Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	54,289	-0.1	-6.8
Nifty-50	16,215	-0.3	-6.6
Nifty-M 100	27,775	-0.3	-8.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,974	1.9	-16.6
Nasdaq	11,535	1.6	-26.3
FTSE 100	7,513	1.7	1.7
DAX	14,175	1.4	-10.8
Hang Seng	7,022	-1.4	-14.7
Nikkei 225	27,002	1.0	-6.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	114	-0.2	47.2
Gold ($/OZ)	1,854	0.4	1.3
Cu (US$/MT)	9,589	1.5	-1.6
Almn (US$/MT)	2,933	-0.1	4.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	77.5	0.0	4.3
USD/EUR	1.1	1.2	-6.0
USD/JPY	127.9	0.0	11.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.4	0.03	0.9
10 Yrs AAA Corp	7.8	0.02	0.8
Flows (USD b)	**23-May**	**MTD**	**CY21**
FIIs	-0.25	-4.18	-21.27
DIIs	-0.25	4.18	19.08
Volumes (INRb)	**23-May**	**MTD***	**YTD***
Cash	587	581	675
F&O	69,185	1,06,332	98,781

Note: *Average

Today's top research idea

Divi's Laboratories: Ends FY22 on a strong note

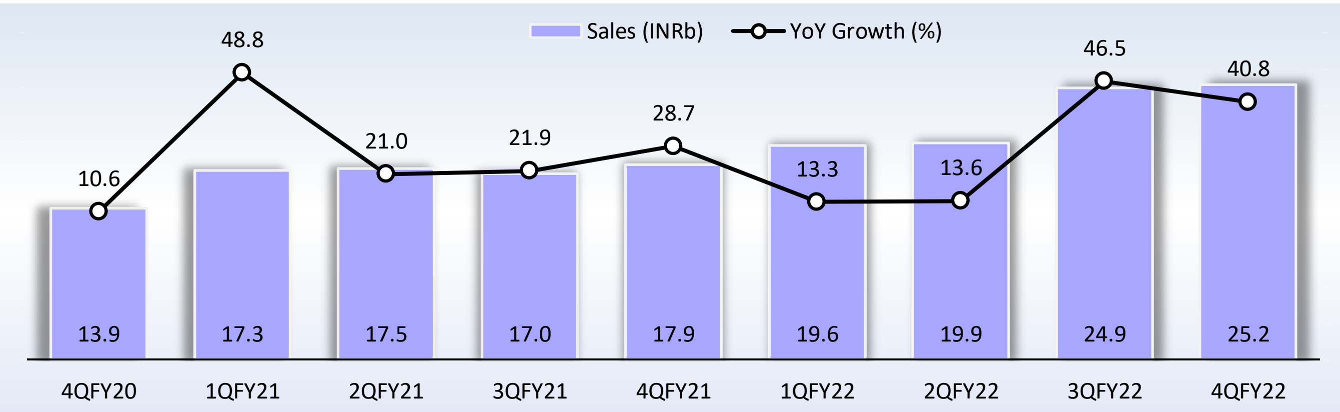
- DIVI delivered a better-than-expected 4QFY22, with the highest ever quarterly sales and EBITDA. The performance was largely led by strong traction in the Custom Synthesis (CS) segment.
- We lower our FY23/FY24 EPS estimate by 11%/14%, factoring in: a) reduced sales of COVID-related products, considering the low number of cases globally, b) a gradual uptick in growth in the Generics segment, and c) delay in implementation of Kakinada capex. We value DIVI at 33x 12-month forward earnings to arrive at our TP of INR4,480.
- DIVI continues to: 1) work on contract research and manufacturing services (CRAMs) projects, 2) develop its Generics API pipeline, and 3) subsequently build capacity to meet sustainable as well as situational opportunities. We maintain our **Buy** rating.

Research covered

Cos/Sector	Key Highlights
Divi's Laboratories	Ends FY22 on a strong note
SAIL	Result beats our estimate driven by lower RM costs
Indian Hotel	New businesses to drive margin expansion
J K Cements	Demand weakness and cost pressures loom
The Ramco Cement	Challenges not over yet but capex completion should help
Indigo Paints	Margin surprises positively, outlook on volume improving
Kaveri Seed Co.	Performance better than our expectation
Other Notes	Repco Home Fin | Digital Payment tracker | Metals Weekly

Chart of the Day: Divi's Laboratories (Ends FY22 on a strong note)

Revenue up 41% YoY in 4QFY22



Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Govt likely to stick to fiscal deficit target, says RBI Governor Das

The Indian government is likely to stick to its fiscal deficit target as specified in the budget and there may not necessarily be a need for increasing government borrowing just yet, governor Shaktikanta Das told CNBC-TV18 in an interview on Monday. Experts said the moves will likely increase fiscal…

2

Steel prices likely to fall by up to 15% in domestic market: EEPC

Steel product prices -- which were continuously rising in the domestic market -- are expected to fall by 10-15 per cent due to duty-related measures taken by the government, industry body Engineering Export Promotion Council (EEPC) on Monday said. Reacting to the government's move to levy export duty on some steel items, EEPC India Chairman Mahesh Desai said engineering goods manufacturers and exporters would benefit from the move and become more competitive in the global markets…

3

ArcelorMittal Nippon Steel India CEO says duty hike to hit about 90,000 tonnes of exports per month

ArcelorMittal Nippon Steel India Ltd expects about 90,000 tonnes of steel exports every month to be hit by government's duty increase, alongside a dampening effect on fresh investments, Dilip Oommen, chief executive officer, said on Monday…

4

Recent duty cuts to be positive for Maruti Suzuki, says Shashank Srivastava

Fuel price cut is a positive for Maruti NSE 4.10 % as it will bring down the running cost of vehicles and benefit especially those who are at the lower end of the spectrum, Shashank Srivastava of Maruti Suzuki told ET NOW in an interview. He added that the measures announced to lower the steel prices in the domestic…

5

Vodafone Idea to soon get Rs 20,000 crore in fresh funding, says CEO

Telecom operator Vodafone Idea is planning to raise Rs 20,000 crore, including Rs 10,000 crore in equity and remaining as fresh loans from banks, in fresh funding, CEO Ravinder Takkar told a newspaper. India's third-largest telecom operator Vi is 'closer than ever' in raising fresh funds, Takkar told The Hindu Business Line…

6

IHCL looks to build portfolio of 300hotels, scale up new business

The Indian Hotels Company (IHCL) is eyeing to build a portfolio of 300 hotels and strengthen and scale up new businesses, including Qmin, 7Rivers, ama Stays & Trails, under its Ahvaan 2025. We have signed over 100 hotels and opened over 40 hotels…

7

ONGC becomes 1st gas producer to trade on IGX; firm to expand volume slowly

State-owned Oil and Natural Gas Corporation (ONGC) on Monday said it has become the first gas producer to trade domestic gas on the Indian Gas Exchange, trading unspecified volumes from its eastern offshore KG-DWN-98/2 block. "ONGC has become the first exploration…

Divi's Laboratories

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	DIVI IN
Equity Shares (m)	265
M.Cap.(INRb)/(USDb)	1034.7 / 13.3
52-Week Range (INR)	5425 / 3790
1, 6, 12 Rel. Per (%)	-8/-11/-12
12M Avg Val (INR M)	2516

Financials & Valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	89.6	97.5	111.3
EBITDA	38.8	40.5	46.8
Adj. PAT	29.3	30.4	35.2
EBIT Margin (%)	39.8	38.1	38.8
Cons. Adj. EPS (INR)	110.4	114.5	132.4
EPS Gr. (%)	46.1	3.7	15.7
BV/Sh. (INR)	441.8	522.2	613.6
Ratios			
Net D:E	-0.2	-0.3	-0.3
RoE (%)	27.9	23.7	23.3
RoCE (%)	27.9	23.8	23.3
Payout (%)	32.3	29.8	31.0
Valuations			
P/E (x)	35.3	34.0	29.4
EV/EBITDA (x)	25.9	24.5	21.0
Div. Yield (%)	0.8	0.7	0.9
FCF Yield (%)	1.1	1.9	1.9
EV/Sales (x)	11.2	10.2	8.8

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	51.9	52.0	52.0
DII	18.3	17.7	16.7
FII	18.5	19.3	19.9
Others	11.3	11.0	11.5

FII Includes depository receipts

CMP: INR3,898 TP: INR4,480 (+15%) Buy

Ends FY22 on a strong note

Taking the effort to build its Generics pipeline | Increase in CRAMs opportunities

- DIVI delivered a better-than-expected 4QFY22, with the highest ever quarterly sales and EBITDA. The performance was largely led by strong traction in the Custom Synthesis (CS) segment.
- We lower our FY23/FY24 EPS estimate by 11%/14%, factoring in: a) reduced sales of COVID-related products, considering the low number of cases globally, b) a gradual uptick in growth in the Generics segment, and c) delay in implementation of Kakinada capex. We value DIVI at 33x 12-month forward earnings to arrive at our TP of INR4,480.
- DIVI continues to: 1) work on contract research and manufacturing services (CRAMs) projects, 2) develop its Generics API pipeline, and 3) subsequently build capacity to meet sustainable as well as situational opportunities. We maintain our Buy rating.

CS drives 4QFY22 earnings; moderate growth in the Generics segment

- Revenue grew 40.8% YoY to INR25.2b (est. INR23.9b) in 4QFY22.
- Gross margin contracts 80bp YoY to 66.7% due to changes in the product mix.
- However, EBITDA margin expanded by 380bp YoY to 43.9% (est. 41.9%) due to lower other expenses/employee costs (-280bp/-180bp) as a percentage of sales.
- EBITDA rose 54% YoY to INR11b (est. INR10b) in 4QFY22.
- Adjusted for INR312m in forex gains, PAT grew at a higher rate (68.5% YoY) to INR8.4b (est. INR7.5b), due to a lower tax rate in 4QFY22.
- Revenue/EBITDA/PAT grew 29%/34%/46% to INR89.6b/INR38.8b/INR29.3b in FY22.

