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Happy Diwali

Diwali Stock Picks

2024

Diwali 2024: Top Stock Picks

Our Diwali 2024 stock recommendations offer a diversified portfolio across key sectors poised for significant growth, providing a robust foundation for long-term wealth creation. JSW Infrastructure Ltd. in the marine port and services sector targets a 28% upside, benefitting from an expanding port network and favorable government investments in logistics. Hindustan Unilever Ltd. aims for 36% growth, driven by rural penetration and cost optimization, while Tata Power Company Ltd. with a 41% target gain, capitalizes on green energy initiatives and EV charging infrastructure. In the mining sector, Vedanta Ltd. seeks 35% growth, supported by robust global metal demand. Hindalco Industries Ltd., with a 30% target upside, stands to benefit from its diversified non-ferrous metals portfolio and sustainable practices.

Further, Indian Oil Corporation Ltd. in the refineries sector, targets a 42% gain amid strong refining margins and India's rising fuel needs. In IT, Persistent Systems Ltd. aims for 34% growth, riding the global digital transformation wave, while Bajaj Housing Finance Ltd., projected at a 37% gain, leverages the demand for housing finance in India. In pharmaceuticals, Biocon Ltd. is positioned for 43% growth, driven by biosimilars and generics expansion, while Navin Fluorine International Ltd. leads the specialty chemicals segment with a target of 48%, fueled by increased demand for fluorochemicals. This mix of sectors presents strong growth opportunities, offering resilience and high return potential till Diwali 2025.

Company Name	Sector	LTP	Target %	Target	Time Horizon
JSW Infrastructure Ltd	Marine Port & Services	281	28%	360	Till Next Diwali
Hindustan Unilever Ltd	FMCG	2578	36%	3506	Till Next Diwali
Tata Power Company Ltd	Power Generation & Distribution	422	41%	595	Till Next Diwali
Vedanta Ltd	Mining and Mineral Products	269	35%	363	Till Next Diwali
Hindalco Industries Ltd.	Non Ferrous Metals	678	30%	881	Till Next Diwali
Indian Oil Corporation Ltd	Refineries	146	42%	207	Till Next Diwali
Persistent Systems Ltd	IT– Software	5670	34%	7598	Till Next Diwali
Bajaj Housing Finance Ltd.	Finance	131	37%	179	Till Next Diwali
Biocon Ltd	Pharmaceuticals	312	43%	446	Till Next Diwali
Navin Fluorine International Ltd	Chemicals	3301	48%	4885	Till Next Diwali

Retail Equity Research

JSW Infrastructure Ltd

Marine Port & Services

BSE CODE: 543994 NSE CODE: JSWINFRA

CMP Rs. 281

(as on 25.10.2024)

Target Rs. 360

JSW Infrastructure's latest financial results reveal a mixed performance for the quarter ending June 2024. Sales declined by 8% quarter-over-quarter (QoQ) to ₹1,009.77 crore, following a robust 17% growth in March 2024. The company faced downward pressure on its operating profit, which fell by 11% QoQ to ₹514.64 crore, despite a strong growth of 21% in the prior quarter. This decline can be attributed to increased expenses and depreciation costs, offset slightly by a notable rise in other income to ₹93.92 crore.

Despite these challenges, JSW Infrastructure managed to achieve an EBITDA of ₹608.56 crore, reflecting a 13% drop from the March 2024 quarter, where EBITDA had surged by 19%. Net profit also took a hit, declining by 13% QoQ to ₹292.44 crore, after a significant 24% growth in the previous quarter. The company's financial performance suggests a cooling off after a period of strong growth, driven by higher interest costs and rising depreciation.

Company Data		
Market Cap (cr)	Rs.	66,990.05
Enterprise Value (cr)	Rs.	52,191.76
Outstanding Shares (cr)		210.00
52 week high	Rs.	361.00
52 week low	Rs.	160.00
1m average volume (lacs)		31.32
Face value	Rs.	2.00

Consolidated (cr)	FY22	FY23	FY24
Sales	2273.06	3194.74	3762.89
Growth(%)	42%	41%	18%
EBITDA	1215.11	1798.3	2233.97
EBITDA Margin(%)	53.5%	56.3%	59.4%
PAT	327.95	739.84	1,155.91
Growth(%)	13%	126%	56%
EPS	54.0	4.0	5.5
P/E	0.0	0.0	44.6
P/B	0.0	0.0	6.4
EV/EBITDA	3.0	1.6	23.4
ROE(%)	10%	18.5%	14%
ROCE(%)	11%	16.4%	14.1%
ROIC(%)	8%	15.8%	11.4%
D/E	1.45	1.14	0.59

Concalls Highlights

Expansion of Capacity: JSW Infrastructure is on a growth trajectory, targeting a significant increase in its operational capacity from 170 million tonnes per annum (mtpa) to approximately 400 mtpa by FY30, representing a compound annual growth rate (CAGR) of around 15%

Strategic Acquisition: The company has announced the acquisition of a 70.37% stake in Navkar Corporation for an enterprise value of ₹1,644 crore, which is expected to enhance its logistics capabilities and facilitate last-mile connectivity. This transaction is anticipated to close by Q3 FY25

Robust Financial Position: JSW Infrastructure reported strong financial performance with a market capitalization of approximately $8 billion as of September 2024. The company aims to leverage its balance sheet for further inorganic growth opportunities, reinforcing its position in the competitive port sector

Key Highlights

- **Leading Market Position**: JSW Infrastructure is the second largest commercial port operator in India by cargo handling capacity, showcasing its significant role in the country's logistics sector. The company also manages two port terminals in the UAE under operational and maintenance agreements, further extending its influence in the maritime industry.

- **Expansive Port Network**: The company operates nine ports across India with a total installed cargo handling capacity of 158.43 million tons per annum (MTPA) as of June 30, 2023. This marks a substantial increase from 119.23 MTPA in March 2021, indicating robust growth and investment in port infrastructure.

- **Diverse Cargo Handling Capabilities**: JSW Infrastructure is equipped to handle a wide variety of cargo, including dry bulk, liquid bulk, gases, and containers. Key cargo types include thermal and non-thermal coal, iron ore, and various agricultural and industrial products, allowing the company to cater to diverse customer needs.

- **Strategic Revenue Streams**: The company generates revenue through multiple channels, including cargo handling services, vessel-related charges, and storage solutions. In FY23, revenues were bifurcated with 51% from JSW Group customers, 33.5% from third-party customers, and 15.5% from vessel-related charges, demonstrating a balanced customer base.

- **Strong Financial Performance**: In FY24, JSW Infrastructure reported significant financial growth, with total revenue reaching ₹4,032 crore, an increase of 20% year-over-year. The EBITDA also saw a 24% increase, amounting to ₹2,234 crore, underscoring the company's operational efficiency and profitability.

- **Capacity Utilization and Future Growth**: The installed capacity of the company is 158.5 MTPA with a utilization rate of 62.65% in FY23, up from 59% in FY22. This highlights the effective use of existing infrastructure and the potential for future growth as demand increases.

