We are glad to host our “Rising stars Conference” on 28th-29th June and despite all the talks of slowdown and covid resurfacing risk, the event was a huge success with participation of more than 35 companies and very good interest from financial investors like FIIs, domestic mutual funds, PMS, AIFs Family offices & Large HNI investors.

The key takeaways/learning from Rising Star are following;
The Indian economy is stronger and expected to do much better than peers. The balance sheets of Indian companies are resilient despite all the concerns of global slowdown, higher interest rate and delay in monsoon.

There has been a pick-up in rural economy and some green shoots are visible in rural India. The companies are keeping an eye on monsoon for this momentum to continue in near term. April, May has been stronger for the economy however there has been a slowdown in June.

We believe commodity prices are back to linearity as things are back to normalcy and the abnormal price hike seen during Covid has started correction in most of the cases. The user industries like auto & auto ancillaries, retail, capital goods etc. are expected to be in the sweet spot going forward.

Financials are much stronger currently. Indian financials have maintained discipline in terms of credit disbursement. On the positive side, recoveries are strong and they have been able to pass on recent interest hikes to their customers.

We like sectors like Auto, Auto Components, Infrastructure, BFSI, Retail, Renewables , Real Estate and Capital goods at current levels.

List of Participated Companies

S.No	Company	CMP (INR)	Mcap (INR cr)
1	Arihant Superstructures Ltd	128	528
2	IG Petrochemicals Ltd	596	1,834
3	Dodla Dairy Ltd	480	2,858
4	Prataap Snacks Ltd	643	1,508
5	Raymond Ltd	880	5,858
6	Dollar Industries Ltd	463	2,667
7	Sastasundar Ventures Ltd	297	945
8	Chemplast Sanmar Ltd	476	7,526
9	GHCL Ltd	584	5,582
10	Granules India Ltd	279	6,912
11	Best AgroLife Ltd	851	2,012
12	India Pesticides Ltd	245	2,824
13	Sakar Healthcare Ltd	159	272
14	GMR Infrastructure Ltd	34.5	20,824
15	HariOm Pipe Industries Ltd	193	491
16	Birlasoft Ltd	349	9,785
17	Coforge Ltd	3,488	21,247
18	Indiamart Intermesh Ltd	3,818	11,751
19	Tech Mahindra Ltd	1,011	98,297
20	Hero MotoCorp Ltd	2,764	55,226
21	Sansera Engineering Ltd	657	3,458
22	Greaves Cotton Ltd	147	3,413
23	Talbros Automotive Components Ltd	506	624
24	Mahindra CIE Automotive Ltd	230	8,701
25	CSB Bank	192	3,323
26	KPI Green Energy Ltd	647	1,169
27	Ujjivan Small Finance Bank	15.4	2,653
28	Va Tech Wabag Ltd	230	1,428
29	Vascon Engineers Ltd	20	434
30	Windlas Biotech Ltd	216	472
31	Puravankara Ltd	82.6	1,960
32	Arvind Smartspaces Ltd	154	653
33	Ashoka Buildcon Ltd	72.8	2,044

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Arihant Superstrucrures Ltd
CMP: 128 | Mcap: INR 528 cr
Management: Mr Abhishek Shukla – Chief Strategy Officer

- The company has launched a big mega project in Q1FY22, The company has a strong pipeline for launches in next 9 months across all the categories of affordable and mid income segments.

- The project is coming up in Kalyan which is ~0.9 million sq.ft saleable area and new towers will be launched in existing projects across Panvel and starting construction projects in Vashi in a shorter period of time.

- The company is well equipped to handle new developments across all verticals.

- Navi Mumbai is the best option for buying flats for those who are migrating from other cities to Mumbai. The average 1 BHK cost around INR 30 -35 Lakh and average 2 BHK cost around INR 50 lakh which places affordability for any home buyers.

- The largest markets in MMR regions, Shilphata, Panvel, Thane and Kalyan are having maximum supply.

- The company has taken price hikes of 10% to 12% across all the projects in the past 1 year due to inflation across the country.

- In the last three months, Steel prices have cooled down to INR 85/kg to INR 65/kg, however the land cost has increased.

- The company focused to grow 40% to 50% across all the verticals by FY23.

- In MMR regions, inventory months have reduced 72 months (FY21) to 55 months (FY22). Navi Mumbai has a lower month of inventory around 42 months. Navi Mumbai market has been well placed in terms of supply in real estate.

- In Taloja, the company has launched around 350 units and sold around 300 units within 3 months.

- Arihant Aloki in Karjat and Arihant Arshiya in Khopoli have a conversion rate of 25% to 40% and volumes around 10 to 12 units of sales per month.

- In high traffic sites in Kharghar, Panvel, Taloja areas, the company getting walk-ins around 100 months on months and conversion ratio stood around 13% to 15% on month on month basis.

- In Q1FY23, The company launched Arihant Aakarshan in Taloja and opened around 400 units and sold more than 300 units till date. The company has sold 1 BHK flat at a price of INR 28.75 lakhs.

- The company focused on expanding presence in MMR regions. The largest infrastructure development is happening in these regions such as new airports, logistics parks, new corporate parks etc. This would lead to at least 10 lakh job creation and demand for more than 2 lakh homes. The company had a market share of 10% to 12% and focused to increase the market share in the next 4 to 5 years.

- **Valuation:** Arihant Superstructures Ltd has achieved healthy sales units, sales bookings and collections. The company has revenue potential of more than INR 6,500cr, utilization of funds allocation to new multiplier projects, margin protection through appropriate price hikes, gaining market share from micro markets and free cash flows from existing & new projects which is expected to create value going forward. We have a BUY rating at a Target Price of INR 261 per share based on DCF.

IG Petrochemicals Ltd.
CMP: INR 596 | Market Cap: INR 1,834 Cr
Management: Mr. Pramod Bhandari (CFO)

- The company is the largest manufacturer of Phthalic Anhydride in India and the lowest cost producer of the product.
- It has about 4 manufacturing plants in the facility located at Taloja, Navi Mumbai.
- The 5th facility is under construction and is expected to come up by FY24.
- It procures its main raw material from Reliance Industries through road transport.
- About 80% of sales is done domestically, while 20% is through the export markets.
- The company also produces Maleic Anhydride as a by-product from Phthalic Anhydride.
- It has also started manufacturing value-added products like DEP, which has higher margins.
- Currently, about 90% of the overall revenues is contributed by Phthalic Anhydride.
- Going forward, the company will target value-added segments and plasticizers.
- In about 2-3 years, 30% of revenues will be derived from value-added products compared to 10% currently.
- The company expects to maintain operating margins going forward and even better it on the back of value-added products.
- It will optimally utilize its cash reserves for future growth opportunities.
- As the current plant facility is crowded, the company may look to procure additional land for future expansion.
- **Outlook: Capacity expansion and increased contribution from value-added products are main growth drivers for the company. At CMP and on TTM, the stock is trading at a P/E multiple of 6.9x.**

Dodla Dairy Ltd

CMP: INR 480| Market Cap: INR 2,858 Cr| TTM P/E 21.2x

Management: Mr. Anjaneyulu Ganji, CFO

- Dodla had a revenue of INR 2,200cr in FY22.
- Procurement costs, packing materials and transportation costs are up.
- Pre covid volumes have been surpassed.
- Presence is mostly in south India- Andhra Pradesh 35%, Karnataka 35%, Tamil Nadu 20%, Telangana 10%.
- The organized sector is 50% of the dairy industry in India. There is a shift in consumerism toward it.
- Procurement increased from Maharashtra regions from when they entered Maharashtra last year.
- Procurement of Shri Krishna Mills (SKM) gave access to new regions in Karnataka and Goa. The current capacity is 20,000LPD, and the goal is to take it to 50,000LPD by end of year. Revenue potential of SKM is INR 80-100cr next year.
- Orgafeed is namely for farmers associated with the company, currently 18,000 of them: feed payment due from them deducted from milk payment due to farmers every 10 days. The capacity will be expanded to 400mtpd next year.
- Procurement is always done directly from farmers. Dodla is the only player after Hatsun that does 100% direct procurement from farmers. Milk analyzers for each farmer assess milk quantity and quality and assign rates accordingly.
- VAP (value added products) are currently 27% of sales, and 20% of total sales are from curd making it the highest VAP contributor to revenue.
- Milk has 7-8% EBITDA margins and VAP has 13-15%.
- In FY21 procurement prices began to go up and subsequent price increases were taken. Net realization has since increased from INR 41 to 49 rupees.
- Inventory of INR 120cr is mostly butter and SMP. Inventory worth 2-3 days of milk is always maintained. This is to meet the rise in demand during summer months which is when supply goes down.
- Growth through organic and inorganic means will be the focus of the company. The revenue target is 2x over the next 5 years. Margins are to grow on absolute basis either through volumes or value.

- Dodla is looking to expand into new geographies and improve market shares in existing geographies.

- The company has an international presence in Uganda and Kenya which gives INR 20-25cr to EBITDA. The business required an initial investment of INR 40cr. The business has a capacity of 3LLPD.

