FIRST LIGHT

31 January 2024

RESEARCH

NIPPON LIFE INDIA AMC | TARGET: Rs 580 | +11% | HOLD

Strong growth but upside capped

APOLLO PIPES | TARGET: Rs 600 | -12% | SELL

Disappointing result on all fronts

ITC | TARGET: Rs 532 | +21% | BUY

Cigarette and paperboard businesses disappoint

LARSEN & TOUBRO | TARGET: Rs 4,200 | +16% | BUY

Order inflow guidance raised; maintain BUY

NTPC | TARGET: Rs 370 | +17% | BUY

Normal quarter, aggressive expansion; maintain BUY

MARICO | TARGET: Rs 618 | +18% | BUY

Domestic business still lacklustre

UTI AMC | TARGET: Rs 909 | +5% | HOLD

Core earnings miss estimates

ASTRAL | TARGET: Rs 2,000 | +7% | HOLD

Mixed quarter, guidance broadly intact

Daily macro indicators

Indicator	26-Jan	29-Jan	Chg (%)
US 10Y yield (%)	4.14	4.07	(6bps)
India 10Y yield (%)	7.18	7.17	0bps
USD/INR	83.12	83.14	0.0
Brent Crude (US$/bbl)	83.6	82.4	(1.4)
Dow	38,109	38,333	0.6
Hang Seng	15,952	16,077	0.8
Sensex	70,701	71,942	1.8
India FII (US$ mn)	**24-Jan**	**25-Jan**	**Chg ($ mn)**
FII-D	16.7	44.7	28.0
FII-E	(652.6)	610.0	1,262.6

Source: Bank of Baroda Economics Research

SUMMARY

NIPPON LIFE INDIA AMC

- QAAUM growth robust at 29% YoY in Q3 fuelled by 10%+ share of industry-wide net equity flows (ex-arbitrage and index)
- Market share expands across categories with overall QAAUM share at 7.67% and equity share at 6.67%
- Downgrade from BUY to HOLD despite raising TP to Rs 580 (vs. Rs 513), owing to recent stock run-up

Click here **for the full report.**

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APOLLO PIPES

- Weak Q3 performance on rise in competitive intensity in a tepid demand environment
- Medium-term growth and ROCE guidance remains unchanged, but unlikely to be achieved in our view
- Downgrade to SELL and cut TP by 8% to Rs 600 on weak operating performance and expensive valuation

Click here **for the full report.**

ITC

- Cigarette business had a soft quarter while FMCG-others remained resilient, and hotels posted its best quarter on a high base
- Paperboard and agri businesses remained under pressure owing to challenges in their respective categories
- Expect gradual recovery in key segments as consumption improves; maintain BUY with new TP of Rs 532 (vs. Rs 523) on rollover

Click here **for the full report.**

LARSEN & TOUBRO

- Q3 order inflows and topline strong but margins declined due to legacy orders in the mix
- Order inflow and revenue guidance raised but margin guidance cut, though LT expects QoQ margin improvement going forward
- We adjust FY24/FY25/FY26 PAT estimates by -13%/+2%/+9% and raise TP to Rs 4,200 (vs. Rs 3,500); retain BUY

Click here **for the full report.**

NTPC

- Q3 power generation grew 14% YoY with bump-up in PAT to Rs 45.7bn due to movement in regulatory deferral balance
- Renewable and thermal capacity additions of ~11GW and ~10GW respectively planned by FY26
- TP raised to Rs 370 (vs. Rs 290) on higher core target P/B of 2.1x (vs. 1.6x) as we expect valuation gap to private peers to narrow

Click here **for the full report.**

MARICO

- Dull Q3 performance in domestic as well as international markets amid a challenging operating environment
- Growth in rural markets, mass category and general trade yet to pick up, dampening volume growth at bottom of the pyramid
- TP reduced to Rs 618 (vs. Rs 646) as we roll valuations over to FY26E and cut our target P/E from 47x to 44x; maintain BUY

Click here for the full report.

UTI AMC

- Q3 AUM growth in line at 13% YoY to Rs 2.7tn, but equity and hybrid schemes combined saw sustained outflows
- Yields slipped owing to higher growth in lower yielding ETFs; core net profit missed our estimate
- We tweak FY25/FY26 earnings projections, leading to a new TP of Rs 909 (vs. Rs 920); maintain HOLD

Click here for the full report.

