India's Golden Decade

The Time is Now

Emkay Confluence

12-14 AUG 2024

The St. Regis, Mumbai

Emkay

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Emkay Confluence: India's Golden Decade

Day 2 Highlights

Refer to important disclosures at the end of this report

August 13, 2024

Nifty: 24,139

Sensex: 78,956

The momentum continued into Day 2 of Emkay Confluence 2024. We hosted 70 companies with ~400 investors participating in 1x1 and group meetings.

Key summary

- There are continued signs of rural demand picking up. The steady progress of the monsoons has added to the optimism of corporates, with acceleration seen across categories. We have seen this feedback across staples, durables, autos, and retail.
- Urban demand, on the other hand, is seeing some weakness. The exact reasons are unclear, but it appears to be a combination of a base effect with a multi-year strong growth leading into FY25. The role of weak IT jobs and tighter unsecured credit cannot be ruled out either. This move is visible in discretionary categories. QSR and autos are two examples.
- Demand for loans for rural sectors is accelerating too. The issue is, however, that banks are pulling back on credit because of asset quality issues. This goes beyond the usual seasonal 1Q softness. MFIs, in particular, are wary because of higher delinquencies.
- Some sectors are facing idiosyncratic labor challenges. Infrastructure companies are not seeing overall labor pressure, but there is a shortage of skilled workers. This is creating some bottlenecks to execution and could lead to some wage inflation. MFIs reported huge attrition due to the heat waves, which may have affected collections and asset quality. They do warn that wage inflation may kick in to compensate.
- Overall, the tone across companies remains positive. Most managements seem to be in a 'growth mindset'. The general mood is that the overall momentum is likely to sustain, and decisions are being taken on the basis of that. This includes pricing, investment in expansion, and capital expenditure.

This report is intended for amit.sharma@emkayglobal.com use and downloaded at 08/27/2024 02:20 PM

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Nifty: 24,139

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The 2nd day of our annual flagship conference saw a line-up of 68 companies from across India

MainTrack events and companies hosted on Day-2

MainTracks
- Dixon Technologies
- Tata Communications

Auto
- CarDekho.Com (Unlisted)
- CEAT
- GRP
- Pricol
- Shriram Pistons & Rings
- S J S Enterprises
- Talbros

Banking
- AU Small Finance Bank
- Bandhan Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Equitas SFB
- Fino Payments Bank
- Indian Bank
- Jana SFB
- Punjab National Bank
- RBL Bank
- Zaggle Prepaid Ocean Services

Building Materials
- Century Plyboards

Cement
- Dalmia Bharat
- Jyoti Resins and Adhesives

Consumer Durables
- Elin Electronics
- PG Electroplast
- TTK Prestige

Consumer Goods
- Godrej Consumer Products
- Foods and Inns
- LT Foods

Healthcare
- Krsnaa Diagnostics
- Metropolis Healthcare

Insurance
- SBI Life Insurance

IT
- Mphasis
- Onward Technologies
- Route Mobile
- Sonata Software

Logistics
- JSW Infrastructure
- Adani Ports & SEZ

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MainTrack events and companies hosted on Day-2

Media

- Saregama India

Metals & Mining

- Coal India
- Godawari Power & Ispat
- Jindal Steel & Power
- Man Industries
- Pondy Oxides & Chemicals

Non-Lending Financials

- 360 ONE WAM
- Aditya Birla Sun Life AMC
- Anand Rathi Wealth
- BSE
- HDFC AMC

Oil & Gas

- Adani Total Gas
- GAIL (India)
- Gulf Oil Lubricants India
- Petronet LNG

Pharma

- Bharat Parenterals
- Blue Jet Healthcare
- Granules India
- Lupin
- Piramal Pharma

Power

- Adani Energy Solutions
- Adani Power
- CESC
- Tata Power

Real Estate

- Anant Raj

Retail

- Barbeque-Nation Hospitality
- Raymond Lifestyle

Specialty Chemicals

- Laxmi Organic Industries
- PCBL

Textiles

- Indo Count Industries

Other

- Welspun Enterprises

Dixon Technologies (Not Rated)

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Poised to deliver multi-year growth

CMP	MCap (Rs bn)	TP & Rating
Rs11,986	717.2	NA | NA

We hosted Atul B Lall, MD and Vice Chairman at Dixon Technologies (India)

Dixon is turning into an electronics engineering powerhouse with increasing shift toward Dixon-powered design/IP solutions across consumer electronics and appliances, while achieving global competitiveness.

Key Meeting-Takeaways

Indian EMS industry is at an inflection point

- Amid accelerating growth, the EMS industry is at an inflection point with increasing scale and backward integration granting it the capability to offer own globally-competitive IP-led products.
- Atul Lall expects the Indian electronics manufacturing industry to grow 3x to US$300bn by FY30 (vs US$90bn in FY24), with a large opportunity pool for the traditional consumer electronics EMS companies in Auto/Industrial electronics segments (~50%).
- Dixon, which has 11-12% market share of the EMS industry is undertaking multiple initiatives to sustain its high share, thus resulting in a strong growth outlook. Its existing capacities across its product portfolio (3-4x of #2 player) are the largest in India.

Dixon to capitalize on strong macro tailwinds

- Lall is of the conviction that the entirety of electronics consumed in India would be manufactured locally in the years to come (vs being imported earlier), largely driven by the supportive GoI initiatives (PLI) and the ongoing China+1 movement.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	44,001	64,482	106,971	121,920	176,909
EBITDA	2,275	2,919	3,843	5,163	6,976
EBITDA Margin (%)	5.2	4.5	3.6	4.2	3.9
APAT	1,207	1,598	1,898	2,573	3,678
EPS (Rs)	20.2	26.7	31.7	43.0	61.5
EPS (% chg)	91.4	32.4	18.8	35.6	42.9
ROE (%)	26.3	25.0	21.9	22.6	24.5
P/E (x)	594.2	448.9	377.9	278.7	195.0

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.4	45.1	90.4	150.7
Rel to Nifty	-2.0	32.8	71.5	101.8

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Tata Communications Ltd - MainTrack

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Key summary

- Lakshminarayanan highlighted the need for hyperconnected ecosystems in the current business environment which provide real-time, seamless, collaborative and 'always learning' capabilities.
- He elucidated through the example of the automotive industry, wherein connectivity, alternate drive trains, shared mobility, and advanced driver assistance systems are coming up. Automotive companies envisage >30% revenue from services in the future amid evolving business models.
- The financial sector has also received fillip from next-gen banking, UPI, Aadhar, Digilocker (ekyc), and commercial entities providing related services.
- However, current challenges include integration of various cloud networks handling data and applications to reduce costs and inefficiencies, enhancement of customer experience through channel consolidation, managing data privacy, and reducing vulnerability in IoT use cases.
- Tata Communications intends to be the digital fabric of an enterprise in order to reduce complexity, and provide end-to-end services and connected solutions.
- Resilience is key for international customers, as the company is providing IZO multi cloud connect, auditability, and other IoT-based solutions across numerous industries.
- The company holds 26% stake in JV with STT in the data center business, and expects the data center market to witness explosive growth in the next 5-7 years.

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CarDekho.com

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Leading online vehicle platform; targets 30% growth this year

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

We hosted Gaurav Arora, Head – IR and Divyanshu, Associate Director – IR

Key Meeting-Takeaways

- CarDekho is building an integrated, large classified and financial services platform; the company started with classifieds for new cars and 2Ws and has now expanded into the entire new-vehicle ecosystem (including CVs, tractors, etc.) encompassing advertisement, lead generation, and comparison.
- For the auto purchase journey, it has leading platforms like 'Cardekho', 'Bikedekho' and 'Zigwheels'; the portfolio also has a 'Revv' platform for car rentals, financial services platform ('Rupyy'), and insurance ('Insurancedekho'). Monthly Active Users (MAUs) count stands at 55mn (~90% organic traffic); the company estimates it has ~42% market share based on traffic interaction with OEMs on online platforms.
- Total Addressable Market (TAM) stands at US$25bn. Consolidated net revenue in FY24 stood at US$270mn in FY24; the company is targeting US$350mn in FY25E (~30% growth). The core business (i.e., standalone business related to lead generation on 'CarDekho', 'Bikedekho' platforms) is EBITDA positive. The leads business generates 30% EBITDA margin, while Rupyy margins are ~10%; subsidiaries including insurance are loss-making as of now.
- Consolidated revenue is at ~60% CAGR in the past 3 years (and 65-70% CAGR in the past decade); growth in profitability has been much higher than revenue growth.
- Cardekho attempted entering the used car business earlier but has shut it down. It believes the business by itself is very hard to crack especially for organized players owing to various issues like low customer stickiness, high inventory carrying cost, setup/infra costs, chances of pilferage, and strong competition from unorganized and local players.
- The company is evaluating an IPO; at the time of the last fund raise in Oct-21 of US$160mn it was valued at US$1.2bn (post-money).

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CEAT (Not Rated)

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Healthy growth; staggered price hikes to continue

CMP	MCap (Rs bn)	TP & Rating
Rs2,617	105.8	NA | NA

We hosted Arnab Banerjee, MD & CEO and Kumar Subbiah, CFO

Key Meeting-Takeaways

- Ceat has outperformed other domestic tyre players over the past 5 years amid growth in all product categories; the company has done particularly well in 2Ws and recently in TBR (fully utilized here). Going forward, Ceat sees growth headroom in 2Ws (with industry still below pre-Covid levels) while TBR is also seen growing once its new capacity comes on stream – though car demand appears muted for now.
- Rural demand is outpacing urban demand; this is visible in trends seen in 2Ws and farm vehicles over the past couple of months (also because of above-normal rainfall).
- The company expects international rubber prices to start correcting by Sep-24; it has reduced share of local rubber purchases to the extent possible, given the higher prices here with local rubber prices being at a 13-year high. Ceat expects this to act as an incentive for local production to increase. The company does not expect international rubber prices to spike from current levels unless Chinese demand revives strongly.
- RM prices in Q2 are moving largely in-line with earlier expectation (5-6% vs Q1); the company recognizes the need to undertake more price hikes since Q2 would also have some benefit of slightly lower-priced inventory.
- The recent price hikes are not adequate to recover the spike in RM; competitive actions permitting, the company sees a clear case for 5-6% price hikes over time in a staggered manner. Wherever possible, Ceat would take the lead in pricing action, though these would be small increases.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	67,788	76,096	93,634	113,149	119,435
EBITDA	6,970	9,522	6,969	9,404	15,941
EBITDA Margin (%)	10.3	12.5	7.4	8.3	13.3
APAT	2,501	4,683	858	2,098	6,858
EPS (Rs)	61.8	115.8	21.2	51.9	169.5
EPS (% chg)	-12.2	87.2	-81.7	144.5	226.9
ROE (%)	8.8	15.0	2.6	6.3	18.3
P/E (x)	42.3	22.6	123.4	50.4	15.4

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	-0.2	13.7	-5.4	12.6
Rel to Nifty	1.3	4.1	-14.8	-9.4

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GRP (Not Rated)

Leading player in tyre recycling

CMP	MCap (Rs bn)	TP & Rating
Rs3,938	21	NA | NA

We hosted Harsh Gandhi (Promoter & Joint MD) at GRP. Established in 1974, GRP is the leader in the domestic tyre recycling industry (16% share in India; 35% share in exports) and among the top 3 players globally.

Key Meeting-Takeaways

- GRP has 16% share in the domestic market and 35% share in exports from India (~60% revenue contribution from exports) with total capacity of ~87Kmtpa; it is among the global top-3 players and serves 8 out of top-10 global tyre companies. The tyre industry forms 65-70% of its revenues. It has 5 business verticals: i) Reclaimed rubber - produced from end-of-life tyres, tread peelings, natural rubber etc., ii) Engineering plastics - for auto and non-auto applications, iii) Custom die forms - from end-of-life tyres for low-cost solutions e.g., door mats, iv) Polymer composites using 100% recycled rubber and plastic to replace wood in logistics, construction, etc., and v) Repurposed polyolefins - for rigid packaging applications.
- The recent EPR norms in tyres expands addressable market for GRP through sale of EPR credits; GRP believes the EPR obligation on tyre industry as a whole would amount to Rs9bn/year (~1-1.5% of sales). Tyre companies are recovering Rs1.8-2/kg of the EPR-related costs from customers.
- The company believes that the plastic recycling industry can also become larger in size than rubber recycling; GRP is investing Rs2.5bn across both tyre recycling and plastic recycling. Additionally, it believes India in the long term can become a net exporter of recovered carbon black (industry can grow 10x from current 100Kmtpa) and certain oils; this space is also seeing a lot of investments. A large part of the recycling industry is unorganized; however, this is changing with rising consolidation. GRP is building capacities for crumb rubber (largely for in-house consumption).
- Overall asset turns are seen improving to 4.5x in coming times vs ~3x currently.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,487	2,798	3,884	4,510	4,614
EBITDA	189	169	232	248	483
EBITDA Margin (%)	5.4	6.1	6.0	5.5	10.5
APAT	29	7	63	135	245
EPS (Rs)	5.4	1.4	11.8	25.3	46.0
EPS (% chg)	-47.1	-74.9	777.6	113.7	81.5
ROE (%)	2.2	0.6	4.7	9.5	15.6
P/E (x)	731.6	2,917.3	332.4	155.5	85.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	12.3	97.9	215.1	322.7
Rel to Nifty	13.9	81.2	183.8	240.2

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Pricol

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Strong franchise with premiumization tailwinds

CMP	MCap (Rs bn)	TP & Rating
Rs509	62.1	Rs600 | BUY

We hosted Siddharth Manoharan, Director - Strategy and Priyadarsi Bastia, CFO at PRICOL

Key Meeting-Takeaways

- Engineering and technology are the company's core strengths; its R&D spends at ~4.5% of sales are double that of industry with all technology developed in-house (50% of white-collar workforce engaged in engineering). Pricol has high vertical integration with in-house tool room, injection molding facilities, and in-house machine manufacturing; 90% of PCB assembly is also done in-house.
- The company is moving up the value chain in both core businesses – Instrument Clusters (forms 65% of revenue) and Actuation, Control, and Fluid Management (i.e., Pumps; 35% of revenue). In Instrument Clusters, Pricol has 50% market share in 2Ws, 60-70% market share in CVs, and 80-90% in Off-Highway; Pricol is the single source for several models of top clients like TVSL, BJAUT, HMCL, Tata PVs (65% wallet share), and JCB.
- Share of digital clusters has improved to 80% now vs 20% few years ago; this is seen improving further as TFT screens (touchscreens) are only at ~5-8% penetration levels for the company and industry; ASPs for high-end TFTs are 10-15x of mechanical clusters and ~3-5x of digital clusters. Pricol expects its blended IC ASPs to rise to Rs2.5K/unit in a couple of years vs Rs1.5K/unit now – even if the underlying industry remains flattish.
- The company has transitioned from single-digit margins pre-Covid to ~13% now amid the ongoing strong premiumization tailwinds; going forward, the company guides for 13.5-14% margins on a sustainable basis.
- Pricol is entering new product segments in adjacent areas by utilizing core strength in electronics. The company believes it can capture a sizeable market share in disc brakes, of which it has won a couple of orders and will soon enter production; it has also developed a E-cockpit prototype.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	19,586	22,718	26,806	32,169	37,058
EBITDA	2,285	2,731	3,490	4,439	5,262
EBITDA Margin (%)	11.7	12.0	13.0	13.8	14.2
APAT	1,150	1,406	1,925	2,558	3,052
EPS (Rs)	9.4	11.5	15.8	21.0	25.0
EPS (% chg)	125.0	22.3	36.9	32.9	19.3
ROE (%)	18.0	18.1	20.6	22.5	22.1
P/E (x)	54.0	44.2	32.3	24.3	20.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.2	20.2	23.0	80.3
Rel to Nifty	3.8	10.1	10.8	45.1

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Shriram Pistons and Rings

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Aiming for strong outperformance vs industry; diversify away from ICE

CMP	MCap (Rs bn)	TP & Rating
Rs1,901	83.7	Rs2,600 | BUY

We hosted Krishna Kumar Srinivasan, MD & CEO, Prem Rathi, CFO, and Pankaj Gupta, CS

Key Meeting-Takeaways

- Aims to grow at 2x the underlying industry this year; the company also aims to double exports over the next 5 years (as done in the past 5 years). It has strong market share in core components across categories with diversified revenues (no single vehicle segment forms over 20% of revenue).
- The company is looking to diversify away from the ICE powertrain component business through significant scale-up in the recently-acquired businesses (non-ICE components) and from further potential M&A opportunities.
- Changing requirements (e.g., power density, torque, load-bearing capacity), including the tightening emission regulations, is leading to a redesign of the engine; SPRL, through its strong technology tie-ups with global leaders is present with applicable solutions and has already won a couple of programs pursuant to this on the heavy CV side. It also has solutions for Hydrogen ICE engines – here, the company has been onboarded by leading CV OEMs; it is the sole supplier to current hybrid programs in India, apart from strong positioning in CNG engines.
- Content per vehicle grew 10-12% in the BS4 to BS6 transition; upcoming norms such as TREM and CAFÉ-3 would also be positive for ASPs.
- Globally, competition is vacating the engine/piston manufacturing space with OEMs still undertaking developmental efforts for the next generation of IC engines; this is helping SPRL capture more market share. It is investing in legacy ICE business while ramping up the non-engine business.
- Remains on the lookout for further M&A opportunities with some prospective deals under consideration; inorganic growth would be focused on engine-agnostic/non-engine parts; at EMFI, it is building grounds-up EV motor and controller solutions for India and has won business with leading EV players. In Takahata, SPRL's entry has led to a breakthrough with non-Japanese OEMs.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	26,093	30,893	35,621	39,567	43,222
EBITDA	4,604	6,420	7,480	8,546	9,336
EBITDA Margin (%)	17.6	20.8	21.0	21.6	21.6
APAT	2,935	4,425	5,150	6,039	6,649
EPS (Rs)	133.2	100.5	116.9	137.1	150.9
EPS (% chg)	79.4	-24.6	16.4	17.3	10.1
ROE (%)	21.1	25.6	23.9	22.8	20.8
P/E (x)	14.3	18.9	16.3	13.9	12.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.4	-1.5	10.4	56.3
Rel to Nifty	2.9	-9.8	-0.6	25.8

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S J S Enterprises (Not Rated)

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Differentiated premiumization play; guides to 1.5x outperformance

CMP	MCap (Rs bn)	TP & Rating
Rs979	30.4	NA | NA

We hosted Sanjay Thaper, CEO & Mahendra Naredi, CFO

SJS is the market leader for aesthetic products and a one-stop solution provider in the Indian decorative aesthetics industry.

