrials
Market Cap (INR bn)	:	290.4
Market Cap (USD bn)	:	3.468
O/S Shares (mn)	:	643.3
52-wk HI/LO (INR)	:	461/261
Avg. Daily Vol ('000)	:	10,176
Bloomberg	:	CROMPTON IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	8.5	11.0	14.2
P/E (x)	43.8	33.8	26.2
P/BV (x)	7.2	6.4	5.7
EV/EBITDA (x)	26.1	20.4	15.9
Dividend Yield (%)	0.8	1.0	1.3

Source: Company, Antique

Returns (%)

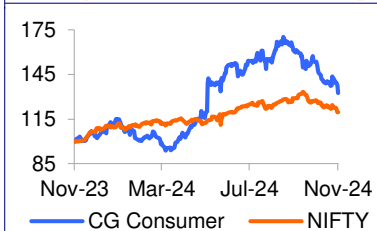
	1m	3m	6m	12m
Absolute	11	42	49	54
Relative	8	29	31	25

Source: Bloomberg

Shareholding pattern

Promoters	:	0%
Public	:	100%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT UPDATE

Crompton Greaves Consumer Electricals

Margin led beat on operational performance; maintain BUY

Crompton Greaves Consumer Electricals' (Crompton) 2QFY25 results were ahead of our expectations on the operational front. Strong performance in the ECD segment (+13% YoY) helped Crompton report a revenue of INR 18.9 bn (+6.4% YoY), in line with our estimate of INR 18.9 bn. Operating profit registered strong 16.6% YoY growth with margin witnessing improvement of 90 bps YoY to 10.7%. Butterfly reported subdued revenue of INR 2.5 bn (-18% YoY) but margin improved 50 bps YoY to 7.1%. With demand witnessing initial signs of recovery, stabilizing commodities, and Butterfly restructuring nearing an end, Crompton's operational performance is expected to witness improvement which will help the company deliver 27% earnings CAGR over FY24-27E as against -10% CAGR over FY21-24. Given the anticipated demand revival on account of the sharp improvement in real estate sales and pick-up in rural demand, we roll over our exit multiple to FY27E and maintain BUY rating on the stock with a revised target price of INR 496, valuing the company at 35x its FY27E EPS (Earlier 40x 1HFY27e).

Margin led beat on operational performance

Crompton's 2QFY25 performance was ahead of our estimates. Consolidated revenue stood at INR 18.9bn (+6.4% YoY), in line with our estimate of INR 18.9 bn. Gross margin stood at 32.7% (+140 bps YoY), above our estimate of 32.4%. EBITDA stood at INR 2 bn (+16.6% YoY; est. of INR 1.8 bn) and EBITDA margin stood at 10.7% (est. of 9.9%). PAT witnessed a 27% YoY growth to INR 1.3 bn and was above our estimate of INR 1.1 bn.

ECD segment witnesses growth of 13% YoY; pumps and appliances post strong growth

ECD revenue was above our expectation at INR 14bn (+13% YoY; est. of INR 13.2 bn). Revenue was supported by robust growth in appliances and pumps. Pumps reported 20% YoY growth driven by residential and solar business. Mixer grinders experienced strong growth led by robust performance in e-commerce and modern trade channels. EBIT improved 18% YoY to INR 2 bn and stood in line with our estimate of INR 1.9 bn. EBIT margin stood at 14.8% (+60 bps YoY) and was in line with our estimate of 14.5% supported by price hikes taken by the company, helping Crompton improve its margin. Crompton intends to sustain its growth trajectory in the ECD segment by expanding the product range of its star-rated induction and BLDC fans, strengthening its manufacturing capabilities brand architecture, and favorable pricing action in the pumps category. These, we believe will help the company deliver healthy double-digit revenue growth with mid-teens margin in coming years.

Lighting segment grows at 6% YoY; premiumization driving revenue

Lighting segment revenue registered 6% YoY growth to INR 2.5 bn, in line with our estimate of INR 2.5 bn. EBIT margin improved by 20 bps YoY to 10.7% (est. of 10%). Portfolio premiumization coupled with extension into outdoor and accessory products drove revenue growth. Crompton executed NHAI's marquee Satellite Town Ring Road project in Bengaluru. Furthermore, introduction of new products in the B2C segment such as junction box ceiling, entry range street lights, amongst others should help the segment grow faster.

Butterfly revenue disappointing but margins continue to improve

Butterfly segment revenue came in at INR 2.5 bn (-18% YoY), below our estimate of INR 3.1 bn. EBIT margin stood at 7.1% (+50 bps YoY; vs. est. of 4%). Retail channel continues to expand with saliency of +50%. We believe that the continuous focus on retail channel and new product launches will help the company maintain its margin going ahead.

Investment Summary

Given the anticipated demand revival on account of the sharp improvement in real estate sales and pick-up in rural demand, we maintain a positive stance on the company as we roll over our exit multiple to FY27E and maintain BUY rating on the stock with a revised target price of INR 496, valuing the company at 35x its FY27E EPS (Earlier 40x 1HFY27e).

Conference Call Highlights

- A&P spend in 2QFY25 – INR 580 mn (+69% YoY).
- Focus on innovation leading to grant of two new patents.
- Launched 20+ products in 2QFY25.
- Focus on alternate channels led to 21% (+3% YoY) of sales.
- E-commerce channel contributed more than INR 2 bn revenue in 2QFY25.
- Good demand in appliances segment in the festive period.

ECD segment

- Overall segment grew by 13% YoY. Pumps grew by 20% YoY. Appliances grew by 26% YoY. Fans grew by 5% YoY.
- Will continue to leverage strengths to drive business holistically.
- Building premium products and brand launches.
- Introduced new premium induction models during the quarter and the same have started contributing to sales.
- Working towards increasing in-house manufacturing of BLDC products. This quarter, non-ceiling portfolio has seen strong growth.
- Pumps witnessed growth across solar (sales of INR 420 mn) and residential pumps.
- Gaining market share in residential pumps.
- Appliances segment witnessed broad-based growth across products. Mixer grinders have received strong demand.
- Large appliances (sales of INR 190 mn) – losses narrowing.
- Fans are expected to grow moderately in FY25. Not expecting significant uptick in 2HFY25.

Lighting

- B2C segment momentum building up.
- Ceiling and outdoor category revenue has significantly improved post new launches.
- Batten and bulbs account for 50% of revenue in lighting (70% in 1QFY25).
- Industrial segment performing well. Executed marquee project in Bengaluru in 2QFY25.
- Execution of strong order pipeline prime focus.

Butterfly

- Price restricting actions and product placement strategy has led to premiumization saliency improvement by 400 bps in trade channel.
- Retail channel continues to expand with saliency of +50%.
- Online channel gaining momentum post operational changes which has led to improved profitability.

Table 1: Consolidated financials

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total revenues (net)	18,960	17,823	6.4	21,377	(11.3)	40,337	36,591	10.2
RM	12,756	12,240	4.2	14,561	(12.4)	27,317	25,223	8.3
% of Sales	67.3	68.7	-140 bps	68.1	-84 bps	67.7	68.9	-121 bps
Staff cost	1,597	1,501	6.4	1,617	(1.2)	3,214	2,935	9.5
% of Sales	8.4	8.4	0 bps	7.6	86 bps	8.0	8.0	-5 bps
Other operating expenses	2,572	2,336	10.1	2,875	(10.5)	5,448	4,830	12.8
% of Sales	13.6	13.1	46 bps	13.5	12 bps	13.5	13.2	30 bps
Total expenditure	16,926	16,078	5.3	19,053	(11.2)	35,979	32,988	9.1
EBITDA	2,034	1,745	16.6	2,324	(12.5)	4,358	3,603	21.0
EBITDA Margin (%)	10.7	9.8	94 bps	10.9	-14 bps	10.8	9.8	96 bps
Depreciation	382	321	18.8	372	2.7	753	613	22.9
Interest	120	215	(44.1)	155	(22.4)	276	421	(34.5)
Other income	175	149	17.7	238	(26.3)	413	668	(38.2)
PBT	1,707	1,358	25.8	2,035	(16.1)	3,742	3,237	15.6
Tax	427	349	22.3	511	(16.5)	938	687	36.6
Tax rate (%)	25.0	25.7	-70 bps	25.1	-14 bps	25.1	21.2	385 bps
Reported net profit	1,281	1,009	27.0	1,524	(15.9)	2,804	2,229	25.8
Adjusted net profit	1,281	1,009	27.0	1,524	(15.9)	2,804	2,229	25.8
EPS (INR)	2.0	1.6	27.0	2.4	(15.9)	4.5	3.6	25.8

Source: Company, Antique

Table 2: Segmental Performance

Particulars (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Sales	18,960	17,823	6.4	21,377	(11.3)	73,128	68,697	6.5
Lighting	2,531	2,387	6.0	2,333	8.5	9,982	10,582	(5.7)
Electrical con. durables	13,927	12,380	12.5	17,266	(19.3)	53,922	47,553	13.4
Butterfly	2,502	3,056	(18.1)	1,777	40.8	9,225	10,562	(12.7)
EBIT	1,828	1,573	16.2	2,190	(16.5)	6,523	7,277	(10.4)
Lighting	271	250	8.3	209	29.7	1,053	1,005	4.8
Electrical con. durables	2,064	1,755	17.6	2,587	(20.2)	7,747	7,893	(1.9)
Butterfly	177	202	(12.4)	41	331.7	82	840	(90.2)
Unallocable	(684)	(634)	7.9	(646)	5.9	(2,359)	(2,461)	(4.1)
EBIT Margin (%)								
Lighting	10.7	10.5	23 bps	8.9	175 bps	10.6	9.5	105 bps
Electrical con. durables	14.8	14.2	64 bps	15.0	-16 bps	14.4	16.6	-223 bps
Butterfly	7.1	6.6	46 bps	2.3	477 bps	0.9	7.9	-706 bps
Total	9.6	8.8	82 bps	10.2	-60 bps	8.9	10.6	-167 bps

Source: Company, Antique

Table 3: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	1,287	1,280	1%	1,286	1,286	0%
Reserves and Surplus	29,787	26,021	14%	31,778	28,710	11%
Minority Interest	4,531	4,549	0%	4,494	4,494	0%
Loan Funds	2,995	9,232	-68%	4,990	5,990	-17%
Deferred Tax Liability	(64)	61	-205%	99	99	0%
Total	38,536	41,143	-6%	42,647	40,579	5%
Fixed Assets	20,248	19,938	2%	3,667	3,597	2%
Capital Work-in-Progress	308	57	443%	114	114	0%
Goodwill	12,855	12,855	0%	28,842	28,842	0%
Investments	4,940	4,929	0%	6,891	6,891	0%
Current Assets, Loans And Advances	18,759	19,968	-6%	25,715	21,373	20%
Inventories	8,382	8,236	2%	9,322	8,304	12%
Sundry Debtors	6,444	6,784	-5%	8,235	7,335	12%
Cash and Bank Balances	604	1,697	-64%	4,653	2,608	78%
Loans and Advances	-	-	-	-	4	-100%
Other current assets	3,329	3,251	2%	3,504	3,122	12%
Current Liabilities and Provisions	18,573	16,603	12%	22,582	20,238	12%
Liabilities	14,681	12,931	14%	18,118	16,261	11%
Provisions	3,893	3,672	6%	4,465	3,977	12%
Net Working Capital	186	3,365	-94%	3,132	1,135	176%
Total	38,536	41,143	-6%	42,646	40,579	5%
Net debt	2,391	7,535	-68%	337	3,382	-90%

Source: Company, Antique

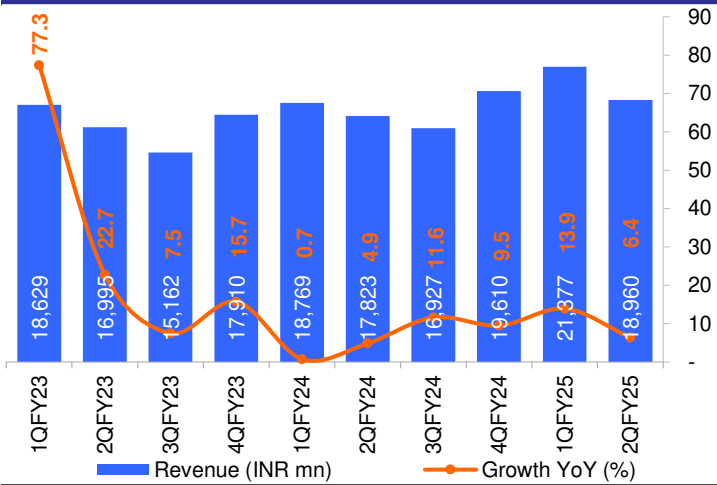
Table 4: Cash flow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Profit Before Tax	3,742	2,916	28%	7,281	5,731	27%
Depreciation	753	613	23%	1,430	1,288	11%
Interest	276	421	-35%	933	792	18%
Others	(313)	(283)	-	-	(238)	-
Changes in working capital	(2,293)	(981)		48	2,553	-98%
Taxes Paid	(683)	(331)	-	(1,835)	(1,313)	-
Operating cash flow	1,482	2,355	-37%	7,857	8,813	-11%
Capex	(447)	(493)	-	(1,500)	(2,501)	-
Others	3,132	703	345%	-	432	-100%
Investing cash flow	2,685	211	1,173%	(1,500)	(2,069)	
Dividends	(1,925)	(1,919)	-	(2,378)	(1,912)	-
Others	(3,570)	(235)	-	(1,933)	(2,939)	-
Financing cash flow	(5,496)	(2,154)		(4,311)	(4,851)	
Net cash flow	(1,329)	412		2,046	1,893	
Opening cash balance	1,721	768	124%	2,281	769	197%
Closing cash balance	392	1,180	-67%	4,327	2,662	63%
Free cash flow	1,035	1,862	-44%	6,357	6,312	1%

Source: Company, Antique

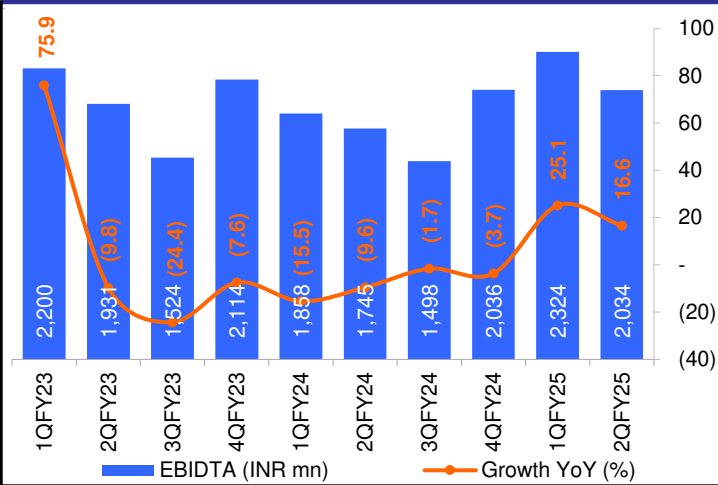
Story in Charts (Consolidated)

Exhibit 1: Registers 6.6% YoY growth in revenue led by ECD segment



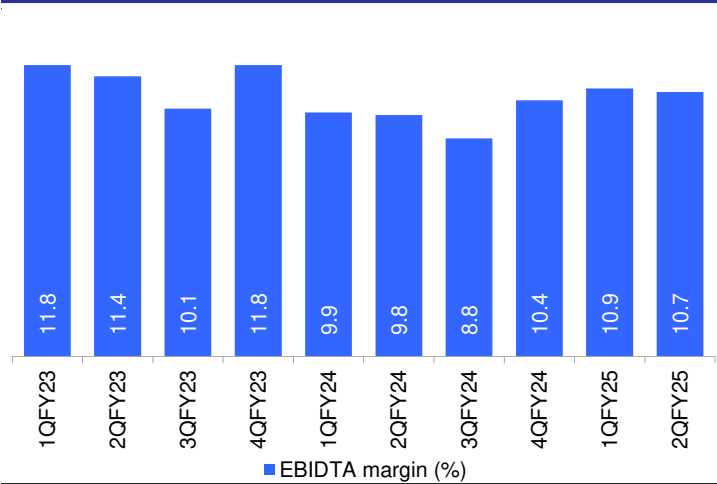
Source: Company, Antique

Exhibit 2: Op. profit increases 16.6% YoY



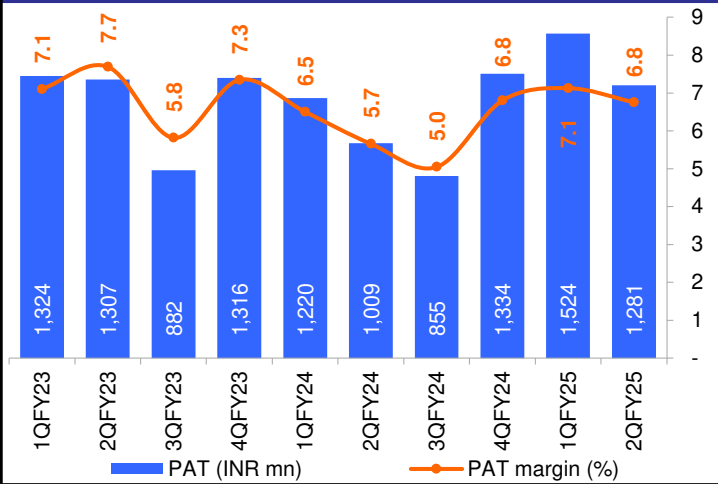
Source: Company, Antique

Exhibit 3: Margin expands by 90 bps YoY to 10.7%



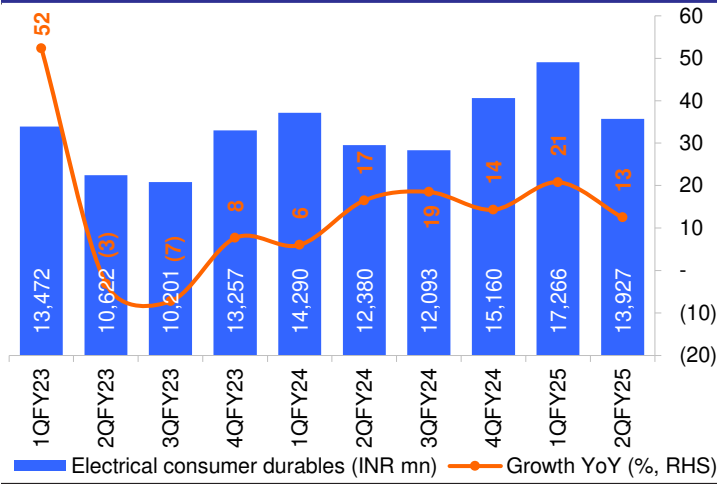
Source: Company, Antique

Exhibit 4: PAT grows by 27% YoY



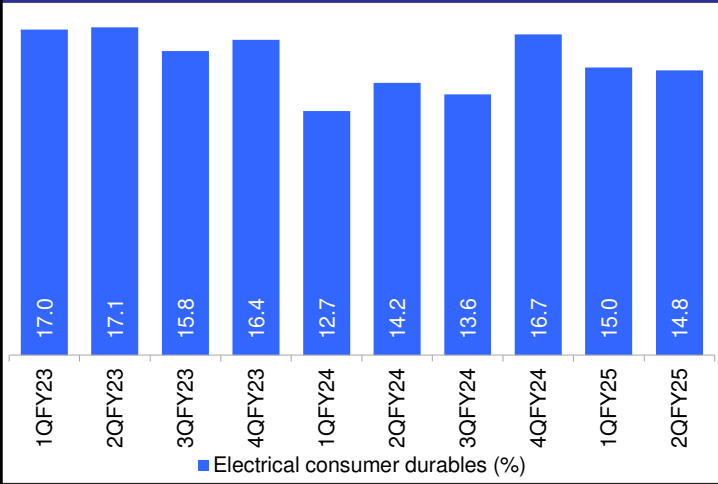
Source: Company, Antique

Exhibit 5: ECD registers 13% YoY growth supported by pumps and appliances



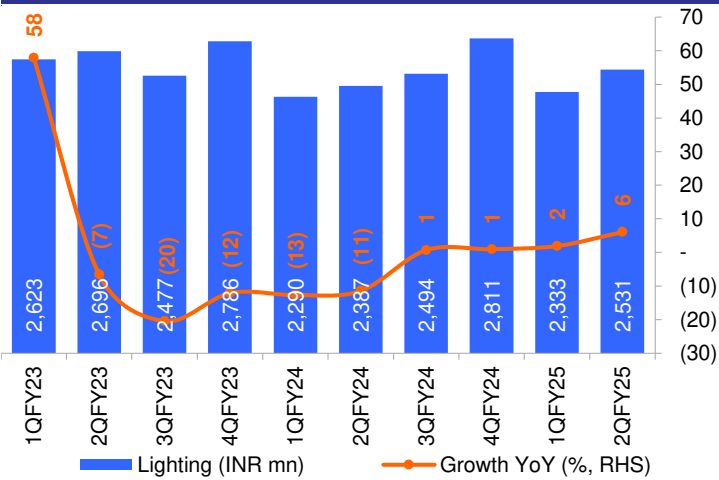
Source: Company, Antique

Exhibit 6: ECD margin expands by 60 bps YoY



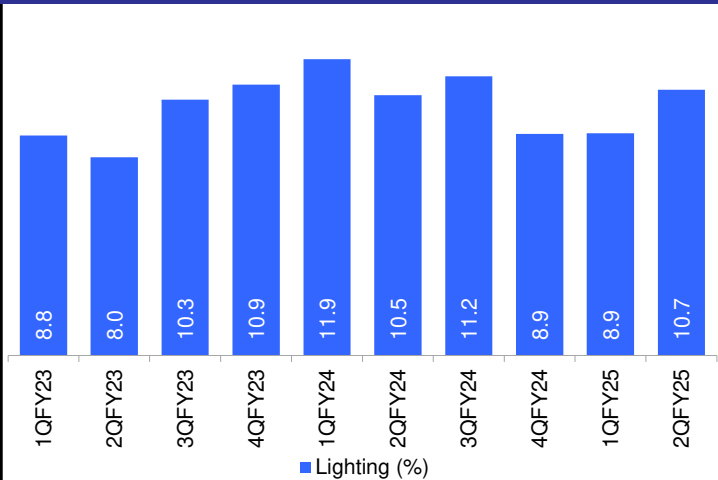
Source: Company, Antique

Exhibit 7: Lighting registers 6% YoY growth



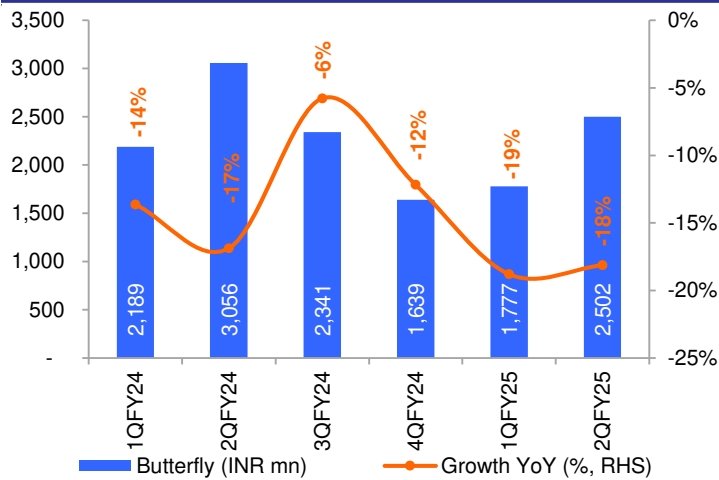
Source: Company, Antique

Exhibit 8: Lighting margin improves by 20 bps YoY



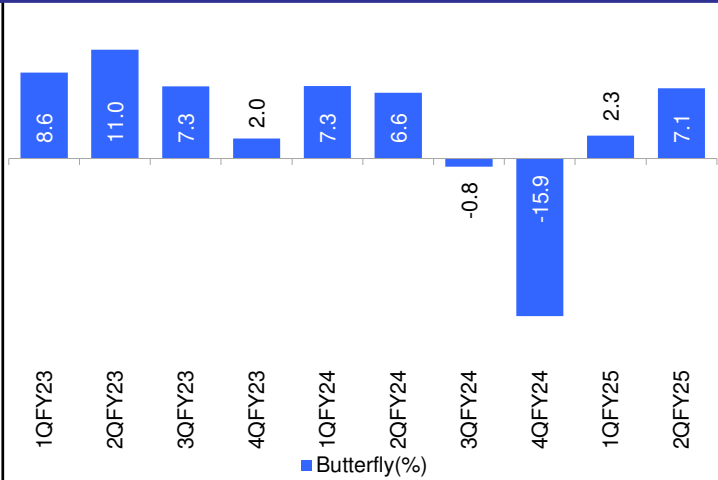
Source: Company, Antique

Exhibit 9: Butterfly registers de-growth of 18% YoY



Source: Company, Antique

Exhibit 10: Butterfly's margin increases by 50 bps YoY



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	68,696	73,128	82,092	95,618	1,12,600
Op. Expenses	60,991	65,991	73,156	84,421	98,585
Gross Profit	21,893	23,125	26,874	31,744	37,566
EBITDA	7,705	7,137	8,937	11,197	14,015
Depreciation	1,159	1,288	1,430	1,714	1,997
EBIT	6,546	5,849	7,507	9,483	12,018
Other income	668	674	708	743	780
Interest Exp.	1,092	792	933	786	628
Reported PBT	6,122	5,731	7,281	9,440	12,170
Tax	1,358	1,313	1,835	2,379	3,067
Reported PAT	4,764	4,418	5,446	7,061	9,103
Net Profit	4,764	4,418	5,446	7,061	9,103
Adjusted PAT	4,764	4,418	5,446	7,061	9,103
Adjusted EPS (INR)	7.5	6.9	8.5	11.0	14.2

Balance sheet (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	1,272	1,286	1,286	1,286	1,286
Reserves & Surplus	25,328	28,710	31,778	35,756	40,885
Networth	26,600	29,996	33,064	37,042	42,171
Debt	9,222	5,990	4,990	3,990	2,990
Minority Interest	4,477	4,494	4,494	4,494	4,494
Net deferred Tax liabilities	123	99	99	99	99
Capital Employed	40,422	40,579	42,647	45,625	49,753
Capital work in progress	55	114	114	114	114
Net Fixed Assets	4,286	3,711	3,781	3,567	3,070
Goodwill	28,478	28,842	28,842	28,842	28,842
Current Assets, Loans & Adv.	18,298	21,373	25,715	32,627	41,924
Inventory	7,439	8,304	9,322	10,858	12,787
Debtors	6,861	7,335	8,235	9,591	11,295
Cash & Bank balance	1,095	2,608	4,653	8,096	13,036
Loans & advances and others	2,904	3,125	3,504	4,082	4,807
Current Liabilities & Provisions	16,123	20,238	22,582	26,303	30,975
Liabilities	13,126	16,261	18,118	21,103	24,851
Provisions	2,997	3,977	4,465	5,200	6,124
Net Current Assets	2,175	1,135	3,132	6,324	10,950
Application of Funds	40,422	40,579	42,646	45,624	49,753

Per share data

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	633	636	643	643	643
Diluted no. of shares (mn)	633	636	643	643	643
BVPS (INR)	42.0	47.2	51.4	57.6	65.6
CEPS (INR)	9.4	9.0	10.7	13.6	17.3
DPS (INR)	2.5	3.0	3.0	3.7	4.8

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
PBT	6,122	5,731	7,281	9,440	12,170
Depreciation & amortization	1,159	1,288	1,430	1,714	1,997
Interest expense	633	406	933	786	628
(Inc)/Dec in working capital	(1,033)	2,553	48	251	315
Tax paid	(1,399)	(1,313)	(1,835)	(2,379)	(3,067)
Other operating Cash Flow	50	(233)	-	-	-
CF from operating activities	5,532	8,432	7,857	9,811	12,043
Capital expenditure	(791)	(805)	(1,500)	(1,500)	(1,500)
Inc/(Dec) in investments	3,749	(937)	326	326	326
CF from investing activities	2,958	(1,743)	(1,174)	(1,174)	(1,174)
Inc/(Dec) in share capital	416	893	-	-	-
Inc/(Dec) in debt	(6,842)	(3,250)	(1,000)	(1,000)	(1,000)
Dividend Paid	(1,578)	(1,912)	(2,378)	(3,083)	(3,975)
Others	(1,108)	(754)	(933)	(786)	(628)
CF from financing activities	(9,111)	(5,023)	(4,311)	(4,869)	(5,603)
Net cash flow	(622)	1,667	2,372	3,769	5,267
Opening balance	9,152	1,095	2,608	4,653	8,096
Closing balance	1,095	2,608	4,653	8,096	13,036

Growth indicators (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Revenue	27.4	6.5	12.3	16.5	17.8
EBITDA	0.1	(7.4)	25.2	25.3	25.2
Adj PAT	(19.4)	(7.3)	23.3	29.7	28.9
Adj EPS	(20.3)	(7.7)	22.0	29.7	28.9

Valuation (x)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	49.3	53.4	43.8	33.8	26.2
P/BV (x)	8.8	7.9	7.2	6.4	5.7
EV/EBITDA (x)	31.2	33.1	26.1	20.4	15.9
EV/Sales (x)	3.5	3.2	2.8	2.4	2.0
Dividend Yield (%)	0.7	0.8	0.8	1.0	1.3

Financial ratios

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	18.6	15.6	17.3	20.1	23.0
RoCE (%)	16.2	16.1	19.7	23.2	26.8
Asset/T.O (x)	6.6	12.9	14.0	11.4	9.4
Net Debt/Equity (x)	0.3	0.1	0.0	(0.1)	(0.2)
EBIT/Interest (x)	6.6	8.2	8.8	13.0	20.4

Margins (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin	11.2	9.8	10.9	11.7	12.4
EBIT Margin	9.5	8.0	9.1	9.9	10.7
PAT Margin	6.9	6.0	6.6	7.3	8.0

Source: Company, Antique

CMP	: INR 11,092
Reco	: BUY ↔
Target Price	: INR 19,653 ↔
Target Price Change	: No Change
Target FY27 P/E (x)	: DCF
EPS Change FY26/ 27/ 28	: No Change

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Market data

Sensex	:	77,580
Sector	:	Defence
Market Cap (INR bn)	:	165.7
Market Cap (USD bn)	:	1.963
O/S Shares (mn)	:	15.0
52-wk HI/LO (INR)	:	15702/5064
Avg. Daily Vol ('000)	:	13
Bloomberg	:	PTCIL IN

Source: Bloomberg

Valuation

	FY26e	FY27e	FY28e
EPS (INR)	112.0	334.8	630.3
P/E (x)	99.0	33.1	17.6
P/BV (x)	10.6	8.1	5.6
EV/EBITDA (x)	49.1	19.9	10.8
Dividend Yield (%)	0.1	0.1	0.2

Source: Bloomberg

Returns (%)

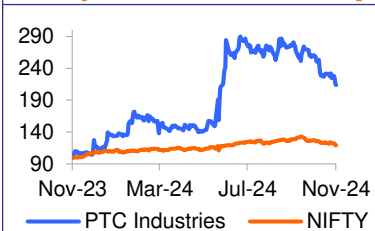
	1m	3m	6m	12m
Absolute	(18)	(22)	50	124
Relative	(13)	(20)	41	88

Source: Bloomberg

Shareholding pattern

Promoters	:	60%
Public	:	40%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

PTC Industries

Excellent quarter; execution of titanium plant well on track!

PTC Industries reported strong performance during the quarter, beating expectations on key parameters. While consolidated revenue at INR 724 mn grew 25.8% YoY and 54.4% QoQ, EBITDA at INR 212 mn grew by 35.5% YoY and 111.5% QoQ and PAT at INR 173 mn was higher by 112.7% YoY and 253.5% QoQ. The company achieved several milestones as it acquired a hot rolling mill, bagged a milestone order from Israeli Aerospace Industries (IAI), and won a significant order from BAE Systems during the quarter. Timely execution is underway to set-up the world's largest integrated single-site titanium materials and casting facility. Recently, the company initiated proceedings to acquire UK-based Trac Holdings which would complete the entire titanium product value chain. We believe PTC Industries is well poised to post a profit of INR 9.4 bn in FY28 and INR 17.3 bn in FY30 from a base of INR 0.4 bn in FY24. We maintain BUY rating with a TP of INR 19,653 using a DCF-based valuation approach.

Strong revenue growth; higher margins boost EBITDA

Consolidated revenue at INR 724 mn (9.8% above our estimate) rose by 25.8% YoY and 54.4% QoQ. **Consolidated EBITDA** was at INR 212 mn for the quarter; it grew by 35.5% YoY and jumped 111.5% QoQ. Consolidated EBITDA margin for 2QFY25 stood at 29.3%, higher than 2QFY24 level of 27.3% and 1QFY25 level of 21.4%. **Consolidated PAT** at INR 173 mn was higher by 112.7% YoY and 253.5% QoQ. It was aided by higher other income (at INR 84 mn, higher 203.9% YoY and 130.6% QoQ) and lower effective tax rate of 21.4% (as against 22.5% in 2QFY24 and 23% in 1QFY25).

Several milestone events during the quarter

During 2QFY25, PTC Industries signed a milestone agreement to supply titanium cast components to **IAI**. In September '24, the company also received a major order from **BAE Systems** for the supply of titanium castings for M777 ultra-light weight howitzer guns. This adds to the company's already impressive list of clientele which includes leading OEMs like Safran, BAE Systems, Dassault Aviation, IAI, Nasmyth, Honeywell, and leading Indian companies like Hindustan Aeronautics, Bharat Dynamics, etc. This provides significant multi-year order visibility.

New aerospace materials and casting facility is on track

PTC Industries is setting up the **world's largest and India's first integrated single-location titanium and super-alloy facility**. The facility includes an aerospace material plant which will have a 5,000 tpa EBCHR (Electron Beam Cold Hearth Remelting) mill, 1,500 tpa VAR (Vacuum Arc Remelting) mill, and 200 tpa PAM (Plasma Arc Melting) mill-covering all three basic titanium melting, re-melting technologies. It is also setting up a 600 tpa super-alloy VIM (Vacuum Arc Melting) mill under its Aerospace Materials complex in Lucknow. VAR, PAM, and VIM are at advanced stages of completion. VAR, VIM, PAM will commence operation by 4QFY25 followed by EBCHR in 2QFY26, which indicates strong topline growth prospect FY26/ 27 onwards. Work for the 600 tpa Airspace Casting plant has begun well and is expected to be commissioned by 2Q/ 3QFY26 along with the hot rolling mill. Value-added products-titanium aerospace casting and rolling mills (forging, plate, and sheet) are also expected to commence operations in 2HFY26.

Two key acquisitions will complete the entire value chain

In October '24, PTC Industries initiated proceedings to acquire UK-based **Trac Precision Solutions**, a leading precision engineering company. Earlier during 2QFY25, PTC Industries acquired a hot rolling mill to manufacture value-added products plates and sheets from titanium ingots. With the addition of the hot rolling mill and machining plants, the company will achieve a fully vertically integrated titanium capability.

Investment Summary

We project the company to deliver EBITDA of INR 13.2 bn in FY28 and INR 23 bn in FY30, resulting in significant RoCE and free cash flows. Net profit is expected to grow by over 22x (from FY24 level) to INR 9.4 bn in FY28 and INR 17.3 bn by FY30. The company recently raised INR 7 bn through the QIP route and does not need further capital for growth. Given the high mote and entry barriers, sharp earnings growth, and superior RoCE, PTC will trade at a significant premium in years to come. We maintain BUY rating with a TP of INR 19,653 using a DCF based valuation approach.

Table 1: Quarterly performance table (Consolidated)

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Sales	724	575	25.8	469	54.4	1,192	1,290	(7.6)
Cost of Material Consumed	176	149	18.4	194	-9.3	370	307	20.8
% of sales	24.3	25.9	-153 bps	41.4	-1710 bps	31.1	23.8	730 bps
Employee cost	78	73	6.1	79	-1.7	157	149	5.6
% of sales	10.8	12.7	-200 bps	16.9	-613 bps	13.2	11.5	165 bps
Other expenses	257	196	31.1	95	171.2	352	481	(26.7)
% of sales	35.6	34.1	144 bps	20.3	1532 bps	29.5	37.3	-772 bps
Total Exp	511	418	22.2	368	38.9	880	936	(6.0)
EBITDA	212	157	35.5	100	111.5	313	354	(11.7)
Margin %	29.3	27.3	209 bps	21.4	792 bps	26.2	27.5	-123 bps
Other income	84	28	203.9	37	130.6	121	57	112.5
Depreciation	42	42	1.2	41	1.4	84	83	0.8
Interest expenses	34	38	(9.7)	32	7.4	66	75	(11.4)
Profit Before Tax	220	105	109.8	64	246.4	284	254	11.9
PBT after exceptional	220	105	109.8	64	246.4	284	254	11.9
Tax	47	24	99.7	15	222.7	62	59	4.0
Tax Rate %	21.4	22.5	-108 bps	23.0	-158 bps	21.8	23.5	-165 bps
Reported Net Profit	173	81	112.7	49	253.5	222	194	14.3
Adjusted Net Profit	173	81	112.7	49	253.5	222	194	14.3
EPS (INR)	11.6	6.0	92.7	3.4	241.0	14.9	14.4	3.6

Source: Company, Antique

Table 2: Quarterly performance table (Standalone)

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Sales	692	531	30.5	461	50.3	1,153	1,239	(6.9)
Cost of Material Consumed	253	158	59.6	188	34.4	441	357	23.5
% of sales	36.5	29.8	666 bps	40.8	-431 bps	38.2	28.8	941 bps
Employee cost	69	64	7.8	66	5.6	135	131	2.9
% of sales	10.0	12.1	-211 bps	14.3	-425 bps	11.7	10.6	112 bps
Other expenses	264	187	41.0	141	86.7	405	466	(13.0)
% of sales	38.1	35.3	284 bps	30.7	745 bps	35.1	37.6	-247 bps
Total Exp	586	410	42.9	395	48.3	981	954	2.8
EBITDA	106	121	(11.9)	66	62.0	172	285	(39.6)
Margin %	15.4	22.7	-739 bps	14.2	111 bps	14.9	23.0	-807 bps
Other income	90	30	203.4	43	108.9	133	66	101.1
Depreciation	41	41	0.8	40	2.6	81	82	(0.5)
Interest expenses	33	37	(8.9)	31	7.3	64	72	(10.7)
Profit Before Tax	122	73	67.3	38	224.6	159	197	(19.1)
PBT after exceptional	122	73	67.3	38	224.6	159	197	(19.1)
Tax	31	18	73.2	10	220.2	41	50	(17.2)
Tax Rate %	25.7	24.9	88 bps	26.1	-35 bps	25.8	25.2	58 bps
Reported Net Profit	91	55	65.3	28	226.2	118	147	(19.7)
Adjusted Net Profit	91	55	65.3	28	226.2	118	147	(19.7)

Source: Company, Antique

Table 3: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	150	136	10.4	150	144	3.7
Reserves and Surplus	13,292	3,434	287.1	14,002	6,312	121.8
Loan Funds	1,106	1,456	(24.1)	819	1,819	(55.0)
Deferred Tax Liability	175	159	9.9	170	170	-
Total	14,722	5,185	183.9	15,140	8,445	79.3
Fixed Assets	2,794	2,186	27.8	4,429	2,328	90.3
Capital Work-in-Progress	1,906	336	468.0	1,115	1,587	(29.7)
Investments	29	1,436	(98.0)	1	1	-
Current Assets, Loans And Advances	10,552	1,711	516.6	10,552	5,041	109.3
Inventories	882	605	45.9	1,128	745	51.4
Sundry Debtors	1,102	721	52.9	1,692	1,109	52.7
Cash and Bank Balances	7,042	132	5,240.8	6,886	1,578	336.5
Loans and Advances	1,526	254	501.1	846	1,610	(47.4)
Current Liabilities and Provisions	559	484	15.5	957	512	86.8
Liabilities	538	468	14.9	926	496	86.8
Provisions	21	16	34.8	31	16	86.8
Net Working Capital	2,952	1,096	169.4	2,709	2,951	(8.2)
Total	14,722	5,185	183.9	15,140	6,867	120.5
Net debt	(5,936)	1,324	(548.2)	(6,067)	241	(2,615.2)

Source: Company, Antique

Tables 4: Cash flow

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	222	194	14.3	785	422	86.0
Depreciation	84	83	0.8	399	166	139.8
Interest	66	75	(11.4)	70	152	(53.8)
Changes in working capital	(8,766)	459	(2,009.9)	242	(1,216)	(119.9)
Operating cash flow	(8,394)	811	(1,135.6)	1,497	(475)	(414.9)
Capex	(2,179)	178	(1,325.2)	(2,028)	(1,110)	82.7
Others	-	-	-	-	(0)	(100.0)
Investing cash flow	(2,179)	178	(1,325.2)	(2,028)	(1,110)	82.7
Inc/(Dec) in equity/premium	14	-	n/a	7,000	3,327	n/a
Net proceeds from borrowings	(350)	(914)	(61.7)	(1,000)	52	(2,007.1)
Others	16,374	(229)	n/a	(160)	(517)	(69.0)
Financing cash flow	16,038	(1,142)	(1,503.8)	5,840	2,862	104.0
Net cash flow	5,464	(154)	(3,647.5)	5,308	1,277	315.8
Opening cash balance	1,578	286	451.8	1,578	301	423.9
Closing cash balance	7,042	132	5,240.8	6,886	1,578	336.5
Free cash flow	(10,573)	988	(1,169.7)	(532)	(1,585)	(66.5)

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
Revenues	2,569	4,118	9,222	18,011	29,179
Expenses	1,842	2,911	6,207	10,682	16,010
EBITDA	726	1,207	3,015	7,329	13,168
Depreciation & amortization	166	399	765	795	786
EBIT	560	808	2,249	6,534	12,383
Other income	134	309	45	192	259
Interest expense	152	70	58	43	60
Profit before tax	541	1,047	2,237	6,682	12,583
Tax	119	262	559	1,671	3,146
Profit after tax	422	785	1,678	5,012	9,437
Adj. PAT after minority int.	422	785	1,678	5,012	9,437
EPS (INR)	29.2	52.5	112.0	334.8	630.3

Balance sheet (INR mn)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
Share Capital	144	150	150	150	150
Reserves & Surplus	1,927	2,623	4,076	8,863	18,001
Premium A/c	4,384	11,379	11,379	11,379	11,379
Networth	6,456	14,152	15,605	20,392	29,529
Minority interest	0	0	0	0	0
Debt	1,819	819	719	669	744
Deferred tax/ other liabilities	170	170	170	170	170
Capital Employed	8,445	15,140	16,493	21,230	30,443
Gross Fixed Assets	3,635	6,135	10,935	11,685	12,085
Accumulated Depreciation	1,307	1,706	2,472	3,266	4,052
Net Assets	2,328	4,429	8,464	8,419	8,033
Capital work in progress	1,587	1,115	815	565	540
Investments	1	1	1	1	1
Current Assets Loans & Advances					
Inventory	745	1,128	2,479	3,451	5,200
Debtors	1,109	1,692	3,790	5,921	9,593
Cash & Bank	1,578	6,886	1,091	2,930	6,743
Loans & advances and others	1,610	846	1,895	3,454	5,596
Current Liabilities & Provisions					
Creditors	496	926	1,975	3,399	5,095
Provisions	16	31	65	113	169
Net Current Assets	4,529	9,595	7,214	12,245	21,868
Application of Funds	8,445	15,140	16,493	21,230	30,443

Per share data

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
No. of shares (mn)	14	15	15	15	15
BVPS (INR)	447.1	945.3	1,042.3	1,362.1	1,972.4
CEPS (INR)	40.7	79.1	163.2	387.8	682.8
DPS (INR)	-	6.0	15.0	15.0	20.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
PBT	541	1,047	2,237	6,682	12,583
Depreciation	166	399	765	795	786
Interest	152	70	58	43	60
(Inc)/ Dec in working capital	(1,216)	242	(3,413)	(3,192)	(5,810)
Tax paid	(119)	(262)	(559)	(1,671)	(3,146)
CF from operating activities	(475)	1,497	(913)	2,657	4,471
Capex	(1,110)	(2,028)	(4,500)	(500)	(375)
Others	-	-	-	1	2
CF from investing activities	(1,110)	(2,028)	(4,500)	(499)	(373)
Inc/ (Dec) in share capital and premium	3,327	7,000	-	-	-
Inc/ (Dec) in debt	52	(1,000)	(100)	(50)	75
Dividends & Interest paid	(152)	(160)	(282)	(268)	(359)
Others	(365)	0	(0)	(1)	(2)
CF from financing activities	2,862	5,840	(382)	(319)	(286)
Net cash flow	1,277	5,308	(5,795)	1,839	3,813
Add: Opening balance	301	1,578	6,886	1,091	2,930
Closing balance	1,578	6,886	1,091	2,930	6,743

Growth indicators (%)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
Revenue	17.2	60.3	123.9	95.3	62.0
EBITDA	23.9	66.2	149.8	143.1	79.7
PAT	63.5	86.0	113.6	198.8	88.3
EPS	51.5	79.5	113.6	198.8	88.3

Valuation (x)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
P/E (x)	379.4	211.4	99.0	33.1	17.6
P/BV (x)	24.8	11.7	10.6	8.1	5.6
EV/EBITDA (x)	204.7	117.9	49.1	19.9	10.8
EV/Sales (x)	57.9	34.6	16.1	8.1	4.9
Dividend Yield (%)	-	0.1	0.1	0.1	0.2

Financial ratios

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
RoE	8.9	7.6	11.3	27.8	37.8
RoCE	7.8	8.2	14.5	29.4	44.6
Debt/Equity (x)	0.0	(0.4)	(0.0)	(0.1)	(0.2)
EBIT/Interest (x)	3.7	11.5	39.1	150.3	208.1

Margins (%)

Year ended 31 Mar	FY24	FY25e	FY26e	FY27e	FY28e
EBITDA	28.3	29.3	32.7	40.7	45.1
EBIT	21.8	19.6	24.4	36.3	42.4
PAT	16.4	19.1	18.2	27.8	32.3

Source: Company Antique

CMP	: INR 1,404
Reco	: BUY ↔
Target Price	: INR 1,783 ↓
Target Price Change	: -15%
Target FY27 P/E (x)	: 30
EPS Change FY25/ 26/ 27	: No Change

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Market data

Sensex	:	77,580
Sector	:	Comm. Vehicles
Market Cap (INR bn)	:	161.1
Market Cap (USD bn)	:	1.909
O/S Shares (mn)	:	114.6
52-wk HI/LO (INR)	:	2835/673
Avg. Daily Vol ('000)	:	438
Bloomberg	:	GRSE IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	38.3	46.0	47.0
P/E (x)	36.6	30.5	29.9
P/BV (x)	7.7	6.6	5.4
EV/EBITDA (x)	38.4	30.5	29.6
Dividend Yield (%)	0.8	1.0	-

Source: Bloomberg

Returns (%)

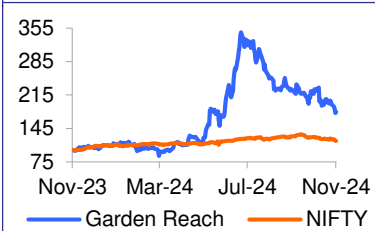
	1m	3m	6m	12m
Absolute	(17)	(28)	43	83
Relative	(12)	(27)	34	53

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Garden Reach Shipbuilders & Engineers

EBITDA grew YoY and QoQ supported by strong execution

Garden Reach Shipbuilders & Engineers' (GRSE) 2QFY25 standalone revenue at ~INR 11.5 bn (24.7% above our estimate) rose by 28.4% YoY and 14.2% QoQ, aided by strong execution. Standalone EBITDA at INR 687 mn (14.3% above our estimate) grew by 40.9% YoY and 22.2% QoQ (with higher cost of materials deployed offset by lower purchase of products for re-sale, YoY stable but QoQ lower employee costs and lower sub-contracting charges). It currently has the capability to construct 24 platforms concurrently (eight large vessels and 16 medium/ small ships across various stages). The company's present order book stands at INR 242.2 bn with major projects on track to be executed in the next 3–4 years (current order book comprises of 12 projects with 43 different platforms, including four export projects spanning 10 platforms). The company has submitted bids for next generation corvettes (L1 declaration expected by end of 3QFY25). On the non-defence front, the focus is on ship building and green energy platforms such as hybrid ferries, green tugs, which offer decent opportunities for growth. We roll over our earnings estimate to FY27 (from 1HFY27) and maintain BUY rating with a TP of INR 1,783 (earlier INR 2,092) at a core target P/E multiple of 30x FY27 earnings (earlier 45x 1HFY27).

