FIRST LIGHT

31 October 2024

RESEARCH

MARUTI SUZUKI | TARGET: Rs 13,451 | +22% | BUY

Steady performance; upgrade to BUY on reasonable valuations

OIL & GAS

Near-term challenges, earnings growth key for medium term

DABUR INDIA | TARGET: Rs 697 | +28% | BUY

Macro and weather tailwinds vs carbonated soft drinks

VOLTAS | TARGET: Rs 1,700 | +0% | HOLD

In-line revenue; margins on the rise

INDRAPRASTHA GAS | TARGET: Rs 455 | +8% | HOLD

Lower headroom to avert growth slowdown

GREENLAM INDUSTRIES | TARGET: Rs 530 | +4% | HOLD

Weak quarter; quick ramp up of new projects a key monitorable

V-GUARD INDUSTRIES | TARGET: Rs 440 | +4% | HOLD

Broad-based growth drives topline

SUMMARY

MARUTI SUZUKI

- Q2FY25 revenue was flat YoY (+5% QoQ) in a challenging quarter, realisation improved by 2%/1% YoY/QoQ
- Commodity costs inflation impacted gross margin by 140/170bps YoY/QoQ, better cost control restricted EBITDA margin fall
- Valuation correction leaves room for upside, continue to value MSIL at 25x P/E with revised TP of Rs 13,451 (from Rs 13,305). Upgrade to BUY

Click here for the full report.

BOBCAPS Research
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OIL & GAS

- Q2 miss due to higher inventory losses and LPG under-recovery; underlying R&M margin strong on high auto fuel margins
- Weak refining, LPG under-recovery, cut in auto fuel prices and Q2 inventory losses weigh on FY25 earnings; medium-term outlook healthy
- Maintain BUY on HPCL (revised TP Rs 450) on growth delivery, HOLD on BPCL (TP Rs 315) and upgrade IOCL to HOLD (revised TP Rs 155)

Click here **for the full report.**

DABUR INDIA

- Sales were in line with consensus and our estimates. EBITDA was 4% below consensus and 1% above our estimates
- Beverages were the main driver of destocking. Value-conscious consumer is preferring CSDs. We expect sales trends to remain soft
- DABUR has favourable macro tailwinds from rural while La Nina will likely drive the high-margin, winter-skewed healthcare portfolio. BUY

Click here **for the full report.**

VOLTAS

- Topline grew 14% YoY in Q2; EBITDA margin expanded 310bps YoY, fueled by better cost efficiencies
- UCP volumes jumped 56% YoY in 1H; amid an unseasonal quarter; market share maintained at 21% in Q2; EMP business stayed profitable
- Maintain FY25 estimates & hike FY26E/FY27E EPS by 8%/4% as EMP's EBIT continues to be positive and domestic business healthy. HOLD

Click here **for the full report.**

INDRAPRASTHA GAS

- IGL indicated near-term increase of Rs 5-6/kg due to loss of APM gas allocation for CNG segment and confirms need for price increase
- Higher need for price increase than MAHGL could pose risk to commercial vehicle conversions as well as current momentum for PVs
- Cut FY25-27E EBITDA by ~25% factoring in cut in EBITDA margin to Rs 6/scm, lower TP to Rs 455 (Rs 600); retain HOLD

Click here **for the full report.**

GREENLAM INDUSTRIES

- Weak Q2 on lower-than-expected laminate volume and slow ramp-up of plywood segment
- Maintained revenue growth guidance of 18-20% for FY25; plywood to reach breakeven point over the next one year (H2FY25 earlier)
- Maintain HOLD on weak ROCE for its particleboard project and expensive valuations; TP cut by 5% to Rs 530

Click here for the full report.

V-GUARD INDUSTRIES

- Topline surged 14% YoY, driven by steady gains across Electronics, Electricals, and ECD segments, while Sunflame sales held steady
- Electricals margins fell on raw material volatility, while Sunflame growth was flat amid weak sentiment
- We pare FY25/FY26/FY27 EPS estimates by 3% each and continue to value the stock at 37x P/E. We maintain TP of Rs 440 and HOLD rating

Click here for the full report.

