FIRST LIGHT

08 May 2023

RESEARCH

AJANTA PHARMA | TARGET: Rs 1,520 | +17% | BUY

Margins appear to have bottomed out; raise to BUY

ABB INDIA | TARGET: Rs 3,700 | –1% | HOLD

Strong showing but priced in

360 ONE | TARGET: Rs 540 | +30% | BUY

Tough quarter

BLUE STAR | TARGET: Rs 1,650 | +15% | BUY

Momentum continues; outlook bright

DABUR INDIA | TARGET: Rs 628 | +18% | BUY

Steady growth; improving demand visibility

BRITANNIA INDUSTRIES | TARGET: Rs 5,623 | +22% | BUY

Impressive all-around performance

TVS MOTOR | TARGET: Rs 1,252 | +3% | HOLD

Steady quarter; fresh triggers awaited

HERO MOTOCORP | TARGET: Rs 2,712 | +6% | HOLD

Improved performance; sustainability to be seen

METALS & MINING

Steel margin recovery to continue into Jun quarter: ArcelorMittal

Daily macro indicators

Ticker	02-May	03-May	Chg (%)
US 10Y yield (%)	3.42	3.34	(9bps)
India 10Y yield (%)	7.09	7.01	(9bps)
USD/INR	81.89	81.83	0.1
Brent Crude (US$/bbl)	75.3	72.3	(4.0)
Dow	33,685	33,414	(0.8)
Hang Seng	19,934	19,699	(1.2)
Sensex	61,355	61,193	(0.3)
India FII (US$ mn)	**28-Apr**	**02-May**	**Chg ($ mn)**
FII-D	(34.7)	(126.6)	(92.0)
FII-E	791.0	365.9	(425.1)

Source: Bank of Baroda Economics Research

SUMMARY

AJANTA PHARMA

- Strong India and US growth in Q4 (17% YoY each) offset by declines in other businesses
- EBITDA down 28% YoY on flat revenue and weak margins; expect recovery over FY24-FY25 as price erosion ebbs and costs ease
- FY24 EPS cut 3% but FY25 unchanged on anticipated margin revival; post rollover, our TP rises to Rs 1,520 (vs. Rs 1,470) – raise to BUY

Click here for the full report.

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ABB INDIA

- Robust Q1 with revenue up 23% YoY and EBITDA margin expansion of 230bps aided by the robotics and electrification segments
- Order inflows expected to grow 12-15% in CY23 given strong investments in end-user segments
- CY23/CY24 EPS raised 10%/6% and TP upped to Rs 3,700 (vs. Rs 3,220) on rollover; maintain HOLD given the run-up in stock price

Click here for the full report.

360 ONE

- Q4 AUM/PAT 6%/10% below our expectations at Rs 2.7tn/Rs 1.6bn; ARR focus continues
- Net flows (ex-custody) at Rs 70bn; expect a conservative Rs 302bn for FY24
- FY24/FY25 PAT estimates pared by 7%/8% and AUM by 10%/12%, leading to a lower TP of Rs 540 (vs. Rs 591); retain BUY

Click here for the full report.

BLUE STAR

- UCP business shines in Q4, delivering 20% YoY growth and an 8.4% EBIT margin
- EMP EBIT margin improves further to 7.9%, a new high, with a robust order backlog
- FY24/FY25 EPS estimates raised 6%/4% along with rollover, yielding a higher TP of Rs 1,650 (vs. Rs 1,450); maintain BUY

Click here for the full report.

DABUR INDIA

- Broad-based growth across categories in Q4, barring healthcare which is navigating the high Covid base
- Green shoots emerging in rural markets, providing visibility for growth ahead
- We assume coverage on DABUR with BUY and a TP of Rs 628, based on 46x FY25E EPS

Click here for the full report.

BRITANNIA INDUSTRIES

- Strong 13% YoY topline growth in Q4 fuelled by pricing, enhanced distribution reach and market share gains
- EBITDA margin continued to improve (+690bps YoY to 19.9%) on softening input prices and cost rationalisation
- Focus remains on growing adjacent categories, enhancing rural reach and innovation; maintain BUY, TP Rs 5,623 (unchanged)

Click here for the full report.

TVS MOTOR

- Price pass thru availability helps realisation gains in Q4, taking revenue up 19% YoY (flattish QoQ) despite tepid volume growth
- Cost reduction due to lower commodity prices and premiumisation focus helped shore up gross margin by 75bps YoY
- Retain HOLD with TP of Rs 1,252 (unchanged) as positives priced in

Click here for the full report.

HERO MOTOCORP

- Q4 revenue grew 12% YoY backed by 5% higher net realisation per vehicle and volume gains of 7%
- Gross margin improved 132bps YoY to 32% largely due to easing of raw material price, price pass thru only
- We value HMCL at 13x (15x) as we rollover valuations over to FY25 with at TP of Rs 2,712 (unchanged) Maintain HOLD.

