INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Mahindra & Mahindra:** M&M's Q2FY25 PAT at INR 38.4bn beat our estimate of INR 32.1bn, led by soft commodity prices and higher other income. The auto segment margin came in at 9.5% (HSIE 8%), while the FES segment margin was 17.5% (HSIE 16%). Benign material prices, market share gains and volume growth (+3.7% YoY) drove margin improvement of 150bps YoY in FES. M&M is launching two of its Electric Origin SUVs on 26th November, which will be available for sale in early CY25. The management has revised its growth estimate for tractor industry from 5% to 6-7% for FY25, translating to a 13-15% growth in 2HFY25. It remains confident of mid to high teen volume growth for the auto segment in FY25. We continue to remain positive on the business momentum, given: (1) an order backlog for UVs may help it further gain share; (2) leadership position in tractors; (3) focused strides taken to achieve a strong position in EVs. We maintain the SoTP price target of INR 3,040/sh. Maintain ADD.
- **Gail (India):** Our BUY recommendation for GAIL with a target price of INR 260 is based on (1) an increase in gas transmission volume to 154 mmscmd by FY27, supported by the completion of major pipelines in eastern and southern India and stabilising LNG prices, (2) continued robust profitability in the gas trading segment and (3) expectation of improvement in earnings from the petchem segment. Q2FY25 reported EBITDA stood at INR 37bn (+7% YoY, -17% QoQ) and PAT at INR 27bn (+11% YoY, -2% QoQ) was ahead of our estimate, driven by better-than-expected petrochemicals profitability and higher other income. Depreciation was at INR 8bn (+9% YoY, -22% QoQ) whereas other income was at INR 7bn (+27% YoY, +92% QoQ). Interest cost was at INR 2bn (+11% YoY, -9% QoQ).
- **Apollo Hospitals Enterprise:** EBITDA grew 30% YoY on 15% YoY sales growth as hospital business grew 14% YoY, led by higher occupancy at 73% (vs 68% in Q1FY24); ARPOB was muted (3% YoY), HealthCo grew 17% (offline/ online +18/ 16%), and AHLL grew 14%. Hospital EBITDA grew 14% YoY, and the margin was steady at 24.9% (-4 bps), and lower Apollo 24/7 spend (-26% YoY) led to a better margin in Healthco. APHS expects the following: (1) existing hospitals: steady growth and 50 bps margin expansion in FY25 and 50-100 bps in FY26, (2) bed capacity expansion: on track (~1,400 beds) for commissioning in FY26 and it will dilute margin by ~100 bps; hope to achieve break-even in 12-18 months, (3) sustain occupancy and 6-7% ARPOB growth in FY25, and (4) HealthCo: withdrew 50% GMV growth guidance; focus on low-cash-burn model for growth and to improve margin (HealthCo turned PAT positive at INR 190 mn in Q2). Factoring Q2, we have tweaked estimates. Rolled forward TP to INR 8,250 (26x Q3FY27E EV/E). BUY stays, given growth visibility across – Hospitals: improving occupancy, ARPOB growth and capacity expansion, HealthCo: steady growth in offline and scale-up in Apollo 24/7, and AHLL: steady growth on network expansion.
- **Max Healthcare Institute:** EBITDA^ (+14% YoY) was in line with our estimates as 23% YoY sales growth (hospital sales up 23%; acquired hospital sales at INR 1.3 bn and Dwarka at INR 330 mn; and Max Labs up 21%) was offset by integration of low-margin hospitals and INR 180 mn loss from Dwarka. ARPOB was up 2% YoY (7% growth for existing units) and occupancy was at 81%. It expects 8-9% growth in ARPOB on better

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case/payor/price hike in its existing units; new units to see much faster growth with improving case mix and expanding clinical programs. Expects overall occupancy in existing units to normalize (higher in Q2 due to seasonality). Its expansion plan is on track for commissioning over the next 2-3 years. It expects the hospital at Dwarka (Delhi) to achieve break-even by FY25 end. It expects to improve operating metrics at Jaypee (Noida) and focus on margin expansion. While we expect the company to see 23/22% sales/EBITDA CAGRs over FY24-27E, the margin could be on a declining trend at ~26.7% in FY27E (vs ~27.5% in FY24) due to the commissioning of new hospitals. Factoring Q2 and Jaypee hospital, we have tweaked EBITDA for FY25/26E and rolled forward SoTP to INR 980 (blended 29x Q3FY27E EV/E). REDUCE stays.

- **Indian Hotels:** IHCL's Q2FY25 performance exceeded expectations, with revenue growth of 27% YoY to INR18.3bn, driven by healthy occupancy (77%, +3% YoY) and impressive ARR growth of +9% YoY, resulting in noteworthy RevPAR growth of 12% YoY at the consolidated domestic level. Estimated hotel rooms supply growth lagging behind demand growth in industry by a significant ~400 bps over the next three years is serving as a sustained tailwind. IHCL is capitalizing on this with an asset-light growth strategy and a presence in most of India's key travel destinations. In our view, the supply-demand mismatch will continue to favor IHCL in key locations for the next few years, supporting a high single-digit RevPAR CAGR until FY27. The ramp-up of newly opened hotels and a robust pipeline of new hotels will benefit from demand tailwinds. We believe the upcoming wedding season, with ~4.8 million weddings, along with a revival in foreign tourist arrivals, will boost H2FY25 performance. We incorporate the consolidation of Tajsats and upgrade EPS for FY25 and FY26 by ~7% each. We maintain our REDUCE rating with an EV/EBITDA multiple of 24x FY26E and a revised TP of INR550.

- **Astral:** We maintain ADD on Astral with a lower TP of INR 2,060/sh (60x Sep-26E EPS). In Q2FY25, plumbing volume declined 3% YoY owing to muted demand and channel destocking. Plumbing EBITDA/kg remained healthy at INR 36 per kg in Q2 vs INR 35/34 per Kg YoY/ QoQ (in spite INR 100-150mn inventory loss). Adhesives and paints segment revenue growth slowed down to 6% YoY, while EBITDA declined by 27/7% YoY/QoQ. In FY25, Astral expects its plumbing volume/ adhesive (India) revenue to grow by 10-15/15% respectively. We expect plumbing volume growth to pick up in H2FY25. Management is targeting to at least double its revenue in the next five years (>15% CAGR).

- **Endurance Technologies:** The India business revenue grew 16.5% YoY, led by growth in 2W business. Europe business reported 6% growth, despite lower tooling sales and a decline in EU car registrations. Notwithstanding the slowdown in EVs and recessionary trends in Europe, Endurance aims to be a significant player in the battery management systems and electronic products required for EVs. In India, the emphasis is on enhancing profits and product mix, which is what Endurance hopes to do by growing its 4W business share from 25% to 45% by FY30. To do so, it is expanding its Aluminum forging unit and adding advanced friction building technology to supply suspension products, brakes, alloy wheels. Additionally, Endurance aims to increase share of business for premium bikes in the 250cc and above categories for brake assemblies and ABS suspension. While we have factored in most of the key positives, the valuation at 36x FY26E earnings appears expensive. We maintain SELL with a TP of INR 1,804, valued at 25x Sept-26 EPS.

- **NCC:** NCC reported a weak performance in Q2FY25, with Revenue/EBITDA/PAT miss of (8)/(15)/(23)% on back of heavy monsoon, election related slowdown in Maharashtra (38% of OB) and delayed project approvals. With FYTD25 order inflow of INR 83bn (ex of INR 92bn L1), OB as of FYTD25 stands at INR 560bn (~3x FY24 revenue). On the back of this robust OB, NCC continues to provide FY25 revenue growth guidance of 15% and EBITDA margin guidance of 9.5%. However, margin trajectory is required to be monitored due to excessive competitive pressure. NCC expects new order inflows of > INR 200-220bn (25% decline YoY) in FY25 with inflows of INR 175bn including L1 already in place. Prospects pipeline is INR 2.1tn and will add further to OB. Standalone gross debt reduced by INR 0.9bn QoQ to INR 17.3bn. Gross debt is expected to reduce to INR 5bn by FY25 end. Given the weak execution we have recalibrated our estimates lower. We maintain BUY with TP of INR 368/sh (16x Dec-26E EPS).

