Emkay Confluence

Unleashing India's Potential

16-18, AUG 2023 TRIDENT BKC, MUMBAI

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Emkay Confluence: Unleashing India's Potential

Day 2 Highlights

Refer to important disclosures at the end of this report

August 17, 2023

Nifty: 19,365

Sensex: 65,151

Day 2 of our *Emkay Confluence* set a record, with nearly 65 companies and over 500 clients taking in about 1,500 meetings in all. First, a quick glance at the key takeaways from the MainTrack session:

MainTrack summaries:

- Bhargav Dasgupta @ICICI Lombard remains bullish on growth prospects of GI in India, given not only the apparent under-penetration in most categories but also the non-substitutability of pure risk products. He feels Home Insurance is where Health was a decade ago — rising severity of natural catastrophes and a right regulatory tweak could accelerate adoption. He re-iterated the most important mantra of profitable growth, even as the competitive environment has become more conducive for growth.
- Angshu Mallick @Adani Wilmar sees a massive long-term opportunity for branded players in the USD125bn staples segment. Outside edible oils, the share of branded players is less than 10-12%. Sourcing of consistent quality at scale, low-cost logistics and competitive pricing will formalise the sector. Urban consumption will be triggered by innovative value addition.
- Professor Pushpak Bhattacharyya @IIT Mumbai enlightened us on the evolution of NLP and LLM. He also highlighted that adoption of AI is inevitable over the longer term, with material improvement in productivity. While a few low-end skilled jobs could be impacted and may have some near-term implications, he is convinced that the long-term outcome would be positive. Prof Bhattacharyya pointed to the democratization of LLMs that can aid in further advancement of technology. He personally believes that light-touch regulations are the key to higher innovation.

Company Meetings — Key highlights:

- There is increasing conviction on sustainability of infrastructure spend and a sizeable pick-up in manufacturing capex. Interestingly, growth in insurance premiums accompanying under-execution projects is up 35% in FY24-YTD. Apar highlighted a big recovery in the power supply chain.
- Cement demand is up strongly, in double digits, on the back of infrastructure spend. Companies are focussing on volume growth — Dalmia's attempt to push up prices did not stick and had to be reversed to stem market-share loss. Lower input prices will protect margins, though.

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- We hosted nearly 10 banks today. Despite higher rates for a longer term, most banks expect systemic credit growth to beat the earlier expectations of ~12%, if the current trend endures. Views on NIM are mixed, but mostly company-specific, guided by product and liability mix. Asset quality is stable, though the upcoming state and national elections usher in an element of risk.
- Recovery in rural-centric 2Ws appears to be slower than expected. However, urban-focused segments (premium motorcycles and scooters) continue to fare well. OEMs and Ancillary companies are ramping-up efforts to benefit from the structural trends, towards premiumization (both segments and features).
- QSR companies continue to face headwinds, as consumers re-orient spends towards leisure and hospitality; this in a way is resulting in normalisation of surge in spends on goods during the pandemic. Interestingly though, urban-centric consumption (GoColors) and Uber luxury discretionary spends (Ethos) are holding up well.
- IT companies' managements retained their cautious near-term outlook due to leakage in the base business, weakness in discretionary spending, and delay in decision-making amid macro uncertainties. Midcap companies are likely to maintain growth outperformance over large-cap peers which would sustain their valuation premium.

Tomorrow we return with another 50 odd companies and keenly await engaging with you again.

Regards,

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

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Day 2 of Confluence — Power packed line up

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The 2nd day of our annual flagship conference saw a line-up of 65 companies from across India

Main track events and companies hosted on Day-2

Main track events (Speakers)

Gogoro (E-2Ws), Taiwan

Mr. Bruce Aitken

CFO

CSE, IIT Bombay

Mr. Pushpak Bhattacharyya

Professor

Adani Wilmar

Mr. Angshu Mallik

CEO

ICICI Lombard

Mr. Bhargav Dasgupta

MD & CEO

Auto & Auto Ancillaries

1. Escorts Kubota
2. Gogoro, Taiwan (E-2Ws)
3. Pricol
4. Sandhar Technologies
5. Talbros Automotive Components Limited

BFSI - Banks

6. Bandhan Bank
7. Bank of Baroda
8. Bank of India
9. Catholic Syrian Bank
10. Equitas Small Finance Bank
11. Indian Bank
12. IndusInd Bank
13. Punjab National Bank

BFSI - Banks

14. RBL Bank
15. State Bank of India

BFSI - Insurance

16. ICICI Lombard
17. SBI Life

BFSI – NBFCs

18. Satin Creditcare Network
19. Ugro Capital

Building Materials

20. Rushil Décor

Cement

21. Dalmia Bharat
22. Sagar Cement

Consumer Goods

23. Adani Wilmar
24. Hindustan Foods Ltd
25. Jyothy Labs
26. Moldtek Packaging

Engineering & Capital Goods, Infra

27. Action Construction Equipments
28. APAR Industries
29. Elecon Engineering
30. Tinna Rubber and Infrastructure
31. Transformers & Rectifiers (India)

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Day 2 of Confluence — Power packed line up

August 17, 2023

Nifty: 19,365

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Information Technology

32. Coforge
33. eClerx Services Ltd
34. Infosys
35. LTIMindtree
36. Mastek
37. Sonata Software
38. Tech Mahindra

Metals & Mining

39. JSW Steel

Oil & Gas

40. Petronet LNG Limited

Pharmaceuticals

41. Ajanta Pharma
42. NGL Fine-Chem

Pipes

43. Prince Pipes and Fittings Limited

Power

44. CESC
45. Tata Power

Real Estate

46. Arvind SmartSpaces Ltd.

Retail

47. Devyani International
48. Dollar Industries
49. Ethos
50. Go Fashion India Limited
51. Sapphire Foods India
52. Westlife Foodworld

Textile

53. Indo Count Industries

Other

54. Gravita India
55. Navneet Education

Escorts Kubota

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Maintains healthy outlook on growth and margins

CMP	MCap (Rs bn)	TP & Rating
Rs2,591	286	3,020 | BUY

We hosted management of Escorts Kubota

Key Meeting Takeaways

- The tractor industry's volume guidance for FY24 was retained at a low-to-mid-single digit; while macros like rainfall and reservoir levels are positive, reduction in subsidies in states like Maharashtra is a headwind.
- CE demand is likely to accelerate post the monsoon season on higher infra spends; the company expects double-digit growth in RED this year, backed by healthy rail tendering and commercialization of new products (e.g. brake pads and brake discs).
- Railway order book stood at Rs9.5bn as of Q1FY24 (vs. Rs10.5bn as of Q4FY23).
- Kubota expects exports to pick up from Q2; currently ~32% of exports are via Kubota's global network.
- Post-TREM regulations for the 50hp+ segment, the company is witnessing greater traction in its 41-50hp portfolio.
- Management expects to sustain margins for the remaining year, aided by softer commodities and cost initiatives, although product mix on tractors may not be stable throughout; full impact of the tractor price hike is likely to be realized from Q2; CE margins seen to log at a high single digit for the year, with RED margins seen at 16-17% for FY24.
- Management expects to close consolidation of Kubota entities by Q4; consolidation to have 150-200bps margin-dilutive impact, as stated earlier.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	71,969	83,450	1,17,386	1,34,602	1,52,080
EBITDA	9,955	7,804	15,847	18,440	21,291
EBITDA Margin (%)	13.8	9.4	13.5	13.7	14.0
APAT	7,656	7,041	13,034	13,925	15705
EPS (Rs)	58.0	53.4	116.5	124.5	142.1
EPS (% chg)	-32.9	-8.0	118.3	6.8	14.2
ROE (%)	11.6	8.6	14.6	13.9	14.2
P/E (x)	44.7	48.5	22.2	20.8	18.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	9.0	25.6	26.2	54.1
Rel to Nifty	9.7	18.4	16.5	40.3

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Gogoro

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Aggressive India plans in the E-2W space

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

We hosted the management of Gogoro, Taiwan

Key Meeting Takeaways

- Gogoro's mission statement is to provide smart, swappable energy to urban customers; the company operates on core beliefs that: a) electrification is inevitable, b) 2Ws would see the fastest penetration, c) partnerships are the way forward (with OEMs, in manufacturing, with fleets, etc.) and d) it is important to have one's own vertically integrated technology (Gogoro does all core components in-house, except battery cells).
- Gogoro views itself as a modular mobility company (and not a 2W maker); its business model is based on being paid for every hour of energy consumed by the customer/supplied by the company. It believes customers would prefer swapping to charging once the convenience of swapping becomes more clear; there could also be strong regulatory control over home charging as it is a safety concern.
- In India, the company may target only urban markets and the B2B space for now; pilots have found that riders can increase earnings by 30-50% using swappable batteries (quicker, easier, more convenient and safer vs. charging); the company believes the electrification market is big enough for both swapping and charging tech.
- The company would launch 2W for B2B application in India in H2 at ~USD1,000-1,500/unit (ex-batteries); on TCO basis, it would be cheaper than ICE despite higher upfront costs as running costs would be 10-15% cheaper than gasoline with much lower maintenance costs.
- Established in Taiwan, Gogoro has a strong pedigree; 525K vehicles on road (Gogoro and Gogoro-partnered vehicles form ~90% of all EVs there); capex spend per new customer in Taiwan stands at ~USD1,000; would be lower in India with localization, reduction in battery components pricing etc.
- The company is OEM and battery chemistry agnostic.

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

Pricol

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Aiming to double revenues over FY23-26

CMP	MCap (Rs bn)	TP & Rating
Rs300	35	N/A | N/A

We hosted Siddharth Manoharan (Director Strategy) and Priyadarsi Bastia (CFO)

Key Meeting Takeaways

- Pricol's revenue target for FY26 stands at Rs40bn; Rs36bn through organic growth and Rs4bn through inorganic acquisition with margin expectations at 12-14%; Pricol is looking at a healthy company for acquisition even if it might have to pay extra price for this, given its past experiences with acquisitions not being fruitful.
- Revenue mix from Driver Infotainment Systems/Actuation Control and Fuel Management stands at 65% and 35%, while the focus remains on 2W/CV and OHVs (60% and 35%), respectively. Management has decided to play with a few customers in the PV segment (5%); margins in PV and 2W products are same; revenue mix in FY26 is expected to remain the same.
- In PVs, management has indicated about 70% market share in Tata Motors; and it expects to come in a big way in M&M; in 2Ws, barring two products, the company is a single source supplier for all its products and top 8-10 customers contribute to 75-80% of its revenue.
- The company has indicated that it is 4-5 years ahead of many competitors in terms of technology, as it tends to invest 4-5% of its turnover in product development; management has indicated that 10% of the revenue would be impacted in case all vehicles become electric vehicles (EV) at this moment; the company has aspirations of having 20% revenue from exports in three years (currently 8%).
- Capex plan for the next three years stands at Rs6bn, with Rs4bn for greenfield facility and Rs2bn for inorganic acquisition. All these investments are expected to be taken care by internal accruals. ROCE guidance stands at 20%.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	18,137	12,394	14,131	15,447	19,586
EBITDA	-539	126	1,779	1,806	2,285
EBITDA Margin (%)	-3.0	1.0	12.6	11.7	11.7
APAT	-1,743	-993	469	523	1171
EPS (Rs)			3.8	4.3	9.6
EPS (% chg)	-	-	-	11.6	124.0
ROE (%)	-	-	10.2	9.5	18.3
P/E (x)	-	-	75.0	67.2	30.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	27.5	22.9	43.8	86.6
Rel to Nifty	28.4	15.8	32.7	69.9

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Sandhar Technologies

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Strong growth focus with financial discipline

CMP	MCap (Rs bn)	TP & Rating
Rs358	22	N/A | N/A

We hosted Yashpal Jain (CFO)

Key Meeting Takeaways

- Sandhar Technologies supplies components like mirrors, sheet metals, stampings, cabins and fabrications and is engine agnostic with revenue mix from 2W/PV/OHVs/CVs/Others at 57%/21%/15%/2%/11%. Revenue mix from TVS/Hero/another OEM/Others stands at 29%/18%/9%/6%; while product-wise mix for Locking System/Vision System/Cabins & Fabrications/Sheet Metal/ADC/Assemblies/Others stands at 19.4% /7.9%/15.2%/12.3%/23.4%/8.2%/13.6%.
- Management expects 20% revenue growth in FY24, led by leveraging product portfolio expansion, entry into newer customers, and increasing content per vehicle.
- Most JVs, which were struggling over the past few years, have turned profitable at the EBIT level. The company has high focus on cost-reduction initiatives, improving utilization, controlling capex, and improving cash flows and return ratios.
- Revenue guidance for FY24 stands at Rs36bn, with major contribution from three plants in place for TVS Motors for sheet metal and die-casting business; margin guidance is at 9.5%, while FY25 revenue guidance is at Rs42bn and margin guidance is at 10%; peak ROCE cannot go above 20%; FY25 PAT expectations are at ~Rs1.7bn; revenue growth will be driven by customer volume growth in locks and mirrors; sheet metal volumes from Hero have been declining after 2021; revenue from three plants for TVS could yield ~Rs3.5bn, while a plant for Hero has a potential of Rs2bn but expects only Rs1.2bn due to volume slowdown at its end.
- FY24/FY25 capex expectations stand at Rs1.7bn/Rs0.7bn, of which EV investment is Rs100mn for motor controllers, DC-DC chargers and battery chargers etc. for Hero and some new-age OEMs.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	19,464	23,358	19,434	18,636	23,237
EBITDA	2,030	2,439	1,869	1,772	1,922
EBITDA Margin (%)	10.4	10.4	9.6	9.5	8.3
APAT	652	953	560	572	561
EPS (Rs)	10.8	15.8	9.3	9.5	9.3
EPS (% chg)	-	46.1	-41.3	2.2	-1.9
ROE (%)	10.3	14.1	7.6	7.3	6.7
P/E (x)	33.0	22.6	38.5	37.7	38.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.4	49.8	60.6	54.4
Rel to Nifty	1.1	41.1	48.1	40.6

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Talbros Automotive Components Limited

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Guides doubling of revenue with improved profitability

CMP	MCap (Rs bn)	TP & Rating
Rs1,101	14	N/A | N/A

We hosted Anuj Talwar (Promoter and Joint MD) and Navin Juneja (Group CFO)

