BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

10 May 2024

RESEARCH

KAJARIA CERAMICS | TARGET: Rs 1,400 | +18% | BUY

Weak quarter on margin pressure, upbeat outlook

BOB ECONOMICS RESEARCH | MONTHLY CHARTBOOK

Monsoon holds the key

HERO MOTOCORP | TARGET: Rs 4,776 | +0% | HOLD

Healthy performance; await further clarity; maintain HOLD

MARICO | TARGET: Rs 668 | +15% | BUY

Volume growth to pick up on improving demand scenario

HCL TECHNOLOGIES | TARGET: Rs 1,449 | +10% | HOLD

Weak guidance leads to subdued outlook

ALEMBIC PHARMA | TARGET: Rs 970 | -3% | HOLD

Strong margins; positives priced in

Daily macro indicators

Indicator	7-May	8-May	Chg (%)
US 10Y yield (%)	4.46	4.49	4bps
India 10Y yield (%)	7.13	7.13	1bps
USD/INR	83.52	83.52	0.0
Brent Crude (US$/bbl)	83.2	83.6	0.5
Dow	38,884	39,056	0.4
Hang Seng	18,479	18,314	(0.9)
Sensex	73,512	73,466	(0.1)
India FII (US$ mn)	**6-May**	**7-May**	**Chg ($ mn)**
FII-D	43.6	(87.2)	(130.8)
FII-E	(137.9)	(352.5)	(214.6)

Source: Bank of Baroda Economics Research

SUMMARY

KAJARIA CERAMICS

- Q4 revenue/PAT short of our estimates by 3%/13% on intense competition from Morbi players in a weak demand environment
- KJC guided for an upbeat outlook as it targets revenue to grow at 12% CAGR with EBITDA margin range of 15-17% over FY24-FY27
- Upgrade to BUY on positive medium-term outlook and reasonable valuation; TP remains unchanged at Rs 1,400

Click here for the full report.

BOBCAPS Research
research@bobcaps.in

INDIA ECONOMICS: MONTHLY CHARTBOOK

Uncertainty around timing and quantum of Fed's rate cut increased in Apr'24 as tightness in labour market dampened hopes of Fed rate cut before Sep'24. Markets are expecting 25-50bps cut this year. The impact of this was visible in Indian bond market as well, with yields inching up by 13bps. Chances of RBI cutting rates in Aug'24 have also diminished as growth remains strong and severe heat conditions in the country is likely to have an impact on food prices. Although, IMD has predicted above normal monsoon for this year. RBI will closely monitor timing and distribution of rainfall before cutting rates. Heat-wave conditions have impacted the travel sector with air passenger, diesel consumption and toll collections moderating. However, green shoots are visible in higher auto sales, vehicle registrations and electricity demand.

Click here for the full report.

HERO MOTOCORP

- Q4 revenue grew 15% YoY supported by double-digit volume gains YoY and realisation adding ~5%
- Lower raw material cost as proportion of sales lifted gross margin by 160bps YoY to 32.6%
- TP raised to Rs 4,776 (vs Rs 4,671) on revised FY25/FY26 earnings, maintain target P/E of 17x for core business; retain HOLD

Click here for the full report.

MARICO

- Stable performance in domestic markets with consistent improvement in gross margins
- Digital first portfolio maintains growth trajectory; international business too rebounded in Q4
- Continued focus on innovation, brand building, and penetration bode well for MRCO; maintain BUY with revised TP of Rs 668 (earlier Rs 618)

Click here for the full report.

HCL TECHNOLOGIES

- Revenue growth guidance of 3-5% for FY25, likely to be similar to FY24
- ER&D Services to remain soft in the near term
- We assume coverage with a HOLD rating and a TP of Rs 1,449 based on 21x P/E of FY26E EPS (5Y average of P/E)

Click here for the full report.

ALEMBIC PHARMA

- ALPM reported strong margin gains in Q4 on account of better utilisation of new facilities and traction in the US business
- Domestic business remained muted; management expects growth from new launches in coming quarters
- Our estimates remain largely unchanged. Retain HOLD rating and TP of Rs 970 given rich valuations

Click here for the full report.

