INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Godrej Properties:** Godrej Properties Ltd (GPL) reported the highest-ever quarterly presales worth INR 57.2bn (+76/+14% YoY/QoQ), with a booking area of 4.3msf (-2/-17% YoY/QoQ). On the back of the strong presales, GPL has achieved ~93% of INR 140bn+ of targeted presales in FY24; we now expect INR 50bn+ presales during Q4FY24, taking FY24 presales to INR 175-180bn. GPL added one new project with a gross development value (GDV) of INR 12.5bn in Q3FY24, taking the total YTD GDV addition to INR 84bn. GPL expects to achieve INR 150bn of GDV addition in FY24. However, given a strong launch pipeline of ~18msf and growth visibility of 2-3 years, GPL will be adding projects on a replacement basis in most of the existing markets. Repair expense for the Gurugram project has been under INR 250mn till now (expected total repair expense is INR 1.6bn). In addition to this, GPL has bought back 100 units for INR 850mn and expects INR 1-2bn worth of total buybacks (100-200 units out of 1,100 total units). We reiterate ADD with SOTP valuation of INR 2,077/sh.

- **Ashok Leyland:** Ashok Leyland's Q3 PAT at INR 5.8bn and margin at 12% were both higher than our estimates. With a high base in Q4 and the likely impact of upcoming general elections, we expect the MHCV industry to post mid-single-digit growth for FY24. We are of the view that the best of the CV industry is now behind us, after two years of very strong growth. The stock is likely to remain range-bound from here on, given (1) a decelerating growth trend in CVs; (2) the need to support Switch in the foreseeable future, which is likely to hurt returns (AL to invest INR 12bn in Switch in FY24); and (3) the resultant rise in debt. Although AL hopes to achieve EBITDA margins in the mid-teens over the medium term, increasing financing costs will likely offset the benefit of higher margins. Reiterate SELL with a revised TP of INR 151 (from INR 155 earlier), as we roll forward to Mar-26 EPS.

- **Fsn E-commerce Ventures (Nykaa):** Nykaa's Q3 top line grew 22.3% YoY to INR17.89bn (HSIE: INR17.98bn). BPC growth continues to moderate (22.8% YoY for 9MFY24; vs 42% CAGR over FY19-23). BPC/Fashion revenue grew 19/20% respectively, lower than their respective GMV growth (24/40%), as (1) higher brand discounts put downward pressure on take rates (lower GMV-to-NSV conversion) and (2) ad/service income was lower (note: ad income is estimated to have declined by ~150bps YoY for 9MFY24). Given the rising skew of non-BPC GMV; contribution margins continued to contract (-72bps). EBITDAM for Q3 stood at 5.5% (HSIE: 5.8%). We largely maintain our FY25/26 EBITDA estimates and REDUCE rating with a DCF-based TP of INR145/sh (implying 68x FY26 EV/EBITDA).

- **Sundaram Finance:** Sundaram Finance (SUF) earnings were largely in line with our estimates with healthy AUM growth (+26% YoY) and pristine asset quality, partially offset by NIM compression. AUM growth was driven by non-M&HCV segments, particularly retail CV (+56% YoY). SUF continues to be focused on product and geographic diversification strategy to sustain its growth momentum and drive margins. However, the rising cost of funds, concomitant with high competitive intensity, is likely to continue weighing in on margins. Further, loan growth is likely to taper off (AUM CAGR of ~19% during FY24E-FY26E) with a softening CV and PV industry outlook, which is evident in moderation of disbursements (+15% YoY vs. 35% in Q2FY24).

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While the asset quality continues to be pristine, driving healthy profitability (core RoE of ~17-18%), the 60% valuation re-rating over the past year leaves very little margin of safety. We downgrade SUF to ADD (from BUY) with a revised SoTP-based TP of INR3,610 (standalone entity at 3.7x Sep-25 ABVPS).

- **Bata India:** Revenue was flat YoY at INR9.03bn (four-year CAGR: 2.2%; HSIE: INR10bn), led by mid-single digits, while premiumization continues to backstop revenue decline. EBITDAM contracted 270bps to 20.2% (HSIE: 25.8%) despite premiumization-led GM gains as (1) Bata stepped up brand and IT investments (impact: 300 bps in Q3) and (2) negative operating leverage kicked in. We've cut our FY25/26 EPS estimates by 7/4% respectively (to account for a slower pick-up in sales momentum) and maintain a REDUCE rating with a DCF-based TP of INR1,450/sh, implying 36x FY26 P/E.

- **Navin Fluorine International:** We retain a BUY on Navin Fluorine International Ltd (NFIL), with a target price of INR 4,014, on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business; (3) capacity expansion led growth; and (4) strong R&D infrastructure. EBITDA/APAT were 39/44% below our estimates, owing to a 4% fall in revenue, higher-than-expected raw material cost, other operation expenses, and employee expenses.

- **Fine Organic Industries:** Our SELL recommendation on Fine Organics with a TP of INR 3,842 is premised on (1) the delay in capacity addition; (2) sluggish demand in the US and European markets; and (3) a sharp fall in finished product prices. Q3 EBITDA/APAT were 7/5% below our estimates, owing to lower-than-expected total revenue, offset by higher-than-expected operating expenses.

- **PNC Infratech:** PNC Infratech (PNC) reported Q3FY24 revenue/EBITDA/APAT of INR 18/2.4/1.5bn, missing our estimates by 2/2.7/2%. PNC announced a stake sale in 12 assets to KKR for a total equity value of INR 29bn vs equity investment of INR 17.4bn. The deal is expected to close by March 2025. The order book (OB) as of Dec'23 stood at INR 173.8bn (~2.5x FY23 revenue, including L1 of INR 55.9bn excluding GST), with the road EPC segment contributing 75% of it. It cut its FY24 revenue growth guidance to 10% YoY (vs 15% earlier), with an EBITDA margin of 13.3-13.5%, an order inflow (OI) of INR 80bn and capex of INR 0.5bn. The company plans to infuse INR 1.2/4.5/3.6bn in Q4FY24/25/26. PNC has a net cash position of INR 0.4bn as of Dec'23. Given better margins and a robust balance sheet, we maintain BUY, with an unchanged TP of INR 520/sh (14x Dec-25E, 1.6x P/BV for HAM equity investment).

- **TTK Prestige:** TTK Prestige (TTKPT) reported a soft 3Q performance as post a decent festive season sale (below expectation), the channel resorted to de-stocking, given the prevalent challenging demand environment. Weakness in general trade persisted while e-comm, MT and exclusive stores fared better. In addition to the shift in consumer wallet, the category is witnessing a return of small/regional players, given moderating RM inflation, which has increased the competitive intensity (both online/offline channels) with brands offering discounts, especially for entry-level products. Despite higher sales promotion, TTKPT maintained its GM while growing EBITDA by 10% on better cost control/mix. However, we expect competitive pressure (more in the mid-economy segment) and slow demand to continue to impact performance in the near term. We cut our earnings by 0-4% over FY24-26 and value the stock on 30x Dec-25 EPS to derive a TP of INR 750. Maintain REDUCE.

- **Prince Pipes and Fittings:** We maintain our ADD rating on Prince Pipes, with a lower target price of INR 675/sh (30x its Mar-26E EPS). In Q3FY24, Prince reported sub-par volume, down 2% YoY, and continued to lose market share while its peers delivered double-digit volume growth. Adjusted for inventory losses, unitary EBITDA fell to INR 20/kg in Q3 vs INR 22/21 per kg YoY/QoQ. Management is hopeful of arresting its market share loss from Q1FY25 onwards, on the back of various corrective actions it has taken so far. Prince is setting up a greenfield pipe plant in Bihar (~50K MT expected in Q4FY25, Capex INR 2.2bn), which will expand its plumbing capacity by 15%. In bathware, it is ramping up its sales and distribution network and expects EBITDA to break even in the next two years.

