India's Business Landscape: Optimism and Transformation

These are key words of our “Bharat Connect Rising Stars” Conference which brought together leading Indian companies and investors, revealing a wave of positive developments.

Unprecedented Business Confidence: Indian companies, especially young ones, are brimming with growth ambitions. They're adopting a more disciplined approach compared to the past.

Stable Government: Both established businesses and investors are buoyed by the current government's stability and the possibility of a third term, fostering long-term confidence.

Manufacturing & Infrastructure on the Rise: These sectors are experiencing a boom, with companies holding substantial order books.

"Make in India" Going Global: Domestic and multinational companies alike are embracing the "Make in India" initiative, propelling India as a global manufacturing hub. Production is rising due to domestic demand and export opportunities, further boosted by the Production Linked Incentive (PLI) scheme. Despite infrastructure challenges, India's manufacturing is strategically working across the value chain to achieve long-term global leadership. Large capex plans by Corporates in India for next few years.

Young Companies: Growth with Discipline: New Indian businesses are aggressively pursuing expansion without relying excessively on debt. Many hold significant potential for exponential growth across various sectors.

Rural Markets: A Sleeping Giant Awakens: "Bharat Ke Gaav" (Rural India) has emerged as a major growth driver fueled by rising consumption. Indian consumers are rapidly adopting digital practices, with UPI (Unified Payments Interface) being a prime example. Infrastructure improvements in recent years, including better roads and reliable electricity, are laying the foundation for sustained growth.

Spending Spree: Indians are loosening their purse strings, eager to travel both domestically and internationally.

Signs of revival in agrochemical & Chemical & prices are expected to bottom out in FY25.

The Call to Action: Invest in India! Be part of a success story that's thriving despite global headwinds. We stand at the cusp of India's global ascension.

List of Participating Companies

S.No.	Company	CMP (INR)	Mcap (INR Mn)
1	Aarti Drugs Ltd	434	41,697
2	Accuracy Shipping Ltd.	10	1,460
3	AGS Transact Technologies Ltd	67	8,589
4	Alicon Castalloy Ltd.	824	14,195
5	All E Technologies Ltd.	251	5,166
6	Allied Digital Services Ltd.	139	8,043
7	Annapurna Swadisht Ltd	382	6,596
8	Antony Waste Handling Cell Ltd	462	13,034
9	Apex Frozen Foods Ltd	198	6,345
10	Arihant Superstructures Ltd	329	13,796
11	Asian Granito India Ltd	57	7,770
12	Associated Alcohol and Breweries Ltd	472	9,017
13	Axiscades Technologies Ltd	553	26,412
14	Bajaj Consumer Care Ltd	212	31,322
15	BEW Engineering Ltd	1,503	4,627
16	Bharat Agri Fert Realty Ltd	100	5,759
17	Birlasoft Ltd.	742	2,09,519
18	BLS International Services Ltd	313	1,35,442
19	BMW Industries Ltd	55	13,174
20	Capital Small Finance Bank Ltd	349	15,878
21	CareTrade Tech Ltd	638	32,306
22	Chambal Fertilisers and Chemicals Ltd	342	1,43,013
23	Chemplast Samnar Ltd	450	72,564

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24	CIE Automotive India Ltd.	462	1,79,059
25	Cineline India Ltd	122	4,342
26	City Union Bank Ltd.	135	1,03,398
27	Confidence Petroleum Ltd	84	25,895
28	Creative Newtech Ltd.	713	10,432
29	D B Corp Ltd	263	47,729
30	DC Infotech and Communication Ltd	185	2,425
31	Dev Information Technology Ltd	101	2,347
32	Dharmaj Crop Guard Ltd	224	7,892
33	Digikore Studios Ltd	537	3,370
34	Dodla Dairy Ltd	803	49,400
35	Dollar Industries Ltd	515	29,158
36	Eco Recycling Ltd.	513	10,880
37	Equitas Small Finance Bank Ltd	93	1,06,112
38	ESAF SFB Ltd	54	29,497
39	Foods and Inns Ltd	130	7,964
40	Gateway Distriparks Ltd.	100	49,970
41	Goodluck India Ltd	875	30,052
42	GTPL Hathway Limited	167	19,591
43	Hariom Pipes Industries Ltd.	453	14,052
44	HFCL Ltd.	92	1,39,057
45	Home First Finance Company India Ltd	898	81,895
46	Indag Rubber Ltd	136	3,728
47	Indocount Industries Ltd	354	67,853

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48	Inflame Appliances Ltd	495	3,832
49	Insecticides India Ltd	486	15,012
50	Izmo Ltd.	269	3,801
51	Jai Balaji Industries Ltd	931	1,50,824
52	Jeena Sikho Lifecare Ltd.	842	21,827
53	JHS Svendgaard Ltd	16	1,329
54	Kalpataru Projects International Ltd	1,070	1,78,691
55	Khazanchi Jewellers Ltd	305	7,684
56	Kilburn Engineering Ltd.	335	12,943
57	Konstelec Engineers Ltd	173	2,849
58	Krishna Defence and Allied Industries Ltd	353	4,533
59	Kriti Industries (India) Ltd	134	6,798
60	Krsnaa Diagnostics Ltd	615	20,470
61	L T Foods Ltd	188	68,600
62	LINC Ltd	514	7,667
63	Lords Chloro Alkali Ltd	112	2,966
64	Macpower CNC Machines Ltd	1,107	11,293
65	Mafatlal Industries Ltd.	113	9,202
66	Magnum Ventures	44	2,721
67	Mahindra & Mahindra Ltd.	1,921	23,94,664
68	Mahindra Lifespace Developers Ltd	587	95,724
69	Maiden Forgings Ltd	86	1,293
70	Marksans Pharma	152	70,784
71	Marvel Décor Ltd	90	1,534

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72	Max Estates Ltd	276	41,978
73	Meghmani Organics Ltd	79	21,006
74	Menon Bearings Ltd	112	6,588
75	MMP Industries Ltd	255	6,621
76	Moneyboxx Finance Ltd	255	7,843
77	Motilal Oswal Financial Services Ltd	1,667	2,60,442
78	Muthoot Microfin Ltd.	200	35,906
79	Netweb Technologies India Ltd.	1,608	95,146
80	Network People Services Technologies Ltd	1,139	22,585
81	Nuvoco Vistas Corporation Ltd	306	1,13,754
82	Om Infra Ltd	127	12,775
83	Orient Bell Ltd	347	5,160
84	P.E. Analytics Ltd	288	3,040
85	Parag Milk Foods Ltd	208	25,469
86	PDS Ltd	473	64,745
87	Pearl Global Industries Ltd	540	24,206
88	Prataap Snacks Ltd	912	22,349
89	Punjab Chemicals Ltd	993	12,313
90	Pyramid Technoplast Ltd	145	5,337
91	Quess Corp Ltd	520	77,336
92	Remsons Industries Ltd.	923	6,270
93	Rockingdeals Circular Economy Ltd	365	2,171
94	Route Mobile Ltd.	1,602	1,01,557

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95	Royal Orchid Hotels Ltd	361	10,400
96	SAT Industries Ltd	87	10,551
97	Satia Industries Ltd	108	11,320
98	SEAMEC Ltd	1,089	27,964
99	Shaily Engineering Plastics Ltd	530	23,347
100	Shankara Building Products Ltd	641	15,860
101	Shemaroo Entertainment Ltd	142	4,026
102	Shri Keshav cements Ltd	218	4,017
103	Shriram Properties Ltd	113	20,558
104	SIS Ltd	440	63,450
105	Spencer's Retial Ltd	91	8,801
106	SRG Housing Ltd	268	3,527
107	Sterling tools Ltd.	307	12,627
108	Sukhjit Starch and Chemicals Ltd	454	7,295
109	Sunteck Realty Ltd.	390	61,349
110	Suprajit Engineering Ltd.	412	58,008
111	Supriya Lifesciences Ltd	333	28,471
112	Suraj Estate Developers Ltd	261	13,229

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S.No.	Company	CMP (INR)	Mcap (INR Mn)
113	Suyog Telematics Ltd	1,151	12,923
114	Swaraj Suiting Ltd	184	2,901
115	Talbros Automotive Components Ltd	261	16,883
116	TCI Express Ltd	1,024	39,301
117	Thomas Cook India Ltd	166	78,624
118	Total Transport Systems Ltd	94	1,607
119	Trucap Finance Ltd	64	7,891
120	Uflex Ltd	404	30,466
121	Unihealth Consultancy Ltd.	135	2,088
122	Updater Services Ltd.	320	21,966
123	Vaibhav Global Ltd	364	62,566
124	Vaidya Sane Ayurved Laboratories Ltd	174	1,956
125	Vardhman Special Steels Ltd	212	17,485
126	Vascon Engineers Ltd	62	14,552
127	Veerhealth Care Ltd	21	436
128	Virtuoso Optoelectronics Ltd.	211	5,148
129	Wanbury Ltd.	146	5,028
130	Welspun Corp Ltd.	515	1,43,642
131	Welspun Living Ltd	138	1,46,646
132	Zuari Industries Ltd	328	10,063

Aarti Drugs Ltd – Bharat Connect Conference highlights
CMP INR 434 | Market Cap INR 41,697 Mn| View: Positive

Key highlights:

•The company is in the business of manufacturing API, Formulations and Specialty chemicals.

•FY24 has been tough for the company given the fall in realizations due to falling RM prices. Volume sales have been good, especially in the domestic market – 20% volume growth in the 9MFY24. Export sales have been flattish due to overstocking done by customers leading to low demand. Overall volume growth has been 10-12%.

•Export revenue was less which eventually led to lower margins as exports have better gross margins.

•The management expects the market to pick up in June, improving the gross contribution, taking EBITDA margins to normal levels of 14-14.5% and eventually get back to 15-15.5% levels.

•Two greenfield projects started by the company were delayed due to COVID. Capex of INR 5500mn is yet to be done.

•One of these projects started in February for Salicylic Acid. It is in the initial stage and will eventually have capacity of 2000 tonnes per month. The management feels the capacity is enough to cater the domestic demand. The option to produce derivates of Salicylic acid is also open. Capex of INR 2000mn will be done. Next round of Capex for Salicylic acid will be less but will generate better revenues.

•Salicylic acid is shortlisted for PLI benefits but it has not been officially announced yet.

•The second project will be backward integration for Anti Diabetic and also to introduce products in Specialty Chemicals. The project will finish by Q1FY25. Captive consumption of 60% from this project will improve margins and sales. Capex of INR 3000mn will be done with 15-17% XIRR. The company is in process to get USFDA approvals.

•The business is in good position to scale up revenue in the next 2 years.

•Some brownfield projects are planned for Anti diabetic capacity expansion and introducing new anti diarrheal products.

•Planned to set up an oncology plant which may not have significant contribution in FY25 but will see growth FY26 onwards due to registration delays.

•Upgrading formulations plant at Baddi for getting higher regulatory approvals. Already have approvals from EU and Canadian market along with ANDA approval.

•The capex for 3 years was planned of INR 6000mn but has seen delays due to covid and approvals. Capex for metformin of INR 1500mn has been delayed to FY25.

•With new projects and capex, the company expects to achieve revenue of INR 40000mn in FY25.

•The management is positive of achieving 35% gross margins soon and expect to have a clearer picture by June.

•The management expects to achieve 25-30% volume growth from H2FY25.

•Raw material imports may reduce but will never get substituted due to pricing in China.

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Accuracy Shipping Ltd.

CMP: INR 10 | Market cap: INR 1,460 Mn|View: Positive

Revenue

- Revenue is expected to grow 10% CAGR going forward.
- The fuel revenue stood at INR 320mn, Motors revenue stood at INR 1,600mn, Shipping revenue stood at INR 3,420mn and remaining from others as of 9MFY24.

Margins

- EBITDA margins are expected 3%-3.5% going forward.
- Fuel business margins are 2.5% to 3% and Motor business margins are 3%-4%.

Working capital

- The working capital is around INR 1,070mn. Motor business working capital INR 270mn, Fuel station working capital INR 70mn and remaining from shipping divisions.

Debt

- The debt stood at INR 950mn and expected to be net debt zero by FY26E.
- The EMI is expected INR 200mn in FY24E, INR 120mn in FY26E and expected to come down going forward. The interest portion will come down significantly.

Fixed rate contracts

- Around 45% of revenue comes from long term fixed rate contracts. The contract has 5%-10% clause based on fuel prices.

Transportation

- The company owns 373 trucks and AC norms might lead to transfer in technologies.
- The rise in freight rate is 100% passed on to the customers. Increase in freight rate scenario, small vendors don’t participate and company can able to give discounts on 500-1000 containers.
- The company prefers package instead of normal transportation.

Depreciation

- The depreciation are based on written down value method.

Other highlights

- The company purchases and sells the freight.
- The company serves to more than 1,500 clients.
- The company is focused to increase the wallet share and exports.

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AGS Transact Technologies Ltd

CMP INR 67 | Market Cap INR 8,589 Mn |View: Positive

Outlook:

-Secure Value anticipates robust growth fueled by sustained demand for cash services like ATM replenishment, retail cash pickups, and recycling.

-The company's corporate setup, comprising subsidiaries like AGS for payments and ITSL for issuance, aims to optimize synergies and potential mergers, enhancing economic benefits for stakeholders.

-Key growth avenues in the coming years include ATM outsourcing, digital solutions, and banking automation, leveraging the company's scale and market opportunities for expansion.

Key Highlights

• Cash circulation has doubled despite events like demonetization and COVID-19, indicating its enduring significance in the economy.

• ATM services remain cost-effective for banks compared to branch withdrawals, ensuring their continued relevance and expansion, especially with the shift towards technology such as cash recycling machines and digital lobbies.

• High receivables stem from monthly billing in a service-based model with an average 120-day collection cycle, compounded by reconciliation delays and milestone-based payment gestation periods.

• The company is focusing on expanding its retail cash pickup business, particularly targeting retail outlets of oil marketing companies, such as petrol pumps, for cash management services.

• There has been a shift from product-focused to service-focused business, with an increase in service revenue over the past two years, indicating a move towards annuity revenue streams and away from product sales.

• The inventory of 750 mn on the balance sheet for FY23 is primarily related to components for manufacturing banking automation products and trading/reselling products for retail color and petroleum automation solutions.

• Also, inventory supports the maintenance, warranty, and AMC requirements of contracts, with a focus on supporting service-based revenue streams.

• The SBI order for ATM outsourcing entails deploying around 2500 ATMs over a seven-year period, generating an annual recurring revenue of approximately 1500 mn. The upfront capex is estimated to be between 700-1000 mn.

• Other contracts, such as those from UBI and Canada Bank, contribute to the company's annuity-based revenue stream, which comprises over 95% of its total revenue.

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Alicon Castalloy Ltd.
CMP: INR 824| Mcap: INR 14,195 Mn|TP INR 1,479 | Rating: Buy

Key Highlights:

•Alicon specializes in cylinder head manufacturing, with 56% of their business dedicated to cylinders and over 122 different types developed to date, catering to passenger vehicles and commercial vehicles.

•Recent additions to Alicon's portfolio include cylinders for Renault and PSA, showcasing their capability to provide solutions for leading OEMs.

•Alicon's focus on automation, exemplified by their line for PSA, ensures efficient production, with an eye on catering to increasing volumes, particularly for hybrid vehicles.

•The company's strategic alignment with industry trends, such as the shift towards hybrid models, positions Alicon well for future growth in demand for critical parts like cylinders.

•Alicon's diverse portfolio extends beyond cylinders, encompassing parts for two-wheelers, four-wheelers, passenger vehicles, and commercial vehicles, including offerings for EV applications.

•Leveraging knowledge gained from global projects, Alicon demonstrates agility in deploying learnings to enhance capabilities and develop complex parts for customers worldwide.

•Recent achievements include the development of critical parts for brands like Jaguar, Land Rover, Scania, and others, reflecting Alicon's commitment to innovation and global supply capabilities.

•Having developed over 2000 parts, Alicon's extensive knowledge aids in swift design decisions, focusing on capacity to meet large OEM volumes, particularly in low pressure and gravity casting processes, crucial for critical part manufacturing.

•Alicon's primary product supply currently focuses on cylinder heads for ICE vehicles.

•As the demand for lightweight materials in EVs rises, particularly aluminum alloys, Alicon foresees significant opportunities for expansion.

•In EVs, where aluminum content exceeds 300 kg compared to 150-200 kg in traditional ICE vehicles, Alicon aims to diversify its product offerings.

•Potential EV parts to be supplied include motor housings, inverter housings, battery housings, and onboard chargers.

•Alicon anticipates growth alongside the increasing adoption of EVs due to the higher demand for aluminum components.

•Alicon is transitioning from its traditional business to new ventures, with investments being made accordingly. Over the past three years, there has been consistent upward momentum, with a YoY improvement of 2-3%.

•This trajectory suggests the potential for significant ROCE in the next two to three years, with expectations of surpassing the 20%.

•During a Red Sea crisis, increased lead times prompt customers to boost parts pickup from warehouses, resulting in temporary sales surges followed by inventory reductions, with minimal impact due to single-source supplier status.

CH Vs EV parts

•EV parts entail complete machining, resulting in 15-20% higher value addition compared to cylinder heads.

•Contracts for EV business may involve supplying one or all three housing components, determined by the RFP process and cost competitiveness.

•Alicon currently supplies all three housing components in certain high-volume platforms, with potential for increased business in the future.

•The extent of machining required varies, influencing the overall value addition percentage.

•This highlights Alicon's evolving business model, particularly in supplying components for electric vehicles.

•Depreciation has increased in the past year due to new investments and reassessment of asset life, particularly for tools and dies linked to project and product life. While further increases are expected this year, they are anticipated to stabilize once major investments are completed in 2024-2025, aligning with company accounting policies and scaling as a percentage of output.

•Company plan to book ~1100 to 1200 Mn from this fund, leveraging traction in the EV segment and expanding portfolio. Encouraging feedback on hybrids and increased orders for components like the Toyota cylinder indicate promising opportunities aligned with the plans.

•Outlook: Alicon targets a top line of 22000 Mn by FY26, with anticipated revenues of 18000-18500 Mn for FY25, driven by new business projects. Margin improvement to 14%-15% by FY26 is a focus, despite potential challenges like economic recessions. We have target price of INR 1,479 with the Buy rating on the stock.

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All E Technologies Ltd.
CMP: INR 251 | Mcap: INR 5,166 Mn |View: Positive

Key Highlights:

•Alletec has cultivated a robust and enduring relationship with Microsoft, extending its influence across diverse geographies encompassing India, Africa, and the United States. The focal point of this partnership revolves around Microsoft Business Applications, with a specific emphasis on ERP, CRM, and the Power Platform. Additionally, Alletec showcases its versatility by providing IaaS, PaaS and SaaS offerings on Microsoft Azure. This strategic collaboration positions the company as a dynamic player in delivering integrated and innovative solutions built using the new age technologies and the full stack of Microsoft solutions for diverse industry domains.
•International focus and IP are key elements of the company's strategy.
•Growth in services is emphasized, targeting new customers and expanding offerings as an IT services company.
•While product revenue stands at 48% and services at 58%, the company ensures that costs do not escalate proportionally, with ongoing investment in cloud adoption and deployment.
•Microsoft's involvement in tailoring solutions for industries like green energy and EPC demonstrates a shift towards customer-centric offerings.
•Investment in Generation AI and Dynamics 365, alongside Microsoft collaborations, underscores the company's commitment to innovative marketing strategies.
•Services dominate the revenue mix, with India contributing 35-45% and international markets 40-45%, expected to strengthen over the next 3-5 years.
•Transitioning customers towards recurring revenue models, including repeat business and annual maintenance contracts (AMCs), is a priority, with ~50% of customers moving in this direction.
•Geographical Presence: The company has functional international offices in Dallas (USA), Toronto (Canada), and Nairobi (Kenya). The Indian operations include 5 locations – Delhi/ Noida, Kolkata, Chennai, Mumbai, and Bangalore.
•Revenue mix: Over the past three years, international services revenue for the company has consistently surpassed 60%. Overall – about 58% of the revenue is from consulting and services, whereas 42% is from products (both Microsoft, as well as own IP),
•Margins stand strong, with international services margins exceeding 50%, while the domestic sector maintains a range of 22-25%.
•The company currently achieves a total margin of 7-10% from IP, complemented by a balance of 25-30% from Microsoft. As part of its strategy, the focus includes international expansion and fostering the growth of IP. The company introduces BAFINS, a new IP built on Microsoft Dynamics 365, for the financial services sector. Focussing on rates enhancement, international business growth, and bolstering product revenues, these efforts are showing continual improvements over time.
•Headcounts: Alletec currently employs ~ 350 people, with plans to increase its workforce as demand rises.
•Q3FY24, posted strong numbers. The good performance during Q3 is credited to built up on the cloud momentum and new customer acquisitions. Strengthening of the digital transformation momentum with Cloud, and impact of AI for businesses signals optimistic prospects for sustained growth.
•Outlook: 25%-30% Revenue Target, dependent Forecasts for 3-4 Years, and a Long-term Margin Goal of 20% in the Next 3 to 5 Years. We have a positive view on the stock.

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Allied Digital Services Ltd.

CMP: INR 139 | Mcap: INR 8,043 Mn |TP INR 229|Rating: Buy

Key highlights:

•Cloud enablement and Cyber security services to be gamechanger for the company going forward.
•80-85% of the revenue comes from IMS.
•The workplace management services were started during covid after the company saw the opportunity.
•Currently, AdiTaas works on version 5.0, soon 6.0 version is to be launched.
•The company has been working on Lucknow safe city project which is expected to go live soon.
•Service revenue share is expected to decrease with increasing share of Solutions revenue.
•Revenue from government projects is already increasing and is expected to have significant growth.
•ROCE will see further improvement.
•They currently cater to 51 clients with TCV of more than US$ 1mn.
•IMS business is the core service of the company; though it has tight margins but acts as entry point for customer acquisition and get customers onboarded for other services too.
•A smart city project typically takes about 9-10 months of implementation and the next 5-6 years of maintenance. Each project generally generates 12-15% margins.
•AdiTaas customer base includes a large car manufacturer in India, using the service for managing tickets and a large PE group in USA which has 5-6 retail brands.
•The company partners with large IOP players and exclusively provides IMS. They also collaborate with Tier 2 partners to cater to large customers. As the company does not have bandwidth to provide exclusive services to large players, they have to collaborate with other service providers to cater these customers.
•Other than this, they have also started targeting customers in USA with TCV of US$ 5 to 10mn to provide them direct services.
• Last four quarters were muted due to the US economy and there was a shift/delay in orders of 6 months to 1 year; lost many customers in the US as they preferred to go in house. They also had to resort to onboarding clients at lower margins. But post elections, the US business is also expected to get back on track and see growth.
•Companies like L&T are competitors in System integration services.
•There has been significant improvement in WC days and it has come down to 87-88 and it expected to be maintained at similar level.
•The revenue was increasing but there was no growth/degrowth in profitability mainly due to hardware business. Thus, the company has stopped the hardware business completely.

Guidance:

•ADSL targets to achieve INR 10,000mn revenue in the next 2 years.
•EBITDA margins are expected to reach mid teens in the next 4-6 quarters driven by software business and IMS/government projects.
•There are about 1000 small smart cities planned by the government with INR 300-500mn budget. The company will bid for these projects and is positive on getting business from this and further improve its market share.
•US business is expected to be slow due to elections but will pick up post elections.
•Target to bid for 2 new smart city project of INR 5000mn each.
•Revenue from India is expected to be INR 2700 to 3000mn in FY24.
•Plans to come up with 2nd round of ESOPs.
•They are actively looking for acquisition opportunities.
•Profitability to be higher in AdiTaas.

Outlook: Outlook and Valuation: The company is anticipating a short-term margin improvement of 100-150 bps from Q4, the company reiterates its goal to achieve INR 10 Bn in revenue within the next 2 to 3 years. The strategic focus remains on expanding partnerships and engaging in Smart City Projects. We have target price of INR 229 with a Buy rating on the stock.

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Annapurna Swadisht Ltd | Management Meet KTAs
CMP INR 382 | Market Cap INR 6,596Mn | View: Positive

Guidance and growth drivers: The company aims to double its top line revenue by FY25 and achieve 50-60% growth in FY26 and FY27. The bulk of the growth is expected to come from expanding product lines such as fried items, noodles, biscuits, bakery products, etc.

Recent Acquisition of RR Protein

- Company recently acquired RR Protein, a more than three-decade-old company known for its popular mustard oil brand, which has seen growing preference in India, particularly in West Bengal.
- This acquisition, valued at 280mn, was funded through internal accruals and debt. Company has a production capacity of 9 lakh liters per month and is located in Junglepur, West Bengal.
- Company has a turnover of 1300 mn last year and the capacity to scale up to 1900 mn. Also, it has a debt of INR 220mn.
- Post-acquisition, the company aims to improve EBITDA margins by leveraging distribution strengths and optimizing packaging and positioning.
- Combining the distribution of edible oil with lighter products like snacks will lead to significant logistics cost savings, potentially reducing transportation costs by one-third.
- The anticipated EBITDA margin for the edible oil business is around 4-5%, aligning with the company's current margins.

Key Highlights

- The company's ability to operate at decent margins despite being relatively small is attributed to factors such as indigenous machinery allowing for efficient production changes and a diverse SKU basket catering to rural preferences.
- There are currently no plans for fundraising, and the company has not announced any such initiatives.
- Distribution margins typically involve selling a five-rupee packet at 3.75 rupees to distributors, with retailers enjoying the largest share of profits.
- The company expects positive cash flow from operations in the upcoming financial year, although quantification is challenging at this time.
- During the period of increasing palm oil prices (2019-2022), the company-maintained margins by reducing the grammage of products and adjusting incentives like providing fewer toys in products.
- The current work in progress is expected to go live soon and is estimated to have an asset turnover of around 6.5-7 times, contributing to a top line increase of over a hundred.
- Regarding the greenfield capex in Assam, company plans to expand mainly in the Northeast region, including Bhutan, and deepen penetration in existing states like West Bengal, Bihar, and Jharkhand.
- Geographically, there will be a significant contribution from states like Assam, Uttar Pradesh, and other northeastern states, with expected triple-digit percentage growth compared to previous years.
- Some products, like Bengali namkeens, may be specific to West Bengal, but most products are suitable for other states as well.

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Antony Waste Handling Cell Ltd – Bharat Connect Conference highlights
CMP INR 462 | Market Cap INR 14,223 Mn| View: Not Rated

Key highlights:
•The company mostly operates in the MMR, NCR region and Central India.
•The revenue split between C&T and Processing is 60-40 and the target is to have 60% of revenue from Processing going forward. Processing segment will have larger share in revenue in 3 to 4 years.
•Recently Bagged contract with Mumbai for 50% of city’s waste handling.
•Price/ton is growing at 15-20% CAGR; target to sustain this pricing going forward with potential of increment.
•Target to achieve 18-22% growth for core operating revenue.
•An average C&T contract is of 7 years.
•The company has order book of INR 110bn, for the next 10 years.
•The company prefers to work with clients who have recurring payment cycles. Sometimes, projects are partly funded by clients.
•The company processes 90% of total waste generated in Mumbai and is able to recycle 70% of it.
•Recently set up Maharashtra’s first waste to energy plant. The project is expected to increase INR 170mn interest cost and INR 130mn depreciation cost on annualised basis. The project can provide INR 600-650mn revenue next year with 80-85% PLF based on tipping fee and sale of by product.
•Mumbai contract expires in 2035-36 and the company has about 7 years to completely stop the process.
•Recently started with Auto and tyre recycle segment and the company is already in talks with 2 large OEMs. The plan is to start the process in Karnataka; set up will take about 3-6 months. The capex for this project will be INR 2000mn. The segment will not have much contribution to revenue in the first 2 years but will scale up as it gets established. Margin in auto recycle will be lower but not negative.
•The company has also started with bio mining segment and recently completed one project in Noida and have received another contract from Cidco with revenue potential of INR 770mn, expected in 2 years. They intend to bid for more contracts going forward but will be selective in terms of clients, also considering disposal in scientific manner and keeping monsoon in mind. They expect to onboard 2-3 short term contracts in the next 2-3 years.
•The company is actively exploring other geographies for expansion.
•The Dahisar project’s land is taken on lease for 20 years. The company expects to complete the work in April post which the project will begin.
•Change in the government will not have any effect on government tenders and projects.
•The company has mandated a large consulting firm to understand if they should get into verticles like Auto recycling and solar waste management.
•Looking to expand in Tier 2 cities and mainly targeting southern states for expansion.
•Nasik project, Waste to Energy and Cidco bio mining project are expected to contribute to revenue in FY25.
•Current debt is at INR 3680mn.
•From 2019, the company started receiving many C&T contracts which required high capex and was a low margin business and eventually led to decrease in overall margins. Now the capex cycle is done and the company expects to see improvement in margins.
•The company does not have issues with selling waste to other companies and are already in talks with some PSUs for this.

Apex Frozen Foods LTD.
CMP: INR 198| Market Cap: INR 6,345 Mn| TTM EPS: INR 3.5|Rating: Not Rated

Key Highlights:

- Lower demand in shrimp this FY and the past 2 qtrs resulting from inventory hold-ups with customers and high-cost inventories from last year.
- They are now using their own marketing company in the USA and are forging new contracts in Europe which is a major market. Demand changes are visible in the upcoming FY as they are getting active orders for summer consumption
- Pending approvals in Europe have not been received yet, but are moving toward it. There are FTA benefits to be had as well as Budget benefits for fisheries.
- CVD preliminaries have recently been announced at 4.36% for India, and are higher for Ecuador at 7.5%, 0 for Indonesia, and 2.84% for Vietnam.
- DBK and ROTDEP reimbursement schemes are currently being worked out.
- Anti-dumping duties are expected to increase for foreign countries like Ecuador which will make exports more expensive compared to India
- If CVD and anti-dumping remain the same for Ecuador, it will keep them handicapped at the same level. Since Ecuador engages in commodity-based products. It has limitations on value-added because of political crises and manpower problems.
- Q4 is the cropping time in south India because warmer temps kick in post-Pongal.
- New sales between now and April to overseas requirements are picking up now as they place summer orders.
- Yield for FY24 is planned at 14-15k MT, along with margin recovery this year toward double digits, with RTE products picking up and getting EU approvals, the company should see margin improvement from
- FY25. They should reach earlier levels of 11% by FY26. Target markets with end-use product demand for
- RTE growth.
- Farming in Ecuador is done by large companies. They have the advantage of local shrimp species that are high in demand, which India has to import and breed.

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Arihant Superstructures Ltd

CMP INR 329 | Market CapINR 13, 796 Mn| Rating: Buy|TP: INR 411

Key Highlights:

- Company is a major builder in the MMR region with 14 on going projects. They are in this business since 1994 and have seen 4 business cycles which gave them rich experience and learnings to survive in the industry. Their strategy has been on delivering to their promise to the customers and giving possession no matter what.
- They are spread across one half of MMR region i.e. from Thane to Raigad and its projects are spread across 11 different locations thereby de-risking the dependency on any single location. They have a 13% market share in Navi Mumbai. The recent opening of the Atal setu bridge has given a big boost to the demand and sales.
- The company has landbank of 220 acres which translates into 17mn sq ft of area. The revenue potential of the company comprising of all projects is INR 100k mn in the next 4-6 years of which around INR 8k cr should be recognised in the next 4 years. Company is targeting EBITDA margins of 30-32% and PAT margins of 20-24%. Company is likey to record major of its revenue from FY26 keeping in mind the various on going projects.
- Company has Pre-Sales of 10000mn this year and expects this to grow by 30% in the coming years.
- Company has added projects worth INR 35k mn in the existing FY. Company is building an annuity income for itself in the form of one 5star hotel and a gymkhana. Investment in this will be around 2500mn and a rental yield of 15% is expected to be generated from this by FY27/FY28.
- The company has a debt of INR 1480mn and secured debt to equity ratio is 0.4x The company has around 500 employees on its roll and with the given resources the company is well positioned to scale up further.
- Company treats it business like a manufacturing unit and doesn’t speculate on the prices of its inventory. It’s current inventory is also very low given the scale of operations the company undertakes. They plan to increase its contruction area from current 40lakh sq ft to 80lak sq ft in the next 4-5 years.
- The company is undertaking Mumbai’s largest villa development by launch world villas wherein it will sell 364 villas in totality in phase wise manner. Thee total revenue potential from this will be 10000mn.
- Company has signed to purchase 118 acres of land and this will be used in the development of low rise villas/plotted development. The cost for this is 750mn
- The launches slatted for Q1FY25 are 200 units at Karjat with revenue potential of 520mn. Arihant Avanti with 2000mn revenue potential and 4.5-5 years completion timeline. Arihant Anaika with 300 units of 550 units being launched with 1000mn revenue potential. World villas phase 1 where 140 villas will be launched with 3000mn plus revenue potential and shall take 2 years to contruct from the date construction starts.
- Taloja, Khargar and Panvel are the best performing areas of the company with 20 units per month sold on an average and 30-50 unit sold per month followed by Vashi and Kalyan with 8-12 units sold in a month and Khopoli with 6-8 units in a month.
- The company doesn’t plan on entering the commercial segment as of now and wants to maximise on its strength of residential. The company takes about 3-12 months to get approval for its projects.

Asian Granito India Ltd

CMP: INR 57 | Market Cap: INR 7,770 Mn| Rating: Buy

The company's growth strategy, encompassing mergers, branding, capacity expansion, and real estate sector recovery, sets a strong foundation for future success. Leveraging profitable subsidiaries, brand ambassadorship, and export market expansion, alongside investments in GVT tiles, anticipates robust revenue growth. With a focus on expanding the manufacturing portfolio, pursuing higher volume growth, and utilizing funds wisely, the outlook is promising for sustained growth and enhanced margins.

Key Highlights

• The company is profitable at a standalone level, with a focus on improving performance in subsidiaries like Crystal Ceramic and leveraging recent production starts in Future Ceramic and AGL Sanitary to enhance overall profitability.
• The merger involves consolidating manufacturing facilities of outsourcing plants under AGL, streamlining product focus, and shifting marble and quartz divisions to subsidiary Amazon Ceramic.
• Current capacity utilization stands at 60-65%, expected to increase to over 90% as recently added plants stabilize, enhancing production efficiency and revenue potential.
• Company have appointed Ranbir Kapoor as a brand ambassador to reposition itself in the market and drive growth. This may lead to a price increase and cost optimization to recover expenses, possibly leading to a premiumization of products.
• The focus is on improving profitability and margins through these initiatives, including increasing manufacturing capacity and enhancing brand visibility.
• The merger is expected to increase promoter holding in company to around 50%.
• Investments in GVT tiles are expected to drive growth, especially as the real estate market recovers post-pandemic.
• The company is focusing on expanding its export market, establishing subsidiaries in the US, Dubai, and Nepal, with plans for further expansion.
• Despite challenges like the Red Sea issue affecting exports, the company's export market remains stable, comprising around 15-20% of total sales.
• Stagnation in the company's top line over the past few years is attributed to limited investments in new plants, but with recent investments and demergers, top-line growth is anticipated from the next financial year.
• The goal is to increase the manufacturing portfolio from 25% to around 45% to enhance margins.
• Anticipated volume growth is higher than industry estimates, targeting around 15-20% annually.
• The company has utilized funds from rights issues for debt reduction, working capital requirements, and expansion projects like Future Ceramic and AGL Sanitary Ware.
• Capacity currently at 54 million, up from 34 million previously.
• Revenue from subsidiaries outside Asian Granito estimated at around 2500mn.
• Forecasted EBITDA margin remains uncertain, but the company aims for improvement.
• Consolidated debt post-merger expected to be around 3000mn.
• Gas prices, a significant raw material, contribute around 12% to total sales, posing a threat to margins if fluctuating.
• Impact of gas price fluctuations varies across locations, with areas like Mesana more susceptible due to fewer competitors.

