BOBCAPS
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FIRST LIGHT

01 February 2024

RESEARCH

MARUTI SUZUKI | TARGET: Rs 12,234 | +20% | BUY

Healthy all-round performance – raise to BUY

DR REDDY'S LABS | TARGET: Rs 5,900 | +1% | HOLD

Buoyant US sales drive performance

VOLTAS | TARGET: Rs 1,060 | -3% | HOLD

UCP improving, Qatar business a dampener

DIXON TECHNOLOGIES | TARGET: Rs 6,900 | +15% | BUY

Mobile business dials up growth; maintain BUY

KAJARIA CERAMICS | TARGET: Rs 1,400 | +1% | HOLD

Soft demand, intense competition mar quarter

BLUE STAR | TARGET: Rs 1,300 | +18% | BUY

Purple patch continues; maintain BUY

KEC INTERNATIONAL | TARGET: Rs 700 | +6% | HOLD

Pipeline robust, margin improvement delayed

ADITYA BIRLA SUN LIFE AMC | TARGET: Rs 500 | +4% | HOLD

Double-digit growth but market share bleed continues

METALS & MINING

Jindal Stainless: Management meet takeaways

Daily macro indicators

Indicator	29-Jan	30-Jan	Chg (%)
US 10Y yield (%)	4.07	4.03	(4bps)
India 10Y yield (%)	7.17	7.16	(1bps)
USD/INR	83.14	83.11	0.0
Brent Crude (US$/bbl)	82.4	82.9	0.6
Dow	38,333	38,467	0.3
Hang Seng	16,077	15,703	(2.3)
Sensex	71,942	71,140	(1.1)
India FII (US$ mn)	**25-Jan**	**29-Jan**	**Chg ($ mn)**
FII-D	44.7	(19.4)	(64.1)
FII-E	610.0	(512.9)	(1,122.8)

Source: Bank of Baroda Economics Research

SUMMARY

MARUTI SUZUKI

- Q3 volumes grew 8% YoY driven by continued demand surge for SUVs; we expect sustained outperformance
- Realisation gains (+7%), softening costs and higher volumes lifted EBITDA margin 200bps YoY to 11.7%
- Upgrade from HOLD to BUY on upbeat growth outlook; TP raised to Rs 12,234 (vs. Rs 11,562) on rollover

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DR REDDY'S LABS

- Healthy quarter with revenue/PAT coming in 3%/4% ahead of consensus; US sales a positive surprise, rising 6% QoQ
- Higher opex and lower gross margin led to 240bps YoY drop in EBITDA margin to 28%
- TP raised to Rs 5,900 (vs. Rs 5,500) on rollover; retain HOLD

Click here **for the full report.**

VOLTAS

- Q3 revenue growth strong at 31% YoY but challenges in international EMP business cause net loss of Rs 304mn
- RAC business grew above industry at 27% YoY and earned higher margins; summer demand outlook upbeat
- FY24/FY25/FY26 earnings revised -16%/+5%/+7% to bake in Q3, leading to new TP of Rs 1,060 (vs. Rs 910); maintain HOLD

Click here **for the full report.**

DIXON TECHNOLOGIES

- Q3 revenue up 2x YoY led by robust growth in mobile & EMS segment; EBITDA margin dips 80bps on higher input costs
- Management remains bullish on growth across verticals, especially the mobile segment which forms ~50% of topline
- We revise FY24/FY25/FY26 EPS by -7%/+0.4%/+3% and roll forward to revised TP of Rs 6,900 (vs. Rs 6,300)

Click here **for the full report.**

KAJARIA CERAMICS

- Q3 revenue/PAT short of our estimates by 4%/13% on tepid demand climate and intense competition from Morbi players
- Demand likely to improve from FY25 but KJC's high operating rate (101% in Q3) limits volume growth visibility
- Maintain HOLD; TP cut by 3% to Rs 1,400 on lack of growth catalysts and expensive valuation

Click here **for the full report.**

BLUE STAR

- Strong topline growth of 25% YoY in Q3 aided by festive season sales; margin expansion continues
- At 35%, UCP division grew ahead of peers and gained market share; EMP continued to deliver strong growth
- We raise FY24-FY26 EPS 14-22% on strong summer demand potential and rising market share; TP rises to Rs 1300 (vs. Rs 1,100) – retain BUY

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KEC INTERNATIONAL

- Strong Q3 led by T&D and civil businesses, though rail revenue was subdued due to increasing competition
- Order book robust at Rs 380bn, including L1 pipeline of Rs 80bn; inflows could fall shy of Rs 250bn guided for FY24
- FY24/FY25 EPS estimates cut 18%/6% while TP rises to Rs 700 (vs. Rs 670) on rollover – retain HOLD

