INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Titan:** Titan's top line grew 22% YoY to INR 141.6bn (HSIE: INR 148.2bn). Jewellery (ex-bullion) sales grew 24% YoY to INR125.6bn (in-line). Festive purchases resulted in double-digit buyer growth in jewellery; moderation was seen after Nov-23 though. Consolidated EBITDAM contracted 55 bps YoY to 11% (in-line). Jewellery EBITM (ex-bullion) contracted by 47bps to 11.8% (in-line), courtesy (1) higher marketing spends to defend market share and (2) lower studded ratio. Non-jewellery growth remained healthy (22%); however disappointed on profitability. We largely maintain our FY25/26 EPS estimates and our SELL rating with a DCF-based TP is INR2,750/sh (implying 48x FY26 P/E).

- **Astral:** We maintain BUY on Astral with a revised target price of INR 2,040/sh (60x its Mar-26E EPS). During Q3FY24, falling resin prices, poor show at the UK adhesive plant, inventory losses and one-off anniversary celebration expenses moderated earnings growth. Thus, consolidated revenue/EBITDA/APAT rose 8/10/22% YoY. Pipes demand has picked up in Q4 and resin prices are near the bottom (as per management). The UK operations have normalised and the Dahej adhesive plant is ramping up well. The bathware segment is also gaining pace and should turn EBITDA positive in FY25. Astral is preparing to launch the Astral brand in paints in Q1FY25E. Thus, consolidated revenue/EBITDA/ APAT should grow at 15/22/26% CAGR during FY23-26E, in our view.

- **Aditya Birla Capital:** Aditya Birla Capital's (ABCL) disparate performance continued as the lending businesses sustained growth momentum on the back of simultaneous build-up in balance sheet granularity (67% of the NBFC AUM is towards retail + SME + HNI) and relatively stable asset quality outcomes. This is reflected in sustained improvement in franchise earnings (RoE of NBFC/HFC at 17%/14.6%). The non-leveraged businesses (AMC, LI and HI) remain sluggish on account of policy headwinds, seasonality, and competitive intensity. We maintain ADD with a SOTP-based TP of INR187. The lending businesses contribute two-thirds to the SOTP, reflecting a challenging environment for the non-leveraged businesses.

- **IRB Infra:** IRB reported revenue/EBITDA/APAT of INR 19.7/8.7/1.9bn, ahead of our estimates by 9.4/8.4/27.5%. EBITDA margin came in line with our estimate of 44.5% at 44.2% (-501/-137bps YoY/QoQ), primarily due to mix. The OB as of Dec'23 stood at INR 361.8bn (~6x FY23 adjusted revenue), with EPC contributing 19.1% (INR 69.3bn) and O&M contributing 80.9% (INR 293.7bn). The consolidated gross debt as of Dec'23 stood at INR 133.7bn vs. INR 135bn as of Sep'23. IRB expects to infuse equity of INR 4.1bn (excluding TOT-12/13 and Hyderabad ORR) in FY24 and INR 2.2bn in FY25. It maintained its FY24 construction revenue guidance at INR 50-55bn (+20-25% YoY) and construction EBITDA margin at ~25%. It expects total projects worth INR 2trn to be bid out over the next two years on a BOT toll basis. We maintain our ADD rating on the stock. Basis the new order wins, better than expected toll growth and lower interest cost, we increase our SOTP-based target price to INR 56/sh.

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- **Sonata Software:** Sonata delivered a strong quarter with International IT services (IITS) revenue growth of 3.0% QoQ CC and IITS margin at 22.6% was higher than estimate. The strong growth was led by the ramp-up of large deals won in the retail and travel verticals. The management maintains its IITS+DPS revenue target of USD 1.5bn by FY26 (implies IITS CQGR of ~4% and DPS CAGR of ~19%) with EBITDA margins in the low 20s. The large deals momentum remains strong (three large deals in the quarter) and the book-to-bill stood at 1.24 (~TCV of USD 104mn). The large deal pipeline remains strong with ~49 large deals under pursuit and ~45% of the large deals are with Fortune 500 clients. The ramp-up of large deals is on track and provides growth visibility. The quant and encore acquisitions have outperformed estimates resulting in an additional earn-out payment of ~USD 21mn. Strong large deal pipeline, improving quality of top-10 accounts, the ramp-up of deals won, Microsoft fabric, AI bets and cross-sell opportunities provide revenue growth visibility. We maintain our EPS estimate and ADD rating with a target price of INR 730, based on 25x FY26E EPS. The stock is trading at a P/E of 33/26x FY25/26E EPS.

- **Aether Industries:** We retain our BUY rating on Aether Industries, with a target price of INR 1,124, on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA was 1% below our estimate and PAT was 11% below estimate owing to exceptional items. The company has accounted an exceptional item of INR63.7 mn towards the compensation paid to the families of the deceased, medical expenses of the injured, and penalty paid to GPCB. Adjusting for exceptional expenses, APAT was 9% above our estimates.

- **City Union Bank:** City Union Bank's (CUBK) earnings missed estimates, on the back of sluggish growth and NIM compression from interest reversal on restructured loans that turned NPA, partly offset by lower credit costs. Loan growth continued to be soft (+0.7% QoQ) and will remain a key challenge for the bank, going forward. The management has guided for a double-digit loan growth by the end of FY24 with improvement in MSME productivity via digital initiatives and as the run-down in the KCC book is largely behind. CUBK continued to report negative net slippages, with annualised slippage at 1.8%, thus keeping GNPAs in check at 4.5%. Given incremental margin pressures from continued deposit re-pricing, and medium-term opex driven by investments in technology and people, it is imperative for CUBK to accelerate its growth outcomes at the earliest. We tweak our FY24/25E estimates to factor in margin compression, offset by lower credit cost, and maintain BUY, with a TP of INR165 (1.4x Sep-25 ABVPS).