ASTRAL

- Topline in line at Rs 13.7bn; miss at EBITDA level on one-off expense and MTM inventory loss
- Pipe volume growth lags that of closest peer SI for eighth straight quarter
- Maintain HOLD with unchanged TP of Rs 2,000 on expensive valuations

Click here for the full report.

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 580 | ⮝ 11%

NIPPON LIFE INDIA AMC | NBFC | 30 January 2024

Strong growth but upside capped – cut to HOLD

- **QAAUM growth robust at 29% YoY in Q3 fuelled by 10%+ share of industry-wide net equity flows (ex-arbitrage and index)**
- **Market share expands across categories with overall QAAUM share at 7.67% and equity share at 6.67%**
- **Downgrade from BUY to HOLD despite raising TP to Rs 580 (vs. Rs 513), owing to recent stock run-up**

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Strong growth continues: Nippon AMC's revenue from operations increased 20% YoY to Rs 4.2bn at end-Q3FY24 (+17% YoY to Rs 11.8bn at end-9M) and other income, which represents MTM gains on its own investments, grew 73% to Rs 1.1bn. At Rs 2.8bn, PAT beat our estimate by 6% and grew 39% YoY, while core PAT (ex-MTM impact) increased 27% YoY to Rs 2bn.

AUM growth robust: QAAUM grew at a robust 29% YoY to Rs 3.8tn, wherein equity assets jumped 41% YoY and debt was up 26%. Nippon AMC saw sustained demand traction and accounted for 10%+ of industry net equity flows (except arbitrage and index) in Q3 as compared to 11% in Q1. ETFs formed 25% of the company's QAAUM. We bake in the Q3 print by raising our FY24/FY25/FY26 AUM and net profit estimates by 5% and 9% respectively for each of the years.

Market share rises: The company maintained its fourth rank on overall basis with an uptick in market share. QAAUM-based share increased 21bps QoQ from 7.46% in Q2FY24 to 7.67% in Q3. Equity market share improved 15bps QoQ to 6.67% and ETF share grew the most at 134bps QoQ to 15.4% with the company retaining a dominant chunk of volumes and folios.

Yields under pressure: Yield (calc.) was stable QoQ at ~45bps in Q3 but declined 3bps YoY due to the regulatory slab system, whereby TER declines as AUM rises. Equity yields have corrected and are now in the mid-60s owing to the company's large fund size. Management believes the pressure on yields will continue for 3-4 years. We bake in 40bps/39bps/38bps on blended basis for FY24/FY25/FY26.

Downgrade to HOLD post rally: The stock is trading at 25x FY26E EPS. Factoring in robust equity flows, SIP flows, rising market share and continued ETF leadership, we increase our target P/E multiple from 27x to 28x on FY26E EPS – a 7% premium to the long-term mean. Together with our estimate changes, we have a revised TP of Rs 580 (vs. Rs 513). Following the 40% run-up in stock price over the last three months, our new TP carries limited upside potential of 11%, leading us to downgrade our rating from BUY to HOLD.

Key changes

Target	Rating
▲	▼

Ticker/Price	NAM IN/Rs 521
Market cap	US$ 4.0bn
Free float	12%
3M ADV	US$ 5.3mn
52wk high/low	Rs 541/Rs 197
Promoter/FPI/DII	74%/6%/9%

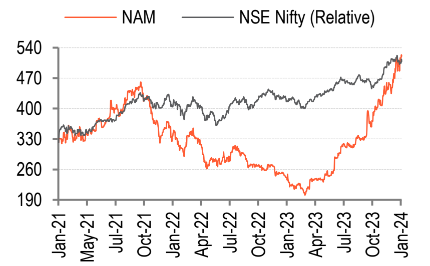
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	7,610	9,473	11,495
Core PBT (YoY)	0.2	24.5	21.3
Adj. net profit (Rs mn)	7,229	10,191	11,271
EPS (Rs)	11.5	16.3	18.0
Consensus EPS (Rs)	11.5	15.4	17.2
MCap/AAAUM (%)	11.2	8.5	7.2
ROAAAUM (bps)	24.7	26.6	24.7
ROE (%)	20.7	28.4	30.0
P/E (x)	45.1	32.0	29.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 600 | ∀ 12%

APOLLO PIPES

| Building Materials | 30 January 2024

Disappointing result on all fronts

- **Weak Q3 performance on rise in competitive intensity in a tepid demand environment**
- **Medium-term growth and ROCE guidance remains unchanged, but unlikely to be achieved in our view**
- **Downgrade to SELL and cut TP by 8% to Rs 600 on weak operating performance and expensive valuation**

Utkarsh Nopany
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Weak quarter: APOLP missed our Q3FY24 revenue/EBITDA/PAT estimates by 12%/11%/20% due to lower-than-expected sales volume growth of 5% YoY (vs. 15% estimated), as competitive intensity sharpened in a weak demand environment. Revenue declined 6% YoY whereas EBITDA/PAT grew 25%/86% YoY owing to a weak base. The company's net cash balance has reduced slightly from Rs 540mn in Sep'23 to Rs 480mn in Dec'23.

