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Emkay Confluence

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Emkay Confluence: Unleashing India's Potential

Day 1 Highlights

Refer to important disclosures at the end of this report

August 16, 2023

Nifty: 19,465

Sensex: 65,539

Day 1 of the Conference kicked off in a grand way, with participation by 44 companies. We saw 460 plus clients consuming over 1100 meetings through the day. Our carefully-chosen MainTracks covered the hotly-debated topics of green energy (Mr Sarma @Larsen), EMS (Mr Lall @Dixon) and NBFC renaissance (Mr Piramal @Piramal Group).

MainTrack Takeaways

- Despite attendance by managements of disparate sectors, enthusiasm about future growth and India's manufacturing resurgence was clearly evident. A pivot towards green energy is a given and will entail billions, as India strives towards a net-zero target by 2070. Mr. Sarma highlighted Larsen's investments in electrolysers and that the renewable power value-chain will lower the cost curve and improve the pace of adoption. It is likely that regulatory intervention will increase the cost of competing substitutes, as climate change is an existential crisis. Atul Lall expects continued momentum in EMS, with a multi-step change in value addition or deepening in manufacturing. Dixon, meanwhile, is planning years in advance and tapping IPRs in research & design. Our conversation with Mr. Piramal was multidimensional: about how Indian scriptures have influenced his business decisions, to leadership hiring and his mantra around "buying imperfect and selling perfect" — a skill only an outstanding entrepreneur like himself can pull off.

Company Conversations — Connecting the dots:

- We hosted 45 companies across multiple sectors in our conference today. A quick brief on business plan, outlook, competitive dynamics, input & output price inflation, etc is attached with the presentation herewith. A few relevant observations are tabled below.
- Monsoon progress and farm crop assessment remains bright. Auto companies like Mahindra & Mahindra are more bullish on rural demand, especially for tractors, while consumer companies like Marico are experiencing very initial green shoots.
- Most companies are witnessing input deflation — dairy and energy related. Cement companies are pushing for volumes over prices, and we are seeing very guarded increases from building-material companies. MDF oversupply will remain an overhang on price realisations.

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- Chemical companies continue to see substantial drag from slowdown in China and Europe, and the consequent inventory de-stocking. These could last for a few more quarters.
- China plus one strategy is most evident in the auto eco-system and EMS. Sansera's order win as a Tier-I supplier to Tesla marks not only cost advantage, but also superior engineering prowess. Likewise, Dixon's partnership with Xiaomi highlights the big reset in value-addition metrics and for global markets.
- NBFCs are perhaps outpacing banks in disbursement growth, while not taking any undue risk. M&M Financial Services is echoing its parent outlook on improvement in rural demand. Shriram Transport is forecasting far better unit economics for its truck drivers, given the substantial improvement in asset utilisation — a function of more miles driven per day and less idle days. AUM growth will be much faster hereon.
- MMT too forecast better demand for airline tickets, hotels, etc, as consumers seek more frequent leisure, and more so domestically on longer weekends. The Services sector is booming, per the robust PMI data.
- IT companies' commentary is much similar to their most-recent earnings commentary: no change.

Tomorrow is another day

- We are hosting more than 70 companies tomorrow and are keen to host you again. Don't miss Mr Bhargava @ICICI Lombard or the AI czar Mr Pushpak @IIT Mumbai in our MainTrack.
- We value your presence and look forward to another enriching day.

Regards,

Nirav Sheth
(CEO - Institutional Equities Emkay Global Financial Services)

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Day 1 of Confluence — Power packed line up

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The first day of our annual flagship conference saw a line-up of 44 companies from across India

Main track events and companies hosted on Day-1

Main track events (Speakers)

Larsen & Toubro
Mr. Subramanian Sarma,
Sr. Executive Vice President (Energy)

Piramal Group
Mr. Ajay Piramal,
Chairman

Dixon Technologies India Ltd.
Mr. Atul Lall,
Managing Director

Auto & Auto Ancillaries

1. CEAT
2. CIE Automotive
3. Gogoro, Taiwan (E-2Ws)
4. Mahindra & Mahindra Ltd
5. Sansera Engineering

BFSI - Insurance

6. HDFC Life Insurance
7. ICICI Prudential Life Insurance Co. Ltd.

BFSI - NBFCs

8. Aditya Birla Capital
9. Arman Financial
10. Mahindra & Mahindra Financial Services Ltd
11. Piramal Enterprises
12. Shriram Finance

Building Materials

13. Century Ply
14. Cera Sanitaryware
15. Greenply Industries

Cement

16. Prism Johnson

Chemicals

17. DCM Shriram
18. GHCL

Consumer Durable

19. Dixon Technologies

Consumer Goods

20. Foods and Inns
21. Heritage Foods
22. Marico

Engineering & Capital Goods, Infra

23. Centum Electronics
24. Larsen & Toubro
25. Man Industries
26. Welpsun Corp
27. Welspun Enterprises

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Day 1 of Confluence — Power packed line up

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August 16, 2023

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Exchanges

28. KFin Technologies Ltd.

Information Technology

29. Persistent Systems
30. Route Mobile
31. Tata Consultancy Services

Logistics

32. TCI Express

Oil & Gas

33. HPCL
34. Oil India

Pharmaceuticals

35. Indoco Remedies
36. Medplus Health Services
37. Piramal Pharma

Power

38. Adani Green
39. JSW Energy

Real Estate

40. Kolte-Patil Developers

Retail

41. Renaissance Global

Telecommunications

42. Sterlite Tech

Travel & hospitality

43. MakeMyTrip

Other

44. Control Print

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CEAT

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Single-digit growth expectation; margins to broadly sustain

CMP	MCap (Rs bn)	TP & Rating
Rs2,257	91	N/A | N/A

We hosted Kumar Subbiah, CFO - CEAT (Not Rated)

Key Meeting-Takeaways

- Expects volume-led single digit revenue growth this year (vs ~4% in Q1); pricing may be slightly lower than last year if RM prices correct; 2W replacement growth to be 8-10% this year; overall OEM growth will pick up in H2 and exports should do well
- RM prices have largely been stable for the last 6 months, except the recent rise from USD75/bbl to USD85/bbl in crude oil; if this sustains along with the slight currency depreciation, it may impact margins from Q3; however, if current pricing remains stable, Company is confident of remaining within the general ~12% margin band
- Took a ~2-3% price increase in truck-bus radials recently
- FY24 capex expected at Rs7.5bn (incl. maintenance capex)
- Current market share: 27-30% in 2Ws, 8% in truck-bus radials, ~12-13% in truck-bus bias, ~14-15% in passenger car radials
- Revenue contribution from 15inch+ tyres in PVs has risen by ~600bps in the last few years

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	69,845	67,788	76,096	93,634	1,13,149
EBITDA	6,026	6,970	9,522	6,969	9,404
EBITDA Margin (%)	8.6	10.3	12.5	7.4	8.3
APAT	2,848	2,501	4,683	858	2098
EPS (Rs)	70.4	61.8	115.8	21.2	51.9
EPS (% chg)	10.1	-12.2	87.2	-81.7	144.5
ROE (%)	10.6	8.8	15.0	2.6	6.3
P/E (x)	32.1	36.5	19.5	106.4	43.5

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-6.9	21.0	50.7	67.4
Rel to Nifty	-6.3	14.0	39.0	52.4

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Mahindra & Mahindra

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Reiterates focus on capital allocation; rural demand factors healthy

CMP	MCap (Rs bn)	TP & Rating
Rs1,520	1,821	Rs1,590 | BUY

We hosted Sandhesh Naik, GM-Investor Relations at M&M (Buy)

Key Meeting-Takeaways

- RBL investment should be looked at as an option value; was done with a view to gain better understanding of the banking space; places the company well, if some years down the line the banking space opens up for corporates; stake increase beyond the current 3.5% will not be without any compelling reason — in the worst-case scenario, investment will lead to good treasury gains
- Remains committed to strong capital allocation; Auto, Farm funds not to be utilized for other sectors; aims to deliver 18% RoE, 15-20% EPS growth
- Tractor demand is high and macros like monsoons, *Kharif* sowing, terms of trade, etc are healthy; but given the high base of last year, Company still expects single-digit growth for FY24; margin evolution in tractors will be related to RM movement, even as other cost-control efforts continue
- Autos: On track to reach indicated capacities of 39K/mth this year and 49K/mth by next year; supply worries appear behind for now; there will be many ICE launches as well, in coming times
- Gearing up for EV launches in Auto from end of next CY; sees EVs forming 20-30% of the SUV portfolio by 2027 (200K units); would obtain battery cells from Volkswagen or BYD
- Going forward, Auto, Farm and Services to broadly contribute a third each to overall PAT

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,77,869	8,49,603	9,97,257	10,66,242	11,36,076
EBITDA	70,275	1,03,795	1,29,744	1,38,694	1,50,076
EBITDA Margin (%)	12.2	12.2	13.0	13.0	13.2
APAT	50,786	79,782	93,667	99,206	107229
EPS (Rs)	40.9	64.2	75.3	79.8	86.2
EPS (% chg)	24.7	57.1	17.4	5.9	8.1
ROE (%)	13.9	19.6	20.0	18.3	17.3
P/E (x)	37.9	24.1	20.5	19.4	17.9

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.0	21.2	13.5	22.8
Rel to Nifty	0.7	14.2	4.7	11.8

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India Equity Research | Auto & Auto Ancillaries
August 16, 2023
Conference Note

Sansera Engineering

Strong growth plans backed by order wins, higher value addition

CMP	MCap (Rs bn)	TP & Rating
Rs931	50	N/A | N/A

We hosted Raghunath Preetham (Group CEO), Praveen Chauhan (COO) and Vikas Goel (CFO) at Sansera Engineering (Not Rated)

Key Meeting-Takeaways

- Confident of maintaining ~20% growth rate; ~70% contribution from the orderbook (peak annual run rate of Rs17bn to be reached in ~3 years) and remaining from the underlying industry growth; outperformance to be due to addition of new clients (e.g. TTMT, Tesla) and technologies (e.g. aluminium forgings; to form ~10% of revenue in 5 years)
- Strong diversification plans; targeting ~20% revenue contribution each from tech-agnostic and non-auto divisions in future vs. combined ~25% contribution at present; no customer to form over 10% of revenue by next year vs. ~65% contribution from the top-customer in 2012
- Moving up the value chain; can potentially target Rs8-10K/unit kit value in 2Ws now vs. Rs1,500 five years ago
- Tesla expanding its vendor base now vs. mostly European and Chinese suppliers earlier, given their focus on costs and strong global growth plans; in aluminium forgings, many complex/higher value-add parts are now being sourced from India by global OEMs
- Foray into Defence and Aerospace provides knowledge about upcoming automotive trends much ahead of the market (e.g. played out for Sansera in castings); global aerospace giants increasingly turning to India for higher engineering content, value-additive parts now
- International business (~28% of FY23 sales) typically has ~10% more value addition and ~5-6% higher margins

