List of Participating Companies

S.No.	Company	CMP (INR)	Mcap (INR bn)
1	BEW Engineering Ltd	139	4
2	Konstelec Engineers Ltd	163	2
3	Swaraj Suiting Ltd	174	3
4	MMP Industries Ltd	250	6
5	Kriti Industries (India) Ltd	132	7
6	Cineline India Ltd	118	4
7	Vardhman Special Steels Ltd	192	16
8	Kalpataru Projects International Ltd	989	161
9	Avro India Ltd	116	1
10	JHS Svendgaard Ltd	142	1
11	Goodluck India Ltd	800	25
12	Talbros Automotive Components Ltd	241	15
13	Home First Finance Company India Ltd	824	73
14	Moneyboxx Finance Ltd	241	7
15	Chemplast Samnar Ltd	425	67
16	Trucap Finance Ltd	49	6
17	Insecticides India Ltd	492	15
18	Magnum Ventures	49	3
19	Asian Granito India Ltd	58	7
20	Vaibhav Global Ltd	378	63
21	Senco Gold Ltd	730	57
22	Parag Milk Foods Ltd	197	23
23	Foods and Inn Ltd	134	7
24	Pearl Global Industries Ltd	580	25
25	BLS International Services Ltd	314	129

List of Participating Companies

S.No.	Company	CMP (INR)	Mcap (INR Bn)
26	Marvel Décor Ltd	90	2
27	Thomas Cook India Ltd	148	70
28	Vaidya Sane Ayurved Laboratories Ltd	200	2
29	CareTrade Tech Ltd	648	30
30	Khazanchi Jewellers Ltd	308	8
31	Confidence Petroleum Ltd	87	25
32	Orient Bell Ltd	317	5
33	P.E. Analytics Ltd	235	2
34	BMW Industries Ltd	54	12
35	Accuracy Shipping Ltd.	9	1
36	HFCL Ltd.	83	120
37	Nuvoco Vistas Corporation Ltd	256	127
38	Shriram Properties Ltd	105	18
39	Shri Keshav cements Ltd	232	4
40	GTPL Hathway Limited	156	18
41	Jai Balaji Industries Ltd	990	161
42	Shyam Metalics & Energy Ltd	576	161
43	Menon Bearings Ltd	113	6
44	Equitas Small Finance Bank Ltd	93	105
45	Punjab Chemicals Ltd	942	11
46	Krishna Defence and Allied Industries Ltd	351	4
47	SRG Housing Ltd	260	3
48	Total Transport Systems Ltd	101	2
49	Dharmaj Crop Guard Ltd	217	7
50	Krsnaa Diagnostics Ltd	583	19

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S.No.	Company	CMP (INR)	Mcap (INR Bn)
51	Sukhjit Starch and Chemicals Ltd	464	7
52	Indocount Industries Ltd	326	65
53	Shaily Engineering Plastics Ltd	498	23
54	Dodla Dairy Ltd	849	51
55	PDS Ltd	468	62
56	Bajaj Consumer Care Ltd	218	31
57	Dollar Industries Ltd	494	28
58	Unihealth Consultancy Ltd.	130	2
59	Rockingdeals Circular Economy Ltd	402	2
60	Suyog Telematics Ltd	1073	11
61	Max Estates Ltd	254	38
62	Mahindra Lifespace Developers Ltd	545	85
63	Suraj Estate Developers Ltd	276	12
64	Shankara Building Products Ltd	644	15
65	AGS Transact Technologies Ltd	68	8
66	Sunteck Realty Ltd.	394	58
67	Lloyds Metals & Energy Ltd	584	295
68	Hariom Pipes Industries Ltd.	474	14
69	Kilburn Engineering Ltd.	288	11
70	Dev Information Technology Ltd	108	2
71	Om Infra Ltd	124	12
72	D B Corp Ltd	254	45
73	Satia Industries Ltd	111	11
74	Maiden Forgings Ltd	90	1
75	LINC Ltd	519	8

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S.No.	Company	CMP (INR)	Mcap (INR Mn)
76	Macpower CNC Machines Ltd	916	9
77	Axiscades Technologies Ltd	520	22
78	Zuari Industries Ltd	307	9
79	Vascon Engineers Ltd	56	12
80	Royal Orchid Hotels Ltd	345	10
81	Indag Rubber Ltd	140	4
82	Motilal Oswal Financial Services Ltd	1402	209
83	Aarti Drugs Ltd	453	42
84	Meghmani Organics Ltd	82	21
85	Inflame Appliances Ltd	427	3
86	Marksans Pharma	144	65
87	Veerhealth Care Ltd	20	0.4
88	Uflex Ltd	425	31
89	Supriya Lifesciences Ltd	327	26
90	Bharat Agri Fert Realty Ltd	103	5
91	Lords Chloro Alkali Ltd	132	3
92	Sharda Cropchem Ltd	329	30
93	GHCL Ltd	454	43
94	Raymond Ltd	1723	115
95	Apex Frozen Foods Ltd	200	6
96	Spencer's Retial Ltd	88	8
97	Annapurna Swadisht Ltd	323	5
98	Welspun Living Ltd	147	143
99	SAT Industries Ltd	89	10
100	Prataap Snacks Ltd	967	23

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S.No.	Company	CMP (INR)	Mcap (INR Mn)
101	L T Foods Ltd	166	58
102	Associated Alcohol and Breweries Ltd	478	9
103	Quess Corp Ltd	496	74
104	SIS Ltd	444	64
105	Suprajit Engineering Ltd.	395	55
106	Route Mobile Ltd.	1577	99
107	Welspun Corp Ltd.	501	131
108	Hero MotoCorp Ltd.	4539	908
109	Birlasoft Ltd.	720	199
110	Sansera Engineering Ltd.	956	51
111	Mahindra & Mahindra Ltd.	1843	2292
112	CIE Automotive India Ltd.	436	166
113	Allied Digital Services Ltd.	134	7
114	Tech Mahindra Ltd.	1252	1223
115	All E Technologies Ltd.	250	5
116	Sterling tools Ltd.	324	12
117	Netweb Technologies India Ltd.	1502	85
118	Oriental Carbon & Chemicals Ltd.	700	7
119	Deep Industries Ltd.	256	16
120	SEAMEC Ltd	1036	26
121	Jeena Sikho Lifecare Ltd.	790	20
122	Muthoot Microfin Ltd.	202	34
123	Virtuoso Optoelectronics Ltd.	220	5
124	Creative Newtech Ltd.	690	10
125	Alicon Castalloy Ltd.	813	13

List of Participating Companies

S.No.	Company	CMP (INR)	Mcap (INR Mn)
126	TCI Express Ltd	1019	39
127	Wanbury Ltd.	130	4
128	Remsons Industries Ltd.	868	5
129	City Union Bank Ltd.	128	95
130	Updater Services Ltd.	319	21
131	Banswara Syntex Ltd.	154	5
132	Eco Recycling Ltd.	483	9
133	Capital Small Finance Bank Ltd	336	15
134	DC Infotech and Communication Ltd	191	3
135	Digikore Studios Ltd	473	3
136	Suryoday Small Finance Bank Ltd	166	17
137	Izmo Ltd.	259	4
138	Mafatlal Industries Ltd.	119	8
139	ESAF SFB Ltd	57	30
140	Network People Services Technologies Ltd	1090	21
141	Genus Power Infrastructures Ltd	223	58
142	Gateway Distriparks Ltd	99	49

BEW Engineering Ltd

CMP: INR 1,390 | Mcap: INR 3,590mn

BEW Engineering Ltd is engaged in the design and manufacturing engineers of pharma and chemical plants and process equipments. The company also designs and manufactures special ranges filtration mixing and drying equipment's which are used in Pharma Sterlite Applications, Intermediate Compounds Fine Chemicals, Pesticides, Insecticides, Agro Chemicals Dyes etc. The product portfolios comprises Nutsche Filter Dryer, Rotocone Vaccum Filter Dryers, Cantilever Rotocone Vaccum Dryer etc. With a focus on providing the widest range of filters and dryers, the company has garnered repeat orders from marquee clients. Operating within an industry with high entry barriers, BEW Engineering Ltd benefits from its experienced management team, ensuring efficient operations and strategic decision-making. Additionally, with a diverse order book spanning various end-user industries, the company demonstrates its versatility and adaptability in meeting the needs of a broad customer base.

Key Highlights

Industry-Leading Innovation and Manufacturing Excellence

With over three decades of experience, BEW Engineering Ltd. has established itself as an industry pioneer, designing and manufacturing key products in-house that serve as import substitutes. Equipped with integrated manufacturing facilities in Dombivli, Thane, co. produces a wide range of equipment using materials such as stainless steel, alloy steel, hastelloy, and various linings. As an authorized ASME U & R stamp manufacturer, it ensures cost-effective and high-quality manufacturing.

Extensive Geographical Reach and Global Presence

Company has established a strong geographical footprint, exporting tailor-made equipment to various countries including Canada, Japan, Turkey, Nigeria, Indonesia, and more, showcasing its global competitiveness. With efficient after-sales support teams stationed in Mumbai and Hyderabad, it caters to key customers across India, ensuring timely service and customer satisfaction. Company has successfully exported its equipment to countries like Italy and Israel, demonstrating its capability to serve diverse global markets.

Trusted Brand with Repeat Customer Orders and Comprehensive Industry Applications

Company offers custom-made equipment at competitive prices. With applications spanning Pharmaceuticals, Sterile Applications, Intermediate Compounds, Fine Chemicals, Agro Chemicals, and more, BEW Engineering Ltd. demonstrates its versatility and expertise in serving diverse sectors with specialized equipment and solutions.

Outlook: Renowned for manufacturing the widest range of Filters & Dryers, they utilize materials ranging from stainless steel to duplex steel, ensuring quality and versatility. They have strong geographical footprint extending across the globe, with exports to Canada, Japan, Turkey, Nigeria, and beyond. Certified as an authorized ASME U & R stamp manufacturer, they are commited to cost-effective and quality manufacturing. Efficient after-sales support teams in Mumbai and Hyderabad ensure timely assistance to customers. The company remains dedicated to exceeding expectations and driving excellence in engineering solutions worldwide.

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Konstelec Engineers Ltd

CMP: INR 163 | Mcap: INR 2.46bn

Established in December 1995, Konstelec Engineers Limited operates as Engineering, Procurement, and Construction/Commissioning (EPC) contractors, providing comprehensive services both in India and internationally.

Key Highlights:

Business Profile: Konstelec offers a broad spectrum of services encompassing engineering, procurement, operations and maintenance, project management, and construction and commissioning. Specializations include electrical installation, solar power plant installation, instrumentation, and automation.

Business Divisions:

a) Engineering Design & Consultancy Services

b) Construction and Commissioning

c) Operation and Maintenance

d) Project Management

Completed Projects: Over 200 projects, including 45 major projects valued at over 400 crores, have been successfully executed.

Clientele: Notable clients include Reliance Industries Limited, Engineers India Limited, JSW Steel, Indian Oil, and many others.

Geographic Presence: Services are provided across more than 15 states in India and in Nigeria.

Revenue Distribution:

Domestic: 95.5% in FY23 compared to 89% in FY22

Exports: 4.5% in FY23 compared to 11% in FY22

Order Book: As of August 31, 2023, the company's order book comprises over 50 major projects worth 565 crores.

Workforce: Konstelec employs 884 individuals across India and Africa.

Revenue Breakdown by Clients & Suppliers:

Top 1 Supplier: 12.5% in FY23 consistent with FY22

Top 5 Suppliers: 33.5% in FY23 compared to 39% in FY22

Top 10 Suppliers: 46.5% in FY23 compared to 51.5% in FY22

Top 1 Customer: 8.5% in FY23 compared to 10% in FY22

Top 5 Customers: 37% in FY23 compared to 45% in FY22

Top 10 Customers: 60% in FY23 compared to 70% in FY22

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Swaraj Suiting Ltd

CMP: INR 174 | Mcap: INR 2.66bn

The Management has undertaken serious amount of Capex in their hand while relying on the heavy consumption as well as supplying capability of themselves. Since, the debt cost's are too low owing to the subsidies, the leverage part is not supposed to cause any additional burden. We believe this could be an interesting unfolding of larger capex along with gain of significant market share and improvement of margins for the company.

Swaraj Suiting has 4 units of which 2 are in Bhilwara and the other 2 are coming up in Neemuch, with yarn dyeing capacity of 24 mn meters p.a. The new plant in Neemuch is spread across 2.5 lakh sq meter. This will be the biggest plant Neemuch has. 60% of this plant has been completed. Around INR 4,000 mn of capex has been done for this plant, which will give around INR 2,800 mn of fixed assets and the rest as working capital. They have a workforce of 2,500 people at this plant and they have recruited locally. Labour who helped built the plant were trained and absorbed in the manufacturing facility.

The Company has received subsidies in various forms. The 60 acre land parcel was given at INR 8 mn. They consume 1.2K units of electricity per day which will be provided at INR 5 / unit which is after a subsidy of INR 2.5 / unit. They received INR 2,500 mn interest free loan from consortium of banks including Bank of Baroda and Union Bank. The interest subsidy of 7% for 5 years, while the cost of borrowing is around 8-9%, leaving the effective cost of interest at around 1.5-2%. The company has INR 1,200-1,400 mn of working capital requirement which is already sanctioned.

•The Company is doing INR 1,100 mn Capex for Yarn division.

•The Capacity of 32 lakh metres yarn per month incrementally will take around 60 days for a maker to develop a Fabric.

•Currently, the company has 19.76 mn metres of capacity, will take it to 25.2 mn metres Capacity (INR 350 mn and completion by Apr 2024). Current Utilization is of 85%, with peak at 90%. It has order book of 30 lakh meters on hand and has to reject orders since they won't be able to fulfil them on time.

•Cotton will start with next year, i.e. FY25, with 18 mn metres capacity (INR 40 Cr completion by Oct 2024) and Revenue 1,500-2,000 mn per annum).

•Cotton Yarn of 7,296 tonnes (Capex of INR 1,100 mn and completion by Oct 2024) for Captive Consumption.

•The Company is doing Gross Block expansion of INR 2,850 mn.

Business Updates:

•The Management believes the Denim Average Prices will increase as the company has started supplying in Premium segments.

•The Working Capital requirement is of INR 500 mn, and Long Term INR 500 mn Debt currently. INR 2,300 mn of debt has to be raised. Working Capital requirement will be INR 1,200-1,300 mn once all capacities come into force.

•The Company's 60% product goes to Traders, 20% goes to Garmenters, 20% towards Brands.

•Cash Cycle is generally of 50-60 days.

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MMP Industries Ltd

CMP: INR 250 | Mcap: INR 6.35bn

MMP Industries Ltd is engaged in manufacturing of aluminium power/ pastes, aluminium conductors and aluminium foils, for various industries like Explosives, Concrete Blocks, Pesticides, Master Batches, Pharmaceuticals, Food packaging and Power Transmission etc.

Association with Global Industry leader “Toyo Aluminium K.K. Japan” would help in moving up the value chain alongside technological support. Pioneer in AAC Block segment in construction industry with an extensive range of aluminium powders

Large customer base in diversified industries with strong customer retention and sizeable market share across all segments. Large presence in the Domestic Market across all segments. Exports to countries in Europe and Africa. Diversified into aluminium foils in 2021 and already recognized as a preferred vendor to the quality sensitive pharma sector.

The Co.’s marquee clients include Solar Industries, Ultratech, HIL, Big Bloc Construction, UPL, Shree Cement, JK Lakshmi Cement, among others.

Company has reported robust performance for the quarter, characterised by notable achievements and promising developments. Overall revenue growth has been commendable (despite low Aluminium prices), with substantial contributions from key segments such as Aluminium Powders, Aluminium Conductors, and Cables.

Company accepts challenges faced in the Aluminum Foils segment, impacted by external factors such as dumping from China, depressed demand, and competitive pricing.

Management anticipate a recovery in Q4FY24 on the back of resilience and innovative approach. On a positive note, Aluminium Powder segment is poised for substantial growth in the coming months, fuelled by massive infrastructure investments by the government and the initiation of operations by new explosives/AAC companies, both of which favour Brand MMP.

This, along with the surge in construction activity across India, boosts demand for AAC powders, where company holds a significant market share. The sustained and high-growth era we are experiencing in the electrical infrastructure segment is particularly noteworthy, which is expected to aid volume and revenue growth in Aluminium Conductor and Cables.

These are likely to surpass projections, solidifying its position as a key player in this dynamic industry.

Company has entered into overseas agreement with a European company. This Purchase License Agreement marks a pivotal milestone, poised to expand product range and enhance market position.

The development of grades, coupled with commercial production, are already underway, with first order scheduled to be shipped in the second week of February 2024. Reciprocal technical team visits in the coming months will ensure all grades are developed by March 2024, contributing significantly to profitable export growth over the next two to three years.

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Kriti Industries (India) Ltd

CMP- INR 132 M.Cap- INR 6.53bn

Kriti Industries Q3FY24 Concall Highlights CMP: INR 131 | Market Cap: INR 6.55 Bn | Promoter: 66.35%

Performance (Consol)

• Revenues came in at INR 2.43 Bn (2.43 Bn (+62.2% QoQ) (-5.2% YoY)

• EBITDA margins came in at 7.37% (Vs 6.95% QoQ) (Vs 4.02% YoY)

Volumes:

• Agricultural volume came in at 16,230 tonnes (vs 6,173 tonnes QoQ) (Vs 17,841 tonnes YoY)
• Industrial volume came in at 3,496 tonnes (vs 3,276 tonnes QoQ) (Vs 3,571 tonnes YoY)
• Building volume came in at 1,753 tonnes (vs 1,701 tonnes QoQ) (Vs 1,124 tonnes YoY)

Key Highlights of the call:

• Agri demand remained sluggish, building materials showed strong growth. Building materials capacity running at optimum utilization. If needed then agri capacity can be used for building materials

• RM prices were declining in Oct & Nov but stabilized in Dec. No significant inventory loss
• November and December had rains in key markets
• No capex planned yet
• Expect customers to buy products as current realisations are soft and affordable
• Distributors wise, not very keen to increase it immediately, first order of business is to stabilize current distributors
• Building materials have much better margins than agri. Building materials fittings has larger share than agri fittings hence margins higher
• For new plant, company would like to explore different geographies so to be serviceable in different areas as well
• Ad expenses (marketing) will be 3-4% more than industry average (as % to sales)
• Capex in building materials will be done post it reaches INR 150-200 Mn per month revenues. Company wants to go multilocation

Outlook: Company has declared a strong set of results, building products volumes showed strong growth (although base is small). Going ahead, we believe company will expand their capacity in a few quarters. Company wants to go multilocation so the capex will be larger. Currently company is not servicing east because the logistics are expensive. Net Debt levels at INR 1.8-2 Bn. At CMP, company trades 13.6x TTM EV/EBITDA. We are positive on the company's future prospects

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Cineline India Ltd

CMP- INR 118 M.Cap- INR 4.05bn

Cineline India Ltd, established in 2002, initially specialized in leasing properties and operating windmills. The company subsequently managed its own Multiplex chain, known as "Cinemax," and divested it to PVR in 2012. Following the conclusion of the non-compete agreement, the company re-entered the cinema industry in 2022. The company's re-entry into the movie exhibition sector was marked by the introduction of the "MovieMax" theater chain on April 1st, 2022.

Key Highlights

Current portfolios of cinema: MovieMax Cinemas has rapidly expanded to encompass 35 operational cinemas and 146 active screens in 23 cities with 33,000+ seats . The cinemas and screens are available in Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh , Telangana, Jharkhand, Uttar Pradesh, Rajasthan, Punjab and Delhi. Cineline India Limited has achieved the ranking of the fourth-largest cinema chain in India.

MovieMax expansion vision: By March 2025, the company aims to enhance the MovieMax theater chain, spanning 70+ cinemas, 300+ screens, and 70,000+ seats in over 35 Indian cities. This expansion plan anticipates an investment of INR 22-25 Mn per screen, with an expected average ticket price and spend per customer in the range of INR 250-280 per customer.

-Cineline India Limited Achieved One of the Highest EBITDA Margins In Film exhibition Industry within short span of time. Highest ever revenue in December 2023 collectively from all business verticals

- One of the highest ATP(avg ticket price) and SPH(spend per head) growth in Q3 FY24 on year on year basis. Release of Animal Movie in December'23 have highest Gross Box Office Collection so far in this year

- Tied up majority of properties on revenue share model. Hotel Business performed exceptionally well, with this being the best quarter ever, profitability improved due to better operational efficiencies

- Hotel Business- The board in Nov 2020, approved the acquisition of 100% equity shares of R&H Spaces Pvt Ltd. RHSL operates a hotel named Hyatt Centric in Candolim, Goa. Goa- Construction of the Goa – Mumbai Expressway (6 hrs. journey) will help increase passenger traffic in Goa going forward. Expected EBITDA to be in the range of Rs. 22 Crs. – 24 Crs. for FY24

-There is a good lineup of movies slated for Q4FY24 and Q1FY25 which are expected to increase footfalls across screens.

-The management consists of members from the Kanakia family and is committed to make the business grow.

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Vardhman Special Steels Ltd

CMP: INR 192 | Mcap: INR 15.66 Bn

Vardhman Special Steels Ltd (VSSL), founded in 2010, is a leading player in India's special steel industry. In 2011, it acquired the steel business from its parent company, Vardhman Textiles Limited, through a demerger. VSSL specializes in producing special and alloy steels, catering to various sectors including Automotive, Engineering, Tractors, Bearings, and more. Their advanced manufacturing facilities ensure high-quality products that meet international standards, enabling them to serve customers not only in India but also in global markets like Thailand, Taiwan, Turkey, Italy, Russia, Germany, Vietnam, and Japan.

Key Highlights

Auto industry volume mix: Approximately 40% of overall share is directed towards passenger vehicles. Around 32-34% is allocated to two-wheelers. The remaining portion caters to commercial vehicles and various other vehicle types. 5-6% of total sales contribute to electrical supply for Electric Vehicles.

Raw Materials: Raw material prices have decreased, resulting in a roughly 2% reduction in our overall costs. The raw material market has been relatively stable and calm over the past six months, showing a downward trend in stability.

Guidance: Exports have been steadily increasing reaching 10% in Q3FY24, Plans to increase to 25-30% within the next couple of years.

Other highlights: New capacities or plants have been established with adherence to government regulations, including approvals from the Ministry of Environment and NOCSPCL. The current production capacity stands at 300,000 tons for billet production and steel melting shop production. A recent growth trend in the automobile sector, will provide a boost to steel manufacturers in this segment. The current focus is exclusively on the automobile segment in terms of vision.

Outlook: **Overall, The increase in export volume and figures, the intention to build a stronger and wider customer base by Increasing Production Capacity as well as implementing cost control strategies are anticipated to contribute to it's future outlook and impact performance in a positive manner. Anticipation of positive growth in the automobile sector in the coming years may boost demand and contribute positively to the company. The management shows confidence and optimism about the future, in regards to the current momentum.**

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Kalpataru Projects International Ltd
CMP: INR 989 | Mcap: INR 160.87 bn

Kalpataru Projects International Limited (KPIL) is one of the largest Engineering and Construction companies, with a diversified portfolio of projects worldwide, in Power Transmission & Distribution (T&D), Buildings & Factories, Water Supply & Irrigation, Railways, Oil & Gas Pipelines, Urban Mobility (Flyovers & Metro Rail), Highways and Airports in over 70 countries.

Key Highlights

Expanding Horizons with High-Value Orders: The company's strategic advancements into underground tunneling and securing sizable building projects hinted at a future-focused approach and expanding capabilities. Kalpataru achieved a record order book high of INR 51,753 crores, driven by order inflows totaling over INR 24,000 crores for the year, representing a robust 95% accomplishment of the targeted order inflows for FY24.

Sustaining Margins, Debt and Cost Measures: The company maintained healthy EBITDA margins of 8.7% on a consolidated basis and 8.3% on a stand-alone basis. A consistent focus on capability building while keeping debt aligned with the business mix. Notably, net debt in the core EPC business remained steady at INR 2,784 crores, with a 5-day improvement in working capital days from the previous year. Finance costs remained consistent at 2% of sales. The objective is to achieve net working capital days of around 100 by the end of the fiscal year.

Business Verticals Breakdown: T&D Outshines: The standout performer was the T&D business, which saw a remarkable 30% revenue growth in Q3 FY24 and holds a promising order book worth INR 19,367 crores. While the buildings and factories business grew by 9%, challenges faced due to weather-related impacts. the water business showcased remarkable success with a notable 52% revenue upsurge. Additionally, the urban infrastructure division witnessed a remarkable growth of 130%, driven by project expansions and claim receipts.

Working Capital and Debt Management: The company is tackling the challenge of high working capital days, typically peaking in Q2 and Q3, and targeting to reduce it below 100 days by the end of Q4. As the business scales up and expands, Kalpataru is also strategically planning to divest some non-core assets and manage debt more effectively.

Outlook & Valuation: The company anticipates a year-end revenue growth of 21-22%, driven by their usual Q4 surge and strong order book visibility. With projected Q4 order inflows surpassing INR 6,000 crores, they expect their year-end order book to range between INR 50,000 crores to INR 53,000 crores. Overall, it reflects confidence in company's operational capabilities and market positioning.

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Avro India Ltd
CMP: INR 116| Market Cap: INR 1.17 Bn

Avro India Ltd is engaged in manufacturing and selling of plastic molded furniture and granules. The product portfolio include various types of molded plastic chairs, tables, stools, desks, etc. The company sells its products mainly through leading online platforms such as Flipkart and Amazon along with Wholesale and retail stores.

Key Highlights

Product Distribution: The company distributes its products through various online platforms such as Amazon, Flipkart, Meesho, Jiomart, Indiamart, and GeM. Offline distribution is facilitated by a network of 20,000 retailers, backed by 200 distributors, sales, and marketing professionals. Offering a diverse range of over 150 SKUs suitable for both indoor and outdoor applications, the company has initiated efforts to expand its distribution network beyond North India. This expansion strategy involves implementing competitive pricing strategies and conducting Dealer & Distributor Roadshows regularly across different regions of India.

Manufacturing Capabilities and new plants: The company's manufacturing capabilities include one facility located in Ghaziabad, Uttar Pradesh, with an annual production capacity of 9 lakh units. Additionally, company have recently inaugurated a new plant dedicated to recycling polymer from plastic waste, with a monthly capacity of 300 metric tons on December 22, 2022.

Registered Designs: The company holds registrations for over 25 product designs from the Trademark Registry of India.

Revenue Breakup: In the fiscal year 2023, the company's revenue breakdown comprised sales of plastic furniture, accounting for approximately 71% of total revenue, followed by sales of almirah, which constituted around 2%. Sales of granules contributed approximately 24% to the revenue, with other income sources making up the remaining 3%.

Outlook:: The company appears positive with a diverse product line, strong distribution channels, and plans for expansion.

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JHS Svendgaard Ltd

CMP: INR 142 | Mcap: INR 1.42 Bn

JHS Svendgaard Laboratories Ltd does manufacturing of oral and dental products for national and international brands.

Key Highlights

The company has **partnered with Zydus Cadila** to manufacture talcum powder under Nycil brand. Additionally, it has become the exclusive supplier for Artsana Group, initiating the production and supply of toothpaste for the Chicco brand.

Company's plant is located in Kala Amb (Himachal Pradesh) having 2 toothbrush units, 2 tooth paste Units and units for Ayurveda and Cosmetics. It is also working on an Upcoming Plant for personal care products such as Talc, Lotion, Shampoo etc.

The company maintains **strong associations** with prominent FMCG brands, both domestically and globally. The majority of its outsourcing relationships with customers are long-term contracts. Moreover, the addition of new SKUs to product line annually contributes to enhanced revenue visibility for the company.

The company boasts a **diversified product portfolio,** serving both the Kids and Adult segments as a prominent manufacturer of oral care products. Operating under its proprietary brand 'Aquawhite', it specializes in producing and selling oral care items, particularly targeting the kids segment.

The company is **expanding its product range and market presence** by commercializing a talcum powder plant and supplying toothbrushes to Reliance Retail. It's prioritizing research and development for new products and formulations while mitigating supply chain disruptions by sourcing materials from India. Although it's not entering the electronic toothbrush market, it aims to double business through cross-selling and flexible manufacturing. With a diverse product portfolio, it's focused on **reducing client concentration** and aligning with market trends for cost advantages.

Research and Development : Ongoing efforts in oral care formulation, encompassing both Ayurvedic and Cosmetic categories. Furthermore, the company benefits from an immediate team of R&D consultants available to develop formulations for Personal Care and Toiletries as needed.

Outlook & Valuation: Company maintain a constant focus on cultivating new relationships and acquiring prospective clients. Company’s strategy revolves around utilizing manufacturing proficiency to serve an expanding customer base and a wider product portfolio, with a focus on value-added products.

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Goodluck India Ltd

CMP: INR 800 | Mcap: INR 25.42 Bn

Goodluck India Ltd is engaged in the manufacturing and sale of iron and steel products. It manufactures and sells engineering products such as heavy engineered structures, transmission and distribution towers, CDW Tubes, Precision Tubes, Pipes, Sheets and Forged engineering products. The company's products are being used by end- customers , such as automobile manufactures, infrastructures, engineering industries , oil & gas industries.

Key Highlights

Revenue Segmentation and Margins: Infrastructure segment constitutes approximately 60% of total revenue. Auto segment contributes around 25% to the revenue and Forging division represents nearly 15% of the revenue. Railway infrastructure typically yields 9% to 10% margins, Structural tubing margins range from 3% to 4% due to its general nature. Cold Drawn Welded products (CDW) command margins of 12% to 15% and Forging division also maintains margins of 12% to 15%.

Innovation and Product Diversification: In the last two years, the company expanded its infrastructure presence by participating in the first bullet train project, a joint effort with L&T, situated in Gujarat. The company finished about 7,000 tons of fabrication and is venturing into the construction industry machines segment with 15mm thickness hydraulic tubes, a unique offering globally. The company continuously improves production and conducts R&D with its existing assets. The goal is to collectively mechanize and digitalize manufacturing operations.

Applications in Railway Infrastructure: The company is involved in the construction of all Foot Over Bridges (FOBs), including a new type made of stainless steel. It has already commenced production of one stainless steel FOBs in Vishakhapatnam. Stainless steel FOBs are being constructed across various districts and railway station including upcoming railway station buildings. The company is bidding with L&T and other major players. If L&T and these players secure the bid, the company will obtain a significant portion of fabrication work.

High-Speed Rail Corridor and Dedicated Freight Corridor: The company has completed One third of the orders, while the remaining two thirds are under production. More orders are expected from L&T because the company is the only one that has completed this quantity so far. In the dedicated freight corridor, steel business corridors involve the construction of steel bridges. Within the Western Dedicated Freight Corridor, the company is supplying nearly 12,000 tons of steel bridges.

Outlook: In the upcoming years, the company expects robust revenue growth, exceeding INR 40,000 in FY25 and reaching INR 45,000 Mn by FY26. Margin improvement is anticipated, with expectation for an increase from 8.4% to over 9.5% by FY26, driven by defense operations integration. The company's export targets developed markets, with about 85% directed to regions like Australia, Europe, and America. Exported products include auto-related items and general engineering, purpose, and specialized pipes. The defence subsidiary plans to launch operations in H1FY26, with annual revenue estimates ranging from INR 3,500 to 4,000 Mn.

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Talbros Automotive Components Ltd
CMP: INR 241 | Mcap: INR 14.87 bn

The firm is capitalizing on an order book worth INR 980 crores, almost half pertaining to the electric vehicle (EV) sector, reinforcing its diverse and hedged portfolio across various automotive segments. Additionally, the strategic divestiture of their 40% stake in Nippon Leakless Talbros is expected to bolster their financials further by reducing leverage and enabling reinvestment into growth areas such as forging and gaskets.

Key Highlights

Financial Performance: In Q3 FY24, Talbros Automotive showcased robust performance with a 26% revenue hike to INR 202 crores and a significant 66% jump in net profit to INR 23 crores. The 9-month period saw a 22% revenue increase to INR 583 crores and a 38% rise in EBITDA, achieving a healthy 15.7% margin.

Order Book and Growth Strategy: Export orders from prominent clients like JLR, JCB, BMW, and Tata Motors have significantly fueled growth. Looking ahead, the company aims to elevate its export revenue to 30% within the next three years. Moreover, anticipated growth in the commercial vehicle segment, bolstered by government infrastructure spending, is expected to further drive expansion and prosperity.

Strategic Decisions: The company has decided to divest 40% of its ownership interest in the joint venture Nippon Leakless Talbros. The proceeds from this stake sale will be allocated towards facilitating business growth, funding capital expenditures, and managing existing debt obligations.

Debt and Working Capital Management: The company's working capital cycle remains stable. There are no intentions to augment debt levels for future growth endeavors, indicating a prudent approach towards financial sustainability and operational efficiency.

Outlook & Valuation: Overall, company has shown robust profitability growth and is dedicated to enhancing its order book, boosting export earnings, and managing debt effectively. Company hold a positive outlook regarding the growth opportunities within the commercial vehicle sector and remain committed to achieving their revenue targets.

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Home First Finance Company India Ltd
CMP INR 824 | Market Cap INR 73bn

Financial Performance:

In Q3, disbursement reached INR 10,070 million, marking a substantial 29.1% year-on-year growth and driving an impressive 33.5% increase in Assets Under Management (AUM). The company maintains healthy spreads at 5.3%, delivering a Profit After Tax (PAT) of INR 790 million with a stable Return on Equity (RoE) at 3.7%. Financial performance remains robust, supported by competitive borrowing costs at 8.2%, a Total Capital to Risk-Weighted Assets Ratio (CRAR) at 40.9%, and a Tier-1 CRAR at 40.5%. The weighted average cost of NHB borrowing stands around 6.5%.

Expansion and Distribution:

Expansion efforts extend to new markets and deeper penetration in existing ones, aligning with plans to establish 500 touch points within the next 3 years. Market share in Gujarat ranges from 3% to 4%, while in Maharashtra it ranges from 1% to 1.5%.

Technology and Strategy:

Technology remains pivotal in the company's strategy, highlighted by the adoption of account aggregator services. No communication has been received from NHB regarding co-lending, and upfront income in co-lending remains absent. The company does not anticipate any equity raise in the next 2-3 years.

Asset Quality and Growth Targets:

Asset quality remains strong, with a focus on early delinquencies. The company aims for INR 1,000 million of direct assignments quarterly and expects sustainable disbursals of INR 10,000 million per quarter. Average ticket size is anticipated to increase due to inflation and a gradual shift in ticket sizes.

Future Projections:

Over the next 24 months, Return on Assets (ROA) is expected to reach close to 3.5% to 3.6%, yielding Return on Equity (ROE) of approximately 17%-18% with leverage of 5x. The company holds adequate accruals to sustain operations for at least 2-3 years. The full impact of yield compression is estimated at 8 basis points, with NHB borrowing contributing 5 basis points and co-lending contributing 2 basis points.

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Moneyboxx Finance Ltd
CMP INR 241 | Market Cap INR 7210mn

Guidance:

• The Management gave guidance of AUM of INR 7,000 mn for FY24 end and of INR 12,000 mn by FY25 end and INR 20,000 mn by FY26 end on a conservative basis as they have already achieved INR 5,300 mn by end of Dec 2023.

• The Management is expecting the NBFC's Credit rating to improve from current BBB(-) to BBB by the end of March 2024, to BBB(+) by Nov 2024, and achieve A(-) credit rating by Dec 2025.

• The Management maintains guidance of 20% RoE for FY26.

Business Overview & Mix:

• Unsecured Loan Portfolio: Moneyboxx's loan Portfolio consists of 77% of Unsecured Loans and the rest 23% as Secured Loans.

• The Unsecured Loans range between ticket sizes of INR 70,000 to INR 3 lakhs with a maximum tenure of up to 2 years. The average tenure of unsecured loans is 28 months (Door to Door basis). The Company doesn't intends to extend the maximum tenure of the unsecured loans in the future in view of the risk and also the cattle life span.

• The Secured Loans range between ticket sizes of INR 2 lakhs to INR 10 lakhs with a maximum tenure of up to 7 years. The average tenure of secured loans is 52 months (Door to Door basis). The company will be increasing their ticket sizes in the next 2-3 years down the line as the demand increases as well as the customers history mature over time.

• The Yields for the Unsecured portfolio stands at 30.7% and for the secured Portfolio varies between 25-26%.

Key Highlights:

• The Average cost of Borrowing for the NBFC increased by 25-35 bps due to the RBI guidelines for NBFC exposure, taking their average Cost of Overall Borrowings to 14.7% at the end of Q3FY24. The incremental Cost of Borrowings stood at 12.84% for Q3FY24 (incl. Processing fees) and is expected to increase marginally by 25 bps to 13.1% for Q4FY24 before again coming down from Q1FY25.

• However, going ahead, their overall Cost of Borrowings will still be coming down due to the incremental Cost of Borrowings much lower than their long term average cost of borrowings, while their Yields have mostly remained same with the credit demand intact in high double digits.

• The reason why the NBFC is able to source lower cost of funds is due to the fact that their 65% of the Loan book of Livestock Owners falls in the Priority Sector Lending category, and hence the banks are not categorizing them as just another unsecured NBFC but PSL lending NBFC, which in turn is benefitting their PSL funding requirements.

• The Secured lending book which only started in FY23 and stood at 5% overall AUM in March 2023, has already jumped to 19% as of Dec 2023, and management intends to achieve up to 25% of overall mix as of FY24 end and 40% as of FY25 end. This rapid growth is due to the longer tenure of the Secured Loan Portfolio as well as the multiple times of the ticket size of the Secured loans. As per the Management, 90% of the Secured loans are secured with SORP (Self Occupied Residential Property).

• Moneyboxx has borrowed from several lenders including large banks as well as NBFCs, and the PSL Loan Portfolio has been the key selling point for the NBFC sourcing funds at lower rates incrementally.

• The Company has raised INR 1,735 mn of Equity Capital since inception, and has recently raised INR 742 mn of equity capital in Dec 2023.

Outlook: The NBFC has 65% of their AUM financing Cattle Livestock owners with their business spread across 8 states and 92 branches as of Dec 2023. The Company has recently completed Equity Capital raising in Q3FY24 end, for further expansion of their business in the Southern part of India. We believe the growing secured book of Moneyboxx will stabilize their Yields & Spreads in the longer run as the average Opex costs are expected to come below 9% in the future.

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Chemplast Samnar Ltd
CMP INR 425 | Market Cap INR 67.16bn | Target Price INR 612

Chemplast Samnar is a major manufacturer of Speciality Chemicals such as Specialty Paste PVC resin and Custom Manufactured Chemicals for agro-chemical, pharmaceutical and fine chemicals sector. The company also produces other chemicals such as Caustic Soda, Chlorochemicals, Hydrogen Peroxide, Refrigerant gas and Industrial Salt. The manufacturing facilities are located at Mettur, Berigai and Vedaranyam in Tamil Nadu and Karaikal in the Union Territory of Puducherry.

Capacity expansion to drive volume growth
It is the oldest player and one of the only two companies in India having the requisite technology. More than 60% of Specialty Paste PVC capacity (post expansion) is backward integrated. It is undertaking expansion of 41 ktpa, which is coming up at Cuddalore. Leveraging its leadership position in the Indian market, post expansion, CSL will have about 83% of domestic production capacity and about 66% market share with the downstream capacities configured to CSL's resin quality. It also has a strong clientele with longstanding customer relationships.

Traction in Custom Manufacturing Business
The company has already received two sizeable contracts in the past six months, which will provide decent revenue visibility, going forward. It received one Letter of Intent (LoI) in November last year for an advanced intermediate for a new molecule. Additionally, it signed another Letter of Intent (LoI) with a global agrochemical innovator to manufacture an advanced intermediate for an established generic Active Ingredient. The LoI covers a period of 5 years. The commercial supplies are expected to start from 4Q of FY23-24. The new product will be manufactured in the new multi-purpose production block which is on track for commissioning in 2Q of FY23-24.

Leveraging leadership position in Suspension PVC
It has received environmental clearance to go up to 6,00,000 tonnes from the current capacity. In the interim, it had undertaken debottlenecking exercise at a marginal capital expenditure of around INR 230 Mn. The initiative has increased the overall capacity to 3,30,000 tons and will have a payback period of six months. If required, it can further expand its capacity to 6,00,000 tonnes.

Benefitting from being an integrated chemical company
It manufactures caustic soda, hydrogen peroxide, chloromethanes and refrigerant gases as part of other chemical division of the company. As a result, it is a completely integrated chemical company. Thus, it has a diversified product portfolio and customer base. It has fully integrated operations resulting in sufficient control over feedstock. The entire chlorine is consumed in-house and there is no disposal issue.

Valuation & Outlook
Chemplast Sanmar Ltd. is implementing a multi-pronged strategy to drive growth, which includes capacity expansion, ramping up its Custom Manufacturing Business and integrating its business operations. Post the completion of its capital expenditure cycle, it will benefit from volume growth. It is leveraging its clientele to expand its custom manufacturing business and we expect the specialty business to be the major driver of revenue growth, going forward. Additionally, the company benefits from demand supply mismatch in the domestic PVC market. Factoring in the above growth drivers, we have a positive view on the company. We value the company at 12x its FY26E EPS of INR 51.0 and arrive at a Target Price of INR 612 per share, working on detailed numbers. Accordingly, we have a Buy Rating on the stock.

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Trucap Finance Ltd
CMP INR 49.4 | Market Cap INR 5760mn

Guidance:
• AUM growth is expected to come in from Q1FY25.

Highlights:
• Collaboration with banks to gain market share from the unorganized sector.
• Focus on scale, profitability, and credit rating upgrade to enhance cost of funds.
• Distribution footprint expanded from 53 to 128 branches in the last year.
• Assets under management grew to INR 8.5 billion, up 67% over the last year.
• Active customer count increased to almost 85,000, with women borrowers and new-to-credit customers accounting for nearly 30%.
• Asset quality improved during the quarter. Gross NPAs decreased to 1.4% from 2.7% in Q3FY23.
• Expanded partnership with five lenders and majority of branch openings in Tier 2, 3, and 4 towns.
• 77% of quarterly disbursements driven by MSME Gold Loans.
• Slower disbursements in November due to holidays and competitive pricing.
• 47% of branches are profit-making, and 48% have less than 12-month vintage.
• Majority of AUM composition in Gold Loans and MSME Business Loans.

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Insecticides India Ltd

CMP INR 492 | Market Cap INR 14.6bn

Insecticides (India) Limited (IIL) stands as a prominent figure in India's agrochemical industry, renowned for its comprehensive range of products tailored to meet farmers' crop protection needs. The company takes pride in its acclaimed "Tractor Brand," widely embraced within the farming community. With a diverse product lineup consisting of over 21 technical products and 105 formulations, including more than 35 esteemed Maharatna Products, IIL ensures a robust offering to its clientele. Strategically located manufacturing facilities in Rajasthan, Samba, and Udhampur and Dahej coupled with technical synthesis plants in Chopanki and Dahej, grant IIL a competitive edge through backward integration. Moreover, the company operates a toll manufacturing plant in Shamli, focusing on Biologicals, further enhancing its market position and capabilities.

Financial performance:

During the initial 9MFY24, there was a notable 13% surge in net revenue, accompanied by a 2.28% growth in EBITDA and a 2.26% increase in profit after tax. These financial indicators underscore the company's robust performance and prudent financial management. With a strategic focus on maintaining margins and enhancing profitability, the company aims to sustain its positive trajectory and capitalize on future growth opportunities.

Product Strategy:

The company's strategic initiatives include prioritizing the growth of targeted Maharatna products, aiming for a 15% increase, and unveiling new offerings tailored for the upcoming Kharif season. Additionally, plans are underway to expand capacities at the Chopanki and Dahej plants, while simultaneously reducing reliance on imports from China through backward integration strategies. With a visionary goal to elevate the contribution of Maharatna products to 70% of revenue within the next 2-3 years, the company is also shifting focus towards biological products, with multiple new launches planned. Furthermore, seizing opportunities in the market, the company is set to introduce six innovative products for the upcoming Kharif season and explore the potential of Nirog, a new fungicide designed specifically for sugarcane.

Growth Strategy:

Over the next three years, the company envisions achieving double-digit growth in both top-line and bottom-line figures, signaling a robust trajectory for expansion and profitability. Expansion plans are underway for biological products, with a strategic emphasis on penetrating international markets to capitalize on growing demand. Additionally, the company places significant emphasis on fostering innovation, strengthening brand presence, and expanding its distribution network to solidify its market position and drive sustained growth.

R&D Innovation and Product Launches:

The commitment to research and development has resulted in the introduction of one new product in Q3 FY24, contributing to a total of seven new products launched in the 9M FY24. These launches have significantly contributed INR 481.77 Mn to the company's revenue for 9M FY24, with their full-year impact anticipated in the upcoming fiscal year.

