



Strategy Capital Market

January 2025



- Global Market Performance:** The major US indexes reported stellar gains for 2024, recording a series of all-time highs. The S&P 500 surged 23.31% in 2024, on the back of 24.2% gain in 2023. The DJIA added 12.9% in 2024, while the Nasdaq has outperformed with a gain of 28.6%. The excitement around AI powered Nvidia which rose 171% while other Magnificent 7 stocks also posted strong gains. Since September, the Federal Reserve has reduced rates by 100 basis points, boosting confidence in the continuation of strong economic growth. Markets also experienced a sharp rally after Trump's victory in November, fuelled by expectations of lower taxes and deregulation. Bank stocks in particular surged after the election, with JPMorgan and Goldman Sachs closing up about 41% and 48%, respectively. Shares of Tesla finished the year up more than 62%.
- Indian Equities:** Indian markets reported ninth consecutive annual gains in 2024 with the Sensex and Nifty returning 8.2% and 8.8%, respectively. Broader market indices such as the Nifty Midcap 100 and Nifty Small cap 100 outperformed the larger benchmarks, surging by 24%. A sharp sell-off by FPIs, particularly in the final quarter of the calendar year, put pressure on the markets. Weak earnings growth, combined with high valuations, depreciating rupee, and a strong rally in the US markets, negatively impacted market sentiments. FIIs selling abated to some extent in December compared to the previous two months as they sold equities worth Rs.656cr only. However, it should be highlighted that in December FIIs invested more than Rs.17,000cr in the primary market.
- View on Indian Equities:** We expect market to remain range bound with lot of volatility due to domestic as well as global events. Additionally, India earnings growth expectations remains muted with ongoing challenges such as slowing macroeconomic environment, weak earnings cycle, limited room for further valuation expansion, and the possibility of continued selling by FPIs. Our top picks are i.e. Shriram Fin. , Apl Apollo, Astral Poly., Kajaria Cera., Kirloskar Oil Eng., Birlasoft, City Union Bank, Neogen Chem & Greenply Ind.

Top Picks:

	M Cap Rs bn	CMP (Rs)	TP (Rs)	Upside (%)	PE (x) FY25E	FY26E
Shriram Finance	1146	3048	3630	19.1	2.3	1.9
APL ApolloTubes	448	1615	1737	7.6	58.2	34.4
Astral Polytechnik	435	1621	1943	19.9	67.2	53.4
Kajaria Ceramics	182	1140	1459	28.0	37.6	31.2
Kirloskar Oil Eng.	153	1051	1491	41.8	27.8	22.0
Birlasoft	153	552	690	24.9	23.9	19.9
City Union Bank	130	175	200	14.4	1.4	1.1
Neogen Chemicals	58	2205	2871	30.2	100.0	81.0
Greenply Ind.	39	316	340	7.7	37.4	23.3

Source: IDBI Capital, Bloomberg, Note: CMP closing of 3 January 2025

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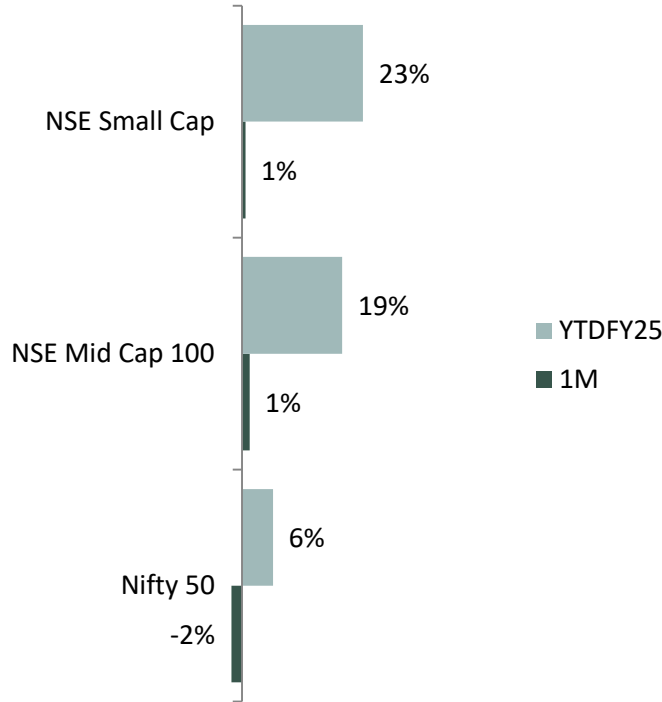
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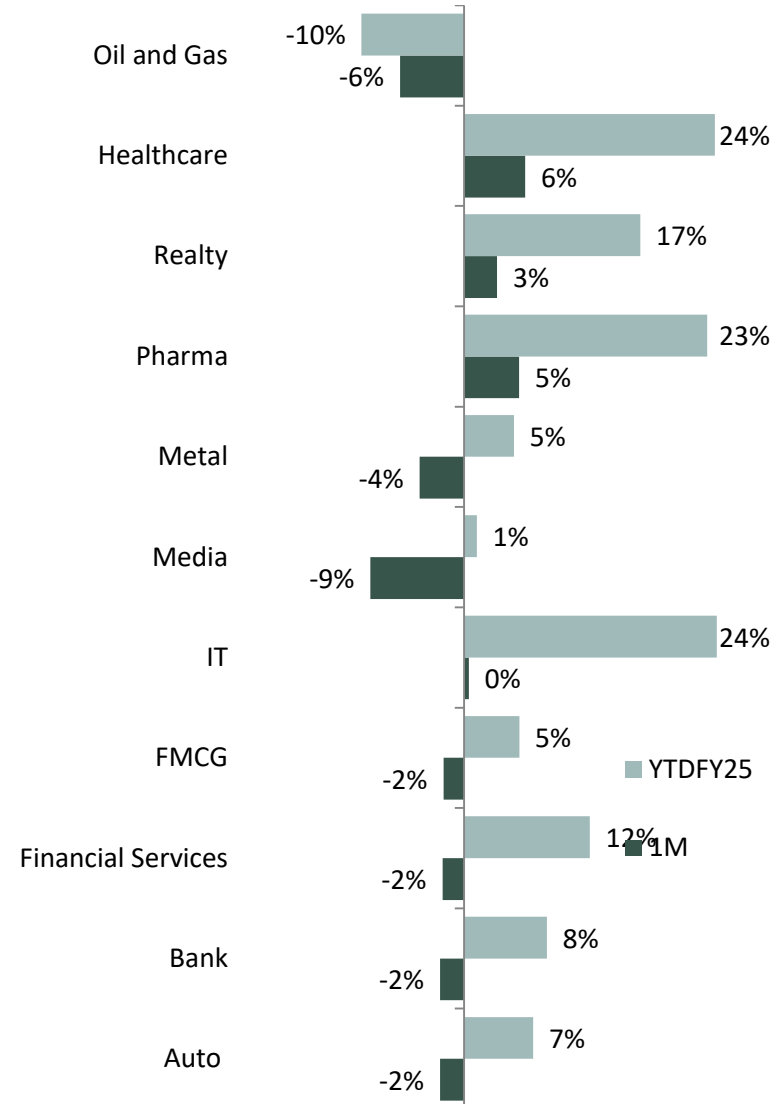
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Equities

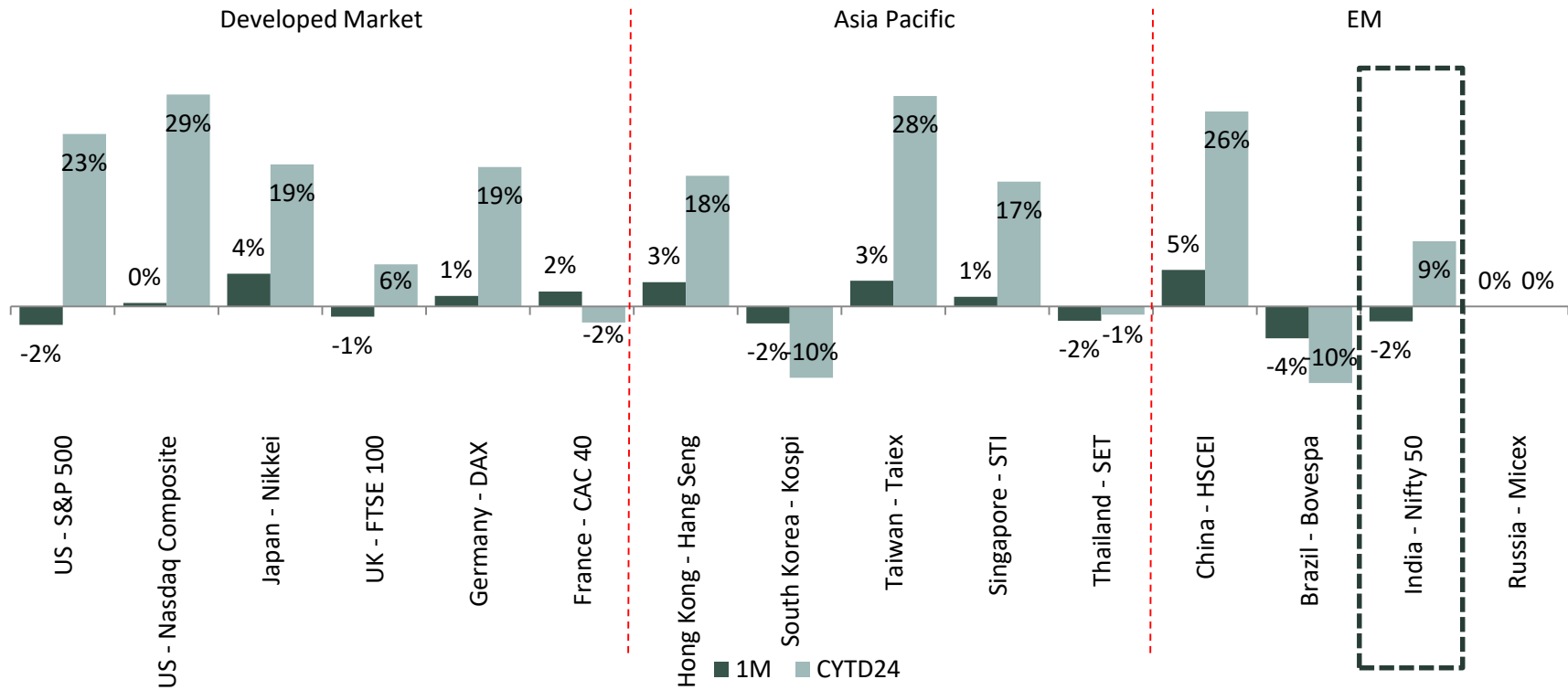
Index-wise



Sector-wise



- Indian equity market (Nifty-50) was down 2% MoM in Dec-24. Mid Cap Index & small cap index were flat MoM in Dec-24.
- Healthcare sector was up 6% MoM in Dec-24, Media sector was down 9% MoM in Dec-24.



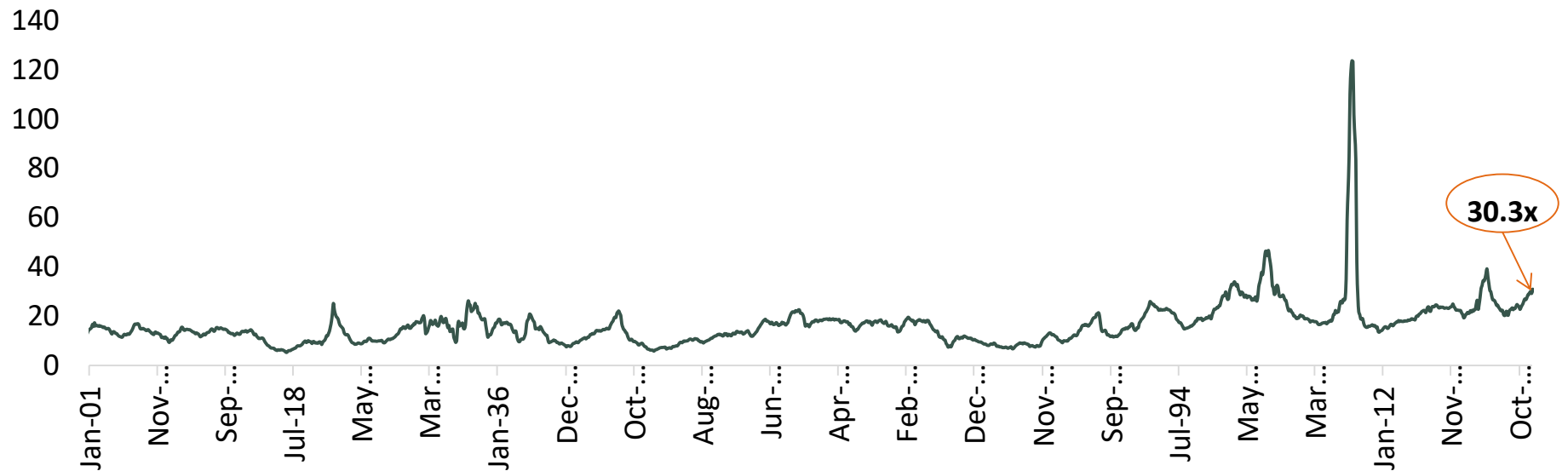
- Global stock indices showed mixed trend in Dec-24 with S&P 500 was down by 1% & Nasdaq was flat MoM.
- Most of the global indices ranged between +5% to -4% in Dec-24.