Financial Snapshot (Standalone)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	11,718	13,736	12,616	13,513	17,450
EBITDA	2,356	2,686	2,048	2,473	3,039
EBITDA Margin (%)	20.1	19.6	16.2	18.3	17.4
APAT	1,029	1,122	820	975	1278
EPS (Rs)	19.3	21.0	15.4	18.3	24.0
EPS (% chg)	-	9.0	-26.9	18.9	31.0
ROE (%)	17.5	17.4	11.1	11.7	13.3
P/E (x)	48.2	44.3	60.5	50.9	38.8

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Price Performance (%)

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Absolute Returns	0.6	21.2	26.1	27.6
Rel to Nifty	1.3	14.2	16.4	16.2

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HDFC Life

HDFC Bank and HDFC Life synergies expected to play well

CMP	MCap (Rs bn)	TP & Rating
Rs633	1,360	Rs740 | BUY

We hosted Niraj Shah (CFO) and Manish Chheda (AVP IR)

Key Meeting Takeaways

- Without having a significant impact on the average ticket size, HDFC Life is looking to broad base its presence in tier 2-3 cities, backed by HDFC Bank's branch expansion plan. The company is likely to deliver single-digit APE growth on account of a bulky base, owing to the pre-booking of high ticket-sized, non-par policies.
- There has been a gradual increase in market share of the HDFC Bank channel. To further expand the market share, management has identified multiple levers in terms of certain branches, products, geographies and man power. Given the high quality of customers at HDFC Bank, margins generated from HDFC Bank channel were higher, given elevated distribution costs.
- HDFC Life's VNB margins are expected to remain at FY23 levels, given the trade-off in margins considering the reduction in the share of non-par policies and an uptick in the share of the protection business. However, post FY24, VNB margins are expected to expand to 30% in a few years.
- HDFC Life remains focused on penetrating in tier 2-3 cities with its ambition to 1) Add 75 branches with a hub-and-spoke model; and 2) Re-analyze the entire agency channel. With the broker channel reviving over the year, all distribution channels are expected to fire up once again.
- Tier 2-3 markets consist of around two-thirds of HDFC Life's business, where the average ticket size stands at around Rs75,000 as against Rs1,00,000 for the overall company; and hence, there is no compromise on the ticket size in tier 2-3 markets.

Financial Snapshot

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
APE	97,580	1,33,360	1,43,204	1,63,005	1,88,543
VNB	26,750	36,740	39,457	46,325	55,335
VNB Margin (%)	27.4	27.6	27.6	28.4	29.3
EV	3,00,480	3,95,280	4,76,022	5,61,756	6,62,164
Op. RoEV (%)	16.6	21.6	19.5	18.8	18.6
EVPS (Rs)	142.2	183.9	221.5	261.4	308.1
EPS (Rs)	5.90	6.37	7.39	9.48	10.77
P/EV	4.4	3.4	2.9	2.4	2.1

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Price Performance (%)

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Absolute Returns	-5.6	12.9	23.6	16.1
Rel to Nifty	-4.9	6.4	14.0	5.7

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ICICI Pru Life

Focus remains on growth and absolute VNB

CMP	MCap (Rs bn)	TP & Rating
Rs555	799	Rs660 | BUY

We hosted Dhiren Salian (CFO) and Dhiraj Chugha (IR)

Key Meeting Takeaways

- Management emphasized that its primary focus is to attain APE growth. As margins are currently at their peak levels, APE expansion will continue to be the primary driver for VNB growth.
- With respect to bancassurance, management said that ICICI Bank's distribution strategy remains clear with focus being on the bank's products first. As a result, management does not expect much growth in the ICICI Bank channel. On the non ICICI Bank side, Standard Chartered Bank, IndusInd Bank and IDFC Bank remain the key partners.
- The market's stability concerning commissions has not yet been achieved, and the effects of the new Commission Regulations are still undergoing a process of development. However, the new Expense of Management regulations has led to improved renewal rates, indicating higher persistency.
- Management believes as the customers adapted well to the Rs2.5lakh limit imposed on ULIP products, they shall also adapt to the Rs5lakh taxation limit imposed on non-linked savings products.
- ICICI Pru Life's business remains centered around top tier cities. However, the company is also looking to expand in tier 2-3 cities. Partners like AU Small Finance Bank, with significant presence in tier 2-3 markets, are expected to aid growth in these markets.

Financial Snapshot

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
APE	77,330	86,400	91,964	1,01,875	1,12,885
VNB	21,630	27,650	27,952	30,941	34,745
VNB Margin (%)	28.0	32.0	30.4	30.4	30.8
EV	3,16,250	3,56,340	4,10,648	4,71,777	5,41,938
Op. RoEV (%)	11.0	17.4	16.7	16.3	16.2
EVPS (Rs)	220.0	247.9	285.7	328.2	377.1
EPS (Rs)	5.3	5.6	8.3	10.4	10.9
P/EV (x)	2.5	2.2	1.9	1.9	1.5

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-5.6	28.1	27.2	-0.7
Rel to Nifty	-5.0	20.7	17.4	-9.6

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Aditya Birla Capital

Lending in the high gear

CMP	MCap (Rs bn)	TP & Rating
Rs183	474	Rs225 | BUY

We hosted Rakesh Singh (MD & CEO - AB Finance); Aashwij Mallya (AVP IR) and Promod Bohra (VP Corporate Finance & IR)

Key Meeting Takeaways

- Aditya Birla Finance Limited (ABFL) recently launched its B2B MSME lending platform – Udyog Plus. The platform provides a host of services including accounting, payroll and other business management services. In a span of three months, the company has registered over 48,000 users on the platform. The said platform will provide paperless loans for amount up to Rs2lakh.
- ABFL's loan book is expected to double in the next three years, growing at an average rate of 25% annually.
- Management said that ABFL is evaluating and reviewing with all the partners in terms of leveraging the FLDG arrangement as per the RBI's guidelines.
- With the product mix shifting towards the retail segment, ABFL is looking towards margins expanding to 7.5% over the next 2-3 years. Opex-to-AUM cost, which is currently at 2.2%, is expected to improve to 2%. With credit cost of 1.5% over few quarters, management expects ABFL to deliver a 3% post-tax ROA.
- ABFL has integrated with the UltraTech App, which provides access to a range of dealers and other agents on the UltraTech platform. A pre-approved limit will be provided to dealers based on their purchases made with UltraTech. Further, ABFL plans to integrate its systems with other companies like Grasim within Aditya Birla Group.
- With respect to the life insurance business, management expects VNB margins to stay at similar levels as of FY23.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PAT	17,060	47,958	28,405	36,099	43,721
Adj. PAT	15,100	20,567	28,405	36,099	43,721
Net worth	1,54,921	2,03,108	2,60,769	2,96,868	3,40,589
ROE (%)\	10.3	11.5	12.2	12.9	13.7
Adjusted EPS	6.2	8.5	11.1	13.9	16.9
BVPS	64.1	84.1	100.5	114.5	131.3
P/E	29.2	21.5	16.4	13.1	10.8
P/B	2.8	2.2	1.8	1.6	1.4

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Price Performance (%)

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Absolute Returns	-3.4	11.9	26.5	64.8
Rel to Nifty	-2.8	5.4	16.7	50.1

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Arman Financial Services

Poised to ride the MFI cycle…

CMP	MCap (Rs bn)	TP & Rating
Rs2,308	20	NA | NR

We hosted Aalok Patel, Joint Manging Director of Arman Financial Services

Key Meeting-Takeaways

- The Microfinance sector has witnessed several issues in the past, but has good inflection post the revised MFI guidelines by the RBI that have played a pivotal role in restoring the growth trajectory. The company has kept the growth rate at 40%, meaningfully slower vs peers, so as to keep asset quality in check. Further, it plans to reach AUM target of Rs50bn, with 35-40% CAGR.
- Arman has strict focus on keeping the FOIR at a lower level and targets maintaining this below 50% on a household income level. As a result, it has maintained the EMI per month at fairly lower levels of Rs6k/per month vs Rs12k levels (based on the Rs3 lac annual income).
- Arman has kept asset quality quite robust and stable as the rejection rate is fairly high at 50-70%; secondly, it has adopted a policy of keeping away from top-up loans. Apart from this, Arman has embraced a policy of focusing only on IGL loans, rather than consumer loans, and substantially keeping an Audit check at the customer level.
- The newer states are doing well, with Bihar and Haryana also faring well. The Company has been exploring opportunities to expand its operations to newer geographies and tapping into new customer segments and diversifying revenue streams. It opened 44 branches in FY23, leading to expanding presence in 8 states and 120 districts; now Arman looks to expand to another 2-3 states in the medium term, with branch expansion target of 50-70.
- The company has started a pilot of Individual loans in the MFI segment (currently 2.1% of AUM), as there is strong demand from some of the more advanced customers, so at to break away from the group-based JLG model and move towards individual loans.
- Arman has been consistently doing well, with improving profitability and return ratios, while asset quality has been consistently improving. With enhancing consistency and healthy return ratios, we believe Arman will be one of the key beneficiaries of the next growth phase and profitability.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	309	451	404	445	637
Net profit	124	182	80	162	284
EPS (Rs)	14.8	24.4	9.4	19.1	33.0
BV (Rs)	137.8	142.9	150.6	166.0	270.1
RoA (%)	6.0	6.5	2.7	5.3	6.3
RoE (%)	18.2	16.8	6.4	12.1	15.3
P/E (x)	20.8	16.9	64.6	51.8	39.8
P/BV	2.7	2.9	4.0	6.0	4.9

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Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	6.3	59.5	52.7	88.1
Rel to Nifty	7.0	50.3	40.9	71.3

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Mahindra Finance

Changing asset mix to improve margin

CMP	MCap (Rs bn)	TP & Rating
Rs281	347	Rs 315 | HOLD

We hosted Vivek Karve (CFO), Dinesh Prajapati (SVP - Treasury & Finance) and Vishal Agarwal (VP - Treasury & IR)

Key Meeting-Takeaways

- MMFS expects margin to improve with a lag; margin improvement to be led by change in product mix and increasing share of high-yielding products like pre-owned vehicles and SME loans.
- Focus on pre-owned vehicles, incl. tractors, is yielding good results, along with core product. Guided FY24 NIM of 7% and RoA of 2% and expected RoA to rise more in FY25. Cost of borrowing expected to be stable; in case of any regulatory change, Company will be able to pass-on the rate hike.
- Economic activity in full swing, giving confidence of good cash-flow and demand ahead. Monsoon spread fairly decent and good yields expected to come up. Price of production will be good, given the imminent election.
- Credit cost to improve more in 3-4QFY24. On asset quality, GS3 improved and Stage 2 remained stable with not much slippage from Stage 1.
- Prime customer portfolio to be ~10-12% of the total portfolio. Overall cost of acquiring a prime customer is lower, with lower credit cost and stable asset quality. Share of Non-vehicle product to be ~15% by the end of FY25.
- Given its AAA rating a little while ago, MMFS is seeing multiple funding channels opening up and Management plans to increase its floating rate borrowing, but would work within the boundaries.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	57986	64794	80702	101150	121500
Net profit	9888	19843	20235	28537	34131
EPS (Rs)	8.0	16.1	16.4	23.1	27.6
ABV (Rs)	126.5	138.3	148.5	163.0	182.3
RoA (%)	1.30	2.31	1.86	2.11	2.08
RoE (%)	6.52	12.13	11.42	14.82	15.99
P/E (x)	35.09	17.50	17.16	12.17	10.17
P/ABV	2.22	2.03	1.89	1.72	1.54

