INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Alkem Laboratories:** EBITDA (+1% YoY) below consensus estimates due to 1% YoY sales decline (+6% YoY India, -7% QoQ in the US), which was offset by higher gross margin (+330 bps YoY) and cost controls (staff/SG&A +10%/+1%YoY). ALKEM guidance (1) lowered overall revenue growth to mid-single digit in FY25 vs. ~10% earlier, (2) India business to see growth at par with the IPM growth of 8-9% in FY25 as it expects strong growth H2FY25 (~6% YoY in H1), (3) the company raises EBITDA margin guidance to 18.5-19% in FY25 (~18-18.5% earlier), (4) it expects gross margin expansion led by lower input costs and improved product mix, and (5) mid-single-digit decline in the US (-16% YoY in H1; earlier guided for single-digit growth) in FY25; it hopes to improve growth in H2 on visibility of few new launches (one CGT exclusivity launch). It expects to monetize its biosimilar (in next 2-3 years) and Medtech (from H1FY26). Factoring Q2, we tweaked our EPS for FY25/26E and rolled forward the TP to INR 6,180 (28x Q3FY27E EPS). ADD stays, as we believe ALKEM will see steady growth, led by a recovery in the acute segment (in FY26), scale-up in the chronic (new launches), and steady growth in trade generics as well as US business to see recovery from FY26. This is coupled with an improvement in EBITDA margin, led by improved GM, increasing chronic share, and cost controls.
- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 3,466 is premised on (1) the global home and personal care leaders having raised the volume growth outlook for 2024 after strong volumes in YTD; (2) demand for premium specialty care products expected to rebound as demand in Europe and North America rebounds with the easing of inflation and the end of inventory destocking; and (3) demand in RoW markets continuing. Q2 EBITDA/APAT were 30/38% above our estimates owing to higher-than-expected revenue and offset by higher-than-expected raw material cost.
- **KNR Constructions:** KNR reported revenue/EBITDA/APAT at INR 8.6/1.4/0.9bn, adjusted for one-off in order to arrive at comparable numbers, (miss)/beat on our estimates by 7.7%/ 4.4%/16.7%. EBITDA margin came in at 16.1% (-154/-43bps YoY/QoQ vs. our estimate of 16.6%). KNR guided its FY25 revenue to be at INR35-36bn, with an EBITDA margin of 15-16% and Order Inflow (OI) of INR 60-80bn for FY25. KNR has not secured any order inflow in H1FY25, with Q4FY25 to have significant OI as per management's expectations. Revenue guidance is on the back of weak ordering start and lower starting order book. Given the aggressive competition, the company continues to aspire for projects from different segments like irrigation projects from states other than Telangana. On the HAM portfolio, KNR has already invested INR 5.1bn; the balance equity requirement in NHAI HAM projects is INR 4.36bn as of Sep'24, of which INR 2/1.2/1.1bn will be infused in H2FY25/26/27. KNR highlighted NHAI bid pipeline of INR 2tn and expects to win INR 50/20bn of orders from NHAI HAM/BOT. Beyond NHAI, it is looking to take INR 20bn MSRDC subcontract and INR 40bn is state order pipeline. Given a strong balance sheet and likely new order wins on the back on robust order pipeline in FY25, we maintain BUY with a TP of INR 374/sh (15x Sep-26E EPS).

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- **Medplus Health Services:** EBITDA^ grew 46% YoY, led by 12% YoY sales growth (pharmacy was up 11% YoY and diagnostics grew 56% YoY) and gross margin expansion (+163 bps), which was offset by higher staff (+14%) and SG&A costs (+13%). Operating margin* came in at 4.7% (+178 bps YoY) as pharmacy margin was up 147 bps to 4.6% and positive INR 21 mn EBITDA in diagnostics. Medplus expects (1) the store addition rate to pick up in H2 and to add 400-450 stores in FY25 (earlier guided for 600 stores); to add higher number of stores from FY26, (2) to increase pharma private label share over next few quarters (targets to achieve ~25% GMV share in mid-term vs. ~16% in Q2FY25) which will help in improving operating margin, and (3) to optimize the working capital which will help in steady OCF/FCF generation over next few years. We see a gradual margin improvement, led by a better mix with steady growth in mature stores (2+ years; ~9-10% margin), an increasing share of private-label and Medplus-brand generics, and an efficient supply chain. Factoring EBITDA beat, we have raised FY25E EBITDA by 7% but tweaked for FY26E. Rolled forward TP at INR 830 (15x Q3FY27E EV/ E, which implies 25x pre-INDAS EV/E). Reiterate BUY, given its strategic expansion plan with a focus on improving profitability.

- **HG Infra:** HG Infra (HG) reported its quarterly revenue/EBITDA/APAT of INR 10.6bn/1.7bn/886mn, a miss by 21/17.5/17.4%. The OB as of Sep'24 stood at INR 166.2bn (~3.2x FY24 revenue). The company has maintained its FY25 revenue guidance at INR 60bn (~17% YoY) with an EBITDA margin of ~15-16%. On the order inflow front, the company expects INR 110-120bn. It has already secured orders worth INR 62.8bn (INR 55bn from highways and INR 7.8bn from Solar) and is on track to achieve FY25 guidance. HG recently made a pivotal shift in its OB inflows from road to railways indicating its robust diversification strategy, and it further expects to diversify in the water segment by securing new orders. Equity infusion guidance for H2FY25/26/27 stands at INR 3.7/ 1.7/ 1.31b. The standalone gross/net debt as of Sep'24 stood at INR 8.8/7.7bn vs. INR 6.2/5.1bn, as of Jun'24. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we maintain BUY on HG, with TP of INR 1,904 (16x 1-yr forward).

- **Ashoka Buildcon:** Ashoka Buildcon (ASBL) reported revenue/EBITDA/APAT of INR 14.2/1.2/0.4bn a miss of (-20.5/-6/-20.1%) against our estimates. EBITDA margin: 8.4% (-82/193bps YoY/QoQ), lower than our estimate of 7.1%, owing to weak margins in legacy projects. ASBL expects to record double-digit EBITDA margins post Q2FY26 on the back of new order execution. The OB as of Sep'24 stood at INR 111.04bn (~1.44x FY24 revenue), excluding additional LOA for Projects received post Sept'24 worth INR43.2bn and L1 of INR 2.65bn. Furthermore, ASBL guided order inflow of INR 40-50bn for H2FY25, while participating in bids worth INR 650bn. Business-wise, the OB is well-diversified with HAM (Roads)/EPC (Roads) /power T&D/railways/EPC (buildings) comprising of 6.8/47.5/35.5/5/5.2% respectively. ASBL has guided FY25 revenue to be flat on a YoY basis. On the HAM portfolio, ASBL has already invested INR 10.7bn; the balance equity requirement in its existing NHAI HAM assets is INR 1bn as of Sep'24, which will be infused in H2FY25 itself. Given the stable OB, improving visibility on asset monetisation, and margin expansions on the back of new order execution, we maintain BUY. However, we have increased our SOTP to INR 302/sh (11x Dec-26E EPS roll forward) while factoring in a higher valuation for HAM assets (1.4x P/BV).