BUY
TP: Rs 1,400 | ⮝ 18%

KAJARIA CERAMICS | Building Materials | 09 May 2024

Weak quarter on margin pressure, upbeat outlook

- **Q4 revenue/PAT short of our estimates by 3%/13% on intense competition from Morbi players in a weak demand environment**
- **KJC guided for an upbeat outlook as it targets revenue to grow at 12% CAGR with EBITDA margin range of 15-17% over FY24-FY27**
- **Upgrade to BUY on positive medium-term outlook and reasonable valuation; TP remains unchanged at Rs 1,400**

Utkarsh Nopany
research@bobcaps.in

Weak quarter: KJC missed our estimates for Q4FY24 (Revenue: -3%; EBITDA: -12%; APAT: -13%) due to lower-than-expected tiles volume (+5.5% YoY vs +7.0% estimate) and EBITDA margin contraction (-166bps QoQ to 13.9%). Overall, KJC revenue grew by 3.0% YoY, but EBITDA/APAT de-grew by 2.2%/8.0% in Q4FY24. Net cash position rose from Rs 2.8bn in Dec'23 to Rs 3.5bn in Mar'24.

Key result highlights: KJC gained market share as tile industry volumes were flat in Q4. Despite higher tiles sales volume (+5.5% YoY), tile segment EBIT was down 5.0% YoY in Q4FY24 driven by margin contraction (-186bps QoQ to 11.6%) on account of rising competition from Morbi players in a weak demand environment. Non-tile revenue grew sharply by 24% YoY in Q4FY24 driven by all the products (Bathware: +13%; Plywood: +74%; Adhesives: +24%), but segment EBIT de-grew by 81% YoY in Q4FY24 on account of margin pressure (-513bps YoY to 0.9%).

Upbeat guidance: The company provided upbeat outlook for the next three years on the recovery in the real estate cycle. Management aims to grow its revenue at 12% CAGR over FY24-FY27 to be driven by tiles (at 11% CAGR) as well as non-tiles (at 24.6% CAGR). It expects tiles revenue share to be ~85% by FY27. It has guided for consolidated EBITDA margin to be 15-17% over FY25-FY27 on the expectation of margin improvement for both the tiles and non-tiles segment. Management expects annual budgeted capex to be Rs 2.25bn-2.50bn over FY25-FY27, which is likely to be met out of internal accruals.

Upgrade to BUY, TP unchanged at Rs 1,400: We upgrade our rating on KJC to BUY from HOLD on positive medium-term outlook and reasonable valuation (trades at 37.7x on 1Y forward P/E vs 5Y average of 39.1x) post a steep correction in the stock price by 16% over the past four months. We have cut our EPS estimates (-4.7%/-7.1% for FY25/FY26) based on the weak Q4 result, but our TP remains unchanged at Rs1,400 as we roll forward our valuation from Sep'25 to Mar'26. Our target P/E remains unchanged at 40x on Mar'26E EPS.

Key changes

Target	Rating
◀ ▶	▲

Ticker/Price	KJC IN/Rs 1,182
Market cap	US$ 2.3bn
Free float	53%
3M ADV	US$ 4.2mn
52wk high/low	Rs 1,524/Rs 1,110
Promoter/FPI/DII	47%/18%/25%

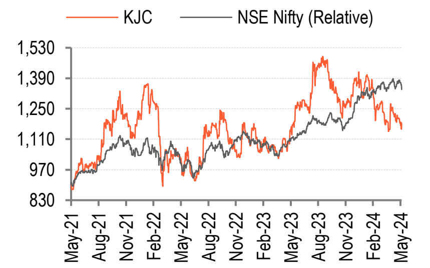
Source: NSE | Price as of 9 May 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	45,784	50,704	57,752
EBITDA (Rs mn)	6,997	7,922	9,149
Adj. net profit (Rs mn)	4,221	4,866	5,570
Adj. EPS (Rs)	26.5	30.5	35.0
Consensus EPS (Rs)	26.5	34.6	41.3
Adj. ROAE (%)	16.6	17.4	18.1
Adj. P/E (x)	44.6	38.7	33.8
EV/EBITDA (x)	27.2	24.0	20.9
Adj. EPS growth (%)	20.0	15.3	14.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Monsoon holds the key

Uncertainty around timing and quantum of Fed's rate cut increased in Apr'24 as tightness in labour market dampened hopes of Fed rate cut before Sep'24. Markets are expecting 25-50bps cut this year. The impact of this was visible in Indian bond market as well, with yields inching up by 13bps. Chances of RBI cutting rates in Aug'24 have also diminished as growth remains strong and severe heat conditions in the country is likely to have an impact on food prices. Although, IMD has predicted above normal monsoon for this year. RBI will closely monitor timing and distribution of rainfall before cutting rates. Heat-wave conditions have impacted the travel sector with air passenger, diesel consumption and toll collections moderating. However, green shoots are visible in higher auto sales, vehicle registrations and electricity demand.

