

# India sneak peek

## Published research

**Amber Enterprises (HOLD - Maintained, TP: Rs4,200)** - Transition from RAC to mobility & electronics

**Avalon Technologies (HOLD - Downgrade, TP: Rs510)** - Recovery in US market delayed further

**Balkrishna Industries Ltd (ADD - Upgrade, TP: Rs3,087)** - On cyclical sales recovery path

**Chemicals - Overall (Underweight - Maintained)** - PFAS will meet the fate of parabens

**Endurance Technologies Ltd (ADD - Maintained, TP: Rs2,549)** - A play on sales growth and margin recovery

**Kaynes Technology (HOLD - Maintained, TP: Rs3,286)** - Healthy outlook; stretched valuation

**Zydus Lifesciences (ADD - Maintained, TP: Rs1,220)** - Strong 4Q performance; robust guidance

## Top Investment Idea

**Shree Cement Ltd (HOLD - Upgrade, TP: Rs27,700)** - Growth drivers intact; favourable valuation




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- 4QFY24 consol. EBITDA stood at Rs14.2bn (Incred estimate: ~Rs11.4bn), up 60% yoy. Volume grew by ~8% yoy to 9.53mt, ~2% above our estimate.
- SRCM has reiterated its target to achieve grey cement capacity of 75mt/80mt by FY27F/28F, respectively. Annual capex of Rs40bn over the next three years.
- Upgrade our rating to HOLD (from REDUCE) on strong operational performance & reasonable valuation as it's trading at a discount to large peers.

## What's in the news (Click on news for more information)

- Lupin's Somerset facility gets Form-483 with six observations after US FDA inspection
- Tata Motors partner with Bajaj Finance to finance their passenger and electric vehicle dealers
- Ratan Tata-backed Upstox forays into insurance distribution
- RVNL has received an order worth Rs 148 crore from South Eastern Railway for an electric traction system.
- IDFC First Bank shareholders approve merger of IDFC Ltd with bank

## Expert speak

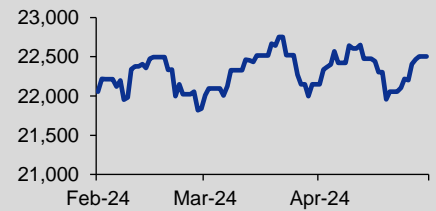
- K R Veerappan, CFO – JK Paper 
- Jayant Acharya, Director – JSW Steel 
- Himanshu Baid, MD – Poly Medicure 
- Peter Bains, Group CEO – Biocon 
- Shreehas Tambe, CEO & MD – Biocon biologic 

## Alternative research desk

## Trading desk

### Key Metrics

#### Nifty Index



| Day Low | CMP    | Day High |
|---------|--------|----------|
| 22,470  | 22,502 | 22,520   |

|                      |       |                  |      |
|----------------------|-------|------------------|------|
| DXY                  | 104.7 | USDvsINR         | 83.3 |
| US10YR (%)           | 4.44  | IND10YR (%)      | 7.09 |
| Brent Crude (\$/bbl) | 83    | WTI (\$/bbl)     | 79   |
| Gold (\$/oz)         | 2414  | Aluminum (\$/MT) | 2630 |

### Flows (Rs m)

| DII    | FII   |
|--------|-------|
| -1,529 | (930) |

### Actionable Ideas

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**Amber Enterprises (HOLD - Maintained, TP: Rs4,200)** - Transition from RAC to mobility & electronics

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- 4Q EBITDA grew 9% YoY to 2.2bn, in line with our/street estimates. PAT was at Rs990m, down 5% YoY, 18% below our estimate & 10% below consensus.
- For FY25F/26F, we cut our revenue estimates by 7% each to factor in the muted growth in the RAC business, but increased PAT estimates by 5%/10%.
- We retain our HOLD on the stock with a higher target price of Rs4,200 (Rs3,810 earlier), valuing it at 35x FY26F EPS.

