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

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Emkay Confluence: India's Golden Decade

Day 3 Highlights

Refer to important disclosures at the end of this report

August 15, 2024

Nifty: 24,144

Sensex: 79,106

We concluded our three-day Emkay Confluence on 14-Aug-2024. We hosted 40+ corporates and ~225 clients on the final day, in addition to a panel discussion on the microfinance sector.

Key summary

- We come away from the conference with continued optimism about the economy, earnings, and markets. Valuations remain a near-term challenge, but we do think that India will sustain a valuation premium to its history due to the financial stability and earnings momentum.
- The Industrials sector remains optimistic and the managements seem to be preparing for an extended period of growth. Companies that are usually conservative are now investing in fresh capacity as they see order book momentum continuing.
- Autos and auto ancillaries are cautious about near-term cyclical challenges, but that does not seem to deter them from continuing to plan for growth. Many are continuing their investments in fresh capacities, inorganic growth, and entries into fresh markets.
- There are some pressures on BFSI but we are nowhere near a systemic crisis. Some of the RBI measures may have some near-term impact on earnings and balance sheets, but the lenders are confident of riding this out. On asset quality, the best may be behind us but there is no question of returning to previous lows – risk in the sector has been very well-managed in the past half-decade.
- Investor feedback is also constructive. Many are worried about near-term valuations but do not rule out some correction. However, they continue to look for new ideas, especially in the SMID companies, as that is where the alpha is expected by most fund managers. There is a reluctance to chase existing holdings beyond their perceived fair value, hence the need for diversification into new stocks.

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August 15, 2024

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The 3rd day of our annual flagship conference saw a line-up of 40+ companies from across India

MainTrack events and companies hosted on Day-3

MainTracks
- MFI Panel - Decoding the Next Decade

Auto
- Atul Auto
- CIE Automotive India
- Escorts
- JK Tyre & Ind.
- Lumax Auto
- Nelcast

Banking
- City Union Bank
- CreditAccess Grameen
- Muthoot Microfin

Building Materials
- Bigbloc Construction

Consumer Durables
- Polycab
- Symphony

Consumer Goods
- Jeena Sikho Lifecare
- Linc

Engineering & Capital Goods
- Voltamp Transformers

Healthcare
- Dr Lal Pathlabs

Hotels
- Chalet Hotels

IT
- Happiest Minds
- KPIT Technologies
- Nazara Technologies
- Quess Corp
- SIS

NBFC
- Piramal Enterprises

Oil & Gas
- Hindustan Oil Expl. Company
- Mahanagar Gas
- Oil India

Pharma
- Alembic Pharma
- Gufic Biosciences
- J.B. Chemicals & Pharma
- Natco Pharma

Retail
- Dollar Industries
- DP Abhushan
- Sapphire Foods
- Senco Gold
- Westlife Foodworld

Specialty Chemicals
- Aarti Pharmalabs
- Ami Organics
- Insecticides India
- JG Chemicals
- Meghmani Organics
- PI Industries

Others
- Ashiana Housing
- Dilip Buildcon

MFI Panel – Decoding the Next Decade

Long runway, but calls for measured growth in the near term

We hosted MFIN's MD & CEO, Alok Misra and CREDAG's CEO, Udaya Hebbar to get their views on long-term growth opportunities in the sector and the recent noise around asset quality.

Key Meeting-Takeaways

- The panel believes that MFI has a long runway for growth given the gross financial under-penetration in India, and it believes that 18-22% growth is digestible in the long run with intermittent course correction/acceleration depending on the cycle.
- On rising climatic disruption, the panel suggested that lenders should take insurance cover and also encourage customers to take the same to protect their incomes, if possible. The panel believes that MFI players already carry healthy capital buffers and a few players are also building counter-cyclical buffers.
- Despite the new tight regulations, customer overleveraging due to multiple lending (>4 loans to a customer share at 4% at the industry level and being at far higher levels for some players) has been mainly due to lack of timely data sharing, aggression by select players, and usage of PAN cards instead of Aadhar cards following the Supreme Court ruling.
- MFIN has warned players to avoid such practice and hopes to see lenders pull back on aggressive growth. We believe these measures could lead to a funding gap with borrowers, and thus, could lead to higher delinquencies in the near term. Although, it is positive from a long-term perspective.
- On loan waivers, barring Assam, most other states have largely given crop loan waivers, and thus it may not have material impact on MFI borrowers/lenders as the customers are mature enough to understand that they are not eligible and wouldn't risk downgrading their credit score.
- MFIN MD clarified that RBI has not specifically asked lenders to restrict their exposure in UP and Bihar, as reported in one of the media reports. That said, MFIN has indicated lenders to be cautious in a few states where there are signs of rising delinquencies.
- Stress recognition policies are the prerogatives of the individual lenders, but MFIN frequently voices to the players to maintain consistency in NPA recognition as well as collection.
- Our view: We concur with the panel's view on the long runway for growth in the MFI sector, but believe that proactive and continuous engagement by lenders to purge aggressive lending practices and avoid frequent accidents – to ensure orderly growth – is a must. We believe that the recent asset quality incidents and RBI's warning would lead to moderation in growth for the MFI sector and hope that the asset quality pain seen in 1Q is more transient in nature. We have recently cut our earning estimates for most MFI players factoring in rising risk on the growth/asset quality front, whereas we have double downgraded Fusion MFI to REDUCE, given its sudden change in NPA recognition policy coupled with uncertainty on recoveries. We will be watchful on the asset quality front for other players including RBL, Bandhan, IIB, Ujjivan, and Equitas under our coverage.

