Q2FY25 Earnings Preview

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Banking and Finance

Credit growth moderates; NIMs seen under pressure

Summary

System non-food credit growth moderated to 13.6% YoY (Aug'24) vs 16% YoY (FY24) led by slowdown across the segments especially unsecured portfolio. Also, provisional numbers of banks suggest slowdown in credit growth on QoQ basis during Q2FY25. Retail portfolio growth moderated and stood at 13.9% YoY, led by credit cards, vehicle, and education loans while working capital loans for better rated corporates as well as gold loans continue to support. We expect bank credit to grow in the range of 13-14% for FY25. However, we need to watch for impact of increased risk weight changes in personal loans, credit cards and NBFC on credit growth. Sentiments improved on deposit front & stood at 11.5% (as of 20th Sept'24); expect deposit growth to remain in the range of 10-12%. NIMs pressure seems to remain during Q2FY25 led by rise in deposit rates by banks. Asset quality should remain stable and we expect credit cost to normalize going forward.

Key Highlights

- Data suggests that term deposit rates (>1 year) remain stable during the quarter while MCLR rates slightly inched up last quarter, thus margin pressure to ease. Further, strong deposit growth led to slight decline in CD ratio QoQ which should have impact on margins. Treasury income should improve on sequential basis as 10 year Gsec declined by 15bps during the quarter. As a result banks are expected to report uptick in treasury profits.
- Asset quality expected to remain stable as higher recovery/upgrades led by better collection efficiencies will offset NPA formation during the quarter caused by seasonality. Further, bounce rates also suggests stable asset quality and no stress in economic activity should support stable credit cost. However, we need to monitor the impact of farm loan waiver on credit culture and NPA formation for banking sector. We need to watch for credit cost guidance going forward.

Valuation and Rating

Companies	Rating	Mkt Cap (Rs bn)	CMP (Rs)	TP (Rs)	*Upside (%)*	P/ABV (x) FY25E	P/ABV (x) FY26E
HDFC Bank	**BUY**	12,359	1,620	1,872	*16*	2.4	2.1
Axis Bank	**BUY**	3,543	1,145	1,482	*29*	2.1	1.8
City Union Bank	**BUY**	114	154	200	*30*	1.3	1.2
DCB Bank	**BUY**	36	115	167	*45*	0.7	0.6
Federal Bank	**BUY**	451	184	240	*30*	1.4	1.2
ICICI Bank	**BUY**	8,689	1,233	1,400	*14*	3.3	2.9
Indusind Bank	**BUY**	1,051	1,349	1,880	*39*	1.5	1.3
Manappuram Fin.	**HOLD**	155	183	225	*23*	1.2	1.0
Muthoot Fin.	**HOLD**	756	1,883	2,000	*6*	2.7	2.3
Cholamandalam Inv.	**BUY**	1,245	1,481	1,632	*10*	5.6	4.4
Shriram Finance	**BUY**	1,242	3,302	3,460	*5*	2.4	2.1
Mahindra Fin.	**HOLD**	361	292	325	*11*	1.9	1.7
Sundaram Finance	**BUY**	594	5,342	4,940	*-8*	5.6	4.8
Repco Home Finance	**BUY**	31	499	595	*19*	1.0	0.9
Aavas Financers	**BUY**	137	1,727	2,190	*27*	3.2	2.8

Source: IDBI Capital, Company

Advances (in bn)

	Q2FY24-25 (Provisional Numbers)	Q1FY24-25 (Actuals)	*(%) Chg.*
HDFC Bank	25,190	24,869	*1.3%*
Indusind Bank	3,570	3,479	*2.6%*
Federal Bank	2,338	2,242	*4.3%*
Mahindra Finance (AUM)	1,126	1,063	*5.9%*
Bajaj Finance (AUM)	3,739	3,542	*5.6%*

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Vehicle financing NBFCs and HFCs Sector

- Vehicles sales were slightly subdued while housing sales remain strong during Q2FY25, thus disbursement growth during the quarter remain slow on sequential basis for NBFCs. However, AUM growth expected to remain strong led by lower repayments.
- Liquidity has normalized on the balance sheet by the NBFCs (including HFCs); however MCLR hike by banks and high bond rates due to tight liquidity should have impact on the margins in Q2FY25.
- Asset quality to deteriorate for NBFCs and HFCs with stage 3 assets expected to inch up on QoQ basis due to seasonality factor as well as impact of invariable rainfall.

Gold Finance Sector

- During Q2FY25, gold prices have increased by 4.5% QoQ and competition has subdued supporting the loan growth for gold portfolio. Thus, loan growth expected to improve for Manappuram finance on sequential basis while Muthoot Finance should report decline on sequential basis due to base impact.
- Asset quality is not a concern for gold loan book however non-gold portfolio could result in higher provisions for Manappuram. Liquidity is quite comfortable with better ALM management.

Outlook & Top Picks: During the quarter, economic momentum continues, however RBI regulatory action on unsecured portfolio could slowdown the momentum. Credit growth is expected to moderate for FY25 led by retail and services sector. Among our coverage universe, our top picks are City Union Bank, IndusInd Bank, ICICI Bank, Aavas Finance and Shriram Finance.

Credit growth as per provisional numbers

Advances (In Mns)	Q2FY25	Q1FY25	Q2FY24	*QoQ Growth (%)*	*YoY Growth (%)*
CSB Bank	2,68,710	2,50,990	2,24,680	*7.1*	*19.6*
Karur Vysya Bank	8,02,960	7,69,650	7,04,480	*4.3*	*14.0*
Federal Bank	23,38,250	22,41,610	19,59,680	*4.3*	*19.3*
Indusind Bank	35,69,800	34,78,980	31,54,540	*2.6*	*13.2*
South Indian Bank	8,47,410	8,01,292	7,49,470	*5.8*	*13.1*
HDFC Bank	2,51,90,000	2,48,69,000	2,35,46,000	*1.3*	*7.0*
Yes Bank	23,65,120	22,95,650	20,91,060	*3.0*	*13.1*
RBL Bank	8,97,860	8,84,430	7,81,700	*1.5*	*14.9*
Bandhan Bank	13,06,520	12,56,190	10,76,330	*4.0*	*21.4*
Equitas SFB	3,60,500	3,48,710	3,12,290	*3.4*	*15.4*
Ujjivan SFB	3,03,440	3,00,690	2,65,740	*0.9*	*14.2*
Suryoday SFB	93,600	90,370	69,210	*3.6*	*35.2*
Punjab National Bank	1,06,44,110	1,02,86,820	94,17,210	*3.5*	*13.0*
Bank of Baroda	1,14,33,230	1,07,16,820	1,02,45,010	*6.7*	*11.6*

Source: IDBI Capital, Company

Deposits growth as per provisional numbers

Deposits (In Mns)	Q2FY25	Q1FY25	Q2FY24	*QoQ Growth (%)*	*YoY Growth (%)*
CSB Bank	3,18,410	2,99,200	2,54,390	*6.4*	*25.2*
Karur Vysya Bank	9,58,390	9,23,490	8,30,680	*3.8*	*15.4*
Federal Bank	26,91,050	26,60,650	23,28,680	*1.1*	*15.6*
Indusind Bank	41,27,040	39,86,070	35,97,860	*3.5*	*14.7*
South Indian Bank	10,54,550	10,35,324	9,70,850	*1.9*	*8.6*
HDFC Bank	2,50,00,000	2,37,91,000	2,17,29,000	*5.1*	*15.1*
Yes Bank	27,71,730	26,50,720	23,43,600	*4.6*	*18.3*
RBL Bank	10,80,280	10,13,520	8,97,800	*6.6*	*20.3*
Bandhan Bank	14,25,110	13,32,070	11,20,790	*7.0*	*27.2*
Equitas SFB	3,98,590	3,75,240	3,08,390	*6.2*	*29.2*
Ujjivan SFB	3,40,460	3,25,140	2,91,390	*4.7*	*16.8*
Suryoday SFB	88,510	81,370	63,880	*8.8*	*38.6*
Punjab National Bank	1,45,93,860	1,40,82,470	1,30,99,100	*3.6*	*11.4*
Bank of Baroda	1,36,34,860	1,30,69,940	1,24,96,470	*4.3*	*9.1*

Source: IDBI Capital, Company

CASA ratio as per provisional numbers

CASA (In %)	Q2FY25	Q1FY25	Q2FY24	*QoQ Growth*	*YoY Growth*
CSB Bank	24.1	24.9	29.3	*-81 bps*	*-519 bps*
Karur Vysya Bank	29.5	30.4	32.3	*-91 bps*	*-280 bps*
Federal Bank	30.1	29.3	31.2	*81 bps*	*-110 bps*
Indusind Bank	35.9	36.7	39.4	*-81 bps*	*-350 bps*
South Indian Bank	31.9	32.1	32.0	*-22 bps*	*-18 bps*
HDFC Bank	35.3	36.3	37.6	*-96 bps*	*-230 bps*
Yes Bank	32.0	30.8	29.4	*120 bps*	*260 bps*
RBL Bank	33.5	32.6	35.7	*90 bps*	*-220 bps*
Bandhan Bank	33.2	33.4	38.5	*-20 bps*	*-530 bps*
Equitas SFB	31.0	31.0	34.0	*0 bps*	*-300 bps*
Ujjivan SFB	25.9	25.6	24.1	*30 bps*	*180 bps*
Suryoday SFB	17.9	17.7	15.7	*18 bps*	*215 bps*
Punjab National Bank	NA	NA	NA	*NA*	*NA*
Bank of Baroda	NA	NA	NA	*NA*	*NA*

Source: IDBI Capital, Compan

CD Ratio as per provisional numbers (Calculated)

CD Ratio (In %)	Q2FY25	Q1FY25	Q2FY24	*QoQ Growth*	*YoY Growth*
CSB Bank	84.4	83.9	88.3	*51 bps*	*-393 bps*
Karur Vysya Bank	83.8	83.3	84.8	*45 bps*	*-103 bps*
Federal Bank	86.9	84.3	84.2	*264 bps*	*274 bps*
Indusind Bank	86.5	87.3	87.7	*-79 bps*	*-119 bps*
South Indian Bank	80.4	77.4	77.2	*297 bps*	*317 bps*
HDFC Bank	100.8	104.5	108.4	*-378 bps*	*-761 bps*
Yes Bank	85.3	86.6	89.2	*-128 bps*	*-390 bps*
RBL Bank	83.1	87.3	87.1	*-415 bps*	*-396 bps*
Bandhan Bank	91.7	94.3	96.0	*-263 bps*	*-436 bps*
Equitas SFB	90.4	92.9	101.3	*-249 bps*	*-1083 bps*
Ujjivan SFB	89.1	92.5	91.2	*-336 bps*	*-208 bps*
Suryoday SFB	105.8	111.1	108.3	*-531 bps*	*-260 bps*
Punjab National Bank	72.9	73.0	71.9	*-12 bps*	*105 bps*
Bank of Baroda	83.9	82.0	82.0	*186 bps*	*187 bps*

Source: IDBI Capital, Company

IDBI capital

Exhibit: Estimates

(Rs Mn)