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-11.2	-0.3	7.2	42.6
Rel to Nifty	-10.6	-6.1	-1.1	29.9

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Piramal Enterprises

Strong focus on retailization

CMP	MCap (Rs bn)	TP & Rating
Rs1,025	245	Rs 1230 | BUY

We hosted Jairam Sridharan (MD - Piramal Capital & Housing Finance), Yesh Nadkarni (CEO - Wholesale Lending business) and Ruchika Jain (AVP - IR)

Key Meeting-Takeaways

- PIEL's asset mix has substantially improved, with retail assets at 55% of the total portfolio (guidance of 2/3rds retail and 1/3rd wholesale by FY27).
- Wholesale 1.0 book reduced 38% YoY to Rs260bn, in line with the company's strategy. No more surprise on the provision front, with recovery efforts to continue. Cleanup of the SR book can take a few quarters and, in future, Company would use different resolution and recovery strategies.
- PIEL will continue to build its Wholesale 2.0 book in a calibrated manner. ATS for RE and CMML stood at Rs1.65bn and Rs530mn, respectively.
- Profitability and margins to improve, with improving operating income, thus leading to pre-tax RoA of 4%. Credit cost to remain stable and stay range-bound at 1.5-2% levels; given the nature of PIEL's business, credit cost normally ranges at such levels.
- Yields on retail portfolio have witnessed improvement over a period. Unsecured product is seeing stronger growth; in the medium term, unsecured business is expected to form 25-30% of the portfolio, and will be calibrated accordingly, based on the credit cycle and credit risk prospective.
- Proceeds from sale of Shriram Investment will be used in a three-pronged manner: Return to shareholder (Buy-back worth Rs.17.5bn already announced); Inorganic growth (M&A deal in a similar line of business, looking for good opportunities in Micro, SME and the Gold loan segment); and Organic growth.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	36858	50924	44225	59186	77096
Net profit	19988	99686	13309	15965	25286
EPS (Rs)	32.0	79.7	31.5	71.1	112.6
ABV (Rs)	NA	1196.6	1243.3	1286.3	1354.6
RoA (%)	NA	NA	1.6	1.8	2.5
RoE (%)	NA	NA	5.0	5.6	8.5
P/E (x)	26.2	10.5	26.5	11.8	7.4
P/ABV	NA	0.9	0.8	0.8	0.8

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	3.0	41.2	17.6	-2.1
Rel to Nifty	3.7	33.1	8.5	-10.8

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Shriram Finance

Your success is our success

Strong delivery and positive outlook

CMP	MCap (Rs bn)	TP & Rating
Rs1,814	680	Rs 2,135 | BUY

We hosted Sanjay K Mundra (VP) and Jai Singh Ponde (VP-IR)

Key Meeting-Takeaways

- Target NIM at ~8.5% by end-FY24 led by minor shift to unsecured high-yielding product. AUM to grow ~15%, driven by strong demand in all product segments.
- Credit cost to remain stable at ~2% levels, given increased utilization of vehicles and increasing vehicle prices, thus compelling an operator to stick to the old vehicle, and reducing the likelihood of default with improved collection efficiency, given majority of the collection is done digitally.
- Cost of borrowings to remain at similar levels and can see a marginal increase in coming quarters. If there is any regulatory change, Company will be able to pass on the rake hike to customers.
- Company expects a rating upgrade, in the event of which it can see a ~40bps decline in cost of borrowings.
- SHFL has made a strategic collaboration with the pioneering mobile payment platform Paytm, to extend financial services across the nation with a few taps of the smart phone. With this collaboration, Company aims to reduce downtime for customer taking instant credit and ensuring credit access to last-mile customers, thus leveraging Paytm's extensive reach & infrastructure.
- In the SME segment Shriram Finance largely caters to micro &small entities with ATS of ~1mn, while in the personal loan segment, loans are extended to existing customers who have served ~75% of their loan in a timely manner.
- Stage 3 assets to be below 6% levels; Management expects GS3 to be at similar levels, given the customer segment they cater to.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	NA	172572	200635	235410	277919
Net profit	NA	59794	73717	88473	107002
EPS (Rs)	NA	168.1	196.9	236.3	285.8
ABV (Rs)	NA	1192.3	1286.5	1470.8	1693.7
RoA (%)	NA	3.1	3.4	3.5	3.7
RoE (%)	NA	15.5	16.3	17.1	18.1
PER (x)	NA	10.8	9.2	7.7	6.3
P/ABV	NA	1.5	1.4	1.2	1.1

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Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.7	34.4	42.8	32.6
Rel to Nifty	2.3	26.6	31.7	20.7

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Century Plyboards

Growth to pick up from H2FY24E

CMP	MCap (Rs bn)	TP & Rating
Rs618	137	Rs780 | BUY

We hosted Arun Julasaria (CFO)

Key Meeting Takeaways

- Management has guided for EBITDA margin of 14%/13-15%/25% in plywood/laminates/MDF segments in FY24. Management has given volume guidance of 6-7%/15%/20% YoY, respectively, in FY24. Management stated that demand was subdued in Q1 but expects it to pick up from H2FY24 as the housing market remains healthy.

- Management indicated that timber prices have increased by 5% in Jul-23 due to supply shortages in the industry, whereas chemical prices have slightly softened. Management has taken price hikes of 2.5% recently to negate timber inflation; while chemical prices have softened

- Greenfield plywood expansion at Hoshiarpur is expected to commission by Q1FY25. Phase-1 of the laminate greenfield expansion, which was earlier expected to commission in H1FY24, is now likely to commission by Q3FY24.

- Capex guidance stood at Rs14bn over FY23-25E. The company has already spent Rs2.8bn in Q1FY24.

- The company has partnered with Manish Malhotra (celebrity designer) to launch a higher range of laminate products and has incurred expenses to increase acceptance of Sainik Laminates in the market. Management targets to improve the share of value-added products in MDF to 40% (vs. 34% currently), which will also help in stabilizing margins going forward.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	30,270	36,466	40,224	48,440	58,218
EBITDA	5,308	5,587	6,101	7,888	10,157
EBITDA Margin (%)	17.5	15.3	15.2	16.3	17.4
APAT	3,131	3,833	3,837	4,992	6746
EPS (Rs)	14.1	17.3	17.3	22.5	30.4
EPS (% chg)	54.0	22.4	0.1	30.1	35.1
ROE (%)	22.2	22.1	18.4	20.2	22.6
P/E (x)	43.9	35.8	35.8	27.5	20.4

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-6.3	8.6	20.9	0.1
Rel to Nifty	-5.7	2.3	11.5	-8.8

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Cera Sanitaryware

Healthy outlook

CMP	MCap (Rs bn)	TP & Rating
Rs8,454	110	NR

We hosted Ayush Bagla (Executive Director)

Key Meeting Takeaways

- Management stated demand was healthy in Q1FY24, led by replacement markets. Management has maintained its guidance of achieving ~Rs29bn revenue by Sep-25 (indicating revenue growth of 17-19% in FY24).
- The brownfield faucetware expansion is likely to commence operations in Aug-23, which will increase the segment's capacity to 0.4mn pieces p.m. The company plans to ramp up utilization in a phased manner till Mar-24. Capex for the faucetware plant stood at Rs580mn.
- Greenfield expansion of the sanitaryware plant, land parcel in Gujarat and its acquisition will be completed by Q3FY24 at a likely capex of Rs250mn. It will likely take 18-24 months for the construction of the plant at a capex of Rs1bn. Targeted capacity is 1.2mn units p.a., subject to change of SKUs. Assets turns are likely to be at 2x. Additional maintenance capex of Rs350mn has been planned for FY24.
- Management has budgeted A&P spends of Rs650mn in FY24 (similar % of revenue last year) with Rs110mn already spent in Q1FY24. The company plans to double the dealer/retailer-owned stores in the next 3-4 years.
- Weighted average gas price cost stood at Rs34/scm with 94% of energy requirement met from in-house energy sources.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	13,516	12,237	12,243	14,458	18,035
EBITDA	1,983	1,655	1,581	2,230	2,880
EBITDA Margin (%)	14.7	13.5	12.9	15.4	16.0
APAT	1,149	1,134	1,001	1,548	2123
EPS (Rs)	88.3	87.2	76.9	119.0	163.2
EPS (% chg)	13.2	-1.3	-11.8	54.7	37.2
ROE (%)	17.6	15.4	12.2	16.4	19.4
P/E (x)	95.7	97.0	109.9	71.0	51.8

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	20.3	17.4	42.6	76.4
Rel to Nifty	21.1	10.6	31.6	60.6

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Greenply Industries

Your success is our success

Progress on MDF performance will be key

CMP	MCap (Rs bn)	TP & Rating
Rs160	20	NR

We hosted Manoj Tulsyan (MD and CEO) and Gautam Jain (Head of Investor Relations)

Key Meeting Takeaways

- Management has maintained its guidance for 10% YoY volume growth and double-digit margin, supported by likely price hikes in Q2 for India's plywood segment in FY24. Management stated that plywood demand was subdued in Q1 owing to liquidity issues in the market. Management expects demand to rebound going forward. Timber prices continue to be on an upward trend and management anticipates 10% further inflation in Q2FY24 owing to supply-side constraints.
- The company has launched MDF under the *Greenply* brand with a focus on West an North regions. Management estimates volumes of 0.1mn and 0.16-0.18mn CBM in FY24 and FY25, respectively, and expects the plant to run at an optimum utilization level in FY26. The company currently has 250 active dealers and is targeting to reach a network of 800-900 dealers.
- Gabon's operations continue to face demand headwinds and management is focusing on turning PAT breakeven.
- Net debt increased by Rs970mn sequentially to Rs7.3bn as of Jun-23 owing to investment in the MDF plant and higher working capital requirements. Interest cost is likely to be at Rs520-530mn in FY24. Debt repayment schedule is expected to be at Rs420mn/Rs560mn/Rs640mn in FY24/FY25/FY26. Management expects depreciation to be at Rs600-620mn in FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	9,123	14,122	14,204	11,653	15,628
EBITDA	588	1,440	1,052	1,143	1,503
EBITDA Margin (%)	6.4	10.2	7.4	9.8	9.6
APAT	1,150	811	816	615	944
EPS (Rs)	9.3	6.6	6.6	5.0	7.7
EPS (% chg)	-	-29.5	0.5	-24.6	53.5
ROE (%)	13.1	13.4	22.9	15.1	19.4
P/E (x)	17.2	24.4	24.2	32.1	20.9

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-10.3	4.2	15.1	-12.2
Rel to Nifty	-9.7	-1.8	6.2	-20.1

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Prism Johnson Ltd.

