INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Indian Oil Corporation:** Our REDUCE rating on Indian Oil Corporation (IOCL), with a target price of INR 124, is premised on margin pressure due to increasing petchem supplies/capacity, lower refining margins, and moderation in auto fuel marketing margins. IOCL's Q3FY25 reported EBITDA at INR 71bn (-54% YoY, +89% QoQ) and APAT at INR 28.7bn (-64% YoY, +14.9x QoQ) came in below our estimates. Earnings were impacted by weak performance from petchem segment, lower refining margins, inventory loss and absorption of under-recovery on LPG. Reported GRMs came in below our estimate at USD 2.9/bbl (-78% YoY, +86% QoQ). IOCL's gross debt stood at INR 1,314bn (+24% YoY, -8% QoQ).
- **DLF:** DLF reported a strong quarter with presales of INR 120.9bn (+33.7%/16x YoY/QoQ), largely due to its uber-luxury launch 'The Dahlias in DLF 5', which witnessed a strong demand with 173 units (c.42% of inventory) getting sold in nine weeks. Value-wise, the launch pipeline stands at INR 440bn, of which INR 430bn is earmarked for the uber-luxury segment. Collections improved significantly, driven by robust bookings with INR 31.2bn (+23.9%/+31.5% YoY/QoQ). DLF maintained net cash status at INR 43.3bn (vs INR 28.3bn net cash in Q2FY25). Moreover, developer is heading towards launch of its next uber luxury project DLF 5, along with Privana 3 in, FY26 which will further improve margins. Moreover, DLF is aiming to launch its Mumbai project in Q4FY25. On the back of a strong response from the recent launch of its uber-luxury project Dahlias, we believe that uber luxury demand is here to stay for long. Moreover, the first residential launch in Mumbai and timely launches of Downtown commercial projects in Gurugram and Chennai are expected to serve as key growth catalysts, moving forward. Hence, given (1) the strong presales momentum supported by price hikes; (2) robust launch plans; and (3) an expected increase in office occupancy levels, we maintain BUY on DLF with a TP of INR 988/share.
- **Macrotech Developers:** Macrotech Developers Ltd (MDL) recorded presales of INR 45.1bn (+32.3/+5.1% YoY/QoQ), maintaining its quarterly run-rate of >INR 40bn. Presales growth is led by strong demand across segments with premium to luxury segments leading the way. MMR/Pune/Bengaluru market saw presales of INR 41.2/2.5/1.4bn. Collections were INR 42.9bn (+65.6/+41.1% YoY/QoQ). The embedded EBITDA margin on presales was ~35%. In terms of launches, MDL has launched a GDV of INR 103bn in 9MFY25 with a saleable area of 6.3msf. Key growth drivers include land monetization at Palava, targeting INR 80bn in township presales by 2030 with high margins of c.50%. MDL is aiming for INR 15bn in annuity income by FY31 and it plans to transition completely to a POCM-based accounting by FY27. MDL expects that in FY26, the presales contribution from Bangalore shall increase significantly. Moreover, the developer is also looking to enter a few more geographies in coming years. With respect to concerns about ongoing legal dispute involving trademark infringement and passing-off claims with the House of Abhinandan Lodha, MDL highlighted that there shall be no operational impact. Given robust growth visibility, better-than-expected GDV addition, and uptick in land prices (Palava may see price and volume increase as new infra projects get commissioned over the FY25 end), we keep our TP unchanged at INR 1,311/sh and maintain ADD.

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- **Balkrishna Industries:** Balkrishna Industries' (BKT) Q3FY25 EBITDA margin at 24.8% was above our estimate of 24.5%, supported by higher volumes (5% YoY vs our estimate of a flattish YoY volumes) and lower other expenses. The volume beat came from a 60% YoY growth in the RoW (Rest of the World) and a 14% YoY growth in the Americas regions. Management has credited better growth in these regions to materializing of the branding activities and investments done in the past. Despite better volume growth in Q3FY25, management stuck to its FY25 volume guidance of "minor volume growth". Additionally, it does not have visibility of recovery in the European market. We expect margins to be under pressure in Q4FY25 as higher RM cost and freight costs (which rose in Nov and Dec 2024) could impact the financials with a lag. Considering near term uncertainties and lack of clear visibility of business normalization, we continue maintaining our target P/E multiple at near -1SD, valuing it at 19x Dec-26 EPS; maintain SELL rating with a revised TP of INR 2,092.

