

FIRST LIGHT

RESEARCH

MAHINDRA & MAHINDRA | TARGET: Rs 2,572 | +3% | HOLD

Growth trajectory captured in the valuations

EICHER MOTORS | TARGET: Rs 4,633 | -1% | HOLD

Powering growth momentum with new launches

V-GUARD INDUSTRIES | TARGET: Rs 390 | +6% | HOLD

Early summer sparks a robust quarter

AMBER ENTERPRISES | TARGET: Rs 3,500 | -12% | SELL

Ongoing challenges; maintain SELL

PRINCE PIPES & FITTINGS | TARGET: Rs 750 | +12% | HOLD

Mixed Q4FY24; positive demand outlook

Daily macro indicators

Indicator	15-May	16-May	Chg (%)
US 10Y yield (%)	4.34	4.38	4bps
India 10Y yield (%)	7.08	7.08	(1bps)
USD/INR	83.50	83.50	0.0
Brent Crude (US\$/bbl)	82.8	83.3	0.6
Dow	39,908	39,869	(0.1)
Hang Seng	19,074	19,377	1.6
Sensex	72,987	73,664	0.9
India FII (US\$ mn)	14-May	15-May	Chg (\$ mn)
FII-D	(9.8)	156.6	166.4
FII-E	(300.9)	(280.1)	20.8

Source: Bank of Baroda Economics Research

SUMMARY

MAHINDRA & MAHINDRA

- Q4 revenue grew 11% YoY, led by 7% blended realisation gains and 4% volume growth (flat QoQ)
- EBITDA margin stayed stable YoY/QoQ at ~12.9%; lower input costs pushed up gross margin to 26.5% (vs. ~25% YoY/QoQ)
- We raise FY25E/FY26E EPS by 2%/9% and TP to Rs 2,572 (vs. Rs 2,077) as we now value MM at 20x FY26E P/E. Downgrade to HOLD from BUY

[Click here for the full report.](#)

EICHER MOTORS

- Q4 revenue grew ~9% YoY driven by realisations higher by 5% due to better product mix, and 4% volume growth
- Motorcycle segment gross margin rose a healthy 325 bps YoY (steady QoQ) to 46.3%, supported by lower cost and better pricing
- FY25E/FY26E EPS raised 2%/5%; our SOTP-based TP is Rs 4,633 (vs Rs 4,045) valuing the core business at 27x FY26E earnings. Retain HOLD

[Click here for the full report.](#)

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V-GUARD INDUSTRIES

- Q4 topline up 18% YoY, fuelled by Consumer Durables segment, as the early onset of summer boosts overall performance
- Pricing actions and initiatives and strategies to enhance EBITDA margins by 100-120bps in FY25
- We raise our P/E to 37x (vs 30x) and roll over valuations to Mar'26E, raising our TP to Rs 390 (from Rs 310). Retain HOLD

[Click here](#) for the full report.

AMBER ENTERPRISES

- Subdued Q4 topline with EBITDA margin expansion of 110bps on better product mix
- RAC business faces ongoing challenges as customers shift production in-house, prompting diversification to manage risk
- We pare FY25/FY26 EPS estimates by 4%/5%. We roll over valuation to Mar'26E and raise TP to Rs 3,500. Maintain SELL

[Click here](#) for the full report.

PRINCE PIPES & FITTINGS

- Beats our revenue estimate by 3% on strong volume, but misses our EBITDA estimate by 6% on pricing pressure in the sector
- Management aims to grow volume at 15% with EBITDA margin of 12-14% over the next 2-3 years
- Maintain HOLD as stock appears to be fully valued; raise TP by 15% to Rs 750 on roll forward of valuation from Sep'25 to Mar'26

[Click here](#) for the full report.