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ADITYA BIRLA SUN LIFE AMC

- QAAUM grew 11% YoY to Rs 3.1tn in Q3 with equity assets rising even faster at 13%; however, market share inched down
- SIP book, though sticky, saw another muted quarter whereas industry's robust show continues
- TP revised marginally to Rs 500 (vs. Rs 497) on unchanged 17x FY26E P/E; maintain HOLD

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METALS & MINING

- Guiding for 20% annual growth in both FY24 and FY25 and planning investments to further extend growth runway
- Attempting to limit cost volatility and guiding for EBITDA margin of Rs 19-20k/t over near-term
- Countering intensified competition from imports by evolving new high-end applications and solutions

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BUY
TP: Rs 12,234 | ⮝ 20%

MARUTI SUZUKI | Automobiles | 31 January 2024

Healthy all-round performance – raise to BUY

- **Q3 volumes grew 8% YoY driven by continued demand surge for SUVs; we expect sustained outperformance**
- **Realisation gains (+7%), softening costs and higher volumes lifted EBITDA margin 200bps YoY to 11.7%**
- **Upgrade from HOLD to BUY on upbeat growth outlook; TP raised to Rs 12,234 (vs. Rs 11,562) on rollover**

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Volumes and realisations increase: MSIL's Q3FY24 revenue grew 15% YoY (-10% QoQ) to Rs 333bn, backed by 8% volume gains (-9% QoQ) and 7% realisation growth (-1% QoQ). Sales volume at 501.2k units was driven by increasing SUV demand (industry share at ~53% as on Q3). Average realisation per vehicle stood at Rs 664.6k stemming from a mix of price hikes (0.45%) and discounts (Rs 23.3k in Q3 vs Rs 17.7k in Q2).

Operating margin expands YoY: Raw material cost at 70.9% of sales dropped 175bps YoY (flat QoQ), aiding gross margin improvement of 175bps YoY (-30bps QoQ) to 29%. Higher sales volume, cost reduction efforts and favourable commodity prices helped EBITDA grow 38% YoY (-18% QoQ) to Rs 39bn, accompanied by margin expansion of 200bps YoY (-120bps QoQ) to 11.7%. PAT rose 33% YoY (-16% QoQ) to Rs 31.3bn.

Capacity expansion on track: MSIL's manufacturing unit in Kharkhoda (Haryana) with a capacity of 0.25mn vehicles a year is due to become operational in CY25 and its Manesar plant expansion of 0.1mn units is scheduled to start by Mar'24. The acquisition of contract manufacturing partner SMG's plant at Gujarat has received shareholder approval. The company has also signed an MoU with the Gujarat government for setting up a 1mn-unit plant in the state by FY29.

Estimates revised…: We raise our FY24 EPS estimate by 3% factoring in the healthy 9MFY24 show, while paring our FY25 forecast by 1% to capture the impact of limited capacities. We introduce FY26 projections for MSIL and model for a 3Y CAGR of 25%/23% in EBITDA/PAT. Our gross margin assumptions hover at ~29% with EBITDA margins of 12% over our forecast period.

…upgrade to BUY: Given an upbeat growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on EVs, we upgrade our HOLD rating to BUY. We continue to value the stock at 25x P/E, on par with its 10Y average, while rolling valuations over to FY26E. This yields a revised TP of Rs 12,234 (from Rs 11,562 earlier).

Key changes

Target	Rating
▲	▲

Ticker/Price	MSIL IN/Rs 10,187
Market cap	US$ 37.4bn
Free float	44%
3M ADV	US$ 68.8mn
52wk high/low	Rs 10,933/Rs 8,130
Promoter/FPI/DII	56%/23%/16%

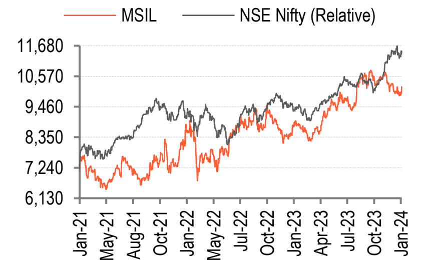
Source: NSE | Price as of 31 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	11,75,229	13,75,899	15,74,717
EBITDA (Rs mn)	1,10,077	1,63,693	1,88,997
Adj. net profit (Rs mn)	80,492	1,19,146	1,35,204
Adj. EPS (Rs)	266.5	394.4	447.6
Consensus EPS (Rs)	266.5	400.0	447.0
Adj. ROAE (%)	14.1	17.0	16.7
Adj. P/E (x)	38.2	25.8	22.8
EV/EBITDA (x)	27.6	18.8	16.4
Adj. EPS growth (%)	113.7	48.0	13.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD
TP: Rs 5,900 | ▲ 1%