- **JK Cement:** We maintain our REDUCE rating on JK Cement (JKCE), with a revised TP of INR 4,475/sh (13x Mar-27E consolidated EBITDA), owing to its expensive valuation. In Q3FY25, JKCE's consolidated volume rose 5% YoY on rebound in grey cement sales while the white/putty continued to decline. Blended unit EBITDA also recovered INR 350/MT QoQ to INR 1,005/MT, led by higher incentives, fuel cost reduction, op-lev gains and absence of large maintenance expense booked in Q2. We estimate JKCE's grey cement profitability will rebound, benefiting from its healthy ramp-up of expanded capacity, accelerated expansion on cool-off in fuel cost, rise in low-cost green energy consumption and logistics savings and recovery in cement prices. However, the white segment outlook remains weak owing to aggressive competition from the paint majors. Additionally, overall valuations remain expensive.

- **CDSL:** CDSL posted a weak set of numbers with a 14% QoQ decline in revenue, lower than our estimate of a 10% decline. This decline was led by a drop in transaction charges, lower KYC revenue, and a drop in e-voting revenue (seasonality). The drop in transactions was a function of pricing cuts and volume decline, while the online data charges decline was due to a drop in account additions and lower fetches. The demat account additions rate stood at ~3mn in the quarter vs ~4mn in Q2. However, CDSL continues to maintain its leadership position with a 79% market share and ~93% incremental share. The annuity revenue stream is stable and constitutes ~30% of the revenue. The increase in the number of folios for the current fiscal will reflect in Q1FY26E numbers, and the annuity revenue will remain strong for FY26E. The weakness in market-linked revenue will lead to a growth slowdown in FY26E following two years of strong growth. The margin declined in the quarter was due to the revenue drop and elevated tech expenses, and the company intends to keep investing in technology to maintain its competitive edge. We cut our revenue estimate by ~8% for FY26/27E, led by market weakness and EPS estimates by ~13-14% due to the margin drop. We expect growth to moderate in FY26E and EBITDA margin to be at ~60%. We maintain our ADD rating with a target price of INR 1,340, based on 40x FY27E EPS. The stock is trading at a P/E of 48/40x FY26/27E EPS.

Indian Oil Corporation

Petchem drags earnings down

Our REDUCE rating on Indian Oil Corporation (IOCL), with a target price of INR 124, is premised on margin pressure due to increasing petchem supplies/capacity, lower refining margins, and moderation in auto fuel marketing margins. IOCL's Q3FY25 reported EBITDA at INR 71bn (-54% YoY, +89% QoQ) and APAT at INR 28.7bn (-64% YoY, +14.9x QoQ) came in below our estimates. Earnings were impacted by weak performance from petchem segment, lower refining margins, inventory loss and absorption of under-recovery on LPG. Reported GRMs came in below our estimate at USD 2.9/bbl (-78% YoY, +86% QoQ). IOCL's gross debt stood at INR 1,314bn (+24% YoY, -8% QoQ).

- **Refining:** Crude throughput in Q3 stood at 18.1mmt (-2% YoY, +8% QoQ), implying capacity utilisation of 102.3%. Reported GRM at USD 2.95/bbl (-78% YoY, +86% QoQ) was below the estimate. We expect the transportation fuel cracks to stay subdued in the near/medium term, owing to the ramp-up of new refining capacities and slower global demand growth. Therefore, we estimate core GRMs for IOCL at USD 8.1/8.5 per bbl for FY25/26E vs FY24 GRM of USD 11.9/bbl.
- **Marketing:** Domestic marketing sales volume stood at 22mmt (+5% YoY, +13% QoQ) and exports at 1.3mmt (+4% YoY, +33% QoQ). IOCL's marketing margin came in at INR 6.9/ltr (+61% YoY, +4% QoQ). Marketing segment profits were impacted by the absorption of LPG under-recovery of INR 54.5bn and inventory loss of INR 18bn. We expect a blended gross margin of INR 3.5/3.6 per litre in FY25/26E.
- **Petchem:** Petchem segment posted an EBIT loss of INR 1.5bn for the quarter vs an EBIT loss of INR 916mn in Q2FY25 and loss of INR 1.9bn in Q3FY24. EBIT margin stood at USD -18.6/mt (Q2FY25: USD -13/mt; Q3FY24: USD -30/mt); volumes were at 0.99mt (+27% YoY, +18% QoQ).
- **Change in estimates:** We have cut our FY25/26/27E EPS estimates by 14% each to INR 13.3/14.7/15.9 and target price to INR 124/sh due to the expectation of lower refining margins, going ahead.
- **Valuation:** We revise our SOTP target price to INR 124/sh, based on 6x Mar-26E EV/EBITDA for standalone refining, petchem, marketing and pipeline businesses and INR 33/sh for other investments. The stock is currently trading at 8.4x Mar-26E EPS. Maintain REDUCE.