BUY
TP: Rs 13,451 | ▲ 22%

MARUTI SUZUKI | Automobiles | 30 October 2024

Steady performance; upgrade to BUY on reasonable valuations

- **Q2FY25 revenue was flat YoY (+5% QoQ) in a challenging quarter, realisation improved by 2%/1% YoY/QoQ**
- **Commodity costs inflation impacted gross margin by 140/170bps YoY/QoQ, better cost control restricted EBITDA margin fall**
- **Valuation correction leaves room for upside, continue to value MSIL at 25x P/E with revised TP of Rs 13,451 (from Rs 13,305). Upgrade to BUY**

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Steady topline; realisation gains despite higher discounts is the key: MSIL's Q2FY25 revenue was flat YoY (+5% QoQ) at Rs 372bn in a challenging quarter. This was backed by realisation improvement of 2%/1% YoY/QoQ despite tepid volume growth YoY (4% QoQ). Higher SUV demand continued to drive sales volume of 541.5k units. Average blended realisation/vehicle was Rs 686.9k. MSIL extended higher discounts/vehicle for Q2FY25 (Rs 29.3k vs Rs 21.7k in Q1FY25).

Operating margin under pressure YoY/QoQ: Raw material cost at 71.9% of sales jumped 140bps/170bps YoY/QoQ, lowering gross margin to 28.1%. Other expenditure fell 4.7% YoY (flat QoQ) to Rs 45.7bn. Employee cost was flat YoY, down 50bps QoQ (as % of sales). This and forex gains helped restrict EBITDA fall by ~8% YoY to ~Rs 44.1bn, with margin decline of 90bps YoY/QoQ to 11.9% (-80bps QoQ).

Capacity expansion plans: MSIL commissioned an additional facility at Manesar with the capacity to manufacture 0.1mn units in Q1FY25, increasing the manufacturing capacity at the Manesar facility to 0.9mn/year. MSIL also increased the capacity of Ertiga and the supply of CNG vehicles. MSIL's planned expansion at Kharkhoda (Haryana) with a capacity of 0.25mn vehicles/pa is due to become operational in FY25. MSIL has signed an MoU with the Gujarat government to set up a 1mn unit plant by FY29 and has earmarked Rs 350bn of capex.

Estimates adjusted for tax rate; upgrade to BUY as valuations reasonable: We cut our FY25E/FY26E/FY27E EPS by 1%/2% factoring in the higher tax rate with no change in the operational performance estimates. Our three-year Revenue/ EBITDA/PAT CAGR is healthy at 14%/15%/10%. Our gross margin assumptions hover at ~29% with EBITDA margin of ~12% over FY25E-FY27E. We factor in an upbeat growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on electric vehicles (average of 1 EV launch till FY30). We feel the recent correction in valuations leave enough room for uptick. We upgrade our HOLD rating to BUY. We continue to value the stock at 25x P/E 1-year forward earnings, (on par with its 10Y average), leading to a revised TP of Rs 13,451 (Rs 13,305).

Key changes

Target	Rating
▲	▲

Ticker/Price	MSIL IN/Rs 11,046
Market cap	US$ 39.7bn
Free float	44%
3M ADV	US$ 88.0mn
52wk high/low	Rs 13,680/Rs 9,738
Promoter/FPI/DII	56%/23%/16%

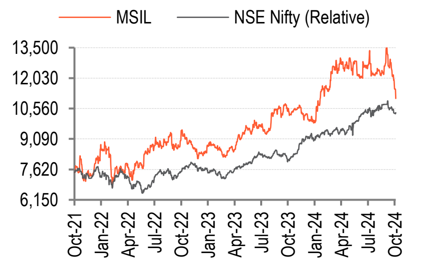
Source: NSE | Price as of 29 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	14,09,326	16,28,760	18,47,013
EBITDA (Rs mn)	1,64,011	1,93,512	2,20,664
Adj. net profit (Rs mn)	1,32,094	1,40,449	1,56,116
Adj. EPS (Rs)	437.3	464.9	516.8
Consensus EPS (Rs)	437.3	484.0	540.9
Adj. ROAE (%)	15.7	14.9	14.7
Adj. P/E (x)	25.3	23.8	21.4
EV/EBITDA (x)	20.3	17.3	15.1
Adj. EPS growth (%)	64.1	6.3	11.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

OIL & GAS

30 October 2024

Near-term challenges, earnings growth key for medium term

- **Q2 miss due to higher inventory losses and LPG under-recovery; underlying R&M margin strong on high auto fuel margins**
- **Weak refining, LPG under-recovery, cut in auto fuel prices and Q2 inventory losses weigh on FY25 earnings; medium-term outlook healthy**
- **Maintain BUY on HPCL (revised TP Rs 450) on growth delivery, HOLD on BPCL (TP Rs 315) and upgrade IOCL to HOLD (revised TP Rs 155)**

Kirtan Mehta, CFA
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Q2 miss but underlying margins fine: While Oil Marketing Companies (OMCs) missed consensus forecasts, underlying R&M profitability was healthy at US$ 6.4/bbl excluding inventory losses and at US$ 9.3/bbl further excluding LPG under-recovery on strong auto fuel margins after pullback in crude prices.

