INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Indian Oil Corporation:** Our ADD rating on Indian Oil Corporation (IOCL), with a target price of INR 100, is premised on robust refining and marketing margins, partially offset by muted petchem earnings and elevated debt. IOCL reported EBITDA of INR 213bn (+11x YoY, -4% QoQ), which was broadly in line, while APAT came in at INR 130bn, marginally below estimate. Earnings were supported by strong performance from the refining segment. Marketing gross margins saw a sequential decline to INR 3.3/ltr. Reported GRMs stood at USD 18.1/bbl (-2% YoY, +2.2x QoQ), coming in line. Crude throughput came in lower-than-expected at 17.8mmt (-5% QoQ, HSIE: 18.5mmt).

- **Godrej Consumers:** GCPL's Q2FY24 operating print was largely in line with consolidated revenue/EBITDA growing by 6/26%. The organic India growth was modest at 2% (volume 4%) as HI performance was flattish due to poor monsoons while the additional Shravan month impacted hair colour sales. Management remains confident of delivering high single-digit growth in HI in the medium-long term. Internationally, all regions exhibited healthy CC growth; however, the reported growth was 2% due to currency devaluation. Indonesian business (both revenue/EBITDA) continues to witness recovery. The softening RM basket aided GM recovery, which expanded by 700bps to 54.9% while EBITDAM expanded by 315bps YoY to 20.1% as GCPL stepped up media spends (+180bps YoY). GCPL will continue to focus on (1) category development in existing portfolio; (2) expanding TAM in India; and (3) simplifying international operations, which shall aid volume growth & margin expansion. We cut EPS by 6/3% owing to the increase in ETR guidance. We value the stock at 42x on Sep-25 EPS to derive a TP of INR 1,050. Maintain ADD.

- **Ambuja Cement:** We upgrade our rating on Ambuja Cement to BUY from ADD earlier, with an unchanged TP of INR 480/share (SOTP-based). We like the company for its healthy operating and growth outlook. During Q2FY24, both standalone and consolidated volume growth suffered owing to floods in Himachal Pradesh and muted demand in the eastern region. Standalone volume fell 17% QoQ. Op-lev loss and seasonally high maintenance expense moderated the benefits of fuel and logistics cost savings and unit EBITDA fell INR 20/MT QoQ to INR 1020/MT. Ambuja remains committed to doubling its consolidated capacity by FY28. Its planned expansion will start getting operational from late FY25E onwards. It is working on various cost-reduction exercises to boost the margin by INR 300-400 per MT by FY25E-end.

- **Gail:** Our BUY recommendation on GAIL with a target price of INR 145 is based on (1) an increase in gas transmission volume to 129mmscmd by FY25 on the back of an increase in domestic gas production, (2) completion of major pipelines in eastern and southern India, and (3) expectation of improvement in earnings from the petchem segment. Q2FY24 reported EBITDA/PAT at INR 35/24bn, came in above our estimates, driven by an improvement in natural gas transmission volumes and higher marketing margins. Depreciation at INR 7.5bn (+21% YoY, +18% QoQ) came above expectation.

- **ACC:** We maintain BUY on ACC, with an unchanged TP of INR 2,440/share (11x its Sep-25E consolidated EBITDA). Cement volume rose 18% YoY in Q2FY24 on a low base from last year. However, it declined 14% QoQ, impacted by heavy rains in Himachal and muted demand in central and eastern regions. NSR fell 1% QoQ due to muted pricing. Opex rose 2% QoQ owing to op-lev loss and higher other expenses. The impact is cushioned by lower freight costs (INR 70/MT) and input

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costs (INR 20/MT). Thus, unit EBITDA contracted INR 140/MT QoQ to INR 668/MT. The long-pending Ametha clinker 3.3mn MT capacity started in Q2FY24, and its 1mn MT cement/16MW WHRS plant will start soon. Management is taking on various green initiatives to boost margins.

- **CDSL:** CDSL delivered a solid quarter (significant beat vs. estimates) with a 39% QoQ revenue growth (highest ever), led by market-linked revenue growth and a stable annuity stream. The growth was driven by a jump in transaction revenue, IPO/corporate action, KYC fetch/creation and seasonally strong e-voting revenue. The Demat account addition recovered, and CDSL added ~8mn accounts in the quarter, which is a seven-quarter high. CDSL maintains its leadership position with a 74% market share and 89% incremental share. We expect the growth to recover in FY24E, supported by (1) recovery in BO account addition, (2) higher transaction revenue, driven by growth in delivery volume, 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 provide immense growth opportunities. There are a total of 1.4mn private limited companies and MCA has given Sep-24 as the deadline. The investments in technology and rising regulatory and people costs will keep EBITDA margins in the 60-62% range. We increase our FY25/26E EPS estimates by ~2% and maintain our BUY rating with a target price of INR 1,700, based on 37x Dec-25E PAT. Stock is trading at a P/E of 38/31x FY25/26E EPS.

- **V-Guard Industries:** V-Guard reported an operationally in-line Q2 with revenue/EBITDA up by 15/27% vs our estimate of 13/25% YoY. Organic revenue (excluding Sunflame) grew by 9%. Electronic segment revenue grew by 12% with healthy demand for stabilizers. Electrical segment (high wire mix) growth at 10% was below peers (KEI up 22%). CD segment grew by a modest 5% owing to a shift in the festive season, slow demand uptake, and extended summer impacting water heater. South revenue grew by 7%, while non-south by 11% YoY. GM expanded by 450/125bps YoY/QoQ to 33.8%, aided by a softening RM and increasing manufacturing mix (65%). With consistent reinvesting in manufacturing, distribution and marketing, the EBITDA margin could only expand by 75bps to 8.2% (inline). V-Guard remains optimistic about margin expansion on the back of increasing scale and underpins pricing action (fans and water heaters). V-Guard’s EBITDA margin has been hovering at <10% for the last three years (+11% in FY21) due to consistent reinvestment; we model 9.5-10% for FY25/26. We maintain our estimates and value V-Guard at 30x P/E on Sep-25E EPS to derive a TP of INR 250. Maintain REDUCE.

- **Nuvoco Vistas Corporation:** We maintain BUY on Nuvoco Vistas, with a revised TP of INR 485/share (10x its consolidated Sep-25E EBITDA). In Q2FY24, Nuvoco delivered weak 1% YoY volume growth, given muted demand in the eastern region. Cement NSR rose 6/3% YoY/QoQ, owing to stable pricing in the north and a late price uptick in the east. Cement opex rose 4% QoQ, led by a rise in slag prices, op-lev loss and maintenance expenses. The impact is cushioned through lower fuel and freight costs QoQ. Overall, unit EBITDA fell INR 30/MT QoQ to INR 712/MT. Its net debt to EBITDA marginally cooled off to 3.6x at Sep-23 vs 3.8x at Mar-23. The company reiterated that it would take up major Capex only after its net debt fell below INR 40bn.

- **PNC Infratech:** PNC Infratech (PNC) reported Q2FY24 revenue/EBITDA/APAT of INR 16.9/2.3/1.4bn, missing our estimates by 5.7/3.9/7.4%. EBITDA margin: 13.4% (+18/+28bps YoY/QoQ, vs. our estimate of 13.2%, owing to lower input and raw material prices; partly offset by higher employee expenses). The order book (OB) as of Sep’23 stood at INR 171.4bn (~2.4x FY23 revenue, including L1 of INR 37.1bn excluding GST), with the road EPC segment contributing 62% of the total OB. It maintained its FY24 revenue growth guidance of 15% YoY (INR 20bn+ from the water segment), with an EBITDA margin of 13.3-13.5%, an order inflow (OI) of INR 100bn and capex of INR1.2bn. The company plans to infuse INR 1.0/4.5/4.3bn in H2FY24/25/26. The monetisation plan of 11/1 HAM/BOT assets is expected to materialise by FY24-end. PNC has a net debt position of INR 2bn as of Sep'23. Given better margins and a robust balance sheet, we maintain BUY, with an unchanged TP of INR 452/sh (13x Sep-25E rolled over, 1.2x P/BV for HAM equity investment).

