HSIE Results Daily

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Results Reviews

- **Cummins:** Cummins India Ltd (CIL) reported in-line/below performance vs. consensus/our estimates with revenue/EBITDA/APAT missing our estimates by 7/13/12%. Domestic business grew 12% YoY whilst exports declined 22% on the back of weak overseas demand. CPCB 4+ implementation seems to be a game changer as it forces demand to move from commodity players to technology players and opens up service opportunities. Supply chain issues seem to have smoothened, channel inventory is low and higher margin CPCB 4+ share is expected to ramp up significantly from 40% to 75% in coming quarters. CIL maintained a 2x real GDP growth guidance band of 12-16% over the longer term with a positive margin bias. The company has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials and exports, and support for manufacturing policies. We maintain BUY, with an increased SOTP of INR 4,658 (54x Sep-26 EPS).
- **Lupin:** EBITDA^ (+59% YoY) was led by 16% YoY sales growth (US: +9% QoQ and India +18% YoY), higher GM (+293 bps), and steady costs (staff/R&D/SG&A: +15/ -5/ +13%). LPC expects (1) the US to see high-single-digit growth in FY25 (USD 220-230 mn per quarter) due to traction in gSpiriva (with market share expected to improve from ~30%) and new launches, sustained growth in FY26; (2) India to outperform IPM growth by 20-30%; (3) GM margin to sustain at 68%+ and EBITDA margin to normalise in FY25, aspiring to achieve 22-23% in the mid-term; and (4) R&D to be at INR 18 bn and the ETR at 20% in FY25. Factoring in the Q1 beat, we raised our EPS by 19/7% for FY25/26E and revised TP to INR 1,950 (28x Q1FY27E vs. 26x earlier). REDUCE stays. While growth visibility led by growth in the US (gSpiriva, and recent/new launches—gMyrbetriq, gJynarque), India (new launches and traction in key therapies) and improving margin (sales growth and cost optimization) are intact, this has been already rewarded with the run-up of ~85% in price in the last 12 months.
- **Shree Cement:** We maintain our ADD rating on Shree Cement, with a lower SOTP target price of INR 27,400/share. During Q1FY25, Shree reported a sharp fall in unit EBITDA (down INR 440/MT QoQ) to INR 951 per MT as its volume rose 1% QoQ (while the industry declined 9%) at the expense of aggressive pricing. Its NSR fell sharply (-6% vs -3% for the industry). Shree expects demand and pricing to remain weak till Q3FY25, thus impacting its profitability. It is adding renewal power capacities and green power share will expand to 62% by Jun-25 vs 55% currently. Its expansions are on track which will increase cement capacity (India) to 72mn MT by FY26-end.
- **Gujarat Gas:** Our ADD recommendation on Gujarat Gas (GGL) with a price target of INR 655/sh is premised on (1) pricing competition from alternate fuel in the industrial/commercial segment moderating margin expansion outlook and (2) robust volume growth being priced-in at current valuation. Q1FY25 EBITDA/Adj. PAT at INR 5.4/3.3bn came in above our estimates, owing to better-than-expected volumes at 11mmscmd (+19% YoY, +13% QoQ).
- **Aditya Birla Fashion and Retail:** ABFRL's Q1 top line grew 7.3% YoY to INR 34.28bn (HSIE: INR35.75bn). Ex-TCNS, growth stood at 2% YoY. Lifestyle brands declined 7% YoY to INR14.8bn (HSIE: 15.2bn) as (1) fewer

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weddings/special occasions and (2) the heatwave impacted footfalls. Pantaloons grew 5% YoY to 11bn (in-line). GM/EBITDAM expanded 180/131bps YoY to 56.6/10.5% respectively (HSIE: 54.8/8.9%), led by (1) higher full-price sales, (2) weeding out of unprofitable stores, and (3) lower inventory markdowns and cost optimisation. Net debt stood at ~INR35bn. We largely maintain our FY26/27 estimates and our SELL rating with a SOTP-based TP of INR225/sh; implying 25x Jun-26 EV/EBITDA.

- **BSE:** BSE reported a strong quarter, with 24% QoQ revenue growth led by a rise in options volume and pricing revision (half-quarter impact). The transaction revenue (~60% of total revenue) was up 45% QoQ, led by a scale-up in derivatives volume and robust StAR MF performance. The margins dropped by 770bps QoQ due to the higher clearing cost and implementation of regulatory cost based on notional turnover. The regulator has floated a consultation paper to control the higher speculation in Index options. Per the new guidelines, one exchange can have only one weekly expiry Index options contract and the lot size will double with fewer strikes. BSE will mostly retain the SENSEX contract and convert the BANKEX contract to a monthly expiry. The change will have ~20% impact on notional volume but the impact on premium will be lower. Higher volume on non-expiry days will lead to better premium realisation and higher margins. In July 2024, BSE had a notional/premium market share of 25.7/9.4%, which we believe will reach 26/12% in FY26E. We are increasing our EPS estimates by ~8% for FY25/26E due to higher volume but cut core multiple to 28x vs 30x earlier due to regulatory uncertainty. The revenue/EPS CAGR of ~29/32% over FY24-27E is robust but is mostly front-loaded. We maintain our REDUCE rating based on regulatory uncertainty and expected growth moderation in FY26E. Our target price of INR 2,350 is based on 28x core June-26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a P/E of 34.3/29.1x FY25/26E EPS.

- **Dr. Lal Pathlabs:** EBITDA (+16% YoY) beat our/consensus estimates by 6/4%, led by 11% YoY sales growth on 4% YoY growth in patient volume and 9% YoY growth in sample volume, which led to ~7% YoY growth in realization per patient and 2% per sample relation. DLPL guides that (1) FY25 revenue growth will be higher than 10% of FY24 growth, (2) Q2FY25 revenue and EBITDA margin will remain strong (seasonality), (3) it will sustain margin at 26-27% in the mid-to-long-term, (4) there will be strong scale-up in Suburban performance (integration progressing well), (5) it will increase Swasthfit share by 1-2% (p.a.) for the next few years from ~25% as of Q1FY25, and (6) it will allocate capital towards creating lab infra in northeast region, digital capabilities, new specialize tests, M&As, and dividend payout. DLPL is looking to expand its presence in the Tier 3+ cluster with a focus on capturing prescription shares by enhancing doctor connections. Factoring in the Q1FY25 beat, we have raised FY25/26E EPS by 7% and assigned a multiple of 51x (~4% premium to its historical mean) on the easing competitive scenario. We have revised TP to INR 3,320 (51x Q1FY27E EPS vs. 48x earlier). ADD stays on steady sales growth and margin visibility.