Click here for the full report.

METALS & MINING

- MT's Q1 print confirms global steel margin recovery backed by a strong revival in shipments with the end of destocking
- Guides for further improvement in profitability in Q2 with the lag effect of higher steel spreads, longer lead times and low channel inventory
- Steel margins likely to settle at mid-cycle level in FY24; earnings accretion from next expansion wave key to watch. Prefer TATA and JSP

Click here for the full report.

BUY
TP: Rs 1,520 | ▲ 17%

AJANTA PHARMA | Pharmaceuticals | 06 May 2023

Margins appear to have bottomed out; raise to BUY

- **Strong India and US growth in Q4 (17% YoY each) offset by declines in other businesses**
- **EBITDA down 28% YoY on flat revenue and weak margins; expect recovery over FY24-FY25 as price erosion ebbs and costs ease**
- **FY24 EPS cut 3% but FY25 unchanged on anticipated margin revival; post rollover, our TP rises to Rs 1,520 (vs. Rs 1,470) – raise to BUY**

Saad Shaikh
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Strong India growth…: Barring India (+17% YoY) and US (+17%) business, AJP's other businesses declined YoY. Strong growth in India was on account of volume gains (+8%), price hikes (+6%) and new launches (+3%). In secondary sales terms as per IQVIA, AJP's growth at 16% was twice that of the Indian pharma market (IPM). Key therapies outperformed the market, including cardiology (+13% vs. +9% IPM), ophthalmology (+16% vs. +16%), dermatology (+26% vs. +6%) and pain management (+23% vs. +12%). Management expects India growth momentum to continue on the back of volumes and price hikes.

...offset by slowdown in emerging markets: Asia/Africa branded businesses declined 9%/26% YoY in Q4. Asia branded business contracted on account of a high base due to pandemic-led buying in Q4FY22. The company expects a return to normal levels of mid-to-high-teens growth in FY24 on the back of a robust pipeline and increased productivity. Africa branded business contracted on account of rupee appreciation against the euro and the strike in France which affected the supply chain.

EBITDA margin hits a bottom; guided to return to 24-25% in FY24: AJP reported one of its lowest ever EBITDA margins at 16.9% (-680bps YoY, -50bps QoQ) on account of higher employee, R&D and other operating costs further exasperated by forex loss. This was on top of subdued gross margin of 72.7% in Q4 vs. at least 75% historically (albeit flat YoY/QoQ in Q4). Management has guided for a return to a 74-75% gross margin and 24-25% EBITDA margin in FY24 given stabilising US price erosion, moderating input/freight costs, and the absence of one-off charges.

Raise to BUY on anticipated margin revival: We expect AJP to post a 10% revenue CAGR over FY23-FY25 with continued momentum in India business, recovery in ex-India business as constraints affecting Africa operations normalise, and mid-teens growth in Asia branded sales. We crop FY24 EPS 3% (FY25 unchanged) and now factor in EBITDA margin expansion of 400bps over FY23-FY25, yielding an earnings CAGR of 18%. On rollover to FY25E, our TP rises from Rs 1,470 to Rs 1,520, based on a lower EV/EBITDA multiple of 11x – 25% discount to stocks 5-year average. Upgrade from HOLD to BUY.

Key changes

Target	Rating
▲	▲

Ticker/Price	AJP IN/Rs 1,298
Market cap	US$ 2.0bn
Free float	31%
3M ADV	US$ 1.3mn
52wk high/low	Rs 1,428/Rs 1,067
Promoter/FPI/DII	66%/10%/16%

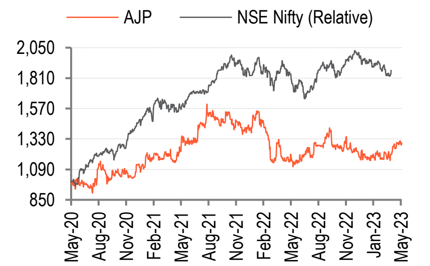
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	37,426	41,638	45,214
EBITDA (Rs mn)	7,832	9,724	11,238
Adj. net profit (Rs mn)	5,879	7,098	8,121
Adj. EPS (Rs)	46.5	56.2	64.3
Consensus EPS (Rs)	46.5	58.8	70.2
Adj. ROAE (%)	17.6	19.3	19.0
Adj. P/E (x)	27.9	23.1	20.2
EV/EBITDA (x)	20.7	16.6	14.3
Adj. EPS growth (%)	(43.9)	20.7	14.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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HOLD

TP: Rs 3,700 | ∀ 1%

ABB INDIA | Capital Goods | 06 May 2023

Strong showing but priced in

- **Robust Q1 with revenue up 23% YoY and EBITDA margin expansion of 230bps aided by the robotics and electrification segments**
- **Order inflows expected to grow 12-15% in CY23 given strong investments in end-user segments**
- **CY23/CY24 EPS raised 10%/6% and TP upped to Rs 3,700 (vs. Rs 3,220) on rollover; maintain HOLD given the run-up in stock price**

