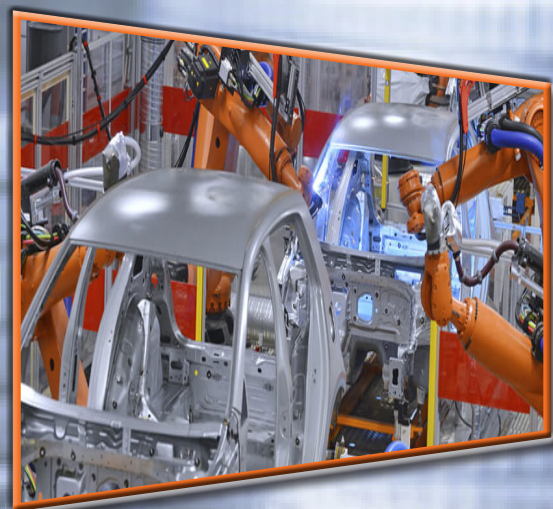


MARKET STRATEGY 2024



Indian equities was clearly an outperformer compared to most global peers in CY23, more in mid and large cap space. Interestingly, this was amidst geopolitical tensions, rise in key policy rates across the globe and volatile commodity prices. Domestic economy, nonetheless, was resilient all across this time frame with revival in private capex cycle, robust infrastructure spending by government, record GST collection & most importantly margin expansion led healthy high double digit corporate earnings growth.

As we embark on CY24, there are greenshoots in the form of continued corporate earnings momentum domestically, healthy GDP growth, benign commodity prices outlook as well as likely rate cut globally. Thus, there seem to be more positive than negatives ahead. Amidst this setup, India is in a sweet spot vis-à-vis global peers with macroeconomic stability and corporate earnings in sight.

The key risks for CY24 that may get manifested in the form of a) Global growth slowdown, b) Escalated Geopolitical tensions (if any) and c) Any negative surprise from Covid erupting once again

Some of the themes for CY24 are

- Capex Cycle – combination of Core Sectors, green growth and PLI
- Cement – Healthy utilisations likely amid expanding capacity
- Steel – capacity to double amid green focus
- Auto Sales - premiumization trend getting stronger
- Banks – back on strong footing
- Real Estate experiencing decadal revival

Nifty fair value pegged at 25000

Corporate earnings recovery has been healthy in the recent past with Nifty earnings growing at 22% CAGR over FY20-23. Going forward, introducing FY26E, we expect Nifty earnings to grow at a CAGR of 16.3% over FY23-26E.

Our Dec 2024 target for Nifty is set at 25,000 wherein we have valued Nifty at 20x PE on FY26E EPS of ₹1,250/share with corresponding Sensex target set as 83,250; offering a potential upside of ~15% from current index levels.

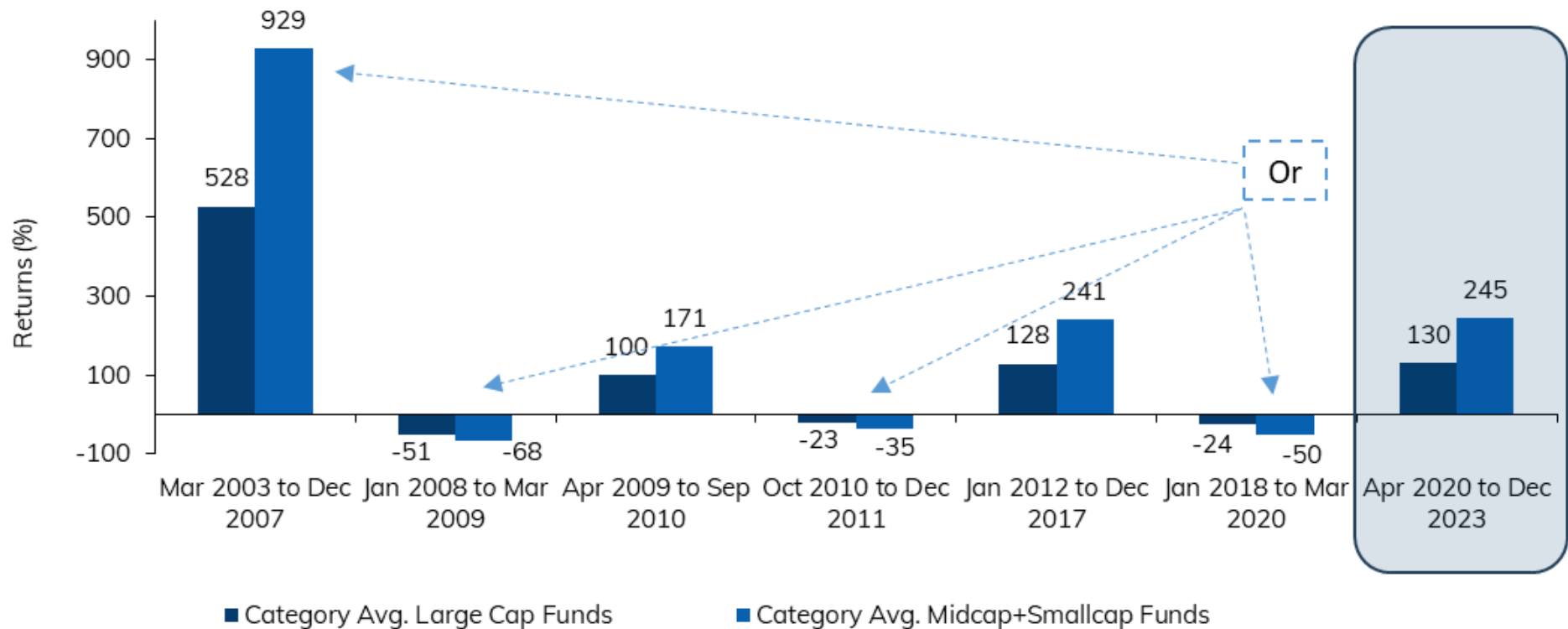
Revised Sensex & Nifty Target (Rolling 12 Months')						
Earning Estimates	FY21	FY22	FY23	FY24E	FY25E	FY26E
Nifty EPS (₹/share)	515	720	795	960	1100	1250
Growth (% YoY)	17.1%	39.7%	10.5%	20.7%	14.6%	13.7%
Earnings CAGR over FY23-26E						16.3%
FY26E EPS						1,250
PE Multiple Assigned						20x
Nifty Target (using FY25E EPS)						25,000
Corresponding Sensex Target						83,250

Stock Picks for 2024			
Company	CMP (₹)	Target Price (₹)	Upside (%)
UGRO Capital	269	350	30
SBI Cards	760	950	25
NMDC	207	250	21
Uno Minda	670	810	21
Greenply Industries	238	295	24
Birla Corporation	1440	1755	22
Grindwell Norton	2259	2700	20

*CMP: 28th December, 2023 closing prices

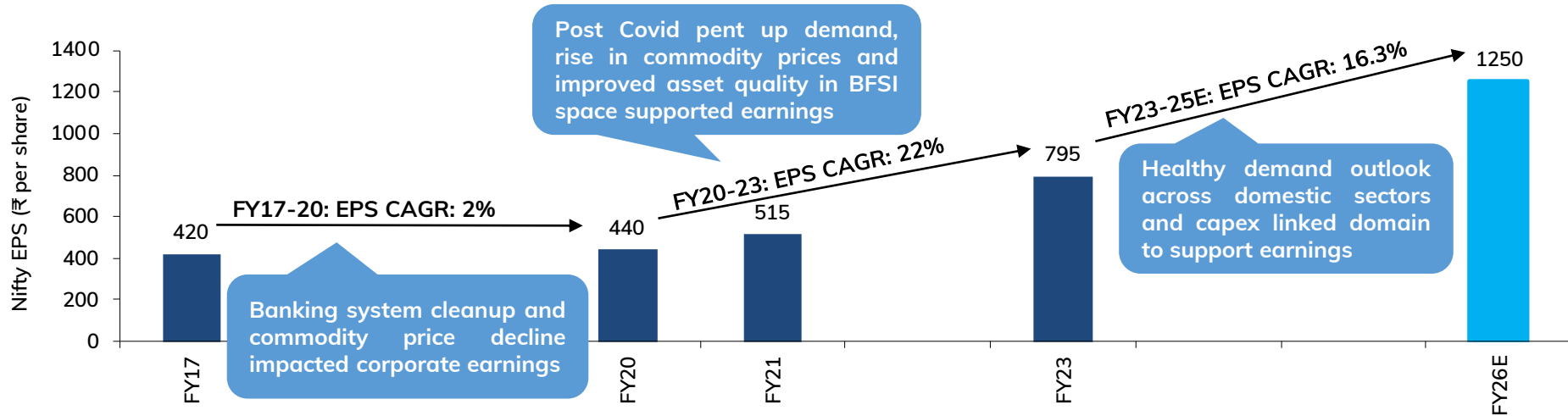
Downcycle in the offing or 2003-2007 cycle ?.. We believe its latter...

Most important question: Whether the current cycle is similar to 2003-2007 or we will see the downcycles like 2008-09, 2010-2011, 2018-2020



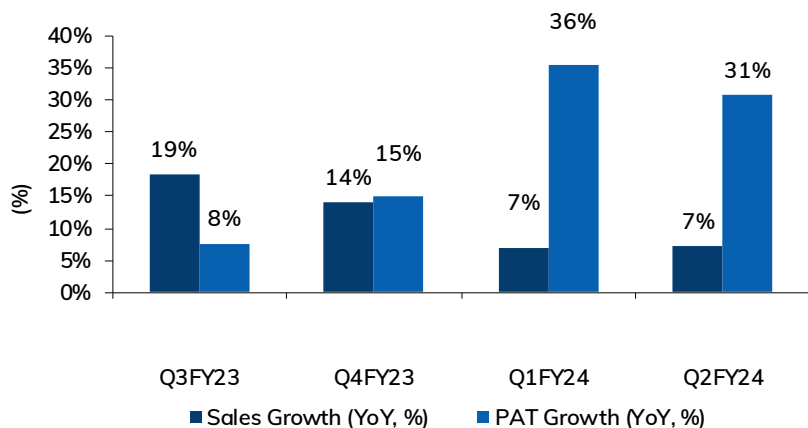
Source: Bloomberg

Healthy Corporate Earnings; assign Nifty target at 25,000 for CY24



Earnings Growth Accelerates in H1FY24 !!

Nifty earnings has grown >30% in H1FY24 on absolute basis



New Index Target; Nifty seen at @25,000 in CY24

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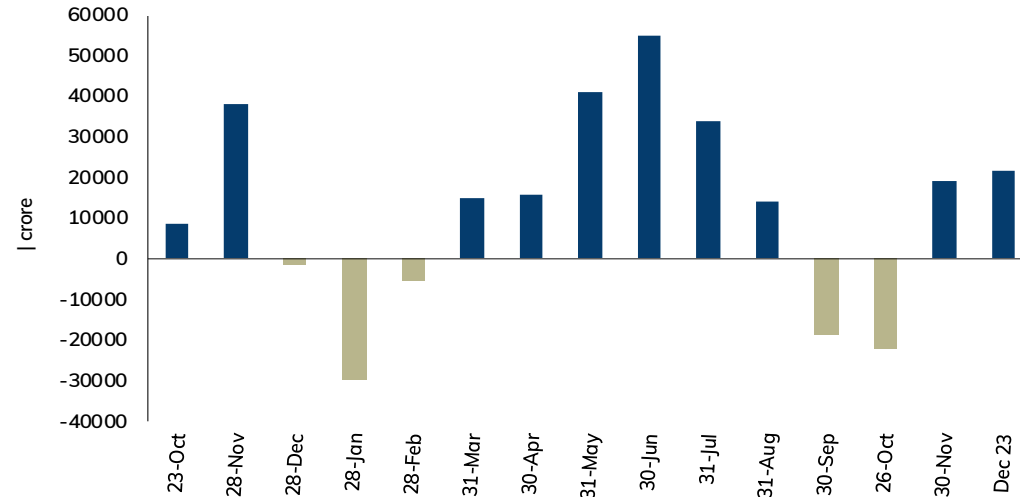
Why we remain Bullish ?

