INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Cummins:** Cummins India Ltd (CIL) reported yet another exceptional quarter with revenue/EBITDA/APAT surpassing our estimates by 5/16/36%. Domestic business grew 28% YoY whilst exports declined 18% on the back of geopolitical issues. CIL maintained a 2x real GDP growth guidance band of 12-16% over the longer term with a positive margin bias. Data centre demand remains robust, touching ~10% in the revenue mix. Industrials and distribution businesses continue to aid growth. Going ahead, with the CPCB 4+ implementation from 1st Jul 2024, CIL expects a positive margin bias, though full impact will be visible from Q3FY25 depending on competitors' pricing actions. We have recalibrated our estimates higher to factor in better growth and margins. The company has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials, and support for manufacturing policies. We maintain BUY, with an increased SOTP of INR 4,328 (54x Mar-26 EPS, vs. 48x earlier, higher multiple to support new growth drivers & export recovery).

- **Brigade Enterprises:** Brigade Enterprises Ltd (BEL) posted strong Q4FY24 presales of 2.7msf (+15/+60% YoY/QoQ), valued at INR 22.4bn (+50/+47% YoY/QoQ), with average realisation touching an all-time high of INR 7,968 per sq. ft (+36/+21% YoY/QoQ). Moreover, for FY25, BEL has a robust launch pipeline of 12.6msf with a GDV potential of INR 130bn, largely in Bengaluru as BEL expects that the Bengaluru market has a huge potential. The Neopolis launch is expected in H2FY25. Besides this, BEL is planning for 3msf of new office projects in Bengaluru, Hyderabad, and Chennai, and 0.5msf of hotels. This will entail a new capex of INR 20bn over FY25-28. Given BEL's strong cash position of INR 20.7bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, raising the TP to INR 1,400/sh to account for (1) inclusion of new projects in Hyderabad, Bengaluru, and Chennai, (2) expansion in the office/hospitality segment, and (3) incorporation of a 5-10% price hike across projects.

- **Lemon Tree:** Lemon Tree Hotels (LTH) recorded a strong Q4 in terms of operational and financial parameters, capitalising on the sector tailwinds. Revenue grew 30% YoY to INR3.3bn, led by a healthy 13% ARR growth and robust occupancy of 72% in Q4FY24, leading to a healthy RevPAR growth of +11% YoY. Given the company's focus on expansion-led growth, we believe a ramp-up of Aurika, Mumbai (669 rooms) and room additions (incremental 2,773 rooms by FY27) under brands "Lemon Tree Premier" and "Lemon Tree Hotels" are key growth levers for the company. Management has guided that it will become debt-free in the next four years, aided by increased cash flows and the proposed listing of Fleur Hotels. We believe an elevated gross debt level of INR18.8bn is a key monitorable. We expect LTH RevPAR to grow in the mid-teens for two more years, benefitting from buoyant discretionary spending and demand tailwinds. We maintain a BUY rating with an EV/EBITDA of 17x FY26 and a TP of INR 152/share.

- **KNR Constructions:** KNR reported revenue/EBITDA/APAT at INR 11.8/2.1/1.3bn, adjusted for a one-off to arrive at comparable numbers, beating our estimates by 6.5/9/15.6%. KNR guided its FY25 revenue to be flat on a YoY basis, with an EBITDA margin of 15-16%, 100bps lower than its earlier

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guidance on the back of competition. Moreover, the company aims to secure an order inflow of INR 50-60bn for FY25, with plans to further diversify into railways, irrigation (beyond Telangana), and mining projects, with an expected inflow of INR 20-30bn in Q2FY25 itself. Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling, energy, and metro. On the HAM portfolio, KNR has already invested INR 4.8bn; the balance equity requirement in NHAI HAM projects is INR 5bn as of Mar'24, of which INR 3.5/0.9/0.7bn will be infused in FY25/26/27. We have marginally tweaked our estimates to factor in the weak ordering in FY24. Given a strong balance sheet, robust execution and likely new order wins in FY25, we maintain BUY with a TP of INR 340/sh (15x Mar-26E EPS).

- **Ahluwalia Contracts:** Ahluwalia Contracts (AHLU) reported a revenue/EBITDA/APAT beat of 30.5/11/16%. EBITDA margin stood at 9% (-381/-194bps YoY/QoQ, vs. our estimate of 10.5%). AHLU highlighted that due to elections, the labour scarcity resulted in project sites operating at 60-70% execution level. The resultant loss of revenue impacted the margin. AHLU guided for 15-20% FY25 revenue and an EBITDA margin of 10%+. The total order inflow in FY24 stood at INR 65.4bn, ex of L1 of INR 40bn. The OB as of Mar'24 stood at INR 111.8bn (~2.9x FY24 revenue), excluding L1 in four projects of INR 40bn (expected to be awarded by June 2024). AHLU has guided for further INR 30bn of new order wins for the rest of FY25 (overall INR 70bn inflows). AHLU is effectively debt-free, with a negligible gross debt of INR 450/420mn and total cash and cash equivalents of over INR 7.8/5.8bn, as of Mar'24/Dec'23. Given the recent rally in the stock price and a limited upside to our target price, we maintain our ADD rating. We have revised our estimates upward to factor in better-than-expected revenue growth and increased our TP to INR 1,159 (16x Mar-26E EPS).

- **Suprajit Engineering:** SEL's Q4 revenue grew 12% YoY to INR 7.8bn (HSIE INR7.7bn), led by automotive and 2W divisions. The non-automotive segment (19% of total sales) reported growth (1% YoY) after three consecutive quarters of decline. PAT at INR 591mn was higher than our estimate of INR447 mn due to deferred tax benefits. The Suprajit Controls Division (SCD) continues to win significant new automotive contracts, with China plus 1 strategy working in its favour. With continued restructuring planned, SEL expects SCD to report double-digit revenue growth with better margins as compared to FY24. The Domestic Cable Division (DCD) will continue pursuing its 'Beyond Cables' strategy and is expected to grow in double digits. The restructuring in the Phoenix Lamps Division (PLD) is complete, and SEL expects double-digit growth in revenues and margins. SEL is emerging as one of the major beneficiaries of the global derisking strategy by OEMs in the cables business as it remains amongst the very few large players with the ability to supply from multiple low-cost locations globally based on the OEMs' requirements. Reiterate BUY with a TP of INR 515, valued at 23x FY26 earnings.

