Emkay Confluence

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Emkay Confluence: Unleashing India's Potential

Day 3 Highlights

Refer to important disclosures at the end of this report

August 18, 2023

Nifty: 64,949

Sensex: 19,310

A blockbuster finish to a thumping 3-day conference, with participation by nearly 50 companies on Day-3! To conclude, we hosted about 151 companies over 3 days, with more than 500 clients registering and consuming 3,600 meetings. Ironically, while most companies (infrastructure/capital goods, EMS, banks, consumer discretionary, retail, etc) share a confident outlook, investors at margin are more cautious. While valuations give a reason for this, on the brighter side, it could prevent a sizeable drawdown. A few quick takeaways from today's meetings:

Main Track MFI Panel

- We hosted an eminent MFI panel, comprising of MFIN CEO Dr Alok Misra, CREDAG MD Udaya Kumar Hebbar, and Fusion MFI Founder & CEO Devesh Sachdev, to discuss the strategy on 'How to balance growth with resiliency & profitability'. Investors' fears on frequent disruptions seem misplaced, as interestingly, MFI has witnessed only 3 dislocations over 13 years, of which DeMon and the pandemic were extraneous. Udaya Hebbar @CREDAG highlighted only Rs8bn of credit losses on Rs850bn cumulative disbursements since inception. Outside this, there was consensus around growth prospects over several years ahead, as AP/Telangana and a few other states ramp up. MFIN on its part has been actively engaging with the RBI and the GoI to provide credit insurance cover to MFIs and liquidity support during times of crises, while MFIs on their part are encouraging customers to diversify revenue streams as well as to take insurance cover amid the rising natural vagaries.

Company Meetings

- **BFSI Sector:** Today, we hosted 7 banks (including 2 large banks, 2 SFBs, 1 payments bank) and one large NBFC-MFI. Most banks believe that overall credit growth remains strong, though some moderation is seen in mortgages. Margins should see some impact due to ICRR, but are likely to remain largely stable on full-year basis. There are no signs of asset-quality stress, but large banks like ICICIB and Axis Bank reiterated their commitment to hold up provision buffers. CREDAG too guided to create contingent buffers, to mitigate future asset-quality risks. Fino Payments Bank, one of the only profitable payment bank, intends to convert into an SFB, thereby opening up lending opportunity and hence boosting RoAs. Apart from the improving growth trajectory, Manappuram Finance is enthused about its planned MFI subsidiary IPO and thus unlocking value for investors.
- **FMCG:** Some consumer companies are attempting to target affluent households via brand extensions in the DTC space. Formalisation of several categories has been a dominant theme across companies — perhaps accentuated by the rapid proliferation of modern retail channels. Companies, such as Bajaj Consumer, with international operations are pivoting towards a captive distribution set-up.

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- **Consumer Discretionary:** Unlike QSR/Apparel, which are facing growth moderation, discretionary categories of electronics/jewellery are growing in excess of 20%. Mid-cap regional players @Electronics Marts and @Aditya Vision are outpacing national players in their geographical space, with good unit economics. As with Dixon/Amber, these retailers are outdoing OEMs on growth and profitability. Senco Gold, like peers, continues to see robust footfalls and transactions, and expects a bright festive season.
- **Autos:** A common theme across most auto ancillaries over the last 3 days has been a step-up change in value addition and a conscious move away from components to assemblies. Companies like Ramkrishna Forgings are thus able to counter the slowdown in DMs. Indeed, it seems that auto ancillaries as a sector will emerge a dominant player in the global auto market.
- **Cement:** The Cement sector has been having a dream run, facilitated by robust infrastructure spends. Adani Cement is no exception, though the discussion here was fairly micro-focused and around how the group will leverage synergy benefits. Company is aiming for an EBITDA/ton of Rs1,450-1,500 through to FY28 by optimizing manufacturing and logistics costs. Sanghi Industries will likely expand its current capacity of 6mn ton several times over, by targeting coastal markets along the West and East coasts through shipping. Nuvoco remains bullish on the eastern markets over coming several years, forecasting double-digit growth.

Services Sector

- **Logistics:** A key takeaway from our conversations with logistics players (@TCI Express) is the general buoyancy in SME volume (which otherwise has been a key concern for investors). The second half will be better, as the festive season is expected to fare better. The Auto and Pharma sectors are relatively outperforming.
- **Hospitality:** Demand outlook for the hospitality sector remains positive on the back of strong domestic demand and a rebound in foreign tourism. Occupancies are upward of 75%, with ARRs at elevated levels — EIH highlighted its preference of maintaining pricing discipline, even in the event of a dip in occupancies. A near 25% increase in room supply (59K rooms) over the next 3 years will be easily absorbed, given the 6-7% demand growth.
- **IT:** As was apparent over the last two days, IT companies attending today also retained their cautious outlook in the near term, due to leakage in the base business, weakness in discretionary spending, and slower decision-making amid macro uncertainties. Midcap companies' commentary on growth was relatively better than that of large caps which also justifies the valuation premium.

Regards,

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

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Day 3 of Confluence — Power packed line up

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The 3rd day of our annual flagship conference saw a line-up of 45 companies from across India

Main track events and companies hosted on Day-3

Main track events (Speakers)

MFIN – SRO

Mr. Alok Misra
CEO

Credit Access Grameen

Mr. Udaya Hebbar
MD

Fusion MFI

Mr. Devesh Sachdev
Founder / MD & CEO

Auto & Auto Ancillaries

1. CIE Automotive
2. Indag Rubber
3. Minda Corporation
4. Ramkrishna Forgings

BFSI - Banks

5. AU Small Finance Bank
6. Axis Bank
7. City Union Bank
8. CreditAccess Grameen
9. Fino Payment Bank
10. ICICI Bank
11. IDFC First Bank
12. Suryoday Small Finance Bank

BFSI - Insurance

13. Star Health and Allied Insurance

BFSI - NBFCs

14. 360 One WAM
15. Manappuram Finance
16. Poonawalla Fincorp

Cement

17. Ambuja
18. Nuvoco Vistas

Consumer Durable

19. Kaynes Technology
20. KEI Industries
21. Polycab India

Consumer Goods

22. Bajaj Consumer

Engineering & Capital Goods, Infra

23. Kalpataru Projects International
24. KEC International
25. Voltamp Transformers

Exchanges

26. Computer Age Management Services

Hotels

27. EIH
28. Royal Orchid Hotels

Information Technology

29. Firstsource Solutions
30. Happiest Minds
31. KPIT Technologies
32. Ksolves India
33. SIS
34. Wipro

Logistics

35. Adani Ports
36. Blue Dart Express

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Media & Entertainment

37. Saregama India

Oil & Gas

38. Gulf Oil Lubricants

Power

39. Adani Energy Solutions .

Retail

40. Aditya Vision
41. Electronics Mart India
42. LT Foods
43. Senco Gold

Textile

44. Nitin Spinners
45. Welspun India

CIE Automotive

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Guides for 5-10% outperformance vs industry, with improving margins

CMP	MCap (Rs bn)	TP & Rating
Rs485	184	N/A | N/A

We hosted Vikas Sinha, SVP - Strategy, M&A, Investor Relations (CIE Automotive)

Key Meeting-Takeaways

- Near term (Q3CY23) would be under some stress, as chief India clients (~40% revenue contribution) are experiencing subdued growth; however, over the medium-to-longer term, Mgmt remains confident of 5-10% CAGR outperformance, given strong order wins, Europe is expected to remain weak in Q3CY23 — typically, 2H is 15% lower than 1H due to plant shutdowns in the summer; expects to maintain 17.5% margins for the year (19% in Q2CY23 due to inventory build-up). In the next 3-5 years, Europe to post 3-5% CAGR with ~19% margins; India to post 5-10% CAGR outperformance vs. 5-6% industry CAGR, with margins at ~18-19% (mainly via engineering-led improvements).
- Would prefer profitability vs. growth; difficult to increase profitability levels once it has been sacrificed for growth; would try to raise India profitability to 18% over the next couple of years (16.8% in Q2CY23). For Tier-2 suppliers, diversification is a necessary tool to protect profitability — with capital discipline being another chief area of focus. Company does not undertake capex unless: a) backed by client commitments with path to 20% RoI; and b) it sees 70% usage of general purpose machinery, as risk management for lower than expected offtake.
- Generally, exports from India will continue to grow, but there are pros & cons to trends, like Europe + 1 and China +1; in Europe, some companies prefer to near-shore; will gain from exports as long as competitiveness exists. Focus on margins and return ratios is across verticals; each vertical has to be self-sufficient; EBITDA and ROI are now converging, with no business today below 12-13% margins and 15% RoI. Invested close to Rs10bn in India in the last 3 years (growth capex); could lose ~30% of the European crankshaft business by 2027 due to electrification; would be offset by growth in aluminium forgings, growth in steel forgings, and order wins in Metalcastello.

Financial Snapshot (Consolidated)

(Rs mn)	CY18	CY19	CY20	CY21	CY22
Revenue	80,315	79,078	60,501	67,651	87,530
EBITDA	10,006	9,632	5,014	9,260	3,244
EBITDA Margin (%)	12.5	12.2	8.3	13.7	3.7
APAT	4,958	3,564	963	3,985	-847
EPS (Rs)	13.1	9.4	2.5	10.5	
EPS (% chg)	36.5	-28.1	-73.0	313.8	-
ROE (%)	12.4	8.0	2.0	7.9	-
P/E (x)	37.1	51.7	191.1	46.2	-

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-10.6	10.9	21.1	66.9
Rel to Nifty	-10.0	4.5	11.8	52.0

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Indag Rubber

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Guides for over 15% volume CAGR

CMP	MCap (Rs bn)	TP & Rating
Rs143	4	N/A | N/A

We hosted Vijay Shrinivas – CEO, and Anil Bhardwaj – CFO, Indag Rubber

Key Meeting-Takeaways

- Company offers retreading products and services through channel partners. Retreading means replacing the tread of the tyre instead of buying a new tyre. Product portfolio caters to procured tread rubber; un-valcanized rubber strip gum, universal spray cement and tyre retreading envelopes.
- Growth opportunities for the company are in: a) improved road infrastructure; b) growing environmental concerns; c) increasing radialization trend; d) inclination to electric vehicles, and e) GST & favorable regulatory guidelines
- Current capacity utilization is around 60%, while it is expected to reach 80% in the next 2 years. Current peak capacity is 20,000MT and peak revenue with this capacity is Rs4.5bn. Greenfield plant can be set up in the next 1.5 years, if needed.
- Company expects to double the speed of growth in the replacement market. As per ATMA, Company has indicated that the tyre industry can see 7-8% growth for the next 7-8 years; margins are expected to stay steady at 11-12%, while volume growth for FY24 is expected at 16-18%.
- Retreading a tyre costs Rs5-7k, while a new tyre costs Rs25k; a new tyre would cost around Paise24/km, while Retreading costs Paise6-8/km.
- The Hot and Cold Retreading market is around Rs26bn, while Indag Rubber covers 25% of the organized market (Organised market is 50% of the entire market).

