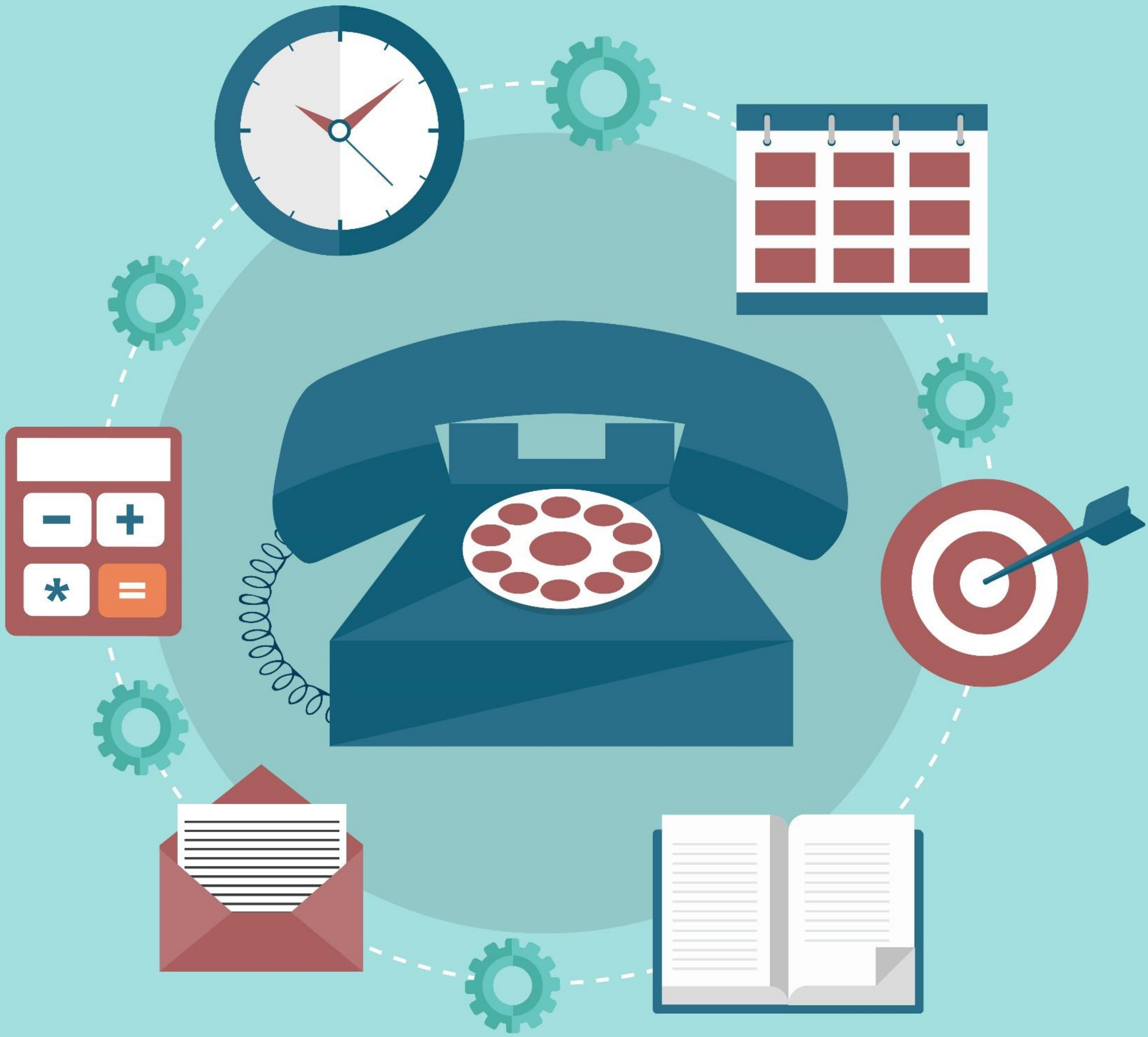
CONNECT

Jan-Mar'24 Results



4Q led by Infra capex, Healthcare and Auto

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Special Mention: Akash Mishra

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Note: Ratings, CMP, and TP reflect the day of result updates released by PL

= ***Conference Call Transcript or Audio Link***

= PL Result Update Link

Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

CONNECT

Jan-Mar'24 Results

June 11, 2024

4Q led by Infra capex, Healthcare and Auto

- 4Q results show Sales, EBIDTA, PAT growth of 5.1%, 10.5%, and 15.1%. The results show a variation of -3.0%/4.3%/20.3% over our estimates.
- Auto, Pharma, Hospitals, Capital Goods, Banks and Travel reported strong growth. Building Materials, Metals and Chemicals reported decline in EBIDTA while consumer, Oil and Gas reported low single digit EBIDTA growth.
- Consumer demand has remained tepid in Staples, QSR, Apparel, Durables etc. However, building materials, Travel (Aviation and Hotels) and Real estate demand remained relatively strong.
- Rural demand has started showing signs of sequential recovery with 4Q growth being higher than 3Q growth. For many companies in the staples space, rural sales/volume growth in 4Q24 was higher than urban growth after a gap of several quarters.
- Management commentary in discretionary segments remain mixed with most QSR/Apparel/ retail companies indicating tepid demand for 1H25.
- Hotel companies are indicating positive trends in ARR and occupancy led by both corporate and tourist demand. Aviation yields will remain firm in medium term due to strong demand for travel.
- PV demand continues to shift towards UV's. Tractor and CV demand was tepid in 4Q while 2W demand staged smart recovery in the entry and mid end segments. PV demand is slow in May with expected recovery in a few months. Tractors have seen pickup in demand while 2W demand remains mixed.
- Banks reported stable performance with peaked out NIM while lower opex and lower provisions. Private Banks led by HDFC, ICICI, Axis and KMB did better than PSU banks.
- Capital goods reported strong growth due to sustained growth in Power T&D (power demand led), Industrial demand (Infra capex), Core Capacity additions (Cement, Steel, Oil and Gas), Data centers and railways.
- Pharma has done well on the back of benign inputs, stable US prices, stable domestic demand, more so in acute segment.
- Hospitals – Hospitals reported strong growth and margin expansion led by higher ARPOB and improved payor mix.
- Oil and Gas – OMC's marketing and refining margins were weak.

Note: Sectoral/stock growth and its variation with estimates are as per PL coverage universe.

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Automobiles - Revenue & EBITDA estimates missed by ~1% while there was a beat in PAT (+62.5) primarily because of significant increase in PAT of Tata Motors due to the recognition of deferred tax assets. Revenue grew by a healthy 14%, EBITDA jumped 30%, and PAT increased 94% YoY in Q4FY24.

Banks - Q4FY24 witnessed moderate YoY growth in the banking sector. While revenue rose by 5%, EBITDA and PAT demonstrated stronger gains, increasing by 16% and 15% respectively. Revenue, EBITDA, and PAT all exceeded expectations, surpassing targets by 2%, 18%, and 27%, respectively.

Building Materials – Revenue grew by a modest 9% YoY, but profitability metrics like EBITDA and PAT declined by 3% and 8%, respectively. Revenue beats the estimates by 1.5%, EBITDA misses by 2.3% while PAT remains in-line with the estimates.

Capital goods - Sectoral Revenue, EBITDA and PAT posted a robust YoY growth of 15%, 23% and 33% respectively. Revenue slightly below target, but EBITDA and PAT soar 10% and 21% above estimates, respectively.

Cement – Revenue, EBITDA, and PAT surpassed expectations, exceeding estimates by 1.1%, 9.2%, and 25%, respectively. Revenue grew moderately by 10% YoY, while profitability surged with EBITDA and PAT both jumping 31% YoY.

Chemicals - Revenue, EBITDA, and PAT all declined YoY, with Revenue falling by 3%, EBITDA by 24%, and PAT by a concerning 30%. Actual Revenue, EBITDA, and PAT surpassed estimates by 4%, 7% and 14.4% respectively.

Consumer Durable - The reported Revenue, EBITDA and PAT figures were all very close to analysts' estimates, with deviations of only 3%, -1%, and -1.3%, respectively. The sector has delivered strong YoY growth, with revenue, EBITDA, and PAT surging by 20%, 12%, and 16%.

Consumer - Consumer posted growth of 6% YoY in revenue, 3% in EBITDA and 4% in PAT. Both revenue (down 1.7%) and EBITDA (down 4.0%) came in lower than our estimates. However, PAT exceeded expectations by 1.8%.

Healthcare – The sector delivered positive YoY growth in revenue (13%), EBITDA (21%) and PAT (18%). All three metrics, Revenue, EBITDA, and PAT significantly missed expectations by 18.4%, 15%, and 16.4%, respectively.

Metals & Mining – Revenue was in-line with the estimates, while EBITDA and PAT were missed slightly by 2% and 3% respectively. Despite a healthy 16% increase in EBITDA, the company's revenue and PAT declined by 3% and 19% respectively.

Oil & Gas – While revenue and EBITDA managed a modest 2% YoY increase, PAT suffered a significant decline of 63% YoY. Revenue fell short by 6.6% and EBITDA by 2%, while PAT (8.2% beat) surged past expectations.

Pharma - The Pharma sector performed well in Q4FY24, achieving a double-digit YoY growth of 13% in revenue 25% in EBITDA and an even stronger 65% growth in PAT. All three metrics exceeded expectations! Revenue came in 1% higher than analysts predicted, EBITDA surpassed estimates by 2.3%, and PAT delivered an impressive 14.2% beat.

Exhibit 1: 3Q FY24 Results and Variation in Numbers: higher margin expansion enables beat in numbers

	Revenue					EBITDA					PAT				
	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*
Automobiles															
Ashok Leyland	1,13,444	1,12,667	*-0.7%*	1,16,257	*-3.1%*	15,028	15,921	*5.9%*	12,757	*24.8%*	9,081	9,452	*4.1%*	7,137	*32.4%*
Bajaj Auto	1,10,960	1,14,847	*3.5%*	89,047	*29.0%*	21,921	23,063	*5.2%*	17,166	*34.4%*	17,355	19,360	*11.6%*	14,329	*35.1%*
Bharat Forge	40,969	41,642	*1.6%*	36,291	*14.7%*	7,273	6,532	*-10.2%*	4,783	*36.6%*	4,283	2,486	*-42.0%*	1,937	*28.3%*
CEAT	30,024	29,919	*-0.4%*	28,748	*4.1%*	4,156	3,915	*-5.8%*	3,678	*6.4%*	1,748	1,475	*-15.6%*	1,400	*5.4%*
Divgi Torqtransfer	817	651	*-20.3%*	733	*-11.3%*	184	131	*-28.6%*	193	*-31.8%*	139	92	*-33.9%*	135	*-31.5%*
Eicher Motors	41,851	42,560	*1.7%*	38,043	*11.9%*	11,290	11,286	*0.0%*	9,336	*20.9%*	9,975	10,705	*7.3%*	9,056	*18.2%*
Exide Industries	39,656	40,094	*1.1%*	35,430	*13.2%*	4,608	5,162	*12.0%*	3,672	*40.6%*	2,781	2,838	*2.0%*	2,078	*36.5%*
Endurance Technologies	26,693	26,848	*0.6%*	22,343	*20.2%*	3,270	3,894	*19.1%*	2,854	*36.4%*	1,753	2,102	*19.9%*	1,365	*54.0%*
Hero Motocorp	93,554	95,193	*1.8%*	83,068	*14.6%*	13,260	13,592	*2.5%*	10,830	*25.5%*	10,320	10,161	*-1.5%*	8,589	*18.3%*
Mahindra & Mahindra	2,43,907	2,51,090	*2.9%*	2,25,714	*11.2%*	30,613	31,188	*1.9%*	27,883	*11.9%*	19,800	20,382	*2.9%*	20,608	*-1.1%*
Maruti Suzuki	3,88,382	3,82,349	*-1.6%*	3,20,480	*19.3%*	49,265	46,850	*-4.9%*	33,503	*39.8%*	38,840	38,778	*-0.2%*	26,236	*47.8%*
Tata Motors	12,42,521	11,99,863	*-3.4%*	10,59,324	*13.3%*	1,72,859	1,69,933	*-1.7%*	1,27,961	*32.8%*	61,698	1,74,953	*183.6%*	56,231	*211.1%*
TVS Motors	80,265	81,688	*1.8%*	66,048	*23.7%*	9,045	9,262	*2.4%*	6,798	*36.3%*	5,385	4,854	*-9.9%*	4,103	*18.3%*
Total	**24,53,042**	**24,19,410**	***-1.4%***	**21,21,525**	***14.0%***	**3,42,771**	**3,40,728**	***-0.6%***	**2,61,414**	***30.3%***	**1,83,161**	**2,97,636**	***62.5%***	**1,53,203**	***94.3%***
Banks															
Axis Bank	1,29,553	1,30,890	*1.0%*	1,17,422	*11.5%*	93,302	1,05,357	*12.9%*	91,676	*14.9%*	63,227	71,297	*12.8%*	67,614	*5.4%*
Bank of Baroda	1,13,738	1,17,928	*3.7%*	1,15,249	*2.3%*	71,194	81,061	*13.9%*	80,729	*0.4%*	44,672	48,865	*9.4%*	47,753	*2.3%*
City Union Bank	5,485	5,466	*-0.4%*	5,143	*6.3%*	3,435	3,518	*2.4%*	4,170	*-15.6%*	2,477	2,548	*2.9%*	2,180	*16.9%*
DCB Bank	4,977	5,075	*2.0%*	4,860	*4.4%*	2,211	2,338	*5.7%*	2,439	*-4.2%*	1,346	1,557	*15.7%*	1,422	*9.5%*
Federal Bank	21,531	21,951	*1.9%*	19,093	*15.0%*	12,185	11,104	*-8.9%*	13,346	*-16.8%*	8,333	9,063	*8.8%*	9,026	*0.4%*
HDFC Bank	2,91,843	2,90,768	*-0.4%*	2,86,733	*1.4%*	3,08,172	2,92,742	*-5.0%*	2,25,996	*29.5%*	1,52,147	1,65,119	*8.5%*	1,49,189	*10.7%*
ICICI Bank	1,88,500	1,90,928	*1.3%*	1,76,668	*8.1%*	1,45,230	1,50,388	*3.6%*	1,38,264	*8.8%*	1,02,923	1,07,075	*4.0%*	91,219	*17.4%*
IndusInd bank	54,716	53,764	*-1.7%*	46,695	*15.1%*	38,910	40,271	*3.5%*	37,528	*7.3%*	21,682	23,468	*8.2%*	20,405	*15.0%*
Kotak Mahindra Bank	67,129	69,094	*2.9%*	61,026	*13.2%*	48,227	54,616	*13.2%*	46,474	*17.5%*	33,170	41,333	*24.6%*	34,956	*18.2%*
State Bank of India	4,00,698	4,16,552	*4.0%*	4,03,925	*3.1%*	1,46,595	2,87,476	*96.1%*	2,46,211	*16.8%*	1,04,321	2,06,984	*98.4%*	1,66,945	*24.0%*
Total	**12,78,171**	**13,02,416**	***1.9%***	**12,36,811**	***5.3%***	**8,69,461**	**10,28,869**	***18.3%***	**8,86,833**	***16.0%***	**5,34,297**	**6,77,308**	***26.8%***	**5,90,710**	***14.7%***
Building Materials															
Astral Ltd.	16,874	16,251	*-3.7%*	15,062	*7.9%*	3,493	2,915	*-16.6%*	3,089	*-5.6%*	2,284	1,813	*-20.6%*	2,075	*-12.6%*
Century Plyboard	10,486	10,607	*1.2%*	9,654	*9.9%*	1,444	1,483	*2.7%*	1,638	*-9.5%*	921	1,005	*9.2%*	1,146	*-12.3%*
Cera Sanitaryware	5,554	5,488	*-1.2%*	5,325	*3.1%*	861	950	*10.3%*	872	*8.9%*	657	757	*15.2%*	632	*19.9%*
Finolex Industries	11,645	12,354	*6.1%*	11,411	*8.3%*	1,859	2,089	*12.4%*	2,174	*-3.9%*	1,466	1,649	*12.4%*	1,665	*-1.0%*
Greenpanael Inds	4,493	3,966	*-11.7%*	4,414	*-10.2%*	751	513	*-31.7%*	762	*-32.7%*	395	298	*-24.5%*	689	*-56.8%*
Kajaria Ceramics	12,561	12,408	*-1.2%*	12,048	*3.0%*	2,004	1,720	*-14.2%*	1,759	*-2.2%*	1,214	1,031	*-15.0%*	1,124	*-8.3%*
Supreme Industries	28,190	30,079	*6.7%*	25,983	*15.8%*	4,506	4,907	*8.9%*	4,803	*2.2%*	3,160	3,548	*12.3%*	3,594	*-1.3%*
Total	**89,802**	**91,153**	***1.5%***	**83,898**	***8.6%***	**14,919**	**14,577**	***-2.3%***	**15,098**	***-3.5%***	**10,096**	**10,102**	***0.1%***	**10,926**	***-7.5%***

	Revenue					EBITDA					PAT				
	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*
Capital Goods															
ABB India	29,999	30,804	*2.7%*	24,112	*27.8%*	4,045	5,652	*39.7%*	2,853	*98.1%*	3,373	4,596	*36.3%*	2,452	*87.5%*
Apar Inds Ltd	44,445	44,551	*0.2%*	40,886	*9.0%*	4,183	4,213	*0.7%*	4,239	*-0.6%*	2,155	2,362	*9.6%*	2,427	*-2.7%*
BEML	19,007	15,137	*-20.4%*	13,879	*9.1%*	4,108	3,704	*-9.8%*	2,868	*29.1%*	2,825	2,568	*-9.1%*	1,577	*62.8%*
Bharat Electronics	84,252	85,285	*1.2%*	64,566	*32.1%*	18,849	22,800	*21.0%*	18,248	*24.9%*	13,767	17,835	*29.6%*	13,654	*30.6%*
BHEL	1,03,964	82,603	*-20.5%*	82,270	*0.4%*	13,382	7,279	*-45.6%*	10,490	*-30.6%*	8,514	4,844	*-43.1%*	6,451	*-24.9%*
Carborundum Universal	12,133	12,012	*-1.0%*	11,996	*0.1%*	1,942	2,094	*7.8%*	1,903	*10.0%*	1,028	1,348	*31.2%*	1,180	*14.3%*
Grindw ell Norton	7,146	6,911	*-3.3%*	6,648	*4.0%*	1,408	1,250	*-11.3%*	1,293	*-3.3%*	1,017	926	*-9.0%*	992	*-6.7%*
Cummins India	22,904	23,162	*1.1%*	19,260	*20.3%*	4,551	5,443	*19.6%*	3,261	*66.9%*	3,869	5,615	*45.1%*	3,185	*76.3%*
Engineers India	10,350	8,051	*-22.2%*	8,801	*-8.5%*	848	775	*-8.7%*	1,669	*-53.6%*	780	1,155	*48.2%*	1,902	*-39.3%*
GE T&D India	8,629	9,136	*5.9%*	7,031	*29.9%*	1,162	1,110	*-4.5%*	279	*297.6%*	764	663	*-13.3%*	(109)	*-708.7%*
Harsha Engineering	3,434	3,804	*10.8%*	3,437	*10.7%*	420	545	*29.9%*	508	*7.4%*	207	368	*77.8%*	326	*12.8%*
Hindustan Aeronautics	1,41,977	1,42,198	*0.2%*	1,24,947	*13.8%*	34,037	53,523	*57.2%*	32,458	*64.9%*	22,668	39,009	*72.1%*	19,448	*100.6%*
Kalpataru Pow er Transmissi	53,013	51,470	*-2.9%*	43,960	*17.1%*	4,364	4,000	*-8.3%*	3,110	*28.6%*	2,085	1,750	*-16.1%*	1,147	*52.6%*
KEC International	56,978	61,648	*8.2%*	55,250	*11.6%*	4,278	3,880	*-9.3%*	2,835	*36.9%*	1,648	1,518	*-7.9%*	722	*110.2%*
Larsen & Toubro	6,60,978	6,70,787	*1.5%*	5,83,352	*15.0%*	74,366	72,340	*-2.7%*	68,329	*5.9%*	39,794	43,232	*8.6%*	39,868	*8.4%*
Praj Industries	10,403	10,186	*-2.1%*	10,040	*1.5%*	1,189	1,262	*6.1%*	1,045	*20.7%*	931	919	*-1.3%*	881	*4.3%*
Siemens	55,995	57,499	*2.7%*	48,578	*18.4%*	7,261	8,782	*20.9%*	6,212	*41.4%*	5,985	6,105	*2.0%*	4,718	*29.4%*
Thermax	26,685	27,637	*3.6%*	23,108	*19.6%*	2,379	2,732	*14.8%*	1,999	*36.6%*	1,791	1,876	*4.7%*	1,562	*20.1%*
Triveni Turbine	4,873	4,581	*-6.0%*	3,698	*23.9%*	958	898	*-6.2%*	663	*35.4%*	730	760	*4.1%*	555	*36.9%*
Voltamp Transformers	5,348	5,042	*-5.7%*	4,399	*14.6%*	1,116	1,007	*-9.8%*	928	*8.5%*	836	935	*11.8%*	766	*22.2%*
Total	**13,62,514**	**13,52,501**	***-0.7%***	**11,80,216**	***14.6%***	**1,84,848**	**2,03,288**	***10.0%***	**1,65,191**	***23.1%***	**1,14,766**	**1,38,383**	***20.6%***	**1,03,704**	***33.4%***
Cement															
ACC	51,947	54,087	*4.1%*	45,370	*19.2%*	6,940	8,368	*20.6%*	3,791	*120.7%*	3,878	7,730	*99.3%*	1,715	*350.8%*
Ambuja Cement	50,311	47,803	*-5.0%*	41,285	*15.8%*	8,919	7,978	*-10.6%*	6,261	*27.4%*	5,422	5,481	*1.1%*	4,178	*31.2%*
Dalmia Bharat	44,762	43,070	*-3.8%*	39,150	*10.0%*	8,493	6,540	*-23.0%*	7,100	*-7.9%*	3,273	3,150	*-3.8%*	6,448	*-51.1%*
Nuvoco Vistas Corporation	31,959	29,334	*-8.2%*	29,285	*0.2%*	4,504	4,908	*9.0%*	3,804	*29.0%*	610	1,004	*64.4%*	2,011	*-50.1%*
Shree Cement	48,754	51,010	*4.6%*	47,851	*6.6%*	11,208	13,272	*18.4%*	8,925	*48.7%*	5,572	6,618	*18.8%*	5,462	*21.2%*
Ultratech Cement	1,90,929	1,98,059	*3.7%*	1,81,121	*9.4%*	34,329	40,202	*17.1%*	32,309	*24.4%*	19,519	23,764	*21.7%*	16,578	*43.3%*
Total	4,18,660	4,23,364	*1.1%*	3,84,062	*10.2%*	74,394	81,268	*9.2%*	62,191	*30.7%*	38,276	47,747	*24.7%*	36,391	*31.2%*
Chemicals															
Aarti Industries	20,846	17,730	*-14.9%*	16,550	*7.1%*	2,989	2,830	*-5.3%*	2,510	*12.7%*	1,462	1,320	*-9.7%*	1,480	*-10.8%*
Clean Science	2,055	2,275	*10.7%*	2,169	*4.9%*	936	945	*1.0%*	1,051	*-10.1%*	672	703	*4.6%*	805	*-12.7%*
Deepak Nitreite	20,850	21,262	*2.0%*	19,614	*8.4%*	3,329	3,011	*-9.5%*	3,480	*-13.5%*	2,183	1,741	*-20.2%*	2,339	*-25.6%*
Fine Organic Inds	4,520	5,215	*15.4%*	5,966	*-12.6%*	982	1,322	*34.7%*	2,024	*-34.7%*	740	1,049	*41.7%*	1,494	*-29.8%*
Gujarat Fluorochemicals	10,846	11,330	*4.5%*	14,714	*-23.0%*	2,191	2,376	*8.4%*	5,293	*-55.1%*	717	1,010	*40.8%*	3,319	*-69.6%*
Jubilant Ingrevia	10,308	10,744	*4.2%*	11,450	*-6.2%*	1,032	912	*-11.6%*	1,021	*-10.6%*	600	293	*-51.3%*	523	*-44.1%*
Laxmi Organic Inds	7,112	7,921	*11.4%*	7,332	*8.0%*	599	900	*50.1%*	607	*48.2%*	304	443	*45.9%*	243	*82.1%*
Navin Fluorine	4,976	6,020	*21.0%*	6,971	*-13.6%*	868	1,101	*26.7%*	2,018	*-45.5%*	134	704	*426.3%*	1,364	*-48.4%*
Nocil Ltd	3,344	3,565	*6.6%*	3,927	*-9.2%*	470	446	*-5.0%*	497	*-10.3%*	266	415	*56.1%*	283	*46.7%*
SRF	32,902	35,697	*8.5%*	37,781	*-5.5%*	6,263	6,958	*11.1%*	9,316	*-25.3%*	3,432	4,222	*23.0%*	5,625	*-24.9%*
Vinati Organics	4,677	5,503	*17.7%*	5,193	*6.0%*	1,180	1,502	*27.3%*	1,472	*2.0%*	807	1,045	*29.4%*	1,047	*-0.2%*
Total	**1,22,436**	**1,27,263**	***3.9%***	**1,31,666**	***-3.3%***	**20,840**	**22,303**	***7.0%***	**29,288**	***-23.8%***	**11,315**	**12,943**	***14.4%***	**18,522**	***-30.1%***

	Revenue					EBITDA					PAT				
	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*
Consumer Durables															
Bajaj Electicals	13,612	11,881	*-12.7%*	12,920	*-8.0%*	912	497	*-45.4%*	946	*-47.4%*	428	293	*-31.5%*	518	*-43.5%*
Crompton Greaves Consume	19,593	19,610	*0.1%*	17,910	*9.5%*	1,906	2,036	*6.8%*	2,114	*-3.7%*	1,172	1,384	*18.1%*	1,312	*5.5%*
Havells India	54,713	54,420	*-0.5%*	48,592	*12.0%*	5,690	6,346	*11.5%*	5,272	*20.4%*	3,950	4,467	*13.1%*	3,580	*24.8%*
KEI Inds	22,616	23,193	*2.5%*	19,545	*18.7%*	2,421	2,446	*1.0%*	2,038	*20.0%*	1,724	1,688	*-2.1%*	1,381	*22.2%*
Polycab India	53,426	55,919	*4.7%*	43,237	*29.3%*	7,410	7,615	*2.8%*	6,095	*24.9%*	5,138	5,460	*6.3%*	4,248	*28.5%*
RR Kabel	18,522	17,541	*-5.3%*	15,165	*15.7%*	1,430	1,153	*-19.4%*	1,004	*14.8%*	1,123	787	*-29.9%*	656	*20.1%*
Voltas	36,178	42,029	*16.2%*	29,568	*42.1%*	2,458	1,906	*-22.5%*	2,182	*-12.6%*	1,915	1,164	*-39.2%*	1,439	*-19.1%*
Total	2,18,659	2,24,592	*2.7%*	1,86,937	*20.1%*	22,226	21,999	*-1.0%*	19,651	*11.9%*	15,449	15,243	*-1.3%*	13,134	*16.1%*
Consumer Staples															
Asian Paints	91,197	87,308	*-4.3%*	87,873	*-0.6%*	19,747	16,914	*-14.3%*	18,648	*-9.3%*	13,124	12,665	*-3.5%*	12,662	*0.0%*
Avenue Supermarts	1,26,968	1,27,266	*0.2%*	1,05,941	*20.1%*	9,337	9,436	*1.1%*	7,715	*22.3%*	5,692	5,631	*-1.1%*	4,601	*22.4%*
Britannia Industries	42,211	40,694	*-3.6%*	40,232	*1.1%*	7,898	7,875	*-0.3%*	8,009	*-1.7%*	5,355	5,366	*0.2%*	5,576	*-3.8%*
Colgate Palmolive	14,536	14,900	*2.5%*	13,506	*10.3%*	4,676	5,322	*13.8%*	4,519	*17.8%*	3,241	3,798	*17.2%*	3,181	*19.4%*
Dabur India	28,500	28,146	*-1.2%*	26,778	*5.1%*	4,451	4,668	*4.9%*	4,098	*13.9%*	3,292	3,412	*3.7%*	2,928	*16.6%*
Emami	8,785	8,912	*1.5%*	8,360	*6.6%*	2,076	2,109	*1.6%*	1,998	*5.5%*	1,577	1,490	*-5.5%*	1,445	*3.1%*
Hindustan Unilever	1,50,575	1,48,570	*-1.3%*	1,48,930	*-0.2%*	35,241	34,350	*-2.5%*	34,710	*-1.0%*	24,782	23,960	*-3.3%*	24,710	*-3.0%*
ITC	1,73,801	1,65,793	*-4.6%*	1,63,980	*1.1%*	63,537	61,626	*-3.0%*	62,094	*-0.8%*	51,231	50,223	*-2.0%*	50,140	*0.2%*
Jubilant FoodWorks	13,272	13,313	*0.3%*	12,523	*6.3%*	2,654	2,543	*-4.2%*	2,522	*0.8%*	461	376	*-18.3%*	675	*-44.3%*
Kansai Nerolac Paints	17,400	16,617	*-4.5%*	16,051	*3.5%*	2,214	1,791	*-19.1%*	1,525	*17.5%*	1,441	1,205	*-16.4%*	940	*28.2%*
Marico	23,132	22,780	*-1.5%*	22,400	*1.7%*	4,477	4,420	*-1.3%*	3,930	*12.5%*	3,094	3,200	*3.4%*	3,050	*4.9%*
Metro Brands	5,779	5,830	*0.9%*	5,441	*7.1%*	1,588	1,586	*-0.1%*	1,436	*10.5%*	681	1,552	*128.0%*	685	*126.6%*
Mold Tech Packaging	1,890	1,769	*-6.4%*	1,847	*-4.2%*	393	355	*-9.6%*	356	*-0.3%*	189	180	*-4.7%*	230	*-21.9%*
Nestle India	52,411	52,677	*0.5%*	48,305	*9.0%*	12,317	13,386	*8.7%*	11,100	*20.6%*	8,319	9,139	*9.9%*	7,511	*21.7%*
Pidilite Industries	28,268	29,019	*2.7%*	26,893	*7.9%*	6,419	5,769	*-10.1%*	4,592	*25.6%*	4,663	3,759	*-19.4%*	2,859	*31.5%*
Restaurant Brands Asia	4,583	4,392	*-4.2%*	3,649	*20.4%*	531	552	*3.9%*	423	*30.6%*	(275)	(309)	*N*	(246)	*25.8%*
Titan Company	1,12,432	1,12,570	*0.1%*	97,040	*16.0%*	12,978	11,090	*-14.5%*	10,440	*6.2%*	8,162	7,860	*-3.7%*	7,340	*7.1%*
Westlife Development	5,638	5,623	*-0.3%*	5,564	*1.1%*	796	749	*-5.9%*	887	*-15.5%*	73	8	*-89.5%*	201	*-96.2%*
Total	**9,01,378**	**8,86,176**	***-1.7%***	**8,35,313**	***6.1%***	**1,91,330**	**1,84,542**	***-3.5%***	**1,79,000**	***3.1%***	**1,35,101**	**1,33,515**	***-1.2%***	**1,28,488**	***3.9%***
Educatin															
Navneet Education	4,350	4,353	*0.1%*	4,090	*6.4%*	683	865	*26.6%*	598	*44.7%*	366	479	*30.7%*	229	*108.8%*
S Chand & Co	4,357	4,372	*0.3%*	3,905	*11.9%*	1,866	1,863	*-0.1%*	1,466	*27.1%*	1,210	1,292	*6.8%*	1,030	*25.5%*
Total	**8,707**	**8,724**	***0.2%***	**7,995**	***9.1%***	**2,549**	**2,728**	***7.0%***	**2,064**	***32.2%***	**1,577**	**1,771**	***12.3%***	**1,259**	***40.7%***
Healthcare															
Apollo Hospitals Enterprise	48,727	49,439	*1.5%*	43,022	*14.9%*	6,270	6,405	*2.2%*	4,882	*31.2%*	2,295	2,538	*10.6%*	1,445	*75.6%*
Aster DM Healthcare	9,302	9,736	*4.7%*	8,069	*20.7%*	1,500	1,593	*6.2%*	1,240	*28.5%*	493	417	*-15.2%*	493	*-15.3%*
Fortis Healthcare	17,764	17,859	*0.5%*	16,427	*8.7%*	3,350	3,810	*13.7%*	2,709	*40.7%*	1,669	1,787	*7.1%*	1,326	*34.8%*
HealthCare Global Enterprise	4,922	4,946	*0.5%*	4,417	*12.0%*	906	920	*1.5%*	763	*20.6%*	185	213	*14.8%*	84	*154.0%*
Jupiter Life Line	2,747	2,905	*5.8%*	2,423	*19.9%*	629	623	*-0.9%*	516	*20.7%*	471	453	*-4.0%*	158	*187.4%*
Krishna Institute of Medical S	6,538	6,338	*-3.1%*	5,759	*10.0%*	1,727	1,590	*-7.9%*	1,632	*-2.6%*	856	655	*-23.5%*	933	*-29.8%*
Max Healthcare Institute	17,504	17,910	*2.3%*	15,440	*16.0%*	4,986	4,940	*-0.9%*	4,290	*15.2%*	3,673	3,110	*-15.3%*	3,190	*-2.5%*
Narayana Hrudayalaya	13,659	12,794	*-6.3%*	12,216	*4.7%*	3,103	2,946	*-5.1%*	2,757	*6.8%*	2,154	1,909	*-11.4%*	1,733	*10.1%*
Total	**1,49,410**	**1,21,927**	***-18.4%***	**1,07,774**	***13.1%***	**26,819**	**22,827**	***-14.9%***	**18,789**	***21.5%***	**13,253**	**11,081**	***-16.4%***	**9,361**	***18.4%***
Housing Finance															
Aavas Financiers	2,374	2,371	*-0.2%*	2,211	*7.2%*	1,620	1,818	*12.2%*	1,649	*10.2%*	1,201	1,426	*18.7%*	1,268	*12.5%*
Can Fin Homes	3,363	3,278	*-2.5%*	2,613	*25.5%*	2,858	2,717	*-4.9%*	2,218	*22.5%*	2,008	2,090	*4.1%*	1,658	*26.1%*
LIC Housing Finance	20,870	22,481	*7.7%*	19,927	*12.8%*	18,316	19,041	*4.0%*	17,515	*8.7%*	11,539	10,908	*-5.5%*	11,803	*-7.6%*
Total	**26,607**	**28,130**	***5.7%***	**24,751**	***13.6%***	**22,794**	**23,576**	***3.4%***	**21,383**	***10.3%***	**14,748**	**14,425**	***-2.2%***	**14,728**	***-2.1%***