Key Meeting-Takeaways

- Guides to 1.5x outperformance vs the underlying industry with growth driven by premiumization (higher realizations), major order wins across 2W/4Ws OEMs (wallet share gains), and acquisition of Walter Pack India (potential kit value for PVs to grow 3-4x vs legacy kit).
- Organic growth expected at ~20-25% CAGR with sustained best-in-class 25% margins; executable order book for FY25 covers >85% of its forecasted revenues.
- Rapid scale up with large volumes anticipated in recently-added client 'Dixon Technologies' (one of the largest contract manufacturers in India); the company expects 25% of consolidated revenues from consumer segment in the next 2-3 years.
- SJS is the first domestic player to localize manufacturing of 'cover glass for center stack displays in PV' against 100% import currently; it anticipates order inflow from Q2 with sustained incremental revenue from FY26.
- Exports will continue to grow in double digits and are expected to contribute 14-15% of consolidated revenues in the next 3-4 years (~8% now) by leveraging WPI business and entry into new product segments.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,162	2,516	2,679	2,962	3,634
EBITDA	638	767	823	875	1,042
EBITDA Margin (%)	29.5	30.5	30.7	29.5	28.7
APAT	414	485	521	589	677
EPS (Rs)	13.3	15.6	16.8	19.0	21.8
EPS (% chg)	-3.7	17.2	7.5	13.0	14.9
ROE (%)	16.0	16.3	15.5	15.2	14.4
P/E (x)	73.4	62.6	58.3	51.6	44.9

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	21.3	61.7	59.4	51.4
Rel to Nifty	23.2	48.1	43.6	21.9

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Talbros (Not Rated)

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Aims doubling of revenue over 3 years

CMP	MCap (Rs bn)	TP & Rating
Rs.346	21.4	NA | NA

We hosted Anuj Talwar (Joint MD) & Navin Juneja (Director & Group CFO) at Talbros Automotive Components

Established in 1956, Talbros Automotive manufactures gasket and heat shields, and forgings with >50% market share in the gaskets business. The company also manufactures suspension systems and anti-vibration products and hoses through it's 50:50 JV with Marelli and Marugo, respectively.

Key Meeting-Takeaways

- The management targets guides to ~Rs25bn group revenues for FY27 (vs Rs12.6bn in FY24), driven by higher export contributions of ~35% by FY27 (vs 25% in FY24). The company guides EBITDA margins to be in the range of ~15-16% (vs 16% in FY24) and targets to contain debt within ~Rs1bn with >20% RoCE.
- The company plans to expand its Gaskets Business to Rs7bn by FY27 at 13% CAGR from Rs5.2bn in FY24. With increased revenue from the heat shield business of ~Rs900mnpa, Talbros targets ~22% revenue from export. The company has an orderbook of ~Rs595mn from major OEMs.
- With the global shift of forging toward India, the management is bullish in the business and expects 23% CAGR till FY27 reaching ~Rs5bn from Rs2.8bn in FY24 through increased revenue from agri and off highway and an increased focus on EVs. The company has an orderbook of ~Rs920mn, of which Rs750mn is from JCB, UK and Rs170mn is from Dana, Italy.
- The management plans to invest ~Rs2bn in capex across its divisions, of which ~Rs250-300mnpa would be funded by internal accruals, while the rest would be partly through internal accruals of the subsidiaries and partly through borrowings.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,853	4,442	5,772	6,472	7,783
EBITDA	344	530	728	855	1,147
EBITDA Margin (%)	8.9	11.9	12.6	13.2	14.7
APAT	136	248	441	552	782
EPS (Rs)	2.2	4.0	7.2	8.9	12.7
EPS (% chg)	-47.8	82.2	77.8	25.1	41.6
ROE (%)	6.9	11.1	16.1	16.5	17.3
P/E (x)	156.7	86.0	48.4	38.7	27.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.6	20.2	24.1	53.2
Rel to Nifty	-4.2	10.1	11.8	23.3

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AU Small Finance Bank

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Readying to secure 'Universal Banking' license

CMP	MCap (Rs bn)	TP & Rating
Rs612	455	Rs 625| REDUCE

We hosted Prince Tiwari (IR) of AU Small Finance Bank ("AU SFB") at our conference

Key Meeting-Takeaways

- AU SFB aims to register healthy credit growth of 25% in FY25, primarily driven by strong traction in the VF, mortgage book, and gold loans (benefiting from Fincare's tech and strategy). The bank clocked 6% NIM in Q1FY25, while guiding to full-year NIM of 5.7-5.8% due to rising CoF.
- The management reiterated that it would focus on branch banking to build deposits (especially current deposits) and expand the credit card and MFI business (though not more than 10% of the overall book). Moreover, post-merger, the bank aims to start >100 branches in the South, specifically for the VF and MBL businesses.
- Asset quality slipped in Q1 due to higher stress in the MFI and Cards segment. The bank has created a contingency buffer of Rs170mn on its MFI book, and plans to provide for a higher LLP of 2.5-3% p.a. on the same; any unused portion from this, in any given year, will be allocated toward creating a counter-cyclical buffer.
- The bank does not plan to raise capital any time soon. Separately, the bank targets applying for a 'Universal Banking' license in FY25 itself; the benefits of this will accrue in the long run. We expect the merged bank to report RoA at 1.6% during FY25-26E, then gradually improve to 1.7% by FY27E, subject to no major growth/asset-quality hiccups. We have a REDUCE rating on the stock, anticipating some merger-induced disruption, with a Target Price of Rs625/share, rolling forward on 2.4x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	44,253	51,571	80,886	105,057	130,016
Net profit	14,279	15,347	21,153	27,330	34,922
EPS (Rs)	22.0	23.0	30.0	36.8	47.0
ABV (Rs)	166.0	183.5	231.2	252.3	293.3
RoA (%)	1.8	1.5	1.6	1.6	1.7
RoE (%)	15.4	13.0	14.4	15.1	16.6
P/E (x)	27.8	26.6	20.4	16.6	13.0
P/ABV (x)	3.7	3.3	2.6	2.4	2.1

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.8	0.6	2.4	-12.7
Rel to Nifty	-5.6	-7.6	-7.5	-29.5

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Bandhan Bank

India Equity Research | BFSI -Banks
August 13, 2024
Conference Note

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Recovery to be gradual; all eyes on new MD appointment

CMP	MCap (Rs bn)	TP & Rating
Rs193	310	Rs 175| Reduce

We hosted Rajeev Mantri (CFO), Bandhan Bank

Key Meeting-Takeaways

- Bandhan Bank aims to grow its overall credit growth in the 18-20% range this year, while expecting growth in its housing portfolio at a slightly faster pace. The bank has seen stress in states such as UP, Kerala, and MP, but does not expect the stress to blow out. The bank maintains credit cost guidance of 2.5% on the MFI book.
- CGFMU recovery of Rs13bn remains elusive, but the management remains hopeful of a recovery happening sooner than anticipated, as the audit is largely completed. There is no downside risk as the bank has fully provided the same; so any recovery would flow-in to 'other income'.
- The shift toward a higher mix of secured assets led to pressure on YoA (yield on advances), but this will be offset by lower slippages. YoA is expected to be ~15-16% going forward (~16% currently) and should thus help limit the margin moderation.
- On branch expansion, the bank is looking to expand in non-eastern states (more than 500 branches have already been opened in these states) to further diversify its geographical concentration.
- The bank is in the process of identifying the new MD & CEO, and the list will be sent to the RBI soon, for approval.
- We expect the bank to clock 1.9-2.1% RoA, well below its historical trajectory, given continued asset-quality issues. We retain REDUCE on Bandhan Bank and our TP of Rs175/sh (1x Jun-26E ABV).

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	92,596	103,256	124,407	146,715	175,654
Net profit	21,946	22,296	36,709	47,456	58,550
EPS (Rs)	13.6	13.8	22.8	29.5	36.3
ABV (Rs)	115.9	127.6	150.1	173.8	202.4
RoA (%)	1.5	1.3	1.9	2.0	2.1
RoE (%)	11.9	10.8	15.7	17.4	18.3
P/E (x)	14.2	13.9	8.5	6.6	5.3
P/ABV (x)	1.7	1.5	1.3	1.1	1.0

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.7	12.0	-6.2	-11.7
Rel to Nifty	-0.5	2.9	-15.2	-28.7

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Bank of Baroda

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Growth takes back-seat as focus remains on protecting margins

CMP	MCap (Rs bn)	TP & Rating
Rs242	1,250	Rs 325 | BUY

We hosted ED Sanjay Mudaliar, and CFO Chayani Sundar, Bank of Baroda

Key Meeting-Takeaways

- BoB reported sub-optimal credit growth in Q1FY25, at ~9%, mainly due to continued shedding of the low-margin overseas book and domestic corporates, whereas the retail book continues to expand at a healthy pace. Within retail, auto and PL sustained superior performance, while the GL book is also seeing some traction. Moreover, within the PL book, 20% is from the non-salary portion where the bank sees higher risk and hence intends to grow at a limited pace.
- Deposit growth was subdued this quarter at ~9%, as the bank prudently cut down its high-cost bulk deposits to protect margins. The bank has guided for full-year NIMs at 3.15% (+/- 5bps) on the back of contained CoFs, while RoA guidance stands at 1.15% for FY25.
- The management has maintained its FY25 credit growth target of 12-14%, which looks to be a tall task after a sub-optimal growth in 1Q. On the asset quality front, the bank aims for GNPA/NNPA at <3/1% levels, respectively, on the back of higher expected recoveries (Rs100bn in FY25).
- The bank has seen 50bps accretion to CET 1, mainly due to new investment classification norms, while its better asset quality trend among peers could limit the impact of ECL norms; the bank expects the announcement to happen only in FY26.
- We expect the bank to deliver a healthy RoA of 1.1-1.2% over the same period. We retain BUY on BoB and our TP of Rs325/sh, based on 1.1x SA Jun-25E ABV and subs value at Rs15/sh.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	413,560	447,215	481,324	533,667	598,493
Net profit	141,084	177,888	192,961	206,480	225,490
EPS (Rs)	27.2	34.4	37.3	39.9	43.6
ABV (Rs)	177.6	206.3	242.5	267.4	299.1
RoA (%)	1.0	1.2	1.2	1.1	1.1
RoE (%)	15.3	16.9	15.9	15.0	14.7
P/E (x)	8.3	6.6	6.1	5.7	5.2
P/ABV (x)	1.3	1.1	0.9	0.8	0.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-11.7	-6.7	-1.2	27.7
Rel to Nifty	-11.5	-14.2	-10.7	3.1

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Bank of India

India Equity Research | BFSI -Banks
August 13, 2024
Conference Note

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Set to accelerate growth; retail stress is transitional

CMP	MCap (Rs bn)	TP & Rating
Rs116	527	NA | NR

We hosted B Kumar (CFO), Bank of India

Key Meeting-Takeaways

- Bank of India (BOI) targets ~13-14% credit growth on its global book for FY25, with 17% growth expected in the domestic book. BOI has a healthy credit pipeline of Rs400-450bn, with a significant focus on the RAM segment, which has shown strong growth (Agri: 22%, MSME:13%, retail:20%).
- BOI is prioritizing infra-lending, industrial sector growth, and renewable energy within its corporate credit book, which makes up 45% of the total credit mix.
- The bank's NIM improved sequentially by 15bps to 3.07% in Jun-24 which is attributed to a higher yield on advances (~8.60%) and contained cost of deposits at 4.8%. However, NIM is expected at <3% by FY25 owing to rising deposit costs.
- The bank's unsecured PL book, which is ~Rs100bn and primarily for the salaried class, shows limited stress, with no significant concerns highlighted. The SMA >Rs50mn (i.e. Rs5crore) increased to Rs96bn, with the corporate segment contributing Rs68bn, primarily from a few large accounts tied to a State Government and several PSUs.
- The retail segment saw a significant rise in SMA to Rs12bn (vs Rs1.8bn in Q4FY24), driven by internal staff transfers and election duties that affected collection efficiency. However, the management believes that collection efficiency has normalized now and does not anticipate major concerns in upcoming quarters.
- Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	152,569	142,699	140,621	202,750	230,530
Net profit	-30,510	20,810	34,870	38,390	65,670
EPS (Rs)	(9.3)	6.4	8.5	9.4	14.4
ABV (Rs)	85.6	104.3	117.6	124.1	136.2
RoA (%)	(0.5)	0.4	0.5	0.5	0.7
RoE (%)	(8.1)	6.9	8.3	7.1	9.9
P/E (x)	(12.5)	18.2	13.6	12.4	8.0
P/ABV (x)	1.4	1.1	1.0	0.9	0.9

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.4	-14.9	-12.7	44.1
Rel to Nifty	-0.2	-21.8	-21.1	16.3

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Bank of Maharashtra

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An outlier among PSBs

CMP	MCap (Rs bn)	TP & Rating
Rs60	426	NA | NR

We hosted ED Rohit Rishi, and CFO V P Srivastava, Bank of Maharashtra

Key Meeting-Takeaways

- Bank of Maharashtra (BOM) targets a robust credit growth of 18-20% in FY25, with focus on maintaining a 60:40 split between RAM and corporate loans. On the other hand, it guides for deposit growth rate of 12-15%, endeavoring to maintain CASA ratio at ~50% as the bank acknowledges intense competition in deposits; it is focusing on deepening client relationships, improving products, and simplifying the onboarding process to retain and attract new customers.
- The bank's GNPA and NNPA ratios are at a multi-year low, at 1.9% and 0.2%, respectively, with one of the highest specific PCRs of 90% compared with peers. The bank envisages maintaining GNPA/NNPA at 1.7-1.75%/ 0.2-0.25%, factoring in the lower slippages and higher recoveries.
- Considering the high stress in agri loans (7.9% NPA as of Jun-24), the bank has tapered fresh farm loan disbursements in Maharashtra. Instead, it is going more into investment credit like cold storages, food processing, and agri gold loans, to balance credit growth and asset quality.
- The bank anticipates minimal impact from the draft RBI guidelines on project financing, claiming that it shall require additional provision of Rs4.9bn spread over 3 years (FY25-27) and the same can be easily passed on to customers.
- The bank guides for ROA of 1.7-1.75% in FY25, backed by continued business momentum, strong CASA of 50% (which shall help maintain healthy NIMs at 3.75-3.9%) and healthy recoveries from written-off accounts. We do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	42,788	48,974	60,444	77,393	91,031
Net profit	3,886	5,503	11,515	27,651	34,499
EPS (Rs)	0.9	0.9	1.7	4.1	5.0
ABV (Rs)	12.4	12.8	16.4	20.2	24.3
RoA (%)	0.2	0.3	0.5	1.1	1.2
RoE (%)	5.6	5.4	9.9	21.0	21.7
P/E (x)	68.4	69.8	35.8	15.1	12.4
P/ABV (x)	5.0	4.8	3.8	3.1	2.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.8	-3.8	-6.4	84.9
Rel to Nifty	-1.6	-11.6	-15.4	49.3

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Equitas SFB

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Asset quality might be a hinderance for Universal Banking license

CMP	MCap (Rs bn)	TP & Rating
Rs75	85	Rs75 | REDUCE

We hosted Dheeraj Mohan (Head Strategy), Equitas SFB

Key Meeting-Takeaways

- Equitas SFB recently pumped up its specific PCR, from 56% to an optimal level of 70%, mainly for eligibility to apply for the Universal Banking license. But this, along with slower credit growth amid rising asset-quality noise and continuous margin contraction, has been haunting the bank for a few quarters now. Going ahead, the bank expects growth to be anchored by asset quality movement, particularly in the MFI space.
- Deposits growth has remained strong over the past few quarters, with Q1 growth rate of 35% YoY/4% QoQ, led by a strong surge in retail TDs (69% of overall deposits). The bank shall focus on mobilizing retail deposits, and endeavors to maintain CASA at 30-35%.
- GNPA ratio increased in Q1FY25 by 12bps QoQ to 2.7%, primarily due to elevated slippages at Rs3.8bn/5.6% of loans, including stress in the MFI space. The management believes that rising imprudent practices by borrowers in the MFI segment will persist and would hence continue to calibrate its growth which, we believe, will have some bearing on margins.
- Factoring in the rising NPAs, higher LLP, and high C/I ratio, we expect the RoA trajectory to slip below 1.5% from a high of 2% in FY24.
- We currently have a REDUCE rating on the stock, with TP of Rs75/share, implying P/ABV of 1.2x Jun-26E.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	25,447	30,798	34,070	40,932	50,260
Net profit	5,736	7,989	6,165	8,643	11,408
EPS (Rs)	4.9	7.1	5.4	7.6	10.0
ABV (Rs)	44.3	50.2	54.6	60.1	67.7
RoA (%)	1.9	2.0	1.2	1.5	1.5
RoE (%)	12.2	14.4	9.9	12.7	14.9
P/E (x)	18.1	12.4	16.2	11.6	8.8
P/ABV (x)	2.0	1.8	1.6	1.5	1.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-14.1	-16.7	-23.2	-8.4
Rel to Nifty	-13.9	-23.4	-30.6	-26.1

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Fino Payments Bank

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All eyes set on SFB license

CMP	MCap (Rs bn)	TP & Rating
Rs340	28	NA | NR

We hosted Fino Payment Bank Head Strategy – Anup Agarwal at our conference

Key Meeting-Takeaways

- Fino recorded its highest-ever quarterly revenue and the best Q1 performance in both, revenue and PBT. This strong result was driven by the high-margin CASA product, which saw 40% YoY revenue growth to Rs936mn, while renewal income surged 54% YoY to Rs404mn. CASA now accounts for 21% of the bank's total revenue, with ~120mn accounts and >0.25mn new accounts being added each month. Based on strong business momentum in Q1, revenue growth guidance for FY25 has been revised upward, from 20% to 25%.
- Overall throughput for the quarter reached Rs1.46trn, with digital transactions accounting for 42% of the total, while digital payment services saw an eightfold YoY increase in revenue, growing from Rs77mn in Q1FY24 to Rs668mn in Q1FY25, and an 82% QoQ growth. Digital now represents 15% of the overall business revenue, and the mgmt. believes this segment will be a key contributor to the overall business momentum.
- The CMS segment (~9% of the business), experienced a 10% YoY growth, while CMS throughput also grew, by 26% YoY to ~Rs200bn, with he NBFC and MFI sectors being the major contributors (62% of this total).
- The bank's strategy moving forward will focus on leveraging digital platforms, expanding product offerings, and ensuring regulatory compliance to continue driving growth and strengthening its market position.
- The bank plans to apply for an SFB license soon which should open up opportunities on the lending front and thus lead to better RoAs.
- Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	6,914	7,910	10,089	12,299	14,780
Net profit	-320	205	962	651	863
EPS (Rs)	(7.2)	4.6	11.6	22.0	30.0
ABV (Rs)	29.2	33.8	57.3	65.1	95.1
RoA (%)	(4.9)	2.5	7.2	8.8	22.0
RoE (%)	(21.9)	14.6	30.5	35.5	14.7
P/E (x)	(47.3)	74.1	29.4	15.4	11.3
P/ABV (x)	11.7	10.1	5.9	5.2	3.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	10.2	19.8	-7.9	-0.5
Rel to Nifty	10.4	10.1	-16.8	-19.7

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Indian Bank

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Focus remains on delivering strong profitability

