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Emkay Confluence: India's Golden Decade

Day 1 Highlights

Refer to important disclosures at the end of this report

August 12, 2024

Nifty: 24,347

Sensex: 79,649

Emkay Confluence 2024 kicked off to a spectacular start. The four main tracks drew large audiences, while we hosted around 65 companies with over 400 investors.

Key summary

- The overall commentary remains positive across most companies. The growth outlook across sectors remains robust, especially in the industrials/capex segments, where government spending remains strong. Most companies remain constructive on long-term growth and see this as a sustained spell of growth. There seem to be little sign of any cyclical pressure.
- Consumer demand continues to show signs of some recovery, though it is early days yet to definitively call it. Industrial companies are seeing a continuously robust operating environment. There has been no material change in government spending momentum, order book growth or demand momentum, and the medium-term demand outlook remains strong. For IT companies, there has been no material change in the demand scenario.
- Margins seem to be largely stable, but there are pricing pressures in some select industries. Costs are largely under control and the recent softness in commodity prices could help.
- Capex plans continue apace. Most companies have seen no revision in capex plans in the recent past, and there is an upward momentum across most industrial companies.
- Financials: Loan demand is unaffected, and growth opportunities continue to be strong. Deposits are emerging as a worry and that is a limiting factor for growth over coming quarters. There is a slight softness in asset quality that could drive an upward normalization of credit costs.

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India's Golden Decade
The Time is Now
Emkay Confluence
12-14 AUG 2024
The St. Regis, Mumbai

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The first day of our annual flagship conference saw a line-up of 64 companies from across India

MainTrack events and companies hosted on Day-1

MainTracks
- **Adani Group**
- **JSW MG Motors**
- **SRF**
- **ICICI Pru Life**

Auto
- Bajaj Auto
- CarTrade Tech
- Sandhar Technologies
- Tinna Rubber & Infrastructure

Banking
- Axis Bank
- ICICI Bank
- IDFC First Bank
- IndusInd Bank
- Jammu and Kashmir Bank
- One 97 Communications
- Spandana Sphoorthy
- Union Bank of India
- Yes Bank

Building Materials
- Greenply Industries

Cement
- Nuvoco Vistas
- Sagar Cement

Consumer Goods
- Heritage Foods
- Zydus Wellness

Engineering & Capital Goods
- Kalpataru Projects International
- Kilburn Engineering
- Larsen & Toubro
- Skipper
- The Anup Engineering

Healthcare
- Vijaya Diagnostic

Insurance
- HDFC Life Insurance
- ICICI Lombard General Insurance Company
- ICICI Pru Life
- LIC

IT
- Firstsource
- Quick Heal
- TCS
- Teamlease

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MainTrack events and companies hosted on Day-1

Media

- Tips Industries

Metals & Mining

- Gravita India
- JSW Steel
- Shyam Metalics
- Welspun Corp

NBFC

- Aadhar Housing Finance
- Aditya Birla Capital
- FedBank Financial Services
- L&T Finance
- Mahindra Finance
- Shriram Finance
- UGRO Capital

Oil & Gas

- HPCL

Pharma

- Ajanta Pharma
- Indoco Remedies
- Strides Pharma Science
- Sun Pharma

Power

- Adani Green Energy

Retail

- Aditya Vision
- Credo Brands Marketing
- Vaibhav Global

Specialty Chemicals

- Epigral
- SRF
- Tata Chemicals
- Yasho Industries

Telecom

- HFCL
- Tata Communications

Other

- Adani Enterprises
- KFin Technologies Ltd
- Kaynes Technology India
- Motilal Oswal Financial Services
- Suzlon Energy

Adani Group - MainTrack

MainTrack Takeaways – Adani Group

- Adani's Infrastructure and Utility portfolio encompasses a diverse range of industries, including Energy, Data Centers (Adani ConneX), transportation (airports, roads, and ports), and logistics, serving ~350mn user-base across India. The conglomerate has exhibited superlative growth relative to both Indian indices and global utility indices, largely driven by a high growth profile, prudent leverage, and a swiftly growing consumer base.
- Adani's top management, led by Sagar Adani and Robbie Singh, highlighted the long-term focus of the group on infra investments. It has an impeccable track record in executing large projects and is thereby able to clock rapid growth and, at the same time, maintain profitability.
- Adani has emphasized on risk management and maintains a diverse pool of debt capital, with balanced exposure across domestic banks (36%), global banks (26%), and capital markets (29% global/5% domestic capital markets). Although the portfolio's total debt stood at Rs2,413.9bn as at FY24-end (comprising Rs2,215.8bn in long-term debt and Rs198.2bn in working capital debt), all debt maturities remain within Adani's FFO envelope, thereby underscoring a robust growth trajectory.
- This is further reinforced by Adani's consistently improving credit profile, as credit rating agencies have upgraded Adani's ratings, with nearly all portfolio companies experiencing upgrades. Currently, over 75% of the portfolio's EBITDA carries a rating of 'AA-'.
- The infra and energy portfolio is poised to see further development and optimization, as the group entities provide synergies to each other. While renewable energy is already on a growth path, green hydrogen is seeing rapid progress, and the company has been able to achieve competitiveness to a 10-year historical grey hydrogen price.
- The airport business is also scaling up with the new Mumbai airport helping India move toward a regional aviation hub, while the Data Centre and Cloud also present significant opportunities.

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JSW MG Motors - MainTrack

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2.0 Avatar aims to disrupt the industry through 'New Energy Vehicles'

CMP	MCap (Rs bn)	TP & Rating
NA	NA	NA | NA

We hosted Rajeev Chaba, CEO Emeritus at JSW MG Motors

Key Meeting-Takeaways

To become the 7th largest OEM this year; aims to be among leaders in New Energy Vehicles (NEVs)

- Industry currently has 4-6 main players/groups (broadly, two Japanese, two Koreans, two Indians); JSW-MG has a strong foundation in place through MG's 5-year history of operations and its strong brand equity, distribution network, and supplier ecosystem; sees itself becoming the 7th largest player along with maintaining and building on strengths like technology leadership and unique customer experiences.
- The company plans to launch 5-6 models in coming 15-18 months; would enhance capacity to 250-300K units/year in 3 years vs ~100K units now; JSW-MG would focus strongly on NEVs, viz EVs and plug-in hybrids (PHEVs) incl. high localization of core components, to drive cost competitiveness and profitability.
- Japanese players globally have been relatively slower in terms of EV adoption (in favor of mild hybrid technology); they could possibly continue to lag for coming 4-5 years, thus opening up market space for other players incl. JSW-MG.

Strong conviction on NEVs for Indian market; NEV penetration can reach 30% by 2030

- The company is convinced NEVs are the way forward, short-term cycles notwithstanding; NEV penetration in India is ~2% vs. ~50%/16%/8% in China/Europe/US, resp.; these levels would improve once compelling products (dedicated EV platforms) and price points come in (current EVs are largely converted versions of ICE); Rajeev Chaba believes EVs will reach price parity with ICE in the next 2-3 years; this, with entry/ramp-up of serious players, will help drive penetration levels towards 30% by 2030.
- Current penetration levels of ~2% can rise to ~5-6% relatively easily, if industry's communication around addressing worries like range anxiety, charging infra, maintenance costs, etc. improves.
- Believes policy needs to be supportive of NEV manufacturing for the long term; current lower 5% GST rate on EVs is a strong enabler; Rajeev Chaba hopes this would continue for coming 5-6 years till penetration levels rise to ~15%, after which the industry is expected to become self-sustainable.

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JSW MG Motors

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2.0 Avatar targets EV leadership through scale, backward integration

CMP	MCap (Rs bn)	TP & Rating
NA	NA	NA | NA

Key Meeting-Takeaways (Continued)

JSW-MG to leverage respective strengths for scale and cost

- The thrust of policymakers is to enable the local supply chain, to help meet objectives of multiple stakeholders, i.e. i) reduce national crude import bill and dependence on China for EV supplies, ii) higher localization would bring down costs for customers, and iii) supporting local manufacturers. Currently, India has no capability for local production of cells and EDUs; work on the same is now beginning.
- The JSW-MG JV helps address geopolitical/funding concerns, and combines SAIC's (MG parent) product, technology, and brand advantages with JSW's cost focus, local knowledge, and scale; also, through JSW, the combined entity would be able to undertake vertical integration in areas like cells, while also bringing down costs in other areas like logistics. Local R&D and the engineering center are some low-hanging fruits, which would be operationalized in due course.
- With strong foundations in place; scaling the business and becoming profitable would underly the current '2.0' stage of the company.

Other highlights

- While optically, ex-showroom prices for Creta (ICE) at ~Rs1.6mn are much above those of ~Rs2mn for MG ZS EV, ex-battery cost for ZS EV is only ~Rs1.5mn, with running cost very limited as against ~Rs10K/mth to be spent on fuel in case of ICE.
- Believes the industry would continue clocking 5-6% CAGR even on steady state basis, and become a 6mnpa-unit market by 2030 vs ~4mn units now; industry recently has been muted partly due to seasonal factors and issues like the elections and heat waves; is seen improving in coming months.

SRF - MainTrack

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CMP	MCap (Rs bn)	TP & Rating
Rs2,569	761	Rs2,600 | ADD

We hosted Ashish Bharat Ram, Chairman - SRF

Key Takeaways

- The India chemical industry has given massive total shareholder returns vs. European innovators or Chinese producers, owing to its lower base and shift of manufacturing away from China + a strong domestic market growth.
- SRF's journey into specialty chemicals and refrigerant gases has been backed by R&D initiatives that were taken around a decade ago. Its being a torchbearer has led to the company seeing a strong learning curve in agchem intermediate manufacturing, which started with fluorine as a chemistry; it has now moved into non-fluorine derivatives too.
- India needs to have a chemical ecosystem outside of Dahej, with growth of the size and scale of the industry (not visible yet). Europe+1 is shaping up as an opportunity for Indian players, but European players putting capacity in India seems difficult owing to the non-conducive environment.
- Companies are still in the inventory rationalization phase, and the business is facing competition from new capacities in China in the specialty chemicals business. SRF is now entering the AI business for innovators, which are in the registration phase and will drive the next leg of growth. Also, derisking the specialty chemicals business, from agchem to pharma (~15-20%), remains the company's strategy over the medium term.
- SRF has been an innovator of ref gas R467A, which is a replacement of R22 (only producer in India with a product patent). Similarly, SRF targets scaling up its HFO piece in ref gases, once these gases go off patent and the company has routes protected across geographies.
- For Packaging Films Business, worst is behind – BOPP is in better shape and BOPET is still under some pressure. Company is trying to scale up aluminum foil business as an adjacency to current polyester business (to be used in EV batteries as well)

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	148,703	131,385	155,097	180,484	203,141
EBITDA	35,292	25,841	32,765	41,075	48,116
EBITDA Margin (%)	23.7	19.7	21.1	22.8	23.7
APAT	21,623	13,357	17,263	23,409	27976
EPS (Rs)	72.7	44.9	58.0	78.7	94.4
EPS (% chg)	14.5	-38.2	29.2	35.6	19.9
ROE (%)	22.9	12.3	14.1	16.6	17.0
P/E (x)	35.3	57.2	44.3	32.6	27.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.5	12.7	12.3	11.9
Rel to Nifty	8.1	2.1	-0.3	-10.7

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ICICI Pru Life - MainTrack

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Life Insurance: Regulatory reforms increase trust in the sector, enabling long-term growth

ICICI Prudential Life's MD & CEO Anup Bagchi discussed the developments in the Indian Life Insurance sector and elaborated on the business strategy of ICICI Prudential Life toward achieve profitable growth in a sustainable manner. Key takeaways from his session:

- The regulatory reforms ensure increase of customer trust in life insurance which is the most crucial driver of long-term sustainable growth of the sector. Transparency and trust are the basic requirements for long term growth of any business, more so for the financial services business.
- Risk management is an important aspect of the life insurance business that often does not capture as much investor attention as growth and profitability. A life insurer's most important, albeit most difficult, task is to have a strong risk management process in place and achieve profitable growth with prudent risk management.
- The Indian Life Insurance industry has responded well to regulatory and economic environmental changes in the last two decades, and has managed to maintain its share in household financial savings, at ~17% over the interest rate and equity market cycle.
- The need for protection, and for long-term savings and retirement solution, will continue to grow and drive the growth of the sector. With the changing profile of customers and given the economic environment, products will evolve to address such needs.
- The Life Insurance versus Mutual Fund debate is not a serious one. Both products are not exactly substitutes and, for a disciplined long-term compounding or for ensuring long-term guaranteed returns, life insurance products have their utility.
- ICICI Prudential Life has been seeing growth across distribution channels, with a diversified product mix. Even before the new surrender regulations, the company had launched a product with No Surrender Penalty. These Zero Surrender charge products take away the fear of illiquidity from customers' minds, but will not necessarily have higher surrenders. Such products can be offered only when the upfront commission is lower.
- ICICIB is a highly supportive promoter shareholder of ICICI Pru Life. As a distributor, ICICIB generates ~Rs0.8-1bn Retail New Business per month for ICICI Pru Life, by focusing on Protection. Its distribution strategy is a choice made by ICICI Bank based on which it continues to focus more on core banking offerings to customers.

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Bajaj Auto

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Expects outperforming the 2/3W industry; E-2W space to see gradual growth

CMP	MCap (Rs bn)	TP & Rating
Rs.9,710	2,711	Rs.8,300|REDUCE

We hosted Anand Newar/Ashish Goyal, Head IR/IR (REDUCE)

Key Meeting-Takeaways

- The domestic 2W industry is seen growing 7-8% this year, with BJAUT seen gaining market share due to stronger presence in the 125cc and above categories; the domestic 3W industry is seen growing in a mid-to-high single-digit, led by rising EV penetration; BJAUT is already the market leader in E-3Ws in the markets it has entered over the past 6 months.
- The Nigerian market has recovered to ~30-35% of the previous peak of ~50K units/mth, with overall Africa also seeing a similar recovery rate; Latin America and ASEAN markets are above the previous peak and faring well; expects gradual growth in exports this year, with sharper improvement seen in FY26.
- Practical issues in EVs such as availability of charging space and parking are preventing rapid expansion in E-2W industry volumes beyond ~80-90K units/mth, despite the sharp decline in prices toward ICE. E-2W ASPs have reduced, from ~Rs150K/unit in 2022 to sub-Rs100K now; prices are climbing down faster than costs and hence the constraints on profitability; profitability improvement is seen as being gradual in EVs till cost decline catches up due to localization of cells, etc.; however, in E-3Ws, profitability is already at par with ICE-2Ws.
- BJAUT is working on several launches in EVs, akin to its wide portfolio in motorcycles; would launch 1-2 new products a year across price points (with a skew toward smaller battery sizes) and use cases; the company has seen sharp increase in E-2W volumes (~16K units/mth now vs ~5K units/mth a year ago), aided by reduction in prices.
- The orderbook of CNG motorcycle 'Freedom 125' is at 8-10K units now; the company has launched it in additional markets like Kerala and Delhi; capacity is not a constraint; however, product acceptance/feedback from early users and ramp-up of CNG infra needs to be watched.
- Expects battery costs to keep reducing; BJAUT as of now is not considering backward integration into lithium cell manufacturing, as there is no visibility for the required scale and investments are needed in R&D even as technology is evolving; believes technological edge will drive success in lithium, and not scale, *per se*.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	364,276	446,852	519,312	583,622	644,174
EBITDA	65,491	88,229	105,548	118,514	132,560
EBITDA Margin (%)	18.0	19.7	20.3	20.3	20.6
APAT	56,276	74,788	87,501	96,968	107,508
EPS (Rs)	198.9	271.8	313.4	347.3	385.1
EPS (% chg)	20.5	36.7	15.3	10.8	10.9
ROE (%)	21.6	29.7	35.1	38.3	40.8
P/E (x)	48.8	35.7	31.0	28.0	25.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.0	8.1	24.0	111.1
Rel to Nifty	3.6	-2.1	10.1	68.5

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CarTrade Tech (Not Rated)

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Guides to 18% revenue CAGR with improved profitability

CMP	MCap (Rs bn)	TP & Rating
Rs.909	42.9	NA | NA

We hosted Aneesha Bhandary, ED & CFO

Key Meeting-Takeaways

- Each of CarTrade's business units (Consumer, Remarketing, and Classifieds) is seeing good traction, with all expected to see double-digit growth, accompanied by even faster profitability growth amid significant operating leverage benefits (profits grew 1.7x of sales in FY19-24).
- CarTrade Tech continues to retain the top spot – as India's #1 automotive platform, #1 used classified platform, #1 vehicle auction platform, and #1 horizontal classified platform, with over 70mn monthly unique visitors across its platforms, of which 95% are organic.
- Rising digital ad spends by OEMS, CarTrade's high top-of-mind awareness (2-3x higher scores than peers, per Google Trends), and low customer acquisition costs (1/10th of social media) place it well for continued dominance.
- As per the company, there is not a single competitor offering the same range of services it has, although isolated competition in certain categories (e.g. CarDekho in new cars) exists.
- The repossession business has plateaued/degrown over the past 12-15 months as it tends to do well when the economy is going through a downturn.
- Per the management, CarTrade can potentially clock ~Rs8bnpa in revenues in the next 3 years (implied CAGR of 18%) on the back of increasing digital spends by Auto OEMs (~30% of the Rs9bn annual digital ad spends are on portals like CarTrade), operational efficiencies, and dominant position in its space.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,983	2,497	3,127	3,637	4,900
EBITDA	403	397	-1,335	340	172
EBITDA Margin (%)	13.5	15.9	-42.7	9.3	3.5
APAT	115	924	-1,329	338	765
EPS (Rs)	2.4	19.6		7.1	16.2
EPS (% chg)	218.7	704.0	-	-	126.4
ROE (%)	0.9	6.4	-	1.7	3.6
P/E (x)	373.8	46.5	-	127.2	56.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.1	-2.8	31.7	72.4
Rel to Nifty	9.8	-12.0	16.9	37.6

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Sandhar Technologies (Not Rated)

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Targets improved profitability on content growth and premiumization

CMP	MCap (Rs bn)	TP & Rating
Rs.633	39.9	NA | NA

We hosted Yashpal Jain, CFO

Widening customer base and wallet share gains via increase in content per vehicle place Sandhar well for sustained growth in revenues and would bolster its dominant positioning (#5 in locking & vision systems, sheet metal & assemblies, and die casting, per the mgmt.)