HOLD
 TP: Rs 2,572 | ▲ 3%

MAHINDRA & MAHINDRA | Automobiles

18 May 2024

Growth trajectory captured in the valuations

- Q4 revenue grew 11% YoY, led by 7% blended realisation gains and 4% volume growth (flat QoQ)
- EBITDA margin stayed stable YoY/QoQ at ~12.9%; lower input costs pushed up gross margin to 26.5% (vs. ~25% YoY/QoQ)
- We raise FY25E/FY26E EPS by 2%/9% and TP to Rs 2,572 (vs. Rs 2,077) as we now value MM at 20x FY26E P/E. Downgrade to HOLD from BUY

Steady topline growth: MM's Q4FY24 revenue grew 11% YoY (flat QoQ) to Rs 251.0bn driven by blended realisation gains (per vehicle) at Rs 862.5k and 4% volume growth (flat QoQ) to 291,109 units.

Margins maintained: Inventory-adjusted raw material cost stayed benign at 73.5% of sales from 75% YoY/QoQ in Q4FY23, yielding nominal gross margin gains of ~150bps YoY to 26.5% (~190 bps QoQ). EBITDA grew 16% YoY (flat QoQ) to Rs 32.4bn, accompanied by a flat margin YoY/QoQ of 12.8%. Other expenses rose 22% YoY to Rs 23.1bn owing to the one-off impact of promotional expenses.

FES slow-moving amid weak market: MM's automotive business continued to dominate revenue, growing by 21%/7% YoY/QoQ, while the Farm Equipment segment (FES) dipped 6%/22% YoY/QoQ as tractor volumes fell 4%/22 YoY/QoQ due to weak sentiments. Auto business EBIT improved YoY/QoQ, while FES stayed under pressure YoY/QoQ.

Launches, capacity ramp-up on the cards: MM launched the XUV 3XO in 4QFY24 with very encouraging bookings in the initial phase. MM has planned aggressive launches with +20 new launches in the next 6 years in a phased manner in every segment (ICE + BEV + LCVs). The capacity will be expanded to 64k/72k by FY25/FY26. In FES, successful launches of OJA, Target and Naya Swaraj helped market share improve by ~13% in the 20-30 HP segment in Q4.

Focused on volumes, but upside captured; downgrade to HOLD: We raise our FY25/FY26 EPS estimates by 2%/9% to factor in the aggressive growth plans. We pencil in a 3Y EBITDA/PAT CAGR of 20%/27%. FES's revival is on the cards following predictions of a normal monsoon in India, the automotive segment maintaining strong momentum and benefitting from management's focus on driving volumes and market share. To factor in the same we now value MM's core business at 20x P/E (vs. 17x) at par with its long-term average resulting in a higher SOTP-based TP of Rs 2,572 (vs. Rs 2,077). This includes Rs 319/sh as the value of subsidiaries. However, the recent run up in valuation factors in the same, so we downgrade MM to HOLD from BUY.

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Key changes

Target	Rating
▲	▼

Ticker/Price	MM IN/Rs 2,504
Market cap	US\$ 38.1bn
Free float	81%
3M ADV	US\$ 83.5mn
52wk high/low	Rs 2,558/Rs 1,237
Promoter/FPI/DII	19%/37%/29%

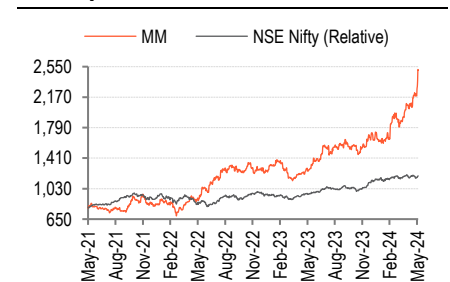
Source: NSE | Price as of 18 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	9,87,634	11,31,657	12,63,713
EBITDA (Rs mn)	1,26,662	1,57,872	1,80,253
Adj. net profit (Rs mn)	1,07,178	1,15,017	1,34,937
Adj. EPS (Rs)	89.5	96.0	112.6
Consensus EPS (Rs)	89.5	99.9	112.9
Adj. ROAE (%)	22.4	19.6	19.0
Adj. P/E (x)	28.0	26.1	22.2
EV/EBITDA (x)	24.5	19.4	16.9
Adj. EPS growth (%)	63.7	7.3	17.3

