FIRST LIGHT

06 May 2024

RESEARCH

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: April 2024

ACC | TARGET: Rs 2,657 | +5% | HOLD

Healthy performance largely priced in; maintain HOLD

KEI INDUSTRIES | TARGET: Rs 3,680 | -5% | HOLD

Addressing capacity limitations; maintain HOLD

AJANTA PHARMA | TARGET: Rs 2,585 | +16% | BUY

Strong margins; growth momentum to continue

BLUE STAR | TARGET: Rs 1,670 | +15% | BUY

UCP growth strong, margin outlook healthy

DABUR INDIA | TARGET: Rs 673 | +27% | BUY

Steady performance during the quarter

METALS & MINING

Steel margin pick-up beyond Q2CY24: ArcelorMittal

Daily macro indicators

Indicator	1-May	2-May	Chg (%)
US 10Y yield (%)	4.63	4.58	(5bps)
India 10Y yield (%)	7.19	7.16	(3bps)
USD/INR	83.44	83.47	0.0
Brent Crude (US$/bbl)	83.4	83.7	0.3
Dow	37,903	38,226	0.9
Hang Seng	17,763	18,207	2.5
Sensex	74,483	74,611	0.2
India FII (US$ mn)	**29-Apr**	**30-Apr**	**Chg ($ mn)**
FII-D	(48.4)	(32.1)	16.2
FII-E	0.7	221.6	221.0

Source: Bank of Baroda Economics Research

SUMMARY

INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

Markit global manufacturing PMI slipped from 20-month high of 50.6 in Mar'24 to 50.3 in Apr'24. However, the index remains in the expansionary zone and was supported by solid activity in China, US, India and Brazil. On the other hand, Eurozone economies continue to perform poorly, led by Germany and France. IMF's WEO (Apr'24) also notes these divergent trends in growth. Further, owing to resilience in US economic activity, rebound in China, and sustained momentum in India's growth story, the Fund revised its global growth forecast upwards to 3.1% for CY24, from 2.9% earlier (Oct'23). IMF also expects world inflation to come down 5.9% in CY24 from 6.8% in CY23, primarily due to moderation in Advanced Economies (2.6% from 4.6%).

Click here **for the full report.**

BOBCAPS Research
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ACC

- Q4 revenue growth of 13% YoY boosted by 22% uptick in volumes (unadjusted to MSA) while realisations moderated ~7%
- Cost-saving initiatives saw a healthy climb in EBITDA margin YoY on weak base declines ~300bps QoQ to 15.5%
- We raise FY25E/FY26E EPS by 3%/5% and TP to Rs 2,657 (from Rs 2,542), valuing ACC at 10x FY26E EV/EBITDA. Maintain HOLD

Click here for the full report.

KEI INDUSTRIES

- Q4 revenue jumps 19% YoY with 10bps EBITDA margin boost. FY24 revenue up 17%, driven by robust infrastructure and real estate demand
- Management guides for FY25 revenue growth of 16%-17%, EBITDA margin of 11%, and capex of Rs 9bn-10bn
- Raise FY25/FY26 EPS 8%/11% on strong Q4. Higher TP of Rs 3,680 (from Rs 3,120) valued at 33x FY26E P/E. Maintain HOLD

Click here for the full report.

AJANTA PHARMA

- Strong quarter with EBITDA/PAT beat of 8% each, led by reduction in API prices, logistics costs and reduced intensity of US price erosion
- Full-year margins to sustain next year as well despite anticipation of increased logistics cost due to the Red Sea crisis
- Raise FY25/FY26 EBITDA estimates by 6%/9% and increase TP to Rs 2,585 based on an unchanged FY26E EV/EBITDA of 14x. Maintain BUY.

Click here for the full report.

BLUE STAR

- Topline growth of 21.4% achieved in FY24, with gross margin expanding 120bps and EBITDA margin 70bps
- UCP segment grew 34.8% on topline in Q4; market share constant at 13.75%; management reiterated 15% target market share for FY25
- We increase FY25/FY26E EPS by 12%/13% and value the stock at 44x FY26E P/E. We raise TP to Rs 1,670 and maintain BUY

Click here for the full report.

