INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Siemens:** Siemens India Ltd (SIL) delivered muted standalone Q1FY24 revenue/EBITDA/APAT of INR 44.4/5.2/4.6bn, missing our estimates by 5.9/5.5/1.8%. EBITDA margin was 11.8%(-327bps/+6bps YoY/QoQ) vs. our estimate of 11.7%. SIL received new orders worth INR 59.7bn (+9.6/+32.7% YoY/QoQ), which are the highest-ever base business orders the company has won. Robust order booking was on the back of strong wins in the energy business, driven primarily by the transmission segment. There was a decline in order booking from Digital industries automation business on account of destocking following normalisation in demand. SIL expects normalisation of the same from Q3FY24 onwards. With this, the implied order book stands at INR 216bn (+13.8/+7.7% YoY/QoQ). This doesn't include the Locos order worth INR263.1bn from Indian Railways. Including the same, the OB is INR 479bn. SIL's outlook on capex demand across segments is based on the premise of spending in public infrastructure, which continues to be robust. Private capex is also beginning to pick up. Given the strength in order inflows and robust order backlog, we maintain a BUY rating, with an increased TP of INR 4,940 (rolled over to 58x Mar-26 EPS).
- **Eicher Motors:** Eicher's Q3 PAT was ahead of estimates due to a better-than-expected margin in both RE and VECV. The margin beat in RE was driven by a significant improvement in realisation, likely driven by new launches. Since Harley Davidson (in collaboration with Hero MotoCorp) and Triumph (in collaboration with Bajaj Auto) launched their models at fiercely competitive and comparable price points to RE, competition in the 250–500cc sector has increased dramatically. Even if both these peers together can ramp up to 10% of RE volumes over 6-9 months, it would cap RE's future growth potential. Given the competitive aggression, we believe that RE would be forced to reconsider its pricing/brand strategy very quickly, which will in turn drive margin pressure. Even export momentum is now derailed given the geopolitical challenges at least in the near term. Additionally, Eicher has planned 20-24 new models in the medium term, which would keep margins under pressure due to higher marketing spending. While RE's performance has held up so far, we expect it to be impacted as competitors ramp up their production in the coming quarters. Reiterate REDUCE with a revised price target of INR 3,597 (from INR 3,407) as we roll forward to Mar 26 earnings.
- **Infoedge:** Infoedge reported a soft quarter with flat revenue growth and muted billings. The core recruitment segment billing was down 1.3% YoY due to the continued slowdown in IT hiring (~60% of recruitment), offset by traction in non-IT sectors like BFSI, travel, auto, construction, etc. Recruitment billings have witnessed two strong years of >30% YoY growth, which is slowing down to -4% in FY24E due to the base effect and lower hiring activity. The margin for the recruitment segment has come down to ~58% from the peak of 62.9% in Q3FY23. The non-core segments like 99acres and Jeevansathi continue to witness growth with a focus on improving profitability. The combined loss of 99acres and Jeevansathi stood at INR 0.29bn, which is down ~40% YoY due to control on expenses. The slowdown in recruitment seems to be over and recovery is expected in H2; 99 acres continues to be the growth engine. The recruitment margin will be in the range of 58-60% and continued

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focus on spend efficiency will drive margins. We maintain our BUY rating with a SoTP-based TP of INR 5,650, valuing Naukri at 35x EV/EBITDA, 99acres/Jeevansathi+Shiksha at 5/3x P/S, while Zomato and Policybazaar have been assigned the market value (~15% discount). The core recruitment business is trading at 30x FY26E EV/EBITDA vs the average of >35x.

- **Phoenix Mills:** Phoenix Mills (PHNX) reported revenue/EBITDA/APAT at INR 9.9/5.5/2.8bn, beating/(missing) our estimates by 2/(3)/(3)%. Improving ARR in hospitality and pick-up in office leasing also contributed positively to profitability. For FY24, PHNX expects to achieve INR 115bn in consumption (a growth of +25%). PHNX is also ramping up its office portfolio to achieve 7.1msf of leased assets by FY26 from 2msf of the current operational portfolio. PHNX has paid INR 10bn cost of Thane land and has 3.2msf of development area. It intends to do residential, retail and hospitality in Thane with a total construction capex of INR 15bn. Beyond this, it is in active discussion on 3-4 land transactions for growth. We have recalibrated our estimates higher to factor in new asset addition. Given stable traction in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY, with an increased SOTP of INR 2,956/sh.

- **JK Lakshmi Cement:** We maintain our BUY rating on JK Lakshmi (JKLC) with a higher target price of INR 1,015/share (9x Mar-26E consolidated EBITDA). JKLC delivered healthy 8% YoY volume growth in Q3FY24. Its EBITDA margin expanded from INR 226/MT QoQ to INR 1021/MT (11-quarter high). This was driven by lower fuel costs, increasing green power consumption and lower lead distance QoQ. JKLC will commission the 2.5mn MT grinding capacity at Udaipur in Q4FY24. Over the next three years, JKLC will add 3.3/7.5mn MT clinker/cement capacity (spread across east, northeast, UP and Gujarat) costing INR 40bn.

- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 3,529 is premised on (1) the stickiness of business, as over 50% of the revenue mix comes from MNCs, and (2) the ability to pass on fluctuations in raw material costs to its customers. Q3 EBITDA/APAT was 10/8% below our estimate owing 10% lower-than-expected revenue.

- **Sansera Engineering:** Notwithstanding the seasonal slowdown in autos and the impact of geopolitical issues on the Sweden subsidiary, Sansera's consolidated revenue grew 28% YoY/3% QoQ to INR7.1bn, in line with our estimate. While macro issues are likely to impact the performance of its Sweden subsidiary over FY25, Sansera is working on reducing costs by shifting production to Indian facilities. This may offset some of the margin pressure in FY25. Management has highlighted the current order book (INR 20.4bn) will mature over FY25-27. The focus on diversification is evident with 30%/23% of the incremental orders from auto-tech agnostic & xEV/ non-auto respectively. The shift in the order book is in line with its revenue target of 40% from the non-ICE segment for FY26 (vs 22% in FY23). Sansera has earmarked an ambitious Vision wherein it aims to achieve 20% revenue CAGR and deliver 20% margin and RoCE by FY26. Management's ability to set a three-year target highlights its confidence in the long-term growth prospects of the business. Maintain BUY with a PT of INR 1,190, valued at 18x FY26 earnings.

