



MARKET pulse.se



Dear Investors,

MARKET PULSE, the monthly report from ACMIIL, aims to provide insightful perspectives on all aspects of the market, the Fundamental, Technical, and Derivatives. The report contents

Overall Outlook

- Domestic & Global Update

Investment Idea

- APL Apollo Tubes Limited
- Automotive Axles Limited

Technical View

- Nifty View
- Bank Nifty View
- Maruti Suzuki India Limited
- United Breweries Limited

Derivatives Report

- Rollover Report

Retail Research Call Performance

Event Calendar

MARKET PULSE aims to capture the market in all its hues and colors and provides a range of information that helps in making wise investment decisions.

Regards,
Research Team
ACMIIL

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Overall Outlook

Indian Outlook:

The Indian equity Market remained volatile for the month of January. It made all time high of 22,124.15 levels on Nifty and 73,427.59 levels on Sensex. It witnessed profit booking from higher levels & closed flat at the end of month. Broader market continued its outperformance further in January month as well. BSE Midcap & BSE Small cap ended monthly in positive territory with a gain of around 5.25% and 7.14% respectively. FPI net Sold equity worth Rs.35,977.87 crore and DII net bought worth Rs.26,743.63 crore for the month of January. There is stock specific volatility due to Q3FY2024 earnings season. Many companies benefited by expansion in margin in this quarter as well due to softening of commodity prices. Sector specific some challenges reflected in the earnings as well.

India's manufacturing PMI hit at 18 month lows for the month of December, came around 54.9 compared with 56 in previous month. India's manufacturing activity declined to its lowest levels, pulled down by weaker increase in factory orders and output. The Consumer Price Index (CPI) inflation slightly increased to 5.69% in December from 5.55% in November. This increase was mainly due to higher food & vegetables prices inflation. India's industrial production (IIP) increased by 2.4% annually in November, compared to an 11.7% increase in October. IIP data is drastically affected by seasonal factors, with Diwali in November in 2023 and in October in 2022. This causes severe base effects. WPI rose by 0.73% YoY in December compare to 0.26% for the month of November. The trade deficit narrowed to USD 19.8 Bn for the month of December from \$20.58 billion in November. India's Import for the month of December stood at \$58.25bn & exports came to \$38.45 bn. Officials from the Indian Ministry of Trade warned about the potential increase in trade deficit numbers for the month of January 2024 due to prevailing Red sea crisis in Middle East may cause global supply chain disruption & also impacts India foreign trade.

International Monetary Fund (IMF) has raised its GDP growth forecast for India for 2024-25 by 20 basis points to 6.5 percent. It has also increased the world GDP growth rate to 3.1% from 2.9% earlier for CY2024. GST tax collection rose by 10.4% year-on-year to ₹1.72 lakh crore for the month of January. Core sector growth slowed to 3.8% in December, down from 7.9% in November, due to base normalization and slowing activity. SIP inflow in Mutual funds touch new high with Rs 17610 cr. in December which is showing Indian Investors' confidence for Equity.

The Finance Minister announced the Interim Budget for FY2024-25. The main highlights, apart from sector-specific announcements, include an increase in Capex outlay by 11.1% to Rs.11.11 lakh crore for FY2025, which will be 3.4% of GDP. This implies the private sector will have to step in if the growth momentum has to be maintained. The fiscal deficit target for FY24 has been reduced by 10 bps to 5.8%, and, surprisingly, to 5.1% for FY25 (market expectations were between 5.4% and 5.5%), retaining optimism to reach 4.5% by FY26. It shows commitment of government towards Fiscal Prudence. It will lead to less borrowing by the government in FY25 & will reduce pressure on Bond yields. The Budget will focus on new income-generating opportunities for the poor and middle class, as commented by PM Modi.

The Interim Budget focuses on the comprehensive aspects of GDP - Governance, Development, and Performance. In Budget speech, FM said that Indian economy has witnessed a profound transformation in the last ten years and that the Modi government carried out structural reforms and implemented pro-people programmes. She laid down key focus areas like fiscal consolidation, infrastructure, agriculture, green mobility & Energy, Healthcare, Housing, Education, Aviation, Tourism and railways & Logistics. However, no changes were made in the tax rates. It was vote-on-account budget which significantly emphasis on revival of rural growth revival, overall infrastructure developments and higher capital investments. Overall, the budget is healthier for the medium to long term growth of the economy since it places greater importance on capital spending, which will create jobs, support infrastructure development and private capex revival. Their ultimate vision to make developed India by 2047 with the focus on Sabka Sath, Sabka Vikas Aur Sabka Vishwas. The full budget will be presented in June/July this year with detailed roadmap for Vikasit Bharat after the new government is formed post the Lok Sabha Elections.

We continue to be bullish on some of the key sectors like Auto & Auto Ancillary, Cements, Defence, Railways, Consumer Durables, Energy, Logistics, FMCG, Capital Goods & Engineering, Infrastructure, Construction, Banking, and Financials, etc. which are going to be outperformers in the rally ahead. Some of the laggard sectors also have some value buying opportunities to accumulate at lower levels including Information Technology, Specialty Chemicals and Metals, etc.

The structure Bull Market for Indian Equity remains intact supported with strong domestic fundamentals. As mentioned earlier, 22000 levels is crucial resistance levels for Nifty, sustain above it will confirm extension of rally towards 24000-24500 levels on nifty for medium to long term perspective.

Overall Outlook

Global Outlook:

US market rallied for the month of January. Dow Jones & S&P 500 surpassed their life time high levels. Global Indices particularly Dow Jones, S&P 500 & Nasdaq composite ended a positive monthly closing of around 1.2%, 1.6%, and 1% respectively. The ISM Manufacturing PMI in the US improved slightly to 49.1 in January 2023 (Expectation 47), showing lesser contraction. The Fed funds rate was kept unchanged at a 23-year high of 5.25%-5.5% for the fourth consecutive meeting in January 2024, aligning with expectations. Policymakers stated that they do not anticipate reducing the rates until they have greater confidence that inflation is sustainably moving toward 2%. During the press conference, Chair Powell mentioned that it would be appropriate to begin reducing rates sometime this year, but the central bank will continue to make decisions on a meeting-by-meeting basis, indicating that a rate cut in March is unlikely. The central bank also noted that inflation has eased over the past year but remains elevated.

The monthly Job data (Non-Pharm payroll data) came out for the month of January which is better than expected. The US economy added 353,000 jobs, surpassing expectations of 180,000 jobs. The US 10-year Treasury yield trading around 3.9%. Recent economic reports caused volatility in bond yield, with a positive jobs report initially delaying rate cut expectations. The advance estimate of GDP data for Q4 CY2023 was around 3.3%, compared to 4.9% in the previous quarter. The increase in the fourth quarter was primarily due to rises in consumer spending and exports. PCE inflation rose by 0.2% on a month-to-month basis, compared to -0.1% for the month of November, hinting at short-term pressures. The ECB & BOE kept its policy rate unchanged at 4.5% & 5.25% respectively in recent policy meeting. Their decisions will ensure that policy rates remain at sufficiently restrictive levels as long as necessary, continuing to follow a data-dependent approach to determine the appropriate level and duration of restriction.

The CPI report revealed that the inflation rate rose to 3.4% in December, exceeding the market's expectation of 3.2%. The producer price index declined 0.10% for the month of December indicating ease of Producer level Inflation due to softening commodity prices. Retail sales in the US surged 0.6% in December compared to 0.3% increase in November.

Brent crude oil trading near \$79 to \$80 per barrel. Major shipping companies are avoiding the Red Sea Route due to security concerns related to Houthi militants in Yemen causing a worry of supply chain disruptions in near term. The China's economic stimulus measures and escalating geopolitical tensions will continue to give support to crude oil prices at lower levels.

Conclusively, the structural long-term equity bull market for India is intact driven by strong domestic driving forces as mentioned above. The Geopolitical tensions, Higher Interest & Food Inflation are potential Risk for global economic growth. We continue to reiterate the same view, one should BUY stock specific at current levels or any kind of decline or consolidation for medium to long term Investment perspectives.

Global Indices Performance

Index	31-Jan-24	29-Dec-23	Change MoM
Dow Jones	38150.3	37689.5	1.2%
S&P 500	4845.65	4769.83	1.6%
Nasdaq	15164.01	15011.35	1.0%
CAC 40	7656.75	7543.18	1.5%
DAX	16903.76	16751.64	0.9%
FTSE 100	7629	7756.5	-1.6%
Nikkei 225	36286.71	33464.17	8.4%
Hang Seng	15485.07	17047.39	-9.2%
Shanghai	2788.55	2974.94	-6.3%
Nifty 50	21725.7	21731.4	0.0%
BSE Sensex	71752.11	72240.26	-0.7%
Brent Crude (\$)	81.71	77.04	6.1%
WTI Crude (\$)	75.85	71.65	5.9%

Sources : Yahoo Finance /BSE

Domestic & Sectoral Indices Performance

Index	31-Jan-24	29-Dec-23	Change MoM
Nifty 50	21725.7	21731.4	0.0%
Nifty IT	36638.4	35515	3.2%
Nifty Next 50	55299.25	53344.8	3.7%
Nifty Bank	45996.8	48292.25	-4.8%
NIFTY MIDCAP 100	48568.6	46181.65	5.2%
Nifty 500	19802.1	19429.15	1.9%
Nifty 100	22051.55	21918.8	0.6%
Nifty Midcap 50	13620.6	13144.95	3.6%
Nifty Realty	856.2	783.05	9.3%
Nifty Infra	7859.9	7303.4	7.6%
Nifty Energy	36748	33468.05	9.8%
Nifty FMCG	55071.4	56987.2	-3.4%
Nifty MNC	24306.35	24208.35	0.4%
Nifty Pharma	17938.65	16831.8	6.6%
Nifty PSE	8670.25	7854.95	10.4%
Nifty PSU Bank	6271.65	5713.45	9.8%
Nifty Serv Sector	27385.7	27687.8	-1.1%
India VIX	16.0475	14.5025	10.7%
Nifty Auto	19227.15	18618.2	3.3%
Nifty Metal	7973.1	7978	-0.1%
Nifty Media	2151	2388.15	-9.9%
NIFTY SMLCAP 250	15063.5	14041.3	7.3%
NIFTY MIDCAP 100	48568.6	46181.65	5.2%

Sources : NSE

ACCUMULATE

APL Apollo Tubes Limited



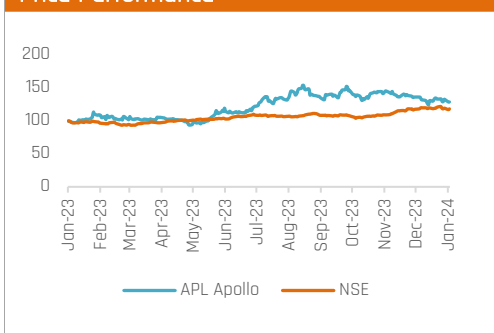
Key Data

DATE	24-01-2024
Reco Price	1,495-1,505
Target	2,077
Sector	Building Materials
BSE Code	533758
NSE Code	APLAPOLLO
Face Value (Rs.)	2
Market Cap (Mn)	4,17,382.88
52-week High/Low (Rs)	1,800/1,047

Shareholding pattern (Dec 2023)

	%
Promoters	29.56
DIIs	13.75
FIIIs	29.25
Public	27.41
Total	100.00

Price Performance



Company Background

APL Apollo Tubes Limited (APL) stands as the largest producer of Structural Steel Tubes in India, maintaining an extensive distribution network with warehouses and branch offices across 29 cities nationwide, as well as serving customers in 20 countries globally. Renowned for its diversified product offerings, including over 1,100 varieties like Pre-Galvanized Tubes, Structural Steel Tubes, Galvanized Tubes, MS Black Pipes, and Hollow Sections, APL Apollo is a leading name in branded steel products in India. With its headquarters in Delhi NCR, the company is dedicated to reinforcing India's infrastructure through its state-of-the-art facilities, a well-established 3-tier distribution network, and collaboration with over 800 dealers. APL Apollo, along with its subsidiaries, manages 10 manufacturing facilities strategically located in Uttar Pradesh, Tamil Nadu, Chhattisgarh, Telangana, and Karnataka, with a current manufacturing capacity of 3.6 million tonnes. The company is on track to achieve a target of 5 million tonnes by FY25.