Emkay
Your success is our success

Sale of land parcel to help in BS de-leveraging

CMP	MCap (Rs bn)	TP & Rating
Rs131	66	NR

We hosted Sarat Chandak (CEO & ED), Vijay Aggarwal (MD), Manish Bhatia (CFO), and Nupur Agarwal (Head - Investor Relations)

Key Meeting Takeaways

- In cement, Prism has entered into supply agreements with three grinding units situated in Uttar Pradesh and Bihar, having an aggregate capacity of 0.82mt. Management expects demand outlook to remain strong over the medium term, led by demand from housing and infrastructure sectors. WHRS and solar capacity stood at 22.4MW and 22.5MW, respectively, at Satna. The company is investing for 24MW of captive wind power to increase the share of green power.
- In HRJ division, the company has 10 tile manufacturing plants (including JV) with a total capacity of 61MSM and two faucet manufacturing plants with a total capacity of 3.6mn pieces p.a. The company has planned for greenfield tile capacity addition of 5.5MSM at Panagarh, West Bengal, which is expected to start operations in H1FY24. Solar capacity stood at 4.5MW across all HRJ plants.
- In RMX division, the company operates 93 plants at 44 cities. The key focus areas include 1) increasing utilization levels and optimizing fleet and pump efficiency; 2) increasing the share of environment-friendly and value-added products; and 3) focusing on the IHB segment
- Consolidated net debt increased by Rs1.4bn QoQ to Rs12.9bn as of Jun-23. The company has recently entered into the sale of land parcel and transfer of mining lease in Andhra Pradesh to Ramco Cement. Sale proceeds will be utilized for balance sheet de-leveraging.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	61,944	59,562	55,871	63,064	73,605
EBITDA	5,959	5,347	6,237	4,778	3,637
EBITDA Margin (%)	9.6	9.0	11.2	7.6	4.9
APAT	1,234	76	1,762	852	-943
EPS (Rs)	2.5	0.2	3.5	1.7	
EPS (% chg)	182.1	-93.8	2212.1	-51.7	-
ROE (%)	11.4	0.7	15.2	6.6	-
P/E (x)	53.4	864.5	37.4	77.3	-

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	3.8	12.3	28.2	8.3
Rel to Nifty	4.5	5.8	18.3	-1.4

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DCM Shriram

Moving up the value chain

CMP	MCap	TP & Rating
Rs909	(Rs 142 bn)	Not Rated

We hosted Amit Agarwal (CFO) and Sidharth Jain (Head, Investor Relations)

Key Meeting-Takeaways

- Chemicals business: Currently facing headwinds, as demand (from Europe and USA) stays lower than supply (Chinese dumping). This should probably continue for 2-3 more quarters, till we see stabilization in inventory and D-S gap.
- Margins should start improving in H2 this year, on decline in coal prices and commissioning of the new 120MW captive-coal power plant and the 43MW renewable power plant.
- Vinyl business: Some improvement in demand has started kicking in, on account of lower imports from China and many global capacities undergoing maintenance capex during this period.
- ECH (new product): This is a good import substitute and has current demand of 90KT in the domestic market. Ideally, the entire capacity can be sold domestically, but product approvals, etc. will take some time initially; DCM even has plans to explore the exports market.
- Sugar business: This segment should start adding incremental benefits in H2FY24.
- Debt: ,Currently the company has debt of Rs9bn and Management expects it to peak at Rs20bn by FY24 (to be used to fund capex).
- EBITDA: DCM expects its chemicals business to generate EBITDA of Rs12bn, Rs1bn from PVC, Rs5bn from Sugar, and Rs4bn from farm solutions — totalling Rs22bn by FY26/27.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	80,148	80,552	86,097	98,793	117,972
EBITDA	13,687	11,777	11,522	17,964	16,064
EBITDA Margin (%)	17.1	14.6	13.4	18.2	13.6
APAT	8,894	7,157	6,659	10,483	8853
EPS (Rs)	57.0	45.9	42.7	67.2	56.8
EPS (% chg)	34.7	-19.5	-7.0	57.4	-15.5
ROE (%)	27.1	18.9	15.3	20.7	15.1
P/E (x)	15.8	19.6	21.1	13.4	15.8

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.1	7.2	5.3	-12.4
Rel to Nifty	0.8	1.1	-2.9	-20.2

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Your success is our success

GHCL

Soda Ash demand-supply gap to sustain for a few more years

CMP	MCap (Rs bn)	TP & Rating
Rs530	504	Not Rated

We hosted RS Jalan, Raman Chopra, and Abhishek Chaturvedi

Key Meeting-Takeaways

- Business Update: In China, the overall soda ash supply-demand situation is balanced, and demand is up 7% on YoY basis in H1, driven by solar glass and lithium carbonate, though other segments such as flat glass remain soft due to the slow real-estate sector.
  - Soda Ash producers' inventory has decreased, despite the overall high operating rates. Exports have increased, especially to Asia and Africa, up 21% YoY. Natural soda ash capacity of 1.5 million MT in Inner Mongolia has come on-stream in Jun-2023; a similar 1.5 million MT capacity is expected by Dec-2023 (total capacity expected to be at ~8 million MT).
- Expansion: To meet the growing domestic demand, GHCL is planning to expand its capacity by 5lac-ton in the first phase, through a greenfield project. This expansion is progressing well and will commission in FY26/27. Post this, GHCL will be the largest domestic Soda Ash producer.
  - GHCL expects to receive environmental clearances in the next 5-6 months. The project has been delayed on account of difficulty in land acquisition, which is now likely to be completed by end-FY24, following which GHCL will commission the first phase in 3 years with a total capex of Rs40-45bn; it plans to expand by another 5lac-ton in the second phase, via incurring capex of Rs25bn (~60% of phase I).
- Demand: GHCL expects global demand for Soda Ash to grow, from the current ~60million MT to ~80million MT by FY30, and India demand to grow from ~4million MT to ~7million MT by FY30, mainly led by demand from new-age verticals like solar glass, lithium carbonate and FGD.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	33,413	33,051	24,912	30,521	45,454
EBITDA	7,594	7,280	5,964	7,263	14,811
EBITDA Margin (%)	22.7	22.0	23.9	23.8	32.6
APAT	3,498	3,970	3,316	6,524	10871
EPS (Rs)	36.6	41.5	34.7	68.3	113.7
EPS (% chg)	-1.9	13.5	-16.5	96.7	66.6
ROE (%)	19.8	19.5	14.3	24.0	31.5
P/E (x)	14.2	12.5	15.0	7.6	4.6

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.9	2.5	4.6	-13.6
Rel to Nifty	1.6	-3.4	-3.5	-21.3

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Dixon Technologies

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Growth concerns allayed with the addition of new clients in Mobiles

CMP	MCap (Rs bn)	TP & Rating
Rs4,651	277	Rs4,036 | HOLD

We hosted Atul Lall (Vice Chairman & MD)

Key Meeting-Takeaways

- With the addition of two new clients in the last 6 months in the mobile business, growth concerns seem to have abated. However, the margin profile of this business would be lower than the existing company-level margins
- Lighting business continues to see headwinds, as the business portfolio faces pricing pressure. LED pricing was down ~30% in Q1FY24
- Management is confident of its cost initiatives and value engineering in products offsetting such realization pressures and keeping margins intact in the lighting segment
- Company expects capex of ~Rs420crore (Rs4.2bn) in FY24. Capex will be spread across the mobile and refrigerator segments as well as the washing machine facility (to be ready by Aug-2023), along with PLI capex across IT hardware and Telecom

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,06,971	1,21,920	1,86,311	2,40,168	2,77,138
EBITDA	3,791	5,128	7,602	9,725	11,112
EBITDA Margin (%)	3.5	4.2	4.1	4.0	4.0
APAT	1,902	2,539	4,333	5,753	6,778
EPS (Rs)	32.1	42.8	73.0	96.9	113.8
EPS (% chg)	19.0	33.5	70.7	32.8	17.4
ROE (%)	21.9	22.3	29.6	30.0	26.9
P/E (x)	145.1	108.7	63.7	48.0	40.9

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Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	7.7	62.2	73.0	21.4
Rel to Nifty	8.4	52.9	59.6	10.5

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Foods And Inns

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CMP	MCap (Rs bn)	Not-rated
Rs178.3	9.6	

We hosted Milan Dalal (MD & Promoter), Moloy Saha (CEO) and Anand Krishnan (CFO) of Foods and Inn, at our India conference to share Company/industry insights

Key Meeting-Takeaways

- **Foods & Inns has 5 verticals:** 1) Food processing, where it primarily processes mangoes (other fruits like Guava too) for multiple FMCG players. It has 3 processing units: in Valsad (Gujrat), Nashik (Maharashtra) and Chitoor (Andhra Pradesh). 2) Spray dried powders: of which it has historically been a manufacturer, of multiple fruit & vegetable powders, and has developed new products like Honey powder. 3) Frozen foods division, where it manufactures vegetarian snacks like samosas, naans, and vegetables to export from its Nashik unit. 4) Kusum Spices, a B2C spice brand that the company acquired in 2019. 5) Tetra Recart, where it has commissioned a facility in Vankal.
- **Key business extensions**: Recently, the company launched Amrus under brand *Madhu*, from its Tetra Rekart facility. It has plans for ready-to-eat soups, dals, vegetables, etc., and other specialty products; simultaneously, it is also looking into large institutional sales. The company plans to commission its Pectin Project with associate company Beyond Mangoes, for producing Pectin from mango waste, in Sep-23.
- **Revenue concentration:** Currently, the overall revenue split is inclined towards mangoes (82%), but the company has taken up initiatives to diversify. It has planned capacity expansion (15k-20k tons) in tomato processing.
- **Production capacity**: The company has seven factories in India, including 2 in Gujarat, 3 in Maharashtra, and 2 in Andhra Pradesh. Additionally, the company leases >15 factories for production in season. The company will benefit from the PLI scheme in its 3 facilities: Tetra Rekart facility, Asceptic Re-canning facility, and Frozen foods facility. PLI capex is complete. It will receive ~Rs145cr incentive over 6 years, of which 3 years have been completed.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	3,350	3,386	3,923	3,708	6,322
EBITDA	295	97	332	237	520
EBITDA Margin (%)	8.8	2.9	8.5	6.4	8.2
APAT	35	205	111	39	152
EPS (Rs)	0.7	3.8	2.1	0.7	2.8
EPS (% chg)	-	486.6	-45.9	-64.9	292.1
ROE (%)	5.7	17.7	6.3	2.1	8.0
P/E (x)	282.4	48.1	89.0	253.3	64.6

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Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.2	31.7	33.6	180.8
Rel to Nifty	-1.1	23.3	22.6	152.3

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Heritage Foods

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CMP	MCap (Rs bn)	Not-rated
Rs247.95	23	