Resumption of FPI flows to propel markets further

Indian markets are best performing markets

Countries	2021 Highs	Recent Highs	Change
Nifty Midcap	33244	45956	38.2%
Nifty Small Cap	12047	15090	25.3%
India	18604	21777	17.1%
Japan	30796	33853	9.9%
UK	7687	8047	4.7%
Euro	4415	4593	4.0%
US	36953	37642	1.9%
Brazil	131190	133035	1.4%
Indonesia	7355	7377	0.3%
US	4819	4778	-0.8%
Singapore	3466	3408	-1.7%
Canada	22213	21213	-4.5%
Taiwan	18620	17745	-4.7%
Russel US	2459	2042	-17.0%
Korea	3316	2702	-18.5%
China	5931	4530	-23.6%
Hong Kong	31183	22701	-27.2%

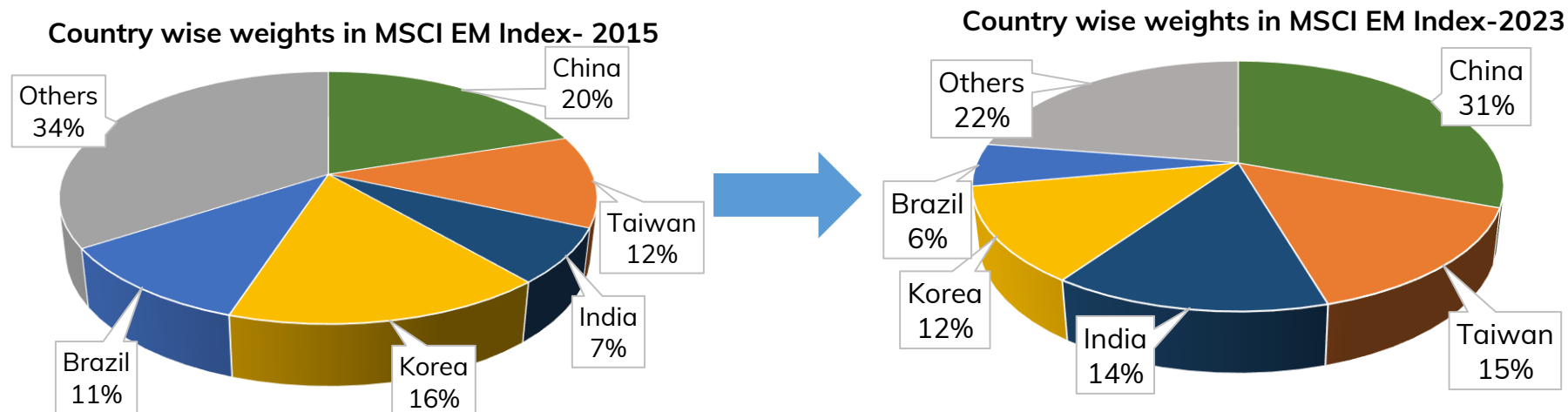
FII flows turned positive since Nov. despite global uncertainty



Indian Indices made fresh life highs and retained its the best performing market helped by resumption of foreign flows. The net flows for the current calendar year is nearly of \$21 billion while rest of the emerging markets have seen nominal flows. In the post covid era, while most of the markets are still reeling below their 2021 highs, Indian indices have given significantly higher returns than the rest.

India's share of foreign flows to rise further...

- India's share in Emerging market index has almost doubled from 7% to 14% in last 8 years and is likely to increase further with higher economic size

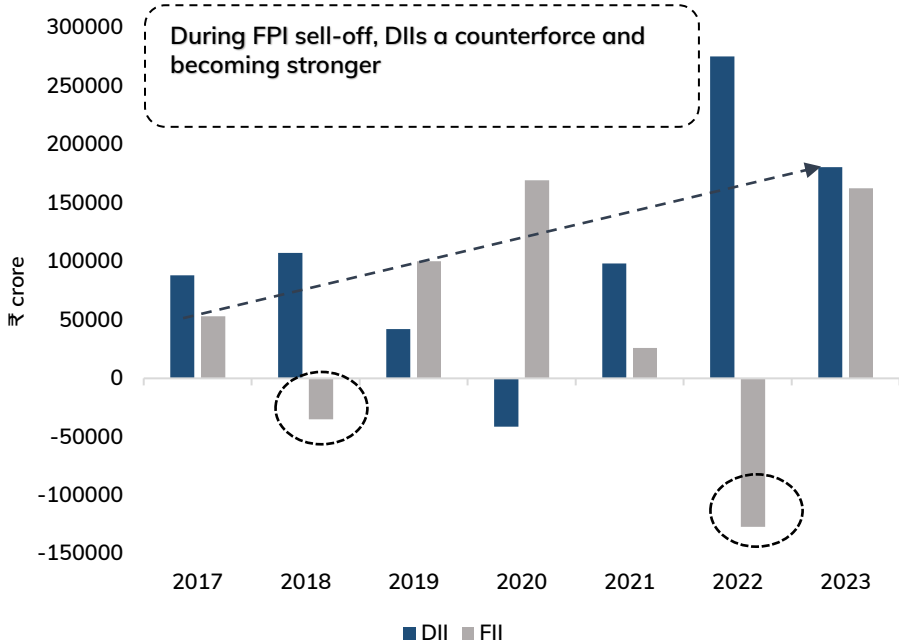


In Billions							
Inflows (\$ Bn)	India	Brazil	Indonesia	Malaysia	Phillipines	South Korea	Taiwan
CY 2020	23.4	-8.1	-3.2	-5.8	-2.5	-20.1	-15.3
CY2021	3.8	13.2	2.7	-0.8	0.0	-23.0	-15.3
CY2022	-17.0	18.6	4.3	1.1	-1.2	-9.6	-44.5
CY2023TD	17.0	6.3	-1.0	-0.6	-0.9	7.2	1.7

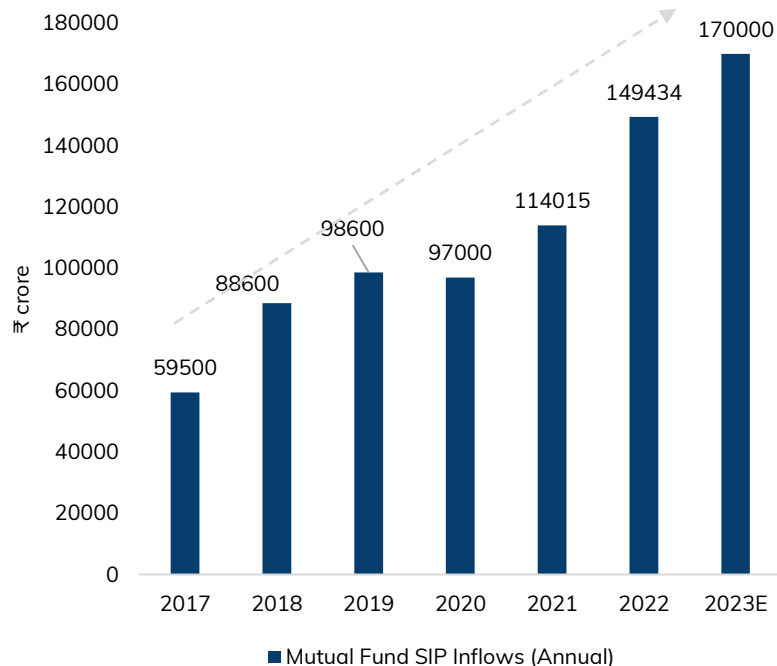
Source: Bloomberg, ICICI Direct Research

Domestic equity flows: Growing and counter weight during foreign outflows

DII flows have been far more consistent than FPI flows



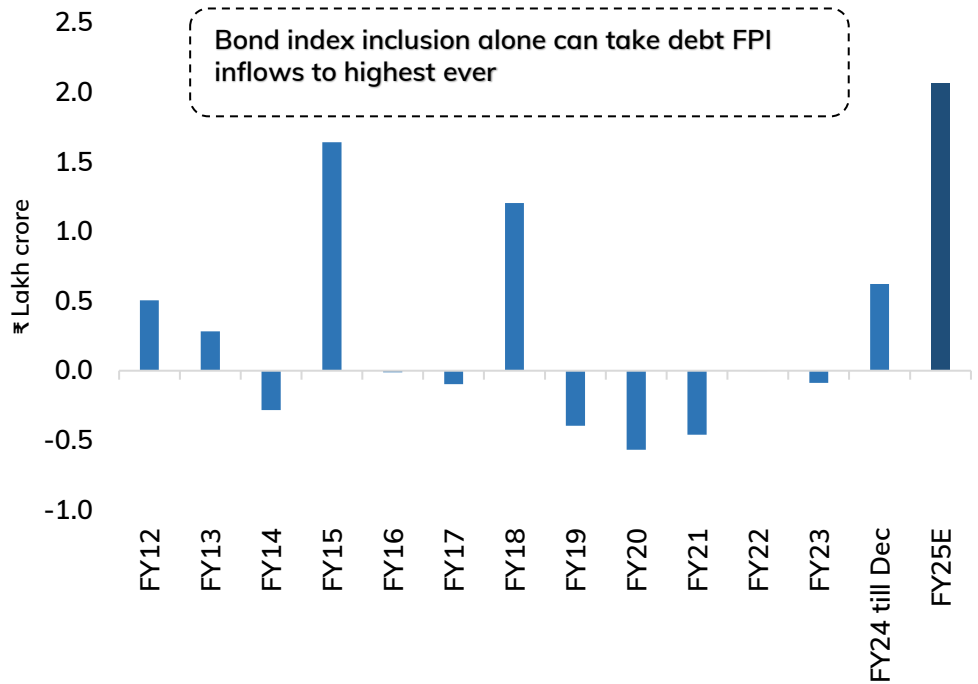
MF SIP flows: Consistent and rising



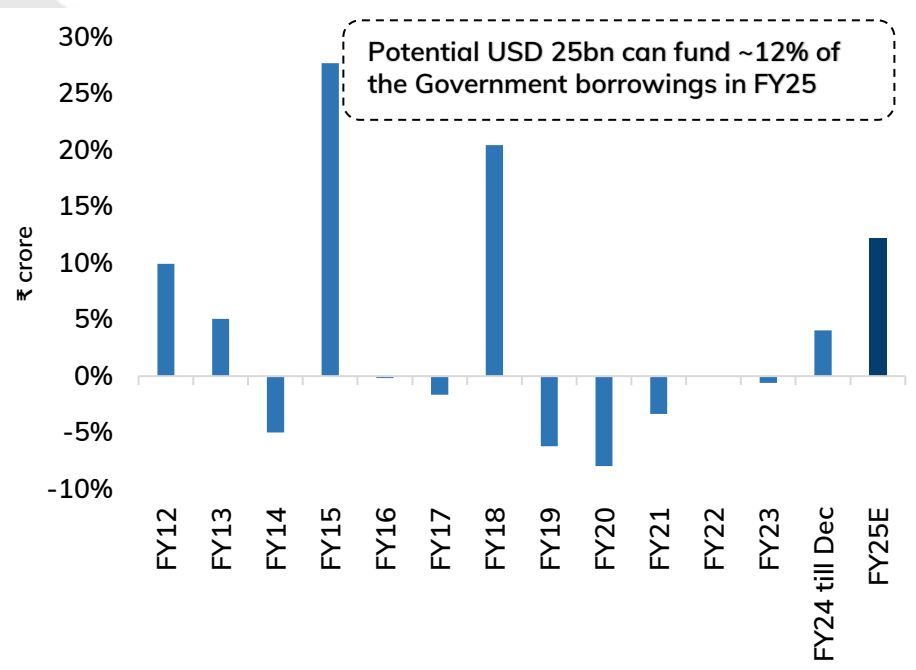
Source: Bloomberg, ICICI Direct Research

Government Bond Index inclusion: A structural boost

JP Morgan’s Bond index inclusion could alone lead to FPI inflows of USD 25bn or ₹ 2 lakh crore in Indian debt market



FPI share in Government borrowing may rise to 10%-15% in FY25, highest since FY19



Apart from JP Morgans GBI-EM-GD index, Bloomberg Global Aggregate Index(Global Agg) is also likely to include Indian bonds in its index. It has an estimated AUM of USD 2.5 trillion and with 0.6%-0.8% weight, additional potential inflows could USD 15-20bn. Such inflows coinciding with global rate-cut cycle is likely to push bond yields lower resulting into lower cost of funds for Indian corporates.