- **Repco Home Finance:** REPCO's Q3FY24 earnings beat estimates on the back of sustained strong NIMs (5.3%) and muted credit costs. While the P&L outcomes have remained healthy during 9MFY24, balance sheet growth continues to stay sluggish (AUM growth of +8% YoY) and is a key monitorable for further re-rating. The management has guided for AUM

CAGR of ~14% during FY24-27E, driven by improving productivity metrics on the back of recent organisational changes and branch additions (40 annually). Rebalancing of portfolio mix (towards home loans) and lower incremental spreads are likely to drag profitability, offset by muted credit costs in the near-term. We increase our FY24/FY25 forecasts to factor in lower credit costs and maintain ADD with a revised RI-based TP of INR515 (implying 1x Sep-25 ABVPS).

Siemens

Muted performance

Siemens India Ltd (SIL) delivered muted standalone Q1FY24 revenue/EBITDA/APAT of INR 44.4/5.2/4.6bn, missing our estimates by 5.9/5.5/1.8%. EBITDA margin was 11.8%(-327bps/+6bps YoY/QoQ) vs. our estimate of 11.7%. SIL received new orders worth INR 59.7bn (+9.6/+32.7% YoY/QoQ), which are the highest-ever base business orders the company has won. Robust order booking was on the back of strong wins in the energy business, driven primarily by the transmission segment. There was a decline in order booking from Digital industries automation business on account of destocking following normalisation in demand. SIL expects normalisation of the same from Q3FY24 onwards. With this, the implied order book stands at INR 216bn (+13.8/+7.7% YoY/QoQ). This doesn't include the Locos order worth INR263.1bn from Indian Railways. Including the same, the OB is INR 479bn. SIL's outlook on capex demand across segments is based on the premise of spending in public infrastructure, which continues to be robust. Private capex is also beginning to pick up. Given the strength in order inflows and robust order backlog, we maintain a BUY rating, with an increased TP of INR 4,940 (rolled over to 58x Mar-26 EPS).

- **Q3FY23 financial highlights:** Revenue came in at INR 44.4bn (+21.7%/-17.6% YoY/QoQ, missing our estimate by 5.9%), driven largely by smart infra (SI), mobility (MO) and digital energy (DI). Segmental revenue for energy (EN)/SI/MO/DI/POC/others stood at INR 11.5/15.1/6.2/10.4/2.2/0.2bn, which is a growth of (1)%/27%/79%/33%/(8)%/(31)% respectively. The gross margin was 31.6% (-122bps/+127bps YoY/QoQ). EBITDA was INR 5.2bn (-4.8%/-17.1% YoY/QoQ, a miss of 5.5%). EBITDA margin was 11.8% (-327bps/+6bps YoY/QoQ) vs. our estimate of 11.7%. Consequently, RPAT/APAT came in at 4.6bn (+5.9%/-13.2% YoY/QoQ, a miss of 1.8%).
- **Segment-wise performance:** Gas & power a.k.a. energy (26% revenue contribution): revenue at INR 11.5bn (+1.3/-38% YoY/QoQ) and EBIT margin at 10.9% (-55/-94bps YoY/QoQ). Smart infrastructure (34% revenue contribution): revenue at INR 15bn (+27/-13% YoY/QoQ) and margin at 10.9% (+65/-153bps YoY/QoQ). Mobility (14% revenue contribution): revenue at INR 6.1bn (+79/-7.5% YoY/QoQ) and margin at 5.4% (+556/+411bps YoY/QoQ). Digital industries (23% revenue contribution): revenue at INR 10.4bn (+33%/+10% YoY/QoQ) and margin at 12.7% (-1421/+115bps YoY/QoQ). Portfolio of companies (POC) (5% revenue contribution): revenue at INR 2.2bn (-8%/-9% YoY/QoQ) and margin at 6.4% (-753/-420bps YoY/QoQ).

Standalone Financial summary (INR mn)

(Particulars, Sep YE)	1Q FY24	1Q FY23	YoY (%)	4Q FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	44,358	36,453	21.7	53,815	(17.6)	179,651	223,161	253,292	289,669
EBITDA	5,230	5,492	(4.8)	6,312	(17.1)	22,402	29,042	33,458	38,264
APAT	4,634	4,376	5.9	5,340	(13.2)	19,113	23,444	26,685	30,217
Diluted EPS (INR)	13.0	12.3	5.9	15.0	(13.2)	53.7	65.8	74.9	84.9
P/E (x)						80.5	65.7	57.7	50.9
EV / EBITDA (x)						65.7	50.3	43.1	37.2
RoE (%)						15.8	17.1	16.9	16.7

Source: Company, HSIE Research

BUY

CMP (*as on 13 Feb 2024*)	**INR 4,313**
Target Price	**INR 4,940**
NIFTY	**21,743**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 4,849	INR 4,940

EPS change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / ($ mn)	1,536/18,782
6m avg traded value (INR mn)	1,278
52 Week high / low	INR 4,500/3,078

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	26.2	18.1	37.8
Relative (%)	16.0	8.5	19.4

SHAREHOLDING PATTERN (%)

	Sep-23	**Dec-23**
Promoters	75.00	75.00
FIs & Local MFs	7.64	7.71
FPIs	7.94	7.89
Public & Others	9.44	9.40
Pledged Shares	-	-