- **Neogen Chemicals:** Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 2,076/share is premised on (1) entry into the new-age electrolyte manufacturing business; (2) increasing contribution of the high-margin CSM business to revenue; (3) volume driven growth in legacy business; and (4) improving return ratios, going forward. NCL's EBITDA/APAT will grow at a CAGR of 32/41% over FY24-30E while RoE will improve from 5.7% in FY24 to 22% in FY30E. Q2 EBITDA was 8% above estimates owing to lower than expected raw material cost while APAT was 13% below our estimates owing to higher than expected interest expenses.

- **Repco Home Finance:** REPCO reported yet another mixed quarter with muted provisioning and higher other income, offset by sustained muted loan growth. NIMs remained broadly steady at 5.1%, aided by favourable product mix offset by the rising cost of funds, although the spreads have moderated marginally. Loan growth remains sub-par (AUM growth of +8.1% YoY), although disbursements gained some traction (+9% YoY) on a low base. Management has indicated a downside risk to FY25 AUM guidance of INR 150bn due to muted business momentum. Credit costs continued to remain subdued (-46bps annualised) driven by strong recoveries and are likely to remain muted for H2 as well. Loan growth has been a challenge for REPCO over the last few years and a key monitorable for rerating as the profitability has remained steady. We revise our FY25/FY26 earnings estimates downwards to factor in moderation in NIMs, offset by lower credit costs and fee income, and maintain ADD with a revised RI-based TP of INR580 (implying 1x Sep-26 ABVPS).

- **Kolte Patil Developers:** KPDL reported a muted quarter with presales of 1.03msf (5.1%/+7.3% YoY/QoQ), valued at INR 7.7bn (+21.8%/+8.3% YoY/QoQ), with an average realisation of INR 7,475 per sq. ft. (+15.9%/+0.9% YoY/QoQ). 90% of the sales in value terms came from the Pune region for H1FY25, which KPDL is expecting to lower to 70% as contribution from MMR and Bengaluru is expected to increase, given that major launches in Mumbai are expected in H2FY25. Moreover, KPDL expects to launch projects worth INR 70bn in FY25 (vs INR 80bn earlier), due to certain approval delays and project phasing. It is preparing for a launch heavy H2FY25 with a saleable area of c.9msf and a revenue potential of INR 70bn in MMR, Pune and Bengaluru. We expect Life Republic (LR) project to continue the sales momentum and strong cash flows, further improving the margins with better realisation. KPDL expects to achieve its BD guidance of INR 80bn for FY25, as a few of the deals are nearing completion or in advanced stages. The BD pipeline is largely in Pune (at 70%), MMR (at 20%) and the balance 10% in Bengaluru. With strong cash flows KPDL is a net cash positive company and liquidity is comfortable. This may pave the way for accelerated BD activities. Given strong business development and better-than-expected price realisation, we maintain BUY with TP of INR 480/sh.

Alkem Laboratories

Muted Q2; growth in India and margin to improve

EBITDA (+1% YoY) below consensus estimates due to 1% YoY sales decline (+6% YoY India, -7% QoQ in the US), which was offset by higher gross margin (+330 bps YoY) and cost controls (staff/SG&A +10%/+1%YoY). ALKEM guidance (1) lowered overall revenue growth to mid-single digit in FY25 vs. ~10% earlier, (2) India business to see growth at par with the IPM growth of 8-9% in FY25 as it expects strong growth H2FY25 (~6% YoY in H1), (3) the company raises EBITDA margin guidance to 18.5-19% in FY25 (~18-18.5% earlier), (4) it expects gross margin expansion led by lower input costs and improved product mix, and (5) mid-single-digit decline in the US (-16% YoY in H1; earlier guided for single-digit growth) in FY25; it hopes to improve growth in H2 on visibility of few new launches (one CGT exclusivity launch). It expects to monetize its biosimilar (in next 2-3 years) and Medtech (from H1FY26). Factoring Q2, we tweaked our EPS for FY25/26E and rolled forward the TP to INR 6,180 (28x Q3FY27E EPS). ADD stays, as we believe ALKEM will see steady growth, led by a recovery in the acute segment (in FY26), scale-up in the chronic (new launches), and steady growth in trade generics as well as US business to see recovery from FY26. This is coupled with an improvement in EBITDA margin, led by improved GM, increasing chronic share, and cost controls.

- **Q2 highlights—muted growth**: Revenue declined 1% YoY at INR 34.14 bn as India revenues (73% of sales) grew 6% YoY to INR 24.6 bn as growth in VMN (+12.8% YoY vs 7.6% IPM, as per IQVIA) and steady growth in key chronic therapies (anti-diabetics, Derma, and CNS) was offset by muted growth in anti-infective (2.5% YoY vs 6.8% IPM in Q2FY25, as per IQVIA) and Gastro (8.4% YoY vs 9.6% IPM). US (18%) declined 7% QoQ to USD 71 mn (-23% YoY) due to price erosion in base. Non-US international sales (9%) grew 12% YoY.
- **Muted EBITDA:** GM was up 330 bps YoY at 64.7% due to lower input costs for select raw materials (paracetamol, sitagliptin). Moderate growth in staff cost (+10% YoY) and muted SG&A (+1% YoY) was offset by higher R&D (+27%) led to EBITDA at INR 7.53 bn (+1% YoY) and margin at 22.0% (+34 bps YoY). Lower interest (-7% YoY), higher other income (+113%), and higher depreciation (+7%) led to reported PAT of INR 6.88 bn (+10% YoY).
- **Key takeaways from con call:** The company saw muted growth in its anti-infective segment (~36% of sales) due to lower traction from its injectable portfolio. It reported volume growth of ~1.1% (as per IQVIA) in Q2. Trade generics was (20% of sales) saw improvement in margins led by better product mix and pricing. US declined in Q2FY25 was due to ~18.7% drop in the volume and ~6% impact of price erosion; focus to improve profitability through operating efficiencies and exit from low margin products. Enzene plant (US CDMO biologic) to be operationalised in H1CY25; capex of INR 4.5 bn; to break even in 12 months from operation. Focus on selective M&As with priority on the chronic segment (net cash at INR 42.2 bn as of Sep'24).

