ArihantCapital
Generating Wealth

Arihant Rising Stars Summit - 2021
(Post Conference Note)

We had hosted Investor Conference on 29th & 30th September 2021 where 15 companies participated at our **"Arihant Rising Star's Virtual Summit"**. Key takeaways from the conference are as follows:

List of participating companies

Sr No.	Company	CMP (INR)	Mcap (in INR Mn)
1	Axiscades Technolgies Ltd.	85	3,180
2	D P Abhushan Ltd	213	4,730
3	Dollar Industries	375	21,280
4	Heranba Industries	788	31,490
5	Indo Count Industries Ltd.	279	55,790
6	Indostar Capital	283	35,050
8	PNB Housing Finance Ltd.	631	106,449
9	Prataap Snacks Ltd.	665	15,580
10	Puravankara Ltd.	138	32,670
11	RPSG Ventures	954	25,230
12	Sarda Energy and Minerals	696	25,090
13	SpiceJet Ltd.	75	45,100
7	Marksans Pharma Ltd.	69	28,200
14	Vascon Engineers	26	4,810
15	Vishnu Chemicals	769	9,150

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04th October 2021

AXISCADES Technologies Limited

CMP: INR 80| Market Cap: INR 3,180 Mn

Management Participants:

- Sharadhi Chandra Babu – CEO
- Shishir Gahoi, IR Head

- Axiscades is a leading end to end engineering and technology solution company. They bring combination of smart engineering with electrical, mechanical, electronic and embedded engineering along with the latest digital skills, competencies and product and services to make compelling and value added products.
- Company provide design services along with system integration and after services like maintenance, repair and lifecycle support.
- In Aerospace industry, they provide design manufacturing and after market services with 23% contribution to top line.
- In defence and homeland security, they provide product development and integration services with 30% contribution to topline
- In heavy engineering, they provide design, manufacturing and engineering services with 42% contribution to top line and in Automotive energy and Industrial products, they provide design, manufacturing, engineering, Tech hub services with 5% contribution to topline
- Axiscade is the Designated Indian Offset partner (IOP).Aerospace revenue contribution has come down from 30% to 23% due to pandemic
- The company has very strong global footprint, Headquarter in Bangalore (India) and service center like Chennai , Hyderabad and Delhi. Strong presence in US and Europe.
- Digital in future: 53% of ER&D spends by FY25. 2.9x increase in digital engineering spends by FY25.
- Financial: Sustained EBITDA margin at 14.6% for FY21 despite the reduction in revenue due to Covid 19 pandemic.Debt reduced from INR 1442 Mn FY20 to INR 728 Mn in FY21. FCF stood at INR 1165 mn from INR 588 Mn.
- Order Book: Defence order book has been strong, the pipeline is strong and $ 200 mn as it contains certain large deals. Overall order book of the company quite strong and FY22-23 is well protected. The company is working on the large deal in the defence segment which will culminate in next 1-2 quarters
- Mistral: Acquired mistral solution specialized in end to end embedded solution and product engineering. By end of the year it will have the conversion.
- Segment Outlook: Aerospace: The company is witnessing increased activity and based on the interaction with the customers and available information, we are forecasting a better FY22 as compared to FY21.Defence: India's defence export market which is currently INR 11,000 cr is expected to be INR 35000 Cr by 2025. Recently, the company has participated in multiple bids and are hopeful of some wins in the current fiscal. HEG: The company see growth in the area of manufacturing and related engineering services. Products and solution: The company seen positive traction in this vertical and the foresee continuous traction in this segment mainly due to increase of defence related budget by the countries.
- Outlook: We are positive on the stock due to large deal in the pipeline and its diversification of verticals, customers. The company is focusing more on new deals, Investment in R&D and in digital technology to add news customers. Offer digital service along with traditional engineering services to existing clients to meet the requirements. Focus on in organic growth for new customers for new customers/ verticals.