Key Meeting Takeaways

- Talbros Automotive plans to double its revenue and become a Rs22bn company by FY27. EBITDA margin is likely to increase by 15-16% by FY27; rubber business is expected to grow by 30%. The JV has the potential to generate 15% EBITDA margin from current margins of 8.4%.
- The company is increasing its focus on electric vehicles (EV) and expecting a business of Rs2.5bn from EVs by FY27. EV would contribute 12% to revenue by FY27 from the current contribution of 2.5%.
- Management plans to increase exports from the current level of 25% to 35% over the next 3 to 4 years.
- The company plans to invest approximately Rs600mn in the forging division in the next four years starting this year, with Rs180-200mn planned for this year alone; the company has no plans of taking further debt.
- The company plans to expand in the non-auto space segments, with growth opportunities in areas such as biofuel hoses.
- Joint ventures with Talbros Marugo, Magneti Marelli and Nippon Leakless are performing well and expected to contribute significantly to the company's turnover and EBITDA margin growth in the next four years.
- Near-term outlook is positive, and the company is in a position to grow more than the projected 20% to 25%.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	3,930	4,829	3,853	4,442	5,772
EBITDA	387	500	344	530	728
EBITDA Margin (%)	9.8	10.4	8.9	11.9	12.6
APAT	206	261	136	248	441
EPS (Rs)	16.7	21.2	11.0	20.1	35.8
EPS (% chg)	-	26.9	-47.8	82.2	77.8
ROE (%)	11.5	13.8	6.9	11.1	16.1
P/E (x)	66.0	52.0	99.7	54.7	30.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	36.0	122.9	144.9	119.9
Rel to Nifty	37.0	110.1	125.9	100.2

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Bandhan Bank

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Path to recovery a bit further away

CMP	MCap (Rs bn)	TP & Rating
Rs228	367	Rs285 | BUY

We hosted Ratan Kumar Kesh (ED) and Vikash Mundhra (Head IR)

Key Meeting Takeaways

- Q1 is usually a weak quarter for the bank and, as a result, it witnessed a decline in the MFI book apart from repayment in one large corporate account. However, the bank has guided for healthy credit growth at 20% YoY, driven by the secured retail portfolio. The bank's strategy is to increase its secured loan book, while it expects that half of the book will be secured by FY26.
- Despite the declining MFI book, the bank has guided for 7% NIM. While the CASA book has been declining, the bank believes it will be able to reverse the trend and bring back CASA to sustainable levels of 40-42% (from current 38%), which should provide some margin support.
- After the recent RBI circular, the bank has recognized NPA from ECLGS pool, against which the bank carries a healthy provision cover. The overall stress pool continues to be higher at Rs62bn, against which the bank has coverage of 69% (103%, including guarantees). Barring some impact of floods, the overall asset quality should see an improving trend. The bank expects healthy CGFMFU recovery in September or so. The bank expects credit cost around ~2% in FY24.
- We expect improvement in the bank's RoA to 2.2-2.5% and RoE to 17-21% over FY24-26E from a low of 1.5% and 12%, respectively, in FY23. We retain our BUY rating on the stock with a TP of Rs285/share, based on June-25E ABV, amid the stress pool moderating from its Covid peak. However, we believe the bank should focus towards reducing the earnings volatility as well as plug management gaps.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	115,383	117,282	129,189	153,164	183,521
Net profit	1,273	21,962	36,916	48,000	61,672
EPS (Rs)	0.8	13.6	22.9	29.8	38.3
ABV (Rs)	100.6	115.9	136.5	163.5	198.1
RoA (%)	0.1	1.5	2.2	2.4	2.5
RoE (%)	0.7	11.9	17.4	19.2	20.6
P/E (x)	288.6	16.7	9.9	7.7	6.0
P/ABV	2.3	2.0	1.7	1.4	1.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.8	-3.8	-3.5	-16.0
Rel to Nifty	3.5	-9.3	-11.0	-23.5

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Bank of Baroda

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Higher retail orientation to structurally drive-up NIMs/RoAs

CMP	MCap (Rs bn)	TP & Rating
Rs189	976	Rs260 | BUY

We hosted Ian Dsouza (CFO)

Key Meeting Takeaways

- Bank of Baroda (BoB) expects credit growth to remain healthy with retail as a key focus segment growing at a faster rate of 18-20% (4-5% higher vs. the industry), while corporate growth is at 12-13%. The bank plans to further ramp up the retail/SME book (>35%) to sustain healthy NIMs/core profitability. The bank has also revamped the overseas book, leading to higher margins and, thus, incremental focus will be to sustain growth/margins.
- Notwithstanding, the sharp margin contraction in Q1 by 27bps (14bps adj. for one-off), the bank has guided to hold margins around 3.3-3.4% in FY24 and then it should see improvement, led by a better portfolio mix towards retail and SME. The bank expects deposit rates to soften a bit unless macros deteriorate.
- The bank has also adopted an aggressive provisioning policy, with specific PCR at 78%, leading to one of the lowest NNPAs among PSBs (ex-SBI, Indian) at 0.8% vs. 1.3% for PSBs. BoB's exposure to GoAir stands at Rs16bn, for which the bank created additional provisions to beef up the buffer to Rs6.4bn/43% of exposure, while it expects full recovery from this account.
- The bank has set target recoveries of Rs120bn for FY24. The bank also has a healthy recovery pipeline, including ILFS, SREI and future retail in the near to medium term.
- We like BoB among PSBs due to its strong growth/return profile with low risk of dilution, given healthy capital ratios (CET 1 ratio at 12.5%). We retain our BUY rating with a TP of Rs260, valuing the bank at 1x its June-25E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	441,053	513,819	596,619	669,507	764,942
Net profit	72,723	141,096	175,924	199,561	214,152
EPS (Rs)	14.0	27.3	34.0	38.5	41.4
ABV (Rs)	146.6	177.6	206.2	235.3	268.0
RoA (%)	0.6	1.0	1.1	1.1	1.1
RoE (%)	8.9	15.3	16.7	16.6	15.6
P/E (x)	13.5	6.9	5.6	4.9	4.6
P/ABV	1.2	1.0	0.9	0.8	0.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-4.9	5.6	11.8	53.3
Rel to Nifty	-4.2	-0.5	3.2	39.6

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Bank of India

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Focus will be on changing portfolio construct to drive up RoAs

CMP	MCap (Rs bn)	TP & Rating
Rs90	368	NA | NR

We hosted B. Kumaran (CFO)

Key Meeting Takeaways

- Bank of India (BoI) has guided for 11-12% credit growth in FY24 – the key focus remains on RAM along with the mid-corporate segment. The bank intends to grow while protecting margins. Within the corporate book, BoI intends to change the composition from PSBs to private, which would lead to some uptick in yields. The bank has guided for deposit growth at 10-11%, with CD ratio hovering at 76-77%.
- The bank has guided for NIMs of >3% (current 3%), benefiting from MCLR repricing (53% of MCLR book is yet to be repriced), offset by some uptick in the cost of deposits. BoI's overall credit book is benchmarked to RBLR – 42% of loans, MCLR – 35%, fixed rate – 6%, BPLR – 0.23%, and Others at 9.8%. International yields/NIMs should also improve and, thus, provide some support.
- BoI expects GNPA ratio to be <6% from 6.7%. Credit cost has improved to 0.64% in Q1FY24 from 1.2% in Q1FY23. The bank has guided for contained credit cost at 60-70bps for FY24, which should lead to healthy return ratios with RoA at 0.75% and RoE at 14.5-15.0%. This will mainly be driven by better growth, margins, treasury gains, and lower credit cost.
- BoI sits on healthy Tier-1 at 13.8% but would look at raising equity capital via QIP based on market conditions primarily to bring down the government's stake to 75% from 81% currently.
- We believe PSBs in general are witnessing healthy growth and asset-quality trend, which coupled with better treasury gains could lead to healthy RoAs. BoI should also benefit from this trend. Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	187,897	219,699	217,113	222,931	273,756
Net profit	(55,469)	(29,569)	27,600	37,570	40,238
EPS (Rs)	(24.6)	(9.8)	8.4	10.2	9.8
ABV (Rs)	82.6	85.6	104.3	101.6	115.7
RoA (%)	(0.9)	(0.5)	0.4	0.5	0.5
RoE (%)	(17.0)	(8.1)	6.9	8.3	8.0
P/E (x)	(3.7)	(9.2)	10.7	8.8	9.2
P/ABV	1.1	1.1	0.9	0.9	0.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	15.2	15.7	15.4	82.1
Rel to Nifty	16.0	9.1	6.4	65.9

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CSB Bank

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Focus on building scale, diversifying portfolio

CMP	MCap (Rs bn)	TP & Rating
Rs305	53	NA | NR

We hosted Pralay Mondal (MD and CEO)

Key Meeting Takeaways

- CSB Bank has divided the next seven years in to three phases i.e. FY23 to FY25, FY25 to FY27, and FY27 to FY30. The bank's focus will be to diversify the book away from gold loans. The bank expects that by FY30 – Gold Loan share will be 20%, Retail will be at 30%, SME will be at 20%, and Wholesale + Other will be at 30%.
- The bank expects 24-25% credit growth (31% in Q1FY24) for FY24, while the C/D ratio will hover at 85-90%. This coupled with better loan composition should keep margins healthy in the long run (currently >5%).
- In the long run, the bank aims to improve its CASA ratio to 40% from 31% currently. The bank understands that the task is tall, but it would look at multiple strategies to achieve this target, including branch expansion, targeting mid-corporate salary a/cs and so on.
- The bank's asset quality is trending well, given the higher proportion of gold loan in the overall book, with GNPA ratio down to 1.3%. The bank follows aggressive provisioning policy than the RBI's norms. The bank holds contingency provision even on standard accounts, while specific PCR is also higher at 75%. Thus, the bank does not see any risk of higher credit cost in the near future, unless macros deteriorate meaningfully.
- We believe the bank has done reasonably well in its first phase of transformation and is now looking to grow at a faster pace while diversifying its portfolio away from gold loans. The promoter's strategy to reduce its stake in the bank from 49.7% currently in the medium term will be keenly watched for, amid rumored interest to acquire IDBI Bank. Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	5,759	8,139	12,445	14,001	16,638
Net profit	(1,974)	127	2,184	4,585	5,613
EPS (Rs)	(23.6)	1.0	12.6	26.4	32.3
ABV (Rs)	53.9	94.6	109.5	139.3	172.7
RoA (%)	(1.2)	0.1	1.0	1.9	2.1
RoE (%)	(31.8)	1.0	11.4	20.3	20.2
P/E (x)	(12.8)	309.0	24.0	11.4	9.3
P/ABV	5.6	3.2	2.8	2.2	1.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	4.5	4.7	27.6	47.3
Rel to Nifty	5.2	-1.3	17.7	34.1

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Equitas Small Finance Bank

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All eyes on converting into a Universal bank

CMP	MCap (Rs bn)	TP & Rating
Rs86	96	Rs102 | HOLD

We hosted Dheeraj Mohan, Head - Strategy (Equitas SFB)

Key Meeting-Takeaways

- Bank's growth has been robust, supported by growth in SBL, MFI, LAP and VF. Newer products like CV and affordable housing are maturing well for the bank. Bank has been working on newer products like PL, Car loans and Credit cards, which should help to support healthy growth of 25-30%. The bank intends to maintain the MFI share at 18-19% for now, with growth largely in line with its credit growth.
- The bank has recently seen a deceleration in CASA ratio to 38% from >50% in FY22. This, coupled with increasing cost pressure, should lead to decline in margins for the bank at 8.5% for FY24, from 9% in FY23. However, improving cost ratios and better fees should largely offset the impact of margins and help the bank clock ~2% RoA.
- The MFI business has recovered from the Covid-19 impact, reflecting in the healthy collection efficiency of 99.5%. The restructured pool also moderated, to Rs2.1bn/0.8% of loans, as stress reduction is seen in MFI and CV segments. Impact of ECL norms, if implemented, will be negligible, based on its current provisions. Bank has steadily increased its specific PCR to 58%, which it intends to shore up to 70% over the next two years.
- The bank awaits guidelines from the RBI on applying for the universal banking license.
- We expect Equitas SFB to deliver healthy RoA/RoE of ~2%/14-17% over FY24-26E, on account of continued strong credit growth, better fees and improving cost ratios. We retain our HOLD rating on the stock (valuing the bank at 1.7x Jun-25E ABV) with TP of Rs102/share.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	25,761	32,178	38,803	48,062	59,499
Net profit	2,807	5,771	7,753	10,082	12,505
EPS (Rs)	2.3	4.9	7.0	9.1	11.2
ABV (Rs)	32.5	44.4	50.1	57.5	66.9
RoA (%)	1.1	1.9	2.0	2.0	2.0
RoE (%)	7.3	12.3	14.1	16.2	17.4
P/E (x)	36.6	17.6	12.3	9.5	7.7
P/ABV	2.6	1.9	1.7	1.5	1.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-9.9	11.1	45.6	98.5
Rel to Nifty	-9.3	4.7	34.3	80.8

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Indian Bank

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Unwavering focus on profitability; best in-class PSB

CMP	MCap (Rs bn)	TP & Rating
Rs391	487	Rs425 | BUY

We hosted SL Jain, MD & CEO - Indian Bank

Key Meeting-Takeaways

- Bank retains focus on 'profitable growth' instead of just chasing growth. The bank clocked 14% growth in 1Q vs. system at 15-16%. Bank will focus on delivering better growth in the RAM segment, so as to maintain margins. Bank has a PSLC fee lever, given higher share of agri gold loan.
- Bank expects margin to remain stable & healthy, supported by residual MCLR repricing and better investment yields. As per its strategy, Bank continues to scale-up its MCLR book (64% vs 59% in 4Q), to limit impact on margin when the rate-reversal cycle begins.
- Bank's asset quality shows an improving trend, due to lower slippages amid lower stress flow from the restructured pool. That said, the recoveries pipeline remains healthy and the bank targets recoveries sustaining at Rs80bn for FY24, i.e. Rs20bn/Qtr. The bank carries a strong PCR at 88%, thus resulting in one of the lowest NNPA ratios among PSBs, at 0.7%. Given the strong PCR, the bank expects incremental provisioning requirements to come off in FY24 which should support profitability.
- The bank remains well capitalized, with CET 1 at 12.3%, but it has taken enabling approval to reduce promoter stake below 75%, to meet SEBI guidelines. However, Bank will raise capital at an appropriate time.
- Despite the recent run-up, he stock is trading at 0.9x FY25E ABV and 0.7x FY26E ABV. We retain BUY. Indian Bank remains our preferred pick in the PSB space.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	236,434	272,685	305,736	334,656	376,620
Net profit	39,448	51,817	69,260	87,341	103,578
EPS (Rs)	33.2	41.6	55.6	70.1	83.2
ABV (Rs)	266.6	313.9	382.5	462.7	557.2
RoA (%)	0.6	0.7	0.9	1.0	1.1
RoE (%)	11.2	13.1	15.1	15.8	15.5
P/E (x)	11.8	9.4	7.0	5.6	4.7
P/ABV	1.5	1.2	1.0	0.8	0.7

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	20.6	34.9	34.9	114.4
Rel to Nifty	21.4	27.1	24.5	95.3

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IndusInd Bank

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Retail engine firing up

CMP	MCap (Rs bn)	TP & Rating
Rs1,389	1,078	Rs1,800 | BUY

We hosted Indrajit Yadav, Head - Strategy and IR (IndusInd Bank)