- **Clean Science and Technology:** We maintain SELL on Clean Science and Technology (CSTL) with a price target of INR 1,076, owing to (1) slower-than-expected ramp-up in hindered amine light stabilizers (HALS) and (2) entry of domestic competitors in mono methyl ether of hydroquinone (MEHQ) manufacturing. We believe CSTL has an import substitution opportunity in HALS. However, the upcoming capacity augmentation in HALS by competitors and muted demand growth shall remain challenges to HALS revenue growth. EBITDA and PAT shall grow at a 23/23% CAGR over FY24E-27E. Q2 EBITDA/PAT was 11/18% below our estimates, owing to lower-than-expected revenue and higher than expected other expenses.

- **Aavas Financiers:** AAVAS's earnings were largely in line with our estimates, as NIM compression and lower loan growth was offset by positive surprise in operating efficiency. Pick-up in disbursements on a sustainable basis remains a protracted issue for AAVAS (+8% YoY in Q2; +11% YoY in FY24), due to a confluence of factors such as Tech transformation, regulatory changes and elevated competitive intensity. Opex ratios surprised positively, adjusted for one-time benefit of ESOP expenses, with the bulk of the tech transformation behind. Core spreads have now breached 5% (4.89% in H1), as yields remain muted despite a ~250bps rate hike taken since Jun-22. While AAVAS remains a robust franchise with conservative underwriting approach reflecting in pristine asset quality, sustained moderation in loan growth and pressure on NIMs remain the key monitorable for rerating. We reduce our FY25/FY26E earnings estimates by 2%/3% to factor in lower loan growth and NIMs and maintain ADD with a revised RI-based TP of INR1,880 (implying 2.8x Sep-26 ABVPS).

- **Bajaj Electricals:** Bajaj Electricals' (BEL) Q2 revenue (flat YoY) was impacted by (1) muted demand environment for kitchen appliances and (2) poor response to price hikes taken to cover NPD cost. As a result, with sustained investments in LT initiatives (R&D, GTM) and lower oplev, EBITDA fell by 31% YoY while margins contracted by 210bps to 4.6% (HSIE: 6.4%). However, buoyed by demand trends from the festive season and with rural markets outpacing urban markets (BEL rural mix is c.25-30%), management remains optimistic on delivering a better 2H. BEL remains focused on implementing its strategic initiatives under Horizon 2 where emphasis will be on industry-leading growth through (1) refreshing the product portfolio; (2) offering products across the consumer value chain via a multi-brand strategy; and (3) stepping up investments in branding and innovation. We cut our FY25/FY26/27 earnings estimates by 24/12/4% to reflect Q2 performance and value BEL at 40x Sep'26 EPS to arrive at a revised target price of INR 1,100. Maintain BUY.

Mahindra & Mahindra

Good performance despite a weak market

M&M's Q2FY25 PAT at INR 38.4bn beat our estimate of INR 32.1bn, led by soft commodity prices and higher other income. The auto segment margin came in at 9.5% (HSIE 8%), while the FES segment margin was 17.5% (HSIE 16%). Benign material prices, market share gains and volume growth (+3.7% YoY) drove margin improvement of 150bps YoY in FES. M&M is launching two of its Electric Origin SUVs on 26th November, which will be available for sale in early CY25. The management has revised its growth estimate for tractor industry from 5% to 6-7% for FY25, translating to a 13-15% growth in 2HFY25. It remains confident of mid to high teen volume growth for the auto segment in FY25. We continue to remain positive on the business momentum, given: (1) an order backlog for UVs may help it further gain share; (2) leadership position in tractors; (3) focused strides taken to achieve a strong position in EVs. We maintain the SoTP price target of INR 3,040/sh. Maintain ADD.

- **Q2 PAT beats estimates:** With a higher share of UVs in the total volumes, revenue grew 13.3% YoY to INR 276bn, in line with our estimate. Better realisation coupled with soft commodity prices resulted in a 29% YoY growth in EBITDA to INR 39.5bn (HSIE INR 36.7bn). Other income includes INR 2.1bn received on sale of land. APAT registered 26% YoY growth to INR 38.4bn (HSIE INR 32.1bn).
- **Conference call highlights**: (1) The SUV revenue market share improvement continued and stood at 21.9% (+190bps YoY/+30bps QoQ). (2) Notwithstanding the price cuts taken in XUV 700, auto segment EBIT margin expanded 50bps YoY to 9.5% (flat QoQ). (3) M&M has ramped up its SUV production capacity to 54k units/month from earlier 49k units/month. It plans to increase fungibility of product lines to meet the demand for Thar Roxx, to take the capacity to 56k units/month. Post this, there is no additional capacity increase planned for ICE vehicles. EV capacities will be ~100k units' pa. (4) Post the EV launch, management does not expect any cannibalization for 3XO or Thar. (5) FES: volume up 4% YoY, driven by an uptick in rural demand. There are challenges in the international business: hyperinflation in Turkey and US market under severe stress. The US market was impacted by high interest rates come down and political uncertainty. (6) Management expects the tractor industry growth for FY25 to be 6-7%, translating to a 13-15% growth in H2FY25 driven by surplus rainfall, good retail momentum in the festive period. (7) The good reservoir levels bode well for the agri sentiment for FY26. (8) The LCV industry was muted over the last few quarters. The management alluded to recovery witnessed in Oct-24, based on Mandi arrivals. (9) Dealer inventory is below 30 days.

Quarterly/annual financial summary

YE Mar (INR mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	275,533	243,099	13.3	270,388	1.9	987,634	1,143,482	1,288,511	1,452,737
EBITDA	39,497	30,660	28.8	40,222	(1.8)	129,194	157,801	172,661	194,667
APAT	38,409	30,385	26.4	26,127	47.0	108,824	115,884	117,105	130,453
Diluted EPS (INR)	32.0	25.3	26.3	21.8	47.0	89.5	96.7	97.7	108.9
P/E (x) core						32.4	30.0	29.7	26.6
EV / EBITDA (x)						26.6	21.6	19.4	17.1
RoCE (%)						22.8	20.3	17.6	17.0

Source: Company, HSIE Research

ADD

CMP *(on 7 Nov 2024)*	**INR 2,891**
Target Price	**INR 3,040**
NIFTY	**24,199**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,040	INR 3,040
	FY26E	FY27E
EPS %	0%	0%

KEY STOCK DATA	
Bloomberg code	MM IN
No. of Shares (mn)	1,244
MCap (INR bn) / ($ mn)	3,595/42,612
6m avg traded value (INR mn)	9,731
52 Week high / low	INR 3,222/1,474

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.9	31.9	95.4
Relative (%)	7.8	23.7	72.9

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	18.56	18.54
FIs & Local MFs	26.18	27.05
FPIs	41.89	41.19
Public & Others	13.37	13.22
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Gail (India)

Petchem returns to profitability

Our BUY recommendation for GAIL with a target price of INR 260 is based on (1) an increase in gas transmission volume to 154 mmscmd by FY27, supported by the completion of major pipelines in eastern and southern India and stabilising LNG prices, (2) continued robust profitability in the gas trading segment and (3) expectation of improvement in earnings from the petchem segment. Q2FY25 reported EBITDA stood at INR 37bn (+7% YoY, -17% QoQ) and PAT at INR 27bn (+11% YoY, -2% QoQ) was ahead of our estimate, driven by better-than-expected petrochemicals profitability and higher other income. Depreciation was at INR 8bn (+9% YoY, -22% QoQ) whereas other income was at INR 7bn (+27% YoY, +92% QoQ). Interest cost was at INR 2bn (+11% YoY, -9% QoQ).