Atul Auto (Not Rated)

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Aims to outperform industry; 50-100% growth seen in exports

CMP	MCap (Rs bn)	TP & Rating
Rs639	17.7	NA | NA

We hosted Jitendra V Adhia - President (Finance)

Key Meeting-Takeaways

- Atul Auto has the propensity to perform better than the industry (apart from a few tough years post-Covid); it expects to outperform the industry this year too and thus gain market share, amid network expansion (primary dealership count to rise to 220 by end-FY25 vs 180 now) and improving retail finance penetration (has tied up with several financiers, with captive finance arm Khushbu Auto Finance also lending support).
- In diesel (50% of company volumes last year), the company expects to maintain growth even if the overall diesel market shrinks going forward; in alternate fuels (50% of company volumes last year), it expects 10% growth by end-FY25. Diesel penetration for the industry is seen sharply declining post-2027 (now at ~25%) due to additional cost burden under BS-7.
- Atul has come out with EV models for both, L3 and L5 categories; it expects the L3 category to shrink ahead (to a 300-500K unit market), while the L5 category, though smaller (a ~60K unit market), is seen growing well in coming times. Nearly all of Atul's EV sales are currently in L3 category; L5 retails so far have been sub-1K unit sales. It currently sells L5 EVs from 25 locations and is expanding this network by 10 stores shortly.
- Exports are seen clocking faster growth than domestic operations, with monthly run-rate of 300-500 units this year, implying 50-100% growth (clocked ~2.5K units last year); this would help drive share of exports, from 10% last year to 20-25% in coming years. In exports, the company targets markets like Africa, Latin America, South Asia, and Indonesia.
- Margins are seen improving with operating leverage coming into play (last year sales at ~25K units; capacity stands at 120K units).

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	6,253	2,959	3,154	5,131	5,183
EBITDA	712	-77	-163	363	400
EBITDA Margin (%)	11.4	-2.6	-5.2	7.1	7.7
APAT	537	-87	-253	38	90
EPS (Rs)	19.3			1.4	3.2
EPS (% chg)	-2.5	-	-	-	136.7
ROE (%)	18.8	-	-	1.2	2.3
P/E (x)	33.0	-	-	467.4	197.5

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-13.1	13.8	14.9	74.1
Rel to Nifty	-11.9	4.7	3.9	40.1

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CIE Automotive India (Not Rated)

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Expects to outperform Indian industry; Europe still challenged

CMP	MCap (Rs bn)	TP & Rating
Rs524	198.8	NA | NA

We hosted Vikas Sinha - SVP Strategy & Chief IR, and Swapnil Soudagar - Strategy & IR. CIE, part of Spain-based CIE Automotive Group, has presence in forgings, castings, stampings, composites, magnetic products and gears in India (67% of sales). It also has a forgings and gears business in Europe (33% of sales).

Key Meeting-Takeaways

- As a Tier-2 player, CIE largely focuses on excellence in execution, investing discipline, and diversification; the CIE Group has a strong track record in this regard (17% RoE) which the Indian entity is also working toward replicating (clocks 24% RoE in Europe and 21% in India).
- CIE expects the underlying Indian market to clock blended CAGR of ~6-7% over a 5-year horizon as against 10-12% topline growth from Indian operations (normally endeavors to outperform the industry by 5-10% over the medium-to-long term). In India (serves PVs, Tractors, CVs, 2Ws), the industry outlook is largely stable; it expects H2CY24 to be better than H1, partly due to seasonality and partly due to ramp-up of order wins, which were delayed in the recent past. Current margins are healthy (~18%), still maintaining headroom for improvement on better productivity.
- The Europe market continues to see challenges (down 10% this year), with H2CY24 to be weaker than H1 (partly on seasonality); here, CIE expects operations to be steady in terms of topline and margin (seeks to maintain current ~17% levels), with cash generation to sustain the trend.
- Views EVs as an opportunity rather than a risk; in India, maximum value at risk from EVs could be ~Rs4-5bn by FY27 (of the total India revenues of ~Rs70bn) – this would be more than offset by new orders, incl. those for EVs from aluminium, composites, etc. In Europe, value at risk is larger (€60-70mn) as 40% of revenues are from crankshafts; though here too, the company has won large orders that it hopes would compensate.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	60,501	67,651	87,530	92,804	92,804
EBITDA	5,014	9,260	3,245	14,234	14,234
EBITDA Margin (%)	8.3	13.7	3.7	15.3	15.3
APAT	963	3,985	-847	11,257	7,976
EPS (Rs)	2.5	10.5		29.7	21.0
EPS (% chg)	-73.0	313.8	-	-	-29.1
ROE (%)	2.0	7.9	-	20.3	26.6
P/E (x)	206.4	49.9	-	17.7	24.9

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-12.3	7.5	8.4	8.0
Rel to Nifty	-11.0	-1.1	-2.0	-13.1

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Escorts Kubota (ADD)

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Domestic outlook better; strong medium-to-long term potential in exports

CMP	MCap (Rs bn)	TP & Rating
Rs3,660	404.4	Rs4,450| ADD

We hosted Prateek Singhal (Lead IR)

