INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **ONGC:** We maintain our ADD rating on ONGC with a target price of INR 208, based on oil and gas production growth at 6/9% CAGR over FY24-26E, attractive valuation of 4.7x Mar-25 EPS, a ~10% discount to 5-year average P/E of 5.2x, 0.7x Mar-25 P/Bv with RoE of ~16%, and a dividend yield of ~6%. However, this is offset by limited earnings potential, owing to the levy of a windfall tax on crude oil prices and a decline in the price of domestically produced APM gas. Q2FY24 reported EBITDA at INR 184bn (-2% YoY, -6% QoQ), coming in marginally below our estimate, owing to higher-than-expected statutory levies and other expenses. However, PAT at INR 102bn (-20% YoY, +2% QoQ) came in well below our estimate, impacted by higher depreciation and depletion costs and lower-than-expected other income. Total crude oil and gas production and sales came below estimates.
- **Eicher Motors:** Eicher's Q2 PAT was ahead of estimates due to a better-than-expected margin at RE and steady performance at VECV. The margin beat at RE was driven by sharp gross margin expansion in Q2, which came as a surprise. Competition has significantly heightened in the 250-500cc segment post the recent launches by both Harley Davidson (in partnership with Hero MotoCorp) and Triumph (in partnership with Bajaj Auto) at extremely competitive and similar price points to RE. While their ambitions are likely to be much higher, even if both these peers together can ramp up to 10% of RE volumes over 6-9 months, it would cap RE's future growth potential. Given the competitive aggression, we believe that RE would be forced to reconsider its pricing/brand strategy very quickly, which will in turn drive margin pressure. Even export momentum is now derailed given the geopolitical challenges at least in the near term. While RE's performance has held up so far, we expect the same to be impacted as competitors ramp up their production in the coming quarters. Given a better-than-expected performance in H1, we have raised our earnings estimate by 10%/4% for FY24-25E. Reiterate REDUCE with a revised price target of INR 3,407 (from INR 3,207) as we roll forward to Sep 25 earnings.
- **Trent:** Trent continues its stellar topline growth. Standalone revenue grew 59.4% YoY to INR28.9bn (HSIE: INR26bn). Zudio continues to anchor this exceptional growth. All fashion formats delivered 10% SSSG. The F&G format Star is finding its bearings too (30% YoY; almost entirely SSSG-led) as it continues to improve its value proposition/sales density. Operative leverage-led gains can be seen in margins as EBITDAM expanded 119bps to 15.9% (HSIE: 14%). EBITDA grew 72.3% to INR4.6bn. Note Pre-IND AS EBITM expanded 110bps to 10.8%. We've revised our FY25/26 EBITDA estimates by 9/8% respectively to account for higher growth. Maintain SELL with a SOTP-based TP of INR1,650/sh (includes 37x Sep-25 EV/EBITDA for the standalone business).
- **Berger Paints:** BRGR grew 3.6% YoY to INR27.67bn (in-line). Decorative business clocked muted growth on account of (i) the extended monsoon and festive season and (ii) the impact of a high base. Industrial businesses performed well with double-digit growth. Distribution expansion remains healthy (added 2k retail outlets/1.7k tinting machines in Q2). GM/EBITDAM expanded 582/349bps YoY to 41.1/17.1% (HSIE: 39.8/17.5%), courtesy (1) moderating RM prices, (2) a decrease in the salience of the enamel products

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(lower GM) in the overall mix, and (3) demand traction towards new products. We marginally cut our FY25/26 EPS estimates by 1-2% and maintain our ADD rating with a DCF-based TP of INR575/sh (implying 42x Sep-25 P/E).

- **BSE:** BSE delivered a solid quarter with a significant beat on both the revenue and margins front. The revenue was up 46% QoQ and margins expanded ~1200bps QoQ led by a surge in transaction and clearing revenue. BSE traction in the derivative segment continues and it has gained ~12% market share. The launch of the new BANKEX contract with a Monday expiry is scaling new heights every week and will help in further gain in market share. The go-live of large discount brokers and increase in active UCCs (~1mn vs ~10mn for NSE) is driving volume for BSE. The revenue from the derivative segment was ~INR 50mn and incurred a cost of ~INR 150mn. The impact of higher revenue from the derivative segment will come in Q3 as the price hike is effective November 23. We expect the derivative segment to contribute ~10/30% of BSE's FY24/25E revenue. The rise in clearing revenue is a function of the higher number of trades in the derivatives segment and higher margin collection from members is leading to higher interest income. We expect a revenue/PAT CAGR of ~35/44% over FY23-26E, led by traction in transaction revenue. We increase our EPS estimates by ~6/3% for FY25/26E and assign a SoTP-based TP of INR 2,490, based on 40x core FY26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a core P/E of 36/30x FY25/26E. Maintain BUY.

- **Aditya Birla Fashion and Retail:** ABFRL's Q2FY24 print disappointed on all counts. The bigger concern is the rising debt and elevated inventory & payables (net debt: ~INR43bn; net debt/equity: 1.5x) amid weak demand - a recipe for accidents. Q2 revenue grew 5% YoY to INR32.26bn (HSIE: INR33.14bn). Both Lifestyle brands/Pantaloons' performance remained weak (-5.6/-6.7% respectively) with -12/-15% SSSG respectively. Margins were sub-optimal courtesy (1) lower retail throughput driven by normalizing demand, (2) continued investments in new forays and (3) brand investments. GM/EBITDAM contracted 171/288bps YoY to 53.4/10% resp (HSIE: 55.1/9%). While we largely maintain our FY25/26 EBITDA estimates, we remain uncomfortable with the rising debt. Hence, we downgrade ABFRL to a SELL rating with a DCF-based TP of INR170/sh; implying 19x Sep-25 EV/EBITDA.

- **Bata India:** Revenue declined 1.3% YoY (four-year CAGR: 3.2%; INR8.19bn vs HSIE: INR8.71bn). Bata attributed this to the shift in festive demand to Q3. Q2 SSSG remained in negative single digits. GM/EBIDTAM expanded 307/278bps YoY to 58.1/22.2% (HSIE: 56/23.2%), courtesy the sneakerization/premiumization of the portfolio. While we remain watchful of how Bata treads the growth-margin equation across its volume drivers; we've cut our FY25/26 EPS estimates by 6% each (to account for lower growth) and maintain a REDUCE rating with a DCF-based TP of INR1,450/sh, implying 26/Sep-25 EV/EBITDA/37x Sep-25 P/E.

- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 3,491 is premised on (1) the stickiness of business, as over 50% of the revenue mix comes from MNCs and (2) the ability to pass on fluctuations in raw material costs to its customers. Q2 EBITDA was 3% above our estimate while APAT aligned with our estimate.

- **Lemon Tree:** Lemon Tree Hotels (LTH) recorded the best-ever Q2 in its history as revenue grew 16% YoY in Q2FY24 to INR2.3bn, led by an increased occupancy of 71.7% (+542 bps YoY) despite subdued ARR growth of 7% YoY, leading to strong RevPAR growth of +16% YoY. The increase in occupancy was driven by strong demand, aided by vacations and corporate travel but the key was ARR growth kept deliberately low to attract price-sensitive customers. LTH EBITDA margin declined by 225 bps YoY to 45.5%, led by increased renovations and pre-operative expenses of Aurika, Mumbai. Management guided that the strong growth momentum will continue as it expects a favourable supply-demand mismatch to last for another four years. Also, it guided about no major capex hereon and that its focus is on asset sweating and deleveraging. Aurika Mumbai with 669 rooms (recently opened in October 2023) is expected to drive RevPAR growth. We expect LTH to benefit from ongoing demand tailwind and report strong numbers, going ahead. We resume coverage with a BUY rating with an unchanged FY25 EV/EBITDA multiple of 17x and a TP of INR125/share.

- **Star Cement:** We upgrade Star Cement to BUY from ADD earlier, with a revised TP of INR 190/share (9x its Sep-25E consolidated EBITDA). Star continued to deliver the industry-best margin (INR 1,100/MT) in Q2FY24, despite flattish volumes (+1% YoY, -23% QoQ). Star will be commissioning 3/2mnMT clinker/griding capacities in the northeast region (NER) over the next 4-5 months and 2mn MT SGU in Assam by FY26E, thus maintaining its market leadership in the NER. Healthy demand, focus on cost and expected incentives for new capacities should sustain its industry-best margin performance, in our view.

- **Orient Cement:** We maintain our REDUCE rating on Orient Cement with a revised TP of INR 180/share (7.5x Sep-25E EBITDA). In Q2FY24, Cement delivered strong 15% YoY volume growth. It reported weak NSR, down 3% QoQ, which was almost set off by a 3% lower opex. So, unitary EBITDA declined marginally by INR 20/MT QoQ to INR 607/MT (up INR 345/MT YoY). The 10MW WHRS in Chittapur got operational, which will result in ~INR 50/MT savings. Management aims to commission 2/3mn MT clinker/cement Chittapur brownfield expansion in FY26 (delayed owing to environment clearance). Additionally, an SGU in MP and brownfield clinker expansion at Devapur are in the pipeline to be commissioned in the next three years. We estimate the ongoing major expansion will stretch the leverage ratio net debt/EBITDA from 0.1x in FY24 to 1.6/2.6x in FY25/26E respectively.