- **HG Infra:** HG Infra (HG) reported its quarterly revenue/EBITDA/APAT of INR 15.1/2.4/1.3bn, a beat by 10/12.5/16%. The OB as of Jun'24 stood at INR 156.4bn (~3x FY24 revenue). The company has provided its FY25 revenue guidance at INR 60bn (~17% YoY) with an EBITDA margin of ~15-16%. On the order inflow front, the company expects INR 110-120bn, with INR 80/10/20bn from highways/solar and water/railways. It has already secured orders worth INR 53bn and is on track to achieve FY25 guidance. HG recently made a pivotal shift in its OB inflows from road to railways indicating its robust expansion strategy, and it further expects to secure orders in the water segment to diversify its portfolio. Equity infusion guidance for 9MFY25/26/27 stands at INR 4.3/ 1.7/1.3bn. The standalone gross/net debt as of Jun'24 stood at INR 6.2/5.1bn vs. INR 4.5/2.6bn, as of Mar'24. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we increase HG target P/E multiple to 16x vs 14x earlier. We roll forward our valuation to Sep-26 and maintain BUY on HG, with an increased TP of INR 1,904 (16x Sep-26E EPS).

- **J. Kumar Infraprojects:** JKIL reported a strong quarter, with revenue/EBITDA/APAT at 12.8/1.8/0.8bn, beating our estimates by 1/1/3.8%. In Q1FY25, it emerged lowest bidder for projects worth INR 65bn. JKIL order book stood at INR 198.2bn (~4.1x FY24 revenue ex of L1 orders). Moreover, JKIL is expecting an OB worth INR 250bn by FY25. The bid pipeline is robust at INR 200bn with JKIL guiding for INR 80bn FY25 order inflows. Gross debt stood at INR 7.3bn as of Jun'24 vs. INR 5.8bn as of Mar'24, leading to a gross D/E of 0.27x (vs. 0.22x as of Mar'24). JKIL has given FY25 revenue guidance at INR 56-57bn (+15% YoY growth) with EBITDA margin guidance of 15-16%. With ~80% utilisation of non-fund-based limits and 60% utilisation of fund-based limits, the company is well-placed to incur capex with a mix of debt and internal accruals. Further, it guided for FY25-end debt levels of INR 7.5bn. Given the strong order book, we increase our P/E multiple to 14x vs. 12x earlier. We maintain an ADD rating on the stock, with an increased TP of INR 926/sh (14x Sep-26E EPS).

Cummins

Robust demand; positive outlook

Cummins India Ltd (CIL) reported in-line/below performance vs. consensus/our estimates with revenue/EBITDA/APAT missing our estimates by 7/13/12%. Domestic business grew 12% YoY whilst exports declined 22% on the back of weak overseas demand. CPCB 4+ implementation seems to be a game changer as it forces demand to move from commodity players to technology players and opens up service opportunities. Supply chain issues seem to have smoothened, channel inventory is low and higher margin CPCB 4+ share is expected to ramp up significantly from 40% to 75% in coming quarters. CIL maintained a 2x real GDP growth guidance band of 12-16% over the longer term with a positive margin bias. The company has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials and exports, and support for manufacturing policies. We maintain BUY, with an increased SOTP of INR 4,658 (54x Sep-26 EPS).

- **Q1FY25 financial highlights:** Revenue: INR 23bn (+4.3/-0.5% YoY/QoQ, a miss of 6.8%). Domestic sales: INR 18.7bn (+12/-3% YoY/QoQ) and export of INR 3.9bn (-22%/+13% YoY/QoQ). EBITDA: INR 4.7bn (+37/-14% YoY/QoQ, 13% miss). Gross margin: at 5-yr high at 37.8% (+523bps/+175bps Q1FY24/Q4FY24) on account of the mix. Consequently, EBITDA margin was 20.3% (+486/-322bps YoY/QoQ) vs est. of 21.8%. Other income: INR 1.3bn (+12/-35% YoY/QoQ). APAT: INR 4.2bn (+33/-25% YoY/QoQ, a 12% miss).
- **Bullish commentary on demand, low channel inventory and improving mix:** During Q1FY25, the domestic power gen revenue stood at INR 8bn (-8/-15% YoY/QoQ), distribution at INR 6.5bn (21/8% YoY/QoQ), industrials at INR 3.7bn (57/7% YoY/QoQ) and exports at INR 3.9bn (-22/13% YoY/QoQ). With CPCB4+ power gen regulation implementation from 1st Jul 2024, CIL has seen a 15-25% increase in pricing with a positive margin bias. Channel inventory levels are low with near-zero inventory of CPCB 2 engines. Around 40% of sales have come from CPCB 4+ products vs. 33.3% QoQ. CIL aspires to grow the revenues at a CAGR of 12-16% for the next few years with likely higher growth in the near term.
- **Price increase absorbed, underlying demand robust:** CIL is witnessing strong demand despite price increase as markets seem to have accepted CPCB 4+ pricing. It claims to have better density and product efficiency vs. peers. Demand is resilient in data centres, residential and commercial real estate, infrastructure, and manufacturing and may drive growth higher. Distribution is benefiting from both expansions in services, spare parts portfolio, and reconditioning. This segment has better profitability. Exports may have bottomed out but will look up from 3QFY25 as CPCB 4+ products get rolled out for global markets. Data centres have contributed toward 10%+ of sales.

Standalone financial summary

(INR in mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Revenues	23,162	19,260	20.3	25,341	(8.6)	89,586	1,03,061	1,23,062	1,45,975
EBITDA	5,443	3,261	66.9	5,379	1.2	17,614	20,776	26,420	32,396
APAT	5,615	3,185	76.3	4,562	23.1	16,619	18,407	22,685	27,197
Diluted EPS(INR)	20.3	11.5	76.3	16.5	23.1	60.0	66.4	81.8	98.1
P/E (x)						62.5	56.4	45.8	38.2
EV/EBITDA (x)						57.4	48.2	37.3	37.3
RoE (%)						28.6	26.4	26.4	25.6

Source: Company, HSIE Research

Change in Estimates

INR mn	FY25E			FY26E		
	New	Old	% Change	New	Old	% Change
Revenues	1,03,061	1,03,061	-	1,23,062	1,23,062	-
EBIDTA	20,776	21,005	*(1.1)*	26,420	26,969	*(2.0)*
EBIDTA Margins (%)	20.2	20.4	(22.2)	21.5	21.9	(44.6)
APAT	18,407	18,736	*(1.8)*	22,685	23,366	*(2.9)*

Source: HSIE Research

BUY

CMP *(as on 7 Aug 2024)*	**INR 3,749**
Target Price	**INR 4,658**
NIFTY	**24,298**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,328	INR 4,658
EPS change %	**FY25E**	**FY26E**
	-1.8	*-2.9*

KEY STOCK DATA	
Bloomberg code	KKC IN
No. of Shares (mn)	277
MCap (INR bn) / ($ mn)	1,039/12,377
6m avg traded value (INR mn)	2,879
52 Week high / low	INR 4,172/1,590

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	11.2	56.2	114.0
Relative (%)	3.1	46.0	93.5

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	51.00	51.00
FIs & Local MFs	22.86	22.24
FPIs	17.36	17.95
Public & Others	8.63	8.66
Pledged Shares	-	-

