INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Bharat Forge:** Bharat Forge's consolidated EBITDA at INR 6.2bn was in line with our estimate. However, PAT missed estimates due to higher-than-expected interest and depreciation. Key to highlight in Q2 was that BHFC's export business grew 21% YoY despite the ongoing global challenges. We continue to highlight that BHFC has multiple growth levers going ahead, which include: (1) defence orders that are likely to see this segment's revenue ramp-up to INR 17bn by FY25E, from INR 3.5bn in FY23, (2) strong growth expected in PV exports, (3) huge ramp-up potential at JS-Auto Cast given there is a huge demand for castings, both in India and abroad, and (4) strong order backlog in aerospace, which would boost this segment's revenue to INR 5bn over the next four years, from INR 1.7bn. Further, its long-term stable revenue growth guidance is a testimony to the fact that management has been able to transform BHFC from a cyclical entity to a stable revenue stream, given its well-diversified mix. Reiterate BUY with a revised TP of INR 1,185 (from INR 1069 earlier) as we roll forward to Sep-25 estimates.
- **Fsn E-commerce Ventures (Nykaa):** Nykaa's Q2 top line grew 22.4% YoY to INR15.07bn (HSIE: INR15.12bn). BPC growth continues to moderate (19% YoY in Q2 & 1H; vs 42% CAGR over FY19-23). BPC AUTC grew 17.6% YoY in Q2 (vs 30% CAGR clocked over FY19-23). Interestingly, despite the rising contribution of existing customers to BPC GMV (79% in Q2FY24 vs 75% in Q2FY23), BPC customer acquisition costs (CAC) marginally increased as % of NSV to 9.8% (vs 9.5% in base). Could this mean the cost of retaining existing traffic is getting more expensive? Certainly warrants closer monitoring. Fashion NSV grew at a healthy 32.4% YoY with an improving contribution margin as Nykaa plugged pre-delivery leakages and reduced Fashion's CAC. CM/EBITDAM at 19.9/5.4% was broadly in line (HSIE: 19.7/5.2%). We maintain our FY25/26 EBITDA estimates and REDUCE rating with a DCF-based TP of INR130/sh (implying 72x Sep-25 EV/EBITDA).
- **Sundaram Finance:** SUF delivered a strong set of outcomes, driven by higher-than-expected loan growth, higher other income, and sustained strong margins. SUF's strategy of product diversification continues to play out, with ICV/LCV/SCV and commercial lending segment driving growth, despite sluggishness in the core M&HCV segment. Consequently, NIMs remained stable despite rising cost of funds. We tweak our FY24/FY25 earnings to factor in better-than-expected AUM growth and higher other income and maintain BUY with a revised SoTP-based TP of INR3,500 (standalone entity at 3.6x Sep-25 ABVPS, 25% discount to CIFC). Loan growth stronger than historic trends, sustained profitability and better performance of subsidiaries are likely to drive further rerating.
- **Thermax:** Thermax Ltd (TMX) reported revenue/EBITDA/APAT of INR 23/2/1.6bn, beating/(missing) our estimates by (3.5)/10.5/10.8%. EBITDA margin was a positive surprise at 8.9% vs. our estimate of 7.8% on account of stable commodity prices and better execution. The margin improved by 212bps YoY. TMX attributes half the improvement as a one-off item which is the execution of a large order while expects the other half improvement to be sustainable. Order inflow during the quarter was a lull at INR 19.7bn. However, TMX expects a baseline quarterly run-rate of INR 23-24bn in ordering and expects ordering ramp-up in H2 on back converting a couple of

HSIE Research Team
hdfcsec-research@hdfcsec.com

large orders from the pipeline. TMX is L1 in an INR 3-4bn worth refining and petrochemical project. Within its green energy portfolio, TMX further invested INR 2bn in FEPL this quarter and doesn't plan to invest a total of more than INR 7-8bn in this wind and solar business and thus will be bringing in a partner. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market and impetus on cleaner air and water. We maintain ADD, with an unchanged TP of INR 3,340 (45x Sep-FY25E EPS).

- **Kansai Nerolac:** Kansai Nerolac's (KNPL) standalone revenue grew 1.7% to INR 18.45bn (HSIE: INR 18.82 bn). While KNPL clocked a marginal decline in the decorative segment (HSIE: -2%), the industrial segment grew at 7-8% (HSIE). KNPL's underperformance in decorative paints continues even as the growth gap versus the market leader has narrowed due to initiatives taken to defend market share. Premium salience across the portfolio continues to increase (paint+ and project businesses). GMs expanded 707bps YoY to 35.7% (standalone), led by (1) normalising RM prices, (2) the absence of price cuts, and (3) the rising salience of premium products in the mix. EBITDAM followed suit; increased 375bps YoY (14.6% vs HSIE: 15.9%). We've increased our FY25/26 EPS estimates by 8/3% to account for higher GMs and we maintain our ADD rating for KNPL with an unchanged DCF-based TP of INR330/sh (implying 34x Sep-25 P/E).

- **Emami:** Emami's Q2FY24 revenue growth of 6% was in line with our estimates while EBITDA growth of 20% was well ahead of our estimate (HSIE: 13%), aided by higher-than-expected expansion in GM and better cost control. Domestic/international revenues grew by 4/12% YoY, with domestic volume growth of 2% (3% four-year CAGR). Domestic growth was led by Navratna and Dermicool, which grew 12%, followed by pain management/healthcare, which grew by 1/4%. BoroPlus/Kesh King/male grooming revenues fell 4/5/7% on weak consumer demand. The alternate channel continued to report stellar performance with MT/e-commerce growing by 17/50% and now contributing 11/13% of domestic revenues. GM expanded by 345bps YoY to 70%, led by a softening RM basket and pricing intervention with EBITDAM expansion of 300bps to 27%. Emami remains hopeful of demand recovery, especially in rural markets, while expanding FY24 EBITDAM by c.200-250bps, led by (1) softening inflation; (2) improving agri yield and rural wages; (3) increase in government spending; and (4) festive season. We slightly increase EPS due to GM expansion while remaining cautious about the core business growth, given the limited scope to add new consumers in niche categories. We value the stock at 25x P/E on Sep-25E EPS to derive a TP of INR 500. Maintain REDUCE.

- **Hitachi Energy:** HEI reported execution-wise a strong quarter, on the back of supply-side constraints in chip and electronics easing off. With EBITDA/APAT at INR 653/247mn, it missed our estimates by 34.4/51.2%. EBITDA margin: 5.3% (-148/+208bps YoY/QoQ) vs. our estimate of 8.1%, owing to higher input and raw material price volatility. In Q2FY24, HEI received orders worth INR 17.5bn (+37/+52% YoY/QoQ), taking the H1FY24 order inflow (OI) to INR 29bn. With this order book (OB) as of Sep'23 stood at an all-time high at INR 75.8bn (~1.7x FY23 revenue), providing good revenue visibility for ~22 months. ~25% of its total orders in Q2FY24 are from export markets. It has won some international transmission orders from Asia, power quality orders from Europe and US markets and automation orders from Africa. Further, it received the largest-ever single order for disconnectors, for a project in Guyana. Given the strong bid pipeline across key business segments, acceleration in the digital offering, likely improvement in margins on high industry capacity utilisation, easing off of supply chain constraints and chip shortages, and robust drivers in place for long-term growth, we continue with our P/E multiple of 42x. Given the punchy valuation, we maintain our ADD rating on HEI, with an unchanged TP of INR 4,849/sh (Sep-25E).

- **Aarti Industries:** We maintain our BUY recommendation on Aarti Industries (AIL), with a target price of INR 626/share. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. EBITDA/APAT were 9/46% above our estimates, owing to lower-than-expected operating expenses, lower-than-expected depreciation, and lower-than-expected tax outgo.

- **Crompton Consumer:** Crompton's Q2FY24 print was operationally in line but better on internals as well as relative to peers. Revenue grew by 5% while EBITDA fell 10%. Organic revenue/EBIT was up 11%/flat YoY as Butterfly revenue was down by 17% owing to a shift in the festive benefits to Q3. ECD saw +17% growth as fans/appliances grew by 18/17% while pumps grew by 10%. On a TTM basis, having managed the BEE transition better, Crompton has outperformed its peers in ECD, growing by 6% vs Havells'/Orient's growth of -2/4% YoY. ECD margins were down 290bps YoY but improved sequentially by 150bps to 14% (HSIE 13%). Crompton has stepped up its reinvestment spend (marketing, R&D, and distribution) during the last 6-9 months, besides a rating change-led increase in cost (12-15%). Therefore, sequential margin improvement is positive in our opinion. The price hike in fans is underpinning (1-1.5% already in Sep) in the coming months. Although B-C demand is slow, Crompton's initiatives can sustain outperformance along with gradual improvement in the margin (price hike, premium saliency improvement and cost optimization). If Crompton sustains it, there is headroom for valuation rerating. We maintain our estimates and value the stock at 35x on Sep'25E EPS to derive a TP of INR 400. Maintain BUY.

- **Gujarat State Petronet:** Our ADD rating on Gujarat State Petronet with a TP of INR 305 is premised on (1) recovery in transmission volumes after a 25% decline in volume seen in FY23 due to high spot LNG prices, owing to geopolitical issues and low inventories and (2) limited upside triggers in the near term. Hence, we believe that, at present, the stock is fairly valued with an RoE of 16.7/15.4/15.1% in FY24/25/26E and a combined FCF of INR 32bn over FY24-26E.