Quarterly financial summary

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	34,147	34,402	(1)	30,318	13	1,15,993	1,26,676	1,32,749	1,48,210	1,64,521
EBITDA	7,528	7,467	1	6,087	24	16,095	22,455	26,284	30,531	35,043
APAT	6,886	6,266	10	5,452	26	10,756	19,346	23,289	26,146	26,468
EPS (INR)	57.6	52.4	10	45.6	26	90.0	161.8	194.8	218.7	221.4
P/E (x)						62.0	34.4	28.6	25.5	25.2
EV/EBITDA (x)						40.7	29.7	25.0	21.1	18.0
RoCE (%)						13	19	20	20	21

Source: Company, HSIE Research

ADD

CMP *(as on 13 Nov 2024)*	INR 5,571
Target Price	INR 6,180
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 5950	INR 6180
EPS %	FY25E	FY26E
	(0.3)	(0.7)

KEY STOCK DATA	
Bloomberg code	ALKEM IN
No. of Shares (mn)	120
MCap (INR bn) / ($ mn)	666/7,894
6m avg traded value (INR mn)	1,508
52 Week high / low	INR 6,440/4,285

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.4)	6.9	29.6
Relative (%)	(0.8)	0.2	9.9

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	56.38	55.66
FIs & Local MFs	18.57	19.21
FPIs	8.69	9.02
Public & Others	16.36	16.11
Pledged Shares	-	-

Source: BSE

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Galaxy Surfactants

Premium Speciality to drive growth

Our BUY recommendation on GALSURF with a price target of INR 3,466 is premised on (1) the global home and personal care leaders having raised the volume growth outlook for 2024 after strong volumes in YTD; (2) demand for premium specialty care products expected to rebound as demand in Europe and North America rebounds with the easing of inflation and the end of inventory destocking; and (3) demand in RoW markets continuing. Q2 EBITDA/APAT were 30/38% above our estimates owing to higher-than-expected revenue and offset by higher-than-expected raw material cost.

- **Financial performance:** Q2 revenue increased by 8.1/9.1% YoY/QoQ to INR 10.63bn. EBITDA margin decreased by 69/73 bps YoY/QoQ to 12%. ROW volume grew by 27% YoY while AMET volume decreased 5% and Domestic remain flat. Gross profit margin has changed by 150/-62 bps YoY/QoQ to 32.96% in Q2FY25. It was impacted due to sudden rise in fatty alcohol prices. EBITDA per kg for the quarter was INR 18.7/kg compared to INR 19.4/19.2 per kg in Q1FY25/Q2FY24. Sequential decreased in EBITDA per tonne, owing to higher operating expenses which was increased from INR 31.68/kg to INR 32.67 per kg in Q2FY25.
- **Post result con call takeaway: (1) AMET-** The company reported volume degrowth of ~5% YoY. Demand for the end user remains strong. Sales volumes impacted due to the non-availability of the container in and out and sharp increase in Layryl Alcohol prices. (2) **ROW-** The company reported volume growth of 26% YoY. The management expects the customers to launch premium products in the coming quarters which they had held back due to weakness in demand for such products in developed countries. In Q2FY25 company has seen signs of recovery in Premium specialty care product will improve realisation in H2FY25. (3) **India:** The **c**ompany had flattish volume growth in the quarter. It was impacted due to slowing demand for premium home and personal care and slower than expected rural recovery. (4) Overall volume grew by 5% YoY while performance surfactants grew by ~ 6% and specialty grew by 2.5%. **(5) On container and freight rate:** The Red Sea crisis and container availability and thus increasing freight rates. There has not seen significant decline in freight rates. The company has started passing on this to customers. (6) Company incorporated subsidiary Galaxy Surfactants Mexico and Tri-k Mexico S.A. de C.V to increase the business in the America.
- **DCF-based valuation: Our price target is INR 3,466 (WACC 10%, terminal growth 4%). We tweak our EPS estimates by 5.9/5.7% for FY25/FY26E.**

Financial summary (consolidated)

INR mn	Q2 FY25	Q1 FY25	QoQ (%)	Q2 FY24	YoY (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	10,630	9,741	9.1	9,831	8.1	36,857	44,452	37,944	41,708	46,713
EBITDA	1,277	1,241	2.9	1,249	2.2	4,007	5,683	4,615	5,262	6,269
APAT	847	797	6.3	774	9.4	2,628	3,810	3,007	3,482	4,246
AEPS (INR)	23.9	22.5	6.3	21.8	9.4	74.1	107.5	84.8	98.2	119.8
P/E (x)						37.3	25.8	32.6	28.2	23.1
EV/EBITDA(x)						23.8	17.2	21.5	19.1	16.4
RoE (%)						18.3	22.0	14.8	15.1	16.4

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR bn)	5.53	5.26	(4.9)	6.59	6.27	(4.9)
Adj. EPS (INR/sh)	104.4	98.2	(5.9)	127.0	119.8	(5.7)

Source: Company, HSIE Research

BUY

CMP *(as on 13 Nov 2024)*	INR 2,768
Target Price	INR 3,466
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,578	INR 3,466
EPS % chg	FY25E	FY26E
	-5.9%	-5.7%

KEY STOCK DATA	
Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / ($ mn)	98/1,164
6m avg traded value (INR mn)	75
52 Week high / low	INR 3,370/2,241

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.1)	8.9	(2.3)
Relative (%)	0.5	2.1	(21.9)

SHAREHOLDING PATTERN (%)	June-24	Sept-24
Promoters	70.91	70.91
FIs & Local MFs	12.71	12.99
FPIs	3.87	4.08
Public & Others	12.50	12.02
Pledged Shares	0.00	0.00

Source: BSE

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KNR Constructions

Stable performance

KNR reported revenue/EBITDA/APAT at INR 8.6/1.4/0.9bn, adjusted for one-off in order to arrive at comparable numbers, (miss)/beat on our estimates by 7.7%/ 4.4%/16.7%. EBITDA margin came in at 16.1% (-154/-43bps YoY/QoQ vs. our estimate of 16.6%). KNR guided its FY25 revenue to be at INR35-36bn, with an EBITDA margin of 15-16% and Order Inflow (OI) of INR 60-80bn for FY25. KNR has not secured any order inflow in H1FY25, with Q4FY25 to have significant OI as per management's expectations. Revenue guidance is on the back of weak ordering start and lower starting order book. Given the aggressive competition, the company continues to aspire for projects from different segments like irrigation projects from states other than Telangana. On the HAM portfolio, KNR has already invested INR 5.1bn; the balance equity requirement in NHAI HAM projects is INR 4.36bn as of Sep'24, of which INR 2/1.2/1.1bn will be infused in H2FY25/26/27. KNR highlighted NHAI bid pipeline of INR 2tn and expects to win INR 50/20bn of orders from NHAI HAM/BOT. Beyond NHAI, it is looking to take INR 20bn MSRDC subcontract and INR 40bn is state order pipeline. Given a strong balance sheet and likely new order wins on the back on robust order pipeline in FY25, we maintain BUY with a TP of INR 374/sh (15x Sep-26E EPS).