- **Greenpanel Industries:** We maintain our BUY rating on Greenpanel with a lower target price of INR 445/share (20x its Mar'26E APAT). We like Greenpanel for its leadership positioning in the high-growth MDF segment, its large retail presence (85% in FY23), healthy margin, and working capital profile. In Q3FY24, Greenpanel's revenue/EBITDA/APAT fell 8/35/8% YoY. The continued surge in imports, ramp-up of domestic capacity additions, and soaring timber prices flattened its sales volume YoY and compressed gross margin. Greenpanel expects MDF import to reduce FY25 onwards post BIS implementation. Its MDF capacity expansion by 35% (231K CBM) is likely to be commissioned by Q3FY25 end.

Titan

Marginally misses expectations

Titan's top line grew 22% YoY to INR 141.6bn (HSIE: INR 148.2bn). Jewellery (ex-bullion) sales grew 24% YoY to INR125.6bn (in-line). Festive purchases resulted in double-digit buyer growth in jewellery; moderation was seen after Nov-23 though. Consolidated EBITDAM contracted 55 bps YoY to 11% (in-line). Jewellery EBITM (ex-bullion) contracted by 47bps to 11.8% (in-line), courtesy (1) higher marketing spends to defend market share and (2) lower studded ratio. Non-jewellery growth remained healthy (22%); however disappointed on profitability. We largely maintain our FY25/26 EPS estimates and our SELL rating with a DCF-based TP is INR2,750/sh (implying 48x FY26 P/E).

- **Q3FY24 highlights**: Revenue grew 22% YoY to INR 141.6bn (HSIE: INR 148.2bn). Jewellery (ex-bullion) sales grew 24% YoY to INR125.6bn (in-line). Domestic standalone jewellery sales growth (ex-bullion) grew 21% in Q3FY24. Strong festive season kept buyer growth healthy in the double-digits. However, a moderation in demand was observed post November due to a sudden spurt in gold prices. Note: Gold price increased by 16% YoY in Q3. Secondary/LTL jewellery sales growth stood at 21/15% for Tanishq (9MFY24). Momentum in sub-INR 100k ticket sizes continues to be sluggish. Studded ratio for Q3 stood at 24% (vs 26% in Q3FY23). Jewellery EBITM (ex-bullion) contracted by 47bps to 11.8% (in-line), courtesy (1) higher marketing spends to defend market share and (2) lower studded ratio. Watches/eyewear/others grew 21.6/-3.4/46.3% YoY respectively (HSIE: 21/-3/24%). The non-jewellery segment reported an EBITM of 5% (HSIE: 8.3%; Q3FY23: 8.2%). The company has guided for 12-13% EBITM for jewellery. The company added 21/17/16/11/9/5/11 Tanishq/ Mia/Caratlane/Helios/Titan/Fastrack/Taneria stores (net) in Q3. Consolidated APAT grew 15.3% YoY to INR 10.53 bn (HSIE: INR 10.76bn).
- **Outlook:** Titan's execution over FY19-24 has been on point. However, it has benefited from a sharp gold price rise and the channelling of elevated household savings during this period. Most of the heavy lifting for growth from here on has to be volume-led, which could restrain supernormal growth rates in a slowing economy. We maintain our FY25/26 EPS estimates and SELL rating on Titan with a DCF-based TP of INR2,750/sh (implying 48x FY26 P/E).

Quarterly financial summary

(Rs mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	1,41,640	1,16,090	22.0	1,25,290	13.0	2,87,990	4,05,750	5,05,011	5,70,517	6,34,216
EBITDA	15,650	13,470	16.2	14,110	10.9	30,530	44,910	50,291	59,096	67,280
APAT	10,530	9,130	15.3	9,160	15.0	22,520	32,740	37,389	43,829	50,716
EPS (Rs)	11.9	10.3	15.3	10.3	15.0	25.4	36.9	42.1	49.4	57.1
P/E (x)						146.5	100.8	88.2	75.3	65.0
EV/EBITDA (x)						110.4	75.3	67.5	57.5	50.5
Core RoCE(%)						15.4	17.5	16.4	15.6	15.3

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	5,05,011	5,05,980	*(0.2)*	5,70,517	5,61,134	*1.7*	6,34,216	6,23,655	*1.7*
Gross Profit	1,16,910	1,19,158	*(1.9)*	1,35,212	1,35,233	*(0.0)*	1,52,211	1,52,171	*0.0*
Gross Profit Margin (%)	23.1	23.5	***(40 bps)***	23.7	24.1	***(40 bps)***	24.0	24.4	***(40 bps)***
EBITDA	50,291	50,944	*(1.3)*	59,096	58,742	*0.6*	67,280	66,846	*0.6*
EBITDA margin (%)	10.0	10.1	***(11 bps)***	10.4	10.5	***(11 bps)***	10.6	10.7	***(11 bps)***
APAT	37,389	37,360	*0.1*	43,829	43,549	*0.6*	50,716	50,450	*0.5*
APAT margin (%)	7.4	7.4	***2 bps***	7.7	7.8	***(8 bps)***	8.0	8.1	***(9 bps)***
EPS	42.1	42.1	*0.1*	49.4	49.1	*0.6*	57.1	56.8	*0.5*

Source: Company, HSIE Research

SELL

CMP *(as on 01 Feb 2024)*	**INR 3,626**
Target Price	**INR 2,750**
NIFTY	**21,697**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 2,700	INR 2,750
EPS %	FY25E +0.6	FY26E +0.2

KEY STOCK DATA	
Bloomberg code	TTAN IN
No. of Shares (mn)	888
MCap (INR bn) / ($ mn)	3,220/39,378
6m avg traded value (INR mn)	2,845
52 Week high / low	INR 3,887/2,270

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	14.3	20.8	54.6
Relative (%)	1.6	13.0	34.6

SHAREHOLDING PATTERN (%)

	Sep-23	**Dec-23**
Promoters	52.90	52.90
FIs & Local MFs	10.05	10.44
FPIs	19.05	18.89
Public & Others	18.00	17.77
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Astral

Demand moderation and one-offs slowed profit growth

We maintain BUY on Astral with a revised target price of INR 2,040/sh (60x its Mar-26E EPS). During Q3FY24, falling resin prices, poor show at the UK adhesive plant, inventory losses and one-off anniversary celebration expenses moderated earnings growth. Thus, consolidated revenue/EBITDA/APAT rose 8/10/22% YoY. Pipes demand has picked up in Q4 and resin prices are near the bottom (as per management). The UK operations have normalised and the Dahej adhesive plant is ramping up well. The bathware segment is also gaining pace and should turn EBITDA positive in FY25. Astral is preparing to launch the Astral brand in paints in Q1FY25E. Thus, consolidated revenue/EBITDA/ APAT should grow at 15/22/26% CAGR during FY23-26E, in our view.

