INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Nestle India:** Nestle posted a resilient operating performance with EBITDA growing by 14% (HSIE: +10%) due to a 370bps GM expansion to 58.6% (the highest in the last 20 quarters). Domestic revenue grew by 9% YoY (HSIE 12%) on the back of pricing and mix growth (around low to mid-single-digit volume growth). Coffee prices remain volatile while healthy milk flush in winter is expected to keep milk prices stable. However, rain deficit may impact the production of maize, sugar, oil seeds, and spices. EBITDA margin expansion was limited to 120bps YoY to 24.5% as Nestle increased brand investments in all product groups. It continues to focus on distribution strengthening, category expansion, and capacity building. We remain positive on OOH products and sustain growth for in-home products. We incorporate changes related to the change in the financial year from Jan-Dec to Apr-Mar (FY24 to be 15 months). We value Nestle at 52x P/E on Dec-25E EPS to derive a TP of INR 2,100. With a rich valuation, the absolute upside is limited in the medium term. Maintain REDUCE.
- **Trent:** Amidst the apparel slowdown, Trent remains an anomaly. Standalone revenue grew 52.5% YoY to INR33.12bn (HSIE: INR30.5bn). Zudio continues to anchor this exceptional growth. SSSG across all fashion formats stood at 10% in Q3. The F&G format Star continues to improve its value proposition/sales density and scale well (up 26% YoY; growth almost entirely SSSG-led). EBITDAM expanded 336bps to 18.8% (HSIE 15.5%) as scale-led operating leverage gains kicked in. Note Pre-IND AS EBITM expanded 450bps to 13%. We've revised our FY25/26 EBITDA estimates by 8/6% to account for higher growth. Maintain SELL with a SOTP-based TP of INR2,350/sh (includes 45x FY26 P/adj PBT for the standalone business).
- **Britannia Industries:** Britannia's Q3FY24 print was largely in line with our estimates as revenue grew by 2% while EBITDA was flat YoY. Volume growth at 5.5% stood ahead of transactions (number of packets: +3-3.5%) as Britannia took pricing action (3-4% YoY) to defend its market share amidst heightened local competitive intensity on cooling inflation. Britannia's EBITDAM remained above 19% (fourth instance in the last five quarters) on improving GM and better cost control. Going ahead, Britannia will focus on driving high single-digit volume growth and defend/gain its market share through calibrated pricing actions. We expect revenue growth to be volume-led, which will require additional push (consumer offers, marketing, etc.); thus, the operating margin will have limited room for expansion. We cut our EPS estimates for FY24-26 by 1% and value Britannia at 42x P/E on Dec-25 EPS to derive a target price of INR 4,700. Maintain REDUCE.
- **Endurance Technologies:** Endurance's Q3 consolidated EBITDA/PAT at INR 3/1.5bn came in below our estimates. The Europe business margin was flat QoQ at 15.5%. In India, while the premium segment in 2Ws is seeing good demand, growth prospects for entry 2W segment appear bleak, given the incremental impact of sub-par monsoon expected on rural sentiment. Further, consumer sentiment in Europe has sharply deteriorated, given the geopolitical issues and recessionary trends in the region. The weak consumer sentiment is visible in the slower run rate of Endurance's business wins in Europe for 9M. However, given the reduction in energy costs in Europe, we factor in that the consolidated margin will improve to 14% by FY25E (from

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11.8% in FY23). While we have factored in most of the key positives, the valuation at 31x FY26E earnings appears expensive. The stock is now rated SELL with a revised target of INR 1,599 (earlier INR 1,508), as we roll forward to Mar-26 EPS (unchanged target multiple of 25x).

- **Brigade Enterprises:** Brigade Enterprises Ltd (BEL) posted strong presales of 1.7msf (+11%/+2% YoY/QoQ), valued at INR 15.2bn (+51%/+22% YoY/QoQ) with average realisation touching an all-time high of INR 8,994 per sq ft (+36%/+21% YoY/QoQ). This was on the back of four projects of 2.7msf launched in the quarter, which contributed 50% to presales in Q3FY24. BEL has a total launch pipeline of 10.8msf for the next four quarters. The Mount Road Chennai project (i.e. TVS land) is expected to be launched in Q1FY25 (vs. Q4FY24 earlier). BEL is planning for 5msf of new office projects in Bengaluru, Hyderabad and Chennai and 1msf of hotels. This will entail a new capex of INR 30bn over FY25-28. The total land cost payable is INR 11.9bn as of Dec'23. After the INR 2.5bn land payout in Q4FY24, the pending cost is INR 9.4bn. Given BEL's strong cash position of INR 15.6bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, raising the TP to INR 1,179/sh to account for (1) inclusion of new projects in Hyderabad, Bengaluru, and Chennai, (2) expansion in the office/hospitality segment, and (3) incorporation of a 5-10% price hike across projects.

- **Radico Khaitan:** Radico reported a better-than-expected Q3 print, largely on account of higher non-IMFL revenue, which grew by 174% (HSIE 60%), led by (1) an increase in liquor prices; (2) higher country liquor volumes; and (3) alcohol sales post commissioning of Sitapur facility. IMFL revenue was up 15% with volume growing by 4% YoY to 7.24mn cases (4-year CAGR at 3%). P&A saw sustained momentum with volume growing by 20% (in-line) while the regular portfolio remained impacted as volume fell by 12%. Radico expects the momentum in its P&A portfolio to sustain with all core brands exhibiting healthy growth. Despite commodity inflation in glass and grain prices (500/370bps impact YoY/QoQ), GM sustained due to higher premium mix and price hikes in the IMFL business. Whilst we remain positive about Radico's success in product innovation and luxury portfolio scale-up, we remain cautious about margin recovery (RM volatility, growth in regular portfolio) and expect costs related to capex to impact earnings. We increase our FY24-26 earnings by 4-5% (largely non-IMFL led) and value Radico at 30x P/E on Dec-25 EPS to arrive at a TP of INR 1,100. Maintain REDUCE.

- **CDSL:** CDSL posted another quarter of strong growth (+52% YoY), led by growth in market-linked revenue and a stable annuity stream. The growth was driven by a jump in transaction revenue, IPO/corporate action, and KYC fetch/creation, offset by seasonally weak e-voting revenue. The Demat account addition is breaking all records; CDSL added ~8.5mn accounts in the quarter (+88% YoY) and the Jan-24 run rate is 28% higher than the peak of Oct-21. CDSL maintains its leadership position with a 75.6% market share and 90% incremental share. We expect strong growth, supported by (1) strong BO account addition, (2) higher transaction revenue, and (3) stable annuity revenue. The insurance opportunity remains an option value and will aid growth subject to regulatory push. The compulsory Demat of non-small private limited companies will aid issuer growth. Higher investment in technology, increasing employee cost and regulatory compliance are leading to higher costs (+30% in 9MFY24), and EBITDA margins will be in the range of 60-63%. We increase our growth/EPS and multiple to adjust for better growth and market share gain. We maintain our BUY rating with a target price of INR 2,170, based on 40x FY26E EPS. Stock trades at a P/E of 42/36x FY25/26E EPS, generating RoE/RoIC of 33/80%.