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	1,688	1,868	1,698	1,669	2,439
EBITDA	121	163	32	9	138
EBITDA Margin (%)	7.2	8.7	1.9	0.6	5.7
APAT	107	133	151	26	132
EPS (Rs)	4.1	5.1	5.7	1.0	5.0
EPS (% chg)	-32.4	24.5	13.6	-82.9	412.8
ROE (%)	5.7	7.0	7.9	1.3	6.3
P/E (x)	35.2	28.3	24.9	145.4	28.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	8.5	-4.3	42.9	74.7
Rel to Nifty	9.3	-9.9	31.8	59.1

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Minda Corporation

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Guides for strong industry outperformance; focus on premiumisation

CMP	MCap (Rs bn)	TP & Rating
Rs299	71	N/A | N/A

We hosted Anshul Saxena (Senior VP and Group Head – Strategy and M&A) and Pushpa Mani (Lead IR)

Key Meeting-Takeaways

- Company guides for revenue outperformance at 10-15% CAGR vs the industry. Guides for the strong premiumization theme underway across product segments, with all product lines being powertrain agnostic. Aspiration is to double revenues in the next 3-4 years, with expansion in margins; guides for 25% RoCE vs 21% currently.
- Current ICE kit value stands at Rs4-5k, while this is expected to go up to Rs16-20k in EVs.
- Currently, Company provides analog clusters that have content per vehicle (CPV) of 3k, while a premium version (2 analog dials plus digital) comes at CPV of 6k and a total digital cluster CPV is 12k. Company is working on the entire cockpit prototype with European technology partners which is currently imported for Mahindra XUV 700 for ~Rs30k and, indigenously, this can be made at around Rs20k. This prototype is expected to be ready by Q1FY25.
- With regard to investments in Pricol, Mgmt has indicated that it is in discussions with the CCI and expects progress in the next 3-4 weeks. MNCs are making an aggressive entry into the Indian market for the clusters business, and a combined entity can put up a good fight.
- Currently, the total lifetime order wins stand at ~Rs30bn, with EV constituting ~50% of the order book; Company has recently won a Rs7.5bn order for battery chargers from a leading OEM.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	30,920	22,226	23,679	29,759	43,001
EBITDA	2,941	-876	1,793	2,956	4,631
EBITDA Margin (%)	9.5	-3.9	7.6	9.9	10.8
APAT	1,575	-1,988	528	1,674	2847
EPS (Rs)	6.6		2.2	7.0	11.9
EPS (% chg)	9.2	-	-	217.1	70.1
ROE (%)	16.4	-	5.0	13.6	19.6
P/E (x)	45.3	-	135.2	42.6	25.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.1	10.4	43.7	30.7
Rel to Nifty	0.6	4.0	32.6	19.1

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Ramkrishna Forgings

Guides for a strong 15-20% volume CAGR

CMP	MCap (Rs bn)	TP	Rating
Rs585	94	Rs555	BUY

We hosted Naresh Jalan – MD, and Lalit Khaitan - ED & CFO, Ramkrishna Forgings

Key Meeting-Takeaways

- Company guides for 15-20% volume CAGR over the next 2-3 years, driven by both, domestic and export markets. Company aims to diversify through addition of newer products (such as cold forgings), segments (non-auto), customers and geographies (exports). Moreover, it is moving up the value chain via supply of higher value-add assemblies as against pure components. Strong growth outlook is supported with timely capacity expansion, largely through internal accruals with high discipline on financials.
- Management expects a significant increase in the non-auto business in the next 12-15 months. Oil and Gas is expected to grow exponentially (double in FY24E YoY from the current ~1.5%). Revenue from Railways in FY24 is expected at Rs1.2bn, while FY25E revenue is expected at Rs2.5bn. Railways can be a Rs7-8bn business by FY27E, without building-in benefits of the recently-announced JV (railway wheels). CPV in FY26 in railways can be ~Rs4.8mn/unit; it is the only player for Vande metro and Company is working with a Hyderabad-based player for railway orders.
- Recently set-up Cold forgings capacity with 1,500T/mth backed by a 7-year order to a North American EV player. The peak revenue from this would be Rs3.5bn (with capex of Rs1.2bn) and the production is expected to start in Apr-24. Cold forgings is a high-volume and extremely value-added product. Based on the success of this project, Company would think of increasing capacity to 10kT/m. Equipment payback is ~3.5 years. There is huge domestic requirement due to better yield and durability in cold forgings.
- Management has indicated that due to higher order backlog, US Class 8 trucks manufacturing is not seeing any slowdown. Moreover, research agencies expect largely-stable outlook for CY24 (as a whole, despite the subdued 1QCY24 outlook) and CY25.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	22,854	30,010	36,418	40,291	42,751
EBITDA	5,270	6,682	8,247	9,290	9,961
EBITDA Margin (%)	23.1	22.3	22.6	23.1	23.3
APAT	2,065	2,356	3,645	4,129	4321
EPS (Rs)	12.9	14.7	22.2	25.1	27.0
EPS (% chg)	637.6	14.1	50.4	13.3	7.7
ROE (%)	20.8	19.5	23.9	21.8	19.4
P/E (x)	45.3	39.7	26.4	23.3	21.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	25.2	71.8	109.7	214.3
Rel to Nifty	26.0	61.9	93.4	186.2

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AU Small Finance Bank

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Focus remains on retailization of liability

CMP	MCap (Rs bn)	TP & Rating
Rs707	472	Rs730 | HOLD

We hosted Vimal Jain – CFO, and Prince Tiwari, Head – Strategy, of AU SFB

Key Meeting-Takeaways

- Bank has navigated the past 10 years well and built a Rs620bn AUM without many hiccups. With a strong platform and a risk-management architecture, Bank believes that further scaling up the book will not be a challenge.
- Bank indicates that asset growth will be linked to liability growth. Incremental focus will be on scaling up new products, including housing.
- Bank was carrying excess liquidity and hence had taken a conscious decision of consuming it rather than to opt for high-cost term deposits in 1Q. Bank has reduced peak deposits rate by 25bps across the savings/TD buckets and continues to place strong emphasis on CASA/retail deposit mobilization. Bank plans to structurally shift its stance, to focus on the franchisee/product, for driving deposit growth instead of rates.
- Bank's 66% book is fixed and should thus give benefit in a falling rate cycle. With the deposit book largely repriced, the bank will able to hold its margins at 5.5-5.7%. Bank does not see any visible asset quality hiccups in the near term; it intends to shore up its provision buffers which should thus lead to slightly elevated LLP over FY24-26.
- Universal banking license remains WIP. However, Bank has received AD1 licence and can thus offer bulk of the products in its 'Universal bank' persona.
- We expect the bank to deliver 1.8% RoA/15-17% RoE over FY24-26E, led by healthy growth, margins and steady moderation in C/I ratios. We retain our HOLD rating on the stock, with TP of Rs730/share, valuing the standalone bank at 3.2x its Jun-25E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	42,278	54,597	69,461	86,640	108,335
Net profit	11,298	14,279	17,878	22,183	27,556
EPS (Rs)	18.0	22.0	26.8	33.3	41.3
ABV (Rs)	116.6	166.5	186.1	216.4	253.7
RoA (%)	1.9	1.8	1.8	1.8	1.8
RoE (%)	16.4	15.4	15.1	16.2	17.2
P/E (x)	39.2	32.1	26.4	21.2	17.1
P/ABV	6.1	4.2	3.8	3.3	2.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-9.6	-0.9	11.6	12.0
Rel to Nifty	-9.0	-6.6	3.0	2.0

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Axis Bank

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Focus on delivering healthy RaRoC

CMP	MCap (Rs bn)	TP & Rating
Rs940	2,895	Rs1,260 | BUY

We hosted Puneet Sharma – CFO, Axis Bank

Key Meeting-Takeaways

- Bank remains focused on paddling growth faster than the market, while delivering healthy RaRoC. Thus, the bank is building a strong retail book and the Citi acquisition was a part of this strategy.
- Management did not provide any guidance on near-term NIM, but retains its previous stance of structurally-healthy margins in the long run due to better portfolio mix (including unsecured retail loans) and run-down of the RIDF book (2.3% of loans). Bank plans to protect margins at around 3.8%.
- Bank expects cost to remain elevated till Citi's integration is complete (i.e. 18 months). The bank plans to upfront some cost in FY24 and, hence, may see some cost spike in the near term. It retains 2% cost/assets by FY25.
- Bank does not see any immediate asset quality, but continues to follow an aggressive provisioning policy, with healthy PCR at 80% and contingent buffer at 0.6%. The RSA pool too remains minimal, at 0.2%.
- With improving CET 1 due to internal accruals, Bank is in no hurry to raise capital for funding growth. Max Life stake purchase should also not call for any capital raise.
- We expect Bank to clock 1.8% RoA/18% RoE (inflated due to the Citi acquisition goodwill w-off) on a merged basis (without factoring-in any equity dilution) over FY24-26E, on the back of better growth/fees and contained provisions. We retain BUY on the stock, with revised TP of Rs1,260/share, valuing the bank at 2x its Jun-25E.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	483,528	594,466	719,431	831,746	984,115
Net profit	130,255	95,797	252,229	290,777	341,770
EPS (Rs)	42.5	31.2	82.0	94.5	111.1
ABV (Rs)	364.1	400.9	478.5	570.2	677.7
RoA (%)	1.2	0.8	1.8	1.8	1.8
RoE (%)	12.0	8.0	18.3	17.7	17.5
P/E (x)	20.0	27.3	10.4	9.0	7.7
P/ABV	2.3	2.1	1.8	1.5	1.3

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Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.8	3.2	7.9	23.6
Rel to Nifty	-1.1	-2.7	-0.4	12.5

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City Union Bank

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Changing its business strategy, albeit a tad late

CMP	MCap (Rs bn)	TP & Rating
Rs122	90	Rs148 | HOLD

We hosted Dr N Kamakodi - MD & CEO, City Union Bank

Key Meeting-Takeaways

- Credit growth took a hit in 1Q due to lower cash credit utilization (70-72%, the lowest ever vs 75-80% previously) as well as repayments in Agri gold loans.
- Bank guides for healthy growth at 12-14% on the back of acceleration in Gold, VF and Housing loans (via co-lending outside TN). To revamp the entire credit machinery, Bank has hired BCG as its consultant, to streamline processes/reduce TAT and revamp credit machinery. Over the next 5 years, Bank believes its portfolio construct will change, with 85% being the existing portfolio and 15% from new products (of which 8-10% will come from co-lending).
- Bank has seen higher slippages in 1Q due to the change in recognition policy of netting-off immediate recoveries against slippages post the due date. Bank believes that it is on the last leg of the higher slippages era and should eventually retrace the pre-Covid era levels in FY24. Bank has fully recovered its dues from Spice Jet and has hence reversed provisions to the tune of Rs650mn.
- The bank has formed a committee for succession planning, with the current MD's term ending in Apr-2026, as the bank intends to keep some overlap time for a successful transition. During his remaining tenure, the MD & CEO's focus would be to accelerate growth via digital lending, strengthening the leadership team and diversifying the portfolio.
- We retain our HOLD rating on the stock, with TP of Rs148/share, valuing the bank at 1.2x its Jun-25E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	26,756	29,732	30,282	33,424	38,357
Net profit	7,602	9,375	9,042	10,392	12,012
EPS (Rs)	10.3	12.7	12.2	14.0	16.2
ABV (Rs)	77.0	90.4	101.6	114.8	129.8
RoA (%)	1.3	1.5	1.3	1.4	1.4
RoE (%)	12.2	13.4	11.5	11.9	12.4
P/E (x)	11.9	9.6	10.0	8.7	7.5
P/ABV	1.6	1.3	1.2	1.1	0.9

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-4.9	-12.1	-12.0	-31.4
Rel to Nifty	-4.3	-17.1	-18.8	-37.5

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Refer to important disclosures at the end of this report

CreditAccess Grameen

Primed to ride the new MFI growth wave, deliver superior RoAs

CMP	MCap (Rs bn)	TP & Rating
Rs1,393	222	Rs1,800 | BUY

We hosted Udaya Kumar Hebbar – MD, CreditAccess Grameen

Key Meeting-Takeaways

- CREDAG targets doubling AUM in the next 4-5 years, at 25% CAGR. Management has guided to double the portfolio over the next 4-5 years, with the share of non-MFI JLG loans increasing to nearly 15% of the portfolio, including gold loans, AFH, 2W, LAP and so on.
- Mgmt expects increased cost of borrowings that may be offset by healthy growth and loan repricing. It expects 16% of the portfolio to be re-priced which may offset the hike in borrowing costs ahead. Mgmt believes current margins are unsustainable in the long run, due to entry into the new non-MFI segment.
- Asset quality stress is now largely behind and CREDAG does not see any emerging risk in the near future. As per Management, all states including Bihar, UP, Orissa, and Jharkhand in the North/North East are showing healthy asset-quality trends as of now; thus, they do not pose any risk. CREDAG plans to build a healthy contingency buffer and, hence, guides for elevated credit cost at 1.6-1.8% over the next 2-3 years.
- Bank is not concerned about elections or loan waivers. It has not seen much impact of recent, as customer awareness has increased and enough support is available from the government and the Regulator.
- On geographical diversification, Company will look to scale up in AP and Telangana, but will not rush to kick-start operations.
- Bank has done succession planning, as Mr Narayan has been elevated to the post of CEO. No plans to convert into an SFB anytime soon. Promoter selling is now largely over and Company does not see any sell-off in the near term.
- CREDAG remains our preferred pick in the NBFC-MFI space. We estimate CREDAG to deliver 5.7-4.7%/24%-20% RoA/RoE over FY24-26E; retain BUY with TP of Rs1,800/sh.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	17,659	23,380	32,987	39,155	46,512
Net profit	3,531	8,262	13,957	15,535	17,541
EPS (Rs)	22.7	52.5	87.8	97.8	110.4
ABV (Rs)	254.2	318.7	398.2	493.8	600.5
RoA (%)	2.2	4.2	5.7	5.1	4.7
RoE (%)	8.8	17.8	24.2	21.6	19.9
P/E (x)	61.4	26.5	15.9	14.2	12.6
P/ABV	5.5	4.4	3.5	2.8	2.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	9.2	34.9	54.4	34.0
Rel to Nifty	9.9	27.1	42.5	22.0