We hosted Srideep M Kesavan, CEO - Heritage Foods, during our India conference, to share his perspective on the dairy industry and his strategy for driving structural growth

Key Meeting-Takeaways:

- **Dairy industry: the** Indian dairy industry is the largest in the world, catering to 24% of the global consumption. The annual production in India is 220mMT, with 50% coming from the organised sector and the remaining 50% from the unorganised sector. Of the organised sector, 50% of the demand is catered by co-operatives and 50% by private companies. Dairy industry contributes about 5% towards GDP; this industry has grown 5% in the last 4-5 decades.
- **Revenue growth**: Heritage Foods logged top-line of Rs32.4bn in FY23 which includes 63% contribution from milk, 32% from value-added products, and 3% from fats (ghee &butter). Two-thirds of the business comes from Andhra Pradesh and Telangana, and 1/3rd from the rest (Karnataka, TN, Maharashtra, North India, Punjab, Rajasthan, Uttar Pradesh and Odisha). In FY23, the company registered volume growth of 10%, and price growth of 11%. It achieved EBITDA margin of 4.4% (ex-exceptional items, adjusted for revaluation of inventory).
- **Business Operations**: The company procures milk from 12,000 villages spread across 11 states. From here, the milk is sent to its 204 chillers and then to 18 processing factories in 6 states. It has a sales network of 6,750 distributors and an outlet reach of 100-150k.
- **Growth and margin guidance**: The company aims to achieve top-line of Rs60bn in the next 3-4 years. It expects to attain the targeted margins through mix improvement, further to which it intends to increase VAP contribution from 32% to 40%, increase salience of MT, E-com and its own Heritage Happiness distribution channel, via innovation and various other value-creation initiatives. It targets EBITDA margin of 7-7.5%, and PAT margin of 4% in coming 3-4 years. Margin expansion would be driven by: a) expanding share of value-added to be accretive to margin; and b) value-creation initiatives.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	25,148	27,259	24,731	26,813	32,407
EBITDA	548	-3,832	2,606	1,769	1,316
EBITDA Margin (%)	2.2	-14.1	10.5	6.6	4.1
APAT	826	-1,597	1,486	1,001	545
EPS (Rs)	8.9		16.0	10.8	5.9
EPS (% chg)	30.4	-	-	-32.7	-45.6
ROE (%)	10.5	-	28.2	16.0	7.9
P/E (x)	27.8	-	15.4	22.9	42.1

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	15.7	35.3	59.9	65.1
Rel to Nifty	14.7	26.7	46.7	48.3

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Marico

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CMP	MCap (Rs bn)
Rs568.20	735

We hosted the Marico team during our India conference, to share Company/ industry insights

Key Meeting-Takeaways

- **Business growth:** Rural recovery in 1Q is more a factor of base effect. While there are no green shoots of recovery, Management noted that the worst in rural is largely behind. Positivity in rural is on multiple counts, like better monsoon, higher infra spending and expected spending ahead of the elections. For the Company, coconut oil and value-added oil have a good share of business coming from rural markets; rest of the portfolio is largely urban. Foods is a long-term thrust area for the company where it has expanded the addressable market in the last 3 years, from Rs10bn to Rs70-80bn now. From the margin perspective, Management noted that its foods offering has better margin
- **International business to have currency impact:** Management noted that currency is an important factor, as the Rupee reported lower growth in business. On constant currency basis, growth is good and likely to sustain. In the core Bangladesh market, the company expects high-single to low-double digit constant currency revenue growth. In Vietnam, it expects mid-single digit growth, given the macro slowdown (near-term).
- **Value-added hair oil strategy in place**: A large part of the business for the company is concentrated at the bottom of the pyramid and the mid segments. Its participation in the premium-end is low. The company has incrementally devised an innovation strategy for its VAHO portfolio : a) better sensorial products, b) functional offerings (focus beyond hair loss), c) ingredient-based offerings). After the successful launch of cooling oil in Bangladesh, the company has recently launched the offering in the India market.
- **Digital Initiatives:** Digital brands are doing well, where thrust is to take brands offline after a scale-up in the digital channel. Beardo has gradually been taken offline, by expanding presence in the pharmacy channel.
- **Distribution:** The company now has overall outlet reach of 5.6mn, of which ~1mn is the direct outlets reach. Target is to expand direct reach by 20-30K annually.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	94,520	96,890	1,01,712	1,14,476	1,28,053
EBITDA	16,890	18,100	20,610	23,054	26,140
EBITDA Margin (%)	18%	19%	20%	20%	20%
APAT	13%	14%	15%	15%	15%
EPS (Rs)	9.6	10.1	11.5	13.0	14.9
EPS (% chg)	6%	6%	14%	13%	15%
ROE (%)	37%	34%	35%	35%	36%
P/E (x)	34	32	28	25	22

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	12.8	8.6	18.0	11.4
Rel to Nifty	11.8	1.7	8.2	0.1

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Centum Electronics

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Key beneficiary of the EMS theme

CMP	MCap (Rs bn)	TP & Rating
Rs1,378	18	Not rated

We hosted Nikhil Mallavarapu - Executive Director, and KS Desikan - CFO

Key Meeting-Takeaways

- The Defense sector contributes more than 50% of revenues, followed by mobility and industrials
- Key growth drivers in the defense business: Indigenization opportunity in defense and aerospace, technological partnership with the armed forces, satellite functioning & ODM manufacturing, missile guidance technology
- Key industry tailwinds across the company's verticals: Push for *Make in India*, Government tendering has increased in the EV space, China+1 theme in the industrial vertical
- Margin levers (to reach 9-10% EBITDA range): Product mix optimization, moving the Canada business manufacturing to India, reducing overruns in some projects where revenue is not accruing

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	9,304	8,833	8,174	7,799	9,230
EBITDA	822	864	885	93	762
EBITDA Margin (%)	8.8	9.8	10.8	1.2	8.3
APAT	282	257	172	357	98
EPS (Rs)	21.9	20.0	13.3	27.7	7.6
EPS (% chg)	-	-8.8	-33.3	107.8	-72.5
ROE (%)	13.8	12.1	8.0	16.7	4.7
P/E (x)	62.9	69.0	103.5	49.8	180.8

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Price Performance (%)

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Absolute Returns	-1.6	74.2	135.4	198.4
Rel to Nifty	-1.0	64.2	117.2	171.7

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Larsen & Toubro

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Strong inflow

CMP	MCap (Rs bn)	TP & Rating
Rs2660	3,739	Rs2,550 | HOLD

We hosted P Ramakrishnan (VP - Investor Relation), Harish Barai (Jt GM – IR) and Shalmali Dange (Manager – IR)

Key Meeting-Takeaways

- Management indicated order prospects for 9MFY24 at Rs10.1trn (up 34% YoY) and higher-than-expected prospects at the start of the year. Order prospects for 9M are up 34% (largely backed by international hydrocarbon projects) and are a key positive.
- A large part of the prospect increase has happened on the Hydrocarbon front, as the Middle East is witnessing strong capex in Hydrocarbon and Renewables. LT has maintained its guidance for order inflow growth (12-15%) and sales (10-12%), which looks conservative, but Management seems to be factoring-in some impact of the elections in 4QFY24.
- Company also indicated that majority of the legacy orders would be completed by 2Q/3QFY24; hence, for the fiscal, Project and Manufacturing margin is expected at 9%.
- LT's Board has approved Rs100bn (excluding tax) buy-back through the tender route.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	15,65,212	18,33,407	20,36,854	23,08,401	26,08,392
EBITDA	1,82,173	2,07,533	2,52,784	2,94,685	3,38,769
EBITDA Margin (%)	11.6	11.3	12.4	12.8	13.0
APAT	85,724	1,03,347	1,26,551	1,53,481	179656
EPS (Rs)	61.0	73.5	90.0	109.2	127.8
EPS (% chg)	24.2	20.5	22.5	21.3	17.0
ROE (%)	10.8	12.0	13.5	14.7	15.0
P/E (x)	43.6	36.2	29.5	24.4	20.8

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Price Performance (%)

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Absolute Returns	7.8	20.0	21.6	44.4
Rel to Nifty	8.6	13.1	12.2	31.5

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Man Industries

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Product mix to drive growth

CMP	MCap (Rs bn)	TP & Rating
Rs146	9	N/A

We hosted Nikhil Mansukhani (MD), and Rahul Rawat (Company Secretary)

Key Meeting-Takeaways

- The company is focusing on optimum utilization of current capacity, identification of area of improvement in the current setup, and upgrading the existing setup by undertaking capex to further streamline production. Debottlenecking to enhance production & improve margins and improve focus will be on higher ticket-size projects, for better utilization and reduced wastage.
- Company will further diversify into stainless steel pipe, to serve the Chemical, Oil & Gas, Fertilizers industries. The expansion is to be installed at the existing facility in Anjar, Gujarat. Management is installing fresh capacity in the stainless steel/ERW divisions of 20,000/1,25,000ton.
- In coming 3 years, the company aims to clock revenue CAGR of 18-20%, on the back of better utilization of existing facilities and addition of new products, along with further improvement in EBITDA margin from current levels. It aims to meet its PAT target of Rs100cr by end-FY24, and exceed this FY25 onwards.
- Management is focusing on cycle-time reduction by adopting advanced technologies, moving from being manpower-driven to more technology-driven, accepting higher ticket-size projects for better utilization, and reduced wastage.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	16,075	22,217	17,593	20,802	21,386
EBITDA	1,208	1,782	1,654	2,051	1,806
EBITDA Margin (%)	7.5	8.0	9.4	9.9	8.4
APAT	659	588	571	1,000	1006
EPS (Rs)	11.0	9.8	9.5	16.6	16.7
EPS (% chg)	-	-10.7	-2.9	75.0	0.6
ROE (%)	10.1	8.7	7.9	12.7	11.3
P/E (x)	13.3	14.9	15.3	8.7	8.7

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Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	1.7	27.0	67.8	68.9
Rel to Nifty	2.4	19.7	54.8	53.8

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Welspun Corp

Strong near-term performance visibility, basis order book

CMP	MCap (Rs bn)	TP & Rating
Rs328	86	N/A

We hosted Percy Birdy (CFO), Salil Bawa (Head Group IR), and Goutam Chakraborty (Head IR)

Key Meeting-Takeaways

- The company set a strong tone for a robust FY24, with a 645,000ton order book in pipes. The company is seeing strong execution in its US business, where it has 22% market share.
- The company is seeing strong traction in the Oil & Gas and water segments, where its order book is 100,000ton and 315,000ton, respectively; both books are expected to be executed in FY24.
- On the back of Saudi Aramco's target of becoming the largest player, Company expects 2 major oil and 4 oil & gas pipelines to come up. As an investment of USD14-15bn from Saudi Aramco is anticipated, Company expects to get its share.
- The company plans to liquidate all assets in ABG Shipyard, with Rs7-8bn of scrap sales spread over 5 quarters and expected EBITDA of Rs1bn for FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	63,470	89,535	99,568	71,526	65,051
EBITDA	4,727	4,031	11,219	7,841	4,660
EBITDA Margin (%)	7.4	4.5	11.3	11.0	7.2
APAT	1,522	-623	6,535	6,127	2054
EPS (Rs)	5.8		25.0	23.4	7.9
EPS (% chg)	-	-	-	-6.2	-66.5
ROE (%)	5.3	-	21.7	16.8	4.8
P/E (x)	56.4	-	13.1	14.0	41.8