Vinod Chari | Swati Jhunjhunwala
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Strong quarter: ABB reported a robust Q1CY23 backed by a favourable product mix, efficient supply chain management and pricing power. Revenue increased 23% YoY to Rs 24bn led by growth of 4% in robotics (to Rs 675mn), 36% in the motion division (Rs 9.7bn), 16% in electrification (Rs 10bn), and 23% in industrial automation (Rs 4.2bn). EBITDA margin at 12% expanded 230bps YoY aided by strong margin gains across the robotics and electrification segments. Adj. PAT thus grew 219% YoY to Rs 2.4bn.

Robust order pipeline: Order inflows stood at Rs 31bn, advancing 36% YoY in Q1CY23 and taking ABB's order book to Rs 71.7bn. The company indicated that it has a strong funnel of potential inflows and is seeing healthy on-ground demand. Order inflows are targeted to grow 12-15% for the year (vs. Rs 86bn in CY22) as many end-user segments are witnessing an upcycle in investments. This is in keeping with ABB's earlier announcement of securing ~Rs 23bn of base orders every quarter. For CY23, management had guided revenue of Rs 100bn, gross margin of 35-37%, and PAT margin of 10%.

Short-cycle business aiding margins, cash flows: The short-cycle business has been performing well across various segments, posting significant YoY revenue growth of 33% in Q1. This is both lifting margins and shoring up the cash balance. ABB's current cash balance stands at Rs 39.4bn vs. Rs 36bn in the previous quarter, some of which is earmarked for potential acquisition targets, both global and local. This includes investments towards digitalisation (for partnerships that enhance the core portfolio and drive value-add for customers) as well as growth in energy and energy-efficiency sectors.

Retain HOLD: We expect a revenue/EBITDA/PAT CAGR of 22%/21%/28% for ABB over CY22-CY24. While the company ticks all the right boxes and has a strong structural growth story, the stock has run up 26.8% over the past 3 months and current valuations of 70x CY24E EPS reflect most positives, leading us to retain HOLD. We continue to value the stock at 70x P/E – in line with the 5Y mean – but roll valuations forward to CY24 and raise CY23/CY24 EPS estimates 10%/6%, yielding a revised TP of Rs 3,700 (vs. Rs 3,220).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ABB IN/Rs 3,719
Market cap	US$ 9.6bn
Free float	25%
3M ADV	US$ 15.9mn
52wk high/low	Rs 3,754/Rs 2,077
Promoter/FPI/DII	75%/4%/9%

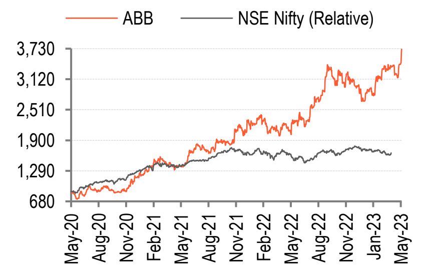
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Dec	CY22A	CY23E	CY24E
Total revenue (Rs mn)	85,675	1,04,522	1,27,355
EBITDA (Rs mn)	9,619	11,367	14,102
Adj. net profit (Rs mn)	6,864	9,108	11,195
Adj. EPS (Rs)	32.4	43.0	52.8
Consensus EPS (Rs)	32.4	40.3	50.3
Adj. ROAE (%)	15.3	17.1	18.0
Adj. P/E (x)	114.8	86.5	70.4
EV/EBITDA (x)	81.9	69.3	55.9
Adj. EPS growth (%)	54.8	32.7	22.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
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BUY
TP: Rs 540 | ⮝ 30%

360 ONE

| Diversified Financials | 05 May 2023

Tough quarter

- **Q4 AUM/PAT 6%/10% below our expectations at Rs 2.7tn/Rs 1.6bn; ARR focus continues**
- **Net flows (ex-custody) at Rs 70bn; expect a conservative Rs 302bn for FY24**
- **FY24/FY25 PAT estimates pared by 7%/8% and AUM by 10%/12%, leading to a lower TP of Rs 540 (vs. Rs 591); retain BUY**

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Q4 below expectations: 360 One's Q4FY23 PAT of Rs 1.6bn declined 8% YoY and 14% QoQ, missing our expectations by 10%. This was due to (i) softer yields in the ARR segment, and (ii) negative other income of Rs 78mn due to MTM and forex losses. Consequently, the C/I ratio was higher at 48% (45.8% in FY23). ROAE stood at 20.5% (-250bps YoY, -300bps QoQ). In order to lower the volatility in other income, the company plans to trim its own investments in AIFs from Rs 11bn to Rs 4bn-4.5bn. AUM grew 5% YoY to Rs 2.7tn (6% below est.). The focus on ARR continues and it now forms 61% of AUM and 68% of revenue from operations.