- **NG marketing:** Marketing volume stood at 97mmscmd (-0.4% YoY, -3% QoQ). Trading margin came in at INR 1,701/tscm (-22% YoY, -33% QoQ) delivering marketing EBITDA of INR 15bn (-23% YoY, -34% QoQ).
- **Petchem:** Q2 petchem EBITDA improved sequentially to INR 3bn, due to higher sales volume of 226kT, (+35% YoY, +34% QoQ). There was maintenance shutdown at the petchem plant during Q1FY25. Realisation dropped to INR 96/kg (-7% YoY, -0.3% QoQ).
- **NG transmission:** Gail reported transmission volume of 131mmscmd (+9% YoY, -1% QoQ) and transmission tariffs of INR 2,370/tscm (-1% YoY, -3% QoQ), delivering EBITDA of INR 18bn (+10% YoY, -8% QoQ) during the quarter.
- **LPG & liquid hydrocarbon (LHC):** The LPG & LHC segment reported EBITDA at INR 2.8bn (+54x YoY, +4% QoQ), driven by volumes of 253kT (+5% YoY, +16% QoQ) and realisation of INR 51/kg (+20% YoY, -5% QoQ).
- **Key takeaways**: (1) Marketing volumes decreased sequentially during Q2FY25 as demand from power sector, which was strong during previous quarter due to the summer season, declined. (2) Marketing EBITDA contracted on account of lower volumes and reduced arbitrage opportunity between HH linked and crude linked gas. (3) Management believes the recent reduction in APM gas allocation will impact GAIL Gas' profitability by INR 160 mn/qtr and GAIL's profitability by INR 60 mn/qtr; decision on price hike to be taken soon. (4) The company has guided a capex of INR ~100bn for FY25.
- **We maintain our SOTP target price of INR 260/sh based on 12x Mar-26E EV/EBITDA for the natural gas, LPG transmission and domestic gas marketing business, 4x EV/EBITDA for non-**domestic **gas marketing business, 6x EV/e for the petchem and LPG & LHC businesses, and INR 46 for investments. The stock is currently trading at 11.5x Mar-26E EPS and 8.8x EV/EBITDA.**

Standalone financial summary

YE March (INR bn)	2Q FY25	1Q FY25	QoQ (%)	2Q FY24	YoY (%)	FY22*	FY23*	FY24*	FY25E*	FY26E*
Revenue	329	337	(2.3)	318	3.5	928	1,457	1,332	1,375	1,496
EBITDA	37	45	(17.3)	35	7.3	152	75	143	155	175
PAT	27	27	(1.9)	24	11.1	123	56	99	105	120
EPS (INR)	4.1	4.1	(1.9)	3.7	11.1	18.6	8.5	15.1	15.9	18.2
P/E (x)						11.2	24.5	13.9	13.1	11.5
EV / EBITDA (x)						9.5	20.6	11.0	10.1	8.8
RoE (%)						20.9	8.7	13.9	12.7	12.8

Source: Company, HSIE Research | *Consolidated

BUY

CMP *(as on 7 Nov 2024)*	INR 209
Target Price	INR 260
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 260	INR 260
EPS change	FY25E	FY26E
	-0.2%	0.0%

KEY STOCK DATA	
Bloomberg code	GAIL IN
No. of Shares (mn)	6,575
MCap (INR bn) / ($ mn)	1,384/16,398
6m avg traded value (INR mn)	4,707
52 Week high / low	INR 246/123

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.9)	9.2	68.3
Relative (%)	(10.0)	1.0	45.8

SHAREHOLDING PATTERN (%)

	June-24	Sep-24
Promoters	51.90	51.90
FIs & Local MFs	27.19	25.76
FPIs	14.17	15.19
Public & Others	6.75	7.51
Pledged Shares	0.0	0.0

Source : BSE

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Apollo Hospitals Enterprise

Steady hospital growth; Healthco margin improving

EBITDA grew 30% YoY on 15% YoY sales growth as hospital business grew 14% YoY, led by higher occupancy at 73% (vs 68% in Q1FY24); ARPOB was muted (3% YoY), HealthCo grew 17% (offline/ online +18/ 16%), and AHLL grew 14%. Hospital EBITDA grew 14% YoY, and the margin was steady at 24.9% (-4 bps), and lower Apollo 24/7 spend (-26% YoY) led to a better margin in Healthco. APHS expects the following: (1) existing hospitals: steady growth and 50 bps margin expansion in FY25 and 50-100 bps in FY26, (2) bed capacity expansion: on track (~1,400 beds) for commissioning in FY26 and it will dilute margin by ~100 bps; hope to achieve break-even in 12-18 months, (3) sustain occupancy and 6-7% ARPOB growth in FY25, and (4) HealthCo: withdrew 50% GMV growth guidance; focus on low-cash-burn model for growth and to improve margin (HealthCo turned PAT positive at INR 190 mn in Q2). Factoring Q2, we have tweaked estimates. Rolled forward TP to INR 8,250 (26x Q3FY27E EV/E). BUY stays, given growth visibility across – Hospitals: improving occupancy, ARPOB growth and capacity expansion, HealthCo: steady growth in offline and scale-up in Apollo 24/7, and AHLL: steady growth on network expansion.

- **Q2 highlights:** Sales grew 15% YoY to INR 55.8 bn, led by 14% YoY growth in hospitals (52% of sales), driven by higher occupancy of 73%, while ARPOB was muted (3% YoY). HealthCo (41%) grew 17% YoY and AHLL (7%) grew 14%. Steady staff (+9% YoY) and SG&A (+9%; Apollo 24/7 spend at INR 1.2 bn, -26% YoY) and lower GM at 48.9% led to EBITDA of INR 8.1 bn (+30%) and 14.6% margin (+164 bps). PAT was at ~INR 3.7 bn (+64% YoY).
- **EBITDA performance**: (1) Hospital: +14% YoY, margin at 24.9% (-4 bps YoY), (2) HealthCo: EBITDA was at INR 521 mn (loss of INR 386 mn in Q2FY24) – (a) Offline pharmacy: +17% YoY and margin at 7.6% (-3 bps YoY), (b) Online Pharmacy: sales grew 16% YoY, EBITDA grew 22% YoY and margin at 12.9% (+68 bps YoY), (3) AHLL: +30% YoY and margin at 10.3% (+127 bps YoY).
- **Operating metrics: Hospital**: Muted ARPOB (+3% YoY) at INR 59,011 due to higher secondary care mix; occupancy at 73% (68% in Q2FY24). IP/OPD volume grew 9/ 10% YoY. ALOS was steady at 3.35 days. **Healthco**: GMV grew 2% YoY to INR 7.56 bn, omnichannel sales grew 16%, added 154 stores (6,228 as of Sep'24), registrations at 36 mn (+24%), AOV at INR 979 (+2%).
- **Key takeaways from con call:** APHS has entered into a long-term definitive agreement with Konkan Unnati Mitra Mandal to set up 500-bed hospital in Worli, Mumbai; capex outlay of INR 13.15 bn (lease of INR 4 bn over 50 years) over next 3-4 years. It expects for hospital business to sustain volume growth and ARPOB to improve by 6-7% (higher surgery mix and price hike). For HealthCo, a change in strategy from marketing-led customer acquisition to omnichannel has helped HealthCo report steady growth with expansion in the margin, it hopes to break even online business in 5-6 quarters.

Quarterly financial summary

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	55,893	48,469	15	50,856	10	1,66,125	1,90,592	2,23,307	2,64,556	3,05,727
EBITDA	8,155	6,275	30	6,751	21	20,496	23,907	31,911	38,967	47,841
APAT	3,788	2,316	64	3,052	24	6,725	9,054	14,964	19,607	25,798
EPS (INR)	26.3	16.1	64	21.2	24	46.8	63.0	104.1	136.3	179.4
P/E (x)						158.8	117.9	71.3	54.5	41.4
EV/EBITDA (x)						53.8	46.4	34.8	28.3	22.7
RoCE (%)						13	15	18	21	24

Source: Company, HSIE Research, PAT adjusted for one-offs.

