INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Indian Oil Corporation:** Our REDUCE rating on Indian Oil Corporation (IOCL), with a target price of INR 145, is premised on margin pressure due to increasing petchem supplies/capacity, moderation in refining margins, and lower auto-fuel marketing margins. IOCL's Q4FY24 reported EBITDA at INR 104bn (-32% YoY, -33% QoQ) and APAT at INR 48bn (-52% YoY, -40% QoQ) came in below our estimates. Earnings were impacted by weak performance from the petchem segment, lower refining margins, inventory loss and higher-than-expected expenses. Sequentially, the marketing gross margin improved to INR 4.6/ltr from INR 4.3/ltr in Q3FY24. Reported GRMs came in below our estimate at USD 8.4/bbl (-45% YoY, -38% QoQ).
- **Star Health and Allied Insurance:** STARHEAL printed soft NEP growth (+15% YoY), as the company lowered its retention ratio to 92% (FY23~95%); retail health GDPI exhibited modest growth (+17% YoY) despite a price hike in its flagship product, exhibiting a 67bps market share erosion. Loss ratios eased to 64% (-356bps QoQ) but remained elevated at 66.5% (+146bps YoY), driving COR to 96.7% for FY24 (+133bpsYoY). We expect STARHEAL to deliver a rebound in growth (~21% CAGR over FY24-26E) and stable loss ratios, benefitting from a price hike in its flagship product and tighter underwriting and claims review process. As the largest standalone health insurer (FY24 retail GDPI market share at 33%), our thesis is anchored on a strong distribution network, retail-dominated business mix, and best-in-class opex ratios. We expect the company to clock 21%/21% revenue/PAT CAGR over FY24-26E and RoEs in the range 15-16% for FY25E/26E; maintain BUY with a revised TP of INR665 (DCF derived multiple at 31x FY26 P/E and 4.4x Mar-26E P/ABV).
- **Birlasoft:** Birlasoft (BSOFT) posted in-line results with revenue increasing by 1.6% QoQ and margin expanding, a positive in the current context. BSOFT's growth potential is supported by its highly scalable and resilient service line and senior management induction over the past year. Strong large client mining, BFSI growth opportunity, and consistent operational improvement (incl. cash flows) are clear positives. Deal wins have been muted and can accelerate on the expanded pipeline. Medium-term margin levers remain as the company gets closer to the USD 1bn revenue threshold. We factor 11.2% and 15.1% revenue growth for FY25/26E and EBITDAM at 16.2/17.0%, translating into 17% EPS CAGR over FY24-26E; maintain ADD on BSOFT with TP of INR 800, 26x FY26E EPS.
- **IndiaMART InterMESH:** IndiaMART posted revenue growth of 3.1% QoQ, led by continued improvement in realisation. The paid supplier addition improved to ~3K in the quarter but was lower than the historical average of >7K/quarter. The higher churn in the silver monthly bucket has impacted the paid supplier additions and the cash collections. The churn is expected to stabilise in the next two quarters and reach ~5K/quarter. The collections growth has slowed down to 16% YoY in Q4 (~21% for FY24) vs a historical average of ~20% due to a slowdown in net additions and lower upselling opportunity. However, the ARPU improvement continues (+10% YoY) led by migration to a higher price/tenure package and lower churn in the gold and platinum bucket (~50% of paid suppliers and ~75% of revenue and monthly churn is ~1%). The growth engine is tuned to deliver ~20% growth in

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collections and the stickiness of high-paying customers reflects platform quality. The margin will expand gradually as investments are over and growth leads to margin expansion, with the operating range between 29-30%. We increase our EPS estimate by ~4% for FY25/26E due to better margins. We maintain BUY with a DCF-based TP of INR 2,900 (~38x FY26E EPS), led by revenue/EPS CAGR of 19/17% over FY24-26E.

- **Can Fin Homes:** Can Fin Homes (CANF) reported yet another set of mixed results with sub-par loan growth (+11% YoY), offset by marginal NIM reflation amidst the current interest rate environment (3.96%) and muted credit costs (2bps). Disbursals continued to be muted (-9% YoY) due to moderation in demand in select segments, greater competitive intensity, and process tweaks. The management has guided for loan growth of 15% for FY25, on the back of investments in branches (six branches opened in Q4; 12 in FY24), widening of the customer funnel (digital sourcing, APF etc.) and shift towards higher ticket sizes. As highlighted in our Company Update, the management is looking to strengthen its governance framework and add new pillars for the next leg of sustainable and profitable growth. We tweak our FY25/FY26 earnings estimates for better-than-expected NIMs, partially offset by higher margins; maintain BUY with revised RI-based TP of INR940 (2.1x Mar-26 ABVPS).

- **Shoppers Stop:** The top line grew 9.1% YoY to ~INR10bn (in-line); sales density for department store business remains weak. Margins disappointed too. GM/Pre IND-AS EBITDAM decreased 266/152bps YoY to 40.5/3.6%, courtesy (i) provision for obsolescence of private brand inventory of INR 140 mn and (ii) investments in beauty and 'Intune' brand. Private brands were a disappointment whereas the "Intune" execution currently remains at par with guidance. We reduce our FY25/26 EBITDA estimates by 1.9/1.2% respectively to account for normalising profitability in the core business. We maintain our SELL rating, with a DCF-based TP of INR630/sh, implying 20x Mar-26E EV/EBITDA.

