INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Zydus Lifesciences:** EBITDA growth (+24% YoY*) was led by strong sales growth (+38% QoQ jump in US sales and +13% YoY in EMs; India saw moderate growth of 7% YoY), higher GM (+473 bps YoY), partly offset by higher staff/ SG&A (+16/+20% YoY). ZYDUS expects healthy growth and to improve EBITDA margins in FY25. It expects the US business to sustain growth, led by new launches, traction in gRevlimid, base business volume growth, and ramp-up in LiqMed. It expects double-digit growth in India, led by traction in key therapies and an innovative portfolio. It expects to sustain a gross margin of at FY24 level (of ~68%) in the near term. Expects R&D to remain in the range of 7-8% in FY25 (~6.7% in FY24). Factoring FY24, we have tweaked our EPS FY25/26E and retain the TP to INR 1,050 (26x FY26E). While the broad thesis of steady growth and margin and monetization of R&D assets (injectables, biosimilar, NCE) stays, the recent run-up in the stock price (up 65/106% in the last 6/12 months) factors most of the triggers and provides limited upside visibility. Maintain ADD.

- **Endurance Technologies:** The India business revenue grew 26% YoY, in line with the 2W industry growth in Q4FY24. The weak consumer sentiment in Europe is visible in the slower run rate of wins for FY24 (EUR 31mn, vs EUR 84mn in FY23). Notwithstanding the slowdown in EVs and recessionary trends in Europe, Endurance aims to be a significant player in the battery management systems and electronic products required for EVs. In India, the emphasis is on enhancing profits and product mix, which is what Endurance hopes to do by growing its 4W business share from 25% to 45% by FY30. This will be driven by aluminum castings and forgings which are increasingly being used for lightweighting. Additionally, Endurance aims to increase the share of business for premium bikes in the 150cc and above categories for brake assemblies and ABS suspension. While we have factored in most key positives, the valuation at 33x FY26E earnings appears expensive. We maintain SELL with a revised target of INR 1,676 (earlier INR 1,599), valued at 25x FY26 EPS.

- **Kaynes Technology:** Kaynes's Q4 print positively surprised as revenue/EBITDA grew by 75/60% YoY (5/12% above HSIE) while PAT grew by 97% YoY, aided by a 4x increase in other income (INR 14bn raised via QIP in Dec'23 for OSAT/PCB). Although gross margin contracted by 780bps YoY on account of changing business mix (in favour of high-volume low-margin business), op-lev (-560bps decline in other expense) restricted EBITDAM contraction to 130bps at 14.9%. Given a healthy order book (INR 41bn) and sustained increase in monthly order inflow (INR 3.2bn, up 15% QoQ/2x YoY), management has upped its FY25 revenue growth guidance to 60%+ with 100bps expansion in EBITDAM. Moreover, Kaynes has received approval for the bare PCB project and remains confident of OSAT approval after the lifting of the election model code of conduct. We raise our FY25/26 earnings by 13/10% to reflect the higher revenue outlook to arrive at a revised target price of INR 3,250 (EMS: 45x Mar'26 EPS; OSAT/bare PCB: INR 405/180 per share). Maintain ADD.

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- **Sobha:** Sobha (SDL) reported a muted quarter with presales in value and volume at INR 15bn (+2.8%/-22.9% YoY/QoQ) and 1.5msf (-9.4%/-19.5% YoY/QoQ) resp. SDL plans to launch ~9msf with an est GDV of INR 120bn in FY25, with this the total inventory pipeline would reach to 16.5msf. The lag in rights issue (INR 20bn size) was due to certain technical issue and may flow through by end of Q1FY25, which will be utilised largely towards growth opportunities in non-Bengaluru/Kerala regions like NCR, Pune, Hyderabad, etc. SDL is a significant beneficiary of strong demand in Bengaluru market. Additionally, its established presence in the high-value Gurgaon market, which has contributed 13% of sales volume and 18% of sales value over the past three years, provides additional opportunities for growth and improved margins. Given the robust launch pipeline movement from land to development, we increase our TP to INR 2,150/sh and maintain BUY.

- **Vinati Organics:** Our SELL recommendation on Vinati Organics (VO) with a discounted cash flow-based target price of INR 1,403 (WACC 11%, terminal growth 5%) is driven by a shift in the revenue mix towards lower-margin butyl phenol and other products as compared to ATBS, which has a higher margin. Molecules that are contributing ~60% to revenue are showing muted growth. We believe the current valuation is contextually high at ~49/37x FY25E/26E EPS. Q4 EBITDA/APAT were 14/12% above our estimates owing to more than anticipated revenue, offset by more than anticipated raw material cost and other operating expenses.

- **V-Guard Industries:** V-Guard (VGRD) reported a strong operational performance with revenue/EBITDA, growing by 18/32% YoY (2/4% above HSIE). Revenue growth was broad-based across categories, led by 28/19% growth in consumer durables and electronics segments. The harsh summer season, especially in south and east India, has led to strong demand for a summer portfolio of fans, air coolers and stabilizers. Margins expanded across categories, except for Sunflame which is undergoing systems and process integration with VGRD along with higher marketing spends. Sunflame's growth rate could accelerate in the coming quarters led by leveraging VGRD's strong presence in the south market and scaling up its e-commerce/MT presence. Despite prices of key RM inching up in the past few months, VGRD remains optimistic about sustaining margin expansion, led by (1) calibrated pricing action; (2) stabilizing manufacturing operations; and (3) operational leverage. We retain our estimates and value VGRD at 38x Mar'26 EPS to arrive at a target price of INR 355. Maintain ADD.