US Equity Performance in December-24

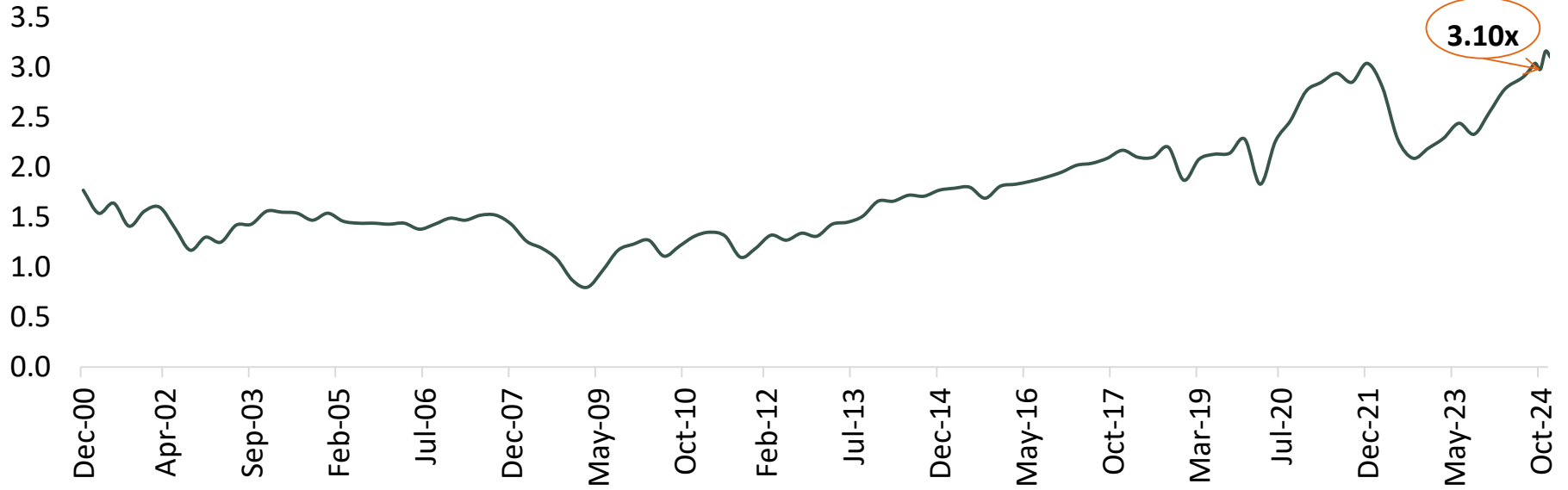
Current Shiller PE for S&P 500 at 37.7x compared to last 20 yrs avg of 26.5x



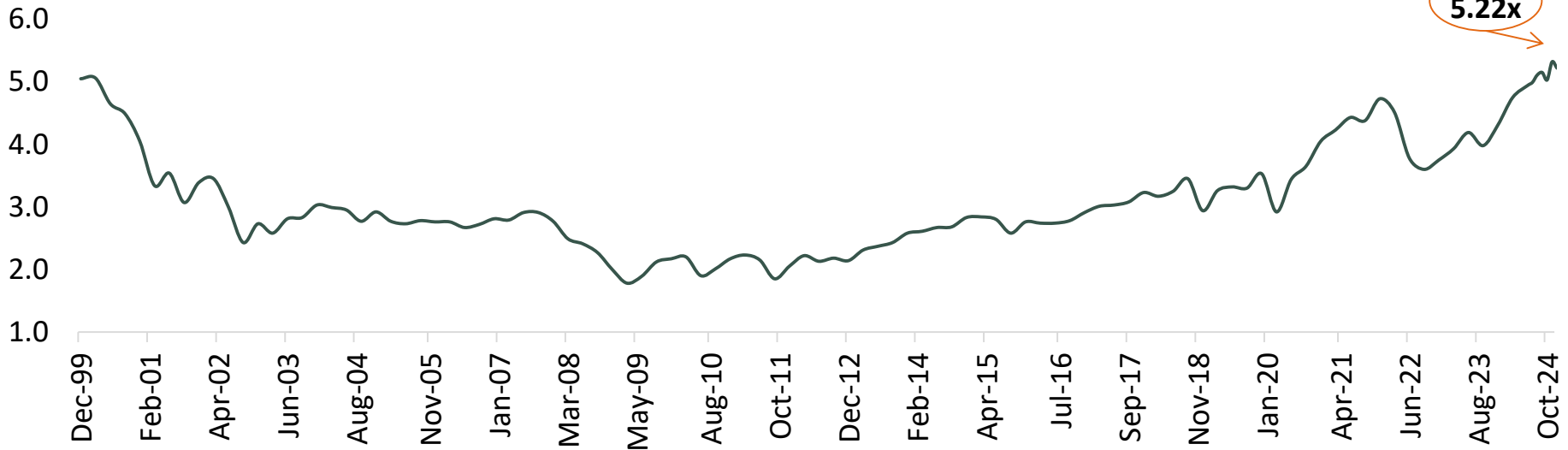
Current S&P 500 PE based on TTM is 30.3x compared to last 20 years avg of 24.6x



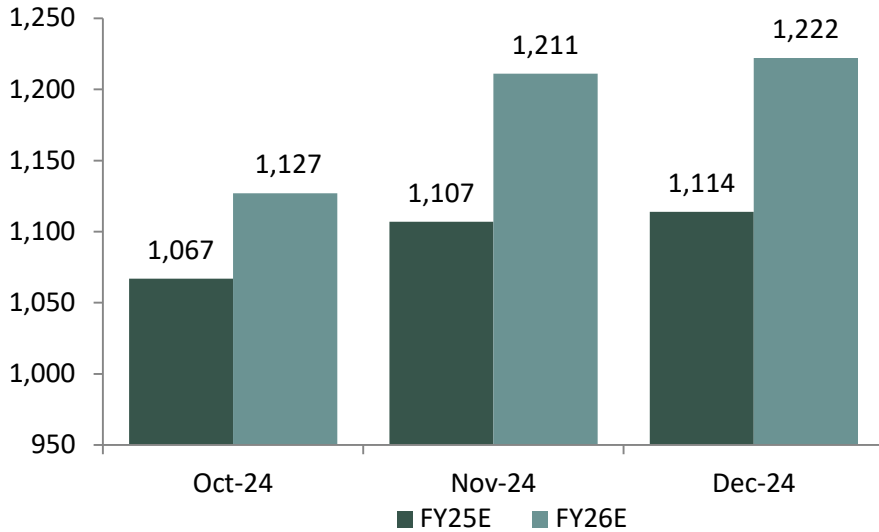
S&P 500 Price to Sales Ratio



S&P 500 Price to Book at 5.15x

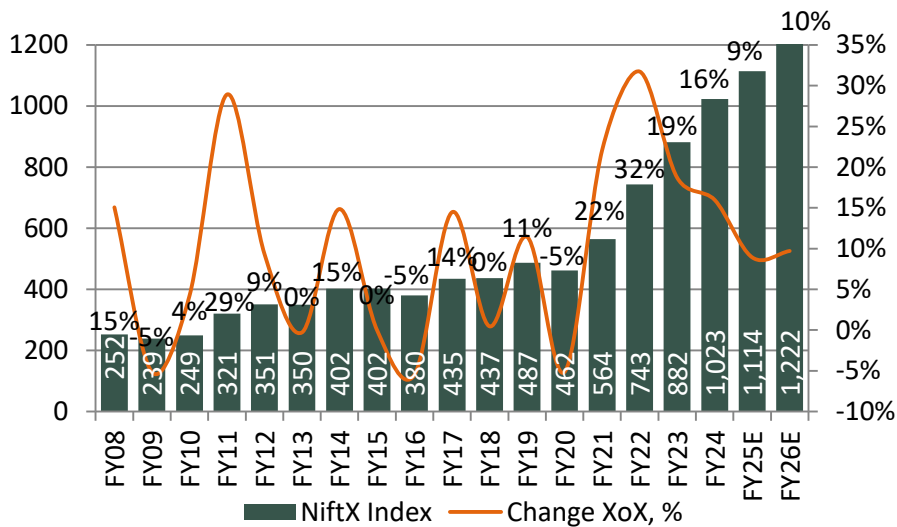


Nifty EPS trend (Rs)

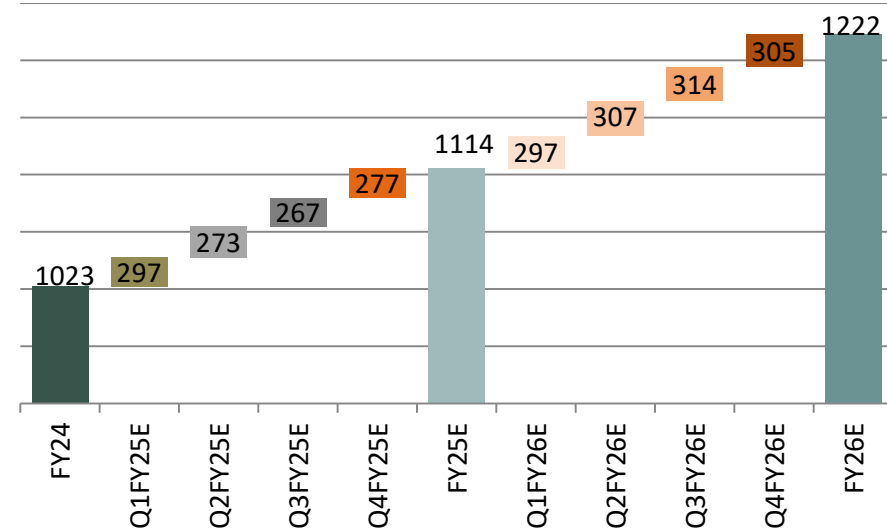


- Earnings growth expectations in FY25-26E remains positive with expectation of 10% pa in FY26E.

EPS : Nifty 50

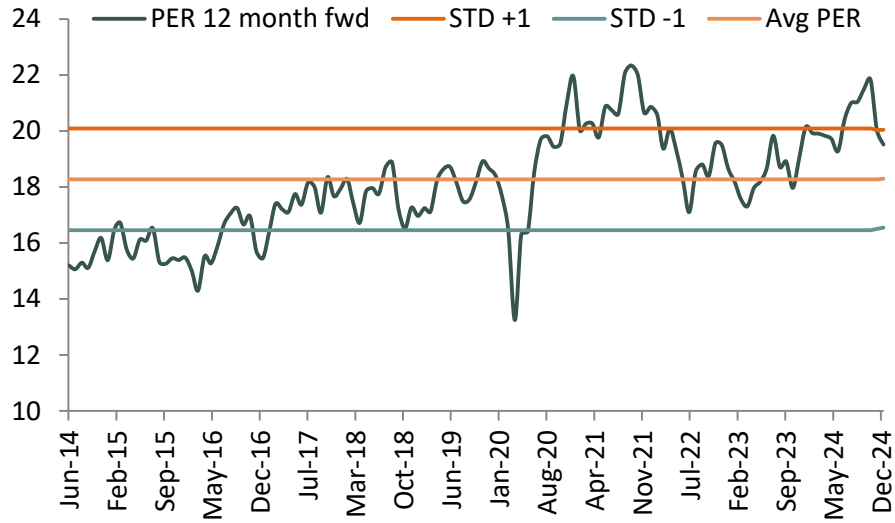


Nifty-50 EPS: Quarterly build up (Rs)



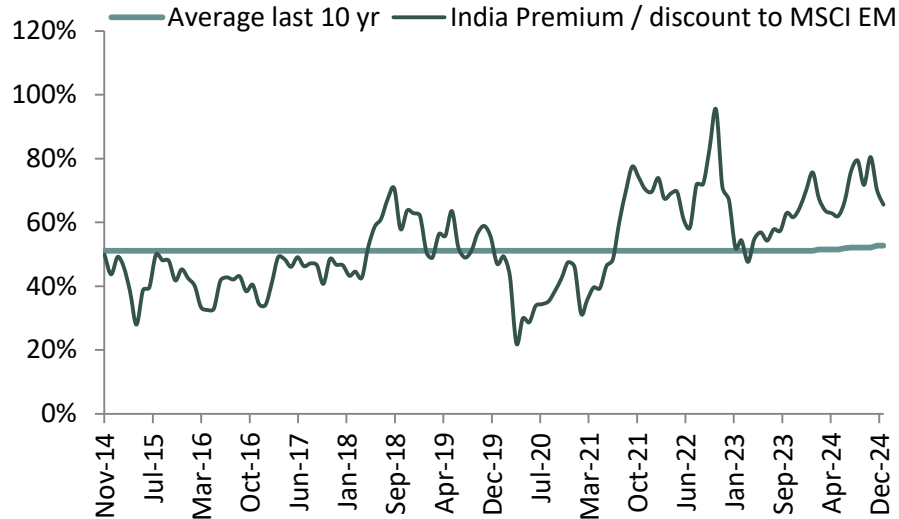
Source: Bloomberg

PER Valuation : Nifty 50

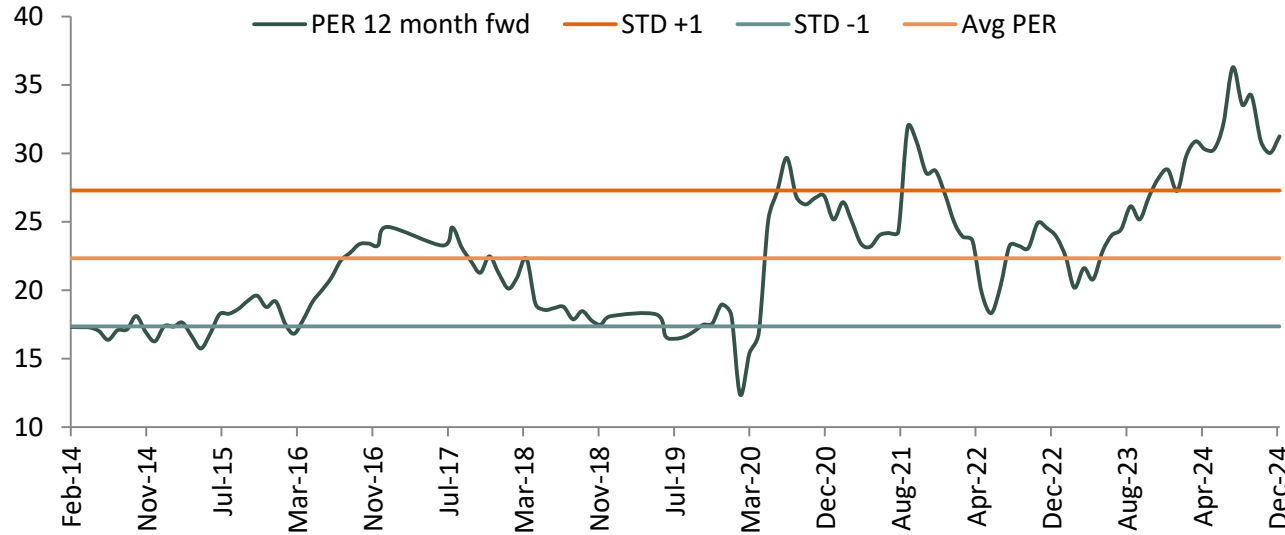


- India valuation premium to MSCI EM; trading above its historical averages.

