BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

05 February 2024

RESEARCH

GODREJ CONSUMER PRODUCTS | TARGET: Rs 1,363 | +10% | HOLD

Consistent volume growth; cut to HOLD post rally

JINDAL STEEL & POWER | TARGET: Rs 805 | +4% | HOLD

Valuations overdone; downgrade to HOLD

ACC | TARGET: Rs 2,542 | +0% | HOLD

Strong margins; cut to HOLD on full valuations

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | CURRENCY OUTLOOK

Fortnightly forex review

V-GUARD INDUSTRIES | TARGET: Rs 310 | -0% | HOLD

In-line quarter

ORIENT ELECTRIC | TARGET: Rs 240 | +9% | HOLD

Slow quarter; Hyderabad plant to spur growth

SOMANY CERAMICS | TARGET: Rs 900 | +22% | BUY

Lacklustre demand dulls performance

GREENPLY INDUSTRIES | TARGET: Rs 300 | +26% | BUY

Strong performance on fast ramp-up of MDF plant

SHREE CEMENT | TARGET: Rs 27,836 | -2% | HOLD

Healthy quarter, expensive valuations

Daily macro indicators

Indicator	31-Jan	01-Feb	Chg (%)
US 10Y yield (%)	3.91	3.88	(3bps)
India 10Y yield (%)	7.14	7.06	(9bps)
USD/INR	83.04	82.98	0.1
Brent Crude (US$/bbl)	81.7	78.7	(3.7)
Dow	38,150	38,520	1.0
Hang Seng	15,485	15,566	0.5
Sensex	71,752	71,645	(0.1)
India FII (US$ mn)	**30-Jan**	**31-Jan**	**Chg ($ mn)**
FII-D	301.6	312.1	10.5
FII-E	(218.3)	209.5	427.8

Source: Bank of Baroda Economics Research

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SUMMARY

GODREJ CONSUMER PRODUCTS

- Sustained quarterly performance amid macro headwinds in domestic markets and currency devaluation in select global markets
- New anti-mosquito incense stick launch expected to spur volume growth in household insecticides category
- TP raised to Rs 1,363 (vs. Rs 1,159) on rollover; downgrade from BUY to HOLD due to sharp run-up in stock price

Click here **for the full report.**

JINDAL STEEL & POWER

- Q3 results ahead on higher per unit EBITDA margin; first coil from HSM represents next milestone on Angul growth project
- Factoring in conservative ramp-up, we lower FY25 EBITDA by 6% but raise our FY26 estimate by 2%; expect 17% CAGR over FY23-FY26
- Raise TP to Rs 805 (from Rs 735) but downgrade rating to HOLD as we await better visibility on delivery of growth

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ACC

- Q3 revenue growth of 8% YoY bolstered by 16% uptick in volumes while realisations moderated 5%
- Cost-saving initiatives saw EBITDA margin climb 10ppt YoY and 600bps QoQ to 18.4%
- We raise FY24/FY25 EPS by 3%/7% and roll over to new TP of Rs 2,542 (vs. Rs 2,158); cut from BUY to HOLD on high valuations

Click here **for the full report.**

INDIA ECONOMICS: BONDS WRAP

Sell off in global bond market was seen in Jan'24 and Feb'24 (till 2nd Feb). It was led by US and the undertone of Fed. Globally, central banks are expected to embark on the easing cycle but the timing might be pushed back as underlying macro picture gives a confusing signal in terms of growth-inflation dynamics. Domestic yields got support from Union Budget. Lower than expected gross borrowing numbers, fiscal prudence; supported yields. Post Budget, it has fallen by 9bps. We expect it to trade in the range of 7-7.10% in the current month. Downward bias persists from a favorable inflation print.

Click here **for the full report.**

INDIA ECONOMICS: CURRENCY OUTLOOK

INR has strengthened by 0.3% in 2024, consolidating a gain of 0.2% it made in 2023. This is significant, as the rupee's gains came against the backdrop of a stronger dollar. In fact, INR is the best performing major currency against the dollar this year. India's resilient growth story along with a comfortable external position, along with RBI's intervention have kept INR mostly range-bound in the last couple of months. While the macro backdrop is highly favourable for the rupee, we believe that the appreciation in the domestic currency is expected to be gradual. RBI is likely to absorb foreign inflows to build up its buffers to cushion against the eventuality of sudden capital outflows, amidst India's increased interconnectedness in the global financial system. Based on this we anticipate a range of 82.5-83/$ in the next fortnight. For 2024, we believe INR to trade with an appreciating bias and slowly inch towards 82/$.

Click here for the full report.

V-GUARD INDUSTRIES

- Q3 topline up 19% YoY on low base but consumer demand still soft; margins expand on lower input prices
- Management guiding for 15% revenue growth and 9-9.5% EBITDA margin in FY24
- We adjust our FY24/FY25/FY26 EPS by -21%/-2%/+3% and roll over to a revised TP of Rs 310 (vs. Rs 300); retain HOLD

Click here for the full report.

ORIENT ELECTRIC

- Topline flattish YoY due to high base and soft demand for fans; EBITDA margin lower on advertising expenses
- Hyderabad plant expected to produce commercially soon, fuelling growth; EPR mandate may cloud margins near term
- TP unchanged at Rs 240 as we cut FY24/FY25/FY26 EPS by 20%/8%/7% and roll over to Dec'25E – maintain HOLD

Click here for the full report.