Strong order book position; execution could lead to steady topline growth

The company's present order book stands at INR 242.2 bn with major projects on track to be executed in the next 3–4 years (current order book comprises of 12 projects with 43 different platforms including four export projects spanning 10 platforms). It comprises of three P17A stealth frigates (INR 9.3 bn pending; physical progress levels indicate 1st/ 2nd/ 3rd ships to be at 83%/ 65%/ 50%), eight anti-submarine warfare shallow water crafts (INR 43.4 bn remaining), survey vessel large project (INR 7.3 bn remaining), and next-generation offshore patrol vessels (a four-ship project; INR 31.2 bn remaining). The export order book comprise of two projects for the Government of Bangladesh (INR 3.1 bn) and five multi-purpose vessels for a German client (total order size of INR 8.2 bn). The company has submitted bids for next-generation corvettes (INR 360 bn). The order consists of eight ships—five would be awarded to the L1 bidder and three to the L2 bidder. L1 and L2 status is expected to be declared by the end of FY25.

Major deliveries on track—no impending delays

The first ship of the P17A stealth frigate project is expected to be delivered by August'25 with the remaining two by August'26. Two ships of the four-ship large survey vessel project have been delivered (delivery of the 2nd ship happened on October 08, 2024) and the remaining two are expected to be delivered in 1QFY26. The first ship of the eight-ship Anti-Submarine Warfare Shallow Water Craft project has completed its contract of fleet test and is getting ready for delivery by January'25. The four-ship Next Generation Offshore Patrol Vessel project is also on track with targeted project completion by CY28.

EBITDA grew YoY and QoQ aided by topline growth and stable cost of operations

Standalone EBITDA at INR 687 mn (14.3% above our estimate) grew by 40.9% YoY and 22.2% QoQ (with higher cost of materials deployed offset by lower purchase of products for re-sale, YoY stable but QoQ lower employee costs and lower sub-contracting charges). EBITDA margin for 2QFY25 stood at 6% (as against 2QFY24 level of 5.4% and 5.6% in 1QFY25). Management has continued its guidance of sustainable, normalized EBITDA margin of 7.5%-8% over the medium term.

Capacity and capability augmentation to support growth

The long term agreement with Syama Prasad Mookerjee Port for their three dry docks has raised the capability to construct 24 platforms concurrently from 20 to 24 (eight large vessels and 16 medium/ small ships across various stages); management plans to expand it further to 28 vessels by FY25 end. Though the company's focus would be on warship building, capabilities are being developed for non-defence applications, especially in the sectors of hybrid ferries, green tugs (the only other Indian shipyard currently having the know-how is Cochin Shipyards and GRSE would benefit from the Green Tug Transition Programme and Inland Water Authority of India's preference for green vessels).

Investment Summary

The company's present order book stands at INR 242.2 bn with major projects on track to be executed in the next 3–4 years. Being a riverine shipyard, they lack the capability of building larger vessels but make it up with faster execution of smaller vessels. We like the company's growth prospects and maintain BUY rating with a TP of INR 1,783 at a core target P/E multiple of 30x FY27 earnings.

Table 1: Quarterly performance (Standalone summary) — GRSE

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	CPLY (1HFY24)	YoY (%)
Revenue from operations	11,529	8,979	28.4	10,097	14.2	21,626	16,538	30.8
Inventory change	(35)	(233)	(84.9)	(336)	(89.5)	(371)	(83)	345.3
Cost of Material Consumed	8,072	6,029	33.9	5,985	34.9	14,057	10,483	34.1
% of sales	70.0	67.1	287 bps	59.3	1074 bps	65.0	63.4	161 bps
Purchase of products for resale (B & D spares)	286.1	367.0	(22.0)	1169.8	(75.5)	1455.9	379.6	283.5
% of sales	2.5	4.1	-161 bps	11.6	-910 bps	6.7	2.3	444 bps
Employee cost	825	829	-0.4	903	-8.6	1,728	1,683	2.7
% of sales	7.2	9.2	-207 bps	8.9	-178 bps	8.0	10.2	-219 bps
Sub-contracting charges	1054.7	1087.3	(3.0)	1315.5	(19.8)	2370.2	2216.5	6.9
% of sales	9.1	12.1	-296 bps	13.0	-388 bps	16.9	21.1	-428 bps
Other expenses	639	412	55.1	497	28.6	4,962	3,507	41.5
% of sales	5.5	4.6	95 bps	4.9	62 bps	22.9	21.2	174 bps
Total Exp	10,842	8,491	27.7	9,535	13.7	20,377	15,590	30.7
EBITDA	687	488	40.9	563	22.2	1,250	948	31.8
Margin %	6.0	5.4	53 bps	5.6	39 bps	5.8	5.7	5 bps
Other income	749	715	4.7	739	1.4	1,488	1,422	4.6
Depreciation	107	104	3.4	104	2.5	211	205	3.2
Interest expenses	24	25	(2.6)	42	(43.1)	67	71	(6.4)
Profit Before Tax	1,305	1,075	21.4	1,154	13.1	2,460	2,094	17.4
PBT after exceptional	1,305	1,075	21.4	1,154	13.1	2,460	2,094	17.4
Tax	328	268	22.5	282	16.0	610	520	17.3
Tax Rate %	25.1	24.9	21 bps	24.5	63 bps	24.8	24.8	-3 bps
Reported Net Profit	978	807	21.1	872	12.1	1,850	1,574	17.5
Adjusted Net Profit	978	807	21.1	872	12.1	1,850	1,574	17.5
EPS (INR)	8.5	7.0	21.1	7.6	12.1	16.1	13.7	17.5

Source: Company, Antique

Table 2: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	1,146	1,146	-	1,146	1,146	-
Reserves and Surplus	17,276	14,489	19.2	19,712	15,589	26.4
Loan Funds	96	105	(8.8)	1,637	1,637	-
Deferred Tax Liability	130	141	(8.1)	(1,844)	(1,844)	-
Total	18,648	15,882	17.4	20,650	16,527	24.9
Fixed Assets	4,985	4,966	0.4	4,556	4,675	(2.5)
Capital Work-in-Progress	189	154	23.0	116	116	-
Investments	1,872	2,561	(26.9)	12,060	904	1,234.5
Current Assets, Loans And Advances	93,540	1,03,081	(9.3)	91,875	94,840	(3.1)
Inventories	37,393	27,253	37.2	20,891	39,844	(47.6)
Sundry Debtors	2,464	1,167	111.1	11,632	1,942	498.9
Cash and Bank Balances	33,556	41,405	(19.0)	35,850	37,203	(3.6)
Loans and Advances	20,127	33,256	(39.5)	23,502	15,468	51.9
Other current assets	-	-	-	-	382	(100.0)
Current Liabilities and Provisions	81,938	94,881	(13.6)	87,957	84,008	4.7
Liabilities	80,507	93,654	(14.0)	82,421	83,627	(1.4)
Provisions	1,431	1,227	16.6	5,536	380	1,355.3
Net Working Capital	(21,954)	(33,205)	(33.9)	(31,932)	(26,371)	21.1
Total	18,648	15,882	17.4	20,650	16,527	24.9
Net debt	(33,460)	(41,300)	(19.0)	(34,213)	(35,566)	(3.8)

Source: Company, Antique

Table 3: Cashflow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	1,850	1,574	17.5	4,390	3,573	22.9
Depreciation	211	205	3.2	431	413	4.2
Interest	67	71	(6.4)	33	115	(71.5)
Others	-	-	n/a	(2,225)	(2,573)	n/a
Changes in working capital	(3,401)	-	-	5,179	(8,597)	(160.2)
Operating cash flow	(1,273)	1,850	(168.8)	7,807	(7,069)	(210.4)
Capex	(54)	0	-	(11,368)	(638)	1,680.5
Others	-	-	-	3,558	3,712	(4.2)
Investing cash flow	(54)	0	-	(7,810)	3,074	(354.1)
Net proceeds from borrowings	(9)	-	-	-	(2,456)	(100.0)
Others	3,813	(3,723)	n/a	(1,350)	(1,119)	20.6
Financing cash flow	3,803	(3,723)	(202.2)	(1,350)	(3,575)	(62.3)
Net cash flow	2,476	(1,873)	(232.2)	(1,353)	(7,570)	(82.1)
Opening cash balance	31,081	43,278	(28.2)	31,081	38,651	(19.6)
Closing cash balance	33,556	41,405	(19.0)	29,727	31,081	(4.4)
Free cash flow	(1,328)	1,850	(171.8)	(3,561)	(7,707)	(53.8)

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	25,611	35,926	52,227	65,333	70,284
Op. Expenses	24,121	33,585	48,056	60,073	64,868
EBITDA	1,693	2,341	4,170	5,260	5,416
Gross profit	1,693	2,341	4,170	5,260	5,416
Depreciation	391	413	431	448	466
EBIT	1,302	1,928	3,739	4,812	4,950
Other income	2,018	2,996	2,225	2,336	2,360
Interest Exp.	64	115	33	33	33
Reported PBT	3,256	4,809	5,932	7,115	7,277
Tax	770	1,237	1,542	1,850	1,892
Reported PAT	2,281	3,573	4,390	5,265	5,385
Net Profit	2,281	3,573	4,390	5,265	5,385
Adjusted PAT	2,281	3,573	4,390	5,265	5,385
Adjusted EPS (INR)	19.9	31.2	38.3	46.0	47.0

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	1,146	1,146	1,146	1,146	1,146
Reserves & Surplus	12,993	15,589	19,712	23,397	28,782
Networth	14,138	16,734	20,857	24,543	29,928
Debt	3,012	556	556	556	556
Other Non Current Liabilities	1,213	1,081	1,081	1,081	1,081
Net deferred Tax liabilities	145	(1,844)	(1,844)	(1,844)	(1,844)
Capital Employed	18,508	16,527	20,650	24,336	29,721
Gross Fixed Assets	7,343	7,343	7,655	7,967	8,279
Accumulated Depreciation	2,255	2,669	3,099	3,548	4,014
Capital work in progress	48	116	116	116	116
Net Fixed Assets	5,137	5,173	4,672	4,536	4,382
Investments	3,683	0	100	200	300
Other Non Current Assets	265	904	11,960	14,961	16,095
Current Assets, Loans & Adv.	98,675	94,458	91,875	1,14,668	1,27,312
Inventory	29,185	39,844	20,891	29,000	31,197
Debtors	508	1,942	11,632	16,333	17,571
Cash & Bank balance	44,773	37,203	35,850	39,936	46,916
Loans & advances and others	24,208	15,468	23,502	29,400	31,628
Current Liabilities & Provisions	89,252	84,008	87,957	1,10,030	1,18,368
Liabilities	88,358	83,627	82,421	1,03,104	1,10,918
Provisions	893	380	5,536	6,925	7,450
Net Current Assets	9,423	10,450	3,918	4,639	8,944
Application of Funds	18,508	16,527	20,650	24,336	29,721

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	114.6	114.6	114.6	114.6	114.6
Diluted no. of shares (mn)	114.6	114.6	114.6	114.6	114.6
BVPS (INR)	123.4	146.1	182.1	214.3	261.3
CEPS (INR)	23.3	34.8	42.1	49.9	51.1
DPS (INR)	6.1	9.4	11.5	13.8	-

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	3,052	4,809	5,932	7,115	7,277
Depreciation & amortization	392	413	431	448	466
Interest expense	65	115	33	33	33
(Inc)/Dec in working capital	13,782	(8,597)	5,179	3,365	2,675
Tax paid	(771)	(1,237)	(1,542)	(1,850)	(1,892)
Less: Interest/Div. Income Recd.	(2,018)	(2,996)	(2,225)	(2,336)	(2,360)
Other operating Cash Flow	-	424	-	-	-
CF from operating activities	14,501	(7,069)	7,807	6,775	6,199
Capital expenditure	(473)	(638)	(11,368)	(3,313)	(1,446)
Inc/(Dec) in investments	3,110	3,683	(100)	(100)	(100)
Add: Interest/Div. Income Recd.	(146)	29	3,658	2,336	2,360
CF from investing activities	2,491	3,074	(7,810)	(1,077)	814
Inc/(Dec) in debt	3,012	(2,456)	-	-	-
Dividend Paid	(764)	(1,187)	(1,350)	(1,612)	(33)
Others	(45)	67	-	-	-
CF from financing activities	2,203	(3,575)	(1,350)	(1,612)	(33)
Net cash flow	19,196	(7,570)	(1,353)	4,085	6,980
Opening balance	25,577	44,773	37,203	35,850	39,936
Closing balance	44,773	37,203	35,850	39,936	46,916

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	46.0	40.3	45.4	25.1	7.6
EBITDA	21.2	38.3	78.1	26.1	3.0
Adj PAT	23.1	56.6	22.9	20.0	2.3
Adj EPS	23.1	56.6	22.9	20.0	2.3

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	70.5	45.0	36.6	30.5	29.9
P/BV (x)	11.4	9.6	7.7	6.6	5.4
EV/EBITDA (x)	96.2	68.5	38.4	30.5	29.6
EV/Sales (x)	6.4	4.5	3.1	2.5	2.3
Dividend Yield (%)	0.4	0.7	0.8	1.0	-

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	17.1	23.1	23.4	23.2	19.8
RoCE (%)	19.3	28.1	32.1	31.8	27.0
Asset/T.O (x)	4.0	2.4	4.3	7.4	6.2
Net Debt/Equity (x)	0.2	0.0	0.0	0.0	0.0
EBIT/Interest (x)	51.9	42.9	182.2	218.3	223.2

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	6.6	6.5	8.0	8.1	7.7
EBIT Margin	5.1	5.4	7.2	7.4	7.0
PAT Margin	8.9	9.9	8.4	8.1	7.7

Source: Company Antique

CMP	: INR 1,532
Reco	: BUY ↔
Target Price	: INR 2,904 ↓
Target Price Change	: -3%
Target FY27 EV/EBITDA (x)	: 11
Sales booking est change FY25/ 26/ 27	: -6%/ -5%/ -3%

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Market data

Sensex	: 77,580
Sector	: Real Estate
Market Cap (INR bn)	: 153.7
Market Cap (USD bn)	: 1.821
O/S Shares (mn)	: 94.8
52-wk HI/LO (INR)	: 2178/819
Avg. Daily Vol ('000)	: 115
Bloomberg	: SOBHA IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	29.3	52.1	72.6
P/E (x)	52.3	29.4	21.1
P/BV (x)	5.1	4.3	3.5
EV/EBITDA (x)	26.7	17.8	13.3
EV/Sales (x)	4.1	3.2	2.7

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	(11)	(9)	(8)	88
Relative	(6)	(8)	(13)	58

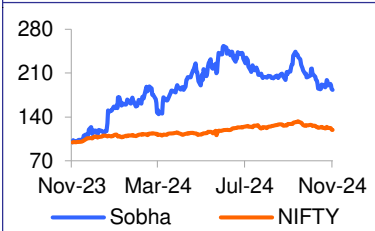
Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Sobha

Muted quarter due to limited launches, all eyes on 2HFY25

SOBHA's 2QFY25 highlight is the disclosure of the large land bank under its control. The company has 20.8 mn sq. ft. of forthcoming projects (to be launched over the next 4-6 quarters) and 26.26 mn sq. ft. of additional pipeline (subsequent project land); more than 55% in Bengaluru, 19% in Tamil Nadu, 14.3% in NCR, 8% in Pune, and the rest in other locations. In addition, a total of 1,878 acres are under various stages of consolidation, monetization, and self-use. The disclosure provides an insight into SOBHA's strong future pipeline. On the operational front, sales booking was muted at INR 11.8 bn (-32% YoY) due to limited launches: INR 30.5 bn (-4% YoY) in 1HFY25. Strong catch-up is needed in 2HFY25 for SOBHA to achieve a sales booking of INR 85 bn in FY25; all hinges on launches. Approval challenges persist, which will be a key monitorable for 2HFY25. We change the sales booking estimates for residential segment by -6%/ -5%/ -3% for FY25E/ 26E/ FY27E and embedded margin by -150 bps; revenue and EBITDA margin for contractual & manufacturing segment by -25%/ -28%/ -30% for FY25E/ 26E / 27E and EBITDA margin by -200 bps. We maintain BUY with a revised target price of INR 2,904 (previously INR 3,003), valuing the residential segment on embedded EV/EBITDA multiple of 11x on FY27E basis (previously 1HFY27E).

2QFY25 snapshot

Operational: SOBHA reported muted quarterly sales booking of INR 11.8 bn (-37%/-32% QoQ/ YoY); sales volume was 0.93 mn sq. ft. (-21%/ -45% QoQ/ YoY). High ticket size products are driving the realization up, which was INR 12,674/sqft (24% YoY) in the quarter; 54% of sales in 1HFY25 was > INR 30 mn/unit. Quarterly collection was INR 13.8 bn (-11%/ -5% QoQ/ YoY) and operating cash flow came at INR 1.9 bn (-37% YoY). Bengaluru's contribution for the quarter was 52% and Kerala 29%. Net debt continues to go down for 16th consecutive quarter to INR 2.8 bn and decreased by INR 27.7 bn in 16 quarters. Net D/E stood at 0.08x. Financial: Revenue of INR 9.3 bn (+46%/+26% QoQ/YoY), EBITDA of INR 771 mn (+38%/ +2% QoQ/ YoY) and adj. PAT of INR 261 mn (+331%/ +75% QoQ/ YoY).

Strong pipeline and land bank an advantage in an upcycle

Launched one project in 2QFY25 and a total of 3.5 mn sq. ft. in 1HFY25 and 5.5 mn sq. ft. in 2HFY25. Another 10 mn sq. ft. is planned for launch in FY26. One project (1.1 mn sq. ft.) to be launched in Nov has RERA approval; Town Park (3.5 mn sq. ft.) and South Bengaluru (0.7 mn sq. ft.) in 2HFY25. Approval for the Pune project is being worked on and is expected to launch by the end of 4Q.

SOBHA currently has unsold inventory of 8.88 mn sq. ft. (GDV of INR 125 bn), launch pipeline of 19.3 mn sq. ft., and future project visibility of 26.3 mn sq. ft. In addition, it has a land bank of 1,878 acres. The large land bank provides strong visibility for sustained growth, in addition to new business development.

Premiumization leading to an uptick in realization

Premiumization is leading to a jump in sales realization. While realization was flat from FY18 to FY22, FY22 to FY24 witnessed a CAGR growth of 18%. However, the jump in the quarterly realization is due to premiumization. Contribution from ticket sizes of >INR 30 mn was 25%/ 28% in FY23/ 24, while in FY18-22 it was ~10%. In 1HFY25, the more than INR 30 mn/unit segment contributed 54% of total sales booking. 60% of current inventory is over INR 40 mn/unit. New launches are across ticket sizes and once they come in the skew would go back to the usual split and improve the pace of sales.

Investment Summary

On the back of a robust pipeline across geographies and continued housing demand, we are confident of SOBHA's near and medium-term outlook. Not only SOBHA is reporting strong sales booking, but it is also expected to clock healthy operating cash flow due to its unwavering focus on margin and execution. We maintain BUY with a revised target price of INR 2,904 (previously INR 3,003). SOBHA continues to be one of our top picks after Aditya Birla Real Estate, Oberoi Realty, and Godrej Properties. Key monitorable: Launches.

Valuation methodology-NAV and multiple to embedded EBITDA

SOBHA did a sales volume of 6.08 mn sq. ft. in FY24, a CAGR of 15% in FY21-24. We expect similar run rate to continue and clock 7.4 mn sq. ft. in FY25 and 8.25 mn sq. ft. in FY26. FY24 realization was INR 10,929/sq. ft., a CAGR of 12% in FY21-24. We assume price escalation of 5% CAGR in FY24E-27E. Thus, we expect SOBHA to do sales bookings of INR 98.0 bn/ INR 118 bn in FY26E/ 27E and do an embedded EBITDA margin of ~23.5%.

Table 1: SoTP valuation

	FY27e
Sales booking	INR 118 bn
Implied EBITDA @23.5%	INR 28 bn
(a) EV of residential at 11x to EV/implied EBITDA	INR 305 bn
(b) Value of other business (5x EV/EBITDA FY26E)	INR 2.13 bn
(c) Value of rental business @ 8% cap rate	INR 6.5 bn
(d) Total EV (a+b+c+d)	INR 313 bn
(e) Less: Net debt	INR -2.8 bn
(f) Equity value (d-e)	INR 310 bn
(g) # of shares	107 mn
(h) Target Price (f/g)	INR 2,904

Source: Company, Antique

Table 2: NAV methodology

Sum of the Parts (SOTP)	INR mn	INR/Share
Value of completed + ongoing	61,991	580
Forthcoming (19.29 mn sq. ft.)	40,360	377
Contract & Manufacturing Business Value	2,135	20
Rental Assets	6,540	61
Subsequent projects land (207 acres)	32,816	307
Land bank (1878 acres)	15,339	143
Net Debt	(2,800)	(26)
NAV	1,56,380	1,462
	INR/share	Premium to NAV
NAV	1,462	0%
CMP	1,532	5%
TP	2,904	99%

Source: Company, Antique

Table 3: Change in estimates

	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales booking (INR bn)	80	98	118	85.1	104.125	121.125	-6%	-5%	-3%
Embedded EV/EBITDA (margin)			23.5%			25.0%			-150 bps
Revenue of Contract & Manufacturing (INR bn)	6.5	6.6	6.7	8.7	9.1	9.6	-25%	-28%	-30%
EBITDA margin			8.0%			10.0%			-200 bps

Source: Company, Antique

Table 4: Land bank

Regions	Forthcoming projects land	Subsequent projects land	Total
Bengaluru	114	127	241
NCR	62		62
Kerala	12		12
Tamil Nadu	5	79	84
Pune	35		35
Total (acres)	228	206	434
Development potential (mns qft)	20.8	26.3	48.3
SOBHA's share	80.9%	86.8%	82.2%

In addition to the above lands, a total of 1,878 Acres of land bank is under various stages of

Conference Call Highlights

- **Launches:** Launched one project in 2QFY25 and total launch of 3.5 mn sq. ft. in 1HFY25 and 5.5 mn sq. ft. in 2HFY25. Another 10 mn sq. ft. in FY26. One project (1.1 mn sq. ft.) to be launched in Nov has RERA approval; Town Park (3.5 mn sq. ft.) and South Bengaluru (0.7 mn sq. ft.) in 2HFY25. Approval for the Pune project is being worked and is expected to launch by the end of 4Q.
- **Contract and manufacturing** continues to see low margin, thus, dragging the overall margin for the next few quarters. In 1HFY25, margin was around 6% and would be so for the next few quarters.
- **Product mix:** 60% of current inventory over INR 40 bn and thus, sales would happen over the course of project timeline i.e. sustenance sales. New launches are across ticket sizes and once they come in the skew would go back to the usual split and improve the pace of sales.
- **Guidance:** A clearer picture would emerge in the next few months, but is hopeful of achieving guidance. Challenges of approvals in some form or the other are always there.
- **Rights issue proceeds:** Calling for remaining money in Dec'24. Good visibility of deployment of capital. Should be able to deploy in the next two years.
- **Default on rights issue:** Promoter has filled in for the unsubscribed money. Once subscribed then needs to pay up. In case of non-payment in the second tranche, the first tranche would be forfeited. In case of non-subscription by any investor, the promoter will step in.
- **New cities:** Greater NOIDA marks the entry into a new city. Once the entire cycle is complete, opportunities would be pursued. Mumbai-evaluating multiple opportunities. Not evaluating any other new cities besides these two.
- **Gurugram:** Three more projects in the pipeline in 2QFY26.
- **Demand:** Very steady. Mix of products is important for sales. Higher the ticket size lower the velocity. Below INR 30 mn ticket size good demand in Bengaluru.
- **EBITDA margin:** Medium to long-term margin overall EBITDA margin 20% and in real estate 22%-25%.
- **Debt:** Gross debt to continue at INR 15 bn level; net debt may fluctuate due to rights issues which would be used for business development.
- **Land bank:** 228 acres ready for launches immediately in the next 1-2 years; another 207 acres have visibility with approvals to be obtained. Another 1,878 acres in control of SOBHA but use and monetization strategy to be determined. Hoskote 300 acres and Hosur 150 acres.

Quarterly Snapshot

Table 5: Financial performance

INR mn	2QFY25	1QFY25	QoQ %	2QFY24	YoY %
Net sales	9,336	6,404	45.8	7412	26.0
Total Expenditure	8,565	5,845		6658	
EBITDA	771.15	559.15	37.9	754.09	2.3
Margins (%)	8.3	8.7	-47bps	10.2	-191bps
Depreciation	232	204		193	
Interest	494	539		639	
Other Income	317	295		324	
PBT before EO expense	362	111		246	
PBT	362	111	226.5	246	47.1
Tax	101	50		97	
Rate (%)	28.0	45.4		39.5	
Reported PAT	261	61		149	
Adj PAT	261	61	330.8	149	75.0
Margins (%)	2.8	0.9		2.0	

Source: Company, Antique

Table 6: Operational performance

Operational performance	2QFY25	1QFY25	QoQ %	2QFY24	YoY %
Pre sales vol (mn sqft)	0.9	1.2	(20.9)	1.7	(45.0)
Pre sales val (INR bn)	11.8	18.7	(37.1)	17.2	(31.6)
Realization (INR/sqft)	12,674	15,941	(20.5)	10,223	24.0

Leverage	2QFY25	1QFY25	QoQ (INRbn)	2QFY24	YoY (INR bn)
Net Debt (INR bn)	2800.0	11.9	2,788.1	14.4	2,785.6
Net D/E	0.1	0.5		0.6	

Source: Company, Antique

Table 7: Balance Sheet

Year ended	Sep-2024	Sep-2023	Mar-2024
Share Capital	1,009	948	948
Reserves & Surplus	34,052	23,968	24,192
Networth	35,061	24,916	25,141
Debt	15,211	19,995	19,135
Minority Interest	-	-	-
Net deferred Tax liabilities	(1,476)	(422)	(982)
Capital Employed	48,797	44,489	43,294
Net Fixed Assets	9,409	8,827	9,224
Capital work in progress	76	146	122
Net Fixed Assets	9,485	8,973	9,346
Goodwill	172	172	172
Investments	1,146	1,149	1,149
Non-Current Investments	1,146	1,149	1,149
Current Investments	-	-	-
Current Assets, Loans & Advances			
Inventory	1,10,137	89,874	93,764
Debtors	2,785	2,361	2,039
Cash & Bank balance	12,997	6,467	6,733
Loans & advances and others	23,703	21,053	21,974
Current Liabilities & Provisions	1,49,621	1,19,756	1,24,510
Liabilities	1,11,092	85,101	91,414
Provisions	536	461	469
Net Current Assets	37,994	34,194	32,627
Application of Funds	48,797	44,489	43,294

Source: Company, Antique

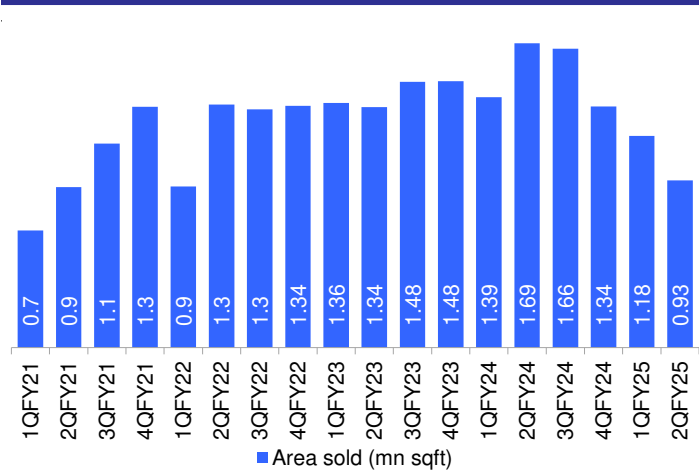
Table 8: Cash Flow Statement

Year ended	Sep-2024	Sep-2023
PBT	473	420
Depreciation & amortization	436	376
Interest expense	1,033	1,250
(Inc)/Dec in working capital	783	2,414
Tax paid	(638)	(252)
Less: Interest/Dividend Income Received	(402)	(414)
Other operating Cash Flow	106	(33)
Cash flow from operating activities	1,790	3,760
Capital expenditure	(572)	(493)
Inc/(Dec) in investments	(4,135)	(3,188)
Add: Interest/Dividend Income Received	306	102
Cash flow from investing activities	(4,401)	(3,579)
Inc/(Dec) in share capital	9,897	-
Inc/(Dec) in debt	(3,924)	(41)
Dividend/Interest Paid	(1,199)	(1,345)
Others	(37)	(30)
Cash flow from financing activities	4,737	(1,415)
Net cash flow	2,126	(1,234)
Opening balance	496	1,797
Closing balance	2,622	562
Changes in other bank balances	9,734	4,908
Cash and Bank balance	12,997	6,467

Source: Company, Antique

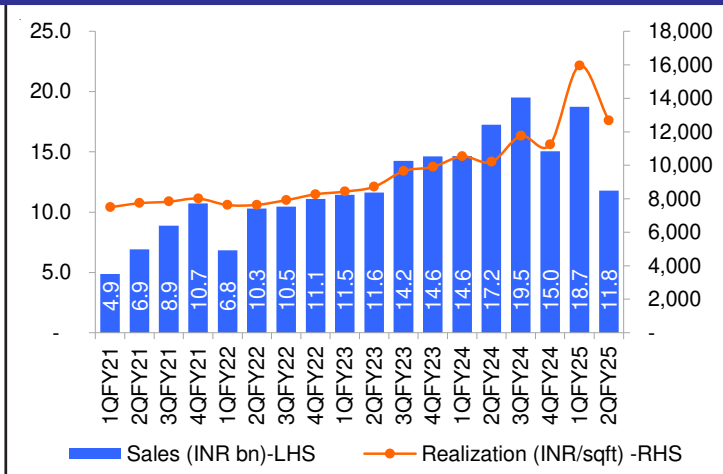
Story in charts

Exhibit 1: Sales volume was muted in 2QFY25



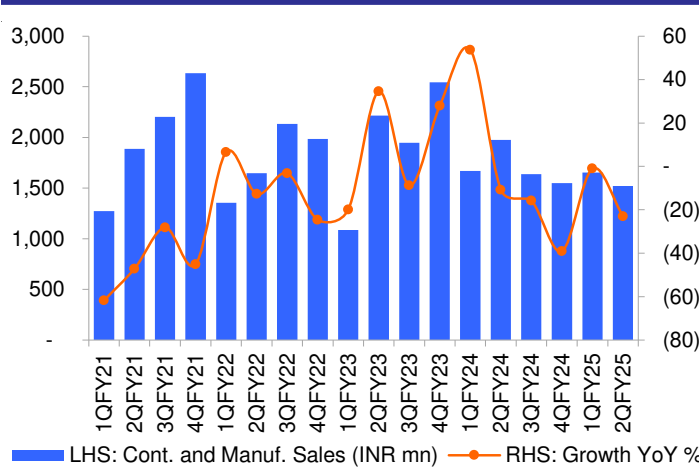
Source: Company, Antique

Exhibit 2: Sales growth driven by realization growth



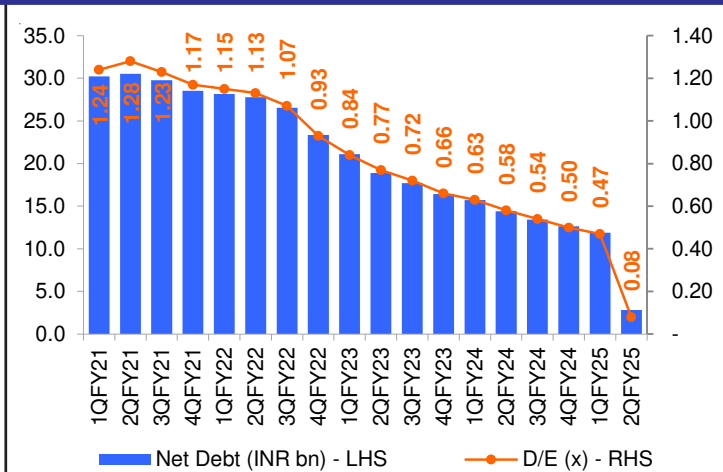
Source: Company, Antique

Exhibit 3: Contracts & manufacturing muted



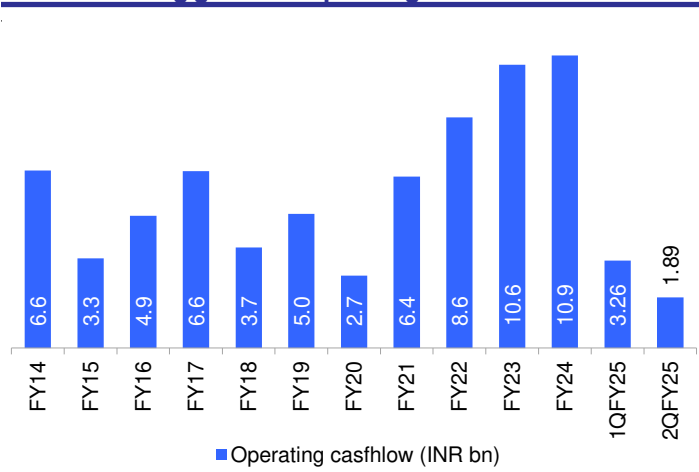
Source: Company, Antique; Note: *Kerala includes Kochi, Thrissur, Calicut and Trivandrum; Tamil Nadu includes Chennai and Coimbatore

Exhibit 4: Continued deleveraging



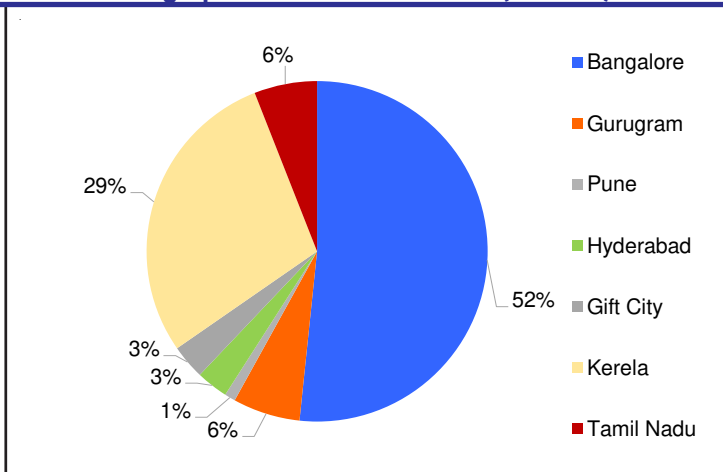
Source: Company, Antique

Exhibit 5: Strong growth in operating cash flow



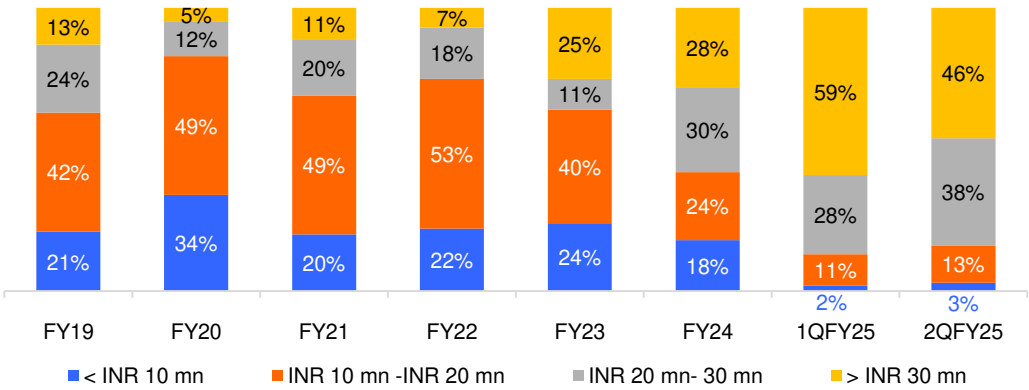
Source: Company, Antique

Exhibit 6: Geographical distribution of sales (2QFY25)



Source: Company, Antique

Exhibit 7: Premiumization leading to improved APR



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	33,101	30,969	42,840	54,534	61,802
Op. Expenses	29,407	28,199	37,493	46,091	50,561
EBITDA	3,694	3,980	6,616	9,777	12,640
Depreciation	678	782	729	740	751
EBIT	3,016	3,197	5,888	9,037	11,890
Other income	923	1,209	1,270	1,333	1,400
Interest Exp.	2,490	2,455	1,702	1,592	1,502
Reported PBT	1,449	1,952	5,455	8,779	11,788
Tax	407	251	1,055	1,876	2,618
Reported PAT	1,042	1,701	4,401	6,903	9,170
Net Profit	1,042	1,701	4,401	6,903	9,170
Adjusted PAT	1,042	491	3,131	5,569	7,770
Adjusted EPS (INR)	9.7	4.6	29.3	52.1	72.6

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	948	948	948	948	948
Reserves & Surplus	23,999	24,192	27,323	32,892	40,662
Networth	24,947	25,141	28,271	33,841	41,611
Debt	20,498	19,643	18,184	17,184	16,184
Net deferred Tax liabilities	126	149	149	149	149
Capital Employed	45,571	44,933	46,605	51,174	57,944
Property, Plant and Equipment	8,649	9,447	11,208	11,308	11,408
Capital work in progress	68	68	500	500	500
Net Fixed Assets	8,717	9,515	11,708	11,808	11,908
Investments	12,360	15,022	15,022	15,022	15,022
Non Current Investments	12,360	15,022	15,022	15,022	15,022
Current Assets, Loans & Adv.	1,04,806	1,12,427	1,23,953	1,56,107	1,80,044
Inventory	87,610	93,764	84,250	1,06,707	1,20,715
Debtors	1,580	1,645	6,175	7,821	8,848
Cash & Bank balance	4,514	6,733	5,329	6,961	12,113
Loans & advances and others	11,102	10,285	28,200	34,616	38,368
Current Liabilities & Provisions	80,312	92,032	1,04,079	1,31,763	1,49,030
Liabilities	80,109	91,809	1,03,856	1,31,540	1,48,807
Provisions	203	223	223	223	223
Net Current Assets	24,494	20,395	19,874	24,344	31,014
Application of Funds	45,571	44,933	46,605	51,174	57,944

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	95	95	95	95	95
Diluted no. of shares (mn)	95	95	95	95	95
BVPS (INR)	263	265	298	357	439
CEPS (INR)	18.1	26.2	54.1	80.6	104.6
DPS (INR)	7.0	3.0	7.9	7.9	7.9

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	1,449	742	4,186	7,446	10,388
Depreciation & amortization	678	782	729	740	751
Interest expense	2,490	2,455	1,702	1,592	1,502
(Inc)/Dec in working capital	7,292	7,115	1,647	(2,678)	(1,370)
Tax paid	(407)	(772)	(1,055)	(1,876)	(2,618)
Other operating Cash Flow	-	(3,848)	-	-	-
CF from operating activities	11,502	6,474	7,209	5,223	8,652
Capital expenditure	(100)	(1,247)	(100)	(100)	(100)
(Inc)/Dec in investments	-	(3,875)	-	-	-
Interest Received	-	363	-	-	-
Others	(2,268)	10	-	-	-
CF from investing activities	(2,368)	(4,749)	(100)	(100)	(100)
Inc/(Dec) in long-term debt	2,543	(199)	(459)	-	-
Inc/(Dec) in short-term debt	(7,511)	(702)	(1,000)	(1,000)	(1,000)
Interest paid	(2,490)	(2,123)	(1,702)	(1,592)	(1,502)
Dividend Paid	(664)	(285)	(749)	(749)	(749)
Others	391	(74)	(150)	(150)	(150)
CF from financing activities	(7,731)	(3,382)	(4,060)	(3,490)	(3,400)
Net cash flow	1,403	(1,657)	3,050	1,633	5,152
Opening balance	1,389	2,792	1,136	4,185	5,818
Closing balance	2,792	1,136	4,185	5,818	10,970
bank balance	1,722	5,598	1,143	1,143	1,143
Cash & bank balance	4,514	6,733	5,329	6,961	12,113

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	29.2	-6.4	38.3	27.3	13.3
EBITDA	-30.7	7.7	66.3	47.8	29.3
Adj PAT	-39.8	-52.9	537.4	77.9	39.5
Adj EPS	-39.8	-52.9	537.4	77.9	39.5

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	157.3	333.6	52.3	29.4	21.1
P/BV (x)	5.8	5.8	5.1	4.3	3.5
EV/EBITDA (x)	48.7	44.4	26.7	17.8	13.3
EV/Sales (x)	5.4	5.7	4.1	3.2	2.7

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	4.2	2.0	11.7	17.9	20.6
RoCE (%)	8.3	9.7	15.6	21.2	24.4
Asset/T.O (x)	0.9	1.0	1.4	1.6	1.6
Net Debt/Equity (x)	0.6	0.5	0.5	0.3	0.1
EBIT/Interest (x)	1.2	1.3	3.5	5.7	7.9

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	11.2	12.9	15.4	17.9	20.5
EBIT Margin (%)	9.1	10.3	13.7	16.6	19.2
PAT Margin (%)	3.1	1.5	7.1	10.0	12.3

Source: Company Antique

CMP	: INR 370
Reco	: HOLD ↔
Target Price	: INR 390 ↓
Target Price Change	: -13%
Target FY27 P/E (x)	: 60
EPS Change FY25/ 26/ 27	: -51%/ -25%/ -25%

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Market data

Sensex	:	77,580
Sector	:	FMCG
Market Cap (INR bn)	:	120.7
Market Cap (USD bn)	:	1.430
O/S Shares (mn)	:	324.8
52-wk HI/LO (INR)	:	547/309
Avg. Daily Vol ('000)	:	484
Bloomberg	:	HONASA IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	2.3	4.8	6.5
P/E (x)	162.7	77.9	56.9
P/BV (x)	10.3	9.1	7.8
EV/EBITDA (x)	52.8	37.1	24.9
EV/Sales (x)	5.3	4.4	3.6

Source: Bloomberg

Returns (%)

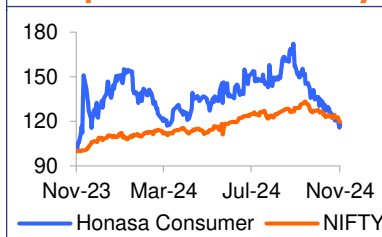
	1m	3m	6m	12m
Absolute	(13)	(21)	(11)	17
Relative	(8)	(19)	(16)	(2)

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Honasa Consumer

Inventory correction much higher than anticipated

Honasa Consumer's 2QFY25 performance was disappointing due to inventory correction taken in the general trade channel. Surprisingly, the quantum of inventory correction was much higher than earlier anticipated. During the quarter, the performance of emerging brands (The Derma Co, Aqualogica, etc.) which are non-offline channel brands continue to grow, albeit at a lower rate than previous quarters. In our view, the recovery in performance would be gradual as the company is reworking its general trade distribution strategy. Profitability was also impacted by higher overheads, elevated level of A&P spends (40% of sales), which will continue in the near term. Post the 2QFY25 disappointing performance and factoring a gradual recovery in performance, we have cut our earnings estimate by 25%-51% for FY25-27E. Going ahead, in anticipation of the gradual recovery in performance, we maintain HOLD rating with a revised target price of INR 390 (previously INR 450), based on 60x PER on FY27 EPS (previously 1HFY27).