- **Q2FY25 financial performance:** Adjusted for one-offs in revenue, other expenses and other income (net of tax) to arrive at comparable numbers (excluding EO item) revenue stood at INR 8.6bn (-9.1%/+4.5% YoY/QoQ, a beat by 7.7%). EBITDA at INR 1.4bn (-17.0/+1.8% YoY/QoQ, a beat by 4.4%). Adjusted EBITDA margin of 16.1% (-154/-43bps YoY/QoQ); vs. our estimate of 16.6%). APAT at INR 946mn (-6.2%/+10.6% YoY/QoQ, a beat by 16.7%). KNR guided its FY25 revenue to be at INR 35-36bn, with an EBITDA margin of 15-16% amid a heavy monsoon. Moreover, KNR continues to guide an order inflow (OI) of INR 60-80bn in FY25. KNR needs both geographical and segment diversification to maintain the growth trajectory.
- **Launch heavy H2FY25 to drive ordering:** In the year of tepid order inflows, KNR's executable OB as of Sep'24 stood at INR 44.1bn. Captive (HAM project) works constitute 33% of the OB whereas state/central government/other orders constitute 54/11/2%. Business segment-wise, Roads (HAM)/Roads (Non-HAM)/irrigation/pipeline account for 33/19/23/22% of the OB. The OB is geographically concentrated to Southern India, comprising of Karnataka, Kerala, Tamil Nadu (TN), Andhra Pradesh (AP) and Telangana. KNR expects execution to decline by 6-7 percent in FY25. KNR also has orders with INR 12bn apart from its existing OB for which appointed date is yet to be received. KNR is also evaluating sub-contracting/JV opportunities from Adani, Cube Highways, Navayuga for taking up projects under EPC mode.
- **Strong balance sheet supported by healthy liquidity:** The gross debt/net cash stood at INR 29mn/2.4bn as of Sep'24. The cash status is aided by receipt of multiple claims INR 3.2bn in Q2FY25. At the consolidated level cash is INR 5bn. With likely realization of INR 9bn of irrigation receivables and INR 1.4bn of claims likely in 3QFY25, KNR may have net cash position in excess of INR 15bn by FY25 end. Further, NWC stood at 71/78 days as on Q2FY25/Q1FY25 respectively.

Financial Summary (INR Mn)

Particulars	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	8,560	9,415	(9.1)	8,193	4.5	39,558	36,579	43,252	53,264
EBITDA	1,380	1,663	(17.0)	1,356	1.8	6,877	6,182	7,829	9,667
APAT	946	1,008	(6.2)	856	10.6	4,243	3,680	4,982	6,150
EPS (INR)	3.4	3.6	(6.2)	3.0	10.6	15.09	13.09	17.72	21.87
P/E (x)						21.2	24.5	18.1	14.6
EV/EBITDA (x)						12.7	14.1	11.4	8.2
RoE (%)						14.2	10.6	13.2	14.1

Source: Source: Company, HSIE Research

BUY

CMP (as on 13 Nov 2024)	INR 308
Target Price	INR 374
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 374	INR 374
EPS Change %	FY25E	FY26E	FY27E

KEY STOCK DATA	
Bloomberg code	KNRC IN
No. of Shares (mn)	281
MCap (INR bn) / ($ mn)	87/1,025
6m avg traded value (INR mn)	759
52 Week high / low	INR 415/237

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.4)	25.2	17.0
Relative (%)	(9.8)	18.4	(2.7)

SHAREHOLDING PATTERN (%)

	Jun-24	Sept-24
Promoters	48.81	48.81
FIs & Local MFs	30.75	30.47
FPIs	8.18	6.66
Public & Others	12.27	14.06
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Medplus Health Services

Strong Q2, steady growth and margin to improve

EBITDA^ grew 46% YoY, led by 12% YoY sales growth (pharmacy was up 11% YoY and diagnostics grew 56% YoY) and gross margin expansion (+163 bps), which was offset by higher staff (+14%) and SG&A costs (+13%). Operating margin* came in at 4.7% (+178 bps YoY) as pharmacy margin was up 147 bps to 4.6% and positive INR 21 mn EBITDA in diagnostics. Medplus expects (1) the store addition rate to pick up in H2 and to add 400-450 stores in FY25 (earlier guided for 600 stores); to add higher number of stores from FY26, (2) to increase pharma private label share over next few quarters (targets to achieve ~25% GMV share in mid-term vs. ~16% in Q2FY25) which will help in improving operating margin, and (3) to optimize the working capital which will help in steady OCF/FCF generation over next few years. We see a gradual margin improvement, led by a better mix with steady growth in mature stores (2+ years; ~9-10% margin), an increasing share of private-label and Medplus-brand generics, and an efficient supply chain. Factoring EBITDA beat, we have raised FY25E EBITDA by 7% but tweaked for FY26E. Rolled forward TP at INR 830 (15x Q3FY27E EV/ E, which implies 25x pre-INDAS EV/E). Reiterate BUY, given its strategic expansion plan with a focus on improving profitability.

- **Q2 highlights:** Sales grew 12% YoY at INR 15.7 bn as retail pharmacy sales grew 11% YoY to INR 15.4 bn and diagnostics was at INR 283 mn (+56%). EBITDA at INR 1.24 bn (+46% YoY) was led by higher GM at 23.7% (+163 bps), which was partly offset by higher costs (staff/ SG&A was up 14/13% YoY). Operating EBITDA was at INR 739 mn (+80% YoY) as the increase in rental by 11% was offset by higher GM. Operating margin was at 4.7% (+178 bps YoY). Pharmacy margin was up 147 bps YoY to 4.6% and diagnostic reported EBITDA of INR 21 mn. Reported PAT was at INR 387 mn (+166% YoY).
- **Q2 operating metrics:** Net new store addition was at 108 (gross store addition was at 132), resulting in a total store count of 4,552 as of Sep'24. Mature store growth was at 6.8% YoY (vs 15.7% in Q2FY24). The mature store operating margin was at 10.2% (vs 9% in Q2FY24). Mature store RoCE at 58.1% (vs 50.6% in Q2FY24). Private lab sales as % of total sales increased to 18.4% (vs 14% in Q2FY24). Overall RoCE was at ~15.4% (vs 7.7% in Q2FY24). In Q1FY25, OCF was at INR 2.14 bn, and capex and lease liabilities payment at INR 162 mn and INR 554 mn respectively, resulting in positive FCF of INR 1.4 bn.
- **Key takeaways from con call:** The retail pharmacy GMV growth was at 18% YoY (vs. reported net sales growth of 11%). Pharma private label share was at ~16% - Medplus's own brand share was at ~15% and the old private label share was at ~1%. Pharma private label mix had 50+% share from chronic basket. It is looking to add 150+ products in private label portfolio (vs ~787 in Q2). Diagnostics: As of Sep'24, it has 148k active plans/covers 299k lives; renewal rate at 25%. Diagnostic business had restructuring related one-off cost of ~INR 19 mn, of which INR 11.7 mn was non-cash item.

Quarterly financial summary

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	15,762	14,086	12	14,888	6	45,576	56,249	63,554	75,365	89,141
EBITDA	1,244	851	46	938	33	2,657	3,541	4,780	6,007	7,595
APAT	387	146	166	144	170	400	621	1,252	1,887	2,844
EPS (INR)	3.2	1.2	166	1.2	170	3.3	5.2	10.5	15.8	23.8
P/E (x)						204.3	131.6	65.3	43.3	28.8
EV/EBITDA (x)						33.1	25.5	18.8	15.1	11.9
RoCE (%)						6	7	10	12	15

Source: Company, HSIE Research, PAT adjusted for one-offs. ^ post-INDAS EBITDA *pre-INDAS.