- **Greenlam Industries:** We maintain our REDUCE rating on Greenlam Industries, with a revised target price of INR 540/share (33x its Sep'25E consolidated APAT). In Q2FY24, it reported strong 17/41/28% YoY growth in consolidated revenue/EBITDA/APAT. It is driven by a robust 16% YoY volume uptick and cool-off in raw material prices. We like Greenlam for its leadership positioning in laminates. The upcoming laminate expansions should drive a consolidated volume CAGR of 13% during FY23-26E, in our view. Plywood/particle board will boost revenues from FY24/FY25 respectively. Huge Capex should keep net debt to EBITDA elevated at ~2-3x during FY23-26E. Overhang to ramp up plants in new segments remains key monitorable.

- **Greenpanel Industries:** We maintain our BUY rating on Greenpanel with a lower target price of INR 435/share (20x its Sep'25E APAT). We like Greenpanel for its leadership positioning in the high-growth MDF segment, its large retail presence (85% in FY23), healthy margin, and working capital profile. In Q2FY24, Greenpanel's revenue/EBITDA/ APAT fell 13/41/38% YoY owing to a surge in both imports as well as domestic capacity additions and soaring timber prices. These impacted both sales volume (down 2% YoY decline) and gross margin compression. Greenpanel expects the pressure to ease off from FY25 onwards. Its MDF capacity expansion by 35% is expected to be operational by Q3FY25.

Indian Oil Corporation

High refining margin improves earnings

Our ADD rating on Indian Oil Corporation (IOCL), with a target price of INR 100, is premised on robust refining and marketing margins, partially offset by muted petchem earnings and elevated debt. IOCL reported EBITDA of INR 213bn (+11x YoY, -4% QoQ), which was broadly in line, while APAT came in at INR 130bn, marginally below estimate. Earnings were supported by strong performance from the refining segment. Marketing gross margins saw a sequential decline to INR 3.3/ltr. Reported GRMs stood at USD 18.1/bbl (-2% YoY, +2.2x QoQ), coming in line. Crude throughput came in lower-than-expected at 17.8mmt (-5% QoQ, HSIE: 18.5mmt).

- **Refining:** Crude throughput in Q2 stood at 17.8mmt (+10% YoY, -5% QoQ), implying capacity utilisation of 100.9% vs 107.7% in Q1. Reported GRM at USD 18.1/bbl vs USD 8.3/bbl in Q1FY24 and USD 18.5/bbl in Q2FY23 came in line. Our derived refining EBITDA remained strong at INR 144bn (-1% YoY and +2.1x QoQ), supported by robust product cracks and steady demand for transportation fuels. We expect refining margins to remain robust and, therefore, estimate core GRMs for IOCL at USD 12/10/10.5 per bbl for FY24/25/26E.
- **Marketing:** Domestic marketing sales volume came in lower at 19.7mmt (-1% YoY, -8% QoQ), while exports were 1.3mmt (+48% YoY, +17% QoQ). The blended gross marketing margin for the quarter stood at INR 3.3/lit, impacted by lower margins for petrol and diesel as crude oil prices rose. We expect a blended gross margin of INR 4.5/3.3/3.3 per litre in FY24/25/26E.
- **Petchem:** Q2FY24 petchem EBIT at INR 1.6bn improved +85% QoQ, owing to an improvement in EBIT margin of USD 21.9/t (USD 13/t in Q1) and higher volumes (+43% YoY, +9% QoQ).
- **Updates**: (1) IOCL's gross debt, as of Sep-23-end, declined to INR 994bn, (-29% YoY, -2% QoQ); however, it remains elevated. (2) The Board has declared an interim dividend of INR 5/sh.
- **Change in estimates**: We increase our FY24 EPS estimate by 78.3% to INR 29/sh to factor in H1 performance, owing to higher gross refining margins, higher marketing margins, and inventory gains. Our FY25E EPS remains broadly unchanged at INR 17.2/sh. Our revised target price is INR 100/sh.
- **Our SOTP target, at INR 100/sh, is based on 5x Mar-25E EV/e for standalone refining, petchem, marketing and pipeline businesses respectively and INR 27/sh for other investments. The stock is currently trading at 5.4x Mar-25E EPS. Maintain ADD.**

Standalone financial summary

YE March (INR bn)	Q2 FY24	Q1 FY24	QoQ (%)	Q2 FY23	YoY (%)	FY22*	FY23*	FY24E*	FY25E*	FY26E*
Revenue	1,797	1,975	(9.0)	2,075	(13.4)	5,893	8,418	7,850	8,259	8,693
EBITDA	213	222	(3.8)	20	987.2	475	314	694	472	494
APAT	130	138	(5.7)	(3)	4,861.3	253	108	400	237	248
AEPS (INR)	9.4	10.0	(5.7)	(0.2)	4,861.3	18.4	7.3	29.0	17.2	18.0
P/E (x)						5.0	12.6	3.2	5.4	5.1
EV / EBITDA (x)						5.0	8.0	3.4	5.1	5.0
RoE (%)						20.6	7.9	27.4	15.0	14.5

Source: Company, HSIE Research | *Consolidated

ADD

CMP *(as on 01 Nov 2023)*	INR 92
Target Price	INR 100
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 102	INR 100
EPS change	FY24E	FY25E
	+78.3%	-

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	14,121
MCap (INR bn) / ($ mn)	1,306/15,963
6m avg traded value (INR mn)	1,329
52 Week high / low	INR 101/68

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.6)	13.6	35.0
Relative (%)	2.7	9.5	30.9

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	51.50	51.50
FIs & Local MFs	11.7	10.84
FPIs	7.56	7.84
Public & Others	29.24	29.83
Pledged Shares	0.0	0.0

Source : BSE

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Godrej Consumers

Margin recovery to sustain

GCPL's Q2FY24 operating print was largely in line with consolidated revenue/EBITDA growing by 6/26%. The organic India growth was modest at 2% (volume 4%) as HI performance was flattish due to poor monsoons while the additional Shravan month impacted hair colour sales. Management remains confident of delivering high single-digit growth in HI in the medium-long term. Internationally, all regions exhibited healthy CC growth; however, the reported growth was 2% due to currency devaluation. Indonesian business (both revenue/EBITDA) continues to witness recovery. The softening RM basket aided GM recovery, which expanded by 700bps to 54.9% while EBITDAM expanded by 315bps YoY to 20.1% as GCPL stepped up media spends (+180bps YoY). GCPL will continue to focus on (1) category development in existing portfolio; (2) expanding TAM in India; and (3) simplifying international operations, which shall aid volume growth & margin expansion. We cut EPS by 6/3% owing to the increase in ETR guidance. We value the stock at 42x on Sep-25 EPS to derive a TP of INR 1,050. Maintain ADD.