Key Meeting-Takeaways

- Over the medium term, the mgmt. guides to ~Rs4.1bn in revenue in FY25 and ~Rs4.5-4.7bn by FY27 (vs Rs3.5bn in FY24), with 50bps margin improvement every year over FY25-26.
- Margins in the sheet metal business (~19% of consol. revenue as of Q1FY25) are seen converging toward the previous highs of 12% vs 8% now; and the aluminium die casting business (~13% of consol. revenue in Q1FY25) to achieve 15-16% vs 12% now.
- Transition from mechanical locks to smart locks could improve revenues on higher APSs (Rs3.5-4K; ~10x higher than mechanical locks).
- Despite some challenges in international operations in recent quarters, the mgmt. expects the Romania plant to break even by end-FY25, while the Mexican business remains the most profitable among international businesses, and no major downfall is foreseen in Europe volumes.
- The company aspires to clock ~Rs1.5bn in revenues annually from its EV business in future, on the back of localization; it is currently in talks with a prominent domestic E-2W player and has set up a plant to demonstrate its capacity.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	19,434	18,636	23,237	29,089	35,211
EBITDA	1,869	1,772	1,922	2,452	3,406
EBITDA Margin (%)	9.6	9.5	8.3	8.4	9.7
APAT	560	572	561	712	1,098
EPS (Rs)	9.3	9.5	9.3	11.8	18.2
EPS (% chg)	-41.3	2.2	-1.9	27.0	54.1
ROE (%)	7.6	7.3	6.7	8.0	11.3
P/E (x)	71.3	69.8	71.1	56.0	36.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	11.2	36.3	41.7	85.0
Rel to Nifty	11.9	23.5	25.8	47.7

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Tinna Rubber & Infrastructure Ltd

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Leader in rubber recycling; targets 25% revenue CAGR, 30% RoCE

CMP	MCap (Rs bn)	TP & Rating
R1,773	30.4	NA | NA

We hosted Gaurav Sekhri (Joint MD) and Subodh Sharma (COO). Founded in 1977, Tinna Rubber is among the leaders in recycling of 'end of life rubber' (one of the largest in Asia), and is the largest player manufacturing rubberized bitumen (CRMB) and crumb rubber and crumb rubber modifier (CRM) in India

Key Meeting-Takeaways

- As part of Vision 2027, Tinna aims for Rs9bn revenue growth (25% CAGR; Rs3.6bn/5bn/7bn in FY24/25E/27E, resp.) along with stable 18% margins (clocked 16.8% in Q1FY24) and 30% RoCE (achieved 27.6% in FY24); has planned capacity expansion to 250K MTPA by FY27 vs 150K MT now.
- Q1FY25 revenue mix – 45% Infrastructure (roads), 28% Industrial (tyres), 18% Steel, 8% Consumer (mats, etc); margins are the highest in the Infra segment followed by Industrial and Consumer; it has strongly diversified away from dependence on the Infra segment in the past decade.
- Industrial segment application is expected to see strong growth tailwinds due to rising opportunities for usage of recycled rubber material and recent EPR regulations; share of recycled rubber (as proportion to virgin rubber) can potentially range at 5-40%, depending on the product category; usage of recycled rubber potentially offers 2-10% savings in process costs for customers; Tinna generates tradeable credits from sale of recycled rubber, which is sold to tyre makers post implementation of EPR regulations.
- Tinna holds over 60% market share in CRMB which forms only 2% of the overall bitumen market; GoI thrust on circularity and use of modified bitumen for road surfaces along with rising pace of road construction are seen driving 5x growth in the addressable market over coming 2-3 years; strong presence in the Infra segment seen as a key advantage for Tinna.
- The company imports 67% of tyres used for recycling and utilizes its labour arbitrage due to India operations (also has 1 facility in Oman); sees exports (now 8-10% of sales) and other tyre types (e.g. mining tyres; currently recycles truck-bus and passenger car tyres) as areas of future growth.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FYx21	FY22	FY23	FY24
Revenue	1,230	1,301	2,292	2,954	3,630
EBITDA	85	165	373	372	632
EBITDA Margin (%)	6.9	12.7	16.3	12.6	17.4
APAT	-46	-1	169	211	403
EPS (Rs)			9.8	12.3	23.5
EPS (% chg)	-	-	-	25.4	90.7
ROE (%)	-	-	23.4	24.4	36.0
P/E (x)	-	-	180.1	143.6	75.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.5	75.8	171.5	371.5
Rel to Nifty	0.1	59.2	141.0	276.2

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Axis Bank

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Unwavering focus on retailization of balance sheet, driving up RaRoC

CMP	MCap (Rs bn)	TP & Rating
Rs 1,164	3,596	Rs 1,400 | BUY

We hosted Punit Sharma (CFO) and Amit Talgeri (CRO) of Axis Bank

Key Meeting-Takeaways

- Axis Bank has consistently delivered healthy credit growth led by retail, with its share increasing from the lows of 40% to 60% of the overall book as of Q1FY25, while strategically running-down its corporate book share from 46% to 30% of the overall book as of Q1FY25. This, coupled with better cost management, has led to healthy margins at 3.8%/4.05% for FY24/Q1FY25. It believes FY25 credit growth will be anchored by deposit growth/LDR. It does not want to take part in a rate war and, instead, would focus on franchisee and better product offerings to mobilize deposits.
- The asset quality slip-up in 1Q due to slower recovery was a blip, and Axis should gradually recover such NPAs. It reiterated that 1QFY25 credit cost should not be extrapolated. It believes the gross slippages are well below the in-built product thresholds and thus do not pose any meaningful risk.
- Axis has completed CITI integration well before schedule, and expects some cost moderation from 2Q. It also expects non-integration cost to moderate gradually and thus support RoAs. It has tied-up with Bajaj Allianz to offer additional option for insurance products to its customers.
- With CET 1 below 15% (14.1% excluding 40bps of provisions), the bank has taken an enabling resolution to raise equity capital to around Rs200bn at an appropriate time.
- We retain BUY on the bank with TP of Rs1,400/sh, and believe that the recent correction post-1Q offers a good entry point. MD term extension by the RBI will be keenly watched.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	429,457	498,945	563,836	635,758	727,467
Net profit	95,797	248,614	278,500	322,611	377,178
EPS (Rs)	71.7	80.5	90.1	104.4	122.1
ABV (Rs)	392.5	473.8	564.5	663.4	779.7
RoA (%)	0.8	1.8	1.8	1.8	1.8
RoE (%)	8.0	18.0	16.8	16.5	16.4
P/E (x)	16.2	14.5	12.9	11.1	9.5
P/ABV (x)	2.8	2.3	1.9	1.6	1.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-11.8	0.7	6.2	19.8
Rel to Nifty	-11.6	-7.5	-4.1	-3.2

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ICICI Bank

Your success is our success

Re-assured sustained outperformance

CMP	MCap (Rs bn)	TP & Rating
Rs1,173	8,252	Rs 1,450 | BUY

We hosted Abhinek Bhargava, Head - Strategy of ICICI Bank

Key Meeting-Takeaways

- ICICIB re-assured of its unwavering focus on delivering healthy growth with quality and profitability. Recent moderation in credit growth (16% YoY/3% QoQ) was due to gradual slowdown due to tightening of risk filter in select retail segments. That said, the bank will continue to outpace systemic credit growth.
- Margin softness in case of rate cut by the RBI is imminent, but the bank expects the margin contraction to be measured. The management indicated that the draft LCR guideline impact could be 10-14% for the industry and hence high for ICICI Bank. These guidelines may call for more HQLA build-up via G-Secs and could thus lead to some pressure on yields.
- The bank sustains industry-high specific PCR of 80% and contingent provision buffer at Rs131bn/1.1% of loans, providing comfort amid rising system-level risks. The bank guides for a net credit cost of 50-60bps in FY25, which should help it deliver RoA above 2%.
- The recent change in investment classification norms has led to a 30bps QoQ jump in CET 1 to 15.9%. Recent rumors about Sandeep Bakhshi (MD & CEO) planning to retire are unfounded. He will complete his term in Oct-26, and is eligible for a 3-year extension thereafter.
- ICICIB remains our preferred pick in the banking space, given its superior returns profile (RoA: >2%), top-management credibility, and strong capital/provision buffers. We retain BUY on the stock with TP of Rs1,450/share (2.8x Jun-26E ABV (premium over HDFCB @2.4x) and subsidiaries valuation at Rs200/share.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	621,286	743,057	831,578	937,674	1,091,637
Net profit	318,965	408,883	459,372	515,522	577,512
EPS (Rs)	45.8	58.4	65.3	73.3	82.1
ABV (Rs)	272.3	317.9	373.6	433.6	491.0
RoA (%)	2.1	2.4	2.3	2.2	2.1
RoE (%)	17.5	19.0	18.1	17.4	16.9
P/E (x)	21.2	16.7	14.9	13.3	11.9
P/ABV (x)	3.6	3.1	2.6	2.2	2.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.9	3.6	14.8	20.2
Rel to Nifty	-4.7	-4.8	3.7	-2.9

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IDFC First Bank

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Guides for sustained moderation in cost ratios

CMP	MCap (Rs bn)	TP & Rating
Rs 72	537	Rs 85 | ADD

We hosted Sudhanshu Jain (CFO), IDFC First Bank

Key Meeting-Takeaways

- IDFCB calibrated its credit growth at 21% YoY/4% QoQ in 1Q, on the back of the slowdown seen in the SME/corporate segment. Within retail, VF, HL, consumer loans, and other retail loans (including revolving credit) continue to drive growth, while the MFI book growth will be the laggard in FY25 amid rising asset quality risk.
- The management is confident of mobilizing further deposit growth (~Rs600bn p.a.) via focus on expanding the SA deposits base. NIMs dropped QoQ by 13bps to 4.2% in 1Q, primarily due to softer loan yields, but the mgmt. aspires to maintain NIMs above 6% levels in the longer run, aided by cost moderation.
- The sticky cost-to-income ratio moderated to 70% in 1Q (vs 73% in Q4), which the management guides to reduce to ~65% by FY27E, with bulk of the new product development and infra cost being largely behind. This should help the bank drive-up RoAs, partly offset by the rising credit cost (+20bps to 185bps) led by stress in the MFI-JLG book.
- Recent LCR guidelines call for incremental liquidity mobilization of Rs90-100bn, which can be done partly via Refinancing and FX borrowing. IDFCB reverse-merger would be concluded by Q2. The bank's CET 1 should improve by 130bps to 14.7% after the recent preferential capital raise. However, we believe that given its higher capital consumption rate, the bank may call for a capital raise sooner.
- We retain ADD on the stock with TP at Rs85/share, based on 1.5x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	126,353	164,508	201,676	244,163	298,593
Net profit	24,371	29,573	35,188	44,350	57,502
EPS (Rs)	3.7	4.2	4.7	5.9	7.7
ABV (Rs)	37.4	44.3	51.6	56.6	63.0
RoA (%)	1.1	1.1	1.1	1.1	1.2
RoE (%)	10.4	10.2	9.8	10.7	12.4
P/E (x)	19.6	17.2	15.3	12.1	9.4
P/ABV (x)	1.9	1.6	1.4	1.3	1.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.6	-6.8	-12.7	-17.2
Rel to Nifty	-10.4	-14.3	-21.1	-33.1

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IndusInd Bank

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Seasonality effect to wane soon

CMP	MCap (Rs bn)	TP & Rating
Rs1,351	1,052	Rs 1,900 | BUY

We hosted Indrajit Yadav (Head Strategy) of IndusInd Bank

Key Meeting-Takeaways

- The bank reported moderate credit growth at 15.5% YoY/1% QoQ, mainly due to the seasonal effect as well as conscious slowdown in select retail segments, including TW, CV, Cards, and BB. However, the bank guides for growth pick up in 9MFY24, as the seasonality effect wanes and owing to growth in secured retail including vehicle financing and mortgages accelerate. The bank guides for sustained NIMs in the range of 4.25-4.3%, credit growth at 18-19%, and deposit growth in the 17-18% range, going ahead.
- The key pillars of the liability strategy for IIB will be 1) differentiated product/price offering (at least for the next two years); 2) ramping up 'home market' share to 5% from ~3.7% currently, and adding new geographies; 3) focus on affluent, NRI, and community banking (such as Indus Solitaire Program for the Gems and Jewelry community); 4) digital leverage to tap Gen Z/Millennial customers; and 5) branch expansion (add another 1,000 branches/34% to the current network of >2,900 branches).
- The bank guides for continued vigilance on the asset quality front due to rising stress in MFI and other select retail segments. However, it believes that the risk of meaningful deterioration remains low, and hence upholds its FY25 LLP guidance. The bank did not comment on Hinduja's payment for its acquisition of Reliance Capital, saying this is for Hinduja mgmt. to comment on. The bank remains open to expanding into the para-banking business via inorganic opportunities.
- We retain BUY on the stock, given its healthy return ratios and relatively cheap valuations; TP is Rs 1,900/share, implying 2x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	175,921	206,159	231,282	273,990	329,225
Net profit	73,897	89,770	101,153	120,377	143,630
EPS (Rs)	95.2	115.3	129.9	154.5	184.4
ABV (Rs)	646.6	686.1	780.4	887.5	1,019.8
RoA (%)	1.7	1.8	1.8	1.8	1.8
RoE (%)	14.5	15.4	15.3	15.9	16.6
P/E (x)	14.2	11.7	10.4	8.7	7.3
P/ABV (x)	2.1	2.0	1.7	1.5	1.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.3	-7.4	-11.3	-5.0
Rel to Nifty	-6.1	-14.9	-19.8	-23.3

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Jammu & Kashmir Bank

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Healthy business/profitability; MD re-appointment to be key monitorable

CMP	MCap (Rs bn)	TP & Rating
Rs 111	122	NA | NR

We hosted Baldev Prakash, MD & CEO of J&K Bank

Key Meeting-Takeaways

- With tourism in J&K being at an all-time high, rapid infra development and rising opportunities in horticulture could support growth. J&K Bank has guided to a credit growth of 15% in FY25. The bank has also guided to 1.25-1.3% RoA in the next 1-2 years, thereby delivering 17-18% RoE on an already expanded capital base.
- The bank is blessed with a strong retail deposit pool/CASA @50%, given its geographical advantage. Additionally, the bank continues to benefit from the government deposit flow, which is on the rise amid the developmental work in the state; the bank claims to have Rs250-300bn of government balance in CASA at any point in time.
- The mgmt believes political interference has come down materially and with the recent concentration of major powers with the Lieutenant General, it expects the smooth operations to continue. Current MD's term is due for expiry in Dec-24 and clarity on his term extension would soon emerge.
- The bank is also witnessing good traction from its newly launched self QR code-based UPI payments (unlike other banks, which use QR codes of payment companies like Paytm, Phonepe, etc.), which immediately helps transfer money into the vendor account upon payment, instead of the T+1 cycle followed by Payment companies. The bank believes this is a good mode of deposit mobilization.
- We do not have a rating on the stock, but we believe that it is trading at relatively lower valuations (1.2x FY24 ABV vs peers with a similar return profile), despite healthy and higher RoA/RoEs, coupled with unmatched deposit advantage.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	37,066	37,708	39,112	47,453	52,038
Net profit	-11,395	4,321	5,016	11,974	17,674
EPS (Rs)	(17.9)	6.1	6.1	12.2	16.6
ABV (Rs)	55.8	63.9	64.6	75.7	95.2
RoA (%)	(1.1)	0.4	0.4	0.9	1.2
RoE (%)	(18.6)	7.1	7.2	14.2	17.0
P?E (x)	(6.2)	18.3	18.2	9.1	6.7
P/ABV (x)	2.0	1.7	1.7	1.5	1.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.6	-11.1	-20.0	71.3
Rel to Nifty	2.8	-18.3	-27.7	38.3

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One 97 Communications

Your success is our success

Business recuperation to be gradual

CMP	MCap (Rs bn)	TP & Rating
Rs515	326	Rs375 | REDUCE

We hosted Anuj Mittal, Head Strategy, and Anandita Jain, IR, of One 97 Communications (Paytm)

Key Meeting-Takeaways

- Paytm has taken full-quarter business impact post the embargo on its Payment bank business in Q1FY25, leading to higher EBITDA loss (ex-ESOP) at Rs5.5bn. The company expects gradual recovery in its merchant payment GMV, as also in loan disbursement. New online merchant onboarding remains suspended till the time the RBI clears the account aggregator license.
- With rising share of UPI (80-85% of GMV) and absence of high MDR (on wallet), the management expects net payment margins to dip to 3-3.5bps, ex UPI incentives, and to 5-6bps, incl. UPI incentives.
- Paytm has recently launched the new NFC Card Soundbox—a unique 2-in-1 mobile QR device. Competition is far behind in the soundbox business and has not been able to dent the company’s business. The management believes that device business revenue is likely to remain strong, given the rising acceptance among customers. The management continues to explore offloading its event and ticketing business.
- Fresh loans disbursement declined in the last 2 quarters, mainly due to i) closure of the Post-paid business and low-ticket PL, and ii) shift towards the distribution-only model (where it earns a fee of 2.5-3%) from its earlier sourcing and collection model (where it earned a fee of 4.5-5%). However, the Merchant lending (ML) business picked up and the company intends to add more lending partners (including banks), but believes that PL business run-rate would track similar levels, unless asset quality concerns ease. 50% of the loans sourced are from the top-15 cities. As of now, the lending partnerships have been without FLDG, but the company remains open to partnerships with FLDG as well.
- We have a REDUCE rating on the stock, with DCF-based TP of Rs375/share, as visibility on business revival remains hazy and, thus, risk-reward appears to be unfavorable following the recent stock run-up.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating Revenue	79,903	99,780	80,078	97,157	114,583
Net profit	-17,640	-13,845	-20,626	-10,795	-4,218
EPS (Rs)	(27.8)	(21.8)	(32.4)	(17.0)	(6.6)
BV (Rs)	202.9	209.9	176.7	159.3	152.5
RoA (%)	(9.8)	(7.9)	(12.5)	(6.7)	(2.6)
RoE (%)	(13.1)	(10.8)	(17.0)	(10.3)	(4.4)
P/E (x)	(18.5)	(23.7)	(15.9)	(30.3)	(77.6)
P/BV (x)	2.5	2.5	2.9	3.2	3.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	16.0	51.7	2.1	-40.5
Rel to Nifty	16.3	39.4	-7.8	-51.9

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Spandana Spoorthy

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Growth to see slowdown amid rising asset quality stress