- **Fine Organic Industries:** Our SELL recommendation on Fine Organics with a TP of INR 3,809 is premised on (1) renewal of long-term contracts and the benefit of reduction in raw material prices and freight cost (which will be passed on to customers) in coming quarters; (2) the delay in capacity addition; (3) sluggish demand in the US and European markets; and (4) sharp fall in finish product prices. Q2 EBITDA/APAT were 13/22% above our estimates, owing to lower-than-expected raw material costs, lower-than-expected employee expenses and lower-than-expected tax, offset by higher-than-expected operating expenses.

- **JK Lakshmi Cement:** We maintain our BUY rating on JK Lakshmi (JKLC) with a revised target price of INR 910/share (8x Sep-25E consolidated EBITDA). During Q2FY24, JKLC delivered strong 14% YoY volume growth and its EBITDA margin also recovered INR 143/MT QoQ to INR 755/MT. JKLC also operationalised 1.5mn MT clinker expansion at Udaipur Works in Oct-23, which should accelerate its volume growth from H2FY24 onwards. Margin should continue to trend up on increasing share of trade sales, green power and other cost efficiencies.

- **Sudarshan Chemical:** We maintain REDUCE on Sudarshan Chemical (SCIL), with a price target of INR 468 (WACC 11%, terminal growth 3.5%). SCIL has product offerings like those of the global players but has been unable to gain market share, post the exit of the global majors. The stock is trading at 20x FY25E EPS, which we believe is contextually high (RoE of 13/18% for FY24/FY25E). Q2 EBITDA/APAT was 18/38% below our estimate, owing to higher-than-expected other expenses and higher-than-expected tax outgo.

Bharat Forge

Margin recovery seems to be on track

Bharat Forge's consolidated EBITDA at INR 6.2bn was in line with our estimate. However, PAT missed estimates due to higher-than-expected interest and depreciation. Key to highlight in Q2 was that BHFC's export business grew 21% YoY despite the ongoing global challenges. We continue to highlight that BHFC has multiple growth levers going ahead, which include: (1) defence orders that are likely to see this segment's revenue ramp-up to INR 17bn by FY25E, from INR 3.5bn in FY23, (2) strong growth expected in PV exports, (3) huge ramp-up potential at JS-Auto Cast given there is a huge demand for castings, both in India and abroad, and (4) strong order backlog in aerospace, which would boost this segment's revenue to INR 5bn over the next four years, from INR 1.7bn. Further, its long-term stable revenue growth guidance is a testimony to the fact that management has been able to transform BHFC from a cyclical entity to a stable revenue stream, given its well-diversified mix. Reiterate BUY with a revised TP of INR 1,185 (from INR 1069 earlier) as we roll forward to Sep-25 estimates.

- **Q2 EBITDA in line with estimates:** BHFC Q2 consolidated EBITDA at INR 6.2bn was in line with our estimate. In fact, the margin of 16.5% was higher than the estimated figure of 15.8%. Margins even at standalone entity at 27.2% beat estimates of 26.5% led by an improved mix (PV and defense exports was key growth driver). However, higher depreciation, interest and lower other income led to lower PAT at INR 2.2bn vs our estimate of INR 2.6bn. While performance at the overseas subsidiary is improving MoM, Q2 is not reflective of the same due to a seasonally weak quarter.
- **Call takeaways:** (1) While domestic CVs saw some destocking in Q2, management expects the segment to post positive growth in FY25. US CV exports are likely to remain flat YoY. PV and defence exports are likely to continue to drive growth. However, wind energy is facing multiple challenges globally currently. (2) BHFC have won INR5bn worth of new business in industrial and CV segments in Q2 (INR 7.4bn for H1), which includes INR 3bn worth of e-mobility business. (3) **Overseas subsidiaries:** Al plant utilization in the US stands at 50% while the same for Europe stands at 70%. While losses are coming down sharply in US business QoQ, management indicated that they would also need some pricing action to help them break even in the coming quarters. They target to achieve a double-digit margin in Al business by FY25 and also improve margins of the steel business, led by new products and value addition (5) **JS Auto Cast:** castings grew 28% YoY while EBITDA grew 38% YoY. This was the 1st quarter of the amalgamation of Indo Shell Mould acquisition, which has been earnings accretive. Financials include INR40mn worth of acquisition-related costs in Q2. (6) BHFC has reduced INR 3bn worth of debt in H1. (7) Standalone capex for H1 stands at INR 1.7bn.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	37,742	30,764	22.7	38,773	-2.7	1,29,103	1,56,654	1,77,366	1,96,102
EBITDA	6,214	4,320	43.9	5,954	4.4	17,676	25,656	33,365	39,311
APAT	2,165	1,430	51.4	2,137	1.2	5,680	11,537	18,597	23,856
Diluted EPS (INR)	4.6	3.1	51.4	4.6	1.2	12.2	24.8	39.9	51.2
P/E (x)						88.2	43.4	26.9	21.0
EV / EBITDA (x)						30.2	21.0	15.9	13.1
RoCE (%)						7.9	12.6	17.3	19.6

Source: Company, HSIE Research

BUY

CMP *(on 6 Nov 2023)*	INR 1,076
Target Price	INR 1,185
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1069	INR 1185
EPS %	FY24E	FY25E
	-6.6%	0%

KEY STOCK DATA	
Bloomberg code	BHFC IN
No. of Shares (mn)	466
MCap (INR bn) / ($ mn)	501/6,124
6m avg traded value (INR mn)	1,130
52 Week high / low	INR 1,148/744

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	17.9	41.5	25.8
Relative (%)	19.0	35.1	19.3

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	45.25	45.25
FIs & Local MFs	28.80	28.12
FPIs	15.79	16.28
Public & Others	10.16	10.35
Pledged Shares	3.22	3.22

Source : BSE

Pledged shares as % of total shares

Aniket Mhatre
aniket.mhatre@hdfcsec.com
+91-22-6171-7357

Fsn E-commerce Ventures (Nykaa)

In-line performance; thesis remains on track

Nykaa's Q2 top line grew 22.4% YoY to INR15.07bn (HSIE: INR15.12bn). BPC growth continues to moderate (19% YoY in Q2 & 1H; vs 42% CAGR over FY19-23). BPC AUTC grew 17.6% YoY in Q2 (vs 30% CAGR clocked over FY19-23). Interestingly, despite the rising contribution of existing customers to BPC GMV (79% in Q2FY24 vs 75% in Q2FY23), BPC customer acquisition costs (CAC) marginally increased as % of NSV to 9.8% (vs 9.5% in base). Could this mean the cost of retaining existing traffic is getting more expensive? Certainly warrants closer monitoring. Fashion NSV grew at a healthy 32.4% YoY with an improving contribution margin as Nykaa plugged pre-delivery leakages and reduced Fashion's CAC. CM/EBITDAM at 19.9/5.4% was broadly in line (HSIE: 19.7/5.2%). We maintain our FY25/26 EBITDA estimates and REDUCE rating with a DCF-based TP of INR130/sh (implying 72x Sep-25 EV/EBITDA).

- **Q2FY24 highlights**: Revenue grew 22.4% to INR15.07bn (vs HSIE: INR15.12bn). BPC AUTC/orders grew 17.6/19% YoY respectively in Q2 (to 10.7/10mn respectively). BPC NSV grew 19% YoY to INR11.68bn (HSIE: INR11.8bn) in Q2. Ad income as % of NSV is estimated to have declined ~80bps YoY. Existing customers contributed 79% of BPC GMV (vs 75% in Q2FY23). Despite this, BPC CAC marginally increased as % of NSV to 9.8% (vs 9.5% in base). Could this mean retaining existing traffic is getting more expensive? Certainly, warrants closer monitoring. Fashion performed well in Q2 and grew 32.4% (NSV) to INR2.32bn with improving contribution margin (4.7% vs 2.3% in Q2FY23) as (1) discounting/returns were better managed and (2) marketing spends were curtailed. Consolidated GM contracted 221bps YoY to 43.1% (off a high base; Q2FY23 GM had a one-off 100bp gain). However, EBITDAM expanded 38bps YoY to 5.4% (HSIE: 5.2%), majorly led by efficiency gains on (1) fulfilment and (2) marketing spending (especially in Fashion). EBITDA/APAT grew 31.9/50% to INR806/78mn (largely in-line; HSIE: INR783/75mn).
- **Outlook**: Ex-ad income, the lack of non-linear monetisation levers forces us to keep our valuation compass somewhere between a linear business and a pure platform. We maintain our FY25/26 EBITDA estimates and our REDUCE rating with DCF-based TP of INR130/sh (implying 72x Sep-25 EV/EBITDA).

