

BHARAT'S RISING STAR SUMMIT 2023 BY ARIHANT CAPITAL

CORPORATE CONNECT DAY!

27th to 29th Sept, 2023

Wednesday - Friday

Time: 10 am Onwards

RSVP

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List of Participating Companies

S.No.	Company	CMP (INR)	Mcap (INR Mn)
1	Maiden Forgings Ltd	109	1,544
2	Black box Ltd	188	31,507
3	Indostar Capital Finance Ltd	171	23,256
4	Synergy Green Industries Ltd	220	3,104
5	All E Technologies Ltd	150	3,029
6	Pearl Global Industries Ltd	945	20,464
7	Arihant Superstructures Ltd	179	7,382
8	BEW Engineering Ltd	1,390	3,587
9	Indiamart Intermesh Ltd	2,988	179,215
10	Linc Ltd	694	10,318
11	SEAMEC Ltd	626	15,908
12	Sportking India Ltd	807	10,255
13	Kalpataru Projects International Ltd	633	102,763
14	Bodhi Tree Multimedia Ltd	135	1,683
15	DigiSpice Technologies Ltd	35	8,047
16	Knowledge Marine & Engineering Works Ltd	1,551	16,752
17	BMW Industries Ltd	40	8,980
18	Cool Caps Industries Ltd	543	6,271
19	Tilaknagar Industries Ltd	206	39,419
20	VIP Clothing Ltd	45	3,696
21	Sastasundar Ventures Ltd	274	8,713
22	Avro India Ltd	112	1,131
23	Marathon Nextgen Realty Ltd	434	20,376
24	GTPL Hathway Ltd	180	20,232
25	GHCL Ltd	611	58,441
26	OnMobile Global Ltd	108	11,470
27	Frog Cellsat Ltd	239	3,675
28	Spectrum Talent Management Ltd	133	3,061
29	Coforge Ltd	5,336	327,693
30	Vishnu Prakash R Punglia Ltd	170	21,152
31	Radico Khaitan Ltd	1,186	158,584
32	Piramal Enterprise Ltd (Tentative)	1,044	249,090
33	Apex Frozen Foods Ltd	225	7,025

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S.No.	Company	CMP (INR)	Mcap (INR Mn)
34	Vaibhav Global Ltd	423	69,886
35	Senco Gold Ltd	488	37,892
36	Niyogin Fintech Ltd	71	6,678
37	Dodla Dairy Ltd	680	40,464
38	Moneyboxx Finance Ltd	167	4,165
39	Qess Corp Ltd	424	62,893
40	Greaves Cotton Ltd	140	32,515
41	Monte Carlo Fashions Ltd	764	15,849
42	Apollo Pipes Ltd	692	27,217
43	Indian Terrain Fashions Ltd	57	2,542
44	Vascon Engineers Ltd	58	12,528
45	Mahindra & Mahindra Ltd	1,583	1,968,817
46	Max Ventures and Industries Ltd	216	31,810
47	Indag Rubber Ltd	139	3,650
48	Om Infra Ltd	78	7,502
49	L T Foods Ltd	163	56,446
50	Sterlite Technologies Ltd	161	64,240
51	Imagicaaworld Entertainment Ltd	53	25,660
52	Apollo Micro Systems Ltd	54	13,912
53	Ajmera Realty & Infra India Ltd	355	12,602
54	Cineline India Ltd	108	3,403
55	E2E Networks Ltd	362	5,235
56	RPSG Ventures Ltd	593	17,511
57	S J S Enterprises Ltd	682	21,168
58	Sunteck Realty Ltd	435	63,740
59	Ircon International Ltd	136	127,816
60	Supriya Lifescience Ltd	281	22,640
61	Paradeep Phosphates Ltd	72	58,661
62	Motilal Oswal Financial Services Ltd	853	126,395
63	Mercury EV-Tech Ltd	48	7,990
64	HFCL Ltd	74	105,443
65	Nuvoco Vistas Corporation Ltd	369	131,808
66	Hariom Pipe Industries Ltd	571	15,778

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S.No.	Company	CMP (INR)	Mcap (INR Mn)
67	Datamatics Global Services Ltd	571	33,689
68	Bajaj Consumer Care Ltd	228	32,462
69	Insecticides India Ltd	473	14,012
70	JTL Industries Ltd	214	36,490
71	Accuracy Shipping Ltd	9	1,325
72	CIE Automotive India Ltd	483	183,061
73	Indo Count Industries Ltd	240	47,573
74	Globus Spirits Ltd	890	25,640
75	Alicon Castalloy Ltd	852	13,722
76	Ashiana Housing Ltd	199	19,979
77	Talbro's Automotive Components Ltd	928	11,451
78	Creative Newtech Ltd	513	7,203
79	Foods & Inns Ltd	167	8,943
80	DC Infotech & Communication Ltd	151	1,814
81	Allied Digital Services Ltd	132	7,291
82	Welspun India Ltd	122	118,172
83	Vardhman Special Steels Ltd	201	16,336
84	Sahyadri Industries Ltd	427	4,670
85	Shaily Engineering Plastics Ltd	1,704	15,628
86	Krsnaa Diagnostics Ltd	653	20,490
87	Meghmani Organics Ltd	80	20,421
88	Lloyds Metals & Energy Ltd	548	276,745
89	Netweb Technologies India Ltd	810	45,435
90	Parag Milk Foods Ltd	201	23,546
91	Vaidya Sane Ayurved Laboratories Ltd	310	3,766
92	Shreeji Translogistics Ltd	64	3,370
93	Century Textiles & Industries Ltd	1,017	113,583
94	Dollar Industries Ltd	433	24,561
95	Welspun Corp Ltd	394	103,149
96	Puravankara Ltd	106	25,197
97	Home First Finance Company India Ltd	839	73,985
98	Sukhjit Starch & Chemicals Ltd	417	6,521
99	Orient Bell Ltd	461	6,673
100	Shyam Metalics & Energy Ltd	431	110,029
101	Punjab Chemicals & Crop Protection Ltd	1,098	13,460

Maiden Forgings Ltd**CMP: INR 109 | Mcap: INR 1,540mn**

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. The company has three manufacturing facilities in Ghaziabad, UP and aggregated manufacturing capacity of 50,000 MT/Annum. The company has more than 450 B2B customers across globe.

Key Highlights

Margin expansion due to high value add products: Company is entering into higher margin products (specialized steel, stainless steel, collated nail, tempered wire, wire mesh etc). Margins in these products are significantly higher than FY23 consolidated margins. Company recently put up its first capacity for collated nails of 250 tonnes per month which is going to be doubled in FY24. The current utilization is around 10-15% which will also be boosted to 90% (70% in H1). Stainless steel is an import substitution play which is very lucrative as realizations are 5x of carbon steel and margins are significantly higher too.

Exports posing a significant opportunity: The high value added products are majorly for exports (collated steel). Company has put up state-of-the-art plant (Taiwanese machinery) which has received some approvals for exports. Phase 1 of exports are to US and Europe, Phase II will be to Australia and Africa. The margins are much better in exports and the demand is significant. Company will be selling under their own brand name as well as in white labelling. The sales will be B2C focused which will work towards building a brand and generate higher margins also. The sales visibility is strong as the product will help replace high cost labour in developed countries.

Strong pedigree of clients: Company has strong T1 and T2 clients. 25% of revenues come from Auto clients while the remainder 75% include engineering and consumer durables. Company has received approvals from certain international clients for its new products. Current clientele include Maruti, Hyundai, Toyota, Denso, Everest, Hero (end users) while company also sells directly to TTK Prestige, Everest, UM Auto, Hawkins (among many). Current client base stands at 450+ which was 250+ in FY20.

Stronger cash accruals with minimal capex: Majority of the capex is over. Only INR 80 Mn of capex is remaining which will be concluded in FY24. Post that, company does not have any significant capex. With higher margin products coming in, the cash accrual will be significant. With the IPO proceeds being used for capex, the cash accruals can be used for repaying the debt. This will put the company on stronger footings. The current cost of debt is also competitive at 9%.

Outlook & Valuation: Company expects 20-25% CAGR growth in topline between FY24-26. This will be driven by increase in VAP sales and exports. Moving from carbon and alloyed steel to higher margin products like specialized steel, stainless steel, collated nail, tempered wire, wire mesh etc. This will increase the gross margins by 25-30% (from current 12-13% to 16-18% range). EBITDA Margins should move from 10% to 12-13% in 2-3 years. In FY24 focus will be on profitability, focus and transiting towards sales of collated and pneumatic nails which is B2C product. Company aims to achieve 20-25% exports (contribution in revenues) in FY24. Cash accrual from selling land/plant will provide cushioning to balance sheet and introduction of oil tempered wires will provide additional visibility for future growth (20-25% margin product). At CMP, company trades 3.1x FY26EEPS, We have been positive on the company since its fall on listing (~INR 58) and continue to remain bullish over long term. We assign 8x rating for FY26 numbers with BUY rating and arrive at a target price of INR 187.

Black Box Ltd**CMP: INR 187 | Mcap: INR 31,390 Mn**

Black Box is a trusted IT solutions provider, offering cutting-edge technology solutions and world-class consulting services worldwide. Its global reach and expertise drive customer success by uniting people, ideas, and technology to address real-world business challenges. The company's extensive clientele includes over 8,000 global customers, including a substantial share of 250+ Fortune 500 companies. Notable clients encompass major industry players such as Bank of America, Intel, Dell, Infosys, Deloitte, TCS, HCL, IKEA, Bloomberg, and more. With a prominent position as a leader in Enterprise Communications in India, the company boasts a widespread global presence covering India, the Middle East and Africa, North America, Australia, New Zealand, Singapore, and Europe.

Key Highlights

Debt management strategy: The company's debt structure is currently linked to SOFR, which has experienced an increase, reaching approximately 5.3%, leading to noticeable impacts on interest rates. While the business foresees a degree of debt reduction by the end of the year, it anticipates this reduction to be relatively modest. A more significant reduction in debt is expected in FY25 as the company aims to accumulate sufficient cash reserves to not only meet its working capital requirements but also facilitate substantial debt reduction.

Sights on medium-term double-digit operating margins: In the near term, the company anticipates attaining double-digit operating margins. Achieving these enhanced margins will be underpinned by several key factors, including growth initiatives, the enhancement of delivery capabilities, strategic procurement approaches, and heightened productivity measures.

Strong performance in key segments fuels growth prospects: The company has demonstrated significant achievements in various areas, including in-building 5G solutions, connected building services, on-demand digital work solutions, data centers, and cybersecurity. The cybersecurity division has garnered considerable traction, with expectations of continued success. Over the next 12-24 months, the company foresees its cybersecurity segment's revenues expanding within the range of 5% to 10%. Additionally, there are optimistic projections for sustained growth in both the data center and cybersecurity segments.

Pursuing strategic inorganic growth: Black Box maintains an opportunistic approach to its strategy for inorganic growth. The company is concentrated on acquiring entities that not only hold the promise of expansion but also harmonize seamlessly with its existing operations, creating synergistic advantages.

Outlook: With the shift in the go-to-market strategy, focusing on end customers and rebalancing the supply chain portfolio to solve some large projects for federal customers, the firm expects a large recovery in Q2. They anticipate of being able to catch up without affecting TPS's overall plan for the upcoming fiscal year. Going forward we can expect the margin enhancement trend to continue. Thereby, strengthening confidence in reaching higher profits in FY24.

Indostar Capital Finance Ltd
CMP: INR 171 | Mcap: INR 23.27 bn

About the company

A non-banking finance company (NBFC) registered with the Reserve Bank of India as a non-deposit-taking company. It is engaged in Corporate lending & retail lending which includes commercial vehicle finance, SME finance & housing loan finance. It commenced operations in 2011 as an NBFC focussed on financing the corporate sector. In 2016, Company diversified its business from a corporate lender to a retail-focused NBFC. It has 217 branches across 18 states in Dec 2020. It expanded from 129 branches (Dec 18) with the addition of 58 branches for the commercial vehicle finance segment.

Key Highlights

The Total AUM stood at INR 80.62 Bn for Q1FY24 v/s INR 78.13 Bn for Q4FY23 (up 3.2% QoQ). The Total AUM comprises 49% CV Finance, 21% Home Finance, 15% SME Finance, 15% Corporate lending. The company is focusing on realization of the AUM. The company is looking to achieve a book size of around 13,000 crore in the next two years.

The NII (standalone) declined by 14% YoY to INR 1.081 Bn for the current quarter against INR 1.261 Bn for the quarter corresponding to previous year. (up 2% QoQ).

The PAT during the quarter declined to INR 309 Mn (down 31% YoY, down 58% QoQ). The fall in PAT was due to a one time treatment in Q4FY23, and the FY23 employee expense included a reversal of ₹50.5 crore and ₹44.2 crore, respectively, due to the cancellation of unvested ESOPs.

The company's disbursements have been growing, with a focus on tier 3 and tier 4 markets. The total disbursements grew from INR 3.44 Bn for Q1FY23 to INR 11.66 Bn for the current quarter.

CV Finance

- Used Vehicle Disbursement stood at 93% in Q1FY24 vs 96% in Q4FY23. The company, predominantly in the used commercial vehicle (UCV) segment, states that they have not experienced margin reduction and expect robust demand.
- AUM of INR 39.28 Bn.
- Regarding the slowdown observed in the new commercial vehicle industry in July, the company attributes it to factors like floods and construction activity slowing down.

Housing Finance

- IndoStar Home Finance's segment focuses on small towns and semi-urban geographies for affordable housing finance.
- AUM of INR 17.41 Bn
- Average LTV: 48.39%.

The NIM stood at 6.5% for Q1FY24 v/s 5.5% for Q1FY23. The NIMs are expected to rise further as the company has achieved a 90% collection efficiency.

The current leverage is 1.92x, and the management plans to increase it up to four times gradually. The company plans to approach banks with a clear growth trajectory and aims to increase leverage slowly over time.

ROA & ROE declined to 2.1% & 5.9% for the current quarter. The company is focused on improving deals and reducing interest costs to improve ROA and ROE. Going forward, the company aims for ROAs in the 2.5% to 3% range and ROEs around 14% to 15%.

The Asset Quality Improved due to better collection efficiency. The GNPA & NNPA stood at 6.6% & 3.1% for Q1FY24 v/s 8.2% & 3.6% for Q1FY23. The CRAR reached 34.4% this quarter.

Outlook: The company displayed average results for Q1FY24. The company targets to grow the overall AUM at 7% sustainably. The Asset Quality is expected to improve further. The ROA & ROE will be in the range of 3.5% & 14.5% respectively. The company has made technological improvements which will lead to efficient and productive operations. The company expects better performance in the coming quarters.

Synergy Green Industries Ltd**CMP: INR 220 | Mcap: INR 3100Mn**

Synergy Green Industries Ltd started its operations in the year 2012 the company was started as a greenfield foundry project it is engaged in the business of foundries. SYGIL is engaged in the manufacture of wind turbine casting and other large precision castings. Windmill parts contribute 75–80% to total revenue, with other casting products providing the rest. Its product portfolio includes hub, main frame, bearing housing for wind industry, torque arm, housing & planet carrier for wind gear boxes and general engineering application castings to mining, plastic injection, pumps & machine tool industry.

Key Highlights

Serves Top wind Gear Box Manufacturers: Manufacturers like ZF Wind Power and Flender Drives Pvt, which contribute ~20% to total revenue. Around 10% of total revenue accrues from non-wind customers (like Terex India Pvt and Ferromatik Milacron) and clients in the pump industry. SYGIL caters to domestic and overseas OEM buyers in the wind segment such as Vestas Wind Systems, GE India Industrial Pvt, Siemens Gamesa Renewable Power Pvt, and Senvion Wind Technology Pvt. This segment contributes ~70% to total revenue.

High-Capacity Liquid Metal Facility for Large-Scale Iron Castings: The company has a liquid metal capacity of 40mt and a 60mt handling facility designed to produce large size critical iron castings ranging from 500kg to 30mt single wind turbine piece, gear box, and general engineering.

Capacity Expansion: It plans to raise capacity to 100,000t by FY27, which would have the revenue potential of INR1,400–1,500cr at peak utilization levels. Capex is aimed to optimize the machining & power costs

Outlook: The Company is planning to expand the capacity from 30,000 TPA to 45,000 TPA . It is in the process of adding new customers like Nordex, Envision Energy, and ReNew Power. The management expects to generate a revenue/EBITDA of INR360cr/INR43cr in FY24 and INR450cr/INR60cr in FY25. Taking into account its current order book and industry projections, the management is indicating an expected revenue increase of 25% in the coming two years. The management expects margin to trend towards 12% owing to realisation of saving from the captive power plant and in-house machining. For FY24, the management expects revenue from Vestas and Siemens Gamesa to be stable, with growth expected to be driven by orders from GE and Senvion.

All E Technologies Ltd**CMP: INR 154 | Mcap: INR 3,110mn**

All E Technologies Ltd. (AETL) specialises in Microsoft Business Applications and Digital Transformation. By implementing integrated operational systems of ERP, CRM, Collaboration Portals, and Mobile Apps, the company assists in bringing together – Company and customers, Factory and field Service, Store Front and Supply Chain, Patients and providers, People and governments - and enabling businesses to draw actionable insights from data. It also offers offshore IT services to some of the largest Microsoft Business Applications partners in the United States and Europe.

Key Highlights

Client Update: The company has added 16 new customers in the last quarter (13 domestic and 3 international), with repeat and recurring revenue at 97.5%. A top Kenyan bank, a wellness tech start-up in California, and a large consulting partner in East Africa are among the notable successes in the recent past. With the new college vertical the company has added 2 customers (Manipal Jaipur and Bennett Noida), which gave them a new segment to tap. The company is getting great referrals as well. The company has a very sticky business, Make My Trip is still a client after 16 years.

Plans for Expansion: The company will focus on inorganic growth moving forward. With a new sales office in Toronto, the company will be targeting more on the US markets and African markets. Data and AI space will see a higher expansion and more investments. Demand is increasing for digital transformation, ERPs, CRM systems, intelligent data platforms, and application modernization. Digital commerce can see an expansion and the company will try to acquire new clients going forward.

Future growth: Microsoft's product portfolio is thought to be stronger and expanding faster than its competitors. Azure's acceptance and demand are growing, with significant potential on the horizon. Chat GPT runs on Azure which allows the company to work closely in the AI field. The company uses Microsoft Azure for financial accounting software and anticipates development prospects in the cloud services sector. Microsoft's AI product portfolio and research provide them an advantage over competitors such as Salesforce. The company's intellectual property is built on Microsoft technologies and runs on the Azure platform. The company has cash reserves of INR 1Bn and will be using this for inorganic growth.

Revenue break-up: Product revenue -28% (will grow at a higher rate in the near future and will be better for margins as low employee cost is needed for the same). Services – 68%

Product break-up: Microsoft – 90%, with a revenue split of 70:30 (Microsoft: AETL), AETL Ip – 10%

Guidance: The company is confident with a growth of +25% in the coming years. EBITDA margins will increase with the increase of international clients. The company is aiming for a higher double-digit margin for the next 2-3 years.

Outlook: The company exhibits a promising trajectory in its expansion efforts, poised to augment its customer base through strategic investments in inorganic growth. The concurrent emphasis on amplifying presence in the AI domain is projected to yield substantial growth prospects in the coming quarters. Bolstered by a robust pipeline, particularly in the US and African markets, the impetus for growth is anticipated to stem predominantly from international arenas, underscoring the company's adept navigation of global markets. This holistic approach positions the company favourably for a prosperous future marked by heightened expansion and technological innovation. We have Positive outlook on the stock.

Pearl Global Industries Ltd.**CMP: INR 958 | Mcap: INR 20,680 Mn**

Pearl Global is a multinational apparel manufacturing firm offering comprehensive supply chain solutions to global brands. They create clothing for individuals of diverse ages, genders, locations, and fashion preferences, with a strong focus on sustainability. Established in 1987, Pearl Global Industries Ltd. (PGIL) is a leading garment exporter, producing garments across various sourcing regions in India and South Asian countries. Their product portfolio spans knits, woven items, and bottoms, catering to men, women, and children's apparel segments.

Key Highlights

Multinational Presence and End-to-End Supply Chain Expertise: With a strong multinational presence, Pearl Global operates 22 manufacturing facilities across four countries. It's strategically positioned in two out of four supply chain areas, making it a versatile end-to-end supply chain provider. This extensive network bolsters resilience and adaptability in the ever-evolving global market. Pearl Global has a presence across 3 of the 4 global textile value chains.

Shift Towards Asset-Light Model and Improved Returns: Pearl Global's strategic shift towards an asset-light model has yielded improved return ratios. This transition not only reduces capital intensity but also enhances profitability, making it an attractive investment proposition.

Strong Customer Relationships: Pearl Global boasts long-term relationships with renowned large retail format stores like Kohl's, Macy's, and Target Australia, along with specialized retail format stores such as Bershka, Gap, and Old Navy. These robust customer ties underscore the company's reliability and its ability to secure steady business in both mass-market and niche segments. Such strong customer relationships offer stability and growth potential for investors.

Design Excellence: The company's proficient design team brings extensive experience in fashion trend analysis to the table. They leverage cutting-edge techniques such as 3D CAD rendering, 3D Optitex, CLO, and Browzwear to craft exceptional products that meet the highest standards of quality and innovation.

Outlook: Pearl Global's strategic vision centers on attaining a robust 15%-20% revenue growth CAGR in the coming years. However, the company remains vigilant to potential impacts should market dynamics undergo shifts. To underpin its financial health, Pearl Global aspires to sustain a minimum 7-8% profit margin and is steadfast in its pursuit of double-digit EBITDA margins. The global macro-environment continues to be a challenge. However, despite a sluggish macro-economic environment, the company continues to improve its operational performance with a steady focus on cost controls, capital allocation, and cash flow management.

Arihant Superstructures Ltd**CMP: INR 183 | Mcap: INR 754cr**

Arihant Superstructures Ltd (ASL) is a real estate company focusing on the affordable housing with significant presence in the MMR region and Jodhpur, Rajasthan. The Arihant group has delivered 9,500+ homes measuring 8 Mn sq.ft. across 59 projects over the past 2 decades. As on Q1FY24, the affordable & mid income segment constitutes about ~98% of the Company's portfolio (affordable ~54% and mid income ~44%). The remaining ~2% comes from the high Income group. The company's projects are spread across MMR Region (Maharashtra) and Jodhpur (Rajasthan). The MMR Region regions accounts for ~62.5% - Taloja/ Khargar (~17%), Panvel (~22.3%), Vashi (~2.3%) and outer MMR ~38.5%. The remaining ~19.9% comes from Jodhpur-Rajasthan regions as on Q1FY24.

Key Highlights

New launches would improve the margins: The company has a launch pipeline of 8 projects with a saleable area of 1.83 msf and an estimated revenue potential of INR 904 cr. Arihant world Vila: ASL has announced a premium luxury project at chowk, off the old MumbaiPune highway. The development potential of the same is expected to be around 1.7 mn Sq. ft. area, with Gross Development Value (GDV) of INR 10 bn+, starting with development of 353 villas. ASL also plans to develop 200 key resort and gymkhana, which would have a revenue stream of membership fees with additional revenues from sale of food, drinks, entertainment & sports venue sales, while the resort would be ideal for wedding destination events & corporate events apart from rooms on rent. Villa and resort. This would require an investment of 250 crores and will generate annuity income and yield on IRR of around 15% p.a. The average price has increased from INR 5797/sqft to INR 6282/sqft which looks sustainable going forward.

Launch pipeline: The company has a launch pipeline of 8 projects with a saleable area of 1.83 msf and an estimated revenue potential of INR 904 cr.

Ongoing Projects: ASL has 11 ongoing projects with total saleable area of 4,522,896 sqft, area sold in value is INR 1,568.8cr, amount to be received is INR 917.7cr and total estimated revenue potential of INR 1,805.8 cr.

Forthcoming projects: ASL has 13 forthcoming projects with total saleable area of 6,789,898 sqft in MMR region and 1,961,183 sqft in Jodhpur.

Fundraising: The board has granted their consent for fundraising up to INR 500cr through QIP.

Outlook & Valuation: Arihant Superstructure has a revenue potential of more than INR 7,000cr which includes ongoing and upcoming new launches, utilization of funds allocation to new multiplier projects, margin improvement through new launches and appropriate price hikes, easing of commodity prices will lead to healthy margins sustainability, gaining market share from micro markets and free cash flows from existing & new projects which are expected to create value going forward. We maintain our "BUY" rating at a Target Price of INR 272 per share based on DCF.

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 equipments 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.

Key Highlights

Cost effective and Quality Manufacturing: The company is certified and authorized ASME U & R stamp manufacturers. The certification is pre-requisite to manufacture few of the equipments for clients. The company is manufacturing custom made equipments at lower cost compared to competitors. The company also stick to the quality and time bound manufacturing to meet the capex requirements for the customers.

Order book and exports: The company has more than INR 500mn order book and also exporting to Italy, Israel etc.

Clients: The major clients are SGS India Ltd, Project & Development Ltd, Bureau Veritas Inspection Services Ltd, SNC Lavalin, TUV Nord etc.

Outlook: BEW Engineering has strong brand value and repeat customer orders, Cost effective and quality manufacturing, Efficient after sales support teams. The company has order book of more than INR 500mn shows revenue visibility and witnessing traction in exports markets. We have Positive outlook on the stock.

Indiamart Indiamesh Ltd
CMP: INR 3006 | Mcap: INR 184 bn

About the company

IndiaMART is India's largest online B2B marketplace, connecting buyers with suppliers. It has been a game-changer on the B2B landscape, especially for Small and Medium Enterprises (SMEs). IndiaMART focuses on making the online marketplace more accessible, visible, and engaging for SMEs, and it constantly innovates to do so.

Key Highlights

Platform: Stable traffic and business inquiries on the platform, added 238 new employees across various departments to foster organizational growth.

Management is focusing to improve EBITDA margin to 30% by Q4FY24

Expects paid customer addition to be around 8k from Q3FY24.

Busy Infotech: Reported revenue of INR 356mn (up 29% YoY) and EBITDA of INR 31mn for the quarter. Busy Infotech issued 9,000 new licenses during the quarter taking the overall count to 3.40 lakh licenses till Q1FY24.

The company lifted discounts on entry-level packages and the rates are back to pre-covid levels. This resulted to softness in customer addition. 5K paying subscribers were added against the guidance of 8K addition per quarter.

Buyback: Declared buyback of shares amounting to INR 500 crores resulting to ~2% buyback of paid-up equity

License: sold about 9,000 new licenses in Q1, itself down, the total count is upto 3,40,000 licenses in Q1FY24.

Collection ratio stood at ~80% in FY22 and FY23. 60% of the revenue comes from Metro cities and approx. 12% of revenue comes from the Rest of India.

ARPU: The Growth in revenue was primarily driven by 16% increase in paying subscription suppliers, an 8% improvement in ARPU due to higher monetization.

Customer contribution: The total number of customers is 2,08,000 and the top 10% becomes 20,800 customers. So the revenue recognized from the top 10% customers, is 46% in this Q1FY24.

Platinum bucket itself is >10%, all customers are in the platinum subscription churn rates are <1% per month.

Target: It will require additional time to achieve the quarterly vendor addition target of ~INR 6000 to INR 7000, as per the guidance.

~2% of the paid subscribers upgrade their plans to an annual plan or one hierarchy higher than the base plan.

Outlook: The company aims to increase the growth rate of Busy Infotech and expand its geographical reach and anticipate stabilizing margins at 28% to 30% going forward.

LINC Ltd

CMP: INR 693 | Mcap: INR 10,300 Mn

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. Linc ranks among the top three brands in India within the writing instruments category, holding an 8% market share in the pens segment.

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. During FY23, its volumes surged by 53%. Pentonic offers a range of products starting from INR 10, with plans to launch an INR 40 pen, along with three more launches expected in FY24. Pentonic, which primarily focuses on pens priced above INR 10, outpaced the growth rate of pens priced below INR 10. Additionally, the brand maintains healthy gross margins at 40%.

Capex plans and raw material sourcing: The company plans to invest INR 170 Mn in infrastructure for FY24, followed by INR 180 Mn in FY25 (Phase 1) and another INR 150 Mn for Phase 2. These phases will collectively add 5 lakh pens per day to the current production capacity of 10 lakh pens, with a revenue potential of INR 1,500 Mn. In terms of raw materials, 80% are sourced domestically, but the recent increase in polymer prices is closely monitored as polymers make up 30% of production costs. Additionally, 20% (mainly polycarbonate) is imported without hedging against market fluctuations.

Uni-ball's role in India and revenue contribution: Uni-ball has seen a significant price increase, with a pen that used to cost INR 50 now priced at INR 80. While Uni has a global sales figure of INR 50 billion, the company exclusively serves the Indian market. Uniball holds a 13.5% share in Linc, serving as the exclusive distributor of Uni products in India. Uni contributes 14% to the company's overall revenue, with gross margins ranging between 20-30%.

Exclusive distribution relationship with Deli: Deli, another brand in the company's portfolio, does not have a definitive agreement in place. Sales with Deli began prior to the COVID-19 pandemic. However, the company has not yet reached an agreement on the terms set by Deli, and as a result, they are currently operating without a formalized contractual agreement. Despite this, the company holds the exclusive role of being the importer and distributor for Deli products in the Indian market.

Outlook and Valuation: Currently in India, there are over 10 mn outlets of which company has presence in 2.4 lakh. Company aims to take this to 5 Lakhs by FY25. Company's goal is to deliver 750 Mn revenues from Deli by FY25 and achieve a total revenue of INR 7,500 Mn by FY25 with 15% operating margins. Company aims to drive up share of Pentonic to 40% (from 30% currently). We believe with the company's model of outsourcing 50% of production will help them to achieve their objective. The performance of pens in price point INR 10 and above gives confidence that the company can achieve the guidance given above. At CMP, company trades 26.6x FY23 EPS.

Seamec Ltd

CMP: INR 631 | Mcap: INR 16,040mn

Seamec provides Diving Support Services to offshore Oil & Gas Industry. The company has 9 vessels as of Q1FY24. In offshore fleets; SEAMEC II, SEAMEC III, SEAMEC PRINCESS, SEAMEC PALADIN, SUBTECH SWORDFISH, for are multi-support and multifunctional DSV and SEAMEC GLORIOUS are in Accommodation Barge. In Bulk carrier, the company is engaged in transportation of various dry-bulk materials including food staples, commodities, Industries products and scrap. Three vessels are namely SEAMEC GALLANT, SEAMEC NIDHI, ASIAN PEARL.

Key Highlights

Revenue: Revenue is expected to be more than INR 5bn in FY24.

EBITDA & PAT: EBITDA is expected to around INR 2.2bn and Margins are expected around 40% to 45% in FY24. PAT is expected to be around INR 1.2bn to INR 1.25bn in FY24.

Capex: Seamec III is expected to scrap in Jun-2024 and Seamec II is expected to scrap in Q4FY26. The company is expected to replace vessels. The company recently acquired Swordfish for INR 2bn. The company is searching for new vessels and capex is expected around INR 4bn in next 4 years and maintenance capex is expected around INR 300mn to INR 350mn every year.

Contracts: The company is participating ONGC tenders are getting the contracts. The global players are not interested to Indian markets. Seamec is the only listed players to get contracts from ONGC. While bidding, the company factored inflation and other cost increases, because there is no incremental clause on contracts. The billing is on US dollars and company is expected to take advantage on strengthen of US dollars against Indian currency. The vessels are operating 365 days in a year for long term contracts, some exceptions for repair and maintenance for 1-5 days. The vessels are not allowed to work in monsoon season (15th May to 15th Oct). The contracts are generally 3 to 5 years.

Debt

The company has taken long term loan of INR 680mn Subtech Palladin and paid 7 installment of INR 31.4mn and remaining is expected to repay by 30th Sep 2023. The effective interest rate is 4.5% due to Swap. The company has taken long term loan of INR 1,492.8mn at 8.45% on Jun-23 for the tenure of 5 years. The Swap is expected to reduce 2% to 2.5% of cost going forward. The majorly using cash for working capital. The company has INR 10mn limits from HDFC and IDBI, but company is not utilizing it.

Working capital

The revenue is accumulated on daily basis and billing on monthly basis. The receivables days around 20-30days from ONGC and 60 days from LT. The average receivables days around 40-45 days.

Outlook: Seamec is the only organized player for offshore oil field services and Diving Support Services in India. The company is expected to scrap and replace 2 vessels in next 4 years. All the vessels are completely deployed and payments are in dollar terms and continuous business visibility from ONGC and others. The re-merger of HAL offshore & Seamec is under evaluation and Re-merger would be beneficial for the company. We have positive outlook on the stock.

Sportking India Limited**CMP: INR 810 | Mcap: INR 10,770 Mn**

Sportking India Limited, a part of Sportking Group, is a textile manufacturing company engaged in the production of yarns (cotton yarn, synthetic yarn, blended yarn), fabrics, and garments. Company has presence in over 30 countries across in the world.