Highlights from the management commentary

- The management expects 5-10% to be the steady state YoY growth in sales on an annual basis. Considering the sharp (+28%) YoY growth in FY22, growth prospects for DIVI in FY23 appear limited.
- With respect to starting capex at the Kakinada site, DIVI is awaiting government clearance. It has over 100 acres at Unit 1/2, which can meet its capex needs over the next two-to-three years.
- The Generics-to-Custom Synthesis ratio stood at 41:59 in 4QFY22.
- Nutraceuticals sales remained flat YoY and QoQ at INR1.6b in 4QFY22.
- The management said profitability will sustain going forward.
- In constant currency terms, revenue growth in 4Q stood at 39% v/s 34% in FY22.
- Contrast Media is a high entry barrier segment, with iodine recovery being one of the most important outcomes with its price moving to USD70/kg from USD25/kg. There are a few key players in the market.

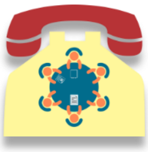
Quarterly performance (INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**17,305**	**17,493**	**17,014**	**17,882**	**19,606**	**19,875**	**24,932**	**25,184**	**69,694**	**89,598**	**23,889**	**5.4**
YoY Change (%)	48.8	21.0	21.9	28.7	13.3	13.6	46.5	40.8	29.2	28.6	33.6	
Total Expenditure	10,304	9,926	9,762	10,719	11,086	11,623	13,930	14,140	40,711	50,779	13,871	
EBITDA	**7,001**	**7,568**	**7,252**	**7,163**	**8,521**	**8,252**	**11,003**	**11,044**	**28,983**	**38,819**	**10,018**	**10.2**
YoY Change (%)	78.0	48.2	46.8	61.2	21.7	9.0	51.7	54.2	57.3	33.9	39.9	
Margin (%)	40.5	43.3	42.6	40.1	43.5	41.5	44.1	43.9	41.6	43.3	41.9	
Depreciation	562	611	682	701	733	774	799	810	2,556	3,115	823	
EBIT	**6,439**	**6,956**	**6,570**	**6,462**	**7,788**	**7,478**	**10,204**	**10,234**	**26,427**	**35,704**	**9,195**	**11.3**
YoY Change (%)	84.3	49.7	46.9	63.7	21.0	7.5	55.3	58.4	59.6	35.1	42.3	
Interest	2	2	3	2	3	2	2	1	9	8	2	
Other Income	125	136	168	196	163	191	166	212	626	733	362	
PBT before EO Income	**6,562**	**7,091**	**6,736**	**6,656**	**7,948**	**7,667**	**10,368**	**10,446**	**27,044**	**36,429**	**9,555**	
Forex gain/(Loss)	48	-156	-315	39	196	-71	-31	312	-384	406	0	
PBT	**6,610**	**6,935**	**6,421**	**6,695**	**8,145**	**7,596**	**10,337**	**10,757**	**26,660**	**36,835**	**9,556**	**12.6**
Tax	1,689	1,739	1,715	1,675	2,574	1,532	1,314	1,811	6,818	7,231	2,064	
Rate (%)	25.6	25.1	26.7	25.0	31.6	20.2	12.7	16.8	25.6	19.6	21.6	
PAT	**4,921**	**5,196**	**4,706**	**5,020**	**5,571**	**6,065**	**9,022**	**8,946**	**19,843**	**29,605**	**7,492**	**19.4**
Adj. PAT	**4,819**	**5,314**	**4,937**	**4,992**	**6,391**	**6,165**	**8,336**	**8,413**	**20,062**	**29,303**	**7,482**	**12.4**
YoY Change (%)	74.0	46.9	42.7	58.7	32.6	16.0	68.8	68.5	54.4	46.1	49.9	
Margin (%)	28.4	29.7	27.7	28.1	28.4	30.5	36.2	35.5	28.5	33.0	31.4	

SAIL

BSE SENSEX	S&P CNX
54,289	16,464

Conference Call Details



Date: 24th May 2022
Time: 11:00 am IST
Registration: Diamond Pass

CMP: INR74 **Under Review**

Result beats our estimate driven by lower RM costs

- SAIL reported in-line revenue for 4QFY22 at INR308b (up 32% YoY and 22% QoQ) driven by an improved mix of both higher ASP and sales volume.
- Sales volume for the quarter was 4.71mt (up 8% YoY and 23% QoQ), in line with our estimates.
- ASP for the quarter at INR65,304 (up 22% YoY, down 1% QoQ) was also in line with our estimate.
- Reported EBITDA at INR43b was down 30% YoY but up 27% QoQ. The EBITDA was lower on a YoY basis as coking coal prices have risen 3x on comparable basis, impacting profitability adversely.
- Adjusted EBITDA at INR48b was down 24% YoY but up 26% QoQ due to higher volumes at nearly flattish ASP. Adjusted EBITDA/t at INR 10,122 (down 29% YoY, but up 3% QoQ) was significantly higher than our estimate as the company did not consume the highest-cost coking coal in 4QFY22, which will now be consumed in 1QFY23. This contributed to the EBITDA beat on our estimate. The entire EBITDA beat was explained in the lower-than-expected RM cost.
- SAIL's financial performance is extremely sensitive to coking coal costs due to higher percentage of coal cost in its RM mix, compared to its peers. We expect 1QFY23 results to be adversely impacted by higher cost of coking coal.
- Adj. PAT at INR24b (down 32% YoY but up 41% QoQ) was higher than our estimate driven by EBITDA beat.
- For FY22, revenue/EBITDA/Adj PAT stood at INR1,035b / INR213b / INR123b, up 50%/68%/140% YoY, respectively, largely driven by higher ASP.

Valuation and view

- SAIL reduced its net debt (excluding leases) to INR134b in 4QFY22 from INR191b in 3QFY22 as the company continued with its objective of achieving net debt-free balance sheet. However, with falling steel prices and elevated coking coal prices, we believe the net debt will now start rising.
- The recent imposition of 50% export duty on iron ore exports and 45% export duty on pellets will dissuade any further exports of iron ore or pellets and will increase the supply in the domestic market. As a result, we believe SAIL may not fetch significant revenue from the sale of iron ore in the near term.
- In addition, imposition of 15% export duty on steel will also have a similar impact and we expect domestic prices of steel to correct sharply in the near term, thus adversely impacting SAIL's profitability.
- We currently have an **UNDER REVIEW rating on the sector** as we wait for further clarity from the management on steps taken to protect its margins in light of the recent regulatory changes. We will review our FY23/24 estimates post the earnings call.

Results summary

Y/E March	FY21				FY22				FY21	FY22	FY22	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales (m tons)	2.2	4.2	4.1	4.4	3.3	4.3	3.8	4.7	14.9	16.2	4.8	-1
Change (YoY %)	-31.1	33.6	1.4	16.2	48.7	1.8	-7.4	8.3	5.0	8.1	9.3	
Realization (INR per ton)	40,534	40,237	47,813	53,531	62,045	62,680	65,745	65,304	46,255	64,042	66,933	-2
Change (YoY %)	-11.1	-10.3	18.2	23.9	53.1	55.8	37.5	22.0	6.8	38.5	25.0	
Net Sales	**90.7**	**169.2**	**198.3**	**232.9**	**206.4**	**268.3**	**252.5**	**307.6**	**691.1**	**1,034.7**	**318.1**	-3
Change (YoY %)	-38.8	19.8	19.9	44.0	127.7	58.5	27.3	32.1	12.1	49.7	36.6	
Change (QoQ %)	-43.9	86.6	17.2	17.4	-11.4	30.0	-5.9	21.8			26.0	
NSR to RM Spread (INR/t)	22,562	19,483	29,694	37,119	45,342	41,261	36,531	30,167	27,913	37,743	26,095	
EBITDA	**-4.0**	**19.0**	**50.8**	**61.5**	**65.6**	**70.2**	**34.1**	**43.3**	**127.3**	**213.2**	**17.6**	146
Change (YoY %)	NA	63.9	409.0	214.9	NA	269.2	-32.8	-29.6	123.6	67.5	-71.4	
Change (QoQ %)	NA	NA	167.2	21.2	6.7	6.9	-51.4	27.0			-48.5	
EBITDA per ton (INR)	-1,801	4,518	12,241	14,145	19,728	16,395	8,881	9,196	8,519	13,197	3,697	149
EBITDA /t (USD)	-24	61	165	194	267	221	118	122	115	177	50	
Interest	8.9	7.2	6.7	5.4	5.0	4.3	3.2	4.4	28.2	16.9	2.9	
Depreciation	9.7	9.9	9.8	11.6	10.3	10.6	10.5	11.4	41.0	42.7	10.5	
Other Income	2.8	2.0	2.2	3.2	1.1	2.3	2.5	4.5	10.1	10.4	2.2	
PBT (before EO Inc.)	**-19.8**	**3.9**	**36.4**	**47.7**	**51.4**	**57.6**	**22.9**	**32.0**	**68.2**	**164.0**	**6.4**	401
EO Income (exp)	0.0	2.2	0.0	-1.7	0.0	0.0	-3.6	0.1	0.6	-3.5	0.0	
PBT (after EO Inc.)	**-19.8**	**6.1**	**36.4**	**46.1**	**51.4**	**57.6**	**19.3**	**32.1**	**68.8**	**160.5**	**6.4**	403
Total Tax	-7.1	2.2	23.6	11.6	12.9	14.5	4.9	7.9	30.3	40.2	1.6	
% Tax	36.0	35.6	64.8	25.3	25.2	25.1	25.3	24.7	44.0	25.1	25.3	
Reported PAT	**-12.7**	**3.9**	**12.8**	**34.4**	**38.5**	**43.1**	**14.4**	**24.2**	**38.5**	**120.3**	**4.8**	407
Adjusted PAT	**-12.7**	**2.5**	**25.7**	**35.7**	**38.5**	**43.1**	**17.2**	**24.1**	**51.2**	**122.9**	**4.8**	405
Change (YoY %)	NA	NA	NA	1,124.9	NA	1,625.4	-33.3	-32.4	NA	140.0	-86.6	
Change (QoQ %)	NA	NA	928.8	38.7	7.9	12.0	-60.2	40.5	0.0	0.0	-72.2	

Source: Company, MOFSL

Indian Hotel

BSE SENSEX	S&P CNX
54,289	16,215

IHCL

Stock Info

Bloomberg	IH IN
Equity Shares (m)	1,420
M.Cap.(INRb)/(USDb)	328.5 / 4.2
52-Week Range (INR)	269 / 118
1, 6, 12 Rel. Per (%)	1/19/76
12M Avg Val (INR M)	1584
Free float (%)	61.8

