INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Mahindra & Mahindra:** M&M Q4FY24 PAT at INR 21.6bn beat our estimate of INR 17.9bn, aided by better realisation and soft commodity prices. M&M has shared its investment plan for FY25-27. The total investment planned in the auto division is INR 270bn, of which INR 85bn is for SUV ICE, INR 40bn for CV, and sustenance investment of INR 15bn. Additional investment planned in the Electric vehicle subsidiary is INR 120bn, and investment in other subsidiaries is INR 10bn. The investment in the auto division will be funded through internal accruals. The details of investment in FES: total investment plan of INR 50bn, of which INR 28bn is for new product development, INR 15bn for regulatory and sustenance, INR 7bn for capacity building. The regulatory investment includes INR 6bn investment for Trem V required only in case regulation becomes mandatory. We continue to remain positive on the business momentum, given: (1) a strong order backlog for UVs may help it further gain share; (2) recent new launches may help gain share in tractors; (3) focused strides taken to achieve a strong position in EVs. We increase the PE multiple for the standalone business to 21x (from 16x) and revise the SoTP price target to INR 2,318/sh (earlier at INR1,862/share). Downgrade to ADD.

- **Infoedge:** Infoedge reported flat revenue but the healthy growth in total billings (+43/10% QoQ/YoY) was encouraging. The growth in recruitment billings (+7% YoY) was led by a recovery in IT hiring (~50% of recruitment, +11% YoY) and ~12% YoY growth in non-IT sectors like BFSI, manufacturing, infra and healthcare. We expect recruitment billings to grow at ~15% in FY25E, which is in line with the pre-COVID average. The margin for the recruitment segment has moderated to ~57% in Q4 and will remain in the range of 55-60% for a 15-20% YoY billings growth. The non-core segments like 99acres/Jeevansathi posted billing growth of 26.4/25.9% YoY which improves growth visibility. The combined loss of 99acres and Jeevansathi narrowed to INR 0.25bn (-40% YoY) led by growth and lower advertisement expenses. The recovery in the recruitment segment will continue, led by early signs of recovery in IT hiring and 99 acres and Jeevansathi should move towards breakeven. We maintain our BUY rating with a SoTP-based TP of INR 7,000, valuing Naukri at 40x EV/EBITDA (~60% of SoTP), 99acres/Jeevansathi+Shiksha at 5/3x P/S, while Zomato and Policybazaar have been assigned the market value (~30% of SoTP at ~15% discount). The core recruitment business is trading at 27x FY26E EV/EBITDA vs the average of >35x.

- **Berger Paints:** BRGR grew 3% YoY to INR25.2bn (in-line). Volume/value growth for Q4 stood at 13.9/2.7%. Decorative business clocked double-digit volume growth. In industrials, both GI and automotive clocked an uptick in demand led by demand revival in the 2-wheeler segment. Distribution expansion stays healthy (added 7.3k retail touchpoints/7.1k tinting machines in FY24). GM expanded 83bps YoY to 40.7% (in-line). EBITDAM declined 117bps YoY to 13.9% (HSIE: 15.3%), courtesy (1) higher employee expenses, (2) higher marketing spends (up 100bps YoY as % of sales), (3) incremental operating cost of Sandila plant, and (4) one-off (subsidy received) in base quarter. We cut our EPS estimates by 3-5% to account for higher brand spends

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and channel incentives and retain our REDUCE rating with a DCF-based TP of INR510/sh (implying 40x FY26E P/E).

- **LIC Housing Finance:** LICHF reported yet another quarter of sustained healthy NIMs, partially offset by muted loan growth (+4% YoY) and high credit costs (60bps). LICHF's core spreads continued to moderate to 2.13% (Q3FY24: 2.27%), driven by moderation in yields and rising cost of funds, although NIMs remained above 3%. NIMs are likely to moderate during FY25-FY26E due to lower incremental spreads, driven by elevated competitive intensity, moderation in demand, and rising cost of funds (management guidance of 2.7% - 2.9%). Loan growth remains tepid (+4% YoY) across segments. However, Q4 witnessed healthy disbursals (+14% YoY, +20% QoQ) and remains a key monitorable to drive double-digit loan growth during FY25. We revise our FY25/FY26 earnings estimates by 5%/1% to factor in lower credit costs, partially offset by lower loan growth. Maintain REDUCE, with a revised RI-based TP of INR585 (implying 1x Mar-26 ABVPS).