Source : BSE

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Eicher Motors

Competitive pressure to be visible in coming quarters

Eicher's Q3 PAT was ahead of estimates due to a better-than-expected margin in both RE and VECV. The margin beat in RE was driven by a significant improvement in realisation, likely driven by new launches. Since Harley Davidson (in collaboration with Hero MotoCorp) and Triumph (in collaboration with Bajaj Auto) launched their models at fiercely competitive and comparable price points to RE, competition in the 250–500cc sector has increased dramatically. Even if both these peers together can ramp up to 10% of RE volumes over 6-9 months, it would cap RE's future growth potential. Given the competitive aggression, we believe that RE would be forced to reconsider its pricing/brand strategy very quickly, which will in turn drive margin pressure. Even export momentum is now derailed given the geopolitical challenges at least in the near term. Additionally, Eicher has planned 20-24 new models in the medium term, which would keep margins under pressure due to higher marketing spending. While RE's performance has held up so far, we expect it to be impacted as competitors ramp up their production in the coming quarters. Reiterate REDUCE with a revised price target of INR 3,597 (from INR 3,407) as we roll forward to Mar 26 earnings.

- **RE Q3 beats estimates:** Royal Enfield's Q3 PAT at INR 9.1bn was ahead of our estimate of INR 8.1bn due to a better-than-expected margin. Aided by better realization, the EBITDA margin at 27.5% was significantly higher than our expectation of 26.6%.
- **Strong VECV performance:** VECV Q3 margin improved by 140bps YoY (+20bps QoQ) to 8%. Overall, PAT improved sharply to INR 2.11bn, from INR 1.16bn YoY, led by strong volume growth and improved margins.
- **Call takeaways:** (1) The VECV segment witnessed significant market share gains across segments notwithstanding the challenging macro environment. (2) RE had two launches—the new Himalayan 450cc and Shotgun 650. (3) It believes the Himalayan on the new Sherpa 450 platform is positioned to capture growth opportunities in the middleweight motorcycling segment. (4) VECV announced its entry into the Small Commercial Vehicle segment with an Electric-First offer, available from CY25. (5) The recently launched Bullet 350cc on the J-platform has been very well received in the market. (6) There has been some impact of the adverse global macro conditions. Its share in >125cc motorcycles is 30.5% for 9MFY24 (32% in 1H). (7) Management has indicated that retail in key export markets is still doing well and they are careful not to push stock with dealers in these markets. (8) It has launched 'Re-own' for buying or selling pre-owned RE motorcycles. Another program, 'Assured Buyback' has been launched to reduce ownership costs and reduce entry barriers.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	41,156	36,652	12.3	40,330	2.0	141,759	155,509	172,075	192,951
EBITDA	10,903	8,572	27.2	10,872	0.3	34,436	38,976	39,462	44,059
APAT	9,960	7,408	34.4	10,163	-2.0	29,139	33,606	34,720	38,858
Diluted EPS (INR)	36.4	27	34.4	37.2	-2.0	106.6	122.9	127.0	142.1
P/E (x)						36.6	31.7	30.7	27.4
EV / EBITDA (x)						27.2	23.5	22.8	19.9
RoCE (%)						22.7	22.9	20.8	20.5

Source: Company, HSIE Research

REDUCE

CMP *(as on 13 Feb 2024)*	**INR 3,854**
Target Price	**INR 3,597**
NIFTY	**21,743**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 3,407	INR 3,597
	FY25E	FY26E
EPS %	0%	0%

KEY STOCK DATA	
Bloomberg code	EIM IN
No. of Shares (mn)	274
MCap (INR bn) / ($ mn)	1,055/12,902
6m avg traded value (INR mn)	2,226
52 Week high / low	INR 4,202/2,836

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.7	13.7	18.5
Relative (%)	(4.5)	4.2	0.1

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	49.16	49.15
FIs & Local MFs	10.58	9.83
FPIs	28.89	29.44
Public & Others	11.37	11.58

Source : BSE

Pledged shares as % of total shares

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Infoedge

Slow recovery

Infoedge reported a soft quarter with flat revenue growth and muted billings. The core recruitment segment billing was down 1.3% YoY due to the continued slowdown in IT hiring (~60% of recruitment), offset by traction in non-IT sectors like BFSI, travel, auto, construction, etc. Recruitment billings have witnessed two strong years of >30% YoY growth, which is slowing down to -4% in FY24E due to the base effect and lower hiring activity. The margin for the recruitment segment has come down to ~58% from the peak of 62.9% in Q3FY23. The non-core segments like 99acres and Jeevansathi continue to witness growth with a focus on improving profitability. The combined loss of 99acres and Jeevansathi stood at INR 0.29bn, which is down ~40% YoY due to control on expenses. The slowdown in recruitment seems to be over and recovery is expected in H2; 99 acres continues to be the growth engine. The recruitment margin will be in the range of 58-60% and continued focus on spend efficiency will drive margins. We maintain our BUY rating with a SoTP-based TP of INR 5,650, valuing Naukri at 35x EV/EBITDA, 99acres/Jeevansathi+Shiksha at 5/3x P/S, while Zomato and Policybazaar have been assigned the market value (~15% discount). The core recruitment business is trading at 30x FY26E EV/EBITDA vs the average of >35x.

- **Q3FY24 highlights**: (1) Infoedge revenue grew 0.4/7.2% QoQ/YoY to INR 5.95bn, driven by -1.2/+1.7/+12.9% QoQ growth in recruitment/ 99acres/ Jeevansathi + Shiksha; (2) billings grew by -1.3/24/32% YoY for recruitment/99acres/Jeevansathi; (3) EBITDA margin for recruitment/99acres/Jeevansathi stood at 57.6/-16.6/-62.7%; (4) Standalone margin stood at 40.4% (down 24 bps QoQ), employee/admin cost were up -0.5/+15.6% QoQ while ad spend was stable at INR 0.69bn; (5) Job speak index/IT hiring index was down 11/19% YoY in Jan-23; (6) PAT grew 2.3% QoQ to INR 2.14bn; (7) net cash stands at INR 36bn and Zomato/Policybazaar account for 22/6% in SoTP.
- **Outlook**: We expect a revenue CAGR of 11% over FY23-26E, led by 9/22/10/15% CAGRs in recruitment/99acres/Jeevansathi/Shiksha. EBITDA margin estimates stand at 39.3/40.9% for FY25/26E (recruitment 58/59% for FY25/26E), leading to an EPS CAGR of 18.6% over FY23-26E.