	Revenue					EBITDA					PAT				
	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*
Media															
Nazara Technologies	2,714	2,662	*-1.9%*	2,893	*-8.0%*	270	292	*8.4%*	278	*5.1%*	151	86	*-43.2%*	53	*61.6%*
PVR	12,695	12,564	*-1.0%*	11,432	*9.9%*	2,664	2,784	*4.5%*	2,639	*5.5%*	(1,585)	(1,295)	*P*	(3,226)	*-59.9%*
Zee Entertainment	19,522	21,699	*11.2%*	21,121	*2.7%*	1,408	2,103	*49.3%*	1,517	*38.6%*	540	398	*-26.2%*	171	*133.1%*
Total	**34,930**	**36,925**	***5.7%***	**35,446**	***4.2%***	**4,341**	**5,179**	***19.3%***	**4,434**	***16.8%***	**(894)**	**(811)**	***-9.3%***	**(3,002)**	***-73.0%***
Metals & Mining															
Hindalco Industries	5,54,684	5,59,940	*0.9%*	5,58,570	*0.2%*	70,980	66,810	*-5.9%*	53,270	*25.4%*	32,181	31,750	*-1.3%*	24,090	*31.8%*
Jindal Stainless	97,806	94,540	*-3.3%*	97,651	*-3.2%*	11,067	10,352	*-6.5%*	11,439	*-9.5%*	6,201	5,007	*-19.2%*	7,658	*-34.6%*
Jindal Steel & Pow er	1,16,518	1,34,870	*15.8%*	1,36,919	*-1.5%*	25,035	24,445	*-2.4%*	21,873	*11.8%*	10,710	9,354	*-12.7%*	4,657	*100.9%*
JSW Steel	4,56,276	4,62,690	*1.4%*	4,69,620	*-1.5%*	61,963	61,240	*-1.2%*	79,390	*-22.9%*	15,958	12,990	*-18.6%*	36,640	*-64.5%*
National Aluminium Co.	34,618	35,791	*3.4%*	36,714	*-2.5%*	9,719	11,075	*14.0%*	7,670	*44.4%*	5,732	10,158	*77.2%*	5,219	*94.6%*
NMDC	63,811	64,893	*1.7%*	58,514	*10.9%*	24,318	21,017	*-13.6%*	21,624	*-2.8%*	16,600	14,338	*-13.6%*	14,196	*1.0%*
Steel Authority of India	2,74,125	2,65,220	*-3.2%*	2,91,306	*-9.0%*	20,330	20,394	*0.3%*	29,139	*-30.0%*	2,558	10,112	*295.4%*	10,490	*-3.6%*
Tata Steel	6,03,557	5,86,873	*-2.8%*	6,29,615	*-6.8%*	61,625	66,006	*7.1%*	72,192	*-8.6%*	10,109	7,851	*-22.3%*	16,996	*-53.8%*
Total	**22,01,395**	**22,04,816**	***0.2%***	**22,78,909**	***-3.3%***	**2,85,036**	**2,81,339**	***-1.3%***	**2,96,597**	***-5.1%***	**1,00,048**	**1,01,561**	***1.5%***	**1,19,946**	***-15.3%***
Travel & Tourism															
Chalet Hotels	4,615	4,183	*-9.4%*	3,379	*23.8%*	2,125	1,829	*-13.9%*	1,524	*20.0%*	1,015	825	*-18.7%*	552	*49.6%*
IRCTC Ltd	11,308	11,548	*2.1%*	9,650	*19.7%*	3,862	3,624	*-6.2%*	3,246	*11.7%*	3,065	2,763	*-9.9%*	2,530	*9.2%*
Interglobe Aviation	1,68,106	1,78,253	*6.0%*	1,41,606	*25.9%*	38,704	43,795	*13.2%*	28,938	*51.3%*	14,431	18,948	*31.3%*	9,192	*106.1%*
Lemon Tree Hotels	3,207	3,330	*3.8%*	2,527	*31.8%*	1,595	1,771	*11.1%*	1,399	*26.6%*	751	584	*-22.2%*	440	*32.9%*
Safari Industries (India)	3,851	3,654	*-5.1%*	3,027	*20.7%*	672	669	*-0.5%*	583	*14.7%*	416	432	*3.7%*	381	*13.4%*
VIP Inds	5,238	5,163	*-1.4%*	4,506	*14.6%*	463	78	*-83.1%*	643	*-87.8%*	113	(239)	*N*	430	*-155.6%*
Total	**1,96,326**	**2,06,130**	***5.0%***	**1,64,695**	***25.2%***	**47,421**	**51,766**	***9.2%***	**36,332**	***42.5%***	**19,793**	**23,314**	***17.8%***	**13,523**	***72.4%***
Oil & Gas															
Bharat Petroleum Corporatior	10,57,062	11,65,551	*10.3%*	11,81,121	*-1.3%*	85,795	92,131	*7.4%*	1,11,537	*-17.4%*	48,367	42,242	*-12.7%*	64,777	*-34.8%*
GAIL (India)	3,29,006	3,23,345	*-1.7%*	3,28,582	*-1.6%*	40,482	35,578	*-12.1%*	3,072	*1058.3%*	27,293	21,770	*-20.2%*	6,035	*260.7%*
Gujarat Gas	39,028	41,342	*5.9%*	39,286	*5.2%*	4,982	5,911	*18.6%*	5,603	*5.5%*	2,850	3,681	*29.1%*	3,692	*-0.3%*
Gujarat State Petronet	4,375	4,547	*3.9%*	3,740	*21.6%*	3,740	3,780	*1.1%*	2,947	*28.3%*	2,585	2,611	*1.0%*	2,243	*16.4%*
Hindustan Petroleum Corpora	11,06,470	10,75,812	*-2.8%*	10,79,278	*-0.3%*	36,994	48,038	*29.9%*	47,986	*0.1%*	13,369	28,427	*112.6%*	32,226	*-11.8%*
Indian Oil Corporation	25,50,104	19,79,782	*-22.4%*	20,29,941	*-2.5%*	1,44,988	1,04,352	*-28.0%*	1,43,508	*-27.3%*	66,938	48,377	*-27.7%*	1,00,587	*-51.9%*
Indraprastha Gas	36,002	35,968	*-0.1%*	36,820	*-2.3%*	6,141	5,226	*-14.9%*	4,608	*13.4%*	4,141	3,829	*-7.5%*	3,298	*16.1%*
Mahanagar Gas	15,902	15,671	*-1.5%*	16,105	*-2.7%*	4,362	3,938	*-9.7%*	3,897	*1.0%*	3,067	2,650	*-13.6%*	2,688	*-1.4%*
Mangalore Refinery	2,37,698	2,53,287	*6.6%*	2,53,654	*-0.1%*	16,328	23,395	*43.3%*	33,940	*-31.1%*	5,674	11,368	*100.4%*	19,080	*-40.4%*
Oil & Natural Gas Corporatior	3,57,197	3,46,367	*-3.0%*	3,62,926	*-4.6%*	1,75,515	1,74,066	*-0.8%*	1,63,412	*6.5%*	79,588	98,694	*24.0%*	69,001	*43.0%*
Oil India	61,835	57,567	*-6.9%*	56,497	*1.9%*	21,522	23,357	*8.5%*	23,510	*-0.7%*	13,044	20,288	*55.5%*	17,883	*13.5%*
Petronet LNG	1,40,966	1,37,932	*-2.2%*	1,38,739	*-0.6%*	11,917	11,040	*-7.4%*	9,431	*17.1%*	7,524	7,376	*-2.0%*	6,143	*20.1%*
Reliance Industries	24,20,171	23,65,330	*-2.3%*	21,29,450	*11.1%*	4,24,909	4,25,160	*0.1%*	3,84,400	*10.6%*	1,72,273	1,89,510	*10.0%*	1,92,990	*-1.8%*
Total	**83,55,817**	**78,02,501**	***-6.6%***	**76,56,138**	***1.9%***	**9,77,675**	**9,55,971**	***-2.2%***	**9,37,851**	***1.9%***	**4,46,713**	**4,80,823**	***7.6%***	**5,20,643**	***-7.6%***

	Revenue					EBITDA					PAT				
	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*	Q4FY24E	Q4FY24A	*Var. (A vs E)*	Q4FY23	*YoY gr.*
Pharma															
Aurobindo Pharma	72,044	75,802	*5.2%*	64,730	*17.1%*	14,758	16,871	*14.3%*	10,022	*68.3%*	8,128	11,516	*41.7%*	5,176	*122.5%*
Cipla	61,307	61,632	*0.5%*	57,393	*7.4%*	12,887	13,159	*2.1%*	11,737	*12.1%*	8,290	9,390	*13.3%*	5,257	*78.6%*
Divis Lab	20,826	23,030	*10.6%*	19,508	*18.1%*	6,191	7,330	*18.4%*	4,918	*49.0%*	4,549	5,380	*18.3%*	3,210	*67.6%*
Dr. Reddy's Laboratories	70,158	70,830	*1.0%*	62,968	*12.5%*	19,048	17,842	*-6.3%*	15,829	*12.7%*	12,356	13,070	*5.8%*	9,592	*36.3%*
Eris Lifesciences	4,845	5,509	*13.7%*	4,028	*36.8%*	1,695	1,484	*-12.4%*	1,189	*24.8%*	796	710	*-10.9%*	654	*8.5%*
Indoco Remedies	4,602	4,496	*-2.3%*	4,282	*5.0%*	622	489	*-21.5%*	648	*-24.5%*	243	23	*-90.6%*	258	*-91.1%*
IPCA Labs	20,433	20,330	*-0.5%*	15,116	*34.5%*	3,222	3,046	*-5.5%*	1,705	*78.6%*	1,276	1,963	*53.8%*	765	*156.5%*
JB Chem & Pharma	8,439	8,617	*2.1%*	7,623	*13.0%*	1,981	1,981	*0.0%*	1,636	*21.1%*	1,182	1,262	*6.7%*	876	*44.0%*
Lupin	51,459	49,608	*-3.6%*	44,301	*12.0%*	9,903	9,968	*0.7%*	6,041	*65.0%*	5,246	3,594	*-31.5%*	2,360	*52.3%*
Sun Pharmaceutical Industrie	1,21,209	1,19,829	*-1.1%*	1,09,307	*9.6%*	30,694	30,915	*0.7%*	28,293	*9.3%*	21,618	26,546	*22.8%*	19,845	*33.8%*
Torrent Pharma	27,887	27,450	*-1.6%*	24,910	*10.2%*	8,912	8,830	*-0.9%*	7,270	*21.5%*	4,341	4,490	*3.4%*	2,870	*56.4%*
Zydus Lifesciences	53,872	55,338	*2.7%*	50,106	*10.4%*	15,417	16,252	*5.4%*	13,141	*23.7%*	10,478	11,738	*12.0%*	3,573	*228.5%*
Total	**5,17,081**	**5,22,472**	***1.0%***	**4,64,271**	***12.5%***	**1,25,330**	**1,28,167**	***2.3%***	**1,02,429**	***25.1%***	**78,505**	**89,682**	***14.2%***	**54,436**	***64.7%***
Telecom															
Bharti Airtel	3,87,362	3,75,991	*-2.9%*	3,60,090	*4.4%*	2,03,365	1,93,648	*-4.8%*	1,86,971	*3.6%*	22,010	36,333	*65.1%*	30,054	*20.9%*
Total	**3,87,362**	**3,75,991**	***-2.9%***	**3,60,090**	***4.4%***	**2,03,365**	**1,93,648**	***-4.8%***	**1,86,971**	***3.6%***	**22,010**	**36,333**	***65.1%***	**30,054**	***20.9%***
Aggregate So far	**1,87,22,296**	**1,81,34,493**	***-3.1%***	**1,72,60,497**	***5%***	**34,16,119**	**35,62,775**	***4.3%***	**32,25,515**	***10%***	**17,38,213**	**20,91,055**	***20.3%***	**18,16,026**	***15%***

Source: Company, PL

Aarti Industries (ARTO IN)

Rating: REDUCE | CMP: Rs669 | TP:Rs595

- For FY24 Capex was Rs 12.8bn, the company expect to spend Rs16 -18bn in FY25 (50% of this will go into to the new site).
- Domestic : Export mix was 52:48 %.
- Agrochemical segment is under pressure due to which volumes were impacted whereas Dyes, Pigments Segment have been witnessing volume recovery.
- A multipurpose plant and Chlorotoulene are coming up at a new site in Jhagadia.
- PDA volumes was 523 tn per month.
- Revenue contribution: Agro Pharma: 35%, Discretionary: 65%.
- Peak EBITDA we can expect from the existing assets can be 20bn.
- Contract with Deepak Fertilizer is for 80bn with duration of 20years.
- Cost of Debt is 7.5-8%, for next year the management expect it to be similar.
- Inventory increased as there were many products which were to be shipped in March but due to some delay they were shipped in April.
- Effective tax rate for FY25/26 is expected to be 12-15%.
- Long term Contract**:** Rs 30bn, 9yr contract is linked to NT project, it did Rs1bn in FY24, expect Rs 3.5bn in FY25.
- 60bn contract going as planned; expect 50% YoY growth in FY24.

AAVAS Financiers (AAVAS IN)

Rating: HOLD | CMP: Rs1,610 | TP: Rs1,720

Assets/Liabilities

- Disbursal was highest ever since inception at Rs18.9bn led by diversified Omni channel lead generation.
- AUM growth was 22%YoY. Aim is to keep AUM growth between 22-25%.
- To meet long term business growth, company has entered into its first colending arrangement with a large PSU bank.
- In case of balance transfers, AAVAS continues to retain better quality customers which has contributed to NIM compression.
- Focus is on increasing proportion of < 1mn ticket sized loans.
- Assignment is an efficient way to manage ALM requirements; 15-20% growth is expected in this source.

- In terms of new and cheaper avenues for sourcing, company has acquired funding from MSME based DFI for their MSME business. In rising interest scenario, company would like to resort to this funding source to contain their cost of borrowing.

Fees/NIMs/Branches

- Top 4 states viz. Rajasthan, Maharashtra, Gujrat and Delhi contribute 80-82% to business.
- 21 new branches were opened during FY24. Geography-wise company is planning branch expansion in Karnataka followed by UP.
- On the tech front, company has adopted and stabilized loan application system ‘Salesforce’ and ERP application ‘Oracle fusion’. Tech transformation has reduced TAT to sanction loans to 9 days in FY24 from 11 days in FY23.
- Reported opex to asset ratio decreased by 10bps QoQ to 3.58% in Q4FY24. Company is targeting for 20-25bps reduction in opex over a period of 2 years. Company aims to keep the above ratio below 3% over the medium term.
- Increase in employee costs QoQ was driven by ESOP costs and long term incentives.
- Decrease in tax rate in current quarter is on the back of reversal of tax from previous year.

Asset Quality

- Company reported all time low 1+DPD at 3.12% and GNPA of 0.94%. Management expects to sustain the 1+DPD at current levels.
- Total ECL provisioning including that for COVID 19 and resolution framework 2.0 stood at 848.2mn.

ABB India (ABB IN)

Rating: ACCUMULATE | CMP: Rs7,984 | TP:Rs8,400

Assets/Liabilities

- Disbursal was highest ever since inception at Rs18.9bn led by diversified Omni channel lead generation.
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Ambuja Cement (ACEM IN)

Rating: HOLD | CMP: Rs626 | TP:Rs652

- ACEM has identified incremental three locations for 4mtpa clinker capacity each in the Western, Northern and Southern region; where only EC approvals are awaited for the equipment ordering. Sanghipuram is expected to get two kilns of 4mt each.
- MSA sales volume for 4Q stood at 4.08mt of which 0.42mt and 0.25mt was sold from Sanghi to ACEM and ACC respectively.
- Primary lead distance for 4Q stood at 276km, while secondary lead distance stood at 48km.
- Order has been placed for 26 DCFC rakes for fly ash transportation from thermal power plants. ACEM has ordered 11 GPWIS rakes of which 8 rakes

have been delivered and balance will be delivered in 1QFY25 end which will enable efficient clinker movements.

- Total capex for FY25 is expected to be Rs 75bn of which Rs 50-60bn would be growth capex.
- Blended cement share stood at 86%, premium share at 24% of trade sales and fuel costs stood at 1.84/kcal, AFR share stood at 10.6% while WHRS stands at 13.5%.
- In 4Q, 142mt of limestone reserves were secured taking total limestone reserves to 7.8bt.
- Civil construction work at Bhatapara clinker unit, Sankrail and Farakka GU stands at 67%, 62% and 40% respectively.
- By FY26, 60% of power requirements will be met through green power which is expected to reduce power costs by Rs90/t by FY28.
- The three coal mines won through bidding would meet 50% of coal requirements.
- Sanghi Industries is expected to deliver 5mt in FY25.
- The Rs 22bn fund raising at Sanghi will be used to repay ICD received from ACEM at the time of acquisition.
- New kiln at ACC's Ametha is working at 100%+ utilization.

Apar Industries (APR IN)

Rating: ACCUMULATE | CMP: Rs8,340 | TP:Rs8,877

- Revenue growth came in at 9.0% with continued strong domestic demand offsetting lower US sales caused by inventory de-stocking by customers. Global sales ex-US grew by 29.8% YoY.
- Export mix for sales and order book was 39% and 38% respectively. As project execution picks up, export mix is expected to improve in FY25.
- Supply chain and volumes continue to get affected by the re-routing of the ships in Red Sea, causing delays in shipments to western markets especially in Europe.
- **Conductors volume grew 13.8% YoY** with good domestic demand offsetting lower demand from export markets affected by the disrupted supply chain and higher freight costs. EBITDA/MT (post forex) was lower at Rs48,453 on the back of lower share of exports (40.3% in Q4FY24 vs 53.5% in Q4FY23).
  - Premium products contributed 48.9% to conductor sales (HEC ~24.5%).
  - Order book stood at Rs68.9bn (44.8% share of premium products) with inflows of Rs30.2bn in Q4.

  - Management expects ~15% volume growth in FY25 and long-term EBITDA/MT of Rs28,500+. Current capacity of ~205k MT will expand to 225-230k MT by FY25-end, in line with expected volume growth.

- **Threat from Chinese competition** is more prominent in Conductors business than Cables business in most markets. Negative impact from such competition is expected to be felt in near future.

- **Specialty Oil EBITDA (post forex) grew by 15.0% to Rs4,251/KL** on the back of low margin profile in the same period last year. Profitability for the quarter was partly affected due to higher weighted average cost of inventory due to delay in shipments. Long-term guidance of Rs5,000-6,000/KL.

  - Global transformer oil volume rose ~22% YoY and should grow in double digits going forward.

  - Lubricants revenue grew by 4% YoY to Rs2.4bn. Volume declined by 3% YoY to 17,813 KL due to 11% YoY decline in Automotive volume partly offset by 17% YoY improvement in Industrial volume.

- **Cables business to grow at a CAGR of ~25%** in the coming years driven by strong opportunities in Indian Railway infrastructure, Defence and Renewable energy. Q4FY24 export mix of 24.7% is expected to improve in as exports to US pick up in FY25.

- Rs3.0bn to Rs4.5bn of capex is expected to be incurred every year with a large portion to be spent on greenfield expansion and de-bottlenecking in Conductors and Cables segments.

Apollo Hospitals Enterprise (APHS IN)

Rating: BUY | CMP: Rs5,839 | TP:Rs7,050

- **Bed expansion** – Progressing well with total expansion of 2,285 census beds over the next 3 years at a capex of Rs34.3bn. Plans to operationalize 4 new hospitals with 1,500 beds, are well on track in Gurugram, Kolkata, Hyderabad and Pune in FY25-26.

- **Revenue guidance -** The management sees 15% growth in healthcare biz on network expansion, better asset utilization with an improved payor mix, whereas private insurance penetration is likely to drive volumes. Occupancy guidance is reiterated at 68-70%.

- **Margin guidance** - The management expects newly hired doctors (150 doctors in FY24) could help increase IP volumes. This, along with cost optimization measures and growth in surgical volumes, is likely to drive margin improvement in hospital segment to ~25% in FY25.

- **Apollo 24x7** - GMV increased ~35% YoY to Rs6.8bn. Expect GMV to improve from Q2/Q3FY25 as base will reset given changes done in model last year**.** Digital business is guided to break even in 6-8 quarters.

- **HealthCo –** HealthCo is on track to achieve EBITDA of Rs10bn led by higher volumes and operational efficiency. Offline pharmacy revenue growth will be at 20% with plans to add another 500-550 stores in FY25.

- **AHLL -** Diagnostic business- B2B is at 25-30%. Expect margins at mid-teens for FY25.
- **Payor mix -** Cash + insurance grew 17% YoY, and contributed to 82% of IP hospital revenues.

Ashok Leyland (AL IN)

Rating: BUY | CMP: Rs211 | TP:Rs239

- The company plans to launch 6+ new products in the SCV & LCV segments in FY25 to fill the portfolio gap and gain market share in the segment.
- Despite the macro-economic situation, its exports grew by 4.2% YoY and improved its market share in terms of exports.
- Going ahead, the management remains confident in increasing its market share in truck and bus segment. Additionally, it maintains its guidance of achieving its medium-term market share aspiration of 35% in the MSCV segment.
- It will continue to focus on driving its cost lower and maintain its position on discounts going forward which will continue to drive the margin and ASP profile for the company.
- Switch Mobility India was EBITDA positive in Q4FY24, the company expects it to be EBITDA positive in the upcoming quarters.
- In Q4FY24, it delivered its 1st electric bus and is progressing towards delivering 950+ buses to Delhi and 300+ buses to Bangalore.
- The management remains optimistic on growth prospect for FY25 and going forward as 70% of the CV in the market are older and BSIV variants. This provides a large opportunity for the industry when the replacement demand starts to flow in.
- Hinduja Leyland Finance AUM stands at ~Rs 50k Cr.
- Orderbook for the new eLCV is gradually building and has planned for the new launch “iEV3” in next 2-3 months.
- Capex for FY25 is estimated to be between Rs 5-7bn.
- It witnessed strong growth across Spares, Defence and Power Solution business in FY24.

Asian Paints (APNT IN)

Rating: REDUCE | CMP: Rs2,710 | TP:Rs2,672

- **Decorative business:** APNT remains confident of achieving double-digit volume growth on revival in rural demand, steady urban demand, pick up in projects business and leadership in retail waterproofing.
  - APNT has launched NEO Bharat paint with latex, which is available at the price of distemper, which should drive demand at the economy segment APNT will continue to make gains in the premium segment led by All protect, GLITZ and innovations.
  - APNT will increase its distribution by 10k every year and is stepping up advertising and brand building
- **Grasim Entry –** APNT is confident of protecting its turf and remains unperturbed by the entry of a new competitor. Birla Opus has 10-15% lower pricing but the product is not innovative or disruptive and is unlikely to alter market dynamics. APNT is working on improving retailer ROI and increasing throughput for improving trade stickiness. It plans to use supply chain, forecasting, AI based tools to improve fill rates.
- **Industrial business** sustained its high growth trajectory and registered double-digit value growth. However, 4Q witnessed a postponement in demand due to upcoming elections. Demand is expected to pick up post 1Q and strong growth is anticipated in coming years.
- **Home Décor business** (~4% of revenue) continued to see higher growth with furnishings, lighting, and wall coverings etc. making headway under “Beautiful Homes” stores network. Kitchen & Bath (having a small market share) continue to face headwinds in demand along with competition from unorganized market. APNT plans to bring sleek kitchens and SS bath fittings under the ambit of Beautiful Homes to improve brand salience.
- **International business** (ex-Nepal) grew in high single digits. Robust growth across Africa & Middles East but Asian markets dragged growth due to liquidity crunch & adverse macro-economic situation in Nepal and slower industry growth in Bangladesh. Currency appreciations aided growth in Sri Lanka.
- **Other Updates:** 1) New products contributed ~11% of overall revenue in 4Q. 2) APNT continued expanding its distribution footprint (1.63L retail touchpoints in FY24) 3) Inflation might show an uptick post 1Q25 4) VAM facility to start operations from CY26 and will help create new emulsions and boost margins by 100-150bps 5) PBIT guidance is at 18-20% 8) Capex plans are on track and will boost growth for APNT

Aster DM Healthcare (ASTERDM IN)

Rating: BUY | CMP: Rs365 | TP:Rs400

- Demerger of GCC biz was successful with 80% of the total proceeds distributed as a special dividend (Rs118 per share) and the balance will be utilizing for India expansion. Out of total proceeds, $99mn will not materialize given GCC EBITDA in FY24 was below par.
- The company added 550 beds in FY24; of these, 286 beds were added at Whitefield (Bengaluru) unit, which achieved breakeven in 3-6 months of operations and is currently enjoying ARPOB of Rs70k/day.
- Greenfield projects in Thiruvananthapuram and Kasargod are progressing well. The company plans to add ~1,700 beds by FY27. Almost 60% of expansion will be coming through brownfield projects, which should be margin accretive. ASTERDM will require +Rs12bn of capex to commercialize the additional 1,700 beds and has guided for Rs4.5bn of capex in FY25.
- Aster Medcity and Aster CMI are likely to expand to 950+ and 850+ beds, respectively.
- Management reiterated margin target of 20% at consol level for the next 3 years.
- Mgmt guided 8-9% ARPOB growth YoY for India units. O&M hospital's ARPOB growth was at 14% YoY, that constitute 3.5-4% growth resulting from price hike.
- Tax rate was higher at 21% in FY24 due to deferred tax liability of Rs524mn from GCC biz sale. Effective tax rate guided for FY25 is 14-15%.
- The company is looking for M&A opportunities, especially in Maharashtra and UP.

Astral Ltd. (ASTRA IN)

Rating: ACCUMULATE | CMP: Rs2,079 | TP:Rs2,201

- Management guided to double its consolidated revenue in next five years.
- Management maintained its volume growth guidance of 15-20% in pipe & fittings business in FY25 and ~15%+ volume growth for long term. Also, guided ~20% rev. growth in domestic adhesive business and ~10% EBITDA margin in SEAL-IT.
- Consolidated cash (including cash equivalents) and bank balance as of Mar-24 was Rs 6.1bn.
- Planned capex of Rs 5.0bn for FY24 and Rs 2.5-3.0bn for FY25E.
- Astral has spent Rs.110mn towards a special celebration event of its 25th anniversary.

- The major raw material, PVC resin prices were on upward trend in Q1FY25. PVC price was up by Rs 5.2 in Apr-May'24 and expected further increase due to short supply.
- Sales & Promotion (up 41% in FY24), freight (up 55% in FY24), power & fuel (up 67% in FY24) had impacted EBIDTA in FY24.

Plumbing Business

- **Plastic pipe & fittings segment, volume grew by 24% in FY24 and 23% in Q4FY24.**
- Pipe & fittings capacity increased to 334kMT in FY24 from 282kT in FY23.
- First phase at Hyderabad is getting operational by H2FY25 with capacity of 30kMT and 2 nd phase will start operation by H2FY26.
- Kanpur facility with also start operational in two phases, with total capacity of 60kMT.
- Water tank business expected to reach Rs 1.5bn by FY25, as manufacturing from six facilities across India.
- **Bathware** division incurred a revenue of Rs 242mn and loss of Rs 30mn as company spent money on branding activity.
- ASTRA focus on dealer and plumber connections, along with its loyalty program, helps generate business.
- P&F sector expected to grow at 10-12% in volume in coming years.

Paints and Adhesives Business

- Domestic adhesive market expected to grow at 8-10% in coming years.
- Domestic adhesive business reported 10.7% growth in revenue with 11.8% EBITDA margin in Q4FY24 and revenue of Rs9.6bn with 15.7% EBITDA margin in FY24.
- Adhesive plant at Dahej operational with capacity 35,400MT capacity, which will accelerate the growth in domestic adhesive business. Revenue target from this plant is around Rs 8-10bn on full utilization.
- SEAL-IT business delivered ~5.8% EBITDA margin in Q4FY24 and expected to reach ~10.0% EBITDA margin in FY25. Company reported revenue of ~Rs 3.55bn with 5.3% EBITDA margin in FY24.
- GEMS paint reported revenue of Rs 1.85bn with EBITDA margin of 15.3% in FY24. Company target to reach Rs 3.0bn revenue by FY26 with EBITDA margin of 14.5-15.0%.
- Company will launch Astral brand product of paints in Tamil Nadu, Karnataka, Kerala and Gujarat.
- Paints Cash conversion cycle came down from 120 days to 60 days after takeover of Gem Paints

Aurobindo Pharma (ARBP IN)

Rating: ACCUMULATE | CMP: Rs1,196 | TP:Rs1,300

- **US:** Oral generic came in $287 mn for Q3FY24 aided by new launches and higher volumes.
- **Eugia Unit III** – FDA inspected facility with nine observations. Currently Eugia 3 contributes 40% to total injectable sales and have 27 pending ANDAs. In order to resolve issues, company has decided to temporarily shut down facility which will see $20mn sales impact in Q4. Overall, the entire manufacturing operations to be streamlined by the end of FY24. Generic injectable sales came in $101mn vs $80mn in Q3.
- **Vizag Injectable plant-** commercial operations to start from H1FY25 and should provide back up for Eugia facility. So far filed 2 products.
- **Biosimilars -** Currently company have seven biosimilars in its pipeline with three assets being in the filing stages and 4 assets in phase III trials. Plant likely to get commissioned by end FY25/H1FY26.
- **PLI** - Cumulative capex for Pen-G project was $230mn till Q3FY24. Likely to commercialize by Q1FY25 with 15k ton capacity of which 50% will be utilized for captive purpose.
- **EU markets**- Muted growth was primarily attributable to a one-time claw back tax of euro13.5m.
- **ARV** business was impacted due to deferment of sales in compliance with IndAS.

Axis Bank (AXSB IN)

Rating: BUY | CMP: Rs1,063 | TP: Rs1,400

- **Deposits:** Bank introduced 'Suvidha' to get higher share from employees. Bank has access to 1600 corporates due to Citi acquisition. Deposit is going to be key driver of growth.
- **Loans growth:** Bank estimates to outperform system by 300-400bps in mid-long term. System growth is expected to be 13% going ahead.
- **Advances:** Higher yielding segments (43% share) i.e. SME, SBB, rural PL and CC have grown at 25% CAGR since FY20 also assisting in PSL requirements and margins. PSL growth is a mix of organic and PSLC, where organic performance has improved on a YoY basis. Overall book comprises of 60% retail advances. RIDF is 1.5% of total assets. Book repricing is expected to be completed by Q2'25, considering marginal cost of funds is constant.
- **Mortgage business** is based on RaRoC model. As deposit environment id constrained, this strategy would be able to yield returns. Credit Card business is improving consistently with 1.28mn cards issued in Q4'24. Refinance business amounts to Rs1.14trn.

- In merchant acquisition business, market share improved to 30% making Axis leader in this segment.

- **Transformation Initiatives:** Project Triumph, to leverage various business segments within retail, Bharat Banking and SME, with a target to make Axis as the primary bank for its account holders. Digital Banking delivered 33%/74% increase in deposits/loans with a target to take further steps in FY25.

- **LCR accredited** retail and small business deposits improved 18% YoY i.e. 500bps higher than overall deposits growth. LCR was at 120% (+171bps QoQ).

- **Capital Change** in regulation impacted CET1 by 72bps. CET 1 at 13.74% is after incorporating impact of Rs16bn investment in Max Life in Apr'24 and proposed dividend of Rs1/share.

Opex/NIMs

- NIM improved due to higher pricing. Bank is able to pass on increase in cost of deposits, considering 95 to 97bps increase in both CoFs and yields on annual basis.

- New investment norms are applicable from 1st April, 2024 i.e. reclassification of bonds from HTM to AFS will not be available. However, bank hasn't used this facility. This will lead to reclassification of existing book.

- 475 branches (125 in Q4'24) were added in FY24 totaling to 5,377 branches. Branch productivity is reflected by 49% rise in accretive deposits per branch.

- 93% fee income is granular. Fees as a percent of total assets is guided to remain at current levels of 1.4%.

Asset Quality

- COVID provision of Rs50bn reclassified as other provisions to be utilized for ECL transition. Provision relating to AIF of Rs1.82bn has also been maintained.

- Gross slippages for retail is Rs31.1bn, CBG is Rs1.63bn and wholesale is Rs2bn while net slippages for retail is Rs10.6bn, while CBG is Rs620mn and wholesale is Rs6bn

Bajaj Auto (BJAUT IN)

Rating: REDUCE | CMP: Rs7,213 | TP:Rs 6,080

- **Exports** are at ~75% of the peak volume registered in FY22. It will continue with its cautious approach in the strained markets while it aims to be aggressive with new launches and channel expansion in recovering and newer markets. Export revenue growth was in double digit as compared to last year led by better mix and higher realizations. Going ahead, it intends to launch quadricycle Qube in Egypt in 1QFY25 and intends to develop the volume growth gradually. The company intends to support Triumph UK in successfully expanding its business in overseas markets, including exporting bikes to various countries and establishing retail operations.

- **New launches:** It intends to launch 6 new models by 1HFY25 with 1/2 launches in Chetak, CNG/Petrol powered Motorcycle and premium range of pulsar. Company remains optimistic about the growth prospect with robust demand and steady pace of product introduction.

- **Chetak** reported strong performance as its market share grew by ~800bps YoY to 13%. It aims to increase the number of stores from 200 to 600 in 1HFY25. Rise in volume and PLI benefits reduce the impact of higher mix of EVs.

- **3W:** EV three-wheelers receiving strong response with availability in 60 cities, giving the company a market share of 30%. It intends to rapidly scale up the expansion through product offering and network expansion.

- **Strategic outlook:** It aims to further strengthen its position in the premium segment by leveraging in collaboration with KTM and Triumph. In the international market, it will aim to explore the European market which aid in volume growth. The company is actively investing in and expanding its electric vehicle portfolio. This includes the introduction of new EV models and scaling up the presence of EVs across different markets.

Bajaj Electricals (BJE IN)

Rating: HOLD | CMP: Rs936 | TP:Rs941

- Consumer products showed a de-growth of 7.0%; management indicated de-growth was due to sluggish demand in rural & non-premium market, weakness in appliances segment and demand slowdown in GT segment.

- Lightning segment decline due to LED price erosion in consumer lighting with flat volume and higher base effect in professional lighting.

- Fan/ Morphy Richards segment reported single digit/high single digit growth in Q4FY24.

- Company has taken price hike in Apr-24 and also observed double digit growth in CP segment in Apr-24.

- General trade (down 3% YoY), while other channels witnessed better growth across key alternate channels– MFR (+17%), E-Com (+25%) & Exports (+25%).

- Margins were impacted due to discount offerings amidst liquidation of old SKUs/inventory and operating de-leverage, Company plans to discontinue discounts at appropriate time and is already indicating increase in price.

- Currently 20% of total products are manufactured in-house, gradually improve in coming years.

- Company guided a capex of Rs 1.5bn in FY25/FY26, primarily in dyes and moulds for launch of new products.

- A&P spends was 3.0% sales in Q4FY24/FY24.

- BJE distributors count increased to 749 in FY24 vs 660 in FY23.

Bank of Baroda (BOB IN)

Rating: BUY | CMP: Rs255 | TP: Rs290

Balance Sheet/Others

- In terms of scale or total business, bank has exceeded Rs24trn for FY24.
- In terms of **deposits**, focus is on improving CASA and reducing dependency on wholesale deposits. Guidance for growth in FY25 at 10-12%.
- **International deposits** grew rapidly in Q4FY24. This is mainly on the back of treasury operations where deposits are raised for market making activities and to fund asset growth internationally.
- **Advances:** Guidance for credit growth for FY25 at 12-14% with retail accretion of 20% and corporate growth at 11-12%.
- **LCR** is guided to be maintained at 120% and above going forward.
- Range for operating **CD ratio** between 80-82% going forward.
- **RoA** guidance for FY25 raised from 1% to 1.10%.

Profit & Loss

- **Domestic NIM** improved for Q4FY24. Efforts are being made to reduce dependency on wholesale deposits. Retail term deposits were almost fully repriced last quarter and the incremental impact of repricing fresh deposits will be positive going forward.
- Expansion in **yields for domestic advances** was seen for Q4FY24. It was driven by repricing on MCLR book.
- Moderation in **interest rates** expected in Q2-Q3 of FY25.
- NIM guidance at 3.15% for FY25.
- **Fee income** is expected to be sustainable as bank has done structural changes in terms of account planning, one-to-one relationship managers for large and mid-corporates. Higher trading profits led to higher **treasury income** in Q4FY24. However, trading profits may decline due to changed circular on investments. Interest income on investments is expected to increase and offset the impact from lower trading profits.
- **Other non-interest income** under other income includes a one off of Rs3.13bn relating to interest on income tax refund.
- Q4FY24 had one-time impact of Rs8bn on **staff cost** out of which Rs4bn was towards wage settlement (guided in last quarter) and rest was on account of discount rate dip on the back of fall in bond yields in March. For FY25 staff costs are expected to be back at normalized levels.

Asset Quality

- Bank holds one **aviation account** jointly with central govt which has been provided fully at Rs17.5bn for full year. Account is backed with collateral security and expectation is to have full recovery once the outcome of 2 legal proceedings with Delhi HC and NCLT comes.
- Impact of COVID was maximum on MSME. However, since then **MSME slippages** have gone down towards median average. MSME accounts are highly collateralized and they are high yielding advances compared to corporates and mgmt. is in control of MSME slippages.
- **Slippages** guidance at 1-1.25%.
- Regarding **RBI circular on project loans**, mgmt. is still seeking certain clarifications. Expectation is that there won't be any material impact (10-15bps) on credit cost. Bank may either absorb or pass on the impact to customers.
- **Credit cost** is guided to be below 1%.
- Recoveries from **written off accounts** is expected to be sustainable at same levels. Written off portfolio is of Rs46bn. Target for recoveries is Rs100bn.
- **GNPA/NNPA** are targeted to move to 2.5%/0.5%.

Bharat Electronics (BHE IN)

Rating: HOLD | CMP: Rs284 | TP:Rs290

- **Order book worth Rs759bn** is largely executable over the next 2-5 years. 90% is nominated orders; 10% won through competitive bidding.
- Pending projects in order book include: 1) Himshakti (~Rs25bn), 2) Akash (~Rs35bn), 3) LRSAM (~Rs56bn; with ~Rs32bn to be executed in FY25), 4) MPR – Arudhra (Rs24bn), 5) Air Defense Control & Reporting System (~Rs19.7bn, 6) Shakti EW system, etc.
- **Order inflow in FY24 came in at ~Rs350bn**, with expected order intake of ~Rs250bn in FY25 excluding orders for QRSAM.
- **QRSAM order opportunity is worth more than Rs300bn** from Indian Army and Air Force, and is expected to materialize in FY26. In addition, company has an order pipeline of ~Rs150-200bn in FY26.
- Company guided for ~15% YoY growth in revenue in FY25 while EBITDA margins are expected to remain between 23-25%. Employee costs are expected to remain at 12% of the revenue.
- Research and Development cost in FY24 was ~Rs11.0bn, 6.0% of the total turnover. Management targets R&D expenses to be between 7-8% of the turnover in the coming years.
- Successfully overcame supply chain difficulties faced in Q2 & Q3 caused by war in Israel, and achieved the full year guidance. Despite the improvements, some supply chain issues still persist.
- **Non-defense business contributed ~15% to the revenue** in FY24 and is expected to remain 15% going forward. Non-Defense revenue includes EVM

sales worth ~Rs10bn in FY24, which is expected to be compensated by opportunities in airports & metro in FY25.

