INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **ABB India:** ABB reported its best-ever quarter with revenue/EBITDA/PAT at INR 30.8/5.6/4.5bn, beating our estimates by 9.5/37.6/35%. The company achieved a strong Q1CY24 order inflow at INR 36bn (+15%/+14% YoY/QoQ), taking the backlog to INR 89bn. Base Q1CY24 order inflows grew 3% YoY to INR 32.3bn and a large data centre order aided growth with inflows growing 15% YoY to INR 36.1bn. ABB expects large order booking to continue in the EL segment. The higher share of better margin services revenue across segments along with stable pricing led to a robust EBITDA margin of 18.3%. ABB expects margins to trend lower based on the mix, but it still aims to maintain 12%+ PAT margins. ABB doesn't see any major impact of the election on ordering as demand segments continue to perform well. The tilt of the demand ecosystem to a reliable supply chain stands to benefit ABB, as clients are opting for better service, spare parts availability and remote monitoring. Brand premiumisation is helping achieve better pricing and margins. We have recalibrated our estimates to factor in likely stronger growth and margin outperformance. We raise our TP to INR 7,990/sh (rolled over to 75x Mar-26 EPS, 72x earlier). Given the limited upside, we maintain ADD.

- **Thermax:** Thermax Ltd (TMX) reported revenue/EBITDA/APAT of INR 27.6/2.7/1.9bn, beating our estimates by 8.6/16.6/11.3%. The EBITDA margin of 9.9% was better than our estimate of 9.2%. Order inflow during the quarter was muted at INR 23.1bn, taking the total OB to INR 101.1bn. The lower-than-expected ordering is the result of postponement in a large bid order pipeline on the back of elections. TMX expects a baseline quarterly run-rate of INR 23-24bn in ordering and large orders to add incrementally to this from 1QFY25 as project closures happen in power/steel, etc. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market, ramping up of new products portfolio and impetus on cleaner air and water. TMX may cautiously relook at emerging UMMP opportunities as a large part of the portfolio focus is now on clean energy. We have recalibrated our estimates higher to factor in better growth and margins. We maintain BUY on TMX, with a TP of INR 4,686 (54x Mar-FY26E EPS).

- **Aarti Industries:** We maintain our ADD recommendation on Aarti Industries (AIL), with a target price of INR 739/share. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. EBITDA/APAT were 4/4% above our estimates, due to lower-than-expected raw material costs while revenue remains in line with our estimates.

- **Karur Vysya Bank:** Karur Vysya Bank's (KVB) earnings beat estimates on the back of a strong operating performance and healthy growth on both sides of the balance sheet. Loan growth (+16% YoY) was steady across segments, driven by MSME (+20% YoY), LAP (+35% YoY), and PL (+120% YoY). Deposit growth kept pace with loan growth; however, the CASA ratio deteriorated 114bps QoQ to 30.4%, thus posing a trade-off between deposit granularity and steady-state growth. We see limited room for RoA reflation given the impending rise in cost of incremental deposits, potential rate cut impact starting H2FY25 and sustained investments that are likely to reflect in an

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elevated opex-to-assets ratio. We tweak our FY25E-26E earnings estimates to factor in higher growth, partly offset by higher credit costs; we maintain ADD with a revised TP of INR210 (1.4x Mar-26 ABVPS).

- **Fine Organic Industries:** Our SELL recommendation on Fine Organics with a TP of INR 3,741 is premised on (1) the delay in capacity addition; (2) sluggish demand in export markets; (3) a sharp fall in finished product prices; and (4) more than anticipated delay in starting Thailand facility. Q4 EBITDA/APAT were 4/5% above our estimates, owing to lower-than-expected raw material costs.

- **Syrma SGS Technology:** Syrma's Q4 revenue print positively surprised, growing by 67% YoY led by consumer/healthcare (+93/+148% YoY). However, gross margin contracted both YoY/QoQ by 430bps/540bps due to an increasing mix of lower margin business (consumer mix up 620bps/10ppt YoY/QoQ). Given strong order book visibility (INR45bn) for FY25, Syrma is targeting to grow revenue by 45% with a 7% operating margin (incl forex) and positive OCF (reduction in NWC days). Syrma has doubled its SMT capacity to 6.3mn CPH (replicated capacity built over the last three decades) and it is in the process of setting up a design centre in Pune (ODM focus on medtech) and expanding its Germany facility (40k sq. ft.) for the onshore clients. We expect gradual expansion in margins, led by (1) rising exports (+30% in FY25); (2) increasing share of higher margin business (healthcare) while restricting consumer mix between 37-40%; and (3) better asset sweating. We cut our FY25/26 earnings by 13% each as we moderate our EBITDA margin estimates by 100bps and value the stock at 40x P/E on Mar'26E EPS to derive a revised TP of INR 540. Maintain BUY.