BUY

CMP *(as on 7 Nov 2024)*	INR 7,425
Target Price	INR 8,250
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 7550	INR 8250
EPS %	FY25E	FY26E
	3.2	1.1

KEY STOCK DATA	
Bloomberg code	APHS IN
No. of Shares (mn)	144
MCap (INR bn) / ($ mn)	1,068/12,653
6m avg traded value (INR mn)	2,518
52 Week high / low	INR 7,484/5,087

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	10.5	25.8	44.5
Relative (%)	10.4	17.6	22.1

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	29.33	29.33
FIs & Local MFs	21.14	19.94
FPIs	43.92	45.37
Public & Others	5.61	5.36
Pledged Shares	16.09	13.99

Source: BSE

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INSTITUTIONAL RESEARCH

Max Healthcare Institute

In-line Q2; bed expnasion to keep margin under check

EBITDA^ (+14% YoY) was in line with our estimates as 23% YoY sales growth (hospital sales up 23%; acquired hospital sales at INR 1.3 bn and Dwarka at INR 330 mn; and Max Labs up 21%) was offset by integration of low-margin hospitals and INR 180 mn loss from Dwarka. ARPOB was up 2% YoY (7% growth for existing units) and occupancy was at 81%. It expects 8-9% growth in ARPOB on better case/payor/price hike in its existing units; new units to see much faster growth with improving case mix and expanding clinical programs. Expects overall occupancy in existing units to normalize (higher in Q2 due to seasonality). Its expansion plan is on track for commissioning over the next 2-3 years. It expects the hospital at Dwarka (Delhi) to achieve break-even by FY25 end. It expects to improve operating metrics at Jaypee (Noida) and focus on margin expansion. While we expect the company to see 23/22% sales/EBITDA CAGRs over FY24-27E, the margin could be on a declining trend at ~26.7% in FY27E (vs ~27.5% in FY24) due to the commissioning of new hospitals. Factoring Q2 and Jaypee hospital, we have tweaked EBITDA for FY25/26E and rolled forward SoTP to INR 980 (blended 29x Q3FY27E EV/E). REDUCE stays.

- **Sales grew; margin corrected:** Sales was at INR 21.2 bn (+23% YoY). Hospital sales were at INR 20.7 bn (+19% YoY; include Lucknow –INR 740 mn, Nagpur – INR 560 mn, and Dwarka – INR 330 mn). Max Lab grew 21% YoY to INR 460 mn. Excluding non-operating costs, EBITDA was at INR 5.6 bn (+14% YoY) and the margin was at 26.6% (-212 bps YoY). Reported PAT grew 3% YoY to INR 3.5 bn. PAT (ex-non-opex) was at INR 3.7 bn (+3% YoY).
- **Q2FY25 operating metrics:** ARPOB was up 2% YoY at INR 76,200 per day; ARPOB in existing units was at INR 79,700 (+7% YoY). Occupancy was at 81% vs ~77% in Q2FY24. OPD volume was up 22% YoY and IP volume grew 19% YoY. ALOS was steady at 4.1 days. Payor mix deteriorated as cash/insurance share was at 72.5% (vs. 72.8% in Q2FY24) and institutional share increased to 18.6% (vs 17.9%); International patient sales (~8.9% of the hospital revenue) were up 12% YoY. EBITDA per bed declined 5% YoY INR 7.1 mn; for existing units, EBITDA per bed was INR 7.8 mn (+4% YoY). Pre-tax RoCE was 27% (38% in Q2FY24 and 25% in Q1FY25); existing unit pre-tax RoCE was 35%.
- **Key takeaways from con call:** The company saw drop in patient footfalls from Bangladesh and Yemen due to ongoing political unrest. Hospital wise update: (1) Lucknow: Focus to enhance oncology share from current level of 7-8%, which will help improve EBITDA per bed, (2) Dwarka; TPA enrolment is in process and to complete most of it by Dec'24; hope to increase TPA share to 30% in mid-term, and (3) Jaypee: plans to expand operating beds to 480 by Sep'25 (current at 376 beds); payor mix – 25% institutional, 10-14% from international and balance TPA/ cash. In Q2FY25, CFO was at INR 7.22 bn, net cash at INR 3.13 bn, and INR 4.3 bn was spent on ongoing expansion plans.

Quarterly financial summary

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	21,250	17,320	23	19,350	10	58,750	68,150	85,333	1,08,885	1,28,482
EBITDA	5,460	4,790	14	4,800	14	15,690	18,060	22,230	28,559	34,355
APAT	3,690	3,580	3	3,140	18	11,220	13,460	13,977	18,023	22,327
EPS (INR)	3.8	3.7	3	3.2	18	11.5	13.8	14.4	18.5	23.0
P/E (x)						93.2	77.7	74.8	58.0	46.8
EV/EBITDA (x)						66.3	58.0	47.5	36.9	30.4
RoCE (%)						16	16	16	18	20

Source: Company, HSIE Research, PAT adjusted for one-offs. ^ adjusted for non-operating costs

REDUCE

CMP *(as on 7 Nov 2024)*	INR 1,079
Target Price	INR 980
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 880	INR 980
EPS %	FY25E	FY26E
	(0.0)	1.2

KEY STOCK DATA	
Bloomberg code	MAXHEALT IN
No. of Shares (mn)	972
MCap (INR bn) / ($ mn)	1,049/12,429
6m avg traded value (INR mn)	1,824
52 Week high / low	INR 1,118/584

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	26.2	34.0	80.6
Relative (%)	26.1	25.8	58.1

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	23.74	23.74
FIs & Local MFs	15.36	15.14
FPIs	56.98	57.29
Public & Others	3.92	3.83
Pledged Shares	-	-

Source: BSE

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Indian Hotels

Strong RevPAR growth driven by pricing power

IHCL's Q2FY25 performance exceeded expectations, with revenue growth of 27% YoY to INR18.3bn, driven by healthy occupancy (77%, +3% YoY) and impressive ARR growth of +9% YoY, resulting in noteworthy RevPAR growth of 12% YoY at the consolidated domestic level. Estimated hotel rooms supply growth lagging behind demand growth in industry by a significant ~400 bps over the next three years is serving as a sustained tailwind. IHCL is capitalizing on this with an asset-light growth strategy and a presence in most of India's key travel destinations. In our view, the supply-demand mismatch will continue to favor IHCL in key locations for the next few years, supporting a high single-digit RevPAR CAGR until FY27. The ramp-up of newly opened hotels and a robust pipeline of new hotels will benefit from demand tailwinds. We believe the upcoming wedding season, with ~4.8 million weddings, along with a revival in foreign tourist arrivals, will boost H2FY25 performance. We incorporate the consolidation of Tajsats and upgrade EPS for FY25 and FY26 by ~7% each. We maintain our REDUCE rating with an EV/EBITDA multiple of 24x FY26E and a revised TP of INR550.

- **Q2FY25 highlights (consolidated):** Tajsats' financials have been consolidated with IHCL starting this quarter, resulting in exceptional income of INR 3,074 mn recorded in PnL. In Q2FY25, revenue grew strongly by 27% YoY to INR18.3bn, beating consensus by 5%. EBITDA rose to INR 5.0bn (+41% YoY, +12% QoQ), exceeding consensus by 5%. This was driven by an impressive 9% YoY ARR growth and a 3% YoY increase in room nights at the domestic consolidated level, resulting in RevPAR of INR 8,350, marking a healthy 12% YoY growth. The company achieved a 5-10% ARR increase across all hotel brands, a praiseworthy accomplishment given the lean season. Savings in RM, marketing expenses, and operating leverage helped Adj. PAT grow to INR 2.5bn (+48% YoY, flat QoQ). As part of the asset-light growth strategy, managed hotel rooms grew by 11% YoY to 13,671, with management fees reaching INR 1.0bn (+15% YoY).
- **Group update (Q2FY25):** New and reimagined businesses continue to drive overall growth. Ginger reported revenue of INR 1.3bn (+56% YoY) with a 42% EBITDAR margin. Tajsats reported revenue of INR 2.5bn (+19% YoY) with a sustained 24% EBITDA margin. It was consolidated with IHCL (from Aug'24 onwards) to simplify the group structure. Ama has expanded to a portfolio of 116 operational properties with 111 more in the pipeline, reaching 227 properties from its humble beginnings five years ago.
- **Outlook:** IHCL signed 42 new hotels and opened 14 new hotels in FY25 through Oct'24. The company is capitalizing on tailwinds by planning to add 17,354 rooms (80% managed) across 118 hotels (+69% from the Oct'24 inventory level of 25,230 across 232 hotels) by FY29. We maintain our REDUCE rating with an EV/EBITDA multiple of 24x FY26E and a revised TP of INR 550.