- **FY24 export revenue** stood at Rs7.6bn (~$92mn); management target for FY25 is $110mn. Export order book was $400mn with an expectation of additional orders worth more than $200mn in FY25.
- **Company is planning to incur ~Rs7bn annual capex** to setup 5 new factories and upgrade existing facilities:
  - Advanced night vision factory (Rs3bn capex) – ready to be inaugurated.
  - Land EW systems (Rs2bn capex) - expected to be operational next year.
  - Missile & defence system integration - operational in next 2 years.
  - Fuse complex and explosive – operational in next 2-3 years.
  - Airborne equipment in EW systems.
  - MRO for missile systems including QRSAM.
  - AESA-based radar manufacturing (Rs1.3bn capex).

Bharat Forge (BHFC IN)

Rating: BUY | CMP: Rs1,405 | TP:Rs1,615

- **Robust revenue growth:** Its standalone revenue grew by 16.6% YoY to Rs 23.3bn which was below PLe (Rs 24.1bn). The growth in revenue was driven by the execution of defense orders as well as PV exports. In terms of volume; its shipment tonnage grew by 3% YoY while realization grew by 13.1% YoY to Rs 349.5k/ton. On the consolidated level, revenue grew by 14.7% YoY to Rs 41.6bn (PLe: 41bn). The growth in revenue was attributable to ramp-up of overseas Aluminium business and delivery of defense order books in the international market.
- **Healthy margin improvement:** Its standalone EBITDA grew by 25.1% YoY to Rs 6.5bn (PLe: Rs 6.9bn) with a margin of 28.1% which was 192bps higher over Q4FY23. Consolidated EBITDA was higher by 36.6% YoY to Rs 6.5bn with a margin of 15.7% which expanded by ~250bps YoY. The expansion in standalone business was led by improvement in product mix while the expansion in consolidated business was driven by reduction of losses in Europe operations.

Bharat Petroleum Corporation (BPCL IN)

Rating: REDUCE | CMP: Rs619 | TP:Rs547

- Refining capacity to increase to 45mmtpa by FY29 beginning with brownfield expansion of Bina refinery.
- BPCL will invest Rs1.7 lakh crore over 5 years across refinery/petchem (Rs750bn), upstream in Mozambique and Brazil (Rs320bn), marketing (Rs200bn), gas (Rs250bn), pipeline (Rs80bn), renewable energy (Rs100bn).
- BPCL imported 36mmt of oil and Russian oil (urals, ESPO) accounted for 39% in FY24.
- Capex of Rs150bn for FY25 which includes refining/petchem(Rs42bn), marketing (Rs70bn).

Bharti Airtel (BHARTI IN)

Rating: ACCUMULATE | CMP: Rs1,310 | TP:Rs1,373

- Increase in ARPU was attributable to feature phone to smartphone conversion, rising share of wallet and prepaid to postpaid conversion.
- Capex is expected to moderate in FY25.
- The company reiterated the need for a tariff hike.
- Strong growth is expected from non-mobile business in the medium term.
- Bharti plans to rollout 25,000 sites in next couple of quarters.

BHEL (BHEL IN)

Rating: REDUCE | CMP: Rs302 | TP:Rs264

- **Guiding for 12-15% revenue CAGR** based on order book position.
- **Executed 5.2GW of capacity addition & 2.4GW of synchronization works** across both segments in FY24. Aiming for ~10GW of execution in FY25, including execution of all old NTPC projects.
- **FY24 order inflow of ~Rs779bn** consists of Power ~Rs521bn (all in 800MW), Spares & Services ~Rs35bn, Industry ~Rs220bn, and Exports ~Rs3bn.
- **Rs1.3trn order book** comprises of Power ~Rs967bn, Industry ~Rs310bn, and Exports ~Rs39bn. Slow moving orders account for Rs70-80bn.
- **Government aims to complete ordering for ~80GW thermal capacity additions** by FY27-28 and installation by FY32. ~27GW is under construction ~10GW has been tendered out, and ~40GW is yet to be tendered out, translating to ~10-12GW of annual order potential.
- **~10GW thermal power tender pipeline in FY25** includes Darliparli stage II & Sipat stage III from NTPC, Amarkantak 6 & Satpura 12 from MPPGCL, Koradi

11 & 12, Singareni, Neyveli 2nd expansion, Ukai 7, Koderma phase II, and Korba West. Most are 800MW projects, while a few are 660MW.

- **BHEL manufactures boilers, turbines and generators (BTG) in-house,** and largely sources balance-of-plant (BoP) equipment from outside. Company has capacity of ~10GW per annum.

- **Transmission:** Four major HVDC projects are on the anvil including 1) Fatehpur Bhadla (bid submitted), 2) Khavda Nagpur (in advanced stages of submitting bid), 3) Leh-Kaithal, and 4) South. Tied up with foreign OEMs for the first two projects. There is also traction in 400kV & 765kV substations, and products such as transformers, GIS/AIS-based equipment, etc.

- **Defence:** Key focus area for the company. Received large volume of Super Rapid Gun Mount (SRGM) orders in last 1.5 years (38 vs 44 in previous 30 years). Air Defence Guns is a major opportunity – BHEL has submitted bid to Army and tied up with a European OEM to design & deliver prototype this year. Tied up with a European OEM to submit bid for Marine Gas Turbines for Navy. Also developing other strategic equipment for Navy with complete engineering done in-house. Received orders from HAL for Compact Heat Exchangers for 83 LCA Tejas Mk1A, and expecting order for the next 97 as well.

- **Railways:** Already supplying propulsion and traction motors to Indian railways. Timeline for first prototype of Vande Bharat train is 24 months from contract signing. Delivery is expected to start from June 2025.

- **Forging alliances & partnerships to address new business opportunities –** 1) JV with Coal India for coal to ammonium nitrate plant of 2000TPD, and 2) strategic partnership with HIMA Middle East Dubai for railway signaling.

- **Gross margin should begin to trend upwards** on the back of timely execution and supply chain stability. The company is looking to bring in new vendors as well as bring back old vendors who had left.

Britannia Industries (BRIT IN)

Rating: HOLD | CMP: Rs5,062 | TP:Rs5,315

- BRIT is focussed on driving top line through volume growth led by promotions & innovation.

- RM costs of sugar and wheat to increase in 2H25.

- Investments behind brands and RTM 2.0 to curtail margins a bit.

- BRIT expects to deliver double digit volume growth post elections & monsoons.

- IBD delivered robust growth led by GCC & America with Nepal growing well on a low base.

- Overall reach has increased to 27.9L outlets & 30k rural distributors in 4Q.

- MT & E-com grew in double digits YoY, contribute ~15% to overall business.

- Rural market still remains under-leveraged from market share & distribution standpoint.

- BRIT expects a slightly inflationary outlook post elections.
- Cheese is to deliver promising results with various NPD & innovation. Competitive positioning to improve once Britannia Bel starts domestic production.
- Target for NPD salience remains at 3.5% of sales (~2% in FY24).

Can Fin Homes (CANF IN)

Rating: BUY | CMP: Rs763 | TP: Rs950

Assets/Liabilities

- **Disbursals** revived to Rs7.5bn per month in Q4'24. Disbursals for FY25 guided at Rs110bn (45%/55% in H1'25/H2'25) to be achieved by 1) better digital presence, 2) streamlined processes and 3) focus on LAP, balance transfers and top-up loans. Builder loans are not planned for now as it requires a dedicated team with proficiency.
- **AUM** guided to grow by 15% in FY25; aim to accelerate to 18% going forward.
- **South** contributes 65% to branches (20% Karnataka) but 72% (27-28% Karnataka) to total disbursals.
- **Average ticket size** for FY24 was Rs22-25lac to be increased to Rs27lac in FY25 with 5% increase in applications. Number of applications per month range from 3000-4000. 37% disbursals have an ATS of Rs2mn. Going forward, there will not be reduction in this portfolio but share may reduce due to higher ticket size loans disbursed.
- Branch managers may approve loans in range of Rs0.35mn-0.75mn (basis of grade). However, additional check point is introduced to check sanctioned loan in 48-96hours. In case of lapses, amount of loan maybe reduced or cancelled and powers of branch manager maybe withdrawn.
- **Company** now focuses on customers with 650+ CIBIL (600+ earlier). For Rs2.0-7.5mn ATS, yields are at 8.95% for salaried and 9.6% for self-employed. Mix to be maintained at 70:30. Major competitors in this segment are LICHsg finance, PNB Housing and Bajaj Finance (Excl. banks).
- **RoA** guided at 2.2% for FY25.

Fees/NIMs/Branches

- **NIMs** guided at 3.5%, while spreads are expected at 2.5%. Q4'24 saw an increase in CoFs, that was offset by passing on increased yields to customers. Reset dates have been changed from annually to quarterly for both deposits and advances so as to better manage ALM.
- **Opex spiked QoQ** due to 1) GST assessment from 2017 at Rs65mn, 2) quarterly IT costs of Rs30mn and one-time software upgradation of Rs20mn and 4) CSR expenses owing to increased profits.

- Cost to income guidance maintained at 18% as some IT costs are postponed to FY25. Normal quarterly opex includes fee/commission expenses of Rs270-280mn and other opex of Rs180-200mn.
- **DSA sourcing** is reiterated to be curbed further to 60%. Currently, DSAs are paid 35-60bps averaging to 43-44bps. Increased internal sourcing to help reduce these commissions to lower levels.
- Earlier, direct business with ticket size cut-off was tried in 51 branches which is planned to be rolled out for all branches.
- **Branch efficiency** was aimed to be improved by 10-15%. However, an APF which was planned saw less traction as company did not have offerings required by developers.

Carborundum Universal (CU IN)

Rating: ACCUMULATE | CMP: Rs1,516 | TP:Rs1,631

- **Guidance of 9-11% consolidated revenue growth in FY25 to Rs5.1-5.2bn** with 20-30bps improvement in PBIT margin.
- **Consol. abrasives:** FY24 revenue growth would have been 5.0% (vs 2.7%) excluding FX impact in VAW. Guidance of 11-12% growth and 100bps margin improvement in FY25.
- **Standalone abrasives:** Volume growth in Industrial & Precision segments, while Retail volume continued to fall. Margin improved due to better product mix and realizations, softening input costs, and operational efficiencies. Guidance of 9-11% growth in India in FY25 led by retail market expansion, scaling presence in North & East India, introducing value-added products, and pushing new categories such as cutting blades in non-South markets.
- **RHODIUS:** Q4FY24 revenue was €17mn (vs €17.4mn YoY). PAT improved to +€0.6mn vs €0.7mn loss in Q3. FY24 revenue was down to €63.3mn (vs €64.5mn YoY), while losses reduced to €1.5mn (vs €3.7mn YoY). Excluding €2.8mn PPA write-off, PBT was €1mn. ~10% FY25 growth guidance led by recovery in Europe economic activity and pick-up in private label demand.
- Acquired assets, technology and brand of Dronco (Germany). Moving assets to India, which will take 18 months to setup. This will add ~50mn thin-wheel abrasives capacity and Rs2.5-3bn additional sales from FY27 onwards.
- **AWUKO:** Q4FY24 revenue came in at €2.55mn (vs €2.6mn YoY) and loss was down to €0.4mn (vs €1.2mn YoY). FY24 revenue was down 3% to €9.1mn and loss narrowed to €2.3mn (vs €3.7mn). Guiding for €17-18mn sales, EBITDA breakeven, and €0.7-1mn loss in FY25. Key drivers will be wood & leather, reducing lead time, and getting back 70 customers who had left pre-acquisition.
- **Consol. Ceramics:** FY24 revenue growth would have been 6.3% (vs 4.8%) excluding FX impact in VAW. Australian and American subsidiaries recorded mid-teen growth in FY24. All companies contributed to margin improvement. 12-14% revenue growth guidance in FY25 with similar margin level as FY24.

- **Industrial Ceramics:** Standalone wear ceramics & metallized cylinders grew in high teens in FY24 and should continue to do well in FY25. Engineered ceramics sales declined due to ordering delay by one customer. Should improve in FY25 with pick-up in segments such as night vision lamps, defence, etc. Guided to grow 13-15% in FY25 led by India and America. Key drivers include medium voltage T&D, defence, mobility, etc.

- **Refractories:** Standalone sales grew 13.5% in FY24. Guided to grow 12-13% in FY25 led by chemical processing industry in North America, Europe and MENA regions, along with market opportunities in iron & steel, cement, and carbon black.

- **Standalone Ceramics:** Margin fell in Q4 mainly on account of mix between industrial ceramics and refractories and product mix within industrial ceramics.

- **Consol. Electrominerals:** FY24 revenue growth would have been 8.9% (vs 5.4% de-growth) excluding FX impact in VAW. Standalone/Foskor Zirconia PBIT fell by Rs280mn/200mn. FY25 growth guidance of 5-6% led by India (~10% growth) and Foskor Zirconia, while VAW is expected to remain flattish. Margin to improve by 20-30bps. Specialty products (alumina zirconia, thermal spray powders, graphene, silicon nitride, HPSiC) account for 11-12% of segment sales; aim to increase this to 25% by FY30, which will aid margins.

- **Standalone Electrominerals:** High-teen volume growth in Aluminas in FY24. Silicon carbide volumes were marginally better vs FY23 but price realization was impacted by Chinese dumping. Margin will likely remain around 9-9.5% until pressure from Chinese dumping eases in next few quarters. Working with government to look at anti-dumping measures. Trying to bring costs down via productivity, better sourcing, and energy cost reduction.

- **Setting up 6MT per month capacity of high purity silicon carbide (HPSiC)**, to cater to semiconductor wafer manufacturing and technical ceramics (for semiconductor equipment, defence, electronics, EVs, etc. Will take 18 months to set up in Kerala. Realizations are 20-25x of current realizations.

- **VAW:** Q4FY24 sales grew to RUB2.3bn, while profit rose to RUB384mn (vs RUB349mn YoY). FY24 sales grew ~20% YoY to RUB9.7bn owing to better sales volumes in silicon carbide, abrasives and refractories, while profit rose to RUB1.6bn vs RUB1.2bn in FY23. FY24 sales declined 8-9% in INR terms as FX rate decreased to 0.92 (vs 1.23 in FY23). Mix of sales to Russia is up to 59% vs 57% YoY (45% pre-conflict). Capacity utilization is good, company remains debt free, and outlook is positive.

- **Foskor Zirconia:** Volume declined ~16% in FY24 due to delayed offtake from 3 customers in Q2 & Q3. Q1 & Q4 volumes were ~1,000 MT each, and this momentum is expected to continue into FY25.

- **Planned Rs3.5bn capex** in FY25 (vs average of Rs1.95bn over last 5 years).

CEAT (CEAT IN)

Rating: BUY | CMP: Rs2,545 | TP:Rs3,017

Domestic business:

- The management expects robust Q1FY25 with summer season driving the bulk of the replacement demand. Additionally, it expects its volume growth to be in high single digit to low double-digit for FY25.
- The company foresee headwinds in 2W segment as well as healthy recovery in rural and small towns could aid in volume growth.
- It has entered in the EV segment through tyre partnership for Tata Punch EV. It currently has a market share of ~20% in PV EV, 27% in 2W EV and has also entered in the CV segment through collaboration with Switch Mobility and VECV.

Exports:

- It has 3 main focus geographies in international markets namely; Europe, LATAM and USA.
- The company launched ~55 SKUs in Q4FY24 in its focused international markets.
- Exports volume grew by 22% YoY with notable growth in Brazil, Europe, US and Middle East.
- The contribution from export stood at 19% which the company aims to increase it to 25% in the next couple of years.
- As export business in margin accretive the company, it aims to increase export volume of Agri-radial, TBR and TCR products to drive the growth.
- It is in the process of increasing its channel in the US market by establishing distribution network and partnership with dealers.

Pricing action and margin outlook:

- Going forward, the EPR (Extended Producer Responsibility) expenses are expected to 1.2-1.4% of the overall domestic sales which could have some impact on its margins.
- It aims to mitigate the risk of increased cost of EPR through better product mix, pricing action and improve is internal efficiencies.
- As the prices of RM has increased during Q4FY24, it has taken marginal price hike in Q4FY24 while it has taken 1.5% price hike in replacement segment in Q1FY25 and is also in the process of converting 1.5% price hike in the international market.

Capex:

- For FY24, the capex stood at Rs 8.6bn of which ~Rs 2.6bn was in Q4FY24. For FY25, the capex guidance is of Rs 10bn of which Rs 2.5bn will be towards maintenance capex while Rs 7.5bn will be utilized towards expanding its manufacturing capacity and product development of PCR, TBR etc.
- Post the completion of TBR capacity expansion of Chennai plant, the overall TBR capacity will increase from 130k tyres per month to 170k tyres per month. It aims to commission the Chennai TBR facility by Q2FY25.

Century Plyboard (I) (CPBI IN)

Rating: HOLD | CMP: Rs656 | TP:Rs674

- Management guided Plywood/Laminate/MDF/PB sales to grow at 10%+/20%/40%/25% with EBITDA margin of 12-14%/10-12%/15%/15% in FY25.
- CPBI taken price hike in plywood by 2% in July-23 and another in May-24.
- Expected capex of Rs 6.3bn in FY25, funded through internal accrual & borrowing.
- Timber prices are not expected to stabilize or come down in next 18months, South India price was Re 1 lower than North.
- Advertisement expenses for FY24 is ~4% sales and will be same for FY25.
- Wood panel industry is facing increasing trend in raw-material cost which cannot be passed on in view of sluggish demand so profitability will also remain moderate for plywood.
- Impairment loss is because of winding up subsidiary – Century Singapore and Century InfoTech ltd.
- Company CFS division has transferred to Century Infra Ltd.
- Plywood capacity utilization reached to 87%/81% in Q4FY24/FY24.
- Plywood volume expected to grow at 8.0-8.5% in FY25.
- Laminate segment export is <25% revenue.
- MDF segment expected growth in value/volume is 40%/50%.
- Company is facing technicians/Engineers issues from China so Particle Board revenue will be flattish.

Cera Sanitaryware (CRS IN)

Rating: ACCUMULATE | CMP: Rs7,119 | TP:Rs8,178

- Company maintains its near term revenue target to reach Rs 25bn/FY27bn by Mar'25/Sep'25 and EBITDA margin of ~16.5%; may change it by FY24 end.
- Company introduced 72/699/202 new products in FY22/FY23/9MFY24 and products launched within 3 years constituted 32% of the total revenue.
- China imports reduced from Rs 196mn or 4.3% of sales in Q3FY23 to Rs156mn or 3.6% of Sales in Q3FY24.
- Average price increase in case of sanitary-ware was 2% effective from Feb'24 and there was no price increase in case of faucetware.
- 43% of total sales came from premium category, 34% from mid-category and 23% from entry-level category.
- 75% of total land required for new project (Sanitaryware facility, Gujarat) is acquired; company targets acquisition of rest 25% by Jun'24. Total capex expected for the project is in the range of Rs 1.25-1.3bn.
- Recently commissioned brownfield faucetware capacity, operational since Q2FY24, is demonstrating positive performance.
- Company expects subdued Q4FY24, but sees a good growth from 1QFY25 due to completion of a lot of real-estate projects.
- Company believes that macro-economic factors were not conducive in Q3FY24 which led to slowdown in overall demand; apart from that increase in stamp-duty in Kerala also contributed to slowdown, as it contributes 10% of total revenue.
- Company is planning to increase dividend pay-out ratio going forward and is also exploring buy-back option.
- Advertisement spent was at Rs 219.1mn in Q3FY24(5% of sales, vs. 173.4mn in Q3FY23 (3.8% of sales). Total advertisement spend for 9MFY24 stands at 480mn (650mn guided for FY24).
- Retailer loyalty program accounts for ~34% revenue.

Chalet Hotels (CHALET IN)

Rating: ACCUMULATE | CMP: Rs789 | TP:Rs830

- Capex of Rs15bn has been earmarked for next 2 years.
- Net debt declined from Rs25.1bn in Mar'24 to Rs14.6bn in Apr'24 post QIP.
- ARR in MMR experienced only 2% growth, as the focus was to boost occupancy at Westin, Powai and Four Points by Sheraton, Navi Mumbai.
- Revenue recognition at Koramangala, Bangalore would happen on meeting three conditions viz; a) possession handover, b) attaining 90% collections, and c) receipt of OC. Accrual should begin from 2QFY25.
- ARR was up 20%/26% in Hyderabad/Bangalore respectively.
- ARR at JW Marriott, Mumbai, Sahar was up by 9% in 4QFY24.
- Other expenses were elevated due to a one-time expense of Rs81mn related to Duke's asset decapitalization, acquisition cost of Aravalli resort, and unusable stock at Bangalore.
- ~4 lakh sq ft of area in Bangalore has been leased out.
- ~1.4 lakh sq ft of area in Powai has been leased out, and currently Chalet is in the final stages of negotiating three deals.
- Four Points by Sheraton, Navi Mumbai is due for renovation.
- Same store hotel EBITDA margin was 48.4%.

Cipla (CIPLA IN)

Rating: ACCUMULATE | CMP: Rs1,340 | TP:Rs1,405

- **Domestic formulation:** India formulation business witnessed growth on back of healthy growth in Rx. Higher share from chronic portfolio continues (+100bps YoY to 61%). Consumer health segment was impacted mainly on account of weak demand. Partnered with Sanofi to expand the reach of CNS portfolio in India**.**
- **Trade generic business:** Company has restructured distribution model thereby increasing more direct touch points which will help them to generate more demand and manage inventory better. The transition may have some revenue impact in Q1FY25.
- **US business:** Lanreotide achieved 21% market share, while Albuterol's market share increased from 12-13% in FY24 to 15.5% in April month.
- **Respiratory portfolio**: Five assets filed in FY24 with more two to be filed over next 12-15 months and expect key launches of major assets over next 1-3 years. Further key launches in Peptide and more to be filed in FY25. Development of several 505 b(2) products is underway. Working on 1 global biosimilar asset with plans to add more. Capex of Rs10-15bn in FY24. Net cash stands at Rs77bn as of Q4FY24 end.

- **gAbraxane:** Launch to depend on clearance from the Goa unit.
- **China:** Supplies from the newly built facility to commence in H2FY25. $40-50 mn spent on the facility**.** Guided for 24.5-25% EBITDA margins at consolidated level.

City Union Bank (CUBK IN)

Rating: ACCUMULATE | CMP: Rs145 | TP: Rs170

Assets/Liabilities/Others

- **Advances:** Digital lending across retail portfolio is expected to commence at end of Q1'25. New team on boarded to focus on retail secured and unsecured portfolio. Primary focus is on secured portfolio which is expected to commence from end of Q2'25.
- At present all MSME loans up to Rs50mn are being digitally disbursed within 48 hours. Efforts are being made to improve the loan limit to Rs75mn as given by RBI. Entire gold loan disbursal and MSME lending is done digitally.
- **Loan book composition:** EBLR 55% and MCLR 45%.
- **Loan growth** is at similar levels for Tamilnadu and outside of Tamilnadu. Daily average advances have improved QoQ. **Double digit credit growth is expected for FY25.**
- **To achieve faster growth in traditional retail products,** bank has hired senior personnel i.e. 10 AGMs from new gen private banks like Axis, Kotak, KVB, KBL etc.
- **CD ratio** is likely to be maintained at current levels of ~82%.
- Shift in **investment classification** due to change in norms (applicable from 1st April, 2024) had a positive impact of Rs200mn.
- **LCR maintained** at 200%. Bank stated regulator is considering to synchronize recognition method of all banks which could have an impact on LCR.
- **Capital:** Lower RoE was on account of higher capital base which is expected to be growth driver going ahead.

NIMs/Yields

- **Current NIMs** are equal to the long term average NIMs of bank. Interest rates are expected to be same for majority of FY25 with some changes mainly in Q4'25 because of which impact will be limited in FY25.
- Bank operates at higher margins during rising rate cycle while maintains margins in falling rate environment.
- **NIM** is guided to be maintained at 3.65% with a variance of 5-10bps.

- **Other Income** improved due to 1) on boarding of 6 insurance partners resulting in increased income from insurance, 2) MTM gain on treasury, and 3) recovery from write-off accounts.
- **Higher staff cost** was attributable to 1) quarterly adjustments to dearness allowance and 2) hiring of new staff with experience from new generation banks. New staff is hired on the back of requirement for fundamental changes and to build skillsets in analytics which will result into growth in MSME, retail secured and retail unsecured loans.
- C/I increased incrementally by 3% due to additional technological expenses. Close to Rs2bn have been incurred as tech expenses for the last 2-3 years forming 20% of PAT. Benefits of digital lending model will be seen in FY25.
- C/I ratio is expected to remain at same levels for H1’25 and some moderation is expected in H2’25. C/I for FY25 guided at 47-51%.
- **Branch expansion:** 50-75 branches are expected to be opened in FY25.

Asset Quality

- **Slippages** are expected to improve further in FY25 to Rs7-8bn. **Recoveries** are expected be higher in FY25 than current levels.
- **Net NPA** guided at 1-1.25% for FY25E.

Clean Science and Technology (CLEAN IN)

Rating: HOLD | CMP: Rs1,328 | TP:Rs1,383

- Revenue Improvement: 23% volume led, 7% realization led
- **Capex Update:** Rs 2350mn during FY24, including investment in subsidiary of Rs 2150mn. Capex for Rs 300mn for pharma intermediate and addition Rs 1000-1500mn for performance chemical in FY25 expected. On track to commercialize the capacity for pharma intermediates by Q3FY25
- **Capacity utilization:** Performance Chemicals-70%, Pharma and Agro Intermediates-70%, FMCG-75%, this are optimal level utilization.
- **HAL 770:** more focus is on domestic market, 50% of the total market demand in India is supplied by Clean Science, expected to touch 60%-70%. For export the product is already shipped to Europe and Middle East, in talks with customers in North America. (100-110tn per month sale in India, price discount of 2.5-3% to foreign supplier).
- **HAL 701:** Export focused product, used in water treatment, approved by all the major customers, sample are being sent.
- Expected Tax rate in FY25: Clean Science 25%, Subsidiary: 15%

Colgate Palmolive (CLGT IN)

Rating: REDUCE | CMP: Rs2,673 | TP:Rs2,373

- **Volume Growth ~2%:** We estimate a ~2% volume growth for 4Q with rural growing 200bps higher than urban growth. Normal monsoon is expected to boost rural growth in coming quarters. Premium portfolio comprising Total, Sensitive and active salt has grown at 2x rate than core portfolio.
- **Category penetration/ premiumisation to drive oral care growth**
  - Oral care offers ample room to grow in oral care as only 20% urban households brush twice a day & 55% rural households do not brush daily.
  - CLGT is focusing on premiumisation as this portfolio grew 2x than base portfolio.
  - CLGT is focusing on Rs20 pack of Max Fresh gel to drive volumes.
  - CLGT is increasing penetration with dentists and therapeutic segment sales have grown at 4.5x of overall growth in CY2023.
  - Premium portfolio led by Total, Mas fresh, Active salt and Sensitive is growing at a faster rate, MT/Ecom growth is 20% higher than GT growth.
- **Personal care launches likely:** CLGT is looking at driving personal care (<5% of sales) growth with clear strategy to build body wash (3% category penetration), hand wash and facewash. Palmolive has launched new body wash variants at premium end of portfolio. Colgate needs to enter new categories, which can provide it a scale and leverage on more brands from its global portfolio to make a dent in the segment.

Crompton Greaves Consumer Electricals (CROMPTON IN)

Rating: BUY | CMP: Rs339 | TP:Rs406

- Company is taking multiple measures under Crompton 2.0, which includes: a)Protect and grow the core(Fans, Large domestic appliance, Pumps) , b) Win in the kitchen (Small domestic appliance, Large kitchen appliance), c)Transform Lighting business d)Foray into new segments (entry in 2-3 attractive whitespaces).
- Company is focused on portfolio expansion & business growth from direct dealers.
- A&P spends up 49%/44% YoY in Q4FY24/FY24 to promote brands Butterfly and Crompton.
- Company launched multi-media marketing campaigns across brands and introduced a brand campaign for lighting in south India to build saliency.
- Company forayed into solar pumps, company got an order of Rs1.2bn of solar pumps out of which Rs280mn order were executed.
- Company continues its focus on launching of premium fans and undertook three price increase in H2FY24 & one expected in May-24.

- In Butterfly, company is increasing marketing spends, channel mix and is focused on new launches.
- Alternate channels - rural, e-commerce, MFIs, etc. contributed ~18% of revenue in FY24 vs ~15% in FY23.

Cummins India (KKC IN)

Rating: HOLD | CMP: Rs3,597 | TP:Rs3,719

- **Guidance:** Double digit revenue growth in FY25, and 12-15% CAGR (~2x India GDP growth of 6-8%) over the next 6-8 years. No new market segments have emerged; infrastructure-linked investments will continue to drive demand from existing market segments for the next ~5 years.
- **Q4FY24 EBITDA margin was aided by a one-time benefit of ~Rs600mn in other expenses**, better product mix, and holding onto commodity gains despite commodity costs inching up. Management aspires to maintain current gross margin level of ~35%, but it is challenged by rising prices in copper, nickel, platinum, oil, steel, etc. Other expenses should remain at current levels as % of sales (excluding Q4FY24).
- **Powergen business saw volume growth of ~30% in FY24.** Growth will continue in FY25 at ~2x GDP growth. Demand remains healthy across major segments including data centers, infrastructure, commercial & residential realty, manufacturing, etc. Customers that seek reliability & durability in LHP go for Cummins' products. Meanwhile, Cummins has lower market share in segments that are primarily cost driven, such as Telecom.
- **CPCB IV+ accounted for ~1/3rd of powergen sales in Q4**. Higher complexity & technology should translate to better margins in CPCB IV+, but in reality it depends on competitive pressures as players will seek to grab market share when the market fully transitions to CPCB IV+.
- Data centers now account for close ~10% of powergen sales, and continue to see significant demand both in India and globally.
- **Exports declined ~18% in FY24 with de-growth seen across geographies**. Sales to Europe fell nearly ~50% in FY24. Exports have not fully bottomed out yet, and may continue to see some correction in Q1FY25, as geopolitical concerns remain in Middle East and Africa continues to struggle with currency problems. Cummins' ambition is to get exports back to 30-35% of sales (vs 19% in FY24), but this will not happen in FY25.
- **Distribution business is seeing growth across parts, service contracts, etc.** Demand for reconditioning depends on the market segment. It is standard to recondition gensets instead of buying new ones in areas such as mining, industrials, etc., where utilization is high. Meanwhile, segments where utilization is low prefer to purchase new gensets with the latest technologies rather than reconditioning the older ones. Reconditioning is very good for the environment with regards to GHG emissions.
- **Construction was a major growth driver for Industrial business**. It had been lagging for a few years but has now bounced back. Compressor and

Marine segments have also started to bounce back strongly. The company has made a lot of progress in launching new products for the Industrial segment, especially in Railways, where it has introduced CPCB IV+ compliant products.

- **Cummins Group has 3 major manufacturing hubs across the world** – 1) North America (USA, Canada, Mexico) serves North America and other specialized markets, 2) India serves most of the global markets (especially in LHP), and 3) China primarily serves internal consumption purposes.

Dabur India (DABUR IN)

Rating: ACCUMULATE | CMP: Rs525 | TP:Rs563

- Rural sales grew faster at 8% vs Urban ~4% after a gap of three years.
- HPC category saw 8.7% growth led by increased market share of Odonil (260bps) & Odomos (~600bps+).
- Oral Care portfolio delivered ~22% sales growth with herbal segment continuing to grow faster.
- Beverages de-grew by 6.9% on account of high base & unseasonal rains in March.
- Baby care category increased its sales from Rs 200mn to Rs 450mn in FY24.
- Direct rural reach was increased by 22k villages during FY24 taking the count to 122k.
- Badshah is likely to sustain double digit growth rates.
- IBD continues to face headwinds from currency depreciation in a few geographies.
- Dabur is looking at hiking its prices by ~3-4% led by Foods-4-6%, Healthcare-4% and HPC-2%.
- FY24 litigation cost against Namaste LLC (Haircare range) stands at Rs 1bnand is expected to be Rs 800/900mn for FY25.
- EBITDAM guidance of 20% for FY25.
- Volume growth for FY25 is expected in mid to high-single digit.
- Premium portfolio account for 18% of sales and it is expected to further expand.

Dalmia Bharat (DALBHARA IN)

Rating: ACCUMULATE | CMP: Rs1,806 | TP:Rs2,077

- JP tolling volumes stood at 0.6mt vs 0.1mt in 4QFY23.
- DALBHARA changed depreciation method in North East from WDV to SLM.
- Depreciation expense for FY25E is expected to be Rs13.5-14bn.
- Capex for FY25 is expected to be Rs35-40bn.
- By FY25 end gross debt and net debt are expected to be ~Rs90bn and Rs50bn respectively.
- Jaypee deal is expected to be completed by end of 2QFY25.
- Jharkhand coal mine is expected to start operations in FY25 while Mandla coal mine is expected to commence in FY26.
- Freight costs increased in 4Q by Rs70/t which is expected to normalize in coming quarters. Lead distance for the quarter stood at 289km.
- Power and fuel costs are expected to decline 2% in 1QFY25. Fuel cost for 4Q was Rs1.45/Kcal.
- Current NSR is 2% lower than 4QFY24 exit.
- DALBHARA accrued incentives worth Rs 930mn in the quarter and collected Rs 980mn. For FY25, incentives accrual is expected to be Rs 3bn.
- Other income doubled QoQ on account of high treasury income, dividend income, interest on IT refunds and realization of insurance claims.
- 4Q Trade volume share was 65%, premium products 21%, blended share 86.7%, Green power share 28%, Pet coke 56% in fuel mix and c/k ratio at 1.67x.

DCB Bank (DCBB IN)

Rating: BUY | CMP: Rs136 | TP: Rs180

Assets & Liabilities

- **Management** reiterated guidance to double B/S over ~3.5 years. **Deposit growth** is targeted to be above loan growth. Top 20 deposits are < 7% of overall deposits reducing concentration risk and guided to be <5% by increasing frontline resources (~1500 headcount increase for FY24).
- Bank is more focused on **savings account growth**. This comprises an increase in 1) smaller accounts at lower rates and 2) HNIs having money for smaller durations at higher interest rates. DCB Happy launched in Q3'24 has been upgraded in Q4'24 with cashback facility, thus increasing savings account traction. Increased facility with tax payments, with CBDT and GST payments rolled out in last quarter. In-line growth with B/S is guided.

- **Advances** – MFI business includes lending to MFIs (increased opportunities) and lending through DC route (steady growth). MFI is guided to grow in-line with B/S growth for consistency. Gold loan co-lending saw a surprise with a partner stopped with its proceeds (4th March 2024) coming in but management believes with its diversified exposure to different sectors and geographies, the same would be tackled.

- **Digital customers process on account of increased RBI regulations:** 1) Video KYC done by Bank, 2) Audit of the process is done bank. Usage of accounts are tracked by AML flags to spot for anomalies. Also, bank has multiple partners to acquire NTB customers. Overall focus with these partners is on 1) Customer onboarding process, 2) Managing transactions, 3) Digital stability and 4) Data is managed only by bank. Bank is not yet associated with digital lending.

- Total business per employee and total deposits per branch are metrics on which bank operates and takes decisions.

- **Capital:** Opportunities to raise Tier-II capital is always looked upon.

- **LDR ratio** at 1% and RoE >14% considering a capital efficient model with Capital Adequacy ratio at 16.59%.

NIMs/Yields/Opex

- **Bank reported NIM of 3.62%** with a guidance of 3.65%-3.75% by improving deposit and loan mix. Increase is driven by 1) Yield on Investment has improved, 2) Collection efficiency has increased with higher recoveries and upgradations, 3) Increased focus on LAP and 4) Fixed loan turning to floating loans helped to pass on increased rates.

- **PSLC income** for FY24 at Rs20-30mn (vs Rs250mn/750mn in FY23/22). In a market of weaker demand, bank targeted to offset this through increased fee income. Core Fee Income, i.e. insurance distribution, processing fee, trading income, Forex and other charges, was led by insurance distribution while higher disbursal increased processing fee income. Trading and Forex income seemed to be sustainable in nature. Overall guided to move with growth of balance sheet.

- Increase in employee cost for Q1'25 Is expected. Bank believes Cost/Asset ratio to be more relevant i.e. 2.69% which is guided at 2.5% over next 2-3 quarters. This will be achieved by leveraging 1) Improved productivity, 2) better portfolio and 3) increased digital traction.

- Bank additions expected at 15-20 branches per year. However, it may increase to 30-40 as per management's discretion.