CMP	MCap (Rs bn)	TP & Rating
Rs 605	43	NA | NR

We hosted Shalabh Saxena, MD & CEO of Spandana Spoorthy

Key Meeting-Takeaways

- Due to poor asset quality in Q1FY25, the bank's management has revised the FY25 credit cost guidance to 3.75% from 2.5%, and lowered AUM growth guidance to 17-18% from 25%. It also highlighted that the bank is looking to pass-on scale benefit to customers going ahead. In line with this, it reduced lending rate by 1% for customers with >6 loan cycles, effective Apr-24.
- Collections dropped to 94% in Q1FY25, affected by extended elections, severe heat waves, and high attrition, particularly in key states of Madhya Pradesh, Maharashtra, Rajasthan, Telangana, and Gujarat. About 47% of the 31 to 90 DPD portfolio and 59% of the GNPA came from these five states, which together contribute 32% to the AUM.
- Despite the current challenges, the management believes these issues are temporary and expects corrective measures to improve collections while maintaining a positive industry outlook with no stress on rural income, credit demand, or customer behavior.
- To prevent more disruptions in asset quality, the mgmt has implemented several measures: halting the acquisition of NTC customers, pausing new member acquisition in 14% of the branches in key states (i.e. 230 branches), limiting new center additions in 39% of the branches, and addressing the high attrition caused by the increased workload by allocating added resources to 50% of the branches for enhancing portfolio quality.
- Along with these measures and the bank's conservative lending approach, as reflected in loans per customers at 1.17x vs. 1.91x for industry, only ~13% exposure to customers with a >Rs0.1mn ticket-size would ensure better asset quality going ahead.
- Currently, we do not have rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	7,840	9,070	7,800	8,100	12,890
Net profit	3,520	1,450	700	120	5,010
EPS (Rs)	52.4	20.0	6.8	1.7	65.6
ABV (Rs)	405	422	428	429	499
RoA (%)	6.7	1.7	0.9	0.2	4.5
RoE (%)	14.4	4.9	1.6	0.4	14.2
P/E (x)	11.6	30.3	89.6	355.9	9.2
P/ABV (x)	1.5	1.4	1.4	1.4	1.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-20.4	-27.4	-38.2	-27.1
Rel to Nifty	-20.3	-33.3	-44.1	-41.1

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Union Bank

Growth set to moderate; but guides to 1% RoA

CMP	MCap (Rs bn)	TP & Rating
Rs122	928	Rs150| REDUCE

We hosted Ramasubramanian S (ED), and Avinash Prabhu (CFO) of Union Bank

Key Meeting-Takeaways

- Union Bank's credit growth was slightly moderate at 14% YoY/0.9% QoQ in Q1FY25, due to its corporate book shedding, while the RAM book continued to grow at a healthy pace (15% YoY/2% QoQ). Within retail, the bank remains focused to grow its education and HL book. Within HL, the bank targets growing at a higher pace in Tier 2 and Tier 3 cities. The top-up HL portfolio is considerably low and should thus not have any impact due to the recent stinker by the RBI during the policy meet.
- The management guides to credit growth range of 11-13%, while it expects deposits to remain a laggard in FY25, growing only 9-11%. Also, NIM is expected to moderate hereon (2.8-3% for FY25), as cost pressure remains elevated and the recent LCR norms might have some bearing on the overall credit growth as well.
- The bank has increased standard asset provisioning by Rs13bn due to anticipated stress in a couple of accounts, which also led to a rise in SMA-0 (Rs51bn vs Rs10bn in Q4). However, UNBK carries a strong PCR of 81% and should thus limit incremental credit cost. On the profitability front, the bank has given a guidance of ~1% RoA by FY25.
- We retain our REDUCE rating on the stock with a TP of Rs150/share, valuing the bank at 1x Jun-26E P/ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	327,653	365,704	399,130	438,463	487,235
Net profit	84,333	136,484	163,278	174,860	180,675
EPS (Rs)	12.3	18.9	21.4	22.9	23.7
ABV (Rs)	93.2	111.9	130.6	149.9	167.9
RoA (%)	0.7	1.0	1.1	1.1	1.0
RoE (%)	12.2	16.7	16.7	15.7	14.4
PE (x)	9.9	6.5	5.7	5.3	5.2
P/ABV	1.3	1.1	0.9	0.8	0.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.2	-14.0	-16.8	41.3
Rel to Nifty	-9.9	-21.0	-24.9	14.1

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Yes Bank

Your success is our success

RoAs set to improve, though gradually

CMP	MCap (Rs bn)	TP & Rating
Rs 24	765	Rs 15 | SELL

We hosted Niranjan Banodkar (CFO) of Yes Bank

Key Meeting-Takeaways

- Yes Bank has adopted a cautious stance, particularly in unsecured loans, due to identified stress pockets that led to subdued disbursements and a recalibration of the product mix for its retail segment, to ensure profitability. However, in the SME and mid-corporate segments, the mgmt. aims for consistent mid-20% growth. The large corporate segment has seen strong new business generation over the past 18-20 months, with growth further emphasized by a slowdown in the rundown of the legacy book.
- Margins have been stable in 1Q at 2.4%, while the bank guides for the RIDF book to fall below Rs400bn in FY25 and further decrease to <5% (vs current 11% levels) of total assets by FY27; this should positively aid the bank's margins. CET ratio is comfortable enough to sustain for the next 12-18 months. There is no need for capital raise. By FY27E, the bank expects 1% RoA, mainly led by NIM expansion and cost moderation.
- Overall recovery trends for FY25 are expected to be strong, while the bank aims for PCR of +70% (vs mid-60s currently), while slippages for FY25 are expected in the lower range of 2.0-2.5%, with signs of retail slippages flattening out. The bank aims to expand its branch network by 250-300 in the next 2-3years which should keep cost/assets elevated at 2.6%
- It is difficult to comment on the strategic stake-sale in the bank, but given the bank's strong tech platform, branch franchisee and recalibrated loan book should attract a decent set of investors/buyers, if any.
- Currently, we have a SELL rating due to sub-par return ratios, capital levels, and expensive valuations.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	79,176	80,946	88,129	100,503	118,408
Net profit	7,174	12,505	18,098	25,005	31,276
EPS (Rs)	0.4	0.3	0.4	0.6	0.8
ABV (Rs)	11.0	14.7	14.3	14.5	14.7
RoA (%)	0.4	0.2	0.3	0.4	0.5
RoE (%)	0.1	1.9	3.0	4.2	5.5
PE (x)	56.4	90.0	55.2	39.9	30.1
P/ABV	2.2	1.6	1.7	1.7	1.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.1	4.8	-19.7	41.7
Rel to Nifty	-9.9	-3.7	-27.4	14.4

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Refer to important disclosures at the end of this report

Greenply Industries Ltd.

India Equity Research | Building Materials
August 12, 2024
Conference Note

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MDF margins surprise positively

CMP	MCap (Rs bn)	TP & Rating
Rs 378	47	NR

We hosted Manoj Tulsian (Jt. MD & CEO) and Nitin Kalani (CFO)

Key Meeting-Takeaways

- For FY25, the management maintains its guidance of 8-10% YoY plywood volume growth and 50bps YoY improvement in margins, driven by the 1.5-2% price hike taken in Q1 and further hikes expected in Q2FY25.
- For MDF, it guides to >50% YoY volume growth (on a low base) and EBITDA margin of >16%, driven by the improving product mix in FY25.
- Consolidated working capital days improved by 9 YoY to 38 days in Q1FY25 with both, inventory and debtor days, declining.
- Net debt declined by ~Rs0.7bn QoQ to Rs4.3bn in Q1FY25; the management guides to net debt of Rs4.5bn at FY25-end.
- The company has demand tailwinds for its MDF segment due to increased acceptance of the product and the healthy real estate market.
- The plywood business volume grew 9% YoY in Q1 in spite of the impact of the general elections and margins remaining under pressure due to increase in raw material prices.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	14,204	11,653	15,628	18,456	21,799
EBITDA	1,052	1,143	1,503	1,484	1,702
EBITDA Margin (%)	7.4	9.8	9.6	8.0	7.8
APAT	816	615	944	834	676
EPS (Rs)	6.6	5.0	7.6	6.7	5.5
EPS (% chg)	0.5	-24.6	53.5	-11.6	-18.9
ROE (%)	22.9	15.1	19.4	14.1	10.0
P/E (x)	57.3	76.0	49.5	56.0	69.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	20.5	57.9	73.3	132.0
Rel to Nifty	21.2	43.1	53.9	85.1

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Nuvoco Vistas

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Weak pricing scenario to keep leverage high, delay expansion

CMP	MCap (Rs bn)	TP & Rating
Rs 335	120	NR

We hosted Madhumita Basu (Chief Strategy and Marketing Officer), Bishnu Sharma (Head-Investor Relations), and Hari Gupta (Deputy Manager-IR)

Key Meeting-Takeaways

- The management estimates industry growing a mere 1-2% in 1QFY25 due to the elections, earlier-than-anticipated monsoons, and heat waves in certain regions. Demand has been an issue in the eastern states of West Bengal and Odisha in 1Q. Certain volumes were lost for the company due to SAP upgradation.
- Nuvoco has ~9.5/19mt clinker/cement capacity in the East, and expects adequate capacity availability for the next two years based on current demand trends.
- Cement prices to remain under pressure, with a challenging near-term outlook.
- Fuel cost stood at Rs1.57/'000 Kcal in Q1FY25 vs (Rs1.63/'000 Kcal in Q4FY24). The management expects fuel cost to further reduce to ~Rs1.5/'000 Kcal over coming quarters on the back of cost improvement measures and current input price trends.
- The company's net debt further increased to Rs4.4bn as of Q1FY25 (Rs40.3bn as of Q4FY24) on account of cyclicality in working capital. The management reiterated its target for the next expansion phase after reduction of net debt to ~Rs35-40bn on a sustainable basis by FY25-end.
- Capex for 1Q stood at ~Rs1bn. Capex guidance for FY25E is Rs3-4bn, of which ~Rs2bn is related to maintenance.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	67,932	74,888	93,180	105,862	107,329
EBITDA	12,972	14,605	15,016	8,046	16,237
EBITDA Margin (%)	19.1	19.5	16.1	7.6	15.1
APAT	2,386	-124	317	4,178	1431
EPS (Rs)	6.7		0.9	11.7	4.0
EPS (% chg)	2074.7	-	-	1217.4	-65.8
ROE (%)	4.6	-	0.4	4.7	1.6
P/E (x)	50.2	-	377.7	28.7	83.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.0	7.3	-1.8	-4.2
Rel to Nifty	-5.4	-2.8	-12.8	-23.5

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Sagar Cements

India Equity Research | Cement
August 12, 2024
Conference Note

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Leverage to remain elevated

CMP	MCap (Rs bn)	TP & Rating
Rs 225	29	Rs 250 | ADD

We hosted K Prasad (CFO)

Key Meeting-Takeaways

- Cement prices have further declined by Rs5/bag since the end of Jun-24. The management does not expect prices to improve till mid-Q3FY25.
- The management maintained its volume guidance of 6.5mt (+18% YoY) for FY25, implying a 20% growth run-rate for remaining Quarters. Besides, it has guided to absolute EBITDA of Rs3.5-3.75bn, with EBITDA/t to range at Rs540-575 in FY25. To recap, volumes increased 9% YoY to 1.28mt in Q1FY25.
- Development of the Amravati capital region, irrigation projects, and housing schemes are likely to result in double-digit demand growth for the region.
- Capex spends stood at Rs300mn in Q1FY25, and the management has guided to Rs3bn capex for FY25.
- The company plans to expand Dachepalli plant clinker capacity to 2.31mt from 1.85mt, and cement capacity to 3mt from 2.25mt. The planned expansion for Gudipadu/Jeerabad is by 0.25/0.5mt. This planned expansion is focused more toward improving efficiency of the plants. The proposed capex for the expansion is Rs4.7bn.
- Net debt increased by Rs1.2bn QoQ to Rs13bn as of Jun-24. The management expects net debt to remain capped in the Rs12-13bn range.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,295	25,046	27,210	32,695	36,814
EBITDA	1,532	2,459	2,871	4,156	5,520
EBITDA Margin (%)	6.9	9.8	10.6	12.7	15.0
APAT	-1,390	-582	-555	357	1301
EPS (Rs)	-10.6	-4.4	-4.2	2.7	10.0
EPS (% chg)	-	-	-	-	264.7
ROE (%)	-9.6	-3.2	-2.9	1.9	6.6
P/E (x)				82.4	22.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.7	3.0	-8.9	-9.4
Rel to Nifty	-5.1	-6.7	-19.1	-27.7

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Refer to important disclosures at the end of this report

Heritage Foods

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Exploring value-added opportunity to scale revenue and margin

CMP	MCap (Rs bn)	TP & Rating:
Rs548.25	Rs50.87	Not Rated

We hosted Srideep Kesavan, CEO of Heritage Foods, at our India conference to share his perspective on the company and industry

Key Meeting-Takeaways

- **Focus on strategic cost management to drive margins:** Apart from milk as a key raw material cost, the company has an equal share of manpower, freight and logistics, and selling expenses. Here, sales and distribution costs will see optimization. Freight and logistics costs will also come down with scale. Manpower cost is likely to remain firm, as the focus is on revenue growth.
- **Value-added opportunity strong:** The company generates ~60% of sales via liquid milk, where growth is a little higher than the population growth. Value-added opportunity is strong and has not yet been explored in the organized space. Of the 40% sales concentrated in value-added, the company has five cluster focuses: Foods (Curd and Paneer), Fat (5% of revenue, mainly Ghee and Butter), Ice Cream, Drinkable, and Sweets.
- **Enhanced distribution thrust**: With time, the consumer journey has evolved. Now consumers do omni-shopping. Sales through general trade distribution are ~80%. With ~350 distributors, the company distributes products across 17 states in 100k outlets. Through its own 200 outlets, the company generated ~5% revenue. Modern trade and e-commerce contribute to 15% of revenue.
- **New product intensity to remain firm:** As part of its strategy, the company is looking at new product introduction, to become relevant for consumers. In the last 10 Quarters, it has launched ~30 products, of which 25 saw initial success. Going ahead, the management targets one impactful innovation every Quarter.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	27,259	24,731	26,813	32,407	37,939
EBITDA	-3,832	2,606	1,769	1,316	2,034
EBITDA Margin (%)	-14.1	10.5	6.6	4.1	5.4
APAT	-1,597	1,486	1,001	545	1018
EPS (Rs)		16.0	10.8	5.9	11.0
EPS (% chg)	-	-	-32.7	-45.6	87.0
ROE (%)	-	28.2	16.0	7.9	13.3
P/E (x)	-	34.2	50.8	93.4	49.9

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.2	61.4	68.0	120.9
Rel to Nifty	0.5	45.5	50.2	78.1

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Zydus Wellness

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Improving demand setting with better seasonality, a positive

CMP	MCap (Rs bn)	TP & Rating
Rs2,317	Rs147.44	Not rated

We hosted Umesh Parikh (CFO) and Sanketh Parikh (Investor relation) of Zydus Wellness at our India conference to share their perspective on the company and industry

Key Meeting-Takeaways

- **Rural salience**: Glucon-D and Nycil have >30% contribution, brands like Complan, Sugar-Free, and Everyuth see ~18-25% of sales contribution from rural. Nutralite is largely positioned in the urban market.
- **Channel salience**: The company generates 80% of its revenue from traditional trade. Of the balance, 20% of sales are from organized/modern trade, and ~9.5% of sales are from the e-commerce channel.
- **Capex spends** are likely to be related to maintenance in the near term. The management sees ~Rs300-350mn annual capex.
- The company aspires to improve its **EBITDA margin to ~17-18% over the next couple of years,** largely to be driven by gross margin improvement and operating leverage.
- During Q1FY25, the **positive demand momentum continued,** with growth across various categories. Rural demand outpaced urban growth, narrowing the consumption gap. Given the higher summer-centric portfolio, Q1 and Q4 represent 2/3rds of sales; the harsh summers aided faster growth in Q1FY25. In the personal care segment, Nycil saw 20% growth, with market share of ~35%. In the foods and nutrition segment, the company saw a faster 21.3% growth for Glucon-D, in which the company now has 59.7% MAT market share.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	17,668	18,667	20,091	22,548	23,278
EBITDA	2,769	2,122	3,448	3,271	2,940
EBITDA Margin (%)	15.7	11.4	17.2	14.5	12.6
APAT	1,807	2,509	3,089	3,191	2790
EPS (Rs)	28.4	39.4	48.5	50.1	43.8
EPS (% chg)	11.1	38.8	23.1	3.3	-12.6
ROE (%)	5.3	6.2	6.6	6.4	5.3
P/E (x)	81.5	58.7	47.7	46.2	52.8

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	10.1	36.2	45.2	48.5
Rel to Nifty	10.4	22.7	29.9	19.6

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India Equity Research | Engineering and Capital Goods
August 12, 2024
Conference Note

Kalpataru Projects International

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Growth levers remain intact

CMP	MCap (Rs bn)	TP & Rating
Rs1,238	201	Rs1,550 | BUY

We hosted Ram Patodia (CFO), Kunal Jain (Head - IR Team), and Vikas Jain (AGM - IR Team)

Key Meeting-Takeaways

- With policy continuity in the domestic market, demand tailwinds to blow in favor of the industry, and ordering and tendering activities gaining momentum, the management believes KPIL is well placed to register revenue growth of ~20% during FY25. The management targets order inflow of Rs220-230bn during FY25 (31% of target achieved in Q1FY25). It is confident of recovery on the margin front H2FY25 onward, and targets PBT/EBITDA margin tracking the 4.5-5%/8.5-9% range during FY25. To enhance its execution capabilities, it is eyeing capital expenditure of ~Rs5-6bn in FY25 which is expected to gradually reduce in the next few years.
- Railways business will continue to degrow during FY25, given weak tendering and intense competition. Water segment with an order backlog of Rs98bn (OB share: 17%) also witnessed slowdown in tendering activities, on account of the general elections; it is yet to ramp up. In addition, delay in receipt of payment from the GoI and labor shortage also impacted growth in the water segment.
- YTD reported order inflow was Rs70bn (-5% YoY) due to the general elections impacting tendering activities, coupled with a high base effect. Order backlog stood at Rs571bn (BB ratio: 2.9x), with L1 position remaining strong at Rs50bn. Order inflows are largely driven by the domestic market, which has a 64% share in YTD inflows, with international market share declining to a mere 36%. The management is confident of the GoI's sustained focus on establishment and enhancement of infrastructure capabilities across India, largely driven by the Power segment, thus acting as a strong tailwind for EPC players, including KPIL.
- The management has received multiple offers for sale of Vindhyachal Expressway (VEPL) which are now in advanced stages of discussions with a large global investor. The company is confident of receiving more than its total investment of Rs3.9bn in this non-core asset. Among all road assets, VEPL has the largest exposure, of +50%. Brij Bhoomi Expressway and Wainganga Expressway are still in the early stages of their life cycle and will be divested in coming years. Indore Real Estate's 80% inventory was sold off by end-FY24 (FY23/FY22: 65%/60% inventory sold out), and the management is confident of selling the balance 20% during FY25. In Shubham Logistics, a capital restructuring process will be conducted in FY25, i.e. converting its loan into equity, and the company intends to defer its stake sale.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	143,370	167,600	202,909	244,844	287,600
EBITDA	11,610	13,660	17,530	22,407	27,801
EBITDA Margin (%)	8.1	8.2	8.6	9.2	9.7
APAT	4,770	5,680	8,093	11,235	14815
EPS (Rs)	29.4	35.0	49.8	69.2	91.2
EPS (% chg)	66.8	19.1	42.5	38.8	31.9
ROE (%)	9.3	10.3	13.1	15.8	17.9
P/E (x)	42.2	35.4	24.9	17.9	13.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-8.8	6.3	42.9	93.0
Rel to Nifty	-8.2	-3.7	26.9	54.0

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Kilburn Engineering

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Positive synergies from acquisition to reflect FY25 onwards