Source: Bloomberg, ICICI Direct Research



\$7 USD Trillion GDP

- By 2030 , GDP is expected to reach US \$ 7 trillion, a level only achieved by the US and China



Expected 7-8% GDP Growth

- Economic growth is expected to average 7-8 % over the next 10 years, making it one of the world's fastest growing economies.



12-15% CAGR IN EQUITIES

- Indian Equities are expected to compound at 12-15% as seen historically

Source: ICICI Direct Research

Capex Beneficiaries

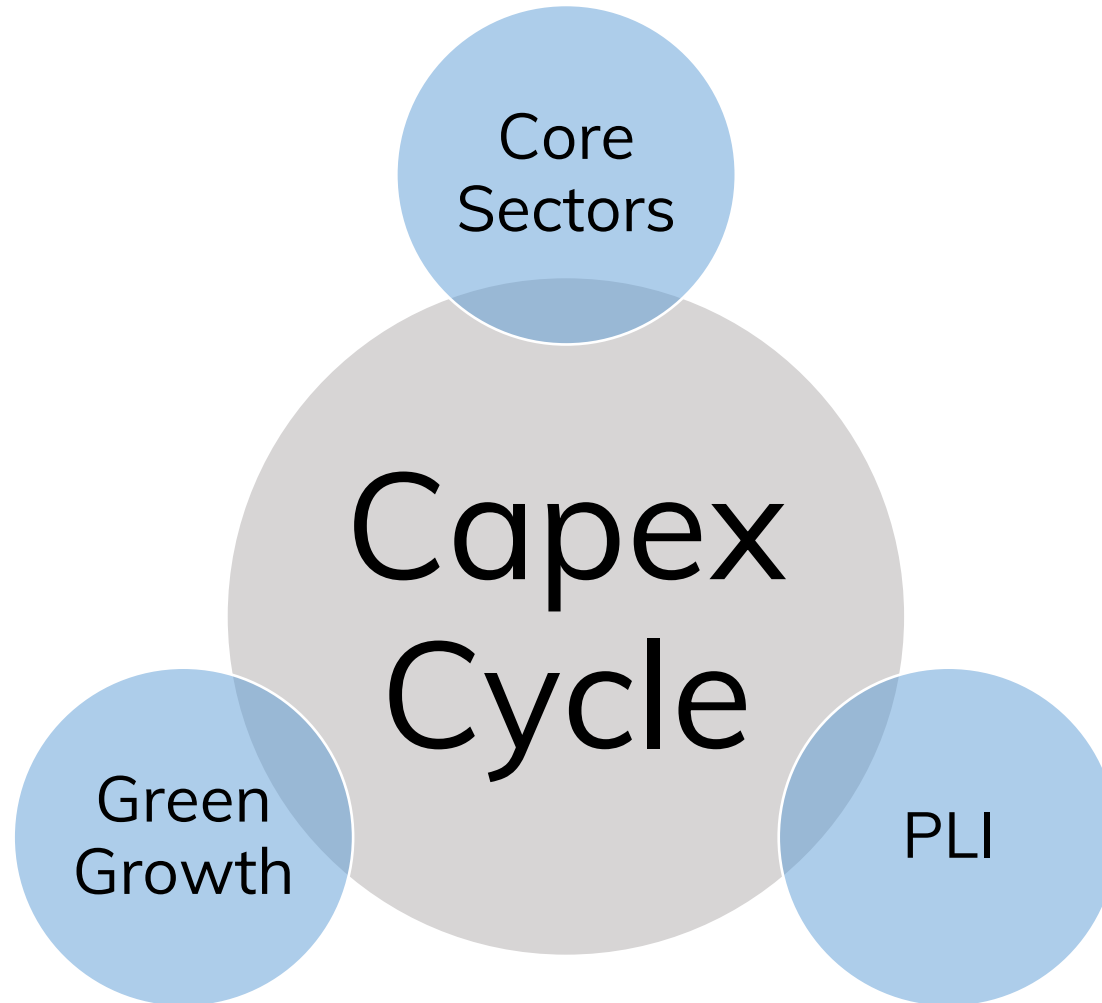
Infra, Capital Goods, Cement

Structural Measures Beneficiaries

BFSI, Real Estate

Energy Transition Beneficiaries

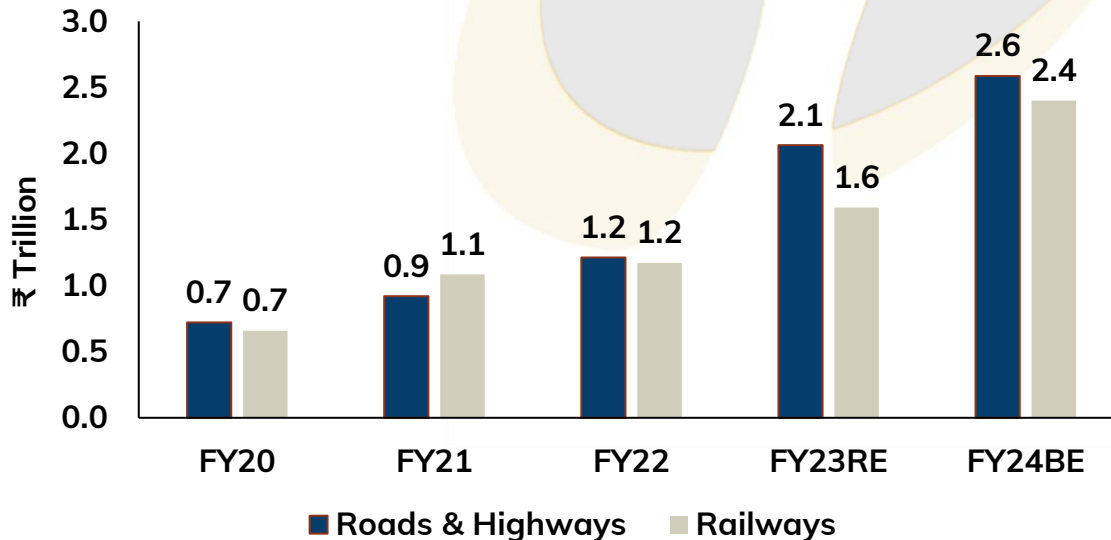
Power, Auto



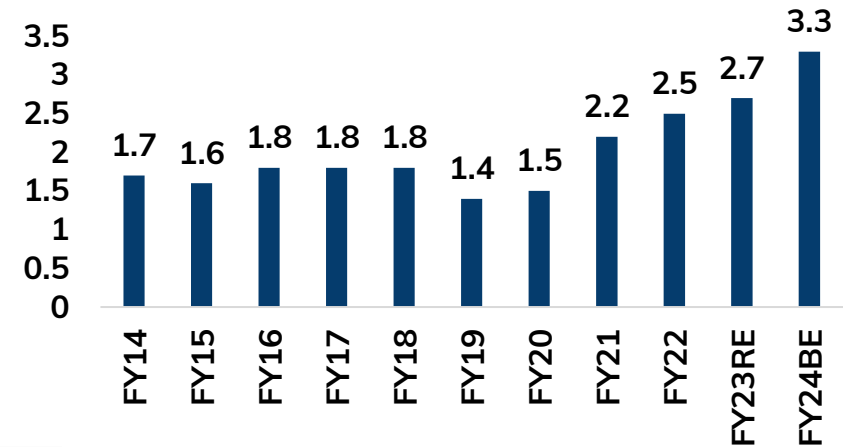
Capital Expenditure to GDP at an all time high...

- Capital Expenditure (Capex) spending remains the key priority with government capex allocation CAGR of 30% over FY20-FY24E
- The capex to GDP is pegged at all-time high of 3.3%. This is in stark contrast to FY14-FY18 average of 1.8%
- The two sectors that stand out in terms of allocation is Railways and Roads . Both the segments have seen allocation rising by 6x and 3.3x over FY18-FY24.
- 50% of the total allocated capex earmarked for Railways and Roads holds the key for making India a manufacturing hub.
- These are broadly aimed at lowering the overall logistics costs domestically which is currently pegged at ~14% of GDP (vs. global average of 6-7%)

3x-6x jump in capex allocation across Roads and Railways



Capex as % of GDP

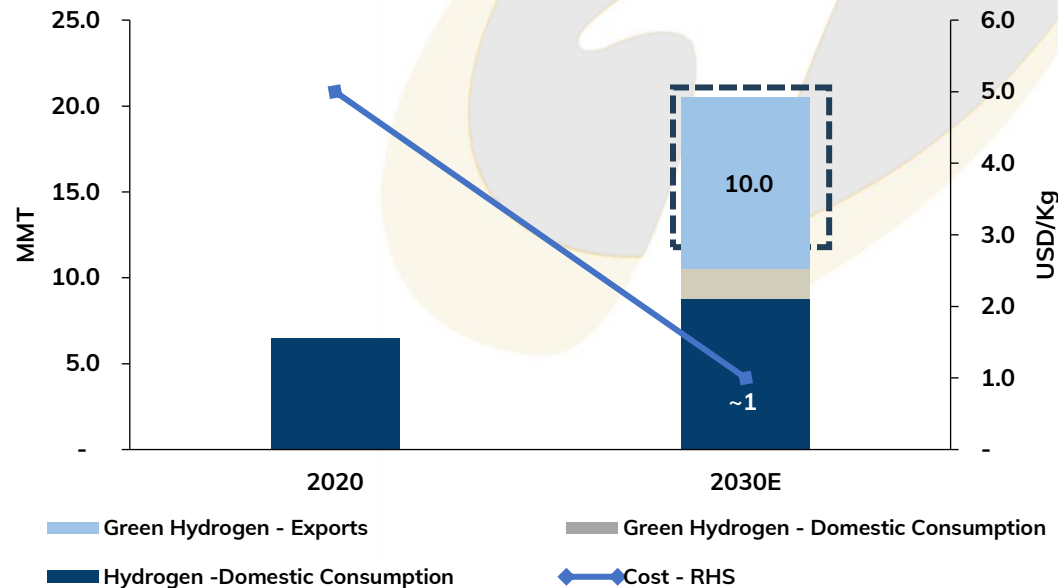


Source: Budget Documents, ICICI Direct Research

Eyeing global leadership in green hydrogen; Making India Atmanirbhar through clean energy

- Driving green growth through decarbonization of the economy, reduced dependence on fossil fuel imports, and enable India to assume market leadership in Green Hydrogen
- Major priority sectors, including fertilizer, refinery, transportation, power, steel, shipping, methanol, ammonia to drive green hydrogen adoption
- Global demand of over 100 MMT (metric million tonnes) of Green Hydrogen and its derivatives is expected to emerge by 2030

With cost of production expected to come down, India looking for potential production of 10 MMT green hydrogen by 2030, eyeing ~10% global share



Green Hydrogen presents total opportunity of ~ ₹ 14 lakh crore for next 6-7 years

Segment	Expected Capex (₹ lakh crore)
Renewable Power	~9.0
Transmission Lines	1.3
Electrolyser	3.0
Electronics & Waste Water	0.3
Total	~14.0

Source: Government estimates, Industry reports, ICICI Direct Research

Defence Sector - Structural shift towards Indigenization continues...