Domestic demand strengthening: Domestic demand continues to exhibit improvement as reflected through high frequency indicators including fertilizer sales, auto sales, vehicle registration and rising power demand. On rural front, IMD its first long range forecast has stated the South-West Monsoon (Jun-Sep) this year is expected to be above normal (106% of the LPA). Skymet (private forecaster) has noted a normal monsoon this year. So far, the sowing area of summer crop is 7.2% higher from last year. The water level in reservoirs dropped to 28% (35% last year) of total storage capacity.

Service sector steady: Services PMI for Apr'24 indicates that activity remained broadly steady with index at 60.8 versus 61.2 in Mar'24. Survey results show that companies posted strongest growth rates in nearly 14 years in Apr'24, supported by new export orders. Domestically, slight moderation is visible in port cargo volume growth, air passenger traffic, diesel consumption and toll collections. With the onset of extreme heat conditions, travel has been impacted. On the other hand, bank credit and deposit growth remains robust. Even credit to trade and commercial real estate sector is holding ground. Auto sector also continues to perform well with vehicle regitrations noting ~26% jump in Apr'24. E-way bill generation is also seeing a turn around. Overall the sector is continuing to hold ground and as heat-wave conditions pass, rebound in activity can also be expected in the coming months.

Yields noticed some pressure: India's 10Y yield inched up by 13bps in Apr'24. This was in line with higher US 10Y yield which rose by 48bps during the same period. Delayed start of a rate cut cycle by Fed have driven yields higher in major economies. However, the rhetoric again slightly changed in May'24, where US 10Y yield fell by 19bps. This was on account of a softening non-farm payroll numbers which reassured that Fed is likely to begin its rate cut journey in Sep'24. Thus even India's 10Y yield witnessed some downward correction. Notably, buyback of some short end securities were announced by the government for effective cash management. This might comfort short end yields. Long end yields is expected to see some downward bias in line with global yields and renewed buying support from FPIs.

INR to remain range-bound: While INR closed broadly unchanged in Apr'24, it briefly touched a record-low during the month. FPI outlfows and dollar strength have kept the domestic currency under pressure. Even in May'24, it continued to trade in a tight range of 83.43-83.52/$ amidst a lack of FPI inflows and dollar demand from oil companies. We expect INR to remain range-bound in the near-term supported by RBI's two-way intervention. Over the longer term we continue to believe that the USD/INR is likely to appreciate.

Note: The source for all exhibits is 'CEIC and Bank of Baroda' unless otherwise specified

Economics Research Department
chief.economist@bankofbaroda.com

HOLD
TP: Rs 4,776 | 0%

HERO MOTOCORP | Automobiles | 09 May 2024

Healthy performance; await further clarity; maintain HOLD

- **Q4 revenue grew 15% YoY supported by double-digit volume gains YoY and realisation adding ~5%**
- **Lower raw material cost as proportion of sales lifted gross margin by 160bps YoY to 32.6%**
- **TP raised to Rs 4,776 (vs Rs 4,671) on revised FY25/FY26 earnings, maintain target P/E of 17x for core business; retain HOLD**

Milind Raginwar
research@bobcaps.in

Volumes surge, realisations support: HMCL's Q4FY24 revenue grew 15% YoY (-2% QoQ) to Rs 95.2bn, steered by 8% motorcycle and 22% scooter volume gains YoY to 1.39mn units (aggregate). The double-digit 2-wheeler volume surge was supported by 5% YoY (-2% QoQ) realisation (per vehicle) gains. The export volume nearly doubled YoY to 67k units.

Lower commodity costs lifts margin further: Raw material cost adjusted for inventory increased 12% YoY (-3% QoQ) to Rs 62.2bn, but declined to 66.4% of sales from 68.0%/67.3% in Q4FY23/Q3FY24 due to a benign commodity pricing environment. This led to gross margin gains of 290bps/90bps YoY/QoQ to 33.6%. Other expenses climbed 17%/-2% YoY/QoQ growth to Rs 13.6bn and dented aggressive EBITDA margin gains. EBITDA rose 26% YoY (flat QoQ) to Rs 13.6bn and operating margin expanded 130bps YoY (flat QoQ) to 14.3%. Adj. PAT grew by 18%/-5% QoQ to Rs 10.2bn backed by marginally lower tax rate.