- **Prince Pipes and Fittings:** We maintain our ADD rating on Prince Pipes, with an unchanged target price of INR 675/sh (30x its Mar-26E EPS). In Q4FY24, Prince sales volume recovered strongly by 16/21% YoY/QoQ, supported by healthy demand in all segments. Realisation fell 1% QoQ, owing to correction in CPVC prices and price cuts taken by the company in selected products to make them competitive. Adjusted for inventory gain or loss of earlier quarters, its unitary EBITDA in Q4FY24 decreased to INR 18 per kg in Q4 vs INR 28/20 per kg YoY/QoQ. Management expects 15% CAGR pipes volume growth for the next few years with 12-14% EBITDAM. It is setting up a greenfield 48K MT pipe plant in Bihar. This is expected to commission in phases by H1FY26-end costing INR 2.2bn, expanding its plumbing capacity by 14%. In bathware, it is ramping up its distribution network and expects EBITDA to break even in the next 12-18 months.

- **Sansera Engineering:** Sansera's consolidated revenue grew 20% YoY/4% QoQ to INR7.4bn (HSIE INR 7.1bn). The impact of revenue growth on profitability was offset by higher finance costs and tax rates. PAT at INR 461mn was lower than our estimate of INR 487mn. Sansera is undertaking significant capacity expansion in light weighting and aluminium-forged components. It expects strong demand for these components from premium vehicles, EVs and hybrid vehicles. The company believes these products have the potential to increase revenue per vehicle by 4-5x compared to the current ICE per vehicle components. In the non-auto segment, Sansera expects 40-50% growth in the aerospace division in FY25 and a ramp-up in revenues from defence. With the increased contribution of the non-auto segment to revenues, Sansera believes it is on track to achieve its diversification goals and to have 40% revenues from the non-ICE segment (from 25% in FY24). Maintain BUY rating with a PT of INR 1,190 – valued at 18x FY26 earnings.

Zydus Lifesciences

Strong Q4: Steady growth, margin factored in

ADD

EBITDA growth (+24% YoY*) was led by strong sales growth (+38% QoQ jump in US sales and +13% YoY in EMs; India saw moderate growth of 7% YoY), higher GM (+473 bps YoY), partly offset by higher staff/ SG&A (+16/+20% YoY). ZYDUS expects healthy growth and to improve EBITDA margins in FY25. It expects the US business to sustain growth, led by new launches, traction in gRevlimid, base business volume growth, and ramp-up in LiqMed. It expects double-digit growth in India, led by traction in key therapies and an innovative portfolio. It expects to sustain a gross margin of at FY24 level (of ~68%) in the near term. Expects R&D to remain in the range of 7-8% in FY25 (~6.7% in FY24). Factoring FY24, we have tweaked our EPS FY25/26E and retain the TP to INR 1,050 (26x FY26E). While the broad thesis of steady growth and margin and monetization of R&D assets (injectables, biosimilar, NCE) stays, the recent run-up in the stock price (up 65/106% in the last 6/12 months) factors most of the triggers and provides limited upside visibility. Maintain ADD.

- **Q3 highlights—strong growth in the US**: Sales grew 10% YoY to INR 55.34 bn. This was led by +38% QoQ growth in the US sales (47% of sales) to USD 304 mn which was driven by traction in gRevlimid, base business volume gain, and new launches, partly offset by moderate 7% YoY growth in India (26% of sales) to INR 13.8 bn, given traction in key therapies/innovative portfolio. Wellness (9%) was up 10% YoY. EMs/EU (9%) grew 15% YoY and API (3%) saw 15% YoY growth.
- **EBITDA growth on strong US-led sales and higher gross margin:** GM increased 473 bps YoY to 70.9%, on a better mix and lower input costs. Higher staff/SG&A (+16/+20% YoY) led to an EBITDA* of INR 16.24 bn (+24% YoY) and a margin of 29.4% (+313 bps YoY). Higher interest (+25% YoY) and depreciation (+15%) offset by higher other income (+314%), led to a reported PAT at INR 11.7 bn (+295% YoY). Adjusted for forex impact/one-offs, PAT was at INR 11.74 bn (+27% YoY).
- **Con call takeaways:** ZYDUS expects to see steady growth in the US despite factoring competition in Asacol HD; this growth will be led by the new launches (30+ launches; transdermal, LiqMed, injectables), base business volume gain, and continued traction from gRevlimid. It has launched gMyrbetriq (25mg along with Lupin and for 50mg it has exclusivity). Jarod plant issue will delay approval for 4 ANDAs. Expects 2-3 products with sole exclusivity for growth beyond FY26/27 in the US including Semaglutide (sole exclusivity for diabetic indication). It expects India to see double-digit growth, led by the traction in key therapies and innovative portfolio. Expects to expand presence in EU region with focus on countries like France and recently commence operation in the UK. Expects to sustain gross margin on better business mix. M&A focus on rare disease portfolio for the global market, geographical expansion; in India – brands to fill portfolio gaps as well as OTC/ wellness. R&D asset update: (1) Saroglitazar: completed recruitment of patients for Phase 2b/3 clinical trial for Primary biliary cholangitis in the US, (2) ZYIL1 (NLRP3 inhibitor): received WHO approval (Usnoflast) for 4 indications; initiated Phase 2 proof-of-concept study in patients with Ulcerative colitis, (3) Desidustat: positive Phase 3 clinical trials results in China.