Source: BSE

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Lupin

Strong Q1; steady US / India growth, margin to normalise

EBITDA^ (+59% YoY) was led by 16% YoY sales growth (US: +9% QoQ and India +18% YoY), higher GM (+293 bps), and steady costs (staff/R&D/SG&A: +15/ -5/ +13%). LPC expects (1) the US to see high-single-digit growth in FY25 (USD 220-230 mn per quarter) due to traction in gSpiriva (with market share expected to improve from ~30%) and new launches, sustained growth in FY26; (2) India to outperform IPM growth by 20-30%; (3) GM margin to sustain at 68%+ and EBITDA margin to normalise in FY25, aspiring to achieve 22-23% in the mid-term; and (4) R&D to be at INR 18 bn and the ETR at 20% in FY25. Factoring in the Q1 beat, we raised our EPS by 19/7% for FY25/26E and revised TP to INR 1,950 (28x Q1FY27E vs. 26x earlier). REDUCE stays. While growth visibility led by growth in the US (gSpiriva, and recent/new launches—gMyrbetriq, gJynarque), India (new launches and traction in key therapies) and improving margin (sales growth and cost optimization) are intact, this has been already rewarded with the run-up of ~85% in price in the last 12 months.

- **Q1 highlight—strong sales growth**: Sales grew 16% YoY at INR 56 bn as US sales (37% of sales) were up 9% QoQ to USD 227 mn (+25% YoY), led by steady traction in gSpriva and the launch of gMyrbetriq, but this was offset by competition impact in Albuterol. India (35%) grew 18% YoY at INR 19.2 bn, led by the steady growth across its key therapies. Others: Growth markets +27% YoY, EMEA +17% YoY, RoW +1% YoY, and API +7% YoY.
- **Strong EBITDA growth:** GM expanded by 223 bps YoY to 68.8% due to better mix and cost optimisation. Steady staff/ R&D/ SG&A costs (+15/ -5/ +13% YoY) led to an EBITDA^ of INR 13.6 bn (+59% YoY) and a margin of 24.3% (+652 bps YoY). Muted depreciation (+6% YoY), lower interest (-21%) and higher other income (+197%) led to a reported PAT of INR 8 bn (+77% YoY). Adjusted for forex and one-off, the PAT was INR 8.9 bn (+99% YoY).
- **Key takeaways from con call:** LPC expects US growth in FY25 to be driven by the scale-up in gSpiriva (with the market expected to pick up as it shifts towards commercial), traction in gMyrbetriq, and new launches like gPred Forte (API outsourced; from the Pitampur plant; CGT exclusivity), gDoxil and glucagon in H2FY25. Growth in FY26 is expected to be supported by the launch visibility of products like gJynarque, Liraglutide, and Risperidone Consta. LPC is evaluating the launch timeline for gMyrbetriq 50 mg based on litigation. The market share for Albuterol declined to 22.3% (from 23.4%) and for Arfomoterol to 26.1% (from 28%). LPC experienced single-digit price erosion. It expects India growth on traction in key therapies and new launches; targeting M&A in India (bolt-on, specialty) and capping debt/EBITDA at 2x. India sales force 9,876 (7,571 MRs). In-licensing products contributed 14% of India sales in Q1 (vs. 15% in Q1FY24). It intends to take up exhibit batches in FY25 and expects US filing for Ellipta Respimat in FY26.

Quarterly financial summary

(INR mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	56,003	48,141	16	49,608	13	1,66,417	2,00,108	2,19,531	2,39,846	2,53,860
EBITDA	13,614	8,565	59	9,968	37	17,206	38,000	46,541	52,766	55,342
APAT	8,990	4,524	99	5,224	72	3,816	20,669	28,529	31,344	32,907
EPS (INR)	19.7	9.9	99	11.5	72	8.4	45.4	62.6	68.8	72.2
P/E (x)						237.9	43.9	31.8	29.0	27.6
EV/EBITDA (x)						54.5	24.1	19.4	16.9	15.7
RoCE (%)						5	16	20	20	18

Source: Company, HSIE Research, PAT adj for one-offs. ^Adjusted for INR 751 mn Glumetza provision

REDUCE

CMP *(as on 7 Aug 2024)*	INR 1,993
Target Price	INR 1,950
NIFTY	24,298

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,710	INR 1,950
EPS %	FY25E	FY26E
	18.6	7.1

KEY STOCK DATA	
Bloomberg code	LPC IN
No. of Shares (mn)	456
MCap (INR bn) / ($ mn)	910/10,833
6m avg traded value (INR mn)	2,262
52 Week high / low	INR 2,030/1,044

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	23.8	25.1	84.5
Relative (%)	15.7	15.0	64.0

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	47.01	46.98
FIs & Local MFs	27.76	26.78
FPIs	18.28	19.32
Public & Others	6.95	6.92
Pledged Shares	-	-

Source: BSE

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Shree Cement

Aggressive volume push pulls margin down sharply

ADD

We maintain our ADD rating on Shree Cement, with a lower SOTP target price of INR 27,400/share. During Q1FY25, Shree reported a sharp fall in unit EBITDA (down INR 440/MT QoQ) to INR 951 per MT as its volume rose 1% QoQ (while the industry declined 9%) at the expense of aggressive pricing. Its NSR fell sharply (-6% vs -3% for the industry). Shree expects demand and pricing to remain weak till Q3FY25, thus impacting its profitability. It is adding renewal power capacities and green power share will expand to 62% by Jun-25 vs 55% currently. Its expansions are on track which will increase cement capacity (India) to 72mn MT by FY26-end.