Key result highlights: APOLP lost market share in Q3FY24 as it reported a sequential decline in pipe volumes (-5% QoQ) vs. sharp growth posted by its major peers (FNXP: +29%, SI: +19%). Despite a higher share of non-agricultural pipe sales, the company's EBITDA per unit fell by 12% QoQ to Rs 10.7/kg due to the rise in competitive intensity and negative operating leverage.

Guidance trimmed: APOLP has lowered its FY24 volume growth guidance from 30% to 25% based on the weak Q3 performance but expects to clock strong volume growth of 35% YoY in Q4FY24. Management maintained its medium-term guidance of growing revenue at a 25-30% CAGR, achieving EBITDA per unit of Rs 12-13/kg in the near future and Rs 17-18/kg over the next 3-4 years, and scaling ROCE up to 25-30% over the next 3-4 years. However, we believe it would be an uphill task for the company to achieve its twin objectives of stepping up volumes at a better pace than the industry and improving its return ratio profile over the medium term.

Downgrade to SELL; TP cut to Rs 600: We downgrade our rating on the stock from HOLD to SELL as (a) APOLP has been struggling to meet its target of volume growth ahead of industry leader SI for the past few quarters, (b) we expect weak ROE of 10-11% over FY24-FY26, and (c) current valuations look expensive at 39.9x on 1Y forward P/E vs. the 5Y average of 35.2x. We cut our TP to Rs 600 (earlier Rs 650) due to a downward revision in our EPS estimates by 1%/7%/1% for FY24/FY25/FY26 based on a weak Q3FY24. Our target P/E multiple remains unchanged at 30x on Sep'25E EPS – a discount to the stock's 5Y average.

Key changes

Target	Rating
▼	▼

Ticker/Price	APOLP IN/Rs 681
Market cap	US$ 329.7mn
Free float	49%
3M ADV	US$ 0.7mn
52wk high/low	Rs 790/Rs 481
Promoter/FPI/DII	49%/2%/13%

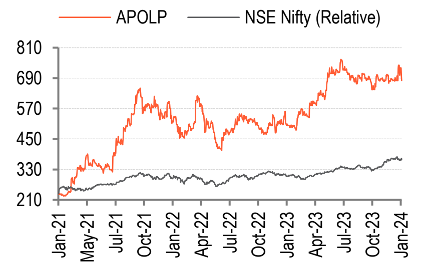
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	9,145	10,194	11,855
EBITDA (Rs mn)	680	1,027	1,288
Adj. net profit (Rs mn)	239	542	707
Adj. EPS (Rs)	6.1	13.6	17.8
Consensus EPS (Rs)	6.1	15.9	21.9
Adj. ROAE (%)	5.5	10.5	10.1
Adj. P/E (x)	111.9	50.0	38.3
EV/EBITDA (x)	39.9	26.3	21.1
Adj. EPS growth (%)	(51.9)	123.6	30.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 532 | 21%

ITC | Consumer Staples | 30 January 2024

Cigarette and paperboard businesses disappoint

- **Cigarette business had a soft quarter while FMCG-others remained resilient, and hotels posted its best quarter on a high base**
- **Paperboard and agri businesses remained under pressure owing to challenges in their respective categories**
- **Expect gradual recovery in key segments as consumption improves; maintain BUY with new TP of Rs 532 (vs. Rs 523) on rollover**

Vikrant Kashyap
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Soft performance in cigarette, agri and paperboard segments: Amidst a challenging operating environment, ITC posted muted 1.8% YoY revenue growth to Rs 180.2bn in Q3FY24. The quarterly performance was affected by a slowdown in cigarette volumes on a high base, continued stress in the agricultural business on account of the ban on wheat & rice exports, and a subdued performance in the paper and paperboard segment owing to poor demand in domestic and global markets and cheap Chinese supply. FMCG-others revenue was up 7.6% YoY and the hotels segment climbed 18% despite a high base.