- **Revenue traction:** During Q3FY23, pipe demand moderation, inventory losses and high one-off expenses slowed revenue and profit growth. Consolidated net sales rose 8% YoY. The plumbing segment volume/revenue rose 15/7% YoY. Even the A&P segment revenue rose just 11% YoY, dragged by slower offtake in the UK adhesive (9% YoY) business and a fall in paints revenues (-10%), while India adhesives grew 16% YoY.
- **Profitability**: Both plumbing and A&P EBITDA grew ~15% YoY each. Profit growth moderated on (1) slower offtake, (2) the fact that Astral spent one-off INR 110mn on its 25th-anniversary celebration and incurred INR 200mn inventory loss in the plumbing segment, and (3) inventory losses in the UK. The bathware segment continues to see EBITDA losses as Astral is investing in brand building. Margin across both plumbing/A&P declined to 16.5/12.5% (vs 18/14.8% QoQ). However, the margin still came in higher vs 15.4/12.2% YoY. Paints margin firmed up to 18.5% vs 12.6/16% YoY/QoQ. Thus, consol EBITDA/APAT rose 10/22% YoY.
- **Outlook:** Astral guided that pipes demand has accelerated in Q4 (resin prices are close to the bottom) and even the UK adhesive business has normalised. The bathware segment is slowly ramping up (adding products and distributors) and should turn EBITDA positive in FY25. Astral will be launching its own brand of paints in Q1FY25 and is beefing up its product range. In the plumbing segment, the Guwahati plant has become operational, the Hyderabad plant will start in Q2FY25, and the Kanpur plant will start in Q1FY26. Factoring in sharp earnings miss, we lower our EPS estimates for FY24/25/26E by 15/8/5%.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY24	Q3 FY23	*YoY (%)*	Q2 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Pipes sales (K MT)	52.7	45.9	*15.0*	52.1	*1.3*	149.6	177.6	216.7	249.2	286.6
EBITDA (INR/kg)	32.0	32.1	*-0.4*	34.7	*-7.8*	42.2	36.6	33.6	38.2	38.6
Adhesives* Rev (INR mn)	3.72	3.36	*10.7*	3.83	-2.7	10.28	13.91	15.52	18.71	22.68
Adhesives EBITDAM (%)	12.5	12.2		14.8	15.0	13.1	13.4	14.0	15.2	15.5
Net Sales	*13.70*	*12.68*	8.1	*13.63*	0.5	*43.94*	*51.59*	*56.50*	*66.13*	*77.94*
EBITDA	2.05	1.86	*10.0*	2.20	*-6.8*	7.55	8.10	9.31	12.42	14.70
EBITDAM (%)	15.0	14.7		16.1		17.2	15.7	16.5	18.8	18.9
APAT	1.14	0.93	*22.0*	1.31	*-13.5*	4.84	4.58	5.48	7.57	9.17
Diluted EPS (Rs)	*4.2*	*3.5*	22.0	*4.9*	-13.5	*18.1*	*17.0*	*20.4*	*28.1*	*34.1*
EV / EBITDA (x)						66.5	62.3	54.3	40.4	34.0
P/E (x)						104.8	110.6	92.6	67.0	55.3
RoE (%)						22.6	17.2	17.3	20.8	21.7

Source: Company, HSIE Research, * Adhesives includes paints FY23 onwards

BUY

CMP *(as on 1 Feb 2024)*	INR 1,889
Target Price	INR 2,040
NIFTY	21,697

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,160	INR 2,040
APAT revision %	FY24E *(15.2)*	FY25E *(8.2)*

KEY STOCK DATA	
Bloomberg code	ASTRA IN
No. of Shares (mn)	269
MCap (INR bn) / ($ mn)	507/6,205
6m avg traded value (INR mn)	1,440
52 Week high / low	INR 2,058/1,298

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.6	(5.6)	25.7
Relative (%)	(9.1)	(13.4)	5.7

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	55.85	54.10
FIs & Local MFs	13.21	13.66
FPIs	18.50	19.79
Public & Others	12.44	12.44
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Aditya Birla Capital

Diversified businesses, Distinct outcomes

Aditya Birla Capital's (ABCL) disparate performance continued as the lending businesses sustained growth momentum on the back of simultaneous build-up in balance sheet granularity (67% of the NBFC AUM is towards retail + SME + HNI) and relatively stable asset quality outcomes. This is reflected in sustained improvement in franchise earnings (RoE of NBFC/HFC at 17%/14.6%). The non-leveraged businesses (AMC, LI and HI) remain sluggish on account of policy headwinds, seasonality, and competitive intensity. We maintain ADD with a SOTP-based TP of INR187. The lending businesses contribute two-thirds to the SOTP, reflecting a challenging environment for the non-leveraged businesses.

