

**Market snapshot**



| Equities - India | Close  | Chg .%   | CYTD.%   |
|------------------|--------|----------|----------|
| Sensex           | 74,006 | 0.1      | 2.4      |
| Nifty-50         | 22,502 | 0.2      | 3.5      |
| Nifty-M 100      | 51,869 | 0.5      | 12.3     |
| Equities-Global  | Close  | Chg .%   | CYTD.%   |
| S&P 500          | 5,308  | 0.1      | 11.3     |
| Nasdaq           | 16,795 | 0.7      | 11.9     |
| FTSE 100         | 8,424  | 0.0      | 8.9      |
| DAX              | 18,769 | 0.3      | 12.0     |
| Hang Seng        | 6,965  | 0.4      | 20.7     |
| Nikkei 225       | 39,070 | 0.7      | 16.8     |
| Commodities      | Close  | Chg .%   | CYTD.%   |
| Brent (US\$/Bbl) | 82     | 0.3      | 6.2      |
| Gold (\$/OZ)     | 2,425  | 0.4      | 17.6     |
| Cu (US\$/MT)     | 10,801 | 1.9      | 27.6     |
| Almn (US\$/MT)   | 2,574  | 0.6      | 9.8      |
| Currency         | Close  | Chg .%   | CYTD.%   |
| USD/INR          | 83.3   | 0.0      | 0.1      |
| USD/EUR          | 1.1    | -0.1     | -1.6     |
| USD/JPY          | 156.3  | 0.4      | 10.8     |
| YIELD (%)        | Close  | 1MChg    | CYTD chg |
| 10 Yrs G-Sec     | 7.1    | 0.00     | -0.1     |
| 10 Yrs AAA Corp  | 7.6    | 0.00     | -0.1     |
| Flows (USD b)    | 18-May | MTD      | CYTD     |
| FII              | 0.0    | -3.62    | -3.3     |
| DII              | -0.02  | 4.03     | 22.4     |
| Volumes (INRb)   | 18-May | MTD*     | YTD*     |
| Cash             | 170    | 1065     | 1166     |
| F&O              | 21,412 | 3,26,625 | 3,80,303 |

Note: Flows, MTD includes provisional numbers.

\*Average



**Today's top research idea**

**Bharat Electronics: Robust all-round performance**

**Upgrade to Buy**

- ❖ BHE's 4QFY24 results beat our estimates, driven by better-than-expected EBITDA margin and PAT and strong revenue growth. Up-fronting of order inflows led to a beat in overall order inflows for the company.
- ❖ The share of indigenization in the Indian defense sector has been continuously moving up and we expect BHE's revenue market share to remain high at around 12-13%. The company is continuously taking initiatives to increase the share of exports and non-defense revenues. We incorporate higher margins and increase our estimates. We also increase the valuation multiple to account for a larger market share of BHE, benefits of technology tie-ups, MoUs, and an improving share of exports and non-defense in total revenues.
- ❖ We value BHE at 35x P/E on two-year forward earnings and revise the target price to INR310. We upgrade the stock to BUY from Neutral earlier.

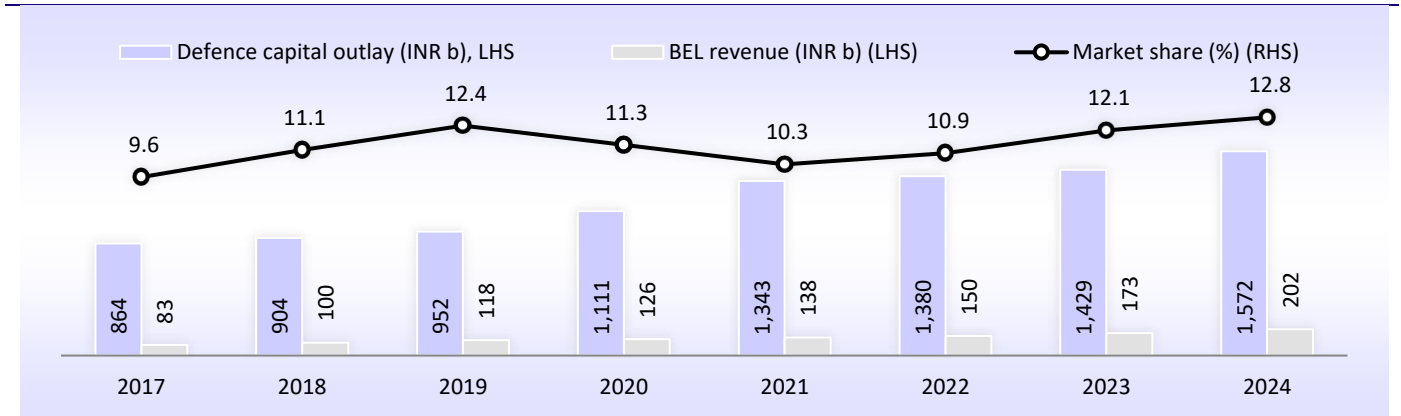


**Research covered**

| Cos/Sector                | Key Highlights  |
|---------------------------|---|
| <b>Bharat Electronics</b> | <b>Robust all-round performance</b>                                       |
| <b>Global Health</b>      | <b>Mature hospitals drive YoY earnings growth</b>                         |
| <b>India Cements</b>      | <b>EBITDA in line; debt reduction through the sale of non-core assets</b> |
| <b>Other Updates</b>      | <b>ONGC   Oil India   S A I L   Deepak Nitrite   VRL Logistics</b>        |

**Chart of the Day: Bharat Electronics (Robust all-round performance)**

**BHE's market share has inched up in the past few years**



Source: Company, MOFSL

**Research Team (Gautam.Duggad@MotilalOswal.com)**

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

### RBI cracks whip on co-lending deals, writes to at least 4 banks advising caution

The regulator's concern is understood to be about the poor underwriting standards of loans in some cases and potential asset quality issues in loans originating through such channels

2

### Global glut takes shine off Indian lab-grown diamonds

Indian lab-grown diamonds (LGDs) prices crashed by 45% in FY24 due to overproduction in global markets. Indian LGD exports dropped by 18.2% in April to \$83.77 million as demand rises with increasing gold prices, prompting consumers to opt for LGDs to reduce jewelry costs.

3

### India is one of the key markets for business growth in industrial space: Siemens executive

Siemens Digital Industries Software is a part of German conglomerate Siemens and is headquartered in Plano, Texas. The company focuses on product lifecycle management (PLM) software and works with industries like aerospace and defense, pharmaceuticals, and automobiles

4

### India's DC sector above major APAC countries: Data center capacity set to cross 1800 MW by 2026, says CBRE

The DC industry in India has witnessed the capacity doubling since the start of the pandemic. In 2023, per the report, there was an addition of 255 MW of new supply compared to 200 MW in 2022, resulting in a total stock of approximately 1,030 MW by the end of the year.

5

### Same-Day Delivery: Thriving in the era of Quick Commerce

Quick commerce platforms typically only list curated brands from categories that are considered to be 'fast-moving'. Category leaders may enjoy some listing incentives from such platforms as is the case with all marketplaces, but up-and-coming D2C brands tend to be at a disadvantage—owing to a lack of visibility or high margins.

6

### JSW Steel plans Rs 20,000 crore capex for FY25, says CEO

The company had a capex spend of Rs 17,000 crore last year

7

### Oil prices rise after Iran president's death, brent crude at \$84.24/bbl

Brent crude had climbed 26 cents, or 0.3 per cent, to \$84.24 per barrel, while U.S. West Texas Intermediate (WTI) crude had risen 15 cents, or 0.2 per cent, to \$80.21 per barrel.



# Bharat Electronics

Estimate changes



TP change



Rating change



|                       |               |
|-----------------------|---------------|
| Bloomberg             | BHE IN        |
| Equity Shares (m)     | 7310          |
| M.Cap.(INRb)/(USDb)   | 1891.8 / 22.7 |
| 52-Week Range (INR)   | 261 / 106     |
| 1, 6, 12 Rel. Per (%) | 10/63/116     |
| 12M Avg Val (INR M)   | 3674          |

## Financials Snapshot (INR b)

| Y/E MARCH   | FY24  | FY25E | FY26E |
|-------------|-------|-------|-------|
| Net Sales   | 201.7 | 236.5 | 285.1 |
| EBITDA      | 50.0  | 59.4  | 71.6  |
| PAT         | 40.2  | 48.6  | 59.7  |
| EPS (INR)   | 5.5   | 6.7   | 8.2   |
| GR. (%)     | 33.7  | 21.0  | 22.7  |
| BV/Sh (INR) | 22.1  | 27.8  | 34.7  |

## Ratios

|          |      |      |      |
|----------|------|------|------|
| ROE (%)  | 24.9 | 24.0 | 23.5 |
| RoCE (%) | 27.0 | 26.7 | 26.1 |

## Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (X)       | 47.1 | 38.9 | 31.7 |
| P/BV (X)      | 11.7 | 9.3  | 7.5  |
| EV/EBITDA (X) | 35.7 | 29.6 | 23.9 |
| Div Yield (%) | 0.3  | 0.4  | 0.5  |

## Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 51.1   | 51.1   | 51.1   |
| DII      | 22.7   | 23.4   | 25.5   |
| FII      | 17.6   | 17.8   | 16.4   |
| Others   | 8.7    | 7.7    | 6.9    |

FII Includes depository receipts

CMP: INR259

TP: INR310 (+20%)

Upgrade to Buy

## Robust all-round performance

BHE's 4QFY24 results beat our estimates, driven by better-than-expected EBITDA margin and PAT and strong revenue growth. Up-fronting of order inflows led to a beat in overall order inflows for the company. We expect BHE to be a key beneficiary of increasing defense indigenization. The share of indigenization in the Indian defense sector has been continuously moving up and we expect BHE's revenue market share to remain high at around 12-13%. The company is continuously taking initiatives to increase the share of exports and non-defense revenues. We incorporate higher margins and increase our estimates by 21%/32% for FY25/FY26. We increase the valuation multiple to account for a larger market share of BHE, benefits of technology tie-ups, MoUs, and an improving share of exports and non-defense in total revenues. We value BHE at 35x P/E on two-year forward earnings and revise the target price to INR310. We upgrade the stock to BUY from Neutral earlier.