- **Symphony:** Symphony's Q4 revenue grew by 8% YoY (6% below HSIE/consensus) with its domestic revenue growing by 6% (8% below HSIE) while RoW revenue grew by 12% (in-line). EBITDAM expansion of 970bps to 17.2% (HSIE: 19.1%) was supported by (1) tactical pricing action; (2) softening RM costs; (3) value engineering; and (4) improved performance of subsidiaries. On the domestic front, the summer season has started on a strong footing, given above-normal temperatures and prolonged heatwaves across the country. Symphony remains well-placed to benefit from this, given its focus on (1) product innovation; (2) enhancing distribution (semi-urban and rural); and (3) increasing presence in alternate channels (c.35% vs. 10% pre-COVID). Within RoW, IMPCO Mexico and GSK China continue to report strong performance while CT Australia remains plagued by macro headwinds. However, management's strategic initiatives have led to a narrowing of losses. We expect only a gradual recovery in RoW execution, which is still WIP. We marginally tweak our FY25/FY26 earnings estimates and value the stock at 30x P/E on Mar'26E EPS to derive a TP of INR 955. Maintain REDUCE.

Indian Oil Corporation

Weak refining and petchem segment earnings

Our REDUCE rating on Indian Oil Corporation (IOCL), with a target price of INR 145, is premised on margin pressure due to increasing petchem supplies/capacity, moderation in refining margins, and lower auto-fuel marketing margins. IOCL's Q4FY24 reported EBITDA at INR 104bn (-32% YoY, -33% QoQ) and APAT at INR 48bn (-52% YoY, -40% QoQ) came in below our estimates. Earnings were impacted by weak performance from the petchem segment, lower refining margins, inventory loss and higher-than-expected expenses. Sequentially, the marketing gross margin improved to INR 4.6/ltr from INR 4.3/ltr in Q3FY24. Reported GRMs came in below our estimate at USD 8.4/bbl (-45% YoY, -38% QoQ).

- **Refining:** Crude throughput in Q4 stood at 18.3mmt (-5% YoY, -1% QoQ), implying capacity utilisation of 104.5%, which came above estimate. Reported GRM at USD 8.4/bbl vs USD 13.5/bbl in Q3FY24 and USD 15.3/bbl in Q4FY23 was below estimate. Our derived refining EBITDA in Q4 was at INR 84bn (-43% YoY and +6% QoQ). We expect the transportation fuel cracks to moderate from higher-than-average crack spreads in the near/medium term owing to the ramp-up of new refining capacities. Therefore, we estimate core GRMs for IOCL at USD 9.7/10.2 per bbl for FY25/26E vs FY24 GRM of USD 11.4/bbl.
- **Marketing:** Domestic marketing sales volume at 21.3mmt (+1% YoY, +1% QoQ), and exports at 1.5mmt (+11% YoY, +19% QoQ) came in above estimate. The blended gross marketing margin for the quarter stood at INR 4.6/lit (+3% YoY, +8% QoQ), above our estimate. We expect a blended gross margin of INR 3.5/3.6 per litre in FY25/26E.
- **Petchem:** Q4FY24 petchem EBIT loss was at INR 4bn vs EBIT loss of INR 2bn in Q3FY24 and EBIT of INR 3bn in Q4FY23. EBIT margin stood at -USD 52.5/mt (Q3FY24: -USD 30.3/mt; Q4FY23: USD 45.5/mt); volumes were at 0.9mt (+16% YoY, +18% QoQ).
- **Updates**: (1) IOCL's gross debt declined 12% YoY to INR 1,165bn; however, it rose +10% QoQ and remains elevated. (2) The Board has declared a final dividend of INR 7/sh, in addition to the interim dividend of INR 5/sh.
- **Change in estimates**: We cut our FY25/26 EPS estimate by 8.8/3.7% to INR 17.3/19.1 per share to factor in lower refining margins assumption and higher expenses, partially offset by higher gross marketing margins. However, we roll forward our target price to FY26, which delivers a revised target price of INR 145/sh.
- **Our SOTP target, at INR 145/sh, is based on 5.5x Mar-26E EV/e for standalone refining, petchem, marketing and pipeline businesses and INR 37/sh for other investments. The stock is currently trading at 8.9x Mar-26E EPS. Maintain REDUCE.**

Standalone financial summary

YE March (INR bn)	Q4 FY24	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)	FY22*	FY23*	FY24P*	FY25E*	FY26E*
Revenue	1,980	1,991	(0.6)	2,030	(2.5)	5,893	8,418	7,764	7,597	7,991
EBITDA	104	155	(32.6)	153	(32.0)	475	314	759	475	517
APAT	48	81	(40.0)	101	(51.9)	253	108	420	238	263
AEPS (INR)	3.5	5.9	(40.0)	7.3	(51.9)	18.4	7.3	30.3	17.3	19.1
P/E (x)						9.2	23.0	5.6	9.8	8.9
EV / EBITDA (x)						7.2	11.3	4.4	7.1	6.6
RoE (%)						20.6	7.9	26.0	12.5	12.9