- Procurement prices expected to go down in June- November, and go up in December. VAP volumes go down during winter and rainy season, and are affected by seasonality.

- ROE target is 15-20%. Payback period on investments is 7-8 years. ATR is 4x.

- Capex for the 2x revenue target: Nothing major is required- about INR 1-1.5cr per chilling center (for 30,000LPD capacity) + maintenance. They expect INR 90-120cr of capex this year and INR 55-60cr ongoing capex each year.

- All growth will be funded through internal accruals. Improvement of the D2C market is the focus of the company with the wide spread of parlous.

- **Outlook: We believe that the company is on a steady growth trajectory, and on the path to meet its medium term targets. With its focus on both organic and inorganic growth, Dodla has demonstrated perseverance in the face of a challenging market environment.**

<u>**Prataap Snacks Ltd**</u>
CMP: INR 643| Market Cap: INR 1,508 Cr| TP: INR 729
Management: Mr. Amit Kumat, MD & CEO; Mr. Sumit Sharma, CFO

- There is continued rise in price of palm oil and packaging material. Though palm oil prices are starting to see some relief now.

- Ongoing cost optimization initiatives like grammage reduction has helped mitigate the impact of rising costs so far.

- PSL received PLI approval under RTC/RTE for all products except potato chips.

- CAPEX of 105cr is promised this year- INR 20 cr is already invested and the balance will be split across the company and the contract manufacturing partners across FY23.

- The growth this year was in high teens and beat the growth of the industry.

- Strategic initiatives like enhancing the distribution network and grammage reduction combined with the onset of normalization will lead to better performance in the next quarters as it has elevated the margin profile of the business.

- A large portion of the sales come from extruded snacks, and the INR 5 pack- which is 80-90% of revenues. The company is trying to increase the share of higher size packs in the same.

- A large portion of sales come from impulse purchases.

- The southern market is still currently being explored.

- **Outlook: The Company expects cost pressures to persist. In order to mitigate this, company has been aggressively optimizing the distribution network through the DDM, which has protected the EBITDA margin to a great extent this year and will continue to do so in the future. We believe the company is on a promising growth story.**

Raymond Ltd
CMP: INR 880| Market Cap: INR 5,858| TP: INR 1,362
Management: Mr Jatin Khanna, Head Corporate Development
Mr J. Mukund, Head Investor Relations, Chief Risk Officer

- Raymond has shown a good recovery from the pandemic and undertaken multiple initiatives driving cost optimization and working capital management leading to free cash flow generation over last 2 years resulting in net debt reduction.

- Subsidization of the real estate businesses is under process. The real estate subsidiary will have the ability to raise growth capital to drive the business.

- Strong governance structure in place across all companies. Such as the respective Board of Directors of Engineering and FMCG companies led by industry veterans of repute.

- In the branded textile business, Product and service innovation to remain the core focus for sustainable growth momentum in suiting and shirting. Raymond home currently a ~INR 100-125 Cr business has a strong potential to grow over next 3-4 years. The wool prices have not increased by much so the suiting business was not affected much. Cotton prices have been higher throughout the year, and able to largely pass it, however with a time lag

- In Branded Apparel business, the business will continue to focus on widening the product range through sharpening existing product portfolio, new launches in the core portfolio by increasing casualization and extending the ethnic wear category. Continued efforts in improving margins by optimising channel mix, maintaining profitability in online channels and constant efforts for back-end consolidation, thus improving the overall efficiencies

- In Garmenting segment, Capitalising on global brands consolidating their vendor propositions and adoption of China + 1 strategy. Enhancing capacity to fulfil the current order book and cater to continued high demand from US, UK, Europe and Japan market

- The Ten X project has received an overwhelming response. The first 3 towers will be delivered by this December, 2 years ahead of the RERA timeline. There is significant growth potential in the real estate business. A JDA project is being signed in the western suburbs in Mumbai. More JDA projects under evaluation

- The FMCG business has maintained dominant position in Men's deodorants, with both brands Park Avenue and KamaSutra gaining shares.

- **Outlook:** We believe that Raymond in on a path to success, claiming market leadership through its respective business verticals. The lifestyle, engineering and the realty businesses are going to drive growth in the years to come.

Dollar Industries Ltd
CMP: INR 463| Market Cap: INR 2,667 Cr| TP: INR 516
Management: Mr Ankit Gupta - President Marketing; Mr Ajay Patodia – CFO

- Volume value growth was 9%, 21% in FY22.

- One price hike of ~4% was taken in April, and another is due in July.

- Cotton prices are on a slight downward trend.

- Working on 3 transformations: Brand Architecture; Project Lakshya; IT infrastructure with the distribution management system (DMS), auto replenishment system, shifting toward SAP usage, etc.

- Target: INR 2,000 Cr by FY25 with 18-18.5% margins.

- For FY23: 15-17% growth with 17-17.5% margins.

- Yarn is usually 45% of total cost.

- There is visible correction in cotton and yarn prices. This will not be reflected in products soon, as the company will take corrections in the next 2-2.5 months.

- Prices of yarn depend on cotton prices which depend on the demand-supply gap. There are shortages in the yarn market and cotton price are showing signs of softening, but are still high.

- Imported and domestic cotton are at nearly the same price level.

- The new cotton crop will come around September, which will lead to further correction.

- DMS is implemented only with 12% of total distributors under Project Lakshya. It allows for visibility of inventories at distributor levels. The only other player that has the DMS is Page Industries.

- There is a vacuum created in the market by smaller unorganized players leaving the market due to large WC requirements with yarn procurement prices going up. Larger players are also reducing operation sizes. These players might return in the future.
- Current cotton yarn price per kg is INR 370/380 for 40s count.

- Receivable days target by FY25 is 75 odd days, and WC days is ~120-150 days. The target ROE is 26-27%.

- **Outlook: We believe that Dollar, with its undertakings to re-engineer the brand, consolidate backend operations, and become technology forward- has the capability to exceed its medium to long term targets. So far, the company has demonstrated flexibility by readily adapting and changing to the static market, and it will continue to do so going forward.**

Sastasundar Ventures Ltd
CMP: INR 297| Market Cap: INR 955 Cr
Management: Mr. BL Mittal, Founder and Executive Chairman

- Flipkart transaction has been completed and the name has been changed to 'Flipkart health Plus'. There are currently 3 warehouses with 17 more underway under this private label business (expected to be set up by the end of this FY). There is a large distribution plan here under B2C and B2B business. This will bring about volumes and high margins. Flipkart also has a huge customer base of 35cr which is beneficial to the partnership.

- The full integration of Flipkart will happen by the last quarter of this year.

- They have launched a new private label food brand called Nutrify.

- Capex plan for warehouses are INR 180cr, and inventories of INR 28cr.

- Discounts are 18-25% and in line with competitors.

- Customer acquisition cost is high.

- 7% market share in existing geographies.

- Optimistic on diagnostics business. Working toward market leadership in the east.

- Aim to be a leader in D2B and D2C space in India- and gain 3-4% market share in the next few years.

- There is intense competition in the Mumbai market where they are a late entrant.

- Employee cost expected to decrease vs last year.

- FY24-25 target margins are 31-32% on a standalone basis and ~20% on a consolidated basis.

- Strong branding + digital connectivity = efficient report deliverance (in the diagnostics business). The company plans to first dominate in the east, and then spread across India. They plan on becoming market leaders in the next 2 years.

- The company is open to integrations with other tele- medicine platforms.

- GM at a procurement level is ~29.5% for medicines. The B2B verticals are also profitable, as they are integrated at the same level as B2C.

- Competitive advantages: Flipkart partnership allowing for benefits from the Walmart association and Flipkarts massive customer base which will allow for margin and volume expansion.

- There is scope to expand GM by 4-5%.

- **Outlook: We believe that the company has a bright future ahead of it given the completion of the Flipkart deal which will open many doors for its growth in e-medicine. It also has scope to grow its presence in the diagnostics market pan-India.**

<u>**Chemplast Sanmar Ltd.**</u>
CMP: INR 476 | Market Cap: INR 7,526 Cr
Management: Mr. Hitesh Jain (Investor Relations and Finance)

- In FY22, all products witnessed higher realizations. Suspension PVC prices rebounded in the last quarter but has softened in the current quarter.

- However, raw material prices have also softened in the current quarter, which includes prices for Vinyl Chloride Monomer.

- Supply tightness continues to remain in the Suspension PVC market, which will support prices going forward.

- Growth in the Custom manufactured products will be driven by commercialization of new products and the company is witnessing strong demand for the same.

- In the specialty paste PVC market, there are no major new additions, which will constraint supply and maintain prices.

- Caustic soda market is also seeing demand-supply mismatch, due to which prices are holding on to higher levels.

- Demand for sustainable refrigerant gases by air-conditioner and refrigerator manufacturers will sustain the growth in chloromethane business segment.

- There has been improvement in the credit profile and the company has significantly reduced debt from the proceeds of the Initial Public Offering (IPO).

- The company is debt free on a standalone basis and has low debt on consolidated basis.