Quarterly financial summary

(Rs mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	15,070	12,308	22.4	14,218	6.0	37,739	51,438	63,718	82,976	1,04,306
EBITDA	806	611	31.9	735	9.8	1,633	2,560	3,645	5,782	8,243
APAT	78	52	50.3	54	43.8	413	248	669	1,976	3,613
EPS (Rs)	0.0	0.0	50.0	0.0	43.8	0.9	0.1	0.2	0.7	1.3
P/E (x)						168.2	1,694.5	628.4	212.8	116.4
EV/EBITDA (x)						265.4	169.2	118.9	74.9	52.6
Core RoCE(%)						4.4	2.6	5.0	8.9	12.2

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	63,718	63,718	-	82,976	82,976	-	1,04,306	1,04,306	-
EBITDA	3,645	3,645	-	5,782	5,782	-	8,243	8,243	-
EBITDA margin (%)	5.7	5.7	-	7.0	7.0	-	7.9	7.9	-
APAT	669	669	-	1,976	1,976	-	3,613	3,613	-
APAT margin (%)	1.1	1.1	-	2.4	2.4	-	3.5	3.5	-
EPS (Rs)	0.23	0.23	-	0.69	0.69	-	1.27	1.27	-

Source: Company, HSIE Research

REDUCE

CMP *(as on 6 Nov 2023)*	INR 147
Target Price	INR 130
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 130	Rs 130
EBITDA%	FY25E	FY26E
	-	-

KEY STOCK DATA	
Bloomberg code	NYKAA IN
No. of Shares (mn)	2,854
MCap (INR bn) / ($ mn)	421/5,142
6m avg traded value (INR mn)	1,025
52 Week high / low	INR 225/114

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.1)	13.5	(20.0)
Relative (%)	1.0	7.1	(26.5)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	52.28	52.26
FIs & Local MFs	8.5	10.73
FPIs	10.03	9.84
Public & Others	29.19	27.17
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Jay Gandhi
jay.gandhi @hdfcsec.com
+91-22-6171-7320

Tanuj Pandia
tanuj.pandia @hdfcsec.com
+91-22-6171-7348

Riddhi Shah
riddhi.shah @hdfcsec.com
+91-22-6171-7359

Sundaram Finance

Strong all-round performance

SUF delivered a strong set of outcomes, driven by higher-than-expected loan growth, higher other income, and sustained strong margins. SUF's strategy of product diversification continues to play out, with ICV/LCV/SCV and commercial lending segment driving growth, despite sluggishness in the core M&HCV segment. Consequently, NIMs remained stable despite rising cost of funds. We tweak our FY24/FY25 earnings to factor in better-than-expected AUM growth and higher other income and maintain BUY with a revised SoTP-based TP of INR3,500 (standalone entity at 3.6x Sep-25 ABVPS, 25% discount to CIFC). Loan growth stronger than historic trends, sustained profitability and better performance of subsidiaries are likely to drive further rerating.

- **Strong AUM growth drives strong P&L outcomes:** SUF reported a healthy NII/PPoP growth of 17%/24% YoY on the back of healthy AUM growth (+25% YoY), steady core spreads (4.8%) and higher other income (+33% YoY). SUF's efforts at optimising the liabilities mix (sharp shift towards banks borrowings vs. debentures earlier), alongside a shift in the product mix, have helped the company maintain its spreads in an elevated interest rate environment. Asset quality remained robust with subdued credit costs (annualised at 57bps) and GS-III/NS-III at 1.9%/1.1% (Q1FY24: 1.9%/1%).
- **Product diversification on track, sustainable growth key monitorable:** SUF reported strong disbursal growth (+35% YoY), with the non-M&HCV pool accounting for three-fourths of the growth (Q2FY23: 69%). The softer outlook in the core M&HCV segment, and SUF's strategy to drive growth through product and geographical diversification, is likely to drive a higher share of non-M&HCVs, which in turn, is likely to enhance margins.
- **Subsidiaries - improving performance:** SUF's HFC subsidiary continues to sustain its business momentum, with disbursals/AUM growth of 29%/21% YoY, driven by the non-housing portfolio. Investments in branches (27 added since Sep-22) and headcount, are likely to sustain the growth momentum. The AMC subsidiary delivered steady AUM growth of 18% YoY, along with an improvement in profitability (+50% YoY).

Financial summary

(INR bn)	Q2FY24	Q2FY23	*YoY (%)*	Q1FY24	*QoQ(%)*	FY23	FY24E	FY25E	FY26E
NII	4.9	4.2	*16.7*	4.5	*8.6*	16.9	19.7	23.6	27.5
PPOP	5.3	4.3	*23.6*	4.3	*22.9*	15.5	19.2	22.5	26.5
PAT	3.7	3.0	*20.7*	2.8	*30.3*	10.9	12.9	15.1	17.7
EPS (INR)	33.0	27.3	*20.7*	25.3	*30.2*	98.0	116.5	135.9	159.6
ROAE (%)						14.9	15.7	16.1	16.5
ROAA (%)						2.9	2.9	2.9	2.9
ABVPS (INR)						479.3	567.7	673.9	799.0
P/ABV (x)						5.0	4.2	3.5	3.0
P/E (x)						24.3	20.4	17.5	14.9

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	394	409	3.7%	450	473	5.0%
NIM (%)	4.6	4.4	-13 bps	4.6	4.5	-3 bps
NII	19.9	19.7	-0.7%	22.6	23.6	4.3%
PPOP	17.4	19.2	10.2%	20.2	22.5	11.4%
PAT	11.7	12.9	10.4%	13.4	15.1	12.4%
Adj. BVPS (INR)	562	568	1.0%	653	674	3.2%

Source: Company, HSIE Research

BUY

CMP *(as on 6 Nov 2023)*	INR 3,212
Target Price	INR 3,500
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2715	INR 3500
EPS %	FY24E	FY25E
	10.4%	12.4%

KEY STOCK DATA	
Bloomberg code	SUF IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	357/4,364
6m avg traded value (INR mn)	217
52 Week high / low	INR 3,330/2,172

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	24.6	36.8	36.1
Relative (%)	25.7	30.4	29.5

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	38.5	38.5
FIs & Local MFs	13.2	13.1
FPIs	12.5	13.2
Public & Others	35.8	35.2
Pledged Shares		0.0

Source : BSE

Pledged shares as % of total shares

Krishnan ASV
venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Deepak Shinde
deepak.shinde@hdfcsec.com
+91-22-6171-7323

Neelam Bhatia
neelam.bhatia@hdfcsec.com
+91-22-6171-7341

Thermax

Large order pipeline improves

Thermax Ltd (TMX) reported revenue/EBITDA/APAT of INR 23/2/1.6bn, beating/(missing) our estimates by (3.5)/10.5/10.8%. EBITDA margin was a positive surprise at 8.9% vs. our estimate of 7.8% on account of stable commodity prices and better execution. The margin improved by 212bps YoY. TMX attributes half the improvement as a one-off item which is the execution of a large order while expects the other half improvement to be sustainable. Order inflow during the quarter was a lull at INR 19.7bn. However, TMX expects a baseline quarterly run-rate of INR 23-24bn in ordering and expects ordering ramp-up in H2 on back converting a couple of large orders from the pipeline. TMX is L1 in an INR 3-4bn worth refining and petrochemical project. Within its green energy portfolio, TMX further invested INR 2bn in FEPL this quarter and doesn't plan to invest a total of more than INR 7-8bn in this wind and solar business and thus will be bringing in a partner. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market and impetus on cleaner air and water. We maintain ADD, with an unchanged TP of INR 3,340 (45x Sep-FY25E EPS).

- **Q2FY24 financial highlights:** Revenue: INR 23bn (+11%/+19% YoY/QoQ, a 3.5% miss), Sequentially, industrial products/industrial infra/green sol/chemical posted growth of 18/18/10/17% while on an annual basis, growth was 18/13/(8)/(1)%). EBITDA: INR 2bn (+46%/+55% YoY/QoQ, an 11% beat) and margin of 8.9% (+211/+2.5bps YoY/QoQ, 7.8% est.), an improvement on account of stable commodity prices and better execution. Segmental EBIT margin: industrial product: 10.0% (+215/+329bps YoY/QoQ); industrial infra: 5.3% (+101/+197bps YoY/QoQ); Green Solution: 6.4% (+435/-245bps YoY/QoQ); chemical: 18.4% (+503/+189bps YoY/QoQ). Industrial products saw enhanced performance due to increased revenue and improved margins from stabilised commodity costs. Industrial infra margins have increased due to high revenue. Green solutions performance is improved due to improved operational performance. In the chemical segment, better margins were achieved through the stabilisation of both commodity and freight costs, which were previously impacting negatively. RPAT/APAT was INR 1.6bn (+45%/+49% YoY/QoQ, an 11% beat).
- **Order inflow weak; large order pipeline improves:** In Q2, TMX received orders worth INR 19.7bn (-23%/-2% YoY/QoQ); as a result, the closing order book stands at INR 103bn (-2%/+8% YoY/QoQ). 26% of the total orders were from the international market. TMX expects INR 23-24bn as the baseline quarterly run rate for ordering. It expects better ordering in H2, aided by a couple of large orders finalizing from four to five in the pipeline. TMX expects large orders to come from refining and petrochemical, steel and export markets. TMX is already L1 in an order which is a refining and petroleum order worth around INR 3-4bn. Higher single digit is expected growth in FY24 order inflow over FY23. In Q2FY24, industrial products/industrial infra/green solutions/chemical divisions bagged INR 10.8/6.6/0.6/1.8bn worth of orders with the respective order books at INR 35/59/7/1bn.