Quarterly financial summary

(INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	55,338	50,106	10	45,052	23	1,51,099	1,72,374	1,95,474	2,14,057	2,31,209
EBITDA	16,248	13,146	24	10,796	51	31,939	35,550	52,979	58,223	59,189
APAT	11,746	9,248	27	7,503	57	21,579	23,200	37,789	39,683	40,623
EPS (INR)	11.7	9.2	27	7.5	57	21.5	23.1	37.6	39.4	40.4
P/E (x)						47.0	43.7	28.0	26.7	26.0
EV/EBITDA (x)						32.7	29.2	20.3	18.1	17.3
RoCE (%)						12	13	21	20	17

Source: Company, HSIE Research, PAT adjusted for one-offs, * adjusted for forex impact

CMP *(as on 17 May 2024)*	INR 1,051
Target Price	INR 1,050
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1050	INR 1050
EPS %	FY25E	FY26E
	0	(0)

KEY STOCK DATA	
Bloomberg code	ZYDUSLIF IN
No. of Shares (mn)	1,006
MCap (INR bn) / ($ mn)	1,058/12,694
6m avg traded value (INR mn)	1,186
52 Week high / low	INR 1,057/483

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.9	65.2	102.7
Relative (%)	15.8	52.8	82.6

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	74.98	74.98
FIs & Local MFs	13.03	12.63
FPIs	5	5.72
Public & Others	6.99	6.67
Pledged Shares	-	-

Source: BSE

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Endurance Technologies

Focus on profitability; priced in

The India business revenue grew 26% YoY, in line with the 2W industry growth in Q4FY24. The weak consumer sentiment in Europe is visible in the slower run rate of wins for FY24 (EUR 31mn, vs EUR 84mn in FY23). Notwithstanding the slowdown in EVs and recessionary trends in Europe, Endurance aims to be a significant player in the battery management systems and electronic products required for EVs. In India, the emphasis is on enhancing profits and product mix, which is what Endurance hopes to do by growing its 4W business share from 25% to 45% by FY30. This will be driven by aluminum castings and forgings which are increasingly being used for lightweighting. Additionally, Endurance aims to increase the share of business for premium bikes in the 150cc and above categories for brake assemblies and ABS suspension. While we have factored in most key positives, the valuation at 33x FY26E earnings appears expensive. We maintain SELL with a revised target of INR 1,676 (earlier INR 1,599), valued at 25x FY26 EPS.

- **Q4 performance above our estimates:** Endurance's Q4 consolidated revenue at INR 26.8bn came in higher than our estimate of INR 25.6bn. The revenue beat was led by India business which grew 26% YoY. The standalone gross margin expanded 300bps QoQ, which led to EBITDA margin expanding 270bps QoQ to 14.3%. The state incentive received in Q4 stood at INR 203mn. With dealer destocking aiding new car sales, Europe business revenue grew 5.3% YoY. The EBITDA margin of the Europe business was flat YoY at 17.8%.
- **Call takeaways**: (1) New business won in FY24 stands at INR11.99bn from non-Bajaj customers. Of this, INR 8.25bn is new business wins and the balance is replacement business. The new business will reach peak sales in FY27. (2) In the domestic market, it is seeing strong growth from premium bikes (150cc and above). (3) It has to date won INR 7.14bn worth of EV business from Ather, Bajaj, Hero Electric, Greaves Cotton, Bounce and Aptiv. Endurance is adding capacity for EV scooters and 3W casting. (4) In Europe, Endurance has won just Euro 31mn worth of new business in FY24, from the Volkswagen Group and Mercedes Benz. This compares to Euro 84mn worth of new business wins in FY23. (5) For the Europe business, Endurance expects ICE-end use to reduce to 27% by FY27 from the current level of 45-50%. (6) Maxwell won Battery Management Systems business of INR 793mn in FY (vs INR 1.2bn in FY23). Despite the recent slowdown in the EV market, Endurance expects Maxwell's revenue to exceed INR 2.5bn in FY27. (7) For FY25-28, the total capex is expected to be INR 4bn, which will be spent in stages. The sales expectation from the capex is more than INR 5bn per annum. (8) Endurance aims to increase the share of aftermarket from 5.3% currently to 10% by FY28.

Quarterly/annual financial summary

YE Mar (INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	26,848	20,952	28.1	25,450	5.5	88,040	102,409	115,051	129,677
EBITDA	3,894	2,395	62.6	3,183	22.3	10,363	13,280	15,774	18,004
APAT	2,102	1,082	94.2	1,546	36.0	4,899	6,805	8,155	9,427
Diluted EPS (INR)	14.9	7.7	94.2	11.0	36.0	34.8	48.4	58.0	67.0
P/E (x)						62.3	44.8	37.4	32.3
EV / EBITDA (x)						29.0	22.5	18.8	16.2
RoCE (%)						13.7	16.6	17.9	18.5

Source: Company, HSIE Research

SELL

CMP *(as on 17 May 2024)*	INR 2,168
Target Price	INR 1,676
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,599	INR 1,676
EPS %	FY25E	FY26E
	1%	4.8%

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	305/3,659
6m avg traded value (INR mn)	291
52 Week high / low	INR 2,319/1,348

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	21.6	32.8	51.2
Relative (%)	19.5	20.5	31.2

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	75.00	75.00
FIs & Local MFs	15.4	15.4
FPIs	7.82	7.79
Public & Others	1.77	1.77
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Kaynes Technology

All round beat

Kaynes's Q4 print positively surprised as revenue/EBITDA grew by 75/60% YoY (5/12% above HSIE) while PAT grew by 97% YoY, aided by a 4x increase in other income (INR 14bn raised via QIP in Dec'23 for OSAT/PCB). Although gross margin contracted by 780bps YoY on account of changing business mix (in favour of high-volume low-margin business), op-lev (-560bps decline in other expense) restricted EBITDAM contraction to 130bps at 14.9%. Given a healthy order book (INR 41bn) and sustained increase in monthly order inflow (INR 3.2bn, up 15% QoQ/2x YoY), management has upped its FY25 revenue growth guidance to 60%+ with 100bps expansion in EBITDAM. Moreover, Kaynes has received approval for the bare PCB project and remains confident of OSAT approval after the lifting of the election model code of conduct. We raise our FY25/26 earnings by 13/10% to reflect the higher revenue outlook to arrive at a revised target price of INR 3,250 (EMS: 45x Mar'26 EPS; OSAT/bare PCB: INR 405/180 per share). Maintain ADD.