- **Birla Corporation:** We maintain BUY on Birla Corporation (BCORP), with a higher target price of INR 1,770/share (8.5x Mar-26E consolidated EBITDA). Cement sales volume grew 13% YoY (+1% QoQ) in Q3. Cement NSR rose 2% QoQ. Cement opex cooled off 3% QoQ owing to reduction in input/freight costs. Thus, unitary EBITDA rebounded to a 10-quarter high of INR 899/MT (+INR 220/MT QoQ). The greenfield SGU of 1.4mn MT in Prayagraj, UP, is expected to be commissioned by FY25 end. Maihar line-2 clinker expansion is expected to be commissioned by FY27. We expect a recovery in margins on Mukutban's ramp-up and its incentive accrual from Q4FY24 onwards, and other ongoing cost rationalisation initiatives, which will be partially set off by the expiry of Kundanganj incentives from FY24-end. We continue to like BCORP for its large retail presence in the lucrative north/central regions.

- **V-MART Retail:** In our recent upgrade note, we highlighted the bottoming out of V-MART KPIs. While still early days, green shoots can be seen. Revenue grew 14.4% YoY to INR8.89bn (in-line). Core V-MART operations grew 17% YoY to INR7.28bn (in-line). 9M SSSG remained flat (Q3FY24: 4%). Footfalls/sales densities (footfalls/sq. ft) continue to recover. Limeroad losses continue to ebb (down 29% QoQ to INR141mn). FY25 is likely to be the year of efficiency wherein management focuses on (1) weeding out unprofitable stores and (2) sharpening product range in freshness and price points (factored in). We largely maintain our FY25/26 EBITDA estimates and maintain our BUY rating on VMART with a DCF-based TP of INR2,550/sh (implying 22x FY26 EV/EBITDA).

Nestle India

Resilient operating performance

Nestle posted a resilient operating performance with EBITDA growing by 14% (HSIE: +10%) due to a 370bps GM expansion to 58.6% (the highest in the last 20 quarters). Domestic revenue grew by 9% YoY (HSIE 12%) on the back of pricing and mix growth (around low to mid-single-digit volume growth). Coffee prices remain volatile while healthy milk flush in winter is expected to keep milk prices stable. However, rain deficit may impact the production of maize, sugar, oil seeds, and spices. EBITDA margin expansion was limited to 120bps YoY to 24.5% as Nestle increased brand investments in all product groups. It continues to focus on distribution strengthening, category expansion, and capacity building. We remain positive on OOH products and sustain growth for in-home products. We incorporate changes related to the change in the financial year from Jan-Dec to Apr-Mar (FY24 to be 15 months). We value Nestle at 52x P/E on Dec-25E EPS to derive a TP of INR 2,100. With a rich valuation, the absolute upside is limited in the medium term. Maintain REDUCE.

- **Domestic business up 9%:** Revenue grew by 8% YoY (+14% in Q4CY22; +9% in Q3CY23, HSIE: 12%). Domestic revenue grew by 9% YoY (HSIE: 12%) while export revenue fell by 6%. Domestic growth was broad-based across categories, supported by pricing, mix, and volume. Strong demand for Nescafe Classic and Sunrise propelled the beverages segment to be the largest contributor to growth. All the channels sustained momentum, with e-comm now at 7% of sales. OOH channel is the fastest growing for the company.
- **Margin recovery continues:** GM expanded by 370bps YoY (+210bps QoQ) to 58.6%, aided by higher net realisations and stabilising RM basket. Persistent commodity inflation has impacted Nestle's GM over the last two years (GM was 58% in CY20). Employee expenses grew 3% while other expenses grew 23% on higher brand spending. EBITDAM expanded 120bps YoY to 24.5% (HSIE: 23%). EBITDA was up by 14% YoY (HSIE 10%). Coffee prices remain volatile due to limited availability while healthy milk flush in winter is expected to keep milk prices stable. While wheat and prices are stable, a rain deficit could impact the production of maize, sugar, oil seeds, and spices.
- **Press release takeaways:** (1) Milk products and nutrition saw strong double-digit growth. (2) Confectionery led by KITKAT and MUNCH delivered good growth. KITKAT entered into the premium segment with the launch of three variants. (3) The uptick in urban markets has sustained despite a challenging environment. (4) Added 5,300 villages this quarter, taking total direct reach to 196,000 villages. (5) Announced third interim dividend of INR 7/share. (6) Exceptional item of INR1.1bn due to change in the cost of servicing defined pension benefit. (7) To sell the Nestle Business Services Division (on a slump sale basis) to Purina PetCare (100% subsidiary of Nestle S.A) for INR 798mn.

Quarterly/annual financial summary

YE Dec (INR mn)	Q4 CY23	Q4 CY22	YoY (%)	Q3 CY23	QoQ (%)	CY21	CY22	FY24E	FY25E	FY26E
Net Revenue	46,004	42,568	8.1	50,368	(8.7)	1,47,406	1,68,970	2,42,134	2,14,104	2,37,879
EBITDA	11,289	9,946	13.5	12,468	(9.5)	35,960	38,146	58,167	52,355	59,557
APAT	7,517	6,309	19.1	8,344	(9.9)	22,761	24,241	38,970	35,087	39,404
EPS (Rs)	7.8	6.5	19.1	8.7	(9.9)	23.6	25.1	40.4	36.4	40.9
P/E (x)						105.9	99.4	61.8	68.7	61.1
EV/EBITDA (x)						66.6	62.7	41.2	45.7	40.0
Core RoCE (%)						60.8	52.0	73.5	tle	53.1

Source: Company, HSIE Research

REDUCE

CMP *(as on 07 Feb 2024)*	INR 2,500
Target Price	INR 2,100
NIFTY	21,931

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,100	INR 2,100
EPS %	FY25E +3%	FY26E +2%

KEY STOCK DATA	
Bloomberg code	NEST IN
No. of Shares (mn)	964
MCap (INR bn) / ($ mn)	2,410/29,469
6m avg traded value (INR mn)	1,941
52 Week high / low	INR 2,771/1,778

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.6	11.3	31.7
Relative (%)	(8.5)	1.9	12.0

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	62.76	62.76
FIs & Local MFs	9.32	9.19
FPIs	12.10	12.09
Public & Others	15.82	15.96
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Trent

The one that got away!