Source: Company, HSIE Research | *Consolidated

REDUCE

CMP *(as on 30 Apr 2024)*	INR 169
Target Price	INR 145
NIFTY	22,605

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 140	INR 145
EPS change	FY25E	FY26E
	-8.8%	-3.7

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	14,121
MCap (INR bn) / ($ mn)	2,384/28,588
6m avg traded value (INR mn)	5,353
52 Week high / low	INR 197/81

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	14.9	88.2	107.4
Relative (%)	11.1	71.6	85.6

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	51.50	51.50
FIs & Local MFs	10.04	10.33
FPIs	8.85	8.50
Public & Others	29.62	29.68
Pledged Shares	0.0	0.0

Source : BSE

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Star Health and Allied Insurance

Awaiting fresh growth catalysts; maintain BUY

STARHEAL printed soft NEP growth (+15% YoY), as the company lowered its retention ratio to 92% (FY23~95%); retail health GDPI exhibited modest growth (+17% YoY) despite a price hike in its flagship product, exhibiting a 67bps market share erosion. Loss ratios eased to 64% (-356bps QoQ) but remained elevated at 66.5% (+146bps YoY), driving COR to 96.7% for FY24 (+133bpsYoY). We expect STARHEAL to deliver a rebound in growth (~21% CAGR over FY24-26E) and stable loss ratios, benefitting from a price hike in its flagship product and tighter underwriting and claims review process. As the largest standalone health insurer (FY24 retail GDPI market share at 33%), our thesis is anchored on a strong distribution network, retail-dominated business mix, and best-in-class opex ratios. We expect the company to clock 21%/21% revenue/PAT CAGR over FY24-26E and RoEs in the range 15-16% for FY25E/26E; maintain BUY with a revised TP of INR665 (DCF derived multiple at 31x FY26 P/E and 4.4x Mar-26E P/ABV).

- **Loss ratios elevated:** Loss ratios remained elevated at 66.5% (+147bps YoY), despite a conscious decision to shed the loss-making group business during 9MFY24 and deceleration in the retail business post the rate hike. NEP for the year stood at INR129.4bn (+15% YoY) on the back of a softer group business (-12% YoY) and deceleration in retail health (+17% YoY). Q4FY24 loss ratios improved marginally to 64% (-356bps QoQ), owing to a tighter claims review process aimed at eliminating fraudulent claims. The commission + expense ratio was flat at 30.2% (-14bps YoY), thanks to the agency-driven variable cost model & group business picked up in the Q4.
- **Growth deceleration:** STARHEAL has been witnessing signs of GDPI growth deceleration in the retail health business since the beginning of FY24. In Q4FY24, the company dialled up its group business substantially (+61% YoY) to maintain its overall market share. Given the combination of a favourable base and a 25% price hike in its flagship product "Family Health Optima" (>50% of retail GDPI), STARHEAL is likely to deliver a GDPI CAGR of ~21% over FY24-26E. However, our analysis also suggests that the flagship product repricing has led to a material base erosion in NOP.
- **Need for fresh growth triggers:** The sharp price hikes in the flagship product effective May 2023 have led to tepid volume growth. Given the increase in the banca tie-up limit, we await evidence of STARHEAL's progress in forging new alliances, which can augment profitability from benefit-based products.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	FY23	FY24	FY25E	FY26E
Net earned premium	34.0	29.1	16.6	112.6	129.4	155.7	187.8
Underwriting profits	-0.9	-0.7	39.1	0.5	1.1	2.0	3.0
EBIT	1.9	1.3	39.0	8.9	11.9	14.5	17.3
EBIT margin (%)	5.5	4.6	89bps	7.9	9.2	9.3	9.2
PAT	1.4	1.0	39.8	6.2	8.5	10.4	12.5
P/B (x)				6.2	5.3	4.6	3.9
P/E (x)				54.0	39.8	32.4	27.0
ROE (%)				12.3	14.4	15.1	15.6

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY25E		
	Revised	Old	Change (%)
Net earned premiums	155.7	167.9	-7.3
Operating profits	14.3	15.8	-9.4
CORs	96.0	96.0	2bps
APAT	10.4	10.1	2.4
RoE (%)	15.1	14.9	17bps

Source: Company, HSIE Research

BUY

CMP *(as on 30 Apr 2024)*	INR 572
Target Price	INR 665
NIFTY	22,605

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR685	INR665
EPS %		FY25E +2.4%

KEY STOCK DATA	
Bloomberg code	STARHEAL IN
No. of Shares (mn)	585
MCap (INR bn) / ($ mn)	334/4,011
6m avg traded value (INR mn)	480
52 Week high / low	INR 675/455

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.3)	(1.4)	(3.3)
Relative (%)	(5.1)	(18.1)	(25.2)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	57.9	57.9
FIs & Local MFs	6.1	11.1
FPIs	14.7	26.6
Public & Others	21.3	4.4
Pledged Shares	*Nil*	Nil

Source : BSE

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Birlasoft

Steady progression

Birlasoft (BSOFT) posted in-line results with revenue increasing by 1.6% QoQ and margin expanding, a positive in the current context. BSOFT's growth potential is supported by its highly scalable and resilient service line and senior management induction over the past year. Strong large client mining, BFSI growth opportunity, and consistent operational improvement (incl. cash flows) are clear positives. Deal wins have been muted and can accelerate on the expanded pipeline. Medium-term margin levers remain as the company gets closer to the USD 1bn revenue threshold. We factor 11.2% and 15.1% revenue growth for FY25/26E and EBITDAM at 16.2/17.0%, translating into 17% EPS CAGR over FY24-26E; maintain ADD on BSOFT with TP of INR 800, 26x FY26E EPS.