- **Ami Organics:** We retain our ADD rating on Ami Organics (AO), with a target price of INR 1,415 (WACC 11%, terminal growth 6%) on the back of (1) expansion of its speciality chemicals portfolio and (2) strong product pipeline in its advanced pharma intermediate business. EBITDA is 29% above our estimates, mainly due to 21% more-than-expected revenue and offset by higher-than-expected raw material costs.

ABB India

Services-led margin beat

ABB reported its best-ever quarter with revenue/EBITDA/PAT at INR 30.8/5.6/4.5bn, beating our estimates by 9.5/37.6/35%. The company achieved a strong Q1CY24 order inflow at INR 36bn (+15%/+14% YoY/QoQ), taking the backlog to INR 89bn. Base Q1CY24 order inflows grew 3% YoY to INR 32.3bn and a large data centre order aided growth with inflows growing 15% YoY to INR 36.1bn. ABB expects large order booking to continue in the EL segment. The higher share of better margin services revenue across segments along with stable pricing led to a robust EBITDA margin of 18.3%. ABB expects margins to trend lower based on the mix, but it still aims to maintain 12%+ PAT margins. ABB doesn't see any major impact of the election on ordering as demand segments continue to perform well. The tilt of the demand ecosystem to a reliable supply chain stands to benefit ABB, as clients are opting for better service, spare parts availability and remote monitoring. Brand premiumisation is helping achieve better pricing and margins. We have recalibrated our estimates to factor in likely stronger growth and margin outperformance. We raise our TP to INR 7,990/sh (rolled over to 75x Mar-26 EPS, 72x earlier). Given the limited upside, we maintain ADD.

- **Q1CY24 financial highlights:** Revenue was INR 30.8bn (+27%/11.7% YoY/QoQ, a beat by 9%). EBITDA came in at INR 5.6bn (+98%/35% YoY/QoQ, a beat by 37%). Consequently, the EBITDA margin was 18.3% (+651/321bps YoY/QoQ, 14.6% est.). RPAT/APAT was INR 4.5bn (+87%/33% YoY/QoQ, a beat by 35%).
- **Order booking strong; pick-up in large orders:** For Q1CY24, order inflow was at INR 36bn (+15%/+14% YoY/QoQ), taking the backlog to INR 89bn, consisting mostly of short cycle orders. RA/MO/EL/PA saw order inflows of INR 1.5/12/17.9/5bn, growing -2.6/-2.9/34/16.8% YoY and 166/-15/72/-22% QoQ. RA saw a strong inflow from automotive/electronics. In MO, decision on system orders got slightly delayed which resulted in a 2.6% YoY decline in inflows. PA orders are driven by power, metal, logistics and service orders. EL was driven by growth across data centres, OEMs, smart buildings etc.
- **Outlook on growth and profitability**: Growth is largely backed by sustained demand expansion in India. Enhanced market penetration, a diverse product portfolio, and global offshoring initiatives have accelerated the company's revenue growth beyond that of its parent. ABB has strategically positioned itself in domestic markets to leverage opportunities arising from private capital expenditure.

Standalone financial summary (INR mn)

Dec Year End	1QCY24	1QCY23	*YoY (%)*	4QCY23	*QoQ (%)*	CY23	CY24	CY25E	CY26E
Net Revenues	30,804	24,112	27.8	27,575	11.7	1,04,465	1,28,510	1,55,935	1,83,821
EBITDA	5,652	2,853	98.1	4,172	35.5	14,898	20,623	25,526	31,062
APAT	4,593	2,452	87.3	3,452	33.1	12,421	16,841	20,549	24,602
EPS (INR)	21.7	11.6	87.3	16.3	33.1	58.6	79.5	97.0	116.1
P/E (x)						134.7	99.3	81.4	68.0
EV/EBITDA (x)						109.9	78.8	63.1	51.2
RoE (%)						22.4	24.4	23.9	23.1

Source: Company, HSIE Research

Change in Estimates

Particulars	CY24E			CY25E			CY26E		
	New	Old	*% Change*	New	Old	*% Change*	New	Old	*% Change*
Revenues	1,28,510	1,19,646	7.4	1,55,935	1,41,622	10.1	1,83,821	1,68,482	*9.1*
EBITDA	20,623	17,315	19.1	25,526	21,001	21.5	31,062	25,893	*20.0*
EBITDA margin (%)	16.0	14.5	157.6	16.4	14.8	154.1	16.9	15.4	152.9
APAT	16,841	14,249	18.2	20,549	17,009	20.8	24,602	20,516	*19.9*

Source: Company, HSIE Research

ADD

CMP*(as on 13 May 2024)*	**INR 7,984**
Target Price	**INR 7,990**
NIFTY	**22,104**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 5,487	INR 7,990

EPS change %	CY24E	CY25E	CY26E
	18.2	*20.8*	*19.9*

KEY STOCK DATA	
Bloomberg code	ABB IN
No. of Shares (mn)	212
MCap (INR bn) / ($ mn)	1,692/20,260
6m avg traded value (INR mn)	2,212
52 Week high / low	INR 8,189/3,805