- **NOCIL:** Our ADD recommendation on NOCIL with a TP of INR 275 is premised on (1) robust growth in the non-tyre sector and healthy volume growth in the domestic tyre segment and (2) a shift in product mix towards better margin specialised rubber chemicals. Q4 EBITDA was 21% below our estimates while PAT was 20% above our estimates due to higher-than-expected other income. Other Income includes INR 180mn from the sale of assets. Adjusting for the same APAT was 32% below our estimates.

- **Stylam Industries:** We maintain our BUY rating on Stylam with an unchanged target price of INR 2,550/sh (22x its Mar'26E consolidated EPS). We like Stylam for its industry-leading growth and EBITDA margin, healthy balance sheet, and return ratio profile (~25% ROE). In Q4FY24, owing to healthy volume, Stylam's revenue grew 1/12% YoY/QoQ (export/ domestic: 11/-16% YoY). Volume growth picked up; it grew 12/9% YoY/QoQ. EBITDA grew 18% YoY owing to a cool-off in raw material prices (flat QoQ). EBITDAM expanded by 280bps YoY to 19.9% (higher gross margin). APAT grew 45% YoY (+24% QoQ) owing to higher EBITDA and lower tax rates. The company sees big growth in the US (~5% of revenue). It believes the US revenue can increase multifold and contribute 10-15% growth in revenue at a consolidated level in FY25. It is working on laminate brownfield expansion costing INR 2-2.25bn with INR 8bn revenue potential. This project is expected to be commissioned by Q3FY25. We expect Stylam to deliver 22/24/23% revenue/EBITDA/APAT CAGR during FY24-26E.

Cummins

Exceptional performance; demand drivers intact

Cummins India Ltd (CIL) reported yet another exceptional quarter with revenue/EBITDA/APAT surpassing our estimates by 5/16/36%. Domestic business grew 28% YoY whilst exports declined 18% on the back of geopolitical issues. CIL maintained a 2x real GDP growth guidance band of 12-16% over the longer term with a positive margin bias. Data centre demand remains robust, touching ~10% in the revenue mix. Industrials and distribution businesses continue to aid growth. Going ahead, with the CPCB 4+ implementation from 1st Jul 2024, CIL expects a positive margin bias, though full impact will be visible from Q3FY25 depending on competitors' pricing actions. We have recalibrated our estimates higher to factor in better growth and margins. The company has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials, and support for manufacturing policies. We maintain BUY, with an increased SOTP of INR 4,328 (54x Mar-26 EPS, vs. 48x earlier, higher multiple to support new growth drivers & export recovery).

- **Q4FY24 financial highlights:** Revenue: INR 23.2bn (+20/-8.6% YoY/QoQ, a beat of 5.3%). Domestic sales: INR 19.3bn (+38/-12% YoY/QoQ) and export of INR 3.4bn (-30%/+6% YoY/QoQ). EBITDA: INR 5.4bn (+67/+1% YoY/QoQ, 31% beat, aided by one-off INR 0.6bn saving in other expenses, adjusted beat 16%). Gross margin: 36% (+327bps/-102bps Q4FY23/Q3FY24) on account of the mix. Consequently, EBITDA/adjusted EBITDA margin was 23.5/20.9% (+398/-32bps YoY/QoQ) vs est. of 18.9%. Other income: INR 2bn (+56/+80% YoY/QoQ). RPAT/APAT: INR 5.6/5bn (+58/+10% YoY/QoQ, a 36% beat).
- **CIL remains confident of 2x real GDP growth with positive margin bias:** During FY24, the domestic power gen revenue stood at INR 33.3bn (+22% YoY), Distribution INR 23.5bn (+25% YoY), Industrials INR 13bn (+24% YoY) and exports at INR 16.7bn (-18% YoY). With CPCB4+ power gen regulation implementation from 1st Jul 2024, CIL expects better pricing and a positive margin bias. Prebuying is minimal, given the deferral in CPCB4+ implementation earlier. Around 33.3% of sales have come from CPCB 4+ products vs. 25% QoQ. CIL aspires to grow the revenues at a CAGR of 12-16% for the next few years with likely higher growth in the near term.
- **Multiple growth levers:** Demand is resilient in data centres, residential and commercial real estate, infrastructure, and manufacturing and may drive growth higher. Distribution is benefiting from both expansions in services, spare parts portfolio, and reconditioning. This segment has better profitability. Exports may have bottomed out but will look up from 3QFY24 as CPCB 4+ products get rolled out for global markets. Data centres have contributed 10%+ to sales.

Standalone financial summary

(INR in mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Revenues	23,162	19,260	20.3	25,341	(8.6)	77,444	89,586	103,061	123,062
EBITDA	5,443	3,261	66.9	5,379	1.2	12,426	17,614	21,005	26,969
APAT	5,615	3,185	76.3	4,562	23.1	11,405	16,619	18,736	23,366
Diluted EPS(INR)	20.3	11.5	76.3	16.5	23.1	41.1	60.0	67.6	84.3
P/E (x)						87.4	60.0	53.2	42.7
EV/EBITDA (x)						78.5	42.3	33.4	27.5
RoE (%)						22.3	28.6	26.8	27.0

Change in Estimates

(INR in mn)	FY25E			FY26E		
	New	Old	% Chg	New	Old	% Chg
Revenues (Rs mn)	103,061	103,129	(0.1)	123,062	117,404	4.8
EBITDA (Rs mn)	21,005	20,345	3.2	26,969	24,151	11.7
Margins (%)	20.4	19.7	65.3	21.9	20.6	134.4
APAT (Rs mn)	18,736	17,947	4.4	23,366	20,909	11.7

Source: Company, HSIE Research

BUY

CMP *(as on 30 May 2024)*	INR 3,597
Target Price	INR 4,328
NIFTY	22,489

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,425	INR 4,328
EPS change %	FY25E	FY26E
	4.4	*11.7*