Near-term challenges: Despite strong auto fuel margins, OMC's profitability in FY25E is likely to be impacted by (i) near-term weak outlook on refining, (ii) lower probability of reversal of inventory losses faced in Q2 owing to range-bound outlook for crude prices, (iii) potential pass through of higher auto fuel costs to consumers, and (iv) timing uncertainty or budgetary support for recouping LPG under-recovery. We lower FY25E EBITDA by 6%/ 8%/ 13% for BPCL/ HPCL/ IOCL.

Healthy medium-term outlook: The ability of Indian consumers to absorb retail auto fuel prices at least up to crude prices of US$ 85-90/bbl and range-bound outlook on crude price given increasing OPEC surplus are positive drivers for the marketing margins of OMCs. While refining outlook has weakened, closures of high-cost refineries in developed world could help rebalance the market. Beyond FY25, we currently assume mid-cycle margins for OMCs.

Adjust TPs: We maintain our TP for BPCL at Rs 315, and adjust TPs for HPCL to Rs 450 (from Rs 465) and IOCL to Rs 155 (from Rs 165), factoring in changes to our estimates and roll forward of valuation to Sep'25. While we maintain our target 1Y fwd EV/EBITDA multiple at 6x for BPCL and HPCL, we continue to use a lower 5.5x for IOCL given its higher earnings volatility.

Prefer HPCL amongst OMCs: With stock prices baking in mid-cycle margin assumptions for FY26, earnings growth becomes the key catalyst. We maintain BUY on HPCL as it is well positioned to deliver earnings growth ahead of other OMCs from completion of projects. We maintain HOLD on BPCL given the growth hiatus till FY28 due to a pause in investments over FY20-23. We upgrade IOCL to HOLD from SELL given the 20% correction in stock price over the past month. While IOCL is pursuing an ambitious investment programme, visibility on its delivery is still low.

Recommendation snapshot

Ticker	Price	Target	Rating
BPCL IN	311	315	HOLD
HPCL IN	389	450	BUY
IOCL IN	144	155	HOLD

Price & Target in Rupees | Price as of 29 Oct 2024

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 697 | ⮝ 28%

DABUR INDIA | Consumer Staples | 31 October 2024

Macro and weather tailwinds vs carbonated soft drinks

- **Sales were in line with consensus and our estimates. EBITDA was 4% below consensus and 1% above our estimates**
- **Beverages were the main driver of destocking. Value-conscious consumer is preferring CSDs. We expect sales trends to remain soft**
- **DABUR has favourable macro tailwinds from rural while La Nina will likely drive the high-margin, winter-skewed healthcare portfolio. BUY**

Lokesh Gusain
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EBITDA miss: DABUR reported a 16% decline in underlying EBITDA with sales down 5% as margins contracted 240bps to 18.2%. Destocking impacted leverage as gross margin expanded 100bps YoY. Sales were in line with consensus and our estimates. EBITDA was 4% below consensus and 1% above our estimates.

Destocking and demand outlook: DABUR clarified destocking to be one-off and normalised business starting Oct'24. In terms of demand trends, rural grew 130bps ahead of urban in 2Q. The company expects urban to recover from the Dec'24 quarter with easier year ago comps. Rural demand drivers are favourable with rise in kharif acreage and increase in Rabi minimum support prices (MSPs).

Issue in beverages: Share shift is happening from non-carbonated soft drinks-non-alcoholic beverages to CSD – juices are the most impacted due to their high price differential. In its value / Real juice offering, DABUR is undertaking changes in packaging (PETs) and adding additional price points. We think consumer preference for value is clear for the time as DABUR's premium portfolio / Real Active 100% is still doing well despite a higher price differential with CSDs. We expect DABUR will continue to struggle with its value juice offering in beverages.