Steady margins across key segments (ex-agri & paperboard): ITC reported steady margins across segments, barring the paperboard and agri businesses where segment EBIT declined by 51% and 13% YoY respectively. Cigarettes posted 2.3% YoY EBIT growth in a challenging quarter on a high base. FMCG-others clocked 100bps YoY expansion in EBITDA margin to 11% and the hotels business saw 470bps expansion to 36.2%, driven mainly by higher RevPARs, operating leverage and strategic cost initiatives taken by the company. ITC's consolidated EBITDA declined 3% YoY while adj. PAT grew 6.7%.

Operating environment challenging: Management stated that consumption demand was subdued during the quarter, as also seen in Q2FY24, especially in the value segment and in rural markets. However, the company believes that improving farm terms of trade, good recovery in winter crop sowing, and higher government spending augur well for a pickup in rural demand going forward.

Maintain BUY: We trim our FY24/FY25 earnings estimates by 1%/7% post results and introduce FY26 forecasts. In our view, ITC's growth will gather pace as the demand environment improves and strategic initiatives taken by the company yield results. The cigarettes business had a soft quarter on a high base while the FMCG-others and hotels segments have both registered a healthy performance across markets and portfolios. Given strong earnings visibility in the cigarette, FMCG and hotels businesses, we maintain BUY on ITC. Our SOTP-based TP stands revised to Rs 532 (earlier Rs 523) as we roll valuations over to FY26E.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ITC IN/Rs 438
Market cap	US$ 66.5bn
Free float	71%
3M ADV	US$ 60.2mn
52wk high/low	Rs 500/Rs 329
Promoter/FPI/DII	0%/43%/57%

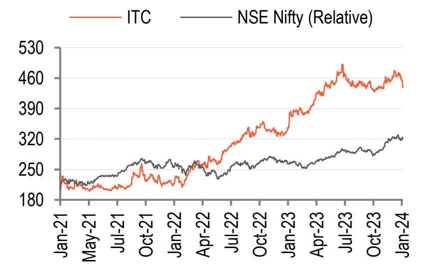
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	709,369	710,387	821,510
EBITDA (Rs mn)	256,649	260,978	297,387
Adj. net profit (Rs mn)	194,039	205,304	221,120
Adj. EPS (Rs)	15.4	16.3	17.5
Consensus EPS (Rs)	15.4	15.8	17.8
Adj. ROAE (%)	27.9	28.2	28.9
Adj. P/E (x)	28.4	26.9	25.1
EV/EBITDA (x)	21.3	20.9	18.4
Adj. EPS growth (%)	22.4	5.4	7.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 4,200 | ⮝ 16%

LARSEN & TOUBRO | Capital Goods | 30 January 2024

Order inflow guidance raised; maintain BUY

- **Q3 order inflows and topline strong but margins declined due to legacy orders in the mix**
- **Order inflow and revenue guidance raised but margin guidance cut, though LT expects QoQ margin improvement going forward**
- **We adjust FY24/FY25/FY26 PAT estimates by -13%/+2%/+9% and raise TP to Rs 4,200 (vs. Rs 3,500); retain BUY**

Vinod Chari | Swati Jhunjhunwala
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Good topline and order inflows: Strong project execution in Q3FY24 saw LT clock 18.8%/17.5% YoY revenue/PAT growth to Rs 551bn/Rs 29bn (adjusted for minority interest). The company posted strong order inflow of Rs 760bn in Q3 and the addressable pipeline for Q4FY24 stands at Rs 6.3tn despite the approaching 2024 elections, driven by infrastructure (Rs 4.1tn) and hydrocarbon (Rs 1.7tn) projects.

Margins to improve gradually from Q4: EBITDA margin slipped 50bps YoY to 10.4% in Q3 and continued to weigh on LT's core margin which stood at a muted 7.5% in 9MFY24. Management expects to complete all legacy orders this year and has guided for an FY24 EBITDA margin band of 8.25-8.5% (vs. 9% at the start of the year) from 8.6% reported in FY23. Management also expects sequential margin improvement over the next four quarters.