- **Q1FY25 performance:** Shree reported disappointing performance as its EBITDA missed our/consensus estimates by 24/22%. While it outperformed the industry on the volume front (rising 1% QoQ vs an industry decline of ~9% QoQ), this came at aggressive pricing. Shree's NSR fell 6% QoQ as against the industry reporting a 3% decline. It pushed volumes in the eastern region (+11% QoQ) gaining market share. Unit opex also went up 4% QoQ, led by higher freight cost (lead distance went up 5% QoQ on volume push in the east) and an increase in unit other expenses (led by stabilization cost for the recently commissioned Nawalgarh and Guntur IUs). Thus, unit EBITDA fell sharply: down INR 440/MT QoQ to INR 951 per MT. While lower fuel cost drove down opex by 7% YoY, poor NSR (- 6% YoY) led to unit EBITDA contraction of INR 100/MT YoY. We assume thermal power revenue/EBITDA to be flattish QoQ at INR 4.4/0.44bn in the absence of the company sharing this data.
- **Con call updates and outlook**: Shree expects to grow in line with the industry in the next few quarters. It rued demand continues to remain weak and both demand and pricing may remain impacted till Q3FY25. It is expanding its green power capacity, which will increase its RE power consumption share to 62% by Jun-25 (vs 56/54% in FY24/Q1FY25). Fuel cost has nearly bottomed out at INR 1.74/mnCal in H1FY25 vs INR 2 in FY24. It maintained Capex guidance for FY25 at INR 40-45bn. It will be scaling up its RMC plant count to 100 in the next 4-5 years (from 7 currently) and will be spending INR 1bn annually for the next 4-5 years. Factoring in weak pricing in Q1 and the near-term outlook, we cut our EBITDA estimates for FY25/26/27E by 10/10/6% respectively. We maintain ADD with a lower SOTP-based TP of INR 27,40/share. We value its standalone cement business at 16.5x Sep-26E EBITDA and the investment in UAE business (INR 26bn) at 1x BV.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q1 FY25	Q1 FY24	*YoY (%)*	Q4 FY24	*QoQ (%)*	FY23	FY24	FY25E	FY26E	FY27E
Sales Vol (mn MT)	9.6	8.9	*8.1*	9.5	*1.1*	31.8	35.5	39.1	44.2	48.6
NSR (INR/MT)	5,015	5,401	*(7.1)*	5,320	*(5.7)*	5,292	5,422	5,151	5,202	5,280
EBITDA (INR/MT)	951	1,046	*(9.1)*	1,392	*(31.7)*	925	1,228	1,124	1,177	1,240
Net Sales	48.35	48.15	*0.4*	50.73	*(4.7)*	168.37	192.70	201.37	229.82	256.60
EBITDA	9.16	9.33	*(1.7)*	13.27	*(31.0)*	29.42	43.64	43.95	52.00	60.23
APAT	3.18	5.81	*(45.3)*	6.62	*(52.0)*	11.74	24.68	19.22	20.93	23.35
AEPS (INR)	91.2	161.1	*(43.4)*	183.4	*(50.3)*	325.3	684.2	532.7	580.2	647.1
EV/EBITDA (x)						27.6	18.6	18.5	16.1	14.0
EV/MT (INR bn)						17.3	15.0	13.5	11.5	10.7
P/E (x)						77.0	36.6	47.0	43.2	38.7
RoE (%)						*6.6*	*12.8*	*9.1*	*9.3*	*9.7*

Source: Company, HSIE Research, EBITDA (INR/MT) is blended and includes merchant power

CMP *(as on 7 Aug 2024)*	**INR 25,099**
Target Price	**INR 27,400**
NIFTY	**24,298**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 29,200	INR 27,400
EBITDA revision %	FY25E *(10.1)*	FY26E *(9.8)*

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	906/10,787
6m avg traded value (INR mn)	1,161
52 Week high / low	INR 30,738/23,432

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(1.2)	(10.7)	3.5
Relative (%)	(9.3)	(20.9)	(17.0)

SHAREHOLDING PATTERN (%)	**Mar-24**	**Jun-24**
Promoters	62.55	62.55
FIs & Local MFs	12.34	12.78
FPIs	12.48	11.85
Public & Others	12.63	12.82
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Gujarat Gas

Strong volume growth at the expense of margins

Our ADD recommendation on Gujarat Gas (GGL) with a price target of INR 655/sh is premised on (1) pricing competition from alternate fuel in the industrial/commercial segment moderating margin expansion outlook and (2) robust volume growth being priced-in at current valuation. Q1FY25 EBITDA/Adj. PAT at INR 5.4/3.3bn came in above our estimates, owing to better-than-expected volumes at 11mmscmd (+19% YoY, +13% QoQ).

- **Volumes:** Blended volume in Q1 stood at 10.98mmscmd (+19% YoY, +13% QoQ). CNG volume came in at 2.98mmscmd, growing by +14% YoY and +3% QoQ, while industrial volume came in at 7.3mmscmd (+23% YoY, +25% QoQ). Domestic PNG volume stood at 0.62mmscmd (-27% YoY, +3% QoQ). Commercial PNG volume stood at 0.13mmscmd (flat YoY, -13% QoQ). Volume growth was largely driven by a combination of price cuts taken in the industrial segment (driven partially by a decline in gas cost) and expansion of the CNG network. We estimate volumes at 10.9/12mmscmd for FY25/26E, implying a FY24-26e CAGR of ~13%.
- **Margin:** Per-unit gross spread, at INR 8.5/scm (-21% YoY, +4% QoQ), and EBITDA margin at INR 5.3/scm (-21% YoY, +15% QoQ) came in below our estimate owing to lower-than-expected realisation of INR 44.1/scm (-2% YoY, -6% QoQ). Gas cost at INR 35.5/scm (-4% YoY, -2% QoQ). Opex stood at INR 3.2/scm (-21% YoY, -9% QoQ), coming below estimate. We estimate GGL's per unit EBITDA margins at INR 4.7/7 per scm over FY25/26E.
- **Change in estimates:** We raised our EPS estimates for FY25/26 by 4.6/8% to INR 21.8/28.9 per sh to factor in higher volumes, partially offset by a lower margin assumption leading to a revised target price of INR 655/sh.
- **DCF-based valuation: Our target price of INR 655/sh is based on Mar-26E free cash flow (WACC 11%, terminal growth rate 3%). The stock is currently trading at 22.1x Mar-26E EPS.**

Standalone financial summary

YE March (INR bn)	1Q FY25E	4Q FY24	QoQ (%)	1Q FY24	YoY (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	45	41	*7.6*	38	*17.7*	165	168	157	177	198
EBITDA	5	6	*(9.4)*	4	*38.1*	21	24	19	23	30
APAT	3	4	*(19.5)*	2	*53.3*	13	15	11	15	20
AEPS (INR)	4.8	5.9	*(19.5)*	3.1	*53.3*	18.5	22.2	16.0	21.8	28.9
P/E (x)						29.5	24.7	39.8	29.2	22.1
EV / EBITDA (x)						18.3	15.4	22.9	17.9	13.4
RoE (%)						25.4	24.2	15.0	18.4	21.4

Source: Company, HSIE Research

ADD

CMP *(as on 7 Aug 2024)*	INR 637
Target Price	INR 655
NIFTY	24,298

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 580	INR 655
EPS change %	**FY25E**	**FY26E**
	+4.6%	+8.0%

KEY STOCK DATA	
Bloomberg code	GUJGA IN
No. of Shares (mn)	688
MCap (INR bn) / ($ mn)	438/5,223
6m avg traded value (INR mn)	839
52 Week high / low	INR 687/397

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.3	5.7	38.0
Relative (%)	10.2	(4.5)	17.5

SHAREHOLDING PATTERN (%)	Mar-24	June-24
Promoters	60.89	60.89
FIs & Local MFs	15.05	14.76
FPIs	3.72	4.31
Public & Others	20.34	20.04
Pledged Shares	0.0	0.0

Source : BSE

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Aditya Birla Fashion and Retail

Weak print

ABFRL's Q1 top line grew 7.3% YoY to INR 34.28bn (HSIE: INR35.75bn). Ex-TCNS, growth stood at 2% YoY. Lifestyle brands declined 7% YoY to INR14.8bn (HSIE: 15.2bn) as (1) fewer weddings/special occasions and (2) the heatwave impacted footfalls. Pantaloons grew 5% YoY to 11bn (in-line). GM/EBITDAM expanded 180/131bps YoY to 56.6/10.5% respectively (HSIE: 54.8/8.9%), led by (1) higher full-price sales, (2) weeding out of unprofitable stores, and (3) lower inventory markdowns and cost optimisation. Net debt stood at ~INR35bn. We largely maintain our FY26/27 estimates and our SELL rating with a SOTP-based TP of INR225/sh; implying 25x Jun-26 EV/EBITDA.

