BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

18 November 2024

RESEARCH

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

BOB ECONOMICS RESEARCH | TRADE

India's Foreign Trade: FYTD25

BOB ECONOMICS RESEARCH | WPI

WPI inflation climbs up

HERO MOTOCORP | TARGET: Rs 5,262 | +14% | HOLD

Strong festive momentum; sustainability is the key

CROMPTON GREAVES | TARGET: Rs 510 | +37% | BUY

In-line Q2, margins to sustain due to prompt pricing actions

CENTURY PLYBOARDS | TARGET: Rs 725 | -3% | HOLD

Weak Q2FY25 on sharp margin pressure

IRM ENERGY | NOT RATED

Management meet takeaways post Q2FY25 results

METALS & MINING

KTAs from CRU's APAC Steel Updates

SUMMARY

INDIA ECONOMICS: CURRENCY UPDATE

INR has remained under pressure and traded near a record low for most of the sessions in Nov'24. It depreciated by 0.4% in the month so far, building up on a 0.3% depreciation in Oct'24. A stronger dollar has been the major reason behind the continued pressure on the domestic currency. The dollar has strengthened after the US election results, with the proposed policies of the incoming President being viewed as inflationary. This in turn has diminished expectations of future rate cuts, boosting the value of dollar. All major currencies globally have been hit hard. In this respect, INR has been an outperformer as the extent of depreciation has been limited.

Click here for the full report.

BOBCAPS Research
research@bobcaps.in

INDIA ECONOMICS: TRADE

India's merchandise trade deficit widened to a 13-month high of US$ 27.1bn in Oct'24, led by a pickup in oil and gold imports. Exports picked up sharply by 17.3% in Oct'24, led by non-oil exports. In FYTD25, trade deficit tracks higher than last year as there has been some correction in global commodity prices. Going ahead, export growth will be contingent on the direction of global trade amidst expectation of increased US protectionism. While higher commodity prices are likely to weigh on imports, the extent of the increase is likely to be muted. Oil prices at current levels are a huge positive.

Click here for the full report.

INDIA ECONOMICS: WPI

WPI inflation rose to 2.4% in Oct'24 compared with 1.8% in Sep'24 led by elevated food inflation. Our forecast for headline WPI inflation was at 2.7%. Vegetable inflation advanced higher driven by spiralling of tomato prices. Under foodgrains, higher prices of wheat was noted. Fuel and power inflation remained in deflation at 5.8% supported by dip in oil prices. Manufactured products inflation edged up to 1.5% from 1% in Sep'24. The first advance estimates have projected higher projection for kharif crops which bodes well for easing pressure. Improvement in reservoir levels bodes well for rabi sowing which is expected to pick up pace.

Click here for the full report.

HERO MOTOCORP

- Q2 revenue grew by ~11% YoY to Rs 104.6bn, driven by a mix of steady volume gain of ~7% YoY and realisation gain of 3% YoY
- Gross margin grew by a strong ~200bps/100bps YoY/QoQ to 33.3%, driven by mix improvement and pricing; EBITDA margin pace
- Retain earnings for FY25E/FY26E/FY27E for now, assign 18x 1-year forward P/E for core business with TP of Rs 5,262. Maintain HOLD

Click here for the full report.

CROMPTON GREAVES

- Decent Q2 topline from strong B2B lighting and pump sales, and gross margin expansion of 140bps driven by strategic pricing actions
- Premiumisation & buildout of presence across alternative channels on track; e-commerce sales topped Rs 2bn in Q2 – the highest in a quarter
- We cut FY25/FY26/FY27 EPS estimates by ~8% each post Q2; TP cut to Rs 510 upon rollover. Maintain BUY on reasonable valuations

Click here for the full report.

CENTURY PLYBOARDS

- CPBI's topline beat; EBITDA missed our estimates sharply on margin pressure across segments except plywood
- Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive
- Maintain HOLD on near-term earnings risk and expensive valuations; TP remains unchanged at Rs 725

Click here for the full report.