Outlook and Valuation

Structural steel pipes and tubes represent one of the fastest-growing industries globally. APL, as the largest manufacturer of Structural Steel Tubes in India with diverse applications across various industries, is poised for significant expansion. The company aims to increase its capacity from the current 3.6 million tonnes to 5 million tonnes by FY25, with a capital expenditure of approximately Rs. 6000 million over the next 18 months, funded entirely through internal accruals. APL has consistently expanded its manufacturing capacities organically and inorganically over the years. The company holds a niche position, benefiting from a first-mover advantage in the structural steel tubes space, supported by an innovative and comprehensive product range. Anticipating sustained high growth momentum, we project **revenue CAGR of 28% from FY23 to FY26E**, driven by double-digit volume growth, margin expansion, and capacity expansion. **Our recommendation is to "Accumulate" with a target price of Rs 2,077, reflecting a potential upside of 38%, based on a PE multiple of 30.4X to FY26E EPS of Rs 68.3.**

Financial Snapshot

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Revenue	1,61,659.50	1,84,950.00	2,67,150.00	3,35,650.00	28%
EBITDA	10,215.50	13,500.00	20,280.00	26,950.00	38%
EBITDA %	6.32%	7.30%	7.59%	8.03%	
PAT	6,418.60	8,532.78	13,710.30	18,940.95	43%
EPS (Rs)	23.14	30.77	49.44	68.30	43%

Source: Company, ACMIL Retail Research

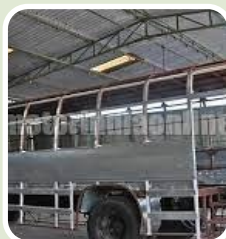
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Company at glance

- Leading the Way in Structural Steel Tubes Market.
- Capacity expansion to enhance future growth and optimum utilization level.
- Diversified product portfolio to reduce risk.
- Rising share of value added products will lead to improvement in margin.
- Innovation Reshapes Company with Advancements in Structural Steel Solutions.

End User Industries



Infrastructure

Metros
Buildings
Airports
Ports

Construction

Support-Structures
Fencing
Railings
Cranes
Green Construction

Automobiles

Truck & Bus body
Heavy Vehicle Axles

Energy

Power
Water Transport
Solar plants
City pipeline

Agriculture

Drip Irrigation
Water Distributor
Pump & water conveyance

Source: Company, ACMIIL Retail Research

Product Portfolio

Product Category	Application	Product-overview	Key USPs	Applications	Applications – visual overview
Apollo Structural	Heavy		<ul style="list-style-type: none"> First company to introduce DFT technology in India 	High-rise, Warehousing, Infrastructure	
	SuperHeavy		<ul style="list-style-type: none"> Offers columns of 300mm x 300mm, 500mm x 500mm and 1000mm x 1000mm* 	Column, Beams, Heavy structural erections	
	Light		<ul style="list-style-type: none"> First company in India to introduce Door frame and Plank Light weight tubes for furniture 	Door Frame, Staircase Steps, Furniture & fencing Electrical Conduits	
	General		<ul style="list-style-type: none"> First company in India to introduce square, rectangular structural steel tubes 	Sheds & Gates, Handrails & Fencing, Balcony Grills Staircase etc.	
Apollo Z	Rust-proof		<ul style="list-style-type: none"> First company in India to introduce pre-galvanized sections, replacing galvanized tubes Effective in use in coastal markets 	Roofing Structures, Fabrication Work, Purlins Rafters	
	Coated		<ul style="list-style-type: none"> High tensile light structural application; bendable; superior rust proof properties 	Warehousing Factory Sheds	
Apollo Galv	Agri/Industrial		<ul style="list-style-type: none"> Effective for use in water applications, being highly non-corrosive in nature 	Greenhouse structures Plumbing Firefighting	

Source: Company, ACMIIL Retail Research

Brand names of APL Apollo (Category wise)

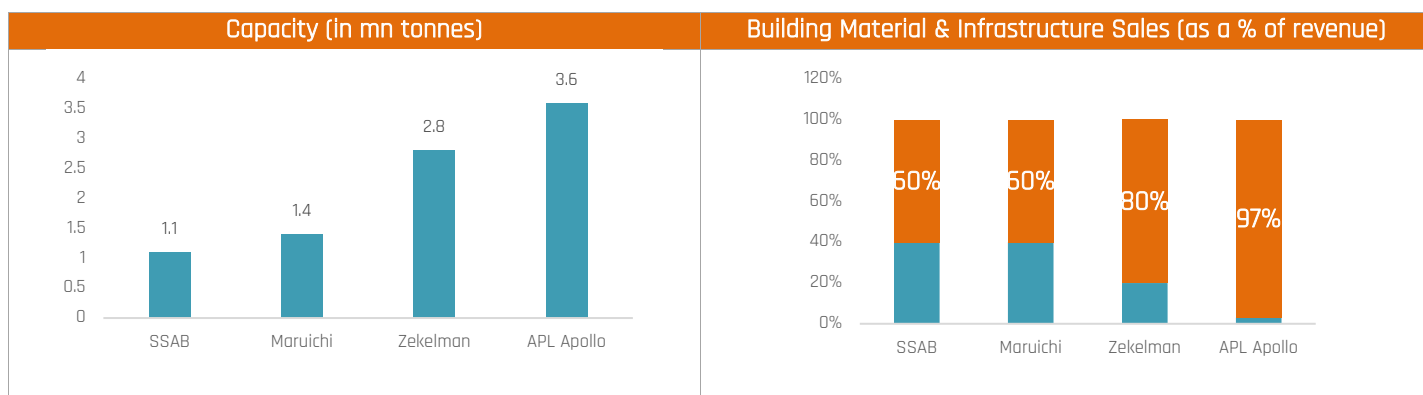
Product category	Brands		
Apollo Structural			
Commercial Buildings, Warehouses & Factories			
APOLLO Z			
APOLLO TRICOAT			
APOLLO GALV			

Source: Company, ACMIIL Retail Research

Investment Rationale

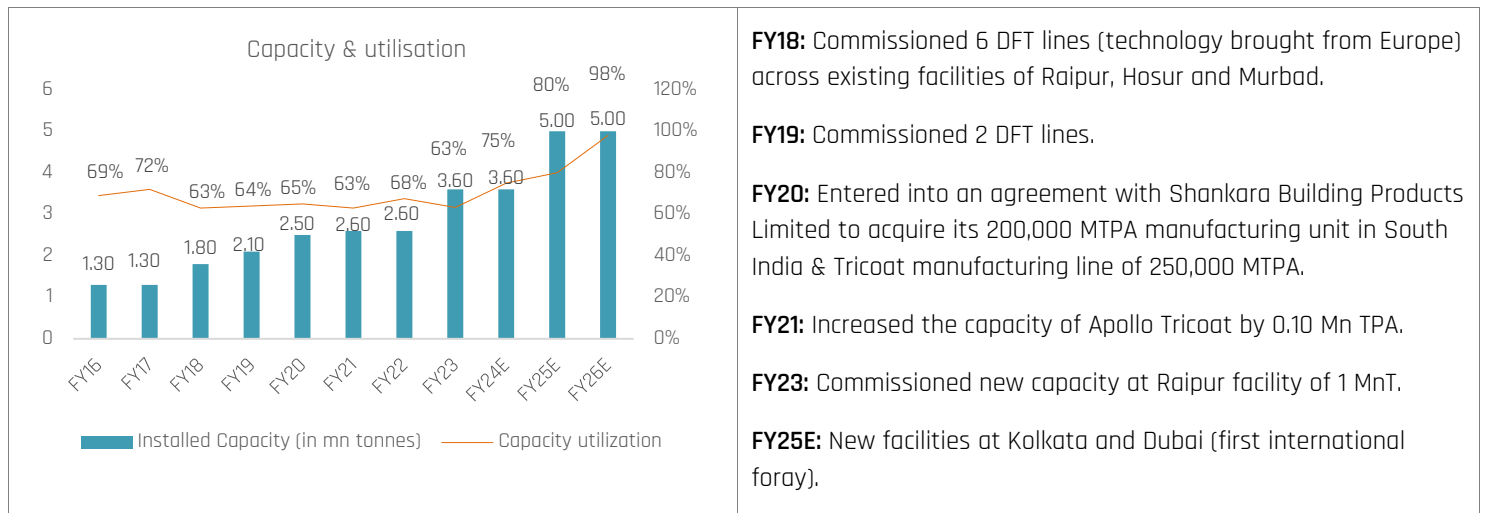
Leading the Way in Structural Steel Tubes Market

In FY23, India consumed 120 million tonnes of steel, with the market for structural steel tubes accounting for only around 7.6 million tonnes, which is approximately 6% of the country's total steel production. APL is a leading player in the Indian structural steel tubes market, holding a dominant position with over 60% market share. The company aims to expand its global market share to 10%. Apart from being a significant player in the domestic ERW pipes segment, the company has consistently increased its manufacturing capacities over the years and is now one of the largest global players in structural steel tubes and pipes. Over its three decades of existence, APL Apollo has built a strong network of over 800 dealer distributors and more than 50,000 retailers across the country. In terms of manufacturing capacity, APL has the highest manufacturing capacity at 3.6 million tonnes, while its peers, SSAB, have 1.1 million tonnes, Maruichi has 1.4 million tonnes, and Zekelman has 2.8 million tonnes. Similarly, it has highest contribution of 97% Building material & Infrastructure Sales as compared to peers.