- **Q1FY25 highlights**: Revenue grew by 7.3% YoY to INR34.28bn (HSIE: INR35.75bn). Lifestyle brands/Pantaloons/Ethnic grew -7/5/161% YoY to INR 14.82/11.01/3.5bn (HSIE: INR15.25/11.02/3.69bn). Sluggish demand in lifestyle brands was due to fewer wedding days while store rationalisation in Pantaloons led to slow growth. SSSG for lifestyle brands stood at a negative low single digit while for Pantaloons at 2% in Q1. GM/EBITDAM expanded 180/131bps YoY to 56.6/10.5% respectively (HSIE: 54.8/8.9%), led by (1) higher full-price sales, (2) weeding out of unprofitable stores, and (3) lower inventory markdowns and cost optimization (in pantaloons). The company expects to sustain current levels of gross margins as industry-wide discounts are likely to remain in check. On segmental margins, lifestyle brands/Pantaloons/ethnic wear margins clocked 18.8/17.6/-15.4% EBITDAM (vs HSIE:18.5/14.5/-5%) resp. D2C losses stood at INR460mn. Despite margin improvement, overall net losses in Q1 stood at INR2.15bn vs INR1.61bn in Q1FY24 (HSIE: -INR2.38bn), courtesy higher interest outgo (net debt stood at ~INR35bn). Investment in TASVA and TMRW brands will continue in FY25. ABFRL closed 43/0 (net) lifestyle brands/Pantaloons stores in Q1 (Total: 2,636/417 stores).
- **Outlook**: The underlying unit economics of the proposed new entity ABLFL (the cash cow) from which the value unlock is expected post-demerger has meaningfully deteriorated, while the jury is still out on Pantaloons' recovery. We largely maintain our estimates for FY26/27 and maintain a SELL rating with a SOTP-based TP of INR225/sh; implying 25x Jun-26 EV/EBITDA.

Quarterly financial summary

(Rs mn)	Q1 FY25	Q1 FY24	YoY (%)	Q4 FY24	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	34,278	31,961	7.3	34,067	0.6	1,55,872	1,75,483	1,96,536	2,18,707	2,42,265
EBITDA	3,584	2,923	22.6	2,837	26.3	3,392	1,310	6,657	9,632	13,045
APAT	(2,149)	(1,616)	33.0	(2,664)	(19.3)	(595)	(7,359)	(5,648)	(3,940)	(1,441)
EPS (Rs)	(2.12)	(1.70)	24.3	(2.62)	(19.3)	(0.6)	(7.3)	(5.6)	(3.9)	(1.4)
P/E (x)						(462.7)	(43.8)	(56.8)	(61.4)	(159.1)
EV/EBITDA (x)						100.7	271.6	52.8	35.2	24.9
Core RoCE(%)						0.6	(1.9)	2.2	3.7	5.7

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E New	FY25E Old	FY25E Change (%)	FY26E New	FY26E Old	FY26E Change (%)	FY27E New	FY27E Old	FY27E Change (%)
Revenue	1,55,872	1,58,122	(1.4)	1,75,483	1,77,669	(1.2)	1,96,536	1,99,982	(1.7)
Gross Profit	85,762	87,000	(1.4)	96,377	97,577	(1.2)	1,07,743	1,09,632	(1.7)
Gross Profit Margin (%)	55.0	55.0	**0 bps**	54.9	54.9	**0 bps**	54.8	54.8	**0 bps**
EBITDA	6,657	6,500	2.4	9,632	9,618	0.2	13,045	13,152	(0.8)
EBITDA margin (%)	4.3	4.1	**16 bps**	5.5	5.4	**8 bps**	6.6	6.6	**6 bps**

Source: Company, HSIE Research

SELL

CMP *(as on 07 Aug 2024)*	**INR 323**
Target Price	**INR 225**
NIFTY	**24,298**

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 225	INR 225
EBITDA %	FY25E	FY26E
	+2.4	+0.2

KEY STOCK DATA	
Bloomberg code	ABFRL IN
No. of Shares (mn)	1,015
MCap (INR bn) / ($ mn)	328/3,905
6m avg traded value (INR mn)	1,905
52 Week high / low	INR 349/193

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	27.8	22.9	62.0
Relative (%)	19.7	12.8	41.5

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	51.85	51.97
FIs & Local MFs	14.83	14.45
FPIs	19.50	19.99
Public & Others	13.82	13.59
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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BSE

Options-led growth; regulatory uncertainty exists

BSE reported a strong quarter, with 24% QoQ revenue growth led by a rise in options volume and pricing revision (half-quarter impact). The transaction revenue (~60% of total revenue) was up 45% QoQ, led by a scale-up in derivatives volume and robust StAR MF performance. The margins dropped by 770bps QoQ due to the higher clearing cost and implementation of regulatory cost based on notional turnover. The regulator has floated a consultation paper to control the higher speculation in Index options. Per the new guidelines, one exchange can have only one weekly expiry Index options contract and the lot size will double with fewer strikes. BSE will mostly retain the SENSEX contract and convert the BANKEX contract to a monthly expiry. The change will have ~20% impact on notional volume but the impact on premium will be lower. Higher volume on non-expiry days will lead to better premium realisation and higher margins. In July 2024, BSE had a notional/premium market share of 25.7/9.4%, which we believe will reach 26/12% in FY26E. We are increasing our EPS estimates by ~8% for FY25/26E due to higher volume but cut core multiple to 28x vs 30x earlier due to regulatory uncertainty. The revenue/EPS CAGR of ~29/32% over FY24-27E is robust but is mostly front-loaded. We maintain our REDUCE rating based on regulatory uncertainty and expected growth moderation in FY26E. Our target price of INR 2,350 is based on 28x core June-26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a P/E of 34.3/29.1x FY25/26E EPS.

- **Q1FY25 highlights**: Revenue grew 24.4/181.8% QoQ/YoY to INR 6.08bn (vs our estimates of INR 5.52bn), led by 45.4/7.6/16.4% QoQ increase in transaction/treasury/other income. The transaction revenue growth was driven by derivatives/StarMF +113/14% QoQ, offset by ~17% QoQ decline in cash revenue. The EBITDA margin declined 770bps to 46.7% due to SEBI turnover fees and higher clearing charges. The SGF contribution was nil for the quarter and the reported PAT stood at INR 2.65bn vs our SGF-adjusted PAT estimate of INR 2.40bn.
- **Outlook:** We expect revenue growth of +72/14/10% and EBITDA margins of 47.8/51.7/52.2% in FY25/26/27E respectively. Revenue CAGR of 29% over FY24-27E assumes derivatives revenues of INR 9.98/12.05/12.90bn in FY25/26/27E. Core PAT CAGR over FY24-27E is at 32%.