Acceptance of Necessity (AoNs) worth ₹ 5.4 lakh crore accorded by Defence Acquisition Council (DAC) since April 2022

Date	Approvals (₹ crore)
Jun-22	76,390
Jul-22	28,732
Dec-22	84,328
Jan-23	4,276
Mar-23	70,500
Aug-23	7,800
Sep-23	45,000
Nov-23	2,23,000
Total	5,40,026

Major platforms include aircrafts, helicopters, missiles, warships, drones, support vessels, munitions, tanks, combat vehicles, electronic systems like radars, electronic warfare and other sub-systems

Defence PSUs cumulative order backlog stands at 4.1x of TTM revenue

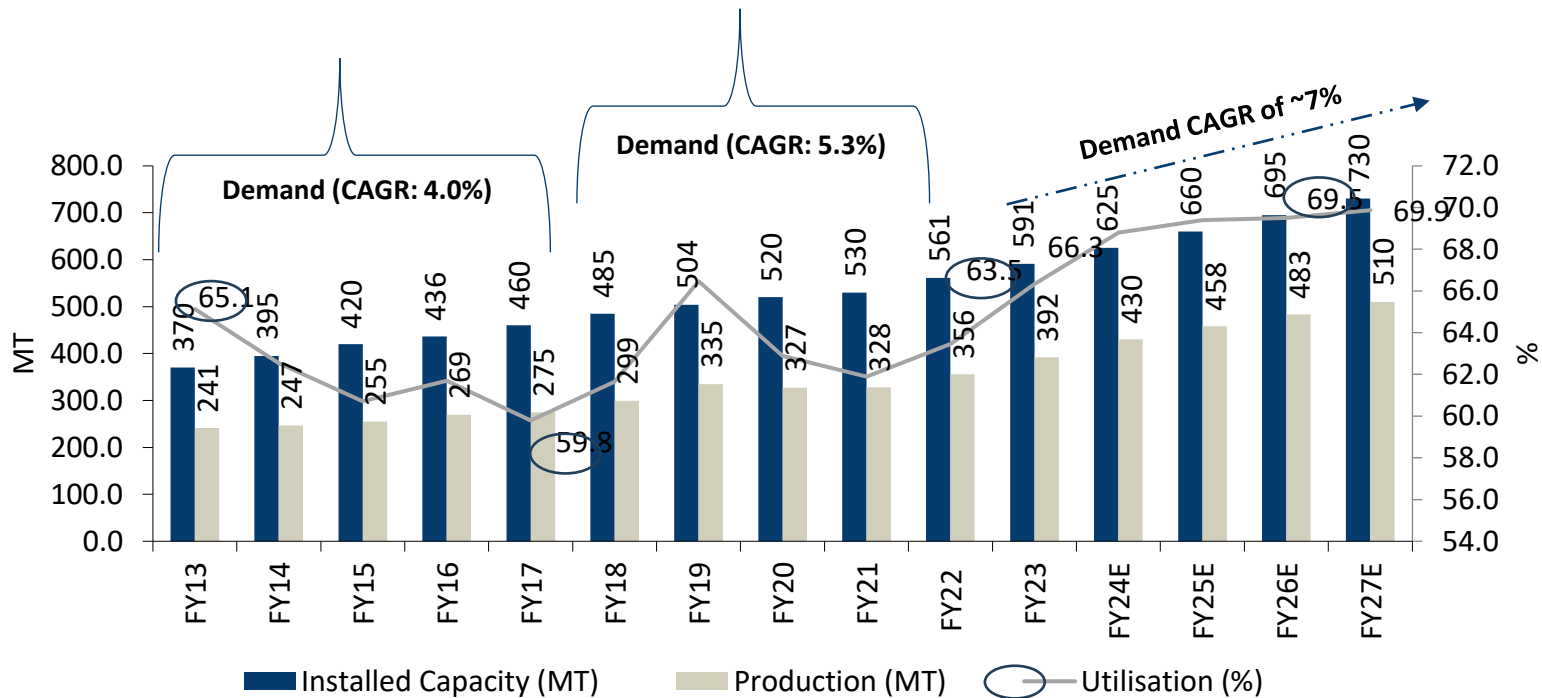
Defence PSUs	Orders inflow - FY23 & YTD FY24 (₹ crore)	Order backlog as of Sep-23 (₹ crore)	Order book to TTM Revenue (x)
Hindustan Aeronautics	36,325	82,000	3.0
Bharat Electronics	36,214	68,700	3.8
Bharat Dynamics	11,029	20,766	9.6
Mazagon Dock Shipbuilders	3,328	37,500	4.7
Cochin Shipyard	14,593	22,000	8.1
Garden Reach Shipbuilders	3,852	23,740	8.0
Midhani	1,467	1,500	1.5
Total	1,06,808	2,56,206	4.1

- Defence ministry has approved acquisition proposals worth ₹ 2.23 lakh crore on 30th Nov 2023, which includes large platforms like 97 LCA Tejas mark 1A fighter jets, 156 LCH Prachand choppers, upgrade of 84 Sukhoi-30 fighters, Towed Gun System (TGS) & Medium Range anti-ship missiles
- Procurement process will start now which includes issuing of RFIs (Request for Information), tendering and negotiations with companies
- Hindustan Aeronautics (HAL) will be the primary beneficiary of contracts for Tejas LCA MK1a, LCH Prachand and Sukhoi-30 upgradation. As per the sources, these three proposals are worth ~₹ 1.8 lakh crore
- Bharat Dynamics (BDL) is the likely beneficiary for the anti-ship missiles along with the additional requirements of missiles like Astra missiles (used in Tejas MK1A) and Helina (to be used in Prachand choppers)
- Bharat Electronics (BEL), Data Patterns and Astra Microwave will be involved in supplying electronic systems like radars, electronic warfare, communication systems etc.
- Midhani will be the main beneficiary in terms of supplying superalloys and titanium alloys
- Order pipeline remains healthy (₹ 5-6 lakh crore worth of contracts expected in the next 5 years (FY24-28E), driven by increasing govt's capital outlay in defence, focus on procurement of modernized indigenous platforms and arising export opportunities

Source: ICICI Direct Research

Cement sector to accelerate capacity addition ~1.8x during FY23-27

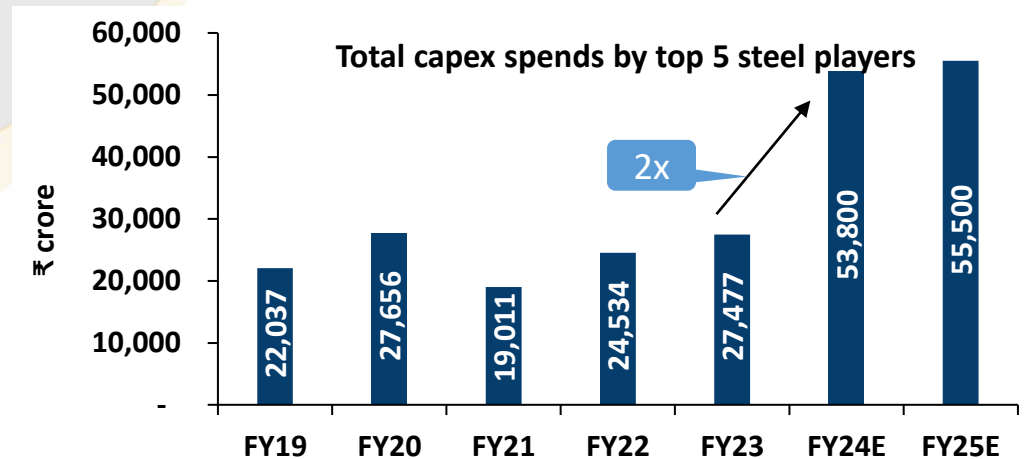
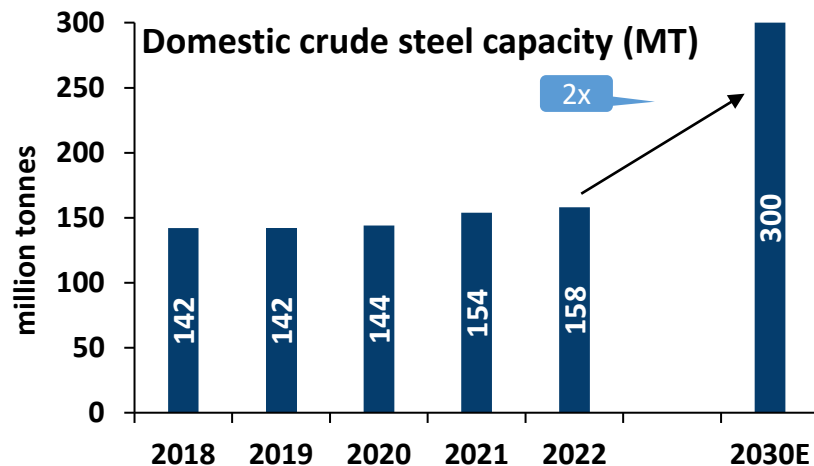
- Cement companies slated to add ~35 MT capacity annually during FY23-27E (vs. 20 MT added during FY17-22).
- Capacity expansion will entail fresh capex investment worth ₹ 1.1 lakh crore during FY23-27E.
- Government spending on infra projects and revival of housing sector to keep utilization rates healthy