CMP	MCap (Rs bn)	TP & Rating
Rs550	741	Rs 675| BUY

We hosted Shantilal Jain (MD & CEO), Indian Bank

Key Meeting-Takeaways

- Indian Bank guides for a healthy credit growth of 11-13% in FY25, mainly led by strong traction in the RAM segment. Deposit growth will track a relatively slower pace, of 8-10%; the bank would focus on mobilizing low-cost CASA deposits. This should help it maintain stable NIMs @3.4% amid cost pressure seen across the sector.
- Separately, the management indicated that the impact of the draft LCR guidelines could be 4-5% for the bank, resulting in a revised LCR of 115%, which is still higher than the regulatory requirement.
- NIM guidance for FY25 is 3.4% (±10bps) aided by focus on the RAM segment and higher share (~61%) of the MCLR book which should benefit the bank during a rate reversal cycle.
- The bank expects credit cost of 0.7%. It has reiterated its goal of maintaining/improving the current RoA levels (>1%).
- We expect the bank to sustainably deliver 1.1-1.2% RoA/15-16% RoE over FY25-27E, led by a healthy margin, PSLC fees/treasury gains, and contained opex. Higher CET 1@13.5% is likely to effectively absorb any ECL impact.
- We retain BUY on Indian Bank, with TP to Rs650/sh, valuing the bank at 1.2x FY26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	202,252	232,733	252,756	281,313	318,376
Net profit	52,814	80,631	102,646	116,000	127,619
EPS (Rs)	42.4	62.2	76.2	86.1	94.7
ABV (Rs)	315.0	392.3	454.9	522.9	594.8
RoA (%)	0.8	1.1	1.2	1.2	1.2
RoE (%)	13.3	17.1	17.9	17.2	16.6
P/E (x)	13.0	8.8	7.2	6.4	5.8
P/ABV (x)	1.7	1.4	1.2	1.1	0.9

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	5.9	10.3	5.1	64.4
Rel to Nifty	6.2	1.4	-5.0	32.8

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Jana SFB

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Focus remains on delivering secured growth

CMP	MCap (Rs bn)	TP & Rating
Rs568	59	NA | NR

We hosted Ajay Kanwal (MD), of Jana SFB

Key Meeting-Takeaways

- Jana posted advances growth of 25% YoY/4% QoQ. The bank continues to follow its strategy of focusing on secured assets, which now make up 62% of total assets, up from 60% in Mar-24.
- There was a slight increase in the GNPA, mainly due to seasonal factors and election-related slowdowns, particularly affecting the BC book in Microfinance. Higher slippages were seen due to higher attrition on account of the heat-wave impact.
- During the quarter, the bank reported ROA of 2.1% and ROE of 18.8% (which includes the full impact of the equity infusion from the IPO), while guiding for full-year RoA/RoE to be range-bound at 1.8-2.0%/19-21%, respectively.
- The bank saw reduction in the number of unbanked rural branches (UBRs), from 808 to 780, due to strategic closures. Despite this, the bank still has strong presence in unbanked rural areas, with 34.4% of its branches located there.
- SFB maintains its overall guidance on AUM and deposit growth, of ~20%. Improving portfolio mix and lower NPAs should help it sustain its NIMs at around current levels of ~8%, despite rising funding costs.
- Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	24,248	27,210	30,620	37,000	46,840
Net profit	301	720	170	2,560	6,700
EPS (Rs)	5.9	16.6	1.1	46.6	64.0
ABV (Rs)	176.0	193.0	204.0	274.0	341.0
RoA (%)	0.23	0.5	0.1	1.1	1.8
RoE (%)	1.09	6.5	1.5	16.7	20.7
P/E (x)	95.6	34.2	541.0	12.2	8.9
P/ABV (x)	3.2	2.9	2.8	2.1	1.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-11.2	-5.0-	-	
Rel to Nifty	-11.0	-12.7-	-	

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Punjab National Bank

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Eyes 1% RoA

CMP	MCap (Rs bn)	TP & Rating
Rs114	1,256	Rs125| BUY

We hosted ED Binod Kumar, Punjab National Bank

Key Meeting-Takeaways

- Punjab National Bank (PNB) aims for full-year credit growth guidance of 11-12%. The RAM segment will see higher growth during FY25, at 13-14%, with major focus on HL. On the corporate front, the management sees growth in sectors like renewable energy, infra, ports, etc. The management feels deposits will lag credit growth in FY25.
- The bank has revised its GNPA guidance down, to 4% (vs 5% earlier), and its credit cost guidance to 0.5% for the year (vs 1% earlier), with expectations of potential reversals in H2FY25 due to strong recoveries. The management feels confident about achieving its recovery targets of Rs180bn for FY25, despite lower recovery in Q1 due to election-related disruptions.
- NIM stands at 3.21% for domestic operations and 3.07% globally. The bank maintains its guidance of 2.9-3% NIM for FY25 and 1% RoA.
- The bank's current LCR stands at 125% and, per the management's preliminary calculations, an impact of the new guidelines will reduce the LCR by ~10%, bringing it to ~115% under the new rules.
- The bank plans to launch QIP of Rs50bn soon which, in a way, should also help it offset the impact of ECL, if any.
- We currently have a BUY rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	344,916	400,831	439,054	483,773	551,637
Net profit	25,072	82,446	135,824	178,357	227,985
EPS (Rs)	2.3	7.5	12.1	15.5	19.8
ABV (Rs)	67.7	83.4	96.5	111.0	130.2
RoA (%)	0.2	0.5	0.8	1.0	1.1
RoE (%)	2.8	8.7	12.6	14.3	16.0
P/E (x)	45.4	13.8	8.6	6.7	5.2
P/ABV (x)	1.5	1.2	1.1	0.9	0.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.1	-5.7	-7.0	90.8
Rel to Nifty	-5.9	-13.4	-15.9	54.1

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RBL

Plans to deliver healthy RoA of >1%

CMP	MCap (Rs bn)	TP & Rating
Rs214	130	Rs 350 | BUY

We hosted CFO Bhuvanesh Tharashankar, and Head Strategy Jaideep Iyer, RBL Bank

Key Meeting-Takeaways

- RBL Bank reported slight moderation in credit growth mainly due to contraction in its corporate book and some slow-down in unsecured loans in states such as MP, UP, Bihar, and Haryana, which saw higher stress. Also, some slowdown was seen in new card addition and MFI, possibly due to rising stress in unsecured loans/seasonal factors in the sector and the management aiming to bring down the combined share (MFI+Cards) to 34% of advances, by working on ramping up its SME and secured retail book (Small LAP, VF, GL) with a clear focus on delivering healthy risk-adjusted margins. Due to a better portfolio mix, the management guides to a nearly flat margin in 2Q, which should improve thereon. On the draft LCR guideline, the bank guides to a 10-15% impact on its overall LCR.
- Despite competitive pressures, the bank guides for sustained momentum in the retail deposits with a focus on increasing the share of granular retail deposits to >50%. Also, on the cards business, the mgmt. commented that August was the first month when both, sourcing and collections, were done in-house; it guides for sourcing share of BFL to reduce to 30% by FY25 vs 45% currently.
- Slippages were elevated owing to delinquencies in the card book and seasonal + election-induced transient stress in the MFI segment. The bank expects slippages to remain elevated in 2Q as well. However, the bank remains determined to gradually build a contingent provision buffer, apart from healthy specific PCR at >70%. It expects credit cost in the 1.75-2.25% range in FY25. FY25 RoA/RoE guidance stands at 1.1%/10-11%, respectively.
- At current valuations, the stock is trading at sub-1x P/ABV (0.8x FY26E) and thus offering a better risk-reward ratio given the steady improvement in its RoA @1.1-1.3%/RoE @10-15% over FY25-27E, from a loss in FY22. We retain BUY on the stock with a TP of Rs350/sh, valuing the bank at 1.2x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	49,980	60,429	71,547	85,221	102,792
Net profit	8,756	11,679	15,935	21,496	28,379
EPS (Rs)	14.6	19.4	26.3	35.5	46.8
ABV (Rs)	216.8	237.9	261.1	290.7	330.4
RoA (%)	0.8	0.9	1.1	1.2	1.3
RoE (%)	6.7	8.2	10.2	12.4	14.5
P/E (x)	14.7	11.0	8.1	6.0	4.6
P/ABV (x)	1.0	0.9	0.8	0.7	0.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-18.9	-13.4	-18.5	-1.4
Rel to Nifty	-18.8	-20.4	-26.4	-20.4

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Zaggle Prepaid Ocean Services

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A differentiated fintech – Set to see explosive growth

CMP	MCap (Rs bn)	TP & Rating
Rs353	43	NA | NR

We hosted Avinash Godkhindi (MD & CEO), Zaggle Prepaid Ocean Services

Key Meeting-Takeaways

- Zaggle is a tech-fin company that provides innovative financial solutions, including prepaid cards, expense management software, and corporate credit cards, aimed at enhancing business efficiency and customer engagement. It has emerged as the leading player in spend management, with more than 50mn prepaid cards issued in partnership with banks and over 2.9mn users served, offering a differentiated value proposition and diversified user base.
- The new product 'Zoyer' offers detailed data analysis and insights not provided by other banks' corporate credit cards, representing a key USP. Zoyer cards are projected to contribute 45-50% of total revenues within 3 years.
- New revenue streams include fleet management solutions, forex cards bundled with travel management software, and international payment processing. These initiatives are expected to commence or expand in FY25, enhancing revenue diversification.
- Receivable days for Zaggle are higher as the bank wants to draw comfort on the maturity of the portfolio (to avoid reversable spends like cashbacks, etc), and hence it takes longer (typically 60-80 days) to process and pay the interchange fees to Zaggle.
- The company's revenue has doubled in the last 3 years, and it expects a similar performance in upcoming quarters, driven by increased customer base, newer use cases, deeper penetration into the existing customers, and cross selling of its solutions. Accordingly, the mgmt. has guided for revenue growth of 45-55% in FY25 and aspires doubling its revenue within the next 2 years, with steady adjusted EBITDA around current levels.
- Currently, we do not have a rating on the stock.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	683	2,400	3,713	5,535	7,756
Net profit	37	193	419	229	440
EPS (Rs)	1.7	2.1	4.6	2.5	4.1
ABV (Rs)	(180.4)	(126.5)	(9.9)	5.3	47.0
RoA (%)	56.8	29.5	51.6	13.5	9.3
RoE (%)	(5.7)	(42.4)	(170.7)	101.3	14.1
P/E (x)	1.7	167.3	77.2	142.3	86.9
P/ABV (x)	(2.0)	(2.8)	(35.7)	66.7	7.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	15.3	18.4	22.6-	
Rel to Nifty	15.6	8.9	10.8-	

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Century Plyboards (I) Ltd.

India Equity Research | Building Materials
August 13, 2024
Conference Note

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FY25 guidance maintained

CMP	MCap (Rs bn)	TP & Rating
730	162	Rs 800 | Buy

We hosted Arun Julasaria (CFO), Century Plyboards (I)

Key Meeting-Takeaways

- The new MDF facility shall be EBIT positive by Q3FY25. MDF margins have bottomed out, as the company is focused on increasing VAP mix and utilization which could result in a margin uptick. The company expects MDF price to start trending up, though no price hike has been announced so far.
- The Hoshiarpur plywood plant expansion is on hold as plantation availability is not up to requirement. The company undertook a 2% price hike in June and a 2% hike was rolled out in Aug-24, to pass on the increase in raw material prices.
- Timber price for MDF in the North is Rs6.5-7/kg and the southern market price is Rs5.5-6.5/kg. Price soared 6-7% sequentially in Q1 and is likely to marginally increase for the next two quarters.
- MDF imports fell, from the usual monthly run rate of 25-30KCBM to 15-16KCBM over the last three months, due to the freight crisis.
- Particle Board new-plant capacity utilization is likely to be 50% by the end of the first year, and EBITDA breakeven also expected within one year.
- Sainik Laminates has not scaled up as expected, and demand is expected to pick up within a year.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	36,466	38,860	44,259	53,013	61,768
EBITDA	5,587	5,319	5,360	7,690	9,707
EBITDA Margin (%)	15.3	13.7	12.1	14.5	15.7
APAT	3,833	3,375	2,893	4,692	6226
EPS (Rs)	17.3	15.2	13.0	21.1	28.0
EPS (% chg)	22.4	-12.0	-14.3	62.2	32.7
ROE (%)	22.1	16.4	12.4	17.5	19.6
P/E (x)	42.3	48.1	56.1	34.6	26.1

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.8	10.2	-2.4	18.9
Rel to Nifty	5.3	0.9	-12.1	-4.3

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Dalmia Bharat

India Equity Research | Cement
August 13, 2024
Conference Note

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Limited growth potential

CMP	MCap (Rs bn)	TP & Rating
1,735	325	Rs 1,800 | Reduce

We hosted Aditi Mittal (Head - Investor Relations) and Prassan Goyal (Investor Relations), Dalmia Bharat

Key Meeting-Takeaways

- The management postponed its target of achieving 75mt capacity to FY28, as JPA moved to NCLT for insolvency proceedings. It maintained its long-term target of >110mt capacity by FY31. The next phase of organic expansion is likely to be announced in 12 months.
- Capex spends stood at Rs6.6bn in Q1FY25. FY25 capex guidance was Rs35-40bn, largely toward organic expansion, efficiency improvements, and maintenance.
- Cement prices have declined 2-3% QoQ in Q1FY25, whereas exit prices are lower than the Q1 average prices by another 3%. The management expects prices to improve from Q3FY25.
- Dalmia has a sustainable cost-savings potential of Rs150-200/t over the next three years, via improvement in RE power share, usage of captive coal mine, reduction in lead distance, and other improvements like direct despatches, etc.
- Blended fuel costs stood at Rs1.38/kcal in Q1FY25. Spot prices are tracking similar levels, and the company expects a marginal 1-2% QoQ improvement in Q2FY25.
- The management targets net debt-to-EBITDA of less than 2x through the unfolding of its expansion plans.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	135,400	146,910	151,053	166,074	182,319
EBITDA	23,160	26,390	27,446	31,312	35,588
EBITDA Margin (%)	17.1	18.0	18.2	18.9	19.5
APAT	6,090	8,280	9,400	11,244	13459
EPS (Rs)	32.5	43.6	49.5	59.2	71.8
EPS (% chg)	-20.3	34.2	13.5	19.6	21.3
ROE (%)	4.1	5.2	5.6	6.4	7.2
P/E (x)	53.4	39.8	35.1	29.3	24.2

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.3	-0.4	-15.9	-12.9
Rel to Nifty	-8.9	-8.8	-24.2	-29.9

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Jyoti Resins & Adhesives Ltd

Your success is our success

#2 selling wood adhesive brand in India in the retail segment

CMP	MCap (Rs bn)	TP & Rating
Rs 1,417	17	NR

We hosted Utkarsh Patel (Promoter & MD), Jyoti Resins & Adhesives

Key Meeting-Takeaways

- The company's manufacturing plant is at Santej, Ahmedabad (Gujarat), with current capacity of 2,000ton p.m. (tpm). The capacity was doubled to 2,000tpm in Aug-22. The company manufactures various types of adhesives (white glue) under brand name *Euro 7000,* which was launched in 2006. The brand is now the second-largest selling wood adhesive (white glue) brand in India in the retail segment.
- The company services 14 states in India through 35 branches and 60 distributors, catering to 12,000 active retailers and 0.35mn carpenters. The company has been able to grow at more than 20% in volume terms, in Q1FY25.
- The company has an efficient carpenter reward model system, which is a loyalty program for carpenters. On purchase of every bucket/drum by carpenters, a certain number of points are accrued to their loyalty account. Post a certain threshold, the carpenters can then redeem these points in return for gifts in several forms / modes of awards.
- Jyoti Resins is in the process of setting up a warehouse for enhancing storage of raw materials and finished goods.
- Over the last five years, company has logged revenue/EBITDA/PAT CAGR of 38%/103%/113%, respectively. The company targets 20-25% volume CAGR over the next three years, and maintains 30-40% RoE and >40% RoCE.
- The company is looking to keep liabilities for expenses at <30-35% of the revenue (vs 34% for FY24)

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	735	1,013	1,820	2,613	2,573
EBITDA	117	105	238	606	839
EBITDA Margin (%)	15.9	10.3	13.1	23.2	32.6
APAT	79	111	184	464	671
EPS (Rs)	6.6	9.3	15.3	38.7	55.9
EPS (% chg)	258.7	41.2	64.9	152.7	44.5
ROE (%)	43.5	40.1	50.4	68.8	52.6
P/E (x)	215.4	152.5	92.5	36.6	25.3

Source: *Company, Emkay Research (Based on closing share price as on 13-Aug-2024)*

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.1	7.9	6.8	-7.2
Rel to Nifty	1.4	-1.2	-3.8	-25.3

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Elin Electronics (Not Rated)

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Early signs of demand recovery visible

CMP	MCap (Rs bn)	TP & Rating
Rs214	10.6	NA | NA

We hosted Sanjeev Sethia – Director, Praveen Tandon – CEO, and Akash Sethia, Head - Strategy

Elin is a leading EMS provider with diversified offerings spanning lighting solutions, fans, small appliances, medical diagnostic cartridges, and plastic molded and sheet metal components for the auto ancillary and consumer durables sector.

Key Meeting-Takeaways

- The management guides to ~15% revenue growth in FY25 (Rs11-12bn vs Rs10.4bn in FY24).
- EBITDA margin to improve to 5.1%-5.7% (3.9% in FY24) and further to ~8% by FY27, driven by penetration in economy segment and higher utilizations across categories.
- The company would expand into new product categories with an investment ~Rs750-800mn over FY25-26 on the back of improved demand outlook.
- Elin targets improvement in capacity utilization across product verticals (~50-70% in Q1FY25) on improved efficiencies.
- Further, the company targets optimization in working capital cycle to 40 days in FY25 and further to ~20 days by FY27 (vs ~68 days in FY24).

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	7,856	8,624	10,938	10,754	10,417
EBITDA	554	665	790	651	405
EBITDA Margin (%)	7.0	7.7	7.2	6.1	3.9
APAT	184	344	391	265	139
EPS (Rs)	3.7	6.9	7.9	5.3	2.8
EPS (% chg)	-18.9	86.9	13.6	-32.2	-47.7
ROE (%)	9.2	14.6	13.8	6.7	2.8
P/E (x)	57.8	30.9	27.2	40.1	76.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.5	37.7	44.1	49.3
Rel to Nifty	5.1	26.1	29.8	20.1

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PG Electroplast (Not Rated)

Your success is our success

Guides to 25-30% revenue CAGR over FY25-FY30

CMP	MCap (Rs bn)	TP & Rating
Rs433	113	NA | NA

We hosted Pramod Gupta, CFO

PGEL is a contract manufacturer catering to more than 45 Indian and global brands across diverse industries such as consumer durables, consumer electronics, bathroom fittings, and automotives in India.

Key Meeting-Takeaways

- PGEL expects 25-30% CAGR over next 4-5 years driven by 15-20% volume growth in underlying RAC industry, supportive macros (~Rs300mn PLI expected in FY25 vs Rs150mn in FY24), and improving affordability (rising disposable income levels).
- The company targets 10-15% market share via sustained focus on maintaining cost leadership while simultaneously striving for product leadership.
- As per the management, domestic value addition in RACs could reach 70-75% in the next 2-3 years vs 40-45% now (20-30% 5 years ago), driven by 'China +1' movement and rising OEM preference for localized products on strong scale and cost advantage enjoyed by domestic manufacturers.
- Capex of ~Rs3.8bn has been planned in FY25 for setting up a new integrated manufacturing facility and capacity expansion in RACs.
- Order book for product business (~61% of consolidated revenues in FY24) remains robust. PGEL expects a 55% YoY growth in group revenue in FY25 (Rs27.5bn in FY24) with a slight uptick in EBITDA margins.
- PGEL expects its TV/AC/Coolers/Electronics to grow ~50%/60%/50%/>100% over the near term.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	6,394	7,032	10,359	13,312	14,177
EBITDA	379	483	765	936	1,206
EBITDA Margin (%)	5.9	6.9	7.4	7.0	8.5
APAT	32	120	329	444	781
EPS (Rs)	0.1	0.5	1.3	1.7	3.0
EPS (% chg)	-68.3	278.2	175.1	35.0	75.9
ROE (%)	1.8	6.5	13.1	13.3	12.0
P/E (x)	3,576.1	945.6	343.7	254.6	144.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	15.0	106.0	132.0	166.5
Rel to Nifty	16.7	88.6	108.9	114.5

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TTK Prestige (Not Rated)

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Driving growth on premiumization and market penetration

CMP	MCap (Rs bn)	TP & Rating
Rs1,014	40.5	NA | NA

We hosted Saranyan R, CFO

TTK Prestige is among the leading brands in the kitchen equipment space, especially in the pressure cooker segment.