- **In-line revenue driven by ERP and infra services:** BSOFT's revenue print at USD 164mn, 1.6% QoQ, was in line (HSIE at USD 164mn) and led by the company's ERP services and infra services which grew 7.3% QoQ and 5.2% QoQ respectively. Growth in Q4 was on a Q3 revenue rate which was supported by short-term projects which had offset furloughs. For FY24, BSOFT posted a strong growth premium over the industry growth rate (9.5% revenue growth ex-Invacare). We continue to believe that BSOFT has a scalable and resilient services portfolio, especially in the current demand environment. ERP and infra services comprise>42% of the company's revenue and the relative strength in SAP Cloud/Oracle Cloud as well as BSOFT's competitive advantage in those segments will drive growth outperformance.
- **Need for speed in deals:** New deal wins have been soft barring the exception of Q2, which included the large deal component. BSOFT's new deal win is at USD 448mn in FY24, down 3.9% as compared to 2.5% CAGR over FY20-23. This is partly due to better quality of incremental deal flow reflected in margin accretion as well as tail account rationalisation (down from 288 active accounts to 259 active accounts over the past year). Importantly, the pipeline is strong (USD 1.8bn and improving) and large client mining seems to be on track—T10 at 3.9% CQGR as compared to aggregate revenue at 2.2% CQGR over the past three quarters. Our enterprise checks suggest strong prospects for the company's BFSI vertical; deal flow in the vertical was also strong (*exhibit: 4*).
- **Strong operational performance:** Margin came in a tad better than anticipated at 16.3% EBITDAM, +31bps QoQ and 265bps YoY, supported by reversals. Margin drivers include (1) recovery in life-sciences segmental margin (expected to recover in H2FY25E) and (2) continued improvement in business mix reflected in tail client rationalisation, client mining progress, recovery in EN deals and improving annuity. In the medium term, key drivers include subcontracting and enhanced delivery resulting from investments in capabilities and internal process automation (Project Optimus). We expect a steady improvement in EBITDAM, with estimates of 16.2% in FY25E and 17.0% in FY26E, compared to 15.8% in FY24 (16.3% in Q4FY24).

Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD mn)	164	149	9.9	161	1.6	595	637	708	815
Net Sales	13.63	12.26	11.1	13.43	1.5	47.95	52.78	59.15	69.27
EBIT	2.01	1.46	37.4	1.93	3.8	4.38	7.51	8.68	10.75
APAT	1.68	1.12	49.5	1.61	4.1	4.50	6.11	6.78	8.46
Diluted EPS (INR)	6.1	4.1	49.5	5.9	4.1	16.3	22.2	24.6	30.8
P/E (x)						41.3	30.4	27.4	21.9
EV / EBITDA (x)						33.5	20.1	17.2	13.5
RoE (%)						17.9	22.3	20.7	22.2

Source: Company, HSIE Research

ADD

CMP (*as on 29 Apr 2024*)	INR 675
Target Price	INR 800
NIFTY	22,643

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 815	INR 800
EPS %	FY25E	FY26E
	-3.6	-2.0

KEY STOCK DATA	
Bloomberg code	BSOFT IN
No. of Shares (mn)	276
MCap (INR bn) / ($ mn)	186/2,231
6m avg traded value (INR mn)	1,531
52 Week high / low	INR 862/272

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(19.0)	24.4	147.2
Relative (%)	(22.8)	7.3	125.0

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	40.95	40.92
FIs & Local MFs	20.16	18.61
FPIs	21.25	23.48
Public & Others	17.64	16.99
Pledged Shares	0.00	0.00

Source : BSE

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IndiaMART InterMESH

On improving trajectory

IndiaMART posted revenue growth of 3.1% QoQ, led by continued improvement in realisation. The paid supplier addition improved to ~3K in the quarter but was lower than the historical average of >7K/quarter. The higher churn in the silver monthly bucket has impacted the paid supplier additions and the cash collections. The churn is expected to stabilise in the next two quarters and reach ~5K/quarter. The collections growth has slowed down to 16% YoY in Q4 (~21% for FY24) vs a historical average of ~20% due to a slowdown in net additions and lower upselling opportunity. However, the ARPU improvement continues (+10% YoY) led by migration to a higher price/tenure package and lower churn in the gold and platinum bucket (~50% of paid suppliers and ~75% of revenue and monthly churn is ~1%). The growth engine is tuned to deliver ~20% growth in collections and the stickiness of high-paying customers reflects platform quality. The margin will expand gradually as investments are over and growth leads to margin expansion, with the operating range between 29-30%. We increase our EPS estimate by ~4% for FY25/26E due to better margins. We maintain BUY with a DCF-based TP of INR 2,900 (~38x FY26E EPS), led by revenue/EPS CAGR of 19/17% over FY24-26E.