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Fino Payments Bank

A profitable payment bank sets eyes on converting into an SFB

CMP	MCap (Rs bn)	TP & Rating
Rs351	29	NA | NR

We hosted Rishi Gupta - MD & CEO, Fino Payments Bank

Key Meeting-Takeaways

- Fino's distribution network continues to grow, with merchant base now at 1.4mn and customer base at 8.3mn. This will help the bank to not only increase its annuity income, but also align better towards its long-term strategy of converting into an SFB.
- On SFB conversion, Fino will apply to the RBI in due course. It will take 24 months before its conversion into an SFB. The bank is evaluating its corporate structure with regard to becoming an SFB. The bank will follow an asset-light, digital-heavy lending model.
- The bank's payment business is already making profit and the lending business under the SFB model will open up another revenue stream. By FY228, the bank expects 20% of its revenue to come from the lending business and 80% from the payment business.
- For enhancing its digital footprint, Bank is partnering with fintechs; also, it recently partnered with Sequoia Capital-backed fintech Hubble, to offer a digital spending savings account. Bank has been exploring many such partnerships that will help it to build its CASA book (currently at Rs12bn).
- Despite investments in tech and digital, Fino's cost/income ratio stood at 26%; it remains confident that over the medium-to-long term, it will uphold C/I ratio of 25-26%.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23
Net income	6,815	7,815	9,935	11,825
Net profit	(320)	205	427	651
EPS (Rs)	(4.1)	2.6	5.3	7.8
BV (Rs)	29.2	33.8	57.3	65.1
RoA (%)	(4.9)	2.5	3.2	3.1
RoE (%)	(21.9)	14.6	13.6	12.8
P/E (x)	NA	NA	47.1	26.1
P/BV	NA	NA	4.4	3.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	29.8	66.2	50.2	43.5
Rel to Nifty	30.7	56.6	38.6	30.7

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ICICI Bank

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Unwavering focus on RoA; leadership back-up to offset attrition risk

CMP	MCap (Rs bn)	TP & Rating
Rs960	6,715	Rs1,330 | BUY

We hosted Abhinek Bhargava, Head - Strategy and IR, ICICI Bank

Key Meeting-Takeaways

- Bank has been consistently delivering healthy growth at 18% YoY, thus outpacing the system's credit growth. Bank's focus remains on retail growth, driven by mortgage, VF and unsecured loans (incl. cards/PL). Bank believes that SME is a new growth engine, but maintains caution on asset quality and managing portfolio associated risks.
- Management has guided for overall opex remaining around current levels as the bank will continue to invest in tech, people and franchisee expansion. Margins will see slight moderation hereon, as cost catches up. However, for full FY24, the bank expects margins to remain healthy.
- On the recent attrition, Bank claims that it has sufficient back-up across business positions and thus does not expect any business disruption. Most of the top management attrition has happened for a far higher position (including that of MD/CEO) in other banks/NBFCs.
- Bank has embraced strong credit underwriting standards and strengthened its risk monitoring/collection mechanism, armed with best-in-class tech solutions and early recognition, instead of dragging its feet, which has been reflecting in its average gross slippage ratio of 2-2.5%. Bank has built an industry-high contingent buffer, of 1.3% of loans, amid the rising macro-disruptions, thus making its future balance-sheet shockproof.
- ICICIB remains our top-pick in the banking space, given its superior returns profile (RoA: ~2.2-2.3%/RoE: ~18% over FY24-26E), top-Management credibility, and strong capital/provision buffers. We retain BUY on the stock, with TP of Rs1,330/share, valuing the bank at 3x its Jun-25E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	659,836	824,468	980,005	1,144,557	1,341,801
Net profit	233,395	323,832	395,956	456,188	514,643
EPS (Rs)	33.7	46.5	56.6	65.2	73.5
ABV (Rs)	233.3	277.4	323.9	378.6	439.7
RoA (%)	1.8	2.2	2.3	2.3	2.2
RoE (%)	15.0	17.7	18.5	18.2	17.6
P/E (x)	23.5	17.0	14.0	12.1	10.7
P/ABV	3.5	2.9	2.5	2.1	1.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.1	1.7	10.9	9.7
Rel to Nifty	0.6	-4.2	2.3	-0.1

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IDFC First Bank

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Better growth, C/I ratio to drive-up RoE

CMP	MCap (Rs bn)	TP & Rating
Rs88	585	Rs96 | BUY

We hosted Sudanshu Jain – CFO, IDFC First Bank

Key Meeting-Takeaways

- Management guides for accelerated growth at 25%, with retail growth to come in faster than 25%. Bank has guided for a Rs10trn book over coming 10years, with initial years delivering faster growth. The new growth phase will be focused on building a diversified secured portfolio, incl. mortgages.
- CASA ratio slipped recently, due to some large account pay-offs and owing to CASA cannibalisation; this along with high-cost legacy borrowings has led to margin pressure to 6%. Bank has guided for stable margins, as deposits pricing has already peaked. On the deposits front, Bank has 81% of customer deposits as CASA and term deposits of under Rs50mn, which shows granularity; retail deposit is at 77% of the total customer deposits.
- The bank remains confident about it asset quality and sees some moderation in NPAs going forward. Bank has provided the corporate non-infra book at 99.4%, while it holds 25% coverage on the restructured book.
- Bank's C/I ratio is higher, as it was is in the building phase. Bank expects the card cash burn to ease (leading to early gains on C/I ratio) and then to steadily reduce to 65%. Bank has announced swap ratio for reverse merger of IDFCL, and expects the process to be completed within 12months.
- IDFCB has undergone a super transformation, from being a predominantly wholesale bank saddled with higher NPAs to a diversified, strong and vibrant digital-oriented retail bank delivering higher RoA/RoE at 1.3-1.5%/12-15% over FY24-26E. We retain our BUY rating on the stock, with TP of Rs96/share, valuing the bank at 1.7x its Jun-25E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	129,282	171,023	217,228	270,007	333,495
Net profit	1,455	24,371	33,555	44,861	60,657
EPS (Rs)	0.2	3.7	5.2	6.6	9.0
ABV (Rs)	31.6	37.4	44.4	53.0	61.3
RoA (%)	0.1	1.1	1.3	1.4	1.5
RoE (%)	0.8	10.4	12.2	13.5	15.3
P/E (x)	376.0	23.9	16.9	13.3	9.8
P/ABV	2.8	2.4	2.0	1.7	1.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	6.8	34.5	54.0	95.5
Rel to Nifty	7.6	26.7	42.1	78.0

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Suryoday Small Finance Bank

India Equity Research | BFSI - Banks
August 18, 2023
Conference Note

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Building strong liability is key to long-term success

CMP	MCap (Rs bn)	TP & Rating
Rs186	20	NA | NR

We hosted Kanishka Chaudhary – CFO, Suryoday SFB

Key Meeting-Takeaways

- Suryoday SFB aims to achieve gross advances growth of 30%, with focus on product diversification away from MFI. Within MFI, the SFB would focus on individual loans.
- Bank's CASA ratio remains low at 15% and, thus, it would focus on building a strong retail liability/CASA book. Bank plans to add 150-160 branches in FY24.
- Bank targets increasing the lending rate to 25-50bps for its unsecured portfolio which should offset the 25-30bps expected increase in CoF and hence help the bank to maintain its margin at 10% levels.
- Bank expects C/I to clock at ~55%, on the back of operating leverage and increase in core income. That said, C/I for FY25 would continue to be range-bound, as the bank has invested heavily in FY23. CGMFU expense stands at 1% of the total insured amount; Bank plans to insure Rs40bn of the book by the end of the year.
- Bank's collection has seen improvement in JLG loans, while other operating parameters have reached pre-Covid levels. The collection team has been in-house, apart from the hard bucket collection, where the bank outsources its operations. This should lead to improvement in asset quality; hence, Bank can maintain its GNPA at <2% and NNPA at <0.5%. Bank plans to build 5% contingent buffer on its MFI portfolio.
- With healthy growth, contained LLP and stable C/I ratio, bank aspires to sustain RoA >2.25% and RoE of >15%.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	4,073	5,784	4,869	6,780	8,440
Net profit	904	1,112	119	(930)	777
EPS (Rs)	11.1	12.8	1.1	(8.8)	7.3
ABV (Rs)	106.9	121.6	138.8	124.2	143.5
RoA (%)	3.1	2.4	0.2	(1.2)	0.9
RoE (%)	12.7	11.4	0.9	(6.0)	5.0
P/E (x)	16.8	14.5	165.8	NA	25.4
P/ABV	1.7	1.5	1.3	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	5.3	46.3	74.5	102.1
Rel to Nifty	6.0	37.9	61.0	84.1

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Star Health

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Growth outlook remains healthy, amid regulatory changes

CMP	MCap (Rs bn)	TP & Rating
Rs631	367	Rs705 | BUY

We hosted Aditya Biyani - Head Strategy, and Vinod Rajamani - Head IR

Key Meeting-Takeaways

- Star Health implemented a price increase for the Family Health Optima plan, with renewal pricing taking effect from May 2023. Management noted that the renewal of policies in terms of both, volume and value, met the expected traction. Dropout from the FHO policies remained at 3-5%, which is in line with Management expectations.
- According to Management, the recently-introduced Expense of Management (EoM) regulations offer the company increased flexibility to achieve growth across banks and alternative channels, in addition to the agency channel.
- The company achieved a 15% expansion in new business, driven by strategic adjustments such as enhanced underwriting standards in specific domains, risk-based price adjustments in certain products, and channel-based incentives. Management holds a positive outlook on the company's growth trajectory, expressing confidence on its healthy pace.
- Over the past couple of years, the Retail Health sector has witnessed fierce competition. Owing to the new Expense of Management (EoM) regulations, Star Health now possesses the means to venture into previously-unexplored segments. Management highlighted that competitors currently exceed the EoM limit, which has turned advantageous for Star Health.
- Management stated that the low Net Earned Premiums (NEP) during Q1FY24 were a result of the 1/365 method of accounting and, moving further into the year, there should be an improvement in the NEP.

Financial Snapshot

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
GDPI	1,14,635	1,29,525	1,55,430	1,88,164	2,29,502
NEP	98,092	1,12,616	1,34,660	1,62,258	1,95,109
Operating result	-15,820	7,060	9,657	12,934	15,526
Profit after tax	-10,407	6,186	9,660	12,379	14,903
Combined ratio (%)	117.9	95.3	94.7	94.0	93.6
RoE (%)	-25.7	12.3	16.3	17.9	18.5
EPS (Rs)	-18.7	10.7	16.6	21.3	25.6
P/E (x)	-33.8	59.0	38.0	29.6	24.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.5	8.1	24.6	-9.4
Rel to Nifty	0.1	1.9	15.0	-17.5

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360 ONE WAM

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Positive outlook

CMP	MCap (Rs bn)	TP & Rating
Rs513	183	Not Rated

We hosted Sanjay Wadhwa - CFO, Abhishek Nalwaya - Head IR, and Akshay Gavankar - AVP Corporate Strategy

Key Meeting-Takeaways

- Given India's outlook and the company's leadership position in selected business segments, 360 ONE WAM is expected to gain significant growth opportunities. Growth in the Wealth Management business is expected to be the highest in the UNHI category. The company's revenues are expected to grow at 15-20% in the medium term.
- 360 ONE Plus saw strong inflows during Q1FY24, on account of 3-4 IPOs where promoters ended up opting for the offer for sale.
- Management expects yields to improve further, on the back of non-discretionary PMS turning to Advisory fee Payable rather than just distribution commissions. In the second half of the fiscal, a large pickup in yields is expected.
- Management said that yields are expected to hover in the 65-70bps range on the back of 80-90bps yields in the PMS and Alternate business, and at around 50bps in the mutual-fund business. Management is in no hurry to grow the Mutual Fund business nor sacrifice yields and retentions.
- Management has not seen any impact on AUM owing to opening of Family Offices by UNHIs. 360 ONE provides advisory services to such family offices.
- Management said that the company is focusing more on ARR rather than on TBR. TBR is expected to come down on account of low deal activity.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Total Revenue	10,667	8,509	10,529	15,354	15,687
PAT	3,838	2,064	3,693	5,818	6,679
EPS (Rs)	11.0	6.0	11.0	16.0	18
Net Worth	18,628	29,915	28,278	29,976	31,041
AUM (Rs bn)	1,555	1,569	2,070	2,617	2,744
ROE (%)	16.2	7.0	12.5	20.2	21.8
Cost-to-Income (%)	49.7	66.3	53.9	51.1	45.8
P/E (x)	46.7	85.6	46.7	32.1	28.5