Product Diversification and Operational Efficiency:

Active expansion of the product portfolio is underway with the introduction of new molecules and products, some serving as substitutes for off-patented products. Moreover, diligent development of products to replace any existing ones that might face potential bans in the future is ongoing. Anticipating further launches, at least 1-2 new products are expected to be introduced in Q4 FY24.

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Magnum Ventures Ltd
CMP INR 49.1 | Market Cap INR 2890 mn

Magnum currently operates in Paper Industry and Hotel Industry. The Company is manufacturing papers since 30+ Years. Company is one of the largest paper (newsprint, duplex board, etc.) printing co in the Northern region.

Paper Division:
The company manufactures Paper Board and Newsprints and is one of the largest writing and printing paper and duplex paper printing concern in the Northern region. Existing manufacturing activities cover printing and writing papers, duplex boards, Xerox paper, Wrapping and packing paper.

Hotel Division:
The company also operates a Five Star Hotel by the name of Country Inn & Suite by Radisson at Sahibabad, UP. It comprises 216 rooms in four categories i.e. 64 Standard Rooms, 76 Superior Rooms, 70 Club Rooms, 6 Executive Suites, 9 banquet halls, 52 seater room theatre and 60,000+ sq.ft. of meeting space. It was the first 'all Vegetarian Hotel' to have been formally certified as a five star hotel by (HRACC) Ministry of Tourism.

Way forward for Hotel Division:
The hotel business is implementing new digital marketing platforms to attract banquet functions during off-peak seasons, while also enhancing in-house offerings through a partnership with the Little Italy brand of restaurants. With higher occupancies, even on weekdays, and a strategic location, the hotel aims to increase Average Room Rates (ARRs) and subsequently, Revenue per Available Room (RevPAR). Continuously improving amenities and services, the hotel prioritizes guest satisfaction. Moreover, the company is adapting to the growing health consciousness among customers by offering healthier versions of dishes. Looking ahead, the company plans to expand operations to 8 to 10 new destinations of religious and tourist significance, in line with its all-vegetarian concept.

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Asian Granito India Ltd
CMP INR 58.2 | Market Cap INR 7400mn

Outlook:
Asian Granito India Ltd (Asian Tiles) looks promising with plans like merging group companies and focusing more on manufacturing to boost sales and profits. They've also expanded into sanitaryware. With industry conditions improving and new territories targeted, they anticipate a big sales increase in the next few years. Even though smaller players might decrease, competition remains strong. Overall, the company seems set for growth with its strategic moves and favorable market conditions.

Guidance:
The company is positive on generating 50% revenue from own manufacturing and 50% from Trading in the next 6-8 months from the current split of 30-70.
The company plans merger of group companies where the promoter holds stake and get them under the AGL umbrella, increasing the promoter stake to 51%.
Given the merger, the company is positive to generate INR 2500cr revenue in FY25 from INR 1600cr in FY24 and see significant improvement in margins. They also expect to generate INR 3000cr standalone revenue in the next 3 years.
Focus is on providing one stop solution to customers.

Key highlights:
Consolidated production capacity stands at 54.5 Million sq. meters, with utilization at 60-70%.
Sales from Dealers and Private/Government projects make up 20-25%, with 50% from key accounts.
No further capex planned; focus on improving capacity utilization with maintenance capex of INR 20-25cr per annum.

New plants in Morbi:
Recently set up two new plants for Tiles and Sanitaryware production.
Sanitaryware plant operational since October 2023, producing around 2,000 pcs/day with a capacity of 6 mn pcs/year.
Tiles plant capacity at 11 million sq. meters; generating INR 12cr/month revenue at 75% capacity.
Aim to achieve INR 400cr revenue in Sanitaryware business in the next 4-5 years.

Expansion in the export market:
Acquired subsidiaries in USA and Dubai, entered JV in Nepal for wall tiles manufacturing.
Targeting UK and Thailand Market; aiming for 25% export sales.

Industry outlook:
Morbi market is INR 50,000cr with 40% share of Organised players.
Company's Gross margin is 24-25% due to trading business; competitors enjoy 34-35%.

Financial highlights:
Glazed Vitrified Tiles (GVT) contributes 50% of sales; Current Gross margins at 24-25% and EBITDA margins at 5-6%.
Current cash balance around INR 20-25cr; standalone debt INR 60cr, consolidated debt INR 250cr.

Raw materials:
Shift from Propane Gas back to Natural Gas; gas consumption cost 15-16% of total sales.

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Vaibhav Global Ltd

CMP: INR 378 | Market Cap: INR 62,550mn

Financial Performance: The company has surpassed estimates across all fronts with strong margin improvement, seeing enhanced gross and EBITDA margins with operating leverage benefits. Revenue was up 22.7% YoY to INR 8,883 Mn (26% QoQ), beating our estimate of INR 8,829 Mn by 0.6%. EBITDA demonstrated strong YoY growth, surging by 52.2% to reach INR 934 Mn (+47.1% QoQ) and outperforming our estimated figures of INR 883 Mn by 5.8%. EBITDA Margin expanded 200bps YoY to 10.5% (+150bps QoQ), beating our estimate of 10%. PAT grew 20.1% YoY to INR 471mn (62.4% QoQ) slight higher than estimate of INR 468mn.

Ideal World: Achieved profitability on direct costs by leveraging shared resources. The company aims for full-cost profitability in the next 9 months and envisions comparable gross or operating margins to its core business within 12 to 24 months as it scales.

Mindful Souls: Is profitable and is being integrated with their existing digital businesses to harness synergies. Also, it aims to optimize profitability of this business by leveraging their established supply chain capabilities.

Postponed headquarters construction plan: The company acquired land in Austin, Texas, two years ago for a new headquarters. However, due to rapid inflation and increased construction costs, the plan to build has been put on hold. The land is now on the balance sheet, with the expectation of revisiting the plan in eight to ten years, contingent on business growth and favorable economic conditions. Currently, the company is considering leasing its current location or moving to larger rental premises.

Guidance: The company is confident in achieving the settled guidance of 13-15% revenue growth for FY24 and even higher in FY25 with decent operating leverage. The growth is expected to be high single digits for the US and UK with additional growth from Ideal World and Mindful Soul. They anticipate operating leverage to persist into the future and targets a mid-teen growth as total guidance in the next six to eight quarters.

Other Highlights:

- In Q3FY24, TV networks reached 139 million households. There were 3.5 lakh new registrations on a TTM basis, with a customer retention rate of 37%. Customers purchased an average of 23 pieces TTM.
- Expected to achieve breakeven in H2 FY25, having invested in major TV networks and digital platforms.
- For Germany, the August numbers were flat QoQ due to a clearance event. In Q3, the focus was shifted to categories with lower returns and adjusted price points. Germany is expected to be breakeven in H2FY25, which requires revenues of 3 Mn EUR per month (currently at 1.9 Mn EUR).
- The India-UK FTA may impact jewelry product costs by 5%, but with high gross margins, the overall impact is expected to be limited, potentially around 50 basis points.
- In Q3, there was a 2-3% growth in the unique customer base, driven by efforts such as household expansion in the US (aiming for 100 Mn households vs the current 70 Mn), exploring the OTT space, and optimizing digital marketing to ensure first purchase profitability. The focus is on incremental growth for leverage without significant costs associated with cable countries.
- In Q3, they generated 1Mn KWH energy through their solar power plants. To date, they generated 14.5Mn KWH. The target is to become carbon neutral in scope one and two greenhouse gas emissions by 2031.
- Mindful Souls was acquired to boost the digital business, and the company aims for a 50% digital share by FY27. Investments in omnichannel presence encourages transactions on both offline and digital platforms.
- Company expects the contribution from non-jewelry products to reach 50% by FY28 (29% for 9MFY24).

Valuation and outlook: The company's acquisitions are set to yield leverage benefits, driving profits and growth. The emphasis on diversification across geographies, products, and the growth of the digital business is anticipated to facilitate expansion. As macro challenges gradually ease, these initiatives collectively position the company for sustained growth and confidence in achieving the given guidance. Hence, we remain positive on VGL, valuing the company at P/E of 31x of its FY26E EPS of INR 20.5, with a TP of INR 656 yielding an upside of 73% from current level with a BUY rating.

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Senco Gold Ltd

CMP: INR 730 | Market Cap: INR 56,730mn

Senco Gold Ltd is a reputable jewellery retailer in India, founded in 1994 in Kolkata. They are renowned for their extensive collection of gold, diamond, and gemstone jewellery, catering to a wide range of tastes and occasions. They provide certification for the authenticity of their precious stones, enhancing customer confidence. Customization options allow customers to create personalized pieces. Additionally, the company is involved in community engagement and has received awards for its contributions to the jewellery industry.

Key Highlights:

Sales Growth and Market Expansion: Senco Gold reported robust sales growth of 23.3% YoY at Rs 1,652cr, driven by the festive and wedding season demand surge. Festivals such as Dhanteras, Navratri, Durga Puja, and Diwali, coupled with a high number of weddings, fueled this growth. The company's blended studded sales ratio increased to 11.8%, with aims to reach 15% over the next 3-4 years. Despite a decline in EBITDA margin by 119 bps YoY to 11.0%, attributed to increased investments in people, training, and marketing, the company remains optimistic about its market expansion strategy, particularly in tier 3 & 4 cities.

Financial Performance and Growth Outlook: For 9MFY24, Senco's revenue surged ~26% YoY to Rs 4,104 cr, with volume growth at 9-10% and value growth at 16-17%. Notably, the gold segment saw growth of 3-4% in volume and 9-10% in value, while the diamond segment experienced substantial growth of 27% in volume and 40% in value during the same period. The company added 19 net stores, totaling 158 stores, with plans to open 18-20 stores annually over the next 3 years. This consistent expansion indicates the company's positive growth trajectory and commitment to reaching a wider customer base.

Diversification and Innovation Strategies: Senco's entry into the Lab-Grown Diamonds (LGD) market marks a strategic move to cater to evolving consumer preferences. By tapping into this market and opening two new LGD stores in Kolkata, branded as Sennes, the company aims to explore customer behavior in this segment. Recognizing the potential of LGDs, which offer high carat at relatively lower prices, Senco plans to differentiate its offerings through design innovations. The buyback policy for LGDs, ensuring customers receive attractive returns, further enhances the appeal of these products for both adornment and investment purposes.

Outlook: We are optimistic about Senco's growth prospects. Leveraging its strong legacy in the jewellery business, expanding distribution channels, and focus on affordable yet quality jewellery, the company exhibits healthy growth visibility. Both company-operated and franchise stores are expected to contribute significantly to Senco's future expansion and market penetration efforts.

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Parag Milk Foods Ltd

CMP: INR 197 | Market Cap: INR 23,110mn

Parag Milk Foods Ltd, founded in 1992 by Mr. Devendra Shah is involved in the development and promotion of 100% fresh cow's milk and milk products under international brand names with a diverse portfolio in over 10 product categories.

Market Leadership and Innovation:
The company holds significant market leadership positions in various segments, boasting a 35% market share in Cheese and 20% in Cow Ghee. It introduced India's first truly 'Made-in-India' B2C Whey protein powder under the brand 'Avvatar' in 2017 and manufactures Fresh Paneer with an exceptional 75-day shelf life. Additionally, it operates the largest cheese plant in India and boasts the largest automated dairy farm with over 3000 Holstein Friesian Cows.

Product Portfolio:
Its product portfolio comprises several renowned brands including Gowardhan, GO, Pride of Cows, and Avvatar, offering a diverse range of dairy products and sports nutrition supplements. These brands cater to various consumer needs, from everyday dairy essentials to premium packaged milk and sports nutrition.

Revenue Mix FY23:
In FY23, the company's revenue mix was diversified, with 69.3% coming from value-added milk products, 18% from SMP, and 9.4% from milk itself. New age products, including Avvatar, contributed 3.3% to the revenue mix, reflecting a balanced portfolio strategy.

Manufacturing and Expansion:
The company strategically operates manufacturing facilities across key milk belts in Maharashtra, Andhra Pradesh, and Haryana, leveraging European UHT technology for milk processing. It has significant processing capacities for milk, whey, ghee, cheese, and paneer. With the recent acquisition of the Sonipat facility, the company has further expanded its production capabilities.

Distribution Network and Procurement:
With a robust distribution network comprising 29 depots and over 4,500 distributors, the company engages with consumers through more than 4.6 lakh touchpoints. Village collection centers procure milk from over 2 lakh farmers, ensuring a steady supply chain. The company also caters to institutional clients and has a substantial presence in major metro cities.

Future Plans and Focus:
The company's future plans include expanding processing units at the Sonipat facility and introducing new high-potential lactose products. It aims to increase market size across its brands and expand its distribution footprint significantly. With a focus on driving profitability and growth, the company targets to strengthen its position in the dairy and sports nutrition segments.

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Foods & Inns Ltd

CMP: INR 134 | Market Cap: INR 7,180mn

Key Highlights and Growth drivers:

Guidance: Company have given a volume growth of 15-20% CAGR and INR 2000cr for FY29. With EBITDA margin of 12% plus.

Product mix improvement: The company held a 15% market share in mango pulping, contributing 82% to FY23 revenue, while other pulps and products accounted for ~10% each. As of 9M FY24, mango pulp contributes ~70%, other pulps ~10%, and other products ~20%. The company **aims for a 50:50 ratio between mango pulp and other business segments.**

Spray Dried Powders capacity expansion and client addition: Company have onboarded new clients this quarter post successful audit of New Facility. Company have doubled its capacity in Mar-23 to 1,100 MT; It is a High Margin and High ROCE business.

Expansion into Gulf Market in Frozen food: The company introduced Greentop to the Gulf region in February 2024, anticipating strong demand due to modernization trends and existing export markets. Additionally, the company has been involved in contract manufacturing for frozen products since 1993.

Company acquired **Kusum brand for spices** in 2019 at a value of INR 15 crore. Company is launching Kusum Spices in the North India in Q4FY24. Consolidation happening in the industry which could lead to market share gain for Organized Players.

JV for Fruit Waste Conversion: A JV has been established to convert fruit waste from pulping into Pectin, Oils, and Butter for use in industries like F&B, Pharma, Personal Care, and Cosmetics. The 1st phase, with a capacity of 150 MTPA, began product testing in Q4FY24, with sales expected to commence from Q1FY25. Estimated revenue is INR 15 crores, with 50% attributed to F&I.

Launched 'Madhu' for pulp segment **and 'Greentop'** for frozen and ready to eat food **in Tetra Recart packaging in Nature's Basket** and a few regional Emerging **Modern Trade outlets** as well as in General Trade. We remain confident that this division will contribute to our revenues in FY25.

Low demand in Q3FY24 was attributed to the reduced processing quantities of guava and tomato, primarily due to lower crop yields in the Nashik and Latur regions. Additionally, unseasonal rainfall damaged some of the vegetable crops earmarked for export markets.

Other Highlights:
- Company anticipates stable prices for Alphonso this year and expects higher price for Totapuri mangoes.
- The top 10 customers account for 60% of the total revenue, with Coca-Cola and Pepsi being the primary contributors, representing 40% and 8-10% of the total revenue, respectively.
- The company's engagement with fourth-generation farmers underscores its strong relationships with the farmers. Moreover, the company has maintained positive relationships with MNCs.
- The company operates on a cost-plus model when trading with farmers, alleviating concerns regarding Minimum Support Price for them.

Outlook: The company is poised for dynamic growth with a clear objective of achieving over 15-20% volume growth while reducing its reliance on mango processing. This forward-looking approach extends to both the B2B and B2C segments, emphasizing a well-rounded market presence. Plans are in motion to nurture the Kusum brand and diversify into the frozen foods category, aligning with evolving consumer preferences. Positive operating cash flows are anticipated, with the effective utilization of the PLI subsidy in the upcoming fiscal year.

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Pearl Global Industries Ltd

CMP: INR 580 | Market Cap: INR 25,280mn

Business Operations:

Pearl Global operates globally with 24 manufacturing units, offering diverse products and strong design capabilities. It provides customized solutions to major retailers, fostering strong relationships with market-leading clients.

Financial Performance and Future Plans:

Pearl Global's financial performance has seen significant improvement with doubled revenue and strengthened working capital management. Future plans include transitioning to smart factories, digitization, and strategic partnerships to double revenue and increase EBITDA margin.

Market Expansion and Sustainability:

Emphasizing sustainable practices, Pearl Global strategically expands into new markets like Vietnam and Bangladesh, leveraging their high productivity levels. The company focuses on technology for high-value garments and sustainable manufacturing.

Capital Allocation and Expansion:

With a focus on growth and shareholder returns, Pearl Global plans to acquire land in Indore for a new factory and expand overseas, particularly in Guatemala through joint ventures. The company aims to optimize existing capacity and increase utilization.

Risk Mitigation and Governance:

Pearl Global implements risk mitigation strategies for raw materials and currency exposure, while enhancing governance practices and strengthening the board. The compensation system is aligned with performance-based incentives, focusing on return on capital and shareholder value creation.

Embracing sustainable development, company prioritize investment in eco-friendly technologies and recycled materials while diversifying raw material sources. By leveraging technology in production, they aim to enhance cost-efficiency, productivity, and shorten delivery times, ensuring a more environmentally conscious and streamlined operational approach.

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BLS International Services Ltd

CMP: INR 314 | Market Cap: INR 129.27bn

BLS International Services Limited (BLS), a part of the four-decades-old BLS Group with a global presence and diversified range of services, and is the biggest global players in visa application outsourcing. The company operates in 2 segments; 1. Visa & Consular Services which includes Visa, consular and VAS services and 2. Digital Services which includes E-Gov Services, Banking correspondent and Assisted E-commerce.

Acquisition of iDATA:

• In January 2024, company signed agreement to acquire 100% stake in iDATA for an enterprise value of EURO 50 Mn (~ Rs. 450 Crores). iData is a Turkey based Visa & Consular services provider.
• Last year CY23 iDATA had revenue of EURO 20Mn with EBITDA margin of EURO 10.2mn.
• Acquisition would be funded through internal accruals. The transaction will be EPS accretive from day one and is anticipated to be completed within the current fiscal year and expect the money to be recovered within 5-6 years.
• The margins are slightly higher compared to BLS International because operates as a niche player, focusing on specific geographies and governments with higher service charges than our competitors.

Financial performance:

• Company registered Revenue of INR 4379mn, similar to Q3FY23 and a growth of 7.4% QoQ. Revenue from Visa & Consular services stood at INR 3644mn while Digital Services revenue was INR735mn. Primarily driven by recovery in Visa & Consular services.
• EBITDA stood at INR 886mn in Q3 FY24, up 33.6% from INR 663mn in Q3 FY23 and INR 867mn in Q2 FY24. EBITDA Margins stood at 20.2% compared to 15.1% in Q3FY23 and 21.3% in Q2 FY24. Cost optimizations and higher contribution from value added services led to better margins.
• PAT for the quarter was at INR 872mn compared to INR 458mn in Q3 FY23 (up90.2%YoY) and INR 820mn in Q2 FY24.

Key highlights:

• Company anticipate a margin of 20% to sustain, and efforts is to enhance this further, including post-acquisition. Regardless of this acquisition, company remains committed to margin improvement.
• There was seasonality in the business and some countries didn't open up this quarter, that is why there was a little drop in the volume.
• In the digital service segment, margins are lower compared to the visa business, at around 14.5%. This is volume driven, with network across country serving approximately 400,000 people daily at centers.
• The revenue mix in visa service segment has improved due to higher service charges and the addition of new contracts. Introduction of extra services like biometric has also increased profitability, expectations are to sustain this trend.
• The company has partnerships with banks in some countries to offer Forex card services at its centers.
• Company have partnered with 12 PSUs, covering 58% of transactions in India. Services include cash delivery, checkbook pickups, and account openings at customers' homes, etc. But still in its nascent stage, however banks expect it to be ramped up over next couple of months.
• Company have been allocating ~INR20cr annually for R&D. With focus on existing services and no new business ventures, company plans to increase investment in technology as revenue and profits grows.
• Around 20% of global volume historically originated from contracts in Russia and China. While China's business is showing signs of recovery, the Russian market still has not started.
• Company have a normal CapEx in the range of around INR15cr every year and addition come in if there are new contracts and accordingly planned to invest.

Outlook: The company plans to expand organically and inorganically, emphasizing technology and efficient processes. With a focus on innovation, it aims to strengthen operations. Synergizing with idata further enhances growth prospects, ensuring future profitability.

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Marvel Decor Ltd

CMP INR 90 | Market Cap INR 1,540mn

About Copmany:
Marvel Decor specializes in window covering fashion blinds, manufacturing components, and supplying them to companies in the window covering fashion blinds sector.

Product Range and Brands:
Marvel Decor offers a diverse range of products including 16 types of blinds, 10 operating systems, and over 2000 shades of fabrics for both home and office interiors. The company operates under two distinct brands; Marvel for domestic and Callistus for international.

Operational Facilities:
Headquartered in India, Marvel Decor operates three facilities: two in Jamnagar, Gujarat, and one in Dubai, UAE, facilitating its production and distribution operations.

Subsidiaries:
Marvel Decor boasts two wholly-owned subsidiaries:
1. **Callistus Blinds Middle East FZE**: Located in Sharjah, UAE, serving regional markets.
2**. Callistus UK Ltd:** Catering to international markets such as the US, UK, Australia, Canada, and New Zealand, with a network of over 100 channel partners.

Network Presence:
With a widespread presence, Marvel Decor operates in over 200 cities across 26 states in India, collaborating with 350+ channel partners and boasting 200+ galleries and displays nationwide.

Global Reach:
Expanding its footprint globally, Marvel Decor has established a presence in 16+ countries, engaging with over 400 channel partners and showcasing its products in 100+ galleries and displays worldwide.

Focus:
Marvel Decor's overarching goal is to emerge as one of the top five leading multinational organizations in the window covering industry, driving innovation and excellence in its offerings.

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Thomas Cook (India) Ltd

CMP: INR 148 | Market Cap: INR 69,680mn

Forex business: Despite a subdued quarter due to fewer working days, the company maintained EBIT levels compared to the previous year, driven by efficiency improvements and digital expansion. Company anticipate the business to sustain a growth rate of 15%-20%, with EBIT margins of 35%-37%.

Travel and travel services: Digital initiatives and common buying factors led to margin improvements, with expectations of gradual expansion over the next quarters. The company anticipates a strong recovery in long-haul holiday bookings and forward bookings, especially in the domestic market.

Sterling hospitality: Sterling maintained occupancy levels amidst a 12% increase in room capacities, focusing on revenue drivers like room revenues, F&B revenues, and income from managed resorts. With a portfolio of 49 resorts, Sterling continues to add new revenue streams through thematic restaurants.

Digiphoto entertainment imaging: DEI sustained revenue and EBITDA margin growth in Q3, fueled by performances in markets like Greater China and Singapore. Additionally, the company secured new partnerships across the Middle East and Far East regions, with plans for a new cloud-based solution and operations expansions in Saudi Arabia and Vietnam.

Guidance: Company anticipate growth in top-line sales driven by automation, process improvements, and volume-led revenue growth. Despite cost increases, aims to maintain improved gross margins of 200-250 bps across all categories. Looking ahead, expect further margin expansion of 50-100 bps, driven by revenue growth and enhanced profitability of marginally profitable units.

Margins for travel business: Company projected a gross margin expansion of 100-150 bps, achieving 80% of that target. Going forward, aims to reach the 6% to 6.5% range for gross margins in the upcoming quarter and fiscal year and Possibility of increasing 50-100 bps in EBIT.

Avoided Bangalore airport bid: The company opted not to participate in the bid for the Bangalore airport project due to pricing constraints that would have made it unprofitable. This decision impacted the income from operations in foreign exchange business.

RBI Policy to benefit TCIL: RBI proposes phasing out FFMC licenses in favor of introducing FX Correspondents (FXCs), streamlining regulatory processes. FXCs will operate as franchises, reducing the need for separate licenses. Market consolidation is expected in 12-24 months, offering opportunities for company. The proposal to open trade transactions up to INR 15 lakhs presents new opportunities for entities earlier limited to banks.

Minimal capex: Company anticipate minimal capex, primarily focused on technology upgrades and branch expansions (India) for forex and travel segment. Capex to be ~INR40cr annually for technology enhancement.

Visa Processing and Fare Prices: Improvements have been noted in visa processing and fare prices, with the US reducing visa processing times and Europe enhancing infrastructure and technology for faster visa processing. While fare prices have decreased, availability of seats at these lower prices remains limited.

Decision to Exit US Business: TCIL have chosen to phase out US operations due to sustained low margins and increased operational costs. This move towards a non-operating model has resulted in a revenue drop but has positively impacted EBIT on the bottom line. The US segment previously contributed $14-$15mn annually, representing around 10%-12% of total revenue.

Domestic business focus extends to spiritual tourism, adventure, biking, and honeymoon experiences and are witnessing increased demand. The recent event on Jan 22nd is expected to boost spiritual business.

Debt reduction: The company has made progress in debt reduction, decreasing it from INR 491mn in FY22 to INR 100mn by the end of Q3FY24.

Valuation and Outlook: With focus on hospitality business and expectations of resolving visa and fair price to align with profitability and expansion goals, the company is performing well and has promising future prospects. We assign a TP of INR 210 valued at a combined SOTP EV/EBIT multiple of 12x based on the FY26E EBIT of INR 745 Cr. This indicates an upside of 42% from the CMP of INR 148, and a 'Buy' rating.

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Vaidya Sane Ayurved Laboratories Ltd

CMP: INR 200 | Market Cap: INR 2,100mn

Vaidya Sane Ayurved Laboratories Ltd is engaged in treatment of chronic ailments like cardiac disease, diabetes, hypertension and obesity through innovative therapies through Ayurveda. The company owned more than 270 clinics (52 owned by company) and owns 2 cardiac prevention and rehabilitation hospitals in Khopoli and Nagpur respectively. The company has around 208 clinical network and 76% of network concentrated in Maharashtra.

Key Highlights:

Insurance and Corporate Empanelment: The company is empaneled with more than 30 insurance companies through Third Party Administration with its Khopoli Hospital. The direct empanelment with insurance companies resulted better patient services, attraction and footfall. The company has planned to have hospital and clinic empanelment with insurance companies for better health care services to patients.

Retail distribution: The company is exploring various distribution channels due to increasing the demand for its products like Pramehta Gummies, Pramehta, Madhavprash, Hrudyam Tea, Fungarest etc.

Online market space: The company has made efforts for selected Nutra products to be available on market store like Amazon, 1 MG and other online platforms.

Expansion: Company is expanding the Khopoli hospital bed capacity by 60 beds and Kondhali hospital by 20 beds. It has a target to reach 1,000 clinics and 10 hospitals by the end of 2025.

Acquisitions:

- In FY23, company launched an entity in Dubai with the name Madhavbaug Health Food Supplements Trading Co. LLC to trade in food supplements
- In April 2023, company executed share purchase agreement with shareholders of Dynamic Remedies Pvt Ltd and UV Ayurgen Pharma Pvt Ltd to buy 100% equity share capital and make them a wholly owned subsidiary of Company. Dynamic and UV both have diverse medicine and product portfolios and it is one of the top suppliers of the Company’s Ayurvedic medicines
- In FY23, company acquired stakes in Joint Healing Private Limited and F-Health Accelerators Private Limited. As a result, the said companies became subsidiary companies of the company.

Outlook: Vaidya Sane Ayurved Laboratories is well placed Ayurvedic treatments. The rising cost of health and drug based medicines are unaffordable for economically weaker sections which lead to moving affordable cost treatments of Ayurveda. The company is focused to expand geographic footprint by adding 70 to 80 clinics in a year and majorly focused on Kolkata, Punjab, Amritsar, Delhi and Rajasthan for Madhavbaug. The company is focusing to diversify its product offerings to Madhavbaug is venturing into new product development including Herbal Juices and Gummies.

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Cartrade Tech Ltd

CMP INR 648 | Market Cap INR 30.38bn

Financial Performance:
CarTrade Tech witnessed impressive financial growth, with a remarkable 48% increase in revenue and a substantial 56% rise in profits during the last quarter. Operating metrics remained robust, with adjusted EBITDA soaring by 67%, while profit from continuing operations after tax surged by 56%. The company boasts a healthy cash balance of INR700 crores, reflecting its strong financial position.

Business Operations:
CarTrade Tech maintains its position as the leading automotive platform in India, leveraging its market dominance to drive business growth. While the repo business at Shriram AutoMall faced challenges due to slow supply, the retail business exhibited promising growth. The integration of CarTrade exchange and Shriram AutoMall has been successfully executed, streamlining operations for enhanced efficiency.

Tech Costs Optimization:
Efforts are underway to optimize tech costs, particularly in the Classified business, with a focus on normalization over the next 1-2 quarters. Integration of tech costs into other expenses for the Classified business is part of the ongoing optimization strategy, with future plans aimed at further enhancing efficiency.

Future Growth Targets:
CarTrade Tech sets ambitious growth targets, aiming for margins of 30-35% and continual improvement in profitability. The company remains dedicated to expanding its presence in both the automotive and non-automotive segments of OLX, driving sustained growth and market penetration. Company is focused on building tech, platform, and brand (like Amazon, Flipkart) rather than becoming a dealer. Also, plans to have an asset-light business model with no major capex.

OLX Acquisition and Impact:
The company acquired OLX business (Auto and non-auto) at a valuation of INR 523 crore. OLX had cash of INR 100 crore, therefore the net valuation was INR 423 crore. They have shut down the OLX auto part of the business from Q3 FY24, as it was incurring losses. This will increase operating expenses as OLX auto expenses will be borne by the non-auto segment for Q4 FY24 and Q1 FY25.

Potential M&A or Buybacks:
With a substantial cash balance of INR700 crores, CarTrade Tech is well-positioned for potential mergers and acquisitions (M&A) or buyback initiatives in the future. The company's financial strength provides flexibility for strategic investments or returning value to shareholders through buyback programs.

Outlook: The company, as the market leader, is strategically positioned to capitalize on the digitalization trend, ensuring its growth trajectory aligns with the evolving digital landscape. Also, company didn’t gave any guidance but expects double-digit growth and operating leverage to drive their margin expansion.

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Khazanchi Jewellers Ltd

CMP: INR 308 | Market Cap: INR 7,610mn

About company: Khazanchi Jewellers is engaged in the business of buying and selling of Gold ornaments, Gold bullion, Silver ornaments and is a prominent player in the Indian jewelry industry, with a strong presence in wholesale and retail sectors.

Product Portfolio: Khazanchi Jewellers primarily deals in Gold and Silver Jewelry. Their wide product range constitutes earrings, necklaces, chains, pendants, rings, bangles, bracelets, nose pins, mangal sutra, etc and has one showroom at Sowcarpet Chennai.

Expansion: Company plans to open an additional showroom in Chennai for which it has already acquired land admeasuring 304.50 square meters.

Group Companies: Other enterprises of the Khazanchi Jewellers Groups are Sutaliya Finance Private Limited, Khazanchi Silvers Private Limited, Silverslane Proprietorship Firm, Pathik Sales Private Limited, and KJ Estates Partnership Firm.

Certifications: Company holds a BIS Hallmark Certificate, through which it carries out transactions on the IIBX (India International Bullion Exchange IFSC Limited) the platform for the purpose of import of gold and it also holds an Import Export Certificate.

Raw Material Procurement: Company procures majority of its gold requirement from its group entity - Pathik
Sales Pvt Ltd.

Government Incentives: The Indian government has taken several initiatives to bolster the gems and jewellery sector. These include permitting 100% FDI under automatic route, signing Comprehensive Economic Partnership Agreement with the UAE to enhance exports, revising the SEZ Act to stimulate exports further, and reducing custom duties on diamonds and gemstones. Additionally, hallmarking has been made mandatory for gold jewellery and artefacts to ensure quality and consumer protection. These measures collectively aim to promote growth, competitiveness, and transparency within the industry while fostering international partnerships for mutual benefit.

IPO Details: Company successfully raised 97 Crs and got listed in BSE SME on August 07, 2023.
The Net proceeds will be utilized for CAPEX for establishing the new showroom, Working Capital Requirement and General Corporate Purpose.

The company, backed by experienced promoters and dynamic young leadership, specializes in wholesaling gold jewellery to retailers nationwide. It has cultivated a brand renowned for its commitment to trust, transparency, and innovation, adhering strictly to ethical business practices. With robust risk mitigation systems in place and a keen focus on quality control through adherence to hallmarking norms, the company thrives on a culture of design and innovation in its product range.

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Confidence Petroleum India Ltd

CMP: INR 87 | Market Cap: INR 25,070mn

Business Segments:

1. Auto LPG Segment: The company is emerging as a dominant player in the Auto LPG segment under the brand name GOGAS, with the largest private sector presence across multiple states in India.

2. **LPG Retail Segment/Packed LPG Segment:** Undertaking retail marketing of Packed LPG Cylinders, the company has established a strong brand presence with its 'GoGas' and 'GoGas elite' offerings, catering to diverse consumer needs.

3. Bottling Division: With 65 LPG Bottling Plants, the company holds the position of the largest LPG bottler in the private sector, serving major oil companies and focusing on bottling its own brand 'GoGas' for retail distribution.

4. Cylinder Division: As one of largest private sector players, the company manufactures LPG cylinders for major oil companies, leveraging 15 manufacturing plants with substantial production capacities.

5. CNG Division: Entering the CNG segment, the company has set up numerous CNG dispensing stations and mobile refilling units, aiming to expand presence & partnerships with CGD player across the country.

6. Other Subsidiaries: Operating three high-pressure cylinder manufacturing units, the company extends its manufacturing capabilities to cater to diverse industrial needs.

Revenue Breakup: In FY22, the sale of LPG/Auto LPG contributed 78% to revenues, with LPG cylinder sales accounting ~21%, reflecting company's significant presence and revenue diversification strategies.

Manufacturing & Distribution: With a widespread network of Auto LPG stations, LPG bottling units, and manufacturing plants, the company plans further expansion, aiming to establish additional bottling units and Auto LPG stations by FY25.

Brand Ambassador: Renowned actor Ajay Devgn serves as the company's brand ambassador, enhancing its brand visibility and credibility in the market.

Market Position: As the largest private standalone Auto LPG Marketing Company and a prominent player in the LPG and CNG segments, the company holds a strong market position, driven by its extensive infrastructure and client base.

Clientele: Catering to major oil companies and diverse industrial clients, the company has established itself as a trusted supplier of LPG cylinders and related products.

CNG Cylinder Manufacturing: With the acquisition of Sarju Impex Ltd, the company has ventured into CNG cylinder manufacturing, further diversifying its product portfolio and expanding its capabilities.

Capex: The company plans capex over the medium term, focusing on expansion and modernization, with funding sourced from bank loans, issuance of warrants, preferential allotment, and internal accruals.

Shift in Supply Chain: The company faced disruptions due to geopolitical conflicts, necessitating a shift in its supply chain strategy and significant investments in storage infrastructure to mitigate risks.

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Orient Bell Ltd

CMP: INR 317 | Market Cap: INR 4.62 Bn | Promoter: 64.97% Rating: Assign BUY | Target: INR 579 (25x FY26EEPS)

It is a prominent player in the Indian ceramics industry, specializing in the manufacturing and distribution of ceramic and vitrified tiles. With a diverse product range offering various designs, colors, and sizes, the company caters to residential, commercial, and industrial applications. Boasting modern manufacturing facilities, Orient Bell emphasizes innovation and design to stay competitive in the market. The company has 3 state of the art manufacturing facilities and 2 AE facilities situated in Sikandrabad, Dora, Morbi and Hoskote. The company has 3,000+ SKUs like Ceramic, Vitrified, Double Charge, Cool Tile, Pavers, Germ free, Anti Static, Big Slabs, Scratch free.

Key Highlights:

• We like Orient Bell for a number of reasons, primarily it is a niche player in tiles segment which will be a key beneficiary of the Real Estate story which has started to play out. Several Real Estate companies have reported strong presales with several projects still under commissioning.

• The adjacent sectors like building materials, pipes, ply, sanitaryware, houseware have also started displaying improvement in performance. This leads us to believe that tiles segment will witness a similar reversal in coming quarters.

• Over the past few quarters, Orient Bell has readied itself with capacities to serve the demand whenever it recovers. The current GVT salience has reached 30% and the total capacity for Vitrified tiles is 37.8%. The current capacity utilization is only 63% which gives ample headroom to grow.

• At the current juncture, Orient Bell has improved on contribution margins even with lack of volume pick up. In Q3FY24, company delivered 36.17% contribution margins (Vs 33.44% QoQ) (Vs 34.21% YoY). This is on back of maintaining WC days at 26 for 9MFY24. This gives us comfort that with pick up in volumes, the contribution margins will improve further (due to economies of scale). Moreover, the company aims to focus on FCFF generation (which has been negative in FY24 due to weak volumes and high capex) which is expected to strongly pick up in FY25.

• For example, the gas & fuel cost is one of the major inputs in tile manufacturing. To reduce the impact of volatility in gas prices, company tied up long term contracts with suppliers at lag pricing methodology. Through this, company safeguards its profits from volatility in gas pricing. Orient Bell was the first player in the industry to implement this.

• Company reached 50% vitrified sales in Q3 with GVT volumes at 30%. Overall capacity, company has 23 MSM of ceramic tiles and 14 MSM of vitrified tiles capacity. Capacity Utilisation at 63%, Dora line capacity utilization not mentioned separately

•The overall demand outlook has been challenging, ceramic demand has been falling off rapidly and been overtaken by vitrified tile demand simultaneously. Weak ceramic sales has dragged profitability this quarter. Higher inquiry for vitrified tiles coming in

Outlook: The management believes they can reach the peak capacity utilization next year (85-90%). There is no more capex on cards, only maintenance and upgrading capex if needed. Company further evaluating entities for associates/JVs going ahead to add capacities as and when needed. For the above reasons, we are positive on Orient Bell. We assign BUY rating to the stock and arrive at target price of INR 579 (25x FY26EEPS). We believe the current performance is at an inflection points and that the company will deliver strong numbers from hereon. We are working on a detailed note.

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P.E. Analytics Ltd

CMP: INR 235 | Mcap: INR 2.46bn

P.E. Analytics Ltd, established in 2007, specializes in delivering comprehensive data and analytics services tailored to the Indian real estate sector. At the core of its operations lies PropEquity, an online subscription-based platform offering real-time insights into the Indian real estate market. With coverage extending to over 1.65 lakh projects from 45,000+ developers across 44 cities, the platform facilitates informed decision-making by clients, enabling them to identify market trends, conduct macro and micro analytics, and optimize risk-adjusted returns.

The company's product portfolio encompasses:

A) Subscription to the PropEquity Platform: Tailored packages for single-city or multi-city access, covering 44 prominent Indian cities. Utilization of table-based and map-based analytical tools. Inclusion of client engagement support. Provision of transaction data for commercial properties such as office and retail spaces

B) Research & Consulting Services: Customized intelligence solutions addressing various needs including development feasibility studies, product-mix assessments, consumer profiling analysis, and financial modeling. Project benchmarking, site-level real estate analysis, and other predictive analytics supported by historical data.

C) Collateral Risk Management Services: Retail valuations for banks, NBFCs, and mortgage lenders. Project monitoring, progress reporting, and developer/project assessment and rating. Automated Valuation Model (AVM) and Automated APF (Approval Process Framework) reports for developer valuation. Support to leading banks in enhancing their real estate/home loan portals.

The company also offers Retail and Construction Finance Valuation Services, Project Monitoring, Land Loan Verification, and Project Approval Process assistance.

P.E. Analytics caters to a diverse range of industries including real estate developers, private equity funds, REITs, financial institutions, construction industry players, NBFCs, and mortgage lenders.

In December 2023, P.E. Analytics Limited entered into a Memorandum of Understanding with M/s. Fab India Forbes Global Properties Ltd to pursue a shareholders agreement through circular resolution.

In FY23, the company witnessed significant client expansion, with 52 new clients added to its subscription business, bringing the total to 180 clients. Moreover, its valuation business expanded to cover 36 cities, a substantial increase from the previous 10 cities.

The revenue breakdown for FY23 was as follows:

Website subscriptions accounted for approximately 58% of revenue

Professional services contributed around 5%

Service income constituted roughly 27%

Interest income comprised about 10% of total revenue.

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BMW Industries Ltd

CMP: INR 54 | Mcap: INR 12.16bn

BMW Industries Ltd, incorporated in 1981, is one of the largest steel processing company in India primarily engaged in manufacturing, processing and selling of steel products consisting of engineering and other products and services related to the same. The Company has been processing for Tata Steel (TSL) for more than 30 years having units in West Bengal and Jharkhand and has a joint venture with SAIL (Steel Authority of India Limited). BMWIL has successfully developed capabilities to become a trusted partner of choice for its customers and is strategically positioned in the value chain that has cushion during steel cycles.

Key Highlights

Strong ramp up plans- The expansion in P&T will be gradual. Entire facility is for Tata Steel only. Company acts as a converter for Tata Steel, where the company takes no inventory on books apart from zinc (and spares) for Galvanising. Zinc worth 2-2.5 months on books. The capex for expansion is INR 700 Mn in Phase 1 and INR 1 Bn in Phase 2. In both cases, capex will be funded 50:50 in equity and debt. Post reaching 1 Mn tonnes of capacity in P&T (by FY26), company will plan further expansion of another ~1 Mn tonnes. However, it will be slower and costlier compared to current capex since it will be greenfield expansion

Pricing and Margins- Margins (unit economics) are expected to be similar to the previous term. The benefits will be achieved with volume ramp up. Company has already guided for 65-70% utilization on 1 Mn tonne capacity of P&T.For all products, company only acts as a converter and never purchases RM on books. This eliminates the inventory risk. The important factor here is the negotiated margin with the customer and efficiency in operations which will lead to better absolute operating profit. The company is insulated from RM pricing & realization risk.

New Business- Company has started its own brand named "Bansal Super" and has started with sales of TMT Bars. The sale happens in Bengal itself. Company books orders and outsources production. Bengal itself required ~150,000 of TMT bars per month. Company is focused on profitable sales only. Company is adding new products line binding wires and nails. Company aims to place itself with value propositions, which are essential for clients (like timely delivery of customized products, logistical risk, inventory storage). Company will not conduct sales in the channels where Tata Steel conducts to avoid conflict of interest. Further capex in Odisha will take time for approval (tentatively H2FY25). The CRM division sales and P&T division sales are handled by two different divisions and hence the capex will be decided by individual divisions itself.

Outlook

In terms of contract revenues, company has to produce 300,000 tonnes of TMT which will derive INR 2.5 Bn over 3 years while the renewal of contract will derive INR ~20 Bn over the next 5 years (atleast INR 3.5 Bn per annum). Company aims inventory days to further come down to 170 days. The current risks are execution risk and maintaining sufficient volumes so that absolute profitability is not hurt by fixed costs. An important aspect in business is price negotiation because they are contracted for 5 years.

We are positive on the company and continue to monitor the performance going ahead.

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Accuracy Shipping Ltd.

CMP- INR 9.45 M.Cap- INR 1.42BN

Accuracy Shipping Ltd (ASL), with 16 years of industry experience, is a comprehensive logistics partner. Originally founded as Balaji Shipping Agency by Mr. Vinay Tripathi in 2000 and rebranded as ASL in 2008, the company's journey began with a focus on customs clearance services, evolving into a versatile logistics partner offering customs clearance, freight forwarding, shipping, air freight, consolidation, sea-air services, inland haulage, warehousing, cross trades, overseas warehousing, and tailored solutions. This transformation reflects ASL's commitment to delivering unmatched quality and ensuring customer satisfaction. With a vast, well-established Indian network, ASL provides seamless logistics solutions to meet diverse client needs.

Key Highlights

Clearing & Forwarding (C&F): ASL offers a comprehensive suite of Ocean C&F services, leveraging advanced tracking technology and catering to most seaport locations. The company specializes in custom clearing services, encompassing HSN classification, duty rate assessment, bill of entry preparation, dispatch processing, and timely delivery to the destination.

Marquee Clientele: ASL's esteemed clientele includes renowned companies such as Johnson Tiles, Vedanta Ltd, Supreme Industries, Haldyn Glass, Godrej, Arvind Ltd, Astron, Acrysil, Kajaria, Simpolo, Varmora, NITCO, and others, highlighting the company's strong industry presence and reliability.

Financial Highlight- In Q3 FY24, revenue from operations amounted to Rs 187.5 Crs, compared to Rs 212.8 Crs in Q3FY23. The gross profit for the same period was Rs 10.6 Crs, down from Rs 13.6 Crs in Q3FY23. EBITDA for the quarter ending December 2023 was Rs 4.4 Crs, decrease from Rs 7.7 Crs. quarterly performance was impacted due weak global demand amid high inflationary pressures and container availability. For nine months ended December 2023, revenue from operations stood at Rs 537.0 Crs as compared to Rs 699.8 Crs for the same period last year. The gross profit for 9MFY24 stood at Rs 30.6 Crs and the corresponding margin stood at 5.7%. The EBITDA for 9MFY24 stood at Rs 9.6 Crs as compared to Rs 22.6 Crs for 9MFY23.