- **Q4FY24 highlights:** Revenue grew by 75% YoY (+25% QoQ) to INR 6.4bn (5% above HSIE/consensus). GM fell by 780bps YoY (+60bps QoQ) to 24.9%. While employee costs grew 48%, other expenses fell by 18% YoY which helped partially offset GM compression. EBITDA grew by 60% YoY (+36% QoQ) to INR 952mn (12/6% above HSIE/consensus) while margin fall was restricted to 130bps YoY (+120bps QoQ) to 14.9% (HSIE: 14%). A 4x increase in other income led to 90% YoY growth (+74% QoQ) in PBT while PAT grew by 97% YoY (+80% QoQ) to INR 813mn. Order book at INR 41bn grew 55% YoY (+10% QoQ). The average order inflow/month was at INR 3.2bn (2x YoY; +15% QoQ).
- **Broad-based growth across segments led by industrial and aerospace:** Kaynes saw broad-based growth across segments with the top three segments (85%+ revenue contribution) comprising automotive/industrial &EV/railways registering 19/287/41% growth YoY (+12/31/64% QoQ). Aerospace, Defence, Outerspace & Strategic Electronics revenue grew by 181% while medical revenues grew by 4% YoY. Within railways, Kaynes is a major player in interlocking systems and is now looking to expand into onboard electronics and train collision avoidance systems. Within Aerospace, the focus will remain on avionics where Kaynes has a long-term program (of ten years) with a large customer.
- **Earnings call takeaways:** (1) Management expects competitive intensity to only be moderate for the next few years, given ample opportunity as India's import of electronics is high. (2) Expect to do OCF/EBITDA of 50% in FY25 which will be enough to fund the capex requirements of the legacy EMS business. (3) OSAT approval in final stages. Expect movement post-lifting of the election model code of conduct. (4) Approval for bare PCB is already in place. In advanced stages of finalizing suppliers and orders. Expect some shipments to start at the end of the year. (5) Looking to expand capacities in newer regions within India and overseas. (6) FY25 OCF stood at INR 701mn.

Financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	6,373	3,646	74.8	5,093	25.1	7,062	11,261	18,046	28,123	39,581
EBITDA	952	594	60.5	699	36.3	937	1,683	2,542	4,022	5,739
APAT	813	413	96.8	452	79.8	414	952	1,833	2,598	3,784
EPS (INR)	12.7	7.1	79.1	7.1	79.8	9.0	16.4	28.7	40.7	59.2
P/E (x)						344.1	188.7	107.8	76.0	52.2
EV / EBITDA						153.8	104.7	72.9	46.3	32.5
RoE (%)						24.3	16.4	17.9	21.4	24.6

Source: Company, HSIE Research

ADD

CMP *(as on 17 May2024)*	INR 3,080
Target Price	INR 3,250
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,000	INR 3,250
EPS %	FY25E	FY26E
	+13%	+10%

KEY STOCK DATA	
Bloomberg code	KAYNES IN
No. of Shares (mn)	64
MCap (INR bn) / ($ mn)	197/2,362
6m avg traded value (INR mn)	533
52 Week high / low	INR 3,249/1,075

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	10.2	23.6	163.4
Relative (%)	8.1	11.2	143.4

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	57.83	57.83
FIs & Local MFs	19.04	18.36
FPIs	12.71	14.19
Public & Others	10.41	9.62
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Sobha

Robust launch pipeline to drive presales

Sobha (SDL) reported a muted quarter with presales in value and volume at INR 15bn (+2.8%/-22.9% YoY/QoQ) and 1.5msf (-9.4%/-19.5% YoY/QoQ) resp. SDL plans to launch ~9msf with an est GDV of INR 120bn in FY25, with this the total inventory pipeline would reach to 16.5msf. The lag in rights issue (INR 20bn size) was due to certain technical issue and may flow through by end of Q1FY25, which will be utilised largely towards growth opportunities in non-Bengaluru/Kerala regions like NCR, Pune, Hyderabad, etc. SDL is a significant beneficiary of strong demand in Bengaluru market. Additionally, its established presence in the high-value Gurgaon market, which has contributed 13% of sales volume and 18% of sales value over the past three years, provides additional opportunities for growth and improved margins. Given the robust launch pipeline movement from land to development, we increase our TP to INR 2,150/sh and maintain BUY.

- **Q4FY24 financial highlights:** Revenue INR 7.6bn (-36.9%/+11.4% YoY/QoQ, a 25.8% miss). EBITDA came in at INR 621mn (-46.3%/-16.2% YoY/QoQ, a 51% miss). EBITDA margin came in at 8.1% (-141/-268bps YoY/QoQ, vs. estimate of 12.3%). RPAT/APAT was INR 71mn (-85%/-53% YoY/QoQ, a 53% miss). SDL expects the EBITDA margin to improve once the revenue mix starts changing from Q1FY25 towards premium projects.
- **Steady quarter, heading towards a launch heavy FY25:** SDL reported a muted quarter with presale in value and volume at INR 15bn (+2.8%/-22.9% YoY/QoQ) and 1.5msf (-9.4%/-19.5% YoY/QoQ) resp. The average price realisation was INR 9,898 (+13.4%/-4.3%, YoY/QoQ). The contribution of sales from Bengaluru was flat at 75% of the overall sales volume, driven by the Neopolis project. SDL plans to launch ~9msf with an est GDV of INR 120bn in FY25, with this the total inventory pipeline (including 7.5msf unsold stock) would reach 16.5msf. Moreover, Bengaluru market remains the focus micro market for SDL followed by Gurgaon for further expansion wrt land acquisitions.
- **Balance sheet strong; net debt trending downwards:** Net debt decreased to INR 12.6bn (INR 13.4bn in Q3FY24). At INR 19bn gross debt remained constant as Q3FY24. The operating cash flow from completed and ongoing projects is expected at INR 84bn while that from forthcoming projects is at INR 65bn. INR 4bn is the expected land capex for FY25.