- **Investment in Expansion Projects**: JSW Infrastructure is actively pursuing expansion through Public-Private Partnerships (PPP) and substantial capital expenditures. Notable projects include the North Cargo Berth-III at V.O. Chidambaranar Port and the Liquid Berths at Jawaharlal Nehru Port, both aimed at enhancing capacity and operational efficiency.

Retail Equity Research

Hindustan Unilever Ltd

CMP Rs. 2578
(as on 25.10.2024)

FMCG

Target Rs. 3506

BSE CODE: 5000696 NSE CODE: HINDUNILVR

Hindustan Unilever Limited (HUL) reported a steady performance for the quarter ending June 2024, with sales growing by 3% quarter-over-quarter (QoQ) to ₹15,707 crore, a recovery from the 2% decline in the previous quarter. The company's robust revenue growth reflects strong consumer demand across its diverse product portfolio.

Operating profit rose by 6% QoQ to ₹3,742 crore, driven by effective cost management, although expenses marginally increased to ₹11,965 crore. The company's EBITDA also grew by 3%, reaching ₹3,951 crore, indicating healthy operational efficiency. Other income, however, fell to ₹209 crore from ₹309 crore in the previous quarter, slightly dampening overall profitability. HUL's net profit increased by 2% to ₹2,610 crore, supported by stable tax costs and manageable interest and depreciation expenses.

Company Data		
Market Cap (cr)	Rs.	6,54,161.45
Enterprise Value (cr)	Rs.	5,25,956.68
Outstanding Shares (cr)		234.96
52 week high	Rs.	3,035.00
52 week low	Rs.	2,170.00
1m average volume (lacs)		16.57
Face value	Rs.	1.00

Consolidated (cr)	FY22	FY23	FY24
Sales	52446	60580	61896
Growth(%)	12%	16%	2%
EBITDA	13076	14595	15476
EBITDA Margin(%)	24.9%	24.1%	25.0%
PAT	8,879.00	10,120.00	10,277.00
Growth(%)	11%	14%	2%
EPS	37.8	43.1	43.7
P/E	54.2	59.4	51.8
P/B	9.8	12.0	10.4
EV/EBITDA	36.6	41.0	34.0
ROE(%)	18%	20.1%	20%
ROCE(%)	24%	26.1%	27.1%
ROIC(%)	19%	21.0%	21.9%
D/E	0.02	0.02	0.03

Concalls Highlights

Strong Volume Growth: HUL delivered a robust Underlying Volume Growth (UVG) of 4% despite challenging market conditions. This growth was particularly strong in the Home Care segment, which saw high single-digit volume growth.

Margin Improvement: The company improved its EBITDA margin to 23.8%, up 20 basis points year-over-year. More notably, the Gross Margin improved by 170 basis points compared to the same quarter last year, reflecting effective cost management and pricing strategies.

Rural Market Recovery: The report mentions a gradual recovery in rural demand, which is a positive sign for the FMCG sector in India. This, combined with the company's focus on premiumization and expansion in high-growth spaces, contributed to its competitive performance in the quarter.

Key Highlights

Diverse Revenue Streams: The company generates 42% of its revenues from the Beauty & Personal Care segment, which boasts a vast portfolio of over 900 stock-keeping units (SKUs) tailored to 14 consumer clusters in India. This segment is highly profitable, achieving approximately 29% margins, the highest among its divisions.

Strong Brand Portfolio: Within the Beauty & Personal Care segment, the company features well-known brands across various categories. Key brands include Dove, Lifebuoy, and Tresemme in skin cleansing and hair care, as well as Lakme in color cosmetics, reinforcing its market presence.

Significant Home Care Segment: The Home Care segment contributes 29% of total revenues, encompassing a wide range of products that appeal to different economic segments. Brands like Vim, Cif, and Domex exemplify the company's stronghold in household care and fabric wash.

Robust Foods & Refreshments Division: Also accounting for 29% of revenues, this segment includes a variety of food products and beverages such as Knorr, Kissan, and Bru. The focus on innovation and penetration through the "Winning in Many Indias" strategy aims to enhance sales further.

Extensive Market Reach: The company's products are available in over 80 lakh stores across India, with around 90% of households using at least one of its branded items. This widespread availability underscores the brand's strong consumer engagement.

Dominant Market Leadership: The company is a market leader in various categories, including skin cleansing, skin care, hair care, fabric wash, and health food drinks. It holds a leadership position in approximately 90% of its business areas, reflecting its competitive strength.

Focused Domestic Operations: With 96% of its revenues generated in India, the company's primary market is firmly established. The remaining 4% of revenues come from international sales, highlighting the focus on maximizing domestic market potential.

Commitment to Innovation: The company prioritizes innovation across all segments, driving growth through new product development and strategic marketing initiatives. This focus on innovation is key to maintaining its leadership position and adapting to changing consumer preferences.

Retail Equity Research

Tata Power Company Ltd

CMP Rs. 422
(as on 25.10.2024)

Power Generation & Distribution

BSE CODE: 500400 NSE CODE: TATAPOWER

Target Rs.595

Tata Power Limited's latest quarterly results, ending June 2024, highlight a strong recovery in operational performance. Sales grew by 9% quarter-over-quarter (QoQ) to ₹17,293.62 crore, marking steady growth after an 8% increase in the previous quarter. This increase in revenue is reflective of robust demand and improved operational efficiency across its business segments.Operating profit surged by 33% QoQ to ₹3,061.75 crore, reversing a decline of 5% in the March quarter, indicating effective cost control despite rising expenses, which stood at ₹14,231.87 crore. However, the drop in other income to ₹577.72 crore from ₹1,406.62 crore in the previous quarter partially impacted profitability.Net profit improved by 8% QoQ to ₹970.91 crore, demonstrating the company's ability to maintain profitability amidst fluctuating market conditions. EBITDA was slightly down by 2%, coming in at ₹3,639.47 crore, but the overall growth trajectory remains positive with a significant boost in operating profit.

Company Data		
Market Cap (cr)	Rs.	1,47,097.46
Enterprise Value (cr)	Rs.	1,70,496.27
Outstanding Shares (cr)		319.53
52 week high	Rs.	495.00
52 week low	Rs.	231.00
1m average volume (lacs)		183.00
Face value	Rs.	1.00

Consolidated (cr)	**FY22**	**FY23**	**FY24**
Sales	42815.67	55109.08	61448.9
Growth(%)	31%	29%	12%
EBITDA	9516.39	13267.85	14151.61
EBITDA Margin(%)	22.2%	24.1%	23.0%
PAT	1,741.46	3,336.44	3,696.25
Growth(%)	54%	92%	11%
EPS	5.5	10.4	11.6
P/E	43.8	18.2	34.1
P/B	3.4	2.1	3.9
EV/EBITDA	12.7	7.7	12.0
ROE(%)	8%	11.6%	11%
ROCE(%)	9%	12.0%	12.0%
ROIC(%)	9%	10.5%	11.1%
D/E	2.28	1.84	1.66

Concalls Highlights

Performance and Growth: Tata Power reported strong Q1 FY25 results, marking its 19th consecutive quarter of capacity expansion. Power demand increased by 11%. The company spent ₹4,000 crores in capex, with 60% in renewables and 40% in transmission/distribution, and has ambitious plans to invest ₹20,000 crores for the year.