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Associated Alcohol & Breweries Ltd

CMP INR 472 | Market Cap INR 9,017 Mn| View: Positive

- They plan to enter new states like Maharashtra, Assam, Tirupur, and Goa from April onward
- They are Setting up a new malt plant
- Capex of INR 400mnwas spent on a new bottling plant
- 5 new launches are upcoming in the next 4-5 quarters.
- IMFL margins are dwindling at 4-5%. They recently launched premium craft gin which is a niche market
- New launches planned: blended malt, blended scotch, blended tequila, RTD (a growing segment that they want to capture), premium tequila. A bottom-up approach will be used wherein they try to influence and spread through salesmen which will initially have slow margin growth.
- IMFL + franchisee manufacturing is 30% of revenues, and IMIL and byproducts are 40%.
- Capex for the ethanol plant (130 KLPD) and new bottling haul amounts to INR 1500 mn.
- The company's Primary mkt share is in MP and Kerala
- They are in talks with United Spirits to acquire brands and continue job work production. Hence the new bottling haul was set up and will increase by 4-5 lakh cases per month increase which is expected from Q1 onward.
- Glass prices are now down 10%, and will stay at this level.
- They are Increasing grain procurement at a reasonable price.
- In FY23 there was a substantial increase in grain and glass prices where they almost doubled, leading to a shrinking margin but the substantial top-line growth.
- They aim for a double-digit EBITDA margin with a steady improvement to 14%
- Yield differences between rice and corn: higher starch present in rice leads to a higher price, so the now produces 100% from maize. Maize ethanol is also now fetching higher prices.
- the company has 6-year contracts with Diageo, but they have been doing job work for decades
- They target double-digit revenue and EBITDA growth
- MP market has higher EBITDA generation than non-MP markets because of higher sales of grain-based ENA over molasses-based ENA

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AXISCADES Technologies Ltd
CMP INR 553|Market Cap INR 26,412 Mn|TP: 819|Rating: Accumulate

- Diversification Strategy: Initially focused on aerospace and heavy engineering, now expanded into various sectors including automotive, energy, and defense.
- Gross Margin: Implemented initiatives to improve gross margins, particularly in low-margin segments like heavy engineering, through process optimization and automation.
- Acquisitions: Acquired Caddis Technologies Limited in 2013, followed by Mistral in 2017-2022, and recently two more ADD Solution and Epcogen companies to broaden market presence and offerings.
- Customer Portfolio Expansion: Shifted from reliance on a few key customers to diversifying clientele, with Airbus being a major revenue contributor along with presence in Bombardier and Boeing markets.
- Revenue mix: Aim to balance revenue streams with aerospace contributing 33%, defense and Homeland Security 20%, transportation (including automotive and heavy engineering) at 50%, and emerging sectors like energy making up the rest.
- Aerospace: Engaged in aerospace engineering services, with significant contributions from Airbus, representing around 27% of total revenue. Long-standing partnership with Airbus, involved in design, manufacturing engineering, and aftermarket services, yielding high-margin returns exceeding 35%.
- Automotive: Expanding into the automotive sector, collaborating with OEMs such as JLR, Bosch, and Volkswagen, anticipating to contribute ~11% of total revenue by the end of FY24.
- Heavy Engineering: Facing challenges in the heavy engineering sector due to macroeconomic factors, transitioning from staffing to fixed-cost projects leveraging digital and embedded capabilities for sustainable growth.
- Vertical: Specialize in two core verticals semiconductor and defense/homeland security, each with distinct market segments and clientele.
- Defense Sector: Engaged in major defense programs across India, collaborating on radar, naval, submarine, and aerospace projects, leveraging over 27 years of industry experience.
- Geographic: Strategically located across key defense hubs in India Bangalore (aerospace and radars), Hyderabad (missiles and electronic warfare), and Trivandrum (space), facilitating efficient project execution and client engagement.
- Partnership: Forge collaborative partnerships with semiconductor giants like Texas Instruments, Nvidia, and Qualcomm, engaging in early-stage software activities and providing evaluation modules to expedite product development.
- Energy: Expanding presence in the energy sector through acquisitions like Epcogen, catering to Middle Eastern clients in the EPC space, with a projected revenue contribution of 6-7% in the coming years.
- Margin: Consistently growing QoQ, recording a 20% growth in engineering services, aiming to achieve an EBITDA margin of 18% in the near future through focus on high-margin defense production, energy sector growth, and aerospace automation.
- **Outlook**: Mistral anticipates growth in defense, transportation, and automotive sectors, led by product engineering services. Aiming to double revenues by FY 26-27, with a focus on improving margins across segments, particularly in aerospace and automotive. Despite defense business fluctuations, expansion in verticals drives the company towards its growth targets, aiming for a PAT of 1800 Mn by FY26. We have an Accumulate rating on the stock with the TP INR 819.

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Bajaj Consumer Care Ltd

CMP: INR 212 | Market Cap: INR 31,322 Mn|Rating: Accumulate

Key Highlights:

- Initial launches will be in e-com and MT, and then to GT with the ADHO extension upcoming, all premium end products, they will figure out the GT play.
- ADHO contribution was 83% on December 23.
- Margins in hair oil, especially amla and coconut are lower than ADHO, but other NPDs in ADHO have a 50-55% margin. Initial scale-up in amla and coconut will dilute the margins but new launches will help margins down the line and no significant dilution is expected over some time.
- Amlas low pack units have significant sales but have low GM, hence they are now focusing more on larger packs. Coconut has a decent growth rate, ADHO extensions through MT, and GT comprising the ethnic rangegulab jal and henna are doing well in terms of numbers.
- Last year almond drops grew 4-5%, but this year by December has been flat because of low rural offtake, the rest of the categories are showing handsome growth.
- LLP is expected to be at the INR 80-85 level next few months. The company has taken price increases
- Nomarks needs further investment and intervention. It is a highly profitable business but is facing low demand. So far there is no plan for scale up.
- GT growth is being pushed through rural markets and direct distributions.
- No major capex plans in the immediate future.
- Non ADHO portfolio has many launches planned in the medium term with plans to further diversify into skincare and hair care.
- The decline in ROCE from 30 to 20% was because they couldn't take too much pricing action, and there were also investments in soap and coco onion in GT which hit profits.
- Rural traction stays low.
- If there are acquisitions planned, the GM will be maintained at 16-18%
- They target a 2x turnover in 5 years, with an ADHONon-ADHO mix of 60-40.

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BEW Engineering Ltd

CMP: INR 1,503 | Market Cap: INR 4,627 Mn| View: Not Rated

Key highlights

- The company targets to have only 15 days receivables and thus only onboards orders which can be completed in a short span. Order book timeline was 10-12 months before which has now come down to 4 months due to this strategy.
- The capital coming in from fund raising will provide expansion opportunities leading to significant growth.
- New infrastructure set up recently has started production in February with full-fledged production to start in June.
- Capacity has doubled compared to September last year.
- Received big order from Aditya Birla (Thailand) and Bangladesh in FY24. First tranche of the Bangladesh order has been executed.
- Witnessing continuous inflow of repeat orders.
- Spherical dryer did not see the anticipated demand, but the company is optimistic of the product once the industry uses it and realises its usage and potential.

Fund Raising

- The company raise INR 270mn through equity in September. Post September, INR 150mn warrants were issued; 25% of it has been received as FD. This week, INR 550mn worth of shares have been issued at INR 1540/share.
- The net worth will increase to INR 1300mn from INR 270mn.

Guidance

- Current order book at INR 700mn for next year.
- 20% revenue growth is expected in FY24 with much further improvements expected in revenue and margins going forward.
- Target to achieve INR 1500mn revenue in FY25. The company's foray into larger customer base and new geographies will help in achieving these targets.
- Targeting much higher profitability with 25% EBITDA margins.
- Capacity expansion are in plans with Capex of INR 700mn with 10x revenue potential.
- The funds raised will help in becoming creditor debt free.
- Target to reach 100% capacity utilisation in the next 3 years.
- With planned capacity expansion and huge vendor base, the company is optimistic of achieving INR 2500mn revenue.

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Bharat Agri Fert & Realty Ltd
CMP: INR 100 | Market Cap: INR 5,759 Mn|TP: INR 353|Rating: Buy

Key Highlights

- The company operates in three divisions: manufacturing SSP fertilizer, operating the Anchaviyo resort in Palghar and real estate development in Majiwada, Thane.
- The company has a fertilizer plant with a production capacity of 1,32,000 tons of Single Super Phosphate (SSP) fertilizer, but it is facing challenges in procuring raw materials due to reliance on imported raw materials and geopolitical issues.
- For the fertilizer business, the company plans to shift to a conversion-based model, offering its plant assets on a conversion basis for three-year periods, which is expected to generate revenue of approximately INR 12.5 Mn per month with 20-22% net profit margins.
- In the hospitality segment, the company plans to expand its Anchaviyo Resort to 75 rooms by May 2024 and over 150 by FY27. Key growth drivers will be corporate events and FIT (Free Independent Traveller) segments and weddings.
- The company is targeting 30 weddings per year once 150+ room capacity is achieved, each wedding expected to yield INR 8-9 Mn revenue.
- The company is also evaluating hospitality projects in Kashmir and Ayodhya, with plans for 90-100 rooms and 70-80 rooms, respectively.
- The company is open to tie-ups with event management companies and is aiming to establish Anchaviyo as a global brand.
- The company will launch the real estate project for marketing on 9th April. For this 26 flats are already in the pipeline for booking and registration of payment in April, with the project expected to be completed within 4 to 5 years as per RERA registrations.
- The company also has plan to sell its Bharat House property in Mumbai, spanning 35,000 sqft, which is expected to yield INR 2,000-3,000 Mn.

- **Outlook:** The company plans to monetize its 120-acre land for developing a sports complex, and additional hospitality projects. The Thane project is expected to bring in substantial revenue over the next 3-4 years. The company does not have immediate plans for capital raising but may consider it after 2-3 quarters. The projected revenue from the real estate project, based on a price of INR 20,000 per square foot, is estimated to be a minimum of INR 8,000 Mn over the next 4 to 5 years. The company’s cash profit guidance over the next 5 years is INR 20,000-25,000 Mn from all the projects.

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Birlasoft Ltd.

CMP: INR 742 | Market Cap: INR 2,09,519 Mn|TP: INR 929|Rating: Accumulate

Key Highlights:

- Birlasoft's service offerings are categorized into digital, cloud, data analytics and ERP in IT infrastructure. The company gets 85% of its revenue from the American region and serves customers across four verticals i.e. banking, financial services, life sciences and energy utility.
- The company acquired the IT services business of KPIT around five years ago, which increased its scale and capabilities, especially in the ERP space.
- The company has been rationalizing its client portfolio by letting go of non-profitable or low-growth accounts, which has impacted revenue but improved margins.
- Birlasoft has been investing in building new capabilities and acquiring niche skills to drive future growth.
- The macro environment has been challenging, with longer sales cycles and customers preferring cost-takeout deals, leading to delays in deal conversions and ramp-ups.
- Attrition has stabilized around 12%, which the company considers a healthy range, and it plans to continue offering competitive compensation to retain talent.
- The company is open to strategic acquisitions that will fill capability gaps and accelerate growth in specific areas. Potential targets could include companies with large BFSI client portfolios or niche capabilities that can help the company to expand in specific domains.
- Birlasoft's exposure to the BFSI vertical is relatively low in comparison to peers, preventing it to some extent from the sector's softness. Within BFSI, the company focuses on sub-segments such as insurance and payments, where it has seen consistent growth.
- The life sciences vertical has been soft for the company, and they expect it to remain sluggish for some time as there is more discretionary spending in this area.
- Manufacturing and energy & utilities have been growth verticals for the company, and they anticipate this trend to continue.
- For the non-US markets, the company is focused on regions like the UK, continental Europe, Australia, and New Zealand, where it already has a base. It is also open to pursuing opportunities in the Middle East.
- The company plans to largely avoid the public sector/government deals in India due to the smaller deal sizes.
- The US presidential election is adding some uncertainty due to potential policy changes impacting areas like onsite/offshore work mix. However, the company expects this uncertainty to reduce by September-October.
- For the latest salary hikes in FY23, the offshore employees received an average increase of around 8-9%, which the company considers decent and benchmarked to industry standards.

Outlook: Birlasoft's margins have been consistently expanding over the last four quarters. The company aims to maintain margins in the range of 15.5-16.5% in the medium term while continuing to invest in building new capabilities. After the capability investments are completed, the company expects margins to increase. The company expects a recovery in demand and spending in the second half of the calendar year, assuming the macroeconomic situation improves. We have

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BLS International Services Ltd
CMP: INR 313 | Market Cap: INR 1,35,442 Mn|View: Not Rated

Outlook: The company plans to utilize its extensive touchpoint network to cross-sell services like insurance and e-commerce, aiming to reach 1.5 lakh touchpoints. This strategy diversifies revenue streams and enhances market presence. Coupled with organic growth through tender bidding and potential acquisitions, the company is well-positioned for robust expansion in the digital services sector.

Turkish Acquisition

• The company has finalized a definitive agreement to acquire a Turkish visa company for approximately 5000mn.

• This acquisition is expected to contribute positively to the company's EBITDA, with audited numbers revealing a top line of ~€20.5mn and a bottom line of ~€10mn for the CY22.

• Additionally, there may be further investment required if the Turkish company secures extensions for existing contracts, indicating potential growth opportunities beyond the initial acquisition.

Key highlights

• VFS is a major competitor in the visa business, while regional players also exist. In the digital business segment, there are numerous small players, with no dominant global player. VFS has experienced a decline in market share over recent years.

• The decision to list the subsidiary, BLSE Services, separately was driven by investor demand for a pure play in the digital services business and the need for growth capital.

• The visa business currently has a better ROCE, the digital services business has growth potential and may match the ROCE of the visa business in the future. Both businesses are asset-light.

• The BC and e-governance businesses are less susceptible to political changes as they operate on global tenders and receive payments directly from citizens rather than the government.

• Contracts for services typically span five years with options for extension, providing stability and opportunities for long-term partnerships.

• The company plans to utilize its cash balance primarily for acquisitions and expansion. Additionally, funds may be allocated to support the infrastructure and initial investments required for winning large contracts.

• The company's growth drivers include offering value-added services, pursuing organic growth through aggressive bidding for tenders, and considering acquisitions strategically to expand market share and enter new territories.

• Most major contracts have been renewed for the next 3-5 years, although renewal ultimately depends on competitive tender processes and convincing client governments of the company's value proposition.

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BMW Industries Ltd

CMP: INR 55 | Market Cap: INR 13,174 Mn| View: Positive

Key highlights

- The company is in the business of contract manufacturing and downstream value addition for the steel industry, and has long-standing relationships with Tata Steel SAIL, providing end-to-end solutions.
- The company manufactures products like TMT rebars, HRPO coils, flat products, MS ERW pipes, GC roofing sheets, and GP coils and processes over 1 million tons of steel annually.
- The company has maintained a stable EBITDA margin of around 23-24% for the last 4 years.
- Company’s future growth plans include expanding the tube vertical, higher TMT capacity utilization, and negotiating a new 5-year CRM complex contract with Tata Steel.
- The company is planning a capex of around INR 1,000 Mn for FY25, primarily for expanding their pipes and tubes capacity.
- They aim to reduce their cash conversion cycle, targeting to bring it below 100 days from the current 185 days.
- A decline in EBITDA from the peak in FY18 is because of moving away from trading activities.
- The company does not see any one-off because of volatility in steel prices in this quarter as the company has more long-term contracts in place.
- The company's retail brand "Bansal" currently contributes less than 5% of revenues, and the company sees limitations in expanding this brand further unless they start making their own steel.
- The Company’s growth prospects appear strong because of the initiatives taken by major steel companies such as Tata Steel, JSW, JSPL, ArcelorMittal and others in Odisha.
- **Outlook:** The company considers its current EBITDA margins to be sustainable, and as green field projects are implemented, the company expects margins to grow by 15-20% on a CAGR basis. Going forward, the company expects a 10% increase in top line revenue and a 20-25% increase in EBITDA and PAT. The majority of the company's investment over the next 12 to 18 months will come from internal accruals and debt.

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Capital Small Finance Bank Ltd
CMP: INR 349 | Market Cap: INR 15,878 Mn| View: Positive

Opinion:
• Capital Small Finance Bank is also one of the several in the Small Finance Banking space benefitting from the rise of MSME and entrepreneurial self-employed businesses.

Guidance:
•The Management says they are following a continuous branch expansion policy, and that they intend to have their customers trust by being everywhere their customers go.
•The Bank will have a leverage of 4.0-4.2x in the future.

Key Highlights:
•Capital Small Finance Bank has 177 branches spread across 5 states in Northern India along with the Union Territory of Chandigarh.
•The Average Ticket sizes of loans of Capital SFB is INR 1.4 mn. The Bank has maintained a granular CASA book with CASA ratio between 38-40% over the years. This is reflected on account of the bank's Savings Account Interest Rates of 3.5%.
•The Management says they look out to serve customers with income levels between INR 4 lakhs and INR 40 lakhs, i.e. the middle income group.
•The Agri loans of the bank are for farmers between INR 5 lakh to 25 lakh income with an average ticket size of INR 1.24 million.
•MSME & Trading loans segment is for customers with income between INR 1 mn to 20 mn with mandated Promoter contribution of 25%. Capital SFB mandates their customers to put collateral as Residential House or Office Premises to typically 67-75% of LTV.
•The Bank does not offers Loan against Properties in excess of INR 2.5 mn to INR 5 mn in Urban and Metropolitan cities
•The matured branches of 5+ Years have a average business of INR 980 mn.
•The Bank is following a branch expansion policy, and implements another policy known as Local Hiring, which helps them grow faster in that geography for the branch.
•The Credit Underwriting is done in a centralized manner by different groups of teams.
•The 9MFY24 Credit to Deposit Ratio is at 79.2%. Acknowledging that most other small finance banks are at more than 90% C/D ratio, the Management maintained growth stance of the bank.
•The Average business per branch is INR 760 mn while the average business per employee is at INR 72 mn.

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Cartrade Tech Ltd
CMP: INR 638 |Market Cap: INR 32,306 Mn|View: Positive

Key Highlights

•The company acquired OLX business (Auto and non-auto) for INR 5230 Mn netting INR 4230 Mn after accounting for OLX's INR 1000 Mn cash; OLX auto segment ceased incurring losses in Q3 FY24, leading to increased operating expenses for Q4FY24 and Q1FY25.

•With 70 mn monthly unique visitors, 90% of the traffic is organic, resulting in no acquisition costs.

•The company maintains an asset-light approach across its three businesses, minimizing risks associated with inventory, loans, and operational complexities. Each business segment, led by independent CEOs, contributes approximately one-third to the overall model, emphasizing independence and profitability.

•Despite low NPAs and reduced repossession rates in a thriving economy, the company does not solely rely on this cycle for growth.

•Efforts to diversify into the retail segment mitigate risks associated with historically repo-heavy operations, compensating for potential downturns.

•Unique market conditions, including reduced lending during the COVID period and chip shortages affecting car prices, have impacted the business, yet it remains profitable.

•CarTrade Tech, boasting INR 7000 Mn in cash reserves, is primed for future M&A activities or buyback endeavors, offering financial flexibility for strategic moves or shareholder value enhancement.

•In Q4 and Q1, expect a minor decline due to annual employee increments and shared overhead costs rising post the shutdown of a business segment.

•Employee: The company's ESOP policy entails issuing options at market price, ensuring fairness and standardization across schemes.

Outlook: As a market leader, the company capitalizes on digitalization trends for growth, and anticipates double-digit growth and operating leverage, driving margin expansion without specific guidance.

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Chemplast Samnar Ltd

CMP: INR 450 | Market Cap: INR 72,564 Mn | TP: INR 718|Rating: Buy

Outlook: Chemplast Sanmar has undergone capex in 2 of its higher margin divisions: Specialty Paste PVC Resin and Custom Manufacturing divisions. The revenue from these are expected to come at full capacity over FY26 and FY27. Hence, we maintain our coverage with a 'BUY' rating at a Target Price of INR 718 per share based on valuing on SOTP basis, giving an upside of 65% from CMP.

Guidance:

•The Management expects 1.1x Asset Turnover for the incremental capacity of 41,000 MTPA of Specialty Paste PVC Resin for FY25, and 1.3-1.4x asset turnover ratio for FY26. The Incremental capacity is expected to attain current utilization levels by the month of July.

•The Company is expecting 22-25% EBITDA Margins for the Specialty Paste PVC Resin business going ahead.

•The Company is expecting the Custom Manufacturing segment to achieve Revenues of INR 10,000 mn in the next 3-4 years with the total capacity increasing to 4,500 MTPA. They have INR 8,000 mn of revenue over next 3-4 years. For the first 2 LoIs signed, while the 3rd LoI is affirmed but revenue pipeline from it is not disclosed yet.

Key highlights:

•The Company has recently started the commercial production of Specialty Paste PVC Resin from the end of Feb 2024. The Current Capacity of 66,000 MTPA will increase by 41,000 MTPA taking total capacity to 107,000 MTPA.

•Regarding the Capacity utilization, Specialty Paste PVC Resin is operating at 100% utilization, and the Company expects incremental capacity to achieve current utilization levels from Aug 2024.

•The Custom Manufacturing division has a capacity of 1,068 MTPA, which is increased to 4,500 MTPA in 2 phases. The 1st phase is completed as of Sept 2023, and the 2nd phase is to be completed by the end of March 2024.

•For the Custom Manufacturing, the Company has 3 LoIs signed, with same client of the company witnessing some Concentration risk.

•From the 2 LoIs, the Company is expecting INR 8,000-9,000 mn revenue cumulatively over the next 4 years, peaking at around INR 2,500 mn revenue per year.

•The third LoI is signed but the Company is working on the numbers/financials it will generate with the client.

•Chemplast Sanmar is only looking out for Innovators for the Custom Manufacturing division, and no generics clients for this division's business.

•The Current VCM PVC spread stands at USD 800 for Suspension PVC Spread, USD 670-675 for VCM spread and USD 1,000-2,000 for PVC spread.

•The sustainable VCM PVC spread as per the Management is USD 200-250.

•The Management attributes imports/dumping from Chinese suppliers at unsustainably lower prices, with imports rising from 33,000 MT in 2019 to 2,26,000 MT in FY23.

•PVC dumping by Chinese suppliers had caused the prices of PVC and derived products fell continuously for 8-9 months before stabilizing in the last 3-4 months.

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CIE Automotive India Ltd.

CMP: INR 462 | Mcap: INR 1,79,059 Mn|TP: INR 537|Rating: Hold

Key Highlights:

•In India, businesses aim to grow 5% to 10% above market growth, which is determined by constituent segments including passenger vehicles, two-wheelers, tractors, and M&HCV, with respective dependencies of 52%, 21%, 20%, and 8-9%.

•During Q3, CY23 CIE grown 5% in Indian and 8% in Europe respectively.

•Company's growth in the last quarter was impacted by stagnant performance from three key customers, except for Mahindra's auto sector, affecting overall aspirations.

•Unmet expectations from anticipated order ramp-ups also contributed to the growth shortfall.

•Despite setbacks, the company remains optimistic about future growth prospects, emphasizing a positive outlook for forthcoming quarters.

•The company's strategy focuses on diversification across geography, technology, and customer base, with a portfolio of 50 customers, including 20 contributing significantly, enabling risk management and sustained growth.

•In terms of diversification, company is looking at segments, technologies, customers, geographies, company is not looking at industries.

•Mahindra Auto, Mahindra Tractors, Bajaj, and Maruti, both direct and indirect, constitute ~50% to 55% of the company's India business, totaling INR 55000 Mn.

•The delay in order ramp-up affects the company's growth trajectory, but it targets 1012 customers including Ashok Leyland, Tata Motors, John Deere, Hyundai, Kia, Royal Enfield, and export customers like Turk Tractors and Stellantis for long-term growth, aiming for an additional 5% to 10%.

•Managing both growth and cyclicality risks is crucial in the industry, with a focus on handling margins akin to portfolio management, as growth, investments, and margins are interconnected in the business strategy.

•Maintaining an EBITDA of at least 15% is considered, with variations possible based on technology. However, the ROI requirement of 20% remains consistent across all operations.

•In both India and Europe, the demand for crankshafts remains strong, with India's market of 3.8 to 4 mn vehicles and Europe's market of 17 mn vehicles, where 85% currently require crankshafts and a projected 50% will still require them by 2030, totalling 8-9 mn.

•Despite potential shifts in technology, such as the rise of alternative fuels, the company's current production capacity of 2.5 to 3 mn crankshafts positions it well to capitalize on this demand, indicating promising business prospects in both regions for the next decade.

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Cineline India Ltd

CMP: INR 122 | Market Cap: INR 4,342 Mn| Rating: Not Rated

Key highlights:

- The company started with multiplexes in the Western India while competitors like PVR were present in Northern India.
- The company exited the Cinema business in 2012 with 130+ screens and returned back to the business in March 2022 seeing the growth opportunities.
- They anticipate to achieve INR 2,000mn revenue in FY24 with combined EBITDA of more than INR 500mn.
- There has been in the F&B segment while occupancy has not seen growth. Current occupancy is 22% below pre covid levels.
- The company does not see OTT as a bigger threat as they feel OTT is in competition with social media like Youtube, Tiktok.
- The management is positive that OTT will not affect the movie industry to a large extent as the cinemas provide a viewing experience has its own audience. Interest is also coming back from big studios in making content for cinemas.
- The company currently has 160 screens in total. Out of those 160 screens, 68 are operational. Of the 68 operational screens, 20 are owned by the company, while the remaining screens are leased. Most of the leased screens operate on a revenue-sharing basis, where the company shares a portion of the revenue generated from those screens with the lessor. Some of the leased screens have a fixed rental fee.
- The company aims to have 100 operational screens by the end of FY25. Additionally, they plan to secure a total of 300 screens by the FY26, with more than 125 of those screens being operational.
- Current ATP is at INR 220 while F&B revenue is INR 85/person and is expected to see significant growth.
- The company follows a bottom up approach in property selection. They also look for refurbishment opportunities of screens in small cities as they require less capex. They also get some new screens partly financed by developers.
- The capex for screen additions has already begun in August but due to delay the major screen additions have been pushed to FY25.
- Payback period for a screen is about 5 years and capex per screen is about INR 25 to 30mn.
- EBITDA/screen is about INR 4-5mn with tickets business having 56% margins while F&B has 76% margins.

Hotel business:

- The company has plans to sell the hotel and divest from the Hotel business. They currently also own 8 other properties which they will look to liquidate and eventually use the incoming capital in the expansion of Cinema business.
- The rationale behind the divestment is the hotel business has saturated and the management does not see very high growth in the business going forward.
- The company expects to close the Hotel deal within the next two quarters. The deal amount was not disclosed but it is around INR 3000mn.

Future outlook:

- The management believes this is a good opportunity and time to expand their cinema business by increasing screens pan India.
- With no major releases planned in the next year, the company expects FY24-25 to be flat in terms of revenue and EBITDA but there are possibilities of 5-10% degrowth of the business next year.
- While FY25-26 is expected to be a blockbuster for the entertainment industry and the company anticipates robust growth. Occupancy is also expected to see exceptional growth from CY2025.
- The company mainly focuses on ROCE expansion and providing affordable pricing.
- The company targets to add 30-36 screens every year which will require about INR 600-900mn yearly capex.

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City Union Bank Ltd. Management Meet KTAs
CMP: INR 135 | Market Cap: INR 1,03,398 Mn | TP: INR 172|Rating: Buy

Opinion: We maintain our long term positive outlook on the company. We maintain our BUY rating on the stock with a target price of INR 172, valuing the bank at P/adj. BV of 1.2x FY26E ABV.

Guidance:
•The Management maintains NIM guidance of 3.6-3.7%.
•The Bank is expecting to end the year with advances close to INR 460 bn, and aims to achieve 16-17% loan book growth next year FY25.
•The Management is expecting the recoveries to go past the fresh slippages for the Q4FY24, that is negative slippages for Q4FY24.
•The Management expects to increase the Credit/Deposit ratio at around 86% from the current levels of 82-83%.

Key Highlights:
•City Union Bank posted a business of INR 970 bn as of Dec 2023, with a Deposits book of INR 530 bn and Advances of INR 440 bn.
•The Bank has implemented the BCG (Boston Consulting Group) plan for extending loan product offering to less than INR 50 mn of loan ticket sizes. The Bank had got the coding for the software from Newgen Technologies, and are from 2nd week of February is doing digital processing of all MSME loan papers digitally. This has comforted the RMs who can now focus more towards generating more business than doing the Paperwork.
•The Management says they are not seeing any pressure on margins except for the fact that they have not changed interest rates for the last 6-7 months, and hence, have 20-30 bn of excess funds with them.
•For the Gold Loan Portfolio, the Bank maintains a LTV of 67%, and has mechanisms which cause a trigger whenever the LTV crosses 73% for any borrower. Hence, the borrower is then asked to make repayments in order to maintain LTV below 72-71%, and at 75% of LTV, the account is marked NPA. The management intends to keep the mix of Gold Loans to the Overall Portfolio at a maximum of 23-24% of the total AUM.
•The Average Ticket Size in MSME lending has increased to INR 4.5 mn compared to INR 3.5 mn a couple of years back.
•On the MSME clients side, the Management acknowledged that the MSME players are utilizing 72-73% of their limits, compared to Pre-Covid era when they used to utilize 80-82% of their overall limits. The Management attributes MSME players awaiting for the right time for Capex, and that is not happening currently in the Macro market.
•The Portfolio mix has EBLR linked loans at 58%, 30% is MCLR and remaining 5-7% is fixed rate loans and 5% as NPAs.
•The Bank is finalizing the KCC product, and may start that from the month of April or May 2024.
•Regarding the succession planning, the Management informed that the new MD will have to be joining from 1st May 2026.

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Confidence Petroleum India Ltd
CMP: INR 84 | Market Cap: INR 25,895 Mn |Rating: Not Rated

Key Highlights

- The company has key 4 divisions which comprises of auto LPG & CNG segments. It is confident of delivering healthy growth in both auto LPG & CNG segment.
- In the LPG division, the company aims to increase its market share in packed LPG from the current 12,000 metric tons per month to 25,000 metric tons per month. It also plans to add 250 more auto LPG stations to the existing 254 stations.
- The company is venturing into the composite cylinder manufacturing segment, primarily focusing on Type 4 cylinders for CNG and hydrogen applications. A new plant is coming up in Nagpur for the same.
- Confidence Petroleum has plans to expand its CNG retailing business beyond the initial agreement with GAIL, targeting to set up around 200 CNG stations in the next 3-4 years.
- Out of INR 2,500 Mn which the company raised, INR 750 Mn will be invested in Auto LPG, INR 750 Mn in Packed LPG and another INR 750 Mn in CNG retailing.
- The funds raised will be used for working capital requirement and capex.
- The company is facing challenges due to recent LPG price cuts/discounts announced by the government, which has impacted volumes and margins, especially in the packed LPG segment.
- The company caters to renowned clients like IOCL, HPCL, BPCL etc. for their cylinder requirements. Other clients include Tata, Kirloskar, Bajaj, Volvo, Haldirams etc.
- The company has Go Gas as brand for retail commercial gas segment and has appointed Ajay Devgan as brand ambassador.
- The company has recently entered into a joint venture with BW VLGC Pte, a Norwegian company, for setting up LPG terminals in India, with the first one planned at JNPT (Jawaharlal Nehru Port Trust) in a JV with Ganesh Benzoplast.
- The promoters have not sold any stake. The recent 8.5% preferential allotment was made to BW VLGC Pte. as a strategic partner.
- The company currently has around 65 LPG bottling plants, used for in-house bottling as well as storage for auto LPG stations. It plans to increase this to 100 bottling plants.
- The company currently uses around 80% of its bottling plant capacity for in-house purposes, while 20% is used for job-work for PSU.
- For the CNG stations, the company will get a fixed margin of INR 11.25 per kg from GAIL Gas, with major expenses being lease rent and transportation costs.

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Creative Newtech Ltd | Management Meet KTAs
CMP INR 713 | Market Cap INR 10,432 Mn| View: Positive

Guidance

• Over the next two years, the company anticipates revenue growth to reach between Rs. 22000 to 24000 mn, with brand licensing contributing around 30% to total revenue.
• Company aims to achieve 34% to 40% absolute profit growth annually and improving working capital efficiency by 10% to 15% each year, targeting an inventory turnover of eight cycles and the focus is on becoming cash flow positive in the coming years.

Key Highlights

• The company aims to become a diversified conglomerate with a balanced portfolio of brand licensing agreements and distribution business, targeting a 50-50 split.
• The company has faced negative operating cash flow for some time, partly due to timing issues with debtor realizations.
• Efforts are underway to minimize inventory risk and reduce debtor balances to enhance operational efficiencies and ensure a positive cash flow position in the future.
• Risks associated with the expansion plan include the need for skilled manpower, potential product recalls, and navigating diverse market segments within brand licensing agreements. These challenges may impact the timeline for achieving revenue targets.
• The company plans to target three to four licensing brands or their own brands within the next six to seven years, aiming to limit the number of niche brands to between five and seven.
• Company sold off the C-kart business for around INR 100mn in February, as it was a cash-intensive business model not aligned with the shareholders' preferences for profitability metrics.
• The company targets revenue growth primarily through the Honeywell licensing business, expecting gross margins of 40% to 45%.
• They plan to limit new brand acquisitions for distribution and are considering venturing into personal healthcare or IoT-related brand licensing in future with ASP upward of 5000INR.
• The company is capitalizing on government initiatives like Make in India by partnering with brands like HCL for PC assembly line distribution, targeting government agencies and enterprises through the e-marketplace.
• Cyberpower was chosen for its expertise and involvement in the gaming PC business. And has a gross margin of 20-25%.
• The company plans to expand operations to all 38 countries for Honeywell within the next two years, focusing on countries with higher population and per capita income.
• Royalty payments to brands vary, with a minimum guarantee or a percentage of sales, whichever is higher. For Honeywell, it's a minimum guarantee or 3% of sales, whichever is higher.

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D B Corp Ltd – Bharat Connect Conference KTAs
CMP: INR 263 | Market Cap: INR 47,729 Mn | View: Neutral

Key Highlights:

- The D B Corp LTD. is in the business of print media, radio broadcasting, mobile interactive services, etc., and currently, it is present in 12 states with 30 radio stations.
- The company's Print business top line has been growing in double digits for the last two years.
- The company's newsprint segment accounts for nearly 45% of operating costs and this cost has come down from its high level of almost $950 to around $500.
- The company's 30% of the newsprint is imported and 70% of the newsprint is for domestic consumption. Newsprint contracts are typically for 3 to 6 month durations with more frequent renewals for domestic suppliers.
- The company's 90% revenue and 95% of the bottom line of the entire group are coming from the print business. In the print business segment, 70% of revenue comes from advertising which covers both hyperlocal and national corporates.
- Major advertising categories contributing to the company's business are education, real estate, automobiles, health, jewellery, FMCG, BFSI, and consumer durables.
- The company has seen good traction on digital app with 14-15 Mn monthly active users and has started earning subscription revenue of around INR 25 Mn per month from its e-paper and metered paywall on the app.
- Around 25-30% of the app's traffic comes from international markets like the US, Canada, Australia, and the Middle East, indicating a demand from the NRI population.
- The company aims to boost digital subscription revenues further by providing a clean, ad-free content experience on their apps.
- The management is looking for opportunities for further circulation and market share gains in markets like Gujarat, Rajasthan, and Bihar.
- The company believes that as GDP growth exceeds 7.5%, media ads-spend will to grow at a faster rate, around 1.3-1.4 times GDP growth rate.