IRM ENERGY

- Q2 EBITDA decline on margin contraction amid continuing high opex; impact of APM deallocation covered with NWG gas and price hikes
- FS GA volume slowly returning, NGT heading in mid-Dec is next trigger; NT GA infrastructure and volume developing with innovative promotion
- Focus on volume growth to continue with fast-track infrastructure and incentive schemes, which will also aid margin recovery

Click here for the full report.

METALS & MINING

- We interpret near-term pressure points for India's steel majors as elevated steel exports and weak auto demand in India
- Watch political events over Nov'24 to Mar'25 for more clarity on China stimulus, sheet products have potential to benefit from stimulus
- Trump's win in the US could potentially impact indirect steel exports should trade barriers come up against consumer goods and appliances

Click here for the full report.

CURRENCY UPDATE

16 November 2024

Fortnightly forex review

Aditi Gupta
Economist

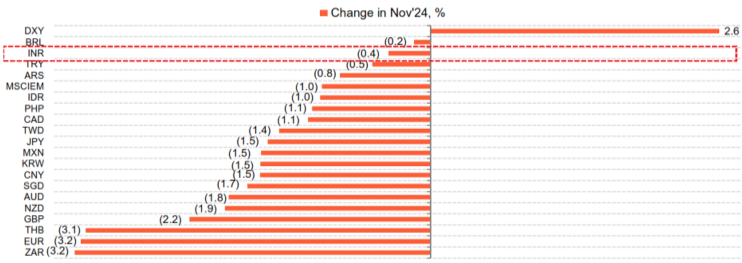
INR has remained under pressure and traded near a record low for most of the sessions in Nov'24. It depreciated by 0.4% in the month so far, building up on a 0.3% depreciation in Oct'24. A stronger dollar has been the major reason behind the continued pressure on the domestic currency. The dollar has strengthened after the US election results, with the proposed policies of the incoming President being viewed as inflationary. This in turn has diminished expectations of future rate cuts, boosting the value of dollar. All major currencies globally have been hit hard. In this respect, INR has been an outperformer as the extent of depreciation has been limited.

We believe that the depreciation in domestic currency reflects the volatility in global financial system and should not necessarily be viewed as negative. A weaker currency, particularly at a time when CNY is also depreciating will help in maintaining the country's export competitiveness. We expect the currency to trade in the range of 84-84.5/$ in the near-term. Over a longer horizon, we expect the currency to anchor around 83.5-84/$.

Movement in global currencies in Nov'24

Global currencies continued to depreciate even in Nov'24, as the dollar raced ahead. DXY index, which measures the dollar's value against a basket of currencies rose by 2.6% in Nov'24, after climbing 3.2% in Oct'24. With this, the index is now at its highest level since last November. A win for the Republican nominee Donald Trump in the US Presidential elections has led to expectations of higher growth and inflation in the US. Proposed policies by the incoming President, including tariff policies and fiscal policies, are deemed to be positive for growth, while also proving to be inflationary in the medium to long term. This complicates the job for the Fed, which has reduced rates by a cumulative 75bps in the current easing cycle. Given the Fed's recent experience with taming inflation, it is likely that it will take a more cautious approach this time around. Hence, there is a growing belief that the Fed rate cut cycle might end prematurely than what was believed before the election results. This has resulted in a surge in US treasury yields and consequently the dollar.

Figure 1: Movement in global currencies in Nov'24



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 15 Nov 2024 | Figures in brackets indicate depreciation against the dollar

TRADE

14 November 2024

India's Foreign Trade: FYTD25

Aditi Gupta
Economist

India's merchandise trade deficit widened to a 13-month high of US$ 27.1bn in Oct'24, led by a pickup in oil and gold imports. Exports picked up sharply by 17.3% in Oct'24, led by non-oil exports. In FYTD25, trade deficit tracks higher than last year as there has been some correction in global commodity prices. Going ahead, export growth will be contingent on the direction of global trade amidst expectation of increased US protectionism. While higher commodity prices are likely to weigh on imports, the extent of the increase is likely to be muted. Oil prices at current levels are a huge positive.