- **V-MART Retail:** V-MART reported 8.5% growth YoY (INR 5.49 bn; in-line). Organic business (ex-Unlimited/Limeroad) grew 5% in Q2 (INR4.23bn; in-line). Footfalls density (footfalls/sq. ft) still remains at 66% of pre-pandemic times but is showing signs of revival (up 7% YoY). V-MART just about broke even in Q2 at the EBITDA level (HSIE: -0.5%), led by recalibration of product mix downwards (resulting 12% ASP correction) and extended EoSS-led discounting of high-priced inventory. Limeroad expenses continue to drag margins (although the burn is reducing). We've cut our FY25/26 EBITDA estimates by 16/3% respectively to account for a more gradual recovery in profitability. Consequently, our TP is revised downwards to INR1,850/sh (earlier: INR2,050/sh; implying 23x Sep-25 EV/EBITDA). Maintain REDUCE.

ONGC

Production remains weak

ADD

CMP *(as on 10 Nov 2023)*	INR 196
Target Price	INR 208
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 190	INR 208
	FY24E	FY25E
EPS change	+4.7%	-0.9%

KEY STOCK DATA	
Bloomberg code	ONGC IN
No. of Shares (mn)	12,580
MCap (INR bn) / ($ mn)	2,464/30,135
6m avg traded value (INR mn)	1,833
52 Week high / low	INR 198/133

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.7	17.3	40.1
Relative (%)	10.8	12.6	33.0

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	58.89	58.89
FIs & Local MFs	19.83	19.59
FPIs	8.11	8.38
Public & Others	13.16	13.14
Pledged Shares	0.00	0.00

Source: BSE

We maintain our ADD rating on ONGC with a target price of INR 208, based on oil and gas production growth at 6/9% CAGR over FY24-26E, attractive valuation of 4.7x Mar-25 EPS, a ~10% discount to 5-year average P/E of 5.2x, 0.7x Mar-25 P/Bv with RoE of ~16%, and a dividend yield of ~6%. However, this is offset by limited earnings potential, owing to the levy of a windfall tax on crude oil prices and a decline in the price of domestically produced APM gas. Q2FY24 reported EBITDA at INR 184bn (-2% YoY, -6% QoQ), coming in marginally below our estimate, owing to higher-than-expected statutory levies and other expenses. However, PAT at INR 102bn (-20% YoY, +2% QoQ) came in well below our estimate, impacted by higher depreciation and depletion costs and lower-than-expected other income. Total crude oil and gas production and sales came below estimates.

- **Standalone financial performance:** EBITDA, at INR 184bn, (-2% YoY, -6% QoQ), came marginally below our estimate due to higher-than-expected statutory levies of INR 108bn (+26% YoY, +45% QoQ) and higher other expenses of INR 54bn (+23% YoY, +9% QoQ), partially offset by below estimate employee expenses of INR 6.6bn (+8% YoY, -8% QoQ). However, PAT at INR 102bn (-20% YoY, +2% QoQ) came in well below our estimate, owing to higher depreciation of INR 47bn (+82% YoY, -6% QoQ) and exploratory cost of INR 12bn (-54% YoY, -27% QoQ). Interest cost at INR 10.1bn (+52% YoY, +1% QoQ) was marginally above estimate. Lower-than-expected other income at INR 20.9bn (-41% YoY, +29% QoQ) also impacted earnings.
- **Standalone operational performance**: Q2 net crude oil realisation stood at USD 74/bbl (-25% YoY, -2% QoQ) while windfall tax was at USD 11.9/bbl. Gas realisation stood at USD 6.8/mmbtu (+8% YoY, -3% QoQ). Crude oil production was at 5.3mmt (-2% YoY, -1% QoQ) while gas production was at 5.2bcm (-3% YoY, -0.4% QoQ), coming in below our estimate. Total oil sales volume, including JV, was at 4.7mmt (-2% YoY, -1% QoQ) and gas sales volume was at 4.1bcm (-3% YoY, -1% QoQ), below estimates.
- **Change in estimates**: We revise our FY24/25 consolidated EPS estimates by +4.7/-1% to INR 47/41.6 to factor in Q2 performance, and higher value of investments and also roll forward our target price to Mar-25E EPS, thereby delivering a revised target price of INR 208/sh.
- **We value ONGC's standalone business + OVL at 4.5x Mar-25E EPS at INR 169 and investments at INR 39. The stock is currently trading at 4.7x Mar-25E EPS.**

Standalone financial summary

YE March (INR bn)	Q2 FY24	Q1 FY24	QoQ (%)	Q2 FY23	YoY (%)	FY22*	FY23*	FY24E*	FY25E*	FY26E*
Revenues	352	338	4.0	383	(8.2)	5,318	6,848	6,822	7,207	7,678
EBITDA	184	195	(5.6)	188	(2.4)	858	857	1,153	1,070	1,170
APAT	102	100	2.0	128	(20.3)	512	393	591	524	584
AEPS (INR)	8.1	8.0	2.0	10.2	(20.3)	40.7	31.2	47.0	41.6	46.4
P/E (x)						4.8	6.3	4.2	4.7	4.2
EV/EBITDA (x)						4.3	4.2	2.6	2.7	2.3
RoE (%)						21.3	14.5	19.5	15.3	15.3

Source: Company, HSIE Research | *Consolidated

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Eicher Motors

Competitive pressure to be visible in coming quarters

REDUCE

CMP *(as on 10Nov 2023)*	**INR 3,541**
Target Price	**INR 3,407**
NIFTY	**19,425**

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 3,207	INR 3,407
EPS %	FY24E	FY25E
	10.2%	4.1%

KEY STOCK DATA	
Bloomberg code	EIM IN
No. of Shares (mn)	274
MCap (INR bn) / ($ mn)	969/11,852
6m avg traded value (INR mn)	2,529
52 Week high / low	INR 3,748/2,836

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.7	3.6	(4.3)
Relative (%)	4.9	(1.2)	(11.4)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	49.17	49.16
FIs & Local MFs	10.12	10.58
FPIs	30.27	28.89
Public & Others	10.44	11.37

Source : BSE

Pledged shares as % of total shares

Eicher's Q2 PAT was ahead of estimates due to a better-than-expected margin at RE and steady performance at VECV. The margin beat at RE was driven by sharp gross margin expansion in Q2, which came as a surprise. Competition has significantly heightened in the 250-500cc segment post the recent launches by both Harley Davidson (in partnership with Hero MotoCorp) and Triumph (in partnership with Bajaj Auto) at extremely competitive and similar price points to RE. While their ambitions are likely to be much higher, even if both these peers together can ramp up to 10% of RE volumes over 6-9 months, it would cap RE's future growth potential. Given the competitive aggression, we believe that RE would be forced to reconsider its pricing/brand strategy very quickly, which will in turn drive margin pressure. Even export momentum is now derailed given the geopolitical challenges at least in the near term. While RE's performance has held up so far, we expect the same to be impacted as competitors ramp up their production in the coming quarters. Given a better-than-expected performance in H1, we have raised our earnings estimate by 10%/4% for FY24-25E. Reiterate REDUCE with a revised price target of INR 3,407 (from INR 3,207) as we roll forward to Sep 25 earnings.