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
Banks							
Axis Bank	NII	1,36,424	1,34,482	1,23,146	*1.4*	*10.8*	▪ Expecting NII to grow by 10.8% YoY led by higher interest income. ▪ Expect advances and deposits growth of 13% & 14% YoY; expecting growth to improve sequentially. ▪ **In focus:** Sustainance of Profitability and Margin as deposit growth improves, as well as Asset quality.
	PPP	1,02,085	1,01,062	86,319	*1.0*	*18.3*	
	PAT	64,281	60,346	58,636	*6.5*	*9.6*	
DCB Bank	NII	5,071	4,966	4,757	*2.1*	*6.6*	▪ Expect NII growth of ~7% and expect PAT to grow by ~6% YoY. ▪ Expect strong advances and deposits growth at ~19% each on a yearly basis, though margins may remain under pressure. ▪ **In focus:** Performance of MFI portfolio, Asset quality, recoveries and slippages.
	PPP	2,127	2,054	2,105	*3.6*	*1.1*	
	PAT	1,340	1,314	1,268	*2.0*	*5.7*	
Federal Bank	NII	23,879	22,920	20,564	*4.2*	*16.1*	▪ Expect NII to grow by ~16% and PAT growth of ~5% YoY led by increase in fee and interest income. ▪ Expect strong advance growth of 19.5% YoY; deposit growth of 15.6% YoY. ▪ **In focus:** Commentary on sustainability of credit growth, strategy of newly appointed MD, performance of new business segments and asset quality.
	PPP	14,813	15,009	13,245	*-1.3*	*11.8*	
	PAT	10,032	10,095	9,538	*-0.6*	*5.2*	
HDFC Bank	NII	2,99,664	2,98,371	2,73,852	*0.4*	*9.4*	▪ Expect NII to increase by 9.4%, PPoP and PAT to grow by 7.6% and 2.1% YoY. ▪ Advances growth of 7% YoY while deposit growth at 15.1% YoY, which may lead to CD ratio fall to 100.4%. ▪ **In focus:** Commentary of credit growth sustainability, deposit mobilisation and NIMs, and Asset quality.
	PPP	2,44,194	2,38,846	2,26,939	*2.2*	*7.6*	
	PAT	1,63,124	1,61,748	1,59,761	*0.9*	*2.1*	
ICICI Bank	NII	2,00,611	1,95,529	1,83,079	*2.6*	*9.6*	▪ Expect NII, PPoP and PAT to increase by 9.6%, 7.8% and 4.0% YoY respectively. ▪ Expect loan growth of 15.1% YoY and Deposit growth of 14% YoY. ▪ **In focus:** Sustainability of NIMs, Recovery of assets, asset quality.
	PPP	1,53,458	1,60,248	1,42,293	*-4.2*	*7.8*	
	PAT	1,06,672	1,10,591	1,02,610	*-3.5*	*4.0*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
IndusInd Bank	NII	54,489	54,076	50,767	0.8	7.3	▪ Expect growth in NII at 7.3% YoY, PAT may fall by 3.9% YoY due to higher credit costs. ▪ Expect advances growth of 13.2% and deposits growth at 14.7%. ▪ **In focus:** Performance of Micro Finance portfolio, and Asset quality of retail and MFI segments, guidance on loan growth.
	PPP	39,730	39,264	38,811	1.2	2.4	
	PAT	20,967	21,519	21,817	-2.6	-3.9	
City Union Bank	NII	5,665	5,452	5,384	3.9	5.2	▪ Expect moderate growth in NII at 5.2% YoY, while PAT is seen declining 5.3% YoY. ▪ Expect advances growth to pick up at 11.9% and deposits growth to be at 8.2% YoY. ▪ **In focus:** Asset Quality, NIM trajectory, update on branch expansion plans as well as on performance due to digital initiatives.
	PPP	3,840	3,735	3,866	2.8	-0.7	
	PAT	2,657	2,645	2,806	0.4	-5.3	
Housing Finance Companies							
Repco Home Finance	NII	1,750	1,749	*1,727*	0.1	1.3	▪ NII to see moderate growth of 1.3% YoY due to lower interest income. ▪ Expect advances to grow at 9.5% YoY, while AUM to grow by 9.2% YoY. ▪ **In focus:** Guidance on cost of funds, asset quality and outlook for growth for H2FY25.
	PPP	1,371	1,380	*1,338*	-0.7	2.5	
	PAT	1,016	1,054	*981*	-3.6	3.6	
Aavas Financers	NII	2,403	2,446	2,225	-1.7	8.0	▪ NII to grow by 8% YoY due to higher interest income. ▪ Expect advances to grow at 22.1% YoY. ▪ **In focus:** Cost of funds and margin commentory, operating margin, asset quality and guidance for growth.
	PPP	1,832	1,695	1,629	8.1	12.5	
	PAT	1,362	1,261	1,217	8.0	11.9	
Gold Finance Companies							
Manappuram Finance	NII	15,818	15,378	13,543	2.9	16.8	▪ Expect NII and PPoP to grow at 16.8%, 14.2%, respectively. However, PAT may fall by 0.3% due to higher credit costs. ▪ Expect advances to growth at 24% YoY, and AUM growth of 20.5% YoY. ▪ **In focus:** Performance of non-gold loan portfolio, impact of competition on margin as well guidance on growth, update on IPO of MFI arm.
	PPP	9,894	9,814	8,664	0.8	14.2	
	PAT	5,599	5,547	5,615	0.9	-0.3	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
Muthoot Finance	NII	24,138	23,049	18,584	*4.7*	*29.9*	▪ Expect NII, PPoP and PAT to grow at 29.9%, 32.4% and 27.6% respectively on a YoY basis. ▪ Expect advances to grow at 27.5% YoY (up by 5% QoQ), while AUM to grow ~31% YoY. ▪ **In focus:** Outlook on business and update on MFI and home finance business, margin guidance and asset quality.
	PPP	17,767	17,153	13,422	*3.6*	*32.4*	
	PAT	12,646	10,787	9,910	*17.2*	*27.6*	
Vehicle Finance Companies							
Cholamandalam Investment and Finance Company	NII	30,625	29,891	22,298	*2.5*	*37.3*	▪ Strong growth in NII and PPOP and PAT at 37.3%, 29.8% and 30.5% on a YoY basis respectively. ▪ Expect disbursement and AUM growth to remain strong (expect advances to grow by 32.4% YoY). ▪ **In focus:** Sustainability AUM growth, asset quality and update on new segments.
	PPP	18,444	18,499	14,206	*-0.3*	*29.8*	
	PAT	9,950	9,422	7,625	*5.6*	*30.5*	
Shriram Finance	NII	54,087	52,339	45,947	*3.3*	*17.7*	▪ Expect NII, PPoP and PAT to grow by 17.7%, 14.7% and 15.6% on a YoY basis respectively. ▪ Expect AUM growth at 19.8% and advances to grow at 19.9% YoY. ▪ **In focus:** AUM growth, portfolio mix, and asset quality.
	PPP	39,922	38,541	34,808	*3.6*	*14.7*	
	PAT	20,246	19,806	17,509	*2.2*	*15.6*	
Mahindra & Mahindra Financial Services	NII	20,021	18,936	16,455	*5.7*	*21.7*	▪ NII and PPoP and PAT to grow at 21.7%, 27.7% and 115%, respectively on a YoY basis. ▪ Expect AUM and advances to grow by 22.4% and 23.4% respectively on a YoY basis. ▪ **In focus:** AUM growth, margin guidance, asset quality.
	PPP	12,044	11,345	9,428	*6.2*	*27.7*	
	PAT	5,056	5,130	2,352	*-1.4*	*115.0*	
Sundaram Finance	NII	5,338	5,298	4,855	*0.8*	*9.9*	▪ NII to grow by ~10% YoY, while PPOP and PAT to decline 2.6% and 5.6%, respectively on a YoY basis. ▪ Expect AUM to grow at 18.4% on a YoY basis. ▪ **In focus:** Sustainability of AUM growth, NIMs and asset quality.
	PPP	5,134	4,755	5,270	*8.0*	*-2.6*	
	PAT	3,459	3,077	3,664	*12.4*	*-5.6*	

Source: IDBI Capital Research; Note: PPP – Pre Provisioning Profit.

Capital Goods

Steady performance expected

Summary

We expect steady revenue growth for our capital goods coverage universe in Q2FY25. Steady demand momentum is expected for both the bearing component manufacturers as global bearing manufacturers stand to benefit from the strong domestic infrastructure led momentum. We expect sequential moderation in genset volumes in Q2FY25 owing to strong pre buying in Q1FY25 due to the transition to CPCB IV+ emission norms. However we expect the sharp increase in pricing of CPCB IV+ gensets to cushion the impact of lower volumes to a large extent. Voltamp transformers is expected to have a steady quarter with robust demand momentum propelling growth. Ador Welding is expected to witness pressures on the realization front on account of weak steel prices during the quarter

Key Highlights

- **Q2FY25 expectation for Capital Goods:** We expect moderation in volumes for key genset players such as Cummins and Kirloskar Oil Engines on account of strong pre-buying during Q1FY25. However we also expect the 40-50% price increases in CPCB IV+ gensets to mitigate the impact of volume decline to a large extent. We expect steady quarter for Voltamp on the back of healthy demand for transformers. Although volumes are expected to be stable, weak steel prices are expected to impact realisations for Ador Welding to some extent.

- **Q2FY25 expectation for Bearing Component Makers:** Traction intensity in domestic bearings industry is a prime monitorable for both Harsha and Rolex. Key things to watch out would be the demand outlook in the developed economies such as US and Europe which are key target markets. We expect the company to garner more programs from overseas customers in light of the rising preference for quality Non-Chinese players. Further improvement in subsidiaries performance and traction in auto components is key for both Harsha and Rolex respectively

Valuation and Rating

Companies	Rating	Mkt Cap	CMP	TP	*Upside*	P/E (x)	
		(Rs bn)	(Rs)	(Rs)	*(%)*	FY25E	FY26E
Cummins	**BUY**	995	3,590	4,401	*23*	51	42
Kirloskar Oil	**BUY**	162	1,114	1,491	*34*	29	23
Voltamp Trans	**BUY**	117	11,601	16,681	*44*	34	30
Rolex Rings	**HOLD**	63	2,303	2,500	*9*	28	24
Harsha Engg.	**HOLD**	43	477	551	*16*	32	29
Ador Welding	**BUY**	18	1,304	1,621	*24*	21	20

Source: IDBI Capital, Company

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Exhibit: Quarterly Financial Estimates (Rs mn)

Company		Sept 24	Jun 24	Sept 23	QoQ (%)	YoY (%)	Comments
Rolex Rings	Revenue	3,239	3,108	3,208	4.2	1.0	▪ We expect revenue to grow by 4% QoQ owing to steady growth in the bearings and automotive components segments. We expect margins to come in at 23% and EBITDA growth of 5% on a QoQ basis. Demand outlook for both business segments would be a key monitorable.
	EBITDA	744	711	675	4.6	10.2	
	EBITDA Margin (%)	*23.0%*	*22.9%*	*21.0%*	*7*	*192*	
	Net Profit	523	499	470	4.8	11.4	
Harsha Engineering International	Revenue	3,650	3,432	3,395	6.4	7.5	▪ We expect revenue to grow by 8% YoY owing to steady growth in the engineering segment. We expect margins to come in at 14% and EBITDA growth of 44% on a YoY basis. Key things to watch out would be the demand outlook for the domestic market and profitability of the overseas subsidiaries.
	EBITDA	508	552	352	-7.9	44.1	
	EBITDA Margin (%)	*13.9*	*16.1*	*10.4*	*-216.1*	*353.5*	
	Net Profit	326	361	204	-9.6	59.9	
Cummins India	Revenue	22,672	23,156	19,216	-2.1	18.0	▪ We expect revenue to grow by 18% YoY owing to strong pricing hikes for CPCB IV+ gensets. We expect margins to come in at 20% and EBITDA growth of 29% on a YoY basis. Demand outlook for the domestic sub segments and exports market would be key. Management commentary on pricing trajectory for CPCB IV+ gensets also would be important.
	EBITDA	4,466	4,733	3,462	-5.6	29.0	
	EBITDA Margin (%)	*19.7%*	*20.4%*	*18.0%*	*-74*	*168*	
	Net Profit	4,532	4,626	3,291	-2.0	37.7	
Kirloskar Oil Engines	Revenue	12,300	13,429	10,590	-8.4	16.2	▪ We expect revenue to grow by 16% YoY owing to strong pricing hikes for CPCB IV+ gensets. We expect margins to come in at 12% and EBITDA growth of 52% on a YoY basis. Demand outlook for the domestic sub segments and exports market would be key. Management commentary on pricing trajectory for CPCB IV+ gensets also would be important.
	EBITDA	1,500	1,977	986	-24.1	52.1	
	EBITDA Margin (%)	*12.2%*	*14.7%*	*9.3%*	*-252*	*288*	
	Net Profit	965	1,347	586	-28.4	64.7	
Voltamp Transformers	Revenue	4,199	4,282	3,814	-1.9	10.1	▪ We expect revenue to grow by 10% YoY owing to steady volume growth for industrial transformers. We expect margins to come in at 19% and EBITDA growth of 16% on a YoY basis. PAT growth is expected at 9% YoY.
	EBITDA	798	758	688	5.3	16.0	
	EBITDA Margin (%)	*19.0%*	*17.7%*	*18.0%*	*10*	*40*	
	Net Profit	746	794	684	-6.0	9.1	

Company		Sept 24	Jun 24	Sept 23	*QoQ (%)*	*YoY (%)*	Comments
Ador Welding	Revenue	2,254	2,298	2,260	*-1.9*	*-0.3*	■ We expect revenue to remain flat YoY owing to realization impact of weak steel prices in the quarter. We expect margins to come in at 12% and EBITDA de-growth of 2% on a YoY basis. PAT growth is expected at 16% QoQ. Demand outlook for products segment along with commentary on project execution of the ONGC flares project will be of paramount importance.
	EBITDA	268	213	273	*26.0*	*-2.0*	
	EBITDA Margin (%)	*11.9%*	*9.2%*	*12.1%*	*263*	*-21*	
	Net Profit	175	151	196	*15.8*	*-10.5*	

Source: IDBI Capital Research

Cement

Prices to improve in H2FY25

Summary

For Q2FY25, industry EBITDA is expected to show QoQ decrease, due to decrease in cement prices at all India level. Average Q2FY24 cement prices are down at all India level. Price has increased in North and Central and South its down and other region its flat QoQ respectively. We expect QoQ decrease in EBITDA/t of ~Rs50/t for our coverage universe and avg. margin of 15% near to last quarter. Though marginal price hike has taken place in Sept-24, but absorption of these hikes still remains a challenge due to soft cement demand during monsoon & trend needs to be seen. We have modeled industry volume decrease of 8% YoY in Q2FY25, led by Shree cement at 3% and ACC at -3%. In the sector we prefer ACC and Ultratech as both this players have PAN India presence & we expect cement prices to improve in H2FY25.