Source: Company, ACMIIL Retail Research

Capacity expansion to enhance future growth and Optimum utilization level



FY18: Commissioned 6 DFT lines (technology brought from Europe) across existing facilities of Raipur, Hosur and Murbad.

FY19: Commissioned 2 DFT lines.

FY20: Entered into an agreement with Shankara Building Products Limited to acquire its 200,000 MTPA manufacturing unit in South India & Tricoat manufacturing line of 250,000 MTPA.

FY21: Increased the capacity of Apollo Tricoat by 0.10 Mn TPA.

FY23: Commissioned new capacity at Raipur facility of 1 MnT.

FY25E: New facilities at Kolkata and Dubai (first international foray).

Source: Company, ACMIIL Retail Research

Capex will be funded from internal accruals (FY23-FY24E)

Particulars	Location	General (Mnt)	Value added (Mnt)	Total (Mnt)
Existing capacity		1.2	2.4	3.6
Greenfield expansion	Dubai	0.15	0.15	0.3
	East India	0.15	0.5	0.2
Brownfield expansion	Raipur	-	0.3	0.3
	Existing plants	-	0.6	0.6
Total				5

Source: Company, ACMIIL Retail Research

Diversified product portfolio to reduce risk

APL operates across four major product categories – Apollo Structures, Apollo Z, Apollo Galv, and Apollo Tricoat, which helps in mitigating concentration risk and increases product offerings. It has secure patents for 16 products design and manufactures 2,500 plus SKUs. The company caters to clients in various sectors, including residential, infrastructure, industrial, agricultural applications, as well as commercial and industrial construction. The company has gradually reduced its dependence on the traditional ERW pipes segment (used for irrigation and fluid transportation) to structural pipes used in the construction segments (residential as well as commercial) that have significantly better margins.

Export Potential

The company has strategically shifted its focus towards international markets, aiming to expand its global presence. To achieve this, the company appointed distributors in the Middle East, Europe, and North America, leveraging its high-quality products and significant production capacity. This move has proved successful, with a notable increase in export sales year-over-year. A key strategic decision was establishing a plant in Dubai, motivated by the high demand in the Middle East due to increased construction activities and the advantage of accessing cheaper raw materials, which offsets the higher steel costs in India. The Dubai facility, with a capacity of 300,000 tonnes, produces a wide range of structural tubes, similar to the product variety in India, enhancing Apollo Tubes' ability to offer diverse and competitive products in the export markets. This expansion positions Apollo Tubes well to meet international demand and gain production cost efficiencies.

Growing acceptance of steel tubes in construction

Historically, steel tubes in India were primarily utilized for the transportation of fuel and gas. In contrast to Western nations, the Indian infrastructure sector predominantly favored concrete over structural steel. This inclination was influenced by cultural preferences and the perception that constructing with steel required a higher level of skilled labor compared to concrete structures. However, the evolving dynamics of urbanization and population density have catalyzed an augmented demand for vertical structures, particularly high-rise skyscrapers constructed predominantly with structural steel. APL Apollo, a key player in structural steel tube production, has significantly benefited from this heightened demand, leading to a consistent upward trajectory in its sales over the years.

Strategic Cost Advantage: A Blend of Scale, Efficiency, and Renewable Energy

APL holds a notable share, nearly 2%, in India's steel consumption, providing it with a competitive advantage in raw material procurement due to its higher volumes and resultant lower rates compared to peers. As the lowest-cost producer in India, the company aims to extend this cost-efficiency globally. Strategic business initiatives have been implemented to enhance cost optimization, including a close-to-demand distribution network involving dealers and retailers, reducing transportation costs. APL Apollo has also ramped up its use of renewable energy sources like solar and wind, contributing to decreased electricity and maintenance expenses. With a strong focus on a cost-effective product profile, the company's widespread presence across India, strategically located plants in North, West, South, and Central regions, further bolsters its cost advantage through lower freight expenses.

Government Support Boosts APL Apollo's Success in Tubular Designs

The company has secured approval for its innovative tubular design intended for a railway station in South India and is actively engaging with at least 20 contractors for potential orders. The scope for railway station redevelopment in India is vast, with plans to construct 1,500 new stations within the next five years. Additionally, structural tubes find a crucial application in constructing water tanks as part of the "Jal Jeevan Mission." Traditionally, building water tanks using reinforced cement concrete (RCC) takes approximately four to five months. However, in a demonstration, APL Apollo utilized structural tubes to install a 200,000-liter capacity tank near Lucknow, boasting a height of 16 meters in just three days. Recognizing the efficiency, the Uttar Pradesh government has issued a tender for the installation of 60,000 overhead water tanks by CY24, with each tank requiring around 16 metric tons (MT) of structural tubes. This presents a substantial opportunity, estimated at over ~1 million MT.

'Aalishaan' App Bridges Customers and Fabricators in the Digital Era"

APL Apollo Tubes has unveiled a groundbreaking mobile app named "Aalishaan," a pioneering platform in the industry that facilitates direct communication between customers and fabricators. With an extensive collection of over 265 steel designs for various structural needs, such as interior and exterior home elements, customers can seamlessly connect with fabricators through the app. Aalishaan's customer-facing interface allows users to choose designs for fences, gates, sheds, doors, furniture, racks, and wardrobes. The app not only simplifies the customer's experience but also provides numerous benefits for fabricators, including access to potential customers, a design library, Apollo branding advantages, dealer contacts, a material quantity calculator, and participation in monthly schemes. This innovative app serves as a common platform, fostering direct connections between end-users and fabricators, elevating brand awareness for Apollo Tubes, and promoting a more streamlined B2C experience

Rising share of value added products will lead to improvement in margin

The Company created 1 Mn TPA facility proximate to Raipur in FY23, which will manufacture value-added products, some of which are a first for the Indian markets. They include 500x500 mm columns, colour-coated sheets, Alu-Zinc Galvanised sheets and value-added hollow section structural steel tubes. Rising share of high-margin products like colour coated tubes, heavy structural tubes, and colour-coated sheets would result into increased proportion of high value-added products in overall volume mix. These products will be manufactured in new unit (Raipur) which are first time products for Indian markets. This coupled with improvement in plant utilization factor (given higher sales volume on account of market share gain) would provide benefit of operating leverage and rationalization of cost to help scale up EBITDA/Tonne.

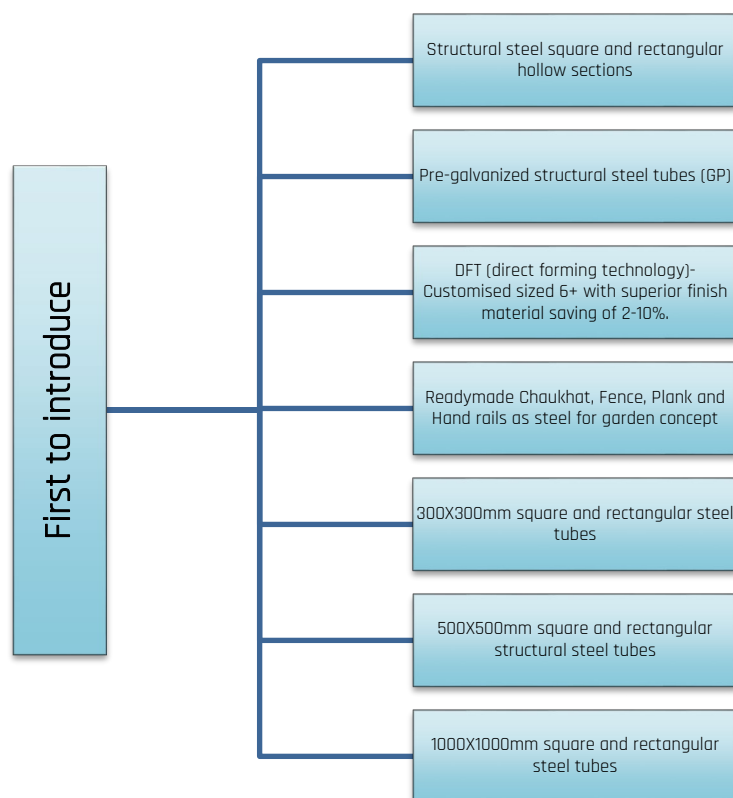
New products from Raipur plant

World's 1st thicker colorcoated products		Superior corrosion resistant, high load bearing with aesthetics
World's 1st Color coated structural steel tubes		Superior corrosion resistant with aesthetics
India's 1st 500x500mm dia structural steel tubes		Replacing RCC structures/columns in heavy construction
India's 1st and World's 2nd 1,000x1,000mm		
India's 1st CRCA Black annealed tube		High tensile light structural application; bendable; superior rust proof properties
India's 1st AluZinc tubes		Superior rust proof properties and better life

Source: Company, ACMIL Retail Research

Innovation Reshapes Company with Advancements in Structural Steel Solutions.

Innovation has allowed company to widen product application along with sectoral bandwidth, thereby expanding its horizon for opportunities. APL continue to remain zealous and focused on developing innovative solutions that seamlessly address new-age requirements and provide increased value to customers. Chaukhat, the innovative door frame-shaped tubes, are poised to revolutionize the construction industry by replacing traditional wooden door frames. The tubes feature a rectangular section with a distinctive length-to-breadth ratio of 1:11, offering a robust alternative to conventional wooden sections. In the Indian market, the introduction of structural steel square and rectangular tubes for construction applications has marked a significant shift. Pre-galvanized structural steel tubes, such as those utilizing Direct Forming Technology (DFT), have become integral in corrosive-resistant structural applications, providing a durable and tailored solution. The adoption of 300X300mm diameter structural steel tubes signifies their heavy-duty role in construction. Furthermore, the in-line galvanizing process enhances corrosion resistance, responding to a strong demand for these products, particularly in coastal regions where durability is a critical factor. This development reflects a forward-looking approach in the construction sector, prioritizing resilience and longevity.