Financials Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	30.6	49.0	55.3
EBITDA	4.0	13.1	17.0
Adj. PAT	-2.6	4.8	7.9
EBITDA Margin (%)	13.2	26.8	30.8
Cons. Adj. EPS (INR)	(1.8)	3.4	5.5
EPS Gr. (%)	(69.1)	285.4	63.6
BV/Sh. (INR)	49.7	52.5	57.4
Ratios			
Net D:E	(0.0)	(0.1)	(0.2)
RoE (%)	(4.8)	6.6	10.1
RoCE (%)	1.3	8.0	11.4
Payout (%)	(28.0)	17.7	10.8
Valuations			
P/E (x)	(126.5)	68.2	41.7
EV/EBITDA (x)	82.3	25.0	18.8
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.7	2.1	3.1

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	38.2	41.1	40.8
DII	28.6	25.3	29.2
FII	16.0	15.2	12.3
Others	17.1	18.5	17.8

FII Includes depository receipts

CMP: INR231 TP: INR278 (+20%) Buy

New businesses to drive margin expansion

Focus on Hotel expansion through management contracts

IH hosted its investors meet, laying out AHVAAN 2025, a roadmap till FY25-26, where the management:

- Articulated its strategy to sustain revenue growth (over 10%), expand margin (to 33%) by focusing on new businesses, pursue asset light growth (50:50 portfolio mix), sustain spend optimization, and strengthen its Balance Sheet (zero net debt).
- New businesses like Ginger, Qmin, amã, and the Chambers will generate incremental revenue, with higher EBITDA flow through, without deploying capital.
- IH is banking on its ability to control costs and overheads, optimize manpower, and improve the mix of the higher margin contributing businesses in order to drive margin growth by 4% to 5%.
- Increasing share of management contracts to 50% is accretive for RoCE. Around 74% of projects under its pipeline are management contracts.
- The industry is witnessing a strong revival, with an increase in ARR, RevPAR, and occupancy compared to pre-pandemic levels (pan India RevPAR in Apr'22 stood at 133% of Apr'19 levels). New consumer trends observed after the lifting of COVID-related restrictions are positive for the Hotel industry.

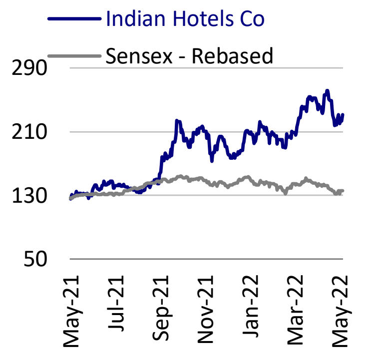
AHVAAN 2025: Key strategies and growth drivers

- IH is aiming at double-digit (over 10%) revenue growth over the next few years, with the key drivers being: a) strong like-for-like revenue growth; b) launch of new innovative offerings in F&B; c) growth from new businesses; and d) a strong Hotel pipeline.
- The management aims to expand its EBIDTA margin by 900bp to 33% by FY25-26 (vs. 24% in FY20). Of that, 35% margin will accrue from new businesses (new brands and management fees).
- IH targets a balanced portfolio, with a 50:50 Hotel mix between owned/leased and managed hotels. It plans to take its total hotel count to over 300, comprising of Taj (100), Vivanta (75), and Ginger (125). In FY23, it is expected to open 18-20 Hotels.
- Under amã Stays & Trails, it has already signed 90 homestays and is planning to take the total to over 500 by FY25-26.
- IH is targeting free cash flow accruals of 5-10%, considering EBIDTA at 30-35% and a capex of 10% (as a percentage of revenue).
- The company aspires to achieve sustainable zero net debt levels by FY25-26.

New businesses to act as a growth catalyst

- The management is increasing its focus on scaling up its high margin new business segment, which comprises Ginger, Qmin, Chambers, and amã.

Stock performance (one-year)



- Under '**amã Stays & Trails'**, it aims to increase the number of homestays to over 500 by FY25-26, with a focus on signing homestays in the vicinity of its existing Hotels.
- It is also innovating in its F&B segment, with new concepts and offerings such as: a) scaling up the Seven Rivers brand; b) launching of authentic Indian concept Restaurants at Taj Lands End, Taj Mahal Palace, and Taj West End; c) launching Restaurants under the Paper Moons brand; d) expanding the Soulinaire brand to deliver food from its portfolio of Taj Hotels. All the aforementioned launches are expected over the next 90-120 days.
- **Ginger:** Construction of its flagship Ginger Santacruz Hotel has reached the 5th floor (total estimated capex at INR2b). Once completed, the hotel is expected to contribute INR1b in revenue annually. IH will commence construction of a Ginger property in Kevadia, Gujarat (near the Statue of Unity) in six months. On completion, it will monetize the asset and lease it back. The management is estimating the quantum of growth from Ginger Hotels to be higher than Taj Hotels going forward.
- **Qmin:** IH continues to expand the brand, which currently stretches beyond 20 cities. The management aims to expand to over 25 cities in the future. It plans to diversify into Cloud kitchens to reduce its dependence on the Hotel portfolio.
- **The Chambers** — Taj's exclusive business club — was re-launched with enhanced features. It has over 2,200 members currently. The management intends to increase the same to over 3,000 by FY25-26. It has the potential to become an INR1.5b business by FY25-26 (INR850m in FY22). The Chambers is a higher margin business, with a 75% flow through.
- The company has a market share of over 50% in India for Taj Stats.
- All of the above measures have one thing in common – incremental revenue with a higher EBITDA flow through, which can be generated without deploying capital.

Productivity to improve; cost optimization to sustain

- Focus on optimal staffing: IH has moved to a new cost structure, and expects to retain lower and efficient levels of staff to room proportion, even with operations back at normalized levels. The staff-to-room ratio for Taj stood at 1.7 in Mar'22 v/s 1.62/2.17 in Apr'21/Apr'20. The same for Ginger stood at 0.38 in Mar'22 v/s 0.39/0.4 in Apr'21/Apr'20.
- It has managed to reduce overheads by 28% to INR2.5b in FY22 from FY20 levels, through redeployment and restructuring and prudent allocation of resources. Overall fixed cost/month fell 18% to INR15.9b. IH aims to drive down overheads, as a percentage of sales, to 5% in CY25 from 8% in FY19-20 through its AHVAAN 2025project.
- The changing shape of the P&L: IH's focus has been on increasing its new brand and management fee business to 25% from 10% of revenue, and EBITDA contribution to 35% from 22% by FY25-26.
- It aims to simplify its holding structure through consolidation of legal entities. Ginger is now a wholly-owned subsidiary. It also aims to consolidate its shareholding in St. James Court, UK.

- Other cost optimization initiatives include: a) The separate head office for Ginger has been surrendered, and the head office of Taj and Vivanta will look after its operations. Also, the same Area Director will look at Ginger, along with other brands. b) Ongoing improvement in profitability of its international operations.
- IH is banking on its ability to control costs and overheads, optimize manpower, and improve the mix of higher margin contributing businesses to drive margin growth by 4% to 5%.

Robust expansion pipeline, focus on an asset-light model

- The share of IH's management contract rooms has improved to 46% of its overall room portfolio (including those in the pipeline) from 32% in FY18. The management aims to expand this ratio to 50% going forward.
- IH has a pipeline of 60 Hotels (over 7,500 rooms), with a well-diversified mix between Taj (32%), SeleQtions (9%), Vivanta (19%), and Ginger (40%) brands.
- Under this robust Hotel pipeline, the share of management contracts is 74%. The balance Hotels are owned, with 92% of owned Hotels belonging to the Ginger brand.
- Through a focus on the asset-light model, the management aims to attain revenue of over INR4b v/s current levels of INR2.3b in FY22. Its continuous focus is on management contracts, which typically have a 70% EBIDTA flow through.
- Sea Rock Hotel: Apart from the strong pipeline of management contracts, IH is also working with the government to create a landmark hotel destination in Mumbai. The management has no plans to make further investments in this property and plans to bring in a development partner at an appropriate time. It expects Sea Rock to contribute to INR10b in future revenue, with a combined room inventory of 1,200 rooms between Taj Lands End (493 rooms as of FY22) and Sea Rock.
- It will continue to re-invest in its premier properties, such as St. James Court, UK; Taj Lands End; and Taj Mahal, New Delhi, to retain its iconic positioning.

Demand-supply dynamics

- The industry has seen a recovery, led by domestic travel and a strong pent-up demand, which is likely to propel growth further. The industry is observing multiple drivers such as: 1) increasing priority on quality of stay, 2) focus on branded players, 3) blending of business and leisure travel – BLeisure, 4) lesser number of trips, but longer stays, 5) increased demand for staycations, and 6) a willingness to pay a premium for new and unique experiences.
- The management expects demand for Hotel rooms to clock 6.5% CAGR over FY20-26 as against a supply CAGR of 5.1%. IH is witnessing increasing occupancies, leading to higher demand v/s supply CAGR. This is driving ARR higher.
- The Hotel industry is expected to return to pre-COVID levels in terms of occupancies and average room rate by mid-CY23. Hotels continue to act as a hedge against inflation globally.

- The industry faces various threats such as persistence of high inflation, a continuation of current geopolitical tensions, potential consolidation among competition, technological disruptions, and evolving business models.

Valuation and view

- The management laid out its growth roadmap under the AHVAAN 2025 program, which focuses on sustaining its double-digit revenue growth, expanding margin (to 33%) by focusing on new businesses (margin accretive), pursuing asset light growth (50:50 portfolio mix), sustaining spend optimization, and strengthening its Balance Sheet (zero net debt).
- Its asset-light model as well as new and reimagined revenue-generating avenues, with higher EBITDA margin, bodes well for an expansion in RoCE.
- Like FY22, we expect a strong recovery in FY23 and FY24, led by: a) an improvement in ARR once economic activity normalizes; b) improved occupancies, led by business travelers as well as the Leisure segment; c) cost rationalization efforts; d) an increase in F&B income as banqueting/conferences resume; and e) higher income from management contracts.
- We maintain our FY23/FY24 EBITDA estimate on account of a demand recovery in Business Hotels. We maintain our Buy rating with a SoTP-based TP of INR278 per share.