DABUR INDIA

- Rural markets continue to grow ahead of urban owing to increased penetration and improved product portfolio
- Growth witnessed across geographies; consistent improvement in margins
- Strong momentum in rural markets and increased A&P spend to fuel growth; maintain BUY with unchanged TP of Rs 673

Click here for the full report.

METALS & MINING

- ArcelorMittal's (MT) Q1CY24 results confirm bottoming out of steel margins in the western world
- MT's guidance suggests flattish EBITDA in Q2CY24 with no signs of restocking yet; elevated China steel exports also weigh on margin
- MT still expects 3-4% steel demand growth outside China, baking in absence of destock in H2; benefit of recovery to flow only in CY25

Click here for the full report.

MONTHLY ECONOMIC BUFFET

03 May 2024

Economic Round-up: April 2024

Sonal Badhan
Economist

Markit global manufacturing PMI slipped from 20-month high of 50.6 in Mar'24 to 50.3 in Apr'24. However, the index remains in the expansionary zone and was supported by solid activity in China, US, India and Brazil. On the other hand, Eurozone economies continue to perform poorly, led by Germany and France. IMF's WEO (Apr'24) also notes these divergent trends in growth. Further, owing to resilience in US economic activity, rebound in China, and sustained momentum in India's growth story, the Fund revised its global growth forecast upwards to 3.1% for CY24, from 2.9% earlier (Oct'23). IMF also expects world inflation to come down 5.9% in CY24 from 6.8% in CY23, primarily due to moderation in Advanced Economies (2.6% from 4.6%).

Inflation in EMs is expected to remain unchanged at 8.3%. US macro data points (labour market, core PCE, consumer confidence, manufacturing PMIs) are also indicating that the economy is not slowing as much as anticipated, leading analysts to believe that Fed's 1st rate cut opportunity is now pushed to Sep'24. BoE is expected to cut rates in Aug'24 and ECB is expected to embark upon the rate cut cycle from Jun'24. However, traders have trimmed their hopes on quantum of rate cuts this year. RBI is also expected to cut rates in Aug'24.

Global growth: Divergence in global growth is visible with US and India's economy maintaining momentum and China attempting a comeback at the start of CY24. In the US, production, consumer sentiment and labour market trends remain steady. With inch up in global commodity prices (mainly oil), businesses across countries are facing input price pressures. In India, heat wave conditions are impacting food production. A normal monsoon (as predicted by IMD) may provide relief to inflation in the near-term. In China, recovery remains uneven, with boost to GDP provided by manufacturing and exports, while domestic consumption and property market still remains weak. Eurozone's struggle to stabilize continues, but Germany is showing some improvement in business sentiment on hopes of lower interest rates in the coming months.

Global Central Banks: In Apr'24, US Fed, ECB, and BoE, kept their respective rates on hold. Fed's statement clarified that decision to cut rates will be data dependent (trajectory of core PCE). With Fed's benchmark inflation gauge coming hotter than expected, analyst believe Fed may be able to cut rates only once this year in Sep'24. In contrast, bets are on that ECB and BoE may cut rates before Fed and maybe 1-2 times this year.

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,657 | ▲ 5%

ACC | Cement | 04 May 2024

Healthy performance largely priced in; maintain HOLD

- **Q4 revenue growth of 13% YoY boosted by 22% uptick in volumes (unadjusted to MSA) while realisations moderated ~7%**
- **Cost-saving initiatives saw a healthy climb in EBITDA margin YoY on weak base declines ~300bps QoQ to 15.5%**
- **We raise FY25E/FY26E EPS by 3%/5% and TP to Rs 2,657 (from Rs 2,542), valuing ACC at 10x FY26E EV/EBITDA. Maintain HOLD**

Milind Raginwar
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Healthy volume growth as realisations moderate: ACC reported an 13% YoY (+10% QoQ) increase in Q4FY24 revenue to ~Rs 54bn backed by healthy volume growth of 22% YoY (+17% QoQ) to 10.4mn tonnes. This includes ~2.0mt of sales to ACEM under the master supply agreement or MSA. Q4 realisations fell 7%/6% YoY /QoQ to Rs 4,908/t. Revenue from ACC's ready-mix concrete (RMC) segment dropped 7% YoY (+6% QoQ) to Rs 3.2bn, with segmental gain at Rs 169mn.