Key Meeting-Takeaways

- TTK guides to high-single digit/low-double digit margins (vs ~11% now). Early signs of demand recovery are visible over the near term. However, sharp increase in commodity/RM prices are seen impacting margins of the company.
- The company targets market share gains in small appliances on the back of transition to localized production (vs import currently).
- The company aims to outperform the industry driven by premiumization, innovation, and quality.
- TTK Prestige aims to leverage its existing distribution channels to improve visibility of its economy brand 'Judge' by making it available at multiple price points in rural geographies, with calibrated product launches planned under this brand.
- Further, the company has invested in a rural start up via exclusive partnership to gauge the demand scenario, However, the company would not open any physical stores.
- In its effort to diversify across regions, TTK is redirecting its focus on opening more exclusive brand outlets (EBOs) in the non-South regions. Revenue mix is seen improving to 50:50 in southern and northern India vs 80:20 earlier.
- E-commerce and large format stores are seen bolstering the revenue growth for prestige amid robust profitability.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	20,730	21,942	27,225	29,487	28,558
EBITDA	2,545	3,219	4,265	3,606	3,047
EBITDA Margin (%)	12.3	14.7	15.7	12.2	10.7
APAT	1,943	2,279	3,048	2,542	2,285
EPS (Rs)	14.0	16.4	22.0	18.3	16.5
EPS (% chg)	1.0	17.3	33.7	-16.6	-10.1
ROE (%)	15.7	16.2	18.9	13.9	11.4
P/E (x)	72.3	61.7	46.1	55.3	61.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1m	3m	6m	12m
Absolute Returns	15.4	45.7	30.4	30.2
Rel to Nifty	17.2	33.4	17.5	4.8

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Godrej Consumer Products

Focused approach to expand TAM and enhance execution

CMP	MCap (Rs bn)	TP & Rating
Rs1,386	1,480	Rs1,450| ADD

We hosted Vishal Kedia (Global Head – Strategy, FP&A, and Investor Relations) and Aditya Kasat (Investor Relations) of Godrej Consumer Products

Key Meeting-Takeaways

- **Pet care foray**: This category sized is ~Rs50bn and growing fast. Only 10% of Indians own pets, of which only 10% feed pets with packaged foods only 40% of the time. For GCPL, the right to win is high given its distribution prowess and animal food expertise at Godrej Agrovet. The company is looking to invest ~Rs5bn for this business over a five-year period which will be focused on marketing and distribution. Product launches are expected by 2HFY26.
- **Innovation thrust remains:** The company continues to disrupt with innovations. Of the last 3 product launches in FY24, incense sticks are doing great, liquid detergents have been scaling well, and Aer Car air freshener is seeing positive consumer response. This year it has launched Cinthol Foam Body Wash (launched in Tamil Nadu and over e-commerce channels) and HIT Matic. In Q2FY25, the company rolled out a much-anticipated RNF molecule-based liquid vaporizer which is likely to aid market share but needs six months to reap the benefit.
- **Raymond's portfolio with action to have an improved show**: GCPL has seen market share gains across modern trade, e-commerce, and rural, whereas it has lost share in urban general trade. The urban market share loss is attributed to its inability to address demand in cosmetic channels following distribution changes. The company will look to address this gap in FY25.
- For the **India business**, the company expects pricing to turn positive from Q2FY25. For FY25, the company is likely to see high-single digit volume and ~2% price growth leading to low-double digit value growth.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	133,160	140,961	147,504	163,398	180,114
EBITDA	24,305	29,435	33,945	38,878	43,082
EBITDA Margin (%)	18.3	20.9	23.0	23.8	23.9
APAT	17,459	19,163	22,813	27,680	31155
EPS (Rs)	17.1	18.7	22.3	27.1	30.5
EPS (% chg)	-2.6	9.7	19.0	21.3	12.6
ROE (%)	13.9	14.5	17.3	19.9	21.5
P/E (x)	85.1	77.5	65.1	53.7	47.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.9	9.2	19.2	42.6
Rel to Nifty	3.2	-1.6	6.6	14.9

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Foods & Inns

Focus on business diversification

CMP	MCap (Rs bn)	TP & Rating
Rs135.5	10.66	Not Rated

- **We hosted Milan Dalal (MD & Promoter), Moloy Saha (CEO), and Anand Krishnan (CFO) – Foods & Inns**

Key Meeting-Takeaways

- Foods & Inns has 5 verticals: 1) Food processing, where it primarily processes mangoes (other fruits like Guava too) for multiple FMCG players. It has 3 processing units, one each in Valsad (Gujrat), Nashik (Maharashtra), and Chitoor (Andhra Pradesh). 2) Spray-dried powders: it has historically been a manufacturer of multiple fruit & vegetable powders, and has developed new products like Honey powder. 3) Frozen Foods division, within which it manufactures vegetarian snacks like samosas, naans, and vegetables, to export from its Nashik unit. 4) Kusum Spices, a B2C spice brand that the company acquired in 2019. 5) Tetra Recart, for which it has commissioned a facility in Vankal.
- More than 70% of its revenue comes from mango pulp processing, with the company processing around 70mt/hr of mango pulp during the peak season, while also utilizing the same capacity for tomato paste production, packing 125mt/hr by adding evaporation.
- Foods & Inns aims to diversify its revenue mix to 60-40 between mango and non-mango products, from 70-30 presently. It maintains working capital inventory of 180 days and of 40 days for receivables, utilizing its 7 facilities for various products throughout the year.
- The company has doubled its in-house capacity for frozen goods, spray-dried powders, and tomato paste, focusing on capacity increase as its key priority. In Q1, it produced mango, tomato, and guava pulp, with gross profit of Rs80-85 per ton during the season. Two of its facilities are dedicated to tomato processing, while the remaining facilities are used for chili, guava, and other products when mango is not in season.
- Foods & Inns caters to both, the retail and small export markets like ice-cream manufacturers and other domestic retailers, for further manufacturing. Initially, 20% of its production was outsourced, which increased to 50%, but has now reduced to 25% due to increased in-house capacity.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,923	3,708	6,322	9,956	10,201
EBITDA	332	237	513	969	1,202
EBITDA Margin (%)	8.5	6.4	8.1	9.7	11.8
APAT	111	39	157	439	367
EPS (Rs)	1.9	0.7	2.7	7.5	6.3
EPS (% chg)	-45.9	-64.9	304.7	179.1	-16.4
ROE (%)	6.3	2.1	8.3	17.3	10.3
P/E (x)	77.7	221.0	54.6	19.6	23.4

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.9	2.0	0.8	-21.0
Rel to Nifty	-5.6	-8.1	-9.8	-36.3

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LT Foods

Your success is our success

Higher thrust on growing value-added opportunity; will aid margin

CMP	MCap (Rs bn)	TP & Rating
Rs303.5	106.14	Not Rated

We hosted Sachin Gupta (CFO), and Monika Chawla Jaggia (VP - Finance and Strategy), LT Foods

Key Meeting-Takeaways

- **Organic foods strength to be leveraged ahead:** The company will leverage its farmer connect and capacity to address B2B demand for Organic foods. Organic foods represent 11% of the business for the company.
- **Focus on scaling the convenience part of the food business (3% of sales):** The company sees an opportunity to scale up the convenience foods business (current market size: ~Rs2bn). The Convenience business has two legs: cooking ingredients and ready-to-eat segments. In the US, LT Foods has launched ready-to-eat products under brand *Royal*. From a cooking ingredient perspective, it is focusing on growth over the next five years and aspires to scale up the business to Rs6-7bn.
- **International focus on politically-stable markets**: The company has a large part of its International business contribution coming from USA and Europe. Its entered the US in 2007 with acquisition of *Royal*, in which the company now has 50% share. With scale in place, the company is now looking to enter the Middle East market, which is fragmented with multiple local players. For its Middle East (ME) operations, the company has partnered with Salic, finalized the distributor, and appointed a business head. Its focus countries in the ME are Oman, Qatar, Iraq, and UAE.
- **Procurement strengthened:** Beyond domestic markets, the company has a procurement hub in Uganda, where it owns considerable virgin land.
- The company aspires to expand margin via a better sales mix, operating leverage, and cost efficiencies.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	41,351	47,419	54,274	69,358	77,724
EBITDA	4,627	5,624	5,917	7,007	9,379
EBITDA Margin (%)	11.2	11.9	10.9	10.1	12.1
APAT	1,875	2,735	2,920	3,988	5934
EPS (Rs)	5.4	7.9	8.4	11.5	17.1
EPS (% chg)	46.1	45.9	6.8	36.6	48.8
ROE (%)	13.3	16.9	15.6	16.8	19.2
P/E (x)	57.4	39.3	36.8	27.0	18.1

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	13.1	43.9	63.7	72.0
Rel to Nifty	13.4	29.7	46.3	38.6

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Krsnaa Diagnostics

Your success is our success

Robust guidance for FY25; B2C foray key observable

CMP	MCap (Rs bn)	TP & Rating
Rs663	21.4	N/A | N/A

We hosted Pawan Daga - CFO and Vivek Jain - Head, Investor Relations

Key Meeting-Takeaways

- The management expects top-line growth to range at 25-30% YoY and EBITDA margins to be targeted at ~25% with an aspiration to reach 30%
- The management plans on foraying into the B2C market wherein the addressable market stands at Rs400bn (in areas where Krsnaa has existing presence). Capex guidance is Rs1.7bn for FY25
- The company does not have meaningful competition in the PPP space from any pan-India player. As such, their bid win rate ranges between 76% and 80%
- PPP contracts now are increasingly being offered for a full state vs district wise earlier. Also, the price escalation ranging at 2 to 8% are being built in at contract levels
- Update on projects:
  - Project in Rajasthan is awaiting judiciary orders for further commencement. Capex for the projects to be routed through existing commitments with minimal cash outflow from the business (vendor financing). If a favorable decision comes through, the company will take a period of 9 months to commission centers in Rajasthan with a revenue potential of Rs3bn-4bn
  - 18 new CT scan centers to be operationalized alongside the existing 21 CT scan centers in Maharashtra, which will be equipped with 24 new CT scan machines (agreements for 17 is already signed and 7 more to be done) and 17 new MRI machines.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,584	3,965	4,549	4,641	6,196
EBITDA	-1,142	938	1,346	1,242	1,442
EBITDA Margin (%)	-44.2	23.7	29.6	26.8	23.3
APAT	-1,120	1,852	709	634	568
EPS (Rs)		57.4	22.0	19.6	17.6
EPS (% chg)	-	-	-61.7	-10.6	-10.3
ROE (%)	-	-166.5	21.0	8.9	7.3
P/E (x)	-	12.2	31.8	35.5	39.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.4	22.7	-1.4	32.8
Rel to Nifty	1.7	10.6	-11.9	7.0

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Metropolis Healthcare

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Poised to deliver double-digit topline growth with improving margins

CMP	MCap (Rs bn)	TP & Rating
Rs2,012	103	Rs2,300 | BUY

We hosted Ameera Shah - Executive Chairperson and WTD, Surendran Chemmenkotil – CEO, and Rakesh Agarwal - CFO

Key Meeting-Takeaways

- The management remains focused on improving the topline by pursuing volume growth. Various levers include densifying network outside the top-20 cities, activating the ARC network, and increasing specialized test menu
- On the pricing environment, deep discounting from online players has reduced and the standalone centers continue to lose market share to organized players
- The management also outlined its inorganic strategy and plans to do bolt-on acquisition of firms with cutting-edge technology, local B2C presence or invest in brick and mortar centers that are currently sub-scale in nature (due to lack of proper capital allocation and access). The management may use debt, equity or cash to pursue reasonably-valued targets
- The specialty segment is a key differentiator for MHL as they are collaborating with tertiary-care specialists and providing them comprehensive super-specialty diagnostics for treating complex diseases. MHL sees great potential in the areas of gastroenterology, neurology, nephrology, and oncology testing for specialized testing
- In terms of network expansion, beyond FY25, the focus will shift toward feeder network (PSCs) vs labs which should aid margins via operating leverage

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	11,482	12,077	13,385	15,414	17,782
EBITDA	2,883	2,826	3,337	4,028	4,736
EBITDA Margin (%)	25.1	23.4	24.9	26.1	26.6
APAT	1,434	1,278	1,671	2,203	2739
EPS (Rs)	28.0	25.0	32.6	43.0	53.5
EPS (% chg)	-27.7	-11.0	30.7	31.8	24.3
ROE (%)	15.3	12.3	14.4	16.9	18.2
P/E (x)	73.5	82.6	63.2	47.9	38.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.6	20.2	25.4	44.4
Rel to Nifty	0.9	8.3	12.1	16.4

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SBI Life Insurance

Your success is our success

Profitable growth journey to continue

CMP	MCap (Rs bn)	TP & Rating
Rs1,682	1,685	Rs1,900 | BUY

We hosted Sangramjit Sarangi (CFO), and Smita Verma (Head - IR)

Key Meeting-Takeaways

- SBI Life is dedicated to and confident of achieving 18-20% Retail APE growth in FY25, while maintaining a stable margin trajectory, resulting in substantial growth in absolute VNB.
- With its efficient product mix and cost management, the company is well-positioned to sustain its profitable growth following the implementation of new surrender regulations starting 1-Oct.
- Thanks to its cost leadership and ULIP-driven product mix, the management believes that the company's VNB margins will be minimally impacted by the new surrender regulations.
- The agency channel is experiencing strong growth, and the banca channel is delivering double-digit growth on a high base, with expectations for further acceleration in the second half.
- The company aims to accelerate retail protection growth by launching protection products on the SBI YONO platform and introducing protection plans tailored for HNIs with high sum assured.
- Additionally, with the growth in housing loans, the management anticipates significant growth in the credit life business.
- Overall, SBI Life is on track to deliver healthy VNB growth, driven by APE growth and supported by stable margins.

Financial Snapshot

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	168,100	197,200	227,914	258,012	292,093
VNB	50,700	55,500	62,106	70,356	79,896
VNB Margin (%)	30.1	28.1	27.2	27.3	27.4
EV	460,369	582,579	698,986	819,947	959,502
Op. RoEV (%)	22.8	21.8	18.6	17.9	17.3
EVPS (Rs)	460.1	581.9	698.2	819.0	958.4
EPS (Rs)	17.2	18.9	23.1	26.8	30.7
P/EV (x)	3.7	2.9	2.4	2.1	1.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.6	18.1	14.6	28.3
Rel to Nifty	9.3	8.1	3.3	3.2

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Mphasis

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Set for gradual recovery

CMP	MCap (Rs bn)	TP & Rating
Rs2,697	510	Rs2,900 | REDUCE

We hosted Vinay Kalingara (Head - IR), Mphasis

Key Meeting-Takeaways

- The company is seeing clients looking to balance both, cost-saving priorities in this challenging macro setting and the imperative of staying tech-forward and competitive.
- The management observed gradual pick up in client engagements and investments, especially in transformative technologies. Mphasis reiterated its target of clocking above-industry growth in FY25 which would be aided by its tech-led account-focused strategy. It is confident of maintaining margins in the 14.6%-16% band.
- Customers indicate tech remaining a top priority for them, as they seek to operate amid this duality and a cautiously optimistic environment.
- While efficiency and cost optimization are strong themes, organizations are seeking short-term wins for funding long-term technological priorities, with strong focus on resilience and growth.
- Though discretionary spends are similar to those in the past few months, there has been a gradual pickup in client engagement (witnessed green shoots in Q4, with the trend continuing in Q1FY25 as well).
- Mphasis signed three large deals in Q1, including a >US$100mn deal in BFS, and one deal in Healthcare. TCV to revenue conversion continues to pick up pace.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	137,985	132,785	141,130	156,598	174,322
EBITDA	24,340	24,220	25,964	29,127	32,598
EBITDA Margin (%)	17.6	18.2	18.4	18.6	18.7
APAT	16,380	15,548	16,491	19,044	21905
EPS (Rs)	86.9	82.3	87.2	100.7	115.8
EPS (% chg)	13.9	-5.4	6.0	15.5	15.0
ROE (%)	22.0	18.6	18.1	19.5	20.9
P/E (x)	31.0	32.8	30.9	26.8	23.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	0.2	19.6	2.6	15.7
Rel to Nifty	1.7	9.5	-7.6	-6.8

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Onward Technologies

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Ongoing efforts to achieve turnaround with focus on US and Europe

CMP	MCap (Rs bn)	TP & Rating
Rs 406	9	NA

We hosted Jigar Mehta (CEO), Onward Technologies

Key Meeting-Takeaways

- The management is moving toward a more focused approach, with intention to further narrow down its customers to 60-75 from 85 currently, to build deeper engagements and enhance value. It has laid down its first milestone of achieving revenue of US$10mn from 10 customers or US$5mn from 20 customers.
- The company intends to build its expertise in the niche areas of industrial and heavy machinery, mining equipment, construction, automotive, and mobility. It has a vision to be an extension of the clients' R&D department.
- The management intends to strengthen its presence outside India, with focus on expanding in the US and European regions, where it is seeing a healthy demand scenario. The company aims to increase its revenue contribution outside India to 70% from 50% currently.
- Onward has struggled in obtaining H-1B visas for the past several years, leading to shortage of technical expertise for project execution. The company received its first set of H-1B approvals (~30 approved from 200 applications) recently, and targets 200-300 H-1B visas in the next 2-3 years which will be a key driver for revenue growth.
- Onward has a team of 2,493 employees and is actively hiring with ~700 open positions presently, mainly for the offshore region, to cater the healthy demand momentum. Manufacturing and Industrial verticals contribute ~90% to the revenues.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,716	2,404	3,073	4,409	4,724
EBITDA	234	172	214	293	522
EBITDA Margin (%)	8.6	7.2	7.0	6.6	11.1
APAT	62	73	235	112	337
EPS (Rs)	2.8	3.2	10.4	5.0	14.9
EPS (% chg)	-38.5	16.5	223.3	-52.1	199.6
ROE (%)	9.7	10.2	19.8	6.7	17.7
P/E (x)	147.2	126.3	39.1	81.6	27.2

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.9	-8.4	-24.6	-33.3
Rel to Nifty	-9.5	-16.1	-32.1	-46.4

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Route Mobile

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Proximus led synergy benefits to drive growth

