INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Asian Paints:** APNT's consolidated revenue declined 5.3% YoY to INR 80.3bn (HSIE: INR 85bn). The decorative and industrial business collectively clocked flat volume growth and 5.5% decline in value growth in Q2 (Decorative value/value growth came in at -0.5/-6.7%). Urban markets experienced more stress, while rural markets performed relatively better. International business was largely impacted by currency devaluation in Ethiopia. EBITDAM contracted 480bps to 15.4% (HSIE: 18%), led by (1) RM inflation, (2) price reduction in previous quarters, and (3) higher employee expenses. Management expressed concern over the continued weak demand for Q3. We've cut our FY25/26 EPS estimates by 9/5% respectively to account for lower growth/margins. However, post the recent stock price correction, we believe the pain is priced in. Upgrade to ADD with a DCF-based TP of INR 2,650/sh; implying 44x Sep-26 P/E.
- **Trent:** Amidst the industry-wide discretionary slowdown, Trent stands tall. That said, growth run-rate has moderated. Standalone revenue grew 39.6% YoY to INR40.36bn (HSIE: INR42.33bn) – anchored by Zudio. The company continued to register double digit SSSG across all fashion formats in Q2. Trent's F&G format Star grew 27% YoY (SSSG over 14%). GM/EBITDAM contracted 47/7bps to 44.2/15.9%. (HSIE: 45.3/14.2%). Retailer added 7/34 (gross) stores in Westside and Zudio respectively. We maintain our FY25/26/27 estimates and retain SELL rating with an SOTP-based TP of INR3,850 (incl. 60x Sep-26 P/E for the standalone business).
- **Eicher Motors:** Eicher's Q2 PAT was ahead of estimates due to a better-than-expected margin at RE. While the CV industry volumes declined 11%, VECV volumes grew 10% YoY. Investments in growing heavy duty truck presence coupled with tough market conditions resulted in VECV margin decline of 74bps. Since Harley Davidson (in collaboration with Hero MotoCorp) and Triumph (in collaboration with Bajaj Auto) launched their models at fiercely competitive and comparable price points to RE, competition in the 250–500cc sector has increased dramatically. Eicher has planned 20-24 new models in the medium term, which would keep margins under pressure due to higher marketing spends. While RE's performance has held up so far, we expect the same to be impacted as competitors ramp up their production in the coming quarters. Reiterate REDUCE with a price target of INR 4,378.
- **Hero Motocorp:** Hero MotoCorp's Q2 PAT at INR 12bn (+20% YoY) was above our estimate of INR 11.3bn, driven by higher other income. Festive season went well across categories, with 16% revenue growth reported in the 32-day festive season. In the EV segment, market share stood at 5.4%. Overall, margin is expected to be in the 14-16% range. The company continues to invest in new products and segments including premium, EV portfolio and a better customer experience with Hero 2.0, Premia and investments in digital and technology. With better consumer sentiment aided by marriage dates and onset of festive season, a significant recovery is expected in the rural segment. HMC remains hopeful of growing faster than the industry due to faster recovery expected in rural segment, ramp-up of its 125cc portfolio, and significant investments in building power brands. HMC expects op leverage to improve driven by volume growth, aggressive growth in the premium portfolio and cost-saving initiatives. The focus on EV remains unabated with

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investments planned for new products and segments. Upgrade to ADD with a TP of INR 5,087 based on 20x Sep-26 EPS and cash per share of Rs 704.

- **Bharat Forge:** Bharat Forge's consolidated revenue declined 2% YoY to INR 36.9bn, dragged by weakness in the European markets. Driven by improvement in capacity utilization and a better product in India, it grew 4% to INR 6.5bn (HSIE INR 7bn). Margin improved 108bps YoY. Outlook remains positive, with growth across forgings, castings, and defence and improvement in operational performance of overseas subsidiaries. The losses in US subsidiary are reducing, with some profit expected by end of FY25. BHFC management expects a stable to positive year for its automotive business with defence business expected to significantly pick up as new orders come in and start getting executed over the next few years. We expect 12% revenue growth (CAGR FY24-27E), to be driven by factors like (1) significant executable defence order book of INR 59bn and new orders expected and (2) ramp-up potential at JS-Auto Cast, given there is a huge demand for castings, both in India and abroad. We revise the TP to INR 1,751 (from INR 1782 earlier) based on 35x Sep-26 EPS and maintain ADD.

- **FSN E-commerce Ventures (Nykaa):** Nykaa's Q2 top line grew 24.4% YoY to INR18.75bn (vs HSIE: INR18bn). BPC/Fashion revenue grew 24.3/21.7% to INR 17.03/1.66bn respectively. Within the fashion segment, increased revenue was driven by higher content income from LBB. Marketing and S&D expenses increased substantially due to investments in brand awareness campaigns and customer acquisition initiatives. EBITDAM expanded 18bps YoY to 5.5% (HSIE: 7.3%) due to reduction in losses from the fashion and eB2B segments. We maintain our FY25/26 EBITDA estimates and our REDUCE rating with a DCF-based TP of INR175/sh (implying 73x Sep-26 EV/EBITDA).

- **Aditya Birla Fashion and Retail:** ABFRL's Q2 top line grew 12.9% YoY to INR36.44bn (HSIE: INR37.69bn). The company aims to maintain its double-digit CAGR growth. Lifestyle brands/Pantaloons/Ethnic grew 3/6/215% YoY to INR 16.36/10.82/4.54bn (HSIE: INR16.74/11.13/3.17bn). Lifestyle's margin declined due to absence of a significant customer which led to lower sales and reduced profitability. Ethnic business grew more than 3 times as compared to last year due to inclusion of TCNS and Tarun Tahiliani (Organic growth stood at 10%). Net debt stood at ~INR37.6bn. We largely maintain our FY26/27 estimates and our SELL rating with a SOTP-based TP of INR235/sh; implying 25x Sep-26 EV/EBITDA.

- **Apollo Tyres:** Apollo Tyres' consolidated earnings at INR 3bn (-38% YoY/-9% QoQ) was below our estimate (HSIE INR 3.2bn), impacted by steep hike in RM prices in India. While exports and replacement segment reported strong growth, it was offset by mid digit decline in OEM volumes. Europe business revenue grew 1.2% YoY to €171mn. In Europe, the share of passenger car tyres is higher and these require lower rubber content; hence, the impact of higher rubber prices has not impacted profitability significantly. Rubber prices are coming down. Over 2H, volume growth is expected with impact of lower rubber prices being evident from Q4. Market recovery is evident in Europe, with the company focusing on cost optimisation to drive margins. Management expects mid-single digit growth in the replacement segment, double-digit growth in exports while India OE is expected to report a double-digit decline. The impact of higher material costs and EPR is expected to be mitigated through calibrated price hikes. With the passenger vehicle industry expected to grow in mid-single digit in FY25 and CV cycle recovery taking longer than expected, we maintain REDUCE with a TP of INR508/sh –valued at 14x Sept-26 earnings.

- **Kansai Nerolac:** Kansai Nerolac's (KNPL) standalone revenue grew 1% YoY to INR18.6bn in Q2 (HSIE: INR19.1bn). While the industrial segment exhibited positive value growth, overall volume growth stood at 4%; decorative segment marginally lagged in volume; but declined in value (low-single digits). Government expenditure is rebounding, benefiting project and performance coating businesses. Two wheeler demand remains stable. GM/EBITDAM contracted 172/309bps YoY to 34/11.5% (HSIE: 35/13%). We marginally cut our FY26/27 EPS estimates (2% each) and maintain our REDUCE rating for KNPL with a DCF-based TP of INR270/sh (implying 26x Sep-26E P/E).

- **Relaxo Footwears:** It was a disappointing Q2FY25 for Relaxo. Revenue declined by 5% YoY to INR 6.79bn in Q2FY25 (HSIE: INR 7.74bn) due to muted consumer demand and rising competition from lower priced, unorganised players. Volumes decreased by 10% YoY. GM expanded 314bps YoY to 51.5% (HSIE: 49.4%), primarily due to (1) lower RM costs and (2) price hikes implemented due to BIS regulations. EBITDAM merely improved by 11bps YoY to 12.9% (HSIE: 13.5%) impacted by higher employee cost and depreciation. The company believes that the entry of these unorganised players is a short-term phenomenon, as they may exit the market once stricter regulations are enforced on them. We've toned down our FY25/26/27 EPS estimates by 11/3/3% respectively and now upgrade the stock to REDUCE with a DCF-based TP of INR630/sh, implying 44x Sep-26E P/E.