DR REDDY'S LABS | Pharmaceuticals | 31 January 2024

Buoyant US sales drive performance

- **Healthy quarter with revenue/PAT coming in 3%/4% ahead of consensus; US sales a positive surprise, rising 6% QoQ**
- **Higher opex and lower gross margin led to 240bps YoY drop in EBITDA margin to 28%**
- **TP raised to Rs 5,900 (vs. Rs 5,500) on rollover; retain HOLD**

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Buoyant US business aids revenue growth: DRRD reported 7% YoY revenue growth to Rs 72.1bn in Q3FY24, coming in 3% ahead of Bloomberg consensus estimates. North America business led the way, rising 6% QoQ to US$ 403mn on the back of increased volumes in the base business and a lower impact of price erosion due to market share gain in other products. gRevlimid and Myne Pharma integration also aided growth in the US. Revenue from the EU increased 16% YoY while emerging market sales declined 2% YoY due to unfavourable forex movements. PSAI segment revenue was flat YoY.

India growth remains modest: India formulation business grew at a modest 5% YoY in Q3 and dipped 3% YoY in 9MFY24. To revive growth, the company is focusing on new launches and looking to organic and inorganic means, with a focus on brands that can grow 1.5 times faster than the market. Management expects double-digit growth in India business from FY25 onwards.

Margins contract: Gross/EBITDA margins contracted 75bps/240bps YoY to 58.5%/28% owing to price erosion and higher operating expenses. R&D expenses remained elevated at 7.7% of sales on account of clinical trials for differentiated assets and biosimilar developments. PAT grew 11% YoY (-7% QoQ) to Rs 13.8bn.

Maintain HOLD, TP revised to Rs 5,900: We raise our FY24/FY25/FY26 EPS estimates for DRRD by 4%/2%/1% given the 9MFY24 print and double-digit growth outlook for the India business. On rolling valuations over to FY26E, we arrive at a revised TP of Rs 5,900 (vs. Rs 5,500), which is based on an unchanged EV/EBITDA multiple of 11x, a 10% discount to the stock's 5Y average. We remain wary of fluctuating core margins, profit support from one-offs such as production-linked incentive (PLI) benefits, the slowdown in India business and regulatory overhang, prompting us to retain our HOLD rating.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	DRRD IN/Rs 5,841
Market cap	US$ 11.8bn
Free float	73%
3M ADV	US$ 29.3mn
52wk high/low	Rs 5,990/Rs 4,285
Promoter/FPI/DII	27%/27%/23%

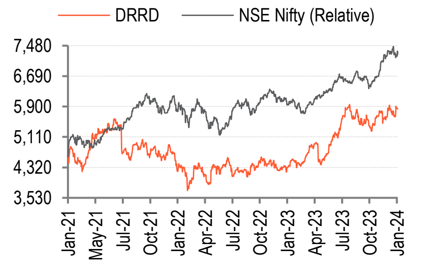
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	245,879	280,755	297,481
EBITDA (Rs mn)	64,129	80,858	80,320
Adj. net profit (Rs mn)	45,765	52,749	52,160
Adj. EPS (Rs)	274.7	316.6	313.1
Consensus EPS (Rs)	274.7	317.1	321.0
Adj. ROAE (%)	22.7	21.2	17.6
Adj. P/E (x)	21.3	18.4	18.7
EV/EBITDA (x)	15.1	11.7	11.3
Adj. EPS growth (%)	46.8	15.3	(1.1)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

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HOLD
TP: Rs 1,060 | ⋎ 3%

VOLTAS | Consumer Durables | 31 January 2024

UCP improving, Qatar business a dampener

- **Q3 revenue growth strong at 31% YoY but challenges in international EMP business cause net loss of Rs 304mn**
- **RAC business grew above industry at 27% YoY and earned higher margins; summer demand outlook upbeat**
- **FY24/FY25/FY26 earnings revised -16%/+5%/+7% to bake in Q3, leading to new TP of Rs 1,060 (vs. Rs 910); maintain HOLD**

Vinod Chari | Swati Jhunjhunwala
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Strong topline but posts net loss: VOLT posted 31% YoY topline growth to Rs 26.2bn in Q3FY24. However, its EBITDA margin contracted 270bps YoY to 1.1% due to higher losses in the electro-mechanical projects (EMP) segment, which also resulted in a net loss of Rs 304mn during the quarter.

RAC business gearing up for summer: The unitary cooling products (UCP) segment grew 21% YoY on the back of 27% volume growth in room air conditioners (RAC). This compares well with industry RAC growth of 20-22%, giving VOLT an exit market share of ~19% for the quarter. The growth can be attributed to key festivals and wedding season demand. Segmental EBIT margin expanded 90bps YoY due to a higher share of RACs in the product mix, outperforming BLSTR which saw 30bps contraction in its UCP margin and Lloyd which saw continued losses. Management is expanding channel partners rapidly and expects strong summer demand.