Standalone financial summary

YE March (INR bn)	3Q FY25	2Q FY25	QoQ (%)	3Q FY24	YoY (%)	FY23*	FY24*	FY25E*	FY26E*	FY27E*
Revenue	1,939	1,738	11.5	1,991	(2.6)	8,418	7,764	7,597	7,991	8,409
EBITDA	71	38	88.6	155	(54.1)	314	759	401	438	470
APAT	29	2	1,496	81	(64.4)	108	420	183	203	219
AEPS (INR)	2.1	0.1	1,499	5.9	(64.3)	7.3	30.3	13.3	14.7	15.9
P/E (x)						16.9	4.1	9.3	8.4	7.8
EV / EBITDA (x)						9.3	3.6	7.0	6.5	6.2
RoE (%)						7.9	26.0	9.7	10.2	10.4

Source: Company, HSIE Research | *Consolidated

REDUCE

CMP *(as on 27 Jan 2025)*	INR 124
Target Price	INR 124
NIFTY	22,829

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 145	INR 124
	FY25E	FY26E
EPS change	-14.2%	-14.4%

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	14,121
MCap (INR bn) / ($ mn)	1,753/20,309
6m avg traded value (INR mn)	3,044
52 Week high / low	INR 197/121

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(15.1)	(29.7)	(13.6)
Relative (%)	(10.0)	(22.3)	(20.2)

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	51.50	51.50
FIs & Local MFs	10.15	10.15
FPIs	7.79	7.79
Public & Others	30.56	30.56
Pledged Shares	0.0	0.0

Source : BSE

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DLF

Luxury demand drives outperformance

BUY

CMP *(as on 27 Jan 2025)*	**INR 704**
Target Price	**INR 988**
NIFTY	**22,829**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 988	INR 988
	FY25E	**FY26E**
EPS %	-	-

KEY STOCK DATA	
Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / ($ mn)	1,742/20,181
6m avg traded value (INR mn)	2,842
52 Week high / low	INR 968/687

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.4)	(15.2)	(7.2)
Relative (%)	(4.3)	(7.8)	(13.8)

SHAREHOLDING PATTERN (%)

	Sept24	Dec-24
Promoters	74.08	74.08
FIs & Local MFs	4.66	4.87
FPIs	16.66	16.37
Public & Others	4.62	4.69
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

DLF reported a strong quarter with presales of INR 120.9bn (+33.7%/16x YoY/QoQ), largely due to its uber-luxury launch 'The Dahlias in DLF 5', which witnessed a strong demand with 173 units (c.42% of inventory) getting sold in nine weeks. Value-wise, the launch pipeline stands at INR 440bn, of which INR 430bn is earmarked for the uber-luxury segment. Collections improved significantly, driven by robust bookings with INR 31.2bn (+23.9%/+31.5% YoY/QoQ). DLF maintained net cash status at INR 43.3bn (vs INR 28.3bn net cash in Q2FY25). Moreover, developer is heading towards launch of its next uber luxury project DLF 5, along with Privana 3 in, FY26 which will further improve margins. Moreover, DLF is aiming to launch its Mumbai project in Q4FY25. On the back of a strong response from the recent launch of its uber-luxury project Dahlias, we believe that uber luxury demand is here to stay for long. Moreover, the first residential launch in Mumbai and timely launches of Downtown commercial projects in Gurugram and Chennai are expected to serve as key growth catalysts, moving forward. Hence, given (1) the strong presales momentum supported by price hikes; (2) robust launch plans; and (3) an expected increase in office occupancy levels, we maintain BUY on DLF with a TP of INR 988/share.

- **Q3FY25 financial highlights:** Revenue came in at INR 15.3bn (+0.5%/-22.6% YoY/QoQ, a miss of 19.4%). EBITDA stood at INR 4.0bn (-21.7%/-20.3% YoY/QoQ, a miss of 19.0%). EBITDA margin came in at 26.2% (-742/+75 bps YoY/QoQ, vs 26.0% estimate). The share of profits and associates & JVs: INR 6.2bn (+121.5%/+83.0% YoY/QoQ). RPAT/APAT was INR 13.6/10.6bn (+107.5%/-1.5% YoY/QoQ, beat by 34.3%) adjustment was made on account of change in tax rate on LTCG and tax litigations relating to earlier years where DLF opted to settle under VsV scheme. DCCDL rental income was INR 11.9bn (+9.7%/+0.7% YoY/QoQ). EBITDA was INR 12.4bn (+10.3%/-1.7% YoY/QoQ) and PAT was at INR 5.1bn (+18.7%/-1.2% YoY/QoQ). By FY25-end, DLF expects margins in mid-40% on the back of robust pricing and completion of legacy projects.
- **Robust demand for uber-luxury drives annual presales guidance beat:** DLF reported a strong quarter with presales of INR 120.9bn (+33.7%/16x YoY/QoQ), largely due to its uber-luxury launch 'The Dahlias in DLF 5', which witnessed a strong demand with 173 units (c.42% of inventory, INR 118.2bn) getting sold in nine weeks. With this, DLF achieved its annual sales guidance of INR170bn; in fact, it surpassed it with INR >190bn as of 9MFY25. Within the DCCDL office portfolio, occupancy stood at 93% (flat on QoQ). The developer sees a sharp improvement in occupancy from Q4FY25/FY26 onwards.
- **Strong balance sheet set to propel business expansion**: With a net cash status of INR 45.3bn and a diversified land bank of 132msf, we maintain a positive outlook on DLFU's growth potential, supported by robust sectoral trends. This optimism is further bolstered by an extensive launch pipeline and the expansion of its annuity portfolio. Additionally, a strong balance sheet and steady cash flow enhance confidence.