- **Volume-led growth:** Revenue grew 6% YoY (HSIE: 6%). Domestic revenue grew 9% YoY (organic: 2%) while international revenue grew 2%. Domestic volume growth was at 11% (organic 4%). Home care revenue grew 5% YoY, as HI performance was flattish due to poor monsoons while air fresheners delivered double-digit volume and value growth. Personal care revenue (organic) fell by 1% as personal wash delivered LSD volume growth while hair colour volume grew in LSD, impacted by an additional month of Shravan. RCCL's primary sales were INR INR1.4bn vs 480mn QoQ. GCPL continues to focus on market expansion by driving penetration and an up-trade theme. We model a 11% domestic revenue CAGR for FY23-26E.
- **International—broad-based CC growth:** International revenue grew by 2% YoY. The Indonesia revenue grew 16/14% YoY in INR/CC. GUAM revenue grew -5/17% in INR/CC. Latin America & SAARC sales grew 5/99% YoY in INR/CC. GCPL continues to focus on category development, increase in media spending and launch of access packs to augment GT distribution in Indonesia. We model c.9% revenue CAGR for FY23-26E.
- **Margin recovery sustains:** GM expanded by 700bps YoY to 54.9%, aided by softening RM inflation (India GM up 9.7ppt to 58%). India GM was ~60% before COVID-19; sustained RM inflation impacted the margin severely. Consolidated EBITDA margin expanded by 315bps YoY to 20.1% as GCPL stepped up media spending (up 180bps YoY). EBITDA margin for Indonesia/GUAM came in at 17.5/8.1% in Q2FY24. Consolidated EBITDA grew by 26% YoY. We model a 21-22% EBITDA margin for FY24-FY26.
- **Con call takeaways**: (1) India volume growth was below expectations. HI was impacted by the monsoon while hair colour was impacted by the additional Shravan month. (2) Post initiatives taken, RCCL recorded the best Sept'23 month. On track for full-year guidance. (3) Organic volume up from 4% CAGR (5 years back) to mid to HSD. (4) Scope for further improvement in Indonesia and GUAM margins. (5) To maintain a steady dividend stream at 50% of PAT.

Quarterly/annual financial summary

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	36,020	33,919	6.2	34,489	4.4	1,22,765	1,33,160	1,45,332	1,61,160	1,76,636
EBITDA	7,234	5,742	26.0	6,818	6.1	23,951	24,305	30,610	34,904	38,871
APAT	4,415	3,766	17.2	3,732	18.3	17,936	17,461	21,255	24,284	27,734
EPS (INR)	4.3	3.7	17.2	3.6	18.3	17.5	17.1	20.8	23.7	27.1
P/E (x)						55.6	57.1	46.9	41.1	36.0
EV / EBITDA (x)						41.7	41.3	39.5	32.1	27.7
RoCE (%)						18.1	16.9	17.9	16.9	18.5

Source: Company Data, HSIE Research

ADD

CMP *(as on 01 Nov 2023)*	INR 975
Target Price	INR 1,050
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,100	INR 1,050
EPS %	FY24E	FY25E
	-6%	-3%

KEY STOCK DATA	
Bloomberg code	GCPL IN
No. of Shares (mn)	1,023
MCap (INR bn) / ($ mn)	997/12,189
6m avg traded value (INR mn)	983
52 Week high / low	INR 1,102/794

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.5)	7.4	16.3
Relative (%)	(0.2)	3.3	12.2

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	63.21	63.21
FIs & Local MFs	7.38	7.65
FPIs	23.53	23.52
Public & Others	5.88	5.62
Pledged Shares	0.42	0.42

Source : BSE

Pledged shares as % of total shares

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Ambuja Cement

Healthy outlook on margin and expansion

We upgrade our rating on Ambuja Cement to BUY from ADD earlier, with an unchanged TP of INR 480/share (SOTP-based). We like the company for its healthy operating and growth outlook. During Q2FY24, both standalone and consolidated volume growth suffered owing to floods in Himachal Pradesh and muted demand in the eastern region. Standalone volume fell 17% QoQ. Op-lev loss and seasonally high maintenance expense moderated the benefits of fuel and logistics cost savings and unit EBITDA fell INR 20/MT QoQ to INR 1020/MT. Ambuja remains committed to doubling its consolidated capacity by FY28. Its planned expansion will start getting operational from late FY25E onwards. It is working on various cost-reduction exercises to boost the margin by INR 300-400 per MT by FY25E-end.

- **Q2FY24 performance: Standalone:** ACEM's volume growth was impacted by heavy rains in Himachal Pradesh and muted demand in the eastern region. Thus, standalone volume fell 17% QoQ (up 7% YoY on higher traded sales under MSA). NSR rose 1/1% QoQ/YoY. Unit opex rose 2% QoQ, mainly on seasonally high maintenance expenses and op-lev loss. The rising share of green power and fuel and logistics cost rationalization cushioned the impact. Thus, unit EBITDA fell INR 20/MT QoQ to INR 1020/MT. **Consolidated:** Volume rose 2% YoY (down 15% QoQ) on volume loss in Himachal Pradesh and muted offtake in east and central regions. Unit opex rose 2% QoQ mainly on op-lev loss. Thus, unit EBITDA fell INR 90/MT QoQ to INR 995/MT.

- **Capex and other updates:** Ambuja reiterated its plan to double group capacity to 140mn MT by FY28. It is currently working on brownfield clinker expansion (4mn MT each by Q1FY26) at Chandrapur and Bhatapara, a greenfield plant in Mundra. Additionally, it also acquired a 57% stake in Sanghi Industries where it is looking to further expand capacity. Ambuja also outlined organic grinding expansions of ~20mn MT by FY26 (consolidated basis). It is also working on various initiatives to reduce its cost by INR 300-400 per MT by FY25E-end (as against earlier guidance of FY24-end). Factoring in a healthy business outlook and the recent correction in the stock price, we upgrade our rating to BUY. In our SOTP-based target price (unchanged) of INR 480/sh, we value the standalone cement business at 15x Sep-25E EBITDA, its 50% holding in ACC at our target market cap for ACC, and the 57% stake in Sanghi at BV.

Standalone quarterly/annual financial summary

YE Dec (INR bn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	CY21	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	7.58	7.06	*7.4*	9.12	*(16.9)*	27.02	37.78	35.25	38.60	41.51
NSR (INR/MT)	5,236	5,206	*0.6*	5,185	*1.0*	5,174	5,290	5,258	5,253	5,301
EBITDA(INR/MT)	1,020	443	*130.0*	1,040	*(1.9)*	1,190	852	1,092	1,190	1,318
Net Sales	39.70	36.76	*8.0*	47.30	*(16.1)*	139.79	199.85	185.36	202.79	220.05
EBITDA	7.73	3.13	*147.0*	9.49	*(18.5)*	32.15	32.20	38.51	45.94	54.73
APAT	6.44	1.54	*317.7*	6.45	*(0.2)*	21.49	25.61	27.22	31.93	37.30
AEPS (INR)	3.2	0.8	*317.7*	3.2	*(0.2)*	10.8	10.3	11.0	13.0	15.1
EV/EBITDA (x)						26.0	24.8	16.6	13.3	11.8
EV/MT (INR bn)						26.70	25.51	19.19	18.27	13.58
P/E (x)						46.4	39.0	36.7	31.2	26.7
RoE (%)						10.1	8.1	7.3	6.8	7.5

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2023)*	INR 407
Target Price	INR 480
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 480	INR 480
EBITDA revision %	FY24E *(0.7)*	FY25E *1.9*

KEY STOCK DATA	
Bloomberg code	ACEM IN
No. of Shares (mn)	1,986
MCap (INR bn) / ($ mn)	807/9,873
6m avg traded value (INR mn)	1,880
52 Week high / low	INR 598/315

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(11.9)	2.6	(25.3)
Relative (%)	(7.6)	(1.5)	(29.3)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	63.22	63.19
FIs & Local MFs	14.40	15.53
FPIs	12.46	11.65
Public & Others	9.94	9.63
Pledged Shares	63.15	63.15

Source : BSE

Pledged shares as % of total shares

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Gail (India)

Transmission and trading segments outperform

Our BUY recommendation on GAIL with a target price of INR 145 is based on (1) an increase in gas transmission volume to 129mmscmd by FY25 on the back of an increase in domestic gas production, (2) completion of major pipelines in eastern and southern India, and (3) expectation of improvement in earnings from the petchem segment. Q2FY24 reported EBITDA/PAT at INR 35/24bn, came in above our estimates, driven by an improvement in natural gas transmission volumes and higher marketing margins. Depreciation at INR 7.5bn (+21% YoY, +18% QoQ) came above expectation.