**Avalon Technologies (HOLD - Downgrade, TP: Rs510)** - Recovery in US market delayed further

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- 4Q EBITDA stood at Rs172m, down 58% YoY (+4% QoQ), 28% below our estimate and 20% below consensus. EBITDA margin fell 719bp YoY to 7.9%.
- Recovery in the US market was delayed by two more quarters to FY26F. It is looking to address challenges in the US by optimizing production shift to India.
- Despite lower sales in FY24, management has given muted 14-16% revenue growth guidance for FY25F. We downgrade our rating to HOLD from ADD.

**Balkrishna Industries Ltd (ADD - Upgrade, TP: Rs3,087)** - On cyclical sales recovery path

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- 4QFY24 EPS growth of 56% qoq to Rs25 was a big beat to our/consensus estimates, driven by strong sales momentum of 16% qoq.
- With Europe agri replacement tyre market showing consistent recovery for last two quarters, we feel cyclical turnaround will sustain. Upgrade EPS by 11-14%.
- With capacity in hand to support cyclical sales recovery and P/BV valuation just above the five-year mean, we upgrade our rating to ADD from REDUCE.

**Chemicals - Overall (Underweight - Maintained)** - PFAS will meet the fate of parabens

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- Cosmetics makers use paraben-free as a marketing tool. As the alternatives to PFAS become prevalent, sellers will magnify the health hazards of PFAS.
- While paraben-free cosmetics are widely prevalent, signs of consumer shunning PFAS are visible. European sales of PFAS fell 23% during 2015-20.
- Ami Organics' paraben sales are ~US\$10m & almost 100% of GFL's revenue comes from PFAS. Both parabens and PFAS have zero terminal value.

**Endurance Technologies Ltd (ADD - Maintained, TP: Rs2,549)** - A play on sales growth and margin recovery

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- 4QFY24 EPS grew 25% qoq to Rs13.5, 18% above our/Bloomberg consensus estimates, aided by strong gross margin expansion.
- Considering the near doubling of new order win execution yoy and strong demand from the two-wheeler industry, we upgrade FY25F-26F EPS by 2-4%.
- Stock trading near its five-year mean P/E and the EV/EBITDA provides comfort. Reiterate ADD rating on it, rolling forward our target price to Rs2,549.

**Kaynes Technology (HOLD - Maintained, TP: Rs3,286)** - Healthy outlook; stretched valuation

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- 4Q EBITDA stood at Rs952m, up 61% YoY, 21% above our estimate and 6% above consensus estimate. The EBITDA margin took a hit of 134bp YoY.
- Management has given revenue growth guidance of 50-60% for FY25F, with an EBITDA margin of ~14.5-15%, NWC days are likely to reduce to 70-72 days.
- We raise PAT by ~6%/5%, factoring in higher order inflow at a lower margin. We retain HOLD rating with a higher target price of Rs3,286, (Rs3,120 earlier),

**Zydus Lifesciences (ADD - Maintained, TP: Rs1,220)** - Strong 4Q performance; robust guidance

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- 3% beat in 4Q revenue/EBITDA led by the US market. Guidance of high-teen revenue growth & 27.5% margin in FY25F is a significantly positive surprise.
- Street is apprehensive of double-digit US growth. With a higher contribution from Revlimid & recent exclusive launch of Mirabegron, we differ from street.
- FY25F/26F EPS estimates raised by 15%/8%, respectively, Retain ADD rating on the stock with a higher target price of Rs1,220.