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.6	25.5	11.8	24.0
Rel to Nifty	1.2	18.3	3.1	12.9

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

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Manappuram Finance

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MFI business growing at a faster pace

CMP	MCap (Rs bn)	TP & Rating
Rs147	125	Not rated

We hosted Bindu AL (CFO), Raju Narayanan (Business Head), Susil Kumar Mishra (Head - Treasury and IR)

Key Meeting-Takeaways

- Gold AUM to grow 10-12% in FY24, while yield to be maintained at ~21-22% levels; expected growth to come from both, price increase as well as tonnage growth. Non-Gold segments like MFI, HFC and SME expected to grow 35%, 35-40% and 50%, respectively.
- Cost of borrowings expected to remain at similar levels; can see a ~10-15bps increase in coming quarters due to liabilities repricing. Credit cost expected to stay stable at similar levels.
- In the micro finance business, while Company has no intent of branch expansion this year, Management plans to rationalize expenses, given they have people and branch capacity already in place to grow the business. Management targets raising capital to grow the micro finance business and is in talks with a few merchant bankers for rising capital and might even infuse ~Rs5bn if needed. It may even come up with an IPO by the end of Q4, if valuation lends support.
- In the vehicle finance segment, Company is increasing its presence in rural and semi-urban locations, while focusing on lower-ticket housing loans in Housing Finance .
- As regards competition in the gold loan segment, Mgmt highlighted that competition with banks is easing, as a large part of the gold loan market is still unorganized and has enough opportunity for organized players; also, its target for the customer segment in banks and NBFCs is different.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Net income	28971	37190	41557	41149	45622
Net profit	9486	14803	17250	13287	15002
EPS (Rs)	11.3	17.5	20.4	15.7	17.7
ABV (Rs)	53.9	68.0	86.3	98.9	114.0
RoA (%)	4.6	5.9	5.6	4.1	4.1
RoE (%)	16.6	16.6	16.6	16.6	16.6
P/E (x)	13.1	8.4	7.2	9.4	8.3
P/ABV	2.7	2.2	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	15.12	33.97	30.88	33.36
Rel to Nifty	15.89	26.25	20.74	21.45

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Poonawalla Fincorp

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Navigating along the directed path

CMP	MCap (Rs bn)	TP & Rating
Rs435	334	Rs430 | BUY

We hosted Manish Chaudhari (Head of Retail Assets) and Hiren Shah (Head - Strategy & IR)

Key Meeting-Takeaways

- Disbursement in Q1 was strong across product segments, with ~86% contribution from the direct digital program (DDP). Own sourcing stood at ~25%, while partnership contribution was ~61%, branch sourcing stood at 5% and the remaining was through DSA for pre-owned cars and LAP.
- Launch of the super app is expected to help the company further penetrate the unsecured lending ecosystem and short-term loans. PFL is also expected to launch its co-branded credit card and EMI card by the end of Dec-23, wherein the company has finalized its banking partner and is awaiting necessary approvals.
- ATS for BL is ~Rs2mn, whereas Loan to Profession ATS is ~Rs1.5mn and PL is ~Rs0.5mn. Around 97% customers have a bureau score of >700, 81% customer have bureau score of >730, while 53% customers are having bureau score of >750.
- PFL is confident of growing at 35-40% and targets a secured:unsecured portfolio mix of 40:60. Short-term product mix to remain steady at 20-25% (currently 26%), while partnership business share to be lower than 10%.
- In terms of asset quality, Company is confident of maintaining its stage 3 assets at 1.3-18% and credit cost in the 0.8-1.2% range.
- Opex-to-AUM to moderate to 4%; it has seen sequential improvement in the last two quarters and expects further cost optimization going forward.
- In terms of cost of funds, Company expects to see some reduction (of ~20bps) in coming quarters, on account of increased borrowing using CPs and utilization of proceeds from sale related to the Housing business.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net income	10578.5	14147.5	23113.5	32246.6	43522.6
Net profit	2,933	5,849	32,767	12,725	17,263
EPS (Rs)	4.1	7.6	12.4	16.6	22.5
ABV (Rs)	74.7	83.7	124.5	138.6	157.7
RoA (%)	2.5	3.7	4.6	4.6	4.6
RoE (%)	7.7	9.3	11.9	12.6	15.2
P/E (x)	106.3	56.9	35.2	26.2	19.3
P/ABV	5.8	5.2	3.5	3.1	2.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	17.8	33.7	39.0	48.7
Rel to Nifty	18.6	26.0	28.2	35.4

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Ambuja Cements

Your success is our success

Cementing vision

CMP	MCap (Rs bn)	TP & Rating
Rs441	876	Rs480 | HOLD

We hosted Vinod Bahety (CFO) and Mr Charanjit Singh (Head - Investor Relations)

Key Meeting Takeaways

- Ambuja Cements entered into a share purchase agreement to acquire a 56.74% stake (from the promoter group) in Sanghi Industries at an EV of Rs50bn (USD100/ton). The group targets to increase cement capacity by 2.5x to 15mt at an incremental capex of Rs35bn in 24 months. Accordingly, EV/ton may fall to US$70 on expanded capacity. The said acquisition will be positive for the group, as it will expedite the company's target of achieving 140mt by FY28E, strengthening its leadership in the West/South and transportation through the sea route will help it to produce the lowest-cost clinker.
- Organically, the company is targeting 40mt clinker capacity with 10 production lines and 35 new grinding units, of which it has already announced six facilities of 14mt and three units have been mapped (Sankrail, Farakka and Kharagpur) with Bhatapara clinker line, while Chandrapur clinker line has been mapped with (Jalagon, Amaravati and Pune). Additionally, 1mt each will get commissioned in Bhatinda and Ametha by Q2FY25.
- Capex in Q1FY24 stood at ~Rs6bn. Capex guidance for the project under implementation stood at Rs70bn, of which 60-65% capex is likely to be spent on Ambuja and the remaining capex would be spent on ACC in FY24.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,39,650	1,99,854	1,64,599	1,78,152	2,15,077
EBITDA	32,075	32,204	33,877	38,588	48,492
EBITDA Margin (%)	23.0	16.1	20.6	21.7	22.5
APAT	21,462	27,108	21,851	25,322	32355
EPS (Rs)	10.8	10.9	11.0	12.8	16.3
EPS (% chg)	27.2	1.1	0.8	15.9	27.8
ROE (%)	21.3	15.9	11.9	12.1	14.0
P/E (x)	40.8	40.4	40.1	34.6	27.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	5.8	7.5	31.0	14.6
Rel to Nifty	6.6	1.4	20.9	4.4

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Refer to important disclosures at the end of this report

Nuvoco Vistas Corporation

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Balancing growth and deleveraging

CMP	MCap (Rs bn)	TP & Rating
Rs 339	121	NR

We hosted Madhumita Basu (Chief Strategy and Marketing Officer), Bishnu Sharma (Head - Investor Relations) and Hari Gupta (Deputy Manager - IR)

Key Meeting Takeaways

- Blended fuel cost stood at Rs1.94/Kcal in Q1FY24 vs. Rs2.31/Kcal in Q4FY23. Management expects stable cost for domestic coal and range-bound petcoke prices around US$125/ton in the near to medium term.
- The company's net debt increased by Rs1bn QoQ to Rs45.1bn as of Jun-23 owing to increased working capital. Management has reiterated its target for the next phase of expansion post reduction of net debt to Rs35-40bn, which it considers optimal.
- Capex guidance for FY24 stood at Rs5.8bn, already spent Rs1.2bn in Q1FY24. In projects, 1) debottlenecking of Risda cement for 0.3mt clinker plant completed in Q1FY24; 2) cement capacity expansion of 1.2mt at Haryana plant and debottlenecking 0.3mt+ clinker plant are expected to be completed in Q2FY24; 3) alternate fuel feeding system at Nimbol plant also commissioned in Q1FY24; and 4) railway sidings in Jajpur and Sonadih are on track to be completed by FY24-end. The company plans to expand either in North or West regions post debt reduction.
- Incentives from Panagarh plant expired in Mar-23, which has impacted up to Rs40/ton. Incentives from Rajasthan plant also expired in FY23; while incentives from Jojobera and Haryana plant will accrue in FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	70,526	67,932	58,054	73,424	85,815
EBITDA	9,033	12,971	11,203	10,380	5,813
EBITDA Margin (%)	12.8	19.1	19.3	14.1	6.8
APAT	-58	2,364	213	527	3238
EPS (Rs)		6.6	0.6	1.5	9.1
EPS (% chg)	-	-	-91.0	147.8	514.7
ROE (%)	-	4.6	0.3	0.6	3.6
P/E (x)	-	51.2	569.5	229.8	37.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-6.9	2.7	-5.4	-0.1
Rel to Nifty	-6.3	-3.2	-12.8	-9.1

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Kaynes Technology India

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CMP	MCap (Rs bn)	TP & Rating
Rs1,746	102	Not Rated

We hosted Jairam P Sampath (Whole Time Director & CFO) and Neeraj Vinayak (AVP, Investor Relations)

Key Meeting-Takeaways

- The Automobile, Industrials, EVs and Railway segments contribute to ~75% of revenues, with the rest coming from Aerospace & Defence, medical electronics, and the IT & IoT sectors. Exports contribute to 20% of overall revenues.
- Gross-margin profile of customer, segment-wise — Aerospace and Railway: 45-50%; Medical and Industrials: 35-37%; IT and EV: 27-28%; Automobile: 22-23%.
- With an order book of ~Rs30bn with an expected gross margin of 30%, growth prospects remain strong for the next 1.5 years.
- Company has 12 global certifications in the EV segment and can fulfill safety integrity norms up to level 4. Its specialization in LED lighting in the automobile segment continues to provide it a competitive edge.
- Chinese EMS players operate in the high-volume, low-value categories, while Kaynes builds customized products with value engineering for OEMs. Also, the ODM solutions offered require complexity and are critical products for OEMs, allowing the company to enjoy better margin profile.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22
Revenue	3,528	3,603	3,928	6,714
EBITDA	355	411	378	902
EBITDA Margin (%)	10.1	11.4	9.6	13.4
APAT	93	113	86	410
EPS (Rs)	1.6	1.9	1.5	7.0
EPS (% chg)	-	21.3	-23.9	378.2
ROE (%)	9.9	11.3	7.1	24.1
P/E (x)	1,093.6	901.9	1184.6	247.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-1.6	71.4	96.2	NA
Rel to Nifty	-1.0	61.5	81.0	NA

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KEI Industries

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Penetration in export markets to be growth triggers

CMP	MCap (Rs bn)	TP & Rating
Rs2,279	206	Rs2,550 | BUY

We hosted Kishore Kunal (CS & Compliance Officer) and Rahul Gupta (DGM - Finance)

Key Meeting-Takeaways

- The company will be investing Rs10-11bn over the next three years to achieve 17-18% sales growth and 25% PAT growth over the medium term. This will lead to margin improvement on the back of favorable product mix and head office/marketing costs being spread over high volumes.
- KEI has planned multiple expansion projects: 1) Brownfield capex is at Silvassa, where the company intends to invest another Rs450mn by Q2FY24. 2) Brownfield capex at Bhiwadi with an investment of Rs1.1bn by Q1FY25. 3) Greenfield capex in Gujarat (Phase 1) by Q4FY25. Overall, the company has capex plans of Rs4bn in FY24 and Rs3.5bn each in FY25-26, to cater to strong domestic and export demand.
- The company has recently moved into the European and US markets, and is targeting to achieve 15% revenue from exports. FY23 exports revenue stood at Rs7,000mn and guidance for FY24 stands at Rs10,000mn. Margin profile of house wires is in the range of 10.5-11.0%; institutional business is in the 10.0-10.5% range, while export margins are 1% higher than domestic margins.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	57,266	69,123	82,961	98,357	1,16,886
EBITDA	5,887	7,062	8,951	11,259	14,253
EBITDA Margin (%)	10.3	10.2	10.8	11.4	12.2
APAT	3,760	4,755	6,184	7,716	9,798
EPS (Rs)	41.7	52.7	68.6	85.6	108.6
EPS (% chg)	39.1	26.3	30.1	24.8	27.0
ROE (%)	19.2	20.1	21.4	21.8	22.4
P/E (x)	54.6	43.2	33.2	26.6	21.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-6.8	12.0	41.9	62.9
Rel to Nifty	-6.2	5.6	30.9	48.3