Consolidated financial summary

(INR in mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	23,025	20,753	10.9	19,330	19.1	80,898	93,251	106,720	120,400
EBITDA	2,046	1,406	45.6	1,322	54.8	5,976	7,903	9,625	11,334
APAT	1,586	1,091	45.3	1,066	48.7	4,507	6,151	7,680	9,019
Diluted EPS(INR)	14.1	9.7	45.3	9.5	48.7	40.0	54.6	68.2	80.1
P/E (x)						72.5	53.1	42.5	36.2
EV/EBITDA (x)						51.4	38.2	30.9	25.6
RoE (%)						12.2	15.0	16.5	16.9

Source: Company, HSIE Research

ADD

CMP *(as on 06 Nov2023)*	INR 2,895
Target Price	INR 3,340
NIFTY	19,412

KEY CHANGES	OLD		NEW
Rating	ADD		ADD
Price Target	INR 3,340		INR 3,340
EPS change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	TMX IN
No. of Shares (mn)	119
MCap (INR bn) / ($ mn)	345/4,219
6m avg traded value (INR mn)	180
52 Week high / low	INR 3,230/1,830

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	14.9	23.6	24.6
Relative (%)	16.1	17.2	18.0

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	61.98	61.98
FIs & Local MFs	15.50	15.46
FPIs	12.35	12.54
Public & Others	10.17	10.02
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

Kansai Nerolac

Q2 falls short of expectations

Kansai Nerolac's (KNPL) standalone revenue grew 1.7% to INR 18.45bn (HSIE: INR 18.82 bn). While KNPL clocked a marginal decline in the decorative segment (HSIE: -2%), the industrial segment grew at 7-8% (HSIE). KNPL's underperformance in decorative paints continues even as the growth gap versus the market leader has narrowed due to initiatives taken to defend market share. Premium salience across the portfolio continues to increase (paint+ and project businesses). GMs expanded 707bps YoY to 35.7% (standalone), led by (1) normalising RM prices, (2) the absence of price cuts, and (3) the rising salience of premium products in the mix. EBITDAM followed suit; increased 375bps YoY (14.6% vs HSIE: 15.9%). We've increased our FY25/26 EPS estimates by 8/3% to account for higher GMs and we maintain our ADD rating for KNPL with an unchanged DCF-based TP of INR330/sh (implying 34x Sep-25 P/E).

- **Q2FY24 highlights**: Standalone revenue grew at 1.7% YoY in Q2 (INR18.45bn, HSIE: INR18.82bn). Consolidated revenue was up 1.3% YoY to INR19.56bn. KNPL registered a marginal decline in the decorative segment due to (i) a shift of the festive season to Q3 and (ii) unexpected monsoons in some regions. New products account for ~10% of revenue; improving the share of premium products in the mix. Within the industrial segment, single-digit growth was seen in the PV segment while the two-wheeler and tractor segment declined; demand revival is expected in Q3, led by an expected uptick in rural demand. The non-auto segment performed well. GMs expanded 707bps YoY to 35.7% (standalone), given (1) normalizing RM prices, (2) the absence of price cuts, and (3) the rising salience of premium products in the mix. EBITDAM followed suit; increased 375bps YoY (14.6% vs HSIE: 15.9%). Note: A&P spends have been stepped up to recoup market share loss in the decorative segment offsetting GM gains partially at EBITDA level. EBITDA/APAT grew 36.8/53.4% YoY to INR2.69/1.8bn (HSIE: INR2.99/1.93bn).
- **Outlook:** We've tweaked our FY25/26 EPS estimates upwards by 8/3% to account for better execution on the decorative side by KNPL and hence higher GMs. This warrants higher marketing spending (priced in). We maintain our ADD rating for KNPL with an unchanged DCF-based TP of INR330/sh (implying 34x Sep-25 P/E).

Quarterly financial summary (Consolidated)

(INR mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23E	FY24E	FY25E	FY26E
Net Revenue	19,565	19,310	*1.3*	21,568	*(9.3)*	75,427	81,307	91,748	1,03,383
EBITDA	2,732	1,994	*37.1*	3,315	*(17.6)*	8,180	10,533	11,633	12,862
APAT	1,772	1,112	*59.3*	7,380	*(76.0)*	4,685	6,806	7,455	8,217
EPS (Rs)	2.2	2.1	*6.2*	0.9	*130.8*	5.8	8.4	9.2	10.2
P/E (x)						56.8	39.1	35.7	32.4
EV/EBITDA (x)						32.6	24.4	22.1	20.1
Core RoCE(%)						10.5	13.5	14.1	14.5

Source: Company, HSIE Research

Change in estimates

(INR mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	81,307	84,174	*(3.4)*	91,748	94,473	*(2.9)*	1,03,383	1,06,724	*(3.1)*
Gross Profit	27,426	26,919	*1.9*	31,228	31,086	*0.5*	35,201	35,542	*(1.0)*
Gross Profit Margin (%)	33.7	32.0	*175 bps*	34.0	32.9	*113 bps*	34.0	33.3	*75 bps*
EBITDA	10,533	9,821	*7.2*	11,633	11,349	*2.5*	12,862	12,977	*(0.9)*
EBITDA margin (%)	13.0	11.7	*129 bps*	12.7	12.0	*67 bps*	12.4	12.2	*28 bps*
APAT	6,806	5,890	*15.6*	7,455	6,880	*8.4*	8,217	7,956	*3.3*
APAT margin (%)	8.4	7.0	*137 bps*	8.1	7.3	*84 bps*	7.9	7.5	*49 bps*
EPS (Rs)	8.4	7.3	*15.6*	9.2	8.5	*8.4*	10.2	9.8	*3.3*

Source: Company, HSIE Research, Standalone Financials

ADD

CMP *(as on 6 Nov 2023)*	**INR 306**
Target Price	**INR 330**
NIFTY	**19,412**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 330	INR 330
	FY25E	FY26E
EPS %	+8.4	+3.3

KEY STOCK DATA	
Bloomberg code	KNPL IN
No. of Shares (mn)	808
MCap (INR bn) / ($ mn)	247/3,023
6m avg traded value (INR mn)	150
52 Week high / low	INR 354/249

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(6.5)	16.4	2.4
Relative (%)	(5.4)	10.0	(4.2)

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	74.99	74.99
FIs & Local MFs	4.32	3.88
FPIs	4.22	4.28
Public & Others	16.47	16.85
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Jay Gandhi
jay.gandhi @hdfcsec.com
+91-22-6171-7320

Tanuj Pandia
tanuj.pandia@hdfcsec.com
+91-22-6171-7348

Riddhi Shah
riddhi.shah@hdfcsec.com
+91-22-6171-7359

Emami

Volume growth remains weak; beat on margin

Emami's Q2FY24 revenue growth of 6% was in line with our estimates while EBITDA growth of 20% was well ahead of our estimate (HSIE: 13%), aided by higher-than-expected expansion in GM and better cost control. Domestic/international revenues grew by 4/12% YoY, with domestic volume growth of 2% (3% four-year CAGR). Domestic growth was led by Navratna and Dermicool, which grew 12%, followed by pain management/healthcare, which grew by 1/4%. BoroPlus/Kesh King/male grooming revenues fell 4/5/7% on weak consumer demand. The alternate channel continued to report stellar performance with MT/e-commerce growing by 17/50% and now contributing 11/13% of domestic revenues. GM expanded by 345bps YoY to 70%, led by a softening RM basket and pricing intervention with EBITDAM expansion of 300bps to 27%. Emami remains hopeful of demand recovery, especially in rural markets, while expanding FY24 EBITDAM by c.200-250bps, led by (1) softening inflation; (2) improving agri yield and rural wages; (3) increase in government spending; and (4) festive season. We slightly increase EPS due to GM expansion while remaining cautious about the core business growth, given the limited scope to add new consumers in niche categories. We value the stock at 25x P/E on Sep-25E EPS to derive a TP of INR 500. Maintain REDUCE.

- **Revenue grows by 6%; domestic volume up 2%:** Consolidated revenue grew by 6% YoY to INR 8.7bn with domestic/international revenue increasing 4/12% YoY. Domestic volume grew 2% YoY. Navratna & Dermicool grew by 12% while pain management/healthcare grew by 1/4%. BoroPlus/Kesh King/male grooming revenues fell 4/5/7% on weak consumer demand. The Man Company and Brillare revenue grew by 63% YoY and now contribute 5% of revenues. MT and e-commerce continued to perform well, growing by 17/50% YoY and now contribute 11/13% of domestic revenues. International business grew 12% YoY (16% CC), led by strong growth in SAARC and GCC regions. CIS sales were impacted by currency depreciation in Russia. We model consolidated revenue to grow at a 7% CAGR over FY23-26.
- **Margin recovery sustains:** GM expanded by 345bps YoY to 70.1% (HSIE 68%), aided by soft RM inflation and judicious price interventions. Employee/other expenses were up by 9/4% while A&P grew 9% YoY (18% of sales). Thus, EBITDAM expanded by 300bps YoY to 27%; EBITDA grew 20% YoY. We expect GM expansion to sustain and model EBITDA margin expansion, going ahead. We model an EBITDA margin of c.28% for FY24-26.
- **Con call takeaways:** (1) The rural market is not completely out of the woods yet. Remain optimistic of recovery in coming quarters. (2) Launched INR 10 SKU of Dermicool. The response has been very good. (3) Launched 10 digital-first products on the Zanducare portal. (4) Post hospital, promoter pledge level now stands reduced to ~15% of their total holding. (5) Forayed into the juice category with "AloFrut" by acquiring a 26% equity stake in Axiom Ayurveda. (6) Announced interim dividend of INR 4/share.