Valuation methodology

Particulars	Methodology	Metrics	FY24	Multiple (x)	Value (INR m)	Value/ share (INR)
IH excluding JV/Associate						
EV	EV/EBITDA (x)	EBITDA	17,002	22	3,80,842	268
Less: Net debt					14,382	10
Less: Minority interest					-5,930	(4)
Sub-total					**3,89,294**	**274**
JV/Associate						
Taj GVK (IH's share - 25.5%) – JV	20% discount to m-cap	Attributable m-cap	2,774	0.8	2,220	1.6
Oriental Hotel (IH's share - 35.7%) – Associate	20% discount to m-cap	Attributable m-cap	4,198	0.8	3,359	2.4
Sub-total					**5,578**	**3.9**
Target price					**3,94,872**	**278**

Source: MOFSL

J K Cement

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	188.4 / 2.4
52-Week Range (INR)	3837 / 2135
1, 6, 12 Rel. Per (%)	-3/-22/-24
12M Avg Val (INR M)	375

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	79.9	89.8	99.3
EBITDA	14.8	14.3	18.9
Adj. PAT	6.8	6.0	8.0
EBITDA Margin (%)	18.6	15.9	19.0
Adj. EPS (INR)	87.9	77.7	103.4
EPS Gr. (%)	(3.4)	(11.7)	33.1
BV/Sh. (INR)	560	615	694
Ratios			
Net D:E	0.6	0.6	0.6
RoE (%)	17.0	13.2	15.8
RoCE (%)	11.2	8.9	11.0
Payout (%)	17.1	28.3	24.2
Valuations			
P/E (x)	27.7	31.4	23.6
P/BV (x)	4.4	4.0	3.5
EV/EBITDA(x)	13.7	13.6	11.5
EV/ton (USD)	155	147	133
Div. Yield (%)	0.6	0.9	1.0
FCF Yield (%)	(3.8)	(0.3)	2.9

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	45.8	51.5	57.7
DII	20.7	19.8	20.6
FII	16.5	17.7	16.9
Others	17.1	11.0	4.9

FII Includes depository receipts

CMP: INR2,439 TP: INR2,700 (+11%) Neutral

Demand weakness and cost pressures loom

In line performance; further impairs its UAE investment

- Operating profit stood at INR3.8b in 4QFY22 (est. INR4b). Adjusted profit (adjusted for impairment of INR1.3b to its investments in its UAE subsidiary) stood at INR1.9b (est. INR2b).
- We reduce our FY23E/FY24E consolidated EBITDA by 5%/1% and EPS by 8%/9% on higher energy costs and interest expense. Valuations at 13.6x/11.5x FY23E/FY24E EV/EBITDA (v/s an average one-year forward EV/EBITDA of 10.8x for the last seven years) appear rich, given the current phase of earnings volatility. We maintain our **Neutral** rating on JKCE.

Higher-than-expected cost increase offsets higher realization

- Standalone revenue/EBITDA/adjusted PAT stood at INR22.7b/INR3.8b/ INR1.9b (+11%/-13%/-21% YoY and +2%/-5%/-5% v/s our estimate). Total sales volume rose 1% YoY (flat for White Cement, but 1% higher for Gray Cement). Blended realization rose 9% YoY (2% higher than our estimate), led by a 12% increase in Gray Cement realization (down 1% YoY for White Cement).
- OPEX/t was up 16% YoY (3% higher than our estimate), led by a 30%/9% increase in variable/freight cost. Employee cost/t increased by 10% YoY. Higher OPEX led to a 13% YoY decline in EBITDA and 4.5pp YoY fall in OPM to 16.9%. EBITDA/t was down 14% YoY and 13% QoQ.
- Volumes/realization rose 17%/4% YoY in FY22, leading to a 21% growth in revenue. EBITDA was flat YoY at INR15b due to higher costs (up 10% YoY). EBITDA/t stood at INR1,108 v/s INR1,301 in FY21.
- Consolidated CFO stood at INR7.5b v/s INR15.9b in FY21 due to a rise in its working capital requirements. Capex stood at INR14.7b v/s INR8.2b, which led to FCF outflows of (INR7.2b) v/s INR8.2b in FY21.

Highlights from the management commentary

- There has been some recent weakness in demand, which has impacted the industry's ability to pass on the entire cost inflation. Cement prices in North India have risen by INR25-35/bag after Mar'22. However, there is not much of an increase in South India. Total price increase required to pass on the entire cost inflation was INR50-60/bag.
- Average energy cost/t is expected to increase by INR150/t in 1QFY23. At current coal/petcoke prices, cost inflation seems to be INR400-500/t. The entire impact will be felt in 2QFY23.

Valuations rich; maintain our Neutral rating

- JKCE is in the process of increasing its Gray Cement grinding capacity by 4mtpa in Central India by Mar'23 (current capacity: 14.5mtpa). Higher limestone reserves in Panna, Madhya Pradesh (518mt) can help it increase capacities by 8mtpa (assuming a 30-year plant life).
- We value its White/Gray Cement business at 13x/12.5x FY24E EV/EBITDA to arrive at a TP of INR2,700 per share (from INR2,950 earlier). We await a better entry point and maintain our **Neutral** rating on the stock.

Standalone quarterly performance **(INR m)**

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales Dispatches (mt)	1.77	2.81	3.17	3.89	3.03	3.33	3.32	3.93	11.64	13.61	3.91	0
YoY Change (%)	(23.5)	25.5	23.9	46.0	71.4	18.5	4.8	1.0	19.1	16.9	0.5	
Realization (INR/t)	5,464	5,517	5,556	5,270	5,398	5,510	5,842	5,770	5,437	5,641	5,677	2
YoY Change (%)	(5.0)	(1.5)	1.2	(4.8)	(1.2)	(0.1)	5.1	9.5	(2.7)	3.8	7.7	
QoQ Change (%)	(1.3)	1.0	0.7	(5.1)	2.4	2.1	6.0	(1.2)			(2.8)	
Net Sales	**9,650**	**15,507**	**17,601**	**20,525**	**16,337**	**18,355**	**19,404**	**22,690**	**63,283**	**76,786**	**22,221**	2
YoY Change (%)	(27.3)	23.6	25.3	38.9	69.3	18.4	10.2	10.5	15.8	21.3	8.3	
Total Expenditure	7,497	11,400	13,113	16,134	12,341	14,805	15,696	18,863	48,144	61,705	18,197	4
EBITDA	**2,153**	**4,107**	**4,488**	**4,391**	**3,996**	**3,550**	**3,708**	**3,827**	**15,139**	**15,081**	**4,024**	(5)
Margin (%)	22.3	26.5	25.5	21.4	24.5	19.3	19.1	16.9	23.9	19.6	18.1	(124)
Depreciation	580	597	622	649	657	687	719	757	2,447	2,820	764	(1)
Interest	572	537	593	529	560	591	653	689	2,232	2,493	669	3
Other Income	203	287	303	340	273	480	264	412	1,134	1,428	344	20
PBT before EO expense	**1,204**	**3,260**	**3,576**	**3,553**	**3,052**	**2,752**	**2,600**	**2,792**	**11,594**	**11,195**	**2,934**	(5)
Extra-Ord. expense	0	0	0	1,669	0	260	0	1,300	1,669	1,560	0	
PBT	**1,204**	**3,260**	**3,576**	**1,885**	**3,052**	**2,492**	**2,600**	**1,492**	**9,925**	**9,635**	**2,934**	(49)
Tax	427	1,025	1,194	1,251	969	803	926	630	3,897	3,329	957	
Rate (%)	35.5	31.4	33.4	66.4	31.8	32.2	35.6	42.2	39.3	34.5	32.6	
Reported PAT	**777**	**2,235**	**2,383**	**633**	**2,083**	**1,688**	**1,673**	**863**	**6,028**	**6,306**	**1,978**	(56)
Adj. PAT	**777**	**2,235**	**2,383**	**2,395**	**2,083**	**1,865**	**1,673**	**1,882**	**7,790**	**7,503**	**1,978**	(5)
YoY Change (%)	(49.5)	105.5	73.2	34.3	168.1	(16.6)	(29.8)	(21.4)	34.6	(3.7)	(21.6)	

Source: Company, MOFSL estimates

The Ramco Cements

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	TRCL IN
Equity Shares (m)	236
M.Cap.(INRb)/(USDb)	160.5 / 2.1
52-Week Range (INR)	1131 / 671
1, 6, 12 Rel. Per (%)	-11/-25/-39
12M Avg Val (INR M)	458

Financial Snapshot (INR b)

Y/E Mar	2022	2023E	2024E
Sales	59.8	67.3	73.3
EBITDA	12.8	11.6	16.6
Adj. PAT	6.2	3.9	7.3
EBITDA Margin (%)	21.5	17.2	22.6
Adj. EPS (INR)	26.4	16.4	31.1
EPS Gr. (%)	-18.1	-38.1	89.8
BV/Sh. (INR)	276	289	317
Ratios			
Net D:E	0.6	0.5	0.4
RoE (%)	10.3	5.8	10.2
RoCE (%)	10.6	5.0	8.1
Payout (%)	9.3	18.3	11.3
Valuations			
P/E (x)	25.7	41.5	21.9
P/BV (x)	2.5	2.3	2.1
EV/EBITDA(x)	13.0	16.5	11.5
EV/ton (USD)	111	121	116
Div. Yield (%)	0.5	0.4	0.5
FCF Yield (%)	-2.9	2.4	4.3

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	42.3	42.5	42.5
DII	36.0	35.7	26.6
FII	7.6	8.2	8.3
Others	14.0	13.7	22.6

FII Includes depository receipts

CMP: INR679 TP: INR785 (+16%) BUY

Challenges not over yet but capex completion should help

Operating performance in line; reduce estimates on higher costs

- The Ramco Cements (TRCL) reported in-line EBITDA of INR3b (v/s estimated INR3.1b) and OPM of 17.3% (v/s estimated 17.5%) in 4QFY22. Higher depreciation and interest expense led to a miss in profits (-10% v/s estimates).
- We reduce our FY23E/24E EBITDA by 6%/5% on higher energy costs, which leads to 13%/8% cut in our EPS estimates, respectively. Though near-term challenges persist for the industry, we forecast the company to benefit from its capex plans (38% increase in clinker capacity in last one year) and expect its debt to reduce going forward. We maintain our **BUY** rating on the stock.