Key Meeting-Takeaways

- Expects 5-6% growth for the domestic tractor industry this year; the company expects a much faster CAGR than the industry CAGR of 6-7% over coming years, thus leading to ~250-300bps improvement in market share; bulk of the market-share gains would be in Kubota (combined market share of Escorts and Kubota is now at ~13%).
- Full-year growth expectation for tractor exports stands at a mid-single-digit this year (dragged by weakness in Europe). Growth is seen picking up strongly next year onward, amid export-specific new product development and stabilization of homologation and other activities.
- Kubota remains aggressive on component sourcing from India; this business holds large potential; Escorts sees Rs5bn revenue potential in the next 2 years.
- Current combined tractor capacity stands at 170K units (incl. 50K units at Kubota); the company plans setting up a new greenfield plant by 2027-28, to cater to both – the domestic and export markets; this would expand capacity to 300K units; expects 18% IRR with payback in 4 years.
- Implementation of TREM-5 norms for tractors is slated to come into effect from Apr-26; would possibly entail a 10-15% cost increase.
- Expects double-digit growth in CE post-monsoons; margins are sustainable at the current early double-digit levels; expects double-digit growth in Railway Equipment this year, with margins placed at 16-20% levels.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	83,450	87,767	122,475	143,130	165,883
EBITDA	7,804	11,688	16,534	20,038	23,555
EBITDA Margin (%)	9.4	13.3	13.5	14.0	14.2
APAT	7,041	10,372	13,481	15,969	18,561
EPS (Rs)	53.4	93.9	122.0	144.5	168.0
EPS (% chg)	-8.0	75.9	30.0	18.5	16.2
ROE (%)	8.6	11.8	13.8	14.6	15.2
P/E (x)	68.6	39.0	30.0	25.3	21.8

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.5	0.1	30.2	41.2
Rel to Nifty	-5.2	-7.8	17.8	13.7

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JK Tyre and Industries (BUY)

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Maintains margin guidance of 13-15% band

CMP	MCap (Rs bn)	TP & Rating
Rs394	102.6	Rs700 | BUY

We hosted Anshuman Singhania - MD, Anuj Kathuria - President (India), and Sanjeev Agarwal - CFO

Key Meeting-Takeaways

- JKI has outperformed the industry over the past few years, aided by closing the gap with competition in areas like R&D, marketing and distribution.
- Strong development is being seen on the portfolio premiumization front; share of 15-inch plus tyres within the PCR category is now ~48% vs ~20% four years ago; this is expected to further rise to ~60% going forward (on the back of majority of the current ~Rs14bn capex being directed toward higher rim sizes in PCR); JKI is also moving up in terms of rim sizes in the OEM category; further, it already has capability in large diameter tyres of 19-21 inches at its Mexico operations (Tornel subsidiary). Apart from PCR, share of higher margin SKUs in the Truck-Bus category (XM, XF series) is also rising and is seen improving to 30% in 3 years from the current 15% levels .
- Premiumization is helping the company decouple profitability from RM movement, to an extent; other factors like efficiency improvement and faster growth in exports have also helped reduce the volatility in margins vs. earlier levels.
- The company expects 5-6% RM price increase in Q2 (similar to that on Q1); it has already passed on some of the increase via price hike. Per the management, the RM price spike has been driven by short-term factors like container unavailability and lower rubber production; globally too, demand surge is not strong enough to justify the current higher RM price levels. It believes the RM situation would start improving in coming times.
- Price-based competitive intensity has reduced vs earlier; now multiple players incl. JKI have improved in terms of mix, products, positioning, and balance sheet (BS) strength, granting them greater flexibility in pricing. Also, currently, no player has significant underutilized capacities, which reduces the likelihood of sharp and sustained price-based competition.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	146,449	150,018	158,619	172,949	185,593
EBITDA	12,978	20,776	22,048	24,559	26,725
EBITDA Margin (%)	8.9	13.8	13.9	14.2	14.4
APAT	3,246	8,333	10,390	12,290	14,037
EPS (Rs)	13.2	33.8	40.0	47.4	53.8
EPS (% chg)	115.1	156.7	18.3	18.3	13.7
ROE (%)	10.4	21.1	21.1	20.8	20.0
P/E (x)	29.9	11.6	9.8	8.3	7.3

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-12.7	2.5	-19.9	48.3
Rel to Nifty	-11.5	-5.7	-27.5	19.4

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Lumax Auto Technologies (Not Rated)

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Poised for premiumization-led sustained outperformance

CMP	MCap (Rs bn)	TP & Rating
Rs521	35.5	NA | NA

We hosted Sanjay Mehta - ED & Group CFO, Ashish Dubey – CFO, and Ankit Thakral - DGM Accounts & Finance

Key Meeting-Takeaways

- A slightly muted PV industry outlook in FY25 has driven the management's growth guidance downward to 15-20% vs 20-25% earlier. However, LATL's bundled product offerings backed by its diversified product portfolio places it well to outperform the 4-6% PV industry growth.
- The company's multi product approach offers a significant cross-selling opportunity, making it a preferred supplier for OEMs; LATL has a significant wallet share in M&M (~70% of IAC's revenues) and has recently entered Tata Motors as well.
- The management targets capitalizing on the synergies between Lumax Auto Tech and the recently-acquired company IAC; domestic operations are seen acting as an export base for LATL's global JVs in the future.
- With majority of the PV product launches now behind, the management expects good growth in its after-market segment going forward, driven by addition of new products; it expects posting a healthy double-digit growth in this segment in FY25.
- Lumax Auto Tech's total order book stands at Rs10bn (~90% from the new business), with execution spanning over FY25-27; of this, ~40% is being contributed by EVs and is mostly driven by PVs.
- LATL's mechatronics arm has grown 4x in the last 5 years and continues to offer significant opportunities to further penetrate various OEM models.
- Consistent improvement in Standalone and JV operations on higher content per vehicle, and inorganic growth via M&A and new JVs would be key growth drivers going forward.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	11,409	11,079	15,079	18,475	28,217
EBITDA	910	975	1,492	1,919	3,681
EBITDA Margin (%)	8.0	8.8	9.9	10.4	13.0
APAT	579	460	701	967	1,302
EPS (Rs)	8.5	6.7	10.3	14.2	19.1
EPS (% chg)	-16.1	-20.6	52.3	38.0	34.6
ROE (%)	12.5	9.4	13.0	16.0	15.5
P/E (x)	61.3	77.2	50.6	36.7	27.3