Nifty-50 vs MSCI EM

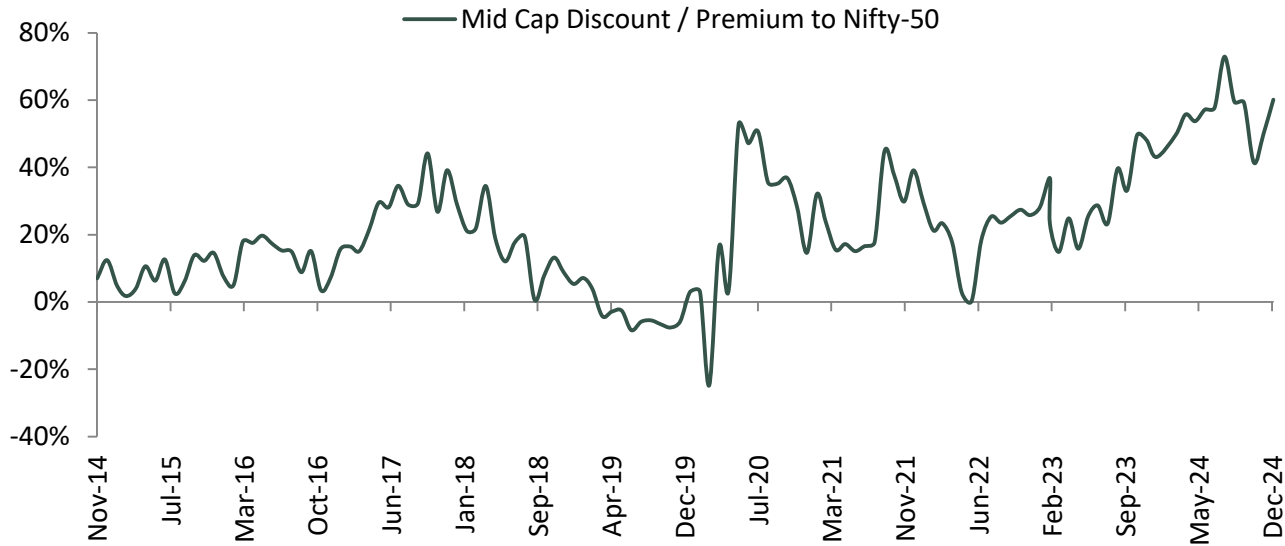


PER Valuation: Nifty Mid Cap 100



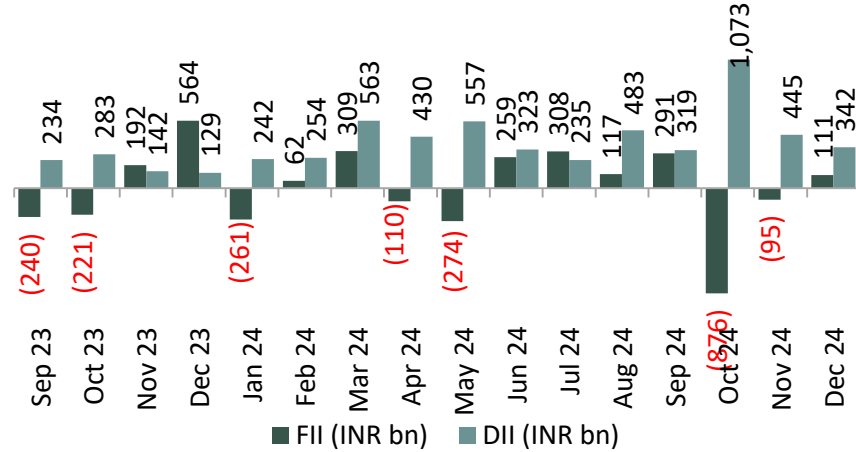
- Mid cap index is trading above +1 Std Deviation
- Mid cap valuation premium over Nifty-50 has increased in the last 12 months

Mid Cap to Nifty-50 PER valuation



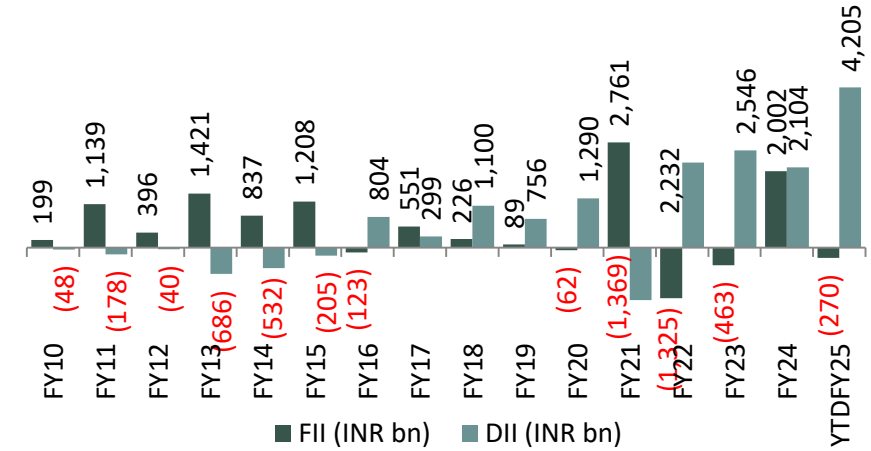
Source: Bloomberg

Monthly Flows

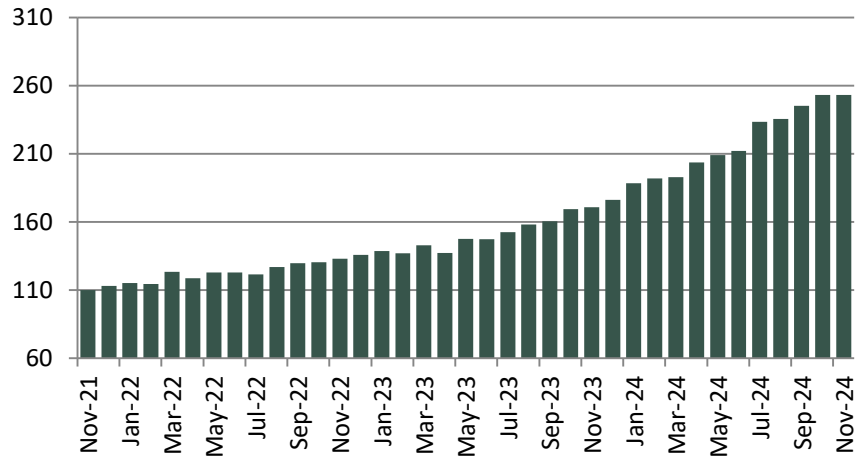


Source: Bloomberg

Yearly Flows



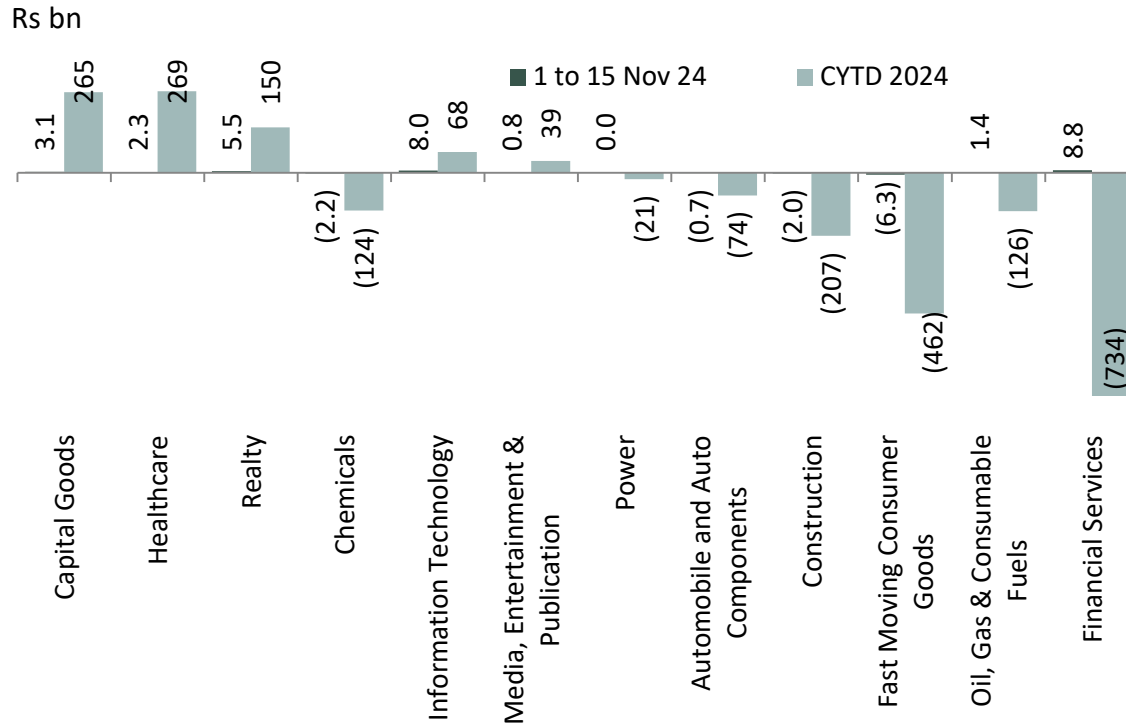
MF SIP Flow Rs bn



Source: AMFI

- In cash segment, FII's were net buyers (Rs111 bn*) in Dec-24 . DIIs were net buyers in Nov-24 at Rs.342bn* .

*FII flows data till 31st Dec 2024



- During the first fortnight of Dec-24, IT & Financial Services sector witnessed FPI inflows.
- Chemicals & FMCG sector witnessed outflows in the first fortnight of Dec-24.

Other macro's

	Unit	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
MACRO												
GST	Rs t	1,721	1,683	1,780	2,100	1,730	1,740	1,821	1,750	1,732	1,873	1,823
Merchandise exports	USD mn	36,915	41,403	41,679	34,991	38,132	35,199	33,980	34,715	34,582	39,196	32,115
Services exports	USD mn	31,023	28,348	NA	30,332	29,764	28,818	30,580	30,340	32,579	34,309	32,014
Non oil domestic imports	USD mn	37,840	43,220	40,050	37,630	41,970	41,130	43,610	53,340	42,820	48,040	53,840
INFLATION												
CPI	%	5	5	5	5	5	5	4	4	5	6	5
Core CPI	%	4	4	3	3	3	3	3	3	3	3	3
WPI	%	0	0	1	1	3	3	2	1	2	2	2
AGRICULTURE												
Fertilizer Production	yoy, %	-1	-10	-1	-1	-2	2	5	3	2	0	2
Tractor Sales	k units	89	77	78	57	70	71	80	65	63	64	81
Tractor Sales	yoy, %	21	11	-3	1	-1	-28	-12	-11	15	3	30
INDUSTRY												
Core Sector change	%	4	7	5	6	6	4	6	-2	2	3	4
IIP change	%	4	6	5	5	6	4	5	0	3	3	NA
PMI Manufacturing	Points	57	57	59	59	58	58	58	58	57	58	57
Domestic Auto Sale	mn units	2	2	2	2	2	2	2	2	2	3	3
Domestic Auto Sale	yoy, %	15	13	4	28	3	1	14	3	-9	32	11
Coal Production	yoy, %	10	12	9	8	10	15	7	-8	3	8	7
Steel Production	yoy, %	7	8	6	7	8	3	7	5	1	4	5
Cement Production	yoy, %	6	10	11	1	-1	2	6	-3	7	3	13
Electricity generation	yoy, %	5	6	8	9	13	8	7	-5	0	1	4
Commercial Vehicle	YoY, %	0	5	-2	6	8	-5	6	-6	-10	6	-6
CONSUMPTION / SERVICES												
Passenger Vehicle	YoY, %	13	12	-4	19	2	-7	10	-5	-19	32	-14
PMI Services	Points	62	61	61	61	60	61	60	61	58	59	58
E Way bill generation	mn	82.4	97.3	103.5	96.6	96.6	97.6	104.8	105.4	109.0	117.2	101.8
Port Cargo Traffic	mn tonnes	72	67	72	67	72	69	70	70	66	68	68
Port Cargo Traffic	yoy %	3	2	3	2	4	4	6	7	6	-3	-5
Domestic Air Passenger	no. mn	13	13	13	13	14	13	13	13	13	14	14
Fuel consumption	mn mt	20	20	21	20	20	20	20	18	18	20	20
UPI (Value)	Rs bn	18,410	18,200	19,780	19,640	20,450	20,070	20,640	20,610	20,640	23,490	23,250

Source: Bloomberg

10 Year	Current %	Change (bps)		Real Yield %	Inflation %
		1M	12M		
COUNTRY					
United States	4.6	0.4	0.7	0.9	3.8
United Kingdom	4.5	0.0	0.4	0.6	3.8
Japan	1.1	0.1	0.5	-0.7	1.8
Europe	2.4	0.3	0.3	-0.6	3.0
Brazil	14.8	1.8	4.8	9.4	5.3
India	6.8	0.0	-0.4	1.3	5.5
China	1.6	-0.4	-0.9	-0.7	2.3
South Africa	10.3	0.2	-1.1	6.4	3.9
INDIA CORPORATE BOND					
AAA	7.3	0.0	-0.4		
AA	8.0	0.1	-0.4		
A	9.8	0.0	-0.5		
BBB	11.1	0.0	-0.4		

- US 10 year yield increased by 40bps to 4.6% in Dec-24
- India G-sec yield was flat at 6.8% in in Dec-24

India GSec Yield – 10 year



US Yield – 10 year



Commodity performance

	Unit	1M	CYTD24
Brent Crude OIL (USD / Barrel)	77	0%	-5%
Natural Gas (USD/MMBtu)	4	13%	-1%
Gold (Per Troy Ounce)	2641	-1%	27%
Silver (Per Troy Ounce)	30	-6%	21%
Platinum (Per Troy Ounce)	937	-4%	-9%
Alluminium (USD / mt)	2465	-2%	8%
Copper (USD / mt)	8768	-3%	2%
Zinc (USD / mt)	2860	-5%	12%
Iron Ore (USD / Dry mt)	96	-2%	-28%
Coal (USD / mt)	138	-2%	-4%

- Commodity prices saw mixed trend in Dec-24 with Zinc and Iron Ore down by 5% & 2% respectively while Coal was down by 2%.
- In Precious Metals, Gold prices are down 1%, Silver down by 6% while platinum down 4% MoM.