SELL

CMP *(as on 07 Feb 2024)*	**INR 3,608**
Target Price	**INR 2,330**
NIFTY	**21,931**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 2,050	INR 2,330
EBITDA %	FY25E	FY26E
	+7.8	+6.0

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	1,282/15,681
6m avg traded value (INR mn)	1,814
52 Week high / low	INR 3,635/1,206

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	48.8	113.5	197.4
Relative (%)	37.7	104.1	177.7

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	37.01	37.01
FIs & Local MFs	8.54	9.21
FPIs	25.64	25.91
Public & Others	28.81	27.87
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Amidst the apparel slowdown, Trent remains an anomaly. Standalone revenue grew 52.5% YoY to INR33.12bn (HSIE: INR30.5bn). Zudio continues to anchor this exceptional growth. SSSG across all fashion formats stood at 10% in Q3. The F&G format Star continues to improve its value proposition/sales density and scale well (up 26% YoY; growth almost entirely SSSG-led). EBITDAM expanded 336bps to 18.8% (HSIE 15.5%) as scale-led operating leverage gains kicked in. Note Pre-IND AS EBITM expanded 450bps to 13%. We've revised our FY25/26 EBITDA estimates by 8/6% to account for higher growth. Maintain SELL with a SOTP-based TP of INR2,350/sh (includes 45x FY26 P/adj PBT for the standalone business).

- **Q3FY24 highlights**: Standalone revenue grew 52.5% YoY to INR 33.12bn (vs HSIE: INR 30.5bn). SSSG across all fashion formats stood at 10% for Q2. Zudio's growth continues to anchor this blitz scale. In Q3, Westside/Zudio added 5/50 stores (net), taking their total store count to 227/460 respectively. Emerging categories contributed 19% of standalone revenue. Trent's F&G format Star grew 26% YoY in Q2 (growth was almost entirely SSSG-led). Standalone GM expanded 57bps YoY to 46% (HSIE: 44%) despite the rising skew of Zudio (low GM business) in the mix. We suspect Zudio's GM would have improved meaningfully in Q3. EBITDAM expanded 336bps YoY to 18.8% as scale-led operating leverage benefits continue to play out. Reported EBITDA grew 86% YoY to INR6.23bn (HSIE: INR4.73bn). Operating EBIT margin for Q3FY24 was 13% (8.5% for Q3FY23). Q3 PBT/PAT more than doubled to INR4.47/3.44bn (HSIE: INR3.83/2.86bn).
- **Outlook**: Trent continues to run circles around peers in terms of growth. Its disciplined WC management and well-capitalised balance sheet do not allow us to fault the business. We've revised our FY25/26 EBITDA estimates by 8/6% to account for higher growth. However, its heady valuation (~100x FY26 P/E) restrains us from becoming constructive on the stock. Hence, we maintain SELL with a SOTP-based TP of INR 2,330/sh (includes 45x FY26 P/adj PBT for the standalone business).

Quarterly financial summary (standalone)

(INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	33,125	21,715	52.5	28,907	14.6	38,807	77,152	1,16,928	1,52,661	1,89,447
EBITDA	6,232	3,356	85.7	4,609	35.2	6,335	11,193	17,450	20,958	26,067
APAT	3,436	1,610	113.5	2,897	18.6	2,496	5,546	9,128	10,382	13,066
EPS (Rs)	9.7	4.5	113.5	8.2	18.6	7.0	15.6	25.7	29.2	36.8
P/E (x)						355.4	168.4	102.3	90.0	71.5
EV/EBITDA (x)						-	-	-	-	-
Core RoCE(%)						13.2	13.5	27.1	24.6	26.8

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,16,928	1,11,908	*4.5*	1,52,661	1,46,119	*4.5*	1,89,447	1,79,967	*5.3*
Gross Profit	51,367	49,102	*4.6*	65,351	62,997	*3.7*	81,049	77,858	*4.1*
Gross Profit Margin (%)	43.9	43.9	***5 bps***	42.8	43.1	***(31 bps)***	42.8	43.3	***(48 bps)***
EBITDA	17,450	15,632	*11.6*	20,958	19,446	*7.8*	26,067	24,594	*6.0*
EBITDA margin (%)	14.9	14.0	***96 bps***	13.7	13.3	***42 bps***	13.8	13.7	***9 bps***

Source: Company, HSIE Research

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Britannia Industries

Competitive intensity to limit margin expansion

Britannia's Q3FY24 print was largely in line with our estimates as revenue grew by 2% while EBITDA was flat YoY. Volume growth at 5.5% stood ahead of transactions (number of packets: +3-3.5%) as Britannia took pricing action (3-4% YoY) to defend its market share amidst heightened local competitive intensity on cooling inflation. Britannia's EBITDAM remained above 19% (fourth instance in the last five quarters) on improving GM and better cost control. Going ahead, Britannia will focus on driving high single-digit volume growth and defend/gain its market share through calibrated pricing actions. We expect revenue growth to be volume-led, which will require additional push (consumer offers, marketing, etc.); thus, the operating margin will have limited room for expansion. We cut our EPS estimates for FY24-26 by 1% and value Britannia at 42x P/E on Dec-25 EPS to derive a target price of INR 4,700. Maintain REDUCE.

- **Revenue up 2% YoY; volume up 5.5%:** Consolidated revenue grew by 2% YoY (16% in Q3FY23 and 1% in Q2FY24) vs our estimate of 3%. Volume grew 5.5% during the quarter while transactions (number of packets sold) grew by 3-3.5%. The demand environment is recovering progressively albeit with heightened competition on a softening RM basket. As a result, Britannia undertook some price corrections to maintain competitiveness and gain market share. Despite a generally subdued rural demand, Britannia's focus states outperformed other regions (2.4x YTD). Britannia further strengthened its leadership position as the gap with its second-largest competitor increased. With softening input costs and increasing competition, Britannia will take necessary pricing actions. We expect growth to be largely volume-led and model a revenue CAGR of 7% for FY23-FY26E.
- **Margin remains resilient:** Consolidated GM expanded by 20bps YoY (+100bps QoQ) to 43.9%, aided by a softening RM basket. While the price of flour has remained stable QoQ, most other commodities (palm oil, packaging materials) have seen healthy deflation. Employee expenses fell 11% YoY while other expenses grew by 1% YoY. As a result, EBITDA was flat while margin fell by 20bps YoY to 19.3% (19.5% in Q3FY23 and 19.7% in Q2FY24). We model the EBITDA margin at 18.8-19.3% for FY24-26.
- **Con call takeaways:** (1) Direct reach stands at 27.6 lakh outlets (21 lakh in Mar'19). Rural distribution stands at 29k distributors (18k in Mar'19). (2) Market share gains this year are predominantly coming from the Hindi belt. (3) Urban continues to grow faster than rural markets. However, Britannia expects rural recovery to catch up and continues to expand its rural distribution. (4) Amidst declining raw material prices and heightened competitive pressure, Britannia has chosen to pass on a 3-4% benefit to consumers. (5) Its international business grew in healthy double digits and its margin profile improved for the segment. (6) YTD mix between biscuit/non-biscuit stands at 65/35%.