Net flows stable: The company generated Rs 70bn of net flows (ex-custody) in Q4 (Rs 60bn in Q3). Notably, AIF net flows constituted Rs 18bn. Within the wealth segment, net flows increased 47% QoQ (-3% YoY) to Rs 51bn (Rs41bn for the ARR segment and Rs 10bn for the non-recurring segment). The company has guided for ARR net flows of Rs 400bn for FY24 with MTM gains of 6%. Of these, Rs 140bn-160bn each are expected to come from 360 One Plus & AMC business and the remaining Rs 80bn-100bn from the distribution business. We conservatively factor in overall net flows (ARR plus non-ARR) of Rs 302bn and MTM gains of only 4% for the year.

Estimates pared: Management has guided for FY24 PAT of Rs 8bn, ARR net flows of Rs 400bn and ARR AUM of Rs 2.2tn. Based on the Q4 print, we cut FY24/FY25 AUM estimates by 10%/12% to Rs 3.1tn/Rs 3.7tn and scale back PAT estimates by 7%/8% to Rs 7.5bn/Rs 8.6bn. We expect ~27% ROAE and ~7% ROAA by FY25.

Maintain BUY: 360 One has a niche position in wealth management backed by innovative products and a resilient business model. We believe it will weather the difficult macro climate as (a) flows into 360 One Plus remain strong, (b) the NBFC business earns robust margins, and (c) traction in AMC business continues. At current valuations of 18x FY25E EPS, the stock appears undervalued. Post estimate revision, we have a new TP of Rs 540 (vs. Rs 591), valuing the stock at an unchanged 23x FY25E P/E multiple – in line with the long-term average. BUY.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	360ONE IN/Rs 414
Market cap	US$ 1.8bn
Free float	78%
3M ADV	US$ 1.5mn
52wk high/low	Rs 490/Rs 309
Promoter/FPI/DII	22%/23%/2%

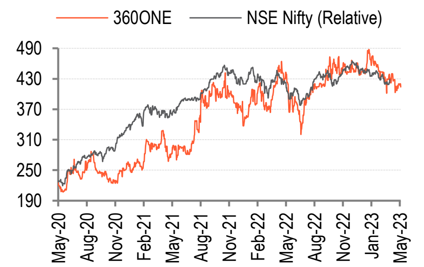
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar (Rs mn)	FY23P	FY24E	FY25E
PBT (Rs mn)	8,503	9,893	11,265
PBT growth (%)	13.2	16.3	13.9
Adj. net profit (Rs mn)	6,679	7,518	8,562
EPS (Rs)	18.1	20.6	23.5
Consensus EPS (Rs)	18.1	23.2	27.0
P/E (x)	22.8	20.1	17.6
MCap/AUM (%)	0.0	0.0	0.0
ROE (%)	21.8	23.9	26.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
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BUY
TP: Rs 1,650 | ⮝ 15%

BLUE STAR | Consumer Durables | 06 May 2023

Momentum continues; outlook bright

- **UCP business shines in Q4, delivering 20% YoY growth and an 8.4% EBIT margin**
- **EMP EBIT margin improves further to 7.9%, a new high, with a robust order backlog**
- **FY24/FY25 EPS estimates raised 6%/4% along with rollover, yielding a higher TP of Rs 1,650 (vs. Rs 1,450); maintain BUY**

Vinod Chari | Nilesh Patil
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Good quarter: BLSTR's Q4FY23 revenue at Rs 26.2bn (+16% YoY) and EBITDA at Rs 1.8bn (+25% YoY) were ahead of our estimates on an all-round beat across verticals. The unitary cooling product (UCP) and electromechanical project (EMP) businesses continued to see strong traction, and management remains optimistic of growth prospects in FY24. EBITDA margin expanded by 50bps YoY and 100bps QoQ to 6.8%. Adj. PAT (tax adjusted) came at Rs 860mn, +13% YoY. The company posted an exceptional item of Rs1.7bn on sale of freehold land. The company's carry-forward order book as of Mar'23 grew 55% to a record Rs 50.4bn, from Rs 32.5bn in FY22.

UCP on a roll: The UCP division posted impressive growth of 20% YoY with an 8.4% EBIT margin, outperforming VOLT's 13% YoY topline growth and Lloyd's operational losses for the quarter. BLSTR, with the fastest market share gains in FY23, now commands 13.5% share (marginally short of its FY23 target of 13.75%). Management believes it is well on track to reaching 15% by FY25. Efforts toward brand building, launching products for a wider portfolio and deepening distribution are serving as key triggers for market share gains.