- **Bata India:** Bata India's revenue grew modestly by 2.2% YoY to INR 8.37bn (HSIE: INR 8.11bn) due to ongoing market headwinds and subdued consumer spending. The company is facing challenges in maintaining market share in the sub-INR1000 product range though the premium category continues to perform better. Its zero base merchandising strategy has aided efficiency. Currently, it is implemented in 8 stores, and the company plans to scale this strategy to 250 stores by Q4. GM/EBITDAM contracted 143/132bps YoY to 56.6/20.9% (HSIE: 57.5/21.8%) courtesy rising salience of lower-margin channels (franchisees/ecommerce business) and increased investments in inventory clearance strategies. Our FY26/27 EPS estimates remain unchanged and we maintain a REDUCE rating with a DCF-based TP of INR1,300/sh, implying 38x Sep-26 P/E.

- **Sobha:** SDL reported a stable quarter with presales in value and volume at INR 11.8bn (-19.5%/-37.1% YoY/QoQ) and 0.9msf (-33%/-20.9% YoY/QoQ) resp. SDL will complete its fundraise by raising a second tranche of the INR 10bn rights issue (total INR 20bn size) in Dec-24, which will be utilised largely towards growth opportunities in non-Bengaluru/Kerala regions like NCR, Pune, Hyderabad, etc. SDL has laid out plans to expand in the MMR market from FY26, ramp up its presence in Pune and NCR, and consolidate in Bengaluru. Newer markets will aid presales growth. SDL expects to unlock its extensive land reserves; moreover, the ongoing fundraise and robust cash flows will allow SDL to pursue new land acquisitions, further strengthening its growth pipeline. Given the robust launch pipeline, strong balance sheet, and stable cash flows, we maintain BUY on SDL with revised TP of INR 2,607/sh (recalibrating for rights issue).

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Asian Paints

Disappointed on all counts

APNT's consolidated revenue declined 5.3% YoY to INR 80.3bn (HSIE: INR 85bn). The decorative and industrial business collectively clocked flat volume growth and 5.5% decline in value growth in Q2 (Decorative value/value growth came in at -0.5/-6.7%). Urban markets experienced more stress, while rural markets performed relatively better. International business was largely impacted by currency devaluation in Ethiopia. EBITDAM contracted 480bps to 15.4% (HSIE: 18%), led by (1) RM inflation, (2) price reduction in previous quarters, and (3) higher employee expenses. Management expressed concern over the continued weak demand for Q3. We've cut our FY25/26 EPS estimates by 9/5% respectively to account for lower growth/margins. However, post the recent stock price correction, we believe the pain is priced in. Upgrade to ADD with a DCF-based TP of INR 2,650/sh; implying 44x Sep-26 P/E.

- **Q2FY25 highlights**: Consolidated revenue declined 5.3% YoY to INR 80.3bn (HSIE: INR 85bn). Standalone revenue declined by 6.5%. The decorative and industrial business collectively clocked flat volume/5.5% decline in value. Industrial business performed relatively better than the decorative business. Flat volume was due to (1) weak demand, (2) extended monsoon, and (3) muted government spending. The 6.7% decline in decorative (value) growth was due to (1) subdued demand, (2) price cuts from previous quarter, (3) an inferior product mix, and (4) increased rebates. Price hike of ~1.2% taken in Q2. International business was largely impacted by currency devaluation in Ethiopia and a forex loss of INR 560mn exception item. Within the industrial business, automotive (PPG-AP) and general industrial (AP-PPG) segments both grew at 6% each. The company has also recorded an impairment loss on their investments in White Teak & Weather Seal. GM contracted 259bps YoY to 40.8% (HSIE: 41.9%) courtesy (1) RM inflation and (2) price reduction in previous quarters. EBITDAM contracted 480bps to 15.4% (HSIE:21%) courtesy higher employee expenses. Q2 EBITDA/APAT declined 27.8/27.4% YoY to INR 12.4/8.7bn (HSIE: INR 18.8/10.2bn).
- **Outlook**: The paint sector is currently facing muted demand and increased competition. We've cut our FY25/26 EPS estimates by 9/5% respectively to account for lower growth and margins. However, post the recent stock price correction, we believe most of the pain is priced in. Upgrade to ADD with a DCF-based TP of INR 2,650/sh; implying 44x Sep-26 P/E.

Quarterly financial summary

(Rs mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	80,275	84,786	(5.3)	89,697	(10.5)	3,44,886	3,54,947	3,63,194	4,07,828	4,56,737
EBITDA	12,395	17,162	(27.8)	16,938	(26.8)	62,598	75,850	69,439	77,918	90,086
APAT	8,748	12,054	(27.4)	11,700	(25.2)	40,576	54,602	47,025	51,914	62,405
EPS (Rs)	7.2	12.6	(42.4)	12.2	(40.6)	42.3	56.9	49.0	54.1	65.1
P/E (x)						73.1	56.3	67.4	61.0	50.8
EV/EBITDA(x)						50.0	40.9	46.0	41.0	35.0
Core RoCE(%)						29.4	32.0	22.4	21.0	24.0

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	3,63,194	3,79,132	*(4.2)*	4,07,828	4,17,723	*(2.4)*	4,56,737	4,60,595	*(0.8)*
Gross Profit	1,54,541	1,62,689	*(5.0)*	1,72,459	1,76,429	*(2.3)*	1,93,453	1,93,264	*0.1*
Gross Profit Margin (%)	42.6	42.9	***-36 bps***	42.3	42.2	***5 bps***	42.4	42.0	***40 bps***
EBITDA	69,439	76,620	*(9.4)*	77,918	81,808	*(4.8)*	90,086	90,084	*0.0*
EBITDA margin (%)	19.1	20.2	***-109 bps***	19.1	19.6	***-48 bps***	19.7	19.6	***17 bps***
APAT	47,025	51,813	*(9.2)*	51,914	54,570	*(4.9)*	62,405	62,270	*0.2*
APAT margin (%)	12.9	13.7	***-72 bps***	12.7	13.1	***-33 bps***	13.7	13.5	***14 bps***
EPS (Rs)	49.0	54.0	*(9.2)*	54.1	56.9	*(4.9)*	65.1	64.9	*0.2*

Source: Company, HSIE Research

ADD

CMP *(as on 14 Nov 2024)*	**INR 2,483**
Target Price	**INR 2,650**
NIFTY	**23,533**

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 2,750	INR 2,650
EPS %	FY25E	FY26E
	-9.2	-4.9

KEY STOCK DATA	
Bloomberg code	APNT IN
No. of Shares (mn)	959
MCap (INR bn) / ($ mn)	2,382/28,217
6m avg traded value (INR mn)	4,180
52 Week high / low	INR 3,423/2,451

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(17.9)	(13.4)	(19.5)
Relative (%)	(16.0)	(19.5)	(39.0)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	52.63	52.63
FIs & Local MFs	12.36	13.16
FPIs	15.27	15.28
Public & Others	19.74	18.93
Pledged Shares	3.76	4.05

Source : BSE

Pledged shares as % of total shares,

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Trent

Growth momentum moderates

Amidst the industry-wide discretionary slowdown, Trent stands tall. That said, growth run-rate has moderated. Standalone revenue grew 39.6% YoY to INR40.36bn (HSIE: INR42.33bn) – anchored by Zudio. The company continued to register double digit SSSG across all fashion formats in Q2. Trent's F&G format Star grew 27% YoY (SSSG over 14%). GM/EBITDAM contracted 47/7bps to 44.2/15.9%. (HSIE: 45.3/14.2%). Retailer added 7/34 (gross) stores in Westside and Zudio respectively. We maintain our FY25/26/27 estimates and retain SELL rating with an SOTP-based TP of INR3,850 (incl. 60x Sep-26 P/E for the standalone business).

- **Q2FY25 highlights:** Standalone revenue grew by 39.6% YoY (on a high base) to INR 40.36bn (HSIE: INR 42.33bn). Standalone GM was down 47bps YoY to 44.2% (HSIE: 45.3%). GM profile for Westside and Zudio remains stable. In Q2, Westside closed 2 stores (net) while Zudio added 18 stores (net), taking their total store count to 226/577 respectively. Star revenue was up 27% over Q2FY24 with LFL growth of over 14%. Salience of Fresh category continues to increase. The company added 2 Star stores in Q2 and is also launching its first International Zudio store in the UAE. Operating EBIT margin (Pre-IND-AS 116) improved to 10.8% (vs. 9.8% for Q2FY24). EBITDA/PAT for Q2 grew by 39/46.2% to INR 6.41/4.23bn (HSIE: INR 6.01/4.1).
- **Outlook**: Trent continues to run circles around peers in terms of growth. Growth momentum while still impressive has moderated. We maintain our FY25/26/27 estimates and retain the SELL rating with an SOTP-based TP of INR3,850 (incl. 60x Sep-26 P/E for the standalone business). Despite the stock correcting 23% from the peak, valuation remains heady at >120x Sep-26 P/E.