- **RE Q2 beats estimates:** Royal Enfield's Q2 PAT at INR 9.3bn was ahead of our estimate of INR 8.3bn due to a better-than-expected margin. While other expenses increased 40bps QoQ on expected lines due to the impact of new launches, a sharp 450bps improvement in gross margins came as a surprise despite the adverse mix and was aided by: (1) 100bps benefit from reduced input costs QoQ and (2) full benefit of price hike taken in Q1.
- **VECV performance ahead of our estimates:** VECV Q2 margin improved by 200bps YoY (flat QoQ) to 7.8%. Overall PAT improved sharply to INR 1.86bn, from INR 810mn YoY, led by strong volume growth and improved margins.
- **Call takeaways:** (1) Festive period sales are up 13-14% YoY and Classic has done better than other models. (2) In the recently concluded EICMA motor show in Italy, RE showcased its new Himalayan on the all-new 452 cc liquid-cooled platform. This engine would have 65% higher power and 25-30% higher torque than its sibling. Management believes that they have developed a world-class product with features that are best in class and will position it very competitively. Hence, they are extremely confident that this product would do very well not only in India but also globally. (3) They recently launched the Bullet 350cc on the J-platform, which has been very well received in the market. (4) Despite the adverse macro conditions globally, RE has maintained its market share in key markets. (5) Management has indicated that retails in key export markets are still doing well and they are careful not to push stock with dealers in these markets. (6) Management indicated that they are not worried about rising competition and if at all, these will help them increase category share.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	40,330	34,534	16.8	39,121	3.1	1,41,759	1,55,509	1,72,075	1,92,951
EBITDA	10,872	8,216	32.3	10,208	6.5	34,436	38,976	39,462	44,059
APAT	10,163	6,569	54.7	9,183	10.7	29,139	33,606	34,720	38,858
Diluted EPS (INR)	37.2	24.0	54.7	33.6	10.7	106.6	122.9	127.0	142.1
P/E (x)						33.2	28.8	27.9	24.9
EV / EBITDA (x)						24.3	21.0	20.3	17.7
RoCE (%)						22.7	22.9	20.8	20.5

Source: Company, HSIE Research

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Trent

Zudio's blitz scale continues

Trent continues its stellar topline growth. Standalone revenue grew 59.4% YoY to INR28.9bn (HSIE: INR26bn). Zudio continues to anchor this exceptional growth. All fashion formats delivered 10% SSSG. The F&G format Star is finding its bearings too (30% YoY; almost entirely SSSG-led) as it continues to improve its value proposition/sales density. Operative leverage-led gains can be seen in margins as EBITDAM expanded 119bps to 15.9% (HSIE: 14%). EBITDA grew 72.3% to INR4.6bn. Note Pre-IND AS EBITM expanded 110bps to 10.8%. We've revised our FY25/26 EBITDA estimates by 9/8% respectively to account for higher growth. Maintain SELL with a SOTP-based TP of INR1,650/sh (includes 37x Sep-25 EV/EBITDA for the standalone business).

- **Q2FY24 highlights**: Standalone revenue grew 59.4% YoY (INR 28.91bn vs HSIE: INR 26.02bn). Fashion brands clocked an LFL growth of 10% YoY in Q2. Zudio's growth continues to be a major driver for exceptional growth. In Q2, Westside/Zudio added 6/27 stores (net), taking their total store count to 227/411 respectively. Emerging categories contributed 19% of standalone revenue. Trent's F&G format Star grew 30% YoY in Q2 (growth was almost entirely SSSG-led). Standalone GM contracted 230bps YoY to 44.7% (HSIE: 45%) as the revenue mix continues to tilt towards Zudio (low GM business). EBITDAM, however, expanded 119bps YoY as scale-led operating leverage benefits continue to play out. EBITDA grew 72.3% YoY to INR4.61bn (HSIE: INR3.59bn). Operating EBIT margin for Q2FY24 was 10.8% (9.7% for Q2FY23). Q2 PBT grew 54% YoY to INR3.75bn (HSIE: INR1.76bn). Note: Other income remains a healthy portion of PBT (H1FY24: Other income comprised 37% PAT) as dividends from Zara and markups of fixed assets sold remain high. APAT grew 55.9% YoY to INR2.89bn (HSIE: INR1.31bn).
- **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 9/8% respectively to account for higher growth. However, its heady valuation (79x Sep-25 EV/EBITDA—consolidated) restrains us from becoming constructive on the stock. Hence, we maintain SELL with a SOTP-based TP of INR 1,650/sh (includes 37x Sep-25 EV/EBITDA for the standalone business).

Quarterly financial summary (standalone)

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23E	FY24E	FY25E	FY26E
Net Revenue	28,907	18,136	59.4	25,364	14.0	38,807	77,152	1,11,399	1,45,372	1,71,242
EBITDA	4,609	2,675	72.3	3,657	26.0	13,463	23,803	33,916	44,374	52,166
APAT	2,897	1,859	55.9	1,483	95.4	4,850	9,133	11,991	13,887	16,036
EPS (Rs)	8.2	5.2	55.9	4.2	95.4	733.7	1,559.4	2,740.8	3,216.3	3,996.2
P/E (x)						278.3	131.9	89.7	76.5	61.5
EV/EBITDA (x)						115.0	65.3	48.4	39.3	31.5
Core RoCE(%)						12.6	17.4	19.7	19.9	22.3

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,11,399	1,04,665	*6.4*	1,45,372	1,33,561	*8.8*	1,71,242	1,57,968	*8.4*
Gross Profit	48,936	46,967	*4.2*	62,747	58,642	*7.0*	74,847	70,307	*6.5*
Gross Profit Margin(%)	43.9	44.9	***(94 bps)***	43.2	43.9	***(74 bps)***	43.7	44.5	***(80 bps)***
EBITDA	15,020	14,520	*3.4*	18,372	16,844	*9.1*	22,681	21,036	*7.8*
EBITDA margin (%)	13.5	13.9	***(39 bps)***	12.6	12.6	***3 bps***	13.2	13.3	***(7 bps)***

Source: Company, HSIE Research

SELL

CMP *(as on 10 Nov 2023)*	**INR 2,489**
Target Price	**INR 1,650**
NIFTY	**19,425**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 1,350	INR 1,650
EBITDA %	FY25E	FY26E
	+9.1	+7.8

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	885/10,821
6m avg traded value (INR mn)	1,252
52 Week high / low	INR 2,509/1,155

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	31.3	72.8	69.2
Relative (%)	32.5	68.0	62.2

SHAREHOLDING PATTERN (%)

	Jun-23	**Sep-23**
Promoters	37.01	37.01
FIs & Local MFs	9.14	8.54
FPIs	25.01	25.64
Public & Others	28.84	28.81
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Berger Paints

Broadly in-line print

BRGR grew 3.6% YoY to INR27.67bn (in-line). Decorative business clocked muted growth on account of (i) the extended monsoon and festive season and (ii) the impact of a high base. Industrial businesses performed well with double-digit growth. Distribution expansion remains healthy (added 2k retail outlets/1.7k tinting machines in Q2). GM/EBITDAM expanded 582/349bps YoY to 41.1/17.1% (HSIE: 39.8/17.5%), courtesy (1) moderating RM prices, (2) a decrease in the salience of the enamel products (lower GM) in the overall mix, and (3) demand traction towards new products. We marginally cut our FY25/26 EPS estimates by 1-2% and maintain our ADD rating with a DCF-based TP of INR575/sh (implying 42x Sep-25 P/E).

- **Q2FY24 highlights**: Consolidated revenue grew 3.6% to INR27.7bn (in-line). Standalone revenue grew 2.8% YoY to INR24.4bn (HSIE: INR24.65bn). Value/volume growth for Q2 stood at 2.8/10.9%. Lower value growth in Q2 was a factor of extended monsoon resulting in lower off-take of exterior/interior premium emulsions and greater traction towards economy segment products. Shift in the festive season also resulted in some demand deferment. Market share in India breached the 20% mark. Growth for decorative business remains muted. Distribution expansion remains healthy (added 2k retail outlets/1.7k tinting machines in Q2). In industrials, both GI and protective clocked double-digit growth, led by the commercial vehicles and two-wheeler industry. The powder coatings business clocked double-digit growth too, aided by an uptick in the fan industry and new customer acquisition. GM expanded 582bps YoY to 41.1% (HSIE: 39.8%), courtesy (1) moderating RM prices, (2) a decrease in the salience of the enamel products (lower GM) in the overall mix, and (3) demand traction towards new products. EBITDAM followed suit and expanded 349bps YoY to 17.1%. Capacity expansion at the Panagarh plant will start in the next six months and is expected to be completed by FY25 (capacity – 3,500 KL/MT per month). The Bhubaneshwar plant will be executed by FY27 and will add up to 30–35K KL/MT upon commissioning.
- **Outlook**: BRGR continues to defend its market share amidst rising competitive intensity. We marginally cut our FY25/26 EPS estimates by 1-2% and maintain our ADD rating with a DCF-based TP of INR575/sh (implying 42x Sep-25 P/E).