EMP traction continues: The EMP business delivered a topline of Rs 12.5bn and a 7.9% EBIT margin in Q4, improving its performance sequentially as well as YoY. EBIT margin has expanded by 80bps QoQ (+120bps YoY) over the 5Y high of 7.1% touched in Q3FY23. The EMP order book soared 70% YoY to Rs 38.9bn, backed by the twin engines of public and private capex.

Maintain BUY, raise TP to Rs 1,650: BLSTR's UCP business has outperformed peers in Q4 and its EMP business has a robust order backlog along with the benefit of strong industry tailwinds. We raise our FY24/FY25 EPS estimates by 6%/4% on the back of the strong quarterly performance and buoyant outlook for FY24. Upon rolling valuations forward to Mar'25E, our TP increases to Rs 1,650 (vs. Rs 1,450), based on an unchanged P/E of 38x. Our target multiple is an ~18% premium to the stock's 3Y average on a 2Y forward basis and carries 15% upside – maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,437
Market cap	US$ 1.7bn
Free float	61%
3M ADV	US$ 1.7mn
52wk high/low	Rs 1,615/Rs 859
Promoter/FPI/DII	39%/11%/25%

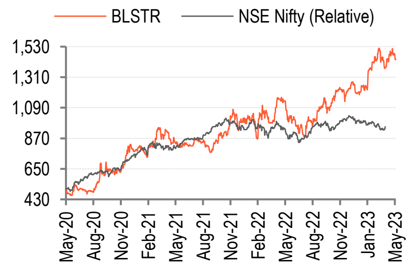
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	79,773	92,035	107,564
EBITDA (Rs mn)	4,928	6,300	8,140
Adj. net profit (Rs mn)	2,601	2,949	4,174
Adj. EPS (Rs)	27.0	30.6	43.3
Consensus EPS (Rs)	29.2	37.6	48.4
Adj. ROAE (%)	22.1	20.8	25.1
Adj. P/E (x)	53.2	46.9	33.2
EV/EBITDA (x)	28.1	22.0	17.0
Adj. EPS growth (%)	55.1	13.4	41.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

BOBCAPS
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BUY
TP: Rs 628 | ⮝ 18%

DABUR INDIA | Consumer Staples | 05 May 2023

Steady growth; improving demand visibility

- **Broad-based growth across categories in Q4, barring healthcare which is navigating the high Covid base**
- **Green shoots emerging in rural markets, providing visibility for growth ahead**
- **We assume coverage on DABUR with BUY and a TP of Rs 628, based on 46x FY25E EPS**

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Steady performance in a challenging environment: Dabur reported 6% YoY revenue growth during Q4FY23 and continued to gain market share in key categories despite the inflation-led impact on consumption. During the quarter, the company increased prices by 6% to mitigate the cost inflation while offering consumer promotions to soften the impact of pricing on consumption, which resulted in flattish volume growth during the quarter. India business grew 6% YoY and international business grew 11% CC. Gross margin for FY23 contracted by 260bps YoY to 46%, though the contraction is moderating sequentially.

Green shoots visible in rural markets: Rural growth remained a challenge on account of high inflation and downtrading, but green shoots were visible towards the end of the quarter, especially in the states of Bihar and Uttar Pradesh. Unseasonal rains during Q4 affected Dabur's performance in key markets. In our Mar'23 report, **Visible signs of rural revival**, we highlighted that companies with strong product portfolios, a large rural presence and localised marketing strategies are gaining market share in respective categories despite the difficult demand environment.

Broad-based growth across key categories: Dabur's food & beverage business reported strong growth of 30% YoY in FY23. A robust performance in air fresheners aided a 23% YoY uptick in home care. The digestives business grew 10% YoY for the year while the shampoo portfolio was up 8%. Hair oil gained 130bps market share to 17%, its highest ever level. Oral care penetration now stands at 50.8% with 15.8% market share. The air freshener and shampoo categories saw market share rise by 140bps and 30bps respectively.

BUY, TP Rs 628: Dabur continues to grow ahead of the market and to gain share despite persisting challenges in key categories. With the softening of inflation and improving rural demand, we expect a revival in volume growth across the portfolio. Increased investment in advertising & promotions will lend further impetus to growth. The stock is trading at 46.7x/38.8x FY24E/FY25E EPS. We assume coverage on Dabur with BUY and value the stock at 46x FY25E EPS, in line with the long-term mean, translating to a TP of Rs 628.