Asset Quality

- Credit cost guided at 28-30bps (currently 16bps which may not be sustainable).

Deepak Nitrite (DN IN)

Rating: REDUCE | CMP: Rs2,464 | TP:Rs2,268

- DNL volumes increased by 16%, but realization led to revenue degrowth.
- Domestic & Export revenue mix for FY24– 80%:20%.
- During Q4FY24 manufacturing at fluorination plant at Dahej commissioned, this plant will bolster backward integration for crucial agrochemical intermediate and contract manufacturing opportunities.
- Acid unit manufacturing expected to begin in next quarter, MIBK, MIBC, Hydrogenation expected to commission in phases from Q2FY25.
- Agro is 30-35% of AI, some revival will be expected after mid H1FY25.
- For FY24 capex was around Rs 7bn, for FY25 expected to be between Rs 10-12bn.

Delhivery (DELHIVER IN)

Rating: BUY | CMP: Rs431 | TP:Rs530

B2C Express

- The margins for B2C segment are expected to stay in the range of 18-20%, with the benefits of cost efficiencies being passed on to the customer.
- Average small parcel weight increased to 780gms vs 700 gms YoY (11%) B2B-PTL.
- The management anticipates that going forward B2B margins will be in the similar range of B2C margins at 18-20%.
- Average heavy parcel weight increased to 21.4kgs vs 19.9kgs YoY (8%).
- The company began catering new markets of chemicals and batteries which will lead to higher volume growth.

Others

- Supply chain services saw revenue growth of 25% YoY to Rs.234mn in Q4FY24.
- Truck utilization for trailer network stood at 65% for Q4FY24 vs 62-63% in Q3FY24 due to pickup in PTL volumes.
- Meesho and Valmo have reached a stabilized state in terms of growth, according to the management. The company and Meesho have signed agreement, and are enjoying a positive healthy relation with Meesho.
- Capex for FY24 stood at Rs.6bn which was 7.4% of the revenue.

FY25E Outlook

- The company does not anticipate any significant pricing movement in the market.

- In terms of % to revenue Capex is expected to drop to 6.6-6.9% of revenue in FY25E which will majorly focus on vehicle spends. Infrastructure related Capex will be for Bengaluru mega facility which will be a consolidation of existing facilities.

- The company incorporated WOS 'Delhivery Robotics' with the objective of offering drone as a service (DaaS) for shipment and engaging in drone production and third party manufacturing.

Divgi Torqtransfer Systems (DIVGIITT IN)

Rating: ACCUMULATE | CMP: Rs765 | TP:Rs831

- Q4FY24 revenue growth was largely impacted by 4 clients with which the company is in the process of normalize the production loss and improve supply for newer models/variants.

- Its EV transmission utilization is 25%, which the company aims to ramp-up in the coming quarters to enable itself to deliver on the order for OEMs.

- Currently, some of its EV products are catering to medium range models which have seen lower demand, it is in the process to develop products for long range models which shall aid in new orders.

- The company reported a revenue loss of Rs 350mn in transfer case business which was partially offset by Rs 250mn revenue from EV business.

- Management indicated it has potential lifecycle revenue of Rs 9bn+ (Rs 3bn in international market) for which supply is estimated to start from H2FY25.

- In terms of exports, it is looking to expand its geographical presence in key regions like USA, Mexico, Europe and Japan.

- Capex for FY24 was estimated at ~Rs 1bn.

Divi's Laboratories (DIVI IN)

Rating: ACCUMULATE | CMP: Rs4,122 | TP:Rs4,350

- **Generic Business:** Stable demand for established products. Expanded capacities for both large and small molecules; have gain market share in most of its key molecules. Pricing pressure still persists and expect to stabilize over next 2-3 quarters.

- **Kakinada Unit**: Invested Rs 4.5bn till date. Utilized 200 acres of land for current block; total land parcel 500 acres. Commercialization to start from Q3FY25, pending regulatory approval.

- **Nutraceutical segment:** Anticipates double-digit growth. Company is trying to qualify certain other Iodine-based generic CM products as well.

- **Custom synthesis**: The two major products which are under patent continue to witnessed ramp up. Actively involved in peptide building blocks for anti-diabetic and anti-obesity drugs. Divis will produce amino-acids for same.

- **GLP-1 Opportunity:** Sufficient capacity to meet initial demand; products patent-protected. This will start contributing from FY25. Capacity utilization was at 80%. Cash stands at Rs39.1bn. Guided for double digit revenue growth. Red Sea crisis will lead to increase in freight costs.

Dr. Reddy's Laboratories (DRRD IN)

Rating: REDUCE | CMP: Rs6,258 | TP:Rs5,700

- **US business -** Launched 4 new products in Q4 and 21 in FY24. Filed 48 DMF's and 17 ANDAs in US in FY25. Guided for 20 new launches in US in FY25. Its formulations manufacturing facility (FTO-3) and R&D facility in Bachupally received a VAI status from USFDA.

- **India:** Formed an exclusive partnership with Sanofi to distribute and promote its vaccine brands in India. Entered into an agreement with Bayer to distribute the second brand for heart failure management drug, Vericiguat, in India. Formed JV with Nestle for their nutritional supplements. Initially DRRD will have to make some investments and expect revenue to pick up from JV post FY26 onwards.

- **Biosimilars:** Launched Bevacizumab, its first biosimilar in the UK. Got CRL for its BLA for proposed Rituximab from USFDA and will address by September and post that 6months may get TAD for same. Overall 20% of R&D spend is towards biosimilar. Guided for 8.5-9% of sales as R&D spend in FY25. Russia business declined YoY due to currency devaluation. The YoY growth in EM sales was on account of price increases and new launches. During FY24, DRRD booked Rs4.2bn as grant from PLI and for Q4 amount was Rs810mn. Overall reiterated its +25% OPM guidance on sustainable basis.

Eicher Motors (EIM IN)

Rating: BUY | CMP: Rs4,658 | TP:Rs5,335

- It has received strong response for Super Meteor 650, new Himalayan and Shotgun 650, with sales anticipated to be better than their expectations.

- It will continue its focus on product development and innovation with the introduction of new models and variants especially in 450cc segment in the coming few years.

- RE entered into the Turkish market which it has recognized it as a strong motorcycle market. Going ahead, it aims to scale up its volume and increase its penetration in the establish itself as a reputable brand in the region.

- While it expects US, Europe and other developed market demand to be subdued, it foresees healthy demand for emerging market which are highpotential market shall drive volume and revenue growth for the company.

- The management expects the prices of raw material to remain stable in the medium term which shall continue to deliver sustainable margin.
- It expects the premium segment motorcycle segment in India to grow at a faster pace due to increased buying sentiments aided by increased financing and customer presence, factoring this it estimates deliver sustainable volume growth in FY25.
- Its VECV arm has made good progress in alternate fuel division and is developing healthy product portfolio in the segment.
- It has gained market share across its VECV platforms which has delivered healthy JV profit for the company.
- It is making progress on EV platform across both the business division for which it will launch the product in the due course.

Emami (HMN IN)

Rating: ACCUMULATE | CMP: Rs524 | TP:Rs574

- HMN expects double digit sales growth for FY25 led by pick-up in demand environment, rural recovery, strong summer & forecast of good monsoon.
- Summer portfolio is seeing good traction amid extreme heatwaves and temperatures soaring above 45 degree.
- HMN shall not be aggressive with price hikes (~2-2.5% for FY25 across portfolio) due to benign input prices.
- A&P spends are likely to see an increase in FY25 with many new launches in pipeline, more so post 2Q25.
- MT grew by 17% & e-commerce grew by 37% in Q4FY24.
- GT continues to face headwinds; Rural GT grew in mid- single digits led by Project Khoj.
- HMN to undertake measures to improve urban GT which grew at low single digits.
- The Man Company & Brillare continue to see traction with 86% sales growth YoY in 4Q with annual sales of Rs 2bn.
- Amortization of Rs. 1bn expected in FY25 with effective tax rate of 10% for FY25/FY26.
- Juices ~in D2C performed well due to customization initiatives

Endurance Technologies (ENDU IN)

Rating: ACCUMULATE | CMP: Rs2,168 | TP:Rs2,346

Standalone business:

- It will be setting up a new plant in Aurangabad with capacity of 900 MT casting parts per month for ICE, EV and non-automotive segment. The investment will be of Rs 4bn which will be funded through internal accruals. The production is expected to start in Q1FY25.
- It expects the incentives of Rs 300mn in domestic business to be received in H1FY25.
- In FY24, it received new orders worth Rs 12bn (excluding Bajaj Auto) from marquee customers like Royal Enfield, HMSI, JLR, Hyundai, M&M and Tata Punch in India, which is expected to peak by FY27.
- The company aims to further increase its capacity to 1.2mn per annum for single and dual channel ABS assemblies.
- It aims to increase the revenue share of Aftermarket business to 10% by FY28.

Europe and Maxwell business:

- In FY24, Maxwell entity bagged orders worth Rs 793mn for BMS business (battery management system).
- Despite the recent slowdown in global EV business, it remains optimistic on EV market and aims to achieve its revenue target of Rs 2.5bn by FY27.
- It has won orders worth EUR 30.8mn from Volkswagen Group which includes Porsche, Audi and Mercedes Benz.

Engineers India (ENGR IN)

Rating: HOLD | CMP: Rs251 | TP:Rs264

- **Consultancy:** Management is confident about achieving 25% margin for consultancy business and margin of 22-24% is sustainable in the current market conditions. **Currently 2 major petrochemical complexes along with Bina refinery project are under bidding**, results of which are expected in couple of months.
- Order inflows of Rs30.5bn in FY24 against the guidance of Rs45-47bn was lower due to delays in order finalization which pushed certain orders to Q1FY25.
- Year to date company has secured orders worth of Rs18.35bn including goahead letters with an expectation of more Rs30-40bn in FY25.
- Efforts to secure more business from international market continues with **prospects available in refinery and petrochemical projects**. Major value part of the order in Nigeria is expected to materialize in coming couple of months with first part of order worth Rs750mn already booked. **Oil and Gas**

markets in Middle East remains a focused area. With respect to Abu Dhabi in UAE, company has been involved in a lot of consultancy work. EIL is in process of setting up office in Saudi Arabia.

- Energy transition projects continues to remain a significant opportunity **with 8-9% of the total order value coming from green areas** and EIL's aim to improve its revenue share from current 7-8% to 15-20% in couple of years.
  - **Opportunities are available in Compressed Bio Gas (CBG),** as oil marketing companies are currently focused on preparing detailed feasibility reports. These DFRs are expected to be converted to real investment in setting up CBG plants in FY25 providing opportunities for execution of these plants to Engineers India.
  - **Coal Gasification:** Majority of the coal gasification projects are coming from private investors. Engineers India is in touch with such investors who are interested in setting up coal gasification plants in industries like steel. PSUs like Coal India has also signed agreements and anticipating major commercial projects. EIL are also expected to benefit from such public sector projects.
  - Fertilizer industry continues to see traction especially in small works consultancy orders from areas like green hydrogen driven by private investment.
- Contract awarded by Intelligence Bureau worth Rs3.5bn in Q3FY24 was considered in consultancy segment. However, it was converted to depository mode and hence is now considered in Turnkey segment.
- **Company is expecting more than Rs1.0bn in profits from RFCL project** given the current capacity utilization reached 85% and expected utilization to reach 100% in FY25.

Eris Lifesciences (ERIS IN)

Rating: BUY | CMP: Rs908 | TP:Rs1,100

- Top three therapies (anti-diabetes, cardiovascular, VMN) account for 54% of portfolio while emerging therapies (derma, insulins, women's health, CNS, oncology, critical care, nephro) account for 40%. The one-time non-recurring expenses were related to donations, SAP implementation and deal-related expenses. Current MR POCM stands at Rs0.52mn and aspires to grow to 0.6mn. Got 600 MRs through recent acquisitions and no plans to add MRs. Successful integration and margin improvement (27% to 35%) in acquired Derma segment (Oaknet, Glenmark & Reddy's acquisitions). The reported EBIDTA includes the fully loaded first-year operating expenses of Rs305 millions of new Ahmedabad facility where plant utilization is still low at 20%. Eris will leverage its distribution network platform across hospitals and Swiss product range to establish a Small Volume Parenterals branded Formulations business in India and also accelerate injectable exports.
- **FY25 guidance:** Expect 12-14% organic growth in domestic formulations revenue. Capex of Rs700-800mn for insourcing manufacturing blocks at

Ahmedabad facility. Net debt reduction by Rs4bn. Depreciation and amortization charges of Rs2.8bn. Interest expense to be likely at Rs2.4bn

Exide Industries (EXID IN)

Rating: ACCUMULATE | CMP: Rs472 | TP:Rs495

- The demand scenario was upbeat with diversified and technologically advanced product offering enabled it to capture opportunities across markets.
- The outlook for Automotive as well as Industrial verticals remains quite positive and it aims to deliver healthy sales growth and increase the profitability in the near to medium term.
- Export volumes are recovering, however, at a gradual pace.
- Its Lithium-ion cell manufacturing project is progressing on track and is expected to be commissioned within its defined timeline. Overall it remains quite positive to capitalize on opportunities both in the lead-acid as well as in the lithium-ion battery space.
- It has maintained its zero debt position despite its investment of ~Rs 12.9bn towards its lithium-ion manufacturing plant.
- Mr. Subir Chakraborty, MD & CEO will be retiring and Mr. Avik Roy is being appointed as its MD & CEO from 1st May, 2024.
- During 4QFY24, it signed a non-binding MoU with Hyundai Motor Company and Kia Corporation for strategic co-operation in India’s electric vehicle market. Both the entities will focus on development, production and supply of battery cells for Hyundai Motor’s EV program in the Indian market.
- Its board announced a dividend of Rs 2/share.

Federal Bank (FB IN)

Rating: BUY | CMP: Rs168 | TP: Rs195

Balance sheet/Others

- **CASA** has increased in geographies which were not a traditional stronghold and momentum is expected to continue.
- **Top 20 depositor concentration** has been on rise but nothing alarming out of this is expected by the management.
- Post COVID, remittances from NRs have gone up but they are not translating into deposits resulting in slower growth for **NR deposits**.
- **Advances:** Focus increased on LAP for better margins. In auto segment, bank is gradually increasing its entry into used car segment. Granulizing of portfolio is the aim in business banking segment for better pricing. Advances is guided to grow at 18%+ in FY25.

- **Gold Loans:** Top-ups are not done on increased gold prices to counter for reversal in prices.
- **Capital:** Management has decided to preserve capital leading to dividend of 60%, i.e. a lowered payout ratio.
- **RoA expansion** is guided for 4-5bps improvement every year sequentially.
- **Succession:** Board has set up a search panel to find **replacement for current MD** (expiry of tenure) and 3-4 months are expected to finalize the candidate.

Profit & Loss

- Since the rate hike cycle started, **yields** have gone up by ~150bps for Federal which is least among most of the banks despite federal having the highest share of floating loans. According to management, expansion has been quite considerable considering the **risk profile**.
- **Cost of funds** are expected to increase marginally for FY'25 from Q4FY'24 levels. **NIMs** guided at >3.2%.
- Rs670mn provision from Q3 has been reversed in Q4'24 and adjusted against general service charges (within fees) which was a one-time hit. This is expected to normalize going forward.
- In terms of **restriction by RBI** on issue of co-branded credit card, bank is expected to present the plan indicating the possible corrections in next few days. Fintech partnership with OneCard is expected to continue as it is, unless a regulatory requirement comes to shut them.
- Overall fee income is not going to be significantly impacted by this as management is confident that lower income from credit cards will be compensated by other products. **Core fee income** is expected to grow between 20-25% without any one offs.
- Investment in **technology and branch expansion** is expected to continue at same pace. **Branch expansion** is expected to range between 5-7%. For FY'25, 100 more new branches are targeted. **Payback period** for new branches opened has come down to 18 months. For last year, out of 75 new branches, 40 plus have been already profitable.
- Excluding one offs, **staff cost** is expected to rise by 5% YoY. **Other costs** which are directly proportional to business growth will continue to rise in line with expansion. IT spends are guided to be ~8% of opex for FY'25 and FY26 compared to 6.7% in FY24.
- No impact observed by management on the back of new investment guidelines implemented by Fed from April 1st, regarding HTM and AFS classification.

Asset Quality

- Slippages were lower than recoveries which were higher in Q4'24 on back of recovery from regular accounts and no one-offs.

- **Restructured portfolio** guided to reduce by ~Rs2bn per quarter. Provision coverage is maintained ~15% on same.
- **Credit costs** at 23bps and guided to be ~30bps in FY25.

Fine Organic Industries (FINEORG IN)

Rating: ACCUMULATE | CMP: Rs4,287 | TP:Rs4,779

- Prices of vegetable oils are stable and not much volatility is expected in 3 months.
- All the plants are operating at optimal capacity, except Patalganga (Food grade), it will take 2-4 years to fully ramp up.
- Export Market: Europe is not doing well but NA is doing well, have to wait for another quarter to see how demand shapes up.
- Allotment of SEZ Land parcel of 300mn is almost confirmed, formal allotment letter is awaited post which the next process of EC will be initiated.
- For Q1FY25, Raw material situation is stable and demand is similar to Q4FY24.
- **Thailand project**: The company was waiting for 2 approvals, they have already received one approval and second one is expected in this week, expected commencement in June end 2024. Only 1 product is planned, which customers have already approved, Insignificant volume contribution is expected from the product.
- No change in product mix intentionally, due to domestic demand being stronger, some change may have happened.
- The company is looking for acquisition opportunities and expanding production outside India.

Finolex Industries (FNXP IN)

Rating: HOLD | CMP: Rs271 | TP:Rs270

- Mgmt. guided higher single digit/20% volume growth in agri/non agri business in FY25. Also, guided 10-15% revenue growth in coming 3-5 years.
- P&F segment has agri:non-agri mix of 70:30 in volume terms which will improve to 50:50 in next 3-4 years.
- Company plans capacity enhancement of Pipes and Fittings in existing plants with planned capex of Rs 1.5bn in FY25.
- Mgnt indicated no inventory loss/gain in Q4FY24.
- It also maintains guidance of EBIT/Kg to be at Rs10-Rs12 per kg in FY25 for P&F.

- PVC prices have improved to USD 800/MT from USD 785/MT in Q4FY24 while its range bound (USD750/MT-USD800/MT) and company expects it to remain the same for short term.
- Company expects increase in PVC resin external sales in FY25, back to FY23 level of 25-26kMT which was impacted in FY23 due to RM supply issue.
- New fittings' plant started in Mar'23 with Rs1bn investment; reached to its peak capacity with production of 1000MT/month.

Fortis Healthcare (FORH IN)

Rating: BUY | CMP: Rs462 | TP:Rs515

- **Guided** for Rs12-13bn capex to commercialize additional 2,200 beds over next 4 years. In FY25, 701 beds of capacity are likely to get commercialize which includes 350 beds in Manesar. Additionally, beds will come up in Faridabad, Anandpur and Shalimar bagh. Manesar new facility is likely to commercialized from Q2FY25 with 100 beds in initial phase.
- Added LINAC in Mohali, Noida and Cath labs and MRI in Anandour, robotic surgeries across FMRI and Shalimar baug. Further, launched a 70 bedded new facility in Ludhiana, Punjab.
- For Q1FY25, occupancy is trending closer to 70% so far.
- Guided +200bps margin expansion in hospital business in FY25 and to achieve +25% margins in next 2-3 years. Cost and portfolio rationalization strategies, scale up in occupancy and better case & payor mix to drive this margin expansion in hospital segment.
- Guided ARPOB growth of 5-6% aided by case and payor mix. CGHS rates may get revised which can further drive ARPOB growth beyond 5-6%. Around 4-5% of revenues comes from CGHS. Overall expect scheme revenues to come down to 15% from current level of 20%.
- **Agilus:** Incurred Rs.580mn (Rs. 60mn spent in Q4FY24) one-time expenses towards rebranding and certain provisioning expenses. Taken price hike of 5-6% for B2C biz in Feb and expect recovery in volumes. Clarity on monetization of PE stake sale in Aglius will be shared by August 2024.
- Out of top 8 hospitals, operating below 15% margin, mgmt reiterated three hospitals (Faridabad, Jaipur and Ludhiana) will likely see faster EBITDA margin improvement.
- Currently incurring Rs300-500mn of legal expenses towards ongoing case.

GAIL (India) (GAIL IN)

Rating: SELL | CMP: Rs209 | TP:Rs163

- Capex incurred in FY24 stood at Rs114.3bn.
- Capex guidance for FY25 is around Rs115bn of which Rs26.5bn will be on pipeline, Rs2bn on CGD, Rs52bn on petchem, Rs1.5bn on E&P, Rs12bn on equity investments and Rs21bn on operational capex and others.
- Petchem segment is expected to remain profitable in FY25.
- Across its 6 GAs, it has 189 CNG stations and ~3,42,000 d-png connections. Volume stood at 0.33 mmscmd.
- GAIL Gas volume in Q4 stood at 6.88mmscmd and the averae for FY24 was 6.46mmscmd.
- JBF petrochemicals plant is expected to be commissioned in March'25.
- The management expects LNG market to remain subdued for the next few years with incremental supply of 100mmtpa of LNG.

GE T&D India (GETD IN)

Rating: REDUCE | CMP: Rs1,430 | TP:Rs1,100

- **Domestic order intake grew 102.6% YoY to Rs10.5bn,** driven by robust demand for products with key orders from PGCIL to supply 765kV/400kV Shunt Reactors and to build a STAMC in Odisha along with several orders from EPCs for supply of CRP SAS in 765/400kV substations.
- With an aim of maintaining double digit margins in the long term with the help of implementation of lean operating system to reduce lead times, increased execution and expansion in production output. Management is focused on possible expansion in gross margin.
- **STATCOM continues to remain a growth opportunity,** with 15 to 20 STATCOMs to be set up in the next 2-3 years each costing in the range of Rs2500-5000mn depending on the projects and specifications.
- **Spin off of GE Vernova from global entity,** to provide more operational efficiencies with time as the new entity is solely focused on power sector and implementation of lean operating and other initiatives to boost profitability.
- Company's current capacity is operating at a very high utilization. Although there are no capacity expansion plans on the book, company might incur some capex on debottlenecking and other efficiency activities.
- Key execution in Q4FY24:
  - **Renew Koppal Phase 2:**
    - Commissioning of 400/220KV AIS including of 2nos ICT 500MVA,4 nos 400KV bays,8 nos 220KV bays and associated equipment.

- It is the **largest inter-state connection for southern part of India.**

- **220KV GIS Adani Kutch Copper Ltd:**
  - Commissioning of 5 bays 220 KV GIS including of ICT 100MVA & 150MVA-2 nos each (customer supply), 33KV -29 nos panels and 11KV (23nos) switchgear panels.
  - The execution of the project was done in a record time. It is part of the setup of one of the largest single point copper manufacturing facility.

- **Opportunities for highly differentiated software products like Grid OS**, are driven by migration of grids from manual operation to modern architecture which provides ability to see the entire grid and orchestrate for variabilities.

Greenpanel Industries (GREENP IN)

Rating: ACCUMULATE | CMP: Rs310 | TP:Rs355

- The total capacity of the MDF industry surged by 26% from 2.3mnCBM to 2.9mnCBM in FY24. An additional 850k CBM capacity increase is anticipated in FY25, with Greenpanel/ Century Ply contributing 230k/310k CBM, and the remainder from other players.
- In Q4FY24, OEM sales accounted for 27% of domestic vol. which expected at 20% in the future.
- Timber Prices: in Q4FY24, North prices stood at Rs6.29/kg (vs Rs5.6/kg) up 12% yoy & South prices stood at Rs5.28/kg (vs Rs3.9/kg) up 35% yoy. Prices for North/South increased 10/19% qoq. The blended prices for Q4 stood at Rs5.65/kg.
- BIS norms in MDF have been delayed for a year.
- Vol. growth of 15% is expected in MDF segment with domestic volumes growing at 18% and exports to remaining flattish in FY25. Plywood segment is expected to grow at 8% in volumes.
- Brownfield capex at the AP plant is expected to start by Q3FY25. This will majorly be thin MDF. The capex for FY25/26 to be Rs2bn & Rs500mn respectively.
- The borrowings repayment to be Rs270mn in FY25 and the repayment of new borrowings to start from May’25.

Gujarat Fluorochemicals (FLUOROCH IN)

Rating: REDUCE | CMP: Rs3,638 | TP:Rs3,120

- Capex for FY24 was at Rs10.5bn.
- Bulk chemicals plants ran at full capacity during the quarter, while Caustic soda/MDC prices remained subdued, company believe they have bottomed and prices will increase in future.
- Fluoro Chemicals segment to remain subdued in FY25 and will impact volumes and prices due to dumping from China, headwinds for Refrigerants due to duty cuts in US market and phasing out of R-22.
- Fluoropolymers segment which is company’s core business has already been bottomed up and will see increase in performance in upcoming quarters. Destocking is phasing out and there has been improvement towards demand side for Fluoropolymers.
- Fluoropolymer capacities which were setup in FY24 are expected to result in continuous increase in sales with improved utilization levels, expected growth rate is 7-8%.
- Battery Chemical vertical is going as per plan, LiPF6 plant is commissioned, sampling is in process and commercial sale is expected in H2FY25. Capex target for FY25 is Rs8bn, and this segment is expected to be growth driver for the year.
- Rs8bn Capex plan for EV business will come from external funding and will take 4-6 months, bankers have been already appointed.
- Capex will be focused on Electrolyte Salt, Cathode and Cathode Binder plant.
- Working capital has increased due to decrease in sales YoY, once sales improve company expect it to decrease.
- Approval process of PVDF is of multiple stages, it takes 6-8 months and depending upon the customer it may take a year.
- The company is working with almost all the battery manufacturing companies coming up in India, the company expects Indian battery manufacturing to start on large scale by end of FY25.
- Opex higher due to CSR expense, one off year end expense, Red Sea crisis and LiPF6 expenses.
- For battery chemical segment, Rs60bn will be invested in next 4-5 years and this investment will have 2x asset turnover.
- VCM to VDC project has been delayed due to lowering of prices, expected to be implemented in the middle of next year.
- In China, EV chemical has excess capacity however, outside China it is low and due to geopolitical situation replacement to China is looked for. As EV Battery manufacturing demand is coming up in Europe, US the company will benefit from the increased demand.

- Capex of Rs5bn for non-EV business will be for tail ends of Fluoropolymer segment and part of it will be invested in backward integration.
- Realization stable in fluoropolymers except low end products.
- EBITDAM target is 25-30% overall.
- The company is expecting Caustic Soda prices to pick up.

Gujarat Gas (GUJGA IN)

Rating: HOLD | CMP: Rs546 | TP:Rs558

- As of FY24, the company has 39,300+ kms of pipeline network, 808 CNG stations, 21.1 lakh D-PNG connections, 15,200+ commercial and 4390+ industrial customers.
- Capex guidance stands at Rs10bn on an annual basis on laying steel and PE pipeline. The company wants to operate CNG stations on FDODO mode and the capex on the same would be incurred by third parties.
- Volume growth guidance stands at 10% YoY and EBITDA guidance is Rs4.5-5.5/scm.
- Sourcing mix for FY24 is: APM- 30%, short term-42%, long term- 28%.
- Gujarat Gas supplied 4.9mmscmd of gas in Morbi and 6.84mmscmd to industrial customers in March’24.
- Signed MoU with BPCL and IOCL for setting up of CNG facility at their filling stations. Further, these OMCs to provide liquid fuels, automotive lubricants, greases etc. at Gujarat Gas’ facilities

Harsha Engineers International (HARSHA IN)

Rating: HOLD | CMP: Rs438 | TP:Rs436

- **FY25 guidance:** 10-15% revenue growth and 20%+ PAT growth.
- **India Engineering:** Continue to have dominant market share in Indian bearing cages market. Benefitting from China + 1 with demand from customers with plants in India to cater to their global requirements.
  - **Domestic:** Expecting 10-12% growth in domestic sales led by railways along with revival in auto and industrial demand. 21-22% EBITDA margin (incl. other income) is sustainable.
  - **Exports:** Outlook is moderate owing to soft demand in global wind and industrial sectors. Some improvement is expected in Auto. Continue to work on outsourcing of production for key customers across Europe, Japan, USA. Expect 8-10% growth in export sales from India in FY25.
- **Bronze Bushings:** Reported ~Rs400mn sales in FY24; expecting Rs700-750mn+ sales in FY25 including some spillover from FY24. Seeing healthy demand in Indian wind market. Global market potential is ~Rs50bn (at 100% transition to bushing-based gearboxes) and Harsha is targeting ~10% market

share, implying ~Rs5bn peak annual revenue. Can do ~Rs1bn sales with current capacity. Adding additional capacity via greenfield expansion (commissioning by Q4FY25) and will continue to add more as demand rises.

- **Stamped Components:** Reported ~Rs500mn sales in FY24; expecting ~50% growth in FY25 led by railways and automotive sectors.
- **Sales to Japanese customers grew ~10% in FY24 to ~Rs650mn,** which were below expectations as some projects in the pipeline got delayed. They are now back on track and sales are expected to grow 20-30% in FY25.
- **Romania:** Continues to face headwinds as there is no demand revival in wind and industrial segments in Europe. Aiming to improve product mix by increasing share of cages from ~15% to ~30% in FY25 in order to breakeven or better in FY25. Ideal blended EBITDA margin is 6-8% in a good year. Reported ~Rs2.2bn revenue in FY24. Capacity utilization stands at 20-25% for castings and 40%+ for bearings.
- **China:** Recorded positive PAT in Q4FY24 aided by revival in demand from key customers. Expecting this trend to continue in FY25. Targeting 12-13% blended EBITDA margin. Reported ~Rs0.9bn revenue in FY24. Capacity utilization stands at 50-60%.
- **Solar EPC:** Favorable renewable energy policy has driven strong growth. Revenue can be Rs1.5-2bn annually. Margin is lower versus peers due to lower scale and certain legacy costs, but can improve to mid-single digits going forward. Strategy continues to be on limited capital allocation in this segment, with no plans to venture out of Gujarat.
- **Planning ~Rs3bn capex over next 2-3 years** for the greenfield expansion with capacity being added in bronze bushings and large size cages (for industrial bearings) in Phase 1, which will be operational by Q4FY25. Also plan to add stamped components capacity. Ideal asset turnover is 2x.

Havells India (HAVL IN)

Rating: ACCUMULATE | CMP: Rs1,664 | TP:Rs1,774

- Company attributes growth in C&W segment from uptick in real estate and infrastructure. Company saw a volume growth of 18% YoY in C&W in Q4FY24 and 15% for FY24.
- Growth in ECD was primarily led by Fans due to lower base of previous year and picking up of summer season.
- Company has observed increase in raw material prices (CU/AL) in Mar/Apr-24 which may impact margins.
- Company is targeting a capex of Rs 8.0bn in FY25.
- Lloyd has seen growth in volume from South & East India in Q4FY24, and expected pickup from North India in Q1FY25.
- Management indicated utilization reached to an average of ~65% in Lloyd in FY24.

- Lloyd reported positive EBIT on account of cost saving and business efficiency measures. Lloyd could see more improvement in margins with increase in volume as fixed cost will be distributed more broadly. Management focus on growth with profitability in the segment.

- Company does not aim to increase prices of RAC anytime soon, focus on maintaining market share.

- In case of Large kitchen appliance, company is focused on owning IP and getting it manufactured from third party, company does not plan to invest for in-house manufacturing.

HCL Technologies (HCLT IN)

Rating: ACCUMULATE | CMP: Rs1,474 | TP:Rs1,550

- The full year FY25 guidance (3-5% CC YoY) also includes the project runoffs that will lead to a revenue drop of ~2% QoQ in 1QFY25 followed by a recovery in 2Q. The management was confident of achieving revenue growth within the guided range despite having a dip at the start of the year.

- The Q4 margin had an impact of ~156 bps from P&P business that has come off substantially over 3Q seasonality. Service margin had an impact of 73bps, primarily attributed to the wage revision (~70 bps) mid and senior-level leadership and another 25 bps was on account of higher travel and marketing activities.

- Within the P&P, the company has consciously discontinued some of its products within Telecom portfolio, resulted in dropping ARR quite meaningfully in 4Q.

- The company has undergone restructuring of its two major service lines (IT Services + ERD) to have a joint GTM strategy. Both these service lines will integrate with each other and deliver as a unique solution to its strategic accounts in order to have boarder scale and offerings to as a comprehensive solution.

- GenAI is gaining traction among the enterprises and the many of them have started POCs and uses cases around this technology. However, those investments are not meaningful which is carrying a ticket size of $5m-$10m. It believes that these programs come with an additional regulatory, risk and cyber aspects which requires to be addressed first. These programs are still far-fetched before it sees any full scale deployment.

- SaaS based product companies are benefiting over IT services on GenAI integration. Majority of these product companies have undergone price revision due to sticker client base and inflationary environment. While IT service vendors offer relatively commoditized over the ISV vendors and their efforts are yet to get recognized once it starts to get commercialized.

HDFC Asset Management Company (HDFCAMC IN)

Rating: BUY | CMP: Rs3,707 | TP: Rs4,100

Industry:

- Closing AUM for industry was Rs53.4trn (+35% YoY), contributed by net flows of Rs3.5trn. Major contribution was from active equity with net flows of Rs1.6trn and NFOs contributing Rs546bn. Debt funds attracted net flows of Rs83bn.
- SIP flow contribution for FY24 was Rs2trn; SIP flow for Mar'24 was Rs193bn.
- Unique Investor base increased by ~6.9mn in FY24 to 44.6mn

Company Performance

- SIP/STP flows added up to Rs23.9bn in Mar'24 (Rs17.1bn in Mar'23). SIP AUM is 37% of active equity which is in-line with industry.
- **Blended yields declined QoQ** as total expense ratio for some funds saw a one-time impact. Small cap TER decreased to 58bps from 72bps QoQ (63bps from Ap'24), hybrid TER reduced to 119bps from 127bps (124bps from Apr'24), credit risk debt TER fell to 91bps from 97bps (96bps from Ap'24). However, revenue yields which are expected to normalize from Apr'24.
- Regular TER is computed based on formula while direct TER is reduced for estimated distribution commissions. Underestimation of commission leads to reversal of TER leading to one-time adjustment in revenue.
- **Blended yields** for Q4'24 stood at ~59bps for equity, 27-28bps for debt and 11-13bps for liquid. Overall yields were ~45bps. Going forward, overall yields are guided at ~47bps, expenses guided at ~12bps. As on 1 st Apr'24, equity yields stood at 59bps.
- **Flow market share** is higher than book market share while flow margin is lower than book margin. Flow margin ranges between 50-60bps vs book margin (59bps currently).
- **Staff cost** – ESOPs are amortized as 60% in first year, 30% in next year and 10% in following year. Overall non-cash charge is guided at Rs200mn for FY25. Headcount increase in FY24 was 200 employees. 2 senior resources have been hired on private credit side within AIF.
- **Total Opex** - Total expenses were 12bps considering constituent investment in digital-front, technology, branches, new recruitments (sales+tech). Focus is on prudent usage of funds and capitalizing on opportunities.
- **Taxes** - Effective tax rate is lower primarily due to decreased deferred tax charge, mainly attributable to change in holding period of certain investments from short-term to long-term.

Financial Performance

- Company announced a dividend of Rs70/share (Rs48/share in FY23). Payouts are expected to keep increasing but no such policy is disclosed.

- **Branches** - 24 new branches opened during Q4'24, with majority located in B30 locations. Total branch base has now reached to 254 with 174 branches in B-30 locations.

- Focus is on thematic funds. Manufacturing fund is planned to open on 26th April 2024. Investment Team is evaluating other opportunities as well.

- **Fintech Platforms** – Overall group has registered 17.7mn SIPs in FY24. Company is available on all platforms to capture new flows and SIP registrations. Company has a dedicated channel to drive fintech strategy.

- **Debt AUM** – A new campaign called 'Fixed Income Sahi Hai' has been started to create awareness in debt. Rise in debt AUM is on account of investors parking money to earn on interest rate rise.

HDFC BANK (HDFCB IN)

Rating: BUY | CMP: Rs1,531 | TP: Rs2,000

Assets/Liabilities/Others:

- **Mid to Long-Term** focus is to improve RoA and EPS by sustaining granular deposits and maintaining risk-reward based pricing. Operating leverage would play out in future.

- **Deposits (+16.9%YoY):** ~85% of deposits are retail while rates offered are not an outlier. Q4'24 saw more than estimated transitionary deposit. Q3'24 faced higher pricing competition where bank lowered its growth consciously. However, in Q4'24, bank was able to gain higher market share on incremental deposits as compared to its stock and aims to continue the same.

- **Advances (12.5% YoY):** In Q4'24, yields were increased leading to a lower advances growth. Bank aims to grow high yielding segments such as CRB and retail. Funds deployed will depend on funds mobilized. Incremental loan growth is mainly a function of risk-reward pricing.