Quarterly financial summary

(Rs mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	27,673	26,709	*3.6*	30,295	*(8.7)*	87,618	1,05,678	1,16,354	1,30,399	1,48,617
EBITDA	4,737	3,640	*30.1*	5,568	*(14.9)*	13,311	14,872	20,451	22,984	26,300
APAT	2,921	2,195	*33.1*	3,549	*(17.7)*	8,330	8,604	12,719	14,708	17,288
EPS (Rs)	2.5	2.3	*10.9*	3.7	*(31.4)*	8.6	8.9	10.9	12.6	14.8
P/E (x)						66.2	64.1	52.1	45.0	38.3
EV/EBITDA (x)						41.7	37.5	32.3	28.3	24.4
Core RoCE(%)						19.4	17.6	22.2	24.1	26.2

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,16,354	1,17,999	*(1.4)*	1,30,399	1,33,938	*(2.6)*	1,48,617	1,52,616	*(2.6)*
EBITDA	20,451	20,740	*(1.4)*	22,984	23,474	*(2.1)*	26,300	26,855	*(2.1)*
EBITDA margin (%)	17.6	17.6	*0 bps*	17.6	17.5	*10 bps*	17.7	17.6	*10 bps*
APAT	12,719	12,857	*(1.1)*	14,708	14,933	*(1.5)*	17,288	17,726	*(2.5)*
APAT margin (%)	10.9	10.9	*4 bps*	11.3	11.1	*13 bps*	11.6	11.6	*2 bps*
EPS (Rs)	10.9	11.0	*(1.1)*	12.6	12.8	*(1.5)*	14.8	15.2	*(2.5)*

Source: Company, HSIE Research

ADD

CMP *(as on 10 Nov 2023)*	INR 578
Target Price	INR 575
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 575	INR 575
EPS %	FY25E	FY26E
	-1.5	-2.5

KEY STOCK DATA	
Bloomberg code	BRGR IN
No. of Shares (mn)	1,166
MCap (INR bn) / ($ mn)	674/8,244
6m avg traded value (INR mn)	676
52 Week high / low	INR 680/439

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.1	10.5	19.0
Relative (%)	1.3	5.7	11.9

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	75.00	74.99
FIs & Local MFs	1.00	0.91
FPIs	10.64	10.89
Public & Others	13.36	13.21
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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BSE

Solid performance; future bright

BSE delivered a solid quarter with a significant beat on both the revenue and margins front. The revenue was up 46% QoQ and margins expanded ~1200bps QoQ led by a surge in transaction and clearing revenue. BSE traction in the derivative segment continues and it has gained ~12% market share. The launch of the new BANKEX contract with a Monday expiry is scaling new heights every week and will help in further gain in market share. The go-live of large discount brokers and increase in active UCCs (~1mn vs ~10mn for NSE) is driving volume for BSE. The revenue from the derivative segment was ~INR 50mn and incurred a cost of ~INR 150mn. The impact of higher revenue from the derivative segment will come in Q3 as the price hike is effective November 23. We expect the derivative segment to contribute ~10/30% of BSE's FY24/25E revenue. The rise in clearing revenue is a function of the higher number of trades in the derivatives segment and higher margin collection from members is leading to higher interest income. We expect a revenue/PAT CAGR of ~35/44% over FY23-26E, led by traction in transaction revenue. We increase our EPS estimates by ~6/3% for FY25/26E and assign a SoTP-based TP of INR 2,490, based on 40x core FY26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a core P/E of 36/30x FY25/26E. Maintain BUY.

- **Q2FY24 highlights**: Revenue increased by 59/46% YoY/QoQ to INR 3.15bn vs. our estimate of INR 2.57bn. Transaction revenue grew 49/54% YoY/QoQ with growth in both normal and special rates, derivatives contributed revenue of INR 50mn in the quarter. StAR MF revenue grew 56/24% YoY/QoQ to INR 0.29bn, led by an increase in the number of orders (96.7mn, +17% QoQ), as ~50% of all mutual fund transactions go through the StAR MF platform. The clearing revenue was up 2.6x to INR 573mn led by a higher number of trades in the derivatives segment (~1.29bn contracts in Q2 vs ~33mn in Q1). The EBITDA margin expanded by 1,211bps to 45.5% (vs estimate of 41%) as the employee/tech cost increased only 6/2% QoQ vs 46% increase in revenue. The other cost increased by 42% QoQ due to the clearing cost of derivatives. BSE completed the buyback in the quarter but could only buy back ~2% of the proposed number of shares. Net cash is at INR 21bn (~8% of market cap).
- **Outlook:** We expect revenue growth of 45/42/21% and EBITDA margins of 43.5/51.3/53.6% in FY24/25/26E respectively. We estimate derivatives revenues of INR 5.35/7.59bn in FY25/26E. Core profits after taxes for FY24/25/26E stand at INR 3.41/5.59/7.13bn.

Quarterly Financial Summary

YE March (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,145	1,977	*59.1*	2,156	*45.9*	7,432	8,155	11,789	16,652	20,204
EBITDA	1,430	591	*142.0*	719	*98.8*	2,772	2,887	5,124	8,538	10,838
APAT	1,218	795	*53.3*	739	*64.7*	3,184	3,120	4,768	7,509	9,227
EPS (INR)	9.0	5.9	*53.3*	5.5	*64.7*	23.5	23.0	35.2	55.5	68.2
P/E (x)						85.4	87.3	57.1	36.2	29.5
EV / EBITDA (x)						91.7	88.0	48.9	29.3	23.0
RoE (%)						12.3	11.6	16.3	23.2	26.1

Source: Company, HSIE Research

Change in estimates

YE March	FY24E	FY24E	Change	FY25E	FY25E	Change	FY26E	FY26E	Change
Revenue	11,629	11,789	*1.4*	16,131	16,652	*3.2*	19,944	20,204	*1.3*
EBITDA	5,036	5,124	*1.7*	8,104	8,538	*5.4*	10,590	10,838	*2.3*
EBITDA % (%)	43.3	43.5	16bps	50.2	51.3	103bps	53.1	53.6	54bps
APAT	4,605	4,768	*3.5*	7,099	7,509	*5.8*	8,948	9,227	*3.1*
EPS (INR)	34.0	35.2	*3.5*	52.4	55.5	*5.8*	66.1	68.2	*3.1*

Source: Company, HSIE Research

ADD

CMP *(as on 10 Nov 2023)*	INR 2,011
Target Price	INR 2,490
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,400	INR 2,490
EPS %	FY25E	FY26E
	+5.8	+3.1

KEY STOCK DATA	
Bloomberg code	BSE IN
No. of Shares (mn)	135
MCap (INR bn) / ($ mn)	272/3,331
6m avg traded value (INR mn)	2,332
52 Week high / low	INR 2,084/406

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	125.3	280.2	248.5
Relative (%)	126.5	275.4	241.4

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	0.00	0.00
FIs & Local MFs	0.54	4.80
FPIs	8.77	7.90
Public & Others	90.68	87.30
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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Aditya Birla Fashion and Retail

Q2 print underwhelming; rising debt a concern

ABFRL's Q2FY24 print disappointed on all counts. The bigger concern is the rising debt and elevated inventory & payables (net debt: ~INR43bn; net debt/equity: 1.5x) amid weak demand - a recipe for accidents. Q2 revenue grew 5% YoY to INR32.26bn (HSIE: INR33.14bn). Both Lifestyle brands/Pantaloons' performance remained weak (-5.6/-6.7% respectively) with -12/-15% SSSG respectively. Margins were sub-optimal courtesy (1) lower retail throughput driven by normalizing demand, (2) continued investments in new forays and (3) brand investments. GM/EBITDAM contracted 171/288bps YoY to 53.4/10% resp (HSIE: 55.1/9%). While we largely maintain our FY25/26 EBITDA estimates, we remain uncomfortable with the rising debt. Hence, we downgrade ABFRL to a SELL rating with a DCF-based TP of INR170/sh; implying 19x Sep-25 EV/EBITDA.

- **Q2FY24 highlights**: Revenue grew by 4.9% YoY to INR32.26bn HSIE: INR33.14bn). Lifestyle brands/Pantaloons declined 5.6/6.7% resp in Q2 to INR15.86/10.21bn (HSIE: 16.88/10.78bn resp). with -12/-15% SSSG respectively. GM/EBITDAM contracted 171/288bps YoY to 53.4/10% resp (HSIE: 55/9%). Margin contraction was a consequence of (1) lower retail throughput driven by a shift in festive & wedding demand, and (2) continued investments in new forays (esp. TMRW). On segmental margins, Lifestyle Brands/Pantaloons/ethnic wear margins clocked 21.4/10.1/-24.9% EBITDAM (vs HSIE:17/12/-23.6%) resp. Consolidated EBITDA declined 18.5% YoY to INR3.23bn (HSIE: 3bn). ABFRL added 17/5 (net) Lifestyle brands/Pantaloons stores in Q2 (total store count: 2,660/439 stores). Net losses for Q2 stood at –INR 2bn (HSIE: -INR1.46 bn). Inventory days remain elevated at 140 and the reliance on creditors remains high too at 128 days. Net WC stood at 60 days. Net debt stood at INR42.67bn.
- **Outlook**: ABFRL's aggressive expansion strategy (inorganic), the rising debt, and elevated inventory requirements make its balance sheet extremely prone to the vagaries of consumer demand—a slight misstep can lead to (1) inventory liquidation-led margin loss or (2) derailed growth. While we largely maintain our FY25/26 EBITDA estimates, we remain uncomfortable with the rising debt. Hence, we downgrade ABFRL to a SELL rating with a DCF-based TP of INR170/sh; implying 19x Sep-25 EV/EBITDA.