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

Stock performance



Source: NSE



HOLD
 TP: Rs 4,633 | ▼ 1%

EICHER MOTORS

| Automobiles

| 17 May 2024

Powering growth momentum with new launches

- Q4 revenue grew ~9% YoY driven by realisations higher by 5% due to better product mix, and 4% volume growth
- Motorcycle segment gross margin rose a healthy 325 bps YoY (steady QoQ) to 46.3%, supported by lower cost and better pricing
- FY25E/FY26E EPS raised 2%/5%; our SOTP-based TP is Rs 4,633 (vs Rs 4,045) valuing the core business at 27x FY26E earnings. Retain HOLD

Milind Raginwar

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Revenue gains backed by volume and realisation gains: EIM's Q4FY24 standalone revenue grew 9%/3% YoY/QoQ to Rs 41.9bn backed by realisation gains of 5%/4% YoY/QoQ to Rs 184.1k per motorcycle, as newly launched products enhanced the product mix and aided realisation gains despite the Royal Enfield (RE) segment not hiking prices in 4Q. Volume growth was muted at 4% YoY (flat QoQ) with ~228k units.

Well controlled input cost and better product mix enhance margins: Gross margin expanded by 325bps YoY (13bps QoQ) to 46.3% owing to lower inventory-adjusted raw material cost at 53.7% of sales (-380bps/-20bps YoY/QoQ) and better mix product. Other expenses increased 11%/4% YoY/QoQ to Rs 4.8bn as launch marketing spend continued. EBITDA grew by a healthy 22%/4% YoY/QoQ to Rs 11.6bn, accompanied by 300bps/10bps YoY/QoQ margin expansion of 27.5%.

CV segment revival encouraging: EIM has gained market share across its commercial vehicle sub-segments with the aggregate market share at 18% in Q4? It gained market share in all the segments with HD Trucks at 8.9%, combined EIM + Volvo at 9.6%, and Light & Medium vehicles market share at ~36%. The market share gains helped VECV offset muted volume gains in the quarter. EIM entered the small commercial vehicle (SCV) range at the Bharat Mobility Global Expo.

New launches to counter competition: In the Royal Enfield business, the newly launched Himalayan 450 in India by EIM had encouraging sales of 200 vehicles/day in Q4. It retains its 85% market share in the Himalayan bike segment. Exports reached a volume of 77k units in Q4. Overall volume reached pre-Covid levels.

Maintain HOLD: We raise our FY25/FY26 EBITDA estimates by 5%/8% and PAT by 2%/4% to factor in better high-end variant sales, a healthy product mix and easing costs. Our revenue/EBITDA/PAT CAGR is 12%/18%/20% for EIM over FY23-FY26. We value EIM at 27x P/E (vs 25x) to factor in better growth prospects in the RE and VECV segments. We arrive at a higher SOTP-based TP of Rs 4,633 (vs Rs 4,045) that includes Rs 150/sh for VECV. Maintain HOLD for right valuations.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EIM IN/Rs 4,682
Market cap	US\$ 15.6bn
Free float	51%
3M ADV	US\$ 41.2mn
52wk high/low	Rs 4,743/Rs 3,160
Promoter/FPI/DII	49%/30%/9%

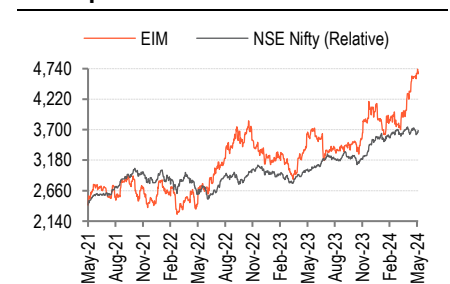
Source: NSE | Price as of 16 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	1,60,782	1,79,447	1,98,668
EBITDA (Rs mn)	43,801	49,550	55,834
Adj. net profit (Rs mn)	37,218	39,889	45,512
Adj. EPS (Rs)	135.8	145.5	166.0
Consensus EPS (Rs)	135.8	149.4	167.9
Adj. ROAE (%)	23.7	20.8	19.7
Adj. P/E (x)	34.5	32.2	28.2
EV/EBITDA (x)	29.4	26.0	22.9
Adj. EPS growth (%)	41.2	7.2	14.1