CMP	MCap (Rs bn)	TP & Rating
Rs1,524	96	Rs1,800 | ADD

We hosted Gautam Badalia (CSO), Route Mobile

Key Meeting-Takeaways

- Given the Q1 performance, ramp-up of the Vi firewall and expected synergy benefits (based on current run-rate on related-party transactions), the management expects revenue to grow 18-22% YoY in FY25, along with 13% non-GAAP EBITDAM and ~75% cash generation (OCF/EBITDA). The management continues to aspire for US$1bn revenue by FY27 (to be aided by future M&A).
- The management expects synergy benefits from the Proximus deal, to start playing out gradually. FY25 guidance builds in the current RPT run-rate, and any improvement may drive an upside. Cost of sales benefit will have an immediate impact, while cross-charging on shared services would be seen from Q3. Cross-selling of new products is likely to take some time.
- The recently-announced 5-year deal with Microsoft is an example of synergy benefits, and the management is pursuing a few more such deals.
- The management highlighted YoY growth in ILD volumes supported by the Vi deal, although certain brands have lowered their volumes due to high pricing and are exploring alternate channels. The management seems convinced about achieving healthy growth in domestic ILD volumes on the back of firewall installation at BSNL and Vi.
- The management plans to augment its product portfolio with acquisitions in a few cutting-edge futuristic technologies.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	35,692	40,233	48,472	55,248	62,443
EBITDA	4,442	5,019	5,880	7,016	8,055
EBITDA Margin (%)	12.4	12.5	12.1	12.7	12.9
APAT	3,271	3,582	3,794	4,817	5796
EPS (Rs)	52.4	57.1	60.4	76.7	92.3
EPS (% chg)	100.4	8.9	5.9	26.9	20.3
ROE (%)	18.7	18.0	16.5	18.1	18.8
P/E (x)	29.1	26.7	25.2	19.9	16.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-14.2	7.3	-4.3	0.6
Rel to Nifty	-12.9	-1.7	-13.8	-19.0

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Sonata Software

India Equity Research | Information Technology
August 13, 2024
Conference Note

Your success is our success

Recovery not far; increasing investment in the evolving AI landscape

CMP	MCap (Rs bn)	TP & Rating
Rs584	164	NA

We hosted Jagannathan CN (CFO), Sonata Software

Key Meeting-Takeaways

- The management aspires to achieve 3 goals – to continue winning large deals, operational efficiency in M&As, and building strong partnerships with hyper-scalers. Also, it expects 20% of it to come from AI services in the next 3 years (with better margins). 52% of the deal pipeline consists of cloud and Data which would drive growth. The management is focused on increasing wallet-share gains over new customer acquisition.
- Large deal pipeline is 47%, up QoQ, and 37% of this is with F500 clients. There are 49 large deals in the pipeline in total (22 in Retail and manufacturing, 12 in Healthcare, 11 in TMT, and 4 in BFSI). Sonata won 3 large deals in Q1 – 1 each in BFSI (cloud modernization), Manufacturing (Dynamics implementation), and Healthcare (Cloud & infra operations). The BFSI deal is expected to be margin-accretive in the short & long term.
- The company highlighted that delay in decision making persists, but recovery is expected in the near term. Green shoots are visible in discretionary spend in small to mid-size projects. The management expects a rebound in Healthcare, and is seeing green shoots in BFSI.
- The Hi-tech vertical is showing good momentum in H2 as well. Retail would continue to be soft for another 2-3 quarters. Revenue growth would recover in Q3FY25 to YoY level. Conversion of large deal will take 3-4 quarters vs 2 quarters last year.
- The management stated it would take a few more quarters to achieve its US$1.5bn revenue target (earlier, by FY26-end) due to macro-economic slowdown, and margin is expected to be in a similar range—in the 20s —by end-FY25.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	37,433	42,281	55,534	74,491	86,131
EBITDA	3,728	3,794	4,638	6,041	5,528
EBITDA Margin (%)	10.0	9.0	8.4	8.1	6.4
APAT	2,730	2,417	3,764	4,521	4106
EPS (Rs)	9.7	8.6	13.4	16.1	14.6
EPS (% chg)	12.9	-11.5	55.7	20.1	-9.2
ROE (%)	38.0	30.7	37.6	37.7	30.3
P/E (x)	60.0	67.7	43.5	36.2	39.9

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-17.8	15.5	-25.2	12.5
Rel to Nifty	-16.6	5.7	-32.6	-9.5

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Refer to important disclosures at the end of this report

JSW Infrastructure

India Equity Research | Logistics
August 13, 2024
Conference Note

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Growth momentum to sustain

CMP	MCap (Rs bn)	TP & Rating
Rs314	660	N/A | N/A

We hosted Lalit Singhvi - CFO and Vishesh Pachnanda - Head, Investor Relations

Key Meeting-Takeaways

- Guidance of 10-12% volume growth on a reported basis (incl. acquisitions) for FY25 was maintained. The company's long-term aspiration is to reach 400mmt cargo handling capacity by 2030
- The Navkar transaction is expected to be closed by Q3FY25. This asset is acquired for strategic purposes and would enable JSW to provide last-mile connectivity and become a complete solution provider. The management is confident of improving utilization of this asset with captive as well as 3P cargo (currently only 3-4% revenue comes from JSW group)
- The company has a balanced mix of private and major ports in its portfolio currently which allows it to maintain higher return ratios along with robust EBITDA margins
- The management foresees contribution from captive business in the range of 60% and third party at 40% by 2028
- EBITDAM would normalize Q2 onwards once the Dharamtar and Jaigarh ports see normalized volumes (Dolvi plant fully operational in Q2FY25)
- Employee costs seem sustainable at current levels as ESOP costs continue to taper (FY25: ~Rs0.6bn vs FY24: ~Rs1.5bn), while other income is likely to increase on the back of unutilized IPO proceeds
- The company has signed a concession agreement with V.O. Chidambaranar Port, Tamil Nadu to develop a new 7mtpa cargo berth
- The company fulfills ~75% of JSW group cargo transport requirements (coal) and would further enhance this once its Keni port is commissioned

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	11,432	16,036	22,731	31,947	37,629
EBITDA	6,192	8,165	11,094	16,202	19,646
EBITDA Margin (%)	54.2	50.9	48.8	50.7	52.2
APAT	1,799	2,882	3,271	7,414	11,396
EPS (Rs)	0.9	1.4	1.6	3.5	5.4
EPS (% chg)	-30.3	60.2	13.5	126.7	53.7
ROE (%)	6.6	10.6	10.6	20.4	19.0
P/E (x)	372.2	232.4	204.8	90.3	58.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-7.3	30.7	51.7	na
Rel to Nifty	-7.0	17.8	35.7	na

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Refer to important disclosures at the end of this report

Adani Ports & SEZ

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Continued growth momentum while maintaining profitability

CMP	MCap (Rs bn)	TP & Rating
Rs1,484	3,205	N/A | N/A

We hosted Rahul Agarwal – Head, Investor Relations & ESG and Aakash Bhavsar – Investor Relations

Key Meeting-Takeaways

- FY25 guidance — Cargo volumes are expected to be in the range of 460mmt-480mmt. Revenues are expected to touch ~Rs300bn
- While the management evaluates Vietnam (and other opportunities), it intends to maintain balance sheet discipline (net debt <2.5x TTM EBITDA)
- Port margins could have been higher if not for the disruption at Gangavaram port.
- Investments in digitization and rolling out of their in-house developed NAVIS software is underway (vessel-berth-warehouse-truck all connected platform)
- Vizhinjam port — Capex of Rs80bn executed in Phase 1 while Phase 2 investment planned at Rs200bn. Port will be completed by Oct-24, while FY26 will see full utilization. Planned capacity of 1mmt (expandable to 1.5mmt after automation)
- Gopalpur port to be completed in Q2FY25 with plans of being commissioned in Q3. Signed two new port concession agreements and one new port O&M contract. The management expects the Colombo port to be commissioned by end of FY25
- Market share in container vertical increased 2.5% mainly on the back of strengthening of West coast operations (Mundra)
- Concession agreement was signed in Tanzania. The company has been operating there for 1.5 years which should aid in ramping up without requiring incremental capex
- Haifa port volumes impacted due to sanctions on Israel (42% YoY decline in dry bulk and 22% in container cargo)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	118,731	125,496	171,188	208,519	267,106
EBITDA	58,760	86,844	91,193	96,738	147,606
EBITDA Margin (%)	49.5	69.2	53.3	46.4	55.3
APAT	38,224	49,971	52,312	63,057	88725
EPS (Rs)	17.7	23.1	24.2	29.2	41.1
EPS (% chg)	-5.5	30.7	4.7	20.5	40.7
ROE (%)	15.3	17.9	14.5	14.5	18.1
P/E (x)	86.5	66.2	63.2	52.4	37.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	3.5	22.9	20.3	93.4
Rel to Nifty	3.8	10.8	7.6	55.9

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Saregama India

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Ramping up content acquisition; medium-term outlook healthy

CMP	MCap (Rs bn)	TP & Rating
Rs496	96	Rs580 | BUY

We hosted Pankaj Chaturvedi (CFO), Saket Sah (Group Head- IR and ESG), and Pankaj Kedia (VP- IR)

Key Meeting-Takeaways

- Music licensing vertical should double its revenue over the next 3-3.5 years implying a CAGR of 25-26%. The impact of transition of select platforms from ad to subscription-based model is now completely factored in. As the industry transitions toward a subscription-based model, MGs would get obsolete and realizations would be based on a per-stream basis.
- The company will invest Rs10bn over the next 3 years, which should put the company on the long-term growth path; Rs3bn should be spent on content in FY25 (majorly on film music). This ramp up of content investment should stabilize in a couple of years. Incrementally, the company will look to acquire 25-30% of new content auctioned with the payback period of 5 years being sacrosanct.
- Pocket Aces should breakeven by the end of FY25. On a consolidated basis, PBT should double over the next 3-3.5 years.
- Video vertical should be at 25% CAGR for the next 5 years. The segment is still at a very nascent stage and can report healthy growth for a long period of time. In terms of capital allocation, not more than 18% of the total capital allocated will go toward films, series, and the video segment. The company will work on regional films currently and will only produce web series where there are pre-licensing deals in place. Most other peers also have their own movie production houses.
- Carvaan will only be sold from e-commerce and modern retail stores going ahead. This will impact the top-line, but profitability margins should improve owing to better cost control directly attributed to physical distribution.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,366	8,030	10,918	13,105	15,566
EBITDA	2,210	2,466	3,145	4,084	5,137
EBITDA Margin (%)	30.0	30.7	28.8	31.2	33.0
APAT	1,853	1,976	2,231	2,859	3632
EPS (Rs)	9.6	10.2	11.6	14.8	18.8
EPS (% chg)	21.5	6.6	12.9	28.1	27.0
ROE (%)	13.6	14.1	14.5	16.6	18.5
P/E (x)	51.6	48.4	42.8	33.4	26.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.5	16.2	39.5	28.3
Rel to Nifty	-4.1	6.4	25.6	3.3

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Coal India

Fruits of success

CMP	MCap (Rs bn)	TP & Rating
Rs 522	3,215	Rs 600 | Buy

We hosted Mukesh Agrawal (CFO), Debasish Nanda (Director - Business Development), and Vinay Ranjan (Director - HR)

Key Meeting-Takeaways

- **Outlook:** We had the opportunity to host the management of Coal India at our conference. We came away more optimistic about the company's growth aspirations, with volume CAGR of around 8% over the next 3-4 years, moving toward achieving 1bt by FY27. Coal demand continues to look resilient and progress in also being made to reduce dependence on imports. Capex of Rs180-200bnpa is planned in FMP projects, stockyards, railways, and related infrastructure. A large-cap company of this scale with 8% volume growth and mid-teens earnings % certainly draws interest from investors which seems to be playing out well in case of Coal India. We remain buyers of the stock and find it attractive despite some run-up in recent months. Dividend yield remains attractive at 5.7%.
- **Progress on cost reduction:** Employee cost forms a large part of the overall cost base of the business. The company had reported a decline in employee cost in Q1 results. With the workforce reduction plan being executed, we think there is potential for more progress in FY25/26.
- **Beyond coal:** The company is making efforts in coal gasification and solar projects to diversify the business model. While it is still early days for such projects, we think they can form a reasonable part of the overall revenue mix by the end of this decade.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,462,669	14,61,455	15,47,535	17,08,289	19,29,715
EBITDA	477,230	5,17,930	5,39,223	5,93,137	6,75,132
EBITDA Margin (%)	32.6	35.4	34.8	34.7	35.0
APAT	317,632	3,74,023	3,69,810	4,08,974	469068
EPS (Rs)	51.5	60.7	60.0	66.4	76.1
EPS (% chg)	83.0	17.8	-1.1	10.6	14.7
ROE (%)	61.1	52.1	40.2	36.7	35.2
P/E (x)	10.1	8.6	8.7	7.9	6.9

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	5.1	17.5	15.3	122.1
Rel to Nifty	6.7	7.6	3.9	78.8

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Godawari Power & Ispat

India Equity Research | Metals & Mining
August 13, 2024
Conference Note

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Growth engines in full throttle

CMP	MCap (Rs bn)	TP & Rating
Rs 1,012	135	N/A

We hosted Dinesh Gandhi (Executive Director)

Key Meeting-Takeaways

- **Outlook:** Global iron ore prices have been volatile, Chinese imports were strong, while domestic production has lagged; steel demand is estimated to grow, supporting iron ore demand, particularly in India, where demand is expected to rise significantly.
- **Management plans:** A new 2mtpa pellet capacity and a solar plant are under construction, with production expected to reach 3mtpa run-rate by the end of FY25, and additional revenue from the new pellet plant is anticipated in FY26. The company plans to more than double iron-ore mining capacity at the Ari Dongri mine.
- **Capex:** After completing debottlenecking capex and an operating efficiency program, a 145-megawatt solar power plant has been commissioned, of the proposed 173 megawatts, along with a new high-efficiency turbine generator. Also, plans are in place to more than double iron-ore mining capacity at the Ari Dongri mine, set up a 6mtpa beneficiation plant, increase pellet capacity by 2mtpa, and expand the integrated steel plant by 2mtpa in 3-4 years.
- **Key challenges:** Some indication of a rising trend in sponge iron imports in the country; challenges in securing environmental approvals for expansion plans.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	32,885	39,576	53,992	57,530	54,554
EBITDA	6,140	11,370	18,496	11,180	13,281
EBITDA Margin (%)	18.7	28.7	34.3	19.4	24.3
APAT	1,726	6,380	13,924	8,045	9366
EPS (Rs)	12.9	47.7	104.1	60.1	70.0
EPS (% chg)	-31.6	269.7	118.2	-42.2	16.4
ROE (%)	13.6	37.4	52.1	22.3	22.1
P/E (x)	78.4	21.2	9.7	16.8	14.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-11.7	13.1	37.3	74.7
Rel to Nifty	-10.4	3.6	23.7	40.6

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Jindal Steel & Power

Buffer in place to deliver projects on revised timelines

CMP	MCap (Rs bn)	TP & Rating
Rs 909	927	N/A

We hosted Vishal Chandak (Group Head - Investor Relations)

Key Meeting-Takeaways

- **Outlook:** The management is optimistic about growth of the domestic steel market due to increased infrastructure investment. The company is emphasizing on domestic demand over export opportunities. Key areas of focus for business execution include agility, versatility, and adaptability.
- **Management plans:** SMS costs have significantly decreased due to lower prices for coking coal and thermal coal. The management anticipates savings of approximately US$30-35/ton in coking coal prices in Q2. Operations have begun at Utkal C mines, and the company has received approval for Utkal B1, with plans to start soon. Q1 saw US$23/t reduction in coking coal prices and the management expect additional savings in FY25 going forward. It is targeting net debt-to-EBITDA of <1.5x.
- **Capex:** The management is making strong progress on the 6mn MTPA expansion project. It aims to complete key facilities such as the blast furnace, BOF, and CRM by the fourth quarter of FY25. There are buffers in place to avoid project delays.
- **Key challenges:** Project timelines have faced delays due to the general elections and heat waves in Odisha. Additionally, workforce demobilization from various factors has affected project progress.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	379,232	345,789	511,656	532,115	500,268
EBITDA	67,053	107,133	136,244	85,653	102,007
EBITDA Margin (%)	17.7	31.0	26.6	16.1	20.4
APAT	157	37,817	60,144	41,334	59,384
EPS (Rs)	0.2	37.1	59.0	40.5	58.2
EPS (% chg)	-	23,999.6	59.0	-31.3	43.7
ROE (%)	0.0	11.8	17.8	11.1	14.2
P/E (x)	5,908.8	24.5	15.4	22.4	15.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.4	-3.2	23.4	30.2
Rel to Nifty	-9.0	-11.4	11.2	4.8

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Man Industries

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Progressing on expansion plans

CMP	MCap (Rs bn)	TP & Rating
Rs 447	29	Rs 500 | Buy

We hosted Sanjay Agrawal (CFO), and Kamal Kant Sahoo (Head of Strategy)

Key Meeting-Takeaways

- **Outlook:** The management anticipates a robust order book for upcoming quarters, and is confident of reaching revenue of Rs35-40bn in FY25, while targeting a step-up to Rs55bn in FY26. EBITDA margins are expected to be around 10% for FY25 and exceed 13% for FY26. It targets achieving EBITDA of 14-15% over the next three years. Expansion into newer geographies and product categories is likely to contribute to growth. Recent quarterly results have been soft, but it expect acceleration in earnings in subsequent quarters.
- **Management plans:** Current utilization is 45-50%, with the ERW segment expected to contribute 15-20% of revenue, strong export inquiries, management planning to expand business in the export market, and business order visibility maintained for 6-9 months.
- **Capex:** A capex of Rs9-10bn is planned for expansion, including new capacity of 400,000 tons in Saudi Arabia and 25,000 tons of stainless steel in Jammu, with target of achieving volume of 500ktpa in FY26.
- **Key challenges**: Capacity utilization varies based on the product mix and balancing different project types influencing utilization rates. Order book visibility limited to 6-9 months due to raw material and shipping constraints.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,709	31,942	34,038	46,089	58,053
EBITDA	1,768	2,932	3,284	4,665	6,424
EBITDA Margin (%)	7.8	9.2	9.6	10.1	11.1
APAT	680	1,051	1,260	1,762	3181
EPS (Rs)	11.3	16.7	18.7	26.2	49.1
EPS (% chg)	-35.4	47.7	12.1	39.8	87.6
ROE (%)	7.0	8.7	8.6	11.0	17.4
P/E (x)	39.4	26.7	23.8	17.0	9.1

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.1	23.6	13.8	212.6
Rel to Nifty	-2.7	13.2	2.5	151.6

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Pondy Oxides & Chemicals

On a high-growth trajectory over next few years

CMP	MCap (Rs bn)	TP & Rating
Rs 1,401	18	N/A

We hosted Ashish Bansal (Managing Director), Vijay Balakrishnan (CFO), K Kumaravel (Finance and Company Secretary), and Piyush Dhawan (President, Commercial and Strategy)

Key Meeting-Takeaways

- **Outlook:** The company targets 15% volume growth annually, with EBITDA margin expected to improve from 5-6% to 7-7.5% over the next 3 years. The company is expecting growth to be driven by capacity expansion at Thiruvallur, increasing lead production to 204,000MTPA from 132,000MT. It aims to diversify into plastics, copper, and aluminium recycling, with plastics targeting Rs300mn revenue in FY25. With focus on value-added products, operational efficiencies, and strategic expansions, the company expects to achieve a 20% return on capital employed and increase its share of value-added products to over 60%.
- **Capacity expansion:** The company is planning a new plant at Thiruvallur, Tamil Nadu, to increase lead capacity to 204ktpa from 132ktpa in two phases. It has ongoing construction and trial production expected by the end of calendar year 2024. This has been funded through preferential issue proceeds and internal accruals. Separately, the company has acquired 123 acres in Mundra, Gujarat. This location was strategically near the port for import/export efficiency which will help source from the western region and cater to international markets.
- **Focus areas:** The company focuses on full backward integration for better margin and is evaluating the product mix in the aluminium segment for better value addition. It is benefiting from GoI initiatives promoting recycling; it is poised to capitalize on increasing mandates for recycled content in manufacturing. It has adopted a multi-sourcing strategy with procurement from >70 countries; has a supplier base of >270 with LT associations.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	12,199	10,043	14,548	14,717	15,249
EBITDA	361	243	774	798	737
EBITDA Margin (%)	3.0	2.4	5.3	5.4	4.8
APAT	166	109	482	495	395
EPS (Rs)	13.2	8.6	38.2	39.2	31.3
EPS (% chg)	-50.6	-34.8	344.0	2.7	-20.1
ROE (%)	11.8	7.0	26.1	21.4	13.0
P/E (x)	106.3	162.9	36.7	35.7	44.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	39.6	91.7	99.0	197.3
Rel to Nifty	41.7	75.5	79.3	139.3

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Refer to important disclosures at the end of this report

360 ONE WAM

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Focus remains on advisory model

CMP	MCap (Rs bn)	TP & Rating
Rs1,013	368	NOT RATED

We hosted Sanjay Wadhwa (CFO), Abhishek Nalwaya (Head - IR), and Akshay Ganvankar (AVP)

Key Meeting-Takeaways

- The management does not foresee any more dilution in yields, as the company is not acquiring new clients at lower yields. Instead, it is onboarding new clients at higher yields and renegotiating with existing clients for increased yields.
- In the unlisted equity segment, the management ensures that stocks are not held on the balance sheet for more than 10-15 days, thus mitigating balance-sheet risk associated with price movements in unlisted equity stocks.
- The company pioneered the advisory model. While fees in this segment have declined over the last eight quarters, the management does not anticipate significant yield compression in the advisory sector due to the steps its has implemented.
- Last year, the management observed substantial flows in the advisory segment, especially during monetization events when there is a significant influx of cash to be invested.
- The management noted that as client relationships mature, the company's share of a client's portfolio tends to increase disproportionately. Initially, the company's wallet share is minimal, but it grows over time as the relationship strengthens.
- The lifetime value of clients is higher in the advisory segment compared with the distribution segment. The advisory model's unique selling proposition lies in providing tailored advice solely for the client, rather than promoting specific products as seen in the distribution model.