Quarterly/annual financial summary

(INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	42,563	41,968	1.4	44,329	(4.0)	1,41,363	1,63,006	1,68,771	1,83,063	2,00,495
EBITDA	8,211	8,176	0.4	8,724	(5.9)	22,015	28,309	31,796	34,782	38,595
APAT	5,557	9,324	(40.4)	5,865	(5.3)	15,152	20,354	21,475	24,140	27,482
EPS (INR)	23.2	27.1	(14.4)	24.3	(4.7)	62.9	84.5	89.1	100.2	114.1
P/E (x)						80.7	60.1	57.0	50.7	44.5
EV / EBITDA (x)						55.5	43.0	38.1	34.6	30.9
RoCE (%)						49.6	57.3	69.3	78.2	91.4

Source: Company, HSIE Research

REDUCE

CMP *(as on 07 Feb 2024)*	INR 5,078
Target Price	INR 4,700
NIFTY	21,931

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 4,700	INR 4,700
EPS %	FY25E	FY26E
	-1%	-1%

KEY STOCK DATA	
Bloomberg code	BRIT IN
No. of Shares (mn)	241
MCap (INR bn) / ($ mn)	1,223/14,956
6m avg traded value (INR mn)	1,741
52 Week high / low	INR 5,386/4,153

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.1	9.0	10.2
Relative (%)	(2.0)	(0.4)	(9.5)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	50.55	50.55
FIs & Local MFs	13.98	14.97
FPIs	19.66	18.99
Public & Others	15.81	15.49
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Endurance Technologies

Recessionary trends in Europe remain the key concern

Endurance's Q3 consolidated EBITDA/PAT at INR 3/1.5bn came in below our estimates. The Europe business margin was flat QoQ at 15.5%. In India, while the premium segment in 2Ws is seeing good demand, growth prospects for entry 2W segment appear bleak, given the incremental impact of sub-par monsoon expected on rural sentiment. Further, consumer sentiment in Europe has sharply deteriorated, given the geopolitical issues and recessionary trends in the region. The weak consumer sentiment is visible in the slower run rate of Endurance's business wins in Europe for 9M. However, given the reduction in energy costs in Europe, we factor in that the consolidated margin will improve to 14% by FY25E (from 11.8% in FY23). While we have factored in most of the key positives, the valuation at 31x FY26E earnings appears expensive. The stock is now rated SELL with a revised target of INR 1,599 (earlier INR 1,508), as we roll forward to Mar-26 EPS (unchanged target multiple of 25x).

- **Q3 performance below our estimates:** Endurance's Q2 consolidated PAT at INR 1.5bn was below our estimate. The standalone margin declined 100bps QoQ to 12.6% due to higher raw material costs. There was no state incentive received in Q3. Standalone PAT grew 44% YoY to INR1.3bn. In Q3FY24, its Europe revenue grew 5.5% YoY to Euro 63mn, in line with the 5% production growth. Lower electricity and gas prices in Europe led to an improvement of 110bps YoY in EBITDA margin to 15.5%. Maxwell revenue has improved to INR 190mn from INR 171mn QoQ. EBITDA loss was INR 33.7mn (INR 43.4mn in Q2FY24) due to the postponement of new product EV launches.
- **Call takeaways**: (1) New business won in 9M stands at INR9.41bn from non-Bajaj customers. Of this, INR 5.68bn is new business wins and the balance is replacement business. (2) In the domestic market, it is seeing strong growth from premium bikes (150cc and above). (3) It has to date won INR 6.7bn worth of EV business from Ather, Bajaj, Hero Electric, Greaves Cotton, Bounce and Aptiv. Endurance is ramping up its sales to 240,000 sets per annum for EV battery packs and motor housing aluminum castings. (4) In Europe, Endurance has won only Euro 29mn worth of new business in 9M, from the Volkswagen Group and Mercedes Benz. This compares to Euro 84mn worth of new business wins in FY23. The ongoing recession continues to impact consumer sentiment in Europe. (5) It aspires to increase the share of 4W in consolidated business from 26% currently to 45% by FY30. The increase is expected to come from aluminum castings and aluminum forgings. (6) Maxwell won Battery Management Systems (BMS) business of INR 793mn in 9M (vs INR 1.2bn in FY23). It has won BMS business from Royal Enfield for INR 0.3bn with delivery starting in Q1FY25. (7) It is focusing on raising the share of the nonautomotive business, especially in aluminum casting. It aspires to reach 10% of domestic sales in the aftermarket business by FY28.

Quarterly/annual financial summary

YE Mar (INR mn)	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	25,611	20,952	22.2	25,450	0.6	88,040	101,139	112,752	126,471
EBITDA	2,990	2,395	24.8	3,183	-6.1	10,363	13,243	15,643	17,464
APAT	1,523	1,082	40.7	1,546	-1.5	4,899	6,634	8,070	8,995
Diluted EPS (INR)	10.8	7.7	40.7	11.0	-1.5	34.8	47.2	57.4	63.9
P/E (x)						56.9	42.0	34.5	31.0
EV / EBITDA (x)						26.4	20.7	17.3	15.2
RoCE (%)						13.7	17.2	18.8	18.8

Source: Company, HSIE Research

SELL

CMP *(as on 07 Feb 2024)*	INR 1,983
Target Price	INR 1,599
NIFTY	21,931

KEY CHANGES	OLD	NEW
Rating	REDUCE	SELL
Price Target	INR 1,508	INR 1,599
EPS %	FY25E	FY26E
	0.6%	0.6%

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	279/3,411
6m avg traded value (INR mn)	276
52 Week high / low	INR 2,319/1,172

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	15.4	18.0	39.3
Relative (%)	4.3	8.6	19.6

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	75.00	75.00
FIs & Local MFs	14.9	15.4
FPIs	8.31	7.82
Public & Others	1.79	1.77
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Brigade Enterprises

Muted financial performance; strong presales

Brigade Enterprises Ltd (BEL) posted strong presales of 1.7msf (+11%/+2% YoY/QoQ), valued at INR 15.2bn (+51%/+22% YoY/QoQ) with average realisation touching an all-time high of INR 8,994 per sq ft (+36%/+21% YoY/QoQ). This was on the back of four projects of 2.7msf launched in the quarter, which contributed 50% to presales in Q3FY24. BEL has a total launch pipeline of 10.8msf for the next four quarters. The Mount Road Chennai project (i.e. TVS land) is expected to be launched in Q1FY25 (vs. Q4FY24 earlier). BEL is planning for 5msf of new office projects in Bengaluru, Hyderabad and Chennai and 1msf of hotels. This will entail a new capex of INR 30bn over FY25-28. The total land cost payable is INR 11.9bn as of Dec'23. After the INR 2.5bn land payout in Q4FY24, the pending cost is INR 9.4bn. Given BEL's strong cash position of INR 15.6bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, raising the TP to INR 1,179/sh to account for (1) inclusion of new projects in Hyderabad, Bengaluru, and Chennai, (2) expansion in the office/hospitality segment, and (3) incorporation of a 5-10% price hike across projects.