Financial Summary

(INR mn, Mar YE)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY23A	FY24A	FY25E	FY26E
Net Revenues	18,261	14,332	27%	15,502	18%	58,099	67,430	80,530	91,240
EBITDA	5,013	3,548	41%	4,495	12%	18,046	21,982	26,850	31,520
APAT	2,472	1,669	48%	2,484	0%	10,003	12,380	16,040	19,100
Diluted Consol EPS (INR)	1.74	1.18	48%	1.75	0%	7.0	8.7	11.3	13.6
P/E (x)						97.2	78.6	60.6	50.9
EV/EBITDA						54.7	44.9	36.7	31.3
RoE (%)						13.3	14.4	16.5	16.4

Source: Company, HSIE Research *Includes consolidation of Tajsats

REDUCE

CMP *(as on 7 Nov 2024)*	INR 684
Target Price	INR 550
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 540	INR 550
EPS Change %	FY25E	FY26E
	+7%	+7%

KEY STOCK DATA	
Bloomberg code	IH IN
No. of Shares (mn)	1,423
MCap (INR bn) / ($ mn)	973/11,536
6m avg traded value (INR mn)	2,382
52 Week high / low	INR 721/394

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.2	20.8	70.3
Relative (%)	10.1	12.6	47.8

SHAREHOLDING PATTERN (%)

	Jun-24	Sept-24
Promoters	38.1	38.1
FIs & Local MFs	18.3	18.7
FPIs	27.2	27.4
Public & Others	16.3	15.7
Pledged Shares	-	

Source : BSE

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Astral

Weak result; outlook remains promising

We maintain ADD on Astral with a lower TP of INR 2,060/sh (60x Sep-26E EPS). In Q2FY25, plumbing volume declined 3% YoY owing to muted demand and channel destocking. Plumbing EBITDA/kg remained healthy at INR 36 per kg in Q2 vs INR 35/34 per Kg YoY/ QoQ (in spite INR 100-150mn inventory loss). Adhesives and paints segment revenue growth slowed down to 6% YoY, while EBITDA declined by 27/7% YoY/QoQ. In FY25, Astral expects its plumbing volume/ adhesive (India) revenue to grow by 10-15/15% respectively. We expect plumbing volume growth to pick up in H2FY25. Management is targeting to at least double its revenue in the next five years (>15% CAGR).

- **Q2FY25 performance:** Revenue missed ours/ consensus estimate by 6/9%. APAT sharply missed ours/ consensus estimate by 20% each (volume-led). Plumbing volume declined 3% YoY owing to muted demand and channel destocking. NSR was flat YoY, growing by 4% QoQ. Plumbing EBITDA/kg remained healthy at INR 36 per kg in Q2 vs INR 35/34 per Kg YoY/ QoQ (in spite INR 100-150mn inventory loss). Bathware segment revenue grew 63/10% YoY/QoQ to INR 289mn (2% of revenue). Adhesives and paints segment revenue growth slowed down to 6% YoY (+9% QoQ), while EBITDA declined by 27/7% YoY/QoQ. It reported lowest EBITDA margin of the last 17 quarters, EBITDAM decreased by 450/170bps YoY/QoQ to 10.3%.
- **Outlook:** Owing to weak Q2 volume, management expects plumbing volume to grow 10-15% YoY in FY25 vs 15% guided earlier. Plumbing margin remained healthy in Q2, so management maintained its 16-18% EBITDAM guidance for this segment. For FY25, the company targets India's adhesive revenue growth of 15% (aided by the Dahej ramp-up) with 15% EBITDAM. But UK adhesive growth and margin will remain subdued in FY25. However, management believes the UK business will register double-digit revenue growth from next year onwards and EBITDA margin will normalise to 8-10%. Management is confident of at least doubling its revenue in the next five years (>15% CAGR). For FY25, it expects to incur INR 3.5bn Capex, mainly for Hyderabad, Kanpur, O-PVC pipes expansion. The first O-PVC plant is under a trial run, and two more are expected to be commissioned in Q3FY25. Owing to weak Q2 performance, we cut our EPS estimates for FY25/26/27E by 4/2/2%. We maintain ADD on Astral with a lower TP of INR 2,060/sh by valuing it at 60x its Sep-26E EPS.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Pipes sales (K MT)	50.8	52.1	*-2.5*	55.8	*-9.1*	177.6	219.6	248.1	285.4	328.2
EBITDA (INR/kg)	35.0	34.7	*0.6*	32.6	*7.4*	36.6	34.1	36.5	38.0	38.0
Adhesives* Rev (INR mn)	4.04	3.83	*5.6*	3.70	*9.1*	13.91	14.99	16.67	19.01	21.69
Adhesives EBITDAM (%)	10.3	14.8		12.0	15.0	13.8	13.5	12.3	13.6	14.0
Net Sales	*13.70*	*13.63*	0.5	*13.84*	-1.0	*51.59*	*56.41*	*64.08*	*75.08*	*87.70*
EBITDA	2.10	2.20	*-4.5*	2.14	*-2.0*	8.10	9.18	11.05	13.55	15.79
EBITDAM (%)	15.3	16.1		15.5		15.7	16.3	17.2	18.0	18.0
APAT	1.10	1.31	*-16.2*	1.20	*-8.6*	4.58	5.46	6.49	8.45	10.05
Diluted EPS (Rs)	*4.1*	*4.9*	-16.2	*4.5*	-8.6	*17.0*	*20.3*	*24.1*	*31.4*	*37.3*
EV / EBITDA (x)						59.1	52.1	42.9	34.8	29.4
P/E (x)						105.0	88.2	74.2	57.0	47.9
RoE (%)						17.2	17.5	18.4	20.5	20.8

Source: Company, HSIE Research, * Adhesives includes paints FY23 onwards

ADD

CMP *(as on 7 Nov 2024)*	INR 1,790
Target Price	INR 2,060
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,110	INR 2,060
APAT revision %	FY25E *(3.5)*	FY26E *(2.3)*

KEY STOCK DATA	
Bloomberg code	ASTRA IN
No. of Shares (mn)	269
MCap (INR bn) / ($ mn)	481/5,699
6m avg traded value (INR mn)	1,269
52 Week high / low	INR 2,454/1,729

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(15.7)	(13.5)	(4.4)
Relative (%)	(15.8)	(21.7)	(26.9)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	54.10	54.10
FIs & Local MFs	12.47	12.45
FPIs	22.32	22.48
Public & Others	11.11	10.97
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Endurance Technologies

Focus on profitability, priced in

The India business revenue grew 16.5% YoY, led by growth in 2W business. Europe business reported 6% growth, despite lower tooling sales and a decline in EU car registrations. Notwithstanding the slowdown in EVs and recessionary trends in Europe, Endurance aims to be a significant player in the battery management systems and electronic products required for EVs. In India, the emphasis is on enhancing profits and product mix, which is what Endurance hopes to do by growing its 4W business share from 25% to 45% by FY30. To do so, it is expanding its Aluminum forging unit and adding advanced friction building technology to supply suspension products, brakes, alloy wheels. Additionally, Endurance aims to increase share of business for premium bikes in the 250cc and above categories for brake assemblies and ABS suspension. While we have factored in most of the key positives, the valuation at 36x FY26E earnings appears expensive. We maintain SELL with a TP of INR 1,804, valued at 25x Sept-26 EPS.

- **Steady performance:** Revenue beat at INR 29.1bn (HSIE INR 28.3bn) was driven by India business. Europe business grew 6.4% (EUR terms) despite lower tooling sales and a decline in EU new car registrations. Maxwell revenue grew 13% YoY with key customers ramping up volumes from July-24. EBITDA grew 20% YoY at INR 3.8bn, driven by lower material costs.
- **Call takeaways:** (1) New business won in Q2 stands at INR1.24bn from non-Bajaj customers, which includes INR 0.5bn worth of EV business. (2) The company is setting up AURIC-1 project in Aurangabad focused on machined castings for 4W and non-auto applications. The construction is progressing well with good interest from 4-W OEMS both in domestic and export markets and a few non-auto clients. It is undertaking a greenfield project for alloy wheels in Aurangabad, which will double the volume from the current levels at its Chakan alloy wheels' plants. (3) Suspensions: Earlier some plants were not running at full capacity; with sales to anchor OEMs and fresh orders for other models from OEMs, the capacity utilization is rapidly expanding. The Waluj plant capacity is fully utilized and expanding to service order for Suzuki scooters of INR 1.7bn pa. The SOP is planned from Jan-25. (4) BMS offtake by key OEM client has picked up leading to significant improvement in profitability of Maxwell. (EBITDA level loss declined YoY from INR 43mn to INR 17mn). (5) The order wins in Europe for 1HFY25 stood at EUR23.6mn, which includes machine castings for BMW EV transmission of EUR 10.5mn, and assemblies for Volkswagen EV castings of EUR 7.6mn. It has won an order of EUR 1mn of finished aluminum castings for non-automotive client.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	29,127	25,450	14.4	28,255	3.1	102,409	117,515	132,437	148,030
EBITDA	3,820	3,183	20.0	3,741	2.1	13,280	15,589	18,221	20,356
APAT	2,030	1,546	31.3	2,039	-0.4	6,805	8,049	9,600	10,705
Diluted EPS (INR)	14.4	11.0	31.3	14.49	-0.4	48.4	57.2	68.3	76.1
P/E (x)						50.4	42.6	35.7	32.0
EV / EBITDA (x)						25.4	21.7	18.4	16.4
RoCE (%)						14.5	15.2	15.9	15.6