Outlook: The company expressed optimism about India's strong economic growth prospects over the next five years. The reduction in newsprint costs is expected to help margin expansion in the near term. The company is more focused on building dominance from its current market leadership by increasing circulation superiority over competitors.

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DC Infotech and Communication Ltd

CMP: INR 185 | Mcap: INR 2,425 Mn|View: Neutral

Key Highlights:

- They have exclusive sales contracts for Netgear across north and east India
- They are Samsung premium partners and are exclusive to the LED business in the north, west, and south of India. For Samsung they make 2 product lines, a large format display, and active LEDexclusive across these geographies
- The revenue mix is 50% networking and 25-25 UC patches and security patches. Going forward, the last 2 are focus areas with security patches being the most preferred one, tending to 30% over 2-3 years. Security patches will be growing fastest over the next 3-4 years.
- Virtual networks are a large domain with higher values and volumes.
- Networking is more of a distribution business with a 5-6% gross margin.
- Security has 2-digit GMs
- They have no direct peers in the market
- Dilution was done in January with a preferential allotment of 10 lakh shares for WC needs amounting to INR 54mn.
- Distribution network: they have 15-1600 dealers across India registered, and Service 1000 daily. Further penetration in the south and east needs to be done.
- There is no plan to add further debt
- The top 10 clients are different in each domain, with distribution comprising Crompton and Godrej, pharmalupin and Cipla, banking IDBI, Kotak, YES, and Edelweiss, and mediaViacom and Sony.
- They are not a manufacturer, but source products from brands and are more into solutions for hardware and software support
- Wc inventory is 45-60 days, with imported products having a higher cycle of 90 days
- Receivable and payment cycles range from 60-90 days
- GM is overall 8%, with distribution and networking at 5-6%, communication at 8-9%, and security patch at 2 digits

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Dev Information Technology Ltd

CMP INR 101|Market Cap INR 2,347 Mn|View: Positive

Key Highlights:

•Revenue, INR 1310 Mn in FY23, served 30+ industry verticals with 1000+ employees. Development centers in Jaipur, Chandigarh, and Canada; serving 300+ clients worldwide.

•Low Attrition: Emphasis on employee and customer retention through collaboration and respect.

•Operations expanded to Canada with acquisitions and establishment of support centers.

•Five units focus on cloud services, digital transformation, managed IT solutions, enterprise solutions, and application development.

•Strategic Partnerships with Microsoft, AWS, and other industry leaders for service excellence.

•Dev'x Ventures: Dev IT manages a co-working space and startup accelerator, aiming to nurture innovative startups, increase revenue, export business, and profitability by 2026, with IPO plans. Dev'x valuation is INR 2200 Mn, with Dev IT holding a controlling stake of 33-34%, possibly leading to an IPO next year.

•Lilycoy's gradual acquisition strategy aims to establish an IoT ecosystem in North America, leveraging Devit's IT solutions delivery, with ongoing outsourcing and expansion into IoT and blockchain facilitated by acquisitions like Mindeft, enhancing its capabilities and revenue potential.

•Client relations are managed by top management, with specific attention to government business handled by co-founder Pranav and overseas relations by key personnel.

•Competitors include various firms in e-governance and IT services, with a notable presence in government projects in Gujarat and Rajasthan.

•Annuity-based business models, such as selling Microsoft licenses to government organizations, contribute to steady revenue streams.

•Dev IT aims to increase its market share as a leading enterprise solution partner in both government and domestic sectors, particularly in regions like Gujarat and Rajasthan.

Outlook: Dev IT aims for strong revenue growth and margin improvement through service diversification, market expansion, and profitability optimization, with a focus on increasing export and newer technology services, targeting a global revenue share of 40-50% by FY26 and expanding presence in North America.

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Dharmaj Crop Guard Ltd

CMP INR 224 | Market Cap INR 7,892 Mn| View: Positive

Key highlights:

•Company's revenue has been growing at 40% CAGR and PAT at 60% CAGR and expect to maintain same growth going forward.

•9MFY24 have been good for the business despite industry headwinds. The management believes the reason behind this is excellent inventory management. They are proactive in demand generation and marketing products.

•Recently commissioned a MPP in Sayakha for technicals where they are producing synthetic pyrethroid and some other molecules. This plant is set for backward integration and will cater to direct technicals export sales. Capex of INR 2500mn has been incurred till now.

•Capacity of Sayakha plant will be 8000 Tonnes out of which 25% will be used for captive consumption. The company expects to reach breakeven next year and expect INR 1500mn revenue from here. Overall expected revenue from this plant is about INR 6500-7000mn. They already have soft commitments from buyers.

•20-25% growth is expected in formulations business.

•Company follows cluster approach in setting up business and takes about 2 years for proper establishment.

•They do not have much presence in South thus they have started with groundwork for establishing business in the region.

•They have about 600 customers in B2B formulations business and mainly focus on small players.

•Capacity utilisation for formulations is about 50-60%.

•B2B does not affect B2C business as there is no objection from clients the company caters to.

•The business does not have any dependency or threat from Chinese players.

•Plan to increase export revenue with Sayakha plant with EU, Brazil, USA and Australia as target markets.

•The industry has been stable for the last 3 months. The management believes the industry is going to into backward integration to reduce costs.

•Once the Sayakha plant becomes fully operational, the business is expected to see gradual improvement in margins.

•Target to achieve INR 9000mn to 10000mn revenue in FY25.

•Current debt is about INR 870mn; will be utilised in Sayakha. Plan to be debt free in the next 2 years.

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Digikore Studios Ltd

CMP: INR 537 | Mcap: INR 3,370 Mn | View: Neutral

Outlook: Sunrise industry in India, lots of opportunities locally available. However, with so much competition, we will have to wait for both the Content Team's contribution to revenue as well as the appreciation of Intangible Property's Asset Value which can yield them good margin returns over the years is what is required for the company at this stage.

Guidance:
•The Management expects to achieve revenue of INR 520-540 mn for FY24, and INR 1,000mn for FY25.
KTAs:
•Digikore Studios has successfully delivered over 200 movies and serials over the last 7 years.
•The management is expecting plethora of new Projects from the month of July onwards on Jio Cinema Platform and newly acquired Hotstar (Walt Disney's India business). For this reason, they are coming out with several Productions for the Jio Cinema platform.
•The Company has signed contracts with big clients with their recently started Content Team of Digikore.
•Hence, the company doesn't do any filming until they have a sponsor for any Project.
•Regarding their Business with Jio Cinema: The Company receives ownership rights for the first 3 months for any new Project for an agreed upon price/rate. Then after 3 months, they can earn as much from all different kinds of online and digital content.
•On the OTT Platforms, for 1 episode, the company gets INR 2.0 mn each from 3 different brands, i.e., INR 6 mn, of which the company receives INR 5.2-5.3 mn.
•The Company owns all rights from all Content productions.
•Till now, the Company has spent INR 90-100 mn towards Content Team development, and it will be launched in April 2024.
•The Global VFX Industry's Total Addressable Markets is USD 9.5 bn, of which India is somewhere in the lower single digits by market share. The basic reason for this is the smaller budget in Indian media Projects. For example: Average Budget of Indian Serials is INR 3-4 mn while average budget of American serial is USD 4 mn.
•The Company has also developed Virtual Production sets with LED screens for backgrounds for Virtual Productions.
•The Management says that the recent protests by screenwriters in Hollywood has led to some delay in Projects, and that there is massive number of Projects in the Pipeline for the company coming from the months of July & August this year.

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Dodla Dairy Ltd
CMP: 803 | Market Cap: INR 49,400 Mn| TP: INR 1398| Rating: Buy

Key highlights

- Dodla Dairy is moving towards having more direct procurement from farmers by eliminating middlemen, which helps reduce costs and improve transparency.
- The company is transitioning from being a net buyer of commodities to a net seller, aiming to balance its milk requirements through fresh milk procurement and sell any surplus as consumer ghee or powder.
- The company is focusing on building its brand and marketing efforts, spending more on advertising and revamping its systems to strengthen its front-end operations.
- The company is pursuing growth strategy through acquisitions and greenfield expansions, such as setting up a new 5 lakh litre per day plant in Maharashtra with a capex of around INR 2,000 Mn over 2-2.5 years.
- The company aims to increase its value-added product portfolio, with plans to grow segments like ice cream, ghee, and paneer, though liquid milk will remain the largest contributor.
- The company is investing in automation and technology across its procurement, processing, and distribution operations to improve quality, efficiency, and profitability.
- The company expects revenue growth of around 15% and high single-digit to double-digit margins over the next few years, with a focus on balancing profitability and volume growth.
- Dodla Dairy aims to increase its inventory holding from the earlier 15-20 days to 20-25 days on average to support its brand building and sales growth plans.
- The company expects value-added products mix to improve by around 1-2% per year over the next 3-5 years.
- For 2-3 years, the company's focus in Africa will be on ramping up capacity and doubling volumes between Uganda and Kenya operations before taking further expansion decisions.

Outlook: Dodla Dairy is transforming into a brand-focused dairy player, expanding its front-end marketing capabilities while leveraging its procurement network across multiple states. Going forward, the company expects 15% revenue growth and margins in the high single-digit to double-digit range and expects an inventory holding of around INR 3,000-3,500 Mn worth of milk products.

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Dollar Industries Ltd

CMP: INR 515 | Market Cap: INR 29,158 Mn| TP: INR 700| Rating: Buy

Key Highlights:

- The industry scenario is improving and moving toward normalcy
- Volume growth targets 7-8% and 6-7% value growth. Target margins are 11-12% and 12-13% in FY25 and GY26. with 10-10.5% for FY24. Long-term PAT is target at 7%.
- Price hikes in yarn of about 15-20 rupees were passed on. Planned a price hike of 5-6% this year.
- Total exports are 6% of sales, and they have appointed new agents in the Gulf and Myanmar.
- When cotton prices increase, distributors purchase more, and thus subsequent increases can be passed on to maintain margins, currently 60-70% of inventory is at lower prices. Cotton prices have bottomed out now.
- Force nxt grew 30% YoY, and dollar rainwear is targeted to become an INR 1000mncategory in 3 years.
- Currently, there is only WC debt and the company wants to become debt-free by FY272600mn
- Industry inventory level is 90-95 days which is their target by FY27. They plan to reduce theirs through further optimization.
- Receivable days are 106 which are targeted to 60-62.
- Capex of the spinning project (which will be completed by April 24) was INR 700mnthis year and will be the same next year post which it will stop.
- Q4 will see better winterwear sales.
- Cotton is currently at INR 62k per candy.
- Currently, there are 18 EBOs targeted to 125 by FY26. The presence is currently in tier 2/ 3 cities, post which it will move to tiers 1 and 2.
- Project Lakshya's expansion in MP and Jharkhand is underway.

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Eco Recycling Ltd.
CMP: INR 513| Mcap: INR 10,880 Mn| View: Neutral

Key Highlights:

•Company's current capacity for the first plant is 7200 metric tons. However, a new facility has been installed and will be operational from April 17th of the coming month, having capacity of 18,000 metric tons.
•So overall, the company's recycling capacity will increase to 25,200 metric tons.
•Company have established a small unit for lithium-ion batteries with a total capacity of 6000 metric tons.
•Whatever items company receive under e-waste, many of them consist of the batteries.
•Company process it in house and convert into black mass and give it to the final refineries so that the battery transportation and all of that can be avoided and can realize a better value out of this.
•Company's primary focus lies within the IT and telecommunication division, prioritizing value over volume where company offer three key services data destruction, refurbishment, and recycling.
•As a completely debt-free company, it is not focused on building the top line solely for the sake of working capital. Company's focus is on ensuring higher income leads.
•The company anticipates a top-line growth of 25% CAGR on a quarter-to-quarter basis.
•The company is expanding its capacity as it foresees a pressure from the government on the producer and expects demand to increase rapidly.
•Company expects full 25,200 metric tons to be fully utilized by FY26. If things go well, company plans to establish another facility with a capacity of 25,000 metric tons.

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Equitas Small Finance Bank Ltd

CMP: INR 93| Market Cap: INR 1,06,112 Mn | TP: INR 125 |Rating: Accumulate

Opinion: The banks is maintaining robust AUM growth with marginal impact on NIMs compared to other Peers despite rising Cost of Funds. We maintain our rating of Accumulate on the stock with a target price of INR 125, based on 1.7x P/ABV to its FY26E.

Guidance

•The Management expects the NIMs to normalize at 8.25% given no change in Repo Rates by RBI.

•Management maintains growth guidance of 25% for Asset Portfolio growth.

•For the different segments, the Management gave the following growth guidance: Micro Finance Portfolio to grow lower than bank average AUM growth, i.e., below 18-19% growth. Affordable Housing to maintain rapid growth at 25% YoY growth. Small Finance Bank lending to grow at bank average growth rate, and finally Vehicle Finance business to grow faster than the overall bank’s AUM average growth, i.e. higher than 20%.

KTAs

•The Bank is not expanding their branch presence anymore and leveraging their existing branch presence for business growth.

•Between 82-83% of the bank’s Portfolio is fixed rate loans. So, despite rising interest rate scenario, they have designed their products well to maintain yields.

•The Management says that the normalized Credit Cost levels in the Microfinance industry has gone up from 1% earlier to 2-2.5% levels now accepted average Credit Cost in the Microfinance industry.

•The Microfinance industry has become large itself over the years with INR 3.5 lakh Cr of Credit currently, with still incremental demand at slightly increased Credit Costs.

•The Bank has intentionally kept savings account interest rates lower bringing down CASA from 50% levels to 35% levels.

•Management is taking bulk deposits, FDs & TDs between 2-3 years as they provide stability to their liability life and maintaining current levels.

•The Bank intends to maintain their loans to NBFCs ar 3-4% of their AUM as the bank has long term relations with several clients.

•The Management is committed to achieve better & stable RoAs and RoEs for the bank.

•Overall yield for the bank has gone up by 60 bps while the increwmental yield has gone up by 120 bps for the bank.

•The Management expects a interest rate cut by RBI only as later as H2FY25.

•The Management intends to bring down the Loan / Deposit ratio below 85% in the future.

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ESAF SFB Ltd

CMP: INR 54 | Mcap: INR 29,497 Mn |View: Positive

Outlook: The MicroFinance Industry has been seeing continuous growth over the last 2 years at growth rates above 30% YoY for the Microfinance credit. However, witnessing the stress emerged in the parts of Kerala, Tamil Nadu and Madhya Pradesh, we remain cautious in the MFI players operating in the highly concentrated and penetrated Southern Indian states.

Guidance:

•The Management expects to bring down the credit costs to come down to 1.5% levels in the future just like the Pre Covid times.

•The Management intends to achieve RoA levels of 2% for FY25.

KTAs:

•The Small Finance Bank is present in 23 states across India, and almost 40% of branch outlets in Kerala. They have 731 banking outlets with more than 600 ATMs network.

•The Micro Finance book is 72% as of Dec 2023, which the Management intends to bring down to 60% over the next couple of years.

•The Management acknowledges that they are seeing some challenges in Central Kerala and Tamil Nadu, and parts of Madhya Pradesh, which has caused the NPA levels to rise for the bank.

•The Management denies any Seasonality factor for the H2 NPAs and growth seen faster in the Small Finance Bank, expressing relief that the bank is gradually lowering its NPA levels in the Q3 and Q4 quarters.

•The Bank's branches are spread 59% in Semi-urban, 19% Urban, 11% rural and 11% Metropolitan regions. The Management confirmed their efforts to reduce their concentration in Kerala, and reduce it further over the next several years.

•The Management attributes the removal of cap on Interest Rates in the states of Kerala and Tamil Nadu making them look very attractive to lenders. This has led to far more number of lenders offering loans in these states, and led to increased lending among masses.

•The Bank is not increasing their interest rates despite the increase in their Cost of Borrowings.

•The Bank is focusing now to expand their presence in the states of Gujarat and Rajasthan.

•The bank has already spent significant amount on hiring manpower for aggressive expansion in the Affordable housing segment next year.

•The Management says that in the Microfinance business, they adhere to the Joing Liability Group Model. The practice includes people/families in the same groups are offered loans as per their credit history as well as income abilities, and with no difference to borrowers who are classified outside the Microfinance eligible conditions.

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Foods & Inns Ltd
CMP: INR 130 | Market Cap: INR 7,964 Mn|View: Positive

Key Highlights

- Major clients are multinational companies like Coca-Cola, PepsiCo, Nestle, Dabur, and Unilever, with 75-80% of sales coming from exports.
- Foods and Inns Ltd. is a recipient of the government's Production-Linked Incentive (PLI) scheme and has committed a capex of INR 1,470 Mn over the next six years.
- A joint venture has been established to produce pectin from fruit waste, with a particular emphasis on expanding into the frozen foods and ready-to-eat/cook segments.The company has diversified into frozen foods (samosas, parathas, vegan products like zucchini noodles), spice brand (Kusum), and packaging solutions (Tetra ReCart ready-to-eat, semi-cooked vegetables, curries, soups).
- Revenue target is to reach around INR 18,000 Mn in the next few years. For FY25, the order book is yet to be built, which happens in the May-June period.
- The company is aiming for 20% ROCE over the next couple of years.
- The Mango pulp business targeted to grow at least 15% in volume terms YoY.
- In pectin business, the company is expecting around INR 100-150 Mn revenue in the first full year of operations FY25.
- The company plans to take the Kusum spice brand to INR 1,000 Mn revenue in the next 3-4 years from current levels of around INR 200 -220 Mn.
- The management expects the tomato pulping business to grow, driven by import substitution and domestic demand from major brands entering the beverage market.

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Gateway Distriparks
CMP: INR 100 | Market Cap: INR 49,970 Mn| View: Positve

Key Highlights:

- The last 3-4 months have been challenging for international logistics and international shipping on account of the Red Sea crisis. The business was impacted to some extentinbound and outbound business from the Red Sea area, Mediterranean Europe, and North America. That is impacting business in the immediate term.
- Due to the Red Sea crisis, there is some drop in imports at Mundra, which has impacted volumes of some terminals which are dependent largely on waste, paper, and scrap. The flagship terminal at Garhi Harsaru is still clocking double-digit growth because it is not largely dependent on these commodities.
- There are lots of imports coming from China and the Far East. There is some impact on Ludhiana and Kashipur volumes due to sluggishness which has come in due to the Red Sea crisis.
- Exports are showing a decent growth of 5-6%. But if this import crisis continues then there might be some drop in export bookings also.
- They can run trains properly. One development was at the Kashipur terminal which led to an uptick on the export side.
- The market share held is 16% to 17% in NCR, 28% in Uttarakhand, and 22% in Ludhiana
- Visakhapatnam is a much smaller market (Sub 1 million TEU). There are about ten CFCs and we have close to between 15 and 20% market share overall.
- Over the last two months now there have been no container vessels at Krishnapatnam and that business has come to a virtual stop. The volume has already dwindled over the past couple of FYs. It has now come down to zero since February of this year.
- For the last two months, while Kochi has been a joint venture, It is a steady market wherein they maintain their leadership position with a fairly small facility. On the inbound leg, they have ⅓ market share, with a decent outbound market share.

Goodluck India Ltd

CMP: INR 875 | Market cap: INR 30,052 Mn| View: Positive

Revenue
The company is focused on becoming a $1bn company.
Capex
The capex of INR 2bn in the automobile division is expected to be complete in Q1FY25. Post capex, the revenue is expected around INR 12.5bn to INR 13.5bn.
The maintenance capex is expected around INR 300mn to INR 400mn per annum going forward.
Automobile tubes
Automobile tube revenue stood at INR 7.5bn in FY23 and is expected to reach INR 9bn in FY24E. post capex, revenue is expected to reach INR 12.5bn to INR 13.5bn going forward.
Around 40,000 tonnes are autotubes out of 80,000 capacity in FY23. The incremental capacity of 50,000 is mostly in auto tubes.
Automobile tubes give the best RoCE.
Value added products
Out of 1,94,000 tonnes capacity, 25,000-30,000 tonnes capacity are value-added and expected to reach 50,000 tonnes going forward. The EBITDA margins are expected minimum of 10%.
Order book
The order book stood is more than INR 10bn and executable over the next 2 years.
Market share
The pipes market share is estimated at around 2%-5%.
Segmental growth
Segmental growth is expected around 12%-15% YoY going forward.
Exports
Around 40% of products are exported.
Working capital
Around 15% of sales are deployed as working capital.
The working capital days are around 4-5 months.
Debt
The debt stood around INR 6.5bn.
Other highlights
The market is stabilizing in forging business. The company is focused on critical materials such as Nickel, Titanium, etc.
The orders have a price clause and a quarter price lag impact.
LT got orders for Bullet train projects. Goodluck Industries is supplying to LT.

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GTPL Hathway Limited
CMP: INR 167 | Market Cap: INR 19,591 Mn |View: Neutral

Key highlights

•Hathway acquired 50% of the business in 2007 for INR 2000mn.

•The business is net debt free since FY23.

•Currently, they are providing broadband services in 10 states and Cable services in 23 states of India.

•The management believes there is a big opportunity for cable market as there are still lot of households in the country who do not have cable services.

•India has the lowest penetration of broadband services thus the opportunity for growth is huge.

•Cable business – 5% is B2C while majority (95%) comes from B2B supply.

•The business expects to maintain 25-26% EBITDA margins in cables business.

•About 88% of the broadband services revenue comes from Gujarat.

•Broadband services generate 35-40% margins.

•They currently have about 1mn subscribers for broadband services.

•The company is planning to launch a new bundle service which will include OTT, Cable and Broadband services. The service is expected to launch in Q1FY25. Pricing will be the main factor.

•Revenue is expected to increase by 10-12% in FY24.

•The company used to do about INR 4000mn yearly capex but this will increase to INR 4250-4500mn going forward. Capex for maintenance will increase to 50% (earlier 25%) and growth capex will be 50%.

•The main focus of the company is retention of customers. They intend to provide better and new services at better prices to existing clients to retain them. Customer retention and acquisition policies will be aggressive from hereon.

•The business expects to add 750k to 1mn subscribers to broadband services and about 150k subscribers to Cable services on yearly basis.

•ARPU has increased after NTO implementation from INR 80-85 to INR 125-126.

•Plans for M&A of small unorganised players.

•Free streaming of IPL will the cable business but still the company is optimistic that the coming two quarters will be good with IPL and World Cup scheduled.

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Hariom Pipe Industries Ltd

CMP: INR 453 | Mcap: INR 14,052 Mn| TP: INR 866|Rating: Buy

Revenue: The company revenue is crossed INR 11bn in FY24E.

The revenue is expected around INR 25bn in FY26E.

Debt: Long term debt is expected to be zero by FY27E.

Dealers: The company has 650+ dealers and 1500+ sales points.

Around 40% of sales are coming from dealers. The company is doing channel finance to dealers.

The company is expanding into Gujarat, Maharashtra and Rajasthan.

The deliveries will be completed with 24 hours.

GP Pipes sales

GP pipes sales stood 1,79,179MT till Feb-24. GI pipes sales are expected from Q1FY25E onwards

Production capacity and volumes

Out of 7 lakh MT capacity; 4,37,000MT is net production capacity.

In FY26E, the volumes will be raised from 2 lakh MT to 4 lakh MT.

Tandem mills

Tandem mills will reduce the thickness of 60%-70% of the coil at the single stage.

EBITDA/tonne

Scaffolding EBITDA/tonne is around INR 12,000; GP pipes EBITDA/tonne is around INR 8,000 and MS pipes EBITDA/tonne is around INR 7,500.

Working capital days

Working capital days are expected around 60 days going forward.

The receivables days is around 46 days as of 9MFY24.

Inventory

RM and finished goods inventory reduction is expected from FY25E onwards.

Other highlights

The company is focused on operating around 100% capacity utilization.

The company is focused on backward and forward integration.

The integrated production of VAP will improve the margins.

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Arihant Capital Markets Ltd

HFCL Ltd

CMP: INR 92 | Market cap: INR 1,39,057 Mn| TP: INR 107| Rating: Hold

Revenue

Revenue is expected to be INR 100bn by FY27E.

Margins

The current is around 14%-16% and further margin improvement is expected 3%-4% from current levels due to capacity expansion and cost optimization.

Order book

The order book stood at INR 76bn. The order pipeline is around INR 40bn.

Capex

The capex is expected around INR8-9bn over the next 1.5 years.

Optical fibre capacity is expected to increase from 12mn fkm to 33.9mn fkm and Optical Fibre Cable capacity is expected to increase from 25mn fkm to 35mn fkm going forward.

The company is setting up a 3.5mn fkm capacity in Poland which will serve to international markets.

The first phase is expected to be complete in Dec-24 and the remaining will be complete in 1.5 years.

Incremental revenue

The OF capex is around INR 4.7bn

OFC's capex is around INR 2.5bn will lead to incremental revenue of INR 10bn.

Defense capex is around INR 1bn will lead to incremental revenue of INR 15-20bn.

Telecom capex is around INR 500mn will lead to incremental revenue of INR 15-20bn

Post capex, incremental revenue is expected around INR 35bn to INR 40bn going forward.

Debt

The debt is expected to be INR 4bn to INR 4.5bn.

Products

Products revenue is expected to reach INR 10bn in FY25E.

Products and EPC mix is expected to be 70:30 going forward.

OF and OFC prices

OF prices have come down from INR 350/fkm to INR 270/fkm and OFC prices have come down from INR 1,000 to INR 900-950/fkm.

Incentives

Out of INR 6.5bn incentives, the company can able to claim around INR 3.5bn to INR 4bn over the next 3 years.

BharatNet

The BharatNet 3 project is estimated around INR 1,400bn. Around INR 400bn to INR 500bn for capex and remaining for Opex which will be incurred over 10 years.

Other highlights

Inventory build-up with operator levels which impacted demand.

Overall, revenue is impacted by 15% due to OF/OFC prices in FY24.

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Home First Finance Company India Ltd

CMP INR: 898 | Market Cap: INR 81,895 Mn| Rating: Hold|TP: INR 1,073

Outlook: HFFC has witnessed robust growth in revenue and net profit driven by increase in disbursements. We expect AUM to grow by 30% for FY24 and FY25. Hence, we maintain our Target Price of INR 1,073 based on 5.2x FY26E ABV.

Guidance:

• The management maintains a guidance of 30% YoY growth of their loan book for the Medium to Long Term.

• The Management explained that the bounce rates have increased from 10% in 2019 to 15% currently. However, they say that this is due to the fact that Customers are nowadays paying all their dues through mostly Online modes like UPIs, wallets, etc.

• The management guides NIMs to be around 6% with +/10-20 bps fluctuations in the coming quarters.

• Credit Costs already have come down to 30-50 bps, which is already at Pre-Covid levels.

• The management is expecting the Cost of borrowings to come down from the Q1FY25.

KTAs:

• The NBFC proposes 65 new branches in the next couple of years.

• Once touchpoint reaches 400-420mn of AUM, they convert it into a branch for the future.

• Average ticket Size of 10-12 lakhs.

• Next 3 years, not looking to raise any Primary capital by Home First Finance.

• Management does not see any potential PE stake sale in the company over the next 4-5 years as most of them have chrome alone since 2020.

• However, beyond that, the company expects the PE investors to sell 8-10% stake per year.

• The overall Cost of Borrowings stood at 8.4% at Dec 2023, while excluding the national Housing Board (NHB) borrowings, the Cost of Borrowings increases to 8.7%. The NHB re-finance is 20% of overall borrowings.

• Home First Finance currently has a leverage of 5x, which is much lower compared to other HFCs since the risk weightage of mortgage loans is much lesser compared to other lended assets.

• The Underwriters pay depends upon the Asset Quality of the book they have generated, Credit underwriting as well as the repayments received by the NBFC.

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Indag Rubber Ltd
CMP: INR 136| Market Cap: INR 3,728 Mn|View: Neutral

Opinion: We believe the Retreading business will remain fragmented in the near to medium term as it doesn’t incentivises the larger tyre industry. However, the gradual growth of the Industry remains intact with faster Radialization.

Key Highlights:
•The Management provided a brief on Retreading, which is the business of the company, along with few business highlights.
•Retreading is a universal concept and is in mass usage across several industries including Passenger Transport Authorities. It is simply the application of retreaded rubber over the worn off plain tyre surfaces, increasing their longevity by 70-80% of actual new tyres once again.
•The Management emphasis the State Transport Undertakings, Schools, Hospitals, Government Vehicles, all segments of Governments practice Re-treading as it saves the cost of New tyres costing between INR 22-25,000 per tyre to INR 6,000 per tyre retreaded, i.e, 70% of the cost of New tyres.
•The Management says that the State Governments have been using retreading over more than 40 years now, and that it also fulfills the Circular Economy concept as Manufacturing of new tyre would require so much 50+ litres of Oil and the worn off tyres will actually go to a Landfill creating further pollution while still having usable life.
•The Management says there are several green shoots for the Retreading Industry in India, that will prosper its growth.
•Currently, 60% of the Commercial Vehicles in India are radialized, and every year, incremental radial tyre usage increases the radialization by around 6%. As radial tyres are better designed to withstand most damage before Retreading, as is seen in advanced economies like USA, Japan, etc, higher Radialization of tyre industry of CVs would increase Retreading demand.
•The Company is the only company in the Retreading business spread across the antion with 3,000+ retailers reach, 50+ Sales Team, etc.
•In the United States and Japan, 80% of the tyres sold at retailers are retreaded compared to two-thirds or less in India currently. However, the Management acknowledges that after demonetization and GST rules, the industry is seeing consolidation.
•There are about 8,000-10,000 retreaders currently in India. They generally have their own pick up vans. The company has 300 distributors who resell the products to other smaller fragmented market player.

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Indo Count Industries Ltd

CMP: INR 354 | Market Cap: INR 67,853 Mn| Rating: Buy| TP INR 364

Key highlights

- Target 2x revenue in 3-4 years with margin expansion to boot. Volume guidance for FY24 is 90-10mn meters.
- The company is Investing in spinning, weaving, dyeing, finishing, distribution
- VAP contribution in FY3 19%
- Established a state-of-the-art plant for fashion bedding which has churned out well-accepted product
- Solar energy plat: capex was done for investment into a 10mw plant. Post this 90% Bhilad plant will run on renewable energy
- FTA talks in progression will be required to do business with the UK and Europe
- They address the value with layers and the premium with boutique living
- US penetration: The market is currently 60% of sales, but fashion, utility, and institutional bedding in the US is dominated by China at 85%. India has grabbed low-hanging fruit in this market on the economy side but is struggling with value addition, hence there is a huge market there that Indo count aims to address with high-value offerings
- Long-term relationships with retailers enable them to have and maintain good shelf space

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Inflame Appliance

CMP: INR 495| Mcap: INR 3,832 Mn| TTM EPS: INR 3.84|View: Positive

Key Highlights:

- The company targets INR 3,000-4,000 Mn revenue with margin improvement in the next FY because of the scale-up.
- It is a WC-heavy business, but they do not sell on credit. They are now going to be cash flow positive, which was previously low because of infra creation and development.
- Chimneys is the largest business growing 15-16% YoY, and should 2x in the next 4-5 years.
- They are the 2nd largest manufacturer of chimneys in India for OEMs.
- The target ATR is 15x the capex.
- The current capacity is 20,000 pieces.
- ROE was 17% last year and will go up to 30% once the chimneys are at full utilization, not assuming other products. With other products, it will cross 30%.
- Imports of chimneys are anticipated to be banned in the next 6 months with the upcoming
- BIS regulations.
- They are still holding a lot of inventories of Chinese products.

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Insecticides India Ltd

CMP: INR 486 | Market Cap: INR 15,012 Mn| View: Positive with turnaround story

Key Highlights

- Channel inventories across the distribution network are currently at minimal levels in India, while it may take 1 to 3 quarters for clearance in USA and Latin America.
- The company expects monsoon conditions to be good, and the agro-chemical market is stabilizing after a period of declining prices.
- Insecticides India Ltd. has launched around a dozen new products in the last two years, primarily under their premium 'Maharatna' range, which has driven overall growth.
- The Maharatna range contributes around 64% to the company's revenues currently, and the company aims to increase this further to boost margins.
- The company has discontinued several low-margin generic products and is focusing on launching new-generation, patent-protected products.
- The company is actively filing patents, especially for biological products and mixtures, and expects to commercialize the first product from its R&D joint venture with Nissan in 2025-26.
- A new INR 1,500 Mn plant is planned in Sotanala, Rajasthan, to expand technical and formulation capacities, along with brownfield expansions at existing sites. Apart from this the company does not see any additional Capex going forward.
- The company expects to improve EBITDA margins to 12-13% in the next 2-3 years, driven by higher sales of Maharatna products and stabilizing raw material prices.
- The management is confident of outperforming the industry in revenue growth and margins, aided by their strong product pipeline and market positioning.
- Chinese manufacturers had been dumping agrochemicals at unsustainably low prices, even below cost, impacting inventory values. However, the management noted signs of stabilization, with Chinese suppliers raising prices by 2-10% across products recently.
- The Company does not see any Inventory losses going forward.
- Gross margins have been lower compared to peers, but the company is taking steps like better pricing and product mix improvement to boost margins going forward.

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Izmo Ltd.

CMP: INR 269| Mcap: INR 3,801 Mn| View: Positive

Key Highlights:

- Margin improvement is expected to come from Frogdata and Izmo Studio businesses as revenues scale up.
- Frogdata division, with 26% revenue share, is expected to grow by 50-60% in FY25. They are raising funds of $10-15 Mn for Frogdata in the US at a valuation of $60-80 Mn to fund growth plans like increasing sales teams.
- The company aims to maintain a majority stake even after the Frogdata fundraising, but is open to selling it completely at the right valuation a few years down the line.
- Around 85-90% of their revenue comes from SaaS model with a 98% renewal rate. Their focus is on increasing Average Revenue Per User (ARPU).
- They spend 10-15% of revenue on R&D to stay ahead with new product innovations every few years.
- Major OEM clients like Renault and Stellantis are becoming increasingly dependent on Izmo and pushing for expansion into new markets like Germany. They are also planning to expand in the UK, Italy over the next 5 years for its automotive dealer software products.
- Izmo has limited competition for its Izmo Studio automotive imaging business. They have just one major competitor in the US.
- India contributes 10-12% to Izmo's revenue currently, mainly from Izmo Cars product used by dealerships of brands like Hyundai, Maruti, Honda etc.
- Izmo does not provide images to online automobile platforms in India like CarWale, CarDekho etc. as the image quality requirements are different.
- The company spends around INR 180-200 Mn annually on R&D. Significant investments are ongoing into R&D for new technologies like VR to stay ahead of competition.

Outlook: The company expects to double its revenue over the next 3 years, driven by expansion into new markets like Germany and ramping up sales efforts. Margin expansion is expected to be driven by the high-margin Frogdata and Izmo Studio businesses as they grow.