Cost savings continue: Operating cost softened ~14% YoY (-3% QoQ) to Rs 4,389/t owing to lower energy and logistics costs. Energy costs (adjusted for inventory) fell by 9% YoY (+12% QoQ) to Rs 1,689/t due to lower pet coke prices and management's cost reduction initiatives, while logistics costs declined 13% YoY (-2% QoQ) to Rs 1,062/t aided by supply agreements with ACEM. Consequently, EBITDA/t jumped to Rs 805 from lows of Rs 549 in Q4FY23 (Rs 1,015 in Q3FY24), and operating margin expanded to 15.5% off a low base**.**

Capacity expansion on track: Clinker expansion at Maratha (Maharashtra) will be operational by Q2FY26. Additionally, grinding unit expansion of 1.6mt at Sindri (Jharkhand) and 2.4mt at Salai Banwa (Uttar Pradesh) are expected to become operational by Q4FY25 and Q1FY26 respectively. The expansion is on track, with no change in the timelines

Upsides capped – Maintain HOLD: Factoring in ACC's healthy FY24 performance contributed by MSA-led synergies and a focus on cost savings, we raise our FY25/FY26 EPS forecasts by 3%/5%. We continue to value ACC at 10x EV/EBITDA FY26 earnings and arrive at a revised TP of Rs 2,657 (from Rs 2,542). This 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 continues to trade at a premium and offers limited upside. Maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ACC IN/Rs 2,531
Market cap	US$ 5.8bn
Free float	43%
3M ADV	US$ 13.5mn
52wk high/low	Rs 2,746/Rs 1,704
Promoter/FPI/DII	57%/12%/19%

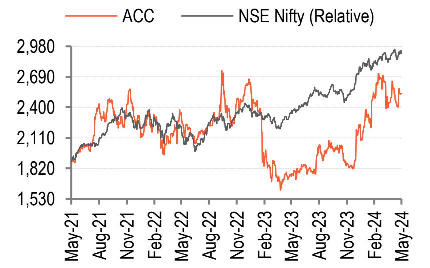
Source: NSE | Price as of 3 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	1,99,522	2,07,736	2,25,713
EBITDA (Rs mn)	33,831	36,376	40,638
Adj. net profit (Rs mn)	21,243	22,585	25,663
Adj. EPS (Rs)	113.0	120.1	136.5
Consensus EPS (Rs)	113.0	120.0	137.0
Adj. ROAE (%)	14.0	14.2	14.3
Adj. P/E (x)	22.4	21.1	18.5
EV/EBITDA (x)	13.2	11.5	9.5
Adj. EPS growth (%)	143.0	6.3	13.6

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

Stock performance



Source: NSE

HOLD

TP: Rs 3,680 | ▼ 5%

KEI INDUSTRIES | Consumer Durables | 03 May 2024

Addressing capacity limitations; maintain HOLD

- **Q4 revenue jumps 19% YoY with 10bps EBITDA margin boost. FY24 revenue up 17%, driven by robust infrastructure and real estate demand**
- **Management guides for FY25 revenue growth of 16%-17%, EBITDA margin of 11%, and capex of Rs 9bn-10bn**
- **Raise FY25/FY26 EPS 8%/11% on strong Q4. Higher TP of Rs 3,680 (from Rs 3,120) valued at 33x FY26E P/E. Maintain HOLD**

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Ending the year with strong numbers: KEII's quarter was decent, with a Rs 23bn topline, boasting robust 19% YoY growth. FY24 revenue was Rs 81bn, up 17% from the previous year. EBITDA margin held firm at 10.5% for Q4 and 10.3% for FY24, expanding 10bps quarterly and annually. However, gross margins contracted slightly by 40bps in Q4FY24 (23.4% vs. 23.8% in Q4FY23) due to higher raw material prices. The strong Q4 performance was fueled by infrastructure investments and heightened demand in real estate.