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	78.8	87.3	102.8
Relative (%)	77.1	75.2	85.4

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	75.00	75.00
FIs & Local MFs	6.92	5.95
FPIs	10.72	11.89
Public & Others	7.36	7.15
Pledged Shares	-	-

Source : BSE

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Thermax

Robust beat; ordering awaited

Thermax Ltd (TMX) reported revenue/EBITDA/APAT of INR 27.6/2.7/1.9bn, beating our estimates by 8.6/16.6/11.3%. The EBITDA margin of 9.9% was better than our estimate of 9.2%. Order inflow during the quarter was muted at INR 23.1bn, taking the total OB to INR 101.1bn. The lower-than-expected ordering is the result of postponement in a large bid order pipeline on the back of elections. TMX expects a baseline quarterly run-rate of INR 23-24bn in ordering and large orders to add incrementally to this from 1QFY25 as project closures happen in power/steel, etc. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market, ramping up of new products portfolio and impetus on cleaner air and water. TMX may cautiously relook at emerging UMMP opportunities as a large part of the portfolio focus is now on clean energy. We have recalibrated our estimates higher to factor in better growth and margins. We maintain BUY on TMX, with a TP of INR 4,686 (54x Mar-FY26E EPS).

- **Q4FY24 financial highlights:** Revenue: INR 27.6bn (+19%/+18% YoY/QoQ, an 8.6% beat); industrial products/industrial infra/green sol/chemical posted growth of 23/17/72/-8% YoY to INR 12.1/13.5/1.5/1.5bn. EBITDA: INR 2.7bn (+36%/45% YoY/QoQ, a 17% beat) and margin of 9.9% (+123/182bps YoY/QoQ, 9.2% est.). Segmental EBIT margin: industrial product: 11.7% (+108/+181bps YoY/QoQ); industrial infra: 6.0% (-15/+249bps YoY/QoQ); green solution: 9.6% (+754/-98bps YoY/QoQ); chemical: 19.5% (+26/+159bps YoY/QoQ. APAT was INR 1.8bn (+20%/+37% YoY/QoQ, an 11%beat).
- **Order inflow muted; large order pipeline closure held up due to elections:** In Q4FY24, TMX received orders worth INR 23.1bn (+2%/-8% YoY/QoQ); as a result, the closing order book stands at INR 101.1bn (+4%/-6% YoY/QoQ). TMX expects INR 23-24bn as the baseline quarterly run rate for ordering. It expects better ordering in H2CY24, aided by large orders in the power sector and pick-up in steel and ethanol awards. TMX expects large awards pick-up as soon as some clarity emerges on decision-making by clients, possibly by 1QFY25. Even as awards got delayed, the bid prospects pipeline has emerged bigger, so that is a positive. In Q4FY24, industrial products/industrial infra/green solutions/chemical divisions bagged INR 10.6/10.7/3/1.7bn worth of orders with their respective order books at INR 35/57/8/1.4bn.

Consolidated financial summary

(INR in mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Revenues	27,637	23,108	19.6	23,244	18.9	80,898	93,235	107,765	131,276
EBITDA	2,732	1,999	36.6	1,874	45.7	5,976	7,974	10,307	13,870
APAT	1,880	1,562	20.4	1,372	37.0	4,507	5,677	7,198	9,771
Diluted EPS(INR)	16.7	13.9	20.4	12.2	37.0	40.0	50.4	63.9	86.8
P/E (x)						115.1	91.4	72.1	53.1
EV/EBITDA (x)						83.6	63.2	48.0	35.2
RoE (%)						12.2	13.7	15.2	18.1

Source: Company, HSIE Research

Change in Estimates

	FY25E			FY26E		
	New	Old	*% Change*	New	Old	*% Change*
Revenues (Rs mn)	107,765	107,874	*(0.1)*	131,276	120,986	*8.5*
EBITDA (Rs mn)	10,307	10,258	*0.5*	13,870	12,423	*11.7*
Margins (%)	9.6	9.5	5.5	10.6	10.3	29.8
APAT (Rs mn)	7,198	7,397	*(2.7)*	9,771	8,747	*11.7*

Source: Company, HSIE Research

BUY

CMP *(as on 13 May2024)*	INR 4,609
Target Price	INR 4,686
NIFTY	22,104

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,199	INR 4,686
EPS change %	FY25E	FY26E
	-2.7	*11.7*

KEY STOCK DATA	
Bloomberg code	TMX IN
No. of Shares (mn)	119
MCap (INR bn) / ($ mn)	549/6,576
6m avg traded value (INR mn)	520
52 Week high / low	INR 4,980/2,192

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	38.7	58.9	94.8
Relative (%)	37.0	46.8	77.5

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	61.99	61.99
FIs & Local MFs	15.86	15.82
FPIs	12.01	12.24
Public & Others	10.14	9.96
Pledged Shares	-	-

Source: BSE

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Aarti Industries

On recovery path

We maintain our ADD recommendation on Aarti Industries (AIL), with a target price of INR 739/share. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. EBITDA/APAT were 4/4% above our estimates, due to lower-than-expected raw material costs while revenue remains in line with our estimates.