- **Orient Cement:** We maintain our REDUCE rating on Orient Cement with a revised TP of INR 205/share (7.5x Mar-26E EBITDA). In Q3FY24, cement volume declined 3% YoY owing to weak demand (especially B2C). NSR rebounded 7% QoQ (+5% YoY). Unit opex rose 3% QoQ on higher unit fixed and freight costs. This moderated the margin recovery. Thus, unitary EBITDA increased INR 220/MT QoQ to INR 628/MT (up INR 200/MT YoY). Management expects 5% YoY volume growth in Q4 to 1.8mn MT (Jan sales were weak). Management aims to commission the planned brownfield 2/3mn MT clinker/cement Chittapur expansion (for a capex of INR 15bn) by the end of FY26.

Godrej Properties

Premium launches to drive rerating

Godrej Properties Ltd (GPL) reported the highest-ever quarterly presales worth INR 57.2bn (+76/+14% YoY/QoQ), with a booking area of 4.3msf (-2/-17% YoY/QoQ). On the back of the strong presales, GPL has achieved ~93% of INR 140bn+ of targeted presales in FY24; we now expect INR 50bn+ presales during Q4FY24, taking FY24 presales to INR 175-180bn. GPL added one new project with a gross development value (GDV) of INR 12.5bn in Q3FY24, taking the total YTD GDV addition to INR 84bn. GPL expects to achieve INR 150bn of GDV addition in FY24. However, given a strong launch pipeline of ~18msf and growth visibility of 2-3 years, GPL will be adding projects on a replacement basis in most of the existing markets. Repair expense for the Gurugram project has been under INR 250mn till now (expected total repair expense is INR 1.6bn). In addition to this, GPL has bought back 100 units for INR 850mn and expects INR 1-2bn worth of total buybacks (100-200 units out of 1,100 total units). We reiterate ADD with SOTP valuation of INR 2,077/sh.

- **Q3FY24 financial highlights:** Revenue came in at INR 3.3bn (+68%/-4% YoY/QoQ, a 49% miss). There was no new project delivery resulting in revenue underperformance. EBITDA: loss of INR 416mn (vs INR 168mn/(617)mn Q3FY23/Q2FY24) against an estimated loss of INR 40mn. APAT: INR 627mn (+11%/-14% YoY/QoQ, a 52% miss). GPL is targeting 12.5msf of deliveries for FY24 with 6.5msf delivered 9MFY24.
- **Record quarterly presales; guiding for stronger 4QFY24:** Presales for Q3FY24 were the highest-ever quarterly presales worth INR 57.2bn (+76/+14% YoY/QoQ), with a booking area of 4.3msf (-2/-17% YoY/QoQ). This was on the back of mainly two projects: Godrej Aristocrat, Gurugram, which was GPL's most successful launch ever achieving a booking value of INR 26.7bn from 1.35msf of area sold and Godrej Ananda, Bengaluru, achieving a booking value of INR 5.7bn from 0.84msf of area sold. The overall average price realisation for the quarter was INR 13,180psf (+79%/+37%, YoY/QoQ). GPL has launched 13.53msf of projects so far in the year and plans to launch a total of 26msf for the full year FY24. The Ashok Vihar project Ph1 and Worli project are expected to launch in H1FY25. For FY24, GPL expects to cross its presales guidance of INR 140bn to INR 175-180bn.
- **BD activity has been below expectation during 9MFY24, given accelerated land bank addition in the last two years:** In Q3FY24, GPL added one new project with a GDV of INR 12.5bn, taking the total YTD GDV addition to INR 84bn (56% of INR 150bn targeted for full-year FY24). Given its strong launch pipeline, GPL has growth visibility of 2-3 years and will add projects on a replacement basis rather than having a lumpy transaction (except for new potential markets like Hyderabad). Collections in Q3FY24 were strong and stood at INR 24.1bn (+43/+1% YoY/QoQ), resulting in a net operating cash flow of INR 7.9bn. Net debt, however, rose to INR 69bn (INR 62bn in Sep'23) with net D/E at 0.72x owing to investment in land and approvals cost.

Consolidated financial summary (INR mn)

YE March (INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	3,304	1,962	68	3,430	(4)	22,523	25,901	29,786	34,254
EBITDA	(416)	(168)	148	(617)	(33)	2,476	3,692	4,767	6,025
APAT	627	564	11	726	(14)	5,714	6,316	6,630	7,370
Diluted EPS (INR)	2.3	2.0	11.2	2.6	(13.7)	20.6	22.7	23.9	26.5
P/E (x)						111.9	101.3	96.5	86.8
EV / EBITDA (x)						260.5	177.7	135.7	107.9
RoE (%)						6.4	6.6	5.8	5.0

Source: Company, HSIE Research

ADD

CMP *(as on 06 Feb 2024)*	INR 2,300
Target Price	INR 2,077
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,077	INR 2,077

EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	GPL IN
No. of Shares (mn)	278
MCap (INR bn) / ($ mn)	640/7,821
6m avg traded value (INR mn)	1,378
52 Week high / low	INR 2,457/1,005

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	26.2	49.8	98.9
Relative (%)	15.0	39.9	79.6

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	58.48	58.48
FIs & Local MFs	4.61	4.69
FPIs	29.25	29.73
Public & Others	7.66	7.10
Pledged Shares	-	-

Source: BSE

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Ashok Leyland

Moderating demand to weigh on multiples

Ashok Leyland's Q3 PAT at INR 5.8bn and margin at 12% were both higher than our estimates. With a high base in Q4 and the likely impact of upcoming general elections, we expect the MHCV industry to post mid-single-digit growth for FY24. We are of the view that the best of the CV industry is now behind us, after two years of very strong growth. The stock is likely to remain range-bound from here on, given (1) a decelerating growth trend in CVs; (2) the need to support Switch in the foreseeable future, which is likely to hurt returns (AL to invest INR 12bn in Switch in FY24); and (3) the resultant rise in debt. Although AL hopes to achieve EBITDA margins in the mid-teens over the medium term, increasing financing costs will likely offset the benefit of higher margins. Reiterate SELL with a revised TP of INR 151 (from INR 155 earlier), as we roll forward to Mar-26 EPS.

- **Q3 earnings ahead of our estimates:** Ashok Leyland's Q3 PAT at INR 5.8bn was higher than our estimates. Notwithstanding lower volumes, gross margins expanded 130bps QoQ, aided by better realizations. The margin at 12% was higher than our estimate of 10.8%, aided by softer commodity prices. The tax rate in Q3 remained elevated at 36% due to deferred tax adjustment.
- **Call takeaways:** (1) Truck demand is currently being driven by tractor-trailers and tippers. (2) Domestic M&HCV industry grew 10%/9% in H1FY24/9MFY24 respectively. Growth in Q3 was subdued due to elections in key states. Q4 is likely to remain subdued due to the high base of Q4FY23 and union elections. Recovery is expected in 2HFY25. (3) In the M&HCV segment, AL's market share has increased to 35% in 9MFY24 (31.4% in 1HFY24). With a significant competition reaction expected, AL will focus on profitability and not offer aggressive discounts to gain further market share. (4) The demand for buses is being driven by the replacement of existing fleets and increasing demand for school and staff transportation. (5) The earlier double-digit EBITDA margin guidance has been revised to mid-teens EBITDA margin for the medium term. (6) Its order book in the e-bus segment stands at 1,000 units. It plans to launch its first LCV EV by Q4FY24 and it has already received LoIs for about 12-13k e-LCVs from multiple customers. (7) AL is seeing very good traction from the defence segment and it expects to end FY24 with INR 9-10bn revenue from this segment (INR 3bn done in H1). (8) As a part of the equity infusion plan of INR 12bn in Switch Mobility announced earlier, AL has invested INR 6.6bn in Q3. The balance will be invested in one or more tranches over the next few months. (9) Capex incurred for 9MFY24 is INR 2.9bn (INR 0.9bn incurred in 3QFY24). (10) Net debt stood at INR 17.5bn, an increase of INR 6bn QoQ after fund infusion in Switch mobility.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	92,730	90,297	2.7	96,380	-3.8	361,441	385,164	405,086	429,317
EBITDA	11,139	7,973	39.7	10,798	3.2	29,307	40,635	41,319	43,790
APAT	5,806	3,544	63.8	5,839	-0.6	12,955	21,415	20,596	22,130
Diluted EPS (INR)	2.0	1.2	63.8	1.99	-0.6	4.4	7.3	7.0	7.5
P/E (x)						39.4	24.6	25.6	23.8
EV / EBITDA (x)						16.0	11.5	10.9	10.4
RoCE (%)						19.1	25.1	22.4	23.7