Source: ICICI Direct Research

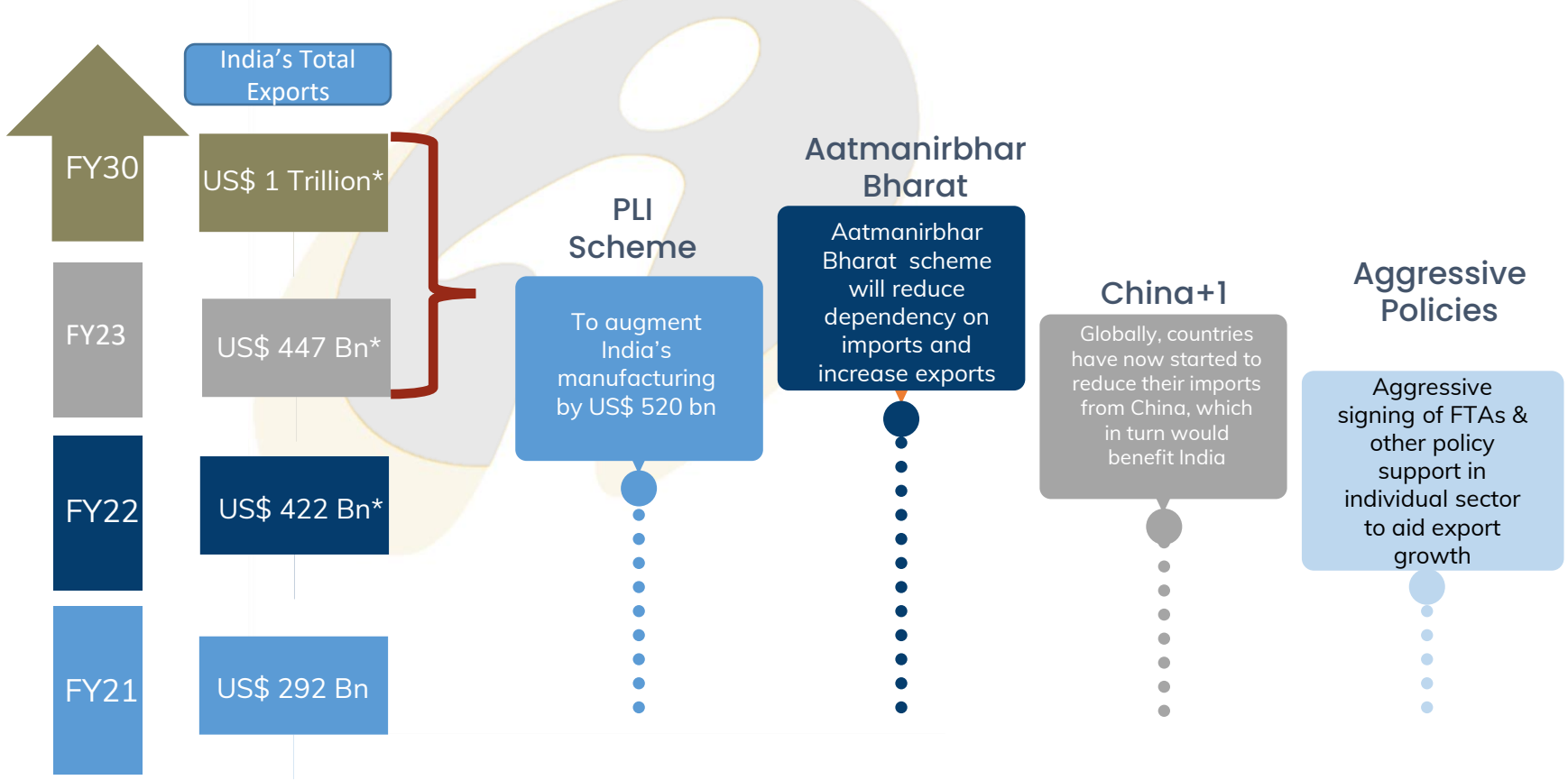
Steel capacity to double by 2030

- National Steel Policy has set a target of 300 MT of Crude Steel Capacity in India by 2030 vs. 158 MT as of 2022
- Capacity expansion envisages a capex spend of ~₹10-11 lakh crore over the next 8 years
- Annual capex by top five steel manufacturers seen doubling, going forward over next few years
- Encouragingly, industry is traversing towards low carbon emissions with incremental focus on green steel production (utilizing renewables & green hydrogen)



Source: Ministry of Steel, Companies, ICICI Direct Research

Indian exports to grow exponentially led by aggressive government policies to become self reliant and make India the world's new manufacturing hub



Source: Government estimates, Industry reports, ICICI Direct Research

- The Government has rolled out Production linked incentive (PLI) schemes with targeted expenditure of ~₹ 2.65 lakh crore (excl. semi conductors).
- PLI is aimed at increasing the manufacturing output by US\$ 520 bn over the next 5 years and to drive exports as well as imports substitution

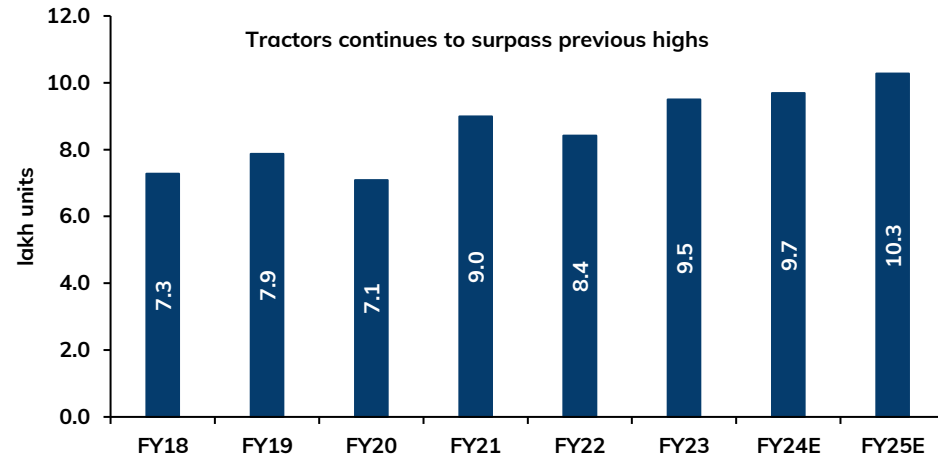
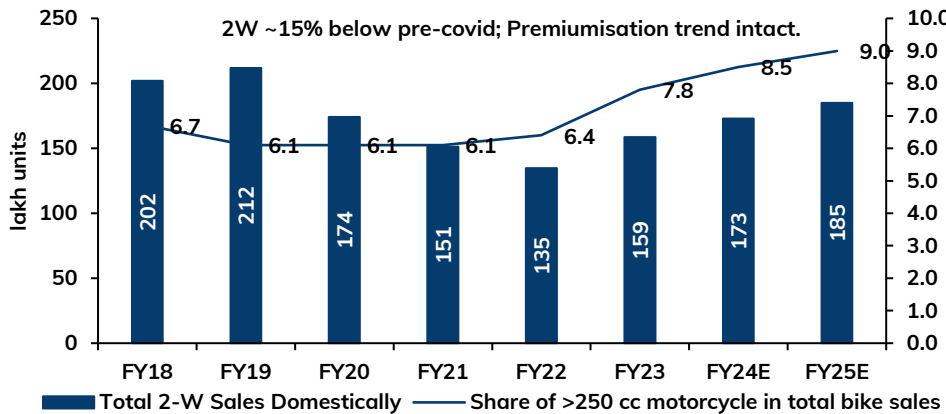
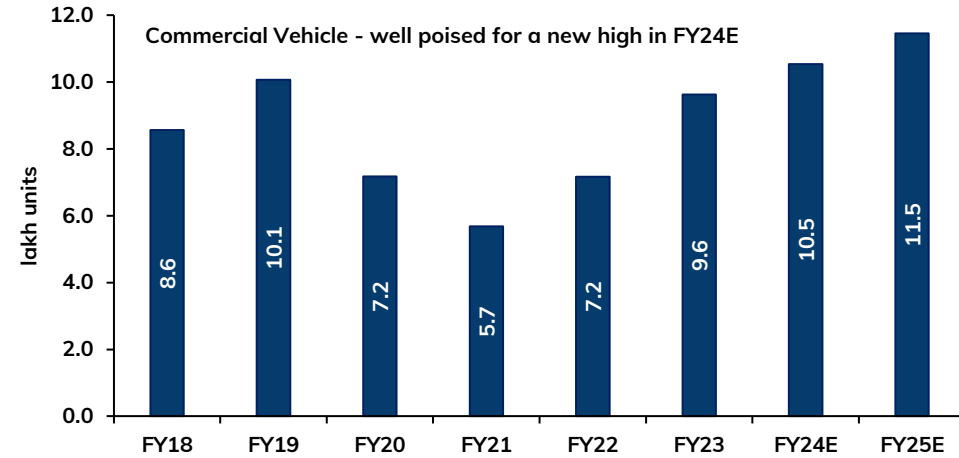
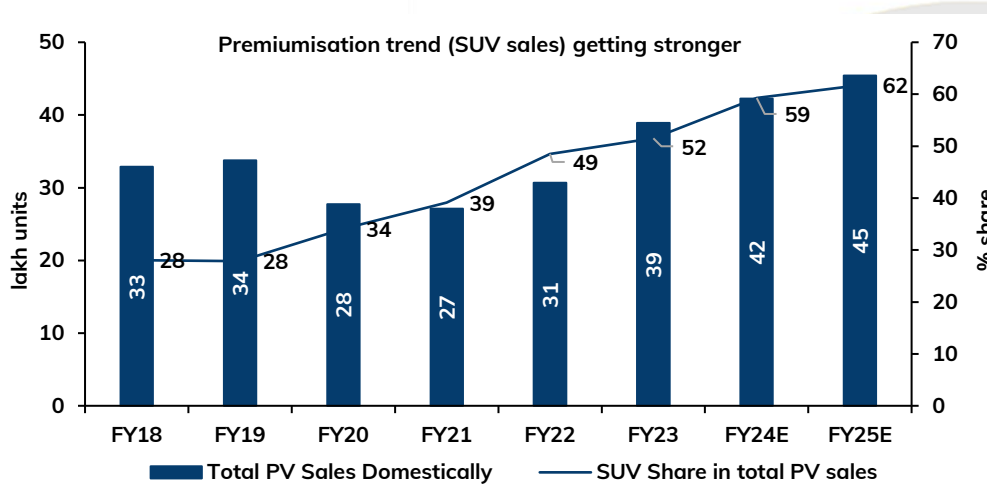
Sectors	Estimated Expenditure (₹ crore)
Mobile Phones Manufacturing	40,995
IT Hardware	17,000
API and others	6,940
Manufacturing of Medical Device	3,820
Advance Cell Chemistry Battery	18,100
Automobiles & Auto Component	74,850
Pharmaceuticals Drugs	15,000
Telecom & Networking Products	12,195
Textile Products	14,990
Food Products	10,900
Millet Based Product	800
High Efficiency Solar PV Module	19,500
White Goods	6,238
Specialty Steel	6,322
Green Hydrogen	17,490
Total	2,65,140

Mobile manufacturing PLI has led to total mobile manufacturing of over ₹ 2 lakh crore (likely to reach ₹ 5.5 lakh crore by FY26) and it includes exports of ₹ 80000 crore already over the last 2 years.

Source: Government estimates, Industry reports, ICICI Direct Research

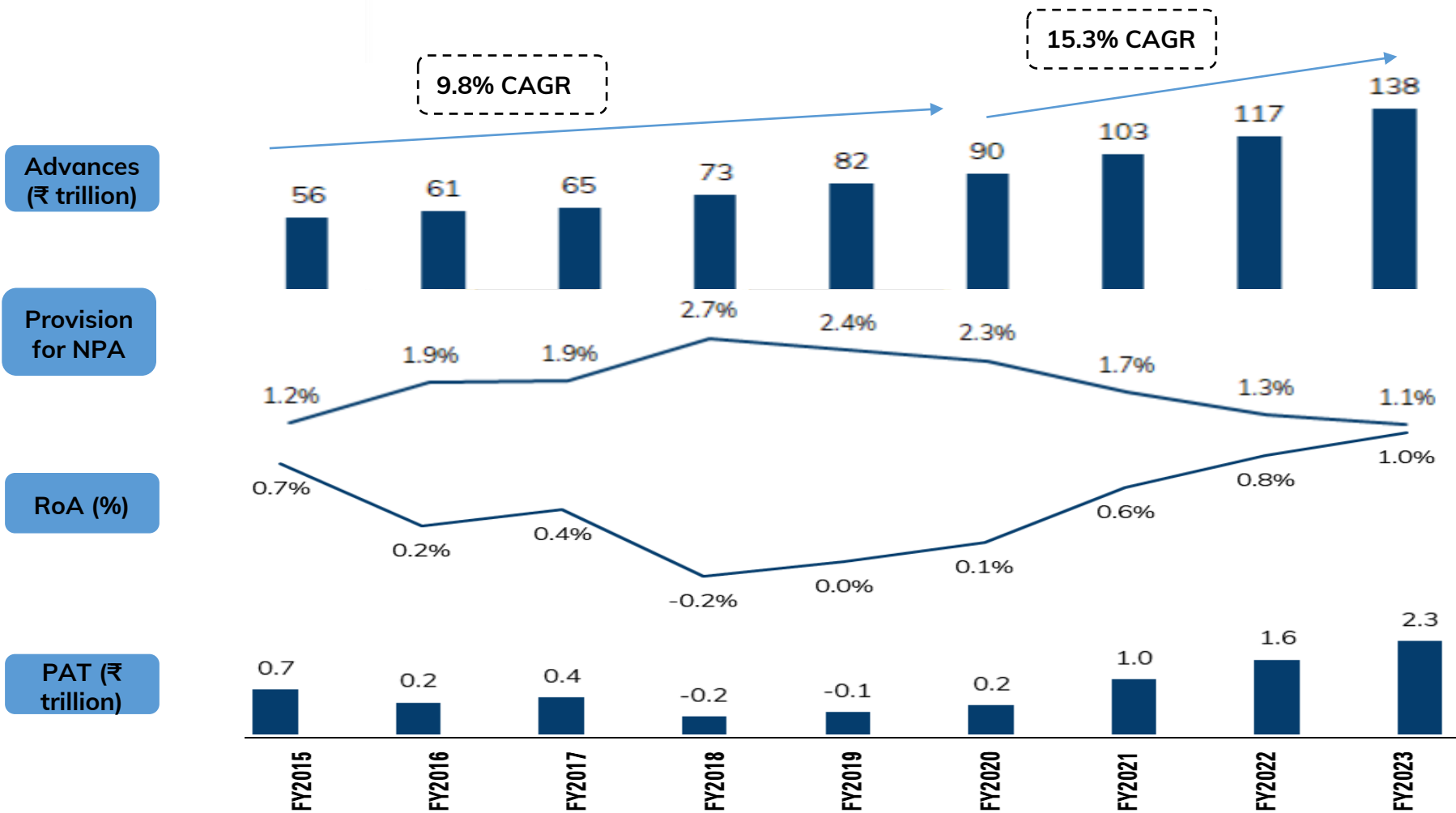
Auto Sales at life time high; premiumization trend getting stronger