- **Financial performance:** Revenue increased by 7/2 % YoY/QoQ to INR 17.73 bn. The performance improved on a sequential basis due to volume gains in the discretionary segment contributing ~65% of revenue while offset due to (a) soft demand in the non-discretionary segment (agro and pharma) and (b) the nitric acid supply issue. EBTIDA improved 13/9% to INR 2.83 bn due to a favourable product mix. EBITDA margin increased by 80/95 bps YoY/QoQ to 16% due to lower raw material costs offset by higher other operating expenses due to freight charges. Commissioning of ongoing projects and volume ramp-up in the existing plant are likely to support growth in FY25.
- **Con call takeaways:** (1) During FY24, the company incurred capex of INR 12.80 bn while the company plans for capex of ~ INR 15 to 18 bn in FY25. The majority of capex will be for a new site and multipurpose plant linked to the existing value chain. (2) The company had 52% revenue from domestic operations. (3) The company expects demand recovery in agrochemicals in H2FY25. (4) Other operating expenses have increased by 19% majorly due to freight cost although it has been passed on to the customers. (5) All the other projects including Nitrotoluene and Chlorotoluene value chain are on track and their commercialization will start in FY25.
- **Change in estimates:** We change FY24/25 EPS estimates by -12.9/-9% to INR 16.6 /26.3 to factor in performance in FY24.
- **DCF-based valuation: Our target price is INR 739(WACC 11%, terminal growth 4%). The stock is currently trading at 40x FY25E EPS.**

Financial summary (consolidated)

INR mn	4Q FY24	3Q FY24	QoQ (%)	4Q FY23	YoY (%)	FY22	FY23	FY24P	FY25E	FY26E
Net Sales	17,730	17,320	*2.4*	16,550	*7.1*	60,855	66,186	63,720	73,333	84,156
EBITDA	2,830	2,600	*8.8*	2,510	*12.7*	17,201	10,890	9,760	13,472	17,919
APAT	1,320	1,240	*6.5*	1,490	*(11.4)*	11,857	5,452	4,160	6,018	9,544
AEPS (INR)	3.6	3.4	*6.5*	4.1	*(11.4)*	32.7	15.0	11.5	16.6	26.3
P/E (x)						20.5	44.5	58.3	40.3	25.4
EV/EBITDA(x)						15.5	24.7	28.0	20.7	15.5
RoE (%)						29.6	11.6	8.1	10.9	15.4

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	14,004	13,472	*(3.8)*	18,434	17,919	*(2.8)*
Adj. EPS (INR/sh)	19.1	16.6	*(12.9)*	28.9	26.3	*(9.0)*

Source: Company, HSIE Research

ADD

CMP *(as on 13 May 2024)*	**INR 669**
Target Price	**INR 739**
NIFTY	**22,104**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 788	INR 739
EPS %	FY25E -13%	FY26E -9%

KEY STOCK DATA	
Bloomberg code	ARTO IN
No. of Shares (mn)	363
MCap (INR bn) / ($ mn)	242/2,904
6m avg traded value (INR mn)	1,277
52 Week high / low	INR 770/438

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	0.9	29.2	33.1
Relative (%)	(0.8)	17.1	15.8

SHAREHOLDING PATTERN (%)

	Dec-23	**Mar-24**
Promoters	43.55	43.43
FIs & Local MFs	15.84	17.25
FPIs	10.83	10.93
Public & Others	29.76	28.36
Pledged Shares	0.00	0.00

Source: BSE

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Karur Vysya Bank

Deposit mobilisation key to sustaining earnings

Karur Vysya Bank's (KVB) earnings beat estimates on the back of a strong operating performance and healthy growth on both sides of the balance sheet. Loan growth (+16% YoY) was steady across segments, driven by MSME (+20% YoY), LAP (+35% YoY), and PL (+120% YoY). Deposit growth kept pace with loan growth; however, the CASA ratio deteriorated 114bps QoQ to 30.4%, thus posing a trade-off between deposit granularity and steady-state growth. We see limited room for RoA reflation given the impending rise in cost of incremental deposits, potential rate cut impact starting H2FY25 and sustained investments that are likely to reflect in an elevated opex-to-assets ratio. We tweak our FY25E-26E earnings estimates to factor in higher growth, partly offset by higher credit costs; we maintain ADD with a revised TP of INR210 (1.4x Mar-26 ABVPS).