Source: Company, ACMIIL Retail Research

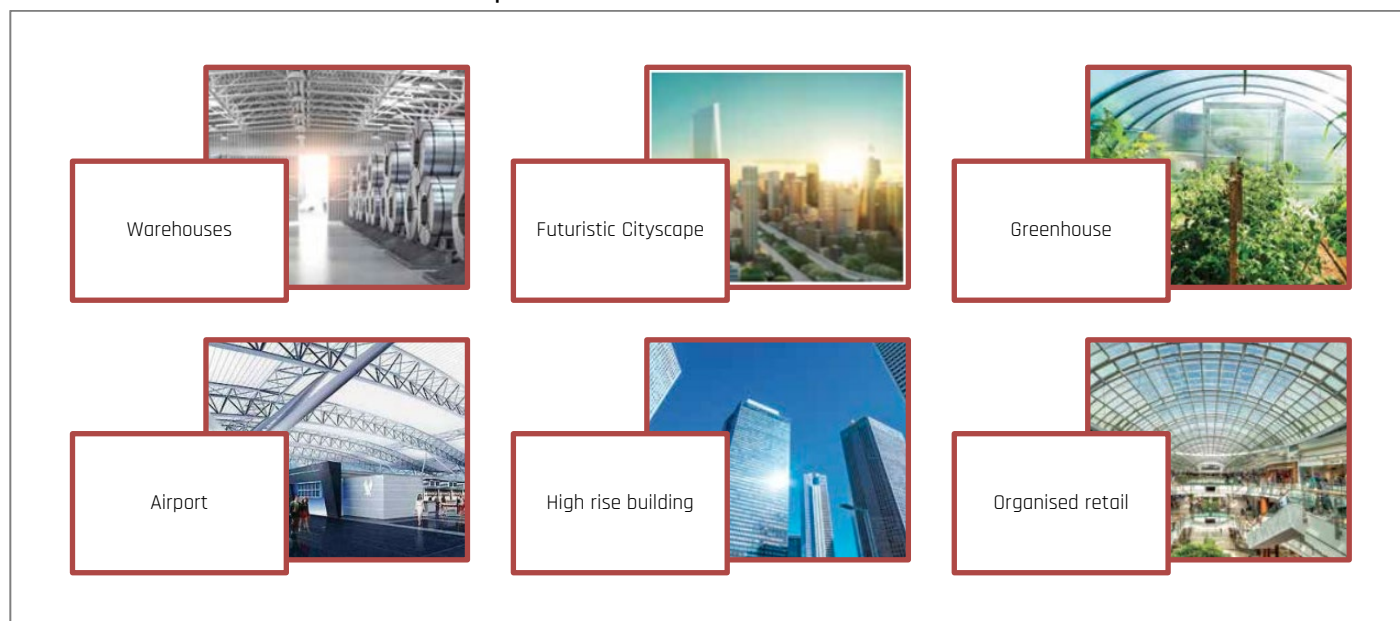
Commitment to ESG

The company has taken significant strides towards environmental sustainability by introducing a range of environmentally friendly products. With a commitment to reducing emissions, the organization aims to achieve a 25% reduction by the year 2030. Additionally, there is a dedicated effort towards fostering gender diversity within the workplace, reflecting the company's commitment to inclusivity. In line with corporate social responsibility (CSR), the company is actively engaged in initiatives that benefit local communities, demonstrating a holistic approach to business operations. Furthermore, a new Code of Conduct has been implemented, setting ethical standards for all employees, ensuring a cohesive and responsible corporate culture. These initiatives collectively underscore the company's dedication to not only delivering high-quality products but also operating as a socially and environmentally responsible entity.

Industry Synopsis

Structural steel is widely used in construction worldwide because it's reliable, versatile, cost-effective, strong, sustainable, and readily available. It can be shaped according to needs and is used in various structures like bridges, buildings, and railings. Despite its advantages, reinforced cement concrete (RCC) is still commonly used in construction. RCC is good with compression but lacks tensile strength, so steel bars are added for support. Compared to RCC, structural steel is lightweight, strong, and easy to assemble or dismantle. It plays a crucial role in India's infrastructure development, with potential for growth, especially due to government projects like railway stations, airports, and housing developments. The global market for structural steel is valued at \$101.85 billion in 2022, projected to grow at 5% annually until 2030, with the Indian market expected to grow faster at a rate of 5.5% on the same time frame.

India has a substantial structural steel tube potential such as:



Source: Company, ACMIIL Retail Research

The versatility, strength, and cost-effectiveness of structural steel tubes make them a preferred choice across various industries in India, signaling a broader spectrum of applications and continued growth in the future.

Particulars	Details
Infrastructure Development	Government Initiatives: Ongoing government projects focused on infrastructure development, including the construction of bridges, railway stations, and airports, provide a substantial boost to the demand for structural steel tubes.
Urbanization	High-Rise Buildings: The trend toward urbanization and the construction of high-rise buildings and skyscrapers in urban areas drive the demand for structural steel tubes due to their strength, flexibility, and suitability for vertical structures.
Renewable Energy Projects	Wind and Solar Farms: The increased adoption of renewable energy sources, such as wind and solar energy, fuels the demand for structural steel tubes in constructing support structures for these projects.
Water Management	Water Tanks: The application of structural steel tubes in the construction of water tanks, especially for projects like the "Jal Jeevan Mission," contributes to industry growth.
Industrial and Manufacturing Sector	Factory Structures: The construction of manufacturing and industrial facilities utilizing structural steel tubes for their durability and cost-effectiveness.

Private Hospitals in India invest billions for growth amid structural opportunities

Indian private hospital chains are set to invest Rs 32,500 crore to add over 30,000 beds, focusing on metro cities like Delhi-NCR, Mumbai, and Bengaluru. This expansion, driven by rising healthcare demand and post-pandemic medical tourism, involves new facilities and consolidation through mergers and acquisitions. To address challenges, hospitals are optimizing costs. This growth presents opportunities for structural tube applications in constructing healthcare facilities, aligning with the industry's demand for efficient and sustainable construction solutions.

Boosting Airport Infrastructure: The Role of Structural Steel Tubes in India's Aviation Expansion

The expected order of approximately 2,000 planes by Indian carriers by March 2025 signals substantial growth in the aviation industry. This expansion is likely to drive increased demand for airport infrastructure. The use of structural steel tubes in airports, known for their versatility and sustainability, becomes crucial in constructing modern and resilient structures. As airports undergo development to accommodate the growing fleet, structural steel tubes offer lightweight, prefabrication, and customization advantages, aligning with the dynamic needs of airport environments. In summary, the anticipated aviation sector growth presents significant opportunities for the application of structural steel tubes in addressing the evolving infrastructure requirements of expanding airports in India. Under the UDAN (Ude Desh ka Aam Nagrik) scheme, the Government plans to build 220 airports by 2026 which will effectively enhance connectivity nationwide.

India's Data Center Capacity Soars, Anticipating 5G Surge: Opportunities for Structural Tube Applications

India's top seven cities are set to surpass one gigawatt in data center capacity by 2024, driven by a three-fold increase in demand over four years. This surge is fueled by the country's leadership in smartphone data consumption. Favorable regulations, 5G network growth, and a focus on green and energy-efficient data centers contribute to the ongoing expansion. The recent passage of the Personal Digital Data Protection Act 2023 ensures data privacy, further boosting the domestic data center industry. Mumbai remains the largest market, with significant investments, while Noida and Kolkata are emerging as key hubs. This data center growth aligns with India's position as a global hub for advanced technologies, presenting opportunities for structural tube applications in constructing these vital facilities.

Replacing conventional products with structural steel tube application

Structural Steel tubes will soon transform infrastructure creation in India by being that critical input required for change. Be it commercial complexes, airports, railway stations, high rise towers, skyscrapers, among many others, structural steel tubes have emerged as the foundation of skyline-defining infrastructure in most advanced nations across the globe. In India, till very recently, company used conventional construction methods which were time-consuming and expensive. But not anymore as India now is in a tearing haste to create world-class infrastructure.

Conventional Construction Products	Applications	Why Structural Steel Tube replaces these products?	How to replace
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength, Lower steel consumption	Low Diameter steel tubes/ low load bearing
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof, Environmental Friendly	
Aluminium Profiles	Facades & Glazing	Cost Effective, Higher Strength	
Reinforced Cement Concrete	Construction of Buildings	Faster Construction Environmental Friendly	High diameter steel tubes/ high load bearing
Fabricated Metal Sheet	Pre-Engineered Steel Buildings	Lower steel consumption Reduces overall project cost	

Source: Company, ACMIIL Retail Research

Additional growth drivers

The structural steel tube industry is experiencing significant growth due to a combination of factors which are:

- Firstly, the efficiency and versatility of structural steel tubes allow for quick installation, as they can be easily fabricated, assembled, and dismantled, leading to faster construction times compared to traditional materials. This enhances overall project efficiency.
- Secondly, advancements in technology, particularly innovative construction techniques like Direct Forming Technology (DFT), have increased production efficiency and customization options, further driving the industry's growth.
- Lastly, the rising real estate demand, particularly in the construction of vertical structures for residential and commercial buildings, has led to a higher demand for structural steel tubes. These factors collectively contribute to the expanding market for structural steel tubes, making them an increasingly popular choice in construction projects.

Story in Charts (Values in Mn.)