Key Highlights

Focus on High Manufacturing efficiencies: It has three manufacturing facilities in Punjab and the installed capacities are two units of spinning unit and third one is dye house. The capacity utilization of all units stood at more than 90% in FY23. It uses modern testing instruments such as HVI, AFIS, Uster, Classimat, Uster Tensest, Uster Hairiness tester to produce consistent high quality products.

Marquee Clientele: its marquee clients include Zara, H&M, Ikea, Jockey, Marks & Spencer, etc.

Expansion: The company commissioned a 10 MW Rooftop Solar Power Project at the Bathinda Unit for in-house power consumption. It has installed additional Spindles (Phase 1) at Bathinda Unit for production of polyester cotton yarn. Phase 2 expansion project of installing additional spindles for manufacturing of cotton compact yarn was completed in FY23. The company has plans for a 15MW rooftop Solar Power Project, of which 10 MW has come online taking their aggregate capacity to 20MW in FY23. The remaining 5 MW will be operationalized in FY24.

Outlook: The company expects cotton prices to remain stable or decrease slightly and is confident about good sowing numbers for next year. The company is bullish on the textile sector and ready to seize opportunities with government initiatives. Capex spending for FY24 is expected to be below INR 50 cr. The Company is constantly exploring new markets.

Kalpataru Projects International Ltd
CMP: INR 636 | Mcap: INR 103.32 bn

Kalpataru Projects International Ltd is a global EPC player with diversified interest in power transmission and distribution, oil and gas pipeline, railways and biomass based power generation.

Key Highlights

Consolidated Revenue growth of 15% YoY at INR 36.2 bn led by improved execution and healthy order book in flagship businesses.

Acquired balance stake of 49% in Fasttel (Brazil); EBITDA margin recovery in Fasttel driven by closure of legacy projects.

Maintaining working capital discipline with Standalone NWC days at 106 days.

Divestment of Vindyachal road asset (VEPL) at advanced stage; Targeting to complete the process by the end of Dec-23.

Focused efforts to liquidate balance inventory in Indore real estate project.

Capex: The Capex is around INR 5bn in FY23. Around 2.75bn – INR 3bn capex is expected in FY24 and FY25.

Order book: The order book stood at INR 459.18bn and an additional L1 of INR 40bn. The order inflows INR 252.41bn (+39% YoY) in FY23. The order inflows are expected around INR 260bn in FY24.

Variable and Fixed price contracts: Around 65% of order books are variable and the remaining are fixed-price contracts. The company focused to get more variable orders.

Water, B&F and Oil & Gas: In B&F, the company is focused on Data centers, Educational complexes, buildings, etc. In Oil & Gas, business visibility is good in India and International markets. Around \$150bn investment is estimated over the next 5 years in international markets. The water business working capital cycle is less than 50 days.

Sweden growing at double-digit growth, while Brazil growing at 5%-10%.

Traveling and legal expenses significantly increased.

Chile projects execution timeline is around 12-18 months. In Afghanistan, more than 80% of receivables on due.

Promoter pledges continue to reduce quarter on quarter.

Outlook & Valuation: Kalpataru's order book stood at INR ~500bn including L1 in FY23 (~3x FY23 Revenue) showing potential revenue visibility. The focus on international markets will lead to margin improvements and working capital improvement due 10% advance on projects. The favorable green energy transition & investments, Jal Jeevan Mission growing investments in Infra and Railways will be a trigger for the company. We have a positive outlook on the stock. At CMP INR 636, the stock is trading at an EV/EBITDA of 8.9x to its TTM earnings.

Bodhi Tree Multimedia

CMP: INR 132 | Mcap: INR 1,630 Mn

Bodhi Tree Multimedia Limited (BTML), incorporated in 2013, is primarily engaged in content production for television, films, and other digital platforms. The business operates in 3 key segments that are TV - Hindi General Entertainment Channels (GEC), Digital Platforms (OTT), and Regional shows in multiple languages. The company produces big or small films, TV serials for various TV channels in India and abroad. It has produced over 30 shows since inception across more than 10 Broadcasters & OTT platforms. It has produced over 1500 hours of content in 5 languages worth ~INR 150 Cr, encompassing multiple genres like drama, thriller, horror, comedy, and lifestyle.

Key Highlights

Diverse Business Segments: TV-Hindi GEC: It produces content for broadcast networks like Zee, Sony, Star, Disney, Viacom, Sun, and others. These contents include daily soaps, reality shows, Digital Platforms (OTT). It produces content for platforms such as Netflix, Voot, etc. Regional Shows: It also produces content in regional languages including Tamil, Marathi, Bengali, and Gujarati on both TV and OTT platforms.

Unique Selling Proposition and B2B Revenue Model: Commission based: Get contracts from Broadcaster / platforms to script, produce and deliver the programme with 10% as profit margin over and above the budget of the show; Intellectual Property Rights Model: The Company invests in making its own content. The finished product is later made available to broadcasters / OTT platforms. It is also licensed on a national / international level.

Production Hub : The Company launched Mega Film & Entertainment Production Hub "The Dharmveer Media City." It will be located in Thane and will provide the film industry with access to cutting-edge facilities and services. The CM of Maharashtra unveiled the 'The Dharamveer Media City' to be developed by BTML in association with Suman Entertainment.

Outlook: The company is entering into new services like Films and Entertainment Infrastructure. It is planning to work as a service provider; offering top notch services within budget and deadlines to top production houses like RSVP, Balaji, Roy Kapur Films, Filter Copy ,Colour Yellow and Nadiadwala Grandson. Though this, it will cater to outsourced content industry.

Digispice Technologies Ltd**CMP: INR 35 | Mcap: INR 8,150 Mn**

Digispice Technologies Limited (DTL) was founded in 2000 is primarily engaged in the Information and Communication Technology business providing Value Added Services, and Mobile Content services to the domestic /International Telecom Operators and the development and sale of telecom-related software. In addition to this, DTL is the corporate agent of IRCTC for booking railway tickets, air tickets, hotels and provides other travel needs through its platform and it also provides financial technologies and other related services. Spice Money is India's leading rural fintech company. Digital Technology Services (DiGiSPICE) is classified into two verticals; the Digital Enterprise and Digital Telco. The Segment provides digital platforms and solutions for Telco, BFSI, and other Enterprises across Asia and Africa.

Key Highlights

Financial Restructuring: The company has restructured its financial reporting to emphasize the continuing business of Spice Money and related services. For the Capex Plans, the company has exited its digital technologies segment business and will now focus solely on the financial technology services segment, specifically in rural fintech. Financials of the discontinued digital technology services business will be reported separately.

Expanding Horizons Through Distribution Network: The company is strategically utilizing its distribution network to enhance its offerings and provide added value across various sectors, including collections, banking, and credit. Furthermore, the company is exploring the possibility of diversifying its portfolio by venturing into the sale of insurance products through cross-selling initiatives in the future. This approach aligns with the company's broader vision of expanding its services and leveraging its established network for sustained growth and customer benefit.

Distinctive Position in a Niche Market: The company finds itself in a distinctive position because of their business model and the promising opportunities they observe, particularly within the market segment they operate in, which primarily includes genuine rural India followed by semi-urban areas.

Outlook and Valuation: The company is well-positioned for promising expansion prospects within the fintech industry, with a specific focus on rural India. Its objective is to address the unmet needs for credit, savings, and commerce services in this segment, which has historically been underserved. As it continues to expand its product offerings and optimize margins, the company anticipates realizing significant operating leverage potential. With a dominant presence in India's rural fintech sector and an expanding international footprint, the company is well-positioned for sustained growth and success.

Knowledge Marine & Engineering Works Ltd

CMP INR 1,568 | Market Cap INR 16.93 bn

Knowledge Marine & Engineering Works Ltd (KMEW) is a marine and engineering company that is primarily engaged in the business of owning, chartering/ hiring along with manning, operation, and technical maintenance of marine crafts, and repairs/ maintenance of marine crafts and marine infrastructure, and allied works in India.

KMEW's services include: 1) Owning and operating a fleet of marine vessels, including dredgers, tugboats, barges, and offshore vessels; 2) Chartering and hiring marine vessels to other companies; 3) Providing manning, operation, and technical maintenance services for marine vessels; 4) Repairing and maintaining marine vessels and marine infrastructure

Q1FY24 performance: The company achieved the highest ever revenue of INR 201.5 crores, making a significant growth of 230% compared to the previous fiscal year. The company's EBITDA stood at INR 68.7 crores with an impressive margin of 34.1% in FY23, and its profit after tax reached INR 47.2 crores, showcasing a remarkable growth of 126.2% over financial year 2022. The company maintains a net cash positive of INR 41.30 crores and has minimal long-term debt. EBITDA margin will remain between 30% to 40%, with PAT between 20% to 25% for FY '24.

Key Highlights

Contracts and orders: KMEWL has a strong order book of INR 203 crores with an average tenure of more than 2.5 years and has placed bids worth more than INR 1,100 crores. The company expects to execute INR 150 crores from the current order book in '23-'24. The company has secured a significant contract for capital dredging at Mangrol Fishing Harbour Phase III, worth INR 67.85 crores, and an additional work order worth INR 16.50 crores. The company has also received an order from RKEC Projects Limited for the development of a fishing harbour at Veraval Gujarat. The bidding pipeline is INR 1,100 crores, with a hit rate of more than 50%, and INR 130 crores to INR 150 crores are expected to be executed over and above the current order book in '23-'24. The company is bidding for contracts with volumes of up to 4.5 million cubic meters and revenue of up to INR 310 crores. Winning rate is around 50%, with maximum competition in a contract being four players including the company and the smallest competition being one more player including the company.

Expansion plans: The company aims to expand its operations and have a fleet of 50 or more vessels within the next 10 years, with a goal to capture a significant market share of 10% in the dredging business. The company is making serious attempts to enter into sand mining business domestically and internationally, which is expected to give long-term and sustainable revenue through contracts ranging from five to 20 years. The company aims to have 50+ fleet size in the next decade and capture 10% market share, considering the market size of INR 10,000 crores per annum and planning to reach at least INR 1,000 crores of top line within the decade. The company will go for debt if any further capex is required after winning a contract.

Margin: Dry docking of two vessels impacted margins in H2 FY23, but this is not a recurring phenomenon, and there is headroom for margin expansion. The EBITDA margins of the specific contract for the INR 400 crores order expected to be received in FY 2024 will be the same as the current margins of 30-40%.

Outlook: KMEW is a well-managed company with strong growth prospects in a growing industry. The company also has a healthy financial position. The Indian maritime sector is expected to grow significantly in the coming years, driven by factors such as the government's focus on port development and the increasing trade between India and other countries. Company has a good ROE track record of 3 Years ROE 50.7%. KMEW is well-positioned to benefit from this growth, given its focus on providing marine and engineering services to the maritime sector. The stock is trading at PE multiple of 36.2x to its TTM earnings.

BMW Industries Limited**CMP: INR 42 | Mcap: INR 9,400 Mn**

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

Stable Margins Despite Volatile Steel Prices: BMWIL is strategically positioned itself within the steel industry's value chain, aiming to attain stability and resilience against industry cycles. By occupying a stable role, BMWIL maintains financial stability, sustains operations, and has potential for long-term contracts. This strategic positioning also strengthens relationships within the industry, contributing to its resilience during challenging economic conditions.

Strong Revenue Visibility: Agreement for conversion of GP/GC sheets through the CRM Complex, is coming up for renewal in April 2024 and it's expected revenue will be of INR 20,000 Mn over the contracted period of 5 years. Also, the agreement to manufacture ~3,00,000 MTPA TMT rebars up to November 2025.

Product and manufacturing: The company is engaged in the Manufacturing & Processing of HRPO Coils, CR Coils, GP Coils, GC Sheets, MS and GI pipes, TMT rebars, etc; for marquee steel players in India. It processes both Long and Flat Products and operates one of the largest independent cold rolling and galvanizing facility, in the country. BMWIL strategically operates in value addition of semi-finished goods. This helps the company maintain stable margins and providing a cushion during steel cycle.

Outlook: The emphasis will be on reducing debt to further improve the bottom line. The company is currently piloting to establish products under own brand (Bansal TMT), which will help to foray into the B2C business.

Cool Caps Industries Ltd

CMP: INR 541 | Mcap: INR 6,250 Mn

Cool Caps Industries Ltd. (CCIL) manufactures a wide range of Plastic Bottle Caps and closures which includes plastic soda bottle caps, plastic soft drink bottle caps, plastic mineral water bottle caps, and plastic juice bottle caps. It also manufactures embossed, debossed, and printed closures as per client specifications. It is pioneer in proposing to provide a one-stop packaging solution for the organized drinking water and beverages industry.

Key Highlights

Risk management: : The Company mitigates its liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Company regularly repays its debt, strengthening its Balance Sheet and credit rating. Going ahead, the Company expects to grow through its accruals. The Company complies with all the regulatory measures announced by the government.

Recycling trends in India: PET bottles can be 100% recycled and are being widely recycled into a broad range of products. Recycling trends in India are expected to drive the demand of PET bottles, which, in turn, is expected to drive the demand of caps and closures, coupled with preforms.

Manufacturing strengths: The Company possesses state-of-the-art equipment sourced from Sacmi Inc., Italy. Research and development: The Company sourced spare parts through its research and development activities in collaboration with local players, moderating costs. The Company engaged reputed consultants to reduce energy expenditure following a regular energy audit. The Company uses 100% food grade granules, which enhanced uptime.

Outlook: The growth in revenues provides the Company with the critical mass to amortise fixed costs, service customers with on-time and in-full deliveries and enhance profitability. The Company ventured into the manufacture of 5 litre and 10 litre preforms, 2 litre and 5 litre handles and closures for 5 litre PET bottles. Within 3-5 years the company will extend to the manufacture of caps and allied products for the pharmaceutical and cosmetics businesses.

Tilaknagar Industries Ltd**CMP: INR 206 | Mcap: INR 39,650 Mn**

Tilaknagar Industries Ltd. is primarily involved in manufacturing and sale of Indian Made Foreign Liquor (IMFL). The company has a significant presence in the Indian liquor market and has established a strong distribution network to reach consumers across the country. Tilaknagar Industries has also ventured into the production of industrial alcohol, which is used in various industries. The Co. has more than 15 brands across brandy, whisky, gin, rum and vodka. These brands cater to different types of customers with a greater focus on premium and high-margin brands. Some of its brands are Mansion House Brandy, Courier Napoleon Brandy, Madiraa, Mansion House Whisky and Blue Lagoon Gin Orange.

Key Highlights

Expansion and New Markets: The company plans to increase its A&SP spends to invest in marketing and sales, particularly in new markets and categories. They have plans to expand into new markets, particularly in the East and Northeast regions, and are exploring opportunities for exports. The company has made an investment in Samsara Gin Company as part of its strategy to expand beyond the brandy category. They have launched a premium-flavored brandy called Flandy, which has received a positive response.

Raw Material : The company's two main raw materials which are ENA and Glass. The prices have been volatile, the company faces some pressure of INR 2-3/L on the ENA side while the prices for glass have been softening, which will have a positive impact going forward.

Robust Nationwide Distribution and Global Reach: The company's distribution network spans the entire nation. With an extensive network comprising approximately 40,000 outlets throughout India, the company has established a significant domestic presence. Additionally, it extends its market reach by exporting its products to regions including East and South-East Asia, Africa, the Middle East, and Europe.

Valuations and outlook: The company intends to be net debt free by March 2025. The company is focused on protecting and growing their market share, particularly in South India. Going forward the company expects to have mid-teen growth in its volumes in FY24 with increased focus on the super-premium brandy segment which will further drive the growth of NSR. Margins guidance for FY24 is at 13-14%. The company is focusing on the super premium segment for brandy and aims to create new categories within the premium and semi-premium range.

VIP Clothing Ltd

CMP: INR 45 | Mcap: INR 3,700 Mn

VIP Clothing Ltd is a prominent Indian company specializing in the manufacturing and promotion of innerwear, including renowned brands like VIP Innerwear, Frenchie, Frenchie X, and VIP Feelings, along with their sub-brands. VIP Clothing operates across various segments of the innerwear industry, offering budget-friendly VIP Innerwear covering all demographics, Frenchie transforming the traditional innerwear market, Frenchie X catering to the premium youth segment, and VIP Feelings leading innovations in lingerie, including products like Nursing Bras and Sanitary Panties. The company's network comprises 550 dealers and 110,000 retail outlets in India, with plans for further expansion, supported by six regional offices and a dedicated sales team of over 150 professionals focused on marketing their products in major towns.

Key Highlights

Resilient brand success amid economic challenges: VIP Clothing's efforts to strengthen its brand have yielded impressive results, even in challenging economic times marked by delayed consumer spending, higher inventories, and rising raw material costs. This success underscores the strength of their brand and the demand for their products. VIP Clothing's effective brand strategy and marketing campaigns have allowed them to maintain a competitive edge and gain a larger share of the market.

Innovations and expansion: 9 goods under its various labels were released. Adopted and implemented DMS technology across 49 distributors to boost efficiency by onboarding 40 additional distributors to expand its market presence.

Embracing technology for enhanced business operations and distribution management: VIP Clothing Industries has effectively incorporated advanced technologies into its business operations, notably the widely acclaimed SAP system in their office environment. Furthermore, they have adopted a Document Management System (DMS) that seamlessly integrates various aspects of their distribution network, including inventory tracking, order management, and sales data, providing real-time insights into product performance. By embracing these cutting-edge technologies, VIP Clothing Industries has enhanced its ability to adapt to changing market trends and fostered stronger relationships with distributors.

Outlook: The management anticipates revenue for FY24 to be in the range of INR 2,500 Mn to INR 3,000 Mn, driven principally by increased brand visibility and rising consumer expenditure on apparel and personal care products. For FY24, EBITDA margins are expected to be between 7-9%. The company is foraying into newer segments with focus on clothing and women's division. The company is targeting to onboard 12 new distributors per month in order to increase its market presence.

Sastasundar Ventures Ltd

CMP: INR 282 | Market Cap: INR 8.96 bn

Sastasundar Ventures Limited is engaged in the business of digital network of healthcare and portfolio management services. The Company aims to provide healthcare services at a reasonable cost with its innovative information and knowledge based web portal. 99% of the revenues are generated from Healthcare Network and 1% from Financial Services.

Key Highlights:

Performance - Revenue from operations stands at INR 3,360 Mn (+7% QoQ, +75% YoY). - EBITDA arrived at of INR 92 Mn (+183% QoQ, +157% YoY). - EBITDA Margin stands at 3% (+632 bps QoQ, +1128 bps YoY). - PBT arrived at INR 190 Mn (+440% QoQ, +252% YoY). - PAT stands at INR 245 Mn (+213% QoQ, +389% YoY). - PAT Margin arrived at 7% (+1423 bps QoQ, +1171 bps YoY).

Segments - Health Buddy Supply Chain: INR 2,543 Mn [+0% QoQ, +68% YoY]. - Retailer Shakti: INR 751 Mn [+34% QoQ, +91% YoY]. - Genu Path Labs: INR 7 Mn [+0% QoQ, -22% YoY].

- For the Health Buddy verticals, even though the revenue was flattish QoQ but EBITDA arrived at INR 81 Mn [Vs INR -63 Mn in Q4FY23], this improvement was attributed to a reduction in discounts which led to better margins. Company believes this EBITDA to be sustainable.

- Company is working to launch new AI based diagnostic and emergency healthcare app to expand its Genu Path Labs vertical.

- Company has undertaken corporate restructuring activity which is expected to be completed within a year.

- Currently, company has 7 warehouses supplying PAN India and plans to add 17 more in ~2.5 years.

- Company had received INR 6,890 Mn from Flipkart, out of which company paid INR 1,110 Mn for taxes, INR 3,500 Mn in liquid investments and INR 1,910 Mn was deployed in the business. Out of the INR 1 910 Mn, the company invested INR 800 Mn in inventory, INR 300 Mn in CAPEX for warehouses and the rest in working capital.

- Current liquidity level is at INR 4 Bn and based on the same company believes that there is no need for fundraising for the next 5 years.

Once consolidation phase is completed, company expects an uptake in volumes.

Outlook: Going forward management believes margin expansion will happen through increasing volumes. Company expects B2C vertical Health Buddy to generate positive cash flows within a year. During the year, the company aims to improve efficiency at existing warehouses rather than aggressively opening new ones. Company believes consolidation to continue for the next 1 or 2 quarters but with rapid growth in 2-3 years.

Avro India Ltd**CMP: INR 116 | Market Cap: INR 1.17 Bn | Promoter: 70.37%**

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.

Manufacturing Facility: The company has 1 manufacturing facility in Ghaziabad, Uttar Pradesh.

Q1FY24: Revenues came in at INR 227.1 Mn (+32.7% QoQ) (+12.15% YoY) EBITDA margins came in at 7.4% (Vs 3.04% QoQ) (10.37% YoY)

Key Highlights

Company currently in process of debottlenecking the plastic recycling plant. Currently the company has capacity of 600 tonnes per month but producing only 260 tonnes of recycled plastic per month.

Company's products are now available in 18 states (6500+ pincodes). Recently entered regions were Jharkhand, Assam, Bihar, West Bengal and Karnataka. Karnataka recorded sales of INR 3.5 Mn in month of July and is expected to do exceptionally well going forward.

Ranking wise, company's products have been rated #1 on Amazon.

2 new molds have been ordered from China for expansion.

Company sold 649,000 pieces. Company is able to balance well with the logistic costs

RM wise, virgin polymer prices were at INR 104-106. 30% of RM sourced was virgin polymer and out of the remainder 70%, 40% was post-industrial recycled polymer.

Company is not doing any TL marketing spends, only BTL marketing spends.

At capacity of 8,000 tonnes, company sold 2.5 Mn pieces. Company will be able to scale up the capacity to 15,000 tonnes by FY26. Spends for machines and molds will be approximately INR 100 Mn. Recycled capacity is of 7200 tonnes per annum but currently company is trying to debottleneck to increase cheap RM sourcing.

New molds are being ordered but need them as per specifications to recycle consumer waste. Hence it is taking time.

Outlook: Overall, 15% organic growth is expected in the furniture industry. Company will be able to scale up the capacity to 15,000 tonnes by FY26

Marathon Nextgen Realty Ltd

CMP: INR 443 | Mcap: INR 20.53 bn

Marathon Nextgen Realty Ltd is engaged in the business of construction, development and sale of commercial and residential real estate projects. The co. is entering into new areas like SEZs, townships, infrastructure development, entertainment and leisure, education, hospitality and the capital markets. The revenues are majorly contributed by sale of property 85%, interest income from project advances 11% and rental income 4%.

Key Highlights:

Operational highlights: Booking value stood at INR 199 cr up by 85% YoY/+35% QoQ. Area sold stood at 1,30,991 sqft; Collections at INR 166 cr up by 100% YoY/+9.9% QoQ Realisations at INR 15,166/sqft in Q1FY24 vs INR 11,138 in Q1FY23 Monte South wing A received occupation certificate up to 51st floor Marathon Futurex, one of the biggest commercial tower of Mumbai, received occupation certificate up to the 38th floor (top floor). The Company is in the process of acquiring around 14 acres of land in Bhandup near LBS Marg with a development potential of 2.1 msf and a Gross Development Value of INR 2250 cr.

Margins: The company works on a minimum EBITDA margin of 15%, so all the cost put together plus 15% margins forms the sale value. Futurex project the EBITDA is between 45% to 50% while next affordable housing Township project is somewhere between 20% and 25%; Very high volume, but low investment Neo projects, Neo housing, the EBITDA is between 15% and 20%.

Demand: Witnessing strong demand across in both residential and commercial space, and accordingly, the company has planned various launches over the coming years where a healthy response is expected.

Financial performance: The company reported revenues of INR 209.76 cr up by 114% YoY/+23% QoQ EBITDA at INR 80cr up by 43% YoY/28% QoQ and EBITDAM at 36.5% degrew by 680 bps YoY/+810 bps QoQ PBT at INR 45cr up by 206% YoY/+103% QoQ PAT at INR 43 cr up by 274% YoY/+165% QoQ; PATM at 20.5% Net debt reduced to INR 832 cr during Q1 FY24; D/E at 99%; cost of debt at 14.5%

Ongoing projects: MNRL has sold an area of 41,91,706 sqft with total sales value of INR 3095 cr, estimated revenue from unsold area is ~INR 2995cr. it includes some key projects like Monte south, Futurex, Millenium, Neo park and Nexzone.

Upcoming projects: The upcoming projects includes Monte South Phase 3 resi and commercial, Marathon Nexzone Phase 3 resi and commercial and Marathon Neopark Phase 3,4,5. Total saleable area of these projects is 31,50,000 sqft with an estimated sales value of INR 4660cr.

Growth drivers: MNRL were amongst the first ones to identify the tremendous potential of mill land at Lower Parel where they are developing Monte South on one of the largest mill plots in South Mumbai.

The company secured land parcels in Panvel and Dombivli much before large-scale development started in these regions.

The company has a **potential pipeline** of over 100 acres in Bhandup where they have launched our NeoHomes series of projects. The company launched Monte Plaza and Millennium in Mulund anticipating the need for high quality commercial spaces in a suburb. Marathon group has a huge land bank of 100acres in Panvel, 100+ acres in thane, 100+ acres in Bhandup and 50+ acres in Dombivli. The company is looking to acquire new redevelopment projects in the South Mumbai, Lower Parel and Worli or South Mumbai area. The company has huge land parcels at the group level which they plan to transfer to the listed entity from time to time and deploy for development.

Outlook: MNRL has a rich pipeline of estimated revenue from ongoing projects of INR 2,995cr, estimated sales potential from upcoming projects worth INR 4,660 cr plus land banks which the company is in the process of taking up as and when JVs or JDA opportunities come up, showing the strong growth prospects of the company in coming years. We expect strong cash flows in the coming years driven by the company's plans to monetize the leased properties and robust pipeline of unsold inventory from ongoing projects along with upcoming projects inventory. As far as profitability is concerned, the company is confident of maintaining margins of 36-40%.

GTPL Hathway Limited**CMP: INR 179 | Mcap: INR 20,180 Mn**

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

Subscriber base overview: As of the first half of the FY24, GTPL Hathway Limited reported an active digital cable TV subscriber base of 9.05 million, reflecting a year-over-year increase of 650,000. In the broadband segment, the company successfully added 115,000 new subscribers, marking a substantial 14% year-over-year growth. Furthermore, the Homepass service, designed for FTTX conversion, witnessed noteworthy growth, with an increase of 550,000 subscribers compared to the previous year. These figures demonstrate the company's steady expansion and growing presence in the digital cable TV and broadband markets.

Growth and acquisitions strategy: GTPL Hathway acquired 34.34% of Metro Cast, an independent MSO operating in Maharashtra and Karnataka, with plans to increase its stake to 50.10%. The company aims to achieve 50% of subscriber base growth through acquisitions and 50% through organic growth. They have plans to invest approximately INR 450 crores in capex, with around INR 250 crores in broadband and INR 200 crores in cable TV.

New product offerings and strategies: GTPL Hathway anticipates the complete impact of the new tariff order (NTO) implementation to become evident in the near future. The company views fixed wireline broadband, specifically fiber-to-the-home (FTTH) technology, as the most resilient and promising option within the industry. Their strategic focus includes converting cable TV customers into broadband users, particularly in regions with limited broadband access. This approach aims to tap into underserved rural areas.

Key partnerships: GTPL Hathway Limited has established strategic collaborations with renowned entities such as Harmonic Inc from the USA for its Head-end System, Oracle for its database infrastructure, and Aprecomm's A.I. Technology for enhancing its Broadband offerings. These partnerships reflect the company's commitment to leveraging cutting-edge technologies and expertise to enhance its services.

Valuation and Outlook: The company anticipates an expansion in its cable TV business, driven by the projected increase in the total number of television screens. This number is forecasted to grow from the current 180 million to 206 million by 2025. Additionally, in the broadband sector, the company identifies a significant market opportunity among internet users, with expectations that this user base will reach 900 million by 2025.

GHCL Ltd**CMP: INR 622 | Mcap: INR 5,947cr**

GHCL Ltd. is the largest single location manufacturer of Soda Ash in India. It has a plant facility at Sutrapada in Gujarat. It is currently looking at expanding its soda ash capacity. Given the soda ash industry dynamics, tightness in underlying prices and capacity expansion, we initiate coverage on the stock.

Key Highlights

Capacity expansion to drive volume growth: The company has completed its brownfield expansion and the full effect of the program will be seen in the ongoing financial year (FY23). This will boost incremental volumes in the soda ash segment. Additionally, the company will be undertaking a greenfield project to expand capacity by 5 lac tons by FY26. Consequently, GHCL Ltd. will benefit from operating leverage in the medium term.

Raw material security, cushioning operating margins: Limestone, salt and lignite are important raw materials used for the manufacture of soda ash. GHCL has captive mines for limestone and lignite and also sources about 30%-40% of salt requirement internally. The remaining procurement is done through local suppliers, mainly from nearby areas in Gujarat. The company will benefit from raw material security and sustainable operating margins.

Favourable industry dynamics for soda ash manufacturers: Globally, there is a demand-supply mismatch, leading to a deficit of 3 million tons. Greenfield capacity addition requires 3-5 years to operationalize. Overall, the soda ash market remains tight with increase in underlying prices. The scenario is expected to continue atleast for the next one year. Soda ash manufacturers like GHCL Ltd. will benefit from higher price realization in such a scenario.

Robust balance sheet and sustainable operational cash flow: Debt/Equity ratio is very low for the company at 0.2x in Q3FY22. Improving sales realization and increasing EBITDA/ton will result in higher and sustainable cash flow from operations, going forward. This will limit the financial leverage of the company and facilitate future capital expenditure program.

Diversified and marquee client relationship: Soda ash and Sodium Bicarbonate has application in the detergent, glass, chemicals, food, pharmaceuticals and other industries. Consequently, they have a strong clientele which includes cash rich companies and heavy-weights like Hindustan Unilever Ltd, Procter & Gamble, Fena, Patanjali, Hindustan Zinc, Piramal Glass, Jyothy Laboratories, Saint- Gobain, etc. Strong balance sheet of clients will help GHCL Ltd. to received payment on time and facilitate its working capital cycle.

Valuation & Outlook: The global and domestic soda ash market is witnessing supply-demand imbalance. Additionally, about 10% of imports are contributed by Russia, Ukraine and the CIS region. Due to ongoing Ukraine-Russia conflict, the domestic market has further tightened, thus supporting price growth. Moreover, the company is expanding its capacity through brownfield and greenfield project, which will facilitate volume growth. The financial projections does not include the Textile business, which will be demerged in 1HFY23. We value the overall company on a SOTP basis, factoring its Chemical and Textile business. We appraise the base business of Chemicals on EV/EBITDA multiple of 7x its FY24E EBITDA and arrive at a fair value of INR 800 per share. The Textile business is valued by applying 25% discount to its replacement cost, yielding per share value of INR 98. Accordingly, we have a Target Price of INR 898/share for GHCL Ltd. and recommend a BUY rating on the shares of the company.

Onmobile Global Ltd
CMP: INR 112 | Mcap: INR 11.91 bn

OnMobile Global Limited is engaged in providing value-added services such as Ringback Tones, Digital Content Store, and Infotainment over the mobile devices. The company's main priorities are to increase revenue, enhance profitability, and manage cash flow efficiently. They anticipate significant performance improvements in H2FY24, with a revenue target of INR 600 Crore and a margin goal of 20-22%.

Key Highlights

Mobile entertainment: The company underwent two rounds of restructuring, embracing cutting-edge technology. As a result, the mobile entertainment sector is poised to achieve favorable EBITDA margins. Furthermore, the mobile backend has successfully reintegrated features such as video content, contests, and info entertainment.

The company has no competitors in this segment.

The company operates on three key pillars within its business:

1) Core Business: The company initiated its core business in the payment sector two decades ago. However, this segment is currently experiencing a decline since it is not the company's primary focus anymore. On the other hand, the company is heavily invested in the mobile sector, where it is in the process of removing 13 incumbents in LATAM. This strategic shift is expected to gain momentum in H2Y24, leading to improved revenue performance.

2) Gaming Products: The company's gaming products, Challenges Arena and ONMO, are actively engaged with approximately 100 operators in the gaming industry. These partnerships represent about 60% of new-level operators and new accounts. There is a significant opportunity for cross-selling and upselling within this segment.

5G: The company is approaching the 5G landscape from two angles: fixed wireless and mobile wireless. The focus will primarily be on connectivity. Over time, the company aims to deliver telecom services in real-time and share these services with telecom operators, ensuring they maintain their market share. The emergence of 5G is seen as an opportunity for telecom operators to secure their position in the market, preventing companies like Google and Apple, which have historically controlled voice, SMS, and data services, from taking over the sector.

Achieving cost reductions within the company creates the necessary space for profitable growth.

3) Telecom Operator The company currently has 60 operators and aims to expand its reach to 200 operators globally. It's worth noting that there are a total of 600 telecom operators worldwide, with a significant portion, 400 of them, located in China, Iraq, Syria, and other parts of the world.