Source: Company, HSIE Research

SELL

CMP *(as on 7 Nov 2024)*	INR 2,425
Target Price	INR 1,804
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,764	INR 1,804
EPS %	FY26E	FY27E
	1.0	3.5

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	341/4,043
6m avg traded value (INR mn)	413
52 Week high / low	INR 3,061/1,565

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.4)	27.6	41.1
Relative (%)	(4.5)	19.4	18.7

SHAREHOLDING PATTERN (%)

	Jun-24	Sept-24
Promoters	75.00	75.00
FIs & Local MFs	14.35	13.57
FPIs	8.66	9.54
Public & Others	1.99	1.89
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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HDFC securities
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INSTITUTIONAL RESEARCH

NCC

Weak execution; strong order book

BUY

CMP (as on Nov 07, 2024)	INR 316
Target Price	INR 368
NIFTY	24,199

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 365	INR 368
EPS Change %	FY25E	FY26E	FY27E
	-3.0	-5.2	-4.6

KEY STOCK DATA

Bloomberg code	NJCC IN
No. of Shares (mn)	628
MCap (INR bn) / ($ mn)	199/2,353
6m avg traded value (INR mn)	1,998
52 Week high / low	INR 365/147

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.9)	31.0	112.5
Relative (%)	(1.0)	22.8	90.1

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	22.00	22.00
FIs & Local MFs	11.4	12.34
FPIs	23.65	20.86
Public & Others	42.96	44.78
Pledged Shares	2.87	2.87

Source : BSE

Pledged shares as % of total shares

NCC reported a weak performance in Q2FY25, with Revenue/EBITDA/PAT miss of (8)/(15)/(23)% on back of heavy monsoon, election related slowdown in Maharashtra (38% of OB) and delayed project approvals. With FYTD25 order inflow of INR 83bn (ex of INR 92bn L1), OB as of FYTD25 stands at INR 560bn (~3x FY24 revenue). On the back of this robust OB, NCC continues to provide FY25 revenue growth guidance of 15% and EBITDA margin guidance of 9.5%. However, margin trajectory is required to be monitored due to excessive competitive pressure. NCC expects new order inflows of > INR 200-220bn (25% decline YoY) in FY25 with inflows of INR 175bn including L1 already in place. Prospects pipeline is INR 2.1tn and will add further to OB. Standalone gross debt reduced by INR 0.9bn QoQ to INR 17.3bn. Gross debt is expected to reduce to INR 5bn by FY25 end. Given the weak execution we have recalibrated our estimates lower. We maintain BUY with TP of INR 368/sh (16x Dec-26E EPS).

- **Q2FY25 financial highlights:** Revenue: INR 44.5bn (+3.8/-5.7% YoY/QoQ, 8% miss). EBITDA: INR 4bn (+44/-8.7% YoY/QoQ, a 15.4% miss). EBITDA margin: 9% (252/-30bps YoY/QoQ), vs. our estimate of 9.8%, owing to weaker execution pace in Q2FY25. RPAT: INR 1.6bn (+132.5/-20% YoY/QoQ, a 23.5% miss). NCC has given FY25 revenue growth guidance of 15%, with an EBITDA margin guidance of 9.5%.
- **Robust order backlog; supported by strong order inflow:** With an order inflow of INR 83bn during FYTDY25, OB stands at INR 560bn (~3x FY24 revenue). Transportation/Buildings/others contributed 47/16/37% of the Q2FY25 order inflow. The order inflow continues to remain strong with L1 at INR +92bn (pending LOA). Business-wise, the OB is well-diversified into building/transportation/Electrical(T&D)/Water&Railway/Mining/Irrigation & others at 37/21/21/12/7/2%. NCC has guided for INR 200-220bn of order inflows for FY25, a 25% decline YoY. However, NCC sees an INR 2tn of potential bid pipeline, which shall eventually boost its order inflow guidance.
- **Debt stable, expected to reduce to INR 5bn by FY25 end:** Gross standalone debt decreased to INR 17.3bn (-INR 0.9bn QoQ). NCC expects FY25 NWC at 76+-3 days. With an estimated capex for FY25 at INR 2.5bn, NCC has incurred INR 1.4bn in H1FY25. With robust collection, improving project mix and recovery of old debtors, NCC expects gross debt to reduce to INR 5bn by FY25 end.

Financial Summary (INR mn)

Particulars	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Revenues	44,450	42,832	3.8	47,133	(5.7)	183,144	210,982	243,262	283,400
EBITDA	4,012	2,785	44.0	4,396	(8.7)	16,481	19,748	22,988	27,490
APAT	1,606	(802)	(300.3)	2,007	(20.0)	8,372	9,388	11,676	14,822
EPS (INR)	2.6	(1.3)	(300.3)	3.29	(20.0)	13.7	15.4	19.1	24.3
P/E (x)						23.0	20.5	16.5	13.0
EV/EBIDTA (x)						11.7	9.7	8.4	6.9
RoE (%)						12.7	13.0	14.3	15.8

Source: Company, HSIE Research

Change in Estimates (INR mn)

Particulars	FY25E			FY26E			FY27E		
	New	Old	Chg. (%)	New	Old	Chg. (%)	New	Old	Chg. (%)
Net Revenues	210,982	213,912	(1.4)	243,262	246,641	(1.4)	283,400	282,404	0.4
EBITDA	19,748	20,429	(3.3)	22,988	24,294	(5.4)	27,490	27,817	(1.2)
Margins (%)	9.4	9.6	(19.0)	9.5	9.9	(40.0)	9.7	9.9	(15.0)
APAT	9,388	9,679	(3.0)	11,676	12,313	(5.2)	14,822	15,529	(4.6)

Source: Company, HSIE Research

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Clean Science and Technology

Volume-driven growth

We maintain SELL on Clean Science and Technology (CSTL) with a price target of INR 1,076, owing to (1) slower-than-expected ramp-up in hindered amine light stabilizers (HALS) and (2) entry of domestic competitors in mono methyl ether of hydroquinone (MEHQ) manufacturing. We believe CSTL has an import substitution opportunity in HALS. However, the upcoming capacity augmentation in HALS by competitors and muted demand growth shall remain challenges to HALS revenue growth. EBITDA and PAT shall grow at a 23/23% CAGR over FY24E-27E. Q2 EBITDA/PAT was 11/18% below our estimates, owing to lower-than-expected revenue and higher than expected other expenses.

- **Financial performance:** Revenue reported was INR 2,381mn (+31/+6.3% YoY/QoQ) due to volume-led growth while offset by realisation. The capacity utilisation of standalone entity was 70%. EBITDA changed by (20/-5.3% YoY/QoQ) to INR 897mn. EBITDA margin changed by -366/ -460 bps to 37.7%. Margins were impacted by increased raw material prices due to geopolitical scenario as the company was not able to pass them on to customers.
- **Segmental information**: Performance chemical revenue came at INR 1,643mn, up 35.4/6.3 % YoY/QoQ. FMCG Chemicals revenue changed by 40.3/22.2 %YoY/QoQ to INR 355.8mn. Pharma and agro intermediate revenue changed by 24.6/6.3% YoY/QoQ to INR 428.6mn. The growth in pharma and FMCG chemicals was driven by increase in sales volume.
- **Con call takeaways:**
  (1) The company is focusing on increasing its market share, leveraging the cushion provided by product pricing, with an overall EBITDA margin guidance of approximately 40%. (2) Revenue in the American region has increased due to rising demand for water treatment chemicals and performance chemicals. (3) The company is in the process of commercializing pharma molecules in Q3FY25. Initially, it will supply validation batches to customers, with an approval timeline of 3-5 months. This product is domestically focused, with technology developed in-house, presenting an import substitution opportunity. After validation sample approval, the company plans to ramp up production. Product prices remained largely stable during the quarter.
  Capex: (1) The company will incur capex of INR 3bn spread over the next two years under its subsidiary Clean Fino Chemicals (CFCL), incurring capex of ~INR 1.5bn for the performance chemical molecule which is expected to commercialise in H1FY26 b. It will incur capex of ~INR 1.5bn for the watertreaterment molecule which is expected to commercialise in H2FY26. Each of the molecules has revenue potential of ~INR 3bn at peak utilization.
  HALS: The company has successfully launched all product baskets of HALS 770, 701, 622, 944,119. HALS production run rate increased to 135tonnes per month (TPM) from 125 TPM in Q1. Prices have remained stable for HALS. Capacity utilisation of CFCL was 10-15%.