EMP losses continue: The EMP segment reported a loss of Rs 1.2bn in Q3 due to a Rs 1.4bn provisional loss recognised in the international business (Qatar), while domestic business delivered YoY profit growth. VOLT has a positive outlook on India business given rising infrastructure spending. In Qatar, challenges are likely to persist medium term due to delays in receivables due and timeline extensions, leading to cost overruns. The company has booked a Rs 3bn-4bn provisional loss on international operations in FY24 YTD.

Beko remains resilient: Voltbek's cumulative volumes crossed 4.5mn units and volume growth for Q3/9MFY24 stood at 65%/55% YoY aided by festive demand. Market share stood at 3.3% for refrigerators (+100bps YoY), 5.5% for washing machines (+210bps) and 12.2% for semi-automatic washing machines. Loss per unit has reduced significantly during the quarter.

Maintain HOLD: We continue to value the stock at 40x P/E (11% premium to long-term avg.) and roll valuations over to Dec'25E, while revising FY24/FY25/FY26 EPS estimates by -16%/+5%/+7% given ongoing uncertainty in international EMP business and strong growth in other segments. Our TP rises to Rs 1,060 (vs. Rs 910) – HOLD.

Key changes

Target	Rating
▲	◄►

Ticker/Price	VOLT IN/Rs 1,093
Market cap	US$ 4.4bn
Free float	70%
3M ADV	US$ 19.8mn
52wk high/low	Rs 1,101/Rs 745
Promoter/FPI/DII	30%/21%/33%

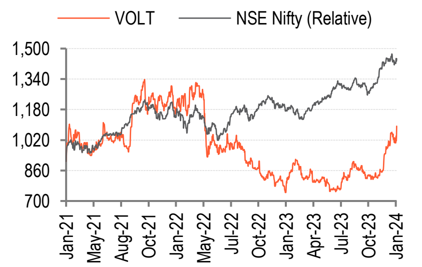
Source: NSE | Price as of 31 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	94,988	1,17,076	1,36,553
EBITDA (Rs mn)	5,724	6,276	10,591
Adj. net profit (Rs mn)	3,788	4,452	7,501
Adj. EPS (Rs)	11.4	13.5	22.7
Consensus EPS (Rs)	11.4	14.4	22.4
Adj. ROAE (%)	6.9	8.1	12.8
Adj. P/E (x)	95.4	81.2	48.2
EV/EBITDA (x)	63.2	57.6	34.1
Adj. EPS growth (%)	(24.8)	17.5	68.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 6,900 | ⮝ 15%

DIXON TECHNOLOGIES | Consumer Durables | 01 February 2024

Mobile business dials up growth; maintain BUY

- **Q3 revenue up 2x YoY led by robust growth in mobile & EMS segment; EBITDA margin dips 80bps on higher input costs**
- **Management remains bullish on growth across verticals, especially the mobile segment which forms ~50% of topline**
- **We revise FY24/FY25/FY26 EPS by -7%/+0.4%/+3% and roll forward to revised TP of Rs 6,900 (vs. Rs 6,300)**

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Robust quarter: Dixon's Q3FY24 topline doubled YoY to Rs 48.2bn backed by robust 250% growth in the mobiles & electronics manufacturing services (EMS) segment to Rs 32.1bn. EBITDA margin contracted 80bps YoY to 3.8% due to higher input costs, while PAT grew 87% to Rs 971mn. Management remains bullish on growth across verticals, especially the mobiles segment which contributes 50% of the topline. ROE and ROCE were at 25.6% and 35.6% respectively in 9MFY24, expanding 320bps and 220bps YoY. Management expects to maintain these return ratios going forward given better profitability, working capital management and higher asset turnover in the mobile and IT hardware segments.

Segmental growth strong: The company has delivered healthy topline growth and margins across segments in Q3, though lighting revenues declined on account of continued price erosion in the industry.

Building blocks for growth in place: Dixon has added two clients in the mobiles business and is in discussions with global brands for production under the government's IT hardware production-linked incentive (PLI) scheme. It is also undertaking backward integration in televisions with LED bars and injection moulding, besides expanding in the mobiles business through vertical integration. Management does not anticipate any significant impact on ROE due to the integration process.

Focusing on design-based content: The company is looking to design its own products, as highlighted in its FY23 annual report. It has traditionally run a high-volume, low-margin model but is now looking at new product categories that have higher margins. Some of the areas identified in its annual report are electric vehicles, defence, drones, medical electronics and telecom infrastructure.