- **Stable margins alongside healthy loan growth:** NII growth (+11% YoY) was healthy with margins at 4.2%, reflecting a moderate reflation (+6bps QoQ adjusting for one-offs in Q3FY24) as KVB continued shedding low-yielding highly-rated corporate loans. Loan growth (+16%YoY) was led by segments such as MSME, LAP and PL, which contributed to improvement in blended yields, alongside muted growth in gold and vehicle portfolios. Management guided for 14% YoY loan growth during FY25 alongside moderate NIM compression on account of higher incremental cost of deposits.
- **Asset quality trends stable:** GNPA/NNPA improved to 1.4%/0.4% (9MFY24: 1.6%/0.4%) on the back of healthy recovery/upgrades, and higher write-offs with a stable SMA-1 portfolio at sub-1%. Although PCR remains comfortable at ~71%, we expect credit costs to normalise upwards to ~80bps in FY25/26 (FY24: 68bps), given the rising exposure in higher-yielding loans.
- **Deposit mobilisation key to sustaining RoAs:** While a strong operational performance, change in loan mix, better cross-sell outcomes, and productivity gains are likely to help reflate RoAs, these factors are likely to be offset by margin compression on the back of incremental deposit re-pricing, impact of rate cut on incremental yields, lower loan growth, and elevated opex.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY25E	FY26E
NII	10.0	8.9	*11.5%*	10.0	*-0.6%*	38.1	42.4	48.5
PPOP	8.7	7.4	*17.3%*	6.8	*28.3%*	28.3	30.8	35.5
PAT	4.6	3.4	*35.0%*	4.1	*10.8%*	16.0	17.5	20.1
EPS (INR)	5.7	4.2	*35.0%*	5.1	*10.5%*	19.9	21.7	25.0
ROAE (%)						17.2	16.4	16.8
ROAA (%)						1.6	1.6	1.6
ABVPS (INR)						121.1	135.0	150.9
P/ABV (x)						1.6	1.4	1.2
P/E (x)						9.4	8.7	7.5

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	835	845	1.3%	949	973	2.5%
NIM (%)	4.0	4.1	9 bps	4.0	4.1	16 bps
NII	40.9	42.4	3.7%	45.8	48.5	5.9%
PPOP	29.0	30.8	6.3%	33.1	35.5	7.3%
PAT	16.7	17.5	4.7%	19.0	20.1	6.0%
Adj. BVPS (INR)	130.9	135.0	3.1%	147.6	150.9	2.2%

Source: Company, HSIE Research

ADD

CMP *(as on 13 May 2024)*	INR 187
Target Price	INR 210
NIFTY	22,104

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 185	INR 210
EPS %	FY25E	FY26E
	4.7%	6.0%

KEY STOCK DATA	
Bloomberg code	KVB IN
No. of Shares (mn)	799
MCap (INR bn) / ($ mn)	149/1,791
6m avg traded value (INR mn)	552
52 Week high / low	INR 209/96

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.4	17.9	94.5
Relative (%)	3.7	5.8	77.2

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	2.2	2.2
FIs & Local MFs	35.2	36.2
FPIs	15.6	15.4
Public & Others	46.8	46.2
Pledged Shares	0.2	0.2

Source : BSE

Pledged shares as % of total shares

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Fine Organic Industries

Low growth; high valuation

Our SELL recommendation on Fine Organics with a TP of INR 3,741 is premised on (1) the delay in capacity addition; (2) sluggish demand in export markets; (3) a sharp fall in finished product prices; and (4) more than anticipated delay in starting Thailand facility. Q4 EBITDA/APAT were 4/5% above our estimates, owing to lower-than-expected raw material costs.

- **Financial performance in Q4**: The revenue came at INR 5.469 bn (-8/+12% YoY/QoQ). EBITDA came at -29/+21% YoY/QoQ to INR 1.435 bn, owing to improved domestic demand. EBITDA margin came at 26% (-769/+206 YoY/QoQ) due to the softening of raw material prices and a fall in other expenses. APAT came in at INR 1,150mn (-23/+22% YoY/QoQ)
- **Con call highlights**: (1) Plant capacity: All plants are currently operating at optimal capacity except the plant in Patalganga. (2) Global Market Conditions: Europe is worst affected by the global slowdown, while other regions like North America, South America, and Asia are showing signs of improvement. (3) Approvals for Thailand: The company has received one approval out of two approvals. FOIL will commission the Thailand plant by June. (4) Product Mix and Demand: The domestic market is doing better which has led to some changes in product mix. (5) Challenges: Global slowdown and the Red Sea crisis pose challenges, although the situation is improving globally except for Europe. (6) Headwinds for exporting: The Red Sea crisis has increased lead times by one to one and half months for exporting goods to Europe and the US. (7) The company has incorporated a subsidiary in the Maharashtra ACZ area named Fine Organic Industries ACZ Private Limited.
- **Change in estimates:** We tweak our FY25/26 EPS estimates by +2.3/+2.9% to INR 137/160 to factor in the Q4 performance.
- **DCF-based valuation:** Our target price is INR 3,741 (WACC 12%, terminal growth 6.0%). The stock is trading at 31x FY25E EPS.