Government Initiatives and Policy Impact: Tata Power leads in rooftop solar installations, supporting the PM Surya Ghar Program. It is exploring opportunities in small modular reactors (SMRs) and benefiting from duty reductions on green energy components. Government support for pumped hydro storage aligns with Tata Power's plans, with 2,800 MW in the pipeline.

Financial and Market Dynamics: Net debt rose to ₹42,000 crores, but the company remains financially stable with an upgraded credit rating. Tata Power faces challenges in project execution due to transmission capacity constraints but remains competitive, particularly in the rooftop solar market.

Key Highlights

Power Portfolio and Capacity: Tata Power is India's largest vertically integrated power company with a total installed capacity of 14,381 MW as of H1 FY24. This includes 8,860 MW of thermal power, 3,191 MW of solar, 1,007 MW of wind, 880 MW of hydro, and 443 MW from waste heat recovery. The company also has 3,760 MW of renewable energy under construction, and a Memorandum of Understanding (MoU) for a 2.8 GW Pumped Hydro Storage Project (PSP). Tata Power has demonstrated a strong commitment to renewable energy, as reflected in its renewable capacity forming 22% of its total power generation.

Distribution and Transmission: Tata Power has a significant presence in transmission and distribution. It serves a vast customer base, having expanded from 3 million to 12 million after acquiring Odisha's distribution business. The company operates 4,383 Ckm of transmission lines and has 906 Ckm under development. Tata Power was also declared the lowest bidder for two transmission projects in Rajasthan and Jalpura Khurja with a total capital expenditure of over ₹2,200 crores.

Renewable Energy Focus: With renewable energy capacity forming a large part of its future plans, Tata Power has over 11.5 GW of large-scale renewable projects either executed or in the pipeline. It is also heavily invested in solar EPC (Engineering, Procurement, and Construction) projects with an order book exceeding ₹18,700 crores. Additionally, it aims to increase its green energy capacity to over 20 GW by 2030, accounting for 70% of its total capacity.

EV Charging Infrastructure: Tata Power EZ Charge, the company's electric vehicle (EV) charging platform, is India's market leader with a 55% market share in public EV charging and 85% in home installations. The company operates over 4,900 public charging points across 442 cities and towns. Tata Power aims to have over 10,000 public chargers and 200,000 home chargers by FY28, positioning itself as a leader in EV infrastructure.

Revenue Mix: In H1 FY24, Tata Power's revenue was diversified across its key segments: 32% came from thermal, hydro, and coal, 14% from renewables, and 54% from transmission and distribution. This broad revenue base ensures stability as the company expands into the rapidly growing renewable energy and EV sectors.

Global Presence: Tata Power's global operations include stakes in hydroelectric projects in Georgia (187 MW) and Zambia (120 MW). It holds a 50% stake in these projects and 26% in Bhutan's 126 MW Dagachhu Hydro project. The company also has interests in coal mining, with a total capacity of 76 MTPA in Indonesia through associate entities.

Brownfield Projects and Future Targets: Tata Power has ambitious brownfield projects like the Bhivpuri (1,000 MW) and Shirawta (1,800 MW) Pumped Storage Plants, with a combined capital expenditure of over ₹12,500 crores. These projects are set to begin in mid-2024 and will be completed by 2027-2028. The company also aims to reach 500 GW of installed capacity by 2030, with significant emphasis on renewable energy, targeting an order book exceeding ₹20,000 crores by FY30.

Retail Equity Research

Vedanta Ltd

Mining and Mineral Products

BSE CODE: 500295 NSE CODE: VEDL

CMP Rs. 460
(as on 25.10.2024)

Target Rs. 621

Vedanta Ltd. has exhibited considerable fluctuations in its financial performance throughout FY24. In Q2 FY24, the company reported sales of ₹38,945 million, marking a robust 15% increase quarter-over-quarter. However, this still reflects an 11% decline compared to Q2 FY23, indicating challenges in sustaining sales momentum in a competitive market. Profitability has shown signs of improvement, with operating profit surging to ₹11,479 million in Q2 FY24—a remarkable 79% increase from Q1 FY24, although this follows a steep 32% drop in the prior quarter. This volatility suggests that operational efficiencies or favorable market conditions are beginning to positively impact profitability. Net profit demonstrated significant variance, moving from a loss of ₹1,783 million in Q3 FY24 to a recovery of ₹3,606 million in Q2 FY25, reflecting a notable 62% increase. While this rebound is encouraging, it warrants caution given the prior losses.

Company Data		
Market Cap (cr)	Rs.	1,90,416.00
Enterprise Value (cr)	Rs.	1,84,356.74
Outstanding Shares (cr)		391.16
52 week high	Rs.	524.00
52 week low	Rs.	211.00
1m average volume (lacs)		153.00
Face value	Rs.	1.00

Consolidated (cr)	**FY22**	**FY23**	**FY24**
Sales	132732	147308	143727
Growth(%)	51%	11%	-2%
EBITDA	46656	37056	40551
EBITDA Margin(%)	35.2%	25.2%	28.2%
PAT	18,802.00	10,574.00	4,239.00
Growth(%)	62%	-44%	-60%
EPS	50.6	28.4	11.4
P/E	8.0	9.6	23.8
P/B	2.3	2.6	3.3
EV/EBITDA	4.0	4.7	4.5
ROE(%)	29%	26.8%	14%
ROCE(%)	32%	22.1%	25.2%
ROIC(%)	27%	17.8%	10.4%
D/E	0.82	2.04	2.85

Concalls Highlights

Robust Financial Performance: Vedanta reported a quarterly revenue of ₹35,239 crores, reflecting a 6% year-on-year increase. EBITDA surged to ₹10,275 crores, demonstrating a remarkable 47% growth year-on-year, while profit after tax rose sharply by 54% to ₹5,095 crores. The company improved its net debt-to-EBITDA ratio to 1.5x, highlighting strong financial health

Operational Excellence: The company achieved significant cost efficiency, with overall costs decreasing by 20% year-on-year. Aluminium production reached 596 kilo tons, with an 11% reduction in costs, and Hindustan Zinc recorded its highest-ever first-quarter production of mined and refined metals at 263 KT and 262 KT, respectively.

Strategic Growth Initiatives: Vedanta announced a commitment of $8 billion in capital expenditures to support growth, including plans to ramp up aluminium production capacity to 3.1 million tons annually. Additionally, the company is targeting an annual EBITDA of $2.7 billion for Zinc India and aiming for 150,000 barrels per day in oil and gas production, with long-term aspirations to scale up to 300,000 kboepd.