Performance impacted due to inventory correction in general trade channel

Revenue declined 6.9% YoY amounting to INR 4.6 bn. However, during 2Q there was one-time GT inventory take-back (distribution transition) amounting to INR 630 mn. Post that adjustment, revenue grew 5.7% to INR 5.3 bn with (adjusted) UVG at 7.1%. House of Brands strategy continues to drive growth, with emerging brands (The Derma Co., Aqualogica, BBlunt, and Dr. Sheth's) recording over 30% YoY growth in 1HFY25. The core categories (sunscreens, face wash, and serums) contributed 50% of the business while growth in 1HFY25 exceeded 28%. Mamaearth increased its value market share in face wash and shampoo by 125 bps YoY each. Mamaearth continues to emerge as the fastest growing brand in key categories being the 3rd largest skincare brand in the country. In order to improve efficiency and profitability from the offline channel, the company has implemented project Neev to revamp the distribution channel. The transition from super stockists to direct distributors in top 50 cities has impacted overall business performance during 2Q.

Profitability impacted on account of one-off and higher overheads

Gross margin contracted by 69 bps YoY to 68.8%. Going ahead in FY25, gross margin should be in the range of 70%-71%. Employee cost/ other expenditure grew 39%/ 20% YoY. A&P spends increased by 6.2% YoY to 40% of sales vs. 35% last year. EBITDA loss was at INR 307 mn with a margin of negative 6.6%, down 1475 bps YoY. Profitability was impacted due to one-time inventory correction. Post the adjustment gross and EBITDA margin stood at 71.7% and 4.1% respectively.

Investment Summary

Post the 2QFY25 performance, we have cut our earnings estimates by 51%/ 25%/ 25% for FY25/ 26/ 27. We expect moderation in growth momentum and now expect Honasa to deliver sales/ PAT CAGR of 16%/ 24% over FY24-27. In our view, the emerging brands would continue with higher growth in online channel while the Mamaearth brand growth rate is likely to moderate as there would be a gradual scaling up in the general trade channel. We maintain HOLD recommendation and a target price of INR 390, based on 60x PER on FY27E earnings.

Table 1: Quarterly financials

INR mn	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total Operating Income	4,618	4,961	(6.9)	5,541	(16.6)	10,159	9,606	5.8
Cost of Raw material	1,442	1,515	(4.8)	1,570	(8.2)	3,012	2,861	5.3
% of sales	31.2	30.5	69 bps	28.3	289 bps	29.7	29.8	-13 bps
Gross Profit	3,176	3,446	-7.8	3,970	-20.0	7,147	6,745	5.9
Margin %	68.8	69.5	-69 bps	71.7	-289 bps	70.3	70.2	13 bps
Employees cost	515	371	38.6	494	4.1	1,009	816	23.6
% of net sales	11.1	7.5	366 bps	8.9	222 bps	9.9	8.5	143 bps
A&P Spends	1,830	1,740	5.2	2,000	(8.5)	3,830	3,370	13.6
% of net sales	39.6	35.1	455 bps	36.1	353 bps	37.7	35.1	262 bps
Other expenditure	1,139	933	22.0	1,015	12.2	2,154	1,864	15.5
% of net sales	24.7	18.8	585 bps	18.3	633 bps	21.2	19.4	179 bps
EBITDA	(307)	402	(176.4)	461	(166.6)	154	695	(77.8)
EBITDA margin%	-6.6	8.1	-1475 bps	8.3	-1497 bps	1.5	7.2	-572 bps
Depreciation	106	63	67.9	94	12.2	200	128	56.3
Interest	31	18	75.5	30	3.6	62	33	88.8
Other Income	200	71	182.9	187	7.0	387	197	96.8
PBT	(244)	392	(162.2)	524	(146.5)	280	732	(61.7)
Tax	(58)	98	-159.4	121	-147.8	63	190	-66.6
Tax rate (%)	23.8	24.9	NA	23.2	62 bps	22.6	26.0	-335 bps
Reported PAT	(186)	294	(163.1)	403	(146.1)	217	542	(60.0)
Minority Interest	-	-	NA	-	NA	-	(12)	-100.0
Recurring PAT	(186)	294	(163.1)	403	(146.1)	217	554	(60.9)
EPS	(0.6)	2.2	(126.7)	1.3	(146)	#DIV/0!	4.1	

Source: Company, Antique

Table 2: Actual vs. estimates

INR mn	Actual	Antq Est.	Var (%)	Cons Est.	Var (%)
Revenue	4,618	5,060	(8.7)	5,097	(9.4)
Gross Margin %	68.8	71.0	-223 bps	68.0	77 bps
EBITDA	(307)	50	(710.5)	33	(1,036.0)
EBITDA margin	(6.6)	1.0	-764 bps	0.6	-729 bps
PAT	(186)	71	(360.6)	61	(403.7)

Source: Company, Antique

Table 3: Change in estimates

INR mn	FY25			FY26			FY27		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Revenue	21,073	23,035	(8.5)	25,124	27,629	(9.1)	29,903	33,508	(10.8)
Gross Margin %	69.8%	70.7%	-1 bps	70.0%	71.0%	-1 bps	70.2%	71.0%	-1 bps
EBITDA	955	1,995	(52.1)	2,117	2,811	(24.7)	2,978	3,920	(24.0)
EBITDA margin	4.5	8.7	-413 bps	8.4	10.2	-175 bps	10.0	11.7	-174 bps
PAT	737	1,510	(51.2)	1,540	2,056	(25.1)	2,107	2,807	(24.9)
EPS	2.3	4.7	(51.2)	4.8	6.3	(25.1)	6.5	8.7	(24.9)

Source: Company, Antique

Table 4: Balance sheet

Year ended, INR mn	1 HFY25	1 HFY24	Chg, %	FY25	FY24	Chg, %
Share Capital	3,248	1,363	138.3	3,242	3,242	-
Reserves & Surplus	8,004	5,317	50.5	8,447	7,710	9.6
Networth	11,253	6,680	68.4	11,690	10,953	6.7
Net deferred Tax liabilities	2	21		4	4	-
Capital Employed	11,255	6,702	67.9	11,694	10,957	6.7
Net Fixed Assets	2,562	2,350	9.0	2,604	2,464	5.7
Goodwill	528	528	-	528	528	
Investments	2,239	2,821	(20.7)	2,918	2,918	-
Current Assets, Loans & Advances	12,124	5,432	123.2	11,374	10,384	9.5
Inventory	1,802	1,318	36.7	1,348	1,228	9.8
Debtors	1,533	1,278	19.9	1,749	1,594	
Cash & Bank balance	4,388	662	562.9	5,250	4,857	8.1
Loans & advances and others	4,402	2,174	102.5	3,027	2,705	11.9
Current Liabilities & Provisions	6,198	4,430	39.9	5,730	5,337	7.4
Liabilities	6,030	4,316	39.7	5,582	5,202	7.3
Provisions	168	114	47.7	148	135	9.9
Net Current Assets	5,926	1,002	491.4	5,644	5,047	11.8
Application of Funds	11,255	6,702	67.9	11,694	10,957	6.7

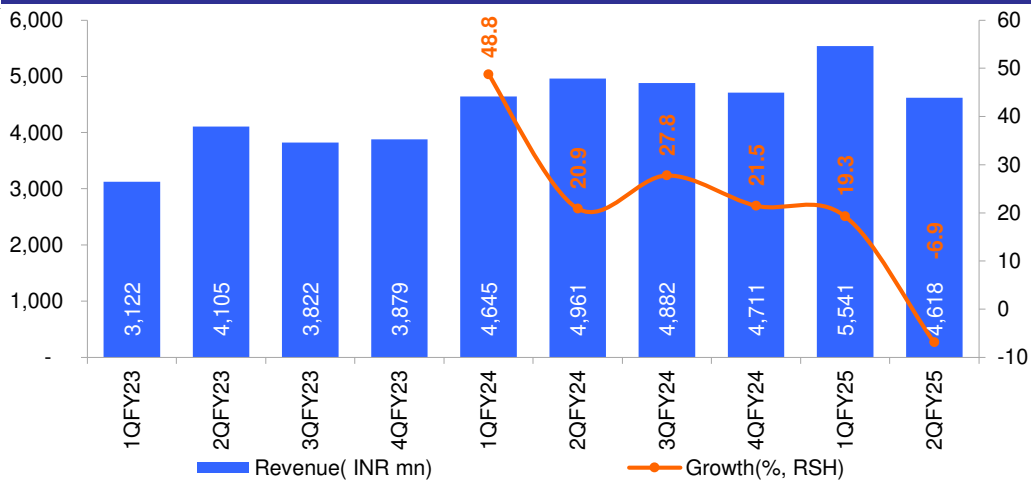
Source: Company, Antique

Table 5: Cash flow

INR mn	1 HFY25	1 HFY24	Chg %	FY25E	FY24	Chg %
PBT	280	732	(61.7)	2,154	1,056	104.0
Depreciation & amortization	199	128	55.7	313	306	2.1
Interest expense	62	33	87.9	98	90	8.0
(Inc)/Dec in working capital	(337)	197	(271.2)	(204)	1,025	(119.9)
Tax paid	(230)	(126)	82.1	(255)	(324)	(21.4)
Other operating Cash Flow	(189)	(26)	627.4	(1,162)	201	(678.7)
Cash flow from operating activities	(215)	938	(122.9)	944	2,353	(59.9)
Capital expenditure	(126)	(49)	157.1	(452)	(118)	284.4
Inc/(Dec) in investments	(617)	(946)		-	(4,714)	(100.0)
Add: Interest/Div. Income Recd.				-	133	(100.0)
Others	111	330				
Cash flow from investing activities	(632)	(665)	(4.9)	(452)	(4,698)	(90.4)
Inc/(Dec) in share capital	41			-	3,633	(100.0)
Inc/(Dec) in debt	(96)	(123)	(21.5)	-	(36)	(100.0)
Others	(62)	(33)	90.3	(98)	2,923	(103.3)
Cash flow from financing activities	(117)	(155)	(24.4)	(98)	6,521	(101.5)
Net cash flow	(964)	117	(922.9)	394	4,176	(90.6)
Opening balance	3,423	545	528.4	4,857	681	613.4
Closing balance	4,388	662	562.9	5,250	4,857	8.1

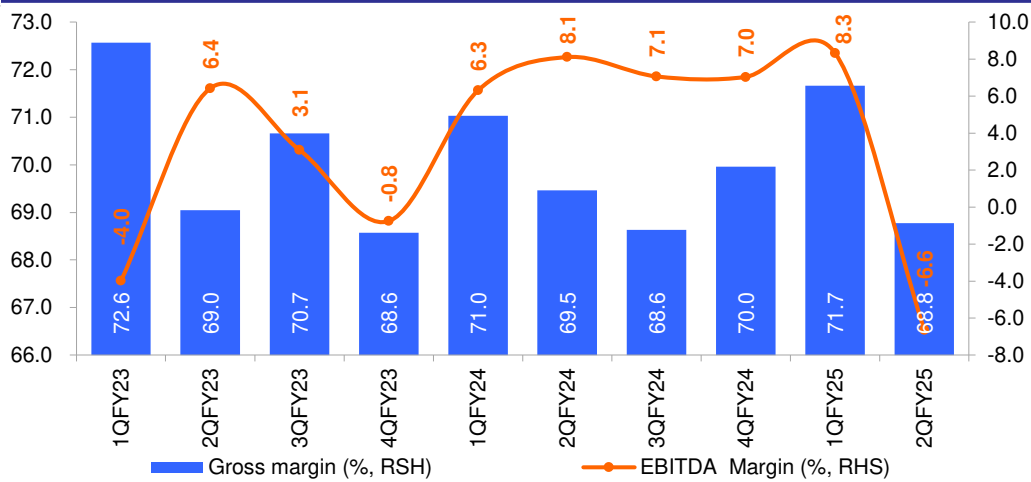
Source: Company, Antique

Exhibit 1: Revenue declined 6.9% YoY while adjusted revenue grew 5.7%



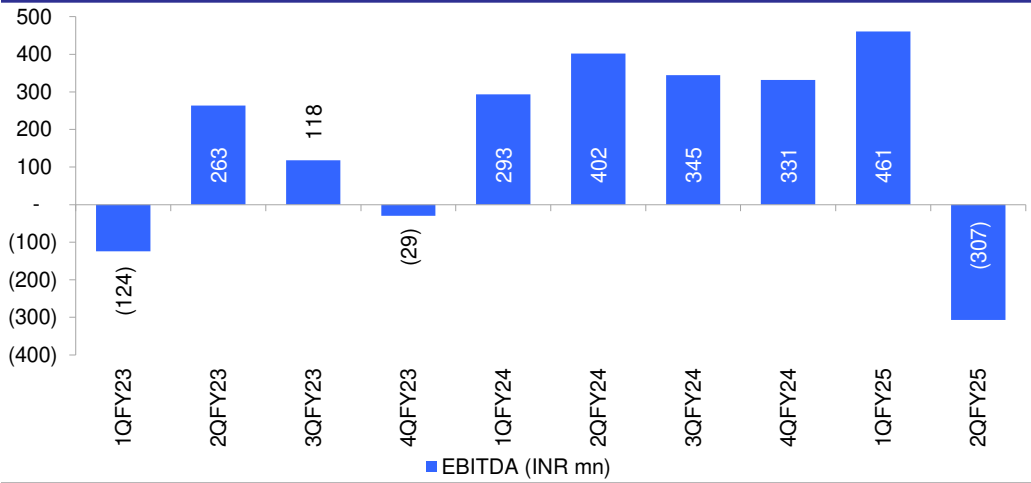
Source: Company, Antique

Exhibit 2: Profitability impacted due to Project Neev



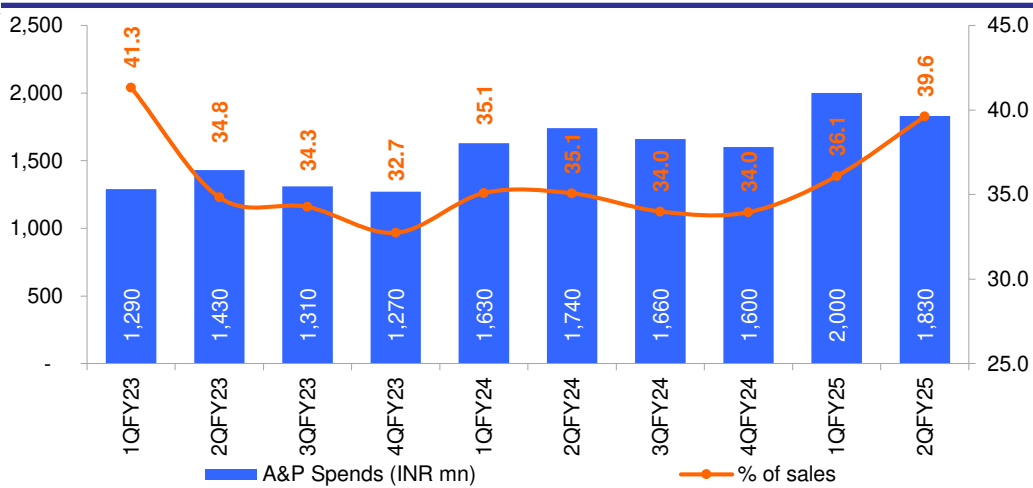
Source: Company, Antique

Exhibit 3: EBITDA loss was INR 307 mn during the quarter



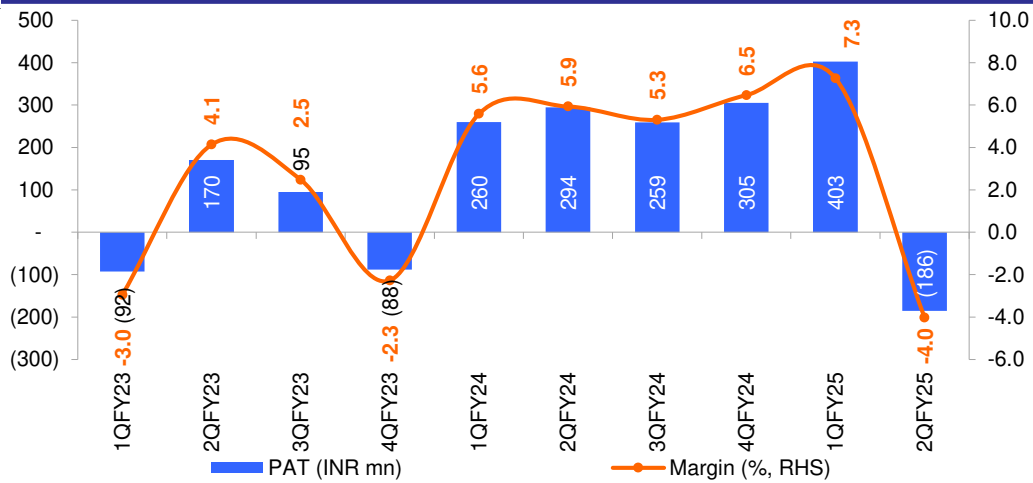
Source: Company, Antique

Exhibit 4: A&P spend grew 6% YoY, increasing its contribution to total sales by 493 bps YoY to 40%



Source: Company, Antique

Exhibit 5: Adjusted PAT loss stood at INR 186 mn



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	14,927	19,199	21,073	25,124	29,903
Gross Profit	13,392	14,709	17,587	20,992	24,719
Op. Expenses	(12,021)	(13,753)	(15,470)	(18,014)	(20,362)
EBITDA	1,371	955	2,117	2,978	4,357
Depreciation	(250)	(306)	(313)	(388)	(478)
EBIT	1,121	649	1,804	2,590	3,879
Other income	225	497	447	450	450
Interest Exp.	(67)	(90)	(98)	(105)	(114)
Extra Ordinary Items -gain/(loss)	(1,547)	-	-	-	-
Reported PBT	(267)	1,056	2,154	2,934	4,215
Tax	(99)	(366)	(255)	(533)	(729)
Reported PAT	(366)	690	1,899	2,401	3,486
Net Profit	(366)	690	1,899	2,401	3,486
Adjusted PAT	37	1,118	737	1,540	2,107
Adjusted EPS (INR)	0.3	3.4	2.3	4.8	6.5

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	1,363	3,242	3,242	3,242	3,242
Reserves & Surplus	4,696	7,710	8,447	9,988	12,095
Networth	6,059	10,953	11,690	13,230	15,337
Debt	36	-	-	-	-
Net deferred Tax liabilities	(27)	4	4	4	4
Capital Employed	6,068	10,957	11,694	13,234	15,341
Gross Fixed Assets	2,332	3,101	3,553	4,105	4,758
Accumulated Depreciation	(335)	(641)	(953)	(1,341)	(1,820)
Capital work in progress	-	5	5	5	5
Net Fixed Assets	1,997	2,464	2,604	2,768	2,942
Goodwill	528	528	528	528	528
Intangible Assets	528	528	528	528	528
Investments	2,600	2,918	2,918	2,918	2,918
Current Investments	2,600	2,918	2,918	2,918	2,918
Current Assets, Loans & Adv.	4,498	10,384	11,374	13,593	16,519
Inventory	1,139	1,228	1,348	1,607	1,913
Debtors	1,277	1,594	1,749	2,086	2,482
Cash & Bank balance	681	4,857	5,250	6,679	8,674
Loans & advances and others	1,401	2,705	3,027	3,221	3,449
Current Liabilities & Provisions	3,555	5,337	5,730	6,572	7,565
Liabilities	3,454	5,202	5,582	6,403	7,372
Provisions	101	135	148	169	194
Net Current Assets	943	5,047	5,644	7,021	8,953
Application of Funds	6,068	10,957	11,694	13,234	15,341

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	136	324	324	324	324
Diluted no. of shares (mn)	136	324	324	324	324
BVPS (INR)	44.4	33.8	36.1	40.8	47.3
CEPS (INR)	(0.9)	3.1	6.8	8.6	12.2

Source: Company, Antique

Key assumptions

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Gross margin (%)	70.1	69.8	69.8	70.0	70.2
Employee expenses(%)	11.0	8.9	9.4	9.1	8.6
Ad-spends (% of sales)	35.5	34.4	35.5	33.0	33.0

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	(267)	1,056	2,154	2,934	4,215
Depreciation & amortization	250	306	313	388	478
Interest expense	67	90	98	105	114
(Inc)/Dec in working capital	(1,048)	1,025	(204)	53	62
Tax paid	(125)	(324)	(255)	(533)	(729)
Other operating Cash Flow	608	201	(1,162)	(861)	(1,380)
CF from operating activities	(516)	2,353	944	2,087	2,761
Capital expenditure	(117)	(118)	(452)	(552)	(652)
Inc/(Dec) in investments	457	(4,714)	-	-	-
Add: Interest/Div. Income Recd.	89	133	-	-	-
CF from investing activities	429	(4,698)	(452)	(552)	(652)
Inc/(Dec) in share capital	49	3,633	-	-	-
Inc/(Dec) in debt	0	(36)	-	-	-
Others	(159)	2,923	(98)	(105)	(114)
CF from financing activities	(110)	6,521	(98)	(105)	(114)
Net cash flow	(196)	4,176	394	1,429	1,994
Opening balance	877	681	4,857	5,250	6,679
Closing balance	681	4,857	5,250	6,679	8,674

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue (%)	58.2	28.6	9.8	19.2	19.0
EBITDA (%)	502.2	(30.3)	121.6	40.7	46.3
Adj PAT (%)	(76.3)	NA	(34.0)	109.0	36.8
Adj EPS (%)	NA	NA	(34.0)	109.0	36.8

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	NA	107.3	162.7	77.9	56.9
P/BV (x)	8.3	11.0	10.3	9.1	7.8
EV/EBITDA (x)	85.1	117.5	52.8	37.1	24.9
EV/Sales (x)	7.8	5.8	5.3	4.4	3.6

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	0.6	13.1	6.5	12.4	14.7
RoCE (%)	20.3	13.5	19.9	24.4	30.3
Asset/T.O (x)	6.0	3.7	2.7	2.8	2.8
Net Debt/Equity (x)	(0.5)	(0.7)	(0.7)	(0.7)	(0.8)
EBIT/Interest (x)	(20.2)	(12.7)	(23.1)	(28.8)	(38.0)

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	9.2	5.0	10.0	11.9	14.6
EBIT Margin (%)	7.5	3.4	8.6	10.3	13.0
PAT Margin (%)	0.2	5.7	3.4	6.0	6.9

Source: Company Antique

CMP	: INR 873
Reco	: BUY ↔
Target	: INR 1,525 ↑
Target Price Change	: 17%
Target FY27 P/E (x)	: 24
EPS Change FY25/ 26/ 27	: -14%/-5%/-2%

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Market data

Sensex	:	77,580
Sector	:	Pharmaceuticals
Market Cap (INR bn)	:	85.4
Market Cap (USD bn)	:	1.012
O/S Shares (mn)	:	97.8
52-wk HI/LO (INR)	:	960/313
Avg. Daily Vol ('000)	:	311
Bloomberg	:	SLPA IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	13.7	37.3	63.6
P/E (x)	63.7	23.4	13.7
P/BV	3.5	3.0	2.5
EV/EBITDA (x)	23.8	13.1	8.7
EV/Sales	6.2	4.3	3.1

Source: Company, Antique

Returns (%)

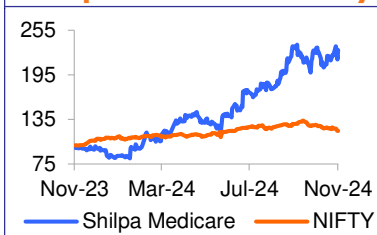
	1m	3m	6m	12m
Absolute	2	29	72	139
Relative	7	32	62	100

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Shilpa Medicare

Strong NDDS launch pipeline to drive margins

Shilpa Medicare (SLPA) reported a revenue of INR 3,438 mn, 18% YoY growth. The growth was driven by its FDF division, which reported a revenue growth of 9% YoY. FDF revenue increase in turn was driven by market share gains in its 505 (b)(2) product viz. Pemetrexed. With the K Code approval now in place we believe this gives Amneal (SLPA's marketing partner) a wider target patient pool, thereby increasing its addressable opportunity for Pemetrexed. Besides FDF, SLPA's CDMO (including licensing income) segment also reported a strong growth of ~100% on YoY basis, driven largely by new client additions and licensing income of a milestone payment from its CDMO partner viz. Unicycive Therapeutics. Recently SLPA's CDMO partner Unicycive announced acceptance NDA of Oxylanthanum Carbonate (OLC) with a PDUFA date of June'25. We believe SLPA's CDMO business is likely to see an annual ~USD 10-15 mn revenue in year one of launch, post which the revenue number is likely to grow as SLPA has four years of exclusive supply agreement with Unicycive Therapeutics. With aggressive capex investments behind, we believe SLPA's FDF pipeline monetization can lead to over 35% revenue CAGR over a two-year period, with an EBITDA margin of ~36% by FY27 and EPS CAGR of over 100% (on a low base). We keep our estimates largely unchanged for FY27 and continue to maintain BUY rating on the stock with a TP of INR 1,525 (earlier INR 1,300), valuing the company at 24x FY27 EPS (earlier 1HFY27 EPS).

NDDS product launches to drive SLPA's revenue

After a sharp decline in the past two years the FDF business has grown ~15% in 1HFY25 on YoY basis. The growth, going forward, will be largely driven by its strong NDDS launch pipeline, besides Pemetrexed, SLPA's other growth drivers include Bortezomib injection, the first liquid injection approved for both subcutaneous and intravenous administration. SLPA will be looking to launch the product in 2HFY26 via the partnership route; we believe this product will remain a limited competition opportunity for SLPA for many quarters post launch.

Besides these, SLPA has also successfully cleared phase 3 for SMLNUD07 – NorUDCA, a product for Nonalcoholic Fatty Liver Disease (NAFLD), which has been submitted to CDSCO for marketing authorization. We believe this is a significant opportunity for SLPA given the unmet needs, potentially making it the first line of treatment for ~188 million patients suffering from NAFLD. SLPA will also launch Nilotinib in 3QFY25 under the NDDS format in the EU market, where the company expects exclusivity for limited duration. Given the robust launch pipeline of limited competition and differentiated products, we expect SLPA's FDF revenue to grow over ~70% CAGR over FY25–FY27E (low base).

Investment Summary

We like SLPA's business model and strategy of redeveloping and launching limited competition products having sustainable growth. We expect SLPA's key growth drivers to be (i) New launches in the API segment, coupled with growth in peptide products, (ii) Scale-up of existing Non-Oncology API with new market approvals, (iii) Robust pipeline of limited competition NDDS products for the US & EU region, (iv) Exclusive CDMO supply agreement of four years with Unicycive, and (v) Capacity build-up in higher revenue generating businesses viz. Biosimilar and Biocare (rHA). Given these triggers, we expect SLPA's revenue to grow over ~35% CAGR over FY25–27E, driving its EBITDA margin to ~36% by FY27 and offering an EPS CAGR of over 100% (on a low base). We maintain BUY rating.

Table 1: Summary of NDDS opportunities

Particulars	Product Name	Target Market	Under Filing Stage/ or Filed	Launch Timeline
US - NDA	Pemetrexed – partnered with Amneal, launched under J code and applied for K code	US		Launched in 4QFY24
US - NDA	Bortezomib Inj – Partnered with Amneal	US	Approved in 2QFY25	1HFY26
EU – NDA	Nilotinib	EU		3QFY25
SMLNUD07	NAFLD indication - NorUDCA	India and EM	Ph3 successfully completed and submitted to CDSCO	FY26
SMLTDP08	ROTIGOTINE – TD Patch for Parkinson	EU & EM	Rotigotine patch filed in EU by partner in Q2 FY25	FY27
ODF	Betahistine	UK & EU	Approved in UK	FY26
ODF	Tadalafil	EU	Marketing Authorization (MA) filed	FY26
ODF	Bilastine	EM	Clinical Studies completed	NA
SMLTOP09	Androgenic Alopecia	India	Phase II completed and submitted to Indian regulatory body; Phase III study to start post approval	NA
ODF	SMLODF010, Tadalafil ODF and Sildenafil ODF	EM	Pre-clinical work done. Expect to start further work	NA

Source: Company, Antique

Table 2: Summary of ANDA opportunities

Product	Active ingredient	Approx. Brand value (USD mn)	SLPA's position	Launch timeline	Other filers
Lenvima	Lenvatinib mesylate	1,200	FTF	CY27	Sun Pharma, Dr Reddy's, Torrent
Otezla	Apremilast	1,800	FTF	CY28	Sandoz, Mankind pharma, Glenmark, Pharma, Zydus, Apotex, Alkem, Aurobindo, Dr Reddy's, Emcure, Cipla
Imbruvica (Capsules)	Ibrutinib	700	FTF	CY33	Sandoz, Teva, Cipla, Zydus, Sun Pharma, Fersenius Kabi
Vemlidy	Tenofovir Alafenamide Fumarate	400	FTF	CY31	Sunshine pharma, Laurus Labs, Apotex, Hetero, Lupin
Aubagio	Teriflunomide	500	Para 3	Launch upon approval	Alembic, Glenmark, Sandoz, Hetero, Natco
Tecfidera	Dimethyl Fumarate	5,500	Para 3	Launch upon approval	Alkem, Cipla, Mylan, Zydus, Aurobindo

Source: USFDA, Industry Data and Antique

Table 3: Revenue snapshot

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
FDF	575	528	8.9	474	21.3	1,049	915	14.6
API	1,733	2,121	(18.3)	1,612	7.5	3,345	3,694	(9.4)
CDMO (incl licensing income)	817	409	99.8	679	20.3	1,496	1,023	46.2
Biologics	307	-	-	155	98.1	462	-	-
Gross sales	3,432	3,058	12.2	2,920	17.5	6,352	5,632	12.8

Source: Company, Antique

Table 3: Quarterly snapshot

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Net sales	3,438	3,130	10	2,925	18	6,363	5,732	11
RM Cost	1,220	1,258	(3)	928	31	2,148	2,137	1
% of sales	35.5	40.2	(471)bps	31.7	375 bps	33.8	37.3	(352)bps
Staff costs	762	731	4	721	6	1,483	1,460	2
% of sales	22.2	23.4	(120)bps	24.7	(251)bps	23.3	25.5	(216)bps
Other expenses	596	538	11	540	11	1,136	1,053	8
% of sales	17.4	17.2	16 bps	18.4	(110)bps	17.9	18.4	(52)bps
Expenditure	2,578	2,527	2	2,189	18	4,767	4,649	3
EBITDA	860	603	43	736	17	1,596	1,082	47
EBITDA margin (%)	25.0	19.3	575 bps	25.2	(14)bps	25.1	18.9	620 bps
Other income	50	18		94		144	37	
Interest	256	232		237		493	414	
Depreciation	283	278		271		554	545	
PBT before EO	372	111	235	322	15.4	694	160	-
PBT	372	111	235	322	15.4	694	160	-
Tax	188	76		146		334	97	
Tax Rate %	50.7	68.6		45.4		48.2	60.6	
Reported PAT	179	16	1,014	141	28	320	28	1,047
Adjusted PAT	179	16	1,014	141	28	320	28	1,047
EPS (INR)	1.8	0.2	1,014	1.4	28	3.3	0.3	1,047

Source: Company, Antique

Table 4: Actual vs Estimates

(INR mn)	2QFY25		
	Actual	Estimated	% Variance
Net sales	3,438	3,523	(2)
EBITDA	860	1,019	(16)
EBITDA margin (%)	25.0	28.9	(391)bps
Adjusted PAT	179	416	(57)
EPS (INR)	1.8	4.3	(57)

Source: Company, Antique

Table 4: Balance sheet Snapshot

	1HFY25	1HFY24	Change %	FY25	FY24	Change %
Share Capital	98	87	13	98	87	13
Reserves & Surplus	23,181	17,748	31	24,330	18,000	35
Networth	23,279	17,835	31	24,427	18,087	35
Debt	4,906	8,654	-43	5,874	9,374	-37
Minority Interest	-87	-89	-2	-87	-87	-
Net deferred Tax liabilities	-24	24	-199	-103	-103	-
Capital Employed	28,074	26,424	6	30,111	27,271	10
Capital work in progress	7,853	6,812	15	7,188	7,188	-
Net Block	13,166	13,154	0	14,574	13,386	9
Goodwill	462	455	2	462	462	-
Investments	361	452	-20	399	399	-
Non Current Investments	361	452	-20	399	399	-
Current Assets, Loans & Advances	9,308	9,167	2	11,838	9,394	26
Inventory	3,266	3,316	-2	4,180	3,449	21
Debtors	3,598	3,554	1	3,892	3,920	-1
Cash & Bank balance	172	240	-28	1,546	304	408
Loans & advances and others	2,272	2,057	10	2,220	1,720	29
Current Liabilities & Provisions	3,076	3,616	-15	4,349	3,559	22
Liabilities	2,554	3,155	-19	3,849	3,129	23
Provisions	522	461	13	500	430	16
Net Current Assets	6,232	5,551	12	7,488	5,835	28
Application of Funds	28,074	26,424	6	30,111	27,271	10

Source: Company, Antique

Table 5: Cash flow statement Snapshot

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit before tax	655	125	425	2,043	543	276
Depreciation	554	545	2	1,162	1,079	8
Interest	493	414	19	764	918	-17
Others	(403)	(57)	611	(854)	(351)	143
Changes in working capital	(246)	(121)	104	(411)	(836)	
Operating cash flow	1,053	907	16	2,704	1,353	100
Capex	(1,148)	(1,040)		(2,350)	(1,680)	40
Others	48	(85)		200	(53)	-479
Investing cash flow	(1,101)	(1,125)	-2	(2,150)	(1,732)	24
Inc/(Dec) in equity/premium	4,896	-		5,000	-	
Net proceeds from borrowings	(4,465)	680		(3,500)	1,397	
Others	(516)	(438)	18	(812)	(929)	-13
Financing cash flow	(85)	242	-135	688	468	47
Net cash flow	(133)	24	-650	1,242	89	1,300
Opening cash balance	304	216	41	304	216	41
Closing cash balance	172	240	-28	1,546	304	408
Free cash flow	(96)	(133)	-28	354	(326)	-209

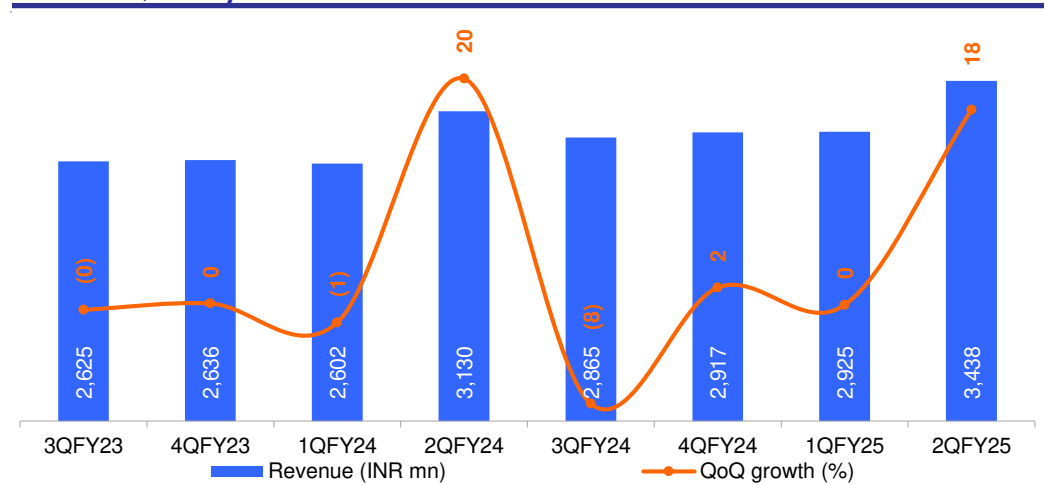
Source: Company, Antique

Table 6: Old vs New estimates

(INR mn)	New estimates			Old estimates			Change %		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Rating	Buy			Buy					
Target (INR)	1,525			1,300			17		
Sales	14,413	20,470	26,720	15,398	21,759	27,793	(6)	(6)	(4)
EBITDA	3,769	6,726	9,652	3,841	6,926	9,788	(2)	(3)	(1)
EBITDA%	26.1%	32.9%	36.1%	24.9%	31.8%	35.2%	120 bps	103 bps	90 bps
PAT	1,340	3,648	6,215	1,568	3,833	6,339	(14)	(5)	(2)
EPS (INR)	13.7	37.3	63.6	16.0	39.2	64.8	(14)	(5)	(2)

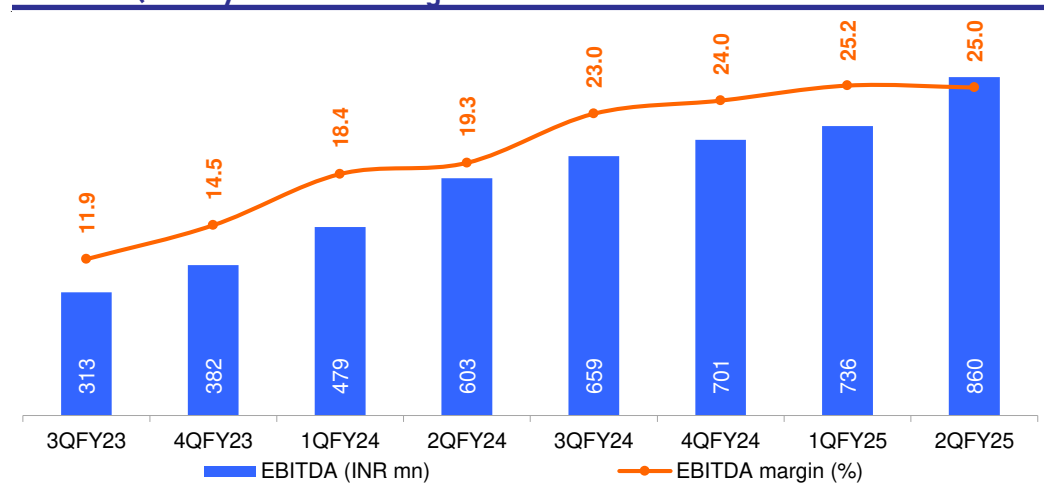
Source: Company, Antique

Exhibit 1: Quarterly revenue trend



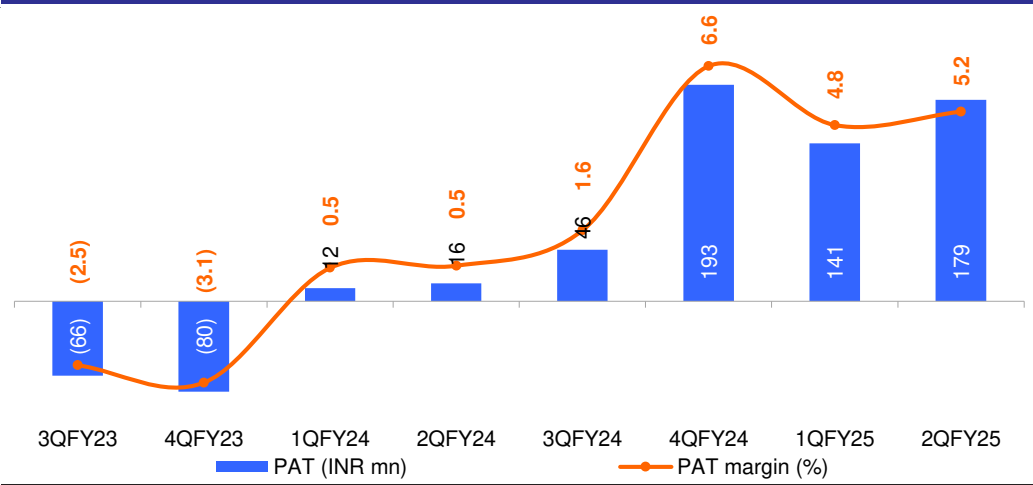
Source: Company, Antique

Exhibit 2: Quarterly EBITDA and margin trend



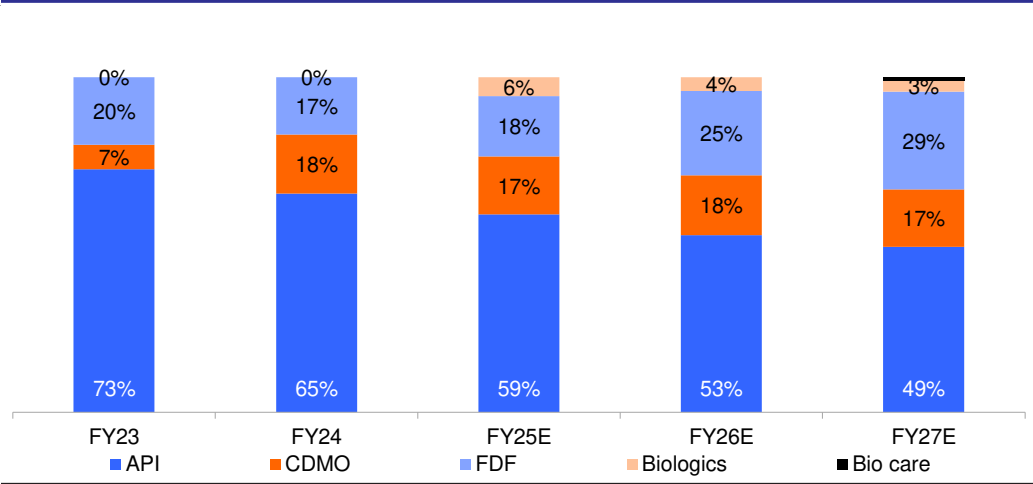
Source: Company, Antique

Exhibit 3: Quarterly PAT and margin trend



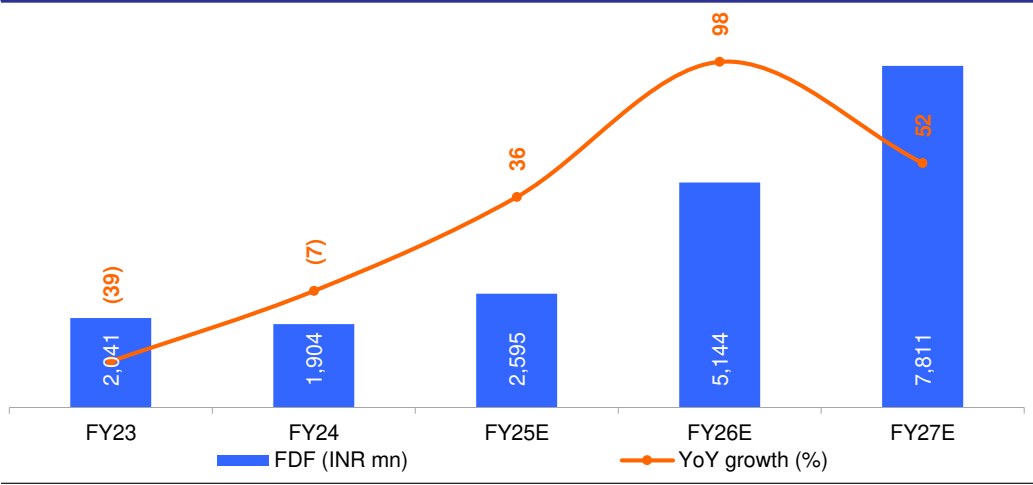
Source: Company, Antique

Exhibit 4: Revenue split - NDDS launches to drive robust growth in FDF contribution