EV and premium portfolio expansion: HMCL indicated that capacity in the premium segment will be enhanced to ~10k units per month for Harley-Davidson X440, Mavrick 440, and Karizma put together. HMCL has gained 10% market share in the premium segment. This will be further aided by the 125cc motorcycle that will push the overall motorcycle portfolio with the momentum to continue in FY25. The recently launched Xtreme 125cc is well received by the markets. HMCL plans capacity addition to ~30k units per month for the Xtreme platform.

Await more clarity, retain HOLD: To factor in the healthy performance along with steady rural recovery and a premium segment focus, we raise our FY25/FY26 EBITDA/PAT estimates for HMCL by 5%/4% and 3%/2%. We await further clarity on the premium segment performance and revival in the base segment (post monsoon) and continue to assign 17x target P/E to core operations – in line with the 10-year average FY26E earnings. This gives us a new SOTP-based TP of Rs 4,776 (earlier Rs 4,671), which includes Rs 130/sh as the value of other businesses (unchanged). However, we believe current valuations bake in the positives and, hence, retain our HOLD rating.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	HMCL IN/Rs 4,765
Market cap	US$ 11.6bn
Free float	65%
3M ADV	US$ 43.7mn
52wk high/low	Rs 4,949/Rs 2,572
Promoter/FPI/DII	35%/30%/24%

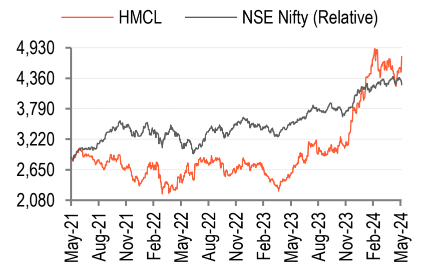
Source: NSE | Price as of 9 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	3,74,557	4,66,703	5,35,919
EBITDA (Rs mn)	52,557	63,775	72,671
Adj. net profit (Rs mn)	41,280	47,201	53,197
Adj. EPS (Rs)	206.7	236.4	266.4
Consensus EPS (Rs)	206.7	238.0	268.0
Adj. ROAE (%)	22.7	23.2	23.3
Adj. P/E (x)	23.0	20.2	17.9
EV/EBITDA (x)	18.1	14.8	13.0
Adj. EPS growth (%)	41.8	14.3	12.7

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 668 | ▲ 15%

MARICO | Consumer Staples | 09 May 2024

Volume growth to pick up on improving demand scenario

- **Stable performance in domestic markets with consistent improvement in gross margins**
- **Digital first portfolio maintains growth trajectory; international business too rebounded in Q4**
- **Continued focus on innovation, brand building, and penetration bode well for MRCO; maintain BUY with revised TP of Rs 668 (earlier Rs 618)**

Vikrant Kashyap
research@bobcaps.in

Positive revenue growth in Q4: MRCO's consolidated Q4FY24 revenue increased by 1.7% YoY to Rs 22.8bn in a challenging demand environment. Domestic underlying volume growth inched up 3% compared to 2% for the preceding three quarters. Premium segment continued to grow ahead of mass; urban demand stayed ahead of rural, however, rural demand witnessed revival towards the end of the quarter.

International business rebounded in Q4: International business recovered strongly during the quarter, growing at 10% YoY in constant currency (CC) terms. Bangladesh bounced back during the quarter and reported 8% CC growth, South-East Asia remained flat, however, MENA posted 19% CC growth and South Africa 13%.

Margin expansion continues: Gross margin expanded 420bps YoY and 30bps QoQ to 51.6% on a favourable raw material base. EBITDA grew 12.5% YoY with a 190bps YoY rise in margin to 19.4% despite increased spending on brands that pushed up advertising and promotions (A&P) spend by 7.6% YoY.

Domestic business remained flat: India business posted 3% YoY volume growth; however, domestic revenue was flat at Rs 16.8bn owing to price cuts taken during the year. Parachute coconut oil posted 2% YoY volume growth, value-added hair oil declined by 7% on a high base, and Saffola edible oil registered mid-single-digit volume growth.

Maintain BUY: We increase our FY25/FY26 PAT estimates by 2.1%/3.4% as MRCO has shown stability in the domestic market and strong rebound in international markets in Q4, despite a difficult demand environment and increased regional competition. The stock is trading at 45.2x/40x FY25E/FY26E EPS. We now value the stock at 46x (earlier 44x) FY26E EPS – in line with the long-term mean. Our TP thus increases to Rs 668 (from Rs 618). We maintain BUY as we believe a continued focus on the food portfolio, product launches, normalisation of price cuts, and brand investments would aid volume recovery and profitable growth.