## Margin outperformance drives PAT beat

BHE's 4Q revenue at INR85.3b (+32% YoY/+106% QoQ) came in line with our estimates owing to robust execution. EBITDA grew by 25% YoY to INR22.8b, aided by better-than-expected gross margin at 48.4% (flat YoY). On a high base, EBITDA margin contracted ~160bp YoY to 26.7%. PAT at INR17.8b (+31% YoY) beat our estimates on the back of better margins, lower-than-expected depreciation, and higher other income (+225% YoY). Order inflows stood at INR82.4b in 4QFY24, a decline of 52% YoY on a high base. The order book increased by 25% YoY to INR760b (3.8x TTM revenue). For FY24, the company reported revenue/EBITDA/PAT growth of 14%/23%/34% and it exceeded margin guidance of 22-23% (actual: 24.8%). Order inflow grew by 74% to INR354b. FCF grew by 575% to INR40b on improved OCF.

## Strong FY24 inflows of INR350b took order book to record high of INR760b

In FY24, BHE successfully secured orders worth around INR350b. Key defense orders were electronic fuses, EW systems, communication systems for naval warships, fire control systems, Akash prime weapon/system, radars, sonars, software defined radios, night vision devices, tactical communication systems, and other projects in the non-defense sector. As a result, the order book surged to INR760b, which included export order book of USD407m (vs. USD211m in FY23). The company achieved exports of USD93m (up 92% YoY), including exports of key products such as transmit & receive (TR) modules, compact multi-purpose advanced stabilization system (compass), radar & EW systems, medical electronics, communication equipment, etc.

**BHE to remain a key beneficiary of defense indigenization and rising defense exports**

BHE has a market share of 12% in the overall defense market and a market share of nearly 60% in the highly specialized defense electronics segment. We expect BHE to remain a key beneficiary of defense indigenization potential worth INR5t over the next five years with its presence across defense platforms and products ranging from radars, simulators, EW systems, electronic fuses, thermal imaging, integrated air command and control system, border surveillance system and counter drone systems etc. The share of indigenization in the Indian defense sector has been continuously moving up and we expect BHE’s revenue market share to remain high at around 12-13%. The company is continuously taking initiatives to increase the share of exports and non-defense revenue, which will reduce its dependence on only domestic defense.

**Financial outlook**

We increase our earnings estimates by 21%/32% to factor in the government’s continued measures for the defense sector and the company’s improving market share, better-than-expected gross margin, and working capital. We expect a CAGR of 19%/20%/22% in sales/EBITDA/PAT over FY24-26. We expect OCF/FCF to remain strong over FY24-26 on control over working capital. Further, the company had a cash surplus of INR110b (as of FY24), providing scope for further capacity expansion.

**Key risks and concerns**

A slowdown in order inflows from the defense and non-defense segments, increased competition, further delays in finalization of large tenders, a sharp rise in commodity prices and delays in payments from MoD can adversely impact our estimates on revenues, margins and cash flows.

**Valuation and view**

BHE is currently trading at 39x/32x on FY25E/FY26E EPS. Our revised valuation multiple takes into account a larger market share of BHE, benefit of technology tie-ups, MoUs, and an improving share of exports and non-defense in total revenues. We value BHE at 35x P/E on two-year forward earnings and revise the target price to INR310, which bakes in a 19% CAGR in revenue over the next decade vs. 11% CAGR over the last decade. We upgrade the stock to BUY from Neutral earlier.

**Quarterly Earning Model**

| Y/E March<br>(INR m)   | FY23           |               |               |               | FY24          |               |               |               | FY23            | FY24            | FY24E<br>4QE  | Est<br>Var (%) |
|------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|----------------|
|                        | 1Q             | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |                 |                 |               |                |
| <b>Net Sales</b>       | <b>31,128</b>  | <b>39,458</b> | <b>41,310</b> | <b>64,566</b> | <b>35,108</b> | <b>39,933</b> | <b>41,367</b> | <b>85,285</b> | <b>1,76,462</b> | <b>2,01,694</b> | <b>85,306</b> | <b>(0)</b>     |
| Change (%)             | 90.4           | 7.8           | 11.8          | 2.1           | 12.8          | 1.2           | 0.1           | 32.1          | 15.2            | 14.3            | 32.1          |                |
| <b>EBITDA</b>          | <b>5,134</b>   | <b>8,558</b>  | <b>8,535</b>  | <b>18,248</b> | <b>6,644</b>  | <b>10,044</b> | <b>10,494</b> | <b>22,800</b> | <b>40,475</b>   | <b>49,982</b>   | <b>20,440</b> | <b>12</b>      |
| Change (%)             | 716.8          | (0.1)         | 3.8           | 16.4          | 29.4          | 17.4          | 23.0          | 24.9          | 22.3            | 23.5            | 12.0          |                |
| As of % Sales          | 16.5           | 21.7          | 20.7          | 28.3          | 18.9          | 25.2          | 25.4          | 26.7          | 22.9            | 24.8            | 24.0          |                |
| Depreciation           | 941            | 1,042         | 1,008         | 1,088         | 1,013         | 1,004         | 998           | 1,109         | 4,079           | 4,124           | 1,555         | (29)           |
| Interest               | 10             | 17            | 97            | 23            | 11            | 15            | 5             | 39            | 148             | 70              | 117           | (66)           |
| Other Income           | 1,597          | 750           | 575           | 678           | 1,417         | 1,705         | 2,232         | 2,205         | 3,600           | 7,558           | 1,647         | 34             |
| <b>PBT</b>             | <b>5,781</b>   | <b>8,249</b>  | <b>8,004</b>  | <b>17,815</b> | <b>7,038</b>  | <b>10,729</b> | <b>11,723</b> | <b>23,856</b> | <b>39,849</b>   | <b>53,346</b>   | <b>20,414</b> | <b>17</b>      |
| Tax                    | 1,466          | 2,138         | 2,017         | 4,161         | 1,729         | 2,606         | 2,790         | 6,021         | 9,782           | 13,146          | 5,436         |                |
| Effective Tax Rate (%) | 25.4           | 25.9          | 25.2          | 23.4          | 24.6          | 24.3          | 23.8          | 25.2          | 24.5            | 24.6            | 26.6          |                |
| <b>Reported PAT</b>    | <b>4,315</b>   | <b>6,111</b>  | <b>5,987</b>  | <b>13,654</b> | <b>5,308</b>  | <b>8,123</b>  | <b>8,933</b>  | <b>17,835</b> | <b>30,067</b>   | <b>40,200</b>   | <b>14,978</b> | <b>19</b>      |
| Change (%)             | 3,769.5        | (0.2)         | 2.6           | 19.6          | 23.0          | 32.9          | 49.2          | 30.6          | 28.0            | 33.7            | 9.7           |                |
| <b>Adj PAT</b>         | <b>4,315</b>   | <b>6,111</b>  | <b>5,987</b>  | <b>13,654</b> | <b>5,308</b>  | <b>8,123</b>  | <b>8,933</b>  | <b>17,835</b> | <b>30,067</b>   | <b>40,200</b>   | <b>14,978</b> | <b>19</b>      |
| Change (%)             | <b>3,769.5</b> | <b>(0.2)</b>  | <b>2.6</b>    | <b>19.6</b>   | <b>23.0</b>   | <b>32.9</b>   | <b>49.2</b>   | <b>30.6</b>   | <b>28.0</b>     | <b>33.7</b>     | <b>9.7</b>    |                |



# Global Health

|                 |   |
|-----------------|---|
| Estimate change | ↑ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR1460**      **TP: INR1,620 (+15%)**      **Buy**

## Mature hospitals drive YoY earnings growth

### Indore back on track/Noida to commence operations in 4QFY25/1QFY26

|                       |            |
|-----------------------|------------|
| Bloomberg             | MEDANTA IN |
| Equity Shares (m)     | 269        |
| M.Cap.(INRb)/(USD\$b) | 377 / 4.5  |
| 52-Week Range (INR)   | 1514 / 548 |
| 1, 6, 12 Rel. Per (%) | 0/42/126   |
| 12M Avg Val (INR M)   | 466        |

- Global Health (MEDANTA) missed our earnings estimate for 4QFY24, largely due to subdued performance at Lucknow hospital. This was partly offset by improved occupancy/superior margins in mature hospitals segment.
- We cut our earnings estimates by 7%/6% for FY25/FY26 to factor in a gradual pickup in utilization of beds in developing hospitals, higher opex for bed additions, and reduced operating leverage. We value MEDANTA at 35x 12M forward EV/EBITDA to arrive at a TP of INR1,620.
- MEDANTA has delivered a four-year CAGR of 17%/33%/59% in revenue/EBITDA/PAT over FY20-24. It ended FY24 with 25% YoY earnings growth. MEDANTA continues to add beds at existing sites (Lucknow/Patna/Gurgaon) as well as new sites (Noida/Indore/South Delhi). Earnings growth is largely driven by an increasing number of patients seeking treatment and a moderate increase in realization per patient. This provides robust visibility for earnings growth (22% CAGR over FY24-26). Hence, we maintain BUY.