- **Motherson Sumi Wiring India:** MSWIL's Q4FY24 PAT at INR 1.9bn came in ahead of our estimates of INR 1.6bn, led by better-than-expected margins. The margin growth is attributed to higher content per vehicle in premium models. MSWIL is emerging as one of the major beneficiaries of the evolving trends (premiumisation + EVs) in the auto sector in India wherein content is set to rise in the range of 1.1x-8x. The company has developed a sustainable competitive advantage in India, given its scale advantage, backward integration capabilities, and localisation efforts. In India wiring harness, it supplies to 10 of the top 12 PV OEMs, 2 of the top 3 EV OEMs in PVs, and 2 of the top 5 EV OEMs in the two-wheeler segment. Also, it has been part of 23 new launches and 17 facelifts in FY23 across various segments highlighting its strong position across segments. With the steady ramp-up of new facilities and aided by cost pass-through, we expect MSWIL's margins to improve 110bps over FY24-26E. Given its strong franchise with superior returns, we believe the stock deserves a premium valuation relative to peers. Maintain ADD with a TP of INR 68 (valued at 34x FY26 EPS).

- **Repco Home Finance:** REPCO's Q4FY24 earnings were ahead of our estimates, largely due to provisions (-30bps annualised), offset by muted loan growth. NIMs remained healthy at 5.1%, although witnessing compression by 20bps sequentially. Management has indicated further moderation in NIMs as the company seeks to prioritize growth over margins on an incremental basis. Loan growth continues to remain sub-par (AUM growth of +9% YoY) and is a key monitorable for further rerating. The management has guided for disbursements growth of ~20%, driven by improving productivity metrics on the back of recent organisational changes, branch additions, and tweaking of lending rates. We increase our FY25/FY26 forecasts to factor in lower credit costs and maintain ADD with a revised RI-based TP of INR570 (implying 1x Mar-26 ABVPS).

Mahindra & Mahindra

Good performance despite a weak market

M&M Q4FY24 PAT at INR 21.6bn beat our estimate of INR 17.9bn, aided by better realisation and soft commodity prices. M&M has shared its investment plan for FY25-27. The total investment planned in the auto division is INR 270bn, of which INR 85bn is for SUV ICE, INR 40bn for CV, and sustenance investment of INR 15bn. Additional investment planned in the Electric vehicle subsidiary is INR 120bn, and investment in other subsidiaries is INR 10bn. The investment in the auto division will be funded through internal accruals. The details of investment in FES: total investment plan of INR 50bn, of which INR 28bn is for new product development, INR 15bn for regulatory and sustenance, INR 7bn for capacity building. The regulatory investment includes INR 6bn investment for Trem V required only in case regulation becomes mandatory. We continue to remain positive on the business momentum, given: (1) a strong order backlog for UVs may help it further gain share; (2) recent new launches may help gain share in tractors; (3) focused strides taken to achieve a strong position in EVs. We increase the PE multiple for the standalone business to 21x (from 16x) and revise the SoTP price target to INR 2,318/sh (earlier at INR1,862/share). Downgrade to ADD.

- **Q4 revenue beats estimates:** With a higher share of UVs in the total volumes, revenue grew 11% YoY to INR 251bn (HSIE INR 233bn). Better realisation coupled with soft commodity prices resulted in a 16% YoY growth in EBITDA to INR 32.4bn (HSIE INR 28.8bn). On a segmental basis, the auto segment margin came in at 8.8% (+50bps QoQ, vs our estimate of 8%), and the FES segment margin was below our estimate at 15.8% (+30bps QoQ, vs our estimate of 17%).
- **Conference call highlights**: (1) The SUV revenue market share has improved 80bps YoY to 20.4%. (2) The order book stands at 220k, which includes 50k first hour open bookings for the XUV 3XO. (3) M&M has ramped up its SUV production capacity to 49k units/month. It plans to ramp up the capacity to 64k (FY25 end), 15k incremental capacity for Thar 5-door variant and XUV 3XO, and 10k is for the initial Born Electric Vehicles (BEV). Further ramp-up to 72k is planned by FY26-end, and the 8k addition in capacity (over FY25) is for BEVs. (4) Due to inventory correction, market share in the FES dropped to 39.4% (-130bps YoY) in Q4FY24. Management has highlighted the market share is back to 46% in Apr-26. (5) In the 20-30HP category, M&M gained a market share of 12.8% with the launch of OJA and Target. For FY25, M&M expects the tractor industry to grow 5%. (6) New launches by FY30: M&M has planned 9 ICE SUV launches (of which 3 would be mid-cycle enhancements, including XUV 3XO), 7 BEVs, and 7 LCVs (of which 2 electric). (7) M&M expects mid to high teen growth in FY25 and has maintained EPS growth guidance of 15-20%. The company has maintained an ROE guidance of 18%.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	251,090	225,714	11.2	252,885	-0.7	849,603	987,634	1,122,144	1,264,279
EBITDA	32,401	27,974	15.8	32,364	0.1	104,424	129,194	145,879	158,035
APAT	21,595	20,699	4.3	24,540	-12.0	58,564	85,151	99,350	106,848
Diluted EPS (INR)	17.0	12.9	31.5	20	-17.0	48.9	71.1	82.9	89.2
P/E (x) core						37.6	25.9	22.2	20.6
EV / EBITDA (x)						21.1	16.8	14.8	13.3
RoCE (%)						16.6	20.6	20.7	19.8