Quarterly financial summary (standalone)

(INR mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	40,356	28,907	39.6	39,917	1.1	38,807	77,152	1,19,266	1,73,842	2,14,034	2,51,402
EBITDA	6,407	4,609	39.0	6,106	4.9	3,053	6,753	13,957	22,206	26,523	31,227
APAT	4,234	2,897	46.2	3,422	23.8	2,496	5,546	14,358	15,416	19,063	22,521
EPS (Rs)	11.9	8.2	46.2	9.6	23.8	7.4	15.6	29.0	43.4	53.6	63.4
P/E (x)						1,177.0	529.8	285.3	190.6	154.1	130.5
EV/EBITDA (x)						961.7	434.9	210.2	131.5	109.6	92.6
Core RoCE(%)						13.2	13.5	16.7	32.7	38.5	43.8

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,73,842	1,73,842	-	2,14,034	2,14,034	-	2,51,402	2,51,402	-
Gross Profit	77,099	77,099	-	94,666	94,666	-	1,11,186	1,11,186	-
Gross Profit Margin (%)	44.3	44.3	-	44.2	44.2	-	44.2	44.2	-
EBITDA (Pre-IND-AS 116)*	22,206	22,206	-	26,523	26,523	-	31,227	31,227	-
EBITDA margin (%)*	12.8	12.8	-	12.4	12.4	-	12.4	12.4	-
APAT	15,416	15,416	-	19,063	19,063	-	22,521	22,521	-
APATM (%)	8.9	8.9	-	8.9	8.9	-	9.0	9.0	-

Source: Company, HSIE Research

SELL

CMP *(as on 14 Nov 2024)*	INR 6,463
Target Price	INR 3,850
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 3,700	INR 3,850
	FY26E	FY27E
EBITDA %	-	-

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	2,297/27,218
6m avg traded value (INR mn)	6,196
52 Week high / low	INR 8,346/2,491

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.4	42.3	152.6
Relative (%)	2.3	36.2	133.1

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	37.01	37.01
FIs & Local MFs	13.19	13.39
FPIs	27.87	26.62
Public & Others	21.93	22.98
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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INSTITUTIONAL RESEARCH

Eicher Motors

Competitive pressure to be visible in coming quarters

Eicher's Q2 PAT was ahead of estimates due to a better-than-expected margin at RE. While the CV industry volumes declined 11%, VECV volumes grew 10% YoY. Investments in growing heavy duty truck presence coupled with tough market conditions resulted in VECV margin decline of 74bps. Since Harley Davidson (in collaboration with Hero MotoCorp) and Triumph (in collaboration with Bajaj Auto) launched their models at fiercely competitive and comparable price points to RE, competition in the 250–500cc sector has increased dramatically. Eicher has planned 20-24 new models in the medium term, which would keep margins under pressure due to higher marketing spends. While RE's performance has held up so far, we expect the same to be impacted as competitors ramp up their production in the coming quarters. Reiterate REDUCE with a price target of INR 4,378.

- **RE Q2 beats estimates:** Royal Enfield's Q2 PAT at INR 10.1bn was ahead of our estimate of INR 7.4bn due to a better-than-expected margin. Aided by better realisation and stable material costs, EBITDA margin was stable QoQ at 26.2% (HSIE 23%). Lower tax rate (ETR 20.3% vs 25.3% in Q1) led to PAT beat.
- **VECV performance:** VECV revenue grew 8% YoY to INR 55.4bn, with EBITDA margin down 74bps to 7.1%. Overall PAT grew 12% YoY to INR 3.8bn.
- **Call takeaways:** (1) The VECV segment witnessed significant market share gains across segments, notwithstanding the challenging macro environment. It is the market leader in Light & Medium duty trucks with market share of 35.3%. (2) At EICMA, RE has launched two motorcycles on its 650 –Twin platform: Bear 650 and the Classic 650. The company has also launched its electric mobility brand – the Flying Flea. The EV brand will have a portfolio of differentiated vehicles for the city+mobility. (3) During Q2, the Guerrilla 450 and Classic 350 2024 versions were launched, which have received good response. (4) While a major chunk of higher promotion and marketing expenses have been booked in Q2, the other expenses are likely to trend higher in Q3 with expenses for new product launches and Motoverse. (5) INR 120mn was a one-off in other expenses in Q2 for additional warehousing costs. (6) The focus on growing its accessories, spare parts and apparel business continues. The company has launched a standalone apparel store in Pune. (7) RM prices are expected to remain stable. (8) While there was inventory build-up leading up to the festive season, it is now down to 2.5-3 weeks.

Quarterly/annual financial summary

YE Mar (INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	41,864	40,330	3.8	43,133	(2.9)	162,340	178,425	197,742	219,155
EBITDA	10,877	10,872	0.1	11,654	(6.7)	43,269	44,599	48,438	53,703
APAT	11,003	10,163	8.3	11,015	(0.1)	40,010	38,186	41,611	46,372
Diluted EPS (INR)	40.1	37.1	8.2	40.2	(0.2)	146.1	139.5	152.0	169.4
P/E (x)						33.5	35.1	32.2	28.9
EV / EBITDA (x)						31.0	29.9	27.3	24.3
RoCE (%)						24.2	19.8	19.0	18.6

Source: Company, HSIE Research

REDUCE

CMP *(as on 14 Nov 2024)*	INR 4,884
Target Price	INR 4,378
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 4,163	INR 4,378
EPS %	FY25E	FY26E
	4.2	2.4

KEY STOCK DATA	
Bloomberg code	EIM IN
No. of Shares (mn)	274
MCap (INR bn) / ($ mn)	1,338/15,856
6m avg traded value (INR mn)	2,922
52 Week high / low	INR 5,105/3,562

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.2	3.2	34.0
Relative (%)	5.1	(2.9)	14.5

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	49.11	49.10
FIs & Local MFs	11.95	13.76
FPIs	28.81	27.62
Public & Others	10.13	9.52

Source : BSE

Pledged shares as % of total shares

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Hero Motocorp

Firing on all engines

Hero MotoCorp's Q2 PAT at INR 12bn (+20% YoY) was above our estimate of INR 11.3bn, driven by higher other income. Festive season went well across categories, with 16% revenue growth reported in the 32-day festive season. In the EV segment, market share stood at 5.4%. Overall, margin is expected to be in the 14-16% range. The company continues to invest in new products and segments including premium, EV portfolio and a better customer experience with Hero 2.0, Premia and investments in digital and technology. With better consumer sentiment aided by marriage dates and onset of festive season, a significant recovery is expected in the rural segment. HMC remains hopeful of growing faster than the industry due to faster recovery expected in rural segment, ramp-up of its 125cc portfolio, and significant investments in building power brands. HMC expects op leverage to improve driven by volume growth, aggressive growth in the premium portfolio and cost-saving initiatives. The focus on EV remains unabated with investments planned for new products and segments. Upgrade to ADD with a TP of INR 5,087 based on 20x Sep-26 EPS and cash per share of Rs 704.