- It is taking major capital expenditure program to support its future growth plans.

- This includes addition of 41 KT of Specialty Paste PVC at Cuddalore, which will be commissioned in FY24.

- Also, the capacity of Suspension PVC will be increased by about 10% through debottlenecking.

- By FY24, the caustic soda plant will operate at full capacity of 119 KT, which will support volume growth in a tight market.

- **Outlook: The future growth of the company will be supported by capacity expansion and tightness in its product segments. At CMP and on TTM basis, the stock is trading at a P/E multiple of 11.9x.**

GHCL Ltd.
CMP: INR 584 | Market Cap: INR 5,582 Cr
Management: Mr. Raman Chopra (CFO & Executive Director), Mr. Manu Jain (Senior Management), Mr. Abhishek (Senior Management)

- The company is the largest Indian manufacturer of soda ash at a single facility, located in Gujarat.

- The global market of soda ash is witnessing tight supply with increased demand post the Covid-19 pandemic.

- There is no major additional capacity coming in the soda ash market in the next 12 months, which will support prices.

- Domestically, the soda ash prices have been increasing, although international prices are higher than the domestic prices.

- The company has already taken two price hikes in the current financial year.

- There is strong demand from glass manufacturers even when the soda ash prices are higher.

- Enquiries from solar panel manufacturers will be an important demand driver for the industry going forward.

- The company has also increased the capacity of sodium bicarbonate, which is a value-added product compared to soda ash.

- It is on track to commission new soda ash capacity in the next 3-4 years and has progressed well with land acquisition.

- On the textile front, the company received cash proceeds from the sale of its Home Textile business, which will strengthen its balance sheet and will further help in its growth plans.

- It is also expanding its spinning capacity which will support volume growth.

- The demerger of the soda ash and the spinning business is on track and is expected to be completed in the current financial year.

- **Outlook: Industry tightness, capacity expansion and demerger of different business segments are important growth drivers for the company. At CMP and on TTM basis, the shares of the company are trading at a P/E multiple of 9x.**

Granules India Ltd.
CMP: INR 279 | Market Cap: INR 6,912 Cr
Management: Mr. Sandeep Neogi (CFO), Mr. Krishna Raghunathan (Sr. VP – Finance and Investor Relations)

- FY22 was challenging due to pressure from raw material prices and significant supply chain bottlenecks.
- Procurement of PAP was a constraint, but one of its major Chinese supplier has started manufacturing it. Thus, things are expected to improve in the coming financial year.
- The management does not give guidance, given the volatile external environment.
- The US market continues to witness price erosion in the low double digit and is variable for different products.
- The company will launch new products and apply for ANDAs to drive the US business and offset the price erosion.
- The capital expenditure for the next two years would be about INR 600 Cr.
- The company has reduced some debt and the balance sheet is in a healthier position compared to last year.
- The oncology block will cater to CMO and CDMO business.
- **Outlook: The focus area will include building on Research & Development, sustainability and oncology. At CMP and on TTM basis, the stock is trading at a P/E multiple of 16.8x.**

Best AgroLife Ltd.
CMP: INR 851 | Market Cap: INR 2,012 Cr
Management: Mr. Davinder Dogra (President – Finance & Accounts)

- The company manufactures herbicides, insecticides and fungicides for crop protection.
- The technical manufacturing facility is about 7,000 MTPA. The formulation capacity is about 30,000 MTPA with 3 manufacturing facilities. The asset turnover of the formulation facility is higher than that compared with the technical facility.

- Export is negligible but the company will focus to grow the business going forward.
- It will look to tap newer geographies and increase product registration to penetrate the export market.
- It received patent for RONFEN, which is a three-way insecticidal combination that controls pests. It is a one-shot solution and a combination of Diafenthiuron, Pyriproxyfen and Dinotefuran. After receiving patent in FY21, it will be launched PAN-India on multiple crops in the current financial year.
- The addressable market for RONFEN is about INR 9,000 crores. Best AgroLife will look to capture about 4-5% of the market share in FY23.
- It has also received patent for another product for a term of 20 years. It has a herbicidal composition of Haloxyfop, Imazethapyr and Chlorimuron and is a one-shot solution for Soyabean. The company targets to launch the product Pan – India in FY23.
- It has guided for 30% Revenue growth and 20% EBITDA margins in FY23, backed by revenues from launch and ramp up from its patented products.
- Also, it will increase its diversification into synthetic pyrethroids.
- **Outlook: The future growth will be driven by new product launches and increasing the export contribution. Launch and ramping up of patented products is a huge growth opportunity for Best AgroLife. Amongst them, revenue potential from their patented product RONFEN is around INR 450 crores, which is equivalent to 40% of its FY22 sales. At CMP, the shares are trading at a P/E multiple of 15x based on its FY23E EPS of INR 55.**

India Pesticide Ltd.
CMP: INR 245 | Market Cap: INR 2,824 Cr
Management: Mr. Satya Prakash Gupta (CFO), Mr. Uday Bhaskar (Strategy)

- Installed capacity of Technicals is about 21,500 MT and the manufacturing facilities are located at Lucknow and Hardoi districts in Uttar Pradesh.
- It is the sole Indian manufacturer for Captan, Folpet and Thiocarbamate Herbicide in terms of production capacity.
- The technical products and active pharmaceutical ingredients (APIs) constitute about 3/4th of the total revenues.
- Balance sheet has strengthened with reduction in leverage. The debt has declined by almost half in the previous financial year.
- It launched 1 new product in the herbicide technical segment with revenue potential of about INR 50 Cr in the latter half of FY22.

- Future growth driver will include two upcoming product and expected to be launched by Q3 of FY23.
- It also increased its Sandila plant capacity by 500 MT for the existing Fungicide technical.
- Future capital expenditure includes increasing the capacity of fungicide technical by 1,500 MT by H1FY23.
- There is also an upcoming facility at Hamirpur and the plant is likely to commence operations by FY23-24.
- The capital expenditure will be funded internally through cashflow from operations.
- **Outlook: Capacity expansion and product introduction will be the future growth drivers. At CMP and on TTM basis, the stock is trading at a P/E multiple of 17.8x.**

Sakar Healthcare Ltd..
CMP: INR 159 | Market Cap: INR 272 Cr
Management: Mr. Bikramjit (Head - Strategy)

- The company is engaged in the business of formulations for oral solids and injectables.
- It has an existing facility with about 4 plants in Ahmedabad.
- Exports contribute about 80% of the overall revenues.
- It also does contract manufacturing for major domestic pharmaceutical companies.
- It has also commercialized another oncology facility, which is at a distance of 10 km from the existing facility.
- The oncology facility includes oral solids and injectables. The oral solids from the oncology facility will start delivering from Q2FY23.
- It has also received contract manufacturing and research orders from 1 European client and 2 more are in pipeline.
- The injectable facility at the oncology site is expected to get commercialized by Q4FY23. The oncology facility can generate about INR 300-400 Cr in the next 3-4 years. It is in the process to get approval from the health regulator of the European Union.
- Post the approval, Europe will be amongst its major market within the regulated market bucket. The company has already started manufacturing 5 products and its associated APIs and further 10 products are in the pipeline.
- **Outlook: The oncology facility will be the future growth for the company. At CMP and on TTM basis, the stock is trading at a P/E multiple of 17.8x.**

<u>GMR Infrastructure Ltd</u>
CMP: INR 34.5| Market Cap: INR 20,824 Crore
Management: Mr Amit Jain - Head of Investor Relations

- **Overview**: GMR Infrastructure is purely into airport play i.e. it only has airport assets. GMR Power &Urban Infrastructure (GPUIL) have all the other asset i.e. energy, highway land parcel. GMR Infrastructures is 2nd largest private airport operator. There are total 9 airports – 6 in India and 3 international airports.

- **Revenue Stream**: 1) Aeronautics- intrinsic value remains intact i.e. it is an assured visible revenue scheme. 2) Non-aeronautics – consumer centric, retail business. There is no cap on ROE. 3) Land Parcel CPD (Commercial Property Development).

- **Debt in Units**: As of March, total net debt was INR 21,500 crore. Close to INR 19,600 crore was for airport and about INR 1900 was at the corporate level. Out of the INR 19,600 crore, the major chunk is in Delhi closed to INR 8 to 700 crores. About INR 5,600 crore in Hyderabad. Remaining is with all the asset put together. The aero tariff calculation is an assured revenue scheme which provides 16% return on ROE and reimbursement of cost include the reimbursement debt cost.

- **Capex**: The company is inaugurating Goa airport in August and will commence with domestic flights. It will start with 7.7 mn capacity. Total capex in Goa is closed to about INR 2,700 crore. As far as non-aero is concerned at the potential side there is a huge potential as it is the tourist capital of the country and as a tourist the propensity to spend is much higher as compared to normal visit. Non-aero will come as more flights come in as more passenger start travelling.

- **Dividend**: The company will not declare dividend for next 2 years because the capex is huge.