SOMANY CERAMICS

- Q3 EBITDA miss of 7% on tepid demand environment and rise in competitive intensity from Morbi players
- Expect near-term pain but positive medium-term outlook on near-completion of large capex programme
- Maintain BUY with unchanged TP of Rs 900 on strong earnings growth prospects and reasonable valuations

Click here for the full report.

GREENPLY INDUSTRIES

- EBITDA beat estimates (+6%) in Q3 on quick ramp-up of MDF plant in a challenging environment
- Management outlook upbeat on MDF but cautious on plywood margins; divestment of Gabon stake a positive step
- Maintain BUY with unchanged TP of Rs 300 on strong earnings growth prospects and reasonable valuations

Click here for the full report.

SHREE CEMENT

- Q3 revenue growth of 20% YoY backed by sharp 11% volume uptick to 8.9mt
- EBITDA margin expansion of 780bps YoY to 25.2% buoyed by operating cost savings
- Our TP rises to Rs 27,836 (vs. Rs 24,792) on rollover; current valuations look overdone at 16x FY26E EV/EBITDA – maintain HOLD

Click here for the full report.

HOLD
TP: Rs 1,363 | ⮝ 10%

GODREJ CONSUMER PRODUCTS | Consumer Staples | 02 February 2024

Consistent volume growth; cut to HOLD post rally

- **Sustained quarterly performance amid macro headwinds in domestic markets and currency devaluation in select global markets**
- **New anti-mosquito incense stick launch expected to spur volume growth in household insecticides category**
- **TP raised to Rs 1,363 (vs. Rs 1,159) on rollover; downgrade from BUY to HOLD due to sharp run-up in stock price**

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Sustained volume-led growth in domestic markets: GCPL reported consolidated Q3FY24 revenue of Rs 36.6bn (+1.7% YoY, +19% CC), with volumes up 8% YoY. India business grew 9% YoY led by a 12% rise in volumes despite a challenging macro environment in domestic markets and currency devaluation in select geographies.

Consistent volume growth in international markets: Indonesia business registered strong volume growth of 9% YoY and revenue growth of 8% YoY in rupee terms (+7% CC) backed by a strong performance in the household insecticides (HI) and hair colour businesses. Revenue from Africa and the Middle East region declined 8% in rupee terms (+14% YoY CC) on account of devaluation of the Naira. Latin America and SAARC sales declined 45% in rupee terms (+181% YoY CC) on account of sharp devaluation of the Argentinian peso.

New product launches to improve volume trajectory: During Q3, GCPL entered the Rs 12bn market for anti-mosquito incense sticks *(agarbatti)* which is dominated by unorganised players. *Goodknight* agarbatti is India's only government-registered active-based anti-mosquito agarbatti. The product uses a new molecule named renofluthrin (RNF) which GCPL states is close to 2x more effective than other molecules used in India and for which it enjoys exclusive use in the medium term. This apart, the company launched *Godrej Fab* liquid detergent in select markets of South India at a category-defining price of Rs 99/litre.

Revise to HOLD: GCPL has reported strong volume growth in the domestic market and seen improvement in the quality of profits. We expect the company's emphasis on category development, brand investment and market penetration to support profitable growth. The stock is trading at 51x/ 44.4x FY25E/FY26E EPS. We trim FY24/FY25 EPS estimates 4-6% post Q3 and introduce FY26 forecasts. On rolling valuations over to FY26E, we arrive at a higher TP of Rs 1,363 (vs. Rs 1,159), based on an unchanged P/E multiple of 49x which is in line with the long-term mean. However, we see limited upside following the recent run-up in stock price and hence downgrade GCPL from BUY to HOLD.

Key changes

Target	Rating
▲	▼

Ticker/Price	GCPL IN/Rs 1,237
Market cap	US$ 15.4bn
Free float	37%
3M ADV	US$ 18.8mn
52wk high/low	Rs 1,314/Rs 894
Promoter/FPI/DII	63%/24%/13%

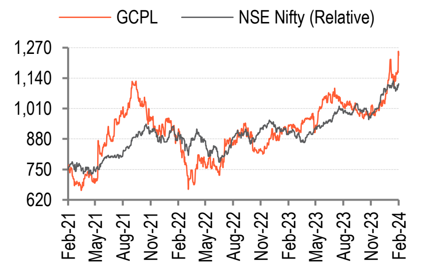
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	133,160	142,997	159,471
EBITDA (Rs mn)	24,304	29,486	34,373
Adj. net profit (Rs mn)	17,566	19,949	24,794
Adj. EPS (Rs)	17.2	19.5	24.3
Consensus EPS (Rs)	17.2	19.5	23.7
Adj. ROAE (%)	12.3	12.1	13.6
Adj. P/E (x)	72.0	63.4	51.0
EV/EBITDA (x)	52.0	42.9	36.8
Adj. EPS growth (%)	(4.5)	11.2	30.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 805 | ⮝ 4%

JINDAL STEEL & POWER | Metals & Mining | 03 February 2024

Valuations overdone; downgrade to HOLD

- **Q3 results ahead on higher per unit EBITDA margin; first coil from HSM represents next milestone on Angul growth project**
- **Factoring in conservative ramp-up, we lower FY25 EBITDA by 6% but raise our FY26 estimate by 2%; expect 17% CAGR over FY23-FY26**
- **Raise TP to Rs 805 (from Rs 735) but downgrade rating to HOLD as we await better visibility on delivery of growth**

Kirtan Mehta, CFA | Yash Thakur
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Q3 beat: Q3FY24 EBITDA at Rs 28bn was ahead of the Bloomberg consensus estimate of Rs 24bn and our forecast of Rs 23bn, supported by a higher EBITDA margin of Rs 15k/t (vs. our forecast of Rs 12k/t). Key positives from the result are (a) start-up of the 6mtpa HSM in Jan'24, which could reduce the level of semis for JSP and extend the portfolio to flat products, (b) green certification for plates, coils and structured steel products, which could yield a premium on exports, and (c) MoU with RINL which could open up the possibility of additional metallics supply in FY25.