KEY STOCK DATA	
Bloomberg code	KKC IN
No. of Shares (mn)	277
MCap (INR bn) / ($ mn)	997/11,967
6m avg traded value (INR mn)	1,750
52 Week high / low	INR 3,900/1,590

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	31.3	88.4	104.9
Relative (%)	29.4	78.1	87.6

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	51.00	51.00
FIs & Local MFs	23.36	22.86
FPIs	16.51	17.36
Public & Others	8.93	8.63
Pledged Shares	-	-

Source: BSE

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Brigade Enterprises

New launches augur well for growth

Brigade Enterprises Ltd (BEL) posted strong Q4FY24 presales of 2.7msf (+15/+60% YoY/QoQ), valued at INR 22.4bn (+50/+47% YoY/QoQ), with average realisation touching an all-time high of INR 7,968 per sq. ft (+36/+21% YoY/QoQ). Moreover, for FY25, BEL has a robust launch pipeline of 12.6msf with a GDV potential of INR 130bn, largely in Bengaluru as BEL expects that the Bengaluru market has a huge potential. The Neopolis launch is expected in H2FY25. Besides this, BEL is planning for 3msf of new office projects in Bengaluru, Hyderabad, and Chennai, and 0.5msf of hotels. This will entail a new capex of INR 20bn over FY25-28. Given BEL's strong cash position of INR 20.7bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, raising the TP to INR 1,400/sh to account for (1) inclusion of new projects in Hyderabad, Bengaluru, and Chennai, (2) expansion in the office/hospitality segment, and (3) incorporation of a 5-10% price hike across projects.

- **Q4FY24 financial highlights:** Revenue came in at INR 17bn (+102/+45% YoY/QoQ, 61% beat); revenue from real estate at INR 13.9bn (+152/+56% YoY/QoQ), hospitality at INR 1.2bn (+14/+2% YoY/QoQ) and leasing at INR 2.4bn (+25.9/+1%YoY/QoQ). EBITDA: INR 4.3bn (+114.2/+65% YoY/QoQ, a beat by 72%). EBITDA margin: 25.4% (145bps/309bps YoY/QoQ, vs 23.8% est.). RPAT/APAT: 2.1bn (+264/180% YoY/QoQ, a beat by 259%).
- **Momentum in Bengaluru riding strong:** For Q4FY24, sales volume was 2.7msf (+15/+60% YoY/QoQ), valued at INR 22.4bn (+50.7%/+47% YoY/QoQ) with average realization of INR 7,968 per sq ft (+26%/-11% YoY/QoQ). Moreover, for FY25, BEL has a robust launch pipeline of 12.6msf with a GDV potential of INR 130bn, largely in Bengaluru (~60%), Chennai (~24%), Hyderabad (~16%). The Neopolis launch in Hyderabad is expected in H2FY25. Besides this, BEL is planning for 3msf of new office projects in Bengaluru, Hyderabad, and Chennai, and 0.5msf of hotels.
- **Balance sheet comfortable:** At the consolidated level, residential debt is INR 1.7bn (vs. INR 109mn in Q3FY24). The consolidated gross/net debt stood at INR 46.6/25.9bn (INR 43/21bn as of Dec 2023). The net debt/equity stood at 0.62x (vs. 0.69x as of Dec-23). The total collection was INR 18.3bn (+26%/32% YoY/QoQ). BEL has an unsold residential inventory of 4.1msf.

Consolidated Financial Summary (INR mn)

YE Mar(INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	17,024	8,426	*102.0*	11,738	*45.0*	34,446	48,967	50,326	54,249
EBITDA	4,327	2,020	*114.2*	2,620	*65.1*	8,590	11,944	12,357	13,584
APAT	2,061	565	*264.6*	735	*180.4*	2,366	4,516	4,300	4,831
EPS (INR)	8.9	2.5	*264.6*	3.2	*180.4*	10.3	19.6	18.7	21.0
P/E (x)						120	63	66	59
EV/EBITDA (x)						37	28	27	25
RoE (%)						11.7	13.1	11.2	11.5

Source: Company, HSIE Research

Change in Estimates (INR mn)

Particulars (INR mn)	FY25E			FY26E		
	New	Old	Chg (%)	New	Old	Chg (%)
Revenues	50,326	39,140	28.6	54,249	40,684	33.3
EBIDTA	12,357	10,332	19.6	13,584	10,802	25.7
EBIDTA Margins (%)	24.6	26.4	(184.4)	25.0	26.6	(151.2)
APAT	4,300	2,694	59.6	4,831	2,712	78.1

Source: Company, HSIE Research

BUY

CMP *(as on 30 May 2024)*	INR 1,235
Target Price	INR 1,400
NIFTY	22,489

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,179	INR 1,400
EPS Change %	FY25E	FY26E
	59.6	*78.1*

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	231
MCap (INR bn) / ($ mn)	285/3,426
6m avg traded value (INR mn)	550
52 Week high / low	INR 1,331/535

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	23.4	51.4	128.6
Relative (%)	21.5	41.1	111.3

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	43.75	43.73
FIs & Local MFs	25.01	23.84
FPIs	13.73	14.86
Public & Others	17.50	17.58
Pledged Shares*	-	-

Source: BSE

**Pledged shares as % of total shares*

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Lemon Tree

Focus on asset sweating

Lemon Tree Hotels (LTH) recorded a strong Q4 in terms of operational and financial parameters, capitalising on the sector tailwinds. Revenue grew 30% YoY to INR3.3bn, led by a healthy 13% ARR growth and robust occupancy of 72% in Q4FY24, leading to a healthy RevPAR growth of +11% YoY. Given the company's focus on expansion-led growth, we believe a ramp-up of Aurika, Mumbai (669 rooms) and room additions (incremental 2,773 rooms by FY27) under brands "Lemon Tree Premier" and "Lemon Tree Hotels" are key growth levers for the company. Management has guided that it will become debt-free in the next four years, aided by increased cash flows and the proposed listing of Fleur Hotels. We believe an elevated gross debt level of INR18.8bn is a key monitorable. We expect LTH RevPAR to grow in the mid-teens for two more years, benefitting from buoyant discretionary spending and demand tailwinds. We maintain a BUY rating with an EV/EBITDA of 17x FY26 and a TP of INR 152/share.