### Financials & Valuations (INR b)

| Y/E MARCH            | FY24  | FY25E | FY26E |
|----------------------|-------|-------|-------|
| Sales                | 32.8  | 35.8  | 40.3  |
| EBITDA               | 8.3   | 9.8   | 11.3  |
| Adj. PAT             | 4.8   | 6.0   | 7.1   |
| EBIT Margin (%)      | 19.1  | 21.9  | 22.5  |
| Cons. Adj. EPS (INR) | 17.8  | 22.2  | 26.3  |
| EPS Gr. (%)          | 46.7  | 24.9  | 18.4  |
| BV/Sh. (INR)         | 108.2 | 126.5 | 148.2 |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | 0.1  | 0.1  | 0.0  |
| RoE (%)    | 17.9 | 19.0 | 19.2 |
| RoCE (%)   | 14.7 | 16.5 | 17.5 |
| Payout (%) | 17.6 | 17.6 | 17.6 |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 78.9 | 63.2 | 53.3 |
| EV/EBITDA (x)  | 46.0 | 38.6 | 33.4 |
| EV/Sales (x)   | 11.6 | 10.6 | 9.4  |
| Div. Yield (%) | 0.2  | 0.2  | 0.3  |
| FCF Yield (%)  | 0.9  | 0.6  | 0.7  |
| EV/Sales (x)   | 11.6 | 10.6 | 9.4  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 33.0   | 33.1   | 33.1   |
| DII      | 10.3   | 11.2   | 12.4   |
| FII      | 12.1   | 11.4   | 9.9    |
| Others   | 44.6   | 44.4   | 44.7   |

FII Includes depository receipts

### Increased patients/slight uptick in ARPOB led YoY EBITDA growth

- In 4QFY24, sales grew 15% YoY to INR8.1b. (vs our est. INR8.6b). ARPOB grew by 3.6% YoY to INR63k. In-patient (IPD)/out-patient (OPD) volume grew 10%/11.4% YoY for the quarter.
- EBITDA margin declined by 40bp YoY to 23.6 %. EBITDA grew 13% YoY to INR1.9b (vs our est. INR2.3b).
- Mature hospitals revenue (68% of total revenue) grew 15% YoY to INR6.1b. EBITDA was INR1.5b with 60bp YoY margin expansion to 25.3%.
- Developing hospitals revenue (32% of total revenue) grew 11.9% YoY to INR2.3b. EBITDA was INR623m with 350bp YoY margins contraction to 27.5%.
- PAT grew 26% YoY to INR1.3b.
- During FY24, revenue/EBITDA/PAT grew by 21%/31%/47% YoY to INR32.7b/INR8.3b/INR4.8b.

### Highlights from the management commentary

- MEDANTA would incur capex of INR10-12b over the next 2-3 years for the addition of 1,650 beds.
- About 95% of the construction at Noida is completed and the hospital is expected to start operations of 300 beds in 4QFY25/1QFY26.
- Two additional ICUs (56 beds), dialysis extension (23 beds) and chemo daycare (17 beds) would be added in the Patna hospital in 1HFY25.
- 47 ward beds are expected to be added in Lucknow in 1QFY25.
- A mother-and-child care unit started a couple of weeks ago and its effect of same would reflect in 1QFY25 for the Gurugram hospital.
- The green field hospital has got legal clearance in Indore (bed capacity: 300).

**Consolidated - Quarterly Earning Model**

(INR m)

| Y/E March                      | FY23         |              |              |              | FY24         |              |              |              | FY23          | FY24          | FY24E        | vs Est (%)    |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|
|                                | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |               |               |              |               |
| <b>Gross Sales</b>             | <b>6,172</b> | <b>6,791</b> | <b>6,943</b> | <b>7,071</b> | <b>7,730</b> | <b>8,439</b> | <b>8,365</b> | <b>8,086</b> | <b>27,099</b> | <b>32,751</b> | <b>8,610</b> | <b>-6.1%</b>  |
| YoY Change (%)                 | 27.1         | 17.6         | 19.1         | 14.6         | 25.2         | 24.3         | 20.5         | 14.4         | 25.1          | 21.6          | 22.4         |               |
| Total Expenditure              | 4,843        | 5,211        | 5,316        | 5,375        | 5,887        | 6,255        | 6,150        | 6,175        | 20,746        | 24,467        | 6,306        |               |
| <b>EBITDA</b>                  | <b>1,329</b> | <b>1,580</b> | <b>1,627</b> | <b>1,696</b> | <b>1,843</b> | <b>2,185</b> | <b>2,215</b> | <b>1,911</b> | <b>6,352</b>  | <b>8,284</b>  | <b>2,304</b> | <b>-17.0%</b> |
| YoY Change (%)                 | 31.2         | 15.3         | 18.4         | 27.6         | 38.7         | 38.3         | 36.1         | 12.7         | 40.0          | 33.7          | 38.9         |               |
| Margins (%)                    | 21.5         | 23.3         | 23.4         | 24.0         | 23.8         | 25.9         | 26.5         | 23.6         | 23.4          | 25.3          | 26.8         |               |
| Depreciation                   | 366          | 385          | 414          | 408          | 468          | 485          | 495          | 572          | 1,575         | 2,020         | 487          |               |
| Interest                       | 185          | 182          | 207          | 205          | 179          | 201          | 177          | 182          | 779           | 739           | 144          |               |
| Other Income                   | 93           | 155          | 119          | 248          | 215          | 208          | 181          | 274          | 493           | 747           | 286          |               |
| <b>PBT before EO expense</b>   | <b>871</b>   | <b>1,168</b> | <b>1,125</b> | <b>1,331</b> | <b>1,410</b> | <b>1,707</b> | <b>1,724</b> | <b>1,431</b> | <b>4,491</b>  | <b>6,271</b>  | <b>1,958</b> | <b>-26.9%</b> |
| Extra-Ord expense/(Income)     | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0             | 0            |               |
| <b>PBT</b>                     | <b>871</b>   | <b>1,168</b> | <b>1,125</b> | <b>1,331</b> | <b>1,410</b> | <b>1,707</b> | <b>1,724</b> | <b>1,431</b> | <b>4,491</b>  | <b>6,271</b>  | <b>1,958</b> | <b>-26.9%</b> |
| Tax                            | 284          | 311          | 319          | 320          | 390          | 455          | 488          | 157          | 1,490         | 1,490         | 531          |               |
| Rate (%)                       | 32.6         | 26.6         | 28.4         | 24.0         | 27.7         | 26.6         | 28.3         | 11.0         | 33.2          | 23.8          | 27.1         |               |
| MI & Profit/Loss of Asso. Cos. | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0             | 0            |               |
| <b>Reported PAT</b>            | <b>587</b>   | <b>857</b>   | <b>806</b>   | <b>1,011</b> | <b>1,020</b> | <b>1,252</b> | <b>1,235</b> | <b>1,273</b> | <b>3,000</b>  | <b>4,781</b>  | <b>1,427</b> | <b>-10.8%</b> |
| <b>Adj PAT</b>                 | <b>587</b>   | <b>857</b>   | <b>806</b>   | <b>1,011</b> | <b>1,020</b> | <b>1,252</b> | <b>1,235</b> | <b>1,273</b> | <b>3,000</b>  | <b>4,781</b>  | <b>1,427</b> | <b>-10.8%</b> |
| YoY Change (%)                 | 40.6         | 28.0         | 15.1         | 72.2         | 73.8         | 46.1         | 53.3         | 26.0         | 52.9          | 46.6          | 41.2         |               |
| Margins (%)                    | 9.5          | 12.6         | 11.6         | 14.3         | 13.2         | 14.8         | 14.8         | 15.7         | 11.1          | 14.6          | 16.6         |               |

E: MOSL Estimates, Note: Sum of 4 quarter does not match with full year as the company has restated its number





# India Cements

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↔ |
| Rating change   | ↔ |

**CMP: INR214**      **TP: INR160 (-25%)**      **Sell**

## EBITDA in line; debt reduction through the sale of non-core assets

| Bloomberg             | ICEM IN    |
|-----------------------|------------|
| Equity Shares (m)     | 310        |
| M.Cap.(INRb)/(USDb)   | 66.3 / 0.8 |
| 52-Week Range (INR)   | 277 / 184  |
| 1, 6, 12 Rel. Per (%) | -6/-16/-11 |
| 12M Avg Val (INR M)   | 1007       |

### Capacity utilization at ~63% vs. 70% in 4QFY23

- India Cements (ICEM) reported an EBITDA of INR469m (est. INR475m) in 4QFY24. Sales volume declined ~13% YoY to 2.4mt (12% miss). Its blended EBITDA/t stood at INR192 (vs. estimated INR171) fueled by lower-than-estimated opex/t. Net loss (adjusted for profit on sale of land) stood at INR435m (vs. estimated INR489m net loss).
- Management highlighted that cement prices corrected sharply in 4QFY24, which resulted in ~7% QoQ decline in NPR. However, sales volume improved QoQ with the infusion of working capital. The company has taken initiatives at a few of its plants for plant efficiency improvement, which has started yielding positive results. Now the company intends to implement these initiatives across its plants to rationalize costs. Further, it is continuing its efforts to dispose of non-core assets to fund plant efficiency improvements.
- We retain our FY25/FY26 estimates. **We reiterate our Sell rating on the stock with a TP of INR160 (premised on 11x FY26E EV/EBITDA).**