Revenue: The company is diversifying its revenue streams, moving away from its predominantly subscription-based model. It has begun to incorporate advertising revenue, albeit on a smaller scale, and has also acquired customers based on performance-driven criteria. These strategic moves are expected to contribute to revenue growth and enhance the company's overall financial stability.

Onmobile Global Ltd
CMP: INR 112 | Mcap: INR 11.91 bn

[Continued...](#)

Challenges Arena: The company is in the segment near to breakeven. The company will start entering middle east Africa. More customers coming from southeast Asia, Europe, and LATAM. The company believes this geography will add a significant number in term of subscriber across the country.

ONMO: The company has a flagship product and spends 2-3 years on it, 40 operators in the ONMO. The ONMO is a platform like Spotify. This is demographic-wise and tech-savvy. In ONMO, the company is targeting to expand LATAM & North America.

Customer: The company has secured 26 customer confirmations, out of which 12 are actively engaged. The company is actively engaged in ongoing discussions with these clients.

Targeted Customer: The company discussions encompass over 102+ inclusion existing customers. The company has successfully secured 75 customer confirmations, out of which 56 are currently active. Furthermore, the acquisition of 57 new logos, constituting an impressive 78% growth rate, provides abundant opportunities for cross-selling.

The company aims to onboard an average of 10 new customers, contributing to the growth trajectory for Q2FY24.

Subscriber: The net active subscriber base has now reached 17.56 mn, and the company is determined to elevate this to 21.34 mn, reflecting a cumulative gross growth of 22%. By the conclusion of Q4FY24, the target is to achieve 24.88 mn, with an additional milestone of reaching 3.54 mn in Q2FY24.

Q2FY24 has seen a slight deceleration due to launch delays. This quarter is being utilized for consolidation purposes, as some customers are undergoing business model changes. The company observing a substantial influx of customers to the platform. As a subscription-based business, revenue will continue to expand as customer base grows. The trajectory of Q2FY24 is anticipated to far exceed current levels.

Investing in Geographical reach: The company is strategically investing in geographical reach, with a strong focus on achieving over 30% EBITDA margin growth in the Challenges Arena segment in the near term, and even higher figures in the future.

Strong focus to increase B2B: The company has crossed 600k live and is target to go 1 mn in a few quarters. Company optimism is further fueled by the anticipation of elevated revenue from B2B endeavors.

Good growth in the video segment led by the Europe region: Saw growth of 5.2% QoQ due to increased subscriber base in Europe region. Info Ent slightly de-grow due to forex and lower subscriber base. More customer is coming end of this quarter and early next quarter.

Organizational transformation: The organizational transformation helped them to grow in this quarter and will help in the coming quarter with good growth and higher margin.

View and outlook: The 28% GST is not anticipated to have a significant impact on the online gaming segment of the company. This is because the company's gaming operations do not involve real-money gaming, and a substantial portion of the revenue comes from global customers. Additionally, all segments of the company are performing well. The ONMO segment is expected to take approximately 6-8 months to start generating profits. On the other hand, Challenges Arena is nearing the breakeven point, and the expansion into new geographical markets is expected to contribute to increased profitability.

Frog Cellsat Ltd

CMP: INR 238 | Mcap: INR 3.66 bn

Frog Cellsat is engaged in manufacturing of Radio Frequency (RF) equipment used by the telecom industry. They design, manufacture and market cost-effective Repeater solutions for In-Building 2G, 3G, and 4G voice and data services for Mobile Operators. With an experience of 18+ years, the Company has proficiency across the entire value chain of Design, Manufacture and Installation of cost-competitive Optical DAS, Digital RF repeaters, Network Accessories, IBS Accessories and, Antenna for Mobile Networks.

Co. has two manufacturing facilities at Dehradun and the other at Noida which also has its R&D facility. The company's in-house R&D facility is recognized by Department of Science and Industrial Research (DSIR), Govt. of India

Key Highlights

The company's expected revenue growth of 45-50% going forward and its debt-free company.

The company is planning to increase its range of products by 25-30% through the establishment of new plants.

The company is targeting business from the Defense Industry and BSNL 4G project.

Order book: The company has an order book of INR 650mn which gives good growth visibility. Orders valuing to 30mn in the past 18 months from the defence sector and various small orders. As of now, no big orders from the defence sector are still waiting for approvals for the sample orders and once approved, they might get big orders. In the domestic market, one big opportunity for the company is the BSNL 4G project which might generate business of 1,000mn in the next 3 years.

Capacity expansion: Phase 1 of a new plant in Noida covers 1 lakh sq. feet and should be completed by Q1FY24. And utilizing the additional space for new product development. Phase 2 of the project is underway and is expected to be completed by Q3FY24. Adding an additional 60,000 sq. feet to support the expanding operations. The expansion is done from internal approvals and 100% IPO money, no debt is taken for the expansion. The new plant is important for value generation as all the processes can be conducted under one roof and decrease the flow time. With the help of this Capex company has a goal of 5bn Revenue in 3-4 yrs. No more capex is required after this expansion for 3-4 yrs.

Future orders

Defence orders: As the government is restricting the imports of defence tech which creates a great opportunity for the company. The company has done a sample order of INR 30mn from the defence department, once the products are approved the company can expect much higher orders from the same. New product for defence i.e., AVD (Avalanche Victim Detector) a device for every soldier that can be attached to his/her vest which helps to track them after an avalanche.

Airtel 5G: The company works for the in-building(indoor) process of the 5G band. As Airtel is yet to start its indoor process, which gives the company a huge opportunity soon.

Jio: In FY23 the company received a small order from Jio as an evaluation process and expects to get a green signal from Jio for the same. This will give the company a big client for the future.

PLI: INR 600mn of revenue is expected to be generated from the PLI scheme in the next 5 yrs. Received incentive of INR 20mn under PLI Scheme some more incentives are in the pipeline and expected to be received by Q2FY24.

Outlook: Frog Cellsat is expected to grow double-digit rate along with margin improvement backed by order book and upcoming opportunities from defence and telecom. The capex would lead to incremental revenue going forward. We have a positive outlook on the stock.

Spectrum Talent Management Ltd.**CMP: INR 134 | Mcap: INR 3,090 Mn**

Spectrum Talent Management Ltd. is a prominent manpower solutions provider in India, provides a diverse range of services, including recruitment, payroll management, onboarding, and flexible staffing, to global companies. Their extensive network, well-defined processes, professionalism, and commitment to ethical practices have positioned them as a leading player on the global stage. Spectrum leverages its specialized expertise to empower businesses worldwide with expert manpower solutions. Their sizable talent pool and profound insights into the hiring industry have propelled them to achieve substantial success in the HR market.

Key Highlights

Diverse service portfolio: Spectrum offers a diverse range of services to cater to the needs of businesses. They excel in permanent hiring for a wide range of industries, including IT & ITeS, Telecom, Semiconductor, Life Science, Automobile, FMCG, Retail, BFSI, and more. Leveraging cost advantages, this vertical delivers services in international markets, using India as a strategic base. It also engages in the export of various mobile phone brands from India to the UAE.

IPO Fund Utilization: Spectrum Talent Management Ltd recently concluded its IPO, successfully raising a total of INR 105 Crores. Out of this amount, INR 15.5 Crores came from the sale of existing shares, while the remaining INR 89.5 Crores were generated through the issuance of new shares. The company made its debut on the NSE SME platform on June 14, 2023.

The allocation of the fresh funds raised through the IPO demonstrates the company's intention to bolster its operations, pursue strategic growth opportunities, and maintain financial flexibility.

Revenue Sources Analysis: Spectrum Talent Management Ltd has diversified its revenue sources. The core business, which previously accounted for the entirety of revenue, now contributes 79%. Additionally, the company has entered the electronic goods trading sector, representing 21% of its revenue.

Customer Concentration Insights: In terms of customer concentration, the company's revenue distribution has seen some changes. The top 5 customers now account for 47% of revenue, compared to 52% previously. Furthermore, the top 10 customers contribute 63% of revenue, down from 67% previously. These adjustments in customer concentration indicate a potential broadening of the customer base, which can reduce risk exposure and enhance revenue stability.

Coforge Ltd**CMP: INR 5,476 | Mcap: INR 334.70bn**

Coforge is providing end-to-end software solutions and services to clients. The services verticals are BFSI, Insurance, Travel, Transport and Logistics, Manufacturing, Media and others. The company exports software's to US, Europe, Middle East, Asia & Africa, Asia Pacific Regions.

Key Highlights

Expecting an Uptick: Mortgage Business Nears the Bottom in Q2FY24: BFS vertical, there are concerns about banks facing difficulties in making short to medium-term decisions due to uncertainties in the macroeconomic environment. Although some macro issues appear to be resolving. Notably, segments like retail and commercial outside mortgages are showing a slight improvement. Asset Wealth Management, on the other hand, remains resilient.

Strong order book: The BFS vertical grew 4.5% QoQ in CC terms. The insurance vertical grew 5% QoQ in cc terms. The travel vertical grew 2.54% QoQ in CC terms. And the other verticals together grew 6.4%, QoQ in CC terms. Clearly broad-based growth. BFS grew 47% (BFS 47% and is expected to be lower than FY23 with 15% yearly growth rate for the coming year. Travel grew 21.5%, insurance declined 3.7%, and the other segment grew 23.1% in CC terms.

The commentary displayed a sense of assurance and seemed unconcerned about macro-level economic conditions: We believe that Coforge will maintain its growth trajectory in FY24, especially in the areas of Low code-no code, Integration, and Data analytics that continue to experience robust demand. Despite a downturn in macroeconomic factors, the management is confident in its capacity to execute effectively and make bold investments that will further drive growth.

Outlook & Valuations: The guidance for FY24 indicates that the company expects its annual revenue growth to be between 13% and 16% in constant currency terms. Additionally, they aim to maintain an Adjusted EBITDA Margin similar to the figure achieved in FY23, which was 18% or higher. The company's strong performance and increased success in securing deals contribute to its solid position. Coforge is projected to sustain robust growth not only in FY24 but also in the future. Despite being impressed with Coforge and considering it one of the best managed IT Tier-II companies, there is a concern about the negative impact of frequent promoter selling (27% stake) on the stock price. However, the company is planning to counter this by investing in sales expansion, which is expected to yield better performance in the upcoming periods. We value, Coforge at a PE of 26x its FY25E EPS of 203, which yields a target price of INR 5,284 per share (Earlier target price of INR 5,127 per share). We maintain our Accumulate rating on the stock.

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Vishnu Prakash R Punglia Ltd**CMP: INR 178 | Mcap: INR 22,150mn**

Vishnu Prakash R Punglia Ltd has engaged in designing and constructing infra projects for the central, and state governments, autonomous & private bodies across 9 states and 1 union territory in India. The projects are mostly Water Supply Projects (WSP), Railway Projects, Road Projects, and Irrigation Network Projects. The company has been accredited with various registrations as a contractor with various departments and agencies. The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of Q1FY24. The company is bidding for more projects and the conversion rate is around 16% to 18%.

Key Highlights

Fundraising to fuel the growth: The fundraising of INR 3,088.8mn will be utilized for purchasing capital equipment and machineries (INR 621.77mn), Working capital (INR 1,500mn), and the remaining INR 967mn will be utilized for general corporate purposes. The majority of funds go for working capital requirements due execution of projects and the ability to take on new projects. The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023. The order book breakups are WSP (77.9%), Railways (10%), Roads (7.9%), and Sewage and others (4.1%). The order book will be executable for the next 24 to 30 months. The order book to sales is expected to maintain around 3x over the medium term.

Focusing on WSP projects and pursuing other segments: The company focused on central and state governments on Jal Jeevan Mission and AMRUT scheme. The Water Supply Projects (WSP) order book share stood at 77.9% as of 15th Jul 2023 and intends to strengthen in the execution of WSPs on a turnkey basis in India. The company executes around 38 WSP projects and is further focused on growing water supply turnkey projects in India. The company also focuses on the railways sector which includes earthwork, construction of bridges, and supply of materials and track lining etc. The railways order book stood at around INR 3,600mn and got one of the major revamping of Udaipur station and execution started 1.5 to 2 months back. The company also focused on the road sector which includes highways, bridges, culverts, flyovers, and subways; projects related to Irrigation like dams, canals, tunnels, etc.; and other sectors like Sewerage, Industrial effluent treatment plants etc.

Focus on high value and EPC contracts: The company is focused on EPC projects with/without O&M which helps to reduce debt burden and maintain cash flows. The company has focused on upgrading equipment's in-order to meet efficiencies. The scale and complexities of contracts would lead to higher profitability and the company is focusing on high-value complexity projects.

Outlook & Valuation: Vishnu Prakash R Punglia has a strong order book of INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023 and execution within 24-30 months shows potential revenue visibility. The company is expected to grow at a CAGR ~35% over the period of FY23-26E on a conservative basis. The company is bidding on more projects with a conversion rate of 16%-18% and the company is expected to maintain an order book to bill of 3x going forward. The majority of IPO funds will be utilized for working capital requirements of projects indicating strong execution of projects over the medium term. The focus on EPC projects would reduce the debt burden and lead to cash flows. Most projects are from Rajasthan and changes in the political environment won't impact execution and business. The in-house integrated model leads to reduced dependency on raw materials and key equipment from 3rd parties would reduce costs and improve margins. At the CMP of INR 146 per share, we have a "BUY" rating at a TP of INR 214 per share; valued at an EV/EBITDA of 7x and its FY26E EBITDA.

Vishnu Prakash R Punglia IPO Note: <https://bit.ly/3P92ITu>

Radico Khaitan Ltd**CMP: INR 1,208 | Mcap: INR 1,61,120 Mn**

Radico Khaitan Ltd, incorporated in 1943 as the Rampur Distillery Company, Radico Khaitan is a prominent name in India's IMFL industry. One of the country's most prestigious and valuable companies with a strong brand portfolio, Radico Khaitan Limited is also one of the largest providers of branded IMFL to the Canteen Stores Department ("CSD"). The Company has five millionaire brands which are 8PM Whisky, Contessa Rum, Old Admiral Brandy, Magic Moments Vodka and 8PM Premium Black Whisky. The Company also has a strong presence in the CSD market, serving the Indian Armed Forces.

Key Highlights

Strong Portfolio: The luxury portfolio, including Rampur Indian single malt, Jaisalmer Gin, and Royal Ranthambore whisky, is performing well in both domestic and international markets. The company has seen significant growth in the white spirits category, particularly in the craft gin space with Jaisalmer Gin. Core brands such as Magic Moments Vodka, Morpheus Premium Brandy, After Dark Blue Whisky, and 1965 Spirit of Victory Premium Rum performed well.

Launching New products: Radico Khaitan launched a new super-premium gin called "Happiness in a Bottle: A Happily Crafted Gin" with three variants. The company plans to launch another luxury whisky brand in the second half of FY2024. The company has launched a ready-to-drink vodka cocktail in Karnataka and plans to expand it to other states.

Expansion and strategy: In its pursuit of growth, Radico Khaitan maintains a steadfast focus on expanding its premium brand presence in both white and brown spirits while maximizing the utility of its capital investments. The company harbors optimism regarding the promising growth prospects of its luxury portfolio, with specific attention on the Royal Ranthambore whisky. Furthermore, Radico Khaitan exudes confidence in the expansion of both its domestic and international business operations. Amid these strategic endeavors, the company remains dedicated to the long-term objective of expanding profit margins.

Capex plans on Track: The Sitapur project is on track and anticipated to commence commercial production in the second quarter of fiscal year 2024. This expansion of the Sitapur facility will bolster the company's capacity for future volume growth.

Outlook & Valuation: Radico Khaitan remains focused on premium brand expansion, both in white and brown spirits, and leveraging its capital investments. The company is optimistic about the growth potential of its luxury portfolio, particularly Royal Ranthambore whisky. The company has seen price increases in several states, including Telangana, which will impact FY2024. The company is confident in the growth of both its domestic and international business. The company remains focused on maintaining its long-term margin expansion. The company expects EBITDA margins to reach mid-teen levels in the future, driven by product premiumization and backward integration. Radico Khaitan is confident in its long-term margin expansion and aims to become a zero-debt company by 2026.

Piramal Enterprises Ltd**CMP: INR 1,044 | Mcap: INR 249.09bn**

Piramal Enterprises Ltd is engaged in financial services like Retail, Insurance, wholesale and Alternatives.

Key Highlights

The run-down of Wholesale 1.0 book, which will further help them improve their asset quality.

Building a granular wholesale book 2.0, across real estate and corporate mid-market lending. This book is better than the Wholesale book 1.0 as it is backed by cashflow and consists of small ticket size loans as compared to the wholesale book 1.0.

Company is focused on building a housing focused diversified retail portfolio, which will further help them improve their performance.

Guidance till FY28: Management has given a NII guidance of 8.5% - 9.2% (FY23: 6.2%) with a slight decline in OPEX ratio to 2.7 – 3% (FY23: 3.1%) and Credit Cost guidance of 1.7 – 1.8% (FY23: 8.2%). Core ROA is expected to increase from 0.2% to 3/3.3% by FY28. Total Asset to Equity is expected to be 3.7 (currently: 2.5).

Outlook & Valuation: Company's focus on resolution of wholesale book 1.0 has increased, along with building a granular wholesale book 2.0. This will happen slowly and gradually and will help to further improve their asset quality. Further, company has shown a seasonally weak Q1FY24 but, with the increasing focus on retail lending, company is expected to show positive performance in coming quarters, with improvement in margins. Further, leveraging the Phyigital strategy to serve budget customers in tier 2 and tier 3 cities will help in increasing its AUM. In the near term, wholesale book 1.0 is expected to reduce via sale to ARC and the retail to wholesale mix is expected to be 60:40. In the long term, company targets to double its total AUM to INR 1.2 lakh crore by FY2028. Also, with the approval for buyback of equity shares, their ROE is expected to improve. We also expect the monetization of Shriram Life insurance in short term. If we look at a bigger picture, company has identified its shortcomings like low ROE, high cost of funds, bad wholesale 1.0 book among others and is working to eradicate them through buyback and sale of bad book to ARC. The stock is down because of long liquidation post investors meet. We have a target price of INR 1650 in the bear case and INR 2600 in the bull case scenario.

Apex Frozen Foods Ltd**CMP: INR 230 | Mcap: INR 7,190 Mn**

Apex Frozen Foods Ltd. (Apex) is an integrated producer and exporter of shelf stable quality aquaculture products with a capacity of 34,240MT based out of South India (Andhra Pradesh). The company produces variants of processed White shrimp (L. Vannamei) and Black Tiger shrimp (P. Monodon). These are primarily sold under the brands owned by the customers and through its own brand. Its clientele consists of food companies, retail chains, restaurants, club stores, and distributors spread across the markets of the USA, European Union, and China.

Key Highlights

Expansion and Diversification: Company is expanding 5,000 MTPA of the RTE capacity at their existing plant to 10,000 MTPA, estimated to be commissioned by end of FY23. Since the FY18, the company has invested nearly INR 1,620 Mn in the construction of a new processing plant and two additional hatcheries. The company is maintaining its market share and diversifying its product offerings to absorb fixed costs.

Capacity Utilization: In-line with its business strategy, the company has exited out of farming operations. Company is trying to increase its capacity utilization and growing its Ready to eat segment. Company has 29,000 MTPA of owned Processing capacity, of which 5,000 MTPA is dedicated to Ready to eat products. Volumes are expected to improve as inflationary pressure eases.

Global Scenario: The company is seeing growth in markets like the EU and UK and is expected to grow. The approval process for exporting ready-to-eat products to the EU market is expected to be completed by the end of Q2 or early Q3. The company is facing challenges from low-priced shrimp markets like China. But as the demand follows the export will pick up which in turn will give higher margins.

Positive Trends: On the balance sheet front, the debt is steadily decreasing while judiciously utilizing surplus cash flows and the working capital cycle is also showing notable improvement. The company is cautiously optimistic about the overall market scenario and expects a better second half of the year.

Outlook: The company is expanding into new areas to make greater use of its facilities, although it remains cautiously optimistic about the market condition, both in terms of demand and supply in domestic markets. The company has also reduced its debt by INR 762 Mn which is a positive sign. Higher growth is expected in the near future as the demand from the US picks up and the company gets approval from Indian Govt for exports in the EU.

Vaibhav Global Ltd**CMP: INR 431 | Mcap: INR 71,290 Mn**

Vaibhav Global Limited (VGL) has established itself as a unique player in global retail, particularly in jewellery, accessories, and lifestyle products in the USA and UK. They operate 24-hour live shopping channels such as Shop LC (USA), Shop TJC (UK), and ShopLC (Germany). In addition, they have also launched web platforms and smartphone apps for retail. As of FY23, about 63% of their revenue comes from TV channels, and the remaining 37% comes from web platforms. They source raw materials from more than 30 countries worldwide, including Thailand, China, Indonesia, Russia, Morocco, Myanmar, Madagascar, Kenya, and others.

Key Highlights

Strong growth in TV and digital formats: The company has set a target to generate approximately 50% of its revenue from business-to-consumer (B2C) transactions by the FY27. This revenue breakdown encompasses various formats, including 62% from television-based revenues, amounting to INR 3,920 Mn with a YoY increase of 1.5% and a 5-year CAGR of 10%. Additionally, 38% of revenue is derived from digital sources, totaling INR 2,370 Mn with a YoY growth of 7.7% and a 5-year CAGR of 20%.

Revenue composition: In terms of product categories, 73% of the revenue is attributed to jewellery products, while non-jewellery products make up the remaining 27%. Furthermore, when considering the geographical distribution of revenue, the United States contributes 67%, the United Kingdom accounts for 27%, and Germany makes up 6%.

Customer metrics, digital growth, and new products driving revenue: Recent developments include a decrease in unique customers by 11% YoY, with a 5-year CAGR of 6%. New registrations have decreased by 3% YoY, despite a 5-year CAGR of 16%. Notably, 56% of new customers were acquired through digital channels. Moreover, 'new items introduced' have contributed to approximately 70% of the revenue on a TTM basis.

Surging revenue in Germany: Regarding operations in Germany, there has been significant growth with a monthly revenue of Euro 1.5 million, reflecting a remarkable YoY increase of 132.2% while maintaining gross margins exceeding 60%. The company has expanded its presence to approximately 40 million households and established a strategic partnership with Vodafone, adding 13 million households to its reach. As a result, the company now covers around 90% of households, a substantial increase from the previous 60%. Additionally, they are dispatching over 3.5 thousand pieces per day in this region.

Outlook & Valuation: The company expects a topline growth of ~ 8% to 10% in FY24 and mid-teens revenue growth in subsequent periods with strong operating leverage in FY24 and FY25. The company has changed the guidance to 50%-50% of lifestyle and jewellery. The company previously have guidance for digital and TV revenue will be 50%-50% by FY26 and now expects that the digital revenue will be ~60% by FY26. The company is currently trading at a PE multiple of 19.4x based on the trailing 12 months of EPS.

Senco Gold Ltd

CMP: INR 475 | Mcap: INR 36,640 Mn

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

Diverse Products: With a catalogue offering more than 120,000 designs for gold jewellery and more than 69,000 designs for diamond jewellery, 92.20%, comes from gold jewelry sales, while a smaller portion, 4.84%, is generated from diamond and precious stone sales. Silver jewelry and articles contribute 1.03% to the revenue, and platinum jewelry makes up 1.42%. Fashion jewelry accounts for a minimal 0.15%, novelty and accessories represent 0.10%, and franchisee fees contribute 0.26% to the overall revenue mix. The company has invested in the diamond segment, resulting in a doubling of diamond jewelry sales in the past few years.

IPO Success Boosts Company's Financial Position: The company has raised INR 405 crores through the IPO and got listed on 14th July 2023, of which INR 270 crores were a fresh issue which will be utilised for funding working capital requirements and General Corporate purposes. Successful IPO has bolstered the company's net worth and led to an improved debt equity ratio, now standing at less than 1.

Eastern India's biggest jewelry retail chain : Senco Gold Limited is the largest organised jewellery retail player in the eastern region of India based on number of stores. Among eastern India based jewellery retailers, the company has the widest geographical footprint in non-eastern states. From its roots in Kolkata, West Bengal, it has strategically expanded its presence to 13 states across 96 cities and towns in India.

Franchise Model: The franchise model is followed by the company, where franchisees buy stock and invest in the business, while the company provides support. This model allows for expansion and increased stud ratio, which is an important driver for revenue and profit. The company focuses on maintaining a balance between company-owned stores and franchise stores for growth.

Outlook: Senco Gold Limited is optimistic about the year ahead, projecting a solid growth rate ranging from 18% to 20%. However, the company acknowledges that volume growth may hover in the mid-single digits. These projections are contingent on various factors, including the fluctuation of gold prices and the overall financial liquidity of consumers, which can influence purchasing patterns and demand in the jewelry market. These expectations reflect the company's careful analysis of market dynamics and its commitment to providing realistic forecasts for the upcoming year.

Niyogin Fintech Ltd**CMP: INR 71.8 | Mcap: INR 6,780 Mn**

Niyogin Fintech Ltd, headquartered in Mumbai, is a pioneering early-stage public-listed fintech company with a strong commitment to empowering India's MSMEs. As an organization, Niyogin Fintech Ltd operates as a NBFC and has developed a partnership-driven approach that harnesses technology across various domains, including Rural Tech, Credit, and Wealth Tech. Through this innovative strategy, they provide MSMEs with accessible services such as credit facilities, investment opportunities, and SAAS solutions.

Key Highlights

Financial Inclusion: The company contributes to financial inclusion in India through services such as Domestic Money Transfer, Aadhaar Enabled Payment System (AEPS), and Micro ATM solutions, making financial transactions accessible to all. This endeavor is further bolstered by the unwavering commitment of the Government of India to financial inclusion, which provides significant support, propelling their mission to empower MSMEs and foster growth.

Market landscape and potential: With an extensive addressable market at its core, Niyogin Fintech Ltd is poised for growth. In a country with over 63 million MSMEs and approximately 89 million rural retailers, the potential is vast. Their strategic focus on AePS transactions, expected to reach INR 6.4 lakh crores by FY25 with a projected 3-year CAGR of 23%, and DMT expected to reach INR 3.4 lakh crores by FY25 with a projected 5-year CAGR of 11%, positions it for substantial expansion.

Technology-driven Approach: The company harnesses its scalable tech platform, driven by proprietary switching capabilities and a partner-led distribution model across India, to process transactions cost-effectively. This strategic approach ensures low customer acquisition costs (CAC), fee/commission-led revenue generation, and the opportunity for transaction-led credit solutions, enhancing its competitiveness and growth prospects in the fintech sector.

Empowering distributors with white-label investment platform: The company provides distributors with a powerful White-Labeled Investment Platform supporting investments in both direct and regular mutual funds. This comprehensive toolset simplifies investment activities, ensuring convenience for investors seeking varied fund options.

Outlook: The company aims for market leadership in chosen verticals, focusing on expanding Gross Transaction Value (GTV) through cross-selling. Prioritizing profitability, the company anticipates higher margins from broader product offerings. Their strategy emphasizes cross-selling and network optimization, targeting a lending book of INR 2000-2500 Mn by FY24 with minimal gross NPA. Close to EBITDA break-even, Niyogin is committed to achieving FY25 targets, cementing its position as a forward-looking fintech success story.

Dodla Dairy Ltd

CMP: INR 665 | Mcap: INR 39,590mn

Incorporated in 1995, it is an integrated dairy company based in Telangana. Dodla derives its revenue from the sale of Milk and dairy-based value-added products in the branded consumer market. Currently, its procurement is centered in 5 states and its products are available for purchase in 11 states. It has 118 milk chilling centers, 15 processing plants, and is the 3rd largest domestic dairy company by milk procurement in south India, and the 3rd biggest by market presence among Private Dairy companies in India. Dodla also has a presence in Uganda and Kenya. Its international operations contribute ~10% of total revenues. 90% of their procurement is cow milk.

Key Highlights

Focus on the base of operations: To improve scalability, they have a heightened focus on rapidly growing their procurement network and maintaining healthy relationships with farmers. Dodla also has state-of-the-art processing/ chilling capacities which have helped drastically cut down operational costs through the removal of inefficiencies. Milk procurement is highest in Andhra Pradesh, followed by Tamil Nadu, Karnataka, Telangana, and Maharashtra. They anticipate an increase in procurement from Maharashtra and Karnataka in the future.

Working toward growing the VAP share: VAP are more margin accretive. Currently, ~75% of VAP sales come from curd, which is a core strength of the company. However, they are diversifying into many other products like ice cream, paneer, and flavored milk to grow the VAP base. The share of VAP in FY23 was ~27%, and is expected to grow 1-2% yearly. **Prioritizing farmer relationships:** The company goes out of their way to ensure their farmer network of 1.2 lakh farmers gets direct and timely payments for the milk sold. So far, about 86% of the do. They also provide veterinary and education services, along with giving them access to the company's high quality feed which has seen to improve milk yield (currently 8-9 litre per farmer Vs 4-6 litre two years ago).

Healthy cash position: Every year they generate healthy free cash. Investors can look forward to a dividend policy. The company also enjoys a net debt free status. There is about INR 100 Cr of cash marked for expansion of capacities in Kenya, and about INR 100 Cr is parked in a Singapore entity for 4-4.5% interest. There will also be greenfield acquisitions or domestic M&A in FY24 to enter new geographies.

Outlook & Valuation: In view of the structural changes taking place in the industry, along with the headstrong approach the company employs to expand its presence into untapped markets, we believe that Dodla is well poised to grow ahead of the industry to cement itself as a market leader in the years to come. The company does not shy away from organic and inorganic expansions as is seen with its track record of continuously investing across the value chain. Despite this, it manages to maintain a healthy balance sheet with a net debt 0 status. They plan on keeping prices constant to maintain and grow their consumer base, as procurement prices have begun to soften in FY24 owing to a good cow flush (which has already begun in June 2023) and buffalo flush (which will begin in September- October 2023), in addition to a good monsoon and moderating feed prices. The summer demand will lead to a growing share of high margin VAP products that bring stability to margins along with better realizations. To make the portfolio more VAP heavy, they are constantly churning out new products and adding lines to existing facilities to cater to VAP demand in particular geographies where they see it arise. They remain focused on their core of strengthening procurement and manage a decent sized farmer network which is in expansion mode. The wide array of services provided to farmers also ensures their stickiness and loyalty to the company which helps de-risk the business. We have "BUY" rating with a TP of INR 1,366 valued at a P/E multiple of 25x the FY26E EPS of INR 54.7.

Moneyboxx Finance Ltd**CMP: INR 160 | Mcap: INR 4,010 Mn**

Moneyboxx Finance Ltd is a rapidly expanding technology-driven NBFC listed on the BSE. Specializing in small business loans ranging from INR 1-10 lakhs, the company focuses on serving Tier-3 and below towns. Since its inception in February 2019, Moneyboxx has established a presence in six states with 72 branches and has connected to almost 80,000 borrowers, with a significant emphasis on women (55%) and Non-Traditional Credit (NTC) customers (34%). With cumulative disbursements exceeding INR 6,750 Mn and AUM of INR 4,100 Mn as of July 2023, Moneyboxx has achieved remarkable growth, expanding its network to over 400 branches. Beyond lending, Moneyboxx is actively engaged in impactful initiatives that extend beyond traditional financial services.

Key Highlights

Impressive growth: As of June 30, 2023, Moneyboxx Finance Ltd has reported an Ind-AS AUM, which includes a managed book, totaling INR 1,237.8 Mn. This represents a remarkable YoY growth of 192%. In the first quarter of FY24, the company has recorded a remarkable 3x increase in quarterly disbursements compared to the previous year.

Diversification of funding sources and lowering of funding cost: Partnerships with various entities contribute significantly to an annual revenue exceeding INR 400 crores. The company has also successfully expanded its sources of low-cost and diversified funding by collaborating with 27 lenders, including prominent banks such as SBI, HDFC Bank, IDFC First, AU Small Finance Bank, DCB Bank, Federal Bank, Utkarsh Small Finance Bank, Fincare Small Finance Bank, and several Non-Banking Financial Companies (NBFCs). Additionally, they recently raised INR 20 crores through the issuance of Non-Convertible Debentures (NCD) to Vivriti Asset Management in July 2023.

Accessible working capital loans for small enterprises: This unsecured facility is made available to help small enterprises in the manufacturing, trading, service, and livestock sectors with their working capital needs. The loan term is between 6 and 24 months, with an amount ranging from INR 50,000 to 2 lakhs.

Flexible loan options: A loan for up to INR 5 lakhs with a 60 month term is available. The company focuses on disbursing small ticket unsecured business loans to individual borrowers

Outlook: In FY24, the company targets to raise over INR 1,000 Mn in equity, following the issuance of INR 134.5 Mn in warrants to promoters in September 2022, of which INR 33.5 Mn was received that month. In FY23, they raised INR 484 Mn in equity. The company has demonstrated strong underwriting abilities, even in challenging conditions. Despite the pandemic, their asset quality remains robust. The company is dedicated to driving financial inclusion by serving the most underserved segment i.e., 'Missing Middle' segment (INR 1-10 lakhs), with a mission to double the disposable income of borrowers within three years.