- **NG marketing:** Q2 marketing volume of 97mmscmd (+5% YoY) and trading margin at INR 2.2/tscm (+4.1x YoY, +78.5% QoQ) came ahead of estimates, delivering a strong marketing EBITDA of INR 20bn (+4.3x YoY, +77% QoQ). Management has indicated a robust earnings outlook for next year as well from this segment.
- **Petchem:** Revenue was reported at INR 17bn (+29% YoY, +2% QoQ), with improvement in sales volume at 168kT, (+56% YoY, +4% QoQ). Petchem production remained muted at 160kT (+68% YoY, -2% QoQ), implying capacity utilisation of 72%. Realisation continues to remain weak at INR 104/kg (-17% YoY, -1% QoQ), resulting in an operating loss of INR 380mn.
- **NG transmission:** Reported highest-ever transmission volume at 120.3mmscmd (+12% YoY, +3% QoQ), above estimate, while transmission tariffs came in at INR 2,391/tscm (+40% YoY, -2% QoQ), marginally below estimate. EBITDA came in at INR 17bn (+63% YoY, +22% QoQ), supported by an increase in transmission volume.
- **LPG & Liquid Hydro Carbon: The** LPG & LHC segment reported EBITDA at INR 50mn (-99% YoY) was well below our estimate, largely impacted by very weak realisations of INR 43/kg (-29% YoY, -20% QoQ).
- **Key takeaways**: (1) The company has incurred a Capex of INR ~24.6bn in Q2FY24. (2) Management has guided gas transmission volume to average ~120mmscmd in FY24 and ~132mmscmd in FY25. (3) In Q2, transmission pipeline capacity utilization increased to 58%. (4) Optimization of cost in Q2 helped reduce losses in the petchem segment; the company expects this segment's earnings to improve in H2FY24. (5) Project updates: Mumbai-Nagpur-Jharsugada first phase of 698km construction is in full swing and is expected to be completed by Jun-24; Jagdishpur-Haldia pipeline remaining section of ~3667km to be completed by Jun-24; Srikakulam-Angul pipeline of 420km to be completed by end of CY23; the recently awarded Gurudaspur-Jammu natural gas pipeline with a length of 160km is expected to be completed by Jul-26; PDHPP project with a capacity of 500ktpa for INR 113bn is slated to be commissioned by Apr-25.
- **Change in estimates:** We increase our consolidated FY24/25E EPS by +2.9/+10.9% to INR 12.8/14.4 to factor in H1 performance, higher natural gas transmission volumes, and marketing margins. We roll forward our target price to Mar-25E, delivering a revised target price of INR 145/sh.
- **Our SOTP, at INR 145/sh, is based on 8x Mar-25E EV/e for the natural gas, LPG transmission and gas marketing business, 5x EV/e for the petchem and LPG/LHC businesses, and INR 44 for investments. The stock is currently trading at 8.3x Mar-25E EPS.**

BUY

CMP *(as on 31 Oct 2023)*	**INR 120**
Target Price	**INR 145**
NIFTY	**19,080**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 137	INR 145
EPS change	**FY24E** +2.9%	**FY25E** +10.9%

KEY STOCK DATA	
Bloomberg code	GAIL IN
No. of Shares (mn)	6,575
MCap (INR bn) / ($ mn)	786/9,607
6m avg traded value (INR mn)	1,668
52 Week high / low	INR 132/88

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	0.3	11.4	30.9
Relative (%)	4.3	6.8	25.7

SHAREHOLDING PATTERN (%)

	Jun-23	**Sep-23**
Promoters	51.91	51.91
FIs & Local MFs	25.99	27.04
FPIs	16.09	14.76
Public & Others	6.01	6.29
Pledged Shares	0.0	0.0

Source : BSE

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ACC

Margin dips QoQ on high other expenses

We maintain BUY on ACC, with an unchanged TP of INR 2,440/share (11x its Sep-25E consolidated EBITDA). Cement volume rose 18% YoY in Q2FY24 on a low base from last year. However, it declined 14% QoQ, impacted by heavy rains in Himachal and muted demand in central and eastern regions. NSR fell 1% QoQ due to muted pricing. Opex rose 2% QoQ owing to op-lev loss and higher other expenses. The impact is cushioned by lower freight costs (INR 70/MT) and input costs (INR 20/MT). Thus, unit EBITDA contracted INR 140/MT QoQ to INR 668/MT. The long-pending Ametha clinker 3.3mn MT capacity started in Q2FY24, and its 1mn MT cement/16MW WHRS plant will start soon. Management is taking on various green initiatives to boost margins.

- **Q2FY24 performance:** Cement volume rose 18% YoY on a low base of last year. However, it declined 14% QoQ, impacted by heavy rains in Himachal and muted demand in central and eastern regions. NSR fell 1% QoQ in Q2 due to muted pricing. Opex rose 2% QoQ owing to op-lev loss and higher other expenses. The impact is cushioned by lower freight (INR 70/MT) and input (INR 20/MT) costs. Its fuel costs fell INR 0.28/1.34 per mnCal QoQ/YoY to INR 1.85 per mnCal. Unitary EBITDA contracted by INR 140/MT QoQ to INR 668/MT on weak realisation and higher cost.

- **Expansion update and outlook:** ACC's Ametha clinker capacity of 3.3mn MT was commissioned in the Sep-23 quarter. Ametha 1mn MT cement capacity is expected to be commissioned soon. Related WHRS of 16MW is expected to be commissioned in Q3FY24. Adani is implementing green capex (WHRS, AFR, renewable energy), which should boost the margin. Management guided it would spend INR 25bn towards Capex in FY24E. Adani management is also working on various cost reduction programs (WHRS AFR equipment, solar power, coal mines and direct dispatches) which should boost margin, going ahead. We maintain our EBITDA estimates for FY24/25/26E and our BUY rating on ACC with an unchanged TP of INR 2,440.

Consolidated financial summary

YE Dec (INR bn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	CY21	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	8.1	6.9	*18.2*	9.4	*(13.8)*	28.9	38.6	36.6	38.8	40.8
NSR (INR/MT)	5,094	5,305	*(4.0)*	5,147	*(1.0)*	5,161	5,276	5,197	5,223	5,301
EBITDA(INR/MT)	668	12	*5,251.1*	811	*(17.7)*	1,011	480	826	893	952
Net Sales	44.3	39.9	*11.2*	52.0	*-14.7*	161.5	222.1	206.5	220.5	235.9
EBITDA	5.5	0.2	*3,253.4*	7.7	*-28.7*	30.0	19.2	31.2	35.7	40.0
APAT	3.9	-0.5		4.7	*-16.8*	19.2	10.5	18.4	19.1	21.4
AEPS (INR)	20.6	-3.8		24.8	*-16.8*	102.1	44.6	97.6	101.6	113.9
EV/EBITDA (x)						8.9	16.0	10.0	8.4	7.7
EV/MT (INR bn)						7.72	8.54	8.45	8.14	7.46
P/E (x)						18.0	33.1	18.9	18.1	16.2
RoE (%)						*14.2*	*5.9*	*12.3*	*11.7*	*11.9*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2023)*	INR 1,844
Target Price	INR 2,440
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,440	INR 2,440
EBITDA revision %	FY24E *(0.4)*	FY25E *(0.0)*

KEY STOCK DATA	
Bloomberg code	ACC IN
No. of Shares (mn)	188
MCap (INR bn) / ($ mn)	346/4,234
6m avg traded value (INR mn)	1,226
52 Week high / low	INR 2,675/1,592

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(8.3)	4.6	(24.1)
Relative (%)	(4.0)	0.5	(28.1)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	56.69	56.69
FIs & Local MFs	19.52	22.79
FPIs	10.06	7.10
Public & Others	13.73	13.42
Pledged Shares	6.64	6.64

Source : BSE

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CDSL

Solid show; future bright

CDSL delivered a solid quarter (significant beat vs. estimates) with a 39% QoQ revenue growth (highest ever), led by market-linked revenue growth and a stable annuity stream. The growth was driven by a jump in transaction revenue, IPO/corporate action, KYC fetch/creation and seasonally strong e-voting revenue. The Demat account addition recovered, and CDSL added ~8mn accounts in the quarter, which is a seven-quarter high. CDSL maintains its leadership position with a 74% market share and 89% incremental share. We expect the growth to recover in FY24E, supported by (1) recovery in BO account addition, (2) higher transaction revenue, driven by growth in delivery volume, 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 provide immense growth opportunities. There are a total of 1.4mn private limited companies and MCA has given Sep-24 as the deadline. The investments in technology and rising regulatory and people costs will keep EBITDA margins in the 60-62% range. We increase our FY25/26E EPS estimates by ~2% and maintain our BUY rating with a target price of INR 1,700, based on 37x Dec-25E PAT. Stock is trading at a P/E of 38/31x FY25/26E EPS.