Order and revenue guidance enhanced: LT increased its FY24 order inflow and revenue growth guidance to 20% (vs. 10-12%) and the high teens (vs. 12-15%) respectively. The company ended 9MFY24 with a record Rs 4.7tn order book, up from Rs 4.5tn the previous quarter, implying a ~2.6x book-to-bill ratio. Working capital-to-sales improved to 16.6% in 9MFY24 from 19% in the year-ago period, likely helped by good collections as well as strong orders, and management expects to maintain this for the full year.

Return ratios improve: Return of capital through the recent Rs 100bn share buyback along with the special dividend paid out in Q1 has boosted return ratios. 9M ROE has improved 280bps YoY to 15.2%. Despite guiding for lower margins, the company expects to maintain ROE due to better working capital management.

Maintain BUY: LT is a strong play on the India capex story and among our top sector picks. We adjust our FY24/FY25/FY26 PAT estimates by -13%/+2%/+9% to incorporate the Q3 results and raise our SOTP-based TP from Rs 3,500 to Rs 4,200 as we roll valuations over to Dec'25E. We continue to value the core business ex-services at 18x EV/EBITDA given the enhanced order outlook and growing order book. Maintain BUY.

Key changes

Target	Rating
▲	◄►

Ticker/Price	LT IN/Rs 3,633
Market cap	US$ 62.1bn
Free float	86%
3M ADV	US$ 70.1mn
52wk high/low	Rs 3,738/Rs 2,073
Promoter/FPI/DII	0%/21%/35%

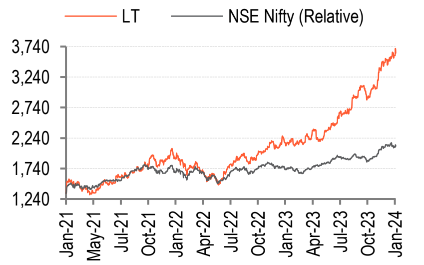
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	18,33,407	21,52,627	25,67,897
EBITDA (Rs mn)	2,07,533	2,47,196	3,33,401
Adj. net profit (Rs mn)	1,03,347	1,35,253	1,97,056
Adj. EPS (Rs)	73.6	98.4	143.4
Consensus EPS (Rs)	73.6	93.6	128.9
Adj. ROAE (%)	12.0	14.4	18.6
Adj. P/E (x)	49.4	36.9	25.3
EV/EBITDA (x)	22.5	19.3	14.3
Adj. EPS growth (%)	20.6	30.9	45.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 370 | ▲ 17%

NTPC | Power | 30 January 2024

Normal quarter, aggressive expansion; maintain BUY

- **Q3 power generation grew 14% YoY with bump-up in PAT to Rs 45.7bn due to movement in regulatory deferral balance**
- **Renewable and thermal capacity additions of ~11GW and ~10GW respectively planned by FY26**
- **TP raised to Rs 370 (vs. Rs 290) on higher core target P/B of 2.1x (vs. 1.6x) as we expect valuation gap to private peers to narrow**

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In-line quarter: NTPC reported a 5% YoY dip in topline to Rs 395bn in Q3FY24 and 2% growth in PAT to Rs 45.7bn (includes a regulatory deferral movement of Rs 14.7bn with respect to tariff orders of previous years). Thermal PLF stood at 76.4% during 9MFY24 as compared to the all-India PLF of 68.5%. The average tariff in 9MFY24 was Rs 4.57/kWh and NTPC's regulated equity at the end of the nine-month period was Rs 821bn on standalone and Rs 987bn on consolidated basis. The company had fixed cost under-recovery of Rs 7.4bn at end-9M and expects this figure to normalise to Rs 4bn-4.5bn by the close of FY24.

Aggressive on renewables: NTPC has added 210MW of renewable capacity in the last 12 months and its installed generation capacity now stands at 73.9GW, of which renewable and hydro power account for 3.4GW and 3.7GW respectively. The company plans to commission 20GW of renewable capacity by FY27 and an additional 40GW by FY32. In the thermal business, it plans to add 16.8GW of coal capacity, for which awarding is expected to conclude by FY27. Additionally, it has identified 14GW of pumped hydro capacity to be commissioned over 6-9 years.

Expect discount to private sector peers to narrow: Power stocks have rallied in the past three months, with the BSE Power index up ~50% and both public and private sector utilities showing strong gains. However, the valuation gap between the two is still 60%, with the average TTM P/B of major private players at 3.2x vs. 2.1x for PSUs. This gap rises to ~100% if we exclude CESC which has been a relative underperformer. Given their pedigree and track record, we see no reason why NTPC should not enjoy valuations closer to private sector peers.