- Passenger Vehicle (PV) and Tractor sales have already surpassed their pre-covid peaks
- Commercial Vehicle (CV) set to pass life time high in FY24
- Two wheelers, a price sensitive segment, is lagging due to the impact of fuel efficiency and insurance norms driven price hikes



Source: SIAM, ICICI Direct Research

Banks back on firm footing

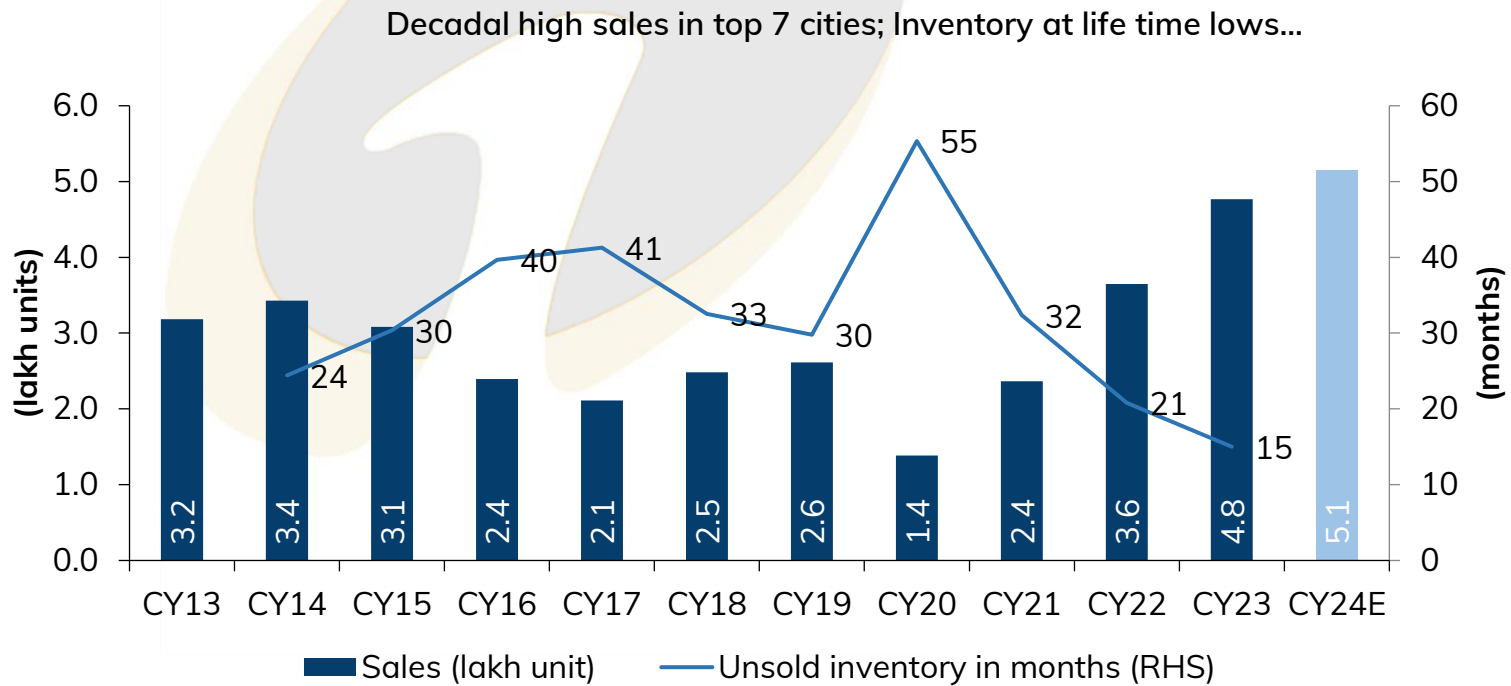


Source: RBI, ICICI Direct Research

Real Estate experiencing decadal revival...

Real estate sales have remained robust driven by

- **Industry getting formalised** – big developers with better balance sheet gained market share post RERA implementation (type of regulation which is absent in even giant economy like China)
- **Strong end user housing demand**



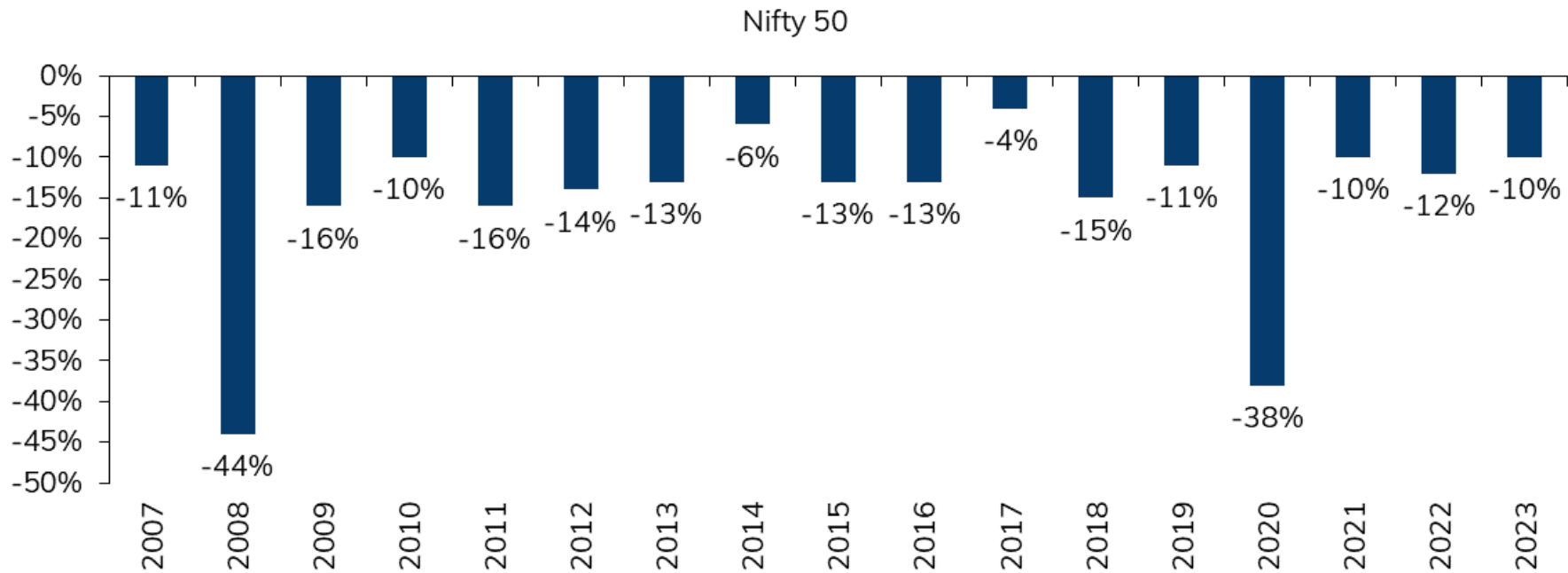
Source: Anarock, ICICI Direct Research * Top 7 cities

While maintaining positive stance, investors should be prepared for the “dip”

Largecaps: 10-15% fall occurs every year

Nifty 50 Index:

- ❖ Average Fall (Ex-2008 and 2020): 12%.
- ❖ Range of Fall (Ex-2008 and 2020): 10% - 16%.
- ❖ No of time fall happens: 1 to 3 times. Median: 2 times

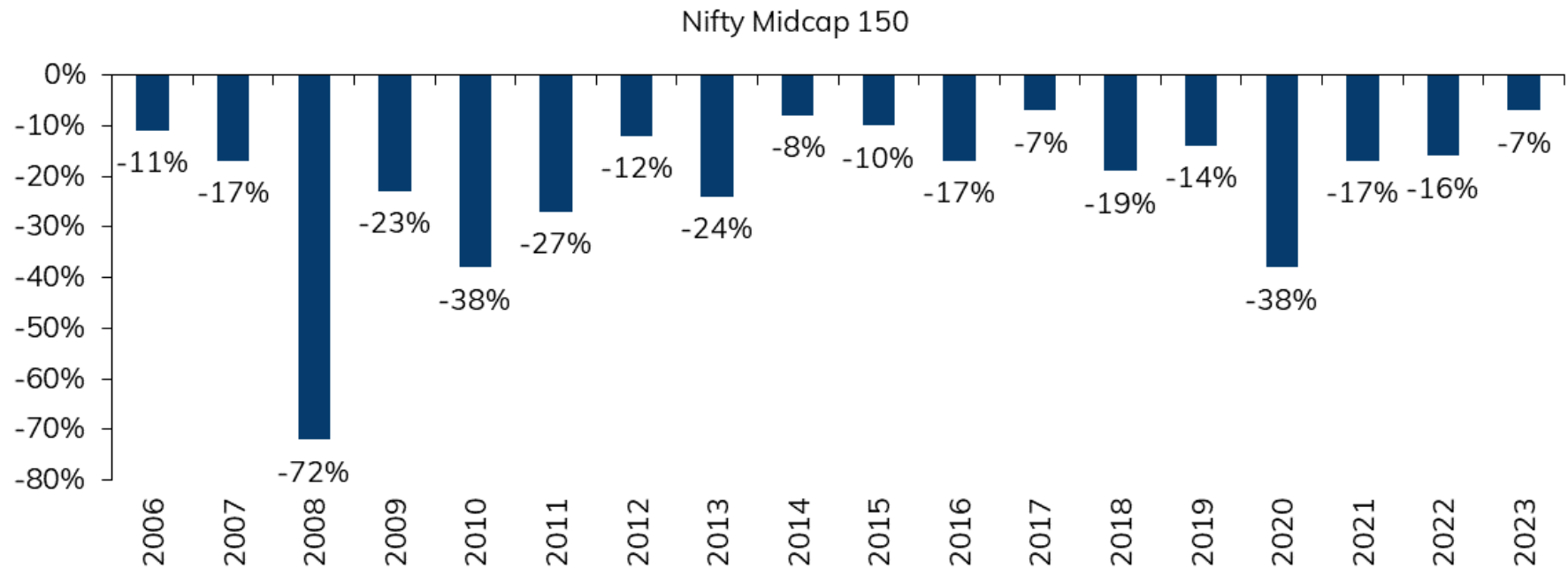


Source: Bloomberg

Midcaps: 15-25% fall occurs every year

Nifty Midcap 150 Index:

- ❖ Average Fall (Ex-2008 and 2020): 17%.
- ❖ Range of Fall (Ex-2008 and 2020): 10% - 25%.
- ❖ No of time fall happens: 1 to 3 times. Sometimes only 1 times while sometimes 3 times

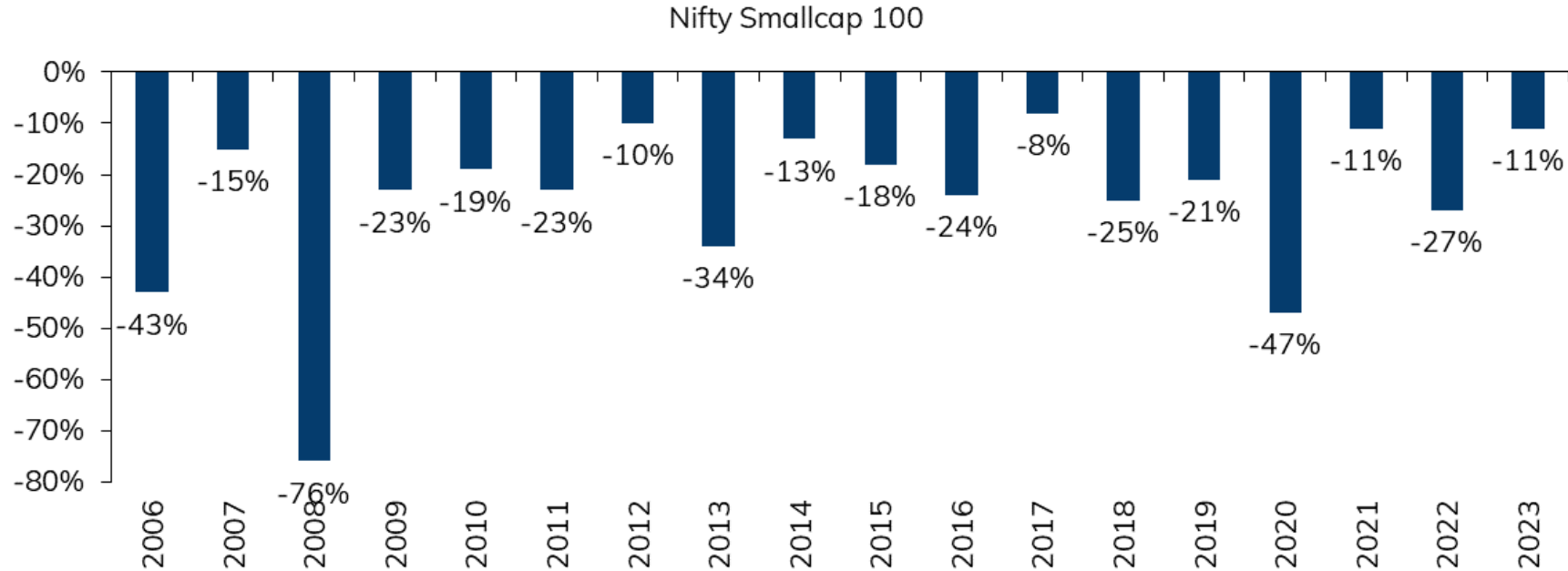


Source: Bloomberg

Smallcaps: 20-35% fall occurs every year

Nifty Smallcap 100 Index:

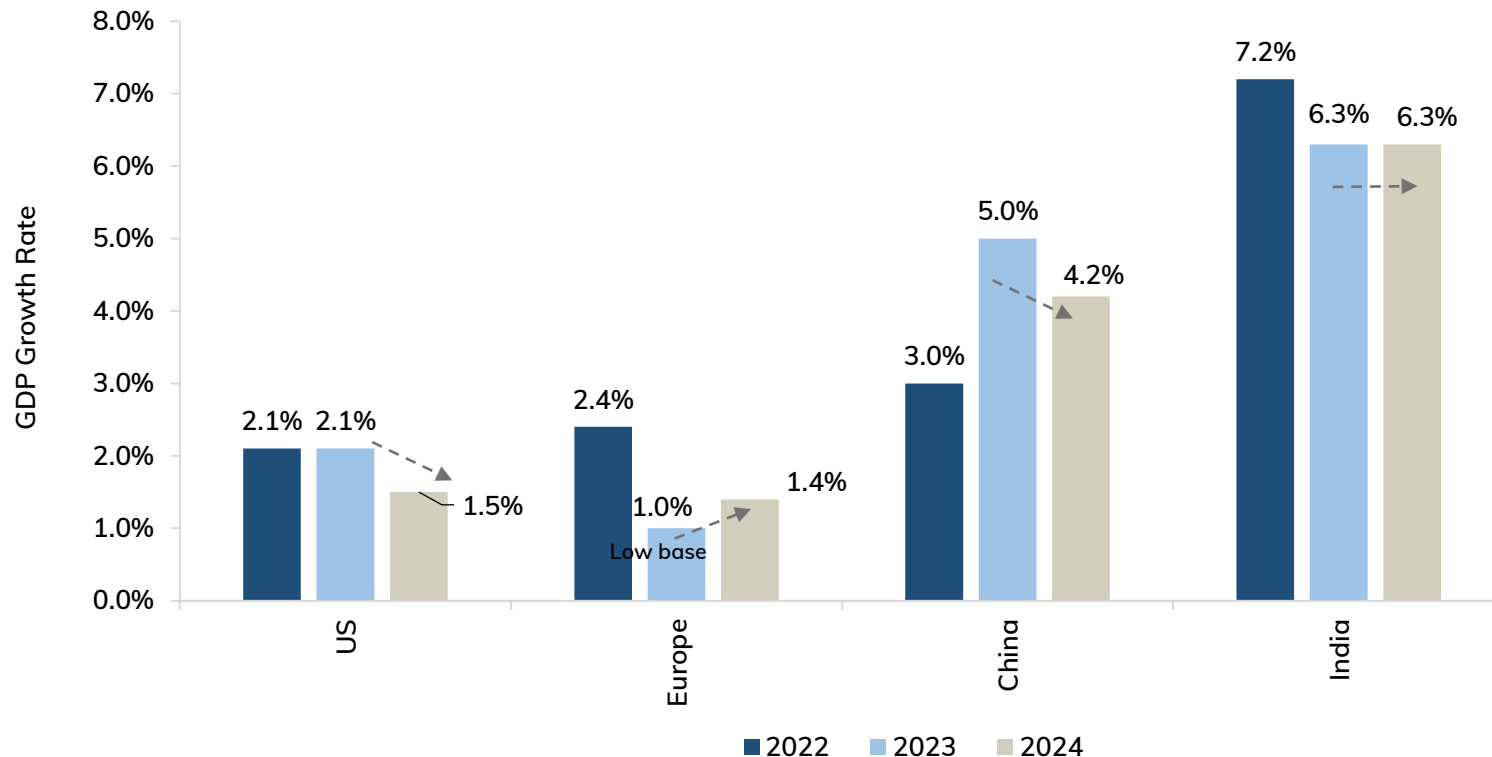
- ❖ Average Fall (Ex-2008 and 2020): 20%.
- ❖ Range of Fall (Ex-2008 and 2020): 10% - 35%.
- ❖ Frequency of Fall: 1 to 4 times (Median 2-3 times). Fall sometimes 4 times if returns higher in previous years



Source: Bloomberg

Global growth slowdown could be a dampener

- The year 2024 is likely to witness sharp slowdown in major economies like U.S. and China while growth in Euro region is also likely to be a sub-optimal. The same poses risk to the otherwise resilient domestic economy especially on exports front.



Source: Bloomberg, ICICI Direct Research



Stock Picks

UGRO Capital (CHOSEC)

Target Price: ₹ 350 (30% upside)

- UGRO Capital is a MSME focused non-deposit taking NBFC. The company offers diversified products including secured LAP, affordable LAP, unsecured business loans, machinery loans and supply chain financing. Selective lending comprising of 8 segments using data tech approach for under-writing remains core strength. Business distribution is carried using branch model (104 branches as of Sep'23), digital channel and partnerships with fintechs.
- Huge credit gap in MSME financing market and adoption of data backed selective approach enables opportunity for scalable business model. Expect AUM growth to remain robust at ~50% CAGR in FY24-25E to reach ~₹13,682 crore in FY25E with 50:50 mix of on-off book.
- Enabling partner banks to achieve their priority sector targets through co-lending/ co-origination in a capital efficient manner remains one of the key rationales. Robust growth in AUM, operational leverage and focus on co-lending is expected to aid improvement in RoA to 2.7% in FY24E and further at 3.3% in FY25E.
- Focus on cashflow based lending coupled with strong in-house collection infrastructure provides comfort on asset quality. Utilizing proprietary tool (GRO score), to access repayment capabilities of customers through continuous monitoring enables early warning signals aiding collection efficiency. Thus, expect Stage 3 assets (at ~1.9%) to remain in a broad range and credit cost at ~2% ahead. Slippages from restructured bucket remains watchful, but given the size at ~0.6% of advances remains manageable. BUY with TP of ₹ 350
- Key risks:** Higher than expected increase in delinquencies amid exposure to MSME segment, External events including regulatory changes in co-lending arrangement

₹crore	FY22	FY23	FY24E	FY25E	2 year CAGR (FY23-25E)
NII	134.8	189.6	293.3	465.6	56.7%
PPP	49.6	140.5	284.8	439.0	76.8%
PAT	14.6	39.6	134.1	220.0	135.7%
BV	136.9	142.0	160.21	186.84	
P/E	1298.8	470.1	182.3	131.9	
P/ABV	2.0	1.9	1.7	1.4	
RoA	0.5	1.1	2.7	3.3	
RoE	1.5	4.1	11.0	12.7	

Source: Company, ICICI Direct Research

SBI Cards (SBICAR)

Target Price: ₹ 950 (25% upside)

- SBI Cards, a subsidiary of State Bank of India (68.9% stake), is the second largest credit card issuer in India. Market share in terms of cards issued is ~19.2% and spends is ~18.0%. High margin business with strong return ratios, ~5% RoA and +20% RoE.
- Spends (₹79,000 crore in Q2FY24) and proportion of revolvers (at 24% of receivables) remain two primary constituents for a credit card business. While spends momentum continued to remain robust owing to healthy customer accretion and rising discretionary spends, proportion of revolvers has been on a gradually declining trend. Levers to boost spends include 1) introduction of UPI functionality on Rupay credit cards, 2) improve productivity leveraging co-branded partnership and 3) product innovation with continued focus on digital channel. Expect growth in spends at ~32% CAGR in FY23-25E.
- Moderation in revolvers and increase in cost of funds to impart pressure on margins to be partially offset by higher EMI transactions. Thus margins to decline in FY24E at 11.3-11.4% in FY24E. However, being a beneficiary of anticipated reversal in interest rate cycle, expect margins to recover to 11.5-11.6% in FY25E.
- Regulations regarding increase in risk weight on unsecured retail credit may impact RoE, however, increase in yields & improving leverage to provide partial support.
- Gradual decline in customer acquisition cost by improving digital channel productivity is seen to aid moderation in CI ratio ahead. Cautious sourcing of customer with risk calibrated approach to acquire customers with higher propensity to revolve is seen to keep credit cost steady at ~6% in FY24-25E. BUY with TP of ₹ 950
- Key risks:** Continued decline in proportion of revolver in receivables remains a concern, Higher delinquencies could impact earnings momentum