Source: Company, HSIE Research

ADD

CMP *(on 16 May 2024)*	INR 2,373
Target Price	INR 2,318
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,862	INR 2,318
EPS %	FY25E	FY26E
	3%	2%

KEY STOCK DATA	
Bloomberg code	MM IN
No. of Shares (mn)	1,244
MCap (INR bn) / ($ mn)	2,951/35,359
6m avg traded value (INR mn)	5,604
52 Week high / low	INR 2,394/1,237

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	29.3	51.2	88.0
Relative (%)	27.6	39.5	69.0

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	19.32	18.15
FIs & Local MFs	26.26	26.13
FPIs	40.87	41.75
Public & Others	13.55	13.97
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Infoedge

Strong recovery in billings

Infoedge reported flat revenue but the healthy growth in total billings (+43/10% QoQ/YoY) was encouraging. The growth in recruitment billings (+7% YoY) was led by a recovery in IT hiring (~50% of recruitment, +11% YoY) and ~12% YoY growth in non-IT sectors like BFSI, manufacturing, infra and healthcare. We expect recruitment billings to grow at ~15% in FY25E, which is in line with the pre-COVID average. The margin for the recruitment segment has moderated to ~57% in Q4 and will remain in the range of 55-60% for a 15-20% YoY billings growth. The non-core segments like 99acres/Jeevansathi posted billing growth of 26.4/25.9% YoY which improves growth visibility. The combined loss of 99acres and Jeevansathi narrowed to INR 0.25bn (-40% YoY) led by growth and lower advertisement expenses. The recovery in the recruitment segment will continue, led by early signs of recovery in IT hiring and 99 acres and Jeevansathi should move towards breakeven. We maintain our BUY rating with a SoTP-based TP of INR 7,000, valuing Naukri at 40x EV/EBITDA (~60% of SoTP), 99acres/Jeevansathi+Shiksha at 5/3x P/S, while Zomato and Policybazaar have been assigned the market value (~30% of SoTP at ~15% discount). The core recruitment business is trading at 27x FY26E EV/EBITDA vs the average of >35x.

- **Q4FY24 highlights**: (1) Infoedge revenue grew 2.2/7.9% QoQ/YoY to INR 6.08bn, driven by +0.4/+4.2/+13% QoQ growth in recruitment/99acres/Jeevansathi + Shiksha; (2) billings grew 46/48/27% QoQ for recruitment/99acres/Jeevansathi; (3) EBITDA margin for recruitment/99acres/Jeevansathi stood at +57.0/-16.4/-38.8%; (4) Standalone margin stood at 40.6% (+17 bps QoQ), employee/admin costs were up +3.2/-5.8% QoQ while ad spend was at INR 0.69bn; (5) Job speak index/IT hiring index was up -2.7/+1.9% YoY in April-24; (6) PAT grew 3% QoQ to INR 2.20bn; (7) net cash stands at INR 42bn and Zomato/Policybazaar account for 23/7% in SoTP.
- **Outlook**: We expect a revenue CAGR of 15% over FY24-26E, led by 15/19/13/15% CAGRs in recruitment/99acres/Jeevansathi/Shiksha. EBITDA margin estimates stand at 41.3/41.7% for FY25/26E (recruitment ~58% for FY25/26E), leading to an EPS CAGR of 16% over FY24-26E.