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-8.4	10.9	15.4	38.8
Rel to Nifty	-7.1	2.0	4.4	11.7

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Nelcast Ltd (Not Rated)

Your success is our success

Export-led growth acceleration ahead; capacities in place

CMP	MCap (Rs bn)	TP & Rating
Rs140	12.1	NA | NA

We hosted SK Sivakumar - CFO. Nelcast is a large player involved in ductile iron/grey iron castings supplying CVs, Off Highway vehicles, Tractors, PVs and Railways

Key Meeting-Takeaways

- The domestic CV industry is seen growing ~10% YoY in H2FY25, with the tractor industry growth seen at ~3%; the company expects domestic business growth to be largely in line with the industry's, along with some scope for market-share gains.
- Exports (35% of FY24 revenues) outlook is strong; currently, US forms 80% of its exports (clients include Dana, American Axles, etc); going forward, the company sees Europe possibly becoming as big as the US now, in coming 4-5 years, even as US is also seen clocking 10-15% CAGR; growth in Europe would be driven by market-share gains and shift of business to India, as foundry capacities in Europe are diminishing. Growth in exports is also being supported by launch of new products; also, Nelcast has developed some chassis items for EVs in export markets.
- Healthy growth outlook is seen leading to ~80-85% utilization by FY27 (~50-55% now), i.e. ~125K MT volumes; this could translate into revenues of ~Rs22bn. At these utilization levels, the company would also be able to clock ~Rs15/kg EBITDA (vs Rs11.8/kg now), and ~16-18% return ratios.
- EBITDA margins in exports stand at ~16% vs ~9% in domestic operations; rising share of exports going forward, along with operating leverage, are seen leading to expansion in blended operating margins.
- Nelcast aims to continue focusing on core iron castings; it does not plan to enter machining or aluminium castings.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	5,668	6,150	9,273	12,640	12,669
EBITDA	483	464	581	794	923
EBITDA Margin (%)	8.5	7.5	6.3	6.3	7.3
APAT	360	91	146	300	398
EPS (Rs)	4.1	1.0	1.7	3.5	4.6
EPS (% chg)	-6.3	-74.8	61.1	105.8	32.5
ROE (%)	8.8	2.1	3.3	6.6	8.1
P/E (x)	33.7	134.0	83.2	40.4	30.5

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.4	-2.5	-8.8	15.7
Rel to Nifty	-5.0	-10.3	-17.5	-6.9

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City Union Bank

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Stabilizing, but yet to accelerate

CMP	MCap (Rs bn)	TP & Rating
Rs161	119	Rs160 | REDUCE

We hosted V Ramesh (CCO)/Jayaraman (CRO) of City Union Bank

Key Meeting-Takeaways

- The management indicated that its focus will now shift toward delivering better profitable growth (with RoA of ~1.5%) led by an increasing share of retail, although the same will be capped at 5% of the overall book. However, the bank mentioned that they would refrain from entering the unsecured retail space for a few more quarters. In the recent quarter too, CUBK reported double-digit credit growth at 10% YoY, primarily driven by higher growth in Agri/Non-Agri GL and corporate loan book. However, the bank has run down its MSME loan book and is now focused on building its non-agri gold loan (GL) book.
- The management guides for credit growth at 12-15% in FY25 while stressing on the fact that deposit growth will be an inherent challenge for them (despite adding ~50 branches each year going forward) given the heightened competition for deposit mobilization from Large PVBs and new-gen PVB peers.
- Asset quality continues to improve with the GNPA ratio down from 5.6% to 3.9%. The management indicated that the healthy recovery and contained slippages trend should continue moving forward, unless macros see a meaningful deterioration. Specific PCR remains appallingly low at 53%.
- The management expects NIMs to be in the range of 3.5-3.6%. However, the higher proportion of EBLR-linked loans (55%) could lead to a 10-20bps reduction in NIMs if the interest rates are cut.
- We believe it would be prudent to build higher provision buffers even at the cost of compromising on near-term profitability. Currently, we have a REDUCE rating on the stock with TP of Rs160/share, based on 1.2x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	21,628	21,235	22,593	25,496	29,149
Net profit	9,375	10,157	11,092	12,267	13,545
EPS (Rs)	12.7	13.7	15.0	16.6	18.3
ABV (Rs)	90.4	104.4	117.8	132.5	149.0
RoA (%)	1.5	1.5	1.5	1.5	1.5
RoE (%)	13.4	12.8	12.5	12.4	12.2
P/E (x)	12.7	11.7	10.8	9.7	8.8
P/ABV	1.8	1.5	1.4	1.2	1.1

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.8	6.0	24.7	22.6
Rel to Nifty	-3.5	-2.6	12.7	-1.0