Financial summary (consolidated)

INR mn	4Q FY24	3Q FY24	QoQ (%)	4Q FY23	YoY (%)	FY22	FY23	FY24P	FY25E	FY26E
Net Sales	5,469	4,884	*12.0*	5,966	*(8.3)*	18,763	30,231	21,230	22,450	25,775
EBITDA	1,435	1,182	*21.3*	2,024	*(29.1)*	3,645	8,311	5,340	5,326	6,307
APAT	1,150	942	*22.0*	1,494	*(23.1)*	2,597	6,181	4,125	4,205	4,907
AEPS (INR)	37.5	30.7	*22.0*	48.7	*(23.1)*	84.7	201.6	134.5	137.1	160.1
P/E (x)						50.6	21.3	31.9	31.3	26.8
EV/EBITDA(x)						35.6	15.2	22.6	22.1	18.8
RoE (%)						30.7	49.4	23.8	19.8	21.1

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	5,178	5,326	*2.9%*	6,096	6,307	*3.5%*
Adj. EPS (INR/sh)	134.1	137.1	*2.3%*	155.5	160.1	*2.9%*

Source: Company, HSIE Research

SELL

CMP *(as on 13 May 2024)*	**INR 4,300**
Target Price	**INR 3,741**
NIFTY	**22,104**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 3,768	INR 3,741
EPS %	**FY25E**	**FY26E**
	+2.3%	+2.9%

KEY STOCK DATA	
Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	132/1,579
6m avg traded value (INR mn)	177
52 Week high / low	INR 5,165/4,005

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.4	0.3	(4.4)
Relative (%)	(1.3)	(11.8)	(21.8)

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	75.00	75.00
FIs & Local MFs	11.85	10.76
FPIs	3.59	4.47
Public & Others	9.57	9.77
Pledged Shares	0.00	0.00

Source: BSE

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Syrma SGS Technology

Weak operating performance

Syrma's Q4 revenue print positively surprised, growing by 67% YoY led by consumer/healthcare (+93/+148% YoY). However, gross margin contracted both YoY/QoQ by 430bps/540bps due to an increasing mix of lower margin business (consumer mix up 620bps/10ppt YoY/QoQ). Given strong order book visibility (INR45bn) for FY25, Syrma is targeting to grow revenue by 45% with a 7% operating margin (incl forex) and positive OCF (reduction in NWC days). Syrma has doubled its SMT capacity to 6.3mn CPH (replicated capacity built over the last three decades) and it is in the process of setting up a design centre in Pune (ODM focus on medtech) and expanding its Germany facility (40k sq. ft.) for the onshore clients. We expect gradual expansion in margins, led by (1) rising exports (+30% in FY25); (2) increasing share of higher margin business (healthcare) while restricting consumer mix between 37-40%; and (3) better asset sweating. We cut our FY25/26 earnings by 13% each as we moderate our EBITDA margin estimates by 100bps and value the stock at 40x P/E on Mar'26E EPS to derive a revised TP of INR 540. Maintain BUY.

- **Strong revenue growth; disappointment on margins:** Revenue grew by 67% YoY (+60% QoQ) to INR11.3bn (22/17% above HSIE/consensus). GM fell by 430bps YoY (-540bps QoQ) to 17.2% which we believe was due to (1) a change in revenue mix in favour of lower margin consumer business (mix up 620bps/10ppt YoY/QoQ) and (2) compression of segmental material margins on changing customer mix. GM contraction and higher employee/other expenses (51/31%) led to EBITDA growth of 28% YoY (+90% QoQ) at INR737mn while margins fell by 200bps YoY (+100bps QoQ) to 6.5%. A 33% fall in other income and a 79% rise in depreciation led to a PBT fall of 10% YoY (+127% QoQ). PAT fell by 17% YoY (+125 % QoQ) to INR349mn.
- **Consumer and healthcare segment lead growth: Automotive** revenue grew by 47% YoY (+20% QoQ) to INR1.8bn with revenue mix at 16% (-220bps YoY/-540bps QoQ). **Consumer** revenue grew by 93% YoY (+105% QoQ) to INR5.2bn leading to +620bps YoY/+10ppt QoQ increase in revenue mix to 46%. **Healthcare** revenue grew by 148% YoY (+68% QoQ) to INR1.2bn with the revenue mix at 10% (+340bps YoY/+50bps QoQ). **Industrial** revenue grew by 39% YoY (+34% QoQ) to INR2.6bn with the revenue mix at 23% (-460bps YoY/-460bps QoQ). **IT & Railways** revenue grew by 5% YoY (+44% QoQ) to INR0.5bn with the revenue mix at 5% (-270bps YoY/-50bps QoQ).
- **Earnings call takeaways:** (1) Order book stands at INR 45bn of which 22-25% is exports. Order book mix: 40% consumer; 20-25% industrial; 20-22% auto; 5-7% healthcare and balance is IT & railways. (2) The board has taken an enabling resolution to raise up to INR 10bn. Syrma remains on the lookout for inorganic opportunities to fill white spaces in its offerings. (3) Export revenue grew by 26% YoY. (4) The design centre in Pune which will focus on ODM business in medtech will be operational in Q2FY25. (5) Expanding footprint in Germany by setting up a 40k sq. ft. facility to address near-shore requirements of clients. (6) FY25 OFC/FCF stood at INR -1.1bn/ INR -4.5bn.

Financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	11,341	6,795	66.9	7,067	60.5	12,666	20,484	31,538	44,991	62,105
EBITDA	737	575	28.2	388	89.9	1,260	1,878	1,985	2,983	4,285
APAT	349	423	(17.4)	155	125.1	722	1,193	1,087	1,495	2,386
EPS (INR)	2.0	2.4	(17.7)	0.9	125.3	5.2	6.7	6.1	8.4	13.4
P/E (x)						75.1	58.4	64.3	46.8	29.3
EV / EBITDA						44.0	38.2	37.5	24.7	17.4
RoE (%)						13.0	11.3	6.9	8.9	13.0

Source: Company, HSIE Research

BUY

CMP *(as on 13 May2024)*	INR 392
Target Price	INR 540
NIFTY	22,104

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 620	INR 540
EPS %	FY25E	FY26E
	-13%	-13%

KEY STOCK DATA	
Bloomberg code	SYRMA IN
No. of Shares (mn)	178
MCap (INR bn) / ($ mn)	69/834
6m avg traded value (INR mn)	371
52 Week high / low	INR 705/302

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(23.0)	(26.5)	25.4
Relative (%)	(24.7)	(38.6)	8.1

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	46.89	46.89
FIs & Local MFs	8.21	5.80
FPIs	11.13	12.95
Public & Others	33.77	34.36
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Ami Organics

Growth engines: long-term contracts

We retain our ADD rating on Ami Organics (AO), with a target price of INR 1,415 (WACC 11%, terminal growth 6%) on the back of (1) expansion of its speciality chemicals portfolio and (2) strong product pipeline in its advanced pharma intermediate business. EBITDA is 29% above our estimates, mainly due to 21% more-than-expected revenue and offset by higher-than-expected raw material costs.

- **Financial performance:**
  Revenue increased by 21/35% YoY/QoQ to INR 2,250 mn, driven by growth in volumes. Unfavorable product mix has reduced gross margin by 363 bps YoY to 40%. EBITDA increased 6/63% YoY/QoQ to INR 432 mn. EBITDA margin improved by 326 bps YoY to 19%, owing to operating leverage, lower freight and other costs. APAT came at 45/5%YoY/QoQ INR 259 mn.
- **Segmental information:** (1) Revenue from advanced pharma intermediates was INR 1,896mn, 18%/47% YoY/QoQ with the introduction of CTM contracts. (2) The specialty chemicals business showed strong growth of 36% on a YoY basis.
- **Con call takeaways:** (1) During FY24, the company incurred capex of INR 2.8 bn, from which INR 2.3 bn was towards a new unit at Ankaleshwar. (2) For FY25, the company has given a capex outlay of INR 2.5 bn which will be divided as a. INR 700 mn for the remaining unit of Ankaleshwar b. INR 1000 million for electrolytes and c. remaining for solar plant and maintenance capex. (3) During FY24, Unit 1 had normal capacity utilization of ~72% while the company has recently integrated Unit 2. (4) In the electrolyte additive business, the company has developed ~8 additives in the last 1 year which has increased the total additive count to 10. Additionally, the company is doing CDMO work for one of the solution manufacturers in India. (5) From Q2FY25, the company will start commercial supply for the electrolyte additives. (6) Existing CDMO business is expected to ramp up in H2FY25. (7) The Baba Fine Chemical integration process has started and the company expects steady growth in the business given its CDMO nature of business.
- **Change in estimates:** We improve our FY25/26 EPS estimates by 2/5 % to INR 32/44, considering overall FY24 performance.

Financial summary (consolidated)

INR mn	4Q FY24	3Q FY24	*QoQ (%)*	4Q FY23	*YoY (%)*	FY22	FY23	FY24P	FY25E	FY26E
Net Sales	2,250	1,664	*35.2*	1,864	*20.7*	5,201	6,167	7,175	8,799	10,874
EBITDA	432	265	*62.9*	409	*5.7*	1,052	1,226	1,285	1,860	2,413
APAT	259	178	*45.5*	272	*(4.7)*	719	833	715	1,166	1,606
AEPS (INR)	7.1	4.9	*45.5*	7.5	*(4.7)*	19.7	22.9	36.4	32.0	44.1
P/E (x)						62.3	53.9	33.8	38.5	27.9
EV/EBITDA(x)						41.7	36.1	36.2	24.5	18.7
RoE (%)						20.9	14.9	11.3	16.1	19.1