Key Highlights

- **Q2FY25 Industry trend**: Average Q2FY24 cement prices decreased at an all India level. Though prices have shown a little improvement as Sept. exit prices have improved in all regions expect for South. Energy prices have decreased, Avg imported coal prices were down by 10% QoQ in Q2FY25. Cement Prices are expected to increase in H2FY25 due to increase in construction activities post monsoon period.
- **Q2FY25 Stock wise trend:** We expect QoQ decrease in EBITDA/t of ~Rs50/t for our coverage universe and avg. margin of 15% near to last quarter. EBITDA/t is expected to remain flat or decrease coverage stocks as industry witnessed fall in prices during the quarter. EBITDA/t for UTCEM is expected to decrease by Rs14/t whereas for ACC & SRCM we expect EBITDA/t to decrease by Rs106/t & Rs223/t QoQ respectively. In the post result management interaction we would look for commentary on volume guidance for FY25E, sustainability of price hike and energy cost and EBITDA/t expectations in Q3FY25 / FY25E.

Valuation and Rating

Companies	Mkt Cap (Rs bn)	Rating	CMP (Rs)	TP (Rs)	*Upside (%)*	EV/EBITDA (x) FY25E	EV/EBITDA (x) FY26E
ACC	441	**HOLD**	2,350	2,819	*20*	11	10
Ambuja C	1,454	**HOLD**	590	669	*13*	25	20
Shree C.	915	**HOLD**	25,353	24,968	*-2*	17	15
Ultratech C.	3,243	**HOLD**	11,233	10,816	*-4*	17	13

Source: IDBI Capital, Company,

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Exhibit: Quarterly Financial Estimates

(Rs mn)

Company		Sept'24	Jun'24	Sep'23	*QoQ (%)*	*YoY (%)*	Comments
Ultratech Cement	Volume (mt)	28.3	32.0	26.7	*-11.5*	*6.0*	■ We expect Ultratech to report 6% YoY improvement in volumes in Q2FY25. We expect EBITDA/t to decrease to Rs937/t vs Rs956/t QoQ on account of lower realisations. We would look out for timely execution of capacity expansion plans and cost trajectory in Q2 results.
	Realization (Rs/t)	5,943	5,656	5,999	*5.1*	*-0.9*	
	EBITDA (Rs/t)	937	951	956	*-1.5*	*-1.9*	
	Revenue (Rs m)	1,68,127	1,80,696	1,60,121	*-7.0*	*5.0*	
	EBITDA (Rs m)	26,521	30,393	25,509	*-12.7*	*4.0*	
	Net Profit (Rs m)	12,318	16,641	12,815	*-26.0*	*-3.9*	
	EBITDA Margin %	*15.8*	*16.8*	*15.9*	*-105bps*	*-16bps*	
	EPS (Rs /sh)	42.7	57.7	44.4	*-26.0*	*-3.9*	
ACC	Volume (mt)	8.8	10.2	8.1	*-13.4*	*9.0*	■ We have modelled decrease of 13% YoY in volume and realisation to increase by 3% QoQ dur to slight incvrease in cement prices. EBITDA/t is modelled at Rs1018/t dirven by lower realisations & increased expenses. We would watch out for sustainability of the margin and capex plans.
	Realization (Rs/t)	5,174	5,054	5,475	*2.4*	*-5.5*	
	EBITDA (Rs/t)	652	664	677	*-1.8*	*-3.7*	
	Revenue (Rs m)	45,679	51,556	44,347	*-11.4*	*3.0*	
	EBITDA (Rs m)	5,758	6,772	5,484	*-15.0*	*5.0*	
	Net Profit (Rs m)	3,869	3,662	3,843	*6%*	*1%*	
	EBITDA Margin %	*12.6*	*13.1*	*12.4*	*-53bps*	*24bps*	
	EPS (Rs /sh)	20.6	19.5	20.5	*5.6*	*-200.7*	
Ambuja Cement	Volume (mt)	9.2	9.5	9.1	*-3.3*	*1.0*	■ We expect ACEM's volumes to remain flat YoY, and overall volume growth is impacted from capacity constraints. Realization to improve on bacl of slight price increase QoQ and EBITDA/t to be at Rs1027 vs Rs840 QoQ.
	Realization (Rs/t)	5,249	5,032	5,197	*4.3*	*1.0*	
	EBITDA (Rs/t)	1,027	840	1,042	*22.3*	*-1.5*	
	Revenue (Rs m)	48,248	47,803	47,297	*0.9*	*2.0*	
	EBITDA (Rs m)	9,437	7,978	9,486	*18.3*	*-0.5*	
	Net Profit (Rs m)	6,336	5,323	6,449	*19.0*	*-1.7*	
	EBITDA Margin %	*19.6*	*16.7*	*20.1*	*287bps*	*-50bps*	
	EPS (Rs /sh)	2.9	2.4	2.9	*19.0*	*-1.7*	

Company		Sept'24	Jun'24	Sep'23	*QoQ (%)*	*YoY (%)*	Comments
Shree Cement	Volume (mt)	10.0	9.5	8.9	*4.8*	*11.9*	▪ We expect ACEM's volumes to decrease QoQ, and overall volume growth is impacted from capacity constraints. Realization to be flat QoQ, due to muted cement prices and EBITDA/t to be at Rs803 vs Rs695 QoQ.
	Realization (Rs/t)	5,460	5,353	5,604	*2.0*	*-2.6*	
	EBITDA (Rs/t)	1,217	1,393	1,045	*-12.6*	*16.4*	
	Revenue Rs mn	54,507	51,010	49,991	*6.9*	*9.0*	
	EBITDA (Rs m)	12,154	13,272	9,326	*-8.4*	*30.3*	
	Net Profit (Rs m)	6,030	6,618	5,811	*-8.9*	*3.8*	
	EBITDA Margin %	*22.3*	*26.0*	*18.7*	*-372bps*	*364bps*	
	EPS (Rs /sh)	167	183	161	*-8.9*	*3.8*	

Source: IDBI Capital Research

Construction

Order Inflow to improve

Summary

Order inflow from road sector has started picking up & was better in Q2FY25 compared to Q1FY24, but inflow in other sectors was strong. Amongst our coverage only PSP, PNC Infratech & HG infra has reported growth in inflow on YoY basis in Q2FY25 and for other its decline. At all India level, road construction saw -2% YoY decrease in month of Jul-24/Aug-24 at 17.1km per day. In the road construction, for Q2FY25E we expect average revenue (for coverage universe) to increase by 4% YoY and EBITDA to be down 2% YoY. Amongst coverage: HG, Ashoka are expected to report better revenue increase versus other road contractors. In road EPC, we prefer HG Infra. In Building construction, we expect revenue increase +14% YoY, led by NCC & PSP.EBITDA increase of 19% yoy. In capex theme we prefer NCC.

Key Highlights

- **Building construction Q2FY25 expectation:** We expect high double digit YoY revenue growth for AHLU, NCC and PSPPL to continue. EBITDA growth is also expected to be strong, baring PSP due to base impact.

- **Rail EPC Q2FY25 expectation:** RITES revenue is expected to be flat YoY Order inflow stood at Rs4.6bn for RITES(as per BSE notification). For RVNL, revenue is expected to decrease 2% YoY and inflow was Rs24bn.For IRCON expect revenue down by 2% YoY, inflow for IRCON stood at Rs7.5bn.

- **Road construction Q2FY25 expectation:** We expect revenue increase of 4% YoY for Q2FY25E for coverage universe in road construction. For PNC revenue growth is flat at 1% YoY and EBITDA margin maintained at 12.5%. HG Infra revenue increase expected at 10% YoY with EBITDA margin of 16%. ASBL could report EBITDA margin of 8% and revenue to increase by 12% YoY. DBL we expect revenue increase of 2% YoY & for KNRC we expect degrowth in Revenue of 5% YoY.

Valuation and Rating

Companies	Rating	Mkt Cap	CMP	TP	*Upside*	P/E (x)	
		(Rs bn)	(Rs)	(Rs)	*(%)*	FY25E	FY26E
Ashoka Buildcon	**BUY**	65	231	283	*22.7*	13	9
Dilip Buildcon	**HOLD**	71	486	491	*1.1*	21	15
KNR	**HOLD**	87	310	364	*17.4*	18	16
PNC Infratech	**HOLD**	107	418	530	*26.9*	19	15
RITES	**HOLD**	142	296	744	*NA*	16	14
PSP Projects	**HOLD**	25	632	732	*15.8*	15	13
H G Infra	**BUY**	95	1454	1791	*23.1*	17	14
Ahluwalia Contracts	**HOLD**	72	1075	1420	*32.1*	25	20
NCC Ltd	**BUY**	187	297	380	*27.9*	18	13
RVNL	**HOLD**	939	450	549	*21.9*	58	56

Source: IDBI Capital, Company

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Exhibit: Quarterly Financial Estimates (Rs mn)

Company		Sept'24	June'24	Sept'23	QoQ (%)	YoY (%)	Comments
Ashoka Buildcon	Revenue	16,393	18,771	15,613	*(13)*	*5*	■ Post Q1FY25 results, ASBL guided for FY25E revenue to increase by 20% YoY and EBITDA margin at ~9% -9 .5%. And thus we expect Q2FY25 revenue to increase by 5% YoY, EBITDA margin is expected to decrease by 72bps to 8.5% YoY. Order inflow in Q2FY24 is Rs17.5bn.
	EBITDA	1,393	1,214	1,439	*15*	*(3)*	
	EBITDA Margin (%)	*8.5*	*6.5*	*9.2*	*203bps*	*-72bps*	
	Net Profit	670	408	712	*64*	*(6)*	
	Order book	1,04,755	1,03,560	1,47,950	*1*	*(29)*	
	Order inflow	17,588	21,527	23,651	*(18)*	*(9)*	
Dilip Buildcon	Revenue	24,755	23,579	24,270	*5*	*2*	■ We expect DBL revenue to increase by 2% YoY for Q2FY25. EBITDA margin expectations at 12% decreasing by 9bps YoY. Company has provided revenue guidance to be De growth of 5% for FY25E with EBITDA margins at 11-12% . Order inflow in Q2FY25 is Rs13bn.
	EBITDA	2,971	2,624	2,935	*13*	*1*	
	EBITDA Margin (%)	*12.0*	*11.1*	*12.1*	*87bps*	*-9bps*	
	Net Profit	729	474	898	*54*	*(19)*	
	Order book	2,01,310	1,86,065	2,26,039	*8*	*(11)*	
	Order inflow	13,410	10,925	15,454	*23*	*(13)*	
KNR Constructions	Revenue	8,944	8,802	9,415	*2*	*(5)*	■ We expect KNRC Q2FY25 revenue to decrease by 5% YoY and modelled EBITDA margin at 16.5%, we expect lower YoY margins on account of lower execution in the high margin irrigation segment. KNR in FY25E expects order inflow of Rs60-70bn but as of Q2FY25, the order inflow is muted.
	EBITDA	1,476	1,920	1,663	*(23)*	*(11)*	
	EBITDA Margin (%)	*16.5*	*21.8*	*17.7*	*-532bps*	*-116bps*	
	Net Profit	856	1,339	999	*(36)*	*(14)*	
	Order book	40,271	49,215	74,532	*(18)*	*(46)*	
	Order inflow	-	-	-	*NA*	*NA*	