- **NBFC - growth moderation:** ABFL's AUM growth moderated (+35% YoY), driving strong NII/PPoP growth (+38%/34% YoY). The management indicated a slowdown in personal and consumer loans and a further pick-up in the secured loans segment, aiming to double the AUM in three years. While ABFL is making healthy investments in distribution, we expect further deceleration ahead, with pressure on NIMs and profitability given the slowing mix of the high-yielding portfolio. Asset quality improved QoQ with GS-II/GS-III at 2.3%/2.6% (H1FY24: 2.6%/2.6%).
- **HFC business - growth sustains at the cost of margins:** ABHFL sustained healthy growth momentum (AUM/disbursals growth at +28%/+45% YoY). However, P&L outcomes were muted (NII/PPoP growth of +6%/-6% YoY) with NIM at 5.4%, driven by higher funding costs and rising share of the non-affordable segment. Asset quality improved with GS-II/GS-III at 1.4%/2.2% (H1FY24: 1.8%/2.6%), resulting in provision writebacks and RoE of ~14.6%.
- **Life insurance - muted growth:** ABSLI's individual APE growth registered a soft 9MFY24 growth print (+8% YoY), driven by 17% YoY growth in number of policies, indicating a steep decline in average ticket sizes. The product mix has shifted to low-margin ULIP at 20.6% (40 bps higher YoY), driving flat net VNB margin at 15.6% (+10bps YoY). We continue to watch out for traction in new business sales, which seems to be incrementally leaning towards ULIP.
- **Health insurance - profitability a steep ask:** For 9MFY24, retail GDPI grew +27% YoY, led by strong growth in proprietary (+40% YoY) and banca (+18% YoY) channels due to the 20% price hike in the non-PASA category; we remain wary of profitability in the group business that ABHI is aggressively pursuing (+35% YoY). While COR at 121% is a worry, we are skeptical of ABHI's ability to bring CORs sustainably below 100% given the rising mix of group business.

ABCL valuation - sum of the parts (SOTP)

	ABCL Share (%)	ABCL stake (INR bn)	Value /sh (INR)	Comments
ABFL	100%	296	114	RI-based multiple of 1.8x Sep-25E ABVPS
ABHFL	100%	35	14	RI-based multiple of 1.5x Sep-25E ABVPS
ABSLI	51%	67	26	1.1x Mar-25E Embedded value
ABHI	46%	31	12	Transaction multiple
ABSLAMC	50%	51	20	14.5x Mar-25 NOPLAT + Cash & inv
Others	100%	36	14	
TOTAL		**517**	**199**	
Hold co. disc.			**11**	20% for non-wholly-owned subsidiaries
SOTP			**187**	

Source: Company, HSIE Research

ADD

CMP *(as on 01 Feb 2024)*	**INR 164**
Target Price	**INR187**
NIFTY	**21,697**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR190	INR187
EPS %	FY24E	FY25E
	NA	NA

KEY STOCK DATA	
Bloomberg code	ABCAP IN
No. of Shares (mn)	2,600
MCap (INR bn) / ($ mn)	434/5,304
6m avg traded value (INR mn)	815
52 Week high / low	INR 199/134

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.9)	(14.9)	22.3
Relative (%)	(14.6)	(22.7)	2.3

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	69.0	69.0
FIs & Local MFs	8.2	8.4
FPIs	11.3	10.6
Public & Others	11.5	12.0
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

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IRB Infra

Robust performance

IRB reported revenue/EBITDA/APAT of INR 19.7/8.7/1.9bn, ahead of our estimates by 9.4/8.4/27.5%. EBITDA margin came in line with our estimate of 44.5% at 44.2% (-501/-137bps YoY/QoQ), primarily due to mix. The OB as of Dec'23 stood at INR 361.8bn (~6x FY23 adjusted revenue), with EPC contributing 19.1% (INR 69.3bn) and O&M contributing 80.9% (INR 293.7bn). The consolidated gross debt as of Dec'23 stood at INR 133.7bn vs. INR 135bn as of Sep'23. IRB expects to infuse equity of INR 4.1bn (excluding TOT-12/13 and Hyderabad ORR) in FY24 and INR 2.2bn in FY25. It maintained its FY24 construction revenue guidance at INR 50-55bn (+20-25% YoY) and construction EBITDA margin at ~25%. It expects total projects worth INR 2trn to be bid out over the next two years on a BOT toll basis. We maintain our ADD rating on the stock. Basis the new order wins, better than expected toll growth and lower interest cost, we increase our SOTP-based target price to INR 56/sh.

- **Q3FY24 financial highlights:** Revenue: INR 19.7bn (+30/+12.8% YoY/QoQ, a beat of 9.4%). EBITDA: INR 8.7bn (+17/+9% YoY/QoQ, a beat of 8.4%). EBITDA margin: 44.2% (-501/-137bps YoY/QoQ, vs. our estimate of 44.5%, primarily due to revenue mix). Share of associates: INR -507mn (INR -125/-753mn in Q3FY23/Q2FY24). Consequently, APAT: INR 1.9bn (+32.6/+95.7% YoY/QoQ a beat of 27.5%). Q3FY24 BOT/TOT toll collections (IRB Infra + Pvt. InvIT) came in at INR 13.7bn (+25% YoY). Construction revenue came in at INR 13.5bn (+15.1/+37.9% YoY/QoQ). It maintained its FY24 construction revenue guidance at INR 50-55bn (+20-25% YoY) and construction EBITDA margin at ~25%.
- **FYTD24 business highlights:** The OB as of Dec'23 stood at INR 361.8bn (~6x FY23 adjusted revenue), with EPC contributing 19.1% (INR 69.3bn) and O&M contributing 80.9% (INR 293.7bn). IRB InvIT bagged ToT-13 and signed the concession agreement. The execution of the Ganga Expressway project is progressing as per the schedule. Its private InvIT has declared its second distribution of INR 2.9bn, which will be reflected in Q4FY24 cash flows. It has refinanced the debt of five private InvIT SPVs with a saving of 110bps in interest cost. It expects total projects worth INR 2trn to be bid out over the next two years on a BOT basis. Currently, it has no BOT-toll projects with pending bid results.
- **Comfortable balance sheet:** The consolidated gross debt as of Dec'23 stood at INR 133.7bn vs. INR 135bn as of Sep'23. IRB expects to infuse equity of INR 4.1bn (excluding TOT-12/13 and Hyderabad ORR) in FY24 and INR 2.2bn in FY25.

