FIRST LIGHT

19 July 2024

RESEARCH

HAVELLS INDIA | TARGET: Rs 1,900 | +2% | HOLD

Capacity expansion fuels growth

METALS & MINING

Alumina tightness to keep aluminium complex elevated

INFOSYS | NOT RATED

Better-than-expected showing

SUMMARY

HAVELLS INDIA

- Robust 20% topline growth with a 160bps EBITDA margin expansion in Q1, despite ongoing raw material price volatility
- Strong performance across segments fuelled by severe summer; Lloyd maintains positive EBIT
- We maintain FY25E EPS but raise FY26E by 2.3%, and value HAVL at 53x FY26E P/E. Raise TP with rollover to Rs 1,900 (vs Rs 1,780); HOLD

Click here **for the full report.**

METALS & MINING

- Indian players to benefit from upside in aluminium and alumina realisations in Q2, according to Alcoa and Rio Tinto's results
- Integrated aluminium players with captive resources are not exposed to alumina upside and will retain benefit of raw materials cost reduction
- Aluminium smelters dependent on imported alumina are facing cost increases; these players are in India, South East Asia and Middle East

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

INFOSYS

- Revenue comes in 100bps higher than expected as US BFS surprised positively. INFO sees volume growth for the first time in many quarters
- EBIT margin surprises too. India-related one-off on revenue (50bps) and on EBIT margin (40bps) spoils the positive picture a tad
- The revenue guidance of 3-4% in CC looks conservative. We will be re-initiating coverage on the IT services sector shortly

Click here for the full report.

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,900 | ⮝ 2%

HAVELLS INDIA | Consumer Durables | 18 July 2024

Capacity expansion fuels growth

- **Robust 20% topline growth with a 160bps EBITDA margin expansion in Q1, despite ongoing raw material price volatility**
- **Strong performance across segments fuelled by severe summer; Lloyd maintains positive EBIT**
- **We maintain FY25E EPS but raise FY26E by 2.3%, and value HAVL at 53x FY26E P/E. Raise TP with rollover to Rs 1,900 (vs Rs 1,780); HOLD**

Arshia Khosla
research@bobcaps.in

Strong quarterly growth: HAVL delivered a robust performance this quarter, achieving a topline of Rs 58bn, reflecting 20% YoY growth. The EBITDA margin expanded to 9.9% for Q1 – a 160bps improvement YoY. This impressive growth was driven by strong demand for summer products, while industrial and infrastructure sectors significantly boosted B2B revenues.

Strong growth across segments driven by heat and seasonal demand: HAVL reported strong growth across all its segments, with both ECD and Lloyd thriving due to the intense heat wave sweeping the country. ECD saw a 20% YoY increase, while Lloyd surged by 33% YoY, maintaining positive EBIT for the second consecutive quarter. The lighting segment demonstrated robust volume growth, although price deflation tempered some of these gains. Overall, the switchgear segment grew by 7%, with domestic switchgear achieving 12% YoY growth. However, some export orders have been postponed to the next quarter.

FY25 kicks off with strong summer demand and new facility boost: FY25 has kicked off with strong momentum, driven by robust demand for its summer products. Management expects early signs of recovery in the real estate sector to enhance HAVL's earnings. It expects the new wires and cables facility to boost the company's revenues further.

Strong balance sheet: HAVL holds a strong balance sheet with a strong cash balance of Rs 36bn, and working capital cycle of 27 days. HAVL has guided for a capex of Rs 8bn for FY25 and it will be about Rs 8bn-11bn for a couple of years.

Valuation outlook: HAVL remains a leading industry player, with visible profitability in Lloyd and an uptick in consumer demand due to the severe summer across regions. Based on the Q1 performance, we maintain our FY25 EPS estimate and increase our FY26 estimate by 2.3%. We value the stock at a 53x FY26E P/E, consistent with its three-year average, resulting in a revised TP of Rs 1,900 (from Rs 1,780), incorporating FY26E and FY27E earnings. Despite HAVL's strong fundamentals, we maintain a HOLD rating as there is limited upside.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HAVL IN/Rs 1,863
Market cap	US$ 14.2bn
Free float	41%
3M ADV	US$ 32.7mn
52wk high/low	Rs 1,985/Rs 1,233
Promoter/FPI/DII	60%/23%/10%

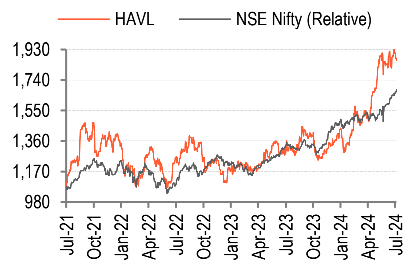
Source: NSE | Price as of 18 Jul 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	185,900	211,581	245,916
EBITDA (Rs mn)	18,426	23,647	29,858
Adj. net profit (Rs mn)	12,708	17,217	21,580
Adj. EPS (Rs)	20.3	27.5	34.4
Consensus EPS (Rs)	20.3	27.3	33.2
Adj. ROAE (%)	18.1	21.4	22.8
Adj. P/E (x)	91.8	67.8	54.1
EV/EBITDA (x)	63.3	49.3	39.1
Adj. EPS growth (%)	18.6	35.5	25.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