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Polycab India

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Primed for growth

CMP	MCap (Rs bn)	TP & Rating
Rs4,745	711	Rs4,777 | BUY

We hosted Chirayu Upadhyaya (Head, Investor relations) and Gandharv Tongia (CFO)

Key Meeting-Takeaways

- Polycab is India's leading manufacturer of cables & wires and allied products. More recently, Polycab has also launched a wide range of consumer electrical products like Fans, Switches, Switchgear, LED lights and Luminaries, Solar Inverters, and Pumps.
- The company highlighted the primary reasons behind surge in its performance: increase in government and private capex, along with execution pace, peers having capacity constraints, international market expansion, China+1, brand positioning, product innovation and rejigging the distribution channels.
- The company currently supplies to EPC contractors abroad, but intends to shift to the distributor model, which is extant in India.
- While the company has recently added capacity for switches and switchgears, capacity utilization ranges at 50-70%, thus enabling company to capture incremental market opportunities.
- Company's NPD efforts are also bearing fruit, as Class 5 wires, including Etira, which was introduced to capture the price-sensitive customer segment in the semi-urban and rural areas, has been received extremely well.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,22,038	1,41,078	1,72,615	2,00,692	2,26,345
EBITDA	12,652	18,521	23,326	28,430	32,877
EBITDA Margin (%)	10.4	13.1	13.5	14.2	14.5
APAT	8,365	12,700	16,223	19,713	22,622
EPS (Rs)	56.0	84.8	108.3	131.6	150.9
EPS (% chg)	-0.2	51.5	27.7	21.5	14.6
ROE (%)	16.2	20.9	22.3	22.7	21.9
P/E (x)	84.8	56.0	43.8	36.0	31.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	22.5	40.0	59.1	96.9
Rel to Nifty	23.3	31.9	46.8	79.3

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Bajaj Consumer Care

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Looking to leverage brand equity, expanding HPC focus

CMP	MCap (Rs bn)	Not-rated
Rs230	34	

We hosted the Bajaj Consumer Care team during our *Emkay Confluence*, to share Company/ industry insights

Key Meeting-Takeaways

- **Key strategic thrusts**: The company noted five key strategies to drive business: a) Expansion in hair oil (actions are in place, a few more launches are yet to unveil). b) Almond drop brand to see extension (thrust over the next 2-3years). c) focus on digital brands (investments ongoing). d) looking to leverage the Bajaj brand equity, entering the India ethnic space (portfolio to be built with general trade focus). e) Heighten thrust on the international market (revenue share now at ~5%, looking to expand to 20-25% in the long run, like other FMCG companies).
- **Portfolio diversification**: 86% of the revenue for the company is concentrated in the hair oils segment. Hence, overall thrust remains on hair oils, where the company is expanding its presence. Additionally, the company is looking to diversify, and has so far launched Soap, Serum, Body Lotion, Shampoo and Heena products. Going ahead, Management is looking at brand extensions.
- **Recovery in rural positive for the category**: Management noted that the recovery in rural is not exciting, wherein volume stood flat YoY on a low base in Q1FY24. But recovery in select pockets is encouraging. Directionally, as the rural setting improves, it will help the overall hair oils category growth. The company generates equal revenue from the rural and urban markets.
- **Fast catch-up in modern retail**: Unlike the FMCG sector lapping the opportunity in modern retail channels (Modern trade and e-commerce), the company has been comparatively slow. However, in the last few quarters, the company has seen a catch-up and now generates ~17% revenue from modern retail channels. In the long run, it looks to take the modern retail revenue salience to 20-22%.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	9,185	8,522	9,218	8,800	9,609
EBITDA	2,744	2,051	2,411	1,739	1,412
EBITDA Margin (%)	29.9	24.1	26.2	19.8	14.7
APAT	2,269	1,834	2,217	1,677	1384
EPS (Rs)	15.8	12.8	15.5	11.7	9.7
EPS (% chg)	8.3	-19.2	20.9	-24.4	-17.5
ROE (%)	47.3	32.7	31.4	21.4	17.3
P/E (x)	14.1	17.4	14.4	19.0	23.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	13.5	27.3	30.9	36.9
Rel to Nifty	12.5	19.2	20.1	23

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Kalpataru Projects International

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Strong execution expectation

CMP	MCap (Rs bn)	TP & Rating
Rs624	101	Rs701 | Buy

We hosted Ram Patodia (CFO) and the Finance Team

Key Meeting Takeaways

- The company's revenue growth during the quarter was on the back of strong execution, with water leading the growth on account of high order book. The company's margins remained firm.
- Order inflow during 1QFY24 stood at Rs51bn (YTD at Rs74bn). Order pipeline remains robust across all businesses.
- Given the large order book and spread across various sectors, management has maintained its guidance for 30% sales growth for FY24. The company aims to have 4.5-5.0% PBT margin from a profitability point of view.
- Management is working to further strengthen its balance sheet by lowering working capital days, divestment of Vindyachal road assets and sale of Indore real estate.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	124071	143370	182047	214776	248610
EBITDA	8527	11610	15652	18810	21922
EBITDA Margin (%)	6.9	8.1	8.6	8.8	8.8
APAT	2864	4770	6632	8084	9459
EPS (Rs)	21.6	32.7	40.8	49.8	58.2
EPS (% chg)	-43.0	51.6	24.9	21.9	17.0
ROE (%)	6.5	9.3	12.0	13.5	14.4
P/E (x)	36.0	21.6	15.6	12.8	10.9

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	13.7	19.6	29.9	67.9
Rel to Nifty	12.7	12.0	19.2	50.9

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KEC International

Your success is our success

Benefits already baked in

CMP	MCap (Rs bn)	TP & Rating
Rs633	163	Rs635 | HOLD

We hosted Rajeev Aggarwal (CFO)

Key Meeting-Takeaways

- KEC International is primarily engaged in the Engineering, Procurement and Construction (EPC) business relating to infrastructure interalia products, projects and systems and related activities for power transmission, distribution, railway and other EPC businesses.
- The company expects some large opportunities in the areas of signaling and telecommunication, speed upgradation, TCAS that is KAVACH, and Automatic Block Signaling.
- Order book, including L1, stands at Rs350bn. Strong tendering pipeline in the domestic market is visible in the T&D segment, railways, and civil business. T&D has record order book and L1 of >Rs180bn. Tendering activities across the Middle East and SAARC regions have picked up pace; with Company foraying into emerging segments, coupled with the strong inquiry pipeline, diversification of the international order book has been successful, with the company winning orders in Railways/Civil businesses.
- With the current tender pipeline of over Rs1trn, along with the robust order book and strong focus on execution, Management is confident about delivering revenue of over Rs200bn. We have factored-in 13% revenue CAGR (FY24E-26E), with margin improvement, from 4.8% in FY23 to 8.6% by FY26E.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	137423	172817	203767	237462	261017
EBITDA	9035	8297	14569	20422	22969
EBITDA Margin (%)	6.6	4.8	7.2	8.6	8.8
APAT	3757	1760	5212	9247	10687
EPS (Rs)	12.9	6.8	20.3	36.0	41.6
EPS (% chg)	-39.9	-47.0	196.1	77.4	15.6
ROE (%)	10.8	4.8	7.2	8.6	8.8
P/E (x)	45.0	96.1	32.5	18.3	15.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	5.6	22.8	35.7	55.7
Rel to Nifty	4.7	15.0	24.5	39.9

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Voltamp Transformers

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Steadily growing ahead

CMP	MCap (Rs bn)	TP & Rating
Rs4,813	49	N/A

We hosted Kanubhai Shakarabhai Patel (CMD)

Key Meeting Takeaways

- Voltamp Transformers Limited is a Baroda-based company and is mainly into the manufacturing of various types of oil-filled power and distribution transformers of various classes.
- The order booking for Savli location factories resumed from March 2023 and capacity utilization will increase from Q2FY24.
- The present production capacity of 14,000 MVA is expected to reach at full utilization level by FY26. Anticipating product demand scenario remains supportive; the Board will review the situation and take a call on investing in capacity expansion post the General Elections due in May 2024. In the meantime, the company is making preliminary enquiry for a suitable plot of land at a new location to set-up the new factory near the existing Vadodara facility.
- The sectors driving the company's growth based on enquiries are steel and metal, data centers, oil refining, green energy, chemical and pharma, textile, cement, auto and auto ancillary, commercial real estate.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	8,288	8,586	6,923	11,272	13,851
EBITDA	942	1,145	774	1,390	2,309
EBITDA Margin (%)	11.4	13.3	11.2	12.3	16.7
APAT	829	868	915	1,271	1966
EPS (Rs)	81.9	85.8	90.4	125.7	194.3
EPS (% chg)	18.7	4.7	5.4	38.9	54.6
ROE (%)	12.7	12.1	11.6	14.3	19.2
P/E (x)	58.8	56.1	53.2	38.3	24.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	24.3	65.0	68.5	52.5
Rel to Nifty	23.2	54.5	54.6	37.1

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Computer Age Management Services

Your success is our success

Non MF business, a key growth driver

CMP	MCap (Rs bn)	TP & Rating
Rs2,454	120	Not Rated

We hosted Ram Charan Seshraman – CFO, and Soumendu Ganguly, Business Head – New Platforms

Key Meeting-Takeaways

- CAMS secured RTA mandates from Angel One and Torus Oro Mutual Fund, further establishing its role as the preferred partner for modern asset-management companies. CAMS has successfully secured four of the last six new-to-market mutual fund RTA mandates.
- Management remains committed towards the Operating EBITDA Margin guidance of 40-44bps.
- The company witnessed resetting of rates for a couple of large customers which leads to a dip in yields. Management believes that the maximum impact of the resetting is already factored-in. Some impact is expected in Q2FY24, post which however Management expects the witness business to be as usual.
- CAMS anticipates the contribution from its non-MF business to inch up to 20% within the upcoming 2-3 years. Overall, EBITDA margins are currently in the mid-to-upper 20s and are projected to experience a gradual expansion.
- Management stated that the company continues to focus on businesses on the Non Mutual Fund front, including Alternatives, Insurance Repository, Payments and Account aggregator businesses, and that the company is not looking for any expansion into international geographies. Management expects an overall 12% revenue CAGR over the medium term.