Consolidated Financial Summary (INR mn)

INR mn	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	19,685	15,141	*30.0*	17,450	*12.8*	59,836	74,366	81,252	90,414
EBITDA	8,695	7,446	*16.8*	7,946	*9.4*	28,610	34,119	37,214	41,319
APAT	1,874	1,414	*32.6*	957	*95.7*	4,520	6,643	8,684	11,037
Diluted EPS (Rs)	0.3	0.2	*32.6*	0.2	*95.7*	0.7	1.1	1.4	1.8
P/E (x)						86.8	59.1	45.2	35.6
EV / EBITDA (x)						18.7	16.0	14.7	13.2
RoE (%)						3.5	4.9	6.2	7.5

Source: Company, HSIE Research

Change in Est. INR mn	FY24E New	FY24E Old	Chg (%)	FY25E New	FY25E Old	Chg (%)	FY26E New	FY26E Old	Chg (%)
Revenues	74,366	68440	8.7	81,252	74541	9.0	90,414	82663	9.4
EBIDTA	34,119	32988	3.4	37,214	35892	3.7	41,319	39389	4.9
EBIDTA Margins(%)	45.88	48.2	(232)	45.8	48.15	(235)	45.7	47.7	(195)
APAT	6,643	5829	14.0	8,684	8297	4.7	11,037	9960	10.8

Source: Company, HSIE Research

ADD

CMP (*as on 01 Feb 2024*)	**INR 65**
Target Price	**INR 56**
NIFTY	**21,697**

KEY CHANGES		**OLD**	**NEW**
Rating		ADD	ADD
Price Target		INR 45	INR 56
EPS %	FY24E	FY25E	FY26E
	14.0	4.7	10.8

KEY STOCK DATA	
Bloomberg code	IRB IN
No. of Shares (mn)	6,039
MCap (INR bn) / ($ mn)	393/4,807
6m avg traded value (INR mn)	1,611
52 Week high / low	INR 70/23

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	94.3	157.3	131.3
Relative (%)	81.7	149.5	111.3

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	34.39	34.39
FIs & Local MFs	7.38	7.85
FPIs	47.29	47.16
Public & Others	10.94	10.59
Pledged Shares	16.80	16.80

Source: BSE

Pledged shares as % of total shares

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Sonata Software

Top-quartile performance

Sonata delivered a strong quarter with International IT services (IITS) revenue growth of 3.0% QoQ CC and IITS margin at 22.6% was higher than estimate. The strong growth was led by the ramp-up of large deals won in the retail and travel verticals. The management maintains its IITS+DPS revenue target of USD 1.5bn by FY26 (implies IITS CQGR of ~4% and DPS CAGR of ~19%) with EBITDA margins in the low 20s. The large deals momentum remains strong (three large deals in the quarter) and the book-to-bill stood at 1.24 (~TCV of USD 104mn). The large deal pipeline remains strong with ~49 large deals under pursuit and ~45% of the large deals are with Fortune 500 clients. The ramp-up of large deals is on track and provides growth visibility. The quant and encore acquisitions have outperformed estimates resulting in an additional earn-out payment of ~USD 21mn. Strong large deal pipeline, improving quality of top-10 accounts, the ramp-up of deals won, Microsoft fabric, AI bets and cross-sell opportunities provide revenue growth visibility. We maintain our EPS estimate and ADD rating with a target price of INR 730, based on 25x FY26E EPS. The stock is trading at a P/E of 33/26x FY25/26E EPS.

- **Q3FY24 highlights**: IITS revenue stood at USD 83.7mn, +3.5% QoQ growth vs our estimate of USD 84.1mn. Among the verticals, TMT grew +16.9% QoQ, healthcare +3.5% QoQ, emerging +65.5% QoQ while BFSI vertical de-grew by -16.2% QoQ and retail & manufacturing de-grew by -3.7% QoQ. IITS EBITDA margin stood at 22.6%, down 53bps QoQ but was higher than estimate. Utilisation stood at 85.8% (+160bps QoQ) and IITS headcount improved by 42 to 6,134. DPS EBITDA margin stood at 3.3% (-120bps QoQ). Consolidated revenue improved by 30.4% QoQ, mainly supported by healthy growth in DPS revenue (+44.7% QoQ). The company had three large deal wins in Q3 (USD 8.7mn-1Y, USD 6.5mn 5Y, USD 5mn 3Y) and 49 large deals are in the pipeline (RMD -18, TMT-11, HLS-8, BFSI-7 and emerging-5 deals). The client quality has improved with 50% of top-10 clients being F-500 companies vs 30% last year. Four clients within the top 10 are F-50 companies and outside of the top 10 clients, sonata added 11 new Fortune 500 logos.
- **Outlook:** We expect IITS growth of ~36.5% (organic ~16%)/18.1/18.5% and DPS growth of ~11.3/18.5/20% for FY24/25/26E respectively. IITS margin will be at 21.9/21.8/22.3% and DPS margin at 3.8/3.9/3.9% for FY24/25/26E respectively. IITS revenue/consolidated EPS CAGR for FY23-25E is expected to be +24/22%.

Quarterly Financial Summary

YE March (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
IITS Revenues (USD mn)	83.7	60.5	*38.3*	80.9	*3.5*	203	241	329	389	461
Net Sales	24.93	22.61	*10.3*	19.13	*30.4*	55.53	74.49	88.76	105.57	126.67
EBIT	1.74	1.43	*22.0*	1.64	*6.1*	4.16	5.45	6.75	8.32	10.37
APAT	1.29	1.18	*9.2*	1.24	*3.5*	3.76	4.52	5.25	6.59	8.19
Diluted EPS (INR)	4.6	4.2	*9.2*	4.4	*3.5*	13.4	16.1	18.7	23.5	29.2
P/E (x)						57.0	47.5	40.8	32.6	26.2
EV / EBITDA (x)						45.1	36.7	27.0	22.2	17.7
RoE (%)						37.6	37.7	37.8	40.1	40.8

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
IITS Revenue (USD mn)	330	329	*(0.4)*	391	389	*(0.6)*	457	461	*0.7*
Revenue	90.56	88.76	*(2.0)*	107.79	105.57	*(2.1)*	128.82	126.67	*(1.7)*
EBIT	6.68	6.75	*1.0*	8.34	8.32	*(0.3)*	10.41	10.37	*(0.3)*
EBIT margin (%)	7.4	7.6	23bps	7.7	7.9	14bps	8.1	8.2	11bps
APAT	5.10	5.25	*3.0*	6.51	6.59	*1.1*	8.17	8.19	*0.2*
EPS (INR)	18.2	18.7	*3.0*	23.2	23.5	*1.1*	29.1	29.2	*0.2*