CMP	MCap (Rs bn)	TP & Rating
Rs427	18	NA | NA

We hosted Ranjit Lala (MD), Sachin Vijayakar (CFO), and Vijaysankar Kartha (MD - M.E. Energy)

Key Meeting-Takeaways

- Kilburn completed the acquisition of its subsidiary M.E. Energy in Q4FY24. This subsidiary is based in Pune, and is a leading waste heat recovery and waste heat reutilization systems provider, designed to deliver energy saving solutions. Positive synergies expected to pan out from the acquisition include offering a better product portfolio along with enhancement in the customer base, capability to bid for larger opportunities, and the much-needed capacity expansion. The management is willing to plan additional capex, provided opportunities are lucrative enough; it is open to both, organic and inorganic methods of expansion.
- Order inflow during Q1FY25 stood at Rs1.6bn, culminating into an order backlog of ~Rs3.3bn. The current enquiry pipeline remains strong, at around Rs20bn on a consolidated basis. Kilburn has a success rate of 25-30% of the enquiries being converted into order wins. Kilburn recently forayed into the cement segment, winning its first order there. Kilburn will be assisting in setting up waste heat recovery boilers in addition to hot air generating systems.
- The management maintains its guidance of Rs5bn worth of inflows during FY25. It is targeting revenue of Rs5bn (+52% YoY) and EBITDAM of 20% (vs FY24: 23.2%). To meet the inflow guidance, it has decided to expand its capacity at M.E. Energy's Pune plant; it is confident of enhancing capacity at existing facilities. Meanwhile, to conduct expansion at Kilburn's facility requires setting up a greenfield capacity, which is currently secondary to ensure enhancement of capacity.
- The management recently set up a clean room, upon receiving an order for titanium-based dryers. These require a controlled environment for welding, and are utilized in the petrochemicals industry. Titanium dryer manufacturing is a niche job, and the management is willing to take up similar orders in the future, provided it is able to attain assurance on its execution capabilities after completion of the current order.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	1,311	884	1,228	2,215	2,932
EBITDA	93	-1,199	133	349	649
EBITDA Margin (%)	7.1	-135.6	10.9	15.8	22.1
APAT	50	352	16	302	397
EPS (Rs)	1.2	8.4	0.4	7.2	9.5
EPS (% chg)	-15.2	600.8	-95.6	1840.5	31.5
ROE (%)	5.0	46.6	2.6	33.7	22.7
P/E (x)	355.8	50.8	1148.9	59.2	45.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.7	20.6	42.6	154.1
Rel to Nifty	-1.1	9.3	26.6	102.8

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Larsen & Toubro

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Primary tasks of improving EPC margins/divestment of non-core assets

CMP	MCap (Rs bn)	TP & Rating
Rs3,572	4,911	Rs4,100 | BUY

We hosted Harish Barai (Head IR) and other team members

Key Meeting-Takeaways

- The management continues to have a positive outlook on the demand environment across the business and markets, and is hence confident of achieving its order inflow/revenue guidance for FY25 at +10%/+15% YoY. It maintains its EBITDA margin guidance on projects and the manufacturing business at 8.2-8.25% for FY25. The management targets gradual rise in EPC business EBITDAM and expects it to move to 9% levels by FY26/FY27 from 8% now. Improvement is expected on the back of favorable revenue mix, stable commodity prices, and completion of legacy orders.
- Q1FY25 order inflow grew to Rs710bn (+8% YoY), on the back of 32% growth in international order inflows, aided by strong ordering momentum in the Middle East. Order backlog stood at Rs4.9trn (+20% YoY); domestic/international share is 62:38. With a stable government, domestic tendering activities are likely to pick up going ahead. While there is reduction in the hydrocarbon prospects pipeline in FY25, it indicated ordering revival in FY26.
- On the current thermal power opportunity, despite spare capacity (4GW), L&T will be highly selective in bidding for projects given its steep learning curve in the past when it barely managed to make profits. L&T is targeting large solar EPC projects across geographies that may not be margin-accretive but are excellent on RoCE accretion. The company is actively exploring opportunities in the off-shore wind space.
- L&T sees good opportunities in Metros, HSR, and RRTs. It will not bid for any traditional railway capex, i.e. mainly electrification, track-laying, etc. Also, on the HVDC opportunity, it is not targeting any bigger pie here.
- Skilled labor availability remains a challenge for majority of the players; however, things are gradually moving toward normalization after the elections.
- On Hyderabad metro, it targets reducing debt from ~Rs125bn to Rs80bn, although it is facing delays owing to slow disbursement from the state government. L&T till date has received a mere Rs9bn against the promised Rs30bn from the state government. The management is planning to monetize its mall (1.3mn sqft) at ~Rs10-15bn, in addition to its plan to monetizing land parcels.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,833,407	2,211,129	2,620,049	2,939,874	3,327,524
EBITDA	207,621	234,937	279,394	326,723	380,533
EBITDA Margin (%)	11.3	10.6	10.7	11.1	11.4
APAT	103,348	129,655	153,870	193,732	234068
EPS (Rs)	75.2	94.3	111.9	140.9	170.2
EPS (% chg)	16.7	25.5	18.7	25.9	20.8
ROE (%)	12.0	14.8	16.7	18.3	19.0
P/E (x)	47.5	37.9	31.9	25.3	21.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-2.1	9.2	8.3	35.4
Rel to Nifty	-1.5	-1.1	-3.9	8.0

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Skipper

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PVC pipes business to be a substantial growth driver going ahead

CMP	MCap (Rs bn)	TP & Rating
Rs419	46	NA | NA

We hosted Sharan Bansal (Director) and Aditya Dujari (Deputy General Manager)

Key Meeting-Takeaways

- Skipper has had a pipe marketing division since the 2000s, and has transitioned from steel pipes to PVC pipes in the mid-2010s. Business achieved a certain level of scale, clocking revenue of ~Rs4-4.5bn. The management is likely to demerge this into a separate company going ahead. Current utilization of the company stands at 55%, which is expected to ramp up to 75% going ahead. The current capacity (0.3mn ton) can lead to maximum turnover of Rs6.5-7bn, and the company targets achieving Rs8-10bn after capacity expansion (targeted capacity addition by end-FY25: 75,000ton). In majority of the PVC pipes market that Skipper will cater, it will be a challenger brand.
- Skipper's transmission segment has clientele across 65 countries, showcasing a healthy mix across regions. The largest share in international order backlog in the transmission segment comes from South America. The MiddleEast continues to be an exciting market, on the back of upcoming RE projects; additionally, Australia and other developed geographies are witnessing significant ramp up in growth opportunities. The management estimates the transmission market size to be in line with the capital expenditure happening on the generation front; one dollar spent on generation leads to an equal amount being spent toward transmission and distribution.
- Maximum demand in the transmission industry in India is from Rajasthan and Gujarat, which have majority of the potential capacity to set up RE capacity. Transmission setup at present has a gestation period of 4years in comparison with the 2Y period taken to setup an RE greenfield capacity.
- Skipper derives bulk of its revenue from the higher voltage (220kV and above) segment, albeit it has limited scope of incremental rise in margins. Nevertheless, the management is trying to negotiate better contracts by agreeing on relatively higher pricing terms. Seizing opportunities in the export market coupled with better product mix will also add to improvement in margins.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	13,905	15,815	17,071	19,803	32,820
EBITDA	1,395	1,452	1,649	1,935	3,194
EBITDA Margin (%)	10.0	9.2	9.7	9.8	9.7
APAT	405	209	251	354	817
EPS (Rs)	3.9	2.0	2.4	3.4	8.0
EPS (% chg)	27.7	-48.5	20.2	41.1	130.8
ROE (%)	6.1	3.0	3.5	4.7	9.8
P/E (x)	106.2	206.2	171.5	121.5	52.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	15.4	33.1	48.5	153.3
Rel to Nifty	16.1	20.5	31.8	102.1

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Refer to important disclosures at the end of this report

Anup Engineering

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Exports to drive the next leg of growth

CMP	MCap (Rs bn)	TP & Rating
Rs1,856	37	NA | NA

We hosted Reginaldo Dsouza (CEO), Nilesh Hirapara (CFO), and Satya Prakash Mishra (IR)

Key Meeting-Takeaways

- Anup Engineering is one the key players in the manufacture of heat exchangers, pressure vessels, columns, Helixchanger, etc. Among these, heat exchanger remains the flagship product of the company, with contribution of ~65%, followed by tower & reactors, and vessels.
- The recent acquisition of Mable Engineers Private, Tamil Nadu provides full revenue potential of Rs10bn at the company level. It will go for new capex at its Kheda plant (20% is already used) for further growth. It will take around 8-9 months for capacity expansion), funded via internal accruals. The extension of PS Bay at Kheda will be commissioned in Q2FY25. This will provide 2 complete bays for manufacturing at Kheda.
- The company continues to focus on its strategy to delve deeper into complex types of equipment and spread geographically.
- Current order (including recent order of Rs1bn from the UAE) book stands at Rs9.2bn, giving strong revenue visibility. The management has guided for revenue growth of 25-30% and EBITDA margin of 20-22% for the next 2-3 years.
- Within the total annual global hydrocarbon capex, the addressable market size for Anup Engineering is around 2%, which is Rs170-200bn. The company has global market share of 4-5%.
- In the domestic market, strong opportunities are seen in oil & gas refinery and petrochemicals (Reliance Industries, Adani capex, etc). In the export market, the green hydrogen (currently 30% of the revenue) and gas space looks promising.
- Exports share increased to ~50% in Q1FY25 from 31% in FY24. The management is confident of maintaining current export contribution due to a strong opportunity pipeline in oil & gas refinery capex. Currently, 90% of the enquiries are from the exports market.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,455	2,791	2,882	4,113	5,504
EBITDA	698	700	709	839	1,283
EBITDA Margin (%)	28.4	25.1	24.6	20.4	23.3
APAT	425	535	628	515	999
EPS (Rs)	21.3	26.9	31.6	25.8	50.2
EPS (% chg)	1.0	26.1	17.4	-18.1	94.2
ROE (%)	13.9	16.2	17.2	12.4	20.7
P/E (x)	87.0	69.0	58.8	71.8	37.0

Source: *Company, Emkay Research (Based on closing share price as on 12-Aug-2024)*

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	4.0	2.5	38.1	77.7
Rel to Nifty	4.7	-7.1	22.6	41.8

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Vijaya Diagnostic

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Network expansion beyond core markets to drive growth

CMP	MCap (Rs bn)	TP & Rating
Rs 825	84.7	Rs 850 | ADD

We hosted Sunil Chandra Kondapally - Executive Director, and Narasimha Raju KA - CFO

Key Meeting-Takeaways

- The management has already signed 9 leases for hub expansion which it targets commissioning in the next 12-18 months.
- Majority of the hubs in the next two years are expected to be commissioned in non-core markets – Pune: 2; West Bengal: 3; AP&T: 4.
- Existing hubs in Hyderabad and core markets continue to grow at 12-13%.
- Operations have been initiated at the Ongole hub from 8-Aug-24. This hub is commissioned in a mature market (population of 1.5mn) with existing hospitals like Aster DM and KIMS, along with >150 practicing doctors in the surrounding area. Additionally, the management expects traction from 3 districts to ensure quick breakeven (Guntur, Vellore, and Ongole).
- 85% of the test volumes are driven by pathology, but they contribute to only 65% of the topline, while 15% tests driven by radiology contribute to 35% of the topline. Hubs at the onset see radiology contributing >70% revenue from radiology.
- Pricing at Kolkata is higher vs Hyderabad, while that for the Pune region is similar to Hyderabad. Performance at PH and Kolkata would be key going forward, as it would establish Vijaya's success outside core markets.
- Faster breakeven in new centers is because all geographies where expansion has occurred are mature. Due to Vijaya's advanced radiology advantage, the initial 5-6 months see higher revenue. Vijaya's network of doctors (radiologists) and technicians are a key moat and with which other players have not been able to keep up with.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,592	5,478	6,929	8,005	9,375
EBITDA	1,820	2,209	2,688	3,100	3,678
EBITDA Margin (%)	39.6	40.3	38.8	38.7	39.2
APAT	846	1,209	1,433	1,736	2140
EPS (Rs)	8.3	11.8	14.0	17.0	20.9
EPS (% chg)	-22.8	43.0	18.5	21.2	22.9
ROE (%)	16.7	19.7	19.7	19.8	20.2
P/E (x)	100.2	70.1	59.1	48.8	39.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.3	13.4	28.5	69.6
Rel to Nifty	1.6	2.2	14.9	36.7

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HDFC Life Insurance

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On the right track to deliver profitable growth journey

CMP	MCap (Rs bn)	TP & Rating
Rs702	1,511	Rs750 | BUY

We hosted Kunal Jain (Head – IR) and Manish Chheda (VP – IR)

Key Meeting-Takeaways

- In the ULIP segment, the sum assured has experienced substantial growth due to the attachment of riders. The management noted that although the ULIP segment has grown at a decent rate, July's growth was lower than that of June. However, this slight dip in the ULIP segment growth did not impact the overall APE growth.
- Over the past 1-2 years, growth in the Protection segment has stabilized. In the Credit Protection segment, heightened competitive intensity has led the management to prioritize margin protection over aggressive growth. The management is not worried about the attachment rate in the credit life segment.
- The management is dedicated to increasing absolute VNB and aims to double it every four years, targeting a 16-18% growth in VNB going forward. It will continue to invest in growth areas, including the addition of branches, enhancing the sales force and manpower within the HDFC Bank channel, and investing in technological upgrades.
- HDFC Bank has achieved over 20% growth on a 2-year CAGR basis. The Agency and Broker channels have now gained growth momentum, post the slowdown in high-ticket policies due to the taxation changes in the FY24 Union budget.
- The management is confident that regulatory risks are now behind, and anticipates stable growth in the industry.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	133,360	132,910	156,036	181,898	210,528
VNB	36,740	35,010	39,742	47,012	54,531
VNB Margin (%)	27.6	26.3	25.5	25.8	25.9
EV	395,280	474,690	550,589	637,867	737,537
Op. RoEV (%)	21.6	17.5	16.7	16.6	16.4
EVPS (Rs)	183.9	220.7	256.0	296.6	342.9
EPS (Rs)	6.4	7.4	8.9	10.5	11.8
P/EV (x)	3.8	3.2	2.7	2.4	2.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	10.5	28.1	21.7	10.9
Rel to Nifty	11.2	16.0	8.0	-11.5

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ICICI Lombard General Insurance

All eyes on Motor and Health segments

CMP	MCap (Rs bn)	TP & Rating
Rs1,953	964	Rs1,800 | REDUCE

We hosted Sarvesh Agrawal (VP - Finance), Akshata Nayak (IR), and Anusha Popat (IR)

Key Meeting-Takeaways

- The management noted that some pressure is building in the Group Health Insurance sector. The industry faces challenges with insuring new lives; however, there is an increase in the sum assured within the retail health segment.
- While auto sales from OEMs have been decent, there has been no corresponding uptick in sales from dealers to consumers. Nevertheless, the management anticipates an increase in auto sales due to the upcoming festive season.
- Higher claims frequency in the health segment has been observed, driven by an increase in disease cases in May and June, a trend expected to continue into Q2FY25. Customers are now visiting hospitals for minor treatments, indicating a shift in behavior post-Covid.
- In the retail health business, the proportion of new business is rising, and the management anticipates further growth in the retail health segment with the launch of new product 'Elevate'.
- The company is developing its agency channel, leading to upfront costs that will keep the Combined Ratio elevated in the Health segment. However, with productivity improvements, the Combined Ratio is expected to improve going forward.
- The management expects the Group Health Claims ratio to remain in the 95-96% range. Although sourcing costs are minimal, the management believes it is not prudent to pursue this business if the Combined Ratio exceeds 100-105%.

Financial Snapshot

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
GDPI	210,251	247,761	290,316	334,658	383,550
NEP	148,229	168,665	203,927	237,482	273,328
Operating result	14,916	19,059	24,936	30,014	33,401
Profit after tax	17,291	19,186	24,829	29,573	33,022
Combined ratio (%)	104.5	103.3	101.8	101.1	100.5
RoE (%)	17.7	17.2	19.3	20.1	20.2
EPS (Rs)	35.2	39.0	50.4	60.0	67.0
P/E (x)	55.5	50.0	38.7	32.5	29.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	4.7	17.5	20.9	42.5
Rel to Nifty	5.3	6.5	7.3	13.7

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ICICI Pru Life

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Growth momentum to continue

CMP	MCap (Rs bn)	TP & Rating
Rs729	1,052	Rs750 | BUY

We hosted Dhiren Salian (CFO), S Ganessan (CTO), and Sweta Sharma (VP - IR)

Key Meeting-Takeaways

- The management noted that growth in the protection segment has rebounded. The inclusion of riders with ULIP products has led to slightly higher margins and improved persistency.
- Growth in Tier 2/3 cities has been consistent with that in Tier 1 markets. However, the management remains cautious about growth in Tier 2/3 cities due to higher mortality rates observed in reinsurance data.
- Regarding the new surrender regulations, the management highlighted that the most significant changes will pertain to distributor commissions. It plans to transition to a deferred commission structure or implement a clawback provision.
- A large portion of the costs is being allocated to investments toward strengthening distribution channels, brand building, and technological upgrades. Such investments are expected to drive healthy premium growth, leading to improved cost ratios.
- The management remains keenly focused on VNB growth, driven by APE growth.
- The company has a lower share of multi-insurer channels compared with peers, with 50% of the business sourced from the Agency and Direct channels, which are single-insurer channels. Additionally, the management expects stable growth in the ICICI Bank channel, going forward.

Financial Snapshot

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	86,400	90,460	105,581	120,056	136,519
VNB	27,650	22,270	25,953	29,950	34,555
VNB Margin (%)	32.0	24.6	24.6	24.9	25.3
EV	356,340	423,370	482,737	550,887	628,765
Op. RoEV (%)	17.4	14.1	15.0	15.1	15.1
EVPS (Rs)	247.9	294.6	335.9	383.3	437.5
EPS (Rs)	5.6	5.9	7.1	8.2	9.5
P/EV (x)	2.9	2.5	2.2	1.9	1.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	11.9	23.2	44.5	30.1
Rel to Nifty	12.6	11.6	28.3	3.8

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LIC

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Focus remains on Non-Par products

CMP	MCap (Rs bn)	TP & Rating
Rs1,074	6,795	Rs1250 | ADD

We hosted KR Ashok (ED), Sanjay Bajaj (Head - IR), and MN Rao (Secretary - Finance)

Key Meeting-Takeaways

- The management continues to focus on the Non-Par business, which is expected to drive improvement in margins going forward. Further to driving growth in the protection segment, LIC has recently launched four products in the Term Protection and Credit Life segments.
- The management remains focused on growing the absolute VNB, which will be driven by growth in APE and improvement in VNB margins. The management remains committed to improve the VNB margins with increase in share of Non-Par products and through optimization of distribution channels.
- The management remains focused on increasing its market share, while the medium-term target remains on improving VNB margins to >20%.
- With respect to the new surrender regulations, the management mentioned that the impact will be limited, and the corporation will look toward redesigning the products and commission structures while keeping the interest of all stakeholders in mind.
- LIC has seen higher surrenders in small ticket-size policies, particularly in the Par lines of business. Persistency in term plans has been healthy.
- While Agency remains an important channel, the management is focusing on strengthening the banca-alternate and direct channels. LIC has also invested in digital technologies, to improve agent productivity.