Quarterly financial summary

YE March (INR bn)	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5.95	5.55	*7.2*	5.93	*0.4*	15.62	21.59	23.91	26.17	29.58
EBITDA	2.41	2.17	*11.0*	2.41	*-0.2*	4.64	7.84	9.59	10.29	12.09
APAT	2.14	6.43	*-66.8*	2.14	*-0.1*	5.21	6.08	8.39	8.79	10.15
Diluted EPS (INR)	16.6	49.8	*-66.8*	16.6	*-0.1*	40.3	47.1	65.1	68.1	78.7
P/E (x)						132.4	113.4	82.1	78.4	67.9
EV / Revenue (x)						41.8	30.4	25.8	22.1	18.2
EV / EBITDA (x)						140.7	83.6	64.4	56.3	44.6
RoE (%)						10.3	15.0	29.6	25.3	24.3

Source: Company, HSIE Research, Standalone Financials

Change in estimate

YE March	FY24E	FY24E	Change	FY25E	FY25E	Change	FY26E	FY26E	Change
Revenue	24.01	23.91	*-0.4*	26.72	26.17	*-2.1*	30.81	29.58	*-4.0*
EBITDA	9.43	9.59	*1.7*	10.41	10.29	*-1.1*	12.34	12.09	*-2.0*
EBITDA%	39.3	40.1	*82bps*	38.9	39.3	*38bps*	40.0	40.9	*83bps*
APAT	8.21	8.39	*2.2*	8.92	8.79	*-1.5*	10.39	10.15	*-2.3*
EPS (INR)	63.7	65.1	*2.2*	69.2	68.1	*-1.5*	80.6	78.7	*-2.3*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Feb 2024)*	**INR 5,342**
Target Price	**INR 5,650**
NIFTY	**21,743**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 5,055	INR 5,650
EPS %	FY25E	FY26E
	-1.5	-2.3

KEY STOCK DATA	
Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	691/8,451
6m avg traded value (INR mn)	1,397
52 Week high / low	INR 5,545/3,308

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.4	19.7	54.2
Relative (%)	8.2	10.2	35.8

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	37.98	37.91
FIs & Local MFs	18.75	20.04
FPIs	31.21	30.47
Public & Others	12.06	11.58
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Phoenix Mills

Strong balance sheet augurs well for growth

Phoenix Mills (PHNX) reported revenue/EBITDA/APAT at INR 9.9/5.5/2.8bn, beating/(missing) our estimates by 2/(3)/(3)%. Improving ARR in hospitality and pick-up in office leasing also contributed positively to profitability. For FY24, PHNX expects to achieve INR 115bn in consumption (a growth of +25%). PHNX is also ramping up its office portfolio to achieve 7.1msf of leased assets by FY26 from 2msf of the current operational portfolio. PHNX has paid INR 10bn cost of Thane land and has 3.2msf of development area. It intends to do residential, retail and hospitality in Thane with a total construction capex of INR 15bn. Beyond this, it is in active discussion on 3-4 land transactions for growth. We have recalibrated our estimates higher to factor in new asset addition. Given stable traction in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY, with an increased SOTP of INR 2,956/sh.

- **Q3FY24 financial highlights:** Revenue: INR 9.9bn (+44%/+13% YoY/QoQ, a 2% beat). EBITDA: INR 5.5bn (+43%/+7% YoY/QoQ, a 3% miss). EBITDA margin: 56% (-27/-276bps YoY/QoQ, vs est. of 59.2%). RPAT/APAT: INR 2.8bn (+58%/+8% YoY/QoQ, 3% miss). Total retail rental income was INR 4.5bn (+33%/+17% YoY/QoQ) with an EBITDA of INR 4.3bn (+27%/+11% YoY/QoQ). Excluding new malls, i.e. Citadel Indore, Palladium Ahmedabad, Pune and Bengaluru retail rental income came in at INR 3.5bn (+5/+3% YoY/QoQ) with EBITDA at INR 3.6bn (+5/+2% YoY/QoQ). Income from offices was INR 500mn (+17%/+11% YoY/QoQ), with EBITDA margin stable YoY at 57%.
- **Adjusted consumption muted on a like-to-like basis owing to the high base:** Consumption in Q3FY24 stood at Rs 32.9bn, up 24% over Q3FY23 and up 4% on a like-to-like basis. Adjusted for trading occupancy ramp-up YoY, the consumption should have grown 6.9% which implies same store top-6 malls' consumption decline of 1.7%, the lowest in recent quarters. Even on averaging trading occupancy, the consumption growth should have been 3%, implying same-store sales growth of 1.2%). Consumption was supported by higher growth in jewellery/F&B/fashion/hypermarket growing annually by 19/2/3/20% resp.
- **Business development supported by healthy cash flow:** Consolidated gross/net debt stood at INR 42.9/22.3bn vs INR 42.6/20.9bn as of Sep'23. The group liquidity stands at INR 20.6bn. PHNX generated INR 17.2/4.2bn of CFO during 3QFY24/9MFY24, sufficient to meet capex. PHNX has enough legroom for higher debt and plans to add LRD debt to fund construction and land capex.