Consolidated financial summary (INR mn)

YE Mar (Rs mn)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	15,287	15,213	0.5	19,750	(22.6)	64,270	74,549	89,897	1,01,153
EBITDA	4,000	5,110	(21.7)	5,020	(20.3)	21,236	26,007	32,646	38,177
APAT	10,587	6,557	61.5	13,812	(23.3)	27,269	36,227	36,871	43,062
Diluted EPS (Rs)	4.3	2.6	61.5	5.6	(23.3)	11.0	14.6	14.9	17.4
P/E (x)						63.5	47.8	47.0	40.2
EV / EBITDA (x)						90.3	81.7	66.0	52.4
RoE (%)						7.1	8.9	8.5	9.3

Source: Company, HSIE Research

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Macrotech Developers

Strong performance

Macrotech Developers Ltd (MDL) recorded presales of INR 45.1bn (+32.3/+5.1% YoY/QoQ), maintaining its quarterly run-rate of >INR 40bn. Presales growth is led by strong demand across segments with premium to luxury segments leading the way. MMR/Pune/Bengaluru market saw presales of INR 41.2/2.5/1.4bn. Collections were INR 42.9bn (+65.6/+41.1% YoY/QoQ). The embedded EBITDA margin on presales was ~35%. In terms of launches, MDL has launched a GDV of INR 103bn in 9MFY25 with a saleable area of 6.3msf. Key growth drivers include land monetization at Palava, targeting INR 80bn in township presales by 2030 with high margins of c.50%. MDL is aiming for INR 15bn in annuity income by FY31 and it plans to transition completely to a POCM-based accounting by FY27. MDL expects that in FY26, the presales contribution from Bangalore shall increase significantly. Moreover, the developer is also looking to enter a few more geographies in coming years. With respect to concerns about ongoing legal dispute involving trademark infringement and passing-off claims with the House of Abhinandan Lodha, MDL highlighted that there shall be no operational impact. Given robust growth visibility, better-than-expected GDV addition, and uptick in land prices (Palava may see price and volume increase as new infra projects get commissioned over the FY25 end), we keep our TP unchanged at INR 1,311/sh and maintain ADD.

- **Q3FY25 financial highlights:** Revenue: INR 40.8bn (+39.3/+55.5% YoY/QoQ, beat of 46%). EBITDA: INR 8.8bn (+47.9/+85.3% YoY/QoQ, beat by 73%). EBITDA margin: 30.1% (+186/+515bps YoY/QoQ, vs. estimate of 27.1%). Other income: INR 636mn (INR 281mn/589mn Q3FY24/Q2FY25). RPAT: INR 9.4bn (+62.3%/+123.0% YoY/QoQ, a beat of 116%).
- **Strong demand aiding MDL to inch towards its annual guidance:** MDL recorded robust presales of INR 45.1bn (+32.3/+5.1% YoY/QoQ), maintaining its quarterly run-rate of >INR 40bn. Presales growth is led by strong demand across segments with premium to luxury segments leading the way. The company launched projects of 2.7msf with a GDV potential of INR 28bn across MMR and Pune (1.7/1.0msf). MDL plans to monetize 60-80acres land per year for data centre developments. MDL expects that in FY26 presales contribution from Bangalore shall increase significantly. Moreover, the developer is also looking to enter a few more geographies in the coming years.
- **Strong balance sheet supports net debt maintenance:** Net debt reduced by INR 6bn to INR 43.1bn on the back of robust collections. ND/E came at 0.22x, which is well within the guidance of lower ND/E of 0.5x or net debt/OCF of 1x. In terms of business development, MDL has already achieved 90% of the BD guidance of INR 210bn, with INR 194bn worth of projects added in 9MFY25.