Guidance retained: Management upheld its revenue growth guidance of 16%-17% for both FY25 and FY26, with 11% EBITDA margin for FY25 and FY26. KEI expects opportunities to enhance margins by an additional 50bps.

Optimistic demand outlook: Management anticipates significant export opportunities and foresees sustained domestic demand for wires and cables, driven by ongoing private and public sector investments. The demand surge extends across key sectors like highways, metros, and railways. Large-scale construction ventures such as hotels, hospitals, and real estate developments are gaining momentum.

Expanding dealership network: In the dealer and distribution market, management focuses on achieving a 20% growth target for both wires and cables, with plans to expand into additional geographies and boost manpower, particularly in South and East India. Efforts are underway to reinforce dealer networks and enhance margins through effective brand strategies. Initiatives include establishing wires and cables in 26 locations and fortifying the sales team nationwide.

Maintain HOLD: Post Q4 results, we have raised our FY25/FY26 EPS estimates by 8%/11%, keeping our valuation unchanged at 33x FY26E P/E, which is aligned with the sector average and at a 15% discount to POLYCAB. We roll over valuations to Mar'26E, and raise our TP to Rs 3,680 (previously Rs 3,120). However, considering the stock's significant 35% increase since our last report, we maintain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	KEII IN/Rs 3,893
Market cap	US$ 4.3bn
Free float	61%
3M ADV	US$ 10.8mn
52wk high/low	Rs 4,117/Rs 1,818
Promoter/FPI/DII	37%/27%/20%

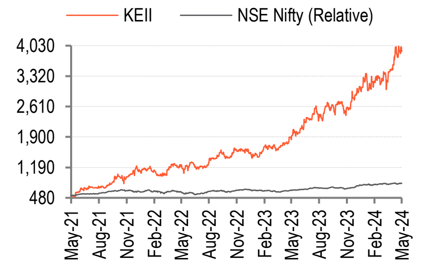
Source: NSE | Price as of 3 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	81,041	95,676	113,952
EBITDA (Rs mn)	8,375	11,397	14,034
Adj. net profit (Rs mn)	5,809	7,968	9,781
Adj. EPS (Rs)	64.4	88.3	108.4
Consensus EPS (Rs)	64.4	87.9	108.2
Adj. ROAE (%)	20.3	22.6	22.3
Adj. P/E (x)	60.4	44.1	35.9
EV/EBITDA (x)	42.4	31.3	25.3
Adj. EPS growth (%)	21.7	37.2	22.8

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,585 | ⋏ 16%

AJANTA PHARMA | Pharmaceuticals | 03 May 2024

Strong margins; growth momentum to continue

- **Strong quarter with EBITDA/PAT beat of 8% each, led by reduction in API prices, logistics costs and reduced intensity of US price erosion**
- **Full-year margins to sustain next year as well despite anticipation of increased logistics cost due to the Red Sea crisis**
- **Raise FY25/FY26 EBITDA estimates by 6%/9% and increase TP to Rs 2,585 based on an unchanged FY26E EV/EBITDA of 14x. Maintain BUY.**

Saad Shaikh
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Broad-based growth led by US business: AJP ended FY24 on a strong note with Q4 EBITDA/PAT beat of 8% each vs. Bloomberg consensus estimates. EBITDA/PAT grew 86%/66% YoY to Rs 2.8bn/2.0bn. Revenue was 2% ahead of consensus to Rs 10.5bn with double-digit growth seen across businesses. Management has highlighted that strong growth momentum will continue with mid-teen growth expected in the branded generics business, field force addition in international markets (+200 personnel) and new product launches.

Intensity of US price erosion stabilised; robust pipeline available in upcoming years: US business reported strong constant currency growth of 31% YoY to US$ 31mn. Growth in the US business stemmed from reduced price erosion, tailwinds from increased product shortages, and market share gains. The company has 22 ANDAs awaiting USFDA approval and expects to launch six to eight products in FY25, leading to an overall growth guidance of mid-single digits for the US business.