Consolidated financial summary (INR mn)

Particulars	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	9,861	6,838	*44.2*	8,750	*12.7*	26,383	37,162	42,436	55,009
EBITDA	5,518	3,845	*43.5*	5,138	*7.4*	15,189	21,463	24,694	32,153
APAT	2,794	1,764	*58.4*	2,585	*8.1*	8,637	10,658	12,155	16,763
EPS (INR)	16.3	10.3	*58.4*	15.1	*8.1*	49.3	62.3	71.0	97.9
P/E (x)						52.0	41.2	36.1	26.2
EV/EBITDA (x)							31.0	21.8	18.9
RoE (%)						17.1	13.5	13.6	16.2

Consolidated estimate change summary (INR mn)

Particulars	FY24E			FY25E			FY26E		
	New	Old	New	New	New	Chg.(%)	New	New	Chg.(%)
Revenues	37,162	32,716	13.6	42,436	41,209	3.0	55,009	52,491	4.8
EBITDA	21,463	20,149	6.5	24,694	25,410	(2.8)	32,153	32,411	(0.8)
EBITDA (%)	57.8	61.6	(383.2)	58.2	61.7	(347.2)	58.4	61.7	(329.6)
APAT	10,658	9,065	17.6	12,155	11,528	5.4	16,763	16,480	1.7

Source: Company, HSIE Research

BUY

CMP *(as on 13 Feb 2024)*	INR 2,565
Target Price	INR 2,956
NIFTY	21,743

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 2,840		INR 2,956
EPS Change %	FY24E	FY25E	FY26E
	17.6	5.4	1.7

KEY STOCK DATA	
Bloomberg code	PHNX IN
No. of Shares (mn)	179
MCap (INR bn) / ($ mn)	458/5,603
6m avg traded value (INR mn)	836
52 Week high / low	INR 2,836/1,186

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.5	50.0	90.4
Relative (%)	11.3	40.4	72.0

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	47.29	47.28
FIs & Local MFs	18.51	17.70
FPIs	30.01	30.80
Public & Others	4.18	4.22
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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JK Lakshmi Cement

Healthy volume and margin; large expansions underway

We maintain our BUY rating on JK Lakshmi (JKLC) with a higher target price of INR 1,015/share (9x Mar-26E consolidated EBITDA). JKLC delivered healthy 8% YoY volume growth in Q3FY24. Its EBITDA margin expanded from INR 226/MT QoQ to INR 1021/MT (11-quarter high). This was driven by lower fuel costs, increasing green power consumption and lower lead distance QoQ. JKLC will commission the 2.5mn MT grinding capacity at Udaipur in Q4FY24. Over the next three years, JKLC will add 3.3/7.5mn MT clinker/cement capacity (spread across east, northeast, UP and Gujarat) costing INR 40bn.

- **Q3FY24 performance**: Consolidated volume grew 8/8% YoY/QoQ. NSR was flattish QoQ. The share of trade sales declined 400bps QoQ to 58% (up 400bps YoY). Opex declined 5% QoQ on lower input costs QoQ. Its fuel cost cooled off by 13% QoQ to INR 1.78/mn cal and the share of low-cost green power expanded 900bps QoQ to 44%, owing to sourcing of solar power at Durg. Even lead distance reduced by 3% QoQ. The ramp-up of the Udaipur clinker plant negated op-lev gains. Thus, unit EBITDA rose INR 225/MT QoQ to INR 1,021/MT (up INR 347/MT YoY), the highest in the last eleven quarters.
- **Con call KTAs and outlook**: JKLC expects 8-10% volume growth in Q4FY24 and low double-digit volume growth in FY25. It expects fuel cost to further cool off by 4% QoQ in Q4 to ~INR 1.7/mn cal. The 2.5mn MT Udaipur grinding expansion is expected to be commissioned by March 2024. JKLC added 9MW WHRS at Udaipur in Q3 and will add 3.5MW WHRS at Sirohi in Q4FY24. It is also working to expand TSR at Sirohi from 4% currently to 16% in a phased manner by FY25 (Jan-24 was 11%). Its Surat GU expansion by 1.35mn MT is expected in FY26. JKLC announced a 2.3mn MT clinker expansion in Durg and 4.6mn MT cement capacity across east and UP to be commissioned during FY26-27. It also acquired limestone mines in the northeast region, which will be used to set up a greenfield plant (1.5mn MT) there. Project timelines are awaited. While we maintain our EBITDA estimates, we raise our capex estimates during FY24-26E to factor in new expansions. We expect its net debt/EBITDA to remain under 2x, despite speeding up capex. Factoring in the strong Q3 performance, timely execution of Udaipur expansion, and the fact that the newly announced expansions in the east won't stretch the balance sheet, we upgrade the target multiple to 9x Mar-26E EV/EBITDA (from 8x).

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	2.96	2.75	*7.6*	2.73	*8.3*	11.20	11.49	12.29	13.52	14.60
NSR (INR/MT)	5,753	5,677	*1.3*	5,762	*(0.2)*	4,840	5,617	5,729	5,815	5,902
EBITDA(INR/MT)	1,021	673	*51.6*	795	*28.4*	849	730	885	977	1,036
Net Sales	17.03	15.62	*9.0*	15.75	*8.1*	54.20	64.52	70.41	78.61	86.18
EBITDA	3.02	1.85	*63.1*	2.17	*39.1*	9.51	8.39	10.87	13.21	15.13
APAT	1.26	0.76	*64.8*	0.93	*35.8*	4.91	3.59	4.87	5.74	6.79
AEPS (INR)	11.5	6.5	*76.4*	7.9	*45.4*	41.7	30.5	41.4	48.8	57.7
EV/EBITDA (x)						11.5	13.1	10.9	9.1	8.0
EV/MT (INR bn)						7.89	7.92	7.23	7.33	6.85
P/E (x)						21.2	29.0	21.3	18.1	15.3
RoE (%)						*21.1*	*13.3*	*15.9*	*16.2*	*16.5*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Feb 2024)*	INR 886
Target Price	INR 1,015
NIFTY	21,743

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 995	INR 1,015
EBITDA revision %	FY24E *0.4*	FY25E *0.8*

KEY STOCK DATA	
Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / ($ mn)	104/1,275
6m avg traded value (INR mn)	290
52 Week high / low	INR 1,000/607

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.1	37.7	17.7
Relative (%)	2.9	28.1	(0.7)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	46.31	46.31
FIs & Local MFs	27.63	27.57
FPIs	10.53	10.83
Public & Others	15.53	15.29
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Galaxy Surfactants

Volume focus strategy is paying off

Our BUY recommendation on GALSURF with a price target of INR 3,529 is premised on (1) the stickiness of business, as over 50% of the revenue mix comes from MNCs, and (2) the ability to pass on fluctuations in raw material costs to its customers. Q3 EBITDA/APAT was 10/8% below our estimate owing 10% lower-than-expected revenue.