Source: Company, HSIE Research

ADD

CMP *(as on 01 Feb 2024)*	INR 765
Target Price	INR 730
NIFTY	21,697

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 730	INR 730
EPS %	FY25E	FY26E
	+1.1	+0.2

KEY STOCK DATA	
Bloomberg code	SSOF IN
No. of Shares (mn)	280
MCap (INR bn) / ($ mn)	214/2,622
6m avg traded value (INR mn)	512
52 Week high / low	INR 804/301

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	33.7	46.1	146.6
Relative (%)	21.0	38.3	126.6

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	28.17	28.17
FIs & Local MFs	16.38	17.60
FPIs	14.98	14.47
Public & Others	40.47	39.76
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Aether Industries

Lower realisation dents profitability

We retain our BUY rating on Aether Industries, with a target price of INR 1,124, on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA was 1% below our estimate and PAT was 11% below estimate owing to exceptional items. The company has accounted an exceptional item of INR63.7 mn towards the compensation paid to the families of the deceased, medical expenses of the injured, and penalty paid to GPCB. Adjusting for exceptional expenses, APAT was 9% above our estimates.

- **Financial performance:** Revenue/EBITDA fell 5/32% QoQ to INR 1,554/313 mn. EBITDA margin decreased by 784/814 bps QoQ/YoY to 20%. Margin impacted largely owing to (i) high-cost inventory destocking by the company in Q3 and (ii) pricing pressure resulting from dumping by China. However, sales volumes remain flattish sequentially. The management expects margins to normalise in Q4FY24.
- **Key con call takeaways:** (1) Segmental revenue break-up for Q3FY24 was: 57.5% large-scale manufacturing (LSM), 14.3% CRAMS and 28.2% contract manufacturing/others. (2) The end-user industry mix of Aether for 9MFY24 was: pharmaceutical-49.5%, agrochemical-29%, photography-4%, material sciences-8%, coatings-4.4% and others-5%. (3) Exports formed 40% of the total revenue, which included exports to SEZ and EOU units in India. (4) The company spent INR 509mn on research and development, forming 10% of the revenue in 9MFY24. The R&D team strength at the end of Q3 was 277 employees. (5) The company added 15 new customers across all business models in Q3. (6) Project updates: site 3+ and 3++ expected to be commissioned by Q3FY25. A dedicated plant for an oil and gas services customer at site 4 is expected to be commissioned by February 2024. (7) At site 5, EC Approval has been received and ground levelling work started.
- **DCF-based valuation: Our target price is INR 1,124 (WACC 11%, terminal growth 6%). The stock is trading at 68/45x FY25/26E EPS.**

Financial summary (consolidated)

INR mn	3QFY24	2QFY24	*QoQ(%)*	3QFY23	*YoY(%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,554	1,642	(5.4)	1,671	(7.0)	5,900	6,511	6,361	9,837	14,374
EBITDA	313	460	(31.9)	473	(33.8)	1,681	1,862	1,495	2,602	4,004
APAT	215	367	(41.5)	350	(38.7)	1,089	1,304	1,147	1,694	2,532
AEPS (INR)	1.6	2.8	(41.5)	2.6	(38.7)	8.2	9.8	8.7	12.8	19.1
P/E (x)						105.4	88.0	100.0	67.8	45.3
EV/EBITDA(x)						69.9	61.1	71.1	42.0	27.8
RoE (%)						38.8	16.0	6.8	7.7	10.5

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	**1,519**	**1,495**	(1.6)	**2,610**	**2,602**	(0.3)
Adj. EPS (INR/sh)	**8.8**	**8.7**	(1.7)	**12.8**	**12.8**	(0.3)

Source: Company, HSIE Research

BUY

CMP *(as on 01 Feb 2024)*	INR 866
Target Price	INR 1,124
NIFTY	21,697

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,117	INR 1,124
EPS %	**FY24E**	**FY25E**
	(1.7)	(0.3)

KEY STOCK DATA	
Bloomberg code	AETHER IN
No. of Shares (mn)	133
MCap (INR bn) / ($ mn)	115/1,404
6m avg traded value (INR mn)	146
52 Week high / low	INR 1,211/788

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.5)	(20.8)	(1.5)
Relative (%)	(13.1)	(28.6)	(21.5)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	81.81	81.79
FIs & Local MFs	12.99	11.8
FPIs	2.44	1.98
Public & Others	2.76	4.43
Pledged Shares	0.00	0.00

Source: BSE

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City Union Bank

Loan growth paramount for sustaining peer leadership

City Union Bank's (CUBK) earnings missed estimates, on the back of sluggish growth and NIM compression from interest reversal on restructured loans that turned NPA, partly offset by lower credit costs. Loan growth continued to be soft (+0.7% QoQ) and will remain a key challenge for the bank, going forward. The management has guided for a double-digit loan growth by the end of FY24 with improvement in MSME productivity via digital initiatives and as the run-down in the KCC book is largely behind. CUBK continued to report negative net slippages, with annualised slippage at 1.8%, thus keeping GNPAs in check at 4.5%. Given incremental margin pressures from continued deposit re-pricing, and medium-term opex driven by investments in technology and people, it is imperative for CUBK to accelerate its growth outcomes at the earliest. We tweak our FY24/25E estimates to factor in margin compression, offset by lower credit cost, and maintain BUY, with a TP of INR165 (1.4x Sep-25 ABVPS).

- **Growth struggled coupled with margins compression:** CUBK's loan growth was flat (-0.1% YoY, 0.7% QoQ) with continued de-growth in the core MSME and agri segments. NII de-grew 4.2% QoQ, with NIMs at 3.5% (-24bps QoQ), owing to interest reversal from slippages in restructured accounts. We expect NIMs to stay soft from lagged deposit re-pricing in upcoming quarters.
- **Asset quality in check:** Gross slippages improved sequentially (annualised at 1.8%) (H1FY24: 2.1%), and concomitant with stronger recoveries, led to lower GNPA/NNPA at 4.5%/2.2%. Over the medium-term, the management intends to achieve pre-COVID levels of asset quality.
- **Growth imperative for P&L outcomes:** CUBK needs to ramp up on its new growth strategies such as digital lending to ETB clients and co-lending arrangements with NBFCs for secured products (VF, GL, HL) sooner to achieve its targeted growth. We believe that sustained loan growth is crucial for CUBK to improve its P&L outcomes and restore best-in-class valuations.