Quarterly financial summary

YE March (INR bn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	6.08	5.64	*7.9*	5.95	*2.2*	15.62	21.59	23.81	27.85	31.67
EBITDA	2.47	2.20	*12.1*	2.41	*2.6*	4.64	7.84	9.55	11.50	13.20
APAT	2.20	1.93	*13.7*	2.14	*3.0*	5.21	6.08	8.46	10.07	11.36
Diluted EPS (INR)	17.0	15.0	*13.7*	16.5	*3.0*	40.3	47.1	65.5	78.0	88.0
P/E (x)						145.5	124.6	89.6	75.2	66.7
EV / Revenue (x)						46.1	33.6	30.1	25.3	21.9
EV / EBITDA (x)						155.4	92.4	75.1	61.4	52.5
RoE (%)						10.3	15.0	14.0	10.1	10.6

Source: Company, HSIE Research, Standalone Financials

Change in estimate

YE March (INR bn)	FY25E Old	FY25E	Change %	FY26E Old	FY26E	Change %
Revenue	27.83	27.85	*0.1*	31.69	31.67	*-0.1*
EBITDA	11.21	11.50	*2.6*	12.84	13.20	*2.8*
EBITDA%	40.3	41.3	*100bps*	40.5	41.7	*116bps*
APAT	9.83	10.07	*2.5*	11.08	11.36	*2.5*
EPS (INR)	76.2	78.0	*2.4*	85.9	88.0	*2.4*

Source: Company, HSIE Research

BUY

CMP *(as on 16 May 2024)*	INR 5,867
Target Price	INR 7,000
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 6,875	INR 7,000
	FY25E	FY26E
EPS %	+2.4	+2.4

KEY STOCK DATA	
Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	759/9,096
6m avg traded value (INR mn)	1,605
52 Week high / low	INR 6,355/3,701

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	11.3	23.3	49.2
Relative (%)	9.6	11.6	30.2

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	37.91	37.88
FIs & Local MFs	20.04	20.06
FPIs	30.47	30.91
Public & Others	11.58	11.15
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Berger Paints

Weak print

BRGR grew 3% YoY to INR25.2bn (in-line). Volume/value growth for Q4 stood at 13.9/2.7%. Decorative business clocked double-digit volume growth. In industrials, both GI and automotive clocked an uptick in demand led by demand revival in the 2-wheeler segment. Distribution expansion stays healthy (added 7.3k retail touchpoints/7.1k tinting machines in FY24). GM expanded 83bps YoY to 40.7% (in-line). EBITDAM declined 117bps YoY to 13.9% (HSIE: 15.3%), courtesy (1) higher employee expenses, (2) higher marketing spends (up 100bps YoY as % of sales), (3) incremental operating cost of Sandila plant, and (4) one-off (subsidy received) in base quarter. We cut our EPS estimates by 3-5% to account for higher brand spends and channel incentives and retain our REDUCE rating with a DCF-based TP of INR510/sh (implying 40x FY26E P/E).

- **Q4FY24 highlights**: Consolidated revenue grew 3.1% to INR25.2bn (in-line). Standalone revenue grew 2.7% YoY to INR22.49bn (in-line). Volume/value growth for Q4 stood at 13.9/2.7% (Deco volume: double-digit growth). Lower value growth in Q4 was a factor of (1) ~5% price decrease taken in Nov-23 and mid-Jan-24, (2) destocking of luxury products, (3) higher growth of low-value products, and (4) INR 200mn subsidy received in base quarter (one-off). Distribution expansion stays healthy (added 7.3k retail outlets/7.1k tinting machines in FY24). In industrials, both GI and automotive performed well, led by demand revival in the 2-wheeler segment. Commercial and tractor segment demand remains soft. Management continues to guide (1) double-digit volume growth in the decorative segment for Q1 and FY25 with a lower value growth, and (2) 15-17% EBITDAM for FY25. GM expanded 83bps YoY to 40.7% (HSIE: 40.8%). EBITDAM declined 117bps YoY to 13.9% (HSIE: 15.3%), courtesy (1) higher employee expenses, (2) higher marketing spends (up 100bps YoY as % of sales), (3) incremental operating cost of Sandila plant, and (4) one-off in base quarter. Sandila plant is operating at ~50% capacity utilization. The company has a net cash position of INR 3.4bn in Q4. APAT grew 19.7% to INR 2.23bn (HSIE: INR 2.09bn).
- **Outlook**: BRGR continues to defend its market share (20%) amidst rising competitive intensity. However, a weak demand environment and heightened competitive intensity warrant higher brand investments and channel incentives. Hence, we cut our EPS estimates by 3-5% and retain our REDUCE rating with a DCF-based TP of INR510/sh (implying 40x FY26E P/E).