- **In-line result:** Hero MotoCorp's Q2 margin at 14.5% (+10bps QoQ/40bps YoY) was in line with our estimate of 14.6%. Improvement in margin YoY was driven by product mix and cost control initiatives. PAT at INR 12bn was higher than our estimate of INR 11.3bn due to higher other income.
- **Call takeaways:** (1) Capex guidance for FY25: INR 1.2bn. (2) Festive season: 13% growth in dispatches in the 32day period. Rural sales contribution at 53.7% vs 52% in Q2FY24 reflecting rural growth faster than urban. (3) In the core entry level market, the company gained 4% market share. In the Deluxe 100cc category, maintained market leadership and gained market share in the 125cc category (H1FY25: 19.9% vs 16.8% in Fy24). (4) The company is focused on creating premium experience through product launches and dealership upgrades. It unveiled Xpulse 210, Xtreme 250R, Karizma XMR 250, and VIDA Z at EICMA. (5) Parts, accessories and merchandise revenue reported 7.5% YoY growth to INR 14.6bn. (6) EBITDAM for ICE business improved 160bps YoY to 16.5% (+10bps QoQ), driven by mix improvement, lower material costs, and lead savings. (7) Inventory in Q2 stood at 10-11 weeks, which has corrected to 4.1 weeks post the festive season. (8) Over 600 of the Hero 2.0 stores are active now, with plans to end FY25 with 800 dealerships. In the case of Premia, over 58 dealerships were activated, with plans to close the year with over 100 dealerships.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	104,632	94,454	10.8	101,437	3.1	374,557	414,901	463,373	517,689
EBITDA	15,159	13,283	14.1	14,598	3.8	52,557	56,369	62,955	70,334
APAT	12,035	10,538	14.2	11,226	7.2	41,280	41,998	46,947	52,292
Diluted EPS (INR)	60.2	52.7	14.1	56.15	7.2	206.5	210.1	234.9	261.6
P/E (x)						22.3	22.0	19.6	17.6
EV / EBITDA (x)						17.4	16.1	14.3	12.5
RoCE (%)						23.8	22.4	22.9	23.2

Source: Company, HSIE Research

ADD

CMP *(as on 14 Nov 2024)*	INR 4,604
Target Price	INR 5,087
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 5,087	INR 5,087
EPS %	FY25E	FY26E
	0	0

KEY STOCK DATA	
Bloomberg code	HMCL IN
No. of Shares (mn)	200
MCap (INR bn) / ($ mn)	921/10,907
6m avg traded value (INR mn)	3,995
52 Week high / low	INR 6,246/3,113

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(9.2)	(8.7)	48.4
Relative (%)	(7.3)	(14.8)	29.0

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	34.76	34.75
FIs & Local MFs	26.88	26.94
FPIs	29.87	29.59
Public & Others	8.49	8.72
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Bharat Forge

Non-auto to drive growth

Bharat Forge's consolidated revenue declined 2% YoY to INR 36.9bn, dragged by weakness in the European markets. Driven by improvement in capacity utilization and a better product in India, it grew 4% to INR 6.5bn (HSIE INR 7bn). Margin improved 108bps YoY. Outlook remains positive, with growth across forgings, castings, and defence and improvement in operational performance of overseas subsidiaries. The losses in US subsidiary are reducing, with some profit expected by end of FY25. BHFC management expects a stable to positive year for its automotive business with defence business expected to significantly pick up as new orders come in and start getting executed over the next few years. We expect 12% revenue growth (CAGR FY24-27E), to be driven by factors like (1) significant executable defence order book of INR 59bn and new orders expected and (2) ramp-up potential at JS-Auto Cast, given there is a huge demand for castings, both in India and abroad. We revise the TP to INR 1,751 (from INR 1782 earlier) based on 35x Sep-26 EPS and maintain ADD.

- **Weak print:** The consolidated revenue at INR 36.9bn (-2% YoY/-10% QoQ) was below our estimate of INR 40bn. EBITDA margin at 17.5% expanded 108bps, driven by better product mix and higher capacity utilization. Standalone business revenue at INR 22.5bn came in below our estimate (INR 23.2bn) with a margin in line with our estimate of 27.8% (+67bps YoY/flat QoQ).
- **Call takeaways:** (1) During Q2, BHFC secured new business worth INR 12bn across defence, castings (ferrous & aluminum) and forging business. (2) In India, the CV and PV business remained soft as demand remained sluggish. The industrial segment revenue grew 26% YoY driven by execution of defence orders, and construction-mining and power generation demand. (3) Defence revenues stood at INR5.1bn with executable order book at INR 59bn. (4) Recovery in overseas operations was delayed due to sluggish economic conditions in Europe. (5) The demand environment in Europe remains sluggish while the management expects recovery in India post elections. With government spending resuming, management expects a positive impact on the CV, agro, and PV industries. (6) JS Auto revenues grew 32% YoY to INR 1.65bn with EBITDA growing 60% to INR 200mn. In 1H, it won orders worth INR 1.7bn and is a beneficiary of the shift in manufacturing supply chain to India. (7) In the medium term, management expects defence to be one of the main growth drivers. (8) Debt repayment continues, with debt down INR 4.bn from Mar-24 levels to INR 12.8bn.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	36,885	37,742	(2.3)	41,061	(10.2)	156,821	181,218	200,262	222,751
EBITDA	6,473	6,214	4.2	7,410	(12.6)	25,579	32,884	38,342	42,648
APAT	2,439	2,165	12.7	3,257	(25.1)	9,262	16,974	21,483	25,112
Diluted EPS (INR)	5.2	4.6	12.7	7.0	(25.1)	19.9	36.5	46.1	53.9
P/E (x)						66.7	36.4	28.8	24.6
EV / EBITDA (x)						26.4	20.6	17.4	15.2
RoCE (%)						13.3	21.8	23.3	22.8

Source: Company, HSIE Research

ADD

CMP *(on 14 Nov 2024)*	INR 1,327
Target Price	INR 1,751
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1782	INR 1751
EPS %	FY25E	FY26E
	-1.4	-1.7

KEY STOCK DATA	
Bloomberg code	BHFC IN
No. of Shares (mn)	466
MCap (INR bn) / ($ mn)	619/7,329
6m avg traded value (INR mn)	2,019
52 Week high / low	INR 1,826/1,032

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(15.2)	(7.8)	28.9
Relative (%)	(13.3)	(13.9)	9.4

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	45.25	45.25
FIs & Local MFs	28.13	26.47
FPIs	17.03	18.72
Public & Others	9.59	9.56
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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FSN E-commerce Ventures (Nykaa)

Customer acquisition stepped up

Nykaa's Q2 top line grew 24.4% YoY to INR18.75bn (vs HSIE: INR18bn). BPC/Fashion revenue grew 24.3/21.7% to INR 17.03/1.66bn respectively. Within the fashion segment, increased revenue was driven by higher content income from LBB. Marketing and S&D expenses increased substantially due to investments in brand awareness campaigns and customer acquisition initiatives. EBITDAM expanded 18bps YoY to 5.5% (HSIE: 7.3%) due to reduction in losses from the fashion and eB2B segments. We maintain our FY25/26 EBITDA estimates and our REDUCE rating with a DCF-based TP of INR175/sh (implying 73x Sep-26 EV/EBITDA).

- **Q2FY25 highlights**: Revenue grew 24.4% YoY to INR18.75bn (vs HSIE: INR18bn). BPC AUTC/orders grew 21.2/24% YoY respectively in Q2 to 13.7/12.9mn respectively. and Fashion AUTC/orders grew 7.1%/0% YoY respectively in Q2 to 3/1.8mn respectively. BPC/Fashion revenue grew 24.3/21.7% to INR 17.03/1.66bn (vs HSIE: INR17.03/1.66bn) respectively. Nykaa's owned brands BPC/Fashion GMV grew 48/10% YoY to INR3.6/1.09bn in Q2. Within the fashion segment, increased revenue was driven by higher content income from LBB and additional service-related income. Marketing and S&D expenses increased by 38.8% YoY to INR2.77bn, primarily due to investments in brand awareness campaigns and customer acquisition initiatives. Fulfilment (FFC) expenses decreased by 36bps to 9.5% of NSV due to operational efficiencies. Fashion segment's AOV has improved, primarily due to an increased contribution from premium/high margin brands. The company's retail presence now stands at 210 beauty stores. Nykaa currently serves a cumulative customer base of 37mn. EBITDAM expanded 18bps YoY to 5.5% (HSIE: 7.3%). Adjusted EBITDAM stood at 6.2% for Q2 (adjusted for ESOP charge and GCC expansion). EBITDA/APAT grew 28.6/66.3% YoY to INR1.04bn/130mn (HSIE: INR 1.32bn/403mn).
- **Outlook**: We are encouraged by the step-up in customer acquisition in Beauty. In Fashion, a recovery is expected, backed by a strong festive and wedding season. However, customer addition-CAC remains a key monitorable. We maintain our FY25/26 EBITDA estimates and REDUCE rating with a DCF-based TP of INR175/sh (implying 73x Sep-26 EV/EBITDA).