Quarterly financial summary

YE March (INR mn)	1Q FY25	1Q FY24	YoY (%)	4Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	6,077	2,156	181.8	4,884	24.4	8,155	13,900	23,876	27,127	29,817
EBITDA	2,840	636	346.5	2,658	6.8	2,887	6,576	11,407	14,026	15,564
PAT	2,651	4,427	(40.1)	1,070	147.6	2,207	7,784	9,441	11,111	12,177
APAT	2,651	1,648	60.9	2,344	13.1	2,479	5,374	9,468	11,145	12,219
Diluted EPS (INR)	19.6	12.2	60.9	17.3	13.1	18.3	39.7	69.9	82.3	90.3
P/E (x)						131.0	60.4	34.3	29.1	26.6
EV/EBITDA						106.2	45.9	26.3	21.2	18.8
ROE (%)						8.2	25.9	27.0	28.4	26.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	21,991	23,876	*8.6*	25,618	27,127	*5.9*
EBITDA	10,735	11,407	*6.3*	13,062	14,026	*7.4*
EBITDA margin (%)	48.8	47.8	-104bps	51.0	51.7	72bps
APAT	8,818	9,468	*7.4*	10,372	11,145	*7.5*
EPS (INR)	65.2	69.9	*7.4*	76.6	82.3	*7.5*

Source: Company, HSIE Research

REDUCE

CMP *(as on 07 Aug 2024)*	**INR 2,399**
Target Price	**INR 2,350**
NIFTY	**24,298**

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,300	INR 2,350
EPS %	FY25E	FY26E
	+7.4	+7.5

KEY STOCK DATA	
Bloomberg code	BSE IN
No. of Shares (mn)	135
MCap (INR bn) / ($ mn)	325/3,867
6m avg traded value (INR mn)	2,717
52 Week high / low	INR 3,265/836

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.6)	(4.1)	176.4
Relative (%)	(22.7)	(14.3)	155.9

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	0.00	0.00
FIs & Local MFs	12.69	11.6
FPIs	13.04	11.9
Public & Others	74.27	76.5
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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Dr. Lal Pathlabs

Steady Q1; revenue and EBITDA growth to sustain

EBITDA (+16% YoY) beat our/consensus estimates by 6/4%, led by 11% YoY sales growth on 4% YoY growth in patient volume and 9% YoY growth in sample volume, which led to ~7% YoY growth in realization per patient and 2% per sample relation. DLPL guides that (1) FY25 revenue growth will be higher than 10% of FY24 growth, (2) Q2FY25 revenue and EBITDA margin will remain strong (seasonality), (3) it will sustain margin at 26-27% in the mid-to-long-term, (4) there will be strong scale-up in Suburban performance (integration progressing well), (5) it will increase Swasthfit share by 1-2% (p.a.) for the next few years from ~25% as of Q1FY25, and (6) it will allocate capital towards creating lab infra in northeast region, digital capabilities, new specialize tests, M&As, and dividend payout. DLPL is looking to expand its presence in the Tier 3+ cluster with a focus on capturing prescription shares by enhancing doctor connections. Factoring in the Q1FY25 beat, we have raised FY25/26E EPS by 7% and assigned a multiple of 51x (~4% premium to its historical mean) on the easing competitive scenario. We have revised TP to INR 3,320 (51x Q1FY27E EPS vs. 48x earlier). ADD stays on steady sales growth and margin visibility.

- **Q1 highlight:** Sales grew 11% YoY to INR 6.01 bn as patient volume growth was at +4% to 7.2 mn and sample volume was +9% to 21.1 mn. This led to 7% YoY growth in realisation per patient and +2% in realization per sample. Swasthfit grew 34% YoY and contribution was at 25% of sales in Q1 (vs. 22% in Q1FY24). GM was up ~107 bps YoY to 80.2%. Higher staff cost (+11% YoY) and SG&A (+9%) led to EBITDA of INR 1.7 bn (+16% YoY) and a margin of 28.2% (+122 bps YoY). Higher other income (+43% YoY), lower depreciation (-1%) and interest cost (-25%) led to a reported PAT of INR 1.06 bn (+29% YoY).
- **Key takeaways from con call:** DLPL plans to expand its presence in the tier 3+ cluster and open 20+ labs – primary focus on the north and east regions and evaluating 1-2 labs for suburban. Its investment focus is towards creating new labs, digital platforms, enhancing awareness for customer acquisition, and expansion in newer geographies. Its focus is on scale-up specialty test portfolio and target to increase its contribution over the next few years (~23% in Q1FY25), targeting non-communicable space like oncology, neurology, reproductive, and rare disease. No price increase was taken after it increased in Feb'23 and no plans to increase the price in the near term. In Q1, Suburban sales growth was at 8% YoY and margin at 14%; moderate growth was due to a strategic shift to build the direct-to-consumer model; going ahead expects to see strong growth momentum; focusing on Mumbai, Pune, and Goa as core markets. Looking for M&A in the southern region – quality and fair value as well as opportunity in the other region. DLPL sees the competition intensity in the diagnostic industry to stay, but some softening on cash burn towards customer acquisition and steep discounting is slowly fading away.

Quarterly financial summary

(INR mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	6,019	5,410	11	5,454	10	20,169	22,266	25,010	28,111	31,596
EBITDA	1,700	1,462	16	1,447	17	4,898	6,092	7,003	7,927	8,942
APAT	1,064	826	29	845	26	2,389	3,577	4,449	5,228	6,054
EPS (INR)	12.7	9.9	29	10.1	26	28.6	42.9	53.3	62.6	72.5
P/E (x)						114.2	76.3	61.3	52.2	45.1
EV/EBITDA (x)						55.0	43.7	37.6	32.8	28.7
RoCE (%)						18	25	28	30	31

Source: Company, HSIE Research, PAT adjusted for one-offs

ADD

CMP *(as on 7 Aug 2024)*	INR 3,269
Target Price	INR 3,320
NIFTY	24,298

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,930	INR 3,320
EPS %	FY25E	FY26E
	6.8	6.8

KEY STOCK DATA	
Bloomberg code	DLPL IN
No. of Shares (mn)	83
MCap (INR bn) / ($ mn)	273/3,256
6m avg traded value (INR mn)	722
52 Week high / low	INR 3,360/1,493

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	41.0	30.9	37.9
Relative (%)	32.9	20.8	17.4

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	54.6	54.6
FIs & Local MFs	9.69	12.71
FPIs	26.15	25.42
Public & Others	9.56	7.27
Pledged Shares	-	-

Source: BSE

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HG Infra

On track to achieve order inflows

HG Infra (HG) reported its quarterly revenue/EBITDA/APAT of INR 15.1/2.4/1.3bn, a beat by 10/12.5/16%. The OB as of Jun'24 stood at INR 156.4bn (~3x FY24 revenue). The company has provided its FY25 revenue guidance at INR 60bn (~17% YoY) with an EBITDA margin of ~15-16%. On the order inflow front, the company expects INR 110-120bn, with INR 80/10/20bn from highways/solar and water/railways. It has already secured orders worth INR 53bn and is on track to achieve FY25 guidance. HG recently made a pivotal shift in its OB inflows from road to railways indicating its robust expansion strategy, and it further expects to secure orders in the water segment to diversify its portfolio. Equity infusion guidance for 9MFY25/26/27 stands at INR 4.3/ 1.7/1.3bn. The standalone gross/net debt as of Jun'24 stood at INR 6.2/5.1bn vs. INR 4.5/2.6bn, as of Mar'24. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we increase HG target P/E multiple to 16x vs 14x earlier. We roll forward our valuation to Sep-26 and maintain BUY on HG, with an increased TP of INR 1,904 (16x Sep-26E EPS).