- **Q4FY24 consolidated highlights:** Revenue grew 30% YoY and 13% QoQ to INR3.3bn, in line with consensus. EBITDA rose by a strong 23% YoY and 21% QoQ to INR 1.71bn, a beat against consensus estimates. ARR for this quarter was INR 6,605 (13.4% YoY & 4.3% QoQ). This came with a robust 72% occupancy (-163 bps YoY, +605 bps QoQ) which helped RevPAR rise to INR 4,754 (+10.9% YoY and 13.9%QoQ). EBITDA margin rose 380 bps QoQ but declined by 300 bps to 52.4% in Q4FY24. The YoY decline in EBITDA margin was due to planned renovation, expansion of the business development team and inflation-led payroll expense increase. Adj PAT for the quarter was INR 670mn, which grew 52% YoY, reflecting the advantage of operating leverage.
- **Brand-wise performance in Q4FY24**: Aurika's ARR declined 35% YoY to INR10,553 and the occupancy rate dropped by 310 bps to 66%; the brand saw a RevPAR decline of 38% YoY to INR 6,984. This has to be seen in the context that Aurika Mumbai with 669 rooms has started operating only in Q3FY24 and is in the ramp-up phase. Lemon Tree Premier sustained a strong occupancy of 81% (-44 bps YoY) and boosted ARR by 6% YoY to INR 7565. Lemon Tree Hotel's ARR grew by 10% YoY to INR6,036 at a robust occupancy of 74% (-46 bps YoY), resulting in a RevPAR growth of 9%. Red Fox and Keys had an average ARR of INR4,796 (+11%YoY) and INR3,637 (+11% YoY) at occupancy rates of 76% (-285 bps YoY) and 55% (-14 bps YoY) respectively. Aurika, LT Premier, LT Hotels, Red Fox and Keys contributed 26%, 38%,22%, 12% and 3% of quarterly EBITDA respectively.
- **Outlook:** LTH has a strong expansion plan to build a portfolio of 13,627 rooms in 160 hotels by FY27 from the current operational portfolio of 9,863 rooms across 104 hotels (owned & leased: 5,759 rooms in 41 hotels). We believe the proposed room additions, a ramp-up in occupancy of Aurika, Mumbai and mid-single-digit growth in ARR for LTH will support a 20% + EBITDA CAGR for the next two years. The demand outlook remains positive, given a sustainable rise in discretionary spending and focus on tourism. **We maintain a BUY rating with an EV/EBITDA of 17x FY26 and a TP of INR152/share.**

Financial Summary

(INR mn, Mar YE)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	3,273	2,527	*30%*	2,902	*13%*	8,750	10,711	13,921	15613
EBITDA	1,715	1,399	*23%*	1,412	*21%*	4,476	5,233	7,256	8342
APAT	670	440	*52%*	354	*89%*	1,146	1,485	2,653	3266
Diluted Consol EPS (INR)	0.85	0.56	*52%*	0.45	*89%*	1.45	1.9	3.46	4.53
P/E (x)						95.1	73.4	41.1	33.4
EV/EBITDA						30.8	26.3	19.0	16.5
RoE (%)						13.6%	16.3%	21.7%	21.3%

Source: Company, HSIE Research

BUY

CMP *(as on 30 May 2024)*	INR 138
Target Price	INR 152
NIFTY	22,489

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR152	INR152
EPS Change %	FY24E	FY25E
	-	-

KEY STOCK DATA	
Bloomberg code	LEMONTRE IN
No. of Shares (mn)	792
MCap (INR bn) / ($ mn)	109/1,310
6m avg traded value (INR mn)	800
52 Week high / low	INR 158/90

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.1)	20.6	44.2
Relative (%)	(3.1)	10.3	26.9

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	23.2	22.9
FIs & Local MFs	15.0	15.35
FPIs	22.8	27.1
Public & Others	38.9	34.7
Pledged Shares	-	-

Source : BSE

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KNR Constructions

Strong performance despite weak order inflows

KNR reported revenue/EBITDA/APAT at INR 11.8/2.1/1.3bn, adjusted for a one-off to arrive at comparable numbers, beating our estimates by 6.5/9/15.6%. KNR guided its FY25 revenue to be flat on a YoY basis, with an EBITDA margin of 15-16%, 100bps lower than its earlier guidance on the back of competition. Moreover, the company aims to secure an order inflow of INR 50-60bn for FY25, with plans to further diversify into railways, irrigation (beyond Telangana), and mining projects, with an expected inflow of INR 20-30bn in Q2FY25 itself. Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling, energy, and metro. On the HAM portfolio, KNR has already invested INR 4.8bn; the balance equity requirement in NHAI HAM projects is INR 5bn as of Mar'24, of which INR 3.5/0.9/0.7bn will be infused in FY25/26/27. We have marginally tweaked our estimates to factor in the weak ordering in FY24. Given a strong balance sheet, robust execution and likely new order wins in FY25, we maintain BUY with a TP of INR 340/sh (15x Mar-26E EPS).

- **Q4FY24 financial performance:** Adjusted for one-offs in revenue, other expenses, other income and taxes, we arrive at comparable numbers (excluding the EO item of INR 683mn). Revenue stood at INR 11.8bn (+0.3/+30% YoY/QoQ, a beat by 6.5%). EBITDA at INR 2.1bn (-5.3/+36% YoY/QoQ, a beat by 9%). EBITDA margin of 17% (-100/+75bps YoY/QoQ); vs. our estimate of 16.6%). APAT at INR 1.3bn (-1.1/+50.4% YoY/QoQ, a beat by 15.6%). KNR guided its FY25 revenue to be flat, with an EBITDA margin of 15-16%, 100bps lower than its earlier guidance on the back of competition. Moreover, KNR guided an order inflow (OI) of INR 50-60bn in FY25, with an OI of INR 20-30bn in Q2FY25 itself. KNR needs both geographical and segment diversification to maintain growth.
- **Diversification is the key, amidst increased competition:** In the year of tepid order inflows, KNR's executable OB as of Mar'24 stood at INR 53.1bn. Captive (HAM project) works constitute 36% of the OB whereas state/central government/other orders constitute 50/9/2%. Business segment-wise, HAM/other roads/irrigation account for 39/21/19% of the OB. Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling, energy, solar, and metro.

