BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

08 August 2024

RESEARCH

GODREJ CONSUMER PRODUCTS | TARGET: Rs 1,543 | +3% | HOLD

Sales miss but margin beat

SHREE CEMENT | TARGET: Rs 25,403 | +1% | HOLD

Performance weak though current valuations capture the same

BLUE STAR | TARGET: Rs 1,870 | +15% | BUY

Strong quarter; outlook bright

CENTURY PLYBOARDS | TARGET: Rs 725 | +3% | HOLD

Near-term pain to persist; positive medium-term outlook

RELIANCE INDUSTRIES | TARGET: Rs 3,585 | +22% | BUY

Quick pointers from FY24 Annual Report

SUMMARY

GODREJ CONSUMER PRODUCTS

- GCPL missed on sales and EBITDA but business is commoditised and volume growth was in line with high single digits guidance
- 1QFY25 had the negative pricing anniversary. Margins will improve through FY25 with full year pricing up in low single digits
- We assume coverage on GCPL with HOLD. We value GCPL at 52x 12M to Jun'26 EPS and raise TP to Rs 1,543 from Rs 1,415

Click here for the full report.

SHREE CEMENT

- Realisation dent drags revenue growth by 3%5% in Q1FY25, partially offset by healthy volume growth of 8%/1% YoY/QoQ
- Cost savings of ~11% YoY help guard EBITDA margin at ~19% (+30bps YoY) with flat EBITDA at Rs 9.2bn
- We cut FY25E/FY26E EBITDA by 15%11%, introduce FY27 earnings, and assume 12-13% 3Y CAGR growth. Maintain HOLD with TP of Rs 25,403

Click here for the full report.

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BLUE STAR

- Topline jumps 28.7% in Q1, with gross margin rising 140bps and EBITDA margin 180bps
- UCP segment surges 44.3% in Q1; market share steady at 13.75%; management reaffirms 25%-30% revenue growth in FY25
- We raise FY25E/FY26E EPS by 2%/4%, introduce FY27 estimates, and value the stock at 44x P/E. We set a new TP of Rs 1,870. Maintain BUY

Click here for the full report.

CENTURY PLYBOARDS

- CPBI's topline came broadly in line; EBITDA sharply missed our estimates in Q1 due to loss incurred on newly commissioned AP units
- Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive
- Maintain HOLD on near-term earnings risk and expensive valuations; raise TP by 4% to Rs 725

Click here for the full report.

RELIANCE INDUSTRIES

- Retail market share at ~3.5% and targeting growth rate double that of market; Digital Services positioned to lead in FWAs and 5G
- Recognising New Energy as a much wider canvas with large potential, and gearing to develop ecosystem with competitive manufacturing
- Reiterate BUY with a TP of Rs 3,585. RIL's consumer businesses remain key beneficiaries of India's growth story

Click here for the full report.

HOLD
TP: Rs 1,543 | ▲ 3%

GODREJ CONSUMER PRODUCTS | Consumer Staples | 08 August 2024

Sales miss but margin beat

- **GCPL missed on sales and EBITDA but business is commoditised and volume growth was in line with high single digits guidance**
- **1QFY25 had the negative pricing anniversary. Margins will improve through FY25 with full year pricing up in low single digits**
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Sales and EBITDA miss: GCPL's 1QFY25 adjusted EPS grew 18% YoY despite 3% sales decline as EBITDA margins expanded 310bps to 21.7%. Compared to Bloomberg consensus, sales were 5% lower while margins were 70bps higher, which resulted in an only 2% lower EBITDA.

Lower sales but higher margins: India organic volumes were +8% with reported sales +10% despite a high year ago comp of 10%. Pricing helped margins as 1Q was the last quarter of negative pricing. In GUAM (Godrej US, North America, Middle East), constant currency sales were down 10% but earnings were up on business simplification (lower SKUs/improved mix/efficiencies). LATAM had similar trends with sales down and margins up.

Foray into pet foods: GCPL will enter the Pet Foods segment with a Rs 500cr outlay over the next five years. Target is to be cash positive and have ~5% market share by the fifth year. We estimate break even EBITDA in FY28 and cash positive status in FY29. The opportunity is huge given low use in India, but there are risks. GCPL has no experience in the vet channel (~60-70% of category) while the top two players, Mars and Drools, account for ~70% of the market. Even then, materiality is low. We estimate FY31 Pet Food sales at ~Rs 12bn with 18% margins (upper end of industry). On FY24 base, this equates to 9% of sales and 11% of EBITDA.