Quarterly financial summary

(Rs mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	25,203	24,436	*3.1*	28,818	*(12.5)*	87,618	1,05,678	1,11,989	1,25,498	1,40,584
EBITDA	3,509	3,688	*(4.8)*	4,800	*(26.9)*	13,311	14,872	18,613	20,607	23,155
APAT	2,226	1,860	*19.7*	3,002	*(25.8)*	8,330	8,604	11,699	13,210	15,046
EPS (Rs)	1.9	1.9	*(0.3)*	2.6	*(25.8)*	8.6	8.9	10.0	11.3	12.9
P/E (x)						56.9	55.1	48.6	43.1	37.8
EV/EBITDA (x)						35.9	32.2	30.4	27.1	23.8
Core RoCE(%)						19.4	17.6	19.9	21.4	23.2

Change in estimates

(Rs mn)	FY24			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,11,989	1,11,991	*(0.0)*	1,25,498	1,25,498	-	1,40,584	1,40,584	-
EBITDA	18,613	18,958	*(1.8)*	20,607	21,558	*(4.4)*	23,155	24,571	*(5.8)*
EBITDA margin (%)	16.6	16.9	*-31 bps*	16.4	17.2	*-76 bps*	16.5	17.5	*-101 bps*
APAT	11,699	11,557	*1.2*	13,210	13,556	*(2.6)*	15,046	15,782	*(4.7)*
APAT margin (%)	10.4	10.3	*13 bps*	10.5	10.8	*-28 bps*	10.7	11.2	*-52 bps*
EPS (Rs)	10.0	9.9	*1.2*	11.3	11.6	*(2.6)*	12.9	13.5	*(4.7)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 16 May 2024)*	INR 490
Target Price	INR 510
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 550	INR 510
EPS %	FY25E	FY26E
	-2.6	-4.7

KEY STOCK DATA	
Bloomberg code	BRGR IN
No. of Shares (mn)	1,166
MCap (INR bn) / ($ mn)	571/6,845
6m avg traded value (INR mn)	629
52 Week high / low	INR 680/478

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.0)	(15.3)	(3.9)
Relative (%)	(14.7)	(26.9)	(22.9)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	74.99	74.99
FIs & Local MFs	4.68	5.18
FPIs	10.68	10.66
Public & Others	9.65	9.17
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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LIC Housing Finance

Elusive balance sheet growth

REDUCE

CMP *(as on 16 May 2024)*	INR 653
Target Price	INR 585
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 530	INR 585
EPS %	FY25E	FY26E
	4.7%	1.2%

KEY STOCK DATA	
Bloomberg code	LICHF IN
No. of Shares (mn)	550
MCap (INR bn) / ($ mn)	359/4,304
6m avg traded value (INR mn)	1,518
52 Week high / low	INR 683/363

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.7	41.3	65.4
Relative (%)	0.0	29.6	46.5

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	45.2	45.2
FIs & Local MFs	21.8	22.0
FPIs	21.9	22.6
Public & Others	11.1	10.2
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

LICHF reported yet another quarter of sustained healthy NIMs, partially offset by muted loan growth (+4% YoY) and high credit costs (60bps). LICHF's core spreads continued to moderate to 2.13% (Q3FY24: 2.27%), driven by moderation in yields and rising cost of funds, although NIMs remained above 3%. NIMs are likely to moderate during FY25-FY26E due to lower incremental spreads, driven by elevated competitive intensity, moderation in demand, and rising cost of funds (management guidance of 2.7% - 2.9%). Loan growth remains tepid (+4% YoY) across segments. However, Q4 witnessed healthy disbursals (+14% YoY, +20% QoQ) and remains a key monitorable to drive double-digit loan growth during FY25. We revise our FY25/FY26 earnings estimates by 5%/1% to factor in lower credit costs, partially offset by lower loan growth. Maintain REDUCE, with a revised RI-based TP of INR585 (implying 1x Mar-26 ABVPS).

- **Steady NIMs; one-offs impact earnings growth:** LICHF reported a steady NIM of 3.15% (11bps QoQ), driving NII growth of 12% YoY. The marginal cost of funds continued to inch up (7.9%), with incremental yields at 9.4%. Opex increased sharply (+39% YoY) due to one-offs (arrears for wage revision, gratuity-related etc.), while the tax rate was high due to DTL for previous years, impacting earnings growth.
- **Loan growth uptick key monitorable:** LICHF's loan growth continued to remain muted (+4.3% YoY), indicating a loss of market share across segments. However, a strong uptick in disbursals during Q4 (+14% YoY, 20% QoQ) provided some respite and sustaining the momentum remains a key monitorable for delivering double-digit loan growth during FY25. LICHF has delivered sub-par loan growth of 7.3% CAGR during FY21-FY24. Management has maintained its cautious approach to project loans.
- **Asset quality stabilising, provisioning likely to normalise:** GS-II/GS-III improved QoQ to 4.2%/3.3% (Q3FY24: 4.5%/4.3%) with improvement across segments. This was largely driven by healthy recoveries and technical write-offs (Q4F24: INR 10bn; FY24: INR 20bn), with a technical write-off pool at INR 40bn. Management continues to explore avenues for the resolution of stressed assets in the project finance portfolio, including ARCs and expects some resolutions, going ahead. Credit cost guidance remains ~40bps during FY25.