Company		Sept'24	June'24	Sept'23	QoQ (%)	YoY (%)	Comments
PNC Infratech	Revenue	17,099	17,444	16,930	*(2)*	*1*	▪ We have modeled revenue to increase by 1% YoY in Q2FY25. For the quarter, we expect EBITDA margin at ~12.5%. For FY25E, company revenue growth guidance is flat or -10% YoY. FY25E margins guidance is lowered to 12-12.5% (earlier 13-13.5%). Order inflow is Rs3.8bn for Q2FY25, & company expects order inflows worth Rs130-150bn for FY25E.
	EBITDA	2,137	5,935	2,277	*(64)*	*(6)*	
	EBITDA Margin (%)	*12.5*	*34.0*	*13.4*	*-2152bps*	*-95bps*	
	Net Profit	1,307	4,211	1,398	*(69)*	*(7)*	
	Order book	90,095	1,03,395	1,21,216	*(13)*	*(26)*	
	Order inflow	3,800	49,940	-	*(92)*	*NA*	
RITES	Revenue	5,826	4,858	5,824	*20*	*0*	▪ We expect Revenue to be flat in Q2FY25 .EBITDA margin is expected at 22.8% vs 23.7% YoY. And PAT is expected to decline by 2% YoY. Order inflow is Rs4.6bn for RITE in Q2FY25 as per stock exchange release. EBITDA margin for RITE may be impacted due to more competitive orders.
	EBITDA	1,330	1,058	1,378	*26*	*(4)*	
	EBITDA Margin (%)	*22.8*	*21.8*	*23.7*	*104bps*	*-85bps*	
	Net Profit	1,078	904	1,102	*19*	*(2)*	
	Order book	62,390	63,550	55,290	*(2)*	*13*	
	Order inflow	4,666	396	654	*1078*	*613*	
PSP Project	Revenue	6,800	6,119	6,071	*11*	*12*	▪ We expect Q2FY25 revenue to increase by 12% YoY . EBITDA margin is expected at 11.5%. Order inflow guidance for FY25E is Rs35bn and received inflow of Rs17bn till Q2FY25 (i.e 505 of Target). PSP guides revenue growth of 13-14% YoY for FY25 with an EBITDA margin of 10-11%.
	EBITDA	782	734	737	*6*	*6*	
	EBITDA Margin (%)	*11.5*	*12.0*	*12.1*	*-50bps*	*-65bps*	
	Net Profit	414	343	394	*21*	*5*	
	Order book	65,871	58,910	48,980	*12*	*34*	
	Order inflow	13,761	2,363	1,750	*482*	*686*	

Company		Sept'24	June'24	Sept'23	QoQ (%)	YoY (%)	Comments
HG Infra	Revenue	9,564	15,059	8,695	*(36)*	*10*	▪ We expect Q2FY25 revenue to increase by 10% YoY on the back of order book. EBITDA margin is expected at 16%. FY25E guidance of revenue to increase at 18-20% YoY and EBITDA margin of 15-16%. Order Inflow in Q2FY25 was at Rs15.4bn & for FY25E company guides order inflow of Rs110-120bn.
	EBITDA	1,530	2,433	1,384	*(37)*	*11*	
	EBITDA Margin (%)	*16.0*	*16.2*	*15.9*	*-16bps*	*9bps*	
	Net Profit	711	1,395	617	*(49)*	*15*	
	Order book	1,62,296	1,56,418	1,06,782	*4*	*52*	
	Order inflow	15,442	33,654	-	*(54)*	*NA*	
Ahluwalia Contracts	Revenue	9,466	9,193	9,015	*3*	*5*	▪ We expect Q2FY25 revenue to increase by 5% YoY. EBITDA margin is expected at ~9.8%, decreasing by 16 bps YoY. Revenue growth guidance for FY25E at 15-20%. EBITDA margin expected at 11% for FY25E. In Q2FY25 inflow was Rs37bn and AHLU in FY25 has guided order inflow of Rs25-30bn.
	EBITDA	928	605	898	*53*	*3*	
	EBITDA Margin (%)	*9.8*	*6.6*	*10.0*	*322bps*	*-16bps*	
	Net Profit	582	306	553	*90*	*5*	
	Order book	1,59,009	1,31,437	1,20,796	*21*	*32*	
	Order inflow	37,038	27,279	10,320	*36*	*259*	
NCC	Revenue	49,257	47,133	42,832	*5*	*15*	▪ We expect Q2FY25 revenue to increase by 15% YoY. EBITDA margin is expected at 10.5% up by 50bps YoY. NCC for FY25E has guided for revenue increase of +15% YoY. In Q2FY25 the inflow was Rs35.6bn, Order inflow guidance is about Rs200-220bn for FY25E & we expect it would achieve it.
	EBITDA	5,172	4,396	4,285	*18*	*21*	
	EBITDA Margin (%)	*10.5*	*9.3*	*10.0*	*117bps*	*50bps*	
	Net Profit	2,148	2,007	2,190	*7*	*(2)*	
	Order book	5,12,633	5,26,260	6,24,140	*(3)*	*(18)*	
	Order inflow	35,630	3,550	1,19,815	*904*	*(70)*	

Company		Jun 24	Mar 24	Jun 23	QoQ (%)	YoY (%)	Comments
RVNL	Revenue	48,160	40,738	49,143	*18*	*(2)*	▪ We expect Q2FY25 revenue to decrease by 2%YoY.EBITDA margins is expected at 5.5% down by 57bps YoY. Order Inflow for Q2FY25 stood at Rs23bn. RVNL has given revenue guidance of Rs220bn flat for FY25E, Order inflow guidance in FY25E is about Rs200-250bn of which RVNL has achieved 35% in Q2FY25.
	EBITDA	2,649	1,815	2,983	*46*	*(11)*	
	EBITDA Margin (%)	*5.5*	*4.5*	*6.1*	*104bps*	*-57bps*	
	Net Profit	3,479	2,239	3,944	*55*	*(12)*	
	Order book	7,98,524	8,23,000	6,73,000	*(3)*	*19*	
	Order inflow	23,684	29,676	45,613	*(20)*	*(48)*	
IRCON	Revenue	28,260	21,805	28,836	*30*	*(2)*	▪ We are modeling Q2FY25 revenue to decrease by 2% YoY at Rs28bn. EBITDA margin is expected at 6.3% vs. 6.0% YoY. Order inflow in Q2FY25 is Rs7.5bn IRCON has guided that if they receive inflow of Rs100-120bn then Revenue might see more increase.
	EBITDA	1,780	1,485	1,725	*20*	*3*	
	EBITDA Margin (%)	*6.3*	*6.8*	*6.0*	*-51bps*	*32bps*	
	Net Profit	2,229	1,765	2,304	*26*	*(3)*	
	Order book	7,508	11,981	2,240	*(37)*	*235*	
	Order inflow	2,39,589	2,60,340	3,21,520	*(8)*	*(25)*	

Source: IDBI Capital Research

IT Services

Gradual recovery on path

Summary

Despite some recovery in cost take out projects along with some traction in BFSI, Healthcare & Manufacturing, delayed ramp up of large deals likely to push the growth story to H2FY25 and Q2 is likely to be driven by financial sector. Absence of wage hike, better operational efficiencies and large/cost optimization deals likely to give an additional comfort to the margin. Gen AI deals are getting higher traction along with transformational ones and becoming the integral part of the IT deals. We firmly believe that Gen AI has a multi-year tailwind. Though, the Indian IT companies are not providing at bifurcations on Gen AI deal wins but continued focus/participation will lead to solid traction in the near future. Hence, we expect modest $ revenue growth in range of 0.5%-3.5% in large cap and 2%-4.8% in Midcap. And in terms of margin, we anticipate better improvement in midcap over large cap.

Key Highlights

- **Revenue Outlook:** Despite challenges in the ER&D, we anticipate (0.5%-3.5%) / (2%-4.8%) growth rates for the large/midcap IT services companies backed by increased spending in financial services, ramp-up of cost takeout deals & lower spending cut in existing programs. Retail segment likely to drag in Q2 and may lead to divergence in overall performance. Top pick remains Infosys, LTIM in large cap and Coforge & Cyient in Midcap.

- Margins Outlook: Operating margins to remain stable in Q2, due to deferral of wage hikes in H2FY25. We expect pressure on margin due to one-offs reversals/ramp up of large deals especially for Infosys/TCS, partially offset by reduced visa costs/ improved cost optimization. IT companies may experience higher margin pressure due to wage hike/furloughs in H2FY25. A gradual demand recovery coupled with cautious hiring will add cushion to the margin in the near term.

India IT Sector: Valuation and Rating

Companies	Rating	CMP (Rs)	TP (Rs)	*Upside (%)*	Mkt Cap (Rs bn)	P/E (x) FY25E	P/E (x) FY26E
TCS	**HOLD**	4,227	4,300	*2*	15,293	30	26
Infosys	**HOLD**	1,895	1,776	*-6*	7,868	28	26
HCL Tech.	**HOLD**	1,785	1,410	*-21*	4,844	29	25
Wipro	**HOLD**	528	521	*-1*	2,764	23	20
Tech Mah.	**HOLD**	1,608	1,512	*-6*	1,573	33	26
LTIMindtree	**HOLD**	6,187	5,475	*-12*	1,832	36	30
Cyient Ltd	**HOLD**	1,906	1,936	*2*	211	26	22
Zensar Tech.	**HOLD**	668	720	*8*	151	22	19
Birlasoft	**HOLD**	587	690	*18*	162	23	20
Newgen	**HOLD**	1,299	1,072	*-17*	182	55	42
Coforge	**HOLD**	7,043	6,272	*-11*	470	44	32
Sonata Soft.	**HOLD**	613	770	*26*	172	34	22

Source: IDBI Capital, Company

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Exhibit: Estimates (Rs mn)

Company		Sept-24	Jun-24	Sept-23	QoQ (%)	YoY (%)	Comments
TCS	Revenue (US$ mn)	7,652	7,505	7,210	*2.0*	*6.1*	▪ We expect QoQ revenue to be up ~2.0% on the back of ramp ups of deal and demand pick up in North America. ▪ We expect EBIT margin to increase by 47 bps QoQ on account of pyramid rationalization and deal ramp ups. ▪ **Would watch for:** 1) TCV of deal wins; 2) Deal pipeline conversion trend; 3) hiring & offshoring, 4) outlook on EBIT margin and its sustainability; 5) trends in Generative AI; 6) Banking, US & Europe outlook 9) trend in cost take out deals.
	Revenue (Rs mn)	6,40,855	6,26,130	5,96,920	*2.4*	*7.4*	
	EBIT (Rs mn)	1,61,047	1,54,420	1,44,820	*4.3*	*11.2*	
	EBIT margin (%)	*25.13%*	*24.66%*	*24.26%*	*47 bps*	*87 bps*	
	Net profit (Rs mn)	1,26,248	1,20,400	1,13,410	*4.9*	*11.3*	
	EPS (Rs)	34.9	33.3	31.0	*4.9*	*12.6*	
Infosys	Revenue (US$ mn)	4,880	4,714	4,718	*3.5*	*3.4*	▪ We forecast revenue growth by 3.5% in $ terms on the back of AI deal wins &due ramp ups in the quarter. ▪ We expect EBIT margin to dip by 28 bps due to deal investments. ▪ **Would watch for**: 1) Ramp up of large deals; 2) Trend in discretionary spends; 3) trends in Generative AI; 4) margin outlook; and 5) Outlook on conversion of pipeline and project run offs 8) hiring & utilization outlook 9) any tweak in FY25E guidance.
	Revenue (Rs mn)	4,08,700	3,93,150	3,89,940	*4.0*	*4.8*	
	EBIT (Rs mn)	85,010	82,880	82,740	*2.6*	*2.7*	
	EBIT margin (%)	*20.80%*	*21.08%*	*21.22%*	*(28 bps)*	*(42bps)*	
	Net profit (Rs mn)	66,209	63,680	62,120	*4.0*	*6.6*	
	EPS (Rs)	15.8	15.4	14.99	*3.0*	*5.7*	
Wipro	Revenue (US$ mn)	2,647	2,636	2,753	*0.4*	*-3.8*	▪ We expect IT services revenue to improve QoQ on demand revival which got offset by softness in certain verticals. ▪ We forecast EBIT margin to remain flat QoQ due to wage hike impact. ▪ **Would watch for:** 1) Commentary on the large deal wins specially AI deals and its connect with revenue growth; 2) New strategies of new leadership 6) Commentary across verticals - especially BFSI, Consumer, Hi Tech and Manufacturing business unit 9) Outlook on greens hoots in CAPCO.
	Revenue (Rs mn)	2,21,686	2,19,638	2,25,159	*0.9*	*-1.5*	
	EBIT (Rs mn)	36,263	36,275	33,077	*0.0*	*9.6*	
	EBIT margin (%)	*16.36%*	*16.52%*	*14.69%*	*-16 bps*	*167 bps*	
	Net profit (Rs mn)	30,149	30,032	26,463	*0.4*	*13.9*	
	EPS (Rs)	5.8	5.8	5.0	*1.3*	*15.5*	