Domestic business to continue outperformance over IPM: India growth of 14% YoY stemmed from market share gains and 15 new product launches with four first-to-market products. In secondary terms, AJP (+9.4%) outperformed IPM growth (+7.6%). The company expects to maintain 200-300bps outperformance over IPM for next year. Except for Cardiac (+4% vs. IPM 10%), AJP was ahead of IPM in core therapies of ophthalmic (12% vs. 9%), derma (17% vs. 6%) and pain (12% vs. 8%).

Margins to sustain despite expected escalation in logistics costs due to Red Sea crisis: AJP ended the quarter and full year with EBITDA margins of 26.4%/27.4% on the back of strong revenue growth, reduced intensity of US price erosion, and lower logistics costs. Though management expects escalation in logistics costs due to the ongoing Red Sea crisis, it has alluded to EBITDA margin guidance at similar levels to FY24 for next year as well.

Maintain BUY; raise TP to Rs 2,585: We have raised our FY25/FY26 EBITDA estimates 6%/9% and increased our TP to Rs 2,585 (from Rs 2,070) based on an unchanged FY26E EV/EBITDA of 14x. Maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AJP IN/Rs 2,234
Market cap	US$ 3.4bn
Free float	31%
3M ADV	US$ 3.0mn
52wk high/low	Rs 2,354/Rs 1,247
Promoter/FPI/DII	66%/10%/15%

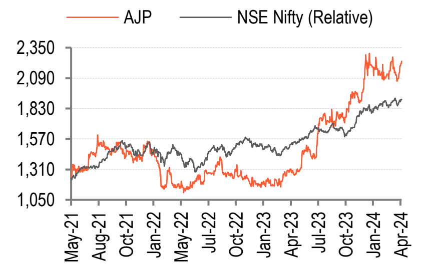
Source: NSE | Price as of 2 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	42,087	47,593	53,391
EBITDA (Rs mn)	11,719	13,060	14,918
Adj. net profit (Rs mn)	8,161	8,947	10,529
Adj. EPS (Rs)	64.6	70.8	83.3
Consensus EPS (Rs)	64.6	74.7	86.5
Adj. ROAE (%)	23.6	22.9	22.5
Adj. P/E (x)	34.6	31.5	26.8
EV/EBITDA (x)	23.9	21.5	18.7
Adj. EPS growth (%)	38.8	9.6	17.7

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

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY

TP: Rs 1,670 | ⮝ 15%

BLUE STAR | Consumer Durables | 03 May 2024

UCP growth strong, margin outlook healthy

- **Topline growth of 21.4% achieved in FY24, with gross margin expanding 120bps and EBITDA margin 70bps**
- **UCP segment grew 34.8% on topline in Q4; market share constant at 13.75%; management reiterated 15% target market share for FY25**
- **We increase FY25/FY26E EPS by 12%/13% and value the stock at 44x FY26E P/E. We raise TP to Rs 1,670 and maintain BUY**

Swati Jhunjhunwala | Arshia Khosla
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Strong quarter, and a strong year: BLSTR posted a healthy quarter with 21.4% revenue growth of Rs 96.9bn in FY24. Gross margin for FY24 grew 120bps YoY to 23.7% and EBITDA margin 70bps YoY to 6.9%. Margins improved on better COGS, partially offset by higher employee and other operating costs. Adjusted PAT for FY24 grew 59.2% YoY to Rs 4.2bn. Order book remains robust at Rs 57bn, 12.3% growth YoY, with sturdy demand for BLSTR's key products.

UCP segment above industry: The Unitary Cooling Products (UCP) segment reported topline growth of 26.6% for FY24, above Lloyd (+12.2% YoY FY24) and industry (20% growth according to media reports). The company sold over 1mn units during the year, with a market share of 13.75%, compared to 13.5% in FY23, and stable compared to Q3FY24. Management aims to achieve 8-8.5% EBIT margin in this segment going forward.