Standalone Financial Summary (INR Mn)

Particulars	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	11,793	11,756	*0.3*	9,054	*30.2*	37,438	39,558	39,579	46,252
EBITDA	2,008	2,119	*(5.3)*	1,473	*36.3*	7,217	6,877	6,808	8,441
APAT	1,286	1,301	*(1.1)*	855	*50.4*	4,011	4,249	3,958	5,195
EPS (INR)	4.6	4.6	*(1.1)*	3.0	*50.4*	14.26	15.11	14.07	18.47
P/E (x)						21.2	20.0	21.5	16.3
EV/EBITDA (x)						11.5	12.0	12.2	10.0
RoE (%)						16.1	14.3	11.5	13.7

Source: Company, HSIE Research

Change in Estimates

(INR mn)	FY25E			FY26E		
	New	Old	*% Change*	New	Old	*% Change*
Revenues (Rs mn)	39,579	41,079	*(3.7)*	46,252	47,252	*(2.1)*
EBITDA (Rs mn)	6,808	7,066	*(3.7)*	8,441	8,624	*(2.1)*
Margin (%)	17.2	17.2	-	18.3	18.3	-
APAT (Rs mn)	3,958	4,142	*(4.4)*	5,195	5,326	*(2.5)*

Source: Company, HSIE Research

BUY

CMP (as on 30 May 2024)	**INR 303**
Target Price	**INR 340**
NIFTY	**22,489**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 337	INR 340
EPS Change %	FY25E	FY26E
	-4.4	-2.5

KEY STOCK DATA	
Bloomberg code	KNRC IN
No. of Shares (mn)	281
MCap (INR bn) / ($ mn)	85/1,021
6m avg traded value (INR mn)	287
52 Week high / low	INR 310/226

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.9	3.8	24.2
Relative (%)	11.0	(6.5)	6.8

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	51.09	51.09
FIs & Local MFs	29.32	30.46
FPIs	7.57	7.13
Public & Others	12.01	11.3
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Ahluwalia Contracts

Weak margin a dampener

Ahluwalia Contracts (AHLU) reported a revenue/EBITDA/APAT beat of 30.5/11/16%. EBITDA margin stood at 9% (-381/-194bps YoY/QoQ, vs. our estimate of 10.5%). AHLU highlighted that due to elections, the labour scarcity resulted in project sites operating at 60-70% execution level. The resultant loss of revenue impacted the margin. AHLU guided for 15-20% FY25 revenue and an EBITDA margin of 10%+. The total order inflow in FY24 stood at INR 65.4bn, ex of L1 of INR 40bn. The OB as of Mar'24 stood at INR 111.8bn (~2.9x FY24 revenue), excluding L1 in four projects of INR 40bn (expected to be awarded by June 2024). AHLU has guided for further INR 30bn of new order wins for the rest of FY25 (overall INR 70bn inflows). AHLU is effectively debt-free, with a negligible gross debt of INR 450/420mn and total cash and cash equivalents of over INR 7.8/5.8bn, as of Mar'24/Dec'23. Given the recent rally in the stock price and a limited upside to our target price, we maintain our ADD rating. We have revised our estimates upward to factor in better-than-expected revenue growth and increased our TP to INR 1,159 (16x Mar-26E EPS).

- **Q4FY24 financial highlights**: Revenue: INR 11.6bn (+35/+13% YoY/QoQ, a beat of 30%). EBITDA: INR 1bn (-5/-7% YoY/QoQ, a beat of 11%). EBITDA margin: 9% (-381/-194bps YoY/QoQ, vs. our estimate of 10.5%). RPAT/APAT: INR 2/0.67bn (-7/-5% YoY/QoQ, a beat of 16%). AHLU settled INR 1.9bn claims with Emaar MGF, shown as exceptional gain. Net of INR 150mn Kota Bus Terminal investment impairment taken in depreciation, net EO items stood at INR 1.8bn. AHLU guided for 15-20% FY25 revenue growth, with EBITDA margin (incl. other income) upwards of 10%+.
- **Robust FY24 OB; not bidding aggressively:** The total order inflow in FY24 stands at INR 65.4bn, ex of L1 of INR 40bn. The OB as of Mar'24 stood at INR 111.8bn (~2.9x FY24 revenue), excluding L1 in four projects of INR 40bn (expected to be awarded by Jun 2024). AHLU has guided for further INR 30bn of new order wins for the rest of FY25 (overall INR 70bn inflows). The overall bid pipeline stands at INR 40bn with awarding expected to pick up post elections.
- **Robust net cash position**: AHLU is effectively debt-free, with a negligible gross debt of INR 450/420mn and total cash and cash equivalents of over INR 7.8/5.8bn, as of Mar'24/Dec'23 end. Capex incurred in FY24 is INR 1.1bn and the yearly run rate is expected to be at INR 1.1bn for FY25.