Overall, while we expect CAD to be within a manageable range in both FY25 and FY26, INR is likely to remain under pressure in the near-term. This is because the recent bout of weakness in INR is stemming purely from exogenous factors including a stronger dollar and capital flight from EM markets.

Trade performance in Oct'24: India's exports rebounded sharply in Oct'24 increasing by 17.2%, marking the sharpest pace of expansion in 28-months. Imports also recovered to rise by 3.9% in Oct'24 versus 1.6% in Sep'24. Trade deficit widened significantly to a 16-month high at US$ 27.1bn in Oct'24 from US$ 20.8bn in Sep'24. This can be attributed to an increase in oil and gold imports. While oil imports increased by US$ 5.8bn on a MoM basis, gold imports were higher by US$ 2.7bn in the same period. Gold imports are expected to be higher in Q3FY25 due to seasonal demand which is likely to keep trade deficit elevated in the next two months.

Trade performance in FYTD25: At US$ 252.3bn in FYTD25 (Apr-Oct'2024), exports have registered a positive growth of 3.2%, compared with a decline of 7.1% in the same period last year. In terms of commodity wise exports, broad based improvement has been witnessed in exports of key commodities barring oil and gems and jewellery. On the positive side, come of India's key exports such as engineering goods and textiles have witnessed a smart recovery this year. Export restrictions on certain agricultural commodities have weighed on exports but should ease as these restrictions are gradually lifted.

Table 1 Exports by major commodities

Items	Share in exports	FYTD24, US$ bn	FYTD25, US$ bn	FYTD25, % YoY
Engineering goods	26.8	61.5	67.5	9.7
Oil	16.2	47.6	40.9	(14.0)
Electronic goods	7.6	15.4	19.1	23.7
Gems and jewellery	6.8	18.6	17.2	(7.7)
Drugs and pharmaceuticals	6.8	15.8	17.0	8.0
Chemicals	6.7	15.6	16.8	7.7

Source: CEIC, Bank of Baroda Research

WPI

14 November 2024

WPI inflation climbs up

Jahnavi Prabhakar
Economist

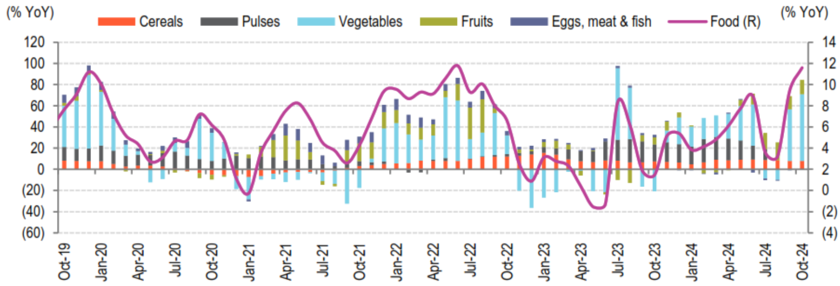
WPI inflation rose to 2.4% in Oct'24 compared with 1.8% in Sep'24 led by elevated food inflation. Our forecast for headline WPI inflation was at 2.7%. Vegetable inflation advanced higher driven by spiralling of tomato prices. Under foodgrains, higher prices of wheat was noted. Fuel and power inflation remained in deflation at 5.8% supported by dip in oil prices. Manufactured products inflation edged up to 1.5% from 1% in Sep'24. The first advance estimates have projected higher projection for kharif crops which bodes well for easing pressure. Improvement in reservoir levels bodes well for rabi sowing which is expected to pick up pace.

However, the trajectory of food inflation needs to be monitored amidst the adverse weather related events, volatility in global commodity price and firmer dollar. Given the evolving geo-political dynamics and financial conditions, RBI is expected to remain data dependent with the possibility of rate action only likely in Q4FY25.