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

Stock performance



Source: NSE



HOLD

TP: Rs 390 | ▲ 6%

V-GUARD INDUSTRIES

Consumer Durables

18 May 2024

Early summer sparks a robust quarter

- Q4 topline up 18% YoY, fuelled by Consumer Durables segment, as the early onset of summer boosts overall performance
- Pricing actions and initiatives and strategies to enhance EBITDA margins by 100-120bps in FY25
- We raise our P/E to 37x (vs 30x) and roll over valuations to Mar'26E, raising our TP to Rs 390 (from Rs 310). Retain HOLD

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Strong quarter: VGRD's fourth quarter marked a good start to the summer season with a resurgence in demand for Consumer Durables products. Consequently, consolidated net revenues for Q4FY24 stood at Rs 13.43bn, growing 17.8% YoY. For FY24, revenues totalled Rs 48.57bn, growing 17.7% over the previous year. Across all segments, VGRD's topline grew double digits on a YoY basis. Notably, the Consumer Durables segment, comprising fans, water heaters, kitchen appliances and air coolers, experienced robust topline growth of 27.9% in Q4 compared to the previous year.

Growth in all segments rose: Segmental growth in the quarter jumped double digits, with consumer durables leading with a healthy 28% YoY increase, followed by electricals with 11%. Electronics thrived with a 19% YoY surge, while Sunflame showcased robust growth of 28% YoY. Management sees the summer's good start as a sign of things to come, believing it will carry through FY25 and ensure a strong performance for the year.

Pricing actions set to lift margins: VGRD is currently engaged in a comprehensive strategy to enhance bottomline. According to management, it is assessing pricing actions across specific product lines and integrating supplementary initiatives to boost EBITDA margins to 10-10.5%.

Geographical growth strides: As per management, there has been a notable shift in regional growth dynamics, with an 18.6% YoY surge in South India, surpassing the 15.8% rise in non-South markets. This trend indicates a robust commencement of the summer season in the country's southern regions.

Maintain HOLD: We raise our P/E to 37x (from 30x), in line with the 5Y average, as we anticipate improved margins due to management's commitment to new strategies, particularly for Sunflame. We roll forward valuations to Mar'26E, raising our TP to Rs 390 (from Rs 310). However, we maintain our HOLD rating due to ongoing challenges like increased competition and pricing issues.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VGRD IN/Rs 368
Market cap	US\$ 1.9bn
Free float	44%
3M ADV	US\$ 2.8mn
52wk high/low	Rs 379/Rs 239
Promoter/FPI/DII	56%/13%/19%

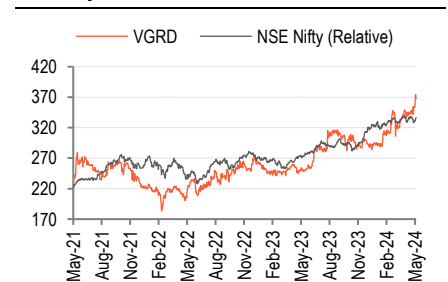
Source: NSE | Price as of 18 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	48,567	55,893	64,090
EBITDA (Rs mn)	4,267	5,761	6,721
Adj. net profit (Rs mn)	2,576	3,800	4,546
Adj. EPS (Rs)	6.0	8.8	10.5
Consensus EPS (Rs)	6.0	8.4	9.8
Adj. ROAE (%)	15.1	19.3	19.7
Adj. P/E (x)	61.7	41.8	35.0
EV/EBITDA (x)	37.2	27.6	23.6
Adj. EPS growth (%)	36.2	47.5	19.7