Quess Corp Ltd

CMP: INR 422 | Mcap: INR 62,710 Mn

Quess Corp Ltd is India's leading business services provider, leveraging their extensive domain knowledge and future-ready digital platforms to drive client productivity through outsourced solutions. It is in the business of offering IT services, operating asset management, and workforce management services. Company has divided its operations in the three segments: Workforce Management (WFM), Operating Asset Management (OAM), and Global Technology Solutions.

Key Highlights

Financial Performance: In Q1 FY24, the consolidated revenue for the company reached INR 4,600 cr, indicating a robust YoY growth of 16%, and a 4% QoQ increase. Global Technology Solution platform achieved a significant milestone by surpassing the INR 100 cr EBITDA in the same quarter. This achievement reflects the platform's sustained growth and financial strength, underscoring its valuable contribution to the company's overall performance in the period.

Global Presence: The business employs more than 500,000 people in 9 nations and provides services to more than 3,000 customers.

Leading Market Player: It is one of India's top 3 local BPO players and ranks among the top 50 global staffing companies in the globe. The top provider of facility management services in India is Quess, which is also ranked first in Singapore's IT staffing market, first in India's general staffing market & IT staffing segment.

Technology-oriented: The Company has significant frontline productivity capabilities (e.g., WorQ, Qjobs, Taskmo), digitized hire-to-retain platform, and leading front-line productivity tools.

Outlook: The Product-Led Business is expected to break even by Q4FY24. The company aims to optimize costs and improve productivity to achieve profitability in the Product-Led Business in FY24. It expects to continue its growth trend going into FY24, with a focus on product-led businesses. It anticipates the EBITDA loss to taper down and break-even in Q4 FY24. It expects margin uptick due to their methodological and detailed approach to cost optimization.

Greaves Cotton Ltd**CMP: INR 142 | Mcap: INR 32,980mn**

Greaves Cotton is engaged in manufacturing of engines, engine applications and trading of power tillers, spares related to engines, electric vehicles and infra equipment's etc. The company is covering ~85% of the mobility segment in-terms of volumes with a presence in E2W and E3W. The company has 6 manufacturing facility across India which includes EV manufacturing facility and a experience center at Ranipet, Tamil Nadu. The company has more than 6,500 retail outlets, more than 15,000 mechanics and more than 350 dealer touch points.

Key Highlights

FAME Policy changes: Regarding the FAME policy changes starting from June 1st, 2023, the company has increased prices by INR 10-20k. While near-term demand is expected to be subdued, once cell manufacturing begins in India, costs will decrease, and consumer demand will rise. Greaves is developing a sustainable business model beyond the FAME subsidy, and there is currently around INR 3.50 billion blocked due to subsidy issues. The company is in dialogue with the government after receiving a notice but is confident in adhering to all guidelines. Starting from April 1st, the subsidy will be phased out. The company is striving for cost efficiency and building resilient models in response. With the reduction in subsidies to 10% from June, the subsidy amount is significantly lower, leading to a transition towards a subsidy-free regime earlier than the originally planned April 1st transition. This situation may introduce volatility, and as a result, the company has raised prices by INR 10-20k.

Impact on Revenue and Margins: In H1FY24, Revenue and margins will be impacted due to the absence of subsidies.

Supply chain: The e-mobility industry is already mostly localized, with imports limited to components such as chips and cells due to the subsidy. With fewer subsidies from April, there will be fewer limitations on localization. This localization trend has already been initiated by large companies, not just Greaves Cotton. The company can source products from anywhere, and out of the approximately 215 parts of an E 2W, 207 are obtained domestically. The company aims to maintain its position among the top 2 or 3 players, even as other competitors like Chetak increase their presence.

3-wheeler: The company has a 100% stake in Bestway Ele and a 60% stake in MLR Auto. However, they have no plans to enter the 4-wheeler market. There is significant government support for 3-wheelers. Internationally, the company is focused on expanding into Southeast and Middle East markets, with discussions scheduled to begin in H2FY24.

Outlook & Valuation: We believe, a strong traction rival in e-mobility, reviving traditional business and a sound balance sheet makes Greaves cotton well focused on a faster ramp-up and gaining the first-mover advantage in EV space. After this investment, expecting a positive surprise on the volume front, with additional capital coming in expected accelerate EV penetration of 2W and 3W segments. Also, semiconductor availability is likely to hit in the H2FY23 which, would help the company to grow its margin going ahead. However, it will face competition from other industry players like HeroMotoCorp, Bajaj Auto, and TVS Motors, who are likely to launch EVs in 6 weeks to one month. We expect GCL to deliver a ~6-7% revenue growth CAGR over FY21-FY24E with an EBITDA margin of 7%-7.5% over FY21-Y24E. We value the standalone business to 11.5x its EBITDA of INR 1,212 mn and Ampere's business at FY24E P/sales at 3.5x, yielding a target price of INR 107 per share. Our SOTP valuation yields a revised fair value of INR 186 per share (earlier target price; INR 160 per share). We maintain our Accumulate rating on the stock.

Monte Carlo Fashions Ltd.**CMP: INR 773 | Mcap: INR 16,020 Mn**

Monte Carlo Fashions Limited was incorporated in 2008 and is led by the visionary leader Mr. J. L. Oswal, the promoter of well-known Oswal Woollen Mills Ltd and Nahar Group. The company is engaged in manufacturing of designer woollen/ cotton readymade apparels and trading of readymade apparels and other products under its brand "Monte Carlo" which has also been recognized as a "Super brand". In FY23, revenue distribution by segment was as follows: cotton (55.9%), woollen (24.4%), home textiles (12.3%), and kid's clothes (7.4%).

Key Highlights

Distribution Network: The Company has a presence through 2,350 plus MBOs, 350 EBOs and 1100 NCS outlets. 90% of stores are franchise-operated, with only 10% company-operated. The company has been focused on increasing its online presence on Amazon, Flipkart, Myntra, etc. In FY22, online sales accounted for 7% of the total revenues and sales volume grew by 67% compared to FY21.

Short Term Strategy: There are intentions to enhance the quality and premium features of the products, and the Luxuria brand has already garnered recognition in the market. The company aims to grow its smaller brands at a rate of 30% to 35%. The company opened 11 new Exclusive Brand Outlets (EBOs). The company plans to open exclusive stores for Monte Carlo Home Textile.

Established Position in Winter Wearables- The Company is a leading winter wear brand in India since its launch in the 1980s. It earns 40-50% of its total sales during the December ending quarter only due to this established position of its brand.

Jammu and Kashmir plant: New manufacturing facility is upcoming in Jammu & Kashmir for home textiles involving a capital expenditure of around INR 100 crores. It will get operational by the first half of FY24. The revenue of this plant as a subsidiary will generate 2x of revenues per annum.

Outlook: Long-term growth will depend on the economy, but the company aims to outgrow the economy by 2x or 2.5x. The company anticipates a recovery in the upcoming quarters and is quite assured about the winter sales. The company expects to maintain consistent margins and sees potential for margin improvement in the future. In terms of sales turnover company is expecting to grow at a CAGR of 30% to 35% over the period of FY23-26E.

Apollo Pipes Ltd

CMP: INR 694 | Mcap: INR 27,310 Mn

Apollo Pipes specializes in the manufacturing and trading of cPVC, uPVC, and HDPE pipes, PVC taps, fittings, water storage tanks, solvents, and more. It is ranked among the top 10 piping solution providers in India, offering products for various industrial applications, including agriculture, water management, construction, infrastructure, and telecom ducting segments. The company is in the process of expanding its Dadri facility by 25,000 tonnes, involving an investment of INR 1,000 Mn. Additionally, there are plans to further increase capacity by 125,000 tonnes, with a capital expenditure of INR 4,000 Mn.

Key Highlights

Strong presence across regions: Apollo Pipes has expanded its manufacturing facilities across the nation having the largest facility in North. This has been achieved by doubling their capacity since FY18 (from 60,000 TPA to 1,31,200 TPA). The company plans to increase their capacity in northern and central region further to meet the growing demand, especially for the Value Added Products.

Addition of value added products to portfolio: In addition to pipes, the company started VAP portfolio in FY18 by adding plastic taps, showers, faucets, cisterns etc to their portfolio. These products are Value added and have better margins compared to traditional PVC Pipes. These have been well accepted in the market and the company plans to add more capacity going ahead.

Margin expansion going forward: The company has introduced bath fittings and building materials which are higher in margins. These have already received good response and the company is currently expanding its facility for these products in its plant in North (adding 25,000 tonnes). With new products coming in the mix, we believe the UPVC contribution will come down from 60% in FY22 to 45% by FY24 and subsequently increasing share of other superior margin products.

Strong leverage of group to benefit: Apollo Pipes enjoys strong brand recall and visibility due to APL Apollo Tubes' strong and vast network of 800+ distributors and 1,00,000+ retailers. This acts as an added advantage compared to its peers where synergistic growth is not present.

Capacity Utilization to improve: The company used to operate at ~55-60% capacity pre-covid. FY22, the company operated at 46% capacity with its old plants operating at above 50% but new plants operating below 50%. We believe, on back of strong demand for its products the utilization levels should improve past ~55% levels going forward.

Outlook and Valuation: For the next 2-3 quarters, the company will follow aggressive pricing model. The growth plans of 35% CAGR for 4 years are still intact and all levers are in place for it. With the total capacity reaching 286,000 tonnes, total of 60-65% of available capacity will be VAP. Currently, South, West and East region sales contribute to INR 3-4 Bn which the company aims to take to INR 15 Bn in 3-4 years. Based on our estimates, company trades 22.6x FY26E EPS of INR 32.4. We believe the company has entered a high growth phase (observed with current quarters volumes) and will be able to achieve the ambitious targets. Hence we assign 25x multiple to FY26E EPS and arrive at a price target of INR 810. We maintain our ACCUMULATE rating.

Indian Terrain Fashion Ltd**CMP: INR 58.5 | Mcap: INR 2,600 Mn**

Indian Terrain Fashion is in the business of branded apparels in India. ITFL operates within India and offers a variety of ranges from Shirts, Trousers, Shorts, and T-shirts, etc. The company started its operations in the year 2000 with Celebrity Fashions Limited and the company got demerged from Celebrity Fashions Limited into a separate listed entity in April 2010. The company started with 20 Exclusive brand Outlets.

Key Highlights

Product Portfolio: The Company primarily caters to Men Clothing in the mid-premium and premium segments. It operates in India with apparel offerings ranging from Shirts, Trousers, Shorts, and T-shirts selling under the brand 'Indian Terrain'. It also oversees the Boy's wear segment with fashion accessories mainly belts, socks, wallets, and face masks. It has its own in-house design and procurement team that follows a strict 3-4 months time to market its new offerings

Presence: The company has a retail-oriented approach with offerings through 233 Exclusive Outlets, 1,340 Multi Brand Outlets, 630+ doors of Large Format Stores such as Lifestyle, Shoppers Stop, and Central, 5+ key e-commerce platforms, and also through their webstore.

Commitment to Sustainability: It is the first high street brand in India to get the Fairtrade Label certification. The company produced a product line based on Fairtrade's specifications through Fairtrade cotton sourced from farmers from Surendranagar District, Gujarat.

Revenue Split: As of Q1FY24, the Company has a major presence in South India with 134 stores and the channel wise split was EBO: 42% , LFO: 19% , Trade: 24% , Online: 11% , Others: 4%

Outlook: The company plans retail expansion with an aim to add 100+ stores and reaching their brand to 175 towns across the country. By FY26, retail is expected to account for 55-60% of the total turnover. The company will also focus on building healthy cash flows. They have taken strategic decision to focus on the Core Menswear business only and significantly reduce exposure to the Boys wear business.

Vascon Engineers Ltd**CMP: INR 57.5 | Mcap: INR 12.48 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. The Co. has executed over 200 projects with a construction area of over 50 Mn Sq Ft.

Key Highlights**Revenue**

Revenue is expected to grow around 20% in FY24.

EPC

EPC revenue is expected around INR 10bn revenue in FY25.

EPC gross margins are expected around 25% to 30% and EBITDA margins are expected 15% to 18% in FY25.

Real Estate

Real Estate revenue is expected around INR 1bn to 1.5bn in FY25.

Real estate gross margins are expected 13% to 15% and PBT margins are expected around 9% to 10% in FY25.

There is no major project completion in FY24, so revenue recognition will be significantly lower.

Order book

Total order book stood at INR 19.8 (~3x of FY23 EPC revenue). The external order book stood at INR 1,597cr and was majorly contributed by government projects.

Around 78% of the order book is from government projects and the company is focusing on execution and cashflows.

Real Estate projects

Real estate sales stood at INR 410mn in Q1FY24.

Real Estate projects which are under development sale value is around INR 5.17bn.

The near-term launch pipeline of the Real Estate project's sale value is around INR 17.94bn.

Other real estate projects pipeline of real estate sale value is around INR 8.8bn

Other highlights

Around INR 300 limit is almost utilized.

Q2FY24 is expected a similar level growth of Q1FY24. Q3FY24 and Q4FY24 are expected to be better.

Outlook: Vascon Engineers is expected to grow at 20% in FY24. The order book stood at INR 19.8bn (~ 3x of FY23 EPC revenue shows potential revenue visibility. EPC business is expected to continue momentum backed by strong execution of projects. Real estate project revenue recognitions are majorly expected in FY25. We have a positive outlook on the stock.

Mahindra & Mahindra Ltd

CMP: INR 1634 | Mcap: INR 2,032,110 Mn

Mahindra & Mahindra Ltd stands as India's premier diversified automobile company, with a sweeping presence that spans 2-wheelers, 3-wheelers, passenger vehicles, commercial vehicles, tractors, and earthmovers. This automotive giant extends its reach far beyond the road, encompassing financial services, auto components, hospitality, infrastructure, retail, logistics, steel trading and processing, IT enterprises, agriculture, aerospace, consulting services, defense, energy, and industrial equipment, all through its extensive network of subsidiaries and group companies.

Key Highlights

Strong operating leverage in Auto and farm sectors : The company anticipates a more favorable outlook for its agricultural business, citing positive factors like monsoon rains, kharif sowing, and improved conditions for farmers' trade. The company is placing particular emphasis on the farm machinery sector, aiming for a 40% growth rate in this segment. The company is exercising caution in providing a specific industry forecast and intends to closely monitor factors such as the upcoming festival season and overall industry growth.

Mahindra Finance's Long-Term Investment Strategy in Banking: Mahindra Finance's Financial Services division has a valuation of INR 40,000 crores. They plan to invest with a long-term view (7-10 years) to understand banking better and enhance their financial services business. They found an appealing opportunity with a solid bank at a valuation of less than 1x P/B, and they may increase their stake to 9.9% if there's compelling strategic value in the future.

Strong global reception for the new pickup portfolio: Mobility achieved record 3w electric volumes, market leadership, and progresses with global EV programs (XUV 8 and XUV 9).

IT services turnaround: Tech Mahindra is undergoing a turnaround plan to address recent weak performance.

Growth gems: The company has undertaken comprehensive measures to streamline its operations and is diligently pursuing growth opportunities in areas that have shown significant potential for expansion. It has witnessed remarkable growth in its promising ventures like Susten and Last Mile Mobility, drawing interest from renowned investors. Auto and farm capitalize on market leadership, services unlock potential in Mahindra Finance and Tech Mahindra; growth gems target 5X challenge.

Price Increase Strategy to Address BS 6.2 Challenges- The company implemented a price increase of around 5% to counter the challenges posed by BS 6.2 and ongoing cost management, which impacts margin improvement opportunities.

Service business: The company is focusing on its services business, which is generating significant cash flow, and may consider creating a separate entity for this business in the future.

Outlook and Valuation: M&M being a prime representation of rural markets, company excels with two out of three core businesses performing strongly. With significant exposure to rural markets (~65% of volumes), M&M is poised for recovery due to improved rural cash flows. Categorizing its core operations into Tractors, Pickup UVs, and Passenger UVs, stable growth is anticipated for tractors while UVs show a robust outlook, aided by company's competitive stance and industry consolidation; the SUV sector particularly thrives through impactful launches and supply chain enhancements. However, we upgrade our rating to Accumulate from Hold rating on the stock with a SOTP-based target price of INR 1,668 per share.

Max Ventures and Industries Ltd

CMP: INR 216 | Mcap: INR 31,810 Mn

Max Ventures and Industries Limited (MaxVIL), a division of the prominent Indian conglomerate Max Group, is responsible for its real estate enterprise via its wholly-owned subsidiary, Max Estates. Additionally, MaxVIL oversees a real estate services and management firm known as Max Asset Services. A substantial 49.7% ownership stake is held by the Anajit Singh family, while other noteworthy shareholders include Manhattan Life, First State Investments, and various insurance companies.

Key Highlights

Exiting packaging, expanding real estate to 8 million sq ft: Max Ventures and Industries Limited is initiating its 3.0 transformation by discontinuing its involvement in the packaging industry and extending its real estate holdings to encompass 8 million square feet. The company has also broadened its geographic reach by venturing into Gurugram, where it envisions opportunities in both commercial and residential sectors.

Successful Grade A+ office projects and expanding footprint: Max Estates has successfully finished Grade A+ office projects, including Max Towers and the initial phase of Max House, both of which are fully leased at premium rates compared to the local market. Max Estates is gearing up to commence construction on a new project in Noida during Q3 of FY24. The company has entered into a joint development agreement in Gurugram's Sector 36A, with a development potential of 2.4 million square feet and a gross development value of INR 32,000 Mn.

Merger updates: In an update regarding the merger, it has been reported that Max Ventures and Max Estates are in the final stages of their amalgamation process. This development is expected to streamline the corporate framework, allowing the company to rebrand itself as Max Estates. This strategic move aligns with the company's sole concentration on the real estate sector.

Max Asset Services Achieves Robust Revenue Growth: Max Asset Services, the entity responsible for managing all operational aspects of office assets, has recorded an impressive year-on-year revenue surge of 50% in FY23, amounting to INR 358 Mn, and anticipates even stronger growth in FY24. Additional revenue streams are expected to materialize as two new commercial assets become operational.

Outlook: The company's stated aspiration is to add 1 million square feet each for commercial and residential on average annually. The company is aiming for a top line of INR 2,500 crores by continuously adding more projects in pipeline, with a focus on at least 1 million square feet each in commercial and residential. Looking ahead, the company's strategic vision is to become a dedicated real estate business entity, concentrating on premium residential and commercial real estate, particularly in the NCR market. This strategic shift drove the decision to divest its stake in the specialty films business.

Indag Rubber Ltd**CMP INR 138 | Mcap INR 3.62 bn**

Indag Rubber is engaged in the manufacturing and selling of Precured Tread Rubber and allied products.

Key Highlights

The Company has reported a 15% YoY growth in topline in Q1FY24, reaching INR 66 crores. On the profitability front, EBITDA has surged by 151% to INR 7.5 crores and PAT has increased by 220% to INR 4.7 crores. EBITDA margins have demonstrated substantial improvement, standing at 11.4%, while PAT is at 7.2%.

Product portfolio includes PRECURED TREAD RUBBER, UN-VULCANIZED RUBBER STRIP GUM, UNIVERSAL SPRAY CEMENT, TYRE RETREADING ENVELOPES.

Manufacturing unit is located at Nalagarh Industrial Estate in Himachal Pradesh with Advanced Technology in terms of machinery and equipment.

Retreading: Retreading is a green and sustainable alternative to new tyres. It is a technical process of high precision and craftsmanship used to rejuvenate an old worn-out tyre into a renewed one.

Industry scenario: The Government's focus on infrastructure has dramatically improved over last 10-15 years. Realisation has come to approx. 60% in truck and bus tyres. It is very good for retreading as it is scientifically constructed tyre which is long lasting and can undertake retreading at least 2 times very well. So, it is good for the retreading industry. The third factor is overloading. Over a period of last 5 years, Government's focus on toll infrastructure and toll collectors penalizing the overloading has tremendously brought down overloading on the long run. So, when overloading does not happen, the tyre do not get damage and therefore, the propensity of retreading becomes very high. Further, we are very under penetrated as compared to the developed countries like US, Europe and Japan. Tyre companies sell about 12-13 lakhs tyres in the replacement market and only about 8 lakh tyres are retreaded and out of that only 4 lakh tyres are retreaded by the organized companies.

The company had invested INR. 3 Crores in SUN-AMP Solar Pvt. Ltd. and received INR 4.74 Crores, at an IRR of 11%, also invested INR 13.5 Crores in Sun Mobility Pvt. Ltd. and received INR 19.8 Crores, at an IRR of 15%. Had also invested in Lithium Urban Technology.

Outlook: The company posted strong numbers in Q1FY24, revenues up by 15% YoY and profitability up by 151% YoY, with expansion in margins by 461 bps YoY supported by a healthy macroeconomic environment and profits primarily attributed to stable input costs compared to the abnormal input costs experienced during H1FY23. We believe this growth is sustainable going forward, to be led by India's growth trajectory and remarkable opportunities present in this industry.

Om Infra Ltd**CMP INR 76; Mcap INR 7.36 bn**

Om Infra Limited, is an infrastructure co., having diverse business activities and interests related to Hydro-mechanical equipment, turnkey solutions for steel fabrication, Hydropower developments, Real Estate, Entertainment centers, and Hotels.

- 1) Engineering:** Hydro-mechanical Equipment, Gates, Hoist, Turnkey Solutions.
- 2) Real Estate:** Hotel-cum-Revolving Restaurant, Multiplex, IT Park, Turnkey Solutions, Residential,, Commercial, etc.
- 3) Infrastructure** - Silo project.
- 4) Hotels & Hostels segment**

The company's revenue slip is Domestic 64% and overseas 36%

Key Highlights

Q1FY24 Financial performance: Revenue at INR 263 Crores, up 125% YoY, and consolidated revenue is INR 267 Crores, up 84% YoY; The debt-to-equity ratio is 0.18x, and the net debt-to-equity ratio is 0.07x. The company expects to achieve a four-digit revenue in FY25 with an EBITDA of 12%.

The company's current order book of over INR 2,900 Crores with a mix of hydro and water projects, its plans to participate in upcoming tenders for hydropower and pump storage projects, and the Indian energy sector's transition towards renewable energy with a focus on hydropower, river-linking projects, and water infrastructure projects, all present significant opportunities for the company.

The government of India's renewed focus on hydropower development is particularly noteworthy, as it is a sign of the government's commitment to supporting the renewable energy sector. Hydropower is a clean, reliable, and affordable source of renewable energy, and it can play a major role in helping India meet its ambitious renewable energy targets. The company's expertise in hydro and water projects, as well as its strong track record of execution, make it well-positioned to capitalize on the opportunities in the Indian renewable energy sector.

The company's expectation of significant cash flow from the monetization of housing projects in its real estate portfolio and its expectation to book approximately INR 180 Crores in revenue on a completion basis for real estate projects in income tax are both positive developments.

Outlook: The company expects to achieve a four-digit revenue in FY25 with an EBITDA of 12%. The company has a strong competitive position in the engineering business and has expanded its scope to include larger portions of EPC in the water sector.

L T Foods Ltd**CMP: INR 164 | Mcap: INR 56,790 Mn**

L T Foods Limited established in the 1980s, is a pioneering company specializing in the milling, processing, and marketing of both branded and non-branded basmati rice. L T Foods is committed to the continuous advancement of its rice and rice-based product range through ongoing research and development efforts. One of their remarkable achievements is the emergence of its subsidiary, Nature Bio Foods Limited (NBFL), as a trusted leader in the ingredient-based organic food segment. NBFL has earned a strong reputation for providing authentic organic ingredients to discerning consumers across the markets of the United States and Europe. The company owns multiple rice brands, including Daawat, Royal, Heritage, Devaaya, Gold Seal Indus Valley, 817 Elephant, Kari Kari, and Ecolife. Among them, "Daawat" and "Royal" are the flagship brands and hold dominant positions in the Basmati Rice market, with "Daawat" having a 25% market share in India and "Royal" commanding a 50% market share in North America.

Key Highlights

Financial strategy and dividend commitment: The company aims to maintain a Debt/EBITDA ratio between 2x-3x, with the majority of the debt allocated to Working Capital requirements, primarily for purchasing and aging paddy for a minimum of 12 months. Additionally, the company is committed to providing consistent dividends to shareholders, with a medium-term dividend pay-out ratio expected to fall within the range of 20%-30% of standalone profits.

Daawat's innovative campaigns: The company has been making significant strides in its marketing and product portfolio. They launched the "Celebrating Rice Recipes" campaign with creative renditions of popular dishes like Rajma Chawal, Kadhi Chawal, Biryani, and Dal Chawal to emphasize the quality of Daawat rice. The company expanded its regional rice portfolio with the introduction of Devaaya Z- Jirasar in a 30 kg pack. Daawat Biryani achieved record-breaking sales numbers for two consecutive months (May and June) and continued to be preferred by consumers across various platforms, including e-commerce, modern trade, and select retailers, even earning a place in the Top 5 Amazon bestsellers list.

LT Foods Americas' market leadership and e-commerce growth: In the US, LT Foods Americas has been strengthening its position in the specialty rice market. They gained a 2% market share in Q1, with good growth in Basmati, Sella, and South Indian rice segments. The Royal brand secured the number one position in the 5 lb basmati rice segment. E-commerce sales witnessed impressive growth, surging by over 158%. This growth was supported by effective advertising strategies across platforms and strategic investments in operations, particularly on Amazon, leading to a strong return on investment.

Outlook: The company remains committed to its strategic goals, which include achieving growth, increasing profit margins, and improving financial metrics. They aim to become a globally integrated, strong, and sustainable consumer business with consistent profitability and growth. Their objectives include consolidating their leadership in key markets, achieving a 5-year revenue growth rate of 10-12%, expanding their distribution network, diversifying their product range with a focus on value-added segments such as Ready to Eat, Ready to Cook, and Rice-based snacks, and targeting a 5-year EBITDA margin expansion of approximately 140-150 bps. They plan to strengthen their balance sheet and enhance return ratios, targeting a FY25 ROCE of around 23% and a FY25 ROE of approximately 20%.

Sterlite Technologies Ltd**CMP: INR 163 | Mcap: INR 65,120mn**

Sterlite Technologies is one of the largest Optical Fibre (OF) and Optical Fibre Cables (OFC) manufacturer in India. Its one of the leading integrators of digital networks providing All-in 5G solutions. The product portfolio comprises of optical interconnect products, Virtualised Access Products, Network Solutions Products, System Integrated Products and O&M services. The company has 7 global manufacturing facilities which possessed 50mn FKM OF capacity and 42mn FKM OFC capacity. It has 5 innovation centres and having 742 patents across glass science, precision manufacturing and virtualized network software etc. The company has strong clients across globe and exporting more than 100 countries.

Key Highlights

Witnessed margin improvement in Optical networking business: Optical networking business revenue stood at INR 11,120mn (-2.2% YoY/-26.1% QoQ); due to lower volume & OFC realization and change in geographical mix. EBIT Stood at INR 2,460mn (+52.8% YoY/-23.4% QoQ). EBIT margin improved by 796 bps YoY (up by 79 bps QoQ) to 22.1% vs 14.2% in Q1FY23. The cost optimization with the help of consulting firm will improve margins from H2FY24E onwards. The margins are expected to stable above 20% and increase in interconnect attach rate would improve margin further going forward. The company is focused to increase share in EMEA, India and APAC markets to fill the volume gap from the US market. The company is focused on new product developments and commercialization.

Continuous improvement in Global services business: Global services business revenue stood at INR 3,530mn (-3.8% YoY/+0.3% QoQ); EBIT Stood at INR 280mn (+21.7% YoY/+100% QoQ). EBIT margin improved by 166 bps YoY (up by 395 bps QoQ) to 7.9% vs 6.3% in Q1FY23. The company is taking orders selectively and focused on execution of transformative rural digital inclusion, modern optical network and gigabit networks. The company received orders from Public sector customer to supply and set up ICT infrastructure for data centres and remote sites along with O&M. The company also got a fibre rollout for 5G deployment from a private customer. Bharat Net Phase 3 tenders expected by H2FY24E.

Digital and Technology solutions is expected to be profitable in Q1FY25E: Digital and technology solutions revenue stood at INR 620mn (+1966.7% YoY/+77.1% QoQ); EBIT Stood at INR -370mn vs INR -230mn in Q1FY23. STL digital order book stood at INR 9bn. The orders are executable in 3-5 years' time. The company has strategic partnerships with SAP and Google. Digital and technology solutions breakeven is expected in Q4FY24 and EBITDA positive is expected in Q1FY25E.

Strong order book leads to better business visibility: The order book stood at INR 109.38bn (+4.1% YoY) in Q1FY24. Around INR 39.03bn of order book is executable in next 9 months and remaining thereafter. The company has maintained above INR 100bn order book over the past few quarters and getting multi-million and multi-year contracts from customers. The major order book comes from North America and Europe regions.

Outlook & Valuation: Sterlite Technologies has a strong order book (~1.6x of FY23 TTM revenue) and China mobile tender would lead to further opportunities. The optical networking business is continuing to grow with above 20% margins and increasing the interconnect attach rate would improve the margins further. Global services business has reached a margin of 7.9% and expected sustainable and digital business is expected to be profitable in Q1FY25E. We believe telecom capex for 5G and the upcoming 6G would provide business visibility. Revenue is expected to grow at CAGR 9.7% over the period of FY23-FY25E, and RoE is expected to improve from 11.4% (FY23) to 17.6% in FY25E. We have "BUY" rating at a Target Price of INR 201 per share based on DCF.

Imagicaa Entertainment Ltd
CMP: INR54 ; Mcap: INR 26 bn

Imagicaaworld Entertainment Ltd operates a themed entertainment destination featuring multiple themed experiences, including an International Standard theme park, a water park, and a premium hotel. The Flagship Imagicaa park at Khopoli is spread over 110 acres, an all-weather family entertainment destination comprising of Theme Park, Water Park, Snow Park, and a 5-star Hotel provides an array of exciting and interesting experiences for all its guests, 365 days a year Headed by the enthusiastic and visionary Malpani Group, which brings along a deep business experience of over decades, with a view to realize the true potential of Imagicaaworld.

Key Highlights

Footfall in Q1FY24 increased by 13% at 556.89; ARPU declined by 3% at INR 1,548.

Revenue break for Q1 FY24 stood at ticketing 68%, F&B 18% Retail 7% others 7%

AQUAMAGICAA WATER PARK – SURAT: The park is spread over 4 acres of land in the heart of the Surat city and includes 16 water-based rides/attractions, imported from international manufacturers, which are based on Amazon Rain Forest theme.

Expansion initiatives for Imagicaa Khopoli continue to be on track and are likely to achieve commissioning in second half of FY24.

Strong diversified group, with experience in Park business of over 2 decades.

Synergy benefits from cross-businesses such as Renewables and Real Estate to flow in to bring forth major power cost reduction and new expansion projects.

Positive changes such as financial stability, access to additional resources and growth opportunities will potentially have a positive effect on credit rating.

Reported best-ever Revenue and EBITDA in FY23.

Increased operational efficiency by cutting on under the hood costs such as sales and employee expenses.

Further improvement to be led by implementation of Solar Power and higher cost efficiency to flow in from multiple parks across locations. With debt written off, there would be no burden of interest payments.

All operational cashflows to be re-invested in the business.

Water park expansion and Solar power project funded from Internal accruals.

Acquired Surat water Park under the brand name 'Aquamagicaa' at the heart of Surat City.

16 water-based rides and attractions based on Amazon rainforest theme.

Received positive response and gaining lot of traction from visitors.

Outlook: The company reported best-ever Revenue and EBITDA in FY23, with debt written off, Surat water park acquisition and Khapoli work on track we expect good numbers going forward.

Apollo Micro Systems Ltd**CMP: INR 55.1 | Mcap: INR 12,780 Mn**

Apollo Micro Systems Limited (AMS) has emerged as a prominent player in the Indian Defense sector, excelling in electronic manufacturing, hardware design, weapon integration, and platform integration. AMS specializes in creating, developing, and marketing high-performance solutions critical for time-sensitive missions. The company's products find applications across various sectors, including Aerospace Systems, Ground Defense, Space, Avionics Systems, Homeland Security, and Transportation. AMS operates its manufacturing facility in Hyderabad, spanning 55,000 sq.ft., and boasts a dedicated team of over 300 employees, including 150+ engaged in research and development.

Key Highlights

Recent developments at the company: As per recent updates, the company has acquired 2.5 acres of land from the Telangana State Industrial Infrastructure Corporation Limited. Additionally, the Board has granted approval for a stock split at a ratio of 10 for 1, with the record date scheduled for May 4, 2023. The company secured projects valued at INR 43.98 Crores.

Driving the future of defense technologies through R&D excellence: AMS actively invests an average of 7-8% of the revenue in R&D for developing and testing critical components under DRDO programmes. The management team acknowledges the pivotal role of research and development in shaping the landscape of defense technologies. Collaborative research and development endeavors with DRDO are proving fruitful, with successful programs poised to transition into the production phase in the coming years, generating numerous new orders.

Customer Centric- Company's clientele consists of prominent government institutions such as the DRDO, Indian Army, Indian Navy, DPSU's, as well as private players like Adani, L&T and many more.