TP raised to Rs 370; maintain BUY: We raise our target P/B multiple for NTPC's core business to 2.2x Dec'25E BV (vs. 1.6x Sep'25E earlier) – still conservative compared to private sector peers – and maintain BUY for a higher SOTP-based TP of Rs 370 (vs. Rs 290). NTPC is among the key players powering India's economy given its robust thermal portfolio. Considering a thrust on renewables and simultaneous enhancement of thermal capacity, we believe the company is well positioned in the power generation space and hence reiterate our BUY rating.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	NTPC IN/Rs 315
Market cap	US$ 37.2bn
Free float	49%
3M ADV	US$ 54.9mn
52wk high/low	Rs 326/Rs 163
Promoter/FPI/DII	51%/16%/33%

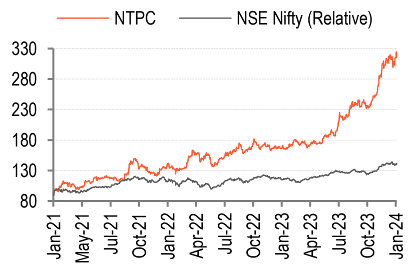
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	16,37,698	16,46,500	18,40,000
EBITDA (Rs mn)	4,32,284	4,32,801	4,85,347
Adj. net profit (Rs mn)	1,71,967	1,82,783	2,17,829
Adj. EPS (Rs)	17.7	20.0	22.5
Consensus EPS (Rs)	17.7	19.5	21.8
Adj. ROAE (%)	12.9	12.8	14.2
Adj. P/E (x)	17.8	15.8	14.0
EV/EBITDA (x)	11.1	11.3	10.0
Adj. EPS growth (%)	5.6	12.7	12.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 618 | ⮝ 18%

MARICO | Consumer Staples | 30 January 2024

Domestic business still lacklustre

- **Dull Q3 performance in domestic as well as international markets amid a challenging operating environment**
- **Growth in rural markets, mass category and general trade yet to pick up, dampening volume growth at bottom of the pyramid**
- **TP reduced to Rs 618 (vs. Rs 646) as we roll valuations over to FY26E and cut our target P/E from 47x to 44x; maintain BUY**

Vikrant Kashyap
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Another soft quarter: MRCO's consolidated Q3FY24 revenue declined by 1.9% YoY to Rs 24.2bn as India business posted muted underlying volume growth of 2% for the third straight quarter. General trade remained under pressure as it grappled with liquidity and profitability constraints, while alternate channels remained healthy. International business grew only 6% YoY CC owing to persisting macroeconomic headwinds and geopolitical tensions in some markets.

Domestic business remains dull: India business posted slow 2% YoY volume growth due to weakness in the edible oil and hair oil categories, with domestic revenue down 3% YoY to Rs 17.9bn. *Parachute* coconut oil (34% of domestic business) posted 3% YoY volume growth, value-added hair oil (20%) had another flat quarter, and *Saffola* edible oil (18%) registered mid-single-digit volume growth and a 26% YoY decline in revenue owing to price corrections. The food business, however, continued to do well with value growth of 18% YoY largely driven by the Plix acquisition. Premium personal care products also delivered a steady quarter.

Margin expansion continues: Gross margin expanded 640bps YoY and 80bps QoQ to 51.3% on a favourable raw material base. EBITDA grew 12.5% YoY with a 270bps YoY rise in margin to 21.2% despite increased spending on brands that pushed up A&P spend by 12% YoY. Adj. PAT grew 17% YoY, shored up by a lower tax rate.

Maintain BUY: We pare our FY24/FY25 PAT estimates by 4%/8% as MRCO has continued to display a soft performance for the third straight quarter due to a difficult demand environment and increased regional competition. The stock is trading at 44.8x/41.6x FY24E/FY25E EPS. We roll valuations over to FY26E and now value the stock at 44x FY26E EPS (vs. 47x on FY25E) – in line with the long-term mean – to bake in the growth slowdown. Our TP thus reduces to Rs 618 (from Rs 646). We maintain BUY as we believe a continued focus on the food portfolio, product launches, and brand investments would aid volume recovery and profitable growth.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	MRCO IN/Rs 523
Market cap	US$ 8.2bn
Free float	40%
3M ADV	US$ 9.3mn
52wk high/low	Rs 595/Rs 463
Promoter/FPI/DII	59%/25%/16%