Key Meeting-Takeaways

- IndusInd's growth has been strong at 22% and in line with its Planning Cycle-6 (PC-6) strategy. Bank guides for 18-23% growth that, coupled with focus on retailization, should help to sustain healthy margins. Within retail/consumer banking, the bank plans to accelerate growth in its traditional growth segments (VF, MFI) as well as ramp up the used vehicle, affordable housing, gold, tractor, SME and individual MFI loan segments.
- The bank believes that both asset quality issues are largely behind in the MFI business and, hence, growth will not be an issue from hereon. The bank had largely followed a JLG model, but now would be looking at lending to individuals with higher ticket sizes, similar to other players, thereby supporting growth in the MFI business.
- Near-term margins are expected to range at 4.2-4.3%. Bank expects some decline in corporate yields in Q3 and Q4, albeit which will be substituted by gains in the cost of deposits.
- Bank's asset quality is on the mend after a slip-up in 4Q. The bank expects the RSA pool to wind up in H1FY24 itself. Bank has utilised contingency provision to the tune of Rs2bn in Q1 and the buffer now stands at Rs17bn/0.6% of the loans (including provisions on the Vodafone FB exposure). Bank may not dip into the buffers anymore and, if need be, make additional provisions.
- We believe that concerns around the MD's shorter-tenure are largely behind, while stock performance will hereon track the improving growth (>20%), asset quality and RoA/RoE trajectory. We value the stock at 2x Jun-25E ABV, with TP of Rs1,800/share; retain BUY.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	223,979	257,649	301,209	353,964	432,768
Net profit	46,111	74,431	90,887	111,270	140,150
EPS (Rs)	59.5	95.9	117.1	143.4	180.6
ABV (Rs)	584.8	647.4	739.2	852.0	995.4
RoA (%)	1.2	1.7	1.8	1.9	1.9
RoE (%)	10.2	14.6	15.6	16.7	18.1
P/E (x)	23.3	14.5	11.9	9.7	7.7
P/ABV	2.4	2.1	1.9	1.6	1.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.9	14.9	20.1	28.5
Rel to Nifty	1.5	8.3	10.8	17.1

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Punjab National Bank

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Improving growth, asset quality to pump-up profitability

CMP	MCap (Rs bn)	TP & Rating
Rs62	687	HOLD

We hosted Atul Kumar Goel (MD and CEO)

Key Meeting Takeaways

- Punjab national Bank (PNB) has guided for 12-13% credit growth, with its focus remaining on the asset quality. The bank's growth area remains the RAM segment. The bank has guided for deposits growth at 10-11%, with CASA ratio sticking at healthy levels of 43%, as the bank's liability customer acquisition should remain healthy.
- PNB has revamped its underwriting standard and has disbursed Rs6.1trn in the past three years. Asset-quality performance in these accounts has been good with 0.2% NPA.
- GNPA ratio significantly improved to 7.7% currently from 11.2% in Q1FY23. The bank's target recovery for FY24 is at Rs220bn, i.e. Rs55bn every quarter; the bank has guided for slippages to be at 50% of the recovery, which should lead to continued improvement in NPAs.
- The transfer of bad assets to NARCL has already been in process with 35 accounts amounting to Rs125bn under discussion. Of the 35 accounts, the bank has already resolved 1 account, while 2 accounts are in the final stage, 9 accounts are under various stages and the remaining 23 accounts of Rs98bn are in the bidding process. On the NCLT front, the bank has 22 accounts approved, worth Rs29bn, under the implementation process, while 252 accounts, worth Rs267bn, are under liquidation and 291 accounts, worth Rs352bn, have pending resolution. This should help the bank in achieving its target of Rs220bn in FY24.
- On the treasury front, the bank has shifted its book from HFT to AFS. The bank believes interest rates have peaked out. The bank will be opportunistic and will wait for the appropriate time to book profit. The bank remains optimistic on the treasury front in FY24.
- Bank guides for >2x profitability in FY24E on the back of better growth, treasury gains and reducing NPAs. We currently have hold rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	410,144	466,342	510,745	543,446	583,816
Net profit	34,570	25,072	63,925	90,564	105,659
EPS (Rs)	3.2	2.3	5.8	8.2	9.6
ABV (Rs)	56.3	68.7	75.0	82.7	90.9
RoA (%)	0.3	0.2	0.4	0.5	0.6
RoE (%)	4.0	2.8	6.7	8.9	9.7
P/E (x)	17.7	25.1	9.8	6.9	5.9
P/ABV	1.0	0.8	0.8	0.7	0.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.7	28.4	22.7	87.2
Rel to Nifty	3.4	21.0	13.2	70.5

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RBL Bank

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Transforming into a granular/sustainable retail bank

CMP	MCap (Rs bn)	TP & Rating
Rs224	134	Rs275 | BUY

We hosted R. Subramaniakumar (MD and CEO)

Key Meeting Takeaways

- With legacy asset-quality issues and management churn behind, RBL Bank is poised for a new phase of growth at >20% to shape itself into a granular and retail bank. The bank plans to increase the share of relatively new and secured retail loans, such as Housing, Vehicle, Gold and SBL, to 30% in FY26E from the current 8%, thus registering 70% FY24-26E CAGR. The bank would also concentrate on its core portfolio including Cards + MFI, while focusing on organic growth and reducing its dependency on partnership.
- Within MFI, the bank has already reduced the share of BCs, where it saw relatively higher asset-quality issues. Within the cards business, the bank has been focusing on growing the non-BAF book by way of partnerships and mining ETB customers.
- The bank expects NIMs to be healthy at around 5%, supported by the better mix of advances i.e. improving retail mix.
- The bank expects asset quality to improve steadily with incremental stress flow from back-book, including MFI/cards moderates. The bank also broke a mortgage partnership in view of some early signs of the stress pool, indicating its pro-active risk management strategy.
- RBL Bank has reached the 70% PCR mark during Q1, but the bank would continue to write-off its legacy NPA book and, thus, should keep LLP elevated at 1.4%. Additionally, the bank plans to build a contingent buffer over the medium term, which should keep the bank's credit cost elevated over 1.4-1.5%.
- We expect the bank's RoA/RoE to improve to 1.3%/14% in FY26 from 0.8%/7% in FY23. With better delivery on growth/RoA/RoE, we value the bank at 1x its June-25E ABV with a TP of Rs275/share. We retain our BUY rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	63,673	69,409	82,900	98,519	120,653
Net profit	(748)	8,827	12,756	17,623	24,047
EPS (Rs)	(1.2)	14.7	21.3	29.4	40.1
ABV (Rs)	200.6	216.8	237.6	264.3	299.9
RoA (%)	(0.1)	0.8	1.0	1.2	1.3
RoE (%)	(0.6)	6.7	9.0	11.3	13.8
P/E (x)	(179.2)	15.2	10.5	7.6	5.6
P/ABV	1.1	1.0	0.9	0.8	0.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	5.7	51.8	35.1	128.0
Rel to Nifty	6.4	43.1	24.6	107.6

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State Bank of India

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Set to clock >1% RoA

CMP	MCap (Rs bn)	TP & Rating
Rs561	5,005	Rs700 | BUY

We hosted Saloni Narayan, DMD - State Bank of India

Key Meeting-Takeaways

- Bank remains confident of healthy credit growth of 14-15% YoY, mainly led by growth in retail. Bank has a strong corporate pipeline, to the tune of Rs2.3bn, while retail growth should be broad-based, driven by auto, gold, x-press and mortgages. Bank remains cautious on the international book due to the weak macro-economic scenario globally.
- Bank expects deposits growth to be healthy at 12-14% and does not see any need to raise deposit rates anymore. In fact, the bank expects rates in some buckets to see moderation.
- Bank expects margins to sustain at 3.4-3.5% due to better LDR, consumption of balance-sheet liquidity and a better-yielding portfolio.
- Bank has seen a spike in slippages in 1Q, but has already recovered 21% of the slippages and thus should see reduction in NPAs during 2Q. Bank's X-press credit book has a robust asset quality record, given that 95% of the portfolio is being built towards governemtn employees.
- With CET 1 ratio at 10.2%, the bank remains confident of funding normal business growth. However, Bank would look at an opportune time to raise capital for shoring-up capital buffers in line with some peers, subject to government approval.
- Bank guides for 1.2% RoA in FY24 on the back of better fees, treasury gains and contained LLP. However, higher wage revision cost and, resultantly, in staff cost could be a risk to the higher RoA expectation.
- We retain BUY on SBI with TP of Rs700/share, valuing the standalone bank at 1.2x Jun-25E ABV and subs/investors at Rs185/share.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	1,612,715	1,814,561	2,091,990	2,320,523	2,602,005
Net profit	316,760	502,325	620,720	667,687	715,389
EPS (Rs)	43.8	56.3	69.6	74.8	80.2
ABV (Rs)	264.2	318.0	374.6	433.3	492.0
RoA (%)	0.8	1.0	1.1	1.0	1.0
RoE (%)	16.1	18.1	19.1	17.8	16.6
P/E (x)	8.6	6.7	5.4	5.0	4.7
P/ABV	1.5	1.3	1.1	0.9	0.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-4.0	-3.0	3.7	5.7
Rel to Nifty	-3.4	-8.6	-4.3	-3.8

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ICICI Lombard

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On track to achieve 102% CoR by FY25

CMP	MCap (Rs bn)	TP & Rating
Rs1,350	663	Rs1,490 | BUY

We hosted Gopal Balachandran, CFO and Anckur Kanwar, VP - Reinsurance, Liability and Credit

Key Meeting-Takeaways

- Management affirmed that the company does not intend to make any substantial reductions in its commercial vehicle share and aims to sustain approximately 20% market share in the segment. The new private car business has witnessed increased momentum due to improved loss experience. The portion of the motor business stemming from OEM dealerships has decreased, from 75% to 60-63%, as the company achieves equilibrium between the newer and older vehicle businesses.
- With respect to the removal of the floor pricing by the Regulator, the management said that prices in the Fire segment witnessed a drag of 5-7%; also, the prices are not expected to dip further due to its large exposure.
- Regarding the health of the business, the company is looking more towards the MSME and mid-corporate segments. The company refrains from underwriting large corporate accounts. Management said that there has been an increase in the average sum assured.
- As regards two-thirds of the industry surpassing the regulatory limit for expense of management regulation, Management anticipates a potential streamlining of motor OD pricing.
- There has been growth in market share within commercial lines across various segments which is attributed to heightened volumes.
- The company intends to maintain share of the crop segment within the overall product mix, at a level below 5%.

Financial Snapshot

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
GDPI	1,79,769	2,10,251	2,47,319	2,84,257	3,27,395
NEP	1,30,321	1,48,229	1,79,234	2,08,020	2,33,634
Operating result	10,243	14,916	20,918	25,996	29,841
Profit after tax	12,710	17,291	21,158	25,915	29,797
Combined ratio (%)	108.8	104.5	103.1	101.9	100.8
RoE (%)	15.4	17.7	19.0	20.2	20.2
EPS (Rs)	25.9	35.2	43.1	52.8	60.7
P/E (x)	52.1	38.4	31.3	25.6	22.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.8	20.8	18.3	9.1
Rel to Nifty	-1.2	13.8	9.1	-0.7

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SBI Life

Brand and Distribution edge stays

CMP	MCap (Rs bn)	TP & Rating
Rs1,297	1,298	Rs1,560 | BUY

We hosted Sangramjit Sarangi, CFO and Smita Verma, Head IR

Key Meeting-Takeaways

- The management of SBI Life is confident about delivering healthy, better-than-industry APE growth of over 20% for FY24.
- Looking ahead, Management envisions consistent expansion within the Non-Par segment, while the company observed favorable momentum in ULIPs due to the strong performance of ULIP funds and movements in equity markets.
- SBI Life has not had any discussions with SBI (the bank) with respect to enhancement of commissions. However, discussions will happen only for the benefit of the customer. Management said that the agency channel is doing better than last year and, as of July and August, there has been healthy growth in the channel.
- Regarding the new Commission and Expense of Management regulations, Management emphasized that the company's dealings with distributors and partners will remain equitable, ensuring sufficient benefits for both — customers and distributors. Management reassured that the implementation of the new Expense of Management regulations will not exert any pressure on payouts.
- Management indicated that the company is poised to achieve margins within the range of 28-30%.
- Credit Life remains the flagship product of SBI. The company anticipates the attachment rate to inch up to 55% from the current level of 49-50%.
- Management expects protection to grow 50% during FY24, led by strong growth in the Return of Protection product. The Return of Protection product contributes to 85% of the overall retail protection.

Financial Snapshot

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
APE	1,43,000	1,68,100	1,90,971	2,12,501	2,36,473
VNB	37,000	50,700	53,271	61,077	68,940
VNB Margin (%)	25.9	30.1	27.9	28.7	29.2
EV	3,96,269	4,60,369	5,48,256	6,55,141	7,77,182
Op. RoEV (%)	16.4	22.8	20.6	19.9	18.9
EVPS (Rs)	396.2	460.1	547.9	654.7	776.7
EPS (Rs)	15.1	17.2	20.4	23.2	26.4
P/EV (x)	3.3	2.8	2.4	2.0	1.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.8	9.3	11.7	0.8
Rel to Nifty	-1.1	3.0	3.0	-8.2

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Satin Creditcare

Set to benefit from sectoral tailwinds

CMP	MCap (Rs bn)	TP & Rating
Rs217	20	NA | NR

We hosted Jugal Kataria, CFO - Satin Creditcare

Key Meeting Takeaways

- Satin has guided for 25% YoY growth in FY24, in line with the industry's. This will be driven by strong growth in customer base. Company has strong presence in 96,000 villages, 407 districts and 24 states, with a healthy customer base of 3mn. Company also aims to expand its geographical presence in more districts and thus shore up the customer base.
- The company has stated that the recent floods have led to slight disruptions in a couple of districts in the Punjab and Haryana. The overall collection efficiency remains strong at 99.5%. Further, the company expects the first tranche from the Assam pool in the near term which should result in healthy recovery.
- Florintree's investment in Satin will be beneficial, as it will gain a diversified marquee investor. Further, the firm will raise capital when necessary and would look for new sets of investors.
- Management has guided for a stable NIM, in the range of 11-12%, with C/I to be range-bound at 45-48% levels. We expect RoA to remain healthy at >4% for FY24E which should be driven by growth and healthy margins.
- We do not have any rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	7,337	8,259	6,534	6,601	11,850
Net profit	1,949	1,563	(136)	402	2,643
EPS (Rs)	37.8	28.7	(2.2)	5.8	33.8
BV (Rs)	222.3	261.7	286.5	214.1	225.8
RoA (%)	3.0	2.3	(0.2)	0.5	3.5
RoE (%)	19.1	12.0	(0.9)	2.6	15.0
P/E (x)	9.0	2.0	NA	17.8	3.8
P/BV	1.5	0.2	0.3	0.5	0.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	16.8	41.4	59.1	92.9
Rel to Nifty	17.6	33.3	46.8	75.6