Financial Snapshot

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Total Revenue	7,117	6,996	7,055	9,097	9,718
EBITDA	2,176	2,873	2,961	4,241	4,212
PAT	1,352	1,735	2,053	2,870	2,846
EPS (Rs)	27.7	35.3	42.1	58.7	58.1
AUM (Rs bn)	15,800	18,200	20,000	26,700	28,000
Networth	4,520.0	5,490.0	5,160.0	6,480.0	7,825.0
ROE	29.6	34.8	38.6	49.3	39.8
P/E (x)	88.6	69.5	58.3	41.8	42.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	8.0	19.3	8.3	3.4
Rel to Nifty	8.7	12.4	-0.1	-5.9

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Focus on premium offering to continue

CMP	MCap (Rs bn)	TP & Rating
Rs206	140	NA | NA

We hosted EIH's management at our Emkay 2023 conference

Key Meeting Takeaways

- **Occupancy and ARR to remain elevated:** Q1FY24 occupancy was ~70% and ARR was ~Rs13,600. Winter season and pickup in foreign tourist arrival will help keep up the occupancy and the ARR. The leisure segment is doing much better. Supply of rooms is expected to be lower vs. demand in India for the next 2-3 years. International took time to recover and the company is now witnessing high ARR in international as well.
- **Growth levers: 1)** Opportunities in undiscovered locations, which will have higher IRR, as the company will mostly incur cost of construction with low land cost; **2)** Tier-1 and Tier-2 cities demand remains high; **3)** Focus on international, where the company is looking at lot of destinations.
- **Requires at least 18% IRR:** The company requires a minimum IRR of 18% for a project. IRR for only hotel is ~40%. The company has Rs6bn net surplus cash and can raise Rs12-15bn additional cash. All the company's subsidiaries have cash and can raise debt and enter in management contract themselves. Yield from management contract is low and the company wants to earn profit from premium products.
- **Focus on premium offering:** All the planned company hotels will be operational by FY30. The company is focusing on premium offerings and not on volumes. It has less preference on management contracts. The company has seen improvement in the catering business (focused on airlines).
- **Seasonality has reduced:** In city hotels, the company has been seeing strong demand even in the summer season. Seasonality in city hotels has reduced, though in leisure hotels, the company still sees seasonality, as people tend to travel to India from overseas when the weather is cooler.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	18,108	15,963	4,935	9,853	20,188
EBITDA	3,212	2,897	-3,588	-481	4,856
EBITDA Margin (%)	17.7	18.1	-72.7	-4.9	24.1
APAT	1,778	1,529	-3,650	-1,496	3661
EPS (Rs)	2.8	2.4			5.9
EPS (% chg)	-1.3	-14.0	-	-	-
ROE (%)	6.1	5.0	-	-	11.4
P/E (x)	72.6	84.4	-	-	35.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-2.8	9.0	26.2	35.7
Rel to Nifty	-2.2	2.7	16.4	23.6

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Royal Orchid Hotels

Focus on management contracts for expansion

CMP	MCap (Rs bn)	TP & Rating
Rs298	8	NA | NA

We hosted Royal Orchid's management at our Emkay 2023 conference

Key Meeting Takeaways

- **The company is seeing 30% jump in ARR** from pre-Covid levels and ARR can increase further. About 70-75% occupancy was pre-Covid, which has increased to 78% and will not go above 80%. ARR for room increased by Rs500 on getting brands.
- **High attrition:** Attrition is high for the lower staff. The top challenge for the company is getting manpower and maintaining the same. The company is creating an internal pool of General Managers who are transferred every 2 to 3 years. Attrition is lower for general managers due to growth opportunities in the company. The company has the biggest team of regional sales officers.
- **The company is focusing on management contracts:** This will lead to high growth with no upfront requirement of capex. Maintenance capex required is minimal. Breakeven of operating profit will be in just one year. Take rate in case of management fees is 5.5% to 6%.
- **The company has 94+ hotels and resorts:** These have 5626 keys and over 0.26mn loyalty members. Out of 94 hotels, 14 hotels are owned by the company (2 purely owned; 3 JV; and 9 hotels are leased).
- **Upcoming hotels by 2023:** Includes >22 Hotels and >1100 Keys. During Covid, the company added 15 hotels. The company has signed a pipeline of 30 hotels, but it has not started yet, as the company has announced on opening a hotel and not on signing contracts. Contracts are signed for 15 years and 3 years of management fee has to be paid on the termination of contract i.e., Rs3-3.5mn fee per year.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	1,895	2,038	2,050	809	1,385
EBITDA	304	343	310	-183	220
EBITDA Margin (%)	16.0	16.8	15.1	-22.6	15.9
APAT	33	123	49	-252	69
EPS (Rs)	1.2	4.5	1.8		2.5
EPS (% chg)	-	273.8	-59.8	-	-
ROE (%)	1.9	7.1	2.8	-	5.2
P/E (x)	248.1	66.4	165.2	-	117.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-7.3	-17.7	21.7	61.1
Rel to Nifty	-6.7	-22.5	12.3	46.7

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Firstsource Solutions

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Growth momentum moderates

CMP	MCap (Rs bn)	TP & Rating
Rs147	102	Rs160 | BUY

We hosted Ankur Maheshwari (Head – IR) of Firstsource

Key Meeting-Takeaways

- The UK economy is experiencing a slowdown, which has impacted volumes across the core portfolio. However, the US economy has been relatively resilient, but clients are taking time to decide on large transformational deals.
- FSOL has renewed its contract with its largest client for another 10 years which would entail payment of GBP15mn, but removes uncertainties.
- BFS declined 13.6% YoY in Q1, primarily due to the mortgage decline. In collections, the macro environment continues to suggest an increase in business activity, as delinquency rates continue to rise to 2.43% vs. 2.25% QoQ. UK BFS remained muted due to lower volumes and offshore movement. It is pursuing 7 new ramp-up opportunities within existing clients, which should augment growth in H2.
- PHE ended in May-23 and Management expects the deal activity to improve, which should aid in growth in Provider, from H2.
- The company expects near-term softness in HPHS due to slower-than-expected scale-up of volumes and offshore movement. Growth in HPHS is expected from H2 on account of a strong digital intake pipeline.
- The company aspires to expand margins by 25-30bps YoY annually, once the margin stabilizes in FY24.
- The mortgage segment has stabilized and should see pickup in volumes unless there is further deterioration in macros. FSOL expects Q2 growth to be modest, impacted by the offshore shift, followed by pickup in growth from H2FY24.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	59,212	60,223	62,906	72,362	80,237
EBITDA	9,599	8,265	10,180	11,585	13,039
EBITDA Margin (%)	16.2	13.7	16.2	16.0	16.3
APAT	5,374	5,137	5,568	6,716	7,791
EPS (Rs)	7.7	7.4	8.0	9.6	11.2
EPS (% chg)	12.6	-4.4	8.4	20.6	16.0
ROE (%)	18.4	16.1	15.9	17.6	18.5
P/E (x)	19.1	19.9	18.4	15.3	13.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	10.7	12.6	24.3	39.6
Rel to Nifty	11.4	6.1	14.7	27.1

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Happiest Minds

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Aims to become a billion-dollar company by 2031

CMP	MCap (Rs bn)	TP & Rating
Rs893	136	NR | NR

We hosted Sunil Gujjar (Head IR) of Happiest Minds

Key Meeting-Takeaways

- Company reiterated its 10-year vision of becoming a billion-dollar company by 2031. In line with this goal, Company expects its revenue to grow 25% (organic plus inorganic contribution) in FY24.
- In the USA, the EduTech industry continues to leverage digital to channelize efforts towards the changing needs of stakeholders. In Q1, Company emerged as the beneficiary of a vendor consolidation exercise with the US client, who is a leader in the K12 space and who chose the company to be the sole provider for M2M Product Engineering Services.
- Management highlighted that the pipeline remains strong and it is chasing several large opportunities cutting across geographies. Clients remain focused on executing compressed transformations to achieve cost optimization, stronger growth, more agility and greater resilience.
- Integration of SMI is complete and Company is able to cross-leverage teams and capabilities in both directions and achieve synergies together as one entity.
- Considering the revenue growth guidance, Company plans to add 1,300 people during the year. Company has a pipeline of >400 freshers, of which >240 will be joining in August and the rest are scheduled to join over a period of time over the financial year.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	5,904	6,982	7,610	10,335	13,326
EBITDA	290	876	1,897	2,457	3,208
EBITDA Margin (%)	4.9	12.5	24.9	23.8	24.1
APAT	340	844	1,619	1,864	2164
EPS (Rs)	2.2	5.5	10.6	12.2	14.2
EPS (% chg)	-	148.4	91.8	15.1	16.1
ROE (%)	111.8	121.2	41.7	30.6	28.9
P/E (x)	400.1	161.1	84.0	72.9	62.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-8.3	4.4	6.6	-8.8
Rel to Nifty	-7.7	-1.6	-1.7	-17.0

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KPIT

Confident on sustaining the growth momentum

CMP	MCap (Rs bn)	TP & Rating
Rs1,127	309	NR | NR

We hosted Sunil Phansalkar (Head IR)

Key Meeting Takeaways

- KPIT has reiterated its outlook for FY24 and has guided for a 27-30% CC revenue growth with EBITDAM of 19-20%.
- Wage increment will happen in Q2FY24, which will have a gross impact of 250bps, which will be offset by sequential growth during the quarter.
- Management has highlighted that demand is strong as mobility players continue to invest in new technologies in the areas of electrification, vehicle autonomy, connectivity and personalization.
- KPIT has a healthy pipeline and is slightly ahead in the ramp up of the mega strategic engagements announced last year, giving the company a fair medium-term visibility.
- Effective April 1, 2023, KPIT has acquired the balance stake of 75% in FMS through KPIT Technologies GmbH (wholly owned step-down subsidiary of the company). The total consideration for the acquisition of 75% stake is EUR15.19mn to be paid over six months. Out of the total consideration, an upfront consideration of EUR7mn was paid in Q1.
- A few of the clients are scaling to USD100mn run-rate accounts and the company sees headroom to expand them to USD150mn run rate over the medium term.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	6,413	21,562	20,357	24,324	33,650
EBITDA	574	2,802	3,071	4,385	6,329
EBITDA Margin (%)	8.9	13.0	15.1	18.0	18.8
APAT	798	1,538	1,411	2,800	3805
EPS (Rs)	2.9	5.6	5.1	10.2	13.9
EPS (% chg)	-	92.7	-8.3	98.4	35.9
ROE (%)	16.6	15.3	12.5	22.3	25.7
P/E (x)	387.0	200.9	219.0	110.4	81.2

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	6.0	25.4	35.1	97.8
Rel to Nifty	6.7	18.2	24.6	80.1

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Ksolves India

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Focusing on its niche capabilities

CMP	MCap (Rs bn)	TP & Rating
Rs1,105	13	NA | NA

We hosted Ratan Srivastava (CMD) and Manish Gurnani (CTO)

Key Meeting Takeaways

- Initially, Ksolves' customers were only startups; however, the company has now started targeting larger companies as well. The company's strength is in targeting niche areas and working together with product companies. Earlier, the company acted majorly as sub-contractors but now it bids directly for projects. Higher margins are extracted from working on technologies like AI/ML.
- The company's growth drivers include increased utilization, smart investments, tech partnerships and client relationships.
- The company will continue to work on its asset-light model and is committed to return a sizeable chunk of the free cash flows to its investors though dividends/buybacks.
- Management continues to invest heavily in building top-class teams via lateral hires in key focus areas of Data Sciences/Big Data/Al and ML as well as onshore presence of sales and client management teams.
- The company's deal funnel remains strong and recent project wins are expected to contribute to revenue growth in Q2FY24, supporting the growth momentum.
- The company's client base has remained widely diversified with >40 IT services clients across >25 countries with the top-5 clients' contribution of 33%. Growth remained broad-based, especially strong in the U.S. geography in the area of AI/ML.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	54	81	240	454	771
EBITDA	3	11	108	195	330
EBITDA Margin (%)	5.7	13.3	45.0	43.0	42.8
APAT	2	7	80	154	249
EPS (Rs)	0.1	0.6	6.7	13.0	21.0
EPS (% chg)	166.7	318.8	1089.6	93.7	61.1
ROE (%)	76.2	125.2	120.3	107.7	128.3
P/E (x)	8188.4	1955.4	164.4	84.9	52.7

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	5.5	58.4	161.6	193.3
Rel to Nifty	6.2	49.3	141.4	167.1

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SIS

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Margins remain key focus

CMP	MCap (Rs bn)	TP & Rating
Rs465	68	NR | NR

We hosted Dhiraj Singh – CEO, and Bharat Bakshi - President of M&A, IR, and Ventures, SIS

Key Meeting-Takeaways

- The focus this year is on improving margins, without losing focus on revenue growth. Company aims to retrace pre-Covid EBITDA margin levels. Growth has been aided by better wage growth and market-share addition. For the India segment, Company is looking at 5-6% margin, while the International segment is likely to clock 4-5% margin. For both segments, the company is targeting the higher-end of the range. From a growth perspective, Management aims to grow above 20%, including acquisitions over the medium term.
- In the security solutions business, margin improvement is on account of shuffle in the contract portfolio, price renegotiations with clients, more technology revenue and SG&A actions. Similar actions are under way in FM as well, and the management is hopeful that FM will follow the way shown by Security numbers. There are no structural changes in the industry that have resulted in the current lower margin profile. The VProtect alarm monitoring business has demonstrated capability to deliver double-digit EBITDA margin.
- Cash business is clearly an outperformer. Cash business has reported revenue growth of close to 30% in the last few years. The sharper growth is largely because the business has transitioned from a traditional Cash Logistics company, where much of the ATM work is done by a bank outsourcing the services business. 80% of the business comes from other outsourcing services that SIS does with banks.
- Organized share in FM would be ~25-30%, with SIS's share being the highest at 3-4%. The management is seeing more inorganic opportunities in this segment, given the nature of the business. For the Security segment, acquisitions may not add any incremental value.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	70,933	84,852	91,273	1,00,591	1,13,458
EBITDA	3,516	5,160	2,445	4,985	4,915
EBITDA Margin (%)	5.0	6.1	2.7	5.0	4.3
APAT	2,155	2,237	5,716	3,240	3431
EPS (Rs)	14.8	15.4	39.2	22.2	23.5
EPS (% chg)	32.7	3.8	155.5	-43.3	5.9
ROE (%)	18.9	17.0	35.5	16.6	15.6
P/E (x)	31.5	30.3	11.9	20.9	19.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	9.2	20.1	28.0	3.3
Rel to Nifty	9.9	13.2	18.1	-5.9

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Wipro

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Macro environment to weigh on near-term growth

CMP	MCap (Rs bn)	TP & Rating
Rs415	2,167	Rs460 | BUY

We hosted Abhishek Jain (Head – IR) of Wipro

Key Meeting-Takeaways

- Wipro has delivered over 2,000 AI engagements. It has been using Gen AI for multiple use cases like Enterprise knowledge mining, virtual assistance, content optimization, automation in software development and synthetic data generation. It targets investing USD1bn in AI over the next 3 years. It plans to train its entire workforce on AI in the next 12 months.
- The level of caution by clients is driven by the uncertain macro environment. Clients are focusing on faster ROI projects and optimizing cost through increased use of automation and vendor consolidation.
- Macroeconomic uncertainty continues to result in lower discretionary spends, leading to muted tech spends. Management called out the weakness in BFSI, Technology and Communications, and refrained from providing any timeline for recovery in demand.
- While overall deal-wins TCV moderated on a sequential basis, it remains healthy at USD3.7bn with book-to-bill at 1.3x. Slowing smaller discretionary spending deals led to divergent performance between total deal intake and large deal intake.
- Margin levers for the company include utilization improvement, automation in fixed projects, and employee pyramid.
- The company continues with its quarterly promotion cycle and gives out variable payout of 80% every Q1. Salary hike is likely to be implemented in Q3. Wipro strives for medium-term EBITM of 17-17.5%.