Other businesses offer strong outlook: Both the Electro-Mechanical Products (EMP) and Professional Electronics and Industrial Systems (PEIS) segments are benefitting from a strong demand outlook as manufacturing, data centres and infrastructure sectors fuel growth in EMP. The PEIS segment benefits from continual capacity expansions in the country along with increasing healthcare infrastructure in semi-rural areas. The EMP/PEIS segments grew at a 17.4%/12.8% topline growth YoY in FY24. EBIT margin for EMP stood at 7.2% and PEIS at 13.6%, and management expects the EMP business to achieve a 7.5-8% margin going forward.

Maintain BUY: BLSTR's UCP business continues to grow well, with healthy market share. Management reiterates its 15% market share target by FY25, providing more confidence on this business. EMP remains strong with a healthy order book and continued industry tailwinds, with healthy outlook for PEIS too. Following the healthy performance during the quarter and year ended Mar'24, we raise our FY25E/FY26E EPS by 12%/13% and roll over to Mar'26E. We value BLSTR at 44x (40x earlier) FY26E P/E, a 15% premium to the stock's 2Y average, yielding a higher TP of Rs 1,670 (Rs 1,300 previously). Maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,448
Market cap	US$ 3.4bn
Free float	61%
3M ADV	US$ 5.9mn
52wk high/low	Rs 1,514/Rs 693
Promoter/FPI/DII	39%/11%/25%

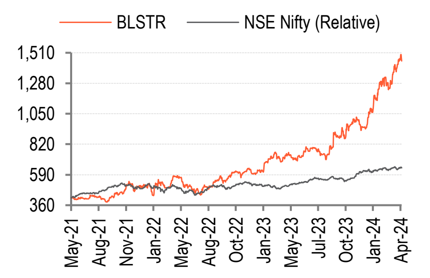
Source: NSE | Price as of 3 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	96,854	1,13,231	1,27,907
EBITDA (Rs mn)	6,649	9,064	10,895
Adj. net profit (Rs mn)	4,150	5,880	7,227
Adj. EPS (Rs)	21.5	30.5	37.5
Consensus EPS (Rs)	21.5	26.7	33.0
Adj. ROAE (%)	21.1	20.7	21.5
Adj. P/E (x)	67.2	47.4	38.6
EV/EBITDA (x)	41.9	30.8	25.6
Adj. EPS growth (%)	59.6	41.7	22.9

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

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 673 | ⮝ 27%

DABUR INDIA

| Consumer Staples | 03 May 2024

Steady performance during the quarter

- **Rural markets continue to grow ahead of urban owing to increased penetration and improved product portfolio**
- **Growth witnessed across geographies; consistent improvement in margins**
- **Strong momentum in rural markets and increased A&P spend to fuel growth; maintain BUY with unchanged TP of Rs 673**

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Steady performance in Q4: Dabur reported 5% YoY revenue growth of Rs 28.1bn in Q4FY24 (+7.3% YoY constant currency), supported by a consistent performance in Home & Personal Care (HPC). However, the Healthcare segment slid marginally, while Food & Beverages remained flat during the quarter. International business maintained strong momentum, growing 12% YoY CC. MENA revenue grew 6.3%, Egypt was up 63%, Sub-Saharan Africa 23.8%, and Turkey 39%. However, Namaste and SAARC fell 10.9% and 3.1% YoY respectively. During FY24, the India FMCG business volume grew 5.5% with market share gains across 95% of the portfolio.

Margin expansion continues: Gross margin expanded 280bps YoY to 48.6% largely due to easing inflation. Operating profit grew 13.9% YoY with a 130bps YoY rise in margin to 16.6% despite advertising and promotions (A&P) spend rising by 21% in the consolidated business.

Rural growth outpaces urban demand: During Q4, rural demand for Dabur grew 400bps ahead of urban markets, the highest level in the last three years, driven by moderating inflation coupled with improved consumer sentiment, expansion of product basket and its investment in rural footprint extension. The company's rural footprint has expanded by 22,000 villages in the current fiscal to 122,000 villages.

Steady performance across categories: Dabur's Digestive business grew 16% YoY and Home Care by 7.5%. Revenue from foods including Badshah saw an uptick of 20.7%. However, revenue from Beverages declined by 1.5% YoY owing to the high base of the last quarter and unfavourable weather conditions.