Raymond update: Raymond will not be EPS accretive by the end of FY25. GCPL is short of the Rs 1.6bn EBITDA target by about Rs 0.2 bn. We estimate EPS accretion in 1QFY26.

Our view and valuation: GCPL continues to grow volumes in the high single digits in India, while improving margins with efficiencies and better mix in overseas markets. HOLD on full valuation. We value GCPL at 52x 12M to Jun'26 EPS and raise TP to Rs 1,543 from Rs 1,415.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	GCPL IN/Rs 1,504
Market cap	US$ 18.3bn
Free float	37%
3M ADV	US$ 19.5mn
52wk high/low	Rs 1,525/Rs 960
Promoter/FPI/DII	63%/23%/14%

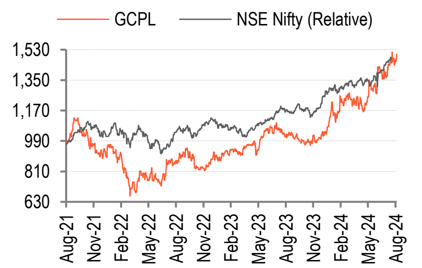
Source: NSE | Price as of 7 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	140,961	152,073	171,514
EBITDA (Rs mn)	29,435	34,694	41,846
Adj. net profit (Rs mn)	19,763	24,532	30,364
Adj. EPS (Rs)	19.3	24.0	29.7
Consensus EPS (Rs)	19.3	23.7	28.4
Adj. ROAE (%)	15.7	17.6	19.8
Adj. P/E (x)	77.8	62.7	50.6
EV/EBITDA (x)	52.2	44.3	36.7
Adj. EPS growth (%)	12.5	24.1	23.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 25,403 | ⮝ 1%

SHREE CEMENT | Cement | 07 August 2024

Performance weak though current valuations capture the same

- **Realisation dent drags revenue growth by 3%5% in Q1FY25, partially offset by healthy volume growth of 8%/1% YoY/QoQ**
- **Cost savings of ~11% YoY help guard EBITDA margin at ~19% (+30bps YoY) with flat EBITDA at Rs 9.2bn**
- **We cut FY25E/FY26E EBITDA by 15%11%, introduce FY27 earnings, and assume 12-13% 3Y CAGR growth. Maintain HOLD with TP of Rs 25,403**

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Revenue decline driven by dent in realisations: SRCM's revenue fell 3.3%/5.2% YoY/QoQ to Rs 48.3bn in Q1FY25, driven by the fall in realisations. Volume rose by 8.1% YoY (~1.1% QoQ) to ~9.6mnt vs 8.9mnt in Q1FY24. Realisations fell to Rs 5,015/t, falling 10.6% YoY but recovering from Rs 4,930/t in Q4FY24. SRCM's QoQ volume increase was the bright spot as Q4 is the busiest quarter seasonally.

Cost savings efforts guard margins: The overall operating cost dropped by 10.9% YoY (+2.7% QoQ) to Rs 4,065/t. Raw material-adjusted energy costs declined 20% YoY (flat QoQ) to Rs 1,879/t, owing to a 25% YoY reduction in fuel cost to Rs 1.76/kcal (from Rs 2.34/kcal in Q1FY24). Logistics cost fell 3% YoY to Rs 1,157/t following a rationalisation of lead distance YoY. Other expenditure rose 11%/9% YoY/QoQ to Rs 7.5bn owing to higher spares and promotional expenses (new plant commissioning). EBITDA fell 1.7%/31% YoY/QoQ to ~Rs 9.2bn and EBITDA margin was at ~19% (+30bps YoY). EBITDA/t dropped 9.1%/29.6% YoY/QoQ to Rs 951/t in Q1FY25. Adj PAT came at Rs 3.2bn, a drop of 45.3% YoY due to higher depreciation provision.

Capex plans: SRCM's ongoing expansion projects include Jatra in Rajasthan with 6mn tonnes, Karnataka and Uttar Pradesh ~3mn tonnes and Baloda Bazar (Chhattisgarh) ~3.4mn tonnes. SRCM has installed 1GW of power capacity and commissioned 19.5MW of solar power plant in Andhra Pradesh in Jun'24.