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Jai Balaji Industries Ltd
CMP: 931 | Market Cap: 1,50,824 Mn| View: Positive

Key Highlights:
Jai Balaji is a 1.1 million ton integrated steel player which is now focusing more on value added products.
•The company's focus has shifted from being a volume player to a value player.
•Company has an ambitious plan to expand capacity in its manufacturing facilities of ductile pipes from two and a half tonnes to around six and a half tonnes.
•Ferro alloy capacity which is converted into a specialty Ferro alloy facility.
•The company's total expansion plans for its new phase amount to around 10000mn.
•Of this, approximately 5500 mnhas already been spent, entirely funded through internal approvals. The remaining 4500 mnwill be expended over the next twelve to fifteen months, again funded solely through internal approvals.
•The company's debt profile has undergone significant transformation. From a peak debt of around 33000 mnto the debt as of March 31st to be less than 5000 mn.
•Company is looking to be net debt free over the next 18 months.
•The company's focus has shifted significantly from being driven primarily by top-line growth to being more focused on bottom-line profitability.
•As for ductile pipes, current capacity stands at close to three lakh tons. Company is in the process of increasing this capacity to seven lakh tons within the next two to three quarters.
•Blast furnace initially having a capacity of 0.5 million tons, now has been augmented to 0.65 million tons, the expansion is nearing completion.
•Currently, the company holds a market share of close to 9%. Upon completion of the capacity expansion initiatives, company anticipate achieving a market share of around 20%.
•Company is exporting specialized ferro alloys to around 40 countries.
•For specialized ferro alloys, Jai Balaji is the only player who is supplying specialized low carbon ferro alloys.
By expanding the capacities for ductile iron pipe and ferroalloys, both high-value and high-margin products, company anticipate margins to be around 17-19%.

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Jeena Sikho Lifecare Ltd.

CMP: INR 842 | Mcap: INR 21,827 Mn| View: Positive

Opinion: Jeena Sikho is benefitting from the Government's focus on Ayurvedic treatments of several chronic and fatal diseases, and Cashless services from 1st April will alow more number of Patients coming for Ayurvedic treatments, specially from the elderly patients. Since, it's an unevolved industry segment of an already existing school of medical studies, we are positive on the company at current Profitability levels and growth & expansion.

Guidance:
•The Management expects to achieve a Revenue of INR 4,800 mn for next year FY25.

Key Highlights:
•Jeena Sikho Lifecare is in the Ayurvedic treatment business with tens of hospitals in several major cities in Northern and western India.
•The Government services allows up to 3 therapies for a Patient to have Ayurvedic coverage.
•The Government has finalized CGHS rates per patient for Ayurvedic treatments. So, the Cmpany gets INR 6,500-8,000 per patient per day in their hospitals.
•Currently, Jeena Sikho has a bed capacity of 1,400 beds across India, with a bed occupancy levels of overall average at 35%.
•Currently, Jeena Sikho has a pool of 353 Ayurvedic Doctors and have received more than 1,000 applications by Ayurvedic doctors.
•From 1st April 2024, all Hospitals of Jeena Sikho accredited by NABH will start offering Cashless services.
•Jeena Sikho provides Panchkarma services at their Hospitals and franchises, and is also going to start their B2C products in Q1FY25.

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JHS Svendgaard Ltd

CMP: INR 16 | Market cap: INR 1,329 Mn: Rating: Not Rated

Company had landed a merger last year with Vedic, but due to commercial differences in terms of valuations, that did not come through.
Company is now actively looking at acquiring some small companies so that company is able to increase the product portfolio.

Key Highlights

• Company's current capacity utilization is only about 30%.
• With the current uptick observed in Q4, coupled with existing orders and visibility, company anticipate a substantial growth ranging between 40% to 60% in overall numbers for the next fiscal year.
• This growth is expected to positively impact the bottom line, with significant improvements in profit margins, reaching double-digit figures. Company aims to bridge the gap experienced in FY24.
• The onboarding time for new clients varies, It takes anywhere from one month to three months for smaller orders and six months to one year for larger contracts.
• The average contract tenure is one year to three years.
• Up until 2022, product mix was evenly split between toothbrushes and toothpaste. However, moving forward, toothbrushes are projected to account for approximately 65% to 70% of product mix, while toothpaste will make up about 30%.
• Talcum is contributing close to 5% of sales currently, company expect it to grow to about 10% in this year.
• Based on order book, company expects capacity utilization to be anywhere between 40% to 45% in which it will be heavily skewed in toothbrushes, with about 75%, while toothpaste would still be about 30-35%.
• Revenue guidance of 40% to 60% growth for FY 25 with double digit margins.
• Currently, company's working capital days is around 90 days, which is above the ideal range of 45 to 60 days. However, with the addition of new clients, categories, and geographical expansion, company anticipate improvements. By the financial year 2025, company aim to reduce working capital days to around 60 days.
• JHS Svendguard Retail Ventures Limited is set to become a subsidiary. It has already received approval and is currently in the process of being listed.
• The subsidiary is basically engage into the retail business, where it has its retail stores across various airports in India. It is completely different from contract manufacturing. So that is why it is getting separated and getting listed on the board.
• The company is planning a capex of approximately 250 to 300mn for a new plant. A portion of this amount is already available in reserves.
• The remaining balance, approximately 150 to 200mn, will be raised through debt financing. With this investment, company anticipate a turnover of at least 1000mn from the new plant.

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Kalpataru Projects International Ltd
CMP: INR 1,070 | Market cap: INR 1,78,691 Mn| View: Positive

Revenue
The revenue is expected around INR 250bn in FY25E.
Margins
The project's margins are around 7%-8%.
Order book
The order book stood at more than INR 510bn.
The order inflows are more than INR 200bn, excluding the Aramco order.
T&D business
Around 15%-20% growth is expected in the T&D segment going forward.
T&D business visibility remains strong. In domestic T&D, there is a push for renewables.
Domestic T&D visibility is around INR 500-600bn.
In international T&D, strong traction was witnessed from Latin America, Africa, and Europe regions.
In T&D projects, 30%-50% of equipment is bought out depending on the project. In substation projects, 60%-70% of equipment is bought out.
Brazil and Sweden's subsidiaries are engaged in the transmission business.
Non-core business
The company has three roads SPVS and invested more than INR 5.5bn. The large asset is Vindyachal Expressway is around INR 3.5bn and is expected to divest in FY25E.
The company has invested INR 2.5bn in Indore projects and is expected to monetize in FY25E.
Subham Logistics is expected to divest in the next 2 years.
The company is focused on divesting non-core businesses.
Project cycle
The T&D project cycle is around 30-36 months. The domestic projects cycle is around 18-24 months.
Working capital days
Working capital days are expected around 100 days going forward.
JJM Scheme
In the JJM scheme, unspent capex is around INR 1200bn out of INR 3000bn in FY24. The budget allocation will increase for JJM projects.
In JJM, a single project size is more than INR 10bn and 5-7 players only can take the projects. Other players are mostly taking INR 1-2bn projects.
Bid-conversion ratio: The bid-book conversion ratio is around 15%-18%.
Promoter pledge
The promoter's pledge has come down from 42% to 32% in the last couple of months.
Capex
In T&D, the capex is around INR 4bn in FY24.
Interest cost
Interest cost as a % of sales is around 2% going forward.
Other highlights
In the warehouse subsidiary, the company has invested INR 4.5bn.
The Sweden subsidiary is making decent profits.
In domestic, lots of tender activities happening and high capex is going on renewables.
The company has two tower fabrication facilities and the capacity stood at 2.4 lakh MTPA. The company supplies railway poles, ports, and others.
The company has received larger orders from Aramco in the oil & gas segment.
The company has secured two underground tunneling projects in Metros.

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Khazanchi Jewellers Ltd
CMP: 305 |Market Cap: INR 7,684 Mn| View: Positive

Outlook: The company's plan to open a new store in FY 25 signals a strategic move to expand its B2C segment and potentially enhance margins. While the company currently operates on a smaller scale with just two stores, this expansion aligns with its growth strategy, presenting an opportunity for increased market presence.

Guidance: Upcoming store is expected to give 6 times the retail revenue company is generating and is anticipated that H2 FY24 and FY25 growth to mirror current ratios, with a projected 36-40% annual growth rate, primarily from ornamental sales, supported by increased turnover ratios.

Key Highlights

- Established in 1971 by managing director Tarajan Mehta, converted into a limited company in June 2023, and listed in August 2023.
- Specializes in gold ornaments procurement, manufacturing, and sales with over 50 years of industry experience.
- Vast design catalog of around 500,000 designs and plans to open a new 10,000-square-foot showroom in 2025. Currently have a store of 1200 sq. ft.
- FY23 turnover reached 4818.2 mn with 160mnEBITDA and 80mnPAT, for H1 FY24 company have already clogged in 4060mnrevenue with 5% EBITDA and 160mnPAT.
- Key focus on quality, customer relationships, and expansion in South India.
- Revenue breakdown: Wholesale constitutes 95% of sales, with retail at 5%. Wholesale margins are 3-4%, while retail margins are 8-9%.
- Major wholesale clients include Kazanji Jewelers, New KVM Jewelry, JC Jewelers, Malan Jewelry, and LRC, collectively accounting for 21% of turnover.
- The company's revenue mix heavily favors wholesale, with notable clients concentrated in tier two cities.
- Majority of designers work alongside manufacturers in goldsmith facilities, sourcing materials from Mumbai and Coimbatore for fusion products.
- The company aims to expand its presence in both B2B and B2C segments, with a new showroom catering to B2C clientele.

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Kilburn Engineering Ltd | Bharat Connect Arihant Conference Takeaways

CMP: INR 335| Market Cap: INR 12,943 Mn| Rating: Not Rated

Revenue: The company is focused on growing 30%-35% CAGR going forward.

The revenue is expected around INR 5bn in FY25E. out of INR 5bn, around INR 1bn revenue is expected from ME Energy.

The company has an ambitious revenue target of INR 10bn in FY29E.

Margins: The EBITDA margins stood at 18%-20% and are expected same going forward.

Order book: Kilburn's open order book stood at INR 2.4bn to INR INR 2.5bn. The company is expecting orders from carbon black, soda ash, petrochemicals, fertilizers, wastewater, and others.

The order intake is around INR 5bn in FY24. The company has received orders from multiple sectors.

The inquiry pipeline is around INR 10bn and some of the orders are expected to close in the next 4-6 months.

Working capital days

The net working capital days are around 80 days.

ME Energy

ME Energy acquisition was completed on Feb-24. The transaction is completed through Equity Swap.

ME Energy's open order book stood at INR 700mn and is expected to be executed in FY25E.

ME Energy's revenue is expected INR 650-700mn in FY24E. EBITDA margins are around 17% going forward.

Exports

ME Energy exports are less than 10% of sales and are expected to reach 10%-15% going forward. The company is focused on LATM, Europe, the Middle East, and South Africa.

Kilburn exports are also less than 10% and are expected to be 10%-15% going forward.

The company is focused on domestic demands and not aggressive in exports. The exports are expected to grow gradually over the next few years.

Other highlights

The company is foraying into the cement sector, where working capital requirements are high.

Around 15%-20% of RM are imported and 20%-30% are bought-out items.

In petrochemicals, the company is supplying to ONGC. API segment is a new segment and lots of scope is available.

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Konstelec Engineers Ltd

CMP: INR 173 | Market cap: INR 2,849 Mn | View: Positive

Order book

The total order book stood at INR 6.5bn as of 20th March 2024. The unexecutable order book stood at INR 4.5bn. The company has received orders of INR 800mn over the past 2 months.

Around INR 2.2bn – INR 2.3bn order execution is expected in FY25E.

The company is executing a single large order of INR 550mn and is expected to be completed in FY25E

The company is eligible to bid more than INR 1,000mn for orders and margins are better in high ticket-size orders.

Execution timeline

The project's execution timeline is around 12-18 months.

Conversion ratio

The order bid conversion ratio is around 10%-15%.

Revenue mix

The domestic and export mix is around 95:5.

Generally, Around 40% of revenue from H1 and 60% of revenue from H2.

Around 40% of revenue is from oil & gas and the 2nd major contributor is the steel sector.

Other highlights

The company is working on renewables processes and projects.

The company is focused on improving the O&M segment.

The contracts are fixed price contracts, the company takes account of inflation and others.

The clients are direct and there is no issue with receivables.

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Krishna Defence and Allied Industries Ltd

CMP: INR 353 | Market Cap: INR 4,533 Mn| View: Positive

Outlook: While Krishna Defense benefits from a significant portion of its orders from the Indian Navy, presenting growth opportunities, this reliance also poses a concentration risk. However, amidst strategic and geopolitical challenges, there's an anticipated surge in the demand to bolster the Indian Navy's fleet, potentially leading to a continuous stream of orders for company. Moreover, the diversification into newer equipment segments could yield favorable results.

Guidance: Management has guided for 30-40% CAGR revenue growth over the next 3-4 years as per existing Orders for existing Products and aiming for 18-20% EBITDA margins which has been in the range of 14-15% historically.

Key Highlights:

• Company caters to defence sector, mainly navy, army and Homeland Security. Around 20% of revenue comes from the dairy segment. It derives around ~50% of revenue from bulb bars used in hull of warships.
• Price of Bulb Bars is INR 5-6 lakh per tonnes for which raw material cost is INR 1.4 lakh per tonne.
• Co. uses classified/specialised chemistry of raw materials. Navy doesn't buy directly from the company. Company supplies to ship builders which use them to make ships which are sold to navy. Navy in general has 2 vendor policy wherein it doesn't rely on any one company entirely for its requirements and second vendor is Starwire.
• Krishna defence is the only company to qualify for order received from heavy vehicle factory for armoured vehicle profiles.
• Company has made 'bhukaris' (room heaters) for which it got technology from DIPAS. It helps to reduce kerosene consumption from 2ltr/hr to 500-700ml. The order value was 630mnfor 20k pieces. The life of the product is around 24months since they are used around 18hrs/day.
• The company is not permitted to export as of now.
• Co. has invested 40mnin a new subsidiary of which it owns 51%. It is operating in defence electronics segment making converter that converts radio frequency to optical fiber. Trial order for 30-50mnconsisting 40 converters of 9L each.
• Company bagged orders worth 2000mnin FY24 and will take 12-18m for completion. They have addressable market of 26000mnover 3-4yrs and hopes to get 40-50% of it.
• They spend 3-4% of revenue for R&D and It operates at 80-85% capacity utilisation as of now and has planned capex of 200-250mn.
• Welding Wire, Welding Electrodes and Fused Flux are the other products it offers. Welding Wires are sold up to INR 10 mn per tonne with ToT from the Indian Army/DRDO from Russia. (Other Peer doing this is Midhani). Capacity is of 100 of tonnes per month, i.e. 3-3.5 tonne a day. Currently doing 10 tonnes per month.
• Ballast Bricks is one segment, with magnetic Permeability of 0.1, making it almost stealth to Radars.

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Kriti Industries (India) Ltd

CMP: INR 134 | Market Cap: INR 6,798 Mn|View: Positive

- Company is in the domain of plastic business making pipes and fittings in the form of PVC, HDPE and other plastic materials. They are also making HDPE based water pipes.

- Company has a single production unit in Pritampur, Indore which is the financial capital of Madhya Pradesh. It has a capacity of 100k metric tons. MP is the main market for the company along with Rajasthan, Maharashtra, Andhra Pradesh, Karnata and some parts of Odisha.

- Company has done some investment in building product for last 2 years. Currently, the revenue share between Agri and Building products is 80% and 20% respectively. Going forward, the target is to increase the building products share in revenue to 40-45% in next 2-3 years.

- FY23-24 capex was done along with 250mn capex being carried out in this year or next year, which will enable capacity to generate a revenue of 2000mn. Company is targeting a CAGR revenue growth of 10% in the next 2-3 years.

- Company plans to grow aggressively in the building products segment.
- Company is a prime supplier to Reliance for telecom ducts along with supplying to airtel. They are also participating in water projects by supplying to EPC contractors. Pipes are also being supplied to gas companies with some marquee customers.
- Demand in agri segment is good but not very aggressive and the company is geared up from inventory perspective with 30-35 days of inventory held.

- BP segment is expected to grow more than 50% in the next year. Capex is being done to develop a full range of Building products.
- Company had a negative operating profit margin last year due to fire in its factory in Aprill 22’. Due to this they couldn’t sell products in their prime season of April, May and June.

- Company has a 7% EBITDA margin with a target to cross 10% margins in the next 5 quarters.
- Company has plant capacity utilisation of 60% which is expected to reach 70% in FY25. Current capex is expected to increase capacity by 9000 metric ton thereby taking the total capacity post capex to 1,25,000 metric ton.

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Krsnaa Diagnostics Ltd
CMP: INR 615 | Market Cap: INR 20,470 Mn | TP: INR 1,052|Rating: BUY

Opinion: We remain positive with a "BUY" rating on the stock with a Target Price of INR 1,052 per share based on FY26E EPS at fwd P/E multiple of 25x with an upside of 71%.

Guidance:
•Regarding the Rajasthan Court Case, the company says the Court date is yet to be revealed but most likely will be in the month of April.
•Management maintains guidance of 25% growth in topline for FY25 and FY26 even without including Rajasthan due to large Orders from the state of Maharashtra and maturity of Assam and Odisha business.
•Rajasthan court decision coming in the company's favour will lead to higher revenues from H2FY25, and FY26, and increase their topline growth by another 10% to 35% YoY growth.

Key Highlights:
•Krsnaa Diagnostics is the largest diagnostics chain which has received approval from NABH for Tele-reporting from their hub in Pune.
•The Company is also the largest vendor for Wipro, GE and Siemens as they have been growing the PPP Public Private Partnership model of business at a CAGR of 33-35% over the years.
•The Diagnostic chain prices all their Tests at CGHS rates, thereby being the most affordable in the B2G space.
•Since April 2023, last year, they have ventured in the B2C space with Diagnostic centres opened in the states of Maharashtra and Punjab, and later on expand in the states of Odisha and Assam. This is strategically planned to open B2C centres in states where they already have Mother Labs, so the cost efficiency remains the same with higher usage of the existing lab facilities.
•In the B2C segment, the Diagnostic chain follows Pricing strategy by pricing at 20% lower Prices offered by the next most price effective Market Peer in that region.
•The Management clarifies that normally, Pathological labs and centres take 6-9 months for maturing and generating peak revenues, which can lead up to 1 year in some cases.
•Excluding the Rajasthan contract, the Company has Capex plan of INR 1,500-2,000 mn for the next couple of years depending upon the kind of contracts they are able to win in several states.
•Currently, they have to deploy capex for the 17 CT Scan and MRI machines in Maharashtra and 5 MRI machines in Madhya Pradesh. For this, the company will do the initial funding of 10-15% maximum, and the rest will be paid over a period of 5-7 years as agreed.
•The Management clarified that initially their RoCEs may get impacted due to the initial funding of capex, but will improve as the interest payments remain same over the years while the Cash inflow from those assets keep on increasing helping achieve better RoCEs within a couple of years.
•Currently, they are seeing the states of Punjab and Maharashtra showing interest in home collection services for the Senior Citizens for a nominal service fee.
•In punjab, they have started in the month of November, the Home collection services. Currently, they are doing around 10 lakh Home collection services in the state of Punjab alone.
•Currently, in the BMC contract, around 410-420 collection centres are operational.
•In FY25, the Diagnostic chain expects to achieve the Peak revenues from the BMC contract.

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L T Foods Ltd
CMP: INR 188 | Market Cap: INR 68,600 Mn| View: Positive

Guidance

• Maintain the growth momentum by growing around 11 to 12% of growth in terms of revenue and further strengthening their balance sheet as well as improving the ROI. Current ROI is around 20%. The guidance is around 20% to 23% which they will be covering under the next three to four years.
• The company aims for revenue growth in the Basmati and specialty segment to be in the range of 10-12% going forward.
• The RTC and RTE segment is currently growing at double digits and is expected to double its revenue to reach INR 4000 mn within 3-4 years, leading to EBITDA breakeven. Over the next five years, growth is anticipated to reach INR 7000 mn.

Government Regulations and Impact on Rice Export Industry

Government of India imposed a ban on non-basmati exports and also imposed restrictions on exporting Basmati rice below USD 1,200 per ton to restrict possible “illegal” shipments of white non-basmati rice in the garb of premium Basmati rice. The Government has subsequently relaxed the minimum export price restriction to USD 950 per ton. Both these didn’t impact basmati segment.

Overview of Company's Business Segments

• The company is in major three segments1. basmati rice and other specialty rice segment. 2. organic and the food ingredient business. 3. convenience business.
• Company is getting 80% of its business is coming from its own brands. Major brand is ‘Dawat’ which is present in more than 80 countries. Second brand is ‘Royal” which is also one of the leading brands.
• Company has a 50% market share in North America. Basmati business forms 80% of the total revenue with food and ingredient business giving 12% of sales and the new convenience business contributes around 3% to the topline.
• Company has launched 2 new products in convenience segmentready to heat in and biryani kit in the form of Kappa rice.
• Company has created strong supply barriers in its food and ingredients business by having a strong land bank available with them and more than 60,000 farmers working on cultivation.

Key highlights

• The company has implemented various strategic to drive growth, such as launching new products, expanding into international markets leveraging strong distribution networks, and investing in organic production to capture market opportunities.
• Company acquired 51% stake in a Jasmine Rice brand in the US, with plans to acquire the remaining stake based on future profitability.
• Company have also ventured into Uganda for production as there was lot of virgin land available and company also wanted to expand product portfolio.
• The company has invested over 600mn in green energy sources such as solar and turbines in previous years. The aim is for more than 50% of the energy to come from renewable sources. However, the impact on margins may not be significant in percentage terms, given the payback period of 5-6 years.
• The insurance order has been appealed in the high court but is yet to be admitted.
• With the clearance of long-term debt, the company anticipates positive future cash flows. INR 1300-1400mn will be allocated for future capex. The remaining cash will be used for dividends and buybacks, following a revised policy of 10-20% of consolidated profits, with the remainder dedicated to debt repayment.
• The Red Sea incident has impacted freight costs and transit times, leading to an estimated $4 to $5 million impact on freight costs in the upcoming year.
• The working capital cycle varies across segments, with Convenience foods require less aging, resulting in a shorter working capital cycle of 45 to 50 days, organic segments at 160 to 170 days, and Basmati at 200 to 220 days.
• Company hedges against currency volatility, with a hedging policy covering 50% of the branded business and 100% coverage for confirmed contracts.
• The company has decided not to implement any price increases in order to maintain competitiveness and safeguard its market share.

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LINC Ltd | Management Meet KTAs
CMP INR 514 | Market Cap INR 7,667 Mn| View: Positive

Guidance: The company aims for a revenue growth of 17-20%, with expected EBITDA margins of around 13-15% in the next two to three years.

Key Highlights

• The company faced challenges in the current fiscal year due to political issues impacting exports and heavy competition leading to discounting in the domestic market. Despite these setbacks, they remain confident in their long-term objectives.
• The total annual production capacity for pens is ~1200 mn, with half produced in-house and the remainder outsourced, offering flexibility for further outsourcing expansion as needed.
• The distribution network in the domestic market operates like an FMCG distribution system, with super stockiest servicing over 2,000 distributors and wholesalers.
• The company has been expanding its retail touchpoints, but recent efforts have focused on making existing outlets active before increasing coverage further.
• Quarterly sales patterns typically see leaner performance in Q1 and Q3, with stronger performance in Q2 and Q4.
• The company's presence spans across India, with a focus on increasing penetration in the south and west regions.
• The writing instruments market in India is valued at around 60000 mn, with a growth rate of 5-6% in volume and 10-12% in value.
• The competitive landscape includes leading players like Flair, Unomax, Reynolds, and Cello (acquired by Bic), with premiumization driving growth.
• The company has shifted focus towards higher-priced products, with 60% of revenue coming from products priced at 10 rupees and above.
• Manufacturing capacity includes end-to-end production, with pen tips sourced from three main manufacturers in India: Imami Group in Kolkata, Indian Writing Instruments (IWI), and SM in Mumbai.
• Super stockists have a 5% markup, distributors have an additional 8% markup, and retailers enjoy a margin of 25% to 30%.
• Pantonic's success was attributed to its unique design, including a distinct all-black body, eye-catching retail displays, affordable pricing at Rs. 10, and superior writing experience. Additionally, the brand was positioned aspirationally, contributing to its popularity.
• The company employs SFA systems to track orders and monitor secondary sales, providing comprehensive visibility into product performance at the retailer level. Also, DMS facilitate auto-replenishment based on sales data, enabling efficient inventory management.
• The company leverages data obtained from SFA and DMS systems for decision-making, including expansion plans. Insights gleaned from these systems inform market expansion strategies, enabling targeted growth initiatives.
• The company plans to launch new models under the Pantonic brand, including a Rs20 ball pen and a Rs30 gel pen, with further products like permanent markers and mechanical pencils in the pipeline for the next financial year.
• With ambitions to make exports one-third of total revenue, the company has made significant strides in the US market by appointing a national distributor with extensive reach across various channels, including online platforms like Amazon.
• Export margins typically range 5% to 10% higher than domestic margins, motivating the company to prioritize export growth for enhanced profitability.

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Lords Chloro Alkali Ltd
CMP INR 112 | Market Cap INR 2,966 Mn| View: Positive

Key Highlights:

•The company is in the business of manufacturing Caustic soda, liquid chlorine, hydrogen gas, sodium hypochlorite and Chlorinated Paraffin wax.

•They have 84 acres of land at Matsya and the factory covers 50 acres of it, leaving room for expansion. The capacity is increased at 40% YoY and current installed capacity for caustic soda is 210 tonnes/day. Targeting to reach 3000 tonnes/day by September.

•Recently started with new products sodium hypochlorite and chlorinated paraffin wax.

•The company is looking to expand horizontally as well and are installing solar power plant; expected to be ready in Q2FY25. With power being a major expense for the company, the solar plant will supply about 18-20% of total energy required. The plant will be ready in September.

•The company has started with wastewater recycling with RO plants which will help in improving profitability.

•Softness in pricing has led to subdued performance in FY24. But, the company has not seen degrowth in volumes and has been able to maintain 80-85% capacity utilisation.

•Focus of the management remains on topline, diversification and bottom line.

•Plan to increase paraffin wax capacity from 20 tonnes to 50 tonnes/day.

•The company has hired a new CS, set to join from April.

•Caustic soda prices have seen an increase in the last two months. This has lead to the Q4 performance being slightly better than Q3; the coming quarters are expected to improve going forward.

•MD of the company has recently bought 1.59% stake from another promoter.

•The company mostly caters to North India like Rajasthan and Punjab and is able to meet 20% of total market demand in the region they operate.

•Capex of INR 1520mn will be done for capacity expansion and solar plant. INR 900mn will be debt while INR 620mn will be fulfilled through internal cash flow. Cost of fund will be around 8.6 to 8.8%.

•80-85% of caustic soda is sold at spot prices.

•About 50-60% of chlorine sales are done within 50kms of the factory.

•Caustic soda contributes about 90% of the total revenue.

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Macpower CNC Machines Ltd

CMP: INR 1,107 | Market Cap: INR 11,293 Mn|Rating: Not Rated

Revenue

The company is focused on growing by 20%-25% CAGR going forward.

Margins

The EBITDA and PAT margins are 16%-17% and 10% respectively.

The margins are expected to reach 25% going forward. The backward integration would improve the margins going forward.

Capex

The company is focused on utilizing 2000 machines capacity for production from Q1FY25 onwards. The debottlenecking will lead to an increase in the additional capacity of 200 machines.

The company is plans to add 2000 machines capacity every year over the next 5 years. The capacity is expected to reach 10000 machines over the next 5 years.

The capex of INR 100mn to increase the capacity from 1,500 to 2000 machines.

Around INR 1,000mn capex for 2,000 machines initial setup and INR 150mn additional capex every year to add 2000 machines over next 5 years.

Order book: The unexecuted order book stood at INR 2.36bn which is almost 1,284 machines.

Realization : The average realization per machine is moved from INR 16-17 lakh to INR 20-25 lakh in FY24. The company is focused on reaching INR 35-40 lakh going forward.

The defence machines are INR 1.750 mn.

Services

The high-valued machines and defence machines have sizable components. The service revenue is expected going forward.

Operating costs

The operating costs are expected from 17% to 15% going forward.

Other highlights

The company has 27 product segments and 300+ models.

CNC machine manufacturing is valued at around INR 450bn to INR 500bn.

Arihant Capital Markets Ltd

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Mafatlal Industries Ltd.
CMP: INR 113 | Mcap: INR 9,202 mn|Rating: Not Rated

About Business

•The company is a key player in fabric production and garmenting within the uniform segment, Its solutions cater not only to schools but also to the corporate sector.

•The company also offers digital infrastructure solutions to state governments, where one notable initiative involves establishing digital classrooms for public sector schools.

•This business model is entirely customer-centric, with the majority of the business being outsourcing-led and distributed primarily through dealer distribution network.

Capex

•The company has embraced an asset-light strategy, opting to refrain from significant capital expenditures. However, it will continue to invest in maintaining its manufacturing facility to ensure operational efficiency.

•The capex plan is to maintain manufacturing facility which can include the replacement of the existing machinery with a new machinery to improve the efficiency.

•The company has established long-term credit arrangements with its vendors, thus does not face any working capital related issues.

Capacity utilization

•Capacity utilization for the company is almost 100%.

Geography

•Company is largely focus in domestic markets, while having little presence in the export market for couple of their product segments.

Key Highlights

•In the recent years company has diversified into the various other areas which is related to the technical textile in the health and hygiene category and the technology digital infrastructure related business.

•Compamy has been working as aggregate for the government for both health and hygiene and digital infrastructure business.

•In the health and hygiene category, the company offers a range of products including adult and children's diapers, sanitary napkins, as well as hospital-related solutions primarily utilized in operating theaters. These solutions include surgical gowns, scrubs, patient examination gowns, disposable items, and more.

•The company have taken steps to reduce its fixed cost and long term related liability. Company has also reduced its debt dependency significantly over the period.

•In the health and sizing category, the company targets various hospitals, offering solutions that company have been providing to the state government departments. Thus providing the same solution to the hospitals and healthcare system.

•Similarly, in the textile category, the company's dealer distribution network remains a key customer.

•The company prioritizes the implementation of cutting-edge technologies, such as ERP solutions, to streamline operations and reduce fixed costs.

•It regularly implements these solutions to drive cost savings and get the benefits out of it.

•The company's institutional sales business continues to be a primary focus, playing a pivotal role in driving its growth trajectory.

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Magnum Ventures Ltd

CMP: INR 44 | Market Cap: INR 2,721 Mn| Rating: Not Rated

Key Highlights

• Company operates a paper unit spanning 500,000 square feet. With a capacity of approximately 85,000 units per annum.

• There's a notable increase in industry demand, particularly in banquet bookings, foot traffic, and room occupancy rates. Additionally, the Average Room Rate (ARR) has shown a positive upward trend.

• Company have already raised INR 360mn through a rights issue, which is currently in the company's banks. Company is actively planning to execute the capex within the next three to six months.

• The hotel business across the sector has been very positive, Company expect higher ARR and margins in coming quarters and years.

• Supply and demand dynamics dictate pricing strategy.

• Contract with Radissons is a franchisee agreement where company have to pay some of the fees onto the room revenue excluding F&B or banquet revenue.

• Management expects occupancy rate to be around 85-87% this year.

• Both sectors, particularly the hotel side, contribute significantly to EBITDA. Also the hotel segment performed well last year reflecting positive numbers.

• Company is undergoing capex to come out of some of the product where there is a less margin.

• Company’s focus is on creating mixed products, such as plastic replacement items into paper, having good profit and demand.

• This strategy aims to enhance EBITDA in the paper segment in the coming months.

• The company currently isn't inclined to dilute its equity, especially since funds were raised through the right issue.

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Mahindra & Mahindra Ltd.

CMP: INR 1,921 | Mcap: INR 23,94,664 Mn| Rating: Accumulate

Key Highlights:

•Plans to launch 5 EV models in the upcoming year, focusing on enhancing EV experience.
•Facing challenges in product placement and distribution scale, with a particular emphasis on the tractor segment for export markets like the US and Turkey, aiming to address demand gaps and penetrate new markets under Mahindra OJHA and Swaraj Tejas brands.
•Holds a dominant 59% MS in electric three-wheelers, with electric vehicles comprising 11% of the total three-wheeler market.
•Anticipates continued growth supported by government initiatives and entry of major players like Bajaj, expecting volumes to rise further as the market leader.
•Prioritized capital allocation for growth gems with a focus on achieving a minimum ROE threshold of 18% before considering budget infusion.
•Plans to allocate capital to selected growth gems in the upcoming quarter, indicating confidence in their potential.
Mahindra Holidays
•Exploring organic growth opportunities in the subscription-based model of Mahindra Holidays within the 3% segment of the overall hospitality industry, aiming to capitalize on the vast market potential and expand into the remaining 97%.
•Strategizing to increase the current inventory of around 5,000 keys to 10,000 keys within the next two years, while internally deliberating on potential modifications to the existing business model, including a focus on resort operations, awaiting guidance from the incoming Managing Director, Mr. Manoj Bhatt, who assumes office on May 16.
Farm Equipment
•Tractor revenue: 90%, Farm implements: 10%, showcasing India's farm mechanization lag.
•Initiatives like E-Krishi drive mechanization, boosting productivity.
•Mahindra enters farm implements, holds 21% rotavator share.
•Farm implements revenue: 8000 mn year-end, targets 40k mn in 2-3 years, with potential 80k mn thereafter.

Outlook: Company's optimistic outlook is driven by a robust SUV/EV model cycle, and potential growth in farm mechanization, with farm implements revenue targeting 8000 mn by year-end, aiming for 40000 mnin 2-3 years, and a potential of 80000 mn thereafter.

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Mahindra Lifespace Developers Ltd

CMP 587 | Market Cap 95,724 Mn | Rating: Buy| TP: INR 755

•Company is looking to aggressively expand into the Mumbai, Pune, and Bangalore markets, with the goal of growing business in terms of sales, execution, and overall presence.

Key Highlights

•Leasing Business –Although the land is said to be on lease, effectively it's a sale for 99 years. No annuity income except monthly charges 13,000 -15,000 per acre more in terms of maintaining utility like roads and lighting.

•The Navy Malad Redevelopment project is planned for launch soon with a project value of around 10000 mn.

•The Santacruz redevelopment project is to be launched either in Q1/Q2FY25 with GDV of INR 5000 mn.

•Mahindra Lifespaces achieves over ₹8000 mnin Sales in 3 Days at Mahindra Vista, India's First Net Zero Waste + Energy residential project

•Company launched its second plotted development in Chennai's World City, which is experiencing strong and robust demand.

•In FY25, company intends to achieve 25000 mn in pre-sales from residential business.

•The company has obtained RERA approval for the Malgudi project located on Hosur Road in Bangalore. The launch for this project is expected to occur in Q1. Additionally, the Wagholi project in Pune is also slated for launch in Q1FY25.

•Company acquires 2 acres land parcel in Whitefield, East Bengaluru and is optimistic about its potential revenue targets and overall project performance.

•The Thane Ghodbunder Project, operating under the IRTT policy, with 50% residential 50% commercial space is anticipated to generate a GDV of 80000-100000 mn.

•For thane project company have obtained a set of approvals, with few more in progress.

•In Jaipur of about 400450 acres of land parcels includes plans for plotted Luxury villa.

•The total value of inventory, stands at approximately 90000 mn in development potential includes unlaunched projects, future phases of existing projects, and ongoing launch projects.

•Marketing expenses as a percentage of pre-sales vary depending on number of launches at a particular time. It typically ranges anywhere from 4-5%.

Debt

•In terms of debt, borrowing cost stands at approximately 8.5 % as of Q3.

•As of now, company is net debt-free company. However, there may be a slight increase in debt in the short to medium term to fuel the growth

•The percentage breakup for Mumbai, Pune, and Bangalore markets is approximately 50% for Mumbai, with around 25% each for Pune and Bangalore.