### Financial Snapshot (INR b)

| Y/E MARCH         | FY24  | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales             | 49.4  | 52.0  | 54.9  |
| EBITDA            | 1.1   | 5.5   | 6.8   |
| Adj. PAT          | -2.3  | 1.1   | 2.1   |
| EBITDA Margin (%) | 2.2   | 10.6  | 12.4  |
| Adj. EPS (INR)    | -7.6  | 3.5   | 6.7   |
| EPS Gr. (%)       | n/m   | n/m   | 92.9  |
| BV/Sh. (INR)      | 175.2 | 178.7 | 185.4 |

### Ratios

|            |      |     |     |
|------------|------|-----|-----|
| Net D:E    | 0.5  | 0.5 | 0.4 |
| RoE (%)    | -4.3 | 2.0 | 3.7 |
| RoCE (%)   | -0.5 | 3.5 | 4.6 |
| Payout (%) | 0.0  | 0.0 | 7.5 |

### Valuations

|                |     |      |      |
|----------------|-----|------|------|
| P/E (x)        | n/m | 61.5 | 31.9 |
| P/BV (x)       | 1.2 | 1.2  | 1.2  |
| EV/EBITDA(x)   | n/m | 16.5 | 13.1 |
| EV/ton (USD)   | 70  | 69   | 68   |
| Div. Yield (%) | 0.0 | 0.0  | 0.2  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 28.4   | 28.4   | 28.4   |
| DII      | 8.5    | 8.9    | 9.4    |
| FII      | 13.3   | 13.6   | 13.2   |
| Others   | 49.8   | 49.1   | 49.1   |

FII Includes depository receipts

### Volumes decline 13% YoY, while opex/t was down 9%

- ICEM's revenue declined 15% YoY to INR12.5b in 4QFY24 (~13% below our estimate). Sales volume declined 13% YoY to 2.4mt (~12% below estimate). Blended realization/t was down ~3% YoY and 6% ~QoQ to INR5,112 (in line).
- Opex/t declined 9% YoY, due to a 13%/11%/5% drop in variable costs/freight costs/other expenses. However, employee costs grew 20% YoY to INR979m. OPM stood at 3.8% (vs. est. 3.3%). The company reported an EBITDA of INR469m (est. INR475m) vs. operating loss of INR445m in 4QFY23. Blended EBITDA/t stood at INR192 (est. INR171). ICEM reported a net loss (adjusted for profit on sale of land) of INR435m vs. a net loss of INR1.2b in 4QFY23.
- In FY24, revenue declined 8% YoY to INR49b, due to a 4% decline in volume/realization/t (each). EBITDA stood at INR1.1b vs. an operating loss of INR1.7b in FY23. Net loss stood at INR2.3b vs. INR4.7b in FY23. The company's OCF (before exceptional item) stood at INR2.7b vs. cash outflow of INR1.9b in FY23. Capex was INR1.3b vs. INR1.4b in FY23. Net debt declined INR3.2b to INR26b as of Mar'24.

### Highlights from the management commentary

- Cement price remained volatile as it jumped in Apr'24, while declining in May'24. ICEM expects price to improve in Jun'24. Further, it expects demand to improve post-elections due to continued infrastructure spending by the government, private sector housing, and commercial segments.
- Fuel costs stood at INR1.95/Kcal vs. INR2.0/kcal in 3QFY24. The company is taking various initiatives (installation of WHRS, upgradation of coolers/mills etc.) across its plants to rationalize costs (expects cost reduction of INR100-150/t in the next two years). Capex is pegged at INR7.0-7.5b in the next two years (including maintenance capex and working capital infusion).
- For Shipping/Windmill/RMC, revenue stood at INR74m/INR5m/INR270m. It reported EBITDA of INR17m/INR22m in shipping/RMC and operating loss of INR10m in Windmill.

**Valuation and view**

- We expect ICEM’s market share loss in the southern market to continue as new capacities will be commissioned by peers. We would monitor the progress on divestment of non-core assets (land) and efficiency plans. ICEM’s current valuation at 13x FY26E EV/EBITDA appears expensive. **We reiterate our Sell rating with a TP of INR160, premised on 11x FY26E EV/EBITDA.**

**Standalone quarterly performance**

(INR b)

| Y/E March                    | FY23         |              |              |              | FY24         |              |              |              | FY23         | FY24         | FY24         | Var. (%)     |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                              | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           | 4QE          |              |              |              |
| Sales Volumes (mt)           | 2.7          | 2.3          | 2.2          | 2.8          | 2.7          | 2.4          | 2.0          | 2.4          | 9.9          | 9.5          | 2.8          | (12)         |
| Change (YoY %)               | 37.4         | (4.5)        | 3.5          | 4.8          | (0.2)        | 5.1          | (9.0)        | (12.5)       | 9.1          | (4.4)        | (0.4)        |              |
| <b>Realization (INR/ton)</b> | <b>5,413</b> | <b>5,566</b> | <b>5,589</b> | <b>5,244</b> | <b>5,225</b> | <b>5,157</b> | <b>5,450</b> | <b>5,112</b> | <b>5,439</b> | <b>5,226</b> | <b>5,137</b> | (0)          |
| Change (YoY %)               | 3.0          | 10.4         | 6.3          | 0.1          | (3.5)        | (7.4)        | (2.5)        | (2.5)        | 4.7          | (3.9)        | (2.0)        |              |
| Change (QoQ %)               | 3.3          | 2.8          | 0.4          | (6.2)        | (0.4)        | (1.3)        | 5.7          | (6.2)        |              |              | (5.8)        |              |
| <b>Net Sales</b>             | <b>14.5</b>  | <b>12.5</b>  | <b>12.2</b>  | <b>14.6</b>  | <b>13.9</b>  | <b>12.2</b>  | <b>10.8</b>  | <b>12.5</b>  | <b>53.8</b>  | <b>49.4</b>  | <b>14.2</b>  | <b>14.5</b>  |
| Change (YoY %)               | 41.4         | 5.4          | 10.0         | 4.9          | (3.7)        | (2.6)        | (11.3)       | (14.7)       | 14.2         | (8.1)        | (2.5)        | 41.4         |
| <b>EBITDA</b>                | <b>0.3</b>   | <b>(0.9)</b> | <b>(0.7)</b> | <b>(0.4)</b> | <b>0.1</b>   | <b>0.1</b>   | <b>0.5</b>   | <b>0.5</b>   | <b>(1.7)</b> | <b>1.1</b>   | <b>0.5</b>   | <b>0.3</b>   |
| Margin (%)                   | 2.1          | (7.3)        | (5.7)        | (3.0)        | 0.4          | 0.7          | 4.5          | 3.8          | (3.2)        | 2.2          | 3.3          | 2.1          |
| Depreciation                 | 0.5          | 0.5          | 0.5          | 0.5          | 0.5          | 0.5          | 0.6          | 0.6          | 2.1          | 2.2          | 0.6          | 0.5          |
| Interest                     | 0.6          | 0.7          | 0.6          | 0.5          | 0.6          | 0.6          | 0.6          | 0.6          | 2.3          | 2.4          | 0.6          | 0.6          |
| Other Income                 | 0.1          | 0.0          | 0.0          | 0.2          | 0.1          | 0.1          | 0.2          | 0.2          | 0.3          | 0.5          | 0.1          | 0.1          |
| <b>PBT before EO expense</b> | <b>(0.7)</b> | <b>(2.1)</b> | <b>(1.8)</b> | <b>(1.3)</b> | <b>(1.0)</b> | <b>(1.0)</b> | <b>(0.5)</b> | <b>(0.5)</b> | <b>(5.9)</b> | <b>(3.0)</b> | <b>(0.6)</b> | <b>(0.7)</b> |
| Extra-Ord. expense           | -            | -            | (2.9)        | 1.1          | -            | -            | (0.3)        | (0.2)        | (1.8)        | (0.4)        | -            | -            |
| <b>PBT</b>                   | <b>(0.7)</b> | <b>(2.1)</b> | <b>1.1</b>   | <b>(2.4)</b> | <b>(1.0)</b> | <b>(1.0)</b> | <b>(0.2)</b> | <b>(0.3)</b> | <b>(4.1)</b> | <b>(2.5)</b> | <b>(0.6)</b> | <b>(0.7)</b> |
| Tax                          | (1.5)        | (0.7)        | 0.2          | (0.2)        | (0.2)        | (0.2)        | (0.1)        | (0.0)        | (2.2)        | (0.5)        | (0.1)        | (1.5)        |
| Rate (%)                     | 205.7        | 33.5         | 20.5         | 10.1         | 23.9         | 17.6         | 31.3         | 10.9         | 53.7         | 20.5         | 12.4         | 205.7        |
| <b>Reported PAT</b>          | <b>0.8</b>   | <b>(1.4)</b> | <b>0.9</b>   | <b>(2.2)</b> | <b>(0.8)</b> | <b>(0.8)</b> | <b>(0.2)</b> | <b>(0.3)</b> | <b>(1.9)</b> | <b>(2.0)</b> | <b>(0.5)</b> | <b>0.8</b>   |
| Tax                          | (1.5)        | -            | -            | (0.2)        | -            | -            | -            | -            | (1.7)        | -            | -            | (1.5)        |
| <b>Adj. PAT</b>              | <b>(0.7)</b> | <b>(1.4)</b> | <b>(1.4)</b> | <b>(1.2)</b> | <b>(0.8)</b> | <b>(0.8)</b> | <b>(0.3)</b> | <b>(0.4)</b> | <b>(4.7)</b> | <b>(2.3)</b> | <b>(0.5)</b> | <b>(0.7)</b> |
| Change (YoY %)               | NM           | NM           | NM           | NM           | NM           | NM           | NM           | NM           | NM           | NM           | NM           | NM           |
| Margin (%)                   | (5.0)        | (11.0)       | (11.7)       | (7.9)        | (5.4)        | (6.7)        | (3.2)        | (3.5)        | (8.7)        | (4.7)        | (3.4)        | (5.0)        |