Financial Snapshot

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	566,820	569,700	631,249	689,579	751,666
VNB	91,560	95,830	108,799	123,266	138,923
VNB Margin (%)	16.2	16.8	17.2	17.9	18.5
EV	5,822,430	7,273,440	8,152,727	8,825,131	9,569,137
Op. RoEV (%)	10.9	11.5	11.0	10.7	10.7
EVPS (Rs)	920.5	1,150.0	1,289.0	1,395.3	1,512.9
EPS (Rs)	57.5	64.3	57.9	62.9	68.0
P/EV (x)	1.2	0.9	0.8	0.8	0.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.2	17.9	5.1	62.8
Rel to Nifty	2.8	6.8	-6.7	29.9

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Firstsource

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Growth momentum likely to sustain

CMP	MCap (Rs bn)	TP & Rating
Rs286	197	Rs300 | ADD

We hosted Dinesh Jain (CFO), and Pankaj Kapoor (Head - IR), Firstsource

Key Meeting-Takeaways

- The management remains confident of delivering on its FY25 guidance of 11.5-13.5% revenue growth and 11-12% EBITM. The It aspires for a US$1bn revenue run-rate by the end of FY26.
- FSOL is likely to sustain the growth momentum, on broad-based growth, strong deal wins, and likely recovery in mortgage with start of an interest rate-cut cycle expected in the US.
- While elevated interest rates remain an overhang on mortgage, focus on cost optimization programs with customers is helping expand market share, particularly with mono liner clients. The management expects a sequentially improving growth trajectory in BFS for the rest of FY25, backed by a strengthening sales and solution team, which is helping it gain access to potentially large logos, expand the pipeline, and focus on cross-selling added services in existing accounts.
- Within the healthcare segment, the management continues to see a strong pipeline, with several potentially-large deals across a large client base, hence giving confidence of maintaining growth momentum in FY25 too, driven by the payer segment.
- In CMT, while the offshore shift in the top client could remain a headwind in the near term, the company expects good growth in CMT, given continued ramp-ups in other clients, and the healthy deal pipeline.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60,223	63,362	74,476	84,881	96,093
EBITDA	8,265	9,562	11,585	13,771	16,188
EBITDA Margin (%)	13.7	15.1	15.6	16.2	16.8
APAT	5,137	5,192	6,163	7,784	9777
EPS (Rs)	7.4	7.4	8.8	11.2	14.0
EPS (% chg)	-4.4	1.1	18.7	26.3	25.6
ROE (%)	16.1	14.7	15.9	18.3	20.6
P/E (x)	38.8	38.4	32.3	25.6	20.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	14.5	53.7	43.4	93.3
Rel to Nifty	15.3	39.3	27.3	54.3

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Quick Heal Technologies

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New products to lead growth

CMP	MCap (Rs bn)	TP & Rating
Rs597	32	NA | NA

We hosted Vishal Salvi (CEO), Ankit Maheshwari (CFO), and Deepak Kumar (Strategy, M&A, and IR) – Quick Heal

Key Meeting-Takeaways

- Quick Heal intends to increase its addressable market to Rs30bn by FY25, to Rs35bn by FY26, and to Rs40bn by FY27, by way of introducing new solutions and expanding presence to new geographies (including international).
- The Enterprise segment is still at a nascent stage, and the management expects healthy growth in the segment led by new product launches which typically take ~18-24 months to be adopted by clients.
- The company highlighted that it has multiple levers and strategies in place to help register healthy growth in its Retail segment.
- DPDP adoption is mandatory for all corporates which will lead to enhancing overall control over protecting the personal identifiable information of its stakeholders. The deployment of necessary infrastructure is expected to increase IT spends of corporates by ~5%.
- The company aims to increase its partnership with global and local players, with view to expand its reach and coverage for customers. Partnership with EET Group and MTech Technologies is in line with this revenue expansion strategy.
- The various products and solutions provided are interlinked and complement each other; hence, it is convenient to up-sell and cross-sell to clients.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,861	3,330	3,419	2,781	2,918
EBITDA	914	1,415	1,069	19	176
EBITDA Margin (%)	31.9	42.5	31.3	0.7	6.0
APAT	720	1,047	798	8	242
EPS (Rs)	13.4	19.5	14.9	0.2	4.5
EPS (% chg)	-20.3	45.4	-23.7	-99.0	2859.7
ROE (%)	10.0	15.0	11.6	0.2	5.7
P/E (x)	44.4	30.5	40.0	3903.6	131.9

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	13.1	30.3	27.1	214.2
Rel to Nifty	13.8	18.1	12.8	150.7

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Macro uncertainty weighs on growth visibility

CMP	MCap (Rs bn)	TP & Rating
Rs4,196	15,180	Rs3,950 | REDUCE

We hosted Nehal Shah (Head - IR), TCS

Key Meeting-Takeaways

- Despite broad-based revenue growth in Q1, healthy deal wins, and strong pipeline, the management refrained from commenting on growth sustainability, considering the near-term demand volatility caused by weakness in discretionary spending and unabated pressure from the sudden pause/deferment of projects by clients amid macro uncertainty. The management reiterated FY25 revenue growth being better than that in FY24.
- Clients deferred projects that were not matching ROI expectations and weighed on growth, and hence remain cautious. Fed Rate cut and election uncertainties waning may lead to improvement in demand.
- Within BFSI, clients are attempting to balance their priority between transformation and cost optimization projects.
- CME continues to face growth headwinds. Interest rate cuts may be a trigger for higher spending by clients.
- The BSNL deal is on track to be executed by Q4, or latest by Q1FY26, as the Tejas network is expected to roll out towers by FY25-end.
- Near-term margin levers are pyramid rationalization (lowering ARC), improved productivity, and better utilization, whereas pricing and growth acceleration would assist in the medium term.
- In Q1, >270 AI/GenAI engagements have been deployed or are in various stages of progress. The AI/GenAI pipeline has almost doubled QoQ to US$1.5bn.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,54,580	24,08,930	25,87,992	27,81,757	30,11,231
EBITDA	5,92,600	6,33,370	7,03,596	7,67,183	8,31,408
EBITDA Margin (%)	26.3	26.3	27.2	27.6	27.6
APAT	4,21,470	4,59,080	5,09,714	5,57,894	609819
EPS (Rs)	115.2	126.9	140.9	154.2	168.5
EPS (% chg)	10.0	10.2	11.0	9.5	9.3
ROE (%)	45.9	49.6	50.1	46.1	42.9
P/E (x)	36.4	33.1	29.8	27.2	24.9

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.3	7.7	1.8	22.2
Rel to Nifty	0.9	-2.4	-9.6	-2.5

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Teamlease Services Limited

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Capitalizing on the job growth bandwagon

CMP	MCap (Rs bn)	TP & Rating
Rs3,094	52	NA | NA

We hosted Ramani Dathi (CFO), and Neeti Sharma (CEO, Teamlease Digital), Teamlease

Key Meeting-Takeaways

- The exact financial impact of the recent announcements in the budget can only be determined once the details are notified. Overall, it is positive directionally for formalization and productivity of the workforce.
- In General Staffing, the business is positioned for growth in FY25 with a clear view of a robust pipeline and rising demand among clients. Focus remains on driving absolute EBITDA growth higher. In the past, PAPMs have declined as clients renegotiated during the Covid period. PAPMs have gradually improved till 680, and can further improve to 700 with majority of the new clients being signed on the variable model. Core-to-associate ratio should improve in FY25, with no core hiring required this year.
- Impact of NEEM trainees is now completely behind. The impact of discontinuation of NEEM on the profit was to the tune of Rs200mn. Government initiatives should lead to acceleration in adoption for Degree Apprenticeship across verticals.
- The specialized staffing demand has still not increased much, though the period of layoffs and low hiring seems to have ended with companies operating with very little bench strength. The company has constantly exited low-margin mandates, and focus is on replacing these with higher margin mandates. Going ahead, any green shoots in hiring will contribute directly to the bottom line.
- In the Other HR Services segment, the company is in advanced-stage discussions with a few companies for M&A opportunities. Overall growth rates should also be strong, given tie-ups with a higher number of universities.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	52,007	48,815	64,798	78,700	93,215
EBITDA	930	944	662	1,107	1,308
EBITDA Margin (%)	1.8	1.9	1.0	1.4	1.4
APAT	347	796	979	1,078	1089
EPS (Rs)	20.7	47.4	58.4	64.3	64.9
EPS (% chg)	-64.6	129.2	23.1	10.1	1.0
ROE (%)	6.2	13.0	14.6	14.4	13.5
P/E (x)	149.5	65.2	53.0	48.1	47.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	6.6	-4.4	1.5	34.7
Rel to Nifty	7.3	-13.4	-9.9	7.5

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Tips Industries Limited

Turning up the volume

CMP	MCap (Rs bn)	TP & Rating
Rs746	95	NA | NA

We hosted Sushant Dalmia (CFO), Tips Industries

Key Meeting-Takeaways

- FY25 guidance for both, revenue and profit growth, is 30%. The growth guidance factors in revenues from the recent Warner deal as well. Warner Music has been exclusively distributing the Tips Music 13K+ Hindi catalogue since 2020 at the international level, and this new deal enhances that scope of the partnership to both, Hindi and non-Hindi languages at the national as well as the global level. Overall, minimum guarantees are ~10x the previous deal that was done in 2020. The company generates 10-15% of its revenue from content acquired in the last 3 years.
- 28-30% of the revenue will be spent on content acquisition in FY25 (Rs0.8bn), though there will be fewer song releases as focus is more on quality content. There is a conscious effort to not overpay for expensive content. More content acquisition will be done for films music, which is typically more expensive. Overall payback period remains the same, at five years.
- The 90s repertoire has been doing quite well. The current catalogue of 30-35k songs consists majorly of movie songs (70-75%), with Hindi being the dominant language. Major movies in the pipeline include 'The Buckingham Murder' and a Varun Dhawan starrer (in FY26).
- Over the long term, short format apps (YouTube Shorts, Instagram) can contribute significantly. Globally, the subscription model is prevalent, while India still mainly operated on the advertisement model. Realizations can improve substantially in case of a subscription-based model.
- On the non-digital front, the company has 4 major sources of revenue: i) Public performances; ii) Publishing; iii) Television broadcasting; and iv) Brand Partnerships.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	910	905	1,356	1,868	2,416
EBITDA	-20	552	862	1,019	1,585
EBITDA Margin (%)	-2.2	60.9	63.6	54.6	65.6
APAT	112	431	641	764	1253
EPS (Rs)	0.9	3.4	5.0	6.0	9.8
EPS (% chg)	490.9	283.2	48.8	19.1	64.1
ROE (%)	14.9	47.4	63.0	64.0	79.4
P/E (x)	848.4	221.4	148.8	124.9	76.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	35.9	75.9	83.4	138.6
Rel to Nifty	36.7	59.4	62.8	90.4

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Gravita India

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Growth + Diversification

CMP	MCap (Rs bn)	TP & Rating
Rs 1,782	123	Rs 1,650 | Buy

We hosted Anant Jain (Investor Relations), and Chirag Somani (Corporate Finance)

Key Meeting-Takeaways

- **Outlook:** GRAV is targeting a 25% volume CAGR over the next three years and aiming for a 35% PAT growth by FY28, potentially reaching Rs7.5-8.0bn. It plans to achieve 75-80% capacity utilization in the next 3 years. India's first tyre recycling plant at Mundra, with capex of Rs300mn and capacity of 9ktpa, is being set up, and paper and steel recycling plants are planned to be operational by FY27.
- **Industry:** India is net import-dependent for aluminium scrap, with domestic generation only 5% of the total requirement. Lead acid battery recycling in India is 55-60%, and the industry is shifting toward formal and organized recycling due to regulations. GRAV is anticipating the launch of an Aluminium Alloy commodity derivative on MCX, and is setting up a pilot project for lithium-ion recycling. The global lithium-ion battery recycling industry is still in the early stages, with significant volume expected in the next 3-4 years as more EVs reach end-of-life. Currently, lithium-ion battery recycling in India is mostly in terms of black mass conversion, which is then exported.
- **Segment-wise:** a) Lead: Sustainable EBITDA margin improved, from 17-18 Rs/kg to 18-19 Rs/kg. Expects 8-10% organic growth, with additional growth from increased domestic scrap availability. b) Aluminium: Hedging mechanism expected to be available in Q2FY25. Targeting 50-70% capacity utilization for FY25. New contracts in India based on M-1 and M-2 pricing, providing natural hedge. c) Plastics: Growth in the plastics segment expected by end-FY25. Setting up an independent PET recycling facility for food-grade plastics in India.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,886	32,008	41,669	52,447	62,818
EBITDA	2,856	3,236	4,399	5,590	6,688
EBITDA Margin (%)	9.9	10.1	10.6	10.7	10.6
APAT	2,011	2,545	3,184	4,090	5023
EPS (Rs)	29.1	36.9	46.1	59.2	72.8
EPS (% chg)	44.3	26.5	25.1	28.5	22.8
ROE (%)	41.2	35.7	32.7	31.9	30.1
P/E (x)	61.2	48.4	38.6	30.1	24.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	29.0	95.9	102.5	149.9
Rel to Nifty	29.8	77.5	79.8	99.4

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JSW Steel

Incremental volumes and cost reduction to drive spreads higher in H2

CMP	MCap (Rs bn)	TP & Rating
Rs 917	2,243	N/A

We hosted Ashwin Bajaj (Group Head - Investor Relations), and Urvil Bhatt (Investor Relations)

Key Meeting-Takeaways

- **Outlook:** The company anticipates that a drop in raw material costs will help improve steel spreads from current levels, with coking coal prices expected to decline in FY25. Enhanced efficiencies and cost-saving initiatives are also expected to reduce costs, leading to an improvement in EBITDA per tonne in FY25.
- **Management plan:** The new facilities at Vijayanagar and BPSL will be ramped up during FY25. The shutdown of blast furnace number 3 at Vijayanagar for capacity enhancement is planned towards the end of FY25, after the JVML operation stabilizes. The management anticipates improved volumes in Q2 from existing operations and new facilities coming on line. Consolidated production and sales guidance to 28.4mt and 27mt, respectively, remain on track.
- **Capex timeline**: The Hot Strip Mill at Vijayanagar has been commissioned, and Phase II expansions at BPSL completed. The management expects ramping up capacities during FY25. Consolidated capex for FY24 was Rs168bn, and the management anticipates consolidated capex for FY25 to be around Rs200bn.
- **Key challenges:** Increasing steel imports pose a challenge for the domestic steel industry, as Chinese dumping remains a concern; it is currently occurring at unsustainable negative margins of US$40-60/tonne. Nonetheless, the management remains vigilant about this issue. The management is also attentive toward the rising geopolitical tensions and their impact on the industry.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	7,33,260	7,98,390	14,63,710	16,59,600	17,50,060
EBITDA	1,09,780	2,00,580	3,82,660	1,84,100	2,80,640
EBITDA Margin (%)	15.0	25.1	26.1	11.1	16.0
APAT	46,002	79,850	2,12,619	37,554	84411
EPS (Rs)	18.8	32.7	86.9	15.4	34.5
EPS (% chg)	-39.7	73.6	166.3	-82.3	124.8
ROE (%)	12.9	19.2	37.3	5.6	11.8
P/E (x)	48.8	28.1	10.6	59.7	26.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.8	7.5	13.0	11.8
Rel to Nifty	-1.2	-2.6	0.4	-10.8

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Shyam Metalics & Energy

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Tracking a high growth trajectory for the next few years

CMP	MCap (Rs bn)	TP & Rating
Rs 742	207	N/A

We hosted Deepak Agarwal (CFO) and Pankaj Harlalka (Head - Investor Relations)

Key Meeting-Takeaways

- **Outlook:** The company anticipates a top-line of around Rs250bn by FY26-27, with CAGR of over 25-30%. It maintains an 80-85% captive power consumption rate benefiting from the low power costs of Rs2.37 per kilowatt, and the management remains optimistic about sustaining margins and revenue growth despite seasonal demand and pricing fluctuations.
- **Management plan:** The company is aiming for new ventures to independently contribute to the top-line and bottom-line, with a targeted IRR of 18% and an EBITDA of Rs5bn within 7-8 years. It targets expanding into the aluminium foil and stainless-steel sectors with a strong emphasis on backward and forward integration to enhance EBITDA over the next 3-5 years.
- **Capex timeline**: The company plans to spend Rs20bn in the current financial year and another Rs20bn in FY26. Key projects include commissioning a blast furnace, a DRI plant, and expanding various production units, along with focus on optimizing freight costs through the procurement of railway rakes under the Own Your Wagon scheme.
- **Key challenges:** The company acknowledges the potential pricing corrections in the metal industry due to seasonal factors, especially during the monsoons, but the management remains confident about the long-term demand and pricing stabilizing post-monsoons.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	43,764	62,971	1,03,940	1,26,102	1,31,952
EBITDA	6,661	13,938	25,997	14,859	15,700
EBITDA Margin (%)	15.2	22.1	25.0	11.8	11.9
APAT	3,394	8,426	17,252	8,560	10348
EPS (Rs)	12.2	30.2	61.8	30.7	37.1
EPS (% chg)	-43.7	148.2	104.8	-50.4	20.9
ROE (%)	12.8	26.1	36.4	13.2	11.8
P/E (x)	61.0	24.6	12.0	24.2	20.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.1	27.1	12.8	59.6
Rel to Nifty	9.8	15.1	0.2	27.4

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Welspun Corp

'Right to win' well in place

CMP	MCap (Rs bn)	TP & Rating
Rs 697	183	N/A

We hosted Percy Birdy (CFO), Salil Bawa (Group Head - IR), and Goutam Chakraborty (Investor Relations)