Actionable Ideas ➤ [Top](#)

Figure 1: Top Buys (All ADD Ratings)

| Company                     | Bloomberg Ticker | Market Capital (Rs bn) | Price  | Target Price | Up/down (%) | Analyst Name        |
|-----------------------------|------------------|------------------------|--------|--------------|-------------|---------------------|
| <b>Large Cap</b>            |                  |                        |        |              |             |                     |
| Reliance Industries         | RIL IN           | 19,416                 | 2,870  | 3,369        | 17%         | Satish KUMAR        |
| HDFC Bank                   | HDFCB IN         | 11,147                 | 1,466  | 2,000        | 36%         | Jignesh SHIAL       |
| State Bank of India         | SBIN IN          | 7,327                  | 821    | 1,000        | 22%         | Jignesh SHIAL       |
| Maruti Suzuki               | MSIL IN          | 3,962                  | 12,600 | 14,896       | 18%         | Pramod AMTHE        |
| Titan Co Ltd                | TTAN IN          | 2,985                  | 3,363  | 4,060        | 21%         | Rohan KALLE         |
| Bharat Electronics Ltd      | BHE IN           | 1,892                  | 259    | 235          | -9%         | Dipen VAKIL         |
| Tech Mahindra               | TECHM IN         | 1,275                  | 1,306  | 1,625        | 24%         | Abhishek SHINDADKAR |
| <b>Mid-cap</b>              |                  |                        |        |              |             |                     |
| Shriram Finance Limited     | SHFL IN          | 891                    | 2,370  | 2,950        | 24%         | Jignesh SHIAL       |
| Aurobindo Pharma            | ARBP IN          | 705                    | 1,202  | 1,178        | -2%         | Praful BOHRA        |
| Container Corp of India Ltd | CCRI IN          | 671                    | 1,101  | 1,083        | -2%         | Rajarshi MAITRA     |
| Bharat Forge                | BHFC IN          | 694                    | 1,490  | 1,595        | 7%          | Pramod AMTHE        |
| Ashok Leyland               | AL IN            | 618                    | 211    | 208          | -1%         | Pramod AMTHE        |
| APL Apollo Tubes            | APAT IN          | 463                    | 1,668  | 1,814        | 9%          | Rajarshi MAITRA     |
| Mahindra & Mahindra Finance | MMFS IN          | 327                    | 265    | 370          | 40%         | Jignesh SHIAL       |
| Ajanta Pharma Ltd           | AJP IN           | 302                    | 2,395  | 2,556        | 7%          | Praful BOHRA        |
| Aditya Birla Sunlife AMC    | ABSLAMC IN       | 153                    | 531    | 700          | 32%         | Jignesh SHIAL       |
| Data Patterns (India) Ltd   | DATAPATT IN      | 186                    | 3,321  | 3,000        | -10%        | Dipen VAKIL         |
| <b>Small-cap</b>            |                  |                        |        |              |             |                     |
| Spandana Sphoorty Financial | SPANDANA IN      | 58                     | 810    | 1,300        | 60%         | Jignesh SHIAL       |
| Cyient DLM Ltd              | CYIENTDL IN      | 55                     | 690    | 1,049        | 52%         | Vipraw SRIVASTAVA   |
| Skipper Limited             | SKIPPER IN       | 36                     | 329    | 435          | 32%         | Arafat SAIYED       |
| Globus Spirits Ltd          | GBSL IN          | 22                     | 768    | 1,562        | 104%        | Nitin AWASTHI       |
| Camlin Fine Sciences        | CFIN IN          | 17                     | 100    | 300          | 200%        | Satish KUMAR        |
| BCL Industries Ltd          | BCLIL IN         | 15                     | 55     | 95           | 72%         | Nitin AWASTHI       |

SOURCES: INCRED RESEARCH, BLOOMBERG

Figure 2: Top Sells (All REDUCE Ratings)

| Company                      | Bloomberg Ticker | Market Capital (Rs bn) | Price | Target Price | Up/down (%) | Analyst Name    |
|------------------------------|------------------|------------------------|-------|--------------|-------------|-----------------|
| <b>Large Cap</b>             |                  |                        |       |              |             |                 |
| Tata Steel                   | TATA IN          | 2,096                  | 168   | 82           | -51%        | Satish KUMAR    |
| InterGlobe Aviation Ltd      | INDIGO IN        | 1,685                  | 4,367 | 2,000        | -54%        | Rajarshi MAITRA |
| <b>Mid-cap</b>               |                  |                        |       |              |             |                 |
| SBI Cards                    | SBICARD IN       | 680                    | 715   | 500          | -30%        | Jignesh SHIAL   |
| Clean Science and Technology | CLEAN IN         | 142                    | 1,339 | 663          | -50%        | Satish KUMAR    |