Exhibit 1: Revenue

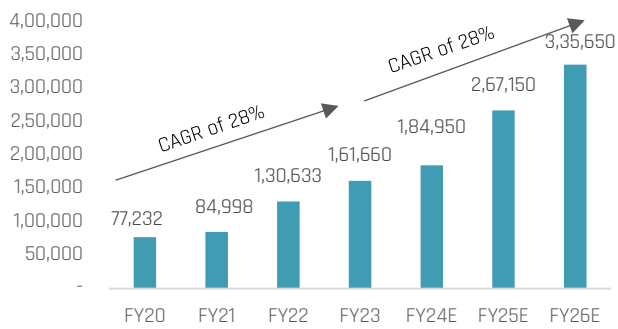


Exhibit 2: EBITDA & EBITDA Margin %

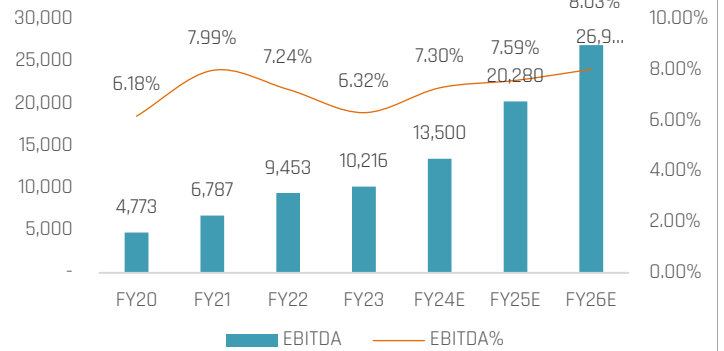


Exhibit 3: PAT & PAT Margin %

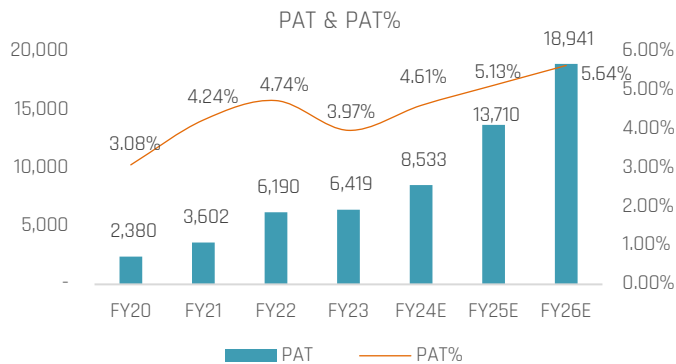


Exhibit 4: Plants

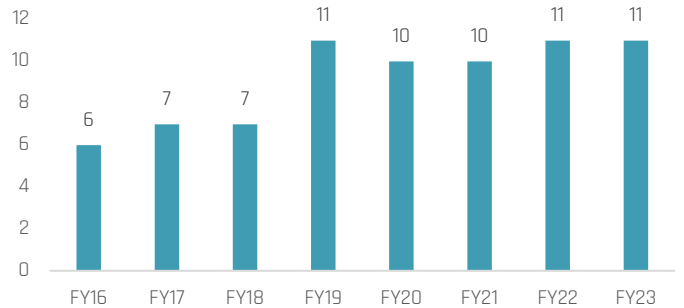


Exhibit 4: Market share%

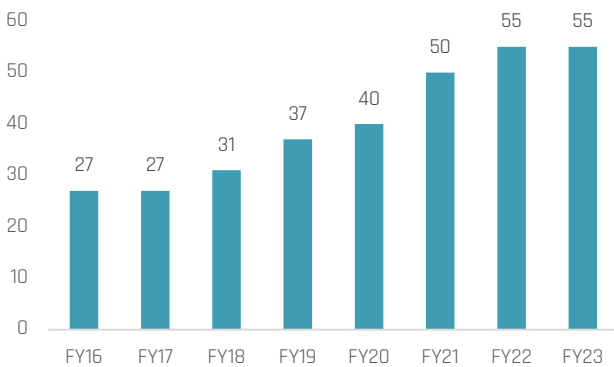
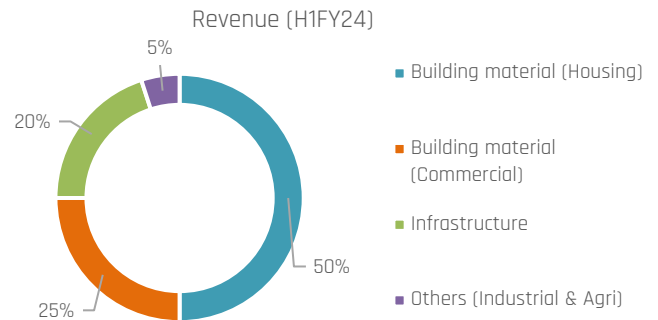


Exhibit 6: Revenue (H1FY24)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (₹ in Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	77,232.30	84,997.50	1,30,633.20	1,61,659.50	1,84,950.00	2,67,150.00	3,35,650.00
Expenses	72,458.90	78,210.40	1,21,180.60	1,51,444.00	1,71,450.00	2,46,870.00	3,08,700.00
EBITDA	4,773.40	6,787.10	9,452.60	10,215.50	13,500.00	20,280.00	26,950.00
EBITDA%	6.18%	7.99%	7.24%	6.32%	7.30%	7.59%	8.03%
Other Income	221.80	359.40	405.00	471.80	670.00	700.00	720.00
Interest	1072.70	660.90	444.70	670.90	674.17	550.31	438.06
Depreciation	959.10	1027.70	1089.70	1383.30	1838.79	1747.69	1,977.35
PBT	2,963.40	5,457.90	8,323.20	8,633.10	11,657.04	18,682.00	25,254.60
Tax	403.40	1,380.90	2,133.40	2,214.50	2,844.25	4,570.10	6,313.65
PAT	2,379.70	3,601.60	6,189.80	6,418.60	8,532.78	13,710.30	18,940.95
PAT%	3.08%	4.24%	4.74%	3.97%	4.61%	5.13%	5.64%
EPS (in Rs)	9.57	14.42	24.73	23.14	30.77	49.44	68.30
ROCE%	20.12	27.78	33.34	26.88	29.65	37.14	37.45
ROE%	22.23	26.84	29.85	23.51	24.3	29.6	29.0

Source: Company, ACMIIL Retail Research

Risks and concerns:

- Economic slowdown may hamper business prospects.
- Increasing raw material costs lead to margin volatility for company, impacting profitability.
- The steel pipes industry is highly competitive due to presence of various organised and unorganised players and expanding applications of various types of steel pipes with limited value addition.

ACCUMULATE



Automotive Axles Limited (AAL)

Company Background

Automotive Axles Limited (AAL) is incorporated on April 21, 1981 and headquartered in Mysuru, Karnataka is an India-based company, which is primarily engaged in manufacturing of axles and brakes. Its product portfolio includes a wide range of axles catering to haulage trucks, tippers, tractor trailers and other off highway vehicles used for special purposes. The company also supplies drum and disc brake assemblies for trucks, trailers, buses and coaches and is the second largest brake manufacturer in India after Brakes India Private Limited. With manufacturing plants at Mysore, Pantnagar, Jamshedpur and Hosur, the company supplies its components to customers across India as well as in International markets. The Company is a joint venture between BF Investment Limited, an investment holding company with investments in various Kalyani Group companies, and Meritor Inc., USA, a leading supplier of axles for CVs.

Outlook and Valuation

AAL is currently the largest independent manufacturer of rear drive axle assemblies for CVs (primarily M&HCVs) in India. AAL has continuous focus on working capital improvement and inventory optimization and continuous focus on revenue improvement, new product development, operational excellence & cost optimization as part of Industry 4.0 Strategy. AAL has embarked on Industry 4.0 strategy which focusses on growing revenues, enhance profitability, new business wins, operational excellence and customer value and is on track to achieve the stated goals. We are positive on AAL given the tangible efforts it is taking on increasing its content/vehicle, wallet share with existing clients and targeting new segments such as construction equipment, defense, etc.

We expect the company's revenue to grow at a CAGR of 7.52% over FY23-FY26E. Hence, we recommend Automotive Axles Limited with a target price of Rs 2,906 based on FY26E EPS of Rs 157.07 with a forward PE Valuation multiple of 18.5; it looks value BUY with growth potential at current levels. Hence, we recommend ACCUMULATE rating for the long term.

Financial Snapshot (Consolidated):

Particulars (Rs. in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23-FY26E)
Sales	23,237.01	24,875.22	26,740.86	28,880.13	7.52%
EBITDA	2,574.63	2,830.80	3,107.29	3,485.83	10.63%
EBITDA Margin (%)	11.08%	11.38%	11.62%	12.07%	
PAT	1,620.29	1,825.96	2,036.59	2,373.44	13.57%
PAT Margin (%)	6.97%	7.34%	7.62%	8.22%	
Diluted EPS (Rs.)	107.23	120.84	134.77	157.07	

Source: Company, ACMIL Retail Research

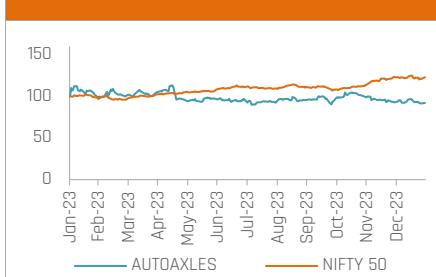
Key Data

DATE	29.01.2024
Reco Price	2,120-2,130
Target	2,906
Sector	Auto Ancillaries
BSE Code	505010
NSE Code	AUTOAXLES
EPS (FY23)	107.23
Face Value (Rs.)	10.00
Market Cap (Mn)	32,118.60
52-week High/Low (Rs)	2,693.20/2,040.00

Shareholding pattern (Dec-2023)

	%
Promoters	71.04
DIIs	11.96
FIIIs	0.62
Public	16.38
Total	100.00

Price Performance



Rebase to 100

Retail Research

E: retailresearch@acm.co.in
D: +91 22 2858 3206

Company Overview

Automotive Axles Limited (AAL) is a prominent player in the automotive industry, specializing in the manufacturing of rear-drive axle assemblies, air brakes, and hydraulic brakes for commercial vehicles. With manufacturing facilities located at Mysore, the company is currently one of the largest independent manufacturers of Rear Drive Axle Assemblies in the country. With more than 30 years of axle producing experience and advanced gearing technology from Meritor HVS (India) Ltd, it has been manufacturing reliable & long-life Light, Medium & Heavy duty Drive axles, Front Steer axles, Non-Drive axles, axles for Defence & Off-Highway applications and Drum & Disc Brakes. The Marketing & Field Service Support is provided by Meritor HVS (India) Ltd.

Automotive Axles Limited (AAL) Partners

Meritor HVS (India) Limited

Meritor HVS (India) Limited (MHVSIL) is a joint venture company promoted by Meritor Heavy Vehicle Systems LLC, Troy, U.S.A., (51% shareholding) and the Kalyani Group, Pune (49% shareholding). MHVSIL is located in Mysore, Karnataka. MHVSIL is engaged in design, development and marketing of drive axles, non-drive steer axles, military & specialty axles, drum brake and air disc brake assemblies for commercial vehicles. MHVSIL is equipped with design validation capabilities and has been customizing various products of Meritor design to suit various rigorous application requirements in India.

Bangalore Technical Centre (BTC)

The BTC is a wholly owned subsidiary of Meritor Inc. The state-of-the-art facility focuses on product engineering, product benchmarking, prototyping, validation & testing, aftermarket engineering and metallurgy & metrology services. The BTC is involved in product innovations jointly with other Meritor global technical centers across the globe. The BTC has submitted approximately 20 patent applications, and 50 percent of these applications have been awarded patents in North America and Europe.

The technical capability covers all stages of product design and development from concept to validation for axles and brakes of commercial vehicles. Using a multitude of CAD & FEA tools and skills under one roof, the BTC offers support to Meritor's other technical centers globally. The BTC's capabilities also help Meritor meet the needs of global customers operating on different CAD platforms. It also houses supplier development and global purchasing, supporting Meritor's global locations. This center is certified under ISO/TS 16949-2009 quality systems and follows global project planning processes for project execution. In terms of headcount, the BTC is one of the largest of all Meritor global technical centers. Current strength is around 120 engineers - most of them are qualified in specific fields.

Impressive Domestic & International OEM Clientele



Source: Company, ACMIIL Retail Research

Diversified End Market Reach



Source: Company, ACMIIL Retail Research

ESG Initiatives



Source: Company, ACMIIL Retail Research

Investment Rationale

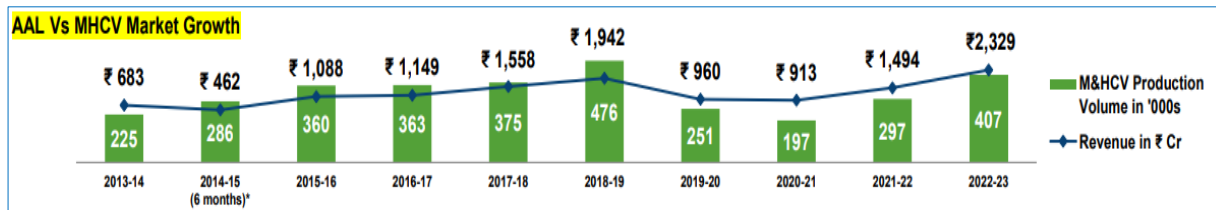
Market Dominance and Growth Strategies: AAL's Leadership in Axles and Brakes

AAL holds a dominant position in the product segments it serves, standing as the market leader among independent axle manufacturers and the second-largest player in brakes. The company boasts an estimated market share of approximately 35% in both axles and brakes. The Company has been steadily increasing its market share in the axle and brakes segment through strategic new product launches and successful business acquisitions. With the growing demand for the M&HCV (Medium and Heavy Commercial Vehicle) segment, AAL is poised to be a standout beneficiary. The company's flagship axle, the 10X, is a fixed axle designed for loads ranging from 10X to 150 tons, specifically catering to the extra-heavy vehicle category, typically weighing between 55 tons and 60 tons.