Quarterly financial summary

(Rs mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	32,264	30,746	5	31,961	1	81,362	1,24,179	1,40,919	1,60,512	1,81,985
Adj EBITDA	3,233	3,967	(18)	2,923	11	10,999	14,936	14,199	19,266	23,668
APAT	(2,003)	294	(781)	(1,616)	24	(1,184)	(595)	(5,079)	2,559	4,911
EPS (Rs)	(2.11)	0.31	(781)	(1.70)	24	(1.3)	(0.6)	(5.0)	2.5	4.8
P/E (x)						(168.5)	(310.1)	(43.6)	85.0	33.9
EV/EBITDA (x)						81.5	44.2	52.9	29.5	20.0
Core RoCE(%)						1.3	2.3	(1.1)	8.3	11.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,40,919	1,39,795	0.8	1,60,512	1,58,862	1.0	1,81,985	1,79,575	1.3
Gross Profit	76,928	77,014	(0.1)	87,303	87,200	0.1	98,801	98,390	0.4
Gross Profit Margin (%)	54.6	55.1	**(50 bps)**	54.4	54.9	**(50 bps)**	54.3	54.8	**(50 bps)**
EBITDA	14,199	14,583	(2.6)	19,266	19,400	(0.7)	23,668	23,594	0.3
EBITDA margin (%)	10.1	10.4	**(36 bps)**	12.0	12.2	**(21 bps)**	13.0	13.1	**(13 bps)**

Source: Company, HSIE Research

SELL

CMP *(as on 10 Nov 2023)*	**INR 217**
Target Price	**INR 170**
NIFTY	**19,425**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	SELL
Price Target	INR 190	INR 170
	FY25E	FY26E
EBITDA %	-0.7	+0.3

KEY STOCK DATA	
Bloomberg code	ABFRL IN
No. of Shares (mn)	949
MCap (INR bn) / ($ mn)	205/2,514
6m avg traded value (INR mn)	792
52 Week high / low	INR 323/184

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	1.5	8.9	(31.0)
Relative (%)	2.7	4.1	(38.0)

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	51.87	55.73
FIs & Local MFs	12.07	11.49
FPIs	19.95	13.83
Public & Others	16.11	18.95
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Bata India

Continues to be a laggard

Revenue declined 1.3% YoY (four-year CAGR: 3.2%; INR8.19bn vs HSIE: INR8.71bn). Bata attributed this to the shift in festive demand to Q3. Q2 SSSG remained in negative single digits. GM/EBIDTAM expanded 307/278bps YoY to 58.1/22.2% (HSIE: 56/23.2%), courtesy the sneakerization/premiumization of the portfolio. While we remain watchful of how Bata treads the growth-margin equation across its volume drivers; we've cut our FY25/26 EPS estimates by 6% each (to account for lower growth) and maintain a REDUCE rating with a DCF-based TP of INR1,450/sh, implying 26/Sep-25 EV/EBITDA/37x Sep-25 P/E.

- **Q2FY24 highlights**: Revenue declined 1.3% YoY to INR8.19bn (HSIE: INR8.71bn) led by a shift in the festive demand to Q3. Q2 SSSG remained in negative single digits. Online sales continued to grow in double digits. Bata added 28 franchisee stores (net) in Q2 (franchisee/total store count: 476/2150). Digital sales contribution from Bata.in/B2C/B2B stood at 7/27/66% in Q2. GM/EBIDTAM expanded 307/278bps YoY to 58.1/22.2% (HSIE: 56/23.2%), courtesy the sneakerization/premiumization of the portfolio. Reported EBITDA/APAT grew 12.9/36.6% YoY in Q2 to INR1.82/0.75bn (HSIE: INR2.02/0.76bn). Significant store refreshment done in last 18 months and it is expected to continue for next 1-2 quarters. Management is planning to make Bata India the sourcing hub for the entire company. Merchandising software is in place and is expected to drive inventory optimization for the company.
- **Outlook**: Treading the growth-margin equation while pivoting to different growth channels (wholesale, franchise) and realigning assortment isn't a walk in the park. Execution so far has been weak as expected. We've cut our FY25/26 EBITDA estimates by 6% each and maintain our REDUCE rating on Bata with a revised DCF-based TP of INR1,450/sh, implying 37x Sep-25 P/E.

Quarterly financial summary

(Rs mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	8,191	8,298	(1.3)	9,581	(14.5)	23,877	34,516	36,878	42,169	47,656
EBITDA	1,817	1,609	12.9	2,395	(24.2)	1,318	4,822	5,590	6,334	7,501
APAT	340	548	(38.0)	1,069	(68.2)	1,030	3,230	4,488	4,463	5,458
EPS (Rs)	2.6	4.3	(38.0)	8.32	(68.2)	8.0	25.1	34.9	34.7	42.5
P/E (x)						200.8	64.0	46.1	46.3	37.9
EV/EBITDA (x)						149.5	41.8	35.7	31.2	26.0
Core RoCE(%)						5.7	29.8	31.2	32.8	37.2

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	36,878	38,339	*(3.8)*	42,169	43,812	*(3.7)*	47,656	49,476	*(3.7)*
Pre-IND AS EBITDA	5,590	5,679	*(1.6)*	6,334	6,760	*(6.3)*	7,501	8,051	*(6.8)*
Pre-IND AS EBITDA margin (%)	15.2	14.8	***34 bps***	15.0	15.4	***(41 bps)***	15.7	16.3	***(53 bps)***
EBITDA	8,840	8,886	*(0.5)*	9,588	9,965	*(3.8)*	10,781	11,277	*(4.4)*
EBITDA margin (%)	24.0	23.2	***79 bps***	22.7	22.7	***(1 bps)***	22.6	22.8	***(17 bps)***
APAT	3,670	3,700	*(0.8)*	4,463	4,731	*(5.7)*	5,458	5,820	*(6.2)*
APAT margin (%)	10.0	9.7	***30 bps***	10.6	10.8	***(21 bps)***	11.5	11.8	***(31 bps)***
Post IND-AS 116 EPS	28.6	28.8	*(0.8)*	34.7	36.8	*(5.7)*	42.5	45.3	*(6.2)*

Source: Company, HSIE Research, Standalone Financials

REDUCE

CMP*(as on 10 Nov 2023)*	**INR 1,563**
Target Price	**INR 1,450**
NIFTY	**19,425**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	REDUCE
Price Target	INR 1,500	INR 1,450
EBITDA %	FY25E	FY26E
	-5.7	-6.2

KEY STOCK DATA	
Bloomberg code	BATA IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	201/2,456
6m avg traded value (INR mn)	477
52 Week high / low	INR 1,811/1,381

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(5.1)	4.3	(12.2)
Relative (%)	(3.9)	(0.4)	(19.3)

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	50.16	50.16
FIs & Local MFs	19.57	19.89
FPIs	6.63	7.51
Public & Others	23.64	22.44
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Galaxy Surfactants

Demand revival across all markets

Our BUY recommendation on GALSURF with a price target of INR 3,491 is premised on (1) the stickiness of business, as over 50% of the revenue mix comes from MNCs and (2) the ability to pass on fluctuations in raw material costs to its customers. Q2 EBITDA was 3% above our estimate while APAT aligned with our estimate.

- **Q2 revenue** declined by 20% YoY while up 4.4% QoQ to INR 9.8bn. Sales volume was up 9.8/9.6% YoY/QoQ to ~65kt led by 24/15% YoY/QoQ growth in the specialty care segment. AMET and Rest of World (ROW) markets have shown single-digit volume growth in Q2FY24 compared to Q2FY23. Realisation per kg 28% YoY and 6% QoQ to INR150/kg.
- **Q2 margins**: Sales mix skewed towards performance surfactants and lower-value specialty care products. This has resulted in a decrease in per kg gross profit and EBITDA. Gross profit per kg declined to INR47/ton from INR56/ton and 52.8/ton in Q2FY23 and Q1FY24 respectively. EBITDAM per kg for the quarter was INR 19.1/ton compared to INR 22.2/20.7/ton in Q2FY23/Q1FY24.
- **Q2 customer mix**: Sales mix shifted towards tier 2 and tier 3 in Q2 compared to Q2FY23 this has resulted in an improvement in EBITDA margin by 201bps.
- **Result highlights:** (1) India market has shown double-digit volume growth YoY, led by specialty care segment volume growth. However, revenue from the Indian market decreased by 27% YoY to INR4.1bn. Also, revenue from regional players (tier 2) declined by 26% YoY while revenue from local and niche players has jumped up 15% YoY. This implies that (i) the demand for lower-value specialty care products has increased in the domestic market and (ii) there is good demand from local and niche players in India for specialty care products of lower realisation. (2) Specialty care volume jumped up by 15/27% YoY/QoQ to ~23.5kt, largely due to recovery in the North American market and an increase in demand in the domestic market. (3) Performance surfactant volume grew by 7/3% YoY/QoQ to ~41.6kt owing to the softening of raw material prices, freight cost and recovery in developing markets. (4) Revenue from ROW grew 21/10% YoY/QoQ to INR3.3bn while AMET region de-grew 40% YoY (but grew 3% QoQ) to INR2.3bn. (5) Inventory destocking continues in North America, but signs of improvement are visible in masstige specialties. (6) Revenue from MNC and local and niche players improved 7/3% sequentially to INR 5.3/3.3bn while revenue from regional players decreased by 13% QoQ to INR1.1bn.
- **DCF-based valuation: Our price target is INR 3,491 (WACC 10%, terminal growth 4%). The stock is trading at 28x FY25E EPS.**