Maintain BUY: We revise our FY24/FY25/FY26 EPS estimates by -7%/+0.4%/+3% and value the stock at an unchanged P/E multiple of 55x, a 20% premium to the 5Y average. On rolling valuations forward to Dec'25E, we have a revised TP of Rs 6,900 (vs. Rs 6,300). Dixon remains the best positioned EMS play, in our view; BUY.

Key changes

Target	Rating
▲	◄►

Ticker/Price	DIXON IN/Rs 5,991
Market cap	US$ 4.3bn
Free float	66%
3M ADV	US$ 35.3mn
52wk high/low	Rs 6,765/Rs 2,581
Promoter/FPI/DII	34%/12%/24%

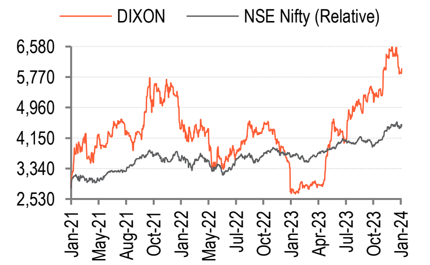
Source: NSE | Price as of 31 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,21,920	1,83,702	2,55,453
EBITDA (Rs mn)	5,128	7,399	10,505
Adj. net profit (Rs mn)	2,555	3,824	6,031
Adj. EPS (Rs)	42.9	64.2	101.3
Consensus EPS (Rs)	42.9	67.6	93.6
Adj. ROAE (%)	22.4	26.0	30.9
Adj. P/E (x)	139.6	93.3	59.2
EV/EBITDA (x)	69.6	48.2	34.0
Adj. EPS growth (%)	34.3	49.7	57.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 1,400 | ⮝ 1%

KAJARIA CERAMICS | Building Materials | 31 January 2024

Soft demand, intense competition mar quarter

- **Q3 revenue/PAT short of our estimates by 4%/13% on tepid demand climate and intense competition from Morbi players**
- **Demand likely to improve from FY25 but KJC's high operating rate (101% in Q3) limits volume growth visibility**
- **Maintain HOLD; TP cut by 3% to Rs 1,400 on lack of growth catalysts and expensive valuation**

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Weak quarter: KJC's Q3FY24 revenue/EBITDA/adj. PAT grew 6%/34%/40% YoY off a weak base but missed our estimates by 4%/10%/13% due to weak tile volumes (+6% YoY vs. +11% estimated) and sequential margin contraction (-50bps to 15.5% vs. 16.4% estimated). The company's net cash position has reduced from Rs 3.9bn in Sep'23 to Rs 2.8bn in Dec'23.

Key result highlights: KJC has gained market share as tile industry volumes were flat in Q3. However, tile EBIT per unit fell 5.6% QoQ to Rs 51/sqm due to (a) weak realisations (-1%) owing to a rise in competitive intensity as exports plunged amid the Red Sea crisis and (b) higher fuel prices. The company's tile plants (own plus subsidiaries) operated at 101% during the quarter, and we see limited volume growth visibility over the next 12-15 months due to the meagre capacity increase (ex-Nepal) by 7% YoY in FY25. Non-tile revenue grew at a healthy 28% YoY, but EBIT margin remained weak at 1.5% in Q3 due to continued losses in plywood business.

Muted volume guidance for Q4: The company expects its tile volumes to grow just 6-7% YoY in Q4FY24 as demand conditions remain weak. However, management believes demand will improve from FY25 due to a pickup in real estate cycle and large government spending on rail, metros, hospitals and educational institutions. EBITDA margin is guided at 14-16% for FY24 and 15-17% for FY25. The company plans to acquire a 90% stake in a 6msm glazed vitrified tile (GVT) manufacturing facility in Morbi at a cost of Rs 500mn and a 51% stake in a north-based plywood company with 2.1mn sqm of capacity at a cost of Rs 420mn.

Maintain HOLD, TP cut 3% to Rs 1,400: The stock is trading at 44.2x on 1Y forward P/E vs. its 5Y average of 38.4x We maintain our HOLD rating given a lack of growth catalysts and expensive valuations. Our TP reduces to Rs 1,400 (Rs 1,450 earlier) as we lower FY24/FY25/FY26 EPS estimates by 6%/5%/3% based on the poor Q3FY24 result. Our target P/E multiple remains unchanged at 40x on Sep'25E EPS – at a slight premium to its historical average multiple.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	KJC IN/Rs 1,384
Market cap	US$ 2.7bn
Free float	53%
3M ADV	US$ 3.2mn
52wk high/low	Rs 1,524/Rs 1,007
Promoter/FPI/DII	47%/18%/25%