Financial Snapshot (Consolidated)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	7,90,934	9,04,876	9,19,581	10,11,960	10,99,259
EBITDA	1,69,018	1,73,008	1,79,759	2,03,869	2,21,555
EBITDA Margin (%)	21.4	19.1	19.5	20.1	20.2
APAT	1,22,191	1,13,500	1,20,449	1,37,495	1,52,009
EPS (Rs)	22.3	20.7	23.1	26.3	29.1
EPS (% chg)	13.2	-7.2	11.6	14.2	10.5
ROE (%)	20.2	15.8	16.4	19.0	19.1
P/E (x)	18.6	20.1	18.0	15.8	14.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	2.5	8.3	2.5	-4.8
Rel to Nifty	3.2	2.1	-5.5	-13.3

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Adani Ports and Special Economic Zone

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Growth acceleration on the anvil; ramp up at new ports key monitorable

CMP	MCap (Rs bn)	TP & Rating
Rs787	1,700	Not Rated

We hosted Charanjit Singh - Head, Investor Relations

Key Meeting-Takeaways

- Ports contribute to 80% of the company's EBITDA, with the rest being contributed by the logistics (MMLPs + rail logistics), marine services and warehousing segments. Currently, Company has ~1.5mn sqft of warehousing space under operations, with 5mn sqft capacity to be added in the near term.
- Company to increase its Logistics portfolio of multi modal logistics parks (MMLPs), with addition of ICDs at Nagpur, Valvada, Loni and Virochannagar.
- Guidance for FY24 stands at volume growth to 370-390MMT, EBITDA of Rs145-150bn and capex of Rs40-45bn.
- ADSEZ's market share continues to grow (+200bps), as overall volume cargo growth in the domestic market was 3x of the industry growth rate, with new ports (Karaikal) leading the charge.
- Currently, ADSEZ's portfolio boasts of ~95 rakes, with 12% market share in rail logistics and a strong EBITDA profile (~28% margins), while the market leader has 20-21%. Company believes that growth potential in this mode of logistics is immense, as India's rail coefficient is only 0.2 vs at least 0.5 globally.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	1,09,254	1,18,731	1,25,496	1,71,188	2,08,519
EBITDA	65,226	58,760	86,844	91,193	96,738
EBITDA Margin (%)	59.7	49.5	69.2	53.3	46.4
APAT	40,451	38,224	49,971	52,312	63071
EPS (Rs)	18.7	17.7	23.1	24.2	29.2
EPS (% chg)	7.5	-5.5	30.7	4.7	20.6
ROE (%)	17.9	15.3	17.9	14.5	14.5
P/E (x)	42.0	44.5	34.0	32.5	27.0

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	8.4	12.5	39.3	-0.2
Rel to Nifty	9.1	6.0	28.5	-9.1

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Blue Dart Express

Addition of new planes to aid market-share gains beyond metro routes

CMP	MCap (Rs bn)	TP & Rating
Rs6,389	152	Not rated

We hosted Vaidhyanathan Iyer (Acting Interim CFO), Ketan Kulkarni (Chief Commercial Officer) and Tushar Gunderia (Head, Legal & Compliance and Company Secretary)

Key Meeting-Takeaways

- In addition to being the market leader in the air express segment, Blue Dart has ~12% market share in the surface express segment (verticals it operates in). Management is confident of gaining market share in the surface express business, despite operating at 25-30% premium pricing (vs. competitors). Its new fleet additions (2 aircraft) allows it expand its network beyond metro routes as well as enhance capacity.
- Management expects double-digit revenue growth in the surface express business and single-digit growth in the air express business, in the short-to-medium term.
- Company is not too worried about competition from passenger airlines or captive units of e-com players, as LSPs cannot depend on belly cargo space to operate an express network. Also, Amazon inducting new planes in India frees up commercial belly cargo space for remaining players. As such, Amazon insources ~85% of its volumes.
- Management expects e-commerce demand to spruce up near the festive season (H2FY24 onwards).
- Payback period of the investment in the two new planes in 6-7 years and the remaining life of the asset will be ~18-20 years, at least.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	31,744	31,751	32,881	44,105	51,722
EBITDA	2,855	4,101	6,604	9,638	9,375
EBITDA Margin (%)	9.0	12.9	20.1	21.9	18.1
APAT	902	355	1,159	4,039	3582
EPS (Rs)	38.0	15.0	48.8	170.2	151.0
EPS (% chg)	-37.8	-60.7	226.5	248.6	-11.3
ROE (%)	16.3	6.6	21.4	55.2	34.9
P/E (x)	168.1	427.1	130.8	37.5	42.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-13.8	8.2	5.7	-25.7
Rel to Nifty	-13.2	2.0	-2.5	-32.3

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Saregama

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Stepping up the investment

CMP	MCap (Rs bn)	TP & Rating
Rs391	75	NR | NR

We hosted Pankaj Chaturvedi (CFO), Saket Sah and Pankaj Kedia (IR – Saregama)

Key Meeting Takeaways

- Saregama is focused on aggressively acquiring new content. The company aims to grab one-third market share for the new content that is being offered, translating into Rs2-2.5bn investment in content in the current year.
- The company achieved leadership at all-India level for Q1 for the new content released and listenership/viewership share of that content. The company is looking to continue to pickup all major titles that are coming out, which will ensure that the company keeps making money several years down the line.
- With increasing chunk of music revenue moving towards subscription, yield per song goes up for the company. While there will be short-term pain due to this movement from free to paid model, longer-term outlook is positive. The company continues to hold its guidance of 22-23% growth in the music licensing revenue segment. At the consolidated level, the company aims to have 32-33% adjusted EBITDA margin.
- Total capital deployed in the film, series and live event segment will not exceed 18% of the total capital deployed. Despite weaker Q1 numbers for this segment, the company reiterated its guidance of 25% revenue growth and 15% EBITDA margin for this segment.
- QIP proceeds will be deployed only for acquiring content or the acquisition of music labels. The company currently has Rs7.1bn of QIP proceeds that have not yet been deployed.
- The company has always aimed to have a payback period of five years. 48% of the content and marketing cost is charged in the first two years. The remaining amount is charged equally over the next eight years.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	3,566	5,447	5,215	4,420	5,806
EBITDA	363	382	605	1,301	1,871
EBITDA Margin (%)	10.2	7.0	11.6	29.4	32.2
APAT	285	541	439	1,126	1522
EPS (Rs)	1.5	2.8	2.3	5.8	7.9
EPS (% chg)	-	89.8	-18.8	156.1	35.3
ROE (%)	10.2	17.9	14.2	32.3	18.2
P/E (x)	264.4	139.3	171.5	67.0	49.5

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-4.7	24.9	19.8	2.0
Rel to Nifty	-4.1	17.7	10.5	-7.1

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Refer to important disclosures at the end of this report

Gulf Oil Lubricants

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Your success is our success

Steady volume outlook, amid easing cost pressures

CMP	MCap (Rs bn)	TP & Rating
Rs602	30	Rs730 | BUY

We hosted the senior management of Gulf Oil Lubricants

Key Meeting Takeaways

- GOLI has been able to achieve 2-3x industry growth, led by its strong brand, tech initiative like long-drain product, healthy OEM relationships and segment-wise focus. The company continues to expect similar growth trends in the medium term.
- GOLI's market share in the MCO/bazaar/industrial segments is steady at 8-9%/6-7%/3-4%. The Indian lube market should log 2-3% volume CAGR till CY32, with growth in personal mobility at 3-4%, in CVOs at 2-3% and industrial at 2-3%.
- GOLI is seeing stable base-oil prices currently and is comfortable with crude in the USD75-85/bbl band, while base oil has a 2-3 months lag impact to crude. GOLI guided on annual capex run-rate of Rs200-250mn, including investment in EV fluids.
- Adblue, low-margin and high-volume diesel exhaust fluid continues to grow, with GOLI estimating a 15-20% volume CAGR over the next three years in this category, as more vehicles come within the BS-VI fold. The company has 192mn liters of Adblue capacity, including through satellite plants. It also estimates Adblue's overall market to report a 30%+ CAGR in the next 3-4 years.
- GOLI plans to see margin improvement, from current ~11% levels to the 12-15% range, led by strategic margin management, higher synthetics, operating leverage, etc. GOLI targets expanding its distribution reach by 15% CAGR over the next 2-3 years.
- Domestic base-oil capacity would improve in 3-4 years, with ~70% availability vs. ~30% now. MCO would see EV impact (possibly 100% by CY40), but PCMO should fare better.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	16,522	21,916	29,991	34,000	36,501
EBITDA	2,652	2,855	3,428	3,879	4,279
EBITDA Margin (%)	16.1	13.0	11.4	11.4	11.7
APAT	2,001	2,111	2,323	2,852	3162
EPS (Rs)	39.8	41.9	47.4	58.2	64.5
EPS (% chg)	-1.6	5.2	13.2	22.8	10.8
ROE (%)	24.5	22.1	20.9	23.0	23.1
P/E (x)	15.1	14.4	12.7	10.3	9.3

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	25.3	44.0	37.4	36.5
Rel to Nifty	26.1	35.7	26.8	24.3

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Adani Energy Solutions

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Your success is our success

Bulking up on the back of a strong pipeline

CMP	MCap (Rs bn)	TP & Rating
Rs824	919	N/A

We hosted Vijil Jain (Lead, Investor Relations)

Key Meeting Takeaways

- Adani Transmission Limited (ATL) belongs to the Adani Group and is the largest private sector power transmission and distribution company engaged in the business of establishing, commissioning, setting up, operating and maintaining electric power transmission systems in India.
- The total smart metering under-construction pipeline stands at 4.6 million smart meters, consisting of five projects with a contract value of Rs58bn.
- The company has already applied for second licenses in three geographies – one in Navi Mumbai, which is adjacent to the existing license area in Mumbai, the second is Mundra Taluka, which is adjacent to the existing license at Mundra, and the third in Gautam Budh Nagar district along with the Ghaziabad Municipal Corporation – and all the three applications are at various stages of approval.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	73,055	1,14,160	99,263	1,12,575	1,32,927
EBITDA	27,622	42,539	39,504	42,062	45,176
EBITDA Margin (%)	37.8	37.3	39.8	37.4	34.0
APAT	5,593	7,447	12,240	12,046	12565
EPS (Rs)	5.0	6.7	11.0	10.8	11.3
EPS (% chg)	-50.7	33.2	64.4	-1.6	4.3
ROE (%)	7.9	9.0	14.1	12.8	11.6
P/E (x)	164.3	123.4	75.1	76.3	73.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	7.7	-9.3	-34.5	-76.3
Rel to Nifty	6.7	-15.0	-39.9	-78.7

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Aditya Vision

Your success is our success

Differentiated experience/Under-penetration helping to grow faster

CMP	MCap (Rs bn)	TP & Rating
Rs2,376	29	NOT RATED

We hosted Yoshom Vardhan (Promoter)

Key Meeting Takeaways

Aditya Vision Limited (AVL) is the largest multi-brand consumer durable and electronic retailer in the Hindi heartland states of Bihar, Jharkhand and Uttar Pradesh. The company operates a network of 117 showrooms and sells over 10,000 goods across consumer durables, small appliances and electronics, holding a market share of over 50% in Bihar.