Source: Company, HSIE Research

SELL

CMP *(on 06 Feb 2024)*	INR 180
Target Price	INR 151
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 155	INR 151
	FY24E	FY25E
EPS %	-0.6%	-0.6%

KEY STOCK DATA	
Bloomberg code	AL IN
No. of Shares (mn)	2,936
MCap (INR bn) / ($ mn)	528/6,461
6m avg traded value (INR mn)	2,586
52 Week high / low	INR 192/133

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	6.4	(1.4)	17.7
Relative (%)	(4.8)	(11.2)	(1.6)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	51.53	51.53
FIs & Local MFs	16.38	14.66
FPIs	20.05	20.49
Public & Others	12.04	13.25

Source : BSE

Pledged shares as % of total shares

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Fsn E-commerce Ventures (Nykaa)

Broadly in-line performance; thesis remains on track

Nykaa's Q3 top line grew 22.3% YoY to INR17.89bn (HSIE: INR17.98bn). BPC growth continues to moderate (22.8% YoY for 9MFY24; vs 42% CAGR over FY19-23). BPC/Fashion revenue grew 19/20% respectively, lower than their respective GMV growth (24/40%), as (1) higher brand discounts put downward pressure on take rates (lower GMV-to-NSV conversion) and (2) ad/service income was lower (note: ad income is estimated to have declined by ~150bps YoY for 9MFY24). Given the rising skew of non-BPC GMV; contribution margins continued to contract (-72bps). EBITDAM for Q3 stood at 5.5% (HSIE: 5.8%). We largely maintain our FY25/26 EBITDA estimates and REDUCE rating with a DCF-based TP of INR145/sh (implying 68x FY26 EV/EBITDA).

- **Q3FY24 highlights**: Revenue grew 22.3% to INR17.89bn (vs HSIE: INR17.98bn). BPC AUTC/orders grew 15.6/16.8% YoY respectively in Q3 (to 11.1mn each) and Fashion AUTC/orders grew 20.8/17.6% YoY respectively in Q3 (to 2.9/2mn resp). BPC/Fashion revenue grew 19/20% (HSIE: INR15.05/1.53bn respectively), lower than their respective GMV growth (24/40%) as (1) higher brand discounts put downward pressure on take rates (lower GMV-to-NSV conversion) and (2) ad/service income was lower (note: ad income is estimated to have declined by ~150bps YoY for 9MFY24). CAC for non-BPC segments (Fashion/eB2B) reduced meaningfully as Nykaa improved its order-to-visit conversion rates. Interestingly, in BPC, despite the higher salience of existing customers in GMV, CAC increased 90bps YoY to 8.9% in 9MFY24—could this mean the cost of retaining existing BPC traffic is getting more expensive? It certainly warrants closer monitoring. GM contracted 86bps YoY to 42.5% (HSIE: 43.5%) due to (1) rising non-BPC skew and (2) lower ad/service income. Despite this, EBITDAM expanded 18bps YoY to 5.5% (HSIE: 5.8%) as Nykaa improved on its fixed cost absorption. EBITDA/APAT grew 26/106% to INR988/175mn (HSIE: INR1,035/215mn).
- **Outlook**: Ex-ad income, the lack of non-linear monetisation levers forces us to keep our valuation compass somewhere between a linear business and a pure platform. We largely maintain our FY25/26 EBITDA estimates and our REDUCE rating with a DCF-based TP of INR145/sh (implying 68x FY26 EV/EBITDA).

Quarterly financial summary

(Rs mn)	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	17,888	14,628	22.3	15,070	18.7	37,739	51,438	62,992	81,787	1,02,805
EBITDA	988	782	26.4	806	22.5	1,633	2,560	2,918	5,540	8,134
APAT	175	85	105.7	78	123.8	413	248	67	1,807	3,620
EPS (Rs)	0.1	0.0	105.5	0.0	123.8	0.9	0.1	0.0	0.6	1.3
P/E (x)						183.1	1,844.5	6,835.7	253.4	126.5
EV/EBITDA (x)						519.6	390.7	273.1	117.0	75.1
Core RoCE(%)						4.4	2.6	1.4	8.1	12.0

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	62,992	63,377	*(0.6)*	81,787	83,233	*(1.7)*	1,02,805	1,05,162	*(2.2)*
Gross Profit	27,013	27,460	*(1.6)*	34,870	35,582	*(2.0)*	43,341	44,487	*(2.6)*
Gross Profit Margin(%)	42.9	43.3	***(44 bps)***	42.6	42.7	***(11 bps)***	42.2	42.3	***(15 bps)***
EBITDA	2,918	2,797	*4.3*	5,540	5,568	*(0.5)*	8,134	8,232	*(1.2)*
EBITDA margin (%)	4.6	4.4	***22 bps***	6.8	6.7	***8 bps***	7.9	7.8	***8 bps***
APAT	67	8	*695.3*	1,807	1,816	*(0.5)*	3,620	3,606	*0.4*
APAT margin (%)	0.1	0.0	***9 bps***	2.2	2.2	***3 bps***	3.5	3.4	***9 bps***
EPS (Rs)	0.02	0.00	*695.3*	0.63	0.64	*(0.5)*	1.27	1.26	*0.4*

Source: Company, HSIE Research

REDUCE

CMP *(as on 06 Feb 2024)*	**INR 160**
Target Price	**INR 145**
NIFTY	**21,929**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 145	INR 145
EBITDA%	FY25E -0.5	FY26E +0.4

KEY STOCK DATA	
Bloomberg code	NYKAA IN
No. of Shares (mn)	2,855
MCap (INR bn) / ($ mn)	458/5,601
6m avg traded value (INR mn)	1,284
52 Week high / low	INR 196/114

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	8.9	8.7	16.3
Relative (%)	(2.2)	(1.1)	(3.0)

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	52.26	52.24
FIs & Local MFs	10.73	10.88
FPIs	9.84	10.65
Public & Others	27.17	26.23
Pledged Shares		

Source : BSE

Pledged shares as % of total shares

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Sundaram Finance

Growth tailwinds receding; downgrade to ADD

Sundaram Finance (SUF) earnings were largely in line with our estimates with healthy AUM growth (+26% YoY) and pristine asset quality, partially offset by NIM compression. AUM growth was driven by non-M&HCV segments, particularly retail CV (+56% YoY). SUF continues to be focused on product and geographic diversification strategy to sustain its growth momentum and drive margins. However, the rising cost of funds, concomitant with high competitive intensity, is likely to continue weighing in on margins. Further, loan growth is likely to taper off (AUM CAGR of ~19% during FY24E-FY26E) with a softening CV and PV industry outlook, which is evident in moderation of disbursements (+15% YoY vs. 35% in Q2FY24). While the asset quality continues to be pristine, driving healthy profitability (core RoE of ~17-18%), the 60% valuation re-rating over the past year leaves very little margin of safety. We downgrade SUF to ADD (from BUY) with a revised SoTP-based TP of INR3,610 (standalone entity at 3.7x Sep-25 ABVPS).