Key Highlights

Diversified Natural Resource Group: Vedanta Ltd. is a leading diversified natural resource company engaged in exploring, extracting, and processing a wide range of minerals and oil & gas. Its portfolio includes zinc, lead, silver, copper, aluminium, iron ore, and oil & gas, with operations spanning across India, South Africa, Namibia, Ireland, Liberia, and the UAE. Approximately 65% of its total revenues originate from India, followed by contributions from Malaysia (9%), China (3%), and others (22%).

Market Leadership in Zinc and Nickel: Vedanta solidified its position as a market leader by becoming the sole producer of nickel in India following the acquisition of a nickel and cobalt plant in Goa. The company operates through its subsidiary, Hindustan Zinc Ltd. (HZL), in which it holds a 65% stake. HZL is India's largest primary zinc producer, anticipated to command around 80% of the domestic market share in 2022.

Strong Production Volumes: In FY22, Vedanta demonstrated robust production capabilities across various segments, producing 776 kilotonnes of refined zinc, 191 kilotonnes of refined lead, and 647 tonnes of refined silver. The company also reported oil and gas production at approximately 160,800 BOEPD and maintained significant production in alumina (1,968 kt), aluminium (2,268 kt), power generation (11,872 MU), iron ore (5.4 million tonnes), and copper cathodes (125 kt).

Resource Reserves: Vedanta boasts substantial reserves and resources, including 448 million metric tonnes of zinc in India and 671 million metric tonnes internationally. In the oil and gas sector, it has reserves totaling 1,151 million barrels of oil equivalent (mmboe), ensuring long-term operational sustainability and growth potential.

Commitment to Sustainability: The company has invested in a 3,000 KLD Zero Liquid Discharge (RO-ZLD) plant at its Zinc Smelter in Debari, emphasizing its commitment to environmental sustainability. Vedanta has also secured agreements for renewable energy procurement, showcasing its proactive approach towards reducing its carbon footprint.

Strategic Growth Initiatives: Vedanta plans to undertake significant capital expenditure in its growth projects, including $687 million in the oil and gas segment and $1.4 billion in the aluminium sector over the next two years. The company aims to expand its aluminium capacity to 3 million tonnes per annum (MTPA) and alumina capacity to 6 MTPA by FY24 while fully operationalizing three coal mines for captive consumption.

Future Prospects and Shareholder Value: With its strategic focus on operational excellence, backward integration, and continuous investment in growth, Vedanta is well-positioned to capitalize on emerging opportunities in the natural resources sector. The management remains optimistic about achieving substantial revenue and EBITDA targets in the near future, ensuring sustained value for shareholders while navigating industry challenges.

Retail Equity Research

Hindalco Industries Ltd.

CMP Rs. 678
(as on 25.10.2024)

Non Ferrous Metals

BSE CODE: 500440 NSE CODE: HINDALCO

Target Rs. 881

Hindalco Industries Ltd.'s latest quarterly data for June 2024 signals a strong operational performance. Sales reached ₹57,013 million, reflecting a 2% sequential growth, following a robust 6% increase in the previous quarter. This marks a continued recovery in top-line performance, driven by stable demand and cost management. Operating profit saw significant improvement, climbing to ₹7,503 million, representing a 12% growth QoQ. This is a marked acceleration after a 14% rise in Mar-24, showcasing the company's efficiency in managing its cost base, with expenses stabilizing at ₹49,510 million. EBITDA also grew by 7%, reaching ₹7,599 million, highlighting sustained operational momentum. Interest costs decreased to ₹859 million, down from ₹888 million in Mar-24, further supporting profitability. However, net profit saw a minor 3% decline to ₹3,074 million, following an exceptional 27% increase in Mar-24. Profit before tax, on the other hand, continued its upward trajectory, increasing to ₹4,848 million, reflecting strong underlying business.

Company Data		
Market Cap (cr)	Rs.	1,65,136.84
Enterprise Value (cr)	Rs.	1,67,818.38
Outstanding Shares (cr)		224.80
52 week high	Rs.	773.00
52 week low	Rs.	449.00
1m average volume (lacs)		64.46
Face value	Rs.	1.00

Consolidated (cr)	FY22	FY23	FY24
Sales	195059	223202	215962
Growth(%)	48%	14%	-3%
EBITDA	29600	23973	25391
EBITDA Margin(%)	15.2%	10.7%	11.8%
PAT	13,730.00	10,097.00	10,155.00
Growth(%)	294%	-26%	1%
EPS	61.1	44.9	45.2
P/E	9.3	9.0	12.4
P/B	1.6	1.0	1.2
EV/EBITDA	5.9	5.7	6.6
ROE(%)	18%	10.7%	10%
ROCE(%)	16%	10.9%	11.0%
ROIC(%)	13%	9.1%	8.8%
D/E	0.82	0.64	0.53

Concalls Highlights

Financial Performance: Hindalco's consolidated EBITDA rose 42% YoY to ₹8,578 crores, with net profit after tax up 25% YoY to ₹3,074 crores. Hindalco India's EBITDA surged 55% YoY, and Novelis' shipments increased 8%, with EBITDA up 19% YoY to $500 million.

Sustainability Initiatives: The company recycled 97% of waste in Q1 FY25, achieving over 100% recycling for bauxite residue and ash, while significantly reducing freshwater consumption in its copper business. Several plants, including Mouda, now operate with zero liquid discharge (ZLD).

Market and Economic Outlook: Hindalco is optimistic about global and domestic markets, projecting global GDP growth of 3.2% and 7.2% in India for FY25. Key risks include geopolitical tensions and commodity price volatility, while the aluminum industry is expected to grow 4%, led by packaging and automotive demand.

Key Highlights

Diverse Business Segments: Hindalco operates across three main segments: Aluminum, which positions the company among the top five global producers; Copper, featuring one of the largest single-location customs copper smelters; and Chemicals, producing calcined alumina and alumina hydrates for various industrial applications.

Market Leadership: Hindalco is the world's largest aluminum rolling and recycling company and the largest flat rolled aluminum producer globally. It holds a dominant position in India as the largest downstream aluminum player and one of Asia's largest producers of primary aluminum.

Revenue and Geographic Distribution: For FY22, Hindalco's revenue split showcased its diversified portfolio: 16% from aluminum, 19% from copper, and 65% from its subsidiary, Novelis. Geographically, 76% of revenue was generated outside India, highlighting the company's strong international presence.

Robust Manufacturing Capabilities: With 50 manufacturing units across 10 countries, including 17 in India and 33 overseas units under Novelis, Hindalco boasts significant production capacity in key areas: 3.6 million metric tons of alumina, 1.3 million metric tons of primary aluminum, and 0.4 million metric tons of copper cathodes.

Strategic Capacity Expansion: Hindalco has embarked on substantial capacity expansion initiatives, including a ₹1,500 crore investment in the Utkal alumina refinery and a planned expansion of flat rolled production capacity at its Aditya Aluminum and Hirakud plants. The company aims to enhance its overall production capabilities significantly.