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	8.4	45.3	68.8	54.8
Rel to Nifty	9.1	37.0	55.7	41.0

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Welspun Enterprises

Robust guidance, basis acquisition and monetization

CMP	MCap (Rs bn)	TP & Rating
Rs281	39	N/A

We hosted Sandeep Garg (MD), Lalit Jain (CFO), Salil Bawa (Head Group IR) and Siddharth Bharadwaj (Lead IR)

Key Meeting-Takeaways

- The company is set to acquire 50.1% stake in Michigan Engineers Private, or MEPL, a technology-based EPC company involved in underground infrastructure, water infrastructure and sewage infrastructure projects. This acquisition aligns with Company's strategy of growing the water infrastructure business and entering the tunnelling business, and complements the existing water and road business. The entity is a local player and Welspun can provide national reach.
- **EPC business trajectory:** As Welspun identifies as a highly-conservative and risk-mitigating player, it does not intend to play in the highly competitive market, rather only where bidding involves 2-3 players. Welspun evaluates risk basis project geography, complexity, resources & cash flows, and takes time to bid accordingly. It has a ~30% order win rate.
- **Monetisation of assets:** The company reiterated that it will monetize the O&G asset after making it mid-size, and the question is not 'if' but 'when' to monetize. The delay was due to FDPs.
- Company has a strong order book, including O&M spread across Water and Road segments, at ~Rs96bn. It sees promising road &water opportunities in Maharashtra and, with growth in NHAI, aims to secure additional orders worth Rs60-80bn in both, the Road and Water sectors, combined.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	10,671	17,866	18,076	15,295	14,014
EBITDA	430	1,788	1,908	1,642	1,490
EBITDA Margin (%)	4.0	10.0	10.6	10.7	10.6
APAT	801	1,143	1,449	1,290	1238
EPS (Rs)	5.8	8.3	10.5	9.3	8.9
EPS (% chg)	-	42.8	26.7	-11.0	-4.0
ROE (%)	6.0	8.2	9.6	7.9	7.1
P/E (x)	48.6	34.1	26.9	30.2	31.4

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	20.9	95.8	110.6	172.9
Rel to Nifty	21.7	84.5	94.3	148.5

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KFin Technologies

Diversification remains the key

CMP	MCap (Rs bn)	TP & Rating
Rs379	64	Not Rated

We hosted Vivek Mathur (CFO) and Amit Muraka (Head-Global Business Finance, M&A and IR)

Key Meeting Takeaways

- KFin Technologies (KFintech) had secured the mandate for Bajaj Finserv's Asset Management Company in the previous quarter. In the quarter ending in June 2023, the fund initiated its activities by introducing four new funds.
- KFintech is capturing opportunities in the Southeast Asian markets, particularly in Malaysia, Singapore and Philippines. The company has recently launched its operations in Thailand. By proving its success on the transition of existing schemes with small and mid-size funds, the company is now tapping on the opportunity with large funds.
- The company is actively developing value-added enhancements within the technological solutions aspect of its business, incorporating platforms like Digix and Quest, which leverage Big Data. In Q1FY24, revenue from these value-added solutions exhibited YoY growth of 16%, and management expresses confidence in surpassing the 20% mark in the upcoming quarters.
- Given the launch of NFOs by several clients, the company expects decent revenue growth in the Mutual Fund business.
- As per management, the company held a 60% market share in GIFT City. Following the acquisition of Hexagram, KFintech has positioned itself as the sole RTA capable of providing comprehensive, scalable solutions for diverse forms of fund administration.
- As the company hones its capabilities in overseeing hedge, alternate hedge and private equity funds, management envisions favorable prospects for the company's endeavors in the European and American sectors.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Op. Revenue	4,413	4,499	4,811	6,395	7,200
Opex as a % of Revenue	67%	65%	56%	55%	59%
EDITDA	1,449	1,586	2,124	2,879	2,980
EBITDA Margin	32.8%	35.3%	44.1%	45.0%	41.4%
PAT	566	45	-645	1,485	1,957
PAT Margin	12.8%	1.0%	-13.4%	23.2%	27.2%
ROE	11%	14%	31%	30%	26%
P/E	259.7	1,353.9	-88.6	43.1	32.7

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	1.1	14.3	20.5	NA
Rel to Nifty	1.8	7.7	11.2	NA

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Persistent Systems

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Targeting USD2bn revenue in next 4 years

CMP	MCap (Rs bn)	TP & Rating
Rs4,938	380	Rs4,970 | HOLD

We hosted Harit Shah (Senior Manager, IR) of Persistent Systems

Key Meeting Takeaways

- Both deal-wins' TCV and ACV fell QoQ, down 10% and 12%, respectively. Management noted that the demand environment was healthy, but stretched decision-making impacted the deal intake. It experienced delay in decision making, which led to the right shifting of deal closures.
- Management has called out some softness in BFSI while remaining bullish on healthcare and lifesciences and Hi-Tech. BFSI is likely to grow below the company's average in the near term. Growth momentum sustained in North America, while revenue from Europe declined on a sequential basis.
- The company deals with four segments in healthcare – scientific instruments, medical devices, payer provider and pharma. It experiences softness in two of these (i.e. scientific instruments and medical devices) but expects growth to improve in the coming quarters.
- The company has implemented wage hikes w.e.f. July 1, 2023, with ~7.5% hike on an average for India-based employees and 3.5-4% hike for employees ex-India. The company expects margin headwinds to be negated by cost-rationalization measures.
- Management expects EBITM to expand by 200-300bps over the next 2-3 years, owing to scale benefits, client mining, pyramid rationalization and better pricing in newer areas like cloud and generative AI.
- Management highlighted that all acquisitions have been fully integrated and are now again active on the M&A front.
- The company is aspiring to reach USD2bn revenue in the next four years, of which USD100-150mn will be inorganic contribution.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	57,107	83,506	96,924	1,15,054	1,35,380
EBITDA	9,730	15,191	17,573	22,050	26,081
EBITDA Margin (%)	17.0	18.2	18.1	19.2	19.3
APAT	6,904	9,211	11,484	14,680	17,601
EPS (Rs)	90.3	120.5	149.3	190.8	228.8
EPS (% chg)	53.2	33.4	23.9	27.8	19.9
ROE (%)	22.4	25.9	26.1	27.6	27.5
P/E (x)	54.7	41.0	33.1	25.9	21.6

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.3	6.4	4.1	32.9
Rel to Nifty	1.0	0.2	-3.9	21.0

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Route Mobile

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Proximus transaction to accelerate USD1bn journey

CMP	MCap (Rs bn)	TP & Rating
Rs1,520	95	Rs1,670 | HOLD

We hosted Gautam Badalia (CSO) of Route Mobile

Key Meeting Takeaways

- With Proximus taking a controlling stake, Route can take advantage of synergies through collaboration with TruSense and Telesign products, with digital identity becoming a key focus area.
- There is no change in the inorganic growth plan post the transaction with Proximus, and the company is on the lookout for tuck-in investments in the product space. This transaction will accelerate Route's journey to USD1bn in the next 3-4 years at a much quicker pace. Overall, the approval process should take four months, which will be followed by the open offer. All transactions will be conducted at arm's length.
- Rajdip Gupta has signed a lock-in agreement for four years with Proximus and can exercise the exit option only at the end of the fifth year.
- Route has signed a direct contract with a leading e-commerce and cloud computing company for offering CPaaS services across 10 countries. Currently, it handles traffic only in India through a third party. With this contract, the company will offer services in nine other countries. As of now, the company is in the integration stage and expects volumes to pick up from Aug-2023.
- The combined annual revenue of Route and Telesign is ~EUR900mn (CPaaS revenue: ~95%; Digital Identity products revenue: ~5%). The combined EBITDAM is expected to reach 13-15%, including synergy benefits (75% coming from cost synergies). Both entities are highly complementary in terms of product offerings and geographical footprint.
- Some non-critical volumes may come off due to price hikes, but volumes will return gradually. Overall, ROCE of over 30% should sustain going ahead as well.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	20,020	35,692	43,013	49,017	55,910
EBITDA	2,186	4,442	5,399	6,176	7,212
EBITDA Margin (%)	10.9	12.4	12.6	12.6	12.9
APAT	1,662	3,271	3,801	4,334	5,226
EPS (Rs)	26.1	52.4	60.9	69.4	83.7
EPS (% chg)	22.9	100.4	16.2	14.0	20.6
ROE (%)	14.3	18.7	19.4	19.3	20.3
P/E (x)	58.2	29.0	25.0	21.9	18.2

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-6.5	16.8	21.8	3.4
Rel to Nifty	-5.9	10.1	12.3	-5.9

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TCS

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Growth momentum moderates

CMP	MCap (Rs bn)	TP & Rating
Rs3,450	12,623	Rs3,300 | HOLD

We hosted Kedar Shirali (Vice President and Global Head – IR) and Nehal Shah (Executive – IR)

Key Meeting Takeaways

- TCS is witnessing a challenging operating environment as clients remain cautious, pausing discretionary projects, focusing on business-critical faster ROI projects and deferring non-critical ones. Further, July followed the similar trend as June.
- In FY24, Management does not expect back-end growth given the uncertain macro environment. It believes margin recovery will be determined by revenue growth trajectory.
- Given macroeconomic uncertainty, there is a strong interest in cost optimization, vendor consolidation and integrated operations deals. Clients are taking the MoM approach, resulting in limited visibility. TCS is not seeing any largescale project cancellations or ramp-downs. However, for projects with weak ROIs, the next phase of the project has been put on hold. Management is not seeing any issues with investment in technology from a long-term perspective.
- U.S. regional banks crisis is largely behind. Mortgage, Capital Markets, and P&C remain weak in BFSI. Essential retail is doing well, but other retail segments are seeing softness in demand. Manufacturing is doing well on a low base, delay in demand recovery and easing of the supply chain.
- Management refrained from providing any timelines for demand recovery, considering macro uncertainties, while reiterating that tech spends in the long term remain strong.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	19,17,540	22,54,580	24,04,235	27,05,439	29,67,310
EBITDA	5,30,570	5,92,600	6,37,631	7,27,510	8,07,370
EBITDA Margin (%)	27.7	26.3	26.5	26.9	27.2
APAT	3,83,270	4,21,470	4,64,715	5,31,886	5,94,264
EPS (Rs)	104.7	115.2	127.0	145.4	162.4
EPS (% chg)	19.5	10.0	10.3	14.5	11.7
ROE (%)	42.6	45.9	45.7	43.8	41.4
P/E (x)	32.9	30.0	27.2	23.7	21.2