BUY

CMP *(as on 13 Nov 2024)*	INR 684
Target Price	INR 830
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 820	INR 830
EPS %	FY25E	FY26E
	7.2	(0.9)

KEY STOCK DATA	
Bloomberg code	MEDPLUS IN
No. of Shares (mn)	120
MCap (INR bn) / ($ mn)	82/968
6m avg traded value (INR mn)	318
52 Week high / low	INR 849/598

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	6.2	(2.1)	(15.9)
Relative (%)	7.8	(8.9)	(35.6)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	40.39	40.39
FIs & Local MFs	22.17	27.98
FPIs	14.85	14.72
Public & Others	22.59	16.91
Pledged Shares	21.88	21.88

Source: BSE

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HG Infra

Weak Performance

BUY

CMP (as on 13 Nov 2024)	INR 1,198
Target Price	INR 1,904
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,904	INR 1,904
EPS Change %	FY25E	FY26E
	-	-

KEY STOCK DATA	
Bloomberg code	HGINFRA IN
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	78/925
6m avg traded value (INR mn)	471
52 Week high / low	INR 1,880/805

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(23.8)	0.5	41.6
Relative (%)	(22.2)	(6.2)	22.0

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	74.53	71.77
FIs & Local MFs	12.13	12.70
FPIs	2.04	2.60
Public & Others	11.3	12.9
Pledged Shares	-	-

Source: BSE

HG Infra (HG) reported its quarterly revenue/EBITDA/APAT of INR 10.6bn/1.7bn/886mn, a miss by 21/17.5/17.4%. The OB as of Sep'24 stood at INR 166.2bn (~3.2x FY24 revenue). The company has maintained its FY25 revenue guidance at INR 60bn (~17% YoY) with an EBITDA margin of ~15-16%. On the order inflow front, the company expects INR 110-120bn. It has already secured orders worth INR 62.8bn (INR 55bn from highways and INR 7.8bn from Solar) and is on track to achieve FY25 guidance. HG recently made a pivotal shift in its OB inflows from road to railways indicating its robust diversification strategy, and it further expects to diversify in the water segment by securing new orders. Equity infusion guidance for H2FY25/26/27 stands at INR 3.7/ 1.7/ 1.31b. The standalone gross/net debt as of Sep'24 stood at INR 8.8/7.7bn vs. INR 6.2/5.1bn, as of Jun'24. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we maintain BUY on HG, with TP of INR 1,904 (16x 1-yr forward).

- **Q2FY25 financial highlights:** Revenue of INR 10.6bn (+22.4/-29.3% YoY/QoQ, a miss by 21.5%). EBITDA: INR 1.7bn (+26.1/-28.3% YoY/QoQ, a miss by 17.8%). EBITDA margin came in at 16.4% (47.3/23.1bps YoY/QoQ, vs. our estimate of 15.7%). RPAT: INR 886mn (+43.7/-36.5% YoY/QoQ, a miss by 17.4%). Its FY25 revenue growth guidance stands at ~18% YoY growth with an EBITDA margin of 15-16%.
- **Well-diversified OB:** The OB as of Sept'24 stood at INR 166.2bn (~3.2x FY24 revenue). It is well-diversified at the client level, with government/private orders contributing toward 92/8%. 75% of the OB consisted of Road orders, 14% belonged to railways and 11% from Solar project orders. Geography-wise, 31% of orders were from Maharashtra, followed by Uttar Pradesh, Jharkhand, Rajasthan, Andhra Pradesh, Haryana, Karnataka and Telangana at 15/14/13/5/4/4%. Regarding the order inflow, the company expects that they should get orders worth INR 110-120bn. Of this, they have already won orders worth INR 62.8bn (INR 55bn from highways and INR 7.8bn from Solar). HG had recently diversified into Solar and is looking at opportunities in the water segment for further segmental diversification.
- **Slight increase in debt levels on the back of better parent level interest cost:** The standalone gross/net debt as of Sept'24 stood at INR 8.8/7.7bn vs. INR 6.2/5.1bn, as of Jun'24. The increase in debt was attributed to delayed collections and lower drawing of interest-bearing mobilization advances as HG gets better rate borrowing on its own balance sheet. The Total equity requirement of 10 HAM projects stands at INR 14.7bn. Out of this, INR 7.9bn has already been invested till Sep'24 and INR 3.7/ 1.7/ 1.31bn to be invested in H2FY25/ FY26/ FY27. In addition, equity investment for Solar stands INR 7.32bn of which company has already invested INR 35mn, further plans to infuse INR 7.3bn of which INR 3.5bn/ 3.8bn is expected to be infused in H2FY25/ FY26.

Standalone financial summary – INR mn

YE Mar – INR mn	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	10,645	8,695	*22.4*	15,059	*(29.3)*	51,217	59,634	70,368	83,035
EBITDA	1,744	1,384	*26.1*	2,433	*(28.3)*	8,220	9,275	10,935	13,222
APAT	886	617	*43.7*	1,395	*(36.5)*	4,654	5,294	6,385	7,913
EPS (INR)	13.6	9.5	*43.7*	21.4	*(36.5)*	71.4	81.2	98.0	121.4
P/E (x)						21.4	18.8	15.6	12.6
EV/EBITDA (x)						12.4	12.5	10.5	8.4
RoE (%)						22.7	20.9	20.9	21.0

Source: Company, HSIE Research

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Ashoka Buildcon

Muted performance

Ashoka Buildcon (ASBL) reported revenue/EBITDA/APAT of INR 14.2/1.2/0.4bn a miss of (-20.5/-6/-20.1%) against our estimates. EBITDA margin: 8.4% (-82/193bps YoY/QoQ), lower than our estimate of 7.1%, owing to weak margins in legacy projects. ASBL expects to record double-digit EBITDA margins post Q2FY26 on the back of new order execution. The OB as of Sep'24 stood at INR 111.04bn (~1.44x FY24 revenue), excluding additional LOA for Projects received post Sept'24 worth INR43.2bn and L1 of INR 2.65bn. Furthermore, ASBL guided order inflow of INR 40-50bn for H2FY25, while participating in bids worth INR 650bn. Business-wise, the OB is well-diversified with HAM (Roads)/EPC (Roads) /power T&D/railways/EPC (buildings) comprising of 6.8/47.5/35.5/5/5.2% respectively. ASBL has guided FY25 revenue to be flat on a YoY basis. On the HAM portfolio, ASBL has already invested INR 10.7bn; the balance equity requirement in its existing NHAI HAM assets is INR 1bn as of Sep'24, which will be infused in H2FY25 itself. Given the stable OB, improving visibility on asset monetisation, and margin expansions on the back of new order execution, we maintain BUY. However, we have increased our SOTP to INR 302/sh (11x Dec-26E EPS roll forward) while factoring in a higher valuation for HAM assets (1.4x P/BV).