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Credit Access Grameen

India Equity Research | BFSI - Banks
August 15, 2024
Conference Note

Emkay
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Better among peers

CMP	MCap (Rs bn)	TP & Rating
Rs1,178	192	Rs1,800 | BUY

We hosted Udaya Kumar Hebbar, MD & CEO and Nilesh Dalvi, IR of Credit Access Grameen

Key Meeting-Takeaways

- Weaker business momentum was seen in the MFI space due to heat wave across several states and operational limitations during the general elections, which in turn led to a seasonally-moderate Q1. The company expects growth moderation to continue in 2Q with better recovery in 2H.
- CREDAG guides for GLP growth of 23-24% in FY25 and ~20-25% over FY25-28 while maintaining its focus on diversifying geographically and improving its product mix (aims to expand its retail finance book to 10-15% by FY28 vs current levels of 3%).
- Asset quality was impacted leading to a slight increase in GNPA ratio to 1.5% as of Jun-24 and PAR 0+ to 2.5%. Delinquencies outside Karnataka (non-core states like Rajasthan, Kerala, Jharkhand and some pockets of TN) remain elevated. The company expects some normalization to begin from Q2, whereas meaningful relief should be seen only from 3Q.
- The management has taken a few proactive measures to improve the asset quality, which includes re-emphasizing on center-meeting culture, strengthening customer relationships, dissecting problems at district levels, and sending early warning signals to branches (based on payment and default data patterns) to enhance collection efficiencies. Currently, CREDAG + 4 lenders constitute 12% of the overall book.
- Notwithstanding our concerns in the MFI space, CREDAG remains our preferred pick given its superior return ratios (RoA/RoE: >4.9%/19%), ability to manage asset quality cycles better as seen during Covid, strong management quality, and healthy capital buffers. We have a BUY rating on the stock with a TP of Rs1,800/share based on 2.5x Jun-26E ABV.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	21,142	32,606	40,112	48,189	58,235
Net profit	8,260	14,459	17,209	20,078	23,531
EPS (Rs)	52.5	90.9	108.0	126.0	147.6
ABV (Rs)	319.4	416.3	533.0	667.8	823.8
RoA (%)	4.2	5.7	5.3	5.1	4.9
RoE (%)	17.8	24.5	22.4	20.6	19.4
P/E (x)	22.4	13.0	10.9	9.4	8.0
P/ABV	3.7	2.8	2.2	1.8	1.4

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.3	-9.5	-20.4	-12.0
Rel to Nifty	-3.1	-16.8	-28.1	-29.0

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Muthoot Microfin

Tech-driven MFI with a decent brand recall

CMP	MCap (Rs bn)	TP & Rating
Rs215	37	NA | NR

We hosted Sadaf Sayed, MD & CEO of Muthoot Microfin

Key Meeting-Takeaways

- Muthoot Microfin (MML) is the 2nd largest company by AUM under the Muthoot Group for FY24.
- The company has demonstrated strong growth by acquiring more customers and expanding its network with a greater emphasis on technology and the use of digital collections. Overall asset quality outcome has been better till now, which the company hopes to sustain despite rising systemic deterioration.
- CRAR has improved due to primary infusion of Rs7,040mn from the IPO, net of expenses. The balance sheet remains strong with adequate liquidity and a solid ALM framework.
- Over the past five quarters, the company has consistently reported a RoA of over 4%. Operating expenses and the Cost of Funds are expected to improve in the coming quarters, while the RoE is likely to dilute in the immediate future due to the recent capital infusion.
- The recent floods in Tamil Nadu affected around 25,000 customers but recovery was swift, aided by NATCAT insurance and proactive client engagement. Strong customer selection has been a key factor in the faster recovery. NIM is expected to improve with capital infusion and better Cost of Funds management.
- The company now operates 1,508 branches, exceeding the budgeted count of 1,400 branches. This expanded distribution network has led to a slight increase in operating expenses which is expected to support further growth and diversification going forward.
- The management guidance for FY25 includes: AUM growth at 25%, NIM at 12.7-12.9%, Credit cost at 1.7-1.9%, RoA at 4.3-4.5%, and RoE at 20-21%.
- Currently, we do not have a rating on the stock.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Net income	7,480	6,963	8,429	14,463	22,855
Net profit	181	71	474	1,639	4,496
EPS (Rs)	1.6	0.6	4.2	14.0	26.4
ABV (Rs)	77.6	77.9	115.4	137.2	164.5
RoA (%)	0.5	0.2	1.0	2.2	4.2
RoE (%)	2.0	0.8	5.1	11.4	20.3
P/E (x)	135.2	346.8	51.8	15.3	8.2
P/ABV	2.8	2.8	1.9	1.6	1.3

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.8	-3.5	-7.0-	
Rel to Nifty	-5.6	-11.4	-16.0-	

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Bigbloc Construction

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One of the largest AAC block manufacturers in India

CMP	MCap (Rs bn)	TP & Rating
Rs239	17	NR

We hosted Mohit Saboo (Director & CFO)