D P Abhushan Ltd
CMP: INR 213, Mcap: INR 4,730 Mn

Management Participants:
- Mr. Vikas Kataria (Chairman and MD)
- Mr. Amit Bandi (Chief Executive Officer)

- DP Abhushan have 7 flagship stores in Ratlam, Indore, Udaipur, Bhopal, Ujjain, Bhilwara, Kota with an area of 38000 sq feet, 80000 footfall p.a. with an average conversion of 91%.
- **Product range**: All kind of jewellery including gold, platinum, silver, gems. Company is having good connection in terms of wedding jewellery which includes following range of products - Necklace, rings, chains, bangles, pendants etc.
- Company is focusing on tier II & tier III cities with gold sales being the major focus followed by Diamond and then silver.
- Company has incorporated wholly owned subsidiary for e-commerce platform to cater the light weight jewellery with small ticket size for gifting purpose. Company has tie up with TBS forever in central India.
- To mitigate the risk of gold price fluctuation, company follow the practice of buying the same quantity of gold which is sold by the company on daily average basis. This practice act as natural hedging against gold price fluctuation
- The cost of gold inventories is determined on weighted average basis, which eliminates the impact of high fluctuation in gold price
- Gold monetization Scheme launched by government to reduce the country's reliance on gold import to meet the domestic demand has been a growth driver for industry.
- Government has mandated hallmarking for Gold jewellery and Artefacts and the same is beneficial for the company as their jewellery are already BIS certified
- Company is focusing on omni-channel approach and are trying to create online presence to boost sales.

We have a Buy rating on the stock with a target price of INR 265.

Dollar Industries Ltd
CMP: INR 375, Mcap: INR 21,280 Mn

Management Participants:
- Mr. Ankit Gupta (President Marketing and part of the promoter group)

- Increasing penetration in its existing mass and mid market brands like 'Dollar' and 'Big Boss'.
- Expanding its women's product portfolio brand under 'Missy'.
- Customer preference for leisure wear and active wear, which would drive athleisure's share, given its affordable price points.
- Scaling up of premium & super premium segment under Pepe Jeans JV.
- The company has Streamlining its working capital under Project Lakshya.
- Capex of INR 1.05bn-1.1bn will be incurred over the next 1-1.5 years on doubling spinning capacity, the socks unit and integration of 6 warehouse facility.
- Investment in digital transformation to strengthen the supply chain, coupled with increasing share from online sales.

We are positive on stock and have a buy rating with price objective of INR 569

Heranba Industries Ltd.

CMP: INR 788|Market Cap: INR 31,490 Mn

Management Participants:

- Raj Kumar Bafna – CFO
- Raunak Shetty – Whole-Time Director

Conference Takeaways:

- Heranba Industries Ltd. Is an agrochemical company and manufactures synthetic pyrethroids and its intermediates in India.
- It also exports its product to about 60 countries. The export to domestic mix would be approximately 50:50.
- In FY2021, the company generated sales of INR 1,225 Cr. The company has been growing at 18-20% in the past few years and expect to maintain the growth rate going forward.
- The capital expenditure for the next 3 years is INR 250 crores. It is majorly focused on technical. There is sufficient capacity in the formulations business and further capital expenditure would be minimal.
- In the formulation business, the company has the flexibility to add equipments as per demand requirement.
- The combined capacity at Vapi is about 9,000 tons and will increase by about 1,000 tons. The new capacity will be operational in the current year.
- The blended gross margin of the company is about 35%.
- In the next 2-3 years, the export/domestic mix would be similar to the existing ratio. It will be in the range of 50:50, plus/minus 2%.
- The company will maintain EBITDA margins of 18-20% after capacity expansion.
- The company has new products ready in the herbicide and fungicide segment and is continuing to register these products.
- In the domestic market, there was some slowdown in the first two months of the current financial year. However, things have started picking up in August and September.
- The company has a good mix of exports, therefore the domestic slowdown in the earlier part of the current financial year did not impact them much.
- Raw material and product prices are fairly stable, according to the management.
- The funding of capital expenditure will be done by utilizing internal accruals.
- Contribution from public health has been better this year compared to last year. In Q1FY22, it contributed about 3-4% of overall topline. Pyrethroids is about 62-63% of the turnover.
- The company is focusing on its strength and has a diversified geographical mix in terms of sales.
- A lot of product registration is coming from India across segments including herbicide, pesticide and insecticide. The company has a good customer base and it is pitching more products to the existing customers.
- Total imports contribute minimal (about 13%) to the company and therefore did not get impacted by the logistical challenges.
- In exports, the company passed on its logistically price rise to its customers.
- Tender business run rate is about INR 40-50 crores in a normal year.
- The company has a diversified customer base with top 10% clients constituting only 20% of the total turnover. The pyrethroids facility is completely backwardly integrated. There was no major impact of ban on glyphosate in some states.
- Outlook: We have a positive outlook on the company, considering the upcoming capacity expansion in technicals, and management guidance on maintaining good margins and robust topline growth.