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Ugro Capital

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Growing by serving the underserved

CMP	MCap (Rs bn)	TP & Rating
Rs304	28	Not rated

We hosted Kishore Lodha (Chief Financial Officer), Anuj Pandey (Chief Risk Officer) and Amit Mande (Chief revenue Officer)

Key Meeting-Takeaways

- On-book off-book (co-lending) AUM mix to be 50:50 by the end of FY25, with loan book growing ~60% year-on-year for the next two years. Current off-book AUM stands at 43% with FY24 guidance of 47%. Share of secured portfolio is 70%; Management aspires to maintain this ratio.
- Overall business matrix looks encouraging, with credit cost well in control at 1.3%, and well below the long-term FY25 guidance of ~2%. Stage 1 asset has remained stable at~ 95% over the last four quarters.
- Cost-to-income has moderated to 55% and Company aims to reduce it to 45% by end Mar-25; it might achieve the guidance much earlier.
- Yield on portfolio is increasing constantly, led by increased focus on high-yielding products as well as increasing some amount of yield for existing products. Company targets NIM of 8-8.5% for FY24. Cost-to-income to improve to ~47% by the end of FY24 vs ~55% currently.
- RoA and RoE for FY24 to be ~3.1% and 10%, respectively. Sustainable RoA and RoE by FY25 is expected to be ~4% and 18%.
- UGRO has identified close to 280 locations in five states and would be expanding business judiciously. Currently, it is operating with ~100 branches (75 micro branches). All micro branches have reached break-even in Q1FY24, with average month-on-month disbursement of Rs8-9mn, which is ~20-22% above comparable peers'. Further branch expansion decision to be taken between Q2 and Q3 of the current financial year.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	429	915	1088	1749	3905
Net profit	39	195	287	146	398
EPS (Rs)	0.8	3.0	4.1	2.1	5.7
ABV (Rs)	357.0	130.7	135.0	137.0	139.5
RoA (%)	0.5	1.9	1.9	0.6	1.1
RoE (%)	0.5	2.2	3.1	1.5	4.1
PE (x)	394.8	103.1	74.7	147.6	53.4
P/ABV	0.9	2.3	2.3	2.2	2.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	34.8	47.4	101.3	68.0
Rel to Nifty	35.7	38.9	85.7	52.9

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Rushil Décor

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Value-added product will be the focus

CMP	MCap (Rs bn)	TP & Rating
Rs275	7	NR

We hosted Rushil Thakker (Executive Director) and Hiren Padhya (CFO)

Key Meeting-Takeaways

- On an industry-level basis, Company expects 20% CAGR for the MDF segment for the next 10 years and a steady 7-8% growth in the laminates segment.
- Guidance for the company's volume growth stood at 7-10%. MDF volume growth guidance is 10% YoY and margin guidance remained in the 18-20% range, with Laminates guidance at 9% volume growth (currently at the same level) and margin guidance at the same level as MDF's.
- In Q1FY24, value-added product was 35% (in volume-terms) and 40% (in value-terms) of the overall sales, and last quarter, it was ~23%, covering its base in order to avoid competition from imports in the future. Company aims to increase volume of VAP from the current 35% to 40% in the next couple of years.
- Company will be coming up with a new MDF capacity, which will commence production from Q2FY25 and the new plant will dominantly be a value-added product.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	3,437	3,356	3,354	6,242	8,380
EBITDA	366	369	350	739	1,490
EBITDA Margin (%)	10.7	11.0	10.4	11.8	17.7
APAT	143	230	126	228	780
EPS (Rs)	5.4	8.7	4.8	8.6	29.31
EPS (% chg)	-53.7	60.5	-45.2	80.8	240
ROE (%)	8.4	11.6	5.5	8.8	17.0
P/E (x)	50.9	31.7	57.9	32.0	30.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-5.2	-6.6	-11.4	-42.0
Rel to Nifty	-4.6	-11.9	-18.3	-47.2

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Dalmia Bharat

Recapitulates capacity growth target

CMP	MCap (Rs bn)	TP & Rating
Rs 1,911	358	Rs 2,125 | HOLD

We hosted Dharmender Tuteja (CFO), Aditi Mittal (Head- Investor Relations), and Prassan Goyal (Investor Relations)

Key Meeting-Takeaways

- The Company has recapitulated its capacity growth target to 47mt/ 75mt/ 110-130mt by FY24/ FY27/ FY31, respectively (vs current capacity of 43.7mt). Excluding the Super Dalla plant, which is under arbitration, Management expects the JP acquisition to complete by FY24-end. The acquisition has been delayed owing to delay in receipt of approval from lenders. The Company has commenced contract manufacturing with JP at their plants and started empaneling dealers to build the Dalmia brand in the central region.
- Capex spent stood at Rs9.1bn in Q1FY24. FY24 capex guidance stood at Rs63bn (including cement assets from the JP acquisition at Rs35bn) and Rs35bn for FY25.
- The Company expects USD18-20/ton decline in petcoke consumption cost in Q2FY24. On Kcal basis, fuel consumption cost stood at Rs1.98/Kcal in Q1FY24. Renewable energy capacity increased by 4MW QoQ to 170MW; Management targets increasing it to 328MW by FY24.
- Trade mix declined by 100bps QoQ to 63%, premium products share rose by 200bps QoQ to 21%; lead distance stood at 284km in Q1FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,12,860	1,35,400	1,50,783	1,81,287	2,04,023
EBITDA	24,260	23,160	28,795	36,398	42,667
EBITDA Margin (%)	21.5	17.1	19.1	20.1	20.9
APAT	7,630	6,040	8,398	11,991	14852
EPS (Rs)	40.8	32.2	44.8	64.0	79.2
EPS (% chg)	-11.7	-21.0	39.0	42.8	23.8
ROE (%)	5.4	4.2	5.3	7.1	8.3
P/E (x)	46.9	59.3	42.7	29.9	24.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-7.0	-8.2	0.5	22.5
Rel to Nifty	-6.4	-13.5	-7.3	11.6

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Sagar Cement

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Capacity-adds to drive superior volume growth

CMP	MCap (Rs bn)	TP & Rating
Rs247	32	Rs220 | HOLD

We hosted K Prasad (CFO)

Key Meeting-Takeaways

- The company is likely to announce its brownfield capacity expansion at existing locations (Jeerabad and Gudipadu) and at Andhra Cement in coming quarters. The sale of land (likely to fetch at least Rs4bn) in Vizag is likely to take 15-18 months. Maintenance capex guidance stood at Rs300mnpa.
- Net debt increased by Rs937mn QoQ to Rs13.6bn as of Jun-23. The management remains committed of peak net debt in the range of Rs12.5-13bn.
- For FY24, Management has maintained its volume guidance of 6.4mt (+33% YoY), with doubling of EBITDA/ton at Rs625. The company expects the Jeerabad plant to operate at 80% capacity utilization, while it expects the Jajpur plant to achieve break-even with 40% utilization in FY24. Management expects minimum 0.75mt volumes from Andhra Cement in FY24.
- The Company has realized input cost savings of Rs50/ton in Q1FY24. Management expects fuel cost savings of Rs100/ton in Q2FY24. Green power share stood at 27% in Q1FY24 and Management targets to increase it to 50% by FY30. AFR share stood at ~5% in Q1, with average cost less than Re1 per unit.
- Blended cement sales increased by 700bps QoQ to 55%; lead distance declined by 10km QoQ to 261km; while trade share remained flat at 60-65% in Q1FY24.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	15,969	22,295	27,591	32,321	37,444
EBITDA	2,758	1,532	2,888	4,356	5,428
EBITDA Margin (%)	17.3	6.9	10.5	13.5	14.5
APAT	692	-1,390	-357	949	1955
EPS (Rs)	5.9	-10.6	-2.7	7.3	15.0
EPS (% chg)	-92.6	-	-	-	106.0
ROE (%)	5.6	-9.6	-2.2	5.8	11.0
P/E (x)	41.9			34.0	16.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	21.3	19.9	18.3	31.7
Rel to Nifty	22.1	13.0	9.1	20.0

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Adani Wilmar

Looking at wider foods opportunity

CMP	MCap (Rs bn)	Not Rated
Rs375.8	488	

We hosted Adani Wilmar's management team to share a perspective on the business fundamentals and key strategies of the company.

Key Meeting Takeaways

- **Distribution thrust remains:** Adani Wilmer is aspiring for direct reach of ~1mn outlets in the next three years. The company's current direct outlet reach is at ~560K. In rural markets, the company is present in ~21.6 towns, which drive 31% of the company's volume. In the urban market, the company has Fortune marts, active in 26 cities with 33 outlets. Additionally, its online platform is active in 25 cities.
- **Looking to strengthen market standing across segments**: The company is the leader in the edible oil category with 19.5% market share. In wheat flour, after ITC, it is the second largest organized player with a 5% market share. In rice, the company is the third largest player with a ~5.9% share.
- **Regional surge in competition unlikely to have a bearing**: Management noted a surge in regional competition. However, given the huge scope for formalization, the impact on large incumbents is not material. In edible oil, amid volatility in raw-material prices, it is tough for small players to manage operations. Similarly, it sees pressure on regional players in the second biggest category, wheat.
- **Enhanced thrust on inorganic *Kohinoor* brand**: Adani Wilmer has recently acquired *Kohinoor* brand. In the next leg to scale the brand, the company has launched a TV commercial, which has actually seen a gap of 4-5 years. The company now has two brands: *Fortune* is strong in East, while *Kohinoor* has West and South as strong markets. *Kohinoor* is also a strong HORECA brand. The company is geared to leverage its 15K+ edible oil distributor to pursue its aspiration in the rice category.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	5,122	5,256	4,473	6,615	7,768
EBITDA	445	417	-37	605	879
EBITDA Margin (%)	8.7	7.9	-0.8	9.1	11.3
APAT	239	257	153	384	598
EPS (Rs)	17.6	18.9	11.2	28.2	44.0
EPS (% chg)	28.9	7.4	-40.6	151.4	55.8
ROE (%)	9.4	10.0	6.3	14.8	19.8
P/E (x)	60.4	56.2	94.6	37.6	24.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-9.1	3.4	28.7	40.7
Rel to Nifty	-9.9	-3.2	18.1	26.4

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Hindustan Foods Limited

India Equity Research
August 17, 2023
Conference Note

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Expanding landscape

CMP	MCap (Rs bn)	Not-rated
Rs578	62	

We hosted Sameer Kothari (MD) in our India conference to share some company/industry insights.

Key Meeting Takeaways

- **Hindustan Foods Limited's (HFL) business model**: HFL is one of the largest organized FMCG contract manufacturers with more than 30 years of experience in the space. The company's manufacturing range spans across categories such as F&B, personal care, home care, pest control, fabric care and leather, and sports shoes. The company operates under three models: 1) Dedicated Manufacturing, 2) Shared Manufacturing Facility, and 3) Private Labelling.
- **Production capacity:** HFL has 22 state-of-the-art facilities distributed across the country. The company recently commenced the second phase of Lucknow facility for ice creams. HFL acquired a manufacturing facility in Baddi for producing OTC products. The company has also done a greenfield expansion to set up a juices tetra pack line, which is expected to commercialize in Q4FY24.
- **Revenue growth:** HFL reported revenue of Rs26bn in FY23, up 27% YoY, registering a CAGR of 50% over FY20-FY23. The company targets to achieve revenue of Rs40bn by FY25.
- **Margins**: The company's margins are protected as it operates on a cost-plus model. Currently, the company operates at 6-7% EBITDA margin. Moreover, raw-material cost and logistics cost are borne by clients. The duration of its contracts with clients are long term in nature with average duration of 10 years.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	1,387	4,919	7,719	14,072	20,207
EBITDA	102	326	558	903	1,152
EBITDA Margin (%)	7.3	6.6	7.2	6.4	5.7
APAT	63	119	227	393	501
EPS (Rs)	0.6	1.1	2.0	3.5	4.4
EPS (% chg)	-	89.2	91.3	73.0	27.3
ROE (%)	16.8	23.4	18.1	17.7	17.8
P/E (x)	1016.9	537.4	281.0	162.4	127.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.5	-2.9	-0.6	36.8
Rel to Nifty	1.6	-9.1	-8.8	22.9

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Jyothy Labs

Your success is our success

Focus on execution with a wider portfolio

CMP	MCap (Rs bn)	Not Rated
Rs321.8	118	

We hosted Sanjay Agarwal (CFO) in our India conference to share some company/industry insights.

Key Meeting Takeaways

- **Strong Q1 performance:** Jyothy Labs reported strong results in Q1FY24. Strong performance was witnessed across all categories. Demand was relatively stable across the portfolio and the price increase impacted demand. However, as the company's portfolio is more of an essential needs category, not much impact was seen. Overall, the portfolio grew 6% by value and 9% by volume. Media investments and increased distribution were the growth drivers during the quarter.
- **Category performance**: All categories showed positive volume growth. The soap category's growth was led by *Margo*. The laundry category saw consolidation. Dishwasher category grew at a strong rate, and the company aspires to grow in double digits. Fabric care saw sales improvement, led by increased focus on the value segment and premiumization. Household insecticide showed improvement. Here, the company is focusing on increasing the saliency of liquid vaporizers and providing coil as an alternative.
- **Distribution expansion:** The company has been growing its reach since the last few years and will continue this momentum. The company's divisions have internal targets for increasing the number of outlets and aims to increase its reach pan-India and across all categories. The company has also deployed distribution management system (DMS) for efficient scheme implementation across all outlets.
- **Growth guidance:** The company intends to grow pan-India and across all categories and segments. The company will focus on value-led growth and scaling operations and aims to achieve 15-16% EBITDA on an annual basis.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	17,459	18,124	17,112	19,091	21,965
EBITDA	2,708	2,799	2,511	3,145	2,482
EBITDA Margin (%)	0.2	0.2	0.1	0.2	0.1
APAT	1,613	2,051	1,741	2,230	1,620
EPS (Rs)	5.1	5.6	4.7	5.5	4.5
EPS (% chg)	-11%	10%	-17%	17%	-19%
ROE (%)	14%	15%	14%	16%	11%
P/E (x)	39.4	31.0	36.5	28.5	39.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	35.6	60.2	57.8	76.4
Rel to Nifty	34.4	50.0	44.8	58.5

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Mold-tek Packaging Limited

India Equity Research
August 17, 2023
Conference Note

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Surging through innovation and capacity expansion

CMP	MCap (Rs bn)	Not Rated
Rs940	31.2	

We hosted Sundeep Adivishnu (Vice President) in our India conference to share some company/industry insights.