OPM contracts sharply on higher energy costs and other expenses

- TRCL's revenue/EBITDA/adjusted PAT stood at INR17.1b/INR3b/ INR1.2b (+5%/-34%/-43% YoY and 3%/4%/10% below our estimate), respectively. Sales volume dipped 1% YoY (-4% v/s our estimate), but realization improved 5% YoY.
- Opex/t was up 20% YoY (+2% v/s estimates), led by a 35%/21% increase in variables/other expenses. Freight cost/t was up 2% YoY. Higher opex led to a 34% YoY decline in EBITDA and 10.3pp YoY contraction in OPM to 17.3%. EBITDA/t was down 34% YoY, but up 20% QoQ. Depreciation and interest expenses rose 12% YoY and 2x YoY, respectively.
- Volumes/realization rose 11%/2.5% YoY in FY22, leading to a 13.5% growth in revenue. Higher costs (up 13.2% YoY) led to 17% YoY drop in EBITDA to INR12.8b; while OPM at 21.5% declined 7.9pp YoY. Cement EBITDA/t was down 26% YoY to INR1,128.
- CFO stood at INR14.2b v/s INR17.3b in FY21 due to lower profits. Capex was at INR18.9b v/s INR17.4b. The company generated negative FCF of (INR4.7b) v/s (INR159m) in FY21.

Highlights from the management commentary

- Volumes were adversely impacted by: a) continued monsoons in the South region until Jan '22 and b) TRCL's efforts to reduce volumes in the East until 1st week of Feb'22 as cement prices there were low. Volumes revived in Feb/Mar '22 and current volume trends seem to be better (3mt+ volumes in 1QFY23E).
- Cement prices are holding up in the East (up INR20/bag v/s Mar'22 level). However, prices are volatile in a few markets of the South region and average price increase stands at INR10-15/bag v/s Mar '22 level. About INR40/bag of price hike is required to offset the cost inflation.

Capex cycle largely over; debt peaked out in FY22

- TRCL should gain market share in its operating markets led by capacity expansions. We expect 11% volume CAGR during FY22-24.
- Though earnings are likely to remain volatile in the near term, we believe debt has peaked out and expect Net debt/EBITDA to be at 1.9x in FY24 v/s 2.9x in FY22.
- The stock trades at 16.5x/11.5x FY23E/24E EV/EBITDA. We value TRCL at 13x FY24E (v/s 14x earlier) EV/EBITDA to arrive at our TP of INR785 (v/s INR905 earlier). **We maintain our BUY rating on the stock.**

Quarterly Performance (INR m)

Y/E March	FY21 1Q	FY21 2Q	FY21 3Q	FY21 4Q	FY22 1Q	FY22 2Q	FY22 3Q	FY22 4Q	FY21	FY22	FY22 4QE	Var. (%)
Sales Dispatches (m ton)	1.94	2.21	2.61	3.21	2.14	2.71	3.01	3.19	9.98	11.05	3.32	-4
YoY Change (%)	-28.2	-18.9	-8.1	9.5	10.4	22.6	15.0	-0.6	-10.9	10.7	3.3	
Realization (INR/ton)	5,284	5,558	5,090	5,072	5,648	5,386	5,138	5,346	5,224	5,359	5,283	1
YoY Change (%)	5.9	18.1	13.7	7.3	6.9	-3.1	0.9	5.4	10.7	2.6	4.2	
QoQ Change (%)	11.8	5.2	-8.4	-0.4	11.4	-4.6	-4.6	4.0			2.8	
Net Sales	**10,418**	**12,570**	**13,391**	**16,306**	**12,287**	**14,931**	**15,491**	**17,091**	**52,684**	**59,800**	**17,544**	-3
YoY Change (%)	-23.9	-4.3	5.1	17.3	17.9	18.8	15.7	4.8	-1.4	13.5	7.6	
EBITDA	**2,600**	**4,420**	**3,970**	**4,490**	**3,640**	**3,938**	**2,309**	**2,951**	**15,480**	**12,838**	**3,073**	-4
Margins (%)	25.0	35.2	29.6	27.5	29.6	26.4	14.9	17.3	29.4	21.5	17.5	
Depreciation	844	855	896	958	956	985	992	1,075	3,553	4,008	995	
Interest	299	265	160	152	243	294	253	334	876	1,124	279	
Other Income	101	83	64	99	60	79	68	99	346	306	73	
PBT before EO expense	**1,557**	**3,383**	**2,977**	**3,479**	**2,501**	**2,738**	**1,132**	**1,641**	**11,397**	**8,012**	**1,872**	-12
PBT	**1,557**	**3,383**	**2,977**	**3,479**	**2,501**	**2,738**	**1,132**	**1,641**	**11,397**	**8,012**	**1,872**	-12
Tax	461	1,026	964	1,336	811	-2,432	306	400	3,786	-915	468	
Rate (%)	29.6	30.3	32.4	38.4	32.4	21.4	27.1	24.4	33.2	-11.4	25.0	
Reported PAT	**1,096**	**2,358**	**2,014**	**2,144**	**1,690**	**5,171**	**826**	**1,241**	**7,611**	**8,927**	**1,404**	-12
Adj PAT	**1,096**	**2,358**	**2,014**	**2,144**	**1,690**	**2,152**	**826**	**1,232**	**7,611**	**5,899**	**1,367**	-10
YoY Change (%)	-42.9	40.2	112.4	46.6	54.2	-8.7	-59.0	-42.5	26.6	-22.5	-36.2	
Margins (%)	10.5	18.8	15.0	13.1	13.8	14.4	5.3	7.2	14.4	9.9	7.8	
Per ton analysis (incl. Windmills)												**(INR/t)**
Net realization	**5,370**	**5,688**	**5,123**	**5,080**	**5,739**	**5,510**	**5,152**	**5,354**	**5,281**	**5,413**	**5,290**	1
RM Cost	972	731	822	936	696	790	857	845	867	806	858	-1
Employee Expenses	502	498	382	295	490	404	351	295	403	375	332	-11
Power, Oil & Fuel	779	824	818	771	1,031	1,056	1,380	1,462	797	1,257	1,380	6
Freight and Handling Outward	1,040	978	1,007	1,074	1,073	1,108	1,111	1,097	1,028	1,099	1,119	-2
Other Expenses	737	656	575	605	748	698	684	730	634	713	675	8
Total Expenses	**4,030**	**3,688**	**3,604**	**3,681**	**4,039**	**4,056**	**4,384**	**4,430**	**3,729**	**4,251**	**4,364**	2
EBITDA	**1,340**	**2,000**	**1,519**	**1,399**	**1,700**	**1,453**	**768**	**925**	**1,552**	**1,162**	**927**	0
Cement EBITDA (excl. Windmills)	**1,283**	**1,895**	**1,508**	**1,417**	**1,636**	**1,350**	**774**	**932**	**1,520**	**1,128**	**943**	-1

Source: Company, MOFSL Estimates

Indigo Paints

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	80.7 / 1
52-Week Range (INR)	2736 / 1376
1, 6, 12 Rel. Per (%)	14/-18/-41
12M Avg Val (INR M)	104

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	9.1	11.4	14.3
Sales Gr. (%)	25.3	26.0	25.0
EBITDA	1.4	1.9	2.8
EBIT Margin (%)	15.0	17.1	19.9
Adj. PAT	0.8	1.3	1.9
Adj. EPS (INR)	17.7	27.3	40.2
EPS Gr. (%)	18.6	54.2	47.4
BV/Sh.(INR)	136.6	163.9	204.0
Ratios			
RoE (%)	13.9	18.1	21.8
RoCE (%)	13.6	17.8	21.5
Valuation			
P/E (x)	94.9	61.5	41.8
P/BV (x)	12.3	10.2	8.2
EV/EBITDA (x)	56.7	39.5	26.6

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	54.0	54.0	54.0
DII	3.6	2.6	3.2
FII	8.9	10.9	10.7
Others	33.5	32.5	32.2

FII Includes depository receipts

Our recent initiating coverage note

CMP: INR1,697 TP: INR2,010 (+18%) Buy

Margin surprises positively, outlook on volume improving

- INDIGOPN reported in line sales, but EBITDA margin surprised positively in 4QFY22.
- The sequential improvement in gross margin over the past two quarters is a trend that will continue going forward. While volume growth in 4QFY22 was affected by the advancement of purchases in Oct-Nov'21, ahead of the price increases in Dec'21, growth has resumed in Apr-May'22. In 1HFY23, INDIGOPN is likely to gain from a low base, especially in Kerala, which was the most affected by the second COVID wave in FY22. We maintain our **Buy** rating.

Sales in line; positive surprise on margin

- Consolidated net sales grew 13.4% YoY to INR2.9b (estimate INR3b).
- Gross margin contracted by 310bp YoY (+70bp QoQ) to 43.6%. This, along with lower employee costs as a percentage of sales (-40bp YoY) and lower other expenses (-440bp YoY) helped EBITDA margin expand by ~180bp YoY (+400bp QoQ) to 18.6% (est. 16.2%).
- EBITDA grew 25.2% YoY to INR538m (above our estimate of INR487m).
- PBT increased by 28% YoY to INR474m (above our estimate of INR418m).
- Adjusted PAT grew 39.1% YoY to INR346m (above our estimate of INR318m).
- A&P spends rose 14.3% YoY to INR881m in FY22.
- Sales/EBITDA/adjusted PAT grew 25.3%/11%/18.6% YoY in FY22.

Highlights from the management commentary

- The cost of emulsion and monomer rose in Mar'22, but has been steady in Apr-May'22. The outlook on the same remain stable over the next few months. However, its medium to longer term outlook is still unclear.
- INDIGOPN has taken minor price hikes during earlier this month (less than 0.5%) and another small hike will be taken next week (0.6-0.7%). The industry is opting for more calibrated price increases compared to the past.
- Gross margin is likely to improve sequentially over the next two quarters, just like it has improved sequentially in the past two quarters.
- The management has identified 750 towns in Tier I and II cities as potential towns, excluding those in metros. The company has expanded its dealer networks in these cities in recent years. However, output per dealer in these 750 cities is relatively lower. Its focus now will be on boosting its presence among influencers (painter community) and leveraging and scaling up its brand equity. The management expects good results from these initiatives over the next six months.

Valuation and view

- Revisions to our model have resulted in a 1%/7% increase in our FY23/FY24 EPS estimate.