Indo Count
KK Lalpuria - Executive Director & CEO
CMP: INR 279| Market Cap: INR 55,790 Mn

Key Takeaways:

- Indo Count Industries Ltd (ICIL) is a focused player on bedding—a niche segment of home textile market.
- The Spinning and Knitting mill of the company commenced production of combed cotton yarn with a capacity of 12096 spindles in 1991.The company added bed line capacity state of art Kolhapur in South West of India in 2007 with the capacity of 36 mn meters and from 2010 to 2020 grew almost 3x . The company current capacity 90 mn meter which is the company expanding in 100-108 mn meters.
- The company are exporting 54 countries. The company clocked revenue 2005 plus in FY21. The company have offices Manchester, Dubai Australia.
- On the bed linen side home textile market the company has marque customer based with complete product portfolio on the bed linen side.
- On the soft furnishing side except for the matters and the bed furniture, the company can produce and supply entire soft furnishing range with complete solution for the customer.
- The company core competence is innovation as the company has invested time and money on the R&D side. The company also do structured research and during FY21 delivered growth of 26%.
- The company has strong balance sheet with competitive advantage to serve their customer and invest into technology expertise, equipment from time to time to see that the company is upgrade and update the company technology.
- With strong balance sheet , strong customer base and good profile and the company is well positioned. The company has good market share of 15% in US imports. In the India Indo count is the largest exporters .
- The company has bedsheet, fashion utility and institutional bedding as well this is the 50% of the home textiles business.
- India is well positioned with all raw material such integrated large capacity which can service all the major retailer around the world. The company is quiet capable to deliver what is desire globally.
- Being the global players the company, going forward will invest in more capacity more technology and digitations . The company will enhance the company talent so the company service the customer well.
- As per the current PLI scheme the indo count will not going to count for that.
- Pakistan GSP plus might get extended by 1 year time period but as everyone believes that Pakistan will going to lose out on GSP plus preference which will benefit India as India has tariff almost of 10% as compare to Pakistan as import duty entering in EU.
- Margin: Sustainable margin side post RoTL 18-20% margin for FY23-24.
- Exports: India gain almost 10% market share during the Covid 19.
- Order Book: The company has marque customers to a large customer big box retailer and the company has visibility of the large customers.
- Outlook: India textiles industry has necessary raw material and adequate labour supply so India will be able to perform well. The textile market overall which is at $ 150 mn will grow to $300 mn going forward and very bright future for the textiles industry as far as India concerns because of both export market and domestic market industry to cater to India has scaled their capacity and capabilities in the last decided and shown to the world that they can supply to world class products and as apparent for the number of the countries. On the company perspective , the company started in 2006 with 36 mn meter to 108 mn meter by end of FY22, which is shows the company grew by 3x with decent earning and revenue. The company has talented team with complete product portfolio.
- We have a positive outlook on the stock for a long-term perspective and valued the stock at EV/EBITDA of 10.5x, signifying PE of 14.4x on FY23E with a TP of INR 314 per share.

Indostar Capital Finance

CMP: INR 283, Mcap: INR 35,050 Mn

Management Participants:
- Mr. Amol Joshi (Chief Financial Officer)
- Mr. Salil Bawa (Head IR)