Quarterly financial summary

(Rs mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	18,747	15,070	24.4	17,461	7.4	51,438	63,856	80,090	1,01,198	1,26,423
EBITDA	1,037	806	28.6	961	7.8	2,560	3,462	5,376	8,180	11,510
Pre-IND-AS EBITDA						1,179	1,658	3,294	5,549	8,223
APAT	130	78	66.3	136	(4.9)	210	397	1,610	3,207	5,224
EPS (Rs)	0.0	0.0	66.0	0.0	(4.9)	0.1	0.1	0.6	1.1	1.8
P/E (x)						2,721.7	1,437.0	354.8	178.1	109.3
EV/EBITDA (x)						486.2	347.1	174.5	103.3	69.3
Core RoCE(%)						1.9	2.4	8.6	14.6	20.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	80,090	80,090	-	1,01,198	1,01,198	-	1,26,423	1,26,423	-
Gross Profit	33,969	33,969	-	42,655	42,655	-	52,851	52,851	-
Gross Profit Margin (%)	42.4	42.4	-	42.2	42.2	-	41.8	41.8	-
Reported EBITDA	5,376	5,376	-	8,180	8,180	-	11,510	11,510	-
Reported EBITDA margin (%)	6.7	6.7	-	8.1	8.1	-	9.1	9.1	-
Pre-IND AS EBITDA*	3,294	3,294	-	5,549	5,549	-	8,223	8,223	-
EBITDA margin (%)*	4.1	4.1	-	5.5	5.5	-	6.5	6.5	-

Source: Company, HSIE Research, Note: EBITDAM are on Pre-IND-AS 116 basis

REDUCE

CMP *(as on 14 Nov 2024)*	INR 171
Target Price	INR 175
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 165	INR 175
EBITDA%	FY25E	FY26E
	-	-

KEY STOCK DATA	
Bloomberg code	NYKAA IN
No. of Shares (mn)	2,858
MCap (INR bn) / ($ mn)	489/5,792
6m avg traded value (INR mn)	2,077
52 Week high / low	INR 230/140

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.6)	1.3	12.9
Relative (%)	(7.7)	(4.8)	(6.6)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	52.20	52.18
FIs & Local MFs	18.29	21.83
FPIs	10.48	10.13
Public & Others	19.03	15.86
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Aditya Birla Fashion and Retail

Weak print

ABFRL's Q2 top line grew 12.9% YoY to INR36.44bn (HSIE: INR37.69bn). The company aims to maintain its double-digit CAGR growth. Lifestyle brands/Pantaloons/Ethnic grew 3/6/215% YoY to INR 16.36/10.82/4.54bn (HSIE: INR16.74/11.13/3.17bn). Lifestyle's margin declined due to absence of a significant customer which led to lower sales and reduced profitability. Ethnic business grew more than 3 times as compared to last year due to inclusion of TCNS and Tarun Tahiliani (Organic growth stood at 10%). Net debt stood at ~INR37.6bn. We largely maintain our FY26/27 estimates and our SELL rating with a SOTP-based TP of INR235/sh; implying 25x Sep-26 EV/EBITDA.

- **Q2FY25 highlights**: Revenue grew by 12.9% YoY to INR36.44bn (HSIE: INR37.69bn). Lifestyle brands/Pantaloons/Ethnic grew 3/6/215% YoY to INR 16.36/10.82/4.54bn (HSIE: INR16.74/11.13/3.17bn). GM expanded 308bps YoY to 56.5 (HSIE: 54%), due to enhanced operating efficiency. On segmental margins, lifestyle brands/Pantaloons/ethnic wear margins clocked 18.4/15/-3.1% EBITDAM (vs HSIE:21.5/11/-2.5%) resp. Lifestyle's margin declined due to absence of a significant customer "Centro" which led to lower sales and reduced profitability. Operating expenses have increased by 21.2% YoY primarily on account of inorganic growth. Ethnic business grew >3x YoY to last year due to inclusion of TCNS and Tarun Tahiliani (organic growth stood at 10%). D2C losses stood at INR380mn. Exception items include (i) one-time impairment charge of INR 0.98bn due to restructuring in Forever 21, and (ii) one-time gain of INR 1.21bn due to increased stake in Tarun Tahiliani. Overall net losses in Q2 stood at INR2.15bn vs INR2bn in Q2FY24 (HSIE: -INR1.55bn), primarily due to (i) integration of TCNS which resulted in increased depreciation/amortization for brand and retail assets and (ii) interest costs on higher borrowings (net debt stood at ~INR37.6bn). ABFRL closed 67/0 (net) lifestyle brands/Pantaloons stores in Q2 (Total: 2,569/417 stores).
- **Outlook**: Underlying unit economics of the proposed new entity ABLFL (the cash cow) from which the value unlock is expected post demerger has meaningfully deteriorated, while the jury is still out on Pantaloons' recovery. We largely maintain our estimates for FY26/27 and maintain a SELL rating with a SOTP-based TP of INR235/sh; implying 25x Sep-26 EV/EBITDA.

Quarterly financial summary

(Rs mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	36,439	32,264	12.9	34,278	6.3	81,362	1,24,179	1,39,959	1,55,872	1,75,483	1,96,536
EBITDA	3,613	3,233	11.8	3,584	0.8	1,560	3,392	66	6,590	9,565	12,972
APAT	(2,147)	(2,003)	7.2	(2,149)	(0.1)	(1,184)	(595)	(7,359)	(5,646)	(3,940)	(1,441)
EPS (Rs)	(2.00)	(2.11)	(5.0)	(2.12)	(5.3)	(1.3)	(0.6)	(7.3)	(5.6)	(3.9)	(1.4)
P/E (x)						(257.3)	(473.6)	(44.9)	(58.2)	(62.8)	(162.9)
EV/EBITDA (x)						218.1	103.0	5,474.6	54.5	36.3	25.6
Core RoCE(%)						(1.7)	0.6	(5.3)	1.8	3.4	5.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E New	FY25E Old	FY25E Change (%)	FY26E New	FY26E Old	FY26E Change (%)	FY27E New	FY27E Old	FY27E Change (%)
Revenue	1,55,872	1,55,872	-	1,75,483	1,75,483	-	1,96,536	1,96,536	-
Gross Profit	85,762	85,762	-	96,377	96,377	-	1,07,743	1,07,743	-
Gross Profit Margin (%)	55.0	55.0	0 bps	54.9	54.9	0 bps	54.8	54.8	0 bps
EBITDA	6,590	6,590	-	9,565	9,565	-	12,972	12,972	-
EBITDA margin (%)	4.2	4.2	0 bps	5.5	5.5	0 bps	6.6	6.6	0 bps

Source: Company, HSIE Research

SELL

CMP *(as on 14 Nov 2024)*	INR 289
Target Price	INR 235
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 225	INR 235
	FY26E	FY27E
EBITDA %	-	-

KEY STOCK DATA	
Bloomberg code	ABFRL IN
No. of Shares (mn)	1,071
MCap (INR bn) / ($ mn)	309/3,664
6m avg traded value (INR mn)	1,927
52 Week high / low	INR 365/198

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	28.3	48.7	80.0
Relative (%)	19.6	43.4	36.7

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	51.97	49.25
FIs & Local MFs	14.45	14.76
FPIs	19.99	19.68
Public & Others	13.59	16.31
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Apollo Tyres

Poor performance

Apollo Tyres' consolidated earnings at INR 3bn (-38% YoY/-9% QoQ) was below our estimate (HSIE INR 3.2bn), impacted by steep hike in RM prices in India. While exports and replacement segment reported strong growth, it was offset by mid digit decline in OEM volumes. Europe business revenue grew 1.2% YoY to €171mn. In Europe, the share of passenger car tyres is higher and these require lower rubber content; hence, the impact of higher rubber prices has not impacted profitability significantly. Rubber prices are coming down. Over 2H, volume growth is expected with impact of lower rubber prices being evident from Q4. Market recovery is evident in Europe, with the company focusing on cost optimisation to drive margins. Management expects mid-single digit growth in the replacement segment, double-digit growth in exports while India OE is expected to report a double-digit decline. The impact of higher material costs and EPR is expected to be mitigated through calibrated price hikes. With the passenger vehicle industry expected to grow in mid-single digit in FY25 and CV cycle recovery taking longer than expected, we maintain REDUCE with a TP of INR508/sh –valued at 14x Sept-26 earnings.