Standalone Financial Summary (INR mn)

YE March	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	11,637	8,631	*34.8*	10,265	*13.4*	28,384	38,553	47,437	58,821
EBITDA	1,043	1,103	*(5.4)*	1,118	*(6.8)*	3,042	3,885	5,171	7,294
APAT	668	722	*(7.4)*	707	*(5.4)*	1,942	2,439	3,294	4,852
EPS (INR)	10.0	10.8	*(7.4)*	10.5	*(5.4)*	29.0	36.4	49.2	72.4
P/E (x)						41.8	33.3	24.6	16.7
EV/EBITDA (x)						24.8	19.1	11.9	9.2
RoE (%)						17.1	17.2	19.5	24.1

Source: Company, HSIE Research

Change in Estimates (INR mn)

	FY25E			FY26E		
	New	Old	% chg.	New	Old	% chg.
Revenues	47,437	45,160	5.0	58,821	54,192	8.5
EBIDTA	5,171	5,284	(2.1)	7,294	6,720	8.5
EBIDTA Margins (bps)	10.9	11.7	(80.0)	12.4	12.4	(0.0)
APAT	3,294	3,379	(2.5)	4,852	4,422	9.7

Source: Company, HSIE Research

ADD

CMP (as on 30 May 2024)	**INR 1,212**
Target Price	**INR 1,159**
NIFTY	**22,489**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,056	INR 1,159
EPS Change %	FY25E	FY26E
	-2.5	9.7

KEY STOCK DATA	
Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / ($ mn)	81/975
6m avg traded value (INR mn)	104
52 Week high / low	INR 1,389/560

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.0	48.1	102.3
Relative (%)	0.1	37.8	84.9

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	55.32	55.32
FIs & Local MFs	26.40	26.04
FPIs	12.66	13.32
Public & Others	5.61	5.32
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Suprajit Engineering

Good performance despite macro headwinds

SEL's Q4 revenue grew 12% YoY to INR 7.8bn (HSIE INR7.7bn), led by automotive and 2W divisions. The non-automotive segment (19% of total sales) reported growth (1% YoY) after three consecutive quarters of decline. PAT at INR 591mn was higher than our estimate of INR447 mn due to deferred tax benefits. The Suprajit Controls Division (SCD) continues to win significant new automotive contracts, with China plus 1 strategy working in its favour. With continued restructuring planned, SEL expects SCD to report double-digit revenue growth with better margins as compared to FY24. The Domestic Cable Division (DCD) will continue pursuing its 'Beyond Cables' strategy and is expected to grow in double digits. The restructuring in the Phoenix Lamps Division (PLD) is complete, and SEL expects double-digit growth in revenues and margins. SEL is emerging as one of the major beneficiaries of the global derisking strategy by OEMs in the cables business as it remains amongst the very few large players with the ability to supply from multiple low-cost locations globally based on the OEMs' requirements. Reiterate BUY with a TP of INR 515, valued at 23x FY26 earnings.

- **Beat on all metrics:** Revenue grew 12%/8% YoY/QoQ to INR7.8bn, above our estimate of INR 7.7bn. Gross margin declined 80bps QoQ to 40.7%. EBITDA margin at 12.1% (-40bps YoY/flat QoQ) beat our estimate of 11% due to lower other expenses. PAT at INR 591mn (+44% YoY/+47% QoQ) was higher than our estimate of INR 447mn due to deferred tax benefits received in Q4. ETR was 19.5% in Q4 vs 29.6% in Q3.
- **Call takeaways**: (1) SCD won its largest single contract valued at USD 8mn/year. This contract is won based on the 'no-China-content' requirement of the customer. (2) SCD margins in FY24 were impacted by poor pricing and significant wage increases in Mexico, and China import duties (under appeal). With higher volumes and restructuring, SEL expects better margins in SCD in the medium term. (3) The US and Europe markets are subdued, which is putting pressure on OEMs and tier ones to find alternatives and putting financial stress on local cable players. The management expects a consolidation in the cables business, which is beneficial for global players like SEL. (4) The Suprajit Electronics Division (SED) closed the first year of operations with a 10.5% EBITDA margin. In FY25, the division will include earnings from mechanical speedometers (low-margin product) as it is produced in the same premises. Notwithstanding the integration of speedometers in segmental results, management expects double-digit margins in FY25. (5) Capex of INR 1.8bn is planned for FY25, of which INR 500mn is for domestic and the balance for other divisions. 45-50 per cent of the total capex is earmarked for new products, projects and infrastructure build-up. (6) The total debt stood at INR 6.2bn (flat QoQ), while the cash surplus was INR 5.1bn.

Quarterly/annual financial summary

YE Mar (INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	7,831	6,990	12.0	7,242	8.1	27,524	28,959	33,378	38,398
EBITDA	944	871	8.4	873	8.2	3,126	3,230	4,005	5,030
APAT	591	410	44.2	402	47.0	1,521	1,673	2,288	3,088
Diluted EPS (INR)	4.3	3.0	44.2	2.9	46.9	11.0	12.1	16.5	22.3
P/E (x)						40.5	36.8	26.9	20.0
EV / EBITDA (x)						21.4	20.6	16.5	12.9
RoCE (%)						13.4	13.8	16.9	20.2

Source: Company, HSIE Research

BUY

CMP *(as on 30 May 2024)*	INR 438
Target Price	INR 515
NIFTY	22,489

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 463	INR 515
	FY25E	FY26E
EPS %	1%	1%

KEY STOCK DATA	
Bloomberg code	SEL IN
No. of a Shares (mn)	138
MCap (INR bn) / ($ mn)	61/727
6m avg traded value (INR mn)	129
52 Week high / low	INR 457/ 353

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.0	15.0	12.1
Relative (%)	1.1	4.7	(5.2)

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	44.62	44.61
FIs & Local MFs	16.22	17.51
FPIs	4.56	4.79
Public & Others	34.6	33.1
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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NOCIL

Subdued product prices

Our ADD recommendation on NOCIL with a TP of INR 275 is premised on (1) robust growth in the non-tyre sector and healthy volume growth in the domestic tyre segment and (2) a shift in product mix towards better margin specialised rubber chemicals. Q4 EBITDA was 21% below our estimates while PAT was 20% above our estimates due to higher-than-expected other income. Other Income includes INR 180mn from the sale of assets. Adjusting for the same APAT was 32% below our estimates.