Financial summary

(INR bn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	5.2	5.6	-7.2%	5.4	-4.2%	21.6	21.2	22.6	23.9
PPOP	3.6	5.0	-26.8%	3.9	-5.8%	18.2	15.4	17.8	19.2
PAT	2.5	2.2	16.2%	2.8	-9.8%	9.4	10.0	10.5	11.3
EPS (INR)	3.4	2.9	17.9%	3.8	-9.5%	12.7	13.6	14.2	15.2
ROAE (%)						13.3	12.7	11.8	11.4
ROAA (%)						1.5	1.5	1.4	1.4
ABVPS (INR)						87.1	100.9	115.4	129.5
P/ABV (x)						1.7	1.4	1.2	1.1
P/E (x)						11.4	10.6	10.1	9.5

Change in estimates

(INR bn)	FY24E			FY25E			FY26E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net advances	444	462	4.0%	484	505	4.4%	530	556	4.9%
NIM (%)	3.5	3.4	-16 bps	3.6	3.4	-18 bps	3.5	3.3	-23 bps
NII	21.8	21.2	-3.0%	23.0	22.6	-1.9%	24.6	23.9	-2.7%
PPOP	17.5	15.4	-11.8%	18.7	17.8	-4.9%	19.7	19.2	-2.9%
PAT	9.8	10.0	1.9%	10.8	10.5	-2.1%	11.4	11.3	-1.5%
Adj. BVPS (INR)	100.5	100.9	0.5%	114.3	115.4	1.0%	128.7	129.5	0.6%

Source: Company, HSIE Research

BUY

CMP *(as on 01 Feb 2024)*	INR 144
Target Price	INR 165
NIFTY	21,697

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR170	INR165
	FY24E	FY25E
EPS %	1.9%	-2.1%

KEY STOCK DATA	
Bloomberg code	CUBK IN
No. of Shares (mn)	741
MCap (INR bn) / ($ mn)	107/1,302
6m avg traded value (INR mn)	662
52 Week high / low	INR 168/120

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.7	6.8	(7.0)
Relative (%)	(7.9)	(1.0)	(26.9)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	0.0	0.0
FIs & Local MFs	33.2	32.4
FPIs	23.7	26.6
Public & Others	43.1	41.0
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Greenpanel Industries

Weak performance; bright mid-term outlook

We maintain our BUY rating on Greenpanel with a lower target price of INR 445/share (20x its Mar'26E APAT). We like Greenpanel for its leadership positioning in the high-growth MDF segment, its large retail presence (85% in FY23), healthy margin, and working capital profile. In Q3FY24, Greenpanel's revenue/EBITDA/APAT fell 8/35/8% YoY. The continued surge in imports, ramp-up of domestic capacity additions, and soaring timber prices flattened its sales volume YoY and compressed gross margin. Greenpanel expects MDF import to reduce FY25 onwards post BIS implementation. Its MDF capacity expansion by 35% (231K CBM) is likely to be commissioned by Q3FY25 end.

- **Q3FY24 performance:** Greenpanel's revenue/EBITDA/APAT missed our estimates by 4/11/4% (a sharp miss of 7/25/25% compared to the consensus estimate). MDF sales volume remained flat YoY (domestic/export +4/-15% YoY). On a QoQ basis, it grew 2%, led by 9% growth in domestic sales, while exports slumped 21%. Domestic MDF NSR declined 4% QoQ, owing to a change in sales mix (higher sales to OEM). Export NSR grew 2/6% YoY/QoQ. Timber prices too rose by 2/4% QoQ in the north/south, partially offset by lower resin prices. MDF margin fell 160bps QoQ to 19.6% owing to higher ad spends. Ply revenue declined sharply 33/15% YoY/QoQ, owing to weak volume and lower NSR. OPM turned negative -4% in Q3 vs 7/6% YoY/ QoQ.
- **Outlook:** It expects flattish domestic MDF volume in FY24 (implying 9% volume growth in Q4). It targets 15% domestic as well as export volume growth in FY25. Management expects some pricing pressure for MDF in the domestic market (higher incentive to dealers to gain market share). It expects timber prices to cool off from FY26. It expects domestic MDF sales to benefit as BIS implementation will reduce import influx in India. It expects the ply segment to recover from FY25 onwards and sales volume to rebound to FY23 levels. Greenpanel's MDF capacity expansion in AP (by 231K CBM, INR 6bn capex, revenue potential INR 7.7bn) is expected to be operational by Q3FY25 end. The company is expanding the share of value-added products (VAP), retail sales and marketing spending to counter the medium-term competition impact on supply influx. Factoring weak performance in Q3FY24, we lower our FY24/25/26E EPS estimates by 7/10/7% respectively.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY24	Q3 FY23	*YoY (%)*	Q2 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
MDF Sales (K CBM)	118.30	118.22	*0.1*	115.80	*2.2*	495.0	506.7	480.8	552.9	657.5
MDF NSR (INR/CBM)	29,300	30,585	*(4.2)*	29,376	*(0.3)*	26,850	30,283	29,168	29,115	29,787
MDF EBITDA (INR/CBM)	5,743	7,830	*(26.7)*	5,993	*(4.2)*	8,319	8,411	5,764	6,179	6,851
Net Sales	3,857	4,202	*(8.2)*	3,862	*(0.1)*	16,250	17,829	15,757	18,149	21,889
EBITDA	603	920	*(34.5)*	658	*(8.4)*	4,304	4,165	2,677	3,420	4,682
EBITDAM (%)	15.6	21.9		17.0		26.5	23.4	17.0	18.8	21.4
APAT	346	375	*(7.8)*	373	*(7.1)*	2,405	2,504	1,549	1,971	2,739
AEPS (INR)	2.8	3.1	*(7.8)*	3.0	*(7.1)*	19.6	20.4	12.6	16.1	22.3
EV/EBITDA (x)						11.3	11.1	17.5	14.1	10.1
P/E (x)						19.8	19.0	30.7	24.1	17.4
RoE (%)						28.6	23.3	*12.3*	*13.9*	*16.9*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Feb 2024)*	INR 388
Target Price	INR 445
NIFTY	21,697