- **Product diversification drives loan growth; expect moderation ahead:** SUF's product and geographic diversification strategy has helped drive loan growth with the non-M&HCV segment's loan growth at ~33% YoY, while the north region AUM grew by 29% YoY. Although this strategy is likely to sustain the growth momentum going ahead, a softer outlook on CV and PV segments is likely to moderate loan growth closer to ~17-18%.
- **Yield reflation partly offsets NIM compression:** NIMs (calculated) declined 10bps QoQ to 4.9%, driven by the rising cost of funds (7.1%; +30bps QoQ). The cost of funds is likely to inch up further, given the tight liquidity environment, and limited levers (CP exposure at 11%), although SUF's cost of funds remains best-in-class. However, the shift in loan mix towards retail CVs and used vehicles has driven a marginal yield reflation and is expected to help stabilise NIMs going ahead.
- **HFC subsidiary - turning the corner on growth:** SUF's HFC subsidiary continues to sustain its business momentum, with disbursals/AUM growth of 30%/23% YoY, driven by the non-housing portfolio. Investments in branches (33 added during Sep-22) and headcount are likely to sustain the growth momentum. The AMC subsidiary delivered steady AUM growth (+18.5% YoY), and better profitability (+50% YoY). The GI business continues to grapple with a high COR (116%), while GWP growth has moderated to ~4% YoY.
- **Robust franchise; limited margin of safety:** SUF remains a robust franchise with strong profitability (core RoE of ~17-18%) and pristine asset quality (cross-cycle credit costs of ~50bps). The company's diversification strategy has further helped SUF solve for growth. However, most of the positives are factored into the current stock price, especially given the current stage of the cycle, driving our downgrade to ADD.

Financial Summary

(INR bn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	5.0	4.4	*14.2*	4.9	3.2	16.9	19.5	23.7	27.9
PPOP	4.1	3.6	*15.4*	5.3	*(22.0)*	15.5	18.6	22.7	26.9
PAT	3.0	2.4	*23.6*	3.7	*(18.1)*	10.9	12.9	15.4	18.2
EPS (INR)	27.0	21.8	*23.7*	33.0	*(18.1)*	98.0	116.4	138.6	164.2
ROAE (%)						14.9	15.7	16.4	16.9
ROAA (%)						2.9	2.8	2.8	2.8
ABVPS (INR)						479.3	564.4	671.8	800.3
P/ABV (x)						5.8	5.0	4.2	3.5
P/E (x)						28.6	24.1	20.2	17.1

Source: Company, HSIE Research

ADD

CMP *(as on 05 Feb 2024)*	INR3,698
Target Price	INR3,610
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 3500	INR 3610
EPS %	FY24E	FY25E
	0.0%	2.0%

KEY STOCK DATA	
Bloomberg code	SUF IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	411/5,024
6m avg traded value (INR mn)	239
52 Week high / low	INR 3,865/2,190

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.8	43.4	60.6
Relative (%)	3.3	34.3	42.7

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	38.5	37.9
FIs & Local MFs	13.1	13.5
FPIs	13.2	13.0
Public & Others	35.2	35.6
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

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Bata India

Continues to be a laggard

Revenue was flat YoY at INR9.03bn (four-year CAGR: 2.2%; HSIE: INR10bn), led by weak consumer demand. Off-take in <INR1,000 product range remains weak. Volume declined by mid-single digits, while premiumization continues to backstop revenue decline. EBITDAM contracted 270bps to 20.2% (HSIE: 25.8%) despite premiumization-led GM gains as (1) Bata stepped up brand and IT investments (impact: 300 bps in Q3) and (2) negative operating leverage kicked in. We've cut our FY25/26 EPS estimates by 7/4% respectively (to account for a slower pick-up in sales momentum) and maintain a REDUCE rating with a DCF-based TP of INR1,450/sh, implying 36x FY26 P/E.

- **Q3FY24 highlights**: Revenue grew 0.4% YoY to INR9.03bn (HSIE: INR10bn), led by weak consumer demand post the festive season. The sub-INR1,000 product range (~34% of sales for 9MFY24) continues to remain under pressure while premium categories continue to grow. Volume declined by mid-single digits for the quarter. SSSG is likely to be negative over 9MFY24. Bata added 54 stores (net) in Q3 (franchisee/total store count: 509/1,835). Digital sales contribution from Bata.in/B2C/B2B stood at 6/34/60% in Q3. Significant store refreshment has been done in last 18 months and it is expected to continue for next 1-2 quarters. Premiumization aided GMs (up 129bps YoY at 56.1%). However, (1) a step-up in brand and tech investments (300bps) and (2) low sales density-led negative operating leverage resulted in an EBIDTAM contraction of 270bps (20.2% vs HSIE: 25.8%). Reported EBITDA/APAT declined 11.5/30.3% YoY in Q3 to INR1.82/0.58bn (HSIE: INR2.6/1.19bn).

- **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 6/4% respectively and maintain our REDUCE rating on Bata with a DCF-based TP of INR1,450/sh, implying 36x Sep-25 P/E.

Quarterly financial summary

(Rs mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	9,035	9,002	0.4	8,191	10.3	23,877	34,516	35,163	39,670	44,691
EBITDA	1,824	2,061	(11.5)	1,817	0.4	1,318	4,822	4,862	5,618	6,709
APAT	580	832	(30.3)	340	70.6	1,030	3,230	3,189	4,061	5,111
EPS (Rs)	4.5	6.5	(30.3)	2.64	70.6	8.0	25.1	24.8	31.6	39.8
P/E (x)						179.9	57.4	58.1	45.6	36.2
EV/EBITDA (x)						133.2	37.3	36.2	30.6	24.9
Core RoCE(%)						6.0	31.9	26.1	28.7	33.2

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	35,163	36,425	*(3.5)*	39,670	41,118	*(3.5)*	44,691	46,341	*(3.6)*
Gross Profit	19,823	20,379	*(2.7)*	21,711	22,314	*(2.7)*	24,118	24,784	*(2.7)*
Gross Profit Margin (%)	56.4	55.9	***43 bps***	54.7	54.3	***46 bps***	54.0	53.5	***49 bps***
Pre-IND AS EBITDA	4,862	5,435	*(10.5)*	5,618	6,151	*(8.7)*	6,709	7,264	*(7.6)*
Pre-IND AS EBITDA margin (%)	13.8	14.9	***(109 bps)***	14.2	15.0	***(80 bps)***	15.0	15.7	***(66 bps)***
APAT	3,189	3,644	*(12.5)*	4,061	4,352	*(6.7)*	5,111	5,313	*(3.8)*
APAT margin (%)	9.1	10.0	***(94 bps)***	10.2	10.6	***(35 bps)***	11.4	11.5	***(3 bps)***
EPS	24.8	28.4	*(12.5)*	31.6	33.9	*(6.7)*	39.8	41.3	*(3.8)*

Source: Company, HSIE Research

REDUCE

CMP*(as on 06 Feb 2024)*	INR 1,442
Target Price	INR 1,450
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 1,500	Rs 1,450
EBITDA %	FY25E	FY26E
	-6.7	-3.8

KEY STOCK DATA	
Bloomberg code	BATA IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	185/2,267
6m avg traded value (INR mn)	486
52 Week high / low	INR 1,771/1,381

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.6)	(18.0)	(5.3)
Relative (%)	(18.7)	(27.8)	(24.6)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	50.16	50.16
FIs & Local MFs	19.89	19.05
FPIs	7.51	10.61
Public & Others	22.44	20.18
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Navin Fluorine International

Long-term contracts to drive growth

We retain a BUY on Navin Fluorine International Ltd (NFIL), with a target price of INR 4,014, on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business; (3) capacity expansion led growth; and (4) strong R&D infrastructure. EBITDA/APAT were 39/44% below our estimates, owing to a 4% fall in revenue, higher-than-expected raw material cost, other operation expenses, and employee expenses.