Consolidated financial summary (INR mn)

YE March (Rs mn)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	40,830	29,306.0	39	26,257.0	56	1,03,161	1,19,419	1,46,845	1,70,801
EBITDA	13,059	8,827.0	48	7,046.0	85	26,757	32,646	44,246	53,047
APAT	9,444	5,819.8	62	4,229.0	123	16,329	20,457	29,051	35,764
Diluted EPS (Rs)	9.5	5.9	62.3	4.3	123.3	16.4	20.6	29.2	36.0
P/E (x)						80	63.6	44.8	36.4
EV / EBITDA (x)						50.5	40.8	29.5	24.0
RoE (%)						11.1	11.2	14.3	15.4

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jan 2025)*	INR 1,104
Target Price	INR 1,311
NIFTY	22,829

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,311	INR 1,311
	FY25E	FY26E
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	LODHA IN
No. of Shares (mn)	997
MCap (INR bn) / ($ mn)	1,100/12,742
6m avg traded value (INR mn)	1,955
52 Week high / low	INR 1,650/977

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.0	(21.3)	4.5
Relative (%)	7.0	(14.0)	(2.1)

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	72.11	71.98
FIs & Local MFs	2.78	2.63
FPIs	24.2	24.45
Public & Others	0.91	0.92
Pledged Shares	-	-

Source : BSE

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INSTITUTIONAL RESEARCH

Balkrishna Industries

Near-term demand environment remains subdued

Balkrishna Industries' (BKT) Q3FY25 EBITDA margin at 24.8% was above our estimate of 24.5%, supported by higher volumes (5% YoY vs our estimate of a flattish YoY volumes) and lower other expenses. The volume beat came from a 60% YoY growth in the RoW (Rest of the World) and a 14% YoY growth in the Americas regions. Management has credited better growth in these regions to materializing of the branding activities and investments done in the past. Despite better volume growth in Q3FY25, management stuck to its FY25 volume guidance of "minor volume growth". Additionally, it does not have visibility of recovery in the European market. We expect margins to be under pressure in Q4FY25 as higher RM cost and freight costs (which rose in Nov and Dec 2024) could impact the financials with a lag. Considering near term uncertainties and lack of clear visibility of business normalization, we continue maintaining our target P/E multiple at near -1SD, valuing it at 19x Dec-26 EPS; maintain SELL rating with a revised TP of INR 2,092.

- **Volume growth led by RoW:** Q3 revenue grew 11% YoY to INR 25.7bn (HSIE INR 24.6bn). The revenue includes realized gain on forex pertaining to sales of INR 310mn. Tonnage grew 5% YoY to 76,343 MT, and ASP grew 5.8% YoY to INR 336.8/kg. EBITDA at INR 6.4bn was higher than our estimate of INR 6bn due to lower other expenses. Margin at 24.8% (-51bps YoY/-28bps QoQ) was higher than our estimate of 24.5%. Overall, PAT at INR 4.4bn was higher than our estimate of INR 3.5bn due to higher other income and lower interest cost.
- **Call takeaways:** (1) Volume growth was 4.9% YoY, driven by the non-European regions. (2) While the market environment continues to remain challenging, management expects minor sales volume growth in FY25, thus maintaining its earlier guidance. (3) Non-European regions have been an area of focus for BKT, and are now seeing the benefits of earlier investments made in the product portfolio and branding. (4) The advanced carbon black plant which was commissioned in Sept-24, is undergoing testing with customers. It is for non-tyre grade carbon black to be used in plastics, ink, and paint industries. (5) The first phase for expansion of 35k MTPA of OTR range of tyres is progressing as per schedule and is expected to complete in Q1FY26. (6) The impact of increased RM prices will be evident in Q4FY25 due to shipping time lags. The RM cost (as % of sales) is likely to increase ~100bps in Q4, though it is expected to remain stable post that. (7) For 9MFY25, the agri segment accounted for 59% of revenues, while OTR accounted for 38%. (8) Capex spend for 9M stood at INR9.7bn. The budgeted capex for FY26 stands at INR11-12bn, to be used for 35k MTPA expansion of OTR tyres. (9) Sequentially, net debt increased from INR 680mn to INR 1,030mn. (10) EUR-INR hedge rate stood at 91 in Q3 and is likely to be in the 92-93 range in Q4.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	25,713	23,158	11.0	24,652	4.3	93,757	105,085	113,548	125,806
EBITDA	6,388	5,872	8.8	6,193	3.1	23,221	26,539	28,956	33,364
APAT	4,394	3,093	42.1	3,496	25.7	14,376	16,974	18,823	22,109
Diluted EPS (INR)	22.7	16.0	42.1	18.09	25.7	74.4	87.8	97.4	114.4
P/E (x)						34.5	29.2	26.3	22.4
EV / EBITDA (x)						22.6	19.8	18.0	15.4
RoCE (%)						17.5	17.8	17.1	17.4