CRB Index (USD)



CRB index comprises a basket of 19 commodities, with 39% allocated to energy contracts, 41% to agriculture, 7% to precious metals, and 13% to industrial metals

Brent Crude (USD/barrel)



INR versus Others

	INR	1M	CYTD24
DOLLAR INDEX SPOT	109	3%	7%
INR/USD	86	1%	3%
INR/EURO	88	0%	-3%
INR/JPY	1	-3%	-7%
INR/AUD	53	-3%	-6%
INR/CNY	12	0%	0%
INR/GBP	107	0%	2%

- USD appreciated against other currencies in Dec-24.
- Indian currency depreciated in Dec-24 against USD at Rs86.

INR / USD trend



Dollar Index



Dollar Index values USD with basket of 6 currencies—Euro, Swiss Franc, Japanese Yen, Canadian dollar, British pound, and Swedish Krona. Negative value denote depreciation of dollar

Stock Recommendations

Strong performance across all parameters

Key rationale

- The company has diversified from being a CV financier to expanding to other segments (non-vehicle portfolio).
- The company has reported a robust AUM growth of ~15% CAGR between FY21-24.
- The company has a better CI ratio (FY24: 29.7%) in comparison to its peers reflecting its ability to optimize costs.
- The company has a better spread on loans (FY24: 7.1%) as compared to its peers (FY24: Sundaram Fin: 3.4%, M&M Fin: 5.0%, Chola Fin: 5.8%).
- SFC has now diversified from mono line business of CV (mainly Used CV) to non-vehicle portfolio which was key hindrance in rating upgrade. Hence, a rating upgrade is on the table.

Triggers / Catalyst

- The management has guided for a better than 15% AUM growth in FY25, with significant growth seen in H2FY25.
- The company is expected to benefit from the rate cut cycle led by the decline in the cost of funds.
- Continuing improvement in asset quality over the next few quarters.

Risks

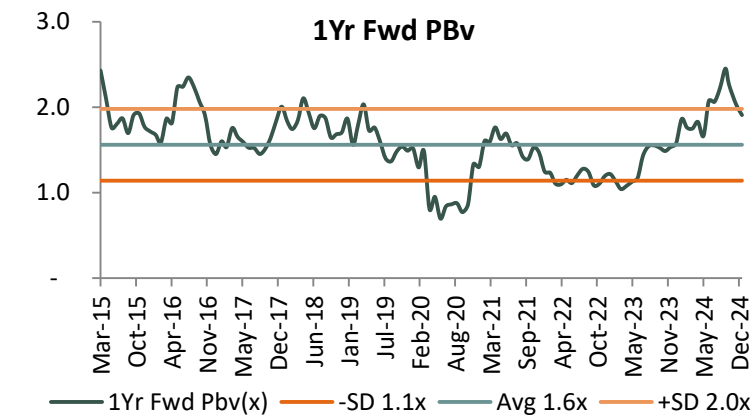
- Slowdown in CV financing portfolio could affect the overall growth of the company.
- Elevated interest rate cycle can lead to erosion in NIMs.

Valuation

- We maintain 'BUY' rating on the stock with TP of Rs. 3,630 valuing the company at 2.3x FY26E ABV, as strong AUM growth sustains along with 3%+ RoA.

Mkt Cap: Rs1,087 bn, 3M daily vol.: 97 Mn

PBV valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
NII	89,120	1,60,616	1,87,935	2,22,336	2,62,474
Change (yoy, %)	-23%	80%	17%	18%	18%
Net Profit	27,079	59,793	71,905	84,028	1,00,095
Change (yoy, %)	-23%	121%	20%	17%	19%
EPS (Rs)	100	160	191	224	266
ABV (Rs)	806	1,035	1,167	1,348	1,570
PER (x)	28.9	18.1	15.1	12.9	10.9
P/ABV (x)	3.6	2.8	2.5	2.1	1.8
ROE (%)	9.7	17.3	15.7	16.0	16.4
ROA (%)	1.8	3.5	3.3	3.3	3.4
GNPA (%)	6.9	6.2	5.5	5.4	5.4
NNPA (%)	4.7	3.3	2.8	2.8	2.8
CAR (%)	23.8	33.8	31.4	22.3	22.4

Source : IDBI Capital, Company, Bloomberg

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Key Assumption & Ratios

Year to March (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Advances	6.2	4.1	5.3	(14.0)	47.4	20.9	17.4	16.0
NII	12.2	0.5	(0.4)	(22.6)	80.2	17.0	18.3	18.1
PPoP	13.8	(1.4)	1.1	(4.9)	66.6	15.1	14.6	18.4
PAT	12.0	(1.4)	(0.1)	(22.6)	120.8	20.3	16.9	19.1
NIMs	8.6	8.5	8.1	5.8	9.3	9.2	9.1	9.2
Spread	5.9	5.7	6.1	3.7	7.1	7.1	7.2	7.4
RoE	17.2	14.8	12.7	9.7	17.3	15.7	16.0	16.4
RoA	2.7	2.5	2.3	1.8	3.5	3.3	3.3	3.4
GNPA	8.4	8.3	6.9	6.9	6.2	5.5	5.4	5.4
NNPA	5.7	5.6	4.2	4.7	3.3	2.8	2.8	2.8
CRAR	20.3	23.2	23.8	23.8	33.8	31.4	22.3	22.4

Peer comparison

Stocks	CMP	TP	Upside	Rating	PER (x)		P/ABV (x)		RoA		RoE	
	INR/ sh	INR/ sh	(%)		FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Shriram Finance	2,891	3,630	26	BUY	12.9	10.9	2.1	1.8	3.3	3.4	16.0	16.4
Chola Finance	1,187	1,560	31	BUY	23.6	18.8	4.5	3.5	2.4	2.5	19.5	19.8
Mahindra Finance	265	315	19	HOLD	15.4	12.8	1.8	1.6	1.7	1.7	11.3	12.3
Sundaram Finance	4,143	5,162	25	HOLD	29.6	24.9	4.2	3.6	2.8	2.9	15.0	15.2

Stock performance

	Mkt Cap	Performance (%)					Relative to Index (%)				
	INR bn	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
Shriram Finance	1,086	(4)	2	41	138	156	(2)	5	32	104	63
Chola Finance	997	(4)	(17)	(3)	110	284	(2)	(14)	(12)	77	191
Mahindra Finance	327	(3)	(11)	(4)	71	28	(1)	(8)	(12)	37	(64)
Sundaram Finance	460	4	(10)	19	75	152	6	(7)	10	41	60

Source : IDBI Capital, Company, Bloomberg

Leader in structural steel pipes segment in India

Key rationale

- APL Apollo is a leader in structural steel pipes in India, with a market share of over 50%.
- APL aims to establish a new plant in Bangalore instead of Ahmedabad, as Gujarat plant is already sufficient for local need and there is a demand for a facility in Bangalore. This new plant, along with the previously announced facilities at Siliguri and Gorakhpur, will increase total capacity to 5mn ton by FY25.
- The new Raipur plant is ramping up as expected, with a capacity utilization of 53% during Q2FY25 and it is expected to reach 70-75% by the end of FY25.
- Additionally, the company expects the new Raipur plant to potentially contribute revenue of more than Rs70 bn and EBITDA of Rs6 bn.
- Overall, APL aims to achieve sale volumes growth of 24% CAGR over FY24-FY27E, reaching 3.2mn tons by FY25 and 5mn tons by FY27. This growth will be driven by infrastructure spending, the ramp up of new facilities and capturing market share from scrap steel pipe producers due to narrowing pricing gap with falling steel prices.
- The contribution from value added products reached 55% in Q2FY25, compared to 55% in Q2FY24 and the company aims to increase it to 70% in the future.

Triggers / Catalyst

- Aggressive capacity expansion.
- Increasing contribution of Value added products to the top line (70%).

Risks

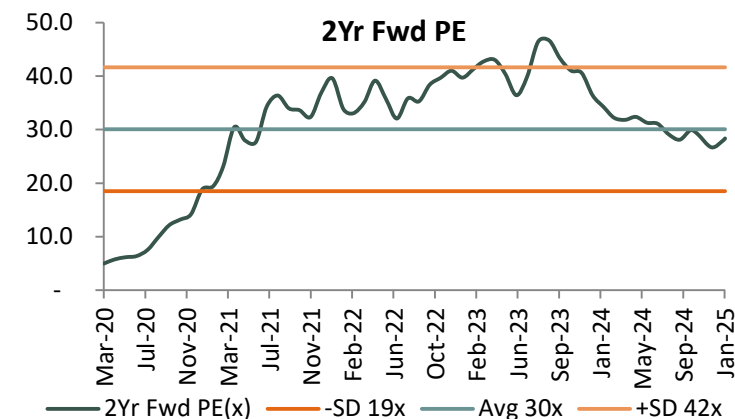
- Weakness in construction demand in India and steel imports from China.
- High fixed cost due to underutilization of capacity

Valuation

- We value the stock at a PER of 37x FY26 to derive a target price of Rs1,737 (earlier Rs1,693) and maintain BUY rating on the stock.

Mkt Cap: Rs446bn

PE valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
Revenue	1,30,633	1,61,660	1,81,188	2,00,860	2,58,014
Change YoY(%)	54	24	12	11	28
EBITDA	9,453	10,216	11,922	11,979	18,511
Change YoY(%)	39	8	17	0	55
EBITDA Margin(%)	7.2	6.3	6.6	6.0	7.2
Adj.PAT	6,190	6,419	7,324	7,378	12,517
EPS (Rs)	25	23	26	27	45
Change YoY(%)	71.9	(6.7)	14	1	70
PE(x)	65.2	69.8	61	61	36
Dividend Yield (%)	-	0.2	0	0	0
EV/EBITDA (x)	42.9	44.4	38.3	37.8	24.1
RoE (%)	31.3	24.4	22	19	24
RoCE (%)	29.3	24	22	19	27

Source : IDBI Capital, Company, Bloomberg

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Key Assumption & Ratios

Year to March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross Margin (%)	15.1	11.8	11.8	14.8	15.7	14.1	13.2	13.8	13.5	13.9
Operating Margin (%)	5.6	3.7	5.5	6.2	8.0	7.2	6.3	6.6	6.0	7.2
Net Margin (%)	4.0	3.1	2.1	3.3	4.8	4.7	4.0	4.0	3.7	4.9
Effective Tax rate (%)	29.6	35.3	34.7	13.6	25.3	25.6	25.7	25.1	23.9	24.8
Book value per share (INR)	30	35	40	55	68	91	108	130	151	191
ROCE (%)	21.6	21.2	18.9	18.2	23.9	29.3	24.0	22.3	19.4	27.2
ROE (%)	23.9	20.5	16.5	20.5	23.6	31.3	24.4	22.2	18.9	23.7
ROA (%)	16.1	15.8	13.3	12.6	17.3	21.3	17.1	15.6	13.5	18.8

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
APL Apollo Tubes	446	3%	4%	6%	77%	811%	6%	6%	-4%	44%	710%
Surya Roshni	59	-3%	-14%	-26%	112%	569%	0%	-12%	-36%	79%	469%
JTL Industries	41	-3%	-10%	-19%	53%	1520%	0%	-9%	-30%	19%	1419%
Hi-Tech Pipes	32	-2%	22%	16%	154%	881%	1%	24%	5%	121%	780%

Revenue by products

Year to March	FY20	FY21	FY22	FY23	FY24
Apollo Structural	69%	70%	63%	69%	68%
Apollo Z	25%	25%	33%	27%	27%
Apollo Galv	6%	4%	4%	4%	5%

Key assumptions	FY22	FY23	FY24	FY25E	FY26E
Volumes (in Mn)	1.75	2.28	2.62	3.20	3.90
GP/tonne	10,486	9,381	9,559	8,775	9,469
EBITDA/tonne	5,386	4,480	4,555	3,901	4,921

Source: IDBI Capital, Company, Bloomberg

Weathering the challenges

Key rationale

- Astral Poly Technik Ltd (ASTRA) is a leading player in India's CPVC pipe and adhesive segments. The company has a strong market presence, particularly in the CPVC pipes segment, where it holds a prominent position. ASTRA's focus on new product launches, such as plastic tanks and valves, along with a strengthened distribution network for adhesives, positions it well for continued growth.
- The company has also made strategic moves to optimize its asset utilization, which will drive improved free cash flow and return ratios. These initiatives, coupled with robust demand across both its CPVC pipes and adhesives businesses, are expected to support its growth trajectory in the coming years.