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.8	5.4	-1.4	3.5
Rel to Nifty	-1.2	-0.7	-9.1	-5.8

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TCI Express

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Levers for sustained revenue growth and margins intact

CMP	MCap (Rs bn)	TP & Rating
Rs 1,414	54	Not Rated

We hosted Mukti Lal Agarwal (CFO) and Piush Chachan (Business Head, Maharashtra)

Key Meeting-Takeaways

- Management reiterated its FY24 guidance, with volume growth of 12-13% and revenue growth of 14-15%. EBITDA margins are expected to expand by 50-75bps YoY
- Capex, primarily spent on automating sorting hubs, is expected at Rs0.9-1bn, in line with its long-term target of Rs5bn up to FY28
- The Rail Express business is seeing good traction as a reliable and inexpensive mode of transportation, with 20% YoY growth witnessed in Q1FY24. New services like Rail Express, Cold Chain Express and C2C Express now contribute ~17% of the total revenue (Rail contributes <2-3% of the total revenue currently).
- Automation at the Pune hub is likely to be completed by Q4FY24 which will add 25bps to EBITDAM. Automation not only provides margin levers but also de-risks execution-related challenges in the business, viz. dependence on labor, better utilization of vehicles (as wait time for loading and unloading reduces), and managing the peaks &troughs of network capacity
- Company is relatively cushioned from price-sensitive customers, as it operates in the transportation of high-value goods. Cost of its services vs. value of cargo transported is hardly 1-1.5%, wherein service reliability is of prime importance.
- Company serves a wide range of customers (>50% revenue from SME customers), with the top-25 customers contributing <15% of the total revenue

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	10,238	10,320	8,440	10,815	12,410
EBITDA	1,190	1,213	1,343	1,747	1,945
EBITDA Margin (%)	11.6	11.8	15.9	16.2	15.7
APAT	731	893	995	1,288	1391
EPS (Rs)	19.1	23.3	26.0	33.6	36.3
EPS (% chg)	24.4	22.2	11.4	29.5	8.0
ROE (%)	30.8	29.5	25.8	26.6	24.6
P/E (x)	74.2	60.7	54.5	42.1	39.0

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-7.8	-6.4	-6.3	-13.9
Rel to Nifty	-7.2	-11.8	-13.5	-21.6

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Hindustan Petroleum Corporation

Navigating volatile macros, amid aggressive capex plans

CMP	MCap (Rs bn)	TP & Rating
Rs263	374	Rs270 | HOLD

We hosted the senior management of HPCL.

Key Meeting-Takeaways

- Pre-commissioning is in the final stages for FCHCU, HGU and SRU of the Vizag refinery expansion, commissioning (13.5mmtpa, higher yields) of which is expected in a month. MS-HSD's share in product slate would increase from 60% to 75%, post expansion. Vizag expansion will result in incremental GRM of USD2-2.5/bbl. Of the FY24 capex of Rs120-140bn, Rs40-50bn would be towards Vizag and Rs40bn towards Barmer equity.
- HMEL's petchem facility has commissioned and is operating at 75-80% utilization currently. HPCL as a group will now have 2.2mmtpa of petchem capacities. HMEL's current debt is ~Rs320-340bn, while HPCL targets for less than 3x debt/EBITDA at the group level.
- Barmer refinery has achieved financial closure, with debt syndication at Rs486.3bn, and will be progressively commissioned from FY25. Total Barmer project cost is ~Rs720bn, of which Rs650bn has been committed contractually and Rs320bn has been spent so far. Barmer refinery would be classified as an associate company in the books, and not as a subsidiary.
- Chhara LNG is expected to commission by year-end, as breakwater and connectivity work is completed (13.5tbtu contract bagged from OPaL). HPCL gained market share in auto-fuels. It added 56 ROs in Q1 (21.2k ROs in total). Mgmt. refrained from commenting on potential changes to auto-fuel RSPs, as the situation keeps evolving.
- HPCL is evaluating preferential and/or right issue as a part of the government budget of Rs300bn towards new energy capex of OMCs. HPCL requires 400MW of power annually, of which it has 180MW of renewable capacity and targets 500MW by 2025.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	23,29,968	34,96,829	43,47,860	44,82,541	40,49,503
EBITDA	1,59,254	1,01,759	-1,13,306	1,66,658	1,55,548
EBITDA Margin (%)	6.8	2.9	-2.6	3.7	3.8
APAT	1,05,310	59,162	-1,32,046	71,972	50698
EPS (Rs)	72.5	41.7	-93.1	50.7	35.7
EPS (% chg)	450.2	-42.5	-	-	-29.5
ROE (%)	32.3	15.8	-39.8	23.9	14.9
P/E (x)	3.6	6.3		5.2	7.4

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-8.4	1.0	12.7	7.1
Rel to Nifty	-7.7	-4.8	4.0	-2.4

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Oil India

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Steady growth outlook; NRL expansion on track

CMP	MCap (Rs bn)	TP & Rating
Rs279	303	Rs330 | BUY

We hosted the senior management of Oil India Ltd.

Key Meeting-Takeaways

- OIL plans to drill 75 new wells (32-33 exploratory) in FY24 at a capex of Rs50bn. OIL continues to target 4mmtpa by FY25 and additional production will come from the Baghjan area as well. It has 5 focus areas — 4 in the North East and 1 in Rajasthan.
- OIL is also targeting 5bcm gas from 3.2bcm in FY23, with IGGL commissioning to assist in evacuation. NRL consumes 1mmscmd gas from OIL's output and would require 2.5mmscmd post the NRL expansion. Besides, this demand could arise from the BVFCL and BCPL expansion.
- OIL has 28-29 OALP blocks now, with 70% being Cat 1 basins. It started work here in 2018-19 and plans to incur Rs60bn cost for exploration, with a 4yr extendable MWP attached to these blocks. These are revenue-sharing contracts with royalty at lower rates and NIL cess.
- Mozambique project development is likely to restart in Oct-23, while production would commence in 2027. OIL has invested USD1bn initially, then USD400mn of cash calls and expects outflow of another USD400mn over time. Once project development restarts, debt funding will be available.
- NRL expansion likely to be completed by mid-2025. Gradual ramp up in average utilization at 60%/90%/100% in Yr1/2/3 for NRL. NRL slate will continue to comprise of 80% of MS-HSD combined, as well as petchem feeds, while refinery will be flexible for increasing petchem feedstock.
- Excise duty benefit is expected to continue on NRL expanded capacity as well. OIL's crude production cost is USD30-32/bbl, of which funding cost is ~USD12/bbl. Gas production cost is USD2-2.5/mmbtu. OIL has invested USD600mn in Vankorneft and recovered 75% through dividends while in Taas, OIL has invested USD400mn and recovered 95% through dividends.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,24,841	3,00,112	4,10,389	2,89,046	2,99,397
EBITDA	56,885	1,05,004	1,52,681	99,807	1,08,995
EBITDA Margin (%)	25.3	35.0	37.2	34.5	36.4
APAT	39,508	56,216	87,286	58,968	64951
EPS (Rs)	36.4	51.8	80.5	54.4	59.9
EPS (% chg)	3.5	42.3	55.3	-32.4	10.1
ROE (%)	15.1	20.7	25.3	14.1	13.7
P/E (x)	7.7	5.4	3.5	5.1	4.7

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	9.1	9.1	8.4	46.8
Rel to Nifty	9.8	2.8	0.0	33.6

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MedPlus Health Services

Expanding its wings; in the process of becoming Bigger & Better

CMP	MCap (Rs bn)	TP & Rating
Rs890	106	Not Rated

We hosted Sujit Mahato, CFO and Chetan Dikshit, CSO at MedPlus Health Services (Not Rated)

Key Meeting-Takeaways

- Hyderabad-based Medplus, a discount player, is into pharma and wellness products (~85%) as well as FMCFG products (~15%). It is one of the few players who caters to acute and chronic conditions via its omni-channel services. Its strong network of ~4,000 (44% in Tier-II) spread across 10-11 states and its status of the 2nd-largest pharmacy retailer in India in terms of revenue and number of stores give it an edge over others, to deliver goods within 2hrs at economical cost. It plans to venture into states such as WB/AP/Kerala. It recently forayed into radiology and pathology testing. It started a Diagnostic pilot project in Hyderabad, operates 4 full-service diagnostic centers, 7 level-two centers and 122 collection centers.
- Overall, the total cost of opening one store is Rs30lac, which includes Rs17-18lac of inventory. Typically, breakeven for a store is seen within 6months and cohorts within 5months. Stores are seen in bylines in order to reduce rental cost and convenience. It typically follows the cost plus model and gives 10% discount on bills below Rs1,000 and 20% over Rs1,000. Online forms ~6% of its revenue.
- The company is focusing on deep penetration in present states and expanding to newer states (2); it is focusing on Pharmacy and Diagnostics segments with quality and branded products. Will focus on increasing the revenue share in Non
- MedPlus has introduced the MedPlus Advantage Pharma subscription plan for its customers in Hyderabad, offering several exciting benefits. For membership, customers are required to pay annual subscription fee of Rs499. Company is as of now offering subscription at Rs49. As part of the plan, customers gain access to MedPlus branded products at discounted rates, ranging between 50% and 80%. Initially, the plan covered 433 pharma products; the company is now planning to expand offerings, to include more products.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	22,727	28,706	30,693	37,793	45576
EBITDA	1,191	1,337	2,167	2,724	2,657
EBITDA Margin (%)	5.2	4.7	7.1	7.2	5.8
APAT	124	22	623	931	501
EPS (Rs)	1	0.2	5.2	7.8	4.2
EPS (% chg)	-70.8	-82.2	2732.9	49.4	
ROE (%)	4.2	0.5	9.9	8.7	
P/E (x)	858.2	4827.5	170.4	114.1	

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.3	23.4	34.9	21.9
Rel to Nifty	3	16.2	24.5	11

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Adani Green Energy

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Your success is our success

Strong execution and guidance

CMP	MCap (Rs bn)	TP & Rating
Rs951	1,507	N/A

We hosted Viral Raval (Head IR) and Harshit Talesara (IR)

Key Meeting-Takeaways

- The company currently has operational capacity of 8.3GW (Solar: 5GW; Hybrid: 2.1GW; Wind: 1.2GW) —the largest in India. Company has a lock-in portfolio of >20GW, which provides near-term visibility on an RE portfolio of 45GW by 2030.
- Company has an Energy Network Operation Center (ENOC), which enables real-time monitoring of the portfolio that, in turn, allows instant detection of a fault and suggests corrective actions for reducing the mean time to repair assets across 12 assets.
- Company guides to Rs108bn EBITDA with 2.4-3GW capacity addition through Rs140bn capex for FY24.
- The company remains mindful of its ESG practices and intends to achieve decarbonization of the supply value-chain through the GHG supplier engagement program.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	20,580	25,490	31,240	51,330	77,920
EBITDA	15,255	12,590	21,510	35,100	47,370
EBITDA Margin (%)	74.1	49.4	68.9	68.4	60.8
APAT	-4,737	1,790	2,949	4,346	11331
EPS (Rs)		1.1	1.9	2.7	7.2
EPS (% chg)	-	-	64.7	47.4	160.7
ROE (%)	-	8.3	12.9	18.1	22.9
P/E (x)	-	841.8	511.0	346.7	133.0