- Indostar Capital aspire to be a 100% retail company with focus majorly on 3 businesses – i) Used CV ; ii) SME Finance and iii) Housing Finance. As of Q1FY22, share of corporate and retail AUM stood at 23% and 77%. By FY22E, Retail book is expected to be at 90% and 100% by FY23E.
- Used CV is the key focus area for the company. Company has strengthen its team while transitioning from Corporate to Retail. Company has hired few professional to lead its business.
- Company has good presence in South and IIFL acquisition has helped the company to expand presence in North and West as well. As Mr. Deep and Ravi are well aware with eastern region, company is focusing on East and North East areas.
- Below are the key professionals who have joined Indostar recently.
  a) Mr. Deep Jaggi – Chief Business officer (30 years of experience in asset finance business)
  b) Mr. Ravi Kumar – Business Head of Asset Finance (20 years of experience with Chola)
  c) Ms. Jaya Janardanan – Chief Operating officer (Over 25+ years of experience)
  d) Mr. Arvind Uppal - Vice President & Head Collection - Vehicle Finance (He had a prior experience with Aditya Birla and Chola group)
- Company had disbursed INR 628 cr in Q1FY22. Q2FY22 disbursements numbers will exceed Q1FY22 number. Asset quality is expected to be stable in Q2FY22.
- **Indostar - ICICI Bank Partnership:** Company has co-origination agreement with ICICI Bank for vehicle financing business. Company do the sourcing, credit underwriting and ICICI bank do the 100% disbursements. ICICI Bank charge 8.2-8.6% as cost of funds to the Indostar and anything above that is set back to Indostar as a fee. As on Q1FY22, AUM (Off-Balance sheet) from ICICI Bank tie up stood at INR 511 cr. This deal also help in improving liquidity of Indostar.
- **Liability side:** Company has a benchmark of keeping 15% of net worth as a high liquid assets. Cost of funds of the company is expected to come down at 8% kind of level.
- Government has shown efforts putting in place scrappage policy, which will help in boosting demand of CV. Company is seeing good demand to come in at CV space.
- With the plan of opening smart branches or to increase the branch count, Cost to income ratio is expected to remain elevated. In the next 3 years, cost to income ratio is expected to be at below 30%.
- In the past two years, Indostar have cleaned out balance sheet by providing higher provision, write offs and reshuffle of the portfolio. With building up of the new book, the incremental provisioning will not be higher.
- Yield range – i) Used CV (+17% and above), ii) New CV (varies based on relationship; However, it remain in the range of 13-13.5%), iii) SME (13-13.5%) and iv) Affordable Housing (+14%).
- Collection efficiency of the company stood in the range of 125-130% while billing to billing efficiency stood at +95%. Billing efficiency of the company is expected to reach towards 98%.

We have a Buy rating on the stock with a target price of INR 437.

PNB Housing Finance

CMP: INR 631, Mcap: INR 106,449 Mn

Management Participants:
- Ms. Deepika Padhi (Head IR)
- Ms. Shweta Bansal (Manager IR)

- Company agenda is to focus on 3 key areas as follows:
  i. Focus on core operations – a. Management, b. Risk management and c. Capital position
  ii. Focus on driving the efficiency through– a. Digital efficiency and b. Cost efficiency
  iii. Focus on retail growth
- NPA of the company has increased with stage 3 assets at 6% as on Jun'21. Retail NPA was around 3.6% where Corporate NPA was higher at 15%.
- Overall provision coverage is 16% of Corporate book.
- Collection efficiency has improved in August as compared to last quarter.
- Currently, Retail and Corporate AUM share stood at 85:25. Retail AUM share is expected to increase to 87-88% by the end of this fiscal year.
- Company is targeting 40-50% disbursements growth.
- Margins are expected to be anywhere between 300-350 bps.
- In the short term like in FY22E, AUM growth is expected to be stable. Growth in FY23E in AUM is expected to be in single digit.
- Mortgage to GDP ratio in India is expected to increase from 11% to 13-14% in next couple of years.
- **Resolution of stressed assets:** Resolution of stressed assets is the key focus area for the company. One large account (Vipul Ltd) with an exposure of INR 350 cr is expected to get resolved by December. Another account with an exposure of INR 181 cr is also expected to get resolved soon. There has not been any progress seen on Supertech account (exposure of INR 244 cr).
- **Capital raising matter**: In May'21, Board has approved INR 4,000 cr of capital raise plan. However, SEBI had taken a action against PNB Housing with respect to pricing of the issue. PNB housing has filed the case with SAT (Securities Appellate Tribunal). SAT had given the order and it was a split judgment where presiding judge was in favor of PNB housing appeal whereas justice was in favor of SEBI appeal.
- Later, SEBI has filed appeal with SC where two hearing has been done. The final judgment is still awaiting. Company is not sure about what will be the final judgement.
- Within retail portfolio, Unnati (affordable housing project) and Individual housing loan (Self and Salaried employed customers) are the key focus area for the company.
- **"Unnati":** Unnati is prime affordable housing segment with average ticket size of INR 18 lakhs. Company has a 94 branches for this segment and looking to open 13 more new branches in tier 2 and tier 3 cities.
- Currently, Unnati has a book size of INR 2,986 cr which is expected to grow at double digit pace.
- Building a granular book is another key focus area.
- The company has accelerated digital transformation across its value chain. During Q1FY22, the integration of ACE (online sourcing platform), and LOS, resulting in smooth file flow in the system. This is a significant step and the logins to company's digital platform increased from 31% in Q4FY21 to 46% Q1FY22.