Catalyst

- The launch of plastic tanks and valves, along with strengthened distribution for adhesives, will drive growth and diversify Astral's revenue streams.
- Focus on optimizing capacity utilization across both the CPVC and adhesive segments will improve free cash flow and return ratios, supporting stronger profitability.

Risks

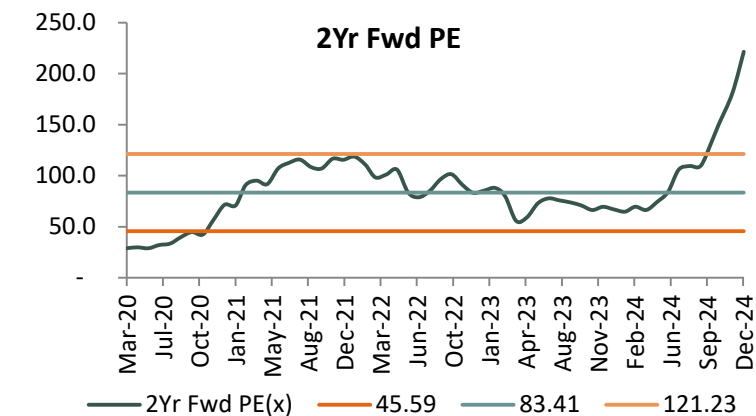
- Fluctuating costs could impact margins.
- New regulations may affect operations.

Valuation

- The stock is trading at 54.7x PER on FY26 EPS of Rs30.4. We value the company at 64x PER on FY26E to arrive at TP of Rs1,943.

Mkt Cap: Rs446bn

PER valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
Revenue	43,940	51,585	56,414	66,966	78,222
Change YoY(%)	38.3	17.4	9.4	18.7	16.8
EBITDA	7,553	8,099	9,183	10,790	13,156
Change YoY(%)	17.2	7.2	13.4	17.5	21.9
EBITDA Margin(%)	17.2	15.7	16.3	16.1	16.8
Adj.PAT	4,838	4,584	5,456	6,483	8,168
EPS (Rs)	24.1	17.0	20.3	24.1	30.4
Change YoY(%)	19.6	(29.2)	19.0	18.8	26.0
PE(x)	68.9	97.4	81.8	68.9	54.7
Dividend Yield (%)	0.1	0.1	0.1	0	0
EV/EBITDA (x)	43.4	54.4	48.1	40.8	33.3
RoE (%)	22.9	18.2	18.5	18.7	20.0
RoCE (%)	27.9	22.6	22.2	23.0	24.6

Source : IDBI Capital, Company, Bloomberg

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Key Assumption & Ratios

Year to March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Operating margin (%)	11.8	12.4	13.9	15.3	15.4	17.2	20.3	17.2	15.7	16.3	16.1	16.8
Net margin (%)	5.3	6.1	7.7	8.4	7.9	9.7	12.7	11.0	8.9	9.7	9.7	10.4
Effective tax rate (%)	28.6	21.6	27.6	28.9	30.0	18.4	23.1	24.3	25.2	25.6	25.2	25.2
Book value per share (Rs)	50.2	56.9	68.8	82.9	104.5	97.8	93.0	115.0	99.8	117.6	138.1	164.2
ROA (%)	11.3	13.4	15.5	16.6	16.1	15.3	21.3	20.7	16.3	16.2	17.8	19.5
ROE (%)	12.3	15.3	18.7	18.8	17.2	18.0	23.8	22.9	18.2	18.5	18.7	20.0

Peer comparison

Companies	CMP (Rs)	TP (Rs)	Upside (%)	Reco	EPS (Rs)		PER (x)		EV/EBITDA (x)		RoE(%)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY25E
Prince Pipes and Fittings Ltd	426	529	24.1	HOLD	17.1	22.0	24.9	19.4	14.1	11.4	11.6	13.4
Astral Ltd	1,660	1,943	17.1	HOLD	24.1	30.4	68.9	54.7	42.2	34.4	18.7	20.0
Finolex Industries Ltd	244	301	23.5	HOLD	7.4	10.7	33.1	22.7	34.0	30.0	7.7	10.4
Supreme Industries	4,674	4,821	3.1	HOLD	84.9	107.1	55.1	43.6	35.4	28.1	20.1	22.7

Stock performance

	Absolute Perf (%)						Relative Perf wrt Nifty (%)					
	1M	3M	6M	12M	3Yrs	5Yrs	1M	3M	6M	12M	3Yrs	5Yrs
Prince Pipes and Fittings Ltd	0%	-24%	-39%	-43%	-39%	174%	2%	-15%	-36%	-51%	-71%	-
Astral Ltd	-7%	-17%	-31%	-13%	-8%	153%	-5%	-8%	-28%	-22%	-40%	59%
Finolex Industries Ltd	-9%	-13%	-27%	15%	19%	126%	-7%	-4%	-24%	7%	-12%	31%
Supreme Industries	0%	-13%	-24%	2%	108%	307%	2%	-4%	-21%	-7%	76%	213%
Nifty 50	-2%	-8%	-3%	9%	32%	94%	0	0	0	0	0	0

Source : IDBI Capital, Company, Bloomberg

Valuation comfort outweighs near-term challenges

Key rationale

- Kajaria is the largest player of organized tile industry with a combined capacity of 86.47MSM. It is present in ceramic, PVT & GVT which has over 3,000 SKUs.
- Kajaria's products are synonyms to quality and the its brand offers differentiated look and quality, setting it apart from competition, particularly from low grade tiles from unorganized players of Morbi.
- To capture the opportunity in allied businesses and leverage on its strong brand recall, Kajaria entered into Sanitaryware market in April, 2014. It has 250 SKUs in bathware and it is focused on growth of this segment with widening distribution network.
- Kajaria's focus on strong distribution network has paved the way for company's success over the year. Currently it has extensive dealership network of over 1,950 dealers.
- We like Kajaria amongst the listed building material companies and we believe that it is poised to benefit from domestic demand uptrend, capacity expansion, extensive distribution network and strong brand recall

Catalyst

- Capacity addition, increasing share of CPVC in total sales pie and higher of fittings paves in total sales the way for sustainable earnings growth of the company.

Risks

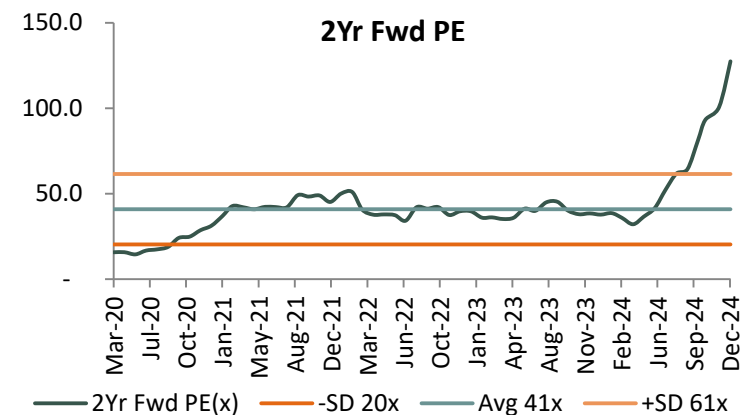
- Slowdown in demand, increased competitive intensity and volatile raw material prices will keep margins under pressure.

Valuation

- The stock is trading at 31.4x PER on FY26 EPS of Rs36.5. We value the company at 40x PER on FY26E to arrive at TP of Rs1,459.

Mkt Cap: Rs182bn

PER valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
Revenue	37,052	43,819	45,784	49,905	54,775
Change YoY(%)	33	18	4	9	10
EBITDA	6,107	5,920	6,997	7,587	8,904
Change YoY(%)	20.0	(3.1)	18.2	8.4	17.4
EBITDA Margin(%)	16.5	13.5	15.3	15.2	16.3
Adj.PAT	3,828	3,542	4,334	4,824	5,801
EPS (Rs)	24.1	22.3	27.3	30.3	36.5
Change YoY (%)	23.9	(7.5)	22.4	11.3	20.2
PE(x)	47.7	51.5	42.1	37.8	31.4
Dividend Yield (%)	1.0	1.1	1.3	1.5	1.6
EV/EBITDA (x)	29.4	30.5	25.6	23.7	20.0
RoE (%)	19.2	15.9	17.5	17.9	20.1
RoCE (%)	21.2	17.6	19.1	19.7	22.2

Source : IDBI Capital, Company, Bloomberg

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Kajaria Ceramics: Key Parameters

Key Assumption & Ratios

Year to March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Operating margin (%)	15.7	16.2	18.9	19.5	16.8	15.2	14.8	18.3	16.5	13.5	15.3	15.2	16.3
Net margin (%)	6.9	8.3	9.6	9.9	8.4	7.9	9.0	11.1	10.3	8.1	9.5	9.7	10.6
Raw material/ Sales (%)	35.2	31.0	27.9	28.2	38.1	38.8	39.2	44.8	42.0	41.2	43.2	42.8	42.1
Effective tax rate (%)	33.7	30.3	34.6	36.0	35.8	35.2	18.9	25.2	25.0	24.3	24.9	25.2	25.2
Book value per share (Rs)	35.0	46.6	61.2	74.0	85.0	99.1	107.8	117.5	133.5	146.3	164.6	174.5	189.4
ROA (%)	20.7	18.3	21.0	20.4	17.6	16.0	12.8	16.2	18.0	14.5	16.1	16.7	18.7
ROE (%)	28.3	24.5	26.9	23.5	18.0	16.0	15.4	17.2	19.2	15.9	17.5	17.9	20.1

Peer comparison

Companies	CMP (Rs)	TP (Rs)	Upside (%)	Reco	EPS (Rs)		PER (x)		EV/EBITDA (x)		RoE(%)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Cera Sanitaryware Ltd	7,694	8,395	9.1	BUY	182.9	226.9	42.1	33.9	30.2	24.1	16.8	18.7
Kajaria Ceramics Ltd	1,147	1,459	27.2	HOLD	30.3	36.5	37.8	31.4	28.9	24.5	17.9	20.1
Somany Ceramics Ltd	644	718	11.4	HOLD	32.9	39.9	19.6	16.2	10.0	8.2	17.3	18.0

Stock performance

	Absolute Perf (%)						Relative Perf wrt Nifty (%)					
	1M	3M	6M	12M	3Yrs	5Yrs	1M	3M	6M	12M	3Yrs	5Yrs
Somany Ceramics Ltd (India)	-5%	-22%	-23%	-12%	-13%	118%	-3%	-13%	-20%	-21%	-45%	24%
Kajaria Ltd	-7%	-11%	-22%	-10%	-29%	188%	-5%	-3%	-20%	-19%	-61%	94%
Cera Sanitaryware Ltd	4%	-5%	-14%	-2%	56%	186%	6%	3%	-12%	-11%	25%	92%
Nifty 50	-2%	-8%	-3%	9%	32%	94%	0%	0%	0%	0%	0%	0%

Source : IDBI Capital, Company, Bloomberg

Robust Value Champion

Key rationale

- Long-term demand drivers remain strong in the power generation sector, particularly from real estate, commercial, hospitality, data centers, and manufacturing industries.
- The need for generator sets in off-grid areas, especially for telecom towers in 5G infrastructure, and rising demand for uninterrupted power across various sectors, including manufacturing, infrastructure, healthcare, data centers, and residential areas, is favorable for genset demand.
- KOEL's strong position in low and mid KVa ranges, coupled with its expansion into high KVa ranges, positions it well to benefit from this demand growth.

Triggers / Catalyst

- KOEL has entered the high horsepower (HHP) range with its OptiPrime series, targeting data centers and infrastructure. These initiatives position KOEL to address changing emission norms and dual fuel needs, especially in regions like NCR, and strengthen its presence in the growing data center market.
- Successful inroads into the HHP segment to cater to high growth areas such as data centres, mega infrastructure projects would be a major catalyst for KOEL.

Risks

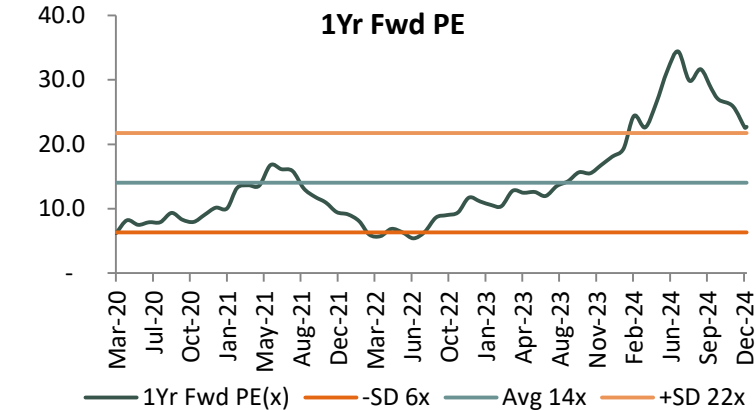
- Protracted slowdown in demand for back up power
- Inability to adapt to newer and clean technologies
- Increase in intensity of competition

Valuation

- We believe the long and strong runway for demand for both genset as standby power and prime power for off grid areas will sustain as the capex cycle in the country continues its momentum. The recent correction offers a good entry point. We have a BUY rating with an SOTP derived TP of Rs1,491.