Consolidated financial summary (INR mn)

Particulars	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	7,629	12,099	*(36.9)*	6,849	*11.4*	33,101	30,969	35,646	40,956
EBITDA	621	1,156	*(46.3)*	741	*(16.2)*	3,695	2,770	4,376	7,434
APAT	71	486	*(85.4)*	151	*(53.0)*	1,042	491	1,752	4,184
Diluted EPS	0.7	5.1	*(85.4)*	1.6	*(53.0)*	11.0	5.2	18.5	44.1
P/E (x)						130.2	276.2	77.4	32.4
EV/EBITDA (x)						40.9	53.4	30.9	16.5
RoE (%)						4.2	2.0	6.7	14.6

Source: Company, HSIE Research

Change in Estimates (INR mn)

	FY25E			FY26E		
	New	Old	*% Chg.*	New	Old	*% Chg.*
Revenues	35,646	39,213	*(9.1)*	40,956	45,760	*(10.5)*
EBITDA	4,376	6,304	*(30.6)*	7,434	8,066	*(7.8)*
Margins (%)	12.3	16.1	*(380.0)*	18.2	17.6	*52.7*
APAT	1,752	3,233	*(45.8)*	4,184	4,693	*(10.8)*

Source: Company, HSIE Research

BUY

CMP (as on 17 May 2024)	INR 1,863
Target Price	INR 2,150
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,914	INR 2,150
EPS Change %	FY25E *-45.8*	FY26E *-10.8*

KEY STOCK DATA	
Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / ($ mn)	177/2,119
6m avg traded value (INR mn)	875
52 Week high / low	INR 1,969/505

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	29.1	112.8	245.6
Relative (%)	27.0	100.5	225.5

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	52.28	52.28
FIs & Local MFs	17.23	17.55
FPIs	11.13	11.87
Public & Others	19.36	18.28
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Vinati Organics

Decent show at a tough time

Our SELL recommendation on Vinati Organics (VO) with a discounted cash flow-based target price of INR 1,403 (WACC 11%, terminal growth 5%) is driven by a shift in the revenue mix towards lower-margin butyl phenol and other products as compared to ATBS, which has a higher margin. Molecules that are contributing ~60% to revenue are showing muted growth. We believe the current valuation is contextually high at ~49/37x FY25E/26E EPS. Q4 EBITDA/APAT were 14/12% above our estimates owing to more than anticipated revenue, offset by more than anticipated raw material cost and other operating expenses.

- **Financial performance:** Q4 revenue increased by 9/22.8% YoY/QoQ to INR 5.50bn owing to strong volume recovery in the quarter. EBITDA came at INR 1.50bn (-1.5/31% YoY/QoQ). EBITDA margin came at 27.3% (-296 / +170 bps YoY/QoQ). Sequential improvement in margin owing to operating leverage. The company expects demand for ATBS to improve as destocking is over.
- **Key con call takeaways:** (1) During FY24, the company incurred a capex of INR3.6 bn, primarily on account of the subsidiary Viral Organics (for niche products) and parent (for expansion of the existing facility). (2) The company commissioned MEHQ and Guaiacol plant in March FY24. It has started sending samples to customers. It expects revenue contribution from it from H2FY25 onwards. (3) VO will incur a capex of INR 5.5 bn in FY25. This will be spent on ATBS expansion and VOPL projects. (4) The company has commissioned a solar plant of ~33 MW. (5) ATBS contributed 32% of revenue in FY24. (6) The company has seen strong volume recovery in FY25 as inventory destocking is over. (7) VO will continue with the expansion of ATBS from 40ktpa to 60ktpa but due to equipment supply constraints, the company expects the additional line to be commissioned in Q4FY25. (8) The antioxidant (AO) contributed INR1.3 bn in FY24. AO is currently going through weak demand. The company expects a strong recovery in FY25 and expects revenue of INR2.8bn to INR3bn from AO.
- **Change in estimates:** We have cut our FY25/26 EPS estimates by 0.8/1% to INR 39.4/51.6 to account for the Q4 performance.

Financial summary (consolidated)

INR mn	Q4 FY24	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)	FY22	FY23	FY24P	FY25E	FY26E
Net Sales	5,503	4,480	22.8	5,034	9.3	16,155	20,727	19,388	23,956	29,328
EBITDA	1,502	1,146	31.0	1,523	(1.4)	4,341	5,712	5,086	6,114	7,827
APAT	1,045	769	35.8	1,154	(9.4)	3,466	4,192	3,620	4,052	5,300
AEPS (INR)	10.2	7.5	35.8	11.2	(9.4)	33.7	40.8	31.4	39.4	51.6
P/E (x)						57.3	47.4	61.5	49.0	37.4
EV/EBITDA(x)						45.8	34.4	42.2	31.9	24.6
RoE (%)						20.6	20.7	13.8	15.4	17.4

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	5,767	6,114	6.0	7,468	7,827	4.8
Adj. EPS (INR/sh)	39.1	39.4	0.8	51.1	51.6	1.0

Source: Company, HSIE Research

SELL

CMP *(as on 17 May 2024)*	INR 1,621
Target Price	INR 1,403
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,387	INR1,403
EPS %	FY25E	FY26E
	+0.8%	+1.0%

KEY STOCK DATA	
Bloomberg code	VO IN
No. of Shares (mn)	104
MCap (INR bn) / ($ mn)	168/2,015
6m avg traded value (INR mn)	136
52 Week high / low	INR 1,985/1,462

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.9)	(6.3)	(17.4)
Relative (%)	(5.0)	(18.7)	(37.4)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	74.06	74.28
FIs & Local MFs	7.56	7.32
FPIs	4.71	4.94
Public & Others	13.67	13.46
Pledged Shares	0.00	0.00