Company		Sept-24	Jun-24	Sept-23	QoQ (%)	YoY (%)	Comments
HCLT	Revenue (US$ mn)	3,398	3,364	3,225	*1.0*	*5.4*	▪ We expect sequential revenue growth of 1% mainly due to impact of State street JV. ▪ We expect EBIT margin to improve by 71bps QoQ due to operational efficiency. ▪ **Would watch for:** 1) Outlook on product business 2) Commentary on deal pipeline, especially large deals, pricing 3) hiring trend 4) Margin outlook; 5) ER&D outlook and its drivers 6) FY25E guidance 7) Impact of AI deals on IT services deals.
	Revenue (Rs mn)	2,84,583	2,80,570	2,66,720	*1.4*	*6.7*	
	EBIT (Rs mn)	50,656	47,950	49,340	*5.6*	*2.7*	
	EBIT margin (%)	*17.80%*	*17.09%*	*18.50%*	*71 bps*	*(70 bps)*	
	Net profit (Rs mn)	41,264	42,570	38,320	*-3.1*	*7.7*	
	EPS (Rs)	15.2	14.7	14.2	*3.4*	*7.0*	
TechM	Revenue (US$ mn)	1,568	1,559	1,555	*0.6*	*0.8*	▪ We expect QoQ revenue to grow by 0.6% QoQ & 0.8% YoY on the lack of major large deals. ▪ We expect EBIT margin to increase by 92 bps QoQ on account of turnaround measures by management, execution rigor. ▪ **Would watch for:** 1) Large deal wins; 2) CEO strategy & ways to improve growth 3) Commentary on revival in comms business & growth in enterprise business, 4) Restructuring of margin; 5) visibility in geography 6) update on AI deals.
	Revenue (Rs mn)	1,31,320	1,30,055	1,28,639	*1.0*	*2.1*	
	EBIT (Rs mn)	12,344	11,023	4,571	*12.0*	*170.1*	
	EBIT margin (%)	*9.40%*	*8.48%*	*3.55%*	*92 bps*	*585 bps*	
	Net profit (Rs mn)	10,112	8,515	4,939	*18.8*	*104.7*	
	EPS (Rs)	11.5	9.6	5.6	*19.2*	*106.2*	
LTIMindtree	Revenue (US$ mn)	1129	1096	1076	*3.0*	*5.0*	▪ We forecast 3% QoQ growth based on uptick in deal wins & ramp ups. ▪ We expect EBIT margins to improve by 51 bps QoQ on account of pyramid rationalization. ▪ **Would watch for:** 1) Order book & large deal trend; 2) Commentary on deal pipeline & its conversion, new logo addition, pricing; 3) Outlook on BFS & discretionary spend revival 4) Outlook on ability to achieve 17-18% margins in long term margin trajectory 8) trend in discretionary spend.
	Revenue (Rs mn)	94,561	91,426	89,054	*3.4*	*6.2*	
	EBIT (Rs mn)	14,657	13,709	14,231	*6.9*	*3.0*	
	EBIT margin (%)	*15.50%*	*14.99%*	*15.98%*	*51 bps*	*-48 bps*	
	Net profit (Rs mn)	12,293	11,338	11,618	*8.4*	*5.8*	
	EPS (Rs)	40.8	37.2	37.6	*9.8*	*8.4*	

Company		Sept-24	Jun-24	Sept-23	QoQ (%)	YoY (%)	Comments
CYIENT	Revenue (US$ mn)	210	201	215	*4.5*	*-2.3*	▪ We expect revenue to grow by 4.5% QoQ mainly led by healthy order book. In terms of verticals, aerospace, sustainability & communication to drive growth. ▪ We forecast EBIT margin to improve by 201bps QoQ basis. ▪ **Would watch for:** 1) Outlook on verticals like Aerospace and Communications, Transportation and ENU; 2) tweak in FY25E guidance; 3) Outlook on EBIT margin; 4) New growth verticals outlook 7) Order book trend.
	Revenue (Rs mn)	17588	16,757	17,785	*5.0*	*-1.1*	
	EBIT (Rs mn)	2445	1,993	2,547	*22.7*	*-4.0*	
	EBIT margin (%)	*13.90%*	*11.89%*	*14.32%*	*201 bps*	*-42 bps*	
	Net profit (Rs mn)	1,741	1741	1,741	*0.0*	*0.0*	
	EPS (Rs)	15.9	13.1	16.3	*21.4*	*-2.5*	
Zensar	Revenue (US$ mn)	161	154	150	*4.0*	*6.9*	▪ We forecast revenue to increase by 4% in $ terms & 4.4% in INR terms QoQ. This growth would be led by BFSI & other emerging verticals and impacted by continued pressure in Hi-tech. ▪ We forecast EBIT margin to dip by 21 bps QoQ to 13.10%. ▪ **Would watch for:** 1) Comments on expected turnaround in the company; 2) Outlook on the BFSI, manufacturing, Hi tech & retail given the global challenges; 3) Deal pipeline 4) Large deal wins 5) New logo addition and client mining trend 6) Outlook on EBIT margin 9) Deal decision making, pipeline conversion.
	Revenue (Rs mn)	13,448	12,881	12,408	*4.4*	*8.4*	
	EBIT (Rs mn)	1,762	1715	1942	*2.7*	*-9.3*	
	EBIT margin (%)	*13.10%*	*13.31%*	*15.65%*	*(21bps)*	*(255bps)*	
	Net profit (Rs mn)	1,533	1,580	1,738	*-3.0*	*-11.8*	
	EPS (Rs)	7.2	7.7	6.9	*-6.3*	*3.9*	
Birlasoft	Revenue (US$ mn)	162	159	158	*2.0*	*2.5*	▪ Revenue is expected to grow 2% QoQ. ▪ EBIT margins are expected to improve by 26bps QoQ. ▪ **Would watch for:** 1) Deal pipeline & Order book trend 3) Large deal wins 5) Outlook on EBIT margin; 6) outlook on BFSI, manufacturing & hi-tech; 8) outlook on Europe and 9) 10) trend in ERP, AI & Gen AI and infra-services.
	Revenue (Rs mn)	13,591	13,274	13,099	*2.4*	*3.8*	
	EBIT (Rs mn)	1,821	1,745	1,856	*4.4*	*-1.9*	
	EBIT margin (%)	*13.40%*	*13.14%*	*14.17%*	*26 bps*	*(77 bps)*	
	Net profit (Rs mn)	1,522	1,501	1,451	*1.4*	*4.9*	
	EPS (Rs)	5.52	5.40	5.24	*2.2*	*5.3*	

Company		Sept-24	Jun-24	Sept-23	QoQ (%)	YoY (%)	Comments
Newgen	Revenue (Rs mn)	3,615	3,147	2,932	*14.9*	*23.3*	■ We forecast revenue to grow by 15% QoQ mainly due to seasonality. ■ We forecast EBIT margin to improve by 421bps QoQ. ■ **Would watch for:** 1) New large logo additions; 4) Outlook on EBIT margin; 5) outlook on the mature market penetration 6) Annuity trends 7) SAAS trends 8) Geo wise growth trends 9) FY25E outlook & deal wins trajectory.
	EBIT (Rs mn)	611	399	504	*53.0*	*21.2*	
	EBIT margin (%)	*16.90%*	*12.69%*	*17.18%*	*421bps*	*(28bps)*	
	Net profit (Rs mn)	550	476	478	*15.6*	*15.1*	
	EPS (Rs)	3.94	3.40	3.43	*15.9*	*15.0*	
Coforge	Revenue (US$ mn)	305.3	291.4	278	*4.8*	*9.8*	■ We forecast revenue to grow by 4.8% QoQ in CC terms. Growth would be led by insurance, travel verticals and order book pipeline. ■ We forecast EBIT margin to decline by 93bps due to wage hike impact. ■ **Would watch for:** 1) Outlook on growth & EBIT margin; 2) outlook on BFS vertical due to macro challenges; 3)Outlook on top clients ; 4) Deal pipeline conversion; 5) outlook on TTH and 6) Large deal wins 7) Outlook on order book.
	Revenue (Rs mn)	25,567	24,008	22,762	*6.5*	*12.3*	
	EBIT (Rs mn)	3,247	3,272	2,701	*-0.8*	*20.2*	
	EBIT margin (%)	*12.70%*	*13.63%*	*11.87%*	*(93bps)*	*83bps*	
	Net profit (Rs mn)	2,275	2,285	1,809	*-0.4*	*25.8*	
	EPS (Rs)	36.8	35.9	29.6	*2.5*	*24.4*	
Sonata Software	Revenue (Rs mn)	21,840	25,274	19,126	*(13.6)*	*14.2*	■ We forecast Services revenue to de-grow by 13.6% QoQ due to seasonally soft quarter for Quant. ■ **Would watch for:** 1) Large deal wins; 2) CEO strategy & ways to improve growth 3) Outlook on services margins 4) new logo addition and client mining trend 5) BFSI and Healthcare trend 6) deal pipeline delay.
	EBIT (Rs mn)	1,310	1,429	1,640	*(2.2)*	*-14.8*	
	EBIT margin (%)	*6.00%*	*5.65%*	*8.57%*	*35bp*	*(257bps)*	
	Adjusted Net profit (Rs mn)	1,092	1,056	1,242	*3.4*	*-12.1*	
	EPS (Rs)	3.9	3.8	4.5	*3.3*	*-12.1*	

Source: IDBI Capital Research; Note: data for EBIT Margin YOY and QOQ is in bps.

Exhibit: Stock price performance

Change (%)	1-mnth	3-mnth	6-mnth	1-yr
SENSEX	2%	6%	14%	28%
TCS	-6%	7%	8%	21%
INFO	-4%	18%	27%	31%
WPRO	1%	3%	12%	33%
HCLT	2%	22%	17%	45%
TECHM	-4%	7%	26%	29%
LTIM	1%	15%	28%	20%
CYL	-5%	2%	-9%	11%
ZENT	-12%	-11%	9%	31%
BSOFT	-10%	-16%	-23%	25%
NEWGEN	20%	33%	69%	198%
COFORGE	11%	27%	24%	37%
SONATA SOFTWARE	-5%	2%	-15%	19%

Source: Bloomberg

Exhibit: Cross-currency movement trend

Currency	Details	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
USD/INR	Average	82.2	82.3	82.2	82.7	83.3	83.0	83.4	83.2
	QoQ	*3*	*0*	*(0)*	*1*	*1*	*(0)*	*0*	*(0)*
	Closing	82.9	82.2	82.0	83.0	83.2	83.4	83.4	83.8
	QoQ	*1*	*(1)*	*(0)*	*1*	*0*	*0*	*0*	*0*
GBP/USD	Average	1.2	1.2	1.3	1.3	1.2	1.3	1.3	1.3
	QoQ	*(0)*	*3*	*3*	*1*	*(2)*	*2*	*(0)*	*(0)*
	Closing	1.2	1.2	1.3	1.2	1.3	1.3	1.3	1.3
	QoQ	*10*	*2*	*3*	*(4)*	*4*	*(1)*	*1*	*5*
EUR/USD	Average	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
	QoQ	*1*	*5*	*2*	*(0)*	*(1)*	*1*	*(1)*	*0*
	Closing	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
	QoQ	*9*	*2*	*1*	*(3)*	*5*	*(3)*	*(0)*	*3*
AUD/USD	Average	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
	QoQ	*(4)*	*4*	*(2)*	*(2)*	*(1)*	*1*	*0*	*(1)*
	Closing	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7
	QoQ	*3*	*(1)*	*(1)*	*(3)*	*6*	*(5)*	*2*	*3*

Source: Bloomberg

Metals & Mining

Low Steel Prices to Weigh on Earnings

Summary

During Q2FY25, domestic steel prices decreased by Rs2,981/tonne due to influx of cheap steel imports. Steel companies are likely to experience a contraction in EBITDA per tonne on a QoQ basis, driven by the decline in steel prices and delays in adjusting for high-cost raw material inventory. Average coking coal prices fell by 10% in Q2FY25, while domestic iron ore prices declined by 15% QoQ to an average of Rs 5,950/tonne, plummeting to Rs 5,900/tonne by the end of the quarter. The benefits of lower input costs are likely to reflect in the next quarter. Furthermore, Indian HRC prices fell significantly by 5.6% QoQ to an average of Rs50,457/tonne, decreasing to Rs 47,000/tonne by the end of the quarter. Chinese HRC prices decreased steeply by 9% QoQ to an average of $485/tonne in Q2FY25, due to weak demand in china. During the post-results calls for Q2FY25, the focus will be on volume guidance, capex spending and updates on project expansions.