- **Financial performance**: Revenue came at (-9/+5% YoY/QoQ) owing to a 12% sequential increase in the volume while realisation was impacted by 7%. A decrease in selling prices due to Chinese competitors resulted in a fall in realisation. EBITDA decreased by (-11/-11% YoY/QoQ) to INR 434mn. EBITDA margin decreased by (-30/-217bps) due to an increase in raw material cost while being offset by employee expenses.
- **Key con call takeaways**: (1) The industrial tyre industry is expected to grow in single digits during FY25 due to stable growth in the replacement segment and growing passenger and two-wheeler segment. (2) Due to decreased domestic demand in China, there is a surge in aggressive dumping of rubber chemicals globally owing to the same company having received muted domestic volume growth. (3) During FY24, the company has volume growth of ~2%. The uptick is expected in FY25 due to a positive trend in interaction with customers in the international market. (4) Exports constituted 30% of total revenue in FY24 and export had 9% volume growth. (5) The Red Sea crises have no major impact on end-product shipping and raw material prices. (6) The company has initiated several green initiatives like the installation of solar panels. (7) Non-latex revenue increased while latex revenue remained steady.
- **Change in estimates:** We cut our FY25/26E EPS estimates by 6.4/6.6% to INR 10.5/12.9 to factor in the FY24 performance.
- **DCF-based valuation:** Our price target is INR 275 (WACC 12%, terminal growth 4%). The stock is trading at 25x FY25E EPS.

Financial summary (standalone)

INR mn	4Q FY24	3Q FY24	QoQ (%)	4Q FY23	YoY (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,565	3,406	*4.7*	3,927	*(9.2)*	15,713	16,166	14,447	16,186	18,209
EBITDA	434	489	*(11.2)*	490	*(11.4)*	2,829	2,490	1,904	2,720	3,287
APAT	411	300	*37.1*	284	*44.9*	1,759	1,487	1,314	1,753	2,156
AEPS (INR)	2.5	1.8	*37.1*	1.7	*44.9*	10.6	8.9	7.9	10.5	12.9
P/E (x)						24.5	29.0	32.9	24.6	20.0
EV/EBITDA(x)						15.2	16.4	20.8	14.4	11.8
RoE (%)						13.0	10.0	8.1	10.1	11.6

Source: Company, HSIE Research

Change in estimates (standalone)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	2,896	2,720	(6.1)	3,504	3,287	(6.2)
Adj. EPS (INR/sh)	11.2	10.5	(6.4)	13.9	12.9	(6.6)

Source: Company, HSIE Research

ADD

CMP *(as on 30 May 2024)*	**INR 260**
Target Price	**INR 275**
NIFTY	**22,489**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 295	INR 275
	FY25E	**FY26E**
EPS %	-6.4%	-6.6%

KEY STOCK DATA	
Bloomberg code	NOCIL IN
No. of Shares (mn)	167
MCap (INR bn) / ($ mn)	43/518
6m avg traded value (INR mn)	334
52 Week high / low	INR 298/204

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(1.2)	12.5	20.7
Relative (%)	(3.1)	2.2	3.4

SHAREHOLDING PATTERN (%)	**Dec-23**	**March-24**
Promoters	33.84	33.84
FIs & Local MFs	2.85	3.52
FPIs	6.98	7.78
Public & Others	56.33	54.86
Pledged Shares	3.40	4.44

Source: BSE

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Stylam Industries

Healthy volume and margin; rerating on the cards

We maintain our BUY rating on Stylam with an unchanged target price of INR 2,550/sh (22x its Mar'26E consolidated EPS). We like Stylam for its industry-leading growth and EBITDA margin, healthy balance sheet, and return ratio profile (~25% ROE). In Q4FY24, owing to healthy volume, Stylam's revenue grew 1/12% YoY/QoQ (export/ domestic: 11/-16% YoY). Volume growth picked up; it grew 12/9% YoY/QoQ. EBITDA grew 18% YoY owing to a cool-off in raw material prices (flat QoQ). EBITDAM expanded by 280bps YoY to 19.9% (higher gross margin). APAT grew 45% YoY (+24% QoQ) owing to higher EBITDA and lower tax rates. The company sees big growth in the US (~5% of revenue). It believes the US revenue can increase multifold and contribute 10-15% growth in revenue at a consolidated level in FY25. It is working on laminate brownfield expansion costing INR 2-2.25bn with INR 8bn revenue potential. This project is expected to be commissioned by Q3FY25. We expect Stylam to deliver 22/24/23% revenue/EBITDA/APAT CAGR during FY24-26E.

- **Q4FY24 performance:** Owing to healthy volume, Stylam's revenue grew 1/12% YoY/QoQ (export/ domestic: 11/-16% YoY) in Q4FY24. Volume growth picked up; it grew 12/9% YoY/QoQ. Domestic/export volume both grew by 11/14% YoY (double-digit growth). NSR declined 9% YoY (lower cost pass-on), while it rose by 3% QoQ (higher ocean freight rates). EBITDA grew 18% YoY owing to a cool-off in raw material prices (flat QoQ). EBITDAM expanded by 280bps YoY to 19.9% (higher gross margin). However, it declined by 240bps QoQ owing to a surge in ocean freight rates which is partially retained by the company. APAT grew 45% YoY (+24% QoQ) owing to higher EBITDA and lower tax rates. Acrylic revenue was muted at INR 46mn in Q4 (2% of revenue) vs INR 90/46mn YoY/QoQ.
- **Outlook:** The company sees big growth in the US (~5% of revenue). It believes the US revenue can increase multifold and contribute 10-15% growth in revenue at a consolidated level in FY25. We believe it will be difficult to ramp up the acrylic plant in the absence of anti-dumping duty. As per management, it is possible that this year, the government might levy an anti-dumping duty for acrylic imports. It is working on laminates brownfield expansion costing INR 2-2.25bn with INR 8bn revenue potential. This project is expected to be commissioned by Q3FY25. We expect Stylam to deliver 22/24/23% revenue/ EBITDA/APAT CAGR during FY24-26E. We maintain our FY25/26E EPS. We expect Stylam to continue to deliver industry-leading growth and EBITDA margin, healthy return ratios (~25% ROE), and an improved value-added mix, which will lead to rerating. We maintain BUY with an unchanged TP of INR 2,550/sh (22x its Mar'26E consolidated EPS).