SOURCES: INCRED RESEARCH, BLOOMBERG

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Figure 3: Report links

| Date        | Analyst          | Report Title  |
|-------------|------------------|---|
| 20 May 2024 | Praful Bohra     | <a href="#">Zydus Lifesciences - Strong 4Q performance; robust guidance (ADD-Maintained)</a>              |
| 19 May 2024 | Satish Kumar     | <a href="#">Oil &amp; Gas Refinery - LPG to become costlier vis-à-vis LNG (Neutral-Maintained)</a>        |
| 18 May 2024 | Pramod Amthe     | <a href="#">Endurance Technologies Ltd - A play on sales growth and margin recovery (ADD-Maintained)</a>  |
| 18 May 2024 | Arafat Saiyed    | <a href="#">Kaynes Technology - Healthy outlook; stretched valuation (HOLD-Maintained)</a>                |
| 18 May 2024 | Arafat Saiyed    | <a href="#">Avalon Technologies - Recovery in US market delayed further (HOLD-Downgrade)</a>              |
| 18 May 2024 | Pramod Amthe     | <a href="#">Balkrishna Industries Ltd - On cyclical sales recovery path (ADD-Upgrade)</a>                 |
| 18 May 2024 | Arafat Saiyed    | <a href="#">Amber Enterprises - Transition from RAC to mobility &amp; electronics (HOLD-Maintained)</a>   |
| 17 May 2024 | Pramod Amthe     | <a href="#">Mahindra &amp; Mahindra - Excitement over new products and capex (HOLD-Maintained)</a>        |
| 17 May 2024 | Satish Kumar     | <a href="#">Chemicals - Overall - PFAS will meet the fate of parabens (Underweight-Maintained)</a>        |
| 17 May 2024 | Satish Kumar     | <a href="#">Dhanuka Agritech Ltd - Cessation of coverage (NOT RATED-Maintained)</a>                       |
| 16 May 2024 | Rohan Kalle      | <a href="#">Jyothy Labs Limited - Focus remains on driving volume-led growth (ADD-Maintained)</a>         |
| 16 May 2024 | Rohan Kalle      | <a href="#">Colgate Palmolive India - Driving volume growth remains a focus area (HOLD-Maintained)</a>    |
| 16 May 2024 | Nishant Bagrecha | <a href="#">Shree Cement Ltd - Growth drivers intact; favourable valuation (HOLD-Upgrade)</a>             |
| 16 May 2024 | Rohan Kalle      | <a href="#">Berger Paints India Limited - Weak mix and price cuts drag value growth (HOLD-Maintained)</a> |
| 16 May 2024 | Pramod Amthe     | <a href="#">Apollo Tyres Ltd - Its pricing power is on test (REDUCE-Maintained)</a>                       |
| 15 May 2024 | Nishant Bagrecha | <a href="#">J K Cement Ltd - In-line 4Q; long-term growth plans intact (HOLD-Maintained)</a>              |
| 15 May 2024 | Arafat Saiyed    | <a href="#">Siemens Ltd - Strong EBITDA beat; rerating to continue (ADD-Maintained)</a>                   |
| 15 May 2024 | Pramod Amthe     | <a href="#">Eicher Motors Ltd - Hopes of new product success factored in (REDUCE-Maintained)</a>          |
| 15 May 2024 | Arafat Saiyed    | <a href="#">Dixon Technologies - Higher growth at the cost of margin (ADD-Maintained)</a>                 |
| 14 May 2024 | Arafat Saiyed    | <a href="#">Syrma SGS Technology - Sailing in two boats (ADD-Maintained)</a>                              |

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