Revenue Diversification- Adding new streams of revenue through backward & forward integration to strengthen the bouquet of logistical services. The company is placed to benefit from large scale presence across value chain by offering logistical solutions under single roof i.e. from Point of Origin to Point of Destination. It is present across India with 14 offices and more than 60 agency agreements across the globe to cater to the growing logistical needs for cross border transactions.

Outlook- Despite the subdued global demand & high competition, Accuracy remain optimistic of delivering improved performance backed by strategic emphasis on Revenue Diversification and Industry Diversification and increase wallet share from existing customers. Notably, commercial vehicles and spare parts segments contributed 30% to the overall revenue, with an EBITDA of approximately Rs 2.2 Crs, underscoring the success of diversification endeavors. Going forward focus is on improving revenues and operating leverage to expand EBITDA. The vertical continues to be profitable and proves beneficial to strategy of revenue diversification.

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HFCL Ltd.

CMP- 83.7 INR | M.Cap- INR 119.52Bn | Target- 107

HFCL is engaged in telecom infrastructure development, system integration; manufacture, and supply of high-end telecom equipment, Optical Fibre, and Optic Fibre Cables (OFC). The company's product portfolio includes OFC, Optical Fibre, microwave radios, routers, Wi-fi systems, Ethernet switches, Electronic fuses, electro-optic devices, etc. The company has the largest market share in OFC supplies in India and is one of the largest producers of Wi-Fi/UBR systems in India. The order book stood at INR 7,678cr. The order book break up are government -74.7%, Private – 25.3%. The company has 5 manufacturing facilities, and 2 R&D centers, and has a presence in more than 30 countries.

Key Highlights

Capacity expansion will drive business growth:

HFCL is expanding optical fibre cable (OFC) capacities from 25 mn fkm to 35 mn fkm. As part of its backward integration, HFCL is expanding its optic fibre capacities from 12 mn fkm to 33.9 mn fkm. The plants are operating around 50% or less capacity utilization levels. The lower volume due to inventory build-up at customer and distributor levels and price erosion on OF & OFC has impacted the business. The inventory buildup is expected to normalize in the next couple of quarters. The capacity expansion would cater to the new applications, BharatNet and US subsidy programs.

Opportunity in BharatNet and US

BharatNet tender is expected in the next 2-3 weeks time. The demand is expected to be around 6 lakh km of cables and 1.6 lakh routers. Every year the requirement is around 2 lakh km of cables. The company has an opportunity for cables and is able to sell Optical fiber to other EPC players. The BharatNet 3 project is estimated around INR 1.4 lakh cr. Around INR 40,000cr to INR 50,000cr for capex and remaining for Opex which will be incurred over 10 years. The US government has announced a $61bn subsidy for OFC to enable seamless broadband connectivity in homes and offices. The disbursement is expected to start in the middle of the current calendar year. The BharatNet and US subsidy program would be the biggest opportunity for HFCL.

New product launches will lead to additional revenue:

Telecom Products revenue share decreased to 35% vs 64% in Q3FY23. HFCL has launched 1728 high fiber IBR cables and is well positioned to capture data center markets. The new product launches are linedup and the company is setting up a new facility in Delhi-NCR to manufacture telecom and networking products. 5G networking equipment and products revenue is expected around INR 800cr - INR 1,000cr by FY25E. The company is expecting more ordersfrom BSNL and private players.

Outlook : HFCL has a strong order book of INR 7,678cr (~1.7x of FY23 TTM revenue) and regular order inflows in Telecom products. The recent product orders will improve the revenue and profitability of the telecom product segment. New product launches will bring additional revenue of INR 800cr to INR 1,000cr in FY25E. The Capex for OF & OFC would bring additional revenue going forward. The BharatNet and US subsidy program would lead to great opportunities for the company. The revival of exports backed by inventory normalization, capacity expansion, product portfolio expansion, and a strong client base that would drive the business going forward. We reduce to a "HOLD" rating (earlier "BUY") with a Target Price of INR 107 per share based on DCF; an upside of 10.3%

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Nuvoco Vistas Corporation Ltd

CMP: INR 356| Market Cap: INR 127.17 Bn

Financials

•Revenue stood at INR 24.21 Bn in Q3FY24 decrease by 7% YoY. •Consolidated EBITDA increased 55% YoY/ 25% QoQ to Rs. 4.21 Bn, through cost efficiency and value-driven growth. •EBITDA per ton of Rs. 1,048 (72% YoY/ 39% QoQ) highest in the past 10 quarters. •Lowered operating costs, particularly in raw materials, power, and fuel. •Raw material costs per ton decreased 13% QoQ, driven by a decline in slag and fly ash costs. •Power and fuel costs reduced 7% QoQ, attributed to an increased linkage mix, lower fuel prices, and higher utilization of CPPs and WHRs, while distribution cost per ton remained flattish QoQ.

Demand Scenario

•Strong demand in the north region, outperforming the industry. •Decline in cement demand in the key markets of West Bengal, Bihar, and Jharkhand, attributed to assembly elections and fiscal challenges faced by the states.

Net debt

•Reduced net debt by 6.32 Bn YoY, reaching 45.33 Bn as of December 2023. •Despite a stable repo rate, the interest rate decreased to 8.47% (reduced by 2 bps compared to March 23)

Capex

•The company has spent INR457 crores of Capex in the first nine months of the year and is expected to spend another INR150 crores in Q4FY24.

Expansion

•Commissioned a 1.2 MMTPA Cement Mill at Haryana Cement Plant, taking the overall cement capacity to 25 MMTPA.

Key highlights

•Incentive accruals ceased at Panagar plant in April 2023 and at Rajasthan plant in June. •Company launched New marketing campaign for Duraguard Franchisee 'Seedhi Baat Hai, Duraguard Khaas Hai', focuses on highlighting unique features and building customer trust. •The company rolled out a new cement packaging design. •Premium products remain a key focus, contributing significantly with a 36% share of cement trade volumes in Q3 FY24. •Positioned as one of the most profitable ready-mix businesses in the country, emphasizing a contribution marginism approach. •Advancing sustainability with increased alternative fuel usage and carbon emission reduction initiatives.

Outlook

Company is optimistic about the future growth prospects for the Indian cement industry. It aims to continue gaining market share and improving profitability through its expansion projects and cost optimization efforts. The commissioning of new capacity in Haryana indicates further demand in the market. Overall, Company has a positive long-term outlook driven by favorable industry dynamics and its own strategic initiatives.

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Shriram Properties Ltd

CMP Rs 105 | Market Cap INR 17.84 bn

Shriram Properties is a part of Shriram Group.They are one of the leading residential real estate development companies in South India primarily focused on the mid-market and affordable housing categories.They are also present in plotted development, mid-market premium, luxury housing as well as commercial & office space categories in our core markets.

Financial Highlights:

During the third quarter, Shriram Properties Ltd achieved notable progress with sales reaching 1.1 million square feet, marking a substantial 12% year-on-year growth over the nine-month period. Revenue for the quarter amounted to Rs.241 crores, accompanied by commendable net profits of Rs.18.5 crores. Further enhancing the financial landscape, EBITDA surged by 14%, and PBT showed an 11% increase over the nine months. The robust cash flow from operations remained resilient at Rs.178 crores.

Expansion Initiatives and Project Developments:

Shriram Properties Ltd is embarking on a strategic expansion phase, set to make its mark in the Pune region with the launch of a new project slated for late March or early April. Looking ahead, the company aims to roll out four new projects in the fourth quarter, encompassing developments in prominent cities such as Bangalore, Chennai, and Pune. With a substantial project pipeline boasting 44 million square feet of development potential, the company has identified a lucrative opportunity in Undri, Pune, projecting revenue potential of Rs.1,300 crores.

Debt Management and Financing Strategies:

The company witnessed a rise in debt, attributed to the acquisition of debentures from Mitsubishi Corporation for Park 63. Presently, gross debt stands at approximately Rs.500 crores, while net debt hovers around Rs.440 crores, with a foreseeable declining trend. Despite the challenges, efforts to refinance are underway, with a focus on stabilizing the cost of debt at 11.5%.

Market Dynamics and Strategic Outlook

Shriram Properties Ltd maintains an optimistic outlook regarding future housing demand, particularly within the mid-market segment. Reflecting this positive sentiment, average pricing has shown a promising 15% improvement at a portfolio level. With a steadfast commitment to delivering on its full-year targets for FY'24, the company sets its sights on achieving an average growth rate of 20% over the next 2-3 years. In line with its strategic vision, Shriram Properties Ltd prioritizes green building certification initiatives, aiming to generate meaningful value for its shareholders.

Pune Market Penetration Strategy:

The entry into the Pune market has been approved, with the company identifying similarities to its core markets in terms of customer profile and demand dynamics. Positioned as a Greenfield land venture, the Pune project is expected to benefit from revenue recognition stemming from development management fees. Leveraging its established brand presence, Shriram Properties Ltd is poised for success in the Pune market, where its business model will emphasize development management and joint development strategies.

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Shri Keshav cements Ltd
CMP: INR 232| Market Cap: INR 4.06 Bn

Shri Keshav Cement & Infra Limited (KCIL), formerly Katwa Udyog Limited) is engaged in the manufacturing of Cement and Solar Power Generation and Distribution in the state of Karnataka India. The cement plants are located at Bagalkot district, Karnataka and the Solar power plant is located at Koppal, Karnataka. The company supplies cement in North Karnataka, Coastal Karnataka, Goa and some parts of Maharashtra The company owns three very renowned regional brands of cement "Jyoti Power" "Jyoti Gold" & "Keshav Cement". Keshav Cement" is a premium brand of the company.

Key Highlights

Business Operations: The company's business operations primarily derive revenue from its cement business. With expanded capacity, the company is poised to meet demand confidently. Efforts to mitigate logistic costs are underway through ex-plant deliveries, enhancing net realization. Furthermore, a stable working capital cycle is maintained, with no notable changes in debtors or receivables.

Capacity Expansion: The company anticipates commencing trial production in Q3 of the current fiscal year as part of its capacity expansion efforts. Moreover, it plans to increase its solar plant capacity from 37 MW to 40 MW peak, with further expansion by an additional 3 MW scheduled for April 2024. These initiatives signify an anticipated increase in both cement and solar capacity, aligning with the company's growth strategy.

Guidance: The company anticipates a decline in petroleum coke prices, particularly in the fourth quarter. Looking forward, they have set ambitious targets, aiming for an EBITDA per ton between INR 900 to INR 1000 by FY26 and projecting revenues of 300 crores by FY27. Additionally, they plan to utilize 75% to 80% of their capacity by FY26.

Volumes: In FY23, the company exceeded the dispatch quantity by 2,26,000 tons. By the end of the first nine months of FY24, they had already reached a volume of 1,98,000 tons. Moving forward, they anticipate the volume for FY24 to fall within the range of 240,000 to 245,000 tons.

Reduction in Carbon Footprint: Initiatives taken for maximizing use of low-cost alternate fuels. Captive Solar Power utilization is already achieved. Promote Pozzolana Slag Cement that will effectively reduce Carbon Load/ MT of Cement.

Outlook:

The cement demand in the Karnataka region is forecasted to experience a significant upsurge, with strong growth anticipated in Q4 and beyond.

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GTPL Hathway Limited

CMP: INR 156 | Mcap: INR 17.57 Bn

GTPL Hathway Limited is India’s foremost Multiple System Operator(MSO), offering digital cable services and ranking as the 6th largest provider of Private Wireline Broadband services within the country. The company's primary focus lies in the distribution of Digital Cable TV and high-speed Broadband services, extending their reach to approximately 11 million households across more than 1500 towns spanning 22 Indian states. GTPL Hathway Limited is committed to enhancing and simplifying the lives of its customers by delivering quality services and products that offer people the freedom to enjoy entertainment at their convenience, anytime and anywhere.

Key Highlights

Cable business: In cable business, subscribers base stood at 9.4mn as of Q3FY24 and the company is targeting 10mn subscribers by end of FY24E.Out of 9.4mn subscribers, 8.7mn are paying subscribers and more than 80% collections were digitally. Around 35% of business comes from East, West (34%-35%), South (15%-16%) and remaining from northern markets. The company is expanding aggressively in Andhra Pradesh, Telangana, Tamil Nadu, North-East, Delhi, Haryana and Uttarakhand.

Broadband business: In the broadband business, the subscriber base stood at 1.05mn as of Q3FY24. Out of this, 5.6mn subscribers are Home-pass and available for FTTX conversion.The average data consumption stood at 345 GB/month (+11% YoY) and ARPU stood at INR 460 vs INR INR 455 in Q3FY23.

Capex: Around INR 4,000mn capex is expected every year.

Depreciation: The depreciation is expected to reach around INR 342cr due to change in depreciation policy.

Other highlights: B2B additions are in higher single digit growth and retail additions are expected around 20% growth going forward.

Valuation and Outlook: GTPL Hathway is expected to grow 16%-17% CAGR and EBITDA margins are expected to be brought back to 20%-21% in FY25E. The subscriber addition and increase in realization would improve the business going forward. We have a Neutral outlook on the stock.

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Jai Balaji Industries Ltd
CMP: INR 990 | Mcap: INR 161.18 Bn

Key Highlights

With two of the company's **furnace under maintenance** in the quarter, production volumes dipped in the quarter for all segments. The orders in hand will be fulfilled by Q4FY24.
The company holds about 10% of the **market share** in the DI Pipes segment in India, aiming to increase this share on the back of increased capacity expansion.
Current order book: DI pipes - INR 18-20bn, Ferro Alloys - INR 4bn.

Railway sidings near its plant which roughly generates **INR 1,000 per tonne of cost advantage in terms of transportation.**
Major sales of Ferro Alloy and DI Pipes come from intermediaries and government or directly to projects on EPC basis. Some part of TMT sales come from distributors. Major clients of the company include Haryana Government, Maharashtra Government, Mega Engineering, NCC, Kalpataru GMC projects. Around **30-35%** of orders in the DI pipes segment are **on fixed price basis i.e. contract based.**
TMT bars generate lower EBITDA, in the range of 6-7%, while Ferro Alloys and DI Pipes generate higher of 17% EBITDA.

Guidance:
The management **expects to achieve 20% QoQ revenue growth in Q4FY24 while Revenue in FY26 is expected to reach INR 9.5bn.**
Combined contribution of Value-added products (Specialized Ferro Alloys and DI Pipes) to Revenue stands at 55%. The company is confident in bringing it to **80%** with the increased focused on these products. The company aims to significantly expand its capacity, with DI Pipes increasing by 175% to 6,60,000 tonnes, Specialized Ferro Alloys by **45%** to 1,90,000 tonnes, and a furnace revamp to boost Hot Metal capacity to 7,50,000 tonnes. The targets include achieving 90% operational efficiency for DI Pipes and 75% for Specialized Ferro Alloys.

Current Debt stands at INR 5.6bn. The company targets to become **Net Debt Free in the next 18 months** and intends to the Capex through internal accruals. With the Current cash flow and expected EBITDA earnings, the company will be in a comfortable position to pay off debts.
The key to achieving 18-20% EBITDA margins is the increasing contribution of Value-Added products to 80%. With the cost cutting measures and new technologies implementation, this target looks achievable.
The management believes that the DI pipes will see a robust demand for the next 3-4 years especially due to the "Nal Se Jal" and "Jal Jeevan" projects of the government. The management plans to tackle its peer with low-cost strategy which will generate higher margins.

Capex of INR 10bn is planned. INR 3.8bn has already been incurred as of Q3FY24 and about INR 1bn capex is expected in Q4FY24. Rest of the capex will done within 18-24 months.
With capacity expansion of DI pipes, the export sales of DI pipes is also expected to reach 10% of total sales, which currently is at 2%. They already supply to Middle East countries and are tapping the African market with their new subsidiary in Uganda. But with the growing demand in India, the focus currently is to cater the local country. They also have their eye on Europe as their replacement market.

Outlook and Valuation: Jai Balaji Industries has demonstrated strong year-over-year growth, particularly in its high-potential Value-added product segment. The management expresses confidence in the market outlook, anticipating robust growth in Q4FY24. With substantial demand from the government and expanding presence in the export market, the company foresees significant returns from its value-added products. We have a positive outlook for the company. At CMP, company trades at 23.2x TTM EV/EBITDA

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Shyam Metalics & Energy Ltd

CMP: INR 576 | Mcap: INR 161.02 Bn

Key Highlights

Business Highlights:

Energy cost softened and product mix improved which led to expansion in margins.

Coal prices have softened, benefit of this will be visible in Q1. Stocking usually happens for the entire quarter.

Mittal Corp revenue expectation of INR 15-18 Bn at 75-80% CU in FY25. Company is also manufacturing steel rolling equipments for a large defence company in India. Current utilization at 35-40%.

Prices of iron ore are stabilizing (NMDC is dominant player)

Iron ore mine which company bid and won for, is under proceedings and wont impact immediately

DI Pipe facility to come online in FY26

Exports are 10% of revenues. Company exports sponge iron, specialty alloy and Foil.

Distribution network has growth 30% over past 2 years.

Aluminum Foil Plant:

Aluminum foil capacity of 40,000 tonnes per annum, foray into battery grade foil and B2C House foils (for players like Zomato by doing organic lamination).

Company products 5.5-6 microns thin films. Exports more than 60% of production. Q3FY24 utilisation was 70%. Exports to Europe, USA for defence

Company has signed NDA with a large EV Battery manufacturer to supply aluminum foil but will take place in future, not now. Company will also expand facility in future but nothing concrete yet.

Company is also planning recycling green aluminium foil plant which will help them make their own foil stock

Other KTAs:

Company raised INR 13.85 Bn from QIP which brought down promoter holding, no intent of promoter to sell shares now

Company has turned net cash positive company with INR 12.09 Bn cash

Outlook & Valuation: Company is undertaking large capex again but completely through internal accruals. Company has turned net cash which will help them fund capex. Moreover, few new large scale orders are ongoing which gives more confidence on delivery going forward. Finished goods products to come online post capex which result in stronger performance going ahead. Guidance of 12-15% topline growth in FY25 and 20% in FY26. We are positive on the company. At CMP, company trades 8.85x FY26EV/EBITDA

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Menon Bearings Ltd
CMP: INR 113| Market Cap: INR 6.36 Bn

Key Highlights

Breakup of bearings uses: Tractors-35%, HCV/LCV-13-17%, Replacement-7-8%, Break 15%, Transmission-rest.
Company has 6 plants, 4 are already there, 1 will start from this month (Lead free) and 1 will start from June which is an aluminum plant. All together they have 26 acres of land.

The Company entered break even 1 year ago with a capacity of INR 20 mn per month, low margin business but started to take benefit of synergy. Alkop – aluminum die casting, is not limited to only auto, these products can be used in many industries, unlike other industries. Revenue from this segment is expected to be ~INR 620 mn and is expected to be a ~INR 1,300 mn for FY26.

Company expects China plus one campaigns to drive their growth and with the red sea issue, therefore Europe plus one is expected to play out as well. The Company's main focus will be on bearings, Alkop and breaks, but if they have surplus then they might use it for EV batteries, etc.

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

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

Peers include: John-Deere, Tata Motors, Magna, Brakes India, Automotive Access, Cummins, etc. Their distributors are in Dubai, Nepal and Bangladesh.

Revenue mix: 50-55% is OEM, 30% is Exports, 10-15% Menon Bhushan Wires. They are the Leaders in Tractors space, and make Tata Motors 60%, Brakes India's 80% order for their categories of products. Tractors form 35%, HCV & LCV 17-18%, Suspension is 12-13%, Rest is Brakes.

Capacity Utilization is at 70% on an average, and it peaks at 85-90% utilization. 30% of incremental revenue will come from existing capacity and remaining incremental revenue to come from the Capex being done incl Brake-lining business.

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

Exports to remain 35-40% of the mix as the OEM volumes and demand also growing fast.
For FY25, Brakes will be INR 200 mn. For Brakes business, they go for After Markets, State Transport and also have applied for Railway Vendorization. Bearings Export Orders coming from USA, South Africa, and Japan. AlKOP from USA, UK, South Korea, etc. After Market Size of Bearings Exports markets is of the size of INR 60 bn.

The Company is **increasing Market Share**, even without having any Technical Collaboration. In Aluminium, Company will grow by 45% for next 2 years, and thereafter 20% growth for next 2 years.

Outlook:

The increasing use Aluminium Die Casting in Automotive applications, has led to increased capex and demand opportunities arising for Menon Bearings in the Auto as well as the Engine / industrial segments.

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Equitas Small Finance Bank Ltd
CMP INR 93.1 | Market Cap INR 105.6bn | Target Price INR 125

Equitas small finance bank reported a net profit of INR 2.02 bn v/s INR 1.98 bn in Q2FY24 v/s 1.70 bn in corresponding quarter last year (up .9% QoQ, up 18.7% YoY). The profitability increase is driven by strong NII growth of 21.3% YoY at INR 7.85 bn (+2.6% QoQ), though the NIMs of the bank declined during the quarter at 8.37% (down 6 bps QoQ, down 64 bps YoY) on account of increasing cost of funds and partly due to fall in credit-to-deposit ratio. Asset quality improved on a YoY basis. GNPA of the bank improved at 2.53% (+48bps QoQ/ -93bps YoY). NNPA came at 1.13% during the quarter (+22bps QoQ, down 60bps YoY).

Asset quality improved on a YoY basis:
Banks GNPA improved on a YoY basis by 93 bps at 2.53% (+41bps QoQ). NNPA improved by 60 bps YoY at 1.13% (+22 bps QoQ). Though the asset quality improved on YoY basis, it degraded sequentially, due to the increase in slippages during the quarter. The slippages increased from 2.56 bn to 3.12 bn sequentially (+21.6% QoQ). The slippages increased on account of heavy floods in Tamil Nadu and are primarily arising from vehicle finance and micro finance segment. Slippage ratio for the quarter stood at 3.99%.

Advances growth momentum continues:
Banks gross advances stood at INR 327 bn v/s INR 312 bn in Q2FY24 (+31.3% YoY, +4.8% QoQ). They have been able to increase their advances due to good industry growth across various segments, which has helped them to keep their increase their profitability, despite decreasing NIMs. The growth momentum is expected to continue for remainder of the financial year.

NIMs continue to remain under pressure:
Net interest margin declined by 6 bps QoQ to 8.37% and by 64 bps YoY, lower margins was partly due to fall in credit-to-deposit ratio and increase in cost of funds. The cost of funds increased by 15 bps QoQ at 7.36% (+95 bps YoY), owing to repricing of deposits. The interest rates are expected to remain stable in next year, which will stabilize their cost of funds.

Future Outlook:
Looking ahead to FY24, the company anticipates loan growth to be in the range of 25%-28%. They project slippages to fall within the range of 3%-4% and expect credit cost and NIM for FY24 to be 1.25% and 8.5%, respectively. Additionally, the bank has set a target ROA of 2.25% for the upcoming period.

Valuation & View:
The bank exhibited robust profitability in the latest quarter, although its Net Interest Margins faced downward pressure due to rising costs of funds, primarily attributable to deposit repricing. Credit growth is expected to remain strong at 25 – 30%, led by the healthy demand across sectors. We continue to remain positive on the stock. We reduce our rating to Accumulate on the stock with a target price of INR 125, based on 1.7x P/ABV to its FY26E.

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Punjab Chemicals Ltd
CMP: INR 942 | Market Cap: INR 11.4 bn

Outlook: The chances of any quick relief coming for the Agro-Chemicals space in the near term, especially the Crop Protection industry remain thin. Inventories are expected to remain significantly high till H1CY24, and the recovery is expected only gradual after that. Also, the delay of the new products commercialization from H2FY24 to Q3FY25 and beyond, reflects that the recovery will take some more time than earlier anticipated for Crop Protection businesses around the world.

Guidance:
• The Management expects the demand scenario to improve only from Q1FY25 and beyond.
• The Management clarifies that of the 3 products that were mentioned to be commercialized by H2FY24, one has been commericalized, but the other 2 have been delayed to Q4FY25, and that their commercialization is practically delayed by almost a year.

Key Highlights:
• The Company's revenue stood at INR 2,141 million, declining by 17.8% year-on-year and 11.6% quarter-on-quarter. EBITDA amounted to INR 260 million, decreasing by 25.6% year-on-year and 27.6% quarter-on-quarter, with EBITDA margins at 12.2%, down by 120 basis points year-on-year and 240 basis points quarter-on-quarter. Finally, the Company's profit after tax (PAT) totaled INR 112 million, marking a decline of 44.3% year-on-year and 38.8% quarter-on-quarter.
• Geographically, the domestic market contributed INR 1,030 mn and INR 3,560 mn while International markets contributed INR 1,110 mn and INR 3,820 mn revenue for Q3FY24 and 9MFY24 respectively.
• Capacity Utilization at Dera Bassi and Lalru stood 71% and 49% respectively for the 9MFY24.
• The Management informs that there are several products in the Pipeline, across different categories including Advanced Intermediates, Fungicides and Herbicides as well as Specialty Chemicals. The Management expects to gain potential revenue fromthem from FY25 and beyond.
• The Company has received for several new products as well as registration of several of the new products. They intend to capitalize on these new products in FY25 as some of them were there to absorb the shocking reduction in demand for the existing products during the 9MFY24.
• The Company admits that the inventory levels may not have still tapered yet, and there could still be some more overhang of the inventory situation.
• The Company has not witnessed any deferment in contracts, and in fact, the company has seen addition to contracts to their business portfolio.
• The Company has some Special Intermediates, which goes to Pharma as well as Agro, These are the products which helped them maintain good margins despite the pressure on Existing Products. One such products, 3 products are registered and 1 is already in Production.
• The Management informs that they have 4 intermediates of which 1 has already started. The other 2 samples have been approved and the commercial quantities will start from Q3FY24. Hence, the Company has 8 new products to be rolled out in FY25.
• The Company did see some volume compression due to competition as they were focussed on the Profitability due to the Chinese and other suppliers competition. Hence, as per the delay, the Management expects the commercial volumes of these new products to come only 10-15% of earlier intended volumes in FY25, and the rest potential to be unearthed in FY26 and beyond.
• The Management also clarifies that the existing products are facing competition and that's why their volumes are down and may remain down in the coming quarters as well. The Management expects the inventory levels to normalize over the next 2 quarters, and things may improve gradually after that.

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Krishna Defence and Allied Industries Ltd
CMP INR 351 | Market Cap INR 4320mn

Outlook: Substantial reliance on Indian Navy's order's provides opportunity along with concentration risk. However, strategic & geopolitical challenges are expected to increase the push for increasing the Indian Navy's fleet strength, thereby making Krishna Defense lap up one order after the another. Other segments of diversification in newer equipment's business could also pay off in the future.

Guidance:
• Guidance: 30-40% CAGR revenue growth over the next 3-4 years as per existing Orders for existing Products with 12-18 Months of execution time required for the existing Orders.
• Guidance of EBITDA Margins of 18-20% margin.

Key Highlights:
• Company caters to defence sector, mainly navy, army and Homeland Security. Around 20% of revenue comes from the dairy segment. It derives around 60-65% of revenue from bulb bars used in hull of warships.
• Bulb Bars are Used to make Hull of Warships and forms 65% of the company's revenue mix.
• NCNC Basis how they started the business. (No Cost No Committment).
• Of the total revenue: 80% is Defense of which 65% is Bulb Bar, 15-20% comes from dairy, and rest is others.
• The planned capex Completion is expected by Aug 2024. The Management Expectation of 80% capacity Utilization.
• Competitor: Starwire's capacity is 2,500 tn.
• Welding Wire, Welding Electrodes and Fused Flux are the other products.
• Welding Wires are developed with Transfer of Technology from the Indian Army/DRDO.
• The current Capacity is of 100 of tonnes per month, i.e. 3-3.5 tonne a day, and currently, they are doing 10 tonnes per month.
• Ballast Bricks have magnetic Permeability of 0.1, making them almost stealth to Radars.
• Army Homeland Security (Bukhari): Recently Bagged Order of INR 630 mn for Space Heating Device which reduces Kerosene consumption from 2,000 ml to 500-700 ml consumption. They have despatched some batches of the Products in the 2nd half of FY24. The life of the product is around 24months since they are used around 18hrs/day. It takes around 18-24 months to get approval for this.
• Recently, the Ventures in the space of Defense Electronics through its associate Company which manufactures Converters which converts radio Frequency to Optical Fibre Signal. The Company has bagged Order of INR 35 mn for installing Radio Signal Converter from L&T Defense.
• The Company uses specialised chemistry of raw materials.
• Co. supplies to ship builders which use them to make ships which are sold to navy. Navy in general has 2 vendor policy wherein it doesn't rely on any one company entirely for its requirements.
• Krishna defence is the only company to qualify for order received from heavy vehicle factory for armoured vehicle profiles.
• Company bagged orders worth INR 2,000 mn in FY24 and will take 12-18m for completion. The addressable market of their products is increasing with the growing demand in Defence Sector.
• They spend 3-4% of revenue for R&D and aiming for 18-20% EBITDA margins which has been in the range of 14-15% historically. It is operating at 80-85% capacity utilisation as of now and has planned capex of INR 200-250 million

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SRG Housing Finance Ltd
CMP INR 260 | Market Cap INR 3380 mn

Incorporated in 1999, SRG Housing Ltd provides loans to Retail customers for construction, repair, renovation or purchase of residential property, and loans against property. SRGL was the first company in Rajasthan to be registered with the National Housing Bank (NHB) and to be listed on the BSE SME platform. It is an ISO 9001:2008 certified company for the Quality Management system of loan process. SRGL is a retail and affordable housing finance company which helps in providing housing to the rural and semi-urban population of India. It provides individual housing loans and loans against property to home-buyers in central and western India. Currently, the company has a Customer base of ~14000+ and an AUM of INR 5484 mn as on December 31st 2023. Company has a network of 66+ branches in 5 states.

Performance Indicators in Q3FY24:

- Gross Loan Book stands at INR 5484mn, 41% increase year on year.
- Loan Disbursal for the quarter was at INR 602mn, 68% increase year on year.
- Net Interest income in the quarter was INR 153mn.
- CRAR as on Dec 2023 was 32.82%.
- GNPA and NNPA stood at 2.37% and 0.62% respectively.
- Lending rate is at 22.31% while Borrowing Cost is at 11.13%.
- Loan spread in the quarter was 11.18%.
- Return on Average Equity stood at 3.64%.
- Gearing Ratio was at 3.07x.

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Total Transport Systems Ltd
CMP INR 101 | Market Cap INR 1630mn

Total Transport Ltd (TTL), established in 1994, operates in the realm of cargo consolidation, freight forwarding, logistics, warehousing, and transportation. Renowned for its extensive service portfolio, TTL facilitates seamless cargo movement across domestic and international markets.

Business Overview:
TTL functions as a non-vessel operating common carrier, specializing in freight forwarding services. Its core operations encompass cargo consolidation for exports, de-consolidation for imports, full container loads, and air freight from India to global destinations. With a widespread presence across India, including offices near major ports and branches in Nepal and Bhutan, TTL ensures efficient and reliable logistical solutions.

Services Offered:
TTL's diverse service portfolio includes liner agency, NVOC (Non-Vessel Operating Common Carrier), LCL (Less than Container Load) services, CFS (Container Freight Station) operations, break bulk shipments, total logistics solutions, project cargo movement, air services, and specialized services like flexi tank container provision and ISO tank loading facilities.

Business Verticals:
The company operates across multiple verticals, including consolidation, freight forwarding, air freight, catering to industries such as pharmaceuticals, automobile, chemicals, engineering, and infrastructure.

Clientele:
TTL serves an extensive clientele, both domestically and internationally. Its roster of clients includes prominent names like TATA Motors Ltd, Reliance Industries, Dachser Intelligent Logistics, and Agility, among others, showcasing its robust reputation in the industry.

Memberships and Collaborations:
With memberships in prestigious organizations like IATA, FIATA, and international collaborations such as CP World Global Network and iCargo Alliance, TTL strengthens its global reach and network connectivity, ensuring unparalleled service delivery.

Recent Developments - FY23:
In the fiscal year 2023, TTL achieved significant milestones, including the acquisition of R. N. Freight Forwarders Private Limited, expansion of its collaboration with Flipkart, and the introduction of eco-friendly initiatives like EV scooters under the Abhilaya program. These endeavors underscore TTL's commitment to innovation and sustainable growth in the evolving logistics landscape.

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Dharmaj Crop Guard Ltd
CMP INR 217 | Market Cap INR 7350mn

Dharmaj Crop Guard Limited is an agrochemical company. The company is engaged in the business of manufacturing, distributing, and marketing a wide range of agrochemical formulations such as insecticides, fungicides, herbicides, plant growth regulators, micro fertilizers, and antibiotics to B2C and B2B customers.

Outlook: The company's future is promising, with projected revenues reaching INR 950 to 1,000cr in FY25, driven by significant growth trends. Their emphasis on exports, particularly to emerging markets and expansion into new regions within India indicate growth. By carefully studying local markets and investing in innovative products and technology, such as the upcoming farmer app, they are positioned for continued growth.

Guidance:
• Estimated revenue for FY24 is INR 650cr while the management is positive of achieving around INR 950 to 1,000cr revenue in FY25 given the price realisations stabilise.
• The company has maintained 20% overall growth along with 50% + volume growth year on year. New customers along with new geographies will help the company in maintaining this growth rate.
• Formulations business and margins to remain at same levels along with a flat FY25 for Technicals business to due establishment process. The management expects to see robust growth in Formulations from FY26 onwards.
• The company will reach 16% overall margins from current levels of 11% in the next 2-3 years.
• Net Debt as of March 2024 is INR 87cr and plan to clear majority debt in the next 2 years.

Synthetic Pyrethroid:
• 60-70% of total Pyrethroid sales will come from Exports as there is higher consumption outside India. They are already seeing pickup in demand in Brazil.
• The plant is currently operating at 25-30% capacity and the management estimates around INR 130-150cr revenue in FY25 at the current utilisation with good growth in margins.

Sayakha Facility:
• The company has forayed into backward integration with manufacturing of Technicals and Intermediates starting with Synthetic Pyrethroid at new facility in Sayakha.
• The company has just started production at the new Sayakha facility for Synthetic Pyrethroid and believe the time period for establishment will be around 12 months. About INR 250cr capex has been incurred at the facility as of now.

Strategy implementation:
• The company is going aggressive with customer acquisition with presence in Gujarat, Madhya Pradesh, Rajasthan, Chhattisgarh etc and plans to foray into South regions. They currently have 600+ B2B customers and 5000+ B2C customers.
• Export network include 27 countries with 70+ customers. They supply Finished Goods in Middle East and African region while Bulk Formulations are supplied in Asia.
• The company’s process of penetrating a new geography or state is that they take about a year to understand the market and demand in the region and set up of facilities and distribution business and then scale up business in the next year.
• A new App is also in development for the farmers which will enable the company to directly connect with farmers and provide them better solutions.

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Krsnaa Diagnostics Ltd
CMP INR 583 | Market Cap INR 18.8bn | TP 1052

Krsnaa Diagnostics Ltd. operated in Tier 2 & Tier 3 cities providing diagnostic services from their centres across the country. The diagnostic chain earlier operated entirely from within the Government hospitals providing Radiology tests (CT Scan & MRI tests) to patients at a discounted price 45- 60% rates lower than existing market rates and Pathology tests at 40-80% rates lower than B2C Peers. The diagnostic chain has total 3,052 centres and laboratories across India, with 134 CT/MRI centres, 112 Pathology processing Laboratories and 240+ Doctors (Radiologists and Pathologists) operating across 125+ districts in 17 states & Union Territories. The diagnostic chain is the first of its kind to get approval from NABH for Telereporting of radiology labs in India.

Major expansion of diagnostics network underway across different states

Krsnaa Diagnostics has major tenders under implementation in Maharashtra, Assam and Odisha, which are expected to complete by the end of this fiscal year, and will enhance their EBITDA margins & Profitability in the long run between 26-28% sustainably when the centres under these tenders start generating revenue, and incremental front loading of expenses halts allowing bottom lines to increase. In the state of Maharashtra, the company will be setting up 39 CT scan units in 20 locations, which will start revenue generation by Q1FY25. In Jan 2024, the Company received another contract from the Maharashtra Government for 17 CT, 17 MRI and Diagnostic Centres in 17 district hospitals of Maharashtra. For the BMC project, the company will establish 600 Pathology collection labs of which 462 were already operational. For the large Project of Assam, the company will establish 10 laboratories, 44 collection centres, operational 24x7 and 1,212 collection centres, which will start generating revenue from Q4FY24 onwards. In Odisha, their Project has already commenced operations in Q2FY24, and will witness substantial revenue growth from Q4FY24.

Rajasthan tender of 55 Districts of 150 labs and 1,295 collection centres

The tender of Rajasthan which got delayed due to the elections in Nov 2023, and leading to the formation of Government in the state has caused a delay in the implementation of the tender won by Krsnaa Diagnostics for all the 50 districts of Rajasthan (increased from earlier 33 districts) which once commenced, will yield a peak revenue of INR 3 bn (earlier INR 1.5 bn) annually from the state. This tender is expected to generate better margins for the company as the tender's number of districts has increased while the number of labs and collection centres remains the same.

Front loading of Expenses to halt in FY25 and Margins to improve

With several expansion Projects in Maharashtra, Assam, Odisha ramp up and BMC Project to complete by end of fiscal year FY24, we believe the front load expenses for the overall company will decrease from the Q1FY25 onwards, and the EBITDA Margins of the company will improve from current levels of 22% in H1FY24 to 25% in FY25E. Also, the newer Project's revenue generation will add up to the revenue for the FY25E by 39% and 15% in FY26E.

Valuation & Outlook

Krsnaa Diagnostics Ltd. is undergoing capacity expansion across several states including Maharashtra, Assam, Odisha and Mumbai. The expansionary Projects are expected to be completed by the end of this fiscal year, and as the front loading of expenses reduces from Q4FY24, the EBITDA margins for FY25 are expected to be 26% in FY25E and 27% in FY26E. We believe the pending High Court case on the implementation of Rajasthan tender will be ruled in favour of the company and will be yielding up to INR 3 bn of incremental revenue annually.

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Sukhjit Starch & Chemicals Ltd
CMP INR 464 | Market Cap INR 7250mn

Established in 1943, Sukhjit Starch & Chemicals Ltd is a venerable entity within the agro-processing industry, renowned for its expertise in manufacturing starch and its derivatives, including Liquid Glucose, Sorbitol, Modified Starches, and various by-products. Serving diverse industrial and commercial sectors such as food & beverage, paper & board, personal care & pharmaceuticals, and textiles, Sukhjit's products play integral roles in numerous applications. With a maize grinding capacity of 1600 tonnes per day and holding approximately 10% of the domestic market share on installed capacity, Sukhjit Starch & Chemicals Ltd has firmly established itself as a significant contributor to the industry's landscape.

Key Points

Products: Sukhjit offers a comprehensive range of products including Maize Starch, Monohydrate Dextrose, Sorbitol 70%, Anhydrous Dextrose, Liquid Glucose, High Maltose Syrup, MaltoDextrin Powder, Modified Starch, Maize Gluten, Maize Germ, Maize Oil, and Maize Bran (Cattle Feed), catering to various industries with diverse applications.

Revenue Split FY23: The company's revenue in FY23 was distributed across Starches, Starch Derivatives, and By-products & Miscellaneous Sales, reflecting its diversified revenue streams.

Manufacturing Facilities: Sukhjit operates five manufacturing units strategically located across India, including facilities in Phagwara (Punjab), Nizamabad (Telangana), Malda (West Bengal), Gur Plah (Himachal Pradesh), and a new unit set up inside the Sukhjit Mega Food Park in Phagwara. These facilities collectively contribute to the company's total production capacity of 550,000 TPA, supporting its diverse clientele.

Capex: The company has undertaken ambitious capacity expansion initiatives, including setting up a new unit inside the Sukhjit Mega Food Park and commissioning a Hydrogen Generating Plant for biomass processing at its manufacturing unit in Phagwara (Punjab). In FY24, Sukhjit plans to invest in upgrading and modernizing key equipment to ramp up existing capacities.

Mega Food Park: Sukhjit has formed a 100% SPV, Sukhjit Mega Food Park & Infra Ltd. (SMFP), to operate a mega food park, providing essential infrastructure for food processing units. This initiative is expected to generate revenue through leasing developed plots and charging user fees for common facilities.

Warrant Issue: Sukhjit has allocated warrants to both promoter and non-promoter entities as part of its financial strategy, indicating confidence in its growth prospects.

Investments: The company has made significant liquid investments, primarily in mutual funds, to ensure liquidity for meeting working capital requirements and supporting its growth initiatives.

Focus: Sukhjit is actively exploring opportunities to diversify its product portfolio by working with alternate commodities such as wheat and rice, with a particular emphasis on expanding its range of value-added products like HFCS, Sorbitol Powder, Functional Starches, Grain-based Alcohol, Feeds, Pet Food, and Bio-Fuel. Furthermore, the company aims to increase its production of value-added products by at least 25% by FY25, while also focusing on increasing its share of high-value starch derivatives to improve overall profitability. Over the next 24 months, Sukhjit plans to increase its daily maize grind capacity from 1600 tonnes to 2000 tonnes, further solidifying its position in the market.

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Indo Count Industries Ltd

CMP: INR 326 | Market Cap: INR 64,590mn

Yearly performance for the company was positive, but quarterly results were impacted by seasonal variations, leading to a below-estimate performance across all fronts. Revenue was up 8.6% YoY to INR 713 Cr, missing our estimate of INR 854 Cr (-29.3% QoQ). EBITDA (ex-OI) was up 42.7% YoY to INR 104 Cr, missing our estimate of INR 140 Cr (-36.9% QoQ). EBITDA margin was up 350bps YoY to 14.6%, missing our estimate of 16.4% (-180bps QoQ). PAT was up 52.8% YoY INR 58 Cr, less than our estimate of INR 79 Cr (-49.1% QoQ).

Company experiences seasonal impacts, primarily driven by the spring-summer and fall-winter seasons. These two significant periods witness high sales, occurring in Q2 and Q4. Conversely, Q1 and Q3 face lower sales, contributing to the comparatively subdued results in these quarters.

Volume guidance, margin guidance remains the same: The company is reiterating its volume guidance for FY '24, aiming for 90 million to 100 million meters. Despite near-term challenges from shipping delays and contingent upon geopolitical and shipping conditions remaining stable, the company expresses confidence in achieving the midpoint of volume guidance. They maintain previous guidance of 16-18% margins this year.

Investments and Capex Initiatives: The company is investing around 3 million in Accenture for process reengineering and better decision-making tools. A world-class facility for fashion bedding has been developed with an investment of approximately INR 60 crores. Moreover, investments in renewable energy, including solar, are underway to reduce costs and promote sustainability. The total capex for FY25, including these initiatives, is expected to be around INR 100 crores.

Q3FY24 Concall Highlights:

- **Diversification Initiatives for Global Market Expansion**: The company is expanding globally, aiming for a 60-40 sales ratio (US to non-US), currently 70-30. Successful in the UK, Europe, Australia, and the UAE, increased demand is observed with signed FDAs in Australia and the UAE. Anticipating similar trends with upcoming FDAs in the GCC and UK for a boost in Indian exports.
- **Red Sea Impact:** Red Sea impact mainly on UK and EU, not USA. Loss is from order bunching, not significant in volume. Current quarter involves a rollout with bunching, affecting inventories.
- Company Aims **Value-Added Segment to 30%**, of Total Revenue, which is currently 19%. Focusing on Fashion, Utility, Institutional Bedding, Branded Business, and Domestic Segments.
- **Debt-Free Vision:** Over the past two years, company invested INR 1100 Crores in capex for fashion bedding and acquisitions, for capacity expansion. Focus now shifts to debt reduction, utilizing profits to achieve a debt-free status within the next three to four years.
- **Expanding Domestic Share:** The company aims to leverage its team and diversified sales points to achieve 7-8% of the increased revenue from its domestic brand over the next 3-4 years. Positioned in a growing Indian economy, the focus aligns with the the expanding middle class for higher-quality goods.

Valuation and Outlook: Despite the impact of seasonal fluctuations on quarterly results, the company is maintaining its volume and margin guidance for FY '24 and anticipates positive results in the upcoming quarter. Additionally, with a vision to be debt-free, the company is diversifying its geographical presence. Simultaneously, it aims to expand its domestic market share. We assign a TP of INR 364 valued at a P/E multiple of 18x the FY26E EPS of INR 20.22, yielding an upside of 12%.