- **Q4FY24 highlights**: (1) IndiaMART revenue grew 3.1/17.0% QoQ/YoY to INR 3.15bn, driven by +0.9/+1.6% growth in paid suppliers/ARPU; (2) cash collections from customers stood at INR 4.84bn, up 15.8% YoY; (3) ~20% of the registered buyers are active on the platform and ~9% of the visitors place a business enquiry; (4) EBITDA margin was up 3bps QoQ at 28.1%, with +7.5/-22.4% QoQ change in manpower/outsourced sales cost; (5) for Q4, BUSY revenue was up 11% QoQ to INR 0.14bn, while EBITDA margin declined to 7%; (6) standalone EBITDA margin stood at 30% flat QoQ and 29% in FY24; (7) top 1/10 supplier ARPU stood at 254/905K +10/15% YoY in FY24; and (8) net cash stood at INR 23.4bn (~14% of market cap).
- **Outlook**: We expect revenue growth of +18/20%, based on paid supplier growth of +8/9% and ARPU growth of +9.6/10% for FY25/26E respectively. EBITDA margin estimates stand at 29/29.9% for FY25/26E, leading to an EPS CAGR of 18% over FY24-26E.

Quarterly financial summary

YE March (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3,147	2,689	*17.0*	3,053	*3.1*	7,535	9,854	11,968	14,129	16,945
EBITDA	884	662	*33.5*	857	*3.2*	3,079	2,679	3,314	4,102	5,067
APAT	996	558	*78.6*	818	*21.7*	2,971	2,210	3,340	3,776	4,585
EPS (INR)	16.3	9.1	*78.6*	13.4	*21.7*	48.3	36.1	54.5	62.9	76.3
P/E (x)						54.7	73.3	48.5	42.1	34.6
EV / EBITDA (x)						45.1	52.0	42.0	32.5	24.9
RoE (%)						17.0	11.2	17.6	20.0	20.6

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	14,244	14,129	*-0.8*	17,064	16,945	*-0.7*
EBITDA	3,973	4,102	*3.2*	4,920	5,067	*3.0*
EBITDA margin (%)	27.9	29.0	114 bps	28.8	29.9	107 bps
APAT	3,642	3,776	*3.7*	4,419	4,585	*3.7*
EPS (INR)	60.6	62.9	*3.6*	73.6	76.3	*3.7*

Source: Company, HSIE Research

BUY

CMP *(as on 30 Apr 24)*	**INR 2,644**
Target Price	**INR 2,900**
NIFTY	**22,605**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,850	INR 2,900
EPS %	FY25E	FY26E
	+3.6	+3.7

KEY STOCK DATA	
Bloomberg code	INMART IN
No. of Shares (mn)	60
MCap (INR bn) / ($ mn)	158/1,901
6m avg traded value (INR mn)	621
52 Week high / low	INR 3,336/2,393

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	4.9	(0.2)	(1.5)
Relative (%)	1.1	(16.8)	(23.3)

SHAREHOLDING PATTERN (%)	**Dec-23**	**Mar-24**
Promoters	49.21	50.74
FIs & Local MFs	8.25	10.62
FPIs	24.16	23.07
Public & Others	18.3	17.05
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Can Fin Homes

Steady margins offset muted loan growth

BUY

Can Fin Homes (CANF) reported yet another set of mixed results with sub-par loan growth (+11% YoY), offset by marginal NIM reflation amidst the current interest rate environment (3.96%) and muted credit costs (2bps). Disbursals continued to be muted (-9% YoY) due to moderation in demand in select segments, greater competitive intensity, and process tweaks. The management has guided for loan growth of 15% for FY25, on the back of investments in branches (six branches opened in Q4; 12 in FY24), widening of the customer funnel (digital sourcing, APF etc.) and shift towards higher ticket sizes. As highlighted in our Company Update, the management is looking to strengthen its governance framework and add new pillars for the next leg of sustainable and profitable growth. We tweak our FY25/FY26 earnings estimates for better-than-expected NIMs, partially offset by higher margins; maintain BUY with revised RI-based TP of INR940 (2.1x Mar-26 ABVPS).