Quarterly/annual financial summary

(INR mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	8,649	8,138	6.3	8,257	4.7	31,881	34,057	36,600	39,099	41,836
EBITDA	2,337	1,954	19.6	1,900	23.0	9,525	8,627	10,213	10,969	11,871
APAT	1,967	1,749	12.5	1,413	39.3	7,338	6,814	8,495	8,872	9,531
EPS (INR)	4.51	3.94	14.5	3.22	40.1	16.6	15.4	19.3	20.1	21.6
P/E (x)						31.2	33.6	27.0	25.8	24.0
EV / EBITDA (x)						24.2	26.3	21.9	20.2	18.4
RoCE (%)						36.4	33.3	45.0	47.7	52.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 6 Nov 2023)*	INR 519
Target Price	INR 500
NIFTY	19,412

,

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 500	INR 500
	FY24E	FY25E
EPS %	+2%	+2%

KEY STOCK DATA	
Bloomberg code	HMN IN
No. of Shares (mn)	440
MCap (INR bn) / ($ mn)	228/2,793
6m avg traded value (INR mn)	281
52 Week high / low	INR 583/341

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	15.2	37.2	7.4
Relative (%)	16.4	30.8	0.8

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	54.52	54.84
FIs & Local MFs	26.23	25.22
FPIs	11.45	11.91
Public & Others	7.80	8.03
Pledged Shares	18.15	17.70

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Varun Lohchab
varun.lohchab@hdfcsec.com
+91-22-6171-7334

Paarth Gala
paarth.gala@hdfcsec.com
+91-22-6171-7336

Riddhi Shah
riddhi.shah@hdfcsec.com
+91-22-6171-7359

Hitachi Energy

All-time high OB, strong execution

HEI reported execution-wise a strong quarter, on the back of supply-side constraints in chip and electronics easing off. With EBITDA/APAT at INR 653/247mn, it missed our estimates by 34.4/51.2%. EBITDA margin: 5.3% (-148/+208bps YoY/QoQ) vs. our estimate of 8.1%, owing to higher input and raw material price volatility. In Q2FY24, HEI received orders worth INR 17.5bn (+37/+52% YoY/QoQ), taking the H1FY24 order inflow (OI) to INR 29bn. With this order book (OB) as of Sep'23 stood at an all-time high at INR 75.8bn (~1.7x FY23 revenue), providing good revenue visibility for ~22 months. ~25% of its total orders in Q2FY24 are from export markets. It has won some international transmission orders from Asia, power quality orders from Europe and US markets and automation orders from Africa. Further, it received the largest-ever single order for disconnectors, for a project in Guyana. Given the strong bid pipeline across key business segments, acceleration in the digital offering, likely improvement in margins on high industry capacity utilisation, easing off of supply chain constraints and chip shortages, and robust drivers in place for long-term growth, we continue with our P/E multiple of 42x. Given the punchy valuation, we maintain our ADD rating on HEI, with an unchanged TP of INR 4,849/sh (Sep-25E).

- **Q2FY24 financial highlights:** Revenue at INR 12.3bn (+10.2/+18.1% YoY/QoQ, a marginal beat of 0.4%) was backed by supply-side constraints in chip and electronics easing off. Gross margin was on the lower side at 35.2% (-174/-380bps YoY/QoQ). EBITDA: INR 653mn (-13.8/+94.0% YoY/QoQ, a miss of 34.4%). EBITDA margin: 5.3% (-148/+208bps YoY/QoQ) vs. our estimate of 8.1% owing to higher input and raw material price volatility. RPAT/APAT: INR 247mn (-33.4%/+10.3x YoY/QoQ, a miss of 51.2%).
- **All-time high OB; diversified order mix augurs well:** In Q2FY24, HEI received orders worth INR 17.5bn (+37/+52% YoY/QoQ), taking the H1FY24 OI to INR 29bn. With this the OB as on Sep'23 stood at an all-time high at INR 75.8bn (~1.7x FY23 revenue), providing good revenue visibility in the near term. The inflows were led by strong orders from transmission and renewable segments. Excluding the large HVDC project received in Q1FY23, the order win in H1FY24 is +22.8% YoY. Segment-wise, the order mix is well-diversified into products/projects/services at 65/27/8%. Sector-wise, it is diversified into utilities/industries/transport and infra at 72/12/15%. Services order booking grew 40% YoY and may add to profitability in coming quarters.
- **Meeting export target well before time:** HEI had guided for exporting a quarter of its OB in the long run. Currently, ~25% of its OB is from international demand similar to its 25% guidance. During the quarter, it won some international transmission orders from Asia, power quality orders from Europe and US markets and automation orders from Africa. Further, it received the largest-ever single order for disconnectors, for a project in Guyana. Cash balance as of Sep'23 stood at ~INR 1.5bn. With a capex of INR 0.3bn in H1FY23, the company guided for FY24 capex of INR 1bn.

Standalone financial summary (INR mn)

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	12,280	11,146	10.2	10,401	18.1	44,685	51,517	64,139	76,646
EBITDA	653	758	(13.8)	337	94.0	2,360	4,075	6,433	9,351
APAT	247	372	(33.4)	24	926.6	940	2,193	3,882	5,908
Diluted EPS(INR)	5.8	8.8	(33.4)	0.6	926.6	22.2	51.7	91.6	139.3
P/E (x)						198.8	85.2	48.1	31.6
EV/EBITDA (x)						79.6	45.9	29.1	20.0
RoE (%)						8.0	16.6	23.8	27.9

Source: Company, HSIE Research

ADD

CMP (as on 06 Nov 2023)	INR 4,409
Target Price	INR 4,849
NIFTY	19,412

KEY CHANGES	OLD		NEW
Rating	ADD		ADD
Price Target	INR 4,849		INR 4,849
EPS change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	POWERIND IN
No. of Shares (mn)	42
MCap (INR bn) / ($ mn)	187/2,285
6m avg traded value (INR mn)	149
52 Week high / low	INR 4,800/2,840

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.2	18.2	40.3
Relative (%)	6.3	11.8	33.7

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	75.00	75.00
FIs & Local MFs	8.10	8.04
FPIs	4.53	4.33
Public & Others	12.37	12.63
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Aarti Industries

Indication of green shoots

We maintain our BUY recommendation on Aarti Industries (AIL), with a target price of INR 626/share. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. EBITDA/APAT were 9/46% above our estimates, owing to lower-than-expected operating expenses, lower-than-expected depreciation, and lower-than-expected tax outgo.

- **Financial performance:** Revenue fell 14% YoY but was up 3% QoQ to INR 14.5bn. The performance improved on a sequential basis due to volume gains in several products. Headwinds related to inventory destocking, demand pressure in export markets, and geopolitical uncertainties, among others, persisted in Q2. EBITDA fell 12% YoY but it was up 16% QoQ to INR 2.3bn with EBITDA margin improving by 25/181bps YoY/QoQ to 16% in Q2. Margin improvement can be attributed to changes in product mix and recovery in the traditional market. APAT fell 26% YoY but was up 30% QoQ to INR 0.92bn.
- **Con call takeaways:** (1) The company expects gradual demand recovery quarter-on-quarter, which will take a few more quarters for normalized demand across various end segments/product lines. (2) Commercialised Phase 1 of scale-up of Acid Unit Revamp. (3) Interest cost was higher on account of mark-to-market/revaluation loss of about INR 120mn with respect to unhedged long-term loans. (4) It has guided for INR 25-30bn capex over FY24-25. The company has incurred INR5.75bn capex in H1 while expecting to incur a capex of INR12-13bn in FY24. (5) Further optimisation in operating expenses and employees' expenses with an increase in utilisation going ahead.
- **Change in estimates:** We tweak FY24/25 EPS estimates by +4.8/-3.1% to INR 7.8/16.6/sh, to factor in performance in Q2FY24 and management guidance.
- **DCF-based valuation: Our target price is INR 626 (WACC 11%, terminal growth 4%). The stock is currently trading at 31x FY25E EPS.**

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	*QoQ(%)*	2QFY23	*YoY(%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	14,540	14,140	*2.8*	16,850	*(13.7)*	60,855	66,186	59,664	70,396	78,843
EBITDA	2,340	2,020	*15.8*	2,670	*(12.4)*	17,201	10,890	9,084	13,396	17,462
APAT	920	710	*29.6*	1,245	*(26.1)*	11,857	5,452	2,844	6,018	9,245
AEPS (INR)	2.5	2.0	*29.6*	3.4	*(26.1)*	32.7	15.0	7.8	16.6	25.5
P/E (x)						15.6	33.9	65.0	30.7	20.0
EV/EBITDA(x)						12.1	19.4	24.1	16.9	12.8
RoE (%)						29.6	11.6	5.6	11.1	15.3

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	8,915	9,084	*1.9*	13,502	13,396	*(0.8)*	17,607	17,462	*(0.8)*
Adj. EPS (INR/sh)	7.5	7.8	*4.8*	17.1	16.6	*(3.1)*	26.2	25.5	*(2.5)*

Source: Company, HSIE Research

BUY

CMP *(as on 6 Nov 2023)*	INR 510
Target Price	INR 626
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 639	INR 626
EPS %	FY24E	FY25E
	+4.8%	-3.1%

KEY STOCK DATA	
Bloomberg code	ARTO IN
No. of Shares (mn)	363
MCap (INR bn) / ($ mn)	185/2,261
6m avg traded value (INR mn)	709
52 Week high / low	INR 745/438

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.9	(6.3)	(30.5)
Relative (%)	9.1	(12.7)	(37.1)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	43.65	43.57
FIs & Local MFs	14.86	16.15
FPIs	12.17	10.57
Public & Others	29.32	29.70
Pledged Shares	0.00	0.00

Source: BSE

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Akshay Mane
akshay.mane@hdfcsec.com
+91-22-6171-7338

Crompton Consumer

Crompton 2.0 strategy remains on track

Crompton's Q2FY24 print was operationally in line but better on internals as well as relative to peers. Revenue grew by 5% while EBITDA fell 10%. Organic revenue/EBIT was up 11%/flat YoY as Butterfly revenue was down by 17% owing to a shift in the festive benefits to Q3. ECD saw +17% growth as fans/appliances grew by 18/17% while pumps grew by 10%. On a TTM basis, having managed the BEE transition better, Crompton has outperformed its peers in ECD, growing by 6% vs Havells'/Orient's growth of -2/4% YoY. ECD margins were down 290bps YoY but improved sequentially by 150bps to 14% (HSIE 13%). Crompton has stepped up its reinvestment spend (marketing, R&D, and distribution) during the last 6-9 months, besides a rating change-led increase in cost (12-15%). Therefore, sequential margin improvement is positive in our opinion. The price hike in fans is underpinning (1-1.5% already in Sep) in the coming months. Although B-C demand is slow, Crompton's initiatives can sustain outperformance along with gradual improvement in the margin (price hike, premium saliency improvement and cost optimization). If Crompton sustains it, there is headroom for valuation rerating. We maintain our estimates and value the stock at 35x on Sep'25E EPS to derive a TP of INR 400. Maintain BUY.