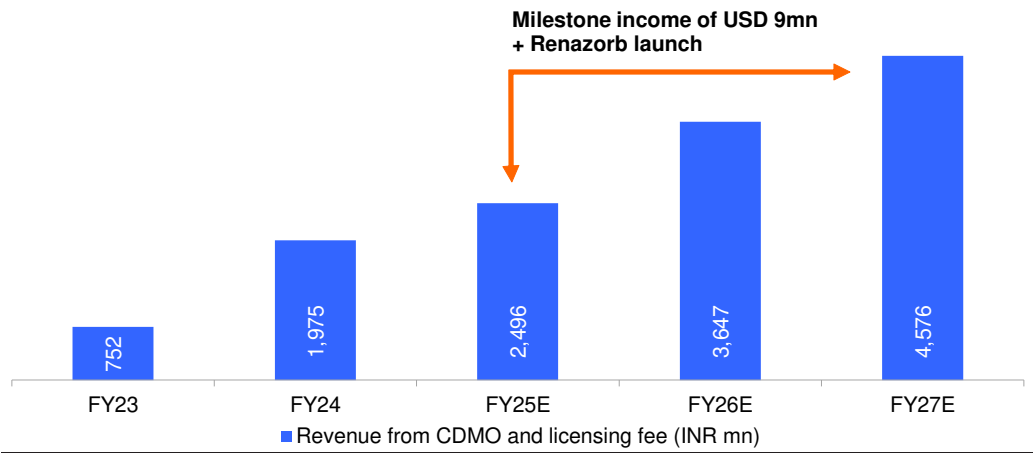
Source: Company, Antique

Exhibit 5: FDF segment to grow over ~70% CAGR over next two years



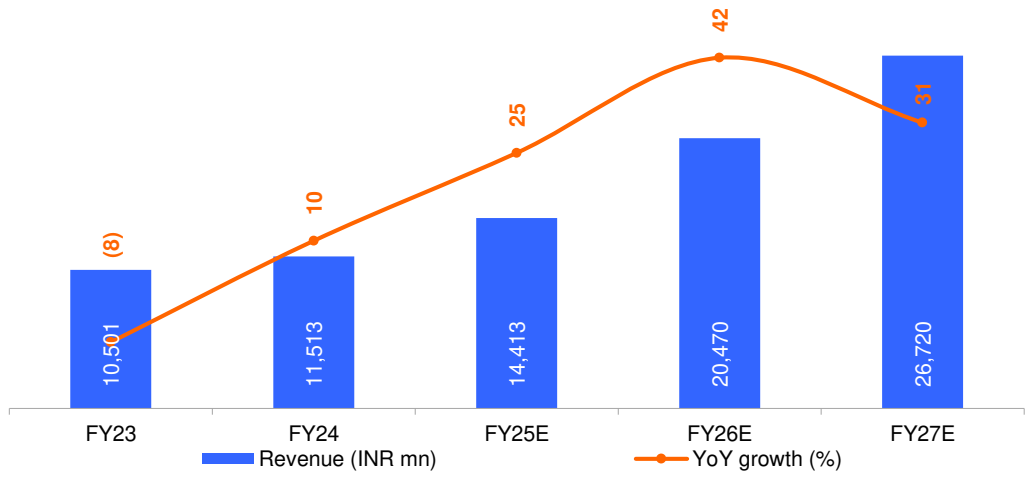
Source: Company, Antique

Exhibit 6: Unicycive’s CDMO contract and licensing income to drive robust revenue CAGR



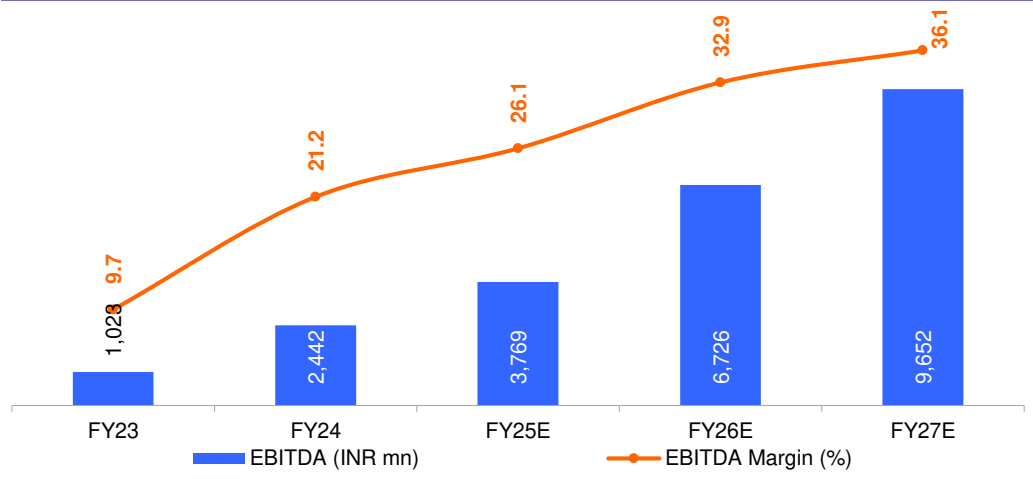
Source: Company, Antique

Exhibit 7: Revenue to grow over ~35% CAGR over 2 years



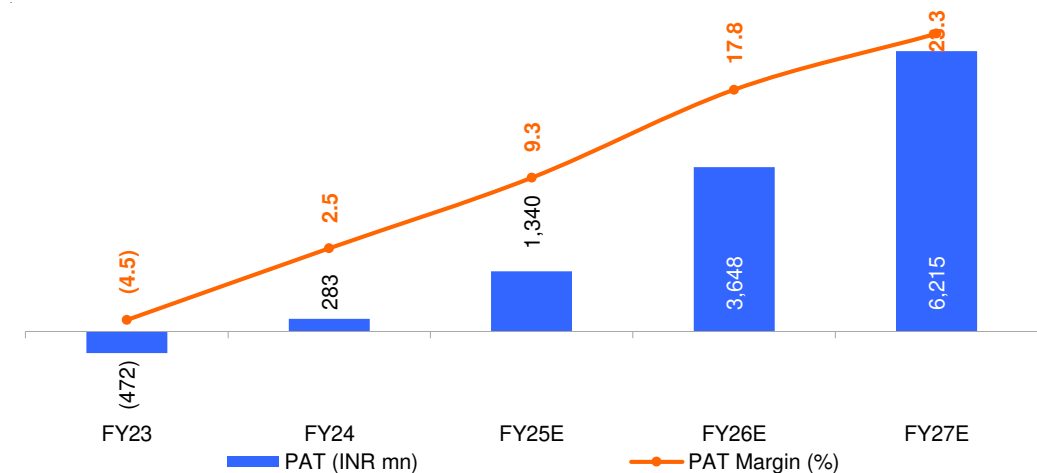
Source: Company, Antique

Exhibit 8: EBITDA margins expanding to ~36% by FY27E



Source: Company, Antique

Exhibit 9: Profitability to materially improve, driven by operating leverage



Source: Company, Antique

Table 9: Peer comparison—SLPA trading at reasonable valuations with strong growth drivers, compared to peers

	P/E (x)			EV/EBITDA (x)			RoE (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Shilpa Medicare	63.7	23.4	13.7	23.8	13.1	8.7	6.3	13.9	19.9
Divi's Labs	79.5	63.0	55.3	55.2	43.0	37.4	13.6	15.9	16.5
Laurus labs	62.2	38.1	30.5	23.9	17.8	15.0	9.8	14.3	15.7
Glenmark Lifesciences ^	29.3	24.3	19.3	16.8	14.4	11.7	17.8	17.9	19.4
Neuland Labs ^	62.3	40.4	31.7	41.8	27.6	22.2	21.4	27.0	26.4
Gland Pharma ^	36.4	27.3	24.0	20.3	16.5	13.9	9.0	11.0	11.4
Piramal Pharma ^	116.4	52.4	33.3	26.1	20.1	16.3	3.2	7.1	10.7
Avg.	64.3	38.4	29.7	29.7	21.8	17.9	11.6	15.3	17.1

Source: Antique & Company; ^ Bloomberg estimates

Conference Call Highlights

Operational highlights

- Revenue in 2QFY25 grew 10% YoY to INR 3.4 bn.
- Gross margin expanded 470 bps to 64.5%.
- Margin expanded 575 bps to 25% driven by operating leverage.
- Interest cost for the quarter was INR 256 mn.
- ETR for the quarter was ~50%.
- PAT for the quarter was INR 179 mn.
- Finance cost includes one-time cost of INR 300 mn towards NCD issue cost which was to be amortized over the life of NCD.
- During 2Q, Shilpa Biologics has achieved EBITDA breakeven.
- Tax rate expected to normalize to ~35% from 2HFY26.
- Expects to repay working capital debt post provisioning of capex requirement. NCD debt to remain. QIP proceeds have been utilized for payment of debt (primarily WC debt).

FDF

- FDF segment reported revenue of INR 575 mn growing 9% YoY.
- Revenue from the US and Europe declined 14% and 44% respectively.
- Launching first generic of Nilotinib in the EU market (EU mkt Size USD 413 mn) in 3QFY25, in partnership. The company is expected to have limited competition in 2HFY25 while competition can be expected in FY26.
- Approval received for Axitinib for the EU market - launch planned upon patent expiry next year.
- Launched 1st NDA Product Pemetrexed RTU in the US. The company continues to gain market share on QoQ basis. Market share to increase meaningfully in 1HFY26. Pemetrexed revenue a key driver of growth in US FDF revenue.
- Received approval from USFDA for 2nd NDA product Bortezomib RTU. Launch of the same is expected in 4QFY25.
- First transdermal product, Rotigotine patch, filed in EU by partner in 2QFY25 (EU mkt size USD 350 mn). The product is expected to be launched in FY26 upon approval. This would be a low competition product.
- Remediation expected to be completed in FY26.
- Pipeline products:
 - NOR – UDCA: Phase III studies for NAFLD completed and dossier submitted to Indian regulatory body, launch expected in FY26.
 - ROTIGOTINE: US study planned to initiate in 3QFY25. Europe submission completed in 2QFY25 by partner.
 - SMLTOP09 (Androgenic Alopecia): Phase II completed and submitted to Indian regulatory body, plans to start phase III.
 - SML0DF010: Pivotal completed for European market and submission planned in 3Q FY25.
 - SMLINJ011: Injection for prevention of nausea and vomiting associated with initial and repeat courses of emetogenic cancer chemotherapy, radiotherapy, and other associated medication (est. global market size is ~USD 931 mn). Phase I study completed and awaiting clearance for phase III study.

- ODF & TDS: Two other transdermal patch products' development ongoing for EU partner. Tadalafil ODF filed in EU market and is expected to launch in FY26. Pregabalin ODF & Ondansetron ODF planned for filing in EU market.

Biologics

- Biologics revenue for the quarter was INR 307 mn.
- New CDMO project has been signed for manufacturing clinical batch for a NBE product for the US market.
- Second CDMO project for fill finish has been signed from an existing customer for the US market. The project is for vial.
- Existing Korean client's project delivery is completed in 2Q and expects an additional supply order in 4QFY25.
- The new fermentation facility has capability of doing GLP fermentation.
- Ongoing development
 - Adalimumab: Received additional indications from Indian agency.
 - Aflibercept: Phase III clinical trial is initiated for India and ROW market with tentative completion in the next fiscal year.
 - Pembrolizumab has advanced from lab-scale development to scale-up stage & pre-clinical studies.

CDMO

- CDMO revenue for the quarter was INR 817 mn.
- OLC NDA has been accepted by the USFDA with target action date of June 28, 2025. The partner has received fast track designation for the same. SLPA will be developing both drug substance and drug product.
- Addition of three new clients in API CDMO.
- Dedicated block creation project is initiated for Unicycive therapeutics for OLC commercial supply and expected to be completed next year.
- Biosimilar CDMO:
 - First CDMO project for microbial fermentation with Korean client supply completed.
 - Second CDMO contract completed successfully for an US client and expected to start the scale-up project in 4QFY25.
 - Third CDMO project Tech transfer is ongoing for its NBE project for the US market, expected to be completed by 3QFY25. The product is currently in early phase 1.
 - Two new projects signed in 2QFY25.

Recombinant Albumin

- Successful completion of phase I trials and application is submitted to CDSCO for phase III clinical study permission.
- Aims to file therapeutic grade Albumin in FY27.
- Excipient grade USDMF is already submitted to agency.
- New greenfield large scale microbial plant on track.
- End usage for therapeutic grade would maintain blood osmotic pressure with rising interest from other usages.

API

- API segment reported an 18% YoY decline to INR 1.7 bn.
- Onco and non-Onco API recorded 26% and 12% YoY decline respectively.
- Plant validation for two new molecules Mycophenolate Mofetil and Mycophenolate Sodium expected in 4QFY25.
- Palbociclib validation ongoing and is expected to be completed in 3QFY25.
- Olaparib validation expected to be completed in 4QFY25.
- Tranxemic Acid expansion remains on track and is expected to start plant validation in 3QFY25 and commercial production to start in 4QFY25.
- First supply order for big pharma for polymer use in ADC completed.
- UCDA expected to be filed in the US in coming quarters, the product is seeing good traction in Europe.
- Semaglutide development is completed at lab scale and is expected to start plant validation in 4QFY25.
- The company has 245 DMF filings across markets.
- YoY decline in Onco API is attributable to INTAS unit issues. The company expects gradual recovery in revenue from INTAS with remediation of units.
- Expect single-digit growth in APIs in FY25 and double-digit growth in FY26.

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	10,501	11,513	14,413	20,470	26,720
Op. Expenses	9,478	9,071	10,644	13,744	17,068
EBITDA	1,023	2,442	3,769	6,726	9,652
Depreciation	955	1,079	1,162	1,285	1,380
EBIT	68	1,364	2,606	5,441	8,272
Other income	174	84	200	150	150
Interest Exp.	587	918	764	310	70
Extra Ordinary Items -gain/(loss)	-	61	-	-	-
Reported PBT	(345)	591	2,043	5,281	8,352
Tax	74	224	654	1,584	2,088
Reported PAT	(418)	367	1,389	3,697	6,264
Minority Int./Profit (loss) From Asso. (54)	(49)	(49)	(49)	(49)	(49)
Net Profit	(472)	319	1,340	3,648	6,215
Adjusted PAT	(472)	319	1,340	3,648	6,215
Adjusted EPS (INR)	(5.4)	3.7	13.7	37.3	63.6

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	87	87	98	98	98
Reserves & Surplus	17,746	18,000	24,330	27,978	34,193
Networth	17,833	18,087	24,427	28,075	34,291
Debt	7,979	9,374	5,874	3,874	874
Minority Interest	(89)	(87)	(87)	(87)	(87)
Net deferred Tax liabilities	141	(103)	(103)	(103)	(103)
Capital Employed	25,863	27,271	30,111	31,759	34,975
Gross Fixed Assets	18,012	19,005	21,355	23,205	24,555
Accumulated Depreciation	4,783	5,619	6,781	8,066	9,446
Capital work in progress	6,553	7,188	7,188	7,188	7,188
Net Fixed Assets	19,781	20,574	21,762	22,327	22,297
Goodwill	455	462	462	462	462
Investments	427	399	399	399	399
Non Current Investments	427	399	399	399	399
Current Assets, Loans & Adv.	8,361	9,394	11,838	14,471	19,316
Inventory	3,198	3,449	4,180	6,141	8,016
Debtors	3,243	3,920	3,892	5,117	6,680
Cash & Bank balance	216	304	1,546	993	2,400
Loans & advances and others	1,703	1,720	2,220	2,220	2,220
Current Liabilities & Provisions	3,161	3,559	4,349	5,900	7,499
Liabilities	2,777	3,129	3,849	5,400	6,999
Provisions	383	430	500	500	500
Net Current Assets	5,200	5,835	7,488	8,571	11,817
Application of Funds	25,863	27,271	30,111	31,759	34,975

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	86.8	86.8	97.8	97.8	97.8
Diluted no. of shares (mn)	86.8	86.8	97.8	97.8	97.8
BVPS (INR)	205.4	208.4	249.8	287.1	350.7
CEPS (INR)	6.2	16.7	26.1	50.9	78.2

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	(383)	543	2,043	5,281	8,352
Depreciation & amortization	955	1,079	1,162	1,285	1,380
Interest expense	587	918	764	310	70
(Inc)/Dec in working capital	1,487	(836)	(411)	(1,637)	(1,838)
Tax paid	(324)	(412)	(654)	(1,584)	(2,088)
Less: Interest/Div. Income Recd.	(10)	(14)	(200)	(150)	(150)
Other operating Cash Flow	(50)	75	-	-	-
CF from operating activities	2,262	1,353	2,704	3,505	5,726
Capital expenditure	(2,713)	(1,680)	(2,350)	(1,850)	(1,350)
Inc/(Dec) in investments	(150)	(67)	-	-	-
Add: Interest/Div. Income Recd.	18	14	200	150	150
CF from investing activities	(2,845)	(1,732)	(2,150)	(1,700)	(1,200)
Inc/(Dec) in share capital	-	-	5,000	-	-
Inc/(Dec) in debt	1,138	1,397	(3,500)	(2,000)	(3,000)
Dividend Paid	(95)	-	-	-	-
Others	(585)	(929)	(812)	(359)	(119)
CF from financing activities	458	468	688	(2,359)	(3,119)
Net cash flow	(125)	89	1,242	(554)	1,408
Opening balance	341	216	304	1,546	993
Closing balance	216	304	1,546	993	2,400

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	(8.3)	9.6	25.2	42.0	30.5
EBITDA(%)	(49.8)	138.8	54.3	78.5	43.5
Adj PAT(%)	nm	nm	320.5	172.1	70.4
Adj EPS(%)	nm	nm	273.3	172.1	70.4

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	nm	237.7	63.7	23.4	13.7
P/BV	4.2	4.2	3.5	3.0	2.5
EV/EBITDA (x)	91.1	38.7	23.8	13.1	8.7
EV/Sales	8.9	8.2	6.2	4.3	3.1

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	(2.6)	1.8	6.3	13.9	19.9
RoCE (%)	0.9	5.5	9.8	18.1	25.2
Asset/T.O (x)	0.4	0.4	0.5	0.7	0.8
Net Debt/Equity (x)	0.4	0.5	0.2	0.1	(0.0)
EBIT/Interest (x)	0.4	1.6	3.7	18.0	120.5

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	9.7	21.2	26.1	32.9	36.1
EBIT Margin(%)	0.6	11.8	18.1	26.6	31.0
PAT Margin(%)	(4.5)	2.8	9.3	17.8	23.3

Source: Company Antique

CMP	: INR 1,078
Reco	: BUY ↔
Target Price	: INR 1,709 ↔
Target Price Change	: No Change
Target FY27 P/E (x)	: 40
EPS Change FY25/ 26/ 27	: No Change

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Market data	
Sensex	: 77,580
Sector	: Retail
Market Cap (INR bn)	: 83.8
Market Cap (USD bn)	: 0.993
O/S Shares (mn)	: 77.7
52-wk HI/LO (INR)	: 1544/668
Avg. Daily Vol ('000)	: 298
Bloomberg	: SENCO IN

Source: Bloomberg

	FY25e	FY26e	FY27e
EPS (INR)	29.4	34.0	42.7
P/E (x)	36.7	31.7	25.2
P/BV (x)	5.5	4.7	4.1
EV/EBITDA (x)	21.3	18.3	15.5
Dividend Yield (%)	0.3	0.4	0.5

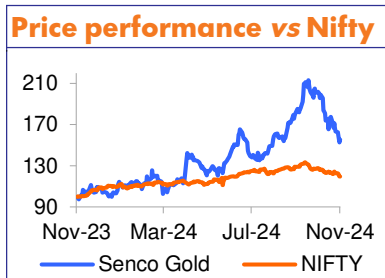
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(23)	(2)	25	55
Relative	(19)	0	18	30

Source: Bloomberg

Shareholding pattern	
Promoters	: 67%
Public	: 33%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY25 RESULT UPDATE

Senco Gold

Custom duty cut led to a demand uptick

Senco Gold's 2QFY25 performance was ahead of our expectations with revenue/ retail/ SSG growth of 31%/ 27%/ 20%. During the quarter, the uptick in demand was driven by a cut in custom duty (in July) and spillover of demand from 1Q, in our view. Management indicated that demand remains strong during October and maintains its revenue growth guidance of 18%-20% for FY25. Profitability (excluding the custom duty impact of INR 300 mn) was ahead of our expectation, which should continue with strong wedding-led demand in 2H. Over the long term, Senco with its hub and spoke model (COCO in metro cities and FOFO in Tier 3 & 4 cities), should be able to expand its store network by 12% CAGR over FY24-27E. Going ahead, we believe that it will grow at a faster rate driven by a) The calibrated expansion of its showroom network in the East and North India (striking a balance between COCO and FOFO), b) Strong brand recall due to continuous marketing initiatives, and c) Increasing shift to organized jewelry. We maintain our estimates and BUY recommendation with a target price of INR 1,709, based on 40x PER on FY27E EPS.

Steady revenue growth of 31% YoY with SSSG at 20%

Total revenue stood at INR 15 bn, resulting in a growth of 30.9% YoY driven by higher demand on account of reduction in custom duty and Akshaya Tritiya. SSSG for the quarter stood at 20%. Gold prices have risen by 5%/ 31% in QoQ/ YoY while silver prices were up 3%/ 30% in QoQ/ YoY. Demand for diamonds is weak across the industry. Eastern India acted as a tailwind for robust growth led by better monsoon in Tier 3 and 4 cities as well as 9% (15% to 6%) custom duty reduction in the July budget boosted pent up 1Q demand. The Eastern market accounts for 80% of total sales, the North takes up 10%-13 % and the South and West contribute the rest to sales. Retail growth was steady at 27%/ 19% YoY in 2QFY25/ 1HFY25. Stud ratio substantially improved to 11.1% vs. 9.9% in 1Q.

In 2QFY25, Senco added six stores, one COCO and FOFO store each, and four Sennes stores. The total count stands at 167 stores. Management had earlier given guidance to launch 18-20 jewelry showrooms in FY25 (incl. 10-12 franchise stores), out of which eight showrooms have been opened in 1HFY25. There are more FOFO stores in the pipeline.

Profitability improved, custom duty one-offs to continue

Gross profit grew 58% YoY clocking a margin of 14.3%, expanding 244 bps YoY (excluding the INR 300 mn impact due to custom duty cut) during the quarter. As per management, for FY25, gross margin would be in a range of 15%-16%. EBITDA (excluding custom duty) grew 108% YoY amounting to INR 819 mn and while margin expanded by 202 bps to 5.5%. 2Q was impacted by one-off custom duty of INR 300 mn and it will continue in the next quarter as well (total impact to be INR 580-600 mn). Reported gross margin and EBITDA margin was 12.3% and 3.5%, respectively. Employee cost and other expenses registered a growth of 32% YoY and 40% YoY to INR 333 mn and INR 986 mn respectively. Depreciation/ Interest/ other income grew 35%/ 40%/ 35% YoY. Recurring PAT grew 253% to INR 421 mn.

Investment Summary

We expect revenue/ EBITDA/ PAT CAGR of 20%/ 20%/ 23% over FY24-27E driven by store expansion and high single-digit SSSG growth. We believe a large part of the expansion would come from Senco's stronghold region of East India where it would leverage its nuanced understanding of consumer preferences, expertise in introducing light-weight jewelry. We maintain our estimates and BUY recommendation with a target price of INR 1,709, based on 40x FY27 earnings.

Conference Call Highlights

- Custom duty cuts in July led to a pick-up in demand momentum.
- August witnessed good demand while September witnessed some moderation due to rise in gold prices.
- During the quarter, volume growth in gold was 7% despite gold prices rising. Diamond volume declined 3%.
- There was an impact of INR 295 mn on account of custom duty cut. There would be a similar impact in the coming quarter. The total impact would be INR 580-600 mn.
- There was an increase in old gold jewelry by 34%. Out of total old gold demand, 62% was from non-Senco gold.
- During the quarter, the company opened one COCO store and four Sennes stores (total six stores and aims for 8-10 stores in FY25). There are more FOFO stores in the pipeline.
- Senco to launch a perfume under Sennes brand.
- Studded jewelry is driven by the daily wear category. Post Dhanteras, many customers opted for daily wear. Senco to focus more on this category as it may drive growth in the future.
- Number of invoices grew 12% YoY. Senco witnessed 34% YoY growth from old gold exchange.
- Retail growth was 27% in 2Q and 19% in 1H.
- Increased borrowing, inventory, and payables are because of increase in gold prices and preparedness ahead of Dhanteras.
- Hedging was at 85% of inventory.
- Demand in October was very good with a revenue of INR 10 bn.
- Management aspires for the stud ratio to be in the range of 15%.
- Overall for FY25, gross margin would be in a range of 15%-16%.
- QIP is primarily for growth capital required for the future.

Table 1: Consolidated quarterly financials

INR mn	2QFY25	2QFY24	% Chg	1QFY25	% Chg	1HFY25	1HFY24	% Chg
Total Operating Income	15,005	11,466	30.9	14,039	6.9	29,044	24,520	18.5
Cost of Raw material	12,866	10,111	27.2	11,611	10.8	24,477	21,533	13.7
% of sales	85.7	88.2	-244 bps	82.7	304 bps	84.3	87.8	-354 bps
Gross Profit	2,139	1,354	57.9	2,428	(11.9)	4,566	2,987	52.9
Gross Margin (%)	14.3	11.8	244 bps	17.3	-304 bps	15.7	12.2	354 bps
Employees cost	333	253	31.7	340	(1.8)	673	507	32.7
% of net sales	2.2	2.2	102.6	2.4	-20 bps	2.3	2.1	25 bps
Other expenditure	986	706	39.6	1,001	(1.5)	1,987	1,413	40.6
% of net sales	6.6	6.2	41 bps	7.1	-56 bps	6.8	5.8	108 bps
EBITDA	819	395	107.5	1,087	(24.7)	1,907	1,067	78.7
EBITDA margin%	5.5	3.4	202 bps	7.7	-229 bps	6.6	4.4	221 bps
Depreciation	178	133	34.6	181	(1.3)	359	258	39.2
Interest	326	234	39.7	322	1.4	648	500	29.6
Other Income	149	110	35.2	123	21.4	272	205	32.8
PBT	464	139	233.4	708	(34.5)	1,172	514	128.1
Tax	42	20	116.8	195	-78.2	238	117	102.4
Tax rate (%)	9.2	14.1	-493 bps	27.6	-1842 bps	20.3	22.9	-258 bps
Recurring PAT	421	119	252.6	513	(17.8)	934	396	135.8
Add: Extra ordinary items	(300)	-		-		(300)	-	
Reported PAT	121	119	1.5	513	(76)	634	396	60.0
EPS	5.4	1.5	252.4	6.6	(18)	12.0	5.5	117.0

Source: Company, Antique

Table 2: Actual vs. estimates

INR mn	Actual	Antq Est.	Var (%)	Cons Est.	Var (%)
Revenue	15,005	14,561	3.0	14,575	2.9
Gross Margin %	14.3	12.0	225 bps	13.3	100 bps
EBITDA	819	465	76.3	664	23.4
EBITDA margin (%)	5.5	3.2	227 bps	4.6	90 bps
PAT	421	63	572.9	294	43.3

Source: Company, Antique

Table 3: Balance sheet

Year ended, INR mn	1HFY25	1HFY24	Chg, %	FY25	FY24	Chg, %
Share Capital	777	777	0.1	777	777	-
Reserves & Surplus	13,455	11,575	16.2	14,527	12,878	12.8
Networth	14,233	12,352	15.2	15,304	13,655	12.1
Debt	16,153	11,371		17,231	14,983	
Net deferred Tax liabilities				(228)	(228)	-
Capital Employed	30,386	23,723	28.1	32,306	28,410	13.7
Net Fixed Assets	3,721	3,156	17.9	4,033	3,635	10.9
Investments	2	1	15.4	1	1	-
Current Assets, Loans & Advances	37,742	28,695	31.5	39,048	33,361	17.0
Inventory	28,944	20,613	40.4	29,789	24,570	21.2
Debtors	880	670		681	529	
Cash & Bank balance	5,187	4,290	20.9	5,564	5,514	0.9
Loans & advances and others	2,730	3,123	(12.6)	3,014	2,748	9.7
Current Liabilities & Provisions	11,078	8,130	36.3	10,775	8,587	25.5
Liabilities	10,993	8,065	36.3	10,659	8,522	25.1
Provisions	85	65	31.0	116	65	78.8
Net Current Assets	26,663	20,565	29.7	28,272	24,774	14.1
Application of Funds	30,386	23,723	28.1	32,306	28,410	13.7

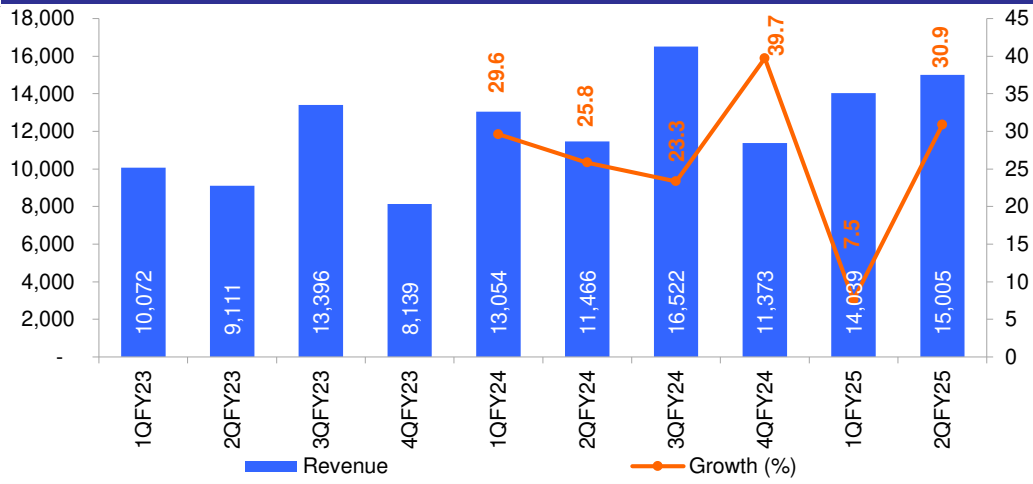
Source: Company, Antique

Table 4: Cash flow statement

INR mn	1HFY25	1HFY24	Chg %	FY25E	FY24	Chg %
PBT	872	514	69.8	2,595	2,495	4.0
Depreciation & amortization	359	258	39.1	688	601	14.5
Interest expense	648	500	29.6	1,249	1,081	15.5
(Inc)/Dec in working capital	(2,067)	(2,189)	(5.6)	(2,177)	(3,717)	(41.4)
Tax paid	(383)	(362)	5.8	(714)	(708)	0.8
Other operating Cash Flow	(255)	(141)		-	-	
Cash flow from operating activities	(826)	(1,421)	(41.8)	1,642	(247)	(763.8)
Capital expenditure	(194)	(216)	(10.4)	(450)	(382)	17.7
Add: Interest/Div. Income Recd.	184	80	128.9	-	201	
Others	463	130		(636)	(1,003)	
Cash flow from investing activities	453	(6)	(7,579.7)	(1,086)	(1,185)	(8.3)
Inc/(Dec) in share capital	5	2,511		976	500	
Inc/(Dec) in debt	834	(663)	(225.8)	-	219	
Dividend Paid		(15)	(100.0)	(233)	(233)	-
Others	(481)	(371)	29.7	(1,249)	2,085	
Cash flow from financing activities	358	1,461	(75.5)	(506)	2,570	(119.7)
Net cash flow	(15)	35	(143.3)	50	1,138	(95.6)
Opening balance	5,172	4,255	21.6	5,514	4,376	26.0
Closing balance	5,187	4,290	20.9	5,564	5,514	0.9

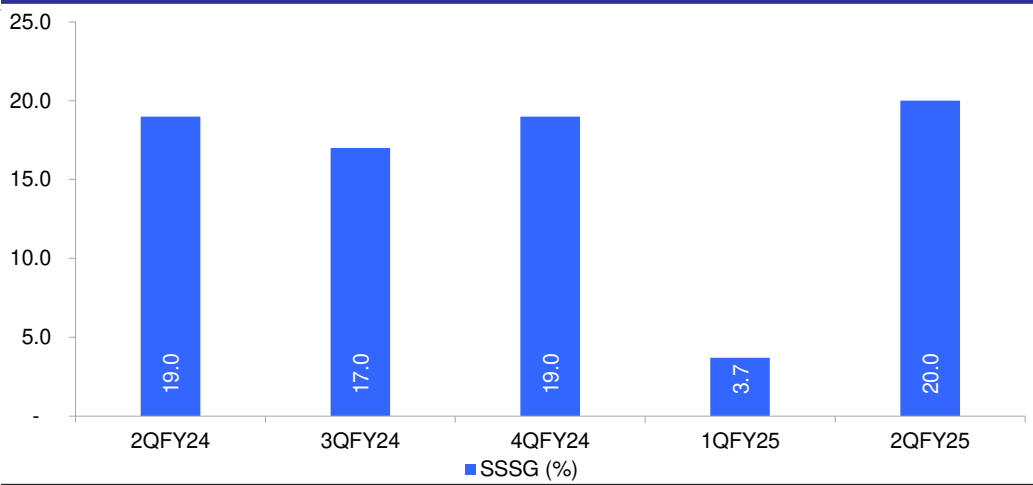
Source: Company, Antique

Exhibit 1: Revenue reported growth of 31% YoY driven by reduction in custom duty and Akshaya Triitiya



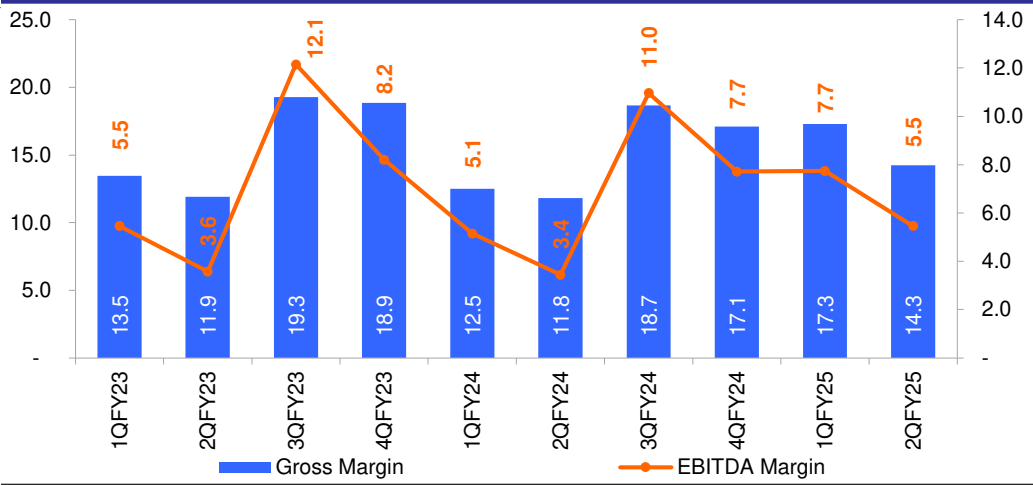
Source: Company, Antique

Exhibit 2: SSSG stood at 20% during the quarter



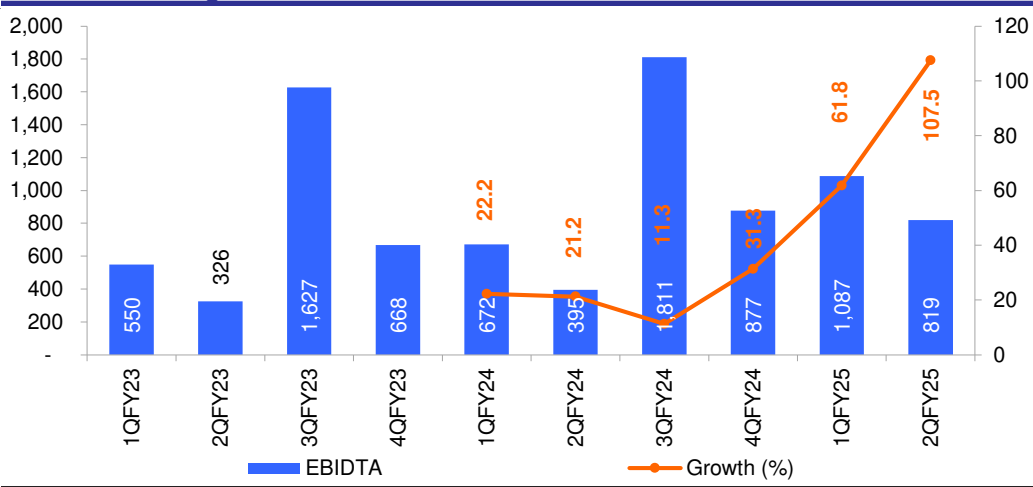
Source: Company, Antique

Exhibit 3: Gross and EBITDA margins expanded by 244 bps and 202 bps during the quarter



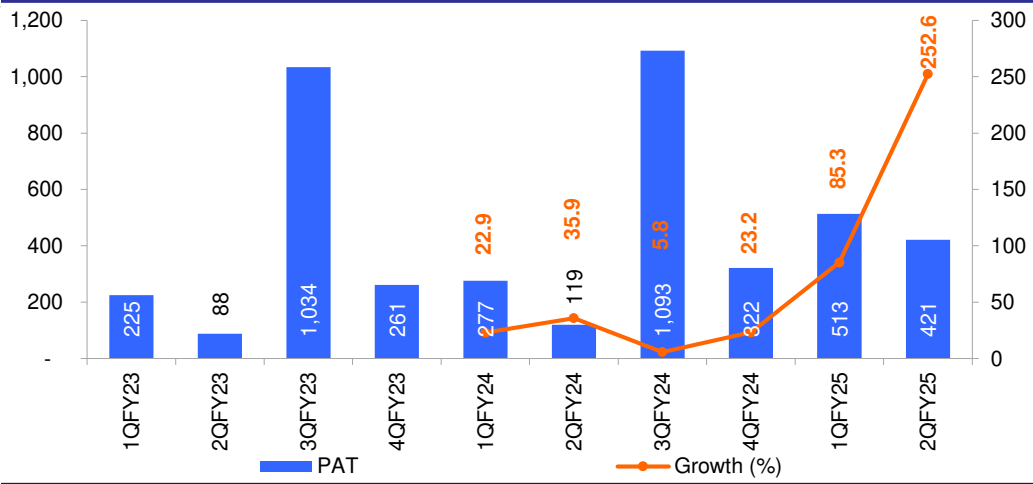
Source: Company, Antique

Exhibit 4: EBITDA grew 108% YoY to INR 819 mn



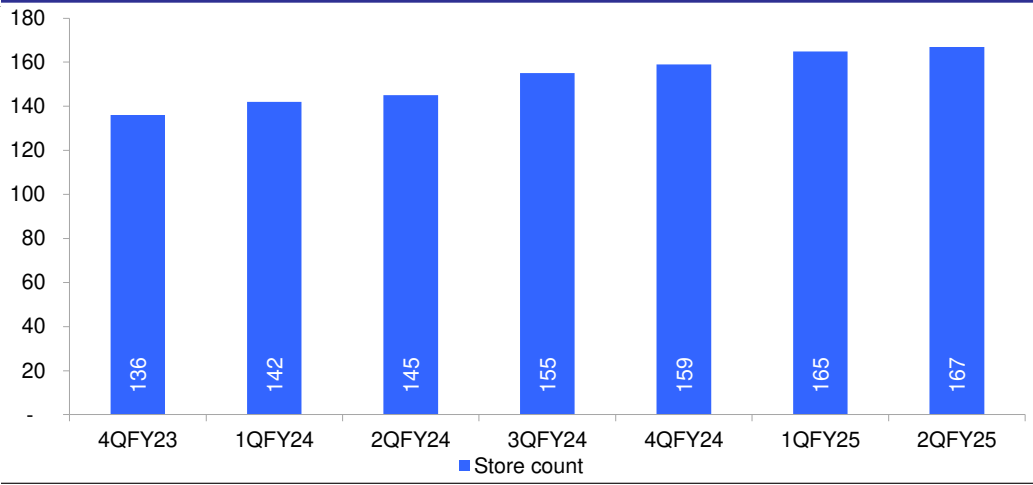
Source: Company, Antique

Exhibit 5: Recurring PAT stood at INR 421 mn, up 253% on YoY basis



Source: Company, Antique

Exhibit 6: Added two jewelry stores during 2Q, taking the total count to 167 stores



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	40,774	52,414	62,132	74,971	90,270
Gross Profit	6,555	8,014	9,630	11,770	14,172
Op. Expenses	37,608	48,659	57,656	69,604	83,708
EBITDA	3,166	3,755	4,476	5,368	6,562
Depreciation	456	601	688	776	871
EBIT	2,711	3,154	3,788	4,591	5,691
Other income	311	422	456	468	479
Interest Exp.	861	1,081	1,249	1,411	1,591
Extra Ordinary Items -gain/(loss)	-	-	(400)	-	-
Reported PBT	2,161	2,495	2,595	3,648	4,579
Tax	577	686	714	1,003	1,259
Reported PAT	1,585	1,810	1,881	2,645	3,320
Net Profit	1,585	1,810	1,881	2,645	3,320
Adjusted PAT	1,585	1,810	2,281	2,645	3,320
Adjusted EPS (INR)	28.4	23.3	29.4	34.0	42.7

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	559	777	777	777	777
Reserves & Surplus	8,897	12,878	14,527	16,861	19,792
Networth	9,455	13,655	15,304	17,638	20,569
Debt	11,793	14,983	17,231	19,816	22,788
Net deferred Tax liabilities	(180)	(228)	(228)	(228)	(228)
Capital Employed	21,068	28,410	32,306	37,225	43,129
Accumulated Depreciation	2,120	2,673	3,300	4,049	4,922
Net Fixed Assets	2,927	3,635	4,033	4,431	4,830
Current Assets, Loans & Adv.	25,945	33,361	39,048	45,508	53,299
Inventory	18,855	24,570	29,789	35,945	43,280
Debtors	454	529	681	822	989
Cash & Bank balance	4,376	5,514	5,564	5,183	4,824
Loans & advances and others	2,260	2,748	3,014	3,558	4,206
Current Liabilities & Provisions	7,805	8,587	10,775	12,715	15,002
Liabilities	7,779	8,522	10,659	12,578	14,841
Provisions	27	65	116	137	161
Net Current Assets	18,140	24,774	28,272	32,793	38,297
Application of Funds	21,068	28,410	32,306	37,225	43,129

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	56	78	78	78	78
Diluted no. of shares (mn)	56	78	78	78	78
BVPS (INR)	169.3	175.7	196.9	227.0	264.7
CEPS (INR)	36.5	31.0	33.1	44.0	53.9
DPS (INR)	-	3.0	3.0	4.0	5.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	2,161	2,495	2,595	3,648	4,579
Depreciation & amortization	456	601	688	776	871
Interest expense	861	1,081	1,249	1,411	1,591
(Inc)/Dec in working capital	(1,605)	(3,717)	(2,177)	(3,350)	(4,080)
Tax paid	(592)	(708)	(714)	(1,003)	(1,259)
CF from operating activities	1,281	(247)	1,642	1,482	1,702
Capital expenditure	(311)	(382)	(450)	(475)	(500)
Add: Interest/Div. Income Recd.	127	201	-	-	-
Others	(1,796)	(1,003)	(636)	(700)	(770)
CF from investing activities	(1,980)	(1,185)	(1,086)	(1,175)	(1,270)
Inc/(Dec) in share capital	1,100	500	976	1,034	1,189
Inc/(Dec) in debt	(106)	219	-	-	-
Dividend Paid	0	(233)	(233)	(311)	(389)
Others	1,293	2,085	(1,249)	(1,411)	(1,591)
CF from financing activities	2,287	2,570	(506)	(688)	(791)
Net cash flow	1,587	1,138	50	(380)	(359)
Opening balance	2,788	4,376	5,514	5,564	5,183
Closing balance	4,376	5,514	5,564	5,183	4,824

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	15.4	28.5	18.5	20.7	20.4
EBITDA	14.2	18.6	19.2	19.9	22.3
Adj PAT	22.7	14.2	26.1	15.9	25.5
Adj EPS	46.1	NA	26.1	15.9	25.5

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	38.0	46.3	36.7	31.7	25.2
P/BV (x)	6.4	6.1	5.5	4.7	4.1
EV/EBITDA (x)	28.8	24.8	21.3	18.3	15.5
EV/Sales (x)	2.2	1.8	1.5	1.3	1.1
Dividend Yield (%)	-	0.3	0.3	0.4	0.5

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	16.8	13.3	14.9	15.0	16.1
RoCE (%)	14.3	12.6	13.1	13.6	14.3
Asset/T.O (x)	1.9	1.8	1.9	2.0	2.1
Net Debt/Equity (x)	0.8	0.7	0.8	0.8	0.9
EBIT/Interest (x)	3.5	3.3	3.4	3.6	3.9

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	7.8	7.2	7.2	7.2	7.3
EBIT Margin (%)	6.6	6.0	6.1	6.1	6.3
PAT Margin (%)	3.9	3.4	3.6	3.5	3.7

Source: Company Antique

CMP	: INR 299
Reco	: BUY ↔
Target Price	: INR 389 ↓
Target Price Change	: -38%
Target FY27	: SoTP
EPS Change FY24/ 25/ 26:	-11%/-9%/-11%

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Market data

Sensex	: 77,580
Sector	: Infra
Market Cap (INR bn)	: 76.7
Market Cap (USD bn)	: 0.909
O/S Shares (mn)	: 256.5
52-wk HI/LO (INR)	: 575/296
Avg. Daily Vol ('000)	: 678
Bloomberg	: PNCLIN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	20.4	25.1	30.3
P/E (x)	14.6	11.9	9.9
P/BV (x)	1.4	1.3	1.1
EV/EBITDA (x)	8.6	7.3	6.0
Dividend Yield (%)	0.2	0.2	0.2

Source: Company, Antique

Returns (%)

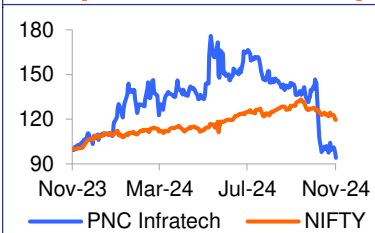
	1m	3m	6m	12m
Absolute	(34)	(35)	(30)	(6)
Relative	(30)	(34)	(34)	(21)

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

PNC Infratech

Valuation in a stress case scenario but to watch for inflow

PNC Infratech's (PNCL) 2QFY25 revenue (down 32% YoY) was impacted by slow execution of JJM work and delay in receipt of AD for the projects. Given MORTH ban on bidding for the project until Oct-25, we have cut order inflow expectation for FY25/ 26. Our EPS is cut by 9%-11% over FY25-27E. Having said this we retain BUY rating on the stock with a revised TP of INR 389 (earlier INR 633). The EPS cut factors in valuation of core EPC at 10x PER. PNC currently has a market cap of INR 77 bn and if we adjust cash (INR 2.2 bn) and investments (i.e. INR 31 bn, this is book value of investment of INR 9 bn and phase 1 asset sale of 10 asset worth INR 22 bn), then the construction business is valued by the market at INR 45 bn. This implies a valuation of 9x/ 7x/ 6x on PNCL's standalone (construction business) PAT of FY25E/ 26E/ 27E. In order to address the weak inflow, PNCL is aiming to bid for projects other than MORTH. In YTD FY25, it has an inflow of INR 67 bn from other than MORTH and has a bid pipeline of INR 250 bn from 20 projects for 2HFY25.