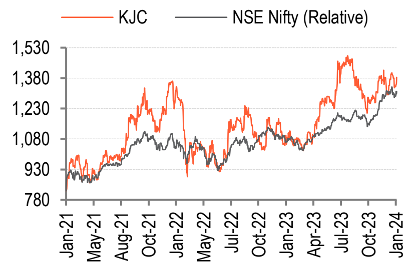
Source: NSE | Price as of 31 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	43,819	46,002	51,980
EBITDA (Rs mn)	5,934	7,246	8,390
Adj. net profit (Rs mn)	3,514	4,392	5,105
Adj. EPS (Rs)	22.1	27.6	32.1
Consensus EPS (Rs)	22.1	30.1	36.9
Adj. ROAE (%)	15.3	17.4	18.2
Adj. P/E (x)	62.7	50.2	43.2
EV/EBITDA (x)	37.6	30.7	26.4
Adj. EPS growth (%)	(7.0)	25.0	16.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 1,300 | ⮝ 18%

BLUE STAR | Consumer Durables | 31 January 2024

Purple patch continues; maintain BUY

- **Strong topline growth of 25% YoY in Q3 aided by festive season sales; margin expansion continues**
- **At 35%, UCP division grew ahead of peers and gained market share; EMP continued to deliver strong growth**
- **We raise FY24-FY26 EPS 14-22% on strong summer demand potential and rising market share; TP rises to Rs 1300 (vs. Rs 1,100) – retain BUY**

Vinod Chari | Swati Jhunjhunwala
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Robust quarter: BLSTR reported a strong topline of Rs 22.4bn in Q3FY24, surpassing Rs 20bn for the first time in any December quarter. The company saw double-digit growth in all segments and EBITDA margin expansion of 44bps QoQ and 110bps YoY on the back of robust festive demand in room air conditioning (RAC) and commercial refrigeration products together with benefits of scale. Other income shot up 150% on higher treasury income during the quarter. Adj. PAT came in at Rs 1bn, growing 72% YoY.

UCP outperforms peers: Backed by strong volume growth, the company's unitary cooling products (UCP) revenue grew 35.5% YoY to Rs 9.5bn, maintaining its lead over peers VOLT (21.4% YoY) and Lloyd (7.5% YoY) for the quarter. Segmental EBIT margin contracted marginally by 30bps YoY to 7.1%, whereas VOLT reported 90bps YoY expansion to 8.3%. Market share for Q3 was 13.75% compared to 13.5% in Q2 and 13.25% a year ago. Management anticipates a strong summer season this year and is targeting market share of 15% by FY25.

EMP fares well: The electro-mechanical projects (EMP) vertical did well during the quarter with 18% YoY topline growth to Rs 11.8bn, as manufacturing and data centres continue to fuel demand. Management expects a faster pace of execution ahead of elections. The division's order book stood at Rs 60.4bn at the end of Q3, providing revenue visibility for ~24 months.

Maintain BUY: BLSTR's UCP business continues to grow apace, staying ahead of competitors and gaining market share. The EMP business derives benefits from a robust order book and strong industry tailwinds. Following the sustained all-round outperformance in Q3, we increase our FY24/FY25/FY26 EPS estimates by 22%/14%/14%. We continue to value the stock at a 40x P/E multiple – ~15% premium to the 3Y average – and roll valuations forward to Dec'25E, yielding a revised TP of Rs 1,300 (vs. Rs 1,100). The company remains our top pick in the AC space – BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,100
Market cap	US$ 2.6bn
Free float	61%
3M ADV	US$ 3.6mn
52wk high/low	Rs 1,120/Rs 603
Promoter/FPI/DII	39%/11%/25%

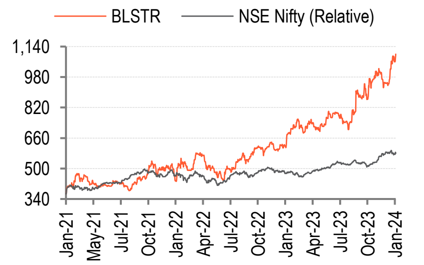
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	79,773	94,690	1,10,673
EBITDA (Rs mn)	4,928	7,225	8,883
Adj. net profit (Rs mn)	2,601	4,255	5,237
Adj. EPS (Rs)	13.5	22.1	27.2
Consensus EPS (Rs)	13.5	18.8	25.0
Adj. ROAE (%)	22.1	21.3	18.3
Adj. P/E (x)	81.5	49.8	40.5
EV/EBITDA (x)	43.0	29.3	23.9
Adj. EPS growth (%)	55.1	63.6	23.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD
TP: Rs 700 | ▲ 6%