- **PSL:** Target for FY24 was 40% while ~52% was achieved (Vs 35% in Mar'23). Entire PSL was done organically and trajectory is expected to go up. Bank has expanded to 225,000 villages. Couple of years back, access was to 170,000 small and marginal farmers which is 3.5mn today.

- Increment in PSL is from micro enterprises, small framers and other agri segments. Other small and medium enterprises have seen tepid growth. Yields have increased for this segment as well. Small and Medium enterprises have grown in 715 districts.

- **Current market share** of HDFC Bank is ~11% while that for the largest bank is >20%. Management believes there is a big market yet to capture and growth may be above system in long term but may see some hiccups in environment with unsustainable increase in CoFs.

- **Borrowings:** Going forward, borrowings will mature annually. Current focus is on creating reserves to repay borrowings to be matured. LDR and incremental LDR may be historically low.

- **Treasury bonds** included CPs (~Rs290bn) for short term requirements that were carried from e-HDFCL which was settled through high cost borrowings since banks cannot use CPs. These borrowings may mature in FY25.

- **Branches** may be opened up based on opportunities available as it has an impact on cost to income. Productivity is a key focus area. 917 branches were added in FY24. Deposits (adjusted for HDFCL) improved YoY to Rs2.74bn per branch from Rs2.6bn, suggesting improved productivity

NIM/Opex:

- **NIM:** Margins are targeted to be at same levels. Bank believes in increasing cost of deposits to meet competition but not to an irrational extent. For short-term, a slower growth or de-growth may happen to avoid a pricing competition not in accordance with their risk-reward matrix.

- Margins are a basis of pricing and not an anchor. Going forward, margins may be affected based on how borrowings of e- HDFCL are replaced.

- **Ex-gratia provision** is one-time in nature created as a reward towards employees for their effort towards successful merger and stabilization.

Asset quality:

- **Floating Provision**, unlike contingency provision, is created on account of business environment being favorable, as a precaution towards any future unexpected events. It is a one-off created to bring resiliency and will be carried forward in future.

- Contingency provision is 60bps and overall buffer provision cover is 110bps of total net loans.

HealthCare Global Enterprises (HCG IN)

Rating: BUY | CMP: Rs358 | TP:Rs420

- Capex stood at Rs. 1.9bn for FY24; pertaining towards acquisition of Nagpur, Kolkata and Indore unit; of which Rs. 1.2bn of growth capex spent for Ahmedabad (moving to new unit with 200 beds (from 100 beds) capacity and will be operational in Q1FY25) and Whitefield units (25 beds will be operational in Q1FY26).

- Reiterated brownfield expansion of total 350-400 beds plan in next 4-5 years including Ahmedabad and Whitefield project. Additionally, existing 200 installed bed capacity will be operational in 3 years.

- Capacity utilization declined from 65% to 61% due to expansion and commercialization of 4 new LINAC accelerators in FY24. Mgmt guided headroom to improve capacity utilization with total 36 LINAC machines installed.

- OPD footfalls improved 19% YoY in Q4 and 13% YoY in FY24. Revenue growth was largely driven by volumes and growth in ARPOB.

- Kolkata unit breakeven in Q4 and registered 20% growth in revenues. Whereas South Mumbai unit registered 37% growth and guided to become EBITDA positive in mid FY25.
- Borivali unit continues to grow as mgmt. guided higher operational efficiency resulting from adding one more LINAC machine, robots and surgical talents.
- Newly acquired Indore unit's integration plan is progressing well with upgrading ICU facilities, private room, purchased new OT and medical equipments.
- Effective tax rate guided at to be in the range of 35-39% for FY25.

Hero Motocorp (HMCL IN)

Rating: BUY | CMP: Rs4,614 | TP:Rs5,629

- **Beat on revenue estimate:** Revenue came in at Rs 9.5bn (PLe 9.3bn; BBGe: 9.4bn) driven by volume growth of 9.6% YoY. ASP grew by 4.6% YoY to Rs 68.4k/unit (PLe: 67.2k/unit), led by premiumization of its portfolio. Other income declined by 24% YoY to Rs 1.8bn which saw the company to miss our PAT estimate by 1.6% to Rs 10.2bn (PLe: 10.3bn).
- **EV business impact EBITDA margin by 130bps:** Its EBITDA grew by 25.5% YoY to Rs 13.6bn (PLe: Rs 13.3bn) while margin expanded by 130bps YoY to 14.3%. The ICE EBITDA margin stood at 15.6% which was impacted by 130bps due to the losses in the EV business. Overall, the growth in margin was led by better operating leverage, improved product mix, commodity benefits and cost cutting measures.
- **Strong revenue and operational performance in FY24:** Its revenue for FY24 grew by 10.8% YoY driven by volume growth of 5.5% over last FY23. ASP grew by 5% YoY owing to increased presence in the premium segment as well as price hike of ~Rs 1.3k/unit during the year. Commodity prices remained favorable during the year and cost optimizing initiatives led EBITDA margin expansion of ~220bps YoY to 14%. Consequently, strong overall performance led the company to deliver APAT growth 40.1% YoY.

Hindalco Industries (HNDL IN)

Rating: BUY | CMP: Rs673 | TP:Rs779

- Mgmt. indicated upstream capacity expansion of 180pots at Aditya or Mahan to be considered post successful trial run of renewable (RE) power.
- RE power (from Greenko) supplies have given guaranteed 85% load factor however trial runs to continue till 3QFY25 and stabilization would take another two quarters. Upstream expansion decision will depend on successful stabilization.
- RE power rates would be fixed for 25 years which would cut the volatility of thermal power rates.
- For India AL business, HNDL hedged 22% at the price of USD2,550/t and 15% of the commodity for FY25 at zero collar at a bottom of USD 2,258/t and a ceiling of USD 2,539/t.

- 11% of currency is hedged at Rs88.43/USD.
- In 4Q, HNDL had a gain of Rs2.63bn via hedges.
- HNDL is expected to spend ~RS60bn for capex in FY25.
- 4Q AL EBITDA improved on account of lower coal costs. 1Q cost of production is expected to be down by 1-2%.
- CP Coke and caustic soda prices have decreased ~28% YoY, while CT pitch has declined by 27% YoY.
- ~Rs6bn is expected to be a sustainable quarterly copper EBITDA.
- In 4Q, alumina sales were 227kt while for 1QFY25 is expected to be 160-170kt.
- Commissioning of Chakla coal mine is delayed from 4QCY24 to 3QCY25 due to compensatory afforestation land and delay in forest clearance amidst ongoing elections.
- HNDL has won the Minzari copper mine in India.
- HNDL is fully booked for the new copper tube facility and is expected to commission it in Dec'24.

Hindustan Aeronautics (HNAL IN)

Rating: HOLD | CMP: Rs4,715 | TP:Rs4,515

- **Guidance:** Double digit revenue growth from FY25 onwards led by LCA Tejas Mk1A deliveries and a strong order pipeline. Employee costs should further come down to ~16% of revenue in FY25, while inventory days at ~159 and debtor days at ~55 are at optimal levels now.
- **Order Pipeline:** ~Rs470bn pipeline over next 6-12 months for LUH, Su-30MKI, and AL FP-31 engines. ~Rs1.6-1.7trn pipeline over next 18-36 months for 97 Tejas Mk1A, 156 LCH Prachand, 43 ALH Dhruv, 60 UHM for Navy, and Dornier upgrades. LUH series production order can also come in next 2 years. Su30MKI upgrade discussions have begun with clarity expected in 6-12 months.
- **Margins:** Q4 and FY24 profitability was aided by ~Rs15bn additional revenue from change order in LCA IOC contract, as well as absence of impairment loss on Sukhoi and amortization on HTT-40 development. Optimal EBITDA margin is 32-33%, including 18-20% EBIT, 5-7% D&A expenses and ~6% interest income. Margin should not go below ~29%. Excluding interest income, operating EBITDA margin should be 26-27%.
- **Deliveries:** 6 ALH to army, 15 RD-33 engines, 5 LCA, and 2 Dornier aircraft to Guyana (export) delivered in FY24. Will deliver all 12 LUH and start delivery of AL FP-31 engines in FY25. HTT-40 and Civil ALH deliveries to begin in FY26.
- **LCA Tejas Mk1A:** HAL has capacity for 16 per annum. 3rd line in Nashik for 8 more will be operational in Oct-24. Aiming to deliver 16 aircraft in FY25, including 1 potentially from the new line, despite supply side challenges for some LRUs. Hope to execute initial order of 83 aircraft one year in advance,

and complete deliveries of 97 additional Mk1As by FY33. Indigenization level in Mk1A should reach 65%+. 97 additional Mk1A will not impact Mk2 orders.

- **RoH & Spares:** Booked ~Rs200bn revenue and ~Rs210bn order inflow in FY24. Going forward, growth should be consistent at 8-9%.

- **Design & Development:** FY24 revenue came in at ~Rs15bn, while order book stands at ~Rs9bn. Investing Rs20bn from internal funding for development of UHM for Navy, which should be on track for flight testing in 2 years and commercial production from FY27 onwards. Also spending Rs40bn for R&D on IMRH project. LCA Mk2 prototype should be ready by 2026.

- **Exports:** Order inflow in FY24 was ~Rs5bn, including ~Rs2bn for 2 Dornier aircraft to Guyana which were delivered within 10 days of contract signing.

- **GE-414 Engine:** Agreement is for ToT of ~80% to be manufactured in India while 20% is to be sourced from GE. Engine will be used in LCA Mk2. Commercial discussion on form of compensation to GE has not yet started.

- **Capex:** Investing Rs140-150bn over next 5 years to augment capacities for Tejas Mk2, GE-414 & IMRH engines, development of AMCA & IMRH, and RoH facilities in order to speed up execution and free up capacity for additional orders. Plan to set up 20k MT isothermal press and 50k MT ton hydraulic press for manufacturing forgings for engines and aero-structures as well as a carbon fiber facility at an investment of ~Rs6bn for HAL's various platforms, in order to become self-reliant and increase indigenization levels.

Hindustan Petroleum Corporation (HPCL IN)

Rating: SELL | CMP: Rs501 | TP:Rs420

- Vizag refinery is currently operating at 13.7mmtpa capacity. Commissioning of bottom upgradation unit is pending and by Q3FY24 expansion is expected to reach 16mmtpa. This bottom upgradation unit will improve GRMs by US$2-3/bbl.

- FY25 capex guidance stands at Rs180bn- refining(Rs50bn), marketing (Rs65bn), equity contribution in JVs (Rs56bn).

- 90% physical work on HRRL refinery has been completed and refinery will stabilize by end of 2024.

- The company achieved ethanol blending of 12.13% in FY24.

- Commissioned 428 ROs in Q4. Total network stands at 22,022 ROs.

- Russian oil accounts for 30-40% of imports

Hindustan Unilever (HUVR IN)

Rating: ACCUMULATE | CMP: Rs2,260 | TP:Rs2,543

- Demand trends continued to remain subdued, volume growth (2%) remains similar to 3Q24.
- E-com/ Quick Commerce are growing the fastest amongst all trade channels and HUL continues to gain share.
- Rural demand is showing slow recovery while urban demand is resilient.
- Premium segment continues to outperform mass segment with a strong double digit value growth.
- Fabric Wash & Household care grew in mid-single digits due to price cuts.
- HUL shall aim at growing B&W division as its margins remain higher than overall margins.
- Personal care sales declined 10% due to pressure in mas segment of soap due to higher prices than competition.
- F&R category growth was driven by increase in prices along with improved demand in anticipation of summers.
- HFD volume index are at par with 2019 levels, it aims at diversifying beyond its existing growth levers.
- HUL has passed on all the benefits of price deflation and might look at calibrated price hikes post 2H25.
- HUL margins are likely to be range bound in near term, with some benefits of operating leverage in long term.
- HUL is looking at investing behind love Beauty and Planet and Simple as these brands have already achieved size of Rs1bn.

ICICI Bank (ICICIBC IN)

Rating: BUY | CMP: Rs1,108 | TP: Rs1,450

Assets/Liabilities:

- **Advances:** Personal loan disbursals moderated due to increase in pricing, refining credit parameters and optimizing sourcing costs. Overall lending rates are improving with moderation in competitive environment.
- **Deposit** increase was a function of flow improvement on CASA side. Focus is on organizing business around micro market and ecosystem with sufficient room for growth. Deposit repricing by 10bps was done in Feb'24 with some impact yet to come through.
- **Investment:** Company made an investment in ICICI Lombard through secondary market leading to it becoming a subsidiary. Investment in ICICI Lombard moved to Rs41.4bn from Rs13.3bn (Q2'22).

- **Rating profile:** Moderation in AA- & above is due to 1) growth in business portfolio mapping to BBB, and 2) On corporate side, target is to reduce big exposures including NBFCs due to which risk-weighted assets had gone up.
- 17000 credit cards were erroneously mapped in digital system. Bank took immediate action by blocking these cards and issued new ones to customers.

NIM/Opex

- **NIMs:** Margins may moderate marginally due to increase in cost of deposits. Post that, it is guided to remain range bound till rate cuts happen.
- **Other Income:** Fee from retail, rural, business banking and SME customers at 77%. Dividend Income was driven majorly by ICICI bank Canada, ICICI prudential AMC and ICICI Securities. Treasury loss of Rs2.8bn due to transfer of negative balance of Rs3.4bn in foreign currency translation reserve related to an offshore unit located in Mumbai in view of proposed closure of the unit.
- **Staff cost** increased in FY24 on account of increase in staff and promotions. Total staff count at ~141000 ie +180/12000 QoQ/YoY. Cost for Q1'25 is expected to increase because of annual promotions. Further hiring will be a function of increase in branches and requirements in sales forces.
- **Other opex** rose due to retail related costs and other technology expenses. Technology expenses were 9.4% of total opex for FY24. ILens, retail lending platform, is integrated with personal and education loans along with mortgages.
- **Overall opex** is expected to moderate considering major employee and technology expenses already been done and moderation of sourcing cost.

Asset Quality:

- Retail slippages are expected stabilize at current levels.
- Credit cost came in at ~40bps for FY24 and guided at <50bps

Indian Railway Catering and Tourism Corporation (IRCTC IN)

Rating: REDUCE | CMP: Rs1,025 | TP:Rs811

- Catering EBIT margin declined due to a charge relating to administrative expenses (Rs210mn) and rise in share of mobile catering, which carries a 5% GST levy. Depreciation (Rs20mn) for 9 departmental kitchens also led to margin deterioration.
- CWIP increased to Rs4,424mn in FY24 as advance pertaining to office was capitalized.
- ~117mn tickets were booked in 4QFY24.
- FY25E catering EBIT margin guidance is 15%.
- Internet ticketing EBIT margin decreased due to rising share of UPI transactions that have lower yield.

- UPI share for 4QFY24 stood at 39%.
- Sustainable margin for the tourism segment is 8-9%.
- Tourism margin was lower due to retrospective impact of haulage charges for Tejas trains.
- IRCTC has signed MoUs with 6-7 states, yet the operation of State Teertha trains was hindered as the model code of conduct was enforced due to elections.
- I-pay revenue stood at Rs224mn for 4QFY24.
- IRCTC's tie-up with Swiggy and Zomato has crossed ~0.1mn orders per day.

Indoco Remedies (INDR IN)

Rating: ACCUMULATE | CMP: Rs320 | TP:Rs335

- Slowdown in Anti-Infective and Respiratory therapies impacted growth in domestic formulations. Major brands like Oxipod and Febrex plus decline YoY.
- Higher other expenses led by Rs 50mn remediation cost and higher promotional expenses towards brands like Sensodent
- **US market**: Prices have stabilized, with expectations for 3-4 new approvals in oral solids and several in steriles if plant is cleared.
- **EU market:** Experienced disruptions in paracetamol orders to the UK, leading to a decline in Q4 sales. Expects 15-20% growth with 4 new launches in FY25. Aiming to capture maximum market share and improve margins through new product launches and reduce dependence on paracetamol.
- **EM's:** Kenya, Tanzania, and French west Africa demonstrated strong growth. Deployed 150 MR's in French West Africa and 32 each in Kenya and Sri Lanka.
- During Q4FY24 the company launched a second division focused on ophthalmology in India, particularly strengthening its position in the anti-glaucoma market.
- Commenced manufacturing at a new greenfield facility in Aurangabad, enhancing production capabilities. The API kilo lab facility received clearance from the USFDA, allowing for increased production and export potential.
- Overall capex guided at Rs 2.5bn in FY25. EBITDA guidance 17-18% by FY26.

Indraprastha Gas (IGL IN)

Rating: SELL | CMP: Rs452 | TP:Rs368

- Added 19 new CNG stations and 3.3 lakh D-PNG connections in FY24.
- Average volume guidance for FY25 is 9.5mmscmd with a focus on CNG sales in new GAs, and increasing industrial sales.
- EBITDA/scm guidance stands at Rs7-8.5/scm.
- CNG conversion in FY24 was 15,500 (vs 14,000 in FY23).
- 1,200 DTC buses have gone off-road (and replaced with EV) and another 1,300-1,400 DTC buses will go away in next 2 years.
- On the sourcing mix front, APM+HPHT account for 72% and the remaining is spot (Henry Hub-60%, Brent/JKM-40%).

IndusInd Bank (IIB IN)

Rating: BUY | CMP: Rs1,496 | TP: Rs1,800

Assets/Liabilities:

- **Advances** – Mgt believes in keeping a dynamic loan book mix to help them maintain margins in different time periods. Vehicle Loan disbursals crossed Rs500bn in FY24 with growth picked in MHCV and construction equipment. MFI had strong business at Bharat Financial (13% share with 18mn SA and TD accounts) with 10%/23% growth QoQ/YoY. On merchant acquiring front, >0.7mn merchants are on boarded. MFI is guided to be not more than 11-12% in mid-long term with maintained market share of ~10%. Focus is to reduce dependence on MHCV segment as well. Share of non-micro-finance loan is 13% of overall loan which is aimed to move to 30-35% in next 2-3 years. Overall growth is guided at 18-22% with support of deposit and borrowings.
- **Deposits:** Guided at 16-18% growth.
- **Borrowings** – ~Rs55bn is merchant acquiring loans, ~Rs20bn is affordable housing, ~Rs30bn is KCC, ~Rs18bn is home loans and ~Rs51bn includes gold, BL, LAS and others. Incremental cost of borrowings was higher than cost of funds.
- **PC6 cycle:** 1) Grow digitally – acquired 2mn+ clients and disbursed Rs10bn+ loans. Digital traction has also improved, 2) Grow fee income granularly (retail 72%), 3) Increase in retail deposits, 4) Diversify loan book domain, 5) Reduce NPA and 6) Improve profitability.
- **Capital** – Bank has matured AT1 bonds leading to 40bps impact. However, because in large corporate segments, A and above bond paper went up, impact on CET-1 reduced and thus balancing RWAs.
- LCR has reduced to 188% vs 122% QoQ with a guidance of >115%.
- RoA is guided at 1.8-2.2%

Fees/NIMs/Branches:

- Cost of funds have increased on account of one Fintech partner which had Rs40bn liabilities in fixed went off causing bank to move to external borrowings. However, margins were not greatly impacted due to dynamic loan mix. NIMs are guided at 4.2-4.3%.
- Bank did not increased rates on its loans. With increasing CoFs (CASA reduced from 44% to 38% in 6 qtrs), NIMs were still maintained by leveraging loan mix giving incremental yield of upto 550-600 bps.
- **Digitalization** – Digital expense account for ~9.5%. Bank has planned to launch Indie for businesses and NRIs. Indus Solar is launched to give solar rooftop loans.
- 256 branches (378 for FY24) and 2100 employees were added during Q4'24 (11k+ employee for FY24) leading to rise in C/I ratio. Overall branches are 2984, and 25-30% are rural branches.
- Staff attrition has come down to mid-30s from 51% due to various staff welfare initiatives taking place. Staff cost in FY23 was higher due to replacement costs incurred in addition to staff salaries.

Asset Quality:

- Bank has created a contingency provision of Rs10bn for volatility in MFI (2% extra) and CV segments (0.5% extra). Provision is believed to be created only if required and may be reversed in case of no further requirement. In Q4'24, bank utilized additional provisions to the tune of Rs3bn
- Recovery from Vodafone was received on 8th Feb 24.
- Slippages in credit card business elevated that are written off very quickly. Hence, slippages are now expected to normalize

Infosys (INFO IN)

Rating: HOLD | CMP: Rs1,419 | TP:Rs1,375

Demand Outlook

- Revenue growth and margins had an impact of 100 bps each, which was led by project re-scoping and re-negotiation of one of the large deals within Financial Service. Post the re-renegotiation activities, the company get to work on the 85% of the scope.
- The BFSI growth was majorly impacted due to project re-scoping, while macro challenges and higher concentration of discretionary within BFS has led to meaningful decline within the space. Additionally, the softness within mortgage business also contributed to this weakness, it expects FY25 growth to be higher than that of FY24.
- Manufacturing sees healthy growth within the space. The traction around engineering, IoT, supply chain, and digital transformation remained strong. It sees healthy deal pipeline within the space.

- At the onset of macro uncertainty, the clients continue to focus on cost savings and efficiency-driven deals with the incremental usage of AI and automation. Additionally, the client cautiousness is leading to delay in deal closures and slower ramp ups with increase participation on vendor consolidation activities.
- The revenue guidance of 1-3% YoY CC does not include the revenue contribution from acquisition of In-Tech (Germany based) within the R&D space. The deal is expected to close by H1FY25.
- The client sentiment remains unchanged on resuming discretionary related work. And the restriction is not limited to any specific industry, instead the spending cut has been broad-based.

Margin Outlook

- In Q4, the op. margin had an impact of 180 bps, 100 bps due to project rescoping, another 80 bps due to compensation revision and visa costs, which partly got offset by ~50 bps improvement in productivity and another ~60 bps due to lower provision.
- The headcount addition would be slower in FY25, the company is changing its hiring strategy to agile model which ensures bench optimization and higher utilization. The management also indicated that it would resume notable hiring once it sees the corresponding demand resuming from the clients.
- Despite weak growth anticipated in FY25, it sees further scope of margin improvement while flexing multiple levers: (1) It sees 300 bps improvement in utilization, (2) Further scope of optimizing subcon-expenses, (3) Higher offshoring and near-shoring

InterGlobe Aviation (INDIGO IN)

Rating: ACCUMULATE | CMP: Rs4,257 | TP:Rs4,667

- Indigo currently operates 88 domestic destinations with 10 destinations added in FY24 itself.
- During FY24, 7 new international destinations were launched across Asia and Africa.
- A tailor-made business class service is likely to be unveiled soon. Details surrounding routes and launch date will be revealed in August.
- Target is to achieve a fleet size of over 600 aircrafts by the end of the decade.
- Capacity addition growth guidance is pegged at 10-12% in 1QFY25E.
- Maintenance and airport fee is witnessing inflationary pressure in early double digits.
- Tax burden is likely to be negligible in FY25E given past accumulated losses.
- International revenue contribution ranges between ~20-25%.
- 65 aircrafts (including 12 damp lease)/9 aircrafts were added during FY24/4QFY24 respectively.

Ipca Laboratories (IPCA IN)

Rating: REDUCE | CMP: Rs1,250 | TP:Rs1,150

- **Domestic market** Achieved ~16% growth in top six metros, surpassing market growth.
- **Unichem** – Maintains its guidance of Rs 20bn topline and guided for Rs 2.25bn EBITDA in FY25. Business to touch margins of ~10% levels. Unichem portfolio integration expected to benefit, with products entering markets like Europe, Australia, New Zealand, Canada, South Africa.
- **US** – Received 4 approvals in the current month. Experiencing price stability for its raw materials. Expects to launch 6-7 products in FY25 from 18 approved products. Ipca's products will be distributed in the U.S. through Bayshore Pharma.
- **Branded formulation business:** Overall growth affected by challenges in markets (Russia, West Africa) and decline in institutional generic biz.
- **API:** Efforts continues on cost reduction. Major impact in API business was due to a single product, Losartan.
- **Subsidiary** Onyx Scientific which focuses on OSDs continues to perform well. It has 2-3 new commercial APIs in the pipeline and is developing new drugs. Avik Pharma (steroid business) is profitable whereas Krebs Bio remains unprofitable.
- **Other:** Pithampur facility being utilized for markets like Australia, New Zealand, Europe, with current capacity utilization around 35%. Capex of Rs 5bn at consolidated levels in FY25. R&D spend stood at Rs 2.5bn (3.5% of sales. Increased field force strength in metro cities.
- **Guidance-** Consol revenues growth at 13-14%, Institutional biz at 14% whereas API biz by 7-8% in FY25. Margins expected to improve by 100-150bps annually for next 2-3years.

J.B. Chemicals & Pharmaceuticals (JBCP IN)

Rating: BUY | CMP: Rs1,774 | TP:Rs1,920

- **Domestic:** MR productivity stands at Rs0.7mn/month; 13% YoY growth. Overall strong performance across its key brands. Cilacar, Metrogyl, Nicardia witnessed healthy growth YoY. Witnessed consistent improvement in the chronic share with +52%.
- Sporlac franchise have almost grown by 21% in FY24 as per IQVIA. Azmarda registered Rs750mn of revenues while Razel grew by 24% YoY. Company has done restructuring in SouthAfrica market related to its tender business. Intend to focus more on private market which is slightly better margin in nature.CDMO segment is likely to pick up from FY25 as company have entered into EU market with new launches. Domestic biz and CDMO largely to contribute 75-80% of the overall business.The recently acquired opthal portfolio got consolidated from Q4FY24.

- Healthy FY25 guidance – 12-14% revenue growth (ex opthal portfolio) with 26-28% OPM adjusted for ESOP charges. Margin improvement will be aided by increasing chronic share, better MR productivity and vendor management program. ESOP cost for FY25 likely to be at Rs 400 million. Focus remains on scaling up Novartis opthal portfolio in areas such as Glaucoma, pain, antibiotics, and anti-allergics.

Jindal Stainless (JDSL IN)

Rating: HOLD | CMP: Rs680 | TP:Rs712

- EBITDA per ton guidance of Rs 18-20k maintained for FY25 despite macro headwinds in near term. Volume guidance stood at 20%.
- FY25 and FY26 capex is expected to ~Rs48bn and ~Rs13bn respectively.
- Capex is largely expected to be funded through internal accruals.
- NPI project is expected to get commissioned in 2QFY25 vs earlier stated timeline of 4QFY25. In FY26, NPI capacity utilization is expected to be ~90%.
- FY24 product mix stood as follows: series 200-~35%, series 300-~45% and series 400-~20%. ♣ Net debt levels are expected to be ~Rs51-52bn by FY25.
- Most of the short term debt has been refinanced during this year.
- Chromeni is expected to commence operations in 2QFY25.
- JUSL 4Q and FY24 volumes stood at 0.464mt and 1.7mt respectively and 4Q EBITDA stood at Rs1.78bn.
- Chinese imports increased 20% YoY to 140kt in 4Q.
- There has been uptick in demand in some pockets of export markets.
- JDSL has first right to refusal on entire 1.2mt Indonesia production volumes.
- The product mix at Rathi is shifting from wire rods to rebars which is a high margin product. Utilization at this facility is ~75%.
- 4Q EBITDA had an impact of ~Rs2.5-3bn on account of nickel inventory loss, higher freight costs and lower share of exports (11% in 4QFY24 from 17% in 1QFY24).

Jindal Steel & Power (JSP IN)

Rating: ACCUMULATE | CMP: Rs939 | TP:Rs987

- Realization is expected to increase by ~1% in 1QFY25.
- Company took price hikes of ~Rs 1,000/t since Mar'24 exit and expect some more increase.
- Export volumes contribution stood at ~11% in 4Q vs 3% in 3QFY24.
- HSM volumes is expected to be 3-3.5mt and 6mt for FY25 and FY26 respectively. It is currently running at ~3mtpa.
- Coking coal costs increased by USD 21/t in 4Q and is expected to decrease by USD 30-40/t in 1QFY25.
- Output from Gare Palma IV/6 and Utkal C stood at 1mt and 0.9mt respectively for 4Q. EC capacity for both these mines is expected to be augmented to 5mtpa.
- Utkal thermal coal mines (B1 and B2) are expected to commission in this year.
- Tensa iron ore mine is running at full EC capacity of 3.11mt and Kasia is running at 6-7mt out of EC limit of 7.5mtpa.
- Capex guidance stands at Rs75-100bn per year depending upon the EBITDA generation during the year.
- An impairment was taken to the tune of Rs3.6bn at the Australian subsidiary.
- Tax rate is expected to be ~25% on standalone basis and lower tax rate at Overseas.
- Pellet plant utilization stood at 4,500+tpd in 4Q and ramped up to 8,300+tpd in April and ~9,000-10,000tpd in May'24.

Jubilant FoodWorks (JUBI IN)

Rating: HOLD | CMP: Rs480 | TP:Rs490

- Achieved positive LFL in Q4 led by low base of last year & improving demand environment.
- Feb saw positive uptick in terms of LFL growth, April LFL remained positive on strong delivery performance.
- JFL observed market share gain on QoQ basis.
- Emerging brands are on track and are likely to perform well in FY25.
- JFL to focus on innovation led by both premium and value side to attract new consumers.
- LFL excluding two months of consolidating DPEU was 5.4%.
- Delivery LFL stands at 7-8% led by delivery fee waiver.

- The annual network guidance for FY'25 is 180 stores for Domino's India, 50 for Domino's in Turkey, 20 for Domino's in Bangladesh, to for COFFY, 50 stores of Popeyes and 25 for Hong's Kitchen.
- RM prices remain stable with no sudden change either side expected

Jubilant Ingrevia (JUBLINGR IN)

Rating: HOLD | CMP: Rs512 | TP:Rs526

- Agrochem is 20-25% and Pharma is 30-35% of the company's business.
- 14bn capex already done of the 20bn committed, 6bn Capex is expected in FY25 (This number may go up).
- Volumes were high across pyridine based products, Di-ketene derivatives and CDMO portfolio.
- Di-ketene plant currently operating at 60%-70% utilization.
- For CDMO: The company is in later stage talks with few global companies for longer term contract.
- Sale of high cost carry forward inventory from Q3FY24 impacted EBITDA margins negatively for Nutrition segment.
- Vitamin B3 pricing has been flat for past 6 months.
- Launched new products range with introduction of food grade Choline Chloride and Choline Bitartrate (9)For chemical Intermediates segment, EBIDTA was lower on account of lower realization in Acetic Anhydride

Jupiter Life Line Hospitals (JLHL IN)

Rating: BUY | CMP: Rs1,275 | TP:Rs1,360

- 500 beds construction activity at Dombivli unit is progressing well and likely to operationalize 250 beds in phase 1 by Q4FY26. Will be spending Rs3bn of capex in FY25 & FY26 towards Dombivli unit.
- Mgmt plans to commercialized 22 beds at Baner unit (Capex at Rs1mn per bed) and 75 beds at Indore unit (Capex at Rs2mn per bed) in FY25 with total capex plan of Rs.180mn. At Baner unit (Pune) only interior related activities are pending whereas at Indore unit already secured permission to build two additional floors. Additional 200 beds will be operationalized at Indore unit once it reaches to 60% of utilization level. Maintenance capex for all three units will be at Rs.450-500mn for FY25 & FY26.
- New land for 2nd unit in Bibwewadi Pune with 500 beds expansion plan is one-hour away from Baner unit.
- Insurance contracts have been renegotiated in Thane and Pune unit in Q3FY24 including recent price hike in self payor category in Feb-Mar'24.
- Pune unit's occupancies guided to reach at 70-75% and expects inflation link ARPOB growth.

- Tax rate guidance at 25%.
- On track to double existing bed capacity to 2500 in Western India in the next 5 years. The new location in Pune, along with the already under-construction hospital at Dombivli, gives visibility to about 2,200 beds. Will add more hospital in Western India in FY25.

JSW Steel (JSTL IN)

Rating: ACCUMULATE | CMP: Rs902 | TP:Rs980

- Domestic steel prices have bottomed out while Chinese prices increased by ~USD20/t since end of 4Q.
- Domestic long product prices increased in April and May on account of higher iron ore & thermal coal prices.
- Avg. coking coal costs for 4Q increased by USD 22/t to CFR USD 274/t and are expected to decline by USD 22-27/t in 1QFY25.
- JSTL has acquired MDR coking coal mine (Minas de Revuboe Limitada) at Mozambique with ~800mt of R&R for a consideration of USD 74mn for 92.19% stake. The life mine is ~15 years and can be extended by another 25 years.
- 13 out of the 24 captive iron ore mines (1.6bt reserves) are operational currently.
- Captive iron ore production in FY25 is expected to be ~42mt from Karnataka (15.5mt), Odisha (25mt) & Goa (1-2mt).
- Capex for 4Q and FY24 stood at Rs 3.5bn and Rs 167.6bn. Capex for FY25E/26E shall be Rs 200/230bn respectively.
- The debt levels have peaked out for FY25 as Rs200bn capex will be with internal accruals.
- The commissioning of 5mtpa integrated plant at JVML will be completed by July'24. Phase II expansion of BPSL (1.5mtpa) is completed and expected to ramp up by Oct'24. JSW Steel Coated products at J&K is expected to commission operations in 2QFY25. 30mtpa slurry pipeline at Odisha is expected to commission in FY27.
- JSTL board has approved phase III 5mtpa brownfield capacity expansion at Dolvi. Partial land acquisition is completed.
- Next phase of expansion to 50mtpa in India will be done via brownfield expansions at Vijayanagar (5mtpa), BPSL (5mtpa) or 4mtpa green steel.
- There will be a shutdown at Vijayanagar BF3 to augment capacity via debottlenecking.
- BPSL annual shutdown is expected to take place before phase II is ramped up. There was liquidation of 0.3mt inventory in the quarter.
- Downstream capacity currently stands at ~14mtpa and earns Rs4,000/t incremental EBITDA.

Kajaria Ceramics (KJC IN)

Rating: ACCUMULATE | CMP: Rs1,184 | TP:Rs1,318

- Domestic Tiles Industry is expected to grow at 6-8% CAGR over FY24-27. KJC holds ~10% market share in domestic tile industry.
- KJC expected low double digit (11-13%) tiles vol. growth with EBITDA margin of 15-17%.
- Tiles segment contributes 89% KJC rev. which expected to go down to 85% by FY27.
- Bathware/Plywood/Adhesives contributed 8%/2%/1% to KJC revenue.
- Volume and Value contribution of Ceramic/PVT/GVT tiles were 43%/26%/31% and 38%/26%/36%, respectively.
- KJC focus on branding, improving the quality of its distribution network (added/discontinue 200/150 dealers in FY24) and improving value added products.
- Improving its penetration in tier 3&4 cities and focus on adding exclusive showrooms for tile & Bathware.
- Retail/institution mix in tiles segment maintained at 70%/30%, in institution govt/large builder/mid builder accounts 12%/8%/10%.
- KJC aims to reach Rs 6.5bn revenue by FY27, targeting CAGR of 11%/23%/19%/44% in Tiles/Bathware/Plywood/Adhesives segments.
- KJC projected yearly maintenance capex of Rs 2.25-2.5bn over FY25-27.
- Planned capacity addition of 5.1msm in Nepal JV (commissioned by Jun/Jul-24), 6msm in Keronite Tiles & investment in Kajaria Ultima and 1.5 lac pc sanitaryware expansion in Kerrovit Global.
- Adhesive segment to maintain EBITDAM at 18-20% and setting up adhesives manufacturing facility in Gailpur**.**

Kalpataru Projects International (KPIL IN)

Rating: HOLD | CMP: Rs1,188 | TP:Rs1,211

- Tender pipeline continues to remain robust across all segments. T&D tender pipeline of nearly Rs1trn of projects to be awarded over next 24-30 months. Strong international tender visibility is driven by uptick in capex of focus markets such as Latin America, Europe, Middle East and Africa.
- **Guidance:** Management is targeting revenue growth of over 20% in FY25, leveraging the company's expertise in the EPC sector, global presence, and ability to manage large-scale projects. The standalone PBT margin is expected to improve by 25 to 50 basis points year-over-year, reaching approximately 5%. Order inflows are anticipated to remain robust, with further details to be provided following the election.

- **Net working capital days in line with guidance:** Management successfully reduced the NWC from 112 days in the previous quarter to 99 days in the current quarter, achieving the target of below 100 days. Standalone net debt declined by 29% QoQ to reach Rs18.3bn.

- **T&D:** OB stands at Rs207bn. T&D business outlook improved significantly in last 12-15 months driven by increasing adoption of renewables, development and upgradation of grid infrastructure globally. Domestic tender visibility of around Rs500bn annually for next 2-3 years. Domestic order booking up by 48% with L1 position in Rs20bn worth of orders. International tender visibility of USD 3-4bn in 18-24 months is driven by uptick in capex of focus markets.