Key Meeting Takeaways

- **Business overview:** Mold-tek Packaging Limited is the leader in manufacturing injection molded rigid plastic packaging containers since the last 36 years. The company has 10 manufacturing units and two stock points pan-India. Mold-tek is the first company in India to introduce 'In-Mold Labeling (IML)' concept for decorating plastic containers using ROBOTS. It is also the only packaging company in the world to design and manufacture in-house ROBOTS for IML decoration apart from manufacturing in-house IML.
- **Business performance**: The company operates in three verticals – paints, lubes and food & FMCG. In Q1FY24, the company's sales volume improved 1.8% to 9200MT. Overall, the food and FMCG-pack business continued to grow at 13%; however, the paint-pack and lube-pack business segments were sluggish.
- **New project updates**: The company is planning to set up new facilities in Panipat and Cheyyar for Aditya Birla Group, its major client for paints. The construction of these plants has started and the plants are expected to be ready by Dec-23 (Panipat) and early CY2024 (Cheyyar).
- **Foray into pharma packaging**: In Sultanpur, the company is in process of setting up a facility for FMCG (commenced) and Pharma packaging (Oct-23). Through this, the company intends to enter the pharma packaging segment.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	3,468	4,057	4,382	4,789	6,315
EBITDA	618	704	768	946	1,208
EBITDA Margin (%)	17.8	17.4	17.5	19.8	19.1
APAT	279	319	375	481	636
EPS (Rs)	8.4	9.6	11.3	14.5	19.2
EPS (% chg)	-	14.5	17.5	28.2	32.2
ROE (%)	16.0	17.5	19.3	21.2	17.8
P/E (x)	116.6	101.9	86.7	67.6	51.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-8.4	-1.1	3.6	8.2
Rel to Nifty	-9.2	-7.3	-5.0	-2.8

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Action Construction Equipment

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Good quarter; onwards to an even better year

CMP	MCap (Rs bn)	TP & Rating
Rs770	92	Under Review

We hosted Rajan Luthra (CFO)

Key Meeting-Takeaways

- Management has guided to doubling revenue from current levels in coming 2-3 years. Revenue growth would be on the back of growth in the construction equipment portfolio, followed by pickup in the crane segment. Company targets margins to reach 15% within 1-2 years, with levers like product mix change, increasing contribution of exports, and higher tonnage.
- According to the management, the capex and real-estate cycle is expected to remain robust for the next 4-5 years, as public and private capex appears to be sustaining. On the back of this, Management claims to increase its domestic market share, from 3% at present to 5% in coming few years.
- Management is focusing on penetrating the export market, and targets 10% export revenue by the end of FY24. It aims for export orders to flow in from 37 countries in coming years. The significant export order received from Ghana is facing certain issues, due to which the initiative is delayed by a couple of quarters. Management is hopeful of booking a certain small chunk of the project in FY24, followed by the majority of it being booked in FY25.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E
Revenue	16,303	21,580	25,497	30,262
EBITDA	1,523	2,467	3,118	3,760
EBITDA Margin (%)	9.3	11.4	12.2	12.4
APAT	1,059	1,612	2,298	2,820
EPS (Rs)	8.9	13.5	19.3	23.7
EPS (% chg)	25.9	52.2	42.5	22.7
ROE (%)	16.6	19.4	22.5	22.3
P/E (x)	86.6	56.9	39.9	32.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	28.1	73.9	103.7	237.5
Rel to Nifty	28.9	63.9	87.9	207.3

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APAR Industries

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Long-term robust story intact

CMP	MCap (Rs bn)	TP & Rating
Rs4,166	159	N/A

We hosted Ramesh Iyer (CFO & Investor Relations)

Key Meeting-Takeaways

- **APAR Industries** operates in three segments: Conductors, Transformer & Specialty Oils, and Power Cables. The company is the world's largest aluminium and alloy conductor manufacturer, while also being India's largest exporter of renewable and specialty cables – exporting to >140 countries.
- **Business outlook:** The company expects a slowdown in export markets due to de-inventorization and reduced lead times. The US market may experience a temporary slowdown, but long-term demand remains strong. However, the domestic Indian market remains robust, with several projects in progress where demand for conductors, cables, and transformer oils is expected to remain strong due to government initiatives and renewable energy projects.
- **Guidance:** Capex plan for the next 12-18 months is INR3.5-4bn, with focus on the cables business. The B2C Cables business is gradually growing and is expected to reach Rs5bn in FY26. The Polymer business is expected to grow to Rs2-3bn, with recent approvals from toy companies. Order book for conductors is robust and expected to be executed over the next 6-7 months.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	79,639	74,255	63,880	93,166	1,43,522
EBITDA	4,910	4,927	4,399	5,780	12,655
EBITDA Margin (%)	6.2	6.6	6.9	6.2	8.8
APAT	1,320	1,349	1,593	2,510	6376
EPS (Rs)	34.5	35.3	41.6	65.6	166.6
EPS (% chg)	-6.9	2.2	18.1	57.5	154.0
ROE (%)	11.4	11.4	12.4	16.1	32.3
P/E (x)	113.4	111.0	93.9	59.6	23.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	13.1	51.4	77.8	213.6
Rel to Nifty	12.1	41.8	63.1	181.8

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Elecon Engineering

Management emphasis on inorganic growth in Europe

CMP	MCap (Rs bn)	TP & Rating
Rs831	93	N/A

We hosted Kamlesh Shah (Group CFO) and the Finance team

Key Meeting-Takeaways

- The company has been diligently working on establishing a strong brand value for Elecon while expansion into new territories and increasing market share in existing geographies represents another significant growth opportunity for the company.
- The milestone of signing off the OEM business in the overseas market and robust domestic demand give the company the confidence to deliver strong performance and uphold its commitment to achieve consolidated revenue of INR2,000crore with EBITDA margin of 22% by FY24.
- By significantly enhancing its technological capabilities, the company has solidified its position as an industry leader, with 39% market share in FY23 as against 34% in FY22 in the Tier-1 domestic market.
- The company targets achieving INR1,700crore of consolidated revenue for this division by FY24. It has also launched its EON 2.0 series in the last quarter and has been witnessing positive response from multiple customers across industries as well as from overseas.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	12,248	10,885	10,444	12,120	15,297
EBITDA	1,405	1,410	1,859	2,472	3,393
EBITDA Margin (%)	11.5	13.0	17.8	20.4	22.2
APAT	393	903	578	1,443	2387
EPS (Rs)	3.5	8.0	5.1	12.9	21.3
EPS (% chg)	414.0	129.9	-36.0	149.8	65.5
ROE (%)	5.3	11.1	6.5	14.7	20.5
P/E (x)	237.2	103.2	161.3	64.6	39.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	15.1	64.7	125.3	143.7
Rel to Nifty	15.9	55.2	107.8	122.0

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Tinna Rubber and Infrastructure

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Sustainable road ahead

CMP	MCap (Rs bn)	TP & Rating
Rs 744	7	N/A

We hosted Gaurav Sekhri (MD) and Subodh Kumar Sharma (COO)

Key Meeting-Takeaways

- Tinna Rubber transforms end-of-life tyres into rubber and steel, which further have application in new tyres/conveyor belts and other rubber moulded products and roads. Steel derived during the process is used for making steel abrasives. The company is the largest integrated waste tyre recycler in India and caters to the entire gamut of recycled rubber applications.
- **Developments:** The company is building a new plant in Maharashtra at Varle which will increase the tyre crushing capacity by 60% and add 60,000ton capacity. The company has recently set up a plant in Oman (its first overseas venture) which has commenced trial production and is expected to be fully commissioned soon.
- **Outlook:** The company expects growth in the infrastructure segment due to upcoming road projects and government initiatives, and is focused on expanding its PCR recycling capacity. It is also exploring opportunities in the international market, while looking to monetize its non-core investments to become debt-free in the future.
- **Guidance:** The company expects to achieve 50% topline growth in the financial year and improve EBITDA margins to around 15%.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	1,297	1,230	1,301	2,292	2,954
EBITDA	157	85	165	373	372
EBITDA Margin (%)	12.1	6.9	12.7	16.3	12.6
APAT	-1	-46	-1	169	211
EPS (Rs)				19.7	24.7
EPS (% chg)	-	-	-	-	25.4
ROE (%)	-	-	-	23.4	24.4
P/E (x)	-	-	-	39.0	31.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	25.8	63.6	110.5	56.3
Rel to Nifty	24.7	53.2	93.1	40.5

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Transformers and Rectifiers

Higher Transmission Capex to lead growth

CMP	MCap (Rs bn)	TP & Rating
Rs106	14	N/A

We hosted Jitendra Mamtora (Chairman) and the Finance team

Key Meeting-Takeaways

- TRIL manufactures 220kV reactors by itself; meanwhile, it has tied up with Fuji Electric to set up a conglomerate and manufacture 440kV and 765kV reactors. The contract comes to an end in FY24 which will ensure that the technology remains with TRIL and the annual royalty payments made will also come to an end.
- Management's growth strategy focuses on developing niche business segments of private players, which offer better margins, increasing market share in Furnace & Rectifier Transformers, backward integration of products with higher markup, and increasing its presence in International Markets.
- In Q1FY24, GETCO (a long-term customers of TRIL) placed a stop deal clause on TRIL and halted payments regarding existing completed orders, along with stopping placement of new orders with TRIL. Mgmt is working proactively, with the Chairman of TRIL primed to place his case to the Board of GETCO; he is hopeful of getting the note revoked and the issue resolved at the earliest.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	8,554	7,010	7,421	11,618	13,809
EBITDA	613	514	685	741	1,214
EBITDA Margin (%)	7.2	7.3	9.2	6.4	8.8
APAT	46	4	72	140	407
EPS (Rs)	0.3	0.0	0.5	1.1	3.1
EPS (% chg)	-14.3	-91.5	1708.8	94.8	191.6
ROE (%)	1.4	0.1	2.1	4.0	10.9
P/E (x)	303.5	3555.1	196.5	100.9	34.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-2.1	66.8	78.8	203.0
Rel to Nifty	-1.4	57.2	64.9	175.9

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Coforge

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Growth momentum to continue

CMP	MCap (Rs bn)	TP & Rating
Rs5,277	322	Rs4,250 | HOLD

We hosted Vikas Jadhav, VP - IR (Coforge)

Key Meeting-Takeaways

- Growth in USA and Europe remains robust for Coforge. In BFS, Coforge continues to see large banks struggle with decision-making in the short-to-medium term. Demand environment remains strong for airlines and airports, in travel. The P&C segment is seeing strong traction on the back of alliances like Duck Creek. Advantagego has rebounded, which also supported growth in Insurance.
- Company expects evenly-balanced growth across verticals in FY24.
- Demand environment remains challenging due to weak discretionary spending and slower decision-making, amid macro uncertainty. Coforge retains its revenue growth guidance of 13-16% CC YoY and adjusted EBITDAM of ~18.3% for FY24, backed by deal bookings and strong execution.
- Coforge reported a record order intake of USD531mn in Q1, which includes a USD300mn TCV deal with an existing European BFS client and a USD65mn deal with a BFS client. Order book executable over the next 12 months stood at USD897mn, up 19% YoY.
- Margins in Q1 was negatively impacted by wage hike, headcount addition, hedge gain/loss swing, and visa costs on sequential basis. Management is confident about ramping up margins in FY24.
- Company has rolled out hikes effective 1-Apr-2023. It has also given the annual variable payout to all employees with no cuts, although slightly toning down the quantum of wage hikes given this year. The company has initiated a cost containment exercise, having already completed the first tranche.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	64,320	80,146	93,139	1,09,047	1,26,168
EBITDA	11,019	12,807	16,243	19,320	22,273
EBITDA Margin (%)	17.1	16.0	17.4	17.7	17.7
APAT	6,617	7,314	9,625	11,752	13,731
EPS (Rs)	108.6	119.7	157.6	192.4	224.7
EPS (% chg)	39.0	10.2	31.6	22.1	16.8
ROE (%)	25.5	25.7	29.0	30.4	30.3
P/E (x)	48.6	44.1	33.5	27.4	23.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	7.1	29.2	29.3	39.1
Rel to Nifty	7.8	21.7	19.3	26.7

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eClerx services

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Expect growth to recover in H2

CMP	MCap (Rs bn)	TP & Rating
Rs1,699	83	Rs1,940 | BUY

We hosted Srinivisan Nadadhur, CFO - eClerx

Key Meeting-Takeaways

- Clients are facing revenue pressure in financial services and the cables industry, except in the high-end fashion & luxury vertical; this impacted demand. Further, Company is witnessing delay in decision-making due to the macro uncertainty. Clients are focusing more on driving cost by leveraging technology, AI, and automation.
- Company plans to share its medium-to-long term strategy (3-5-year plan) by the end of FY24.
- Management expects revenue growth recovery from H2, considering the strong deal pipeline, although it expects to provide better clarity closer to end-Q2.
- Management highlighted that the pipeline across the 3 verticals is higher than it was 3-6 months ago.
- Company sees GenAI as a huge opportunity in the segments it serves, for enhancing the end-user experience by building more use cases. It is leveraging GenAI to further enhance its tools, solutions and capabilities. It is currently working on 32 POCs on Gen AI.
- Management expects revenue to rebound in Q2 and log closer to Q4FY23 levels, further improving in H2. The weakness in tech spends and client-specific challenges are likely to persist and weigh on growth for the next few quarters. Factoring-in the slower revenue growth and S&M investments, Company now expects EBITDAM to be slightly below the lower end of the 28-32% target range.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	21,603	26,479	28,334	30,979	33,302
EBITDA	6,620	7,225	7,569	8,566	9,209
EBITDA Margin (%)	30.6	27.3	26.7	27.7	27.7
APAT	4,174	4,888	4,742	5,614	6,086
EPS (Rs)	82.1	97.3	96.7	119.3	124.1
EPS (% chg)	50.2	18.4	-0.6	23.3	4.1
ROE (%)	27.2	29.8	24.3	24.9	25.5
P/E (x)	20.7	17.5	17.6	14.2	13.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.9	28.7	15.2	15.2
Rel to Nifty	-1.2	21.3	6.3	4.9

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Infosys

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Large-deal signings to aid growth momentum

CMP	MCap (Rs bn)	TP & Rating
Rs1,394	5,784	Rs1,560 | BUY

We hosted Ganesh Ramasubramaniam (Associate VP, Mergers Acquisitions Finance & Tax) and Sweta Sheth (IR), of Infosys