Financial summary (consolidated)

INR mn	Q2FY24	Q1FY24	QoQ(%)	Q2FY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9,831	9,418	4.4	12,316	(20.2)	36,857	44,452	39,317	43,180	48,204
EBITDA	1,249	1,232	1.4	1,317	(5.2)	4,007	5,683	4,884	5,742	6,847
APAT	774	752	3.0	839	(7.7)	2,628	3,810	3,076	3,750	4,586
AEPS (INR)	21.8	21.2	3.0	23.7	(7.7)	74.1	107.5	86.8	105.8	129.4
P/E (x)						39.6	27.3	33.8	27.7	22.7
EV/EBITDA(x)						25.2	18.3	21.9	19.0	16.3
RoE (%)						18.3	22.0	15.3	16.5	17.6

Source: Company, HSIE Research

BUY

CMP *(as on 10 Nov 2023)*	INR 2,953
Target Price	INR 3,491
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,491	INR 3,491
EPS % chg	FY24E	FY25E
	0.0%	0.0%

KEY STOCK DATA	
Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / ($ mn)	105/1,280
6m avg traded value (INR mn)	63
52 Week high / low	INR 3,010/2,218

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.5	17.8	4.5
Relative (%)	10.7	13.1	(2.6)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	70.93	70.90
FIs & Local MFs	12.65	12.57
FPIs	2.98	3.07
Public & Others	13.44	13.46
Pledged Shares	0.00	0.00

Source: BSE

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Lemon Tree

Strong performance in a seasonally-weak quarter

Lemon Tree Hotels (LTH) recorded the best-ever Q2 in its history as revenue grew 16% YoY in Q2FY24 to INR2.3bn, led by an increased occupancy of 71.7% (+542 bps YoY) despite subdued ARR growth of 7% YoY, leading to strong RevPAR growth of +16% YoY. The increase in occupancy was driven by strong demand, aided by vacations and corporate travel but the key was ARR growth kept deliberately low to attract price-sensitive customers. LTH EBITDA margin declined by 225 bps YoY to 45.5%, led by increased renovations and pre-operative expenses of Aurika, Mumbai. Management guided that the strong growth momentum will continue as it expects a favourable supply-demand mismatch to last for another four years. Also, it guided about no major capex hereon and that its focus is on asset sweating and deleveraging. Aurika Mumbai with 669 rooms (recently opened in October 2023) is expected to drive RevPAR growth. We expect LTH to benefit from ongoing demand tailwind and report strong numbers, going ahead. We resume coverage with a BUY rating with an unchanged FY25 EV/EBITDA multiple of 17x and a TP of INR125/share.

- **Q2FY24 consolidated highlights:** Revenue grew 16% YoY to INR2.3bn and 2%QoQ, 2% below consensus. EBITDA increased by a healthy 11% YoY but declined 2% QoQ to INR 1.05bn. As a strategic move, the company grew its ARR at a muted 7% YoY (industry: 16%YoY) to INR5,268 which resulted in an improved occupancy of 71.7% in Q2FY24 (+542 bps YoY, industry: -10 bps YoY). This helped RevPAR to rise to INR 3,775 (+16% YoY), similar to the industry. EBITDA margin declined to 45.5% in Q2FY24 (-225 bps YoY, -203 bps QoQ) owing to increased renovation expenses and pre-operative expenses of Aurika Mumbai. Also, the closing down of New Delhi during the G-20 summit impacted it as most of the event business was diverted to 5-star Deluxe hotels. Adj PAT for the quarter came in at INR264mn (+36% YoY).
- **Brand-wise performance in Q2FY24**: Aurika's ARR declined 3% YoY to INR11,487 but was compensated by an improved occupancy rate of 49% (+918 bps) to achieve a RevPAR growth of 19% YoY. Lemon Tree Premier printed improved occupancy to 80% (+326 bps YoY) with an average ARR of INR6,334 (+8% YoY), leaving minimal room for occupancy growth. Lemon Tree Hotel's ARR grew to INR5,178 (+7% YoY) at an occupancy of 74% (+885 bps YoY). Lemon Tree Shimla with 69 rooms is expected to open soon. Red Fox and Keys had an average ARR of INR4,059 (+10%YoY) and INR3,524 (+5% YoY) at occupancy rates of 69% (+152 bps YoY) and 59% (+637bps YoY) respectively.
- **Outlook:** LTH has a strong expansion plan to build a portfolio of 12,529 rooms in 142 hotels by FY27 from the current operational portfolio of 8,760 rooms across 95 hotels (owned & leased: 5,090 rooms in 40 hotels). Strong ARR and likely improvement in occupancy will support a healthy EBITDA margin. The demand outlook is positive, given the strong push in tourism and the upcoming wedding and festive season. We resume coverage with a BUY rating with an unchanged FY25 EV/EBITDA multiple of 17x and a TP of INR125/share.

Financial Summary

(INR mn, Mar YE)	2Q FY24	2Q FY23	*YoY (%)*	1Q FY24	*QoQ (%)*	FY22	FY23E	FY24E	FY25E
Net Revenues	2,272	1,967	*16%*	2,223	*2%*	4,023	8,750	10,937	13,921
EBITDA	1,048	943	*11%*	1,068	*-2%*	1,479	4,476	5,386	7,256
APAT	264	194	*36%*	275	*-4%*	-1,374	1,146	1,822	2,923
Diluted Consol EPS (INR)	0.3	0.2	*36%*	0.3	*-4%*	-1.73	1.45	2.3	3.7
P/E (x)						NA	78.2	49.2	30.7
EV/EBITDA						77.1	25.5	21.2	15.7
RoE (%)						-15%	13.6%	18.7%	24.2%

Source: Company, HSIE Research

BUY

CMP *(as on 10 Nov 2023)*	**INR 113**
Target Price	**INR 125**
NIFTY	**19,425**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR108	INR125
EPS Change %	FY23E	FY24E
	-24%	*-12%*

KEY STOCK DATA	
Bloomberg code	LEMONTRE IN
No. of Shares (mn)	792
MCap (INR bn) / ($ mn)	90/1,096
6m avg traded value (INR mn)	718
52 Week high / low	INR 127/70

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	18.2	24.4	27.2
Relative (%)	19.4	19.6	20.1

SHAREHOLDING PATTERN (%)

	Jun-23	**Sep-23**
Promoters	23.6	23.3
FIs & Local MFs	10.4	13.4
FPIs	25.5	24.8
Public & Others	40.5	38.5
Pledged Shares	-	-

Source : BSE

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Star Cement

Industry-best margin performance to continue

We upgrade Star Cement to BUY from ADD earlier, with a revised TP of INR 190/share (9x its Sep-25E consolidated EBITDA). Star continued to deliver the industry-best margin (INR 1,100/MT) in Q2FY24, despite flattish volumes (+1% YoY, -23% QoQ). Star will be commissioning 3/2mnMT clinker/griding capacities in the northeast region (NER) over the next 4-5 months and 2mn MT SGU in Assam by FY26E, thus maintaining its market leadership in the NER. Healthy demand, focus on cost and expected incentives for new capacities should sustain its industry-best margin performance, in our view.