- **LMG and Fasttel:** Respective OBs stand at Rs21bn and Rs15bn. LMG revenue experienced an 81.1% YoY growth, reaching Rs3.6bn, while Fasttel revenue grew by 14.6% YoY, reaching Rs1.4bn. LMG revenue is projected to grow by approximately 25%, with an EBITDA and PBT margin approaching 5%-6% in the FY25. Similarly, Fasttel revenue is anticipated to grow by approximately 20%, with EBITDA and PBT turning positive in the FY25.

- **B&F:** OB stands at Rs110bn. Significant progress made in design built EPC projects and secured major and prestigious projects in residential buildings, airports, data centers and industrial plants. B&F is expected to maintain double digit revenue growth supported by healthy order book and excellent business visibility with current L1 position of Rs19bn.

- **Water:** OB stands at Rs107bn. Focus is on execution, completion of current projects and improving capabilities in areas related to water treatment projects. Strong visibility from water supply, irrigation and water treatment projects. Current order book gives strong visibility of revenue for next 3 years.

- **Railways:** OB stands at Rs40bn. Cautious and being selective while bidding for projects with focus on project closures. Revenue was down by 29.8% due to lower opening OB and intense competition. Opportunity remains strong in Metro Rail, RRTS, Composite EPC Projects and Signaling Works. Actively pursuing opportunities in Middle East, Africa, SAARC and APAC.

- **Oil & Gas:** OB stands a Rs90.3bn. Significant projects were secured in the Middle East, although domestic tendering continues to be subdued. Consequently, the emphasis is on expanding reach in processing plant projects in international markets such as MENA to achieve sustainable growth driven by the expansion and modernization of hydrocarbon infrastructure.

- **Urban Infrastructure:** OB stands at Rs30.3bn. Significant growth in coming years due to good traction in ordering and opportunities in urban mobility segment. Government capex in infrastructure development further provides revenue visibility. In the quarter, two large underground metro tunneling projects were secured, improving competitive position and capabilities

- **Indore Real Estate:** Completed sales of ~80% of inventory. Expects to completely exit business in current financial year.

- **Road BOOT assets:** For FY24, revenue per day has improved to Rs5.8mn per day Vs Rs5.4mn YoY driven by increase in traffic. Infused around Rs840mn in FY24, largely towards debt repayment. For largest road asset, VEPL, have appointed a banker and have a non-binding offer right now; will get more clarity at the end of Q1FY25. Not yet divesting the other 2 road BOOT assets.

- Other manufacturing expenses increased 67.7% YoY. It includes higher freight cost, EPL provision, expected credit loss and currency exchange loss all of which are one off expenses and are expected to normalize moving forward.

Kansai Nerolac Paints (KNPL IN)

Rating: REDUCE | CMP: Rs284 | TP:Rs273

- **Deco Volumes:** KNPL expects high single digit decorative volume growth in the near term. Rural demand revival will be positive for KNPL as it is more indexed to rural India. KNPL is performing better Northern & Western India, southern markets remain weak but growth opportunities exist by improving distribution reach. Volume growth will remain ahead than value growth.

- **Deco segment gains from premiumisation and Digital initiatives –** KNPL has improved mix as Nerolac Paint+ has gained salience by 180bps and is now 7-8% of sales. In addition, new products like wood coatings, water proofing and construction chemicals are growing faster than overall growth of the company. KNPL is also promoting its home painting services, which results in improved mix and better consumer connect. It has also increased its projects business to more than 75 cities, which is boosting demand for deco segment.

- **Industrial Pants to sustain growth** – Industrial Paints have reported close to double-digit volume growth given strong momentum in both Auto and General Industrial paints. Strong infra spends has increased the share of non-auto segment to 40%. Share of industrial paints has seen an uptick of 2-3ppt over earlier levels. Outlook for both auto and general industrials remain strong. KNPL has increased share by 70bps in liquids and 120bps in powder coatings.

- **Others** - 1) Royalty amounts to 3% of net sales of select products 2) Trade margins have increased in the last 2 years 3) Ad spends in FY 24 amounted to Rs3.5bn (~4.5% of sales) Increase in digital spends YoY have lead to improved lead generation & website traffic 4) FY25 capex is estimated at Rs3bn 12) KNPL is looking at 30% increase in capacity from current levels of 611mn liter.

KEC International (KECI IN)

Rating: HOLD | CMP: Rs737 | TP:Rs750

- **FY25 guidance:** ~15% revenue growth; ~Rs250bn order inflow; ~7.5% EBITDA margin (9%+ in FY26); debt at similar level of ~Rs50bn; NWC days below 100 (vs 112); interest cost as % of sales at ~2.5% (vs 3.3%).

- **Order book & inflows:** Rs296.4bn order book plus L1 of Rs70bn+ provides visibility for next 6-8 quarters. Deliberately did not take orders worth Rs20-25bn in FY24 that had cash flow or execution issues and due to unsuccessful renegotiation of certain T&D L1 contracts.

- **Margins:** Q4 margin was 30-40bps lower than expected due to deferment of revenue worth Rs4-5bn (@10% margin) owing to supply chain issues in GiS, transformers and conductors for transmission projects and in DI pipes for water projects, as well as due to execution delays in Railway projects.

- **T&D:** Order book + L1 at ~Rs210bn (~Rs90bn in India). Targeting ~20% growth (30-40% in India; 10-15% international) and double digit margin in FY25. Rs600-700bn tender pipeline in India (~Rs250bn is live) across renewable energy, thermal power and HVDC projects. Order sizes have increased. ~Rs400bn international tender pipeline, largely in Saudi Arabia and UAE. Seeing good traction in standalone tower supply orders.

- **SAE:** Delivered positive PBT in all 4 quarters. Saw largest ever auction in Brazil worth ~$3bn – well positioned to secure orders in these projects for supply of towers & hardware. Order book + L1 stands at Rs30bn+. Debt is ~$50mn; may refinance given fall in Brazil interest rates and improvement in balance sheet.

- **Civil:** Rs42bn order inflows across FMCG, cement, residential & commercial buildings, data centers and metals & mining. Inflow declined vs FY23 as KEC stayed away from large metro projects and booked zero water orders (vs Rs20bn in FY23). Order book + L1 is Rs100bn+, including Rs50bn in industrial & residential buildings. Business outlook remains healthy across segments, especially residential. DI pipes supply chain will normalize in 1-2 quarters.

- **Railways:** Margins impacted adversely due to delayed execution. FY24 subdued order inflow of ~Rs15bn will lead to 15-20% revenue decline in FY25. Hopeful of turnaround in FY26. Expecting increased allocation towards rail infra development – upgrading tracks, electrification, advanced signaling & telecom for integration of high speed trains. Hope to win 1-2 more international orders.

- **Cables:** Profitability improved substantially. Aluminium conductor capacity will be set up by Q3FY25, and can have annual revenue of ~Rs6bn (~10x asset turnover). Facility will help improve margins and enable timely execution of T&D projects. Secured orders for supply of power transmission conductors (ACSR and AL-59) from government utility and private TBCB developer.

- **Oil & Gas:** Forayed into international market with maiden order in Africa. Exploring opportunities in the growing storage tanks market. Focused on enhancing pre-qualifications to expand addressable market.

- **Solar:** Secured order for setting up solar projects from a leading Indian auto-ancillary company. Not bidding aggressively for projects in FY25; may take on 2-3 projects worth up to Rs20bn. Will likely go more aggressive FY26 onwards.

KEI Industries (KEII IN)

Rating: HOLD | CMP: Rs3,893 | TP:Rs4,032

- Company guided revenue growth of 17-18% in FY25 and EBITDA margin of 11%.
- Company targets B2C sales at 50% consolidated sales in long term. B2C sales in Q4FY24 was 46% and in FY24 was 47%.
- In FY24, the company incurred a total CAPEX of ~Rs 3.9bn in which Chinchpada (Silvassa) was Rs840mn, Pathredi in Rajasthan was Rs510mn, Sanand was Rs1.97bn and purchase of plot at Kheda in Gujarat was Rs90mn and other existing plants was Rs580mn.
- In next one to two months, company will further spend Rs650mn at Chinchpada to further add capacity for wires and cables.
- Expansion is going on at Pathredi with approximate cost of Rs1.25mn, which will increase the capacity for LT power cables & expected rev. of Rs8.0-9.0bn per annum. It will be operational by end of Q1FY25.
- Company has also planned capex of Rs9-10bn for greenfield expansion for LT & HT cables at Sanand (Gujarat).
- Company has added EV charging cables in its product portfolio in FY24, started production and commercial sales.
- Export sales grew by 58% in FY24.
- Company will maintain EPC revenue at 5-6% of total revenue and doesn't plan to enter EPC contracts in a significant way.
- Company is targeting a growth of approximately 20% for dealer distributor market and deploying manpower in southern and eastern market to strengthen in that regions.

Kotak Mahindra Bank (KMB IN)

Rating: BUY | CMP: Rs1,547 | TP: Rs2,100

Assets/ Liabilities

- **Deposits – Robust growth on retail TD** was led by Activ money. CA grew despite muted custody flows due to higher focus on customer flows and traction in corporate banking. Focus is towards finding underpenetrated areas and increase deposits from asset-side customers. Deposits from salaried class are targeted to get stability in deposits. Deposits through 811 may get marginally impacted but field sales force may deepen relations.
- **Advances – Mortgage Lending** yields improved towards quarter end with strong credit quality. **Consumer banking** saw continued momentum due to robust demand and utilization by microenterprises. Strong growth to continue in CV/CE. **MFI –** Sonata acquisition led to presence now in 16 states with a customer base of >2.7mn women. **Wholesale segment** improved because of

higher NTB and deeper penetration. **Real estate** book saw more disbursals in latter part of quarter with focus on commercial and residential. Mid-market SME grew faster than other segments led by doubling of customers in FY24 vs FY23.

- Trade assets grew by 13% QoQ driven by domestic. Material rise in market share for capital market and IPO transaction on Escrow side. Private banking saw good traction in client acquisition; customer AUM has grown by 50%. Overall customer assets guided to grow by 1-1.5x of nominal GDP growth.

- RBI order (24th April'24) could impact PBT by Rs3-4.5bn. This estimate considers impact of i) additional tech spends required to bring IT systems up to benchmark standards, ii) financial impact from cessation of new customer acquisitions & iii) cost saving which arises in 1st year of customer acquisition.

- There is no impact on **existing customers** due to above action from RBI. Digital journey with existing customer would continue. No material impact on yearly growth is expected as all segments except impacted ones will continue to grow and focus will be to deepen relationships with existing customers.

- Redeemed **preference capital** in Q4'24 making entire CET-1 as equity.

- **Sonata Finance** (incl. in Commercial banking book) acquisition completed in March-end. Sonata has 610 branches in 155 districts centered towards North-India and thus complementing its earlier acquisition catering South India.

- 2.4mn customers were added in Q4'24 and 9mn were added in FY24

Margins/Other Inc./Opex

- **NIMs** may be slightly impacted due to expected gradual increase in CoFs. Deposit rates are stabilizing. Most part of the book has been repriced.

- **Fee Income** was led by debt capital market syndication with higher traction in large deals in infrastructure, real estate and NBFCs.

- **IT costs** are 10% of opex; were ~Rs17bn for FY24 (~Rs13bn for FY23).

- **Branch expansion** is targeted to be 150 for next year.

- **Tax provision** of Rs2bn was reversed due to favorable income tax order

Asset Quality

- **AIF provision** of Rs1.57bn was reversed (Rs1.9bn provided in Q3'24). Retail unsecured loans of Rs14.6bn were written off; efforts will be made to recover the same but there is no financial impact as it was fully provided for.

- Collection efficiency has improved overall but has been slightly erratic in tractor and Microfinance segment.

- In terms of balance sheet strengthening, adequate provisions have been made considering increased share of **unsecured loans.**

Krishna Institute of Medical Sciences (KIMS IN)

Rating: BUY | CMP: Rs1,950 | TP:Rs2,100

- **Telangana and AP**- Mgmt cited profitability of these units was impacted as there was a delay in hiring senior doctors, new capacities addition in AP and launched “Cuddles” brand in its Secunderabad unit for which incurred doctor cost and renovation work related cost in few existing units. Kondapur’s 500 beds expansion will be divided in two phases of which 100 beds will be commissioned in FY26 and rest 400 beds by Q1FY27. Guided for 300-400 bps margin expansion over 2-3 years in AP.
- **Sunshine** – Incurred Rs. 30mn as one-time cost related to rentals and to add more departments; adjusted to this EBITDA margin improved by 210bps QoQ to 27.1%. Margins to stabilized from FY26 onwards.
- **Thane** – Signed definitive lease agreement for 99 years and incurred capex of Rs. 2.65bn so far with a plans to commercialized 290 beds in Q4FY25. Mgmt expects Rs. 100mn of loss in year 1 and breakeven in FY26 end. Plans for incremental 150 beds with additional FSI in phase 2 once it reaches to 65-70% occupancy.
- **Thane, Bangalore & Nashik** - sees EBITDA loss likely limited to Rs. 100mn per unit in year 1.
- **Bangalore**- 450bed capacity expansion on track to be commission in Q4FY25. The other unit will be on revenue sharing format in south Bangalore with 300 bed capacity.
- **Nagpur** – Guided margins for +25% & plans to replicate similar margin profile at Nashik.
- Expansion of 200 beds in Anantapur by FY26 end and 120 beds in Srikakulam by FY25 end.

Larsen & Toubro (LT IN)

Rating: BUY | CMP: Rs3,487 | TP:Rs4,047

- **Order prospects for FY25 at Rs12.1trn** vs Rs9.7trn in FY24, comprising of Infrastructure (Rs7.25trn vs Rs6.5trn in FY24), Hydrocarbon (Rs3.87trn vs Rs2.44trn in FY24), Power (Rs0.5trn) and Hi-Tech Manufacturing (Rs0.35trn vs Rs0.25trn in FY24).
- **Project & Manufacturing segment revenue grew 18% YoY to Rs510bn** in Q4FY24 led by strong execution in Infrastructure, Precision Engineering, and Realty. EBITDA margin came in at 9.6% vs 9.2% in Q4FY23. Order inflow was down 8% YoY to Rs560bn with 27% share of international orders (vs 43% in Q4FY23). Orders came from infrastructure, hydrocarbon and defence.
- **Order book (OB) stands at Rs4.8trn** with domestic share of 62% (Rs3.0trn) and international share of 38% (Rs1.8trn). ~19% of the order book is funded by bilateral & multilateral institutions. Deleted orders were ~Rs2bn in Q4FY24 and ~Rs57bn in FY24. Slow-moving orders constitute

- **International OB** comprises of Middle East (92%), Africa (2%) and RoW (6%). GCC capex on infrastructure and hydrocarbon is on an upswing led by energy transition and tourism.

- **Domestic order book** comprises of Central Govt (14%), State Govts (28%), PSUs (36%) and private players (22%).

- **NWC to sales ratio saw a ~410bps YoY improvement to 12.0%,** led by better customer collections and higher revenue. Group level collections (exfinancial services) in Q4FY24 came in at Rs603bn vs Rs540bn in Q4FY23.

- **FY25 Guidance:** Order inflow growth of ~10% factoring in 1) moderation in international orders to Rs1.5trn (vs ~Rs1.8trn in FY24) due to geopolitical tensions and uncertainty around U.S. elections, 2) softness in domestic tendering during H1FY25 due to elections, and 3) strong prospects of Rs12.1trn (~Rs7trn domestic and ~Rs5trn international). Revenue growth of ~15% on execution of large order book. Project & Manufacturing margin at 8.25% given large share of international and infrastructure orders (which have relatively lower margins). NWC to sales at 15.0%.

- **Infrastructure Projects:** Q4FY24 order inflow of Rs313bn (vs Rs412bn in Q4FY23), primarily from transportation infra, B&F, power T&D, and renewables. FY25 order prospects of Rs7.25trn (domestic: Rs5.39trn; international: Rs1.86trn) vs Rs6.51trn in FY24, comprised of Transportation – 20%, Minerals & Metals – 7%, Buildings & Factories – 14%, Water – 21%, Power T&D and renewables – 21%, and Heavy Civil Infra – 17%. Q4 EBITDA margin improved to 7.9% (vs 7.5%) due to execution cost savings. FY24 EBITDA margin fell to 6.2% (vs 7.0%) due to time overruns and logistical issues as well as completion of legacy orders. Investing in automation to improve execution efficiency and bring margins up to ~7.0% again.

- **Energy Projects (Hydrocarbon & Power):** Multiple domestic and a major Middle East order in Hydrocarbon drove order inflow of Rs131.2bn. Order prospects stand at Rs4.36trn (Hydrocarbon: Rs3.86trn & Power: Rs0.5trn). Order book consists of Rs1.13trn in Hydrocarbon and Rs50bn in Power. Strong execution in international projects drove hydrocarbon revenue growth, while lower revenues in power were reflective of a depleting order book. EBITDA margin expanded to 11.4% vs 10.4% in Q4FY23, aided by job mix coupled with a favorable claim settlement in Hydrocarbon.

- **Hi-Tech Manufacturing (Precision & Heavy Engineering):** Order inflow of Rs87.9bn was led by a major order for high-powered radars for Indian Air Force, and a significant order from a key Oil & Gas customer in Middle East. Order prospects stand at Rs346bn. Strong execution momentum continued in Precision Engineering (previously Defence Engineering), while Heavy Engineering revenue was impacted by lower opening order book on account of order deferrals. Large orders in Precision segment can drive core margin improvement as there are high entry barriers, high tech, and low competition.

- **Hyderabad Metro:** Improved ridership aids revenue growth and margin improvement. Average ridership/day in Q4FY24 stood at 4.41 lakh vs 4.08 lakh in Q4FY23 and 4.44 lakh in Q3FY24. Sequential decline led by free bus scheme for ladies in Telangana which has taken away ~40,000 passengers. Q4 loss came in at Rs2.11bn vs Rs3.35bn loss in Q4FY23. FY24 loss fell to

Rs5.6bn vs Rs13.21bn in FY23, aided by gain of Rs5.1bn on Raidurg property monetization. Need to improve fundamentals before monetizing this asset, which may take 1-2 years. Potential for ridership/day to grow to 5.5-6 lakh.

- **Realty:** Rs30bn revenue and Rs45bn order bookings (largely from residential, with ~2,000 apartments booked) in FY24. There is growing demand for highend residential apartments across Mumbai, Bangalore, Chennai, Hyderabad, Delhi-NCR, and Pune. This business is a good value driver for L&T, and is a "gem" waiting to be unlocked. Will wait and watch before listing this entity – want to make sure business model is sustainable and repeatable.

- **Eletrolyzers:** L&T Electrolyzers granted subsidy of Rs4.4bn for 300MW under tranche 1 of PLI scheme for electrolyzer manufacturing. Invested ~Rs250mn to make first electrolyzer. Need to bring down cost to make hydrogen a viable fuel source. Will take a year to indigenize and reduce import content.

- **Data Centers:** Launched 2MW pilot project in Navi Mumbai, and 30MW is under construction in Tamil Nadu. Total outlay on this is ~Rs22bn. Targeting hyperscaler customers as they provide more value-add. Another ~40MW is planned between Mumbai and Bangalore.

- **Thermal Power:** India will still require coal-based power, but L&T is not rushing into this space as working capital and margins are not favourable. Instead it will focus and place bets on futuristic areas such renewable energy.

- **IT & Technology Services (LTIMindtree & LTTS):** Revenue growth at ~3% is in-line with subdued global macro conditions impacting IT spends. LTIMindtree revenue growth led by Manufacturing & Resources, Technology Media & Communications and Health & Public Services. LTTS revenue growth led by Transportation and Telecom & Hi-Tech. Deal pipeline is healthy with good visibility across segments despite macro concerns.

- **L&T Finance:** Q4 revolved around strong retail disbursements, better asset quality and profitability. Achieved ~94% retailization of loan book – well ahead of Lakshya 2026 targets. Sufficient capital available (CRAR: 22.84%) to pursue growth in near to medium term.

Laxmi Organic Industries (LXCHEM IN)

Rating: SELL | CMP: Rs257 | TP:Rs206

- Demand in North America better than other parts of the world, domestic demand is also high

- **Key Raw material update:** Acetic Acid: Price at \$430-\$450 mt and Ethanol: Price at \$720-\$750 mt, expected to continue in Q1FY25.

- **Fluro intermediate project**: First sales happened in FY24, ramp up to deliver sales in FY25, first product successfully qualified, signed a contract with a MNC for delivery in FY25.

- **Dahej Project:** Received first approval, construction to begin shortly.

- Fluoro chemical plant ramp up will take 3 yrs to ramp up and peak revenue is expected to be Rs 2bn.

- Export & Import mix – 70%:30%.
- For Ethyl Acetate business the company expects 3-3.5x asset turnover and 8%-10% EBITDA margin.
- Volumes for Q4FY24 were up by 14% on QoQ and 23% YoY, for FY24 volumes were up by 20%.
- Merger of fully owned subsidiary Yellowstone Fine Chemicals Pvt. Ltd., Lote to Laxmi Organics Limited approved by board.

Lemon Tree Hotels (LEMONTRE IN)

Rating: BUY | CMP: Rs140 | TP:Rs155

- Aurika, Mumbai, reported ~66% occupancy with an ARR of ~Rs9,000 in 4QFY24.
- Post renovation, the aim is to generate an EBITDA of ~Rs600mn per year from the Keys portfolio.
- Same-store ARR growth (excluding Aurika, Mumbai) was 8% in 4QFY24.
- Debt reduction will commence from FY25E, and LTHL will be debt free in 4 years.
- ~75% of the total debt of LTHL resides in Fleur.
- The drop in occupancy at Bengaluru is directly linked to the substantial decrease in hiring by tech companies.
- ARRs for the renovated Keys portfolio is likely to re-align with Red Fox over a period of time.
- Renovation expense stood at 2.0% of sales in 4QFY24 (0.6% in 4QFY23).
- Renovation expense is pegged at Rs1,000mn for each year (~2/3rd will be opex and ~1/3rd will be capex) in FY25E and FY26E.
- 100/30-40/80-90 rooms in Whitefield, Bengaluru /Electronic City, Bengaluru/Hyderabad, respectively, were closed for renovation.
- Debt increased by Rs1,433mn in FY24 owing to pending obligations relating to Aurika, Mumbai.

LIC Housing Finance (LICHF IN)

Rating: HOLD | CMP: Rs653 | TP: Rs660

Assets & Liabilities:

- Loan mix in terms of fixed to floating is 50:50. Project loans de-grew as company has become more cautious. However, opportunities are still available and underwriting is done on a case-to-case basis.
- Overall functioning has stabilized post reformations done in H1'24.
- Company expects a double-digit growth in disbursals and AUM in FY25.

NIM/Others

- **NIM** improved on account of 1) reduced CoFs led by renegotiations done and 2) interest on recoveries to the tune of Rs1bn.
- O/S book yield/cost stood at 9.9%/7.8% while incremental yield/cost stood at 9.4%/7.8% Incremental yields majorly improved in IHL segment.
- NIM guidance was given at 2.7-2.9% considering possible rate cuts in future. Company operates with a quarterly reset.
- **Staff costs** increased due to 1) increased wage provision (to 17% from 15%) of Rs320mn and 2) increase in provision by Rs220 due to change in gratuity calculation method.
- **Non-staff opex was impacted** on account of publicity expenses in Q4'24 of Rs150-160mn. C/I guided at 13.0-13.5%
- **Tax expenses** soared because of increase in DTL relating to past years amounting to ~Rs1.3bn. Tax rate would normalize to 19-20%.

Asset Quality:

- Segment stage-3 mix: IHL 1.5% (vs 1.7% QoQ), non-housing corporate 30.7% (vs 40.8% QoQ) and non-housing housing at 5.5% (vs 6.5% QoQ).
- PCR increased by 279bps QoQ as additional management overlay provisions of Rs1bn were created. Buffer provisions as at Q4'24 stood at Rs17-18bn.
- As a practice whenever a stage-3 assets cross a particular time limit or hardens further, provisions on same are increased through management overlay.
- Stage-3 reduced QoQ driven by 1) improved recoveries and 2) TWO of Rs10.8bn. Corporate stage-3 majorly includes loans given during 2016-19. TWO pool amounts to Rs40bn.
- Credit cost is expected to decline assisted by downward sloping NPA curve.
- One large account was sold to multiple ARCs and depending on performance, a particular ARC would be selected in the next month.

LTIMindtree (LTIM IN)

Rating: ACCUMULATE | CMP: Rs4,733 | TP:Rs5,015

Growth Drivers and Demand Outlook:

- BFSI growth was impacted in Q4 due to cancellation of two projects, where the clients have reprioritized their spends. The project cancellation had a margin impact of 80 bps QoQ. The cancellation impact was limited to 4Q and from 1Q it expects the BFSI growth to rebound and sustain for the rest of the year FY25.
- The cut-down in discretionary spends continued in Q4, while customers are more focused to drive cost savings and process optimization programs. Around 80% of the overall pipeline has cost-takeout and vendor consolidation opportunity, while the rest is on large scale transformation projects.
- Within Financial service, there is balancing equation on the regulatory and compliance related work which looks promising and growing at a healthy pace, while the discretionary spends are still getting paused which is diluting the overall performance of BFSI. However, it remained confident to capture those spends once the macro uncertainty improves and non-critical spends reverses its course.
- The growth for the top-5 and top-10 accounts remained healthy, the solid sales engine, strategic account mining and cross-selling initiatives are working really well to drive incremental revenues, while it keeps on pruning the tail accounts which are having low potential to scale.
- The management indicated that the growth slowdown in FY24 (4.2% YoY CC) is more of a function of macro uncertainty rather than the senior level exits it has witnessed over the last year.
- It expects the capex to stay at an elevated level over the next two years as the workforce continued its transition to work from office, which is leading to acquire new facilities.

Margin Outlook:

- The margin had a tailwind of 70bps on account of reversal of furloughs and low pass-through revenues, which got more than offset by 80 bps impact of project cancellation and 60 bps due to higher SG&A.
- The 80 bps impact on project cancellation is one-time and it is expected to get reversed in 1Q, as the company has already repurposed those employees into new projects. Additionally, the management also indicated that the project cancellation was attributed to the ex-top 40 accounts, while top-40 accounts remained healthy

Lupin (LPC IN)

Rating: HOLD | CMP: Rs1,611 | TP:Rs1,675

- **India business:** Key therapies such as Cardiovascular and Respiratory have performed better than IPM. Contribution from in-licensed products have reduced to 11% against 15-16% earlier improving profitability. Planned to launched 20 products in FY25 vs 28 in FY24. Its diagnostic and digital therapeutic business suffered losses Rs 360Mn in Q4FY24 and Rs 1250Mn in FY24. (Rs 990Mn in FY23. Currently 40 labs are under operation and losses should start coming down from FY26.
- **US market –**On gSpiriva will continue to enjoy limited competition given complexity of product over next 1-2 years. Expect market share to move up to ~35% from current level of 30%. Launched 10 products in FY24 where more than 80% of the new product revenues were from non-oral solid products. Guided for $200mn quarterly run rate to sustain with likely $1bn sales to reach by FY26. Ramp up in Fostair aided sales across EU markets.
- **Net debt** stood at Rs 4.7bn as of Q4FY24 vs Rs10bn in Q3. Continued focus on **R&D**, with emphasis on more complex products like inhalation and complex injectables. R&D spend to remain elevated with likely Rs4.5-5bn quarterly run rate. Some of niche launches like gOracea, gProlensa will drive US sales in FY25. The qoq decline in US sales was led by completion in gDarunavir largely compensated by gProlensa launch.

Mahanagar Gas (MAHGL IN)

Rating: SELL | CMP: Rs1,300 | TP:Rs1,116

- As of FY24 MGL has a total of 2.49mn household connections, 347 CNG stations, 4769 ind/comm customers and 6,968km of pipeline.
- Vehicle conversions in Q4 was 20,000+. Out of this, 13,000 were private cars, 5400 were autos and 1,400 were small commercial vehicles.
- MGL has 3 term contracts- 0.75mmscmd (Henry Hub), 1mmscmd (Brent linked) and 0.49 mmscmd(HPHT).
- Unison Environ clocks in an average volume of 0.14mmscmd with an EBITDA of Rs60cr per annum.
- Signed an MOU with BMC for setting up CBG plant in Mumbai.
- Capex guidance for FY25 stands at Rs9-10bn.
- APM allocation for priority sector was 74%.

Mahindra & Mahindra (MM IN)

Rating: BUY | CMP: Rs2,372 | TP:Rs2,716

Automotive Division

- M&M aims to launch 9 ICE SUVs with 3 mid cycle enhancements while 6 will be new developed products. Additionally, it aims to introduced 7 BEVs (Born Electric Vehicle) and 7 LCVs, all by FY30.
- In terms of capacity, FY25 capacity ramp-up is expected at 64k units/month of which 5k units/month will be towards (THAR 5D, XUV 3XO/4OO) and EV capacity of 10k units/month. For FY26, it aims to increase its capacity to 72k units/month including additional 8k units/month for EVs.
- The capex guidance for Automotive Division capex from FY25-FY27 is Rs 270bn of Rs 260bn will be towards capacity addition and new product development.
- Its management remains optimistic on delivering mid-to-high teens growth in the SUV segment which will be led by new launches and encouraging responses towards recent new models.
- The company aims to be amongst the leading players in the compact SUV segment for which it will be coming up with new models to fill the gap in the segment.
- It has open order book of ~220k units which includes the 50k booking for new XUV 3XO.

Farm Segment

- The response towards the new OJA tractor has been encouraging in the domestic as well as US market.
- Market share in Q4FY24 declined by 130bps YoY to 39.4% due to decline in overall tractor sales.
- It gained 12.8% market share in H2FY24 in the 20-30HP segment, owing to the successful launch of OJA & Target.
- Rotavators market share improved from 16.3% in FY23 to 20.3% in FY24.
- Management expects tractor volume to grow by 5% in FY25 as the monsoon is expected to be above normal in FY25 while expectation of farm output recovery and robust exports shall aid in delivering growth.
- Capex guidance from FY25-FY27 is Rs 50bn out of which Rs 28bn will be utilized towards the development of new products, Rs 7bn towards capacity and the remaining towards regulatory and sustenance.

Mahindra Logistics (MAHLOG IN)

Rating: ACCUMULATE | CMP: Rs452 | TP:Rs500

3PL Segment:

- Demand from automotive segment remains strong led by higher growth in passenger vehicles; however, growth in CVs remained muted due to lower demand.
- Consumer, FMCG, and pharma sector have seen a muted demand since past 3-4 quarters, however with the rising economy, consumer spends are expected to increase and as a result these sectors are expected to witness recovery.
- E-Commerce has been a challenging segment for the company since past 3 quarters. In the current quarter, the company saw strong uptake in the hyperlocal and special product segment.

B2B Segment:

- The overall volume in this quarter stood at 75 MMT (up 3.5% QoQ). The management expects strong growth rebound in this segment from H2FY25.
- The company remains committed in achieving the target of being EBITDA positive by Q2FY25 and PAT positive by Q4FY25.

Mobility:

- B2C vertical growth was aided by travelling due to seasonal vacations; however B2B vertical has shown a slower growth rate but a recovery is expected as work from office normalizes.

Freight forwarding:

- There was moderate negative impact on the cross border volumes due to red sea crisis.

Others:

- Capex is expected to remain unchanged YoY (Rs 0.8-1bn)

Marico (MRCO IN)

Rating: ACCUMULATE | CMP: Rs530 | TP:Rs588

- Urban market remained resilient, while rural was lagged, however end of Q4 saw green shoots in rural demand.
- Mass segment demand is expected to increase from 2HFY25 onwards led by inflation cooling off, govt spendings & favorable monsoon.
- Volume growth is expected to inch up from 1Q25 onwards with rural demand picking up.

- Parachute is seeing steady recovery with 60bps gain in market share, increase in copra prices should support volumes and market share.
- Marico took ~6% price hike in parachute in Apr'24 amid rising copra prices.
- VAHO saw a weak quarter led by sluggish demand as mass BPC remains under pressure.
- Food continues to outperform with 22% growth led by robust performance coming in from soya chunks & honey.
- Food business is expected to grow at 20% CAGR over medium term.
- Among channels, GT continued to drag while alternate channels grew well.
- Overall IBD sees healthy traction with Bangladesh on track with 8% CCG, strong ramp up been seen in MENA, healthy demand of hair products in SA, although Vietnam sees slowdown in HPC.
- No margin expansion is expected for FY25, however opportunity exists in medium term.
- SETU project on track with direct reach to see 1.5mn outlets by FY27, it will be self-funded (Rs800-1000mn spends) with positive margin impact in long term.

Maruti Suzuki (MSIL IN)

Rating: BUY | CMP: Rs12,703 | TP:Rs14,432

- **Higher mix of UVs led to healthy revenue and realization growth:** MSIL's revenue increased by 19.3% YoY/14.8% QoQ to Rs 382.3bn led by robust volume growth of 13.4% YoY/16.5% QoQ. The mix of UVs in stood at 31.1% vis-à-vis 20.6% in FY23 in its overall volume which led its ASP to increase by 5.2% YoY (Rs 654,672/unit). The growth in ASP was 1.6% below our estimates as CNG sales proportion declined by ~390bps QoQ impacting the sales mix.
- **Robust international business:** Its export volume increased by 21.7% YoY to 78,740 units while for FY24 it grew by 9.2% YoY to 283,067 units. The growth in export was led by consistent demand as well as geographical expansion and rampup of its UV volume. Consequently, the ramp-up of UVs led its mix in export volume to improve from17.4% in Q4FY23 to 36.7% in Q4FY24. Going ahead, it aims to sell ~300,000 units for FY25 while it maintains its long term ambition of selling 750,000 units per annum by FY31.
- **Mixed trend of gross margin:** Its gross profit was reported at Rs 109.5bn, registering a strong growth of 27.9% YoY/12.9% QoQ. Gross margin increased by 192bps YoY, however, it contracted by 47bps sequentially owing to due to decline in CNG volume which was caused by supply constraint of CNG component as well as marginal impact of commodity prices.
- **Portrayed strong growth in FY24:** Its volume in domestic market grew by 8.5% while export volume grew by 9.2% over FY23. Although, the pace of growth moderated over last year, there was strong shift in its mix as the proportion of SUVs increased significantly in domestic (35.3% vs 21.9% in FY23) as well as international market (27.5% vs 18.5% in FY23). The rise in

UV mix aided in strong revenue/ASP expansion of 19.9%/10.4% YoY while better operating leverage, benign commodity prices and premiumization helped EBITDA margin to improve by 255bps YoY. Consequently, PAT increased by 64.1% to 132.1bn.

Max Healthcare Institute (MAXHEALT IN)

Rating: BUY | CMP: Rs803 | TP:Rs925

- **Capex** incurred for the ongoing projects was Rs4.4bn for FY24 and Rs. 15bn spent on recent acquisitions.
- **Expansion plans- Dwarka (300 beds)**: Expects to operationalized in early Jun'24 with likely first phase of 160 beds for which already hired 280 doctors. **Nanavati (329 beds)**: Project is largely on track as structure will be ready by July and operationalized in Q4FY25. **Sec56, Gurgaon (300 beds):** Slab work is progressing, project work slowed down and will be delayed by 6 months due to residential restrictions on working hours**. Mohali (155 beds)**: Slab work is in progress, number of beds reduced from 190 beds earlier due to change in configuration as per new requirement by Punjab government; expected to be completed by Q1FY26. **Max Smart (350 beds)**: Project has been fast track and expected to be completed 9 months early by Q1FY26. **MAX Vikrant (300 beds)**: Received environmental clearance and will be commercialized in two phases. **Paparganj (250 beds):** Municipal corporation approval is in progress.
- **Nagpur unit** – 25 beds will be added through internal configuration by Q3FY25 along with additional plan of adding 140 beds.
- **Lucknow units** (550 beds) – Commenced the work for adding 140 beds and refurbishing existing 250 beds by Dec'24.
- International revenues were flat due to delay in getting VISA.

Metro Brands (METROBRA IN)

Rating: HOLD | CMP: Rs1,125 | TP:Rs1,115

- MBL expects Q1 to be impacted by lack of marriage dates (20 days last year) and one day store closure for national election.
- Metro continues to see premiumisation by the consumer as sales of products over INR3,000 represents half the business.
- Revenue share of end-of-season sale for FY24 is ~8% whereas long term range is ~9.5%.
- Fila was successfully merged with Metro brands in 4Q & its inventory stands at Rs.170mn, Metro expects to realize higher than carrying value.
- FILA repositioning is taking longer than expected due to BIS issue which is expected to settle by July end.
- South India continues to outperform other regions.
- E-com sales grew 33% YoY led by strong demand from in-house brands.

- MBL plans to open ~225 store in FY24-FY26.
- Two FILA stores in Mumbai to be retained as test platform for footwear & apparel.
- Plan to open first Foot Locker store in late Oct/ early Nov.
- EBITDA guidance stands ~30% & PAT margin guidance at ~15-17%.
- Metro Brands has extended its retail agreement with Crocs India, granting exclusive rights to operate and own Crocs stores across the western and southern states in India.
- Crocs stores come at a much higher sales per square foot, whereas Metro and Mochi, have a better volume per unit store.