Food inflation remains elevated:

Headline WPI inflation surges to 4-month high to 2.4% in Oct'24 from 1.8% in Sep'24, marginally lower than our estimate of a 2.7% increase. This was driven by spike in food inflation, growing at double digit pace of 11.6% (more than 2 year-high) from 9.5% in Aug'24 owing to unfavourable base. The vegetable inflation continued to remain in uptick at 63% (From 49% in Sep'24) in Oct'24 driven by upward momentum in tomato prices. Moreover, potato prices inched up marginally to 78.7% against 78.1% in Sep'24. However, some moderation was noted in onion prices at 39.3%, down to 8-month low against 78.8% increase in Sep'24. Cereal inflation eased slightly at 7.9% (8.1% previously) in Oct'24; rice prices (7.5% versus 8.1%) softened and wheat prices (8% from 7.6%) edged up. Globally, wheat prices have also increased on account of unfavourable weather conditions. Pulses inflation also softened down to 15-month low at 9.7% (13% previously). Furthermore, prices of both milk (3% from 3.2%) and eggs (0.4% from 3.3%) have also cooled off in Oct'24.

Figure 1: Surge in Food inflation



Source: CEIC, Bank of Baroda Research

HOLD
TP: Rs 5,262 | ⮝ 14%

HERO MOTOCORP | Automobiles | 15 November 2024

Strong festive momentum; sustainability is the key

- **Q2 revenue grew by ~11% YoY to Rs 104.6bn, driven by a mix of steady volume gain of ~7% YoY and realisation gain of 3% YoY**
- **Gross margin grew by a strong ~200bps/100bps YoY/QoQ to 33.3%, driven by mix improvement and pricing; EBITDA margin pace moderate**
- **Retain earnings for FY25E/FY26E/FY27E for now, assign 18x 1-year forward P/E for core business with TP of Rs 5,262. Maintain HOLD**

Milind Raginwar
research@bobcaps.in

Healthy volume and realisation gains, strong festive mood: HMCL's Q2FY25 revenue grew ~11%/3% YoY/QoQ to Rs 104.6bn, driven by steady volume gains of 7% YoY (flat QoQ) to 1.51mn units and was supported by 3%/4% YoY/QoQ realisation (per vehicle) gains of Rs 68.8k. HMCL sold 5k electric vehicles. Momentum continued in the festive month of Oct'24 with 1.6mn units through retail sales.

Gross margin gain backed by pricing & better product mix: Raw material cost (RM) adjusted for inventory rose 7%/2% YoY/QoQ to Rs 70.6bn. However, RM cost as a percentage of sales fell to 66.7% from 68.6% in Q2FY24 (67.6% in Q1FY25). Gross margin grew 190bps/100bps YoY/QoQ to 33.3% due to better pricing and product mix with focus on premium products. Revenue from spares, accessories and merchandise was at ~Rs 14.56bn in Q2FY25 (+7.5% YoY). Other expenses climbed 25%/9% YoY/QoQ to Rs 13.1bn due to promotional spending. EBITDA rose 14%/4% YoY/QoQ to Rs 14.5bn and EBITDA margin improved to ~16.5% (+160bps YoY) for the ICE segment. Overall EBITDA margin improved by 40bps to 14.5% YoY.

Portfolio expansion: HMCL unveiled three new motorcycles at EICMA 2024 – the Xpulse 210, the Xtreme 250R and the Karizma XMR 250. In Q2FY25, it launched Hero Glamour, Mavrick 440, Hero Xtreme 160R 2V. HMCL also unveiled the New Hero Destini 125 Scooter. In the next 6-12 months it will have a robust range of EV scooters across ranges, and will have three ICE scooter models coming in by Mar'25.