Mkt Cap: Rs 153bn, 3M daily vol.: Rs22.2mn

PER valuation band



Financial Snapshot

	FY23	FY24	FY25E	FY26E	FY27E
Revenue	50,238	58,983	71,349	86,564	1,05,904
Change YoY(%)	25	17	21	21	22
EBITDA	7,340	10,276	11,879	13,794	16,369
Change YoY(%)	78	40	16	16	19
EBITDA Margin(%)	14.6	17.4	16.6	15.9	15.5
Adj.PAT	3,317	4,550	5,487	6,929	8,766
EPS (Rs)	23	31	38	48	60
Change YoY(%)	94.1	37	21	26	27
PE(x)	46.0	33.5	27.8	22.0	17.4
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.6
P/B (x)	6.6	5.7	4.8	4.1	3.3
RoE (%)	15.1	18.3	18.8	20.1	21.1
RoCE (%)	16.9	20.4	21.2	21.9	23.0

Source : IDBI Capital, Company, Bloomberg

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Kirloskar Oil Engines: Key Parameters

Key Assumption & Ratios

Year to MarchFY26E	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue Growth (%)	8.5%	14.3%	18.7%	-6.8%	-2.5%	22.0%	24.9%	17.4%	21.0%	21.3%
Gross Margin (%)	36.9%	36.0%	35.8%	36.6%	37.8%	34.4%	37.9%	40.7%	38.9%	39.4%
EBITDA Margin (%)	10.6%	8.7%	10.3%	8.7%	11.7%	10.2%	14.6%	17.4%	16.6%	15.9%
Net Margin (%)	6.5%	4.5%	6.1%	5.2%	6.2%	4.2%	6.6%	7.7%	7.7%	8.0%
ROE (%)	11.4%	8.5%	13.4%	10.2%	11.1%	8.5%	15.1%	18.3%	18.8%	20.1%
ROCE (%)	10.8%	8.4%	15.5%	10.7%	13.3%	10.7%	16.9%	20.4%	21.2%	21.9%
Net Debt / Equity	-0.6	-0.4	-0.5	-0.2	-0.1	0.5	1.0	1.2	0.9	0.7

Peer comparison

Stocks	CMP INR/ sh	TP INR/ sh	Upside (%)	Rating	ROE %		PER x		EV/EBITDA	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
KOEL	1,052	1,491	42	BUY	19	20	28	22	15	13
Cummins	3,218	4,401	37	BUY	28	28	45	38	43	36
Voltamp Transformers	10,221	16,681	63	BUY	22	20	32	30	29	27
Ador Welding	1,132	1,621	43	BUY	16	19	19	14	14	10

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
KOEL	153	-11%	-26%	51%	438%	581%	-7%	-24%	42%	408%	483%
Cummins	892	-8%	-21%	59%	227%	450%	-4%	-19%	50%	196%	353%
Voltamp Transformers	103	-11%	-20%	51%	393%	697%	-7%	-17%	41%	362%	600%
Ador Welding	20	-8%	-24%	-28%	55%	269%	-4%	-21%	-38%	25%	171%

Source : IDBI Capital, Company, Bloomberg

Long term growth intact

Key rationale

- Management is focusing on winning more annuity deals, transformational deals, the deals which have higher portion of digital/data, less cost take out/vendor consolidation deal and keen on improving offshore ratio and reduce onsite deals. Also, emphasized on having pricing flexibility while getting deals.
- Company has launched various internal projects, as its key focus for next six months is to expand margins. With the projects, margin expansion has levers like reducing onsite ratio, pricing enhancements, quality of revenue (annuity deals), lower sub-contracting cost. 15-16% margin can be achieved once margins bounce back to normal levels.
- Company is confident about the revenue growth path from Q4 onwards on the back of new deals pipeline/ consolidation deals & improvement in demand environment (post US elections).

Triggers / Catalyst

- Company signed deals worth TCV of US\$ 136 mn with new deal wins TCV of \$ 89mn and renewals of \$ 47mn. TCV win ratio is typically 30-35% till Q2FY25 and management aspires to have 38% in the medium term.
- Company is keen on investing in new capabilities, new service lines and new product offerings and expects margins to recover once these start repaying and would lead to margin expansion.
- Management emphasized on focusing in 2 major areas:** Improvement in deal TCV order bookings by winning more data/ transformational deal, investing more on capabilities & teams and margin expansion by increase in pass through revenues, pricing flexibility, etc.

Risks

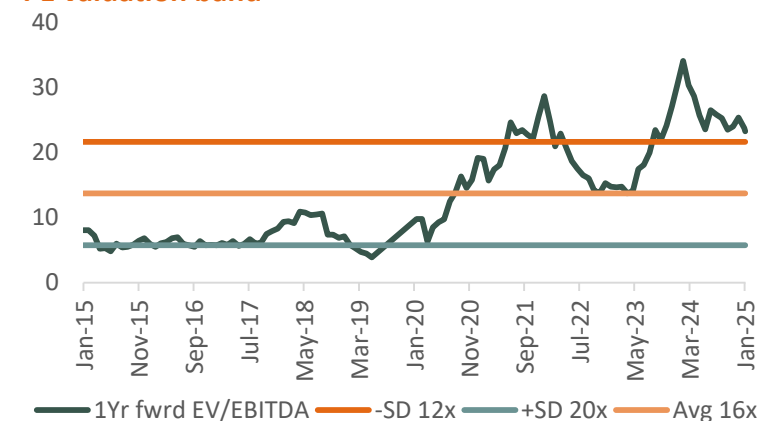
- Elongated decision making cycle may lead to lower than expected revenue growth.
- Expected rate cut & new economic policies by the US govt. will unfold the situation ahead.

Valuation

- The stock is trading at 20x FY26E EPS and we value the company at PER of 25x to arrive at TP of Rs690.

Mkt Cap: Rs165 bn, 3M daily vol.: Rs 132mn

PE valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
Revenue	41,304	47,948	52,781	55,534	62,753
Change YoY (%)	16	16	10	5	13
EBITDA	6,402	6,715	8,362	8,497	10,041
Change YoY (%)	21	5	25	2	18
EBITDA Margin (%)	15.5	14.0	15.8	15.3	16.0
Adj.PAT	4,637	4,826	6,238	6,377	7,491
EPS (Rs)	17	18	23	23	27
Change YoY (%)	45	5	29	2	17
PE(x)	33	32	24	24	20
Dividend Yield (%)	0.7	0.8	0.8	1	2
EV/EBITDA (x)	23	22	18	17	14
RoE (%)	19	19	23	20	19
RoCE (%)	24	23	27	23	23

Source : IDBI Capital, Company, Bloomberg,

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Key Assumption & Ratios

Year to March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	32243	33201	22498	25507	32910	35557	41304	47948	52782	55534	62753
EBITDA	4342	3487	3274	3621	3919	5293	6401	5216	8362	8497	10041
PAT	2809	2385	1897	2255	2196	3204	4597	3249	6057	6377	7491
EPS	14	12	10	11	8	0	16	12	22	26	22

Peer comparison

Stocks	CMP INR/ sh	TP INR/ sh	Upside (%)	Rating	ROE %		PER x		EV/EBITDA	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Persistent Systems	6361	NA	NA	NA	25	27	72	58	49	40
Coforge	9655	7815	-19%	BUY	22	25	65	47	34	27
Zensar Technologies	778	760	-2%	BUY	17	17	28	24	20	18
Cyient	1752	2018	15%	HOLD	16	18	27	22	15	13

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
Persistent Systems	991	6%	34%	76%	182%	1745%	8%	36%	66%	147%	1648%
Coforge	646	11%	65%	62%	68%	493%	13%	66%	52%	33%	397%
Zensar Technologies	178	3%	8%	36%	59%	316%	5%	9%	25%	24%	220%
Cyient	196	-5%	-1%	-22%	73%	307%	-3%	0%	-32%	38%	210%

Source : IDBI Capital, Company, Bloomberg

Credit growth in double digits aided by digital initiatives

Key rationale

- The new digital initiatives is helping the bank expand its customer base and improve operational efficiency by reducing the overall turnaround time.
- The bank continued to report a double digit credit growth in Q2FY25 (12% YoY vs 10% in Q1FY25) led by gold and MSME segment.
- The bank is slowly expanding its horizon to secured vertical like micro-LAP, retail, housing, etc.
- The bank's ROA has steadily increased over the past few years and stood at 1.52% at the end of FY24 v/s 1.15% in FY21.
- The bank's asset quality improved as GNPA stood at 3.5% in Q2FY25 vs 3.9% in Q1FY25, whereas Standard restructured assets stood at 1.76% vs 1.78%.
- The bank will explore the possibility of increasing the provision coverage ratio in the current financial year.

Triggers / Catalyst

- The management has guided for a better than industry average credit growth in FY25.
- Further, NIMs are expected to improve aided by the bank's expansion plan into newer segments.
- Improvement in asset quality to help ROA sustain ~1.5% level.

Risks

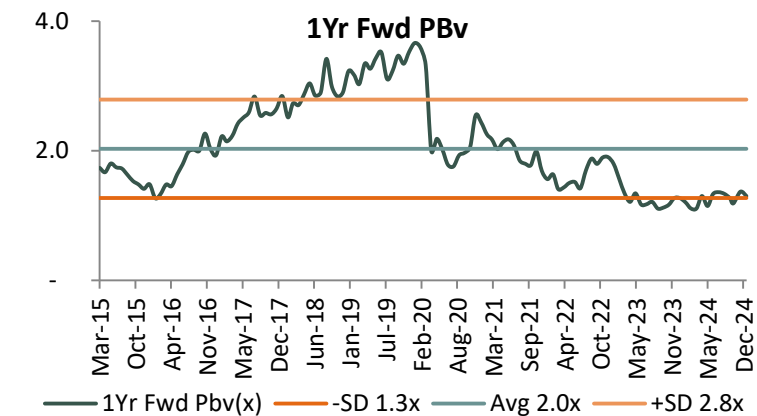
- Moderation in credit growth may hit the net interest income.
- Additional costs incurred for digital initiatives could weigh on the bottomline.
- NIMs could remain under pressure due to elongated high interest rates.

Valuation

- We maintain 'BUY' rating on the stock with TP of Rs. 200 valuing it at 1.5x P/ABV FY26E.

Mkt Cap: Rs128bn, 3M daily traded Value.: 27.3Mn

PBV valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
NII	19,165	21,628	21,235	23,528	26,768
Change (yoy, %)	5%	13%	-2%	11%	14%
Net Profit	7,602	9,375	10,157	11,326	12,587
Change (yoy, %)	28%	23%	8%	12%	11%
EPS (Rs)	10.3	12.7	13.7	15.3	17.0
ABV (Rs)	77.0	90.4	104.3	122.3	135.6
PER (x)	16.7	13.6	12.5	11.2	10.1
P/ABV (x)	2.2	1.9	1.6	1.4	1.3
ROE (%)	12.2	13.4	12.8	12.6	12.4
ROA (%)	1.3	1.5	1.5	1.5	1.5
GNPA (%)	4.7	4.4	4.0	3.3	3.6
NNPA (%)	3.0	2.4	2.0	1.2	1.7
CAR (%)	20.9	22.3	23.8	23.9	23.6

Source : IDBI Capital, Company, Bloomberg

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Key Assumption & Ratios

Year to March (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Deposits	12.8	10.9	9.1	17.0	6.2	9.1	7.1	9.9	6.2	11.2	13.9
Advances	17.2	13.2	16.9	17.3	3.8	6.6	11.6	6.7	5.7	12.5	14.0
NII	21.5	22.2	19.3	12.7	4.0	9.2	4.7	12.9	(1.8)	10.8	13.8
PPoP	20.3	19.3	21.5	2.7	8.2	9.4	8.7	14.0	(16.6)	11.2	16.0
PAT	15.8	13.1	17.8	15.3	(30.3)	24.5	28.2	23.3	8.3	11.5	11.1
NIMs	3.6	3.9	4.2	4.1	3.8	3.9	3.7	3.7	3.4	3.5	3.5
RoE	15.5	15.2	15.3	15.2	9.4	10.6	12.2	13.4	12.8	12.6	12.4
RoA	1.5	1.5	1.6	1.6	1.0	1.2	1.3	1.5	1.5	1.5	1.5
GNPA	2.4	2.8	3.0	3.0	4.1	5.1	4.7	4.4	4.0	3.3	3.6
NNPA	1.5	1.7	1.7	1.8	2.3	3.0	3.0	2.4	2.0	1.2	1.7

Peer comparison

Stocks	CMP	TP	Upside	Rating	PER (x)		P/ABV (x)		RoA		RoE	
	INR/ sh	INR/ sh	(%)		FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
City Union Bank	172	200	16	BUY	11.2	10.1	1.4	1.3	1.5	1.5	12.6	12.4
Federal Bank	200	240	20	BUY	11.9	9.9	1.5	1.4	1.2	1.3	13.2	14.0
DCB Bank	121	170	40	BUY	6.3	5.0	0.7	0.6	0.9	0.9	11.2	12.6

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
City Union Bank	128	(4)	0	13	23	(26)	(2)	2	4	(10)	(118)
Federal Bank	491	(5)	11	28	122	117	(3)	13	19	89	24
DCB Bank	38	(2)	(13)	(17)	45	(34)	0	(10)	(25)	12	(126)

Source : IDBI Capital, Company, Bloomberg

Battery Chemicals - An ACE up its sleeve

Key rationale

- Neogen has significantly expanded its product portfolio from 4 products in 1991 to 246 currently, and increased its customer base from 662 in 2009 to approximately 1,580 today
- BuLi Chemicals India from the US-based Livent Corporation acquired for Rs250 mn contributing meaningfully to revenues
- Revenues of Rs 12 bn from its battery chemicals division in FY28 on a conservative basis.
- Confidence in management remains strong, supported by their strategic rationale and capability to potentially grow revenue to ~4x by FY28 of FY24 levels once operating leverage takes effect in the battery chemicals business.