- **Q2FY24 performance:** Volume declined 23% QoQ (+1% YoY) to 0.9mn MT. Q2 volumes (and growth) were adversely impacted due to delayed rains in the NER and as demand slowed down in Bihar/West Bengal. Sales in the NER rose 3% YoY while sales outside NER fell 7% YoY. NSR stood flat QoQ (down 2% YoY expiration of GST incentives). Fuel cost reduced by INR 0.5/mnCal QoQ to INR 1.9/mnCal (~INR 250/MT savings). WHRS-led savings increased to INR 100mn vs INR 90mn QoQ (incremental savings of INR 35/MT QoQ). Increased share of own fleet usage QoQ led to INR 75/MT reduction in freight cost. However, higher employee costs, op-lev loss and pile-up of annual maintenance shutdown in Q2 (INR 150mn) negated the gains. Thus, opex remained flat QoQ. Unit EBITDA remained flattish QoQ at INR 1,100/MT (industry-best for the sixth consecutive quarter).
- **Con-call KTAs and outlook**: It expects demand to accelerate post the festivals and ahead of the upcoming general elections. The greenfield 2mn MT SGU in Guwahati and the brownfield 3mn MT clinker expansion in Meghalaya will become operational on Dec-23 and Feb-24 respectively. It has slowed its 2mn MT Silchar SGU project (now expected in FY26 vs H2FY25 earlier). Additionally, in FY25, Star will commission an AAC block plant in Guwahati and a 25MW solar power plant. It guided Capex of INR 11/6bn in FY24/25E towards these expansions. It expects to accrue major incentives from the Guwahati SGU FY25E onwards. Star also expects incentives from clinker plant expansions and is awaiting clarity on the same. Star is also in the process of buying BTAP wagons for fly-ash sourcing at Siliguri, aiding cost savings from FY25 onwards. We have marginally calibrated our estimates, leading to a 4% reduction in FY24E EBITDA and a 1% each rise in FY25/26E estimates.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	0.90	0.89	*0.6*	1.16	*(23.0)*	3.4	4.01	4.54	5.90	6.93
NSR (INR/MT)	6,532	6,669	*(2.1)*	6,533	*(0.0)*	6,527	6,739	6,604	6,571	6,571
EBITDA (INR/MT)	1,100	782	*40.7*	1,111	*(1.0)*	1,014	1,167	1,195	1,358	1,392
Net Sales	5,853	5,942	*(1.5)*	7,605	*(23.0)*	22,218	27,048	29,953	38,745	45,525
EBITDA	986	697	*41.5*	1,293	*(23.8)*	3,453	4,684	5,418	8,009	9,642
APAT	407	311	*30.9*	933	*(56.4)*	2,468	2,476	2,794	3,690	4,529
AEPS (INR)	1.0	0.8	*25.9*	2.2	*(56.5)*	6.1	6.1	6.9	9.1	11.2
EV/EBITDA (x)						16.3	12.1	12.3	8.4	7.0
EV/MT (INR bn)						9.9	10.0	8.7	8.7	7.0
P/E (x)						26.2	26.1	23.1	17.5	14.3
RoE (%)						*11.6*	10.8	*11.0*	*13.0*	*14.2*

Source: Company, HSIE Research

BUY

CMP *(as on 10 Nov 2023)*	INR 160
Target Price	INR 190
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 180	INR 190
EBITDA revision %	FY24E *(4.4)*	FY25E *1.0*

KEY STOCK DATA	
Bloomberg code	STRCEM IN
No. of Shares (mn)	404
MCap (INR bn) / ($ mn)	64/785
6m avg traded value (INR mn)	135
52 Week high / low	INR 182/93

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.0)	26.0	53.7
Relative (%)	(0.8)	21.2	46.7

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	66.76	66.55
FIs & Local MFs	6.23	6.08
FPIs	0.69	0.77
Public & Others	26.33	26.59
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Orient Cement

Strong volume; expansion delayed

We maintain our REDUCE rating on Orient Cement with a revised TP of INR 180/share (7.5x Sep-25E EBITDA). In Q2FY24, Cement delivered strong 15% YoY volume growth. It reported weak NSR, down 3% QoQ, which was almost set off by a 3% lower opex. So, unitary EBITDA declined marginally by INR 20/MT QoQ to INR 607/MT (up INR 345/MT YoY). The 10MW WHRS in Chittapur got operational, which will result in ~INR 50/MT savings. Management aims to commission 2/3mn MT clinker/cement Chittapur brownfield expansion in FY26 (delayed owing to environment clearance). Additionally, an SGU in MP and brownfield clinker expansion at Devapur are in the pipeline to be commissioned in the next three years. We estimate the ongoing major expansion will stretch the leverage ratio net debt/EBITDA from 0.1x in FY24 to 1.6/2.6x in FY25/26E respectively.

- **Q2FY24:** Orient Cement delivered a strong 15% YoY volume growth (down 10% QoQ). Sales utilisation stood at 67% vs 58/75% YoY/QoQ. Heavy rains during July and September impacted volumes, while August was a strong month. It reported a weak NSR, down 3% QoQ. Which was almost set off by a 3% lower opex. Input/freight cost declined by INR 130/25 per MT QoQ, but fixed cost rose by INR 35/MT (op-lev loss). So, unitary EBITDA declined marginally by INR 20/MT QoQ to INR 607/MT (up INR 345/MT YoY).
- **Con-call KTAs and outlook:** Management expects ~10-12% volume growth in FY24, (our estimate: 10%). For Orient's 10MW WHRS, the maximum benefit will be visible in Q3FY24 (~80% benefit) and the entire benefit will accrue in Q4FY24 (~INR 50/MT saving). It is also adding a 21.5MW renewable power capacity through an SPV. The rising share of renewable power should drive up margins. Management aims to commission 2/3mn MT clinker/cement Chittapur expansion costing INR 16bn by FY26 (delayed owing to environment clearance). Additionally, an SGU in MP and a brownfield clinker expansion at Devapur are in the pipeline to be commissioned in the next three years (INR 20bn capex). As its expansion plans are delayed owing to pending government clearances, we have cut its FY24E capex but raised the FY25/26E capex. Factoring good Q2FY24 results, we have raised FY25/26E EBITDA estimates by 6/9% respectively (FY24E EBITDA is maintained). Factoring in these major expansion plans, we estimate its net debt/EBITDA will rise from 0.1x in FY24 to 1.6/2.6x in FY25/26E respectively.

Quarterly/annual financial summary

YE Mar (INR bn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	1.43	1.24	*15.3*	1.59	*(10.3)*	5.48	5.76	6.34	6.84	7.66
NSR (INR/MT)	5,057	4,978	*1.6*	5,193	*(2.6)*	4,973	5,100	5,151	5,202	5,254
Opex (INR/MT)	4,449	4,715	*(5.6)*	4,569	*(2.6)*	3,895	4,467	4,376	4,381	4,416
EBITDA(INR/MT)	607	263	*130.6*	624	*(2.7)*	1,079	633	775	822	839
Net Sales	7.21	6.15	*17.1*	8.25	*(12.7)*	27.25	29.38	32.64	35.60	40.27
EBITDA	0.87	0.33	*165.8*	0.99	*(12.8)*	5.91	3.65	4.91	5.62	6.43
APAT	0.25	-0.09		0.37	*(33.5)*	2.63	1.23	2.01	2.60	2.66
AEPS (INR)	1.2	-0.5		1.8	*(33.5)*	12.8	6.0	9.8	12.7	13.0
EV/EBITDA (x)						7.9	12.9	9.1	8.4	8.9
EV/MT (INR bn)						5.5	5.5	5.3	5.6	5.0
P/E (x)						16.9	36.2	22.1	17.1	16.7
RoE (%)						18.6	7.8	*12.0*	*13.9*	*12.8*

Source: Company, HSIE Research

REDUCE

CMP *(as on 10 Nov 2023)*	INR 213
Target Price	INR 180
NIFTY	19,425

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 165	INR 180
EBITDA revision %	FY24E *0.3*	FY25E *5.7*

KEY STOCK DATA	
Bloomberg code	ORCMNT IN
No. of Shares (mn)	205
MCap (INR bn) / ($ mn)	44/534
6m avg traded value (INR mn)	260
52 Week high / low	INR 218/105

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.9	68.9	72.2
Relative (%)	9.1	64.1	65.1

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	37.90	37.90
FIs & Local MFs	10.64	12.89
FPIs	5.87	6.30
Public & Others	45.58	42.90
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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V-MART Retail

Earnings power continues to deteriorate

V-MART reported 8.5% growth YoY (INR 5.49 bn; in-line). Organic business (ex-Unlimited/Limeroad) grew 5% in Q2 (INR4.23bn; in-line). Footfalls density (footfalls/sq. ft) still remains at 66% of pre-pandemic times but is showing signs of revival (up 7% YoY). V-MART just about broke even in Q2 at the EBITDA level (HSIE: -0.5%), led by recalibration of product mix downwards (resulting 12% ASP correction) and extended EoSS-led discounting of high-priced inventory. Limeroad expenses continue to drag margins (although the burn is reducing). We've cut our FY25/26 EBITDA estimates by 16/3% respectively to account for a more gradual recovery in profitability. Consequently, our TP is revised downwards to INR1,850/sh (earlier: INR2,050/sh; implying 23x Sep-25 EV/EBITDA). Maintain REDUCE.

- **Q2FY24 highlights**: V-MART reported 8.5% growth YoY (in-line). Core V-MART operations grew 5% YoY to INR4.23bn. In Q2, footfall density grew 7% to 13.8k/sq. ft, while transaction size declined by 5% on a YTD basis to INR1,001. SSSG (value) for Q2 stood at -6% (overall) courtesy the recalibration of ASPs downwards (-12%). SSSG (volume) improved by 6%. GM contracted 169 bps, led by recalibration of product mix downwards and extended EoSS-led discounting of high-priced inventory. YTDFY24 Limeroad losses stood at INR 453mn; however, management intends to restrict this to INR550-600mn in FY24. Inventory management has improved. Inventory days reduced by 31 days YoY (118 days vs 149 days in Q2FY23; INR744mn improvement YoY). WC overall further improved (36 days vs 90 days in Q2FY23) as payable days also rose. Net debt stood at INR1.55bn. Q2 net losses stood at INR 622mn (HSIE: INR 645mn). V-MART added 14 stores (net)/0.15mn sq. ft in retail space in H1 and maintains its guidance of 50+ store additions in FY24.
- **Outlook**: While V-MART remains among the stronger value fashion retailers within the north India ecosystem, its earnings power has deteriorated courtesy the Limeroad acquisition. Hence, we've cut our FY25/26 EBITDA estimates by -16/-3% respectively to account for a more gradual recovery path. Consequently, we revise our TP downwards to INR1,850/sh (earlier: INR2,050/sh; implying 23x Sep-25 EV/EBITDA). Maintain REDUCE.