₹ Crore	FY22	FY23	FY24E	FY25E	2 year CAGR (FY23-25E)
NII	3839	4505	5302	6910	23.8%
PPP	4428	5188	6515	8372	27.0%
PAT	1616	2256	2525	3205	19.2%
EPS (₹)	17	24	27	34	
ABV (₹)	80	101	121	148	
P/ABV	9	8	6	5	
RoA	5	6	5	5	
RoE	23	26	23	24	

NMDC Ltd (NATMIN)

Target Price: ₹ 250 (21% upside)

- NMDC (National Mineral Development Corp.) is the largest iron ore mining company in India with annual production capacity of ~52 million tonne (MT). It is operating seven iron ore mining leases (five in Chhattisgarh & two in Karnataka) with total reserve at >1,500 MT. It supplies one of the highest quality iron ore with average 64% Fe grade.
- Despite being the world's second largest consumer of finished steel, India's per capita steel consumption of 77 per kg lags far behind the global average of 233 per kg. With the aim to increase the per capita steel consumption to 160 per kg by 2030, the government is targeting a crude steel capacity of 300 MT, inevitably driving the iron ore demand to ~480 MT. NMDC, as a prominent player with six decades of experience in the iron ore mining space, is well positioned to seize this growth opportunity.
- NMDC's production volume remained flat over the seven-year period over FY14-21 at ~30-35 MT but is on the path to achieve the production of ~46 MT in FY24 and likely to cross ~50 MT production volume by FY25. We have baked in volume CAGR of ~13% to 55 MT by FY26E. This is amidst its ambitious target to expand its capacity to 67 MT by FY26 and further to 100 MT by FY30.
- NMDC is also exploring opportunities in other minerals such as bauxite, gold, diamond, lithium, etc., both in India and overseas. With 20 critical mineral blocks, including 5.9 MT lithium reserves, set for auction, NMDC is well poised to tap this new opportunity.
- We have a positive view on NMDC Ltd and assign BUY rating with a target price of ₹250 wherein we have valued the company at 6x EV/EBITDA on FY26E basis.
- Key risks:** (i) Weak economic outlook in China putting pressure on global iron ore prices; (ii) meaningful change in duty structure (royalty, export) altering the profitability

₹ crore	FY23	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	17,667	21,826	24,164	26,557	14.6%
EBITDA	6,053	7,583	8,505	9,471	16.1%
EBITDA Margins (%)	34.3	34.7	35.2	35.7	
Net Profit	5,601	6,206	6,922	7,752	11.4%
EPS (₹)	19.1	21.2	23.6	26.4	
EV/EBITDA (x)	8.9	6.6	5.6	4.7	
RoNW (%)	20.8	23.1	21.9	20.9	
RoCE (%)	24.6	26.3	25.2	24.1	

Source: Company, ICICI Direct Research

Uno Minda (MININD)

Target Price: ₹ 810 (21% upside)

- Uno Minda has over the years evolved into one of the largest entities in domestic auto ancillary space, providing solutions in areas of comfort & convenience (automotive switches, interior & exterior lighting, acoustics systems, seating), aesthetics (alloy wheels), safety (airbags, sensors & controllers) and others. MIL is India's largest maker of automotive switches, horns, CV seat & PV alloy wheels and third largest automotive lighting player. FY23 segment mix – 4-W: 54%, 2-W: 46%; switches, lighting, castings, horns and seats comprised 29%, 23%, 19%, 7% and 9% of sales, respectively.
- Uno Minda has a history of vast outperformance vs. user industries riding on growth in kit value, new client and product additions as well as inorganic acquisitions. It counts most major 2-W and PV OEMs as clients. OEMs form ~90% of sales with aftermarket constituting the rest. It is largely domestic-focused with India forming ~83% of sales.
- We like Uno Minda amid its track record of industry leading growth, penchant for content/vehicle increase, robust EV orderbook (peak annual revenues pegged at ~₹3,000 crore) & regulatory enabled additions (i.e. airbags). History of successful JVs with foreign partners & minimal EV risk in its existing portfolio are structural positives
- We build 19% sales CAGR over FY23-26E, with PAT CAGR placed at ~25% riding on operating leverage gains in the aforesaid timeframe. Consequent return ratios are expected at ~20% by FY26. We assign BUY rating to Uno Minda with a target price of ₹ 810 wherein we have valued the company at 36x PE on FY26E EPS of ₹22.5.
- Key risks:** (i) Slower than anticipated OEM volume growth going forward amid high base (ii) limited margin gains amid new plants commissioning

₹ crore	FY23	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	11,237	14,095	16,479	18,899	18.9%
EBITDA	1,242	1,544	1,837	2,164	20.3%
EBITDA Margins (%)	11.1	11.0	11.2	11.5	
Net Profit	654	845	1,045	1,292	25.5%
EPS (₹)	11.4	14.8	18.2	22.5	
P/E	58.7	45.4	36.8	29.7	
RoNW (%)	15.7	17.2	17.9	18.5	
RoCE (%)	13.7	15.5	17.5	19.6	

Greenply Industries (GREIN)

Target Price: ₹ 295 (24% upside)

- Greenply Industries (GIL) is one the leading players in the plywood business in India with capacity of 48 mn sq. mt. per annum. It has a distribution network of 2,300+dealers/authorised stockists pan-India. It has also forayed into the MDF boards business with manufacturing at Vadodara, Gujarat of 800 CBM/day with revenue potential of ~₹ 600-650 crore per annum
- The MDF plant which was operationalized in H1FY24, is likely to see ramp up gradually. Overall MDF imports which are currently very high, are likely to moderate from February, 2024 onwards as BIS certification rule will kick in making it tedious/increase in costs for imported products. The capacity utilisation from the MDF plant likely to be ~45-50% in FY24E, would increase thereafter in FY25/FY26. The margin currently at 15.5% is likely to expand ~20-22% in a normalized operational state. We bake in revenues to reach ₹ 470 crore in FY26 with margins of 20%.
- The company expects 8-10% Plywood volume growth in FY24. We have baked Plywood revenues CAGR of ~10% over FY23-26 to ₹ 2186 crore with margins of ~10%, driven by value segment growth. Given the higher margins of MDF in the mix, overall margins are likely to expand to 11.2% in FY26 vs. 9.2%, currently.
- The bulk of the residential real estate in last 2-3 years will start hitting completion in CY24 onwards driving the building materials segment like Woodpanel (Ply, Laminates and MDF) . Greenply will be one of the key beneficiary of the same. We have valued the company at P/E of 26x FY25E with a TP of ₹ 295
- Key risks:** Weaker Ramp up in MDF and higher raw material cost.

(₹ Crore)	FY23	FY24E	FY25E	FY26E	3 yr CAGR (FY23-26E)
Net Sales	1845.6	2257.1	2646.8	2863.3	15.8%
EBITDA	169.1	196.0	288.2	320.9	23.8%
Net Profit	91.4	55.6	138.3	171.1	23.2%
EPS (₹)	7.4	4.5	11.3	13.9	
P/E (x)	31.7	52.1	20.9	16.9	
RoCE (%)	11.5	10.4	16.2	18.2	
RoE (%)	14.2	8.0	16.5	17.0	

Source: Company, ICICI Direct Research

Birla Corporation (BIRCOR)

Target Price: ₹ 1755 (22% upside)

- Birla Corporation (BCL), the flagship company of the M.P. Birla Group, is primarily engaged in the manufacturing of cement as its core business activity with presence in the jute goods industry as well. Cement business contributes ~95% to total revenues and has a total capacity of 20 million tonnes (mtpa) with 11 plants across Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and West Bengal
- With the commissioning of new cement facility of 3.9 mtpa capacity at Muktaban (Maharashtra) in Apr-22, company has expanded its reach into untapped markets of western region (Maharashtra & Gujarat) along with the earlier markets of Northern, Central and Eastern India
- On account of new capacity addition, company's volume growth picked-up in FY23 to 10.6% YoY after muted growth witnessed in FY21-22. With further ramp-up, company's capacity utilization and cement volumes to pick-up further in coming period. We estimate volume CAGR of 7.3% (FY23-26E)
- Operational efficiency measures (raw material sourcing, usage of captive coal & power), govt incentives entitled to Muktaban facility, softening fuel prices, increasing share of premium products and further improvement in capacity utilization, we believe that company's margins to improve significantly over FY24-26E. We estimate blended EBITDA/ton to improve to ₹ 993/ton by FY26E from ₹ 491/ton in FY23
- Valuation at 7.2x EV/EBITDA on FY26E basis looks attractive considering the multiple tailwinds. We value Birla Corp at ₹ 1755 i.e. 8.5x FY26E EV/EBITDA
- Key risks:** (i) slowdown in cement demand from housing and infra (ii) correction in cement prices (iii) increase in fuel prices

₹ crore	FY23	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	8,682	9,719	10,356	10,985	8.2%
EBITDA	772	1,420	1,675	1,928	35.7%
EBITDA Margin (%)	8.9	14.6	16.2	17.6	
Net Profit	41	432	625	831	173.7%
EPS (₹)	5.3	56.1	81.2	107.9	
EV/EBITDA (x)	19.0	10.3	8.6	7.2	
RoNW (%)	0.7	6.8	9.2	11.0	
RoCE (%)	3.6	8.9	10.9	12.8	

Grindwell Norton (GRINOR)

Target Price: ₹ 2700 (20% upside)

- Grindwell Norton (GNL) is the market leader in the India abrasive market with ~27% market share. The segments include abrasives (contributing ~50.2%), ceramics & plastics (41.6%) and IT services & others (9.1%). The Abrasives industry in India currently has two major players offering a full range of Abrasives products, one of which is GNO. GNO has a leadership position in several product-market segments.
- Grindwell Norton (GNL) has doubled its revenues in 6 years from ₹ 1364 crore in FY17 to ₹ 2541 crore in FY23. Full year FY23 revenues grew 26% with good volume growth ~10% and price value mix has contributed to overall growth. One third of total revenues comes from PRS Permacel. EBITDA margins profile moving towards 19-20% from 16-17%. The company will maintain the similar trajectory, going forward. The company has invested heavily in the last 2.5 years and did a capex of ₹ 424 crore in growth markets. GNL's average 10-year capex is at ₹ 54 crore. For FY24, the company expects a similar kind of capex like last year. All segments have done quite well. Abrasives continue to maintain the growth rate higher than the GDP rate and other business are moving smartly contributing ~15% CAGR over FY17-23. Grindwell Norton is extremely bullish on India as it is becoming a base.
- Going ahead with strong exposure of GNL towards all core sectors of the economy, abrasives and ceramics segment will bounce back and grow in double digit. We expect, abrasives and ceramics segment to grow at a CAGR of 12.3 % and 16.3% over FY23-FY26E. Overall revenue and PAT are expected at 14% and 16% over FY23-FY26E. We value the company at 52x FY26E EPS to arrive at a fair price of ₹ 2700 per share.
- Key risks:** : Chinese dumping in aftermarkets and slowdown in volume growth.

₹ crore	FY23	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	2,541	2,823	3,237	3,759	13.9%
EBITDA	500	549	659	773	15.6%
EBITDA Margin (%)	19.7	19.5	20.4	20.6	
Net Profit	362	407	489	576	16.8%
EPS (₹)	32.7	36.7	44.1	52.0	
P/E (x)	69.2	61.5	51.2	43.4	
RoNW (%)	21.7	21.9	23.4	24.1	
RoCE (%)	28.8	28.6	30.6	31.7	

Source: Company, ICICI Direct Research



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