Sustainable Investment and Renewable Energy Goals: Hindalco has committed to substantial investments in sustainable growth, with plans to invest $3.0 - 3.3 billion in aluminum, copper, and specialty alumina over the next five years. The company is also targeting a total renewable capacity of 300 MW by FY2024-25, demonstrating its commitment to environmentally responsible operations.

Focus on Downstream Strategy: Hindalco continues to enhance its downstream capabilities, particularly in flat rolled products and extrusions. This focus aims to align with global market trends and increase its value-added product offerings, further solidifying its position in the competitive landscape

Retail Equity Research

Indian Oil Corporation Ltd

Refineries

BSE CODE: 530965 NSE CODE: IOC

CMP Rs. 146

(as on 17.10.2024)

Target Rs. 207

Indian Oil Corporation's recent financial performance highlights a challenging quarter. While sales peaked in Dec-23 at ₹1,99,905 crore, subsequent quarters saw a decline with Jun-24 ending at ₹1,93,844 crore. Operating profit fell sharply from ₹23,328 crore in Sep-23 to ₹9,919 crore in Jun-24, reflecting a continuous downward trend. Net profit experienced a steep decline, plummeting 75% in Mar-24 and further declining by 46% in Jun-24 to ₹3,528 crore. EBITDA also followed a similar trajectory, dropping 24% in Jun-24. This reflects significant margin pressure due to rising expenses and reduced operational efficiency.

Company Data		
Market Cap (cr)	Rs.	2,33,353.44
Enterprise Value (cr)	Rs.	3,66,351.90
Outstanding Shares (cr)		1,412.12
52 week high	Rs.	197.00
52 week low	Rs.	85.50
1m average volume (lacs)		200.53
Face value	Rs.	10.00

Consolidated (cr)	**FY22**	**FY23**	**FY24**
Sales	589321.2	841755.91	776351.85
Growth(%)	62%	43%	-8%
EBITDA	52090.27	35806.59	81034.53
EBITDA Margin(%)	8.8%	4.3%	10.4%
PAT	25,102.23	9,792.12	41,729.69
Growth(%)	16%	-61%	326%
EPS	17.8	6.9	29.6
P/E	4.5	11.2	5.7
P/B	0.8	0.8	1.3
EV/EBITDA	4.6	7.2	4.5
ROE(%)	19%	7.0%	23%
ROCE(%)	15%	7.8%	20.6%
ROIC(%)	14%	7.4%	19.6%
D/E	0.99	1.07	0.72

Concalls Highlights

EBITDA Growth and Margin Improvement: The company saw a significant turnaround in EBITDA, rising from ₹35,806 crore in FY23 to ₹81,034 crore in FY24, with EBITDA margins improving to 10.4% from 4.3%, indicating better operational efficiency.

PAT Surge: Net profit (PAT) surged by 326% in FY24, reaching ₹41,729 crore compared to ₹9,792 crore in FY23, showcasing a strong recovery after a challenging previous year.

Improved Return Ratios and Leverage: Return on equity (ROE) and return on capital employed (ROCE) improved to 23% and 20.6%, respectively, in FY24. Additionally, the debt-to-equity ratio reduced to 0.72, indicating better financial health and reduced leverage.

Key Highlights

Leadership in Refining Sector: Indian Oil Corporation (IOC) is the largest refining company in India, holding 32% of the nation's total refining capacity. It owns 11 refineries with a combined capacity of 80.60 MMTPA. Through its subsidiary, Chennai Petroleum Corporation Ltd (with a 52% stake), IOC also controls two refineries in Chennai. This leadership position in refining strengthens its dominance in the Indian oil industry.

Strong Pipeline Network: The company operates one of India's most extensive pipeline infrastructures, with around 15,000 km of liquid pipelines and a total capacity of 96 MMTPA. Its gas pipelines, with a capacity of 21.7 MMSCMD, complement its crude and product pipelines, which make up 73% and 52% of the country's crude and product pipelines, respectively. The average pipeline utilization over the last three years has been 85%, ensuring efficient transportation of crude and refined products across the nation.

Diverse Revenue Stream: High-speed diesel (HSD) dominates IOC's revenue at 47%, followed by motor spirit at 22% and liquefied petroleum gas (LPG) at 13%. The remaining revenue comes from aviation turbine fuel, superior kerosene oil, and other products. This diversified revenue base provides stability and resilience to the company, despite fluctuations in individual segments.

Extensive Retail Network: Indian Oil's dominance in the retail fuel sector is evident with its 34,500 petrol pumps, 12,800 LPG distributors, 7,000 bulk consumer pumps, and 3,900 SKO/LDO dealerships. The company controls 42% of India's retail fuel outlets, 51% of LPG distributorships, and 48% of aviation fuel stations, reinforcing its leadership across critical consumer touchpoints.

Strong R&D Focus: IOC's flagship R&D center in Faridabad is a pioneering institution in downstream petroleum research. With around 930 active patents and four decades of experience in lubricants, refinery processes, and pipeline transportation, the company continues to drive innovation. In FY22, IOC invested ₹576 crore in R&D, highlighting its commitment to maintaining a competitive edge through research and technological advancement.

Global Crude Imports: To meet its refining needs, IOC imports crude oil from diverse global sources. About 65% of its imports come from the Middle East, 27% from Africa, and smaller percentages from North America, Southeast Asia, Europe, and Central Asia. This diversified sourcing strategy mitigates geopolitical risks and ensures consistent supply.

Geographical Presence and International Operations: IOC's global footprint extends beyond India, with a presence in Sri Lanka, Mauritius, the UAE, Singapore, Sweden, the USA, and the Netherlands through its subsidiaries. This international presence allows the company to expand its market reach and explore new growth opportunities in diverse regions.

Major Projects and Capital Expenditure: The company is investing heavily in refinery expansions and pipeline projects, with key ongoing developments such as the ₹13,805 crore PX-PTA Complex at Paradip and the ₹18,253 crore crude and natural gas pipelines projects. The overall planned capital expenditure for FY23 was ₹23,093 crore, with additional small projects totaling ₹5,456 crore. These strategic investments are expected to enhance the company's capacity and profitability in the long term.

Retail Equity Research

Persistent Systems Ltd

IT– Software

BSE CODE: 533179 NSE CODE: PERSISTENT

CMP Rs. 5670
(as on 25.10.2024)

Target Rs. 7598

The company demonstrated steady revenue growth, increasing from ₹2,321 Cr in June 2023 to ₹2,737 Cr by June 2024, driven by a 6% growth rate in Q1FY25. However, operating profit growth decelerated significantly, plateauing at ₹455 Cr in June 2024, reflecting margin pressures as expenses rose alongside sales. Net profit saw a slight decline (-3%) by June 2024 after a robust 9% growth in Q4FY24, indicating potential headwinds from increased interest costs (₹14 Cr) and higher tax outflows.

The EBITDA margin remained flat in Q1FY25, showing no improvement (0% growth) despite a solid growth trajectory earlier in FY24 (11% in Q2 and 8% in Q3). This stagnation highlights challenges in maintaining profitability amid rising costs. Going forward, optimizing expenses and managing debt levels will be critical to sustaining earnings momentum.