Financial Snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Total Revenue	8,509	10,529	15,354	15,687	19,650
PAT	2,064	3,693	5,818	6,679	8,018
EPS (Rs.)	6.0	11.0	16.0	18	22
Net Worth	29,915	28,278	29,976	31,041	34,497
AUM (Rs bn)	1,781	2,461	3,272	3,408	4,669
ROE (%)	7.0	12.5	20.2	22.0	24.4
Cost to Income (%)	66.3	53.9	51.1	45.8	48.7
P/E (x)	168.8	92.1	63.3	56.3	45.0

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	8.2	33.4	46.4	96.5
Rel to Nifty	9.8	22.2	31.9	58.2

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Aditya Birla Sun Life AMC

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Strategic initiatives to drive robust growth

CMP	MCap (Rs bn)	TP & Rating
Rs695	200	NOT RATED

We hosted Prakash Bhogale (IR), Aditya Birla Sun Life AMC

Key Meeting-Takeaways

- In recent quarters, the company has implemented several strategic changes, resulting in significant momentum in SIP flows and growth in AUM. This growth is attributed to various improvements in processes and performance across funds, along with a healthy increase in retail sales. Consequently, the company has observed a stable-to-improving market share.
- The company successfully launched its Quant Fund NFO, achieving a robust collection of Rs25bn, and has already commenced collections for the new Defence Fund NFO. Additionally, several products have been introduced in the Passive segment. In July, the company launched its ESG fund, and has plans to introduce a Flexi Cap and Bluechip fund.
- There have been noteworthy new appointments at the senior management level. Harish Krishnan has been appointed the CIO for the Equity segment, and will spearhead various process changes. Newly-appointed Retail Sales Head Kamayani Nagar has driven strong customer engagement, while expanding the company's footprint across emerging markets. Further, Amit Kansal has been hired to launch a Credit AIF.
- With focus on profitability, the management aims to reduce costs optimally through operating leverage. However, there may be some expenses related to planned recruitments. Excluding these, the management expects costs to grow within the 10-12% range.
- The management also seeks to hire a new fund manager for midcap and smallcap funds.
- Additionally, it is committed to increase share of Alternate Funds to 15-16% from the current 7-8%.

Financial Snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Operating Revenue	11,597	10,679	12,635	12,266	13,532
PAT	4,944	5,263	6,433	5,964	7,804
PAT Margin (%)	42.6	49.3	50.9	48.6	57.7
AUM (Rs bn)	2,475	2,693	2,958	2,752	3,317
EPS (Rs)	274.7	292.4	23.4	20.7	27.1
Cost to Income (%)	46.5	42.3	37.3	41.4	38.5
ROE (%)	39.0	34.8	32.9	25.3	27.4
P/E (x)	2.5	2.4	29.7	33.5	25.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

		3M	6M	12Mm
Absolute Returns	2.7	30.7	49.8	72.7
Rel to Nifty	4.3	19.6	34.9	39.0

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Anand Rathi Wealth

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Multiple levers to drive 20-25% growth

CMP	MCap (Rs bn)	TP & Rating
Rs3,574	148	NOT RATED

We hosted Chethan Shenoy (Head - Products), and Vishal Sanghvi (Head - IR)

Key Meeting-Takeaways

- The company aims to remain a key player in the Rs50-500mn segment, which includes businessmen and professionals. This segment, currently served by banks and IFAs, is increasingly seeking private wealth management services.
- The industry has seen focus on product selling and push-led view-based advice. In response, the management has transitioned from transactional wealth management to a more holistic approach.
- The company works with clients based on several objectives, including achieving 14% return on the entire balance sheet, ensuring tax compliance and harvesting, and registering wills to avoid future complications. The management highlighted that the 65:35 Equity-to-Debt strategy has consistently generated steady 14% returns for clients.
- Remarkably, the company has experienced zero regret RM attrition over the last four quarters, which is unique in the industry. There are 360 Relationship Managers (RMs), and several Account Managers are undergoing training to become RMs.
- Several levers for AUM growth include assets between structured products and mutual funds generating ~10% returns, existing clients adding new funds due to advice to shift from real estate to financial assets, and the addition of RMs and AMs. With these levers, the management believes the AUM should grow in the 20-25% range.
- The management noted that it typically takes around 3-5 years to gain more than 50% of a client's wallet share..

Financial Snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Total Revenue	3,364	2,793	4,256	5,589	7,520
PAT	616	451	1,266	1,686	2,258
PAT Margin (%)	18.3	16.1	29.7	30.2	30.0
AUM (Rs bn)	184	267	329	390	594
EPS (Rs)	15.0	10.9	30.5	40.4	54.0
Networth	1,855	2,532	3,554	4,801	6,615
ROE (%)	39.8	20.6	41.6	40.4	39.6
P/E (x)	238.3	327.9	117.2	88.5	66.2

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-10.5	-9.5	6.1	150.6
Rel to Nifty	-9.2	-17.2	-4.4	101.7

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BSE

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Growth outlook remains positive amid regulatory challenges

CMP	MCap (Rs bn)	TP & Rating
Rs2,592	351	NOT RATED

We hosted Deepak Goel (CFO), Anand Sethuraman (IR), and Parth Desai (IR) – BSE

Key Meeting-Takeaways

- Regarding the SEBI consultation paper on Index Derivatives, the management noted that implementation of the proposed regulatory changes as outlined in the draft could carry a risk for market volumes, albeit also present an opportunity for BSE. Currently, BSE's lot size is Rs0.85mn with average order size of 3 lots. Therefore, an increase in the lot size to Rs2mn is expected to have a minimal impact on BSE's business.
- The management highlighted that 70% of the index volumes are in the Sensex, with only 30% contributed by Bankex; this is in contrast with the NSE, where Bank Nifty holds higher volumes.
- The company plans to add another 200 FPI clients, and has increased the number of brokers and racks at the colocation center. With the addition of FPI clients, who generally take long positions, the management anticipates an increase in premium volumes.
- BSE has intensified its focus on the equity cash segment and is actively engaging with various clients to source higher volumes. Currently, its market share in the Equity Cash Segment stands at 7%, up from 4% the previous year, driven by active engagement. The spike in derivatives has also led to high volumes in the Equity Cash segment due to traders' hedging strategies.
- The management emphasized that the company's priorities include managing regulatory risk, enhancing technological infrastructure, and increasing market share in the cash segment.
- Distribution platform Star MF has seen strong traction, with ~50mn transactions per month generating revenue of Rs450mn during Q1FY25.

Financial Snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Total Revenue	4,505	5,014	7,432	8,154	13,900
EBITDA	-493	388	2,131	1,973	3,997
EBITDA Margin (%)	-10.9	7.7	28.7	24	29
PAT	1,206	1,417	2,449	2,055	7,717
EPS (Rs)	9.1	10.7	18.8	16.3	57.5
Net Worth	24,251	25,066	26,545	27,012	33,023
ROE (%)	4.5	5.7	9.5	7.7	25.7
P/E (x)	286.4	241.6	137.9	159.1	45.1

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.7	-0.2	10.7	188.5
Rel to Nifty	11.3	-8.6	-0.3	132.2

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HDFC AMC

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Equity AUM gains strong traction

CMP	MCap (Rs bn)	TP & Rating
Rs4156	888	NOT RATED

We hosted Naozad Sirwalla (CFO), and Simal Kanuga (Executive VP)

Key Meeting-Takeaways

- During Q1FY25, Equity AUM contribution increased to ~64%, driven by mark-to-market gains and robust SIP flows; a significant portion of this is in the Equity segment. The company has been gaining market share in Equity-oriented schemes over the past few quarters, and the management expects share of the Equity-oriented schemes to remain high given healthy flows.
- Recently, the company launched NFOs for both, a manufacturing fund and an index fund; these have attracted strong interest from investors. With these additions, the management believes the product portfolio is now well-rounded on the active as well as passive fronts.
- The management remains confident of the overall growth outlook for the industry. The substantial growth in SIP flows over the past couple of quarters has reinforced its confidence in the longevity and sustainability of this growth. Additionally, the management continues to ensure that investors adhere to a disciplined investment approach by creating a great experience for them over the long term.
- Although NFOs typically have lower TER ratios, the management was pleased with the better-than-expected flows, which have resulted in higher AUM for the company. Even after the NFO period, strong flows have continued into the manufacturing fund.
- The company has expanded its presence by adding over 24 branches in Tier 2/3 areas up to Dec-23. The management has also strengthened the sales force in HDFC Bank and other specified channels. Further, with technological and digital upgrades on the horizon, the company plans to increase the number of employees in its tech team.

Financial Snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Total Revenue	21,434	22,017	24,332	24,826	31,625
PAT	12,624	13,258	13,931	14,239	19,458
PAT Margin (%)	58.9	60.2	57.3	57.4	61.5
AUM (Rs bn)	3,276	4,052	4,168	4,385	6,097
EPS (Rs)	59.4	62.3	65.4	66.8	91.2
Networth	40,293	47,762	55,300	61,084	70,790
ROE (%)	35.6	30.1	27.0	24.5	29.5
P/E (x)	70.0	66.7	63.6	62.3	45.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.3	13.1	10.4	62.3
Rel to Nifty	1.2	3.6	-0.6	30.6

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Adani Total Gas

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Stable outlook with multifold expansion on the horizon

CMP	MCap (Rs bn)	TP & Rating
Rs851	936	Not Rated

We hosted Parag Parikh (CFO) and Priyansh Shah (Senior Manager – Finance & Account)

Key Meeting-Takeaways

- ATGL currently operates 34 GAs with 13/2/14 GAs awarded in the 9th/10th/11th bidding rounds. Additionally, the PNGRB transferred the authorization for the Jalandhar GA to ATGL in Q1FY25. The GAs acquired in the 9th and 10th bidding rounds have begun contributing to total volumes, whereas those from the 11th bidding round are still in the ramp-up phase and currently accounts for ~1-2% of total volumes. The volume contribution from new GAs rose to 31% in Q1FY25, up from 27% in Q4FY24. EBITDA/scm stood at Rs12.9 in Q1FY25 and the management anticipates it to remain in the range of Rs11-12.
- ATGL's total sales volumes reached 2.6mmscmd in Q1 and the management projects that total volumes will increase fourfold (~10mmscmd) by 2030, primarily driven by significant growth in newer GAs as they stabilize. Progressively, the management aims to achieve 3mmscmd by FY25 and ~5mmscmd over the next 3-5 years. Similarly, IOAGPL's volumes are expected to triple, reaching 3mmscmd by 2030 and up from 1mmscmd in Q1.
- In Q1FY25, the shortfall in APM allocations intensified, reaching ~30%. To mitigate the same, ATGL is compensating by bidding for additional HTHP volumes at the IGX. Currently, ATGL's gas sourcing mix consists of 50% APM and ~30-35% HTHP, with the remainder sourced through a diverse array of long-term contracts (1 to 5 years) linked to Brent, JKM or HH. Additionally, ATGL has long-term contracts for about 26,000mmbtu of HTHP gas with tenures of 3 to 5 years. ATGL currently has no exposure to spot RLNG.
- ATBL has commissioned phase 1 (225tpd) of its 600tpd multi-feedstock biogas plant in Barsana. The plant is currently using cow dung as its primary feedstock achieving a yield of ~3-4%. However, the management anticipates the yields to improve and average at ~7% as the plant diversifies its feedstock.
- ATGL is venturing into the LNG segment for trucking and mining with its 1st LNG station under development in Tiruppur, Tamil Nadu. The company plans to establish 10 LNG stations in FY25. The management believes that LNG is a viable alternative for MS and HSD.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	18,746	16,956	30,378	43,780	44,717
EBITDA	5,948	7,043	7,730	8,703	11,037
EBITDA Margin (%)	31.7	41.5	25.4	19.9	24.7
APAT	4,362	4,828	5,047	5,298	6,531
EPS (Rs)	4.0	4.4	4.6	4.8	5.9
EPS (% chg)	77.0	10.7	4.5	5.0	23.3
ROE (%)	29.5	24.2	20.8	18.0	18.3
P/E (x)	214.5	193.9	185.5	176.7	143.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.7	-1.2	-15.5	31.2
Rel to Nifty	-3.3	-9.5	-23.9	5.6

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Gas Authority of India Ltd (GAIL)

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Stable outlook across key segments

CMP	MCap (Rs bn)	TP & Rating
Rs227	1,494	Rs270 | Add

We hosted the senior management of GAIL

Key Meeting-Takeaways

- The management remains on course, in terms of its FY25 average guidance to 130-132mmscmd (full-year guidance already achieved in Q1), while its FY26/27 guidance is 140-142/150-152mmscmd, i.e. 10-12mmscmd increase YoY for 2-3 years. Growth would be on the back of the CGD sector CAGR at 12% (5-6mmscmd), refineries along the JHBDPL and Assam adding 8-10mmscmd, with the remaining from metals/mining and other sectors.
- Marketing volume growth guidance of 5% is maintained for FY25, and at 5-7% YoY thereafter. Marketing margin guidance of Rs40-45bn is now revised to a minimum Rs45bn for FY25, while FY26 guidance is Rs45-50bn. This is based on locked marketing margins through back-to-back indexing, shipping destination swaps, paper trading, arbitrage, optimization, etc in the 5.8mmtpa US volumes.
- The Petchem segment is also expected to see reasonable profit in FY25, with over 100% capacity utilization, despite a muted Q1. The Dabhol LNG terminal breakwater project is expected to be completed in FY25, after which it will become an all-weather terminal. FY25 capex target is Rs114.15bn, including equity contribution, while FY26 target is Rs101.29bn.
- Work is currently in full swing at the Mumbai Nagpur Jharsuguda pipeline, which is expected to be complete in FY25; 2,986km of the 3,289km of JHBDPL is complete, with the remaining section set to progressively be completed by Mar-25. The 421km Srikaulam Angul pipeline is also complete for 320km (main+spur lines) and should be fully completed in FY25. The Kochi–Bangalore line is also on course to be completed by this fiscal.
- The Rs112.56bn, 0.5mmtpa Usar PDH PPU is 69.5% physically complete, and would be mechanically completed by Apr-25, with commissioning by Oct-25. The 12.99bn 60ktpa Pata PPU has seen physical progress of 87.4%, and would be completed in FY25.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,442,497	1,305,731	1,278,663	1,394,672	1,502,286
EBITDA	68,789	133,747	177,967	196,839	207,562
EBITDA Margin (%)	4.8	10.2	13.9	14.1	13.8
APAT	54,465	88,365	121,579	135,476	144,184
EPS (Rs)	8.3	13.4	18.5	20.6	21.9
EPS (% chg)	(64.5)	62.2	37.6	11.4	6.4
ROE (%)	9.8	14.7	18.0	18.2	17.5
P/E (x)	27.4	16.9	12.3	11.0	10.4

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.7	17.7	33.3	96.3
Rel to Nifty	0.8	7.8	20.1	58.0

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Gulf Oil Lubricants India Ltd

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Focus on premiumization

CMP	MCap (Rs bn)	TP & Rating
Rs1,336	66	Rs1,500 | Buy

We hosted Ravi Chawla (MD & CEO), Manish Gangwal (CFO), and Ekta Srivastava (Investor Relations)

Key Meeting-Takeaways

- The mgmt reiterated its volume growth target of 2-3x the industry growth of ~3-4%; it retained EBITDA margin guidance of 12-14%. The company is focused on improving EBITDA margins via premium products, and aims to achieve the upper band of its EBITDA margin guidance. While retail margins are higher than the industrial sector's, the retail segment needs higher investment in promotional activities/commission to mechanics.
- AdBlue is a high-volume, low-revenue, and low-margin consumable product, with consumption at 4ltr per 100ltr of diesel consumed. Average realization for AdBlue is ~Rs50/ltr, with margins in the mid-single digit. AdBlue serves as a complementary product to the core business, as their consumer base overlaps. GOLI holds ~20% market share in AdBlue, based on the recent quarterly numbers, and is the second-largest player in the market. The management does not see any export opportunity in AdBlue.
- The EV fluids segment is small in terms of volume. Currently, GOLI has partnerships with 7-8 EV OEMs, and is seeking approvals for its products from OEMs. The management anticipates these partnerships to commercialize in coming quarters.
- Tirex performed well in Q1FY25, with revenue up ~3x YoY on a low base. It is scaling up production, workforce, and R&D, resulting in higher expenses and net loss of ~Rs40mn in Q1FY25. It aims to increase/maintain market share, as the EV market develops in India. The mgmt anticipates Tirex to double its revenue for the next few years and likely turn EBITDA positive in FY25, from EBITDA break-even in FY24. Indra Renewables's products have limited utility in India. GOLI is collaborating with Indra to adapt these products for the Indian market.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	29,991	32,841	35,815	39,543	43,523
EBITDA	3,428	4,194	4,676	5,176	5,754
EBITDA Margin (%)	11.4	12.8	13.1	13.1	13.2
APAT	2,323	3,081	3,529	3,960	4,471
EPS (Rs)	47.4	62.7	71.8	80.5	90.9
EPS (% chg)	13.2	32.2	14.5	12.2	12.9
ROE (%)	20.9	24.9	25.8	26.1	26.6
P/E (x)	28.2	21.3	18.6	16.6	14.7

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	10.1	44.4	59.3	116.1
Rel to Nifty	11.8	32.3	43.5	73.9

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Petronet LNG

Healthy outlook amid steady LNG prices

CMP	MCap (Rs bn)	TP & Rating
Rs368	552	Rs365 | Add

We hosted the senior management of PLNG

Key Meeting-Takeaways

- Dahej expansion of 5mmtpa (22.5mmtpa eventual capacity) is on schedule, and would be completed by Mar-25 at Rs5.7bn capex. It is a low-cost capacity expansion, and the management is not concerned about utilization, as demand growth is strong and LNG prices are expected to be stable with new global capacities, stable EU inventories, etc.
- Current Dahej utilization is down from Q1 levels, albeit still tracking well; PLNG should do well in Q2 (~100% utilization). Dabhol is offline till Sep-24. Other Gujarat terminals have connectivity issues. Dahej has 5 evacuation pipelines with 35mmtpa capacity.
- The company is still in discussions with offtakers, wrt the Qatargas contract renewal GSA. The management has given assurance that this will take some time, as some terms and conditions are yet to be finalized. It does not expect regas tariff to see a major cut, and minority shareholders' interest will be protected.
- Kochi terminal utilization will improve once Bangalore is connected, i.e. by Mar-25, when national gas grid access will happen. Swapping can be done for volumes, and Kochi is closer to Bangalore vs. Dabhol, Ennore, etc. Zone 1 UFT is Rs39.9/mmbtu. Kochi can reach 50-60% utilization.
- The petchem foray is progressing well, and certain contracts (like licensors and PMC) have been awarded for both, PDH and PP projects. Capex phasing for petchem should typically be 20% in Year-1 and 30-40% in Year-2. D/E equity should be 70:30, and PLNG is lining up lenders as well (will take 2-3 months).