Key Meeting-Takeaways

- The company is one of the largest Aerated Autoclave Concrete (AAC) block manufacturers in India with a capacity of 1,075K CBM p.a.. It has four manufacturing facilities, with a supply chain across nine cities in four states. The AAC blocks are marketed under brand name *NXTBloc*.
- The company saw flat volume growth in Q1FY25 (~134K CBM) due to market disruptions related to the festival of *Holi* and delays associated with the Lok Sabha elections. Such disruptions particularly impacted the West and North. Profitability in Q1 remained under pressure, as the company had incurred expenses for inauguration and product launch, as also various other marketing-related expenses toward 'ZMARTBUILD WALL' for the newly commercialized JV plant.
- Capacity utilization for the first quarter, at Bigbloc Building Elements Private Limited, was 78%. The installed capacity has increased, from 300K CBM to 400K CBM p.a. since Jun-24. The plant is undergoing further capacity expansion which will increase the installed capacity to 500K CBM; the company aims to complete this within 2 months.
- For future growth strategies, the management is looking to 1) penetrate new markets, and to cater to the growing demand in these new markets on pan-India basis; 2) modernize its manufacturing facilities; 3) expand its network and customer base; and 4) further enhance the product portfolio by adding products like ALC Panels, Block jointing Mortar, Tile Adhesives, Gypsum Plaster, and other construction chemicals, etc.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	1,188	1,030	1,752	2,001	2,432
EBITDA	104	122	272	500	562
EBITDA Margin (%)	8.7	11.8	15.5	25.0	23.1
APAT	25	25	161	307	309
EPS (Rs)	0.3	0.4	2.3	4.3	4.4
EPS (% chg)	-	1.5	544.1	91.0	0.6
ROE (%)	8.6	8.1	40.7	50.2	34.4
P/E (x)	687.7	677.3	105.1	55.1	54.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-14.6	-2.0	17.7	66.0
Rel to Nifty	-13.3	-9.8	6.5	33.6

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Polycab (Not Rated)

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Ahead-of-industry investments to drive secular growth

CMP	MCap (Rs bn)	TP & Rating
Rs6,413	964.5	NA | NA

We hosted Chirayu Upadhyaya - Head IR

Key Meeting-Takeaways

- Polycab's core wires and cables business (~25-26% blended domestic market share) provides a decadal growth opportunity on increasing GoI infrastructure spends and revival in private capex; expects the government capex-to-private capex ratio to be 50:50 in future vs 60:40 historically.
- The company guides to 300-400bps outperformance vs the underlying industry and anticipates achieving its >Rs200bn annual revenue target ahead of time, with sustained ~14-16% margin (vs ~13.8% in FY24).
- Planned capex for coming 3 years is ~Rs11bnpa, which will cater to the robust demand across sectors and would be mainly focused on brownfield expansion and backward integration; the mgmt. believes Power Transmission & Distribution is the largest driver ahead vs mobility historically.
- Polycab highlighted the gradual structural change in the wires industry, from unorganized to organized, via targeted actions by larger players; The company targets market-share gains (~20% of the organized market now) through its flagship brand and further penetration in its addressable market via its economy brand *Etira*.
- With the demand softness in international markets expected to improve from the latter half of FY25, exports are seen contributing 10% of revenue by FY26 vs 8% in FY24, on a robust order book and expansion across geographies, driven by the ongoing China+1 movement.
- The FMEG business is expected to grow 2x the underlying industry, on the back of its ahead-of-time investments in capacities, targeted advertising spends, and a premium product-mix slewed toward the higher margin switches & switch gears.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	88,300	87,922	122,038	141,078	180,394
EBITDA	11,276	11,112	12,626	18,429	24,918
EBITDA Margin (%)	12.8	12.6	10.3	13.1	13.8
APAT	7,465	8,696	8,921	12,145	17,167
EPS (Rs)	49.6	57.8	59.3	80.8	114.2
EPS (% chg)	49.8	16.5	2.6	36.1	41.3
ROE (%)	22.3	20.2	17.3	19.9	23.2
P/E (x)	129.2	110.9	108.1	79.4	56.2

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-2.5	1.4	47.2	35.2
Rel to Nifty	-1.1	-6.7	33.2	8.8

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Symphony (Not Rated)

Multi-year growth led by innovation and penetration increase

CMP	MCap (Rs bn)	TP & Rating
Rs1,678	115.7	NA | NA

We hosted Nrupesh Shah - MD (Corporate Affairs), Girish Thakkar - CFO, and Hiren Gajjar - Head IR & Treasury

Symphony is the market leader and the world's largest manufacturer of air-coolers, with an asset-light model focusing largely on R&D and marketing & sales, and with outsourced manufacturing spanning 5 countries.

Key Meeting-Takeaways

- With the growth challenges (Covid/seasonal variations) faced in the past 4-5 years now behind, the management expects the industry to double over the next 5-7 years, led by benign penetration levels (~19%) and improving affordability.
- Symphony guides to outperform the underlying 10% industry CAGR on consistent innovation, premium positioning, and sustained share gains.
- Share of the organized market would further grow to 45-50% from ~40% now; 10Y/5Y ago, it stood at ~10%/25%, respectively. The company has befitting products at every price-point and for every territory in the rural and semi-urban areas, thus offering an additional growth opportunity.
- Coolers would continue to co-exist with ACs due to their lower acquisition and operating cost. Symphony aims to outperform the organized industry growth with sustained focus on product innovation (17 new products), strong marketing, and distribution capabilities.
- Symphony recently ventured into adjacent categories of tower/personal cooler fans and kitchen fans, with a focused channel strategy and presence in select cities to build these products/categories. Water heaters are Symphony's newest venture would counter the seasonal air-cooler business.
- Further, Symphony believes that there is immense growth potential in centralized cooling systems for industrial and commercial applications.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	11,026	8,998	10,391	11,876	11,561
EBITDA	2,095	1,332	1,621	1,398	1,680
EBITDA Margin (%)	19.0	14.8	15.6	11.8	14.5
APAT	1,840	1,125	1,203	1,165	1,470
EPS (Rs)	26.7	16.3	17.4	16.9	21.3
EPS (% chg)	69.9	-38.9	7.0	-3.2	26.2
ROE (%)	28.2	16.1	15.1	13.5	18.0
P/E (x)	62.9	102.8	96.2	99.3	78.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	50.0	68.6	82.2	87.8
Rel to Nifty	52.2	55.2	64.8	51.2