Prataap Snacks
CMP: INR 665|Market Cap INR 15,580 Mn
Management Participants

- Amit Kumar- Managing Director and CEO

- Prataap Snacks (PSL) is one of the fastest growing players in the savory segment and has transformed itself from a regional player to a pan India player. The company has increased its market share from 1% in 2010 to ¬6% in 2020.
- Snack food industry :INR 55000 Cr industry out of this INR 22000 Cr is organized market which is have 6-7 key players from Frito-Lay to ITC , Haldiram's, Balaji, Bikaji and Gopal Namkeen who contribute 80-90% volume in the country.
- Snacks food can be categorized in 4 segment that are 1) Potato chips, 2) Indian ethnic snacks, 3) Extruded snacks shaped extruded (is like rings) and random extruded (Chulbule), 4) fried pallets. Prataap snacks present in the 5th Categories that is sweet and snacks category basically sweet division as the company is also present in snacks category.
- From the last 2-3 years due to Covid 19 and higher raw material prices the growth has been extremely good before this. The company growth is moderate from the last 3 years because of the Covid and one strategy didn't went well.
- During the pandemic, the company has realized that Impetus purchase market when kids go outside and purchase packet consumed the packet ,major INR 5 rupee pack which sold around INR 1 Cr everyday of the INR 5 pack. The company 85% sells come from INR 5 pack.
- After Covid, the company enter into the Impetus plan purchase category plus home consumption category. The company already trying with few category like higher MRP product that is for the plan purchases for the home.
- **Margin:** During the Covid 19 the company released that its very difficult to make margin because the commodity very upswing from the last years.
- **Raw Material**: Cost were high because of the petroleum price, crude prices were high all the plastic were very high. Edible oil price was also high which is major raw material for the company. The company has worked a lot to improving the margin side in last 6 month and cut down the channel margin, many change to optimize the process. In this process the company has saved 3-4% EBITDA margin from the channel margin.
- The company strong margin are Delhi, Maharashtra, Haryana and odisha, west Bengal, MP. The market which is big but that not strong are UP, Gujarat, Punjab and Sadan India. Avadh brand which is in Gujarat market acquired by the PSL in 2.5 years back. So the company has very good presence in Gujarat through Avadh. Avadh business does Approx. 200 Cr annually most of the sells come from Gujarat market.
- **South Market:** 2 challenges in Sadan Market, 1) Getting product from Indore to Sadan Market . The company have 2 plant but do not manufacture all the product their 70-85% material their itself. Nankeen and sweets have to transported to other itself. 2) language problem. The company is believe market it will be double in the 2-3 years.
- **Distribution:** Super stock in Delhi for 15 years and 60 distributer under him. So the company supply to the super stock and they will transferred to the distributer so there is huge cost involve. 3 person was the onward freight cost and 3 person was the caring and 3 person was the CNF including freight including good and own expenses. So the company is saving 1.5% margin because of this process .So the idea is to directly go to the customer across the country avoid the middle layer of the super stockiest.
- **Sweets:** Recently launched sandwich cake and Layer cake but Covid happened so its not full launched basically. The company has plan to launched first vegetarian Swiss role in the category which is account for 3.5%-4% in compare to Yellow diamond but the company believe it will be double from here onward.
- We have a positive outlook on the stock for long-term perspective and valued the company at PE 40x and EV/EBITDA of ¬20x FY23E, with a TP of INR 1149 per share.

Purvankara LImited

PURAVANKARA®

CMP: INR 138 | MCap: INR 32,670 Mn

Management Participants

- Mr Ashish Purvankara (Managing Director)
- Mr Abhishek Kapoor (CFO)
- Mr Neeraj Purvankara (Executive Director)

- Company incorporated a company called purva land on plotted developments the benefit is that plotted development projects have time line of 18 months which helps in faster cash flow generation and revenue recognition. Plotted projects are user driven.
- Out of total 88 Mn square feet 23 million is on floor and another 14 mn sq feet to be added in next 12 months' company's focus is on monetizing assets and its equity investment quickly mainly because of two reason one is reduction in debt and another is company is looking for new opportunities in real estate sector.
- Company is looking to gain market share in next 4-5 years.
- Stamp duty cut in Bangalore is positive company has seen rising demand post the development.
- Company is confident that it will be able to maintain Q4 run rate for remaining FY22 it is seeing good uptick in sales from this quarter.
- Debt level to remain at 2100 cr with larger scale of operations.
- Company expects strong cash flow generation In next 2 to 3 years due to new launches and changes in selling strategy.
- Company did a price rise in April by 3 to 5 PC and also small price hike one month ago to cover input cost increases.
- Company is planning a launch in Mumbai Shilphata which is around 2.6 mn sq foot in next 30 days company is also planning to launch a project in Goregaon n in next 5 to 6 months and project in Chembur is already going on .
- With regards to acquisition strategy in Mumbai most of it will be joint development
- Net margin company expects to be in range of 21-25% going ahead
- Topline from Chembur project is INR 650 cr. Before lockdown started in Mumbai company sold 110 cr inventory. post lockdown good sales are seen at sight
- Demand for quality housing to continue, Due to covid supply has come down and supply is coming for top 4 to 5 top players due to which market share of top 5 players improve Low interest rate will help demand grow
- 6 to 7 projects in Mumbai and Pune is with joint development with other developers
- Company getting construction finance at 9.5 to 10.5% company has received upgrade in rating which has helped in reducing cost of capital.
- Outlook: Company has asset light model outside Bangalore where they develop jointly with existing developers which is right strategy. Also company plotted land projects help them to quick realization and healthy cash flow due to lower time line of 18 months thus we have positive outlook on stock.