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 480	INR 445
EPS revision %	FY24E *(7.4)*	FY25E *(10.0)*

KEY STOCK DATA	
Bloomberg code	GREENP IN
No. of Shares (mn)	123
MCap (INR bn) / ($ mn)	47/581
6m avg traded value (INR mn)	154
52 Week high / low	INR 450/255

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.2	13.4	29.3
Relative (%)	(0.5)	5.6	9.3

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	53.13	53.13
FIs & Local MFs	22.84	24.53
FPIs	4.41	3.22
Public & Others	19.62	19.11
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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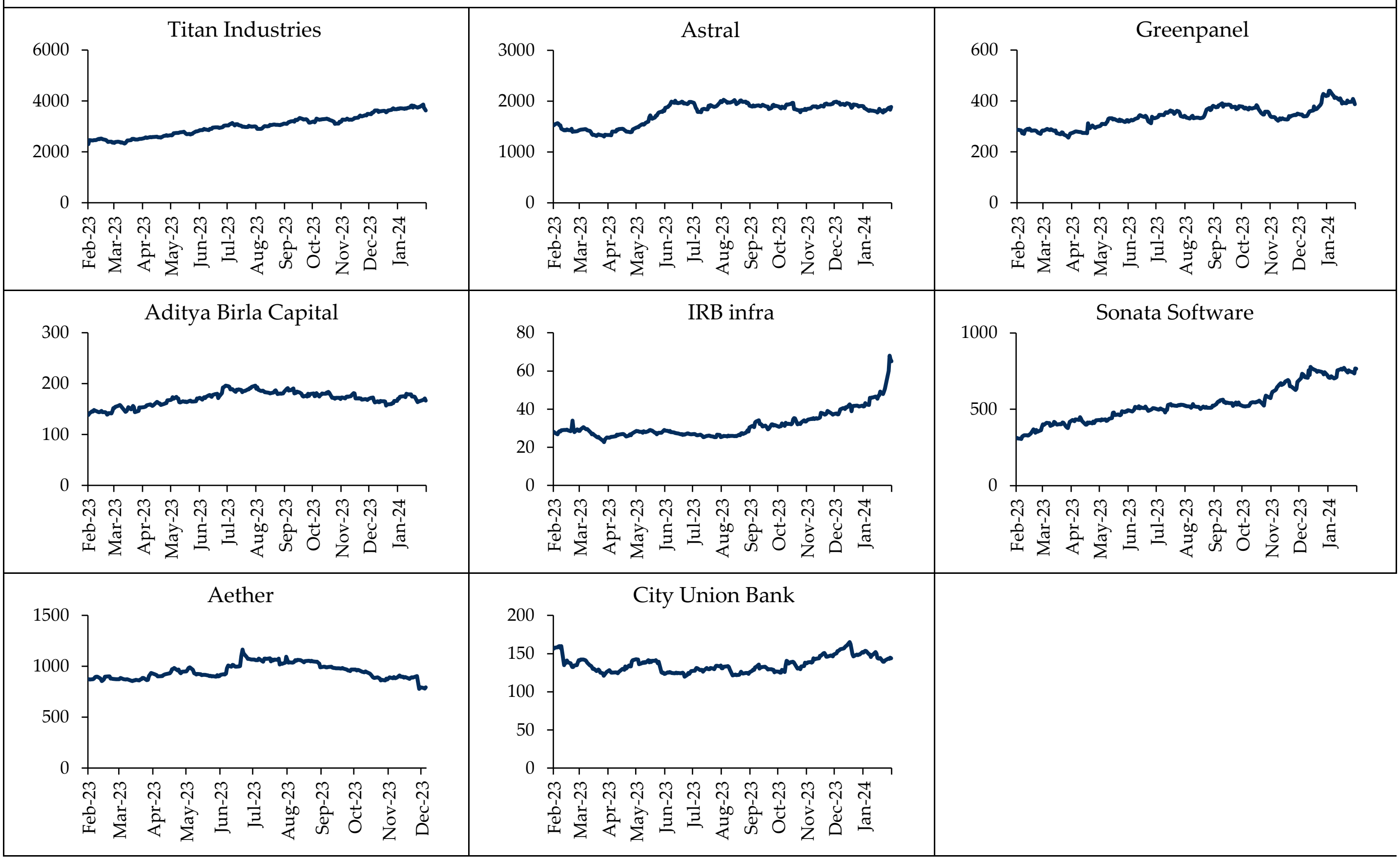
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Titan	MBA	NO
Tanuj Pandia	Titan	CA	NO
Riddhi Shah	Titan	MBA	NO
Rajesh Ravi	Astral, Greenpanel Industries	MBA	NO
Keshav Lahoti	Astral, Greenpanel Industries	CA	NO
Krishnan ASV	Aditya Birla Capital, City Union Bank	PGDM	NO
Deepak Shinde	Aditya Birla Capital	PGDM	NO
Shobhit Sharma	Aditya Birla Capital	CA	NO
Deepak Shinde	City Union Bank	PGDM	YES
Akshay Badlani	City Union Bank	CA	NO
Parikshit Kandpal	IRB Infra	CFA	NO
Amit Chandra	Sonata Software	MBA	NO
Apurva Prasad	Sonata Software	MBA	NO
Vinesh Vala	Sonata Software	MBA	NO
Nilesh Ghuge	Aether Industries	MMS	NO
Harshad Katkar	Aether Industries	MBA	NO
Akshay Mane	Aether Industries	PGDM	NO
Prasad Vadnere	Aether Industries	MSC	NO

1 Yr Price movement



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