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	590,504	521,184	573,287	588,445	606,309
EBITDA	40,966	48,648	51,758	54,947	58,554
EBITDA Margin (%)	6.9	9.3	9.0	9.3	9.7
APAT	26,132	32,822	36,220	38,298	40,627
EPS (Rs)	17.4	21.9	24.1	25.5	27.1
EPS (% chg)	(13.7)	25.6	10.4	5.7	6.1
ROE (%)	12.5	18.4	23.4	22.3	19.8
P/E (x)	21.1	16.8	15.2	14.4	13.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	8.6	23.7	38.4	69.2
Rel to Nifty	10.2	13.3	24.6	36.1

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Bharat Parenterals

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CMP	MCap (Rs bn)	TP & Rating
Rs 1,775	12	N/A

We hosted Bhahim Desai (Promoter & CEO, Varenyam Healthcare)

Key Meeting Takeaways

- The company has 3 manufacturing blocks (General, Betalactam, and Cephalosporin) across multiple dosage forms; it focuses on the ROW market; has a strong footprint in Latin America, CIS, Middle East, North Africa, and South East Asia
- Expects 18-20% YoY revenue growth in the standalone business and around Rs600mn EBITDA in FY25
- Innoxel is a JV between Bharat Parenterals which brings in manufacturing expertise and 4 professionals, who bring in technical expertise; focuses on 3 main product groups: Liposomal particle injections, long-acting injectables, and 505(b)(2) filings
- Innoxel is currently incurring annual operating costs of Rs600mn (incl. Rs100mn on R&D); the company will receive Rs300mn in licensing revenue in FY25; net operating loss is expected at Rs300mn for current year
- The Innoxel facility is expected to be inspected by the EU by end-FY25, and by the USFDA by 1QFY26
- Varenyam Biolifesciences is a wholly-owned subsidiary focusing on injectables; the company targets setting up an exclusive facility for emerging markets; it will commercialize in-licensed products from Innoxel as well as from Bharat Parenterals
- Varenyam Healthcare will get consolidated from 2Q which will have a positive impact on the company's overall financial results; Varenyam Healthcare has presence in the pain, anesthesia, and critical care segments, in the domestic market

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,282	2,046	2,120	2,180	2,574
EBITDA	281	253	281	203	232
EBITDA Margin (%)	12.3	12.3	13.2	9.3	9.0
APAT	244	202	216	161	146
EPS (Rs)	37.5	30.9	33.1	24.7	22.3
EPS (% chg)	15.1	-17.4	7.0	-25.2	-9.8
ROE (%)	23.0	15.4	13.9	9.3	7.7
P/E (x)	47.4	57.4	53.7	71.7	79.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	11.9	14.7	96.8	188.2
Rel to Nifty	13.6	5.0	77.3	132.0

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Blue Jet Healthcare

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CMP	MCap (Rs bn)	TP & Rating
Rs 463	80	N/A

We hosted Shiven Arora (MD) and Sanjay Sinha (Deputy CFO)

Key Meeting Takeaways

- 1Q performance was impacted by delays in transit and revenue recognition in the contrast media segment, despite a QoQ increase in production; gross margin, however, expanded on the back of an improvement in product mix; expects recovery in reported sales from 2Q
- The company has added dedicated capacity for intermediates for an innovator's cardiovascular drug, with validation batches completed; capacity addition to drive an increase in offtake from 3Q
- Additional capacity for contrast media intermediate for an innovator in the MRI space is expected to be commercialized by 3Q; Blue Jet is also forward integrating into more advanced intermediates in the iodinated segment
- The company is cumulatively adding 40-50% more capacity over the next 12-18 months; capacity utilization is currently at 70-75%; Blue Jet is evaluating opportunities for greenfield expansion in Gujarat and Maharashtra
- In sweeteners, the company is focusing more on FMCG customers and is gradually exiting the spot market
- In pharma intermediates, the company expects an asset turn of 3-4x on its incremental investment; the company is actively seeking 7-8 CRAMS opportunities with innovators in the oncology and CNS therapy areas
- Company remains debt-free with cash and cash equivalents as of 1Q at around Rs 3800 mn

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	5,382	4,989	6,835	7,210	7,116
EBITDA	2,136	2,068	2,493	2,191	2,195
EBITDA Margin (%)	39.7	41.5	36.5	30.4	30.8
APAT	1,445	1,384	1,795	1,595	1710
EPS (Rs)	8.3	8.0	10.3	9.2	9.9
EPS (% chg)	-	-4.2	29.7	-11.2	7.2
ROE (%)	72.9	51.4	41.7	26.5	22.4
P/E (x)	55.6	58.1	44.8	50.4	47.0

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.2	25.3	38.0	
Rel to Nifty	10.8	14.8	24.3	

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Granules India

Your success is our success

CMP	MCap (Rs bn)	TP & Rating
Rs 676	164	N/A

We hosted Mukesh Surana (CFO), and Sanjay Kumar (Chief Strategy Officer)

Key Meeting Takeaways

- The share of finished dosage currently stands at 76% vs 50% in FY23; the contribution of new products (ex-legacy products) is now at 35% vs 15% in FY23
- Growth in the US has been driven by investments in Granules Pharma Inc., the local manufacturing arm; capacity utilization at the new packaging site in the US has been increasing QoQ
- The company expects to be a significant player in the fast-growing CNS/ADHD segment in the US; the OTC private label portfolio has also been gaining traction
- The new formulations facility at Genome valley has commenced operations with validation activities under way; a new oncology API facility is expected to come on-stream within the next 12 months
- Validation of 3 molecules on the enzyme platform, which will drive cost benefits, is expected to commence in 3Q
- R&D spend is expected to increase going forward; the company has a strong pipeline in oncology, anti-diabetic segment, large volume molecules and select non-OSD dosage forms

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	25,987	32,375	37,649	45,119	45,064
EBITDA	5,253	8,552	7,222	9,138	8,560
EBITDA Margin (%)	20.2	26.4	19.2	20.3	19.0
APAT	3,156	5,497	4,163	5,176	4069
EPS (Rs)	13.0	22.7	17.2	21.4	16.8
EPS (% chg)	33.3	74.2	-24.3	24.3	-21.4
ROE (%)	18.7	27.4	17.5	19.1	13.4
P/E (x)	52.0	29.8	39.4	31.7	40.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	31.5	66.9	57.5	125.6
Rel to Nifty	33.5	52.9	41.9	81.5

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Lupin

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CMP	MCap (Rs bn)	TP & Rating
Rs 2098	957	N/A

We hosted Ravi Agrawal (SVP-IR and M&A)

Key Meeting Takeaways

- US sales expected to grow at a high single-digit in FY25 on the back of new launches including Pred-Forte, Glucagon, Liposomal Doxorubicin, and Mirabegron, which would more than offset the decline in Suprep
- The US business has seen eight consecutive quarters of EBITDA improvement; margins are currently above the company average; witnessing mid-single digit price erosion in the base
- Tolvaptan launch in US in 1QFY26, given the favorable verdict on the litigation front; Liraglutide and Risperdal Consta are the other key US launches lined up for FY26
- India business growth to outpace market growth by 200-300bps in FY25; plans to launch 20 new products in India
- Gross margin expected to be sustainable at ~68% levels
- Expects R&D spend to inch up from 2Q and log at around Rs18bn for the full year
- EBITDA margin will be in the 23-24% range in the medium term; adjacencies (OTC, diagnostics, digital, API CDMO) are currently impacting margins by 150-200bps

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	153,748	151,630	164,055	166,417	200,108
EBITDA	16,027	25,669	2,188	17,206	38,000
EBITDA Margin (%)	10.4	16.9	1.3	10.3	19.0
APAT	-4,702	11,770	-15,613	4,097	18917
EPS (Rs)		25.8		9.0	41.5
EPS (% chg)	-	-	-	-	361.8
ROE (%)	-	8.9	-	3.3	14.1
P/E (x)	-	81.3	-	233.5	50.6

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	16.7	24.2	30.4	94.8
Rel to Nifty	18.4	13.8	17.4	56.8

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Piramal Pharma

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CMP	MCap (Rs bn)	TP & Rating
Rs 187	248	N/A

We hosted Gagan Borana (General Manager - IR & Sustainability)

Key Meeting Takeaways

- The CDMO business has delivered healthy growth over the last 5 quarters on the back of strong order inflows and execution; seeing some green shoots in biotech funding and an uptick in customer enquiries for early-stage development
- The share of innovation has increased to 50% of CDMO revenues vs 35% five years ago, driven by a steady inflow of new orders for commercial manufacturing of on-patent molecules; the business will benefit from regulatory changes in the US which will necessitate supply chain diversification away from China
- Expects generic API profitability to improve, aided by higher capacity utilization and increase in contribution from niche offerings
- Expects additional capacity for Sevoflurane to come on-stream by FY26; seeing strong demand for the product across markets; supply constraints in the injectable pain segment are gradually being resolved; focusing on in-house development as well as in-licensing to expand the complex hospital generic portfolio
- Growth in the consumer healthcare business driven by power brands and new launches; power brands account for ~50% of the consumer healthcare segment revenue
- Sees early teens growth in revenue and EBITDA in FY25

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	-	63,149	65,591	70,816	81,712
EBITDA	-	14,280	9,346	6,213	11,335
EBITDA Margin (%)	-	22.6	14.2	8.8	13.9
APAT	-	8,180	3,842	-1,861	158
EPS (Rs)	-	6.2	2.9		0.1
EPS (% chg)	-	-	-53.0	-	-
ROE (%)	-	14.6	6.2	-	0.2
P/E (x)	-	30.3	64.4	-	1564.2

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	23.6	21.1	38.6	90.2
Rel to Nifty	25.5	10.9	24.8	53.1

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Adani Energy Solutions

Strong presence across the electricity distribution ecosystem

CMP	MCap (Rs bn)	TP & Rating
Rs1,071	1,287	NA | NA

We hosted Kunjal Mehta (CFO) and Vijil Jain (IR)

Key Meeting-Takeaways

- For Adani Energy Solutions (AESL), the Khavda region remains the key focus area. Most transmission projects that are developed by the company are for evacuation of renewable projects, where Adani Green Energy is setting-up 30GW capacity.
- In the transmission segment, AESL added multiple projects to its pipeline in recent quarters, expanding its order book to Rs170bn for transmission projects. Of this, Rs50bn has already been spent and balance Rs120bn would be spent over the next couple of years.
- The company remains upbeat about the strong near-term transmission pipeline upward of Rs900bn in TBCB tendering.
- Mumbai HVDC projects are expected to be commissioned by next year. Expected EBITDA is ~Rs12.5bn at capex of Rs70bn.
- In line with AESL's ESG philosophy, Adani Electricity Mumbai has initiated divestment of the Dahanu thermal power plant (ADTPS) at a value of Rs8.15bn (equal to the regulatory asset of Dahanu Power Plant). It is likely to place AESL closer to its aspiration, of being among the top-20 global companies in ESG ratings in the global utility industry.
- In transmission, expected capex of Rs120-150bnpa for the next few years would be led by strong liquidity in hand (recently raised Rs83bn through QIP), robust opportunity pipeline in transmission and distribution, and maintained market share in the 24-25% range in transmission tendering.
- Current net debt is around Rs270bn, of which 65% is dollar denominated at an effective rate of 9%.
- For Mumbai distribution, annual capex would be Rs13-14bn (Rs8bn is the annual maintenance capex) which translates into Rs8bn of REB.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	114,160	99,263	112,575	132,927	166,074
EBITDA	42,539	39,504	42,062	45,176	57,112
EBITDA Margin (%)	37.3	39.8	37.4	34.0	34.4
APAT	7,447	12,240	12,046	12,565	10431
EPS (Rs)	6.2	10.2	10.0	10.5	8.7
EPS (% chg)	33.2	64.4	-1.6	4.3	-17.0
ROE (%)	9.0	14.1	12.8	11.6	8.6
P/E (x)	172.8	105.1	106.8	102.4	123.4

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	6.6	8.1	2.5	28.8
Rel to Nifty	8.2	-1.0	-7.6	3.7

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Adani Power

Doubling capacity amid strong demand tailwinds

CMP	MCap (Rs bn)	TP & Rating
Rs690	2,659	NA | NA

We hosted SB Khyalia (CEO), Dilip Jha (CFO), and Pujan Shah (Manager Finance and Accounts)

Key Meeting-Takeaways

- The company's current capacity stands at 11GW, with ongoing projects of ~6.4GW (Raipur, Raigarh, Mirzapur, and Mahan Energen); additionally, the company has upcoming opportunities of 4.8GW (3x1,600MW each in UP, Maharashtra, and Rajasthan), collectively totalling to 22GW. Further, it has inorganic installed capacity of 4.4GW, coupled with ongoing acquisition/upcoming opportunities of 3.1GW (Lanco and Coastal)/1.1GW. In total, these accumulate to a capacity of ~30.6GW.
- The company is focusing on revenue growth, driven by higher power demand and dispatch capacity maximization. FY24 EBITDA came in at ~Rs181bn, which is expected to grow to Rs385bn, at a rate of Rs12.5mn/MW, on a conservative basis. During Q1FY25, the company clocked EBITDA of Rs63bn, which is expected to grow to ~Rs200-210bn during FY25.
- India's peak power demand projection of 366GW by FY32 is now revised to 390GW, which will need 290GW coal-based capacity. In coming 6-7 years, the management expects 15-20GW of capacity to be discarded on account of older technology; meanwhile, capacity addition of ~90GW (in line with GoI estimates) will lead to thermal capacity growing to ~290GW. Keeping in mind the future power requirement, if RE capacity on a hypothetical basis grows to 600GW, the gap of 300GW will be met by thermal power plants.
- GoI is targeting 8-10GW of thermal capacity addition p.a. which the management feels is achievable. Adani Power and peers are ramping up thermal capacity. They are confident of vendors having enough capacity to meet the BTG demand, albeit Adani Power ensures it erects and commissions BTG by itself. It also believes there is no scarcity of coal in India, and is hence confident of seeing nil supply chain issues while setting up new thermal power plants in India. It believes import of coal will increase in absolute terms, albeit its share in total coal requirement will remain the same going ahead.
- The management believes upcoming industries like Data Centers are going to be significant power demand drivers in coming years.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	264,677	262,215	277,112	387,733	503,513
EBITDA	46,823	86,685	98,142	100,447	181,807
EBITDA Margin (%)	17.7	33.1	35.4	25.9	36.1
APAT	-12,349	12,808	49,612	107,652	208328
EPS (Rs)		3.3	12.9	27.9	54.0
EPS (% chg)	-	-	287.3	117.0	93.5
ROE (%)	-	13.1	31.4	44.5	57.1
P/E (x)	-	207.6	53.6	24.7	12.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-2.9	15.9	22.7	139.3
Rel to Nifty	-1.4	6.1	10.5	92.6

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CESC

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Aggressive plans on renewable capacity addition

CMP	MCap (Rs bn)	TP & Rating
Rs176	233	NA | NA

We hosted Saket Shah (Group Head IR), and Pankaj Kedia (Vice President - Investor Relations)

Key Meeting-Takeaways

- Power demand continues to be strong domestically, and the current scenario is likely to endure for the next 5-7 years. Kolkata has recently announced purchase of 100MW through PPA. CESC took tariff hike of 5.7% in Jun-24 in the Kolkata Distribution circle. Full-year cashflow impact would be >Rs5 bn.
- Over the next three years, CESC has aggressive plans worth Rs60bn (70:30 Debt/Equity) for its renewable foray. The company is also evaluating a Pump Storage Project.
- The company would be adding 3GW hybrid (Wind + Solar) renewable over the next three years (1GW per year). For Wind, it has signed a framework agreement with both, Inox Wind and Suzlon Energy. For Solar, land acquisition and CTU connectivity process have gained pace on multiple sites. It is looking at a PLF range of 30-40%.
- The tendering is expected to start from the current year, and 1GW is expected to be commissioned by the end of next year. Expected EBITDA post-commissioning of full 3GW would be in the range of Rs9-10bnpa.
- The Chandrapur thermal power plant continued its strong financial performance, backed by substantial tie up of its total capacity and higher prices in the energy exchanges. PLF during the quarter stood at 93.5%. Haldia TPP continued with steady supplies to the Kolkata distribution business.
- The Malegaon Distribution Franchise continues to witness improvement in operations. There has been significant reduction in losses at Malegaon, from 50% in 2019 to 39% now. While there are challenges, the company remains focused on further loss reduction.
- CESC has received allocation to manufacture 10,500ton of green hydrogen. The plant will be set in the East Coast at an estimated capex of Rs4.5-5bn, under the Orissa State Industrial policy. Strong demand is seen from Japan for green hydrogen.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	121,589	116,315	125,439	142,464	152,932
EBITDA	32,500	32,926	30,283	22,735	22,682
EBITDA Margin (%)	26.7	28.3	24.1	16.0	14.8
APAT	12,379	13,177	13,584	13,020	13496
EPS (Rs)	9.3	9.9	10.2	9.8	10.2
EPS (% chg)	4.4	6.5	3.1	-4.2	3.7
ROE (%)	13.5	13.7	13.4	12.2	12.1
P/E (x)	18.8	17.7	17.2	17.9	17.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.0	25.5	42.1	124.5
Rel to Nifty	-4.6	14.9	28.0	80.7

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Tata Power

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Strong capex outlay to drive RE expansion plans