Improvement in MHCV sales to drive higher demand

Domestic CV sales are rebounding, reflecting improving macro factors and increased economic activity. Higher cargo movement, driven by economic recovery, and fleet operators' replacement demand are anticipated to boost CV sales in the coming years. A government task force outlined Rs. 111 lakh crore capital investment plan for infrastructure under the National Infrastructure Pipeline (NIP) through FY25E, with a focus on energy, roads, urban development, and railways.

The Prime Minister's Gati Shakti Infrastructure Plan which has built with an aim to create an integrated framework for nationwide infrastructure development, enhancing the utilization of investments from both the government and private players. Further, the anticipated rise in demand for MHCV is driven by the dual forces of infrastructure development, including improved road networks and major connectivity projects, and the expanding logistics sector, fueled by e-commerce growth and supply chain optimization.



Source: Company, ACMIIL Retail Research

Scrapage policy will boost demand for CVs

Government funded vehicle scrappage policy was launched in Aug'21 to replace old vehicles with modern and new vehicles on Indian roads. According to the new policy, commercial vehicles aged >15 years and passenger vehicles aged >20 years will have to be mandatorily scrapped if they do not pass the fitness and emission tests. The policy does not treat a vehicle as scrap just because of its age, but considers other factors such as quality of brakes, engine performance and others. The objective is to phase out old cars, reduce urban pollution levels and stimulate automotive sales. Additionally, the vehicle scrappage policy is also said to be a part of a larger stimulus package majorly requested by OEMs to stir their demand.

The policy will likely result in the following projected gains:

- 30% boost for the Indian automobile industry, from the current US\$ 61.46bn turnover to US\$ 136.59bn over the coming years.
- Export component of US\$ 19.81bn in the current turnover is likely to go up to US\$ 40.98bn.
- Decrease India's huge US\$ 136.59bn crude import bill with adoption of EV Mobility
- Attract new investments of US\$ 1.37bn and create as many as 35,000 jobs.

Capitalizing on MHCV Upswing

The Company remains well-positioned to benefit from the CV upcycle. Moving forward, we expect the company to continue outperforming the industry, supported by the increasing share of business with customers, focus on exports, and indirect beneficiaries to customers (OEMs) gaining respective market share. On a near to the medium-term horizon, we believe AAL will be a key beneficiary of rising demand in the M&HCV segment considering its products such as Rear wheel Axles, Brakes, and Suspensions that cater to the spectrum of load-carrying capacity across M&HCVs for marquee customers such as Ashok Leyland, Tata Motors, Daimler Benz, Volvo Eicher, and Caterpillar, among others.

Strong parentage and client base

AAL is a joint venture of Arvin Meritor Inc., USA (formerly the automotive division of Rockwell International Corporation). Products manufactured at AAL are based on technology provided by Arvin Meritor Inc., USA, through Meritor HVS (India) Ltd. and more than 90% of the sales are routed through Meritor HVS. AAL's domestic OEM customers include Ashok Leyland, Daimler India, Man Trucks, Mahindra & Mahindra, Tata Motors, Volvo Eicher, Asia Motor Works and Indian Army, among others. AAL also exports its products indirectly through Meritor HVS India Ltd. to various countries including the US, France, Italy, China and Brazil. Ashok Leyland is the largest customer of AAL accounting for over 50% of revenues. At the parent level, Cummins Inc. has acquired Meritor Inc. valuing Meritor Inc. at US\$3.7 billion. Cummins Inc. is now expected to be the new co-promoter in AAL. Cummins will provide synergy to AAL through advanced technology support and innovative product development.

New Product Development in Pipeline

With the help of Cummins' (and Meritor) superior technical know-how, the company is focused on developing industry-first products to have a competitive edge. It has introduced a Tandem axle for 8x4 Tippers (DCDL Optional) and, a Solo HR Axle for backhoe & loader. It is focusing on upgrading existing products that are lightweight, fuel efficient, have higher life durability and meet the demand of regional players.



Source: Company, ACMIL Retail Research

AC Cabin Trucks: A New Stepping Stone towards a safer, more efficient, and environmental friendly industry

The Minister of Road Transport & Highways (MoRTH), Shri Nitin Gadkari, has recently announced his ministry's plan to introduce a mandate by 2025, requiring air-conditioned (AC) cabins for trucks. This upcoming mandate is anticipated to bring about a revolutionary transformation in the trucking industry. It will enhance driver's comfort, addressing the physical and mental toll of long journeys, particularly in extreme weather. The controlled environment promotes alertness, contributing to highway safety. Additionally, AC cabins positively impact drivers' health, reducing risks of dehydration and fatigue. Overall, these mandates prioritize driver well-being, boost productivity, and align with environmental sustainability, marking a crucial step towards a safer, more efficient, and environmentally conscious trucking industry.

This is likely to boost the trucking industry, presenting a growth opportunity for auto axle companies. This regulatory shift is expected to drive increased demand for commercial vehicles, leading to a surge in sales for auto axle manufacturers like AAL. Companies offering innovative and efficient axle solutions that align with the evolving specifications of AC-equipped trucks stand to benefit the most. This regulatory change not only creates new sales opportunities but also emphasizes the importance of adapting products to meet evolving industry standards.

Opportunities for Auto Axle Manufacturers in the Shift to Electric Buses

In a strategic move to address pollution caused by diesel buses, Union Transport Minister Shri Nitin Gadkari has announced the government's ambitious plan to replace 800,000 diesel buses with electric counterparts. This initiative is expected to be a significant boon for auto axle manufacturers, positioning them favorably in the growing market for electric vehicles. Adapting to the changing landscape of public transportation will open up new opportunities for innovation. This transition to electric buses creates a demand for specialized axles tailored to the unique requirements of electric vehicles. Auto axle manufacturers can seize this opportunity to innovate and cater to the growing market for electric public transportation, aligning with the government's focus on environmental sustainability and the promotion of the EV sector.

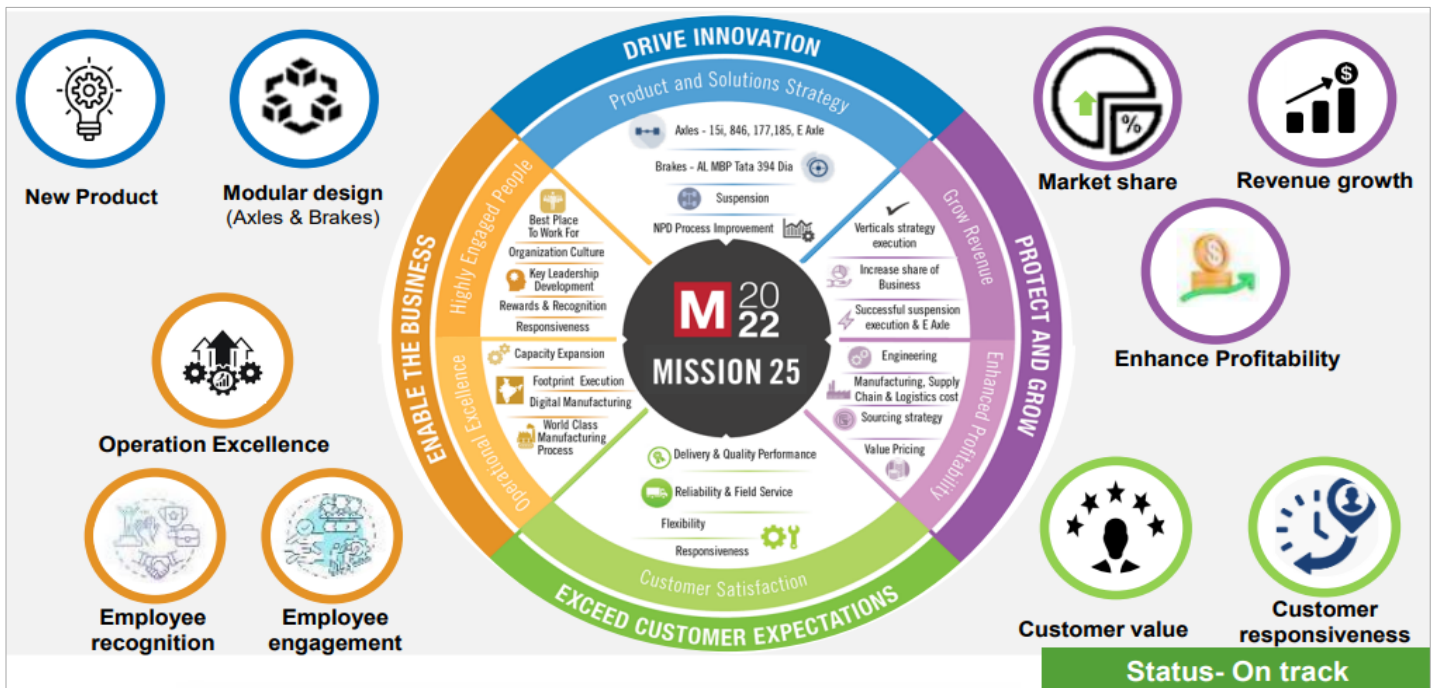
Diversification and Market Expansion: Bolstering Growth and Stability in CV Industry

The company is increasing its presence in the market for both axles and brakes. By doing so, it expects to see growth in the on-engine segment. Additionally, the company anticipates that the growth in areas like the aftermarket, exports, and off-road sectors will play a crucial role in reducing the impact of market fluctuations commonly found in the commercial vehicle industry. Overall, the company's strategy involves diversifying and expanding its market share to achieve more stable and sustainable growth.

Additional Key Growth Drivers

- AAL is focusing on developing new products and expanding market share in both the independent axle and brake segments.
- For past three to four years, the government expenditure on public transportation has been substantial. A significant number of bus orders are being placed, indicating that AAL to continue to thrive in coming years.
- Company is manufacturing axles that can meet any type of fuel, including battery-operated electric vehicles, hydrogen fuel cells, LPG, and LNG.
- The company has invested in testing facilities to validate and launch new products quickly.
- AAL continues to focus on "Destination Zero," aiming for 80% of its power consumption to be derived from renewable energy. Presently, the company has already achieved 40% of its energy requirements from renewable sources.
- It is working on agility and operational excellence to meet customer demand and capture market opportunities.
- Automotive Axles aims to become the largest commercial vehicle brakes manufacturer by 2026-2027.
- The company is also focusing on new products, exports, and off-highway segments to drive growth and mitigate cyclical.
- AAL is working with OEMs and fleet operators to introduce the MSM-185 product.
- It is focused on product development and cost reduction through global integration and best practices.
- The company's Mission 2025 strategy includes increasing reliability and upgrading products while containing costs.