Key Meeting-Takeaways

- Company highlighted its margin expansion program, which works across five areas: pyramid efficiency, automation and GenAI-led productivity improvements, performance in critical portfolios, reducing indirect costs, and deriving value across the portfolio.
- In Retail, cost efficiency and consolidation deals remain the top priority for clients. Communications continued being impacted by budget cuts, delayed decision-making for newer spends and slow ramp-ups. Manufacturing clients are focused on controlling spends and awarding deals that are focused on differentiation.
- Infosys is guiding for FY24 revenue growth to 1-3.5% CC YoY, implying 0.2-1.8% CQGR over Q2-Q4, on lower than expected volumes due to ramp-downs in discretionary spend, coupled with mega-deal volumes decreasing on delayed signings and longer ramp-up time owing to regulatory approvals and transitions. Infosys retained its 20-22% EBITM guidance for FY24, while also launching a broader margin expansion program.
- On the back of the recent deal signings, Management is hopeful of a back-ended revenue growth with a recovery in H2.
- Areas like engineering, IoT, supply chain, cloud ERP, and digital are seeing increased traction. Company has trained 40,000 employees on generative AI, as it sees opportunities for new work and for productivity improvements through AI.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	12,16,410	14,67,670	15,24,723	17,07,396	18,89,706
EBITDA	3,14,920	3,51,310	3,63,919	4,16,729	4,63,476
EBITDA Margin (%)	25.9	23.9	23.9	24.4	24.5
APAT	2,21,110	2,40,950	2,44,859	2,85,027	3,18,672
EPS (Rs)	52.6	58.1	59.0	68.7	76.8
EPS (% chg)	15.8	10.5	1.6	16.4	11.8
ROE (%)	29.0	31.8	30.4	31.5	31.2
P/E (x)	26.5	24.0	23.6	20.3	18.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-2.3	11.9	-12.5	-12.6
Rel to Nifty	-1.6	5.5	-19.3	-20.4

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LTIMindtree

Recovery slower than anticipated

CMP	MCap (Rs bn)	TP & Rating
Rs5,193	1,537	Rs4,950 | HOLD

We hosted Vineet Teredesai (CFO) and Vinay Kalingara (Head IR) of LTIMindtree

Key Meeting-Takeaways

- Deal activities remain robust, which is reflected in the deal pipeline (up 10% QoQ). However, Management highlighted that the decision making remains slow.
- Clients are apprehensive in the retail sector due to the high inflationary environment. Management does not see any radical changes in client approach till at least Q2. Further, leisure travel saw strong demand, whereas business travel continues to lag.
- Data (one of its largest service lines) is fundamental to generative AI, which it believes will become the catalyst for the next phase of the autonomous enterprise. This technology will have a significant impact on the ability to serve clients across offerings.
- Company continues to observe a growing trend in deals focusing on efficiency to allow companies to fund their ongoing transformation initiatives. Its persistent efforts to explore cross-selling and upselling opportunities within the existing accounts are yielding positive results.
- Company continues to invest in Canvas.ai (GenAI platform) to be a secure and easy to consume GenAI platform, leveraging several LLM solutions and enabling the creation of multiple industry-specific use cases in partnership with clients.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,61,087	3,31,830	3,61,113	4,26,511	4,93,507
EBITDA	52,486	61,077	68,108	82,905	96,283
EBITDA Margin (%)	20.1	18.4	18.9	19.4	19.5
APAT	39,483	44,083	48,675	60,817	71,116
EPS (Rs)	133.5	149.0	164.5	205.6	240.3
EPS (% chg)	20.5	11.6	10.4	24.9	16.9
ROE (%)	36.6	26.6	27.0	28.5	28.1
P/E (x)	38.9	34.8	31.6	25.3	21.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.0	10.8	12.0	5.7
Rel to Nifty	2.6	4.4	3.3	-3.7

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Mastek

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Aims for industry-leading growth in FY24

CMP	MCap (Rs bn)	TP & Rating
Rs2,135	65	NR | NR

We hosted Arun Agarwal, CFO - Mastek

Key Meeting-Takeaways

- Top customers are prioritizing cost optimization and seeking different ways to generate efficiencies. Although, the journey that many have taken on cloud migration and cloud modernization is starting to move into a different pivot, where Company would like to monetize the investments made in the platforms as well as optimize the consumption, whether hyperscalers or SaaS platforms.
- Wage increments during Q2 will be offset by the various operating levers and Management hopes to recover the margins from Q3, to the guided range of 17-19%.
- Management has prioritized 3 specific areas as part of the M&A thesis: i) customer experience and digital experience, ii) data and the continuum of data with AI, and iii) cloud platforms (i.e. hyperscalers).
- In the USA, there are some deals that took longer to close over the last 3-6 months, but have a healthy back-to-back order booking. In the UK, there are some large deals that continue to be part of the pipeline, while there were a couple of deal losses.
- In terms of account mining, Company has identified the top 10-15 accounts in each geography and is making progress not just in terms of account plans, but also in terms of approaching senior stakeholders, building relationships, looking at the vendor landscape, partnerships and spend areas, and offer a much more holistic proposition.
- BizAnalytica (recent acquisition) has some marquee enterprise clients in asset and wealth management, retail, healthcare and in technology; Management feels that the synergies will start with the US geography and then expand to the global market.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	8,172	10,332	10,715	17,219	21,838
EBITDA	997	1,136	1,294	3,645	4,625
EBITDA Margin (%)	12.2	11.0	12.1	21.2	21.2
APAT	674	953	1,215	2,035	2830
EPS (Rs)	22.0	31.1	39.7	66.5	92.5
EPS (% chg)	-	41.4	27.4	67.5	39.0
ROE (%)	12.3	15.1	16.1	24.7	29.3
P/E (x)	96.9	68.6	53.8	32.1	23.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.7	23.7	37.2	7.0
Rel to Nifty	-0.1	16.5	26.6	-2.5

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Sonata Software

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Targets USD1.5bn by FY26-end

CMP	MCap (Rs bn)	TP & Rating
Rs1,031	145	NR | NR

We hosted Jagannathan CN, CFO - Sonata Software

Key Meeting-Takeaways

- Company aims to achieve a revenue of USD1.5bn (consolidated) by FY26-end at an EBITDAM of early 20s.
- The largest-ever deal with a TCV of Rs160mn announced in Q4 is progressing well and is expected to get fully ramped-up during the course of CY23. Company won 2 new additional large deals in Q1 and highlighted that the large deal pipeline is now 40% of the total pipeline.
- BFSI industry has shown challenges in mortgage and lending segments, while the technology spend on consumer banking remains stable.
- In the healthcare Life Sciences industry, consumer and legal forces are requiring healthcare players to increase collaboration and partnership. The shift towards value-based care and technological advancements have led to the development of new treatments and medical equipment, resulting in an overall positive outlook for the healthcare Life Science industry.
- Company is seeing softness in high-tech industries for a few select clients, both large and mid-size, where the growth has reduced. For the TMT sector, it remains positive, but is monitoring these decision delays that have hit the industry in general.
- Company has launched Harmony.ai, a responsible first AI offering with a bouquet of industry solutions, service delivery platforms, and accelerators using GenAI techniques. Sonata has trained over 20% of its engineers to deliver tailored solutions and services to its clients.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	29,609	37,433	42,281	55,534	74,491
EBITDA	3,356	3,728	3,794	4,638	6,041
EBITDA Margin (%)	11.3	10.0	9.0	8.4	8.1
APAT	2,418	2,730	2,417	3,764	4521
EPS (Rs)	17.2	19.5	17.2	26.8	32.2
EPS (% chg)	28.6	12.9	-11.5	55.7	20.1
ROE (%)	34.0	38.0	30.7	37.6	37.7
P/E (x)	59.8	52.9	59.8	38.4	32.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-2.2	17.8	57.5	99.6
Rel to Nifty	-1.5	11.0	45.3	81.8

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Refer to important disclosures at the end of this report

Tech Mahindra

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Execution remains the key monitorable

CMP	MCap (Rs bn)	TP & Rating
Rs1,220	1,189	Rs1,200 | BUY

We hosted Bhairvi Selarka, Head IR - Tech Mahindra

Key Meeting-Takeaways

- Management believes that most of the weakness in CME business is behind, and expects gradual recovery as telcos are cautiously spending on capex and opex. Budgetary pressures on discretionary spending impacted the performance of the vertical.
- Offshoring, pyramid rationalization, subcon optimization, recovery in the revenue growth, and divestment of the non-core portfolio remains the medium-to-long term margin levers. Subcon as a % of revenue currently stands at ~14% and Management expects it to come down to ~10%. It sees further headroom of 4-5% improvement in offshore.
- Management highlighted structural drivers for margins: increase in share of revenue from developed markets like the USA/Europe; increase in revenue contribution from BFSI, Manufacturing, and Health Services; reselling some offerings as platforms; looking at potential JVs with some customers, to develop new-service offerings or new niches.
- TechM's Q1 operating performance was impacted by some transformational projects coming to an end, one client filing for bankruptcy, and company failing to balance the cost and revenue within a shorter time frame.
- Management expects deal closures to be impacted in H1 due to the weak macro environment, and hopes for a recovery from H2.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,46,460	5,32,902	5,30,325	5,88,614	6,48,566
EBITDA	80,200	80,288	71,241	99,457	1,11,126
EBITDA Margin (%)	18.0	15.1	13.4	16.9	17.1
APAT	55,660	48,313	41,159	62,370	71,200
EPS (Rs)	63.4	54.9	46.7	70.8	73.0
EPS (% chg)	25.2	-13.4	-14.9	51.5	3.1
ROE (%)	21.5	18.5	14.5	20.9	22.4
P/E (x)	19.2	22.2	26.1	17.2	16.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.7	16.6	20.5	16.4
Rel to Nifty	-0.1	9.9	11.2	6.0

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Refer to important disclosures at the end of this report

JSW Steel

Seeks to sustain and enhance the long-term competitive advantage

CMP	MCap (Rs bn)	Not rated
Rs790	19,094	

We hosted Ashwin Bajaj (Group Head IR) and Urvill Bhatt (DGM - IR)

Key Meeting-Takeaways

- JSW Steel is one of the leading integrated steel companies in India. It has a strategic collaboration with global leader JFE Steel of Japan that enables JSW to access new &state-of-the art technologies to produce and offer high-value special steel products to its customers.
- JSTL is adding ~9mt to reach 37mt of capacity in India over FY24-25. It aims to reach 50mt within India by FY31, via prioritizing brownfield potential of ~5mt at each of its existing bases in Vijaynagar, Dolvi and BPSL, to lower capital investment cost.
- Company has plans for capex of Rs10,000crore for long-term sustainability, which is part of the ongoing capex.
- Company exports around 15% of annual volumes, of which 50% is exported to Europe (mostly value-added).
- Company has plans for newer projects that will make it more efficient, in terms of energy efficiency and operating leverage.
- JSW reiterated FY24 commissioning targets for the 5mtpa Vijaynagar expansion, 1.5mtpa BPSL expansion, 3mtpa phase-wise coke oven expansion at Vijaynagar, and a 0.12mmtpa color-coating line in Jammu & Kashmir.
- JSW aims to gradually prepare a greenfield site in Odisha in a modular manner for potential development of another 13mt capacity. It plans to start with a slurry pipeline connecting its mines to the plant site, then to develop a pellet plan, followed by steelmaking capacity. Management is continuously evaluating international options for improving coal security and is particularly interested in coal assets in Australia and Canada, if available at the right valuations.
- Management believes that India will absorb crude steel supply growth in FY24, with likely demand growth of 8-9%, requiring 10-11mt of incremental supply. JSW expects Indian steel demand for the fiscal year to touch 130mt.

Financial Snapshot

(Rs mn)	FY22	FY23
Revenue	14,63,710	16,59,600
EBITDA	3,90,070	1,85,470
EBITDA Margin (%)	26.6%	11.2%
APAT	2,06,650	41,440
EPS (Rs)	32.7	85.5
EPS (% chg)	96%	161%
ROE (%)	30.7%	6.3%
P/E (x)	9.8	46.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.7	13.8	10.4	17.9
Rel to Nifty	0.0	7.2	1.9	7.3

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Emkay Research

Petronet LNG

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Steady outlook

CMP	MCap (Rs bn)	TP & Rating
Rs224	336	Rs265 | BUY

We hosted the senior management of Petronet LNG

Key Meeting-Takeaways

- Dahej terminal utilization improved to 96% in Q1 and expectation is at least 90-95% for full year. Kochi terminal should also see demand from the Mangalore region, as spot has been stable for some time now. With EU inventories at 84%, the current demand-supply trajectory implies there should not be any spike in LNG prices during the winter, unless some additional major disruptions come into play.
- QatarGas renewal should conclude by CY23-end and extension would be 20-25years. PLNG is seeking a slope that is equal to or lower than the existing. The renewal would be on the same terms, with offtakers committing their share. QatarGas has been a fairly reliable supplier and, at times, has supported PLNG too. If other players also bring additional volumes, it would be beneficial for PLNG as it would receive some volume share.
- The Dahej LNG terminal is like a benchmark for India and 5% annual regas tariff escalation should continue, with other terminals also taking cue from this. The hike, which is in response to inflation, is hence beneficial for the entire sector. The Petchem project is under study now and the economics are yet to be finalized.
- The Kochi Bangalore pipeline is expected to commission by next year-end and, with GAIL agreeing to the state government's demand of rerouting (along highways), there is not much opposition now and the project is on schedule. Post the national grid connectivity, Kochi utilization should considerably go up.
- PLNG is looking at off-take agreements for Gopalpur FSRU and would ideally like to have ~50% of volumes tied up at which the terminal will make profit. Overseas LNG terminal plans are now on the back burner.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,60,229	4,27,376	5,90,504	5,71,352	5,66,908
EBITDA	46,995	48,213	40,069	46,462	50,091
EBITDA Margin (%)	18.1	11.3	6.8	8.1	8.8
APAT	29,494	30,294	25,461	30,861	34214
EPS (Rs)	19.7	20.2	17.0	20.6	22.8
EPS (% chg)	14.0	2.7	-16.0	21.2	10.9
ROE (%)	26.1	20.7	11.4	19.6	19.7
P/E (x)	11.4	11.1	13.2	10.9	9.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-2.4	-2.3	1.1	8.3
Rel to Nifty	-1.7	-7.9	-6.7	-1.4

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Ajanta Pharma Ltd.

Gathering the pace

CMP	MCap (Rs bn)	TP & Rating
Rs1,781	224	Not Rated

We hosted Arvind Agrawal (CFO) and Rajeev Agarwal (Associate VP Finance)

Key Meeting Takeaways

- Ajanta believes that 75% gross margin will be the new normal (+/- 1%) for the overall business and targets 25% EBITDA margin, driven by (a) higher in-house production now, (b) reduction in other cost items and (c) price stabilization in the U.S. geography.
- There has been a decline in RM prices due to increased Chinese supplies. However, RM prices continue to remain higher than pre-Covid levels.
- Around 10-20% of the industry's products are in shortage in the U.S. due to significantly low margins, which led to reduced supply. This should be temporary in nature. The rest 80% of products have normal supplies and there is no disruption.
- U.S. market contribution is 22% currently. The company intends to reduce the contribution of U.S. markets, which should improve the company's overall blended margins. India currently contributes 30-31% to revenue and is expected to grow at low double digits. For Ajanta, of the total revenue growth, 5-6% will come from volume growth. RoW: Major markets are Asia and Africa. RoW makes lower gross margins but similar EBITDA margins.
- Other Key Highlights: (1) For Ajanta, there is no change in their realization of existing products in the U.S. New products are at higher realization (2) The company is not looking at entering the CDMO and injectable business, (3) Current capacity utilization is 60%. An increase in utilization should take care of revenue growth for the next 3-4 years. The company will look at new capex only after two years, which will be brownfield in nature. (4) Ajanta is not looking at any inorganic growth, especially outside India. It will only do inorganic acquisitions at the right valuations.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	20,554	25,879	28,897	33,410	37,426
EBITDA	5,664	6,794	9,986	9,293	7,833
EBITDA Margin (%)	27.6	26.3	34.6	27.8	20.9
APAT	3,871	4,705	6,513	7,133	5940
EPS (Rs)	30.7	37.4	51.7	56.6	47.2
EPS (% chg)	-17.4	21.5	38.4	9.5	-16.7
ROE (%)	18.1	19.4	23.3	22.8	17.9
P/E (x)	56.6	46.6	33.6	30.7	36.9

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	21.6	39.0	43.3	37.3
Rel to Nifty	22.4	31.0	32.2	25.0

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Emkay Research

NGL Fine-Chem Ltd.