Ticker/Price	DABUR IN/Rs 530
Market cap	US$ 11.5bn
Free float	33%
3M ADV	US$ 12.3mn
52wk high/low	Rs 611/Rs 482
Promoter/FPI/DII	66%/20%/14%

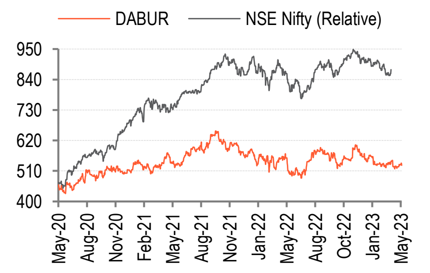
Source: NSE | Price as of 4 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	1,15,299	1,30,189	1,47,820
EBITDA (Rs mn)	21,641	25,510	31,060
Adj. net profit (Rs mn)	17,072	20,106	24,193
Adj. EPS (Rs)	9.6	11.3	13.7
Consensus EPS (Rs)	9.6	12.1	13.9
Adj. ROAE (%)	19.1	20.3	22.2
Adj. P/E (x)	55.0	46.7	38.8
EV/EBITDA (x)	43.4	36.8	30.3
Adj. EPS growth (%)	(2.1)	17.8	20.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

BUY
TP: Rs 5,623 | ⮝ 22%

BRITANNIA INDUSTRIES | Consumer Staples | 06 May 2023

Impressive all-around performance

- **Strong 13% YoY topline growth in Q4 fuelled by pricing, enhanced distribution reach and market share gains**
- **EBITDA margin continued to improve (+690bps YoY to 19.9%) on softening input prices and cost rationalisation**
- **Focus remains on growing adjacent categories, enhancing rural reach and innovation; maintain BUY, TP Rs 5,623 (unchanged)**

Vikrant Kashyap
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Steller performance fuelled by pricing and market share gains: BRIT's Q4FY23 revenue grew 13.3% YoY to Rs 40.2bn backed by significant distribution gains and price increases even as volumes remained in low single digits. The company continued to strengthen its rural presence, taking the rural distributor count to 28,000. BRIT has steadily gained market share over the past decade, widening the gap with No. 2 player. Innovation remains a focus area for the company, reflected in recent launches of coconut water and milk shakes.

Margin expansion continues: BRIT reported strong margin expansion led by cost rationalisation initiatives and correction in prices of palm oil and other packaging materials. Wheat prices, however, remained elevated. BRIT is watchful of movement in key commodity prices and intends to take appropriate pricing action to remain competitive and gain market share. Q4 EBITDA grew 46% YoY while declining 2% QoQ to Rs 8bn, with robust margin expansion of 690bps YoY and 120bps QoQ to 19.9%. Going ahead, the company expects EBITDA margin to remain around 17.5%.

Augmenting manufacturing capabilities to support growth: The company commercialised two greenfield biscuit units during the quarter at Uttar Pradesh and Tamil Nadu, along with brownfield expansion in Odisha. It also started operations at three manufacturing lines for rusk, in line with its strategy of manufacturing inhouse and enhancing productivity. The company further increased capacity for beverages, including dairy lines, to leverage seasonal opportunities and improve supplies to the bakery division for captive consumption.

Maintain BUY: BRIT continues to report double-digit growth with improvement in margins despite high inflation. We expect the company's focus on innovation, broader manufacturing capabilities, brand investment, direct reach expansion, and product launches to spur profitable growth. The stock is trading at 47.1x/42.0x FY24E/FY25E EPS. We maintain BUY and continue to value the stock at 51x FY25E EPS, in line with the long-term mean, for an unchanged TP of Rs 5,623.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	BRIT IN/Rs 4,626
Market cap	US$ 13.6bn
Free float	49%
3M ADV	US$ 14.9mn
52wk high/low	Rs 4,669/Rs 3,157
Promoter/FPI/DII	51%/19%/30%

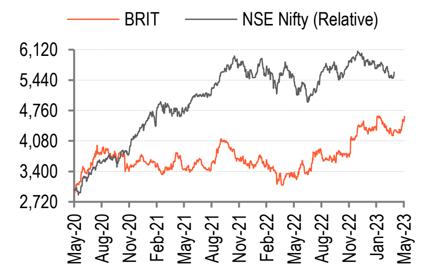
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	1,63,006	1,82,922	2,01,583
EBITDA (Rs mn)	28,309	33,166	37,446
Adj. net profit (Rs mn)	19,461	23,649	26,561
Adj. EPS (Rs)	80.8	98.2	110.3
Consensus EPS (Rs)	80.8	88.3	101.3
Adj. ROAE (%)	65.1	51.1	48.9
Adj. P/E (x)	57.3	47.1	42.0
EV/EBITDA (x)	39.3	33.6	29.7
Adj. EPS growth (%)	27.6	21.5	12.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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HOLD

TP: Rs 1,252 | ⮝ 3%

TVS MOTOR | Automobiles | 05 May 2023

Steady quarter; fresh triggers awaited

- **Price pass thru availability helps realisation gains in Q4, taking revenue up 19% YoY (flattish QoQ) despite tepid volume growth**
- **Cost reduction due to lower commodity prices and premiumisation focus helped shore up gross margin by 75bps YoY**
- **Retain HOLD with TP of Rs 1,252 (unchanged) as positives priced in**

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Revenue bolstered by healthy realisations: TVSL's Q4FY23 revenue grew 19% YoY (+1% QoQ) to Rs 66bn as net realisation per vehicle (NRPV) increased 18% YoY (+2% QoQ) to Rs 76.1k following price hikes of 0.5% during the quarter. Volume growth was flattish at 1% YoY (-1% QoQ) as exports remained dull.