Outlook: The company is poised for substantial revenue expansion, projecting a robust 45%-50% growth in FY24. This growth is primarily attributed to promising opportunities within the Defense sector, driven by the Indian Government's keen interest in bolstering domestic Defense production and capabilities. In addition to revenue growth, the company foresees EBITDA margins stabilizing within the 22%-23% range, thanks to the scaling up of operations. The company is optimistic about a healthy increase in its order book from recent orders released to various Defense Public Sector Undertakings (PSUs).

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Ajmera Realty and Infra India Ltd**CMP: INR 369 | Mcap: INR 13.11bn**

Ajmera Realty and Infra Limited (ARIL) is in the business of providing residential and rented commercial properties. The company has a presence in the cities like Mumbai, Bengaluru, Ahmedabad in India as well as in foreign countries such as Bahrain and UK.

Mumbai contributes 90% and Bangalore 10% of the total revenues

Key Highlights

Wadala project has a potential estimated carpet area of ~1.8msf of residential, will be launched in phase wise model over 4-6 years and has ~1.8 msf of commercial will be on lease model.

The company has done couple of acquisitions in western and central Mumbai which will be announced soon.

Realisation: The realizations have shown an upward trajectory in the last 12-18 months. Real estate has become a preferred investment asset class, rising income levels and a strong Indian economy indicate the sustainability of realizations.

Redevelopment Opportunity: Pune is a slum land, by this year end the company should be able to finish with all the formalities, MMR project is a cluster project, and the whole opportunity can be as big as INR 2000cr over 5 years.

Debt profile continues to improve with 7% reduction in debt YoY. Reduced Avg. Cost of Debt to 11.9% as compared to 13.7% as on 31st March 2023, through financial performance & credit profile improvement.

Bangalore and Ajmera Eden projects contributed 53%, Lugaano & Florenza projects contributed 31%, Bangalore contributed 24% to sales value.

Ajmera Manhattan has 0.27 msf of unsold inventory, has sales booking of INR 656cr and INR 222cr of revenue recognized, estimated project timeline is June 2027.

The company has estimated value of unsold projects is INR 1472cr and a carpet area of 0.65msf which includes one OC received, 3 near completion and 4 under construction, the company has completed projects of ~20msf, with 11.6msf of future potential.

FY24 launches: The company has 3 launches planned central Mumbai 1 central Mumbai 2 and Vikhroli which has an estimated carpet area of ~0.90 msf and an estimated sales revenue potential of INR 1800cr. The company has owned land bank having the potential of ~11.6 msf, Projected sales value in FY24e is INR 1000cr.

Revenue recognition from OC is estimated to be ~INR 233cr, from mid stage ~INR 1929cr, in total INR 3960cr.

Outlook: The company has posted a strong set of numbers driven by Bangalore and Eden projects majorly. There are 3 launches coming in FY24 with a sales potential of INR 1800cr. The company is in talks for new acquisitions in Mumbai which will enable the company to enter new micro markets of Mumbai. Going forward, the company has revenue recognition visibility of INR 3960cr. we believe the company has lined up sufficient projects to ride on the industry highs, and we expect that the current growth posted by the company is sustainable in coming quarters too.

Cineline India Ltd**CMP: INR 107 | Mcap: INR 3,410 Mn**

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.

Outlook: Their focus lies in enhancing important factors like ATP & SPH across all screens, with visible results expected in FY24. There's a plan in place to refurbish existing screens with untapped potential, aiming to provide customers with improved experiences and boost Key Performance Indicators (KPIs). The company is committed to expanding its presence using a cost-effective model. They've extended their Advertisement Revenue partnership until March 2025.

E2E Networks Ltd

CMP: INR 369 | Mcap: INR 5,340 Mn

Established in 2009, E2E Networks Ltd is a pioneering player in the realm of Cloud computing services, boasting a fully owned computer infrastructure and a robust core technology stack. The company stands at the forefront of the industry and holds the distinction of being the first AI Hyperscaler in India. E2E Networks has remained steadfast in its mission to streamline cloud computing, making it more accessible and efficient for businesses. E2E Networks has carved a niche in the Cloud computing landscape, serving as a trusted partner for businesses seeking scalable, reliable, and innovative cloud solutions.

Key Highlights

Diverse and Cost-Effective Cloud Solutions for SMEs: E2E Networks Ltd stands out as a promising investment opportunity due to its ability to provide a wide range of cloud solutions and services tailored to meet the unique needs of Small and Medium-sized Enterprises (SMEs) across India. These services include Load Balancer, Content Delivery Network, One Click Deployment, Reserved IP, E2E API, E2E Auto Scaling, EKS, DBaaS, VPC, E2E Cloud Firewall, and Bitninja E2E Cloud. The company's commitment to offering these solutions at cost-effective rates positions it as a valuable partner for SMEs seeking scalable and budget-friendly cloud infrastructure.

New Opportunities - E2E Networks has obtained ISO certifications, which can open doors to new opportunities and expand its target market. E2E Networks is well-positioned to benefit from the increasing demand for AI, ML, and deep learning workloads in India.

Pioneer in AI-Powered Cloud Services: E2E Networks is at the forefront of innovation as the first AI First Hyperscaler from India. This pioneering approach incorporates artificial intelligence into its cloud services, offering cutting-edge solutions that leverage AI's capabilities. Such innovation not only keeps the company competitive but also positions it as a leader in the fast-evolving cloud computing industry. E2E Networks has a strong focus on self-service public cloud, with 80% of its customer base using this model.

Strong Customer Base: E2E Networks boasts a substantial customer base with over 2600 active customers. This significant and growing clientele reflects the trust and satisfaction of businesses in the company's cloud services. This broad customer base also provides stability and revenue diversification, making E2E Networks a reliable investment choice. The company works very closely with all the partners including NVIDIA, to service the customers.

Outlook: E2E Networks Ltd is strategically positioned for a dynamic future, with a vision centered on substantial CAPEX investments, financed strategically through debt acquisition. The company aims to achieve robust revenue growth, targeting 30% to 40% in the medium term. The management is planning to hire people in R&D, sales, and operational support for customers, and for the cloud platform team. The company initially launched a public cloud and updated its features and looking to provide the best technology. The company has improved its advanced load balancing which provides better capabilities to solve the inbound traffic in the future. The company is focused on continuous innovation and has launched new services and features to enhance its offerings.

RPSG Ventures Ltd**CMP: INR 604 | Mcap: INR 1,784cr**

RPSG Ventures Ltd owns and operates a diversified portfolio of businesses including information technology (IT) services, business process management (BPM), fast moving consumer goods (FMCG), Ayurveda formulations, real estate, sports and restaurants. All of its businesses are carried out through various subsidiary companies except of its IT services business.

Key Highlights

RPSG Ventures in Q1FY24 reported outstanding performance: RPSG Ventures in Q1FY24, Revenues above expectation and came in at INR 2296 cr against estimates of INR 2021 cr. It up by 28% QoQ/+18% YoY driven by the strong growth in sports INR 591 Cr (1062% QoQ/94% YoY) followed by FMCG INR 107 cr (2% QoQ/-1% YoY), BPO INR Cr (-2% QoQ/4% YoY) and Property INR 33 Cr (-19% QoQ/5% YoY) respectively. However, the Gross Profit margin expanded by 109bps YoY/98bps QoQ due to softening in raw material cost.

Margin expansion due to softening in RM cost: EBITDA registered a growth of (113% YoY/245% QoQ) and stood at INR 618 cr and above our expectation of INR 265.5 Cr. EBITDA margin expansion by 1206bps YoY/1693bps QoQ to 26.93% above our estimate of 12.5%. Consolidated PAT stood at INR 153 cr against estimates of INR 13 cr vs (Q4FY23 reported a loss of 123 Cr and in Q1FY23 INR 0.1 cr).

Guidance: The company has a three pronged strategy for its consumer goods business with a play in personal care, foods and Ayurveda. The FMCG growth (on the standalone basis) is likely to be in the range of 45-50% for FY24. In the next 3 years, the company expects strong growth in top-line of about 30% to reach target of INR 1000 cr.

In FMCG, visibility is getting better day by day and target of INR 1000 cr in 2-3 years Herbolab India is directing its attention towards this industry and aiming to expand even more. As an example, they have shifted from selling liquid chyawanprash to offering chyawanprash tablets, targeting the younger demographic. Gross margin is very high.

Valuation & Outlook: RPSG Venture has demonstrated robust performance in Q1FY24, largely attributed to a significant one-time revenue influx from the sports segment. This favorable trend is anticipated to repeat in the upcoming Q1FY24 due to the IPL season. Moreover, we anticipate further growth, driven by the better performance of Firstsource. FSL (Subsidiary) has provided guidance for a growth of 2-5% in revenues in CC terms, along with margin of 11%-12%. This growth is expected to be driven by an improvement in the collections business and a potential revival in the Provider business, as the US has announced the end of Public Health Emergency (PHE) from May 11th.

This decision is likely to boost eligibility services volumes, alongside sustained momentum in CMT (US) and BFS in the UK, among other contributing factors. The company also considers exploring inorganic opportunities in adjacent capabilities to address growth concerns.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 12%/13% respectively over FY24E-FY26E and value RPSG Ventures at PE of 1.0x to its FY26E EPS (Core) of INR 55.8. We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,157 per share (Bear/Lower case scenario), INR 2,280 per share (Base case scenario), and INR 2,405 per share (Best case scenario).

We value FSL at 16x FY26E EPS of INR 10.4 for the Target Price of INR 167 per share. We upgrade our rating to Accumulate from Hold earlier.

S.J.S. Enterprises Ltd**CMP INR 696 | Market Cap INR 21,160 mn****About the company**

SJS Enterprises Ltd. (SJS) is one of the leading players in the Indian decorative aesthetics industry in terms of revenue. It offers a "design-to-delivery" aesthetics solutions provider with the ability to design, develop and manufacture a diverse product portfolio for a wide range of customers primarily in the automotive and consumer appliance industries.

The revenue mix is Two Wheeler: 45%, Passenger Vehicle: 33%, Consumer appliances: 15%, Others: 7%

Key Highlights

SJS is expected to outperform the industry as exports and the domestic 2W markets gradually recover. The company foresees a remarkable 50% YoY revenue growth, driven by positive outlooks for 2Ws, PVs, and Consumer Durables. Factors like premiumization, new customer acquisitions, exports, and the recent WPI acquisition contribute to higher-than-industry sales growth. The company's strong order book for FY24 covers over 90% of the forecasted revenue. The WPI acquisition is anticipated to be significantly EPS accretive, adding scale to SJS with WPI's EBITDA being around one-third of SJS's EBITDA. With robust margins, SJS expects a ~40% YoY PAT growth for FY24, effectively balancing growth with margins. The company will continue to expand its wallet share by continue winning orders from the key customer like Mahindra, Bajaj Auto, Hyundai, Continental, Honda, and Visteon.

Consolidated revenue stood at INR 1172 Mn, against our estimate of INR 1,140 Mn registering a growth of 13.6% YoY/10% QoQ led by growth in domestic sales clocked 8.4% YoY growth; on the back of 13.6% & 14.5% YoY growth in PV & 2W segment respectively outperforming the underlying industry.

Q1FY24 SJS exports revenue almost doubled YoY on account of new business wins and recovery in European market led by south Africa, gradual pick in Europe and north America.

EBITDA stood at INR 282 Mn, against our estimate of INR 280 Mn, registering a growth of 10.7%YoY/ 10.7%QoQ.

On the margins front, EBITDA margin expansion by 154bps YoY/114bps QoQ to 24.1%, against our estimate of 24.08%. 30bps impact on one-off expenses and other expenses.

Standalone PAT grew 11%YoY/17%QoQ to INR 94.9 Mn against INR 97 Mn in Q4FY23.

EPS stood at INR 5.89 in Q1FY24 against INR 6.02 in Q4FY23 (INR 6.7 in Q1FY23).

Concall KTAs

Acquisition: SJS acquires a 90.1% stake in WPI for INR 2,393 Mn, reducing dependency on the 2W segment. Expands presence in PV and consumer appliances. Focused on IMF, IML, IMD, and IME technologies. EPS is accretive for SJS.

Revenue Mix: WPI contributes 32% to 2W revenue, PV contributes 36%, and consumer appliances & others contribute 26%. Roy Mathew from WPI retains 10% stake. Strong Q1FY24 with 21% YoY revenue growth and 31.5% EBITDA margin. Only the 9-month performance of WPI will be considered in SJS.

S.J.S. Enterprises Ltd**CMP INR 696 | Market Cap INR 21,160 mn**

Cash: The company maintains robust cash flows with INR 2,849.7 Mn in cash & cash equivalents. SJS holds INR 461.7 Mn, with net debt of INR 539.8 Mn.

Two new clients: Added Toyota Tsusho & Autoliv (Bagged large order for IML part) as new customers in the automobile segment.

In Q1FY24, SJS outperformed the 2W industry with a consolidated growth of 15% YoY, and PV segment grew by 24.6% YoY, surpassing the industry growth of 2.3% YoY for PV+2W. The outstanding performance is attributed to new business wins and an increased share in the automotive sector.

SJS consolidated sales grew by 13.6% YoY partially impacted due to slow recovery in the consumer appliance segment and some de-growth in the farm equipment segment.

Exports: Export revenue doubled due to geopolitical issues in Europe and a macroeconomic slowdown in North America. The growth was driven by winning existing customers in South Africa and Kenya, making exports a crucial growth driver for the company.

Organic growth expected at ~20-25% CAGR, with best-in-class margins. WPI inorganic growth expected to be over 20-25% of organic growth as guided.

Exotech: Expanding chrome plating capacity through debottlenecking and partnerships, including collaboration with external manufacturers. Greenfield expansion with WPI synergies to be finalized in CY24. Cumulative 300 bps EBITDA margin expansion from FY21 to FY23 due to continuous improvement initiatives. Utilizing under-utilized capacity for Exotech's increased capacity, secured by a large PV OEM order.

Promoter Holding: Increased from 15.5% to 16.9%

New age product: IMD / IML, IME (In-Mould Electronics), and Plastic injection moulding contributes 10% of revenue. Intend to develop and introduce illuminated logos, IME parts, and other new-gen technologies. Continue to build capabilities to innovate & develop new products & increase the application of products across industries.

Capex: SJS FY24 INR 10-12 Cr and Exotech INR 10-12 and WPI INR 10 Cr so, over INR 34-35 cr.

Outlook: Q1FY24 showed strong performance and positive guidance for SJS. The company benefits from its robust export market and recovering European market, especially South Africa, Europe, and North America. SJS is expanding its presence by strengthening existing relationships and adding new customers, supported by a growing sales force in international markets with high demand. The company is actively evaluating M&A opportunities to achieve over 50% YoY revenue growth and ~40% YoY PAT growth for FY24. Increased promoter holding from 15.5% to 16.9% reflects growing confidence in the company's potential. At a CMP INR of 646 stock trades at PE 17x to its FY25E EPS of INR 37.

Sunteck Realty Ltd**CMP INR 429 | Mcap INR 62.77 bn**

Sunteck Realty Limited is a Mumbai-based real estate developer focused on developing premium residential and commercial properties across Mumbai Metropolitan Region (MMR).

Key Highlights

Presales at INR 387cr up by 16% YoY, the presales are expected to further up in coming quarters. The presales focus was mainly on the launches at Sunteck Sky Park, Mira Road as well as activations from other upper mid-income projects.

Collections at INR 288cr up by 1% YoY, were decent and in line with good performance across the segments.

Operating Cash Flow OCF crosses INR 1,000 cr in 3.25 years, Q1FY24 contributed INR 76cr of OCF; Operating Cash Flow Surplus yielding ~22% on Network.

The already-launched 5 growth engines are firing all cylinders – Sunteck Sky Park, Mira Road launch has been one of the fastest monetizations.

Rental portfolio Sunteck expanded its rental portfolio by signing a 29-year lease at its commercial project Sunteck BKC 51 at BKC Junction for an average rental of ~Rs 66 cr per year during the lease tenure. Sunteck's share will be ~INR 36cr/ year, its already been preleased. A similar strategy to be adopted for Sunteck Icon at BKC Junction, there too Sunteck will be able to accrue INR 36cr/ year of rental income.

Net debt at INR 264 cr as on 30th June, 23; Net Debt to Equity at 0.09x

Operational highlights The revenues stood at INR 71cr vs INR 144cr in Q1FY23; EBITDA at INR 30cr vs INR 68cr in Q1FY23 and margins at 42.9% contracted by 400 bps yoy.

Growth engines The company has generated 7 growth engines which includes complete and ongoing projects like BKC, ODC, Vasai west and mira road along with upcoming project Klayan and future project napeansae road. The total GDV for all these projects stands at INR 303 bn spread over 7 years.

Klayan Project will be launched in next 3 to 4 months, it has GDV value of INR 9000 cr.

Napeansae Road project will be launched in next 9 to 12 months with GDV of INR 2500cr and is located in south Mumbai.

Other opportunities The company also has large possible projects already acquired but not considered in the calculations such as, Borivali West, Sion, Jaipur and so on as there is very less visibility for these projects. The GDV does not include rise over the next few years and upside from all future JDAs that may be executed.

Outlook: The company has strong 7 growth engines which has potential to generate ~INR 300-400cr of cash flows each. The company sticks to its guidance of INR 2000cr of presales for FY24 which will be contributed by ongoing and upcoming projects. SRL is known for its prudent cash flow management and strong balance sheet, SRL has aggressively acquired projects when the land prices were at attractive prices during covid, at the same time keeping the debt levels to its lowest and generating robust cash flows.

Going forward, we expect the company to generate healthy cash flows in H2FY24, driven by robust pre sales from existing projects and new launches along with collections to be in line with the presales. The company has total cash flow visibility of INR 303 bn which is achievable over 7 years, the company is also building up on annuity income which will generate an income of INR 72cr per year.

Ircon International Ltd**CMP INR 140 | MCap INR 131.25 bn**

Ircon International Limited (IRCON) commenced its business in 1976 as a railway construction company, it diversified progressively since 1985 as an integrated engineering and construction PSU specializing in large and technologically complex infrastructure projects in various sectors such as railways, highways, etc.

It is the only Indian PSU & one among five Indian companies to make it to the list of top 250 international contractors. It is a sectoral leader in transportation infrastructure amongst the public sector construction companies in India with a specialization in the execution of Railway Projects on a turnkey basis.

Its services include Project Management Consultancy, Engineering, Procurement & Construction, Public-Private Partnership, Real Estate. The company also executes projects on Build, Operate and Transfer (BOT) / Hybrid Annuity Mode (HAM) basis.

Key Highlights

Q1FY24 Financial performance: Total revenue of INR 2828 crore in Q1 FY24, a 37% increase compared to the previous year. PAT increased by 30% to INR 187 crore in Q1 FY24.

Order book as of June 30, 2023, stood at INR 32,486 crores. 45% of orders on nomination and 55% on a competitive basis. Expects to add orders in the range of INR 10,000 to INR 12,000 crores in the current financial year.

The company will be mainly focusing on railways, roads and highways, and international projects.

JV and Subsidiaries profit realization to be witnessed from FY24 after commercialization of 2 JVs.

Guidance: The company expects a revenue growth of 10% in FY24. They are focused on execution and protection of margins, they are expecting to maintain an operating margin of 10-11%.

Outlook: The company have posted robust growth in quarter and complete financial year on the back of focus on execution as guided by the company previously, they continue to remain focused on execution and they are parallelly prioritizing order wins to grow order book value to INR 45bn. They are focused on protection of margins and expansion of operating margins moving forward with selective bidding of projects.

Supria Lifescience Ltd**CMP: INR 285 | Mcap: INR 22,930mn**

Supriya Lifescience Ltd. is a major Indian manufacturer and supplier of active pharmaceutical ingredients with a niche product basket of 38 APIs across diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, antiasthmatic and anti-allergic. The company has a strong presence in the Active Pharmaceutical Ingredients (API) manufacturing, with focus on high value products with limited competition. It has a diversified, R&D focused operations at DSIR approved facility with strong IP consisting of 14 DMFs with USFDA, 8 CEPs with EDQM and 3 process patent filed.

Key Highlights

Growth through capacity augmentation: The main plant facility of the company is located at Lote Parshuram, Maharashtra. The production capability is segregated in accordance with different therapies. Presently, the plants are running at full capacity. It is working on a new manufacturing block (E-Block) in the existing premises with a capacity of 340 KL to replace old block with 145 KL capacity. The company has also acquired plot at Ambernath and is setting up manufacturing block with a capacity of 70 KL along with new R&D facility with Pilot plant. Resultantly, the total capacity will increase from 597 KL to 900 KL by the fourth quarter of FY24.

Penetration into newer geographies: More than two-third of overall revenues is contributed by export markets. The company has presence in more than 86 countries and is doing business with more than 1,200 customers. It is further targeting regulated markets, which offer higher margins and value-addition. The regulatory team is registering products and filing DMFs (Drug Master File) in the regulated markets. The sales team is also in discussion with new customers to qualify Supriya as source and started sending samples and supplying APIs (Active Pharmaceutical Ingredients) for their validation of products. The major markets being targeted include North America, Japan, Australia and New Zealand.

Traction in Chinese Market: The company is witnessing volume recovery in the Chinese markets, while pricing pressure still prevails. Additionally, the demand for intermediates and APIs in China is increasing, along with an interest in registering formulations. Due to political tensions, China is facing challenges in penetrating the US and Europe markets. Consequently, these countries are now turning to India as a substitute to fulfill their requirements, a shift that has already commenced. The company is actively engaged in discussions with other parties to capitalize on this opportunity.

Opportunities in CMO/CDMO: Leveraging its experience in chemical manufacturing and handling hazardous complex process chemistry, the company is seeking opportunities in the CMO/CDMO space. The company has entered into a strategic 10-year CDMO agreement with a prominent European company for the exclusive supply of API. The company has secured exclusive manufacturing and marketing rights for Ilo Protein, a patented product developed by Plasma Nutrition, a prominent US-based enterprise. In addition, the new capacity being set-up in Ambernath will assist in pursuing more and more CMO/CDMO opportunities.

Valuation & Outlook: Supriya Lifesciences Ltd. is a market leader in anti-histamine and anti analgesic segment with robust product portfolio. It has a diversified market for exporting these products. Additionally, it is ramping up its capacity to increase supply and meet demand for these Active Pharmaceutical Ingredients (APIs). The company also has promising CMO/CDMO opportunities which will be contributing to the growth going forward. 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 28.5 and arrive at a Target Price of INR 338 per share. Accordingly, we have a Buy Rating on the stock.

Paradeep Phosphates Ltd.**CMP: INR 73 | Mcap: INR 60,010 Mn**

Paradeep Phosphates Limited, incorporated in 1981, is the second largest private sector manufacturer of non-urea fertilizers in India and the second largest private sector manufacturer in terms of Diammonium Phosphate (DAP). The company is primarily engaged in manufacturing, distribution, trading, and sales of complex fertilizers such as DAP, three grades of NPK (NPK-10, NPK-12 and NP-20), MOP, Zypmite, and its by-product, Phospho-gypsum. It also distributes Ammonia and Sulphuric acid for industrial consumption in and around Odisha. It has an extensive sales and distribution network, with a strong presence in the eastern part of India.

Key Highlights

Strong Performance: The Company's production volumes grew 126% YoY and sales volume grew 81% YoY on the back of robust operational performance and a sharp increase in farmer and channel connects. During the quarter, the Company had delivered a quarterly income of INR 30,735 Mn registering a YoY growth of 25.7%. The EBITDA for the quarter stood at INR (194) Mn and the profit after tax for the quarter was INR (1,199) Mn. The profitability and margins during the quarter were impacted by the retrospective subsidy adjustment and partly by a carry forward of high-cost raw material. This was due to the government withdrawing fertilizer subsidy, and now all the adjustments are done as per the management.

Strong Distribution Network: The company has a strong presence in the eastern part of India. As of FY23, its products are sold across 15 states in India through a network of 21 regional marketing offices and 450 stock points. Its network includes 6,500 dealers catering to over 8 million farmers in India.

Manufacturing Facilities: The company has two manufacturing plants, at Paradeep and Goa. Its Goa site is amongst the six sites in India to have co-located urea and phosphatic fertilizer manufacturing capability. Paradeep site is backward integrated in phosphate, while Goa site is backward integrated in ammonia. Both sites have the ability to store raw materials at its own facility.

Outlook: With the onset of monsoons, favourable crop prices, robust reservoir levels, and stable commodity prices globally, these factors together indicate a positive growth opportunity for the sector. The Company remains cautiously optimistic about the macroeconomic challenges and continue to adopt proactive measures to ensure sustainable and stable growth. Even though there is a shortage of ammonia due to limited supply, it believes that it will benefit from the higher prices based on its long-term contracts with vendors. The company guides for an EBITDA of INR 5,000-6,000 per MT going forward. Also, the company plans to add Nano DAP and Nano Urea to its product portfolio in H2FY24.

Motilal Oswal Financial Services Ltd**CMP: INR 855 | Mcap: INR 126.72bn**

Motilal Oswal Financial Services Ltd is a well diversified financial services firm which involves Broking, AMC, Home Finance etc. The company has a network spread of 550 cities and towns comprising more than 2,500 business locations and has more than 16 lakh customers.

Key Highlights

Demerger of Wealth business: In the recent news, the company had announced the demerger of broking and the wealth business. The internal restructuring is happening across two business viz: Broking & distribution business and wealth business. The broking and wealth business will get demerged, but will continue to remain subsidiary of the listed parent entity. Secondly, their wealth management business, is moving up from subsidiary to the parent entity. Donation of equity by two promoters for charitable purpose The company has filed with the exchanges, an expression of interest for donation of 5% equity each, by two promoters, Mr. Motilal Oswal and Mr. Raamdeo Agrawal, aggregating to 10% of outstanding shares of company. The donation will happen either in a single contribution or through a staggered approach within 10 years.

Capital Market Business: Growth in brokerage business stands strong at revenue of INR 4,521 mn (+16% YoY, +10% QoQ) in Q1FY24. Revenue from interest grew 95% YoY/ 17% QoQ at INR 2617 mn and revenue from distribution business stood at INR 448 mn (+19% YoY, -17% QoQ). NSE active client market share remained stable at 2.5%. They acquired 1 lakh new customers during the quarter. ADTO grew by 171% YoY/ 28% QoQ to INR 4124 bn. Retail F&O market share grew by 44 bps QoQ to 4.3%. Company is confident on their broking business which is expected to grow within the range of 20-25% in coming period.

Housing Finance Business

Company has hired Sukesh Bhowal as the CEO of the company, who 27 years of experience in the mortgage industry, Shobhit Doru as the COO, who has 25 years of experience across products, strategy, and analytics in mortgage and Rajesh Maiya as Chief business officer, who has 25 years of experience in sales and distribution, channel management and customer service.

The NIMs have remained stable at 7.6% YoY. The company has been able to maintain their NIMs, despite their increasing cost of funds.

Their home finance business is currently undergoing transition, with the change in management and increasing RMs.

Going forward, their home finance business is expected to grow, owing to the strong management business.

Outlook & Valuation: We believe there's a significant value unlocking in the future. With the changes in senior management, the company is expected to perform well in the coming quarters. Their broking business is expected to grow by 20 – 25% in FY24. Their IB business completed has completed 6 deals during the quarter and is expected to perform in the coming quarters, owing to the strong pipeline for FY24. Further, the home finance business has witnessed a change in management during the quarter, owing to which we are expecting their home finance business to grow, going forward. We expect a loan book growth of 10% till FY25. We have a target price of INR 1423 based on SOTP valuation.

Mercury EV Tech Ltd**CMP: INR 46.1 | Mcap: INR 7,690 Mn**

Mercury EV-Tech Limited, formerly known as Mercury Metals Limited and listed on the BSE, is dedicated to introducing a range of electric vehicles (EVs) that prioritize environmental conservation and responsible resource use. They are pioneers in India's electric vehicle industry, focusing on producing electric scooters, cars, buses, vintage vehicles, golf carts, and various EVs designed for specific purposes like hospitality, industry, golf courses, clubs, and resorts. The company obtained authorization on May 26, 2023, from the National Automotive Test Tracks, District Dhar, for the manufacturing of E-Rickshaws and E-Carts.

Key Highlights

Upcoming Products & Brands: It is gearing up to unveil a range of innovative electric vehicles and related products. In the two-wheeler category, they are set to introduce both low-speed and high-speed electric vehicles under the Thunderbolt brand. For the three-wheeler segment, it has plans to launch vehicles under the Thunderbolt DODO and Thunderbolt LIMOSA brands. In the four-wheeler category, they are preparing to introduce vehicles under the Thunderbolt MUSAK brand. Additionally, the company will also offer motor controllers, brake shoes, and controllers as part of their product lineup. These upcoming products and brands reflect their commitment to advancing electric mobility solutions across various vehicle types and components.

Promoting Innovation: In Q1 FY24, Powermetz Energy received India's first AIS 156 Phase-II Certification for Battery Packs used in ultra-high-speed 2-wheeler bikes and obtained ISO 9001:2015 QMS certification for manufacturing and exporting various grades of Battery Packs. The company gained approval to produce E-rickshaws and E-Carts with specific models and power capacities. Powermetz Energy secured a substantial order worth Rs. 1,200 million for supplying E2W batteries to a leading 2-wheeler EV manufacturer in India. To support innovation, it established a new R&D base in Bengaluru, Karnataka, staffed with a team of 7 experienced battery technology experts. These developments showcase the company's commitment to advancing battery technology and expanding its presence in the electric mobility sector.

Outlook: The Company is actively expanding its product portfolio with the introduction of the "Tejashvi" E-rickshaw and "Voltus" E-cart, with plans for significant contributions from these products in the upcoming quarter. It is also focused on enhancing brand visibility and engagement while anticipating approvals for new offerings, including garbage trucks and advanced lithium-ion batteries. Progress is underway for an 18-acre EV mega project, including state-of-the-art facilities like a CED paint plant and 3W manufacturing plant, set to be operational by September 2023. With operational milestones in mind, the company aims for full facility operationalization by Q3. In this journey, Mercury Ev-Tech acknowledges and appreciates the support of its employees, partners, customers, and stakeholders as they strive to make a positive impact through transformative mobility solutions on a global scale.

HFCL Ltd**CMP: INR 73.9 | Mcap: INR 105.61bn**

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 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 25.08 mn fkm to 34.75 mn fkm in FY25E. As part of its backward integration, HFCL is expanding its optic fibre capacities from 10 mn fkm to 33.9 mn fkm in FY25E. The Capex stood at INR 80cr in Q1FY24 and Capex is expected around INR 350cr in FY24E. The Capex is expected to be around INR 900cr – INR 1,000cr for OF & OFC capacity and setting up new facilities for telecom and networking products and continued R&D over the next 2-3 years. Optical fibre capex is around INR 470cr, Post capex, more than INR 150cr additional revenue is expected on yearly basis. Out of INR 900cr – INR 1,000cr capex, the company has been granted to avail incentives up to ~INR 652cr under the PLI scheme over the next 4 to 5 years. The phased capacity expansion will increase competitiveness and help to reduce operating costs which is expected to result in an increase in margins and profitability.

Witnessing traction on exports: Exports revenue stood at INR 176cr (+156% YoY). The exports revenue share stood at 17.1% in Q1FY24. The company is catering to more than 80 clients in more than 40 countries. Exports order book stood at INR 250cr, majorly from telecom equipment. The company is targeting export revenue of INR 1,300cr – INR 1,500cr in FY24E. HFCL has focused on building global customer relations, strengthening export footprints over the next 3 years, and emerging as the largest global player.

Focused on telecom & defence product portfolio expansion: HFCL has focused on telecom products expansion, especially margin accretive products leading to an increase in product revenue share from 31% (Q1FY22) to 67% in Q1FY24. Telecom and 5G products revenue is expected between INR 350cr – INR 400cr in FY24E. Out of INR 400cr, INR 200cr revenue is expected from 5G. Margins are expected around 18%-20%. Defence tenders are expected for electronic fuses and others. Software defined radios are under development and revenue is expected from FY25E onwards. The change in product mix will improve the working capital cycle going forward.

Outlook & Valuation: HFCL has a strong order book of INR 6,600cr (~1.4x of FY23 TTM revenue) and regular order inflows in Telecom products. The increase in telecom products revenue along with ~20 margins will improve business and profitability going forward. Exports revenue is expected to grow more than 1.5x backed by strong demand; Post telecom products and OF capex, additional revenue is expected around INR 800cr – INR 1,000cr and more than INR 150cr per annum respectively. HFCL has focused on strong exports, capacity expansion, product portfolio expansion, and a strong client base would drive the business going forward. We maintain a "BUY" rating with a Target Price of INR 112 per share based on DCF.

Nuvoco Vistas Corp Ltd**CMP: INR 365 | Mcap: INR 130 bn**

Nuvoco is one of the largest cement companies and concrete manufacturers in India with a consolidated capacity of 22.32 MMTPA with a strong footing in east India region. It is a part of Nirma Group, which is a diversified conglomerate that manufactures products ranging from chemicals to detergents, soaps, healthcare products, and real estate development. The Nirma Group forayed into the cement business in 2014 through a greenfield cement plant in Nimbol. It has 11 cement plants comprising 5 integrated units, 5 grinding units and 1 blending unit along with Ready-Mix Concrete business in India having 53 plants with PAN India presence.