- **Q2FY24 highlights**: CDSL revenue grew 38.5/39.2% QoQ/YoY to INR 2.07bn vs our estimate of INR 1.67bn. Transaction/IPO corporate action/KYC charges were the key contributors, up 38/160/77% QoQ, while annual issuer charges were flat sequentially. Others comprising e-voting and e-CAS grew 56.9/8.8% QoQ/YoY, led by e-voting up 3x/7% QoQ/YoY. Employee costs were flat QoQ, while technology expenses rose 20.8% QoQ. EBITDA margin expanded 850bps QoQ (flat YoY) to 62.4% (vs. estimate of 58.3%). CDSL has 96.2mn Demat accounts and added ~2.7mn incremental Demat accounts in Sep-23, which is ~13% below the COVID peak in Oct-21. The share delivery percentage is at a five-year high of 22%, leading to higher transaction revenue.
- **Outlook:** We expect revenue growth of +32/12/18% and an EBITDA margin of 58.9/59.2/61.0% for FY24/25/26E. The revenue CAGR of 20% over FY23-26E assumes +25/11/24/22/23% CAGR in annual issuer charges/transaction/IPO & corporate action/online data charges/others revenue. Core PAT CAGR over FY23-26E is at +23%.

Quarterly financial summary

YE March (INR mn)	2Q FY24	2Q FY23	YoY (%)	1Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	2,073	1,489	*39.2*	1,497	*38.5*	5,513	5,551	7,344	8,224	9,711
EBITDA	1,294	930	*39.1*	807	*60.4*	3,669	3,233	4,323	4,865	5,920
APAT	1,089	804	*35.4*	736	*48.0*	3,112	2,759	3,731	4,183	5,011
Diluted EPS (INR)	10.4	7.7	*35.4*	7.0	*48.0*	29.8	26.4	35.7	40.0	48.0
P/E (x)						50.4	56.9	42.1	37.5	31.3
EV / EBITDA (x)						39.7	45.3	33.5	29.4	23.8
RoE (%)						31.6	23.9	29.0	28.9	30.7
Cash/Mcap (%)						6.1	5.6	6.3	7.2	8.3

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR Mn	FY24E	FY24E	Change	FY25E	FY25E	Change	FY26E	FY26E	Change
Revenue	6,773	7,344	*8.4*	7,986	8,224	*3.0*	9,425	9,711	*3.0*
EBITDA	3,928	4,323	*10.1*	4,783	4,865	*1.7*	5,811	5,920	*1.9*
EBITDA margin (%)	58.0	58.9	87bps	59.9	59.2	-74bps	61.7	61.0	-69bps
APAT	3,426	3,731	*8.9*	4,098	4,183	*2.1*	4,905	5,011	*2.2*
EPS (INR)	32.8	35.7	*8.9*	39.2	40.0	*2.1*	46.9	48.0	*2.2*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2023)*	INR 1,502
Target Price	INR 1,700
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,670	INR 1,700
EPS %	FY25E	FY26E
	+2.1	+2.2

KEY STOCK DATA	
Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (INR bn) / ($ mn)	157/1,919
6m avg traded value (INR mn)	1,308
52 Week high / low	INR 1,523/881

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.7	49.3	21.4
Relative (%)	25.0	45.3	17.3

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	15.00	15.00
FIs & Local MFs	22.03	21.79
FPIs	15.10	10.80
Public & Others	47.87	52.41
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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V-Guard Industries

Operationally in-line

V-Guard reported an operationally in-line Q2 with revenue/EBITDA up by 15/27% vs our estimate of 13/25% YoY. Organic revenue (excluding Sunflame) grew by 9%. Electronic segment revenue grew by 12% with healthy demand for stabilizers. Electrical segment (high wire mix) growth at 10% was below peers (KEI up 22%). CD segment grew by a modest 5% owing to a shift in the festive season, slow demand uptake, and extended summer impacting water heater. South revenue grew by 7%, while non-south by 11% YoY. GM expanded by 450/125bps YoY/QoQ to 33.8%, aided by a softening RM and increasing manufacturing mix (65%). With consistent reinvesting in manufacturing, distribution and marketing, the EBITDA margin could only expand by 75bps to 8.2% (inline). V-Guard remains optimistic about margin expansion on the back of increasing scale and underpins pricing action (fans and water heaters). V-Guard's EBITDA margin has been hovering at <10% for the last three years (+11% in FY21) due to consistent reinvestment; we model 9.5-10% for FY25/26. We maintain our estimates and value V-Guard at 30x P/E on Sep-25E EPS to derive a TP of INR 250. Maintain REDUCE.

- **In-line revenue growth:** Consolidated revenue grew by 15% YoY to INR 11.3bn. Organic revenue (excluding Sunflame) grew by 9% YoY. Growth was broad-based, led by the electronic segment (stabilizer, UPS, etc.) which grew by 12% YoY (HSIE: +10%). Electrical (wires, pump, etc.) grew by 10% YoY while the CD segment (fan, water heater, KEA, cooler) grew by 5% YoY. Sunflame revenue came in at INR 617mn, down 2% QoQ (consolidated only in Q4FY23 post-acquisition). We model an 11% organic revenue CAGR for FY23-26E and expect Sunflame to do revenue of c.INR 4bn for FY25.

- **GM expands, EBITDAM remains <9%:** GM expanded by 450bps YoY (+130bps QoQ), aided by a softening RM to 33.8%. High employee/A&P/other expenses growing by 60/15/25% YoY limit EBITDAM expansion to 75bps YoY at 8.2% (HSIE: 8.2%). EBITDA grew by 27% YoY to INR 925mn. While electronics/electricals EBIT margin expanded by 20bps/290bps YoY to 14.8/8.3%, CD EBIT margin came in at -0.3% vs 2.9% LY (+0.3% in Q1FY24). Higher depreciation (+32% YoY) and interest cost (5x) were offset by a 5x increase in other income, which led to PAT growing by 35% YoY to INR 590mn.

- **Con call takeaways:** (1) Demand environment remains sluggish, especially in discretionary categories like consumer durables. Optimistic on festive sales. (2) Sluggish demand prevents the ability to take price hikes in certain categories like fans and water heaters. (3) Employee cost looks high due to the reversal of variable pay provision LY (INR 200mn). Like-for-like growth stood at 15-16%. (4) Muted housing wire growth impacted electrical segment performance. (5) Sunflame revenue decline was higher than peers due to certain product gaps and after-sale glitches. H2 should be better. Unlikely to post growth in FY24. (6) Other income includes INR 100mn on fair value assessment of Gigadyne investment.