Growth Strategy



Source: Company, ACMIIL Retail Research

Industry Overview

India's automobile sector has bounced back and demonstrated strong growth in FY 2022-23. The global semiconductor situation is improving, leading to positive sentiment in the sector. To address the growing demand, most OEMs are investing heavily in various segments of the industry in recent times. The domestic auto components industry is also growing at a steady pace.

The Indian automobile sector is one of the largest industries in the country and it plays a significant role in the Indian economy. During the year under review, India became the third-largest automobile market, surpassing Japan as vehicle sales rose on the back of easing semiconductor issues and a strong demand rebound during the festival season.

The industry experienced a healthy upswing in FY 2022-23, supported by a recovery in economic activity and increased mobility.

Demand sentiment for most automotive segments i.e. passenger cars, commercial vehicles and tractors, has remained healthy, resulting in improved sales for industry players. The commercial vehicle (CV) segment has been growing strongly eventually crossing the FY19 peak. This has been aided by increased infra spends by the government, healthy replacement demand, last-mile connectivity demand propelling e-commerce and increased industrial activity. Profitability and margins of major commercial vehicle OEMs have also been aided by the uptick in volumes, improved product mix and benefits of commodity price correction.

The rapidly globalizing world is creating newer opportunities for the transportation industry, especially while shifting towards electric and hybrid cars which are deemed more efficient, safe and reliable modes of transportation. Over the next decade this will lead to newer verticals and opportunities for auto component manufacturers. To help them adjust to the shifting dynamics of the automobile sector, the Indian government has already offered various production incentives. India is also investing heavily in electric car infrastructure.

The Indian automobile industry is expected to grow at a CAGR of 8.1% in the coming years to reach a value of \$160 billion in 2027. The Ministry of Heavy Industries has announced the extension of the tenure of the Production Linked Incentive (PLI) Scheme for Automobile and Auto Components by one year. Under the amended scheme, the incentive will be applicable for a total of five consecutive financial years, starting from the financial year 2023-24.

Automobile Production Trends

Category	(In Numbers)					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Passenger Vehicles	4,020,267	4,028,471	3,424,564	30,62,280	36,50,698	45,78,639
Commercial Vehicles	895,448	1,112,405	756,725	6,24,939	8,05,527	10,35,626
Three Wheelers	1,022,181	1,268,833	1,132,982	6,14,613	7,58,669	8,55,696
Two Wheelers	23,154,838	24,499,777	21,032,927	18,349,941	1,78,21,111	1,94,59,009
Total	2,90,92,734	3,09,09,486	2,63,47,198	2,26,51,773	2,30,36,005	2,59,28,970

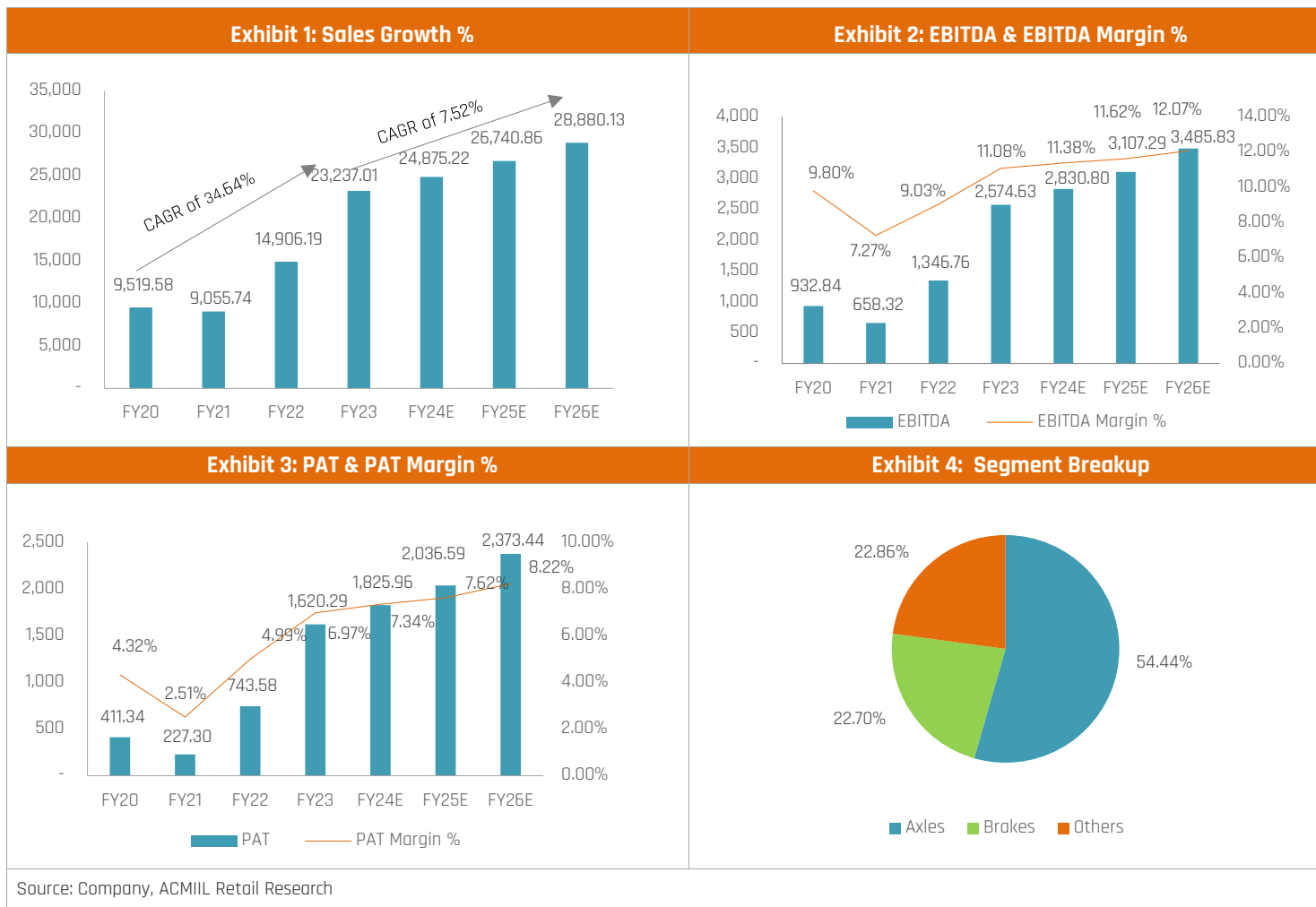
Source: Company, ACMIIL Retail Research

Automobile Domestic Sales Trends

Category	(In Numbers)					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Passenger Vehicles	32,88,581	33,77,389	27,73,519	27,11,457	30,69,523	38,90,114
Commercial Vehicles	8,56,916	10,07,311	7,17,593	5,68,559	7,16,566	9,62,468
Three Wheelers	6,35,698	7,01,005	6,37,065	2,19,446	2,61,385	4,88,768
Two Wheelers	2,02,00,117	2,11,79,847	1,74,16,432	1,51,20,783	1,35,70,008	1,58,62,087
Total	2,49,81,312	2,62,65,552	2,15,44,609	1,86,20,245	1,76,17,482	2,12,03,437

Source: Company, ACMIIL Retail Research

Story in Charts (Values in Mn.)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs. in Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	9,519.58	9,055.74	14,906.19	23,237.01	24,875.22	26,740.86	28,880.13
Total Expenses	8,586.74	8,397.42	13,559.43	20,662.38	22,044.42	23,633.57	25,394.30
EBITDA	932.84	658.32	1,346.76	2,574.63	2,830.80	3,107.29	3,485.83
EBITDA Margin %	9.80%	7.27%	9.03%	11.08%	11.38%	11.62%	12.07%
Other Income	77.23	70.74	42.59	49.19	60.20	62.15	64.05
Depreciation	372.22	360.03	364.18	413.72	426.24	421.78	350.00
Interest	18.07	29.69	24.67	29.15	30.15	32.20	35.30
PBT Before Exceptional Items	619.78	339.34	1,000.50	2,180.95	2,434.61	2,715.46	3,164.58
PBT After Exceptional Items	599.54	301.65	1,000.50	2,180.95	2,434.61	2,715.46	3,164.58
Tax	188.20	74.35	256.92	560.66	608.65	678.86	791.15
PAT	411.34	227.30	743.58	1,620.29	1,825.96	2,036.59	2,373.44
PAT Margin %	4.32%	2.51%	4.99%	6.97%	7.34%	7.62%	8.22%
Diluted EPS (Rs.)	27.22	15.04	49.21	107.23	120.84	134.77	157.07

Source: Company, ACMIIL Retail Research

Risks and concerns

- Geo-political instability and supply chain disruptions may affect company's business.
- Economic slowdown may affect business and growth of the company.
- The growing cost of key raw materials may impact revenues and net profitability of the organization.

NIFTY -MONTHLY CHART



Chart as on 02nd Feb 2024

- The index started the January series on a flat note, but due to increased volatility, index registered a record high of 22,124 and a low of 21,137. Eventually, the January series concluded with a neutral closing at 21,726.
- Technically, the index on a monthly scale has witnessed a formation of a Doji candle, indicating uncertainty in the market. Notably, this Doji is observed on a trend-line resistance, as depicted in the accompanying chart.
- Looking at the daily scale in early February, the index registered a new all-time high at 22,126, which is placed close to previous resistance of 22,124, which resulted in the formation of double top pattern and a Shooting Star candle. Consequently, 22,126 is identified as the initial key resistance, followed by the psychological level of 22,500.
- The low of the Doji candle is placed near 21,137, which will act as first key support, followed by 20,200, which is previous consolidation breakout point.
- On monthly scale, the momentum indicator RSI is situated in the overbought zone. Additionally, on the daily scale, the index has exhibited negative divergence. These factors collectively point towards a weakening trend in the index.
- For the short term, 21,137 and 20,200 will serve as support levels, whereas 22,126 and 22,500 will serve as resistance levels.

BANKNIFTY -MONTHLY CHART



Chart as on 02nd Feb 2024

- The index started the month on a negative note, displaying weakness throughout the January series and concluding the month at 45,997 levels.
- From a technical perspective, the index is consolidating between two trend-lines, as illustrated in the chart above. In the short term, the 44,500 level will function as a crucial support point. A sustained dip below this level may lead to a fresh bearish momentum in the index, with medium-term support expected around 42,000 level.
- On daily scale, the index will face a short-term resistance around 46,900-47,000 levels, followed by 48,600, which is all time high of the bank nifty index.
- The momentum indicator RSI on the weekly scale is positioned above the center point but placed close to its overbought zone. Additionally, on the daily scale, the index is forming a negative divergence, as depicted in the daily chart, indicating the likelihood of profit booking in the index.
- For the short to medium term, 44,500 and 42,000 will act as support points, whereas 47,000 and 48,600 will act as resistance points.