A weak quarter

PNCL posted a revenue of INR 11 bn, down 32% YoY and 28%/ 25% below our and consensus estimates, with execution affected by the monsoon. Segment-wise, road declined 22% while water declined 65% YoY. With lower execution, margin contracted to 11.6% vs. 13.4% YoY, translating to an EBITDA of INR 1.3 bn, down 41% YoY and 36%/ 28% below our and consensus estimates. Other income increased to 129 mn, up 125% YoY. However, the lower EBITDA translated to a lower PAT of INR 809 mn, down 42% YoY. The company expects to end FY25 with a revenue decline on an annual basis but could have a strong FY26, given a smaller base and new projects starting to contribute going ahead.

Order book awaiting appointed dates

At the end of 2QFY25, the company had an order book of INR 199 bn, (2.8x TTM revenue). However, this number included projects worth INR 68 bn, where the company is yet to receive an appointed date. To this the company has secured further two orders from MSRDC worth INR 46 bn where the appointed date is expected to be received after the completion of the state elections. With this the company has eight projects which could potentially start adding to revenues in 4QFY25 and in FY26. Water constitutes 16% of total order book.

Potential order inflows

After being banned from bidding for Morth projects for a year (33% of current book from MORTH and is executable and no concern there), the company has started exploring a number of options including railways, area development project, water projects beyond JJM, water treatment projects, and state road projects. YTD FY25 order inflow is INR 67 bn (from CIDCO, MSRDC). PNCL has submitted bids for eight projects with three in Indian Railway, one Haryana Rail Infrastructure Development Corporation, four bids to MSRDC with a value of over INR 110 bn. Additionally, there are around 12 bids by other agencies with value of INR 140 bn (these are eight railway bids, one UP state industrial development area and one UP Expressways Industrial Development Authority, one by the Airports Authority of India, and one bid by Maharashtra State Industrial Development Corporation).

Asset monetization progressing well

The company has signed a Master Securities Purchase Agreement (SPA) with KKR to divest 12 road assets. These include 11 HAM assets and one BOT asset. The company expects to close the deal for 10 assets this year, as against the original target of six assets and plans to close the deal for the balance two by FY26. The enterprise value for this deal is INR 95 bn and the equity value including cash is ~INR 30 bn, against invested equity of INR 17 bn.

Investment Summary

We retain BUY rating and value the company's standalone business on a PER of 10x FY27E EPS and investments are valued at book value to arrive at a target price of INR 389. PNCL's key positives are its balance sheet, execution history in various capex oriented sectors, and stable margin. To watch for conclusion of asset sale and order inflow in eight bided projects and 12 indented projects.

Table 1: Financial results

In INR mn	Quarter Ended				Year Ended			
	Sep-24	Sep-23	% Chg	Jun-24	QoQ %	FY24	FY25	YoY (%)
Net Sales	11,491	16,930	-32	17,444	-34	76,992	65,833	17.0
EBITDA	1,336	2,277	-41	5,935	-77	12,774	8,174	56.3
EBITDA margin (%)	11.6	13.4	-182 bps	34.0	-2240 bps	16.6	12.4	417 bps
Other income	129	57	125	86	50	278	421	-34.1
PBIDT	1,465	2,334	-37	6,021	-76	13,052	8,595	51.8
Depreciation	226	257	-12	225	0	1,033	1,066	-3.1
Interest	152	187	-19	129	18	658	519	26.8
Exceptional items	-	-	NA	-	NA	-	-	
Pre-tax profit	1,088	1,890	-42	5,667	-81	11,361	7,010	62.1
Tax (current+deferred)	279	492	-43	1,457	-81	2,863	1,767	62.1
Reported PAT	809	1,398	-42	4,211	-81	8,498	5,244	62.1
Adj PAT	809	1,398	-42	977	-17	6,318	5,244	20.5

Source: Company, Antique

Conference Call KTAs

- There has been delayed integration of appointed dates due to delay in procurement of land.
- NHAI awarded only around 700 kilometers of new projects until August 31, 2024, while around 2,700 kilometers of national highways were constructed during this period. Both were significantly lower than 1,750 kilometers awarded and 3,200 kilometers constructed during the corresponding period in FY24.
- PNC Challakere Private Limited received provisional completion certificate for four-laning of Challakere to Hariyur HAM project on September 11, 2024 and PNC Bithur Highway Private Limited received final completion certificate on October 29, 2024 for four laning of Aligarh-Kanpur Package 5 HAM project.
- Company has won order worth INR 67 bn in October 2024.
- Total equity investment requirement for ongoing and avoided HAM projects is INR 31 bn. As of September '24, company already invested INR 22 bn and remaining equity of INR 9 bn to be invested over the next two to three years.
- The company is evaluating options including filing of an appeal against the order of the MORTH as well as the order of the single-judge against the company's participation in tenders issued by MoRTH.

Table 2: 1HFY25 balance sheet

Balance Sheet (INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	513	513	-	513	513	-
Reserves and Surplus	52,180	41,751	25.0	52,415	47,300	10.8
Loan Funds	4,101	5,305	(22.7)	2,821	3,821	(26.2)
Others	5,445	7,321	(25.6)	6,044	6,710	(9.9)
Total	62,239	54,890	13.4	61,794	58,345	5.9
Fixed Assets	4,307	5,066	(15.0)	4,073	4,739	(14.1)
Investments	23,646	26,969	(12.3)	26,036	21,021	23.9
Current Assets, Loans And Advances	46,617	34,367	35.6	43,283	46,707	(7.3)
Inventories	7,822	8,778	(10.9)	6,869	7,650	(10.2)
Sundry Debtors	15,564	17,691	(12.0)	16,233	19,505	(16.8)
Cash and Bank Balances	6,307	2,678	135.5	9,346	7,126	31.2
Loans and Advances	1,065	884	20.5	-	-	-
Other current assets	15,859	4,336	265.8	10,836	12,425	(12.8)
Current Liabilities and Provisions	12,330	11,511	7.1	11,599	14,123	(17.9)
Liabilities	12,271.97	11,372.36	7.9	11,535	14,070	(18.0)
Provisions	58	139	(58.1)	63	53	20.0
Net Working Capital	34,287	22,855	50.0	31,685	32,584	(2.8)
Total	62,239	54,890	13.4	61,794	58,345	5.9
Net debt	(2,206)	2,627	(184.0)	(6,525)	(3,305)	97.4

Source: Company, Antique

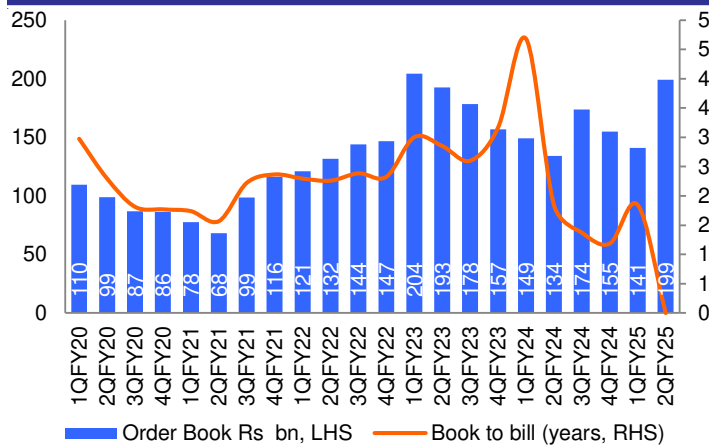
Table 3: 1HFY25 cash flow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported PBT	6,755	4,005	68.7	1,066	11,361	-90.6
Depreciation	450	506	(11.0)	519	1,033	-49.7
Interest	281	351	(20.0)	2,876	658	337.0
Others	(1,798)	(1,050)	71.3	1,947	(3,012)	-164.6
Changes in working capital	(2,429)	(1,921)	26.4	2,876	2,569	12.0
Operating cash flow	3,259	1,891	72.3	9,284	12,609	-26.4
Capex	(66)	(272)	(75.8)	(400)	(438)	-8.6
Others	(3,834)	(3,107)	23.4	(4,594)	(7,267)	-36.8
Investing cash flow	(3,900)	(3,379)	15.4	(4,994)	(7,705)	-35.2
Inc/(Dec) in equity/premium	-	-	-	-	-	-
Net proceeds from borrowings	279	805	(65.3)	(1,423)	(1,548)	-8.1
Others	(458)	(373)	22.7	(647)	37	-1861.9
Financing cash flow	(178)	432	(141.2)	(2,070)	(1,511)	37.0
Net cash flow	(820)	(1,056)	(22.4)	2,220	3,393	-34.6
Opening cash balance	7,126	3,734	90.9	7,126	3,734	90.9
Closing cash balance	6,307	2,678	135.5	9,346	7,126	31.2
Free cash flow	3,193	1,619	97.2	8,884	12,171	-27.0

Source: Company, Antique

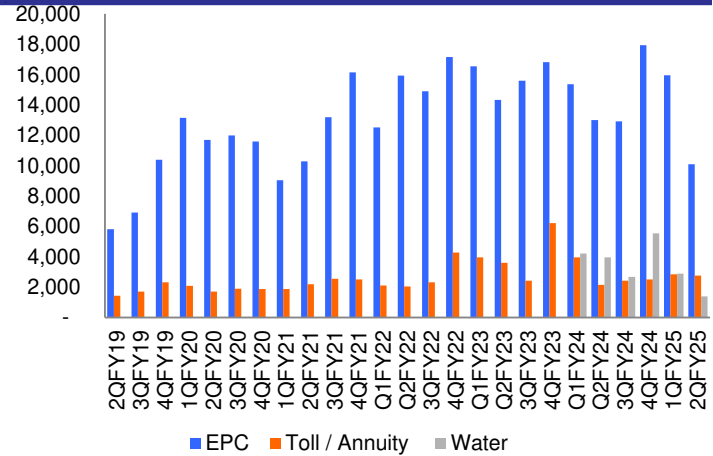
Story in Charts

Exhibit 1: Order book and book to bill



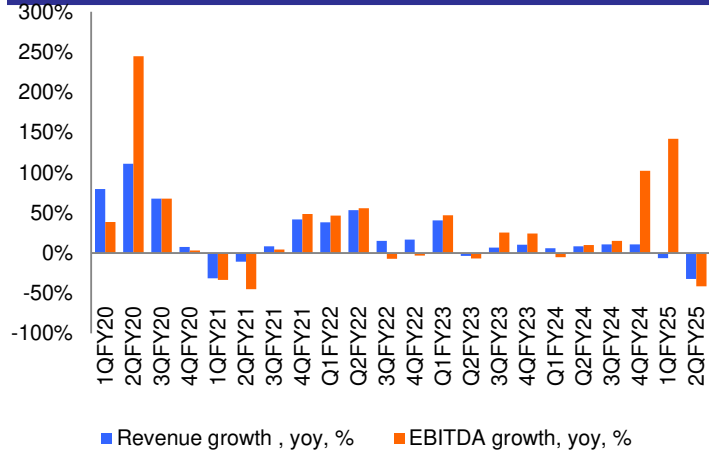
Source: Company, Antique

Exhibit 2: Revenue break up



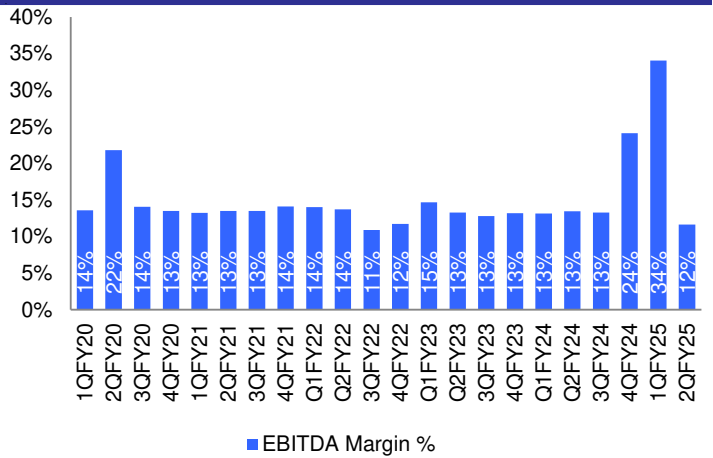
Source: Company, Antique

Exhibit 3: Revenue and EBITDA growth



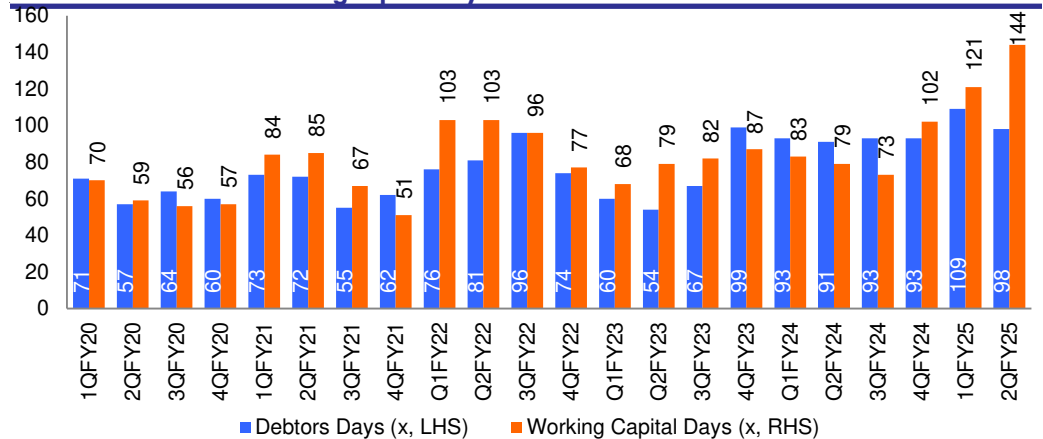
Source: Company, Antique

Exhibit 4: EBITDA margin



Source: Company, Antique

Exhibit 5: Debtor and working capital days



Source: Company, Antique

Table 4: Change in estimate

	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	72,803	84,881	1,01,359	65,833	78,790	93,129	-10%	-7%	-8%
EBITDA	9,100	10,525	12,568	8,174	9,649	11,368	-10%	-8%	-10%
EBITDA margin %	12.5	12.4	12.4	12.4	12.2	12.2			
PAT	5,902	7,053	8,685	5,244	6,437	7,770	-11%	-9%	-11%
Inflow	1,20,000	1,30,000	1,40,000	90,000	1,00,000	1,40,000	-25%	-23%	0%
Order Book	2,02,097	2,47,216	2,85,858	1,79,068	2,00,278	2,47,149	-11%	-19%	-14%
Book to Bill	2.5	2.6	2.6	2.5	2.4	2.4			

Source: Company, Antique

Table 5: Target price

INR mn	FY27E
Standalone PAT FY27E	7,770
Target Multiple (x)	10
Equity value construction (INR mn)	77,703
Equity value construction (INR/sh)	A 303
1HFY25 BV Investment INR mn	22,200
1HFY25 BV Investment INR /sh	B 87
Target mkt Cap (INR)	99,903
Target Price (INR)	A + B 389

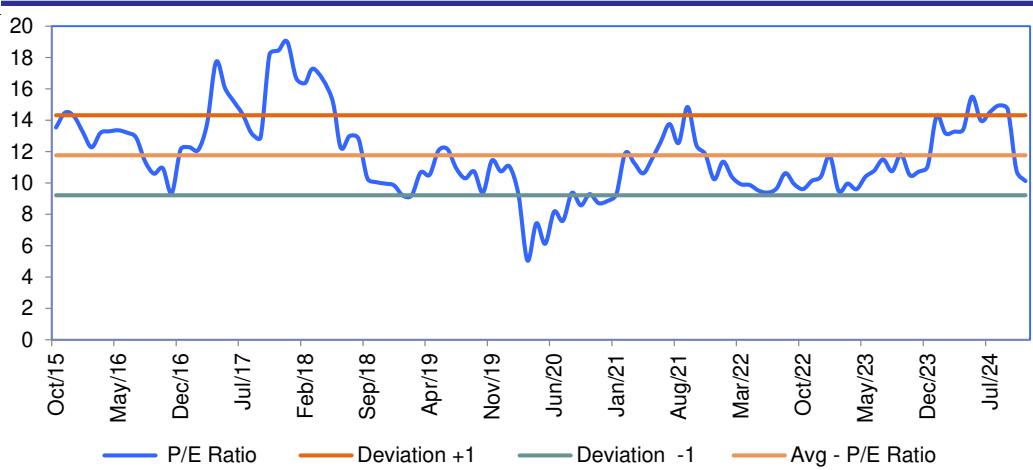
Source: Company, Antique

Table 6: Snapshot

INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Order Book	1,22,100	86,290	1,16,480	1,46,630	1,56,760	1,54,900	1,79,068	2,00,278	2,47,149
Order Inflow	79,889	12,969	79,444	93,205	49,000	75,132	90,000	1,00,000	1,40,000
Book to bill x			2.1	2.1	2.1	2.0	2.5	2.4	2.4
Revenue	30,969	48,779	49,254	63,055	70,608	76,992	65,833	78,790	93,129
Change YoY, %			1.0	28.0	12.0	9.0	(14.5)	19.7	18.2
EBIDTA	4,573	7,643	6,766	7,872	9,539	12,774	8,174	9,649	11,368
EBITDA Margin %			13.7	12.5	13.5	16.6	12.4	12.2	12.2
Interest Cost	641	1,144	771	801	638	658	519	363	206
PAT	3,249	4,603	3,619	4,478	6,115	8,498	5,244	6,437	7,770
Change yoy, %			(21.4)	23.7	36.5	39.0	(38.3)	22.8	20.7
PAT Margin %			7.3	7.1	8.7	11.0	8.0	8.2	8.3
WC as a % of sales	23.5	14.4	17.1	22.5	29.3	33.1	33.9	35.0	35.8
Net debt (INR bn)	(1,980)	(5,304)	(5,141)	(1,951)	23	(2,989)	(5,632)	(3,498)	(3,576)
Net debt/ equity (x)	0.02	(0.20)	(0.13)	(0.09)	0.02	(0.07)	(0.12)	(0.10)	(0.12)
Capex (INR bn)	2,964	927	1,835	601	552	427	400	1,000	1,000
CFO (INR bn)	3,700	8,126	2,732	878	(1,533)	12,609	9,284	2,638	3,474
CFO/ EBITDA	0.8	1.1	0.4	0.1	(0.2)	1.0	1.1	0.3	0.3

Source: Company, Antique

Exhibit 6: PER bands



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	70,608	76,992	65,833	78,790	93,129
Op. Expenses	61,070	64,218	57,658	69,141	81,761
EBITDA	9,539	12,774	8,174	9,649	11,368
Depreciation	1,100	1,033	1,066	1,122	1,203
EBIT	8,439	11,741	7,108	8,526	10,165
Other income	383	278	421	442	429
Interest Exp.	638	658	519	363	206
Reported PBT	8,184	11,361	7,010	8,606	10,388
Tax	2,069	2,863	1,767	2,169	2,618
Reported PAT	6,115	8,498	5,244	6,437	7,770
Net Profit	6,115	8,498	5,244	6,437	7,770
Adjusted PAT	6,115	6,318	5,244	6,437	7,770
Adjusted EPS (INR)	23.8	24.6	20.4	25.1	30.3

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	513	513	513	513	513
Reserves & Surplus	38,903	47,300	52,415	58,724	66,366
Networth	39,416	47,813	52,929	59,237	66,879
Debt	4,601	3,821	2,821	1,821	821
Other Non Current Liabilities	6,270	6,710	6,044	7,210	8,492
Capital Employed	50,287	58,345	61,794	68,269	76,193
Gross Fixed Assets	12,618	13,045	13,445	14,445	15,445
Accumulated Depreciation	7,272	8,305	9,371	10,494	11,697
Net Fixed Assets	5,345	4,739	4,073	3,951	3,748
Investments	10,347	16,638	21,498	24,058	25,378
Other Non Current Assets	10,171	4,383	4,538	4,701	4,871
Current Assets, Loans & Adv.	34,841	46,707	43,283	49,066	57,796
Inventory	7,644	7,650	6,869	8,237	9,740
Debtors	19,055	19,505	16,233	20,075	24,239
Cash & Bank balance	3,734	7,126	9,346	7,953	8,844
Loans & advances and others	4,408	12,425	10,836	12,801	14,973
Current Liabilities & Provisions	10,417	14,123	11,599	13,506	15,600
Liabilities	10,279	14,070	11,535	13,430	15,509
Provisions	139	53	63	76	91
Net Current Assets	24,424	32,584	31,685	35,560	42,196
Application of Funds	50,287	58,345	61,794	68,269	76,193

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	256.5	256.5	256.5	256.5	256.5
Diluted no. of shares (mn)	256.5	256.5	256.5	256.5	256.5
BVPS (INR)	153.6	186.4	206.3	230.9	260.7
CEPS (INR)	28.1	37.2	24.6	29.5	35.0
DPS (INR)	0.5	0.5	0.5	0.5	0.5

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	8,184	11,361	7,010	8,606	10,388
Depreciation & amortization	1,100	1,033	1,066	1,122	1,203
Interest expense	638	658	519	363	206
(Inc)/Dec in working capital	(9,348)	2,569	2,876	(4,842)	(5,277)
Tax paid	(2,166)	(2,912)	(1,767)	(2,169)	(2,618)
Less: Interest/Div. Income Recd.	(80)	(82)	(421)	(442)	(429)
Other operating Cash Flow	139	(18)	-	-	-
CF from operating activities	(1,533)	12,609	9,284	2,638	3,474
Capital expenditure	(552)	(438)	(400)	(1,000)	(1,000)
Inc/(Dec) in investments	526	(7,483)	(5,015)	(2,723)	(1,491)
Add: Interest/Div. Income Recd.	(1,109)	215	421	442	429
CF from investing activities	(1,135)	(7,705)	(4,994)	(3,280)	(2,061)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(830)	(1,548)	(1,423)	(260)	(187)
Dividend Paid	3,043	741	(128)	(128)	(128)
Others	(686)	(704)	(519)	(363)	(206)
CF from financing activities	1,528	(1,511)	(2,070)	(751)	(522)
Net cash flow	(1,141)	3,393	2,220	(1,393)	891
Opening balance	4,874	3,734	7,126	9,346	7,953
Closing balance	3,734	7,126	9,346	7,953	8,844

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	12.0	9.0	-14.5	19.7	18.2
EBITDA	21.2	33.9	-6.0	18.0	17.8
Adj PAT	36.5	3.3	-17.0	22.8	20.7
Adj EPS	36.5	3.3	-17.0	22.8	20.7

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	12.5	12.1	14.6	11.9	9.9
P/BV (x)	1.9	1.6	1.4	1.3	1.1
EV/EBITDA (x)	8.1	5.7	8.6	7.3	6.0
EV/Sales (x)	1.1	1.0	1.2	1.0	0.8
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	16.8	14.5	10.4	11.5	12.3
RoCE (%)	22.1	25.1	14.0	15.4	16.5
Asset/T.O (x)	2.6	2.3	1.8	2.1	2.2
Net Debt/Equity (x)	0.02	-0.07	-0.12	-0.10	-0.12
EBIT/Interest (x)	13.8	18.3	14.5	24.7	51.3

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	13.5	13.0	12.4	12.2	12.2
EBIT Margin	12.0	15.2	10.8	10.8	10.9
PAT Margin	8.7	8.2	8.0	8.2	8.3

Source: Company Antique

CMP	: INR 455
Reco	: BUY ↔
Target Price	: INR 559 ↓
Target Price Change	: -14%
Target FY27 P/E (x)	: SoTP based
EPS Change FY25/ 26/ 27	: -14%/-15%/-10%

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Market data

Sensex	:	77,580
Sector	:	Infra
Market Cap (INR bn)	:	66.6
Market Cap (USD bn)	:	0.789
O/S Shares (mn)	:	146.2
52-wk HI/LO (INR)	:	588/341
Avg. Daily Vol ('000)	:	318
Bloomberg	:	DBL IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	18.0	27.8	38.5
P/E (x)	25.3	16.4	11.8
P/BV (x)	1.3	1.2	1.1
EV/EBITDA (x)	8.0	6.7	5.7
Dividend Yield (%)	0.8	0.9	1.0

Source: Company, Antique

Returns (%)

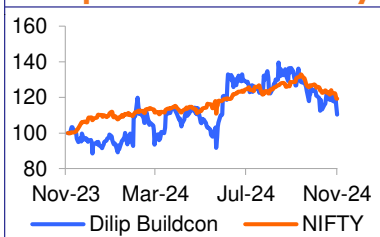
	1m	3m	6m	12m
Absolute	(10)	(10)	2	9
Relative	(5)	(8)	(4)	(8)

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Dilip Buildcon

Guidance on debt free balance sheet moved to FY26E

Dilip buildcon (DBL) reported weak results with revenue declining by 10% YoY in 2QFY25. This was on account of weak order inflow at INR 26 bn in FY24. It guides for a revenue decline of 10% YoY and margin of 11%-12% in FY25E. Post the result we have cut our revenue assumption and thus EPS is cut for FY25E-27E by 10%-15%. We retain BUY rating given valuation support with SoTP-based TP of INR 559 (earlier INR 652), we value core EPS business at 14x FY27E EPS. Catalyst remains order wins, YTD FY25 inflow is ~INR 30 bn and guidance is incremental inflow of INR 120 bn till March-25. The positivity on inflow is coming from NHAI tender pipeline of INR 1 trn+. Working capital and working capital debt has increased due to delay in payment of the JJM order, lower revenue, INR 2.4 bn investment in Zuari Observatory Towers, and thus it has revised its debt free balance sheet guidance to FY26E vs. FY25E earlier.

A muted quarter

For 2QFY25, the company reported standalone revenue of INR 22 bn, down 10% YoY, and 6%/ 7% below our/ consensus estimates, as the executions were hampered by the monsoon. With a lower margin, 10.2% vs. 12.1% YoY, EBITDA came in at INR 2.2 bn, down 22% YoY, 16%/ 17% below our/ consensus estimates. The other income reduced significantly during the quarter coming in at INR 208 mn, down 40% YoY. Further, the company divested stakes in its HAM assets during the quarter and thus booked profit on the same as exceptional item amounting to INR 978 mn; similarly, in the base quarter too the company booked INR 364 mn in profit on its HAM assets. With this the reported PAT was INR 1.3 bn, up 8% YoY, while adjusted PAT was INR 417 mn, down 54% YoY.

Increase in working capital requirements in 2QFY25

In 2QFY25, DBL reported INR 2.2 bn as cash inflow from operation, however, for 1HFY25 the number was INR 2.1 bn outflow. This was due to higher working capital requirements. In its core operations, net working capital has increased to 83 days in 2QFY25, up by 11 days, compared to 2QFY24 and was broadly equal to 84 days in 1QFY25. In 2QFY25, debtor days were 61 as against 56 days in 2QFY25, mainly due to delay in JJM payments, with faster payments to creditor payable days were 97 days vs. 102 days in 2QFY24. Meanwhile, net debt to equity has increased to 0.43x, stable YoY and sequentially, but meaningfully above the low of 0.29x in March'24.

Coal MDO and Invit to be EPS drivers going forward

DBL has achieved a production of 10.2 mtpa in 1HFY25 vs. 22 mtpa achieved in FY24. It guided to 25 mtpa of coal production in FY25E. Siarmal could do 18 mtpa and generate a revenue of INR 8.5 bn (at ~INR 476/ton) and Pachhwara could do 7 mtpa and generate a revenue of INR 8 bn (at ~INR 1,141/ton). And thus the combined revenue could be INR 16.5 bn in FY25E with an EBITDA margin of 20%-25%. And in the next five years (by FY28E) it aims to be the second-largest after Adani in terms of the coal production and reach 60 mtpa coal production combined from both the mines. And for Invit, 18 projects have already been committed for 74% stake with valuation of INR 40 bn and DBL expects cash flow/ distribution of INR 4-4.5 bn every year.

Investment Summary

DBL's order book of INR 173 bn (1.8x TTM revenue) is diversified over all present eight segments, with the road segment having the lion's share of 27%, followed by irrigation and mining at 21% each. It has diversified its order book in the last 4-5 years. We retain BUY rating; EPS growth is expected to be muted in FY25E and pick up from FY26E.

Table 1: Financial highlights

Particulars	Sep-24	Sep-23	YoY Chg (%)	Jun-24	QoQ Chg (%)	FY24	FY25	YoY Chg (%)
Net Sales	21,769	24,270	-10	23,579	-8	1,05,373	96,509	-8
Cost of sales ex Depri	19,548	21,335	-8	20,956	-7	92,382	0	-100
EBIDTA	2,221	2,935	-24	2,624	-15	12,991	11,002	-15
EBITDA margin (%)	10.2	12.1	-189bps	11.1	-92bps	12.3	11.4	-93bps
Other income	208	345	-40	130	60	1,129	1,036	-8
Depreciation	735	906	-19	762	-4	3,476	3,197	-8
Interest	1,228	1,280	-4	1,192	3	5,016	4,660	-7
Exceptional items	978	364	NA	0	-	730	0	
Pre-tax profit	1,444	1,458	-1	801	80	6,359	4,180	-34
Tax (current+deferred)	154	262	-41	327	-53	2,139	1,254	-41
Extraordinary items	978	364		0	-	730	0	-100
Adj profit after tax	417	898	-54	474	-12	3,736	2,926	-22
Reported profit after tax	1,290	1,197	8	474	172	4,220	2,926	-31

Source: Company, Antique

Table 2: 1HFY25 balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	1,462	1,462	0.0	1,462	1,462	-
Reserves and Surplus	52,155	46,669	11.8	53,314	50,403	5.8
Loan Funds	26,280	23,850	10.2	18,616	18,666	(0.3)
Others	2,282	2,449	(6.8)	2,953	2,801	5.4
Total	82,179	74,430	10.4	76,345	73,332	4.1
Fixed Assets	9,951	12,066	(17.5)	9,497	11,195	(15.2)
Capital Work-in-Progress	799	-	-	-	-	-
Investments	22,810	21,810	4.6	20,512	19,966	2.7
Current Assets, Loans And Advances	88,104	82,449	6.9	83,685	82,388	1.6
Inventories	33,301	33,551	(0.7)	31,006	33,499	(7.4)
Sundry Debtors	16,939	16,018	5.8	15,865	13,918	14.0
Cash and Bank Balances	3,388	3,118	8.7	4,423	3,516	25.8
Other current assets	34,475	29,762	15.8	32,391	31,455	3.0
Current Liabilities and Provisions	39,484	41,896	(5.8)	37,349	40,217	(7.1)
Liabilities	39,390	41,802	(5.8)	37,239	40,121	(7.2)
Provisions	94	94	0.0	110	96	15.0
Net Working Capital	48,620	40,553	19.9	46,336	42,171	9.9
Total	82,179	74,430	10.4	76,345	73,332	4.1
Net debt	22,892	20,732	10.4	14,192	15,149	(6.3)

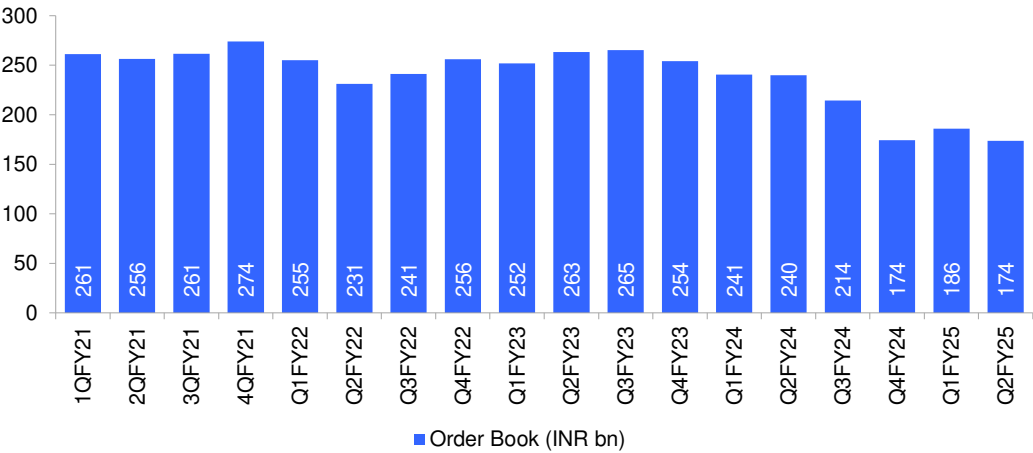
Source: Company, Antique

Table 3: 1HFY25 cash flow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported PBT	2,245	2,690	(16.6)	4,180	6,359	-34.3
Depreciation	1,496	1,833	(18.4)	3,197	3,476	-8.0
Interest	2,420	2,654	(8.8)	4,660	5,016	-7.1
Others	(1,765)	(1,446)	22.1	(1,476)	(1,403)	5.3
Changes in working capital	(7,400)	1,939	(481.6)	(3,106)	427	-827.1
Operating cash flow	(3,004)	7,670	(139.2)	7,455	13,876	-46.3
Capex	(462)	(843)	(45.2)	(1,500)	(1,226)	22.3
Others	(1,716)	(1,132)	51.5	(324)	(342)	-5.5
Investing cash flow	(2,178)	(1,976)	10.2	(1,824)	(1,569)	16.2
Inc/(Dec) in equity/premium	-	-	-	-	1,331	
Net proceeds from borrowings	7,615	(3,008)	(353.2)	(50)	(5,477)	-99.1
Others	(2,561)	(2,667)	(4.0)	(4,675)	(7,742)	-39.6
Financing cash flow	5,054	(5,674)	(189.1)	(4,725)	(11,888)	-60.3
Net cash flow	(128)	20	(735.7)	907	419	116.6
Opening cash balance	3,516	3,098	13.5	3,516	3,098	13.5
Closing cash balance	3,388	3,118	8.7	4,423	3,516	25.8
Free cash flow	(3,466)	6,827	(150.8)	5,955	12,649	-52.9

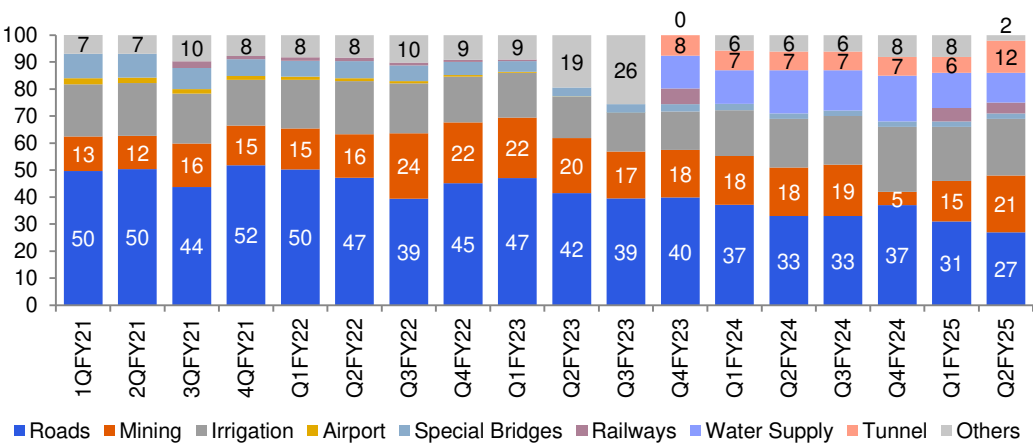
Source: Company, Antique

Exhibit 1: Order book at INR 174 bn



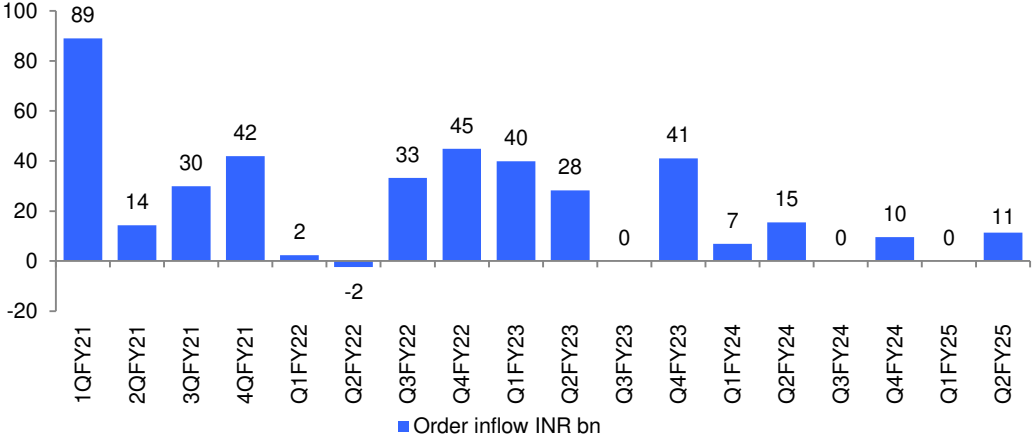
Source: Company, Antique

Exhibit 2: Order book trend



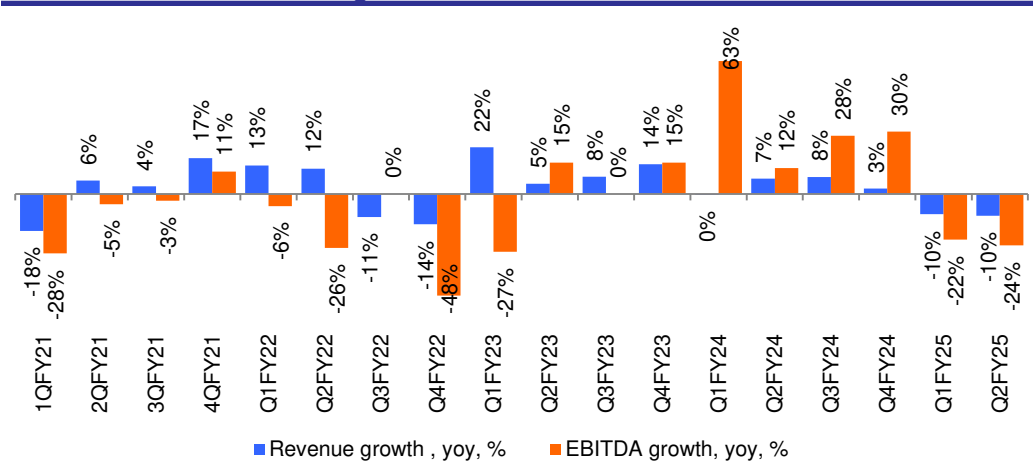
Source: Company, Antique

Exhibit 3: Order inflow



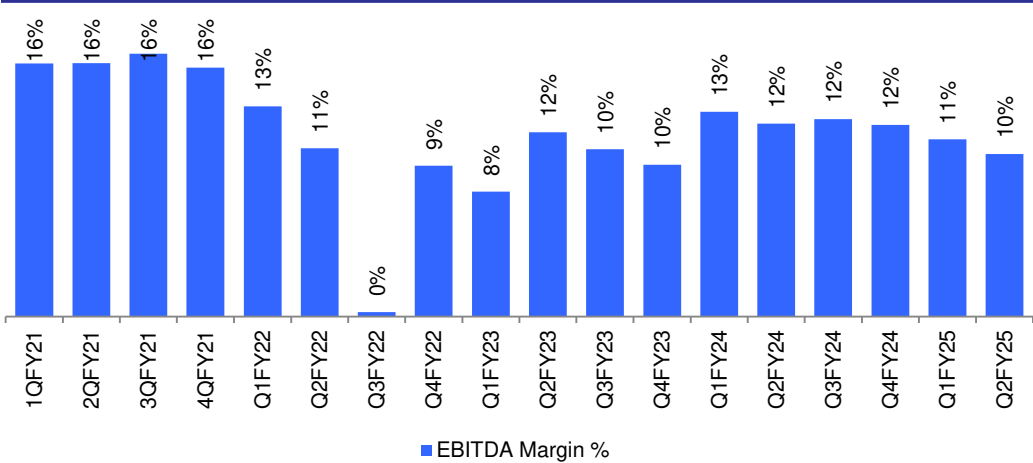
Source: Company, Antique

Exhibit 4: Revenue and EBITDA growth



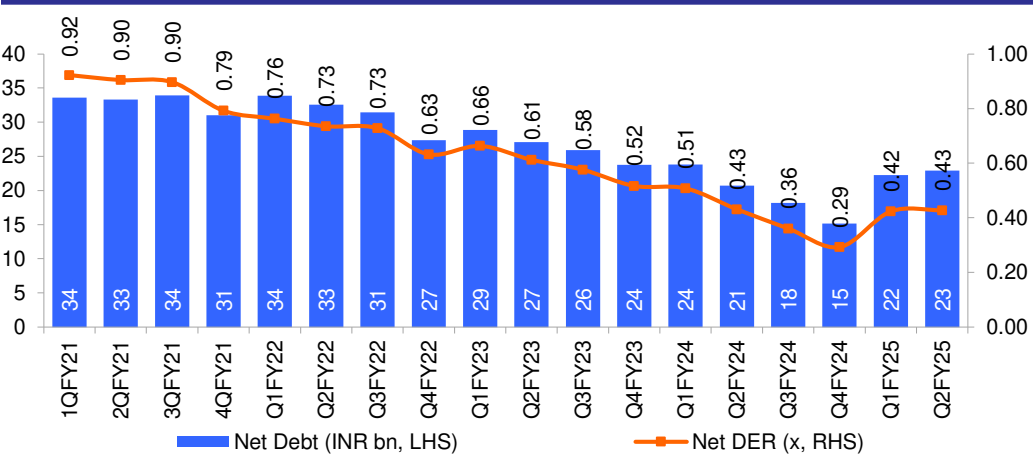
Source: Company, Antique

Exhibit 5: EBITDA margin

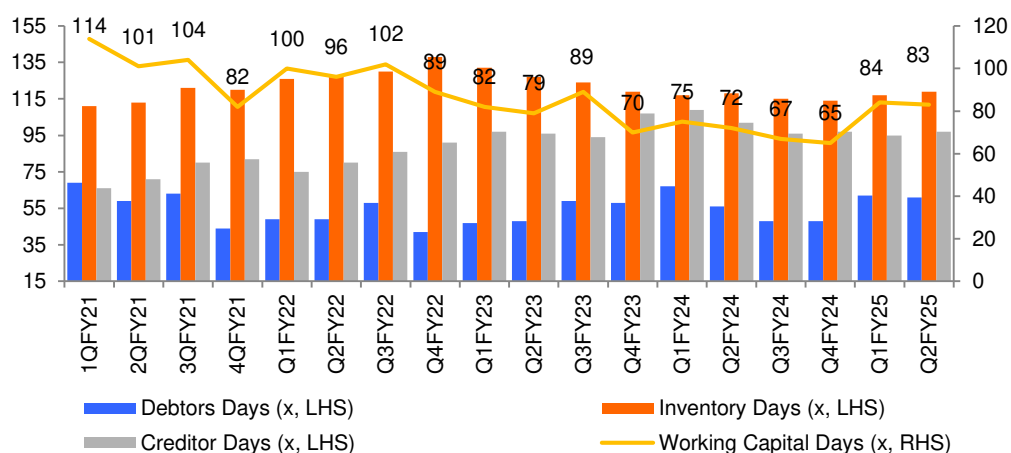


Source: Company, Antique

Exhibit 6: Net debt and net debt to equity



Source: Company, Antique

Exhibit 7: Working capital trend

Source: Company, Antique

Conference Call KTAs

1. Infrastructure awarding is anticipated to pick-up in the near future fueled by several initiatives like the PM Gati Shakti.
2. As of August 2024, around 700 kilometers of projects were awarded while 2,700 kilometers of National Highways have been completed.
3. MoRTH's has ambitious plans of INR 1 trn investment in 74 new highway tunnels spanning 273 kilometers.
4. Currently, over INR 1 trn of NHAI and MoRTH orders are already floated and expected to open in this financial year. In this, there is about 70% HAM and 30% EPC.
5. The company is evaluating bids beyond roads worth INR 900 bn.
6. The company got its first breakthrough in optical fiber laying business by securing its first order from BSNL in partnership with STL of about INR 16 bn, with its share at 70%.
7. The entire deal with Shrem is concluded and the company will continue to do the O&M of its assets for the life duration of those assets. This ensures long-term assured revenue stream and will keep on increasing as DBL's own InvIT asset pool keeps getting larger in size.
8. The company has achieved production of 10.2 million metric tons in the first half of the year as compared to our target of 22 million metric tons for the full year.