- **Q2FY25 financial highlights:** Revenue: INR 14.2bn (-9.2/-24.5% YoY/QoQ, a miss by 21%). EBITDA: INR 1.2bn (-17.3%/-2% YoY/QoQ, a miss by 6%). EBITDA margin: 8.4% (-82bps/193bps YoY/QoQ, vs. our estimate of 7.1%). RPAT/APAT: INR 362/362mn (-49.2/-11.3% YoY/QoQ, a miss of 20%).ASBL guided FY25 revenue to continue be flat on a YoY basis. Moreover, ASBL expects to record double digit margins post Q2FY26, a delay from its earlier timeline of H2FY25 onwards, this will be supported by new order executions kicking in which would help the margins to expand.
- **Robust order pipeline set to bolster order book:** The OB as of Sep'24 stood at INR 111.04bn (~1.44x FY24 revenue), excluding additional LOA for Projects received post Sept'24 worth INR43.2bn and L1 of INR 2.65bn. Region-wise contribution stands at 42.2/20.8/10.6/8.7/8.7/3.8/1.2% for West/South/North/East/ Central/North/North East respectively. Client-wise, State/Central/Overseas/ HAM/Private clients contributed 51.5/24.4/10.6/7.6/5.8% respectively. The standalone gross/net debt as of Sep'24 stood at INR 22.5/20.9bn vs. INR 14.4/9.3bn as of Mar'24.

Financial Summary (INR mn)

Particulars	2QFY25	2QFY24	YoY(%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	14,176	15,613	(9.2)	18,771	(24.5)	77,267	76,108	89,807	110,014
EBITDA	1,190	1,439	(17.3)	1,214	(2.0)	5,765	5,860	8,532	11,111
APAT	362	713	(49.2)	408	(11.3)	2,688	1,465	3,640	5,642
Diluted EPS (INR)	1.3	2.5	(49.2)	1.5	(11.3)	9.6	5.2	13.0	20.1
P/E (x)						24.5	45.0	18.1	11.7
EV / EBITDA (x)						13.1	15.2	10.8	8.5
RoE (%)						7.5	3.8	8.8	12.3

Source: Company, HSIE Research

Change in Estimates (INR mn)

Particulars	FY25E			FY26E			FY27E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Net Revenues	76,108	82,289	(7.5)	89,807	92,164	(2.6)	110,014	108,016	1.8
EBITDA	5,860	6,419	(8.7)	8,532	8,295	2.9	11,111	10,910	1.8
Margins (%)	7.7	7.8	(10.0)	9.5	9.0	50.0	10.1	10.1	0.0
APAT	1,465	2,367	(38.1)	3,640	3,753	(3.0)	5,642	5,773	(2.3)

Source: Company, HSIE Research

BUY

CMP (as on 13 Nov 2024)	INR 233
Target Price	INR 302
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target (INR)	280	302

EPS Change (%)	FY25E	FY26E	FY27E
	-38.1	-3.0	-2.3

KEY STOCK DATA	
Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (INR bn) / ($ mn)	65/776
6m avg traded value (INR mn)	621
52 Week high / low	INR 285/131

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.4)	40.6	66.9
Relative (%)	1.2	33.8	47.3

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	54.47	54.47
FIs & Local MFs	19.32	17.79
FPIs	7.63	7.95
Public & Others	18.57	19.80
Pledged Shares	-	-

Source : BSE

Pledge share as a % of total shares

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Neogen Chemicals

Volume-driven growth

Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 2,076/share is premised on (1) entry into the new-age electrolyte manufacturing business; (2) increasing contribution of the high-margin CSM business to revenue; (3) volume driven growth in legacy business; and (4) improving return ratios, going forward. NCL's EBITDA/APAT will grow at a CAGR of 32/41% over FY24-30E while RoE will improve from 5.7% in FY24 to 22% in FY30E. Q2 EBITDA was 8% above estimates owing to lower than expected raw material cost while APAT was 13% below our estimates owing to higher than expected interest expenses.

- **Financial performance:** Revenue came at INR 1,934mn (19.6/7.5 % YOY/QOQ). The performance was driven by volume gains in core business. We estimate that volume growth in core business was ~50% YoY. It was driven by all business segments- Lithium derivatives, Bromine derivative, advanced intermediates and CSM. End user industries like pharma, polymer, flavours and fragrance, fine chemicals and specialty material has shown robust volume uptake. Non-agro CSM has shown strong traction. The management is confident to achieve CSM contribution of 20% in revenue by FY26. EBITDA changed to INR 345mn (+33/12% YoY/QoQ) due to better planned through put and operational efficiencies. EBTIDA margin increased to 17.8%(182/73 bps YoY/QoQ) due to sharp correction in product prices.
- **Segmental information:** Organic chemicals (85% of the revenue) increased 32% YoY to INR 1,640mn. Organic business grew due to increased contribution Buli Chemicals and Neogen Ionics. Buli chemical plant is currently running at full capacity. Non Agro CSM and bromine derivatives contributed to organic chemical. Inorganic chemicals (15% of the revenue) decreased by 25% YoY to INR 2,90mn. Revenue was impacted in both segments due to a fall in bromine and lithium prices. Adjusting for the same, revenue in organic chemicals and inorganic chemicals could have increased to INR 1860mn and INR 550mn respectively.
- **Key con call takeaways:** (1) Revenue contribution from Export business was 26%. (2) Company has commissioned 200 MPTA capacity of electrolyte additive previously and it has shared samples with customers. Another 200 MTPA trial production is ongoing (3) For MUIS business company has initiated the structure with secured financial closure. MUIS has also started plant construction on their end. (4) Currently customers are conducting audit of the facility. Once the audit is done. They will start Purchase orders. (5) Agro CSM has not picked demand. It is expected to ramp up in 2HFY26E. (6) Company has applied for the environmental clearance to double capacity of Buli Chemicals plant. (7) Company is targeting for decrease in working capital days to 140 days in its core business.
- **Change in estimates:** We cut our FY25/26 EPS estimates by 1.9/0.8% to INR 19/23 to factor in Q2FY25 performance.
- **DCF-based valuation: Our target price is INR 2,076(WACC 11%, terminal growth 5.5%). The stock is currently trading at 85x FY26E EPS.**

Financial summary (consolidated)

INR mn	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	1,934	1,800	*7.5*	1,617	*19.6*	4,873	6,862	6,907	7,372	8,057
EBITDA	345	308	*12.0*	259	*33.1*	866	1,116	1,101	1,282	1,440
APAT	110	115	*(4.4)*	79	*38.4*	446	500	356	483	572
AEPS (INR)	4.4	4.6	*(4.4)*	3.2	*38.4*	17.9	20.0	14.3	19.4	22.9
P/E (x)						109.0	97.4	136.8	100.7	85.1
EV/EBITDA(x)						58.3	46.7	47.7	41.4	37.2
RoE (%)						14.3	10.8	5.7	6.2	6.9

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	1,233.3	1,282	*3.9%*	1,415.6	1,440	*1.7%*
Adj. EPS (INR/sh)	19.0	19	*1.9%*	22.7	23	*0.8%*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Nov 2024)*	INR 1,951
Target Price	INR 2,076
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,975	INR 2,076
EPS %	FY24E	FY25E
	1.9%	0.8%

KEY STOCK DATA	
Bloomberg code	NEOGEN IN
No. of Shares (mn)	26
MCap (INR bn) / ($ mn)	51/610
6m avg traded value (INR mn)	205
52 Week high / low	INR 2,390/1,149