Management continuity essential: JSP is facing executive management churn with the departure of its MD and CFO within two years of joining. As the company is in the middle of a large growth project, it is essential that the group finalises the next set of leaders soon to ensure timely delivery of the current vision. Sabyasachi Bandopadhyay and Sumit Agarwal have now been appointed as interim MD and CFO respectively.

Assume conservative FY25 ramp-up: We raise our FY24 EBITDA estimate by 4% factoring in the Q3 beat. Incorporating more conservative project ramp-up assumptions in FY25, including lower sale of pellets and lower utilisation of the slurry pipeline and HSM during ramp-up phase, we trim FY25 EBITDA by 6% but marginally raise our FY26 forecast by 2%. Above-expected sale volumes would be a key upside risk to our FY25 forecast if JSP is able to secure additional metallics from the market.

Raise TP: We raise our TP to Rs 805 (from Rs 735) as we increase our target 1Y forward EV/EBITDA multiple to 5.75x (from 5.5x), factoring in our optimism on recovery in global sentiment through FY25, the minor increase in our FY26 estimates and roll forward of our TP to Jan'25 (from Oct'24).

Downgrade to HOLD: We believe the company is primed to deliver a 17% EBITDA CAGR over FY23-FY26 upon delivery of efficiency and capacity expansion projects even under our conservative assumptions. However, with a ~30% run-up in price since the recent bottom in Nov'23, the stock already reflects significant benefits of the planned growth. We lower our rating from BUY to HOLD as we await better visibility on project delivery and a consequent increase in earnings.

Key changes

Target	Rating
▲	▼

Ticker/Price	JSP IN/Rs 776
Market cap	US$ 9.6bn
Free float	39%
3M ADV	US$ 18.8mn
52wk high/low	Rs 782/Rs 503
Promoter/FPI/DII	61%/12%/15%

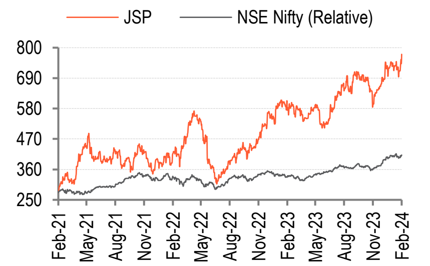
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	5,27,112	4,85,685	4,97,671
EBITDA (Rs mn)	99,349	1,03,725	1,21,462
Adj. net profit (Rs mn)	31,511	53,553	64,654
Adj. EPS (Rs)	30.9	52.5	63.4
Consensus EPS (Rs)	30.9	54.0	66.3
Adj. ROAE (%)	8.5	13.0	13.8
Adj. P/E (x)	25.1	14.8	12.2
EV/EBITDA (x)	9.7	8.5	7.2
Adj. EPS growth (%)	(61.8)	70.0	20.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,542 | ⮝ 0%

ACC | Cement | 02 February 2024

Strong margins; cut to HOLD on full valuations

- **Q3 revenue growth of 8% YoY bolstered by 16% uptick in volumes while realisations moderated 5%**
- **Cost-saving initiatives saw EBITDA margin climb 10ppt YoY and 600bps QoQ to 18.4%**
- **We raise FY24/FY25 EPS by 3%/7% and roll over to new TP of Rs 2,542 (vs. Rs 2,158); cut from BUY to HOLD on high valuations**

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Robust volume growth but realisations moderate: ACC reported an 8% YoY (+11% QoQ) increase in Q3FY24 revenue to Rs 49.2bn backed by sharp volume growth of 16% YoY (+10% QoQ) to 8.9mn tonnes. This includes 1.7mt of sales to ACEM under the master supply agreement or MSA. Q3 realisations fell 5% YoY (+2% QoQ) to Rs 5,225/t. Revenue from ACC's ready-mix concrete (RMC) segment dropped 20% YoY (-3% QoQ) to Rs 3bn, with segmental loss at Rs 45mn.

Cost savings continue: Operating cost softened 16% YoY (-6% QoQ) to Rs 4,511/t owing to lower energy and logistics costs. Energy costs (adjusted for inventory) fell by 16% YoY (-2% QoQ) to Rs 2,647/t due to lower pet coke prices and management's cost reduction initiatives, while logistics costs declined 17% YoY (-8% QoQ) to Rs 1,082/t aided by supply agreements with ACEM. Consequently, EBITDA/t jumped to Rs 1,015 from lows of Rs 491 in Q3FY23 and Rs 677 in Q2FY24, and operating margin expanded to 18.4% off a low base.