Earnings outlook: Across FY25-FY27, we reduce our sales forecasts to factor in the weakness in the Beverages segment. Our gross margins are lower for FY25 to factor in lower-than-expected performance in 2Q along with some margin pressure to manage weakness in beverages. The negative operating leverage from weaker sales in beverages is driving our lower EBITDA margin forecasts.

Our view: With a struggling beverages business, DABUR is reliant on macro and weather tailwinds to deliver low double-digit sales growth. We expect La Nina to be favourable for DABUR's high margin healthcare portfolio, including Chyawanprash, which has remained soft over the past two years. Meanwhile, 50% rural sales exposure helps active participation in rural recovery. We value DABUR at 52x 12M to Sep'26 EPS using P/E relative to the NIFTY 50 index. We reduce TP to Rs 697 from Rs 762 due to earnings downgrades partly offset by higher NIFTY multiples.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	DABUR IN/Rs 547
Market cap	US$ 11.5bn
Free float	33%
3M ADV	US$ 20.7mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

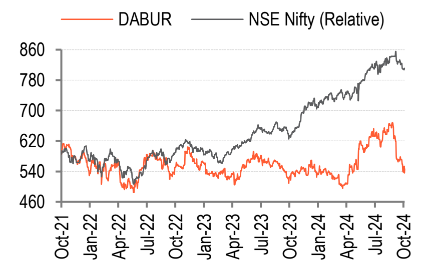
Source: NSE | Price as of 30 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	131,218	146,669
EBITDA (Rs mn)	24,002	24,814	29,194
Adj. net profit (Rs mn)	18,427	18,736	22,213
Adj. EPS (Rs)	10.4	10.6	12.5
Consensus EPS (Rs)	10.4	11.6	13.3
Adj. ROAE (%)	18.7	17.3	18.7
Adj. P/E (x)	52.6	51.7	43.6
EV/EBITDA (x)	40.4	39.0	33.2
Adj. EPS growth (%)	7.9	1.7	18.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 1,700 | ⮝ 0%

VOLTAS | Consumer Durables | 30 October 2024

In-line revenue; margins on the rise

- **Topline grew 14% YoY in Q2; EBITDA margin expanded 310bps YoY, fueled by better cost efficiencies**
- **UCP volumes jumped 56% YoY in 1H; amid an unseasonal quarter; market share maintained at 21% in Q2; EMP business stayed profitable**
- **Maintain FY25 estimates & hike FY26E/FY27E EPS by 8%/4% as EMP's EBIT continues to be positive and domestic business healthy. HOLD**

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Strong Q2 performance with margin expansion: VOLT delivered a strong Q2, with revenue up 14% YoY to Rs 26.2bn, in line with our estimate of Rs 26bn. Gross margin improved by 130bps YoY to 25.8%, while EBITDA surged by 131% YoY to Rs 1.6bn, due to a 7% reduction in other expenses, now constituting 10.6% of consolidated sales compared to 13% in the prior year. This cost efficiency drove an EBITDA margin increase of 310bps YoY to 6.2%, 40bps below our estimate of 6.6%. Key to this margin uplift was the continued positive turnaround in the EMP segment, marking its second consecutive quarter of profitability after losses from Q3FY23 to Q4FY24. PAT reached Rs 1.3bn, surpassing our projection of Rs 1.2bn.

UCP leads; market share maintained: In what is traditionally an unseasonal quarter, the UCP segment delivered a standout performance, posting 31% topline growth – outpacing peers like Lloyd, which reported 18.5% YoY growth. UCP sales reached Rs 15.8bn, driven by strong volume expansion, with H1FY25 volumes up a strong 56% YoY. As of Sep'24, VOLT retained its market-leading position with 21% share, maintaining dominance in both split and window room air conditioners (RACs). Despite a modest 40bps YoY contraction in EBIT margins to 7.3%, the segment's robust growth underscores VOLT's resilience in a competitive market.

EMP faces headwinds: EMP sales dipped by 5% YoY to Rs 8.8bn, primarily due to prolonged rains, yet the segment sustained a solid EBIT margin of 5.2%. Timely project execution and focused initiatives in completion certifications helped achieve positive EBIT for the second consecutive quarter. International growth, particularly in UAE and Saudi Arabia, added resilience to the performance. The Voltas-Beko JV recorded a manageable loss of Rs 323mn, with H1FY25 volume growth surging by 54%, driven by increased market share in refrigerators and washing machines, and marking a positive outlook for the brand's long-term positioning.