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Maiden Forgings | Bharat Connect Conference KTAs
CMP: INR 86 | Market cap: INR 1,293 Mn

The company maiden forgings started in 1989 as a proprietary firm and got converted into a private limited in 2005. In 2021 it started making and exporting pneumatic nails and stainless steel nails.

The company recently got approvals in place and orders to export to US market in the B2B segment and the same is expected to start by July this year.

The company has three production units in total with an area spanning 1,25,000 square feet. The company has 8 product lines in total and the last year top line was 2210 mn. The company has witnessed an 11 x growth in the last 17 years in its topline.

40% of the company's customer profile is of engineering industry while 25% is of the auto motive sector. Company's product in the automotive sector is used in various areas like steering of cars, used in multiple shafts and suspension rods. 15 to 20% of the customers profile is of home durable and hardware. Company supplies its products to brands like prestige and Hawkins, Usha for mixer grinder, to the lock industries and top of pressure cookers. The rest is miscellaneous like oil and gas industry.

The company has 450 to 500 regular clients with purchase orders placed every quarter and with high retention rates.

The company has 3 USPs:-

The first one being that it manufacturers three types of Steel under single roof including alloy steel and carbon steel.

Second is the delivery model of the company under which the company delivers is order within 2 to 3 days while the industry takes time of around a week or two.

Third is the multiple profiles in which the company can mould the Steel to suit the need of the customer.

The company got listed in April last year and is focusing on building its brand by exhibiting in several exhibitions and creating visibility and a market base for its itself.

It's expanding its distribution network across India. UP until now it only used to cater to the B2B segment but starting with the production of new nails it is now looking for good opportunities in the b2c sector.

The company has been working on global alliances and is expecting demand from that front as well

The company currently has an order book of 300 mnand has recently acquired a new land of 2 lakh square feet. The purchase of which was made in February/ March this year. This land will be used to construct a manufacturing unit under which two of the current production units will be consolidated under 1 roof in this. This will help to reduce the operational cost and increase EBIDTA margins. This new production unit is expected to become operational by October leaving the company with three production units in total.

The company has set a vision for itself under which it aims to reach 10000 mn of topline by fy28 and it plans to achieve this by adding new product lines and enhancing capacity.

The company is hoping to increase its EBIDTA margins drastically in the next 2 years as the management believes that they have created the base in the past 2 years for the upcoming years.

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Marksans Pharma Ltd

CMP: INR 152 | Market Cap: INR 70,784 Mn |TP: INR 197| Rating: Accumulate

Opinion: The recent developments of the Teva Plant in Goa and the robust Product Pipeline of Marksans Pharma shows healthy revenue growth over the next couple of years. We remain Positive on the company's earnings increases in next few years.

Guidance:

•Management is expecting to cross INR +20 bn of revenue for FY24. The management intends to maintain the EBITDA Margins at 22% as seen during the first 9 months.

•The Company expects to achieve revenue of INR 30 bn annually in the next 2 years.

•The Company is looking forward to expand geographically within EU.

Key Highlights:

•Marksans Pharma is pharmaceutical formulations, manufacturing and marketing company. They basically have four manufacturing facilities, 2 in India, 1 each in UK and US, with all facilities having the global accreditations.

•The Company has the distribution capabilities in the markets where they are present, with almost 95% of their revenue coming from Europe, US, Australia, New Zealand and Canada.

•In the emerging Markets business, the share of revenue mix is just 5%.

•In UK, they are expecting the revenues to shore up to GBP 100 mn in Q4, making them in the top 3 Indian Pharmaceuticals company in the UK. 75% of their revenue comes from OTC products, while the remaining 25% comes from RX products. Within OTC segment, they have a very large presence across the pain management, cough and cold, gastrointestinal and allergy segments

•The Company has 70 products in the R&D Pipeline, and will be seeing 10-12 product launches every year from now on.

•The Management acknowledges that the Pricing Pressure on Generics has eased out to much of an extent in the US markets.

•The management emphasizes the fact that their company has the benefit of complete infrastructure against their Peers from Asia in the US and UK Markets, with the manufacturing facilities in India as well as US and the UK, own marketing and distribution capabilities in those markets as well.

•Out of the 10-12 products to be launched every year, the OTC products will be 9-10 and 2-3 products from the Rx Category.

•The Teva Plant in Goa is being ramped up by Marksans Pharma. The productions have already started, and significant revenue will start pouring in from next year FY25. At peak the management expects it to generate INR 10-12 bn of revenue with next year expectation of INR 6 bn revenue from FY25 depending upon the Products baskets being produced.

•This year the company has already spent INR 1 bn on the Teva Plant, and will be spending another INR 1 bn next year as the Management believes the plant will take up next 2-3 years of their requirement.

•The Company has zero debts, and the Management intends to keep it that way.

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Marvel Decor Ltd
CMP: INR 90 | Market Cap: INR 1,534 Mn| View: Positive

Key Highlights

- Marvel Decors is into manufacturing window covering products like blinds and curtain tracks under the brands "Marvel" for India and "Callistus" for international markets.
- They have a manufacturing facility in Jamnagar, Gujarat with a capacity to produce 16 types of blinds and 10 operating systems.
- They have a strong presence in India with 245+ cities, 400+ channel partners, and 200+ galleries/displays. Internationally, they are present in 15+ countries with 400+ partners and 150+ galleries.
- Key strategies include targeting interior designers, architects, building integrators, and launching new products like curtain tracks and motors.
- They have executed prestigious projects like the new Parliament House and received approvals for the Vice President's House and PMO.
- Marvel Decors claims to have the world's largest range of window covering products, which is their core strength along with innovation capabilities.
- They manufacture blind components like molding and powder coating in-house, while sourcing fabrics from over 25 vendors based on their R&D approvals.
- Their products focus on features like sun control, light control, privacy, child/pet safety, and home automation integration.
- They have executed orders for prestigious clients like Reliance, ICICI Bank, Indian Oil, Adani, Fortis, L&T among others.
- The global window coverings market size is estimated at $38.9 Bn growing at 5.6% CAGR.
- The company sees a massive opportunity in India where only 4% of households use blinds, compared to 55-95% in the US and Europe. They're focusing on increasing blinds' penetration over curtains to seize this untapped market potential.
- The company is expanding into GCC countries (Saudi Arabia, Oman, Qatar, Kuwait) and globally, adding more channel partners.
- EBITDA margins have come down from 25% earlier to 6-7% currently due to branding/marketing expenses.
- Their key focus areas include building an international brand, ensuring global presence, maintaining quality, and research & development.

Outlook: The company is aiming for 40% CAGR growth in the next 5-10 years by expanding domestic footprint, focusing on projects, scaling international business, and expanding product basket. The management plans to improve EBITDA margins by 1% every year, aiming for 15% margins, and is confident about scaling up operations with better sales velocity and technological capabilities. They are open to raising funds of around INR 150 Mn in 3 years to support the growth plans, in addition to reinvesting profits.

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Max Estates

CMP 276 | Market Cap 41,978 Mn| Rating: Not Rated

Key Highlights:

The company have a well-diversified portfolio covering 8 million square feet in Delhi NCR. Approximately 4 to 4.5 million square feet is dedicated to commercial office space, while 3.5 million square feet is allocated for residential purposes.

Commercial Portfolio

•Within the commercial portfolio, around 1.5 to 2 million square feet is already delivered and operational. This includes Max Towers, Max Square, and Max House.

•The balance of approximately 2.6 to 2.7 million square feet is under construction. One project is situated in Noida on the Greater Noida Expressway, while the other in Gurgaon on the Gulf Coast Extension Road, spanning 1.6 million square feet.

•Construction for both of these assets is scheduled to commence, with all necessary approvals either already in place or expected to be secured by April.

•New York Life is an equity partner for both of these assets, with their commitment amounting to 49% of the equity. Both partner have acquired the land.

•The remaining expenditure for both projects over the next four to five years is approximately 10000 mn which will be primarily funded through construction finance.

•Company target upward of 20% IRR for commercial project.

•Max Square Two was acquired at a cost of nearly 2400 mn rupees and Max 65 has been acquired at a value of close to 3000 3300 mn, where both partners providing equity capital in a ratio of 51% and 49%.

Residential portfolio

•Estate 128, Spanning a prime 10 acre rectangular land parcel has been fully sold with booking values reaching INR 18000 -18500 mn.

•Next year company anticipates booking value of 22000 to 24000 mn. Aims to sustainably grow by 15-20%, with the goal of reaching annual booking value of 40000 to 45000 mnwithin five years.

•Another residential project is Gurugram with GDV of Rs. 3,2000 mn can see upside potential beyond that.

•IRR targets for residential projects are set at approximately 25%.

Guidance

•The top line for FY24 is projected to reach around 1250 mn, from lease rental income of operational assets and facility management income.

•With 4.5 million square feet, company anticipates to generate annual rental income in the range of 4000 to 5000mn.

Key highlights

•Antara Senior Living has entered into an agreement as a service provider to manage operations in the senior living sector for which they will receive a fee equivalent to 9.5% of the sales value.

•The company has chosen to focus on premium and luxury segments in both residential and commercial real estate.

•Company aims to acquire at least 2 million square feet annually to deliver 15% growth in booking value.

•It aspire to go beyond green certification and within the next five years, and targets for net-zero emissions.

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Meghmani Organics Ltd

CMP: INR 79 | Market Cap: INR 21,006 Mn| View: Positive driven by CAPEX

Key Highlights:

Meghmani Organics has two main verticals agrochemicals (contributing 80% revenue) and pigments (20% revenue). The company has 8 manufacturing facilities, 4 each for agrochemicals and pigments.

This year, the agrochemical and pigment sectors are facing challenges due to global economic slowdown, high channel inventory levels, and supply chain disruptions from the Ukraine war. This has impacted demand and pricing.

Last year, the company completed a capital expenditure of INR 4,000 Mn for a multipurpose plant. This plant began operations in the current quarter, and the company expects it to start contributing in FY25.

In the multipurpose plant, the company is developing a new generation of high-value products such as Beta Cyfluthrin and Spiromesifen. The company expects this plant to generate INR 5,000-6,000 Mn in revenue over the next 2-3 years.

The company has diversified into Titanium Dioxide white pigment business through Kilburn Chemicals Ltd. At 80% capacity utilization the company is targeting potential revenue INR 2,500-3,000 Mn at normalized pricing for Titanium Dioxide.

The company has set up a Nano Urea plant with INR 1,500 Mn capex under a subsidiary. The company is aiming to capture the growing domestic crop nutrition market with this plant. They expect potential revenue of INR 10,000 Mn at full capacity from this plant.

For the Nano Urea plant, the company expects to start with 25% capacity utilization initially as farmer adoption will be gradual, and then ramping up to full capacity over 2-3 years.

The company plans to increase its domestic market presence through the Titanium Dioxide and Nano Urea businesses.

The company has a strong balance sheet with low leverage and plans to be debt-free in the standalone business in the next 2 years.

Outlook: Meghmani Organics is facing challenges as a result of the global slowdown, which has an impact on demand and prices. However, the company is expanding into titanium dioxide pigments and nano urea fertilizers. The company expects Nano Urea margins to be between 15-20%. Titanium Dioxide, a commodity business, has margins ranging from 15 to 25%, but the company expects normalized margins to be between 15-17%.

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Menon Bearings Ltd

CMP: INR 112 | Market Cap: INR 6,588 Mn|Rating: Not Rated

Key Highlights

•This financial year there will be a de growth attributed to slow tractor industry and Japan recession with PBT of INR 330-350 mn.

•Company aims for 25% CAGR revenue growth for next 3 years, with 22-24% EBITDA Margin, 17-18% PBT and 16% PAT.

•Breakup of bearings uses: Tractors-35%, HCV/LCV-13-17%, Replacement-7-8%, Break 15%, Transmissionrest.

•Company has 6 plants, 4 are already there, 1 will start from this month (Lead free) and 1 will start from June which is an aluminum plant. All together they have 26 acres of land.

•Alkop – aluminum die casting, is not limited to only auto, these products can be used in many industries, unlike other industries. Revenue from this segment is expected to be ~INR 620 mn and is expected to be a ~INR 1,300 mn for FY26.

•Company expects China plus one campaigns to drive their growth and with the red sea issue, therefore Europe plus one is expected to play out as well.

•The Company's main focus will be on bearings, Alkop and breaks, but if they have surplus then they might use it for EV batteries, etc.

•Product mix as of now is 68% bi-metal products, 30% alkop, with negligible share of breaks. This is expected to be 30% aluminum, 60% bearings and 10% break.

•The Capex for 6th Plant is expected to complete by June end 2024.

•The Peers include: John-Deere, Tata Motors, Magna, Brakes India, Automotive Access, Cummins, etc.

•Their distributors are in Dubai, Nepal and Bangladesh.

•Of the revenue mix: 50-55% is OEM, 30% is Exports, 10-15% Menon Bhushan Wires.

•Federal Mogul and Bimetal Bearings, KSPG are the only competitors in bearings. (Rest Competition is all MNCs).

•The company does not makes Car Bearings, so EV advent is of no impact to them.

•They are the Leaders in Tractors space, and make Tata Motors 60%, Brakes India's 80% order for their categories of products.

•For Aluminium 65000 Sq ft capex, INR 300-320 mn.

•Capacity Utilization is at 70% on an average, and it peaks at 85-90% utilization.

•30% of incremental revenue will come from existing capacity and remaining incremental revenue to come from the Capex being done incl Brake-lining business.

•INR 190 mn of Orderbook already in pipeline (INR 200 mn of order for bearings per month).

•Management attributes the Pandemic for 2 years, and 1 Year for the Auto Slowdown out of last 7 years of Operations for revenue growth stagnation.

•Exports to remain 35-40% of the mix as the OEM volumes and demand also growing fast.

•Bearings is the highest margin business, after that Aluminium is 2nd highest margin wise.

•For FY25, Brakes will be INR 200 mn. For Brakes business, they go for After Markets, State Transport and also have applied for Railway Vendorization.

•Bearings Export Orders coming from USA, South Africa, and Japan. AlKOP from USA, UK, South Korea, etc.

•After Market Size of Bearings Exports markets is of the size of INR 60 bn.

•75 tonnes of per month capacity for Good / Machine Casting.

•80% of bearing goes towards Engines while Cummins is 7-8% of their revenue.

•In Aluminium, Company will grow by 45% for next 2 years, and thereafter 20% growth for next 2 years.

•Bearing is expected to grow 15-16% YoY. Braking line is expected to grow by 50% YoY.

•Exports require 3 month for cash/receipt realization, so Inventory is required. Hence, 90 days of cash Cycle is required.

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MMP Industries Ltd

CMP: INR 255 | Market cap: INR 6,621 Mn| Rating: Not Rated

Revenue
Revenue is expected around INR 5.8bn in FY24E and INR 7bn in FY25E.
Margins
EBITDA margin is expected around 10% going forward.
Powder margin is around 13% to 15%, Conductor margins is around 9%-10% and Foil margins are negative.
Capex
Powder division capex is expected around INR 200mn which will bring additional revenue of INR 400mn to INR 500mn.
Revenue mix
The revenue breakup is Aluminum Powder – 70%, Foils – 18%-20%, Conductor – 12-14% and remaining from others.
In aluminum powders, explosives stood at 34%-35%, AC black powder stood at 32%, and the remaining from others.
Capacity utilization
Powder capacity utilization is almost 100%. The company ordered machines which are expected to be added in Apr and expected to be operational in Q1FY25E.
Foil capacity utilization is around 50%.
Aluminum powder
Aluminum powder revenue is expected to be more than INR 3.8bn in FY24E.
Aluminium powder is used in concrete explosives etc.
Atomized powder is used as a downstream process like space applications. Some of the orders are expected from ISRO.
Conductors
Aluminum conductors witnessed strong demand in the last 6 months. The end users are contractors, discoms, transmission, and turnkey projects. The company works with limited qtys and cash and carry model.
Foil
The company started the foil business in 2021 and majorly supplies pharma companies.
Anti-dumping duty removed and is expected to be back which will be beneficial for aluminum foil going forward.
Foil is expected to be breakeven in FY25E.
Working capital days
Powder working capital days are around 90 days and Conductor working capital days are less than 90 days.
Market share
AAC powder market share is around 70% and the market leader in explosives. Most of the procuring companies are located in Nagpur.
Volume growth
Powder volume growth is expected 15%-18% YoY, Conductors more than 30% YoY, and Foils 25%-28% YoY going forward.
Cost of debt
The cost of debt is around 8.75% to 9%.

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Moneyboxx Finance Ltd

CMP: INR 255 | Market Cap: INR 7,843 Mn| View: Positive

Key highlights

They have seen strong growth in their AUM with an expectation to reach AUM of INR 50,000-60,000 Mn in 4-5 years with ROEs of around 20%.

65% of their portfolio is in dairy segment, 10% comes from the Kirana (grocery) segment. Overall, 75% of the portfolio is focused on non-discretionary, essential sectors such as food and FMCG.

Apart from dairy and grocery, the portfolio includes segments like trading (17-18%), manufacturing and services (around 3%)Their focus is on lending to essentials/non-discretionary sectors.

They have built strong team with experience of working in large names like Poonawala, Tata Capital etc.

They plan to expand aggressively from 100 branches currently to 160 branches by end of FY25 across more states. Their portfolio is well diversified across 8 states currently.

The target AUM for a mature branch is around INR 200-250 Mn with current older branches achieving PBT margins of 10-12%. The company aims to limit the portfolio exposure in any single state to no more than 10% and no branch holds more than 1% of the overall portfolio.

They are increasing the secured loan portfolio mix from 23% currently to target 40% by next year to reduce risk. It has 25% yield on secured portfolio.

The company has opex ratio to average AUM has decreased from 25% in FY21 to to 15 percent in FY23 . They expect the ratio to be 13.5% in FY24.

The company has current cost of borrowing (9MFY24) is around 14.7% which they see scope to reduce going forward.

Outlook: The company and plans to increase its secured loan portfolio to 40% by next year. Share of secured business would increase from here. The company has raised equity capital of INR 1,730 Mn through five private placement rounds and plans to raise an additional INR 1,000-1,500 Mn in H1FY24. Cost of incremental borrowing can fall further by 300 bps going forward. The company see NIM expansion further in medium term & profitability can increase further due to operating leverage. Current capital can lead to INR 12,000-14,000 Mn AUM however company may raise money in H1FY25.

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Motilal Oswal Financial Services Ltd
CMP: INR 1,667 | Market Cap: INR 2,60,442 Mn| View: Positive

Opinion: We are Positive on the Group and their diversification Strategies and Initiatives as well. We believe in the coming 5-7 years, the AMC business and Housing Finance business will themselves be generating enough Profits to compete with other industry players.

Guidance:
•The Company started the year with AUM of INR 450 bn, while currently, the AUM stands at INR 700 bn, and they expect it to cross INR 1 trillion by next year due to increasing fund flows in the AMC business.
•The Company is focussed on servicing and addition of HNI clients, which forms 80% of their revenue from the broking business, and newer focus on Family Office businesses is getting stronger.

Key Highlights:
•The Management says that the demat account opening by new investors in the Securities markets is continuing to grow between 35-40% even currently, thereby emboldening their trust on the Stock Market returns.
•The Company cross sales their Products to their 4 million retail customer base taking up the Distribution assets to the tune of INR 260 bn.
•The Non-broking revenues stood at 40% of their revenues, along with a Net Worth of INR 83 bn, unlike any other player in the Securities markets in India.
•The company started the year with AUM of INR 450 bn, while currently, the AUM stands at INR 700 bn, and they expect it to cross INR 1 trillion by next year due to increasing fund flows in the AMC business.
•In the AMC business, they had launched INR 45 bn fund 3 years back, and in FY25, they are going to launch a billion dollar fund. Typically, they have been able to maintain an IRR of 20% plus in all their funds.
•The Company is sitting on INR 70 bn of Private Equity funds.
•They have launched a INR 20 bn fund out of which they have closed the first fund at INR 12.5 bn of commitment.
•In the Domestic Wealth business, the company is the 6th largest player, and is investing heavily with the induction of more RMs.
•They currently have 260 RMs and are adding more aggressively. Along with the Wealth division, they are also focussing on the HNI Family Offices businesses as well.
•The Housing Finance arm is growing the Housing Finance Portfolio at a rate of 23-24% YoY growth rate, against industry growth rates of 13-14%.
•The Housing Finance business has an AUM of INR 40 bn currently, and the Management is expecting healthy growth in the next couple of years as they have increased the number of RMs in the Housing arm from 450 to 900 currently, taking up the FY24 disbursements close to INR 9.5-10 bn for full year. The Management expects the disbursements to rise by INR 17-20 bn in FY25.
•The NIMs for the business stood at 7.7%, with the spread at 6%.
•For the growth of the housing Finance business, the Management sees a lot of opportunities in the Southern states and Rajasthan, and hence, they have entered in all those geographies.
•The Book yield stood at 14.2% for the Affordable Housing Finance business, with the Cost of Funds at 8.3%, giving a spread of 5.9%.
•The Company maintains a dividend distribution Policy of 28-30% annually.
•The Company has recently raised INR 10 bn of NCDs through Public Issue. The Company requires large sum of liquidity for their Institutional Broking business, and hence, will keep on raising long term Public debt money for such liquidity requirements.
•The Company is sitting on INR 28 bn of Unrealized Gains which is not considered in the Net Worth of INR 80 bn.
•The Net leverage stood at 1.2x (times).

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Muthoot Microfin Ltd.
CMP: INR 200 | Market Cap: INR 35,906 Mn | View: Positive

Opinion: Muthoot Microfin is one of the most stable Microfinance company which grew fast but valuations have been under shadowed by the Portfolio concentration in the 2 states of Kerala and Tamil Nadu. We believe the growth will however normalize in the medium term, and could be seen at still lower valuations.

Guidance:
•The Management intends to achieve Average Portfolio per branch to INR 85-90 mn by next year FY25 against INR 81 mn currently.
•The Management expects to end the year at Credit Cost levels between 1.5-1.7% for FY24 and in the similar range in the next year FY25.

Key Highlights:
•The Management states that the company started as a small business unit under Muthoot Fincorp Ltd.
•The Management acknowledges that whenever the NBFC has faced challenges, they have raised capital to overcome the issue, and have been successful in raising capital as well.
•The Company is seeing vast opportunities as the Group is present in every segment of Financial Products for customers, and hence, maintains relations with their customers through any of the financial products asset relation.
•The Portfolio is diversified disproportionately with majority 52% of the Loan Portfolio from Southern states of India, 23% from the Northern states of India, East at 14% and West at 12%.
•The company is trying to diversify pan India while making sure that their market leadership is maintained in the Southern States, like in Kerala and Tamil Nadu, they are the largest MFI player, 5th largest in Karnataka, so and so.
•The MFI unlike any other Peers in the Microfinance business, maintains a Credit Underwriting Officer in every branch, who is not incentivised for business he does, instead is on a Bonus basis, which is dependent on the Portfolio Quality of the branch and audit rating of the branch.
•The company has around INR 114.52 bn of AUM currently.
•The company has been growing at 38% YoY along with branch increase by 30% You as well.
•The Overall Cost of Borrowing stood at 11.21% against incremental Cost of Borrowings at 10.41%, much cheaper than overall costs.
•The Management says they believe they have just passed the peak of Cost of Funds, and that going ahead the Cost of Funds is going to come down, which will help them, improve their margins apart from slightly passed on to the customers.
•The Management does not sees any negative event in the near to medium term for Muthoot Microfin have to be concerned.
•Around 70% of the branches of the company are in Monthly collection mode and the other 30% branches in weekly collection mode.

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Netweb Technologies India Ltd

CMP INR 1,608 |Market Cap INR 95,146 Mn| View: Positive driven by rapid order execution

•Strategic partnerships with Intel, AMD, and Nvidia.
•Proactive approach to accessing technology roadmaps ensures alignment with emerging industry trends.
•Strong commitment to Make in India policy enhances regulatory compliance and national initiatives.
•Active participation in government-led initiatives like Hardware PLI and Telecom/Networking PLI underscores dedication to native manufacturing.
•Extensive expertise in supercomputing solutions, with a significant installation base across government and academic sectors.
•Strategic collaboration with Nvidia for GPU optimization, particularly in AI applications, highlights commitment to cutting-edge technologies.
•Overall trajectory reflects a blend of innovation, resilience, and strategic foresight, positioning the company for sustained growth and relevance in the technology landscape.
•Collaboration with Nvidia for designing and manufacturing Grace Hopper-based servers, contributing to the vision of "AI for all."
•Diversification into six key verticals: 1) supercomputing, 2) private cloud, 3) hyper-converged infrastructure, 4) AI systems, 5) high-performance storage, and 6) data center services/software.
•Supercomputing, contributing 36% of business, with a focus on end-to-end deployment and optimization for various sectors.
•Leadership in private cloud and hyper-converged infrastructure, with deployments in major enterprises like Infosys, contributing 38% of business.
•Growth potential in AI systems segment, leveraging deep expertise in GPU optimization, currently accounting for 10% of business.
•Offerings include Tyron cluster management suite for HPC, stylus private cloud and HCI appliance, Tyron cubits for AI workstations, and high-performance storage solutions like Tyroneverta and Collectivo.
•Continued focus on expanding data center services/software segment, with notable deployments in telcos and oil/gas sectors, poised for significant growth in the near future.
•Decent revenue growth from repeat customers of 80-90% and steady addition of new clients CAGR of 11%. Operating income growth at a CAGR of 77% over three years, with gross margins of 25-26% and operating EBITDA margins of 13-14%. ROE of 32% and ROCE of 25% for the 9MFY24.
•Complex manufacturing with 18 to 24-layer server motherboards, despite initial IPO plans for a second facility by 2025, driven by rising demand from data centres and emerging technologies from Nvidia, Intel, AMD, etc.
•Accelerated setup of new manufacturing facility due to rising AI adoption, now expected to be operational within weeks, targeting both Indian and international markets. Focus on developing support infrastructure in other regions to facilitate international expansion, with plans to enter Europe and the Middle East initially.
•Development and launch of networking switches to address a previously missing segment, with models based on ten gig and 25 gig interconnects.
•TCM middleware optimizes HPC software on infrastructure; cluster suit needed for HPC management; IPO focused on talent acquisition for growth.
•Capacity utilization not monitored due to focus on capability enhancement.
•Revenue balance between government and enterprise sectors, both equally important.
•Active bids fuel pipeline growth, facilitating quick order churn.
•Cross-selling opportunities exist, especially in cloud-based HPC solutions.
•Outlook: Margins of 10-11% attributed to high-tech offerings; anticipate margin expansion alongside top-line growth. Order book stands at INR 6000 Mn, supported by rapid order execution. Targeting revenue growth at 35-40% CAGR, aiming for INR 15000 Mn in three years.

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Network People Services Technologies Ltd
CMP: INR 1,139 | Mcap: INR 22,585 Mn| Rating: Not Rated

Outlook: The potential for growth is significant, with the company handling a mere 0.2% of transaction volumes in APIs and around 5-7% in TSP. While competition exists, the company's early mover advantage and understanding of regulatory requirements give it a strong position.

Key highlights
• Founded in 2013 with a focus on digital payment solutions.
• Core objective is to serve as a processing engine for banks and fintech firms.
• Aims to provide technology across the financial value chain, from regulators to banks to customers.
• Bridges the gap between central switches like NPCI and banks.
• Provides platforms for transaction processing, dispute resolution, and merchant solutions.
• Expanded to connect banks with fintech firms, enabling access to bank services like UPI APIs.
• Revenue models include software as a service (SaaS) and licensing fees.
• Income generated based on transaction volume and development fees.
• Evolving towards connecting fintech directly with customers, but not yet incorporated into current business model.
• The company is eyeing expansion into customer-facing services, aiming to complete the entire digital payment value chain. This phase is still evolving, with a separate subsidiary established to explore this opportunity.
• The company sees opportunities not only in India but also globally, especially as India expands its digital payment initiatives internationally. However, the focus for now remains on scaling operations domestically.
• Emphasis is placed on innovation and hiring top talent to handle disruption in the industry. The focus for the next fiscal year is on building leaders within the organization, either from within or through external recruitment.
• Currently, ~70% of revenue comes from technology platforms for fintech, while 30% comes from platforms for banks. This ratio fluctuates slightly due to differences in billing cycles.
• The company plans to observe and expand its new app, Timepay, after achieving the milestone of 1 million transactions. They aim to link fintech companies with customers and focus on acquiring a customer base while continually improving their platform to remain competitive.

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Nuvoco Vistas Corporation Ltd

CMP: INR 306 | Market Cap: INR 1,13,754 Mn|TP: INR 444| Rating: Buy

Key highlights

- Company is the 5th largest cement group in India and the most dominant in East India. It has a capacity of 25mn metric ton per annum. They have 11 plants of which 3 are in Chhattisgarh, 2 in Rajasthan and the rest are in West Bengal, Jharkand, Odisha and Haryana.
- Company distinguishes itself by focusing on Trade segment of business and premium category of its products. The company sees great opportunity due to infra boom along with government support.
- Company is looking to reach debt levels of 40000mn by Q1FY25. Currently as of December end, the debt sits at 45330mn. Company aims to reduce debt before announcing any new expansion.
- The company can increase its capacity to 28.5mn tons by FY26 and 31-32mn tons by FY30.
- Company is undertaking various cost efficiency projects wherein objective is to reduce costs wherever possible. One such program of the company is called 'Bridge'. Efforts are being taken to reduce power and fuel cost, reduce loss during transit and makes sales through direct orders. They also aim to increase AFR usage from 14% to global level of 20%. Company has fly ash availability from thermal plants nearby.
- The company going forward will be adding capacity on organic growth basis and have 3 options open to itself1. Chittorgarhcompany can add 2.5mn tons of clinker capacity. 2. Northern belt of Karnatakacompany can add 3.5mn tons of grinding unit. 3. Company can go for brownfield expansion in East India.
- Company is experiency robust growth from North India, while the demand from East has been subdued due to variety of reasons one of it being the upcoming general elections.
- Company gets 37% of its revenue from its Premium segment which is expecting to grow to 40% by next year. This helps in net realisation for the company. Company is currently undertaking marketing campaign to increase its brand equity. Productivity Improvement Program is also being undertaken.
- Company has 2 ongoing railway sidings projects. Company has 1.6bn tons of limestone reserves and a long term contract with Tata Steel for Slag. They have 150MW captive power plant and 5.3MW of solar power plant. Carbon emissions are at one of the lowest levels in the Industry.
- Some of the demand drivers are 3600km road to be constructed in East India and under PMAY scheme 30L houses are to be built in East India.
- EBITDA per ton was Rs 1040 which has been the highest in the last 10 qtrs. Company wants to maintain this level conservatively and this may inch upto 1100-1200 also. The target Net Debt/Equity is 2.5/2.6. Raw material ton per cost was 624.
- The company focuses on trade segments since it is more attractive as the prices are high and premium products are sold.

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Om Infra Ltd
CMP INR 127 | Market Cap INR 12,775 Mn|View: Positive

Key highlights:

•Om Infra works in the infrastructure business in EPC segment manufacturing hydro mechanical equipment, hydropower developments and Real Estate.

•The barrage and hydro power projects business saw significant growth post 2017 and enjoys monopoly in this segment.

•The company is in line to achieve INR 10000mn revenue in FY24 with 12% EBITDA margins and 5-6% PAT margin.

•The real estate business is mostly spread in Rajasthan (Kota and Jaipur) and holds land bank in Mumbai (Bandra), slated to be bid by DB Realty. The company expects to get 17.5% stake in the project.

•Current order book is at INR 25000mn and has 2-3 years execution period. Expect to generate 12% EBITDA margins from this.

•The inventory at Kota and Jaipur is moving slowly. In Q4, 5-6 flats were sold in Kota while only 2 were sold in Jaipur. They expect to sell out all inventory in 1-2 years.

•The company expects to receive INR 300-400mn from flat sale deed in FY24, INR 1000mn in FY25 and INR 2000mn in FY26.

•One of the promoters had donated 30 lakhs shares of the company to a trust called Om Foundation. Out of those, 25 lakhs shares have been sold to Vijay Kedia, an investor while the balance shares remain with the trust.

•The Bandra project is expected to be completed in 5-6 years. FSI Premium will be shared between DB Realty and the company. The company anticipates to sell 22 lakhs sqft in phase one and expects INR 50000/sqft realisations.

•The company is currently planning to bid for PSP projects and will start bidding for new hydro project in June 2024.

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Orient Bell Ltd

CMP: INR 347 | Market Cap: INR 5,160 Mn | Target Price: INR 579

Outlook: We maintain our long term positive outlook on the company. We assign BUY rating to the stock and arrive at target price of INR 579 (25x FY26EEPS). At CMP, company trades 13.6x FY26EEPS and 6.8x FY26E EV/EBITDA. We believe the current performance is at an inflection points and that the company will deliver strong numbers from hereon.

Key highlights

•About 70% of total volume sales comes from Own manufacturing.
•There a lot of products like Slabs that OBL does not manufacture itself and has no other option other than outsourcing them.
•The company hardly does any exports but are now considering to increase exports revenue as it will aid in growth. Margins in the export business are comparatively lower.
•South and West region, which are still untapped by OBL, will be serviced by the Dora plant and Trading. OBL has also adapted aggressive marketing strategies particularly targeting these regions with new TVC.
•Distribution network of the company grew significantly in 2021-22 but has been slow since.
•Dora plant is now capable of producing 100% GVT, the most demanded product in the market.
•A JV partner of OBL is also increasing its manufacturing capacity.
•Even though the profitability is going down, OBL has been improving its FCF generation YoY.
•Project sales are about 20-25% of the revenue.
•Virtual showrooms are also helping the business to reach out to larger customer base.
•All boutiques of the company are franchise owned.

Industry outlook

•The management believes the industry is on the verge of revival as the related sectors like Real Estate are picking up and Tiles being the last leg of requirement, demand will eventually pick up.
•Tiles is also being used as substitute and is now being used on walls, floors.
•The domestic market is facing liquidity pressure due to excess inventory.
•Pricing has not seen any changes in the last six months.
•Competition coming in from small players in Morbi has become aggressive.
•Consolidation and mergers are expected in the industry especially between the small players in Morbi market and also acquisitions from big players.
•The customers are slowly shifting to GVT and slabs and this effect can be seen in their demand.

Future Outlook

•The management believes there is significant headroom for growth in the coming years.
•The business is expected to see gradual growth from hereon with FY25 expected to be much better. Demand is expected to pick up within the next six months.
•Increasing capacity utilisation and improving efficiency will increase margins.
•Focus will be on branding and marketing. For the last two quarters, the marketing spend has been around 7% and the management believes that going forward, OBL will be aggressive in its approach and will spend around 3.5-5% on branding every year.
•Focus on B2C segment will increase retail sales.
•8-12% is the benchmark for margins in the Tiles industry and OBL comfortably achieves these margins.
•OBL is open to M&A and inorganic growth and believe it will pave the way for future growth. They intend to have some plants (owned or JV) in Morbi.
•No plans for increasing prices.

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P.E. Analytics Ltd

CMP: INR 288 | Market Cap: INR 3,040 Mn|View: Positive

Key highlights

P E Analytics Ltd is real estate data analytics firm tracking over 1,50,000 projects of 50,000 developers across 44 cities.

The company has three main verticals currently: Subscription-based model, Research & Consulting, and Valuations.

The company has data of real estate trends of over 15 years and has invested INR 1,000 Mn in capturing price movements, sales trends and construction status of projects every month.

The company adds over 500 new projects to its database every month which is spread out across residential, commercial and retail asset classes.

The company has 200+ clients and over 83% client retention rate in its annuity business and subscription business.

The company is launching three new verticals this year: Developer Management business (JV with Forbes Global Properties), social media (launched real estate YouTube channel), and Project Monitoring (for consumers buying under-construction properties).