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Shaily Engineering Plastics Ltd

CMP: INR 498 | Market Cap: INR 23,000mn

Semaglutide:

• Company is the only spring driven solution that matches the innovators device. The supplies for rest of world markets will start by FY26 and for USA will start by 2030.
• 70% of semaglutide generic share will be with Shaily based on no. of contract signed and in discussions.
• H1 had good growth in contract manufacturing, H2 will have better growth in pens.
• Current semaglutide market is 150-200 mn pens a year. Number is expected to grow till 2030. 2-5 Bn doses a year will give result in 0.5 Bn pens a year (rough estimate for future)

Trizepatide:

• Last stage of development of auto injector for trizepatide (three step auto injector). Meant to be used with Mounjaro and Zepbound (generic equivalent). Lilly reported very healthy numbers on Trizepatide (and will continue to grow going ahead).
• Company in final stages of development for Trizepatide. They created healthy pipeline for Teriparatide and GLP1. Now the company is in process of onboarding customers to procure volumes for future.
• Company is currently trying to secure as many as generics as they can to create pipeline for trizepatide.
• NCE-1 filing deadline of May 2026, supplies for auto injectors will start by Dec 2024. Pen supplies will continue till CY25 & CY26. Official market launch will happen in 2035-2036. Company will still supply smaller volumes till then.
• Company doesn’t work with Novo & Lilly, only Sanofi and that too contract manufacturing.

New pharma facility:

• Operational end of Q2FY24, addition of machines in Q3. Asset turn of 2.25-2.5x at full capacity.
• FY26 will have high level of utilisation (will have market launches for Semaglutide, Liraglutide and scale up of some insulin businesses). Likely to be at full utilization. 90 days current WC in pharma business.
• Company invested INR1.25Bn in pharma in last 18-24 months, ramp up in revenue will be in 2 years.

Key Highlights:

• Own IP sales will increase over next 24-36 months, will overtake the sales of contract manufacturing.
• New orders awarded: 4 contracts signed for development & supply of pen injectors. Contract awarded for manufacturing 2 products in carbon steel and also for supply of caps (personal care segment)
• Q3 had higher revenues from pharma segment along with platform access fees (UK Business), which flowed directly into EBITDA. Some of the pharma income was backended, which gets recorded now.
• The platform fees wont be similar every quarter but will be constant. Management guided that figure will stay same in Q4. As pharma contribution increases, domestic will increase(nothing substantial)
• FY24 will do 20-25% growth in volumes. FY25 will have 25% value growth and 15-20% in volumes.
• For 9MFY24, ROE stood at 8.2%, ROCE at 12.9%, OCF to EBITDA at 46.9% and share of export at 74.2%.
• Margins similar to home furinishings and consumer business. Business is not sticky (customers switching suppliers based on pricing differential) hence company not actively pursuing.
• Toys capacity is fungible for any other business except healthcare.

Outlook:

The benefit of platform access fees coupled with orders in pharma side will help sustain margins from here for next few years. Pharma revenues aren’t recognised immediately but gets recognised over 9-12 month. Company sees EBITDA margins and ROCEs improving over the next two years on back of pharma contribution and increase in utilisation of facilities. New businesses will get commercialized next year Home furnishings, appliances, auto components, FMCG and healthcare will aid topline. Pharma to be 25% of business in 3 years and 35-50% of overall business in 6-7 years. FY23 had 10 Mn pen sales; FY24 will be able to do 20-25% growth in volumes. FY25 will have 25% value and 15-20% in volumes. We continue to remain positive on Shaily. At CMP, company trade 20.7x TTM EV/EBITDA and 41.9x TTM EPS.

Dodla Dairy Ltd

CMP: INR 849 | Market Cap: INR 50,470mn

Dodla's Q3FY24 Consolidated Revenue was up 10.6% YoY to INR 7,468 Mn (-2.7% QoQ), missing our estimate of INR 7767 Mn by 3.8%. Gross margin was at 30.05% (vs 26.82 in Q2FY24 and 25.34% in Q3FY23), beating our estimates of 27%. EBITDA demonstrated strong YoY growth, surging by 54.5% to reach INR 828 Mn (+18.0% QoQ) and outperforming estimated figures of INR 722 Mn by 14.7%. EBITDA Margin expanded 320bps YoY to 11.1% (+200bps QoQ), beating our estimate of 9.3%. PAT achieved YoY growth of 16.8%, reaching INR 413 Mn, QoQ decline of 5%. PAT fell short of our projected estimate of INR 458 Mn by 9.8%.

Factors Influencing Gross Profit: The gross profit saw an impact from two factors - a change in product mix and adjustments in selling prices. Notably, there was an increase of INR 0.30 in the selling price, accompanied by a corresponding decrease of INR 0.30 in procurement costs.

Procurement and realization: The average procurement price for the quarter was INR 37.67(vs INR 38.39 in Q2FY24) and avg realization for the quarter was INR 57.49 (vs INR 57.5 in Q2FY24). Average milk procurement during Q3FY24 increased by 36.7% YoY to 17.5 LLPD (vs 17 LLPD in Q2FY24)

Expansion Blueprint in Maharashtra: Company plans to initiate a five lakh capacity plant with an initial capital deployment of INR150-200 crore. Additional support infrastructure, including chilling centers, will require an extra INR50-60 crore. Regular annual Capex for market expansion is estimated at INR30-40 crore. Over the next two to three years, company anticipate a total spend of INR400-500 crore.

Diversifying Value added products Portfolio: After curd next products in VAP are ice cream and Ghee which are having good transaction. Flavored milk and butter milk will also continue to add. Company expects 1% increase in VAP portion going forward on a yearly basis. VAP sales pie was at 28% of total revenue for 9MFY24.

Other Highlights:

- **Guidance:** Company have given a guidance of 15% growth in revenue with the EBITDA margin of 8-10%. For FY25 volume growth of 7-8%.
- **Country Delight Dairy (Kenya):** Co In January 2024, Country Delight Dairy in Kenya expanded its grossing capacity by an additional one lakh liters per day. Company anticipate uptake, with expectations of reaching 20,000 to 30,000 liters within the next couple of months.
- **Africa business:** The business experienced a one-time impact due to local issues, resulting in a temporary decline. However, the expectation is to either maintain the current performance or witness improvement moving forward, similar to the previous year.
- **Debut TV Commercial:** In January 2024, the company launched its first-ever television commercial, aired on prominent regional and digital channels. This initiative aimed to capture the festive spirit surrounding Akashankaranthi and Pongal, to create brand image.
- **Orga Feed Expansion:** Companies Orga feed which is there cattle feed business capacity from 80 metric tons per day to 480 metric tons per day in the Q2 of FY '24.
- **Temporary Tax Surge:** The company declared a dividend of 35 Cr in subsidiaries with a tax rate of 32%, resulting in a tax of 10 Cr. However, it is anticipated that this impact will not persist in the future.

Valuation and Outlook: We assign a TP of INR 1,398 valued at a P/E multiple of 30x the FY26E EPS of INR 46.61, entailing an upside of 65% and a 'Buy' rating. The company's focus on procurement, expanding the VAP share, and an emphasis on revenue growth are poised to drive its future trajectory.

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PDS Ltd

CMP: INR 468 | Market Cap: INR 61,680mn

About Company: PDS Ltd is engaged in trading of garments, investment holding, design, development, marketing, sourcing and distribution of readymade garments of all kinds and other consumer products worldwide.

Global Economic Conditions:
The global economic landscape shows signs of improvement, albeit with cautious optimism. While the US economy stabilizes amid uncertainties, inflation rates are aligning with central bank targets, potentially leading to interest rate reductions to stimulate economic activity.

Sales Performance:
Sales experienced a decline in the first two quarters, followed by flat performance in Q3, with anticipation of growth in Q4. Investments have been directed towards enhancing capabilities for entry into the US and Indian markets. Significant progress has been made in sourcing services and agency businesses, with new client acquisitions such as Target in the US and Myntra in India.

Financial Performance:
Despite challenges, the company achieved a top-line revenue of Rs. 7,157 crores in the first nine months of FY'24, with an improved gross margin of 20.6%. However, increased employee and other costs were incurred due to new business additions. Net debt rose to Rs. 253 crores primarily due to the Ted Baker acquisition, yet the balance sheet remains robust with strong leverage ratios. Anticipated growth in upcoming quarters signals steady progress.

Market Expansion:
Expectations are high for an increased US market share to reach 20% next year, positioning the company as a partner for sustainability and innovation with large US retailers. Efforts are underway to engage at the C-suite level with senior leadership of large retailers, with the US business anticipated to contribute 50% of turnover in the next 3-4 years. Collaborations with brands like Shein are seen as opportunities rather than direct competition.

Product and Service Expansion:
In a bid for further expansion, the company plans to launch an ultra-fast fashion delivery product in China. Recent acquisitions, including Nobleswear, are expected to impact accounts and brand management positively. Additionally, details on the Gerry Weber business as a complete sourcing solution are outlined, alongside potential opportunities with partners like Myntra, Target, and Indian retailers.

Operational Details:
Operational strategies include hiring industry veterans to bolster the US business and integrating acquisitions like Ted Baker and Gerry Weber to optimize costs and profitability. Furthermore, clarifications are sought on the impact of factoring on gross margins and finance costs, as well as distinguishing between agency business and brand management within Ted Baker.

Outlook: The company demonstrates resilience amidst shifting economic landscapes, with market expansion efforts in the US and India and diversified product offerings. Financial stability, operational excellence, and a commitment to ethical practices and sustainability underscore its broader performance. With a proactive approach to seizing growth opportunities and navigating market challenges, the company is positioned for sustained success in the global marketplace.

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Bajaj Consumer Care Ltd

CMP: INR 218 | Market Cap: INR 31.04n

About Company: Bajaj Consumer Care is engaged in the business of cosmetics, toiletries and other personal care products. The Company has presence in both domestic and international markets.

Sales and Financial Performance:
Consolidated quarterly sales of INR236.4 crores with 4.3% value growth and high-single digit volume growth. Gross margins for 9 months FY'24 stood at 54.2%, an increase of 110 basis points due to lower cost of key raw materials. EBITDA for the quarter stood at INR38.4 crores, a 13% growth over the same period last year. E-commerce registered strong performance with a growth of 25% for Q3FY24 and 27% for 9M FY24. International business delivered strong performances with a growth of 59% in Q3 FY24 and 31% for 9M FY24.

Product Launches and Performance:
New products launched in Bangladesh, 100% pure glycerin, and 100% pure olive oil, showing encouraging initial demands. ADHO remained flat for the 9 months ended December '23, with large packs performing better.

Manufacturing facilities and capex:
Co has 3 manufacturing facilities in Himachal Pradesh, Uttarakhand and Assam and 9 outsourced manufacturing plants and 20 warehouses. They commissioned High Speed PET Line at Paonta Plant at a cost of Rs. 2.9crs which helped reduce operational costs by 20%. High Speed Pouch Line was commissioned at Guwahati Plant at a cost of Rs. 72 Lakhs. Company also has 9 offices across India.

Focus and Marketing Strategy:
Focus on digital marketing, influencer marketing, and traditional media to improve brand visibility. The company plans to focus on increasing the proportion of its non-ADHO portfolio in the coming years.

Market Conditions:
Demand conditions were mixed with urban markets seeing mid-single digit growth while rural markets remained subdued. Inventory correction impacted volume growth, but the company remains strong with zero credit to general trade.

Large National and international Footprint:
Company has ~8,100 Direct and indirect distributors spanning close to ~43 lakh retail outlets across India. In FY23, company reached 35,000+ outlets to its distribution network. Company also has a global presence in 30+ countries, with a specialized focus in SAARC, Gulf and Middle East, ASEAN, and African regions.

Outlook:
Guidance to balance sales growth and gross margin improvement to maintain EBITDA in the range of 16% to 18%. Gives a optimistic outlook for future growth with expanded portfolio and strategic initiatives in place.

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Dollar Industries Ltd

CMP: INR 494 | Market Cap: INR 28,020mn

Company saw volume growth of 30% YoY with increase in gross margin and performed strong on console YoY basis, QoQ should not be compared due to seasonality. However, results were slight below our estimates. Revenue was up 16.3% YoY to INR 332 Cr (-19.7% QoQ), slight below our estimates of INR 337 Cr. EBITDA demonstrated YoY growth of 71.7% to reach INR 33Cr (-22.3% QoQ) and below estimated figure of INR 37 Cr by -11.8%. EBITDA Margin up by 317bps YoY to 9.8% (-33bps QoQ), underperforming our estimate of 11%. PAT stood at INR 18 Cr (vs INR 8 Cr in Q3FY23 and INR 25 Cr in Q2FY24) which was below our estimates by 19.3%. Results were affected by seasonal products but Q4 is anticipated to be positive.

Expansion of Lakshya Project: The Lakshya project saw progress in Q3 FY24, with 9 new distributors added, bringing the total to 280, up from 229 in FY23. Lakshya's contribution to domestic sales rose from 19% in FY23 to 27% in the first nine months of FY24 and 29% in Q3 FY24. Presently operational in 13 states, the aim is for Lakshya distributors to contribute 65% to 70% of revenue by FY26. Southern India, historically underserved, contributed approximately 9% to revenue in the first nine months of FY24. However, the project was planned to be completed in 4 years but there was a delay, due to covid and other operating problems.

Anticipated Mitigation of Price Cut and Planned Price Hike for FY25: The company expects to mitigate the negative impact of price cuts on revenue growth by H1 of FY25, potentially leaning towards the second quarter. This indicates an anticipation of improved revenue growth dynamics thereafter. ASP Was 71.11rs in FY22 Vs 69rs in FY23 and FY24 (9M) it is 68-69rs. Expecting it to get FY22 level.

Guidance: Company aims for INR 2000Cr of revenue in FY26 with the EBITDA margin of 13-14% and for FY25 expects to get 12-13% revenue growth. Now, for FY24 guidance of 11-12% is given which is revenue of INR 500Cr for Q4 (Volume growth is projected at 25%, offset by a 6% decline in realization) with EBITDA margin of 14% and 10.5-11% for FY24.

Q3 Concall highlights:

- Stable raw material prices led to a 375 bps increase in **gross profit margin** YoY, reaching 33.9% in Q3 FY24.
- **EBO's** currently stand at 18 and can see a addition of 5-6 new EBO's in Q1FY25.
- In Q3 FY24, **advertising expenses** were Rs 19 crores, slightly lower than Rs 20 crores in Q3 FY23. The annual target for advertising expenditure remains within 6-6.5% of the top line.
- In Q3 FY24, **modern trade and ecommerce sales** comprised 7.5% of total sales, vs 4.4% in the 9M FY24. The target is to reach 8% by FY26.
- The **cash conversion cycle** improved to 155 days in Q3 FY24 from 170 days in Q3 FY23, driven by a 14-day reduction in inventory days. The company aims to achieve a working capital cycle of 120 days, targeting debtors days of 65 days and inventory days of 90-95 days by FY26.
- Company prioritize sustainability by adopting eco-friendly practices, reducing our carbon footprint, and promoting responsible manufacturing. Recent **solar power plant** commissioning has increased capacity from 7.5 to 10 million units per year.
- Decision to appoint **Safali Khan as the brand ambassador** for dollar always has yielded good results with economy segment revenue increasing by more than 24% YoY.
- The response to **Force NXT activewear and women's athletic products** has been positive, with a 60% YoY growth in value and a 54% increase in volume.
- Approximately 20% to 30% of manufacturing production is in-house, while 70% is outsourced through job work, providing **flexibility to adjust capacity** as needed without constraints.

Valuation & Outlook: We anticipate company will be able to achieve guided revenue growth due to stabilized cotton prices, price rise improved market sentiment among distributors, and a focus on premiumization. Along with all this project lakshya to help in revenue and profitability growth. We assign a TP of INR 734 valued at a P/E multiple of 25x the FY26E EPS of INR 29.3, yielding an upside of 49%.

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Unihealth Consultancy Ltd.

CMP: INR 130 | Mcap: INR 2bn

Established in 2010, Unihealth Consultancy Ltd is a healthcare service provider headquartered in Mumbai, with a widespread operational footprint extending across several nations within the African continent.

Core Segments- Unihealth Consultancy Ltd operates across various business segments, including Medical Centers, Hospitals, Consultancy Services, Distribution of Pharmaceutical and Medical Consumable Products, and Medical Value Travel.

Operational Reach- The company manages a combined capacity of 200 hospital beds spread across two multi-specialty facilities. This includes the UMC Victoria Hospital in Kampala, Uganda, with a capacity of 120 beds, and the UMC Zhahir Hospital in Kano, Nigeria, housing 80 beds. Additionally, the company oversees the 'Unihealth Medical Centre', a specialized dialysis facility located in Mwanza, Tanzania.

Consultancy Offerings- Unihealth Consultancy Ltd is actively engaged in providing Project Management Consultancy Services, particularly contributing to the establishment of a Health City comprising over 300 beds in Undri, Pune, in collaboration with PHRC Lifespaces Organization. Moreover, the company is involved in various healthcare consultancy projects in Kenya and Angola.

Pharmaceutical Distribution- The company exports and distributes pharmaceutical and medical consumable products in Uganda, Tanzania, and Nigeria. It serves as a distributor for pharmaceutical and consumable manufacturing companies based in India across different African nations.

Product Portfolio- Unihealth Consultancy Ltd's product portfolio includes laboratory consumables, surgical sutures, dialysis consumables, general medical consumables, and intensive care medicines.

Clientele- The company serves a diverse clientele originating from countries such as India, Uganda, Nigeria, Tanzania, Kenya, Zimbabwe, Angola, Ethiopia, Mozambique, and the Democratic Republic of Congo.

Company Structure- Unihealth Consultancy Limited acts as the holding company overseeing various business verticals and geographical operations through its subsidiaries, joint ventures, and associate companies.

Unihealth Pharmaceuticals manages the export and distribution of pharmaceutical products across Africa.

UHS Oncology specializes in dedicated radiation oncology units and cancer care centers throughout Africa.

Victoria Hospitals Co. owns and operates the 120-bed UMC Victoria Hospital in Kampala, Uganda.

Unihealth Uganda Limited holds a wholesale pharmacy license from the National Drug Authority of Uganda for pharmaceutical product distribution.

UMC Global Health Limited operates the 80-bed UMC Zhahir Hospital in Kano, Nigeria.

Biohealth Limited operates a dialysis unit in Tanzania.

Unihealth Tanzania Limited is in the process of obtaining a wholesale pharmacy distribution license.
Aryavarta FZE offers consultancy services tailored to healthcare service providers.

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Rockingdeals Circular Economy Ltd

CMP- INR 402 M.Cap- INR 2.28bn

Rockingdeals Circular Economy Ltd, established in 2005, specializes in the wholesale trading of surplus inventory, open-boxed items, re-commerce goods, and refurbished products.[1]

Here are the key aspects of our operations:

Business Profile: We operate as a B2B re-commerce entity, facilitating the bulk trading of surplus inventory, open-boxed items, re-commerce goods, and refurbished products. Our services assist companies in efficiently disposing of their excess inventory.

Business Activity: Engaged primarily in bulk trading, we source products from various vendors and distribute them in wholesale quantities.

Warehouses: Our corporate headquarters is located in Faridabad, and we operate three warehouses across Haryana to manage our inventory effectively.

Product Portfolio: We offer a diverse range of products across more than 18 categories, including:

Electrical Appliances (brands like Syska, Havells, LG, Panasonic, Usha, Crompton, Luminous, Phillips, etc.)

Apparel & Footwear (featuring brands like Zara, Nike, Campus, etc.)

Speakers (brands include Boat, JBL, Gizmore)

Mobiles and Mobile Accessories (featuring Lenovo, Boat, Gizmore, etc.)

Vendors: Our products are sourced from e-commerce platforms such as Snapdeal, affiliates of Flipkart and Amazon, as well as companies like GO Auto, Salora International, Zazz Technology Connect Private Limited. We also collaborate with dealers & distributors such as Matrix Housewares, Raj Agency, Sudhi Enterprises, among others.

Revenue Bifurcation: Our revenue stream is primarily derived from B2B transactions, constituting 97.5% in FY23 compared to 98% in FY22. B2C transactions contribute 2.5% in FY23 as opposed to 2% in FY22.

Waste Management Business: In 2020, we forged a strategic partnership with SSL E-Waste Management LLP, in which we hold a 50.01% stake. This venture is dedicated to electronic waste management.

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Suyog Telematics Ltd

CMP: INR 1,073 | Market Cap: INR 11.4 bn

Opinion: There is a large reliance on Vodafone Idea in terms of revenue, and the longer Cash cycle, poses concerns on their revenue visibility. Also, while revival of BSNL will incrementally improve their tenancy ratios, the advent of newer technologies does not changes the requirement of newer towers with 5G rollout almost done across India, and also when 6G comes.

•Guidance: 35-40% additional revenue growth over next 3-4 years. Existing Towers: 6 lakh, New Potential is of 6 lakhs towers.

•50% of Incremental will be done by Indus, remaining 1-2 lakh will be done by Jio themselves for cost efficiency, remaining 1.5-2 lakh towers to be done equally by the 4 players. Suyog Telematics will do 10-15K only new towers.

Key Highlights: •Suyog Telematics derives their revenue: 50% from Airtel, Jio 23%, Vi 27% and Others (BSNL) 0.3%.

•Over next 2 years, Others (BSNL) will grow to 10-12% of the Mix as Govt is spending hugely towards BSNL. Airtel & Jio will continue at current pace.

•They currently have: Towers 4,327, across 28 states with 5,106 tenancies. The company does not keeps any tower vacant without tenancy, and has 4,981 kms in Optical Fibres network.

•Electricity Bills have to be paid in advance as billing is done daily basis, and the Government accounts them and pays back after 1 month. So, the Electricity cycle goes up to 90 days.

•The Business model is to first get Order from an Operator, then go to build a tower. This helps the company reduce risk and avoid loss of assets.

•Average Tenancy Ratio: For Macro 1.8, and for small cell its 1.2.

•IP charges on an Average in small cell is INR 16,000 while in Macro is average INR 22,000. IP charges increases per year by mere 2.5% escalated every year. IP Fees is received based on Location type, City Premium, No. of Operators in the Location. Site Rentals are built as Fixed Expense/cost with the IP Fees.

•Loading charges INR 4-5,000 in small cells and INR 8,000 in macro regions.

•They require additional INR 6,000 mn of Capex for new 10,000 towers. INR 650 mn is financed by Promoters Warrant (at Price of INR 580 per share). At any point in Time, the Company has 400-500 tower Requests.

•The Management expects the BSNL to use existing towers which will improve their tenancy ratios in the future. Currently, 40% of revenue comes from Mumbai & Maharashtra and 60% from Rest of India.

•By March end, the Investment towards the Rope-way Project in Nashik will go away, and there is no revenue/interest earned on the Investment in Projects. Investments made are of INR 160 mn which have been gained back by March 2024.

•Airtel/Jio advance payment is requisite, and received by end of the month and billed on 1st of the same month. For Vi, the Collection cycle is of 90 days, while the Billing is done on a monthly basis as is with other clients

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Max Estates Ltd

CMP: INR 254 | Market Cap: INR 37.45 bn

Company Overview:

Max Estates Ltd, a prominent player in the real estate sector, operates within the dynamic landscape of the Indian economy. With resilience witnessed post-COVID, the economy is on an upward trajectory, fostering robust market conditions. Urban centers experience heightened housing demand driven by increasing incomes and rapid urbanization. Additionally, the return to office trend amplifies the demand for commercial office spaces in India. Notably, the real estate sector in the Delhi NCR region is positioned for substantial growth.

Strategic Initiatives:

Max Estates is committed to expanding its portfolio by 2 million square feet annually, demonstrating its ambitious growth trajectory. The company has successfully secured over INR 3,000 crores in capital through a mix of equity and debt, underlining its strong financial position. Emphasizing execution excellence, Max Estates prioritizes timely project delivery and superior construction quality. Furthermore, sustainability remains a core focus, with all buildings certified gold or platinum for their green and health aspects.

Property Holdings:

Max Estates boasts a diversified property portfolio, showcasing its operational strength and market presence. Properties like Max Towers and Max House Phase 1 enjoy full occupancy with steady leased rental income. Max Square, currently at 55% occupancy, is poised to achieve full leasing by 2024. Moreover, Max House Phase 2 commands a premium of 35% to 40% over market rates, indicating strong market demand. Land parcels have been acquired for mixed-use development at Max Square 2 in Noida, while Max 65 in Gurugram presents a significant development opportunity of 1.6 million square feet.

Financial Performance and Outlook:

In the fiscal year '24, Max Estates showcased robust financial performance with notable revenue, EBITDA, and PAT figures. The company maintains a prudent debt position, with INR 767 crores in debt and net debt at INR 323 crores. Plans are underway to recognize income from Estate 128 in FY '28, with anticipated booking values ranging between INR 2,200 crores to INR 2,400 crores in FY '25. The company earmarks INR 1,300 crores to INR 1,500 crores for capex over the next five years to deliver 8 million square feet. Furthermore, proceeds from real estate sales will be reinvested into respective assets. The completion of Max Square 2 and Max 65 projects by the end of FY '24 will unlock their full revenue potential, projected at INR 400 crores to INR 475 crores over the years.

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Mahindra Lifespace Developers Ltd

CMP Rs 545 | Market Cap INR 84.52 bn

The company has sizeable amount of pipeline which is to materialize in the coming quarters. Several projects of the company are set to see the day light .The company is focussing on the mid premium and premium segment. Management aspires to grow the business by 5x to 8-10kcr, that is five times of FY23. Plotting business has proved to be profitable in Chennai and the same shall be explored in the coming time.

Financial Performance- Q3 presales of 443 cr(-1.8%YoY) - 9 month presale of 1,243 cr (-14.4%YoY)

-PAT Q3 ta 50cr(+47%) - Pipeline of 5k cr.

- Best ever Quarter for IC business with 70 acres in land with a value of 224 cr. Company plans to maximise its return form the IC business and invest the cash generated into the residential projects.

Business Update

- RERA received for Mahindra Vista at Kandivali. Four project launches in the first 9 months. Phase 2 of Mahindra Citadel at pune was launched in Q3 with 40% of the inventory sold on the launch date.- -First plotted development in Chennai was sold out with great margins and second plotting development is planned for FY25. Approvals awaited for the Navy project at Malad, Mumbai. - With the government increasing its capex spending in the interim budget, the company will receive its positive impact on the IC segment. - Company is in process of availing approvals to develop their land parcel in Thane which is of sizeable size.

Change in Management

Avinash Bhapat will take the role of CFO in place of Vimal Agarwal

GDV breakup- Kandivali project- 2600cr+, phase I will be launched with 1200 cr of inventory. Malgudi Bangalore- 500cr(GDV) and Wagholi, pune- 1400 cr GDV of which 600-700cr of inventory to be launched in this quarter. Both of them are in final stages of approval.

Navy project in malad about 1000cr of GDV.

Plotting Business-The profitability and ability to bring cash back is very high in plotting business and that’s why the company is accelerating efforts in this area on all land parcels where adequate approvals are in place and the market can absorb. One plotting project was done in Chennai and the second one is in line as well. Several projects in this segment can be seen in the next 12-24 across all locations.

Area Focus- The company in the near term plans to focus on increasing its share and offerings in the Mumbai, Pune and Bangalore region.

Pipeline segmentation-The 5k cr pipeline is 60% in Mumbai and the remaining is equally distributed among Pune and Bangalore.

Company Segment focus-The company plans to maintain its focus on the mid premium and premium category with gradually sun setting the affordable housing category all together.

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Suraj Estate Developers Ltd

CMP Rs 276 | Market Cap INR 12.26 bn

Established in 1986, Suraj Estate Developers Limited (SEDL) stands as a stalwart in the real estate sector, renowned for its expertise in crafting exquisite residential and commercial properties within the vibrant landscape of South Central Mumbai.

Q3FY24 was a strong quarter with pre-sales of 35,537 sq ft of area translating to a sales value of ~Rs 143 crores. Effective cost control measures led to a growth of 10% in our EBITDA thereby improving margins by ~400 bps. Company has repaid high- cost debt to the tune of Rs 285 crores in the month of December 2023 using the IPO proceeds. An additional Rs 23.5 crores of unsecured debt is repaid from gross collection proceeds, resulting in lower interest costs and strengthened balance sheet. Benefit of reduced interest costs expected Q4FY24 onwards.

KEY HIGHLIGHTS

Property Holdings: SEDL's strategic foresight is reflected in its ownership of prime land parcels in coveted locales like Bandra (West) and Santacruz (East), boasting a substantial total area of 10,359.77 square meters as of October 31, 2023.

Luxury Focus: With an unwavering commitment to excellence, SEDL places a distinct emphasis on the luxury and commercial real estate segments, marking its entry into the residential development sphere in the prestigious Bandra sub-market.

Completed Projects: The illustrious journey of SEDL encompasses the successful completion of 42 projects, comprising a sprawling developed area exceeding 1,046,543 square feet, further enhancing the allure of South-Central Mumbai.

Ongoing Projects: Currently, SEDL is orchestrating the realization of 13 ambitious projects, encompassing a vast developable expanse of 2,034,434 square feet, with a saleable carpet area spanning 609,928 square feet, indicative of its enduring commitment to progress and innovation.

Upcoming Projects: As a testament to its forward-looking vision, SEDL is poised to unveil 6 upcoming projects, anticipated to contribute significantly to the urban landscape, with an estimated carpet area of 744,149 square feet. Notable ventures in the pipeline include Ave Maria (Dadar), Vitalis (Mahim), Suraj Parkview 2 (Dadar), and Suraj Eterna (Mahim), each destined to leave an indelible mark on Mumbai's skyline.

Residential & Commercial Portfolio: SEDL caters to the discerning tastes of its clientele, offering an extensive array of residential options spanning the "value luxury" and "luxury" segments, characterized by impeccable craftsmanship and unparalleled elegance. Moreover, in the commercial domain, SEDL has distinguished itself by delivering bespoke, built-to-suit corporate headquarters, catering to esteemed institutions such as the Saraswat Cooperative Bank Ltd (Prabhadevi) and the Clearing Corporation of India Ltd (Dadar), thereby solidifying its position as a preferred partner in business excellence.

Reliance on Third-Party: Acknowledging the symbiotic nature of its operations, SEDL remains wholly reliant on third-party contractors for the execution of construction services, prioritizing collaboration and fostering enduring partnerships to ensure the seamless realization of its visionary projects, thereby upholding its unwavering commitment to quality and customer satisfaction.

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Shankara Building Products Ltd

CMP Rs 644 | Market Cap INR 15.61bn

Shankara Building Products Ltd continues to showcase strong financial performance, with notable highlights including a 22% year-on-year revenue growth in the first nine months of fiscal year 2024, along with an impressive nearly 35% surge in non-steel revenues.

The quarter saw EBITDA margins peaking at 3.4% and EBITDA reaching Rs. 40 crores, marking a significant 23% year-on-year increase. Net profits for the quarter soared to Rs. 21 crores, reflecting an impressive 31% year-on-year growth.

In terms of strategy, the company is strategically demerging the building materials marketplace to streamline operations, while placing a strategic emphasis on value-added products like private label Fotia Ceramica.

Commitment to driving growth and innovation across all sectors remains steadfast, with a particular focus on leveraging digital presence and exploring digital opportunities.

Expansion plans are ambitious, with new fulfillment centers slated for the Western and Central regions and the opening of 2 to 3 new retail stores annually. Additionally, the company plans to inaugurate 2 to 3 new fulfillment centers each year, penetrating new markets.

Looking ahead, Shankara Building Products Ltd anticipates a robust 20% to 25% compound annual growth rate (CAGR) in revenues and EBITDA, with optimization of manufacturing capacities over the next 3 to 4 years.

The company is also focused on enhancing customer retention and growing the average ticket size in retail transactions, with a target of achieving full manufacturing utilization (100%) within the same timeframe.

Expansion strategies prioritize seizing market opportunities rather than solely saturating existing markets.

Retail Business: Retail continues to perform, with a focus to leverage the strength of the brands company deals with and its wide product portfolio to create a customer pull at all our stores. Company has achieved Same-store sales growth of 15% during 9M FY24

Non-retail Business: Channel and Enterprise business continues to be strategic for growth. This segment caters to the requirements of large end users, contractors and OEMs, primarily for their steel-related products presently

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AGS Transact Technologies Ltd

CMP Rs 68.1| Market Cap INR 8.33bn

AGS Transact Technologies Ltd is one of India's leading Omni-channel payment solution providers. It is the second-largest company in India in terms of revenue from ATM managed services and also the largest deployer of POS terminals at petroleum outlets in India.

Recent governmental measures aimed at fostering financial inclusion have been deliberated upon, emphasizing the company's role in expanding the presence of ATMs and CRMs in Tier-3 and Tier-4 towns. Additionally, the budget allocation for bolstering digital payments has been underscored as a pivotal avenue for promoting financial inclusivity.

In the realm of Digital Security and Innovation, the company has adhered to the Reserve Bank of India's framework aimed at fortifying digital security measures. Furthermore, there are plans in motion to introduce programmability in CBDC retail payments, alongside the successful launch of UPI in France and the ongoing pilot testing of Open Loop Contactless Fuel Payment solution.

Regarding Business Expansion and Contracts, notable achievements include securing contracts for deploying ATMs from the prestigious State Bank of India, along with the completion of the deployment of cash vans for UBI and Canara Bank. The company's footprint in Southeast Asian countries continues to grow, with significant strides such as the issuance of NCMC cards for Bangalore Metro Rail Corporation.

In terms of Financial Performance, the company has discussed its financial performance for Q3 and the nine-month period of FY24, highlighting provisions made for aged receivables and one-time expenses. Moreover, there has been a noteworthy reduction in consolidated net debt on a quarter-on-quarter basis, and the performance of subsidiary Securevalue India Limited has been deliberated upon.

Guidance and Strategy outline the company's approach towards future endeavors. While specific revenue guidance has not been provided, there is clear visibility of revenue stemming from new contracts. The company is actively engaged in evaluating the unit economics for its CRM and POS business segments, alongside efforts to enhance the working capital cycle and reduce debt. Plans for debt repayment and capital expenditure for executing new contracts are in progress, with a focused approach on OMC POS and the issuance of new products in the foreseeable future.

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Sunteck Realty Ltd.

CMP- 394 M.Cap- INR 57.80bn Tagret- 900 Promoter Holding- 67.2%

The Company is primarily engaged in the business of real estate and real estate development and incidental services. The Company is engaged in real estate activities with owned or leased property. Its business focuses on designing, developing and managing residential and commercial properties. It is focused on city-centric developments spread-out across Mumbai Metropolitan Region (MMR). The company is amongst one of the India's leading luxury real estate developers.

Sunteck Realty has a presence across segments like Uber luxury, Upper mid Income and :ow mid income. Some of the most known business tycoons of top financial institutions, corporations, multinational companies, and renowned celebrities call SRL's Flagship Project Signature Island in Bandra-Kurla Complex (BKC) home. SRL has city centric development portfolio of about 50 million square feet spread across 32 projects and 16 Projects completed & delivered. The company is majorly into residential and commercial projects, residential projects contribute 80% and commercial forms 20% of the total portfolio. The company has been a trendsetter in creating iconic destinations which includes Signature Island at Bandra Kurla Complex, Sunteck City at Oshiwara District Centre, Goregaon West and Sunteck at Naigaon.

We continue to believe in Sunteck's strong brand recall in the market, its organizational capabilities as a whole to continue to add profitable, easy on balance sheet assets to its future portfolio and last but not the least, good corporate governance standards. IFC's partnership with Sunteck for a platform to build green housing projects in India is a further re-assurance in our confidence regarding Sunteck'ssolid governance standards

Near term outlook

We are in a seasonally strong quarter for real estate sector and on the back of recent launch at Kalyan, upcoming launches at Naigaon and Mira Road and the already firing other engines, pre-sales momentum for Sunteck is expected to be strong in Q4. Additionally, there is a high probability of Sunteck recognizing revenue for the Sunteck Maxx World & Sunteck City 4th Avenue projectsin FY24/FY25.

Longer term outlook

MMR is an attractive housing market with ever improving infrastructure landscape which opens up more and more opportunities for developers and at the same time MMR affordability continues to be good. Sunteck with its strong balance sheet, solid experience has all ingredients needed to pull off a successstory in such a scenario.

Valuation

We value Sunteck on SoTP of NAV based valuation of residential and commercial asset portfolio. We now use a discount rate of 12% to discount the cashflows vs. 13% earlier, as we are now probably at the peak of rate cycle in India and globally. Once revenue recognition starts and IND AS reported pnl looks more robust, there is s strong case for the NAV multiple to rerate beyond 1.25x, in our view, which we don't factor into our numbers. As the transitory overhangs fade away over time, Sunteck's share price performance is expected to trigger o/p vs. the larger listed peers. We revise our NPV multiple of 1.25x (sector trading at 1.5x in our view) to arrive at a TP of INR900/sh (Earlier TP: 592) implying ~90% upside from the CMP and we maintain our Buy rating on the stock.

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Lloyds Metals & Energy Ltd

CMP- INR 584 M.Cap- INR 295.02bn

Short summary: Result were good, but pre-reported on Jan 22nd. Co has ambitious plans to increase the asset base multi-fold (5-8x or may be more) over the next 6-7 years – mostly with internal accruals. This has the potential to increase EBITDA from current INR 20bn per year range to INR100-150bn per year gradually as a step function. Stock price is also somewhat ahead of current pnl capability, buy only partially reflects the huge future potential.

Details:

Financials: Consol Revenue/EBITDA/PAT came in INR 19.2 (+73% q/q, +91% y/y) /4.6 (+50% q/q, +100% y/y) /3.3 (+43% q/q, +63% y/y) bn. Q3 sales volume came in at 2.6 mn tons (vs 2mn tons in Q2 and 1.73 in Q3FY24). DRI sales volume came in at 67kt (+40% q/q, +10% y/y) and power sales volume came in at 53.64 mn kwh (+46% q/q, +15% y/y). 4 key segments in the order if size – iron ore mining, sponge iron, power and pellet trading. 9MFY24 capex came in at INR 9 bn.

Realisations for iron ore came in at INR 5,250 for the quarter (+12% q/q, +14% y/y).

Iron ore mining capacity limits at 10mt per year so for Q4FY24 the volume potential is 2mt of iron ore, given 9MFY24 volume came in at 8mt.

Iron ore mining capacity is set to increase from 10mtpa now to 55mtpa. The incremental 45mtpa is BHQ (almost reject grade) which has to be upgraded to 65% grade by setting up beneficiation plant – first of its kind in India, but well established process in China etc. 45mt of beneficiated BHQ will give an output of 15mt of 65% grade standard ore. So in total the potential is to grow from 10mtpa now 25mtpa in next few years.

Capex Program: All of the capex will be from internal accruals. Expansion projects envisaged are 12mtpa of Pellet plants, DRI plant addition of 0.36mtpa, 1.2mtpa of wire rod plant, blast furnace 3 mtpa, 2 slurry pipelines of 85km and 190km each, coke oven of 1.8mtpa and 45mtpa (3*15tmpa) BHQ beneficiation plant. All of these projects will roll out in phases over the next 6-7 years.

Annual capex outlay over the next few years would be INR25-30bn.

Volume guidance: If approval comes for increase of capacity from current 10 to 12mtpa, FY25 volume would 12mt. Pellet trading volume in FY25 would be 0.5mtpa, but could be dramatically different upto 1.8mtpa if the market presents an opportunity.

NMDC hiked prices by Rs500/t, will LLoyds follow? Lloyds already ahead of market in terms of pricing, so not much of a scope.

BHQ ore sales-cost-profit dynamics: Realisation will be in excess of INR5,000 per ton based on current reference point. Cost of mining would be INR1,200 per ton, royalty of INR 1,000 per ton (may much lower, need to work with MoEF) and the rest being profitability. 800mn tons of available BHQ ore would yield 250mn t direct sales ore – 65% grade. Because of mining of 800mn tons of BHQ, 300 mn ton of regular ore lying underneath the heap would be exposed which is a bonus

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Hariom Pipes Industries Ltd.

CMP-INR 474 M.Cap-INR 13.67bn

Hariom Pipe Industries Ltd (is part of the prestigious Hariom Group and headquartered Hyderabad, Telangana The company is the premium manufacturer of Iron and Steel products The company has prominent presence in south India and expanding to west India like Maharashtra The Mild Steel Pipes are marketed and sold in the brand name of Hariom Pipes"

The company manufacture MS Pipes and Scaffoldings of more than 150 different specifications and cater to customer requirements The requirement for MS Pipes and Scaffoldings comes from sectors such as housing, Infrastructure, power, automotive, agriculture, solar power, cement, mining and engineering.

Established presence in the steel industry

The promoters have more than three decades of experience in the steel industry; their strong understanding of market dynamics helped diversify the product profile and integrate operations; they also built healthy relationships with steel traders and manufacturers across Maharashtra, Kerala, Andhra Pradesh, Telangana and Tamil Nadu. Revenue is expected to improve significantly, led by the incremental capacities getting operational in the ongoing and upcoming fiscals.

Integrated operations leading to healthy operating efficiency

The company started with a furnace to manufacture mild steel (MS) billets and has integrated forward over the years into hot-rolled (HR) strips, MS tubes, galvanised pipes and galvanised iron pipes and scaffolding. The company has also integrated backward and started manufacturing MS sponge iron in fiscal 2021. The integrated operations helped limit the impact of downcycles and sustain better profitability (operating margin stood at 11.0-13.4% for the past three fiscals), when compared with other steel players.

Further, savings in power cost -- owing to availability of the solar power capacity and the new furnace unit -- aids the operating margin despite moderation in sales realisations. The margin is likely to further improve over the medium term, with steady addition of value-added steel products to the product portfolio.

Comfortable financial risk profile

The financial risk profile should remain supported by the absence of any large, debt-funded capital expenditure (capex) over the medium term. Despite a recent capex and increased working capital requirement, gearing is expected below 1 time, supported by incremental cash accrual and fund infusion (in the form of equity and warrants).

Around Rs 135 crore has been received via issue of warrants and shares on preferential basis; the balance (around Rs 55 crore) will likely be received within the first half of fiscal 2025. Debt protection metrics will continue at healthy levels, with interest coverage ratio projected above 4 times over the medium term

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Kilburn Engineering Ltd.

CMP-INR 288 | Mcap: INR 10.82bn

Revenue

The revenue is expected around INR 3,300mn in FY24E. Around INR 2,900-3,000mn from the core business and INR 300mn from the acquisition in FY24E. The revenue is expected around INR 4,000mn to INR 5,000mn by FY25E.

Margins

The margins are expected around 18%-20% in FY24E.

Order book

The order book stood at INR 2,360mn as of Q3FY24. The export order book was INR 300mn and the Site order book stood at INR 250mn.

The order inflows stood at INR 946mn (+37.1%) as of Q3FY24.

The company got orders from the steel industry and the steel industry share is expected to increase going forward.

Order pipeline

The order pipeline is expected around INR 10bn and the conversion ratio is around 25%-30%.

Acquisition

ME Energy acquisition is expected to be finalized shortly. The transaction is expected to be completed through Equity Swap.

ME Energy's order book stood at INR 1,186mn as of Q3FY24.

ME Energy's revenue is expected INR 650-700mn in FY24E. EBITDA margins are around 14%-15% going forward.

Working capital days

The networking capital days are around 60 days.

Other highlights

The company is executing API orders for granules.

The order pipeline from soda ash, carbon black, chemical, and pharma segments.

Gas turbine power plants require 24 hours of waste heat recovery. The company has supplies in those areas.

Outlook: Kilburn Engineering has an order book of INR 2,360mn (~1.1x of FY23 revenue) and an order pipeline of INR 10bn shows potential business visibility going forward. The acquisition of ME Energy will create a synergy and unlock the potential going forward. We have a positive outlook on the stock.

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Dev Information Technology Ltd

CMP- INR 108 M.Cap- INR 2.39bn

Established in 1997, Dev Information Technology Ltd specializes in providing IT-enabled services, focusing on digital transformation through the utilization of Cloud, Automation, and Data technologies.

Business Overview: Dev IT functions as a Technology Solutions Provider, facilitating Digital Transformation by harnessing Cloud, Automation, and Data technologies.

Services Offered: a) Cloud Services: Offerings include Cloud Advisory, Application Modernization, Managed Cloud Services, Enterprise DevOps, and Backup & Disaster Recovery.

b) Digital Transformation: Services encompass Modern Workplace solutions, M365 Migration Services, Hybrid and Remote Work solutions, Cyber Security Services, Data & Analytics solutions, and Blockchain Solutions.

c) Enterprise Applications: Services include implementation and support for Microsoft D365 F&O, Microsoft D365 CRM, D365 Business Central, and Microsoft Power Platform.

d) Managed IT Services: Services cover Data Center Support and Managed Digital Workplace solutions.

e) Application Development: Expertise in developing bespoke software solutions tailored to client needs.

Product Profile: a) Talligence: An AI/ML powered business intelligence solution designed to translate Tally accounting data into actionable business insights.

b) Byte Signer: An automated and secure platform for digitally signing various types of documents including invoices, legal documents, and contracts in PDF format.

Alliances: Dev IT holds partnerships with major tech players such as Microsoft (Gold and Silver Partner), AWS (Consulting Partner), Adobe (Certified Partner), among others. Overseas Subsidiary: The company operates a subsidiary in Canada known as Dev Info - Tech North America Ltd.

Clientele: The client base includes both international and domestic entities such as BM Offshore & Marine Engineers, Harsha Engineers, Gruber Logistics, Govt of Gujarat, Govt of Rajasthan, and various others.