Key Highlights

Demand: Cement demand in East and North witnessed strong growth on YoY basis Demand was primarily driven by government initiatives in the infrastructure and housing segments expected to moderate in near term due to monsoons and expected to go up post monsoons. East Bihar and Jharkhand witnessed strong growth by demand in West Bengal continues to remain depressed.

Realisations: East cement prices were on a decline till the mid of the quarter which eventually started recovering as the quarter progressed Pan-India prices marginally reduced by 0.7% QoQ.

Cost scenario Power and fuel cost at INR 1219/t down by 10% YoY/12% QoQ led by a reduction in Power & fuel cost on account of softening in pet coke and coal prices.

RM cost at INR 636/t up by 13% YoY, raw material costs have increased led by rise in slag prices

Distribution cost at INR 1575/t up by 4% YoY due to the busy season surcharge on rail freight

Net debt at INR 4506cr up by INR 92cr QoQ and by INR 283cr YoY due to working capital requirement and seasonality of the business. The company is targeting to reduce debt levels and get to the level of INR 3500-4000cr in 8-12 months.

The company's **trade share** stood at 73% up by 1% Yoy, **premium products** contributed significantly, with a 37% share of the company's cement trade volumes in Q1 FY24 up by 3% YoY.

The Company achieved an **alternate fuel rate** of 11.2% in Q1 FY24, an improvement of 5.2% YoY

Expansion: The debottlenecking at the Risda Cement Plant has been completed during the quarter, while the cement expansion at Haryana Plant and debottlenecking at Nimbol Cement Plant are scheduled to be completed by September 2023 which will help to establish a stronger presence in the North. Expansion at Haryana of 1.2 MMTPA is on schedule for commissioning in Sep' 23, which will take the Company's cement capacity to 25 MMTPA. Railway sidings at Odisha and Sonadih is proceeding as planned; operations to commence from Q4 FY24. Gulbarga green field project will happen once the company achieves its debt reduction targets.

Demand drivers: The scheme of INR 8,000 Cr. for the Smart Cities Mission and INR 19,518 Cr. for metro projects allocated by the Government for FY24 will bring in lot of incremental demand. Road projects under Bharatmala Pariyojana Phase 1 - 66% of the total 34,800 km targeted for award by FY24 to FY25 and Phase 2 - Tender for 5,000 km costing 3 lakh Cr. expected to begin within FY24 will bring in lot of institutional demand.

Outlook & Valuation: At **CMP of INR 349**, the stock is trading at **EV/EBITDA multiple of 10.3(x) and 8.4(x) to its FY24E & FY25E** which we feel is an attractive valuation considering its strong brand, size, and position in East India. Going forward, macroeconomic indicators exhibited a positive outlook due to strong housing demand and government-led infrastructure development projects. The company's focus on internal levers and operational efficiency coupled with stabilizing fuel costs will help in margin improvement. Further, the company's capacity expansion plan and optimum capacity utilization at the company's facilities will also help serve incremental demand. Declining finance costs led by debt repayments should support profitability. We expect EBITDA/t to increase by more than INR 130/t on a full-year basis for FY24. **We value the stock at an EV/EBITDA multiple of 10.2(x) to its FY25E EBITDA to arrive at a target price of INR 444, an upside of 27.1%, and maintain buy rating on the stock.**

Hariom Pipe Industries Ltd**CMP: INR 570 | Mcap: INR 1,784cr**

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.

Key Highlights

Integrated Nature of Operations leads to cost effectiveness: The Iron ore is purchased from an auctioned platform and converted into sponge iron at Unit II manufacturing plant which is located in Anantapur Andhra Pradesh The sponge iron are transmitted to Unit I manufacturing plant which is located in Mahabubnagar to make finished steel products The company has using ore to produce sponge iron which is then processed across various stages to manufacture final products This helps to MS Pipes and Scaffolding manufacturing process cost effective The cost effectiveness are yielding better margins compared to other players.

Acquisition will accelerate growth: The company has entered an asset transfer agreement with R.P.Metal Sections to acquire an operating galvanized pipe mill plant at Perundurai in Tamil Nadu. The acquisition will add capacities, products and geographical expansion going forward.

Distribution model enables margin benefits: The material is sold to dealers and sub dealers instead of stockists, Stockists generally sell to dealers that sell to sub dealers by adding their own margins This gives the advantage of providing proper material as per requirements to the dealers, plus they also get to keep the margin benefits The dealer network comprises 200 distributors, with 1,500 selling points in south India.

The installation of solar will lead to a reduction in power cost: The company has initiated the process of installing rooftop solar power generating units in the upcoming expansion plants. The pipe mill power requirements will be met through the units, and are expected to save 4.5 mn units of electricity annually.

Outlook & Valuation: HPIL has witnessed a strong revenue growth with good volumes in ERW steel pipes. Strategically located plants with integration, competitive pricing, cost effectiveness, expanding presence, experienced management, and capacity expansion will drive growth going forward. The acquisition of R.P.Metal will bring additional revenues too. At the CMP of INR 413 per share, the stock is trading at 7.6x of its FY25E EPS of INR 54.7. We are valuing stock at 12x of FY25E EPS, and arrived at price objective of INR 657, an upside of 59.1%. On our price objective of INR 657, stock would trade at 6x FY25E EV/EBITDA. We maintain our “BUY” rating on the company.

Datamatics global services ltd**CMP: INR 573 | Mcap: INR 33.79 bn**

Datamatics Global Services Ltd is a global provider of Information Technology (IT), Business Process Management (BPM) and Consulting services. The Company provides business aligned next-generation solutions to a wide range of industry verticals that help enterprises across the world overcome their business challenges and achieve operational efficiencies.

Key Highlights

In Q1FY24 the company reported growth of 19.6% YoY and EBIT growth of 49.2% YoY. Revenue mainly generated from Digital Operations, Digital Experience, and Digital Technologies segments.

The company Lower margins due to investments in R&D and sales and marketing.

added 14 new customers in Q1, mainly in the US and European markets, 58% YoY increase in the active pipeline.

The company plans to focus on hyperscalers like Microsoft, Salesforce, and AWS.

AFC Business: AFC business performing well, confident in winning new deals in the future.

Digital Technologies Segment: Combination of product and services, Lower margins due to investments in R&D and sales and marketing.

Expects growth in the **Hyperscaler Market** in future.

Bajaj consumer care ltd

CMP: INR 230 | Mcap: INR 33.24 bn

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. Some of its product names are Bajaj Almond Drops, Bajaj Coco Onion, Bajaj Coconut Oil, etc.

Key Highlights

- The company reported a healthy recovery with double-digit growth on the top and bottom lines coupled with margin expansion owing to softening LLP and RMO prices. Revenue from operations saw a volume-led growth of 14.3% to INR 249.41 Cr. GM was 55.4% vs 57.9% in Q4FY22. EBITDA Margins were 16.7% vs 15.9% in Q4FY22. PAT grew 13% to INR 40 Cr vs INR 36 Cr in Q4FY22.
- **Sequential improvement is visible:** Though the market is facing a volume degrowth overall, there are signs of volume recovery in urban markets, and volume slowdown in rural markets has declined sequentially. The market decline is recovering.
- **RM price trajectory:** LLP is down to INR 81/ kg vs INR 87 in Q3 due to subdued demand. RMO is also down to INR 125/ Kg vs INR 87 in Q3 owing to a good harvest. This reduction should reflect on margins from Q1FY24 onward. Prices are now less volatile and more range bound.
- **Upcoming product launches:** The company has planned many NPDs on the almond side as well as the rest of the portfolio for the next year to be inclusive of hair care, skin care, and personal care. Any new product launches will not be margin dilutive.
- **Margin expectations:** They have planned for FY24 to have a similar margin profile as Q4FY23 and noticeable margin expansion will follow in FY25. In the medium term, they will remain in the 18-20% range. GM will be maintained at 40-45% for new launches.
- They are now present across 8.5 lakh outlets of which 6.5 lakh are direct and the rest are van sales in rural areas. During the year they added 50,000 more points but the quality of distribution has improved.
- Over the next 5 years they expect a 2-digit growth rate YoY
- They will be focusing on pushing different product offerings across different geographies for NPDs
- The tax rate for FY24- FY25 should be similar to what it is for FY23.
- Wholesale loyalty programs are implemented from a long-term perspective and have led to strong ADHO volume growth. Since ADHO pricing is similar across the country it helps build wholesaler faith. Retail programs are more occasion focused. More NPDs will be moving into retail now and the channel will be seeing strong product activations. The share of wholesale- retail- rural is 25-25-50.
- There is some cost restructuring expected by the company to improve efficiencies.

Outlook: This year, BCC saw healthy top-line growth and margin expansion on a low base. However, there was a visible recovery in volumes toward the end of FY23 which is promising. RM price correction, a superior product mix, and the growing distribution strength will lead to investments in advertising to pay off in FY24 onward. As they continue to lower the ADHO reliance in exchange for NPDs, we expect them to steadily gain market share across the addressable market.

Insecticides India Ltd.**CMP: INR 471 | Mcap: INR 13,930 Mn**

Insecticides India Limited (IIL) is one of India's leading manufacturers of Agrochemicals. IIL provides farmers with a range of products for their crop protection requirements. They manufacture agrochemicals (technicals and formulations) and biological and household products. They cater to the Indian market, where they directly sell to the end consumer, and also sell technicals and formulations to the companies who are in the business of formulation. They export to 30 countries with over 100 customers through registrations. IIL has more than 75 registrations so far. Some of its key brands are Pulsor, Green Label, Hercules, Kunoichi, Dominant, Lethal Gold, and KK Pro.

Key Highlights

Diversified Portfolio of Products: The Company had recently launched four products: Hachiman, Oxim, Tory and Shinwa to further bolster its market share. Some of its key brands are Pulsor, Green Label, Hercules, Kunoichi, Dominant, Lethal Gold, and KK Pro.

Market Presence and Distribution Network: The Company has six formulation plants, two technical synthesis plants, and one biological manufacturing plant. It aims to increase its technical manufacturing capacity by nearly 50% at its Chopanki (Rajasthan) and Dahej (Gujarat) plants. It has 4 technologically advanced research and development (R&D) units helping the company to develop a comprehensive range of agrochemical products. It has a distribution network of 380 SKUs, 6,000+ distributor connections, and 70,000+ dealer and retailer connections. It exports its products to over 22 countries across the world.

Strategic Tie ups: It has entered into a JV with OAT Agrio Company Limited, Japan for innovation and the discovery of new molecules, as well as the marketing of its specialty products. It has also tied up with Nissan Chemical Corporation (Japan), Momentive (USA), and Nihon Nohyaku Company Limited (Japan) for the marketing of its specialty products.

Investing in Technology and Capex: The company is upgrading its technology systems, including ERP, BI dashboards, and CRM. Capex plans include spending about INR 150 crores in the next 2 years for site expansion and plant upgrades. The company is considering establishing a biological plant either in Chopanki or Sotanala.

Outlook: Management expects increase in topline by 10%-12% in FY24 driven by addition of new generation products and adding significant number of product registrations in the export market. EBITDA Margin is expected to stay within a corridor of 9%-10%. It is targeting a 20% CAGR in the next 5 years and expects to deliver it through R&D, registration, and capacity expansion. It has started witnessing positive signs from the export market such as receiving multiple orders from the dealers, stabilization and upward movement in prices of raw material. They are actively seeking over 300 registrations in Europe, Latin America, and US markets.

JTL Industries Ltd**CMP: INR 211 | Mcap: INR 35.58 bn**

The company is engaged in manufacturing and supplying of steel tubes, pipes and allied products with manufacturing facilities in India.

Overview: Company delivered a superior topline (and volume) growth, however, margins declined QoQ due to fall in RM price (steel) domestically and globally, increase in supply of Chinese steel and RM volatility. Company faced inventory loss during the quarter as well (quantum not disclosed). However, company feels the steel prices have bottomed out and should gain back momentum post monsoon. Company is confident of delivering 35% value growth (30% volume growth) till FY25.

Key Highlights**Capacity and Capex:**

- Company currently has capacity of 586,000 tonnes which it will take to 1,000,000 tonnes by FY25 (750,000 tonnes in FY24).
- JTL will add a total of 414,000 tonnes capacity in next two years out of which 200,000 tonnes of the capacity will be DFT.
- Company has 100 acres of additional land for brownfield expansion after reaching 1 Mn tonnes. The next goal after reaching 1 Mn tonnes of capacity (by FY25), company aims to add another 1 Mn tonnes to capacity.

Fund raise:

- Company allotted warrants worth INR 4 Bn in January 2023 (convertible 1:1)

Operational Metrics:

- Q4 was one off quarter due to good VAP orders at better margins. Hence comparing to Q1, numbers look weak in EBITDA per tonne and volume side.
- Inventory loss due to correction in pricing in markets. Spread between Primary and Secondary market spread is INR 5-7/Kg. Secondary market prices fell substantially during Q (more than 20%).

Exports:

- Company currently exporting to Europe, UK, Africa and Australia. Planning to enter USA and Canada (especially with DFT).
- High diameter, square and rectangular pipes don't attract duties, company is entering this segment with expansion.
- Current range which company serves is 0.5-10 inches.
- Company aims to increase exports contri to 15% (from current 7-8%).

Other KTAs:

- 42% of volumes during quarter was VAP, company aims to reach 50%.
- 90% of exports volume is of Galvanised pipes.
- Galvanised pipes have EBITDA per tonne of INR 7,500-8,000/tonne.
- 94% of total volume in Q1 was in domestic markets.

Outlook: Company has guided for 350,000 tonnes volumes in FY24 (240,316 tonnes in FY23) and EBITDA per tonne of INR 4,500-5,000. Company feels the steel prices have bottomed out and should gain back momentum post monsoon. JTL Industries is confident of delivering 35% value growth (30% volume growth) till FY25. Post that, company will keep growing in capacity till they reach 2 Mn tonnes. This will result in a lengthened high growth phase. At CMP, company trades 21.3x TTM EV/EBITDA.

Accuracy Shipping Limited

CMP: INR 8.95 | Mcap: INR 1,350 Mn

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.

Diverse Revenue Mix and Industry Presence: Accuracy Shipping Limited (ASL) showcased a resilient revenue mix, emphasizing its diversified business strategy. Clearing & Forwarding services remained a significant contributor, while ASL's focus on diversification led to a decreased reliance on Marble & Granite, which stood at 43% for FY23. ASL actively explored industries like Paper, Textile, Glass, and others, collectively contributing around 30% of the FY23 revenue. Q1 FY24 witnessed a surge in revenue from the rubber sector at 29%, with the marble sector maintaining a strong 34%. ASL's strategic expansion and diversification efforts across sectors have resulted in a positive outlook, with a growing emphasis on new revenue streams. Additionally, ASL's vertical for the sale and repairs of Heavy Commercial Vehicles (HCMVs) exhibited substantial growth, reflecting the company's successful diversification strategy.

Outlook: Accuracy Shipping Ltd (ASL) has embarked on a strategic path to diversify and augment its revenue streams by introducing multiple new services. This initiative aligns with the company's optimism regarding the substantial contribution of these diversified services to future revenue growth. Furthermore, ASL is proactively expanding its presence in various industries such as Paper, Textile, Glass, and other sectors. This diversification strategy aims to reduce the company's reliance on its core sectors, namely Marble & Granite and Ceramic Tiles. ASL anticipates a steady improvement in margins, with prospects for further enhancement. This improvement is expected to positively impact the overall EBITDA of the company, reflecting its commitment to sustainable growth and resilience in a dynamic market landscape.

CIE Automotive India Ltd**CMP: INR 490 | Mcap: INR 186.06bn**

CIE Automotive Ltd is engaged in the business of production and sale of automotive components of original equipment manufacturers and other customers in India and overseas. The company is engaged in Forging, Aluminum casting, Stamping, Foundry, Magnetic products, Composites and Gear products. The company has 31 manufacturing facilities including 8 manufacturing facilities in Europe and 1 facility in Mexico. The company has global client base including M&M, Maruti Suzuki, Hero, Bajaj, TVS, Ford, Renault, Ashok Leyland, Hyundai and others.

Key Highlights

Electrification gaining momentum in India: The adoption of electrification of powertrains and the EV order portfolio has rapidly increased in Europe, capturing an MS of >10%, and is also gaining momentum in India, particularly in 2w&3W and Spanish car forging manufacturing plants. The company has received orders for CIE Forgings used in battery packs and aluminum forging parts for Chassis, as well as orders from a couple of U.S. OEMs for EBIT transmission parts at Italian plant. These orders are expected to offset any potential revenue decline resulting from EV penetration. Overall, they are confident in their ability to remain agile, and seize future opportunities.

India & Europe business: The company's revenue showed a 4% YoY growth, but it was affected by a decline in 2w exports and changes in product mix. The EBITDA margin also improved, expanded by 150 bpd to reach 14.8% in Q2CY24. In the European business segment, revenue remained stable when measured in euros, primarily due to weaknesses observed at Metalcastello. However, because of the depreciation of the Indian rupee, there was a 6% year-on-year growth in revenue, amounting to approximately INR 8.9 billion. Additionally, the EBITDA margin in this segment improved significantly, expanding by 310 basis points to reach 17.8%, which was aided by reduced raw material and energy costs.

Capex: Capex for the H1CY23 was INR1.7 bn, largely focused on projects in India (90% in India). Overall Capex for H1CY23 was 5.4% and further will maintain 5-6% capex over the year. A large part of this capex is towards growth capex in India and Mexico. In Europe, the electrification of powertrains and EV order portfolio has rapidly gained traction, holding a MS of over 10%, and a similar trend is picking up in India, especially in 2w & 3w and Spanish car manufacturing plants.

Orders: The company has secured orders for CIE Forgings, aluminum forging parts chassis, and EBIT transmission parts at Italian plant, expecting them to offset revenue decline from EV penetration, and remains confident in their ability to seize future opportunities. They have secured multiple orders from German carmakers for EVs, including differential grounds and battery plates for trucks, with industrialization planned next year, aiming to enhance their presence in the EV market, where currently over 1/3rd of new orders originate from EVs, with an anticipated increase in the future.

Valuations and Outlook: We believe CIEINDIA 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 & 2W better performance on the back of new model launches, and the company's strong free cash flow generation and minimal debt on the balance sheet. We value CIE Automotive India at a PE of 19x its CY25E EPS of INR 31.6 with a target price of INR 601 per share (Earlier TP: INR 490 per share). We downgrade our rating to Accumulate from Buy earlier on the stock.

Indo Count Industries Ltd**CMP: INR 239 | Mcap: INR 47,440mn**

Indo Count Industries Ltd (ICIL) is one of the leading global players on the textile front underlining on bedding products. It offers a comprehensive product portfolio in the premium segment that comprises of bed sheets, fashion bedding, utility bedding and institutional bedding. It is the largest manufacturer and exporter of bed sheets, bed linen, quilts from India while being the top bed sheet suppliers to the US in FY21.

ICIL is the end-to-end solutions provider in home textiles, with state-of-the-art manufacturing facility in Kolhapur, Maharashtra. The company has an installed processing capacity of 90mn meters and is planning to expand the capacity by 18mn meters to 108mn meters by de-bottlenecking and addition of few machineries. The Company has established itself as a preferred partner over the years, through its focus on innovation, branding and sustainability initiatives.

The Company has always placed its emphasis on enhancing customer experience by offering them innovative and value-added product portfolio. It sells products through marquee retailers like Walmart, Bed Bath & Beyond, etc. ICIL has showroom and design studios at New York (USA), Manchester (UK) and Dubai (UAE). Also, it has warehouses for retail and e-commerce fulfilment in USA, UK and India.

Key Highlights

International Business: The China plus one strategy is helping the company get better market share. The company is selling around 75% of its products in US, the company wants to focus on the non-US businesses and that's what the Indian government is also focusing on by bringing the FTA with EU UK, Canada, Australia, UAE and GCC countries, which will bring further growth in the future.

Guidance: The company can grow 15-20% and reach peak margins in the range of 16-18%. There will also be a heightened focus on debt reduction now that major capex (an amalgamation of PSML to bring in more spindles, expansion of the spinning capacity, and the GHCL acquisition) has been completed. Volumes will be in the range of 85-90mn meters. FCF generation will be higher from here on. Capacity utilization can touch ~60% up from the current 50%.

Growing share of value-added products: They target to grow the share of products like fashion & utility bedding (~19% of revenues targeted to become 30% in 3 years) as well as other licensed brands as they tend to be margin accretive. In addition to the 2 existing licensed brands, they are in talks with 2 additional brands.

Valuation & Outlook: The company is seeing a massive turnaround in its macroeconomic environment as the market returns to normalcy, and economies of scale will start to kick in from all the investments. The potential FTA with UK, EU, Canada, and the GCC could push growth over the company guidance. The GHCL acquisition has opened access to new customer bases, and they endeavoring to push the D2C and B2C branded business, as well as the fashion/ institutional/ utility bedding- all of which have high profitability. We expect recoveries above pre-pandemic levels in the medium-long term. We assign a TP of INR 288 valued at a P/E multiple of 15x the FY26E EPS of INR 19.18 and assign a BUY rating to the company.

Globus Spirits Ltd**CMP: INR 888 | Mcap: INR 25,510 Mn**

Globus Agronics Ltd, established in 1993, and later renamed Globus Spirits Limited, the company is a prominent player in the alcoholic beverage industry. It specializes in the manufacturing and distribution of Indian Made Indian Liquor (IMIL), Indian Made Foreign Liquor (IMFL), Bulk Alcohol hand sanitizer, and Franchise Bottling. Globus Spirits boasts a comprehensive 360° business model, encompassing the entire alcohol value chain and pioneering innovations like grain distilleries and branded DDGS in India. With distilleries in Rajasthan, Haryana, West Bengal, and Bihar, the company produces a wide array of spirits, including Rectified Spirit, Grain Neutral Alcohol (ENA), Value-priced Spirits, and Premium Spirits, ensuring quality and cost efficiency.

Key Highlights

Product Diversification: Globus Spirits exhibits a diverse product range across various price segments, featuring both established brands and new offerings. The company's strategic expansion includes recent product launches in the premium vodka and ready-to-drink categories. Notably, it is streamlining its highest-priced products under the umbrella brand "India Craft Spirit Company," showcasing its commitment to catering to a broad spectrum of consumer preferences and enhancing its market presence.

Strategic Focus on Steady Business and Growth: The company boasts one of the widest brand portfolios in the country, encompassing price points ranging from INR 100 per bottle to INR 2,000 per bottle. Their adaptable plant designs enable flexible adjustments in response to market demand, ensuring resilience against unforeseen disruptions. This approach has translated into stable quarterly results. As of the end of Q1, the company's installed capacity stood at 765 KL per day, with the commissioning of a second expansion in West Bengal in Q2 and the imminent commissioning of the first expansion in Jharkhand. Upon completion, the total capacity is projected to reach close to 900 KL per day.

Outlook: Globus Spirits anticipates a resurgence in the premium segment's growth in Q2, aligning with its emphasis on premium vodka and ready-to-drink products. Market expansion plans are set for Q3 and Q4, targeting Rajasthan and Jharkhand. Margin improvements and enhanced raw material availability are expected in Q3 and Q4, driven by the new crop season and ENA demand. While a short-term 1-2% margin decline is foreseen in the next 3-4 months, a return to Q4 and Q1 levels is anticipated from Q3 onwards. Disruptions have presented production challenges, potentially impacting the company's output by 40-50 lakh liters. In the Indian Made Foreign Liquor (IMFL) segment, the company aims to double its business this year, focusing on key states and portfolio expansion for sustained growth.

Alicon Castalloy Ltd.

CMP: INR 854 | Mcap: INR 13,760 Mn

Alicon Castalloy is a major player in the automotive industry, specializing in the production of various aluminum castings like cylinder heads, intake manifolds, and engine brackets. It is part of the Alicon Group and operates in 18 countries. Originally established as Enkei Castalloy Ltd in Japan, it was a joint venture between Pegasus Castalloy Ltd and Enkei Corporation, which is now known as Alicon Castalloy. The company runs one of India's largest aluminum foundries and excels in Low Pressure Die Casting (LPDC), Gravity Die Casting (GDC), and utilizes advanced technologies like Pro-Cast and Magma for casting development.

Key Highlights

Revenue mix and capacity utilization: The revenue mix is made up of 94% auto and 77% domestic. The company's manufacturing facilities were used at about 65% of their capacity. The company has successfully expanded its wallet share with Maruti by providing them with the new cylinder head. Additionally, there are ongoing constructive discussions with existing clients to incorporate more parts into their portfolios.

New orders and management's strategic priorities: The company recently received new orders totaling INR 1,100 Mn bringing the total amount of orders received to INR 85000 Mn, all of which are executable until FY28-29. While actively attempting to decrease debt and enhance working capital, management believes that fundamental changes in the business mix can improve the margin profile. The management's main priorities remain diversifying the product mix, increasing sales of higher margin products, cooperating with customers to implement price increases, sustained cost-reduction initiatives, and enhancing operational effectiveness across the business model.

Focus and expansion initiatives in the IC and E-Highway segments: The company is pursuing a number of strategies, such as a strategic focus on multiple growth avenues to scale strategic products in the IC business, addressing the opportunities from carbon-neutral technology (including battery electric vehicles, hybrid electric vehicles, fuel cells, and hydrogen cells). The company added the 17 new parts from which 10 parts for international and 7 parts for domestic business (from 6 customer). In E-highway segment added the new parts for European customer also added for domestic automation driving in commercial.

Outlook: The company aims to achieve a revenue target of 22000 Mn by the fiscal year 25-26, surpassing the previous target of 20000 Mn, supported by a CAGR of 16% over the span of three years. This growth will be driven by securing new orders and engaging in discussions with customers regarding innovative technology and solutions. Concurrently, the company is striving to attain an EBITDA margin of ~14%. Moreover, efforts are underway to enhance the balance sheet efficiency, which is expected to positively impact the return ratio.

Ashiana Housing Ltd**CMP: INR 199 | Mcap: INR 20 bn**

Ashiana's core business model is to buy land and turn it into a residential building and sell it. Inventories should be liquidated in a 5-7 year timeframe. The Co. operates in 4 residential segments namely - Kids Centric Homes, Active Senior Living, Senior Living Homes and Premium Homes. Ashiana ranks No. 1 in Senior Living Homes segment. The company has projects in the states of Rajasthan, Haryana, Jharkhand, Tamil Nadu, Maharashtra and Gujarat. Company launched 5 greenfield projects in Jamshedpur, Jaipur, Pune, Gurugram, and Bhiwadi; and 8 phase extensions in Chennai, Bhiwadi, Jodhpur and Gurugram.

Key Highlights

Geo mix is Jaipur - 38%, Gurugram - 18%, Jamshedpur - 14%, Bhiwadi - 13%, Chennai - 7%, Jodhpur - 6% and Pune - 4%.

Guidance The company has guided for 30% gross margins and ~INR 1500 cr pre-sales for FY24. The company has also guided PAT margins of 13-15% with 15% ROE expected on a blended basis.

Area constructed in Q1FY24 stood at ~0.43 msf as compared to ~0.38 msf in Q1FY23

Value of Area Booked recorded at 436.20 Crores (Q1FY24) vs INR 435.82 Crores (Q4FY23)

There are **5 projects** launched to be launched in FY24, out of that Ashiana Amarah 2nd phase launched in April, the project got very good response and the entire stock was sold with 224 units with a sales value of INR 290 cr. The company started handing over of Ashiana Daksh, Jaipur phase 2 with an area of ~0.22 msf.

Sales and Other income was recorded at INR 129.29 Crores in Q1FY24 vs INR 116.94 Crores in Q4FY23

PAT increased to INR 10.87 Crores in Q1FY24 from INR 10.38 Crores in Q4FY23

TCI also improved to INR 11.20 Crores in Q1FY24 from 10.51 in Q1FY23

The **average realization** is INR 6684/sq ft. up by 46.6% YoY/31.7% QoQ

Operating Cashflow has recorded at INR 83.15 Crores in Q1FY24 vs INR 22.59 Crores in Q4FY23 (FY23 at INR 84.85 Crores), aided by higher collection during the quarter. This quarter the cash flows were heavier as ashaina Amara collections came in this year and also there was lower amount of construction in this quarter.

Area booked till date is ~5.124 msf in total, 2.6msf to be delivered in FY24, 1.83 msf to be delivered in FY25, 1.35 msf area to be delivered in FY26 and 0.79 msf area to be delivered in FY27. Gurugram forms 17%, Pune 19%, Jaipur 23% bhiwani 13% and rest is jodhpur and Chennai of total area booked. Area booked was 6.53 lakh sq ft in Q1FY24 vs 8.59 Lakh Sq Ft in Q4 FY23.

Future projects The company has 14 forthcoming projects with SA area of 9.05 msf, includes bhiwani, Jaipur, gurugram and Chennai.

Gurugram The company mentioned that Gurgaon will play a key role going forward along with the senior living segment. Gurgaon lacks supply, which may fetch good prices in the medium term.

Outlook: The company has land banks from the period before the land prices started rising sharply, which will enable future projects to have healthy margins. This quarter the company has posted collections of INR 250cr and cash flows of INR 83 cr, going forward for coming years, the company expects to maintain run rate of INR 250cr of pre-tax operating cash flows.

Talbro's Automotive Components Ltd

CMP INR 944 | Market Cap INR 1168 Cr | PE: 14x (FY25e) | *TP: INR 1275* | Rating: Buy

The company has target to gain MS within India and by FY27 has intent to have group turnover of INR 2200 cr with export contribution of 35%. Margin will be 14-15% for all the business by FY27

The company focus is to reduce debt.

The company is not seeing any downside from US & Europe even getting good traction from these regions. Only few slowdowns from JLR and BMW but no hindrance in short term.

The historical 8-year average EBITDA-to-cash flow conversion from operations was 65%, but it decreased to 55% in the last 3 years due to prolonged payment cycles of 100-150 days from export customers, resulting in higher capital lock-up as exports grow

The company has bought 2 warehouse one in Italy 2 and another in UK. 1 in US.

Key Highlights

Projections for the division: Significant growth is being driven by the forging division, INR 220 Cr last year and target INR 504 cr+ for the next 4 year. MM INR 200 cr last year and targeting to INR 700 cr for the 4 years. Heat shield INR 423 Cr and target to INR 700 cr next 4 years. Marugo is INR ~84 Cr and target to INR 204 cr in next 4 years. So all business is growing. MM target to improve EBITDA margin 13.5%-14% by FY27 Marugo EBITDA 13% by FY27 The company is also adding new customer.

Industry: Domestic automotive is seeing double digit as higher turnover last year and demand is very strong. Last year industry achieved 5.6 lack turnover with growth of 33%.

Semicon and supply chain issue all resolved. Exports are demonstrating robust growth, and there's a notable upswing in the domestic aftermarket as well. Furthermore, significant investments from the government, driven by the election year, align with the broader trend of India's youthful population embracing a consumption-oriented economy. 2W is showing some positive sign. Enhancing Exports and reducing imports 30% of total imports.

Order: TACL has received new multi years orders over INR 1,000 crores from both, domestic and overseas customers across its business divisions, product segments and JVs. These orders are to be executed over a period of next 5 years covering the company's product lines — gaskets, heat shields, forgings and chassis. These orders will help the increase their share with existing customers and new customers across geographies thereby gaining market share in coming years. Orders received from a leading established export OEM for the EV for over INR 250 cr which is 21% of total order is going for the Ev as well as export.

Divisions: The revenue generated from the heat shield amounted to INR 122 Cr, showing an increase from INR 106 Cr in Q1FY23. Similarly, the revenue from the EV segment was INR 31 Lakhs. Nippon Leakless achieved revenue of INR 23 Cr, marking a growth of 5% YoY compared to INR 22 Cr in Q1FY23, with HeroMoto and Honda being the primary contributors to this growth.

Talbro Automotive Components Ltd

CMP INR 944 | Market Cap INR 1168 Cr | PE: 14x (FY25e) | *TP: INR 1275* | Rating: Buy

EBITDA for Nippon Leakless stood at INR 22 Crores, representing a notable increase from INR 18 Crores in Q1FY23, reflecting a growth rate of 22%. In the Forging division, the revenue reached INR 64 Cr, surpassing the INR 48 Cr recorded in Q1FY23. The EBITDA for this division also displayed growth, standing at INR 11 Cr compared to INR 7 Cr, marking a growth rate of 17%.

JV: Marelli Talbro Chassis Systems Pvt Ltd Components achieved a revenue of INR 57 Cr, experiencing a growth of 27% YoY from INR 45 Cr in Q1FY23. The corresponding EBITDA was INR 6 Cr, up from INR 4 Cr in Q1FY23, showcasing a growth rate of 44%.