- **Financial Q3 performance:** Revenue fell 6% sequentially to INR 5,018mn, mainly owing to a weak performance of specialty chemicals and CDMO business unit (BU). Sales were lower due to (1) sales of a campaign in CDMO deferred to Q3 due to a change in product specification and method of analysis and (2) the deferral of sales of two new products in specialty chemicals BU. The cost of goods sold increased because of higher-value inventory destocking. Other operating expenses increased owing to one-time expenses. EBITDA came in at INR 757mn (-23/+51% QoQ/YoY), with EBITDA margin deteriorating to ~15% (-576/-1253bps QoQ/ YoY). Management expects improved revenue visibility in FY25 on the back of a ramp-up in utilisation of the HFO plant and MPP-1 plant.
- **Segmental Q3 performance:** Speciality chemicals BU (35% of revenue mix) fell 5% QoQ to INR 1.77bn owing to deferral of two campaigns at Dahej and inventory destocking. HPP BU (50% of revenue mix) was up by 5.5% QoQ to INR 2.5bn. Refrigerant gas prices remained under pressure in the international market owing to dumping by Chinese producers. The R32 plant has stabilised and is currently operating at optimum capacity. CDMO BU (14% of revenue mix) increased 52% QoQ to INR 0.73bn. The company will incur a capex of INR 4.5 bn for the set-up of new HF capacity at Dahej and INR 0.84 bn for capacity expansion of R32, to be commissioned by Q4FY25. Also, the company will incur a capex for cGMP4 amounting to INR2.88 bn, of which it will incur a capex of INR1.6 bn in phase-I which will support MSA with European API customer and will be commissioned by the end of CY2025.
- **Change in estimates:** We cut our FY24/25 EPS estimates by 11/10% to INR 47/80 owing to a slower-than-expected ramp-up in the Honeywell plant and weak performance of Q3FY24.
- **DCF-based valuation: Our target price is INR 4,014 (WACC 11%, terminal growth 5.5%). The stock is trading at 36x FY25E EPS.**

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	QoQ(%)	2QFY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5,018	4,718	6.4	5,636	(11.0)	14,534	20,774	20,440	27,646	36,311
EBITDA	757	983	(23.1)	1,556	(51.4)	3,548	5,503	4,213	7,036	10,017
APAT	780	606	28.8	1,066	(26.8)	2,606	3,702	2,318	3,932	6,045
AEPS (INR)	15.8	12.2	28.8	21.5	(26.8)	52.6	74.7	46.8	79.4	122.1
P/E (x)						67.1	47.2	75.4	44.5	28.9
EV/EBITDA(x)						45.3	30.8	41.2	25.2	17.7
RoE (%)						15.0	18.4	10.1	15.4	20.7

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	4,726	4,213	(10.9)	7,579	7,036	(7.2)
Adj. EPS (INR/sh)	52.7	46.8	(11.2)	88.5	79.4	(10.3)

Source: Company, HSIE Research

BUY

CMP *(as on 06 Feb 2024)*	INR 3,262
Target Price	INR 4,014
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,354	INR 4,014
EPS %	FY24E	FY25E
	(11.2)	(10.3)

KEY STOCK DATA	
Bloomberg code	NFIL IN
No. of Shares (mn)	50
MCap (INR bn) / ($ mn)	162/1,977
6m avg traded value (INR mn)	879
52 Week high / low	INR 4,946/3,203

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(10.2)	(27.6)	(20.6)
Relative (%)	(21.4)	(37.4)	(39.9)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	28.81	28.81
FIs & Local MFs	26.02	28.92
FPIs	19.20	15.92
Public & Others	25.98	26.35
Pledged Shares	3.15	3.15

Source : BSE

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Fine Organic Industries

Subdued demand

SELL

CMP *(as on 06 Feb 2024)*	INR 4,495
Target Price	INR 3,842
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 3,835	INR 3,842
EPS %	FY24E	FY25E
	-1.5%	+1.0%

KEY STOCK DATA	
Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	138/1,685
6m avg traded value (INR mn)	184
52 Week high / low	INR 5,244/4,031

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.3	(2.3)	(4.8)
Relative (%)	(5.8)	(12.2)	(24.1)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	75.00	75.00
FIs & Local MFs	12.17	11.85
FPIs	3.78	3.59
Public & Others	9.05	9.57
Pledged Shares	0.00	0.00

Source: BSE

Our SELL recommendation on Fine Organics with a TP of INR 3,842 is premised on (1) the delay in capacity addition; (2) sluggish demand in the US and European markets; and (3) a sharp fall in finished product prices. Q3 EBITDA/APAT were 7/5% below our estimates, owing to lower-than-expected total revenue, offset by higher-than-expected operating expenses.

- **Financial performance in Q3**: The fall in revenue by 10/36% QoQ/YoY to INR4.88bn is attributed to the fall in exports by 12/57/% QoQ/YoY. The exports were low courtesy sluggish demand in the US and European markets. Other operating expenses declined by 10/12% QoQ/YoY to INR 644mn owing to (1) an increase in the proportion of sales in the domestic market to 49% (+100bps QoQ) and (2) a change in product mix. EBITDA margin remains flat at 24.2%. EBITDA came in at INR1.18bn (-9.8/-26% QoQ/YoY) and APAT came in at INR942mn (-8.9/-11.3% QoQ/YoY).
- **Con call highlights**: (1) Sequentially, raw material prices have remained flattish while management expects them to reduce in coming quarters. (2) Renewal of long-term contracts is still in the rolling process. (2) The contribution of exports to total revenue has fallen further to 51% in Q3FY24 (vs. 69% in Q4FY23), owing to demand slowdown in the US and European markets. (3) All plants (excluding the Patalganga plant) are running at optimum utilisation, courtesy strong product demand in the domestic market. (4) FO has applied for land in a SEZ in Maharashtra. Land allocation and approvals are expected to be in place by March 2024. Commercial production shall commence 18 months after receiving the Environmental Clearance (EC). (5) The domestic market has shown robust growth in Q3FY24 and the company has changed its product mix accordingly. (6) The Red Sea crises have increased freight costs, impacting shipping costs to the US/UK.
- **Change in estimates:** We change our FY24/25 EPS estimates by -1.5/+1% to INR 130/132 to factor in the Q3 performance.
- **DCF-based valuation:** Our target price is INR 3,842 (WACC 12%, terminal growth 6.0%). The stock is trading at 34x FY25E EPS.