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q4 FY24	Q4 FY23	*YoY (%)*	Q3 FY24	*QoQ (%)*	FY22	FY23	FY24	FY25E	FY26E
Net Sales	2,399	2,368	*1.3*	2,146	*11.8*	6,593	9,521	9,141	10,932	13,644
EBITDA	477	405	*17.6*	478	*(0.3)*	1,037	1,548	1,845	2,248	2,843
EBITDAM (%)	19.9	17.1		22.3		15.7	16.3	20.2	20.6	20.8
APAT	387	268	*44.6*	313	*23.6*	611	960	1,296	1,544	1,960
AEPS (INR)	22.8	15.8	*44.6*	18.5	*23.6*	36.1	56.6	76.5	91.1	115.7
EV/EBITDA (x)						27.0	17.7	14.4	11.6	8.7
P/E (x)						44.6	28.4	21.0	17.2	13.5
RoE (%)						21.2	26.4	27.3	25.5	25.7

Source: Company, HSIE Research

BUY

CMP *(as on 30 May 2024)*	**INR 1,554**
Target Price	**INR 2,550**
NIFTY	**22,489**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,550	INR 2,550
EPS revision %	FY25E *0.4*	FY26E *0.1*

KEY STOCK DATA	
Bloomberg code	SYIL IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	26/316
6m avg traded value (INR mn)	65
52 Week high / low	INR 1,980/1,440

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.2)	(16.2)	(3.1)
Relative (%)	(2.1)	(26.5)	(20.4)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	54.61	54.61
FIs & Local MFs	12.02	11.21
FPIs	3.80	3.57
Public & Others	29.56	30.61
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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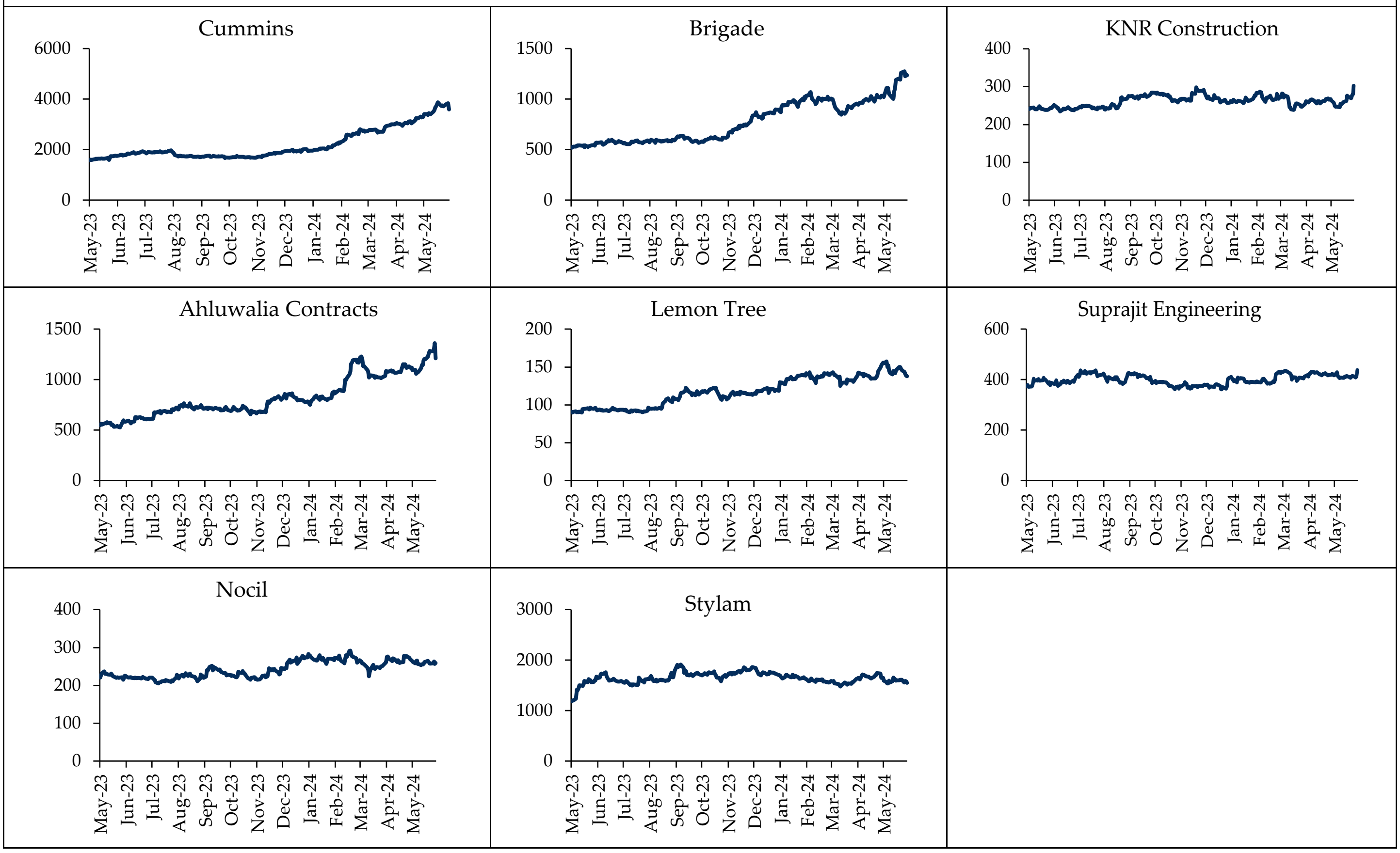
Rating Criteria

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
Parikshit Kandpal	Cummins, Brigade Enterprises, KNR Constructions, Ahluwalia Contracts	CFA	NO
Jay Shah	Cummins, Brigade Enterprises, KNR Constructions, Ahluwalia Contracts	CA	NO
Amit Kumar	Lemon Tree	CFA	NO
Maitreyee Vaishampayan	Suprajit Engineering	MSc	NO
Nilesh Ghuge	NOCIL	MMS	NO
Harshad Katkar	NOCIL	MBA	NO
Prasad Vadnere	NOCIL	MSc	NO
Akshay Mane	NOCIL	PGDM	NO
Keshav Lahoti	Stylam Industries	CA	NO

1 Yr Price movement



Disclosure:
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