The Market size of Project Monitoring is expected to be around INR 23,000 Mn and the company is targeting to capture 5% market share in next 2-3 Years.

The company is focusing on asset-light, innovative and high-profitability business models with limited capital requirements.

The company has collaborations with institutes like Wharton, IIM Bangalore, Imperial College for knowledge sharing.

The company valuation business PropEdge is growing at 100% YoY and targets INR 300 Mn revenue in FY25.

The company has plans to monetize its subscriber base on social media channels through brand affiliations, education courses and lead generation services in the future.

The company's margins have declined as it reinvests profits into launching new verticals like valuations and YouTube channels, but aims to improve profitability as this scales up.

The company plans to migrate to the Main Board from the SME segment by April 2025 after completing the 3-year listing period.

Outlook: The company expects INR 4,000-5,000 Mn in top line and INR 1,000-2,000 Mn in profits if the Project Monitoring and Development Asset Management Business takes off. After achieving proper scale in the valuation business the company expects to reach steady state EBITDA Margin of 30-35% in that vertical.

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Parag Milk Foods Ltd
CMP: INR 208 | Market cap: INR 25,469 Mn | TP: INR 450

Key Highlights

- Change in rhetoric visible from VAP to health and nutrition.
- Avvtar is making strides +62% YoY on a high base of last year and is the only whey protein brand manufactured in India, in a market with significant stickiness.
- Milk prices have seen significant softening over the past 3 qtrs.
- In FY24 they have processed 17 LLPD vs 14 last year.
- GM expansion over the past year can be attributed to softening milk prices and improving product mix.
- Continuous expenditure on brand building and marketing is underway.
- They recently entered Vadodara with pride of cows.
- Avatars branding activity through influencers and at expos remains headstrong.
- Milk prices have stabilized in Q4 after Diwali, but have not decreased further, stabilizing at INR 32-33 per liter.
- BCG was appointed 3-4 months ago and is helping cost optimization and efficiency, with benefits showing from the end of Q1FY25.
- Revenue growth guided over the next 4-5 years is to become an INR 100000mn company, with 25-30% growth in key categories.
- They aim to reach 1.5mn outlets by 2027 vs the current 5 lahks with a blend of organic and inorganic growth. An INR 5000-6000mn investment capex will be done through internal accruals. WC will be maintained at the same level but the no. days will come down to 45. WC accretion will be 2.5-3x of revenue. They are targeting a mid-teen margin in the next 4-5 years.
- Normalized tax rates will come to fruition until the end of next year as they still have accumulated losses, after which taxes will be ~25%.
- WC though elevated (because of cheese that needs to be aged), is coming lower by the day. Inventory levels are now lower than pre covid.
- The next flush season this upcoming summer is expected to be promising.

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PDS Ltd

CMP: INR 473| Mcap: INR 64,745 Mn| TTM EPS: INR 11.8

Key Highlights:

- The manufacturing business is 6-8% of the top line.
- Designing business (for apparel) has clients like Primark, Tesco, etc, and contributed to 87-88% of the business.
- Sourcing as a service (SAAS) is 2 years old and has 5 clients, operating on a cost + model (an additional 1-2%), and is largely bottom-line accretive
- Brand management business has a bottom line of 4-5% and is accretive.
- Walmart has been a client for 3 years and is not a big business (only USD 50mn).
- Expect double-digit growth despite single-digit growth in the apparel industry, as the company enters new product segments and services geared toward deepening wallet share
- Saas is 1% sales and will go to 4-4.5% (target USD 2.5bn business)
- Wholesale businessproduct licenseidentify retailers, design, develop, and sell it to them. It has a GM of 30-35% with an EBITDA in mid-high single digits after royalty
- Ted Baker acquisition: they took on a 100-employee team to create merchandise for all global operations by buying merchandise, designing, and working the factories for which they take a service fee
- Target Revenue split in 4-5 years: 75% of revenues come from design-led sourcing, brands management 15% (PBT 5-7%), manufacturing 6-8% (PBT 4), and the rest from rest from SAAS 4-5% (PBT 25%).
- New business vehicles came into effect this year which were high opex businesses which led to a dip in margins.
- QIP for the new business verticals still has a long time to go as they are waiting for more consistency in markets.

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Pearl Global Industries Ltd

CMP: INR 540 | Market cap: INR 24,206 Mn| TTM EPS: INR 40.5|View: Positive

Key Highlights

- Top 5 customers contribute to over 60% of revenues. Bangladesh unit has the largest capacity.
- Bangladesh's market produces basic items shipped to Europe and the UK and gets FTA benefits that India is trying for.
- Vietnam market produces outer and athletic wear for up-market brands. The workers here are skilled and more expensive.
- Indonesia market produces for premium brands and boutique customers constituting outerwear, technical garments, and dresses with fine fabrics-
- Central America/Guatemala has US duty-free access with the advantage of lower transit time
- Top-line growth momentum will be maintained at 15-20% for the next 4 years.
- Margins have expanded from 4-5% to now 8-10%. We expect 2-digit margins in the coming quarters
- Capital allocation policy emphasizes a ROCE priority, currently maintained at a stable 22-25%
- d/e healthy and coverage ratios good which has led to credit rating improving.
- The company has enough utility to support WC over the next few FYs,
- Dividend will be paid25%
- The current cash flow conversion cycle is 45-50 days, an improvement over 75-80 days.
- Cost of production in USD: Vietnam USD 300-500, Guatemala >USD 400, China >USD 600
- Good demand was evident from the US post-pandemic, which turned muted due to an inventory build-up. Retailers usually dispose of inventories, but this time they saved it for next yearwhich resulted in them buying 30-35% less.
- Central America is the nearshore market for the US, and the Mediterranean market is for Europe. About 30% of sales come from nearshore markets.

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Prataap Snacks Ltd
CMP INR 912 | Market Cap INR 22,349 Mn|TP: INR 1268 |Rating: Buy

Guidance: The company aims to achieve double-digit EBITDA margins of ~10% by leveraging operating efficiencies. Despite facing challenges in meeting previous guidance due to operating deleverage this year EBITDA margin will be at 9.5%, it remains confident in reaching its target within the next one or two quarters.

J&K facility will bolster market presence and streamline distribution:
• The company has established a new manufacturing facility in the J&K region to address supply challenges and expand into weaker markets.
• Specifically targeting J&K, Himachal Pradesh, and Punjab, the facility aims to enhance market presence and streamline distribution in these regions.
• While some production may be shifted from existing facilities to Jammu, significant changes in outsourcing are not anticipated.
• The operational J&K facility is expected to optimize logistics and distribution networks, facilitating growth in the targeted markets.

Key Highlights

• The company currently has a retail reach of approximately 22 lakh outlets, with direct reach estimated at around 8 to 8.5 lakh retail outlets and rest wholesale channel.
• The industry is facing challenges, especially in impulse purchases targeting lower-income groups, with negative growth observed in categories like potato chips.
• The company is focusing on the namkeen category, which allows for both impulse and home consumption, aiming for growth of over 20% and expanding its reach to drive revenue growth.
• The company aims to exceed industry growth by increasing the share of five-rupee namkeen and migrating to larger pack sizes for home consumption.
• The company has seen an increase in contract labor expenses due to regrouping of sales force costs from distributor reimbursement to third-party payroll. Job work charges have also risen, reflecting outsourced manufacturing costs.
• The percentage of manufacturing outsourced has increased over the past five years, reaching about 25-30%. While new facilities may lead to some reduction in outsourcing.
• Freight costs as a percentage of sales are lower for Namkeen compared to other categories, with Namkeen averaging around 4.5% to 5% and non-Namkeen products at 8.25% to 8.5%.
• The company prefers full truckload orders from distributors but can accommodate half-truck orders if necessary, with a focus on maintaining efficient distribution.
• The distributor-retailer margin for a five-rupee product is approximately 80 paisa for the distributor and 1 rupee for the retailer.
• Logistics costs decreased due to more manufacturing facilities from 8% of revenue to 7.5%, with further reduction expected by optimizing market-to-factory mapping for efficient distribution.
• Capacity utilization currently at 60%, expected to decrease with new facilities coming online and aim is to increase utilization to 70% in the next 2-3 years, primarily achievable through higher revenue.
• Focus markets include UP, Bihar, Punjab, Himachal, and South India for sales growth. Emphasis on expanding presence in the northeastern market with Assam as a strong foothold.
• In the Rs5 price point segment, balancing offerings between rs5 and higher price points while focusing on increasing sales of Namkeen at larger price points.
• Working capital cycle is sustainable at current levels, with potential for slight reduction in inventory days through optimization of SKUs and inventory levels.
• The asset turns for extruded snacks is around five to six times, indicating efficiency in capital investment.

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Punjab Chemicals Ltd

CMP: INR 993 | Market Cap: INR 12,313 Mn|Positive with turnaround story

Key Highlights:

- The company specializes in various chemistries within the agrochemicals and specialty chemicals sectors. In agrochemicals, the company is into chemistries like chlorination, bromination, Friedel-Crafts, and benzylation. For specialty chemicals or performance chemicals, the company is into chemistries like halogenation, esterification, cyanation and nitration processes.
- In last 3-4 years, the company has nearly doubled its top line and its EBITDA margin, which were previously in single digits, are now in range of 13 to 15%.
- The company has focused on infrastructure upgrades, manpower enhancement, and technology improvements leading to a turnaround in financial performance.
- The company's capacity utilization for 9MFY24 was around 70% for the agrochemicals division, 49-50% for performance chemicals division, and over 90% for the industrial chemicals division in Pune.
- The company expects its new molecules to start by making up 3 to 4% of its total sales. As these new molecules become available and its current ones become more mature, the company expects them to contribute a lot more. Within the next three to four years, the company expects these molecules to make up 20-25% of the company's total sales.
- The company plans to incur a capex of around INR 1,250-1,500 Mn over the next two years for setting up new manufacturing blocks and potentially acquiring a new site.
- The company has a strong product pipeline of around 15 new molecules, with 5-6 expected to be commercialized in FY25, targeting niche markets with limited competition.
- Going forward the company expects to add 2-3 new molecules very year in Agrochemicals and Speciality Chemicals both.
- The targeted market size for the new molecules is around INR 8,000 -10,000 Mn.
- The company is exploring opportunities for tech transfers or tie-ups with MNCs for products going off-patent or new molecules under development.
- The company is open to both brownfield expansions and greenfield projects for capacity additions, depending on the opportunities available.
- The company aims to strengthen its presence in the European and LATAM markets while establishing a foothold in the US and Japanese markets.
- The company is expecting a turnaround in FY25, driven by new molecule launches and improved demand scenario in the agrochemicals sector.

Outlook: Over the next three years, the company expects new molecules to generate an additional INR 1,650 Mn to INR 2,400 Mn in revenues. Furthermore, the company intends to increase its EBITDA margin to around 18% from the current 13-15% in the next 3-4 years. Going forward, the company is confident in delivering an average top-line growth of 15-18% from the existing molecules, with the possibility of higher growth through inorganic opportunities.

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Pyramid Technoplast Ltd
CMP INR 145 | Market Cap INR 5,337 Mn | View: Neutral

Key Highlights

•The company is into manufacturing Metal, IBC and Polymer drums.

•The focus of the company will remain on IBC drums as its demand is growing and generate better margins.

•The company has 7 manufacturing units as of now. They are developing a new unit near unit 7 and adding capacity at unit 6. They are also adding a new unit in Wada, Maharashtra.

•The business does not have significant presence in South thus they will look for opportunities to set up unit there.

•The new Wada unit will enable the company to cater demand from multiple locations in the country.

•The company has infrastructure ready to adapt to new value added products.

•The company can close FY24 at INR 5500mn revenue.

•The management expects Revenue generation of INR 6500 to 7000mn in FY25 with EBITDA margin of 12%, increasing from current 9%.

•The management is positive of achieving INR 10000mn revenue in the next 3-4 years. The target can be achieved with the current capacity as they have enough units and will only need to add new machinery as demand increases.

•The company produces IBC drums at 69% capacity utilisation while Metal drums at 80% capacity utilisation (peak optimisation).

•There has been volume growth of about 19-20% but due to low prices the value growth has only been about 11-12%.

•Capex planned for the next 2 years is about INR 800mn.

•Metal and Polymer drums have 8-10% margins while IBC have 15% margins.

•The unorganised players have about 50% share in metal and plastic drums market. Thus, the company has recently acquired 2 players and will actively look for opportunities going forward.

•Top customer of the company only contributes 5% to the revenue which show the business is not dependent on few customers. Once they onboard a client, about 70-80% of their total demand of drums is fulfilled by the company.

Quess Corp Ltd – Bharat Connect Conference KTAs
CMP: INR 520 | Market Cap: INR 77,336 Mn| View: TP: INR 775|Rating: Buy

Key Highlights:

•Quess Corp operates under four platforms namely Workforce Management, Integrated Asset Maintenance, Global Technology Solutions and Product-led Business.

•Workforce Management platform includes general staffing and professional staffing in India and international markets. It contributes revenue of around INR 1,30,000 Mn and has grown at a CAGR of 22%.

•Integrated Asset Maintenance platform contributes around INR 30,000 Mn and has grown at a CAGR of 18-20% whereas the Global Technology Solutions platform contributes revenue of INR 24,000 Mn and has grown at a CAGR of 19%.

•The company is focused on Product-led Business on their job portal platform "Foundit". Foundit has seen good traction with 21.6 Mn active users in the last 6 months, 22 Mn monthly traffic, and 5.5 million paid profiles.

•The burn rate for Foundit is expected to reduce from INR 900 Mn in FY23 to INR 550-600 Mn in FY24.

•The company plans to dilute its stake in FoundIt over time, as the business scales up and becomes profitable.

•Attrition rate in the staffing business varies from 2% to 9% depending on the sector. On a blended average basis, the company loses about 4% of its population every month.

•The company has proposed a demerger into three listed entities: Quess Corp (Workforce Management), DigiTide Solutions (Global Technology Solutions), and Blue Spring Enterprises (Integrated Asset Maintenance and Product-led Business).

•Expects that the demerger process will take around 12-15 months, including regulatory approvals, and is not contingent on the resolution of ongoing tax litigations.

•Aims to achieve ROEs of around 20% for Quess Corp and DigiTide Solutions within the next 2 years, while Blue Spring Enterprises may take longer to achieve this.

•The company is expected to see a demand revival from the IT staffing business which is currently small, and the company is positioning itself to capitalize on emerging opportunities.

Outlook: The company is undergoing a demerger into three entities to enhance growth. Foundit is nearly break-even this quarter and targeting INR 2,000 Mn in annual revenue.

Remsons Industries Ltd.

CMP: INR 923 | Mcap: INR 6,270 Mn|Rating: Not Rated

Key Highlights:

Revenue

- The revenue is expected around INR 9bn to INR 10bn in FY28E. The growth is majorly driven by expanding portfolio, JV collaboration and acquisition etc.
- Around 35% of business from 2W and remaining from 4W.
- The domestic and international revenue mix is 76:21.
- OEM and After-market revenue mix is 85:15.

Tyre mobility kit

- The company has a JV with Aircom Group, Poland for the Tyre mobility kit. The company has a stake of 26%.
- The Tyre mobility kit replaces spare wheels. One spare wheel costs around INR 30,000 to INR 35,000 and the Tyre mobility kit is 1/10 of the spare wheel costs. After kit usage, the vehicles can run up to 1,000km.
- CNG and EV vehicles don’t have spare wheels and they have to use a tyre mobility kit. It will reduce carbon emissions.
- In commercial vehicles, Tyre mobility kits are allowed up to 6 Tonnes.
- Around 3mn unit requirement from Maruti and others in a year. The opportunity size is around INR 9bn to INR 10bn. Tyre mobility kit will become a standard product.

Cable share

- The 2W control cables share around INR 150 200 and INR 2,000-2,500 for 4W.

Capex

- The capex is expected around INR 1bn over the next 2-3 years.

Margins

- The new products are high-end technologies where RoCE are higher. Margins are 1.5-2 times better than mechanical products.

Exports

- The company is exporting to 20+ countries, especially to Italy, Germany and the US.

Other highlights

- The company has a complete bandwidth of cables from 2W to 4W.
- In EV-2W, there is a change in braking systems. In EV-4W, some of the cables are dropped out and new motor applications are coming.
- The prices are 10 times higher in heavy commercial vehicles.
- The Indian SUV market is around 4mn units and expected to reach 8mn by FY30E.
- Gear shift systems are expected to grow 20% CAGR going forward.
- Promoter shareholding went down due to preferential allotment.

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Rockingdeals Circular Economy Ltd
CMP: INR 365 | Market Cap: INR 2,171 Mn | View: Neutral

Key Highlights:

Rockingdeals Circular Economy Ltd (RDCEL) deals with excess inventory, refurbished products, and e-waste management.

RDCEL is the largest player in the certified refurbished products segment in India, having sold over 10 million products across 18+ categories in 2023.

The company deals with both high-value products like ACs and low-value products like fashion items. Lower ASP products yield higher margins.

RDCEL has sourcing agreements with brands like Preethi, Morphy Richards, Zalora, Bajaj Electricals, and more.

RDCEL is well connected with brands, offering them an opportunity to liquidate excess inventory, reduce disposal costs, and maintain brand visibility without disrupting their distribution network.

The Company's Sales primarily occur through B2B channels, with a retail arm managed by group company. Plans for B2C sales through online channels are in development.

The company is investing in technology to improve grading, pricing decisions and integrate e-waste operations for efficient and diversified sourcing.

The company has has launched refurbished categories on major e-commerce platforms like Amazon, Flipkart (2GUD), and Snapdeal.

The company has agreements with brands like Xiaomi for refurbishing and selling their mobile phones online.

Going forward the company aims to educate customers about the benefits of certified refurbished and excess inventory products.

RDCEL sees growth opportunities in the re-commerce market in India, estimated to be around $30 Bn, driven by growing awareness and customer aspirations for branded products at affordable prices.

The company is diversifying into new categories like groceries and exploring the e-waste management segment for efficient sourcing.

Their target is to bring down inventory to a 90-day level, down from the current 120 days, to reduce working capital requirements.

The company has planned investments for retail expansion by doubling their store footprint across India, with a focus on the Northeast market.

Outlook: The company went public in November 2023, raising INR 210 Mn, and aims to grow at a CAGR of 50-60% in the next couple of years. For FY24, RDCEL is guiding for a 3x growth in topline revenue compared to INR 150 Mn sales in FY23. The company expects to maintain a PAT margin of around 10% going forward.

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Route Mobile Ltd.
CMP INR 1,602 | Market Cap INR 101,557 Mn|Rating: Accumulate| TP INR 1,819

Key Highlights:

•Large global client and cost rationalization efforts are partially holding back growth, with a shift to cheaper channels observed.
•Client trajectory shows a growth of 7-8%, while the Proximus and open offer is scheduled for March 27th and May 12th, with anticipated synergies.
•Conversion of EBITDA to CFO at 5% is expected, with considerations on ILD authentication pricing at 4-4.2 and continued intact participation in the OTT market.
•Discussions with telcos and regulators have occurred, addressing license fees and channel agnosticism.
•Route Mobile's performance is comparatively lower at 2.8 cents in Q1 due to channel adjustments, with anticipated improvements upon the Vodafone deal's commencement.
•Telesign is poised for growth, particularly with the Vodafone deal, and expectations for expansion in Q2.
•RBI OTP restrictions may impact transactions, with potential optimizations combining Telesign services.
•Weak performance in Q3FY24 due to delay in Vodafone go live.

Outlook: Optimism for FY25 growth rates is expressed, driven by Vodafone and Proximus deals, with revenue and gross margin accretion expected, and Telesign projected to achieve marginal EBITDA positivity.

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Royal Orchids Ltd
CMP INR 361 | Market Cap INR 10,400 Mn| View: Positive

Key Highlights

• The hospitality industry is poised for growth due to increased domestic tourism in India, facilitated by improved travel connectivity, booming economy, and favorable demographic trends.
• The hotel industry has seen phenomenal growth in demand over the past few years due to a supply-demand mismatch, which is expected to continue for the next three years.
• Revenue growth is expected to come from both organic and inorganic sources. Organic growth pertains to existing hotels, with a projected cumulative revenue increase of 10-15%.
• Inorganic growth involves adding new hotels, with a mix of managed hotels (generating management fees) and revenue share hotels (which contribute to top-line growth).
• Company has 105 hotels as of now and 30 hotels are going to open up this year and by the end of this year company will have about 130 hotels.
• The company is expanding its hotel portfolio through revenue-sharing contracts, aiming to add four to five hotels annually.
• It plans selective capex for room additions and renovations in existing properties, focusing on asset-light strategies.
• Past year's financials are flat due to increased spending on infrastructure and operations, the company remains optimistic about future, emphasizing a healthy ROCE and long-term growth.
• Company's focus is on mid-market hotels under the Regenta brand, with plans for potential expansion into the five-star category but primarily targeting three and four-star hotels.
• Company highlighted potential rate adjustments following renovations and enhanced guest experiences.
• Company decided for transition from Royal Orchid to the Regenta brand due to market saturation.
• Company plans for a new 288-room five-star property in Surat under the Regenta brand.
• Company will maintain a presence in the budget segment, their primary focus remains on the mid-market, competing with brands like Ginger, Sarovar, Courtyard, and Holiday Inn.
• Advance from customers decreased due to a rise in OTA and brand website bookings, reducing banquet advances.
• The company has no plans to venture into membership or vacation ownership models, prioritizing its asset-light hotel business.
• The company is leveraging advanced technology like Salesforce, HRIS, revenue management software, metaverse, and AI to enhance operations and guest experience.
• Renovation expenses for FY 2024-25, estimating around 150-200mn for resort renovations and 300mn for Goa hotels, spread over this year and the next.
• Company have appointed Mr. Arun Baljee son of Mr. Chander Baljee as president.
• Company’s increase in payable days is due to the expansion of hotels, not a deliberate extension of payment terms. The industry norm for payable days is typically between 30-45 days.
• Company outlines expansion plans for the next three years, expecting a significant increase in revenue and room keys, with a focus on quality rather than quantity.
• Company plans to expand its presence in regions like Telangana, Andhra Pradesh, Tamil Nadu, Central India, and the Northeast, focusing on areas where they currently have weak representation.
• While OTAs have reduced advance payments, management highlights the convenience they offer to customers. He suggests that managing various booking segments effectively is crucial for maintaining revenue streams.
• Out of the 30 hotels planned for addition, the majority will be new constructions, with only a few being conversions or expansions of existing properties.
• Despite water issues in Bangalore, the company has implemented various measures like aerators and water recycling to conserve water and reduce wastage.
• Across the board, there's an increase in Average Revenue Per User (ARPU), indicating positive performance in both leisure and business hotel segments.
• The company aims to double its number of keys in the next 3-4 years (currently 6000 keys). Out of these 6000 keys, approximately 5000 keys will be under management, while the remaining 1000 keys will be under revenue share arrangements.

The company is poised to thrive in India's booming hospitality sector, driven by strong domestic tourism and economic growth. With demand outpacing supply, the company anticipates sustained revenue growth through organic and inorganic expansion strategies, ensuring a solid foothold in the market.

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Arihant Capital Markets Ltd

Sat Industries
CMP 87 | Market Cap 10,551 Mn | View: Positive

•Company invests in startups as well as we make strategic investments. So far company have invested in 150 plus startups, sector agnostic, with a focus on early-stage investments.
•The ticket size for startup investments ranges anywhere from 1.1 mn to 25 mn.
•The total investment made in these 156 companies amounts to approximately 300 to 400 mn over the last eight to ten years.

Aeroflex
•Company invested in Aeroflex, which is into stainless steel hoses and pipes manufacturing.
•SAT Industries acquired the company from Macquarie after their exit. Over the last five years, it grown the company's sales from less than 1000 mn to 2700 mn, closing in FY23 last year.
•Aeroflex current capacity is 13.5 mm, now aim to increase it by another 3 mm, totaling 16.5 mm for the flexible hose business.
•Essentially, not just manufacturing company, it's a knowledge based engineering company, with a strong focus on research and development.
•Out of the approximately 2600 mn generated by SAT Industries through the offer for sale for Aeroplanes Industries, company plan to allocate it towards investments in strategic businesses.
•This includes taking a sizable minority stake or even gaining control in companies, particularly in stainless steel, metal, or polymer businesses.

Saha Polymers Limited
•Second investment was made in Saha Polymers Limited through strategic initiatives, which is into bulk packaging for pharma industries, food industries, cement and fertilizers.
•Currently, Saha Polymers expects revenue of 1100 mn in the coming year. Over the next four to five years, the expectation is to increase revenue to 3000 mn.
•The EBITDA margin is expected to increase to 11 to 12%.

Key highlights
•Beardo, which was acquired by Marico, and ConfirmTKT, which was acquired by Ixigo, are among the ten-plus investments company have exited so far.
•Company have maintained a CAGR of around 35% in the exits and expects to grow at same range in the next four to five years.
•Company proactively identify sectors well in advance and aim to invest in companies within those sectors. Electric vehicles (EVs) is one sector where company invested in around five to seven years ago.
•Additionally, company is bullish on fintech and is actively seeking investment opportunities in fintech companies.
•Currently, the EBITDA margin is approximately 16-18%, with the potential to extend to 19-20% over the next two to three years.
•The average age of the investment is currently around three to four years.

Outlook
•Company's focus will be on leveraging strategic businesses to build an ecosystem around current operations. Aim to expand into new verticals, such as technology, and capitalize on other lucrative opportunities in different sectors and creating value from investments and the cash generated from the investment.

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Satia Industries Ltd
CMP: INR 108| Market Cap: INR 11,320 Mn|View: Positive

Key Highlights:

•Company has a capacity of over 600 ton per day and the pulp requirement is almost 85% of this production so approximately it needs 480 ton of pulp.
•Company have a wood pulping capacity of approximately 180 tons per day. Additionally, waste paper recycling and deinking pulp making capacity amounts to 150 tons per day.
•Company possess an in-house power generation capacity of about 40 megawatts, utilizing biomass as the sole fuel source. Notably, approximately 70% of biomass fuel comprises rice straw, which is among the most cost-effective raw materials available.
•The cost of production of power in our power segment is approximately three to 3.5 rupees per unit.
•The company putting up a new AKD plant in-house. AKD chemical is essential for paper sizing, which ensures that ink does not spread when writing on paper with an ink pen.
•This plant is set to commence operations within the next ten to fifteen days.
•The company specializes in the production of writing and printing paper, with approximately 40% to 50% of paper being supplied for textbook board use. Company cater to nearly 15 textbook boards across India.
The company's exports account for approximately 5% to 10% of our total production.
•Last year, Company achieved a turnover of over 18000 mn with a production volume of almost 2,10,000 tons. Company anticipate exceeding those figures. However, due to the decline in prices compared to last year, the turnover may be slightly lower this year.
•Company launched new machine in February 2022, incorporating the latest technology. This machine operates at a speed of almost 1000 meters per minute, allowing it to produce a paper with a width of over 3.4 meters in just one minute.
•Company is currently in the process of planning the renovation of our PM three, which is presently operating at almost 600 meters per minute.
•Company have initiated the application for capacity expansion from 600 to 700 tons per day and have already filed the necessary paperwork and anticipate a hearing within the next month or so.
•With the planned capacity expansion, company expected to increase production by almost 15% from the current level of 2,10,000 tons to reaching almost 2,50,000 tons by FY25.
•Company believe to maintain an EBITDA margin of 25%, and if market is good, company might even achieve some exceptional results.
•The mills are currently selling in the range of Rs. 60 to Rs. 70 per kilogram, depending on the quality.
•Additionally, prices experienced a decline in January, but there has been a recent increase of approximately 3% in March.
•Timber prices are currently stable. In the northern belt, prices for eucalyptus wood range from Rs. 7000 to INR. 8000. However, in the southern belt, prices tend to be lower.
•In the northern region, sales account for approximately 25% to 30%. The freight cost to the port from mill site is approximately INR. 5000 per ton.
•The company's capacity utilization currently stands at approximately 95%.
•Company anticipate achieving revenue of around 17000 mn or more this year.

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Seamec Ltd – Bharat Connect Conference KTAs
CMP: INR 1089 | Market Cap: INR 27, 964 Mn|TP : INR 2308| Rating: Buy

Key Highlights:

Seamec Ltd. owns and operates 6 multi-support vessels and diving support vessels, out of which 5 are diving support and multi-support vessels, and 1 is a barge capable of diving services.
The company has expanded its fleet from 3 vessels to 6 over the last 3 years by investing around INR 5,000 Mn.
The company is in the process of acquiring two offshore supply vessels (OSVs) to increase its fleet size to eight vessels.
The company plans to consolidate all vessel assets under Seamec over the next 3-4 years as contracts get renewed.
The company aims to increase its inspection, maintenance and repair (IMR) activities, which provide higher margins compared to just deploying vessels for a fixed number of months.
The company is targeting the Middle Eastern market, and has deployed one vessel on a short-term contract to gain experience working with Saudi Aramco.
The company believes its business model is relatively immune to oil price fluctuations because the charterer (ONGC) bears the fuel costs and IMR activities are required regardless of oil prices as long as there are adequate reserves.
The company benefits from the Tonnage Tax Scheme under Chapter 12G of the Income Tax Act, which significantly reduces its tax burden.
The company is optimistic about potential opportunities in the east coast of India, where ONGC has made new discoveries, and the company has already bid for deploying one vessel from October 2024 on a 3-year contract.
The company net debt is in range of INR 2,250-2,300 Mn. The finance cost has increased due to debt taken for vessel Seamec Swordfish acquisition.

Outlook: The company has provided guidance of achieving around INR 7,500 Mn in revenue for FY25, with potential EBITDA margins of around 40%. The company remains optimistic about sustaining revenue growth, driven by new contract additions and renewals at higher rates.

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Shaily Engineering Plastics Ltd

CMP: INR 530 | Market Cap: INR 23,347 Mn | View: Positive

Outlook: Company anticipates growth opportunities in appliances, automotive, FMCG, and furnishings segments for the business. Also, company is positioned for growth driven by its expertise in pen platform technology and exclusive partnerships in the pharmaceutical sector. With the expansion of pharma capacity and resource reallocation, it aims to capitalize on emerging opportunities in healthcare sector.

Key Highlights:

- The company specializes in pen platform technology for drug delivery, offering a unique capability that few global competitors possess. And have created image as a reputable supplier of medical devices.
- Exclusive contracts with drug manufacturers ensure continued business even after patents expire. Exclusive partnerships exist between drug manufacturers and device suppliers due to the substantial investment required for development and production.
- The market for insulin pens and similar devices is dominated by a handful of global players, with significant market potential and varied turnover sizes.
- Trizepatide is currently not covered under insurance in developed markets like the US. The high costs of these drugs are expected to decrease once generics are introduced, potentially leading to increased volume.
- The company is liable for FDA audits due to its certification under the MDSAP. While the device aspect doesn't directly interact with the drug, the company has undergone recertification and believes it can handle an FDA audit.
- The company expects to utilize its pharma capacity, which was expanded with a INR 1000mncapex, through a combination of exhibit batches and volume commitments from customers.
- Company expects growth in pen segment over the next 3-5 years. ~17-18 contracts are active, involving multiple devices with multiple customers.
- The company anticipates opportunity in the pharma sector, with much of it materializing in about five years, coinciding with the expiry of patents for key drugs like Lira.
- While the company will continue focusing on insulin and its current portfolio, they also anticipate growth opportunities in other drugs moving off patent, such as Sema, Saxenda, which may have smaller market shares but increased volumes.
- Company suggests that the real inflection point for higher growth may occur when major drugs go off patent. While they currently aim for 25-30% growth, this rate could increase substantially when top-selling drugs become generic.
- Entry into the healthcare sector, particularly in the company's segments, is deemed challenging due to factors such as IP protection, quality systems, and established relationships with customers.
- The company is not actively pursuing opportunities in the toys business and did not participate in recent events like the Nuremberg International Toys Fair. Capacity from this segment will be reallocated elsewhere.
- In Home Furnishings Business there hasn't been degrowth, growth hasn't aligned with investments made in the business.
- The facility is ramping up with capacity for 36 molding machines, aiming for better utilization by the end of next year.

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Shankara Building Products Ltd

CMP: INR 641 | Market Cap: INR 15,860 Mn | View: Positive

Revenue

The company is focused on growing at a CAGR of 20% going forward.

Margins

Non-steel EBITDA margin is around 4%-4.5% and expected to reach 11%-12% going forward.

Steel's EBITDA margin is around 2%.

Stores

The company is focused on keeping 90 stores going forward. The company-owned stores are 25.

The store cost is around INR 30mn. The breakeven is expected in 18 months and the payback period is expected in 3 years.

Realization

The increase in product mix will lead to INR 49,000/Sft to INR 60,000-INR 70,000/S.ft going forward.

Steel capacity utilization

The steel capacity utilization is around 40% and revenue is around INR 9bn. The revenue is expected around INR 15bn to INR 16bn at 80% capacity utilization. The EBITDA is expected around INR 800mn to INR 900mn.

De-merger

Demerger might happen in next Feb-March.

Retail and B2B mix

In Non-steel, retail and B2B mix is around 70:30.

In Steel, retail and B2B mix stood at 55:45.

Non-steel

Non-steel share is around 10% and expected to reach 25% going forward.

Sales mix

Around 50% of sales come from walk-ins, 40% of sales come from architects and influencers, and 10% of sales come from dealers.

Capex

The capex is expected around INR 200mn per annum going forward.

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Arihant Capital Markets Ltd

Shemaroo Entertainment LtdBharat Conference Concall KTAs
CMP: INR 142 | Market Cap: INR 4,026 Mn | View: Positive

Guidance
Shemaroo aims to reach a more than 15% viewership share of the Hindi GEC (general entertainment channel) genre by 2026.
The company is looking at launching both free and paid TV channel opportunities going forward, after initially focusing on the free-to-air strategy.
Shemaroo is ready to launch a new channel and is awaiting regulatory approvals, expected in 4-6 weeks. After getting approvals, they will first launch a test signal followed by commercial launch a couple of months later.
The company plans to build strong brand equity and consumer connect through its expanding broadcasting network.
The management expects debt levels to trend lower over the next few years as free cash flows improve.
Capex
The company has invested around INR 2,200 Mn in its new initiatives (broadcasting and OTT) since FY20, funded through debt and internal accruals.
Shemaroo aims to reduce debt levels going forward and expects growth to be funded through internal cash flows.
Undertaken cost reduction measures in Q4FY24 to offset the impact of muted ad spends in Q3FY24.
Digital Advertising
Shemaroo derives over 60% of its digital revenue from the digital video platform business (YouTube, Facebook etc.) which is growing strongly.
The company highlighted industry projections that digital advertising in India is expected to grow at a 15% CAGR from INR 320,000 Mn in 2022 to INR 490,000 Mn in the next few years.
Shemaroo is generating over 100 million daily views across its digital video content, providing a large inventory for monetization through advertising.
The management mentioned that with India's economic growth from $3.5 trillion to a targeted $5-7 trillion, a key beneficiary will be the media sector, including digital advertising platforms.
The company has undertaken strategic hiring of senior professionals to drive the next phase of growth, which is expected to strongly benefit the digital advertising vertical.
Key highlights
Shemaroo grew 43% in FY23 and 30% in 9MFY24, outpacing the flat/stagnant industry growth.
The company has transitioned from a B2B company to a B2C company, launching OTT app ShemarooMe and broadcasting business from 2018 onwards.
The revenue mix has changed from 20% digital and 80% traditional pre-2018 to 60% digital and 40% traditional currently.
ShemarooMe, the OTT platform, is focused on the Gujarati-speaking audience, estimated at 13-15 million internet households.
In broadcasting, Shemaroo has four channels (Shemaroo TV, Shemaroo Umang, Chumbak, and a Marathi channel) and has gained a 7% viewership share in the Hindi genre within three years of launch.
The company plans to reach over 15% viewership share in the Hindi genre by 2026.
Shemaroo believes the media sector will benefit from India's projected GDP growth and the emerging middle class, driving advertising and subscription revenue.
For content not exclusively monetized on ShemarooMe OTT, the company partners with large OTT players like Netflix, Prime Video etc.
The broadcasting business creates a strong content pipeline that can be monetized on digital platforms as well.
Shemaroo aims to build a network of pay and free-to-air TV channels to drive brand equity and consumer connect.
The traditional TV syndication business helps generate steady cash flows and returns on the content library.
India still has 30% TV households, providing headroom for growth in TV viewership as TV remains attractively priced at INR 400/month compared to INR 1,200-1,500/month for digital content + data costs.