Mold-tek Packaging (MTEP IN)

Rating: ACCUMULATE | CMP: Rs757 | TP:Rs843

- Volume growth was led by Q-packs(88.01%) & Foods & FMCG (6.88%).
- MTEP has given a 15%+ volume growth guidance for FY25.
- Uptick in paints business expected in FY25 since MTEP is a preferred supplier for Grasim (50% of its locations).
- MTEP expects 7-8% volume growth from Grasim itself, with sales being in line with projections(~250 tons sold in May24). Projected Sales to Grasim are ~3k/4k tons in FY25.
- MTEP is bullish on Pharma segment & expects to generate revenue of Rs. 200-300mn per month in 2HFY25(to operate at 70% capacity).
- APNT tonnage contribution to sale stood at 33%- 12k tons in FY24.
- F&F is expected to grow better than FY24 on account of harsh summers.
- MTEP commenced the delayed production of Kissan & Horlicks in FY25(1mn pieces sold).
- Panipat and Cheyyar plant commenced commercial production in second half of 4Q, Mahad plant is also getting ready for production.
- Expect EBITDA/kg of Rs40/kg in FY25 led by better capacity utilization & favorable product mix.
- Capex of Rs. 700mn is expected in FY25 subject to further requirement of pharma segment.
- Various assets were transferred to Sultanpur plant for better operational efficiency.

Narayana Hrudayalaya (NARH IN)

Rating: BUY | CMP: Rs1,237 | TP:Rs1,335

- **Capex** – incurred Rs9.1bn in FY24 and guidance of Rs. 16.4bn in FY25E; 20% funded through internal accrual and balance through debt. Break up of capex - Rs.3.2bn will be deployed in routine and maintenance purpose, ~Rs.2.7bn capex for the Cayman business and remaining for greenfield and brownfield expansion.
- **Expansion plan** would be largely focused in Bangalore and Kolkata. In Bangalore it includes brownfield expansion at Health City, recently acquired 1.5acre land parcel in HSR, Sarjapur and company is also exploring new land parcels for greenfield expansion. Further company has acquired land in Rajarat, Kolkata for potential bed capacity of 1000 with 500 bed to commercialize in Phase 1 by FY28. Paid Rs1.8bn towards land cost in Q4.
- **Cayman-** new multi-specialty hospital at Cayman is on track to be commercialized by Q2FY25 with 60 beds.
- **New units:** Gurgaon and SRCC unit EBITDA margins were in single digit whereas Dharamshila reported margins in double digit in Q4. On combined basis; new hospitals margins were at 9% with revenue base of Rs. 1.2bn.
- **Narayana Health Integrated Care (NHIC)** – Plan to add 20-30 clinics per year with capex per unit at Rs.10-20mn.
- Tax rate guided at 26% for India biz and zero tax for Cayman in FY25.
- Mgmt reiterated revenue growth drivers would be leveraging operational efficiencies, increasing payor mix, higher throughput, and digital initiatives.

Navin Fluorine International (NFIL IN)

Rating: ACCUMULATE | CMP: Rs3,377 | TP:Rs3,621

- Final dividend of Rs7 announced.
- **Margins were lower in FY24 due to 2 reasons:** CDMO contribution to revenue was low, which is high margin business and Refrigerant gas prices have been low, which are showing recovery now.
- Capex of FY25 is expected to be in range of Rs500 – 600mn
- **Specialty Chemicals Vertical:** Capex of Rs300mn towards development of a completely new capability in Surat is on track and is expected to generate revenue from FY25.
- In Q4FY24, 1 Molecule added at Dahej and 2 molecules were added in Surat, total basket of products has reached 9.
- Agro specialty capex – Chemical charge initiated. Firm orders for dedicated capacity for FY25 in place.
- Currently, for Spec Chem, 80% focus is on Agro Chem

- **HPP Vertical:** HFO plant stablished, sales significantly higher than previous three quarters Volume has stabilized, 1.3x volumes increase expected, if plant work at same capacity as Q4FY24. The contract with Honeywell is expected to contribute 4.50bn in revenue.

- HF, R-22, R-32 ran at full capitalization during Q4FY24, R-32 higher than stated capacity utilization.

- Export market of R-22 saw weakness in FY24.

- Refrigerant Gas market showing signs of recovery, domestic R-32 is seeing recovery.

- Additional R32 capacity, capex of Rs840mn is on schedule, expected to be commissioned by Feb'25.

- AHF capex on schedule to commission by end - FY25 / early – FY26 is as per scheduled

- **CDMO**: CDMO performance below expectations of the company, CDMO revenue will better in FY25 than FY24.

- Revenue from existing contract is expected to be 2x and 3x of CY23 revenue in CY24 and CY25 respectively.

- For CDMO, new customer has been added - UK Pharma Major, validation campaign PO in hand for EU Major, POs in hand for 2 RSMs for delivery in CY25 for a drug recently approved by FDA for commercial launch for US major.

- cGMP4 capex amounting to Rs2.88bn is approved by the Board. Phase 1 outlay of Rs1.6bn on track to commission by end of CY2025. Phase 1 will cater to the European customer.

Navneet Education (NELI IN)

Rating: ACCUMULATE | CMP: Rs155 | TP:Rs167

- In 1QFY25, NELI sold 5.1% stake in K12 Techno Services to Venturi Partners for Rs.2.3bn. NELI's existing stake is 14.9% and proceeds will be allocated to strengthen core business.

- Domestic stationery business is expected to grow by 12-15% with EBIT margins in the range of 12-14% in FY25E.

- Nominal growth to be seen in publication segment in FY25E.

- In 4QFY24, SFA investment witnessed a mark down (exceptional loss of Rs488mn) due to lower revenues.

- Domestic stationery segment margins to expand by ~100bps in FY25E.

- Capex of Rs400mn incurred in FY24 towards land & building will be capitalized in FY25E. On the other hand, in order to expand stationary business, Rs300mn/Rs600mn has been earmarked towards setting up a new building in FY25E/FY26E respectively. For machinery capex, Rs400-450mn/Rs700-800mn has been earmarked for FY25E/FY26E.

- In FY24, ILL business experienced a decline due to increased sales returns and inability to supply digital products demanded by schools.
- In stationary business, asset turnover is ~3x of machinery investment.
- Ed-tech loss stood at Rs95mn/Rs440mn (higher due to severances) in 4QFY24/FY24.
- Ed-tech revenues for FY24 stood at Rs215mn.

Nazara Technologies (NAZARA IN)

Rating: BUY | CMP: Rs698 | TP:Rs806

- Pre-tax OCF for FY24 stood at Rs1,314mn.
- In FY24, ~Rs9,500mn was raised, resulting in a net cash balance of ~Rs14,500mn.
- In 4QFY24, Kiddopia's subscriber base declined 6.5% QoQ due to lower user acquisition spends.
- WildWorks is working on a major new game, with beta launch planned in FY25E.
- NextWave is set to launch a new game in 1QFY25E to expand its scale.
- Nazara is actively pursuing M&A opportunities (more US-centric) with 4–5 companies, and aims to finalize at least two by 2QFY25E (with focus on core gaming IPs).
- Core gaming IPs are likely to generate 25-30% EBITDA margin in future.
- Media revenues saw an uptick in 4QFY24 amid good reception to "Playground" IP.
- SportsKeeda's margin momentum is likely to persist.
- In FY24, Datawrkz pivoted away from low-margin clients.

Nippon Life India Asset Management (NAM IN)

Rating: HOLD | CMP: Rs871 | TP:Rs833

Industry:

- Equity market showed moderate performance in Q4 compared to Q3.
- Nifty moved 3% QoQ and Nifty small and mid-cap grew by 2% and 4 % respectively.
- RBI held the repo rates steady at 6.5%.
- Industry QAAUM grew 10% QoQ and 34% YoY to Rs54.1trn in Q4FY24.
- Share of equity in overall AUM continued growing ending at 58% for Q4FY24.

- Equity (excluding index and arbitrage) witnessed gross inflow of Rs1.94trn and net flow Rs798bn. Both gross and net flows were higher QoQ.
- Strong inflows were witnessed on thematic, sectoral, multi asset class, allocation and large cap funds and inflows in small cap and mid cap funds were lower sequentially.
- Debt and liquid witnessed net outflows of Rs464bn in a seasonally weak quarter.

Company Performance:

- Company reported highest ever quarterly operating profit and profit after tax in Q4FY24.
- Management indicated asset class wise yields; equity - 63bps, debt -25bps, liquid -10-12bps, ETF - 15bps. Blended yields declined 1bp YoY; yields ex ETF declined just 0.5bpYoY. Yields in new flows have remained constant sequentially.
- Reduction in tax rate to 8.4% in Q4FY24 driven by shift of investments from short term to long term and reversal of tax provisions from previous year.
- Reduction in employee costs in current quarter is driven by reduction in provisions for employee performance incentives.
- Increase in Fees and Commission expenses is linked to the increased brokerage costs as the revenue grows.
- Other income increase by around 42% QoQ is driven by MTM gains.
- Restrictions in small cap funds in SIP/STP had no impact on the SIP flows as 75% SIP ticket size is less than 10k.

Outlook/Other:

- Company is expecting operating expenses to be in the range of 8-10% excluding ESOP cost. Management is not expecting a significant increase hereon. Mainly the investments will be made in digital technology, brand and building human capital.
- Board has approved a new ESOP plan after a gap of around 3 years with an intention to retain talent. Costs are expected to range over Rs850-900mn in the next 4 years out of which around 50% will accrue in FY25. Except the ESOP, staff costs are expected to remain at current run rate.
- Admin costs run rate is expected to be same and will be mainly driven by branch expansion.
- Currently 95% of the revenues are coming from Mutual Fund. Management intends to increase the share of AIF and Offshore to reduce the dependence on mutual fund business. Company has recently launched credit AIF and small cap equity AIF which are in fundraising process. Geography wise main focus is on Japan in Offshore piece.

NMDC (NMDC IN)

Rating: ACCUMULATE | CMP: Rs258 | TP:Rs279

- NMDC is expecting further approvals for extension at Kumaraswamy to 10mtpa from c. 8.5mtpa.
- FY25 Capex guidance is Rs ~20bn which can be increased by Rs15bn as NMDC is trying to pursue a land parcel at Vizag. The peak capex outlay is expected to be Rs80-90bn per year starting FY27 till FY31 on Rs500bn capex envisaged on various projects to reach 100mtpa mining capacity.
- FY25 and FY26 production is expected to be ~50mt and ~54mt.
- In FY25, NMDC expects incremental volumes from Kumaraswamy (1.5mt) and Bacheli (2mt).
- Cash and cash equivalence on 31st Mar'24 and currently stands at Rs89bn and Rs92bn respectively.
- Royalty as a % of sales is expected to be 43%.
- NMDC Steel is expected to get breakeven in 2QFY25.
- Volume guidance for NMDC Steel for FY25 is 1.8-2mtpa and shall breakeven at 1.7mt.
- Non-interest bearing advances of Rs25bn and Rs13bn outstanding for iron ore supplies owed by NMDC Steel is expected to be received from 2Q onwards.
- Kumaraswamy mine was shut since 8th Feb'24 due to exhaustion of EC limit.
- Employee wage hike is in the range of ~10-11%.
- Dividend payout would be ~38% for the next few years.
- Doubling of Kirandul-Kotvatsala railway line is expected to be completed by Sept'24.
- The tendering process for the capex envisaged shall begin in FY25 and the work on capex shall begin in FY26.

NOCIL (NOCIL IN)

Rating: REDUCE | CMP: Rs260 | TP:Rs224

- Volumes for Q4FY24 grew by 12% QoQ, export growth was in higher double digit, whereas domestic growth was in higher single digit.
- Total volume growth for FY24 was 2%; export segment saw 9% volume growth, whereas domestic volume growth was flattish.
- Indian tire market is expected to grow at single digit and tire exports are likely to see muted demand in FY25.
- Rs2.5bn capex for expansion of the rubber chemical capacity at Dahej plant, is expected to be commercialized in H2FY27.

- Latex segment has recorded approx. 40% de-growth since FY22.
- At overall level, Q4FY24 utilization was at 65%.
- Export:domestic revenue mix for FY24 was 32%:68%.

Nuvoco Vistas Corporation (NUVOCO IN)

Rating: ACCUMULATE | CMP: Rs335 | TP:Rs384

- Capacity utilization at newly commissioned 1.2mtpa Bhiwani unit is ~60%.
- Utilization in North region stood at 89% in 4Q.
- Fuel costs for 4Q and FY24 stood at Rs 1.63/k kCal.and 1.65/k kCal.
- Current pet coke prices are USD 112-113/t.
- Fuel mix for 4Q was as follows: linkage coal: 23%, non-linkage coal: 11%, imported coal: 1%, pet coke: 52% and AFR: 12%.
- There has been Rs8-10/ bag price hike in Eastern region in April while Northern region has seen stable pricing.
- Fuel mix for 4Q was as follows: linkage coal: 23%, non-linkage coal: 11%, imported coal: 1%, pet coke: 52% and AFR: 12%.
- For 4Q, lead distance was 340km and CC ratio was 1.74x.
- Expansion capex plan to be announced once there is stabilization in the debt level. The capex for the same is unchanged at Rs14bn and could be a 6,000-7,000tpd clinker capacity.
- FY25 Capex is expected to be Rs3-4bn.
- In FY24 in the Eastern region, Bihar, Jharkhand and West Bengal showed muted growth while Chhattisgarh and Odisha showed decent growth. In North, the demand was strong.

Oil & Natural Gas Corporation (ONGC IN)

Rating: HOLD | CMP: Rs280 | TP:Rs265

- Gas production in KG Basin to ramp up in Q3 with full potential coming in Q4. Incremental production of 1bcm is expected in FY25 from KG Basin. Another 0.3bcm of incremental production is expected from stranded gas fields such as CBM Bokaro.
- KG Basin's oil production to rise from current 12,000 bpd to 20,000bpd in Q3 and 45,000bopd in Q4.
- Total gas production is expected to reach 25.5bcm in FY27.
- OVL production for FY24 was 10.518mmtoe, outlook stands at 11/11.22mmtoe for FY25/26.

- With respect to the 20% premium pricing, company expects 24-25% of new gas production from KG Basin in FY26 to be subjected to premium pricing.
- Capex incurred in FY24 was Rs370bn and capex guidance for FY25 stands at Rs330-350bn.

Oil India (OINL IN)

Rating: ACCUMULATE | CMP: Rs647 | TP:Rs722

- Production target by FY26: 4mmt oil/ 5bcm gas
- 78/81 wells to be drilled in FY25/26
- Capex of Rs59bn incurred in FY24. Guidance for FY25 stands at Rs69bn
- NRL:
  - Expansion to 9mmtpa to be completed by Dec'25
  - Post expansion product slate: 77% (MS/HSD/ATF)
  - Opex/bbl expected to come down to US$3/bbl (from current US$4.5/bbl)
  - Paradip to Numaligarh pipeline to commission in Sept'25 (1640km)
  - 360kta polypropylene project (Rs72bn). Will take 3 years to commission
- Capex on 2G ethanol plant -Rs42bn
- Plans to invest Rs250bn on alternate energy by 2040
- Incremental gas to be consumed by NRL (for 3mmt capacity it consumes 1mmscmd gas, for 9mmt it will consume 2.5mmscmd), IGGL, CGD business (9 GAs)
- FY24 RRR: 0.97x

Petronet LNG (PLNG IN)

Rating: SELL | CMP: Rs308 | TP:Rs259

- Dahej capacity expansion of 5mmtpa to be completed by March 2025.
- Gopalpur terminal will take 3 years to commission. At present its an FSRU terminal with 4mmtpa capacity. However, due to issues regarding availability of FSRU in the global market the company may opt for a land based terminal with 5mmtpa capacity.
- Kochi-Bangalore pipeline has a pending stretch of 250km and is expected to be completed by Dec'24/ Mar'25. This will connect Kochi terminal to the National Gas Grid and improve utilization levels substantially.
- The company expects LNG imports to grow to 27mmt in FY25 in India.

Pidilite Industries (PIDI IN)

Rating: ACCUMULATE | CMP: Rs2,815 | TP:Rs2,980

- Demand trends remain strong with double digit volume growth & 20-24% margin outlook.
- Rural/ semi-rural markets continue to grow ahead of urban markets.
- 2yr UVG CAGR for C&B ~13.5% & B2B ~16% and total stands at 15%.
- Ad spends have increased by 70% YoY (4-4.5% of sales) as PIDI continues investing behind brand.
- NBFC business is still under process of licensing and update would be available post 6-9 months.
- Paints business has presence in 4 states for the past 6-9 months and another 6 months would be required for a concrete update.
- Overall price rollbacks are 5% in FY24, no price cuts undertaken in 4Q.
- some price increases cant be ruled out in 2HFY25 if crude prices & global conditions remain stable.
- Capex guidance stands at 3-5% of revenue.
- One-time impairment cost of Rs200mn incurred for VAM plant at Mahad due to its obsolescence.
- PIDI expects softness in environment in 1Q on account of labour shortage and elections impact.
- Waterproofing witnessed double digit growth & continues to be a strong growth category.
- VAM usage prices were USD900/ton (USD1300/ton in 4Q23) current prices are stable

Polycab India (POLYCAB IN)

Rating: BUY | CMP: Rs6,156 | TP:Rs7,086

- **Consolidated revenue grew 29% YoY** led by healthy volume growth in Wires and cables. Wires & cables revenue showed a healthy growth of 22%YoY during the Quarter. Growth was led by strong volume growth due to public and private capex, booming real estate market and company's internal strategic initiatives.
- Company crossed a milestone of the Rs180bn in revenue and earned highest ever annual profit in FY24. Company crossed 50bn in quarterly revenue for first time.
- Company targets Rs200bn Revenue under leap project by FY26.

- Company launched an improved loyalty app suited to electricians and retailers to improve engagement and loyalty.
- Company has improved its back-office support to improve its response time and bring more efficiency in working.
- In EPC business company expects to sustain operating margin in high single digits over medium to long term. Company has an order-book of Rs48bn to be completed in next 2-3 years.
- Polycab maintained a **working capital cycle at 48 days**, which is better than the company's comfort range of 50 to 60 days.
- Company incurred a capex of Rs8.6bn in FY24 and company targets capex of Rs10-11bn in a year for next 2-3 years.
- **EHV plant** is expected to be completed by end of FY26 and contribute to revenue in FY27.

Cables & Wires Segment

- **C&W business** marked a volume growth of 30-40%, annually and quarterly. International business grew 60% QoQ and contributed 7.7% of revenue.
- **International business** showed a de-growth due to transition business model undertaken in USA, and company expects another 3-5 quarters for transition to stabilize. However, sales to Middle east contributed 60% of International sales. Company is present in 79 countries across all six continents and aims to keep adding new geographies to boost revenue and reduce concentration risk. Company has a target of reaching 10% of revenue from international business by FY26.
- Domestic organised C&W market share increased to 25-26% which is approximately equal to 18-19% of overall market.
- Company guides EBIDTA margin in the range of 12-13% for long term.

FMEG Segment

- In fans, company launched 90 SKUs during the year, most of them in BLDC and premium range. Premium range and BLDC together contributed 28% of total fan sales.
- Switches & Switchgears benefited from good real estate market. ATR range and KAMCBs contributed notably to switches & switchgear sales, company aims to increase contribution of both segments in FMEG space.
- Company has written off its investment in lighting JV with Techno Electromech & has undertaken a provision for old inventory of lights and panels.

Praj Industries (PRJ IN)

Rating: BUY | CMP: Rs522 | TP:Rs671

- **1G Domestic:** Bulk of the orders came from starch-based feedstock (~90%). Sugary feedstock ordering should return on the back of a strong sugar season.

- **1G International:** Praj successfully commissioned its first grain-based ethanol plant in Brazil and has signed a contract with BE8 for a 2nd plant. While Brazil has ample sugar production, grain-based ethanol is gaining traction as an alternative feedstock. The company also won a 2nd order from a French firm for a 60KLPD green field ENA plant at Ivory Coast, Africa. Meanwhile, it is still awaiting IRA's 45Z notification on low-carbon ethanol in USA.

- **2G Ethanol:** IOCL Panipat plant has produced 1mn+ liters of ethanol till date.

- **Engineering:** There is strong traction in international markets, and the order book has nearly doubled vs FY23. Praj was selected for building modules for one of the largest blue hydrogen projects in Europe, and it also booked & executed an Alcohol-to-Jet modularization project in USA. Commercial activity at the new GenX Mangalore facility started in Feb-24. ETCA orders will build up over the next 2 quarters before execution ramps up from H2FY25 onwards.

- **Compressed Biogas (CBG):** Praj successfully commissioned commercial scale-CBG plants based on press mud & rice straw, and has now proven commercial-scale CBG projects for 3 key feedstocks (including spent wash). The company set the benchmark yield performance on a reliable & consistent basis, abating market concerns regarding unreliability. Praj is also developing new feedstock options such as cotton, crop residue, poultry litter, etc. It's addressable scope in a CBG project can range from 30-100% depending on the customer's demand (either supply of equipment or entire turnkey solution). Although viability is still a work-in-progress, project IRRs can range from 14-18% depending on feedstock, size, solid/liquid manure, etc.

- **Services business grew ~2x in FY24,** and Praj is eyeing significant growth in both domestic & international markets in FY25. The company is aiming to increase services contribution to revenue from ~4-5% currently by continuously adding new offerings and leveraging an expanding customer base. It started to provide solutions in biogenic CO2 capture, which is gaining traction as carbon sequestration activities pick up. Performance enhancer Juicezyme, which enhances sugar yield & quality, is also gaining traction in the Brazil market.

- **HiPurity Solutions (PHS):** Share of international orders on the rise. Praj has the capability to supply high purity water for semiconductor manufacturing as it already supplies the same for pharmaceuticals. However, no semiconductor projects have reached the stage of placing equipment orders yet.

- **Bio-plastics:** PLA pilot plant should get commissioned in Q2FY25, following which customers will be invited to explore the facility. Praj is not building in any revenue or order inflow from this segment in FY25.

- **Margins:** Revenue mix shifting towards exports (management is aiming for a 50/50 mix in domestic/exports by 2030 vs 81/19 in FY24), engineering, and services should aid margins. However, Praj is also investing heavily in R&D for bioplastics, CBG feedstock, etc. Management expects momentum of double digit EBITDA margin from the last two quarters to continue.

PVR Inox (PVRINOX IN)

Rating: ACCUMULATE | CMP: Rs1,285 | TP:Rs1,431

- Ad-free movie campaign has been launched as an experiment in 7 cinemas spanning over 29 screens.
- Plans to close 70 screens does not entail any financial obligation as there is no breach in rental agreements.
- EBITDA synergy of Rs1,850mn-Rs2,080mn has been realized in FY24. Full impact will be visible in FY25E, supported by a surge in occupancies.
- In an effort to boost pre-ticketing F&B business, PVR-Inox has tied-up with Devyani International to offer branded offerings in food courts.
- ~15-20 screens (of total ~120 new screens) will be opened under FOCO model in FY25E.
- The passport refresh scheme has ~0.18mn enrollments thus far, with South holding a 35% market share.
- Objective is to cut debt by 50% within next 12 to 18 months by monetizing owned real estate which has a likely value of Rs3-4bn.
- In the capital light model, developers fund immovable components, while PVR finances movables. Conversely, in the FOCO model, the development partner incurs entire capex. Immovable capex for screens typically ranges between 35-45%, with the remaining being movables pertaining to sound, projector, and related attachments.

R R Kabel (RRKABEL IN)

Rating: BUY | CMP: Rs1,724 | TP:Rs1,926

- RRKABL expects 20%+ volume growth in W&C business in coming years.
- Company reported 19.6%/19.3% W&C vol. growth in Q4FY24/FY24.
- Cable contributes ~30% W&C rev. which grew by ~30% in value terms in FY24.
- Export contributes ~29% W&C rev. which expected to increase ~35% in next 3-4 years.
- Mgmt guided to improve product mix towards cable & premium wires in export in coming years.
- RRKABL expected to improve its W&C EBIT margin by 120-140bps in FY25.
- Dom. W&C grew by 12% in volume terms in FY24.
- FMEG segment is expected to reach Rs 10.0bn revenue with breakeven in 4-5 quarters.

- FMEG segment growth was largely from Fan vertical (+16%) which contributes 45% FMEG revenue.
- Company has committed capex of Rs 5bn over FY24-25, with the majority expected to be completed by Q1FY25 which will be funded through internal accruals.
- Increase in CU/AL prices expected to improve margin in near terms.
- Working capital days improved to 64days by Mar’24 from 75days by Mar’23.

Reliance Industries (RELIANCE IN)

Rating: HOLD | CMP: Rs2,960 | TP: Rs2,955

Retail:

- Reliance Retail reported a steady performance with net revenue at Rs 676.1bn for 4QFY24, a growth of 9.8% YoY led by a healthy growth across fashion & lifestyle and consumer electronics.
- EBITDA came in at Rs56.3bn, up 18.1% on a YoY basis. EBITDA margin stood at 8.3%, up 60 bps YoY driven by operating leverage and continued focus on cost management.
- The business expanded its store network by adding 562 new stores taking the total store count at the end of the quarter to 18,836 stores with an area of 79.1 million sq ft. Footfalls for the quarter came in at over 272 million across formats, a growth of 24% YoY.
- Consumer Electronics business sustained growth momentum led by ABV growth & improved conversions. Jio Mart expanded its merchant partner base by 20% YoY.
- The fashion and lifestyle business enhanced its position as a leader by taking advantage of the quarter's festivals (Sankranti, Holi) and winter wear. The grocery business continued to perform well in the quarter, with Smart & Smart Bazaar leading the way.

Jio:

- Net subscriber addition continued to accelerate with Jio adding 10.9 mn subscribers during the quarter. Total subscribers stand at 481.8 million. Monthly churn stood at 1.5% in Q4FY24.
- ARPU increased 1.6% YoY to Rs 181.7 due to better subscriber mix partially offset by promotional 5G traffic, offered unlimited to subscribers. ARPU remained flat QoQ.
- About 108 million subscribers have migrated to Jio’s 5G network. The Jio True 5G network now carries almost 28% of Jio’s mobility data traffic.
- JioAirFiber is now available in over 5,900 cities/ towns, with robust demand from Tier 2 towns. Content bundling is driving strong engagement with per capita monthly usage of ~400 GB.

Oil&Gas:

- EBITDA came in at Rs200.2bn, up 14% QoQ due to stabilization of primary and secondary units post turnaround, better refining margins (led by rebound in petrol cracks) and improved deltas across PE (+6%) and PP (+7%)
- Production meant for sale came in at 17.1 mmt (up 4% QoQ, flat YoY) while total throughput stood at 19.8mmt, up 6% QoQ, flat YoY.

Restaurant Brands Asia (RBA IN)

Rating: ACCUMULATE | CMP: Rs106 | TP:Rs134

- SSSG of 1.9% in Q4 was due to strong traffic growth in dine-in channel led by traction in value offerings.
- Demand has not seen any impact in April, May & headwinds have kind of taken a back seat.
- BK opened 14 stores (net) in Q4FY24 taking store count to 455 for FY24.
- Innovation continue to drive additional traffic with new launches in crunchy chicken nuggets/premium wraps/muffins.
- Traffic growth is expected to grow further led by focus on value proposition, innovation & digital first experience.
- Gross Margin/EBITDA Margin saw uptick amid stable RM costs & Implementation of cost optimization techniques, Although GM had one time hit of 0.2%/0.3% in Q4FY24.
- Indonesia business continue to experienced negative sentiments amid war, however things are improving and should normalize over next 2 quarters.
- BK/Popeye Indonesia to see no new store opening for FY25 and company to focus on increasing footfalls/ADS in existing stores.
- Indonesia to break even in FY25, a delay of 1 year amid negative sentiments with ongoing war.

S Chand and Company (SCHAND IN)

Rating: BUY | CMP: Rs238 | TP:Rs307

- OCF for FY24 stood at ~Rs1,211mn.
- Receivable/NWC days improved to 143/157, respectively, in 4QFY24.
- Total inventory increased to Rs1,761mn in FY24 and includes Rs633mn of RM stock.
- Revenue is expected to grow in double digits (12-13%) during FY25E.
- Single-digit price hike is expected across product portfolio, while GM should be stable, barring exceptional movement in paper prices in FY25E.

- Paper procurement is likely to be lower by 20-30% in FY25E due to a higher RM stock.
- Revenue contribution from the K-8 segment forms 60% of school revenues.
- 10-20% of schools have transitioned to the new syllabus, acquiring books from private publishers, while 80-85% await NCERT books before adopting new syllabus.
- NCERT holds a market share of 30-35%, with the residual belonging to private publishers in the school segment.
- Buyback may be on the cards once cash balance reaches Rs1,000mn.
- School coverage is 40-45k, with 60% being user schools.

Steel Authority of India (SAIL IN)

Rating: SELL | CMP: Rs174 | TP:Rs127

- Average NSR for 4QFY24 was Rs54,500/t. Flat and Long product prices were Rs 53,700/t and Rs 55,400/t respectively.
- In May'24, Long steel prices are Rs 54,600/t and Flat steel is ~Rs 53,500/t.
- The share of semis stood at ~8% in FY24.
- Capex for FY25 is expected to be Rs 63bn.
- Imported Coking coal costs for 4Q stood Rs26,524/t and is expected to decline by USD30/t in 1QFY25. Indigenous coal cost increased from Rs12k to 13k/t QoQ.
- Finished steel inventory stood at ~1.6mt as of 4Q.
- The employee headcount is decreasing by ~3,000 per year. FY25 employee costs is expected to be Rs110-115bn.
- Other expense declined sequentially due to lower power and fuel costs and reduction in provisions.
- Borrowings have increased to Rs350bn from Rs300bn in Mar'24 due to lower realization from railway contract and pile up of inventory.
- Production and sales volume for FY25 is expected to be >20mt and 19mt respectively.
- IISCO's expansion will start in Oct'24 once the vendor tendering process is finalized. As per pre-feasibility report, the capex is expected to be Rs360bn.
- SAIL has received approval for Bokaro and Durgapur expansion projects.
- 0.8mtpa caster at Bhilai is under trail and 0.4mtpa caster at Rourkela is expected to commission in FY25.
- Capex costs for 15mtpa expansion is expected to be Rs70-75bn/mt.

- The Rs17bn railway price revision in includes Rs2.78bn for 4QFY24, Rs5.6bn for 9MFY24 and Rs8.8bn for FY23.

Shree Cement (SRCM IN)

Rating: BUY | CMP: Rs25,820 | TP:Rs29,225

- Received strong response to its rebranding exercise initated in Jan’24; launched *Bangur* as master brand and Magna as its premium brand.
- Power revenue in 4QFY24 stood at Rs4.4bn Vs Rs3.43bn YoY with ~10% margins.
- Fuel costs stood at Rs1.82/m kcal in 4Q; SRCM has ~1.4mt of coal inventory at similar cost & sufficient for four months.
- FY24 capacity utilization stood at ~77% Vs 70% in FY23. For 4Q, utilization stood at 79% Vs 77% in 4QFY23. Four days were affected due to rebranding & SAP transition.
- Cement prices have been stable to weak since Mar’24 exit level.
- SRCM plans to spend Rs1bn each over the next two years for RMC business and intends to have 100 plants over next five years.
- Green power capacity stood at 480MW in Mar’24 vs 386MW in Mar’23.
- 188MW of green power capacity is being added at various locations in next two years.
- Capex is expected to be Rs40bn each year and funded mainly via internal accruals.
- SRCM 4Q regional demand stood as East: 20% growth YoY, North: 5% YoY and South: de-growth of 9-10% YoY leading to overall growth of ~7%.
- Rail: road mix stood at 12%: 88% at present which is expected to improve to 25%: 75% over the next four years as railway lines are added at each operating sites.
- Lead distance for 4Q stood at 435km vs 457km in 3Q.
- Depreciation increased on account of Nawalgarh commissioning in Jan’24. Annual depreciation expense is expected to be Rs15-16bn.
- Other expenses declined QoQ on account of lower spends on ad shoots and lower spare costs.

Siemens (SIEM IN)

Rating: ACCUMULATE | CMP: Rs6,660 | TP:Rs7,030

- Capacity utilization of manufacturing industry is steadily improving, with prospects of broad-based private capex rising.
- Q2SY24 EBITDA margin had a negative impact of FX & commodity; margin would have been 15.4% (vs 15.0% reported).
- **Energy:** H1SY24 order inflows grew ~34% YoY to Rs47.8bn led by growth in grid technologies and gas services. Order book stands at Rs97.4bn. There is major traction in power transmission, which is why Siemens announced Rs3.6bn capacity expansion of power transformers. This segment has access to all the technology of the global Energy business.
- **Board approved demerger of Energy business** into a separate listed entity, with listing expected in 2025. Given different underlying market drivers and capital allocation requirements, both companies will be able to focus on their specific strategies and core portfolios, thereby unlocking value in both entities.
- **Digital Industries:** H1SY24 order inflows fell ~26% YoY to Rs22.2bn. Continued inventory de-stocking of industrial automation products by channel partners as demand normalizes led to slow down in ordering. As manufacturing grows, so will demand for digitalization. Opportunities will be driven by PLI schemes (~Rs2trn outlay across 14 key manufacturing sectors), Industry 4.0 adoption, and high-end machine building & digitalization. Profitability has been robust and is expected to continue this way.
- **Smart Infrastructure:** H1SY24 order inflows grew ~6% YoY to Rs36.4bn. Better business mix led to improvement in margin. Going forward, opportunities lie in data centers (with capacity set to double in the next 3 years), commercial buildings, industrial infrastructure, growth in metals, cement, oil & gas, and e-Mobility, modernization of power distribution and integration of renewables.
- **Announced capex of Rs3.3bn to expand Gas Insulated Switchgear (GIS) factory** in Goa for GIS and Clean Air (Blue) GIS technologies that will cater to data centers, metro rail, oil & gas, steel, and T&D. While overall India market is huge for GIS, Blue GIS will be primarily for global customers as it is not affordable yet in India.
- **Mobility:** H1SY24 order inflows grew ~73% YoY (ex. locomotive order in H1SY23) to Rs5.2bn. Siemens has all the technology for signaling, electrification, and rolling stock (bogies, locomotives, metro, Vande Bharat). 9,000HP locomotive project execution has begun and revenue is starting to be booked. Margin used to be in double digits when the segment was focused on electrification & signaling, but was impacted as the company made heavy investments to capture the growing rolling stock market.
- **Announced capex of Rs1.9bn** to set up a metro train manufacturing facility at Aurangabad (in addition to existing bogie manufacturing facility) to cater to export markets (Australia, Middle East, Asia).

- **Total capex announced this year exceeds Rs10bn,** including the previously announced capacity expansions of Power Transformers factory in Kalwa and Vacuum Interrupter factory in Goa.

SRF (SRF IN)

Rating: REDUCE | CMP: Rs2,291 | TP:Rs2,123

- EBITDA margin is expected to be around 24-26% in FY25.
- In FY25, capex of Rs8-9bn is expected, currently sanctioned capex is between Rs10-12bn, Maintenance Capex for the business in FY25 is expected to be Rs0.5-1bn
- **Chemicals Business:** Chemical Business is expected to grow at 20%. R-32 price saw steep rise in prices in China, optimal capacity utilization of the company's plant is expected by the end of the year. In FY24, Specialty Chemical margin was flat to slightly positive than FY23. Ref gas utilization for FY24:85-90%, excluding the new 15,000 mtpa capacity. Share of active ingredient is 9-10%, by the end of FY25, 5-6 AI are expected to come through
- **Packaging Film Business:** Competition from China impacted both price and volume, margin pressure to continue throughout FY25. Slow start for Aluminum Foil plant, there was a technical challenge which was solved in April
- **Technical Textile Business:** Belting Fabric (BF) and Polyester Industrial Yarn (PIY) expected to be future growth drivers.

State Bank of India (SBIN IN)

Rating: BUY | CMP: Rs820 | TP: Rs910

Asset & Liabilities Strategy & Outlook

- **Advances** guided to grow at 13-15%. Corporate grew organically and this momentum could sustain considering strong macro-economic environment. Book mix: MCLR 36%, EBLR 27%, fixed ~21% & remaining 16% T-bill linked.
- **Deposit growth** was led by TD; focus is on increasing market share in CA while maintaining share in SA. Daily average balances are being monitored to track CASA growth.
- **Digital:** Focus on improving YONO app to increase traction and efficiency in advances and deposits growth. 61% of SA accounts were opened through digital banking. Aim is to leverage analytics which will provide insights into customer preferences and will help in improving customer experience.
- **Capital:** Sufficient capital to grow loan book by Rs7trn (19% of loans). Future growth may be funded by 1) plowback of profits, 2) issuing AT-1 bonds and 3) issuing equity at correct valuations. Also change in investment regulations may have a positive impact on capital.
- **Domestic CD ratio** can scale up to 75% (currently 68%). Excess SLR is Rs3.71trn while LCR stood at 124%.