- INDIGOPN has successfully surmounted the high entry barriers in the Indian Paints industry via a patient and multi-pronged strategy, which comprises: a) introduction of differentiated products, b) building a distribution network in the rural market, c) creating brand equity through high investments in advertising, d) rapidly driving penetration of tinting machines, and e) engaging with the influencer community (painters/contractors) to gain trust as indicated in our Dec'21 initiating coverage note.
- The outlook remains positive as the management continues to deliver on its above-mentioned strategy. We maintain our **Buy** rating with TP of INR2,010 per share (50x Mar'24E EPS).

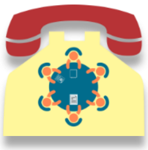
Consolidated quarterly performance (INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**1,046**	**1,548**	**2,096**	**2,543**	**1,560**	**1,961**	**2,655**	**2,884**	**7,233**	**9,060**	**3,010**	**-4.2%**
Change (%)	-27.3	20.4	22.2	40.8	49.2	26.7	26.6	13.4	15.8	25.3	18.4	
Gross Profit	**465**	**777**	**1,040**	**1,186**	**710**	**818**	**1,138**	**1,258**	**3,468**	**3,925**	**1,357**	**-7.3%**
Gross Margin (%)	44.5	50.2	49.6	46.7	45.5	41.7	42.9	43.6	47.9	43.3	45.1	
EBITDA	**190**	**291**	**315**	**429**	**202**	**234**	**387**	**538**	**1,225**	**1,360**	**487**	**10.4%**
Margin (%)	18.2	18.8	15.0	16.9	12.9	11.9	14.6	18.6	16.9	15.0	16.2	
Change (%)	-	-	-	-7.9	6.1	-19.6	22.8	25.2	34.7	11.0	13.4	
Interest	14	11	9	4	3	3	3	5	38	13	6	
Depreciation	56	57	62	70	74	77	79	83	244	313	86	
Other Income	2	6	12	16	30	30	23	25	36	109	22	
PBT	**122**	**230**	**256**	**371**	**156**	**185**	**328**	**474**	**979**	**1,143**	**418**	**13.5%**
Tax	38	42	68	122	40	49	85	128	271	302	100	
Effective Tax Rate (%)	31.2	18.3	26.6	33.0	25.5	26.6	26.0	27.1	27.6	26.5	23.8	
Adjusted PAT	**84**	**188**	**188**	**249**	**116**	**135**	**243**	**346**	**709**	**840**	**318**	**8.7%**
Change (%)	-	-	-	-8.9	38.2	-28.0	29.4	39.1	48.2	18.6	27.9	

Kaveri Seed

BSE SENSEX	S&P CNX
54,289	16,215

Conference Call Details



Date: 24th May 2022
Time: 11:00am IST
Dial-in details:
+91 22 6280 1573

CMP: INR571 **Buy**

Performance better than our expectation

- Consolidated revenue grew 4% YoY to INR666m (est. INR677m) in 4QFY22.
- Operating loss stood at INR109m (v/s our operating loss estimate of INR181m) as compared to an operating loss of INR158m in 4QFY21. Gross margin expanded by 110bp YoY to 55.3%.
- Net loss stood at INR118m (v/s our net loss estimate of INR175m) as against a net loss of INR174m in 4QFY21.
- Revenue/EBITDA/PAT fell 6%/32%/32% YoY to INR9.7b/INR2b/INR2.1b in FY22.
- CFO stood at INR1.1b v/s INR2.5b in 4QFY21. Net cash came in at INR5b v/s INR5.7b in 4QFY21.
- KSCL witnessed significant revenue and volume growth from the Hybrid and Vegetable segments. Selection rice saw better volume growth in FY22.

Quarterly – Consolidated **(INR Million)**

Y/E March	FY21				FY22				FY21	FY22	FY22	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Net Sales	**7,195**	**1,340**	**1,185**	**643**	**6,298**	**1,476**	**1,261**	**666**	**10,363**	**9,700**	**677**	**-2**
YoY Change (%)	14.6	13.9	-2.8	1.8	-12.5	10.1	6.3	3.6	11.4	-6.4	5.4	
Total Expenditure	4,325	1,174	1,083	801	4,302	1,412	1,187	775	7,383	7,674	858	
EBITDA	**2,869**	**167**	**102**	**-158**	**1,996**	**64**	**74**	**-109**	**2,980**	**2,025**	**-181**	**NA**
Margins (%)	39.9	12.4	8.6	-24.6	31.7	4.3	5.9	-16.4	28.8	20.9	-26.7	
Depreciation	55	56	56	56	48	50	55	57	222	209	56	
Interest	1	2	0	2	0	0	0	0	5	1	0	
Other Income	235	105	75	42	151	151	68	43	457	413	47	
PBT before EO expense	**3,049**	**214**	**121**	**-174**	**2,099**	**165**	**87**	**-123**	**3,210**	**2,228**	**-191**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**3,049**	**214**	**121**	**-174**	**2,099**	**165**	**87**	**-123**	**3,210**	**2,228**	**-191**	
Tax	84	-20	30	4	52	37	16	-5	98	100	-11	
Rate (%)	2.8	-9.4	24.4	-2.4	2.5	22.3	18.7	4.1	3.1	4.5	6	
Minority Interest & P & L of Asso. Cos.	-11	1	0	4	-10	0	6	1	-7	-3	4	
Reported PAT	**2,953**	**235**	**91**	**-174**	**2,037**	**128**	**76**	**-118**	**3,105**	**2,125**	**-175**	
Adj PAT	**2,953**	**235**	**91**	**-174**	**2,037**	**128**	**76**	**-118**	**3,105**	**2,125**	**-175**	**NA**
YoY Change (%)	28.6	72.1	10.4	NA	-31	-45.3	-16.1	NA	19.9	-31.6	1	
Margins (%)	41	17.5	7.7	-27	32.4	8.7	6.1	-17.7	30	21.9	-25.9	

Repco Home Finance

Conference Call Details

Date: 25th May 2022

Time: 15:30 HRS IST

Dial-in details:

+91 22 6280 1315

Link

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	5.9	5.8	6.2
PPP	4.9	4.9	5.4
PAT	1.9	3.2	3.6
EPS (INR)	30.6	50.7	57.3
EPS Gr. (%)	-33	66	13
BV/Sh. (INR)	357	405	459
Ratios			
NIM (%)	5.1	4.9	4.9
C/I ratio (%)	20.1	22.1	21.6
RoAA (%)	1.6	2.6	2.7
RoE (%)	8.9	13.3	13.3
Payout (%)	6.0	6.0	6.0
Valuation			
P/E (x)	5.1	3.1	2.7
P/BV (x)	0.4	0.4	0.3
P/ABV (x)	0.5	0.4	0.4
Div. Yield (%)	1.2	1.9	2.2

CMP: INR157 **Buy**

Loan growth muted; elevated credit costs lead to big earnings miss

- REPCO reported a 4QFY22 PAT of INR420m (24% miss), down ~34% YoY and QoQ each led by credit costs of ~210bp (annualized). FY22 PAT dropped 33% YoY to INR1.92b.
- GNPA (including the impact of the RBI circular) remained sequentially stable at 7% and the company increased the PCR by ~180bp QoQ to ~32%. ECL/EAD also rose 40bp QoQ to 3.9%.
- Performance in 4QFY22 was characterized by: a) NIM improving 10bp QoQ to 5.1%, and b) ~35% QoQ growth in disbursements that led to an AUM, which was largely flat QoQ and down 3% YoY. Disbursements for FY22 declined 4% YoY to INR17.6b (v/s INR18.4b in FY21).

Loan growth remained muted led by elevated run-off in the loan book

- Loan book continued to consolidate, with reported AUM of ~INR117.6b, largely flat QoQ and down 3% YoY. Run-off in the loan book continued to remain elevated at 21% (annualized), suggesting that REPCO has not been able to stem balance transfers as yet.
- Customer mix between salaried and self-employed and product mix between home loans and LAP remained stable on a sequential basis.
- Disbursements in 4QFY22 rose 35% QoQ to INR6b while the same dipped 4% YoY in FY22.

NIM and spreads are stable sequentially

- Reported spreads in 4QFY22 remained stable QoQ/ YoY at 3.8%. Decline in yields was mitigated by improvement in cost of borrowings.
- Reported NIM in 4QFY22 improved ~10bp QoQ and 30bp YoY to 5.1%.

No improvement in asset quality; credit costs elevated

- GS3 was flat sequentially at 7% while NS3 improved ~10bp QoQ to 4.95%.
- ECL/EAD increased ~50bp QoQ to ~4%. Credit costs in 4QFY22 stood at ~210bp (annualized).

Other details

- Two branches were added in 4QFY22 and other expenses rose 4% QoQ.
- CRAR remained healthy at 33.6% and was over-capitalized in the absence of any growth in the loan book.

Valuation and view

- While REPCO has reported stable asset quality, it will be interesting to understand from the management the kind of improvement that it foresees in asset quality and its expectations on credit costs in FY23.
- While the spreads/margins have been healthy, loan book growth continues to remain muted due to tepid disbursements and elevated levels of balance transfers. REPCO trades at 0.35x FY24E P/BV. We look forward to the management's commentary on the demand environment and how it plans to ramp up its disbursements. We will look to review our estimates post the analyst call on 25th May'22.