Outlook: Shemaroo is poised to tap growth in India's media sector driven by rising consumption and GDP. Its shift to B2C via OTT and broadcasting has diversified revenue streams. It plans to scale up these verticals through channel expansion, leveraging content across platforms, and building brand equity. While investing for growth, Shemaroo aims to cut costs and reduce debt through improving internal cash flows.

Shri Keshav cements Ltd
CMP: INR 218 | Market cap: INR 4,017 Mn | Rating: Not Rated

Revenue: The revenue is expected around INR 1,500mn in FY25E, with 3-4 months new capacity. Around INR 2,500mn to INR 2,800mn revenue is expected in FY26E at 60% utilization and INR 4,000mn revenue is expected at 75%-80% utilization.
Capex: The company is expanding 0.35mn tonnes to 1 mn tonnes with a capex of INR 1,250mn. The capex is expected to be completed by Oct-24. The company has placed 90%-95% of purchase orders, completed around 80% of civil construction and 25% of fabrication completed.
The project cost is around $25/tonne of annual capacity compared to greenfield project cost of $125/tonne. The capex completion would optimize fuel and power consumption.
Funding: The company has secured a loan of INR 800mn from Karnataka bank and INR 450mn through preferential allotments and issue of warrants.
EBITDA per tonne:9MFY24 EBITDA per tonne is around INR 220. The average revenue per tonne is around INR 3,900 and costs is around INR 3,600-3,700/tonne.
EBITDA per tonne is expected to improve from INR 150 (FY23) to INR 900-1000 from FY26E onwards.
Around 1,100kcal is required to manufacture 1 tonne of clinker. The cost is INR 1.6/Kcal. The company spends around INR 1,760 worth of fuel to manufacture 1 tonne of clinker.
The fuel is expected to come down from 1,100Kcal to 750Kcal, which comes to INR 1,200 worth of fuel to manufacture 1 tonne of clinker. The fuel saving is expected around INR 560/tonne.
Around 100 units of power are required to manufacture 1 tonne of cement and expected to come down to 30%-40% to 70 units due to the vertical roller mill. The power cost is around INR 7/unit. So, the power saving is expected around INR 280/tonne.
Overall, around INR 840/tonne saving is expected from fuel and power.
Capacity utilization: The capacity utilization is around 62% in FY23, 64% in 9MFY24 and 76% in Q3FY24.
The capacity utilization is expected around 75%-76% in Q4FY24E.
Post capex, the capacity utilization is expected to be around 60%-65% in FY26E and 70%-75% in FY27E.
Brands and Pricing: The company sells cements under Keshav cements and Jyoti Cements brands.
Tier 1 brands command INR 80-90Rs higher than Tier 3 brands.
Tier 1 brands commanding INR 1,600/bag higher than Shri Keshav cements. Tier 2 brands commanding INR 400-450/bag higher than Shri Keshav cements. Shri Keshav is a tier 3 brand and sells at lowest price due to branding and other issues.
The cement price correction is around 4% per bag in Q4FY24 due to elections.
Mining lease dispute: The company got 3-5 acres of mining lease about 50-60mn tonnes of limestone reserves, however the company wasn't able to mine due to a dispute with Karnataka government. The company bought the plant in 2007, and mining lease also included.
The company is procuring limestones from 15-20 mines around the plant.
The company is using petroleum coke instead of coal.
Finance cost: The existing loan cost is around 10.5% and new loan cost is expected around 9.5%. blended rate is expected around 9.5% to 10%.
Renewables: The renewable capacity is 37MW and expected to reach 40MW by Apr-24. Around 17-18MW is for captive and the remaining are sold outside. The captive will increase to 35MW due to capex. Around 3 times of increase in capacity leads to 2 times power requirements.
Power cost: The power cost is expected to be INR 2/unit due to renewables over the next 4-5 years.
Other highlights

- The limestone cost is less than 10% of the total cost and major cost comes from fuel and power.
- The average logistics cost is around INR 220/tonne. In Goa, around INR 900/tonne for logistics.
- The marketing spend is less than INR 50/tonne and expected to be INR 200-250/tonne going forward.
- Promoter loans decreased from INR 688mn to INR 3.7mn.

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Shriram Properties Ltd

CMP: INR 113 | Market Cap: INR 20,558 Mn| View: Positive

Key Highlights:

- The company is targeting gross margins of around 30% for its mid-market projects, with EBITDA margins in the range of 22-25% and PBT margins of 9-11%.
- The company has a strong project pipeline of 53 million sq.ft., with 30 million sq.ft. in ongoing projects and 23 million sq.ft. in future projects.
- The company aims to grow its annual sales volume from the current 4 million sq.ft. to 7-8 million sq.ft. in the next three years, aligning with the growth trajectories of other major South Indian players.
- Shriram Properties has entered into a platform agreement with ASK Property Investment Advisors. The company has an open commitment of INR 2,000 Mn in its INR 5,000 Mn platform with ASK, which can accommodate one or two more projects.
- Shriram Properties is exploring opportunities to unlock cash flows of around INR 3,000 Mn from ongoing project completions over the next two years.
- The company has recently signed a project in Pune under the DM model and is awaiting local authority endorsement to officially launch the project in the next 2-3 weeks.
- Shriram Properties has improved its execution capabilities, reducing project cycle times from launch to handover to around 3 years for projects under 1 million sq.ft., 3-4 years for 1-1.5 million sq.ft. projects, and 4.5 years for larger projects.
- The company is working towards resolving a long-standing royalty issue with the West Bengal government, which could result in avoiding a liability of around INR 2,500 Mn and potentially attracting foreign brands to its land bank in the state.
- Shriram Properties plans to monetize the remaining 20 million sq.ft. of land in West Bengal over the next 3-5 years, potentially through partnerships or joint ventures. They are exploring opportunities to attract foreign brands to its land bank in West Bengal, in coordination with the state government.
- Shriram Properties is seeing no material on-ground impact on its Bangalore projects due to the recent water crisis in the city, although prolonged water shortages could impact customer decision-making timelines and volumes for the industry.
- The company's recent project launch in Pune, codenamed "Ultimate," has seen a good response, with around 80% of the units sold within two weeks of launch.
- Shriram Properties aims to become a zero net debt company within the next 12-18 months.
- For a typical mid-market project with a selling price of INR 6,000-6,500 per sq.ft., the company expects construction costs of around INR 2,500 per sq.ft., FSI cost of INR 750 per sq.ft., and licensing cost of INR 250 per sq.ft.

Outlook: The company aims to grow its annual sales volume from the current 4 million sq.ft. to 7-8 million sq.ft. in the next three years. They expect mid-teens ROCE in the next 12-18 months, up from around 11% currently, driven by its focus on profitability and capital efficiency. Out of the total pipeline of 53 million sq.ft., around 20 million sq.ft. is at various stages of launch readiness and will be launched over the next 12-18 months.

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SIS Ltd
CMP: INR 440| Market Cap: INR 63,450 mn |View: Positive

Opinion: The business growth despite all efforts looks peaking around lower double digits while the Margin guidance and subsidiary financial situations aren't favourable. Hence, we refrain from any Long Term high growth opportunity in the company except for the value unlocking of the potential separate listing of the Cash business.

Guidance:
•The Company's Management expects the margins to improve going ahead and normalize between 4.5-6% in the medium to long term.
•The Cash Business to list separately will be unlocking values for the shareholder's of the company to the tune of INR 20,000 mn. The company is yet to finalize the details & Timeline for the same.

KTAs:
•Singapore Business has achieved Break even, and is now contributing in Positive, hence, it's no more a drag to their International business.
•The Management expects the Facility Management Systems division to outpace other segments. Facility Management started 10 years back, and SIS did a 100% buyout of another company in the business. So, the Facility Management division is the largest in its segment in India.
•Peers in Facility Management: Compass UK, Quess Corp, also has Facility Management business.
•The Management sees lots of opportunity coming up with Business/Corporate sectors, as well as from Infrastructure set up as seen in Uttar Pradesh. The corporates are concerned generally of the upkeep of building and infrastructure, which SIS Ltd. will be targeting in future.
•Pest Control Management business is seeing good traction, and operates on Annual Contract Basis for the company.
•Cash Management System business sees 60% of the business coming from ATMs. Due to number of ATMs coming down for the banking sector in general, there is not much growth in this business. Therefore, we saw several companies closing down their businesses.
•The ATM business remains very profitable for competitors due to ATMs business being stable, large volumes of Cash being handled, and market share already with these companies.
•Among its Peers, Radiant is an unorganized player. CMS, another Peers, has similar ATM business with 72000 ATMs, hence driven by Volume compared to SIS with ,000 ATMs covered by them.
•The Company is maintaining their market leader position in Australian markets. However, the recent minimum wage hikes in Australia along with a large retail customer canceling contract, there has been some impact of that.

Spencers Retail Ltd
CMP: INR 91 | Market Cap: INR 8,801 Mn | TP: INR 150| Rating: Buy

Key Highlights:
The non-food mix has remained relatively stable at around 18-19%. It includes apparel and general merchandise, as well as FMCG. Apparel constitutes around 40% of the non-food mix, while 60% for general merchandise.
Both food and non-food FMCG products are a significant part of the business. Staples constitute a double-digit mix, and there is a focus on expanding the private label (PV) mix to offer more choices to consumers. Private labels contribute about 8% to revenue currently.
The company’s Nature's Basket stores operate in a premium segment focusing on gourmet grocery items. It currently operates in 35 stores, with plans for expansion particularly in mega metro cities. Nature’s Basket is currently on track to achieve EBITDA break-even.
In FY24 the company launched India's first luxury grocery retail format called the Artisan Pantry at Palladium Mall in Bombay. The Company recently 2 more Artisan Pantry one each in Kolkata and Bengaluru.
The company has exited non-strategic geographies like Tamil Nadu and Kerala, closing 19 stores to rationalize supply chain costs.
The company plans to cover 90%+ pincodes in key cities. In cities like Kolkata, the company can service 98.5% of pincodes through its existing store network for e-commerce orders.
The company is targeting a double-digit reduction in operating costs. There was close to a 9% reduction in operating expenses in last quarter.
The first priority for the company is to achieve an operational turnaround. For this the company is evaluating options like equity raising, rights issues and QIP etc. to manage it.

Outlook: For FY24-25, the company is targeting double-digit revenue growth and double-digit cost reduction to deliver EBITDA improvement. The company's expansion strategy includes both opening new stores and deepening its penetration in existing cities. The company aims to increase its trading area by approximately 10% every year with focus on certain geographies. E-commerce and private labels are being expanded as growth drivers. The company is aiming for EBITDA break-even in Nature's Basket with a target of around 100 stores in the next 3 to 5 years.

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SRG Housing Finance Ltd

CMP: INR 268 | Market Cap: INR 3,527 Mn | View: Positive

Opinion: SRG Housing Finance is expanding well despite a rising interest rate scenario, and is seeing increase in disbursements over last year. We believe the affordable housing segment is expected to keep growing in the near to medium term at this rate, and SRG Housing has good prospects in the future.

Guidance:
•The Management intends to achieve a AUM size of INR 5,750 mn by FY24 end, INR 7,500-8,000 mn AUM by FY25 end and INR 10,000 mn AUM by FY26 end.
•The Management acknowledges that Cost to Income will remain elevated in FY25 at 60%.
•The HFC company will be adding another 10-12 branches to the current branch network of 66 branches.
•Management maintains a NIM guidance of 11.45% for the future.

Key Highlights:
•SRG Housing Finance currently has 22 lenders from among banks like SBI, HDFC Bank, Union Bank of India, etc, and DCB and Federal Bank, etc, along with NHB and NABARD for financing.
•SRG Housing Finance is relatively low levered with Capital Gearing Ratio of 3.07 as of Dec 2023. As per NHB guidelines, the SRG Housing can leverage up to 7.5x in the mortgage business. However, due to loans from several banks, SRG prefers to remain capped at 4x leverage, and will go for Equity Fund Raising in near term with Equity Dilution of INR 500 mn to be done.
•The Company operates on a 50% LTV for Homes Financing which helps them mitigate risk better from their end.
•For SRG Housing Finance, Average Ticket Size of Home loans is between INR 6-7 lakh with average tenure of 6-7 years.
•Higher ticket sizes of loans above INR 1.5 mn allows customers to get 1-1.5% lower interest rate loans compared to interest rate charged for INR 1 mn loan customer.
•70% of the customers are self employed.

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Sterling tools Ltd Bharat Connect Conference KTAs
CMP: INR 307 | Market Cap: INR 12,627 Mn| View: Positive

- For the MCU business under Sterling Agro EV Mobility (SGEM), the company has indicated EBITDA margins in the range of 6-8% initially and long-term margin in low double digits.
- SGEM has over 20 confirmed customers who have homologated their products into their vehicles, including players like Switch Mobility, Volvo Eicher, Mahindra, and startups like Euler and ObenEv.
- The company is closely watching adjacent technologies like hydrogen-powered internal combustion engines and exploring opportunities in those areas, although the core focus remains on EVs.
- The company expects the EV industry to grow at a strong double-digit rate, potentially up to 40% CAGR in the 2W segment, over the next 5 years till 2030.
- The company intends to outperform the combined growth rate of the entire auto industry basket (2Ws, 3Ws, PVs, CVs, off-road).
- In FY25, there will be announcements on new product launches and projects in the EV space that Sterling Tools will invest in, including chargers, DC-DC converters, other power electronics components, and EV architecture parts lacking suppliers in India currently.
- The company expect a more broad-based business as LCV and 3W EV sales pick up from FY25 onwards with new model launches.
- While Ola demonstrated an integrated motor and controller technology a year ago, it continues to use Sterling Tools' MCUs in 100% of its vehicles so far for commercial and prioritization reasons. The company expects Ola to potentially manufacture some of its MCU requirements in-house going forward, but does not expect Ola to completely insource all of its requirements across its model range.
- The management believes that most large OEMs with diverse vehicle portfolios will continue outsourcing component needs to tier-1 suppliers like Sterling Tools.
- Challenges like export customers facing financial difficulties and growth coming from OEMs where Sterling Tools has limited exposure (like Hyundai and Tata) have impacted the company's growth in the standalone fastener business.
- While steel price increases have been passed on to customers, the denominator effect of higher steel prices has resulted in a decline in the reported EBITDA margin percentage for the fastener business, despite higher absolute margins.

- Outlook: The company expects the EBITDA margin percentage for the standalone fastener business to improve going forward as steel prices soften, reversing the denominator effect of higher steel prices. The company is aiming for EV and related businesses to contribute over 50% of the group's total revenues by FY27, up from the current 33%. EV business is expected to grow faster than the standalone fastener business.

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Sukhjit Starch & Chemicals Ltd

CMP INR 454 | Market Cap INR 7,295 Mn| View: Positive

Key highlights

•The company is in the business of maize processing with 4 manufacturing locations. They are continuously growing with upgraded indigenous and foreign technologies.

•Current capacity for maize grinding is 1600 tonnes/day and plan to reach 2000 tonnes/day soon.

•Margins have dipped recently due to draught in few states.

•The business has a new greenfield and brownfield manufacturing facilities planned and its commissioning will improve Asset turnover and capacity utilisation. They are already operating close to maximum utilisation at 85-90%. Benefits are expected to come in next year.

•The food park is an infrastructure development project to promote small food processors and enable them to use facilities and machinery. The company utilises about 60-70% of facilities at the food park. The business is cash positive and expects to generate good EBITDA once all properties are utilised.

•Out of the 55 acres of land at food park, 30 acres is leasable and 75% of it will be leased out.

•No maize starch can be imported in India and some derivatives which cannot be produced are only imported that too in small quantities.

•The company has good cash reserves thus is capable of raising debt to increase capacity.

•The management believes the new capacity planned is still not enough to cope with the industry’s anticipated growth.

•Maize prices are expected to be range bound and remain above MSP.

•Fuel and power costs will gradually come down with expansion.

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Sunteck Realty | Bharat Connect Conference KTAs

CMP 390 | Market Cap 61,349 Mn | TP: INR 900|Rating: Buy

•The company has managed to significantly reduce its debt to equity ratio from 1.04 in 2013 to 0.17 in 2018 and now 9MFY24 stood at 0.02.

•Post covid company acquired more than 25 mn sq feet.

•Before 2018 sunteck was only two project company.

•Most of the acquisitions have been made post-2018, signifying a strategic shift in the company's expansion approach. Previously, the company primarily operated from Sunteck City, BKC, and Sunteck World Naigon, with a GDV value of 136000 mn in FY22, which has now grown to 296500 mn

Guidance

•Aims to double GDV from INR 30,0000 mn to INR 600000 mn in less than 3 years

•Pre-sales have been growing at a CAGR of 20-25% and are expected to continue growing at a similar rate.

•The company is projected to earn an annuity income of 700 mnfrom FY25, stemming from a 2500 mncapex. This translates to a 30% return on capital.

•The company anticipates annuity income to reach around 3000 mn by FY28.

Key Highlights

•The company is schedule to complete both projects Sunteck Maxwell Naigon and Sunteck 4th Avenue Goregaon and expecting to record revenues of 170000 to 190000 mn in FY25.

•In the first 10 years of company, it delivered 20 lakh sq feet, in nxt four year (2019-2022) company delivered 30 lakh sq feet and now in 2024 in one year company delivered 30 lakh sq feet.

•Company is considering to change revenue recognition from completion method to percentage completion method for its new launches.

•In 2020, both Worli and BKC were priced at INR 80,000 per square foot on a carpet area basis, leading many to perceive BKC as less valuable compared to Worli. However, the introduction of the Nita Mukesh Ambani Culture Center significantly enhanced the appeal of BKC.

Upcoming Launches

•The company has upcoming launches, including Bandstand, Nepean Sea at 25000 mn, 1 million square feet of residential space in ODC Goregaon West estimated at around 30000 mn, another 1 million square feet in Naigon, as well as developments in Mira Road, Kalyan, and Vasai.

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Suprajit Engineering Ltd.

CMP: INR 412 | Mcap: INR 58,008 Mn|Rating: Buy| TP: INR 467

Key Highlights:

•50% of its business is outside of India, with operations overseas including manufacturing, tech centres, and business development centres.

•New business wins have been strong globally, despite the challenges faced in the Suprajit Controls division.

•Anticipates continued growth opportunities in both ICE and EV segments globally, with a shift towards hybrid and hydrogen technologies.

•Aims to increase its presence in the EV market while maintaining a balanced portfolio between ICE and EV-related products.

•Electronics division has shown strong growth and margin improvement in the initial quarters. SEL is positioning as a system supplier by providing both cables and electronics components.

•In the SUV segment, company is focusing on supplying actuator solutions to global passenger vehicles and SUVs. Also planning to enter the Indian passenger vehicle market.

•Expects recovery in non-automotive business in coming quarters despite of setbacks faced due to lower discretionary spending in the US.

•While the braking products division is still in its early stages, the company expects growth potential, with some contracts already secured and products in advanced testing stages with customers.

•The company has patented a new braking System “MDBS” which offers efficiency comparable to hydraulic systems at a lower cost.

Outlook: The company is planning for acquisitions to strengthen the Controls Division. Continuous margin improvement is expected for Phoenix Lamps division. The Suprajit Controls division is undergoing restructuring, and margins are expected to improve to double digits over the next few quarters. Overall, the company expects good growth, driven by new business wins globally and the ramp-up of new product divisions, leading to improved margins going forward.

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Supriya Lifescience Ltd
CMP INR 333 | Market Cap INR 28,471 Mn | Target Price: INR 428

Outlook: We maintain our long term positive outlook on the company. we value the company at 15x its FY26E EPS of INR 28.6 and arrive at a Target Price of INR 428 per share. Accordingly, we have a Buy Rating on the stock.

Key Highlights:
•Strong presence in Europe, LATAM and South East Asia with very little presence in USA.
•Long term target to achieve INR 10000mn revenue in FY27 with 30% EBITDA margins. The company plans to achieve these targets by expansion in new products with increasing volume sales and expansion in new geographies, increasing CMO business. They also plan to foray into formulations next year.
•Expect to have 50-60% EBITDA as cash in FY27.
•The company only has Working capital loan and no long term loan.
•API and CMO to contribute 80% of revenue while Formulations will have 20% share. 13-15% of revenue will come from new products.
•Targeting 55-60% sales from Top 3 products.
•The company already has a factory in Lote Parshuram with 4-5 land parcels around it. Recently bought land in Isambe will be used for expansion and can expect a new plant there.
•New facility set up at Ambarnath for formulations and small API unit for CMO. Production will start with tablets and capsules, bottle filling line with injections to come in later. The site will also have scope for R&D expansion. The site will start in Q2FY25.
•US FD audit is expected in August to October 2024.
•Capex of INR 600mn for formulations business. Modules A, B and C may also be renovated which will require Capex. Total Capex for next year will be INR 1000-1250mn.
•Products in Formulations will be forward integrations of current APIs only. The business will start with sales in LR region and will move to regulated markets like EU and USA as they get approvals.
•Products in CMO business will be generic only and they will be like extension of API business.
•The company has the advantage of backward integration which provides them better margins.
•The machine for nutrition business has been imported and trial production has begun. These products will be expanded in South East Asia market.
•15-16 products of the total of 37 are already approved in the regulated markets. 3-4 filings for approval will be done from hereon.
•Once oral and wound gel get approved in India, the company will foray into these products and will get into a partnership for these products.

Arihant Capital Markets Ltd

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Suraj Estate Developers Ltd | Bharat Connect Conference KTAs

CMPINR 261 | Market CapINR 13,229 Mn |View: Positive

Key Highlights:

Co. was incorporated in 1987. They have operations only in the south central part of Mumbai. They undertake redevelopment under 2 categories-33(7) for structures prior to 1960 and 33(7)b for society redevelopment. There exists a huge scope for redevelopment in Mumbai as vacant lands on this island city is very scarce.

They have 13 ongoing sites currently along with 16 upcoming projects.

They have 3 segments to which they cater and that are-

1.Value luxury1 and 2 bhk compact homes within the range of 20mn and the client profile of this segment is 30-45yrs of age. Company is witnessing a huge velocity in this segment.

2.Luxury2/3/4bhks . This segment is doing very well current market scenario.

3.Commercialunder which they recently completed corporate office for saraswat co-operative bank. Under this segment they have land at tulsi pipe road which will developed for commercial project.

They have market share of 8% in redevelopment in south Mumbai. It takes them around 4-6mnths for taking 51% consent of tenants for redevelopment. Land approval takes 3 months and cc and rera takes another 3 months.

They get bank funding after cc and rera for which they have to pay a lower interest rate as compared to NBFC which charges higher interest and gives funding post land approval stage.

They take around 3 years to complete a G+22 floor project and around 5 years to complete a highrise of G+40/50 floors. They have expertise in acquiring land for redevlopment, taking consent of tenants and taking land approval. They have 6Lakh sq ft carpet of ongoing projects and these projects have sea view for most of them. Area for 16 upcoming projects. 7.5l sq ft

Under 33(7) Redevelopment the company buys land with its own equity. The beauty of this is that they get 3 FSI on day one+ 35% fungible. On 33(7)b redevelopment they get 1.33 FSI+35% fungible. The company has 60% of its upcoming portfolio in value luxury. This percentage allocation has been intentionally done keeping in mind the response from this segment. 21% of luxury and 14% commercial.

In the ongoing 13 projects they have collected 10600 mn. 7080 mnis to be received and 7500 mn is to be realised. Of the 10600mn that has been collect, 6750 mn has been recognised as revenue.

They will deliver 4 projects in FY25. Major projects will be delivered and handed over by FY26/27. The cost level breakdown for value luxury is land cost6-7k/sq ft, BMC premium cost5-6k/sq ft, ancillary cost of 1-2k/sq ft. Landed cost of 24-25k/sq ft. They sell for 37500-45k sq ft priceavg 40k, giving an EBIDTA margin of 40-45 % in redevlop projects.

Company has 5-6 years of inventory in place. They follow percentage completion method of accounting. They may reach Peak debt to equity of 0.8/0.9. Company might increase debt during initial period of a project launch, which is subsequently reduced as the funding comes in and cashflows from pre sales start to kick in. The recent debt raised was done for 2 new projects to get the intials steps started and is a short duration of debt. The expected timeline is to not use this for too long.

Good high margins of 45-50% expected for next 4-5 years due to land purchased at historical cost. Post this period, 35-40% of margin can be expected

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Suyog Telematics Ltd

CMP: INR 1,151 | Market Cap: INR 12,923 Mn| View: Positive

Opinion: There is a large reliance on Vodafone Idea in terms of revenue, and the longer Cash cycle, poses concerns on their revenue visibility. Also, while revival of BSNL will incrementally improve their tenancy ratios, the advent of newer technologies does not changes the requirement of newer towers with 5G rollout almost done across India, and also when 6G comes.

•Guidance: 35-40% additional revenue growth over next 3-4 years. Existing Towers: 6 lakh, New Potential is of 6 lakhs towers.

•50% of Incremental will be done by Indus, remaining 1-2 lakh will be done by Jio themselves for cost efficiency, remaining 1.5-2 lakh towers to be done equally by the 4 players. Suyog Telematics will do 10-15K only new towers.

Key Highlights: •Suyog Telematics derives their revenue: 50% from Airtel, Jio 23%, Vi 27% and Others (BSNL) 0.3%.

•Over next 2 years, Others (BSNL) will grow to 10-12% of the Mix as Govt is spending hugely towards BSNL. Airtel & Jio will continue at current pace.

•They currently have: Towers 4,327, across 28 states with 5,106 tenancies. The company does not keeps any tower vacant without tenancy, and has 4,981 kms in Optical Fibres network.

•Electricity Bills have to be paid in advance as billing is done daily basis, and the Government accounts them and pays back after 1 month. So, the Electricity cycle goes up to 90 days.

•The Business model is to first get Order from an Operator, then go to build a tower. This helps the company reduce risk and avoid loss of assets.

•Average Tenancy Ratio: For Macro 1.8, and for small cell its 1.2.

•IP charges on an Average in small cell is INR 16,000 while in Macro is average INR 22,000. IP charges increases per year by mere 2.5% escalated every year. IP Fees is received based on Location type, City Premium, No. of Operators in the Location. Site Rentals are built as Fixed Expense/cost with the IP Fees.

•Loading charges INR 4-5,000 in small cells and INR 8,000 in macro regions.

•They require additional INR 6,000 mn of Capex for new 10,000 towers. INR 650 mn is financed by Promoters Warrant (at Price of INR 580 per share). At any point in Time, the Company has 400-500 tower Requests.

•The Management expects the BSNL to use existing towers which will improve their tenancy ratios in the future. Currently, 40% of revenue comes from Mumbai & Maharashtra and 60% from Rest of India.

•By March end, the Investment towards the Rope-way Project in Nashik will go away, and there is no revenue/interest earned on the Investment in Projects. Investments made are of INR 160 mn which have been gained back by March 2024.

•Airtel/Jio advance payment is requisite, and received by end of the month and billed on 1st of the same month. For Vi, the Collection cycle is of 90 days, while the Billing is done on a monthly basis as is with other clients

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Swaraj Suiting Ltd

CMP: INR 184 | Market cap: INR 2,901 Mn | View: Positive

- Company has 4 units of which 2 are in Bhilwara and the other 2 are coming up in Neemuch, with yarn dyeing capacity of 24mn meters p.a. The new plant in Neemuch is spread across 2.5lakh sq meter. This will be the biggest plant Neemuch has. 60% of this plant has been completed.

- Around 4000mn of capex has been done for this plant, which will give around 2800mn of fixed assets and the rest is working capital. They have a workforce of 2500 people at this plant, and they are recruited locally. Labour who helped built the plant were trained and absorbed in the mfg facility.

- Co. has received subsidies in various forms. They consume 1.2L units of electricity per day which will be provided at rs. 5/unit which is after a subsidy of rs. 2.5/unit. It received 2500mn interest free loan from consortium of banks including bank of baroda and union bank. The interest subsidy is of 7%.

- Subsidy is given on qtrly basis, which is they first pay interest and then claim it as reimbursement.

- Thailand, Vietnam, Brazil, Hong Kong are proving to be the growing export markets. Margins are significantly high on export orders. Bangladesh does not act as competition since they are garmenters who make the final garment while we supply(finished fabric) the cloth to them.

- The company is targeting 3300mn of revenue this year and 7000-8000mn of revenue after setting up the new plant while aiming for PAT margins of 5-5.5%.Company aims for ROE of 11%. Spinning division is expected to commence by October this year.

- The company is channelizing its focus on vertical integration with the entire process from cotton yarn to finished fabric being done in house.

- It currently has PAT margins of 4.2-4.5%. Although the profits have increased in absolute terms over the past couple of years, but the EBITDA margins have gone down. This is because of shift in business decision, from doing job work to now manufacturing grey fabric. Company is no longer doing job work.

- Co. in FY23 started the denim division which contributed 90mn in topline. It aims to export 10-15L meters of cloth in next 7-8 months.

- Company has tie up with major brands like Reliance trends, john players, h&m, Zara. Although it does not have a direct tie up, it supplies cloth to the garmenters who are making the final garment for these brands.

- Turnaround time from yarn to finished fabric takes around 45-60 days. It has a product development team of 30-35 people. The company has to be proactive in product development to keep getting fresh orders.

- They develop samples which are sent to their network of traders and garmenters. If some brand finalizes some sample, then in goes for commercial production.

- The company is able to make a mark due to its strong quality standards and costing which helps them stand out. It has started a small unit to process the waste material into jeans which shall have no impact on the revenue.

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Talbros Automotive Components Ltd
CMP: INR 261 | Market cap: INR 16, 883 Mn| View: Positive

Key highlights

•The company expects the gasket business to grow at 15% plus, forging business at 20% plus, and other businesses to grow around 20% based on the current order book.

•The company expects Operating Profit Margin to be around 15-16% in FY24, and are targeting a minimum of 0.25% growth in operating profit margin over FY25.

•For the end customer industry, the management anticipates CV to grow by 3-5% this year, PV to grow by 7-8% this year, Two-wheelers to grow by 6-8% this year and Agriculture segment to grow by 4-5% this year.

•The company aims to increase its revenue share from EV to 10% plus in the next 1-2 years, from the current 1.75%.

•INR 14,000 Mn order book for 5 years, focusing on export expansion.

•40% Maruti, 70% Tata JV ownership.

•Sole Bajaj gasket supplier, 35% Hero MotoCorp market share, 30% commercial vehicle segment.

•High entry barriers for gaskets, diverse manufacturing processes.

•Receivables: 70-75 days domestic, 100-130 days exports.

•Dominates gasket market with ~50% share, minimal competition in forging.

•Expects internal accruals, standard borrowings for growth; Marelli JV may independently raise funds from banks for major orders.

Outlook: Company boasts a robust INR 14k Mn order book, prioritizing exports, EV, and partnerships with key OEMs like Maruti Suzuki and Tata Motors, ensuring long-term revenue visibility and growth amidst industry challenges.

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TCI Express Ltd
CMP INR 1,024 | Market Cap INR 39,301 Mn| View: Positive

Key highlights:
•The business follows an asset light model thus all trucks are leased and not owned. The trucks run on 85% capacity utilisation.
•96% of revenue comes from B2B services while 4% comes from B2C.
•The gross margin is about 33-34%. Employee cost is about 15-16% which brings the EBITDA down to 15-16%.
•The company does not operate on franchisee model.
•Good presence in North, South and East – 85% of the revenue comes from these regions. East contributes only about 15%.
•The company is debt free and all capex is done from internal cash generated.
•Yearly capex is of about INR 1000mn. Major capex will go in establishing sorting centres in major cities. The company has started purchasing land for the same.
•Target to have 8 automated sorting centres by FY27-28 making 12 out of 28 total sorting centres automated and owned.
•The management expects an overall growth of 12-15% in FY25 and targets revenue of INR 17500mn.
•Main focus going forward will be on expansion by opening new branches and expanding rail services.
•The management believes price hike in logistics industry is difficult as the industry is competitive. Each client has about 2-3 logistics partner thus pricing cannot be volatile.
•No intention to increase pricing as it will affect revenues and profitability.
•Top 5 segments include Auto, Pharma etc and they contribute 55% to the revenue.
•Top 25 customers only contribute 15% to the revenue which indicates no dependency on big customers.
•80-82% are surface deliveries while the balance deliveries are done through other modes.
•Average realisation in Air transport is about INR 100/kg while Rail transport fetches only 1/3 of it.
•Target for FY27 is to have 5% business from rail services.

Thomas Cook (India) Ltd
CMP: INR 166 | Market cap: INR 78,624 Mn | TP: INR 210

Key Highlights

- Large players in the market are now spreading more into t2/t3 areas due to increased demand from those areas/
- Aspirational travel is on the rise as people are less inclined to save and prefer to spend on travel
- 15% growth seen in the Indian travel industry.
- Fwd bookings for the next 60-80 days on the consumer travel site
- Visa processing delays and, a high level of visa rejections (an unprecedented 80% rejection) dampened B2C overseas travel, but this year things are better. B2C overseas travel has not caught up to pre-levels yet and it should happen this year
- Capex on updating software was undertaken during in covid, and some will come in FY24-25
- 32% of customers come from the < 35 age bracket
- Long haul (>5hrs) travel which constitutes the international businesses 70% of travel revenues (30% short haul).
- They stopped selling the 25-year sterling subscription, but do sell the 5-10 year subscription. but there is no marketing or sales force for it. It is sold online via the portal and Thomas Cook offices.
- Occupancy at sterling is 62-63% across the year, whereas the industry average is 68-70% showing some room for improvement. Sterling rooms are sold through the online portal -sterling one, third pirates like Make My Trip to sell rooms, as well as a network of 7000 small travel agents
- The INR has been fairly stable
- Operating cost is lower than it used to be by 25-30%
- Most of the cash balance is from the float on cards, but besides that, the remaining cash deployment will be toward loan reduction. if there are no inorganic opportunities, the company will try to return it to shareholders
- None of Sterling Hotels are on the franchisee model, but on a partner model (revenue sharing or management contract). 15/49 of the resorts are owned, and the rest are on the partner model (management contract, revenue sharing, and leased).
- Fairfax has no plan for divesting. In 2021 they had invested USD 60mn in convertibles to fund the company during COVID-19 which they had loaned from elsewhere and had to be repaid. They only sold ⅓ of the shares they acquired to repay the USD 60mn.
- Govt led events (MICE) are a good growth story
- GM on travel packages is around 14%.
- Money changers fall under the new RBI guidelines, currently, there are 1700 in India. The new guidelines allow them to either become authorized dealers like Thomas Cook which has higher capital requirements and compliance, if not, they can become agents to existing money changers this is a huge move that can improve reach substantially.