Quarterly/annual financial summary

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	11,338	9,866	14.9	12,148	(6.7)	35,002	41,260	49,320	54,353	59,650
EBITDA	925	731	26.5	1,048	(11.7)	3,402	3,199	4,699	5,238	5,906
APAT	590	437	35.0	642	(8.2)	2,284	1,890	2,871	3,286	3,785
EPS (INR)	1.4	1.0	35.0	1.5	(8.2)	5.3	4.4	6.6	7.6	8.8
P/E (x)						54.8	67.7	44.6	38.9	33.8
EV / EBITDA (x)						36.5	41.0	27.2	24.1	21.1
Core RoCE (%)						18.7	10.6	13.8	15.6	16.9

Source: Company, HSIE Research

REDUCE

CMP *(as on 01 Nov 2023)*	INR 298
Target Price	INR 250
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 250	INR 250
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	434
MCap (INR bn) / ($ mn)	129/1,580
6m avg traded value (INR mn)	117
52 Week high / low	INR 335/229

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.4	17.0	14.9
Relative (%)	9.7	12.9	10.8

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	55.62	55.62
FIs & Local MFs	19.37	19.36
FPIs	12.84	13.16
Public & Others	12.17	11.86
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Nuvoco Vistas Corporation

Muted demand and cost increase halt margin recovery

BUY

We maintain BUY on Nuvoco Vistas, with a revised TP of INR 485/share (10x its consolidated Sep-25E EBITDA). In Q2FY24, Nuvoco delivered weak 1% YoY volume growth, given muted demand in the eastern region. Cement NSR rose 6/3% YoY/QoQ, owing to stable pricing in the north and a late price uptick in the east. Cement opex rose 4% QoQ, led by a rise in slag prices, op-lev loss and maintenance expenses. The impact is cushioned through lower fuel and freight costs QoQ. Overall, unit EBITDA fell INR 30/MT QoQ to INR 712/MT. Its net debt to EBITDA marginally cooled off to 3.6x at Sep-23 vs 3.8x at Mar-23. The company reiterated that it would take up major Capex only after its net debt fell below INR 40bn.

- **Q2FY24 performance:** Consolidated EBITDA came in 4/8% lower vs ours/consensus estimates. Cement sales volume rose a modest 1% YoY (-11% QoQ). The company noted while it registered strong growth in the north, demand in the east was soft (led by muted demand in Bihar and West Bengal). Cement NSR rose 6/3% YoY/QoQ owing to stable pricing in the north and a late price uptick in the east. Cement opex rose 4% QoQ, led by a rise in slag prices, op-lev loss and maintenance expenses. The impact is cushioned through lower fuel and freight costs QoQ. Overall, unit EBITDA fell INR 30/MT QoQ to INR 712/MT (recovered INR 310/MT YoY on better realisation and lower opex). Unit EBITDA declined QoQ after recovering for three consecutive quarters.
- **Capex, debt, and outlook:** It completed the clinker debottlenecking at Nimbol (6K TPD) and Risda (12K TPD). The 1.2mn MT Haryana SGU is under trial runs and commercial production will start in Q3FY24. The railway sidings at Sonadih and Odisha are on track to be operational in Q4FY24. Net debt stood 10% lower YoY to INR 50bn in Sep-23. However, net debt increased by INR 4bn vs Mar-23, on account of a seasonal rise in working capital by a similar amount. Net debt to EBITDA cooled off to 3.6x in Sep-23 vs 3.8x in Mar-23 (and 4.5x in Sep-22). It will take up further expansions (priority is for brownfield expansion in the north) only after reducing net debt to below INR 40bn. We believe this is prudent as the current capacity is sufficient to deliver more than 6% volume CAGR for the next three years. It is also working on increasing its CC ratio, increasing its volume potential. We trim our EBITDA estimates for FY24/25/26E by 4% each, factoring in earnings miss.

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)	4.46	4.40	*1.3*	5.00	*(10.9)*	17.84	18.80	19.74	21.12	22.60
NSR (INR/MT)	5,226	4,955	*5.5*	5,085	*2.8*	4,794	5,124	5,262	5,318	5,381
Opex (INR/MT)	4,513	4,550	*(0.8)*	4,342	*3.9*	3,962	4,513	4,466	4,456	4,474
EBITDA(INR/MT)	712	404	*76.1*	742	*(4.0)*	832	611	796	862	907
Net Sales	25.73	24.01	*7.2*	28.06	*(8.3)*	93.18	105.86	114.84	125.47	136.75
EBITDA	3.30	1.92	*71.8*	3.93	*(15.9)*	15.02	12.10	16.38	19.12	21.55
APAT	0.02	(1.30)		0.14	*(89.4)*	0.32	-1.80	1.42	4.28	6.44
AEPS (INR)	0.04	(3.65)		0.40	*(89.4)*	0.9	-5.0	4.0	12.0	18.0
EV/EBITDA (x)						11.4	13.5	9.8	7.9	7.0
EV/MT (INR bn)						7.17	6.85	6.42	6.06	6.03
P/E (x)						375.1	-66.9	84.6	28.1	18.7
RoE (%)						0.4	-2.0	1.6	4.7	6.7

Source: Company, HSIE Research

CMP *(as on 1 Nov 2023)*	**INR 338**
Target Price	**INR 485**
NIFTY	**18,989**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 510	INR 485
EBITDA revision %	FY24E *(4.4)*	FY25E *(4.3)*

KEY STOCK DATA	
Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / ($ mn)	121/1,478
6m avg traded value (INR mn)	129
52 Week high / low	INR 412/288

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(6.2)	2.6	(15.1)
Relative (%)	(1.9)	(1.5)	(19.1)

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	71.79	71.79
FIs & Local MFs	20.59	19.95
FPIs	2.76	3.15
Public & Others	4.87	5.11
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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PNC Infratech

New order booking key for rerating

PNC Infratech (PNC) reported Q2FY24 revenue/EBITDA/APAT of INR 16.9/2.3/1.4bn, missing our estimates by 5.7/3.9/7.4%. EBITDA margin: 13.4% (+18/+28bps YoY/QoQ, vs. our estimate of 13.2%, owing to lower input and raw material prices; partly offset by higher employee expenses). The order book (OB) as of Sep'23 stood at INR 171.4bn (~2.4x FY23 revenue, including L1 of INR 37.1bn excluding GST), with the road EPC segment contributing 62% of the total OB. It maintained its FY24 revenue growth guidance of 15% YoY (INR 20bn+ from the water segment), with an EBITDA margin of 13.3-13.5%, an order inflow (OI) of INR 100bn and capex of INR1.2bn. The company plans to infuse INR 1.0/4.5/4.3bn in H2FY24/25/26. The monetisation plan of 11/1 HAM/BOT assets is expected to materialise by FY24-end. PNC has a net debt position of INR 2bn as of Sep'23. Given better margins and a robust balance sheet, we maintain BUY, with an unchanged TP of INR 452/sh (13x Sep-25E rolled over, 1.2x P/BV for HAM equity investment).

- **Q2FY24 financial highlights:** Revenue: INR 16.9bn (+8.5/-9.0% YoY/QoQ, a miss of 5.7%; INR 4bn revenue from water segment). EBITDA: INR 2.3bn (+10.0/-7.1% YoY/QoQ, a miss of 3.9%). EBITDA margin: 13.4% (+18/+28bps YoY/QoQ, vs. our estimate of 13.2%, owing to lower input and raw material prices; partly offset by higher employee expenses). Depreciation: INR 257mn (-6.5/+2.8% YoY/QoQ). Interest cost: INR 187mn, (+21.1/+14.5% YoY/QoQ). Other income: INR 57mn (-45.2/-26.1% YoY/QoQ). RPAT/APAT: INR 1.4bn (+6.6/-10.7% YoY/QoQ, a miss of 7.4%). PNC has maintained its FY24 revenue growth guidance of 15% YoY with an EBITDA margin of 13-13.5%. Further, with INR 8.2bn revenue from the water segment in H1FY24, it maintained its guidance for FY24 revenue from the segment at INR 20bn+.
- **Revenue visibility in the near to medium term:** The executable OB as of Sep'23 stood at INR 134bn. The value of four HAM projects yet to be included in OB is INR 37.4bn (excluding GST), taking the OB to INR 171.4bn (~2.4x FY23 revenue). The road EPC segment constitutes 62% of the total OB whilst water projects constitute 28% of the total OB. The appointed date (AD) for the new HAM projects is expected by FY24-end. Further, the company maintained its FY24 OI guidance at INR 100bn. The company is looking for opportunities in states other than Uttar Pradesh. It is also looking for non-road opportunities in metro rail, railways, and water segments.
- **Robust balance sheet; asset monetisation plan on track:** With a cash balance of INR 2bn and gross debt of INR 4bn, PNC has a net debt position of INR 2bn as of Sep'2 vs. INR 3bn as of Jun'23. The NWC days stood at 79 vs. 87 as of Mar'23. Out of INR 29.4bn, PNC has already infused INR 18.5bn as of Sep'23 and has a residual equity requirement of INR 11bn for all the HAM projects in the portfolio, of which INR 1.0/4.5/4.3bn will be done in H2FY24/25/26. With a capex of INR 0.3bn in H1FY24, its FY24 guidance stands unchanged at INR 1.2bn. The due diligence for 11/1 HAM/BOT projects is complete and monetisation is expected to be closed by FY24-end.