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

Stock performance



Source: NSE



SELL
 TP: Rs 3,500 | ▼ 12%

AMBER ENTERPRISES

Consumer Durables

18 May 2024

Ongoing challenges; maintain SELL

- **Subdued Q4 topline with EBITDA margin expansion of 110bps on better product mix**
- **RAC business faces ongoing challenges as customers shift production in-house, prompting diversification to manage risk**
- **We pare FY25/FY26 EPS estimates by 4%/5%. We roll over valuation to Mar'26E and raise TP to Rs 3,500. Maintain SELL**

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Subdued quarter: Amber's topline declined 7% YoY to Rs 28bn in Q4FY24, while EBITDA surged to Rs 2.2bn, with margin expanding 110bps due to a shift in product mix towards margin-accretive products. Operating margin edged up 60bps to 6.1%, possibly due to a favourable change in product mix with increased contributions from components. The company reported a net profit of Rs 990mn. FY24 revenue at Rs 67bn represents degrowth of 2% YoY.

Mobility poised to grow: The Consumer Durables segment contracted by 11%, while Electronics grew by 17% YoY to Rs 21bn and Rs 4.8bn QoQ in Q4. Mobility revenue grew 9% YoY to Rs 1.2bn. Sidwal's mobility order book touched Rs 20bn by the end of the quarter, with additional visibility of Rs 30bn from the upcoming Vande Bharat sleeper trains over the next 5-6 years. Management foresees an accelerated surge in the electronics and mobility segments, propelled by growing business prospects.

Headwinds continue to impact core RAC business: Amber has recognised a notable transformation in the room AC (RAC) market landscape, observing that a majority of its customers have shifted to in-house production. Consequently, Amber anticipates a subdued topline, but expects margins to expand due to the strategic shift to more margin-accretive products in the product mix. The company foresees two more customers adopting this trend in the upcoming quarters. In response to this market shift, Amber has redirected its focus to non-RAC components, with the goal of securing a market share of 27%, a target it is successfully maintaining.

Maintain SELL: We cut our FY25/FY26 EPS estimates by 4%/5% given Amber's FY24 performance and management's soft near-term commentary. Maintaining our valuation of the stock at an unchanged P/E of 29x, 40% discount to the 3Y mean, and rolling valuations forward to Mar'26E, we arrive at a revised TP of Rs 3,500 (previously Rs 3,200). Maintain SELL.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AMBER IN/Rs 3,963
Market cap	US\$ 1.6bn
Free float	60%
3M ADV	US\$ 7.5mn
52wk high/low	Rs 4,614/Rs 2,013
Promoter/FPI/DII	40%/24%/14%

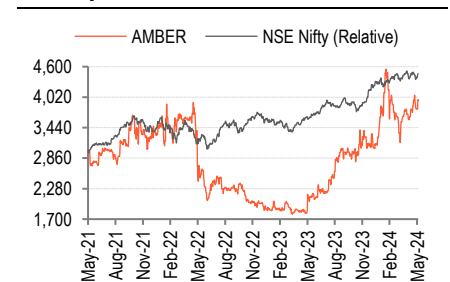
Source: NSE | Price as of 18 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	67,293	87,801	122,722
EBITDA (Rs mn)	4,919	6,180	8,650
Adj. net profit (Rs mn)	1,329	2,208	4,017
Adj. EPS (Rs)	39.4	65.5	119.2
Consensus EPS (Rs)	39.4	76.0	120.0
Adj. ROAE (%)	6.7	10.2	16.3
Adj. P/E (x)	100.5	60.5	33.2
EV/EBITDA (x)	27.1	21.6	15.4
Adj. EPS growth (%)	(15.5)	66.2	81.9