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Jeena Sikho Lifecare

Your success is our success

Leveraging Homeopathy+Naturopathy+Ayurveda for cures

CMP	MCap (Rs bn)	TP & Rating
Rs1,240	27.69	Not Rated

We hosted Manish Grover - MD, and Nanak Chand – CFO, Jeena Sikho Lifecare

Key Meeting-Takeaways

- **Jeena Sikho is a premium Ayurveda healthcare service provider**, with 32 hospitals, and 79 operational clinics and daycare outlets pan-India, as of Mar-24. Company revenue for FY24 stood at Rs1.86bn from medicine sales (of which Rs480mn is through 'cash on delivery'), and Rs1.39bn from Ayurveda health care services (where revenue from government employees stands at Rs510mn).
- **Key financials:** The company logged revenue of Rs1.36bn in FY21, of Rs1.47bn in FY22 (Service: 10%; EBITDA margin: 12%; PAT: Rs110mn; margin: 8%), Rs2.04bn in FY23 (Service: 31%; EBITDA margin: 23%; PAT: Rs340mn; margin: 16%), and Rs3.24bn in FY24 (with Service at 43% and balance being medicine sales; EBITDA margin: 29%; PAT: Rs690mn; margin: 21%).
- **Guidance:** With 55% occupancy, the company aims for Rs4bn revenue and Rs1bn PAT in FY25. 85% of the targeted FY26 occupancy will entail Rs6-6.5bn revenue.
- **Entry into OTC in FY25:** The company plans to launch 10 formulas in OTC; products will be priced at Rs150-600 each, with 85% gross margin.
- **Hospital treatment gets a boost from affiliation with health insurance**, further to which patients can now avail cashless facilities. Multiple state governments have also recognized Ayurvedic treatment in state healthcare schemes. The central government health scheme (CGHS) and the central armed police forces scheme (CAPS) also recognize this form of treatment. The management expects inclusions in Ayushman Bharat soon.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	944	1,358	1,465	2,039	3,244
EBITDA	105	169	182	463	930
EBITDA Margin (%)	11.2	12.5	12.4	22.7	28.7
APAT	57	104	107	333	692
EPS (Rs)	2.3	4.2	4.3	13.4	27.8
EPS (% chg)	-4.5	81.3	2.8	212.3	107.6
ROE (%)	52.7	55.1	35.3	41.1	43.5
P/E (x)	484.2	267.1	259.9	83.2	40.1

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.6	6.2	33.3	123.2
Rel to Nifty	-0.3	-4.3	19.2	79.9

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Linc

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Your success is our success

Focus on premiumization, share gains for growth and margin

CMP	MCap (Rs bn)	TP & Rating
Rs595	8.85	Not Rated

We hosted Deepak Jalan – MD, and NK Dujari – CFO, Linc

Key Meeting-Takeaways

- Linc is one of the largest and oldest writing instrument companies with national and international presence (Southeast Asia, Middle East, USA, UK, Europe, South America, and Africa). *Linc* is among the top-3 brands in writing instruments. The Pentonic range was launched in 2019 for the >Rs10 segment. The company also has an engagement with Uni Mitsubishi Pencil. The company has 6.6% stake in the writing instruments market.
- The Indian writing and creative instrument market size is Rs97bn as of FY23, and is poised to clock CAGR of ~8% over the next five years. As per a CRISIL study, the pens market size is Rs43bn, and the Pencils market size is Rs18bn, as of FY23. Market size of adjacent categories like markers and highlighters is Rs5bn. The pens market is set to see 7.5-8.5% CAGR during FY23-28, with pencils CAGR at 4.5-5.5%.
- The Indian pens market comprises of: 15-20% in premium (priced at >Rs100), 15-20% in mid-premium (priced at Rs16-100), and 70-75% in mass (Rs5-15). The market for pens prices below Rs15 is growing at ~8%, and that for pens prices above Rs15 is growing at ~ 10%.
- With market-share gains and premiumization, Linc is looking to drive faster growth. On the back of the Pentonic launch in FY19, the company was able to expand its average realization, from Rs3.65 per pen in FY18 to Rs5.67 in FY24. The realization of Pentonic stands at Rs5.83 for FY24. Pentonic fetches a relatively higher gross margin, at 40% vs 25% margin for a *Linc*. Pentonic is now contributes 34% to the company revenue.
- The management sees stationery to be the next business driver of growth.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	4,050	2,587	3,593	4,923	5,061
EBITDA	383	102	215	614	558
EBITDA Margin (%)	9.4	3.9	6.0	12.5	11.0
APAT	192	1	83	375	338
EPS (Rs)	12.9	0.0	5.6	25.2	22.7
EPS (% chg)	292.5	-99.6	11946.4	351.7	-9.9
ROE (%)	14.9	0.1	6.0	23.5	17.8
P/E (x)	46.0	12824.7	106.5	23.6	26.2

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.7	5.5	9.0	-6.4
Rel to Nifty	-0.2	-3.0	-1.4	-24.7