**Per tonne analysis**

(INR/t)

|                      |              |              |              |              |              |              |              |              |              |              |              |     |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----|
| RM Cost              | 769          | 1,042        | 945          | 1,043        | 1,068        | 918          | 989          | 930          | 947          | 978          | 919          | 1   |
| Employee Expenses    | 340          | 394          | 443          | 294          | 345          | 416          | 434          | 402          | 362          | 396          | 391          | 3   |
| Power, Oil, and Fuel | 2,370        | 2,709        | 2,602        | 2,211        | 2,046        | 1,942        | 1,863        | 1,891        | 2,454        | 1,942        | 1,886        | 0   |
| Freight cost         | 1,199        | 1,145        | 1,158        | 1,160        | 1,104        | 1,054        | 1,085        | 1,034        | 1,167        | 1,070        | 1,093        | (5) |
| Other Expenses       | 619          | 681          | 759          | 696          | 643          | 793          | 832          | 663          | 686          | 725          | 676          | (2) |
| <b>Total Expense</b> | <b>5,297</b> | <b>5,971</b> | <b>5,907</b> | <b>5,404</b> | <b>5,206</b> | <b>5,122</b> | <b>5,203</b> | <b>4,920</b> | <b>5,615</b> | <b>5,111</b> | <b>4,965</b> | (1) |
| <b>EBITDA</b>        | <b>115</b>   | <b>(405)</b> | <b>(319)</b> | <b>(160)</b> | <b>19</b>    | <b>34</b>    | <b>247</b>   | <b>192</b>   | <b>-176</b>  | <b>115</b>   | <b>171</b>   | 12  |
| YoY (%)              | (86.2)       | NM           | NM           | NM           | (83.6)       | NM           | NM           | NM           | NM           | NM           | NM           |     |



BSE SENSEX 74,006 S&P CNX 22,502

**CMP: INR279**

**Buy**

**Conference Call Details**



**Date:** 21 May 2024  
**Time:** 15.30pm IST  
**Dial-in details:** [\[Link\]](#)

**EBITDA in line; PAT above amid lower than expected dry-well write offs**

- Crude oil sales stood at 4.7mmt in 4QFY24, while gas sales came in at 3.8bcm (both marginally below). VAP sales stood at 622tmt (our est. of 590tmt).
- ONGC's reported oil realization was in line with our est. at USD80.8/bbl (+5% YoY).
- EBITDA came in 3% below our est. at INR174b (+7% YoY), while PAT was INR99b (our est. of INR87b). The outperformance at the PAT level was a function of depreciation and dry-well write offs coming in below our expectations. Operating performance was also boosted by inventory gain of Rs 9bn.
- ONGC has declared a final dividend of INR2.5 per share, in addition to the INR9.75 per share declared earlier in FY24.
- OVL's oil production declined 2% QoQ to 1.78mmt, while gas production was 0.843bcm in 4QFY24 (-2% QoQ).
- Crude oil sales stood at 1.184mmt (-3% YoY), while gas sales came in at 0.444bcm (-15% YoY).
- OVL's revenue was INR20.8b (-15% YoY), PBDT stood at INR18.8b (+106% YoY).

**Standalone - Quarterly Earning Model**

(INR b)

| Y/E March                          | FY23         |              |              |              | FY24         |              |              |              | Var. (%)     | YoY (%) | QoQ (%) |       |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|---------|-------|
|                                    | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4QE          |              |         |         | 4QAct |
| <b>Net Sales</b>                   | <b>423.2</b> | <b>383.2</b> | <b>385.8</b> | <b>362.9</b> | <b>338.1</b> | <b>351.6</b> | <b>347.9</b> | <b>348.8</b> | <b>346.4</b> | -1%     | -5%     | 0%    |
| YoY Change (%)                     | 83.8         | 57.4         | 35.5         | 5.2          | -20.1        | -8.2         | -9.8         | -3.9         | -4.6         |         |         |       |
| <b>EBITDA</b>                      | <b>259.3</b> | <b>188.1</b> | <b>204.1</b> | <b>163.4</b> | <b>194.5</b> | <b>183.6</b> | <b>171.6</b> | <b>180.1</b> | <b>174.1</b> | -3%     | 7%      | 1%    |
| Margin (%)                         | 61.3         | 49.1         | 52.9         | 45.0         | 57.5         | 52.2         | 49.3         | 51.6         | 50.3         |         |         |       |
| Depreciation                       | 57.1         | 53.1         | 64.6         | 93.0         | 67.0         | 59.6         | 74.1         | 87.5         | 71.9         |         |         |       |
| Interest                           | 6.4          | 6.7          | 6.9          | 7.1          | 10.1         | 10.2         | 10.2         | 10.5         | 10.3         |         |         |       |
| Other Income                       | 7.6          | 35.3         | 14.1         | 19.3         | 16.1         | 20.9         | 34.0         | 34.3         | 36.8         |         |         |       |
| <b>PBT</b>                         | <b>203.4</b> | <b>163.6</b> | <b>146.7</b> | <b>-9.8</b>  | <b>133.6</b> | <b>134.7</b> | <b>121.3</b> | <b>116.3</b> | <b>128.6</b> | 11%     | LP      | 6%    |
| Tax                                | 51.4         | 35.3         | 36.3         | -7.3         | 33.5         | 32.6         | 26.0         | 29.3         | 29.9         |         |         |       |
| Rate (%)                           | 25.3         | 21.6         | 24.7         | 74.7         | 25.0         | 24.2         | 21.4         | 25.2         | 23.3         |         |         |       |
| <b>Reported PAT</b>                | <b>152.1</b> | <b>128.3</b> | <b>110.4</b> | <b>-2.5</b>  | <b>100.2</b> | <b>102.2</b> | <b>95.4</b>  | <b>87.0</b>  | <b>98.7</b>  | 13%     | LP      | 3%    |
| <b>Adj. PAT</b>                    | <b>152.1</b> | <b>128.3</b> | <b>110.4</b> | <b>61.8</b>  | <b>100.2</b> | <b>102.2</b> | <b>95.4</b>  | <b>87.0</b>  | <b>98.7</b>  | 13%     | 60%     | 3%    |
| YoY Change (%)                     | 250.8        | 50.9         | 26.0         | -30.3        | -34.1        | -20.3        | -13.7        | 40.8         | 59.8         |         |         |       |
| Margin (%)                         | 35.9         | 33.5         | 28.6         | 17.0         | 29.6         | 29.1         | 27.4         | 24.9         | 28.5         |         |         |       |
| <b>Key Assumptions (USD/bbl)</b>   |              |              |              |              |              |              |              |              |              |         |         |       |
| Oil Realization (pre windfall tax) | 108.5        | 95.5         | 87.1         | 77.1         | 76.5         | 84.8         | 81.6         | 80.8         | 80.8         | 0%      | 5%      | -1%   |
| Crude oil sold (mmt)               | 5.0          | 4.8          | 4.7          | 4.7          | 4.7          | 4.7          | 4.7          | 4.9          | 4.7          | -4%     | 0%      | -1%   |
| Gas sold (bcm)                     | 4.1          | 4.2          | 4.2          | 4.1          | 4.1          | 4.0          | 4.0          | 4.0          | 3.8          | -5%     | -7%     | -4%   |
| VAP sold (tmt)                     | 671.0        | 640.0        | 599.0        | 613.0        | 589.0        | 651.0        | 573.0        | 589.8        | 622.0        | 5%      | 1%      | 9%    |

|                   |                    |
|-------------------|--------------------|
| <b>BSE SENSEX</b> | <b>S&amp;P CNX</b> |
| 74,006            | 22,502             |

**CMP: INR647**

**Buy**

**Analyst meet on 28 May'24**  
[Analyst meet details](#)

**Miss on Ebitda but PAT in line**

- Revenue was in line with our estimates at INR57.6b (+2% YoY).
- Oil sales stood at 0.84mmt (our estimate of 0.83mmt, +10% YoY). Gas sales stood at 0.65bcm (our estimate of 0.68bcm, +10% YoY).
- Oil realization, net of windfall tax, was USD78.8/bbl (our estimate of USD77.6/bbl, +4% YoY).
- EBITDA was 21% below our estimate at INR23.4b (-1% YoY) mainly due to higher-than-expected operating expenses.
- However, reported PAT of INR20.3b beat our estimate of INR19.7b (+13% YoY) due to higher-than-expected other income and lower-than-expected tax rate, depreciation and interest costs.
- Numaligarh refinery performance: PBT from refining products declined to INR8.9b QoQ (vs. INR11.3b in 3QFY24), driven by lower crude throughput and flat distillate yield QoQ.
- GRM stood at ~USD13.3/bbl in 4QFY24 (vs. USD12.7/bbl in 3QFY24).
- **For FY24**, revenue stood at INR221.3b (-5% YoY), EBITDA at INR92.6b (-4% YoY), and Adj. PAT at INR71.4b (+5% YoY).
- Crude oil sales stood at 3.3mmt (+7% YoY), while gas sales were flat YoY at 2.5bcm.
- Net realization stood at USD75.7/bbl (-11% YoY).
- The board has recommended the issuance of a bonus share in the ratio 1:2. It has also recommended a dividend of INR3.75/share (pre-bonus), i.e., 37.5% of FV.