Table 4: SoTP-based TP

Particulars Base	FY27
PAT	5,493
Target Multiple (x)	14.0
Equity value	76,902
FY24 Investment	13,945
Total Equity Value	90,846
No of shares	162
Target price (INR)	559

Source: Company, Antique

Table 5: Company snapshot

INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Order Book	2,11,718	1,90,816	2,74,114	2,55,945	2,53,950	1,74,316	2,27,807	2,80,965	3,28,976
Order Inflow	64,019	68,936	1,75,387	71,892	99,200	25,739	1,50,000	1,60,000	1,70,000
Book to bill x			2.5	2.9	2.5	2.0	2.1	2.4	2.5
Revenue	91,182	89,838	92,089	90,061	1,01,195	1,05,373	96,509	1,06,842	1,21,988
Change yoy, %	18%	-1%	3%	-2%	12%	4%	-8%	11%	14%
EBITDA	16,044	15,720	14,690	7,536	9,884	12,991	11,002	12,501	14,517
EBITDA Margin %	18%	17%	16%	8%	10%	12%	11%	12%	12%
Interest Cost	5,299	6,127	5,862	6,048	5,137	5,016	4,660	4,279	3,779
PAT	7,609	4,184	3,193	-1,214	1,199	3,736	2,926	4,519	6,260
Change yoy, %	23%	-44%	-25%	-127%	-358%	90%	-22%	54%	39%
PAT Margin %	8%	5%	3%	-1%	2%	4%	3%	4%	5%
WC as a % of sales	42%	35%	46%	51%	39%	37%	43%	41%	39%
Net debt (INR bn)	30,124	24,130	30,988	27,389	23,760	15,149	14,192	10,329	9,337
Net debt/ equity (x)	0.94	0.67	0.79	0.63	0.52	0.29	0.26	0.16	0.13
Capex (Rs bn)	5,705	3,694	2,945	1,360	554	1,420	1,500	1,500	1,000
CFO (Rs. bn)	9,579	18,529	6,990	-115	11,357	13,876	7,455	9,613	8,517
CFO/ EBITDA	60%	118%	48%	-2%	115%	107%	68%	77%	59%

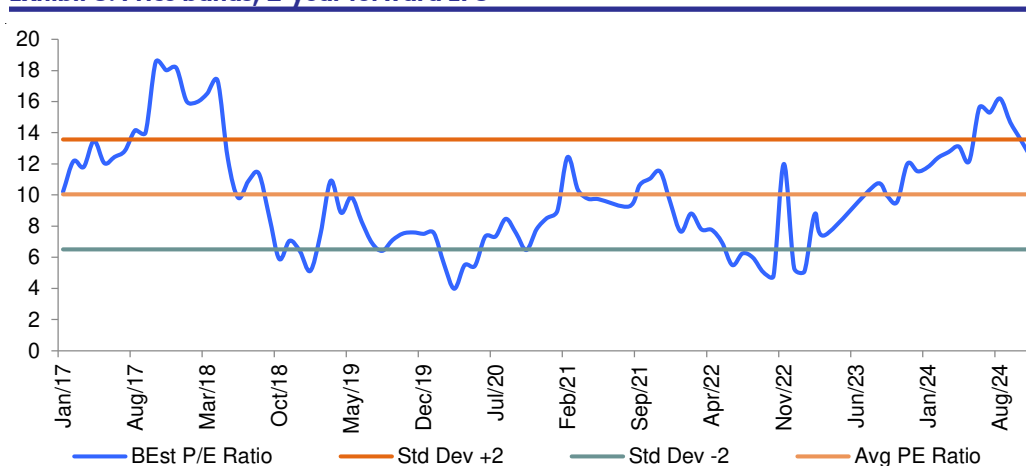
Source: Company, Antique

Table 6: Change in estimates

Change in estimates	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,05,373	1,15,910	1,33,297	96,509	1,06,842	1,21,988	-8%	-8%	-8%
EBITDA	12,118	13,619	16,009	11,002	12,501	14,517	-9%	-8%	-9%
EBITDA margin %	11.5	11.8	12.0	11.4	11.7	11.9			
PAT	3,415	5,310	6,957	2,926	4,519	6,260	-14%	-15%	-10%

Source: Company, Antique

Exhibit 8: Price bands, 2-year forward EPS



Source: Company, Antique

Financials—Standalone

Profit and loss account (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	1,01,195	1,05,373	96,509	1,06,842	1,21,988
Op. Expenses	91,311	92,382	85,507	94,341	1,07,472
EBITDA	9,884	12,991	11,002	12,501	14,517
Depreciation	3,881	3,476	3,197	2,831	2,891
EBIT	6,003	9,515	7,805	9,670	11,626
Other income	646	1,129	1,036	1,064	1,096
Interest Exp.	5,137	5,016	4,660	4,279	3,779
Extra Ordinary Items -gain/(loss)	1,285	730	-	-	-
Reported PBT	2,797	6,359	4,180	6,455	8,943
Tax	580	2,139	1,254	1,937	2,683
Reported PAT	2,218	4,220	2,926	4,519	6,260
Net Profit	2,218	4,220	2,926	4,519	6,260
Adjusted PAT	933	3,490	2,926	4,519	6,260
Adjusted EPS (INR)	5.7	21.5	18.0	27.8	38.5

Balance sheet (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Share capital	1,462	1,462	1,462	1,624	1,624
Reserves & Surplus	44,569	50,403	53,314	61,655	67,901
Networth	46,031	51,865	54,776	63,279	69,525
Debt	26,857	18,666	18,616	15,616	14,616
Other Non Current Liabilities	2,859	2,801	2,953	3,114	3,285
Capital Employed	75,747	73,332	76,345	82,009	87,425
Gross Fixed Assets	42,757	44,176	45,676	47,176	48,176
Accumulated Depreciation	(29,506)	(32,982)	(36,179)	(39,010)	(41,900)
Net Fixed Assets	13,251	11,195	9,497	8,167	6,276
Investments	10,524	13,945	14,491	18,691	21,691
Other Non Current Assets	8,980	6,021	6,021	6,021	6,021
Current Assets, Loans & Adv.	83,185	82,388	83,685	90,430	1,00,527
Inventory	33,340	33,499	31,006	33,343	37,983
Debtors	16,064	13,918	15,865	16,099	16,711
Cash & Bank balance	3,098	3,516	4,423	5,287	5,279
Loans & advances and others	30,683	31,455	32,391	35,702	40,555
Current Liabilities & Provisions	40,192	40,217	37,349	41,299	47,090
Liabilities	40,148	40,121	37,239	41,173	46,945
Provisions	44	96	110	126	145
Net Current Assets	42,993	42,171	46,336	49,131	53,437
Application of Funds	75,748	73,332	76,345	82,009	87,425

Per share data

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	162.4	162.4	162.4	162.4	162.4
Diluted no. of shares (mn)	162.4	162.4	162.4	162.4	162.4
BVPS (INR)	283.4	319.3	337.3	389.6	428.1
CEPS (INR)	29.6	42.9	37.7	45.3	56.3
DPS (INR)	3.1	3.5	3.7	4.0	4.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
PBT	2,797	6,359	4,180	6,455	8,943
Depreciation & amortization	3,881	3,476	3,197	2,831	2,891
Interest expense	5,137	5,016	4,660	4,279	3,779
(Inc)/Dec in working capital	(539)	427	(3,106)	(1,770)	(4,143)
Tax paid	1,616	(489)	(1,254)	(1,937)	(2,683)
Less: Interest/Div. Income Recd.	(514)	(633)	(222)	(245)	(269)
Other operating Cash Flow	(1,022)	(281)	-	-	-
CF from operating activities	11,357	13,876	7,455	9,613	8,517
Capital expenditure	(413)	(1,226)	(1,500)	(1,500)	(1,000)
Inc/(Dec) in investments	(2,681)	(975)	(546)	(4,200)	(3,000)
Add: Interest/Div. Income Recd.	514	633	222	245	269
CF from investing activities	(2,579)	(1,569)	(1,824)	(5,455)	(3,731)
Inc/(Dec) in share capital	-	1,331	-	3,999	-
Inc/(Dec) in debt	(3,860)	(5,477)	(50)	(3,000)	(1,000)
Dividend Paid	(15)	(15)	(15)	(15)	(15)
Others	(5,134)	(7,728)	(4,660)	(4,279)	(3,779)
CF from financing activities	(9,009)	(11,888)	(4,725)	(3,295)	(4,794)
Net cash flow	(231)	419	907	863	(8)
Opening balance	3,329	3,098	3,516	4,423	5,287
Closing balance	3,098	3,516	4,423	5,287	5,279

Growth indicators (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
Revenue	12.4	4.1	-8.4	10.7	14.2
EBITDA	31.2	31.4	-15.3	13.6	16.1
Adj PAT	-163.3	274.0	-16.2	54.4	38.5
Adj EPS	-163.3	274.0	-16.2	54.4	38.5

Valuation (x)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	79.2	21.2	25.3	16.4	11.8
P/BV (x)	1.6	1.4	1.3	1.2	1.1
EV/EBITDA (x)	9.9	6.9	8.0	6.7	5.7
EV/Sales (x)	1.0	0.8	0.9	0.8	0.7
Dividend Yield (%)	0.7	0.8	0.8	0.9	1.0

Financial ratios

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	2.1	7.1	5.5	7.7	9.4
RoCE (%)	9.0	14.8	12.3	14.1	15.6
Asset/T.O (x)	1.7	1.9	1.8	1.9	2.1
Net Debt/Equity (x)	0.52	0.29	0.26	0.16	0.13
EBIT/Interest (x)	1.3	2.1	1.9	2.5	3.4

Margins (%)

Year-ended March 31	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	9.8	12.3	11.4	11.7	11.9
EBIT Margin	5.9	9.0	8.1	9.1	9.5
PAT Margin	0.9	3.3	3.0	4.2	5.1

Source: Company Antique

CMP	: INR 2,341
Reco	: BUY ↔
Target Price	: INR 2,770 ↑
Target Price Change	: 45%
Target FY27 P/E (x)	: 35
EPS Change FY25/ 26/ 27	: -13%/ 1%/ -13%

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Market data

Sensex	:	77,580
Sector	:	MidCaps
Market Cap (INR bn)	:	59.3
Market Cap (USD bn)	:	0.703
O/S Shares (mn)	:	25.3
52-wk HI/LO (INR)	:	2438/852
Avg. Daily Vol ('000)	:	106
Bloomberg	:	GNPLIN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	45.1	61.9	79.1
P/E (x)	51.9	37.8	29.6
P/BV (x)	4.9	4.4	3.9
EV/EBITDA (x)	26.7	21.4	16.6
Dividend Yield (%)	0.2	0.2	0.2

Source: Company, Antique

Returns (%)

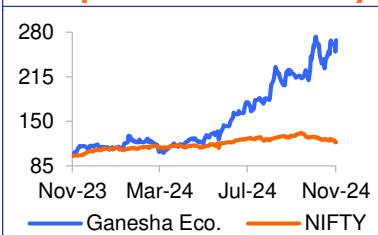
	1m	3m	6m	12m
Absolute	3	46	126	175
Relative	9	49	113	130

Source: Bloomberg

Shareholding pattern

Promoters	:	36%
Public	:	64%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Ganesha Ecosphere

Expands value-added capacity in Odisha

Ganesha Ecosphere (Ganesha) reported yet another quarter of strong operational performance driven by the successful ramp-up of the South plant, despite headwinds of high RM prices and muted textile demand. Key highlights: 1) Consolidated volume/ revenue/ EBITDA grew 35%/ 39%/ 118% YoY during 2QFY25. 2) Subsidiaries (primarily the South plant) reported volume/ revenue/ EBITDA margin of 11.6 kmt (+33% QoQ)/ INR 1.3 bn/ 21.8%. There is 12 month demand visibility for rPET granules. Expect rPET granules and South RPSF capacity to operate at 90% CU by Mar'25. The South plant should have a peak quarterly revenue run rate of INR 2 bn by 4Q. 3) Gross margin was impacted by the inability to pass on high RM costs due to subdued demand environment in fiber and yarn segment. 4) INR 4.5 bn greenfield expansion at Odisha for 45 kmt/a of rPET granule capacity to commercialize by Mar'26. Expect asset t/o of 1.25x at peak CU. FY25 revenue and EBITDA margin of INR 15-16 bn and 14.5%-15% respectively led by ramp up of the South plant. Long term guidance of 25%-30% revenue CAGR with 16%-17% EBITDA margin. Considering lower CU, we revise our FY25/ 26/ 27 EPS estimates by -13%/ 1%/ -13% and roll forward the valuation to FY27 (earlier 1HFY27). We upgrade our target multiple to 35x (earlier 25x) considering the company's improving margin profile and return ratios. **Maintain BUY with a revised TP of INR 2,770 (earlier INR 1,910) based on a PE multiple of 35x FY27 EPS (five-year low/ high/ avg. of 7x/ 40x/ 22x).**

FY25 revenue guidance of INR 15-16 bn

Ganesha's revenue of INR 3.9 bn grew 39% YoY. Standalone/ subsidiary revenue stood at INR 2.6 bn (-2% YoY)/ INR 1.3 bn (+637% YoY). Standalone volume/ realization grew -5%/ +3% YoY to 28.1 kmt/ INR 89 per kg. Volume growth was impacted by oversupply in yarn segment, cheap import of fabric, and low demand in user industry. The South India subsidiary operated at 58% CU in 2Q. rPET granules/ RPSF capacity operated at +72%/ 80%-85% CU and filament yarn capacity is expected to be ramped to 70%-75% CU by Mar'25. Demand visibility for three rPET granule lines for the next 12 months. Management has guided for FY25 revenue of INR 15-16 bn driven by: 1) Ramp up of the Warangal plant; 2) Revival in the textile industry. We believe the successful ramp-up of the South India plant driving mix improvement can deliver volume/ revenue CAGR of 24%/ 26% over FY24-27E.

RM pressure persists; 14.5%-15% margin guidance in FY25

EBITDA stood at INR 553 mn, +118% YoY. 2Q consolidated EBITDA margin expanded 520 bps YoY to 14.3%. Standalone/ subsidiary margin stood at 10.4%/ 21.2% respectively. Gross margin was impacted by inability to pass on high RM costs due to subdued demand environment in fiber and yarn segment. Part of the challenges were mitigated by increasing focus to export markets and other verticals like non-woven and stuffing. Management has guided for FY25/ long term consolidated margin of 14.5%-15%/ 16%-17%. We have factored in EBITDA CAGR of 41% over FY24-27E and expect margin of 15.3%/ 16.2%/ 17.2% in FY25/ 26/ 27.

INR 5 bn capital raised will be utilized to fund 45 kmt/a greenfield expansion

Net debt as of 1HFY25/ FY24 stood at INR 3.9 bn/ INR 2.5 bn. INR 1.5 bn worth of convertible warrants were issued to the promoter group at INR 1,035/warrant in Jan'24. INR 3.5 bn worth of equity shares were issued to QIB at INR 995/share in Feb'24. INR 4.5 bn greenfield expansion at Odisha to set-up 45 kmt/a of rPET granule capacity is expected to be completed by Mar'26. The project is expected to have asset t/o of 1.25x and is expected to reach peak CU within two years of commercialization.

Investment Summary

We believe that Ganesha is on the cusp of a highly profitable growth cycle, post commercialization of the South plant in FY24, the successful and speedy ramp up of capacities can increase the FY24 EPS by ~4.9x in FY27. We strongly believe the successful ramp-up of the South plant will lead to continued re-rating of the stock. **Maintain BUY.**

Table 1: Financial performance — (Consolidated)

(INR mn)	2QFY25	2QFY24	YoY (%)	4QFY24	QoQ (%)	1HFY25	1HFY24	YoY (%)
Sales	3,868	2,784	38.9	3,365	14.9	7,234	5,326	35.8
Cost of Material Consumed	2,445	1,800	35.8	2,058	18.8	4,503	3,384	33.0
% of sales	63.2	64.6	(144 bps)	61.2	205 bps	62.2	63.5	(130 bps)
Employee cost	216	183	17.9	208	4.1	424	360	17.7
% of sales	5.6	6.6	(99 bps)	6.2	(58 bps)	5.9	6.8	(90 bps)
Other expenses	654	548	19.4	623	5.0	1,277	1,073	19.0
% of sales	16.9	19.7	(276 bps)	18.5	(159 bps)	17.7	20.1	(249 bps)
Total Exp	3,315	2,531	31.0	2,889	14.8	6,204	4,817	28.8
EBIDTA	553	253	118.3	477	15.9	1,030	508	102.6
Margin %	14.3	9.1	520 bps	14.2	12 bps	14.2	9.5	469 bps
Other income	37	32	15.4	42	(12.1)	80	62	29.2
Depreciation	135	124	8.7	134	0.6	270	247	9.4
Interest expenses	96	116	(17.8)	83	14.5	179	230	(22.2)
Profit Before Tax	359	45	701.9	302	19.2	661	93	608.5
PBT after exceptional	359	45	701.9	302	19.2	661	93	608.5
Tax	88	17	424.0	76	16.0	164	31	433.2
Tax Rate %	24.5	37.6	(1,302 bps)	25.2	(67 bps)	24.9	33.0	(817 bps)
Reported Net Profit	271	28	869.1	225	20.2	497	62	695.0
Adjusted Net Profit	271	28	869.1	225	20.2	497	62	695.0
EPS (INR)	10.1	1.1	816.7	8.4	20.2	18.5	2.5	652.0

Source: Company, Antique

Table 2: Semi-annual balance sheet

Particulars	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share Capital	253	218	16.1	268	253	5.7
Reserves and Surplus	10,700	6,184	73.0	12,444	10,268	21.2
Loan Funds	4,859	6,464	(24.8)	4,788	3,988	20.1
Deferred Tax Liability	172	133	29.2	150	150	-
Total	15,984	12,999	23.0	17,650	14,659	20.4
Fixed Assets	8,126	6,460	25.8	8,012	7,801	2.7
Capital Work-in-Progress	1,191	1,535	(22.4)	4,211	711	492.4
Goodwill	1	1	-	1	1	-
Investments	496	553	(10.3)	335	335	-
Current Assets, Loans And Advances	7,868	5,994	31.3	7,094	7,397	(4.1)
Inventories	3,199	2,929	9.2	3,295	3,014	9.3
Sundry Debtors	1,961	1,244	57.7	1,905	1,380	38.1
Cash and Bank Balances	936	378	147.6	422	1,532	(72.4)
Other current assets	1,772	1,444	22.8	1,472	1,472	-
Current Liabilities and Provisions	1,699	1,545	10.0	2,004	1,586	26.3
Liabilities	757	556	36.1	999	746	33.9
Provisions	942	989	(4.7)	1,005	841	19.6
Net Current Assets	6,169	4,449	38.7	5,091	5,811	(12.4)
Total	15,984	12,999	23.0	17,650	14,659	20.4
Net Debt	3,923	6,086	(35.5)	4,366	2,456	77.8

Source: Company, Antique

Table 3: Abridged semi-annual cash flow statement

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Profit before tax	661	93	608.5	1,579	589	168.0
Depreciation	270	247	9.4	539	487	10.7
Interest	107	188	(42.9)	261	336	(22.4)
Others	11	(18)	(163.1)	(0)	(28)	(100.0)
Changes in working capital	(888)	(447)	98.9	(389)	(778)	(50.0)
Tax Paid	(148)	(22)	562.4	(371)	(171)	117.6
Operating cash flow	13	41	(68.9)	1,618	435	272.1
Capex	(896)	(918)	(2.3)	(4,250)	(1,559)	172.5
Others	59	57	3.8	146	(712)	(120.5)
Investing cash flow	(838)	(861)	(2.7)	(4,104)	(2,272)	80.7
Inc/(Dec) in equity/ warrants	-	-	-	1,144	3,775	(69.7)
Net proceeds from borrowings	792	1,281	(38.2)	800	(1,071)	(174.7)
Others	(129)	(169)	(23.7)	(568)	(476)	19.5
Financing cash flow	663	1,112	(40.4)	1,376	2,228	(38.2)
Net cash flow	(162)	292	NA	(1,110)	391	NA
Opening cash balance	434	43	917.4	1,532	43	3,487.0
Changes in other bank balances	663	43	1,441.8	-	1,098	(100.0)
Closing cash balance	936	378	147.6	422	1,532	(72.4)
Free cash flow	(883)	(876)	0.8	(2,632)	(1,125)	134.1

Source: Company, Antique

Table 4: Actual vs. estimates

INR mn	2QFY25	Antique	% ch
Revenue	3,868	4,212	(8.2)
EBITDA	553	647	(14.6)
PAT	271	337	(19.7)
EBITDA Margin	14.3%	15.4%	(108 bps)

Source: Company, Antique

Table 5: Change in estimates

Particulars INR mn	Previous			Revised			Ch %		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,916	19,393	24,255	15,507	18,996	22,550	(8.3)	(2.0)	(7.0)
EBITDA	2,638	3,111	4,260	2,379	3,074	3,878	(9.8)	(1.2)	(9.0)
EBITDA Margin (%)	15.6	16.0	17.6	15.3	16.2	17.2	(26 bps)	14 bps	(37 bps)
PAT	1,388	1,641	2,449	1,208	1,659	2,120	(13.0)	1.1	(13.4)
EPS (INR)	51.8	61.2	91.4	45.1	61.9	79.1	(13.0)	1.1	(13.4)
TP (INR)	1,910			2,770			45.0		

Source: Antique

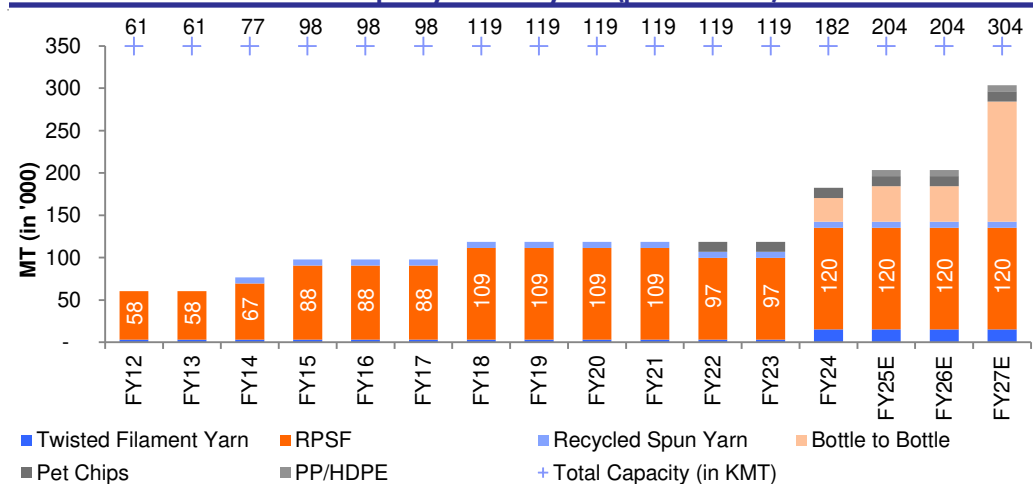
Conference Call Highlights

1. **Guidance:** Expect FY25 revenue/ EBITDA margin of INR 15-16 bn/ 14.5%-15%. The Warangal plant is expected to register a quarterly revenue run rate of INR 2 bn by Mar'25. Expect Warangal plant revenue of INR 5-5.5 bn in FY25. Expect 25%-30% revenue CAGR and 16%-17% EBITDA margin over the long term.
2. Maintains a positive outlook of improved performance in 3QFY25 on the back of strong traction in rPET granules segment.
3. **Capacity utilization** of 106%/ 58%/ +72%/ 80%-85% in standalone/ Warangal plant/ rPET granules/ RPSF South plant operations. Expect CU of 90%/ 90%/ 70%-75% for rPET granules/ South plant RPSF/ Filament yarn by Mar'25.
4. **EPR certificate revenue of INR 35 mn in 1HFY25.**
5. **RPSF:** RPSF segment continues to face challenges of oversupply in the yarn segment, cheap imports of fabric, and low demand in user industry. Facing issues with the passing of RM inflation in RPSF. Ganesha navigated the challenges by increasing focus to the export markets and other verticals like non-woven and stuffing. Going forward, RM prices continue to surge and festive demand continues to be lower.
6. **rPET granules:** Post commercialization of a third line, blended capacity utilization stood at +72%. Onboarded two more clients within the segment. Witnessing good demand from domestic and exports markets. Demand visibility remains strong for the next 12 months. Will start entering into long-term contracts from the next year onwards. The product has a working capital cycle of 45-50 days.
7. Demand for **PPSF** is yet to pick up.
8. **Odisha expansion:** INR 45 kmtpa greenfield capacity with a capex of INR 4.5 bn (INR 5.5 bn including working capital) will be commercialized within two years. Two lines of 22.5 kmtpa will be installed at the plants. Orders for machinery has been placed. The OEMs will deliver lines which will result in 15% savings in power consumption and better quality of output compared to current lines. Trying to expedite commercialization by Mar'26. The plant will have a tax rate of 17% and is expected to have asset t/o of 1.25x. No incremental fund raise is required to fund the capex. The new lines are procured from EFSA and USFDA approved suppliers, however, brand audits will be required for the same.
9. **Ensuring RM availability:** Strategic investment of INR 160 mn is made in Race Ecochain Ltd., a supply chain player, to strengthen the sourcing network of scrap pet bottles. A JV by name of Ganesha Recycling Chain Private Limited is formed with Race Ecochain Limited for putting up washing plants of pet bottle scrap for the sourcing of washed flakes. The first plant is expected in Chennai within a year. The plant will process scrap RM from a radius of 200 km.
10. **GESL Spinners Private Limited (GSPL):** GSPL manufactures 100% recycled high-quality spun yarn. The promoter, directors, and their relatives hold 79.84% stake in GSPL. Ganesha Ecosphere supplies recycled fiber as input material to GSPL. In future, Ganesha may exit its small spinning capacity.
11. **CWIP** includes an amount for setting up of solar farm in the South plant, advances paid for Odisha plant and maintenance capex.
12. **Expect government incentives to commence from 3Q/ 4QFY25.**
13. **Debt:** Expect debt to peak at INR 5 bn in FY25. Average cost of borrowing is expected 8.3%-8.5%.
14. Expect government subsidy payment of INR 300-400 mn by Mar'25.

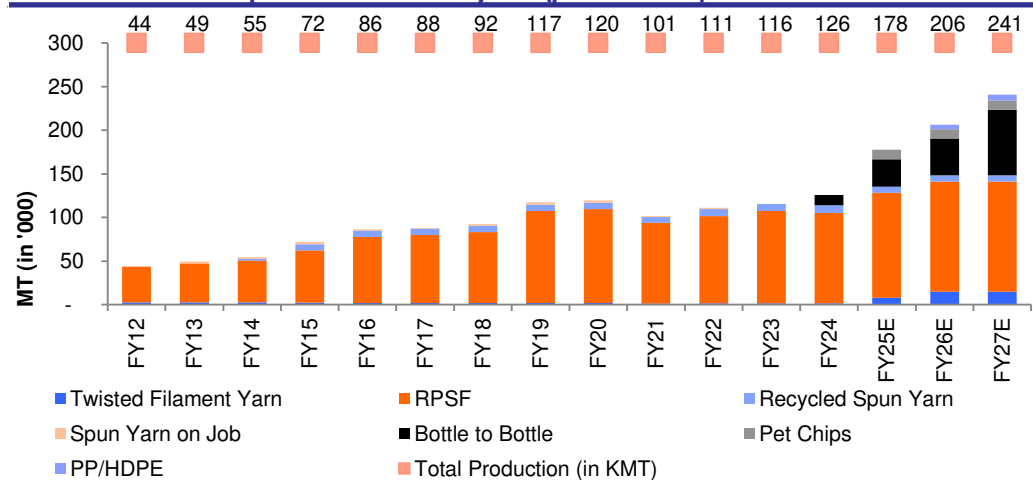
Table 5: Proforma financial of upcoming facility in the South

Particulars	
Capacity (MTPA)	77,640
Production (MTPA)	77,640
Realization (INR/kg)	103
Sales Volume (MTPA)	77,640
Sales INR mn	8,009
EBITDA INR mn	2,002
EBITDA (%)	25%
Depreciation @5.5%	330
EBIT (INR mn)	1,672
Interest @ 9% (INR mn)	448
PBT (INR mn)	1,224
Tax (@15%)	184
Net profit (INR mn)	1,041
Net worth (INR mn)	2,250
Capital employed (INR mn)	7,975
ROCE (post-tax)	18%
ROE	46%

Source: Antique

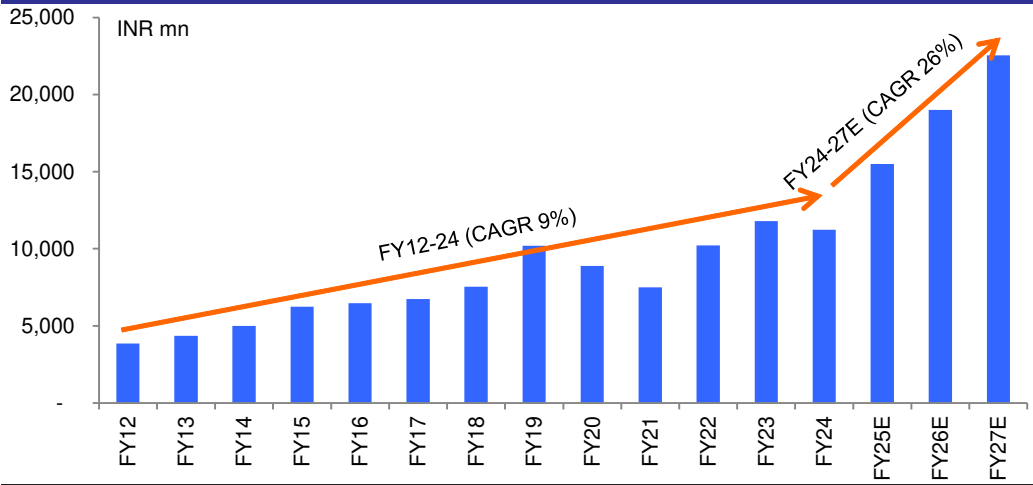
Exhibit 1: Increase in installed capacity over the years (product-wise)

Source: Company, Antique

Exhibit 2: Increase in production over the years (product-wise)

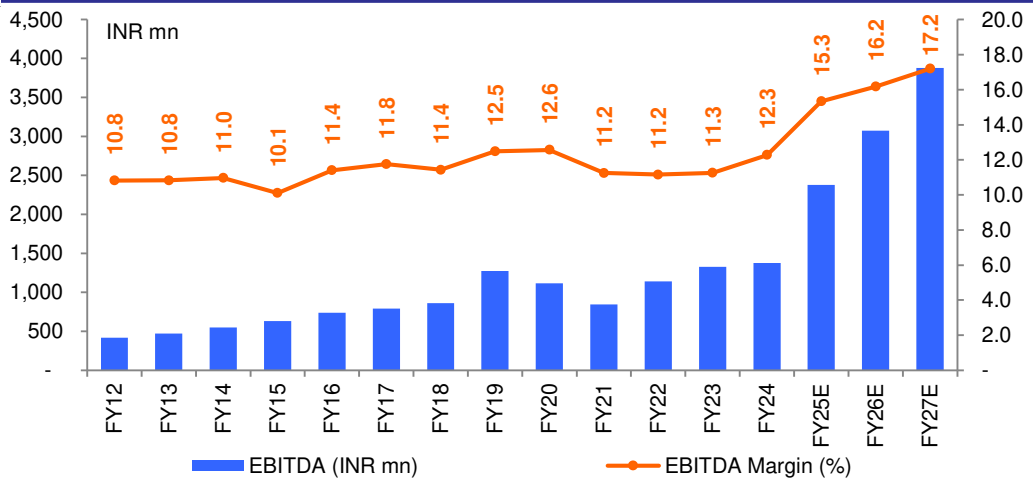
Source: Company, Antique

Exhibit 3: Steady revenue growth



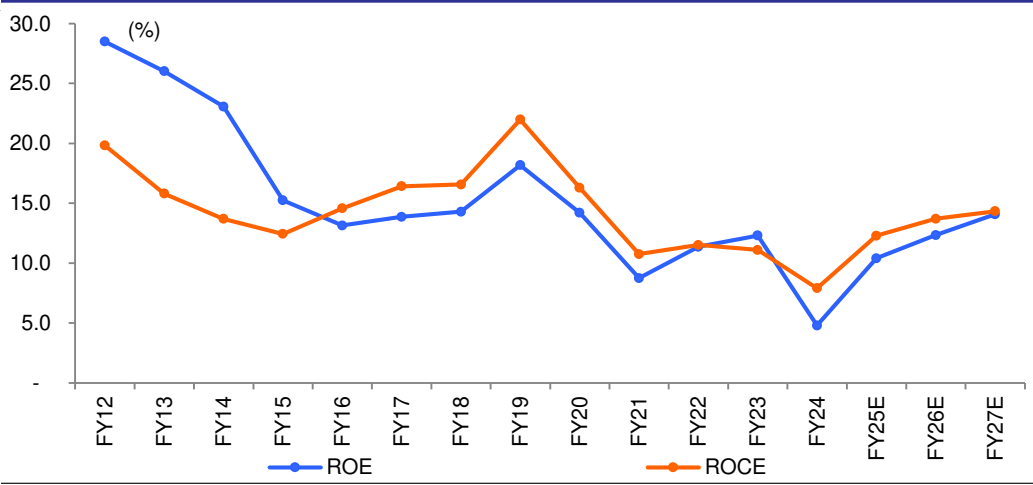
Source: Company, Antique

Exhibit 4: EBITDA margin to improve on the back of superior product mix



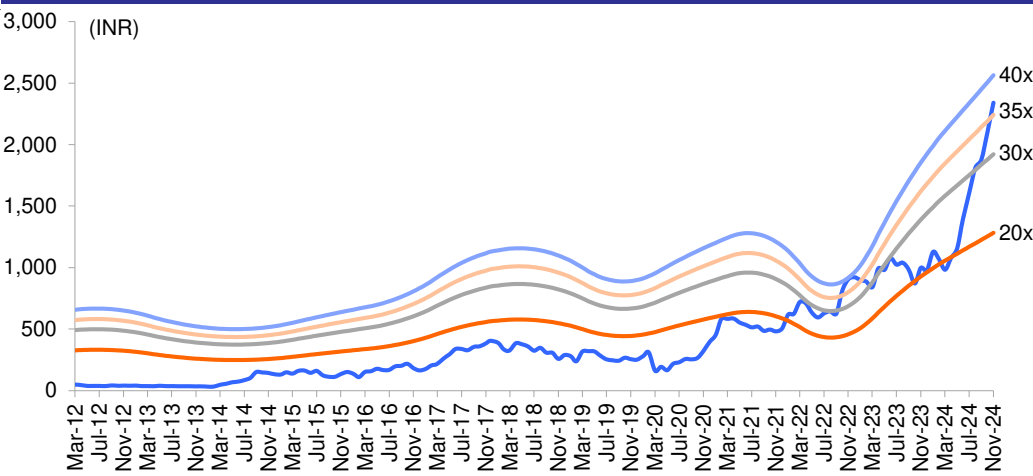
Source: Company, Antique

Exhibit 5: Return ratios to improve



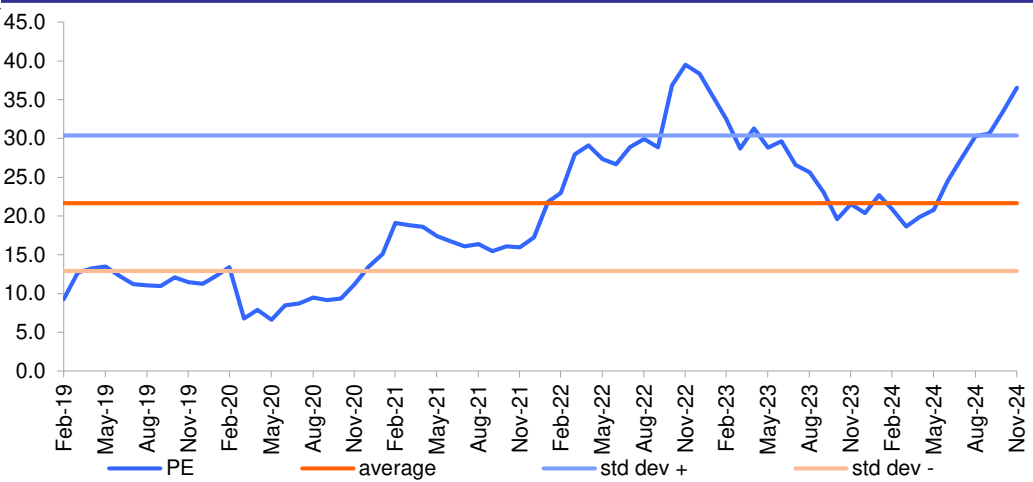
Source: Company, Antique

Exhibit 6: One-year forward P/E



Source: Bloomberg, Antique

Exhibit 7: P/E band chart



Source: Bloomberg, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	11,796	11,229	15,507	18,996	22,550
Op. Expenses	10,469	9,851	13,129	15,922	18,673
EBITDA	1,328	1,379	2,379	3,074	3,878
Depreciation	292	487	539	551	915
EBIT	1,036	892	1,840	2,523	2,963
Other income	134	146	146	146	146
Interest Exp.	169	449	407	594	509
Extra Ordinary Items -gain/(loss)	51	-	-	-	-
Reported PBT	950	589	1,579	2,075	2,600
Tax	255	183	371	417	480
Reported PAT	695	406	1,208	1,659	2,120
Net Profit	695	406	1,208	1,659	2,120
Adjusted PAT	746	406	1,208	1,659	2,120
Adjusted EPS (INR)	34.2	16.0	45.1	61.9	79.1

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	218	253	268	268	268
Reserves & Surplus	6,161	10,268	12,444	13,877	15,706
Networth	6,379	10,521	12,712	14,145	15,974
Debt	5,055	3,988	4,788	6,988	5,988
Net deferred Tax liabilities	176	150	150	150	150
Capital Employed	11,609	14,659	17,650	21,282	22,111
Gross Fixed Assets	7,689	10,717	11,467	11,717	19,467
Accumulated Depreciation	2,461	2,916	3,455	4,005	4,920
Capital work in progress	2,351	711	4,211	7,500	500
Net Fixed Assets	7,579	8,512	12,223	15,211	15,047
Investments	59	59	59	59	59
Non Current Investments	59	59	59	59	59
Current Assets, Loans & Advances					
Inventory	2,802	3,014	3,295	3,999	4,666
Debtors	1,148	1,380	1,905	2,334	2,771
Cash & Bank balance	548	1,808	698	582	805
Loans & advances and others	1,091	1,472	1,472	1,472	1,472
Current Liabilities & Provisions					
Liabilities	736	746	999	1,212	1,414
Provisions	883	841	1,005	1,165	1,295
Net Current Assets	3,970	6,087	5,366	6,010	7,004
Application of Funds	11,608	14,657	17,648	21,281	22,110

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	22	25	27	27	27
Diluted no. of shares (mn)	25	25	27	27	27
BVPS (INR)	251.7	415.1	474.4	527.9	596.1
CEPS (INR)	38.9	35.2	65.2	82.4	113.3
DPS (INR)	2.0	3.0	5.0	7.0	9.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	950	589	1,579	2,075	2,600
Depreciation & amortization	292	487	539	551	915
Interest expense	155	439	407	594	509
(Inc)/Dec in working capital	(835)	(778)	(389)	(760)	(771)
Tax paid	(230)	(171)	(371)	(417)	(480)
Less: Interest/Div. Income Recd.	(110)	(103)	(146)	(146)	(146)
Other operating Cash Flow	(19)	(28)	-	-	-
CF from operating activities	202	435	1,618	1,897	2,626
Capital expenditure	(1,906)	(1,559)	(4,250)	(3,539)	(750)
Inc/(Dec) in investments	(58)	(1,050)	-	-	-
Add: Interest/Div. Income Recd.	97	128	146	146	146
CF from investing activities	(1,867)	(2,482)	(4,104)	(3,393)	(604)
Inc/(Dec) in share capital	(12)	3,775	1,144	-	-
Inc/(Dec) in debt	1,474	(1,071)	800	2,200	(1,000)
Dividend Paid	(44)	(44)	(161)	(226)	(291)
Others	(135)	(432)	(407)	(594)	(509)
CF from financing activities	1,283	2,228	1,376	1,380	(1,800)
Net cash flow	(381)	181	(1,110)	(116)	223
Opening balance	919	548	1,808	698	582
Closing balance	538	729	698	582	805
Changes in other bank balances	10	1,078	-	-	-
Cash and Bank balance	548	1,808	698	582	805

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	15.5	(4.8)	38.1	22.5	18.7
EBITDA(%)	16.6	3.8	72.5	29.2	26.2
Adj PAT(%)	20.3	(45.6)	197.7	37.3	27.8
Adj EPS(%)	20.3	(53.1)	181.6	37.3	27.8

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	68.5	146.3	51.9	37.8	29.6
P/BV (x)	9.3	5.6	4.9	4.4	3.9
EV/EBITDA (x)	48.1	44.6	26.7	21.4	16.6
EV/Sales (x)	5.4	5.5	4.1	3.5	2.9
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	12.3	4.8	10.4	12.4	14.1
RoCE (%)	11.1	7.9	12.3	13.7	14.3
Asset/T.O (x)	1.1	0.9	1.0	1.0	1.0
Net Debt/Equity (x)	0.7	0.2	0.3	0.5	0.3
EBIT/Interest (x)	6.9	2.3	4.9	4.5	6.1

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	11.3	12.3	15.3	16.2	17.2
EBIT Margin(%)	8.8	7.9	11.9	13.3	13.1
PAT Margin(%)	6.2	3.6	7.7	8.7	9.3

Source: Company Antique

CMP	: INR 388
Reco	: BUY ↔
Target Price	: INR 492 ↓
Target Price Change	: -15%
Target FY27 P/E (x)	: 20
EPS Change FY25/ 26/ 27	: 17%/ -30%/ -27%

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Market data

Sensex	:	77,580
Sector	:	Metals
Market Cap (INR bn)	:	20.4
Market Cap (USD bn)	:	0.242
O/S Shares (mn)	:	52.7
52-wk HI/LO (INR)	:	614/231
Avg. Daily Vol ('000)	:	78
Bloomberg	:	INHPIN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	15.5	13.1	16.8
P/E (x)	25.6	30.3	23.6
P/BV (x)	2.1	2.0	1.8
EV/EBITDA (x)	13.4	15.6	13.3
Dividend Yield (%)	0.5	0.5	0.5

Source: Bloomberg

Returns (%)

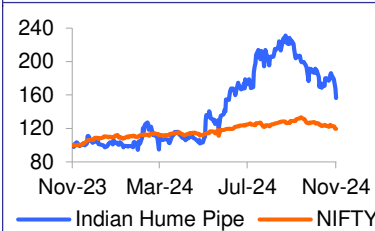
	1m	3m	6m	12m
Absolute	(16)	(23)	44	56
Relative	(12)	(21)	35	32

Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Indian Hume Pipe Company

EBITDA below estimates: order book higher YoY and QoQ

Indian Hume Pipe's (INHP) revenue at INR 3.5 bn was 2.9% above our estimate, rising 11.2% YoY but declined 2.7% QoQ (adjusting for INR 313.6 mn one-off revenue gain in the previous quarter, 2QFY25 revenue rose by 6.5% QoQ). The current order book stands at ~INR 41.7 bn (16.7% higher YoY against INR 35.7 bn at the end of 2QFY24 and 20.6% higher sequentially against ~INR 34.5 bn at the end of 1QFY25). Order book stands at ~3x FY24 revenue with an average execution cycle of 24–36 months. EBITDA was at INR 348 mn for the quarter; it grew by 9.3% YoY but declined 40.1% QoQ (excluding INR 313.6 mn one-off revenue gain in the previous quarter, EBITDA grew by 30.2% sequentially). Adjusted PAT at INR 133 mn was higher by 28.6% YoY but declined 57.4% QoQ. We like the company's land monetization prospects and long-term growth opportunities (driven by government push for water supply and sanitation). Resumption of construction activities post the monsoon could hasten execution and support order book addition further. We incorporate higher contribution of land monetization benefits in FY25 and slower execution in core water EPC business, leading to an upward revision of 17% in FY25 EPS estimate but reduction of 30%/ 27% in FY26/ 27 EPS estimates. We maintain BUY rating. We ascribe a target multiple of 20x core FY27 earnings, add the post-tax NPV of land monetization projects, and arrive at a SoTP-based TP of INR 492 (earlier INR 579).