Maintain HOLD: Factoring in Q2, we maintain our FY25 estimates and raise FY26E/FY27E by 8%/4%. We believe the EMP segment turning around, margin expansion in the UCP segment and continued growth in VOLTBEK will enhance profitability. We continue valuing VOLT at 49x; upon rollover our TP is Rs 1,700.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VOLT IN/Rs 1,698
Market cap	US$ 6.7bn
Free float	70%
3M ADV	US$ 38.5mn
52wk high/low	Rs 1,945/Rs 811
Promoter/FPI/DII	30%/21%/33%

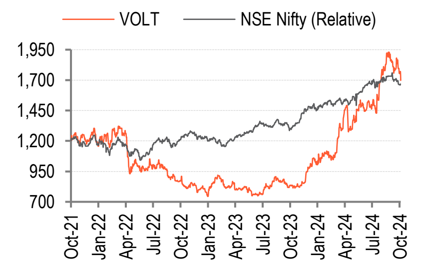
Source: NSE | Price as of 30 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,812	151,355	180,788
EBITDA (Rs mn)	4,746	11,555	15,190
Adj. net profit (Rs mn)	2,520	8,289	10,782
Adj. EPS (Rs)	7.6	25.1	32.6
Consensus EPS (Rs)	7.6	24.5	31.0
Adj. ROAE (%)	4.5	13.5	15.7
Adj. P/E (x)	222.9	67.8	52.1
EV/EBITDA (x)	118.4	48.6	37.0
Adj. EPS growth (%)	(33.5)	228.9	30.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 455 | ⮝ 8%

INDRAPRASTHA GAS | Oil & Gas | 31 October 2024

Lower headroom to avert growth slowdown

- **IGL indicated near-term increase of Rs 5-6/kg due to loss of APM gas allocation for CNG segment and confirms need for price increase**
- **Higher need for price increase than MAHGL could pose risk to commercial vehicle conversions as well as current momentum for PVs**
- **Cut FY25-27E EBITDA by ~25% factoring in cut in EBITDA margin to Rs 6/scm, lower TP to Rs 455 (Rs 600); retain HOLD**

Kirtan Mehta, CFA
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Q2 miss: Q2 EBITDA was below ours and consensus forecasts on lower EBITDA margin. Volume growth recovered well, in line with prior guidance during the Q1 call.

Higher impact of deallocation of APM Gas: On the Q2 call, IGL indicated near-term cost increase of Rs 5/kg in Delhi and Rs 5.5-6/kg outside Delhi due to loss of APM gas for CNG segment. We believe the cost will come down as IGL ties up contracts to offset this loss. IGL also confirmed the need for price increase and is currently working on timing and quantum of increases.

Growth slowdown risk higher than MAHGL: With lower EBITDA margin base than MAHGL, IGL has higher needs to undertake price increases to maintain margin even in the range of Rs 6/scm. The key disadvantage for IGL is its higher gas purchase cost attributable to higher transportation costs and lower flexibility in LNG contracts (see charts on page 2 and our earlier note). Also, the current differential of CNG to diesel in Uttar Pradesh and Haryana is ~9%, below the empirical range of 15-21% for promoting conversions in the commercial vehicle space. Price increase needs to remain calibrated to maintain momentum in passenger vehicle segment.

Cut forecasts: We lower our FY25-FY27E EBITDA forecasts by ~25% lowering EBITDA margin assumptions by ~Rs 2/scm to below Rs 6/scm. We believe IGL needs to prioritise growth and not hamper current momentum by compromising on margins. We believe that prioritising margins in a higher range could pose risk to growth momentum and have a higher impact on long-term EBITDA growth.

Retain HOLD: Factoring in lower margins and slower volume growth, we lower the DCF-based TP to Rs 455 (from Rs 600). For our DCF, we lower FY24-33E growth to 7% (from 7.5%) and average margin to Rs 6.5/scm (from Rs 8/scm). Our TP implies an FY26 target multiple of 19.0x, higher than the 5Y mean 1Y-fwd P/E of 18.1x. This is higher than the implied target multiple for MAHGL at 15.5x due to the use of higher terminal growth rate of 4% (2.5% for MAHGL) reflecting a larger footprint. As IGL has corrected by 25% over the past month, we now have 8% upside, and we reiterate HOLD.