Source: Company, HSIE Research

SELL

CMP *(as on 27 Jan 2025)*	INR2,565
Target Price	INR 2,092
NIFTY	22,829

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,137	INR 2,092
EPS %	FY25E	FY26E
	3.7	-0.8

KEY STOCK DATA	
Bloomberg code	BIL IN
No. of Shares (mn)	193
MCap (INR bn) / ($ mn)	496/5,742
6m avg traded value (INR mn)	688
52 Week high / low	INR 3,378/2,194

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.8)	(21.8)	1.5
Relative (%)	(6.7)	(14.5)	(5.1)

SHAREHOLDING PATTERN (%)

	Sept-24	Dec-24
Promoters	58.29	58.29
FIs & Local MFs	23.45	23.95
FPIs	11.72	11.28
Public & Others	6.57	6.48
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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JK Cement

Grey cement demand and margin recover

We maintain our REDUCE rating on JK Cement (JKCE), with a revised TP of INR 4,475/sh (13x Mar-27E consolidated EBITDA), owing to its expensive valuation. In Q3FY25, JKCE's consolidated volume rose 5% YoY on rebound in grey cement sales while the white/putty continued to decline. Blended unit EBITDA also recovered INR 350/MT QoQ to INR 1,005/MT, led by higher incentives, fuel cost reduction, op-lev gains and absence of large maintenance expense booked in Q2. We estimate JKCE's grey cement profitability will rebound, benefiting from its healthy ramp-up of expanded capacity, accelerated expansion on cool-off in fuel cost, rise in low-cost green energy consumption and logistics savings and recovery in cement prices. However, the white segment outlook remains weak owing to aggressive competition from the paint majors. Additionally, overall valuations remain expensive.

- **Q3FY25 performance**: Consolidated sales volumes rose 5% YoY (+13% QoQ) on demand uptick. Grey cement volumes rose 5% YoY, while white/putty sales declined 3% YoY. Blended NSR rose 2% QoQ but still fell 5% YoY. Grey cement NSR recovered 2% QoQ (-7% YoY) on account of higher incentives and slight price increase. White/putty NSR fell 2% QoQ on intense competition. Blended unit EBITDA recovered INR 350/MT QoQ to INR 1005/MT. This is driven by opex reduction by INR 260/MT. In this INR 120/MT pertains to absence of large maintenance expense incurred in Q2, ~INR 70/MT on fuel cost reduction, and ~INR 70/MT from op-lev gains. NSR gains (+30/MT) and higher incentives (+60/MT) contributed the rest. On YoY basis, sharply lower grey NSR led to INR 330/MT lower margin. Grey margin rebounded ~350/MT QoQ to ~INR 900/MT (OPM ~18% vs ~11/23% QoQ/YoY). White/putty margin, too, expanded to ~17% vs 14% QoQ (19% YoY), in our view. In paints, while revenue rose to INR 830mn, EBITDA loss expanded to INR 0.2bn vs INR 0.15bn QoQ on increased competition.
- **Con call KTAs and outlook:** JKCE expects 4/10% grey volume growth in FY25/FY26 (3% in 9MFY25). Total capex guidance for FY25/26E stands at ~INR 19/19bn, including the Saifco acquisition (0.42mn MT in J&K). The work on 3.3/6mn MT clinker/cement expansions in the Central and East regions is on track (CoD - Q3FY26E). JKCE is aiming to increase its green power share to 75% by the end of FY28 vs 52% in 9MFY25. Amid increased competition, JKCE expects the paint business to turn EBITDA break-even in FY27. We have marginally raised our consolidated EBITDA estimates for FY25/26/27E by 2/3/1%, respectively.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Sales (mn MT)	4.9	4.7	*4.5*	4.3	*12.7*	16.2	19.0	19.9	21.8	24.4
NSR (INR/MT)	5,984	6,263	*(4.5)*	5,890	*1.6*	6,013	6,091	5,890	6,010	6,047
EBITDA(INR/MT)	1,005	1,334	*(24.7)*	653	*53.8*	813	1,086	962	1,135	1,223
Net Sales	29.30	29.35	*(0.2)*	25.60	*14.5*	97.20	115.56	117.48	130.89	147.46
EBITDA	4.92	6.25	*(21.3)*	2.84	*73.3*	13.14	20.60	19.20	24.72	29.83
APAT	1.90	2.84	*(33.2)*	0.23	*707.6*	4.24	7.96	6.90	9.20	12.50
AEPS (INR)	24.8	6.3	*267.2*	33.0	*(24.7)*	54.8	103.1	89.3	119.0	161.8
EV/EBITDA(x)						30.6	19.4	21.1	16.8	13.8
EV/MT (INR bn)						15.3	14.4	13.3	11.3	11.2
P/E (x)						87.2	46.4	53.6	40.2	29.5
RoE (%)						*9.5*	*16.0*	*12.3*	*14.6*	*17.2*