Triggers / Catalyst

- The battery chemicals division will entail capex of Rs15bn and is estimated to generate peak revenue of Rs25bn to Rs29.5bn By FY29.
- Capture a sizeable market share 30% of the EV electrolytes and lithium salts market, strengthened by its technological tie up with MUIS
- Company starts receiving committed volumes for battery chemicals from domestic battery manufacturers such as Ola Electric, Rajesh Exports, Exide, Amara Raja

Risks

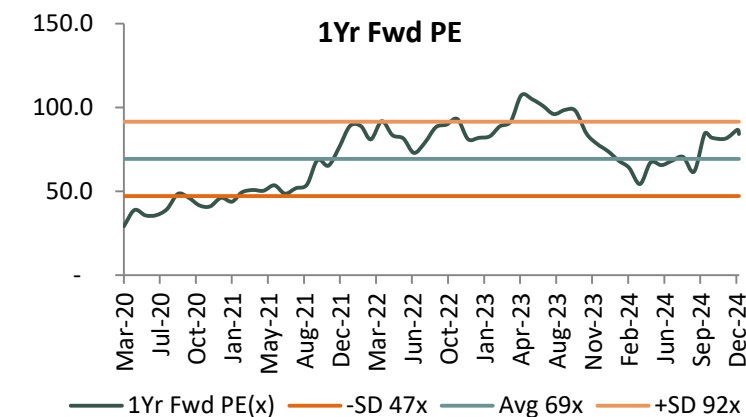
- Any significant delay in capex implementation could impact future revenue growth.
- Risk of further dilution of equity.

Valuation

- We expect Revenue/EBITDA/PAT to grow at CAGR of 38%/42%/53% over FY24-FY28E with ROE/ROCE scaling up from 6%/11% in FY24 to 16%/12% in FY28. We have a buy rating with a target price of 2,871.

Mkt Cap: Rs 58bn

PER valuation band



Financial Snapshot

	FY24	FY25E	FY26E	FY27E	FY28E
Revenue	6,907	9,020	12,069	17,492	25,200
Change YoY(%)	105	85	76	153	179
EBITDA	1,101	1,526	2,087	3,023	4,413
Change YoY(%)	71	76	87	175	189
EBITDA Margin(%)	15.9	16.9	17.3	17.3	17.5
Adj.PAT	357	573	746	1,001	1,950
EPS (Rs)	14	22	27.23	36.57	71.20
Change YoY(%)	(28.7)	60.8	30.1	34.3	94.7
PE(x)	160.8	100.0	81.0	60.3	31.0
Dividend Yield (%)	0.1	0.1	0.1	0	0
P/B (x)	7.5	7.1	5.7	5.3	4.5
RoE (%)	5.7	7.3	8.0	9.1	15.7
RoCE (%)	11.0	10.6	7.4	8.0	12.0

Source : IDBI Capital, Company, Bloomberg

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Neogen Chemicals: Key Parameters

Key Assumption & Ratios

Year to MarchFY26E	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue Growth (%)	-82.1%	32.7%	48.3%	28.1%	9.9%	44.8%	40.8%	0.7%	30.6%	33.8%
Gross Margin (%)	47.3%	41.2%	41.1%	39.9%	41.3%	43.6%	43.4%	44.6%	44.0%	44.0%
EBITDA Margin (%)	16.5%	18.0%	18.2%	19.0%	19.1%	17.8%	16.3%	15.9%	16.9%	17.3%
Net Margin (%)	6.3%	6.8%	8.8%	9.4%	9.3%	9.2%	7.3%	5.2%	6.4%	6.2%
ROE (%)	18%	22%	30%	18%	17%	10%	10%	6%	7.3%	8%
ROCE (%)	43.6%	29.7%	35.8%	31.6%	22.1%	16.7%	15.6%	11.0%	10.6%	7.4%
Net Debt / Equity	1.5	1.5	1.6	0.8	1.1	-0.1	0.4	0.5	0.9	1.5

Peer comparison

Stocks	CMP INR/ sh	TP INR/ sh	Upside (%)	Rating	ROE %		PER x		EV/EBITDA	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
SRF	2,285	2,382	4.2	HOLD	10	12	58	45	27	22
Neogen Chemicals	2,205	2,871	30.2	BUY	7	8	100	81	42	36
Ami Organics	2,123	2,250	6.0	BUY	12	14	78	48	48	33
Clean Science	1,497	1,500	0.2	HOLD	23	25	52	39	40	33
Navin Fluorine	3,358	3,780	12.6	HOLD	11	13	61	44	37	28

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
SRF	677	0%	-5%	-8%	-13%	230%	3%	-2%	-17%	-43%	133%
Neogen Chemicals	58	-2%	30%	45%	19%	470%	1%	33%	36%	-11%	372%
Ami Organics	87	-6%	53%	82%	86%	-	-2%	55%	72%	56%	-
Clean Science	159	14%	1%	-6%	-42%	-	18%	4%	-15%	-72%	-
Navin Fluorine	167	-6%	-9%	-12%	-20%	208%	-2%	-6%	-22%	-50%	111%

Source : IDBI Capital, Company, Bloomberg

Plywood Dominance and MDF Growth Fuelling Future Prospects

Key rationale

- Greenply Industries is a leading player in India's organised plywood market, holding one of the largest domestic market shares, second only to Century Plyboards.
- The ongoing shift towards organised players in the plywood sector is expected to drive growth, with Greenply projecting an 8-10% increase in plywood volume in FY25.
- Additionally, Greenply's new MDF plant, strategically located as the only MDF facility in Western India, is well-positioned to benefit from the expected 15-20% growth in the MDF sector over the next 2-3 years. Greenply aims for a 50% sales growth in FY25 and an incremental volume growth of 22-25% in FY26.
- While margins are likely to remain under pressure until June-July 2025—when the new timber crop enters the market. However, lower timber prices are expected to contribute to margin improvement in FY26 for both the plywood and MDF segments.
- Greenply is also focusing on value-added products in the MDF segment, increasing their share to 14% in Q2FY25, which has already led to margin expansion. The company expects MDF margins to improve further, reaching 16% in FY25 and 18% in the coming years, driven by a growing share of value-added products.

Triggers / Catalyst

- Implementation of BIS norms on plywood and MDF in Feb'25.
- Increasing share of MDF - VAP improving blended realisation and margins.

Risks

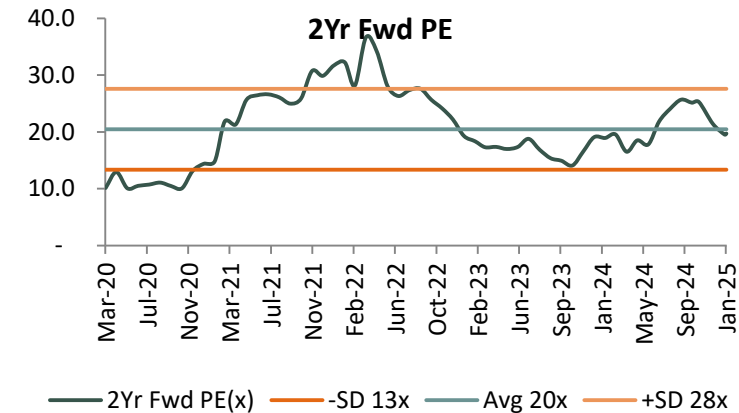
- Slowdown in realty sector
- Increased competition in the MDF segment

Valuation

- We value the stock at a PER of 25x FY26E to derive a target price of Rs340.

Mkt Cap: Rs39bn

PE valuation band



Financial Snapshot

	FY22	FY23	FY24	FY25E	FY26E
Revenue	15,628	16,631	21,799	25,277	28,544
Change YoY(%)	34	6	31	16	13
EBITDA	1,503	1,541	1,868	2,466	3,197
Change YoY(%)	31	3	21	32	30
EBITDA Margin(%)	9.6	9.3	8.6	9.8	11.2
Adj.PAT	947	964	717	1,047	1,682
EPS (Rs)	8	8	6	8	13
Change YoY(%)	55.5	1.8	(25.6)	46	61
PE(x)	41.7	40.9	55.0	38	23
Dividend Yield (%)	0.1	0.2	0.2	0	0
EV/EBITDA (x)	27.5	29.7	23.8	17.8	13.5
RoE (%)	19.4	16.3	10.6	14	18
RoCE (%)	17.8	12.0	10	15	19

Source : IDBI Capital, Company, Bloomberg

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Key Assumption & Ratios

Year to March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross Margin (%)	47.0	47.7	39.6	41.2	41.3	40.2	37.9	39.7	40.1	41.0
Operating Margin (%)	14.7	13.5	10.1	11.0	9.9	9.6	9.3	8.6	9.8	11.2
Net Margin (%)	7.5	6.5	5.6	3.3	5.2	6.1	6.4	3.9	4.1	5.9
Effective Tax rate (%)	31.2	31.2	29.7	22.0	24.4	24.7	14.1	28.9	19.4	24.0
Book value per share (INR)	62	70	27	30	35	43	52	57	64	77
ROCE (%)	18.9	12.6	10.8	22.1	15.2	17.8	12.0	10.2	14.7	18.6
ROE (%)	18.1	13.4	13.1	27.3	15.0	19.4	16.3	10.6	13.8	17.5
ROA (%)	14.0	9.4	7.2	12.8	9.9	12.1	9.0	7.9	10.9	13.6

Peer Comparison

Stocks	CMP INR/ sh	TP INR/ sh	Upside (%)	Rating	PER x		RoE(%)		RoCE(%)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Greenply Industries	316	340	7.7	HOLD	37.4	23.3	13.8	17.5	14.7	18.6
Century Plywood	865	711	-17.8	HOLD	77.5	42.6	10.7	17.0	12.1	18.1
Greenpanel Industries	368	367	-0.2	HOLD	45.4	25.0	7.3	12.1	6.4	12.7

Stock performance

	Mkt Cap INR bn	Performance (%)					Relative to Index (%)				
		1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
Greenply Industries	39	-8%	-8%	23%	42%	84%	-5%	-6%	12%	8%	-16%
Century Plywood	186	13%	18%	12%	34%	422%	16%	19%	1%	1%	322%
Greenpanel Industries	45	4%	13%	-16%	-18%	691%	7%	14%	-27%	-52%	591%

Source: IDBI Capital, Company, Bloomberg

Valuation Summary

Companies	Sector	Mkt Cap	CMP	TP	Upside	Rating	EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)	
		(Rs bn)	(Rs)	(Rs)	(%)		CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E
AAVAS Financiers Ltd	BANKS & FINANCIAL SERVICE	135	1,700	2,130	25.3	BUY	10	12	8	9	6	7	539	626	3.2	2.7	14.4	15.1
Axis Bank Ltd	BANKS & FINANCIAL SERVICE	3,356	1,084	1,405	29.6	BUY	551	629	425	465	259	276	558	638	1.9	1.7	15.8	14.6
Cholamandalam Investment and Finance C	BANKS & FINANCIAL SERVICE	1,110	1,320	1,560	18.2	BUY	128	156	79	97	42	54	264	340	5.0	3.9	19.5	19.8
City Union Bank	BANKS & FINANCIAL SERVICE	130	175	200	14.4	BUY	24	27	17	20	11	13	122	136	1.4	1.3	12.6	12.4
DCB Bank	BANKS & FINANCIAL SERVICE	38	121	170	40.1	BUY	21	25	10	12	6	8	166	188	0.7	0.6	11.2	12.6
Federal Bank	BANKS & FINANCIAL SERVICE	504	205	240	16.9	BUY	97	115	62	74	41	50	131	148	1.6	1.4	13.2	14.0
HDFC Bank Ltd	BANKS & FINANCIAL SERVICE	13,379	1,749	1,970	12.6	BUY	1,222	1,431	1,001	1,198	670	786	668	766	2.6	2.3	14.2	14.5
ICICI Bank Ltd	BANKS & FINANCIAL SERVICE	8,934	1,266	1,465	15.8	BUY	812	927	656	747	453	515	376	436	3.4	2.9	17.6	17.1
Indusind Bank	BANKS & FINANCIAL SERVICE	778	998	1,650	65.3	BUY	220	250	159	182	80	98	860	967	1.2	1.0	12.2	13.3
Mahindra & Mahindra Financial Services	BANKS & FINANCIAL SERVICE	342	276	315	13.9	HOLD	80	94	49	57	21	25	151	166	1.8	1.7	11.3	12.3
Manappuram Finance	BANKS & FINANCIAL SERVICE	159	187	176	-6.1	HOLD	64	69	40	42	22	26	151	176	1.2	1.1	20.7	17.9
Muthoot Finance Ltd	BANKS & FINANCIAL SERVICE	899	2,240	2,015	-10.0	HOLD	100	119	75	91	51	66	682	826	3.3	2.7	19.8	21.7
Repco Home Finance	BANKS & FINANCIAL SERVICE	27	436	595	36.5	BUY	7	8	5	6	4	4	489	550	0.9	0.8	13.4	12.5
Shriram Finance Ltd	BANKS & FINANCIAL SERVICE	1,146	3,048	3,630	19.1	BUY	222	262	163	193	84	100	1,348	1,570	2.3	1.9	16.0	16.4
Sundaram Finance Ltd	BANKS & FINANCIAL SERVICE	521	4,685	5,162	10.2	HOLD	23	27	22	26	16	18	983	1,138	4.8	4.1	15.0	15.2
Ador Welding Ltd	CAPITAL GOODS	20	1,132	1,621	43.3	BUY	59.2	79.5	388.7	448.9	19.1	14.2	2.9	2.5	13.5	9.7	16.1	19.0
Clean Science And Technology Ltd	CAPITAL GOODS	159	1,497	1,500	0.2	HOLD	28.9	38.1	136.2	167.1	51.7	39.3	11.0	9.0	40.1	32.7	23.2	25.1
Cummins India Ltd	CAPITAL GOODS	892	3,218	4,401	36.8	BUY	70.9	84.9	276.9	327.7	45.4	37.9	11.6	9.8	42.9	35.8	27.5	28.1
Harsha Engineers International Ltd	CAPITAL GOODS	47	520	551	5.9	HOLD	14.9	16.7	144.1	160.8	34.8	31.1	3.6	3.2	22.7	20.3	10.9	11.0
Kirloskar Oil Engines Ltd	CAPITAL GOODS	153	1,051	1,491	41.8	BUY	37.8	47.8	217.2	259.4	27.8	22.0	4.8	4.1	15.3	12.8	18.8	20.1
Rolax Rings Ltd	CAPITAL GOODS	51	1,884	2,268	20.4	HOLD	76.7	90.7	406.5	497.2	24.6	20.8	4.6	3.8	17.1	14.6	20.8	20.1
Voltamp Transformers Ltd	CAPITAL GOODS	103	10,221	16,681	63.2	BUY	324.5	346.5	1614.4	1894.0	31.5	29.5	6.3	5.4	28.8	26.5	21.9	19.8
AMI Organics Ltd	CAPITAL GOODS & CHEMICAL	87	2,123	2,250	6.0	BUY	27.4	44.6	310.9	352.8	77.5	47.6	6.8	6.0	48.4	32.5	11.5	13.5
Navin Fluorine International Ltd	CAPITAL GOODS & CHEMICAL	167	3,358	3,780	12.6	HOLD	54.8	76.7	516.4	578.2	61.3	43.8	6.5	5.8	36.9	27.6	10.6	13.3
Neogen Chemicals Ltd	CAPITAL GOODS & CHEMICAL	58	2,205	2,871	30.2	BUY	22.1	27.2	311.6	384.3	100.0	81.0	7.1	5.7	42.4	36.4	7.3	8.0
SRF Ltd	CAPITAL GOODS & CHEMICAL	677	2,285	2,382	4.2	HOLD	39.5	50.7	420.1	463.6	57.8	45.1	5.4	4.9	26.7	22.1	9.8	11.5

Valuation Summary (Contd.)