- **Q3FY24 financial highlights:** Revenue came in at INR 11.7bn (+43%/-14% YoY/QoQ, 11% beat); revenue from real estate at INR 8.9bn (+72%/-14% YoY/QoQ), hospitality at INR 1.2bn (+21%/+12% YoY/QoQ) and leasing at INR 2.2bn (+14%/+4%YoY/QoQ). EBITDA: INR 2.6bn (+26%/-19% YoY/QoQ, 3% miss). EBITDA margin: 22.3% (-302bps/-144bps YoY/QoQ, vs 25.6% est.). RPAT/APAT: 0.73bn (+15%/-45% YoY/QoQ, 28% miss). For FY24, BEL expects INR 30bn worth of deliveries.
- **Robust launch pipeline:** For Q3FY24, sales volume was 1.7msf (+11%/+2% YoY/QoQ), valued at INR 15.2bn (+51%/+22% YoY/QoQ) with average realisation touching an all-time high of INR 8,994 per sq ft (+36%/+21% YoY/QoQ). This was on the back of four projects of 2.7msf launched in the quarter, which contributed 50% to Q3FY24 presales. It has a strong upcoming pipeline of 10.8msf for the next four quarters for the residential portfolio (9.5msf BEL share) with a GDV potential of INR 110bn. In Q4FY24, BEL plans to launch 2.6msf with a GDV potential of INR 18bn. Mount Road, Chennai, launch is now pushed to Q1FY25. Besides this, BEL is planning for 5msf of new office projects in Bengaluru, Hyderabad, and Chennai, and 1msf of hotels. This will entail a new capex of INR 30bn over FY25-28.
- **Balance sheet comfortable:** At the consolidated level, residential debt is INR 109mn (vs. INR 244mn in Q2FY24). The consolidated gross/net debt stood at INR 43.4/27.7bn (INR 41/25bn as of Sep-23). The net debt/equity stood at 0.69x (vs. 0.63x as of Sep-23). 80% of the debt is in commercial projects and is backed by rentals. The total collection was INR 13.9bn (+5%/-4% YoY/QoQ) with residential collection at INR 9.3bn. BEL has an unsold residential inventory of 3.8msf. The projected net free cash flow from sold/unsold units is INR 38bn. The total land cost payable is INR 11.9bn as of Dec'23. After the INR 2.5bn land payment done in Q4FY24, the pending cost is INR 9.4bn.

Consolidated Financial Summary (INR mn)

YE Mar(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	11,738	8,203	*43.1*	13,666	*(14.1)*	34,446	37,286	39,140	40,684
EBITDA	2,620	2,079	*26.0*	3,248	*(19.3)*	8,590	9,721	10,332	10,802
APAT	735	640	*14.9*	1,335	*(45.0)*	2,366	2,686	2,694	2,712
EPS (INR)	3.2	2.8	*14.9*	5.8	*(45.0)*	10.3	11.7	11.7	11.8
P/E (x)						104	92	91	91
EV/EBITDA (x)						32	29	27	26
RoE (%)						11.7	8.1	7.7	7.4

Source: Company, HSIE Research

BUY

CMP *(as on 07 Feb 2024)*	INR 1,069
Target Price	INR 1,179
NIFTY	21,931

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 1,043	INR 1,179
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	231
MCap (INR bn) / ($ mn)	250/3,019
6m avg traded value (INR mn)	354
52 Week high / low	INR 1,108/446

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	60.2	81.5	117.8
Relative (%)	49.1	72.1	98.1

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	43.77	43.75
FIs & Local MFs	25.41	25.01
FPIs	13.40	13.73
Public & Others	17.44	17.50
Pledged Shares*	-	-

Source: BSE

**Pledged shares as % of total shares*

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Radico Khaitan

P&A outlook strong

Radico reported a better-than-expected Q3 print, largely on account of higher non-IMFL revenue, which grew by 174% (HSIE 60%), led by (1) an increase in liquor prices; (2) higher country liquor volumes; and (3) alcohol sales post commissioning of Sitapur facility. IMFL revenue was up 15% with volume growing by 4% YoY to 7.24mn cases (4-year CAGR at 3%). P&A saw sustained momentum with volume growing by 20% (in-line) while the regular portfolio remained impacted as volume fell by 12%. Radico expects the momentum in its P&A portfolio to sustain with all core brands exhibiting healthy growth. Despite commodity inflation in glass and grain prices (500/370bps impact YoY/QoQ), GM sustained due to higher premium mix and price hikes in the IMFL business. Whilst we remain positive about Radico's success in product innovation and luxury portfolio scale-up, we remain cautious about margin recovery (RM volatility, growth in regular portfolio) and expect costs related to capex to impact earnings. We increase our FY24-26 earnings by 4-5% (largely non-IMFL led) and value Radico at 30x P/E on Dec-25 EPS to arrive at a TP of INR 1,100. Maintain REDUCE.

- **P&A volume grows by 20%:** Net revenue grew by 47% YoY to INR 11.6bn (HSIE +32%). IMFL revenue grew 15%, with volume growing by 4% to 7.2mn cases (+3% four-year CAGR). P&A volume/revenue grew by 20/29% (HSIE 20/39%) due to degrowth in the regular category. P&A volume CAGR was 13%. Realisations grew by 8% YoY to INR1,671/case. Regular volume/revenue fell by 12/11% (HSIE -5/flat). Realisations were flat YoY at INR 640/case. Non-IMFL revenue grew 174% YoY (HSIE 60%), led by full capacity utilisation of the Sitapur plant, incremental country liquor volumes from Sitapur, and the increase in country liquor prices from 1 April 2023. We model an 8% IMFL volume CAGR for FY23-26 (P&A at 18%), with an overall revenue CAGR of 20%.
- **EBITDA grew by 47%:** GM expanded by 50bps YoY to 42% (HSIE 44%). Despite commodity inflation in ENA and grain prices (500/370bps impact YoY/QoQ), GM sustained on higher premium mix and price hikes in IMFL. With ENA and glass prices expected to remain volatile in the near term, we expect gradual improvement in GM over FY24-26, given the increasing P&A mix and backward integration from the Sitapur facility. Blended margin in IMFL will be in the range of 15.5-16%. EBITDAM expanded by 10bps YoY to 12.3% (HSIE 13.4%). We model 13-15.5% EBITDAM for FY24-FY26.
- **Con call takeaways:** (1) P&A saw growth across all brands and geographies. (2) Sitapur greenfield facility is now operating at optimum utilisation. Non-IMFL business run rate is likely to be INR4-4.5bn and it could reduce as captive consumption increases. (3) Radico enjoys an overall market share of 28%. (4) P&A realisation growth of c.8% includes 190-195 impact of price hike while the rest is due to product mix. (5) Net debt stood at INR 6.7bn (down INR 1bn QoQ). Radico aims to become a net cash company by FY26.