Gross margin expands: Raw material cost fell to 75.4% of sales from 76.2% in Q4FY22 aided by a 0.9% dip in commodity costs, fixed cost optimisation and a focus on premiumisation. Gross margin thus improved by 75bps YoY (+12bps QoQ) to 24.6%. EBITDA increased 22% YoY (+3% QoQ) to Rs 6.8bn, but higher other expenditure (+27% YoY, +1% QoQ) kept the margin flat at 10.3%. Adj. PAT jumped 49% YoY (+16% QoQ) to Rs 4.1bn on account of better operating profits and a surge in other income (+9x YoY to Rs 705mn) due to fair value gains on equity shares.

Domestic demand healthy: Management expects TVSL's volumes to beat industry growth in domestic as well as overseas markets as *TVS Raider*, *Jupiter 125* and *Ntorq* continue to strengthen the 125cc portfolio. The order book for premium models such as *Apache* and *Ronin* retain its growth momentum, and management is planning new launches in both the 2W and 3W segments during FY24. Improved chip availability will support higher production of premium products. Management also expects exports to improve during H2FY24 and plans to launch EV in these markets.

Maintain HOLD: We believe TVSL's topline growth will stay ahead of the industry backed by its strong presence in the high-end motorcycle segment. EV and traditional segment launches will further rejuvenate the portfolio. A thrust on the premium segment and further consolidation therein should safeguard margins, and any easing of raw material cost will offer added cushioning. However, at current valuations of 25x FY25E EPS, these positives are largely priced in. Hence, we retain our HOLD rating and TP of Rs 1,252, valuing the core business at an unchanged 25x FY25E EPS and adding in Rs 33/sh (consensus value) for TVS Credit.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TVSL IN/Rs 1,215
Market cap	US$ 7.1bn
Free float	48%
3M ADV	US$ 17.4mn
52wk high/low	Rs 1,235/Rs 589
Promoter/FPI/DII	52%/13%/25%

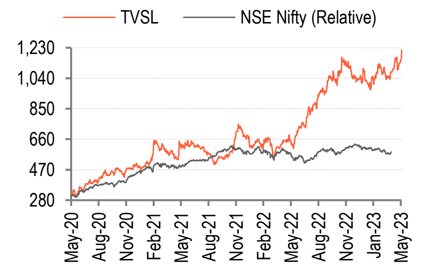
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	2,63,781	3,02,735	3,48,239
EBITDA (Rs mn)	26,747	33,972	39,281
Adj. net profit (Rs mn)	14,910	19,321	23,168
Adj. EPS (Rs)	31.4	40.7	48.8
Consensus EPS (Rs)	31.4	40.1	48.6
Adj. ROAE (%)	24.8	26.4	25.9
Adj. P/E (x)	38.7	29.9	24.9
EV/EBITDA (x)	21.4	17.2	14.8
Adj. EPS growth (%)	66.9	29.6	19.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

HOLD

TP: Rs 2,712 | 6%

HERO MOTOCORP | Automobiles | 05 May 2023

Improved performance; sustainability to be seen

- Q4 revenue grew 12% YoY backed by 5% higher net realisation per vehicle and volume gains of 7%
- Gross margin improved 132bps YoY to 32% largely due to easing of raw material price, price pass thru only
- We value HMCL at 13x (15x) as we rollover valuations over to FY25 with at TP of Rs 2,712 (unchanged) Maintain HOLD.

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Healthy volumes and realisations: HMCL's Q4FY23 revenue grew 12% YoY (+3% QoQ) to Rs 83bn as volumes increased by 7% (+2.5% QoQ) to 1.3mn units. Despite the volume push, net realisation per vehicle (NRPV) grew 5% YoY (+1% QoQ) to Rs 65.4k.

Operating leverage aids margin improvement: Raw material cost (adjusted to inventory jumped) 10%/1% YoY/QoQ and as % of sales was at 68% vs 69.3% in Q4FY22, aiding gross margin improvement of 132bps YoY (+144bps QoQ) to 32% Operating leverage on other expenses (70-80bps) and leap cost savings initiatives further aided EBITDA margin gains. EBITDA increased 31% YoY (+17% QoQ) to Rs 10.8bn with margin expansion of 189bps YoY (+153bps QoQ) to 13%. Other expenditure grew by 5%/3% YoY/QoQ at Rs 10.2bn. Adj. PAT climbed 37% YoY (+21% QoQ) to Rs 8.6bn further backed by a 70% surge in other income to Rs 2.4bn (+29% QoQ).