Financial Summary

(INR bn)	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY23	FY24	FY25E	FY26E
NII	22.4	19.9	*12.4*	21.0	*6.7*	63.3	86.5	84.3	89.7
PPOP	19.0	17.5	*8.7*	18.8	*1.0*	55.0	77.0	74.0	77.8
PAT	10.9	11.8	*(7.6)*	11.6	*(5.9)*	28.9	47.7	49.2	50.8
EPS (INR)	19.8	21.5	*(7.6)*	21.1	*(6.2)*	52.6	86.6	89.4	92.4
ROAE (%)						11.2%	16.3%	14.7%	13.4%
ROAA (%)						1.1%	1.7%	1.6%	1.5%
ABVPS (INR)						372.0	505.9	563.7	623.1
P/ABV (x)						1.7	1.3	1.1	1.0
P/E (x)						12.2	7.4	7.2	6.9

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	3,252	3,159	-2.9%	3,586	3,479	-3.0%
NIM (%)	2.6	2.7	10 bps	2.5	2.6	3 bps
NII	83.8	84.3	0.6%	90.8	89.7	-1.2%
PPOP	73.8	74.0	0.3%	79.5	77.8	-2.1%
PAT	47.0	49.2	4.7%	50.2	50.8	1.2%
ABVPS (INR)	521	564	8.2%	591	623	5.4%

Source: Company, HSIE Research

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Motherson Sumi Wiring India

Margin improvement continues

MSWIL's Q4FY24 PAT at INR 1.9bn came in ahead of our estimates of INR 1.6bn, led by better-than-expected margins. The margin growth is attributed to higher content per vehicle in premium models. MSWIL is emerging as one of the major beneficiaries of the evolving trends (premiumisation + EVs) in the auto sector in India wherein content is set to rise in the range of 1.1x-8x. The company has developed a sustainable competitive advantage in India, given its scale advantage, backward integration capabilities, and localisation efforts. In India wiring harness, it supplies to 10 of the top 12 PV OEMs, 2 of the top 3 EV OEMs in PVs, and 2 of the top 5 EV OEMs in the two-wheeler segment. Also, it has been part of 23 new launches and 17 facelifts in FY23 across various segments highlighting its strong position across segments. With the steady ramp-up of new facilities and aided by cost pass-through, we expect MSWIL's margins to improve 110bps over FY24-26E. Given its strong franchise with superior returns, we believe the stock deserves a premium valuation relative to peers. Maintain ADD with a TP of INR 68 (valued at 34x FY26 EPS).

- **Strong beat to estimates:** MSWIL's revenue growth (20% YoY/5%QoQ) outperformed the industry by 11% with a higher sale of content for premium models. The gross margin expanded by 40bps QoQ due to a better product mix. The key surprise in Q4 was the 60bps QoQ margin improvement to 13% (our estimate of 11.9%). Better profitability has translated to a 14% QoQ growth in PAT.
- **Call takeaways**: (1) MSWIL significantly outperformed the industry by 11% with continued customer demand and trends of premiumisation and sustained SUV demand. (2) Segment-wise contribution to revenues was stable YoY. The segmental split is as follows: PV/CV/2W/Off-road/others for FY24 was 58%/12%/14%/10%/6%. (3) With a focus on absolute profitability and ROCE, MSWIL clocked an ROCE of 48% in FY24 (vs 44% in FY23). It has maintained ROCE to be over 40%. (4) With customers expanding production capacities across categories, the company has alluded to positive trends in the market. More feature-rich model launches translate to increased value of wiring harness per vehicle, which is beneficial for MSWIL. (5) MSWIL is undertaking capacity expansion. Two new plants will be operational by Q1FY25, which would increase the capacity by 10-15%. With a gradual ramp-up in capacity utilization, the entire benefit of the capacity expansion is expected by Q4FY25. (6) Capex is expected to be INR 2bn in FY25. (7) Copper price is up QoQ from INR 741 per kg to INR 761 per kg. The sequential rise in price is due to the product mix. The higher material cost gets passed onto customers, with a lag of a quarter or six months. (8) Gross debt stands at INR 90mn (INR 80mn in Q3FY24). Cash stands at INR 2680mn (vs INR 2230mn in Q3FY24). Net cash now stands at INR 2,590 mn (vs INR 2,150mn in Q3FY24).