Talbro Marugo Rubber Pvt Ltd showcased significant growth, with revenue reaching INR 30 Cr, a significant increase from INR 17 Cr, signifying a growth rate of 76% YoY. The EBITDA for this segment stood at INR 3 Cr, marking a significant growth from INR 1 Cr, representing a growth rate of 230% YoY.

All set for the strong FY24 with all concerns addressed.

The company is getting direct order from the EV manufactures for the gasket division.

The company has good order from Kia Hyundai and Maruti in heat shield.

Lot of traction from overseas market and discussion on off highway segment OEM UK and car maker in UK. In this segment EV is contributing INR 4.8 cr.

JV has done very well in term of top line and margin.

The company's 2&3w contributing 20% of the revenue, PV is 31% as Maruti and Tata leading the way. HCV& LCV contribute 25% of the revenue and Agri and tractor 10% of the revenue.

JV Marugo Rubber which supply E20 bushes to Maruti. Its setup a new facility in bawal and take up the capacity INR 300 cr.

Q1 Export contribute 14% of the gasket revenue, 54 % of the revenue of the forging, 19% MM and 4% exports from talbro rubber.

Chassis large order from Tata, Maruti and JLR.

China plus one strategy doing well for the company.

Capacity Utilization: 90% for Gasket, 82% for Forging, ~85% for Chassis, and ~90% for Marugo.

Capex: INR 204 cr plus in all he division in next 4 years.

Outlook: The company aims for a substantial market share and INR 2200 Cr turnover by FY27, supported by robust export growth and strategic margins. Strong divisional growth helpful for its promising future prospects. We value the stock at a PE of 17x to its FY25E EPS of 75, which yields a target price of INR 1,275 per share. We maintain our Buy rating on the stock.

Creative Newtech Ltd**CMP: INR 517 | Mcap: INR 6.51 Bn**

They are distribution and marketing partner of Global IT, Imaging and Lifestyle brands catering to their distribution requirements through its omni-channel presence. The company has four business segments: FMSG, FMCT, EB, and FMEG.

Key Highlights

- Q1 FY24 results, the company reported total income of INR471.34 cr, growing 93.15% year-on-year. This was driven by strong demand for brands like Samsung, Cooler Master, Honeywell and ViewSonic, which is also supported by improvement in the EB segment.
- Revenue from EB segment grew by 168% year-on-year, accounting for 76% of the total revenue. The FMCT and FMSG segments grew 12% and 7.4% year-on-year, accounting for 14% and 10% of revenue, respectively. The quarterly EBITDA stood at INR9.91 crores as against INR7.66 crores in the previous corresponding period, an increase of 29.37% year-on-year.
- The EBITDA margin for the quarter stood at 2.1%, a decrease of 104 bps as compared to the corresponding quarter last year. A change in the product mix during the period has impacted the margin. The PAT for the quarter is INR5.88 crores as compared to INR4.03 crores in Q1 FY '23 and year-on-year growth of 45.98%. The EPS for the quarter is INR3.91.
- Capex: Newtech has plans to raise funds of INR40-50 crores to support the expansion of the Honeywell business. The company also aims to reduce inventory levels and overall working capital through manufacturing in India.
- The company added new brands to their portfolio, including Cricut and Razor, which have shown positive traction.
- Growing the Honeywell business: The Honeywell business is a good one to focus on, as it is a well-established and profitable segment. The company should invest in marketing and sales to grow this business further.
- Adding new niche brands in the FMSG segment: This is a smart strategy, as niche brands often have higher margins than mass-market brands. The company should carefully select new brands to add to its portfolio, ensuring that they are a good fit with its existing brands and that they have the potential to be profitable.
- Dropping brands that are not generating justifiable returns: This is a necessary step to improve profit margins. The company should identify which brands are not profitable and drop them from its portfolio. This may be a difficult decision, but it is important to focus on the brands that are generating the most revenue and profit.
- Focusing on brands with high margins and volumes: This is a good strategy to improve profit margins. The company should invest in marketing and sales to promote its high-margin and high-volume brands. It should also look for ways to reduce the costs of producing and distributing these brands.
- Improving duties and taxes receivables: This is a good way to improve cash flow. The company should work with its customers to collect duties and taxes more quickly. It may also offer discounts to customers who pay early.
- The raw material expense as a percentage of sales increased due to freight costs and shortages.

Outlook: The company showcased strong sales growth driven by FMCT and EB product segments along with high demand for brands such as Samsung, Viewsonic, Cooler Master and Honeywell in Q1FY24. going forward, the company Grow brand licensing line of business with long-standing association with Honeywell with extensive product portfolio, Expanding geographically in new countries and bring diverse product ranges across various consumer verticals such as gaming & lifestyle, to stay ahead of trends.

Foods & Inns Ltd

CMP: INR 173 | Mcap: INR 9,280 Mn

Foods & Inns Ltd (F&I), established in 1967, is a prominent player in the food processing industry, specializing in fruit pulps, concentrates, powdered spices, frozen vegetables, snacks, and medicated products. With a strong commitment to ethics, customer-centricity, and innovation, F&I has been a pioneer in India's food processing sector for over five decades. It boasts a turnover of USD 60 million, a dedicated team of over 500 employees, and a reputation as India's second-largest processor and exporter of processed fruit and vegetable products. F&I's sustained success is driven by its focus on sustainable integrated value chains and cutting-edge technology.

Key Highlights

Clientele and Market Presence: Foods & Inns Ltd has established a strong market presence, particularly in mango processing, where it holds a significant market share. The company's clientele includes major players in the FMCG industry, with prominent clients such as Coca-Cola and Pepsi. A substantial portion of its revenue is derived from the sale of fruit and vegetable pulp. Foods & Inns Ltd boasts an impressive client roster, featuring renowned names like Unilever, PepsiCo, Coca-Cola, Barr, Nestle, Kraft Heinz, Paper Boat, Riedel, Dohler, Lancor, Symrise, and Epigamia, among others. Notably, the company enjoys enduring relationships with clients like PepsiCo group and Coca-Cola group, which collectively account for approximately 28% of its sales in FY21, demonstrating their long-standing trust in the company's products and services. Geographically, Foods & Inns Ltd has a diverse market reach, with domestic operations comprising 61% of its business, while it actively exports to over 50 countries, including Europe, the Middle East, and the rest of the world (ROW).

PLI Approval: The company secured approval for the PLI (Production-Linked Incentive) scheme in the food processing industry, necessitating investment and a minimum 10% CAGR growth in sales (with incentives capped at 15% CAGR) from FY' 21-22 to FY' 26-27, based on FY'19-20 as the base year. During Q1FY24, the company received the first tranche of incentives amounting to Rs 9.71 crore under the PLI scheme for FY22, and it has successfully completed committed capex while achieving sales revenue targets for FY22 and FY23, with total expected PLI incentives reaching approximately Rs 145 crore.

New Manufacturing Facility for Pectin: Pectin serves as a crucial ingredient in various applications, including beverages, jellies, smoothies, and jams, where it functions as a stabilizer for products and acids. Upon heating in the presence of a liquid, pectin expands and transforms into a thick gel. As part of its strategic initiatives, F&I is in the process of establishing a manufacturing facility dedicated to processing fruit waste, including mango waste, with the primary objective of producing Pectin, Oils, and Butter. The estimated cost for this venture ranges between Rs 8 to 10 crore, and the facility is slated for completion by September 2023. Notably, the Indian Pectin market is sized at approximately 2500 MT or ~ 300 crores, underscoring the significant growth potential in this segment.

Outlook: The company is poised for dynamic growth with a clear objective of achieving over 20% volume growth while strategically 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. Furthermore, there are currently no intentions for additional equity raising, underscoring a commitment to sustained operational growth and financial stability.

DC Infotech & Communication Ltd**CMP: INR 150 | Mcap: INR 1,800 Mn**

DC Infotech & Communication Ltd was founded in April 1998. The company provides innovative networking, security products and solutions by utilizing the latest technology know-how. DC Infotech stands at the forefront as a prominent provider of tailored network and security solutions. These encompass a wide spectrum of offerings, including but not limited to IT products, networking solutions, data and cyber security, surveillance systems, wireless solutions, broadband services, digital signage, firewall protection, and unified communication solutions, among an array of other services.

Key Highlights

Expanding Horizons: The company's forward momentum has been substantial in the past year, exemplified by the inauguration of a new branch in Surat, Gujarat. Additionally, DC Infotech has forged a strategic partnership with Array Networks, based in California, securing orders for their value-added security product line from three prestigious new clients. In a significant move, the company has entered into a distribution agreement with Versa Network Inc., winning the mandate for India and the SAARC region. The networking solutions and products continue to comprise 70% of the company's core business.

Robust Order Book and Prospects: The company typically secures orders with a duration spanning 3 to 5 years, and presently, their order book stands at INR 10 crores. The Netscout brand achieved an impressive INR 50 crores in executed orders over the last year, with an additional INR 10 crores worth of orders awaiting fulfillment.

Market Potential and Competitive Advantage: The current market scope for the company's solutions within the domestic landscape is approximated to fall between INR 40,000 to INR 50,000 crores. Interestingly, the company's competitors, while active in related sectors, do not directly align as like-for-like adversaries due to their distinctive array of offerings spanning networking, unified communication, and security software domains. It's the company's expertise and profound knowledge in these specialized realms that bestow upon them a distinctive competitive edge in the market.

Technology Collaborations: DC Infotech has established partnerships with a total of 12+ business associates. The company has forged significant alliances with prominent names such as D-Link, Netgear, Samsung, Sonicwall, Netscout, and Zscaler. Additionally, the company is diligently advancing its capabilities in technologies such as OCI (Oracle Cloud Infrastructure) and DLP (Data Leak prevention) within the networking security domain.

Outlook: The company harbors ambitions of achieving a significant milestone by becoming a INR 1,000 crores company within the next few years. While the company's primary focus remains on the Indian market, they are actively exploring potential overseas ventures and are engaged in ongoing discussions with product and solution companies regarding international expansion. Anticipation is high for the interactive panel, expected to serve as a growth catalyst in the latter half of the year. The emergence of Adani's cloud infrastructure in India is poised to intensify competition within the cloud and data center sectors.

Allied Digital Services Ltd**CMP: INR 133 | Mcap: INR 7,350mn**

Allied Digital Services Limited (ADSL) is an IT services company. Providing services of designing, developing, deploying digital solutions, and delivering end-to-end IT infrastructure services, Enterprise applications, and Integrated solutions. The companies registered office is in Mumbai and it has a presence in India the USA, UK, Singapore, Australia and Finland. Revenue from global customers is ~65% and 35% from domestic.

Key Highlights

Experienced Management and wide range of services: It has subsidiaries in eight different countries and operates in more than 70 nations. A skilled and knowledgeable senior management team, adequately supported by a solid line of mid-level managers, oversees the group's activities. Over the years, the business has built solid relationships with reputable clients and suppliers thanks to the management's significant experience. With an established track record and knowledgeable management ADSL, which was founded in 1984, has a well-established track record of operation spanning more than three decades in the IT services sector.

Pioneer in offering smart city solutions: The company is a pioneer in offering Smart City Solutions to Indian State Governments. As a systems integrator, the business has completed numerous Smart City projects in the past in cities such as Pune, Aurangabad, Rajkot, and KalyanDombivli. We think that over the medium term, the organization will be helped by the management's expertise and reputable clients in lowering its business risk profile. In the current year the company has bagged 5 new Smart City projects in Solapur, Lucknow, Amritsar, Sultanpur and Jalandar.

Strong operating performance: Cloud services, cybersecurity, smart city solutions, infrastructure management services, software solutions, and workplace management services are the current six main revenue streams for ADSL. The group's operating performance has increased steadily, with sales increasing by 35% year over year. In comparison to FY2021, the group's revenue increased to INR 4840 Mn from INR 3580 Mn. The increase in revenue is the result of a greater demand for IT services and solutions on a global scale as a result of businesses reopening. ADSLs operating margin increased from 12.6% in FY2021, to 14.5% in FY2022. Increased operational scale and careful cost optimization by the business are key drivers for the improvement in operating profits.

Strong order book: The company has INR 20 Bn order book on a consolidated basis. The company has unexecuted order book about 16 bn, which gives strong revenue visibility for the near to medium term.

Outlook & Valuation: The company is resilient on the financial front and has strong management to drive future growth with a good client base. Factoring in the above driver, we believe that the company will perform better going ahead. we expect ADSL to achieve more than 31%/ 23% CAGR growth for revenue/ PAT for the next three years. At a CMP of INR 73, ADSL is trading at a PE of 5.2x/4.5x to its FY24E/FY25E EPS of INR 14.1/16.3. We have a positive outlook on the stock.

Welspun India Ltd

CMP: INR 123 | Mcap: INR 123.93bn

Welspun India Ltd (WIL) is one of the world's leading home textile players and the largest exporter of home textiles from India, with a distribution network in 50+ countries. About 90% of their products are sold globally, with 65% + of production to the US, 20% to Europe, and the rest to the Middle East, Australia, and Japan. In India, they have an omnichannel presence through stores, online marketplaces, and D2C sites. The Company offers home and advanced/ technical textiles products and flooring solutions to top global retailers. It has a dominant presence in the towel and bed linen market.

Key Highlights

Increasing share of emerging businesses: The emerging businesses of advanced textiles and flooring have seen a strong pick up in Q1FY24: Advanced Textiles +11% YoY, and Branded Flooring +33% YoY. The flooring business is seeing an increase in demand from big-ticket players in the US and UK, and domestically from the institutional and commercial segments. During the quarter, the Flooring business recorded its highest ever revenues at INR 2,251 Mn, while the Textile business registered a growth of 10% YoY at INR 20,376 Mn.

Major international retailers destocking spurs a significant uptick in demand: Previously faced with huge inventory hang-ups due to the global container shortage (over-ordering by retailers to avoid facing inventory shortages), major retailers are now seeing their inventories liquidate as container availability improved which has led to a resurgence in demand from key geographies.

Significantly lower commodity input costs and an uptick in consumer confidence: The four C's: Container, Coal, Cotton, and Consumer are starting to see better days. Container availability has improved, and the coal prices are also correcting. Consumer sentiment has also started to improve as retailers empty their inventories. All these factors which impacted margin in the previous quarters have to a large extent corrected.

Recovery in home textile business: The home textile consumer business, which reached a breakeven EBITDA in the last year posted a marginal post positive EBITDA for the first time, operating cash flows from the domestic business continued to improve due to efficient use of capital employed as a result of bringing down the net working capital and continuously inventory reducing from 80 days to 71 days of debt which has now reduced from 80 days to 53 days from Q1FY20 to Q1FY24.

Outlook and Valuation: The company has been focusing on increasing the share of WAMIL & the retail segment as they are highly margin accretive. We reasonably expect a growth of 10-12% on the top line and EBITDA Margins of 15% on a consolidated level. The home textile business will maintain normal margins in the range of 17-18%. Supported by lower RM prices, the growing Retail /New business share in overall sales will lead to rerating of the stock. We maintain a Buy rating and value Welspun India at a PE of 20X to its FY25E EPS of INR 8.3, which yields a price target of INR 166.

Vardhman Special Steels Ltd

CMP: INR 206 | Mcap: INR 16,740Mn

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

Expansion and Capacity: The company is strategically opting for voluntary shutdowns as part of its initiative to enhance its rolling mill capacity. Concurrently, management is prioritizing the consolidation and fortification of the organization's systems and processes.

Government Incentives: It qualifies for PLI benefits and anticipates an inflow of INR 25-30 cr over a span of 4-5 years.

Increasing Capex: For FY24, it is expected to range between INR 30-40 Crores. For FY26, it plans to allocate ~INR 300 Crores. It also intends to invest ~INR 50 Crores to acquire two land parcels for covered material storage and the addition of an empty line, as well as for storing raw materials and scrap.

Sustainability: VSSL is committed to sustainability, actively working to lower its carbon footprint, a feat that currently sets it apart from competitors. To further this commitment, VSSL has plans to establish a solar power plant by the end of the upcoming financial year, aiming to reduce both power costs and its environmental impact. This proactive approach underscores the company's dedication to environmentally responsible practices and its contribution to a more sustainable future.

Outlook: The company is poised for a promising future with its focus on cutting-edge products, including patented steel grades tailored for EVs, hybrid, and conventional cars. Its robust in-house R&D capabilities, in collaboration with Toyota and Aichi, enhance its potential for approvals from major automotive players like Maruti Suzuki. VSSL anticipates an expansion of its customer base both in India and the ASEAN region while projecting a significant increase in exports from 5% in FY22 to an expected 20-25% by FY25. Environmental clearance for capacity expansion and forward integration into a specialized forging plant further solidify its outlook, positioning VSSL for sustained growth and competitiveness in the industry.

Sahyadri Industries Ltd**CMP: INR 439 | Mcap: INR 4,830mn**

Sahyadri Industries is engaged in providing building material products for interior and exterior building systems and roofing solutions. The company sells products under the brand names Swastik, Cemply, and Ecoopro through a network comprising over 3,000 distributors. The company is the first in the industry to offer Coloured Designer Corrugated Roofing Sheets manufactured using quality cement and fibre through the latest fibre mesh technology.

Key Highlights

Capex: The capex of INR 950mn for the Asbestos Corrugated Sheet is expected to be set up in Orissa. The installed capacity is around 1,20,000MT and is expected to complete by Q4FY25 and early FY26. The capex funding is expected through internal accrual and debt. The company is targeting eastern markets such as Orissa, Jharkhand, Bihar and West Bengal.

The capex of INR 950mn for Non-Asbestos Cement Boards is expected to be set up in Maharashtra. The installed capacity is around 72,000MT and is expected to complete by Q4FY25 and early FY26. The land is identified and acquisition is in progress. The capex funding is expected through internal accrual and debt. The company is targeting Western and North markets. There is a big gap in demand and supply for Non-Asbestos and capex is expected to cater going forward.

Post capex, the additional revenue is expected around INR 450mn to INR 500mn per annum.

Capacity and Utilization: The total capacity stood at 69,000MT and blended capacity utilization is 94% vs 85% in Q1FY23. The old capacity stood at 63,000MT and utilization stood at 97%-98%. The company added new lines and capacity stood at 6,000MT and utilization stood at around 55%.

Margins: EBITDA margins stood at ~12% vs ~19% in Q1FY23. Margins were impacted due to RM costs and there is no further increase from current levels. In the raw material mix, Asbestos stood around 50% and balanced from others. Roof margins are lower than boards. The single-digit EBITDA margin difference between Roofs and boards.

Valued added revenue share: Valued added revenue stood at 17%-18% of sales and the company is targeting a 25% share by Q4FY25. Demand scenario: In Q1FY24, demand was strong, and generally, Q1 is the best quarter. Q2FY24 is expected to mute due to seasonality.

Working capital days: Payables days stood around 30 days, Receivables are less than 20 days, and inventories are around 80 days. Extra inventories are expected to consume in Q3FY24 and inventories are expected to normalize in Q4FY24.

Price hike: The price hike stood around 5% to 6% in Q1FY24.

Outlook: Sahyadri Industries is expected to complete the capex in Q4FY25 and additional revenue is expected around INR 450mn to INR 500mn per annum. The price hikes and increase in value-added revenue share would improve the business and the normalization of inventories would improve the working capital cycle going forward. We have a positive outlook on the stock.

Shaily Engineering Plastics Ltd**CMP: INR 1,752 | Mcap: INR 16,150mn**

Shaily Engineering Plastics Ltd was established in 1987 and is engaged in the manufacture and sale of injection molded precision plastic components serving industries such as medical devices, home furnishing, Toys, Personal Care, automotive components in plastic and steel furniture.

Key Highlights**Pharma & healthcare business**

Pharma business which was driver for margin expansion would continue to do well and would post healthy growth going forward. FY23 was good for Pharma business due to addition of new customers specially in UK.

The company is expected to gain from all three products, Liraglutide, semaglutide and tirzepatide. These launches would give good earning visibility for the company going forward for next few years. The company is confident of delivering 45-50% growth (in FY24) in Pharma division and 30% CAGR for next 4 years.

Current demand will be from IP led business. Liraglutide and Semaglutide are the pens which will next triggers in revenue generation.

Company is currently into CRAMs and IP led business which constitutes 70:30 contribution of Pharma business. But going forward, 3-4 years down the line, the revenue shift will change significantly to 20:80 as IP led business will grow exponentially.

For FY26, company is planning to grow 60% in pharma business Company has recently installed 12 moulding machines in pharma segment. With this the total tally is up to 28 moulding machines. There is space to add another 24 machines in the future. Moulding machines have capacity ranging from 35-350 tonnes.

Toy business

Toy division continues to remain under pressure and facing huge competition from China and expected to fall in FY24 also. Steel division is expected to do better going forward and company is expected to reach full utilisation in Y25. Metal business has been working at 25-28% utilisation and should do break even at EBITDA levels on higher utilisation this year from losses.

Injector Pens: The company has sold 12 million pens this year and expected to post healthy growth. Auto injectors would add growth going forward which has higher realisations and margins. Company can do 14-15 million pens in FY24.

Carbon Steel: Company has capacity to produce 2,000 tonnes per annum. Company will achieve 60-65% utilization in FY24 and reach 75-80% utilization in FY25.

Outlook & Valuation: There is strong growth in the medical devices (Pharma and healthcare) segment. Company is constantly on strong footing to add new off patent products to their basket for medical devices. Growth opportunity looks ample. 2/3rd of Semaglutide pens filing has been done with Shaily's pen IP. This in itself is a big opportunity. Company has a strong emphasis on ESG as part of their customer acquisition is relied on their ESG practices. Going ahead, the domestic contribution will be at 35-40%. For FY24, company is confident of delivering strong growth, especially beating their conservative guidance. At CMP, company trades 41.9x TTM EPS. We are bullish on the company and their long term performance.

Krsnaa Diagnostics Ltd
CMP: INR 651 | Mcap: INR 20.44 Bn

Krsnaa Diagnostics Ltd provides a range of technology-enabled diagnostic services such as imaging, clinical laboratory, and teleradiology services to hospitals, medical colleges, and community health centers across India with an extensive network across non-metro and lower-tier cities and towns.

Key Highlights

The esteemed High Court of Rajasthan has ruled in favor of Krsnaa Diagnostics and TCIL, directing both entities to meet the stipulated conditions regarding additional performance security. In line with this judgment, the Authorities are also willing to go ahead with the Agreement and execute the project and no contest remains between the parties.

Guidance

- The company gave guidance of about 30%-35% topline growth in FY24 excluding Rajasthan and margins would maintain the same for FY24.
- The company expects the same growth or higher for FY24.
- The company expects that the Rajasthan facility will add INR 3 Bn in revenue in FY25.
- The company expects a margin of ~25-30% in FY25, mostly around ~28%

Performance Metrics

- Revenues came in at INR 1,396 Mn (+5% QoQ) (+24% YoY)
- EBITDA came in at INR 319 Mn (-9% QoQ) (+13% YoY)
- EBITDA Margins came in at 23% (-300 bps QoQ) (-200 bps YoY)
- PAT came in at INR 169 Mn (-11% QoQ) (+19% YoY)
- PAT Margins came in at 12% (-200 bps QoQ) (-100 bps YoY)
- The impact on EBITDA is due to the ongoing expansion activities due to the various projects underway whose revenue contribution is not commensurate to the expenses being incurred.

Pathology

- In Q1FY24, the company added 6 more digital pathology and 252 pathology collection centers.
- ~200 pathology collection centers will be added in July 2023
- 1 Radiology lab was added in Q1FY24.

Assam

- The company recently executed an agreement for an Assam pathology tender, encompassing 10 labs and 1,256 collection centers.

Other Highlights

- Presently, Krsnaa Diagnostics is poised to deploy 51 CT scan units, 2 MRI machines, establish 168 labs, and set up 3,705 collection centers, all under various contractual agreements.
- The revenue mix currently is 30% private and 70% Government.

Outlook: The company anticipates a positive trajectory in margins as these centers mature over the upcoming quarters. The core strategy is to set up and operationalize Home Collection Hub and Preventive Health check-up promotion in Two Phases. The company is currently trading at a PE multiple of 23.4x based on the trailing 12 months of EPS.

Meghmani Organics Ltd**CMP: INR 81.8 | Mcap: INR 20,800 Mn**

Meghmani Organics Ltd founded in 1986 as M/s Gujarat Industries and officially incorporated in 1995 as Meghmani Organics Limited, this company operates from six state-of-the-art manufacturing facilities in Gujarat, India. Meghmani Organics Limited has garnered international recognition as one of the top three producers of Phthalocyanine-based pigments globally, alongside ranking among the top ten pesticide manufacturers in India. The company's core expertise lies in the production of green and blue pigments, which serve as essential components in various industries, including printing ink, plastics, paints, textiles, leather, and rubber. Beyond pigments, Meghmani Organics Ltd boasts a wide-ranging portfolio of pesticides, catering to both crop and non-crop applications.

Key Highlights

Strategic initiatives for balance sheet strength: The company has adopted certain strategies such as cost rationalization wherein the management has proactively undertaken cost control measures, clearing the high-priced inventory, optimizing the working capital utilization, and enhancing the cash conversion cycle to maintain their balance sheet strength.

Progressing with 'Nano Urea' capex plan: Meghmani is making progress with its 'Nano Urea' capex plan. The company anticipates commencing commercial production of 'Nano Urea' in the fourth quarter of FY24. The plant, located in Gujarat, is designed to have an annual production capacity of 5 crore bottles, each approximately 500 ml in size.

Advancements in pigment and power plant projects: In the pigment segment, the company has successfully commissioned its Titanium Dioxide (TiO₂) plant, which is currently in the trial production phase. To ensure optimal operations, the capacity ramp-up will be executed gradually. The commissioning of the Co-gen Power Plant is anticipated to be completed by the third quarter of FY24. As of the first quarter of FY24, the company has utilized approximately INR 2,190 Mn in capex for the pigment segment. Looking ahead, Phase II of this project will be considered after the successful stabilization of Phase I, for which the company estimates a capex amount of around INR 3,250 Mn.

New Products: The company is making significant strides in its new product development initiatives. It anticipates commencing commercial production of Titanium Dioxide in the third quarter of FY24, with a focus on stabilizing its quality for eventual sales. The company is actively promoting the demand for Nano Urea by conducting field demonstrations and seed marketing efforts. These developments signal the company's dedication to expanding its product portfolio and entering new markets in the coming fiscal year.

Outlook and Valuation: Agrochemical's Phase II capex will be announced after Q4 FY24. The company reiterates its long-term goals remain intact. The company states that both Agro Chemical, as well as Pigment industries, are poised for sustainable growth for the next foreseeable 3-5 years time span. The company is currently trading at a PE multiple of 21x based on the trailing 12 months of EPS.

Lloyds Metals & Energy Ltd.

CMP: INR 558 | Mcap: INR 248,190 Mn

Lloyds Metals and Energy Limited (LMEL) is an Indian company specializing in the extraction and processing of iron ore and related activities, along with energy generation. At the core of its operations, LMEL is involved in the exploration, mining, and processing of iron ore, with a significant mining presence, notably at the Surjagarh site in Gadchiroli. Recently, in addition to iron ore mining, LMEL operates in the production of Direct Reduced Iron (DRI), a crucial component in steelmaking.

Key Highlights

Significant expansion plans and lease extension for Surjagarh iron ore site: The company has obtained the green light to boost its iron ore production at the Surjagarh (Gadchiroli) site from 3 MMTPA to 10 MMTPA. This expansion comes with a 30-year lease extension, securing their access to iron ore until 2057 for both internal use and external sales. LMEL intends to invest INR 6,500-7,000 crores from their internal funds to expand their Ghugus sponge iron (DRI) facility, establish a new DRI facility, construct a pellet plant in Konsari, and develop new hot metal and wire rod facilities. These strategic moves are expected to enhance their value and profit margins in the prospective future.

Financial resilience and sustainable growth: LMEL aims to remain debt-free while executing substantial expansion plans. Their financial stability hinges on robust cash flows from forward integration and increased iron ore production. State government's IPS, offering capex subsidies from 110% to 150% as GST reversals over 12 years, will further support their capital needs, estimated at INR 150,000 Mn during FY27 to FY31. These factors enable LMEL to fund growth without incurring debt, bolstered by cash flows and government aid.

Transition to 100% ownership of Surjagarh mining: The company initially formed a JV with Thriveni Earthmovers Pvt Ltd to accelerate mining operations at the Surjagarh mine in Maharashtra, targeting 1 million MT production in a year and full capacity in three years. However, on January 20, 2023, the company increased its investment significantly, making the JV a wholly-owned subsidiary, demonstrating stronger commitment and control over Surjagarh mining operations.

Outlook: Substantial growth in iron ore production volumes for Lloyds is expected over the period from FY23 to FY26. Upcoming integration into the steelmaking industry holds great potential for the company. This move is expected to strengthen its position in the market and enhance competitiveness. It will open up opportunities for growth, diversification, and entry into new markets. The company plans to allocate capital prudently during this transformational phase. Transparency, sustainability, and responsible business practices will remain central to its operations. They have already begun awarding engineering contracts and intend to apply for an Environmental Clearance to increase the Mining Capacity of the Surjagarh Iron Ore Mines by 20%, from 10 MTPA to 12 MTPA, which falls within the norms, requiring no public hearing. These expansion plans are aimed at adding significant value to the company's prospects.

Netweb Technologies India Ltd**CMP: INR 814 | Mcap: INR 4,567cr**

Established in 1999, Network Technologies is an Indian owned and controlled OEM specializing in high-end computing. The company has manufacturing facilities located in Faridabad, Haryana with 16 offices located across the country. Recently, in 2023, the company installed AIRAWAT which is India's largest and fastest AI Supercomputing System. Netweb has also been into manufacturing and designing mother boards since 2018.

Key Highlights

India's Leading HCS provider: The company is one of India's leading HCS provider, with fully integrated design and manufacturing capabilities It continues to operate in a rapidly evolving and technologically advanced industry with high entry barriers. In the HPC segment, it has been successful in building Supercomputers like PARAM Ambar which is deployed at ISRO. This enhances their expertise and gives them a good stead in the market. The company provides the complete hardware stack, middleware and application porting in migration services leading to no dependence on third-party organizations.

Expand geographic footprint in EMEA: The company caters to many Indian multinational companies. It now aims to expand and grow their global presence in EMEA by offering 5G products and solutions. The 5G market in European and African countries is expected to grow at a CAGR of 45.7% between FY23 and FY29. These new networks are aiding in the transformation of business and manufacturing in addition to enabling cutting-edge new consumer services and fostering economic growth. The revenue from operations in foreign currency for FY23 stood at INR 4.63 Mn whereas the capital expenditure in foreign currency was INR 4.42 Mn.

Significant product development and innovation through R&D: The industry in which the company operates is R&D intensive and relies significantly on technically qualified resources. The company's R&D team's in-depth understanding of high-end computing solutions enable them to stay at the forefront of technological evolution and anticipate and envision the future needs of the market. Its R&D Facilities have enabled them to increase their product lines. The company also specializes in independent designing and innovation of new products and solutions offerings and provide services tailored to specific customer requirements.

Comprehensive Product Segments: The company's revenue comprises six distinct product segments: Supercomputers & High-Performance Computing, Private Cloud, AI systems, PS solutions, Data Centre Servers, and Software & Services. A comparative analysis reveals that none of the global OEMs possess all six product lines within their offerings. The company differentiates itself by providing a comprehensive suite of hardware stack, middleware, and application porting in migration services, thereby eliminating reliance on third-party organizations. Additionally, the company aims to enhance its product portfolio by introducing 5G and private 5G solutions.

Valuation and View: Netweb Technologies has demonstrated exceptional performance in the FY23 and has positioned itself strongly among its peers. It is one of the few players in India that provides a comprehensive range of high-performance computing products and solutions. Over the past three years, repeat customers have contributed approximately 85% of the company's revenue. With its presence in government, defense, higher education, and research sectors, Netweb Technologies is wellpositioned for future growth. The company also has ambitions to expand its product portfolios and manufacturing facilities in order to establish a global presence. We have Positive outlook on the Stock.

Parag Milk Foods Ltd

CMP: INR 203 | Mcap: INR 23,800mn

Parag Milk Foods Ltd (PMFL), founded in 1992 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. They operate under the brands: Gowardhan, Go, Pride of Cows, and Avvatar. Today, it is one of India's leading private dairies. As of FY23, the company has a 20% market share in ghee, and a 35% market share in cheese which are their core categories. Additionally, they have a premium presence in health supplements with the brand Avvatar, and in premium dairy with the brand Pride of Cows, both of which have grown multifold since their introduction, and are an important pillar of growth. PMFL has one of the largest VAP dairy portfolios (that constitutes ~70% of revenues) amongst dairies in India and is the first to launch a B2C made-in-India whey protein. It is also pioneered the concept of farm-to-home premium dairy with Pride of Cows. They boast one of the largest and advanced cow farms in India backed by state-of-the-art infrastructure with end-to-end integration that has scale to boot.

Key Highlights

Strong and growing VAP presence leading to margin expansion: PMFL's presence in VAP and premium products is cemented, and is growing in leaps and bounds. Ever since the pandemic gripped the dairy industry, the company has shifted its focus toward aggressively pushing the VAP portfolio which has grown 31% in FY23 which resulted in significant margin improvement as well. This is a major headwind for Parag.