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY25EOld	FY25ENew	%Ch	FY26EOld	FY26ENew	%Ch
EBITDA (INR mn)	1,760	1,860	5.7%	2,294	2,413	5.2%
Adj. EPS (INR/sh)	31.4	32.0	2.0	41.9	44.1	5.3

Source: Company, HSIE Research

ADD

CMP *(on 13 May 2024)*	INR 1,231
Target Price	INR 1,415
NIFTY	21,104

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1.305	INR 1,415
EPS %	FY24E	FY25E
	2%	5%

KEY STOCK DATA	
Bloomberg code	AMIORG IN
No. of Shares (mn)	37
MCap (INR bn) / ($ mn)	45/543
6m avg traded value (INR mn)	270
52 Week high / low	INR 1,389/1,004

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.0	13.9	16.2
Relative (%)	10.3	1.8	(1.1)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	39.91	39.91
FIs & Local MFs	7.58	6.81
FPIs	11.65	8.97
Public & Others	40.86	44.31
Pledged Shares	0.00	0.00

Source: BSE

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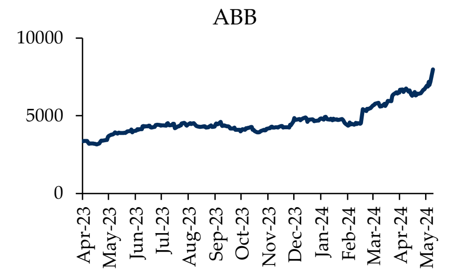
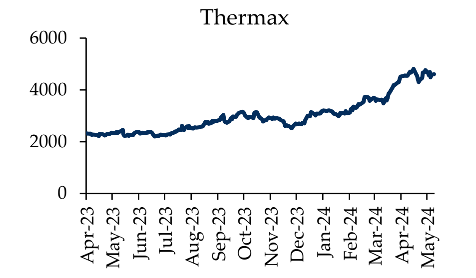
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

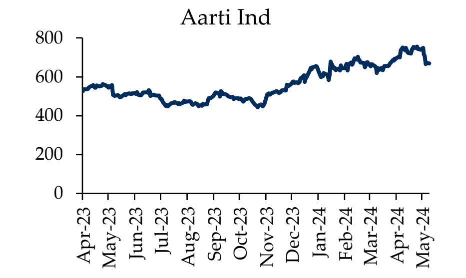
Disclosure:

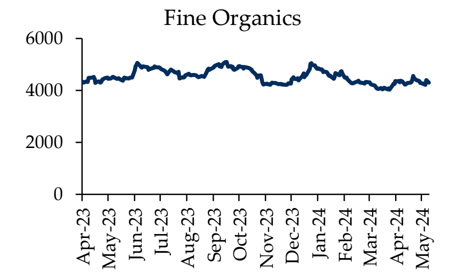
Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	ABB India, Thermax	CFA	NO
Jay Shah	ABB India, Thermax	CA	NO
Nilesh Ghuge	Aarti Industries, Fine Organic Industries, Ami Organics	MMS	NO
Harshad Katkar	Aarti Industries, Fine Organic Industries, Ami Organics	MBA	NO
Prasad Vadnere	Aarti Industries, Fine Organic Industries, Ami Organics	MSc	NO
Akshay Mane	Aarti Industries, Fine Organic Industries, Ami Organics	PGDM	NO
Krishnan ASV	Karur Vysya Bank	PGDM	NO
Deepak Shinde	Karur Vysya Bank	PGDM	NO
Akshay Badlani	Karur Vysya Bank	CA	NO
Paarth Gala	Syrma SGS Technology	BCom	NO

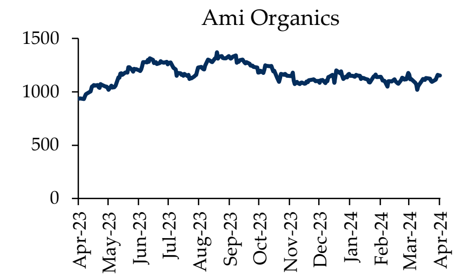
1 Yr Price movement

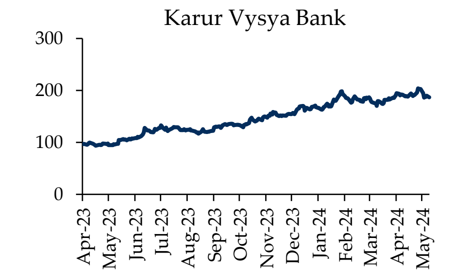


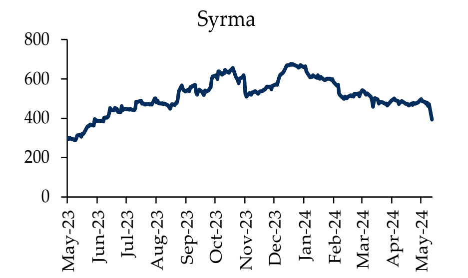












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