Maintain HOLD: Factoring in the healthy product mix, signs of rural recovery and premium segment focus we pencil in a three-year revenue/EBITDA/PAT CAGR of 17%/17%/15%. We maintain our FY25E/FY26E/FY27E earnings but will keenly watch the sustainability of volume gains post festivities. We will accordingly revisit our earnings estimates if need be. We assign 18x target P/E to the core operations, in line with the 10-year average 1-year forward earnings, and raise the SOTP-based TP to Rs 5,262 (from Rs 5,245), which includes Rs 130/sh as the value of other businesses. We believe that while current valuations bake in the positives, the earnings revisions may leave space for upside. We retain our HOLD rating.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HMCL IN/Rs 4,604
Market cap	US$ 10.9bn
Free float	65%
3M ADV	US$ 46.9mn
52wk high/low	Rs 6,246/Rs 3,130
Promoter/FPI/DII	35%/30%/24%

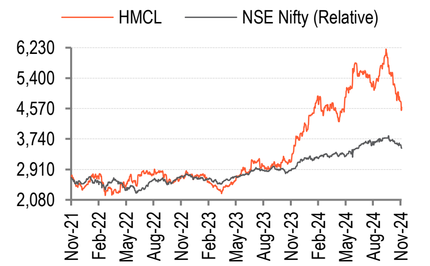
Source: NSE | Price as of 14 Nov 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	3,74,557	4,62,228	5,32,497
EBITDA (Rs mn)	52,557	63,835	73,811
Adj. net profit (Rs mn)	38,079	47,126	53,856
Adj. EPS (Rs)	190.7	236.0	269.7
Consensus EPS (Rs)	206.7	237.0	269.0
Adj. ROAE (%)	21.2	23.4	23.7
Adj. P/E (x)	24.1	19.5	17.1
EV/EBITDA (x)	17.4	14.3	12.4
Adj. EPS growth (%)	30.8	23.8	14.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 510 | ⮝ 37%

CROMPTON GREAVES | Consumer Durables | 15 November 2024

In-line Q2, margins to sustain due to prompt pricing actions

- **Decent Q2 topline from strong B2B lighting and pump sales, and gross margin expansion of 140bps driven by strategic pricing actions**
- **Premiumisation & buildout of presence across alternative channels on track; e-commerce sales topped Rs 2bn in Q2 – the highest in a quarter**
- **We cut FY25/FY26/FY27 EPS estimates by ~8% each post Q2; TP cut to Rs 510 upon rollover. Maintain BUY on reasonable valuations**

Arshia Khosla
research@bobcaps.in

Decent quarter: CROMPTON's consolidated topline grew ~6% YoY to Rs 19bn, lower than our estimate of Rs 19.6bn. The company's gross margin expanded by 140bps to 32.7%, driven by strategic pricing actions. EBITDA margin also improved by 80bps to 10.7%. APAT stood at Rs 1.3bn. Promotional expenditure for standalone revenue rose to 3.5%, from 2.3% in the previous year.

Growth across segments; BGAL declines: The ECD segment's topline grew a robust 13% in Q2, due to broad-based growth. Fans grew 5% with margin improvement, Pumps grew 20% YoY led by the residential and solar business. Management said it was the market leader in the mixer-grinder segment and saw strong growth led by the e-commerce and modern trade channels. EBIT margin rose by 60bps YoY to 14.8%. The lighting sector delivered steady performance, with B2B lighting experiencing strong volume growth and modest revenue increase of about 6% YoY for Q2FY25. BGAL's revenue declined 18% YoY with EBIT at Rs 177mn.

Strategies driving success: CROMPTON's cost savings initiatives, premiumisation efforts, and focus on alternative channels are starting to yield results. Alternative channels grew 37% YoY, with growth led largely by the e-commerce channel which crossed Rs 2bn in business in Q2 – delivering the highest-ever sales in a quarter.

BGAL may be a dampener now, to be accretive in the long term: CROMPTON is repositioning the Butterfly brand and was able to make it EBIT positive in the past two quarters, in line with the long-term growth strategy. The brand has had a strong presence in South India, and CROMPTON aims to improve its presence in the North and West India markets as synergies between the two companies materialise.