Source: BSE

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V-Guard Industries

Strong operating performance

V-Guard (VGRD) reported a strong operational performance with revenue/EBITDA, growing by 18/32% YoY (2/4% above HSIE). Revenue growth was broad-based across categories, led by 28/19% growth in consumer durables and electronics segments. The harsh summer season, especially in south and east India, has led to strong demand for a summer portfolio of fans, air coolers and stabilizers. Margins expanded across categories, except for Sunflame which is undergoing systems and process integration with VGRD along with higher marketing spends. Sunflame's growth rate could accelerate in the coming quarters led by leveraging VGRD's strong presence in the south market and scaling up its e-commerce/MT presence. Despite prices of key RM inching up in the past few months, VGRD remains optimistic about sustaining margin expansion, led by (1) calibrated pricing action; (2) stabilizing manufacturing operations; and (3) operational leverage. We retain our estimates and value VGRD at 38x Mar'26 EPS to arrive at a target price of INR 355. Maintain ADD.

- **Q4FY24 highlights:** Revenue grew by 18% YoY to INR 13.4bn (2/4% above HSIE/consensus). Ex-Sunflame, revenue grew by 17% YoY. Gross margin expanded by 300bps YoY to 34.3% (HSIE: 33.4%), aided by the softening RM environment. EBITDA grew by 32% YoY to INR 1.3bn (4% above HSIE consensus) while the margin expanded by 100bps YoY to 9.5% (HSIE: 9.4%). Employee/A&P/other expenses grew by 38%/136%/12% YoY. As a percentage of sales, A&P saw a 160bps increase YoY. PBT grew by 40% YoY to INR 1bn while APAT grew by 44% YoY to INR 762mn.
- **Margin expansion across categories: Electronics** revenue grew by 19% YoY to INR 3.2bn while margin expanded by 60bps YoY to 12.5%. **Electricals** revenue grew by 11% YoY to INR 5.8bn while margins expanded by 110bps YoY to 10.2%. **Consumer durables** revenue grew by 28% YoY to INR 3.7bn while margins turned positive YoY at 1.3% vs -0.4%. **Sunflame** revenue grew by 28% YoY to INR 730mn while margins fell 460bps YoY to 9.4%. South revenue grew by 19% (55% mix) while non-south revenue grew by 16% (45% mix).
- **Earnings call takeaways:** (1) Harsh summer has led to strong demand for summer portfolio. (2) VGRD took a price hike of c.2% in fans in April. Another one is in the offing. (3) Own manufacturing mix now stands at 65% (40-45% 5 years back) and is expected to rise to 75% in a couple of years. (4) Within Sunflame, expect to achieve operational integration in the next 12-15 months. Looking to leverage VGRD's south presence. (5) VGRD is under-indexed in alternate channel vs industry by 25%. Working to bridge the gap. (6) To incur a capex of INR 1bn in FY25. (7) The board recommended a dividend of INR 1.4/share.

Financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	13,428	11,392	17.9	11,654	15.2	41,272	48,567	55,334	62,650
EBITDA	1,279	972	31.5	1,016	25.8	3,201	4,267	5,251	6,349
APAT	762	527	44.5	582	30.8	1,891	2,576	3,233	4,077
EPS (INR)	1.8	1.2	44.5	1.3	31.2	4.4	5.9	7.4	9.4
P/E (x)						85.5	63.1	50.2	39.8
EV / EBITDA (x)						51.6	38.5	31.1	25.4
RoE (%)						12.5	15.1	16.6	18.2

Source: Company, HSIE Research

ADD

CMP *(as on 17May2024)*	INR 370
Target Price	INR 355
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 355	INR 355
EPS %	FY25E	FY26E
	0%	0%

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	434
MCap (INR bn) / ($ mn)	161/1,926
6m avg traded value (INR mn)	185
52 Week high / low	INR 379/239

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.8	26.7	45.5
Relative (%)	16.7	14.3	25.4

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	54.57	54.47
FIs & Local MFs	20.45	20.17
FPIs	13.02	13.36
Public & Others	11.96	12.00
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Prince Pipes and Fittings

Strong volume comes at the expense of margin

We maintain our ADD rating on Prince Pipes, with an unchanged target price of INR 675/sh (30x its Mar-26E EPS). In Q4FY24, Prince sales volume recovered strongly by 16/21% YoY/QoQ, supported by healthy demand in all segments. Realisation fell 1% QoQ, owing to correction in CPVC prices and price cuts taken by the company in selected products to make them competitive. Adjusted for inventory gain or loss of earlier quarters, its unitary EBITDA in Q4FY24 decreased to INR 18 per kg in Q4 vs INR 28/20 per kg YoY/QoQ. Management expects 15% CAGR pipes volume growth for the next few years with 12-14% EBITDAM. It is setting up a greenfield 48K MT pipe plant in Bihar. This is expected to commission in phases by H1FY26-end costing INR 2.2bn, expanding its plumbing capacity by 14%. In bathware, it is ramping up its distribution network and expects EBITDA to break even in the next 12-18 months.