- **Financial performance:** Q3 revenue declined by 13/4% YoY/QoQ to INR 9.4bn. The decline was due to a change in product mix and subdued demand in AMET and Europe. The company's strategy of focusing on volume growth is paying off. In 9MFY24, total volume grew by 8.6% over 9MFY23, led by 13.6% growth in the domestic market. AMET and the Rest of the World (ROW) markets have shown single-digit volume growth in 9MFY24. EBITDA declined by 10/27% YoY/QoQ to INR 1,125mn while the margin declined to 12% (230/74 bps YoY/QoQ). EBITDA was impacted by the sudden increase in freight cost in the second fortnight of December. EBITDA per kg for the quarter was INR 17.8/kg compared to INR 19.2/26.8 per kg in Q2FY24/Q3FY23, owing to a shift in sales mix towards low-margin performance surfactants.
- **Result highlights:**(1) Growth in the domestic market was led by specialty care segment volume growth. Revenue from the Indian market decreased by 4/8% YoY/QoQ to INR 3.8bn. (2) The company incurred a capex of INR 900mn in 9MFY23 and will incur INR1,320-1,500mn in FY25. (3) Revival is expected in the North American and European markets as destocking is expected to bottom out and demand is expected to ramp up. (4) The sudden increase in freight rates because of the Red Sea crisis impacted the freight cost as the company was not able to pass on the same immediately. It will be passed on to customers in subsequent quarters. (5) Supply chain disruption to and from Egypt has been impacted by the Red Sea crises which is likely to impact revenue in Q4FY24. (6) Overall capacity utilisation of plants in India remained at 70%. (7) Specialty care volume remains stagnant QoQ while increasing by 22% YoY to ~23.4kt. (8) Performance surfactant volume decreased by 5% QoQ while remaining flattish YoY to ~39.74 kt. (9) Revenue from ROW decreased by 34/6% YoY/QoQ to INR 3.1 bn while the revenue in the AMET region increased by 22/9% YoY/QoQ to INR 2.56 bn.
- **DCF-based valuation: Our price target is INR 3,529 (WACC 10%, terminal growth 4%). The stock is trading at 25x FY25E EPS.**

Financial summary (consolidated)

INR mn	Q3 FY24	Q2 FY24	QoQ (%)	Q3 FY23	YoY (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9,405	9,831	(4.3)	10,803	(12.9)	36,857	44,452	38,184	41,904	46,721
EBITDA	1,125	1,249	(9.9)	1,541	(27.0)	4,007	5,683	4,849	5,671	6,791
APAT	714	774	(7.8)	1,062	(32.8)	2,628	3,810	3,048	3,693	4,541
AEPS (INR)	20.1	21.8	(7.8)	30.0	(32.8)	74.1	107.5	86.0	104.2	128.1
P/E (x)						35.1	24.2	30.3	25.0	20.3
EV/EBITDA(x)						22.3	16.2	19.7	17.2	14.7
RoE (%)						18.3	22.0	15.2	16.3	17.5

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR bn)	4.88	4.85	(0.7)	5.74	5.67	(1.2)	6.85	6.79	(0.8)
Adj. EPS (INR/sh)	86.8	86.0	(0.9)	105.8	104.2	(1.5)	129.4	128.1	(1.0)

Source: Company, HSIE Research

BUY

CMP *(as on 13 Feb 2024)*	INR 2,601
Target Price	INR 3,529
NIFTY	21,743

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,570	INR 3,529
EPS % chg	FY24E	FY25E
	-0.9%	-1.5%

KEY STOCK DATA	
Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / ($ mn)	92/1,128
6m avg traded value (INR mn)	77
52 Week high / low	INR 2,989/2,218

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.3)	(4.0)	7.0
Relative (%)	(18.5)	(13.5)	(11.4)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	70.90	70.92
FIs & Local MFs	12.57	12.44
FPIs	3.07	3.61
Public & Others	13.46	13.03
Pledged Shares	0.00	0.00

Source: BSE

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Sansera Engineering

Good performance despite macro headwinds

Notwithstanding the seasonal slowdown in autos and the impact of geopolitical issues on the Sweden subsidiary, Sansera's consolidated revenue grew 28% YoY/3% QoQ to INR7.1bn, in line with our estimate. While macro issues are likely to impact the performance of its Sweden subsidiary over FY25, Sansera is working on reducing costs by shifting production to Indian facilities. This may offset some of the margin pressure in FY25. Management has highlighted the current order book (INR 20.4bn) will mature over FY25-27. The focus on diversification is evident with 30%/23% of the incremental orders from auto-tech agnostic & xEV/ non-auto respectively. The shift in the order book is in line with its revenue target of 40% from the non-ICE segment for FY26 (vs 22% in FY23). Sansera has earmarked an ambitious Vision wherein it aims to achieve 20% revenue CAGR and deliver 20% margin and RoCE by FY26. Management's ability to set a three-year target highlights its confidence in the long-term growth prospects of the business. Maintain BUY with a PT of INR 1,190, valued at 18x FY26 earnings.