Capacity expansion on track: Clinker expansion at Ametha (Uttar Pradesh) became operational during Q3FY24, adding 3.3mt of capacity which will be fully utilised by ACC's split grinding units in the state. Further, grinding unit expansion of 1.6mt at Sindri (Jharkhand) and 2.4mt at Salai Banwa (Uttar Pradesh) is expected to become operational by Q4FY25 and Q1FY26 respectively.

Upsides capped – downgrade to HOLD: Factoring in ACC's healthy 9MFY24 performance contributed by MSA-led synergies and a focus on cost savings, we raise our FY24/FY25 EPS forecasts by 3%/7%. We introduce FY26 estimates and roll valuations over for a revised TP of Rs 2,542 (from Rs 2,158). Our valuation multiple remains at 10x on FY26E EV/EBITDA and implies a replacement cost of Rs 9.2bn/mt – a 30% premium to the industry average given ACC's pan-India presence, size (38mt) and operating efficiencies. However, the stock has run up in the last few months and offers limited upside – we thus downgrade to HOLD from BUY.

Key changes

Target	Rating
▲	▼

Ticker/Price	ACC IN/Rs 2,530
Market cap	US$ 5.8bn
Free float	43%
3M ADV	US$ 16.2mn
52wk high/low	Rs 2,584/Rs 1,592
Promoter/FPI/DII	57%/12%/19%

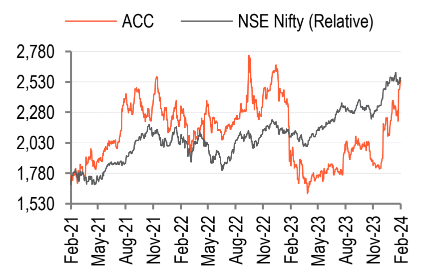
Source: NSE | Price as of 1 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	2,17,883	1,89,849	2,07,853
EBITDA (Rs mn)	19,400	31,081	35,673
Adj. net profit (Rs mn)	10,926	19,057	22,061
Adj. EPS (Rs)	46.5	101.4	117.4
Consensus EPS (Rs)	46.5	100.0	118.0
Adj. ROAE (%)	7.9	12.8	14.1
Adj. P/E (x)	54.4	25.0	21.6
EV/EBITDA (x)	24.4	14.6	12.0
Adj. EPS growth (%)	(54.3)	118.0	15.8

Source: Company, Bloomberg, BOBCAPS Research | FY23 is for 15 months due to a change in year-end from December to March

Stock performance



Source: NSE

BONDS WRAP

03 February 2024

Fortnightly review

Dipanwita Mazumdar
Economist

Sell off in global bond market was seen in Jan'24 and Feb'24 (till 2nd Feb). It was led by US and the undertone of Fed. Globally, central banks are expected to embark on the easing cycle but the timing might be pushed back as underlying macro picture gives a confusing signal in terms of growth-inflation dynamics. Domestic yields got support from Union Budget. Lower than expected gross borrowing numbers, fiscal prudence; supported yields. Post Budget, it has fallen by 9bps. We expect it to trade in the range of 7-7.10% in the current month. Downward bias persists from a favorable inflation print.

Liquidity deficit is likely to persist and remain in the range of 1.0-1.2% of NDTL. This is primarily on account of higher pace of increase in credit than deposits. Going forward, RBI may come up with some measures to improve durable liquidity which has shown moderation.

Volatility in US 10Y yield persist:

- Global yields led by US continued to exhibit volatility. US 10Y yield after falling by 45bps in Nov'23 on MoM basis again reversed its trend in Dec and Jan. It rose by 3bps in Jan'24 and by another 11bps in Feb'24 (till 2nd Feb'24). When the Fed policy meeting for Jan'24 was ongoing, the 10Y yield fell by 15bps alone (30 Dec'23 to 1 Jan'24). However, the fall in yields was erased entirely in the last trading session tracking the US non-farm payroll numbers, which has risen at a robust pace of 353K (est.: 185K) in Jan'24. Even the Dec'23 number has been revised upward to 333k from 216k earlier. Average hourly earnings on MoM basis has risen by 0.6% against estimation of 0.3%. Even inflation expectation in the US as tracked by University of Michigan has remained firm both for 1 Year and 5 Year ahead. CME Fed watch tool data now attaches a 38% probability for a 25bps rate cut in Mar'24, pruned down from 46.2%, a week earlier and 64.7%, a month earlier. Recent remarks by Fed Governor Michelle Bowman also highlights that it is too early to embark on the easing cycle.

- Other global yields also felt the reverberation of the same. ECB hinted at a cautionary data dependent approach in the near term. Thus, Germany's 10Y yield rose by 14bps in Jan'24, on MoM basis and by another 8bps in Feb'24. UK's 10Y yield has risen at a much sharper pace by 26bps in Jan'24 and by 12bps in Feb'24, led by stickier inflation data and slightly improving macros in terms of consumer credit and consumer confidence. BoE on the other hand, effectively ruled out further rate hikes.

- The undertone of major central banks globally has been preparing to put the foot on the pedal of rate cut but not pressing it too hard, keeping an eye on the growth-inflation mix.