Maintain BUY: CROMPTON is a market leader in fans, and has tackled the ongoing price erosion in the lighting industry well. However, BGAL is facing industry-related issues, which we expect will subside over the next 2-3 quarters. To incorporate BGAL's dampness we cut FY25/FY26/FY27 EPS estimates by ~8% each. On the rollover to Sep'26E, we cut TP to Rs 510 (from Rs 520), based on 36x P/E in line with the 5Y average. Given the stock's reasonable valuations, we maintain BUY.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	CROMPTON IN/Rs 371
Market cap	US$ 2.8bn
Free float	100%
3M ADV	US$ 14.6mn
52wk high/low	Rs 484/Rs 261
Promoter/FPI/DII	0%/40%/44%

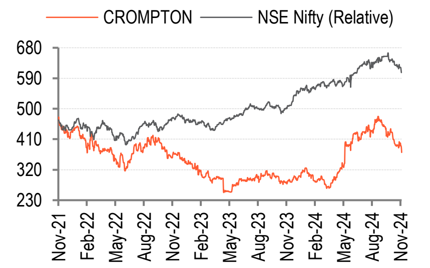
Source: NSE | Price as of 14 Nov 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	73,128	85,169	99,857
EBITDA (Rs mn)	7,137	9,330	11,284
Adj. net profit (Rs mn)	4,399	6,257	7,817
Adj. EPS (Rs)	6.9	9.8	12.3
Consensus EPS (Rs)	6.9	9.5	12.0
Adj. ROAE (%)	15.5	19.5	21.0
Adj. P/E (x)	53.7	37.7	30.2
EV/EBITDA (x)	32.4	24.6	20.7
Adj. EPS growth (%)	(5.0)	42.2	24.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 725 | ∀ 3%

CENTURY PLYBOARDS | Building Materials | 18 November 2024

Weak Q2FY25 on sharp margin pressure

- **CPBI's topline beat; EBITDA missed our estimates sharply on margin pressure across segments except plywood**
- **Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive**
- **Maintain HOLD on near-term earnings risk and expensive valuations; TP remains unchanged at Rs 725**

Utkarsh Nopany
research@bobcaps.in

Mixed quarter: CPBI's topline beat our Q2FY25 estimate (+12%), due to higher-than-expected sales volume for plywood and MDF, but there was a sharp miss in EBITDA/APAT (-18%/-44%) due to continued weak performance of laminates and sharp margin pressure across segments (except plywood). Overall, CPBI's revenue grew 18.7%, but EBITDA/APAT fell 22.9%/58.8% YoY in Q2FY25. CPBI's net debt has gone up from Rs 6.5bn in Mar'24 to Rs 11.2bn in Sep'24.

Key highlights: CPBI's plywood segment EBITDA grew sharply by 35.3% YoY in Q2FY25 driven by higher volumes (+19.3% YoY) and margin expansion (+145bps YoY to 13.6%). Laminate segment EBITDA fell 65.4% YoY in Q2FY25 due to weak volumes (-9.2% YoY on account of loss of market share in the domestic market and slow ramp up of the new Andhra Pradesh [AP] unit) and higher marketing spend. The MDF segment's volume grew sharply by 75.2% YoY in Q2FY25 due to quick ramp up of the new AP unit, but segment EBITDA fell by 87.4% YoY due to lower realisation (-19% YoY), higher timber prices, forex loss and low fixed cost absorption of the new AP unit. Particleboard segment EBITDA fell by 75% YoY in Q2FY25.

Guidance intact: CPBI aims to grow its revenue for plywood/laminate/MDF/ particleboard at +12%/+10%/+40%/flat for H2FY25. It expects the operating margin for plywood (at 12-14%)/ laminate (+10-12%)/ MDF (15%)/ particleboard (12-14%) for H2FY25. The margin for newly commissioned laminate and MDF unit is expected to improve over the next few quarters in anticipation of a gradual ramp-up of the plant. The company expects its balance sheet to start getting de-levered from FY26 due to the near-completion of its large capex projects.