Company Data		
Market Cap (cr)	Rs.	81,784.95
Enterprise Value (cr)	Rs.	60,790.31
Outstanding Shares (cr)		15.58
52 week high	Rs.	5,693.00
52 week low	Rs.	2,840.00
1m average volume (lacs)		4.19
Face value	Rs.	5.00

Consolidated (cr)	**FY22**	**FY23**	**FY24**
Sales	5710.75	8350.59	9821.59
Growth(%)	36%	46%	18%
EBITDA	1102.13	1560.09	1803.71
EBITDA Margin(%)	19.3%	18.7%	18.4%
PAT	690.39	921.09	1,093.49
Growth(%)	53%	33%	19%
EPS	45.2	60.2	71.0
P/E	52.8	38.3	56.1
P/B	10.8	8.9	12.4
EV/EBITDA	32.7	22.4	33.7
ROE(%)	20%	23.2%	22%
ROCE(%)	24%	27.9%	27.6%
ROIC(%)	22%	24.0%	24.6%
D/E	0.17	0.17	0.09

Concalls Highlights

Financial Performance and Growth: Achieved strong revenue growth of 5.6% quarter-on-quarter and 16% year-on-year. EBIT increased by 10.8% YoY, with a profit after tax growth of 33.9%. Notable new bookings of $310.8 million and revenue of ₹27,371.7 billion for Q1 FY25.

Operational and Strategic Updates: Growth across client buckets, particularly in North America and India, led by BFSI and healthcare sectors. Strategic acquisitions, such as Starfish Associates, and partnerships like Google, are driving new initiatives in AI and technology.

Cost Optimization and Future Outlook: Focused on cost optimization through utilization improvements and SG&A efficiency. Confident in revenue growth, with targeted margin improvements of 200-300 basis points over the next two years.

Key Highlights

Comprehensive Digital Engineering Solutions: Persistent Systems offers a broad range of Digital Engineering solutions tailored to modern business needs. These include Product & Platform Engineering, CX & Design-Led Transformation, Cloud-enabled Enterprise Modernization, Data & Artificial Intelligence, and Intelligent Automation. This diverse portfolio enables clients to innovate and enhance their operational efficiencies in a competitive landscape.

Brand Recognition and Growth: Recognized as the fastest-growing Indian IT Services brand since 2020, Persistent Systems has achieved a remarkable 268% growth, ranking 9th among Indian IT Services companies. The brand has also climbed to 64th place across all industries, demonstrating a 52% increase in brand value compared to the previous year. This recognition underscores the company's strong market presence and effectiveness in delivering high-quality services.

Diverse Sector Revenue Contribution: The company's revenue mix as of Q3FY24 illustrates a well-diversified client base, with significant contributions from various sectors: BFSI (31%), Healthcare & Life Sciences (22%), and Software, Hi-Tech, and Emerging Industries (47%). This diversification mitigates risks associated with market volatility and enhances the company's resilience.

Global Presence and Revenue Breakdown: Persistent Systems operates in over 21 countries, with a strong revenue focus on North America, which accounts for 80% of its total revenue. Europe and India contribute 9% and 10%, respectively. This global footprint allows the company to leverage diverse market opportunities and adapt to regional demands.

Client Concentration and Base: The company has made significant strides in reducing client concentration risk, with the top client contributing 9% of revenue (down from 16% in FY22). The revenue distribution among the top clients is as follows: Top 5 (28%), Top 10 (39%), and Top 20 (51%). Additionally, Persistent Systems serves 375+ clients across various sectors, including major players in Software & Hi-Tech, BFSI, and Healthcare.

Strong Order Book and Infrastructure: As of Q3FY24, the company reported an Annual Contract Value of USD 392.1 million and Total TTM ACV Bookings of USD 1,290.3 million. With a built-up area of 128,368 m^2 and leased facilities across multiple countries, Persistent Systems has established a solid infrastructure to support its growth and service delivery.

Strategic Partnerships and Leadership: Persistent Systems collaborates with leading technology partners, including AWS, IBM, Salesforce, Red Hat, Microsoft, and Google Cloud. The company boasts over 15,500 certifications, enhancing its credibility and expertise in the industry. Additionally, the appointment of Dr. Ajit Ranade as an Independent Director brings valuable economic insights and experience, strengthening the company's leadership team.

Retail Equity Research

Bajaj Housing Finance Ltd.

CMP Rs. 131

(as on 25.10.2024)

Finance

BSE CODE: 544252 NSE CODE: BAJAJHFL

Target Rs. 179

The company demonstrated a robust growth trajectory with an 11% QoQ rise in sales for both Q1FY25 and Q2FY25, marking a 9% improvement in Q2FY25 (₹2,410.15 Cr). Operating profit saw a significant uptick, growing by 15% in Q1FY25 and 9% in Q2FY25, despite marginally increasing expenses. EBITDA reflected a consistent upward trend, growing 13% and 9% over the last two quarters, indicating operational efficiency.

Interest costs continue to pressure the bottom line, with a notable 9% increase from Q1FY25 (₹1,398.76 Cr) to Q2FY25 (₹1,513.65 Cr). Nevertheless, net profit rebounded in Q1FY25 (up 21%) and maintained a solid 12% growth in Q2FY25 (₹545.60 Cr), reversing a sharp 18% decline in Q4FY24.

The company's resilience in maintaining profit margins despite rising interest and tax expenses signals strong financial health, likely driven by strategic pricing and cost management.

Company Data		
Market Cap (cr)	Rs.	1,09,412.53
Enterprise Value (cr)	Rs.	69,065.31
Outstanding Shares (cr)		833.30
52 week high	Rs.	188.00
52 week low	Rs.	130.00
1m average volume (lacs)		357.00
Face value	Rs.	10.00

Consolidated (cr)	FY22	FY23	FY24
Sales	3766.66	5664.73	7617.31
Growth(%)	19%	50%	34%
EBITDA	3142.86	4946.76	6895.63
EBITDA Margin(%)	83.4%	87.3%	90.5%
PAT	709.62	1,257.80	1,731.22
Growth(%)	57%	77%	38%
EPS	1.5	1.9	2.6
P/E	0.0	0.0	0.0
P/B	0.0	0.0	0.0
EV/EBITDA	13.1	10.8	10.0
ROE(%)	11%	12.0%	14%
ROCE(%)	6%	7.6%	8.4%
ROIC(%)	5%	5.8%	6.9%
D/E	6.15	5.12	5.65

Concalls Highlights

Significant AUM Milestone: Bajaj Housing Finance Limited achieved a major milestone by crossing an Assets Under Management (AUM) of ₹1 lakh crore in Q2 FY25, reflecting a 26% year-on-year growth in AUM, with consistent performance across various loan categories such as home loans and developer finance

Strong Financial Performance: The company reported a Profit Before Tax (PBT) of ₹708 crore and a Profit After Tax (PAT) of ₹546 crore for Q2 FY25, marking increases of 23% and 21% respectively compared to the previous year. Additionally, the Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) remained low at 0.29% and 0.12%, showcasing strong asset quality

Operational Efficiency Improvements: Bajaj Housing Finance improved its operating efficiency with a reduction in the operating expense to Net Total Income (Opex to NTI) ratio to 20.5%, down from 22.1% in Q2 FY24. This improvement indicates better cost management alongside an increase in net interest income, which rose by 13% year-on-year to ₹713 crore

Key Highlights

Market Leadership: Established in 2008, Bajaj Housing Finance Limited (BHFL) quickly ascended to a leadership position within the housing finance sector. By FY2024, it became the second-largest Housing Finance Company (HFC) and the eighth-largest Non-Banking Financial Company (NBFC) - Upper Layer in terms of Assets Under Management (AUM). Notably, BHFL recorded the second-highest loan disbursement and AUM per branch among large HFCs in FY2024 and Q1FY2025. This strong position is a testament to the company's rapid growth and efficient operations in a competitive market.