**Standalone Quarterly Performance (INR m)**

| Y/E March                        | FY23   |        |        |        | FY24   |        |        |        |        | Var. (%) | YoY (%) | QoQ (%) |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|---------|---------|
|                                  | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     | 4QAct  |          |         |         |
| <b>Net Sales</b>                 | 59,641 | 57,760 | 58,794 | 56,462 | 46,447 | 59,133 | 58,150 | 57,086 | 57,567 | 1%       | 2%      | -1%     |
| Change (%)                       | 98.6   | 74.4   | 57.3   | 26.1   | -22.1  | 2.4    | -1.1   | 1.1    | 2.0    |          |         |         |
| <b>EBITDA</b>                    | 26,329 | 18,482 | 28,553 | 23,476 | 23,289 | 24,885 | 21,058 | 29,468 | 23,357 | -21%     | -1%     | 11%     |
| % of Net Sales                   | 44.1   | 32.0   | 48.6   | 41.6   | 50.1   | 42.1   | 36.2   | 51.6   | 40.6   |          |         |         |
| Change (%)                       | 114.1  | 102.3  | 125.3  | 19.9   | -11.5  | 34.6   | -26.2  | 25.5   | -0.5   |          |         |         |
| D,D&A                            | 3,868  | 4,236  | 4,536  | 3,309  | 3,974  | 4,234  | 4,992  | 5,527  | 4,551  |          |         |         |
| Interest                         | 2,042  | 2,113  | 2,010  | 1,077  | 1,659  | 2,235  | 1,814  | 2,663  | 1,893  |          |         |         |
| OI (incl. Oper. other inc.)      | 658    | 8,949  | 1,022  | 4,294  | 3,341  | 7,092  | 5,080  | 4,512  | 8,332  |          |         |         |
| <b>PBT before exceptional</b>    | 21,077 | 21,081 | 23,029 | 23,383 | 20,997 | 25,509 | 19,331 | 25,789 | 25,244 | -2%      | 8%      | 31%     |
| Exceptional item                 | 0      | 0      | 0      | 0      | 0      | 23,627 | 0      | 0      | 0      |          |         |         |
| <b>PBT after exceptional</b>     | 21,077 | 21,081 | 23,029 | 23,383 | 20,997 | 1,882  | 19,331 | 25,789 | 25,244 | -2%      | 8%      | 31%     |
| Tax                              | 5,522  | 3,876  | 5,568  | 5,501  | 4,863  | -1,372 | 3,489  | 6,123  | 4,956  |          |         |         |
| Rate (%)                         | 26.2   | 18.4   | 24.2   | 23.5   | 23.2   | -5.4   | 18.0   | 23.7   | 19.6   |          |         |         |
| <b>PAT</b>                       | 15,555 | 17,205 | 17,461 | 17,883 | 16,134 | 3,253  | 15,843 | 19,666 | 20,288 | 3%       | 13%     | 28%     |
| Change (%)                       | 206.2  | 241.1  | 40.3   | 9.7    | 3.7    | -81.1  | -9.3   | 10.0   | 13.5   |          |         |         |
| <b>Adj. PAT</b>                  | 15,555 | 17,205 | 17,461 | 17,883 | 16,134 | 19,088 | 15,843 | 19,666 | 20,288 | 3%       | 13%     | 28%     |
| Change (%)                       | 206.2  | 241.1  | 40.3   | 9.7    | 3.7    | 10.9   | -9.3   | 10.0   | 13.5   |          |         |         |
| <b>Key Assumptions (USD/bbl)</b> |        |        |        |        |        |        |        |        |        |          |         |         |
| Oil sales (mmt)                  | 0.76   | 0.78   | 0.77   | 0.77   | 0.75   | 0.85   | 0.85   | 0.83   | 0.84   | 1%       | 10%     | -1%     |
| Gas sales (bcm)                  | 0.59   | 0.66   | 0.61   | 0.59   | 0.54   | 0.65   | 0.68   | 0.68   | 0.65   | -4%      | 10%     | -4%     |
| <b>Net Oil Realization</b>       | 112.7  | 74.7   | 77.1   | 76.1   | 74.3   | 75.5   | 74.3   | 77.6   | 78.8   | 2%       | 4%      | 6%      |

## Deepak Nitrite

BSE SENSEX  
74,006S&P CNX  
22,502

CMP: INR2,488

Neutral

## Conference Call Details

**Date:** 22<sup>nd</sup> May 2024**Time:** 1430hours IST**Dial-in details:**

+91 22 6280 1259

+91 22 7115 8160

## EBITDA miss due to higher RM costs and other expenses

- Revenue stood at INR21.3b (our est. INR20.3b, up 8% YoY), including incentive income of INR230.9m.
- EBITDA was INR3b (our est. of INR3.2b, down 13% YoY); adj. for incentive income, EBITDA stood at INR2.8b (down 20% YoY).
- Gross margin came in at 30.7% (down 420bp YoY), while EBITDAM stood at 14.2% (vs. 17.7% in 4QFY23).
- Reported PAT stood at INR2.5b (our est. of INR2.1b, up 9% YoY).
- However, adj. PAT stood at INR2b (7% below our estimate)- INR798m has been recorded as an exceptional item related to the settlement of a fire claim in Mar'24 and also the company received approval from the insurance company for the loss of profit due to "business interruption."

## Segmental EBIT details

- Phenolics EBIT margin stood at 14.1%, with EBIT at INR2.1b. Advanced Intermediates (AI) EBIT margin came in at 20%, with EBIT at INR1.3b.
- Revenue mix of Phenolics stood at 69% in 4QFY24, with AI share at 31%. EBIT mix for AI was at 39% (vs. 44% in 4QFY23), with the contribution of Phenolics at 61% (vs. 56% in 4QFY23).

## Other highlights

- On 20th Mar'24, DN raised its equity stake in Deepak Oman Industries (SFZ) LLC (DOIL) from 31.7% to 51% for a consideration of INR107m. DOIL has been treated as an associate of the company till 19th Mar'24 and subsequently a subsidiary.
- Deepak Chem Tech (DCTL) has commenced manufacturing operations of fluorination plant in Mar'24 at Dahej.
- It has also commenced production of speciality salts for niche application in chemicals and petchem industry at Sankarda, Vadodara.
- The above businesses are part of the AI segment.
- The board has approved the acquisition of OXOC Chemicals for INR100k. OXOC will become a wholly owned subsidiary of DN.
- OXOC manufactures polycarbonate (PC) compounds and has started mfg. activities in Mar'24 (turnover of INR606k in FY24). This would expedite the foray of DN into the PC compounds business.
- The acquisition would be completed by Jul'24 end.
- The directors and their relatives hold 100% shareholding in OXOC, but the transaction is being done at arm's length.
- **For FY24**, revenue stood at INR76.8b (down 4% YoY), EBITDA at INR11.2b (down 13% YoY) and reported PAT at INR8.1b (down 5% YoY). However, adj. PAT was INR7.5b (-12% YoY). EBITDAM stood at 14.6% (down 160bp YoY).
- Phenolics EBIT stood at INR6.4b (up 8% YoY) with margin at 12.9% (up 90bp YoY). EBIT in the AI segment stood at INR4.5b (down 20% YoY) with margin at 16.4% (down 190bp YoY).
- The board has declared a final dividend of INR7.5/share for FY24.

**Consolidated - Quarterly Snapshot**

(INR m)