Financial summary (consolidated)

(INR mn)	2Q FY25	1Q FY25	QoQ (%)	2Q FY24	YoY (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	2,381	2,240	*6.3*	1,811	*31.5*	6,849	9,358	7,915	10,794	13,789
EBITDA	897	947	*(5.3)*	748	*19.8*	2,999	4,021	3,321	4,621	5,699
APAT	587	659	*(10.9)*	522	*12.6*	2,285	2,952	2,440	3,333	4,084
Diluted EPS (Rs)	5.5	6.2	*(10.9)*	4.9	*12.6*	21.5	27.8	23.0	31.4	38.4
P/E (x)						69.0	53.4	64.6	47.3	38.6
EV / EBITDA (x)						52.3	39.2	47.4	34.1	27.3
RoE (%)						34.9	33.2	22.1	25.0	25.2

Source: Company, HSIE Research

SELL

CMP *(as on 7 Nov 2024)*	INR 1,484
Target Price	INR 1,076
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,069	INR 1,076
EPS %	FY25E	FY26E
	-1.9%	-1.7%

KEY STOCK DATA	
Bloomberg code	CLEAN IN
No. of Shares (mn)	106
MCap (INR bn) / ($ mn)	158/1,868
6m avg traded value (INR mn)	320
52 Week high / low	INR 1,690/1,243

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(6.6)	14.0	8.7
Relative (%)	(6.7)	5.8	(13.8)

SHAREHOLDING PATTERN (%)	June-24	Sept-24
Promoters	74.98	74.98
FIs & Local MFs	4.55	4.77
FPIs	6.06	5.83
Public & Others	14.42	14.43
Pledged Shares	0.00	0.00

Source: BSE

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Aavas Financiers

Double whammy of margin and growth continues

AAVAS's earnings were largely in line with our estimates, as NIM compression and lower loan growth was offset by positive surprise in operating efficiency. Pick-up in disbursements on a sustainable basis remains a protracted issue for AAVAS (+8% YoY in Q2; +11% YoY in FY24), due to a confluence of factors such as Tech transformation, regulatory changes and elevated competitive intensity. Opex ratios surprised positively, adjusted for one-time benefit of ESOP expenses, with the bulk of the tech transformation behind. Core spreads have now breached 5% (4.89% in H1), as yields remain muted despite a ~250bps rate hike taken since Jun-22. While AAVAS remains a robust franchise with conservative underwriting approach reflecting in pristine asset quality, sustained moderation in loan growth and pressure on NIMs remain the key monitorable for rerating. We reduce our FY25/FY26E earnings estimates by 2%/3% to factor in lower loan growth and NIMs and maintain ADD with a revised RI-based TP of INR1,880 (implying 2.8x Sep-26 ABVPS).

- **Sustained margin pressure offset by other income, operating efficiency**: AAVAS's core spreads declined further to 4.89% (-11bps QoQ; -40bps YoY), largely due to lower incremental yields and rising cost of funds (8.15%). While AAVAS has taken a 25bps rate hike from Oct-24, sustained NIM compression continues to remain a concern. Other income grew by 26% YoY due to higher direct assignments. Opex ratios improved QoQ (C/I at 41%; opex to AUM at 3%), although it included a ~12bps impact on reversal of ESOP expenses.
- **Asset quality remains broadly steady**: Asset quality remained pristine, led by a conservative lending approach (low approval rates, conservative LTV, high due diligence etc.). GS-III/NS-III deteriorated marginally sequentially to 1.1%/0.8%, with GS-II at 1.6%, while credit costs remained pristine at 13bps.
- **Double whammy of lower growth and lower margins yet to be addressed**: AAVAS's disbursements growth has remained tepid for several quarters posing a downside risk to the ~20%+ AUM growth guidance. Further, core spreads continue to trend lower, due to lower incremental yields and loan re-pricing of existing customers. While the management has alluded to improving operating efficiency, throughput and product mix optimisation to aid improvement in profitability, the sustained underperformance in loan growth compared to peers is likely to frustrate any further rerating.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ(%)	FY24	FY25E	FY26E	FY27E
NII	2.4	2.2	*8.7*	2.4	*(1.1)*	9.1	10.3	12.4	15.1
PPOP	1.9	1.6	*19.6*	1.7	*14.9*	6.5	7.8	9.6	11.7
PAT	1.5	1.2	*21.6*	1.3	*17.3*	4.9	5.9	7.1	8.7
EPS (INR)	18.7	15.4	*21.6*	15.9	*17.4*	62.0	74.0	90.1	109.8
ROAE (%)						13.9	14.5	15.3	15.9
ROAA (%)						3.3	3.3	3.3	3.3
ABVPS (INR)						465	529	614	720
P/ABV (x)						3.7	3.2	2.8	2.4
P/E (x)						27.7	23.2	19.0	15.6

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	212	208	-2.0%	261	252	-3.4%
NIM (%)	6.1	5.9	-26 bps	6.1	6.0	-17 bps
NII	10.9	10.3	-5.2%	13.2	12.4	-5.7%
PPOP	8.0	7.8	-2.7%	9.9	9.6	-3.5%
PAT	6.0	5.9	-2.2%	7.4	7.1	-3.2%
ABVPS (INR)	529.8	528.8	-0.2%	618.9	614.4	-0.7%

Source: Company, HSIE Research

ADD

CMP *(as on 7 Nov 2024)*	INR 1,706
Target Price	INR 1,880
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1850	INR 1880
EPS %	FY25E	FY26E
	-2.2%	-3.2%

KEY STOCK DATA	
Bloomberg code	AAVAS IN
No. of Shares (mn)	79
MCap (INR bn) / ($ mn)	135/1,600
6m avg traded value (INR mn)	526
52 Week high / low	INR 1,979/1,307

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.5	7.0	16.8
Relative (%)	4.4	(1.2)	(5.7)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	26.5	26.5
FIs & Local MFs	24.4	25.6
FPIs	35.9	35.5
Public & Others	13.3	12.4
Pledged Shares	-	

Source: BSE

Pledged shares as % of total shares

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Bajaj Electricals

Soft quarter

Bajaj Electricals' (BEL) Q2 revenue (flat YoY) was impacted by (1) muted demand environment for kitchen appliances and (2) poor response to price hikes taken to cover NPD cost. As a result, with sustained investments in LT initiatives (R&D, GTM) and lower oplev, EBITDA fell by 31% YoY while margins contracted by 210bps to 4.6% (HSIE: 6.4%). However, buoyed by demand trends from the festive season and with rural markets outpacing urban markets (BEL rural mix is c.25-30%), management remains optimistic on delivering a better 2H. BEL remains focused on implementing its strategic initiatives under Horizon 2 where emphasis will be on industry-leading growth through (1) refreshing the product portfolio; (2) offering products across the consumer value chain via a multi-brand strategy; and (3) stepping up investments in branding and innovation. We cut our FY25/FY26/27 earnings estimates by 24/12/4% to reflect Q2 performance and value BEL at 40x Sep'26 EPS to arrive at a revised target price of INR 1,100. Maintain BUY.