Financial summary (consolidated)

INR mn	3Q FY24	2Q FY24	*QoQ (%)*	3Q FY23	*YoY (%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	4,884	5,405	*(9.6)*	7,595	*(35.7)*	18,763	30,231	21,068	21,972	26,280
EBITDA	1,182	1,311	*(9.8)*	1,601	*(26.1)*	3,645	8,311	5,184	5,104	6,234
APAT	942	1,034	*(8.9)*	1,062	*(11.3)*	2,597	6,181	3,992	4,056	4,871
AEPS (INR)	30.7	33.7	*(8.9)*	34.6	*(11.3)*	84.7	201.6	130.2	132.3	158.9
P/E (x)						53.1	22.3	34.5	34.0	28.3
EV/EBITDA(x)						37.3	16.0	24.4	24.1	19.9
RoE (%)						30.7	49.4	23.0	19.2	21.1

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	5,313	5,184	*-2.4%*	5,153	5,104	*-1.0%*	6,291	6,234	*-0.9%*
Adj. EPS (INR/sh)	132.2	130.2	*-1.5%*	131.0	132.3	*1.0%*	157.7	158.9	*0.7%*

Source: Company, HSIE Research

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PNC Infratech

Asset monetisation announced; in-line performance

PNC Infratech (PNC) reported Q3FY24 revenue/EBITDA/APAT of INR 18/2.4/1.5bn, missing our estimates by 2/2.7/2%. PNC announced a stake sale in 12 assets to KKR for a total equity value of INR 29bn vs equity investment of INR 17.4bn. The deal is expected to close by March 2025. The order book (OB) as of Dec'23 stood at INR 173.8bn (~2.5x FY23 revenue, including L1 of INR 55.9bn excluding GST), with the road EPC segment contributing 75% of it. It cut its FY24 revenue growth guidance to 10% YoY (vs 15% earlier), with an EBITDA margin of 13.3-13.5%, an order inflow (OI) of INR 80bn and capex of INR 0.5bn. The company plans to infuse INR 1.2/4.5/3.6bn in Q4FY24/25/26. PNC has a net cash position of INR 0.4bn as of Dec'23. Given better margins and a robust balance sheet, we maintain BUY, with an unchanged TP of INR 520/sh (14x Dec-25E, 1.6x P/BV for HAM equity investment).

- **Q3FY24 financial highlights:** Revenue: INR 18bn (+11/7% YoY/QoQ, a miss of 2%; INR 5.3bn revenue from water segment). EBITDA: INR 2.4bn (+15/+5% YoY/QoQ, a miss of 2.7%). EBITDA margin: 13.3% (+50/-16bps YoY/QoQ, vs. our estimate of 13.4%, owing to higher raw material prices; largely offset by lower employee expenses). Depreciation: INR 261mn (-6/+2% YoY/QoQ). Interest cost: INR 172mn, (+6/-8% YoY/QoQ). Other income: INR 42mn (-57/-26% YoY/QoQ). RPAT/APAT: INR 1.5bn (+17/+8% YoY/QoQ, a miss of 2%). PNC has cut its FY24 revenue growth guidance of 15% YoY to 10% (HSIE estimate 7%) with an EBITDA margin of 13-13.5%. Further, with INR 13.5bn revenue from the water segment in 9MFY24, it maintained its guidance for FY24 revenue from the segment at INR 20bn+.
- **Weak order inflows lend limited growth visibility:** The executable OB as of Dec'23 stood at INR 118bn. The value of five HAM projects yet to be included in OB is INR 55.9bn (excluding GST), which would take the OB to INR 173.8bn (~2.5x FY23 revenue). The road EPC segment constitutes 75% of the total OB whilst water projects constitute 25% of it. The appointed date (AD) for the new HAM projects is expected by FY24-end. Further, the company cut its FY24 OI guidance to INR 80bn (vs INR 100bn). It is also looking for non-road opportunities in metro rail, railways, and water segments.
- **Robust balance sheet; 12 HAM assets stake sale to KKR announced:** With a cash balance of INR 3.2bn and gross debt of INR 2.8bn, PNC has a net cash position of INR 0.4bn as of Sep'23 vs. INR 2bn net debt as of Sep'23. The NWC days stood at 73 vs. 79 as of Sep'23. Out of INR 30bn, PNC has already infused INR 18.8bn as of Dec'23 and has a residual equity requirement of INR 10.6bn for all the HAM projects in the portfolio, of which INR 1.2/4.5/3.6bn will be done in Q4FY24/25/26. PNC has announced a stake sale in 11/1 HAM/BOT projects to KKR and the deal is expected to close by FY25-end. PNC expects to receive INR 29bn for the book value of equity invested at INR 17.4bn.

Standalone Financial Summary (INR mn)

YE Mar (INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	18,027	16,270	10.8	16,930	6.5	70,608	75,158	81,546	89,701
EBITDA	2,395	2,081	15.1	2,276	5.2	9,539	9,688	10,766	12,193
APAT	1,511	1,294	16.7	1,398	8.1	5,838	6,071	6,727	7,656
EPS (INR)	5.9	5.0	16.7	5.4	8.1	22.8	23.7	26.2	29.8
P/E (x)						19.5	18.8	16.9	14.9
EV/EBITDA (x)						12.0	11.4	10.3	9.1
RoE (%)						16.0	14.5	14.2	14.1

Source: Company, HSIE Research

BUY

CMP (*as on 06 Feb 2024*)	**INR 444**
Target Price	**INR 520**
NIFTY	**21,929**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 520	INR 520

EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (INR bn) / ($ mn)	114/1,394
6m avg traded value (INR mn)	251
52 Week high / low	INR 463/261

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	33.4	26.2	30.9
Relative (%)	22.3	16.4	11.6

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	56.07	56.07
FIs & Local MFs	28.10	27.24
FPIs	10.78	10.98
Public & Others	5.06	5.72
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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TTK Prestige

Challenging demand environment

TTK Prestige (TTKPT) reported a soft 3Q performance as post a decent festive season sale (below expectation), the channel resorted to de-stocking, given the prevalent challenging demand environment. Weakness in general trade persisted while e-comm, MT and exclusive stores fared better. In addition to the shift in consumer wallet, the category is witnessing a return of small/regional players, given moderating RM inflation, which has increased the competitive intensity (both online/offline channels) with brands offering discounts, especially for entry-level products. Despite higher sales promotion, TTKPT maintained its GM while growing EBITDA by 10% on better cost control/mix. However, we expect competitive pressure (more in the mid-economy segment) and slow demand to continue to impact performance in the near term. We cut our earnings by 0-4% over FY24-26 and value the stock on 30x Dec-25 EPS to derive a TP of INR 750. Maintain REDUCE.

- **Demand environment continues to remain weak:** Revenue grew by 5% YoY to INR 6.9bn (Hawkins/Bajaj/BGAL/Sunflame:+6%/LSD-decline/-4%/+2%) as cooker/cookware/appliances revenue grew 2/6/5%. Domestic revenue grew by 5% YoY as demand weakened in December post a reasonable festive season. Export revenue grew 21% YoY (low base). The kitchen appliances industry continued to witness increased competitive intensity (more in the mid-economy segment) as there was increased discounting by most brands and online channels. All channels were active during the quarter with online channels growing faster. With weakening demand sentiment, the channel decided to destock post-festive season. TTK introduced 25 new SKUs across all categories. Prestige Xclusive chain stood strong at 705 stores in 378 towns. We model an 8% revenue CAGR over FY23-26E.
- **GM stable, EBITDA grew by 10%:** Despite higher sales promotion, GM remained stable YoY at 40.3% (HSIE 41%), aided by a stable RM environment and a favourable channel mix. While employee expenses grew 17% YoY, other expenses fell 2% YoY on better cost control. As a result, EBITDA grew by 10% YoY while EBITDAM expanded by 50bps/30bps YoY/QoQ. PAT grew by 10% YoY to INR 630mn. We expect EBITDAM to hover at the lower end of the guidance band (14-16%) during FY24/25/26.
- **Earnings call takeaways:** (1) With the festive season shifted by a month this year, Q3 started on an encouraging note before the optimism dissipated in December. (2) Positive outlook on Q4 as initial trends show single-digit growth. (3) Repositioning of Judge brand is on track with benefits expected to accrue in FY25. New packaging, SKUs and expanded distribution network in place. (4) While the general trade channel was weak, exclusive stores, e-com and MT did well. (5) The mass premium segment contributes 80%+ of revenue. (6) Free cash stood at INR 9.4bn as of 31 Dec'23.