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	15.1	34.7	23.2
Relative (%)	16.7	27.9	3.6

SHAREHOLDING PATTERN (%)

	June-24	Sept-24
Promoters	56.89	51.23
FIs & Local MFs	22.54	22.48
FPIs	4.65	8.17
Public & Others	15.92	18.12
Pledged Shares	0.00	0.00

Source: BSE

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Repco Home Finance

Yet another mixed quarter

REPCO reported yet another mixed quarter with muted provisioning and higher other income, offset by sustained muted loan growth. NIMs remained broadly steady at 5.1%, aided by favourable product mix offset by the rising cost of funds, although the spreads have moderated marginally. Loan growth remains sub-par (AUM growth of +8.1% YoY), although disbursements gained some traction (+9% YoY) on a low base. Management has indicated a downside risk to FY25 AUM guidance of INR 150bn due to muted business momentum. Credit costs continued to remain subdued (-46bps annualised) driven by strong recoveries and are likely to remain muted for H2 as well. Loan growth has been a challenge for REPCO over the last few years and a key monitorable for rerating as the profitability has remained steady. We revise our FY25/FY26 earnings estimates downwards to factor in moderation in NIMs, offset by lower credit costs and fee income, and maintain ADD with a revised RI-based TP of INR580 (implying 1x Sep-26 ABVPS).

- **Steady on profitability; muted NII/PPoP growth**: REPCO's spreads remained under pressure at 3.3% largely due to rising cost of funds at 8.8% (Q1FY25: 8.6%). Other income grew sharply by 230% YoY due to insurance commission income and recoveries from written-off accounts. Opex intensity remained elevated at 1.5% of AUM (C/I at 27%), with ongoing investments in tech and distribution and is likely to remain elevated in the near term. Profitability remained healthy with RoA/RoE prints at 3.3%/16% respectively.
- **Improving asset quality, provisions to remain muted:** REPCO's GS-III/NS-III improved sequentially to 4%/1.6% (Q1FY25: 4.3%/1.7%), with GS-II at 11%. Credit costs were at -46bps due to strong NPA recoveries, along with reduction in provisioning levels. Adequate provisioning (overall: 3.5%; Stage III: 61%) and visibility of recoveries from the NPA pool are likely to drive negligible credit costs during FY25, as per management.
- **Solving the growth equation remains WIP**: REPCO's loan growth has remained sub-par over the past several quarters despite the stabilisation of asset quality and healthy profitability. Recent initiatives such as the expansion of the distribution footprint (48/400 branches/employees added since Mar-22), the introduction of separate sales and credit verticals and technology upgrades are likely to aid loan growth, which remains a key monitorable.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY(%)	Q1FY25	QoQ(%)	FY24	FY25E	FY26E	FY27E
NII	1.7	1.7	*(2.3)*	1.7	*(1.3)*	6.5	6.9	7.9	8.9
PPOP	1.4	1.3	*2.2*	1.4	*(0.9)*	5.2	5.6	6.4	7.3
PAT	1.1	1.0	*14.7*	1.1	*6.7*	3.9	4.3	4.5	5.1
EPS (INR)	18.0	15.7	*14.7*	16.9	*6.7*	63.1	68.4	72.3	81.1
ROAE (%)						14.6	13.8	12.9	12.8
ROAA (%)						3.0	2.9	2.8	2.7
ABVPS (INR)						416	489	554	622
P/ABV (x)						1.1	1.0	0.8	0.8
P/E (x)						7.4	6.8	6.5	5.8

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	152	148	-2.5%	174	169	-3.0%
NIM (%)	4.8	4.6	-16 bps	4.7	4.7	0 bps
NII	7.2	6.9	-4.5%	8.1	7.9	-2.7%
PPOP	5.8	5.6	-4.1%	6.5	6.4	-1.9%
PAT	4.3	4.3	-0.3%	4.6	4.5	-2.2%
ABVPS (INR)	499	489	-2.1%	565	554	-1.9%

Source: Company, HSIE Research

ADD

CMP *(as on 13 Nov 2024)*	INR 463
Target Price	INR 580
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 570	INR 580
EPS %	FY25E	FY26E
	-0.3%	-2.2%

KEY STOCK DATA	
Bloomberg code	REPCO IN
No. of Shares (mn)	63
MCap (INR bn) / ($ mn)	29/343
6m avg traded value (INR mn)	128
52 Week high / low	INR 595/366

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.7)	(3.4)	5.2
Relative (%)	(1.1)	(10.1)	(14.5)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	37.1	37.1
FIs & Local MFs	18.8	19.9
FPIs	14.0	12.9
Public & Others	30.0	30.1
Pledged Shares	0.0	0.0

Source: BSE

Pledged shares as % of total shares

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Kolte Patil Developers

Muted performance due to delayed launches

KPDL reported a muted quarter with presales of 1.03msf (5.1%/+7.3% YoY/QoQ), valued at INR 7.7bn (+21.8%/+8.3% YoY/QoQ), with an average realisation of INR 7,475 per sq. ft. (+15.9%/+0.9% YoY/QoQ). 90% of the sales in value terms came from the Pune region for H1FY25, which KPDL is expecting to lower to 70% as contribution from MMR and Bengaluru is expected to increase, given that major launches in Mumbai are expected in H2FY25. Moreover, KPDL expects to launch projects worth INR 70bn in FY25 (vs INR 80bn earlier), due to certain approval delays and project phasing. It is preparing for a launch heavy H2FY25 with a saleable area of c.9msf and a revenue potential of INR 70bn in MMR, Pune and Bengaluru. We expect Life Republic (LR) project to continue the sales momentum and strong cash flows, further improving the margins with better realisation. KPDL expects to achieve its BD guidance of INR 80bn for FY25, as a few of the deals are nearing completion or in advanced stages. The BD pipeline is largely in Pune (at 70%), MMR (at 20%) and the balance 10% in Bengaluru. With strong cash flows KPDL is a net cash positive company and liquidity is comfortable. This may pave the way for accelerated BD activities. Given strong business development and better-than-expected price realisation, we maintain BUY with TP of INR 480/sh.

- **Q2FY25 financial performance:** KPDL reported revenue of INR 3.1bn (55.6%/-9.5% YoY/QoQ, in line). EBITDA came in at INR 144mn vs INR 35mn/278mn Q2FY24/Q1FY25, vs INR 220mn est.). APAT was of INR 97mn (INR (18) mn/INR 62mn Q2FY24/Q2FY25) vs. the estimate of INR 69mn profit. Margins got impacted on the back overhang of legacy projects, though KPDL believes that the margin will improve towards mid-teens in H2FY25, driven by new projects.
- **Preparing for a launch heavy H2FY25:** KPDL reported quarterly presales of 1.03msf (5.1%/+7.3% YoY/QoQ), valued at INR 7.7bn (+21.8%/+8.3% YoY/QoQ), with an average realisation of INR 7,475 per sq. ft. (+15.9%/+0.9% YoY/QoQ). Life republic contributed ~50% of total sales in Q2FY25. Collections stood at INR 5.5bn making a 16.5%/-10.1% YoY/QoQ. KPDL expects presales of 35bn in FY25 with 30% contribution from MMR and Bengaluru. It has launched projects with saleable area of 2.21msf and a GDV of INR 18bn, which are largely phased launches. However, it is preparing for a launch heavy H2FY25 with a GDV of INR 70bn in MMR, Pune and Bengaluru. KPDL is expanding its presence in key markets, pursuing new ventures, and prioritizing operational efficiency to improve margins.
- **Strong BD guidance to drive the next leg of growth:** Though Q2FY25 was a muted quarter in terms of new business developments, KPDL expects to achieve its BD guidance of INR 80bn for FY25 as a few of its deals are nearing completion or in advanced stages. Net cash stood at INR 580mn (INR 370mn net cash in Q1FY25). During H1FY25, KPDL generated a net operating cash flow of INR 4.4bn.