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	22,327	18,644	19.8	21,173	5.4	70,226	82,740	91,842	104,700
EBITDA	2,913	2,093	39.2	2,620	11.2	7,814	10,132	11,446	13,811
APAT	1,914	1,385	38.3	1,679	14.0	4,870	6,383	7,160	8,854
Diluted EPS(INR)	0.43	0.31	38.3	0.38	14.0	1.1	1.4	1.6	2.0
P/E (x)						62.2	51.8	43.4	34.9
EV / EBITDA (x)						38.8	29.6	26.0	21.4
RoCE (%)						49.6	52.7	55.4	58.1

Source: Company, HSIE Research

ADD

CMP *(as on 16 May 2024)*	INR 70
Target Price	INR 68
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 67	INR 68
	FY25E	FY26E
EPS %	2.5%	2.1%

KEY STOCK DATA	
Bloomberg code	MSUMI IN
No. of Shares (mn)	4,421
MCap (INR bn) / ($ mn)	307/3,682
6m avg traded value (INR mn)	618
52 Week high / low	INR 75/54

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.9)	16.0	26.2
Relative (%)	(5.6)	4.4	7.3

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	61.7	61.7
FIs & Local MFs	17.3	16.2
FPIs	11.0	11.0
Public & Others	9.9	11.1
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Repco Home Finance

Loan growth yet to witness an uptick

REPCO's Q4FY24 earnings were ahead of our estimates, largely due to provisions (-30bps annualised), offset by muted loan growth. NIMs remained healthy at 5.1%, although witnessing compression by 20bps sequentially. Management has indicated further moderation in NIMs as the company seeks to prioritize growth over margins on an incremental basis. Loan growth continues to remain sub-par (AUM growth of +9% YoY) and is a key monitorable for further rerating. The management has guided for disbursements growth of ~20%, driven by improving productivity metrics on the back of recent organisational changes, branch additions, and tweaking of lending rates. We increase our FY25/FY26 forecasts to factor in lower credit costs and maintain ADD with a revised RI-based TP of INR570 (implying 1x Mar-26 ABVPS).

- **Negative credit costs drive earnings beat, despite muted PPoP growth**: REPCO's NIM remained healthy at 5.1% (Q3FY24: 5.3%), driven by steady cost of funds at 8.3% (Q3FY24: 8.4%). Opex intensity remained elevated at 1.4% of AUM (C/I at 27%), with ongoing investments in tech and distribution and is likely to remain elevated during FY25. Profitability continued to remain healthy with RoA/RoE prints at 3.2%/16.5% respectively.
- **Asset quality continues to improve; upbeat about provisioning ahead:** REPCO's GS-III/NS-III continued to improve at 4.1%/1.5 (Q3FY24: 4.7%/1.9%), benefitting from increasing focus on collection and recovery efforts. Credit costs during the quarter were negative due to healthy recoveries and reversal of provisions. While Stage II remains elevated at 11.6%, adequate provisioning and improving visibility of recoveries from the NPA pool is likely to drive negligible credit costs during FY25, as per management.
- **Growth remains a key priority, profitability to moderate**: REPCO remains focused on driving loan growth, which has remained muted for the past several years (5-year CAGR of 4.2%). Recent initiatives such as expansion of the distribution footprint and introduction of separate sales and credit verticals are likely to offer growth impetus, which remains a key monitorable amidst moderation in housing demand and elevated competitive intensity across segments and is likely to drive the next leg of rerating.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY23	FY24	FY25E	FY26E
NII	1.6	1.5	*10.5*	1.6	*(0.4)*	5.6	6.5	7.2	8.1
PPOP	1.3	1.2	*6.9*	1.4	*(6.1)*	4.5	5.2	5.8	6.5
PAT	1.1	0.8	*31.7*	1.0	*8.7*	3.0	3.9	4.3	4.6
EPS (INR)	17.3	13.1	*31.6*	15.9	*8.6*	47.3	63.1	68.7	73.9
ROAE (%)						12.5	14.6	13.9	13.1
ROAA (%)						2.4	3.0	2.9	2.7
ABVPS (INR)						332	432	501	566
P/ABV (x)						1.5	1.2	1.0	0.9
P/E (x)						10.6	8.0	7.3	6.8

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	153	152	-0.4%	174	174	0.0%
NIM (%)	4.6	4.8	12 bps	4.6	4.7	12 bps
NII	7.1	7.2	1.7%	7.9	8.1	2.4%
PPOP	5.8	5.8	0.7%	6.4	6.5	2.3%
PAT	4.0	4.3	6.5%	4.4	4.6	3.9%
ABVPS (INR)	484	501	3.6%	544	566	4.1%