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Total Transport Systems Ltd. Management Meet KTAs

CMP: INR 94 | Market Cap: INR 1,607 Mn |Rating: Not Rated

Opinion: A relatively small player in the niche segment. However, due to size of the company and its lower Profitability, we remain skeptical on their long term value appreciation.

Guidance:
•The Management reiterates that they will achieve a revenue of INR 900 mn in FY24, and are looking for expansion in the next couple of years in several cities in India.

Key Highlights:
•The Company Total Transport Systems Ltd. is in the export import business since 1994.
•The Company activity involves consolidation of small Parcels of Cargoes and full load of Containers. They would book lumpsum load capacity for exports with the shipping companies, and retail it to various clients. They also do local transportation for small group of regular clients.
•Similarly, they handle import shipments from various countries like Far and East Asia, China, Taiwan, Korea, Egypt, etc.
•In the Air Traffic and Shipments, they have IATA agents for Air cargo. They handle Air Shipments from Mumbai and Chennai, and sometimes New Delhi.
•The Company is an intermediary in the International Cargo shipments industry.
•5 Years back, they started a 100% owned subsidiary named Oneworld Logistics Private Ltd., wherein they handled the Last Mile delivery business of Flipkart and Amazon. They currently handle 10 states for them in India and handle 3 million shipments a month.
•Recently, they have started handling cargoes of certain Aggregator companies like Nykaa, Sugar, Purple, Misho, etc. Currently they are doing it only in Mumbai, but next year FY25, they want to go to Bengaluru and eventually to New Delhi and NCR region.
•The management acknowledged that due to the Red Sea Crisis, several freight ships are taking the longer route rounding whole of Africa and increasing the turnaround time by 14-16 days.
•The Management clarified that their business goes in an Asset Light Model, with the company owning 3 Offices in Mumbai, 1 in Chennai, Kolkata and Ahmedabad, respectively. Apart from these, they have few Trailers of their company which they use for loading to-and-fro cargo at Terminals along with 40 plus containers of their own.
•The recently won Nava Sheva JNPT collaboration included Total Transport to get the shipment in ICD Ankleshwar, and rail it down to Nava Sheva in container.
•The JV with West Africa Cargo Limited is witnessing paper works being completed, and is expected to start by the month of May 2024.

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Trucap Finance Ltd
CMP: INR 64 | Market Cap: INR 7,891 Mn | View: Positive

Key highlights

- The company is a msme lender to small clients which has been in business since 5.5yrs. They offer products in 4 categories-
- 1. LAP 2. Personal Loan 3. MSME Gold loan 4. Collateral free business loan
- Company currently has around 10000mn of AUM of which 99% is from gold loan and business loan. They've been focusing on these two categories since last 4.5yrs. They've witnessed 3 repayment cycles which makes them experienced in the different aspects of these categories.
- Company has around 122 branches in 8 states for the gold loan segment. This segment makes up 65% of the AUM and has been the heart of business operations. Around 24000mn of gold loan has been disbursed of which only 100mn has been taken in Auction till date. In this auction also the company recovered 105% of principal and interest. As per RBI guidelines, the excess recovery was handed back to the customer.
- The company takes interest on a regular basis rather than interest at bullet along with principal. If the interest repayment are done at timely intervals, the co. steps down on interest and offers a revised lower interest rate. Average ticket size in gold loan is 1.2L and there are no write offs.
- The company has 4 co-lending partners inlcuidng HDFC bank and central bank of india. These partners provide 80% of the amount while the rest 20% is financed by the co. Cost of servicing and on-boarding these customers is borne by Trucap.
- The second most important segment is collateral free business loan which comprises 34% of AUM. Once all the existing branches of gold loan reach break even and achieve operational efficiency, business loan product will also be added on these branches.
- Wilson family is the largest shareholder of the company. Company has a gross npa of 1.4% and debt of 2.3x as on December end. Capital adequacy ratio is of 30%. Company overall has 780 people of which 640 are feet on street for sales and collection.
- Promoter stake was reduced due to natural dilution since 3 rounds of external funding have been done post 2020. Some secondary shares were also sold to meet capital requirement of other businesses of promoters. Promoters are fully committed to business and creating value.
- Promoter group has to give a corporate guarantee which leads to non cash expense being charged to P&L as interest expense. The company is going back to lenders to evaluate it on standalone basis without the corporate guarantee, now that the company has sufficient networth and business of its own. Some of them have agreed keeping in mind their track record while others still require the guarantee. Going forward, when guarantee's will not be needed to given, it will automatically reduce the interest cost.
- The company on unsecured loans have yield of 18-22% with gross npa of 3.5% and makes a yield of 12-20% on secured loans.
- Provisioning is around 1-1.5% and hopes to remain in this range.
- The company has come a long way from March 2020, where it had 2 branches in Mumbai and pune with 360mn loan book and 104 customers. The company now has AUM of 1,0000mn with 85k customers and 2400mn networth. Company has a strong ESOP culture which helps it retain talent and avoid the high churn rate at senior levels which is prevalent in their industry.

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Uflex limited
CMP 404 | Market Cap 30,466 Mn| View: Positive

Key Highlights
•The packaging films business, which faced challenges due to overcapacity in India, is now gaining momentum, particularly in overseas markets helped by increased volumes and slightly higher prices influenced by the Red Sea crisis.
•The rise in volumes instills confidence and also helps absorb fixed costs across a larger base.
•The company has established production capabilities in Mexico and Egypt for PCR films, which will significantly contribute to both the volume and demand for the product in the coming years.
•Company anticipates to see an improvement in the volumes for across all the businesses, be it packaging films, flexible packaging and also the aseptic packaging.
•By the beginning of the next year, In the aseptic packaging company will have enhanced capacity of 12 billion packs taking care about higher volumes and penetrate new customers.
•Company's operational EBITDA stood at approximately 12.7% last quarter and the management believes company has a potential to increase by another roughly 1% next quarter.
•The industry is presently operating at 60-62% capacity utilization levels in India.
•With double-digit demand growth in the range of 10-12%, this capacity utilization is expected to increase, leading to improved pricing.
•Products being manufacture in PET chip in Egypt serves as a raw material for producing PET packaging films. Company plan to utilize this product in Dubai, Egypt, Poland, and Nigeria, based on market prices and conditions. Utilizing own product will enhance company's margins as it enables cost savings.
•Anticipate being to utilize full capacity by the second year.
•In recycling, the largest category is PCR PET bottles recycling. Company collects old PET bottles and recycle them to produce PET chips, which are then used to manufacture polyester films, specifically BOPET films.
•Company have established a plant in Mexico. Additionally, Company have set up a similar facility in Egypt. The total expenditure for these endeavors is approximately $25 to $30 million.

OutlookWith PCR capacities established in Egypt and Mexico, company aim is to achieve greater self-reliance in meeting raw material needs. Additionally, the company is focusing on sustainability, backward integration, and growing the higher value-added packaging businesses to enhance profitability.

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Unihealth Consultancy Ltd
CMP: INR 135 | Market Cap: INR 2,088 Mn|Rating: Not Rated

Key Highlights:

- Unihealth was formed in 2010. The 2 promoters were medical students. Initially the primary vertical was medical tourism in which patients from middle east and Africa were brought to India for treatment. Over the years till 2015 the company had managed to capture significant market in medical travel. They had collaborated with Ethiopian airlines and launched medical travel program which gave them, access to 35-40 countries and entry in massive market like Nigeria, Uganda and Kenya.
- The vision set by the company at that point of time for 2020/2025 was to provide primary treatment on ground to tackle the issue of lack of quality healthcare due to supply demand gap in Africa region. They got their 1st opportunity in Tanzania where the acquired an existing medical centre. In 2016-2018 they spread their footprint from Tanzani to Nigeria and Uganda. Today they have 120 beds in Uganda and 80 beds in Nigeria.
- By 2019 they realised they had acquired considerable know how in the healthcare segment and planned on to start consultancy services to other hospital groups in India and across middle east and Africa. Some significant projects under consultancy included the one at Pune where a hospital with 100 beds was given consultancy services.
- In 2020 when travel was restricted, company started exporting medical consumables and an efficient supply chain was established. This gave birth to distribution segment in the company. This activity was undertaken in a new subsidiary called 'unihelath pharmaceutical pvt ltd.'. They were able to grab distribution for reliance lifesciences, hemant surgical industries to name a few. They have recently collaborated with companies making cosmetology and dermatology products.
- This way the company operates in 4 verticals i.e. medical travel; operating their own hospitals; consultancy and distribution of medical consumables.
- The company foresees considerable growth in coming 3 years as they plan on expanding their 200 bed to 1000 bed in coming 3 years. 300 of this additional 800 bed capacity will be in India. They can reach 500-600 bed capacity in the next 18 months.
- Their financials for 2023 reported 470mnof consolidated topline with PAT margins of 19% and overall EBIDTA margins in the range of 32%.
- The company clarified that the significant receivables they have is because of the payment which is to be received from the Uganda government. There are no deductions or difficulty in the receivables but the working of their government is such that payments come within 9-12months. They have subsequent payables as the supplies there are accustomed to such payment timelines.
- Going forward the company wants to have 20-25% of max exposure from one location.They have an avg bad debt in last 2 years at 2%.
- They aim to operate as an asset light model with no major infra expense. Their target on long term basis to go for rental agreements or revenue share model. Investment undertaken will be primarily for equipment or working cap for which they will be leveraging local bank facilities. Capex of 1500mn of in next 3yrs.
- They collaborate with local partners and never go solo. Their local partner is from non healthcare background.
- Funding may be required when they cross the 600 bed mark. Net profit margins may come down by few % due to interest cost and deprecation cost. They plan to add super speciality services like surgeries and heart related procedure which has potential of double of current ebitda margins and shall offset the effect of interest and depreciation.
- Hedge for currencies is not possible as they deal in African currency. Advanced surgeries have been dollarized and pricing is revised in case of significant depreciation of currency.
- Production for syringe manufacturing and should start by Q3 of coming FY. Average revenue per bed is INR 40L of which 50% comes to our books since we hoold 50% equity. Their aim is to maintain 1:1 debt to equity ratio

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Updater Services Ltd.
CMP: INR 320 | Market Cap: INR 21,966 Mn|View: Positive

Key Highlights:
•The integrated facility management segment of the company remained a major revenue driver, accounting for approximately 65% of the total revenue.
•In IFM segment, company offer a lot of services like soft service like housekeeping, cleaning, disinfection, pest control, horticulture.
•Company is specialize in providing mechanical, electrical, and plumbing solutions for heating, ventilation, and air conditioning systems, earning a top-five ranking in India's service market.
•Company’s commitment extends to continuously enhancing service portfolio and expanding market presence. Additionally, company have ventured into the washroom hygiene segment, offering feminine hygiene care solutions through its subsidiary, Washroom Hygiene Concept.
•The company is capitalizing on numerous opportunities within the audit and assurance business.
•For FY 25, the company anticipates industry growth of approximately 7-8%, with expectations to outpace this growth, aiming for a rate of around 20%.
•In Q3FY23, the IFM segment contributed 73% of the share, while the BSS segment accounted for around 26%. Since then, the company has expanded its BSS segment to approximately 32.3% share. Moving forward, the company intends to further grow the BSS due to its gross margins, which are nearly double those of the IFM sector.
•The normal DSO range falls between 50 to 80 days. Company aims to reduce it to 70 days and through proactive efforts, especially with the addition of new clients, company anticipate to bring the DSO down to 60 days.
•In the IFM segment, company primary focus lies in expanding business with existing clients and then reaching out to new ones.
•Company is currently experimenting with robotic cleaning machines.
•In addition to core services in factory management, process management, and production management for their large clients, company is also exploring how technology can streamline operations, allowing to achieve the same level of productivity with fewer employees and greater integration of technology.
•Company at present have 98% retention ratio of its customer.
•The company made a conscious decision to discontinue its government business due to two primary reasons, the narrow profit margins associated with such contracts, and the significant delays in receiving payments. As a result, the company opted to discontinue its involvement in government contracts.
•Company is making effort to grow EBITDA margin half a percent every year. The company aims to increase its EBITDA margin from the current 6.2% to 7.5% within the next couple of years.
•Company ROCE stands at around 32%
•Within the business segments, the BSS segment yields approximately a 15% margin, whereas the IFM segment typically generates margins ranging between 5% to 6%.
•The increase in depreciation primarily stems from the assets acquired for global operations. The global vertical is the only vertical which is asset heavy.
•These assets include infrastructure for airport maintenance, flight handling systems, power banks, and some mobile assets like buses.
•Approximately 95% of the assets acquired in recent years are allocated to the global flight planning system, contributing to the rise in depreciation expenses.
•Company see’s noticeable surge in demand for services related to digital communication, cloud computing, digitalization, analytics, data content intelligence, and many other areas and thus ample of opportunities to expand involvement in these thriving sectors.

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Vaibhav Global Ltd

CMP: INR 364 | Market Cap: INR 62,566 Mn| TP: INR 656|Rating: Buy

Business Model & Value Proposition

-The company's value proposition centers around sourcing products directly from suppliers/manufacturers and selling to end consumers without intermediaries or middlemen involved.

The company operates proprietary 24/7 television shopping channels and digital mediums in major markets like the US, UK and Germany to reach end consumers directly.

It maintains an average selling price range of $25 to $45 for its with over 60% gross margins.

Acquisitions

Recent acquisitions include Mindful Souls and Ideal World to strengthen VGL's digital presence and improve profitability through supply chain synergies.

VGL acquired Mindful Souls to gain expertise in digital customer acquisition and anticipates around 10% revenue growth for Mindful Souls going forward. It expects to improve margins by 3-5% through supply chain synergies and using its US warehouse.

The company expects Ideal World to achieve £60 million revenue in 3-5 years with 12% margins.

The acquisition with Ideal World provides the company with an established TV shopping brand and customer base in the UK market.

Margins

Excluding Germany, the company is generating 12.5-13% operating margins.

In next three to four years it targets to achieve 15-16% margins in next 3-4 years through scale benefits and Germany profitability.

Advertising spend at 10-12% of digital sales currently, to be maintained going forward.

Other highlights

Non-jewelry contribution has grown from 13% in FY17 to 27% currently, targeted at 50% by FY28 with continuous offering in the lifestyle segment

There are plans to enter new markets like Japan once Germany operation reaches targeted profitability levels.

The company anticipates its capex requirements to remain within the range of $3 to $5 million for the next two to three years. They don't foresee additional capex in the next two years.

Outlook: The company aims to achieve 50% of its revenue from the digital business by FY27, with acquisitions contributing around 5% and the remaining coming from expansion of existing brands. It expects its Germany business to break even by second half of the next year, contributing to improving operating margins. The company targets mid-teen revenue growth, driven by new acquisitions, and expansion in digital marketing and OTT/OTA households while expecting CAGR of 13-15% in margins in the medium to long term. ROIC expected to improve back to 20% levels from its current lower levels as profitability improves.

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Vaidya Sane Ayurved Laboratories Ltd
CMP: INR 174 | Market Cap: INR 1,956 Mn | Rating: Not Rated

Key Highlights

• As a whole company have about 360 clinics and three hospitals all across the nation.

• About 75% to 80% of the existing clinics are franchise clinics, while remaining 20% of them are company clinics.

• Patient normally pays about INR 50 to 65,000 for whole year long program.

• The treatment compliance ratio is more than 85% and thus is the improvement ratio.

Franchisee Model

• The company operates over 360 clinics, with approximately 80% of them being franchised. The franchise retention ratio exceeds 90% and many have been with the company since a long time.

• Currently, the company's franchises are exclusively held by ayurvedic doctors. However, there's ongoing evaluation of a new model where investors can become franchisees by hiring an ayurvedic doctor.

• This model is under evaluation and is expected to be finalized within the next six months, potentially expanding opportunities for more franchises in the future.

Success rate

• The success is normally measured on the modern diagnostic itself.

• The patient is evaluated with the same angiography before the treatment. And after four to six months of this treatment, the patient undergo the same angiography after the treatment,enabling consistent evaluation of each and every person using diagnostics from the modern industry.

Retention Ratio

• In the initial three months, the company achieves a retention rate of 100%. From zero to six months, retention stands at approximately 85%.

• However, in the final three months, there's a dropout rate of 10 to 15%, primarily due to patient shifting from one place to another or undergoing other operative interventions.

Partnership

• Company has tied up with various corporates such as JSW , Tata Motors as well as few smaller companies.

• In hospital, company have insurance tie up in which patient get cashless treatment in the hospitals.

Hospitals

• The company currently operates a hospital in Khopoli with 53 beds. Within the next twelve to 14 months, the company anticipates acquiring adjacent land where it has obtained approval to built an additional 100 beds.

• Nagpur hospital have 20 beds at present and in a process to have more 20 beds additional totalling to 40 beds.

Other Highlights

• In next three to four years aims to reach EBITDA of 20%.

• Company have about 360 clinics out of which around 70 are the company clinics and rest are franchisee clinics.

• Company is looking for about 25% to 30% of revenue growth in coming year.

• Breakup of clinic revenue – 70% comes from Panchakarma revenue with includes diet and rest from from the products that the patients normally purchase.

• Recently, Madhavrash has expanded into the online space, with plans to gradually venture into offline operations as well.

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Vardhman Special Steels Ltd

CMP: INR 212 | Market cap: INR 17,485 Mn|View: Positive

Key Highlights:

•Capacity testing completed; mass production for Toyota initiated last year in Feb FY23 with a focus on quality.
•Signed a solar power agreement with Amarenco, floated the SPV with 26% equity, and expects the 55MW plant to be operational by March 25.
•Improving EBITDA margins, notably from solar power plant activities contributing 7-10% overall to PBIT.
•In Q4, company is addressing inventory valuation losses and striving to bridge the volume and profitability gaps; cost-saving measures expected to yield positive results.
•Scheduled shutdowns for Cox block (Dec 24) and reheating furnace erection (Jun 25), internally evaluated carbon footprints decreased from 0.82 to below 0.5 metric ton per ton of steel with solar power plant implementation.
•Ongoing debt reduction efforts alongside geographic volume shifts and margin enhancements.
•Benefits from Aichi collaboration evident, with plans for a forging plant in Thailand.
•Discussions underway for greenfield projects, primarily in India, to expand operations.
•Increased billet capacity reducing reliance on external purchases; adherence to quality standards improving steadily.
•Despite volume slowdowns in certain sectors, overall capacity increased by 20-25%.
•Focus on scrap steel procurement, particularly in Punjab, Haryana, and NCR regions, with diversification in export channels.
•Streamlining development processes to meet increasing demand; ongoing cost monitoring, particularly in power.
•Optimistic volume projections, with ongoing developments expected to drive growth.
•Evolving competition with Tata Steel's entry into structure steel; confident in maintaining competitive positioning.
•Strengthened financial stability through buyback and rights issue in 2019.
•Alignment of Maruti's expansion plans with growth trajectory; increased demand from key clients like Hyundai.
•Focus remains on product quality, approvals, and localization efforts to minimize reliance on imports.

•**Outlook:** Positive outlook driven by strategic initiatives, including margin improvement, debt reduction, expansion plans, and optimism for automobile sector growth.

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Vascon Engineers Ltd

CMP: INR 62 | Market Cap: INR 14,552 Mn|View: Positive

Revenue: Revenue growth is expected around 20% CAGR going forward.

Margins: EPC projects gross margins are 15%, EBITDA margins are 11% to 12% and PBT margins are 8% in FY24E. Real estate PBT margin is expected around 17% to 18% and EPC margins are 8% and expected to improve to 9% going forward.

Order book: The order book is around INR 36bn. Around 30% of order book execution will start from Apr-24. The order book bid conversion ratio is around 2%.

Execution timeline : The average order book execution timeline is around 24 months. Some of the projects will take 36-40 months.

Real estate

Around INR 2.5bn to INR 3bn sales bookings are expected in FY25E.

In real estate, around 1.5mn to 2 mn s.ft launches are expected in the near future.

Vascon revenue share is around INR 14bn from new projects in Mumbai and Pune.

Around INR 1.5bn cash flows are expected in the real estate sector. Around INR 2.5bn free cash flows are expected in Real estate and EPC business.

EPC

EPC revenue is expected around INR 7.5bn in FY24E and INR 9bn in FY25E.

Debt

Net debt stood at INR 800mn.

The bank limits are around INR 5bn and unutilized limits are INR 1.3bn.

Projects

The company is eligible to bid up to INR 7.5bn projects. The company is bidding on projects of a minimum of INR 1bn.

The government and private mix is expected 60:40 going forward.

Recently, the company got the biggest order of INR 6bn, and INR 1.5bn to INR 2bn revenue is expected on a yearly basis.

GMP

GMP revenue is expected around INR 3bn in FY24E.

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Arihant Capital Markets Ltd

Veerhealth Care Ltd
CMP: INR 21 | Market Cap: INR 436 Mn| TP: INR 50|Rating: Buy

Key Highlights:

The company aims to achieve a revenue of INR 1000 mn by FY 2025-26, with targeted EBITDA margins of around 20%.
Currently, their margins are around 10%, but they anticipate a significant improvement driven by an increased share of exports and their own brand business.
The company plans to raise approximately INR 330 Mn, out of which INR 250 Mn will be raised through a rights issue, and INR 80 Mn through a loan. The rights issue is tentatively planned at INR 25 per share.
The purpose of the fundraising is to support the expansion and upscaling of the company's manufacturing plant to meet USFDA requirements.
The funds will primarily be utilized for acquiring land and buildings (approx INR 180 Mn), purchasing plant machinery for mass-scale production (approx INR 90-95 Mn and the remainder for furniture, fixtures, and miscellaneous expenses.
The identified land for the expansion has been secured, and plans for closing the deal are underway.
The rights issue details are expected to be made public along with the company's Q4FY24 results, which are due mid-May 2024.
The company has secured a contract with a US-based institutional supply company for oral care products and are in the process of registering for skin care and body care categories with around three different products and seven SKUs expected to be registered by April end.
70% of the company's revenue comes from contract manufacturing, 20% from exports, and 10% from their own brand 'Ayurveda'. They plan to increase the share of exports and their own brand to 25% each, while reducing contract manufacturing to 50% in FY25.
In India, they have contract manufacturing arrangements with Apollo Pharmacy, Dawa India, Aster Pharmacy, Babuline Pharma, and Graciera, among others. They plan to onboard additional contract manufacturing clients in the coming quarters.
In the US market, their primary competitor is Dabur, as other players are facing issues with USFDA license renewals.
The company is currently operating at 70-80% capacity utilization and is planning to expand its capacity, especially in the oral care and personal care categories.
The company plans to focus on online marketing and e-commerce platforms like Amazon, Flipkart, and Nykaa for their own brand “Ayuveer”.

Outlook: Veerhealth is targeting a top-line of INR 170 Mn in FY24 (approximately 25% year-on-year growth) and similar profit margins as FY23. The company has strong growth prospects, driven by capacity expansion, product diversification, export market penetration, and a stronger focus on their own brand business, which are expected to drive margin improvement and revenue growth in the coming years.

Arihant Capital Markets Ltd

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Virtuoso Optoelectronics Ltd.
CMP: INR 211 | Mcap: INR 5,148 Mn| View: Positive

Outlook: Company's strategic shift towards diversification, along with capex, is set to boost revenue and profit. By expanding into new segments like water dispensers and commercial refrigeration, alongside operational efficiency and manufacturing synergies, the company is primed to seize market opportunities and ensure sustained growth.

Revenue and EBITDA guidance:
FY24 revenue guidance stands at INR 535 crore, followed by INR 7500 mn for FY25 and INR 11000 mn for FY26. EBITDA margin projections for lighting hover around +12%, IDU at 9%, ODU within the range of 6-6.5%, water dispensers ~12%, and deep freezers at a higher rate of 15%. The overall anticipated EBITDA margin going forward is 10%, while for the current year, it is estimated to be around 9.5%.

The company operates three core manufacturing units:
IDU, ODU, and lighting and EMS. Additionally, three feeder units have been incorporated, specializing in moulding components, copper tubing, and brass components and aluminium pressure diagnostic. Moreover, a new unit for deep freezers is slated to commence operations around June/July this year.

Key Highlights
• The company initially established itself as an EMS player in lighting, serving clients such as Panasonic, reliance, Polycab.
• The company's current expanded capacity includes 800,000 units for IDU and 400,000 units for ODU per year. Additionally, for water dispensers, they will utilize the ODU facility, capitalizing on their manufacturing capabilities.
• The company ventured into the toy segment when a customer inquired about plastic moulding for toys, a capability they already possessed. After conducting tests with the company, they commenced toy manufacturing operations.
• Company is doing capex of INR 500mn capex for IDU and ODU capacity increase and commercial refrigerator and INR 350-400mn for water dispensers.
• The expected split is 45-50% from ACs, 25% from deep water, 10% from lighting, 10% from components and 5% from water dispensers.
• All segments exhibit an asset turnover of 5-6 times, except for lighting, where the range varies depending on the manufactured product, spanning from 4 to 7.
• The company anticipates the AC business to achieve a CAGR of 25-30% over the next 2-3 years.
• PLI schemes and government incentives received and expected to receive by the company are INR 110mn for FY24, INR 200mn for FY25 and INR 260mn for FY26.
• The company aims to maintain a debt-to-equity ratio within the range of 0.5 to 0.8, with short-term and long-term loans of INR 800-1000 mn each for FY26.

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Wanbury Ltd.

CMP: INR 146| Market Cap: INR 5,028 Mn| View: Positive

Anticipating sustainable margins of 17-18% for FY25, attributed to efficiency measures and capacity enhancements:

• Implemented plant-level initiatives like temperature reduction and improved methanol purification, resulting in a 4.2% increase in metformin yield.

• Reduced raw material costs and improved yield through R&D interventions, enhancing the margin for the antidepressant citrulline.

• Conducted training programs for medical representatives focusing on product knowledge, sales techniques, and competitive advantages to enhance doctor engagement and sales closing.

• Implemented territory consolidation to address underperforming regions and optimize manpower, leading to improved productivity and performance.

• Introduced incentive schemes to motivate and retain field force personnel, aiming to combat high attrition rates and sustain engagement.

• Provided training to field force managers on monitoring, target setting, and performance interventions to drive productivity.

Positive outlook is anticipated for the branded formulation business:

• Currently, employing around 300 field force personnel and 80 managers, the business is nearing breakeven after minor losses. Expectations are for a turnaround next year.

• This will be driven by corrective actions like productivity improvement initiatives, manpower rationalization, extensive training, and attractive incentive schemes for the field force in the upcoming financial year.

Mixed Acquisition Results: Success with Small Companies, Failure with Large Ones

• The company embarked on a growth journey through acquisitions, including Pathavinga, Sandoz's branded formulation business, Wonder for branded formulation business, Doctor Organic Chemicals Limited, and Cantabria.

• While most acquisitions were successful, Cantabria faced challenges post-Lehman Brothers collapse due to Spain's economic turmoil and government pricing regulations, leading to substantial losses.

• The company then settled with banks, raised funds, and reduced debt from 6000 mn to 1000 mn, demonstrating resilience amidst adversity.

Key Highlights

• Company has 2 plants in Maharashtra at Pathoganga and in Andhra Pradesh at Tampu, both are US FDA approved. Plants also has approvals of Brazil, European Union, Korean FDA, Mexican FDA and Indian FDA.

• Company’s major revenue comes from API, which is ~85-90% of total revenue and rest comes from branded formulation API. Company export to almost 50-60 countries and hardly supply to domestic markets.

• Metformin which is anti-diabetic company holds global market share of 11% and sertraline which is antidepressant tramadol, in this they have global market share of 30%.

• Company services clients in Europe, the US, and India, Including Pfizer, Johnson & Johnson, PNGs, Sanofis, Peribos, IPTA, and Others. Additionally, collaborating with Prati Doctor Reddy in India.

• Achieved 10% reduction in raw material costs and increased capacity for citrulline by 12 to 16 tons. Additionally, expanded metformin capacity by 150 tons, with a focus on niche segment metformin DC, increasing production from 56 to 70 tons. These efforts led to improved profitability and EBITDA.

• Company is also launching new products like Montalica, Lukash, etc. these are in their advanced age and are now filing some DMFs in this regard.Company's focuses on therapy segments including gynecology, orthopedics, pediatrics, and consultant physicians with wide range product portfolio diversification and market presence. The company acknowledges the potential in the diabetic segment and possesses API metformin for diabetes treatment, prompting the initiation of a branded business in this sector. The high coupon rate of 21% on the new NCD issuance of 95 crores was necessitated by immediate settlement needs, with plans to refinance with lower-cost debt after the lock-in period expires.

• From last 3 months company is spending capex of INR 240-250 Mn, this was funded from internal accruals.

• R&D cost for comes to around 3.5-4% oof revenue and have team of 42, 30 for API and 12 for formulation segment.

• Current utilization for API capacity is almost 80-85% and this can be debottlenecked as and when require. For formulation company outsoure as their focus is on brand building. Warrants have been partially converted into equity, with the remaining conversion expected to comply with SEBI norms within 18 months, resulting in a promoter shareholding of around 44%.The current tax is nil due to past losses, with a possibility of a tax rate around 18% next year.

Outlook: Company demonstrates a strong potential for growth and profitability driven by focus on efficiency enhancements, capacity expansions, and diversified product offerings. Furthermore, its approach towards addressing operational challenges, coupled with the impending turnaround in the branded formulation business and the prospects in diabetic segment, underscore the company's favorable outlook for the future.

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Welspun Corp Ltd.

CMP: INR 515 | Market Cap: INR 1,43,642 Mn| TP: INR 668| Rating: Accumulate

Key Highlights:

The company recently introduced ductile iron (DI) pipes and aims to increase DI pipe production to over 200 KT by 2024 and has announced a 100 KT brownfield expansion. This expansion will increase DI pipe capacity to 500 KT annually.

The company is expecting its ductile iron (DI) pipe segment to be a major growth driver going forward, with strong demand from government initiatives like Jal Jeevan Mission and Amrut 2.0.

The company focuses on ramping-up the business of Specialty steel and expects 50,000-60,000 tons bar sales and 7,500-8,000 tons pipe sales by FY26 in specialty steel.

Debt is increased recently from Q2FY24 to Q3FY24 to fund growth capex. Despite a temporary increase in debt cash flow generation from new businesses is expected to support debt repayment in FY25 and FY26.

The company plans to invest in new projects, with a total investment of 23,550 Mn over two to three years (FY25 and FY26). The funding for these investments will come from internally generated cash flows.

The company holds a stake in Epic East Pipes Integrated Company, the largest player in the line pipe business in Saudi Arabia and the company has benefited from strong demand in that region.

The company does not anticipate any significant impact from the election year in India or the United States on its order book, especially in the water infrastructure segment.

The company has secured smaller orders totalling around INR 20,400 Mn both in India and US providing coverage until Q2FY25.

The Welspun Specialty Solutions ltd. has turned around, and FY24 is expected to be the base year where this company will be making profits on a full year basis.

Outlook: The company expects growth in the US market with ongoing investments in the US oil and gas sector. It aims to establish Welspun Shield as a leading brand in the B2C segment for TMT bars through digital distribution. Diversification into DI pipes, plastic pipes, building products are the key growth drivers.

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Welspun Living LTD.
CMP: INR 138| Mcap: INR 1,46,646 Mn| TP: INR 229

Key Highlights:

- Emerging businesses of flooring, advanced textiles, domestic play, and the global branded business have been driving growth with doubling shares in the past 3 years.
- Net debt should be 0 by FY27.
- They are now seeing cotton prices rationalize but are still at a higher level (INR 55-60k per candy).
- Domestic retail textiles over the past 3 years have been growing 25-30%. The Current year is an outlier because of retail sentiment in India being low. Expect a growth of 30-35% after this year. The business reached breakeven EBITDA last year and is now at a low single-digit EBITDA
- The flooring business has also picked up well at 35-30% growth. Currency issues might cause some small short-term issues, but they are capturing new businesses and getting repeat orders.
- Capacity utilization improvement is supposed to increase the ROCE to 18% and improve EBITDA.
- Anjar facilities utilization is 80-85% and manufactures spun lace and wet wipes, telangana capacity is operating at 35% and is expected to move to 85% in the next 3 years.
- Adding new export countriesjapan, SEA, and Africa
- India gained a 5% market share in towels and 8% in sheets because of china+1
- FY24 will see top-line growth of 18-20% to reach INR 15kcr by FY27. The run rate to achieve INR 15kcr will be INR 3.5kcr run rate FY26.
- The realization for the flooring business is $1.5/sqft, with an EBITDA in the high single digits this year, and is expected to reach 2 digits next year, and be close to 15% in FY27 (similar to home textile margins).
- Cotton price fluctuations to the tune of 10% are passed on.
- INR 326cr is being spent on a new towel facility (brownfield) in Anjar which will produce 6400 MT of fashion towels, and they are also setting up a pillow plant in the US.
- ROSCTL benefits of INR 350cr retained by 9MFY24.

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Zuari Industries Ltd.
CMP: INR 328 | Market Cap: INR 10,063 Mn | TP: INR 671 |Rating: BUY

Opinion: Zuari Industries holding entities will keep generating high Other Income for the Holding company while the in-house growing Real Estate and Sugar & Ethanol business will see improvements in margins. Hence, at 50% Holding company discount to the assets and the land bank at INR 10 Mn per acre, we estimate a fair value of INR 671 per share.

Guidance:
•The Management says that they will be expanding their capacity in the Ethanol space to 180 KLPD in the future.
•The Dubai Project St. Regis is under construction targeted to be completed by Feb 2026 with all initial 3 phases completed. The Phase 4 of Zuari Garden City is currently being sold.

Key Highlights:
•The Management provided details of the several different investments, subsidiaries and JVs that they have done over the last several years, and how those investments have turned out quite Profitable, especially in the Agro Chemicals and Rail Infrastructure companies.
•In the Real Estate, they started with development of Mysore Garden City, which is all sold, and then followed by Southern Goa's projects known as Zuari Rainforest, which is also fully sold. Next the company is doing a 55 storied premium Residential Project St. Regis in Dubai.
•In the Sugar, Power and Ethanol Division, they have 10,000 tonnes crushing capacity, a 30 MW Power Plant of which they export 22 MW power, and a brand new distiller of 125 KLPD capacity, which was 100 KLPD till last year. The Distillery is equipped for direct conversion of Sugar Syrup to Ethanol.
•The Management attributed their focus towards improving the margins of this business in the future using different Product mixes as well.
•The Company currently holds 14.12% stake in the Agrochemical company Chambal Fertilizers and Chemicals, which are worth INR 23 bn. Another is in Texmaco Rail Infrastructure, valued at around INR 11 bn, Zuari Agro Chemcals, valued at INR 2.55 bn for 32% stake.
•The Management also re-iterates that they have no plan on monetizing their stakes in the listed entities valued at in excess of INR 40 bn in the future as of now.
•The management clarified that apart from the Phase 4 launch of Dane Garden City in Mysore and under construction St. Regis in Dubai, they don't have any planned launches as of now, but they are contemplating various options.
•The Company is focussed on areas such as Biofuels, such as Biodiesel and BioGas.
•The Company has monetized nearly 40-50 acres of their land parcels in South Goa this fiscal year FY24.
•The management explained that the Real Estate developer subsidiary Zuari Infra World is now a self run business looking for its own growth and operations themselves.

Arihant Capital Markets Ltd.

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Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	**Registered Office**
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	Arihant House
Andheri Ghatkopar Link Road	E-5 Ratlam Kothi
Chakala, Andheri (E)	Indore 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 3016100
Tel: (91-22) 42254800	Fax: (91-731) 3016199
Fax: (91-22) 42254880	

Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880