Revenue grew YoY and QoQ (post adjustment of one-off in 1QFY25)

Revenue at INR 3.5 bn was 2.9% above our estimate, rising by 11.2% YoY but declined 2.7% QoQ. The company had recognized INR 313.6 mn in revenue in 1QFY25 as the ready reckoner value of land transferred to the Pune Municipal Corporation (against receipt of FSI equivalent of twice the area of land transferred). Excluding this one-off gain (realized in 1QFY25), 2QFY25 revenue grew 6.5% sequentially.

EBITDA grew YoY and QoQ (post adjustment of one-off in 1QFY25)

EBITDA was at INR 348 mn for the quarter; it grew by 9.3% YoY but declined 40.1% QoQ (excluding INR 313.6 one-off revenue gain in the previous quarter, EBITDA grew by 30.2% sequentially). EBITDA margin for the quarter at 9.8% marginally declined from 2QFY24 level of 10% but was sequentially higher than the 1QFY25 adjusted level of 8%. PAT at INR 133 mn grew by 28.6% YoY (but fell by 57.4% QoQ) aided by YoY higher other income (at INR 22 mn, shot up 61% YoY), lower depreciation expense (at INR 33 mn, it declined by 2.2% YoY), and lower effective tax rate of 24.7% in 2QFY25 as against 25.3% in 2QFY24.

Order book higher YoY and QoQ; land monetization benefits support margin

The current order book stands at ~INR 41.7 bn (16.7% higher YoY against INR 35.7 bn at the end of 2QFY24 and 20.6% higher sequentially against ~INR 34.5 bn at the end of 1QFY25). The company had earlier entered into strategic partnerships with a few prominent real estate developers for the development of its land bank in Pune, Delhi, and Mumbai. As on November 10, 2024, the company received INR 520.3 mn advance from Dosti Realty in lieu of its 38% share of the total sale in Hadapsar, Pune (455 flats amounting to ~INR 3.4 bn have been booked from a total of 1,029 flats across twelve residential towers and one commercial tower). It has also received INR 273.5 mn advance from Kalpataru in lieu of its 32.5% share of the total sale in Vadgaon, Pune (45 flats amounting to ~INR 841.5 mn have been booked across three residential towers and one retail complex in inclusive housing).

Investment Summary

Order book has grown YoY and QoQ (currently ~3x of FY24 revenue) which translates to steady topline visibility for the medium term). We like the company's land monetization prospects and long-term growth opportunities (driven by government push for water supply and sanitation). We maintain BUY rating. We ascribe a target multiple of 20x core FY27 earnings, add the post-tax NPV of land monetization projects and arrive at a SoTP-based target price of INR 492 (earlier INR 579).

Table 1: Quarterly performance—standalone (INR mn)

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25CPLY (1HFY24)	YoY (%)	
Sales	3,544	3,188	11.2	3,641	(2.7)	7,185	6,658	7.9
Cost of Material Consumed	271	203	33.4	375	(27.6)	646	346	86.4
% of sales	7.6	6.4	128 bps	10.3	-264 bps	9.0	5.2	378 bps
Employee cost	241	224	7.6	270	-10.7	511	439	16.4
% of sales	6.8	7.0	-22 bps	7.4	-61 bps	7.1	6.6	52 bps
Other expenses	2,684	2,443	9.9	2,416	11.1	5,100	5,263	(3.1)
% of sales	75.7	76.6	-89 bps	66.3	938 bps	71.0	79.0	-807 bps
Total Exp	3,196	2,870	11.4	3,060	4.4	6,256	6,048	3.4
EBITDA	348	318	9.3	581	(40.1)	929	610	52.3
Margin %	9.8	10.0	-17 bps	16.0	-613 bps	12.9	9.2	377 bps
Other income	22	14	61.0	15	49.6	37	39	(6.4)
Depreciation	33	34	(2.2)	31	7.3	65	68	(5.0)
Interest expenses	160	160	0.2	142	13.1	302	329	(8.3)
Profit Before Tax	176	138	27.7	423	(58.3)	599	252	137.9
PBT after exceptional	176	138	27.7	423	(58.3)	599	252	137.9
Tax	44	35	25.1	111	(60.8)	155	64	143.2
Tax Rate %	24.7	25.3	-52 bps	26.3	-155 bps	25.8	25.3	57 bps
Reported Net Profit	133	103	28.6	312	(57.4)	444	188	136.1
Adjusted Net Profit	133	103	28.6	312	(57.4)	444	188	136.1
EPS (INR)	2.5	2.0	28.6	5.9	(57.4)	8.4	3.6	136.1

Source: Company, Antique

Table 2: Key metric

Key metric	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25CPLY (1HFY24)	YoY (%)	
Order Book (INR mn)	41,675	35,696	16.7	34,545	20.6	41,675	35,696	16.7

Source: Company, Antique

Table 3: Balance sheet

(INR mn)	1HFY25	1HFY24	YoY (%)	FY25E	FY24	YoY (%)
Share capital	105	105	-	105	105	-
Reserves and Surplus	8,548	7,592	12.6	8,897	8,187	8.7
Loan Funds	6,071	5,877	3.3	4,703	5,105	(7.9)
Deferred Tax Liability	(38)	(49)	(22.5)	467	467	-
Total	14,687	13,526	8.6	14,171	13,865	2.2
Fixed Assets	1,137	1,197	(5.0)	1,120	1,155	(3.0)
Capital Work-in-Progress	194	6	2,948.7	12	15	(18.7)
Investments	65	46	41.0	1,198	1,198	-
Current Assets, Loans And Advances	21,473	19,771	8.6	19,090	18,442	3.5
Inventories	2,081	790	163.3	1,742	1,429	21.9
Sundry Debtors	7,949	7,542	5.4	7,793	7,458	4.5
Cash and Bank Balances	480	478	0.3	430	424	1.4
Loans and Advances	10,963	10,960	0.0	9,125	9,131	(0.1)
Current Liabilities and Provisions	8,182	7,494	9.2	7,249	6,945	4.4
Liabilities	8,057	7,394	9.0	7,133	6,840	4.3
Provisions	125	100	25.0	116	105	10.0
Net Working Capital	12,811	11,798	8.6	11,411	11,073	3.1
Total	14,687	13,526	8.6	14,171	13,441	5.4
Net debt	5,591	5,399	3.6	4,273	4,682	(8.7)

Source: Company, Antique

Table 4: Cashflow statement

(INR mn)	1 HFY25	1 HFY24	YoY (%)	FY25E	FY24	YoY (%)
Reported Profit	444	188	136.1	815	776	5.0
Depreciation	65	68	(5.0)	138	139	(1.0)
Interest	302	329	(8.3)	588	639	(8.0)
Changes in working capital	(1,015)	99	(1,124.9)	(338)	246	(237.3)
Operating cash flow	(204)	685	(129.8)	1,202	1,801	(33.2)
Capex	(127)	7	(1,965.0)	(100)	(123)	(18.5)
Others			-	0	(382)	(100.0)
Investing cash flow	(127)	7	(1,965.0)	(100)	(505)	(80.2)
Inc/(Dec) in equity/premium	-	8	n/a	-	600	n/a
Net proceeds from borrowings	194	(1,073)	(118.1)	(403)	(1,229)	(67.2)
Others	193	377	n/a	(693)	(718)	(3.5)
Financing cash flow	387	(688)	(156.3)	(1,096)	(1,347)	(18.6)
Net cash flow	56	4	1,373.6	6	(51)	(111.8)
Opening cash balance	424	475	(10.7)	424	475	(10.7)
Closing cash balance	480	478	0.3	430	424	1.4
Free cash flow	(331)	691	(147.9)	1,102	1,678	(34.3)

Source: Company, Antique

Table 5: Revision in estimates — INHP (Standalone)

	Previous estimates			Current estimates			% change		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue (INR mn)	15,690	17,719	19,646	14,470	16,007	17,729	-8%	-10%	-10%
EBITDA (INR mn)	1,553	1,848	2,096	1,750	1,463	1,674	13%	-21%	-20%
Adjusted PAT (INR mn)	694	980	1,206	815	689	883	17%	-30%	-27%
EPS (INR)	13.2	18.6	22.9	15.5	13.1	16.8	17%	-30%	-27%

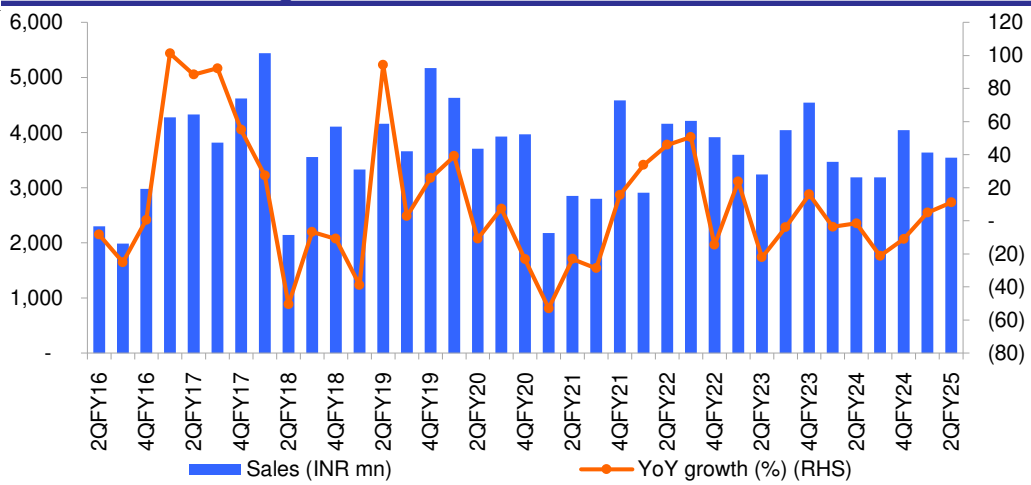
Source: Company, Antique

Table 6: SoTP valuation

FY27e PAT (INR mn)	883
P/E multiple (x)	20
Target market capitalisation (INR mn)	17,653
Add:	
Land monetisation value -NPV (INR mn)	8,289
Total Mcap (INR mn)	25,942
No of shares (mn)	53
Target price (INR per share)	492

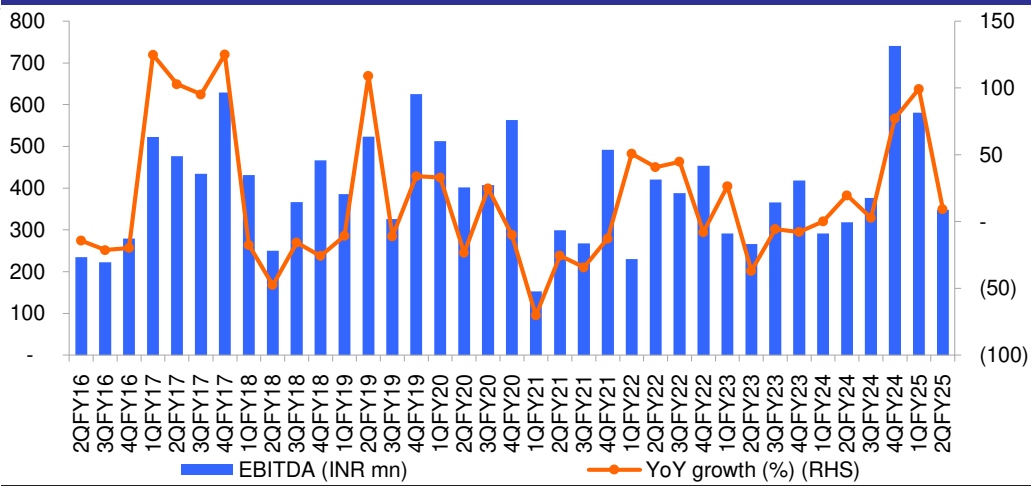
Source: Company, Antique

Exhibit 1: Revenues and growth trend



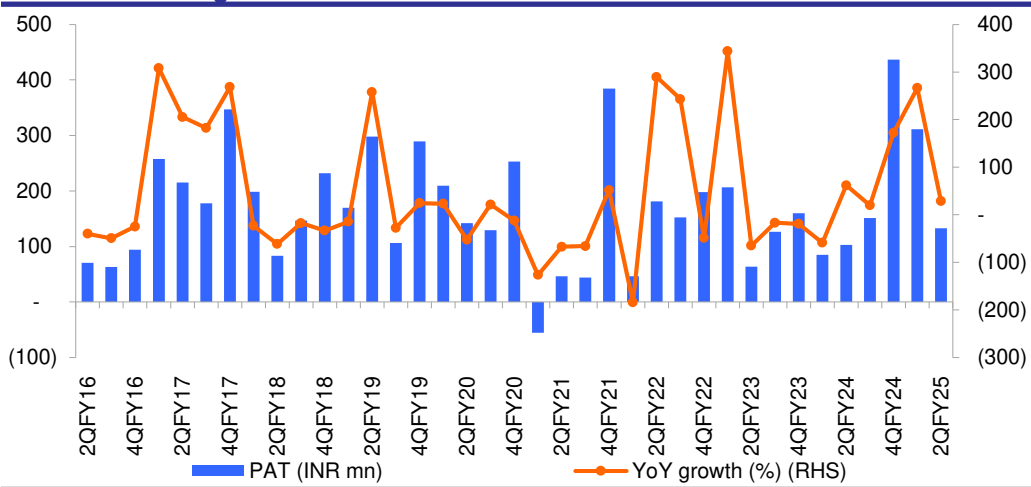
Source: Company, Antique

Exhibit 2: EBITDA and growth trend



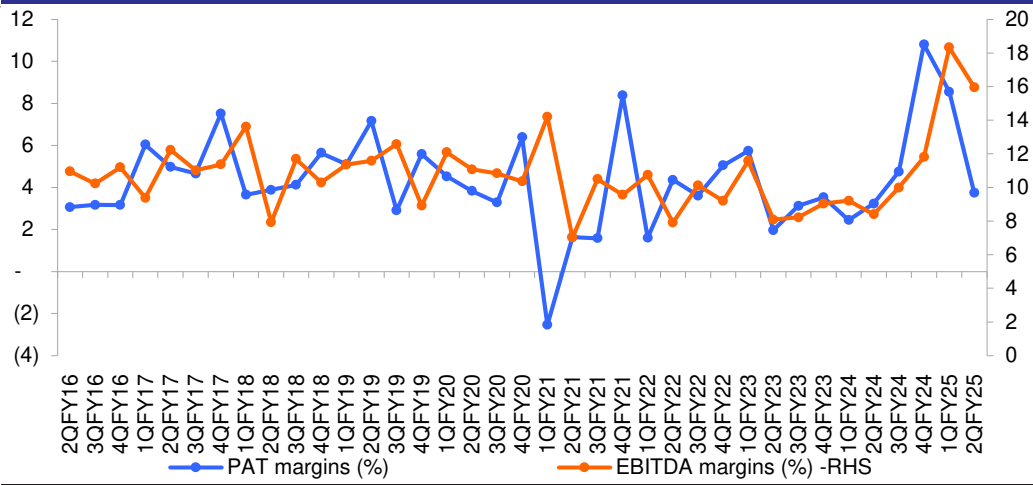
Source: Company, Antique

Exhibit 3: PAT and growth trend



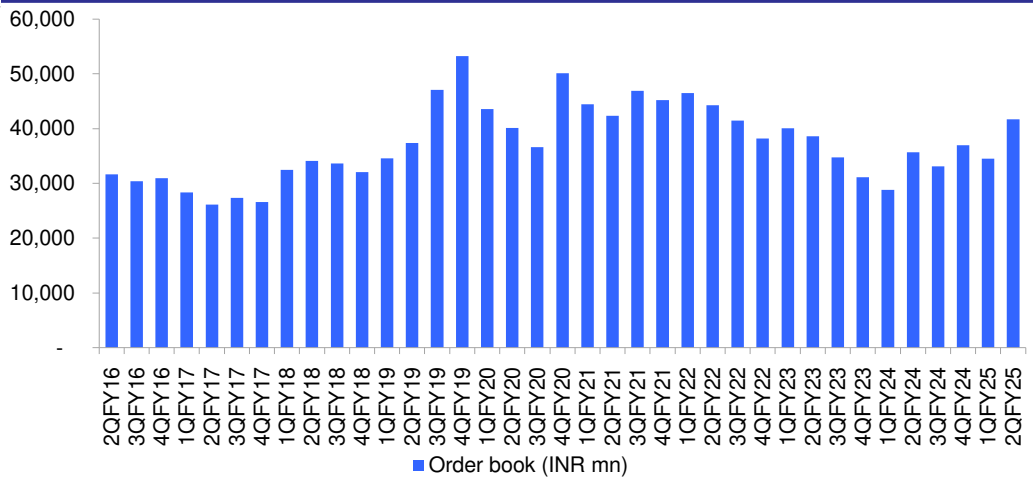
Source: Company, Antique

Exhibit 4: Margin trend



Source: Company, Antique

Exhibit 5: Order book grew YoY but fell QoQ



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenues	15,429	13,886	14,470	16,007	17,729
Expenses	14,087	12,160	12,720	14,544	16,055
EBITDA	1,342	1,727	1,750	1,463	1,674
Depreciation & amortization	155	139	138	144	152
EBIT	1,186	1,588	1,612	1,318	1,523
Other income	217	86	80	100	100
Interest expense	679	639	588	485	427
Profit before tax	724	1,035	1,104	933	1,196
Tax	167	259	289	244	313
Reported Profit after tax	557	776	815	689	883
Adjusted PAT	557	776	815	689	883
EPS (INR)	11.5	14.7	15.5	13.1	16.8

Balance sheet (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	97	105	105	105	105
Reserves & Surplus	6,856	8,187	8,897	9,480	10,258
Networth	6,953	8,293	9,002	9,586	10,363
Debt	6,334	5,105	4,703	4,043	3,555
Other Long term liabilities	259	467	467	467	467
Capital Employed	13,546	13,865	14,171	14,096	14,385
Gross Fixed Assets	1,999	2,109	2,212	2,312	2,462
Accumulated Depreciation	857	955	1,092	1,236	1,388
Net Assets	1,142	1,155	1,120	1,075	1,074
Capital work in progress	2	15	12	12	12
Investments	36	763	763	763	763
Other Non current Assets	573	436	436	436	436
Current Assets Loans & Adv.	20,058	18,442	19,090	20,178	21,338
Inventory	754	1,429	1,742	1,992	2,199
Debtors	8,226	7,458	7,793	8,535	9,455
Cash & Bank	475	424	430	496	496
Loans & advances and others	10,603	9,131	9,125	9,154	9,187
Current Liabilities & Prov.	8,264	6,945	7,249	8,368	9,237
Creditors	8,153	6,840	7,133	8,241	9,097
Provisions	110	105	116	127	140
Net Current Assets	11,794	11,497	11,841	11,810	12,101
Application of Funds	13,546	13,865	14,171	14,096	14,385

Per share data

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	48	53	53	53	53
BVPS (INR)	143.5	171.2	185.8	197.9	213.9
CEPS (INR)	14.7	18.9	19.7	17.2	21.3
DPS (INR)	1.0	1.5	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	724	1,035	1,104	933	1,196
Depreciation	155	139	138	144	152
Interest	679	639	588	485	427
(Inc)/ Dec in working capital	(828)	246	(338)	98	(291)
Tax paid	(167)	(259)	(289)	(244)	(313)
CF from operating activities	564	1,801	1,202	1,416	1,170
Capex	(8)	(123)	(100)	(100)	(150)
(Inc)/ Dec in Investments	4	(727)	-	-	-
Others	(41)	345	0	0	0
CF from investing activities	(45)	(505)	(100)	(100)	(150)
Inc/ (Dec) in share capital and premium	-	600	-	-	-
Inc/ (Dec) in debt	281	(1,229)	(403)	(659)	(488)
Dividends & Interest paid	(728)	(718)	(693)	(591)	(532)
CF from financing activities	(446)	(1,347)	(1,096)	(1,250)	(1,020)
Net cash flow	73	(51)	6	66	(0)
Add: Opening balance	402	475	424	430	496
Closing balance	475	424	430	496	496

Growth indicators (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	1.5	(10.0)	4.2	10.6	10.8
EBITDA	(10.1)	28.7	1.3	(16.4)	14.5
PAT	(3.6)	39.4	5.0	(15.5)	28.2
EPS	(3.6)	28.2	5.0	(15.5)	28.2

Valuation (x)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	34.4	26.8	25.6	30.3	23.6
P/BV (x)	2.8	2.3	2.1	2.0	1.8
EV/EBITDA (x)	18.6	13.8	13.4	15.6	13.3
EV/Sales (x)	1.6	1.7	1.6	1.4	1.2
Dividend Yield (%)	0.3	0.4	0.5	0.5	0.5

Financial ratios

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE	8.3	10.2	9.4	7.4	8.8
RoCE	7.3	9.2	9.1	7.4	8.5
Net debt/Equity (x)	0.8	0.6	0.5	0.4	0.3
EBIT/Interest (x)	1.7	2.5	2.7	2.7	3.6

Margins (%)

Year-ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA	8.7	12.4	12.1	9.1	9.4
EBIT	7.7	11.4	11.1	8.2	8.6
PAT	3.6	5.6	5.6	4.3	5.0

Source: Company Antique

CMP	: INR 111
Reco	: BUY ↔
Target Price	: INR 166 ↑
Target Price Change	: 5%
Target FY27 P/E (x)	: 24
EPS Change FY25/ 26/ 27	: -15%/-4%/-4%

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Market data

Sensex	:	77,580
Sector	:	Travel Services
Market Cap (INR bn)	:	17.4
Market Cap (USD bn)	:	0.206
O/S Shares (mn)	:	156.9
52-wk HI/LO (INR)	:	194/103
Avg. Daily Vol ('000)	:	203
Bloomberg	:	YATRA IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	2.9	5.8	6.9
P/E (x)	38.0	19.1	16.0
P/BV (x)	3.3	3.0	2.6
EV/EBITDA (x)	22.9	12.5	10.1
EV/Sales (x)	2.0	1.5	1.3

Source: Company, Antique

Returns (%)

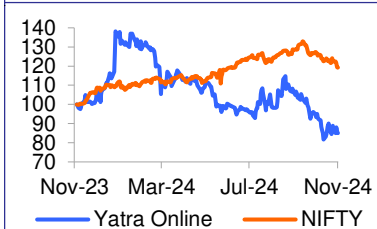
	1m	3m	6m	12m
Absolute	(11)	(13)	(24)	(15)
Relative	(6)	(12)	(28)	(28)

Source: Bloomberg

Shareholding pattern

Promoters	:	64%
Public	:	36%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY25 RESULT REVIEW

Yatra Online

MICE business a positive; all eyes on margin

Yatra Online's (YATRA) 2QFY25 highlights are strong performance in MICE business and acquisition of Globe Travels, a B2B travel agency. In 2QFY25, YATRA saw 151% YoY jump in revenue to INR 2.4 bn due to outperformance of its "Hotels and Packages business (HP)" mainly from contribution from the MICE business. Revenue was inflated as HP business gets reported on gross booking basis. Despite the inflated revenue due to gross booking basis, adjusted revenue (revenue less service cost) would be positive and MICE business would add to the bottom-line incrementally. The acquisition of Globe Travels, would fully start adding to the topline and bottom-line from 3Q onwards. On account of the MICE business and Globe Travels (20 days are reflected in 2Q), YATRA saw a jump in EBITDA and PAT. Although the company shifted its strategy to B2B and MICE business, the outcome is yet to be visible on a steady basis. Concern remains on margin and we revise our earnings by -15%/-4%/-4% over FY25E-27E. Maintain BUY with a revised target price of INR 166 (previously INR 159), valuing the stock at a PE multiple of 24x on FY27E EPS (earlier 1HFY27E).

2QFY25 in a nutshell

Gross booking was INR 17.6 bn (+1% YoY). Whereas air ticketing (1.37 mn pax, -17% YoY) saw a dip, leading to 10% dip in gross booking from air ticketing; gross bookings in HP witnessed a strong uptick of 69% YoY. Revenue came in INR 2.4 bn (134%/ 151%, QoQ/ YoY). The jump in revenue was due to an uptick in MICE business which gets reported on gross booking basis. Revenue less service cost was INR 936 mn (20% YoY); EBITDA stood at INR 92 mn (vs. a negative EBITDA INR 85 mn in 2QFY24); margin of 3.9%. Adj. PAT stood at INR 73 mn (vs. a loss of INR 171 mn in 2QFY24).

Focus on corporate travel; synergy with the newly acquired Globe Travel key monitorable

Concluded Global Travel acquisition for INR 1.28 bn. 20 days of business incorporated in 2QFY25 result. Globe is known for its MICE expertise. 60% business in air ticketing and 40% from MICE. Globe Travels adds 360 corporate clients to Yatra's 850 for a total of over 1,200 corporate customers. Top Globe clients include leading majors from cement and steel sectors. Adds annual GMV of INR 7.8 bn taking B2B total GMV to >50% of Yatra's total GMV. Expected to be immediately accretive to Yatra's financials. Adjusted operating margin of above 20%.

MICE segment new focus area

Yatra made good progress with its new MICE business thanks to a new team that started working this quarter. Added 90 people in the last four months. Although MICE didn't bring in much business in the June quarter, things are looking up for 2Q, with some important business already lined up; breakeven expected in 2Q. In 2Q, HP business witnessed a jump in adjusted margin by 43.1% YoY INR 400 mn due to the MICE business. Although 3Q is expected to be a slow quarter for MICE, going forward we expect MICE business to contribute incrementally.

Investment Summary

The company isn't expected to see much growth in B2C in the air segment in the near term. However, with focus on corporate travel and MICE, we expect Yatra to see an improving margin, which will take time to fructify. Thus, in the near term, growth and margin pressure will remain. We revise our FY25/ 26 earnings estimates by -15%/-4%/-4% over FY25E-27E. Maintain BUY with a revised target price of INR 166 (previously INR 159).

Quarterly Snapshot – 2QFY25

Table 1: Financial performance

INR mn	2QFY25	1QFY25	2QFY24	QoQ %	YoY %
Net Revenue	2,364	1,008	941	135	151
Total Expenditure	2,272	962	1,026		
EBITDA	92	46	-85	100	na
Margins (%)	3.9	4.6	-9.0	-66	na
Finance Costs	24	24	62	(3)	(62)
Depreciation	74	61	48	21	53
Other Income	79	83	32	(5)	144
PBT before EO expense	73	43	-162	69	na
PBT	73	43	-162	69	na
Tax	0	3	9		
Rate (%)	0.6	6.8	-5.5		
Reported PAT	73	40	-171		
Adj PAT	73	40	-171	81	na
Margins (%)	3.1	4.0	-0.2		

Source: Company, Antique

Table 2: Change in estimates

Earnings change	Old			New			Change %		
INR mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY24E	FY25E	FY26E
Revenue	4,858	6,285	7,096	7752	10331	11552	59%	64%	63%
EBITDA	822	1,311	1,515	661	1225	1454	-20%	-7%	-4%
EBITDA margin	17%	21%	21%	9%	12%	13%	-800 bps	-900	-800
Adj. PAT	539	951	1129	458	912	1088	-15%	-4%	-4%

Source: Company, Antique

Conference Call Highlights

- Concluded Global Travel acquisition for INR 1.28 bn. 20 days of business incorporated in 2QFY25 result. Added 850 corporate clients through Global Travel. Globe is known for its MICE expertise. 60% business in Air ticketing and 40% from MICE.
- Strong jump in numbers primarily due to hospitality business (MICE).
- Onboarded 29 new corporate clients in 2QFY25.
- Operating revenue growth excluding Globe, 121% YoY organically; revenue less service cost grew 15% YoY.
- MICE will always be reported on gross basis. Thus, the key metric worth tracking would be revenue less service cost and then operating margin as percentage of revenue less service cost. On a steady state basis the endeavor would be to do an operating margin of 20%.
- December would be slow in corporate travels.
- B2C witnessed stabilization of volumes and volume growth in corporate travel. Strong growth expected in hotels and MICE segments where there is margin.
- Yatra's overall gross booking - 60% from corporate (B2B).
- Yatra focused on large corporate (annual corporate travel budget of >INR 250 mn), global mid-market customer (INR 20-50 mn annual corporate travel).
- 10% of business dependent on travel agent and immaterial booking.
- DW Travel a travel management company in the Middle East. Yatra is a technology solution provider. DW customers would use Yatra technology platform and share some fees (revenue per transaction). Initially, DW would go through a transition phase. Thus, DW business would be long-term. Initially, business would be USD 100,000 and by third year USD 300,000. Long-term objective is to be a regional player as technology solution provider.
- **B2B and B2C:** Air ticketing: B2B early 50%, B2C a bit under 50%. Hotel booking: >65% B2B.
- 30% 2Q and 4Q, 15% in 3Q and 25% in 1Q. Availability of inventory (hotel rooms) is critical and it's tightest in 3Q. 25%-30% of business in hospitality would come from MICE.
- Holdco collapse is being evaluated.

Table 3: Balance sheet

Year ended	Sep-2024	Sep-2023	Mar-2024
Share Capital	157	157	157
Reserves & Surplus	7,430	7,257	7,318
Networth	7,587	7,414	7,475
Debt	277	1,742	638
Net deferred Tax liabilities	(401)	(308)	(339)
Capital Employed	7,463	8,848	7,774
Net Fixed Assets	687	463	539
Capital work in progress	67	39	80
Net Fixed Assets	754	502	619
Goodwill	1,907	691	691
Current Assets, Loans & Advances			
Debtors	5,256	3,644	4,502
Cash & Bank balance	2,150	6,441	4,159
Loans & advances and others	2,292	1,636	1,859
Current Liabilities & Provisions	9,698	11,722	10,519
Liabilities	4,775	3,976	3,959
Provisions	121	91	97
Net Current Assets	4,803	7,655	6,464
Miscellaneous expenses			
Application of Funds	7,463	8,848	7,774

Source: Company, Antique

Table 4: Cash Flow Statement

Year ended	Sep-2024	Sep-2023
PBT	117	(89)
Depreciation & amortization	135	96
Interest expense	37	115
(Inc)/Dec in working capital	207	(332)
Tax paid	(57)	(56)
Less: Interest/Dividend Income Received	(125)	(22)
Other operating Cash Flow	(24)	(133)
Cash flow from operating activities	289	(421)
Capital expenditure	(188)	(87)
Inc/(Dec) in investments	283	(1,807)
Add: Interest/Dividend Income Received	16	3
Cash flow from investing activities	112	(1,891)
Inc/(Dec) in share capital	-	5,831
Inc/(Dec) in debt	(728)	124
Dividend/Interest Paid	(20)	(95)
Others	(218)	21
Cash flow from financing activities	(966)	51
Net cash flow	(566)	(2,261)
Opening balance	1,414	494
Closing balance	847	(1,767)
Changes in other bank balances	1,271	466
Cash and Bank balance	2,150	6,441

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	3,802	4,223	7,722	10,331	11,552
Op. Expenses	3,435	4,076	7,061	9,106	10,098
EBITDA	367	147	661	1,225	1,454
Depreciation	183	197	180	182	185
EBIT	184	(50)	481	1,043	1,269
Other income	173	259	232	258	260
Interest Exp.	234	223	154	161	169
Extra Ordinary Items -gain/(loss)	1	-	-	-	-
Tax	45	32	101	228	272
Reported PAT	76	(45)	458	912	1,088
Net Profit	76	(45)	458	912	1,088
Adjusted PAT	76	(45)	458	912	1,088
Adjusted EPS (INR)	0.7	(0.3)	2.9	5.8	6.9

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	115	157	157	157	157
Reserves & Surplus	1,581	7,318	7,776	8,688	9,776
Networth	1,695	7,475	7,933	8,845	9,933
Debt	1,531	638	1,521	1,516	1,511
Net deferred Tax liabilities	(3)	(6)	(6)	(6)	(6)
Others	244	220	259	259	259
Capital Employed	3,467	8,327	9,707	10,614	11,697
Property, Plant and Equipment	46	74	93	124	159
Other Non-Current Assets	1,006	1,246	1,246	1,246	1,246
Net Fixed Assets	1,052	1,320	1,339	1,371	1,405
Goodwill	691	691	691	691	691
Current Assets, Loans & Adv.	5,059	10,151	11,765	13,732	15,377
Debtors	2,875	4,513	6,347	8,491	9,495
Cash & bank balance	1,023	4,021	3,801	3,623	4,265
Loans & advances and others	1,161	1,617	1,617	1,617	1,617
Current Liabilities & Provisions	3,335	3,835	4,088	5,180	5,776
Liabilities	3,279	3,794	4,047	5,138	5,735
Provisions	56	41	41	41	41
Net Current Assets	1,724	6,316	7,677	8,552	9,600
Application of Funds	3,467	8,327	9,707	10,614	11,697

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	115	157	157	157	157
Diluted no. of shares (mn)	115	157	157	157	157
BVPS (INR)	15	48	51	56	63
CEPS (INR)	31	26	49	65	73

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	122	(13)	559	1,140	1,360
Depreciation & amortization	183	197	180	182	185
Interest expense	182	(157)	154	161	169
(Inc)/Dec in working capital	(1,905)	(1,357)	(815)	(1,215)	(569)
Tax paid	(126)	(97)	(101)	(228)	(272)
Other operating Cash Flow	14	2	-	-	-
Cf from operating activities	(1,531)	(1,424)	(22)	40	873
Capital expenditure	(10)	(18)	(39)	(52)	(58)
(Inc)/Dec in investments	(29)	(2,116)	-	-	-
Others	(128)	(203)	-	-	-
CF from investing activities	(167)	(2,337)	(39)	(52)	(58)
Inc/(Dec) in share capital	620	6,021	-	-	-
Inc/(Dec) in borrowing	410	(902)	(5)	(5)	(5)
Interest paid	(95)	(162)	(154)	(161)	(169)
Others	448	(293)	-	-	-
CF from financing activities	1,384	4,663	(159)	(166)	(174)
Net cash flow	(313)	901	(220)	(178)	641
Opening Cash & Cash Equivalents	759	469	1,401	1,180	1,003
Adj. to Cash due to Forex, Subsidiaries, Amalgamation	24	31	-	-	-
Closing cash & cash equivalents	469	1,401	1,180	1,003	1,644
bank balance	554	2,621	2,621	2,621	2,621
Cash & bank balance	1,023	4,021	3,801	3,623	4,265

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue (%)	91.9	11.1	82.8	33.8	11.8
EBITDA (%)	-512.9	-59.9	349.4	85.3	18.7
Adj PAT (%)	-124.8	-159.0	-1116.9	99.1	19.3
Adj EPS (%)	-124.8	-143.1	-1116.9	99.1	19.3

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	166.6	-386.6	38.0	19.1	16.0
P/BV (x)	11.2	3.5	3.3	3.0	2.6
EV/EBITDA (x)	48.9	95.4	22.9	12.5	10.1
EV/Sales (x)	4.7	3.3	2.0	1.5	1.3

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	5.6	-1.0	5.9	10.9	11.6
RoCE (%)	13.7	3.6	7.9	12.8	13.7
Asset/T.O (x)	2.0	0.8	0.9	1.1	1.1
Net Debt/Equity (x)	0.3	-0.5	-0.3	-0.2	-0.3
EBIT/Interest (x)	0.8	-0.2	3.1	6.5	7.5

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (%)	9.6	3.5	8.6	11.9	12.6
EBIT Margin (%)	4.8	-1.2	6.2	10.1	11.0
PAT Margin (%)	1.9	-1.0	5.8	8.6	9.2