Key Meeting-Takeaways

- **Outlook:** The company is strategically positioned in the carbon capture and hydrogen pipeline sectors, and anticipates strong demand for line pipes driven by large PSUs and export markets. It also foresees robust growth in the US market, particularly in the Permian region, and expects significant opportunities in Saudi Arabia's water and oil sectors under Vision 2030. Additionally, the DI pipes segment is set to benefit from substantial investments in water infrastructure through the Jal Jeevan Mission, Amrut 2.0, and Swachh Bharat Mission, providing long-term growth visibility.
- **Management plan:** The management plans to make significant investments in the plastic pipes segment under the Sintex brand, aiming to grow revenue 10x from current levels of Rs5bn over the next 4-5 years, with EBITDA margin increasing to 13-14% from 10% and an improved ROCE of 25%. Additionally, it plans to open a new facility in Saudi Arabia with capacity of 200kt for supplying to Saudi Aramco and Saline Water.
- **Capex timeline:** A capex of Rs23bn is planned for the next two years, with a significant portion allocated to expanding DI pipe capacity and investing in the plastic pipes business.
- **Key challenges**: The main challenge lies in competitors' capacity expansions, as every company in the DI pipes segment is planning to increase capacity for addressing the demand-supply mismatch.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	99,568	71,526	65,051	97,581	1,73,396
EBITDA	11,219	7,841	4,660	4,846	15,614
EBITDA Margin (%)	11.3	11.0	7.2	5.0	9.0
APAT	6,535	6,127	4,434	1,543	11098
EPS (Rs)	24.9	23.4	16.9	5.9	42.3
EPS (% chg)	-	-6.2	-27.6	-65.2	619.3
ROE (%)	21.7	16.8	10.4	3.4	21.2
P/E (x)	28.0	29.8	41.2	118.4	16.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	5.8	25.5	28.5	112.1
Rel to Nifty	6.5	13.7	14.1	69.3

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Aadhar Housing Finance

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Strong growth momentum to continue

CMP	MCap (Rs bn)	TP & Rating
Rs 422	180	Rs NR | NR

We hosted Rishi Anand (MD and CEO); Deo Shankar Tripathi (Executive Vice Chairman); Rajesh Viswanathan (CFO); and Sanjay Moolchandani (Head - FPA & IR)

Key Meeting-Takeaways

- The company's target segment is mainly the weaker section of society (low-income group), with a balanced mix of salaried and SENP customers. The management indicated that it aims to maintain a salaried:SENP mix of 50:50 over a longer term (currently, the mix is ~57:43).
- AUM is expected to grow 22-23% over FY25, with disbursement growth of ~18-20%. Long-term steady growth is expected to be ~20%.
- The management intends to add 75 branches in FY25 (25 in Tier 1-2 and 50 branches in Tier 3-5 towns). It indicated that a new branch starts as a micro branch and then is converted into a normal branch after 9-10 months of successful operations.
- In terms of credit cost, the management informed that Q1 saw a spike trend which would moderate over coming quarters. The management informed that the company holds management overlay of ~Rs450mn and will maintain a PCR of 35-36%. It has a policy of interest reversal, and no further interest is accrued on NPA cases (>90 DPD cases).
- The company has auctioned ~1,600 properties, and ~400 properties are typically under SARFAESI. Also, the company has faced some issues in the states of West Bengal and Tamil Nadu.
- Regarding CO-lending and DA, the management indicated it has been doing ~8-10 DAs which it aims to continue, while Co-lending as a considerably small portion currently.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	NA	7,596	9,674	12,443	16,003
Net profit	NA	3,401	4,449	5,448	7,496
EPS (Rs)	NA	8.6	11.3	13.8	19.0
ABV (Rs)	NA	68.2	68.2	93.7	112.7
RoA (%)	NA	2.6	3.2	3.6	4.2
RoE (%)	NA	13.5	15.2	16.5	18.4
P/E (x)	NA	49.1	37.3	30.6	22.2
P/ABV (x)	NA	6.2	6.2	4.5	3.7

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.9	NA	NA	NA
Rel to Nifty	-3.3	NA	NA	NA

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Aditya Birla Capital

Strong focus on MSME lending

CMP	MCap (Rs bn)	TP & Rating
Rs213	553	Rs 260 | BUY

We hosted Rakesh Singh (MD & CEO - AB Finance); Aashwij Mallya (AVP), and Promod Bohra (VP Corporate Finance & IR)

Key Meeting-Takeaways

- The management remains confident of 25% AUM CAGR over the medium term, while building a more granular book with strong focus on the MSME segment.
- The company plans for an AUM of 25% for Personal & Consumer, 50% for MSME, and balance 25% for corporate lending (current mix: 15% Personal & Consumer, 55% MSME, and 30% Corporate).
- AB Finance has been recalibrating its Personal & Consumer business segment (partnership), while leveraging its tech stack and 'ABCD' app, which has started seeing traction. The management plans to grow its personal and consumer segment in a risk adjusted manner, with strong focus on direct sourcing.
- The 'Udyog Plus' platform is witnessing strong adoption and has crossed the 1-million customer registration mark. The company plans to enhance its integration with the ABG ecosystem, and provide credit and supply-chain financing solutions to dealers and vendors.
- The company is confident of scaling up its direct sourcing model in the next few quarters. Currently, more than 60% of the sourcing in BL is via direct channels, and the management is confident of increasing the share of direct sourcing, as it continues to scale up its B2B platform for MSME.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	56,352	45,824	51,306	63,230	75,977
Net profit	48,241	34,389	38,144	47,009	56,486
EPS (Rs)	8.5	11.4	14.3	17.6	21.1
ABV (Rs)	84.1	103.1	117.5	135.1	156.2
RoA (%)	1.3	1.4	1.5	1.5	1.5
RoE (%)	11.5	12.3	13.0	14.0	14.5
P/E (x)	24.9	18.6	14.8	12.0	10.1
P/ABV (x)	2.5	2.1	1.8	1.6	1.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.4	-1.7	17.8	15.8
Rel to Nifty	-4.8	-10.9	4.6	-7.6

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FedBank Financial Services

Your success is our success

Focus on improving profitability

CMP	MCap (Rs bn)	TP & Rating
Rs 121	45	Rs NR | NR

We hosted CV Ganesh (CFO), and Amit Singh (IR)

Key Meeting-Takeaways

- The management maintained its growth guidance of 25% in the near term. Growth in Q1 was primarily on account of higher gold price and improved productivity.
- The company expects to deliver ROA of 2.6-2.7% in FY25, and aspires delivering ROA of 3% by FY27, while ROE is expected to reach 15%.
- The management indicated that it would add minimum branches in current FY and will be focusing on improving margins and profitability. Strong focus will be on the gold and small-ticket LAP, and it is confident of matching the operating efficiency of large corporates.
- With regard to operating expenses, the management informed that the investment in tech is almost done and that it does not see any increment investment in the near term; it said it will continue adding manpower, which will add to the productive workforce.
- In its mortgage portfolio, ~80% of the loans are secured against SORP.
- The company has a well diversified source of borrowing, and the exposure of Federal Bank is limited to 10% on both, the liability and asset fronts.
- DA in FY25 will be ~Rs20bn and Rs4-5bn of co-lending will continue. The management highlighted that it intends keeping the high-yield portfolio on its book, while higher ticket-low yield cases will be handled through the co-lending model.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	2,205	3,449	4,742	6,380	8,120
Net profit	391	617	1,035	1,801	2,447
EPS (Rs)	NA	NA	NA	5.6	7.2
ABV (Rs)	25.3	28.8	35.9	42.1	61.2
RoA (%)	1.3	1.3	1.7	2.3	2.4
RoE (%)	6.8	8.1	10.4	14.4	13.5
P/E (x)	NA	NA	NA	21.6	16.8
P/ABV (x)	4.8	4.2	3.4	2.9	2.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.9	-3.4	-3.4	NA
Rel to Nifty	-4.3	-12.5	-14.2	NA

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L&T Finance

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Prudent underwriting keeps credit cost stable and asset quality intact

CMP	MCap (Rs bn)	TP & Rating
Rs 168	419	Rs 210 | ADD

We hosted Karthik Narayan (Head - Strategy & IR); Charmi Ashar (Chief IR); Prateek Keshwani (Associate VP - Corporate Strategy & IR)

Key Meeting-Takeaways

- The management indicated that there has been some stress in the MFI segment, but is confident of maintaining its overall asset quality on account of strong collection and prudent underwriting. In terms of customer selection in its MFI segment, the management indicated it tracks the leverage position of customer monthly and thus has strong collection focus on customers that seem to have more than 3 loans in this segment.
- LTF is increasing focus on acquiring prime customers in its PL and TWL segments, and indicated that it is exploring technical and 'E-com' tie-ups.
- With regard to its wholesale and SR book, the management informed that the wholesale business has a negative carry of ~Rs500mn per quarter, and that it has been working on resolving the SR book which could take time (2-3 years).
- The mgmt indicated that in the HL segment it targets prime customers (high-ticket loans). It has chosen not to enter the affordable segment. It also indicated that the company's HL business is sourced through a developer, whose business though it will not fund.
- The company is continuously working on deepening the customer acquisition funnel by increasing its geographical coverage horizontally and vertically, as well as increasing dealer connect and DSA channels.
- LTF is expected to grow its retail book at 25%, and aspires to deliver 3% ROA by FY26-exit and ROE of 15-16%.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	102,438	86,779	103,040	124,969	150,997
Net profit	15,365	23,171	29,229	37,802	47,482
EPS (Rs)	6.5	9.3	11.8	15.2	19.1
ABV (Rs)	86.7	94.1	102.7	114.1	128.5
RoA (%)	1.5	2.2	2.6	2.9	3.1
RoE (%)	7.8	10.3	12.0	14.0	15.7
P/E (x)	25.6	18.0	14.2	11.0	8.8
P/ABV (x)	1.9	1.8	1.6	1.5	1.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-7.8	8.3	0.8	35.3
Rel to Nifty	-7.2	-1.9	-10.5	8.0

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Mahindra Finance

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Focus on improving across key parameters to deliver guided ROA

CMP	MCap (Rs bn)	TP & Rating
Rs299	369	Rs 270 | REDUCE

We hosted Vivek Karve (CFO), and Sandesh Naik (Head - IR)

Key Meeting-Takeaways

- The management aspires to deliver ROA of 2.5% in the medium term, with improvement across all parameters.
- The management expects margin improvement to come from improving its asset mix and some moderation in CoFs, resulting in margin expansion of around 20bps. It expects the Opex-to-AUM to stabilize at 2.5% (from the current 2.6%) on account of improved efficiency.
- The management expects credit cost further reduce on account of its prudent customer selection and improved collection efforts.
- Also, MMFS is strategically increasing its share of the non-vehicle portfolio and aspires to increase its non-vehicle portfolio share in the AUM to 8-9% by FY25-exit; it aims to increase the share to 25% over the longer term.
- With regard to its partnership and co-lending business, the management highlighted that its partnership with 'Lendingkar' is going strong and its co-lending with SBI has already started, albeit still at the initial stage; its co-lending partnership with BOB is yet to commence.
- The management indicated that it has strong focus on building the Micro LAP business segment, which entails higher yield and lower credit cost. ATS of this loan is generally in the 1-1.5mn range.
- AUM by the end of FY25 is expected at Rs1.2trn, growing ~23% in FY25.
- Spending toward tech and building infrastructure is expected to continue for another 8-9 months.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	64,794	71,355	87,829	103,882	122,249
Net profit	19,843	17,596	23,480	29,083	35,587
EPS (Rs)	16.1	14.2	19.0	23.5	28.7
ABV (Rs)	138.3	146.8	160.0	177.5	200.4
RoA (%)	2.3	1.7	1.9	2.0	2.1
RoE (%)	12.1	10.0	12.4	13.9	15.2
P/E (x)	18.6	21.0	15.7	12.7	10.4
P/ABV (x)	2.2	2.0	1.9	1.7	1.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.2	19.2	6.5	5.5
Rel to Nifty	0.8	8.0	-5.5	-15.8

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Refer to important disclosures at the end of this report

Shriram Finance

Your success is our success

Outlook remains positive, with focus on improving profitability

CMP	MCap (Rs bn)	TP & Rating
Rs 2.976	1,119	Rs 3,250 | ADD

We hosted Sanjay K Mundra (VP)

Key Meeting-Takeaways

- The management upholds its 15% AUM growth target, with strong emphasis on high-yield products, such as used vehicle loans, SME loans, and gold loans, while expecting the asset mix to remain largely stable.
- Margins are expected to improve due to a better asset mix, with a higher share of high-yield products and lower funding costs on the back of diversified funding sources, reversal of interest rate cycle, and an anticipated rating upgrade that the management expects soon.
- For its Business loan segment, SHFL has tied up with 'CreditMantri' for PL, and is working with 'PhonePe' for the BL partnership.
- Credit costs are expected to be stable at ~2%, supported by rising vehicle prices, which encourage operators to retain their older vehicles. This reduces the likelihood of defaults, further enhanced by improved collection efficiency, with most of the collections being handled digitally.
- In the Gold and SME segment, the management anticipates growth to come from increasing its branch network and aims to expand the branch network in this segment by 200-250 over the next 2 years.
- On the personal loan front, proactive tightening of the rule engine has led to a slowdown in recent quarters. However, such measures are largely complete, and a pickup in growth is expected starting-Q2FY25.
- Credit cost is a function of its PD, LGD, and additional management overlay. This overlay is created by the management over and above the ECL model. The management aims to maintain the overall ECL at 6%.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24`	FY25E	FY26E	FY27E
Net income	162,861	191,182	230,165	270,587	316,383
Net profit	59,794	71,905	89,758	108,382	128,959
EPS (Rs)	168.1	191.6	238.9	288.5	343.3
ABV (Rs)	1192.3	1292.4	1462.0	1687.1	1954.8
RoA (%)	2.9	3.1	3.5	3.7	3.8
RoE (%)	15.5	15.9	17.5	18.3	18.9
P/E (x)	17.7	15.5	12.5	10.3	8.7
P/ABV (x)	2.5	2.3	2.0	1.8	1.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	6.5	26.9	31.6	64.6
Rel to Nifty	7.2	15.0	16.8	31.4

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UGRO Capital

Your success is our success

Branch expansion to support growth momentum

CMP	MCap (Rs bn)	TP & Rating
Rs 251	23	Rs 390 | BUY

We hosted Kishore Lodha (Chief Financial Officer) and Deepak Khetan (Head - Investor Relations)

Key Meeting-Takeaways

- The management expects its loan book to grow above 30% over FY25-26 and at 30% thereafter, with an on-book:off-book mix of 50:50.
- The company is expected to deliver 4% ROA by FY26-exit, on the back of better margins, stable CoFs, improved efficiency, and stable credit cost and asset quality.
- The asset mix is expected to see some shift, as the management intends to increase share of its secured macro portfolio to 40% levels (currently at ~10%) by the end of FY26. This shift would lead to overall yield improvement, while the management also highlighted a marginal increase of ~50bps in credit cost that it is confident of restricting to ~2% levels.
- The management also informed about its branch addition plan, further to which it will add ~150 branches in the current financial year; it expects the branch-count to reach ~300 by end-FY25. The management also assured that the increase in revenue due to branch additions will be higher than the increase in overall Opex and will, thus, keep the cost-to-income in check; it expects a 45% cost-to-income on a steady basis.
- The growth in Q1FY25 was impacted by the account strategic rundown of supply-chain finance and higher BT-out, while the management indicated that disbursement in June has been good and that it is seeing a similar trend in early-Q2FY25; it expects the trend to continue.
- The management also indicated it expects margin improvement on account of change in the AUM mix, and CoFs remaining broadly stable/improving on account of rating upgrade, and thus improving the overall margins.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	3,841	6,387	8,471	12,258	16,424
Net profit	398	1,193	1,598	2,768	4,567
EPS (Rs)	5.7	13.4	17.4	23.7	32.2
ABV (Rs)	142.0	157.0	174.5	224.3	256.6
RoA (%)	1.1	2.3	2.3	3.1	4.1
RoE (%)	4.1	9.9	9.1	11.6	13.4
P/E (x)	44.2	18.8	14.4	10.6	7.8
P/ABV (x)	1.8	1.6	1.4	1.1	1.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.7	-3.0	-5.1	-15.3
Rel to Nifty	-6.1	-12.1	-15.8	-32.4

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Hindustan Petroleum Corporation

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Overall stable outlook

CMP	MCap (Rs bn)	TP & Rating
Rs380	808	Rs475 | Buy

We hosted K Vinod (Executive Director - Corporate Finance), and Manish Jagnani (Chief Manager - Corporate Finance)

Key Meeting-Takeaways

- Vizag BUP is expected to see mechanical completion/commissioning in Q2/Q3FY25. Stabilization of Vizag resid upgradation project would take 2-3M. Vizag GRM benefit would flow from Q4FY25, with refining throughput of 3.5-4.0mmt on quarterly basis (>15mmtpa), while incremental GRM benefit could be US$3/bbl (at peak).
- The mgmt expects HPCL's GRM based on current configuration to range at US$5-8/bbl. Construction work is in full swing at the Barmer refinery, with overall physical completion (incl. petchem) of >80%, while physical progress of process (refining block) units is 92%. Overall project commitment of Barmer is Rs698.5bn vs Rs480bn spent till date (Rs320bn debt, with balance being equity).
- Current softness in crude prices as well refining cracks is attributable to weak Chinese demand; however, Indian fuel demand remains healthy. Diesel demand is not dependent on FO demand and yields. Capex is expected at Rs140-150bnpa for the next 3-4 years, while absolute debt is likely to be range-bound.
- Consol EBITDA target is >Rs400bn by FY28, supported by expanded Vizag, incremental 2mmtpa minor expansion at Vizag (additionally), and Barmer, while other JV projects (invested Rs30bn) would also mature and contribute.
- HPCL plans to commission the Chhara LNG terminal by late Nov-24 or early Dec-24, with 5mmtpa capacity. Based on past precedence, receipt of adequate compensation for LPG under-recoveries is expected from the GoI.
- HPCL is awaiting approvals, after which lube 'carve out' would be undertaken. It targets 700-750tmt of lube sales for FY25, while Q1 sales are 150tmt. Annualized EBITDA run-rate for the lubes segment is Rs10bn.