Source: Company, HSIE Research; Operating trends are on a blended basis (grey cement+ white/putty)

REDUCE

CMP *(as on 27 Jan 2025)*	INR 4,786
Target Price	INR 4,475
NIFTY	22,829

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 4,385	INR 4,475
EBITDA revision %	FY25E 2.2	FY26E 2.5

KEY STOCK DATA	
Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	370/4,283
6m avg traded value (INR mn)	529
52 Week high / low	INR 4,916/3,635

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.6	9.1	15.0
Relative (%)	21.7	16.4	8.4

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	45.68	45.68
FIs & Local MFs	22.43	23.71
FPIs	17.56	16.88
Public & Others	14.33	13.73
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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CDSL

Growth moderation

CDSL posted a weak set of numbers with a 14% QoQ decline in revenue, lower than our estimate of a 10% decline. This decline was led by a drop in transaction charges, lower KYC revenue, and a drop in e-voting revenue (seasonality). The drop in transactions was a function of pricing cuts and volume decline, while the online data charges decline was due to a drop in account additions and lower fetches. The demat account additions rate stood at ~3mn in the quarter vs ~4mn in Q2. However, CDSL continues to maintain its leadership position with a 79% market share and ~93% incremental share. The annuity revenue stream is stable and constitutes ~30% of the revenue. The increase in the number of folios for the current fiscal will reflect in Q1FY26E numbers, and the annuity revenue will remain strong for FY26E. The weakness in market-linked revenue will lead to a growth slowdown in FY26E following two years of strong growth. The margin declined in the quarter was due to the revenue drop and elevated tech expenses, and the company intends to keep investing in technology to maintain its competitive edge. We cut our revenue estimate by ~8% for FY26/27E, led by market weakness and EPS estimates by ~13-14% due to the margin drop. We expect growth to moderate in FY26E and EBITDA margin to be at ~60%. We maintain our ADD rating with a target price of INR 1,340, based on 40x FY27E EPS. The stock is trading at a P/E of 48/40x FY26/27E EPS.

- **Q3FY25 highlights**: CDSL revenue declined by 14% QoQ to INR 2.78bn (5% miss on HSIE estimate), due to a decline in transaction charges/online data charges/others by 30/23/27% QoQ. However, this was partially mitigated by growth in IPO & Corp action/annual issuer charges, up 11.5/1.3% QoQ. In Q3, annual issuer charges included INR 75 mn from unlisted companies, comprising INR 48 mn in one-time fees and INR 27 mn in annuity revenue. On cost side, tech expense saw significant increase of 23/89% QoQ/YoY and employee cost also remained elevated, up 2.7/36% QoQ/YoY. Other opex decreased by 17% QoQ due to lower customer alerts and expenses related to e-voting income, slightly offsetting the increase in cost. Regulatory costs, directly linked to revenue increased by 15/50% QoQ/YOY. Consequently, due to the revenue decline and increased technology and employee costs, CDSL's EBITDA margin contracted by 424 bps QoQ to 57.8%.
- **Outlook:** We expect revenue growth of +39/7/16% and an EBITDA margin of 59.3/59.2/61 for FY25/26/27E. The revenue CAGR of 20% over FY24-27E assumes +24/13/21/19/27% CAGR in annual issuer charges/transaction/IPO & corporate action/online data charges/e-CAS & e-voting revenue. Core PAT CAGR over FY24-27E is at +20%.

Quarterly financial summary

YE March (INR mn)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	2,781	2,145	*29.7*	3,223	*(13.7)*	5,551	8,123	11,302	12,056	13,950
EBITDA	1,606	1,315	*22.2*	1,998	*(19.6)*	3,233	4,894	6,704	7,134	8,523
APAT	1,301	1,074	*21.1*	1,620	*(19.7)*	2,759	4,191	5,522	5,880	6,998
Diluted EPS (INR)	6.2	5.1	*21.1*	7.8	*(19.7)*	13.2	20.1	26.4	28.1	33.5
P/E (x)						101.8	67.0	50.9	47.8	40.1
EV / EBITDA (x)						83.6	54.9	39.8	37.1	30.7
RoE (%)						23.9	31.3	35.1	32.6	34.0
Cash/Mcap (%)						3.1	3.4	3.9	4.7	5.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR Mn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue	11,599	11,302	*-2.6*	13,137	12,056	*-8.2*	15,250	13,950	*-8.5*
EBITDA	6,990	6,704	*-4.1*	8,048	7,134	*-11.4*	9,651	8,523	*-11.7*
EBITDA margin (%)	60.3	59.3	-95bps	61.3	59.2	-209bps	63.3	61.1	-220bps
APAT	5,872	5,522	*-6.0*	6,778	5,880	*-13.2*	8,092	6,998	*-13.5*
EPS (INR)	28.1	26.4	*-6.0*	32.4	28.1	*-13.2*	38.7	33.5	*-13.5*