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Moving in a right direction

CMP	MCap (Rs bn)	TP & Rating
Rs1972	12.6	Not Rated

We hosted Rajesh Lawande (Executive Director) at NGL Fine-Chem (Not Rated)

Key Meeting Takeaways

- The company was set up in the mid-90s as a human API but later, in 1997, forayed into veterinary APIs, and now it has become one of the leading players in this space. It has 26 products and 4 human APIs and exports 75% of the total revenue. The company's key products include Diminazene, and Clorsulon, which are sold to all large animal health formulation companies like Ceva and Boehringer Ingelheim. The company has a wide product basket, including many low-volume high-value APIs. The company's focus has always been on unit economics. It is also looking at the anti-parasitic segment closely; the tick infestation product is going off-patent next year, which will be the first year to develop this.
- Last two years' key challenges on performance were overstocking of inventory by customers and shortage of foreign exchange in end-markets (like Africa); it cannot give too much credit to clients.
- NGL is building a new plant at Tarapur for regulated markets like USA at Rs140cr project cost and has already committed Rs30cr from internal accruals; it can take further debt as the balance sheet is deleveraged now. Capex will be done in two phases due to slowdown at the customer's end; the plant can give 2x asset turn and ~40% higher gross margins; breakeven sales could be ~Rs60cr at EBITDA level. The focus will be on veterinary APIs going forward; the current unit can give Rs350cr peak revenue. The next four years aim to reach Rs500cr topline with 18-20% steady state EBITDA margin.
- Due to the good product mix, many customers choose NGL as an alternate supplier against Chinese companies; the China+1 phenomenon is playing well for the company, as going forward it plans to increase the number of products to 40 APIs. Further, it plans to reduce the key starting material (KSM) dependence on China; 50% is procured locally now.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	1,532	1,522	2,582	3,187	2,751
EBITDA	323	209	770	659	287
EBITDA Margin (%)	21.1	13.7	29.8	20.7	10.4
APAT	201	121	555	523	201
EPS (Rs)	32.6	19.6	89.8	84.6	32.6
EPS (% chg)	59.9	-40.0	358.9	-5.8	-61.5
ROE (%)	24.5	12.5	43.2	28.9	9.3
P/E (x)	61.5	102.5	22.3	23.7	61.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-3.8	33.6	30.9	28.6
Rel to Nifty	-3.2	25.9	20.8	17.1

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Emkay Research

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Price Pipes and Fittings

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Margins to improve from coming quarters

CMP	MCap (Rs bn)	TP & Rating
Rs677	75	NR

We hosted Nihar Chheda (Founder & Chairman) and Karl Kolah (Investor Relations)

Key Meeting-Takeaways

- Management has guided for high double-digit volume growth over the next 3-5 years. FY24 margin guidance stood in the range of 12-14%.
- Capex spend in FY24 stood at Rs1bn for debottlecking (capacity: 20K-30kmt) at existing plants. For the greenfield expansion in Bihar, land has been acquired and construction is likely to begin in Q3FY24. Phase-1 is likely to have capacity in the range of 35,000-40,000mt and is expected to commence production in Q4FY25.
- The Company launched its bathware segment in Jun-23 at a dealer meet. It has launched nine different collections of sanitaryware and faucets. Management indicated that the bathware industry is valued at Rs150bn, with 65% share of organized players.
- Management expects PVC prices to remain range-bound going ahead. Further correction in CPVC prices is expected going forward.
- A&P spends stood at Rs120mn in Q1FY24 and Management targets ~2% of revenue as branding spends in FY24.
- The company has net cash position of Rs1.6bn in Q1FY24.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	15,719	16,357	20,715	26,568	27,110
EBITDA	1,841	2,288	3,616	4,156	2,500
EBITDA Margin (%)	11.7	14.0	17.5	15.6	9.0
APAT	800	1,135	2,235	2499	1210
EPS (Rs)	7.2	10.3	20.2	22.6	10.9
EPS (% chg)	9.0	41.9	96.9	11.8	-51.4
ROE (%)	22.4	18.4	23.8	21.6	21.6
P/E (x)	93.6	65.9	33.5	30.0	51.9

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	7.7	12.8	17.4	12.9
Rel to Nifty	8.4	6.3	8.3	2.8

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Refer to important disclosures at the end of this report

CESC

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Better days ahead

CMP	MCap (Rs bn)	TP & Rating
Rs78	104	Rs100 | BUY

We hosted Saket Shah (Group Head IR) and Pankaj Kedia (VP IR)

Key Meeting-Takeaways

- CESC reported Q1FY24 PAT growth of 23% YoY. Merchant prices helped in improving profitability of Dhariwal Infra (Rs790mn vs. Rs710mn) and Crescent Power (Rs200mn vs. Rs40mn), while Noida continued tracking an increased profitability trend.
- At the standalone level, power demand growth of 7.5%, T&D loss at 7.5% (vs. 9%, as allowed) along with high PLF (over 93%) helped in achieving this growth. Over the next few years, improvement in standalone PAT, lower loss levels at DFs, and higher PAT at Noida will all lead to improved consolidated earnings.
- Rajasthan DFs reported positive bottom-line across all three circles, with further reduction in T&D loss. Combined PAT for the three circles stood at Rs170mn vs. Rs60mn YoY. Management remains confident of positive PAT for these circles during FY24 (FY23 reported loss of Rs250mn).
- Recently, the company signed a long-term renewable PPA to procure 150MW Wind-Solar hybrid for a duration of 25 years. UPERC issued the FY24 tariff order for Noida power.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,25,439	1,42,460	1,38,944	1,44,386	1,50,453
EBITDA	36,538	34,250	37,450	38,072	39,303
EBITDA Margin (%)	29.1	24.0	27.0	26.4	26.1
APAT	13,581	13,430	14,947	15,666	17002
EPS (Rs)	10.2	10.1	11.2	11.8	12.8
EPS (% chg)	2.0	-1.1	11.3	4.8	9.1
ROE (%)	13.4	12.6	13.2	12.9	13.0
P/E (x)	7.7	7.8	7.0	6.7	6.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	3.8	11.5	4.5	-1.4
Rel to Nifty	4.5	5.1	-3.6	-10.2

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Refer to important disclosures at the end of this report

Tata Power

Leading the way in renewable energy

CMP	MCap (Rs bn)	TP & Rating
Rs234	747	N/A

We hosted Soundarajan Kasturi (Treasury & IR) and Rajesh Lacchani (Head IR)

Key Meeting-Takeaways

- Tata Power is involved in the business of the generation, transmission and distribution of electricity and is India's most vertically-integrated company with operations across renewables, non-renewables and transmission & distribution (T&D).
- **RE focus:** Tata Power is focused on group captive renewable capacities and expects substantial growth in this area. The company plans to add 2-2.5GW of renewable capacity every year, with focus on utility scale and group captive projects. Tata Power is also investing in pumped hydro projects, aiming to support 6-7GW of renewable capacity for round-the-clock power. The company expects good margins in its group captive and rooftop projects.
- **Developments:** Tata Power's T&D business in Odisha has stabilized, and future performance is expected to be better. The company's credit ratings have been upgraded by ICRA and CARE, reflecting better financial management.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	2,98,811	2,91,364	3,31,218	4,30,953	5,55,533
EBITDA	64,020	67,832	68,472	65,127	76,978
EBITDA Margin (%)	21.4	23.3	20.7	15.1	13.9
APAT	-117	317	11,701	22,274	32169
EPS (Rs)		0.1	3.7	7.0	10.1
EPS (% chg)	-	-	3591.6	90.4	44.4
ROE (%)	-	0.2	5.6	10.0	12.6
P/E (x)	-	2357.9	63.9	33.6	23.2

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

Price Performance (%)

(%)	1m	3m	6m	12m
Absolute Returns	2.7	15.2	14.0	2.6
Rel to Nifty	1.8	7.9	4.6	-7.8

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Refer to important disclosures at the end of this report

Arvind Smartspaces

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Fastest growing business

CMP	MCap (Rs bn)	Not rated
Rs355	160.9	

We hosted Vikram Rajput (Head IR & AVP Business Development)

Key Meeting-Takeaways

- Arvind SmartSpaces is the real-estate arm of Arvind Ltd and one of the fastest-growing businesses in the portfolio. It has evolved into a key player in the Indian real-estate market with 7 already-completed projects within the first 8 years of operations.
- It has created strong presence in key real-estate segments of residential, Industrial and Retail development, within a short timespan.
- Company has entered into an agreement with HDFC Capital Advisors to set up an INR900crore platform to undertake residential developments. The funds will be used for acquisition of new projects for residential developments in the cities of Ahmedabad, Bengaluru and Pune as well as the Mumbai Metropolitan Region.
- Arvind SmartSpaces will set up a separate special purpose vehicle to house the projects under this platform. The proposed platform is expected to create a revenue potential of INR4,000-5,000crore, excluding reinvestment potential.
- Management has guided to revenue crossing INR1,000crore in FY24 and reaching INR4,000-5,000crore in the next 3-4 years.
- Company has signed big two projects in Bengaluru, wherein horizontal and vertical projects will be involved and have good visibility for reaching topline of Rs4,000-4,500crore.

Financial Snapshot

(Rs mn)	FY22	FY23
Revenue	2,568	2,559
EBITDA	491	489
EBITDA Margin (%)	19.1%	19.1%
APAT	251	256
EPS (Rs)	6.3	5.6
EPS (% chg)	152%	-11%
ROE (%)	6.03%	5.49%
P/E (x)	31.1	32.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	3.3	14.1	26.9	88.3
Rel to Nifty	4.0	7.5	17.1	71.4

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Emkay Research

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Devyani International

Your success is our success

KFC remains robust; menu gaps fixed for Pizza Hut

CMP	MCap (Rs bn)	TP & Rating
Rs198	238	Rs180 | HOLD

We hosted Manish Dawar - CFO

Key Meeting-Takeaways

- KFC continues to outperform with 20-25% topline growth (vs. 15% growth for listed QSRs combined). The growth is supported by strong enhancement in store-count and relatively-better SSG vs. Pizza Hut's (PH's). PH is seeing lower growth at 10-15%, owing to higher competition and higher ticket-size in an inflationary environment.
- New innovations have been strong, with the launch of KFC snackers at Rs99 (7 products) and the earlier launch of 10 new premium pizzas/entry-level flavor fun-pizzas. In a challenging environment, DIL's focus remains on increasing its share of footfalls with the introduction of the value range in KFC/PH, balancing SSG/margin impact of value launches with price hikes in other menu items, combo meals and premiumization.
- From the RM standpoint, KFC is seeing moderation across all key RM prices, but dairy/vegetable/beans inflation can keep margins under check for PH/Costa in the near term. PH/KFC took price hike of 1-3% in Q1, to offset the impact of value launches and RM inflation in PH. For Costa, revenue grew 84%, owing to near-doubling of its network and 9% SSG.
- Store additions saw moderation, with 47 additions in Q1 (vs. 65-90 additions in the recent past), but DIL expects the pace to pick up and targets 275-300 additions in FY24 — KFC to see 125 additions, PH 75, Costa-Coffee 50-60 and other formats the remaining.
- DIL expects *Vaango* to be a Rs1bn brand by FY24-end.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	20,840	29,977	36,719	46,037	56,940
EBITDA	4,760	6,551	7,647	10,223	13,140
EBITDA Margin (%)	22.8	21.9	20.8	22.2	23.1
APAT	1,734	2,850	2,294	3,363	4700
EPS (Rs)	1.4	2.4	1.9	2.8	3.9
EPS (% chg)	-	64.3	-19.5	46.6	39.7
ROE (%)	43.4	34.4	21.8	25.9	27.8
P/E (x)	137.2	83.5	103.7	70.7	50.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	1.9	11.9	29.6	-2.3
Rel to Nifty	2.6	5.5	19.5	-11.1

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Refer to important disclosures at the end of this report

Dollar Industries

RM price moderation/better revenue mix to drive margin gains

CMP	MCap (Rs bn)	TP & Rating
Rs399	23	NOT RATED

We hosted Ankit Gupta - President Marketing, and Ajay Kumar Patodia - CFO

Key Meeting-Takeaways

- Q1 revenue declined 12% to Rs3.2bn, due to 15% value de-growth; however, volume grew 4%. Company maintained its guidance of achieving 11-12% overall growth in FY24. Medium-term target of reaching Rs20bn sales by FY25 remains intact, implying CAGR of 20% over FY23-25.
- With high-cost inventory being completely out of the system and given stable cotton prices, Dollar expects gross margins to have normalized to 32.5% and targets achieving 11-12% EBITDA margin in FY24 (8% in Q1FY24) and reaching pre-Covid levels of 13-14% margin by FY25 through continued focus on comparatively-higher margin in the women/kids categories. Dollar indicated that margin for the women category is 15-18%, while that for the men category is 7-10% for the economy segment and 12-15% for the premium segment.
- Dollar added 20 distributors in Q1FY24 in Project Lakshya, taking total count to 249 distributors, and expects to reach a 300-325 distributor-count in FY24. It indicated receivable days to be lower by ~40 days for distributors enrolled in the program.
- The planned investment of Rs0.5bn for the integrated warehouse in West Bengal has already been completed, while expansion of spinning capacity in the Tamil Nadu plant (Rs0.65bn investment) to improve quality of products has also taken place and started commercial production.
- Company expects 30-35% growth in the Athleisure segment; it also indicated good traction in Lingerie segment launched in FY23. Thermal sales are expected to grow 50%, with the company already having booked sales in its winter conference.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	10,288	9,671	10,370	13,425	13,938
EBITDA	1,348	1,036	1,365	2,187	936
EBITDA Margin (%)	13.1	10.7	13.2	16.3	6.7
APAT	736	573	853	1,471	524
EPS (Rs)	13.0	10.1	15.0	25.9	9.2
EPS (% chg)	15.7	-22.1	48.8	72.3	-64.4
ROE (%)	19.2	13.1	17.1	24.4	7.6
P/E (x)	30.8	39.5	26.5	15.4	43.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	10.5	9.5	14.3	-7.4
Rel to Nifty	11.2	3.2	5.5	-15.6