Companies	Sector	Mkt Cap (Rs bn)	CMP (Rs)	TP (Rs)	Upside (%)	Rating	EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)	
							CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E
ACC Ltd	CEMENT	373	1,984	2,819	42.1	HOLD	100.8	144.5	928.9	1038.8	19.7	13.7	2.1	1.9	-0.4	-0.5	11.3	14.7
Ambuja Cement	CEMENT	1,305	530	669	26.2	HOLD	9.2	9.3	175.6	182.8	57.3	57.1	3.0	2.9	42.0	38.8	5.4	5.2
Shree Cement	CEMENT	932	25,844	24,968	-3.4	HOLD	448.6	570.5	6029.6	6512.5	57.6	45.3	4.3	4.0	25.1	21.5	7.7	9.1
Ultratech Cement	CEMENT	3,321	11,505	10,816	-6.0	HOLD	289.0	381.5	2312.4	2610.6	39.8	30.2	5.0	4.4	21.9	17.1	13.1	15.5
Ahluwalia Contracts (India) Limited	CONSTRUCTION	64	962	1,420	47.6	BUY	42.9	54.6	281.4	335.2	22.4	17.6	3.4	2.9	16.6	12.9	16.5	17.7
Ashoka Buildcon Ltd	CONSTRUCTION	78	278	283	1.9	BUY	18.2	25.1	154.0	179.2	15.2	11.1	1.8	1.6	8.0	5.8	12.6	15.1
Dilip Buildcon Ltd	CONSTRUCTION	65	444	491	10.7	HOLD	23.2	33.0	377.8	438.1	19.1	13.4	1.2	1.0	6.7	5.7	6.3	8.1
H G Infra Engineering Ltd	CONSTRUCTION	92	1,416	1,791	26.5	BUY	85.1	104.0	439.2	541.3	16.6	13.6	3.2	2.6	10.7	8.9	21.4	21.2
KNR Constructions	CONSTRUCTION	93	329	364	10.7	HOLD	17.0	18.9	131.1	149.3	19.3	17.4	2.5	2.2	13.7	12.3	13.9	13.5
PNC Infratech Ltd	CONSTRUCTION	80	310	530	70.7	HOLD	21.9	27.3	207.8	234.6	14.2	11.4	1.5	1.3	13.7	11.3	11.1	12.4
PSP Projects Ltd	CONSTRUCTION	26	668	714	6.8	HOLD	41.1	48.8	329.2	373.1	16.3	13.7	2.0	1.8	9.3	8.1	14.7	13.9
NCC Ltd	INFRASTRUCTURE	163	260	380	46.3	BUY	16.4	22.3	121.3	139.4	15.9	11.6	2.1	1.9	9.8	7.6	14.2	17.1
Birlasoft Limited	IT-SERVICES	153	552	690	24.9	BUY	23.1	27.2	126.0	144.0	23.9	20.3	4.4	3.8	17.6	14.5	19.6	18.9
Coforge Ltd	IT-SERVICES	647	9,670	7,815	-19.2	BUY	155.4	198.2	912.4	1216.6	62.2	48.8	10.6	7.9	26.5	22.1	21.3	16.3
Cyient Ltd	IT-SERVICES	197	1,776	2,018	13.6	HOLD	64.9	80.7	409.5	445.2	27.4	22.0	4.3	4.0	15.5	12.6	16.4	18.1
HCL Technologies	IT-SERVICES	5,284	1,947	1,950	0.1	Hold	64.6	69.7	256.1	260.8	30.1	27.9	7.6	7.5	18.7	16.8	25.5	26.7
Infosys Ltd	IT-SERVICES	8,048	1,938	1,995	2.9	HOLD	64.6	72.9	222.3	235.3	30.0	26.6	8.7	8.2	19.0	16.8	29.7	31.0
Larsen & Toubro Infotech	IT-SERVICES	1,699	5,735	7,000	22.0	Hold	164.1	200.1	760.4	860.5	34.9	28.7	7.5	6.7	24.1	20.2	22.8	23.3
Newgen Software Technologies Ltd	IT-SERVICES	237	1,690	1,450	-14.2	HOLD	23.0	29.0	103.7	124.0	73.5	58.3	16.3	13.6	42.2	32.6	24.0	23.4
Sonata Software Ltd	IT-SERVICES	176	628	701	11.6	HOLD	17.9	25.8	60.1	77.7	35.0	24.3	10.5	8.1	19.9	15.0	32.5	37.5
Tata Consultancy Services	IT-SERVICES	14,831	4,099	4,389	7.1	HOLD	138.5	154.1	267.5	299.6	29.6	26.6	15.3	13.7	21.2	19.0	53.5	51.4
Tech Mahindra	IT-SERVICES	1,654	1,690	1,778	5.2	Hold	46.4	63.5	303.6	312.0	36.4	26.6	5.6	5.4	20.6	15.8	15.3	20.3
Wipro Ltd	IT-SERVICES	3,083	294	553	87.8	HOLD	22.9	25.2	151.5	161.6	12.8	11.7	1.9	1.8	15.0	13.5	15.6	15.6
Zensar Technologies Limited	IT-SERVICES	180	795	760	-4.3	BUY	28.5	32.8	172.6	195.5	27.9	24.2	4.6	4.1	18.2	15.4	17.5	16.8
PVR Inox Ltd	MEDIA	128	1,303	1,800	38.2	HOLD	41.0	48.4	779.7	828.1	31.7	26.9	1.7	1.6	16.3	13.7	5.4	5.8
Jindal Steel & Power Ltd	METAL & MINING	977	958	921	-3.9	HOLD	50.8	66.4	483.7	544.2	18.9	14.4	2.0	1.8	9.6	7.7	11.0	12.2
JSW Steel Ltd	METAL & MINING	2,236	915	907	-0.8	HOLD	21.8	42.3	332.4	364.1	42.0	21.6	2.8	2.5	12.5	9.7	6.7	11.6
Steel Authority India Ltd	METAL & MINING	472	114	113	-1.1	HOLD	5.2	9.6	133.5	140.1	22.0	11.9	0.9	0.8	7.6	6.0	3.9	6.9
Tata Steel Ltd	METAL & MINING	1,727	138	155	12.1	HOLD	3.1	11.9	73.0	81.1	44.1	11.6	1.9	1.7	8.7	6.1	4.3	14.7

Valuation Summary (Contd.)

Companies	Sector	Mkt Cap (Rs bn)	CMP (Rs)	TP (Rs)	Upside (%)	Rating	EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)	
							CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E
Apeejay Surrendra Park Hotels Ltd	MIDCAP	41	190	245	26.5	BUY	5.6	5.8	62.0	68.0	33.0	29.4	3.1	2.8	19.6	16.7	9.0	9.0
APL Apollo Tubes	MIDCAP	448	1,615	1,737	7.6	BUY	27.8	46.9	152.6	193.6	58.2	34.4	10.6	8.3	33.3	21.2	19.7	24.3
Astral Polytechnik	MIDCAP	435	1,621	1,943	19.9	HOLD	24.1	30.4	138.1	164.2	67.2	53.4	11.7	9.9	40.5	33.0	18.7	20.0
Bata India Ltd	MIDCAP	188	1,461	1,610	10.2	HOLD	27.6	32.2	20.6	20.6	52.9	45.4	71.1	71.1	20.8	18.2	21.5	21.6
Castrol Limited	MIDCAP	200	202	221	9.3	HOLD	10.0	10.9	21.4	21.3	20.2	18.6	9.5	9.5	13.9	12.8	46.9	51.0
CCL Product (India) Ltd	MIDCAP	97	726	734	1.1	HOLD	21.6	29.4	138.0	155.8	33.6	24.7	5.3	4.7	21.1	17.4	16.4	20.0
Century Plyboards	MIDCAP	192	865	711	-17.8	HOLD	11.2	20.3	109.8	128.6	77.5	42.6	7.9	6.7	30.9	20.8	10.7	17.0
Cera Sanitaryware Ltd	MIDCAP	97	7,527	8,395	11.5	BUY	182.9	226.9	1142.8	1288.7	41.2	33.2	6.6	5.8	32.4	25.9	16.8	18.7
Chalet hotels Ltd	MIDCAP	217	995	924	-7.1	HOLD	8.1	23.7	96.4	115.3	122.9	41.9	10.3	8.6	27.2	22.1	8.7	22.4
Finolex Industries Ltd	MIDCAP	154	248	301	21.2	HOLD	7.4	10.7	100.0	105.3	33.7	23.1	2.5	2.4	28.1	24.7	7.7	10.4
Greenpanel Industries Ltd	MIDCAP	45	368	367	-0.2	HOLD	8.1	14.7	114.5	127.8	45.4	25.0	3.2	2.9	24.9	14.2	7.3	12.1
Greenply Industries Ltd	MIDCAP	39	316	340	7.7	HOLD	8.4	13.6	64.9	77.5	37.4	23.3	4.9	4.1	20.4	15.5	13.8	17.5
Indian Hotels Company	MIDCAP	1,241	872	726	-16.7	HOLD	11.1	13.5	74.6	84.1	78.6	64.6	11.7	10.4	46.0	39.0	15.7	17.0
JK Paper Ltd	MIDCAP	72	423	500	18.2	HOLD	61.7	70.1	348.9	406.9	6.9	6.0	1.2	1.0	5.3	4.3	19.0	18.4
Kajaria Ceramics Ltd	MIDCAP	182	1,140	1,459	28.0	HOLD	30.3	36.5	174.5	189.4	37.6	31.2	6.5	6.0	23.5	19.9	17.9	20.1
Lemon Tree Hotels Ltd	MIDCAP	126	159	143	-9.9	BUY	2.7	4.4	14.2	18.6	58.0	36.3	11.2	8.6	23.2	18.5	20.1	25.5
Molt-Tek Packaging	MIDCAP	22	665	956	43.8	BUY	22.1	27.3	195.0	213.9	30.0	24.3	3.4	3.1	14.7	12.1	11.8	13.4
Nilkamal Ltd	MIDCAP	29	1,934	2,108	9.0	HOLD	83.6	99.8	995.7	1060.5	23.2	19.4	1.9	1.8	9.3	8.1	8.6	9.7
Phillips Carbon Black Ltd	MIDCAP	174	462	453	-2.0	HOLD	13.5	20.6	105.9	116.7	34.1	22.5	4.4	4.0	13.8	12.0	14.1	17.6
Prince Pipes and Fittings Ltd	MIDCAP	47	426	529	24.1	HOLD	17.1	22.0	155.0	174.6	24.9	19.3	2.7	2.4	13.3	10.7	11.6	13.4
Relaxo Footwears Ltd	MIDCAP	158	634	797	25.7	HOLD	9.1	12.3	49.9	55.6	69.9	51.7	12.7	11.4	34.5	27.7	11.0	14.1
Safari Industries	MIDCAP	130	2,652	2,535	-4.4	BUY	30.9	50.7	187.8	223.5	85.9	52.3	14.1	11.9	51.8	33.0	17.3	22.7
Somany Ceramics Ltd	MIDCAP	26	644	718	11.5	HOLD	32.9	39.9	204.4	238.9	19.5	16.1	3.1	2.7	9.4	7.8	17.3	18.0
Supreme Industries	MIDCAP	586	4,611	4,821	4.6	HOLD	84.9	107.1	441.2	500.4	54.3	43.0	10.4	9.2	35.7	28.3	20.1	22.7
Surya Roshni Ltd	MIDCAP	61	280	301	7.3	HOLD	15.5	21.2	113.0	131.0	18.1	13.2	2.5	2.1	10.4	8.0	14.6	16.2
VIP Industries	MIDCAP	69	488	446	-8.6	HOLD	-3.2	10.1	40.3	46.4	-152.2	48.5	12.1	10.5	61.4	20.9	-7.3	21.7
Indian Railway Catering & Tourism Corp Ltd	TRANSPORTATION	637	796	926	16.3	HOLD	18.1	20.6	50.5	62.1	44.0	38.7	15.8	12.8	35.0	30.6	39.8	33.2
IRCON International Ltd.	TRANSPORTATION	194	207	202	-2.4	HOLD	9.0	11.0	67.0	74.0	22.3	19.4	3.1	2.8	18.4	15.1	14.0	15.0
Rail Vikas Nigam Ltd	TRANSPORTATION	855	410	549	33.8	HOLD	7.7	8.1	47.2	52.7	53.2	50.7	8.7	7.8	91.0	84.1	17.3	16.2
RITES Ltd	TRANSPORTATION	137	284	744	161.8	HOLD	18.6	21.3	111.0	113.7	15.3	13.4	2.6	2.5	22.6	20.0	16.9	18.9

Source: Bloomberg, IDBI Capital Research, data as of 3 January, 2025

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