Quarterly/annual financial summary

(INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	11,609	7,922	46.6	9,250	25.5	28,756	31,428	42,424	48,984	53,467
EBITDA	1,428	969	47.4	1,212	17.8	4,149	3,584	5,401	7,005	8,287
APAT	738	571	29.4	619	19.3	2,521	2,044	2,829	3,948	4,791
EPS (INR)	5.6	4.3	29.4	4.7	19.3	18.9	15.3	21.2	29.5	35.8
P/E (x)						92.4	114.0	82.4	59.0	48.7
EV / EBITDA (x)						56.1	66.3	44.4	33.9	28.3
RoCE (%)						12.6	8.5	10.4	12.7	14.8

Source: Company, HSIE Research

REDUCE

CMP *(as on 07 Feb 2024)*	INR 1,745
Target Price	INR 1,100
NIFTY	21,931

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,100	INR 1,100
	FY24E	FY25E
EPS %	+4%	+5%

KEY STOCK DATA	
Bloomberg code	RDCK IN
No. of Shares (mn)	134
MCap (INR bn) / ($ mn)	233/2,853
6m avg traded value (INR mn)	428
52 Week high / low	INR 1,885/1,069

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	27.8	30.3	50.0
Relative (%)	16.7	20.9	30.3

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	40.26	40.26
FIs & Local MFs	23.93	23.99
FPIs	18.19	19.01
Public & Others	17.62	16.74
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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CDSL

Growth story compelling

CDSL posted another quarter of strong growth (+52% YoY), led by growth in market-linked revenue and a stable annuity stream. The growth was driven by a jump in transaction revenue, IPO/corporate action, and KYC fetch/creation, offset by seasonally weak e-voting revenue. The Demat account addition is breaking all records; CDSL added ~8.5mn accounts in the quarter (+88% YoY) and the Jan-24 run rate is 28% higher than the peak of Oct-21. CDSL maintains its leadership position with a 75.6% market share and 90% incremental share. We expect strong growth, supported by (1) strong BO account addition, (2) higher transaction revenue, and (3) stable annuity revenue. The insurance opportunity remains an option value and will aid growth subject to regulatory push. The compulsory Demat of non-small private limited companies will aid issuer growth. Higher investment in technology, increasing employee cost and regulatory compliance are leading to higher costs (+30% in 9MFY24), and EBITDA margins will be in the range of 60-63%. We increase our growth/EPS and multiple to adjust for better growth and market share gain. We maintain our BUY rating with a target price of INR 2,170, based on 40x FY26E EPS. Stock trades at a P/E of 42/36x FY25/26E EPS, generating RoE/RoIC of 33/80%.

- **Q3FY24 highlights**: CDSL revenue grew 3.5/51.9% QoQ/YoY to INR 2.15bn, led by growth in transaction/IPO corporate action/KYC charges +18/19.2/7.7% QoQ. The annual issuer charges, which is the annuity component, were up 1.6/39.1% QoQ/YoY. E-cas/e-voting was up 51/4% YoY in 9MFY24. CDSL has 65mn KYC records (~60% unique BO accounts). Employee costs grew by 5.5% QoQ, while technology expenses were up 4.5/60.2% QoQ/YoY. EBITDA margin contracted 111bps QoQ to 61.3%. CDSL has 108.8mn Demat accounts and added ~4.1mn incremental Demat accounts in Jan-24, which is a rate of ~153K accounts per day. The share delivery volume is at a multi-year high, leading to higher transaction revenue.
- **Outlook:** We expect revenue growth of +42/19/16% and an EBITDA margin of 60.4/61.7/62.8% for FY24/25/26E. The revenue CAGR of 25% over FY23-26E assumes +26/16/30/38/20% CAGR in annual issuer charges/transaction/IPO & corporate action/online data charges/others revenue. Core PAT CAGR over FY23-26E is at +27%.

Quarterly financial summary

YE March (INR mn)	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	2,145	1,412	*51.9*	2,073	*3.5*	5,513	5,551	7,901	9,358	10,855
EBITDA	1,315	852	*54.3*	1,294	*1.6*	3,669	3,233	4,775	5,775	6,813
APAT	1,074	746	*43.9*	1,089	*(1.3)*	3,112	2,759	4,038	4,854	5,667
Diluted EPS (INR)	10.3	7.1	*43.9*	10.4	*(1.3)*	29.8	26.4	38.6	46.4	54.2
P/E (x)						65.8	74.1	50.7	42.2	36.1
EV / EBITDA (x)						52.7	60.0	40.3	33.0	27.6
RoE (%)						31.6	23.9	31.2	33.0	33.7
Cash/Mcap (%)						4.7	4.3	4.8	5.6	6.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR Mn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	7,344	7,901	*7.6*	8,224	9,358	*13.8*	9,711	10,855	*11.8*
EBITDA	4,323	4,775	*10.5*	4,865	5,775	*18.7*	5,920	6,813	*15.1*
EBITDA margin (%)	58.9	60.4	158bps	59.2	61.7	255bps	61.0	62.8	180bps
APAT	3,731	4,038	*8.2*	4,183	4,854	*16.0*	5,011	5,667	*13.1*
EPS (INR)	35.7	38.6	*8.2*	40.0	46.4	*16.0*	48.0	54.2	*13.1*

Source: Company, HSIE Research

BUY

CMP *(as on 07 Feb 2024)*	**INR 1,958**
Target Price	**INR 2,170**
NIFTY	**21,931**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,700	INR 2,170
EPS %	FY25E	FY26E
	+16.0	+13.1

KEY STOCK DATA	
Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (INR bn) / ($ mn)	205/2,502
6m avg traded value (INR mn)	2,312
52 Week high / low	INR 1,999/881

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	23.8	63.2	95.6
Relative (%)	12.7	53.8	75.9

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	15.00	15.00
FIs & Local MFs	21.79	21.33
FPIs	10.80	13.59
Public & Others	52.41	50.08
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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Birla Corporation

Volume momentum continues; margin trends up

We maintain BUY on Birla Corporation (BCORP), with a higher target price of INR 1,770/share (8.5x Mar-26E consolidated EBITDA). Cement sales volume grew 13% YoY (+1% QoQ) in Q3. Cement NSR rose 2% QoQ. Cement opex cooled off 3% QoQ owing to reduction in input/freight costs. Thus, unitary EBITDA rebounded to a 10-quarter high of INR 899/MT (+INR 220/MT QoQ). The greenfield SGU of 1.4mn MT in Prayagraj, UP, is expected to be commissioned by FY25 end. Maihar line-2 clinker expansion is expected to be commissioned by FY27. We expect a recovery in margins on Mukutban's ramp-up and its incentive accrual from Q4FY24 onwards, and other ongoing cost rationalisation initiatives, which will be partially set off by the expiry of Kundanganj incentives from FY24-end. We continue to like BCORP for its large retail presence in the lucrative north/central regions.