RPSG Venture Ltd.

CMP: INR 962|Market Cap: INR 25,230 Mn

Management Participants:
- Mr. Rajeev Khandelwal - CEO, FMCG Business
- Mr. B L Chandak - Executive Director
- Mr. Rohit Garg - CFO, FMCG Business
- Mr. Pankaj Kedia - VP-Investor Relations

- RPSG Ventures is an early stage consumer venture capital fund focused on investing in the B2C ecosystem ranging from food & beverages, personal care and lifestyle goods & services.
- Too Yumm has been a leading brand in healthy snacks (its baked not fried) segment mainly in North India. the company has introduced Potato chips with 40% less saturated fat and rings (Rings for the kid's segment with toy inside). The company believes it has the potential too reach INR 1000 Cr by FY25,
- Guiltfree Industries Ltd, the FMCG vertical of the RPSG venture has forayed into the personal care space by launching products aimed at skin care and haircare under the brand 'Naturali'. The company targets revenues of around INR 400-500 crore from the segment in the next four-five years.
- It has roped in Kriti Sanon for promotion of the haircare range and Shanaya Kapoor for the skincare range. The company is expecting it will perform well
- The company has acquired 100% stake in Herbolab. Its products are marketed under the brand "Dr. Vaidya's. In a short span of time, it has emerged as one of India's largest Ayurveda brands in the digital space, with over 90% of its sales coming from online platforms through its portal Drvaidyas.com. This is doing very well.
- The company will focus to increase their revenue to attain breakeven at the bottom line.
- Outlook: We are positive on the company as the focus of the company would be on health-related products going forward. As the impact of pandemic fades and mobility normalizes, we expect the company to revert to mid-teens growth rates.

SARDA
SARDA ENERGY & MINERALS LTD.
CIN:L27100MH1973PLC016617

Sarda Energy & Minerals Limited

CMP: INR 696 | MCap: INR 25,090 Mn

Management Participants:
- Mr Nilay Joshi (IR & Corporate Finance head)

Key Highlights

- Company is fully integrated long steel manufacturer and partially integrated Ferro Alloy manufacturer. Company has operational iron ore mines. It also had coal mines which got deallocated when deallocation of coal mines happened for all private sector companies in India. Company has won the same coal mine in recent auction (Shahpur West coal Mine , Gare palma IV/7 Coal mine) that should start production in October. This would lead to benefit company in 2 manner as timely supply of main raw material of manufacturing steel ie iron ore and coal company manufactures both raw material required for manufacture of steel in-house.
- The company has also won second mine in Shahpur West in the state of Madhya Pradesh with extractable reserves of 13 million metric tons and presently approved extraction capacity of 0.6 million metric tons is there. The mine is at a distance of 260 kilometers from company's manufacturing facilities. The company has to start production in the mine within 51 months from the date of signing of the vesting order. Vesting orders for both the mines are expected to be issued this month.
- The company has been recently allowed "consent to operate" the enhanced capacity of pellet plant from 600k mts per annum to 800k mts per annum.
- On Ferro Alloy side company makes manganese based Ferro alloys, two main raw material are thermal power which requires coal which company will have in house once the production starts in October and another is manganese ore which company buys from MOIL. Company has 5 furnaces of 9MW each.
- On standalone Basis Company does a top line of INR 14000-17000 mn depending on price of steel. EBIDTA margin vary from 18-19% in bad times to more than 30% in very good times. There is lesser chance of any margin expansion despite backward integration, expansion of capacity going forward due to cyclical nature of business.
- Company's operation is debt light, company pays nearly INR 300-400 mn as debt repayment every year against cash accrual of INR 2500 mn
- As a Holding company it holds 3 major operating assets one is in metal space on Ferro alloy side based out of Vizag. It is export focused, exporting to more than 40 countries with major exports is to Japan that entity has 2 furnaces of 33MVA and 80 MW power plant. Company is in process of putting third furnace over there. On sustainable basis EBIDTA margin are around 14-15%. Top line is around 6000-7500 mn depending on prices.
- Second operating unit is 5MW hydro power project in Uttarakhand which is debt free and free cash flow generating. Other project is 25 MW power plant in Chhattisgarh which is also debt free and free cash flow generating. Expected long term PLF to be around 40-45%.
- Another operating unit is a 115 MW plant in Sikkim in which PPA is signed for 35 years and construction has started in Feb for which machines are imported from Europe. For Hydro power plant there is standard tariff structure. Interim tariff process is under way for the company One set of filling document is happened with regulator 2nd hearing is scheduled in March. Interim Tariff rate will be awarded only after that company will start injection process.