Market leadership: They are market leaders in their core categories of ghee and cheese with a 20% and 35% market share respectively with the brands 'GO' and 'Gowardhan'.

Procurement and distribution strength: The company has a well-rounded procurement network across the country, and it is one of their biggest strengths. They are present across 4.6 lakh retail touch points, have 4,500+ distributors with a 5 lakh+ farmer network. Their reach is one of the largest in the country.

Boosting brand visibility: Growing brand visibility consistent media and advertisement support is one of the most important strategies the company has undertaken. Ad spends have grown 2.5x over the past 2 years in absolute value and this momentum will continue.

Valuation and Outlook: Parag Milk Foods is a good play in the private dairy space, considering its heightened focus on and market dominance in the value added product and premium space. It is well cemented as an industry leader for decades, in a segment where most other dairy players are scrambling to gain market share. We expect it to grow in the high teens. The improving industry conditions will also support volume growth and lead to margin expansion as procurement prices continue to soften. We believe that its aggressive work on this portfolio along with impressive progress seen on the more niche super premium end with Avvatar supplements and Pride of cows is noteworthy as they are pioneers in these markets. Even though the overall size of the super-premium and protein supplement market is small in India, Parag is in a good place to grow the industry. The company will leverage its market leadership in existing categories to expand its reach in the new products as well. The aggressive advertising spends will lead to stronger brand recall. We have "BUY" rating and assign a TP of INR 450 valued at a P/E multiple of 20x the FY26E EPS of INR 22.5.

Vaidya Sane Ayurved Laboratories Ltd

CMP: INR 310 | Mcap: INR 3,260mn

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.

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.

Shreeji Translogistics Limited**CMP: INR 65.5 | Mcap: INR 3,410 Mn.**

Shreeji Translogistics Limited (STL) is a leading integrated logistical solution provider in India, boasting over four decades of experience in freight management, logistics, and warehousing services. They offer a comprehensive range of services, including full truck load (FTL), less than truckload (LTL), import-export, Over Dimensional Cargo (ODC), and bonded trucking. STL has established an extensive goods transportation network across India, while their subsidiary, TKD Digitrans Tech Pvt Ltd, has introduced the TKDost application, facilitating seamless connections between transporters and enhancing visibility for users.

Key Highlights

Diversified Revenue Mix- The company's revenue mix is strategically diversified across multiple clients, mitigating its reliance on handful of patrons. This strategic approach ensures a more stable and secure revenue stream for STL.

Service Offerings: The company's parcel and part load service works as per the "Hub & Spoke" Arrangement where the entire load is transported to its central Warehouse (HUB) and then further distributed to specific locations which enables faster Freight movement. The company has implemented digital locks in its trucks for safety and security purposes. The Company is operating in 650+ routes across India.

Expanding Geographical presence: The company is well spread across the entire nation with 22+ branch offices including 4 additions in FY23.

Handling export and import containers with time bound service: STL provide vehicles to connect the 'Linehaul' Ocean and Rail segments of Containerized Freight Movement. Company has services for both types of container loads catering to Import and Export segments. These are specialized trucks running between ocean ports, rail terminals, ICD's & CFS

Outlook: Shreeji Translogistics Limited is intending to expand the Cargo Business and enter into refrigerated vehicles. They also plan to add CNG vehicles to their fleets, expand the warehousing sector in major cities to gain an advantage of increased demand for warehousing facilities, and expand their vehicles. The company is also planning to foray into rake handling service.

Century textiles & Industries Ltd**CMP INR 946 ; MCap INR 105.74 bn**

Century Textiles and Industries Ltd has transformed from a single-unit textile entity in 1987 into a commercial powerhouse with interests in diverse industries. Currently, the business house is a trendsetter in cotton textiles and also has a remarkable presence in the Pulp and Paper and Real Estate sectors.

Key Highlights

- Acquired three notable projects at premium locations in Q1FY24 with a GDV of INR 5,600 cr.
- The company has robust pipeline of 5 projects that is, Sangamwadi, Pune with GDV: INR 2500 cr, Walkeshwar, Mumbai GDV: INR 600 cr, Sarjapur Bengaluru, GDV: INR 2500 cr, Delhi GDV of INR 2800 cr and Thane with GDV of INR 8000 cr.
- Delhi deal It's 7 acres of land at Mathura road and expect GDV of ~INR2800 cr over a period of 6 years and targeting to launch part of the project in 12 months.
- The company maintains healthy margins ranging from 25% to 50% across projects.
- The company has 14 acres of land under construction.
- The demand scenario is robust but the company's 80% inventory is over, the prices also increased 25-30% in the markets where the company is operating.
- This business registered a sale of INR 207cr and collection of INR 369cr in Q1 FY24 with overall efficiency of 98% in collections.
- Indian Real Estate sector currently experiencing the most buoyant period in over a decade with low inventories and high demand.
- The company works with reputed contractors like Shapoorji, latent and likes.
- Net leasing income at INR 30 cr up by 7% YoY/0% QoQ.
- Debt has increased due to 3 acquisitions done in this period, the levels are expected to be in the similar range and go up if any acquisition comes in to the picture. The company plans to release short term debt, current cost of debt is 7.5% which is expected to go up to 8%.
- The real estate markets have grown nearly threefold in the past three years. The demand fundamentals are strong supported by a resilient domestic consumption story and the company is trying to build up on the inventory to reap the benefits of the industry tailwinds.
- Pulp & Paper contributed 73% of revenues and EBITDA of INR 134 cr
- Net sales at INR 856cr up by 1% YoY/-2% QoQ due to sales held purchases by customers amidst competitive pricing from international mills.
- Demand remained low throughout the quarter on back drop of inconsistent pulp prices internationally. FMCG and F&B segments have not done well, and Pharma industry has also been stagnant
- Capacity utilization reached to 95% and cost pressures remain. Expecting the demand to get better from Q2FY24 onwards.
- Textiles contributed 25% of revenues and loss of INR 1 cr at EBITDA level
- Sales stood at INR 268cr down by 19% YoY/-2% QoQ on account of demand has been sluggish, most of the Indian mills have been operating at partial production capacities.
- The cotton prices declined sharply by 36%, yarn prices also declined and there is slack demand for yarn due to weak market sentiment.
- The company decided to shut down the Spinning and Weaving departments since good quality yarn and greige fabric is available in the market at cheaper rates.
- Other business contributed 1% of revenues and EBITDA of INR 11 cr.

Outlook: Regarding the real estate business we expect the company to do extremely well led by the robust pipeline of INR 5600cr gross development value plus Delhi project (GDV INR 2800cr) and Thane project (GDV INR 8000cr). The company has guided for bright growth prospects for FY24 and FY25 with bookings expected to reach INR of 3000 cr and INR 5000 cr respectively. The paper and pulp and textile business is expected to be subdued on account of dull market scenarios.

Dollar Industries Ltd**CMP: INR 432 | Mcap: INR 24,470mn**

Dollar Industries Ltd (DIL) was established in 1972 by Dindayal Gupta as a proprietorship, the company was incorporated in 2005 as Bhawani Textiles, and then renamed as Dollar Industries in 2008. It began its journey with its signature brand "Dollar" in men's vests and briefs. Now, it has a wide range of men's, women's and kids' innerwear. Dollar is amongst the large players in an otherwise fragmented innerwear market. Over the years, Dollar has built a strong portfolio of brands in the economy and mid-premium segment. After having established brands like Dollar Regular, Big Boss under the 'Dollar' umbrella, it is shifting focus towards premium segment by introducing new brands and entering into newer product categories for diversifying from being a predominantly Men's Innerwear company to a lifestyle brand catering to Men, Women and Kids segments.

The company is backward integrated and has manufacturing locations at Tirupur, Kolkatta, Delhi and Ludhiana with spinning capacity of 400 tonnes per month, knitting capacity of 300 tonnes per month, dyeing and bleaching capacity of 400 tonnes per month, cutting capacity of 3 lac pieces per day and elastic production capacity of 10 lakh metres per month.

Key Highlights

Progress on Project Lakshya: During Q1FY24 the company added 20 distributors and forayed into newer territories to secure their market share as competitiveness has started to increase. They are now targeting Orissa and the Northeast with a distributor addition of 100-140 in FY24. Currently, the company is sitting with 249 distributors which was 229 distributors in FY23. Project Lakshya's contribution to complete domestic sales increased from 19% in FY23 to 27% in Q1FY24, with a volume growth of 13% on YoY basis.

Modern trade & E-commerce sales: The company has consistently grown in this channel, in Q1 FY24 it has seen a growth of 10% and contribution is at 4% to the total sales, the company aspires to take this number to around 7-8% in a period of 2 years. Low cotton prices and decrease in ASP: The company's ASP declined by 15% YoY. In FY23, raw material prices of cotton was around INR 1,10,000 per candy, which is now at INR 55,000 to 60,000 per candy.

Premium Segment: The company's premium segment brand Force Neck gave a volume growth of 52% for Q1 FY24. They are confident that the premium segment will help them in achieving this volume growth in the future as well, which will further drive the margins.

Advertisement to improve brand visibility and impact: The company's advertisement expenses for Q1FY24 stood at INR 265.3 Mn whereas it was INR 248.9 Mn in Q1FY23. However, the company maintains a yearly target for advertisement at around 6-6.5% of the revenue.

Valuation & Outlook: We can expect good thermal sales this year, with orders coming in the beginning of Q3. Brand awareness will increase with increasing ad spending and growing EBO count which will further increase the average ticket value which is currently at INR 1,200 per bill. Cotton prices continue to normalize, and the expansion of Project Lakshya will lead to cost savings and efficiencies. Margins and ASPs have bottomed out at this level and are only expected to go up from here. Once capex finishes up there will also be economies of scale in the next few years. We assign a TP of INR 659 valued at a P/E multiple of 25x the FY26E EPS of INR 26.3, Investors should BUY the stock.

Welspuncorp Ltd

CMP: INR 392 | Mcap: INR 3,590mn

Welspun Corp Ltd. is one of the flagship companies of Welspun Group. It is a leading manufacturer of large diameter pipes globally, offering a onestop solution for all line pipe related requirements with its wide range of high grade line pipes. These pipes are used for offshore and onshore transmission of oil, gas and water. It is among the Largest Welded Line Pipe manufacturing companies in the world.

Key Highlights

Welspun Corp is our high conviction idea, as discussed, this is **our investment thesis**:

We believe WCL is 4-5x play from current levels and Capex would be over in FY23. The line pipe business is sold out till Dec-2023. The earnings will mainly be driven by line pipes business supported by DI Pipes, specialty steel and TMT Bars. All put together we believe the consolidated EBITDA will move from INR 4,846 Mn in FY23 to INR 16,794 Mn in FY26E. This does not include any contribution from Sintex BAPL and ABG Shipyard.

The core business can generate cash flows of ~INR 90 bn in next 5 years (not including Middle east business and acquisitions). We are expecting large dividend payouts to shareholders going forward.

Our numbers have not valued their Deep Discounted acquisitions: (we have valued only investment value to ABG & Sintex Bapl). Each business can create one WCL in next 2-3 years.

- **Assets of ABG Shipyard:** Welspun paid INR 6,600 Mn (plus taxes) for assets of ABG Shipyard which include ~165 Acre Land, One km long Water front, **(Second largest in country)** partially built ships, 33,000 MT shiplift and 1,50,000 tonne scrap. The scrap itself is worth ~INR 5,630 Mn. Comparable players of ABG shipyard are Goa shipyard, Cochin Shipyard, GRSE, Mazgaon Docks which have 5-7 years of orderbook filled with them. The company is currently evaluating their options on business verticals such as Ship Repairing and Ship Recycling which are non-cyclical and non-capital intensive. The company is in talks for probable collaboration opportunities with global players for the same. Make in India would be big driver of this business. **(See Order book of PSU peers which gives earning visibility of next 8 years).**

After winning the assets through resolution professionals, the assets were reattached to the same case by ED Ahmedabad. In Q3 results, the possession for the assets were received as the Gujarat High Court put a stay on the ED order. **The company has started with the sale of scrap where they are going to receive ~INR 3,600 Mn for selling off part of scrap which will be sold over next 9 months. Remainder scrap will be sold as deemed fit but the goal is to sell off in FY24 itself.**

This business is largely part of steel fabrication but for higher end of Technology, the company is not planning to spend anything and may look for a stake sale to some large Japanese/Korean player for technology with potential valuation of 4-5x their investment.

- **Sintex BAPL Debt Acquisition:** SBAPL has ~33,000 Mn worth of Debt. Currently Welspun acquired ~INR 12,000 Mn worth of debt by paying 4,210 Mn (~65% haircut taken by lenders). The debt is pledged with shares and since the debt is in default, pledge will be invoked and ownership will be transferred to Welspun (Welspun owns 100% of debt which has equity pledged). Welspun settled the remainder debt and got the entire company for INR 12,510 Mn (if we adjust for 7,350 Mn cash in SBAPL and 1,100 Mn received from selling off Auto and Rototech business, the net acquisition cost comes down to INR 4,060 Mn).

Welspuncorp Ltd

CMP: INR 392 | Mcap: INR 3,590mn

Sintex is a manufacturer of custom molded plastic products. It is one of the largest and well known brand in the country with sales of INR 25bn in FY19. The company should be compared to B2C players like Supreme Industries, Astral Pipes.

The water tank business (remainder business of SBAPL) did revenues of INR 3.82 Bn and EBITDA of 0.44 Bn for 9MFY23. This was as the company operated at 27% capacity on their 70,000 tonnes capacity.

The business can easily do topline of INR 15 bn with 20% margins which translates into EBIDTA of INR 3 bn and valuation of atleast INR 45 bn from existing company). A simple 15x EV/EBITDA (peers like Supreme, Astral trades at 20x EV/EBITDA).

Orderbook loaded and Capex over in Core Businesses: FREE CASH FLOW next year onwards

Capex is over now

Free Cash flow from Next year

Transition from B2b which is largely dependent from Oil& Gas (80% of business in 2014-15 to diversified with mix of B2b (Oil & gas, Water, Defence) & B2C segment (TMT Bars, PVC Pipes)

Margin expansion

Industry dynamics (Oil & Gas) gives visibility next 2-3 years and Industry is not doing capex so pricing power would remain in hands of buyers

US business has been sold out for next 15-18 months driven by a large order of INR 5000 crore plus, Fresh orders to be announced in US and if they win US orders, they would shift one closed plant equipment from Anjar to Free port, USA. (existing plant). US business generates EBIDTA of INR 200-250 dollars per ton.

Middle east business (holds 35% stake, not part of EBITDA). Plant is sold out till May 2024. Very strong tail wind due to Neom and UAE Capex) EBITDA of USD 150 dollars per ton.

India business driven by government schemes like Jal se Jeevan & Capex from PSUs & new refineries like Barmer. Massive earning visibility. Also exports from India have been strong in Q4 which has possibility of performing similarly in future.

Capex of DI pipe, Stainless business over (Higher margins, Import substitution products)

- Strong orderbook (worth 146,000 Mn) (Vs 75,000 Mn sales in FY22) from Line Pipe business itself. **Core business has orderbook filled till FY24 end. US HSAW line is booked till December 2023.**

DI Pipe has orderbook worth INR 10.91 Bn. **DI Pipe** (benefactor of Har Ghar Nal Se Jal Mission and City Gas Distribution) and **TMT bar** (Construction) has started production. DI pipe ramp up has started in January and profitability is expected to be seen from Q1FY24 (Q4FY23 was EBITDA break-even).

Acquisition of majority stake in **Welspun Specialty Solutions Ltd** (similar business – Stainless Steel) also has a strong orderbook (INR 1,550 Mn). WSSL turned EBITDA positive in Q3FY23 (as guided by management) and is the benefactor of anti-dumping duty laid on stainless steel products which will contribute significantly in coming quarters Q4FY23 achieved higher EBITDA/ton sequentially (as guided).

Welspuncorp Ltd

CMP: INR 392 | Mcap: INR 3,590mn

We have a very high conviction on this stock and believe that this investment should not be missed. The company is a benefactor of China reopening, ongoing Geopolitical tensions and structural demand in steel pipes across the world, especially US.

Company expects to deliver improvement in performance from here on with RM costs going down (coal). We believe the company will deliver well over next 2 years and maintain our BUY rating with increase in target on SOTP basis to INR 549. We factor the carbon capture project to start from Q3FY24 (considering maximum delay).

Historically, the company has been trading between 5.1x-5.5x EV/EBITDA and 9.1x-9.5x PE (both 1 year forward valuations). **We maintain our BUY rating with target price of 549 on SOTP valuation. At CMP of 268, company trades 7.5x FY26E EPS, 1.1x FY26E P/B and 3.3x FY26 EV/EBITDA.**

Puravankara Ltd
CMP: INR 108 | Mcap INR 25.72 bn

Puravankara is mainly engaged in business of development and sale of real estate. It has multiple offerings like **Puravankara (luxury housing and commercial offices)**, **Provident (affordable housing)** and **Purva Land (plotted development project)**.

Key Highlights:

Operational highlights Q1FY24

Sales value stood at INR 1,126 cr up by 119% YoY; Sales realization stood at INR 8,277/sqft with the collection of INR 696 crores +52% YoY. Area sold stood at 1.36 msft up by +97% YoY. The revenues stood at INR 323cr up by 50% YoY; EBITDA stood at INR 75 cr down by 46% YoY. Loss reported at INR 17cr. This year there were lesser projects in the revenue recognition bracket resulting into lesser profit and loss at PAT level.

Projected cash flows Balance collections from sold units (completed + ongoing) in all launched projects stood at INR 3,052 cr. Total value of unsold inventory, including new launches in Q1FY24, stood at INR 5,528 cr. Total estimated surplus from all completed and ongoing projects is INR 6,730 cr.

Launch pipeline The company has healthy launch pipeline of 15msf of saleable area which includes Bengaluru 33%, Chennai 33%, Kochi 19% and others. Puravankara-Residential forms 21%, Puravankara-Commercial 3%, Provident 52% and Purva Land 24% of total launch pipeline.

The net debt stood at INR 2,119 cr and the net debt to equity ratio stood at 1.07 for Q1FY24. Net debt has been reduced by 89 crores sequentially.

Land bank Puravankara has total land bank including completed and ongoing plus land assets is ~48.08 msf. Provident has total land bank including completed and ongoing plus land assets of ~15.19 msf. In this quarter the company launched project Raagam which witnessed 100 bookings in just 2 days of launch.

Industry scenario India experiencing an upward trajectory, fuelled by factors such as expanding internet penetration, e-commerce advancements, increase infrastructure investments and modularized supply chain the elastic market is projected to grow at a remarkable compounded annual growth rate of 7% to 8% during 2023 to 2025. Housing sales have witnessed significant growth across the properties, focusing sustained demand and lucrative opportunity for investment.

Bengaluru projects now account for 44% of the share of ongoing and 68% of launch pipeline. In addition to our residential offerings, introduced Zentech Business Park, a commercial project, catering to the growing demand of office receipt.

Wholly owned subsidiary in Starworth infrastructure in construction are focused on technology level construction solutions with an order book over INR1600 cr.

Outlook: The company has reported robust sales growth of 119% YoY with 52% growth in collections on YoY basis. Going forward, the company has a huge land bank and healthy cash flow visibility of INR 6730cr with robust launch pipeline of 15 msf which will give further boost to current healthy operational performance.

Puravankara Ltd
CMP: INR 108 | Mcap INR 25.72 bn

Piravankara is mainly engaged in business of development and sale of real estate. It has multiple offering like **Puravankara (luxury housing and commercial offices)**, **Provident (affordable housing)** and **Purva Land (plotted development project)**.

Key Highlights:

Operational highlights Q1FY24

Sales value stood at INR 1,126 cr up by 119% YoY; Sales realization stood at INR 8,277/sqft with the collection of INR 696 crores +52% YoY. Area sold stood at 1.36 msft up by +97% YoY. The revenues stood at INR 323cr up by 50% YoY; EBITDA stood at INR 75 cr down by 46% YoY. Loss reported at INR 17cr. This year there were lesser projects in the revenue recognition bracket resulting into lesser profit and loss at PAT level.

Projected cash flows Balance collections from sold units (completed + ongoing) in all launched projects stood at INR 3,052 cr. Total value of unsold inventory, including new launches in Q1FY24, stood at INR 5,528 cr. Total estimated surplus from all completed and ongoing projects is INR 6,730 cr.

Launch pipeline The company has healthy launch pipeline of 15msf of saleable area which includes Bengaluru 33%, Chennai 33%, Kochi 19% and others. Puravankara-Residential forms 21%, Puravankara-Commercial 3%, Provident 52% and Purva Land 24% of total launch pipeline.

The net debt stood at INR 2,119 cr and the net debt to equity ratio stood at 1.07 for Q1FY24. Net debt has been reduced by 89 crores sequentially.

Land bank Puravankara has total land bank including completed and ongoing plus land assets is ~48.08 msf. Provident has total land bank including completed and ongoing plus land assets of ~15.19 msf. In this quarter the company launched project Raagam which witnessed 100 bookings in just 2 days of launch.

Industry scenario India experiencing an upward trajectory, fuelled by factors such as expanding internet penetration, e-commerce advancements, increase infrastructure investments and modularized supply chain the elastic market is projected to grow at a remarkable compounded annual growth rate of 7% to 8% during 2023 to 2025. Housing sales have witnessed significant growth across the properties, focusing sustained demand and lucrative opportunity for investment.

Bengaluru projects now account for 44% of the share of ongoing and 68% of launch pipeline. In addition to our residential offerings, introduced Zentech Business Park, a commercial project, catering to the growing demand of office receipt.

Wholly owned subsidiary in Starworth infrastructure in construction are focused on technology level construction solutions with an order book over INR1600 cr.

Outlook: The company has reported robust sales growth of 119% YoY with 52% growth in collections on YoY basis. Going forward, the company has a huge land bank and healthy cash flow visibility of INR 6730cr with robust launch pipeline of 15 msf which will give further boost to current healthy operational performance.

Home First Finance Company India Ltd
CMP INR 838 | Market Cap INR 73.93 Bn

Home First Finance Company India (HFFC) is a Housing Finance Company which offers home loan with 48 hours sanctions and hassle-free process.

Key Highlights

AUM for Q1FY24 stood at INR 77.76 Bn (up 8% QoQ, up 33% YoY). The company expects it's AUM growth to be around 30%.

AUM by product- 87% of the total advances are for house loans. With the average ticket size of INR 1.12 Mn, and with Shop loans- 1% and LAP-12%. The company has set a cap rate of 15% for LAP. It also expects shops loans category to grow in long term.

Customer Mix- Salaried- 69%, & Self Employed- 31%. Might see some uptick in self employed category.

Disbursements for the quarter were INR 8.95 Bn (up 3% QoQ, up 35% YoY). Disbursements for the quarter are in line with the yearly expectations.

GNPA/NNPA for the quarter was 1.6%/1.1% (down 50 bps YoY/ down 60 bps YoY). PCR for the quarter stood at 57.1% (down 2.4% QoQ, up 11.3% YoY).

Capital Adequacy- CRAR/Tier-1 Capital for Q1FY24 stood at 46%/45.5% (down 6.3%/ down 6.3% YoY).

The company Borrowing mix for Q1FY24 was Pvt banks- 32%, Public Banks- 22%, NBFC- 3%, NHB refinance- 22%, NCD- 4%, and DA & Co lending- 17%.

Cost of Borrowing of above borrowings stood at 8% during the quarter (up 10 bps QoQ, up 110 bps YoY).

Spread increased by 20 bps during the quarter to 5.7% (down 10 bps YoY). Company expect it to be around 5.25% for FY24.

Total Revenue increased by 53% during the year to INR 2,598 Mn (up 12% QoQ).

NII for the Q1FY24 stood at INR 1,101 million (up 9% QoQ, up 30% YoY). The lower YoY increase in NII as compared to revenue was due to a sharp increase of 76% in interest expense, which was caused by an increase in the cost of borrowings. NIM for Q1FY24 was 6.1% (down 30 bps YoY).

C/I Ratio for the quarter was 36.3% (up 190 bps QoQ, up 50 bps YoY).

PAT during the quarter increased by 8% to INR 691 Mn (up 35% YoY).

ROA/ROE pa for the quarter stood at 3.9%/15%. Management expects ROE to be around 15% for FY24.

Outlook: Home First Finance Company India Ltd has shown positive results in line with expectations. The company has opened 2 branches in the quarter and plans to open 17 more branches in the rest of the year. We expect the company to reach INR 100 Bn in the next 12-15 months. The company is focused on technology and wants to leverage it to provide better service to its customers. The housing sector is performing well, and the company is well-positioned to leverage this growth and gain market share.

Sukhjit starch & chemicals Ltd**CMP INR 415 | Mcap INR 6.49 bn**

The company was incorporated in 1943, is an agro-processing industry manufacturing starch & its derivatives i.e Liquid Glucose, Sorbitol, Modified Starches and by-products. The company specializes in the production of starch and its derivatives. Product range includes native starches, modified starches, dextrines, liquid glucose, high maltose syrup, maltodextrins, monohydrate dextrose, sorbitol, dextrose anhydrous, etc.

Key Highlights

- In FY23 the sales were up by 24% to INR1,435 cr, The EBITA stood at INR 145 cr v/s INR 151 cr during the previous year. The EBITA and profit margins were adversely affected, across the industry, due to higher raw material prices & increased energy cost, mainly owing to the geo political situation / global disturbance during the year ended 31st March, 2023.
- The company plans to increase its daily production capacity from 1,600 tons to 2,000 tons over the next 24 months with a capex target of INR40 crores in FY24, these investments are entirely funded through internal accruals, underscoring our financial strength and sustainability. The company is also expanding its presence across different geographies.
- Market share: The company has ~9-11% market share in the unique Indian starch industry. Starch consumption per capita in India is one-tenth of that of the US and one-fifth of that of China.
- Total debt figure may seem high, but long-term debt is decreasing year-over-year and will be squared up in a year or two.
- The company focuses on adding value to customer applications and optimizing product specifications.

Outlook: The company has developed a good track record of operations, strengthening strong market position, with a maize grinding capacity of 1,600 tonnes per day (TPD) and roughly 10% share of the domestic market based on installed capacity. Additionally, the company has diverse range of starch products, including native starches, modified starches, and value-added products such as sorbitol, monohydrate dextrose, anhydrous dextrose, maize gluten, maize oil, and cattle/poultry feeds.

The EBITA and profit margins were adversely affected, across the industry, due to higher raw material prices & increased energy cost, mainly owing to the geo political situation / global disturbance during the year ended 31st March, 2023.

Orient Bell Limited

CMP: INR 458 | Mcap: INR 6,650 Mn

Orient Bell Limited (OBL), a prominent name in the Indian tile industry, is renowned for its production of Ceramic, Vitrified, Wall, Floor, and Digital Tiles catering to a wide range of applications for residential and commercial spaces. With a collective production capacity nearing 30 million square meters of tiles from its three manufacturing facilities, OBL offers customers the convenience of purchasing tiles across the country, in any quantity, with short lead times. The availability of Orient Bell Tiles extends through a network of over 2,500 retailers spanning the nation. Furthermore, Orient Bell has established Tile Boutiques in various cities across India, ensuring the provision of international-style displays and an enjoyable shopping experience for potential customers.

Key Highlights

Demand environment: Retail demand remains subdued, showing little signs of improvement. The diminishing price difference between ceramic and GVT (Glazed Vitrified Tiles) is expediting the transition towards GVT products. Currently, the capacity utilization rate stands at 70%, excluding the closed unit. There is a noticeable decline in the volume of smaller-sized tiles, indicating shifting preferences in the market.

Product Mix: The mixture of vitrified materials saw a substantial increase, reaching 46%, and the importance of GVT (Glazed Vitrified Tiles) reached an all-time high in the history of OBL (Oriental Builders Limited).

Operations and Capex: The commencement of operations for Dora GVT Line 2 is anticipated in the second half of FY24, with no expected overruns in the timeline. The total capital expenditure for this project amounts to INR 760 million, with a production capacity of 3.3 million square meters per annum

Strategic Positioning in the South Market: Dora is strategically positioned favorably in the South market, benefiting from uniform freight costs across all regions except Kerala. The commencement of operations for Dora GVT Line 2 is anticipated in the third quarter of FY24.

Outlook: The company is experiencing robust demand and efficient project execution in major private ventures. Government projects are also performing well, though the retail sector shows signs of sluggishness. Cost and pricing conditions continue to exhibit volatility. As of the current market price (CMP), the company trades at 53.5 times the trailing twelve months (TTM) earnings per share (EPS) of INR 9.64, indicating its valuation in the market. The company plans to stabilize and grow the tile business before considering expansion into other segments. The company plans to focus on the South market with the upcoming production line in Dora plant.

Shyam Metalics and Energy Ltd

CMP: INR 431 | Mcap: INR 1,09,980 Mn

Shyam Metalics and Energy Ltd is a leading integrated metal producing company based in India with a focus on long steel products and ferro alloys. The company is one of the largest producers of ferro alloys in terms of installed capacity in India and has the ability to sell intermediate and final products across the steel value chain.

Key Highlights

Ramswarup Industries expansion plans and capital expenditure: Ramswarup Industries is on a path of significant expansion with a focus on multiple capital expenditure projects. A total of INR 6.25 billion will be invested, with INR 3.75 billion allocated to initiatives including Steel Wire Drawing (targeted for commissioning by Sept 2024 with a capacity of 85,000 tpa), a Captive Power Plant (scheduled for completion by March 2025 with a capacity of 40 MW), and a DI Pipe plant (projected to be ready by Jan 2026 with a capacity of 400,000 tonnes). Out of the initial capex of INR 7.47 billion, INR 1.93 billion has been expended thus far, with 60% of the expenses covered by SMEL. Notably, downstream facilities from the prior capex are expected to come online by March 2024. The company has outlined capex budgets of INR 21 billion for FY24, INR 23 billion for FY25, and INR 10 billion for FY26, all expected to yield a 20% IRR. In Q2, the company will capitalize INR 8.05 billion to drive these expansion plans.

Mittal Corp revenue projections and product expansion: The company is expecting revenue contribution of INR 4-5 billion in FY24 and a substantial increase to INR 17-18 billion in FY25. Currently, the company specializes in manufacturing stainless steel and TMT bars. It plans to diversify its product portfolio by adding specialty alloy and stainless steel products. There is also a potential foray into the bright bars segment. These expansion efforts aim to not only boost revenue but also position the company in new markets and industry segments for sustained growth.

Fundraise: Since promoter holding is higher than permissible limit, company may do OFS and may also participate in fund raise. This is still in discussion with the bankers.

Outlook: Company doesn't expect any reduction in volumes of long products in Q2. However, with the monsoon season, price corrections could take place. Company is confident of realizations recovering post that and feels the prices have bottomed out. Company does not see any impact on margins with falling realizations as costs are also expected to fall. Company aims to growth 15-20% in topline going forward.

Punjab Chemicals & Crop Protection Ltd**CMP: INR 1,098 | Mcap: INR 13,450 Mn**

Punjab United Pesticides & Chemicals Limited (PUPCL) established in 1975 underwent a transformation and is now known as **Punjab Chemicals and Crop Protection Limited** (Punjab Chemicals). This rebranding brings together all its divisions, including Agro-technicals, Pharmaceuticals, Intermediates, Chemicals, and International Trading, under a single umbrella. The company primarily operates in the Performance Chemicals sector, encompassing Agro Chemicals, Specialty Chemicals, and other chemical products. Additionally, it engages in contract manufacturing, producing items for both Indian and multinational corporations.

Key highlights

Production facilities: Production facilities in Derabassi and Lalru are working fine, with capacity utilization at 81% and 55% respectively. The capacity utilization at Lalru is expected to improve in the next 2-3 quarters with an increase upto 70-75%.

Europe update: The Australia deal has faced delays, but the European deal with a different product is expected to receive registration between early September and mid-October in FY24. The first batch of product is anticipated to be dispatched in either Q3FY24 or Q4FY24.

R&D and product portfolio: The company is focusing on R&D to improve its product portfolio and is working on new chemistries and molecules. The company aims to reduce raw material dependency from 30% to 20-23% in the next 2 years.

Cost optimization and efficiency improvement: The company's focus is on strengthening the product portfolio, customer portfolio, and cost optimization. The CAPEX plan for FY24 is INR 400 Mn, with a focus on cost optimization and efficiency improvement.

Expansion plans and debt management: The company is actively looking for land parcels for future expansion plans in Gujarat or Maharashtra. The future expansion plans regarding the same are expected to be revealed during either Q2FY24 or Q3FY24. These announcements may include further details on their expansion projects, new facilities, or other initiatives that align with their growth objectives.

Outlook: The company provided an EBITDA margin guidance of approximately 13.5% to 14.5% for FY24. Intermediate fermentation has been delayed to FY25. The company is optimistic about future growth but acknowledges the challenging market conditions. The company is closely monitoring market conditions and is in constant dialogue with customers. The next two quarters are expected to be challenging, but the company is confident in its product pipeline and market opportunities.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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