- **Q2 profits below estimates:** The consolidated revenue grew 2.5% YoY to INR 64bn (HSIE INR 62bn), driven by Europe business (+6% YoY). EBITDA margin at 13.6% (-484bps YoY/-72bps QoQ) was 29bps lower than our estimates. APAT at INR3bn (HSIE INR 3.2bn) was below estimates due to poor performance by India business.
- **Call takeaways:** (1) Q2 was a double whammy for the India business with seasonality impacting volumes and steep increase in RM costs. Volumes grew in single digits YoY, led by double-digit growth in TBR/farm segments and high-single digit growth in the PCR segment. OEM segment volumes were impacted by unfavourable mix in CV (higher sale of buses) and PV. (2) RM prices are up 15% YoY. This resulted in standalone EBITDA margin declining 702bps to 12.1%. (3) Europe market is rebounding, indicating the start of a recovery. (4) The UHP share in total stood at 46% in the Europe business, compared to 39% in Q2FY24. The focus on premiumisation is yielding result with EBITDA margin improving 74bps YoY to 14.8% despite an uptrend in raw material cost (+3% YoY). (5) The net debt increased by INR 4.6bn from Mar-24, driven by increased working capital requirements. (6) Calibrated price hike and RM inflation abating should help improve profitability in H2. RM prices are expected to increase marginally in Q3 with reduction expected from Q4. (7) Outlook: recovery in operating performance to be driven by European operations. In India, while replacement demand is expected to improve, OE demand is expected to remain muted in the near term. (8) Capex guidance has been maintained at INR 10bn for FY25.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	64,370	62,796	2.5	63,349	1.6	253,777	273,792	302,402	324,997
EBITDA	8,779	11,598	-24.3	9,093	-3.5	44,473	42,370	45,669	49,194
APAT	3,011	4,828	-37.6	3,303	-8.8	17,992	19,788	22,779	25,796
Diluted EPS (INR)	4.7	7.6	-37.6	5.20	-8.8	27.1	31.2	35.9	40.6
P/E (x)						17.6	15.3	13.3	11.7
EV / EBITDA (x)						6.1	6.2	5.6	4.9
RoCE (%)						13.4	13.5	14.1	14.4

Source: Company, HSIE Research

REDUCE

CMP *(as on 14 Nov 2024)*	INR 476
Target Price	INR 508
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 528	INR 508
EPS %	FY25E	FY26E
	-5.5	-4.2

KEY STOCK DATA	
Bloomberg code	APTY IN
No. of a Shares (mn)	635
MCap (INR bn) / ($ mn)	302/3,576
6m avg traded value (INR mn)	1,546
52 Week high / low	INR 585/414

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.3)	0.2	14.4
Relative (%)	(0.4)	(5.9)	(5.1)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	37.36	37.36
FIs & Local MFs	25.13	25.56
FPIs	14.46	14.55
Public & Others	23.05	22.53
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Kansai Nerolac

Weak print

Kansai Nerolac's (KNPL) standalone revenue grew 1% YoY to INR18.6bn in Q2 (HSIE: INR19.1bn). While the industrial segment exhibited positive value growth, overall volume growth stood at 4%; decorative segment marginally lagged in volume; but declined in value (low-single digits). Government expenditure is rebounding, benefiting project and performance coating businesses. Two wheeler demand remains stable. GM/EBITDAM contracted 172/309bps YoY to 34/11.5% (HSIE: 35/13%). We marginally cut our FY26/27 EPS estimates (2% each) and maintain our REDUCE rating for KNPL with a DCF-based TP of INR270/sh (implying 26x Sep-26E P/E).

- **Q2FY25 highlights**: Standalone revenue grew by 1% YoY to INR18.6bn in Q2 (HSIE: INR19.1bn). Consolidated revenue declined 0.3% YoY to INR19.5bn. Overall volume growth stood at 4%. While the industrial segment exhibited positive value growth, the decorative segment clocked a marginal decline in value. The paint industry is expected to grow in the coming quarters due to the upcoming wedding season; however, concerns about urban slowdown persist. Government expenditure is rebounding, benefiting project and performance coating businesses. Two wheeler demand remains stable. GMs contracted 172bps YoY to 34.0% (standalone; HSIE: 35%), courtesy (1) change in revenue mix towards industrial products which have high material costs, (2) RM inflation, and (3) residual impact of price reductions from last year. EBITDAM reduced by 309bps YoY to 11.5% (HSIE: 13%), primarily due to higher employee expenses. Management is confident that FY24 margins will be sustained. EBITDA/PAT down 20.3%/27.6% YoY to INR2.15/1.3bn (HSIE: INR2.48/1.6bn).
- **Outlook:** Post a challenging H1FY25 for the company due to weak market demand, management is optimistic about future uptick in demand and expects to maintain operational stability. We marginally cut our FY26/27 EPS estimates (2% each) and maintain our REDUCE rating for KNPL with a DCF-based TP of INR270/sh (implying 26x Sep-26E P/E).

Quarterly financial summary (Consolidated)

(Rs mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	19,514	19,565	*(0.3)*	21,331	*(8.5)*	75,427	78,014	80,975	90,320	1,00,002
EBITDA	2,119	2,732	*(22.4)*	3,296	*(35.7)*	8,180	10,278	10,328	11,716	13,073
APAT	1,302	1,772	*(26.5)*	2,308	*(43.6)*	4,685	6,667	6,898	7,897	8,810
EPS (Rs)	1.5	2.2	*(30.7)*	2.9	*(46.8)*	5.8	8.2	8.5	9.8	10.9
P/E (x)						44.8	31.5	30.4	26.6	23.8
EV/EBITDA (x)						25.7	20.3	19.7	17.3	15.5
Core RoCE(%)						10.5	9.4	11.4	13.0	14.0

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY25E New	FY25E Old	FY25E Change (%)	FY26E New	FY26E Old	FY26E Change (%)	FY27E New	FY27E Old	FY27E Change (%)
Revenue	80,975	82,836	*(2.2)*	90,320	92,148	*(2.0)*	1,00,002	1,02,023	*(2.0)*
Gross Profit	29,000	30,099	*(3.7)*	32,814	33,466	*(1.9)*	36,363	37,085	*(1.9)*
Gross Profit Margin (%)	35.8	36.3	***-52 bps***	36.3	36.3	***1 bps***	36.4	36.3	***1 bps***
EBITDA	10,328	10,998	*(6.1)*	11,716	11,941	*(1.9)*	13,073	13,324	*(1.9)*
EBITDA margin (%)	12.8	13.3	***-52 bps***	13.0	13.0	***1 bps***	13.1	13.1	***1 bps***
APAT	6,898	7,383	*(6.6)*	7,897	8,033	*(1.7)*	8,810	8,965	*(1.7)*
APAT margin (%)	8.5	8.9	***-39 bps***	8.7	8.7	***3 bps***	8.8	8.8	***2 bps***
EPS (Rs)	8.5	9.1	*(6.6)*	9.8	9.9	*(1.7)*	10.9	11.1	*(1.7)*

Source: Company, HSIE Research, Standalone Financials

REDUCE

CMP *(as on 14 Nov2024)*	**INR 259**
Target Price	**INR 270**
NIFTY	**23,533**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 280	INR 270
EPS %	FY26E	FY27E
	-1.7	-1.7

KEY STOCK DATA	
Bloomberg code	KNPL IN
No. of Shares (mn)	808
MCap (INR bn) / ($ mn)	210/2,483
6m avg traded value (INR mn)	234
52 Week high / low	INR 356/251

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(10.9)	(5.2)	(16.4)
Relative (%)	(8.9)	(11.3)	(35.9)

SHAREHOLDING PATTERN (%)

	Jun-24	**Sep-24**
Promoters	74.99	74.99
FIs & Local MFs	10.74	10.28
FPIs	5.09	5.56
Public & Others	9.18	9.17
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Relaxo Footwears

Relaxo struggles amidst market headwinds

It was a disappointing Q2FY25 for Relaxo. Revenue declined by 5% YoY to INR 6.79bn in Q2FY25 (HSIE: INR 7.74bn) due to muted consumer demand and rising competition from lower priced, unorganised players. Volumes decreased by 10% YoY. GM expanded 314bps YoY to 51.5% (HSIE: 49.4%), primarily due to (1) lower RM costs and (2) price hikes implemented due to BIS regulations. EBITDAM merely improved by 11bps YoY to 12.9% (HSIE: 13.5%) impacted by higher employee cost and depreciation. The company believes that the entry of these unorganised players is a short-term phenomenon, as they may exit the market once stricter regulations are enforced on them. We've toned down our FY25/26/27 EPS estimates by 11/3/3% respectively and now upgrade the stock to REDUCE with a DCF-based TP of INR630/sh, implying 44x Sep-26E P/E.