- **In-line revenue growth:** Revenue grew 5% YoY to INR 17.8bn (HSIE INR 17.9bn). Organic revenue (ex-Butterfly) grew 11% YoY to INR 14.7bn (HSIE INR 14.6bn). ECD growth was led by fans (+18%) and appliances (+17%). Pumps grew by 10%. Premium fans grew by 30% with premium fans mix now standing at 28%. Lighting/Butterfly revenue fell 12/17% YoY, largely in line. Crompton 2.0 strategy is to grow faster than the industry by (1) protecting and growing the core of fans and appliances; (2) winning in the kitchen segment; (3) strengthening the lighting business; and (4) foraying into new segments. We model 12% revenue growth over FY23-26.
- **Beat in ECD margin; scope of further improvement:** GM fell by 80bps YoY to 31.3%, largely on higher BEE cost in fans. EBITDAM fell by 160bps YoY to 9.8%. Employee/other expenses grew 13/6% YoY while A&P was up 31% YoY. EBITDA fell 10% YoY. ECD margin fell by 290bps YoY to 14.2% (up 150bps QoQ) due to accelerated brand investments, delayed price hikes and new launches. Lighting margin expanded by 250bps YoY to 10.5% (down 140bps QoQ), aided by cost optimization initiatives. Butterfly margins contracted by 450bps YoY to 6.6%. We model a 14.5-15% EBIT margin for FY24-FY26.
- **Con call takeaways:** (1) Consumer demand environment remains moderate. Festive led uptick seen in Sep'23. Optimistic of its sustenance. (2) In fans, Crompton took price hikes in Sep'23. Focused on building back fans' margins post-BEE rating transition. (3) Built-in kitchen appliances revenue/EBITDA stood at INR 140mn/-65mn in Q2FY24. Introduced 75th signature store. (4) Within lighting, premium saliency has improved from 1ppt to 12%. B2C lamps and battens witnessing price erosion. (5) Crompton continues to remain confident of 7-10% cost savings on operational integration of BGAL.

Quarterly/annual financial summary

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	17,823	16,995	4.9	18,769	(5.0)	53,941	68,696	76,300	86,342	97,218
EBITDA	1,745	1,931	(9.6)	1,858	(6.1)	7,695	7,705	8,643	10,403	12,008
APAT	1,009	1,307	(22.8)	1,220	(17.3)	5,829	4,764	5,517	6,802	8,061
EPS (INR)	1.58	2.06	(23.6)	1.91	(17.4)	9.2	7.5	8.7	10.7	12.7
P/E (x)						30.8	37.8	32.6	26.5	22.3
EV / EBITDA (x)						23.2	23.3	20.6	16.7	14.0
Core RoCE (%)						17.8	16.7	17.4	20.8	24.4

Source: Company, HSIE Research

BUY

CMP *(as on 6 Nov 2023)*	INR 283
Target Price	INR 400
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 400	INR 400
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA	
Bloomberg code	CROMPTON IN
No. of Shares (mn)	640
MCap (INR bn) / ($ mn)	181/2,216
6m avg traded value (INR mn)	850
52 Week high / low	INR 377/251

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.7)	10.7	(21.8)
Relative (%)	(3.6)	4.3	(28.4)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	0.00	0.00
FIs & Local MFs	49.02	47.99
FPIs	34.99	35.65
Public & Others	15.99	16.36
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Paarth Gala
paarth.gala@hdfcsec.com
+91-22-6171-7336

Riddhi Shah
riddhi.shah@hdfcsec.com
+91-22-6171-7359

Gujarat State Petronet

Higher tariffs drove the beat

ADD

CMP *(as on 6 Nov 2023)*	INR 273
Target Price	INR 305
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 315	INR 305
EPS change %	FY24E	FY25E
	+5.5%	+4.5%

KEY STOCK DATA	
Bloomberg code	GUJS IN
No. of Shares (mn)	564
MCap (INR bn) / ($ mn)	154/1,881
6m avg traded value (INR mn)	224
52 Week high / low	INR 311/225

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.2)	(2.4)	21.0
Relative (%)	(0.0)	(8.8)	14.4

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	37.63	37.63
FIs & Local MFs	25.19	25.17
FPIs	16.55	16.01
Public & Others	20.63	21.19
Pledged Shares	0.0	0.0

Source: BSE

Our ADD rating on Gujarat State Petronet with a TP of INR 305 is premised on (1) recovery in transmission volumes after a 25% decline in volume seen in FY23 due to high spot LNG prices, owing to geopolitical issues and low inventories and (2) limited upside triggers in the near term. Hence, we believe that, at present, the stock is fairly valued with an RoE of 16.7/15.4/15.1% in FY24/25/26E and a combined FCF of INR 32bn over FY24-26E.

- **View on the result:** Q2FY24 EBITDA at INR 4.1bn (+23% YoY, +22% QoQ) and APAT at INR 5.3bn (+69% YoY, +2.3x QoQ) came in well above our estimates, owing to higher-than-expected transmission tariff and higher other income of INR 2.7bn (+2.6x YoY, +14.7x QoQ), partially offset by marginally lower volumes and higher other expenses of INR 1bn (+21% YoY, 15% QoQ).
- **Volume:** Gas transmission volume in Q2 stood at 30.2mmscmd (+23% YoY, +3% QoQ), coming in marginally below our estimate. Volume break-up in mmscmd was: refinery 5.5, power 4.1, CGD 10.8, fertilizers 4.6 and others 5.2.
- **Tariffs:** Calculated blended transmission tariff for the quarter stood at INR 1,587/tscm (-4% YoY, +11% QoQ), coming in above our estimate.
- **Change in estimates:** We increase our consolidated earnings for FY24/25E by 5.5/4.5% to INR 30.4/33 to factor in higher transmission tariff for GSPL's standalone business, partially offset by Gujarat Gas' revised earnings estimates, delivering a revised target price of INR 305/sh.
- **DCF-based valuation:** We value the transmission business using discounted cash flow (DCF) at INR 139/sh (WACC of 12% and terminal growth rate of 2%). To this, we add INR 166/sh as the value of its investments in Gujarat Gas, Sabarmati Gas, etc., to arrive at a target price of INR 305/sh. The stock is trading at 8.3x Mar-25E PER.

Standalone financial summary

YE March (INR bn)	Q2 FY24	Q1 FY24	*QoQ (%)*	Q2 FY23	*YoY (%)*	FY22*	FY23*	FY24E*	FY25E*	FY26E*
Revenue	5.3	4.4	20.0	4.3	21.8	180	181	177	190	216
EBITDA	4.1	3.4	21.9	3.3	22.9	35	37	35	39	45
APAT	5.3	2.3	132.0	3.1	69.3	17	16	17	19	21
AEPS (INR)	9.4	4.1	132.0	5.6	69.3	29.4	29.1	30.4	33.0	37.6
P/E (x)						9.3	9.4	9.0	8.3	7.2
EV / EBITDA (x)						5.3	4.7	4.7	4.1	3.3
RoE (%)						23.2	18.9	16.7	15.4	15.1

Source: Company, HSIE Research | *Consolidated

Change in estimates

	FY24E			FY25E		
	Old	New	*Ch%*	Old	New	*Ch%*
EPS (INR/sh)	28.9	30.4	5.5	31.6	33.0	4.5

Source: Company, HSIE Research

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Akshay Mane
akshay.mane@hdfcsec.com
+91-22-6171-7338

Fine Organic Industries

Weakness in export market continues

Our SELL recommendation on Fine Organics with a TP of INR 3,809 is premised on (1) renewal of long-term contracts and the benefit of reduction in raw material prices and freight cost (which will be passed on to customers) in coming quarters; (2) the delay in capacity addition; (3) sluggish demand in the US and European markets; and (4) sharp fall in finish product prices. Q2 EBITDA/APAT were 13/22% above our estimates, owing to lower-than-expected raw material costs, lower-than-expected employee expenses and lower-than-expected tax, offset by higher-than-expected operating expenses.

- **Financial performance**: Revenue de-grew 1/41% QoQ/YoY to INR ~5.4bn in Q2, owing to (1) 18/61/% QoQ/YoY fall in exports courtesy sluggish demand for products in the US and European markets and (2) fall in product realisations. EBITDA came in at INR1.3bn, -7.2/-48.4% QoQ/YoY, with EBITDA margin deteriorating further by 156/338bps QoQ/YoY to 24.2%. Exports fell by 18/61% QoQ/YoY to INR 2,349mn, which resulted in a fall in freight cost. Other expenses which are mostly freight costs are down 13% YoY to INR715mn. APAT came in at INR 1.33bn (+3.6/-49% QoQ/YoY).
- **Con call highlights**: (1) In the coming quarters, long-term contracts shall renew and the benefit of reduction in raw material prices and freight costs will be passed on to customers. Therefore, the company expects a further correction in realisation. (2) The contribution of exports to total revenue has fallen further to 50% in Q2FY24 (vs. 68% in FY23), owing to demand slowdown in the US and European markets. This has also led to a pile-up of inventory at the company's subsidiary. (3) All plants (excluding the Patalganga plant) are running at optimum utilisation, courtesy strong product demand in the domestic market. (4) FO has applied for land in SEZ in Maharashtra. Land allocation and approvals are expected to be in place by December 23 while commercial production shall commence two years after that. (5) FO has incorporated a subsidiary, Fine Organic Industries (SEZ) Private Limited through which it will start operating in SEZ. (6) The domestic market has shown robust growth in Q1FY24. (7) The company has shifted its R&D centre to Dombivli from Mahape to synchronise operations between R&D and the pilot facility.
- **Change in estimates:** We change our FY24/25 EPS estimates by +12/-1% to INR 130/130 to factor in the softening of demand and correction in realisations.
- **DCF-based valuation:** Our target price is INR 3,809 (WACC 12%, terminal growth 6.0%). The stock is trading at 32x FY25E EPS.