- **Strong P&L outcomes despite muted balance sheet growth**: CANF reported healthy spread/NIM of 2.7/4.0% (Q3FY24: 2.7%/3.9%), largely due to lagged asset repricing and steady cost of funds driving robust NII growth (+26% YoY). NIMs are likely to moderate marginally going ahead, driven by a shifting loan mix (towards higher ticket sizes) and rising cost of funds. The C/I ratio was elevated (21% vs. 13% in Q3) due to higher IT-related expenses as well as some one-offs (GST, one-time tech changes etc.).
- **Asset quality normalising**: GNPA/NNPA improved to 0.82%/0.42% (Q3FY24: 0.91%/0.5%), with slippages from the restructured book largely done. A sufficient provision buffer (PCR of 49%, and adequate management overlay) drove muted credit costs in Q4 and is likely to normalise to ~15bps during FY25-FY26E.
- **Investments for driving growth, return rations to remain steady:** CANF has guided for lower loan growth of 15% for FY25 post muted growth of 11% in FY24. The ongoing investments in branches, people, and additional sourcing channels, along with tech transformation, are likely to drive healthy loan growth from FY26. While the opex ratios are likely to witness some uptick (~18-19% C/I for FY25-FY26), RoA/RoE are likely to remain steady (~2.1%/18%) on the back of steady NIM, increasing fee income and normalisation in credit costs.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
NII	3.3	2.6	*25.5*	3.3	*(0.3)*	10.1	12.6	13.9	16.3
PPOP	2.7	2.2	*22.5*	2.9	*(7.1)*	8.7	10.4	11.6	13.5
PAT	2.1	1.7	*26.1*	2.1	*1.3*	6.2	7.5	8.4	10.0
EPS (INR)	15.7	12.5	*26.1*	15.0	*4.5*	46.7	56.4	63.4	74.7
ROAE (%)						18.5	18.8	17.8	17.8
ROAA (%)						2.0	2.2	2.1	2.1
ABVPS (INR)						267.7	315.0	373.1	441.6
P/ABV (x)						2.8	2.4	2.0	1.7
P/E (x)						16.3	13.5	12.0	10.2

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	411	404	-1.8%	486	476	-1.9%
NIM (%)	3.3	3.5	17 bps	3.3	3.5	18 bps
NII	13.6	13.9	2.0%	15.9	16.3	2.7%
PPOP	11.2	11.6	3.0%	13.1	13.5	3.2%
PAT	8.2	8.4	3.5%	9.6	10.0	4.2%
ABVPS (INR)	371.7	373.1	0.4%	437.2	441.6	1.0%

Source: Company, HSIE Research

CMP *(as on 30 Apr 2024)*	INR 763
Target Price	INR 940
NIFTY	22,605

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 900	INR 940
EPS %	FY25E	FY26E
	3.5%	4.2%

KEY STOCK DATA	
Bloomberg code	CANF IN
No. of Shares (mn)	133
MCap (INR bn) / ($ mn)	101/1,217
6m avg traded value (INR mn)	591
52 Week high / low	INR 910/617

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.8)	(0.1)	23.7
Relative (%)	(5.6)	(16.7)	1.8

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	30.0	30.0
FIs & Local MFs	28.5	28.0
FPIs	11.0	11.5
Public & Others	30.5	30.6
Pledged Shares		

Source: BSE

Pledged shares as % of total shares

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Shoppers Stop

Disappointment in core business continues

SELL

CMP *(as on 30 Apr 2024)*	INR 717
Target Price	INR 630
NIFTY	22,605

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	Rs 600	Rs 630
EBITDA %	FY25E	FY26E
	-1.9	-1.2

KEY STOCK DATA	
Bloomberg code	SHOP IN
No. of Shares (mn)	110
MCap (INR bn) / ($ mn)	79/945
6m avg traded value (INR mn)	83
52 Week high / low	INR 890/616

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.9)	12.0	8.1
Relative (%)	(8.7)	(4.6)	(13.7)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	65.55	65.54
FIs & Local MFs	21.97	22.17
FPIs	6.85	7.43
Public & Others	5.63	4.86
Pledged Shares	6.44	6.44

Source : BSE

-Pledged shares as % of total shares

The top line grew 9.1% YoY to ~INR10bn (in-line); sales density for department store business remains weak. Margins disappointed too. GM/Pre IND-AS EBITDAM decreased 266/152bps YoY to 40.5/3.6%, courtesy (i) provision for obsolescence of private brand inventory of INR 140 mn and (ii) investments in beauty and 'Intune' brand. Private brands were a disappointment whereas the "Intune" execution currently remains at par with guidance. We reduce our FY25/26 EBITDA estimates by 1.9/1.2% respectively to account for normalising profitability in the core business. We maintain our SELL rating, with a DCF-based TP of INR630/sh, implying 20x Mar-26E EV/EBITDA.

- **Q4FY24 highlights**: Revenue grew 9.1% YoY to INR10bn (in-line) largely expansion-led. Beauty (incl. distribution) grew 24% to INR 2.52bn in Q4 (beauty EBO growth: 7%). Revenue from private brands declined by 8% YoY, courtesy poor performance in the western wear and men's categories. The company aims to improve its product offerings and optimise inventory in private brands which is expected to yield results by Q2FY25. Revenue/sq. ft. (overall) declined only marginally (1.1% YoY) to ~INR9.3k/sq. ft. However, sales density in the core department business seems to be weak. The average transaction value (ATV) and items per bill were up by 8/2% YoY each. GM decreased by 266bps YoY to 40.5% (HSIE: 42.8%), courtesy (i) provision for obsolescence of private brand inventory of INR 140mn and (ii) investments in beauty and 'Intune' brand. Pre-Ind-AS, EBITDAM followed suit and came in at 3.6%, down 152bps YoY due to higher lease rentals, which was partially offset by lower employee and marketing expenses. Adj. EBITDAM (ex-new business investments + exceptional items) stood at 5.9%. "Intune" clocked INR 12k revenue per sq. ft. and reported revenue of INR 160mn with positive store-level EBITDA (conversion: 33%). STOP opened 7/3/12 department/beauty/Intune stores in Q4. Capex for Q4/FY24 stood at INR 840mn/ 2.46bn. Inventory days were reduced to 140 days in Q4. Net debt stands at INR 1.09bn.
- **Outlook**: STOP's scale recovery and focus on store expansion and value retail are certainly encouraging; inventory management is an area that needs work though. Execution remains the key monitorable for 'Intune'. We lower our FY25/26 EBITDA estimates by 1.9/1.2% respectively to account for normalising profitability in the core business. We maintain our SELL rating, with a DCF-based TP of INR630/sh, implying 20x Mar-26E EV/EBITDA.