- **Q3 revenue in line with estimates:** The consolidated revenue grew 28% YoY/3% QoQ to INR7.1bn, in line with our estimate. Gross margin remained stable at 56.7%. EBITDA margin at 16.9% (+130bps YoY/flat QoQ) was lower than our estimate of 17.3%. PAT came in at INR 480mn (+55% YoY/flat QoQ), marginally lower than our estimate of INR 501mn.
- **Call takeaways**: (1) Global business, particularly in North America, saw a 32% YoY increase, which drove revenue growth. (2) The Auto-ICE segment reported 26% YoY revenue growth, led by 2Ws and PVs. The 2W-motorcycle segment continues to be a beneficiary of the premiumisation and higher content per vehicle trend and reported 28% YoY growth in revenues. Sansera is focused on increasing wallet share with customers such as Royal Enfield, TVS-BMW, Harley Hero models, and Triumph (Bajaj Auto). (3) The Auto-Tech agnostic and xEV segment contributed to 12% of the revenue in Q3 and reported 37% YoY growth in revenues. The EV segment continues to be impacted by the scaling down of the business of a domestic EV 2W customer. However, management expects an improvement in EV revenue due to the contribution of a new American multinational automotive EV customer. (4) The delays in a large order from the customer's end led to a lower-than-anticipated growth in the aerospace and defence segment in Q3. (5) Off-road sales for FY24 are expected to cross INR 1bn in FY24. (6) The order book of new business with an annual peak revenue stood at INR 20.4bn (INR 19.3bn in Q3). A majority of the new orders are from non-auto verticals. (7)Net debt was flat QoQ at INR 6.2bn.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	7,126	5,573	27.9	6,929	2.9	23,383	27,730	33,018	38,885
EBITDA	1,207	867	39.2	1,178	2.5	3,795	4,770	5,943	7,194
APAT	480	310	54.7	470	2.2	1,462	1,905	2,711	3,556
Diluted EPS (INR)	8.9	5.8	54.7	8.7	2.2	27.2	35.4	50.4	66.1
P/E (x)						36.5	28.0	19.7	15.0
EV / EBITDA (x)						15.2	12.1	9.6	7.7
RoCE (%)						14.6	16.4	19.5	21.8

Source: Company, HSIE Research

BUY

CMP *(as on 13 Feb 2024)*	INR 993
Target Price	INR 1,190
NIFTY	21,743

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,190	INR 1,190
EPS %	FY25E	FY26E
	0%	0%

KEY STOCK DATA	
Bloomberg code	SANSERA IN
No. of Shares (mn)	54
MCap (INR bn) / ($ mn)	53/650
6m avg traded value (INR mn)	157
52 Week high / low	INR 1,090/704

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.9	6.0	32.2
Relative (%)	6.7	(3.5)	13.8

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	35.2	35.1
FIs & Local MFs	25.1	28.2
FPIs	29.0	22.7
Public & Others	10.7	14.0
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Repco Home Finance

Steady P&L outcomes; loan growth remains elusive

REPCO's Q3FY24 earnings beat estimates on the back of sustained strong NIMs (5.3%) and muted credit costs. While the P&L outcomes have remained healthy during 9MFY24, balance sheet growth continues to stay sluggish (AUM growth of +8% YoY) and is a key monitorable for further re-rating. The management has guided for AUM CAGR of ~14% during FY24-27E, driven by improving productivity metrics on the back of recent organisational changes and branch additions (40 annually). Rebalancing of portfolio mix (towards home loans) and lower incremental spreads are likely to drag profitability, offset by muted credit costs in the near-term. We increase our FY24/FY25 forecasts to factor in lower credit costs and maintain ADD with a revised RI-based TP of INR515 (implying 1x Sep-25 ABVPS).

- **Favourable loan mix and muted credit costs drive earnings beat**: REPCO's NIM remained steady at 5.3% (Q2FY24: 5.4%), driven by yield reflation from a favourable loan mix (towards non-housing loans). Cost of funds continued to inch up (8.4%) amidst a tight liquidity environment, with no sanctions from NHB during the year. Opex intensity remained elevated at 1.3% of AUM (C/I at 23%), with ongoing investments in tech and distribution, and is expected to remain elevated. Profitability continued to remain healthy with RoA/RoE prints at 3.1%/15.8% respectively.
- **Asset quality - making gradual strides:** REPCO's GS-III/NS-III continued to improve at 4.7%/1.9% (H1FY24: 4.9%/2.2%; 9MFY23: 6.2%/3.5%), benefitting from increasing focus on collection and recovery efforts. Credit costs at ~9bps (annualised) remain subdued and could surprise positively going ahead with nominal write-backs and steady improvement in asset quality.
- **Growth key priority for management**: Having stabilised its asset quality and with key investments largely done, REPCO is focused on driving loan growth, which has remained muted for the past several years. Recent initiatives such as expansion of the distribution footprint and introduction of separate sales and credit verticals are likely to offer growth impetus, which remains a key monitorable amidst moderation in housing demand and elevated competitive intensity across segments, and is likely to drive the next leg of re-rating.

Financial summary

(INR bn)	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	FY23	FY24E	FY25E	FY26E
NII	1.6	1.4	*17.8*	1.7	*(3.6)*	5.6	6.4	7.1	7.9
PPOP	1.4	1.1	*24.5*	1.3	*2.4*	4.5	5.3	5.8	6.4
PAT	1.0	0.8	*23.0*	1.0	*1.4*	3.0	3.8	4.0	4.4
EPS (INR)	15.9	12.9	*23.2*	15.7	*1.4*	47.3	61.1	64.5	71.1
ROAE (%)						12.5	14.2	13.1	12.8
ROAA (%)						2.4	2.9	2.7	2.6
ABVPS (INR)						332	422	484	544
P/ABV (x)						1.4	1.1	0.9	0.8
P/E (x)						9.6	7.4	7.0	6.4