Revenue Breakup - FY23: Sales of Products accounted for approximately 6%, Sales of Services constituted around 89%, with Other Income making up the remaining 5%. Geographical Revenue Split - FY23: In FY23, revenue distribution was as follows: Europe approximately 1%, Other Countries about 20%, and India dominating at 79%.

Sub Division: During FY23, the company approved the sub-division of fully paid-up Equity Shares in the ratio of 1:2. ESOP: In FY23, the company granted 1,07,562 fully paid-up equity shares and allocated 36,4600 shares to various employees under the ESOP Scheme.

Acquisition: On December 12th, 2023, the company approved the execution of a Share Purchase Agreement to acquire a 100% stake in Dhyey Consulting Services Private Limited.

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Om Infra Ltd

CMP INR 124 ; Mcap INR 12.02 bn

Om Metals Infraprojects Ltd is a conglomerate having diverse business activities and interests related to Hydro mechanical equipments, turn key solutions for steel fabrication, Hydro power developments, Real Estate Leasing, Finance, Entertainment centers, Hotels and tourism. The company is a leading ISO 9002 Company established in 1971 and a pioneer in the field of turnkey execution from Design Detailed Engineering Manufacture Om Metals is well acquainted with modernized methods of fabrication and erection and have successfully completed the works in remote areas, difficult climate & natural site conditions, logistics bottlenecks, difficult roads and great distances.

Key Highlights

Business Update: Q3FY24, execution run rate remained robust across engineering segment and pickup in sales witnessed in real estate segment. Outstanding order book at 2500 crs looks healthy which is three times of our FY 23 revenues and provides good revenue visibility over next 2-3 years.
The company won an arbitration award for a hrydro project and NTPC has paid 65% of the total claim amount of 46 cr. Current outstanding order book of Jal Jeevan Mission (JJM) projects is 1490 crores, out of which 750 crores is from up and 740 crores is from Rajasthan.
These two projects, once completed, will give an incredible pre qualification for future projects in order to qualify independently for much larger projects over the next one two decades.

Other Highlights: Unbilled revenue of 25 cr for which expenses have been booked. -60% of the inventory is sold for the palace project and 330 cr have been realised for the same. The company has around 140cr of advances from this project for which it has to book revenue in the coming quarters. 100% of expense has been recorded for the same.
The company sees the slum rehabilitation project shaping up in next 12 months with DB realty. Company's net investment in this is around 20-25crs which It had done between 2006-2010.
The company enjoys the benefits of entry barriers in hydromechanical business since it's difficult for the potential competitors to qualify.

Outlook: With a large order book in hand and demonstrated track records and leading position in hydro and water infrastructure, company is well placed to capitalize on the opportunities in this space and post strong growth in coming quarters.

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D B Corp Ltd
CMP: INR 254 | Mcap: INR 45.24 bn

D.B. Corp Ltd is engaged in the business of publishing newspapers, radio broadcasting, providing integrated internet and mobile interactive services and event management.

Key Highlights

Robust Financial Performance with Substantial Growth: Company reported an 18% year-over-year increase in Q3 FY24 advertising revenues, reaching INR 4,819 million. EBITDA soared by 102% to INR 2,031 million, with margins expanding significantly. Net profit after tax surged by 157% Y-o-Y to INR 1,240 million.

Dominance in Digital Space Alongside Radio Growth: The company is cementing its leadership in the digital domain, boasting the top Hindi and Gujarati news apps and a user base of approximately 13 million. Alongside digital strides, the radio segment is thriving with a 28% Y-o-Y revenue increase to INR 464 million and a significant 56% EBITDA growth. These figures underscore the strategic success in these media avenues.

Decline in Newsprint Costs with Potential for Further Reduction: A notable cost reduction factor for investors to consider is the decrease in newsprint costs, down from last year's INR 61,000 per ton to INR 50,000 per ton this quarter, with a prospect of further reduction. If not hampered by potential freight issues, prices might dip another 2-3%, increasing the company’s cost advantages.

Sector-Specific Advertising Growth and Content Focus: Investors focusing on revenue streams would be interested to know that while some segments like hypermarkets slid by 25%, most advertising categories, including automobiles, real estate, and FMCG, witnessed double-digit growth. The company emphasizes a content-driven approach to attract more readers and advertisers, signaling a potential for sustained revenue growth in these sectors.

Healthy Ad-to-Edit Ratio and Government Advertisements: The company maintains a healthy ad-to-edit ratio of roughly 70:30, which is adaptive to the volume of advertisements. Moreover, the government advertisement revenue, mainly from state governments, constitutes a substantial part of the advertisement portfolio due to local tenders and outreach, indicating a steady revenue source from public sector engagements.

Outlook & Valuation:

The company's outlook appears optimistic, with cost efficiencies observed due to declining newsprint prices, which are anticipated to soften further. Significant growth in tier 2 and tier 3 cities, as well as in sectors such as automotive, education, real estate, and healthcare, has driven advertising expenditures. Additionally, the company showcases a strong balance sheet with zero debt, substantial free cash flow, and healthy returns on both capital and net worth.

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Satia Industries Ltd
CMP: INR 111| Market Cap: INR 11.06 Bn

Satia Industries faced an industry squeeze with a 10% decline in year-on-year revenue, reaching INR 4,357 million. Nevertheless, they showed resilience with a 17% sequential revenue growth and a healthy EBITDA margin of 21.2% for the quarter. Gross margin benefitted from lower straw prices, improving to 55.2%. The firm's profit after tax (PAT) grew by 18% to INR 1,717 million, signaling strength despite reduced demand and heightened imports. Operational efficiencies were achieved by completing modernization of the digesters, which promises full benefits by financial year 25. Satia anticipates 1-2 quarters before market normalization but remains confident in their guidance for a 200 basis points EBITDA improvement in financial year24 over 23.

Key Highlights

Market Turbulence and Revenue Impact: Satia Industries Limited has faced significant challenges, including lower demand, price depreciation, and a spike in imports exacerbated by the Red Sea crisis. These factors disrupted supply chains and industrial revenue growth, resulting in a 10% year-on-year revenue decline to INR 4,357 million. Despite these difficulties, a sequential revenue growth of 17% was attained, reflecting brand resilience and operational strength. Notably, a part of this resilience stems from a 40% to 50% revenue contribution from the State Textbook Board, forming a 'natural hedge' against these challenges and leading to improved gross margins from 52.9% to 55.2%.

Operational Achievements Amidst Industry Headwinds: The operational efficiencies achieved such as modernization of digesters leading to reduced steam consumption and enhanced wood pulping, are set to bear full benefits in financial year 25. Despite the industry's dull demand and pricing pressures due to increased dumping by overseas suppliers and delayed educational policy implementations, Satia Industries' EBITDA margins remained healthy at 21.2% for the quarter. The net profit after tax (PAT) grew by 18% year-to-year, reaching INR 1,717 million. The company also prepaid about INR 65 crores in debt, underscoring a commitment to financial prudence and leveraging its strong cash generation capabilities.

Outlook: In the long-term, the outlook is optimistic due to low per capita paper consumption in India as compared to Asian and developed countries, the government's focus on literacy, and a growing GDP. Additionally, the easing of raw material prices, such as wheat straw, waste paper, and wood, signals a reduction in cost pressures for the industry. As such, a positive scenario is projected within the next 4-5 years, complemented by the implementation of the new education policy.

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Maiden Forgings Ltd

CMP: INR 90 | Mcap: INR 1.28 bn

Maiden Forgings is engaged in manufacturing and selling ferrous metal products like steel bright bars, wires, profiles, collated pneumatic nails and ground bars etc. The products are majorly used in automobiles, engineering, Infrastructure, hardware, utensils etc.

Key Highlights

New Products: The company has recently made strategic investments to expand its operations. Firstly, it has established a Pneumatic Nail plant with a substantial capacity of 250 TPM (Tons Per Month). This venture required an investment of approximately Rs. 8 crores, all financed internally through accruals.

Additionally, the company has ventured into the production of Induction Tempered Wire, a crucial component extensively utilized in the automotive sector across India. This wire finds application in the manufacturing processes of essential automotive parts such as suspension systems, clutch assemblies, and valve springs.

Moreover, the company has diversified its portfolio by entering the realm of specialized steel grades, particularly in Stainless Steel Bright Bar production. This move signifies the company's strategic vision to cater to diverse market segments and capitalize on emerging opportunities within the steel industry.

Manufacturing Facilities: The company operates three manufacturing facilities in Ghaziabad, boasting an annual capacity of 50,000 metric tons, utilized at 70% in FY23.

Product Application: The company's products cater to a wide range of industries and applications, including Automobile Industries, Machining Equipment, Fasteners, Fabrication Industry, Food Processing Industry, Structural Pipe manufacturing, Machining Tools production, Heat Exchangers, Textile Industries, and Mining Processes.

Change in Capital Structure: In FY23, the company increased its Authorized Share Capital from Rs. 5.80 crore to Rs. 15 crore. Additionally, on November 28th, 2022, the company issued 52.14 lakh bonus shares in a ratio of 1:1.

Outlook & Valuation: The company's future outlook involves a strategic shift towards forward integration, focusing on specialty steel production. This initiative aims to facilitate import substitution within India while concurrently developing export markets. By prioritizing specialty steel manufacturing, the company seeks to capitalize on domestic demand and expand its global footprint, thereby enhancing its competitiveness and fostering sustainable growth.

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LINC Ltd

CMP: INR 519 | Mcap: INR 7.71 Bn

Linc Limited (formally known as Linc Pen & Plastics Limited) is one of India's most trusted writing instrument manufacturers with a national and international presence in over 50 countries. It is the exclusive importer and distributor of Asia's biggest stationery giant, Deli and world famous pen brand Uni-ball, Mitsubishi Pencil Co., Japan in India.

Key Highlights

Pentonic brand growth: Pentonic was introduced by the company in FY19 with a value of INR 1.4 Bn, has shown remarkable progress. Gross profit margin fell to 31.5% in Q3FY24 from 33.1% in the same quarter of the previous year, view this as temporary, due to a dip in higher margin export revenue. However, the gross profit margin improved sequentially by 2.4%, largely due to increase in the share of Pentonic revenue, as well as recovery in exports.

Steady and significant decrease in Net Debt. Net Debt / Operating EBITDA reduced significantly from peak of 2.54 in FY 2018 to (0.40) in 9M FY24

The company possesses **robust in-house manufacturing facilities** with judicious mix of outsourcing.

The company has a **presence across all categories**, including roller pens, gel pens, and ball pens, catering to both affordable and mid-market segments.

The company is expanding its portfolio with new launches like Pentonic GRT, Pentonic Evo, Pentonic CLR, and Linc Cue, aiming for growth in adjacent categories. It's optimistic about these products contributing to revenue in the next financial year.

Outlook and Valuation: **The company expresses strong confidence in its capabilities and emphasizes a focus on innovation, strategic market expansion, and increasing the market share of its Pentonic product range.**

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Macpower CNC Machines Ltd

CMP: INR 916 | Mcap: INR 9.16 Bn

Macpower CNC Machines Limited is engaged in the manufacture of Computerized Numerically Controlled (CNC) machines and Lathe Machines. During the Q3, the company achieved its highest-ever quarterly sales with 344 machines sold, while receiving orders for 596 machines. Moreover, it recorded a significant uptick in high-value machine sales, selling 78 units and receiving orders for 120 units in the same quarter. Highest ever unexecuted order book as of December 31, 2023 stood at Rs 2,364.40 Mn

Key Highlights

Industry Outlook and Strategy: The industry outlook for the machine tools sector appears positive , with a particular emphasis on the growth potential within the domestic market. Macpower aims to significantly decrease import dependence in the next 10 years by 20% to 60-70%. Future growth strategy includes leveraging government privileges for defense and aeronautics sector

Expansion and Capex Plans: The company is embarking on expansion and capital expenditure (Capex) initiatives aimed at increasing its capacity to 2,000 machines by the first quarter of FY25. These plans are progressing as scheduled, with the target of achieving capacity by April-May. Notably, the expansion endeavors will be financed through internal reserves, with no plans to incur debt

Operational Efficiency and Management: Macpower has a strong HR department for manpower management. The company places significant emphasis on expense control and upholding a resilient balance sheet. Furthermore, Macpower aims to fulfill promises made in Q4 and FY25.

Product Development and Innovation: The company is prioritizing product development and innovation, particularly emphasizing higher-end machines such as DCM, with identified opportunities in VTL, HMC, and Automation. Additionally, there's a notable trend in the market towards new demands, including N95 mask machines and sliding head machines. Looking ahead, the company's future outlook entails a concentrated effort on its robotics and automation division.

Outlook & Valuation: The Company maintains revenue growth guidance of 18-20% CAGR for the next 3-5 years on the base of FY23 backed by an increasing order book, increasing manufacturing capacity, increasing import substitution opportunity though Nexa vertical. Moreover, the company anticipates further growth in manufacturing, driven by the government's "Make in India" initiative, as well as increasing opportunities within the defense and aerospace sectors.

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Axiscades Technologies Ltd
CMP: INR 520| Market Cap: INR 21.71 Bn | TP 819

Axiscades Technologies Limited is a technology solutions company focussing on engineering solutions and services. Company reported a revenue of INR 2,315 Mn (down by 8% QoQ/ up 8.5% YoY). The Company successfully concluded the Equity Raise of INR 2200 Mn in January 2024, with marquee Institutional Investors subscribing to the issue. This will strengthen the balance sheet and improve profitability, in the coming periods.

Key Highlights

EPCOGEN's recent acquisition aims to significantly boost the current 3% revenue share per energy vertical, foreseeing aggressive growth in oil, gas, renewables, and infrastructure. Despite potential initial margin dilution, the company strategically positions itself for long-term success, with plans to establish a Middle East presence

enhancing its global footprint. EPCOGEN, headquartered in Chennai with additional presence in Bangalore and Hyderabad, demonstrates commendable year-on-year revenue growth and a clear vision for sustained expansion in the dynamic energy sector.

Defence Business Dynamics and Growth Strategy
The defense business, constituting 26% of revenues, exhibits quarter-to-quarter variability, resulting in a 22% YoY decline due to uneven production orders. This lumpiness influences margin fluctuations. Despite this, a robust pipeline and order book signal sustained YoY growth, exemplified by a threefold increase in production

revenues to 710 Mn in 9MFY24. To mitigate volatility, strategic initiatives over the last two years focus on exploring export opportunities for defense systems and services to prospective overseas clients, aligning with our commitment to long-term stability and expansion.

Outlook: AXISCADES Technologies reported a decent Q3FY24 performance, driven by new client additions and substantial growth across segments, targeting an 18% margin in the near term; furthermore, despite QoQ variability, the defense business, contributing 26% to revenues, achieved a remarkable threefold increase in

production revenues to 710 Mn in 9MFY24, propelled by a strong order pipeline and strategic initiatives over the past two years. Additionally, EPCOGEN's recent acquisition positions the company for aggressive growth in the energy sector, aiming to significantly boost the current 3% revenue share across oil, gas, renewables, and infrastructure verticals. We value the stock on a P/E (x) multiple of 35x to its FY26E EPS INR 23.4, which yields a target price of INR 819 per share (Earlier target price of INR 628 per share). We maintain our Accumulate rating on the stock.

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Zuari Industries Ltd

CMP: INR 307 | Mcap: INR 9.16 Bn

Zuari Industries Ltd (ZIL) is the holding company of the well-established and diversified Adventz GroupThe Group has engineering expertise and offers technical consultancy, project management and contracting services to chemical, fertilizer, oil & gas, petrochemical, power, and other infrastructure projects. The Group has ventured into real estate and aims to create world-class yet affordable homes and office spaces. ZIL is the holding company of the group and apart from having financial investments into the group's operating entities, it also has SPE and real estate segment under ZIL.

Key Highlights

Improving Performance of the SPE segment (standalone): The earlier standalone Sugar mill is now forward integrated with distillery & cogeneration operations that allows derisk the highly regulated Sugar business while benefitting of the Ethanol Blending Program backed by the Government. The revenue from sugar segment increased 31.3% YoY in FY23. ZIL crushed 13.3 mn quintals (12.8 mn quintals in FY22) of sugar cane at a recovery rate of 9.85% (9.43% in FY22). Production of sugar was at 1.16 mn quintals (1.21 mn quintals in FY22) on account of higher diversion to Bheavy molasses for production of ethanol as better prices for ethanol were realized for B-Heavy & direct juice to ethanol conversion. Distillery plant of the company produced 26.5 mn litres of ethanol (26.2 mn litres in FY22) whereas the cogeneration unit produced 102.25 million units of power and sold 79.39 million units to the Uttar Pradesh Power Corporation Limited (UPPCL).

Large chunk of Land acres with ZIL and its Associates to be monetized in part: With around 1,000 acres of land parcels with ZIL & its Associates, the company is looking to monetize part of their land bank in order to de-leverage their financials. **The Group has around 630 acres of landbank in South Goa held through ZIL and Zuari Agro Chemicals.** ZIL has generated INR 597 mn in H1FY24 (INR 601 mn in FY23 for sale of 20.8 acres of land) from sale of part of their land, and will be selling some more in order to reduce the debt burden of the group.

Substantial Liquid Investments by the company: ZIL's has 20.05% in listed associate Texmaco Rail & Engineering, apart from significant stakes in other listed associates like Zuari Agro Chemicals and Texmaco Infrastructure & Holdings, and some marginal stake in Mangalore Chemicals & Fertilisers Ltd. The market value of their liquid assets alone is INR 19.15 bn, along with a diversified basket of Private subsidiaries contributing to the group'srevenue.

Outlook and Valuation: We expect the SPE business will remain stable in the future as the recent order on the prohibition of use of Sugar syrup for ethanol production will not affect their sugar business. ZIL has land bank of 630 acres in South Goa, and at a conservative valuation of INR 10 Mn per acres of value, the monetization of land will help reduce their debts substantially in the near to medium term. The Associates in the listed space are liquid assets with value at current Market Cap at INR 19 bn. Hence, at 50% Holding company discount to the assets and the land bank at INR 10 Mn per acre, we estimate a fair value of INR 671 per share.

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Vascon Engineers Ltd

CMP: INR 56.3 | Mcap: INR 12.42 bn

Vascon Engineers Ltd, established in 1986, is a Construction Engineering Company in India with presence in Real Estate business having an asset light model and Clean Room Partition manufacturing business. It is active in multiple sectors including residential, industrial, IT parks, malls and multiplexes, hospitality and community welfare centre, schools and hospitals.

Key Highlights

Business Update: EBITDA margins for the Q3 were at 10%. Few EPC and Redevelopment projects were won. EPC orderbook stood at of 3613 cr, the highest ever in company's history. Of this 9m numbers were 1.8k cr and in Q3 400cr.
Out of 3.6k cr, 550 cr is backlog for EPC from real estate division. The orderbook is 5.3x the revenue of FY23. 1k cr of this expected to be executed next FY and around 1.2k cr of it to be executed in the following FY. This level of orderbook will ensure strong EPC revenue growth over the next 2-3 years. EPC revenue increased by 12%YoY at 185crs. Out of 3.6k cr of order book, around 3k cr order book are of external EPC order. Around 78% of this orderbook is from government projects which ensure faster execution and uninterrupted cashflows. New orders worth 1.8k cr in 9m FY24.
This is to built medical colleges around India in places like Jharkhand, Bihar, Chhattisgarh along with an IT park in Chennai. Significant portfolio of real estate stand completed, and subsequent positive impact on results can be seen in next year. Real estate revenue at 47cr, EBITDA margin of 35% at 18cr.
Company looking for partnerships with realtors in Mumbai and Pune and 2 new projects set for launch in next couple of months. Company's finance cost has come down since its repaying significant amount of debt in last 30months. It stand at 168cr at Q3 end Crisil upgraded credit rating to BBB+ for long term and AA for short term which helped company secure favourable interest rates.

Other Highlights: The next 2-3 months are expected to be slow on account of elections and government not awarding any fresh projects. Bank guarantee have increased by 40cr in last 6 months. SBI's fresh assessment has increased the limit by 200cr. Company's business development team is looking at niche small redevelopment projects in Mumbai.
5 launches expected in the next 12-15mnths of which 2 are redevelopment in Mumbai, 1 is in Powai where the land is partially owned and residential and commercial projects in Pune. The company is now eligible to qualify for orders in 700-750 cr range and the competition also decreases in this bracket.
Around 1.6k crs of revenue expected in next 4 years. Company will try to maintain a 70-30 mix in revenue between the government and pvt, with the government taking up the larger share.-The company wants to keep an asset light model in real estate and does not wish to borrow to purchase land. QIP is in line rather than rights issue to draw the attention of some of the larger players-EPC revenue to reach around 1k cr next year which shall push up the PBT numbers.

Outlook: The company recorded its highest ever orderbook the impact of which can be seen in the next FYs. Crisil upgraded the credit ratings and bank guarantee limits have increased. Company pushing its real estate segment. Company also bringing down its debt levels. Fresh Government projects to be muted for next 3-4mnths due to elections.

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Royal Orchid Hotels Ltd

CMP: INR 345 | Mcap: INR 9.53 Bn

Royal Orchid Hotels has delivered a strong Q3, with stand-alone revenue growing by 13% to INR 54.74 crores, reflecting an increase of new revenue-share hotels. Stand-alone EBITDA and PAT before exceptional items also increased by 14% and 13% respectively, with EBITDA reaching INR 19.79 crores and PAT standing at INR 9.28 crores. On a consolidated basis, revenue rose by 13% to INR 86.61 crores, EBITDA by 6% to INR 29.43 crores, and PAT before exceptional items by 3% to INR 15.73 crores.

Key Highlights

Healthy Expansion and Strengthening of Operations: With a consistent emphasis on the managed hotels category, which boasts an impressive 50% EBITDA margin, company is strategically positioned. Expansion plans entail strategic Capex investments for room additions in Goa (40 rooms) and Bangalore (28 rooms) by March 25, while exploring opportunities in Nepal and Sri Lanka to tap into larger hotels and diverse markets. Concurrently, efforts are underway for the sale of Multi-Hotels Limited, alongside cautious exploration of opportunities in Northeast India and other untapped regions.

Strategic Focus on Product Diversification and Balance Sheet Resilience: The company's strategic emphasis lies on diversifying its product range and enhancing customer experiences. This forward-thinking strategy focuses on both immediate expansion and long-term stability. With the projected industry growth, the company anticipates increased earnings in the upcoming quarters.

Hotel Expansion: Presently operating over 100 hotels, the company's ambitious plans include the opening of new establishments both within India and abroad, with a target to operate between 138 to 140 hotels by March '25. Revenue growth remains a key focus, with expectations of a turnover of around INR 340 crores in FY25, aiming for a target of INR 400 crores in the subsequent year. Additionally, the company anticipates ARR growth of 8% for JLO hotels and 6% for managed properties in FY25.

Innovative Offerings and Brand Expansion: The company's focus remains on enhancing its product range, enriching customer experiences, and strengthening balance sheet. Within the next 2-3 months, it plans to introduce new hotel brands, aiming to expand its presence across various categories and bolster its footprint in the market.

Outlook & Valuation: The company's future prospects looks positive following a strong performance in Q3. The management's strategic focus on diversifying product offerings, improving customer experience, and strengthening the balance sheet indicates promising industry trends, which are expected to contribute to enhanced earnings quality in the coming quarters.

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Indag Rubber Ltd
CMP: INR 140| Market Cap: INR 3.67 Bn

INDAG Rubber Ltd manufactures and sells Precured Tread Rubber and allied products.

Key Highlights

Product Profile: Company provides products for different types of vehicles including medium and heavy commercial vehicles, light commercial vehicles, Passenger vehicles, and Off-road vehicles (mining trucks especially). There are products designed based on the different road applications vehicles ply on such as long-haul highways, short-haul roads, mining, off-road, hills or mountains, on-off road, a mix of good paved roads and bad unpaved /kaccha road, etc. including: Pre cured Tread , Full Skirt Envelopes , URSG - Un vulcanized Rubber Strip Gum , USC-Universal Spray Cement, Export Product.

Diversification: On 14th July 2023. company did a strategic investment in Millenium Manufacturing Systems Pvt. Ltd to foray into green energy sector. INDAG, along with, Elcom Innovations Private Ltd. and Sun Renewables WH Pvt. Ltd. Would establish a manufacturing facility in Mohali for production of power conversion systems for Battery Energy Storage Systems (BESS). The manufacturing unit is currently under development and is expected to begin commercial operations by Q4FY24.

Indag will hold 51% stake in this alliance and will be investing Rs. 11.1 Cr by March 31st, 2026, in one or more tranches through a combination of equity and preference shares. Till date, Indag has invested Rs.3.1 Crores.

Production Capacity: Company's manufacturing facility is located at Nalagarh, Himachal Pradesh with an installed capacity of Precured Tread Rubber ~20,000 MTPA, URSG ~1800 MTPA, USC ~ 1800 KLPA

Electric vehicles joint venture: Company has a JV with Sun Mobility EV Infra, involved in the business of swapping stations and smart batteries for electric vehicles.

Outlook: The thriving logistics industry in India, coupled with a focus on sustainability, offers an exciting opportunity for the company . The government's drive towards a circular tyre economy aligns perfectly with company’s dedication to retreading solutions. Positioned strategically, company aim to leverage sustainability to make a positive impact.

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Motilal Oswal Financial Services Ltd
CMP: INR 1,402 | Market Cap: INR 209 bn

Short summary: Strong quarter overall and the company is well poised to capitalise on the financial savings multiplication theme over the next several years to come. 2 PE fund exits in Fy25 would result in book the carry.

Financials:
Consolidated profit, including other comprehensive income (OCI), surged to INR 7.7 billion, a remarkable 300% year-on-year increase. Operational revenue grew by 30% year-on-year to INR 13.7 billion. The capital market business reported a profit exceeding INR 2 billion, up by 44% year-on-year. Net worth increased by 33% year-on-year. Interim dividend doubled to INR 14 per share from INR 7 per share last year. Average daily turnover (ADTO) grew by 95% year-on-year, with 1.45 lakh new clients acquired. Net interest income (NII) rose by INR 1.5 billion, a 51% year-on-year increase. Mutual fund assets under management (AUM) grew by 45% year-on-year to INR 450 billion. Additionally, one more fund will be launched in the coming month.

Key industry trends:
- With India GDP to reach US$ 30 trillion by 2047 (Amrit Kaal), consequently, savings are expected to be US$100 trillion over next 25 years vs US$ 12 trillion in last 25 years.
- Covid lead digital onboarding has been an inflection point for retail participation. Demat accounts grew 3x in last 3 yrs. Retail broking volumes grew 12x in the last 3 yrs. This continued retail participation growth gives a 20% runway for the capital market business.
- Asset management industry witnesses a robust growth in mf industry where monthly SIPs compounded at a 24% pa. Runaway of 20+ % growth runway for equity focussed companies.
- Mofsl treasury investment book compounded at 45% cagr over the last 10 yrs. Clients at 6 million.
- BS strong with a Networth of INR 82bn + which has helped in many ways by serving as collateral for across businesses.
- Active clients base is stable, while industry has de-grown. ARPU is going up due to increased quality of customers.
- PE- Real estate fund 2 IRR is well above the hurdle and would expect in FY25 at some point to exit. IREF 6 could raise INR20bn soon. Will also launch IBEF 5 growth fund in FY25. Earn carry booking on both funds front where exit planned.
- Wealth business margin will reinstate to earlier margins in the next few quarters.
- Broking Volumes expected to be strong in Q4 across both segments. Focus on ARPU of customer and yields are much higher. Q3 broking revenue was down 8% q/q – retail was flattish but insti was down. Retail:Insti mix wouldn't be shared.

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Aarti Drugs Ltd
CMP INR 453 | Market Cap INR 41.63bn

Founded in 1984, Aarti Drugs Ltd. (ADL) stands as a stalwart within the pharmaceutical domain, operating as an integral part of the esteemed $1000 million Aarti Group of Industries. Specializing in the manufacture and distribution of Active Pharmaceutical Ingredients (APIs), Pharma Intermediates, Specialty Chemicals, and Formulations, ADL has garnered widespread acclaim for its unwavering commitment to delivering top-notch products globally.

Key Highlights:
Business Segments: ADL's operational framework is structured around three core segments: API, Formulations, and Specialty Chemicals, offering an extensive array of products tailored to meet diverse market demands.
Revenue Mix: The revenue stream of ADL is primarily dominated by API sales, accounting for approximately 80% of its total revenue, followed by Formulations at 13% and Specialty Chemicals at 5%. The company's revenue diversification strategy encompasses various therapeutic segments, with Antibiotics holding the lion's share.
Global Presence: With an extensive footprint spanning over 100 countries worldwide, ADL maintains a robust presence across continents, including Europe, Australia, Africa, Asia, and the Americas. Notable export destinations include Brazil, Mexico, Pakistan, Turkey, and Indonesia.
Manufacturing Capabilities: Bolstered by 12 state-of-the-art manufacturing units strategically positioned across Maharashtra, Gujarat, and Himachal Pradesh, ADL possesses an enviable production infrastructure with a total capacity of 51,126 MT as of FY23.
Clientele: Counting among its esteemed clientele some of the leading multinational pharmaceutical giants such as Sun Pharma, Cipla, Abbott, and Lupin, ADL enjoys a sterling reputation for delivering superior quality and reliability in the industry landscape.

Q3FY24 performance:
Capex:
- The company spent INR 162 million on capital expenses in the first nine months of FY24.
- It plans to invest between INR 250 million to INR 300 million for the whole fiscal year.
- Expects to make INR 1000 million to INR 1200 million in revenue from this investment.

New Products:
Dermatologic products are set to launch by the end of January this year.

Revenue and Growth:
- Revenue for Q3 FY24 was INR 540 million, down by 13.8% compared to last year.
- Expects exports in the formulation business to keep growing.
- Anticipates a 10% to 15% increase in sales volume next year.
- Aims for a 30% to 40% growth in the spec-chem segment.

Dividend and Board Decisions:
The Board suggested paying an interim dividend of INR 1 per share at the meeting on January 24, 2024.

Business Strategy:
Plans to boost the contribution of specialty chemicals and intermediaries to around 20% to 25%.

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Meghmani Organics Ltd
CMP: INR 82.5 | Market Cap: INR 21 bn

Outlook: We believe the company's core strength as a B2B player remains intact with capability to commence capex even in current times. It will be a wait and watch situation for the Agro-chemical player to see demand recovery in the early part of FY25.

Guidance:

• The Inventory in going down across different markets as per the Management, and they say that the current inventory levels are around 3-4 months of excess demand of agro-chemicals industry.
• Meghmani has completed the commissioning of a Titanium Dioxide plant with a capacity of 16,500 MTPA in Q4FY23 which is getting stabilized. Further capex in the Paints industry will add to the demand of Titanium Dioxide in domestic markets.
• Currently, the company is in the process of commissioning the Captive Power plant for the Kilburn Titanium Dioxide plant that will reduce their utility costs significantly and they will be reaching 70% capacity utilization in the next 2 months.

Key Highlights:

• Revenue fell by 38% YoY to INR 3,450 mn, EBITDA came at INR -4 mn against Q3FY23's INR 610 mn and Net Loss at INR 270 mn against Net Profit of INR 180 mn in Q3FY23.
• The Management attributed the decline in Revenue, EBITDA and Loss in Q3FY24 to sluggish global demand and high inventory levels plaguing the industry across the globe.
• The Crop Protection segment contributed 69% of the revenue mix while the remaining 31% was contributed by Pigment segment.
• Revenue from our Crop Protection segment stood at INR 2,390 mn with the EBITDA of INR 51 mn in Q3FY24. The Management says that the company is well positioned to leverage their state of the art infrastructure along with backward integration once the situation of high channel inventory stabilizes.
• The Pigment segment reported revenue of INR 1,050 mn and EBITDA of INR 9 mn. For the Pigment segment, the company is expecting the situation and demand to come back from FY25 onwards and they will be able to regain the double digit growth trajectory.
• The Management feels that the inventory has started going down drastically in different markets, but still there is an inventory for the next 3-4 months of time. Hence, from the Q1FY25 onwards, the company is expecting things to start improving.
• The company is very bullish in the Titanium Dioxide market, as there is domestic demand of 3 lakh tons of Titanium Dioxide, mainly from the Paints industry. The Management is mainly focussed to grab the opportunity in the domestic market for Titanium Dioxide, and also cater to some export orders.
• Around 73% of the domestic Titanium Dioxide is met through Imports. Currently, Indian market demand for Titanium Dioxide is above 3 lakh tonnes, and domestic production is of 70,000 tonnes per annum.
• The company is able to produce Synthetic Pyrothroid at competitive pricing against Chinese players.
• In the last 1 year, the company has added several new products like flubendamide, pyromaclutrine, beta cyclutrine, pine, and metrozine. However, the Management believes these products will take 2-3 years of time to gain market share as they are getting these products registrations in different geographies.
• On an average, the prices of Agro-chemicals have gone down by 45-50% compared to previous year.
• Majority of the products are fully backward integrated.
• The Company is able to compete with China in terms of Pricing of products.
• Meghmani used to have 85% of their revenue from Exports, that too on the B2B side. Hence, the Management attributes their business model being more impacted than other companies which have more revenue from domestic markets along with brand image set up in the market.

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Inflame Appliances Ltd
CMP INR 427 | Market Cap INR 3130mn

Established in 2017, Inflame Appliances Ltd (IAL) is a reputable manufacturer specializing in kitchen appliances and sheet metal components. With an ISO 9001:2015 certification, IAL markets and distributes its products under the brand "Inflame" in both domestic and international markets. The company's product portfolio includes Electrical Chimneys/Range Hoods, Built-in Gas Hobs, LPG Gas Stove/Cooktops, and more, catering to diverse consumer needs.

Key Points
Business Overview:
IAL is renowned for its high-quality kitchen appliances, encompassing a range of products such as Electrical Chimneys/Range Hoods, Built-in Gas Hobs, and LPG Gas Stove/Cooktops, among others.

Product Profile:
The company offers a variety of chimney designs including Pyramid Chimneys, Curved Glass Chimneys, Straight T-Shaped Chimneys, Vertical Chimneys, and Island Chimneys. Additionally, IAL manufactures Built-in Hobs and OTG (Oven Toaster Grill) products.

Upcoming Products:
IAL is expanding its product line to include Dishwashers, Built-in Ovens, and Ovens, reflecting its commitment to innovation and meeting evolving consumer needs.

Production Capacity:
With manufacturing plants in Haryana and Telangana, IAL boasts a combined installed capacity for Chimneys (~6 Lac units), Hobs (~1.20 Lac units), and Gas stoves (~3 Lac units), ensuring efficient production to meet market demand.

Market Share:
In FY22, the company captured approximately 10% of the market share in the kitchen appliances segment, showcasing its competitive presence in the industry.

New Facility:
In FY23, IAL established a new manufacturing facility in Hyderabad to produce chimneys, hobs, and gas stoves, with an annual capacity of Chimneys (~3 lac units), Gas Stoves (~1.5 lac units), and Hobs (~60,000 units).

Order Book:
Notably, on July 14th, 2023, IAL secured its largest single order of over 36,000 Chimneys worth 15.4 crores from a prominent customer in the home solutions and kitchen appliances sector in India.

Partnership:
On September 22nd, 2023, IAL entered into a strategic partnership with Havells Ltd for the supply of Chimneys and OTG products, enhancing its market reach and distribution channels.

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Marksans Pharma Ltd
CMP INR 144 | Market Cap INR 65.44bn

Marksans Pharma is dedicated to the formulation of pharmaceutical products, with a core emphasis on over-the-counter (OTC) and prescription drugs. The company's product portfolio spans a wide array of therapeutic areas including Oncology, Gastroenterology, Antidiabetic, Antibiotics, Cardiovascular, Pain Management, and Gynaecology, among others.

Revenue Mix:
In FY23, Marksans Pharma witnessed a diverse revenue mix across therapeutic categories, with Pain Management comprising the largest share at 44%, followed by Cough & Cold at 14%, Cardiovascular System at 9%, CNS at 8%, and Anti-diabetic at 2%. Gastrointestinal and other segments constituted 9% and 14% respectively of the revenue mix.

Revenue by Delivery System:
During FY23, Marksans Pharma experienced a shift in revenue distribution with OTC constituting approximately 74%, up from around 69% in FY22, while RX accounted for about 26%, down from approximately 31% in FY22.

Geography Wise Revenue Split - H1FY24
In H1FY24, Marksans Pharma's revenue was geographically diversified with 40% from the US & North America, 45% from Europe & UK, 10% from Australia & Canada, and 5% from the Rest of the World.

Operation Overview
In the USA, Marksans Pharma operates through its subsidiary, Time Cap Labs Inc., catering to both private label OTC and generic prescription drugs, with a clientele including major retailers such as Target, Walmart, and Walgreens. In the UK and Europe, the company's subsidiaries, Relonchem and Bells Healthcare, strengthen its presence, with Bells Healthcare being a prominent manufacturer of private label and branded cough liquids. In Australia and New Zealand, Marksans Pharma's subsidiary Nova Pharmaceuticals holds a significant market share, supplying to top retailers like Woolworths Ltd., Coles Mayer Ltd., and Aldi. Additionally, the company has bolstered its presence in the MENA region through the acquisition of AHC in UAE.

Product Portfolio and R&D
Marksans Pharma boasts a comprehensive product portfolio with over 1500 SKUs and 300+ products in various formulations such as tablets, capsules, oral liquids, and ointments. The company's commitment to innovation is evident through its extensive research and development efforts, with 50+ scientists actively working across four R&D centers. Notably, Marksans Pharma's R&D expenditure is aimed at reaching approximately 4-5% of its revenue over the next few years.

Financial Performance and Outlook
Financially, Marksans Pharma has demonstrated robust growth, with revenue expanding by 22% year-on-year, driven by market share expansion and new product launches. The company's EBITDA margin stood at 22.7% in Q3, attributed to operating leverage and cost optimization. Looking ahead, Marksans Pharma anticipates sustainable growth, particularly in the US market, driven by new product launches and market penetration strategies. The company aims to maintain balance sheet discipline while pursuing strategic opportunities and enhancing productivity through capex investments in its US and UK facilities.

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Veerhealth Care Ltd
CMP INR 20.2 | Market Cap INR 405mn

Incorporated in 1992, Veer Healthcare Ltd (formerly Niyati Leasing Ltd) is engaged in the business of trading and manufacturing and marketing research based ayurvedic medicines.

Product Profile:
The company offers a wide array of skincare, bodycare, haircare, fragrances, healthcare, and oral care products, including creams, lip balm, body wash, shampoo, pain relief oil, toothpaste, and more, along with gifting options and combos for customer convenience.

Operations:
The company operates through both over-the-counter and ethical marketing channels primarily in Maharashtra and Gujarat. Additionally, it is registered on various online portals to increase visibility and generate leads. Manufacturing and exportation are focused on oil, shampoo, ointment, and toothpaste. Furthermore, there is an increased emphasis on securing third-party manufacturing contracts to expand product offerings and stay abreast of market trends.

Financial Performance:
• Recorded strong growth in total income, EBITDA, and net profit during the 9-month period of FY 2024, indicating solid financial performance.
Regulatory Compliance and Quality:
• Successfully obtained US FDA Labeler Code Allocation, emphasizing the company's focus on meeting regulatory standards and ensuring product quality, particularly for the US market.

Expansion Plans:
• Planning to increase manufacturing capacity to accommodate new products and higher production volumes.
• Targeting a revenue milestone of INR 100 crores within the next 3-4 years.
• Diversifying into new product categories like body care to reach new customer segments.
• Prioritizing the optimization of existing manufacturing facilities to maximize productivity.

Opportunities:
• Secured qualification to manufacture and supply oral care products for a US correction industry client, tapping into a lucrative market niche.
• Expanding presence in the government e-marketplace, with expected business growth in the upcoming financial year.
• Actively pursuing new buyers in the US market to seize emerging opportunities and drive revenue growth.

Funding:
• Planning to raise funds through a new equity via a right issue to support expansion plans and fuel growth.

Market Growth:
• Aim to significantly improve margins and revenue by leveraging new opportunities in the US market and establishing an in-house testing facility.
• Capitalizing on the US market potential through strategic product launches and market expansion efforts to achieve sustained revenue growth and market presence.

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Uflex Ltd
CMP INR 425 | Market Cap INR 30.69bn

Uflex Ltd, a prominent Indian multinational enterprise, is renowned for its expertise in manufacturing and distributing flexible packaging solutions globally. With a comprehensive portfolio of products, the company caters to diverse industries, offering innovative packaging solutions tailored to meet the needs of its clientele worldwide.

Product Portfolio and Engineering Expertise:
Uflex boasts a vast array of plastic flexible packaging products, including Biaxially Oriented Polyethylene Terephthalate (BOPET), Biaxially Oriented Polypropylene (BOPP) films, Cast Polypropylene (CPP) films, and various coatings, inks, and adhesives. Additionally, the company excels in engineering activities, manufacturing essential packaging, printing, and allied machinery for a wide range of industries, further solidifying its position as a comprehensive packaging solutions provider.

Clientele and Global Reach:
With an illustrious clientele spanning the globe, Uflex serves major industry players such as Coca-Cola, Nestle, Mondelez International, Amul, and many others. Leveraging its robust global sales and distribution network, the company operates in over 150 countries, with international customers contributing the majority of its revenues. Despite its impressive client base, Uflex maintains a well-diversified customer portfolio to mitigate risk, ensuring that its top customer accounts for only a fraction of its total revenue.

Q3FY24 highlights:
Sales Performance and Operational Efficiency:
Consolidated sales volume witnessed a 5.8% year-on-year increase, driven by growth in both the films and packaging segments. However, standalone sales volume surged by 13.3% year-on-year, particularly in packaging films. Despite these gains, consolidated net revenue declined sequentially and annually, primarily attributed to fluctuations in raw material prices. Operational EBITDA reached Rs. 426 crores, indicating a slight improvement both sequentially and year-on-year. Notably, the liquid packaging segment recorded impressive volume growth of 8.5% year-on-year, accompanied by a 12.7% increase in revenue.

Expansion Strategies and Financial Outlook:
The company aims to finalize its aseptic packaging expansion projects in India and Egypt, along with establishing PET chips plants in both countries by the second to third quarter of fiscal year 2025. Anticipating a robust recovery in the upcoming quarters, growth is expected to stem from these expansion initiatives. Additionally, a CAPEX of $100 million has been allocated for fiscal year 2025, primarily directed towards the completion of PET chips plants. Despite the debt standing at Rs. 5,200 crores, it is projected to peak in fiscal year 2025. There are currently no plans to raise equity through qualified institutional placement (QIP) or asset sales, with an expected debt peak of around Rs. 5,500 crores in fiscal year 2025.

Market Dynamics and Production Enhancements:
International markets have been impacted by pricing pressures stemming from an oversupply situation in India. However, margins are forecasted to improve with shifting market dynamics and the completion of expansion projects in fiscal year 2025. Recovery in spreads and realization is anticipated to revert to historical levels within the next 4-6 months. The implementation of a post-consumer recycled (PCR) line in Egypt is expected to substitute virgin raw material, providing pricing benefits. Additionally, cost savings are anticipated from the PET chips plants in India and Egypt, commencing in the second quarter of operation. Despite these developments, there are no plans to expand the PCR facility in India due to market dynamics.

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Supriya Lifesciences Ltd
CMP INR 327 | Market Cap INR 26.3bn | Target Price INR 428

Supriya Lifescience is engaged in the manufacturing of Active pharmaceutical ingredients (APIs). As of March 31, 2021, the company produces 38 APIs focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, anti-asthmatic and anti-allergic.

Product Profile and Products Pipeline: Supriya Lifesciences currently produces 38 molecules, of which the top 3 molecules: Chlorphenamine maleate, Ketamine Hydrochloride and Salbutamol, form 45-50% of the revenue for the company currently. Going ahead, these 3 molecules are seeing a growth of 8-10% annually due to use in new evolving formulations in the Pharmaceuticals industry. The company has around 15 products in the Pipeline, of which they have approval for 8 API molecules which will be launched in FY25 and have annual revenue contribution capacity of INR 2 bn. These new molecules will be made in the facility in Lote Parshuram where the company has recently commissioned 350 KL of additional capacity. The Company also informed of launching of 4 new products in the Pipeline during FY25, i.e. 8-12 APIs are in the pipeline having received ANVISA approvals for 8 products. These new molecules will be having better margins allowing the overall margin trend to remain high.

EBITDA margins to remain intact at 28-30% levels: The Company maintained their previous EBITDA margin guidance of 28-30% going ahead with top-line growth of 20% and above. The Company has been focussing on penetrating the more regulated markets where the margins are higher for the company. The revenue contribution from Europe increased from 26% in Q3FY23 to 42% in Q3FY24. The contribution from the Anesthetic segment increased in the mix from 21% in Q3FY23 to 49% in Q3FY24, as the demand for Anesthtic products grows higher in the winter season in the Europe.