Key Highlights

- Domestic iron ore prices decreased by 15% in Q2FY25. Average domestic iron ore prices decreased to Rs5,950/tonne in Q2FY25 from Rs7,004/tonne in Q1FY25.
- Indian steel exports increased 47% YoY to 0.5mn tonnes in Aug'24 and decreased by 8% YoY to 0.46mn tonnes in Aug'24. India's major steel export markets faced challenges due to global economic uncertainties, competitive pricing from China, and a significant increase in Chinese steel export**.**
- In Q2FY25, we anticipate EBITDA/tonne for all the steel companies under our coverage to decline sequentially. Nevertheless, volumes are likely to improve sequentially in Q2FY25, except for JSPL.
- Overall, we expect profitability of steel companies to decline in Q2FY25. However, rich valuations of companies limit the upside. Hence, we maintain a Neutral stance on the sector.

Valuation and Rating

Companies	Mkt Cap (Rs bn)	Rating	CMP (Rs)	TP (Rs)	*Upside (%)*	EV/EBITDA(x) FY25E	EV/EBITDA(x) FY26E
Tata Steel	2,051	**HOLD**	164	164	*-0.2*	7.9	6.5
JSW Steel	2,492	**HOLD**	1,019	867	*-14.9*	10.4	8.3
JSPL	1,021	**HOLD**	1,001	952	*-4.9*	9.1	7.3
SAIL	546	**HOLD**	132	129	*-2.4*	7.7	6.6

Source: IDBI Capital Research

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Exhibit: Estimates (Rs mn)

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
JSW Steel	Revenue	4,14,131	4,29,430	4,45,840	(3.6)	(7.1)	▪ We forecast JSW's sales to decline by 4% QoQ mainly due to decline in steel prices. However, EBITDA margin is likely to decrease by 193bps due to deflation in steel prices ▪ **Would watch for:** 1) Commissioning of captive mines 2) update on capacity expansion
	EBITDA	45,140	55,100	78,860	(18.1)	(42.8)	
	Net profit	2,483	8,450	27,600	(70.6)	(91.0)	
	EBITDA margin (%)	*10.9%*	*12.8%*	*17.7%*	*-193bps*	*-679bps*	
	EBITDA/t	7,265	9,003	12,438	-19.3	-41.6	
	EPS	1.0	3.5	8.9	(70.6)	(88.6)	
JSPL	Revenue	1,19,843	1,36,178	1,22,502	(12.0)	(2.2)	▪ We anticipate JSPL's sales to decrease by 12% QoQ, while EBITDA margin to contract by 259bps QoQ. ▪ **Would watch for:** 1) Volumes guidance for H2FY25 2) Contribution of value added products 3) Update on capex
	EBITDA	21,885	28,393	22,857	(22.9)	(4.3)	
	Net profit	8,555	13,379	13,904	(36.1)	(38.5)	
	EBITDA margin (%)	*18.3*	*20.9*	*18.7*	*-259bps*	*-40bps*	
	EBITDA/t	11,259	13,585	12,030	-17.1	-6.4	
	EPS	8.5	13.2	13.7	(36.1)	(38.4)	
SAIL	Revenue	2,30,462	2,39,978	2,97,135	(4.0)	(22.4)	▪ We expect SAIL's revenues to decline by 4% QoQ mainly due to lower steel prices. EBITDA margin is expected to contract by 182bps QoQ. ▪ **Would watch for**: 1) Update on capacity expansion. 2) update on working capital buildup 3) Contribution of low margin semi-finished products
	EBITDA	17,116	22,194	38,690	(22.9)	(55.8)	
	Net profit	-1,442	107	12,407	(1450.1)	(111.6)	
	EBITDA margin (%)	*7.4*	*9.2*	*13.0*	*-182bps*	*-559bps*	
	EBITDA/t	4,185	5,535	8,111	-23.2	-47.6	
	EPS (Rs)	(0.3)	0.8	4.0	(144.7)	(108.7)	
Tata Steel	Revenue	5,37,511	5,47,714	5,56,819	(1.9)	(3.5)	▪ Tata Steel's topline is expected to decrease by 2% QoQ in Q2FY25 mainly dragged by domestic operations. EBITDA margin to contract by 350bps. ▪ **Would watch for:** 1) Update on EAF project at UK's Talbot. 2) Profitability and cash flow from European operations and 3) Update on capacity expansion progress.
	EBITDA	46,865	66,945	42,678	(30.0)	9.8	
	Net profit	750	9,596	-61,962	(92.2)	(101.2)	
	EBITDA margin (%)	*8.7*	*12.2*	*7.7*	*-350bps*	*105bps*	
	EBITDA/t	6,175	9,059	6,037	-31.8	2.3	
	EPS (Rs)	1.4	0.9	0.5	50.1	172.1	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

IDBI capital

Mid-Caps

A Mixed Bag

Summary

We expect most of the mid-cap companies under our coverage to report improvement in net sales on a YoY basis in Q2FY25, led by volume growth and price hikes. Building material sector to witness muted growth due to seasonal weakness and reduced construction activity, while margin are expected to see marginal improvement. Wood panel companies are likely to witness margins pressure due to elevated input costs. Hotel sector is expected to witness sales growth, driven by higher RevPAR and an improvement in occupancy.

Key Highlights

- APL Apollo reported record quarterly sales volumes in Q2FY25 (up 5% QoQ to 0.76 mn tonnes) driven by commodity products. The contribution from value added products decreased to 55% in Q2FY25 (down from 60% in Q1FY25). Coupled with inventory losses and fixed costs from new plants, this is expected to result in a sharp decline in EBITDA per tonne in Q2FY25. We will monitor volume guidance during its post-results call.
- We expect building material products companies (tiles, sanitaryware and faucets) to report single digit growth in top line, while EBITDA margin would be flattish to marginal improvement over Q2FY24. Volume off-take may get impacted due to seasonality and heavy monsoons at many parts of the country. We will be watchful of the management commentary on future growth guidance and instar/real estate sector growth in near term.
- After a muted Q1FY25, we anticipate hotel stocks to rebound on RevPAR as demand remained healthy in Q2. We forecast higher single digit to lower double digit ADR growth for organized players and 1%-3% improvement in occupancy. Given festive season is around the corner, hotel companies are gearing up for higher RevPAR, aided by weddings, leisure travel as well as corporate travel and MICE. We remain optimistic about earnings improvement of hotel companies over FY25/FY26 led by demand-supply mismatch to drive ADR growth, higher FTA and MICE/Wedding season continue to do well.

Valuation and Rating

Companies	Mkt Cap (Rs bn)	Rating	CMP (Rs)	TP (Rs)	*Upside (%)*	P/E (x) FY25E	P/E (x) FY26E
APL Apollo Tubes	434	**BUY**	1,565	1,693	*8.2*	48.6	33.3
Astral	507	**HOLD**	1,886	2,225	*18.0*	74.5	59.3
Bata India	174	**HOLD**	1,354	1,610	*18.9*	49.0	42.1
Castrol India	218	**HOLD**	221	254	*15.0*	21.7	20.0
CCL Product	89	**HOLD**	663	727	*9.7*	30.2	22.8
Century Plyboards	189	**HOLD**	850	683	*(19.6)*	54.7	38.6
Cera Sanitaryware	100	**HOLD**	7,742	10,038	*29.7*	36.4	30.8
Chalet hotels	181	**HOLD**	831	934	*12.4*	51.1	35.0
Finolex Industries	182	**HOLD**	294	330	*12.2*	30.7	25.0
Greenpanel Industries	48	**HOLD**	390	344	*(11.7)*	39.6	24.9
Greenply Industries	43	**HOLD**	349	340	*(2.5)*	34.6	25.7
Indian Hotels	929	**BUY**	652	673	*3.2*	60.1	49.3
IRCTC	686	**HOLD**	858	991	*15.5*	47.5	41.6
JK Paper	83	**HOLD**	492	582	*18.2*	7.4	6.7
Kajaria Ceramics	226	**HOLD**	1,421	1,530	*7.6*	42.9	37.2
Lemon Tree Hotels	90	**BUY**	114	150	*31.7*	40.6	28.3
Molt-Tek Packaging	24	**BUY**	731	956	*30.8*	33.0	26.8
Nilkamal	27	**HOLD**	1,836	1,996	*8.7*	22.0	18.4
PCBL	190	**BUY**	502	461	*(8.2)*	31.0	24.0
Prince Pipe & Fittings	60	**HOLD**	545	701	*28.6*	30.7	23.3
PVRInox	152	**HOLD**	1,549	1,585	*2.3*	94.6	37.4
Relaxo Footwears	196	**HOLD**	788	864	*9.7*	76.3	59.3
Safari Industries	118	**HOLD**	2,410	2,535	*5.2*	67.9	47.5
Somany Ceramics	29	**HOLD**	701	765	*9.1*	20.5	16.5
Supreme Industries	689	**HOLD**	5,423	5,455	*0.6*	55.2	44.7
Surya Roshni	74	**HOLD**	683	604	*(11.6)*	18.2	16.1
VIP Industries	75	**HOLD**	527	496	*(5.8)*	109.7	37.1

Source: IDBI Capital, Company

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Exhibit: Estimates (Rs mn)