Maintain BUY: Dabur continues to deliver steady growth and gain market share despite macro headwinds. Amid easing inflation and improving rural demand, we expect the company to deliver profitable growth backed by investments in A&P, distribution, branding, widening of product portfolio, manufacturing and digital channels. The stock is currently trading at 42.4x/36.4x FY24E/FY25E EPS. We maintain BUY and continue to value Dabur at 46x FY26E EPS – in line with the 10Y average – for a TP of Rs 673.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DABUR IN/Rs 532
Market cap	US$ 11.5bn
Free float	33%
3M ADV	US$ 13.3mn
52wk high/low	Rs 597/Rs 489
Promoter/FPI/DII	66%/17%/17%

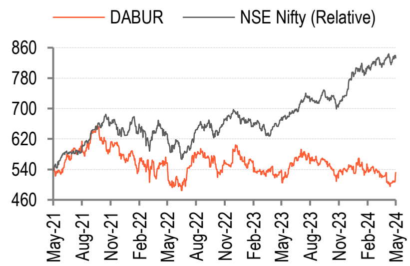
Source: NSE | Price as of 3 May 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	115,299	124,040	143,895
EBITDA (Rs mn)	21,641	24,002	29,067
Adj. net profit (Rs mn)	17,072	18,427	22,245
Adj. EPS (Rs)	9.6	10.4	12.6
Consensus EPS (Rs)	9.6	11.4	13.9
Adj. ROAE (%)	19.1	18.7	20.4
Adj. P/E (x)	55.2	51.1	42.4
EV/EBITDA (x)	43.5	39.3	32.4
Adj. EPS growth (%)	(2.1)	7.9	20.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

METALS & MINING

03 May 2024

Steel margin pick-up beyond Q2CY24: ArcelorMittal

- **ArcelorMittal's (MT) Q1CY24 results confirm bottoming out of steel margins in the western world**
- **MT's guidance suggests flattish EBITDA in Q2CY24 with no signs of restocking yet; elevated China steel exports also weigh on margin**
- **MT still expects 3-4% steel demand growth outside China, baking in absence of destock in H2; benefit of recovery to flow only in CY25**

Kirtan Mehta, CFA
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Steel margins bottom out in western world: MT's (Not Rated) Q1CY24 EBITDA at US$ 2bn was up 25% QoQ with recovery in margins and shipments. Unit EBITDA/t rose US$35/t QoQ to US$ 145/t, driven by improved activity levels with end of destocking, higher selling prices, partially offset by higher raw material costs. In Q1CY24, margins improved sequentially in North America and Brazil, but were still muted in Europe. Similarly, shipments recovered QoQ in North America and Europe, but declined in Brazil.

Q2 likely to be flat: MT does not yet see signs of restocking as customers remain in a 'wait-and-watch' mode. The company expects EBITDA to remain at similar levels as Q1. With pull-back in prices, margins are likely to decline in North America and Brazil but improve in Europe with sharper cost reduction. The company expects volume to be stable in North America and Europe but improve in Brazil sequentially.

Reiterate steel demand growth outlook for CY24: MT retains its forecast of apparent steel demand growth of 3-4% for World ex-China. MT highlights that it is baking in only absence of destock in H2 for the western world due to low inventories in the system and expects the benefit of economic recovery only in CY25.

China exports unsustainable: MT currently sees China demand growing sideways with stronger infrastructure and manufacturing offsetting pressure on real estate. With elevated production levels, demand-supply balance and margins are under pressure in China leading to higher exports. While MT sees the situation as unsustainable, it refrains from specifying any timeline for back-down of exports.

Margin down for AMNS in Q1CY24: ArcelorMittal Nippon Steel India's (Not Rated) EBITDA at US$ 312mn was down 37% QoQ impacted by a sharp 42% QoQ decline margin to US$ 155/t (including impact of natural gas hedges).

Our Ferrous sector view: We expect Indian steel margins to stay at mid-cycle level over the next two years. While we expect global steel demand to stabilise gradually, we believe supply pressure from a likely surplus in China will keep a lid on margins.

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