Consolidated financial summary (INR mn)

Particulars	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	3,083	1,982	55.6%	3,408	-9.5%	13,715	16,938	24,672	25,840
EBITDA	144	35	312.9%	278	-48.3%	276	1,651	3,859	4,866
APAT	97	(18)	NA	62	55.2%	-694	554	2,030	2,729
EPS (INR)	1.3	(0.2)	NA	0.8	55.2%	4	7	27	36
P/E (x)						93	49	13	10
EV/EBITDA (x)						123	20	9	7
RoE (%)						- 8	6	23	24

Source: Company, HSIE Research

BUY

CMP *(as on 13 Nov 2024)*	INR 361
Target Price	INR 480
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 480	INR 480
EPS Change %	FY25E	FY26E
	-	-

KEY STOCK DATA	
Bloomberg code	KPDL IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	27/324
6m avg traded value (INR mn)	167
52 Week high / low	INR 585/345

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.4	(26.0)	(27.1)
Relative (%)	4.0	(32.8)	(46.8)

SHAREHOLDING PATTERN (%)	Jun-24	Sept-24
Promoters	69.45	69.45
FIs & Local MFs	4.96	3.13
FPIs	4.51	5.19
Public & Others	21.09	22.24
Pledged Shares	0.0	0.0

Source: BSE

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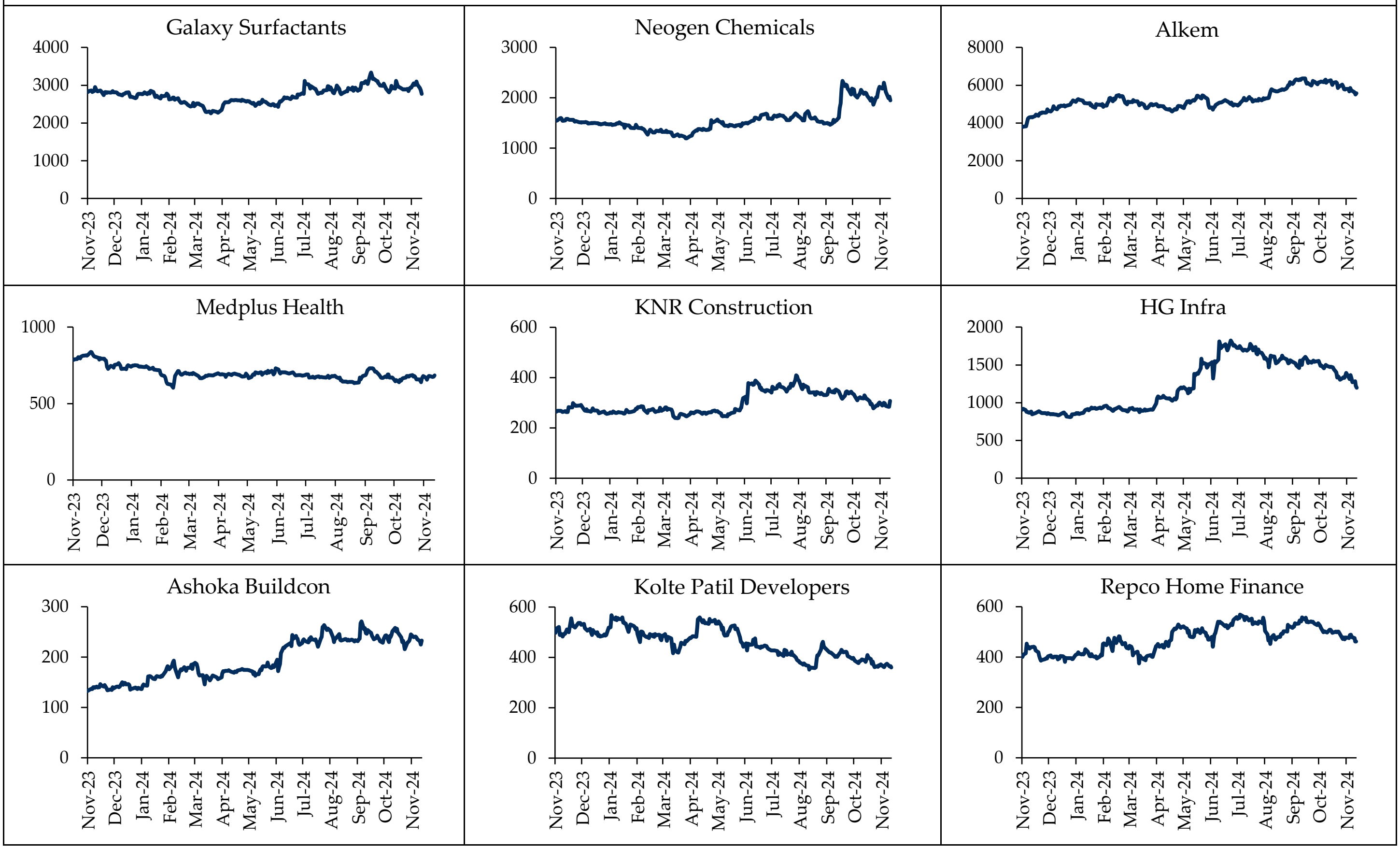
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Galaxy Surfactants, Neogen Chemicals	MBA	NO
Nilesh Ghuge	Galaxy Surfactants, Neogen Chemicals	MMS	NO
Dhawal Doshi	Galaxy Surfactants, Neogen Chemicals	CA	NO
Prasad Vadnere	Galaxy Surfactants, Neogen Chemicals	MBA	NO
Mehul Sheth	Alkem Laboratories, Medplus Health Services	MBA	NO
Parikshit Kandpal	KNR Constructions, HG Infra, Ashoka Buildcon, Kolte Patil Developers	CFA	NO
Aditya Sahu	KNR Constructions, HG Infra, Ashoka Buildcon, Kolte Patil Developers	MBA	NO
Jay Shah	KNR Constructions, HG Infra, Ashoka Buildcon, Kolte Patil Developers	CA	NO
Deepak Shinde	Repco Home Finance	PGDM	NO
Krishnan ASV	Repco Home Finance	PGDM	NO
Keshav Maheshwari	Repco Home Finance	CA	NO

1 Yr Price movement



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