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	QoQ(%)	2QFY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5,405	5,472	*(1.2)*	9,192	*(41.2)*	18,763	30,231	21,582	22,589	27,000
EBITDA	1,311	1,412	*(7.2)*	2,539	*(48.4)*	3,645	8,311	5,201	5,115	6,368
APAT	1,034	998	*3.6*	2,026	*(49.0)*	2,597	6,181	3,989	3,988	4,893
AEPS (INR)	33.7	32.5	*3.6*	66.1	*(49.0)*	84.7	201.6	130.1	130.1	159.6
P/E (x)						50.5	21.2	32.9	32.9	26.8
EV/EBITDA(x)						35.5	15.2	23.1	22.8	18.5
RoE (%)						30.7	49.4	23.0	18.9	21.2

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	4,902	5,201	*6.1%*	5,376	5,115	*-4.9%*	6,794	6,368	*-6.3%*
Adj. EPS (INR/sh)	115.8	130.1	*12.4%*	130.9	130.1	*-0.6%*	165.0	159.6	*-3.3%*

Source: Company, HSIE Research

SELL

CMP *(as on 6 Nov 2023)*	INR 4,268
Target Price	INR 3,809
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 4,186	INR 3,809
EPS %	**FY24E**	**FY25E**
	+12.4%	-0.6%

KEY STOCK DATA	
Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	131/1,599
6m avg traded value (INR mn)	178
52 Week high / low	INR 6,750/4,031

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.3)	(4.1)	(28.6)
Relative (%)	(6.1)	(10.5)	(35.2)

SHAREHOLDING PATTERN (%)	Jun-23	SEP-23
Promoters	75.00	75.00
FIs & Local MFs	12.24	12.17
FPIs	3.78	3.78
Public & Others	8.98	9.05
Pledged Shares	0.00	0.00

Source: BSE

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Akshay Mane
akshay.mane@hdfcsec.com
+91-22-6171-7338

JK Lakshmi Cement

Volume and margin performance gaining pace

We maintain our BUY rating on JK Lakshmi (JKLC) with a revised target price of INR 910/share (8x Sep-25E consolidated EBITDA). During Q2FY24, JKLC delivered strong 14% YoY volume growth and its EBITDA margin also recovered INR 143/MT QoQ to INR 755/MT. JKLC also operationalised 1.5mn MT clinker expansion at Udaipur Works in Oct-23, which should accelerate its volume growth from H2FY24 onwards. Margin should continue to trend up on increasing share of trade sales, green power and other cost efficiencies.

- **Q2FY24 performance**: Consolidated EBITDA came in 15/22% above our/consensus estimates, owing to strong volume and lower opex. Cement volume grew 14% YoY, led by strong demand. NSR rose 1% QoQ. Trade sale share improved to 62% vs 55% QoQ. Cement opex fell 2% QoQ, as input/freight costs fell INR 55/30 per MT QoQ. Fuel costs fell by ~INR 100/MT. Despite lower volumes QoQ (op-lev loss), unit other expenses remained flattish QoQ. Employee costs rose by INR 25/MT QoQ. Thus, unit EBITDA rose INR 143/MT QoQ to INR 755/MT. In H1FY24, consolidated EBITDA declined by 2% YoY to INR 4.1bn while OCF/capex is INR 2.7/3.3bn.
- **Con call KTAs and outlook**: JKLC expects its FY24 volume growth to accelerate as the Udaipur brownfield clinker plant (1.5mnMT) became operational in Oct-23. The related 2.5mn MT grinding capacity is expected by Q1FY25. JKLC is adding 3.5MW WHRS at Sirohi (Rajasthan) by the FY24-end. At Sirohi, it is spending to increase TSR from 4% to 16% in a phased manner. In the east, it will be sourcing 40MW solar power from a private player. These will increase the total green power usage share to 50% at the company level. JKLC expects its fuel cost to further cool off by ~INR 0.15/mnCal in Q3. JKLC announced 1.3mn MT brownfield GU at Surat (Capex INR 2.25bn to be commissioned in two phases by FY26). Thereafter, it will take up expansions in the east. JKLC is targeting to double the non-cement revenue to INR 10bn by FY28. The company guided annual consolidated capex of INR 12/6bn for FY24/25E. We have revised our consolidated EBITDA estimates by +3% each for FY24/25/26E, factoring in the strong show in Q2FY24.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	2.88	2.53	*13.8*	3.21	*(10.2)*	11.20	11.82	13.47	14.55	16.00
NSR (INR/MT)	5,471	5,431	*0.7*	5,399	*1.3*	4,840	5,460	5,488	5,597	5,653
EBITDA(INR/MT)	755	648	*16.5*	612	*23.3*	849	710	804	901	947
Net Sales	15.75	13.74	*14.6*	17.30	*(9.0)*	54.20	64.52	73.91	81.42	90.46
EBITDA	2.17	1.64	*32.5*	1.96	*10.7*	9.51	8.39	10.83	13.11	15.15
APAT	0.93	0.61	*51.8*	0.78	*18.1*	4.91	3.59	4.94	6.31	7.75
AEPS (INR)	7.9	5.2	*51.8*	6.7	*18.1*	41.7	30.5	41.9	53.6	65.9
EV/EBITDA (x)						10.4	11.9	9.6	7.8	6.5
EV/MT (INR bn)						7.14	7.17	7.49	6.26	6.01
P/E (x)						19.0	26.1	18.9	14.8	12.1
RoE (%)						*21.1*	*13.3*	*16.1*	*17.6*	*18.3*

Source: Company, HSIE Research

BUY

CMP *(as on 6 Nov 2023)*	**INR 794**
Target Price	**INR 910**
NIFTY	**19,412**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 895	INR 910
EBITDA revision %	FY24E *3.2*	FY25E *3.1*

KEY STOCK DATA	
Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / ($ mn)	94/1,143
6m avg traded value (INR mn)	229
52 Week high / low	INR 897/606

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	24.4	3.2	26.8
Relative (%)	25.5	(3.2)	20.2

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	46.31	46.31
FIs & Local MFs	28.33	27.63
FPIs	11.50	10.53
Public & Others	13.86	15.53
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

HDFC securities
Click. Invest. Grow. 20 YEARS
INSTITUTIONAL RESEARCH

Sudarshan Chemical

Exports remained subdued

We maintain REDUCE on Sudarshan Chemical (SCIL), with a price target of INR 468 (WACC 11%, terminal growth 3.5%). SCIL has product offerings like those of the global players but has been unable to gain market share, post the exit of the global majors. The stock is trading at 20x FY25E EPS, which we believe is contextually high (RoE of 13/18% for FY24/FY25E). Q2 EBITDA/APAT was 18/38% below our estimate, owing to higher-than-expected other expenses and higher-than-expected tax outgo.

- **Financial performance:** Revenue grew 14% YoY and fell 1.2% QoQ to INR 6,007mn. Domestic demand is expected to pick up in H2FY24 and exports shall remain moderated due to a recessionary global macroeconomic situation. EBITDA grew 53% YoY and fell 6% sequentially to INR 656mn. EBITDA margin came in at 11% (+280/-57bps YoY/QoQ), owing to softening of input costs. Gross profit margin improved by 600bps YoY to 45%.
- **Pigment segment:** Revenue grew by 9.5% YoY while de-grew 2.7% QoQ to INR 5,216mn, and EBIT grew 172/9.8% YoY/QoQ to INR 380mn. Revenue growth is largely driven by volumes, offset by corrections in product prices. EBIT margin for the segment came in at ~7%, +435/+84bps YoY/QoQ.
- **Call takeaways**: (1) Exports accounted for 48% of revenue for the pigment segment compared to 51% in Q1. Exports to the US were impacted adversely due to inventory destocking at the customers' end. (2) Speciality pigments constituted 69% of the revenue for the pigment segment in Q2. (3) The plastics industry is witnessing favourable demand in the domestic market, whereas the ink and coatings industry is undergoing destocking in anticipation of further price reductions and experiencing a demand slowdown. (4) The shutdown of the plant of a European competitor shall benefit the plastics and printing business. (5) There is healthy and progressive engagement with customers for new products. These products should reach optimum capacity within four years. The current contribution from these products is insignificant. (6) Losses in the non-pigment segment can be attributed to overrun in costs due to delays in the execution of projects. (7) The gross margin difference between specialty and non-specialty is about 400-500 bps.