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
APL Apollo Tubes	Revenue	49,700	49,743	46,304	*(0.1)*	*7.3*	■ APL Apollo reported highest ever quarterly sales volumes in Q2FY25. We expect revenue to remain flat sequentially due to sharp correction in steel price. We expect EBITDA margin to remain under pressure in Q2FY25. ■ **Would watch for:** 1) Demand outlook for H2FY25 2) Margin guidance 3) Update on capacity expansion at Silgudi and Gorakhpur plants.
	EBITDA	2,085	3,016	3,250	*(30.9)*	*(35.8)*	
	Net profit	1,172	1,932	2,029	*(39.3)*	*(42.2)*	
	EBITDA margin (%)	*4.2%*	*6.1%*	*7.0%*	*(187)bps*	*(282)bps*	
	EPS	4.2	7.0	7.3	*(39.3)*	*(42.2)*	
Astral	Revenue	15,247	13,836	13,630	*10.2*	*11.9*	■ We expect 11.9% YoY increase in net sales aided by growth in pipes and adhesive segment. EBITDA margin to be marginally higher by 25bps YoYat 16.4%, while net profitability to be higher by 9.6% over Q2FY24. ■ **Would watch for:** 1) Demand outlook for FY25E and FY26E 2) Management outlook on adhesive segments, paints and sanitaryware segment 3) Update on capacity addition/capex in near term.
	EBITDA	2,500	2,144	2,201	*16.6*	*13.6*	
	Net profit	1,443	1,195	1,317	*20.7*	*9.6*	
	EBITDA margin (%)	*16.4*	*15.5*	*16.1*	*90bps*	*25bps*	
	EPS (Rs)	5.4	4.4	4.9	*20.7*	*9.6*	
Bata India	Revenue	8,880	9,446	8,191	*(6.0)*	*8.4*	■ We expect modest 8.4% YoY increase in sales driven by higher sales volume and improvement in realization. We anticipate EBITDA margin to be lower by 48bps YoY at 21.7%. Consequently, net profitability to be lower by 10.2% YoY. ■ **Would watch for:** 1) Business growth outlook for FY25E and FY26E, 2) Commentary on new initiatives, products launches and stores opening
	EBITDA	1,927	1,849	1,817	*4.2*	*6.1*	
	Net profit	673	401	749	*67.7*	*(10.2)*	
	EBITDA margin (%)	*21.7*	*19.6*	*22.2*	*212bps*	*(48)bps*	
	EPS (Rs)	5.2	3.1	5.8	*67.7*	*(10.2)*	
Castrol	Revenue	12,483	13,975	11,829	*(10.7)*	*5.5*	■ We expect Castrol's top-line to grow by 5.5% YoY mainly led by volume growth. However, we expect EBITDA to grow by 7.4% YoY in Q2FY25. ■ **Would watch for:** 1) Contribution of new products in topline 2) Volume guidance for CY26E. 3) EBITDA margin outlook.
	EBITDA	2,884	3,224	2,686	*(10.6)*	*7.4*	
	Net profit	2,095	2,322	1,944	*(9.8)*	*7.8*	
	EBITDA margin (%)	*23.1%*	*23.1%*	*22.7%*	*3bps*	*40bps*	
	EPS (Rs)	2.1	2.3	2.0	*(9.8)*	*7.8*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
CCL Products (India)	Revenue	7,291	7,733	6,076	*(5.7)*	*20.0*	■ We expect CCL's topline to increase by 20% YoY aided by higher realisations. Further, EBITDA margin is expected to contract by 159bps YoY due to higher input cost. ■ **Would watch for:** 1) Demand outlook for FY25E and FY26E 2) Impact of global coffee crop shortage 3) Contribution of B2C coffee segment
	EBITDA	1,203	1,303	1,099	*(7.7)*	*9.5*	
	Net profit	672	715	609	*(6.0)*	*10.4*	
	EBITDA margin (%)	*16.5%*	*16.8%*	*18.1%*	*(34)bps*	*(159)bps*	
	EPS (Rs)	5.0	5.4	4.6	*(6.0)*	*10.2*	
Century Plyboards	Revenue	11,406	10,054	9,968	*13.4*	*14.4*	■ We expect Century Plyboards top-line to increase by 14.4% YoY led by MDF segment. However, we expect EBITDA to decrease by 1.2% due to higher raw material prices. ■ **Would watch for:** 1) Realization and margins for all segments. 2) Update on capacity expansion and utilization levels. 3) Price hikes taken during the quarter.
	EBITDA	1,426	1,112	1,443	*28.2*	*(1.2)*	
	Net profit	758	474	971	*59.7*	*(22.0)*	
	EBITDA margin (%)	*12.5%*	*11.1%*	*14.5%*	*144bps*	*(197)bps*	
	EPS	3.4	2.1	4.4	*59.7*	*(22.0)*	
Cera Sanitaryware	Revenue	4,310	4,007	4,637	*7.6*	*(7.1)*	■ We expect demand environment to be muted which will weigh on net sales of Cera. We forecast net sales to be down by 7.1% YoY, while EBITDA margin to squeeze by 88bps YoY to 15.6%. Net profitability to decline too by 7.1% over Q2FY14. ■ **Would watch for:** 1) Industry outlook FY25E and FY26E. 2) New products launches across the segments and update on capacity addition.
	EBITDA	673	581	765	*15.9*	*(12.0)*	
	Net profit	547	475	589	*15.2*	*(7.3)*	
	EBITDA margin (%)	*15.6*	*14.5*	*16.5*	*112bps*	*(88)bps*	
	EPS (Rs)	42.0	36.5	45.3	*15.2*	*(7.3)*	
Chalet Hotels	Revenue	4,043	3,610	3,145	*12.0*	*28.5*	■ We anticipate hotels stock to witness healthy RevPAR growth in Q2FY25 which will support earnings improvement. We forecast net sales to increase by 28.5% YoY, while EBITDA margin to be down by 30bps YoY to 39.7%. PAT to increase by 100.6% led by positive operating leverage. ■ **Would watch for:** 1) RevPAR guidance for FY25E and FY26E 2) Update on new hotels and commercial space expansion 3) Commentary on Koramangala project
	EBITDA	1,607	1,402	1,260	*14.6*	*27.6*	
	Net profit	731	606	364	*20.5*	*100.6*	
	EBITDA margin (%)	*39.7*	*38.8*	*40.0*	*90bps*	*(30)bps*	
	EPS (Rs)	3.6	3.0	1.8	*20.5*	*100.6*	

Company		Sept 24	June 24	Sept 23	*QoQ (%)*	*YoY (%)*	Comments
Finolex Industries	Revenue	9,694	11,405	8,832	*(15.0)*	*9.8*	■ We expect healthy 9.8% YoY increase in net sales led by higher sales volume in agri-pipes segment. We anticipate EBITDA margin to improve 497bps YoY to 16.6%, while PAT to grow by healthy 54.1% over Q2FY24. ■ **Would watch for:** 1) Demand outlook for agri-pipes segment in FY25E and FY26E. 2) Capacity addition and new products launches.
	EBITDA	1,612	2,067	1,030	*(22.0)*	*56.6*	
	Net profit	1,373	833	891	*64.9*	*54.1*	
	EBITDA margin (%)	*16.6*	*18.1*	*11.7*	*(148)bps*	*497bps*	
	EPS (Rs)	2.2	1.3	1.4	*64.9*	*54.1*	
Greenpanel Industries	Revenue	3,808	3,650	3,988	*4.3*	*-4.5*	■ We expect top line to decrease by 4% YoY led by decrease in realisations in both MDF and Plywood segment. Also, margins are likely to remain under pressure during Q2FY25 due to elevated input cost. ■ **Would watch for:** 1) Update on MDF project timelines, and 2) Volume guidance for both MDF and Plywood segment
	EBITDA	430	360	692	*19.4*	*-37.8*	
	Net profit	209	157	411	*33.2*	*-49.0*	
	EBITDA margin (%)	*11.3%*	*9.9%*	*17.3%*	*142bps*	*(604)bps*	
	EPS (Rs)	1.7	1.3	3.3	*33.2*	*(49.0)*	
Greenply Industries	Revenue	6,478	5,839	6,077	*10.9*	*6.6*	■ We expect Greenply's top-line to increase by 7% YoY led by high volume in plywood segment. EBITDA is expected to improve by 20% led by increase in VAP contribution. ■ **Would watch for:** 1) Update on furniture and fittings segment operations, 2) Management guidance for MDF production. 3) Update on resin plant and flooring line facility.
	EBITDA	615	579	513	*6.3*	*20.0*	
	Net profit	274	331	140	*(17.0)*	*95.7*	
	EBITDA margin (%)	*9.5%*	*9.9%*	*8.4%*	*(42)bps*	*106bps*	
	EPS (Rs)	2.2	2.7	1.1	*(17.0)*	*95.7*	
Indian Hotels Co.	Revenue	17,440	15,502	14,332	*12.5*	*21.7*	■ We expect healthy 21.7% YoY increase in net sales led by higher RevPAR for owned hotels and higher management fees. Further, new businesses to aid healthy net sales growth. EBITDA margin to increase by 176bps YoY to 26.5%, while PAT to increase by 52.2% over Q2FY24. ■ **Would watch for**: 1) Outlook on domestic leisure segment as well as wedding season and overall demand outlook in FY25E and FY26E 2) Outlook on international business 3) Update on new businesses.
	EBITDA	4,624	4,496	3,548	*2.8*	*30.3*	
	Net profit	2,434	2,342	1,599	*3.9*	*52.2*	
	EBITDA margin (%)	*26.5*	*29.0*	*24.8*	*(249)bps*	*176bps*	
	EPS (Rs)	1.7	1.6	1.1	*3.9*	*52.2*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
IRCTC	Revenue	11,145	11,202	9,953	*(0.5)*	*12.0*	▪ We expect revenue to de-grew by 0.5% due to seasonality ▪ We expect EBIT margin to improve by 50bps due to better operational efficiencies ▪ **Would watch for:** 1) Catering revenue 2) Addition of new Vande bharat & Tejas trains 3) Plant expansion of rail neer 4) Govt. plans for Indian railways expansion 5) EBIT margin trajectory 6) Outlook on ticketing revenue 7) Outlook on tourism revenues
	EBIT (Rs mn)	3,639	3,611	3,526	*0.8*	*3.2*	
	Net profit (Rs mn)	3,121	3,077	2,947	*1.4*	*5.9*	
	EBIT margin (%)	*32.7*	*32.2*	*35.4*	*50bps*	*(270 bps)*	
	EPS (Rs)	4	4	4	*(0.7)*	*3.0*	
JK Paper	Revenue	17,908	17,137	16,500	*4.5*	*8.5*	▪ After a subdued Q1FY25, we anticipate marginal improvement in NSR, which will drive net sales improvement in Q2. We anticipate net sales to be higher by 4.5% QoQ as a mix of higher sales volume and higher NSR. EBITDA margin to improve by 218bps QoQ, while PAT to be higher by 29.9% QoQ. ▪ **Would watch for:** 1) Demand/pricing outlook for FY25E and FY26E. 2) Capacity utilization of packaging and Sirpur plant 3) Update on corrugated business.
	EBITDA	3,319	2,803	4,073	*18.4*	*(18.5)*	
	Net profit	1,829	1,408	3,057	*29.9*	*(40.2)*	
	EBITDA margin (%)	*18.5*	*16.4*	*24.7*	*218bps*	*(615)bps*	
	EPS (Rs)	10.8	8.3	18.0	*29.9*	*(40.2)*	
Kajaria Ceramics	Revenue	11,972	11,137	11,216	*7.5*	*6.7*	▪ We expect sales to improve by 6.7% YoY supported by higher sales volume. EBITDA margin to witness marginal dip of 17bps YoY at 15.9%, while PAT to be higher by 3.1% over Q2FY24. ▪ **Would watch for:** 1) Management commentary on pricing and sales volume in FY25E and FY26E 2) Outlook on competitive intensity and capacity addition 3) Commentary on margin profile in near term.
	EBITDA	1,898	1,671	1,797	*13.6*	*5.6*	
	Net Profit	1,145	946	1,110	*21.0*	*3.1*	
	EBITDA Margin (%)	*15.9*	*15.0*	*16.0*	*85bps*	*(17)bps*	
	EPS	7.2	5.9	7.0	*21.0*	*3.1*	
Lemon Tree Hotels	Revenue	2,868	2,680	2,272	*7.0*	*26.2*	▪ We forecast net sales to improve by 26.2% YoY led by higher RevPAR. Incremental spending on hotel renovation and overall increased cost to weigh on EBITDA margin, which we forecast to decline by 109bps YoY to 43.7%. Negative operating leverage to dent net profitability which we expect to be higher by 10.7% over Q2FY24. ▪ **Would watch for:** 1) Management commentary on inventory addition 2) Outlook on margin profile in near term 3) Update on Aurika Mumbai business.
	EBITDA	1,255	1,151	1,019	*9.0*	*23.2*	
	Net profit	290	200	262	*44.7*	*10.7*	
	EBITDA margin (%)	*43.7*	*42.9*	*44.8*	*82bps*	*(109)bps*	
	EPS (Rs)	0.4	0.3	0.3	*44.7*	*10.7*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
Mold-Tek Packaging	Revenue	2,036	1,967	1,704	*3.5*	*19.5*	▪ We expect sales to increase by 19.5% YoY led by higher volume off-take. EBITDA margin to be marginally down by 17bps YoY to 18.7%, while net profitability to be lower by 16.5% over Q2FY24. ▪ **Would watch for:** 1) Outlook on paints/lubricants/FMCG segment demand growth in FY25E and FY26E 2) New product launches in IML 3) Greenfield capacity expansion 4) Outlook on IBM product launches.
	EBITDA	380	357	321	*6.5*	*18.4*	
	Net profit	183	165	157	*10.6*	*16.5*	
	EBITDA margin (%)	*18.7*	*18.2*	*18.9*	*53bps*	*(17)bps*	
	Adj. EPS (Rs)	5.5	5.0	4.7	*10.6*	*16.5*	
Nilkamal	Revenue	7,575	7,427	7,756	*2.0*	*(2.3)*	▪ We expect net sale to remain under pressure maid muted demand. We forecast net sales to be lower by 2.3% YoY, while EBITDA margin to be up by 27bps over Q2FY24. Negative operating leverage to dent net profitability which we anticipate to down by 8.7% over Q2FY24. ▪ **Would watch for:** 1) Management outlook on consumer division 2) Retail segment business outlook 3) Capacity expansion.
	EBITDA	624	563	618	*10.8*	*1.0*	
	Net profit	206	164	225	*25.7*	*(8.7)*	
	EBITDA margin (%)	*8.2*	*7.6*	*8.0*	*65bps*	*27bps*	
	EPS (Rs)	13.8	11.0	15.1	*25.7*	*(8.7)*	
PCBL	Revenue	21,889	21,436	14,867	*2.1*	*47.2*	▪ PCBL's sales are expected increase by 47% YoY on inclusion of Aquapharm revenue led by higher volume growth in carbon blacks. Nevertheless, EBITDA is likely to increase 54% YoY led by better product mix. ▪ **Would watch for:** 1) Update on sales volume for Carbon Black. 2) Update on JV with Nanowaste technologies. 3) Update on capacity expansion.
	EBITDA	3,677	3,583	2,381	*2.6*	*54.4*	
	Net profit	1,289	1,180	1,226	*9.2*	*5.1*	
	EBITDA margin (%)	*16.8%*	*16.7%*	*16.0%*	*9bps*	*78bps*	
	EPS	3.4	3.1	3.2	*9.2*	*5.1*	
Prince Pipe & Fittings	Revenue	6,288	6,045	6,565	*4.0*	*(4.2)*	▪ We anticipate weak volume growth in Q2FY25 to dent net sales which we forecast to be lower by 4.2% YoY. Decline in PVC prices in the quarter may lead to inventory loss and weigh on EBITDA margin. We forecast 420bps decline in EBITDA margin at 10.1%. while net profitability to be down by 44.7% over Q2FY24. ▪ **Would watch for:** 1) Outlook on FY25E and FY26E 2) Update on bathware segment 3) Capacity addition and new product launches in near term 4) Performance of Aquel brand.
	EBITDA	638	583	942	*9.4*	*(32.3)*	
	Net profit	292	247	527	*18.2*	*(44.7)*	
	EBITDA margin (%)	*10.1*	*9.6*	*14.3*	*50bps*	*(420)bps*	
	EPS	2.6	2.2	4.8	*18.2*	*(44.7)*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
PVR-Inox	Revenue	14,321	12,086	19,999	*18.5*	*(28.4)*	▪ We expect revenue to improve by 18.5% QoQ on the back blockbuster & re- releases ▪ We expect EBITDA margin to improve mainly led by increase in revenue. ▪ **Would watch for:**1)Key strategies like reduction in rent, reduction in debt 2) Success of other scheme/ campaigns 3) Targeted occupancy levels 4) Increasing competition from OTT 5) Trend in content & pipeline initiatives by company to improve occupancy 6) Revenue from other business ventures 7) Increase in share of southern states.
	EBITDA (Rs mn)	1,074	(378)	4,276	*(384.2)*	*(74.9)*	
	Net profit (Rs mn)	200	-1790	1663	*n.m*	*n.m*	
	EBITDA margin (%)	*7.5*	*-3.1*	*21.4*	*n.m*	*n.m*	
	EPS	2	-14	21	*n.m*	*n.m*	
Relaxo Footwear	Revenue	7,332	7,482	7,153	*(2.0)*	*2.5*	▪ We expect net sales to be marginally higher by 2.5% YoY aided by higher sales volume. Positive operating leverage to aid EBITDA margin improvement by 212bps YoY to 14.9%. PAT to be higher by 19.4% over Q2FY24. ▪ **Would watch for:** 1) Outlook for FY25E and FY26E 2) Management commentary on new products launches 3) Update on competitive intensity in low-mid priced footwear.
	EBITDA	1,094	989	915	*10.6*	*19.5*	
	Net profit	528	444	442	*18.9*	*19.4*	
	EBITDA margin (%)	*14.9*	*13.2*	*12.8*	*170bps*	*212bps*	
	EPS	2.1	1.8	1.8	*18.9*	*19.4*	
Safari Industries	Revenue	4,144	4,500	3,700	*(7.9)*	*12.0*	▪ We expect Safari's revenue to increase by 12% YoY led by higher volumes. EBITDA is expected to contract by 291bps YoY due to price aggression. ▪ **Would watch for:** 1) Premium segment contribution 2) Update on Jaipur plant 3) Update on price competition
	EBITDA	590	659	635	*(10.4)*	*(7.0)*	
	Net profit	339	444	398	*(23.7)*	*(14.8)*	
	EBITDA margin (%)	*14.2%*	*14.6%*	*17.2%*	*(40)bps*	*(291)bps*	
	EPS	7.0	9.1	8.2	*(23.7)*	*(14.8)*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
Somany Ceramics	Revenue	6,278	5,786	6,552	*8.5*	*(4.2)*	▪ We expect sales to decline by 4.2% YoY as demand remains subdued. Cost optimization to drive EBITDA margin to be flattish YoY to 9.8%, while PAT to be lower by 22.7% over Q2FY24. ▪ **Would watch for:** 1) Commentary on business outlook in FY25 and FY26 2) Commentary on bathware segment.
	EBITDA	613	490	641	*25.3*	*(4.3)*	
	Net profit	228	123	295	*86.2*	*(22.7)*	
	EBITDA margin (%)	*9.8*	*8.5*	*9.8*	*131bps*	*(2)bps*	
	EPS	5.4	2.9	7.0	*86.2*	*(22.7)*	
Supreme Industries	Revenue	25,480	26,364	23,087	*(3.4)*	*10.4*	▪ We expect sales to increase by 10.4% YoY aided by higher sales volume. Raw material prices have softened in Q2, which may lead to inventory loss and lower operating margin. We forecast EBITDA margin to be lower by 20bps over Q2FY24 at 15.2%. Net profitability to improve by 9.3% YoY. ▪ **Would watch for:** 1) Outlook for agri pipes demand 2) Capacity expansion plans 3) New products launches 4) Overall demand scenario in near term.
	EBITDA	3,882	3,873	3,562	*0.2*	*9.0*	
	Net profit	2,395	2,358	2,192	*1.6*	*9.3*	
	EBITDA margin (%)	*15.2*	*14.7*	*15.4*	*54bps*	*(20)bps*	
	EPS (Rs)	18.9	18.6	17.2	*1.6*	*9.3*	
Surya Roshni	Revenue	19,712	18,931	19,155	*4.1*	*2.9*	▪ We expect revenue to grow 3% YoY led by steel pipe and strip segment. EBITDA margins are expected to contract due to decrease in steel prices and price erosion in lighting and consumer segment. ▪ **Would watch for:** 1) Update on capacity expansion 2) Contribution of value added products in topline. 3) Demand outlook for Pipe segment.4) Update on any possibility for Demerger of Lighting and pipes segment.
	EBITDA	1,459	1,509	1,373	*(3.3)*	*6.3*	
	Net profit	880	924	759	*(4.8)*	*15.9*	
	EBITDA margin (%)	*7.4%*	*8.0%*	*7.2%*	*(57)bps*	*24bps*	
	EPS (Rs)	8.1	8.5	7.0	*(4.8)*	*15.9*	
VIP Industries	Revenue	5,789	6,389	5,461	*(9.4)*	*6.0*	▪ We expect VIP's revenue to increase by 6% YoY led by higher volumes. We expect EBITDA to remain under pressure due to price aggression. ▪ **Would watch for:** 1) Update on Bangladesh operations 2) Update on soft luggage inventory liquidation. 3) Update on backpacks and duffle bags production ramp up. 4) Update on price competition
	EBITDA	469	493	529	*(4.9)*	*(11.3)*	
	Net profit	12	40	133	*(70.0)*	*(90.9)*	
	EBITDA margin (%)	*8.1%*	*7.7%*	*9.7%*	*38bps*	*(158)bps*	
	EPS (Rs)	0.1	0.3	0.9	*(70.0)*	*(90.9)*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