Business Divisions: BHFL operates as a subsidiary of Bajaj Finance Limited, focusing on mortgage lending across four key areas:

Home Loans (57.5% of AUM): Targeting individual buyers for residential properties, offering long-term loans with low interest rates, ensuring a stable revenue stream.

Loans Against Property (10.0% of AUM): Allows borrowers to leverage residential or commercial properties as collateral, providing them access to liquidity without selling the asset.

Lease Rental Discounting (19.5% of AUM): Tailored for commercial property owners, this product provides loans against expected rental income, offering a unique funding option for property investors.

Developer Financing (12% of AUM): Supports real estate developers with funding for large-scale projects, carrying higher risk but offering better returns due to larger loan amounts and higher interest rates.

Active Customer Base As of March 2024, BHFL had an extensive customer base of 323,881 active clients, with 81.7% availing of home loans. This indicates BHFL's strong presence in the residential mortgage segment, further solidifying its market leadership.

Extensive Distribution Network: BHFL's vast reach is supported by a distribution network of 215 branches in 174 locations across 20 states and 3 union territories. Its operations are centralized with 6 retail loan review centers and 7 loan processing centers, enabling streamlined customer service and loan disbursement.

Strong Asset Quality: BHFL boasts an impressive asset quality, with a Gross Non-Performing Assets (GNPA) ratio of 0.28% and a Net Non-Performing Assets (NNPA) ratio of 0.11% as of June 2024, the lowest among large HFCs. This indicates the company's prudent lending practices and robust risk management framework.

Home Loan Customer Profile: Within its home loan portfolio, BHFL serves primarily salaried customers, accounting for 87.5% of the total home loan book, the highest proportion among large HFCs. Additionally, 75.5% of home loan AUM is from customers with CIBIL scores above 750, reflecting a low-risk, high-credit-quality borrower base.

Geographical AUM Distribution: BHFL's AUM is geographically diversified, with Maharashtra (32.0%), Karnataka (22.7%), and Telangana (14.8%) being its top three markets. The company's focus on major urban centers ensures sustained demand for its mortgage products, helping it capture significant market share in high-growth regions.

Retail Equity Research

Biocon Ltd

CMP Rs. 312

(as on 25.10.2024)

Pharmaceuticals

BSE CODE: 532523 NSE CODE: BIOCON

Target Rs. 446

The company's performance over the past five quarters reveals significant volatility in both sales and profitability. While sales grew by 14% in Q3FY24, it fell by 1% in Q4FY24 and 12% in Q1FY25, settling at ₹3,432.90 Cr. The company's operating profit also saw fluctuations, with a 26% increase in Q3FY24, followed by a sharp 32% decline in Q1FY25 (₹620.40 Cr). This decline, despite a relatively stable cost structure, suggests inefficiencies in managing operational margins.

Notably, other income surged to ₹1,166.50 Cr in Q1FY25, bolstering profitability, with the net profit reaching ₹659.70 Cr—a 79% improvement YoY. However, EBITDA also experienced volatility, recording a 47% jump in Q1FY25 (₹1,786.90 Cr), reflecting the company's resilience in managing earnings despite challenging sales dynamics.

Company Data		
Market Cap (cr)	Rs.	37,608.87
Enterprise Value (cr)	Rs.	45,731.85
Outstanding Shares (cr)		120.06
52 week high	Rs.	396.00
52 week low	Rs.	218.00
1m average volume (lacs)		28.90
Face value	Rs.	5.00

Consolidated (cr)	FY22	FY23	FY24
Sales	8184	11174.2	14755.7
Growth(%)	15%	37%	32%
EBITDA	1864.9	2429.2	4068.4
EBITDA Margin(%)	22.8%	21.7%	27.6%
PAT	648.40	462.70	1,022.50
Growth(%)	-12%	-29%	121%
EPS	5.4	3.9	8.5
P/E	62.1	53.5	31.0
P/B	4.8	1.4	1.6
EV/EBITDA	23.4	16.6	11.2
ROE(%)	8%	2.6%	5%
ROCE(%)	8%	3.7%	6.9%
ROIC(%)	7%	2.8%	6.1%
D/E	0.61	1.01	0.82

Concalls Highlights

- **Financial Performance:** Biocon reported total revenue of ₹4,567 crores in Q1 FY25, up 30% YoY, driven by other income from the Eris Lifesciences transaction. Core operations remained flat with ₹3,433 crores, while reported EBITDA surged 117% YoY to ₹1,755 crores due to the transaction, though core EBITDA was down 4% YoY. Adjusted net profit (excluding Eris) stood at ₹19 crores.

- **Business Segments:** The Biosimilars segment grew 11% YoY, driven by strong demand in the U.S. and Europe. Generics faced challenges, with a 6% revenue decline, while Syngene saw marginal declines due to U.S. Biotech funding dips. Key regulatory milestones included U.S. FDA approval for a biosimilar and progress in clinical trials.

- **Strategic Outlook:** Management expects stable pricing in the Biosimilars segment and anticipates stronger growth in H2 FY25, with new product launches in Generics. Regulatory compliance remains a priority with ongoing FDA inspections and a focus on debt reduction.

Key Highlights

Business Segments Overview: Biocon operates in four main segments: Biosimilars, Research Services, Generics, and Novel Biologics. Biosimilars contributed ~60% to FY24 revenues, up from ~50% in FY23. The company has a strong biosimilar portfolio, including major products like bTrastuzumab and bPegfilgrastim. Its Research Services arm, Syngene, contributed ~24% to FY24 revenues, serving various industries with integrated research and manufacturing services. Generics, contributing ~20%, includes a wide range of API products.

Biosimilars Leadership: Biocon Biologics is a market leader with a strong biosimilars portfolio spanning oncology, immunology, and diabetes. It has gained market share for key products in advanced markets and aims to launch over 20 more molecules by 2030, solidifying its leadership in this space.

Research Services Expansion: Syngene, Biocon's independently listed research services arm, provides cutting-edge R&D and manufacturing solutions to top global pharmaceutical companies. With 15 collaborations among the top 20 pharmaceutical firms, Syngene continues to be a key growth driver for the company.