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jan 2025)*	INR 1,344
Target Price	INR 1,340
NIFTY	22,829

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,640	INR 1,340
	FY26E	FY27E
EPS %	-13.2	-13.5

KEY STOCK DATA	
Bloomberg code	CDSL IN
No. of Shares (mn)	209
MCap (INR bn) / ($ mn)	281/3,253
6m avg traded value (INR mn)	6,332
52 Week high / low	INR 1,990/810

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.3)	9.9	52.0
Relative (%)	(0.2)	17.2	45.4

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	15.00	15.00
FIs & Local MFs	21.57	19.11
FPIs	13.77	17.15
Public & Others	49.66	48.74
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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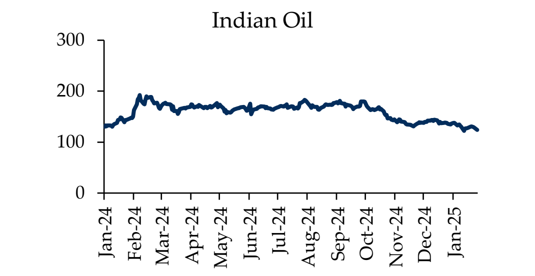
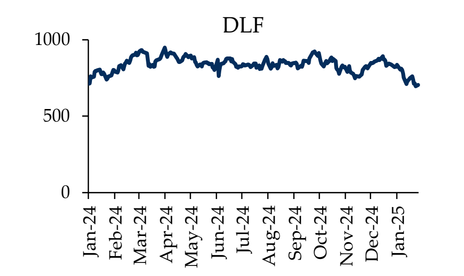
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

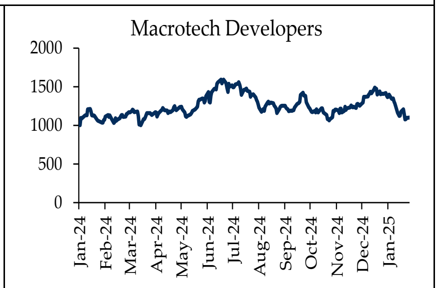
Disclosure:

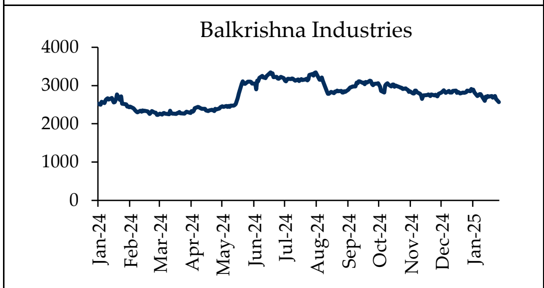
Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Indian Oil Corporation	MBA	NO
Nilesh Ghuge	Indian Oil Corporation	MMS	NO
Dhawal Doshi	Indian Oil Corporation	CA	NO
Prasad Vadnere	Indian Oil Corporation	MSc	NO
Parikshit Kandpal	DLF, Macrotech Developers	CFA	NO
Jay Shah	DLF, Macrotech Developers	CA	NO
Aditya Sahu	DLF, Macrotech Developers	MBA	NO
Hitesh Thakurani	Balkrishna Industries	MBA	NO
Maitreyee Vaishampayan	Balkrishna Industries	MSc	NO
Rajesh Ravi	JK Cement	MBA	NO
Keshav Lahoti	JK Cement	CA	NO
Riddhi Shah	JK Cement	MBA	NO
Amit Chandra	CDSL	MBA	NO
Dhananjay Jain	CDSL	CA	NO

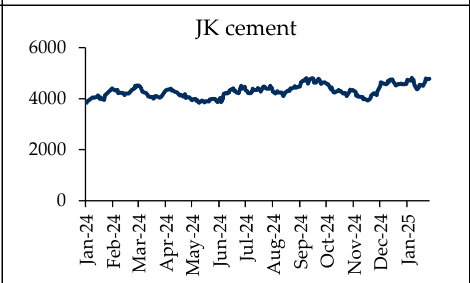
1 Yr Price movement

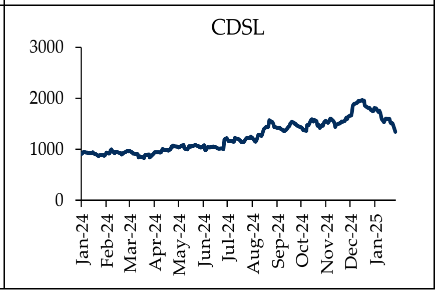












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