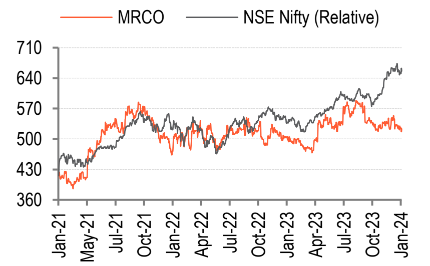
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	97,640	96,912	104,585
EBITDA (Rs mn)	18,100	20,519	22,563
Adj. net profit (Rs mn)	13,020	15,050	16,239
Adj. EPS (Rs)	10.1	11.7	12.6
Consensus EPS (Rs)	10.1	11.6	12.9
Adj. ROAE (%)	35.4	35.1	32.6
Adj. P/E (x)	51.8	44.8	41.6
EV/EBITDA (x)	37.3	32.9	29.9
Adj. EPS growth (%)	6.3	15.6	7.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 909 | ⮝ 5%

UTI AMC | NBFC | 30 January 2024

Core earnings miss estimates

- **Q3 AUM growth in line at 13% YoY to Rs 2.7tn, but equity and hybrid schemes combined saw sustained outflows**
- **Yields slipped owing to higher growth in lower yielding ETFs; core net profit missed our estimate**
- **We tweak FY25/FY26 earnings projections, leading to a new TP of Rs 909 (vs. Rs 920); maintain HOLD**

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AUM growth in line: UTI AMC's QAAUM grew 13% YoY to Rs 2.7tn in Q3FY24 – in line with our estimate. ETFs constituted 38% of the total and grew 27% YoY whereas debt schemes grew 24% YoY. Equity schemes were up 7% YoY to Rs 1.1tn. Gross inflow mobilised through SIPs stood at Rs 17bn for the quarter, with SIP AUM rising 38% YoY to Rs 297bn. B30 MAAUM formed 23% of the mix vs. 15% for the industry at end-Dec'23. We raise our FY24-FY26 AUM estimates by 1-5% to bake in above-expected growth in the ETF and debt categories.

Overall flows positive but equity outflow continues: UTI AMC registered overall inflows of Rs 22bn in Q3, with ETFs and index funds attracting inflows of Rs 26bn and liquid schemes drawing Rs 13bn. However, the company saw sustained outflows in equity and hybrid schemes combined at Rs 11bn, on the heels of outflows of Rs 3bn in Q2FY24. This is a concern at a time when the industry is able to attract large equity inflows.

Core earnings fall short: Core PAT at Rs 784mn in Q3 missed our estimate by 7%. Core revenue grew 2% YoY to Rs 2.9bn, of which the mutual fund business was up only 3% YoY to Rs 2.2bn owing to lower growth in the equity segment. Reported net profit beat our forecast by 8% but only due to a surge in other income from MTM gains. Operating expenses increased 9% YoY to Rs 1.8bn as other expenses soared 25% to Rs 704mn while employee cost was flat at Rs 1.05bn. Baking in the Q3 print, we raise our FY24 PAT forecast by 15% but pare FY25/FY26 estimates by 1% each.

Yields dip: Q3 yield (calc.) dipped to 34bps in Q3 from 35bps in Q2FY24. The share of higher yielding equity in the AUM mix grew 55bps QoQ to 38.5% whereas lower yielding ETFs grew at a higher 120bps. Sequentially, yields on both the MF business and core revenue declined 1%. Subsidiaries' revenue grew 8% QoQ to Rs 640mn.

Maintain HOLD: We value the stock at an unchanged 17x FY26E P/E – a 12% discount to mean. Following our earnings revision, our TP moves to Rs 909 (from Rs 920), which offers just 5% upside – maintain HOLD. Growth in equity AUM, net inflows and subsidiaries are key monitorables for the stock.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	UTIAM IN/Rs 867
Market cap	US$ 1.3bn
Free float	65%
3M ADV	US$ 1.7mn
52wk high/low	Rs 927/Rs 608
Promoter/FPI/DII	0%/6%/60%