- **Commercialization**: As far as commercialization is concerned, In Delhi, the company has already implemented 3 formats i.e. hospitality – 8 hotels, testation retail and commercialization building tied up with Bharti (10 mn square feet). Hyderabad, because of post GST has become a hub. India's largest fulfillment center i.e. Amazon fulfillment center is at Hyderabad airport and they are expanding even further. There are couple of pharma company who are setting up their logistic hub at the company's airport land parcel. Along with this the company is in touch with international education institute as they want to set up school. They are also in touch with global healthcare chain i.e. hospital and whole ecosystem around that. Along with this the entertainment zone and tech has also opened in Hyderabad. Similarly, the company has started its operations in Goa as well. As the company has good connect with hotel etc.

- **Debt Trajectory and Average Cost of debt**: As far as debt is concerned the debt is increased because last year in Oct, the company has raised bond in Delhi and Hyderabad because the company was in capex mode. Capex is behind the company and hence the company don't foresee any further debt increase from their existing asset. Small debt can increase because of Bhogapuram but it will be at asset level. Company has to start with construction but the project will range from INR 25 TO 3000 crore.

- For both Delhi and Hyderabad, there is no debt cost, there is only fixed bond. So, there is no impact cost on company. The yield for all the bond is between 4.25 to 6.75 and none of these bond are coming for re-finance in next 12 month so earliest will be in 2024.

Hariom Pipe Industries Ltd
CMP: INR 193| Market Cap: INR 491 crore
Management: Mr Rupesh Gupta – MD & Promoter; Mr Amitabha Bhattacharya - CFO

- The company takes care of raw material, backward integration and forward integration. The company is focusing mainly on forward integration and value added products. The areas of concern for the company is profitability and the areas of growth is value addition product.

- The pipeline existing capacity is 84,000 tonnes and with this the company can make upto 1,25,000 tonnes by this year. Capex for the same is INR 15 crores. For GP, it will come from other sources according to that they will do internal accrual and from the bank. So, on that basis the company will add CR & GP in addition capacity.

- **EBITDA**: The growth in 2022 is 70% as compared to 2021. EBITDA was 34% in 2021 and it is 13.57% in 2022. PAT was INR 15 crore in 2021 and it is INR 32 crore in 2022 i.e. 7.36% growth in PAT. The company will manage to do 38% EBITDA for the entire year. Expected EBITDA Margin in FY23-24 is 15%. Once the value added product will be introduced in the month of Q4, automatically EBITDA Margin will go up.

- **Price Increase**: Import tax is beneficial for the company because the company gets better quality raw material. The iron ore or the raw material which the company uses is on the good part.

- **Distribution**: The company covers Southern parts of India and will not go to North India. They have 250 dealers and 1000 plus material availability. The key interest of the company is to reach rural areas where there is material availability plus where they will get better margin. The role of the company is to remove the distribution model. The company has silver, platinum and gold system ready with them through which they supply material and to present the material with limits. So, the limits are set to the dealer and material availability is also made to them. The company does not focus on distribution channel, this is because the deeper the company goes to the root it will be easier for the company to get material.

- **Key Customers and pipe application**: Pipes are used in multiple areas like sheds, poultry farm, industrial shed, elevation, gates, partition, furniture, gym equipment, fire equipment, scaffolding etc. OEM which the company makes is supplied to Mahindra and Mahindra. So, it is used in automobile. Target clients are structural engineer, civil engineer, dealers & distribution and OEM. The company is targeting dealers and through them the company will target fabricators.

- **Edge over competitors**: The market share of the company is 15% and remaining 85% is open. Unorganized and primary players like APR and others are its competitors. But, the key point of the company s that they have their own backward integration. Competitors are dependent on raw material but Hariom pipe has its own source through which the company can make raw material and the turmoil will not affect the company.

Birlasoft Ltd

CMP INR 349 |Market Cap: INR 9,785 Cr|PE:17.7x FY24E|TP:443|Rating: Buy

Management

Dharmender Kapoor-Chief Executive officer

Chandrasekar Tyagarajan-Chief Financial officer

Vikas Jadhav- Head of Investor Relations

- **Order book:** The company is going very well with order wins and with the client on the re-new, new wins, and some normalization on the client side. The constrain on the supply side further that there are no challenges on the deal win side or the projections that the company has going forward. For the FY23, it looks strong as per the management perspective.

- **Topline growth:** The company believes will deliver positive growth and positive margin (>15% EBITDA margin) in every quarter and about 6 quarters where the company has shown QoQ growth. The company is confident that they are winning enough business and the company able to hire more talent and also deliver to the client. The company believes that they have headroom to improve margin and will continue to do that. Also, reduction in the subcontractor cost and in improved pricing

- **Client:** The company has not lost any clients yet and can retain all Top 40 clients. This kind of focus that the company will continue to have.

- **Digital:** The company revenue has increased 28% in the digital and cloud area. The company is not only known for the ERP but also known for the digital. The company revenue is 50%-50% in digital and ERP.

- **Attrition:** The management expects attrition will be going to go down going ahead as the supply side issue is also stabilizing. The fresher hiring going very fast meantime the company has a partner who hired fresher from the college and after training them then Birlasoft hired the employee and trained them which help to reduce the cost and also reduce the time.

- **Hiring:** The company will continue to hire fresher junior during 12 months and continue to trained them to convert in a billable hour.

- **Automation:** The company will continue to introduce automation to improve productivity.

- **Onshore & offshore**: It was 50%-50% in terms of revenue and 4-5% shift that happened in last quarter.

- **Outlook:** The company expects to achieve US$1bn revenue by 2025 and it's likely to continue to sustain margins above 15% which will lead to a healthy deal pipeline going forward. We have a Buy rating on the stock with a target price of INR 443 per share.

Coforge Ltd

CMP: INR 3,488|Market Cap: INR 21,247|PE:22x FY24E|TP:3,637|Rating: Neutral

Ankur Agerwal-M&A and Investor Relations

- **FY23E:** The management believes; the bottom line will be good in FY23. As a result of strong order inflows, booked orders for the next 12 months, stand at US$ 720 Mn in FY22 which, gives the visibility for FY23.

- **Vertical:** The management focuses on the BFS, travel, and Insurance. BFS continued giving strong performance due to large deal wins in FY22.TTH is expected to grow robustly in FY23 and beyond and Insurance has always been consistent in performance and is expected to remain in this sentiment.

- **Profitability:** Adjusted margin guidance to 18.5%-19% for FY23 despite the cost inflation. Primarily driver for the margin in FY22 was a significant jump in the offshore revenue and continue to invest in the growth. Gross margin is expected to increase in FY23 as invest heavily in the growth front. However, stable margin guidance on the adjusted EBITDA level.

- **IT Budget CY22-23:** Consistent feedback is that (Financial services and Travel)- the feedback from the top key client was very much strong on the digital service front and IT spending. The company is not seeing any concern on the client front to reduce IT spending in CY23 and beyond that also.

- **Attrition:** As the supply side pressure is easing, however, attrition will also stabilize. The company attrition was 17.7% in Q4FY22 and continues to remain one of the lowest across the industry backed by the company continue to focus on this as a critical operating metric reflective of the Coforge culture and an engaged & committed workforce.

- **ADR:** ADR, timeline sometime in July but depend on the market condition, and the company will wait for the market condition to stabilize. There is no deadline from the regulations.

- **Outlook on travel and digital:** Travel is going very robustly and 30%+ of total revenue. The company is seeing good traction on the travel demand in FY23 and beyond. On the digital growth is very broad-based and cloud and services also growing very well.

- **Deal Pipeline:** The average quarterly order <$200mn in FY21 and crossed $1.5bn in FY22 backed by large deal wins and on the strategy side 2 key things focused on 1) Deal empanel with preferred partner large marque and tech logo, 2) Focused on large deal wins and large client.

- **Outlook:** The company has traditionally maintained a conservative bias on the revenue guidance front. We believe that continued strong growth on the vertical front due to large deal wins will be the key driver going forward. We have a Neutral rating on the stock with a target price of INR 3,637 per share.

IndiaMART InterMESH Ltd
CMP INR 3,818|Market Cap INR 11,751 Cr|PE: 37.9x (TTM Basis)
Management
Kushal Maheshwari - Head Treasury & Investor Relations
Rituka Agarwal - Assistant Manager

- **About IndiaMart:** IndiaMart Intermesh connects buyer and seller but the company does not charge a margin based on the transaction as the company has fixed fee charges. The company business does not conflict with small businesses.

- **ONDC Framework:** ONDC is just a framework that is formulated and the concept initiated by the government of India is very much in the initial stage. All the small merchants in India which are there wanted their products listed on e-commerce platforms like Amazon, and Flipkart and charge them a very high margin of 35-45% for listing the product. So, any product listed on ONDC can sell on other platforms also a kind of UPI network. As products listed on Amazon can only sell on Amazon they can't sell on Flipkart.

- **GST Collection**: March 2022, GST collection was all time high ~1.42 cr as SME business increasing in India and due to that India suppliers increase on the IndiaMart platform and from the long term perspective in 2016 2.3mn suppliers only and todays the company has 7.1mn suppliers out of that 1,69,000 paid suppliers.