- **Q2FY25 highlights**: Revenue declined by 5% YoY to INR 6.79bn in Q2FY25 (HSIE: INR 7.74bn) due to muted consumer demand and rising competition from lower priced, unorganised players. Management believes high inflation led consumer to opt for cheaper, unorganised products. Volume saw YoY decline of 10%. GM expanded 314bps YoY to 51.5% (HSIE: 49.4%), primarily due to (1) lower RM costs and (2) price hikes implemented due to BIS regulations. Despite the volume decline, management remains committed on maintaining margin levels. EBITDAM merely improved by 11bps YoY to 12.9% (HSIE: 13.5%), impacted by higher employee cost and depreciation. The Capex for H1FY25 stood at ~INR 490mn and the company intends to invest a similar amount in H2FY25. Inventory levels have increased due to subdued consumer demand. EBITDA/APAT declined by 4.2/16.9% YoY to INR 877/367mn in Q2 (HSIE: INR 1.04bn/483mn).
- **Outlook**: Relaxo experienced a disappointing H1FY25 due to weak consumer demand. The implementation of BIS has led to influx of unorganized players, intensifying competition. The company believes that the entry of these unorganized players is a short-term phenomenon, as they may exit the market once stricter regulations are enforced on them. We've toned down our FY25/26/27 EPS estimates by 11/3/3% respectively and now upgrade the stock to REDUCE with a DCF-based TP of INR630/sh, implying 44x Sep-26E P/E.

Quarterly financial summary

(Rs mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	6,794	7,153	(5.0)	7,482	(9.2)	26,533	27,828	29,141	29,748	34,941	40,287
EBITDA	877	915	(4.2)	989	(11.4)	3,765	2,847	3,476	3,946	5,307	6,300
APAT	367	442	(16.9)	444	(17.2)	2,327	1,545	2,005	2,195	3,200	3,896
EPS (Rs)	1.5	1.8	(16.9)	1.8	(17.2)	9.3	6.2	8.1	8.8	12.9	15.7
P/E (x)						72.5	109.2	84.2	76.9	52.7	43.3
EV/EBITDA (x)						44.4	58.3	48.1	41.7	30.9	25.9
Core RoCE(%)						16.4	9.6	12.0	12.7	18.8	21.5

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	29,748	31,806	*(6.5)*	34,941	36,542	*(4.4)*	40,287	41,389	*(2.7)*
Gross Profit	15,149	16,038	*(5.5)*	17,618	18,353	*(4.0)*	20,233	20,787	*(2.7)*
Gross Profit Margin (%)	50.9	50.4	***50 bps***	50.4	50.2	***20 bps***	50.2	50.2	***0 bps***
EBITDA	3,946	4,313	*(8.5)*	5,307	5,476	*(3.1)*	6,300	6,471	*(2.6)*
EBITDA margin (%)	13.3	13.6	***(30 bps)***	15.2	15.0	***20 bps***	15.6	15.6	***0 bps***
APAT	2,195	2,466	*(11.0)*	3,200	3,312	*(3.4)*	3,896	4,009	*(2.8)*
APAT margin (%)	7.4	7.8	***(38 bps)***	9.2	9.1	***9 bps***	9.7	9.7	***(2 bps)***
EPS (Rs)	8.8	9.9	*(11.0)*	12.9	13.3	*(3.4)*	15.7	16.1	*(2.8)*

Source: Company, HSIE Research, Standalone Financials

REDUCE

CMP *(as on 14 Nov 2024)*	**INR 678**
Target Price	**INR 630**
NIFTY	**23,533**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	REDUCE
Price Target	INR 650	INR 630
EPS %	FY26E	FY27E
	-3.4	-2.8

KEY STOCK DATA	
Bloomberg code	RLXF IN
No. of Shares (mn)	249
MCap (INR bn) / ($ mn)	169/1,995
6m avg traded value (INR mn)	69
52 Week high / low	INR 949/675

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(13.6)	(18.4)	(24.8)
Relative (%)	(11.7)	(24.5)	(44.2)

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	71.27	71.27
FIs & Local MFs	9.55	9.98
FPIs	3.36	3.41
Public & Others	15.82	15.34
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Bata India

Search for growth continues

Bata India's revenue grew modestly by 2.2% YoY to INR 8.37bn (HSIE: INR 8.11bn) due to ongoing market headwinds and subdued consumer spending. The company is facing challenges in maintaining market share in the sub-INR1000 product range though the premium category continues to perform better. Its zero base merchandising strategy has aided efficiency. Currently, it is implemented in 8 stores, and the company plans to scale this strategy to 250 stores by Q4. GM/EBITDAM contracted 143/132bps YoY to 56.6/20.9% (HSIE: 57.5/21.8%) courtesy rising salience of lower-margin channels (franchisees/ecommerce business) and increased investments in inventory clearance strategies. Our FY26/27 EPS estimates remain unchanged and we maintain a REDUCE rating with a DCF-based TP of INR1,300/sh, implying 38x Sep-26 P/E.

- **Q2FY25 highlights**: Revenue grew modestly by 2.2% YoY to INR 8.37bn (HSIE: INR 8.11bn) due to ongoing market headwinds and subdued consumer spending. Power/Floatz/Comfit grew 6/64/23% in Q2. Company is facing challenges in maintaining market share in the sub-INR1000 product range and the contribution from this segment has reduced from ~50% pre-covid to ~30% in recent quarters. Premium category continues to perform better. Contract with Hush Puppies renewed for next 10 years. Bata added 39 stores (net) in Q2 (franchise/total store count: 600/1,955). Ecommerce business experienced YoY growth of 16%. Omni channel contributes over 5% of the revenue. The company's zero base merchandising strategy has driven a 20% LFL growth. Currently, it is implemented in 8 stores, and the company plans to scale this strategy to 100 stores by Q3 and 250 stores by Q4. Also, through their sourcing partner consolidation strategy, Bata has reduced inventory by ~7% QoQ. GM/EBITDAM contracted 143/132bps YoY to 56.6/20.9% (HSIE: 57.5/21.8%) courtesy (i) rising salience of lower margin channels (franchisees/ecommerce business) and (ii) increased investments in inventory clearance strategies. EBITDA/APAT declined 3.9/30.6% YoY to INR 1.75bn/520mn (HSIE: INR 1.77/543mn) in Q2.
- **Outlook**: Bata continues its pursuit of growth. The company is optimistic about the future, especially with the upcoming wedding and festive season. Our FY26/27 EPS estimates remain unchanged and we maintain a REDUCE rating with a DCF-based TP of INR1,300/sh, implying 38x Sep-26 P/E.

Quarterly financial summary

(Rs mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	8,371	8,191	2.2	9,446	(11.4)	23,877	34,516	34,786	37,248	41,911	46,850
EBITDA	1,746	1,817	(3.9)	1,849	(5.6)	1,318	4,822	4,426	4,383	5,714	6,931
APAT	520	340	52.9	1,740	(70.1)	1,030	3,230	3,034	3,002	3,846	4,965
EPS (Rs)	4.0	5.2	(22.1)	5.2	(22.3)	8.0	25.1	23.6	23.4	29.9	38.6
P/E (x)						177.7	56.7	60.3	61.0	47.6	36.9
EV/EBITDA (x)						131.5	36.9	40.4	40.2	30.1	24.2
Core RoCE(%)						6.0	31.9	24.5	17.2	22.2	26.3

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	37,248	37,248	-	41,911	41,911	-	46,850	46,850	-
Gross Profit	20,778	20,778	-	23,272	23,272	-	25,816	25,816	-
Gross Profit Margin (%)	55.8	55.8	-	55.5	55.5	-	55.1	55.1	-
EBITDA	4,383	4,383	-	5,714	5,714	-	6,931	6,931	-
EBITDA margin (%)	11.8	11.8	-	13.6	13.6	-	14.8	14.8	-
APAT	3,002	3,002	-	3,846	3,846	-	4,965	4,965	-
APAT margin (%)	8.1	8.1	-	9.2	9.2	-	10.6	10.6	-
Post IND-AS 116 EPS	23.4	23.4	-	29.9	29.9	-	38.6	38.6	-

Source: Company, HSIE Research

REDUCE

CMP *(as on 14 Nov 2024)*	INR 1,307
Target Price	INR 1,300
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,300	INR 1,300
	FY26E	FY27E
EBITDA %	-	-

KEY STOCK DATA	
Bloomberg code	BATA IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	168/1,990
6m avg traded value (INR mn)	615
52 Week high / low	INR 1,724/1,269

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(5.8)	(1.6)	(16.7)
Relative (%)	(3.9)	(7.7)	(36.1)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	50.16	50.16
FIs & Local MFs	27.52	27.12
FPIs	7.63	8.81
Public & Others	14.69	13.90
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Sobha

Stable performance

BUY

SDL reported a stable quarter with presales in value and volume at INR 11.8bn (-19.5%/-37.1% YoY/QoQ) and 0.9msf (-33%/-20.9% YoY/QoQ) resp. SDL will complete its fundraise by raising a second tranche of the INR 10bn rights issue (total INR 20bn size) in Dec-24, which will be utilised largely towards growth opportunities in non-Bengaluru/Kerala regions like NCR, Pune, Hyderabad, etc. SDL has laid out plans to expand in the MMR market from FY26, ramp up its presence in Pune and NCR, and consolidate in Bengaluru. Newer markets will aid presales growth. SDL expects to unlock its extensive land reserves; moreover, the ongoing fundraise and robust cash flows will allow SDL to pursue new land acquisitions, further strengthening its growth pipeline. Given the robust launch pipeline, strong balance sheet, and stable cash flows, we maintain BUY on SDL with revised TP of INR 2,607/sh (recalibrating for rights issue).