CURRENCY OUTLOOK

03 February 2024

Fortnightly forex review

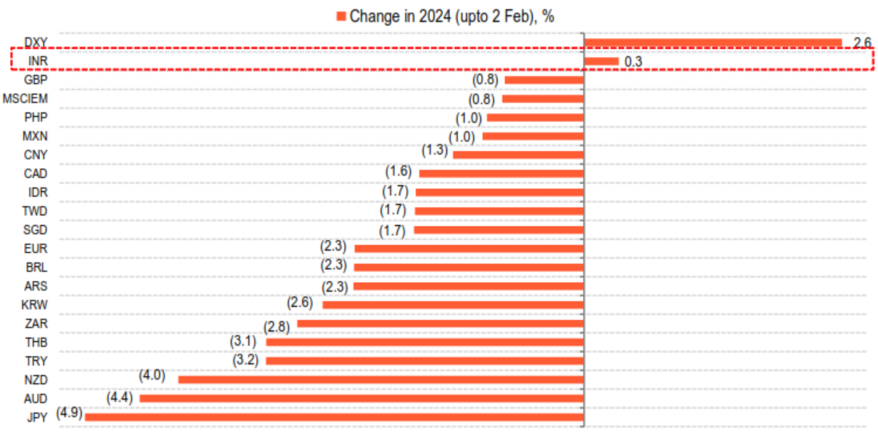
Aditi Gupta
Economist

INR has strengthened by 0.3% in 2024, consolidating a gain of 0.2% it made in 2023. This is significant, as the rupee's gains came against the backdrop of a stronger dollar. In fact, INR is the best performing major currency against the dollar this year. India's resilient growth story along with a comfortable external position, along with RBI's intervention have kept INR mostly range-bound in the last couple of months. While the macro backdrop is highly favourable for the rupee, we believe that the appreciation in the domestic currency is expected to be gradual. RBI is likely to absorb foreign inflows to build up its buffers to cushion against the eventuality of sudden capital outflows, amidst India's increased interconnectedness in the global financial system. Based on this we anticipate a range of 82.5-83/$ in the next fortnight. For 2024, we believe INR to trade with an appreciating bias and slowly inch towards 82/$.

Movement in global currencies

Global currencies depreciated in 2024, as investors pared back expectations of Fed rate cuts in Mar'24 amidst a continued strength in the US economy. While the Fed Chair acknowledged the fact that rates have peaked, he believes that a rate cut in Mar'24 to be premature. As a result, possibility of a rate cut in Mar'24 fell from over 70% at the end of Dec'23 to 38% in Feb'24, as per the CME FedWatch Tool. This helped the dollar to claw back some of its losses and appreciated by 2.6% so far this year (DXY fell by 2.1% in 2023). Amongst major economies, JPY depreciated the most by 4.9%, as BOJ has stuck to its ultra-dovish stance. On the other hand, GBP depreciated the least reflecting in part the view that BoE is likely to lag behind other major central banks in cutting rates.

Figure 1: Global currencies in 2024



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 2 Feb 2024 | Figures in brackets indicate depreciation against the dollar

HOLD

TP: Rs 310 | ∀ 0%

V-GUARD INDUSTRIES | Consumer Durables | 02 February 2024

In-line quarter

- **Q3 topline up 19% YoY on low base but consumer demand still soft; margins expand on lower input prices**
- **Management guiding for 15% revenue growth and 9-9.5% EBITDA margin in FY24**
- **We adjust our FY24/FY25/FY26 EPS by -21%/-2%/+3% and roll over to a revised TP of Rs 310 (vs. Rs 300); retain HOLD**

Vinod Chari | Arshia Khosla
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Results in line: Despite tepid demand for consumer durables, VGRD's topline grew 19% YoY to Rs 11.7bn (11% YoY ex-Sunflame) as the company benefited from a low base quarter. Gross and EBITDA margins grew 460bps YoY and 200bps YoY respectively to 33.8% and 8.7%. The disparity in margin expansion was largely due to lower input costs but higher advertising spend amid slower demand. Management expects to clock 15% revenue growth and 9-9.5% EBITDA margins in FY24.

CD segment gearing up for summer: VGRD's consumer durables (CD) segment saw subdued 11% YoY growth as green shoots of demand were visible only towards the end of the quarter. EBIT margin expanded 430bps YoY to 3%, pulling the segment out of a yearlong margin lull. Management expects strong demand in the upcoming summer season to fuel topline growth for the segment in the short term. The battery and kitchen manufacturing units are also due to start production from Q4FY24, which could lend further impetus to growth.

Growth across geographies: Both the company's south and non-south markets grew ~11% YoY, and management continues to broaden its presence in the latter. The two geographies contributed 55% and 45% of the standalone topline respectively.

Sunflame picking up: Sunflame clocked Rs 763mn in revenue in Q3, an increase of 2% YoY over pre-acquisition numbers, and delivered a double-digit EBIT margin despite soft consumer demand. The company continues to increase its presence in the modern trade and e-commerce channels, besides gaining share in the underpenetrated southern region. VGRD will commence loan repayment of the Sunflame acquisition from Q1FY25.