- **Q1FY25 financial highlights:** Revenue of INR 15.1bn (+18.4/-7.9% YoY/QoQ, a beat by 10%). EBITDA: INR 2.4bn (+18.8/-8% YoY/QoQ, a beat by 12.5%). EBITDA margin came in at 16.2% (4.9/-3.1bps YoY/QoQ, vs. our estimate of 15.7%). RPAT: INR 1.3bn (+17.9/-12.8% YoY/QoQ, a beat by 16%). Its FY25 revenue growth guidance stands at ~18% with an EBITDA margin of 15-16%.
- **Well-diversified OB with a pivotal shift:** The OB as of Jun'24 stood at INR 156.4bn (~3x FY24 revenue). It is well-diversified at the client level, with government/private orders contributing toward 91/9%. 73% of the OB consisted of Road orders, 16% belonged to railways and 11% from Solar project orders. Geography-wise, 33% of orders were from Maharashtra, followed by Uttar Pradesh, Jharkhand, Rajasthan, Andhra Pradesh, Haryana, Karnataka and Telangana at 13/15/11/6/4/4%. Regarding the order inflow, the company expects that they should get orders worth INR 110-120bn. Of this, they have already won orders worth INR 53bn including MSRDC, HAM and Solar orders. HG has recently diversified into Solar and is looking at opportunities in the water segment for further segmental diversification.
- **Slight increase in debt levels on the back of better parent level interest cost:** The standalone gross/net debt as of Jun'24 stood at INR 6.2/5.1bn vs. INR 4.5/2.6bn, as of Mar'24. The increase in debt was attributed to delayed collections and lower drawing of interest-bearing mobilization advances as HG gets better rate borrowing on its own balance sheet. The total equity requirement for HAM projects stands at INR 14.6bn. Out of this, INR 7.2bn has already been infused till Jun'24 and INR 4.3/ 1.7/1.3bn is to be invested in 9MFY25/ FY26/ FY27. In addition, the company also plans an equity infuse of INR 6.9bn in its Solar business, of which INR 3.5/ 3.4bn is expected to be infused in FY25/FY26.

Standalone financial summary – INR mn

YE Mar – INR mn	1Q FY25	1Q FY24	YoY (%)	4Q FY24	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	15,059	12,713	*18.4*	16,345	*(7.9)*	51,217	59,634	70,368	83,035
EBITDA	2,433	2,048	*18.8*	2,646	*(8.0)*	8,220	9,275	10,935	13,222
APAT	1,395	1,184	*17.9*	1,600	*(12.8)*	4,654	5,294	6,385	7,913
EPS (INR)	21.4	18.2	*17.9*	24.5	*(12.8)*	83.7	81.2	98.0	121.4
P/E (x)						18.6	19.1	15.9	12.8
EV/EBITDA (x)						12.6	12.7	10.6	8.6
RoE (%)						22.7	20.9	20.9	21.0

Source: Company, HSIE Research

BUY

CMP (*as on 7 Aug 2024*)	**INR 1,553**
Target Price	**INR 1,904**
NIFTY	**24,298**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,521	INR 1,904
EPS Change %	FY25E -	FY26E -

KEY STOCK DATA	
Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	101/1,205
6m avg traded value (INR mn)	461
52 Week high / low	INR 1,880/805

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	38.0	67.2	69.4
Relative (%)	29.9	57.1	48.9

SHAREHOLDING PATTERN (%)	**Mar-24**	**Jun-24**
Promoters	74.53	74.53
FIs & Local MFs	12.49	12.13
FPIs	1.68	2.04
Public & Others	11.3	11.3
Pledged Shares	-	-

Source: BSE

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J. Kumar Infraprojects

Steady performance

JKIL reported a strong quarter, with revenue/EBITDA/APAT at 12.8/1.8/0.8bn, beating our estimates by 1/1/3.8%. In Q1FY25, it emerged lowest bidder for projects worth INR 65bn. JKIL order book stood at INR 198.2bn (~4.1x FY24 revenue ex of L1 orders). Moreover, JKIL is expecting an OB worth INR 250bn by FY25. The bid pipeline is robust at INR 200bn with JKIL guiding for INR 80bn FY25 order inflows. Gross debt stood at INR 7.3bn as of Jun'24 vs. INR 5.8bn as of Mar'24, leading to a gross D/E of 0.27x (vs. 0.22x as of Mar'24). JKIL has given FY25 revenue guidance at INR 56-57bn (+15% YoY growth) with EBITDA margin guidance of 15-16%. With ~80% utilisation of non-fund-based limits and 60% utilisation of fund-based limits, the company is well-placed to incur capex with a mix of debt and internal accruals. Further, it guided for FY25-end debt levels of INR 7.5bn. Given the strong order book, we increase our P/E multiple to 14x vs. 12x earlier. We maintain an ADD rating on the stock, with an increased TP of INR 926/sh (14x Sep-26E EPS).

- **Q1FY25 financial performance:** Revenue: INR 12.8bn (+13.3/-10.1% YoY/QoQ, a beat of 1%). EBITDA: INR 1.8bn (+13.8/-9.3% YoY/QoQ, a beat of 1%). EBITDA margin: 14.4% (+6/+12 bps YoY/QoQ, in line). RPAT/APAT: INR 864mn (+18.7/-13.3% YoY/QoQ, a beat of 3.8%). JKIL has given FY25 revenue guidance of 15% YoY growth, with EBITDA margins guidance of 15-16%.
- **Robust order booking:** JKIL won orders worth INR 65bn in Q1FY25 including the lowest bidder. The order book as of Jun'24 stood at INR 198.2bn (~4.1x FY24 revenue) excluding INR 65bn. Geographically, the OB has maximum exposure in Maharashtra at 64%, followed by Tamil Nadu/NCR/Gujarat/UP contributing 20/9/3/3%.
- **Strong balance sheet to facilitate growth:** Gross debt stood at INR 7.3bn as of Jun'24 vs. INR 5.8bn as of Mar'24, leading to a gross D/E of 0.27x (vs. 0.22x as of Mar'24). Net D/E stood at 0.03x as of Jun'24 vs. 0.04x as of Mar'24. FY25/26 capex guidance stands at ~INR 4.5/5bn. With ~80% utilisation of non-fund-based limits and 60% utilisation of fund-based limits, the company is well-placed to incur capex with a mix of debt and internal accruals. Further, it guided for FY25-end debt levels of INR 7-7.5bn.