Change in estimates

INR bn	FY24E			FY25E			FY26E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
AUM	138	136	-1.8%	155	153	-1.6%	176	174	-0.8%
NIM (%)	4.7	4.7	3 bps	4.6	4.6	3 bps	4.5	4.6	10bps
NII	6.5	6.4	-0.5%	7.1	7.1	-1.0%	7.8	7.9	0.9%
PPOP	5.3	5.3	-0.1%	5.8	5.8	-1.4%	6.4	6.4	0.0%
PAT	3.7	3.8	4.0%	4.0	4.0	1.4%	4.3	4.4	4.2%
ABVPS (INR)	406	422	4.0%	462	484	4.6%	520	544	4.7%

Source: Company, HSIE Research

ADD

CMP *(as on 13 Feb 2024)*	INR 456
Target Price	INR 515
NIFTY	21,743

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 480	INR 515
EPS %	FY24E	FY25E
	4.0%	1.4%

KEY STOCK DATA	
Bloomberg code	REPCO IN
No. of Shares (mn)	63
MCap (INR bn) / ($ mn)	29/349
6m avg traded value (INR mn)	127
52 Week high / low	INR 492/168

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.7	23.7	98.2
Relative (%)	(6.5)	14.2	79.8

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	37.1	37.1
FIs & Local MFs	18.4	19.1
FPIs	15.3	13.8
Public & Others	29.2	30.0
Pledged Shares		0.0

Source: BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

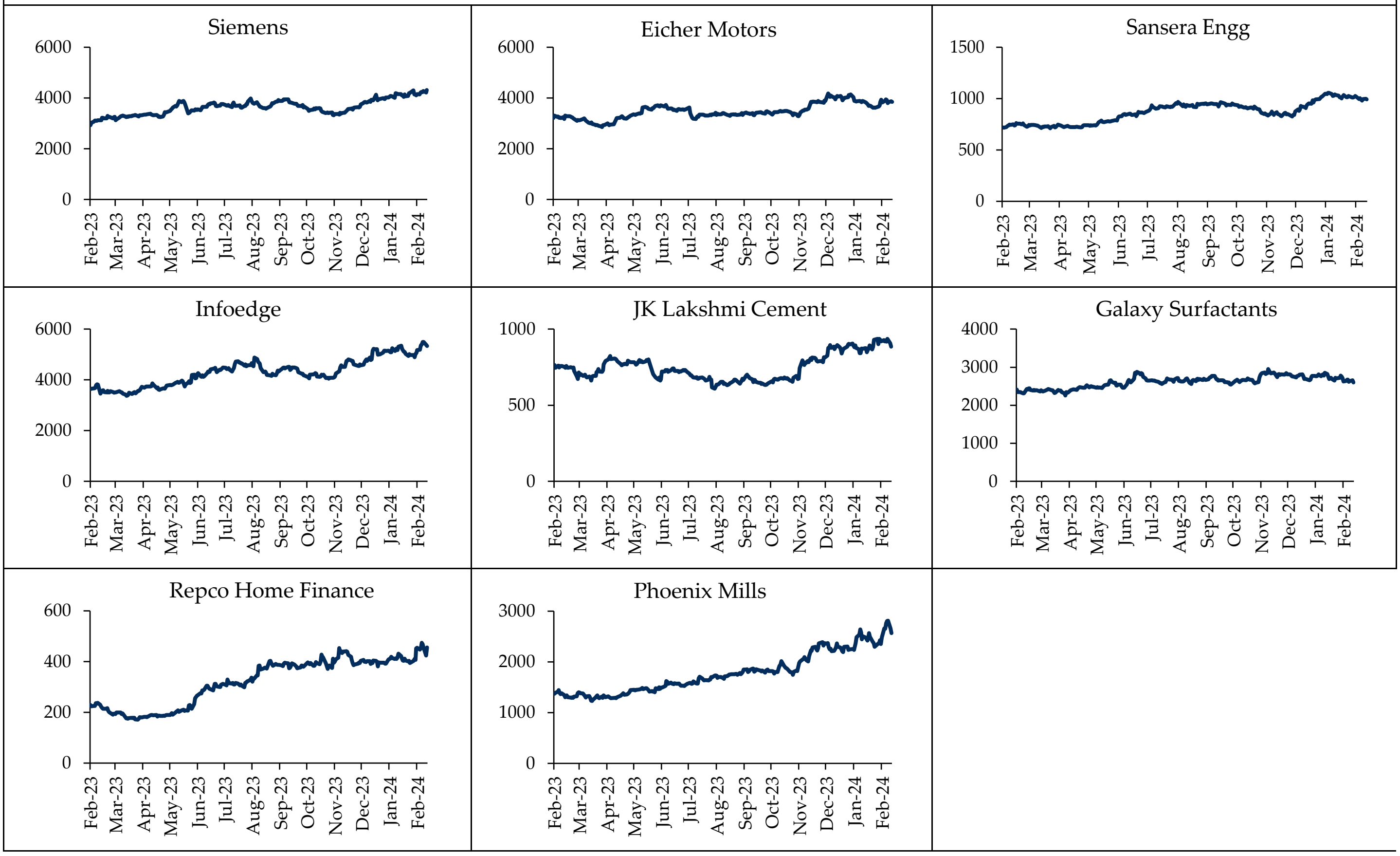
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Siemens, Phoenix Mills	CFA	NO
Maitreyee Vaishampayan	Eicher Motors, Sansera Engineering	MSC	NO
Amit Chandra	Infoedge	MBA	NO
Rajesh Ravi	JK Lakshmi Cement	MBA	NO
Keshav Lahoti	JK Lakshmi Cement	CA	NO
Nilesh Ghuge	Galaxy Surfactants	MMS	NO
Harshad Katkar	Galaxy Surfactants	MBA	NO
Prasad Vadnere	Galaxy Surfactants	MSC	NO
Akshay Mane	Galaxy Surfactants	PGDM	NO
Krishnan ASV	Repco Home Finance	PGDM	NO
Deepak Shinde	Repco Home Finance	PGDM	NO
Akshay Badlani	Repco Home Finance	CA	NO

1 Yr Price movement



Disclosure:

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