Maintain HOLD: Though the quarter was largely in line, the kitchen appliances industry continues to suffer from headwinds in the form of rising inflation and intensifying competition. We adjust our FY24/FY25/FY26 EPS estimates by -21%/-2%/+3% and roll valuations forward to Dec'25E to arrive at a revised TP of Rs 310 (vs. Rs 300). We continue to value the stock at a 30x P/E multiple – 15% discount to the 3Y average – and maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VGRD IN/Rs 310
Market cap	US$ 1.6bn
Free float	44%
3M ADV	US$ 1.2mn
52wk high/low	Rs 335/Rs 238
Promoter/FPI/DII	56%/13%/19%

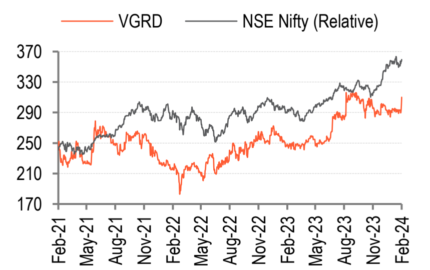
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	41,260	49,776	56,141
EBITDA (Rs mn)	3,199	4,476	5,903
Adj. net profit (Rs mn)	1,891	2,732	3,765
Adj. EPS (Rs)	4.4	6.3	8.7
Consensus EPS (Rs)	4.4	6.6	8.4
Adj. ROAE (%)	12.5	16.0	19.1
Adj. P/E (x)	70.9	49.0	35.6
EV/EBITDA (x)	41.9	29.9	22.7
Adj. EPS growth (%)	(16.9)	44.5	37.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD

TP: Rs 240 | ⮝ 9%

ORIENT ELECTRIC | Consumer Durables | 02 February 2024

Slow quarter; Hyderabad plant to spur growth

- **Topline flattish YoY due to high base and soft demand for fans; EBITDA margin lower on advertising expenses**
- **Hyderabad plant expected to produce commercially soon, fuelling growth; EPR mandate may cloud margins near term**
- **TP unchanged at Rs 240 as we cut FY24/FY25/FY26 EPS by 20%/8%/7% and roll over to Dec'25E – maintain HOLD**

Vinod Chari | Swati Jhunjhunwala
Arshia Khosla
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Muted quarter: ORIENTEL reported a flattish December quarter with 2% YoY topline growth to Rs 7.5bn due to a poor performance in fans and a drop in lighting revenue, partially offset by a good showing in appliances and switchgears. Gross margin expanded 130bps YoY to 29.9% due to a better product mix and lower input costs, while EBITDA margin contracted 90bps YoY to 6.5% owing to soft demand and promotional expenses.

Margins expected to improve: ORIENTEL expects better margins ahead on the back of cost efficiencies, having achieved savings of Rs 450mn during 9MFY24 through its Project Sanchay initiative. We believe, however, that margin improvement could be clouded by potential provisions of ~Rs 150mn that the company may have to make on account of the extended producer responsibility (EPR) norms imposed by the government relating to recycling and waste disposal systems. The company awaits clarity on the same, even as peers such as VGRD have already provided an amount of Rs 450mn during Q3FY24.

Hyderabad plant to foster long-term growth: The Hyderabad plant will produce table, pedestal & wall (TPW) fans, which will likely be brought to market soon. ORIENTEL is looking to introduce this new line of TPW fans in the export market as well, where it sees large potential for growth. The company has spent a sum of Rs 1.8bn on the plant so far.

Product premiumisation and direct distribution strategy: ORIENTEL is adopting a strategy to boost premiumisation and to augment its own DTM (direct to market) channel. Its DTM network in Q3 grew 36% YoY in seven states and it is evaluating two more markets. Management is also looking to transform its service model into a key differentiator for the company and to raise focus on the B2B lighting business.

Maintain HOLD: We reduce our FY24/FY25/FY26 EPS estimates by 20%/8%/7% while continuing to value the stock at a 30x P/E multiple – a 5% discount to the 3Y average. On rolling valuations forward to Dec'25E, our TP remains unchanged at Rs 240, which offers just 9% upside and leads us to maintain our HOLD rating.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ORIENTEL IN/Rs 220
Market cap	US$ 568.8mn
Free float	62%
3M ADV	US$ 1.4mn
52wk high/low	Rs 285/Rs 208
Promoter/FPI/DII	38%/6%/28%

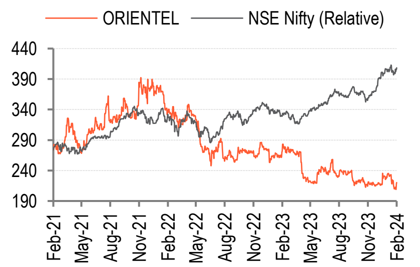
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	25,292	29,183	33,852
EBITDA (Rs mn)	1,510	1,835	2,476
Adj. net profit (Rs mn)	759	965	1,432
Adj. EPS (Rs)	3.6	4.5	6.7
Consensus EPS (Rs)	3.6	5.9	7.3
Adj. ROAE (%)	13.5	15.6	20.6
Adj. P/E (x)	61.8	48.6	32.7
EV/EBITDA (x)	31.0	25.5	18.9
Adj. EPS growth (%)	(40.3)	27.2	48.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 900 | ⮝ 22%

SOMANY CERAMICS | Building Materials | 03 February 2024

Lacklustre demand dulls performance

- **Q3 EBITDA miss of 7% on tepid demand environment and rise in competitive intensity from Morbi players**
- **Expect near-term pain but positive medium-term outlook on near-completion of large capex programme**
- **Maintain BUY with unchanged TP of Rs 900 on strong earnings growth prospects and reasonable valuations**

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Weak Q3FY24: SOMC missed our EBITDA estimate by 7% due to muted tile volumes (-2.5% YoY) and weak realisations (-1.5% QoQ) on account of tepid demand conditions and intense competition. For the quarter, revenue dipped 2% YoY, but EBITDA/adj. PAT grew 46%/76% YoY off a low base.