Quarterly financial summary

(Rs mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	5,494	5,062	8.5	6,785	(19.0)	16,662	24,648	28,829	33,337	38,593
Adj EBITDA	7	536	(98.7)	525	(98.7)	792	909	321	1,196	2,142
APAT	(622)	(113)	450.1	(219)	183.6	501	499	(267)	293	924
EPS (Rs)	(31.5)	(5.7)	449.7	(11.1)	183.5	25.4	25.3	(13.5)	14.9	46.9
P/E (x)						66.2	66.4	(124.4)	113.3	35.9
EV/EBITDA (x)						39.9	37.8	107.3	28.8	16.1
Core RoCE(%)						6.0	4.5	(2.7)	2.5	8.2

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	28,829	28,672	*0.5*	33,337	33,114	*0.7*	38,593	38,336	*0.7*
Gross Profit	9,947	10,036	*(0.9)*	11,403	11,492	*(0.8)*	13,162	13,266	*(0.8)*
Gross Profit Margin(%)	34.5	35.0	***(50 bps)***	34.2	34.7	***(50 bps)***	34.1	34.6	***(50 bps)***
EBITDA	321	648	*(50.5)*	1,196	1,416	*(15.6)*	2,142	2,201	*(2.7)*
EBITDA margin (%)	1.1	2.3	***(115 bps)***	3.6	4.3	***(69 bps)***	5.5	5.7	***(19 bps)***

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

REDUCE

CMP *(as on 10 Nov 2023)*	**INR 1,682**
Target Price	**INR 1,850**
NIFTY	**19,425**

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,050	INR 1,850
	FY25E	FY26E
EBITDA %	-15.6	-2.7

KEY STOCK DATA	
Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	33/407
6m avg traded value (INR mn)	97
52 Week high / low	INR 3,110/1,591

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(29.6)	(19.9)	(40.6)
Relative (%)	(28.4)	(24.7)	(47.6)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	44.3	44.3
FIs & Local MFs	28.6	29.7
FPIs	14.8	14.3
Public & Others	12.3	11.7
Pledged Shares	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

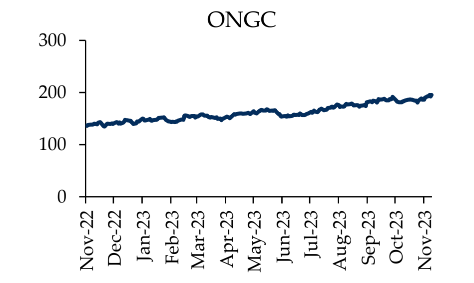
REDUCE: -10% to +5% return potential

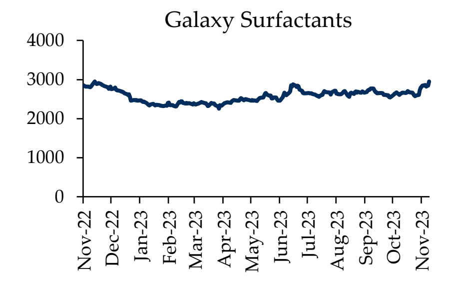
SELL: > 10% Downside return potential

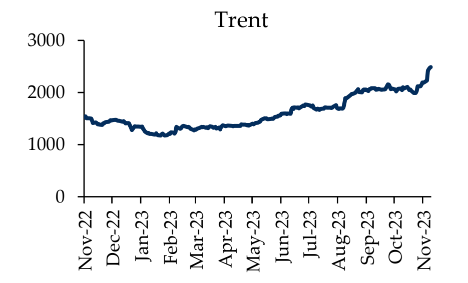
Disclosure:

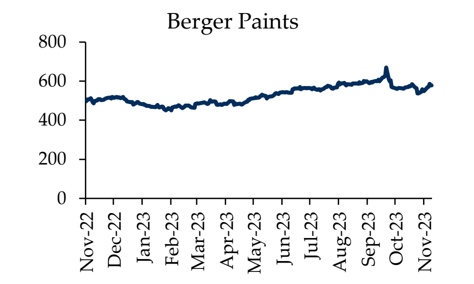
Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	ONGC, Galaxy Surfactants	MBA	NO
Nilesh Ghuge	ONGC, Galaxy Surfactants	MMS	NO
Akshay Mane	ONGC, Galaxy Surfactants	PGDM	NO
Jay Gandhi	Trent, Berger Paints, Aditya Birla Fashion and Retail, Bata India, V-MART Retail	MBA	NO
Tanuj Pandia	Trent, Berger Paints, Aditya Birla Fashion and Retail, Bata India, V-MART Retail	CA	NO
Riddhi Shah	Trent, Berger Paints, Aditya Birla Fashion and Retail, Bata India, V-MART Retail	MBA	NO
Amit Chandra	BSE	MBA	NO
Amit Kumar	Lemon Tree	CFA	NO
Rajesh Ravi	Star Cement, Orient Cement	MBA	NO
Keshav Lahoti	Star Cement, Orient Cement	CA	NO
Aniket Mhatre	Eicher Motors	MBA	NO

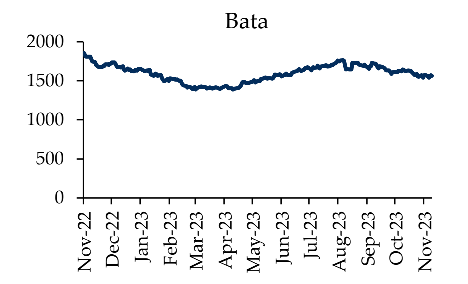
1 Yr Price movement

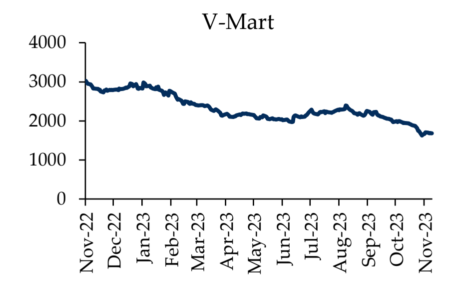


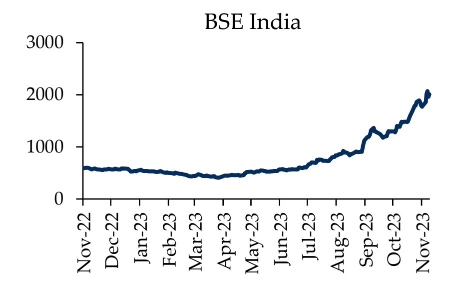


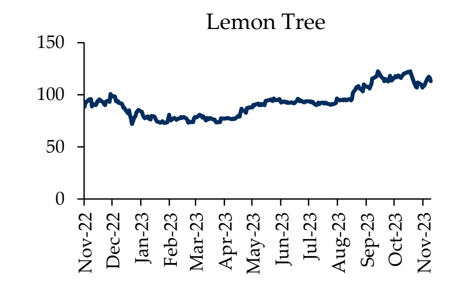


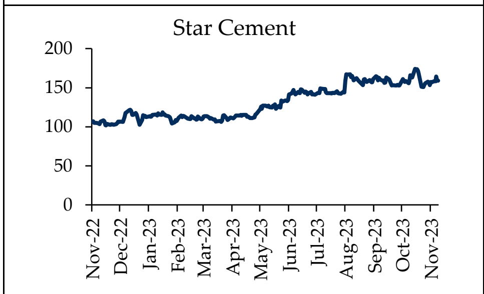


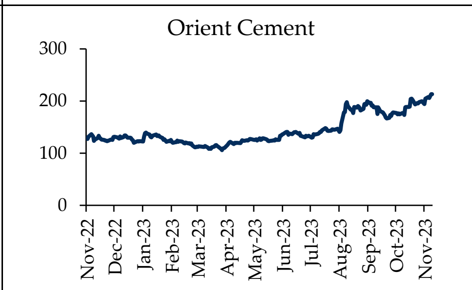


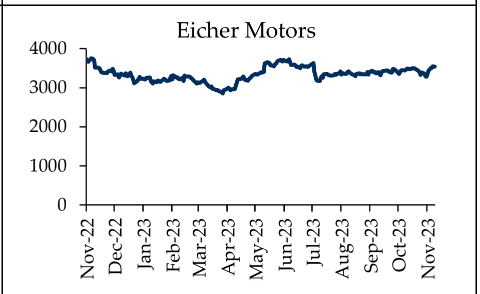












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