Maintain HOLD; unchanged TP at Rs 725: We expect CPBI's EPS to grow at a healthy rate of 14.8% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to near-term earnings risk and expensive valuations (trades at 54.3x on 1Y forward P/E vs 5Y average of 35.9x). We have reduced our EPS estimates (-24.0%/-11.3%/-4.9% for FY25E/FY26E/FY27E) based on the weak Q2FY25 result, but our TP remains unchanged at Rs 725 as we roll forward our valuation from Jun'26 to Sep'26. Our target P/E remains unchanged at 40x.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	CPBI IN/Rs 749
Market cap	US$ 2.0bn
Free float	27%
3M ADV	US$ 2.7mn
52wk high/low	Rs 935/Rs 622
Promoter/FPI/DII	73%/4%/17%

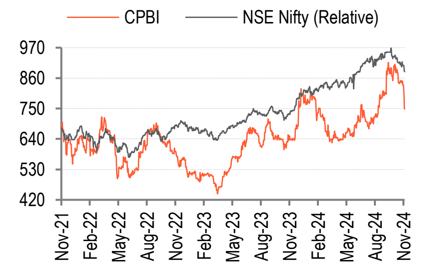
Source: NSE | Price as of 14 Nov 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	44,925	52,241
EBITDA (Rs mn)	5,320	5,069	6,973
Adj. net profit (Rs mn)	3,351	2,312	3,449
Adj. EPS (Rs)	15.1	10.4	15.5
Consensus EPS (Rs)	15.1	14.8	21.4
Adj. ROAE (%)	16.3	10.0	13.4
Adj. P/E (x)	49.7	72.0	48.3
EV/EBITDA (x)	31.3	32.2	22.7
Adj. EPS growth (%)	(18.0)	(31.0)	49.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

NOT RATED

IRM ENERGY | Oil & Gas | 15 November 2024

Management meet takeaways post Q2FY25 results

- **Q2 EBITDA decline on margin contraction amid continuing high opex; impact of APM deallocation covered with NWG gas and price hikes**
- **FS GA volume slowly returning, NGT heading in mid-Dec is next trigger; NT GA infrastructure and volume developing with innovative promotion**
- **Focus on volume growth to continue with fast-track infrastructure and incentive schemes, which will also aid margin recovery**

Kirtan Mehta, CFA
research@bobcaps.in

Q2 contraction: EBITDA contracted 13% QoQ on 15% reduction in margin, partially offset by 2% sequential growth in volume. Underlying CNG volume growth momentum continued at 15% YoY growth in kg terms.

Recovery in FS GA volume: Industrial volume recovered 19% from lows in Q3FY24 but current volume at 0.25-0.27mmscmd is still below 0.32mmscmd of Sep'22. 12 new and 8 old industrial customers were added in H1. The next trigger is the NGT hearing on 17 Dec as Member Secretary, PPCB, has been asked to attend in view of the slow progress on shifting industrial units to non-polluting fuel.

NT GA progressing: Volume raised to 15.3mcm/d in Q2 vs management's target exit rate of 25mcm/d in FY25, 0.1mmcmd in FY26 and average of 0.3mmcmd over the next four years. Of the FY25 target of 30 CNG stations, 23 are operational and over 1,100 CNG vehicles have been added through innovative promotion schemes.

Margin contraction: EBITDA margin contracted to Rs 5.3/scm impacted by the licence fee charged by promoter (Rs 0.9), incentive schemes (Rs 0.2), lower CNG station throughput in NT GA and 75% of daughter-booster CNG stations in network.

De-allocation of APM Gas: Margins are likely to face further pressure from reduced APM gas allocation of 50% from 16 Oct and 37% from 16 Nov for CNG. IRMENERG has been able to limit the cost impact securing new well/ intervention gas to offset this shortfall till Mar'25. The company has also raised prices of CNG by Rs 1-2/kg.