- The coming year will be the year of investment for the company as Indiamart expect to add 8,000 to 9,000 net paying customers every quarter.

- **Platform:** The company has a 100mn business inquiry platform enquire in a ~97 mn which is generated annually. The company has 7 mn suppliers. But the company is facing issues on the supplier side as they don't have sufficient suppliers to respond to the business quires and the company currently has 1,69,000 paid suppliers. ONDC platform, If the company can integrate with them it will enable to get more suppliers and those suppliers also have the access to business inquiries on the Indiamart platform. The company believes throw ONDC it can reach 7-10mn suppliers.

- **Accounting:** The company has acquired BUSY for which consideration of INR 500 crore has been discharged and revenue is INR 15 Cr of BUSY and BUSY has INR 50 cr cash in their balance sheet. So, the actual cost is INR 450 Cr. IndiaMart has a controlling stake in the company. In Accounting only 3 major companies are there…1) Tally 2) Marg (has been acquired by Pharmacy), 3) BUSY and accounting have an INR 500 cr market and this 3 player have only 12% market share and rest 88% of the market is between unorganized players and all 3 contribute INR 600 cr market. The accounting industry has not been growing rapidly only 2-3% and has huge growth going forward.

- **Acquisition:** The company is not looking for any new investment and will be focused more on the existing investment. The company already invested in 13 companies.

- The company has a presence in 95,000 categories.

- The IndiaMart has TrustSEAL verified products.

Margin: In the coming quarter the company revenue recognition will pick up and expenses will be in the current run rate so margin will improve and in the next H1FY23 the company will invest toward the growth of the business. So, the margin will be better. The company will have a strong H2FY23.

The company revenue improves driven primarily by an increase in paying subscribers and marginal improvement in ARPU.

The employee cost has increased due to more hiring. Further Outsourced Sales cost has also increased as compared to the last quarter, in line with growth in paying subscribers.

The company's selling and distribution increased from 15% to 21%.

In the last 2-year free supplier addition is good. In the next 2 years, the company focused more on the conversion of the free suppliers.

The company has a sliver monthly churn rate of 6-7% and annual and multiyear plan than churn rate falls single and annual churn rate.

Outlook: We believe Indiamart has built a robust business structure from a long-term perspective, supported by multiple segment and higher penetrations in the rural areas of the country. Going forward, we also believe Indimart to be well-positioned to capture the huge growth opportunity supported by robust technology backup supporting business platform; strong and consistent traffic improvement and margin tailwinds led by cost efficiencies, lower input costs, and higher realization. The company has healthy cash flow generation.

<u>Tech Mahindra Ltd</u>
CMP INR 1,011|Market Cap INR 98,297|PE:20x (TTM basis)
Management: Kaustubh Vaidya- Head of Financial Planning & Analysis (FP&A) and Investor Relations

- **Demand:** Overall demand environment is strong and seeing a good pipeline, and conversion most of the quarter. Overall, the management is confident about the demand momentum this year.

- 1-2 client has reacted to the macro issue in 1,000 clients but overall, no major change from the client side.

- **Pricing:** Initially price hike will happen from here on.

- **Macro situation:** The company has analyzed all macro situations and is in touch with the client but there are no changes from the client side on the IT spending side.

- **Margin:** Salary hikes and lower utilization weighed on margin and supply side issues continue. In the H2FY22 advantage on the prices increase but lagging on the cost increases dramatically. The attrition is very high at the industry level and it will continue in FY23. The company will be going to see in near term challenges and probably after Q4FY23 situation will stabilize.

- **Wage hike:** The wage hike cycle is in July. So, will see the impact in Q1FY23.

- Travel cost has increased and quantum of travel is also increasing diffidently see the increase. Visa cost is not very different from the past quarter.

- **Acquisition:** The company has done several acquisitions during the last quarter and going forward continue in FY22-23. Overall, the spending perspective will reduce this year.

- Integration, more on the same side as getting the right size of the synergy happening on the ground.

- The company is more cautious than they were in a year back.

- **Deal:** Every quarter, the company is acquiring a $200mn+ contract in every quarter. The client front will see >50mn also. Constraint >1500mn compare to focus on the smaller business.

- The company continues to grow on the BPO front. Domestic 5G in India no idea about the timeline but an overall lot of traction from all the market.The company is not facing any issues due to the ongoing situation between Russia and Ukraine.

- **Segment:** The company is seeing some challenges in the manufacturing sector supply is affected and chip shortages so, expecting a turnaround and expecting good growth except auto and white good amount of traction and FY23 will be stable. Horizontal more of the service sector, telecom is bigger and good traction, 2nd IT, ERP more of transformation area and spending bit challenge and main issue on the manufacturing side. Services line IOT seeing good traction and even 5G something is also seeing good momentum. The company is not seeing any downside in any of the sectors.

- **Healthcare:** Provide the services to hospital and not seeing any downside on that side and Medtech is a smaller part. Healthcare 8-10% for the revenue and 16-17% for the providers.

- **ER&D:** The company has 10-15% business for the company.

- **Fresher:** The company continues to hire fresher in a similar range as FY22.

- **Outlook**: We believe, that going forward demand remains robust but there is potential worry about inflation and geopolitical scenarios. The company's structural profitability continues to be robust, and operational efficiency is backed by a comprehensive digital portfolio. The company has a lot of confidence about the business momentum continuing in FY23 as well.

Hero Motocorp Ltd

CMP INR 2,764|Market Cap INR 55,226 CR|TP: 3,323|Rating: Buy

Management

Umang Khurana- Head of Investor Relations & Business Support

Ravi Kharbanda - Lead Investor Relations

Saloni Agerwal-Investor relation

- In FY22, HMCL registered revenue of INR 29,245 cr on a standalone basis and INR 29,551.28 cr on a consolidated basis.PAT reported was INR2,329 cr in FY22 as compared to INR 2,936cr in FY21 on a consolidated basis. EBITDA margin contracted by 103bps QoQ/ 279bps YoY to 11.2%.

- The total volumes of (Motorcycles + Scooters) de-grew by 24% YoY/10.2% QoQ to 1,188,884 units during FY22.

- **Current scenario:** Demand is on a rise post-April 2022 MoM in urban as well as rural areas. May is the stronger month for demand and then the demand rises again during the festive season. EBIDTA per vehicle is improving; EBIDTA margin for FY23 can be expected to be double-digit as per management.

- **Inventory:** HMCL has reduced its inventory period to less than 6 weeks and will maintain 8-10 days during the festive season.

- **Raw Material:** Commodities have continued to rise, there has been a correction in steel and other metal prices but fuel has gone up so overall basket has not gone down also the contracts are signed for 1 or 2 quarters so the company did not get the benefit of price correction immediately. The finance cost is very high at 20%, but if financing improves the adoption will improve.

- **Exports:** Hero MotoCorp is doing well on exports and the global front. For exports, long-term plan is to take their footprints to as many countries as possible which they have already done by increasing their presence in 40 countries. Now they are focusing on prioritizing these countries and making a more substantial presence. The company is expecting good growth in the export segment. Though the numbers are not too big it's going in the right direction.

- **Markets:** Srilanka, Nepal, Bangladesh, and Nigeria markets will stay disrupted due to disturbing economic conditions and the weakening of their currency.

- **Cost:** The company is working aggressively to optimize costs to offset the commodity cost hike it had to take. HMCL has lined up multiple product launches in different segments and is also working on the premiumization of the existing portfolio. The company is strategizing in such a way that Ather remains in the premium segment and HMCL caps the medium segment too, to enlarge the size of the pie. Hero and Gogoro come together to get a swappable battery on the market.

- **CAPEX:** The company has planned INR 1,000cr CAPEX per annum which, includes EVs, previous scooters, and maintenance CAPEX.

Price hike: Last year, the company has taken price hike of around INR 1500.

Demand: Breaking down the demand, the first demand is 60%, additional demand is 20% and replacement demand is 20%.

Overall HMCL is seeing an increase in demand and better EBIDTA per vehicle with working on all the scenarios on the EV front. HMCL is also expected to do better on the export front too. We have a Buy rating on the stock with a target price of INR 3,323.

Sansera Engineering
CMP INR 657|Market Cap INR 3,458 cr| P/BV: 3.35
Management
Mr. Raghunath Preetham-Group CEO
Mr. Vikas Goel – CFO
Mr. Praveen Chauhan – Head, Operations

- FY25 Revenue mix guidance: current tech and agnostic products contribute 17% which, the company aim to take to 40% in next 3 years depends on at what pace EV segment grows.
- For new products, the company's product development to delivery cycle can be anywhere between 1.5yrs to 2.5 yrs.
- The Company is aiming growth of 15-20% in coming 2 years. If, industry grows around 8%.
- The company is working in different sectors and the company is in mainly into exports and there is better margin in exports.
- Defense seems very interesting and there are huge opportunity and company is very bullish and excited to work in this sector.
- The capacity at which company is working is 65% and expects to cross 70% in FY23.
- The company gets benefitted from weakening of rupee and if, export order gets delayed.
- Order book stands at INR 15 bn out of which 62% is from auto ICE and 15% is from 2Ws.
- The kit value for PV hybrid goes to upto INR 4000.
- The company already entered into E motorcycle and company is expecting better opportunity in this segment too.
- Order book: Current order book is INR 15 bn out of which 62% is auto ICE and it includes 47% PV and cv and only 15% is 2Ws. So, the trends are changing, it's not that company is reducing its order book of 2Ws but if 2Ws industry grows even the company will grow in 2w segment out of this order book 61% is from global market and 39% coming from domestic market.