KEC INTERNATIONAL | Capital Goods | 31 January 2024

Pipeline robust, margin improvement delayed

- **Strong Q3 led by T&D and civil businesses, though rail revenue was subdued due to increasing competition**
- **Order book robust at Rs 380bn, including L1 pipeline of Rs 80bn; inflows could fall shy of Rs 250bn guided for FY24**
- **FY24/FY25 EPS estimates cut 18%/6% while TP rises to Rs 700 (vs. Rs 670) on rollover – retain HOLD**

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Strong quarter: KECI posted a strong Q3FY24 with topline growth of 14% YoY and gross/EBITDA margin expansion of 110bps/160bps YoY to 20.7%/6.1%. Growth was led by the transmission and distribution (T&D: record Rs 220bn order book) and civil businesses (strategic FMCG and hospitality orders). The oil & gas and cables segments also fared well, with new international opportunities and product launches. On the other hand, rail business was subdued due to rising competition among tier-II/III EPC contractors and a change in client mix from public sector railway entities to zonal railway boards. Working capital improved by 10 days YoY to 129 days for Q3.

Resilient order book: KECI's order book stood Rs 380bn at end-Q3, which includes an L1 (lowest bidder) pipeline of Rs 80bn. Order intake for the quarter and 9MFY24 was at Rs 38.5bn and Rs 128.5bn respectively. Management retained FY24 revenue guidance of Rs 200bn but believes KECI could fall slightly short of the initial order flow guidance of Rs 250bn.

T&D prospects bright, new challenges in rail: The T&D business has seen a pickup in ordering activities along with more projects and is looking at a domestic pipeline of Rs 250bn. The company expects a large HVDC order shortly. However, the shift in clientele from rail PSUs to zonal railways is likely to adversely impact margins and working capital.

Interest cost to decline: KECI's net debt decreased by Rs 3bn QoQ to Rs 60bn as at end-Q3. Management expects a further reduction in Q4FY24 as margins and working capital improve. Additional debt of Rs 4bn in subsidiary SAE Towers is also guided to come down going forward.

Maintain HOLD: As new challenges emerge from a changing client mix, we expect margin improvement to be pushed back to FY25. Consequently, we cut our FY24/FY25 EPS estimates by 18%/6% while keeping FY26 broadly unchanged. We continue to value the stock at a P/E multiple of 15x, a 15% discount to the 5Y average, and roll valuations forward to Dec'25E for a revised TP of Rs 700 (vs. Rs 670). Our TP offers just 6.5% upside – HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	KECI IN/Rs 658
Market cap	US$ 2.1bn
Free float	47%
3M ADV	US$ 3.5mn
52wk high/low	Rs 748/Rs 436
Promoter/FPI/DII	52%/13%/26%

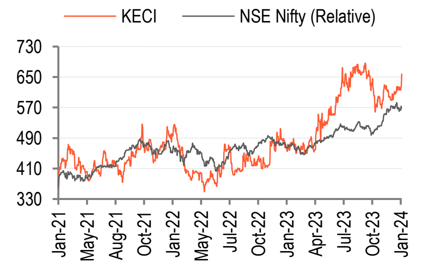
Source: NSE | Price as of 31 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,72,817	2,02,357	2,36,340
EBITDA (Rs mn)	8,297	13,411	18,598
Adj. net profit (Rs mn)	1,760	4,306	8,767
Adj. EPS (Rs)	6.8	16.7	34.1
Consensus EPS (Rs)	6.8	22.2	37.2
Adj. ROAE (%)	4.8	11.0	19.6
Adj. P/E (x)	96.1	39.3	19.3
EV/EBITDA (x)	17.0	10.3	7.8
Adj. EPS growth (%)	(53.2)	144.6	103.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD
TP: Rs 500 | 4%

ADITYA BIRLA SUN LIFE AMC | NBFC | 31 January 2024

Double-digit growth but market share bleed continues

- **QAAUM grew 11% YoY to Rs 3.1tn in Q3 with equity assets rising even faster at 13%; however, market share inched down**
- **SIP book, though sticky, saw another muted quarter whereas industry's robust show continues**
- **TP revised marginally to Rs 500 (vs. Rs 497) on unchanged 17x FY26E P/E; maintain HOLD**

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Double-digit growth, yet market share loss continues: ABSL AMC's QAAUM grew 11% YoY to Rs 3.1tn at end-Q3FY24 and equity QAAUM increased even faster at 13% YoY (the best annual growth since Q1FY23) to Rs 1.4tn, making up 44% of the total. However, the company's overall MAAUM market share slipped 50bps from FY23 levels to 6.2% and equity share fell 60bps to 4.9%. Although ABSL AMC's industry ranking has held at #6, management's efforts to protect market share remain a key aspect to watch. In this context, we note that the company is beefing up the PMS and AIF businesses through senior hires.