- AVL is expected to register a 20-25% revenue CAGR over the next 3-5 years and expects double-digit SSG to continue with a focus on differentiated experience, localization and preference of brands for regional retailers. According to AVL, the biggest demand drivers are improved electrification in the region, increased disposable income and penetration of retail finances to remote places.
- AVL plans to add 25 stores every year to reach 150 stores by FY25 in the Hindi heartland, which it believes to be the least penetrated area for consumer durables. The under-penetration in the operating regions was reflected with a strong 46% revenue growth in Q1 to Rs6.4bn, led by 28% SSG and remaining through new store additions.
- Due to strategic reasons, AVL adopted an aggressive inventory acquisition at FY23-end to avoid stock out in the peak summer period. However, inventory levels have reduced to Rs2.6bn in Q1 (vs. Rs.2.9bn in FY23-end), which AVL believes to be the optimal level. Reduction in inventory along with profits resulted in net-debt reduction of Rs0.9bn to Rs0.92bn (vs. Rs1.85bn in FY23-end)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	5,637	7,970	7,480	8,991	13,222
EBITDA	170	252	534	831	1,330
EBITDA Margin (%)	3.0	3.2	7.1	9.2	10.1
APAT	58	140	205	353	641
EPS (Rs)	4.8	11.7	17.0	29.3	53.3
EPS (% chg)	107.2	143.4	45.9	72.5	81.6
ROE (%)	24.7	42.8	46.1	55.1	59.6
P/E (x)	496.1	203.8	139.7	81.0	44.6

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	27.4	67.2	72.4	107.2
Rel to Nifty	28.3	57.5	59.0	88.7

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Electronics Mart India

Your success is our success

Future expansion to be funded by internal accruals

CMP	MCap (Rs bn)	TP & Rating
Rs122	47	NOT RATED

We hosted Karan Bajaj (CEO and WTD) and Premchand Devarakonda (CFO)

Key Meeting Takeaways

Electronics Mart India Limited (EMIL) is the largest player in the Southern region in terms of revenue. The company has a dominant position in Telangana/Andhra Pradesh and is the fourth largest consumer durables and electronics retailer in India. In FY22, EMIL entered into a new geography by opening 12 stores in the NCR region. The company has diversified product offerings, from over 70 brands comprising more than 6,000 SKU across product categories. EMIL had a presence in over 133 stores (119 MBOs and 14 EBOs) as of Jun-23 end.

- EMIL's focus remains on deepening its store network in existing clusters and increase its market share in new markets. EMIL plans to open 25-30 stores every year, with 13 MBOs in NCR, 21 MBOs in AP and 8 in Telangana by FY25. Overall, the target is to deliver a 20-25% earnings CAGR, with a focus on network expansion, SSG improvement and incremental contribution from new kitchen/audio formats.
- Despite unseasonal rainfall, Q1 revenue grew by 20% to Rs16.9bn, led by ~14% SSG and remaining through new store additions (6 stores in Q1FY24 taking the total count to 133). EBITDA margin improved by 80bps to 7.7%, led by 50bps improvement in gross margins, largely through growth in large appliances, especially air conditioners (grew by 30% YoY), which has the highest gross margins (20%). EMIL indicated 13-14% gross margin to be the stable level.
- EMIL indicated that new stores in existing geographies breakeven in 12-13 months, with average revenue of Rs0.25-0.30bn, but expects Delhi region to take 18-24 months, as it is a newer geography.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	16,487	31,725	32,019	43,493	54,457
EBITDA	996	2,198	2,039	2,920	3,361
EBITDA Margin (%)	6.0	6.9	6.4	6.7	6.2
APAT	480	870	586	1,039	1228
EPS (Rs)	1.2	2.3	1.5	2.7	3.2
EPS (% chg)	-	81.3	-32.6	77.2	18.2
ROE (%)	13.6	22.2	12.7	19.1	13.8
P/E (x)	97.4	53.7	79.8	45.0	38.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	37.8	71.8	60.6	
Rel to Nifty	38.7	61.9	48.1	

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LT Foods

Focus on growth remains; premiumization to drive margin gains

CMP	MCap (Rs bn)	TP & Rating
Rs176	61	NOT RATED

We hosted Sachin Gupta (CFO) and Monika Chawla (VP-Finance and Strategy)

Key Meeting Takeaways

LT Foods is a global consumer foods company, which deals in basmati and other specialty rice, organic food and ingredient business, and health and convenience segments. Riding on its robust farm-to-fork business model, today the company has expanded its offerings and strives to deliver the finest-quality food products to its consumers across >60 countries.

- LT Foods will focus on gaining market shares by targeting five-year revenue CAGR of 10-12% with 6-7% volume growth and rest through realizations. On the margin front, LT Foods targets to expand its EBITDA margin to 14-15% by FY26 (from FY23 margin of 10%) through premiumization by focusing on increasing mix towards 3-Dollar products (currently 20% share), undertaking cost-reduction initiatives on the procurement side as well as bringing efficiencies across the value chain.
- LT Foods expects FY24 capex to be Rs1.6bn, with general maintenance capex of Rs0.5-0.6bn and the rest in increasing capacity in India, expanding the packaging capacity in Europe as well as making green energy investments. The company's focus is to maintain the Debt/EBITDA ratio at 2x-3x; a majority of debt is working capital debt to purchase paddy in the season and age it for minimum 12 months. LT Foods aims to reach 23% ROCE by FY25 (currently 19%) while continuing to invest in automation/upgradation to strengthen its supply chain network.
- The company's Q1 revenue increased by 10% at Rs17.9bn, aided by accelerated brand investments and distribution expansion in basmati and other specialty rice segment.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	38,904	41,351	47,419	54,274	69,358
EBITDA	3,972	4,627	5,624	5,917	7,007
EBITDA Margin (%)	10.2	11.2	11.9	10.9	10.1
APAT	1,283	1,875	2,735	2,920	4,026
EPS (Rs)	3.7	5.4	7.9	8.4	12.5
EPS (% chg)	-4.7	46.1	45.9	6.8	36.9
ROE (%)	10.2	13.3	16.9	15.6	14.4
P/E (x)	47.6	32.6	22.3	20.9	14.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	31.8	54.9	67.8	90.3
Rel to Nifty	32.7	46.0	54.8	73.3

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Senco Gold

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Your success is our success

Leveraging strengthened balance sheet for expansion

CMP	MCap (Rs bn)	TP & Rating
Rs406	32	NOT RATED

We hosted Suvankar Sen (Managing Director) and Sanjay Banka (CFO)

Key Meeting Takeaways

Senco Gold is the largest jewelry retail player in eastern India, based on the number of stores. The company has 142 showrooms spread across India with a mix of own and franchisee model, having various formats like Dsignia, Everlite and Standard to cater to distinct customer segments. Senco offers a large variety of designs of handcrafted jewelry, most of which are designed in-house by its designers in close collaboration with skilled local craftsmen and karigars in Kolkata and across the country.

- Senco is targeting to open 100 stores in 4-5 years, with 20-25 stores each year, of which 60% are expected to be company-owned stores and rest 40% are expected to be franchisee-owned. Among regions, 60% expansion is expected to be in the East region, 20-25% in the North and the remaining in the South/West regions. SSG target also remains in double-digits for Senco Gold.
- Q1 revenue grew by ~30% to Rs13bn, led by better traction on account of *Akshay Tritya* and the summer wedding season. Senco added six stores in Q1FY24, with eight more in the pipeline for Q2. EBITDA margin dipped by 40bps, led by a decline in gross margins due to higher old gold exchange; it expects EBITDA margin to be in the similar range with continued focus on expansion.
- Studded mix improved to 11% in Q1. Senco aims to achieve the industry's average ratio of 15%. It indicated an increase in ticket size to Rs66,000 from Rs55,000.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	24,843	24,203	26,604	35,346	40,774
EBITDA	1,658	2,234	1,817	2,875	3,166
EBITDA Margin (%)	6.7	9.2	6.8	8.1	7.8
APAT	746	909	615	1,302	1,585
EPS (Rs)	9.6	11.7	7.9	16.8	22.9
EPS (% chg)	3.2	21.8	-32.3	111.5	36.3
ROE (%)	17.3	18.0	10.8	19.6	16.7
P/E (x)	42.2	34.7	51.2	24.2	17.8

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	0.2	NA	NA	NA
Rel to Nifty	0.8	NA	NA	NA

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Nitin Spinners

Your success is our success

Better cotton yarn spread to improve margins

CMP	MCap (Rs bn)	TP & Rating
Rs242	14	Rs327 | BUY

We hosted Purushottam Maheshwari (CFO)

Key Meeting-Takeaways

- Average cotton price for Q1FY24 is Rs167/kg (-39%/-4% YoY/QoQ), which has further fallen to Rs160/kg in Jul-24; albeit, cotton yarn spread for Q1FY24 was Rs75 (-4%/-6% YoY/QoQ); meanwhile, Jul-24 spread fell some more, to Rs73/kg. Capacity utilization for the quarter remained strong.
- Nitin Spinners had undertaken Rs9.5bn capex (expected to be fully operational by Q3FY24), which will increase its capacity by 30-40% across all segments. Capacity will increase to 40million meter (30million meter now) for Woven fabric, to 11,000TPA (from 9,000TPA now) for Knitted fabric, and to 110TPA (from 75TPA now) for Spinning.
- Management indicated there is an improvement in the Home Textile segment at the industry level, with Garments also continuing to do well. Knitting and Denim demand stayed subdued. With the holiday season kicking in, Management is certain that there is a strong order pipeline, and H2 should be stronger than the H1 performance.

Financial Snapshot (Standalone)

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	26,923	24,067	26,530	29,801	32,781
EBITDA	6,516	2,971	3,708	4,535	5,279
EBITDA Margin (%)	24.2	12.3	14.0	15.2	16.1
APAT	3,307	1,648	1,512	2,137	2684
EPS (Rs)	58.8	29.3	26.9	38.0	47.7
EPS (% chg)	380.2	-50.2	-8.3	41.3	25.6
ROE (%)	46.0	17.3	13.7	16.8	18.1
P/E (x)	4.1	8.3	9.0	6.4	5.1

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-7.6	-4.3	17.5	20.6
Rel to Nifty	-7.0	-9.8	8.4	9.8

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Welspun India

Your success is our success

Improvement in the business environment

CMP	MCap (Rs bn)	TP & Rating
Rs114	111	N/A

We hosted Sanjay Gupta (CFO), Salil Bawa (Group Head - IR) and the IR team

Key Meeting Takeaways

- Welspun India has recorded revenue growth of 12% for Q1FY24, with relatively increased order inflows from big-box retailers and de-stocking being over at their end. All the emerging businesses of the company are also on a growth path, with the flooring business recording 33% growth.
- The company has achieved the highest EBITDA in the last seven quarters, reporting 15.4% growth in Q1. The increase in EBITDA has been across the business of home textiles, consumer retail and flooring.
- The company continues to put effort into strengthening its domestic brand – Welspun. The company is now the most widely distributed home textile brand in the country present in >500 towns.
- The company continued with its guidance of 10-12% sales growth and 15% EBITDA margin. Net debt is expected to be at Rs10bn by FY24-end.

Financial Snapshot (Consolidated)

(Rs mn)	FY18	FY19	FY20	FY21	FY22
Revenue	60,500	65,266	67,411	73,402	93,115
EBITDA	11,234	8,002	12,147	13,520	13,587
EBITDA Margin (%)	18.6	12.3	18.0	18.4	14.6
APAT	3,806	3,743	4,667	5,379	6032
EPS (Rs)	3.9	3.9	4.8	5.5	6.2
EPS (% chg)	-	-1.6	24.7	15.3	12.1
ROE (%)	14.6	13.9	16.2	16.3	15.8
P/E (x)	29.1	29.6	23.7	20.6	18.4

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

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	21.1	20.5	71.7	56.7
Rel to Nifty	20.0	12.9	57.5	40.8

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