- The company also wants to focus on North American market as there is huge opportunity there too. Company is working on consolidating on the requirement and plans a plant there too which is a long term plan.

- Going forward, Sansera looks confident of achieving 15-20% growth if, Industry grows at 8%. Sansera is already into EV space and venturing into defense too. There major chunk comes from export markets where they are able to get good margins. They are catering to multiple segments and industries which, makes it a promising company.

Greaves Cotton Ltd
CMP INR 147|Market Cap INR 3,413cr|EV/EBITDA 11.5x FY24E
Management: Dalpat Jain - Group CFO

- Retail is an asset light business and it will continue to expand itself by continuing with franchisee on mode.

- In immobility the CAPEX planned is $150 Mn. It will be utilized mainly for the future expansions, close to $30Mn to $35Mn will go in debt reduction, other major part will go in developing future technologies or the new products which are planned to be launched both in 2Ws and 3Ws. Also plans are there to enhance production capacity and also increase in brand awareness.

- In electric mobility company has already achieved break even in last quarter. The focus in short term will be to reinvest the operating benefits in order to build the brand and continue to maintain top 5 position in remain in high market share.

- The Company has INR 416 cr of cash and it's a debt free company. Though company has enough free cash still it's going for stake dilution for raising funds as management wanted to go for adequate capital so, that company can focus on its expansion plans.

- In electric mobility Ranipet plant has a capacity of 20,000 units per month. If demand increases increase in shift can increase the capacity further. It's a flexible capacity as far as high and low speed vehicle are concerned.

- The share of high speed in e-mobility was 70% in Q3FY22 which, increased to 90% in Q4 FY22.

- The supply chain is concerned with global disturbances once everything opens up the situation should get better, though it has become better since last quarter.

- In farm equipment there was a slowdown in sales as subsidies were not available for imported equipment's. In mid-term, the company will see volumes coming back.

- Power genset, the company has move from zero to mid-single digit market share and the company is getting new enquiries from health care sector, telecommunication sector and other sectors too.

- The company has localized majority of supplies apart from chips and cells. There is 2 months of waiting for key components but still most of supply chain the company is able to manage.

- In terms of volumes the company is in top 4. The company is one the earliest one to achieve positive PAT in e-mobility.
- The company is also evaluating to venture into 4Ws but nothing significant as of now.
- Total engine revenue in Q4 was 35% out of which 2/3rd was from non- auto and 1/3rd from auto segment.
- Company has been able to take price hike in EV space, in last 24 months' company hiked its EV price from INR 38000 to INR 90,000.
- Spend on R&D is 2% to 3% per annum.
- The company received subsidy of 25% to 30% on cost from the government. The company total subsidy close to INR 30,000 per high speed vehicle. It takes 90 to 120 days for the money to come to us from the government.
- Overall with the kind of investment plans and the first-mover advantage in EV space. The company believe surge in volume growth in coming months. Even semi-conductor chip availability will become much better by H2FY23 which will further boost sales and yield better margins going forward. We have Accumulate rating on the stock with target price of INR 185 per share.

Talbros Automotive Components Ltd
CMP: INR 506 | Market Cap: INR 624 cr |PE: 13.9 (TTM)
Management: Mr. Navin Juneja - Director & Group Chief Financial Officer

- Performance FY22 revenues up by 29% at INR 585cr, EBITDA margins stood at 14.2% and PAT was INR 45 cr up by 84% on consolidated basis.
- Revenue contribution by Segment Gaskets 53%; TMR 4%; MTCS 11%; Forgings 28%; NLK 4%.
- Exports contribute 23% and rest is domestic sales on consolidated basis. They have very healthy order book and clients like Volvo, JLR, Cummins USA, and many more. They are dominant players in USA after market segment. With Tata Cummins they have a huge order and a contract of 10 years for exports. Guidance of 28% revenue from exports by next year.
- The company caters to multiple segments and from lightest vehicle to heaviest vehicle, so there is always room to compensate one segment downfall from other segment uptick. The company is part of every possible mobility whether its EV, ICE or hybrid.
- Mantra is to decrease debt which has decreased significantly by 46% YoY to INR 7.61Cr in FY22 vs INR 14.10 cr in FY21.
- New Products Entered into heat shield line which is critical for heat, sound and vibration insulation. There is a huge potential for this product line and have already started supplying to JLR UK, Volvo Sweden and in Indian market also there will be huge opportunity.

- EV Segment Talbros is already in EV segment and supplying to Tata motors, BMW and Volvo in Europe. The company is constantly developing new product in EV space. They are doing forgings, heat-shields and suspension components for EV segment. Currently 4% comes from EV revenue out of total and expecting it to increase it to 8-10% in next 2 years. Marelli Talbros is working on new RFQ's for several Indian and global OEM's for supporting development of future EV's.

- Commercial Vehicle in CV space there is a good traction of 8-9% more from and company's revenue from cv is about 34%. Tata Cummins have asked Talbros to double their capacity of gaskets by H2FY23 which presently has a capacity of 10,000 to 11,000 per month.

- Margins Gasket has good margin as less entry barriers, Margo anti vibration has also had good margin, almost all business has double digit margin but forging exports market has highest margins of ~17% at EBITDA level.

- Division Capacity utilization in Gasket 48%, in forgings 65%, Marelli 70%, Margo 85% and hoses 35%.

- Capex FY23 TACL is planning a capex of INR 20 cr in Gasket division out of which INR 7-8cr will be heatshield, balance in forging. Marilli is also planning capex of INR6-7cr for JLR, margo is alos planning to put additional lines for Maruti.

- Order Book Heatshield order book INR35-40 cr

- Outlook The company is aiming to achieving group revenue of INR 1,000cr in next 3to4 years and maintaining a margin of 14% going forward. TACL is a well-diversified company in terms of segments, products and geographies which makes it to grow YoY.

<u>**Mahindra CIE Automotive Ltd**</u>
CMP: INR 230 | Market Cap: INR 8,701cr | PE: 15.7 (TTM)
Management: Vikas Sinha- Senior Vice President - Strategy, M&A and Investor Relations

- Performance in Q1CY21 revenue up by 15% though the market performance was negative in light vehicles, tractors and 2Ws. In India sales were INR 1202cr, EBITDA at 15.1%, EBIT at 11.2% and EBT at 11.0.

- MCIE Europe sales have seen growth but EBITDA margins continue to be affected due to high energy cost and Ukraine crises. EBITDA margin is at 10.2% lower by 3.7% compared to Q1 C2021, but better by 1.1% than Q4 C2021.

- Segments and Markets for Europe LV is on a low side but will see uptick in H2CY22. On the CV side again H2CT22 should see an uptick. Offload market is doing very good and due to Metal Castello the European revenue numbers were good.

- Growth and Margins in Europe energy prices have gone up substantially which has hit the margins and got the margins to 9%. MCIE has been able to pass on price hike to 30% clients which should get to a better margins this year. The process of passing on the cost in Q2CY22 will continue.

- In India MCIE is doing 40% in 4ws; 30% in 2Ws; 10% in CV and 15% in Tractors. Indian markets are good and able to fetch good margins. 2Ws was a matter of concern due to increase in insurance cost, increase in petrol prices and steel prices. The tractor sector boomed in lockdown period and then there was a drop and now again seeing a recovery. In India MCIE don't see much of problem as compare to Europe markets.

- **Order book:** The company order Book is healthy in India and MCIE keep investing in almost every vertical in India. Have put up many new plants for automation, aluminum, etc which are generally backed by orders. Capacity Utilization is 100% in India and 70% in Europe.

- **Capex:** MCIE generally maintain its capex of 5-6% of sales, last year it was high.

- **Debt:** The company debt remains the same and cash flows is slightly squeezed due to increase in costs but overall its comfortable.

- **EV:** The company's **s**egment in Europe there is a transition from ICE to EV of 10%. For MCIE it is going to be easy to grow in EV segment as our present client are getting into EV space are from EV space. The revenue from EV is right now very insignificant like less than 1%.

- Crankshafts MCIE fears that crankshafts will be under threat which is their major product line in Europe but certainly the demand will not disappear since transition from ICE to EV will take at least 10 years and after that also ICE will stay.

- **Subsidiary**: German Subsidiary, the Germany subsidiary is not making much of money, PBT is close to zero as labor cost out there is very high but it gives company the edge of diversification so no plans of it to closing down.

- **Automation:** MCIE plans to move to Automotive parts also or EVs along with composites and plastics and may look for M&A for plastics.

- MCIE is eyeing to get into Aluminum forgings, increasing presence in non-engine parts, etc.