Capex of INR 0.6 bn at Ambernath & Commissioning of New capacity of 340 KL in Lote Parshuram where the 8 newly approved API molecules will be made with which the company intends to gain an annual revenue of INR 2 bn from FY25 and beyond. Supriya Lifesciences also announced the capex of INR 0.6 bn at Ambernath for CDMO/CMO products spread over 800 sq. mt. which will operationalize in Q1FY25 in a phase wise manner.

Valuation & Outlook: We believe Supriya Lifesciences has a perfect blend of Product mixes with the top 3 products showing high single digit growth while the rest of the API business and upcoming new API molecules will see substantially high growth in the range of 25-30% topline growth. In FY25, we are expecting the launch of 8-12 new API molecules, bringing incremental revenue of INR 1-1.5 bn for the first year in FY25 and then afterwards, above INR 2 bn in FY26 and beyond. The Lote Parshuram facility has after the recent expansion exhausted of further space. Hence, the next phase of big capacity expansion to happen will take place in Ambernath. With 940 KL of total capacity now, and the Management mixing the Products fairly well in more regulated markets, we believe the company will be able to both maintain their Margin guidance of 28- 30% as well as revenue growth of more than 20% over the next 3 years to INR 10 bn annual revenue. Hence, we value the company at 15x its FY26E EPS of INR 28.6 and arrive at a Target Price of INR 428 per share. Accordingly, we have a Buy Rating on the stock.

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Bharat Agri Fert Realty Ltd
CMP INR 103 | Market Cap INR 5430mn | Target Price INR 353

Bharat Agri Fert & Realty Ltd. is in the business of construction & development of residential complexes, manufacturing of agro-chemical Single Super Phosphate and operating a theme based luxury Resort. The company has 5.22 mn sq. ft. of land bank which includes 20 acres of land which houses the Single Super Phosphate plant of 1lakh tonnes capacity and the theme based luxury Resort spread over 8 acres of land. The Company has started the construction of a residential tower in Majiwada, Thane which upon completion will be the tallest building in Thane of 59 storeys of 2 & 3 BHK apartment flats.

Realty Division constructing 59 floor residential Tower in Majiwada, Thane.
The Company had constructed a residential complex in Thane with 6 towers of average 11-12 storey buildings constructed between 2007-08 to 2015-16. The company has earlier gained approval for the Wembley tower for 19 floors only, which after the Covid pandemic, was extended till 59 storeys. The 'Wembley' tower G Project was launched in 24th Oct 2023, and the construction work has started. The Tower will house 457 units of 2 & 3 BHK apartment flats. The Company aims to complete the Project over the next 4 years and we expect the Project to generate revenues up to INR 8,000 mn yielding a Profit of INR 4,000-5,000 mn during the period. Our estimates for high Profitability isbased on the consideration that the company already owns the land and the Cost of Construction is not expected to be not more than 40%.

Expansion of Room Capacity of Anchaviyo Luxury resort
The Company operates thematic Luxury Resort branded as 'Anchaviyo' which currently has 45-50 rooms all exclusively designed in different themes. The current occupancy levels of the resort is 65-70% with average rent of INR ~20,000 per room generating annual Turnover of INR 200-210 mn (occupancy levels vary with seasons). The Company intends to increase the number of Rooms to 125-130 in the next 2 years, and become a preferred Wedding Destination along with Corporate bookings. This will generate up to INR 400-500 mn per year.

Redevelopment of Promoter's Residential Building situated in Ville Parle
The Company is in discussion for redevelopment of Promoters Residential Building situated at Prime Location in Ville Parle (E) for making 3 & 4 BHK luxurious residential flats in G+13 floor with a revenue potential of INR 1,750-2,000 mn respectively.

Leasing of the Fertilizer facility
The Company's fertilizer facility operated at less than 10% capacity utilization for FY23 impacted by the supply and availability of raw Material for the production of Single Super Phosphate. Hence, they are in discussion with Chambal Fertilizers and Indian Potash Limited for a suitable lessee who will operate the plant efficiently benefitting both Bharat Agri as well as the Lessee's company with a Lease rental income of INR 100-120 mn per year.

Valuation & Outlook
Bharat Agri, Fert & Realty is utilizing the land bank of 120 acreas that the company has, and another 30 acres of land in the name of the Promoter which could also be transferred in the company's books at an appropriate time in the future. Going ahead, we believe the Company will also utilize the opportunity of redevelopment of commercial building Bharat House in Fort Area for a JV with Shapoorji Pallonji Group, which could generate a cash Flow of INR 2,000 mn. Therefore, we believe the developments as highlighted by the Management in the earnings concall will be generating a minimum Cash flow of INR 20,000-25,000 mn over the next 4-5 years. Hence, based on the incoming Free Cash Flow from different projects, we value the stock at INR 353 per share on PV of FCF over the next 4-5 years.

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Lords Chloro Alkali Ltd
CMP INR 132 | Market Cap INR 3310mn

With over four decades of rich heritage, LCAL stands as a leading chemical manufacturer, boasting a workforce of 77,000 employees and a diverse product range of over 300 categories. Achieving remarkable financial growth with a 13% revenue CAGR, 55% EBITDA CAGR, and 73% PAT CAGR from FY20 to FY23, LCAL is committed to quality and sustainability. Specializing in caustic soda and high-quality chemicals, LCAL aims to lead India's commodity and specialty chemical industry while promoting innovation and renewable energy for sustainable development.

Product Offerings:
LCAL offers a wide range of essential chemicals and production facilities, including Caustic Soda with a 12 MW Solar-powered Evaporation Plant, Chlorine Treatment & Compression, Sodium Hypochlorite, Chlorinated Paraffin Wax (CPW) Plant, Hydrogen Compression, and Hydrochloric Acid production.

Manufacturing Facilities:
Manufacturing facility is on 84 acres in Alwar at Matsya Industrial Area, Rajasthan, company boasts sophisticated manufacturing facilities with an installed capacity of 210 MT per day of Caustic Soda Additionally, Lords Chloro Alkali Ltd has recently commissioned a new Sodium Hypochlorite plant new Chlorinated Paraffin Wax plant

Q3FY24 performance:
In facing the challenges of persistently low caustic soda prices, LCAL has maintained a stable pricing trajectory, thanks to resilient market conditions and diligent production management. Despite the hurdles, the company has avoided production cuts and even witnessed a slight price increase in recent months, fostering optimism for improved profitability. Progress on capital expenditures, including capacity expansion and solar plant development, positions LCAL for future growth. With a focus on prudent financial management and operational stability, LCAL is poised to navigate challenges and seize opportunities for sustained growth ahead.

New initiatives:
LCAL is ramping up its production capacity by 43%, aiming to produce 300 TPD of Caustic Soda. Plans also include increasing Chlorinated Paraffin Wax production from 20 to 50 tons per day soon. With a focus on sustainability, the company is set to establish a 12 MW captive solar power plant in Rajasthan, aiming to reduce carbon footprint and enhance cost efficiency. Additionally, LCAL is consolidating its position in the North Indian market while exploring new market opportunities.

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Sharda Cropchem Ltd
CMP INR 329 | Market Cap INR 29.7bn

Outlook: Sharda Cropchem had a rather low performance in the quarter. The industry is facing high inventory channel issues and low demand from end consumers due to adverse weather conditions. The outsourcing model of the company and healthy relations with global customers may give a little edge over other players. Correction in prices, better weather conditions and improved inventory management may produce better performance going ahead.

Guidance:
• Capex for FY24 expected to touch INR 3.5-4bn.
• The company is seeing an improving trend in Q4FY24.
Financial highlights:
• Revenue down to INR 6.32bn (-38% YoY) mainly due to drought in Europe and adverse conditions in NAFTA region. Volumes had a 20% YoY reduction. There has been less demand from the side of end consumers.
• Low realisations reduced GP margin to 26.2%, EBITDA to INR 470mn and PAT to INR 46mn.
• Net Cash at end of Q3 stands at INR 3.7bn.
Operational highlights:
• 1075 product registrations are in approval stage.
• Business from the NAFTA region has been most affected.
• Increased investment in strengthening global workforce.
• The company has high consultation and professional services costs and they are likely to increase sequentially due to their business model.
• The management expects prices to correct in the coming time.
• The company is not looking to further add any new inventory; increase in inventory has been due to sales returns from customers.

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GHCL Ltd
CMP: INR 454 | Market Cap: INR 43.4 Bn

Outlook: The Company is facing headwinds as seen across the industry while there is a probability of high Dividend payout or buyback in the near term. We expect the global oversupply is matched by consumption once demand recovers in Europe and US which we expect to see by end of FY24.

Management Guidance:
• The Management says that as soon as the demand in Europe and US comes back, the business will pick up along with the margins.
• Management says they have been at 30% EBITDA margins, and they expect to reach those levels by end of 2024 or end of FY25 end.
• The Company expects the domestic demand of Soda Ash from4 million tonnes to 7 million tonnes by 2030.
• The Management said that there is board approval requirement for any proposed buyback or dividend payout for shareholders as the company has healthy amount of Cash in their books.

Key Highlights:
• The Revenue stood at INR 8.13 bn down by 27% YoY/0.5% QoQ, EBITDA was at INR 1.65bn down by 56% YoY/26% QoQ, EBITDA Margins were at 20.3% down 1330 bps YoY/720 bps QoQ and Net Profits were at INR 1 bn down by 61% YoY/30% QoQ.
• The Company became Net Debt free with Gross Debt of INR 2.17 bn and Net Cash Surplus of INR 6.25 bn. The working capital has reduced by around INR 2.1 bn mainly due to raw material and stores and space optimization.
• The Management acknowledged that Soda Ash markets globally are oversupplied affecting prices with Turkish manufacturers exporting beyond Europe as demand in the US & European markets are lower than previous year.
• There are new capacities which have been built in the US and China. The demand in China increased by 5% YoY due to Solar Glass and Lithium Carbonate segments.
• Raw material prices, particularly Energy prices have come down and are gradually decreasing.
• The Management expects that the Soda Ash prices have very much bottomed out, and will stabilize at current levels.
• The Management says that the Long Term demand of Soda Ash remains strong and will increase from 63 million MT currently to 78-83 million MT by 2030. The dwemand is mainly led by consumption in Solar Glass, Lithium Carbonate and Flue Gas Treatment.
• The Management says that the natural soda ash from US and China will see gradual increase in market share while synthetic Soda Ash will continue playing significant role in global markets.
• China is dominating the global energy transmission with increased adoption of EVs and PV Solar. It is anticipated that China will prioritize its domestic market consumption over international trade. Also, smaller and inefficient soda ash plants may eventually be closed due to evolving market conditions.
• The Management informs of delays in the Greenfield Project due to regulatory pending approval from authorities. Capex for FY24 is lower than anticipated levels due to slower progress in the greenfield project which will now be shifted to early FY25.
• The Company had announced a maintenance shut down in Oct 2023 causing a shortfall of 20,000 MT during the quarter.
• The Company has utilized around INR 1.31 bn for repayment of debt and INR 0.86 bn towards the capex.
• The Management informs that apart from the maintenance shut down, the capacity utilization levels were at 92%.

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Raymond Ltd.

CMP-INR 1,723 M.Cap-INR 114.71bn Target- INR2,546 Promoter stake- 49.11%

The company achieved highest ever performance in terms of revenue andEBITDA, revenue was in line with estimates but underperformed on EBITDAand EBITDA margin. However, PAT levels exceeded expectations. Revenuewas up 10.1% YoY to INR 2,386 Cr (+5.9% QoQ), in line with our estimate ofINR 2,385 Cr. EBITDA demonstrated YoY growth of 2% to reach INR 358 Cr (ExESOP of INR 5.5 Cr)(-6.3% QoQ) and below estimated figures of INR 401 Cr by -10.7%. EBITDA Margin down by 120bps YoY to 15% (-200bps QoQ),underperforming our estimate of 16.8%. PAT demonstrated strong YoYgrowth, surging by 91.1% to reach INR 185 Cr (+15.1% QoQ). Above ourestimates of INR 177 Cr by 4.7%. Post-Diwali, fabric and apparel faced weakdemand due to inflationary pressures. Real estate showed strong growth inresidential demand, expected to continue. Engineering consumables wereimpacted by sluggish export markets.

Lifestyle business: The branded textile segment faced challenges in the postDiwali period despite festive buoyancy until Diwali. The focus on distributionexpansion, premiumization, and casualization contributed to growth of 20%YoY in the branded apparel business. In the garmenting segment, capacityexpansion aligns with the global "China Plus One" strategy and India's "Makingin India" initiative. The cotton shirting segment experienced growth indemand for cotton and linen fabric offerings to B2B customers.

Real estate business: Company secured redevelopment projects in MahimWest, Sion East, and Bandra, with a total revenue potential exceeding INR5,000 Cr from JDA projects. The launch of two new towers at Thane landcontributed to strong booking momentum, totaling INR 428 Cr in Q3 FY24,compared to INR 380 Cr in the same period last fiscal. Revenue have increasedby 50% to INR 439 Cr in Q3 FY24, compared to INR 292 Cr in Q3 FY23. TheEBITDA margin for the quarter was 22.1%, slightly lower than the previousyear's 25%, attributed to initial launch costs for new projects.

Engineering business: The engineering business, consolidated under JK Files &Engineering Limited, faced challenges in the engineering consumable categorydue to sluggishness in export markets. The company is entering the Aerospaceand EV sectors, acquiring a stake in Maini Precision. Regulatory clearances forthis move are anticipated to be completed during the fourth quarter of FY24.

Demerger: The company is planning a demerger, scheduled for the EGM onFebruary 26th. Following this, it will be filed with the NCLT, and completion isexpected in the Q1 FY24. The effective date of the demerger is set for April 1,2023. The demerger will lead to the creation of two separate, net debt-freeentities one focused on B2C lifestyle business and the other on real estate andengineering business. Expansion of store footprint: The company is set to expand its retail presence,aiming to add 250-300 stores over the next 18 months using a franchise model

Valuation and Outlook: The company is positioned to leverage growthopportunities in the textile sector, benefiting from the industry's positivetrajectory. Its presence in the real estate market adds another avenue forgrowth. Additionally, venturing into the aerospace and EV sectors alignswith expanding market trends. We assign a TP of INR 2,546 based on a SOTPEV/ EBITDA multiple of 11.7x for FY26E and recommend BUY rating.

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Apex Frozen Foods Ltd

CMP: INR 200 | Market Cap: INR 6,270mn

Sales to the US company's major market were impacted by subdued demand. However, Company remains cautiously optimistic driven by expectations of better supply, stabilization in prices and with growth expected to return in the US and EU markets.

Financials
• Total Income stood at INR 1486 mn in Q3FY24 against INR 2307 mn in Q3FY23 (-38% QoQ/ -36% YoY), led by lower volumes.
• EBITDA stood at INR 90 mn (-54% QoQ/ -52% YoY), with margins of 6% % v/s 8.1 % in Q3FY23.
• PAT came in at INR 30 mn (-64 %QoQ/ -62 % YoY), margins at 2% v/s 3.4% in Q3FY23.
• Shrimp sales stood at 2117 mt in Q3FY24 compare to 2869 mt in Q3FY23. (-26% YoY /-31.35%)
• Company has reduce debt from Rs 906 Mn as on Mar23 to Rs 832 Mn as on Sep23, with debt to equity of 0.17 times.

Guidance
• Company has Degrowth in current year, but positive in returning to the sales and revenue levels of FY23, with a target of 15 to 18,000 metric tons of sales volume for FY25.
• Anticipate 3500 metric tons in upcoming quarters, subject to factors like market conditions and supply constraints.

Demand and Market Outlook
• Lower average realization at Rs 663 per kg in Q3FY24, due weak demand and supply scenario.
• Low volumes, on account of continued subdued demand from key market USA
• Share of EU in overall sales mix increase to 36% in Q3FY24, growth mainly from ready to cook business.
• Demand in the Chinese market is currently sluggish, with sales to China occurring at a slow pace.
• Company anticipate increased consumption during the Chinese Spring Festival, with new inquiries coming into the months of March and April of 2024.
Other Highlights
• Setting up wholly owned subsidiary in the US, mainly for support with regard to logistics and also market development in the USA and rest of North America
• Prices are stabilized indicating a positive sign compared to the downtrend or drop in prices which was until Q3.
• Farmers and producers anticipate stable prices with well seed stocking ,leading to improve supply in FY25.
• Company remains cautiously optimistic , with positive on the growth prospects in long term.
• RTE approval depends on the process between the government of India and the EU regulatory authorities.
• The approval of any new shrimp processing facilities is on hold since 2019, company is awaiting for the same to pursue a good amount of business and exploit the potential in market.
• RTE utilization capacity has come down than last year, due to unexpected drop in supermarkets customers which impacted the RTE sales.
• Company is currently below 50% capacity utilization, due to the demand drop from the main market, lesser orders from retail customers or supermarket chains.
• With stable global demand and improvement in production, company anticipates better opportunity to utilize capacities.
• Shrimp seed sales typically increase during Q4 and Q1 in india, due to the summer season, which facilitates shrimp stocking and production in India.

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Spencer's Retail Ltd

CMP INR 88.4 | Market Cap INR 7,970mn

Outlook: Spencer's retail was able to bring down significant losses and turned EBITDA positive for the first time in many quarters. The management's cost control strategy has been working well and its effect can be seen since last 2-3 quarters; this will help the company in decreasing losses. The main focus of the company is on top line expansion and penetration into already existing cities with new stores and catering wider range of products. High growth potential of luxury grocery stores is an opportunity for the company to use its position.

Financial highlights:
• Revenue stood at INR 6540mn (+2.4%YoY/14%QoQ)
• Gross margin for Q3FY24 was 20.3% (-80bps YoY/+40bps QoQ)
• EBITDA stood at INR 180mn, margins improved by 339bps QoQ/248bps YoY
• Closed down 20 loss making stores in Kerela and Tamil Nadu as the management felt they were not adding value.
• The quarter was also aided by festivals and tax benefits. Momentum shifting towards growth.
• 9% reduction operating expenses in Q3. Subsequent effects will be seen in Q4 and Q1FY25. Target to cut down operations cost by 10-11% in FY25.
• Consolidated Gross margins are at 20.3%**.** Spencer Retail did about 19% GM while Nature's basket has been maintaining 30% GM levels.

Nature's basket:
• Unveiled Artisan Pantry: New format for luxury
• Focus on providing value proposition, luxury customer experience and a wider range of products.
• Plans to establish 40,000-50,000 sqft in new stores in FY24.
• The management feels the luxury groceries market is under penetrated.
• Current focus is expansion in Mega metro cities like Mumbai and Bangalore.
• The management believes in the strategy of focusing on particular markets and clusters and then move on to expansion.
• The effects of restructuring and cost optimization will be evident from Q1; goal of halting cash burn starting from the same quarter.

Other key highlights:
• Express delivery model has received positive response in Kolkata - delivery within 1 hour of more than 50,000 products. 28% growth seen in Q3FY24. Plan to expand this model in Banaras and Lucknow as well.
• Target to increase OMNI channel share from current levels of 12% to 20% by next year.
• The company feels they will have enough working capital for capex and will look to raise funds as required.
• Private label margins are much higher than category margins.
• Plans to expand with smaller stores in Spencer's retail, roughly about 8,000-10,000 sqft and then move on to hyper stores or big outlets after an established position.
• The company targets to limit cash burns within 18-24 months in Spencer's retail.
• Current focus of the company is to breakeven and long term target of 6-8% profit margins.

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Annapurna Swadisht Ltd

CMP: INR 323| Market Cap: INR 5,620mn

Incorporated in 2015, **Annapurna Swadisht Limited** is a manufacturer of snacks and food products, namely, Fryums, cakes, candy, namkeen, chips, and Gohona Bori.

Diversification of Product Portfolio:
The company's product portfolio now includes Gluco Water, Rusk, Sonpapdi, Cup Jelly, and Noodles, expanding its presence beyond the Rs. 5 price point. Venturing into the Rs. 10 market with cakes, Rusk, and Gluco Water, it aims to penetrate the biscuit segment with products priced at Rs. 30. Added 34 more SKUs totaling to 72 SKUs as of 15th May 2023. Outsourcing five product segments to multiple partners ensures efficient distribution and risk mitigation. Plans for continuous expansion include introducing new products like Popcorn and Jhalmuri.

Capacity Expansion:
The company operates three owned manufacturing plants with a total capacity of 47 MT and has added a new unit in Siliguri. Plans to launch units in Dhulagarh and Gurap, West Bengal, are underway. Product lines have expanded to 10 across all facilities. The company utilizes state-of-the-art QC labs and prioritizes high-quality sourcing, supported by a custom-built SAP system for efficient operations. Continuous investments in process automation and focus on power and waste management ensure operational efficiency and sustainability.

Expansion of distribution network
Expanded presence in West Bengal, Jharkhand, and Assam, adding 30 super stockists and 210 distributors. Tapped over 600,000 retail touchpoints across 250 towns and 80,000 villages. Initiating foray into Bihar, Odisha, and exploring entry into central and northern India. D2C brand Gohona Bori listed on Amazon, with plans for wider online expansion. Sustained marketing efforts with team expansion and focus on brand-building initiatives.

Expansion and focus:
The company aims to offer a variety of hygienic, ready-to-eat ethnic cuisines while empowering women in eastern Indian villages for quality procurement. Their Olonkar range includes regional specialties like Gohona Bori and Pickles, with plans to expand nationwide through partnerships with platforms like Big Basket.

Outlook:
In 2024, the company aims to boost margins and expand capacities, leveraging increased production capabilities. Focus is on cost control, logistics optimization, and extending manufacturing presence, particularly in Uttar Pradesh. Investments in product diversity and distribution efficiency remain key priorities for sustained growth.

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Welspun Living Ltd

CMP: INR 147 | Market Cap: INR 143.34bn

Key focus: Welspun is expanding its global presence, focusing on licensed brands like Martha and Disney, offering a diverse range beyond towels and sheets. The company aims to capitalize on opportunities in the domestic market, already being the highest distributed brand in the country. With emerging businesses such as flooring, advanced textile, and global brands, Welspun targets a steady increase in their share of total revenue, aiming to reach 45%.

Capex plans: The company's board approved a capex for a jacquard towel facility, increasing total towel capacity by 6,400 metric tons per annum at the Anjar facility, operational by Q3 FY25, with an expected annual revenue of INR400 crores. Additionally, an investment of $12.5 million (INR104 crores) was sanctioned for a fully automated pillow manufacturing unit in Ohio, USA, with a capacity of 6.7 million pillows, operational by Q2 FY25, generating an additional revenue of $50 million (415 crores). The projects will be financed 75% through term loans and 25% through internal accruals. Most of the capex will be incurred in FY24 and 25. Both the projects will give a ROCE of 20%+.

Guidance: The company is aiming to surpass this guidance with an expected revenue growth of around 15% and 15% EBITDA in FY24. Quarter four is anticipated to avoid degrowth. The company foresees 80% utilization for towels, 70% for bedsheets, and 60% for flooring in this year. Maintaining the EBITDA, the commitments are towards achieving INR 15,000 crores in FY26.

Q3FY24 Operational Highlights:

- India remains the leading supplier of Terry towels and bedsheets to the USA, with market shares increasing from 41% to 44% in Terry towels and from 49% to 59% in bed sheets for the April-November 2023 period, according to Otexa data.
- In Q3, the US GDP showed a growth rate of 3.3%. Consumer inflation in the country declined to 3.4% in December 2023 from its peak of 9.1% in June 2022, marking a decrease from the highest inflation rate recorded in the US.
- Red Sea issues increased blank sailing, raising container costs. Mitigation efforts are ongoing, exploring innovative solutions and collaboration. Opportunities like stocking in the USA are considered to minimize cost impact.
- Expanded to 9 EBOs in Q3, totaling 20 EBOs, aiming for 150+ EBOs by 2025.
- The reason for Capex is to meet medium-term plans for FY26, focusing on building a diverse product range to achieve set goals. Also company maintains the target of becoming debt-free in two years.
- Christie has shown growth in the UK, gaining recognition as a brand. The Middle East market is growing by 25%, and expansion plans include Canada (offline), the USA (online), China, Japan, New Zealand, Australia, and a potential launch in India, catering to the luxury segment.
- The company spent INR 230 Cr on a 30 MW solar power plant in the 9M FY24, achieving a 50% cost saving compared to thermal plants.
- The company secured major orders from the USA, UK, and the Middle East, and saw increased demand for soft flooring in hospitality and commercial segments. Repeat orders and a focus on value-added products in hard flooring contributed to improved visibility.
- At the end of Q3, the net debt was INR1542 Cr, (-INR367Cr YoY and -INR30Cr QoQ). The slight inventory buildup in Q3 is expected to be rationalized by Q4, further reducing debt by the end of Q4.

Outlook and Valuation: The company is targeting the Indian retail market by expanding EBOs and MBOs, emphasizing brand visibility. Additionally, new Capex planned to increase towel capacity and introduce a new product range of pillows and focus on diversification serves as a key drivers for the company's growth. We assign a TP of INR 229 valued at a P/E multiple of 25x the FY25E EPS of INR 9.2, yielding a 'Buy' rating and an upside of 56%.

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Sat Industries Ltd

CMP: INR 89 | Market Cap: INR 10,020mn

Business Segments
The Company (through itself and its subsidiaries) actively invests in start-ups which have disruptive and innovative business models. It is primarily engaged in following businesses through its subsidiaries:
1. **Sah Polymers Ltd**: Manufacturer and exporter of PP woven bags, box bags, BOPP laminated bags and Flexible Intermediate Bulk Containers.
2. **Aeroflex Industries Ltd**: Manufacturer and exporter of SS Corrugated Flexible Flow Solutions, which include stainless steel flexible hoses and assemblies.
3. **Genext Students Pvt Ltd**: Engaged in providing a hybrid tutoring platform combining private home tutoring and technology-enabled learning.

Investment Areas:
The Company has invested in sectors such as food-tech, ed-tech, e-commerce, hyper-local services, digital media portal, hyper-local advertising, virtual reality products,loT products etc. Company has also invested in several VC funds who in turn invests their corpus in various start-ups.

Expansion
SAH polymers has added a new plant in Village Modi, Udaipur, to expand its capacities and enable customization options. This plant is spread across 16,000 sq. mtrs. area, adding another 3,960 MTPA capacity.
Aeroflex Industries is also planning to deploy Rs 125+ cr for expanding its manufacturing capacity at Taloja, to 16mn meters from its current capacity of 11mn meters; it’s expected to be completed by FY23. Company and its subsidiaries plan to invest in 40 to 50 additional startups with a planned capital outlay of INR 12 to 15 crores.

Subsidiary
As of March 2022, Company has six subsidiaries, five Indian and one foreign. It also has a Strategic partnership company under its Group.

Strategic Partnership
In July 2021, Company entered into a JV with Navneet education group, whereby Navneet Tech Ventures Pvt Ltd will hold ~52% stake in Genext Students Pvt Ltd. Consequently, Genext Students Pvt Ltd ceased to be an associate Company of Sat Industries Limited.

Amalgamation
The Company has filed the Scheme of Amalgamation of Aeroflex International Limited and Italica Furniture Private Limited with Sat Industries Limited. The application for amalgamation is pending before NCLT.

Focus
SAT along with its subsidiaries aims to invest in 40 to 50 start-ups and plans to take its total investments to 500+ start-ups by financial year 2025-26.

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Prataap Snacks Ltd

CMP: INR 967 | Market Cap: INR 23,090mn

Competitive intensity:
Since commodity prices have softened significantly from their peak, and inflation has begun to moderate, it has led to a lot of unorganized players re-entering the market which has led to some organized players losing some market share/ having a flat growth.

Marketing spends:
Marketing spends were kept a little higher for H1 at 7.25% of revenues. On a full-year basis they are expected to remain in this range as the company is working toward retaining its market share and improving brand visibility however, they will go back to normal levels next year. In Q2 they signed with a brand ambassador to improve the visibility of Avadh in Gujarat.

Upcoming capacities:
The capacity at J&K should become operational by the 1st week of Jan'24. This, combined with the completion of the Rajkot facility should add INR 2,700-2,800 Cr of revenue. The current overall utilization of existing facilities is 60-62%.

Namkeen to take the spotlight:
Namkeens are a key focus area as they are 43% of industry demand but only 16% of revenues. This should go up to 20-23% in the next year. They also have a favorable freight-to-volume ratio.

Re-entering modern trade:
They exited modern trade outlets like D-Mart during COVID-19 as inflation and the high associated costs were posing an issue, but they plan to re-enter these outlets soon with bigger pack sizes in the INR 10-20 range to cater to the urban market. This will help reduce their dependence on INR 5 pack sales which come from impulse purchases.

Operational Highlights:
- The benefit of cooling off input prices should start to flow through in H2.
- The PLI benefit will be accounted for at the end of the year if it is earned (provided the company meets its threshold revenue), instead of accruing and then reversing it.
- 70% of revenues come from the West and North markets, but they are now seeing good growth from the South and East markets- particularly Guwahati, Calcutta, and Patna.
- Expect to attain a run rate of INR 500 Cr 1-2 quarters down the line.
- The current balance sheet is strong enough to support growth for the next couple of years.

Valuation & Outlook:
The company's market share remained mostly flat as it grew in line with the industry, registering healthy volume growth during the quarter. The cost-saving initiatives taken added 2-3% to the EBITDA margin which can be sustained. The company should meet its previous guidance of closing the year at ~9% margins with flattish growth for FY24. We assign a TP of INR 1,268 valued at a P/E multiple of 30x the FY26E EPS of INR 42, yielding an upside of 46% and a 'BUY' rating.

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L T Foods Ltd

CMP: INR 166 | Market Cap: INR 57,710mn

LT Foods Ltd. (LTF) is a global consumer specialty company primarily focused on basmati rice, organic foods, and rice-based convenience products. With a presence in over 80 countries, it has significant regional exposure in the US, Europe, and the Middle East.

Financial Performance:
- Revenue grew by 9% YoY in Q3FY24, driven by the basmati rice segment which grew by 11% YoY. However, the organic segment declined by 6% YoY due to anti-dumping duty in the US, while the value-added segment saw a robust growth of 28% YoY.
- EBITDA margin improved by 300bps YoY to 12.3%, mainly due to lower input costs, higher realization, and normalization of freight costs. However, disruptions in the Red Sea are expected to impact transportation costs in Q1FY25.
- LTF is expanding its distribution to 1.4 lakhs outlets and has increased market share in India to 30%.

Operational Challenges:
Red Sea Issue Impact: The Red Sea issue has led to challenges concerning freight rates and transit time, affecting logistics operations.
Freight Cost Impact: Despite the Red Sea issue, the impact on freight costs has been minimal, ensuring stability in margins.
Sales and Pricing Strategy: The company is assessing the impact of the Red Sea issue on sales and refining its pricing strategy accordingly.
Fire Incident Case Update: Updates on the resolution of the long-pending case regarding the fire incident are awaited, which may affect operations and financials.
Ban on Non-Basmati Rice Exports: The ban on non-Basmati rice exports poses challenges to the export segment, prompting adjustments in business strategies.

Business Expansion:
Ready-to-Eat and Ready-to-Cook Expansion: The company is expanding its ready-to-heat and ready-to-cook business segments to capture new market opportunities.
Saudi Arabia Market Progress: Progress in penetrating the Saudi Arabia market is underway, with strategies aimed at strengthening market presence.
Mega Brand Development: Plans are in place to develop mega brands within the company, enhancing brand equity and market competitiveness.

Financial Strategy:
Buyback and Dividend Policy Evaluation: Evaluation of buyback and dividend policies is ongoing to optimize capital allocation and enhance shareholder value.
Fundraising Approval: Approval for fundraising of INR 50 crores through commercial paper has been secured to support business expansion and operational needs.

Market Growth:
- Anticipated growth in India's contribution to the business highlights opportunities for market expansion and revenue generation.
- Export volumes aided healthy topline growth, with basmati rice exports from India increasing by 16% YoY in FY23.
- EBITDA margin improvement was aided by normalization of freight costs, with a focus on value-added portfolio and cost efficiency measures for long-term margin expansion.
- The company targets a 5-year EBITDA margin expansion of 150bps and has received a favorable court order for an insurance claim of Rs. 161.2 crores.

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Associated alcohol & Breweries Ltd

CMP INR 478 | Market Cap INR 8.64 Bn

Financials

• Reported total income of Rs. 1944.5 Mn in Q3FY24 as compared to Rs. 1736.1 Mn in Q2FY24.(+ 12%QoQ/ +3%YoY).

• EBITDA stood at 204 Mn (+22% YoY) with a margin of 11%(+ 200 bps YoY).

• Reported net profit of Rs. 126 Mn in Q3FY24 as against net profit of Rs 134 Mn for the Q2FY24(-6%QoQ/ +16% YoY).

Expansion

• The company plans to form a subsidiary in Uttar Pradesh, driven by the state's favorable incentives for manufacturing.

• In the early stages of acquiring land for a greenfield project.

Capex

• The company plans to set up a unit in uttar Pradesh,an expected capex of around 150 to 200 crores from internal accruals.

Premiumization strategy

• Company introduced Central Province Rum in the premium category and handcrafted Nicobar in the super premium category.

Guidance

• The premium product line is expected to achieve 18-20% YoY growth, driven by sustained consumable interest in the B2B segment, aligning with steady progress in line with inflation rates.

• The company expects continued growth in the B2C segment, with the IMFL proprietary category and licensed IMFL segment projected to achieve YoY growth of 15-18% and 12-15% respectively.

Key highlights

• Commenced the commercialization of a 130 klpb grade-based ethanol plant.

• Seen growth in the ENA and IMFL license segments, while the IML segment's growth is constrained due to changes in MP government policy.

• Disruption in ENA supply from Punjab has increased ethanol prices, incentivizing suppliers to prioritize ethanol over ENA.

Outlook

Company is focus on constant expansion, innovation and optimization of operational costs. Entering in ethanol production diversify the portfolio into an adjacent business, strengthening overall business model.

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Quess Corp Ltd.

CMP-INR 496 M.Cap- INR 73.57bn Target-INR 775 Promoter Stake- 56.65%

Investment Rationale: The company has been focusing on reducing exposure to non-core segments, expanding market reach, and minimizing losses in the platform segment (FoundIt expected to breakeven EBITDA level in Q4FY24).

The company has trimmed its exposure to government projects and has not been bidding on new government projects as these usually entail very high DSO days.Overall, the company expects revenue to grow at double digits in the near to medium term (Company faced one time non cash write off in one of its technology business). We expect the consolidated margin to improve from current levels to 5%due to change in portfolio mix, optimization of overhead costs, and breaking even in platform segment. However, this will be a gradual move and not an immediate move. We believe the stock trades at an attractive valuation with better risk reward ratio. Quess Corp in the past has been trading at an average of 22x one year forward PE for the past five years. We have a positive outlook on the stock.At CMP, company trades 18.5x FY25EEPS and 14x FY26EEPS (Bloomberg Est).

Earning visibility to remain strong with double digit growth momentum: The staffing industry is expected to maintain its revenue momentum due to factors such as: formalization of the sector, market share gains, and government incentives aimed at driving the labor force. In Q3FY24, the environment was positive in industrial, BFSI, retail, and telecom. Production Linked Incentive (PLI) scheme, in particular, is anticipated to stimulate hiring in coming years. However in Q3FY24, the Indian IT staffing and collection business remained impacted by global headwinds. Focus continues to be on niche profiles, BFSI, and digital, and on maximizing the market penetration in strategic focus areas. According to industry reports, more than 60% employers are planning to increase their workforce due to the PLI scheme introduced by the government. Quess Corp has been reporting strong growth at a CAGR of 26% over FY16–23 despite theimpact of Covid-19. Similar to industry expectations, management expect its own revenue to at least grow 20% going forward driven by the factors mentioned above. In the international business, the company has expanded its presence beyond Middle East and South Asia by entering North America. Furthermore, all of the company’s product-led businesses have registered robust growth, up 20% in FY23. Foundit, in particular, achieved a growth of 33% in FY23.

Margins to touch 5% in medium term: Q3FY24 reported best margin performance in the past 6 quarters, navigating through slowdown in IT India staffing. For FY23,consolidated EBITDA margin stood at 3.4%, largely impacted by losses in product led business. However, excluding the product-led business, EBITDA margin was4.1%. Management had earlier guided consolidated EBITDA margin to expand 100bps to 4.5% in medium term driven by change in business mix but we believe the margins can touch 5% in FY25 itself. One of the major focus area is to reduce SG&A cost across verticals through back office automation. This reduction in SG&A costs(excluding the product-led business) and reduction of cash burn in Foundit is expected to contribute to the expansion in margins.

Valuation Summary: Quess Corp is on a recovery path which was even displayed in the consolidated margins in Q3FY24. We believe this trajectory will continue inFY25 as well for the factors mentioned above. Quess Corp has been trading at an average of 22x one-year forward P/E for the past five years. The company will growin double digits (topline) while expanding in margins. At CMP, company trades18.5x FY25EEPS and 14x FY26EEPS (Bloomberg Est). We have a positive view on the company and will work on detailed numbers soon. We assign 22x multiple toFY26 earnings and arrive at a price target of INR 775 (an upside of 58% from current levels)

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SIS Ltd

CMP- INR 444 M.Cap- INR 64bn

Performance (Consol)

•Revenues came in at INR 30.7 Bn (-0.0% QoQ) (+5.8% YoY). EBITDA margins came in at 4.9% (Vs 4.7% QoQ) (Vs 4.4% YoY)

Key Highlights of the call:

•Alarms business does 15% EBITDA margins. Root based cash logistics business does 20% or higher margins. •Security solutions and facility management have similar approach. Security solutions took 8 quarters to return to margin profile. •Minimum wage hike in Australia 80% passed on. New Zealand doing well, 7-8% EBITDA margins. •Usage of ATM is going down but use of cash is not dying. 80% of business is non ATM linked cash logistics (Cash Logistics segment)

Other Highlights

•Securities Solutions India revenues came in at INR 13.18 Bn (Vs 13.02 Bn QoQ) (12.03 Bn YoY)

•Securities Solutions International revenues came in at INR 12.45 Bn (12.59Bn QoQ) (12.19 Bn YoY)

•Facility Management Solutions revenues came in at INR 5.25 Bn (5.28 Bn QoQ) (4.97 Bn YoY)

Security Solutions India:

•Major wins came from the BFSI, Energy, Retail, Healthcare, and Hospitality sectors. EBITDA margin at 6.1% Vs 4.9% in Q3FY23. •VProtect (alarm monitoring system) now has 21,000 connections. •Low margin contracts were filtered out during the quarter. •DSOs reduced by 1 day at 84 days (QoQ). OCF/EBITDA stood at 69%

Securities Solutions International:

•Growth was primarily driven by new wins in the Mining, Education, Manufacturing, Retail, and Real Estate sectors. EBITDA margins were 3.9% Vs 4.0% in Q3FY23. •EBITDA margins was impacted by downsizing of a contract by one customer and the loss of one contract in Australia. •Even in developed western markets like Australia, 80% of security revenue still comes from manpower services, while 15% comes from solutions. •Henderson achieved positive operational profits during the quarter (Singapore subsidiary) •DSOs increased from 52 days to 53 days QoQ (largely due to seasonality)

Outlook: EBITDA margins of Security Solutions India segment back to pre-COVID levels. Cash Joint venture business (second largest cash logistics business in India), reported its highest quarterly revenue and EBITDA margin in Q3FY24. Company expects improvement in performance due to investments in real estate, buildings, and public utilities by govt and private sector (which will increase the demand for security services). Company believes the margin improvement which happened in security solutions will follow suit in facilities management. Historically company has grown 2x of GDP (50% value, 50% volume). At CMP, company trades 24x TTM EPS

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Suprajit Engineering Ltd.

CMP: INR 395 | Mcap: INR 54,639 Mn

Suprajit Engineering, established in 1985 and based in Bengaluru, was founded by Mr. Ajith Kumar Rai. Originally a single-client, single-product company specializing in liner cables for the automotive industry, it has since diversified and strengthened its position in the market. The company now specializes in producing a wide range of products, including mechanical control cables for automotive and non-automotive uses, speedometers for 2W, halogen lamps for 2W, 3W, PV, CV and off-road applications, as well as non-automotive control cables for outdoor power equipment. Suprajit Engineering has a broad clientele, serving reputed domestic and international OEMs in the two-wheeler, three-wheeler, and passenger vehicle segments, along with maintaining a strong aftermarket presence.

Key Highlights

Suprajit electronic division: Significant growth observed, with an order book reaching INR 1,500 Mn per annum and a current run rate of INR 200 Mn per quarter. The division plans to invest in additional capacity, particularly for high volume products like electronic clusters, to meet growing demand and de-risk the business. Expectations are for continued strong growth in the near term, driven by successful entry into the EV segment and attracting attention from established players.

Softness in the aftermarket segment: The aftermarket segment experienced tepid growth in the first nine months but showed signs of recovery in January. The slowdown in this segment is attributed to cyclic fatigue after several years of strong growth. Factors such as monsoon and rural economic conditions have also contributed to the softness. A rebound is anticipated in Q4, with expectations of good growth.

Domestic cable business growth: The domestic cable business grew by 3% in 9MFY24, primarily impacted by weak aftermarket performance. Growth momentum is expected to improve, with a rebound anticipated in Q4.

Outlook and Valuation: Positive outlook for Q4, with strong performance in the DCD, PLD, and electronics divisions. The company is focusing on strategic initiatives to improve performance and capitalize on growth opportunities in both domestic and international markets. The company's focus on manufacturing excellence, coupled with product differentiation and market demand, is expected to support sustained margins across divisions. Overall, despite challenges such as the Red Sea crisis and the UAW strike, the company has demonstrated resilience and maintained strong margins. **We expect Suprajit's revenue, EBITDA, and PAT to grow at a CAGR of 10.3%, 16.4%, and 27.3%, respectively, over FY24-FY26E. We used DCF model to arrive at a target price of INR 467 per share (Earlier target price of INR per share 444). Accordingly, we maintain our "BUY" rating on the stock.**

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Route Mobile Ltd.

CMP: INR 1,577 | Mcap: INR 99,018 Mn

Route Mobile, established in 2004, is recognized as one of the foremost providers of Cloud Communications Platform services. Offering Communication Platform as a Service (CPaaS) solutions, the company caters to enterprises, OTT players, and mobile network operators (MNO). Its portfolio encompasses messaging, voice, email, SMS filtering, analytics, and monetization solutions. Route Mobile delivers a comprehensive communication product stack, guided by CPaaS principles, integrating Conversational AI across various industries such as social media, banking and finance, e-commerce, and travel aggregation.

Key Highlights

Momentum in new product: Route Mobile reports a strong 58% YoY and 14% QoQ growth in next-gen products, contributing to an LTM revenue of $25 million. With widespread adoption by enterprises and imminent large contracts, the company foresees a robust trajectory for FY25. Engaged in contracts where monthly run rates exceed current sizes, Route Mobile anticipates an inflection year for new products in the current fiscal year.

Strategic growth roadmap for FY25: The decision to shift the go-live date from December 1st to April 1st, driven by an exclusive deal with Vodafone Idea, is indicative of strategic planning. The ongoing migration of the firewall, expected to wrap up by March-end, foresees a notable revenue surge from April 1st, supported by early signs of growth. The upcoming closure of the Telesign and BITS deal perfectly fits the company's growth strategy. We believe this will enhance Route Mobile growth in the FY25.

Vodafone-Idea go-live: The go-live date, originally scheduled for December 1st, has been pushed to April 1st due to an exclusive partnership with Vodafone Idea. Firewall migration across various circles is nearing completion, expected to finalize by March's end. Anticipated revenue growth from the firewall is set to commence on April 1st. Alongside Vodafone and other deals, a pending agreement between Telesign and BITS promises synergies, aligning with Route Mobile's objectives.

Valuation and Outlook: The company's Q3FY23 growth constraints were primarily linked to OTTs implementing layoffs and reducing non-critical communication activities. FY24 guidance revised down to 15%-17% from 20%-25%, but high growth potential remains. Q4FY24 expected to surpass Q3FY24. Vodafone Idea contract go-live extended to April. Company reiterates $1 bn revenue goal over three to four years. Anticipating heightened wallet share with clients, particularly with Vodafone's imminent go-live, the company expresses enthusiasm for the promising trajectory and growth. Positioned for improved growth, it aims to expand clientele globally, leveraging new products and ramp-up efforts across multiple countries. **We value the stock at a PE multiple of 20x to its FY25E EPS of INR ~91, which yield a revised target price of INR 1,819 per share (earlier target price; INR 1,839 per share). We maintain our Accumulate rating on the stock.**

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Welspun Corp Ltd.

CMP: INR 501 | Mcap: INR 1,31,056 Mn

Welspun Corp Ltd (WCL), part of Welspun World, is a leading multinational in India with expertise in line pipes and home solutions. Operating across infrastructure, building materials, and more, WCL is a global leader in large diameter pipes, serving clients in over 50 countries. The company's product range includes BIS-certified Steel Billets, TMT Rebars, Ductile Iron Pipes, Stainless Steel Pipes, and Tubes & Bars. With modern manufacturing facilities in India and the USA, WCL focuses on diversifying its product portfolio through strategic acquisitions like Sintex-BAPL and assets from ABG Shipyard.