Source: Company Antique

Valuation Guide

Company	Reco	CMP	TP	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)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	FY26	FY26	1m	12m
AGROCHEM & FERTILIZERS																							
Bayer Cropscience	Hold	5,893	5,540	(6)	264.8	3.1	7.8	9.4	10.5	173.2	208.4	234.2	34.0	28.3	25.2	25.6	21.4	18.9	8.5	30.9	39.8	-12	10
Coromandel Intl.	Buy	1,716	2,170	26	505.4	6.0	17.4	19.9	25.8	57.1	66.3	86.7	30.0	25.9	19.8	18.5	16.3	12.5	4.1	17.4	24.7	8	53
Dhanuka Agritech	Buy	1,527	2,090	37	68.8	0.8	2.8	3.1	3.8	62.4	69.8	83.3	24.5	21.9	18.3	17.0	15.0	12.3	4.1	19.9	26.8	0	76
Paradeep Phosphates	Buy	104	140	34	85.0	1.0	4.5	6.0	7.3	5.5	7.3	9.0	19.0	14.2	11.6	10.4	8.6	7.5	1.9	14.3	14.4	16	68
PI Industries	Buy	4,265	4,770	12	647.1	7.7	16.7	19.2	22.2	109.6	126.5	145.8	38.9	33.7	29.3	26.1	22.2	19.0	5.5	17.5	23.2	-4	14
Rallis India	Sell	308	310	1	59.8	0.7	1.8	2.4	3.0	9.1	12.4	15.7	33.9	24.8	19.6	15.4	12.4	9.9	2.8	11.7	16.3	-14	43
Sharda Cropchem	Buy	781	830	6	70.4	0.8	2.6	3.3	4.2	28.5	37.0	46.3	27.4	21.1	16.9	11.3	8.9	7.1	2.5	12.7	16.3	29	83
Sumitomo Chemical India	Buy	521	630	21	260.0	3.1	5.4	6.5	7.8	10.8	13.1	15.7	48.3	39.8	33.2	37.4	30.8	25.7	7.4	20.4	27.2	-8	36
UPL	Buy	526	740	41	394.7	4.7	10.3	25.3	37.0	13.7	33.8	49.3	38.4	15.6	10.7	7.6	6.3	5.1	1.5	9.9	11.9	-5	6
BUILDING MATERIALS																							
Apollo Pipes	Buy	483	730	51	20.0	0.2	0.5	0.6	1.0	10.7	14.3	22.6	45.3	33.8	21.4	17.3	12.9	8.9	2.5	7.5	10.6	-12	-29
Astral	Buy	1,731	2,450	42	465.0	5.5	6.7	8.4	10.1	24.8	31.2	37.7	69.8	55.5	46.0	41.0	33.0	27.6	10.3	20.2	26.3	-7	-9
Cera Sanitaryware	Hold	7,009	8,820	26	90.4	1.1	2.5	2.8	3.2	191.9	217.8	251.9	36.5	32.2	27.8	28.0	23.6	19.7	6.0	19.6	25.4	-10	-19
Finolex Industries	Hold	265	270	2	164.1	1.9	6.2	6.5	7.4	10.0	10.6	12.0	26.6	25.1	22.1	22.1	20.5	18.0	2.4	10.0	11.9	-15	24
Greenlam Industries	Buy	517	800	55	66.0	0.8	1.3	2.1	3.2	10.3	16.6	24.8	50.3	31.1	20.9	22.3	15.1	12.0	4.9	16.7	16.1	-2	-9
Greenpanel Industries	Buy	342	550	61	41.9	0.5	0.9	1.5	2.7	7.0	12.5	21.9	48.6	27.4	15.6	24.4	13.4	8.8	2.7	9.9	8.1	-17	4
Kajaria Ceramics	Buy	1,155	1,500	30	183.9	2.2	4.3	5.5	6.8	27.0	34.3	42.7	42.7	33.7	27.0	24.5	19.7	15.9	5.4	17.2	22.4	-17	-10
Prince Pipes and Fittings	Buy	442	690	56	48.9	0.6	1.3	1.8	2.5	11.5	16.4	22.7	38.5	27.0	19.5	18.7	14.1	10.5	2.7	10.4	13.4	-18	-36
Somany Ceramics	Buy	644	900	40	26.4	0.3	1.0	1.4	1.8	24.5	33.0	45.0	26.3	19.5	14.3	11.0	9.0	7.0	2.9	15.6	17.5	-8	-5
Supreme Industries	Buy	4,543	6,380	40	577.1	6.8	12.1	14.2	16.2	95.1	112.0	127.6	47.8	40.6	35.6	32.3	27.6	24.4	8.5	22.4	26.6	-13	8
CEMENT																							
ACC	Buy	2,188	2,600	19	410.9	4.9	16.0	21.2	25.8	85.1	112.7	137.2	25.7	19.4	16.0	12.6	9.9	8.2	2.1	11.3	15.6	-3	18
Ambuja Cement	Buy	545	680	25	1,341.2	15.9	27.2	29.9	41.2	11.1	12.1	16.7	49.2	44.9	32.5	24.5	18.1	14.3	2.5	5.6	9.8	-5	29
Birla Corp	Buy	1,085	1,500	38	83.6	1.0	2.0	4.0	4.9	26.3	52.0	64.2	41.3	20.9	16.9	9.9	8.0	7.1	1.1	5.5	7.2	-10	-17
Dalmia Bharat	Hold	1,714	1,930	13	321.4	3.8	8.1	12.4	14.0	43.1	65.9	74.7	39.8	26.0	22.9	12.9	10.8	9.9	1.7	6.6	8.1	-7	-22
Grasim Industries	Buy	2,524	3,000	19	1,697.3	20.1	8.6	14.8	19.5	13.0	22.2	29.4	193.7	113.5	85.8	102.6	69.9	55.0	3.0	2.7	3.6	-7	29
Heidelberg	Hold	216	190	(12)	48.9	0.6	1.7	2.2	2.6	7.4	9.6	11.3	29.4	22.5	19.0	13.8	11.0	9.4	3.4	15.3	18.3	-9	14
JK Cement	Buy	3,999	5,000	25	309.0	3.7	7.1	9.0	11.2	91.6	117.1	145.1	43.7	34.2	27.6	17.2	14.5	12.3	4.6	14.3	14.0	-7	14
JK Lakshmi Cement	Hold	697	850	22	82.1	1.0	2.4	3.9	5.1	20.8	31.3	40.8	33.6	22.3	17.1	12.0	9.4	8.2	2.5	12.0	12.8	-14	-14
Nuvoco Vistas	Hold	335	370	11	119.7	1.4	0.3	2.3	3.7	0.8	6.5	10.5	395.5	51.2	31.9	11.1	9.4	8.3	1.3	2.6	5.6	-7	-5
Orient Cement	Hold	334	315	(6)	68.5	0.8	1.2	2.8	3.8	5.8	13.8	18.5	57.3	24.3	18.0	19.5	13.0	10.5	3.3	14.3	15.5	-2	50
Shree Cements	Buy	24,092	28,800	20	869.2	10.3	14.3	20.3	25.5	396.4	563.2	707.2	60.8	42.8	34.1	19.8	15.6	13.2	3.7	9.0	11.7	-1	-8
Ramco Cement	Hold	902	920	2	213.2	2.5	2.1	5.2	7.2	8.9	22.0	30.4	101.6	41.0	29.7	17.9	13.9	11.8	2.7	6.8	8.8	6	-10
UltraTech Cement	Buy	10,729	12,800	19	3,097.3	36.7	68.0	89.3	116.0	230.6	303.0	393.8	46.5	35.4	27.2	24.4	18.5	14.7	4.4	13.2	16.6	-3	22
FMCG																							
Allied Blenders and Distillers	Buy	316	405	28	88.3	1.0	1.5	2.2	2.7	5.3	7.7	9.6	59.0	41.0	32.8	25.1	20.8	17.8	5.9	14.9	17.3	-6	
Asian Paints	Hold	2,483	2,527	2	2,381.8	28.2	43.7	48.3	53.9	45.6	50.3	56.2	54.5	49.3	44.2	38.3	34.0	29.9	10.3	22.1	25.8	-19	-22
Bajaj Consumer Care	Buy	210	284	35	28.9	0.3	1.6	1.8	2.0	11.1	12.6	14.2	18.9	16.7	14.8	12.1	10.0	8.1	2.1	13.3	16.2	-7	-7
Colgate Palmolive	Hold	2,709	3,054	13	736.8	8.7	14.7	16.7	18.5	54.0	61.6	67.9	50.1	44.0	39.9	34.3	30.4	27.4	28.0	69.5	105.5	-20	26
Dabur India	Buy	508	710	40	900.5	10.7	19.2	22.0	25.1	10.9	12.5	14.2	46.8	40.8	35.8	35.1	30.6	26.8	7.7	19.7	23.2	-11	-6
Emami	Buy	643	884	38	282.3	3.3	8.8	9.8	11.0	20.2	22.4	25.3	31.8	28.6	25.5	25.9	23.0	20.1	8.8	32.9	39.7	-10	31
Godrej Consumer	Buy	1,175	1,605	37	1,202.1	14.2	21.7	27.9	32.8	21.3	27.3	32.1	55.3	43.0	36.6	35.8	30.3	26.0	8.2	19.8	25.8	-13	18
Hindustan Unilever	Hold	2,389	2,666	12	5,613.6	66.5	104.5	114.8	125.3	44.5	48.9	53.3	53.7	48.9	44.8	37.0	33.4	30.5	11.1	22.6	27.9	-12	-5
Honasa Consumer	Hold	372	450	21	120.7	1.4	1.5	2.1	2.8	4.7	6.3	8.7	79.8	58.6	42.9	39.8	28.0	19.6	8.3	15.2	29.5	-12	12
ITC	Buy	466	557	20	5,828.9	69.0	209.2	238.9	270.2	16.8	19.1	21.6	27.8	24.4	21.5	21.8	18.7	16.0	5.8	26.0	33.5	-5	6
Jyothy Labs	Buy	427	561	31	156.8	1.9	4.1	4.5	5.2	11.2	12.4	14.0	38.2	34.5	30.4	28.9	25.6	22.0	6.8	20.9	27.4	-18	-6
Kansai Nerolac	Buy	259	370	43	209.6	2.5	7.2	8.4	10.0	8.9	10.3	12.3	29.2	25.1	21.0	17.3	14.7	12.2	3.3	13.5	18.6	-10	-20
Marico	Buy	592	823	39	766.8	9.1	15.8	18.2	21.2	12.2	14.1	16.5	48.4	41.9	36.0	34.3	29.2	25.1	15.3	39.3	45.2	-11	12
Nestle	Hold	2,183	2,563	17	2,104.6	24.9	32.7	36.3	41.2	33.9	37.6	42.7	64.4	58.1	51.1	43.2	39.0	34.4	36.3	69.0	94.6	-8	-10
Patanjali Foods	Buy	1,844	2,100	14	667.4	7.9	14.4	21.7	25.3	39.8	59.9	70.0	46.3	30.8	26.3	33.3	21.6	17.8	5.0	17.5	21.9	6	31
Radico Khaitan	Buy	2,249	2,500	11	300.9	3.6	4.1	5.4	6.7	30.4	40.4	50.0	73.9	55.7	45.0	43.3	35.2	29.2	9.4	18.3	20.8	3	56
United Spirits	Buy	1,442	1,703	18	1,049.1	12.4	15.1	17.9	20.6	20.8	24.6	28.4	69.5	58.6	50.8	49.7	42.2	36.2	11.5	21.0	34.7	-6	37
RETAIL																							
Aditya Birla Fashion & Retail	Hold	289	325	12	309.2	3.7	-2.2	1.6	4.5	-2.2	1.6	4.4	-132.8	180.2	64.9	17.8	13.8	11.3	7.4	4.2	8.3	-13	34
Arvind Fashions	Buy	555	700	26	74.1	0.9	1.1	1.8	2.6	7.9	13.4	19.6	69.9	41.4	28.3	12.6	9.8	7.7	5.1	12.4	19.8	-8	34
Avenue Supermarts	Hold	3,824	5,026	31	2,4																		

Valuation Guide

Company	Reco	CMP	TP	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)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	FY26	FY26	1m	12m
INDUSTRIALS																							
ABB	Buy	6,680	8,624	29	1,415.6	16.8	17.7	20.8	26.1	83.6	98.3	123.2	79.9	67.9	54.2	62.6	52.8	41.9	16.6	26.5	36.1	-23	56
BHEL	Buy	224	364	63	779.0	9.2	17.8	34.3	42.3	5.1	9.8	12.1	43.8	22.7	18.4	29.4	16.1	13.2	2.8	12.8	15.3	-12	58
Cummins India	Buy	3,330	4,289	29	923.0	10.9	17.3	20.2	24.8	62.3	73.0	89.3	53.4	45.6	37.3	45.4	38.0	30.2	12.3	28.2	37.1	-10	82
Engineers India	Buy	180	238	32	101.4	1.2	3.3	4.3	5.4	5.2	6.9	8.6	34.8	26.2	21.1	28.7	19.2	14.3	3.7	16.5	19.0	-4	27
GE T&D	Buy	1,767	2,180	23	452.3	5.4	5.6	7.4	10.1	21.9	29.0	39.6	80.7	60.8	44.6	56.5	42.8	31.2	17.8	34.2	48.9	-7	339
Hitachi Energy	Buy	11,782	17,315	47	499.4	5.9	3.6	7.7	12.2	84.0	183.0	288.6	140.2	64.4	40.8	81.8	43.9	28.5	23.2	41.2	56.6	-25	156
Honeywell Automation	Buy	42,105	56,560	34	372.3	4.4	5.3	7.0	9.6	602.1	788.6	1,087.7	69.9	53.4	38.7	53.9	39.3	27.5	7.9	15.8	16.1	-15	13
KEC International	Buy	1,006	1,075	7	267.8	3.2	7.5	12.0	17.3	29.1	46.7	67.2	34.5	21.5	15.0	17.5	13.1	9.3	4.5	22.8	24.1	1	68
Kirloskar Pneumatic	Buy	1,562	1,747	12	101.3	1.2	2.2	2.6	3.1	34.6	40.9	48.5	45.1	38.2	32.2	30.9	25.7	21.2	7.4	21.1	19.5	5	178
Kirloskar Oil Engines	Buy	1,137	1,550	36	165.0	2.0	4.4	5.8	7.2	30.5	39.8	49.6	37.3	28.6	22.9	23.4	18.0	14.3	4.9	18.4	23.4	-6	111
Lakshmi Machine Works	Hold	15,232	15,996	5	162.7	1.9	2.0	3.6	5.7	182.9	335.3	533.2	83.3	45.4	28.6	65.2	33.6	20.1	5.3	12.2	16.1	-8	17
Linde India	Hold	6,817	7,201	6	581.4	6.9	4.8	6.6	9.4	55.8	77.5	110.8	122.1	88.0	61.5	74.9	55.3	39.3	13.6	16.5	20.6	-19	12
Larsen & Toubro	Buy	3,526	4,204	19	4,848.6	57.4	162.2	226.2	276.7	115.8	161.5	197.6	30.4	21.8	17.8	20.2	15.6	12.7	4.0	19.8	14.8	-1	13
Siemens	Buy	6,737	8,827	31	2,399.1	28.4	31.0	41.9	59.2	87.0	117.7	166.2	77.5	57.2	40.5	58.8	43.2	30.3	13.2	24.8	33.7	-13	89
Thermax	Hold	5,004	5,144	3	596.2	7.1	6.8	9.7	13.5	60.3	85.8	119.9	83.0	58.3	41.7	61.2	43.7	31.4	9.8	18.0	21.8	-2	77
Transformers & Rectifiers India	Buy	862	861	(0)	129.3	1.5	1.5	3.1	4.7	9.6	19.5	29.7	90.2	44.1	29.0	45.9	24.8	17.3	9.3	23.2	31.6	2	341
DEFENCE																							
Bharat Dynamics	Buy	990	1,579	60	362.7	4.3	5.8	11.0	14.7	15.9	30.1	40.1	62.2	32.9	24.7	65.3	27.0	19.1	7.8	25.5	26.0	-14	76
Bharat Electronics	Buy	281	373	33	2,053.7	24.3	45.9	56.8	68.2	6.3	7.8	9.3	44.7	36.1	30.1	32.8	26.0	21.2	9.3	27.8	28.6	-1	92
BEL	Buy	3,791	5,185	37	157.9	1.9	3.4	4.8	7.2	82.1	116.0	172.8	46.2	32.7	21.9	29.6	21.5	14.8	4.6	15.2	15.8	-3	64
Cochin Shipyard	Hold	1,312	1,627	24	345.3	4.1	7.6	8.5	10.4	28.9	32.4	39.7	45.4	40.5	33.1	27.9	24.9	20.3	5.7	14.8	19.3	-16	143
Garden Reach Shipbuilders	Buy	1,406	2,092	49	161.1	1.9	4.4	5.3	5.4	38.3	46.0	47.0	36.7	30.6	29.9	30.2	23.1	21.2	6.6	23.2	31.8	-19	81
Hindustan Aeronautics	Buy	4,087	6,184	51	2,733.3	32.4	67.9	85.9	97.9	101.6	128.5	146.4	40.2	31.8	27.9	28.2	21.3	17.7	7.0	23.8	24.8	-10	92
Mazagon Dock Shipbuilders	Buy	3,926	5,513	40	791.9	9.4	28.6	30.1	38.5	141.6	149.4	190.8	27.7	26.3	20.6	23.9	20.5	13.3	7.5	31.6	43.9	-7	99
PTC Industries	Buy	11,067	19,653	78	165.7	2.0	0.8	1.7	5.0	52.5	112.0	334.8	211.0	98.8	33.1	132.2	54.8	22.3	10.6	11.3	14.5	-17	94
CONSUMER DURABLES																							
Bajaj Elec.	Hold	782	901	15	90.2	1.1	1.0	2.1	3.0	8.5	18.0	25.7	91.8	43.4	30.4	32.6	21.1	16.1	5.5	13.2	16.7	-11	-21
Blue Star	Hold	1,808	1,946	8	371.8	4.4	6.4	8.9	11.3	31.3	43.1	55.0	57.9	41.9	32.9	38.6	28.2	22.2	9.5	25.2	32.3	-10	87
Crompton Consumer	Buy	371	503	36	238.8	2.8	5.4	7.1	9.1	8.5	11.0	14.2	43.8	33.8	26.2	26.8	21.0	16.3	6.4	20.1	23.2	-10	29
Havells India	Hold	1,619	2,000	24	1,014.9	12.0	15.7	19.8	25.0	25.2	31.7	40.0	64.3	51.1	40.5	44.2	35.0	27.6	10.0	21.2	27.9	-10	26
Voltas	Hold	1,709	1,901	11	565.3	6.7	9.5	12.0	16.3	28.6	36.2	49.2	59.7	47.1	34.8	45.4	35.3	25.8	7.7	17.4	23.4	-7	107
RAILWAYS																							
IRCON International	Hold	192	205	7	180.4	2.1	7.8	8.4	9.5	8.3	8.9	10.1	23.0	21.5	19.1	22.0	20.5	18.0	2.7	12.9	16.5	-14	14
Jupiter Wagons Ltd	Hold	436	507	16	185.2	2.2	4.4	5.6	6.5	10.7	13.6	15.8	40.8	32.2	27.5	26.3	20.9	17.8	5.4	18.1	23.7	-17	32
BITES	Hold	273	325	19	131.2	1.6	3.4	4.0	5.2	7.0	8.4	10.8	38.8	32.5	25.2	20.2	16.9	13.1	5.0	15.3	21.6	-12	14
Rail Vikas Nigam Ltd	Sell	420	251	(40)	874.7	10.4	14.8	16.2	17.8	7.1	7.8	8.5	59.1	53.9	49.1	72.8	64.8	56.8	8.1	15.8	16.1	-14	151
Titagarh Rail Systems	Buy	1,110	1,712	54	149.5	1.8	3.9	5.9	7.3	30.5	46.2	57.1	36.5	24.0	19.5	26.0	17.3	13.9	4.5	20.4	29.6	-5	14
INFRASTRUCTURE																							
Ahluwalia Contracts	Hold	998	1,139	14	66.8	0.8	2.8	3.4	4.2	41.7	51.1	62.8	23.9	19.5	15.9	12.4	9.8	7.8	3.0	16.7	25.3	-13	30
Ashoka Buildcon	Hold	230	253	10	64.5	0.8	2.5	3.6	4.8	8.8	12.7	17.3	26.1	18.0	13.3	12.8	10.3	8.3	1.5	8.4	13.2	-8	60
Dilip Buildcon	Buy	455	652	43	66.6	0.8	3.6	5.3	7.0	22.3	32.7	42.8	20.5	13.9	10.6	6.3	5.3	4.5	1.1	8.8	16.0	-9	10
H&C Infra Engineering	Buy	1,226	1,792	46	79.9	0.9	5.1	5.9	6.9	78.1	90.0	106.0	15.7	13.6	11.6	9.4	8.3	7.1	2.4	18.9	22.8	-16	42
IRB Infra	Buy	48	76	58	288.4	3.4	8.6	11.5	13.8	1.4	1.9	2.3	33.7	25.1	20.9	13.6	11.4	10.0	1.8	7.6	7.7	-18	25
KNR Constructions Ltd.	Hold	302	286	(6)	85.1	1.0	3.5	3.6	4.1	12.3	12.9	14.6	24.6	23.5	20.8	13.3	12.5	11.0	2.2	9.7	13.9	-4	7
NCC Ltd.	Buy	280	395	41	175.8	2.1	9.3	11.9	15.5	14.9	19.0	24.7	18.9	14.7	11.3	8.7	7.2	5.8	2.1	14.9	25.5	-10	73
PNC Infratech	Buy	299	633	112	76.7	0.9	5.9	7.1	8.7	23.0	27.5	33.9	13.0	10.9	8.8	7.8	6.6	5.3	1.3	12.4	16.5	-35	-7
PSP Projects	Buy	618	909	47	24.5	0.3	1.5	1.9	2.4	38.8	49.1	60.6	15.9	12.6	10.2	8.3	6.8	5.5	1.7	14.1	17.8	-5	-21
Welspun Ent.	Hold	458	553	21	63.4	0.8	3.2	3.8	4.5	23.1	27.7	33.2	19.8	16.6	13.8	14.1	11.4	9.0	2.1	13.2	18.7	-16	43
IT																							
Cyient	Hold	1,802	2,250	25	199.9	2.4	8.0	9.1	10.3	64.9	83.1	93.8	27.8	21.7	19.2	14.2	12.2	10.6	3.8	18.1	22.3	-3	4
FirstSource Sol.	Buy	340	400	18	237.1	2.8	6.4	8.3	9.5	9.1	11.8	13.4	37.5	28.8	25.4	20.6	17.1	14.8	5.4	19.7	17.1	1	107
HCL Tech	Buy	1,859	2,000	8	5,044.6	59.7	177.0	195.6	218.1	64.7	71.2	79.1	28.7	26.1	23.5	18.3	16.0	14.1	7.8	29.7	38.3	0	42
Infosys	Hold	1,865	1,980	6	7,741.9	91.7	265.6	306.3	333.7	64.1	73.9	80.6	29.1	25.2	23.1	19.1	16.7	15.0	7.6	31.2	41.2	-5	30
ITI Mindtree	Hold	5,995	6,675	11	1,775.5	21.0	51.0	57.4	65.7	172.4	194.0	222.1	34.8	30.9	27.0	24.6	20.6	17.7	6.7	23.3	31.3	-6	9
L&T Technology Services	Hold	5,170	5,450	5	547.2	6.5	13.2	14.9	17.4	125.1	140.7	164.7	41.3	36.8	31.4	26.8	23.5	19.6	8.8	25.0	32.0	-1	16
Mphasis	Buy	2,839	3,725	31	537.6	6.4	17.0	19.4	22.0	90.3	103.2	116.6	31.4	27.5	24.4	19.9	17.3	15.2					

Valuation Guide

Company	Reco	CMP	TP	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)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	FY26	FY26	1m	12m
METALS & MINING																							
APL Apollo Tubes	Buy	1,471	1,718	17	408.1	4.8	7.1	11.3	17.0	25.6	40.7	61.4	57.5	36.2	24.0	34.8	24.1	16.8	8.0	24.3	27.4	-5	-13
Hindalco Industries	Buy	627	794	26	1,409.8	16.7	131.6	122.7	128.1	59.2	55.2	57.6	10.6	11.4	10.9	6.2	6.4	6.2	1.1	9.7	11.6	-15	26
Hindustan Zinc	Sell	495	419	(15)	2,093.0	24.8	106.8	116.1	123.5	25.3	27.5	29.2	19.6	18.0	16.9	11.6	10.8	10.1	11.3	68.6	57.4	-3	61
HI-Tech Pipes	Buy	168	225	34	34.1	0.4	0.8	1.4	2.1	4.1	7.0	10.2	40.7	24.1	16.5	18.6	13.2	10.1	2.4	10.5	13.3	-10	45
Indian Hume Pipe	Buy	387	579	49	20.4	0.2	0.7	1.0	1.2	13.2	18.6	22.9	29.4	20.8	16.9	15.8	12.9	11.1	2.1	10.5	13.2	-16	53
Jindal Steel & Power	Buy	877	1,183	35	895.0	10.6	64.3	90.0	102.4	63.6	89.1	101.3	13.8	9.8	8.7	7.6	5.8	5.1	1.4	15.9	17.5	-6	36
JSW Steel	Hold	939	909	(3)	2,296.4	27.2	89.6	135.8	157.3	36.8	55.7	64.6	25.5	16.8	14.5	10.9	8.8	7.9	2.5	15.5	13.7	-4	22
JTL Industries	Buy	98	263	168	37.6	0.4	1.4	1.8	2.6	7.3	9.4	13.1	13.5	10.4	7.5	20.1	15.0	10.9	1.3	13.4	17.8	-8	-6
Kirloskar Ferrous	Buy	606	797	31	99.7	1.2	4.0	5.8	8.7	24.5	35.4	52.8	24.8	17.1	11.5	12.0	9.4	6.9	2.5	15.3	17.3	-10	22
MOIL	Buy	297	451	52	60.4	0.7	4.4	6.2	8.3	21.8	30.7	40.9	13.6	9.7	7.3	7.4	5.1	3.5	1.9	20.8	28.1	-19	10
NALCO	Buy	220	236	7	403.8	4.8	27.1	32.8	33.6	14.8	17.9	18.3	14.9	12.3	12.0	8.6	7.1	6.7	2.2	18.7	24.0	-2	137
NMDC	Buy	219	294	34	641.2	7.6	68.4	83.7	91.7	23.4	28.6	31.3	9.4	7.7	7.0	6.3	4.9	4.3	1.8	26.0	33.7	-2	30
SAIL	Hold	112	130	16	461.9	5.5	38.3	45.8	50.3	9.3	11.1	12.2	12.1	10.1	9.2	6.9	6.2	5.8	0.7	7.5	8.2	-13	25
Tata Steel	Buy	138	175	27	1,722.6	20.4	88.1	146.8	171.6	7.1	11.8	13.8	19.5	11.7	10.0	8.3	6.4	5.7	1.5	13.7	14.0	-9	10
Venus Pipes	Hold	1,675	2,062	23	34.1	0.4	1.1	1.7	1.9	54.5	81.6	93.8	30.7	20.5	17.9	18.8	13.5	12.0	4.9	27.1	29.7	-12	19
Vedanta	Hold	433	475	10	1,694.8	20.1	155.6	195.8	217.5	39.8	50.0	55.6	10.9	8.7	7.8	5.1	4.4	3.9	3.6	43.6	28.4	-8	81
OIL & GAS																							
BPCL	Buy	298	405	36	1,293.7	15.3	138.5	140.3	142.9	31.9	32.3	32.9	9.3	9.2	9.1	6.0	6.2	6.6	1.4	16.1	16.3	-13	53
GAIL	Sell	189	203	8	1,242.0	14.7	98.6	86.8	98.3	15.0	13.2	15.0	12.6	14.3	12.6	9.3	10.0	8.7	1.6	11.9	12.2	-15	50
Gujarat Gas	Hold	486	579	19	334.6	4.0	12.0	17.0	18.7	17.4	24.7	27.2	27.9	19.7	17.9	16.2	11.7	10.6	3.5	18.9	22.6	-15	14
HPCL	Buy	372	523	40	792.4	9.4	83.1	87.5	89.3	39.0	41.1	42.0	9.5	9.1	8.9	7.4	6.9	6.8	1.6	19.0	12.6	-14	80
IGL	Hold	406	405	(0)	284.1	3.4	16.5	17.2	18.3	23.5	24.6	26.1	17.2	16.5	15.6	10.9	10.1	9.3	2.6	16.7	21.4	-20	4
Indian Oil Corp	Buy	135	246	83	1,903.0	22.5	233.8	241.5	278.6	17.0	17.5	20.2	7.9	7.7	6.7	6.4	5.9	5.1	0.9	12.3	11.1	-18	31
Mahanagar Gas	Hold	1,313	1,539	17	129.7	1.5	10.0	10.2	11.1	100.9	103.7	112.7	13.0	12.7	11.6	6.8	6.4	5.7	2.1	17.3	22.5	-26	25
Oil India	Buy	475	659	39	773.4	9.2	66.3	69.7	83.8	40.7	42.8	51.5	11.7	11.1	9.2	8.1	7.3	5.8	1.5	13.9	15.9	-9	126
ONGC	Buy	251	364	45	3,155.1	37.4	369.7	415.6	427.0	29.4	33.0	33.9	8.5	7.6	7.4	4.3	3.7	3.3	0.9	12.2	14.7	-11	28
Petronet LNG	Hold	314	363	16	470.8	5.6	37.9	42.4	43.2	25.3	28.3	28.8	12.4	11.1	10.9	8.3	8.1	8.1	2.4	22.2	23.6	-11	60
Reliance Industries	Hold	1,268	2,846	124	17,154.1	203.1	693.4	804.8	852.7	102.5	118.9	126.0	12.4	10.7	10.1	11.2	9.6	8.6	1.0	9.3	9.6	-7	8
PHARMA & HEALTHCARE																							
Alkem	Hold	5,525	4,670	(15)	660.6	7.8	23.2	24.9	25.4	194.2	208.0	212.3	28.4	26.6	26.0	22.6	20.5	17.9	4.8	19.4	23.3	-8	24
Alembic Pharma	Buy	1,028	1,411	37	202.1	2.4	6.2	7.8	11.1	31.5	39.9	56.4	32.6	25.8	18.2	18.7	15.3	11.4	3.4	13.9	17.3	-13	39
CIPLA	Sell	1,500	1,204	(20)	1,211.2	14.3	32.6	36.6	40.4	40.4	45.4	50.2	37.1	33.0	29.9	23.0	20.1	17.7	3.7	11.8	16.5	-4	20
Concord Biotech	Buy	1,898	2,187	15	198.5	2.4	3.7	4.9	6.5	35.1	46.7	62.5	54.1	40.6	30.4	38.8	28.8	21.3	9.3	25.0	32.6	-6	48
Divi's Laboratories Ltd	Sell	5,750	4,150	(28)	1,526.5	18.1	21.2	26.3	29.7	79.8	99.2	112.0	72.0	57.9	51.4	50.2	39.7	34.8	9.3	16.9	22.1	-5	60
Dr Reddys	Sell	1,227	1,190	(3)	1,023.5	12.1	32.1	41.7	47.8	38.5	50.0	57.3	31.8	24.6	21.4	17.8	13.7	12.2	3.6	14.7	18.3	-9	9
IOL Chemicals	Buy	372	468	26	21.8	0.3	2.1	2.4	2.2	35.2	40.5	37.5	10.5	9.2	9.9	6.4	5.3	5.1	1.1	12.5	15.9	-12	-12
JB Chemicals	Hold	1,682	1,679	(0)	261.2	3.1	7.5	8.5	9.7	48.1	54.7	62.2	34.9	30.8	27.0	21.5	18.8	16.3	3.2	22.7	28.0	-11	11
Laurus Labs	Hold	486	398	(18)	262.0	3.1	4.2	6.9	8.6	7.8	12.7	15.9	62.4	38.2	30.5	23.9	17.9	15.0	5.2	14.3	15.2	-4	31
Lupin	Buy	2,016	2,259	12	919.6	10.9	31.3	38.9	43.4	68.7	85.4	95.3	29.3	23.6	21.1	17.7	14.7	12.8	4.5	20.9	26.1	-7	69
Mankind Pharma	Buy	2,598	2,827	9	1,040.7	12.3	22.2	25.8	31.5	55.3	64.3	78.5	47.0	40.4	33.1	35.5	25.8	22.3	7.6	20.6	18.3	-3	35
Shilpa Medicare	Buy	873	1,300	49	85.4	1.0	1.6	3.8	6.3	16.0	39.2	64.8	54.5	22.3	13.5	23.6	12.7	8.5	3.0	14.4	18.8	-2	132
Solara Active Pharma	Sell	758	566	(25)	32.9	0.4	0.9	1.6	1.5	17.8	32.5	31.4	42.6	23.3	24.1	14.5	11.1	9.3	2.4	11.7	10.4	-6	140
Torrent Pharma	Buy	3,102	3,589	16	1,049.9	12.4	20.3	27.0	32.8	59.9	79.9	97.0	51.8	38.8	32.0	27.9	23.1	19.6	12.0	32.9	37.0	-9	49
Zydus Life Science	Hold	957	1,033	8	963.4	11.4	37.0	40.3	42.7	36.8	40.0	42.5	26.0	23.9	22.5	17.3	15.3	13.8	3.6	16.3	19.9	-6	50
HOSPITALS & DIAGNOSTICS																							
Dr Lal Pathlabs	Sell	2,956	2,461	(17)	247.1	2.9	4.4	5.1	5.9	52.4	61.2	70.3	56.4	48.3	42.0	34.4	29.6	25.8	51.0	22.5	29.5	-11	10
Metropolis Healthcare	Sell	2,032	1,758	(13)	104.2	1.2	1.7	2.1	2.6	33.4	41.4	50.2	60.9	49.0	40.4	29.7	24.8	20.8	7.4	16.1	20.5	-7	26
Vijaya Diagnostic Centre	Hold	1,038	930	(10)	106.5	1.3	1.6	2.1	2.6	15.6	20.2	25.3	66.8	51.4	41.0	36.2	28.6	22.9	5.4	23.1	26.0	-4	74
REALTY																							
Arvind SmartSpaces	Buy	870	1,159	33	39.6	0.5	0.7	1.1	1.5	17.1	26.8	36.2	50.9	32.5	24.0	31.0	20.8	16.3	5.4	18.2	24.2	-2	141
Brigade Enterprise	Buy	1,096	1,620	48	267.6	3.2	6.8	8.2	10.3	29.7	35.5	44.8	36.9	30.8	24.5	19.4	17.3	14.8	24.6	17.3	15.0	-15	48
Aditya Birla Real Estate	Buy	2,599	3,804	46	290.3	3.4	2.8	4.2	4.6	25.5	37.6	41.5	101.9	69.2	62.6	35.5	28.1	25.5	6.4	9.6	11.2	-9	112
DLF	Buy	763	1,014	33	1,887.9	22.4	37.4	44.4	56.5	15.1	17.9	22.8	50.5	42.6	33.4	73.2	60.8	57.7	4.0	9.8	7.0	-11	21
Godrej Properties	Buy	2,595	3,826	47	721.7	8.5	13.2	30.5	39.6	47.3	109.6	142.5	54.9	23.7	18.2	116.9	62.7	50.4	5.0	23.7	19.2	-16	39
Kolte Patil	Buy	355	618	74	27.0	0.3	1.4	1.5	1.9	18.0	20.0	25.1	19.7	17.8	14.2								

Valuation Guide

Company	Reco	CMP	TP	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)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	FY26	FY26	1m	12m
TEXTILE																							
Arvind Ltd	Buy	343	529	54	89.8	1.1	3.8	5.8	7.2	14.4	22.1	27.6	23.9	15.6	12.4	11.0	8.4	6.9	2.0	13.7	16.1	-6	58
KPR Mills	Hold	920	926	1	314.5	3.7	9.4	11.0	12.7	27.6	32.1	37.0	33.3	28.6	24.8	22.9	19.9	17.4	5.3	20.0	24.4	-2	12
Welspun Living	Buy	150	216	44	143.5	1.7	9.0	11.0	13.1	9.2	11.3	13.5	16.2	13.2	11.1	9.2	7.7	6.3	2.3	18.6	19.0	-7	-8
UTILITIES																							
CESC	Buy	175	203	16	231.9	2.7	16.9	18.7	21.3	12.7	14.1	16.0	13.8	12.4	10.9	10.9	8.0	7.2	1.7	17.2	12.0	-9	80
COAL India	Buy	410	598	46	2,525.2	29.9	375.2	401.8	429.0	60.9	65.2	69.6	6.7	6.3	5.9	4.4	3.9	3.4	2.0	34.6	18.7	-16	19
Indian Energy Exchange	Buy	162	282	75	144.0	1.7	4.0	4.8	5.6	4.5	5.4	6.3	35.9	30.2	25.7	30.4	25.2	20.9	11.2	40.1	42.3	-16	17
JSW Energy	Hold	732	630	(14)	1,279.4	15.1	22.1	25.3	28.3	12.7	14.5	16.2	57.7	50.5	45.1	23.2	20.7	18.9	4.2	8.7	8.1	8	83
NHPC	Hold	78	92	17	787.3	9.3	37.1	44.4	55.3	3.6	4.3	5.4	21.7	18.1	14.6	23.9	20.3	16.1	1.8	10.4	4.9	-8	49
NTPC	Buy	373	477	28	3,612.0	42.8	179.4	206.1	237.4	18.5	21.3	24.5	20.1	17.5	15.2	12.0	10.8	9.8	2.1	12.5	9.8	-11	48
Power Grid	Hold	312	333	7	2,902.7	34.4	153.0	162.9	174.4	16.4	17.5	18.8	19.0	17.8	16.6	10.1	9.7	9.4	3.0	17.2	13.4	-6	49
SJVN Ltd	Hold	104	118	14	407.8	4.8	8.1	9.2	11.6	2.1	2.3	3.0	50.1	44.2	35.1	30.0	25.3	20.8	2.7	6.3	4.1	-13	36
Torrent Power	Hold	1,559	1,150	(26)	749.3	8.9	24.1	26.4	30.4	50.1	54.9	63.2	31.1	28.4	24.7	16.3	15.0	13.4	4.9	18.2	14.1	-20	87
Tata Power	Buy	405	513	27	1,293.0	15.3	49.0	59.6	71.0	15.3	18.7	22.2	26.4	21.7	18.2	13.9	12.1	10.8	3.2	14.7	8.4	-10	54
TRAVEL & LEISURE																							
Indian Hotels	Hold	741	700	(6)	1,055.3	12.5	17.0	21.3	24.5	12.0	15.0	17.3	61.8	49.4	43.0	38.7	31.9	27.1	8.3	18.1	19.4	8	80
Chalet Hotels	Buy	844	1,050	24	184.2	2.2	3.8	4.8	6.4	17.6	22.1	29.4	48.1	38.2	28.7	25.0	21.1	16.7	4.5	12.6	13.3	-2	44
Yatra Online	Buy	111	159	43	17.4	0.2	0.5	1.0	1.1	3.4	6.1	7.2	32.3	18.3	15.4	16.7	10.1	8.2	1.9	11.2	13.2	-9	-15
MIDCAP DIVERSIFIED																							
CCL Products	Buy	695	850	22	92.8	1.1	2.6	3.7	5.3	19.9	27.8	40.0	34.9	25.0	17.4	21.3	16.7	12.8	4.3	18.4	12.4	5	11
EPL Ltd.	Buy	267	360	35	85.0	1.0	3.5	4.7	5.6	11.0	14.8	17.5	24.2	18.0	15.2	10.0	8.4	7.3	3.3	19.4	23.2	-1	40
Ganesha Ecosphere	Buy	2,339	1,910	(18)	59.3	0.7	1.4	1.6	2.4	51.8	61.2	91.4	45.1	38.2	25.6	24.1	21.1	15.1	4.4	12.1	13.9	-2	154
Gravita India	BUY	2,098	3,300	57	144.9	1.7	2.9	4.0	5.0	41.4	57.4	73.1	50.7	36.5	28.7	37.1	27.9	22.7	10.1	31.5	27.4	-16	84
Mold-Tek Packaging	Buy	663	1,000	51	22.0	0.3	0.7	0.8	1.1	198	25.4	32.7	33.4	26.1	20.3	16.2	13.4	10.9	3.1	12.3	11.2	-10	-24
Solar Industries	Hold	10,009	9,730	(3)	905.7	10.7	12.9	16.1	19.1	142.2	177.8	211.4	70.4	56.3	47.3	43.6	35.2	29.5	15.2	30.7	38.1	-10	35
Varun Beverages	Buy	576	690	20	1,870.1	22.1	26.6	34.8	44.6	8.2	10.7	13.7	70.2	53.8	41.9	39.2	31.9	26.2	15.3	32.5	32.6	-2	38

Company	Reco	CMP	TP	Return	M. Cap	M. Cap	Net profit (INR bn)			BVPS (INR)			P/BV (x)*			NNPA Ratio (%)			P/E(x)	RoE (%)	RoA (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INR bn)	(USD bn)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	FY26	FY26	1m	12m
FINANCIALS																							
Axis Bank	Buy	1,141	1,375	21	3,529.4	41.8	274.6	324.4	388.5	551.0	632.8	730.9	1.9	1.7	1.4	0.3	0.4	0.5	10.9	17.7	1.8	1	15
Bank of Baroda	Buy	242	315	31	1,248.9	14.8	185.7	208.3	230.5	227.6	259.7	295.4	1.1	0.9	0.8	0.7	0.7	0.8	6.0	16.5	1.1	0	23
Canara Bank	Buy	97	135	39	884.3	10.5	151.2	169.0	195.1	100.7	115.6	132.8	1.0	0.8	0.7	1.0	0.9	0.8	5.2	17.2	1.0	-5	23
City Union Bank	Buy	172	190	10	127.6	1.5	10.4	11.8	12.4	125.8	140.0	155.1	1.4	1.2	1.1	1.3	0.9	0.9	10.9	11.9	1.4	12	17
DCB Bank	Buy	114	165	45	35.6	0.4	6.4	7.8	8.9	171.6	194.7	221.5	0.7	0.6	0.5	1.1	1.1	1.2	4.6	13.6	1.0	-1	0
Equitas SFB	Buy	63	110	76	71.3	0.8	6.7	11.0	13.8	57.1	64.6	73.9	1.1	1.0	0.8	0.7	0.9	0.9	6.5	15.9	1.8	-12	-36
Federal Bank	Buy	197	220	12	483.0	5.7	41.1	47.0	56.6	135.1	151.0	168.7	1.5	1.3	1.2	0.6	0.6	0.7	10.2	13.5	1.2	2	33
HDFC Bank	Buy	1,693	1,900	12	12,937.6	153.2	670.4	781.1	923.4	629.4	708.3	801.5	2.4	2.1	1.8	0.4	0.4	0.4	16.5	15.4	1.8	1	12
ICICI Bank	Buy	1,257	1,400	11	8,868.0	105.0	450.5	490.8	555.0	382.9	438.8	502.0	2.8	2.3	2.0	0.6	0.7	0.6	18.0	16.8	2.1	2	36
IndusInd Bank	Buy	1,017	1,825	79	792.4	9.4	95.3	115.1	137.8	901.1	1,018.0	1,155.8	1.1	1.0	0.9	0.6	0.6	0.7	6.9	15.4	1.8	-25	-32
Karur Vysya Bank	Buy	211	270	28	168.8	2.0	18.4	20.0	22.8	144.6	166.0	190.7	1.5	1.3	1.1	0.3	0.4	0.4	8.5	16.0	1.5	-3	38
Kotak Mahindra Bank	Buy	1,708	2,000	17	3,395.5	40.2	162.5	145.6	172.7	562.2	632.7	716.4	2.3	2.0	1.7	0.4	0.5	0.6	23.3	12.3	2.0	-8	-3
L&T Finance	Buy	138	220	60	343.0	4.1	30.8	37.9	45.0	103.5	114.9	128.5	1.3	1.2	1.1	0.6	0.6	0.6	9.0	14.0	2.9	-17	-3
Punjab National Bank	Hold	99	130	31	1,143.4	13.5	152.4	183.8	198.5	102.2	114.7	128.2	1.0	0.9	0.8	0.5	0.5	0.5	6.0	15.4	1.0	-3	28
Shriram Finance	Buy	2,823	3,500	24	1,061.3	12.6	85.0	99.7	116.1	1,473.7	1,689.1	1,948.0	1.9	1.7	1.4	2.8	2.8	2.9	10.6	16.8	3.3	-13	41
State Bank of India	Buy	804	975	21	7,177.6	85.0	679.0	710.9	822.7	416.6	480.3	554.0	1.5	1.2	1.0	0.6	0.6	0.6	10.1	16.9	1.0	-1	43
South Indian Bank	Hold	22	32	41	58.7	0.7	9.9	10.9	13.8	35.8	39.5	44.1	0.6	0.6	0.5	1.5	1.5	1.5	5.4	11.1	0.8	-11	-2
Ujjivan Small Bank	Buy	34	60	76	65.8	0.8	12.0	13.6	14.9	35.1	42.1	49.9	1.0	0.8	0.7	0.4	0.4	0.4	4.8	18.2	2.5	-13	-39
Union Bank of India	Buy	114	170	49	869.5	10.3	154.8	167.1	179.8	134.2	150.0	166.9	0.8	0.8	0.7	1.0	1.1	1.2	5.2	15.4	1.0	2	5

*Adjusted for subsidiaries

Company	Reco	CMP	TP	Return	M. Cap	M. Cap	VNB (INR bn)			EVPS (INR)			P/EV (x)			P/VNB (x)			RoEV (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INR bn)	(USD bn)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY26	1m	12m
Insurance																					
HDFC Life Insurance	Buy	694	870	25	1,493.9	17.7	40.5	48.2	56.9	260.8	301.2	347.6	2.7	2.3	2.0	23.8	18.2	13.6	16.4	-4	6
ICICI Prudential Life Insurance	Buy	694	865	25	1,002.5	11.9	26.1	30.9	35.9	343.3	390.7	444.4	2.0	1.8	1.6	20.2	14.8	10.6	14.5	-6	24
IC of India	Buy	909	1,260	39	5,747.2	68.0	111.5	121.8	130.9	1,330.1	1,460.1	1,597.7	0.7	0.6	0.6	NA	NA	NA	10.8	-3	48
Max Life Insurance*	Buy	1,233	1,540	25	425.4	5.0	22.3	26.9	32.1	741.2	874.7	1,031.5	2.6	2.2	1.9	18.0	13.2	9.4	18.5	5	30
SBI Life Insurance	Buy	1,562	2,060	32	1,565.3	18.5	59.4	69.9	81.9	709.1	832.4	976.3	2.2	1.9	1.6	14.5	10.6	7.3	17.8	-8	10

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