Earnings estimates cut; maintain HOLD: We cut our EBITDA estimates for FY25/FY26 by ~15%/11% owing to weak 1HFY25 expectations and strong leg of capacity addition by cement companies, including SRCM, leading to excess supply in FY26 and keeping price hikes at bay. Our EPS estimates too are slashed due to SRCM's higher depreciation provision. We introduce FY27 estimates, penciling in a revenue/EBITDA/PAT CAGR of 12%/13%/9% over FY24-FY27E. We maintain a HOLD rating valuing SRCM at 15x (unchanged) 1-year forward EV/EBITDA as SRCM gains size (79mnt) without any meaningful dent in operating efficiencies and maintaining margins. We lower our TP to Rs 25,403 (from Rs 27,438) while valuing the stock at 15x FY26E EV/EBITDA – 2.0x over the industry replacement cost.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	SRCM IN/Rs 25,099
Market cap	US$ 10.8bn
Free float	37%
3M ADV	US$ 16.8mn
52wk high/low	Rs 30,738/Rs 23,451
Promoter/FPI/DII	63%/13%/12%

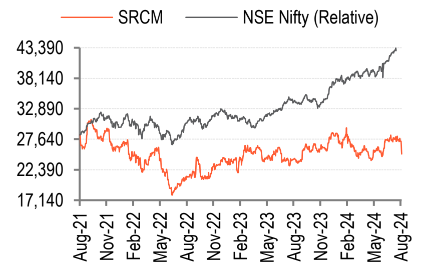
Source: NSE | Price as of 7 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,92,372	2,13,384	2,39,553
EBITDA (Rs mn)	39,859	44,048	50,515
Adj. net profit (Rs mn)	24,684	24,240	28,826
Adj. EPS (Rs)	684.2	671.8	798.9
Consensus EPS (Rs)	684.2	739.0	841.0
Adj. ROAE (%)	12.8	11.4	12.4
Adj. P/E (x)	36.7	37.4	31.4
EV/EBITDA (x)	20.3	18.3	19.9
Adj. EPS growth (%)	85.9	(1.8)	18.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 1,870 | ⮝ 15%

BLUE STAR | Consumer Durables | 07 August 2024

Strong quarter; outlook bright

- **Topline jumps 28.7% in Q1, with gross margin rising 140bps and EBITDA margin 180bps**
- **UCP segment surges 44.3% in Q1; market share steady at 13.75%; management reaffirms 25%-30% revenue growth in FY25**
- **We raise FY25E/FY26E EPS by 2%/4%, introduce FY27 estimates, and value the stock at 44x P/E. We set a new TP of Rs 1,870. Maintain BUY**

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Robust quarter: BLSTR's Q1FY25 revenue increased 29% YoY to Rs 28.6bn, in line with our estimates. EBITDA jumped 64% YoY to Rs 2.3bn, surpassing our estimates due to robust performances across all verticals. The unitary cooling product (UCP) and electromechanical project (EMP) segments continued to thrive, fuelling management's optimism for FY25 growth. EBITDA margin expanded by 180bps YoY and 100bps QoQ to 8.3%. APAT surged to Rs 1.68bn, a strong 102% YoY increase. The company's carry-forward order book as of Jun'24 grew ~14%, setting a record at Rs 60.8bn.

UCP segment shines: The UCP division grew a robust 44.3% YoY, driven by a severe nationwide heatwave, achieving a strong EBIT margin of 9.1%. This performance surpassed Lloyd's EBIT margin of 3.3%. BLSTR is rapidly gaining market share and now commands 13.75% of the market, near its FY25 target of 15%. Management is optimistic about reaching this goal by FY25, bolstered by strategic brand building, a broader product portfolio, and enhanced distribution efforts.

EMP business hits new heights: The EMP division delivered a striking topline of Rs 10.3bn with an EBIT margin of 9.9% in Q1, showcasing notable gains sequentially and YoY. This robust margin, up 240bps QoQ and 290bps YoY, marks a new high for the segment. The order book jumped 13% YoY to Rs 45bn, fuelled by a surge in commercial air conditioning systems, underscoring the division's dynamic performance and growth trajectory.

Maintain BUY, raise TP to Rs 1,870: BLSTR's UCP business was robust in Q1 and its EMP business has a robust order backlog along with the benefit of strong industry tailwinds. We raise our FY25/FY26 EPS estimates by 2%/4% on the back of the strong quarterly performance and buoyant outlook for FY25. Also, we introduce our FY27 estimates. Upon rolling forward valuations to Jun'26E, our TP increases to Rs 1,870 (from Rs 1,670), based on an unchanged target P/E of 44x. Our target multiple is at ~20% premium to the stock's five-year average. Maintain BUY.