- **Q3FY24 performance:** BCORP's EBITDA came in 12/10% ahead of our/consensus estimates. Cement sales volume grew 13% YoY (+1% QoQ) to 4.2mn MT. Share of blended cement production/trade sales continues to slide, down to a multi-quarter low of 83/69% in Q3. Cement NSR rose 2/2% QoQ/YoY (INR 100/MT). Cement opex cooled off 3% QoQ (INR 130/MT). Input cost reduced by INR 140/MT, owing to fuel mix optimisation (lower usage of high-cost imported fuel) and cool-off in fuel prices. Thus, fuel cost fell 10% QoQ to INR 1.58/mnCal (among the lowest in the industry). Unitary EBITDA rose to a 10-quarter high of INR 899/MT (+INR 220/MT QoQ).
- **Con call KTAs and outlook**: Management expects 13% volume growth in FY24. Mukutban plant utilization is expected to increase to 60% in Q4FY24. BCORP maintained its earlier guidance of INR 850/MT EBITDA for FY24. Fuel costs are expected to remain stable QoQ in Q4. The Kundanganj SGU's incentive will expire by Mar 2024 (~INR 80/MT at the consolidated level). Mukutban's incentive will start accruing from Q4FY24 onwards. It expects that a capex of less than INR 7bn will be incurred in FY24. The greenfield SGU of 1.4mn MT in Prayagraj, UP, is expected to be commissioned by FY25-end. Maihar line-2 clinker expansion work will start next year (3mn MT capacity) and it is expected to be commissioned by FY27. This line will cater to SGUs in Bihar and UP and possibly one in the west, totalling ~5mn MT capacity. The company is also working to scale up the usage of alternative fuel, captive coal, and green power, which will further aid margin recovery. Factoring in the strong Q3 margin, we upgrade our FY24/25/26 EBITDA estimates by 15/9/5%.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY24	Q3 FY23	*YoY (%)*	Q2 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	4.21	3.72	*13.2*	4.18	*0.7*	14.22	15.73	17.46	18.51	19.43
NSR (INR/MT)	5,302	5,177	*2.4*	5,211	*1.7*	4,955	5,237	5,289	5,369	5,422
EBITDA(INR/MT)	899	365	*146.1*	678	*32.6*	746	462	822	890	944
Net Sales	23.12	20.16	*14.7*	22.86	*1.1*	74.61	86.82	97.33	104.59	110.86
EBITDA	3.79	1.44	*162.1*	2.89	*31.0*	11.10	7.72	14.83	16.99	18.89
APAT	1.09	-0.50		0.58	*87.0*	4.30	0.34	4.51	6.68	8.09
AEPS (INR)	14.2	-6.5		7.6	*86.2*	55.8	4.4	58.6	86.7	105.0
EV/EBITDA (x)						12.7	20.0	10.2	8.7	7.5
EV/MT (INR bn)						8.74	7.53	7.37	6.79	6.51
P/E (x)						27.5	349.4	26.2	17.7	14.6
RoE (%)						*8.0*	*0.6*	*7.3*	*10.0*	*11.1*

Source: Company, HSIE Research

BUY

CMP *(as on 07 Feb 2024)*	**INR 1,529**
Target Price	**INR 1,770**
NIFTY	**21,931**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,620	INR 1,770
EBITDA revision %	FY24E *14.7*	FY25E *9.3*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	118/1,439
6m avg traded value (INR mn)	188
52 Week high / low	INR 1,631/843

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.7	25.5	69.4
Relative (%)	7.6	16.1	49.7

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	62.90	62.90
FIs & Local MFs	16.02	16.19
FPIs	6.57	6.44
Public & Others	14.51	14.47
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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V-MART Retail

Healthy print; FY25 to be the moment of truth

In our recent upgrade note, we highlighted the bottoming out of V-MART KPIs. While still early days, green shoots can be seen. Revenue grew 14.4% YoY to INR8.89bn (in-line). Core V-MART operations grew 17% YoY to INR7.28bn (in-line). 9M SSSG remained flat (Q3FY24: 4%). Footfalls/sales densities (footfalls/sq. ft) continue to recover. Limeroad losses continue to ebb (down 29% QoQ to INR141mn). FY25 is likely to be the year of efficiency wherein management focuses on (1) weeding out unprofitable stores and (2) sharpening product range in freshness and price points (factored in). We largely maintain our FY25/26 EBITDA estimates and maintain our BUY rating on VMART with a DCF-based TP of INR2,550/sh (implying 22x FY26 EV/EBITDA).

- **Q3FY24 highlights**: V-MART reported 14.4% growth YoY (INR8.89bn; in-line). Core V-MART operations grew 17.2% YoY to INR7.28bn. In Q3, footfall density was up 3% to 17.2k/store, while annualised sales density for core VMART stood at INR9.7k/sq ft (note: for 9MFY24, annualised sales density stood at INR7.5k/sq ft; up 1.4% YoY). Transaction size declined 4% on a YTD basis to INR1,073. SSSG for Q3 stood at 4% (was flat on a YTD basis courtesy recalibration of ASPs downwards). 9MFY24 SSSG for core VMART and Unlimited format stood at 1/-5% respectively). GM/Pre-IND AS EBITDAM remained stable YoY at 35.5/7.6% (HSIE: 34/7%). Core VMART/Unlimited EBITDAM stood at 5.5/-1% respectively. Limeroad losses continue to ebb (down 29% QoQ to INR141mn). Adj. EBITDA/APAT grew 19/41% to INR675/282mn (HSIE: INR617/200mn). Inventory days remain stable at 108. Management highlighted that Q4 onwards, the focus would be to regain efficiency by (1) weeding out unprofitable stores (it plans to add 10 and close ~20 stores in Q4) and (2) sharpening the value proposition and assortment freshness. VMART added 17 stores (net) in Q3.
- **Outlook**:. Stabilising core operations + ebbing Limeroad losses could ensure a healthy FY25. The ask from execution isn't much at current valuations (<19x FY26 EV/EBITDA). Hence, we maintain our BUY recommendation on VMART with a DCF-based TP of INR2,550/sh (implying 22x FY26 EV/EBITDA).