MARUTI SUZUKI INDIA (MARUTI)



Chart as on 02nd Feb 2024

MARUTI-MONTHLY CHART

- The stock has recently experienced a breakout of a rounding bottom pattern on a monthly scale, as illustrated in the provided chart. According to this breakout, it is anticipated that the stock could reach levels of 11,500-12,000 in the short to medium term and 15,000 in the long term.
- This breakout is supported by robust trading volumes, indicating strength in the breakout. Consequently, any decline near the breakout level of 9,800 is considered a favourable buying opportunity.
- The momentum indicator, Relative Strength Index (RSI) on a monthly scale is positioned above the centre point, suggesting strength in stock.
- Based on the above technical set up, we recommend accumulating MARUTI with a stop loss of 8900 on closing basis for the target of 11,500-12,000 for medium-term.

UNITED BREWERIES LIMITED (UBL)



Chart as on 02nd Feb 2024

UBL (WEEKLY CHART)

- The stock has recently experienced a breakout of a rounding bottom pattern on a weekly scale, as highlighted in the above chart. According to this breakout, there is potential for the stock to reach levels of 2,000-2,050 in the short to medium term and 2,400 in the long term.
- The breakout is accompanied by volumes indicating strength in the breakout and hence any dip around the breakout level of 1,800 will be considered as a good buying opportunity.
- The momentum indicator RSI on a daily scale is positioned above the centre point, suggesting strength in UBL.
- Based on the above technical set up, we recommend accumulating UBL in the range of 1,790-1,810 with a stop loss of 1,690 on a closing basis for price target of 2,000-2,050 in the short to medium term.

FEBRUARY SERIES VIEW

Indian markets started January series cautiously but gained traction in the first half, buoyed by global optimism and the upcoming Union Budget. However, the second half saw a notable downturn with key sectors like banks, FMCG, and metals, global concern and Fiis selling pressure dragging down the indices. Finally, Nifty settled the January expiry on weaker note at 21353 level, with loss of 426 points (EoE) indicating neutral to negative bias for the short term. On the expiry day, the Nifty futures rollover stood at 81%, which is higher than the last three series average rollover of 79%. Foreign Institutional Investors (FIIs) will start the February series with a short rollover in index and stock futures, however domestic Client will start the February series with a long position in index and stock futures. Nifty will begin the February series with the open interest at 1.29 crore shares, compared to 1.38 crore shares at the commencement of the January series indicating profit booking on higher levels. Market-wide rollovers stood at 92% as compared to the average rollovers of 93% in the last three series. Going forward, monthly auto sales data, Rupee movement against the Dollar, bond yields, Fiis flow, global cues, Q3FY24 earnings, Union Budget, Fed interest rate, Rbi policy, geopolitical concerns, and crude oil price movement will dictate the trend on the bourses next month.

DERIVATIVES INDICATORS

The volatility index, India VIX, cooled off by 8.42% and closed at 13.87 vs. 15.14 levels (EoE) of the previous month. We expect volatility will remain continue due to Union budget and Q3FY24 earnings. Another leading derivatives indicator, Nifty PCR, opened on a lower note this month at 1.04 against last month's 1.30.

BANKNIFTY

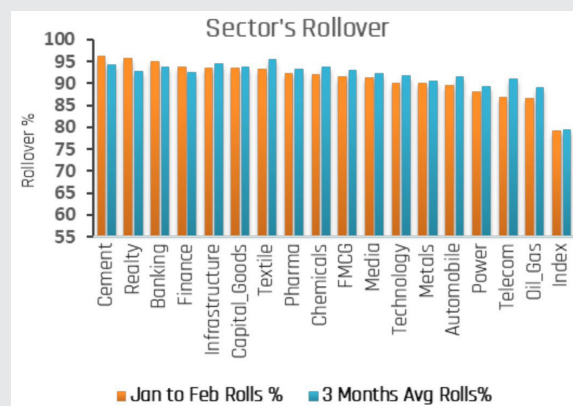
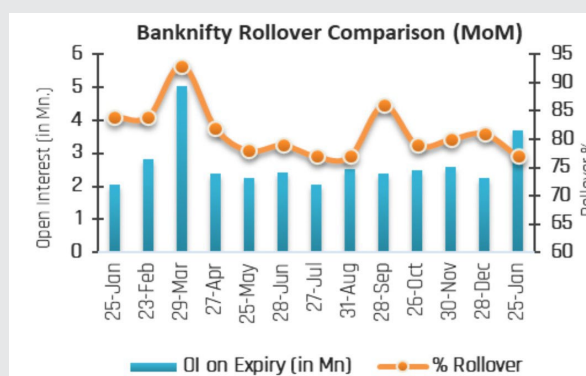
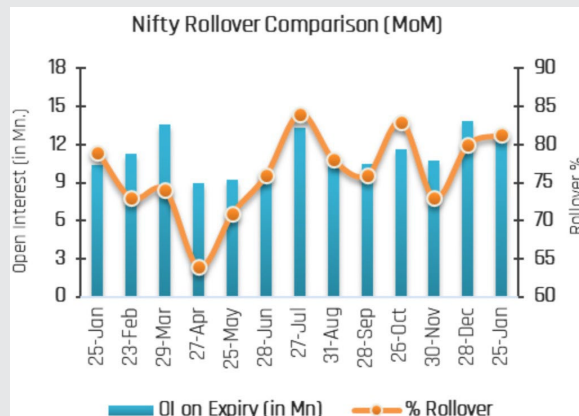
The index saw lower rolls of 77% as compared with the 3M average of 80%. BankNifty will start the February series with higher OI of 3.68 Mn shares as compared with OI of 2.26 Mn shares at the beginning of the January series indicating short position carry forward. As per technical, support for the index stands around 44500 and 43000 whereas resistance stands at 46600 and 47000 for the short term.

SECTOR/STOCK ROLLOVER ACTIVITY

- From the sectoral action, rollovers accelerated for **CEMENT, REALTY, BANKING, and FINANCE** sectors in February expiry. However, low rollovers were seen in **OIL&GAS, TELECOM, POWER, AUTOMOBILE, FMCG and TEXTILE** sectors stocks on expiry day as compared to three month's average as highlighted in the chart.
- Within the Nifty50 space, index heavy weights such as **NTPC, SBILIFE, SUNPHARMA, TITAN, and AXISBANK** saw aggressive rollover in the February series while low rolls were seen in **HINDALCO, HEROMOTOCO, BRITANNIA, BHARTIARTL and POWERGRID** compared with the 3M average rollover.
- From the midcap space, **RBLBANK, DELTACORP, ICICIPRULI, MCX, and CHOLAFIN** saw high rollovers whereas **ALKEM, OFSS, GUJGASLTD, POLYCAB, and PAGEIND** saw lower rollover compared with the 3M average.

Stocks to watch out based on Rollover Analysis:

POSITIVE	
INDUSTOWER	Rollover of 98% compared with 3 months average of 97%.
CIPLA	Rollover of 96% compared with 3 months average of 95%.
GUJGASLTD	Rollover of 82% compared with 3 months average of 94%.
NEGATIVE	
ICICIPRULI	Rollover of 95% compared with 3 months average of 87%.
LALPATHLAB	Rollover of 95% compared with 3 months average of 89%.



MT Medium Risk Calls												
Calls Performance	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Calls Activated	18	57	27	59	64	68	32	36	23	23	25	21
Successful	10	39	21	43	44	44	18	23	14	13	14	12
Unsuccessful	8	18	6	16	20	24	14	13	9	10	11	9
Success Rate	56%	68%	78%	73%	69%	65%	56%	64%	61%	57%	56%	57%

MT High Risk Calls												
Calls Performance	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Calls Activated	10	19	15	9	11	20	27	27	28	32	31	16
Successful	8	12	11	7	8	15	20	18	16	22	21	6
Unsuccessful	2	7	4	2	3	5	7	9	12	10	10	10
Success Rate	80%	63%	73%	78%	73%	75%	74%	67%	57%	69%	68%	38%

Positional Calls												
Calls Performance	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Calls Activated	14	9	8	10	9	17	18	19	10	9	14	14
Successful	12	6	8	10	9	13	14	16	5	8	13	10
Unsuccessful	2	3	0	0	0	4	4	3	5	1	1	4
Success Rate	86%	67%	100%	100%	100%	76%	78%	84%	50%	89%	93%	71%

Techno Funda												
Calls Performance	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Calls Activated	-	-	1	1	1	1	2	-	-	2	-	-
Successful	-	-	1	1	1	1	2	-	-	2	-	-
Unsuccessful	-	-	0	0	0	0	0	-	-	0	-	-
Success Rate	-	-	100%	100%	100%	100%	100%	-	-	100%	-	-

Event Calendar February 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
			1 • Fed Interest Rate	2 • US Non Farm Payrolls, • US Unemployment Rate	3 • GRINDWELL • SBIN • TRANSCOR	4
5 • US S&P Global Composite PMI Final, • US S&P Global Services PMI Final, • ISM Services PMI	6 • ACE • AUROLAB • BIRLACORPN • BRITANNIA • BRIGADE • CAMS • ENDURANCE • EVEREADY • GODREJPROP • JKTYRE • NYKAA • RADICO • REDINGTON • TIMKEN • TRIDENT	7 • AIAENG • GNFC • LUPIN • MANAPPURAM • NESTLEIND • NOCIL • POWERGRID • PROTEAN • SAFARI • SOBHA • SOLARINDS • STARCEMENT • TATACONSUM • TRENT • UNOMINDA	8 • CN Inflation Rate YoY & MoM, • RBI Interest Rate Decision	9 • ALKEM • EMAMILTD • GLOBUSSPR • HEROMOTOCO • NTCIND • PFIZER • SJVN • TATAPOWER • ZYDUSLIFE	10 • AMBER • AUROPHARMA • DIVISLAB • ONGC	11 • VINATIORGA
• APLLTD • ASHOKLEY • AVANTIFEED • BHARTIARTL • KANSAINER • KPRMILL • VRLLOG			• AARTIIND • AMBIKCO • APOLLOHOSP • DEEPENR • ESCORTS • GABRIEL • GREAVESCOT • IRCON • LICJ • THERMAX • TORNTPOWER			
12 • IN Industrial Production YoY, • IN Inflation Rate YoY & MoM, • IN Manufacturing Production YoY	13 • Inflation Rate MoM & YoY • US CPI, • OPEC Monthly Report	14 • IN WPI Inflation YoY, • IN WPI Manufacturing YoY	15 • US Jobless Claims, • US Industrial Production MoM & YoY	16 • SCHAEFFLER	17	18
• COALINDIA • KRSNAA • MAZDOCK • MOTHERSON	• BHEL • DEEPAKNTR • GRSE • GUJGASLTD • HINDALCO • IRCTC • ISGEC • NATIONALUM • MARKSANS	• NATCOPHARM • NMDC • MUTHOOTFIN • M&M • GLENMARK				
19	20 • ABB	21	22 • FOMC Minutes Meeting	23	24 • SANOFI	25
26	27	28	29			

Result Updates

Economic & Other Event

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