Source: Company, HSIE Research

ADD

CMP *(as on 16 May 2024)*	INR 503
Target Price	INR 570
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 515	INR 570
EPS %	FY25E	FY26E
	6.5%	3.9%

KEY STOCK DATA	
Bloomberg code	REPCO IN
No. of Shares (mn)	63
MCap (INR bn) / ($ mn)	31/377
6m avg traded value (INR mn)	124
52 Week high / low	INR 543/204

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	10.3	14.6	139.7
Relative (%)	8.6	2.9	120.8

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	37.1	37.1
FIs & Local MFs	19.1	19.6
FPIs	13.8	14.0
Public & Others	30.0	29.3
Pledged Shares		0.0

Source: BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

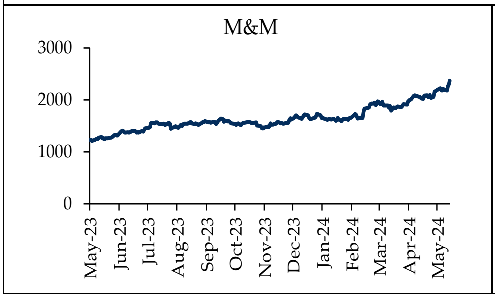
REDUCE: -10% to +5% return potential

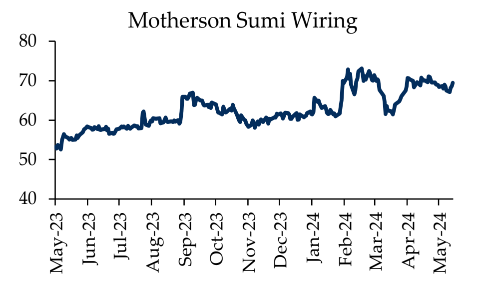
SELL: > 10% Downside return potential

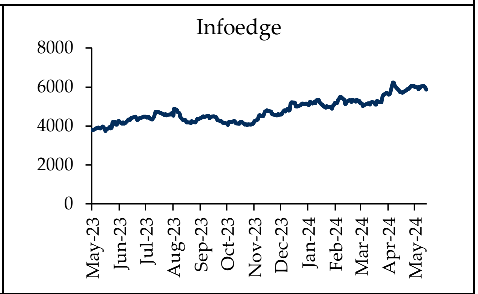
Disclosure:

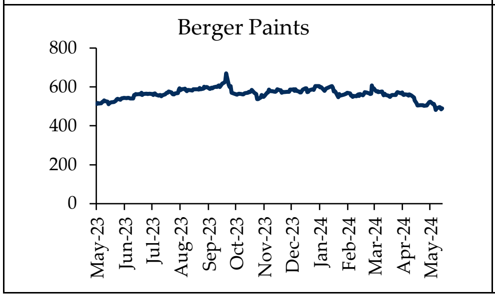
Analyst	Company Covered	Qualification	Any holding in the stock
Maitreyee Vaishampayan	Mahindra & Mahindra	MSc	YES
Maitreyee Vaishampayan	Motherson Sumi Wiring India	MSc	NO
Amit Chandra	Infoedge	MBA	NO
Dhananjay Jain	Infoedge	CA	NO
Jay Gandhi	Berger Paints	MBA	NO
Tanuj Pandia	Berger Paints	CA	NO
Krishanan ASV	LIC Housing Finance, Repco Home Finance	PGDM	NO
Deepak Shinde	LIC Housing Finance, Repco Home Finance	PGDM	NO
Akshay Badlani	LIC Housing Finance, Repco Home Finance	CA	NO

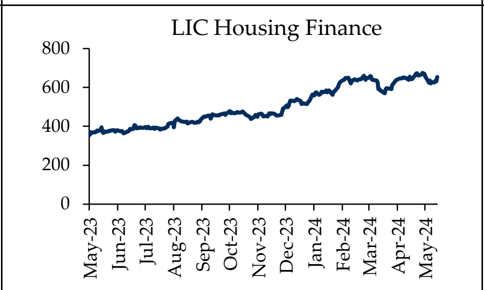
1 Yr Price movement

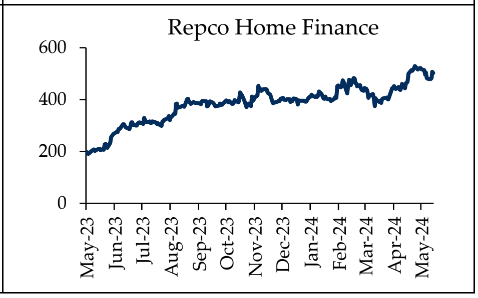












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