| Y/E March                        | FY23          |               |               |               | FY24          |               |               |               |               | Var. (%) | YoY (%) | QoQ (%) |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|---------|---------|
|                                  | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           | 4QAct         |          |         |         |
| <b>Gross Sales</b>               | <b>20,580</b> | <b>19,617</b> | <b>19,911</b> | <b>19,614</b> | <b>17,683</b> | <b>17,781</b> | <b>20,092</b> | <b>20,326</b> | <b>21,262</b> | 5%       | 8%      | 6%      |
| <i>YoY Change (%)</i>            | 34.8          | 16.7          | 15.6          | 4.8           | -14.1         | -9.4          | 0.9           | 3.6           | 8.4           |          |         |         |
| <i>Gross Margin (%)</i>          | 33.9%         | 30.2%         | 32.8%         | 34.8%         | 30.8%         | 34.4%         | 31.7%         | 32.4%         | 30.7%         | -1.8%    | -4.2%   | -1.0%   |
| <b>EBITDA</b>                    | <b>3,560</b>  | <b>2,709</b>  | <b>3,146</b>  | <b>3,480</b>  | <b>2,098</b>  | <b>3,023</b>  | <b>3,047</b>  | <b>3,186</b>  | <b>3,011</b>  | -5%      | -13%    | -1%     |
| <i>Margin (%)</i>                | 17.3          | 13.8          | 15.8          | 17.7          | 11.9          | 17.0          | 15.2          | 15.7          | 14.2          | -1.5     | -3.6    | -1.0    |
| Depreciation                     | 419           | 424           | 411           | 409           | 381           | 394           | 417           | 421           | 465           |          |         |         |
| Interest                         | 86            | 59            | 58            | 45            | 18            | 27            | 29            | 48            | 44            |          |         |         |
| Other Income                     | 96            | 120           | 134           | 126           | 319           | 170           | 136           | 134           | 191           |          |         |         |
| <b>PBT before EO expense</b>     | <b>3,151</b>  | <b>2,346</b>  | <b>2,810</b>  | <b>3,152</b>  | <b>2,017</b>  | <b>2,772</b>  | <b>2,736</b>  | <b>2,850</b>  | <b>2,694</b>  | -5%      | -15%    | -2%     |
| Extra-Ord expense                | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | -798          |          |         |         |
| <b>PBT</b>                       | <b>3,151</b>  | <b>2,346</b>  | <b>2,810</b>  | <b>3,152</b>  | <b>2,017</b>  | <b>2,772</b>  | <b>2,736</b>  | <b>2,850</b>  | <b>3,492</b>  | 23%      | 11%     | 28%     |
| Tax                              | 805           | 601           | 720           | 813           | 518           | 721           | 715           | 743           | 953           |          |         |         |
| <i>Rate (%)</i>                  | 25.5          | 25.6          | 25.6          | 25.8          | 25.7          | 26.0          | 26.1          | 26.1          | 27.3          |          |         |         |
| <b>Reported PAT</b>              | <b>2,346</b>  | <b>1,745</b>  | <b>2,091</b>  | <b>2,339</b>  | <b>1,499</b>  | <b>2,051</b>  | <b>2,020</b>  | <b>2,107</b>  | <b>2,538</b>  | 20%      | 9%      | 26%     |
| <b>Adj PAT</b>                   | <b>2,346</b>  | <b>1,745</b>  | <b>2,091</b>  | <b>2,339</b>  | <b>1,499</b>  | <b>2,051</b>  | <b>2,020</b>  | <b>2,107</b>  | <b>1,958</b>  | -7%      | -16%    | -3%     |
| <i>YoY Change (%)</i>            | -22.5         | -31.4         | -13.8         | -12.5         | -36.1         | 17.5          | -3.4          | -9.9          | -16.3         |          |         |         |
| <i>Margin (%)</i>                | 11.4          | 8.9           | 10.5          | 11.9          | 8.5           | 11.5          | 10.1          | 10.4          | 9.2           | -1.2     | -2.7    | -0.8    |
| <b>Segmental Revenue (INR m)</b> |               |               |               |               |               |               |               |               |               |          |         |         |
| Advanced Intermediates           | 7,300         | 6,853         | 8,178         | 8,005         | 7,083         | 6,702         | 6,743         | 5,257         | 6,711         | 28%      | -16%    | 0%      |
| Phenolic                         | 13,349        | 12,841        | 11,816        | 11,699        | 10,679        | 11,201        | 13,493        | 15,219        | 14,661        | -4%      | 25%     | 9%      |
| <b>Segmental EBIT (INR m)</b>    |               |               |               |               |               |               |               |               |               |          |         |         |
| Advanced Intermediates           | 1,327         | 1,384         | 1,475         | 1,365         | 1,149         | 1,034         | 937           | 619           | 1,339         | 116%     | -2%     | 43%     |
| Phenolic                         | 1,877         | 1,027         | 1,270         | 1,770         | 876           | 1,704         | 1,798         | 1,622         | 2,061         | 27%      | 16%     | 15%     |
| <b>Segmental EBIT Margin (%)</b> |               |               |               |               |               |               |               |               |               |          |         |         |
| Advanced Intermediates           | 18.2%         | 20.2%         | 18.0%         | 17.1%         | 16.2%         | 15.4%         | 13.9%         | 11.8%         | 20.0%         | 8.2%     | 2.9%    | 6.1%    |
| Phenolics                        | 14.1%         | 8.0%          | 10.7%         | 15.1%         | 8.2%          | 15.2%         | 13.3%         | 10.7%         | 14.1%         | 3.4%     | -1.1%   | 0.7%    |

BSE SENSEX  
74,006S&P CNX  
22,502

CMP: INR169

Neutral

## Conference Call Details

**Date:** 21 May 2024**Time:** 12:00 pm IST**Registration:**[Diamond Pass](#)**Dial in:**

+91 22 6280 1123

+91 22 7115 8024

## Revenue in line; EBITDA and APAT below estimates

- In 4QFY24, SAIL received a one-time revenue and EBITDA gain of INR19b related to a rail price revision for FY22 (INR17b on account of upward revision of provisional rail prices with effect from 1st Apr'22 and INR1.9b provided as per the recommendation of the Joint Pricing Committee toward rail prices for FY22, which is pending for approval of the Railway Board). **For a like-to-like comparison, we have adjusted 4QFY24 financials by excluding this one-time gain.**
- SAIL reported 4Q revenue of INR261b, in line with our estimate. ASP stood at INR55,682/t (+11% YoY/-9% QoQ) vs. our estimate of INR59,021/t.
- EBITDA declined 46% YoY and 21% QoQ to INR16b, below our estimate of INR19b. Lower realization and higher costs impacted EBITDA.
- APAT came in at INR1.2b, down 90% YoY and 65% QoQ, vs. our estimate of INR1.7b.
- The company's five major plants reported a net profit, while its alloy steel plants, VISP and Salem, reported operating losses during 4QFY24 and FY24.
- Crude steel production stood at 4.95mt (flat YoY/+3% QoQ) vs. our estimate of 4.2mt. Sales volume stood at 4.7mt (flat YoY/+23% QoQ), 6% above our estimate of 4.4mt.
- In FY24, SAIL received a one-time revenue and EBITDA gain of INR17.5b in 2QFY24 and INR19b in 4QFY24 related to rail price revision. For a like-to-like comparison, we have adjusted the same during 2QFY24, 4QFY24 and FY24 financials by excluding this one-time gain.
- In FY24, revenue stood at INR1,017b (-3% YoY), EBITDA stood at INR75b (-7% YoY) and APAT stood at INR10b (-47% YoY).
- SAIL achieved crude steel production of 18.8mt and sales of 17.2mt in FY24.

**SAIL Consolidated Quarterly Performance (INR b)**

| Y/E March   | FY23   |        |        |        | FY24   |        |        |        | FY23   | FY24   | FY24   | vs Est |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |        |        |        |        |
| Production (m tons)                                       | 4.1    | 4.1    | 4.4    | 4.7    | 4.4    | 4.8    | 4.6    | 5.0    | 17.2   | 18.8   | 4.2    | 18     |
| Change (YoY %)  | 8.2    | -5.1   | 0.8    | 5.9    | 8.0    | 17.5   | 5.0    | 5.3    | 2.3    | 8.7    |        |        |
| Sales (m tons)  | 3.2    | 4.2    | 4.2    | 4.7    | 3.9    | 4.8    | 3.8    | 4.7    | 16.2   | 17.2   | 4.4    | 6      |
| Change (YoY %)  | -5.2   | -1.6   | 8.1    | -0.6   | 23.1   | 14.0   | -8.5   | -0.0   | 0.2    | 6.0    |        |        |
| Realization (INR per ton)                                 | 76,185 | 62,328 | 60,328 | 62,232 | 62,717 | 58,256 | 61,444 | 55,682 | 64,486 | 59,269 | 59,021 | -6     |
| Change (YoY %)  | 22.8   | -0.5   | -8.2   | -4.7   | -17.7  | -6.5   | 1.8    | -10.5  | 0.7    | -8.1   |        |        |
| <b>Net Sales</b>  | 240    | 262    | 250    | 291    | 244    | 280    | 233    | 261    | 1,044  | 1,017  | 261    | 0      |
| Change (YoY %)  | 16.4   | -2.2   | -0.8   | -5.3   | 1.4    | 6.5    | -6.8   | -10.5  | 0.9    | -2.6   |        |        |
| Change (QoQ %)  | -21.9  | 9.2    | -4.6   | 16.3   | -16.4  | 14.8   | -16.5  | 11.6   |        |        |        |        |
| Total Expenditure   | 217    | 255    | 230    | 262    | 227    | 258    | 212    | 245    | 964    | 942    |        |        |
| <b>EBITDA</b>   | 23     | 7      | 21     | 29     | 16     | 21     | 21     | 16     | 80     | 75     | 19     | -15    |
| Change (YoY %)  | -64.9  | -89.6  | -39.1  | -33.0  | -28.4  | 189.2  | 3.1    | -45.8  | -62.4  | -6.7   |        |        |
| Change (QoQ %)  | -47.1  | -68.1  | 182.7  | 40.7   | -43.6  | 28.9   | 0.8    | -26.1  |        |        |        |        |
| EBITDA per ton (INR)                                      | 7,297  | 1,746  | 5,007  | 6,247  | 4,245  | 4,429  | 5,638  | 3,384  | 4,964  | 4,370  | 4,211  | -20    |
| Interest  | 4      | 5      | 6      | 5      | 6      | 6      | 6      | 6      | 20     | 25     |        |        |
| Depreciation  | 12     | 12     | 12     | 14     | 13     | 13     | 13     | 14     | 50     | 53     |        |        |
| Other Income  | 2      | 4      | 1      | 3      | 5      | 1      | 1      | 3      | 10     | 11     |        |        |
| <b>PBT (before EO Inc.)</b>                               | 9      | -6     | 3      | 13     | 2      | 3      | 4      | -1     | 20     | 8      |        |        |
| EO Income(exp)  | 0      | 0      | 3      | -0     | 0      | 13     | 1      | 14     | 3      | 28     |        |        |
| <b>PBT (after EO Inc.)</b>                                | 9      | -6     | 6      | 13     | 2      | 17     | 4      | 13     | 22     | 36     |        |        |
| Total Tax   | 2      | -1     | 2      | 4      | 1      | 5      | 1      | 3      | 7      | 10     |        |        |
| % Tax   | 26.9   | 20.3   | 29.9   | 31.3   | 33.7   | 27.7   | 32.7   | 24.4   | 31.9   | 27.5   |        |        |
| <b>PAT before MI/sh. of Asso./pr. on invest</b>           | 7      | -4     | 4      | 9      | 1      | 12     | 3      | 10     | 15     | 26     |        |        |
| Share of Asso/JV/profit on investments                    | 1      | 1      | 1      | 3      | 1      | 1      | 1      | 1      | 6      | 4      |        |        |
| <b>Reported PAT (after MI/sh. of Asso./pr. on invest)</b> | 8      | -3     | 5      | 12     | 2      | 13     | 4      | 11     | 22     | 31     |        |        |
| <b>Adjusted PAT</b>                                       | 8      | -3     | 2      | 12     | 2      | 3      | 3      | 1      | 19     | 10     | 2      | -28    |
| Change (YoY %)  | -79.8  | PL     | LP     | -53.5  | -73.6  | LP     | 42.1   | -90.0  | -84.8  | -46.6  |        |        |
| Change (QoQ %)  | -65.6  | PL     | LP     | 392.1  | -82.3  | 62.3   | 0.5    | -65.4  |        |        |        |        |
| Off Book Adj (if any)                                     | 0.00   | 0.00   | 0.00   | 0.0    | 0.00   | 0.00   | 0.00   | 0.0    | 0.00   | 0.0    |        |        |