Quarterly financial summary

(INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	9,997	9,165	9.1	12,068	(17.2)	24,938	39,984	42,132	49,278	57,928
Adj EBITDA	1,641	1,571	4.5	884	85.7	(234)	2,827	2,390	3,103	3,559
APAT	216	163	32.9	(914)	(123.6)	(867)	1,193	739	1,011	1,551
EPS (Rs)	2.11	1.49	42.0	(8.32)	(125.4)	(7.9)	10.9	6.7	9.2	14.1
P/E (x)						(109.7)	64.9	98.3	78.1	50.9
EV/EBITDA (x)						(270.5)	22.4	26.7	20.8	18.0
Core RoCE(%)						(12.6)	18.6	9.7	10.1	9.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	42,132	42,211	*(0.2)*	49,278	49,963	*(1.4)*	57,928	58,126	*(0.3)*
Gross Profit	17,169	17,429	*(1.5)*	20,298	20,580	*(1.4)*	23,803	23,884	*(0.3)*
Gross Profit Margin(%)	40.8	41.3	***(54.0)***	41.2	41.2	-	41.1	41.1	-
EBITDA	2,390	2,495	*(4.2)*	3,103	3,162	*(1.9)*	3,559	3,603	*(1.2)*
EBITDA margin (%)	5.7	5.9	***(24)***	6.3	6.3	***(3)***	6.1	6.2	***(5)***

Source: Company, HSIE Research

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Symphony

Modest domestic print in a sizzling environment

Symphony's Q4 revenue grew by 8% YoY (6% below HSIE/consensus) with its domestic revenue growing by 6% (8% below HSIE) while RoW revenue grew by 12% (in-line). EBITDAM expansion of 970bps to 17.2% (HSIE: 19.1%) was supported by (1) tactical pricing action; (2) softening RM costs; (3) value engineering; and (4) improved performance of subsidiaries. On the domestic front, the summer season has started on a strong footing, given above-normal temperatures and prolonged heatwaves across the country. Symphony remains well-placed to benefit from this, given its focus on (1) product innovation; (2) enhancing distribution (semi-urban and rural); and (3) increasing presence in alternate channels (c.35% vs. 10% pre-COVID). Within RoW, IMPCO Mexico and GSK China continue to report strong performance while CT Australia remains plagued by macro headwinds. However, management's strategic initiatives have led to a narrowing of losses. We expect only a gradual recovery in RoW execution, which is still WIP. We marginally tweak our FY25/FY26 earnings estimates and value the stock at 30x P/E on Mar'26E EPS to derive a TP of INR 955. Maintain REDUCE.

- **Revenue up 8% YoY:** Consolidated revenue grew 8% YoY (6% below HSIE/consensus). The domestic business grew by 6% on a high base (+23% LY) given a scorching start to the summer season while RoW revenues grew by 12%. Persistent demand headwinds in Australia continue to impact CT performance (-17% YoY). However, IMPCO Mexico and GSK China registered the highest Q4 revenue growing by 41/120% respectively. Symphony continues to maintain its leadership position in the organised market. Southern India, eastern India and Maharashtra are experiencing prolonged heat waves while the expected onset of summer in central and northern India in the coming weeks is expected to support sales of air coolers this summer season. We estimate a revenue CAGR of 16% over FY24-26E.
- **Lower RoW losses; A&P spending aids YoY margin improvement:** Consolidated GM improved by 730bps YoY to 48.5%, aided by softening RM, calibrated price hikes and value engineering. Employee expenses fell 9% YoY while A&P expenses were down 42% (4.5% vs 8.4% YoY). Other expenses grew by 30% YoY. EBITDAM expanded by 970bps YoY to 17.2% (HSIE/consensus: 19.1%/19.2%). Domestic EBIT margin expanded by 510bps YoY while RoW margin came in at -2.7% vs -23.2%, largely led by cost rationalisation initiatives in CT Australia.
- **Earnings call takeaways:** (1) LSV has sustained robust performance. (2) Following a focused strategy for tower and personal fans by targeting metros and tier 1 cities. (3) Central and ducted air coolers revenue mix stands at 15-17%. (4) In FY24, the alternate channel mix stood at c.35%. (5) CT Australia's cost of doing business scaled down to INR 490mn in FY24 (INR 770mn pre-acquisition). To reduce further to INR 380mn in FY25. (6) The board announced a final dividend of INR 8/share taking the total dividend for FY24 to INR 13/share.

Financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3,320	3,080	7.8	2,470	34.4	10,391	11,876	11,560	13,667	15,428
EBITDA	570	230	147.8	440	29.5	1,607	1,384	1,680	2,374	2,758
APAT	480	160	200.0	410	17.1	1,203	1,164	1,500	1,929	2,226
EPS (INR)	6.9	2.3	200.0	5.9	17.1	17.2	16.6	21.4	27.6	31.8
P/E (x)						56.0	57.9	44.9	34.9	30.3
EV / EBITDA						40.8	48.1	39.9	27.9	23.7
RoE (%)						15.0	13.5	18.4	24.3	25.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 30 Apr 2024)*	INR 967
Target Price	INR 955
NIFTY	22,605

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 955	INR 955
	FY25E	FY26E
EPS %	0%	-1%

KEY STOCK DATA	
Bloomberg code	SYML IN
No. of Shares (mn)	69
MCap (INR bn) / ($ mn)	67/799
6m avg traded value (INR mn)	108
52 Week high / low	INR 1,020/820

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.7	14.6	(1.5)
Relative (%)	(1.1)	(2.0)	(23.4)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	73.38	73.38
FIs & Local MFs	11.03	10.27
FPIs	3.40	3.32
Public & Others	12.19	13.03
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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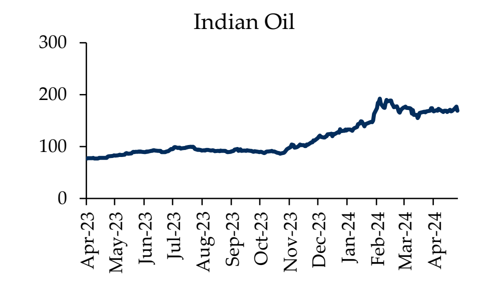
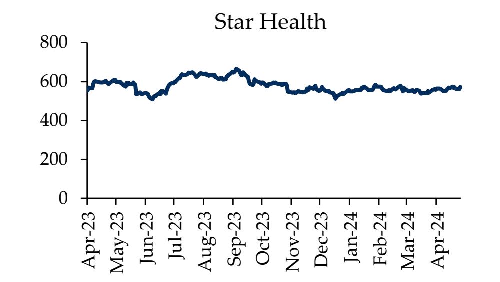
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

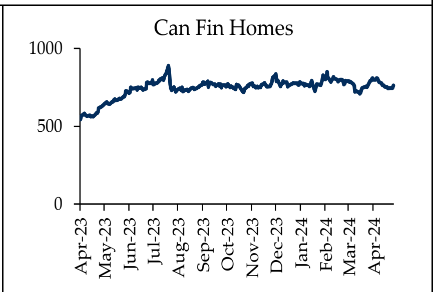
Disclosure:

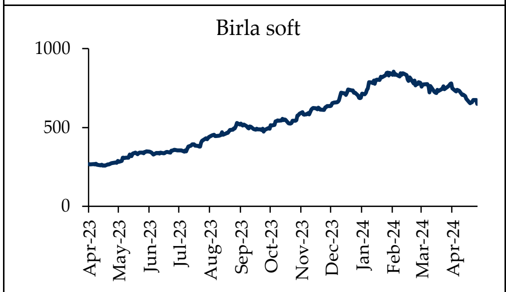
Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Indian Oil Corporation	MBA	NO
Nilesh Ghuge	Indian Oil Corporation	MMS	NO
Akshay Mane	Indian Oil Corporation	PGDM	NO
Prasad Vadnere	Indian Oil Corporation	MSc	NO
Krishnan ASV	Star Health and Allied Insurance, Can Fin Homes	PGDM	NO
Shobhit Sharma	Star Health and Allied Insurance	CA	NO
Apurva Prasad	Birlasoft	MBA	NO
Amit Chandra	Birlasoft, IndiaMART InterMESH	MBA	NO
Vinesh Vala	Birlasoft	MBA	NO
Dhananjay Jain	IndiaMART InterMESH	CA	NO
Deepak Shinde	Can Fin Homes	PGDM	NO
Akshay Badlani	Can Fin Homes	CA	NO
Jay Gandhi	Shoppers Stop	MBA	NO
Tanuj Pandia	Shoppers Stop	CA	NO
Paarth Gala	Symphony	BCom	NO

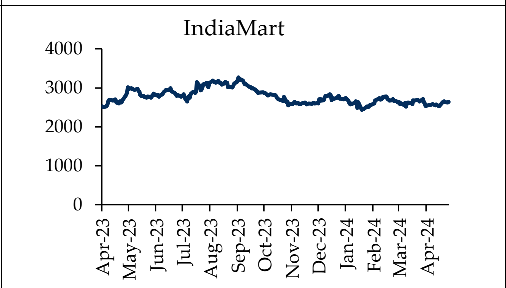
1 Yr Price movement

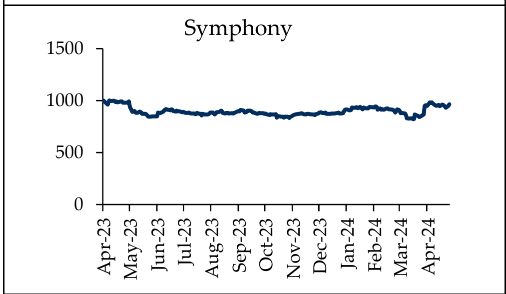












Disclosure:

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