Outlook : We continue to remain positive on Sarda Energy due to a) strong balance sheet b) completion of hydro power capex leading to higher free cash flow going forward c) Plant strategically located in Chhattisgarh d) proximity to availability of raw material e) Mine availability to improve margins. f) Company's positioning will help to deliver profits during down cycle also. We do not have active coverage on stock, however one can look at stock for its portfolio investment.

SpiceJet Ltd.

CMP: INR 75| Mcap: INR 45,100 Mn

Arun Khurana - Head of Investor Relations

- Spicejet operates a fleet of Boeing 737s, Bombardier, Q-400s & freighters. The majority of the airline's fleet offers SpiceMax, the most spacious economy class seating in India.
- The airline industry is fast recovering from the COVID impact with increasing passenger traffic.
- The company is planning to hive off its logistics and cargo business into a separate entity called SpiceXpress.
- However, it is facing some legal hurdles but the company is confident to overcoming the challenge and hiving off the business.
- The margins in the cargo business is about 10-12%.
- The main competitor of Spicejet is Indigo Airlines due to factors like its fleet presence and operations.
- The management does not think that new launches like Akasa and Jet will negatively impact their business due to their size of operations.
- The company does not hedge against oil prices.
- Higher oil prices, in the range of USD 90 (Brent Crude) can negatively impact the airline industry.
- The company expects demand in airline industry to reach pre-covid level in 3-4 months.
- Outlook: We have a positive outlook on the company given the turnaround in the airline industry.

Marksans Pharma Ltd.

Jitendra Sharma- CFO
CMP: INR 69|Market Cap: INR 28,200 Mn

- Marksans Pharma is a global pharmaceutical company and is actively engaged in R&D and offer CRAMS to global pharmaceutical companies.
- The company has a global presence across 25 countries.
- The geographical mix of the company (Q1FY22) is US & North America: 39.7%, Europe, UK: 45.6%, Australia: 10.9%, Rest of World: 3.8%
- Its main product is pain management and the revenue was INR 604 Cr in FY21.
- 96% of revenues comes from regulated markets.
- Marksans has filed softgel products in all major markets including USA, UK, Europe, Canada, Australia & Russia. The potential of US market is about USD 9 billion.
- In Q1FY22, the company has wide UK customer base and 100% reach within the distribution channel.
- The company plans to launch 3-4 new products in US in FY22. It plans to file 12 ANDAs.
- It is increasing capacity in India and US facility to achieve a high growth platform in FY2025.
- In the Emerging Market business, the company is in the process of launching new products and obtaining product registration for ~175 developed products in emerging markets.
- Australia and New Zealand will continue to remain focus markets. Australia's pharmaceutical market is set to rise from USD 30.5 billion in 2018 to USD 40.1 billion by 2024, registering a CAGR of 5.1%.
- Outlook: We have a positive outlook on the stock given the upcoming product launches of the company and a robust balance sheet. We have a TP of INR 87 per share.

Vascon Engineers Limited

CMP: INR 25 | MCap: INR 4,810 Mn

Management Participants:
- Mr Somanth (Chief Financial Officer)
- Mr Santosh Sundarajan (Executive Director)
- Mr Rajesh Mahatere (CEO Real-estate)

Key Highlights:

Vascon operates in real-estate and EPC business segment from last 30 years EPC presence has spread across all regions except East India.