**Note:** 2QFY24 and 4Q FY24 financials have been adjusted by excluding one-time revenue and EBITDA benefit recognized due to rail price revision (INR17.5b in 2Q FY24 and INR19b in 4Q FY24), Estimates are under review since we will revise them after the earnings call



# VRL Logistics

BSE SENSEX 74,006  
S&P CNX 22,502

**CMP: INR591**

**Buy**

## Conference Call Details



**Date:** 21<sup>st</sup> May 2024

**Time:** 12:30 PM IST

**Dial-in details:**

[Link](#)

### Financials & Valuations (INR b)

| Y/E MARCH         | 2024  | 2025E | 2026E |
|-------------------|-------|-------|-------|
| Sales             | 28.9  | 32.8  | 38.0  |
| EBITDA            | 3.9   | 4.5   | 5.4   |
| Adj. PAT          | 0.9   | 1.5   | 2.1   |
| EBITDA Margin (%) | 13.6  | 13.7  | 14.3  |
| Adj. EPS (INR)    | 10.0  | 17.1  | 24.0  |
| EPS Gr. (%)       | -46.7 | 70.2  | 40.6  |
| BV/Sh. (INR)      | 115.6 | 122.8 | 136.9 |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | 0.2  | 0.2  | 0.2  |
| RoE (%)    | 9.4  | 14.3 | 18.5 |
| RoCE (%)   | 11.3 | 14.2 | 17.9 |
| Payout (%) | 49.4 | 58.0 | 41.3 |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 58.9 | 34.6 | 24.6 |
| P/BV (x)       | 5.1  | 4.8  | 4.3  |
| EV/EBITDA(x)   | 13.8 | 11.9 | 9.9  |
| Div. Yield (%) | 0.8  | 1.7  | 1.7  |
| FCF Yield (%)  | 0.3  | 2.7  | 5.1  |

## Performance in line with our estimates

### Earnings snapshot – 4QFY24

- Revenue grew 10% YoY to ~INR7.7b (+4% QoQ), in line with our estimate.
- During 4QFY24, tonnage handled stood at 1.13m tonnes (+9.6% YoY).
- EBITDA margin was 13.7% against our estimate of 13.3%. EBITDA stood at INR1.05b (in line with our estimate of INR 1.03b).
- APAT declined 64% YoY to INR215m (vs. our estimate of INR218m).
- The company added 83 branches (net addition) during the quarter.
- During FY24**, revenue grew 9% YoY to INR28.9b. EBITDA margin stood at 13.6%. APAT declined 47% YoY to INR886m.

### Quarterly performance

| Y/E March (INR m)            | FY23         |              |              |              | FY24         |              |              |              | FY23          | FY24          | FY24         | Var. vs Est |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|-------------|
|                              | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |               |               |              |             |
| <b>Net Sales</b>             | <b>6,143</b> | <b>6,545</b> | <b>6,815</b> | <b>6,982</b> | <b>6,742</b> | <b>7,093</b> | <b>7,367</b> | <b>7,684</b> | <b>26,485</b> | <b>28,886</b> | <b>7,733</b> | <b>(1)</b>  |
| YoY Change (%)               | 48.5         | 2.8          | 13.3         | 17.6         | 9.7          | 8.4          | 8.1          | 10.1         | 17.9          | 9.1           | 10.8         |             |
| <b>EBITDA</b>                | <b>913</b>   | <b>930</b>   | <b>1,033</b> | <b>1,141</b> | <b>1,019</b> | <b>918</b>   | <b>944</b>   | <b>1,053</b> | <b>4,017</b>  | <b>3,935</b>  | <b>1,028</b> | <b>2</b>    |
| Margins (%)                  | 14.9         | 14.2         | 15.2         | 16.3         | 15.1         | 12.9         | 12.8         | 13.7         | 15.2          | 13.6          | 13.3         |             |
| YoY Change (%)               | 153.0        | -17.9        | -12.1        | -0.7         | 11.7         | -1.3         | -8.6         | -7.7         | 5.2           | -2.0          | -9.9         |             |
| Depreciation                 | 334          | 384          | 421          | 453          | 489          | 522          | 568          | 583          | 1,591         | 2,162         | 569          |             |
| Interest                     | 120          | 139          | 151          | 133          | 163          | 185          | 213          | 218          | 543           | 779           | 210          |             |
| Other Income                 | 30           | 22           | 45           | 47           | 89           | 60           | 24           | 38           | 143           | 211           | 42           |             |
| <b>PBT before EO expense</b> | <b>488</b>   | <b>429</b>   | <b>506</b>   | <b>602</b>   | <b>456</b>   | <b>271</b>   | <b>187</b>   | <b>291</b>   | <b>2,025</b>  | <b>1,205</b>  | <b>291</b>   |             |
| Extra-Ord expense            | -134         | 0            | -114         | -1,322       | 0            | -3           | 0            | 0            | -1,571        | -3            | 0            |             |
| <b>PBT</b>                   | <b>622</b>   | <b>429</b>   | <b>620</b>   | <b>1,924</b> | <b>456</b>   | <b>274</b>   | <b>187</b>   | <b>291</b>   | <b>3,596</b>  | <b>1,208</b>  | <b>291</b>   |             |
| Tax                          | 123          | 122          | 128          | -7           | 117          | 77           | 50           | 76           | 364           | 319           | 73           |             |
| Rate (%)                     | 19.8         | 28.4         | 20.7         | -0.4         | 25.6         | 28.0         | 26.9         | 26.0         | 10.1          | 26.4          | 25.1         |             |
| <b>Reported PAT</b>          | <b>499</b>   | <b>307</b>   | <b>492</b>   | <b>1,932</b> | <b>339</b>   | <b>197</b>   | <b>137</b>   | <b>215</b>   | <b>3,232</b>  | <b>889</b>    | <b>218</b>   |             |
| <b>Adj PAT</b>               | <b>365</b>   | <b>307</b>   | <b>378</b>   | <b>610</b>   | <b>339</b>   | <b>194</b>   | <b>137</b>   | <b>215</b>   | <b>1,661</b>  | <b>886</b>    | <b>218</b>   | <b>(1)</b>  |
| YoY Change (%)               | NA           | -37.9        | -33.1        | 16.6         | -6.9         | -36.7        | -63.7        | -64.7        | 9.2           | -46.7         | -64.3        |             |
| Margins (%)                  | 5.9          | 4.7          | 5.5          | 8.7          | 5.0          | 2.7          | 1.9          | 2.8          | 6.3           | 3.1           | 2.8          |             |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

## NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | > - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, it's associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- received any compensation/other benefits from the subject company of this report
- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

- a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
- (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

**Terms & Conditions:**

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

**Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

| Disclosure of Interest Statement | Companies where there is interest |
|----------------------------------|-----------------------------------|
| Analyst ownership of the stock   | No                                |

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

**Regional Disclosures (outside India)**

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

**For Hong Kong:**

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

**For U.S.**

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under

applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

**For Singapore**

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

**Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or resident who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; [www.motilaloswal.com](http://www.motilaloswal.com).

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-40548085.

Grievance Redressal Cell:

| Contact Person     | Contact No.                 | Email ID   |
|--------------------|-----------------------------|--|
| Ms. Hemanji Date   | 022 40548000 / 022 67490600 | <a href="mailto:query@motilaloswal.com">query@motilaloswal.com</a>             |
| Ms. Kumud Upadhyay | 022 40548082                | <a href="mailto:servicehead@motilaloswal.com">servicehead@motilaloswal.com</a> |
| Mr. Ajay Menon     | 022 40548083                | <a href="mailto:am@motilaloswal.com">am@motilaloswal.com</a>                   |

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).