- **Q4FY24 performance:** Prince sales volume recovered strongly by 16/21% YoY/QoQ, supported by healthy demand in all segments. Realisation fell 1% QoQ to INR 144/kg owing to correction in CPVC prices and price cuts taken in selected products to make them competitive. Unitary opex too declined by 1% QoQ. There was no inventory gain/loss in this quarter. Adjusted for inventory gain or loss of earlier quarters, its unitary EBITDA decreased to INR 18 per kg in Q4 vs INR 28/20 per kg YoY/QoQ.
- **Con call KTAs and outlook:** Management expects 15% CAGR pipes volume growth for the next few years with 12-14% EBITDAM. It mentioned it has rolled back prices in a few categories in H2FY24 in a bid to arrest market share loss. Now, its pipes prices are competitive, and it has no plans to cut prices further. Prince is setting up an integrated greenfield plant of 48K MT capacity in Bihar costing INR 2.2bn and is expected to commission it in phases by H1FY26-end. The company forayed into bathware in June 2023 and is ramping up distribution currently. For FY24, Prince's bathware revenue was INR 100mn (direct attributable cost was INR 90mn). Currently, the company is targeting north and west India only. By H1FY25-end, it will be a pan-India bathware player, which will lead to higher employee and ad spending. Bathware is expected to hit EBITDA breakeven in the next 12-18 months. We broadly maintain our APAT estimates for FY25/26E. We maintain our ADD rating with an unchanged TP of INR 675/share (30x Mar-26E EPS).

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24P	FY25E	FY26E
Pipes sales (K MT)	51.4	44.3	*16.1*	42.7	*20.6*	139.0	157.7	172.8	197.0	216.7
NSR (INR/kg)	144	172	*-16.6*	145	*-0.8*	191	172	149	147	150
EBITDA (INR/kg)	18	33	*-46.4*	18	*1.1*	30	16	18	20	20
Net Sales	7,401	7,644	*-3.2*	6,186	*19.6*	26,568	27,109	25,687	28,991	32,592
EBITDA	923	1,483	*-37.8*	757	*21.9*	4,157	2,503	3,074	3,925	4,411
EBITDAM (%)	*12.5*	*19.4*		*12.2*		*15.6*	*9.2*	*12.0*	*13.5*	*13.5*
APAT	546	941	*-41.9*	376	*45.2*	2,495	1,214	1,646	2,199	2,493
Diluted EPS (INR)	4.9	8.5	*-41.9*	3.4	*45.2*	22.6	11.0	14.9	19.9	22.5
EV / EBITDA (x)						17.9	28.7	23.9	17.9	15.9
P/E (x)						29.5	60.6	44.7	33.4	29.5
RoE (%)						*21.6*	*9.2*	*11.3*	*13.4*	*13.6*

Source: Company, HSIE Research

ADD

CMP *(as on 17 May 2024)*	INR 669
Target Price	**INR 675**
NIFTY	**22,466**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 675	INR 675
EPS revision %	FY25E *(0.8)*	FY26E *(0.1)*

KEY STOCK DATA	
Bloomberg code	PRINCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	74/887
6m avg traded value (INR mn)	155
52 Week high / low	INR 776/505

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	12.5	(3.8)	13.7
Relative (%)	10.4	(16.1)	(6.4)

SHAREHOLDING PATTERN (%)	**Dec-23**	**Mar-24**
Promoters	60.94	60.94
FIs & Local MFs	18.40	18.53
FPIs	5.74	5.15
Public & Others	14.92	15.37
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Sansera Engineering

Non-auto business to drive growth

Sansera's consolidated revenue grew 20% YoY/4% QoQ to INR7.4bn (HSIE INR 7.1bn). The impact of revenue growth on profitability was offset by higher finance costs and tax rates. PAT at INR 461mn was lower than our estimate of INR 487mn. Sansera is undertaking significant capacity expansion in light weighting and aluminium-forged components. It expects strong demand for these components from premium vehicles, EVs and hybrid vehicles. The company believes these products have the potential to increase revenue per vehicle by 4-5x compared to the current ICE per vehicle components. In the non-auto segment, Sansera expects 40-50% growth in the aerospace division in FY25 and a ramp-up in revenues from defence. With the increased contribution of the non-auto segment to revenues, Sansera believes it is on track to achieve its diversification goals and to have 40% revenues from the non-ICE segment (from 25% in FY24). Maintain BUY rating with a PT of INR 1,190 – valued at 18x FY26 earnings.

- **Q4 revenue above estimates:** The consolidated revenue at INR 7.4bn was higher than our estimate of INR 7.1bn. EBITDA margin came in at 17.1% (+180bps YoY/+20bps QoQ). The impact of revenue growth on profitability was offset by higher finance costs and tax rates. ETR was 28.7% in Q4FY24 vs 27.4% in Q3FY24. As a result, PAT at INR 461mn (+31% YoY/flat QoQ) was lower than our estimate of INR 487mn.
- **Call takeaways**: (1) The auto-ICE segment reported 22% YoY revenue growth, led by 2Ws and PVs. Revenue growth was driven by the addition of new customers and the increase in the wallet share of existing customers like Maruti, Tata Motors, General Motors, and TVS. 2W-motorcycle segment continues to be a beneficiary of the premiumisation and higher content per vehicle trend and reported 46% YoY growth in revenues. Sansera is focused on increasing wallet share with customers such as Royal Enfield, TVS – BMW, Harley Hero models, and Triumph (Bajaj Auto). (2) The Auto-Tech agnostic and xEV segment contributed to 14% of the revenue in Q4 and reported 43% YoY growth in revenues. EV segment revenue growth was driven by commercialization of orders for a North American customer. (3) For FY24, Sansera undertook a capex of INR 3.4bn. With significant capacity additions planned, capex for FY25 is expected to be INR 4bn. Thereafter the company expects capex to normalise to INR 3-3.5bn. (4) The capex for the new 4000ton press is on track to be commissioned in 1HFY25. The company is adding two more presses to increase capacities for bigger engine category of components. (5) The order book of new business with an annual peak revenue stood at INR 15.9bn (INR 20.4bn in Q3). The sequential decline in the order book is due to the annual reset undertaken. 51% of the orders are from emerging businesses (non-auto and auto-tech agnostic and xEV).