Quarterly performance (INR M)

Y/E March	FY21				FY22				FY21	FY22	4QFY22E	Act v/s est(%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	3,384	3,486	3,568	3,297	3,205	3,304	3,211	3,084	13,518	12,804	3,171	-3
Interest Expenses	2,104	2,090	2,024	1,855	1,757	1,744	1,719	1,680	8,072	6,899	1,704	-1
Net Income	**1,280**	**1,396**	**1,544**	**1,442**	**1,448**	**1,560**	**1,492**	**1,405**	**5,446**	**5,905**	**1,467**	**-4**
YoY Growth (%)	0.7	12.9	17.1	4.6	13.1	11.7	-3.4	-2.6	10.6	8.4	1.7	
Other income	35	16	30	107	19	42	44	158	404	262	58	173
Total Income	**1,315**	**1,412**	**1,574**	**1,549**	**1,467**	**1,602**	**1,536**	**1,563**	**5,850**	**6,166**	**1,525**	**2**
YoY Growth (%)	3.6	11.2	19.0	10.7	11.5	13.4	-2.4	0.9	11.2	5.4	-1.6	
Operating Expenses	235	257	292	361	246	283	344	368	1,144	1,241	376	-2
YoY Growth (%)	0.1	3.2	6.3	17.6	4.5	10.2	17.9	2.0	7.5	8.4	4.3	
Operating Profits	**1,080**	**1,155**	**1,282**	**1,188**	**1,221**	**1,318**	**1,192**	**1,195**	**4,706**	**4,926**	**1,148**	**4**
YoY Growth (%)	4.4	13.1	22.3	8.7	13.0	14.1	-7.0	0.6	12.1	4.7	-3.3	
Provisions	221	72	222	292	783	169	765	613	808	2,331	400	53
Profit before Tax	**859**	**1,083**	**1,061**	**896**	**437**	**1,149**	**427**	**582**	**3,898**	**2,595**	**748**	**-22**
Tax Provisions	219	275	265	264	116	290	112	161	1,022	680	197	-18
Profit after tax	**640**	**808**	**796**	**632**	**321**	**859**	**315**	**420**	**2,876**	**1,915**	**551**	**-24**
YoY Growth (%)	2.6	-19.7	14.2	32.5	-49.8	6.3	-60.5	-33.5	2.6	-33.4	-12.8	
Loan growth (%)	5.6	5.2	3.7	2.5	0.1	-1.7	-2.3	-3.0	2.1	-4.6	-2.1	
Cost to Income Ratio (%)	17.9	18.2	18.5	23.3	16.8	17.7	22.4	23.5	19.6	20.1	24.7	
Tax Rate (%)	25.5	25.4	24.9	29.4	26.5	25.2	26.3	27.7	26.2	26.2	26.3	
Key Parameters (%)												
Yield on loans (Cal)	11.4	11.6	11.8	10.9	10.6	11.1	10.8	10.5	11.5	11.0		
Cost of funds (Cal)	8.3	8.2	7.9	7.3	7.0	7.0	7.0	7.0	8.0	7.0		
Spreads (Cal)	3.0	3.4	3.9	3.7	3.7	4.1	3.8	3.5	3.6	4.0		
NIMs (Reported)	4.3	4.6	5.1	4.8	4.8	5.2	5.0	5.0	4.6	5.1		
Credit Cost	0.7	0.2	0.7	1.0	2.6	0.6	2.6	2.1	0.7	1.8		
Cost to Income Ratio	17.9	18.2	18.5	23.3	16.8	17.7	22.4	23.5	19.6	20.1		
Tax Rate	25.5	25.4	24.9	29.4	26.5	25.2	26.3	27.7	26.2	26.2		
Balance Sheet												
AUM (INR B)	119.8	120.9	120.6	121.2	119.9	118.9	117.9	117.6	121.2	117.6		
Change YoY (%)	5.6	5.2	3.7	2.5	0.1	-1.7	-2.3	-3.0	2.5	-3.0		
AUM Mix (%)												
Non-Salaried	51.7	51.7	51.5	51.5	51.5	51.5	51.3	51.2	51.5	51.2		
Salaried	48.3	48.3	48.5	48.5	48.5	48.5	48.7	48.8	48.5	48.8		
AUM Mix (%)												
Home loans	81.3	81.1	81.2	81.3	81.3	81.3	81.2	80.9	81.3	80.9		
LAP	18.7	18.9	18.8	18.7	18.7	18.7	18.8	19.1	18.7	19.1		
Disbursements (INR B)	1.8	4.7	5.5	6.4	2.4	4.8	4.4	6.0	18.4	17.7		
Change YoY (%)	-72.8	-33.4	-15.9	6.4	32.0	3.6	-19.5	-6.1	-29.9	-3.9		
Borrowings (INR B)	101.5	103.0	102.7	101.9	100.0	99.0	96.1	96.9	102	96.9		
Change YoY (%)	6.2	2.6	4.9	1.3	-1.5	-3.9	-6.4	-4.9	1.3	-4.9		
Loans/Borrowings (%)	118.0	117.4	117.4	119.0	119.9	120.2	122.6	121.4	119.0	121.4		
Borrowings Mix (%)												
Banks	74.8	71.7	73.2	68.5	66.0	69.9	69.9	68.1	68.5	68.1		
NHB	10.5	14.8	17.1	21.0	23.4	19.1	19.3	20.7	21.0	20.7		
Repco Bank	10.3	9.9	9.7	10.5	10.7	10.9	10.7	11.2	10.5	11.2		
NCD	4.5	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
CP	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Asset Quality												
GS 3 (INR B)	4.8	4.8	5.2	4.5	5.3	5.1	8.2	8.2	4.5	8.2		
Gross Stage 3 (% on Assets)	4.0	4.0	4.3	3.7	4.4	4.3	7.0	7.0	3.7	7.0		
NS 3 (INR B)	2.8	2.8	3.1	2.7	3.1	2.9	5.8	5.6	2.7	5.6		
Net Stage 3 (% on Assets)	2.4	2.4	2.7	2.3	2.7	2.5	5.1	4.9	2.3	4.9		
PCR (%)	41.2	41.4	40.0	39.7	42.1	43.3	30.1	31.8	39.7	31.8		
Return Ratios (%)												
ROA (Rep)	2.2	2.7	2.6	2.1	1.1	2.9	1.1	1.4	2.3	1.6		
ROE (Rep)	15.0	18.3	17.3	13.3	6.6	17.3	6.2	8.2	14.0	8.6		

E: MOFSL Estimates

Digital Payments Tracker

Net cards addition MoM and growth (%)

Cards addition (Nos. in '000)	Mar'22	YoY growth
Total industry	**1,919.7**	**377.7**
AXSB	434.0	298.0%
HDFCB	263.9	NM
SBICARD	245.1	205.1%
ICICIBC	205.4	-1.4%
KMB	161.9	428.0%
RBK	51.1	-27.1%
IIB	43.4	101.8%
SCB	1.1	-92.3%
CITI	-3.3	NM
AMEX	-10.5	NM

Source: MOFSL, RBI

Total spends and YoY growth (%)

Total spends (INRb)	Mar'22	YoY growth
Industry	**1,074.4**	**47.8**
HDFCB	285.8	35.2
ICICIBC	207.5	73.4
SBICARD	204.5	54.1
AXSB	94.1	41.8
IIB	56.7	68.5
RBK	44.3	29.2
CITI	43.9	9.7
AMEX	32.8	26.6
KMB	28.8	75.0
SCB	12.3	5.3

Source: MOFSL, RBI

No. of cards and YoY growth (%)

No. of cards (Nos in m)	Mar'22	YoY growth
Industry	**73.6**	**18.7**
HDFCB	16.5	10.3
SBICARD	13.8	16.5
ICICIBC	13.0	22.6
AXSB	9.0	26.4
RBK	3.7	24.3
KMB	3.2	32.6
CITI	2.6	-3.1
IIB	1.9	23.1
AMEX	1.4	-9.7
SCB	1.3	-9.2

Source: MOFSL, RBI

Outstanding credit cards grow ~19% YoY in Mar'22, spends up 24% MoM

AXSB and HDFCB witness strong traction

- **The banking system reported net additions of ~1.9m credit cards in Mar'22 (+378% YoY) led by healthy traction in AXSB, HDFCB and SBICARD. This has increased the total credit card base to 73.6m (+18.7% YoY – the highest in the past 23 months).**
- **Among major players, KMB reported a strong YoY growth (+32.6%) followed by AXSB (+26.4%), RBK (+24.3%) and IIB (+23.1%). AXSB was the largest acquirer, acquiring ~434k new cards while among other players, HDFCB/SBICARD/ICICIBC/KMB added ~264k/~245k/~205k/~162k cards, respectively. Conversely, AMEX/CITI saw a decline of ~11k/~3k cards in their card base, respectively.**
- **Credit card spends grew 24% MoM to INR1.1t in Mar'22. The same rose strongly at 48% on a YoY basis (+54% YoY in FY22). AMEX and IIB saw MoM growth at ~36% and ~33% while KMB/CITI/HDFCB and SBICARD saw a growth of 23-29% MoM. ICICIBC, AXSB, RBK and SCB saw a growth of 14-21% MoM.**
- **ICICIBC/AXSB posted a strong performance, resulting in a rise in their market share in outstanding cards by 57bp/76bp YoY to 17.6%/12.3% in Mar'22, respectively. RBK, KMB and IIB too saw an increase, while other major players (HDFCB, SBICARD, CITI, AMEX and SCB) lost market share, with HDFCB losing the highest share (169bp YoY).**
- **Spends have continued a healthy momentum over Mar'22 led by rising share of e-commerce transactions that will keep the growth buoyant. We believe that players such as SBICARD/ICICBC/AXSB would continue to show strong performance, while HDFCB is witnessing a strong recovery, which is likely to continue.**

Outstanding credit cards grow ~19% YoY; AXSB and HDFCB key gainers

The total number of outstanding credit cards in the system grew 18.7% YoY in Mar'22 – the highest in the past 23 months to 73.6m. Among major players, KMB reported strong growth (32.6% YoY), followed by AXSB (26.4%), RBK (24.3%) and IIB (23.1%). Foreign players such as AMEX/SCB/CITI witnessed a 10%/9%/3% decline, respectively. ICICIBC and AXSB saw a strong performance, resulting in a 76bp/57bp YoY increase in market share to 17.6%/12.3% in Mar'22, respectively. HDFCB continued to be the largest player with market share of 22.5% (169bp decline YoY).

In Mar'22, 1,920k cards added; AXSB added the highest incremental cards

Around 1,920k new cards were added to the system in Mar'22, led by AXSB, which was the largest acquirer, acquiring ~434k new cards. HDFCB/SBICARD/ICICIBC/KMB added ~264k/~245k/~205k/~162k cards, respectively. **Conversely, AMEX/CITI saw a decline of ~11k/~3k cards in their card base, respectively.** IDFCFB also showed a strong performance, adding ~60k new credit cards in Mar'22.

Spends up 24%/54% MoM/YoY (+45% on a two-year CAGR)

Credit Card spends saw a healthy growth of 24% MoM to INR1.1tb in Mar’22. The same grew strongly at 48% YoY (+54% YoY in FY22). AMEX and IIB saw MoM growth at ~36% and ~33% while KMB/CITI/HDFCB and SBICARD saw a growth of 23-29% MoM. Among other players, ICICIBC, AXSB, RBK and SCB saw a growth of 14-21% MoM. On a two-year CAGR basis, spends for ICICIBC/IIB/SBICARD/KMB/AXS/HDFCB grew ~76%/~63%/~46%/ ~41%/~37%/~37%, respectively. RBK and SCB saw a growth of 23-30% while CITI/AMEX saw a growth of 18%/16%, respectively.