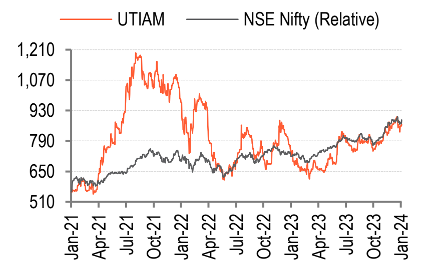
Source: NSE | Price as of 29 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	4,265	4,354	4,941
Core PBT (YoY)	(5.6)	2.1	13.5
Adj. net profit (Rs mn)	4,393	7,552	6,200
EPS (Rs)	34.4	59.5	48.8
Consensus EPS (Rs)	34.4	49.9	46.8
MCap/AAAUM (%)	4.6	4.0	3.5
ROAAAUM (bps)	18.4	27.6	20.0
ROE (%)	11.7	18.7	14.3
P/E (x)	25.2	14.6	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD
TP: Rs 2,000 | 7%

ASTRAL | Building Materials | 30 January 2024

Mixed quarter, guidance broadly intact

- **Topline in line at Rs 13.7bn; miss at EBITDA level on one-off expense and MTM inventory loss**
- **Pipe volume growth lags that of closest peer SI for eighth straight quarter**
- **Maintain HOLD with unchanged TP of Rs 2,000 on expensive valuations**

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Mixed quarter: ASTRA's Q3FY24 topline was broadly in line with our estimate, but the company missed our EBITDA/PAT forecasts by 10%/17% due to a one-time expense of Rs 110mn towards celebration of its 25th anniversary and an MTM inventory loss of Rs 200mn. Consolidated revenue/EBITDA/PAT grew 8%/10%/23% YoY.

Key result highlights: At 15% YoY, ASTRA reported inferior pipe volume growth compared to SI (17% YoY) for the eighth consecutive quarter in Q3. The adhesives (SEAL IT), paints and bathware divisions once again reported weak performances, but management expects improvement from FY25 onwards. On a positive note, Resinova reported strong EBITDA growth of 15% YoY in Q3 due to benefits from startup of the new Dahej unit in Sep'23 and lower chemical prices.

Guidance intact: The company has maintained its pipe volume growth guidance of 20%+ for FY24. Over the medium term, ASTRA aims to increase its pipe volumes at a 15% CAGR with a 16-17% EBITDA margin (vs. 16-18% earlier). Resinova's revenue growth guidance has been maintained at 15-20% YoY with EBITDA margin of 14-15% (15%+ earlier) over the medium term. Management expects SEAL IT to deliver a better operating margin of 8% in Q4FY24, rising to double digits in FY25. The performance of the paints division is also expected to improve from Q1FY25.

Capex: ASTRA has maintained its capex guidance of Rs 4.25bn/Rs 2.5bn for FY24/FY25. Pipe capacity has increased from 310ktpa in Q2FY24 to 320ktpa in Q3FY24. The company commenced operations at its greenfield plant in Guwahati (22 ktpa) in Jan'24. It plans to start production at its greenfield pipe facilities in Hyderabad (40ktpa in phase I) by Q2FY25 and Kanpur (25-30ktpa in phase I) by Q1FY26.

Maintain HOLD: The stock is trading at 73.1x on 1Y forward P/E vs. the 5Y average of 66.5x. We maintain our HOLD rating with an unchanged TP of Rs 2,000 due to expensive valuations. We have slightly pruned our EPS estimate for FY24 by 2% due to the weak Q3 result but largely maintained our forecasts for FY25/FY26. Our target P/E multiple remains unchanged at 70x on Sep'25E EPS.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	ASTRA IN/Rs 1,876
Market cap	US$ 6.1bn
Free float	44%
3M ADV	US$ 10.7mn
52wk high/low	Rs 2,058/Rs 1,298
Promoter/FPI/DII	56%/19%/13%

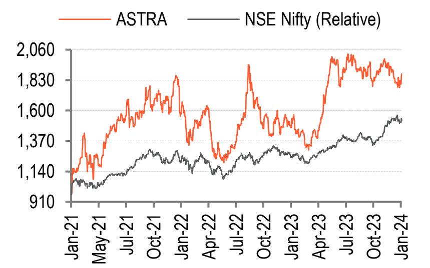
Source: NSE | Price as of 30 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	51,585	57,130	67,759
EBITDA (Rs mn)	8,100	9,452	11,930
Adj. net profit (Rs mn)	4,710	5,676	7,146
Adj. EPS (Rs)	17.5	21.1	26.6
Consensus EPS (Rs)	17.5	23.1	29.7
Adj. ROAE (%)	17.7	17.8	19.3
Adj. P/E (x)	107.2	88.9	70.6
EV/EBITDA (x)	62.9	54.0	42.8
Adj. EPS growth (%)	(3.0)	20.5	25.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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