Standalone Financial Summary (INR mn)

YE March	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	16,930	15,611	8.5	18,614	(9.0)	70,608	75,158	81,546	89,701
EBITDA	2,276	2,070	10.0	2,451	(7.1)	9,539	9,688	10,766	12,193
APAT	1,398	1,311	6.6	1,566	(10.7)	5,838	6,071	6,727	7,656
EPS (INR)	5.4	5.1	6.6	6.1	(10.7)	22.8	23.7	26.2	29.8
P/E (x)						14.2	13.7	12.3	10.8
EV/EBITDA (x)						8.8	8.4	7.6	6.7
RoE (%)						16.0	14.5	14.2	14.1

Source: Company, HSIE Research

BUY

CMP (as on 01 Nov 2023)	INR 324
Target Price	INR 452
NIFTY	18,989

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 452		INR 452
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (INR bn) / ($ mn)	83/1,015
6m avg traded value (INR mn)	174
52 Week high / low	INR 388/237

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.1)	14.2	20.2
Relative (%)	(3.8)	10.2	16.1

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	56.07	56.07
FIs & Local MFs	28.50	28.10
FPIs	10.26	10.78
Public & Others	5.17	5.05
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Greenlam Industries

Healthy volumes; in-line margin performance

We maintain our REDUCE rating on Greenlam Industries, with a revised target price of INR 540/share (33x its Sep'25E consolidated APAT). In Q2FY24, it reported strong 17/41/28% YoY growth in consolidated revenue/EBITDA/APAT. It is driven by a robust 16% YoY volume uptick and cool-off in raw material prices. We like Greenlam for its leadership positioning in laminates. The upcoming laminate expansions should drive a consolidated volume CAGR of 13% during FY23-26E, in our view. Plywood/particle board will boost revenues from FY24/FY25 respectively. Huge Capex should keep net debt to EBITDA elevated at ~2-3x during FY23-26E. Overhang to ramp up plants in new segments remains key monitorable.

- **Q2FY24 performance:** Revenue grew 17/17% YoY/QoQ (volume-led), aided by Prantij laminate facility ramp-up (close to optimum utilisation) and contributions from the new ply segment (3% of revenue). INR 200mn export sales (4% of revenue) were pushed to Q2FY24, owing to higher stock at the port at Q1-end (cyclone impact), inflating revenue growth QoQ. Laminates volume grew 16% YoY (18% QoQ), owing to growth in both domestic/export volume by 21/10% YoY. EBITDA grew 18% QoQ (41% YoY), owing to strong volume (OPM remained flattish QoQ). Veneer & allied segment loss has reduced further. The plywood segment operated at a loss, owing to a low 16% capacity utilisation. APAT grew 28/18% YoY/QoQ, owing to higher EBITDA.
- **Project update and outlook:** The laminates plant in Andhra Pradesh commenced commercial production from Q2FY24-end (3.5mn sheets - INR 2.4bn Capex). The greenfield particle board 231K CBM capacity in AP is expected to start commercial production by Q4FY24. Particle board Capex guidance increased by 30% to INR 7.75bn, owing to the increase in commodity price. We expect it will take at least three years to fully ramp up its ply and particle board segments. We estimate the upcoming laminate expansions and entry in new segments will drive a healthy 21% revenue CAGR FY23-26E (laminates division 14% CAGR). However, huge Capex should keep net debt to EBITDA elevated at ~2-3x during FY23-26E. We upgrade our FY24/25E APAT estimates by 1/11% and we introduce FY26 financials. We roll forward our valuation to 33x PE Sep-25 vs Mar-25 earlier. We maintain a REDUCE rating with a TP of INR 540/sh, owing to the overhang to ramp up plants in new segments.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn sheet)	4.93	4.26	15.6	4.17	18.1	16.5	17.1	20.2	23.2	24.9
NSR (per sheet)	1,079	1,106	*(2.5)*	1,132	*(4.7)*	942	1,081	1,087	1,097	1,108
Laminates EBITDAM (%)	*16.4*	*12.1*		*14.8*		*12.7*	*13.1*	*16.0*	*16.2*	*16.2*
Net Sales	6,036	5,180	*16.5*	5,152	*17.2*	17,034	20,260	24,809	31,164	36,083
EBITDA	756	537	*40.8*	644	*17.5*	1,870	2,329	3,226	4,172	5,090
EBITDAM (%)	*12.5*	*10.4*		*12.5*		*11.0*	*11.5*	*13.0*	*13.4*	*14.1*
APAT	415	292	*27.9*	329	*18.0*	933	1,284	1,628	1,782	2,325
AEPS (INR)	2.9	2.3	*27.9*	2.5	*18.0*	7.7	10.1	12.8	14.0	18.3
EV/EBITDA (x)						37.6	30.1	23.2	18.7	15.0
P/E (x)						73.1	53.1	41.9	38.3	29.3
RoE (%)						15.2	15.8	*15.6*	*14.9*	*16.8*

Source: Company, HSIE Research

REDUCE

CMP *(as on 1 Nov 2023)*	**INR 535**
Target Price	**INR 540**
NIFTY	**18,989**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 425	INR 540
EPS revision %	FY24E *0.7*	FY25E *10.5*

KEY STOCK DATA	
Bloomberg code	GRLM IN
No. of Shares (mn)	127
MCap (INR bn) / ($ mn)	68/830
6m avg traded value (INR mn)	52
52 Week high / low	INR 572/282

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	12.6	84.2	63.7
Relative (%)	16.9	80.1	59.7

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	51.22	51.22
FIs & Local MFs	15.61	15.58
FPIs	1.46	1.37
Public & Others	31.72	31.82
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Greenpanel Industries

Nearing operational bottom; outlook remains bright

We maintain our BUY rating on Greenpanel with a lower target price of INR 435/share (20x its Sep'25E APAT). We like Greenpanel for its leadership positioning in the high-growth MDF segment, its large retail presence (85% in FY23), healthy margin, and working capital profile. In Q2FY24, Greenpanel's revenue/EBITDA/ APAT fell 13/41/38% YoY owing to a surge in both imports as well as domestic capacity additions and soaring timber prices. These impacted both sales volume (down 2% YoY decline) and gross margin compression. Greenpanel expects the pressure to ease off from FY25 onwards. Its MDF capacity expansion by 35% is expected to be operational by Q3FY25.