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Ethos

Your success is our success

Strong trends endure; Favre-Leuba play is a big potential upside

CMP	MCap (Rs bn)	TP & Rating
Rs1,637	38	Rs1,770 | BUY

We hosted Yashovardhan Saboo – Managing Director

Key Meeting-Takeaways

- The luxury watch industry is seeing encouraging growth trends, led by fast growth in HNI population, domestication of demand, the growing community of watch collectors and women consumers. Ethos expects 20-25% growth over the medium term, supported by market-share gains on increase in exclusive mix, network expansion and differentiated customer data-base. EBITDA margin should improve gradually, enabled by higher exclusive mix and operating leverage.
- Revenue grew ~33% YoY to Rs2.3bn, on 23% SSG. Gross margin at 30.4% fell by 110bps, due to lag in MRP revisions by brands and INR depreciation. Ethos indicated that 75% of the brands have revised their MRP in line with the current INR-CHF rate of INR92-93/CHF, while the remaining 25% are still at INR84-85/CHF. However, this mismatch is expected to be corrected by Q4.
- The share of luxury and high-luxury watches increased to ~67% in Q1 vs. 65% last year. After 12% increase in the Q1 ASP, Ethos expects ASP growth to continue, albeit at a slower pace. CPO prospects remain healthy and the recent correction was overdue, as prices went up 200-300% in the Covid era and have corrected 25-30% from those levels.
- Ethos, through its 100% subsidiary Silvercity Brands, has acquired all IP assets of the luxury watch brand *Favre Leuba* (FL) — the world's second-oldest Swiss brand. As per Ethos, the brand still has strong recall, but FL's operations stalled during the pandemic. Initial focus is to build a strong team, followed by decisions on designs, distribution expansion and the manufacturing model. In addition, Ethos has acquired 6.25% stake at CHF0.13mn (Rs11-12mn) in Haute-Rive watches, a watchmaking brand through which it plans to gain strategic insights into the luxury watch segment and participate in the brand's growth journey.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,773	7,885	10,564	13,799	17,127
EBITDA	669	1,144	1,486	2,097	2,612
EBITDA Margin (%)	11.6	14.5	14.1	15.2	15.3
APAT	234	603	741	1,075	1345
EPS (Rs)	12.3	25.9	31.8	46.1	57.6
EPS (% chg)	406.1	111.1	22.9	45.0	24.9
ROE (%)	12.1	14.0	11.1	14.2	15.3
P/E (x)	133.5	63.3	51.5	35.5	28.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	10.7	16.5	65.5	47.8
Rel to Nifty	11.4	9.8	52.7	34.6

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Go Fashion

Your success is our success

Outperforming across financial metrics

CMP	MCap (Rs bn)	TP & Rating
Rs1,256	68	Rs1,430 | BUY

We hosted Gautam Saraogi – CEO, and R Mohan - CFO

Key Meeting-Takeaways

- Despite weak macros, revenue/EBITDA grew 15%/20%, SSG was positive at 2.5%, and WC got lighter by 13 days for Go Fashion in Q1. Going ahead, Go expects: i) SSG to touch double digits in H2FY24 with demand revival; ii) 100bps gross-margin benefit from realization of low-cost RM inventory; and iii) acceleration in new store additions with team investments and superior cash flows on inventory optimization (150-170 additions beyond FY24 vs. 120-130 in FY24).
- The Q1 SSG performance was a combination of 4% volume decline, 1% price hike (Dec-21) and 6% benefit from better mix (more value-added products vs. leggings/churidars). Going ahead, GO is targeting 5-6% SSG in Q2 and touch double-digit SSG with demand recovery in Q3.
- Faster network expansion is expected to be aided by investment in its business development team and superior cash-flow generation with optimization of warehouse inventory (both finished goods/RM). Inventory at Rs2.23bn (107 days) reduced from Rs2.3bn (126 days) at FY23-end, largely led by optimization of RM inventory; it expects further reduction of inventory by 10-15 days in FY24.
- The South and West will continue to lead new additions due to presence of higher number of cities/metros; GO is also opening slightly-larger stores to provide optimum space for new categories.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,013	6,653	7,970	10,350	12,838
EBITDA	1,190	2,122	2,647	3,467	4,365
EBITDA Margin (%)	29.7	31.9	33.2	33.5	34.0
APAT	356	827	1,045	1,427	1837
EPS (Rs)	6.7	15.3	19.3	26.4	34.0
EPS (% chg)	-	127.2	26.4	36.6	28.7
ROE (%)	9.9	17.2	18.2	20.5	21.4
P/E (x)	186.3	82.0	64.9	47.5	36.9

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	11.1	14.0	26.0	16.2
Rel to Nifty	11.8	7.4	16.2	5.8

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Sapphire Foods

Focus still on growth; addressing portfolio gaps in Pizza Hut

CMP	MCap (Rs bn)	TP & Rating
Rs1,358	86	Rs1,400 | HOLD

We hosted Vijay Jain – CFO, and Rahul Kapoor - IR

Key Meeting-Takeaways

- KFC continues to outperform with 20-25% topline growth (vs. 15% growth for listed QSRs combined). The growth is supported by strong enhancement in store-count and relatively-better SSG vs. Pizza Hut's (PH's). PH is seeing lower growth at 10-15%, owing to higher competition and higher ticket size in an inflationary environment.
- New innovations have been strong, with the launch of KFC snackers at Rs99 (7 products) and the earlier launch of 10 new premium pizzas/entry-level flavor fun pizzas. In a challenging environment, Sapphire's focus remains on increasing its share of footfalls with the introduction of the value range in KFC/PH, balancing SSG/margin impact of value launches with price hikes in other menu items, combo meals, and premiumization.
- From the RM standpoint, KFC is seeing moderation across all key RM prices, but dairy/vegetable/beans inflation can keep margins under check for PH in the near term. PH/KFC took a price hike of 1-3% in Q1, to offset the impact of value launches and RM inflation in PH.
- Sapphire saw 35 net additions in Q1FY24, of which 17 were for KFC and 16 for PH. Sapphire maintained its outlook for doubling the number of KFC/PH stores in 3-4 years; however, it indicated opening lesser number of PH stores in FY24 vs FY23.
- Sapphire pointed out that consumer demand remains a worry in Sri Lanka due to inflation and higher direct taxes, but believe that the adverse conditions have bottomed out and hence expects recovery in FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	17,216	22,656	28,180	36,505	43,844
EBITDA	3,050	4,284	5,289	7,111	8,896
EBITDA Margin (%)	17.7	18.9	18.8	19.5	20.3
APAT	460	2,332	1,401	1,974	2615
EPS (Rs)	7.2	36.7	22.0	31.1	41.1
EPS (% chg)	-	407.1	-39.9	40.9	32.3
ROE (%)	6.2	20.6	10.6	13.2	15.2
P/E (x)	187.7	37.0	61.6	43.7	33.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-3.4	6.3	15.4	2.7
Rel to Nifty	-2.7	0.2	6.5	-6.5

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Westlife Foodworld

Outperformance to continue with strengthened meal portfolio

CMP	MCap (Rs bn)	TP & Rating
Rs929	145	Rs1,035|BUY

We hosted Saurabh Bhudolia – CFO, and Chintan Jajal - IR

Key Meeting-Takeaways

- WESTLIFE outperformed with 14%/22% revenue/PBT growth in Q1, led by 7% SSG (vs. flat-to-negative SSG for others) and flat margin performance (vs. decline for peers). Despite the weak consumption trends, WESTLIFE expects to continue outperforming on the back of strengthening of meals (Chicken/Gourmet/Extra-value-meal at Rs179), new product innovations, and omni-channel investments. For the medium term, WESTLIFE maintained its outlook of a high-single-digit SSG.
- WESTLIFE targets expanding its network to 580-630 stores by FY28 (CY27), which implies an annual addition of 45-60 stores beyond FY24. Barring mall stores, WESTLIFE expects to convert all stores to EOTF stores by 2027 (72% now). WESTLIFE is not looking at smaller format stores, as the larger format allows launch of new extensions and helps cater to omni-channel needs.
- WESTLIFE plugged a key price-gap in its meal portfolio with launch of McSaver meals at the entry-level price point of Rs179, thus complementing its existing meal offerings of Chicken/Gourmet at the premium-end. Other new launches — 'Piri McSpicy range' as well as its Jain-friendly menu — have also seen great consumer response. Company indicated that the negative margin impact of the value-meal launch has been offset by price increases in other products.
- WESTLIFE indicated that vegetable/cheese inflation has been factored in and that Company shall not see any major impact going forward.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	15,760	22,775	26,510	31,078	36,198
EBITDA	1,975	3,862	4,939	5,834	7,135
EBITDA Margin (%)	12.5	17.0	18.6	18.8	19.7
APAT	-17	1,116	1,617	2,007	2673
EPS (Rs)	-0.1	7.2	10.4	12.9	17.1
EPS (% chg)	-	-	45.0	24.1	33.2
ROE (%)	-0.4	21.7	26.3	27.8	31.0
P/E (x)		129.8	89.6	72.2	54.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	4.8	21.6	36.1	47.5
Rel to Nifty	5.5	14.6	25.6	34.3

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Indo Count Industries

Hopeful for H2 performance to be better than H1

CMP	MCap (Rs bn)	TP & Rating
Rs229	45	N/A

We hosted KK Lalpuria (ED and CEO)

Key Meeting-Takeaways

- During Q1FY24, the company achieved 5% volume growth and clocked 20.3million meter versus 19.1million meter YoY. It has maintained its operating margin in Q1FY24 at 17.4%.
- It is strategically moving towards the B2C, D2B and D2C segments, with better margin and value proposition business. The company is focusing more on enhancing its presence across the digital marketplace and high-quality product offering. Its e-commerce sales are growing, and revenue share is improving.
- Order book remains healthy, and Company continues to be optimistic, with volume expectation of 85-90million meter in FY24.
- Management claims that in Jun-23 retail sales confirm that while the economy may be cooling, consumers remain on solid footing and are spending on household priorities. More orders are expected to flow in with improvement in the economical scenario in USA, and with the holiday season nearing.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	19,342	20,801	25,192	28,420	30,116
EBITDA	1,557	848	3,730	4,341	4,543
EBITDA Margin (%)	8.1	4.1	14.8	15.3	15.1
APAT	602	1,536	2,537	3,573	2763
EPS (Rs)	3.0	7.8	12.8	18.0	14.0
EPS (% chg)	-52.4	155.4	65.1	40.9	-22.7
ROE (%)	6.2	15.7	22.3	24.9	16.3
P/E (x)	75.4	29.5	17.9	12.7	16.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	3.4	45.3	76.5	61.9
Rel to Nifty	4.1	37.0	62.8	47.4

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Gravita India

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Your success is our success

On track for Vision 2027

CMP	MCap (Rs bn)	TP & Rating
Rs749	52	Rs915 | BUY

We hosted the senior management of Gravita India

Key Meeting-Takeaways

- Consolidated volumes are expected to clock at >24% CAGR over FY22-26, with expansions and new commissioning. A strong volume visibility driven by both, Lead (17% volume CAGR) and Non-Lead (35%), is likely to support revenue growth.
- EBITDA margin profile is likely to stay steady at ~10-11%, with higher contribution of non-lead products (aluminium, rubber, plastics, etc) in the revenue mix to be one of the drivers for the 25% net profit CAGR over FY22-26. Gravita estimates >35% earnings CAGR over the next 4 years, supported by strong overseas profits, cheap imported scrap, higher share of value-added products and economies of scale.
- India business is expected to be driven by stricter implementation of battery recycling regulations (unorganized to organized market-share shift, from 30% in FY21 to 75% by FY26), scaling up of the Mundra plant and GST compliance, while the margin-accretive overseas business would support RoIC of >20% on the back of judicious working-capital management.
- Gravita expects capacity to reach 434ktpa by FY26, supported by capex plans of >Rs6bn in the next 3 years across existing as well as new verticals (rubber, paper, steel, lithium, etc). It is also undertaking a pilot project for Li-ion recycling in Mundra. Gravita reiterated barriers to entry like procurement network, OEM approvals, scrap import license in India, and specialized know-how.
- Gravita has recently started rubber recycling at Tanzania (3ktpa). It has also ramped up aluminium recycling capacities at Togo (4ktpa) and Senegal (4ktpa). Further, it is working to finalize the Oman JV to set up lead recycling with 6ktpa capacity in Phase 1.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	14,098	22,159	28,886	36,217	46,026
EBITDA	1,119	2,109	2,856	3,523	4,559
EBITDA Margin (%)	7.9	9.5	9.9	9.7	9.9
APAT	525	1,394	2,011	2,615	3163
EPS (Rs)	7.6	20.2	29.1	37.9	45.8
EPS (% chg)	58.1	165.7	44.3	30.0	21.0
ROE (%)	21.2	42.5	41.2	37.4	33.4
P/E (x)	98.5	37.1	25.7	19.8	16.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	20.8	31.5	41.6	146.4
Rel to Nifty	21.6	24.0	30.6	124.4

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Navneet Education Ltd.

Emkay
Your success is our success

Dominant player in the field of publishing

CMP	MCap (Rs bn)	Not Rated
Rs156	35	

We hosted Gnanesh Gala (MD) and Kalpesh Dedhia (CFO)

Key Meeting Takeaways

- Navneet Education Limited (NEL) is an educational syllabus-based content provider in print and digital medium. The company also manufactures scholastic paper stationery for domestic and international markets. Over the years, the company has built a strong brand in educational content and scholastic stationery.
- In state boards of Maharashtra and Gujarat, the company has a market share of 65%. It has also entered into CBSE syllabus books in other states.
- NEL is gradually expanding its footprint in states other than Maharashtra and Gujarat and is looking to make inroads into CBSE/ICSE boards. The company is also expanding its presence in the digital content segment, which has grown significantly due to the pandemic.
- NEL has made good investment in start-up companies like K12 Education (invested around Rs1.19bn), which is valued at more than Rs65bn.
- The stationery export business is experiencing strong demand from global clients and the company expects double-digit growth in the segment. For the stationery business, management indicated that the opportunity size was quite large.
- Capex for the stationery business is expected to be Rs400mn; while that for Navneet Future Tech and digital initiatives, the company is planning to invest Rs600mn.
- Management has enhanced its focus on digitization of content and introduced several new digital products.
- Management has guided for continuous investment in technology, which should drive its future growth.

Financial Snapshot

(Rs mn)	FY22	FY23
Revenue	11,143	16,968
EBITDA	1,626	2,980
EBITDA Margin (%)	14.6%	17.6%
APAT	1312	2,045
EPS (Rs)	5.8	9.0
EPS (% chg)	142%	55%
ROE (%)	13%	18%
P/E (x)	14.1	18.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	11.2	37.0	43.9	14.9
Rel to Nifty	12.0	29.1	32.7	4.6

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