- **Outlook:** MCIE has a good footing in European market but margins are affected due to high energy and labor costs. In India MCIE is able to maintain margins of 10% and will improve going forward. MCIE can cater to EV segment without much difficulty and is already into that space. The stock is trading at a PE of 15.7x to its TTM earnings.

CSB Bank Ltd

CSB Bank | CMP: INR 192 | Mcap: INR 3,323cr

Management: Mr. Pralay Mondal (MD & Interim CEO), Mr. B.K. Divakara (Chief Financial Officer)

SBS2030 (Sustain, Build and Scale):

- Management has stated that in the next 2 year gold loan proportion expected to be at current level while SME proportion is expected to increase little bit.

- 3-5 year's horizon: With the multiple launch of retail products, growth in the retail portfolio will start picking up while sme and wholesale share expected to be similar.

- Portfolio share by 2030: In the longer run by 2030, the Portfolio mix vision is 25-30% gold loan, 30% other retail portfolio, 20% SME and Wholesale will be roughly around 25%.

- Technology: Current focus of the bank is technology. Bank is completely revamping its technology architecture from their core. Modular CRM system, Analytical and API all are in progress.

- **SME:** Bank is looking to enhance its capabilities in to SME segment with expanding in North, weste and beyond South.

- Bank is looking to expand its customer base within their help of partnerships.

- With the expansion into other retail and SME portfolio, margins expected to moderate. Management targets to maintain the margin in the range of 4.5-5%. Cost of funds expected to go up marginally with increase in casa ratio.

- RoA expected to be maintained at 1.5-2%.

- Fee income: Currently, Core fee income to NII stood at 10.8% which is expected to increase at 14% with growth in comissions income, Forex trades, liability fee business and LCBG.

- Bank is looking to increase more leadership on board both at central as well as regional level.

<u>KPI Green Ltd</u>
CMP: INR 647| Market Cap: INR 1,169 crore
Management: Mr Shaheedul Hasan - CEO

- **Overview**: KPI Green Energy Ltd was formerly known as K.P.I Global Infrastructure Ltd was incorporated in 2008. The company is engaged in the business of generating solar power. It is a multi-dimensional renewable energy player. The company has 2 major verticals i.e. IPP (Independent Power Producer) and CPP (Captivate Power Producer). It provides solar power as an independent power producer (IPP) and it also provides Engineering, Procurement, Construction (EPC) services to Captivate Power Producers (CPP) customers.

- **Cost of 1MW capacity**: Last 4-5 years on average the company's MW per cost used to be around 6.5 crore which has now grown up because of ECD having come in picture. If the company goes mono then it becomes higher. Earlier it used to be 3.5 crore but, now it is around 4 crore.

- **Unit Generation**: Unit generation keeps varying. Around 15 lakh units was generated per MW on annualized basis which starts from first year and in next 25 years there would be some degradation of about 0.8%. In Independent Power Producer (IPP), 10 crore units were sold last year. Captivate Power Producer (CPP) revenue was INR 168 crore i.e. from sale of plant.

Other Highlights

- The company has completed 100 plus MW capacity under IPP while under CPP the company has completed 65 MW capacity. So, both together total consolidated capacity is 165 MW.

- Under CPP category there was 56 MW during last financial year. Total was 65 MW under CPP but, 9 MW was carried forward.

- In IPP sales, EBITDA Margin is 70 to 75%

- Capex of INR 4 crore MW excludes land cost.

- MW is achieved based on milestone. One cannot compare revenue recognition based on MW achieved.

- Outstanding loan of the company at the end of FY22 will be around INR 270 crore.

- Power Purchase Agreement (PPA) is for minimum 15 years and maximum 25 years. Plant life is only for 25 years.

- For PPA agreement, the company fixes a discount part. So, it says that you get a discount of 7% on the landed rate which is charged by discount.

Ujjivan Small Finance Bank

Ujjivan Small Finance Bank | CMP: INR 15.4 | Mcap: INR 2,653cr

Management: Mr. Deepak Khaitan – Head financial planning and Strategy and Investor relations

- The three-focus area of the bank: i) Increasing business volumes, ii) Focus on asset quality improvement and iii) Attracting more good talent. Bank is performing well on these key focus areas.

- Currently, collection efficiency of the bank is amongst best in the industry.

- FY23 expected to be better then FY22 in terms of credit growth, asset quality, credit cost and profitability. In FY23, credit growth is expected to be significantly better than FY22.

- So far, no impact has seen from inflationary pressure in terms of growth and demand.

- On the funding side, bank has taken 2 resolutions i.e. on equity and debt side.

- Merger status: Bank has filed with SEBI and RBI. SEBI has asked to comply with minimum public shareholding (MPS) norms of 25% (Currently ~16.7%). After complying with MPS norm, bank will go to the RBI for approval.

- Credit cost in FY23 expected to be in the range of ~1%.

- Portfolio mix: Currently, secured portfolio share stood at ~30%. Bank is looking to increase secured portfolio share to 50% in the long term.

- Bank continue to hold INR 250 cr (1.3-1.4% of the book) floating provision.

- Nearly 1/3rd customers are unique to the bank.

- Assam Portfolio: Assam portfolio of the bank is less than INR 200 cr of which most of are in NPA and large part has been provided. There is no impact from the recent Assam flood.

- Restructured book is performing well as per the expectations.

- Current MD and CEO Mr. Ittira Davis period will end in Jan'23. After that bank will go with the RBI for further extension.

<u>Va Tech Wabag Ltd</u>

Va Tech Wabag Ltd | CMP: INR 230 | Mcap: INR 1,428

Management: Mr Skandaprasad Seetharaman - CFO

- The company focused on getting EPC, DBO and O&M business and not owning the assets.
- In terms of revenue in last 2 years, 35% to 40% from India and remaining 60% to 65% overseas at the consolidated levels. In standalone, the projects are 50% from India and remaining 50% from outside.
- The company got the projects in Qatar, Southi Arabia, Malasia and eurapian and CIS countries. The company has diversifying geographical concentration.
- The international projects provides forex related gains.
- In HAM projects, 40% grant during the construction and remaining 60% funded by debt & equity mix by the operator.
- In HAM projects, around 70% to 75% by debt and remaining 25% to 30% by equity (minority stake).
- Out of INR 10,000cr order book, municipal order book around 74% and remaining are non-municipal orders.
- In smaller projects, the competitor are Abengoa and the large project competitors are Suez waters, Metito, Beselwa etc.
- The local competitors are Adani, Shapoorji, Triveni and Vishvaraj in HAM projects.
- The key sector focus Oil & Gas coming through desalination especially from Africa and Middle East countries.
- Recycled projects from India, mainly under the HAM or Non HAM models.
- Russian projects are under suspended as of now and waiting further information from client.
- The overall quality of order book in terms of three metrics are margin accretive, cash flow positive and payment secured projects gone up significantly. 80% to 90% of projects are fall under this category.
- The average execution for EPC projects around 30 to 36 months.

Vascon Engineers Ltd

Vascon Engineers Ltd | CMP: INR 20 | Mcap: INR 438

Management: Dr Sundararajan – Group CEO; Mr Somnath Biswas – CFO

- **Order Book:** Total order book stands at INR 1,832cr. It consists of 1774cr of third party orders from outside and INR 50cr to INR 60cr are from in house projects, this in house order will also increase by INR 100cr as Vascon have launched a project in real estate sector. From external projects 70% to 85% is from both state and central government and has little of exposure to private sectors. The order book has dropped by INR 200cr as compared to last year. This year BG limits were a constraint, but have enough orders in hand to execute.

- **Margins:** In EPC segment, company is able to maintain 15% of gross margins. Company keeps in mind to not to put too much of pressure on margins while bidding.

- **Debt:** The company has repaid its debt and brought down its debt by more than INR 100cr in last couple of years and Net Debt stands at INR 59cr as on 31st March 2022. Company has also raised INR 70cr by way of preferential shares which will be utilized towards Debt repayment and WC requirement.

- **EPC:** Vascon is tying up with many real estate projects in Pune, Mumbai and Coimbatore related to EPC projects. The company has set an aggressive growth targets both in terms of topline and bottom line.

- **Price Hikes:** The company generally covers most of its items by base rate clause to unsure that price hike does not hit too much, there are lot of negotiations which goes into it but still at times price hikes leads to little bit of profit erosion. There has been price hikes in labor, sand, metal and diesel due to which operating costs have gone up but company is managing it and not letting its bottom level getting affected.

- **Projects:** The Raipur project is going on in full speed and company is doing more than INR 20cr a month and 50% has been executed already. The convention project in Goa is still under talks and has not taken off as yet. This year in terms of new projects company has taken about INR250cr to INR300cr worth of orders, one project is from Rajasthan from Vedanta group, one school in Pune and many other projects. Target is to attain atleast INR 500cr to INR 600cr of orders by the end of FY23. BG limits are a constraint which limits our achieving of targets.

- **Real Estate Projects:** Company is very bullish about real estate and looking for prime lands parcels especially in Pune and for redevelopment projects in Mumbai.