Quarterly/annual financial summary

(INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	6,866	6,521	5.3	6,837	0.4	27,225	27,771	27,546	30,807	34,296
EBITDA	850	776	9.6	829	2.6	4,259	3,585	3,525	4,149	4,786
APAT	630	575	9.7	622	1.4	3,054	2,550	2,648	3,128	3,616
EPS (INR)	4.5	4.1	9.7	4.5	1.3	22.0	18.4	19.1	22.6	26.1
P/E (x)						35.8	42.9	41.3	35.0	30.2
EV / EBITDA (x)						24.0	28.3	28.4	23.7	20.2
RoCE (%)						29.8	21.7	19.8	23.0	25.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 6 Feb 2024)*	INR 789
Target Price	INR 750
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 750	INR 750
EPS %	FY25E	FY26E
	-1%	0%

KEY STOCK DATA	
Bloomberg code	TTKPT IN
No. of Shares (mn)	139
MCap (INR bn) / ($ mn)	109/1,337
6m avg traded value (INR mn)	75
52 Week high / low	INR 833/652

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.8	(0.2)	7.9
Relative (%)	(10.4)	(10.0)	(11.4)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	70.41	70.41
FIs & Local MFs	13.42	14.62
FPIs	8.00	6.72
Public & Others	8.17	8.25
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Prince Pipes and Fittings

Weak performance continues

We maintain our ADD rating on Prince Pipes, with a lower target price of INR 675/sh (30x its Mar-26E EPS). In Q3FY24, Prince reported sub-par volume, down 2% YoY, and continued to lose market share while its peers delivered double-digit volume growth. Adjusted for inventory losses, unitary EBITDA fell to INR 20/kg in Q3 vs INR 22/21 per kg YoY/QoQ. Management is hopeful of arresting its market share loss from Q1FY25 onwards, on the back of various corrective actions it has taken so far. Prince is setting up a greenfield pipe plant in Bihar (~50K MT expected in Q4FY25, Capex INR 2.2bn), which will expand its plumbing capacity by 15%. In bathware, it is ramping up its sales and distribution network and expects EBITDA to break even in the next two years.

- **Q3FY24 performance:** Prince reported weak offtake (lost market share), and volume declined 2% YoY (+3% QoQ). Realisation fell 8/10% QoQ/YoY to INR 145/kg owing to falling resin prices across both CPVC and PVC. Unitary opex declined 6/13% QoQ/YoY to INR 127/kg. Inventory losses and bathware expenses moderated the opex decline, impacting the margin. Unitary EBITDA contracted INR 5/kg QoQ to INR 18/kg. In Q3, inventory loss was INR 100mn (1.6% of sales). If we adjust for inventory loss for all periods, unitary EBITDA/kg declined to INR 20 per kg in Q3 vs INR 22/21 per kg YoY/QoQ. In Q3, Prince bathware revenue was INR 60mn.
- **Con call KTAs and outlook:** Management mentioned it has rolled back prices in a few categories to align it with market trend, in a bid to arrest market share loss. It has also expanded HDPE pipe capacity to speed up volume growth. It expects a 12-14% EBITDA margin in the long term. Prince is setting up an integrated greenfield pipes plant in Bihar (~50K MT capacity, CoD in Q4FY25, capex INR 2.2bn), which will increase its total capacity by 15%. The project size is increased by INR 0.7bn as this facility will also manufacture fittings under the revised plan. The company had forayed into bathware in June 2023 and is ramping up distribution currently. It aims to break even at EBITDA level in the next two years. Factoring weak performance in Q3 and another quarter of losing market share, we cut our APAT estimates by 15/13/14% for FY24/25/26E. We lower our TP to INR 675/sh (30x Mar-26E EPS) and maintain the ADD rating.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY24	Q3 FY23	*YoY (%)*	Q2 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Pipes sales (K MT)	42.7	43.7	*-2.4*	41.5	*2.7*	139.0	157.7	170.3	190.8	209.9
NSR (INR/kg)	145	162	*-10.3*	158	*-8.3*	191	172	149	155	158
EBITDA (INR/kg)	18	16	*11.5*	23	*-21.8*	30	16	18	20	21
Net Sales	6,186	7,059	*-12.4*	6,564	*-5.8*	26,568	27,109	25,325	29,499	33,162
EBITDA	757	695	*8.9*	942	*-19.7*	4,157	2,503	3,087	3,904	4,443
EBITDAM (%)	*12.2*	*9.8*		*14.3*		*15.6*	*9.2*	*12.2*	*13.2*	*13.4*
APAT	376	354	*6.3*	527	*-28.6*	2,495	1,214	1,664	2,217	2,495
Diluted EPS (INR)	3.4	3.2	*6.9*	4.8	*-28.6*	22.6	11.0	15.0	20.1	22.6
EV / EBITDA (x)						18.1	29.2	23.2	18.6	16.1
P/E (x)						29.9	61.5	44.9	33.7	29.9
RoE (%)						*21.6*	*9.2*	*11.5*	*13.6*	*13.6*

Source: Company, HSIE Research

ADD

CMP *(as on 06 Feb 2024)*	INR 675
Target Price	INR 675
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 790	INR 675
EPS revision %	FY24E *(13.4)*	FY25E *(14.4)*

KEY STOCK DATA	
Bloomberg code	PRINCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	75/911
6m avg traded value (INR mn)	251
52 Week high / low	INR 776/532

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.9	1.8	10.3
Relative (%)	(2.2)	(8.0)	(9.0)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	60.94	60.94
FIs & Local MFs	18.56	18.40
FPIs	5.01	5.74
Public & Others	15.49	14.92
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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HDFC securities INSTITUTIONAL RESEARCH

Orient Cement

Volume declines; margin rebounds

We maintain our REDUCE rating on Orient Cement with a revised TP of INR 205/share (7.5x Mar-26E EBITDA). In Q3FY24, cement volume declined 3% YoY owing to weak demand (especially B2C). NSR rebounded 7% QoQ (+5% YoY). Unit opex rose 3% QoQ on higher unit fixed and freight costs. This moderated the margin recovery. Thus, unitary EBITDA increased INR 220/MT QoQ to INR 628/MT (up INR 200/MT YoY). Management expects 5% YoY volume growth in Q4 to 1.8mn MT (Jan sales were weak). Management aims to commission the planned brownfield 2/3mn MT clinker/cement Chittapur expansion (for a capex of INR 15bn) by the end of FY26.

- **Q3FY24:** Orient missed ours/consensus EBITDA estimates by 8/10% respectively owing to weak volumes. The company noted that state elections led to subdued sales, resulting in a 2/3% QoQ/YoY volume fall. Orient's trade sales were weak both in Telangana (down 29% YoY) and Maharashtra. Utilisation stood at 66% vs 67/67% QoQ/YoY. While volumes were weak, NSR rebounded 7% QoQ (+5% YoY). In Q3, for the first five weeks, prices were higher; however, they corrected later. Sep-23 and Dec-23 exit prices are similar. Unit opex rose 3% QoQ on higher unit fixed and freight costs. Fixed cost rose INR 55/MT (op-lev loss) and freight cost rose ~INR 55/MT QoQ. This moderated the margin recovery. Unitary EBITDA increased INR 220/MT QoQ to INR 628/MT (up INR 200/MT YoY).
- **Con-call KTAs and outlook:** Management expects 5% YoY volume growth in Q4 to 1.8mn MT (Jan sales were weak). In Jan, realisation is stable. For Orient's 10MW WHRS, the maximum benefit was visible in Q3FY24 (~80% benefit) and the entire benefit will accrue in Q1FY25 (~INR 70/MT saving). It is also adding solar power. The rising share of renewable power should drive margins. Management aims to commission 2/3mn MT clinker/cement Chittapur expansion costing INR 16bn by FY26 (delayed owing to environment clearance). Additionally, a 2mn MT SGU in MP (for INR 5bn capex) and a brownfield clinker expansion at Devapur are in the pipeline. As expansion plans have been delayed due to pending government clearances, we have cut the capex estimates for FY25/26E. Factoring in the weak Q3FY24 results, we cut FY24/25/26E EBITDA estimates by 9/9/10%. However, our TP is revised upwards to INR 205/sh, as the capex has been deferred.

Quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	1.39	1.43	*(2.7)*	1.43	*(2.3)*	5.48	5.76	6.05	6.41	6.80
NSR (INR/MT)	5,397	5,121	*5.4*	5,057	*6.7*	4,973	5,100	5,151	5,202	5,306
Opex (INR/MT)	4,568	4,489	*1.8*	4,449	*2.7*	3,895	4,467	4,416	4,400	4,459
EBITDA(INR/MT)	828	632	*31.1*	607	*36.4*	1,079	633	735	803	848
Net Sales	7.51	7.32	*2.6*	7.21	*4.3*	27.25	29.38	31.15	33.35	36.06
EBITDA	1.15	0.90	*27.6*	0.87	*33.2*	5.91	3.65	4.45	5.15	5.76
APAT	0.45	0.28	*63.1*	0.25	*82.3*	2.63	1.23	1.74	2.25	2.68
AEPS (INR)	2.2	1.3	*63.1*	1.2	*82.3*	12.8	6.0	8.5	11.0	13.1
EV/EBITDA (x)						10.0	16.3	12.8	11.1	10.1
EV/MT (INR bn)						7.0	7.0	6.7	6.7	6.9
P/E (x)						21.6	46.2	32.7	25.3	21.2
RoE (%)						18.6	7.8	*10.4*	*12.3*	*13.2*

Source: Company, HSIE Research

REDUCE

CMP *(as on 06 Feb 2024)*	**INR 277**
Target Price	**INR 205**
NIFTY	**21,929**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 180	INR 205
EBITDA revision %	FY24E *(9.4)*	FY25E *(8.5)*

KEY STOCK DATA	
Bloomberg code	ORCMNT IN
No. of Shares (mn)	205
MCap (INR bn) / ($ mn)	57/695
6m avg traded value (INR mn)	381
52 Week high / low	INR 294/105

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	33.4	76.5	129.3
Relative (%)	22.3	66.7	110.0

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	37.90	37.90
FIs & Local MFs	12.89	13.15
FPIs	6.30	6.71
Public & Others	42.90	42.25
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

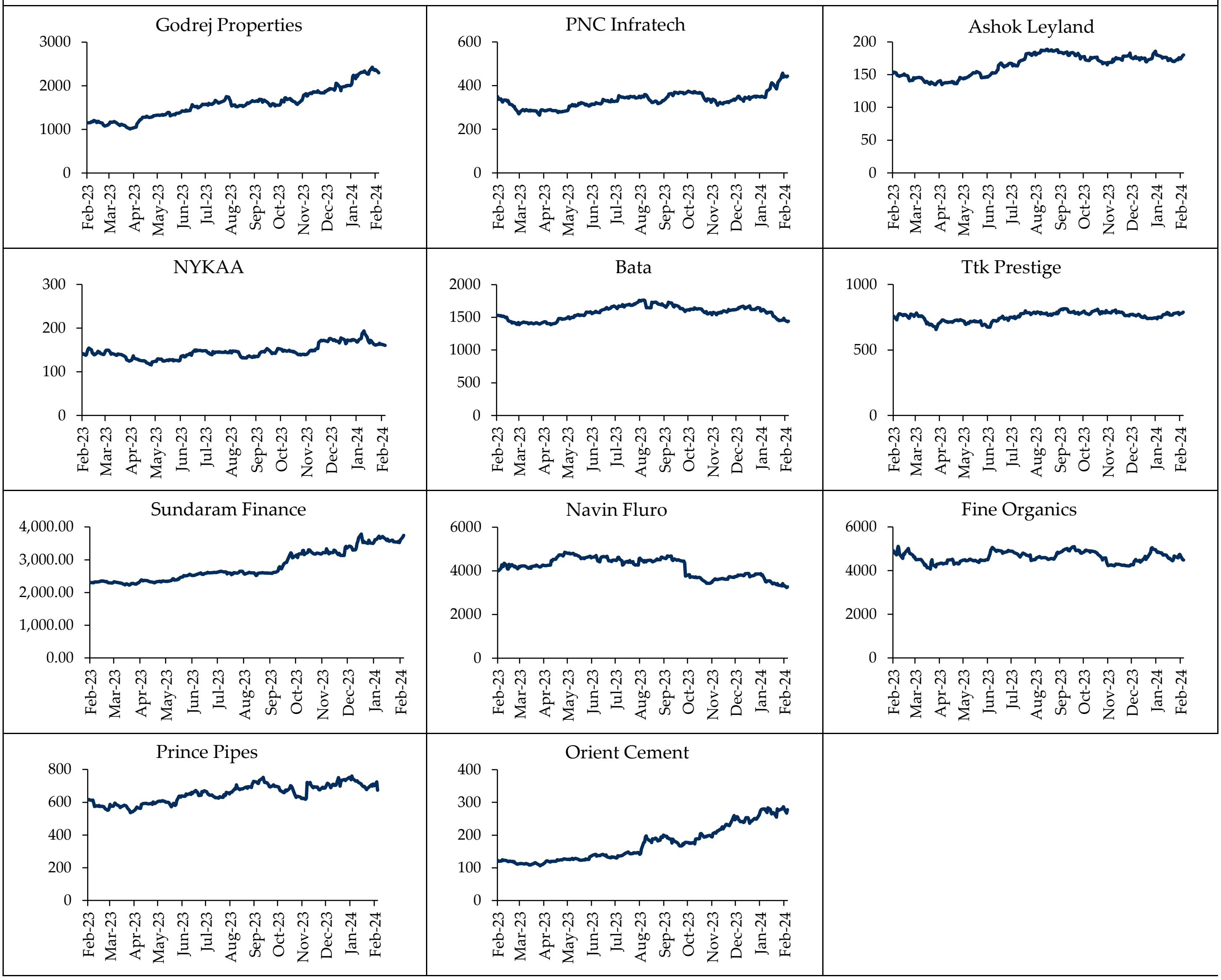
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Godrej Properties, PNC Infratech	CFA	NO
Maitreyee Vaishampayan	Ashok Leyland	MSC	NO
Jay Gandhi	Fsn E-commerce Ventures (Nykaa), Bata India	MBA	NO
Riddhi Shah	Fsn E-commerce Ventures (Nykaa), Bata India, TTK Prestige	MBA	NO
Krishnan ASV	Sundaram Finance	PGDM	NO
Deepak Shinde	Sundaram Finance	PGDM	NO
Akshay Badlani	Sundaram Finance	CA	NO
Nilesh Ghuge	Navin Fluorine International, Fine Organic Industries	MMS	NO
Harshad Katkar	Navin Fluorine International, Fine Organic Industries	MBA	NO
Prasad Vadnere	Navin Fluorine International, Fine Organic Industries	MSC	NO
Akshay Mane	Navin Fluorine International, Fine Organic Industries	PGDM	NO
Paarth Gala	TTK Prestige	Bcom	NO
Keshav Lahoti	Prince Pipes and Fittings, Orient Cement	CA	NO
Rajesh Ravi	Prince Pipes and Fittings, Orient Cement	MBA	NO

1 Yr Price movement



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