- **Q2FY24 performance:** Greenpanel's consolidated revenue/EBITDA/APAT fell 13/41/38% YoY, owing to elevated MDF imports, rising timber prices and an increase in domestic capacities. However, revenue/EBITDA grew 3/5% QoQ, owing to maintenance shutdown and higher freight and ad spending in Q1. Sales volume fell 2% YoY (domestic down 9% YoY, while export rose 24% YoY). NSR for domestic/export sales fell 1/2% QoQ. EBITDAM of the MDF segment expanded by 80bps QoQ to 21.2% owing to lower cost. Ply segment performance remained weak as revenue fell 29/4% YoY/ QoQ and EBITDAM contracted to 1.6% in Q2 vs 7.3/5.9% YoY/ QoQ.
- **Outlook:** Management cut MDF volume growth guidance to 3-5% YoY in FY24 vs 12-15% guided earlier (H1FY24: -5% YoY). It also lowered MDF EBITDAM guidance to 22-23% vs 23-25% guided earlier (H1FY24: 21%). During Oct-23, Greenpanel's domestic volume grew by 9% YoY to 34K CBM. To compete with the import influx, the company has decided to manufacture lower-cost MDF to service the OEMs. It expects to double its OEM sales in upcoming quarters. It is also expanding its MDF capacity by 231K CBM (35% increase in capacity) at a capex of INR 6bn at AP (revenue potential INR 7.7bn). It is delayed by a quarter owing to a delay in shipment from Germany and is expected to be commissioned by Q3FY25. As BIS norms will become compulsory in MDF from Feb-24, import pressure should ease. Greenpanel is expanding the share of value-added products (VAP), retail sales and marketing spending to counter the medium-term competition impact on supply influx. We have cut our FY24/25 EPS estimates by 5/5% and maintained our FY26 estimates.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
MDF Sales (K CBM)	123.62	126.23	*(2.1)*	115.80	*6.8*	495.0	506.7	518.9	615.0	725.7
MDF NSR (INR/CBM)	28,679	31,299	*(8.4)*	29,376	*(2.4)*	26,850	30,283	28,781	28,735	29,309
MDF EBITDA (INR/CBM)	6,080	9,515	*(36.1)*	5,993	*1.5*	8,319	8,411	6,034	6,238	6,655
Net Sales	3,987	4,573	*(12.8)*	3,862	*3.2*	16,250	17,829	16,885	19,980	23,792
EBITDA	691	1,167	*(40.8)*	658	*5.0*	4,304	4,165	3,106	3,909	5,039
EBITDAM (%)	17.3	25.5		17.0		26.5	23.4	18.4	19.6	21.2
APAT	410	664	*(38.2)*	373	*10.0*	2,405	2,504	1,835	2,323	3,016
AEPS (INR)	3.3	5.4	*(38.2)*	3.0	*10.0*	19.6	20.4	15.0	18.9	24.6
EV/EBITDA (x)						10.0	9.8	13.3	10.8	8.2
P/E (x)						17.6	16.9	23.1	18.2	14.0
RoE (%)						28.6	23.3	*14.4*	*15.9*	*17.9*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2023)*	INR 346
Target Price	INR 435
NIFTY	18,989

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 450	INR 435
EPS revision %	FY24E *(4.5)*	FY25E *(5.2)*

KEY STOCK DATA	
Bloomberg code	GREENP IN
No. of Shares (mn)	123
MCap (INR bn) / ($ mn)	42/518
6m avg traded value (INR mn)	152
52 Week high / low	INR 402/255

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.1	15.8	(6.4)
Relative (%)	5.4	11.8	(10.5)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	53.10	53.13
FIs & Local MFs	21.60	22.84
FPIs	4.30	4.41
Public & Others	21.00	19.62
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

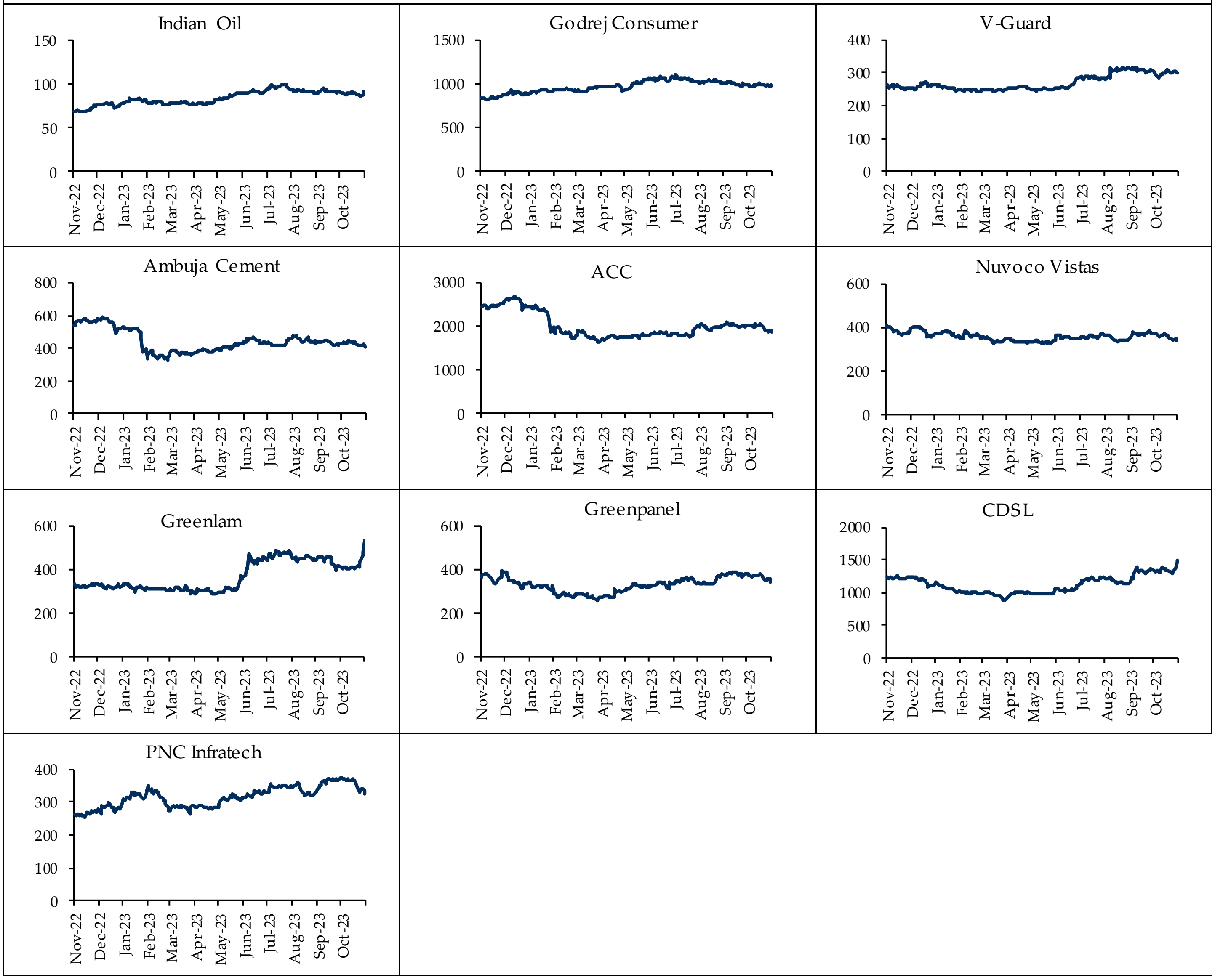
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Indian Oil Corporation, Gail	MBA	NO
Nilesh Ghuge	Indian Oil Corporation, Gail	MMS	NO
Akshay Mane	Indian Oil Corporation, Gail	PGDM	NO
Varun Lohchab	Godrej Consumers	PGDM	NO
Naveen Trivedi	Godrej Consumers, V-Guard Industries	MBA	NO
Paarth Gala	Godrej Consumers, V-Guard Industries	Bcom	NO
Riddhi Shah	Godrej Consumers, V-Guard Industries	MBA	NO
Rajesh Ravi	Ambuja Cement, ACC, Nuvoco Vistas Corporation, Greenlam Industries, Greenpanel Industries	MBA	NO
Keshav Lahoti	Ambuja Cement, ACC, Nuvoco Vistas Corporation, Greenlam Industries, Greenpanel Industries	CA	NO
Amit Chandra	CDSL	MBA	NO
Parikshit Kandpal	PNC Infratech	CFA	NO
Manoj Rawat	PNC Infratech	MBA	NO
Nikhil Kanodia	PNC Infratech	MBA	NO

1 Yr Price movement



Disclosure:

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