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

Stock performance



Source: NSE



HOLD
 TP: Rs 750 | ▲ 12%

PRINCE PIPES & FITTINGS

| Building Materials

| 17 May 2024

Mixed Q4FY24; positive demand outlook

- Beats our revenue estimate by 3% on strong volume, but misses our EBITDA estimate by 6% on pricing pressure in the sector
- Management aims to grow volume at 15% with EBITDA margin of 12-14% over the next 2-3 years
- Maintain HOLD as stock appears to be fully valued; raise TP by 15% to Rs 750 on roll forward of valuation from Sep'25 to Mar'26

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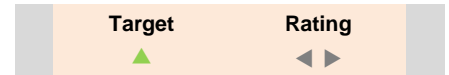
Mixed Q4FY24: PRINCIPIP beats our revenue estimate by 3.0% due to better-than-expected volume (+16.1% vs 13.0% estimate), but misses our EBITDA estimate by 5.7% due to sharper-than-expected contraction in gross margin (-81 bps QoQ to 29.4% vs 30.0% estimate) on account of the rise in competitive intensity in the sector. EBITDA margin improved by 23bps QoQ to 12.5% in Q4FY24 due to operating leverage benefit. Overall, PRINCIPIP revenue/EBITDA/APAT fell by 3.2%/37.8%/41.9% YoY in Q4FY24.

Key highlights: The company reported healthy volume growth (16.1% YoY; 5Y CAGR: +5.4%) in Q4FY24 due to good demand seen across applications as well as benefit of price rationalisation exercise implemented in Q3FY24. Net cash position fell from Rs 560mn in Dec'23 to Rs 10mn in Mar'24 due to a sharp increase in receivables as well as decrease in payables.

Guidance: PRINCIPIP has guided for healthy volume growth of 15% with EBITDA margin of 12-14% for the next 2-3 years. The debtor period rose from 49 days in Q4FY23 to 71 in Q4FY24, but management targets to bring it down to 50-55 days over the next two quarters. The Bihar greenfield pipe project (with 48ktpa capacity) is expected to be completed by Q4FY24 at a cost of Rs 2.2bn (of which Rs 0.7bn was spent in FY24). The company plans to further spend Rs 0.8bn-1.0bn for debottlenecking and maintenance capex for both pipe and bathware in FY25.

Maintain HOLD, raise TP by 15% to Rs 750: We maintain our HOLD rating on the stock as we believe future earnings growth prospects (EPS to grow at a healthy 27.5% CAGR over FY24-FY26 over a weak base) is quite well captured in the current valuations (trades at 34.1x on 1Y forward P/E vs 5Y average P/E of 32.2x). We have slightly tweaked our EPS estimates (+0.3%/-0.9% for FY25/FY26) based on the Q4FY24 result, but we have increased our TP to Rs 750 (Rs 650 earlier) due to the roll forward of our valuation from Sep'25 to Mar'26. Our target P/E remains at 30x.

Key changes



Ticker/Price	PRINCIPI IN/Rs 669
Market cap	US\$ 899.6mn
Free float	39%
3M ADV	US\$ 1.5mn
52wk high/low	Rs 776/Rs 521
Promoter/FPI/DII	61%/5%/19%

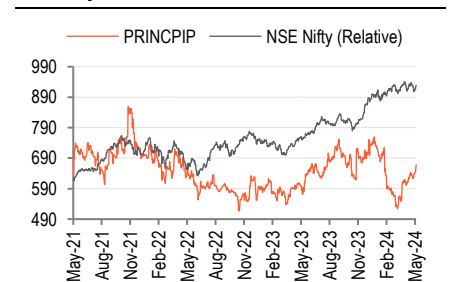
Source: NSE | Price as of 17 May 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	25,687	29,038	34,324
EBITDA (Rs mn)	3,074	3,631	4,611
Adj. net profit (Rs mn)	1,692	2,043	2,751
Adj. EPS (Rs)	15.3	18.5	24.9
Consensus EPS (Rs)	15.3	20.5	25.4
Adj. ROAE (%)	11.6	12.6	15.2
Adj. P/E (x)	43.7	36.2	26.9
EV/EBITDA (x)	24.2	20.6	15.9
Adj. EPS growth (%)	38.3	20.7	34.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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.

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