Key changes

Target	Rating
▲	◄►

Ticker/Price	BLSTR IN/Rs 1,622
Market cap	US$ 3.7bn
Free float	61%
3M ADV	US$ 9.0mn
52wk high/low	Rs 1,898/Rs 702
Promoter/FPI/DII	39%/11%/25%

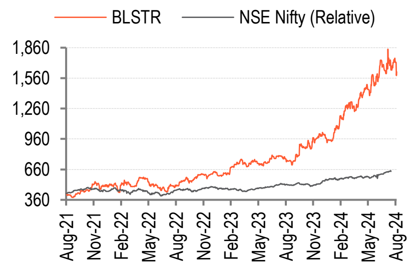
Source: NSE | Price as of 7 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	96,854	117,577	138,311
EBITDA (Rs mn)	6,649	9,242	11,345
Adj. net profit (Rs mn)	4,150	6,006	7,548
Adj. EPS (Rs)	21.5	31.2	39.2
Consensus EPS (Rs)	21.5	30.0	37.0
Adj. ROAE (%)	21.1	21.1	22.3
Adj. P/E (x)	75.3	52.0	41.4
EV/EBITDA (x)	47.0	33.8	27.5
Adj. EPS growth (%)	59.6	44.7	25.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD
TP: Rs 725 | ▲ 3%

CENTURY PLYBOARDS | Building Materials | 07 August 2024

Near-term pain to persist; positive medium-term outlook

- **CPBI's topline came broadly in line; EBITDA sharply missed our estimates in Q1 due to loss incurred on newly commissioned AP units**
- **Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive**
- **Maintain HOLD on near-term earnings risk and expensive valuations; raise TP by 4% to Rs 725**

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Weak quarter: CPBI's topline came in line with our Q1FY25 estimate (-0.9%), but there was a sharp miss in EBITDA/APAT (-21.6%/-47.2%) due to weak performance of the MDF and laminate segments and sharp rise in capital charge. Overall, CPBI's revenue grew 12.8%, but EBITDA/APAT fell 16.5%/51.8% YoY in Q1FY25.

Key highlights: CPBI posted a strong performance for its plywood segment as its segment EBITDA grew sharply by 25% YoY in Q1FY25 driven by higher volumes (13.4% YoY) and margin expansion (+112bps YoY to 13.3%) even in a weak demand environment. However, the performance of MDF and laminate segment were muted in Q1FY25 (MDF/laminate EBITDA fell 74%/9% in Q1FY25) mainly due to the loss incurred on the low operating rate of the newly commissioned unit in Andhra Pradesh (AP). Particleboard segment EBITDA fell 28% YoY in Q1FY25.

Guidance intact: CPBI aims to grow its plywood volume at ~10%, laminate revenue at 20%, and MDF volume at >40% in FY25. It expects plywood margin to be 12-14%, but laminate/MDF margin to be at a low level of 10-12%/15% in anticipation of recovery of margin with gradual pick-up in the operating rate of the newly-commissioned unit in AP over the next few quarters. The particleboard project is expected to be operational by Mar'25 and operate at 50% by Q4FY26. Timber price rose by 5-7% QoQ and is expected to rise marginally over the next two quarters. Budgeted capex cost has been revised up from Rs 6.51bn to Rs 6.7bn due to the increase in MDF project cost (from Rs 7bn to Rs 7.3bn) for FY25-FY26. CPBI expects its balance sheet to get delevered from FY26 onwards on the back of the completion of the large capex programme in FY25.

Maintain HOLD; raise TP by 4% to Rs 725: We expect CPBI's EPS to grow at a healthy rate of 16.7% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to near-term earnings risk and expensive valuations (trades at 46.4x on 1Y forward P/E vs 5Y average of 31.2x). Our estimates have remained broadly intact, but we have increased our TP to Rs 725 (Rs 700 earlier) as we roll forward our valuation from Mar'26 to Jun'26. Our target P/E remains unchanged at 40x.