- **Turnover Guidance:** The company is working towards achieving INR 1000cr Turnover in next 2 years, Vascon is pretty confident to achieve the same.

- **Competition:** There is very high competition in government sector but the good thing is there are pre-qualification criterias for sizable projects so smaller companies are unable to qualify. Our strength is engineering and there we are at a good position and try to maintain our margins. We don't compromise on bottom line margins to bag the projects.

Windlas Biotech Ltd
CMP: INR 216 |Market Cap: INR 472
Management: Mr Hitesh Windlass-Managing Director

- In pharma, CDMO has growing at a rate of 8% to 9%.
- The company focused to double in CDMO business in next 5 years.
- The company has launched several DCGI approved products in neurology category.
- The company has accelerated R&D expenditures.
- In FY22, Trade generics vertical is grew by 39% YoY and expected around INR 40cr business going forward. Trade generics is fastest growing verticals. The trade generics business gross margin is 5% to 7% higher than CDMO business.
- The raw material prices substantially increased due to close in china borders and Russia and Ukraine war led to supply chain disruptions.
- The company has continue to cost plus model.
- Exports business gross margins are 5% to 7% higher than generic business.
- The company has presented around seven countries, mostly south east asia. The company focused to increase the food print in Africa and CIS countries.
- The Plant 4 has passed South Africa GMP audit and European GMP audit.
- CDMO business, the company focused on top client revenue less than 12% to 14% of total revenue. The company has around 200 clients in CDMO business. The top 20 clients revenue concentration around 60% to 65%.
- The global capacity utilization around 70% to 75%. The company operating around 40% to 44% utilization. The company is expected to reach capacity of 60% going forward.
- **Outlook: Business expansion and penetration into newer geographies will be the growth driver for the company. At CMP and on TTM basis, the stock is trading at a P/E multiple of 12.2x.**

Puravankara Ltd
CMP: INR 82.6 |Market cap: INR 1,960 Cr
Management: Mr Abhishek Kapoor – CEO

- Puravankara is 47 yrs old and has delivered ~45mn sq ft across various markets, present in 9 cities. The company has 3 brands, that is, Puravankara for luxury housing and commercial offices, Provident for the affordable luxury segment, Purva Land for plotted development projects.

- The Company launched six new projects Tivoli Hills in Bengaluru, South Bay in Chennai, Provident Palmvista in Mumbai, Sparkling Springs in Bengaluru, Tree Haven in Bengaluru and Provident Welworth in Kochi during the year FY22.

- The company has reduced its debt to INR1,857 cr in FY22 down by 20% from INR 3,000cr last year. The cost of debt stands at 10.56% as on March 31, 2022. Interest cost came down by 139 bps. The company had liquidated its inventory and that is how they have reduced the debt. The company also has balance collection of INR 2,528 cr from the sold unit as of March 31, 2022, and the value of unsold inventory stands at INR 4,674 cr.

- The company is looking at delivering ~3,000 units this year.

- Average realisation is ~INR 6,000 per sq ft in Purvankara and INR 5,800 to INR 6,000 in Provident and ~INR 4,500 to INR 4,600 in Purva Land.

- The Order book stands at ~INR 1,000 cr.

- Purva Land 7 projects across 3 cities are going on which comes to ~5msft.

- Launch pipeline Provident 41%, Puravankar 39%, Purva land 20%. In total, the launch pipeline consists of 16.28msft.

- Ongoing projects Provident 39%, Puravankar 55%, Purva land 6%. In total the launch pipeline consists of 24.99msft.

- In commercial space there is an upswing and Bangalore will cross pre covid levels.

- Input cost was increasing and has been passed to customers but now it's a much better scenario. The increased fuel cost and import cost have eased out. Interest rates still haven't seen any adverse impact on its business.

- Projected Cash Flow Balance collection from sold units stands at INR 2,528 cr; Open Inventory for sale stands at INR 4,674; Total Estimated surplus stands at INR 6,116 cr.

- Time cycle for delivering residential projects is 4yrs and for plotting it is 2 years.

- Plotted projects have worked very well, it's more profitable, able to turn around the capital, organized players like us can deliver much better quality.

- With schools reopening, people going back to offices so the opportunities are increasing and numbers are getting to more than what it was in pre covid times. Most of the projects are on track and will be able to deliver in time.

- The company will deliver 3000 units this year, company has land parcels from the past which should give good realizations and are confident of maintaining the present level of margins going forward.

Arvind Smartspaces Ltd
CMP: INR 154 |Market cap: INR 653 Cr

Management: Mr Ankit Jain - CFO; Mr Avinash Suresh – COO

- **Financial Highlights**: The company's fresh sales journey was close to INR 100 crore band from FY16 to FY18. The company then moved close to INR 300 crore band in FY19 and FY20 and from the past 2 years the company is into a band of INR 500-600 crores. Revenue of the company is fluctuating specifically in FY21; this is because there was no new completion in the new project pipeline. EBITDA and PAT are mostly fallout from top line recognition. The company has a balanced risk profile i.e. it continues to remain conservative in debt-equity and is focusing on limited geography. The company's fresh sales have a CAGR of 46% for the past 5 years. The company's current long term credit rating of 'A' with a positive outlook for INR 400 crores. It has crossed the sales milestone INR 500 crores in FY21 and FY22 also saw INR 600 crores of fresh sales.

- **New projects**: The company has acquired Devanahalli project having around 58-acre land, it is an outright purchase. The company has also announced a JDA on a project at Sarjapur Road at Bangalore - 17-acre land, top line potential of close to INR 700 crore. It is expecting to launch both the projects in H1FY23.

- **Pre-sales expectation**: The company has achieved a CAGR of 46% in the past 5 years. The company will continue to give exponential returns and will remain focused on that. The company will be able to maintain a good growth i.e. at least 25-30% growth is the guidance which the company can give and will target that. There is a rise in the interest rate and increase in raw material price. The company has not seen any slow-down in the sales of any of its projects and the company doesn't expect to see any slow-down at least in the short to medium.

- **Evaluation**: Evaluation parameters are market related and some are related to the project. Any project which the company evaluates has to have an EBITDA Margin of 35% and has to have a post-tax IRR of at least 25%. These evaluations are done without taking into account inflation. The evaluation is done taking into account current price and cost inflation is taken in i.e. risk built into the model.

- HDFC Capital Advisors have picked up a stake of 8.8% on fully diluted basis i.e. INR 50 crores have been invested by HDFC and NR 35 crores by promoters. The company has taken the project of Devanahalli along with HDFC whereby the platform was created for an 80:20 ratio, where 80% was to be invested by HDFC and 20% by Arvind. So far HDFC has invested INR 50 crore in that project which means Arvind has to invest INR 12.5 crore only for an overall INR 62.5 crore project. Risk and reward are shared in the same proportion and beyond a certain point it moves in Arvind's favor.

Ashoka Buildcon Ltd

Ashoka Buildcon Ltd| CMP: INR 72.8| Market Cap: INR 2,044 cr

Management: Mr Paresh Mehta - CFO

- **Order Book**: The order book for FY22 is INR 6,000 crore to INR 7,000 crore and in FY23 the company expects INR 6000 crore to INR 7000 crore of intake of order putting the entire sector into perspective. So, total of new order is INR 9,700 crore approx. In FY24, the company expects order book of INR 8,000 crore to INR 10,000 crore.

- **Capex for FY23 and FY24**: The machinery capex will be INR 150 crore to INR 200 crore each year. Based on revenue, capex will ramp up i.e. if the revenue increases more capex will be slightly no. But, for FY23 it is INR 200 crore approx.

- **Revenue Recognition in Infrastructure**: There are two parts in revenue recognition. Percentage completion method is for the construction portion which is being recognized. On the other hand revenue stream like toll is collected and as far as HAM project is considered they are more recognition of carry cost i.e. it is recognized as income side. The receivables in the HAM projects from NHI, traders, financial asset and there is a carry cost available on the item, the overall carry available on the project is recognized including the amount received from NHI and any embedded carry on the equity is recognized as income.

- **Debt Obligation**: For last year, the total debt exposure at a consolidated level is around INR 6,700 crore and on the standalone level it is INR 486 crore. Once the company will be thru with the deal the debt obligations will go down on the 5 projects by around INR 3,200 crore. This is something that the company expects to happen. On standalone basis debt would be INR 600 crore to INR 700 crore for FY23. Depending on turnover it will increase by 10% to 20% for FY24.

- **Price Volatility**: In road projects, which are either HAM or EPC contract, there is always a price index formula wherein the escalation is passed on to the employer. So, there is an index based inflation protection and hence in these contracts the company does not face much problem and escalation is taken care. The company already has certain portion of escalation provided in the company's budget which take care of other miscellaneous item i.e. inflation related trends. Presently, there is an impact of price escalation in the range of 1% to 1.5% wherein it will be reflected in the company's EBITDA Margin by more than half a percent in the past quarter and then in the current quarter it could be 1% to 1.5% range. On certain metal project the company is trying to hedge them through pricing mechanism like futures.

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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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