Key changes

Target	Rating
▼	◄►

Ticker/Price	IGL IN/Rs 421
Market cap	US$ 3.5bn
Free float	55%
3M ADV	US$ 14.7mn
52wk high/low	Rs 570/Rs 376
Promoter/FPI/DII	45%/19%/23%

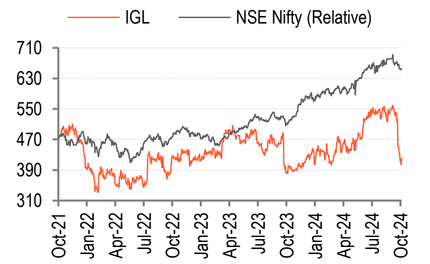
Source: NSE | Price as of 30 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,40,000	1,48,766	1,56,330
EBITDA (Rs mn)	23,637	19,444	20,909
Adj. net profit (Rs mn)	19,834	16,093	16,743
Adj. EPS (Rs)	28.3	23.0	23.9
Consensus EPS (Rs)	28.3	28.8	31.3
Adj. ROAE (%)	22.6	15.7	14.7
Adj. P/E (x)	14.9	18.3	17.6
EV/EBITDA (x)	11.7	14.1	13.0
Adj. EPS growth (%)	21.0	(18.9)	4.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
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HOLD
TP: Rs 530 | ⮝ 4%

GREENLAM INDUSTRIES | Building Materials | 30 October 2024

Weak quarter; quick ramp up of new projects a key monitorable

- **Weak Q2 on lower-than-expected laminate volume and slow ramp-up of plywood segment**
- **Maintained revenue growth guidance of 18-20% for FY25; plywood to reach breakeven point over the next one year (H2FY25 earlier)**
- **Maintain HOLD on weak ROCE for its particleboard project and expensive valuations; TP cut by 5% to Rs 530**

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Weak Q2: GRLM missed our estimates for Q2FY25 (Revenue/EBITDA/APAT: -9%/-11%/-16%) mainly due to lower-than-expected laminates sales volume (+9.3% YoY vs +13.7% estimated) and slow ramp up of plywood segment. Overall, GRLM's revenue/EBITDA grew by 12.8%/7.7% YoY, but APAT was down 11.6% YoY in Q2FY25 due to higher capital charge related to newly commissioned projects.

Key highlights: On a 3Y CAGR basis, GRLM laminates volume grew at a nominal 4.4% rate vs 16% growth in its capacity due to difficult market conditions, but it still managed to gain market share in both domestic as well as export market. Laminate EBITDA was relatively flat (+0.7% YoY) in Q2FY25 as the impact of higher volumes was offset by margin contraction (-171bps YoY to 14.7%). Plywood segment reported operating loss for the sixth consecutive quarter due to the slow ramp-up of the plant (operated at 23% in Q2FY25 vs 25% in Q1FY25). Veneer segment again reported muted operating performance (breakeven at EBITDA level) in Q2FY25. Net debt has gone up from Rs 9.2bn in Jun'24 to Rs 9.9bn in Sep'24.

Outlook: GRLM has maintained its revenue growth guidance of 18-20% for FY25. The company has hiked prices by 2.5-3.0% for its laminate segment in the domestic market, which is expected to mitigate the impact of raw-material cost inflation in the near future. Management expects its plywood segment to reach EBITDA breakeven over the next one year (H2FY25 earlier). The particleboard project (292,380 CBM) is on track to become operational in Q3FY25 at a cost of Rs 8.75bn.

Maintain HOLD, TP cut by 5% to Rs 530: We maintain our HOLD rating on the stock on (a) weak ROCE projected for its particleboard project at least for the next two to three years due to sharp upward revision in project cost, and (b) expensive valuations (trades at 45.7x on 1Y forward P/E vs 5Y average of 35.1x). We have cut our TP to Rs 530 (Rs 560 earlier) due to downward revision in our EPS estimates (-10.0%/-19.7%/-14.4% for FY25E/FY26E/FY27E) based on the weak Q2 result. Our target P/E has been raised from 33x to 35x (in line with the 5Y average multiple) on Sep'26 estimates (Jun'26 earlier).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	GRLM IN/Rs 511
Market cap	US$ 775.8mn
Free float	49%
3M ADV	US$ 0.2mn
52wk high/low	Rs 662/Rs 431
Promoter/FPI/DII	51%/2%/16%