Healthy revenue from operations: Revenue from operations grew 9% YoY to Rs 3.4bn and other income soared 62% YoY on MTM gains, leading to a 16% rise in total income to Rs 4.2bn. Operating expenses increased 12% YoY and net profit rose 26% to Rs 2.1bn, with core PAT (ex-MTM gains) up 13%.

Passive funds gaining traction: The company's passive AUM surged 36% YoY to Rs 293bn from Rs 216bn in the year-ago quarter, with a 43-product suite. It now services ~600,000 investor folios for ETFs, FOFs and index funds.

Growth in SIP book muted: ABSL AMC's monthly SIP book advanced 7% YoY to Rs 10.1bn (vs. industry growth of 29%), closing Q3 with a total of 3.2mn SIP accounts and AUM of Rs 667bn. The company added 235,000 new SIP registrations during the quarter and indicated that 92% of the systematic investments have a tenure of over five years, with 84% running for over ten years, pointing to long-tenured inflows.

Maintain HOLD: Strong growth in PAT leads us to increase our FY24/FY25 estimates by 5%/2%. Double-digit growth in equity is also a positive. However, lower growth in the SIP book and market share losses remain key concerns. Our forecast changes yield a minor revision in TP to Rs 500 (vs. Rs 497), which is based on an unchanged target P/E multiple of 17x on FY26E EPS – a 12% discount to the stock's long-term mean. We maintain HOLD as we await sustainable equity QAAUM growth and consistent market share gains before revisiting our estimates.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ABSLAMC IN/Rs 482
Market cap	US$ 1.7bn
Free float	7%
3M ADV	US$ 0.7mn
52wk high/low	Rs 512/Rs 307
Promoter/FPI/DII	87%/2%/5%

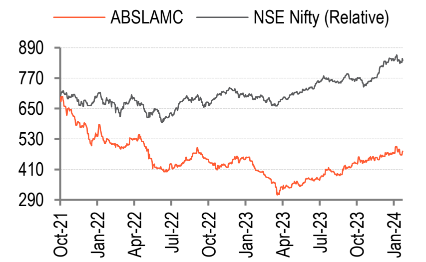
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	6,668	7,113	7,805
Core PBT (YoY)	(14.4)	6.7	9.7
Adj. net profit (Rs mn)	5,964	7,411	7,654
EPS (Rs)	20.7	25.7	26.5
Consensus EPS (Rs)	20.7	24.4	25.5
MCap/AAAUM (%)	5.1	4.5	4.1
ROAAAUM (bps)	21.7	23.8	22.6
ROE (%)	25.3	27.8	25.8
P/E (x)	23.3	18.8	18.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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METALS & MINING

31 January 2024

Jindal Stainless: Management meet takeaways

- **Guiding for 20% annual growth in both FY24 and FY25 and planning investments to further extend growth runway**
- **Attempting to limit cost volatility and guiding for EBITDA margin of Rs 19-20k/t over near-term**
- **Countering intensified competition from imports by evolving new high-end applications and solutions**

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We hosted Anurag Mantri, CFO, and Shreya Sharma, Head of IR, of Jindal Stainless (JDSL IN, Not Rated). Key takeaways:

Structural growth: JDSL operates in the stainless steel sector, which is seeing structural growth in demand due to rising product applications. Management indicated that it is geared to deliver 20% annual growth in FY24 and FY25 to reach 2.6-2.7mt of sale volumes from a current melt capacity of 2.9mt and rolling capacity of 3.2mt.

Next wave of growth on the anvil: The company aims to announce its next phase of capacity additions soon to support growth. It needs to expand cold rolling mill capacity to widen the product range and enhance margins, besides adding melt capacity. As its Jhajpur plant in Rajasthan has space constraints for brownfield expansion, the company is working on options to enable both additions.

Margins resilient despite export weakness: At its Q3FY24 earnings call, management narrowed its near-term margin guidance to Rs 19-20k/t from Rs 19-21k/t citing export weakness. The company is seeing initial signs of improvement in the US but a slowdown in its main export market of Europe. It is able to switch between markets to preserve volumes and margins.

Increasing import competition…: Imports have spiked in FY24, particularly in the 300 series pipes & tubes segment and largely from China and Vietnam, gaining ~30% market share in India.

…being countered by product mix shift: JDSL has been tackling the rise in imports by focusing on segments with less competition, particularly the higher end segments in 300 and 400 series stainless steel. Management feels it can comfortably deliver on its Rs 19-20k/t margin guidance in FY25 too despite imports.

Valuation: The stock is trading at FY25E/FY26E EV/EBITDA multiples of 8.1x/7.1x and P/E multiples of 11.7x/9.7x on Refinitiv consensus. We do not have a rating on JDSL.

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

SELL – Expected return <-6%

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