Key highlights: SOMC's tile volumes fell 2.5% YoY but grew 4.3% on a 4Y CAGR basis in Q3. Despite the rise in competitive intensity from Morbi, EBITDA margin declined only 14bps QoQ to 9.6% due to a turnaround of JV operations. Debtor days have gone up from 35 days in Q3FY23 to 40 days, while net debt contracted from Rs 2bn in Sep'23 to Rs 1.7bn in Dec'23.

Guidance muted: SOMC expects its tile volumes to grow at a tepid rate of 5-7% YoY in Q4FY24. However, management appears confident of healthy volume growth in FY25 in anticipation of a ramp-up of newly built capacities. Despite expecting a flat pricing scenario and noting the rise in gas prices (from Rs 44/scm in Q3 to Rs 46-47/scm at present), management still expects EBITDA margin to stay flattish QoQ in Q4FY24 with improvement to 10%+ in FY25, led by a rise in share of high-margin glazed vitrified tile (GVT) products and operating leverage benefits.

Maintenance capex in FY25: The company plans to spend Rs 150mn-200mn in FY25 for maintenance capex and intends to announce the next round of growth capex over the next 12-18 months. The Nepal plant is expected to become operational by Q3FY25.

Maintain BUY: We maintain our BUY rating on the stock with an unchanged TP of Rs 900 as we see (a) strong earnings growth prospects (EPS to log a 37% CAGR over FY23-FY26E), and (b) improving return ratios (ROE to rise from 8.6% in FY23 to 18.2% in FY26E) on healthy earnings and near-completion of the major capex drive. Further, valuations look reasonable at 24.7x 1Y forward P/E vs. the 5Y average of 25.3x. We lower our EPS estimate by 31% for FY24 to incorporate the Q3 underperformance but largely maintain our forecasts for FY25/FY26. Our target P/E remains at 25x on Sep'25E EPS – in-line with the stock's historical average.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SOMC IN/Rs 737
Market cap	US$ 367.5mn
Free float	45%
3M ADV	US$ 0.5mn
52wk high/low	Rs 819/Rs 466
Promoter/FPI/DII	55%/1%/24%

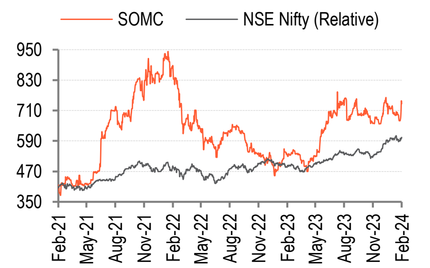
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	24,785	25,208	27,796
EBITDA (Rs mn)	1,889	2,026	2,845
Adj. net profit (Rs mn)	743	633	1,294
Adj. EPS (Rs)	17.5	15.4	31.6
Consensus EPS (Rs)	17.5	22.5	37.6
Adj. ROAE (%)	8.6	7.4	14.8
Adj. P/E (x)	42.1	47.7	23.3
EV/EBITDA (x)	14.8	13.5	9.4
Adj. EPS growth (%)	(17.3)	(11.8)	104.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 300 | ⮝ 26%

GREENPLY INDUSTRIES | Building Materials | 02 February 2024

Strong performance on fast ramp-up of MDF plant

- **EBITDA beat estimates (+6%) in Q3 on quick ramp-up of MDF plant in a challenging environment**
- **Management outlook upbeat on MDF but cautious on plywood margins; divestment of Gabon stake a positive step**
- **Maintain BUY with unchanged TP of Rs 300 on strong earnings growth prospects and reasonable valuations**

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Q3 ahead of estimates: MTLM beat our estimates for Q3FY24 (revenue: +7%, EBITDA: +6%, adj. PAT: +19%) due to better-than-expected ramp-up of the MDF unit. Overall, revenue/EBITDA grew by 45%/75% YoY for the quarter.

Key highlights: Despite an 11% YoY rise in volumes, plywood EBITDA fell by 14% due to a sharp increase in timber prices and higher brand spends (+50bps YoY to 4.5%). In MDF, MTLM has been able to speedily ramp up its new plant, raising the operating rate from 52% in Q2FY24 to 70% in Q3. Further, MDF realisations improved 6% QoQ even in a challenging environment as value-added products started to contribute (9% of the mix).

Plywood margin guided to soften, MDF to rise: Management is targeting plywood volume growth of 8-10% but believes margins may come under pressure over the next two quarters due to elevated timber prices (likely to start moderating from FY26). For MDF, management aims to raise the quarterly sales volume run-rate from 41,928cbm in Q3 to 50,000cbn in FY25 and improve segment EBITDA margin from 13.2% in Q3 to 18-21% by Q1FY25. The furniture hardware business is due to become operational by end-Jun’24. MTLM plans to spend Rs 400mn in FY25 to increase MDF capacity by 25% to 1,000cbm and add equipment to make more value-added products.

Gabon divestment likely to be EPS-accretive: MTLM plans to sell a 51% stake in Gabon operations in Q4FY24 for ~Rs 150mn. We believe this would be an EPS-accretive step as Gabon was making losses and the sale would also result in a reduction of net debt (from Rs 7.3bn in Q3FY24 to Rs 5.2bn in Q4FY24).