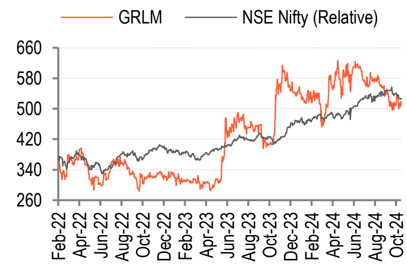
Source: NSE | Price as of 29 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	23,063	27,299	32,119
EBITDA (Rs mn)	2,974	3,112	3,865
Adj. net profit (Rs mn)	1,383	1,177	1,607
Adj. EPS (Rs)	10.8	9.2	12.6
Consensus EPS (Rs)	10.8	12.3	18.7
Adj. ROAE (%)	13.6	10.4	12.9
Adj. P/E (x)	47.2	55.4	40.6
EV/EBITDA (x)	21.1	19.1	14.6
Adj. EPS growth (%)	12.5	(14.9)	36.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 440 | ⮝ 4%

V-GUARD INDUSTRIES | Consumer Durables | 30 October 2024

Broad-based growth drives topline

- **Topline surged 14% YoY, driven by steady gains across Electronics, Electricals, and ECD segments, while Sunflame sales held steady**
- **Electricals margins fell on raw material volatility, while Sunflame growth was flat amid weak sentiment**
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Broad-based growth: Consolidated revenue grew 14% YoY to Rs 12.9bn, in line with expectations and driven by strong performance across Electronics, Electricals, and ECD segments, though Sunflame sales remained flat. The South region (excluding Sunflame) contributed 56% of total sales at Rs 6.8bn, up 14% YoY, while Non-South India sales rose by 17% YoY to Rs 5.5bn, making up 45% of total sales. Gross margin expanded 210bps YoY to 35.8%, supported by cost controls, increased in-house manufacturing, and premiumisation. EBITDA grew 19% YoY to Rs 1.1bn with an EBITDAM of 8.5%, slightly under expectations due to copper price volatility. PAT increased 8% YoY to Rs 634mn.

Strong performance across segments with mixed margin impact: Electronics segment sales surged 19% YoY to Rs 3bn, with a notable EBIT margin increase of 270bps YoY to 19.6%. Electricals saw healthy 16% YoY growth to Rs 5.4bn, though its EBIT margin dipped 140bps to 9.1% due to copper price volatility affecting wire costs. Consumer Durables achieved 11% YoY sales growth, with an EBIT margin boost of 210bps to 4.1%. In contrast, Sunflame's sales remained flat at Rs 611mn, and its EBIT margin fell by 360bps to 1.4%, reflecting some challenges in margin retention.

Regional revenue surge: VGRD posted strong regional growth, with non-South India revenue climbing 17% YoY, showcasing robust market expansion. The South region followed closely, achieving 14% YoY growth. For the second consecutive quarter, non-South markets contributed over 50% of total revenue, emphasising the growing importance of these regions in VGRD's overall revenue mix.

Valuation outlook: To incorporate Q2 we pare our FY25/FY26/FY27 EPS estimates by 3% each as we expect ongoing challenges like increased competition and pricing issues to continue. We roll forward valuations to Sep'26E, and maintain TP at Rs 440. We continue to value the stock at 37x P/E – in line with its five-year average. Maintain HOLD.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	VGRD IN/Rs 423
Market cap	US$ 2.2bn
Free float	44%
3M ADV	US$ 3.9mn
52wk high/low	Rs 577/Rs 283
Promoter/FPI/DII	56%/13%/19%

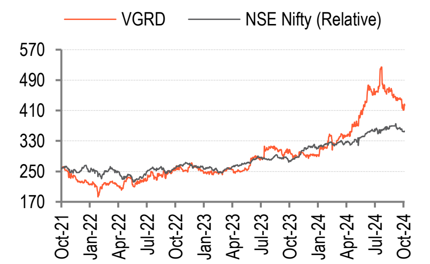
Source: NSE | Price as of 30 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	48,567	55,893	65,108
EBITDA (Rs mn)	4,267	5,594	6,735
Adj. net profit (Rs mn)	2,576	3,674	4,693
Adj. EPS (Rs)	6.0	8.5	10.9
Consensus EPS (Rs)	6.0	9.0	11.0
Adj. ROAE (%)	15.1	18.7	20.4
Adj. P/E (x)	71.0	49.8	39.0
EV/EBITDA (x)	42.8	32.7	27.1
Adj. EPS growth (%)	36.2	42.6	27.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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

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Note: Recommendation structure changed with effect from 21 June 2021

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