Spends per card, number of transactions and ticket size increase

Monthly spends per card for the industry increased 21% MoM to ~INR14.6k, much higher than the pre-COVID levels. Ticket size, too, increased to ~INR4,800 with the number of transactions per card up 16% MoM to three transactions. IIB (+INR6,900) and AMEX (+INR6,300) reported the highest increase in monthly spends per card while all other major players reported an increase in the range of INR1,300 – INR3,600. IIB has the highest ticket size (INR11.8k), followed by AMEX (INR7.1k) while all other players are in the range of INR4-5k. CITI and SCB have a relatively lower ticket size of INR3.4k and INR3.8k respectively.

UPI payments grow 90.3% YoY in Mar’22; ticket size stable at ~INR1.8k

UPI continued to witness robust growth, with total payments rising 90.3% YoY in Mar’22 to INR9.6t (+99% in Apr’22). Ticket size in UPI stood broadly stable MoM at ~INR1,780. The market share of UPI has been constantly increasing and stood at ~81% over FY22 v/s a mere 9% in FY18 (73% in FY21), while the share of Debit/Credit Cards stood at 7-9%.

Net addition in cards on a MoM basis – AXSB and HDFCB witnessed strong traction with highest incremental addition; pace of addition picks up for SBICARD

Net addition (Nos. in ’000)	FY18	FY19	FY20	FY21	FY22	Sep’21	Oct’21	Nov’21	Dec’21	Jan’22	Feb’22	Mar’22
HDFCB	2,141.7	1,800.5	2,012.7	486.2	1,550.9	244.3	258.3	302.1	288.2	209.7	227.5	263.9
SBICARD	1,689.3	2,013.1	2,276.1	1,274.1	1,945.3	174.9	184.0	204.5	192.5	151.7	209.1	245.1
ICICIBC	743.5	1,648.2	2,465.0	1,473.7	2,394.4	233.6	278.2	155.5	227.8	241.3	178.3	205.4
AXSB	1,139.7	1,473.5	1,025.9	159.6	1,889.4	202.5	219.5	171.9	227.6	219.6	247.8	434.0
CITI	146.1	39.2	83.0	-160.1	-82.2	-4.5	-6.0	-8.8	-5.1	-8.1	-6.7	-3.3
RBK	518.7	915.1	966.2	280.4	720.9	90.3	150.9	139.6	71.8	96.4	75.3	51.1
KMB	418.1	540.3	321.5	85.6	786.5	21.0	100.8	91.4	110.1	135.2	156.8	161.9
AMEX	178.3	277.0	232.0	-160.8	-149.1	-10.9	-6.0	-15.9	-9.2	-10.2	-11.6	-10.5
SCB	161.2	37.0	159.9	27.1	-135.7	-12.9	-14.5	-13.9	-11.3	-9.0	-1.2	1.1
IIB	198.6	280.8	291.9	173.9	352.3	36.2	27.6	30.3	37.7	38.9	48.0	43.4
Total industry	**7,642.7**	**9,603.7**	**10,656.5**	**4,304.0**	**11,578.2**	**1,090.7**	**1,335.7**	**1,221.8**	**1,366.1**	**1,303.4**	**1,455.5**	**1,919.7**

Source: MOFSL, RBI

Indian companies' valuations

	Price	EV/ EBITDA (x)		P/B (x)	
	(INR)	FY23E	FY24E	FY23E	FY24E
Steel					
Tata	1,171	4.1	4.1	1.1	1.0
JSW	631	5.6	5.3	1.8	1.6
JSP	479	3.2	2.3	1.0	0.8
SAIL	83	3.6	3.2	0.6	0.5
Non-ferrous					
Vedanta	314	4.0	4.6	1.6	1.5
Hindalco	429	4.0	4.4	1.4	1.2
Nalco	99	3.3	4.2	1.3	1.2
Mining					
Coal	186	3.2	3.5	2.3	2.0
HZL	294	5.3	5.4	3.7	3.7
NMDC	146	4.1	4.3	1.2	1.1

Global companies' valuations

Company	M-cap	EV/EBITDA (x)		P/B (x)
	USD b	CY22/ FY23	CY23/ FY24	CY22/ FY23
Steel				
AM	25	2.5	2.7	0.4
SSAB	6	3.0	3.9	0.7
Nucor	32	6.0	6.6	1.3
POSCO	20	2.9	2.7	0.4
JFE	7	6.2	6.3	0.4
Aluminum				
Norsk Hydro	15	3.9	4.0	1.5
Alcoa	11	2.5	2.7	1.4
Zinc				
Teck	22	3.3	3.5	0.9
Korea Zinc	8	6.1	5.9	1.2
Iron ore				
Vale	83	3.1	3.2	1.6
FMG	44	4.9	6.2	2.4
Diversified				
BHP	168	4.4	5.5	3.0
Rio	113	4.3	4.8	1.9

Highlights of the week –Steel industry dynamics evolving; sector UNDER REVEW

- To tackle inflation, the government of India (GoI) curbs steel prices without addressing rising input cost pressures. The GoI raised export taxes on most of the steel products, iron ore and pellets (see our detailed report here), while reducing customs duties on Coking coal, PCI, Anthracite Coal and Coke. **We put the sector UNDER REVIEW.**
- The GoI announced several measures to cool inflation, including a sharp cut in central excise duty on petrol by INR8 per liter and on diesel by INR6 per liter. Refer to our report here.
- Indian HRC and Primary TMT prices corrected 3% and 4% WoW to INR69,300/t and INR66,500/t, respectively.
- Base metals bucked the declining trend and increased 3-8% during the week.
- Aluminum scrap spread widened USD120/t to USD991/t driven by firm aluminum price.

Commodities/forex tracker

		UoM	Spot	WoW (%)	MoM (%)
Steel	India HRC (ex-Mum)	INR/t	69,300	-3	-10
	India TMT Prime (ex-Mum)	INR/t	66,500	-4	-9
	India TMT Secondary (ex-Mum)	INR/t	58,500	-3	-12
	Korea HRC - FoB	USD/t	845	0	-9
	Dom. HRC (Prem/(Disc) v/s FTA	INR/t	-70	-2,188 INR	-2,086 INR
	China HRC Dom.	USD/t	731	0	-11
	China HRC - FoB	USD/t	810	-1	-13
Coking coal	India Prem HCC CNF	USD/t	555	2	3
	India 64 Mid Vols CNF	USD/t	518	2	3
	India Low Vols PCI CNF	USD/t	533	4	10
Metallics	Iron Ore Fines (Odisha Index) Fe 62%	INR/t	4,800	-14	-16
	Iron Ore Fines (China - CNF) Fe 62%	USD/t	129	1	-16
	Europe Scrap HMS 1&2(80:20)	USD/t	490	-6	-18
	C-DRI (ex-Raipur)	INR/t	34,800	-3	-13
Thermal Coal	RB1 (6000 NAR) SA FoB	USD/t	348	4	10
	RB2 (5500 NAR), SA FoB	USD/t	312	3	7
	Indonesia (4200 GAR) Futures	USD/t	92	0	-1
Non-Ferrous	Copper	USD/t	9,477	5	-9
	Aluminum	USD/t	2,931	8	-12
	Zinc	USD/t	3,755	7	-17
	Lead	USD/t	2,146	4	-12
	Nickel	USD/t	27,941	3	-17
	Alumina	USD/t	364	-1	-7
	Ali UBC Scrap	USD/t	1,940	5	-7
	Ali UBC Scrap Spread	USD/t	991	14	-19
Bullion	Gold	USD/Oz	1,844	2	-6
	Silver	"	21.7	3	-14
FX	INR:USD	x	77.5	0	1
	USD:EUR	"	1.06	1	-2
	USD:GBP	"	1.25	2	-4
	CNY:USD	"	6.69	-1	5
	JPY:USD	"	128	-1	-1

Shree Cement: Expect demand to improve in the next few months; HM Bangur, MD

- Cement industry will pass the entire benefit of lower fuel costs to customers
- Expect demand to improve in the next few months
- Will be announcing some price cuts across the country this evening
- Competition in the cement space will increase post Adani-Holcim deal
- Don't think Adani will be aggressive on pricing front
- Adani-Holcim deal won't impact supply dynamics in the market

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Zydus Life: Price pressure will continue in the US and can offset price pressure with new launches; Sharvil Patel, MD

- Have registered good growth in India and we are focusing on consolidated presence in the country as it contributes 46% of sales
- Grown 21% ex-COVID-19 in India and expect India to grow better than the market
- Price pressure will continue in the US and can offset price pressure with new launches
- Maintained third position in almost 60% of product family in the US
- Awaiting US FDA re-inspection of Moraiya Unit, corrective action of the unit has been completed
- ZyCOV-D facility can be repurposed for other vaccines

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Sobha: Demand indicators continue to be very strong; Jagadish Nangineni, MD

- Cost of construction has gone up by 18-20%
- Expect a reduction of 7-8% in construction cost of projects
- Steps taken by the Government will be a positive for construction sector
- Will not undertake any price cuts considering wage increases
- Have started taking price hikes across projects between 4-8%
- Demand indicators continue to be very strong

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Narayana Health: Focusing on adding new capacities over the next 3-4 years; Sandhya J, CFO

- Current occupancy is around 50-55%
- Capacity utilisation is around 70-75%, momentum trends look positive
- Focusing on adding new capacities over the next 3-4 years
- Will be allocating capital to existing strong regions
- A lot of capacity expansion will be performing segments
- Kolkata and Bengaluru to see hospital expansions

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Sarda Energy: Part of pellet price correction will be offset by decline in iron ore prices; PK Jain, CFO

- Don't have any exports of pellets
- 50% of pellet capacity is used captively
- Ferro alloys exports don't get affected by Government announcement
- Pellet prices hovering around 10k
- Silico manganese prices fluctuating between Rs 90,000/t to Rs 1.05lk/tonne
- We have never faced demand challenges for our products so far
- Part of pellet price correction will be offset by decline in iron ore prices

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