Key changes

Target	Rating
▲	◄►

Ticker/Price	CPBI IN/Rs 707
Market cap	US$ 1.9bn
Free float	27%
3M ADV	US$ 1.7mn
52wk high/low	Rs 850/Rs 594
Promoter/FPI/DII	73%/4%/17%

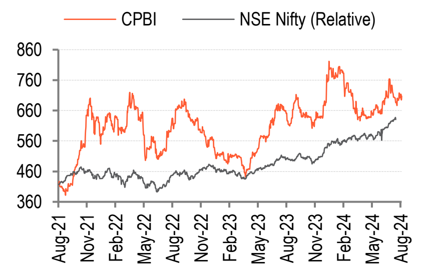
Source: NSE | Price as of 7 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	43,098	51,196
EBITDA (Rs mn)	5,319	5,729	7,171
Adj. net profit (Rs mn)	3,350	3,043	3,887
Adj. EPS (Rs)	15.1	13.7	17.5
Consensus EPS (Rs)	15.1	16.2	22.1
Adj. ROAE (%)	16.3	13.0	14.6
Adj. P/E (x)	47.0	51.7	40.5
EV/EBITDA (x)	29.6	26.9	20.9
Adj. EPS growth (%)	(18.0)	(9.2)	27.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 3,585 | ⮝ 22%

RELIANCE INDUSTRIES | Oil & Gas | 08 August 2024

Quick pointers from FY24 Annual Report

- **Retail market share at ~3.5% and targeting growth rate double that of market; Digital Services positioned to lead in FWAs and 5G**
- **Recognising New Energy as a much wider canvas with large potential, and gearing to develop ecosystem with competitive manufacturing**
- **Reiterate BUY with a TP of Rs 3,585. RIL's consumer businesses remain key beneficiaries of India's growth story**

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We summarise key pointers from RIL's FY24 Annual Report.

Reliance Retail: ~3.5% market share: RIL retail has captured 3.5% market share of the Indian Retail market and aims to grow at more than double the rate (>20%) of market growth of 10% CAGR over 2023-27E indicated by RIL.

Digital Services positioned to lead FWAs: Leveraging standalone 5G architecture, Jio aims to lead the market on fixed wireless access (FWA) and targets 100mn premises. Jio has already scaled up Jio AirFiber offerings across 5,900 towns.

New Energy offers much wider canvas: RIL sees New Energy as ambitious, transformational, and more global in scope than anything it has ever done before. RIL targets the first train of 20GW solar PV (photovoltaic) manufacturing by the end of 2024 and scale up to 20GW in a phased manner over 2026. It targets industrialising sodium-ion cell production at the MW level in 2025 and first 50MWh/year lithium battery cells pilot in 2026.

M&E: Growing scale and ambitions: Targeting to capitalise on 1bn connected screens by 2030, advertising for SMBs on digital medium, experiential viewing.

O2C and O&G: While Oil to Chemicals (O2C) is planning to focus on leveraging external changes, Oil & Gas (O&G) is likely to focus on leveraging existing infrastructure. We infer this as lower investments in these businesses near term.

Succession pointers: RIL has widened the scope of professional leadership across businesses and is grooming the next generation of family for leadership roles.

Reiterate BUY: We have an SOTP-based TP of Rs 3,585 with target multiples for Refining (7.5x), Petrochemicals (8.5x), Jio Infocomm (11x) and Retail (34x). Refer to **Structural position to tide over near-term hiccups**, published on 20 July, for details on our forecasts and valuation.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	RIL IN/Rs 2,930
Market cap	US$ 236.1bn
Free float	50%
3M ADV	US$ 217.8mn
52wk high/low	Rs 3,218/Rs 2,220
Promoter/FPI/DII	50%/21%/17%

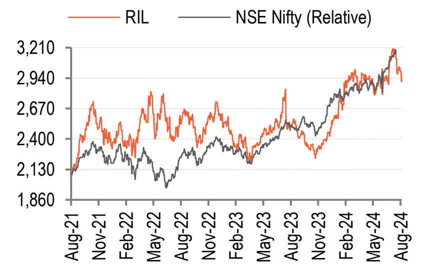
Source: NSE | Price as of 7 Aug 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs	90,10,640	93,49,965	1,03,34,266
EBITDA (Rs mn)	16,22,187	17,65,754	20,32,313
Adj. net profit (Rs	6,96,067	7,79,541	9,28,386
Adj. EPS (Rs)	102.9	115.2	137.2
Consensus EPS	102.9	119.4	137.8
Adj. ROAE (%)	9.2	9.4	10.2
Adj. P/E (x)	28.5	25.4	21.4
EV/EBITDA (x)	13.9	12.7	11.0
Adj. EPS growth (%)	5.0	12.0	19.1

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

Stock performance



Source: NSE

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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