18 July 2024

Alumina tightness to keep aluminium complex elevated

- **Indian players to benefit from upside in aluminium and alumina realisations in Q2, according to Alcoa and Rio Tinto's results**
- **Integrated aluminium players with captive resources are not exposed to alumina upside and will retain benefit of raw materials cost reduction**
- **Aluminium smelters dependent on imported alumina are facing cost increases; these players are in India, South East Asia and Middle East**

Kirtan Mehta, CFA
research@bobcaps.in

Read-across from Q2 results of global majors: We summarise read-across for Indian aluminium players from Alcoa's Q2CY24 earnings and Rio Tinto's Q2 production reports. Alcoa clocked ~150% QoQ improvement in EBITDA in Q2, reflecting the benefit of pricing upside on high operating leverage.

Upside in realisation in Q2: Indian players are likely to benefit from upside in both aluminium (LME prices) and alumina. Alcoa and Rio Tinto indicate US$ 250-325/t QoQ upside in aluminium realisations. Indian players may be able to realise higher upside on alumina than Alcoa (US$ 27/t QoQ) due to their open spot positions.

Integrated players to benefit from easing of costs: Rio Tinto indicates 20%/15% HoH cost reduction for petroleum coke and coal tar pitch in H1CY24 on top of caustic soda reductions in the prior period. While integrated players may not be impacted by the rise in alumina prices, players dependent on external alumina will lose savings in raw materials to the increase in alumina costs.

Alumina tightness to continue in CY24: Alumina tightness is the result of supply disruptions in China (refinery curtailments due to domestic bauxite shortages), Australia (Queensland Gas pipeline breakage and Kwinana curtailments) and other regions amid rising demand from aluminium restarts in Yunnan, China. Alcoa estimates the global alumina deficit at 0.8mt in Q2 and at 3mt for CY24. Alcoa believes that the production cost of 'marginal' refinery has risen close to US$ 400/t.

Aluminium price drivers: Aluminium price has found support from: (i) recent trade defense actions in North America and Europe which have increased domestic demand in the region, thereby supporting higher prices, and (ii) increase in alumina prices (Alcoa's API indicator at US$ 480/t) has increased cost support levels.

Exposure to imported alumina to lower profitability in the near term: Alcoa highlights that a high-cost smelter, which is at the margin on a global cost curve, may face difficulty in sourcing alumina. These marginal smelters are likely in India, South East Asia and the Middle East.

NOT RATED

INFOSYS | IT Services | 19 July 2024

Better-than-expected showing

- **Revenue comes in 100bps higher than expected as US BFS surprised positively. INFO sees volume growth for the first time in many quarters**
- **EBIT margin surprises too. India-related one-off on revenue (50bps) and on EBIT margin (40bps) spoils the positive picture a tad**
- **The revenue guidance of 3-4% in CC looks conservative. We will be re-initiating coverage on the IT services sector shortly**

Girish Pai
research@bobcaps.in

Conservative revenue guidance: INFO's revenue guidance of 3-4% in constant currency (CC) looks conservative. Seems to imply no QoQ growth in 3Q and 4Q (assuming 3.5% QoQ growth in 2QFY25). The discretionary demand pick-up is only in selective areas of US Banking and Financial Services (BFS) – mortgages, cards, capital markets and payments. The stock has rallied 25% since 1 June 2024.

Strong revenue show in 1Q: Infosys delivered a strong 1Q on the revenue front with 3.6% growth QoQ against consensus expectation of 2.5%. EBIT margin was better than expected at 21.1%, which was higher than the consensus number of 20.7%.

Raises revenue growth guidance: Against consensus it raised its guidance of revenue growth to 3-4% compared to 1-3% that it had announced three months ago. There is also an inorganic element in the new guidance due to the in-tech acquisition.

EBIT margin guidance retained: INFO's EBIT margin guidance has been kept the same at 20-22%. The headwinds for margins in coming days will be compensation increase (quantum and timing not indicated) and transition costs connected with ramp up large projects.

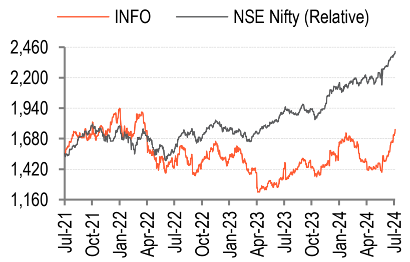
US BFS drives growth: The pickup in revenue growth has been driven by the US BFS business, which grew by 7.9% QoQ in CC terms after six quarters of successive declines.

Revenue and margin one-offs: There were one-offs in both the revenue and the margin lines. 50bps in the revenue line and 40bps in the margin line due to India-related business.

Ticker/Price	INFO IN/Rs 1,758
Market cap	US$ 88.6bn
Free float	86%
3M ADV	US$ 158.4mn
52wk high/low	Rs 1,738/Rs 1,305
Promoter/FPI/DII	15%/36%/49%

Source: NSE | Price as of 18 Jul 2024

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.