Generics Growth: Biocon is the first Indian company to gain U.S. FDA approval for manufacturing Lovastatin, a fermentation-based statin API. Its generics portfolio includes over 50 products and serves more than 750 pharma companies in 75+ countries, including key markets like the U.S. and Europe.

Manufacturing Expansion: Biocon has been investing in expanding its manufacturing capabilities. In FY24, the company acquired an Oral Solid Dosage facility in the U.S. and expanded synthetic capacities in Hyderabad. Additionally, a new sterile injectables facility in Bengaluru is underway, along with other expansions in peptide production.

R&D Commitment: Biocon invested ~10% of its revenues (₹1,150 crore) in research and development in FY24, focusing on biosimilars and other high-potential areas. This commitment positions the company for future growth, with a planned R&D investment of 8%-9% of biosimilar revenues over the medium term.

Strategic Acquisitions: In 2022, Biocon Biologics acquired Viatris' biosimilars business for USD 3.33 billion, gaining access to global regulatory, supply chain, and commercial capabilities. This acquisition was fully integrated by November 2023, significantly expanding Biocon's global reach.

Debt and Fundraising: The company's borrowings increased from ₹3,755 crores in FY22 to ₹12,385 crores in FY24. Reducing debt is a top priority, and Biocon raised ₹500 crores in May 2023 through Non-Convertible Debentures, alongside ₹300 crores raised via Compulsorily Convertible Debentures.

Retail Equity Research

Navin Fluorine International Ltd

CMP Rs. 3301

(as on 25.10.2024)

Chemicals

BSE CODE: 532504 NSE CODE: NAVINFLUOR

Target Rs. 4885

The recent quarter shows a subtle recovery in financials with a 13% YoY net profit growth, marking a stabilization phase following a volatile performance. Sales contracted by 1%, reflecting weak demand recovery, while operating profit grew by 7%, highlighting effective cost management as expenses dropped by 2.9% QoQ. However, operating profit margin remains sensitive to fluctuating sales, suggesting room for improvement in revenue streams. Other income, a previously volatile contributor, stabilized this quarter, slightly bolstering profit before tax (PBT), which stood at ₹76.75 Cr, a moderate QoQ recovery of 12.4%.

Interest expenses declined 11%, signaling a favorable capital structure adjustment, although depreciation rose by 4.5% due to asset acquisitions or expansion initiatives. Moving forward, the focus on expense management, improved cost efficiency, and sustaining revenue streams will be crucial to maintain stable profitability and unlock growth potential in a competitive market landscape.

Company Data		
Market Cap (cr)	Rs.	16,375.07
Enterprise Value (cr)	Rs.	16,787.85
Outstanding Shares (cr)		4.96
52 week high	Rs.	3,979.00
52 week low	Rs.	2,876.00
1m average volume (lacs)		2.72
Face value	Rs.	2.00

Consolidated (cr)	FY22	FY23	FY24
Sales	1453.36	2077.4	2065.01
Growth(%)	23%	43%	-1%
EBITDA	394.03	586.04	506.26
EBITDA Margin(%)	27.1%	28.2%	24.5%
PAT	263.07	375.18	270.50
Growth(%)	2%	43%	-28%
EPS	53.0	75.6	54.5
P/E	77.0	56.5	57.1
P/B	11.0	9.7	6.5
EV/EBITDA	51.4	37.6	33.2
ROE(%)	14%	17.2%	11%
ROCE(%)	18%	17.2%	10.9%
ROIC(%)	14%	13.2%	10.2%
D/E	0.07	0.39	0.57

Concalls Highlights

- **Sales Growth Moderation**: After a strong 43% growth in FY23, sales growth declined to -1% in FY24, indicating potential stagnation in revenue generation. The decline in growth may signal market saturation or other demand-side pressures.

- **Profitability Under Pressure**: Despite solid EBITDA margins in FY22 (27.1%) and FY23 (28.2%), FY24 saw a sharp contraction to 24.5%, leading to a significant decline in PAT growth (-28%). This suggests rising costs or pricing pressure affecting the bottom line.

- **Leverage and Returns Deterioration**: The debt-to-equity (D/E) ratio rose from 0.07 in FY22 to 0.57 in FY24, reflecting increased leverage. Simultaneously, return ratios like ROE and ROCE dropped significantly, showing reduced efficiency and profitability with capital employed.

Key Highlights

Company Overview: Navin Fluorine International Ltd, a subsidiary of the Padmanabh Mafatlal group, has been a prominent player in the fluorochemical industry since 1967. It stands as one of India's largest specialty fluorochemical manufacturers, specializing in refrigeration gases, inorganic fluorides, specialty organofluorines, and offering contract research and manufacturing services. The company boasts a diverse portfolio of over 60 fluorinated compounds, catering to various sectors, including agrochemicals, pharmaceuticals, aluminum smelting, refrigeration, and glass manufacturing.

Revenue Breakdown (FY24): The revenue distribution for FY24 indicates strong performance across its segments:

Specialty Chemicals: 41%
High-Performance Products: 46%
CDMO: 13%This diversification underscores NFIL's resilience and adaptability in the fluorochemical market.

Geographical Presence: NFIL has established a robust presence in both domestic and international markets, with exports accounting for 57% of its revenue in Q1FY25. The geographical breakdown indicates significant market penetration, with India contributing 43% and international markets 57%, including key regions like Europe, the USA, Southeast Asia, and the Middle East.

Manufacturing and R&D Facilities: The company operates a state-of-the-art manufacturing facility in Surat, dedicated to refrigerant gases and specialty chemicals. It also has a cGMP-compliant facility for CDMO services in Dewas and is set to establish a new greenfield investment in Dahej. NFIL's R&D center, also located in Surat, is DSIR-approved and further strengthened by the acquisition of Manchester Organics, highlighting its commitment to innovation.

Long-Term Contracts: NFIL has secured multi-year contracts, including a significant 7-year agreement worth approximately $410 million with Honeywell International for high-performance products, set to bolster its financial standing. Additionally, a 5-year contract valued at around ₹800 crores for key agrochemical fluoro-intermediates was signed, showcasing the company's strong client relationships and future revenue streams.

Upcoming Challenges and Initiatives: The phasing out of HCFC-22 (R-22), due to its ozone-depleting properties, presents both challenges and opportunities. NFIL has initiated the production of an alternative refrigerant, R-32, with manufacturing starting in Q1FY24. This proactive approach demonstrates the company's adaptability to regulatory changes and environmental responsibilities.

Capital Expenditure and Fundraising Initiatives: NFIL is undertaking significant capital expenditure projects totaling approximately ₹2,200 crores to enhance its production capabilities. This includes a new 40,000 TPA HF capacity facility at Dahej, a cGMP facility to support European API customers, and capacity expansion for R-32 production. The company is also in the process of raising ₹750 crores through equity shares or convertible securities, aimed at supporting its growth initiatives. However, it faces a recent GST penalty of approximately ₹38 crores, which may impact its financials.