Financial Snapshot (Standalone)

(Rs bn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,348	4,335	4,544	4,681	4,793
EBITDA	(113)	251	178	210	217
EBITDA Margin (%)	(2.6)	5.8	3.9	4.5	4.5
APAT	(132)	147	78	94	102
EPS (Rs)	(93.1)	103.6	36.6	44.1	47.9
EPS (% chg)	-	-	(64.7)	20.4	8.7
ROE (%)	(39.8)	42.7	17.9	19.1	18.4
P/E (x)	-	3.7	10.4	8.6	7.9

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	11.0	13.6	13.5	113.6
Rel to Nifty	11.7	2.9	0.8	70.4

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Ajanta Pharma

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CMP	MCap (Rs bn)	TP & Rating
Rs 3067	383	N/A

We hosted Arvind Agrawal (CFO) and Rajeev Agarwal (AVP - Finance & IR)

Key Meeting Takeaways

- Expects revenue to grow in low teens in FY25 on the back of mid-teens growth in branded generics (Asia and Africa), mid-single digit growth in US, and ~10% decline in the Africa institution business; sees low teens India growth
- Gross margin will be ~76% for the full year, given the higher share of branded generics, which will remain the key focus area; sees EBITDA margin at 29% (+/- 100bps) for FY25
- Most new launches in US expected in the last quarter; targets 8-12 ANDA filings in FY25; price erosion is stable and in the mid-to-high single digit
- US business is post-R&D EBITDA positive; sees 7-8 new launches every year; the company has >40% market share in ~30% of its US portfolio
- The recent weakness seen in cardiology in the domestic business was due to price reduction in one key product (MetXL); the cardiology segment witnessed a recovery in 1Q
- The approval timeline for combinations in the domestic market has increased due to government restrictions, but the company has a strong approved portfolio (~70% of the domestic portfolio is combinations)
- Trade generic share in the domestic business is close to 10%; the company has focused on chronic drugs, where it can make respectable margins
- The company will be judicious in using cash towards an acquisition; current capacity is sufficient to drive growth for the next 3-4 years

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	25,879	28,897	33,410	37,426	42,087
EBITDA	6,794	9,986	9,293	7,833	11,719
EBITDA Margin (%)	26.3	34.6	27.8	20.9	27.8
APAT	4,705	6,513	7,133	5,940	8080
EPS (Rs)	37.7	52.1	57.1	47.6	64.7
EPS (% chg)	21.5	38.4	9.5	-16.7	36.0
ROE (%)	19.4	23.3	22.8	17.9	23.2
P/E (x)	81.4	58.8	53.7	64.5	47.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	39.3	29.0	41.3	77.7
Rel to Nifty	40.2	16.9	25.4	41.8

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Indoco Remedies

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CMP	MCap (Rs bn)	TP & Rating
Rs 333	31	N/A

We hosted Aditi Kare Panandikar (MD) and Pramod Ghorpade (CFO)

Key Meeting Takeaways

- Muted performance in the anti-infective and respiratory therapies impacted domestic performance in 1Q; saw an uptick in key brands toward the end of June and expects strong recovery in 2Q
- Expects an uptick in India and the US to aid normalization of margins to ~15% from 3Q
- Ongoing remediation at the sterile injectables facility in Goa (Plant 2) has impacted supplies to the US; expects remediation to be completed by 2Q and supplies to normalize by 3Q
- Sees the US business clocking 30% CAGR over FY25-27, and 4-5 new launches every year; made a front-end acquisition in the US recently; focus is on marketing profitable products
- Expects the Europe business CAGR at ~20% over the next 5 years; Indoco has transformed from being a contract manufacturing player to being a company with its own marketing authorizations and front-end presence
- The API business could more than double in the near term on the back of investments made in a new facility through Warren Remedies
- The emerging market business CAGR expected at 18-20% over the next 2 years
- Targets topline of Rs30bn and 23% EBITDA margin within 3 years

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	11,066	12,415	15,408	16,686	17,882
EBITDA	1,232	2,243	3,273	2,861	2,443
EBITDA Margin (%)	11.1	18.1	21.2	17.1	13.7
APAT	243	932	1,551	1,432	902
EPS (Rs)	2.6	10.1	16.8	15.5	9.8
EPS (% chg)	-	283.5	66.4	-7.7	-37.0
ROE (%)	3.6	12.9	18.5	14.8	8.4
P/E (x)	126.1	32.9	19.8	21.4	34.0

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.3	3.9	-1.5	-2.6
Rel to Nifty	1.0	-5.8	-12.5	-22.3

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Strides Pharma Science

CMP	MCap (Rs bn)	TP & Rating
Rs 1128	104	N/A

We hosted Badree Komandur (MD & CEO), Vikesh Kumar (CFO), Saurabh Ambaselkar (Head - IR), and Abhishek Singhal (IR consultant)

Key Meeting Takeaways

- Expects sales growth for the continuing business at 12-15% in FY25; growth will be driven by new product launches in 2H
- Sees US revenue in the US$285-300mn range in FY25; expects to achieve US$400mn by FY28 on the back of commercialization of 60 dormant ANDAs, which are currently at various regulatory phases
- Other regulated markets (current quarterly run-rate of US$40mn) should mirror the US, in terms of scale, in the medium term
- EBITDA margin for FY25 expected at 20-22% (absolute EBITDA of Rs9.5-10bn); gross margin expansion is being driven by an improvement in the portfolio mix
- Target net debt reduction of Rs5bn in FY25; net debt-to-EBITDA to decline to below 2x by Mar-25
- Uptick in reported profit is being aided by the reduction in losses at OneSource, which delivered its second consecutive EBITDA positive quarter in 1QFY25; commercial supplies for GLPs to commence in 2H
- Expects NCLT approval for OneSource listing by the end of Nov-24 (listing could take around 2 months after receiving NCLT approval); sees OneSource revenue and EBITDA in the US$175-190mn and US$60-65mn range, respectively, in FY25 (exit quarter EBITDA of US$20mn)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	27,520	33,159	30,703	36,884	40,511
EBITDA	2,139	4,428	-4,317	-103	3,785
EBITDA Margin (%)	7.8	13.4	-14.1	-0.3	9.3
APAT	869	2,267	-2,279	-1,897	269
EPS (Rs)	9.4	24.7			2.9
EPS (% chg)	-70.7	161.0	-	-	-
ROE (%)	3.4	8.5	-	-	1.3
P/E (x)	119.4	45.8	-	-	385.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	23.1	33.8	49.3	162.2
Rel to Nifty	23.9	21.2	32.6	109.3

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Sun Pharma

CMP	MCap (Rs bn)	TP & Rating
Rs 1734	4160	N/A

We hosted Abhishek Sharma (VP-IR & Strategic Projects)

Key Meeting Takeaways

- Ilumya has extensive coverage among dermatologists who provide medical benefit; focus is on volume-driven growth by driving key prescribers to prescribe more; IL 23 will continue to gain share and the company's objective is to maintain its medical benefit market share; the psoriatic arthritis indication will also be via the medical benefit channel
- Ilumetri is seeing good adoption among hospitals in China which is the primary channel given state procurement
- The company has been engaging with payers for Leqselvi and is seeing interest for the product; Leqselvi will be a PBM product like Winlevi; DTC campaigns will not be launched for Leqselvi; product-related launch costs should not impact profitability; launch timeline for Leqselvi will depend on the court verdict
- Given Nidlegy's neoadjuvant setting, Sun Pharma is unsure about reimbursement in the US, though it has not given up on commercializing it there
- Domestic growth has been volume-driven; Sun Pharma has gained ~70bps market share over the last 5 years
- The company will consider partnering or licensing its GLP-1 candidate, which is at an early stage, in the US and Europe, while it could itself commercialize the product in emerging markets
- Cash on balance sheet will largely be utilized to make mid-size specialty deals in ophthalmology or oncodermatology

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,28,375	3,34,981	3,86,545	4,38,857	4,84,969
EBITDA	67,135	41,616	56,769	1,14,753	1,24,927
EBITDA Margin (%)	20.4	12.4	14.7	26.1	25.8
APAT	39,607	57,283	67,171	86,049	99902
EPS (Rs)	16.5	23.9	28.0	35.9	41.6
EPS (% chg)	8.2	44.6	17.3	28.1	16.1
ROE (%)	9.1	12.5	14.2	16.5	16.7
P/E (x)	105.0	72.6	61.9	48.3	41.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.9	15.1	13.0	53.1
Rel to Nifty	10.6	4.3	0.3	22.2

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Adani Green Energy Ltd.

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Powering the green energy transition

CMP	MCap (Rs bn)	TP & Rating
Rs1,798	2,849	Rs2,550 | Buy

We hosted the senior management of AGEL

Key Meeting-Takeaways

- AGEL's current operational capacity is 10.9GW, with plans to commission an additional 6GW (~1.8GW merchant) capacity in FY25, of which it has already commissioned 250MW (wind) by Q1FY25. AGEL's operational RE capacity CAGR was 41% for the last 5 years. It has well-secured sites for solar-wind development in excess of 50GW in Gujarat and Rajasthan, and another >5GW for PSP with evacuation visibility..
- AGEL aims to be the lowest-cost (i.e. LCOE-Levelized Cost of Energy) producer across the lifecycle of an asset-PPA. It has the ability to gain efficiencies right from the construction stage, with large-scale, inhouse execution, better negotiation capability with vendors (modules, etc), project management expertise, and rapid development, thus resulting in faster commissioning and leading to lower IDC and pre-op cost. Once operational, digitization plays an important role in limiting O&M costs and downtime, thereby boosting PAFs and margins.
- AGEL's actual electricity generation surpassed PPA commitments by 11% in FY24. This enables AGEL to supply electricity on a merchant basis, yielding higher realization. The company aims to increase the share of its merchant and C&I portfolio to 15% by 2030, up from 5% in FY24.
- The evacuation infra—including plant to pooling station connectivity and ISTS—is crucial, and AGEL actively monitors that such infra is developed in a timely and adequate manner. It expects higher PPA tie-ups with the GoI, to enhance revenue visibility.
- AGEL has a diversified pool of capital, with US$3.4bn of revolving construction facilities from banks along with access to cheaper long-term global bond markets for the operational phase. After the Rs70bn residual promoter infusion, future growth would be ensured through internal accruals.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	77,760	92,200	142,717	191,646	250,361
EBITDA	49,310	72,970	125,096	173,307	230,189
EBITDA Margin (%)	63.4	79.1	87.7	90.4	91.9
APAT	10,510	12,290	27,014	45,338	69,357
EPS (Rs)	5.4	6.2	16.6	27.5	42.1
EPS (% chg)	127.5	14.7	167.7	65.7	53.0
ROE (%)	21.2	14.3	24.2	24.9	25.2
P/E (x)	268.0	229.2	104.3	64.6	42.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.6	4.9	-2.4	85.1
Rel to Nifty	4.3	-5.0	-13.4	47.7

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Aditya Vision

Riding on its strengths to capture the Hindi Heartland opportunity

CMP	MCap (Rs bn)	TP & Rating
Rs 4,192	54	Rs 5,800 | BUY

We hosted Yosham Vardhan (Director - Business Development and Investor Relations)

Key Meeting-Takeaways

- Further to a strong Q1 with ~40% growth, Q2TD trends remain encouraging, with relatively better traction in the non-AC categories. Also, early-monsoon trends are encouraging in the company's area of operations which should keep demand buoyant in the upcoming festive season.
- Given the huge penetration of durables in its area of operations and big budget stimulus to Bihar, AVL remains confident to deliver 20-25% CAGR over the next 5 years. The annual outlook to add 25-30 stores is maintained, with a skew toward new market UP in FY25 and potential entry into Chhattisgarh in FY26. With healthy initial trends in the eastern UP market (~8% rev. mix in Q1), AVL now plans to move toward Central UP in FY25.
- Gross margins are likely to remain range-bound, as AVL is entering new regions that require aggressive pricing initially to gain market share. But EBITDA guidance of 8-10% is maintained.
- WC optimization to Rs3.7bn for ~150 stores (vs. Rs4.3bn at FY24-end) is encouraging. Together with preferential proceeds, AVL is net debt free as of Q1FY25-end.
- Following the share split by August-end, AVL will apply for NSE listing, which is expected to be completed by the end of Q2/early Q3. Both the actions should improve liquidity and investor interest for AVL.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	23,319	30,416	38,976
EBITDA	1,330	1,675	2,286	2,996	3,904
EBITDA Margin (%)	10.1	9.6	9.8	9.8	10.0
APAT	641	771	1,233	1,702	2,315
EPS (Rs)	53.3	60.1	96.2	132.7	180.0
EPS (% chg)	81.8	12.7	60.0	38.0	35.6
ROE (%)	59.7	24.7	22.9	25.8	28.0
P/E (x)	78.6	69.7	43.6	31.6	23.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.2	18.2	22.8	81.5
Rel to Nifty	-5.6	7.0	9.1	44.9

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Credo Brands Marketing

Product differentiation and profitable growth, key focus areas

CMP	MCap (Rs bn)	TP & Rating
Rs 178	11	NA | NR

We hosted Kamal Khushlani (Chairman and MD), and Rasik Mittal (CFO)

Key Meeting-Takeaways

- MUFTI aims to double its sales over the next 4-5 years (15-20% CAGR), with continued focus on profitable growth across channels, and not just on growth. MUFTI enjoys a healthy repeat purchase rate of 30-35%, with product differentiation being the core of its business.
- The mix is expected to remain stable, with EBOs contributing 56-57%, MBOs contributing 32-33%, and balance 10-12% through e-com/LFS. The realized ASP is ~Rs2,200 (including EOSS). MUFTI usually realizes ~70% of the MRP across seasons (including EOSS).
- While the year has started on a sluggish note, MUFTI remains hopeful of demand revival in coming quarters. Given disappointments on the demand front over the last two seasons, MUFTI is taking a cautious approach on working capital build-up for the upcoming season.
- The focus remains on maintaining market share along with profitability. EBITDA margin is expected to log in the 27-30% range, with medium-term target of ~30% margin.
- Store additions are likely to moderate with 25-30 additions in FY25, as CREDO is working on optimizing its costs and inventory in a sluggish demand environment. Beyond FY25, annual additions are likely to be in the 40-50 range, with skew toward asset-light franchisee stores.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23	FY24
Revenue	2,448	3,412	4,982	5,673
EBITDA	485	951	1,639	1,605
EBITDA Margin (%)	19.8	27.9	32.9	28.3
APAT	34	357	775	592
EPS (Rs)	0.5	5.6	12.0	9.2
EPS (% chg)	NA	255.9	127.8	-23.4
ROE (%)	1.8	16.7	30.0	19.0
P/E (x)	356	31.8	14.8	19.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M
Absolute Returns	3.4	3.7	-27.2
Rel to Nifty	4.1	-6.1	-35.4

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Vaibhav Global

Germany breakeven to lift margins; new businesses to fuel growth

CMP	MCap (Rs bn)	TP & Rating
Rs 299	50	NA | NR

We hosted Nitin Panwad (Group CFO), and Prashant Saraswat (Head - Investor Relations)

Key Meeting-Takeaways

- VGM has witnessed macro-led slowdown in key markets like US/UK/Germany over the past two years. It expects interest rate cuts to increase discretionary spends in US/UK and boost overall demand, as major savings of consumers are being used toward interest payments.
- Overall sales growth is expected in the 14-17% range (12-13% in CC terms) over the next three years, with Ideal world and the Germany business exhibiting better growth. VGM will mostly further penetrate the US/UK, if growth remains supportive, rather than moving toward another region.
- German business's monthly losses are narrowing, with expectations of reaching breakeven by FY25-end. It is focused to bring the German business margins to the 10-12% range over 3 years, in line with the margin of the US/UK region.
- Despite the challenging environment, it has been able to maintain gross margin in the 60-65% range. However, EBITDA margin has dipped to ~10% from the 16-17% range earlier, with higher investments in Digital channels and negative operating leverage.
- Over the next three years, EBIDTA margin is expected to improve by 50-100bps every year, led by better profitability in the Germany-related business and operating leverage. PAT is expected to exhibit ~25% CAGR (higher than the 16-17% EBITDA CAGR due to lower tax rate benefit expected Q3 onward). ROCE ambitions are pinned to cross the >25% mark by FY26.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	19,865	25,401	27,524	26,909	30,410
EBITDA	2,604	3,703	2,815	1,996	2,685
EBITDA Margin (%)	13.1	14.6	10.2	7.4	8.8
APAT	1,893	2,718	2,378	1,050	1,279
EPS (Rs)	11.5	16.3	14.3	6.3	7.6
EPS (% chg)	28.1	41.6	-12.7	-55.9	20.7
ROE (%)	26.3	31.7	22.7	9.0	10.4
P/E (x)	26.0	18.3	21.0	47.5	39.3

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-9.2	-18.5	-31.7	-22.9
Rel to Nifty	-8.6	-26.1	-39.4	-38.5

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Epigral

Your success is our success

Shifting from a Chlor-alkali to a Specialty Chemical company

CMP	MCap (Rs bn)	TP & Rating
Rs1,993	83	Rs2,000 | BUY

We hosted Maulik Patel - MD & CEO

Key Meeting-Takeaways

- The management re-iterated its goal of improving share of derivatives and specialty chemicals to 70% by FY27 (from 53% now).
- Current CPVC capacity of 75KTPA is on stream. This plant largely caters to the domestic market with an annual demand of 250KTPA. This demand is bound to grow by double-digits over FY24-30E. DCW is the only domestic competitor manufacturing CPVC in India.
- Epigral had invested Rs4.5bn for 75KTPA with peak asset turn of 1.4x. The next leg of capex, if incurred, will have lower asset turns compared with the old capex due to higher cost.
- The company will commission its chloro toluene plant in FY25, and revenues will start flowing in from FY26. Chloro toluene is used in manufacturing of agro and pharma intermediates.
- Currently, in case of caustic soda, 90% of the power requirement is from the captive power plant and balance 10% is taken from the Grid. As the caustic plant runs for 24 hours, solar-wind power plants are not suitable, thus requiring captive power plant.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	21,884	19,292	26,146	31,851	34,536
EBITDA	6,889	4,812	6,589	8,154	8,876
EBITDA Margin (%)	31.5	24.9	25.2	25.6	25.7
APAT	3,533	1,958	3,037	4,007	4552
EPS (Rs)	85.0	47.1	73.1	96.4	109.6
EPS (% chg)	39.8	-44.6	55.2	31.9	13.6
ROE (%)	39.4	16.9	21.8	23.3	21.4
P/E (x)	23.4	42.3	27.3	20.7	18.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	36.7	56.0	100.7	120.1
Rel to Nifty	37.6	41.3	78.2	75.7

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Near-term challenges persist

CMP	MCap (Rs bn)	TP & Rating
Rs2,569	761	Rs2,600 | ADD

We hosted Rahul Jain - CFO

Key Meeting-Takeaways

- **Chemicals Business:** Companies are still under the inventory rationalization phase and the business is facing acute competition from new capacities in China in the specialty chemicals business. The management highlighted that work on AIs/pharma section of the specialty chemicals business is progressing well, and is expected to contribute to growth from FY26 (currently, AIs are in the registration phase).
  - **Refrigerant gas business:** This business continues to face volume/pricing pressure, primarily in the US market (domestic market volumes stay strong). Focus remains on maximizing production in the refrigerant gas business during the baseline determination period in India.
- **Packaging films business:** This segment has seen the worst of the cycle, and margins are set to improve going forward. Q1 witnessed better margins QoQ, instilling a sense of positivity in the revival of demand.
- **Technical textile business:** This business continues to be the cash generating asset for the company, and has been running with optimal capacity. Demand for Nylon Tyre Cord fabric and Poly Industrial Yarn is stable, and the management is focusing on high-end value-added products.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	148,703	131,385	155,097	180,484	203,141
EBITDA	35,292	25,841	32,765	41,075	48,116
EBITDA Margin (%)	23.7	19.7	21.1	22.8	23.7
APAT	21,623	13,357	17,263	23,409	27976
EPS (Rs)	72.7	44.9	58.0	78.7	94.4
EPS (% chg)	14.5	-38.2	29.2	35.6	19.9
ROE (%)	22.9	12.3	14.1	16.6	17.0
P/E (x)	35.3	57.2	44.3	32.6	27.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.5	12.7	12.3	11.9
Rel to Nifty	8.1	2.1	-0.3	-10.7