Standalone Financial Summary (INR mn)

YE March (INR mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	12,815	11,313	*13.3*	14,250	*(10.1)*	48,792	56,696	65,201	74,981
EBITDA	1,842	1,619	*13.8*	2,031	*(9.3)*	7,041	8,075	9,267	10,578
APAT	864	728	*18.7*	997	*(13.3)*	3,286	3,724	4,515	5,494
Diluted EPS (INR)	11.4	9.6	*18.7*	13.2	(13.3)	43.4	49.2	59.7	72.6
P/E (x)						18.7	16.5	13.6	11.2
EV / EBITDA (x)						9.4	7.7	6.4	4.4
RoE (%)						13.2	13.2	14.0	14.9

Source: Company, HSIE Research

Change in Estimates

INR mn	FY25E			FY26E		
	New	Old	% Change	New	Old	% Change
Revenues	56,696	56,696	-	65,201	65,201	-
EBIDTA	8,075	8,265	(2.3)	9,267	9,486	(2.3)
EBIDTA Margins (%)	14.2	14.6	(33.6)	14.2	14.5	(33.6)
APAT	3,724	3,735	(0.3)	4,515	4,546	(0.7)

Source: Company, HSIE Research

ADD

CMP (*as on 7 Aug 2024*)	INR 809
Target Price	INR 926
NIFTY	24,298

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 721	INR 926
EPS Change %	FY25E	FY26E
	-0.3	-0.7

KEY STOCK DATA	
Bloomberg code	JKIL IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	61/729
6m avg traded value (INR mn)	289
52 Week high / low	INR 937/352

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	28.0	16.9	115.6
Relative (%)	19.9	6.8	95.1

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	46.64	46.64
FIs & Local MFs	16.53	16.94
FPIs	10.14	10.47
Public & Others	26.70	25.95
Pledged Shares	10.57	10.57

Source: BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

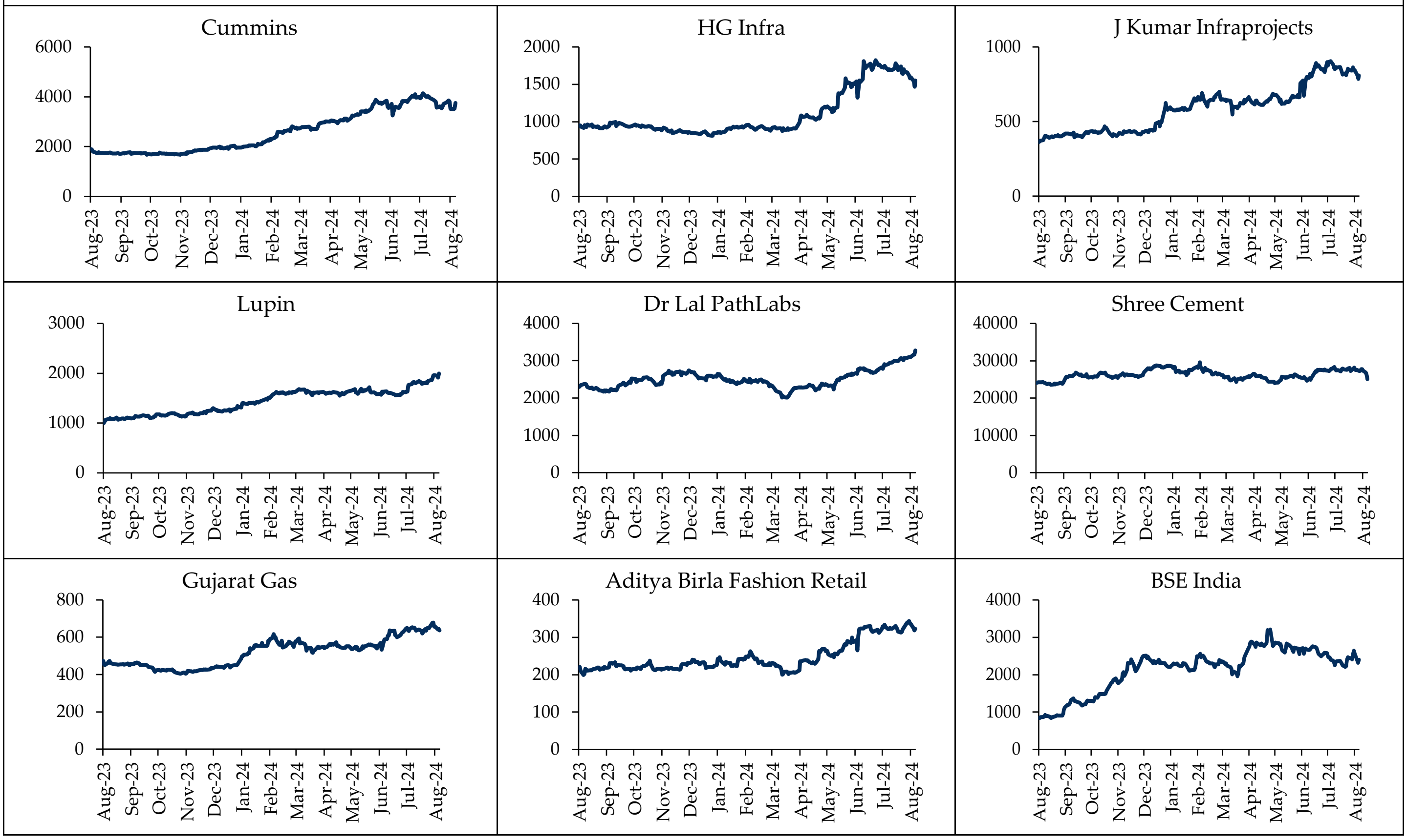
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Cummins, HG Infra, J. Kumar Infraprojects	CFA	NO
Jay Shah	Cummins, HG Infra, J. Kumar Infraprojects	CA	NO
Mehul Sheth	Lupin, Dr. Lal Pathlabs	MBA	NO
Rajesh Ravi	Shree Cement	MBA	NO
Keshav Lahoti	Shree Cement	CA	NO
Riddhi Shah	Shree Cement	MBA	NO
Harshad Katkar	Gujarat Gas	MBA	NO
Nilesh Ghuge	Gujarat Gas	MMS	NO
Prasad Vadnere	Gujarat Gas	MSc	NO
Jay Gandhi	Aditya Birla Fashion and Retail	MBA	NO
Tanuj Pandia	Aditya Birla Fashion and Retail	CA	NO
Amit Chandra	BSE	MBA	NO
Dhananjay Jain	BSE	CA	NO

1 Yr Price movement



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