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	*QoQ(%)*	2QFY23	*YoY(%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	6,007	6,081	*(1.2)*	5,284	*13.7*	22,008	23,017	24,250	26,940	29,747
EBITDA	656	699	*(6.1)*	429	*53.0*	2,748	2,106	2,985	3,522	3,833
APAT	871	211	*313.2*	45	*1,818.7*	1,300	448	1,133	1,653	1,988
AEPS (INR)	12.6	3.0	*313.2*	0.7	*1,818.7*	18.8	6.5	16.4	23.9	28.7
P/E (x)						25.2	73.1	28.9	19.8	16.5
EV/EBITDA(x)						14.8	19.3	12.0	9.8	8.6
RoE (%)						16.5	5.4	13.1	17.5	19.1

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	3,207	2,985	(6.9)	3,652	3,522	(3.6)	3,955	3,833	(3.1)
Adj. EPS (INR/sh)	17.4	16.4	(5.8)	23.5	23.9	1.7	28.2	28.7	1.8

Source: Company, HSIE Research

REDUCE

CMP *(as on 6 Nov 2023)*	INR 474
Target Price	INR 468
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 493	INR 468
	FY24E	FY25E
EPS %	-5.8%	+1.7%

KEY STOCK DATA	
Bloomberg code	SCHI IN
No. of Shares (mn)	69
MCap (INR bn) / ($ mn)	33/401
6m avg traded value (INR mn)	121
52 Week high / low	INR 567/341

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(10.2)	14.2	16.3
Relative (%)	(9.0)	7.8	9.8

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	35.82	35.82
FIs & Local MFs	14.29	13.68
FPIs	3.48	4.64
Public & Others	46.41	45.86
Pledged Shares	0.00	0.00

Source: BSE

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Akshay Mane
akshay.mane@hdfcsec.com
+91-22-6171-7338

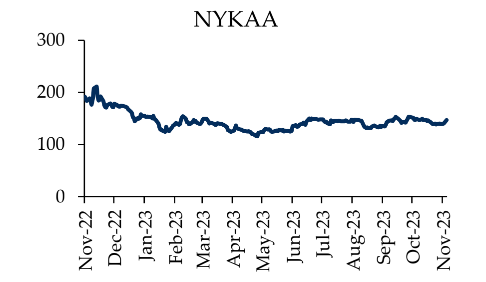
Rating Criteria

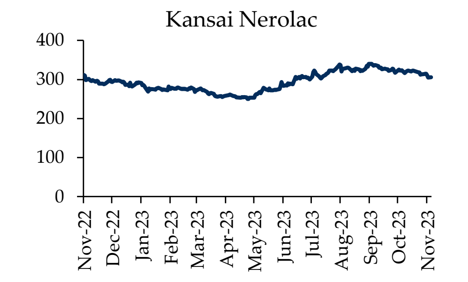
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

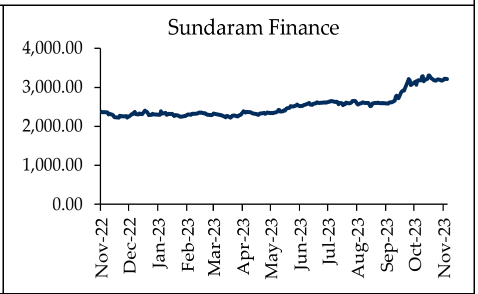
Disclosure:

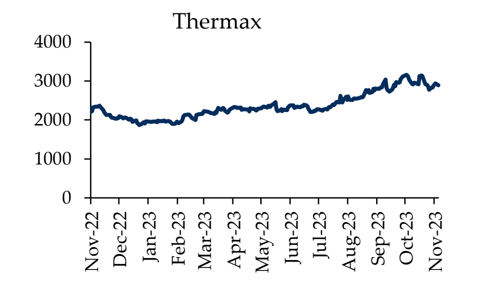
Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Fsn E-commerce Ventures, Kansai Nerolac	MBA	NO
Tanuj Pandia	Fsn E-commerce Ventures, Kansai Nerolac	CA	NO
Riddhi Shah	Fsn E-commerce Ventures, Kansai Nerolac	MBA	NO
Krishnan ASV	Sundaram Finance	PGDM	NO
Deepak Shinde	Sundaram Finance	PGDM	NO
Neelam Bhatia	Sundaram Finance	PGDM	NO
Parikshit Kandpal	Thermax, Hitachi Energy	CFA	NO
Manoj Rawat	Thermax, Hitachi Energy	MBA	NO
Nikhil Kanodia	Thermax, Hitachi Energy	MBA	NO
Naveen Trivedi	Emami, Crompton Consumer	MBA	NO
Varun Lohchab	Emami	PGDM	NO
Paarth Gala	Emami, Crompton Consumer	Bcom	NO
Riddhi Shah	Emami, Crompton Consumer	MBA	NO
Nilesh Ghuge	Aarti Industries, Gujarat State Petronet, Fine Organic Industries, Sudarshan Chemical	MMS	NO
Harshad Katkar	Aarti Industries, Gujarat State Petronet, Fine Organic Industries, Sudarshan Chemical	MBA	NO
Akshay Mane	Aarti Industries, Gujarat State Petronet, Fine Organic Industries, Sudarshan Chemical	PGDM	NO
Rajesh Ravi	JK Lakshmi Cement	MBA	NO
Keshav Lahoti	JK Lakshmi Cement	CA	NO
Aniket Mhatre	Bharat Forge	MBA	NO

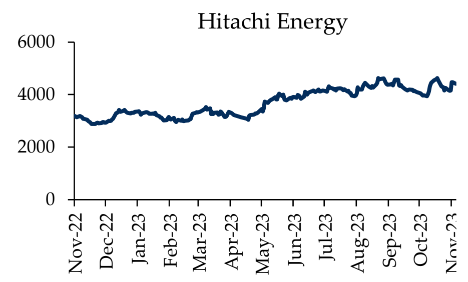
1 Yr Price movement

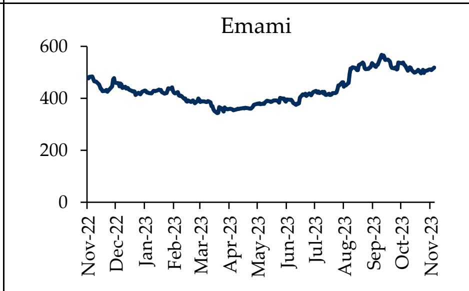


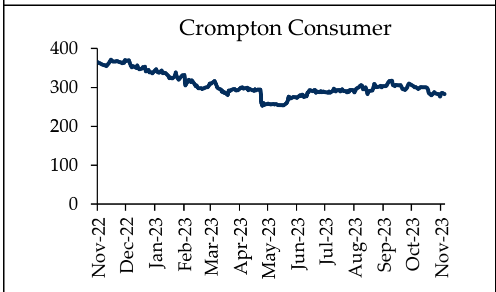


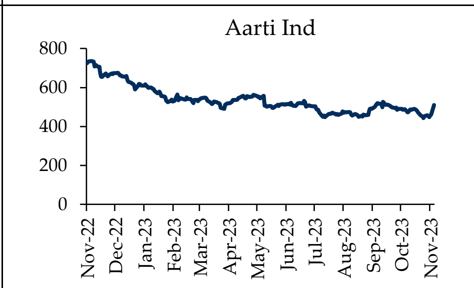


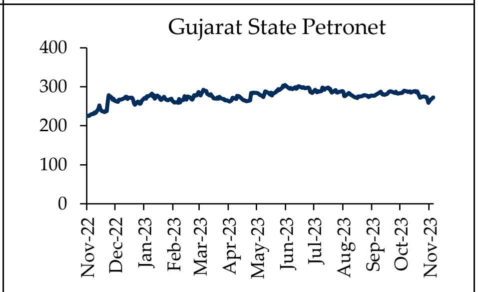


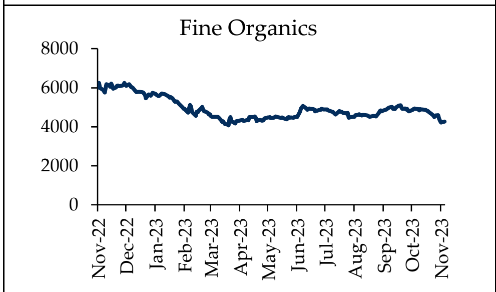


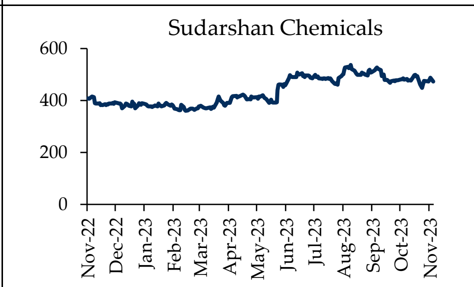


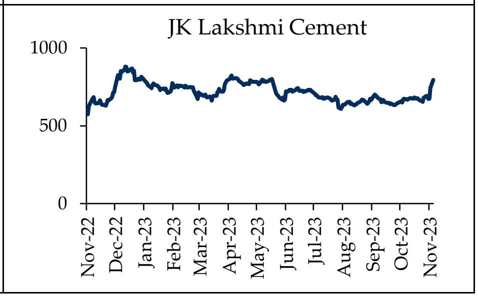


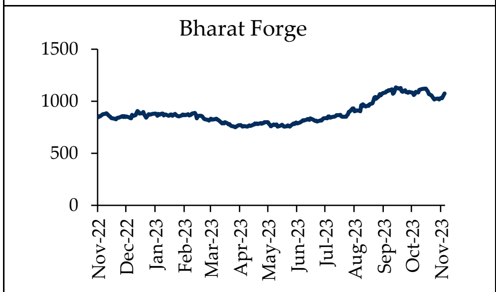












Disclosure:
Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:
This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.
HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.
HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.
HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.
HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

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

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com