Maintain BUY: We maintain our BUY rating on the stock with an unchanged TP of Rs 300 as we see strong earnings growth prospects (EPS estimated to grow at 26% CAGR over FY23-FY26) and improving return ratios (ROE projected to improve from 13.9% in FY23 to 17.7% in FY26). Valuations too look reasonable as the stock is trading at 24.8x on 1Y forward P/E vs. its 5Y average of 23.9x. We largely maintain our forecasts and retain our target P/E multiple of 25x on Sep’25E EPS.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MTLM IN/Rs 239
Market cap	US$ 357.3mn
Free float	48%
3M ADV	US$ 1.8mn
52wk high/low	Rs 267/Rs 135
Promoter/FPI/DII	52%/2%/33%

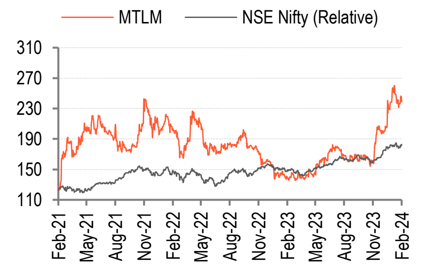
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	18,456	23,064	25,239
EBITDA (Rs mn)	1,762	2,034	2,747
Adj. net profit (Rs mn)	893	589	1,238
Adj. EPS (Rs)	7.3	4.8	10.1
Consensus EPS (Rs)	7.3	5.9	11.0
Adj. ROAE (%)	15.1	8.7	16.2
Adj. P/E (x)	32.9	49.9	23.7
EV/EBITDA (x)	15.9	12.4	8.6
Adj. EPS growth (%)	(8.9)	(34.1)	110.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 27,836 | ∀ 2%

SHREE CEMENT | Cement | 03 February 2024

Healthy quarter, expensive valuations

- **Q3 revenue growth of 20% YoY backed by sharp 11% volume uptick to 8.9mt**
- **EBITDA margin expansion of 780bps YoY to 25.2% buoyed by operating cost savings**
- **Our TP rises to Rs 27,836 (vs. Rs 24,792) on rollover; current valuations look overdone at 16x FY26E EV/EBITDA – maintain HOLD**

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Volume-led revenue growth: SRCM's revenue grew 20% YoY (+7% QoQ) to Rs 49bn in Q3FY24 backed by sharp volume growth of 11% (+8.5% QoQ) to 8.9mn tonnes, while realisations increased 9% YoY (-1.5% QoQ) to Rs 5,513/t. Higher volumes were aided by better capacity utilisation at 77% (from 71% in Q2FY24).

Cost savings push up EBITDA: SRCM's EBITDA margin expanded 780bps YoY (+620bps QoQ) to 25.2% and EBITDA/t increased 53% YoY (+31% QoQ) to Rs 1,348/t owing to energy and logistics cost savings. Energy costs declined 14% YoY (-17% QoQ) to Rs 1,393/t due to a 28% YoY reduction in fuel cost to Rs 1.78/kcal, whereas logistics cost fell 7% YoY (-6% QoQ) to Rs 1,095/t following a reduction in lead distance. Total operating cost dipped 1% YoY (-9% QoQ) to Rs 4,125/t. Power EBITDA stood at Rs 350mn.

Capacity expansion plans on schedule: The 3.5mt Nawalgarh (Rajasthan) unit was commissioned in Jan'24 and the 3mt integrated cement unit in Guntur (Andhra Pradesh) is scheduled to become operational by Q4FY24. This will take SCRM's total capacity to 56mt by FY24, which is expected to rise further to 62mt in FY25.

Earnings raised: We increase our FY24 EPS estimate by 10% to account for the robust Q3 print and broadly maintain FY25 numbers. We also introduce FY26 assumptions for SRCM, pencilling in a revenue/EBITDA/PAT CAGR of 15%/30%/ 32% over FY23-FY26.

Maintain HOLD on expensive valuations: SRCM's capacity expansion drive continues, but the headroom between low dispatches and high rated capacity is yet to narrow. We maintain HOLD as current valuations of 16x FY26E EV/EBITDA appear unjustified given the company's inconsistent focus on brand versus growth, capacity expansion well ahead of delivered volumes, and presence in the less remunerative southern and eastern regions. Our TP stands revised to Rs 27,836 (from Rs 24,792) as we roll valuations over to FY26E, while valuing the stock at an unchanged 15x EV/EBITDA multiple – 2.25x over the industry replacement cost.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SRCM IN/Rs 28,454
Market cap	US$ 12.5bn
Free float	37%
3M ADV	US$ 9.1mn
52wk high/low	Rs 30,738/Rs 22,606
Promoter/FPI/DII	63%/13%/12%

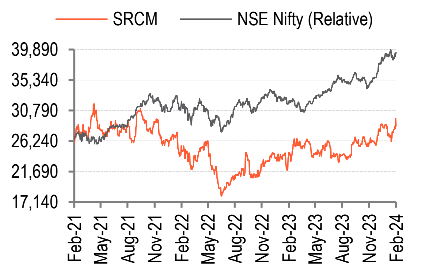
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,64,961	1,94,236	2,23,703
EBITDA (Rs mn)	25,504	42,341	51,497
Adj. net profit (Rs mn)	13,281	22,491	26,618
Adj. EPS (Rs)	368.1	623.4	737.7
Consensus EPS (Rs)	368.1	628.0	738.0
Adj. ROAE (%)	7.5	11.7	12.4
Adj. P/E (x)	77.3	45.6	38.6
EV/EBITDA (x)	36.7	22.1	17.8
Adj. EPS growth (%)	(43.9)	69.4	18.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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