EARNINGS PREVIEW

Specialty Chemicals

Gradual recovery expected

Summary

We expect improved financial performance from the specialty chemicals sector in Q2FY25. Weakness in the agrochemical value chain and strong intensity of Chinese dumping is expected to reverse and improve performance. Large demand centres of chemicals such as the US and Europe are exhibiting improvement in demand due to easing inflationary pressures. The pace of demand recovery will be a key monitorable. However, Chinese dumping will continue to exert pricing pressures. Pricing for most of the chemicals seem to have stabilized. Also increasing preference for non- Chinese suppliers will also aid demand for Indian players. Our top pick remains Neogen Chemicals on the back of their strong capex plans in battery chemicals.

Key Highlights

- **Improvement in performance expected:** We expect healthy profit growth for our coverage universe on a QoQ basis. Traction of flagship products, deferments of certain molecules coming back on track and introduction of new products to lead to PAT growth for SRF. The weakness in the agrochemical segment is also expected to remain key concern of growth for the specialty chemicals segment of Navin and SRF both. The pace of recovery in the agrochemical sector will be a key thing to watch out for. Key monitorables for Ami Organics would be the outlook for the advanced pharma intermediates segment and update on battery chemicals.
- **Expect progressive recovery ahead:** We expect revenue growth for Clean Science to witness stability sequentially owing to steady demand for MEHQ. Demand off take for HALs also would be a key thing to watch out for. Neogen Chemicals is expected to exhibit steady profit growth. Strong medium term investment plans for entry into battery chemicals along with an adept technological player like MUIS bodes well for Neogen Chemicals

Valuation and Rating

Companies	Rating	Mkt Cap (Rs bn)	CMP (Rs)	TP (Rs)	*Upside (%)*	P/E (x) FY25E	P/E (x) FY26E
SRF	**HOLD**	684	2,307	2,382	*3*	47	36
Neogen Chemicals	**BUY**	53	2,020	2,871	*42*	88	68
Navin Fluorine	**HOLD**	165	3,321	3,780	*14*	53	40
Clean Sci. and Tech.	**HOLD**	160	1,507	1,500	*(1)*	52	41
Ami Organics	**HOLD**	66	1,605	1,250	*(22)*	67	52

Source: IDBI Capital, Company

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Exhibit: Quarterly Financial Estimates (Rs mn)

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
Ami Organics	Revenue	1,970	1,767	1,724	*11.5*	*14.3*	▪ We expect revenue to grow by 14% YoY owing to steady growth in the advanced pharma intermediates segment. We expect margins to come in at 18% and EBITDA growth of 46% YoY. PAT growth is expected at 61% QoQ. Demand outlook for API business and further updates on battery chemicals would be key monitorables.
	EBITDA	363	295	248	*22.9*	*46.2*	
	EBITDA Margin (%)	*18.4%*	*16.7%*	*14.4%*	*171*	*402*	
	Net Profit	225	139	(189)	*61.0*	*-219.1*	
Clean Science	Revenue	2,491	2,240	1,811	*11.2*	*37.5*	▪ We expect revenue to grow by 11% QoQ owing to some stability in MEHQ demand sequentially. We expect margins to come in at 42% and EBITDA growth of 10% QoQ. PAT growth is expected at 10% QoQ supported by higher other income on account of healthy level of liquid investments. Key things to watch out would be the demand outlook for MEHQ and pricing trends. Demand trajectory for HALs also would be key.
	EBITDA	1,037	947	748	*9.6*	*38.6*	
	EBITDA Margin (%)	*41.6%*	*42.3%*	*41.3%*	*-63*	*31*	
	Net Profit	722	659	522	*9.6*	*38.4*	
Navin Fluorine	Revenue	5,564	5,237	4,718	*6.2*	*17.9*	▪ We expect revenue to grow by 18% YoY owing to steady growth in specialty chemicals and CDMO segments. We expect margins to come in at 20% and EBITDA growth of 11% YoY. PAT growth is expected at 19% QoQ owing to demand improvement. Key things to watch out would be the demand outlook for the agrochemical segment and update on capex projects.
	EBITDA	1,093	1,004	983	*8.9*	*11.2*	
	EBITDA Margin (%)	*19.7%*	*19.2%*	*20.8%*	*48.8*	*-119.4*	
	Net Profit	607	512	606	*18.5*	*0.1*	
Neogen Chemicals	Revenue	2,040	1,800	1,617	*13.4*	*26.1*	▪ We expect revenue growth of 26% YoY owing to growth in the agrochemical/pharma segment. We expect margins to come in at 17% and EBITDA growth to come in at 12% QoQ. PAT growth is expected at 15% QoQ. Key things to watch out would be the demand outlook for the existing business and update on battery chemicals business.
	EBITDA	345	308	259	*11.9*	*32.9*	
	EBITDA Margin (%)	16.9%	17.1%	16.0%	*-22.4*	*86.3*	
	Net Profit	132	115	79	*14.7*	*66.1*	

Company		Sept 24	June 24	Sept 23	QoQ (%)	YoY (%)	Comments
SRF	Revenue	35,020	34,641	31,774	*1.1*	*10.2*	▪ We expect revenue to rise by 10% QoQ owing to improvement in chemicals and packaging business. We expect margins to come in at 18% and EBITDA rise of 2% YoY. PAT is expected to improve by 16% QoQ owing to lower base. Key things to watch out would be the demand outlook for the agrochemical segment and update on the destocking scenario.
	EBITDA	6,385	6,034	6,262	*5.8*	*2.0*	
	EBITDA Margin (%)	*18.2%*	*17.4%*	*19.7%*	*81*	*-147*	
	Net Profit	2,925	2,522	3,008	*16.0*	*-2.8*	

Source: IDBI Capital Research

Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

IDBI Capital Markets & Securities Ltd.

Equity Research Desk

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