- **Q2FY25 highlights:** Revenue was flat YoY at INR 11.2bn (-5%/-6% vs HSIE/consensus). Gross margin expanded by 70bps YoY to 30.4%, largely led by improvement in lighting segment. EBITDA fell by 31% YoY to INR 516mn while the margin contracted by 210bps YoY to 4.6% (HSIE: 6.4%). While Employee expense fell 4% YoY, other expenses grew by 23% YoY (base quarter had INR 210mn reversal of insurance warranty provision). As a percentage of sales, employee cost was down by 40bps YoY while other expenses saw a 330bps increase YoY. PBT fell by 67% YoY to INR 147mn as depreciation/finance cost grew by 29%/23%. APAT fell by 59% YoY to INR 129mn. ETR stood at 12.4% on account of reassessment of DTA/DTL sale of land post change in long-term capital gain tax rate.

- **Muted CP performance: Consumer Products** revenue grew by 1% YoY to INR 8.7bn with Morphy Richards growing in DD, followed by flattish growth in appliances. Fans saw a single digit de-growth. CP margin contracted by 380bps YoY to 1%. BEL took price hikes to cover the cost of NPD which was not absorbed in the market thereby impacting both growth and profitability. **Lighting** revenue fell by 2% YoY to INR 2.5bn with growth in B2B portfolio marginally offset by drop in B2C portfolio. Margins expanded by 30bps YoY to 6%, largely led by gross margin improvement.

- **Earnings call takeaways:** (1) Festive demand so far has been encouraging. Rural is outpacing urban. (2) GT channel grew for a second consecutive quarter (+4%) and is showing early signs of revival. E-com grew by 5% while MFR grew by 7%. (3) Under "Nex" (premium offering), fan portfolio now largely in place. Will see benefit accruing from upcoming season. (4) Within B2C lighting, focus categories (downlighters/ceiling lights) have seen DD volume growth and HSD value growth. (5) Remain on track to achieve 200bps savings in logistics cost at exit of FY25. (6) In H1, cash flow from operations stood at INR 1.8bn while surplus cash stood at INR 3.8bn.

Financial summary

(INR mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	11,183	11,128	0.5	11,549	(3.2)	48,892	46,413	49,918	56,557	63,992
EBITDA	516	753	(31.4)	754	(31.6)	3,748	2,597	3,128	4,432	6,217
APAT	129	317	(59.3)	281	(54.1)	2,154	1,359	1,427	2,495	3,915
EPS (INR)	1.1	2.8	(59.3)	2.4	(54.1)	18.7	11.8	12.4	21.7	34.0
P/E (x)						49.1	77.9	74.2	42.4	27.0
EV / EBITDA (x)						27.1	39.6	32.7	23.0	16.2
RoE (%)						11.8	8.1	9.5	15.1	20.5

Source: Company, HSIE Research

BUY

CMP *(as on 7 Nov 2024)*	INR 919
Target Price	INR 1,100
NIFTY	24,199

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR1,200	INR 1,100
EPS %	FY26E	FY27E
	-12%	-4%

KEY STOCK DATA	
Bloomberg code	BJE IN
No. of Shares (mn)	115
MCap (INR bn) / ($ mn)	106/1,256
6m avg traded value (INR mn)	107
52 Week high / low	INR 1,120/820

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.2)	(4.8)	(9.8)
Relative (%)	(4.3)	(13.0)	(32.2)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	62.78	62.76
FIs & Local MFs	14.75	15.59
FPIs	7.93	8.23
Public & Others	14.54	13.42
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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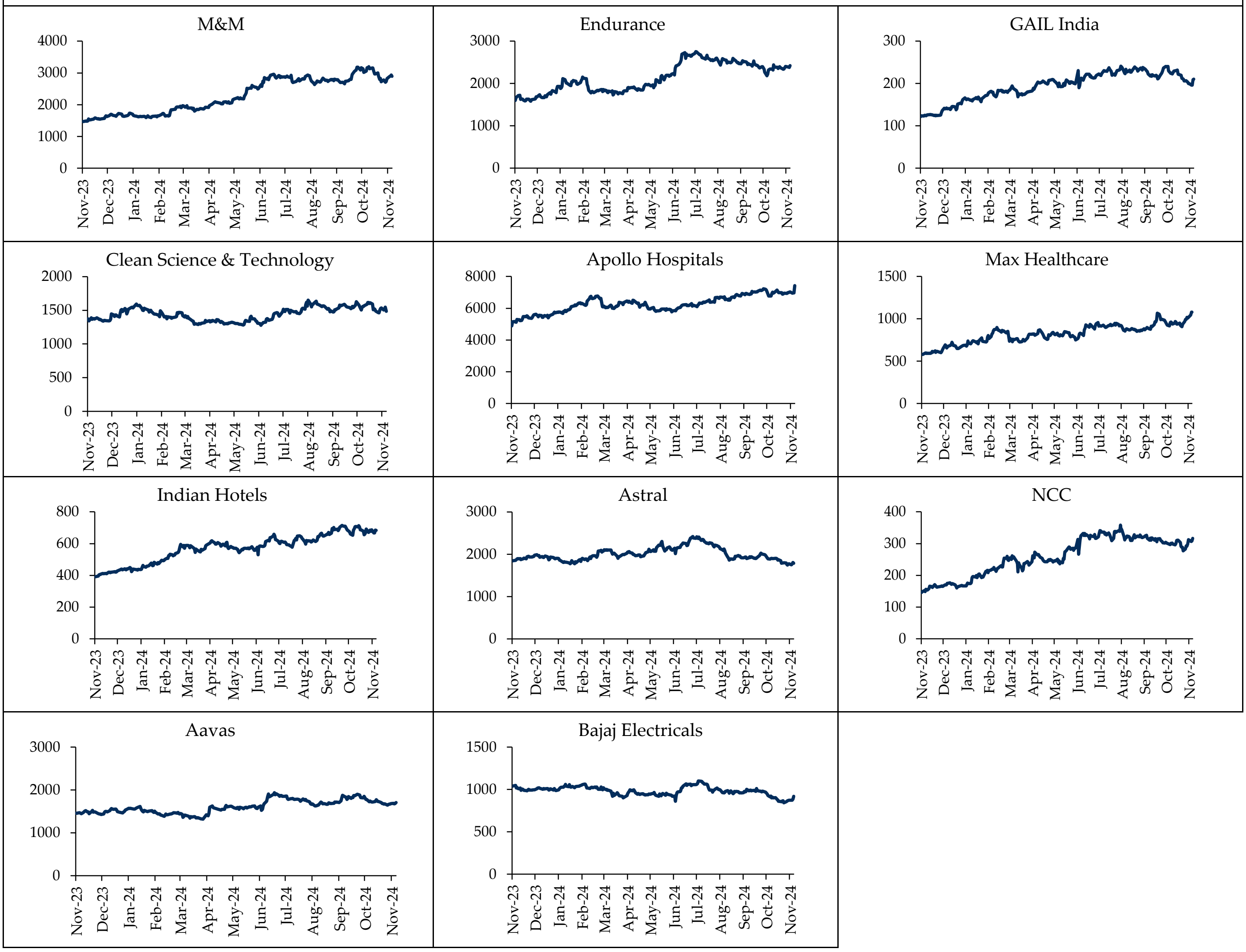
Rating Criteria

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
Maitreyee Vaishampayan	Mahindra & Mahindra	MSc	YES
Maitreyee Vaishampayan	Endurance Technologies	MSc	NO
Harshad Katkar	Gail (India), Clean Science and Technology	MBA	NO
Nilesh Ghuge	Gail (India), Clean Science and Technology	MMS	NO
Prasad Vadnere	Gail (India), Clean Science and Technology	MSc	NO
Dhawal Doshi	Gail (India), Clean Science and Technology	CA	NO
Mehul Sheth	Apollo Hospitals Enterprise, Max Healthcare Institute	MBA	NO
Amit Kumar	Indian Hotels	CFA	NO
Rajesh Ravi	Astral	MBA	NO
Keshav Lahoti	Astral	CA	NO
Riddhi Shah	Astral	MBA	NO
Parikshit Kandpal	NCC	CFA	NO
Jay Shah	NCC	CA	NO
Aditya Sahu	NCC	MBA	NO
Krishnan ASV	Aavas Financiers	PGDM	NO
Deepak Shinde	Aavas Financiers	PGDM	NO
Keshav Maheshwari	Aavas Financiers	CA	NO
Paarth Gala	Bajaj Electricals	BCom	NO

1 Yr Price movement



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