Key Highlights

India business: India's order book is at 369,000 tonnes, with current volumes at 170,000 tonnes, and increasing water transportation orders suggest export potential, particularly in CGD. There's a steady growth forecast for water transportation in irrigation projects, while exports of LSAW pipes are expected to thrive in markets like the Middle East, Australia, Europe, and South East Asia, driven by upcoming hydrogen and carbon capture projects.

USA business: In the US, volumes reached 121,000 tonnes with an order book of 206,000 tonnes until Q1FY25, and the company is actively bidding for orders in the Permian basin while discussions for two orders are ongoing; US LNG exports are expected to rise significantly, contributing over 15% of Europe's natural gas demand by 2023, and the North American large diameter steel pipes market is projected to grow at a 2.8% CAGR to reach US$752.9 billion between 2023 and 2033, driven by the completion of new natural gas pipeline projects in the Permian Basin.

Sintex: Water tank volumes reached 3,411 tonnes, and Sintex is expanding into PVC products through its subsidiary, Sintex Advance Plastics Limited (SAPL), introducing CPVC, UPVC, HDPE, and OPVC pipes; an INR 8 billion capex will establish multiple plants across India for operations in both agricultural and non-agricultural sectors, while SAPL secured a Framework Agreement exclusively for high-quality PVCO pipes manufacturing lines with Rollepaal Pipe Extrusion Technology B.V.

Outlook and Valuations: Company is confident of crossing their guidance of INR 150 Bn topline and INR 15 Bn of EBITDA with 16% ROCE for FY24. The line pipe bid book has slowed down a bit but orders for Permian basin (USA) are expected to come in next 2 months. Extremely strong performance by company and the outlook suggests similar performance going ahead. Company has registered strong volumes on DI Pipes. TMT Bars and Sintex are picking up slowly as well. Nauyaan Shipyard scrap 60% is sold and remainder will be sold in 3-4 months. WSSL is performing well. The only region to watch out is USA where order inflow is expected which will be a key trigger line pipe business. We continue to remain positive on the company’s performance but we change our rating to ACCUMULATE for the time being, key reason is to monitor the order inflow in US business. Apart from the US business, all other businesses have strong future visibility. **We upgrade our target to INR 668 on SOTP 75 basis. At CMP, company trades 6.8x FY26E EV/EBITDA**

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Hero MotoCorp Ltd.

CMP: INR 4,539 | Mcap: INR 9,07,504 Mn

Hero MotoCorp (HMCL) is the top two-wheeler manufacturer in India based on sales volume, commanding almost 32% of the domestic motorcycle market. With eight manufacturing plants - six in India and one each in Colombia and Bangladesh - HMCL has formed partnerships with renowned brands like Harley Davidson and introduced new models such as the X440 and Karizma XMR.

Key Highlights

Strong traction in EV: The company has rapidly expanded its electric vehicle (EV) presence across 100 cities in India and is actively collaborating with Ather to build a robust charging infrastructure. For FY25, the company plans to launch new EV products in both the mid (INR 1.25-INR 1.3 lakh/unit) and affordable (~INR 1 lakh or below/unit) segments, demonstrating a commitment to innovation with extensive research and development investments in EV technology. Complementing its EV initiatives, the company strategically operates around 18 exclusive Vida hubs, small-format stores across India, with ambitious plans to expand this network to 100 hubs by the end of FY25.

Rural dominance in sales with financing fueling transition: During the festive season, the company experienced elevated sales in rural areas, surpassing urban regions. Enquiries for its models from rural areas increased to ~50%-55%, up from ~40% a year ago. This shift is primarily attributed to financing emerging as the key driver in this transition.

Expanding global presence: Management pledges to accelerate growth in existing ~50 countries in the exports market, with planned product launches to strengthen market share in these regions .

Outlook and valuation: The company anticipates a boost in 2W market share through increased rural demand, premium segment product enhancements, and the launch of a mass-market EV. The emphasis on premium vehicles will rise with new model launches and expanded premium outlets. We believe a positive stance on the rural market is supported by an evident revival in demand, marked by a surge in rural inquiries, currently accounting for 50%-55% of total inquiries. This shift indicates a notable improvement in rural sentiment compared to recent months. **We revised our rating to Accumulate on the stock and value it SOTP valuation for a revised target price of INR 5,603 per share (earlier target price; INR 4,607 per share).**

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Birlasoft Ltd.

CMP: INR 720 | Mcap: INR 1,98,812 Mn

Birlasoft ltd is engaged in Computer programming, consultancy, and related activities. It provides software development and IT consulting to its customers predominantly in Banking, Financial Services, and Insurance, Life Sciences and Services, Energy Resources and Utilities, and Manufacturing. The company's consultative and design-thinking approach empowers societies worldwide, enhancing the efficiency and productivity of businesses. Birlasoft, comprises over 12,000 professionals and is a part of CK Birla Group, an Indian Multinational Conglomerate.

Key Highlights

Focus on client mining to drive growth: The new CEO is focusing on specific industries and regions to boost growth. They have hired leaders who specialize in these areas. The company is also performing well on ERP projects. Moving forward, they intend to prioritize digital, data, AI, and infrastructure. To accelerate growth, they plan to pursue ongoing projects, secure large contracts, expand short-term digital projects, and strengthen existing client relationships.

Margin expansion in Q3FY24 despite wage hike: The EBIT margin surpassed expectations at 14.4% (against our estimate of 13.49%), absorbing a substantial portion of organization-wide compensation hikes effective from September 1, FY23, with the full impact reflected in Q3 after a one-month impact in Q2. Utilization at 87% and various operational levers in play have yielded initial wins. Ongoing efforts to identify opportunities continue, and stability is expected in the margin.

Strong Deal wins singing: Signed deals of TCV $ 218 M during the quarter with TCV new deal wins of $ 94 M and renewals of $ 124 M. TCV too have been robust, comprising both renewals as well as net new engagements. The pipeline is robust and promising for Q4FY24.

Outlook and Valuation: Birlasoft delivered robust Q3FY24 results, driven by exceptional deal execution. The company is strategically re-aligning its business, emphasizing delivery, client relationships, sales investments, and leadership recruitment for vertical growth. We anticipate consecutive quarterly growth, primarily led by the BFSI sector and ERP business strength. The medium-term margin target is to sustain at current level. **We anticipate a 20% CAGR in revenue growth from FY23 to FY26E. Our valuation, based on a PE of 32x FY26E EPS of INR 29, yields a revised target price of INR 929 per share (Earlier TP INR 628 per share), and we maintain an "Accumulate" rating on the stock.**

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Sansera Engineering Ltd.

CMP: INR 956 | Mcap: INR 51,238 Mn

Sansera Engineering Limited manufactures precision engineered components for both automotive and non-automotive sectors. The company manufactures and supplies precision forged and machined automotive components and assemblies, including connecting rods, rocker arms, crankshafts, gear shifter forks, stem comps, and aluminum forged parts. These parts are essential for engine, transmission, suspension, braking, and chassis systems in 2-wheeler, passenger vehicle, and commercial vehicle verticals. The non-automotive sector includes precision components for aerospace, off-road, agriculture, engineering, and capital goods.

Key Highlights

Revolutionary Growth: Triumphs and Expansions in Premium Motorcycle Components: Record-breaking sales in two-wheeler components, primarily fueled by motorcycle parts, mark the highest quarterly achievement. The surge is amplified by the premiumization trend, now manifesting in successful deliveries of these upgraded models. This success is further propelled by the robust performance of major two-wheeler clients and an expanding share in premium model-centric business, encompassing partnerships with renowned brands like Royal Enfield, TVS, BMW, Harley Hero, and Triumph Bajaj.

Strategic Shifts: Aluminum Dominance and Evolving Electric Vehicle Landscape: Fueling Premium Models and Light-weighting Trend. While xEV Product Share Dips to 3.8% due to Domestic Scaling, New American EV Partnership Spurs Recovery. Non-Automotive Segment Surges, Contributing 25.5% Growth and Maintaining Q3 Momentum.

Robust Growth: New Business Order book Soars to INR 20.4 Bn, Surpassing 85% of Previous Year's Total Revenue. Significant Inflow in Non-Auto and Auto-ICE Segments, Showcasing Expertise. Non-Auto Commands 58% of New Orders, with Tech Agnostic Products Contributing 14% to Incremental Quarter Orders.

Outlook and Valuation: We believe in strong double-digit growth in the two-wheeler segment and the maturation of tech-agnostic products toward higher cubic centimeters. FY25 anticipates an upswing in Aerospace and Defence, despite a slight delay in one order. Off-Road is expected to contribute INR 1 billion in revenues. New capacity expansion focuses on fulfilling substantial orders, with Asset Turns estimated at 1x in Auto and 2x in Aerospace. Sansera is poised for a 2x growth compared to the industry, with 50% attributed to new components and 50% to underlying industry expansion. **We value the stock on a P/E (x) multiple of 18x to its FY26E earnings of INR 66.6 EPS to arrive at target price of INR 1,198 and continue maintaining our Buy rating on the stock.**

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Mahindra & Mahindra Ltd.

CMP: INR 1,843 | Mcap: INR 22,91,823 Mn

Mahindra & Mahindra Ltd is a diversified automobile company in India with presence across 2-wheelers, 3-wheelers, PVs, CVs, tractors & earthmovers. it also has presence across financial services, auto components, hospitality, infrastructure, retail, logistics, steel trading and processing, IT businesses, agri, aerospace, consulting services, defence, energy and industrial equipment through its subsidiaries and group companies. The Mahindra Group is one of the largest multinational federations of companies, with 260,000 employees in over 100 countries.

Key Highlights

Strategic Repositioning of XUV700: Shifting Focus and Expanding Market Presence. With a current emphasis on AX7 and AX7L models, constituting 80- 85% of orders, there's a need to overcome the perception of XUV700 as solely a INR25 lakh product. Despite competitive offerings in the INR14-15 lakhs range, targeted marketing is crucial for broader market penetration. This strategic shift aims to unlock untapped segments, avoiding fixation on a specific booking mindset and enhancing overall market competitiveness for the XUV700.

Tractor Market Dynamics: In Q3FY24, M&M experienced a 13% increase QoQ but a 4% decrease YoY in tractor volumes. Despite this, M&M managed to grow its market share by 80 bps compared to Q3FY23, reaching 41.8%. Factors such as adverse weather conditions like El Nino affecting southern states and Maharashtra, reduced government spending on agricultural and rural development, and slow Rabi sowing contributed to the decline in tractor sales. However, M&M remains optimistic as agricultural credit growth, minimum support prices (MSPs), and infrastructural activities may support tractor demand. Additionally, the introduction of new products like Yuvo Tech+ and 'Swaraj Target' tractors in lower horsepower ranges could boost sales. In the farm machinery segment, M&M anticipates strong demand with the launch of 15 new products. They currently hold the second position in the Rotavator market with a 21.9% share.

Strong Orders Book: Thar and Scorpio classic exhibit robust order books, while Bolero has minimal waiting period. The Scorpio-N is also strong. Notably, the 300 model is currently not open for bookings, awaiting a mid-cycle refresh. Addressing XUV700 concerns, efforts are made to reduce waiting times, especially with the introduction of new models. However, the challenge is to shift the perception from a predominantly higher-end product (INR25 lakh) to highlight competitive offerings in the INR14-15 lakhs range, necessitating a strategic marketing shift.

Outlook and Valuation: The company posted strong set of number with outstanding open bookings of ~226K, with XUV700 at 35K and Scorpio-N at 101K. The monthly booking rate is 50k, surpassing the supply of 40k billing per month. While volume targets face challenges from product phase-outs and refreshes, the company is committed to capitalizing on profit opportunities. Optimistic about the structural growth of SUVs in India, we believe Mahindra & Mahindra's robust SUV/EV model cycle and a 5-6 month order book provide a promising outlook. **However, we revised our rating to an Accumulate on the stock with a SOTP based target price of INR 1,877 per share(Previous TP INR 1,868).**

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CIE Automotive India Ltd.

CMP: INR 436 | Mcap: INR 1,65,591 Mn

CIE Automotive India Limited is a subsidiary of CIE Automotive S.A, Spain. The company is engaged in the business of production and sale of automotive components to original equipment manufacturers and other customers in India and overseas. The company business segment includes, Forging, Aluminium Casting, Gears, Stamping, Casting, Magnetic Products & Composites. The Company has 26 manufacturing facilities including 4 in Europe and 1 in Mexico

Key Highlights

Going forward, improvement in margin led by growth across the verticals: The company is committed to continuous improvement across all verticals, addressing identified gaps, and expects margin enhancement as a result of anticipated market and business growth. Despite project delays, the company remains committed to improving margins, particularly in India. They aim to improve production efficiency and competitiveness to achieve higher margins, but recognize that there is still room for improvement compared to European and Mexican operations.

CFG subsidiaries sale completed in the October: The sale of CFG subsidiaries on October 16, 2023, impacted the restated Q3 and 9M financials. PAT comprises INR 335.6 Cr profit from discontinued operations, including a one-time impact of INR 110 Cr from settled insurance claims, and INR 209 Cr from Foreign Currency Translation Reserve. Normalized EBITDA over production value stands at ~17%.

Electrification gaining momentum in India: The European EV market continues to grow, and company aim to align with it while preserving company's margins. They have expanded aluminum EV 4w production and invested in Mahindra's new EV models, including upcoming tractor models. Overall, they are confident in their ability to remain agile, and seize future opportunities.

Valuations and Outlook: We believe CIE INDIA has a strong and resilient business structure, with multiple contracts with leading OEMs. The company's growth is driven by its own initiatives such as introducing new products and expanding its customer base entry into ASEAN markets, as well as through mergers and acquisitions. While Europe has shown disappointed on the revenue front. Our recommendation is based on three factors: the decrease in energy costs, the strong outlook for PV, Festive season expected to boost the 2w MS, and the company's strong free cash flow generation and minimal debt on the balance sheet. In the near term, a concern arises from the decline in the U.S. off highway market due to rising interest rates and uncertainty in the coming quarters due to the war in Ukraine and tense situation in Israel. **We value CIE Automotive India at a PE of 20x its CY26E EPS of INR 29.6 with a target price of INR 537 per share (Earlier TP: INR 601 per share). We downgrade our rating to Hold from Accumulate earlier on the stock.**

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Allied Digital Services Ltd.

CMP: INR 134 | Mcap: INR 7,390 Mn

Allied Digital Services Limited is engaged in information technology consulting and services. The company is a global managed service provider and Master Systems Integrator, providing infrastructure solutions to clients in over 70 countries. The service portfolio ranges from cloud enablement, cyber security, integrated solutions, infrastructure management, software services, and workplace services. In 2015, the company completed the Pune City Surveillance project, making it one of the first in India to implement a Smart City project. The company has a global workforce of over 3,000 professionals, local support functions, and governance frameworks. It provides expertise and services to Fortune 500 companies.

Key Highlights

Strengthening partnerships: The company has been enhancing its partnerships with large IT service firms and global consulting firms to serve customers jointly, leading to a significant inflow of new customers, including several marquee global names. With a richer client mix and a more elaborate track record built over the last two to three years, the company is re-emphasizing its direct channels for sales and marketing to comprehensively add new businesses in the current year.

Strong renewal record with major clients: The company successfully renewed contracts with key clients, including a major global FMCG company since 2018, adding $1 Mn in revenue by expanding to additional U.S. manufacturing sites, reaching a total of $3 Mn annually. Additionally, a $2.7 Mn renewal with a leading American home appliance brand for 2024 and a $1.8 Mn continuation of a ten-year relationship with a fast-food chain, providing IT support to 4,700 outlets across 48 states, were secured. In addition to renewals, the company secured a $2 million increase in net new business from existing clients.

New business and order wins: The company was chosen as the Master System Integrator for the Ayodhya Smart City project, tasked with integrating CCTV Surveillance cameras, marking a significant achievement. Furthermore, they acquired a new banking client on the East Coast of the U.S., securing a three-year contract to provide end-user transformation services. In addition, they experienced expansion in the cybersecurity sector, gaining new clients in Q3. Their expertise was further recognized by being selected by the city of Normal in Illinois as a partner master system integrator for multiple projects, demonstrating proficiency across various domains.

Progress in Smart City projects: Significant advancements have been made in various smart city projects, including Lucknow, Solapur, Amritsar, Jalandhar, Sultanpur, and Ayodhya. The Lucknow project is nearing completion and expected to launch in Q4, while Solapur is at 95% completion, foreseeing revenue generation. Additionally, Amritsar's launch is planned for Q4, with Jalandhar potentially extending to Q1FY25. Further, anticipated closures of new projects initiated in the past year indicate positive momentum in project execution and revenue generation.

Outlook and Valuation: The company is anticipating a short-term margin improvement of 100-150 bps from Q4, the company reiterates its goal to achieve INR 10 Bn in revenue within the next 2 to 3 years. The strategic focus remains on expanding partnerships and engaging in Smart City Projects. **At the CMP of INR 152, ADSL is trading at an EPS of 17.6 for FY26E, with a PE of 13.0x for FY26E . We arrive at target price of INR 229 with a Buy rating on the stock.**

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Tech Mahindra Ltd.

CMP: INR 1,252 | Mcap: INR 12,23,004 Mn

Tech Mahindra Ltd offers a comprehensive range of IT services to a diverse base of corporate customers across a variety of industries, including IT enabled services, application development and maintenance, consulting, and enterprise business solutions. It focuses on enabling end-to-end digital transformation for global customers through the use of next-generation technologies such as 5G, Metaverse, Blockchain, Quantum Computing, Cybersecurity, Artificial Intelligence, and others. The company has 1,46,000+ professionals in 90 countries and serves 1,250+ global customers, including Fortune 500 companies. Tech Mahindra is part of the Mahindra Group one of the largest multinational federation of companies with 2,60,000 employees in over 100 countries.

Key Highlights

TechM's Declining Deal TCV: The total contract value (TCV) of deals reported by TechM was $381 million, showing a decrease of 40.5% compared to the previous quarter and a 52% decrease compared to the same time last year. This decline in TCV was attributed to irregularities in deal conversions, according to the management. Looking at the trailing twelve months (TTM), the deal TCV was down 41% year-on-year, indicating limited clarity on growth prospects for FY25.

GenAI Solutions: TechM is gaining momentum in General Artificial Intelligence (Gen AI), with several Proof of Concepts (PoCs) progressing into active deals. These PoCs mainly focus on improving enterprise knowledge search and enhancing customer engagement. Additionally, TechM is aiding hyperscale and Software as a Service (SaaS) companies in developing and expanding their Gen AI solutions. They've introduced a new tool called Vision Amplifier, based on Gen AI for computer vision, marking their third Gen AI tool following Ops Amplifier and Email Amplifier. Management highlighted that the healthcare and life sciences sector is an early adopter of Gen AI, particularly in areas like drug discovery, electronic medical records, and medical audio scripts. Furthermore, TechM has provided Gen AI training to 16,000 employees, which represents about 11% of its workforce.

Turnaround Initiatives: Mr. Mohit Joshi, the new CEO, has outlined a series of organizational changes aimed at achieving three main goals: increasing revenue growth, improving margins, and transforming the organization's culture. These changes include simplifying the organizational structure from 12 Strategic Business Units (SBUs) to 6, focusing on investing in key accounts to expand market share, centralizing the delivery team to drive targeted cost reduction initiatives, and fostering a culture of performance and merit while streamlining associate rewards and feedback processes to reduce bureaucracy. Additionally, several new senior leaders have been appointed in the past two quarters to lead these organizational transformations.

Outlook: The primary goal is to increase focus on important client accounts. A large number of furloughs had a negative impact on third-quarter performance. The telecom industry is still under pressure and is expected to remain unpredictable in the short term. Steps are being taken to strengthen the BFSI vertical, recognizing that this will take time. Despite Tech Mahindra's recent sluggish revenue growth, the improvement in revenue and margins in Q3FY24 was viewed positively. However, we believe that the company's significant exposure to the telecom sector, which has struggled for growth, will continue to impede its efforts to turn things around.

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All E Technologies Ltd.

CMP: INR 250 | Mcap: INR 5,060 Mn

All E Technologies Limited is a Microsoft Business Applications and Digital Transformation Company. All E Tech provides Intelligent Business Applications to help clients stay ahead. The company provides Microsoft Dynamics 365, Power Platform, Data & AI - powered by Microsoft Azure, and Collaboration platforms.

Key Highlights

Strategic Growth through IP Innovation and International Expansion: The company currently achieves a total margin of 7-10% from IP, complemented by a balance of 25-30% from Microsoft. As part of its strategy, the focus includes international expansion and fostering the growth of IP. The company introduces Basins, a new IP tailored for the financial sector, leveraging Microsoft Dynamics 365. Focused on rate enhancement and bolstering product revenues, these efforts are showing continual improvement over time.

Driving Growth: Cloud and AI Adoption Reshape Business Opportunities: The strong momentum in cloud adoption and increased interest in AI are driving growth opportunities for the business. AI, including generative AI, is becoming a key aspect of digital transformation conversations, offering potential gains in productivity and insights across various enterprise functions.

Diverse Business Landscape: The company operates in various categories, including education with a focus on admission process financial accounting solutions for institutions, as well as green energy & EPC, travel platforms like MakeMyTrip, Yatra, and EaseMyTrip, digital natives, e-commerce, professional services, retail, manufacturing (discreet & process), food & beverages, and banking and financial services.

Robust Client Base and Geographic Expansion: With over two decades of experience and a clientele of over 900, the company has the most Business Applications customers acquired by an Indian partner. Notably, its top customers account for a sizable portion of its revenue, with 16% coming from the top 5 and 26.6% from the top 10, as of 9MFY24. The company is expanding its presence in the United States and Canada, and its increased sales efforts are driving product revenue growth. These positive developments in customer base and geographical expansion lay a solid foundation for future growth, making the company an appealing investment opportunity.

Outlook: All E Technologies has cultivated a robust and enduring relationship with Microsoft, extending its influence across diverse geographies encompassing India, Africa, and the United States. The focal point of this partnership revolves around Microsoft Business Applications, with a specific emphasis on ERP, CRM, and the Power Platform.The company plans to use cash for advanced-stage M&A, leveraging robust customer loyalty for future growth. The company has a revenue target of 25%-30% and a long-term margin goal of 20% in the next 5 years.

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Sterling tools Ltd.

CMP: INR 324 | Mcap: INR 11,661 Mn

Sterling Tools Limited produces high tensile and premier cold forged fasteners for various industries, including passenger cars, two-wheelers, commercial vehicles, agriculture, and construction. The company has expanded into emerging sectors like electric vehicles (EVs) to create significant value for its stakeholders. The company's client portfolio includes top OEMs from domestic and international markets, including the USA, Europe, South America, and the Middle East. For the past four decades, the company has been India's second largest automotive fastener manufacturer, as well as one of the largest MCU suppliers for electric vehicles.

Key Highlights

EV and Growth Drivers: The EV Business under Sterling Gtake E-Mobility Ltd (SGEM) demonstrated significant growth, contributing 33% of total revenues in Q3FY24, up from 21% in FY23, indicating a strong upward trajectory. The completion of localization for the MCU in the L3 category demonstrates the company's commitment to innovation and expansion within the EV ecosystem, with plans to include all EV-related electronics components and explore opportunities in the charging and DC-DC spaces. With orders confirmed from 20 customers and a focus on existing customer growth, as evidenced by the success of high-speed scooters, SGEM anticipates strong performance in Q4 and FY25, reducing concerns, though the LCV and HCV businesses are still struggling to gain traction.

Strategic Development and Margin Expansion: The company has undertaken strategic developments, including SAP implementation, showcasing a commitment to leveraging technology for operational efficiency. Additionally, SGEM secured its first export order, highlighting the quality of its products and the dedication of its team. Despite subdued revenue, the operating margin stood at 14.9% in Q3, attributed to softer steel prices and cost-saving measures. With a focus on revenue growth and cost management, the company anticipates a stronger margin structure in Q4FY24 and plans to optimize and rationalize its Bangalore facility over the next 5 years to further enhance margins and operational efficiency.

Export order for SGEM entity: SGEM has secured a contract manufacturing opportunity in the EV sector for an allied product, with an estimated revenue potential of INR 15-20 million in the short term. The export order, intended for shipment to a European country before Q1FY25, signifies a significant milestone for the company

Outlook: Company’s focus remains on providing superior products and competitive pricing, coupled with an intention to diversify the customer portfolio to reduce dependency on a single large customer. Long-term margin potential in low double digits in the MCU business, with ongoing initiatives for portfolio expansion and margin improvement. The MCU model for 2W is on track for commercialization by the end of FY25. A strong Q4FY24 is anticipated, with significant revenue growth expected. Focus on high-speed 2W and entry into the HCV space. Exploration of additional products aims to increase the share of wallet from diverse customers.

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Netweb Technologies India Ltd.

CMP: INR 1,502 | Mcap: INR 84,658 Mn

Netweb Technologies India Ltd offers high-end computing solutions (HCS) with fully integrated design and manufacturing capabilities. Netweb's HCS offerings include HPC, private cloud and HCI, AI systems and enterprise workstations, high-performance storage (HPS), and data center servers. Netweb, founded in 1999, has helped many companies around the world by taking a customer-centric approach. Netweb has a manufacturing facility in Delhi-NCR and 17 offices throughout India.

Key Highlights

Strong Orders and Growing Opportunities in Supercomputers and Private Cloud Systems: The company has received a substantial order from ISRO for supercomputers valued at INR 1477 million, contributing to its robust business pipeline which stands at INR 32,332 million. Additionally, INR 324 million has already been qualified as L1 bids, with a solid order book of INR 3,391 million. The emergence of PSU adoption of private cloud systems presents a significant opportunity, with the company having already secured an order from a PSU bank, while many other PSU banks are in the process of initiating bids.

Rapid Growth in AI Revenue: The company's revenue from AI systems and workstations, previously constituting approximately 6-7% of total revenue, has surged to 10% in Q3FY24, with expectations for further growth to approximately 15-16% and beyond in the future. This growth trajectory is supported by the Tyrone partnership, aimed at addressing the rising demand for AI across various industries. The partnership offers flexibility for applications such as generative AI, speech analytics, text analytics, and automation, resulting in a remarkable 340% year-over-year increase in revenue from AI systems and enterprise workstation segments.

Decline in customer repeat rate: The customer repeat rate witnessed a decline, dropping from 90% in FY23 to 58% in 9MFY24. This shift is attributed to the acquisition of new customers, notably a premium entity in India's cybersecurity sector. This project, valued at ~INR1,170-1,240 million, contributed substantially to the client portfolio, resulting in a decrease in the proportion of repeat customers.

Outlook: The current order book stands at ~INR 3,390 Mn, complemented by L1 orders totaling INR 3,000 Mn. This sets the stage for an anticipated revenue of INR 6,000 Mn or more by the end of FY24. Additionally, the gross profit margin is expected to stabilize within the range of 25% to 26% in the near term and EBITDA in the range of 13 to 14%. Company’s growth and robust order book positions company for a strong performance in the coming fiscal year, reflecting a positive trajectory in its operational and financials.

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Oriental Carbon & Chemicals Ltd.

CMP: INR 700 | Mcap: INR 6,995 Mn

Oriental Carbon & Chemicals Ltd manufactures Insoluble Sulphur. The company has over 25 years of experience manufacturing this product. Oriental Carbon & Chemicals began operations in 1978 as Dharuhera Chemicals Limited, which later merged with Oriental Carbon Limited in 1984. It is part of the JP Goenka group of companies. OCCL also manufactures sulphuric acid and oleum. The company has a presence in 21 countries and an annual capacity of 1,27,500 MT across Insoluble Sulphur and Sulphuric Acid/Oleum.

Key Highlights

Demerger of Investment and trading business: Demerger of the investment and trading business of the company is in the final stages and can close by FY24 end. Demerger aims to unlock shareholder value by creating separate investment options. Each company operates independently for maximum returns, potentially venturing into private investments or incubating new ventures. The goal is self-sustainability without relying on external cash flows. The cash flows generated after demerger will be used for repayment of debts and reinvesting it in only in Insoluble sulphur division.

Strategic Initiatives and Performance: The company has made significant investments in a solar power scheme in Haryana to reduce energy costs and environmental impact, aiming to purchase 50 lakhs units from a captive solar plant for cost savings and sustainability benefits. Despite operating at full capacity in Sulphuric acid, a low-margin product, since January, the focus has shifted to Insoluble Sulphur, with a capacity of about 75% from Q3FY24, expected to be maintained. While management had anticipated a better performance in the second half of FY24, it has not materialized as expected. They believe the decline has reached its lowest point and anticipate improvements in Q4 compared to Q3. Furthermore, they project a potential volume growth of around 5% for Insoluble Sulphur moving forward.

Business Expansion and Subsidiary Development: The company has secured new business in the US, with some shipments already dispatched while others await approval. Additionally, the company has successfully onboarded new customers and remains actively engaged in seeking further opportunities. Furthermore, the subsidiary Duncan Engineering has completed its hiring process, with management expressing optimism about Duncan's future prospects.

Market Challenges and Price Stability in Insoluble Sulphur Industry: The company faced challenges in the European market due to reduced demand for Insoluble sulphur, exacerbated by Chinese competitors dumping materials in the Asia Pacific region at lower rates, leading to decreased supplies in that area. Additionally, the company experienced increased freight costs and longer transit times due to issues in the Red Sea. Although sulphur raw material prices have decreased, they have remained stable over the past two quarters and are anticipated to remain at similar levels. Consequently, selling prices are not expected to rise in the near future.

Outlook: Demand slowdown in Europe and Asia Pacific markets. FY24 has been flat in terms of volumes with low prices. Coming quarters are also expected to showcase same performance. The demand for high quality tires is gradually rising which might benefit the company in the long term. The company's initial foray into the US market presents a potential opportunity for capitalization.

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Deep Industries Ltd.

CMP: INR 256 | Mcap: INR 16,384 Mn

Deep Industries Ltd is in the business of Oil and Gas field services. DIL specializes in air and gas compression, drilling and workover services, gas dehydration, and integrated project management. The company has grown to be a "One Stop Solution" provider for all needs in oil and gas field operations, providing various equipment and services on a rental and chartered-hire basis. Their portfolio includes a variety of machines, equipment, and tools used in the oil and gas industry, ranging from exploration and production to midstream services.

Key Highlights

Growth Prospects in India's Natural Gas Sector: India's natural gas consumption is anticipated to rise by 25 billion cubic meters, with an annual growth rate of 9% in FY24. Industrial consumers are predicted to account for 40% of this net demand growth. Both public sector undertakings (PSUs) and large private players have unveiled new capital expenditure plans. The robust demand environment, combined with a favorable pricing outlook, indicates the potential for profitable and sustainable growth in the years ahead.

Robust order book and Bid Pipeline: The company's order book is steadily growing, currently standing at INR 12 billion, with an execution period of about 2.5-3 years. Orders mainly comprise rigs worth INR 4.5 billion, compressor packages totaling INR 5 billion, and various other services. Notably, significant orders have been secured from ONGC and Vedanta, amounting to INR 970 million. Rigs ordered for Selan and ONGC are expected to start generating revenue from Q4 or Q1FY25, with Selan's rig already in mobilization and set to be operational soon. Additionally, a rig for Bokaro is ready in China and expected to be shipped in March, commencing operations in April-May. The company also has a bidding pipeline of INR 5 billion, indicating a rising trend. A tender with a joint venture with Euro Gas is under evaluation and likely to materialize soon. Moreover, the company has qualified for various rig categories at Kuwait Oil, with a tender due in April, presenting a significant opportunity for expansion in the region, as viewed by the management.

Expansion Strategies and Asset Optimization at Dolphin Offshore: The company has established a subsidiary called "Beluga International" in Dubai through Dolphin Offshore Ltd. Interest from the industry is growing in the assets deployed at Dolphin, which could contribute between INR 8-10 billion to revenue in FY25, with a projected FY24 contribution of around INR 80 million as the major asset undergoes refurbishment. Dolphin's operating margin stands at 50% or more. The company aims to deploy the barge order within 2 months once the contract is executed by the end of FY24. Progress has been made in terms of receivables from ONGC at Dolphin. Additionally, the company has sold its building at Raheja Towers in Dolphin Offshore, intending to utilize the proceeds for refurbishing existing equipment or purchasing new ones, as Dolphin operates on an asset-like model and does not require real estate for its operations.

Outlook: Deep Industries has recently experienced stagnant performance for several quarters, but there is hope for improvement in Q4 due to ongoing order executions. The company expects to align Q4 results with its order book, meeting FY24 expectations. Deep Industries expects a 25% revenue increase in FY25, thanks to a strong order book and promising bid pipeline. They intend to keep EBITDA margins at 42-45%, despite previous quarters hovering around 38-39%. Capex for Q3 and Q4 is estimated at INR 1,000 million each, with a similar projection of INR 1000 million for FY25, subject to the orders in hand.

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SEAMEC Ltd.

CMP: INR 1,036 | Mcap: INR 26,333 Mn

Seamec Limited offers oilfield services and operates diving support vessels (DSVs) both in India and internationally. They provide various support services to offshore oilfields and bulk carrier vessels, including marine, construction, and diving services. Additionally, Seamec has expanded into tunnel construction projects. Their marine offshore division specializes in ROV operation support, maintenance of single buoy moorings, and installation/removal of single buoy moorings. Their offshore fleet consists of multi-functional DSVs such as SEAMEC II, SEAMEC III, SEAMEC PRINCESS, SEAMEC PALADIN, and SUBTECH SWORDFISH, as well as the accommodation barge SEAMEC GLORIOUS. Furthermore, Seamec is involved in the bulk carrier business, transporting a variety of dry-bulk materials including food staples, commodities, industrial products, and scrap, operating the vessel ASIAN PEARL.

Key Highlights

Margins are expected to be sustainable backed by effective deployment and cost rationalization:EBITDA margins stood at 42.5% in Q3FY24. All the vessels are deployed and margins are expected to be better in Q4FY24E. EBITDA margins are expected to be 35%-40% on a sustainable annual basis going forward. The vessel deployment days are around 452 days in Q3FY24. The deployment days are expected to be around 1,500 days or above going forward which is expected to improve the revenue. The dry dock is expected for every 2.5 years for each vessel. The maintenance cost will vary based on assets. The company is strategically managing the operating and maintenance expenses which helps to maintain the margins.

Business visibility backed by long-term contracts: SEAMEC owns and operates 5 Diving Support Vessels (DSV) for facilitating complex subsea operations. SEAMEC has long-term contracts of 3 to 5 years with clients for DSV which shows business visibility. Revenue growth is expected to be driven by strengthening the fleet, repricing, and USD-INR benefits. The contracts are dollar-denominated and USDINR depreciation is around 3%-4% per annum. The major Oil & Gas discovery happened in East Coast India. The company is bidding on some tenders on the East Coast. The more discoveries give an opportunity for SEAMEC.

Consolidation of assets is likely to unlock the potential: The management endeavors to consolidate vessel assets under SEAMEC over the next few years. The contracts under the parent will come for renewal; currently, the parent vessel assets are expected do to revenue of more than INR 4bn with similar margin profiles. With the likely consolidation of assets, SEAMEC's financial position will further strengthen both in terms of revenue and profitability.

Outlook and Valuation: SEAMEC is the major organized player for offshore oil field services and Diving Support Services in India. The vessel asset consolidation is expected to happen from HAL offshore to SEAMEC in the over next few years. The asset consolidation would bring additional revenue to SEAMEC and likely unlock the potential going forward. The company is expected to scrap and replace 3 vessels in the next 4 years. The company is bidding in some tenders on the East Coast shows additional opportunity. All the vessels are completely deployed, payments are in dollar terms, and continuous business visibility from ONCG and others. In the base case scenario, we are estimating revenue is expected to be INR 7,102mn in FY24E and expected to grow at a CAGR of 20.4% over the period of FY24E-26E backed by long-term contracts. We are estimating EBITDA & PAT margins are expected to be 37% & 22.8% by FY26E, backed by cost rationalization and an increase in freight and charter rates. **We maintain our “BUY” rating with a Target Price of INR 2,308 based on 25x of FY26E EPS of INR 92.3, an upside of 90.6%.**

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Jeena Sikho Lifecare Ltd.

CMP: INR 790 | Mcap: INR 19,630 Mn

Jeena Sikho Lifecare Limited is an ayurveda-based healthcare company. The company's portfolio includes a wide range of Ayurvedic products. The company also offers free health checkups and yoga sessions to help people become more aware of their health issues. The company is well-known for its brands Shuddhi Ayurveda, Shuddhi Clinics, Origine, and HIIMS Hospitals.

Key Highlights

Diverse and Affordable Healthcare Services: The company offers three types of services, including telemedicine consultations, daycare centers, and hospitals, primarily focusing on severe and critical illnesses like kidney and liver issues. With a high repeat customer rate of 50%, the company ensures accessibility to affordable healthcare, charging significantly lower bed setup costs and doctor fees compared to traditional hospitals. Its asset-light model, minimal capex, and collaborations with hotels for additional centers enable cost-effective operations while catering to a broader audience.

Robust Operational Infrastructure: With over 2,300 employees and a call center handling 8,000 calls daily, the company efficiently manages patient interactions and appointments. Occupancy rates are impressive, with hospitals running at full capacity in certain locations like Derabassi and Meerut. Currently operating at 35-40% occupancy across its 1300-bed capacity, the company ensures optimal resource utilization and maintains an asset-light approach to minimize expenses.

Strategic Marketing and Revenue Diversification: The company invests significantly in social media marketing, spending INR 4 crore monthly, primarily targeting platforms like Meta and YouTube. Moreover, it collaborates with hotels to establish centers, maintaining 68 franchises. With a portfolio of 300 products, the company not only sells medicines through call centers and clinics but also explores distribution opportunities in the generic trade market. This diversified revenue stream, alongside fixed deposits worth INR 40-50 crore as collateral, ensures financial stability and potential for growth.

Outlook: The company is poised for strong growth in the Ayurvedic market, owing to strategic partnerships with the government and the growing integration of Ayurveda into health insurance. Significant growth is expected as natural remedies and preventive healthcare gain popularity. Revenues are expected to rise from INR 330 crore in FY24 to INR 480 crore in FY25, driven by significant EBITDA and profit after tax (PAT) growth. The company intends to achieve a balanced revenue split between Medicine and Services, with a focus on expanding its Services business, particularly in Curative and Wellness services. Efforts are underway to improve occupancy rates, with the goal of increasing them from 35% to 70% in the short term.

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Muthoot Microfin Ltd.

CMP: INR 202 | Mcap: INR 34,363 Mn

Muthoot Microfin Ltd. is part of the Muthoot Pappachan Group. The Company's microfinance operations aim to promote female entrepreneurship and inclusive growth. It offers financial assistance to women running small businesses through microloans, such as income-generating loans. The Company’s financial inclusion drive aims to provide affordable, quick, and hassle-free financial services to underprivileged and disadvantaged individuals in rural India. The Company serves 3.28 million active customers through 1,424 branches in 18 states and 346 districts.

Key Highlights

Strong Financial Position: The company received IPO proceeds of INR 7.5 billion, with a significant portion expected to be utilized in Q4FY24, enhancing its capital adequacy ratio (CRAR) to 29.6%. This improvement is attributed to the IPO capital infusion, which provided the balance sheet with robust liquidity and strong asset-liability management (ALM). Additionally, the company demonstrated strong performance during the Q3FY24, with a substantial 119% year-on-year increase in profitability, reaching INR 1,245.69 million.

Improved Asset Quality and Digital Adoption: Despite recent challenges such as floods in Tamil Nadu, the company's asset quality improved notably, with gross non-performing assets (GNPA) decreasing by 120 basis points year-on-year to 2.29%. Notably, all customers affected by the floods were covered by natural catastrophe insurance. Furthermore, the company has prioritized digital channels, with 26.28% of collections and 100% of disbursements executed digitally, indicating efficient and modernized operations.

Steady Growth and Expansion: Disbursements during the quarter stood at INR 25,921 Mn, marking a notable 19% year-on-year increase despite a slight 4% quarter-on-quarter dip. Moreover, the borrower base expanded significantly by 26.67% year-on-year to 32.78 lakhs across 1,424 branches, highlighting the company's steady growth trajectory and expanding market presence.

Outlook: **In Q3FY24, the company demonstrated strong operational and financial performance, with notable improvements in asset quality despite challenges such as the Tamil Nadu floods. The company's outlook remains positive, with an emphasis on long-term growth while maintaining net interest margins. The company recorded 38.6% growth in assets under management (AUM) against a guidance of 30-33% for 9MFY24. With the expected NIMs of 12.7-12.9% and a return on assets (ROA) guidance of 4.2-4.3%, the company is on track to meet or exceed its targets. Furthermore, the return on equity (ROE) for 9MFY24 exceeded expectations, at 24.3% versus a range of 18-20%, indicating strong performance and promising prospects for the future.**

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Virtuoso Optoelectronics Ltd.

CMP: INR 220 | Mcap: INR 5,128 Mn

Virtuoso Optoelectronics Limited manufactures consumer durable goods, assembles a diverse range of products, and offers end-to-end solutions. In recent years, VOEPL has established itself as a strong OEM/ODM in the manufacturing industry for white goods and electronic items, particularly air conditioners. Virtuoso Optoelectronics Limited operates on both the original equipment manufacturer ("OEM") and original design manufacturer ("ODM") business models. Under the OEM model, the company produces and supplies products based on designs created by its customers. Under the ODM model, the company conceptualizes and designs its products. The company has 6 units and 1 under commissioning at Nashik.

Key Highlights

Backward integration for cost efficiency: VOEPL is maximizing its backward integration to provide maximum value addition to its customers. The company manufactures components like copper tubing, heat exchangers, PCBs for remote units in IDUs and controllers in ODUs for ACs, plastic injection moulding and sheet metals for body parts, etc. In Acs the company has achieved 75%, in ODUs they have achieved 35%.

Capacity expansion: The company is expanding its capacity of IDUs from 6 lac units to 8 lac units, ODU from 2.5lac units to 4 lac units, cross flow fans from 40 thousand units to 80 thousand units pm. In lighting the company has current capacity of 34 lac units which they target to expand it to 34 lac units.

Strong clientele: The company supplies 20-22% of voltas purchases. The other major clients are Panasonic, IHCL, Polycab and few more. Voltas are there oldest and consistent clients, the company works exclusively with voltas, the company stated that currently they are not looking for any other client in AC space as there is still lot of headroom to grow just with voltas. Voltas and Panasonic forms 80% of the total pie.

Expanding Export Opportunities and Vertical Growth Prospects: The company has already started exports of water dispensers, commissioning of deep freezer is expected to commence from Q1FY25. The scope for exports of water dispenser market is quite huge, the global market is about INR 2.7 billion for water dispensers, and it is growing at almost to 9% CAGR. The market of water dispensers is very big in Middle East, in Iran, Iraq and Africa. As far as commercial freezer market is concern India is a USD 475 million market, which is expected to grow at 25% CAGR over the next 9 to 10 years. The new launches and additional capacity in existing verticals can get revenues of INR 550 cr, 750 cr and 1,000 cr for FY24, FY25 and FY26 respectively.

Growth drivers: The company is expected to grow at a CAGR of 40%+ on FY23 base, on the back of capacity expansion and improving capacity utilisation, introduction of new products, backward integration by investing more in Machinery to increase share of backward integration, Adoption of newer technology to reduce cost. The company is also planning to add new markets in SE Asia & Africa.

Outlook: **The company is expected to grow at a fast pace to be led by LED vertical which is expected to grow at CAGR of 10% over medium term, AC segment 35%, commercial refrigerator at 35% over FY24-FY27. We believe the company has strategized itself well, sustainable capex YoY planned is INR 50 cr for FY24 and FY25 for expansion of existing verticals and introduction of new products along with aligning a single product with a single customer which will boost its growth trajectory. The stock is trading at PE multiple of 75x to its TTM earnings and we have a positive view for the stock.**

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Creative Newtech Ltd.

CMP: INR 690 | Mcap: INR 9,690 Mn

Creative Newtech Ltd is a distribution and marketing partner for global IT, imaging, and lifestyle brands, meeting their distribution needs through an omnichannel presence. The company has established a strong market position in Fast Moving Social-Media Gadgets (FMSG), Fast Moving Consumer Technology (FMCT), Fast Moving Electrical Goods (FMEG), and Enterprise Business (EB), offering a comprehensive 360-degree portfolio of the world's leading brands. The company is pioneering the brand licensing and contract manufacturing business model, leveraging modern approaches, advanced skills, and superior design quality. The company's exclusive partnership with Honeywell has transformed product distribution in India and 38 other markets.