- In EPC business companies does both government as well as private projects currently more than 75% in government orders
- In real-estate segment company has large presence in pune and has strong brand there.
- Company is expected to clear Windermere inventory in 2 years .
- Company is about to complete a preferential issue of INR 70 cr .
- Current order book of company is INR 3000 cr, which is in building sector only. Internal order is 150 cr rest is External. 80 % of external order is government order.
- Company got a recent order from goa having inflow of 700-800 cr.
- Windmar debt is INR 55cr company is repaying INR 9 cr every quarter Net debt of company as on March 21 was INR 134 cr company expects to reduce net debt to less than INR 100 cr going forward. We believe company can be net cash in FY24 if they successfully monetise all their non core investments .
- Out of 70 cr of preferential issue 40 to 45 cr will be used for debt repayment.
- Company has started a new project in powai and expects a topline of INR 300 cr
- Company expects 1000 cr top line and EBIDTA of INR 150 cr in FY23.
- Small Non Core assets is already monetized and other big non-core asset like TDR in kharadi for which deal is almost done and is expected to complete in second half.
- Land in Aurangabad monetization will happen in second half.
- Company expects Raipur project to star soon and there ae no major dues outstanding on same.

Outlook; We have positive outlook on the company backed by company strong order book The Order Book has grown 2x from FY19, with an improving contribution from the Government sector. Also the company has plan to monetize non-core assets which would lead to strengthen its balance sheet. Further Repayment of debt by incremental Cash flow Generation and funds raised from Preferential issue will help in strengthening Balance sheet.

Vishnu Chemicals Ltd.
CMP: INR 769|MCap: INR 9,150 Mn

Management Participants

- Hanumant Bhansali – Vice President - Finance

- The company is a pure play manufacturer of inorganic chemicals, Chromium and Barium.
- The company has 4 manufacturing facilities, including 1 plant dedicated for Barium chemicals.
- Within the Chromium chemical segment, the key product manufactured is sodium dichromate, followed by its derivatives.
- 700,000 MTPA is the global demand for Chromium chemicals and is growing at 6% CAGR. The domestic demand is 60,000 MTPA and Vishnu Chemical has a market share of 60%.
- The company's installed capacity of Sodium Dichromate is 70,000 MTPA and it produced 51,000 MTPA in FY21 with realization of INR 110,000 per tonne.
- The main raw materials in Chromium chemical manufacturing are Chrome Ore and Sodium Carbonate.
- The company procures Chrome Ore from South Africa and the raw material price has been stable in the last 7-8 years.
- Vishnu Chemicals sources Sodium Carbonate from India and USA.
- The company is undertaking backward integration by setting up Sodium Carbonate plant. The trial run is in Q3FY22 and the plant will be fully operational from Q4FY22.
- Backward integration will facilitate the company to manufacture raw material Sodium Carbonate in-house and help in increasing the margins by 4-5% within Chromium chemicals segment.
- Within Barium segment, the company manufactures Barium Carbonate.
- Global Barium Carbonate market size is USD 350 M growing at 3.4% CAGR. The domestic demand is about 35,000 MTPA with market share of Vishnu Chemicals at 40%.
- The company has current installed capacity of 40,000 MTPA. Other domestic players are insignificant with $1/8^{th}$ the size of Vishnu Chemicals.
- The company produced 31,000 MTPA of Barium Carbonate in FY21 and realization stood at INR 35,000 per tonne. Vishnu Chemicals is expanding the Barium Carbonate capacity by 50% and the plant is expected to be fully operational by Q4FY22.
- The main raw material is barite which the company sources locally from Mangampet deposit in Andhra Pradesh, with short distance of 75 km.
- The main competitors of the company include Chinese players. However, Barite is mainly used domestically in China. Also, Chinese companies have disadvantage of high freight cost due to large distance from major ports compared to Vishnu Chemicals.
- The company has low client and industry risk. The top 10 clients contribute less than 20% of company sales. Vishnu Chemicals has diversified into 6 products within Chromium chemicals and caters to 15 industries, thus hedging against client and industry risk. The company has also diversified into Barium clients.
- Vishnu Chemicals will reduce debt going forward by generating higher cash flows. The peak debt/equity ratio was 3.4x in FY2018, which reduced to 1.7x in FY2021 and is expected to further decline to 1.3x in FY2022.
- The management is targeting a turnover of INR 1,050 Cr and EBITDA margin of 20% in FY2023.
- Outlook: We have a positive view on the stock given the capacity expansion and backward integration, resulting in volume growth and margin expansion.

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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%

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