Management transition complete: Manoj Sharma (ex-Executive Director, Finance, IOCL) has been inducted as CEO. Amitabh Banerjee has taken over as an Executive Director. Addition of K. K. Gupta (ex-BPCL), Dr P. Reddy (Vice Chairman, Apollo Hospital), D. H. Jain (finance veteran) as independent directors and Ravindra Agarwal (ex ED, Gas Business, GSPC) as advisor strengthen governance.

Key drivers: (a) Rationalisation of licence fees by promoters, (b) return of volumes at FS GA, and (c) delivering on high growth potential in NT GA.

Ticker/Price	IRMENERG IN/Rs 376
Market cap	US$ 183.0mn
Free float	50%
3M ADV	US$ 0.9mn
52wk high/low	Rs 641/Rs 363
Promoter/FPI/DII	50%/2%/7%

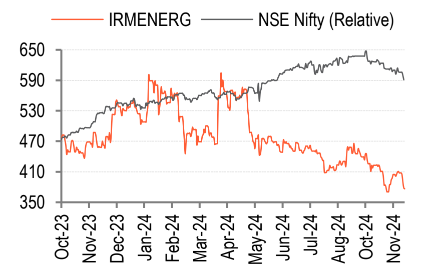
Source: NSE | Price as of 14 Nov 2024

Key financials

Y/E 31 Mar	FY22A	FY23A	FY24A
Total revenue (Rs mn)	5,071	9,801	8,905
EBITDA (Rs mn)	1,864	1,123	1,489
Adj. net profit (Rs mn)	1,136	565	915
Adj. EPS (Rs)	38.9	18.9	30.7
Adj. ROAE (%)	65.4	20.4	14.7
Adj. P/E (x)	9.7	19.9	12.3
EV/EBITDA (x)	9.0	14.8	11.4
Adj. EPS growth (%)	212	(51.3)	62.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

METALS & MINING

14 November 2024

KTAs from CRU's APAC Steel Updates

- **We interpret near-term pressure points for India's steel majors as elevated steel exports and weak auto demand in India**
- **Watch political events over Nov'24 to Mar'25 for more clarity on China stimulus, sheet products have potential to benefit from stimulus**
- **Trump's win in the US could potentially impact indirect steel exports should trade barriers come up against consumer goods and appliances**

Kirtan Mehta, CFA
research@bobcaps.in

Near-term pressure points: (a) China's steel exports may remain elevated this year with front-running of exports to some markets ahead of potential trade barriers. (b) Flat products in India are facing pressure from weak automotive demand and may need to resort to aggressive exports.

Trade protectionism to pose challenge to China exports: With trade actions initiated by several of China's Asia Pacific (APAC) trade partners on a meaningful quantum of imports, there is a possibility that this could alter the trade flow. While the investigation on Vietnam could be concluded in the near term, investigations on South Korea and Malaysia are at an early stage, and progress on the India investigation has been slow so far. Other Asia accounted for ~45% of China's exports in CY23 (Source: World Steel Association).

China stimulus – Watch upcoming events: For a clear direction on stimulus, i.e., quantum, its allocation and timing, we need to watch – (a) Politburo meetings in Nov/ Dec, (b) the Central Economic Conference H2 Dec'25, (c) Two-Sessions in Mar'25.

China's stimulus impact to differ by products: Sheet products are likely to see the most positive impact with expectations of continuing support for automotive, solar power and home appliances. The declining trend in long products is unlikely to alter due to the lower focus on new housing projects. While plate products could receive support from allocations to infrastructure, construction's decline will be a drag.

Capacity swap scheme – impact to take time: MIIT had previously taken a year to redefine the capacity swap scheme in CY20. An immediate impact from the recent announcements on the capacity in China will be limited.

Impact of Trump's win in the US: There could be an impact on China's steel consumption if trade barriers are put up against categories of indirect steel exports – automotive, air conditioners (ACs), freezers, washing machine, etc.

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.