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.4	6.2	45.5	-56.3
Rel to Nifty	-0.8	0.1	34.3	-60.2

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JSW Energy

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Transitioning to energy products and services

CMP	MCap (Rs bn)	TP & Rating
Rs347	571	N/A

We hosted Bikash Chowdury (Senior VP), Anshul Verdia (Investor Relations), Rava Mistry (Investor Relations)

Key Meeting-Takeaways

- Company is focusing on aggressive capacity expansion, from the installed capacity of 6.6GW now to 9.77GW by end-FY26 (growth of ~50%). Majority (~80%) of this expansion will be through renewables: wind, solar and hydro power projects. By FY26, around 61% of its installed capacity will entail renewable sources of energy.
- Doubling of profitability in the next 3 years has been projected. With commissioning of upcoming generation capacities, the company's net profit is likely to more than double, from Rs1,480cr (FY23) to over Rs3,000cr by FY26, which will be based only on higher power generation. Benefits of operating and financial leverage will play out from FY27.
- The company is pioneering in energy storage technologies. JSW Energy has demonstrated its forward-thinking approach by investing in solar power battery storage and hydro pump storage. The company can store excess energy during peak-production periods and deploy it during peak-consumption periods. These energy storage solutions enable the company to address the intermittency challenge associated with renewable energy.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	91,376	82,727	69,222	81,672	1,03,318
EBITDA	28,531	29,569	29,066	35,690	32,818
EBITDA Margin (%)	31.2	35.7	42.0	43.7	31.8
APAT	6,823	10,268	7,758	16,930	13014
EPS (Rs)	4.1	6.2	4.7	10.3	7.9
EPS (% chg)	-	50.5	-24.4	118.2	-23.1
ROE (%)	6.0	8.8	5.9	10.6	7.2
P/E (x)	83.7	55.6	73.6	33.7	43.9

Source: Company, Emkay Research (Based on closing share price as on 14th August, 2023)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	14.0	33.6	56.1	8.5
Rel to Nifty	14.8	25.9	44.0	-1.2

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Renaissance Global

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D2C to drive single-digit growth in FY24, despite weak macros

CMP	MCap (Rs bn)	TP & Rating
Rs95	9	NOT RATED

We hosted Sumit Shah (Chairman and Global CEO) and Naimesh Shah (GM - Corporate Strategy)

Key Meeting Takeaways

- Renaissance Global Limited (RGL), a global branded jewelry player, has a growing portfolio of owned and licensed brands, where it holds synergistic agreements with global brands, such as Disney, Hallmark and NFL. Under its owned segment, it has a portfolio of brands, including *Irasva* and *With Clarity*. On the distribution front, the company operates through both the B2B and D2C models.
- In Q1FY24, RGL's revenue declined 17% to Rs4.7bn due to inflation-led weak demand trends and focus on inventory liquidation by retailers in customer brands business (down 31%), while the branded jewellery segment saw 7% growth (led by the D2C business). Management indicated early signs of recovery and expects demand recovery/channel-filling in H2FY24. Overall, management expects single-digit growth in FY24, led by continued traction in D2C, while the rest of the business is expected to remain flat.
- EBITDA margin rose 40bps to ~8%, with the branded business reporting 13.5% margin, while customer brands reported weak margins. The D2C business grew 36% to Rs553mn, with a target of Rs3.1bn revenue in FY24 (~50% growth). Overall, the increase in the mix of high-margin and low-capital intensive branded jewelry business should support healthy free cash generation going ahead.
- *Irasva* has three stores (Jun-23 end) and competes in the high-end studded jewelry segment. The format is generating healthy double-digit store-level margin and a payback of three years. Given attractive metrics, RGL plans to add 4-5 stores annually. RGL is also testing physical stores for *With Clarity* and a successful pilot should drive 4-5 store additions for the format in FY25.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	25,906	25,019	20,312	21,898	22,366
EBITDA	1,215	1,502	955	1,760	1,713
EBITDA Margin (%)	4.7	6.0	4.7	8.0	7.7
APAT	771	879	425	1,058	883
EPS (Rs)	8.2	9.3	4.5	11.2	9.4
EPS (% chg)	23.5	13.9	-51.7	149.2	-16.6
ROE (%)	12.7	12.9	5.5	12.0	9.1
P/E (x)	11.6	10.2	21.1	8.5	10.2

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-5.7	7.4	-0.3	-22.9
Rel to Nifty	-5.1	1.2	-8.0	-29.8

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Sterlite Tech

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Demand outlook healthy; China supply to be limited

CMP	MCap (Rs bn)	TP & Rating
Rs151	60	N/A

We hosted Sterlite Tech management at our Emkay 2023 conference

Key Meeting-Takeaways

- **Optical business to grow for Sterlite:** Company will continue to grow the optical business by increasing OFC market share and the connectivity attach rate. Company is also building new capabilities for value-added services and working to improve the UK operations' profitability. Overall revenue to grow 7-9% YoY in FY24. Company has also started projects to optimize raw material and fixed costs, to become more competitive.
- **Net Debt is stable on QoQ basis** and Company expects net debt-to-EBITDA at 2.5x by the end of FY24.
- **Demerger by Q1FY25:** Company has filed the Services business demerger scheme with the exchanges. Demerger is expected by Q1FY25.
- **Demand outlook healthy**: Optical fiber cable volume expected to increase to 638mn-fkm by 2027, up from 535mn-fkm in 2022, per CRU (3.6% CAGR). OFC demand contracted 3.4% in H1 2023, led by North America, though demand grew in Europe, Asia ex-China, and rest of the world.
- **China supply to be limited:** China Mobile tender was awarded for 108mn-fkm. Average cable price in RMB remains unchanged vs previous year. China Telecom tender was also announced for 50mn-fkm volume. These awards will mitigate any price risk from China in the short term.
- **Mid-term to long-term demand outlook positive for USA,** as Biden administration announced USD42.5bn funding for last-mile fiber networks.
- **Sterlite Tech market share remains stable at 11% in H1CY23 vs H1CY22.** Connectivity business also remains stable at 10%. Company expects OFC market share to grow H2FY24 onwards. New products in the connectivity business should also see a jump in attach rate.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	50,873	51,544	48,252	54,370	69,250
EBITDA	11,196	10,103	8,071	5,630	7,860
EBITDA Margin (%)	22.0	19.6	16.7	10.4	11.4
APAT	5,614	4,712	2,737	680	1419
EPS (Rs)	14.1	11.8	6.9	1.7	3.6
EPS (% chg)	67.3	-16.1	-41.9	-75.1	108.6
ROE (%)	38.8	25.9	14.0	3.5	7.0
P/E (x)	10.7	12.8	22.0	88.3	42.3

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	1.9	-7.3	-11.1	2.0
Rel to Nifty	2.6	-12.6	-18.0	-7.1

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MakeMyTrip (MMYT)

India Equity Research
August 16, 2023
Conference Note

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Key beneficiary of structural demand in travel

CMP	Mcap (USD bn)	TP & Rating
USD36.5	3.8	N/A

We hosted Vipul Garg (Head IR)

Key Meeting Takeaways

- **Demand in travel is structural in nature.** There is no slowdown in consumers' discretionary spend in travel; revenue looks sustainable and there is no pent-up demand now. Consumer preferences are evolving and experiencing travel is now increasingly emerging as one of the preferred areas to spend from consumers' growing disposable income.
- **Outlook for travel demand expected to grow.** Both domestic tourism and international outbound travel are expected to grow at a faster pace in the next 10 years compared with the last 10 years prior to the pandemic. Infrastructure investments are aiding domestic tourism's growth, while aspirational Indians are looking to travel to various international destinations.
- **People are exploring nearby offbeat locations.** This leads to a huge spike in travelling during long weekends. Travelers are also going for a number of shorter vacations besides long vacations now.
- **Discounting-led competition has abated** and there is healthy competition in the sector now.
- **MMYT continues to record 30% plus share in the domestic flown passenger market.** Long-haul destinations still haven't recovered fully due to supply constraints and visa-related issues. Short-haul international travel has surpassed pre-pandemic levels.
- **Some seasonality persists.** Airline and hotel fares have moderated marginally. Many places, including Himachal Pradesh, have been affected by the monsoon season.
- **Bus ticketing business continues to deliver strong results.** MMYT expects fleet additions to be strong in the second half of the year. The company is gaining market share in the rail ticketing business.

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Control Print

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Improving efficiencies and gaining market share

CMP	MCap (Rs bn)	TP & Rating
Rs742	12	NA

We hosted Shiva Kabra (Director) and Jaideep Barve (CFO)

Key Meeting Takeaways

- Control Print is the pioneer in manufacturing coding and marking solutions in India with over two decades of industry experience. The company is involved in the development, research, manufacturing and marketing of printing machines, spare parts, consumables (fluids) and associated services. Control Print provides services to various industries like cement, metals, chemicals, glass, wood, rubber, plastic, pharmaceutical, FMCG and foods & beverages.
- Control Print operates in two segments – Industrial and Foods & Beverages. Industrial contributes 65% and packaging contributes 35% to the overall revenue. The company operates in a four-player oligopolistic industry. The other three players are MNCs. The company stands second in terms of market share. The total market size of coding and marking is Rs17.5-18.0bn and has the potential to reach Rs35-40bn in the next 7-10 years.
- The installed base of printers is currently at 17,000 and has a good potential to generate annual maintenance charges.
- Control Print has acquired 75% of Markprint B.V. for Euro1.5mn through its Dutch Holding Company, Control Print B.V. This is a strategic acquisition for Control Print both in terms of adding technical capabilities as well as getting a toehold in the European market.
- The company plans to scale up its online digital printing business in future as it is profitable.
- The company has introduced new products for both industrial and non-industrial sectors. The newly launched product, called Track & Trace System Printers, is witnessing a pick-up in sales, mainly led by industries like pharma.
- Management has guided for revenue of Rs4bn in FY25.
- The company is working on enhancing production efficiencies, which are expected to improve margins going ahead. Moreover, the company has continued to focus on increasing its market share across multiple sectors for growth in printers and consumables.

Financial Snapshot

(Rs mn)	FY22	FY23
Revenue	2,562	3,043
EBITDA	593	760
EBITDA Margin (%)	23.1%	25.0%
APAT	401	529
EPS (Rs)	24.6	32.4
EPS (% chg)	38%	32%
ROE (%)	16.6%	18.8%
P/E (x)	23.0	17.7

Price Performance (%)

Absolute Returns	12.6	22.7	58.7	52.8
Rel to Nifty	13.3	15.7	46.4	39.1
Absolute Returns	12.6	22.7	58.7	52.8

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