Key changes

Target	Rating
▲	◄►

Ticker/Price	MRCO IN/Rs 581
Market cap	US$ 9.1bn
Free float	40%
3M ADV	US$ 15.3mn
52wk high/low	Rs 599/Rs 486
Promoter/FPI/DII	59%/25%/16%

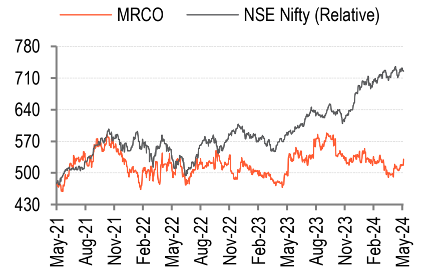
Source: NSE | Price as of 9 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	96,530	106,643	120,026
EBITDA (Rs mn)	20,260	23,008	25,776
Adj. net profit (Rs mn)	14,810	16,575	18,738
Adj. EPS (Rs)	11.5	12.8	14.5
Consensus EPS (Rs)	11.6	12.9	14.4
Adj. ROAE (%)	36.5	36.5	35.2
Adj. P/E (x)	50.6	45.2	40.0
EV/EBITDA (x)	37.0	32.6	29.1
Adj. EPS growth (%)	13.7	11.9	13.0

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

Stock performance



Source: NSE

COMPANY UPDATE

HOLD
TP: Rs 1,449 | ⮝ 10%

HCL TECHNOLOGIES | Technology & Internet | 09 May 2024

Weak guidance leads to subdued outlook

- **Revenue growth guidance of 3-5% for FY25, likely to be similar to FY24**
- **ER&D Services to remain soft in the near term**
- **We assume coverage with a HOLD rating and a TP of Rs 1,449 based on 21x P/E of FY26E EPS (5Y average of P/E)**

Saptarshi Mukherjee
research@bobcaps.in

Disappointing growth guidance; services to drive growth: Management guided for 3-5% growth for FY25, implying a decline in revenue in Q1FY25 due to productivity impact in annuity deals and off-shoring impact of large deal wins, coupled with subsequent growth in H2FY25 (1-2.5% CQGR). HCLT posted revenue of US$ 3.4bn, 0.4% QoQ and 6% YoY, driven by the ramp-up of the Verizon and other large deals. IT&BS grew 4% QoQ while ER&D services declined 1.6% QoQ; software business fell sequentially due to seasonality but was flat YoY. Continued investments in the digital business paid well for HCLT to create a well-diversified portfolio and integrate IT sales. It will also allow ER&D to provide a wide range of services to clients, mine more clients and add new logos.

Moderate growth in deal wins; product performance likely to continue: Net new deal total contract value (TCV) during the quarter stood at US$ 9.8bn, up sequentially by 18% and 10% YoY, including US$ 2.1bn (Verizon deal). Large deal volumes were higher with 13 deals in services (total of 36 in FY24), aiding visibility, and the deal pipeline remains healthy with mega deals in the mix on the back of increased focus on renewals and cost take-out deals

Positive changes in leadership team in Q4: Restructuring through changes in roles/responsibilities worked well for HCLT. Kalyan Kumar is now heading HCL Software as Chief Product Officer. Vijay Guntur became Chief Technical Officer (was head of ER&D Services) and Hari Sadarahalli now heads ER&D /Delivery.

Weak Q4 margin; guidance stable at 18-19%: EBITM came in at 17.6%, down sequentially due to software seasonality, wage hikes in the services business, forex fluctuations and other seasonal factors.

Valuation outlook: Despite near-term headwinds, HCLT's leadership in infrastructure/engineering services, higher application portfolio, steady margin and healthy cashflow remain intact. The stock is trading at 21.2/19.1x FY25E/FY26E EPS. We assume coverage with a HOLD rating and TP of Rs 1,449 based on 21x P/E on FY26E EPS (5Y average of P/E).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HCLT IN/Rs 1,314
Market cap	US$ 43.4bn
Free float	38%
3M ADV	US$ 61.0mn
52wk high/low	Rs 1,697/Rs 1,063
Promoter/FPI/DII	61%/17%/22%