Quarterly/annual financial summary

YE Mar (INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	7,414	6,166	20.2	7,126	4.0	23,383	28,114	34,414	40,519
EBITDA	1,270	942	34.9	1,207	5.3	3,795	4,799	6,194	7,496
APAT	461	351	31.1	480	-4.0	1,462	1,858	2,647	3,545
Diluted EPS (INR)	8.6	6.6	29.4	9.0	-4.1	27.2	34.6	49.4	66.1
P/E (x)						38.4	30.1	21.1	15.8
EV / EBITDA (x)						15.9	13.1	10.4	8.5
RoCE (%)						14.6	14.9	17.4	19.9

Source: Company, HSIE Research

BUY

CMP *(as on 17 May 2024)*	INR 1,042
Target Price	INR 1,190
NIFTY	22,466

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,190	INR 1,190
	FY25E	FY26E
EPS %	-2%	0%

KEY STOCK DATA	
Bloomberg code	SANSERA IN
No. of a Shares (mn)	54
MCap (INR bn) / ($ mn)	56/670
6m avg traded value (INR mn)	164
52 Week high / low	INR 1,114/ 752

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.4	25.4	35.0
Relative (%)	(1.7)	13.1	14.9

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	35.1	35.0
FIs & Local MFs	28.2	28.6
FPIs	22.7	22.1
Public & Others	14.0	14.3
Pledged Shares	0.0	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

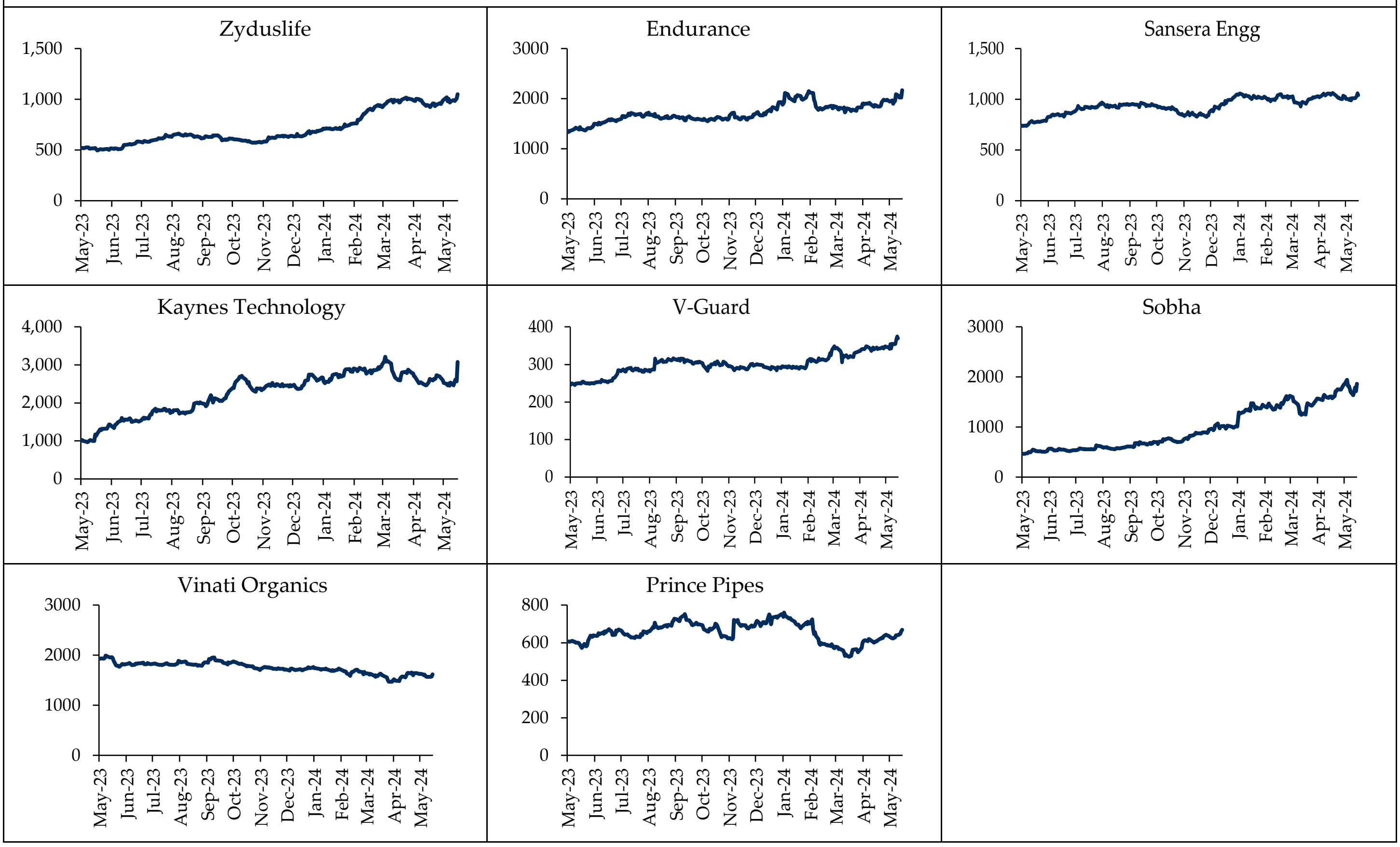
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Mehul Sheth	Zydus Lifesciences	MBA	NO
Maitreyee Vaishampayan	Endurance Technologies, Sansera Engineering	MSc	NO
Paarth Gala	Kaynes Technology, V-Guard Industries	BCom	NO
Parikshit Kandpal	Sobha	CFA	NO
Jay Shah	Sobha	CA	NO
Nilesh Ghuge	Vinati Organics	MMS	NO
Harshad Katkar	Vinati Organics	MBA	NO
Prasad Vadnere	Vinati Organics	MSc	NO
Akshay Mane	Vinati Organics	PGDM	NO
Rajesh Ravi	Prince Pipes and Fittings	MBA	NO
Keshav Lahoti	Prince Pipes and Fittings	CA	NO

1 Yr Price movement



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