Key Highlights

Honeywell Business: The company has recently forged partnerships with distributors of technology products in Indonesia and Saudi Arabia, aiming to expand its market presence. With these new ventures, the company targets revenue of approximately INR 180 crore for FY24, having achieved INR 130 crore for 9M FY24 and INR 55 crore for Q3. Looking ahead, revenue guidance is set at around INR 260-280 crore for FY25 and approximately INR 500 crore for FY26. The company's focus and growth expectations primarily lie in two segments of Honeywell - Air purifiers and Audio. In the Audio segment, the company has launched 59 products and plans to introduce close to 90 more, emphasizing its commitment to innovation and market expansion.

Recent Deals:

I) Ptron Distribution: Ptron has expanded its distribution network by partnering with Palred Electronics to distribute its products in various regions across India, except Mumbai and Gujarat. Palred Electronics specializes in mobile accessories like audio products, smart wearables, and power banks. Ptron, which currently generates around INR 200 crore in online revenue annually, is now venturing into offline sales through Creative. With this move, Ptron aims to achieve a revenue target of INR 2 crore per month starting from the next quarter.

II) Joint Venture with Cyberpower: The company has formed a joint venture with Cyberpower, with Creative Newtech holding a 49% stake, similar to the Honeywell model through licensing. This collaboration grants Creative access to Cyberpower's technical expertise and partnerships with renowned brands like Microsoft and Nvidia. Specializing in high-performance computer components essential for gaming, servers, CAD machines, and AI applications, Creative anticipates revenue projections of $40-$50 million (approximately INR 300 crore) after three years, contingent upon market adoption and demand. Importantly, this venture does not require significant capital investment and boasts a gross profit margin ranging from 14% to 18%.

Outlook: The company is currently in a growth phase, prioritizing revenue, profitability, and working capital over margins to enhance its return on capital employed (ROCE). With a focus on increasing the share of high-margin business from Honeywell, the company aims to achieve a profit after tax (PAT) margin of 3%-4%. Despite facing margin challenges due to the dominance of low-margin, high-volume enterprises like cooler master, Samsung, and Honeywell, the company maintains a conservative revenue guidance of around INR 1,600-1,700 crore for FY24. Moving forward, the company's strategy revolves around strengthening its revenue streams, particularly by expanding its presence in high-margin segments, to drive overall profitability and achieve its growth objectives.

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Alicon Castalloy Ltd.

CMP: INR 813 | Mcap: INR 13,014 Mn

Alicon Castalloy Limited is a one-stop shop for all engineering solutions for aluminium alloy casting needs across multiple user industries. The business transformation that the company see envisaged included a focus on multiple growth vectors which have been categorized as five pillars by them. This includes - Traditional ICE business; Opportunity from Carbon Neutral Technology including Batteries, Electric Vehicles, Hybrid Electric Vehicles, Plug-in Hybrid Vehicles, Fuel Cells and Hydrogen Cell Technologies; third is, Opportunity from Structural parts or Technology Agnostic parts, which remain consistent, no matter which fuel technology is used to power the vehicle; and fourth one is, Non-auto business encompassing opportunities from sectors such as Defense, Healthcare, Telecom, to name a few, where competencies can be leveraged; and fifth one is, Enhanced customer wallet shared through machining, finishing and combining products to offer customers one-stop solution.

Key Highlights

Alicon is strategically emphasizing the high-margin 4W segment: Increasing its share from 53% to 59% in FY23, while the 2W share decreased from 38% to 34%. With a shift toward fully finished products, ALICON has secured contracts with two new major domestic 4W customers and developed a cylinder head for U.S. all-terrain vehicles. Actively collaborating with OEMs and Tier-1 suppliers, ALICON capitalizes on the structural change as OEMs outsource critical ICE components, presenting significant opportunities.

Company is poised for significant growth in the electric vehicle market: As the aluminum content in their products is set to surge from 18kg in ICE PVs to 100kg in EVs. With a robust track record of supplying 94 parts to 18 customers in the EV sector, including contributions from their European subsidiary Illichmann since 2017, ALICON is well-positioned to capitalize on the expanding addressable market. The company's strategic investments in advanced technologies, such as thermal cooling solutions and exploration of friction stir welding, align with their commitment to innovation, exemplified by securing their largest-ever multi-year order for e-mobility platforms, with anticipated revenue boosts from orders to esteemed customers like JLR starting in FY25.

Serving a diversified customer base: The Company supplies for two-wheelers like Honda Motorcycles & Scooters, Hero Motocorp, Bajaj, Royal Enfield, Suzuki, KTM, M&M, Triumph among others. Four-wheeler automotive like Maruti Suzuki, Toyota, Audi, Jaguar & Land Rover, Renault Nissan, M&M, Tata Motors, Daimler and Honda etc., and Non-Automotives like Siemens, Textron, M&M, GE T&D, Tafe, Trane Technologies, Rotax, among many others.

Strong order book: The company's total order book has reached INR 90 Bn which is executable over 6 year from 2023-24 up to 2028-29. This is net new orders for which Start of Production has not commenced. The running rate indicates significant future orders, targeting yearly execution of INR 5 Bn. New product focus driving all orders.

Outlook: We believe strong demand from OEMs has led the management to maintain its revenue growth guidance of 13%-14% revenue growth in FY24, while targeting revenue of over INR 22,000 Mn by FY25-26 (CAGR 16%), on transitioning from small to larger and critical parts. Alicon is expected to benefit from its established market position in the aluminium casting auto component sector, driven by established client relationships and operations in India and Slovakia. The company is expected to benefit from the strong growth prospects of its key clients such as JLR, Daimler, Toyota, Stellantis, Maruti Suzuki

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Wanbury Ltd.

CMP: INR 130 | Mcap: INR 4,151 Mn

Wanbury Ltd primarily manufactures APIs and markets and trades branded formulations. The API product portfolio includes Metformin, Sertraline, Tramadol, Diphenhydramine, Mefenamic Acid, Paroxetine, and a number of other products are in the pipeline. The company's clients include some of the world's leading generic players. The company offers formulations for various therapeutic categories, including cough and cold solutions, gynaecology, orthopaedics, nutraceuticals, gastro-intestinal, anti-inflammatory, and analgesics.

Key Highlights

Diverse Product Portfolio: The company has 13 products under its API segment which includes Metformin, Tramadol, Sertraline, Diphenhydramine Hcl, mefenamic acid, Promethazine, and others. It is also the largest manufacturer of Metformin with a capacity of 8,500 TPA. Under Formulations, the company sells ~70 products under various brands under this segment such as antibiotics, antiulcerants, pain management, neuropathic pain management, protein supplements, laxative, antiallergen, constipation, calcium supplement, and others.

Strong Manufacturing Capabilities and Global Market Presence: The company operates two US-FDA-approved multi-product API facilities, one in Tanuku, Andhra Pradesh, and the other in Patalganga and Tarapur, Maharashtra. Furthermore, the company has a strong market presence, operating in over 50 countries and occupying a significant share of the Indian pharmaceutical market. It is recognized as one of India's fastest-growing pharmaceutical companies, with a strong presence in both the global API market and the domestic formulations sector.

International Clientele and Subsidiary Network: The company serves prominent global generic players like Apotex, Teva, Mylan, and McNeil, with a strong customer base in Europe and the US for API products such as Tramadol and Sertraline. It operates four foreign subsidiaries, including Wanbury Holdings B. V. in the Netherlands, Wanbury Global FZE in the UAE, Ningxia Wanbury Fine Chemicals Co. Ltd. in China, and Cantabria Pharma S. L. in Spain (which has undergone liquidation). In terms of geographical revenue split for FY22, the company generates 40% of its revenue from India and 60% from outside India.

Outlook: The company has achieved a milestone in Q3 and 9MFY24, with its highest ever quarterly and nine-month profits of INR 22 crore and INR 54 crore respectively, marking a substantial increase of 225% and 350% compared to the same period last year. This growth is mainly attributed to increased sales volume and ongoing operational improvements. Engineering enhancements in existing products have also contributed to improved operating margins, aligning with the company's long-term strategy. Looking ahead, the company aims to further expand its API portfolio and focus on different therapeutic areas to drive sustainable growth. Moreover, the company's efforts have led to a reduction in debt, with the current debt level standing at INR 117 crore.

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Remsons Industries Ltd.

CMP: INR 868 | Mcap: INR 4,973 Mn

Remons Industries Ltd. is India's first Control Cables manufacturers, with over 150 mn cables fitted across various segments. Serving 20+ OEMs and 250+ dealers, they operate five state-of-the-art plants, including one in the UK. Offering eight categories with multiple SKUs, their exports span 20+ countries, catering to a diverse range of vehicles globally. They are the preferred supplier of high precision components for two, three, and four-wheeler vehicles, commercial vehicles, and off-highway vehicles.

Key Highlights

Long standing client relationships: The company has established enduring relationships with esteemed clients, including prominent automobile OEMs both domestically and internationally, such as Hero Moto Corp Limited, Tata Motors Limited, Ashok Leyland Limited, Force Motors Limited, and Mahindra & Mahindra, among others, with partnerships lasting over 15–30 years. Additionally, MCL serves globally recognized players like Ford Motors Ltd., BMW AG, Diamler AG, and Renault Nissan. These longstanding relationships and minimal turnover in its customer base have resulted in substantial repeat business for the company.

Remsons 1.0: In its initial phase, Remsons established a robust cable business, fostering strong ties with OEMs and cultivating a loyal customer base. With a diversified portfolio, it emerged as a preferred supplier across various categories of vehicles. Despite industry downturns, Remsons persevered, strategically de-risking its business model to ensure resilience.

Remsons 2.0: Transitioning into Remsons 2.0, the company is embarking on an ambitious expansion plan, broadening its product offerings to Next Gen. Undergoing comprehensive change management and restructuring initiatives, Remsons prioritizes its people-centric approach. By moving up the value chain, it aims to accelerate its growth trajectory, leveraging strategic partnerships, collaborations, and acquisitions. Notably, Remsons is committed to developing an electric vehicle (EV) agnostic product portfolio, positioning itself for success in the evolving automotive landscape.

Outlook: Looking forward, the company is confident in its future-ready position, propelled by the transformative impact of digitalization and a firm commitment to advancing up the value chain. This positive outlook is driven by the anticipation of significant growth through strategic partnerships, including synergistic joint ventures, acquisitions, and collaborations. Maintaining a steadfast dedication to shareholder value creation, the company is poised to strengthen its business model by further ascending the value chain for sustained success in the upcoming quarter and beyond.

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City Union Bank Ltd.

CMP: INR 128 | Mcap: INR 94,547 Mn

CUB, one of India's oldest private sector banks, traces its roots back to its incorporation as The Kumbakonam Bank Ltd in 1904. Over the years, it underwent several mergers and expansions, eventually adopting its present name in 1987. Listed on both the National Stock Exchange and Bombay Stock Exchange, the bank computerized its operations in 1990 and implemented core banking solutions in 2006. Its segments include Treasury, Corporate and Wholesale Banking, Retail Banking, and Other Banking Operations. With a primary focus on lending to MSMEs and the agriculture sector, CUB's loan portfolio is diversified, with MSME lending accounting for 39% of total loans, followed by Agriculture (18%), Wholesale trade (9%), JL Non-Agri (8%), CRE (7%), Housing loans (5%), and others.

Key Highlights

Deposits and advances: Non-agricultural gold loan experienced a significant year-on-year growth of 28%. Over the past two months, the bank has observed notable momentum in credit growth, averaging approximately 1% per month. As a result, management is confident in achieving growth closer to double digits for FY24. Additionally, there is a strong demand for credit from the MSME sector, which had previously been sluggish. Furthermore, the bank has implemented loan automation processes for loans below INR 30 mn, enabling in-principle sanction decisions within 48-72 hours. Management anticipates that this initiative will reflect positively in future quarters through increased disbursals.

Improved asset quality and recovery trends: The slippage ratio has consistently declined, indicating improved asset quality. In Q3FY24, live recoveries exceeded live slippages, with management anticipating this trend to continue over the next 3-4 quarters. Additionally, the Special Mention Accounts (SMA)2 ratio stood at 2.38%, while SMA1 was at 1.98% for Q3FY24.

Strategic initiatives: The company is collaborating with BCG to implement a digital lending process aimed at enhancing loan underwriting. Plans are underway to open 800 branches by the end of the financial year 2024. Additionally, efforts are being made to bolster the leadership team, with a focus on digital lending, retail, and data analytics. The digital lending process is scheduled for full implementation by June. However, the KCC gold loan book is being unwound due to compliance issues.

Outlook: The management initially projected a growth of 12-14% for FY24 but now anticipates growth to remain within single digits. The bank has initiated the first phase of its automated loan underwriting process, expecting it to positively impact the bottom line. Projections for FY24 include a targeted ROA of approximately 1.5% and a reduction in slippages to pre-COVID levels. The management aims to achieve a four-digit PAT for the first time in the bank's history. They also aim to match deposit growth with credit growth, maintaining a loan-to-deposit ratio of 81-82%. Testing is underway for the loan automation process for loans ranging between INR 30-50 mn, which is expected to improve decision-making. Once fully implemented, a significant reduction in slippages is anticipated.

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Updater Services Ltd.

CMP: INR 319 | Mcap: INR 21,032

UDS provides comprehensive facilities management services and other related offerings. Its diverse service portfolio addresses the requirements of various customer segments spanning FMCG, manufacturing, engineering, BFSI, healthcare, IT/ITeS, automobiles, logistics, warehousing, airports, ports, infrastructure, and retail, among others. With a nationwide presence across approximately 5100 customer locations, 116 Points of Presence, and 15 overseas points of presence, UDS also extends its services to Southeast Asia, South Korea, and Europe.

Key Highlights

Service segments overview: The company's service portfolio is primarily categorized into two segments: IFM & Other Services and BSS. Under IFM & Other Services, it provides soft services, production support services, engineering services, washroom and feminine hygiene management, general staffing, institutional catering, and other related services. In the BSS segment, the company offers sales enablement services, employee background verification services, audit & assurance services, airport ground handling services, mailroom management, and niche logistics solutions.

Diversified customer base: Serving a diverse range of industries such as FMCG, manufacturing, banking, healthcare, and more, the company has catered to 2,797 customers as of June'23, including notable names like P&G, Microsoft, Hyundai, TCS, and Sony. Its services are customized to meet specific customer requirements, enabling them to capture a significant share of their expenditure. The company has also been recognized with awards for its excellent services, including accolades from Saint-Gobain, Expeditors, and Delhi International Airport Limited.

Pan India presence and efficient service delivery: With a widespread network encompassing 4,331 locations (excluding staffing locations) managed from 129 points of presence, including 116 offices in India and 13 overseas offices as of June'23, the company has established itself as a pan India player. This extensive network allows the company to efficiently serve a large customer base and deliver tailored services across India, meeting specific customer needs through a combination of manpower, materials, supervision, technology, and economic models.

Outlook: The company anticipates a growth outlook ranging between 18% to 21%, with margins expected to enhance due to cost leverage and a favorable service mix. Despite the IFM segment experiencing some impact from churn, growth is still projected around 16%. To maintain a competitive edge against rivals, the company relies on factors such as customer satisfaction, its listed status, diversified service offerings, and competitiveness while preserving margins. Efforts to further improve margins involve altering the business mix, enhancing operating leverage, and leveraging technology for service delivery enhancements. Additionally, the company aims to pursue inorganic growth through strategic acquisitions of high-margin businesses complementing its existing operations.

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Banswara Syntex Ltd.

CMP: INR 154 | Mcap: INR 5,125 Mn

Banswara Syntex Limited operates in the textile industry, producing synthetic blended yarn, wool, wool-mixed yarn, various types of fabric including jacquard furnishing fabric, and ready-made garments. The company has a diverse product portfolio and is vertically integrated, manufacturing these textile products. Its market distribution comprises 52% within India and 48% through exports to over 65 countries, including prominent markets such as the United States, United Kingdom, Canada, Spain, Germany, Japan, France, United Arab Emirates, and Turkey. Turkey constituted the largest share of exports in FY23, accounting for 14% of the total export volume.

Key Highlights

Yarn division: Q3FY24 saw an 8% decline in value compared to the previous year, primarily due to a 15% to 18% drop in average prices stemming from subdued demand in both domestic and export markets. Despite this, sales volume increased by 8% in kilograms during the same period. Yarn sales for the nine months of FY24 decreased by 11% to INR 3,830 Mn, although capacity utilization stood at a respectable 80%. Encouragingly, emerging markets like Ludhiana and Tirupur are exhibiting signs of growth, indicating promising business prospects in subsequent quarters. The division remains focused on high-value yarn products to drive value growth.

Fabric division: Experienced a significant decline, with revenues dropping by 22% to INR 3,240 Mn in 9MFY24. Capacity utilization stood at a disappointing 66%, partially attributed to a sluggish recovery in the Middle East market due to regional conflicts. However, hopes are pinned on the upcoming launch of Simone Federico and Figli, a new Italian brand expected to invigorate growth in value-added fabrics within the Indian market.

Capital allocation: Investments were made in the yarn division, totaling INR 400 Mn, with an additional INR 180 Mn planned for Q4. The fabric division received INR 180 Mn in investments, while the garment division incurred INR 50 Mn, with no significant capex planned for the remainder of the fiscal year. Looking ahead, the company aims to focus on modernization, compliance, and capability enhancement, with no significant capex anticipated for FY25.

Outlook: The company anticipates a rebound in demand, especially for premium products, by FY25, and is strategically shifting focus towards aggressive expansion of its branded fabric business, starting from local markets and gradually expanding globally. While considering outsourcing for certain types of yarn, investments are made in polyviscose spun yarn to meet the demand for premiumization. The expectation is to fully utilize expanded capacity within one to two years, emphasizing quality improvement alongside cost reduction. There is a recognition of significant growth potential in man-made fabrics, prompting the introduction of Quick Response Service to enhance customer satisfaction.

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Eco Recycling Ltd.

CMP: INR 483 | Mcap: INR 9,000 Mn

Eco Recycling Ltd (Ecoreco) is India's foremost e-waste management company, providing comprehensive solutions including reverse logistics, data destruction, IT asset disposition (ITAD), e-waste recycling, lamp recycling, precious metal recovery, and the implementation of extended producer responsibility (EPR) and corporate social responsibility (CSR) initiatives. Ecoreco leads the sector in India with a pioneering approach and utilizes established recycling technologies from the US, Europe, and Japan. With a global presence serving over 120 countries, the company boasts a recycling capacity of 7200 metric tons per annum (MTPA). Ecoreco offers end-to-end services encompassing asset removal, inventory management, packing, reverse logistics, data destruction, asset recovery, dismantling, e-waste recycling, lamp recycling, and precious metal recovery, ensuring comprehensive and sustainable management of electronic waste.

Key Highlights

Capacity expansion and utilization: Eco Recycling expanded its capacity by adding 18,000 metric tons in Feb'24. Despite this expansion, the capacity utilization remained at 40% for 9MFY24. Ecoreco aims to achieve 12,000 metric tons in FY25 and 25,000 metric tons in FY26. The company expects capacity utilization to reach 35-40% by the end of Q4FY24. Furthermore, Ecoreco anticipates an asset turnover rate three times the investment, highlighting its operational efficiency and growth prospects.

E-waste management: E-waste management has been a focus for the company since its entry into the sector in 2005, with a strategic emphasis on high-value metal-containing e-waste to maximize profitability. Anticipated revenue from extended producer responsibility (EPR) fees is expected to materialize in Q4FY24, facilitated by long-term contracts secured with reputable brands. The company has successfully inked agreements with six multinational corporations for EPR services, with fees averaging around INR 10 per kg, subject to variations based on material and processing levels. It foresees Q4FY24 EPR fees revenue of INR 50-60 Mn. The EPR platform is designed to generate certificates rather than facilitating the procurement and sale of e-waste.

Cost optimization strategy: The company implemented a strategic change by merging transport costs into the cost of materials consumed, as suggested by auditors, resulting in better value addition. Consequently, logistic expenses are now categorized under direct costs, aligning with auditors' recommendations.

Outlook: EBITDA margins are set to achieve a minimum of 40%, with a practical margin anticipated to reach approximately 60%. Anticipated revenue growth aims to double annually over the next five to six years, with plans to target the unorganized sector to gain market share. Revenue growth is expected to persist through strategic business approaches. Further expansion plans will be contemplated once the capacity reaches 25,000 metric tons.

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Capital Small Finance Bank Ltd

CMP: INR 336 | Mcap: INR 15,040 Mn

Capital Small Finance Bank Limited was incorporated in 1999 and became India's first small finance bank in 2016. The company has a strong presence in states such as Punjab, Haryana, Delhi, Rajasthan, Himachal Pradesh, and the Union Territory of Chandigarh. Regulated by the RBI, the bank focuses on middle-income customers, serving those with an annual income ranging from INR 0.4 Mn to INR 5 Mn, particularly in rural and semi-urban areas, with 41.62% of branches in rural locales, 34.68% in semi-urban, and 23.70% in urban areas as of September 30, 2023. The bank's core strategy is to strengthen its retail-focused banking franchise and provide accessible credit to underserved middle-income segments, offering a comprehensive suite of banking products, including agriculture loans, MSME and trading loans, and mortgage loans. The bank's conversion into a small finance bank facilitated geographical expansion, resulting in an increased customer base, and improved operational and business metrics.

Key Highlights

Retail centric deposit franchise: CSFBL has established a retail-focused deposit franchise with a substantial share of Current Account Savings Account (CASA) deposits, witnessing a rise in CASA ratio from 40.08% in FY21 to 41.88% in FY23. The consistent deposit rollover ratio of around 90% for term deposits underscores stability in liquidity and reflects the ongoing trust of its clientele. Retail deposits offer notable advantages, including deposit stability, enhanced customer retention, and expanded cross-selling opportunities, contributing to a lower cost of funds.

Secured and diversified advances portfolio: CSFBL has deliberately cultivated a secured and diversified loan portfolio over time, emphasizing income generation. The company maintains a well-diversified portfolio spanning various products such as agriculture, MSME, trading, mortgage lending, and others, enabling risk mitigation and resource optimization. Targeting the middle-income group, CSFBL aspires to become the primary banker for its customers, with average ticket sizes for different products remaining consistent over time.

Streamlined credit assessment and risk management: CSFBL's robust credit assessment processes and risk management practices facilitate the maintenance of sound asset quality and low delinquency rates. Its strategy of secured lending for productive purposes, coupled with conservative loan-to-value ratios, contributes to mitigating delinquencies and credit losses. The bank's positioning as the primary banker for most customers grants it comprehensive insights into their cash flows, enhancing its ability to conduct effective credit assessments.

Outlook: The bank plans to expand its geographical presence by deepening its presence in existing markets and opening new branches in Punjab, their home state. Additionally, they aim to enter new territories, including Haryana, Union Territory of Chandigarh, Rajasthan, NCR, and Himachal Pradesh. The bank focuses on diversifying revenue through cross-selling existing and new products, exploring third-party services, and generating fee income from offerings like insurance and money transfer. With a commitment to bancassurance channels, the bank aims for greater financial inclusion. As of September 30, 2023, it has four bancassurance relationships, leveraging these partnerships to expand product distribution within its existing network.

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DC Infotech and Communication Ltd

CMP: INR 191 | Mcap: INR 2,456 Mn

The company is a leading IT solution distributor in India, specializing in hardware products like cabinets and motherboards. With partnerships with various networking and security brands, it operates on a broad-based model, serving around 1,600 dealers. Operating under both B2B and B2C models, it provides comprehensive IT solutions and support to its channel partners including networking, data security, and cyber security, with a nationwide presence and strategically located warehouses. They serve 75+ mid and large enterprises across India, supported by sales representatives in key cities like Delhi, Kolkata, and Bangalore, and maintain strong technology tie-ups with over 12 business partners.

Key Highlights

Expanding product portfolio: The company is focused on enhancing its market penetration by leveraging both existing and innovative solutions. This strategy involves introducing emerging high-growth products that align with evolving technology trends, allowing the company to stay at the forefront of industry developments. Additionally, there is a concerted effort to diversify revenue streams across various solutions. This approach aims to reduce dependence on any single source of revenue, thereby increasing the company's resilience and adaptability in the market.

Exploring expansion into new verticals and business lines: The company is expanding its market reach by leveraging its expertise in networking and security solutions to enter new and promising verticals such as secure access, SaaS, Software Defined-WAN, Cloud Security, SSN VPN, and AV over IP Network Solutions. Additionally, it aims to differentiate itself in these verticals by offering value-added solutions, particularly focusing on areas like hybrid workplaces and cloud + data centers. This strategic initiative enables the company to diversify its revenue streams and capitalize on emerging technology trends, enhancing its competitive edge in the market.

Emphasis on specialized products: The company is prioritizing premium, high-margin brands such as Samsung, NetScout, Zscaler, and others. There is heightened attention on enterprise-grade offerings. Additionally, efforts are being made to broaden the omni-channel network to encompass solution partners, integrators, and corporate clients.

Outlook: The company is focusing on niche products and high-margin brands, expanding omni-channel networks, and entering new verticals and geographies. The company aims to grow existing product lines, add new products within existing verticals, foray into new business lines, explore new regions, and emphasize niche products like IoT and AI. These strategies are aimed at diversifying the product portfolio, expanding market presence, and capitalizing on emerging market trends to drive future growth.

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Digikore Studios Ltd

CMP: INR 473 | Mcap: INR 3,090 Mn

Established in the year 2000, Digikore Studios Limited is a visual effects (VFX) studio providing a comprehensive range of VFX services. Based in Pune, the company specializes in offering VFX services for a diverse array of projects including films, web series, TV series, documentaries, and commercials. Digikore Studios has gained recognition particularly in the fields of animation and VFX, having collaborated on notable projects such as "Thor: Love and Thunder," "Black Panther: Wakanda Forever," "Glass Onion: A Knives Out Mystery," "Deadpool," "Star Trek," "Jumanji," "The Last Ship," "Titanic," "Ghost Rider," among others.

Key Highlights

Approvals: DSL holds approvals from major production houses such as Disney/Marvel, Netflix, Amazon, Apple, Paramount, Warner Bros., Lions Gate, and more.

Matchmaking Venture: Digikore Studios has ventured into a new project called Digikore Matchmaking, the world's premier Televised Matchmaking Show, hosted by Bollywood Celebrity Bhagyashree.

Client Base: The clientele of Digikore Studios primarily spans across India, Australia, New Zealand, the US, and European markets.

Outlook: The company aims to expand its customer base by entering new markets while maintaining high-quality VFX services and fostering long-term relationships with clients. Leveraging existing market skills and relationships, the focus remains on enhancing customer satisfaction through geographical expansion and client retention. Upholding quality standards is crucial for securing repeat business and bolstering brand reputation, ultimately driving business growth.

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Suryoday Small Finance Bank Ltd

CMP: INR 166 | Mcap: INR 17,013 Mn

As a bank, their current range of credit products such as MFI loans, Vikas Loans, and Shopkeeper Loans for both existing and potential customers. The bank has Commenced operations in 2009 and has since grown its operations to cover 14 states and union territories, serving approximately 2 million customers. They aim on prioritizing digital banking services, utilizing Aadhar biometric identification, NPCI's payment systems, and mobile technologies to enhance customer experience. Additionally, they aim to serve underprivileged communities through innovative banking methods and aim to extend their presence to states where they are not currently operating.

Key Highlights

Portfolio Restructuring and Performance: The company has restructured its portfolio, separating micro housing loans (MHL) from home loans (HL) and categorizing them under "others." This shift has not led to a decrease in the MHL portfolio. Micro mortgages (micro home loans and micro LAP) performing well with a near 100% collection portfolio and GNPA of around 0.3%. Average ticket size for micro mortgages is currently less than INR 5 lakhs.

Expansion Strategy in Karnataka and Regional Exposure: The company aims to grow its presence in Karnataka by evaluating strategies to increase its portfolio there. Karnataka is a promising market where both inclusive finance and micro mortgages are performing well. With the opening of 30 new branches, the company is seeing fast growth in the state. They've also seen a significant improvement in loan repayment rates for commercial vehicles and mortgages in recent months. In Rajasthan, the company's exposure is around 2.5% to 3% of its total portfolio.

Operational Focus and Regulatory Commitments: The company follows a progressive write-off policy aligned with regulatory guidelines, providing for asset impairments progressively as loans turn non-performing. Monthly collections are standard practice, with a focus on maintaining high collection efficiency and customer satisfaction.The company is committed to achieving a CD ratio of 100% by the end of the next financial year as part of its regulatory obligations, reflecting a balanced approach to credit and deposit management.

Outlook: Looking ahead, the company's future strategy involves maintaining a growth rate of 30-35% in both assets and liabilities while prioritizing quality expansion. They anticipate a pre-provisioning operating profit of around INR 120 crores per quarter in FY25. Their NIMs are projected to remain stable, with a cost of funds at 7.5%. The company will continue to emphasize financial inclusion and broaden its product offerings in existing and new markets. Additionally, they plan to convert more branches into composite branches and hire additional staff . Employee expenses are expected to grow at 50% of the growth in assets. Furthermore, the company is focusing on digital partnerships and implementing video KYC for future growth opportunities.

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Izmo Ltd.

CMP: INR 270| Mcap: INR 3.66bn

Established in 1995, Izmo Ltd. specializes in providing interactive marketing solutions, particularly in the automotive industry. Renowned globally as a leader in this field, the company offers advanced automotive e-retailing solutions across North America, Europe, and Asia. Their comprehensive services include sales performance coaching, OEM-certified CRM, and ILM Solutions. Additionally, Izmo Ltd. boasts ownership of the largest collection of Automotive Images and Animation worldwide, catering to a diverse client base comprising some of the most prominent automotive retail groups globally.

Key Highlights

Company range of services tailored to the automotive industry- Izmo Cars – Automotive Retail Solution: This enterprise platform revolutionizes digital retail in the automotive sector, providing a robust CRM system for after-sales support and consultancy services aimed at enhancing automotive retail performance. Notably, Izmo Ltd holds a dominant market position in France, Mexico, and India.

Izmo Studio - Interactive Media Solutions: Positioned as a key player in automotive interactive media marketing, Izmo Studio boasts the world's largest repository of automotive images and animations. Their offerings include virtual brochures, video brochures featuring voiceovers, and cutting-edge CGI graphics.

IzmoWeb - Business Websites: IzmoWeb offers end-to-end solutions for business websites, encompassing design, professional content creation, coding, hosting, and search engine optimization (SEO). Each website is preloaded with industry-specific content, meticulously curated to include relevant copy, images, and videos.

Frogdata- AI Platform (New) – izmo.ai platform for Nexgen customer engagement & intelligent marketing: A recent addition to their portfolio, Frogdata introduces the izmo.ai platform, designed to spearhead next-generation customer engagement and intelligent marketing initiatives through the power of artificial intelligence (AI).
In a strategic move towards diversification, Izmo Ltd. incorporated Hughes Precision Manufacturing Ltd. in 2016. This subsidiary is dedicated to manufacturing defense equipment and is poised to become a wholly-owned subsidiary of Izmo Ltd. in the near future.

Outlook: The rise in revenue for Izmo was driven by the acquisition of numerous new clients primarily in the US and Europe, supported by strategic pricing adjustments. Specifically, they added 108 clients in the US and 44 clients in Europe during the quarter. Izmo has a strong focus on innovation, evident from its establishment of a subsidiary, Izmo Microsystem Pvt. Ltd., aimed at developing electric vehicle technologies. This expansion into the EV sector aligns with their goal of exploring new markets and products. Overall, Izmo aims to solidify its position as a leading provider of solutions for auto dealerships and OEMs through its continued focus on growth and innovation.

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Mafatlal Industries Ltd.
CMP: INR 119 | Mcap: INR 8,230 mn

Mafatlal Industries Limited, a flagship of the Arvind Mafatlal Group, has established itself as a prominent and reliable brand in the textile sector. Its main source of income comes from Whites Prints Voile, utilizing an outsourced, asset-light approach. Leveraging its extensive expertise and solid partnerships with distribution channels, it consistently innovates its products and expands into new categories, driving growth and exploring fresh opportunities. With a rich heritage spanning 119 years, Mafatlal Industries Limited is a pioneer in textiles, offering a diverse range of products including suiting, shirts, fabrics, uniforms, and health and hygiene items such as diapers, wipes, sanitary pads, and medical gloves and gowns. Known for its innovation and operational agility, the company follows an asset-light outsourcing model and has recently ventured into education technology.

Key Highlights

Government Contracts Driving Growth: Continued growth has been achieved by securing major contracts with state governments. The company's order backlog is strong, ensuring ongoing growth in the upcoming quarters.

Strong Revenue Growth Through Institutional Tenders: The rise in operational revenue is mainly attributed to a notable increase in fulfilling institutional tenders. The company's top-line performance aligns consistently with its strategic efforts. It is anticipated to surpass its previous record of highest operational revenue and operating EBITDA. The company is focused on exploring opportunities in the digital infrastructure sector and engaging in substantial institutional tenders.

Strategic Focus and Performance: They have shifted their focus towards outsourcing rather than manufacturing, which allows them to expand their product range and pursue growth opportunities more flexibly. This shift has led to reduced investments in fixed assets and optimized working capital requirements. Additionally, they have significantly reduced debt and interest costs by selling off non-core assets, including properties, and streamlining their workforce through a voluntary retirement scheme (VRS). They have also used non-core assets and investment profits to secure working capital loans with competitive rates of return.

Outlook: The company is focusing more on its hygiene business and has closed down its denim operations in Navsari, Gujarat, and capitalize on its assets. This decision is expected to facilitate an enhancement in both top-line revenue and absolute EBITDA, supported by anticipated improvements and diversification across its primary revenue segments.

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ESAF SFB Ltd

CMP: INR 57 | Mcap: INR 29,657 Mn

ESAF SFB is a small finance bank focusing on serving customers who are unbanked or under-banked, especially in rural and semi-urban areas. Their loans include micro loans, retail loans (like gold loans and personal loans), loans for small businesses, loans to other financial institutions, and agricultural loans. On the deposit side, they offer current accounts, savings accounts, term deposits, and recurring deposits. They offer various services such as safety deposit lockers, foreign currency exchange, bill payment, money transfer, and Aadhaar services. They also sell third-party insurance policies and government pension products. While they operate across India, they are particularly focused on South India, especially Kerala and Tamil Nadu, where a significant portion of their outlets, loans, and deposits are concentrated.

Key Highlights

Strengthened financial position and capital adequacy through IPO: With a steady increase of 16% in loans and using internal earnings, the CAR and Tier-I CAR improved to 19.83% and 18.12%, respectively, by March 31, 2023. This was up from 18.64% and 16.16%, respectively, by March 31, 2022. Following the completion of the IPO process, the bank raised INR 391 crore through the issuance of new shares. Consequently, the total CRAR and Tier-I CAR reached 21.0% and 18.9%, respectively, by December 31, 2023.

Diversified loan portfolio driving revenue growth : Loans grew by 16% in FY23, reaching INR 14,118 crore by March 31 2023. The bank expanded its offerings beyond microfinance to include products like gold loans, loans against property, business loans, corporate loans, and agriculture loans. During the first 9MFY24, gross advances increased by 21%, reaching INR 17,153 crore by December 31, 2023, compared to INR 14,118 crore in March 31, 2023. Microfinance loans remained high at 70% by December 31, 2023. Gold loans were the next largest category, totaling INR 2,514 crore (15% of advances) by December 31, 2023.

Regional concentration and expansion strategy: The bank's loan portfolio shows a focus on specific regions, but there has been an improvement in the concentration of loans in a single state. As of December 31, 2023, ESAF SFB's assets under management (AUM) are still largely concentrated in Kerala, accounting for 39% of the total, compared to 42% as of March 31, 2023, and 46% as of March 31, 2022. The top three states together make up 73% of the bank's overall portfolio as of both March 31, 2023, and December 31, 2023. The bank operates across 21 states and 2 union territories with 731 branches as of December 31, 2023.

Outlook: **The bank is focusing on sustainability, growth, maintaining a high-quality portfolio, and improving operational efficiency. They expect loan growth to continue in the coming years. They aim to keep their cost to income ratio stable at 60% while managing advertisement expenses effectively. Additionally, they have a target of 2% ROA. The company's goal is to decrease the share of MFIs to around 60% by 2026 or 2027.**

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Network People Services Technologies Ltd
CMP: INR 1090| Mcap: INR 21,129 Mn

They are focused on serving banks and financial institutions, offering a range of renowned solutions for digital payments, such as Mobile Banking, IMPS, Bhim UPI, and Wallet platforms. They specialize in partnering with banks, delivering various IT services that encompass end-to-end software and mobility solutions. Alongside, they offer IT services including development, customization, maintenance, and support. As an authorized Merchant Payment Service Provider by NPCI, they deliver cloud-based ERP systems for merchants to manage their financial operations digitally. Their services cater to a range of businesses such as housing societies, commercial complexes, gyms, hostels, offline merchants, and similar entities in need of a digital platform.

Key Highlights

Strategic Investment and Product Development: The company is prioritizing capacity building and leadership development while investing in new capabilities, products, and R&D initiatives. It plans to introduce products such as BBPS, payout, and auto pay, which are currently in the pipeline. Anticipating stable margins, the company intends to reinvest incremental margins into expanding capacity and nurturing leadership positions. Several new APIs are in the POC stage, with eager customer anticipation, and some customers are prepared to sign up post product launch.

Revenue Growth Drivers: The growth in gross transaction value (GTV) of the Evok business is attributed to both new customer acquisitions and increased volumes from existing customers. This indicates a diversified growth strategy aimed at expanding both customer base and transaction volumes.

Customer Engagement and Upselling: Efforts are being made to deepen relationships with existing customers by understanding their needs better and offering value-added services beyond basic payment APIs. This approach includes providing insights to improve the customers' success rates, indicating a focus on long-term partnerships and customer satisfaction.

Outlook: **The company is expecting opportunities in expanding APIs, venturing into new international markets, and introducing innovative products like AutoPay. These avenues pave the way for future growth and market expansion.The company is also exploring international expansion opportunities, acknowledging the need for tailored strategies for different regions based on their digital landscapes.**

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Genus Power Infrastructures Ltd
CMP INR 223 | Market Cap INR 57.48bn

Genus Power Infrastructures Ltd secured orders worth INR 161.85 bn for smart prepaid meters, with a total order book exceeding INR 200bn. Revenue surge expected from FY25 onwards, targeting a minimum of INR 25bn with EBITDA levels of 15-16%, and an expected revenue of INR 4 bn in Q4. Gross margins improved to almost 44%, attributed to new order service revenues.

Business Update

-Company has secured seven prestigious projects. Orders aggregating to approximately INR 161.85 bn net of taxes are for the installation of approximately 1.82 crore smart prepaid meters. In Q3FY 24, total order inflow of around INR 95.22 bn net of taxes.

-Company's total order book now exceeds INR 200bn (net of taxes), suggesting a positive outlook for future revenue growth. Fulfilment of these orders will commence only after a period of approximately six to nine months from the date of order because of time taken for formalities.

-The execution cycle of the current order book is about 27 to 30 months. Thus, it provides healthy visibility of our top line growth, particularly for FY 25 and 26.

-Company expects a significant surge in our revenue from Fy 25 onwards. Revenue of minimum INR 25bn to be achieved in FY25 with EBITDA levels of 15-16%. Company is expecting INR 4 bn revenue in Q4.

Financial Performance

-Q3FY24, Revenue at INR 2.58bn (+28.9%YoY) and a notable growth in revenue in Q4 is expected.

-EBITDA at INR 272 mn(+33%YoY). PAT at INR 135 mn(16.1%). Profitability in Q3 was impacted by substantial rise in financial financing expenses due to company's requirement to furnish additional bank guarantees in order to secure the large influx of orders

-Significant increase in employee cost and other expenses due to ongoing efforts to expand workforce. This is being done in anticipation of fulfilling substantial order book.

Highlights from the Call

-Gross margins have increased to almost 44% this qtr from 36-37% previously. This can be attributed to the service revenues from new orders like AMISP (advanced metering infrastructure service provider).

-Company is sitting on almost INR 5bn of cash and the management doesn’t feel that equity requirement will be more than INR 3bn.

-Revenue recognition from Assam AMISP will start next month and the board approval for capacity expansion will be over and above the 1 cr capacity.

-the INR 100 mn of loss from associate entities is from the equity shares the company is holding in other companies like genus paper and these losses are adjustment of market prices.

-The service revenues from South Bihar project are being received within 30-45 days.

-The company will be following the new tax regime and applicable rate will be 25%.

-On working capital requirement, the company will be in need of non fund based limits. Company has already taken 50 million from DFC which is not yet disbursed.

-Out of the 100% order book, the 30% order book goes to the platform. As a financing arrangement, 45% is installation and supply, and 25% is the O&M. The 45% will come over 27-30 months and the 25% will come over 6-7 years.

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Gateway Distriparks Ltd

CMP: INR 98.8 | Market Cap: INR 49.36 Bn

Company offers services across the entire value chain of multimodal logistics and strategically positions itself to serve all major industrial and manufacturing zones in the country. It has a large equipment base comprising of Reach Stackers, Empty Handlers, Hydra cranes, Forklifts, Loaders, Conveyors etc.

Key Highlights

Financial Performance: Rail EBITDA per TEU stood at approximately INR 9,700, while CFS EBITDA per TEU slightly below INR 1,300. Margin improvements in rail were observed quarter-over-quarter, attributed to alterations in the mix and an uptick in double stacking. However, there are apprehensions regarding competition and pricing in the CFS business, resulting in diminished profitability. The expected tax rate hovers around 17%, primarily due to the utilization of MAT credits.

Business Strategy : A gradual shift from road to rail transport, with significant growth forecasted in rail volumes. Capacity expansions planned in Kolkata, Lucknow, Bhubaneswar, and Krishnapatnam for Snowman Logistics. Additionally, there are plans to add more trailers for container movement from ports to facilities. Furthermore, the company is in the process of developing new terminals and cold storage facilities to further strengthen its logistics network.

New Products and Services: The company is venturing into the 5PL business with a focus on introducing new products for its existing clients. Simultaneously, discussions are underway to engage new clients in this endeavor.

Key metrics: The company's ICD has a capacity of 710,000 TEUs per annum, while its CFS can handle 536,000 TEUs annually. Additionally, the total warehouse capacity is approximately 162,000 square meters.

Guidance: The company anticipates a double-digit growth in rail volumes and a slight decline in CFS profitability over the next couple of years. The primary focus will be on enhancing capacity and profitability in both business segments.

Outlook: The company ensures reliability in rail freight movement, facilitated by the DFC, to stimulate growth in container movement by rail. In anticipation of increased volumes in the coming quarters, the company is actively enhancing its rail-side capacity. By the end of the financial year, it aims to increase its total number of trains to 34.

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TCI Express Ltd.

CMP- INR 1,019 M.Cap- INR 39.06bn

TCI Express Ltd. is a leading express cargo logistics firm operating nationwide in India, boasting a comprehensive network. The company specializes in providing time-critical solutions across various transportation modes.

Financial Performance:

The company's revenue from operations, EBITDA, and Profit after tax remain key indicators of its financial health. The recent period witnessed a subdued festive demand and holiday season, impacting revenue streams. Despite these challenges, the company maintains ambitious future growth targets and sets expectations regarding margins. Utilization levels and volume growth provide insights into operational efficiency and market demand. External factors such as inflation, interest rates, and fuel charges continue to influence margin dynamics.

Capex and Expansion:

TCI Express allocated a total capex of Rs. 25 crores in the first nine months of FY24. Expansion efforts include the establishment of 15 new branches in the West and North regions, enhancing service coverage. Future plans involve additional capex aimed at automation within sorting centers to improve operational efficiency.

Recognition and Awards: Notable achievements include the successful implementation of the Rail Express service, serving 2,000 customers across 125 routes. The company has received recognition from reputable entities such as Dun & Bradstreet and the CI Institute of Logistics. TCI Express has been certified as a "Great Place to Work" for the fourth consecutive year, reflecting its commitment to employee satisfaction.

Technology and Automation: Progress is underway in automating operations at the Pune Service Center, with a continued focus on leveraging technology for enhanced efficiency. Strategic investments in technology and infrastructure underscore the company's dedication to staying at the forefront of industry advancements. Plans for automation within sorting centers aim to streamline processes and drive long-term operational benefits.

Market Outlook and Growth Strategies: Despite challenges, TCI Express remains optimistic about growth opportunities in the Indian logistics market, projecting double-digit growth for FY25. The company is implementing strategies to navigate subdued growth in certain sectors while prioritizing overall growth and profitability. The SME sector plays a vital role in maintaining margins and driving growth amid economic fluctuations. TCI Express aims to maintain margin levels and return to its historical trajectory of 17-18% margins.

Customer Service and Operational Efficiency: Operational efficiency and top-notch customer service distinguish TCI Express within the industry. The company remains focused on sustaining revenue quality and fostering profit growth despite market challenges. TCI Express demonstrates resilience in maintaining margins amidst a challenging environment, prioritizing customer satisfaction and operational excellence.

Dividend and Employee Recognition:

The recommendation of a second interim dividend underscores the company's commitment to delivering value to shareholders.
Employee recognition remains integral to TCI Express's corporate culture, fostering a positive work environment and driving organizational success.

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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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