CMP	MCap (Rs bn)	TP & Rating
Rs408	1,304	NA | NA

We hosted Rajesh Lachhani (Head - IR)

Key Meeting-Takeaways

- The management believes the GoI is focused on making India a strong manufacturing hub, and on increasing its GDP in coming years; to add to this, significant power deficit still persists. These will in turn have a bearing on power demand, and culminate into the GoI re-visiting its stance on thermal capacity addition; amped up target of setting up ~90GW in the medium term. However, Tata Power does not have a concrete plan for now, toward adding thermal capacity; nevertheless, it has started taking another look at this.
- Currently, the company has 4GW of solar module manufacturing capacity; it expects this to grow to Rs100bn revenue (Rs25mn/MW), provided it functions at full capacity. Majority of this capacity will be utilized toward captive consumption; at 100% utilization levels, it will be selling modules to a 3rd party as well. At present, margins from this segment stand at ~11%, which can increase to 15% on the back of enhancement in capacity utilization. The management can ramp up the utilization levels to 95% within a short timespan. Current share of the company in the rooftop solar setup stands at 13%, which is targeted to grow to 20%. The management will be commissioning cells manufacturing capacity of ~2GW this month, and an additional 2GW capacity by next month.
- The management has announced capex of Rs700-750bn in coming 3-4years (FY25 capex target: Rs200bn). During FY25, more than 50% of this capex will be invested toward a renewable manufacturing plant, a utility scale project, and T&D (Transmission capex target: ~Rs15bn), to form 30% share in the capex plans. Ongoing discoms and Odisha will have capex disbursement of ~Rs30bn, and the balance ~Rs50bn will be toward traditional sectors.
- Tata Power currently has enough land banks on its balance sheet, across Rajasthan, Tamil Nadu, and Andhra Pradesh (can setup ~2-3GW of solar capacity). These land banks will be utilized toward RE expansion. According to the management, solar capacity set-up requires ~4-5 acres of land per GW, while it is lower for setting up wind capacity.
- Tata Power's net debt currently stands at ~Rs390bn, which is projected to maintain current levels; net debt-to-underlying EBITDA is targeted to remain lower than 3.3% going ahead.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	291,364	331,218	430,953	551,091	614,489
EBITDA	67,832	68,472	65,127	76,978	106,716
EBITDA Margin (%)	23.3	20.7	15.1	14.0	17.4
APAT	317	11,701	22,274	32,169	34107
EPS (Rs)	0.1	3.7	7.0	10.1	10.7
EPS (% chg)	-	3591.6	90.4	44.4	6.0
ROE (%)	0.2	5.6	10.0	12.6	11.2
P/E (x)	4115.5	111.5	58.6	40.6	38.2

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.9	-0.9	11.8	72.8
Rel to Nifty	-4.5	-9.2	0.7	39.1

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Anant Raj

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All hope of exponential growth pegged on Data Center business success

CMP	MCap (Rs bn)	TP & Rating
Rs508	174	NA | NA

We hosted Amit Sarin (MD), and Manoj K Goyal (Chief Business Officer)

Key Meeting-Takeaways

- Anant Raj currently has a lad parcel of 101acre in Delhi, majority of which was purchased prior to 2003; however, the company will currently be prioritizing development on 63A, which is expected to fetch ~Rs150bn in revenue. The management aims to utilize monetization of 63A toward Rs80-100bn capex that it is expected to incur for setting up ~307MW of Data Centers for coming 4-5years. After this, the company will begin execution on the land available in Delhi.
- The management currently has a strong land bank, on which it estimates setting up ~307MW of data center capacity in coming 4-5 years. The cost of setting up a 1MW data center significantly comes down to ~Rs260mn as against peers incurring Rs500-600mn/MW. This is on account of the company setting up its data center capacity on own land, thus dramatically reducing cost. Currently, the company targets commissioning 28MW (Data center for: Railtel and TCIL) of Data Center capacity by Dec-24. The company has signed an agreement with Google as well which will provide strong backing when approaching other customers willing to have their data storage capacity installed in India itself.
- The management estimates co-location fees at Rs9mn/MW, maintenance cost at Rs1.5mn/MW, excluding which it projects logging EBITDA of Rs7.5mn/MW. In addition to co-location, the company is endeavoring to provide additional services (currently, ongoing trials are for 7MW capacity). The company has tied up with Orange Business Services to provide servers as an add on service to customers. Co-location, which is expected to fetch Rs9mn/MW, is estimated to grow 5x to ~Rs40-50mn, on the back of providing adding servers. Setting up a server will cost the company ~Rs200-300mn.
- The company registered a turnover of Rs15bn/Rs4.7bn during Q4FY24/Q1FY25, clocking PAT of Rs2.7bn/Rs910mn over a similar timeline. The company completed its QIP in Jan-24, raising Rs5bn, primarily utilized toward retiring its debt. The debt has substantially come down to Rs2.1bn, and the cost of borrowing is currently below 10%. The management reaffirmed its target of becoming net-debt free by Dec-24.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,762	2,497	4,619	9,569	14,833
EBITDA	523	354	759	1,971	3,338
EBITDA Margin (%)	19.0	14.2	16.4	20.6	22.5
APAT	267	106	548	1,531	2609
EPS (Rs)	0.8	0.3	1.6	4.5	7.6
EPS (% chg)	-37.4	-60.2	415.0	179.4	70.4
ROE (%)	1.1	0.4	2.1	5.6	8.1
P/E (x)	649.1	1630.6	316.6	113.3	66.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.2	36.1	51.4	165.7
Rel to Nifty	3.8	24.7	36.4	113.8

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Barbeque Nation Hospitality

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Focus on profitable growth with a portfolio of brands

CMP	MCap (Rs bn)	TP & Rating
Rs562	22	NA | NR

We hosted Rahul Agrawal (CEO)

Key Meeting-Takeaways

- After a round of network consolidation, Barbeque Nation (BBQ) is targeting high-teens CAGR over FY24-27, supported by ~100 store additions across formats and a potential SSG turnaround by festive (Q3). To capture higher consumer wallet share, BBQ wishes to have a portfolio of scaled brands (vs only BBQ Nation). Reflecting this, BBQ Nation format will contribute ~45% of the planned expansion while the rest will be contributed by newer formats. Store opening will be inclined toward Metro/Tier-1 cities as throughputs/profitability is higher vs Tier2/3 cities.
- In line with industry peers, the current demand environment is challenging albeit SSG decline is reducing MoM. BBQ is hopeful of a SSG turnaround by Q3 with a likely consolidation in industry, moderation in rentals, and normalization of travel/hotel spends although consumer discretionary wallets are still limited due to higher interest rates.
- BBQ remains focused to fund its growth via internal accruals, both in India and International regions individually. The International business is currently at a scale of Rs1bn with relatively better unit metrics (vs India business), and BBQ plans to add 5-6 new international stores in FY25. New Indian formats (Salt/Toscano) are scaling as per expectations and are likely to require investments in the near term.
- Although SSG has been in a negative trajectory, BBQ's focus on profitable growth has helped it to deliver a positive same-store-EBITDA growth in Q1. Margin is expected to improve with network/commissary consolidation, moderate RM, and ~15% rationalization in store space for new stores. Immediate target is to improve margins to double-digits with medium-term target of reaching pre-Covid levels of 13-14% vs the current 7%.
- Dum Safar (Biryani) is gaining good traction and has already become a ~Rs350mn brand with focus to double sales through marketing push. With strong traction and scale in Bangalore/Chennai, Tuscano is currently at a scale of Rs1bn and is likely to see expansion into other metros as well.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	8,470	5,071	8,606	12,338	12,545
EBITDA	1,680	924	1,600	2,386	2,297
EBITDA Margin (%)	19.7	16.7	18.6	19.3	18.3
APAT	-329	-924	-252	191	-112
EPS (Rs)	-33.1	-24.2	-9.2	1.7	-6.8
EPS (% chg)	NA	NA	NA	NA	NA
ROE (%)	-556.6	-41.8	-6.4	4.8	-2.8
P/E (x)	NA	NA	NA	330.6	NA

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.4	10.2	-10.0	-13.7
Rel to Nifty	0.2	-0.1	-20.1	-31.1

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Raymond Lifestyle

Leveraging strong brand strength with focused investments

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

We hosted Amit Agrawal (Group CFO) and Mrinal Joshi (Investor Relations)

Key Meeting-Takeaways

- Raymond Lifestyle (RL), the soon-to-be listed demerged entity from Raymond Limited, is targeting 12-14% Revenue and 17-18% EBITDA CAGR over the next 3-5 years. Growth will be led by faster increase in its branded apparel/garmenting business. The **branded textile business (~50% revenue mix)** is also expected to deliver a healthy 8-10% growth helped by strong product-value proposition in its shirting business.
- Raymond expects casualization of its branded portfolio, aggressive distribution expansion, launch of sleepwear/innerwear, and marketing spends to excite younger consumers and drive strong growth in the **branded apparel space (~25% revenue mix)**. RL plans to add ~200 stores annually (FOFO) over the next three years on a base of ~425 EBOs currently. For the new launch sleepwear, RL has launched its products at a very sharp pricing of <Rs1,000 and is currently working on expanding the product distribution in the general trade.
- To leverage its high brand recognition for weddings, Raymond is investing to build its brand extension 'Ethnix', which is currently at a scale of ~Rs1bn from ~120 stores. The format enjoys relatively higher gross margin (no discounting) and scale should help turnaround the business.
- **Garmenting (~15% revenue mix)**: With planned investment of Rs2bn, RL will enhance its suiting capacity to 11-12mn pieces (vs 8mn currently), and become a Top-3 suiting player globally. The business shall also enjoy tailwinds from diversification of global supply chains and potential free trade agreement between India/UK, which should level the playing field for Indian manufacturers vs other global outsourcers.
- RL expects gradual margin gains over the next 3-5 years despite relatively-faster growth in relatively-lower margin non-textile businesses. The gains will be led by achieving scale in branded apparel/garmenting businesses. RL is currently a net-debt free company.
- The demerged entity 'Raymond Lifestyle' is expected to get listed on bourses by mid-Sep '24.

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Laxmi Organic Industries

Emkay
Your success is our success

Laxmi leading the way with 'right to win'

CMP	MCap (Rs bn)	TP & Rating
Rs271	75	NA | NR

We hosted Dr Rajan Venkatesh - CEO & MD, Laxmi Organic Industries

Key Meeting-Takeaways

- Electrochemical fluorination is a technology/tech platform. It is efficient, with less effluents or by products. The company is targeting peak revenue potential of Rs2bn in fluorination assets. The management affirmed that it will not enter the refrigerant gases space.
- Global market size of ketene/diketene is US$2-2.5bn. The company aims to be one of the top-5 global players (including China). With the Dahej expansion, it will be placed among the top-3 manufacturers in terms of cost competitiveness, as Chinese capacities are old.
- The Clariant portfolio was commoditized and hence, innovation needs to be strong. Currently, 20% of the portfolio is in specialty chemicals.
- The management gave long-term guidance for the company's future financials for FY28, by when it aims to double its revenue, triple its EBITDA, and double its RoCE (20% in FY28 from 10% in FY24) versus FY24.
- The company is investing Rs11bn over the next few years. Of this, the company will invest Rs5.5bn toward both the businesses—Essentials and Specialty Chemicals (SC). It has 11 new products in the pipeline in its SC segment. Further, 50% of its overall pipeline will be a part of the fluorination portfolio which will increase with the Rs5.5bn capex that the company is currently undergoing.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	15,341	17,685	30,843	27,912	28,650
EBITDA	1,166	2,193	3,712	2,427	2,585
EBITDA Margin (%)	7.6	12.4	12.0	8.7	9.0
APAT	495	1,272	2,569	1,240	1181
EPS (Rs)	1.8	4.6	9.3	4.5	4.3
EPS (% chg)	-31.3	156.9	101.9	-51.7	-4.8
ROE (%)	11.3	17.4	22.1	9.2	7.4
P/E (x)	151.3	58.9	29.2	60.4	63.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.1	16.2	6.0	3.0
Rel to Nifty	2.6	6.4	-4.5	-17.1

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PCBL

Your success is our success

Carbon black volumes to grow sustainably

CMP	MCap (Rs bn)	TP & Rating
Rs375	142	NA | NR

We hosted Pankaj Kedia - VP (Investor Relations)

Key Meeting-Takeaways

- The company targets achieving 11-12% volume growth in the carbon black business over the next 4-5 years and EBITDA/MT to improve by Rs4,500-5,000. Moreover, the company aims to double its Aquapharm capacity within the next 5 years.
- Currently, the company has carbon black capacity of 770,000MT; it has a specialty line of 20,000MT along with 90,000MT of carbon black under implementation. This would take the total Carbon Black capacity to 880,000MT and green power capacity to 134MW. In the next 6-8 months, the company expects to add 38,000MT capacity; it targets adding another 100,000MT capacity in the next 4-4.5 years. To grow its volume by 12%, the company will require 400,000MT capacity addition, which in turn will require capex of Rs25bn.
- The company expects to put 2,000T of battery chemical capacity at a capex of Rs2.5bn which is expected to be fully utilized in 3 years.
- **Aquapharm:** Capacity utilization in Aquapharm increased to 75%, while sales volume stood at ~24,000MT in Q1FY25. Aquapharm has ~24% of global market share, excluding China. The company plans to add additional capacities and value-added products in the Phosphonate segment. The total capacity currently stands at 132,000MT, and the company expects volume at ~110,000MT in FY25. Capacity utilization is expected to increase in Q3FY25 and Q4FY25. From FY26, the company expects volume growth of 20-25%.
- By FY29, with expanded capacity and 70% utilization, the company expects to garner ~Rs7bn EBITDA in Aquapharm.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	32,435	26,595	44,464	57,741	64,198
EBITDA	4,641	5,180	6,530	7,312	10,373
EBITDA Margin (%)	14.3	19.5	14.7	12.7	16.2
APAT	2,793	3,102	4,188	4,273	4909
EPS (Rs)	7.4	8.2	11.1	11.3	13.0
EPS (% chg)	-26.1	11.0	35.0	2.0	14.9
ROE (%)	16.7	17.1	18.4	15.7	16.1
P/E (x)	50.7	45.6	33.8	33.1	28.8

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	36.6	50.8	25.9	137.6
Rel to Nifty	38.6	38.1	13.4	91.2

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Indo Count Industries

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Refraining from vertical integration; prioritizing acquisition of brands

CMP	MCap (Rs bn)	TP & Rating
Rs368	73	NA | NA

We hosted KK Lalpuria (CEO)

Key Meeting-Takeaways

- According to the management, market size of the home textiles business in EU/US is US$35bn/US$32bn; UK market size is US$6-7bn (included in the EU market). Share of the home textiles business which was previously being catered from Pakistan and Bangladesh is up for grabs. The mgmt believes current political instability in Bangladesh could act in favor of India, if it signs an FTA with the EU. Market share of Indo Count in UK and Europe is currently at 12-15%, which can swiftly rise to 25-30%.
- The company recently acquired US brand *Wamsutta* at ~Rs1bn, sourced via internal accruals. *Wamsutta* was previously owned by Bed Bath and Beyond, and the management believes it has a strong brand recall in USA and is globally recognized across 45 countries. With this acquisition, the management has ensured that going ahead its products will be available across all customer segments. It is willing to acquire additional brands going ahead which will assist in achieving a stronghold in growing its branded sales.
- The e-commerce segment and licensed brands such as *Jasper Conran* and *GAIAM* are performing well, and brand promotion of *Fieldcrest & Waverly* is progressing as planned. The management is targeting enhancement in its branded goods sales to ~US@100mn in coming 3 years. This will assist Indo Count in enhancing its contribution from branded business to 15-20% over a similar timeline.
- Although the Red Sea crisis has led to increase in freight costs, the company has not experienced shortage of containers, on account of good relations with the shipping company. Further, to safeguard itself from supply chain disruptions and delays, the management ensures availability of core products at respective distribution centers established across international markets (UK and US offices).
- Indo Count will not be focusing on vertical integration. It will be prioritizing acquisition of brands going ahead which will help improve its EBITDAM. Going ahead, the management targets asset turnover in the range of 2-2.5x on the capex being conducted by the company, be it the recent capacity addition or the acquisition of brands.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	20,801	25,192	28,420	30,116	35,571
EBITDA	848	3,730	4,341	4,543	5,590
EBITDA Margin (%)	4.1	14.8	15.3	15.1	15.7
APAT	1,536	2,537	3,573	2,763	3399
EPS (Rs)	7.8	12.8	18.0	14.0	17.2
EPS (% chg)	155.4	65.1	40.9	-22.7	23.0
ROE (%)	15.7	22.3	24.9	16.3	17.5
P/E (x)	47.5	28.7	20.4	26.4	21.5

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-7.6	2.5	37.4	60.8
Rel to Nifty	-6.2	-6.1	23.8	29.4

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Welspun Enterprises

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Emphasis on water segment gaining momentum

CMP	MCap (Rs bn)	TP & Rating
Rs570	79	NA | NA

We hosted Sandeep Garg (MD &CEO), Salil Bawa (Group IR Head), and Siddharth Bharadwaj (Head IR)

Key Meeting-Takeaways

- The company received permission for setting up of 2,000MLD water treatment plants in Bhandup 20 days ago. The project is to be designed and constructed within a period of 48 months which will be operated for a period of 15 years. The contract value stands at Rs41bn (ex GST). Welspun Enterprises recently entered an association with Zylum, a US-based company, to enhance and assist in capability enhancement. The company is progressing well, and has executed 50% of the UP order received under the Jal Jeevan Mission for setting up a water transmission system across 2,500 villages; it is expected to be concluded in 18 months.
- Company's consolidated order backlog at end-FY24 stands at ~Rs163bn. Welspun Michigan, which was acquired by the company in Aug-23, has an order backlog of ~Rs15bn and L1 position of ~Rs2bn. Welspun Michigan has tied up with niche technology players who use biological solutions for treating wastewater.
- Going ahead, the management believes the water segment will be the primary growth driver. It claims that ~90% of the country will be water scarce in two decades. The management's intent is to be a single stop shop for water treatment and distribution. The management plans to target heavy industrials segments like textile players, who will require water treatment solutions in coming times. To quicken the setting up of water treatment plants, the management is planning on using biotechnology, which will lead to deployment of plants at the source of contamination within a mere 30-60 days.
- Welspun has started construction in its Dharavi Wastewater Treatment order, after a period of delays in earlier quarters. The management projects margins and return from this project in the mid-teens range.
- The management maintains its guidance of registering turnover of Rs40bn during FY25 (WEL:Rs30bn, Michigan:Rs6bn, balance from SPVs). It maintains its stance on achieving similar margins seen in FY24. The order pipeline remains strong in the water, transportation and tunneling verticals.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	18,076	15,295	13,423	27,582	28,723
EBITDA	1,908	1,642	1,472	1,464	3,954
EBITDA Margin (%)	10.6	10.7	11.0	5.3	13.8
APAT	1,449	1,290	1,238	2,701	3245
EPS (Rs)	10.5	9.3	8.9	19.5	23.4
EPS (% chg)	26.7	-11.0	-4.0	118.2	20.2
ROE (%)	9.6	7.9	7.1	13.0	13.4
P/E (x)	54.5	61.2	63.8	29.2	24.3

Source: Company, Emkay Research (Based on closing share price as on 13-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	14.4	55.0	67.5	101.3
Rel to Nifty	16.1	41.9	50.9	62.0

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