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Tata Chemicals

Soda ash outlook remains stable

CMP	MCap (Rs bn)	TP & Rating
Rs1,048	267	NA | NR

We hosted Nandakumar Seshadri Tirumalai - CFO

Key Meeting-Takeaways

- **Demand:** Detergent demand in India moderates during the monsoons and picks up strongly post-winters. Flat container glass and solar glass demand in North America is good, while being flat in Europe. The overall demand-supply situation remains balanced, and is likely to continue in upcoming quarters.
- **China:** Chinese soda operations faced some issues in Inner Mongolia, partly due to quality improvement needs. Typically, there is strong demand in China from January to May, but the situation is being monitored for potential softness. Chinese soda demand was strong between January and now, particularly for solar glass and lithium carbonate.
- **US:** US operations are running normally after old issues were resolved. Though US exports saw low volume, sequential improvement was noted, with better pricing. Domestic US prices are stable due to annual contracts, with minor fluctuations. The US market is expected to remain stable, with no major disruptions anticipated.
- **Kenya:** Kenya saw marginally higher volume and prices sequentially. Sequential margin decline in Kenya was due to higher variable costs, including shipping and transportation.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	1,06,009	1,05,694	1,28,770	1,70,290	1,57,580
EBITDA	19,453	15,006	22,940	38,200	19,860
EBITDA Margin (%)	18.4	14.2	17.8	22.4	12.6
APAT	68,677	2,208	12,187	22,685	6241
EPS (Rs)	269.6	8.7	47.8	89.0	24.5
EPS (% chg)	614.8	-96.8	451.9	86.1	-72.5
ROE (%)	54.4	1.6	7.5	11.9	3.0
P/E (x)	3.9	120.9	21.9	11.8	42.8

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.6	-1.0	10.8	4.2
Rel to Nifty	-1.0	-10.3	-1.6	-16.8

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Yasho Industries

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Volume growth to remain key for success

CMP	MCap (Rs bn)	TP & Rating
Rs1,848	21	NA | NR

We hosted Parag Jhaveri - MD

Key Meeting-Takeaways

- The Rubber Chemical industry observed growth, global blending capacity is increasing, and the market shall grow by 3-4% YoY.
- The company completed its Pakhajan facility of 20,000MT, and is set to be fully operational from Q3FY25.
- The company opened its subsidiary in USA which would be operational in coming 2-3 months. The new subsidiary in USA would help in reaching out to more customers and expand margins by 3-5%.
- Exports contributed 61% and Domestic sales contributed 39% in Q1FY25. The company observed an increase in export volumes, albeit a decrease in price resulting in decreased revenue from exports, from 64% to 61% YoY.
- Utilization is low due to commencement of the new plant, and would ramp in Q3 and Q4FY25. Till the company achieves 70% capacity utilization, it will not initiate the next phase of expansion; achievement of this capacity utilization target is expected in Q3 or Q4FY26.
- The company is seeing pressure on raw material prices and selling prices, as well as delay in exports, which is expected to stabilize by Q3FY25.
- Term loan will start from Apr-25 and, therefore, there are no loan repayments in FY25.
- The company focuses more on the industrial segment than the consumer segment, and aims to capture more geography.
- The company targets revenue of Rs9bn for FY25, with 19-20% EBITDA margin.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,971	3,594	6,138	6,705	5,957
EBITDA	397	490	934	1,107	991
EBITDA Margin (%)	13.4	13.6	15.2	16.5	16.6
APAT	120	215	527	643	571
EPS (Rs)	10.6	18.8	46.2	56.4	50.1
EPS (% chg)	1.3	78.4	145.3	22.0	-11.1
ROE (%)	23.3	31.5	41.7	31.3	21.5
P/E (x)	174.9	98.1	40.0	32.8	36.9

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.0	0.2	8.7	6.4
Rel to Nifty	0.6	-9.2	-3.5	-15.1

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Himachal Futuristic Communications

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Telecom-cum-defense play

CMP	MCap (Rs bn)	TP & Rating
Rs140	203	Not Rated

We hosted the senior management of HFCL

Key Meeting-Takeaways

- The company is focused on R&D and innovation in the telecom and defense sectors. It has strategic partnerships with global tech giants and capacity enhancements.
- In the Telecom segment, the mgmt expects revenue from the telecom equipment segment to reach Rs20bn in FY25. It sees strong demand for 5G fixed wireless access customer premises equipment, and enjoys dominance in the unlicensed band backhaul radios market.
- Defense segment focus is on developing defense products for domestic and global markets. The company stated that enquiries and trials for Electronic Fuzes, Thermal Weapon Sights, and other defense products, and expects substantial revenue from this segment going ahead.
- The management is witnessing temporary slowdown in the global optical fiber cable market, and is diversifying into the passive connectivity solutions market; it expects revenue of Rs2.5bn from passive connectivity solutions in FY25.
- HFCL is evaluating installation of an in-house preform plant for operational efficiency; it will decide on this within 1-2 months, on make vs buy.
- It sees a sizable opportunity in BSNL and the BharatNet Phase III Project. The company has a strong order book of Rs67bn with execution in varying time periods up to 7 years.
- Its fiber plant is under construction in Hyderabad, and equipment installation is in progress. It is working on expanding internationally in Poland.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	38,389	44,230	47,271	47,433	44,651
EBITDA	4,930	5,455	6,437	6,186	5,815
EBITDA Margin (%)	12.8	12.3	13.6	13.0	13.0
APAT	2,272	2,420	3,178	3,010	3,298
EPS (Rs)	1.6	1.7	2.2	2.1	2.3
EPS (% chg)	2.5	6.5	31.3	(5.3)	9.6
ROE (%)	14.6	13.5	13.5	10.2	9.3
P/E (x)	89.1	83.7	63.7	67.3	61.4

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	16.4	49.9	49.3	104.1
Rel to Nifty	17.1	35.8	32.6	62.9

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Tata Communications Ltd

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Healthy outlook

CMP	MCap (Rs bn)	TP & Rating
Rs1,887	538	Not Rated

We hosted Rajiv Sharma (Head - Investor Relations)

Key Meeting-Takeaways

- The management reiterated its goal to double the data revenue by FY27, targeting an 18% CAGR. The company plans to achieve this through a mix of organic growth, strategic acquisitions, and expanding its base of high-value customers.
- The company plans to increase its capital expenditure to US$300mn from ~US$250mn in FY24, besides its target EBITDA margin range of 23-25%. The management is focused on integrating acquisitions, executing strategies, and driving sustainable and profitable revenue growth. Investments would be directed to megatrends like AI, and Cloud, as well as enhanced collaboration experiences.
- Macro challenges persist with slower decision-making at the enterprise level, leading to longer lead times. Order book comprises of 59% digital platforms and services, and 41% core connectivity services.
- The management is confident about growth prospects in CPaaS, despite a muted global market, with focus on SMS as a primary revenue driver. The MOVE platform has grown 4x over the past year, with traction in the MVNO, MNO, and auto OEM segments.
- It is optimistic about the potential in cloud and Edge products for Indian enterprises, besides focusing on increasing awareness in international markets. The ease of integration with existing processes and systems will remain a critical point of differentiation going ahead.
- The company has acquired Switch, Kaleyra, and Oasis to fill gaps in its portfolio, thereby supporting revenue growth. It has also identified next-generation connectivity and customer interaction suites as the critical focus areas in the near term.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	170,680	171,000	167,247	178,383	209,688
EBITDA	32,890	42,607	42,267	43,182	42,301
EBITDA Margin (%)	19.3	24.9	25.3	24.2	20.2
APAT	(860)	12,507	14,818	17,310	12,170
EPS (Rs)	(3.0)	43.9	52.0	60.7	42.7
EPS (% chg)	-	-	18.5	16.8	(29.7)
ROE (%)	(39.1)	(191.5)	417.0	170.0	86.3
P/E (x)	-	43.0	36.3	31.1	44.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.5	8.3	9.4	12.3
Rel to Nifty	2.1	-1.9	-2.9	-10.4

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Adani Enterprises Ltd.

The group incubator

CMP	MCap (Rs bn)	TP & Rating
Rs3,152	3,593	Not Rated

We hosted the senior management of AEL

Key Meeting-Takeaways

- ANIL's solar manufacturing capacity is 4GW, with module sales rising 125% YoY to 1,379MW in Q1; this includes 360MW from prior bookings. Wind turbine manufacturing has achieved final type certification for 3MW, with an order book of 254 WTG sets. ANIL's core operating margins are >40%, led by increased export orders.
- The Navi Mumbai greenfield airport project is on track for completion in FY25. Passenger movement at Adani-operated airports crossed 90mn on a trailing 12-month basis. AEL has an operational data center in Chennai, while the Noida and Hyderabad data centers are in the final construction phase. It has recently signed contracts for the Pune data center and has order book of 210MW in this business.
- The Board recently approved the demerger of the Food FMCG business to Adani Wilmar, indicating focus on unlocking shareholder value. It has achieved financial closure for Coal to PVC project with SBI, for Rs140bn of debt. The management expressed confidence on overcoming past operational issues, particularly in mining. AEL is planning a QIP to provide equity funding for ANIL.
- Capex for FY25 is expected at Rs800bn, with major capex toward ANIL and the Airports business at Rs500bn, Rs120bn for roads, Rs100bn for the PVC project, and Rs50bn for data centers. The company plans achieving capacity of 10GW in the module integrated manufacturing business, and 3GW in the wind business.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	434,026	395,371	694,202	1,275,395	964,210
EBITDA	21,546	22,462	37,132	84,366	106,612
EBITDA Margin (%)	5.0	5.7	5.3	6.6	11.1
APAT	9,581	10,972	7,750	27,067	35,181
EPS (Rs)	8.4	9.6	6.8	23.7	30.9
EPS (% chg)	19.3	14.5	-29.4	249.2	30.0
ROE (%)	6.0	6.4	3.9	9.8	9.8
P/E (x)	375.0	327.5	463.6	132.7	102.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.8	12.7	-0.6	24.1
Rel to Nifty	3.5	2.1	-11.7	-1.0

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KFin Technologies

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Growth outlook remains robust

CMP	MCap (Rs bn)	TP & Rating
Rs1,021	175	Not Rated

We hosted Vivek Mathur (CFO) and Amit Murarka (Head - Global Business Finance, M&A, and IR)

Key Meeting-Takeaways

- Yields for the company have been favorable in the Domestic Mutual Fund business, driven by a higher number of smaller-size AMCs (based on AUM) and a larger share of Equity AUM. Going forward, yields are expected to remain stable with no surprises due to account repricing. Yields in the international business have been on the higher side.
- EBITDA margins for the Domestic MF business range at 55-60%, while the Value Added Services segment enjoys margins of 60-70%. The company has reduced its workforce by 10% due to investments in technology.
- In the Fund Accounting segment, the company has acquired 100 clients, owing to Kfin Tech's customized offerings and comprehensive solutions. These tailored solutions and seamless regulatory compliance have bolstered customer confidence.
- The management is exploring acquisitions in Europe to secure a controlling stake and further enhance its technological ecosystem.
- The management targets its international business and Value Added Services segment to contribute ~25% and 12-15%, respectively, of the overall revenues over the next 3 years.
- Going forward, operating leverage gained through better scale should drive improvement in EBITDA margins for the international business.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Op. Revenue	4,499	4,811	6,395	7,200	8,375
Opex as a % of Revenue	65%	56%	55%	59%	56%
EDITDA	1,586	2,124	2,879	2,980	3,666
EBITDA Margin	35.3%	44.1%	45.0%	41.4%	43.8%
PAT	45	-645	1,485	1,957	2,461
PAT Margin	1.0%	-13.4%	23.2%	27.2%	29.4%
ROE	14%	31%	30%	26%	25%
P/E (x)	3,646.4	-238.6	116.0	88.0	70.6

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	36.2	36.1	54.7	166.9
Rel to Nifty	37.1	23.3	37.3	113.0

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Kaynes Technology India Ltd (Not Rated)

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On track to achieve revenues of US$1bn by 2028

CMP	MCap (Rs bn)	TP & Rating
Rs4,299	275	NA | NA

We hosted Jairam P Sampath (Whole-Time Director & CFO) and Sumit Kumar Verma (IR)

Key Meeting-Takeaways

- Established in 1988, KTIL specializes in the manufacture of printed circuit boards and various electronic assemblies for a diverse range of industries, including automotive, aerospace, medical, railways, and industrial sectors.
- For FY25, the company is confident of achieving ~Rs30bn in revenue, with ~15% EBITDA margin. Further, it targets reducing its NWC days to ~75 vs. 102 days in Q1FY25.
- The company has recently entered OSAT (Outsource Semiconductor Assembly and Testing) and production of HDI (High Density Interconnect) PCB which are expected to contribute to revenues FY26 onward.
- KTIL's order book has expanded to ~Rs503bn, driven by a new industrial product order that will be executed over the next two years. The company anticipates executing 10% of the order book annually over FY25-26.
- On the export front, KTIL outbid its competitors and replaced Honeywell's Malaysian vendor to secure a contract to manufacture sensors for the aerospace sector, with execution spanning over the next 5-10 years. This new order is expected to increase revenue contributions from exports to approximately 10-15% in FY25 and 20-25% in FY26.
- The management guides to US$1bn revenue by FY28, of which ~70-75% shall be from the EMS business, while the rest is from OSAT and PC Board. KTIL also plans to invest ~Rs30bn by FY30, aiming for an asset turnover ratio of around 1.1x to 1.2x.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,603	3,928	6,714	10,866	18,046
EBITDA	411	378	916	1,663	2,542
EBITDA Margin (%)	11.4	9.6	13.6	15.3	14.1
APAT	113	86	410	948	1,833
EPS (Rs)	1.8	1.3	6.4	14.8	28.7
EPS (% chg)	21.3	-23.9	378.1	131.4	93.4
ROE (%)	11.3	7.1	24.1	16.3	10.6
P/E (x)	2,441.2	3,206.3	670.7	289.9	149.9

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.8	69.8	50.0	148.2
Rel to Nifty	4.4	53.8	33.2	98.1

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

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Motilal Oswal Financial Services

Emkay
Your success is our success

A well diversified business

CMP	MCap (Rs bn)	TP & Rating
Rs601	359	Rs725 | BUY

We hosted Navin Agarwal (CEO), Shalibhadra Shah (CFO), and Chetan Parmar (Head - IR)

Key Meeting-Takeaways

- The management mentioned that discount broking is not on the cards and that during Q1FY25, the company re-classified the Retail Broking segment as the Wealth Management segment owing to emerging needs of customers which include diverse asset classes. The former Wealth Management business has been renamed the 'Private Wealth Management' business.
- The Asset Management Business has seen strong flows across funds on account of improved performance. Further, the management targets ~Rs2,000bn of AUM in the medium term.
- The Private Wealth Management business continues to see RM addition which will drive further AUM growth. With the improvement in productivity across newly-hired RMs, the management expects EBITDA margins in Wealth Management to see improvement.
- The management anticipates limited impact from the change in regulations regarding transaction charges. Further, the management mentioned that the cash market share of the company is relatively higher, resulting in lesser impact in the derivatives segment compared with peers.
- The company has added 5 towers with capacity of 2,000 employees which will result in strengthening its brand positioning in tier 2/3 cities.
- The management has invested ~Rs1.5bn on technological infrastructure, to improve the security systems and enhance the data analytics engines. Further, the RISE app encompasses all product offerings of the company and remains an important source for client acquisition.

Financial Snapshot

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating PAT	11,152	15,424	18,621	21,759	25,967
Net Profit	9,317	24,411	23,626	24,815	31,530
Adjusted EPS (Rs)	19	26	31	36	43
Adj. EPS YoY (%)	304.8	38.0	20.2	16.8	19.3
Networth	62,522	87,318	108,960	131,641	160,889
BVPS (Rs)	105.6	146.5	182.5	220.5	269.5
Adjusted P/E (x)	29.7	21.5	17.8	15.2	12.8
P/B (x)	5.7	4.1	3.3	2.7	2.2

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	12.9	12.0	32.4	162.7
Rel to Nifty	13.6	1.4	17.6	109.7

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Suzlon Energy

Helping India's wind transition targets

CMP	MCap (Rs bn)	TP & Rating
Rs80	1,096	NA | NA

We hosted Siddharth Jhawar (Head - Corporate Finance), and Krishna Kumar (Head - IR)

Key Meeting-Takeaways

- India's wind capacity installations are set to rise to 5GW/7GW during FY25/FY26 (3.3GW in FY24). To capitalize on the mounting demand, the company plans to expand its Daman capacity in the near future and restart similar-sized Pondicherry in a phased manner, basis the demand scenario and utilization. The company is well placed to be a beneficiary of the rising demand from utilities and the C&I segment (58% of the May-24 OB of 3.3GW).
- Certain structural changes have taken place in the wind sector over the course of the past few years. There is lower concentration of project sites being setup at one particular location (in 2017, 80-85% of the wind projects were being set up in Gujarat), sub-station specific bidding, local players available to assist OEMs on monitoring, and execution (earlier, Gamesa and Suzlon did 85-90% of the execution).
- European competitors are currently not able to compete against domestic players. Till 2017, there were high margins in the Indian wind turbine market, attracting European manufacturers; albeit at present, margins are relatively lower; nevertheless, volumes have grown multifold (expect this to remain the nature of the market going ahead), thus making it unattractive for European players.
- Suzlon is the market leader in the WTG market, with ~30% share. Its growth visibility is backed by i) a technological edge (3MW-plus turbines) + 4.5GW-plus nacelle capacity; ii) high-margin (~45%) O&M services; iii) balance sheet (D/E at 0.03x in FY24 versus 1.7x in FY23). Long-term target of the management is to achieve an equal split between taking responsibility for civil and turnkey operations (i.e. EPC) in turbine supply as well as erection.
- Suzlon's BoD approved the acquisition of 2.3mn shares (76% of the share capital) of Renom Energy Services Private. The proposed acquisition of 51% stake is expected to be completed in about three months, after which additional stake of 25% will be acquired. Cost of acquisition: a) 51% stake: Rs4bn, b) 25% stake: Rs2.6bn. Renom Energy is the largest Multi Brand Operations and Maintenance service provider in India with ~2.5GW assets under maintenance. The strategic acquisition gives the Suzlon Group comprehensive presence and penetration into the non-Suzlon segments of the Indian Wind Energy Services industry.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	29,729	33,457	65,818	59,705	64,968
EBITDA	-9,257	5,180	8,895	8,319	9,750
EBITDA Margin (%)	-31.1	15.5	13.5	13.9	15.0
APAT	-25,726	-6,942	-881	1,340	7140
EPS (Rs)				0.1	0.5
EPS (% chg)	-	-	-	-	432.7
ROE (%)	-	-	-	-11.0	28.4
P/E (x)	-	-	-	817.5	153.5

Source: Company, Emkay Research (Based on closing share price as on 12-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	47.1	101.4	78.6	297.8
Rel to Nifty	48.0	82.4	58.5	217.5

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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