- **RoE** guided to be maintained at >15%.
- No plan as of now to list SBI mutual fund

Other Income/Opex

- **Other Income:** Higher miscellaneous income was attributable to higher AUCA recoveries, dividend income, and commission/maintenance charges.
- **Staff cost** was estimated to grow by Rs54bn in Q4'24. However, as MTM gain on pension corpus and lower gratuity liability led to reversals, only Rs6.7bn was provided. Staff cost for FY24 at Rs712bn adjusted for one-time wage provision of Rs134bn may further increase by Rs60bn in FY25.
- **Other opex** majorly includes business and development expenses and PSLC charges (for building agri book). Target is to reduce dependence on PSLC to reduce overheads.

Asset Quality

- **Project Finance and ECL provisioning:** Buffer provisions total to Rs320bn which may be sufficient to absorb any requirements that could emanate from RBI draft guidelines crystalizing. Bank believes that RBI's intent to introduce project finance related provisions could be to better price risk since in some cases a 15-year loan is linked to T-Bills.
- Eligible project exposure is Rs1.2trn. Earlier estimates of ECL provision was Rs300bn which may reduce considering improved credit quality.
- Higher provision on OTR book (37%) may not be reversed due to prudence.
- Agri NPA decreased from 15% to 9% and aim is to further reduce it to 6-8%.
- Provision write-back was partly led by NPA automation guided by RBI which led to reversal of Rs9bn.
- TWO pool stood at Rs1.75trn while recovery from it was Rs69bn in FY24.
- Credit cost guided targeted to remain below 0.5%.

Sun Pharmaceutical Industries (SUNP IN)

Rating: BUY | CMP: Rs1,539 | TP:Rs1,710

- Growth was driven by specialty products like Ilumya, Cequa, Winlevi, and Odamzo. ILumya holds 1% of the biologics market in psoriasis in US. Contribution from gRevlimid was higher in Q4 as compared to Q3. Product and geographical mix supported gross margins. Supplies from Mohali have already resumed, but gradual improvement expected. Launched 2 generic products in the US and 9 new products in India in Q4FY24. Deuruxolitinib PDUFA date in July 2024 and mgmt. confident of receiving approval. Specialty R&D accounted for 42% of total R&D spend for the quarter. Mgmt cited that its specialty product Nildegy would be filed with European authorities on June 3,2024. Further it intends to license GLP-1 from innovator companies. Its own GLP-1 has completed phase 1 trial. Nigeria related forex loss was due to sharp currency depreciation, booked MTM loss against payables.

- **FY25 Guidance**: Expect high single-digit top-line growth. R&D investments will be 8%-10% of sales. Given company is in investment phase; expenses likely to remain elevated to ramp up specialty business

Sunteck Realty (SRIN IN)

Rating: BUY | CMP: Rs471 | TP:Rs600

- Mgmt sees **pre-sales** growth of 30-35% in FY25 on account of planned new project launches (Nepean Sea Road and Bandra East) along with plans to release further area for sale in existing projects such as Goregaon west, Mira Road and Naigaon with a combine GDV of Rs.300bn. Reiterated its focus on new project addition and double GDV to Rs. 600bn in next 3 years.
- **Plans to launch** a new phase in Mira road (Tower 3), Naigaon and 5th Avenue in ODC for FY25. BKC sale momentum to continue and will also aid cash flow in FY25.
- **Revenue recognition in FY25** Recognized Rs.2.8bn from Naigaon with margins at 30%. Sunteck City 4th Avenue is almost completed and expect to book revenues in FY25 with higher margins due to better realizations. Sunteck Maxx World also partially to get recognized in FY25.
- **Annuity portfolio –** Both Sunteck Icon and Sunteck BKC 51 are fully leased out for long term and in process of commencing commercial project with 1 msf leasable area at ODC Goregaon west soon.
- Exploring 2-3 opportunities in its BD activity.
- Nepean sea road project guided to launch by Q4FY25E or Q1FY26.

Supreme Industries (SI IN)

Rating: BUY | CMP: Rs4,338 | TP:Rs5,188

- Management highlighted that the demand is strong for plumbing, Agri & Infra and has guided for a 25% growth in pipe segment for FY25, having a market share of 12-13%.
- SI expects overall volume growth of 20% in FY25.
- SI has 36 plastic piping systems in the division and plans to add another 5 new systems i.e. Acoustic PP Pipe System, PE Gas Piping System, PERT Piping System, PE single wall corrugated Pipes & Rainwater Harvesting System.
- SI has established bath fittings and sanitaryware business having design center at Pune which increase its SKU from 421 to 1000 by FY25.
- Consumer Product division has been focusing on premiumization of products.

- Industrial component division faced sluggish demand in Q4FY24 and composite cylinder division remained subdued as purchases from IOCL were not as expected.
- RM prices (PVC & CPVC resin) are expected to remain stable going forward.
- Supreme has planned a capex of Rs15bn going forward, out of which 60-70% will be done in FY25.
- The major capex will be done in the piping segment of about Rs10bn including expansions at Kanpur, Malanpur, Gadegaon, JNPT port.
- The Nal se Jal project revenue contribution stood at Rs4bn for FY24.
- The inventory losses for FY24 stood at Rs500mn.
- The gas pipe line project is expected to by start by Oct'24.
- The current total capacity stands at 950k MTPA which is expected to reach 1050k MTPA by FY25 end. Out of this, plastic pipe segment is estimated to have a capacity of 835k MTPA vs 739k MTPA as of now.

Tata Consultancy Services (TCS IN)

Rating: ACCUMULATE | CMP: Rs4,001 | TP:Rs4,360

Demand Outlook

- The management indicted that customers continue to reprioritize spends and they are actively participating in areas like AI enablement, customer experience, cybersecurity, business process improvement, sustainability and Gen AI transformation initiatives. However, the discretionary spends continued to be under pressure with growing expectations from clients to save from current operations and introduce those savings into transformation projects.
- The sub-segments within BFSI have started recovering with Insurance, retail banking wealth management and capital markets have witnessed green shoots, while strong participation of clients in the new-age technologies.
- The management also indicated of witnessing green shoots in consumer business, airline transportation and major sub-segment of manufacturing, which are expected to be the new drivers for growth in FY25.
- The discretionary programs with high payback periods or no immediate ROI have witnessed more deferrals or delay in execution. Hence the lack of execution visibility and immediate notice to stop the programs are more concerning to the near-term business outlook.
- Around 55-60% of the deals that are getting signed in a particular quarter are on the cost-optimization front while ~40% are on the transformation side.
- Gen AI has started gaining pace with a pipeline of $900m, and $100m cumulative TCV registered in 4Q. The customers are actively perusing POCs and use cases to drive efficiency and productivity to their operations. Some of these early initiatives have also started progressing and going into productions.

Margin Outlook.

- The management believes that the subcon expenses to reduce even further in the coming quarters as the immediate demand fulfilment and macro uncertainties incrementally drove the higher costs, which have started easing off. Additionally, it expects pricing and utilization as the key levers to achieve its aspiration of 200 bps margin improvement in the long-term.
- The 100 bps expansion in margin was primarily led by 120 bps improvement in subcontractor expenses, aided by 70 bps improvement in productivity and better utilization, which partly got offset by 90 bps increase in third-party cost.
- Given the supply-demand mismatch easing out, the management expects on an average 4-7% wage revision in 1QFY25, while top performers or niche skills are expected to reward even higher with double-digit growth.

Tata Motors (TTMT IN)

Rating: ACCUMULATE | CMP: Rs1,047 | TP:Rs1,089

PV Business:

- Its PV business achieved double digit margin in ICE portfolio while EV margin stood at 1.1% with an improvement of ~90bps QoQ.
- The company has witnessed market share improvement in the UV category in which operates, led by multi-train options.
- Going ahead, it plans to launch Tata Curv in the 4.3-meter segment which will aid in increasing its presence in the segment.
- It aims to open dedicated EV stores with a view to increase the EV penetration

JLR Business:

- It currently has order book of ~133k units of which 76% accounts for RR, RR Sport and Defender.
- Its EBIT guidance for FY25 was at 8.5%. The improvement in EBIT margin is expected to be suppressed by higher marketing expenses.
- The Range Rover Electric and Defender OCTA are in the testing phase which is expected be launched in CY25. The Range Rover Electric has a waiting list of ~28k.

CV Business:

- The company remains cautiously optimistic as it expects volume to remain flat or witness marginal decline over last year due to high base and impact of election in the early part of FY25.
- It expects the higher tonnage category to grow faster than the industry mainly the 48tons and higher category and multi-axle vehicles.

Tata Steel (TATA IN)

Rating: ACCUMULATE | CMP: Rs164 | TP:Rs172

- FY25E Capex is expected to be Rs160bn of which 75% is to be spent at TSI. ~Rs55bn is expected to spent on KPO II.
- FY25 Cons. volumes to increase by ~1.4mt. Production from KPO-II to contribute ~1.7mt in FY25 while planned relining of Jamshedpur BF#G will cut volumes by ~0.5mt.
- KPO-II blast furnace to get commissioned in Sep'24.
- In 2HFY25, 0.6mt and 1.1mt of substrate (HRC/ slabs) will be shipped from TSN and TSI respectively to TSUK. In FY26, ~2.7-2.8mt of substrate would be transported to TSUK. The slabs will be transferred at market prices.
- 1QFY25 TSI NSR is expected to increase by Rs 300-350/t; while TSN NSR to increase by GBP 90/t. TSUK is expected to have flat realization.
- 1Q coking coal consumption cost at TSI to decrease by USD10/t while for TSN, it would increase by USD 24/t due to high cost inventory. Iron ore cost at TSN to increase by USD 10/t.
- 4Q TSUK EBITDA had a one-time benefit of carbon credits worth GBP 51mn.
- TSN and TSUK shall be EBITDA positive by 1QFY25 and 3QFY25 respectively.
- Blended cost of debt on std. and cons basis is 8.5% and 7% respectively.
- TSI envisages to set up EAFs in Northern and Southern India due to easier availability of scrap post Ludhiana commissioning.
- TATA surrendered the Sukinda mine due to regulatory changes.
- TATA to infuse USD2.11bn in TSHP through equity which would be largely used to refinance foreign currency borrowings.
- TATA submitted its decarburization proposal to the Netherlands government for its first BF in the first phase and initiated discussions for regulatory and financial support.

TCI Express (TCIEXP IN)

Rating: BUY | CMP: Rs1,105 | TP:Rs1,410

Revenue and margins

- Q4 Volumes remained largely flattish with marginal volume growth of 2.0%/0.7% QoQ/YoY to 0.3mmt/1mmt. Higher logistics demand from auto ancillary segment was negated by muted demand from other segments such as pharma, lifestyle and engineering sectors.
- Gross margin declined by 120bps YoY to 31.6% due to below par fleet utlisation (83.5% vs 85% YoY). EBITDA margin was further trimmed by 245bps YoY to 14.1% due to higher employee benefit expenses.
- As per the management, low volume demand has resulted from clients left with more inventory stock due to the slowdown in consumption demand.
- The management anticipates a revenue growth turnaround by increased demand of volumes in the pharmaceutical, defence, engineering, and solar sectors. Demand for consumer goods and lifestyle could remain muted.
- In order to reach 20% margins, the management plans to grow at a rate of 12–15% in FY25 and maintain that growth rate for two to three years.

Capex and branch expansion

- Following the Gurgaon processing centre, the Pune processing centre is fully automated, and it is equipped with AI enabled cross belt sorter. This fulfilment centre has reduced the turnaround time by 40%.
- Out of the total capex of Rs460mn, machine related capex was Rs.250mn followed by 150mn for branch expansion and 60mn for technology related investment. Total of 25 new branches have been added in FY24 out of which 10 have been added in Q4FY24.
- Capex of Rs.3bn is anticipated in the next 2.5-3 years, which will focus on construction of automated sorting centres. Construction of sorting centres in Ahmedabad and Kolkata will be completed by 2026 followed by sorting centres in Mumbai and Chennai.
- Branch network have expanded to 950+ branches

Others

- Intended price hike of 1.5%-2% in FY25E vs 0.5% in FY24, indicates management's expectation of improved sentiments in the express segment in FY25

Tech Mahindra (TECHM IN)

Rating: HOLD | CMP: Rs1,190 | TP:Rs1,135

- The management has called out three-year strategic plan to make the company more sustainable and predictable in term of growth and profitability. The management has identified few gaps or whitespaces that needed to be filled in order to drive exponential growth beyond FY27.
  - FY25 would be a turnaround phase where it requires investments to drive growth within key accounts, markets and service lines. Additionally, it would also require to turbocharge program to drive wallet share from potential top accounts. Additionally, on the margins perspective, the cost optimization program ("Project Fortius") will be undertaken to drive $250m saving (on an average) per year
  - FY26 would be the year of stabilising growth with full integration of portfolio companies, while cost savings program would progress over FY25.
  - FY27 would be the year of reaping benefits, with full scale integration of long-term structural initiatives with continued improvement in pyramid to drive further improvement in margins.
- On a growth perspective, FY25 would be the year of turnaround (toward 2HFY25), while FY26 should witness some early sign of recovery through service and vertical focused strategy. The full-scale realization of this initiatives would only be achieved in FY27. More importantly, the management was bold enough to call out that they are aspiring to deliver industry leading growth and margins by FY27 and beyond, which would outperform many of its close peers' average topline growth and margins. Additionally, the focus would be to drive organic growth and build internal capabilities to reach the FY27 milestone.
- The management was confident to drive operating margin to 15% by FY27 from currently 6.1% (reported EBIT) in FY24. The margin expansion would involve $250m of average savings each year. The initial phase (FY25) of savings would be marginal followed by closer to average in FY26 and achieving beyond average in FY27.
  - It has called out major margin levers that will bridge the gap of 6.1% to 15% over the next 3 years: (1) reduction in average resource cost (2) Fresher hiring (3) higher internal fulfilment (4) subcon optimization (5) large deal productivity (6) quality revenues from high-yield geos and (7) value-based pricing.
  - The margin expansion to 15% in FY27 has major component of cost savings followed by portfolio mix, which would partly offset by wage hikes and investments over the three-year period.
- The focus is to drive larger deals with rigorous client mining and accountcentric strategy that will help identify additional revenue stream within each individual top accounts in order to gain higher wallet share. It is also strengthening its relationships with advisory team to enable large deal invites in FY25.

- The management has proposed new capital allocation policy to distribute at least 85% of FCF generated over 5 years in the form of dividend or buyback vs current policy of distributing excess cash (after meeting internal requirement).

Thermax (TMX IN)

Rating: REDUCE | CMP: Rs4,609 | TP:Rs3,923

- **Order inflows were softer than expected** entirely due to lower large orders. Despite the current environment for larger orders, pipeline has built up and traction is expected in H1FY25. Sugarcane waste based Ethanol distillery business has seen some slowdown; waiting on policy continuity and rains. Healthy enquiry inflow is seen from steel, chemical and F&B sectors. Biofuel sector order enquiries continue to trend upwards while international pipeline has improved versus past couple of years.

- **Industrial Infra:** Profitability should improve in FY25. FGD projects revenue is expected to be ~Rs6bn. Although FGD margins have a dilutive effect on the overall margin, an improvement is expected in FY25. Sulphur recovery is also expected to have good revenue booking in FY25.

- **Bio-CNG:** Faced more technical setbacks than expected while using rice straw as feedstock which resulted in losses. Company has invested heavily to rectify these setbacks and refrained from booking new orders till issues are resolved.

- **Industrial Products:** Water business to be a key growth driver for the segment with opportunities present in desalination, effluent water treatment (MVR, ZLD, etc.) while the company continues to add new technologies.

- **THVAC:** Receiving positive customer feedback, but underperformed due to technical issues during the retrofitting process. The company is focused on improving the HVAC system from an engineering perspective.

- **Green Solutions:** Biofuel enquiry pipeline continues to remain robust. Management's focus is on commissioning and mitigation of technical risks of projects. Segment's profitability to be supported by market leading position of TOESL in biomass business while FEPL business will likely incur losses for the next 2 years before turning profitable.

- **Chemical:** Rs100-200mn of revenue was not recognized in Q4 as inventory was stuck in transit to USA due to longer shipping times. Although the segment has not met internal targets, Q1FY25 is expected to be better. TMX is putting up a new plant and continues to add to capabilities and customer segments.

- **Super and Ultrasuper critical thermal utility projects,** thermal utility projects have become less standardized, and Thermax does not yet meet the requirements. Due to the uncertainty of earnings from these projects, the company is currently refraining from taking on large-scale projects.

- **Outlook:** Margin stability is expected to continue from recent quarters given the effective management of commodity costs

Titan Company (TTAN IN)

Rating: ACCUMULATE | CMP: Rs3,534 | TP:Rs3,767

- Jewelry demand in Q4 remained soft amid rising gold prices. Demand is expected to remain soft in 1H25 given lower wedding days, and elevated gold prices.
- Competitive intensity continues to remain high with local and regional players growing their customer base.
- Market share remained stable in most of the regions despite higher competition,
- Caratlane is seeing flattish demand with focus to remain on improving SSG while being conservative for store expansion.
- Buyer growth in studded jewelry has been better than gold jewelry however value wise it remains tepid.
- solitaire for higher carat saw sluggish demand as consumers wait for more price correction.
- 80% of stores in Zoya are performing better than expected.
- International business saw a revenue of $120mn with 90% coming from jewelry segment.
- TTAN sees opportunity to go beyond 300 towns for Tanishq, it currently has customer base of 10mn.
- In 4Q, gold exchange program saw 40-45% contribution towards overall sales.
- Wearables segment is seeing immense pressure coming in from local players as they are operating at much lower price point.
- Jewelry margin target remains intact at 12- 13% led by improved geographical/ product mix with focus on high value studded jewelry.
- TTAN plans to pay off NCD in two tranches of 18 months & 24 months.

Torrent Pharmaceuticals (TRP IN)

Rating: BUY | CMP: Rs2,613 | TP:Rs2,900

- **India:** Growth fueled by new launches in chronic therapies, especially anti-diabetic drugs, and expanded field force. Chronic business saw a 14% growth. Branded generics contributed 73%. Shelcal 500 grew in high teens in FY24 due to advertising and OTC marketing investments. Volume growth was 3%, price growth was 8% and the balance was driven by new product introductions. Field force strength in India at 5700. Plans to add 300-400MR in FY25. Overall consumer health division progressed well aided by new channel activations and increased distribution in newer town.

- **Brazil**: Benefited from pricing, volume growth, and new launches. Aims to maintain 3-5 branded launches annually. Recent price hike along with new launches will drive revenue growth in FY25.

- **Germany:** Steady new product launches, increased tender wins will aid sales growth from Q2FY25. Gained market share, at 6% at 2-year high. Launched 8 products in FY24 and targets 10+ launches annually.

- **US market:** New launches and contracts spur growth. Expect 7- 8 new launches in FY25E of which 2-3 could be meaningful. Guided for $250-300mn US revenues in next 3-5years.

- **Other highlights:** Focus on securing more licensing deals, aiming to close at least one in the upcoming quarters. Margin expansion expected by 50-100bps. Gross debt at Rs 39bn, with Rs 13bn repayment expected in FY25. Tax rate at 27% from FY26.

Triveni Turbine (TRIV IN)

Rating: HOLD | CMP: Rs631 | TP:Rs653

- **Enquiry pipeline down ~6% in Q4FY24,** driven by a decline in enquiries from broad based international market partially offset by increase in the domestic enquiry book owing to traction in steel, cement, distilleries, and process cogeneration and oil & gas. Despite the decline in enquiries, it remained better than global market.

- **Exports:** Q4FY24 export order inflow was Rs2.6B an improvement of 29% YoY. Despite the broad based weaker international enquiries, sectors like renewable energy, oil & gas continue to remain a growth driver for exports. The current export run rate is expected to be maintained entering into new geographies.

- **Focused on topline:** TRIV remains focused on improving its revenue. New product offerings especially in spare part servicing and refurbishment catering to broad customer base provide good visibility. Margins are expected to remain stable despite higher raw material costs and higher headcount.

- **After-market YoY de-growth in revenue,** was due to lower order intake and order finalization delays which are one-off and is not expected to be a general trend going forward. Margins continue to remain robust for the after-market business.

- **Manpower and R&D:** Manpower base has grown by 19% in FY24, and TRIV aims to grow it by 20-25% in FY25. Capital expenditure to be incurred for scaling up skilled manpower and R&D with a focus on building capabilities to capture higher value business.

- **Healthy demand in both industrial and API drives continue:**
  - TRIV offering **customer focused products** in India and international markets to improve turbines contribution to growth in coming years.
  - API turbines are expected to have **increasing role in exports**.

- Government incentives and schemes in USA are expected to help product side growth.
- Increasing **investment in oil & gas across the globe** continues to drive demand for API turbines.

- **USA subsidiary** has been established and is on track with the business plan for order booking and revenue. However, slight negative margin contribution is expected from the subsidiary in FY25.
- **Capacity:** TRIV has a current capacity of 250+ turbines a year with a capacity utilization of 75%. According to management, no further capacity expansion is needed to support growth of the company.
- **Technology:** TRIV has a comprehensive strategy to maintain its technological leadership in applications such as Waste Heat Recovery, Waste-to-Energy, Municipal Solid Waste (MSW), in industries such as Pulp & Paper, Steel, Cement, Distillery, Sugar etc. Company has secured a substantial number of IP Rights, a total of 374 global IPR filings, up from 338 a year ag

TVS Motors (TVSL IN)

Rating: ACCUMULATE | CMP: Rs2,064 | TP:Rs2,179

- **Strong revenue growth led by volume expansion across categories:** Its revenue grew by 23.7% YoY to Rs 81.7bn (PLe: Rs 80.3bn; BBGe: Rs 80.1bn) led by volume growth of 22.4% YoY. ASP/unit was higher by 1.1% YoY/2.6% QoQ to Rs 76.9k (PLe: Rs 75.5k/unit; BBGe: Rs 75.4k/unit). APAT registered a growth of 18.3% YoY to Rs 4.8bn, which was lower than our estimate (PLe Rs 5.4bn) due to higher tax rate and depreciation.
- **Margin came in line with our estimate:** Gross profit was Rs 22.2bn (PLe: Rs 21bn) which grew by 36.9% with a margin of 27.2% which expanded by 260bps YoY led by improved product mix and benign commodity prices. Similarly, EBITDA grew by 36.3% YoY to Rs 9.3bn (PLe: Rs 9bn; BBGe: Rs 9.1bn), however, rise in other expenses as proportion to sales and the impact of EV business suppressed EBITDA margin expansion to 100bps YoY to 11.3%.
- **Delivered robust FY24 performance:** Its revenue for FY24 came in at Rs 317.8bn, registering a growth of 20.5% YoY led by strong volume growth of 13.8% YoY and ASP growth of 5.8% YoY to Rs 75.8k/unit. EBITDA was Rs 35.1bn, up by 31.2% YoY while margin expanded by 100bps YoY to 11.1%. Consequently, strong overall performance saw APAT to grow by 39.7% YoY to Rs 20.8bn. Overall, a robust FY24 with healthy volume expansion, traction in the EV business and encouraging response to its premium products.

Ultratech Cement (UTCEM IN)

Rating: BUY | CMP: Rs9,964 | TP:Rs11,608

- Realization is expected to be stable or positive in FY25.
- UTCEM has high cost coal contracts till Dec'24, post which fuel costs shall see dramatic improvement. Current fuel cost is ~USD150/t which is expected to reduce to USD130/t in next 2-3 quarters.
- Fuel costs was Rs2.03/kCal in 4Q.
- Capacity utilization for the industry and UTCEM for FY24 stood at ~71% and ~85% respectively. For 4Q, UTCEM's capacity utilization stood at 98%.
- There has been marginal pricing improvement in Eastern, Southern and Maharashtra markets. North & Western market pricing is stable.
- There could be some moderation in industry demand in FY25 due to election and monsoon.
- Opportunities of inorganic growth exist in Southern markets as it is highly fragmented.
- Trade share for 4Q stood at 65%.
- Kesoram Industries has refinanced their debt and has reduced the cost of borrowing by ~50%. The cost of borrowing stands at ~11.5% while for UTCEM, it is at ~8%.
- 2.7mtpa Hotgi brownfield expansion is put on hold as of now due to recent Kesoram acquisition.
- Industry demand grew 9% in FY24 and 7-8% in 4Q.
- In 4Q, ~15% sales came from UltraTech Business Solutions (UBS), the retail platform.

UTI Asset Management Company (UTIAM IN)

Rating: BUY | CMP: Rs975 | TP: Rs1,050

Industry

- Net inflows for industry at Rs3.54trn amounting to Rs53.4trn AUM as at Q4'24. As per IMF, Rs33.3trn are held by individual investors (>60%) while ~84% individual investor assets, incl HNIs, are held in equity-oriented funds.
- 18% AUM is from B-30 cities

Company Performance

- **Revenue yields** – In Q4'24, there was a sequential yield increase across all segments: approximately 5bps for equity and hybrid funds, ~2bps for cash and arbitrage funds, and ~1.5bps for income funds. This uptick was primarily due to 1) Overestimation in commission expenses and 2) Cessation of commission payments upon B30 approval, effective February 2024. Gross sales market share for Q4’24 and FY24 was 6.84% and 7.79% respectively, driven by equity and hybrid funds amounting to around Rs30 billion in Q4'24. Blended yields stood at ~76bps for equity, 21-22bps for fixed income, and 9-11bps for cash and arbitrage. Company initiated Q1'24 with a yield of 34-35bps.

- **International yields** improved due to slight change in asset mix. In earlier quarters, yields were volatile and on a declining spree due to redemptions in flagship fund and inflows in fixed funds. Improvement in yields is expected for international business going forward because of promotion of 2 products with better margins.

- **Staff costs** rose on account of 1) One-time expense of Rs55 million related to gratuity, stemming from actuarial valuation adjustments, and 2) Rs25 million increase in insurance costs. Other expenses are anticipated to remain steady, with only slight increases expected due to NFO expenses. Mgt forecasts a 2-3% growth on a standalone basis, but this figure could potentially increase by 100-150 basis points on a consolidated level due to investments in international ventures.

- **ESOP cost** for FY24 was Rs131mn on standalone and Rs168mn on consolidated levels. Considering no further issue, ESOP cost for FY25 is estimated at Rs45mn on standalone and Rs50mn on consolidated level.

- **Tax rate** for FY25 guided at 22-23%. Dividend payout guided at minimum of 50%. However, in FY24, 74.6% profits have been distributed.

- **Reclassification** from PPE to investment property was done because of 3 floors of UTI being leased out.

- Focus is on increasing retail traction and Tier 2 and Tier 3 engagement. Presently, 21% AUM is from B-30 cities with total folio count of ~4mn (33% of total folios). SIP gross inflows grew by 5% YoY with average ticket size of Rs3,184.

Others

- **Licenses:** Obtained point of presence (PoP) **license** and NOC license from SEBI to reach out to new pension fund investors. Another approval received to start operations in Gift City to attract foreign investors for AIF business.

- **Product launches:** With the launch of UTI Balanced Advantage fund, company completed its offerings in hybrid category. 5 smart beta products AUM is >Rs55bn. 2 differentiated products (Nifty 5-yr and 10-yr G-sec ETFs) were launched for institutional investors. A multicap fund,is planned to be launched in FY 25 and focus is on innovating passive and thematic funds. 2 new products are yet to be launched in upcoming categories.

- **Digital:** Launched a new and revamped website, mobile apps and contact centers for investors and distributors. Robo-advisory capabilities are launched to cover goal planning and management.

- 29 new **branches** opened in Tier 2 and Tier 3 cities. Further expansion was conducted through digital infrastructure.

- Company partnered with Dainik Javin to conduct awareness programs in ~40cities. One of the event in Varanasi garnered significant retail participation.

V.I.P. Industries (VIP IN)

Rating: HOLD | CMP: Rs528 | TP:Rs557

- In 4QFY24, VIP opened 14 EBOs, totaling to 507, and target is to end FY25E with 35-40 new outlets.
- EBITDA declined mainly due to a one-time expense of Rs150mn. Of this, Rs50mn stemmed from employee costs related to retrenchment and wage increases in Bangladesh, while the residual portion was attributed to legal and professional fees.
- EBITDA margin is expected to rise to 15%/18% in FY25E/FY26E respectively.
- GM is expected to be at 52-53% in FY25E.
- Current inventory levels stand at Rs9,157mn, with ~Rs3,000mn of SL inventory. The plan is to pare down SL inventory by ~Rs2,000mn in FY25E.
- HL/SL capacity stands at 10/7 lakh pieces per month respectively. Target is to increase HL capacity by ~2-3 lakhs pieces in FY25E.
- VIP's current e-com share is at 22% and the target is to reach 25%.
- Net borrowings stood at ~Rs4,850mn with an aim to reduce it to Rs2,500mn by end of FY25E.

Vinati Organics (VO IN)

Rating: ACCUMULATE | CMP: Rs1,620 | TP:Rs1,781

- ATBS sales were down in FY24, they have normalized now, anticipate the demand for ATBS to increase in FY25, the company maintains 62-65% global share in ATBS.
- Revenue for Butyl Phenol segment in FY24 was Rs 3bn, in FY24 utilization was 65-70%, this has reached 100% utilization in Q4FY24.
- Iso-butyl, Benzene and other customised products had flat revenue for FY24, approx. Rs 1.5bn.
- Antioxidant segment total revenue was Rs 1.3bn in FY24, in FY25 this segment is expected to be growth driver with expected revenue between Rs 2.8-3bn.
- Revenue expected to grow at 20% CAGR in next 3 years.
- FY25 EBITDA guidance of 26%.
- Capex of Rs 5.5bn in FY25 including capex in subsidiary.
- Veeral Organics Sales in FY25 expected close to Rs 500mn.

Voltas (VOLT IN)

Rating: HOLD | CMP: Rs1,276 | TP:Rs1,241

- Voltas has maintained its leadership position in RAC segment through its robust brand positioning and efficient distribution network, reported a market share of 18.7% as of Mar-24.
- Inverter RAC sales accounted for 80% of overall RAC sales, with split RACs contributing 85-90% to Voltas' RAC sales. Voltas' split RACs revenue doubled in Q4FY24 and grew over 50% in FY24.
- EMPS order-book for domestic/international project business reached to Rs 50.2bn/Rs 30.3bn, with a significant portion of the international orders concentrated in the UAE and Saudi Arabia.
- Domestic project business reported rev. growth of +38% YoY in Q4FY24 & +73% for FY24. In case of International business, Saudi Arabia continued to deliver good performance and drive the revenue growth for the business. Company has reassessed its exposure in Qatar and is optimistic to not have further setbacks due to unreasonable delays.
- Company targets EBIT margins of 4-5% for International as well as domestic EMPS business.
- In case of EPS, Mining and construction equipment vertical has achieved its targeted numbers with pressure from margin reduction and textile market remains sluggish due to highly subdued export demand of yarn,.
- Voltas-Beko sold 5mn appliances till FY24. It recorded a volume growth 53% and had sales of Rs 16.9bn in FY24. It has seen an improvement in market share of refrigerators, washing machines, and semi-automatic table-top dishwashers.
- In the RAC segment, the company is focusing in volume growth better than industry and aims to achieve EBIT margin of 9-10%.
- Company has a market share of 5.3%/8.5%/15% in Refrigerator/washing machine/Semi-Automatic washing machine through Voltas-Beko and planned to take overall market-share of 10%.
- Expected capex for FY25 is Rs 5.0-5.5bn, with approx. Rs 2.5bn for Chennai and another Rs 2.5bn for Waghodia.

Westlife Foodworld (WESTLIFE IN)

Rating: HOLD | CMP: Rs870 | TP:Rs815

- WDL SSG declined by 5% led by tepid demand with external issues still impacting the footfalls in 70-80 stores.
- Demand is expected to remain soft for 1H25 as external issues still remain around, however sequential improvement is being observed in affected stores.
- RM prices are expected to remain stable with no major inflation issue.
- Gross margin is expected to remain stable with improving terms with vendors.
- Delivery & drive thrus continue to outperform dine-in.
- On-premise declined by 2% led by lower footfalls however off-premise grew 8% YoY.
- higher store openings & rise in marketing spends dragged margins in Q4.
- Value menu continue to see traction with its share increasing. WFL plans to give offers and discount on mc veggie and mc chicken in 1Q25.
- As of now no price hikes are expected but WFL usually takes hike of 3%-5% every year.
- WFL to add 40-45 stores in FY25 with 30-35% incremental stores as drive thrus (earlier 25%-27%).
- Menu innovation with focus on café will further drive growth.
- Digital sales grew 15% YoY, now contributing 70% to overall business.
- FY25 capex expected to be of Rs2bn-Rs2.5bn.

Wipro (WPRO IN)

Rating: HOLD | CMP: Rs453 | TP:Rs440

Growth Drivers and Demand Outlook:

- The new CEO is putting significant amount of focus on re-aligning strategic areas to accelerate growth for Wipro. The management has called out five strategic pillars: (1) Accelerate large deal momentum (2) Scaling the large accounts (3) Focus on consulting-led offering that is infused with AI (4) Delivering industry-specific solutions (5) Simply operating model.
- It has witnessed few green-shoots within consulting portfolio where the demand is shaping up well. Q4 is seasonally a strong quarter for Capco (consulting business) that grew 6.6% QoQ. However, the management also indicate that the overall demand environment remains weak, discretionary spends continue to get reprioritized over cost-savings projects.
- America 1 has witnessed meaningful deal signing activities with 8 large deals got signed in 4Q with overall deal TCV of USD587m.

- Within BFSI, it is seeing some growth recovery which is majorly led by healthy growth for Capco. It is seeing some stability within the space, which is again second consecutive quarter of healthy growth report within the space.
- Germany and UK continue to see demand challenges, while southern Europe has witnessed strong order bookings and it awarded more than $300m large deal TVC within the region.
- The immediate focus would be on execution rigor and create large deal momentum by proactively chasing with partners and clients that are more scalable.
- EMU and MFG growth have been soft, however it has built sales and marketing resources which have incrementally created healthy deal pipeline. While Consumer and Life Science growth is affected by macro factors.
- The new management is very much aligned to keep the Capco brand as separate from Wipro. However, the consulting area which the management believes is a strategic priority which eventually lead to fetch downstream work related to cost saving and driving efficiency.
- The conversion from TCV to revenue remains a challenge, as the larger part of its portfolio has high concentration on discretionary spends which is weighing on its performance due to project ramp down, and in some cases it is difficult to replenish the projects that are having similar size and scope.

Margin Outlook:

- The executions on margins remained strong, IT service margin grew 40 bps QoQ despite having two-month wage hike impact in 4Q.
- The investments would continue to driver incremental growth in the form of new capabilities and M&A activities. It is comfortable investing in tuck-in piece instead of making broad acquisition

Zee Entertainment Enterprises (Z IN)

Rating: HOLD | CMP: Rs141 | TP:Rs160

- Network share was down to 16.5% due to impact of cricket world cup.
- 19 shows and movies were released on ZEE5 and losses narrowed on sequential basis due to cost optimization.
- Zee studios released 6 movies during the quarter.
- Bouquet prices are revised by 6-8% and subscription revenue is likely to grow by mid to high single digit going forward.
- Operating performance should recover from 2HFY25 and EBTDA margin in FY25E is likely to better than FY24E.
- Cost recalibration exercise will take 3-6 months.
- Cash on books is Rs8,286mn.

- ICC TV rights deal with Disney-Star is repudiated and ZEEL has sought a refund of Rs685mn.
- Merger related cost for the quarter was Rs603mn.

Zydus Lifesciences (ZYDUSLIF IN)

Rating: ACCUMULATE | CMP: Rs1,104 | TP:Rs1,130

- **Indian formulation:** Gained market share in derma and anti-infective therapies. Maintained share in nephrology, fastest-growing in oncology. Chronic portfolio share increased to 41.2%. Focus remains on vaccine opportunity. The consumer health business growth driven by gradual recovery in demand with an uptick in demand in rural market.
- **US:** Base biz was driven by volume expansion and new product launches. Launched 5 new products, received 12 ANDA approvals (4 tentative). Guided for +30 new launches in FY25. On gMirabegron, ZYDUSLIF will have only one competitor in one strength and has exclusivity in other strength. Expect to have limited competition given ongoing litigation. Expects meaningful scale up of the vaccine business from FY26-27E. Will book bulk of gRevlimid sales in Q1/Q4 and guided for higher volume allocation in FY25.
- **EM & EU markets:** Witnessed strong demand across key geographies. Completed the acquisition of LiqMeds group in UK which has six 505 (b2) products.
- **Strong FY25 guidance:** High teen revenue growth with OPM to sustain at 27.5% levels of FY24. Guidance factoring competition in gAsacol in FY25. R&D expenses to sustain at 7-8% of sales in FY25E.

PL's Recommendation Nomenclature

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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