Quarterly financial summary

(Rs mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	8,891	7,769	14.4	5,494	61.8	16,662	24,648	27,104	31,675	36,739
Adj EBITDA	675	567	19.1	(498)	(235.4)	792	909	(69)	1,463	2,273
APAT	282	200	41.3	(622)	(145.4)	116	(78)	(1,126)	23	525
EPS (Rs)	14.3	10.1	41.3	(31.5)	(145.4)	5.9	(4.0)	(57.1)	1.2	26.6
P/E (x)						356.9	(529.2)	(36.9)	1,794.5	79.2
EV/EBITDA (x)						50.4	47.0	(617.2)	29.2	18.8
Core RoCE(%)						5.1	2.1	(7.8)	6.0	11.7

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	27,104	27,799	*(2.5)*	31,675	32,879	*(3.7)*	36,739	38,582	*(4.8)*
Gross Profit	9,461	9,453	*0.1*	10,898	11,148	*(2.2)*	12,493	13,081	*(4.5)*
Gross Profit Margin (%)	34.9	34.0	***90 bps***	34.4	33.9	***50 bps***	34.0	33.9	***10 bps***
EBITDA	(69)	(279)	*(75.3)*	1,463	1,470	*(0.4)*	2,273	2,311	*(1.6)*
EBITDA margin (%)	(0.3)	(1.0)	***75 bps***	4.6	4.5	***15 bps***	6.2	6.0	***20 bps***

Source: Company, HSIE Research, Pre IND AS 116 financials

BUY

CMP *(as on 07 Feb 2024)*	INR 2,121
Target Price	INR 2,550
NIFTY	21,931

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,550	INR 2,550
EBITDA %	FY25E	FY26E
	-0.4	-1.6

KEY STOCK DATA	
Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	42/513
6m avg traded value (INR mn)	79
52 Week high / low	INR 2,682/1,591

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	26.2	(7.7)	(19.6)
Relative (%)	15.1	(17.1)	(39.2)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	44.3	44.3
FIs & Local MFs	29.7	31.5
FPIs	14.3	14.3
Public & Others	11.7	9.8
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

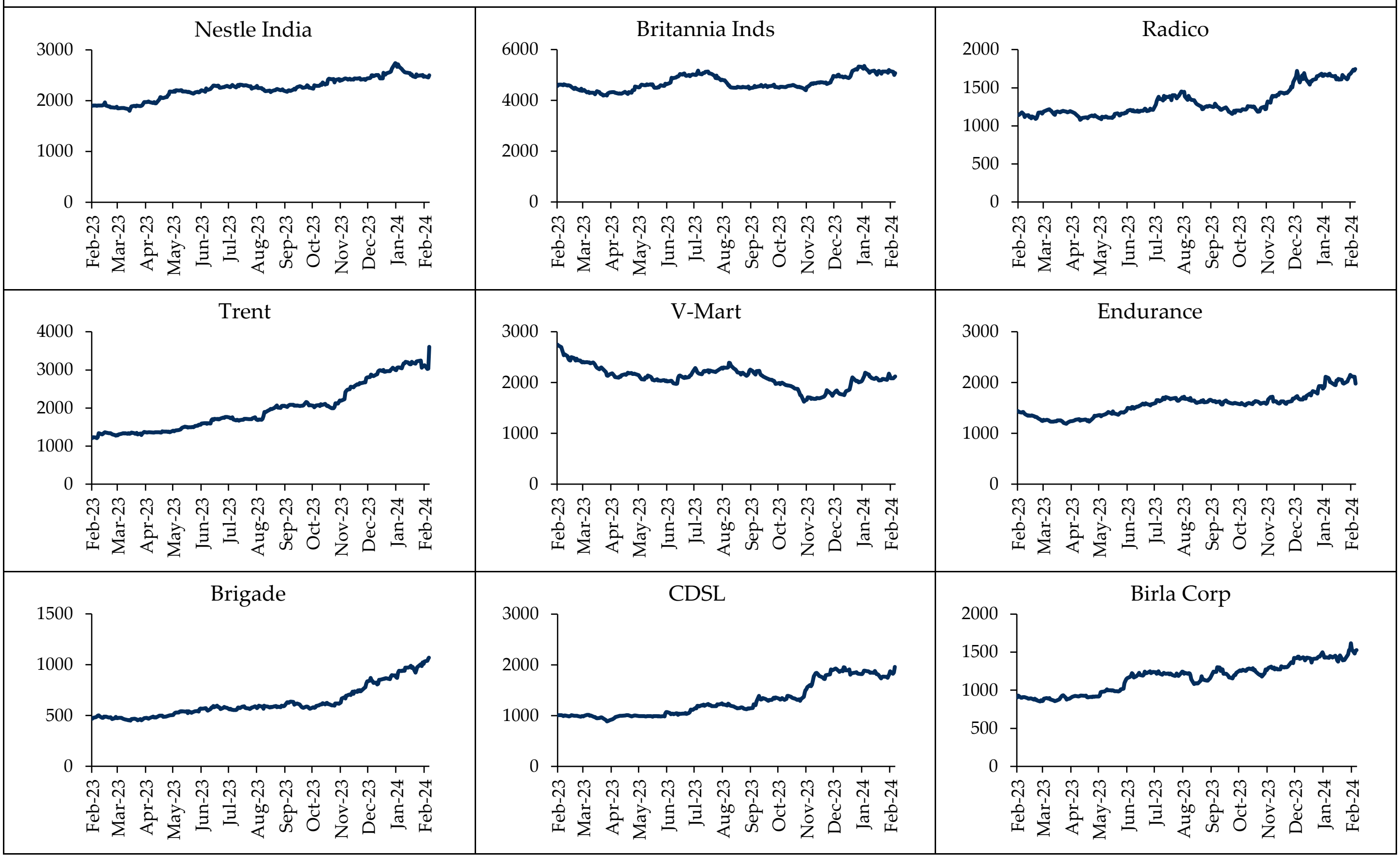
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	Nestle India, Britannia Industries, Radico Khaitan	PGDM	NO
Paarth Gala	Nestle India, Britannia Industries, Radico Khaitan	BCom	NO
Riddhi Shah	Nestle India, Britannia Industries, Radico Khaitan	MBA	NO
Jay Gandhi	Trent, V-MART Retail	MBA	NO
Tanuj Pandia	Trent, V-MART Retail	CA	NO
Riddhi Shah	Trent, V-MART Retail	MBA	NO
Maitreyee Vaishampayan	Endurance Technologies	MSC	NO
Parikshit Kandpal	Brigade Enterprises	CFA	NO
Amit Chandra	CDSL	MBA	NO
Rajesh Ravi	Birla Corporation	MBA	NO
Keshav Lahoti	Birla Corporation	CA	NO

1 Yr Price movement



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