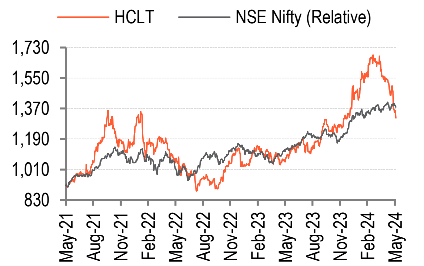
Source: NSE | Price as of 8 May 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	10,99,130	11,66,539	12,44,967
EBITDA (Rs mn)	2,42,000	2,56,639	2,80,118
Adj. net profit (Rs mn)	1,57,100	1,68,451	1,87,111
Adj. EPS (Rs)	57.9	62.1	69.0
Consensus EPS (Rs)	57.9	62.5	69.9
Adj. ROAE (%)	23.5	23.9	24.9
Adj. P/E (x)	22.7	21.2	19.1
EV/EBITDA (x)	14.6	13.7	12.5
Adj. EPS growth (%)	5.8	7.2	11.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 970 | ▽ 3%

ALEMBIC PHARMA | Pharmaceuticals | 09 May 2024

Strong margins; positives priced in

- **ALPM reported strong margin gains in Q4 on account of better utilisation of new facilities and traction in the US business**
- **Domestic business remained muted; management expects growth from new launches in coming quarters**
- **Our estimates remain largely unchanged. Retain HOLD rating and TP of Rs 970 given rich valuations**

Saad Shaikh
research@bobcaps.in

Margin gains make up for lower revenues: ALPM's Q4 revenue grew 9% YoY to Rs 15.2bn but missed Bloomberg consensus estimates by 5%. However, the shortfall in revenues was made up by strong margin gain at the gross and EBITDA margin levels, resulting in EBITDA/PAT beat of 3%/19% to Rs 2.6bn/1.8bn, growing at 23%/17% YoY, respectively. PAT beat stemmed from a lower tax rate as well as lower interest expense.

Growth driven by US business: Growth in the US of 18% YoY to US$ 51mn (-11% QoQ) was the main revenue driver for the quarter and contributed more than half of the incremental revenue. This growth was led by 7 new launches in the quarter and market share gain in the recently commercialised products. ALPM launched 27 products in FY24 and expects to launch another 25 in FY25 which, along with new facilities, will drive further growth.

India remained muted: Slowdown in the Indian Pharmaceuticals Market (IPM) due to a high base, especially on the acute side, took a toll on ALPM as it reported a mere 3% YoY growth in Q4 (-16% QoQ). Therapies in Gynecology, Gastrointestinal, Anti-Diabetic and Ophthalmology though outpaced IPM growth. Relative performance in the Antibiotic and Respiratory segments remained strong. The Animal Health business recorded 34% YoY growth with strong brands driving outperformance.

Hopeful of reaching 20% margin with full utilisation of new facilities: The strong gross margin gain of 570bps/320bps YoY/QoQ in Q4 was attributed to enhancing sales, optimising R&D costs, and other efficiencies. Management expects to reach 20% EBITDA margin level with the full utilisation of new facilities.

Retain HOLD: With stabilising margins, expectations of better operating leverage and strong momentum in the US and Rest of the World businesses, we remain optimistic of ALPM's future potential. But given the full valuations, we retain our HOLD rating with unchanged TP of Rs 970 based on an unchanged FY26E EV/EBITDA of 14x.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	ALPM IN/Rs 1,001
Market cap	US$ 2.4bn
Free float	31%
3M ADV	US$ 1.7mn
52wk high/low	Rs 1,094/Rs 542
Promoter/FPI/DII	70%/5%/13%

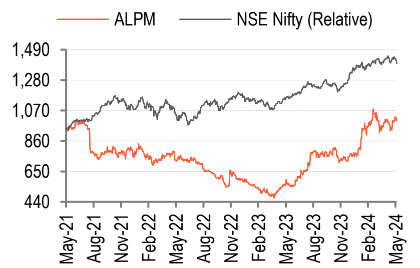
Source: NSE | Price as of 9 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	62,290	70,103	76,252
EBITDA (Rs mn)	9,337	11,897	13,719
Adj. net profit (Rs mn)	6,172	7,291	8,250
Adj. EPS (Rs)	31.4	37.1	42.0
Consensus EPS (Rs)	31.4	36.7	44.6
Adj. ROAE (%)	13.9	14.9	15.1
Adj. P/E (x)	31.9	27.0	23.9
EV/EBITDA (x)	21.8	17.0	14.5
Adj. EPS growth (%)	80.2	18.3	13.2

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

Stock performance



Source: NSE

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "**Losses**") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.