- **Q2FY25 financial highlights:** Revenue INR 9.3bn (+25.9%/+45.8% YoY/QoQ, a 38.8% beat). EBITDA came in at INR 771mn (+2.2%/+37.9% YoY/QoQ, beat by 28.9%). EBITDA margin came in at 8.3% (-192/-47bps YoY/QoQ, vs. estimate of 8.9%). RPAT/APAT was INR 261mn (74.6%/+330.8% YoY/QoQ, a beat by 285%). SDL expects the EBITDA margin to improve once the revenue mix starts changing from H2FY25 towards premium projects.
- **Approval delays, impacted presales, H2FY25 launches crucial for achieving guidance:** SDL reported a stable quarter with presale in value and volume at INR 11.8bn (-19.5%/-37.1% YoY/QoQ) and 0.9msf (-33%/-20.9% YoY/QoQ) resp. The average price realisation was INR 12,673/sf (+20.6%/-20.5%, YoY/QoQ). The contribution of sales from Bengaluru/Kerala/Chennai was 44/32/12% of the overall sales volume, while Tamil Nadu saw a significant boost, with sales doubling compared to the previous quarter, fueled by recent launches. SDL plans to achieve its INR 85bn presales guidance from its launch pipeline of 5.5msf in H2FY25, with which the total inventory pipeline (including 7.3msf unsold stock) would reach 28.2msf. However, supply side constraints such as delays in approvals make upcoming launches a key area to monitor.
- **Balance sheet strong; net debt improvement post rights:** Net debt decreased significantly post rights issue to INR 2.8bn (INR 11.9bn in Q1FY25). At INR 15.2bn, gross debt marginally decreased from INR 19.9bn QoQ. The operating cash flow from completed and ongoing projects is expected at INR 93bn while that from forthcoming projects is at INR 68bn.

Consolidated financial summary (INR mn)

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	9,336	7,412	25.9	6,404	45.8	30,969	32,637	37,647	44,873
EBITDA	771	754	2.2	559	37.9	2,770	3,141	6,385	10,744
APAT	261	149	74.6	61	330.8	491	1,126	3,697	7,180
Diluted EPS	2.6	1.5	74.6	0.6	330.8	4.9	11.2	36.6	71.2
P/E (x)						314.8	137.3	41.8	21.5
EV/EBITDA (x)						60.3	52.5	25.3	14.5
RoE (%)						2.0	4.4	13.2	21.8

Source: Company, HSIE Research

Change in Estimates (INR mn)

	FY25E			FY26E		
	New	Old	% Chg.	New	Old	% Chg.
Revenues	32,637	32,637	-	37,647	37,647	-
EBITDA	3,141	3,604	*(12.9)*	6,385	6,761	*(5.6)*
Margins (%)	9.6	11.0	*(141.9)*	17.0	18.0	*(100.0)*
APAT	1,126	1,173	*(4.0)*	3,697	3,679	*0.5*

Source: Company, HSIE Research

CMP (as on 14 Nov 2024)	INR 1,534
Target Price	INR 2,607
NIFTY	23,533

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,639	INR 2607
EPS Change %	FY25E	FY26E
	-4.0	*0.5*

KEY STOCK DATA	
Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / ($ mn)	145/1,724
6m avg traded value (INR mn)	518
52 Week high / low	INR 2,178/819

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(9.5)	(7.5)	88.3
Relative (%)	(7.5)	(13.6)	68.9

SHAREHOLDING PATTERN (%)	Jun-24	Sept-24
Promoters	52.28	52.78
FIs & Local MFs	18.60	23.44
FPIs	11.48	10.93
Public & Others	17.65	12.87
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

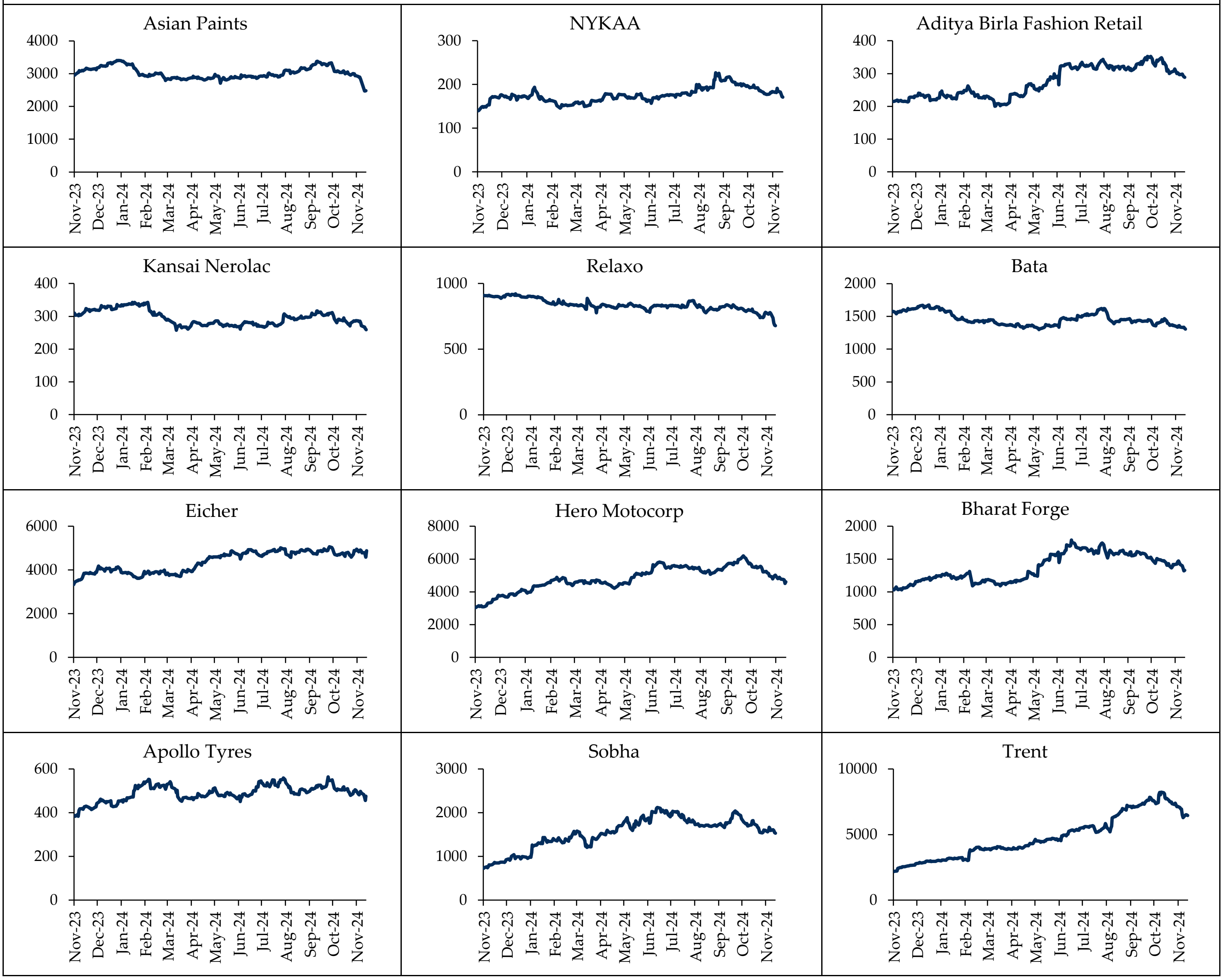
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Asian Paints, Trent, FSN E-commerce Ventures (Nykaa), Aditya Birla Fashion and Retail, Kansai Nerolac, Relaxo Footwears, Bata India	MBA	NO
Maitreyee Vaishampayan	Eicher Motors, Hero Motocorp, Bharat Forge, Apollo Tyres	MSc	NO
Parikshit Kandpal	Sobha	CFA	NO
Jay Shah	Sobha	CA	NO
Aditya Sahu	Sobha	MBA	NO

1 Yr Price movement



Disclosure:

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