Focus on launches: Management indicated aggressive new launches across segments in every quarter of FY24. Further, the focus will be on recovery in the125cc segment, building the premium portfolio and improving market share.

Rural demand picking up: Rural demand witnessed an uptick in the month of March on account of festivals, and management expects the growth momentum to continue in the wake of the wedding season and anticipates well-balanced growth across segments. Retail finance penetration has risen to 59%, which is further aiding volume growth.

Retain HOLD: We model for a revenue/EBITDA/adj. 15%/19%/17% for HMCL over FY22-FY25, with EBITDA margin averaging at ~13%. Our FY24/FY25 EPS remains at Rs 174/Rs 200. we await rural recovery, export market revival and the response to HMCL's aggressive launch programme before upgrading our estimates. We reset our target P/E multiple from 15 to 13x as we rollover valuations over to FY25 (earlier FY24), our SOTP-based TP remains unchanged at Rs 2,712, offering 6% upside. Maintain HOLD.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	HMCL IN/Rs 2,547
Market cap	US$ 6.2bn
Free float	65%
3M ADV	US$ 14.1mn
52wk high/low	Rs 2,939/Rs 2,246
Promoter/FPI/DII	35%/30%/24%

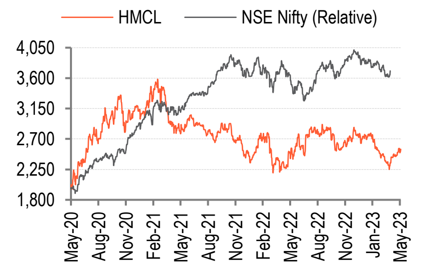
Source: NSE | Price as of 5 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	3,38,057	3,82,719	4,39,853
EBITDA (Rs mn)	39,862	48,969	56,675
Adj. net profit (Rs mn)	29,105	34,773	40,101
Adj. EPS (Rs)	145.8	174.1	200.8
Consensus EPS (Rs)	145.8	173.8	194.5
Adj. ROAE (%)	17.4	18.9	19.7
Adj. P/E (x)	17.5	14.6	12.7
EV/EBITDA (x)	12.7	10.3	8.8
Adj. EPS growth (%)	17.7	19.5	15.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

METALS & MINING

05 May 2023

Steel margin recovery to continue into Jun quarter: ArcelorMittal

- **MT's Q1 print confirms global steel margin recovery backed by a strong revival in shipments with the end of destocking**
- **Guides for further improvement in profitability in Q2 with the lag effect of higher steel spreads, longer lead times and low channel inventory**
- **Steel margins likely to settle at mid-cycle level in FY24; earnings accretion from next expansion wave key to watch. Prefer TATA and JSP**

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MT's Q1 run confirms global steel margin recovery…: ArcelorMittal (MT, Not Rated) posted Q1CY23 EBITDA growth of 45% QoQ driven by a 13% recovery in shipments and a 26% increase in margin. While group EBITDA grew 26% QoQ to US$ 126/t, the NAFTA segment was up 33% to US$ 204/t, and Europe almost doubled to US$ 87/t.

…backed by strong recovery in shipments: Shipments were up 13% QoQ on like-to-like basis with the end of destocking but still declined 4% YoY. Recovery was broad-based with NAFTA growing 22% and Europe 14%. Recovery in automotive production saw flat product shipments rise faster (14% QoQ) than long products (9%). However, European long shipments were also up 11% QoQ from a low base.

Apparent demand recovering: MT notes improvement in apparent demand in Europe and the US. While lead times have extended beyond normal levels in the US, the company also has good visibility on the European order book till August. It further notes improvement in overall sentiment led by Europe, albeit still subdued.

Retains positive CY23 outlook: MT retains its forecast for 2-3% growth in apparent steel consumption outside China and 5% YoY growth in shipments during CY23. Despite continued headwinds to real demand, the absence of any further destocking is likely to be supportive of higher apparent demand.

Guides for further profitability pick-up in Q2: While US prices are holding up well, European prices have held at high levels for the past two weeks. Slab prices are particularly strong, offering an export opportunity. MT also expects lower costs to reflect in the cost base across markets during Q2. In Europe, gas prices are reverting to pre-war levels even as power costs have decreased. Further, lower inventory levels in the absence of restocking is supportive of steel spreads.

Constructive on Indian ferrous players: We expect (i) margins to stabilise at mid-cycle levels in FY24 as recovery in China takes hold, and (ii) investor focus to shift to delivery of the next expansion wave. BUY TATA (TP Rs 140) and JSP (TP Rs 670).

Recommendation snapshot

Ticker	Price	Target	Rating
JSP IN	583	670	BUY
JSTL IN	733	715	HOLD
SAIL IN	83	95	HOLD
TATA IN	109	140	BUY

Price & Target in Rupees | Price as of 5 May 2023

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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