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Voltamp Transformers

Your success is our success

Focus remains on profitable growth

CMP	MCap (Rs bn)	TP & Rating
Rs13,060	132	Rs14,100 | ADD

We hosted KS Patel (MD), Voltamp Transformers

Key Meeting-Takeaways

- VAMP's FY24 capacity utilization was at 93%, well-above the industry optimum levels (above 85%). For FY25, the company is expecting to operate at 105% levels. Enquiry pipeline is robust given the greenfield renewable capacity addition by many private players like Reliance, Adani, ACME etc. As per the management, current uptick in demand is likely to sustain for next 4-5 years.
- Hence, the management has an ongoing plan to set up 6,000MVA greenfield manufacturing facility up to 250MVA and 220kV rating, incurring a capital expenditure of up to Rs2bn over FY26-27. The necessary approvals from government authorities are expected by Oct-24. A land purchase agreement will be executed upon receiving the requisite approvals; project completion time is ~15 months thereafter (Jul-26). The management aims to fund this expansion through internal accruals.
- Lead time for delivery of transformers has increased despite higher capacity utilization at the industry level. To add on, shortage of RM (CRGO) is leading to a longer time being taken to deliver transformers. Russia, prior to the war, used to cater to 40% of CRGO requirement. GoI recently cancelled the license of Chinese players, adding to the crunch of CRGO availability. Efforts are on to localize CRGO manufacturing, albeit it will not be able to meet the current demand levels.
- The management agrees that there is a supply-demand mismatch in the transformer industry, and the capacity expansion steps taken by players across the industry will lead to addition of ~0.1mn transformer capacity in the coming period. They are hopeful of the mismatch being nullified in the coming 12-20 months, after which the sustainable demand for transformers will be ~0.3-0.4mnpa. The only risk, the management claims could impact the industry, is over expansion of capacity.
- Sectoral tailwinds coupled with a strong inquiry pipeline and shortage of transformers have contributed to VAMP's order inflow growing to Rs6.4bn (FY24: Rs19bn) and registering order backlog of Rs15bn (BB ratio: 0.85x). Voltamp follows a disciplined approach toward its order booking. They strictly ensure having a backlog, which will be executed within 7 months of winning the order. They make sure to tie up RM requirement for the entire OB with their vendors.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,851	16,162	17,032	18,203	22,357
EBITDA	2,309	3,223	3,492	3,750	4,650
EBITDA Margin (%)	16.7	19.9	20.5	20.6	20.8
APAT	2,000	3,074	3,256	3,502	4,230
EPS (Rs)	197.6	303.7	321.8	346.1	418
EPS (% chg)	50.6	53.7	6.0	7.6	20.8
ROE (%)	19.5	25	22.2	20.5	21.4
P/E (x)	66.1	43.0	40.6	37.7	31.2

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-0.9	31.3	79.2	183.35
Rel to Nifty	0.3	22.7	54.6	129.9

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Dr Lal Pathlabs

Stable pricing environment; Swasthfit ramp-up to continue

CMP	MCap (Rs bn)	TP & Rating
Rs3,207	268	Rs3,500 | BUY

We hosted Shankha Banerjee - CEO and Ved Goel - CFO

Key Meeting-Takeaways

- The management views the impact of organized players in the hospital segment venturing into lower tiers to be low, as their diagnostics chain rely on the brand of the hospital they represent. Building a large catchment area where the brand is not strong remains a key limitation for such chains.
- Shift of customers to SwasthFit from individual tests could cannibalize overall footfalls, hence, sample growth would be a correct indicator of volume trajectory.
- The management remains confident of ramping up revenues at Suburban by various B2C focused campaigns, channel expansion, and branding initiatives. The company is focusing on core geographies like Mumbai, Goa and Pune under the Suburban brand.
- Currently, the company boasts net cash of ~Rs10bn which the management aspires to deploy on inorganic growth in the southern market.
- Higher growth in the core portfolio remains challenging and the management targets growing top-line higher than the growth witnessed in FY24, without taking any price hikes but by focusing on better product mix.
- While bundled tests have assisted in increasing realization per patient, they have resulted in lowering the realization per test, as these bundled offerings are priced ~20%-30% cheaper than individual tests. However, bundling remains margins accretive as the cost of servicing a patient is substantially lower resulting in operating leverage.
- The company has no plans of introducing advanced radiology owing to challenges in scaling up, and in addition to higher capex outflow.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	20,169	22,266	24,917	28,465	32,519
EBITDA	4,899	6,093	7,059	8,036	9,192
EBITDA Margin (%)	24.3	27.4	28.3	28.2	28.3
APAT	2,389	3,577	4,322	5,284	6,140
EPS (Rs)	28.7	42.8	51.8	63.3	73.6
EPS (% chg)	-30.7	49.4	20.8	22.3	16.2
ROE (%)	14.8	20.0	21.3	22.4	22.1
P/E (x)	111.8	74.8	61.9	50.7	43.6

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	9.6	43.6	30.7	34.5
Rel to Nifty	9.9	29.5	16.9	8.4

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Chalet Hotels

Your success is our success

Industry tailwinds aiding growth

CMP	MCap (Rs bn)	TP & Rating
Rs772	168	Rs850 | ADD

We hosted Nitin Khanna (CFO), Shwetank Singh (CSO), and Ruchi Rudra (Business Strategy and Head IR)

Key Meeting-Takeaways

- The company's strategy of hard asset-led capacity addition and operational efficiency places it in a sweet spot to capitalize on favorable industry dynamics. The demand supply arbitrage remains supportive and industry tailwinds should keep driving growth in upcoming quarters. The upcycle should last for the next 3-4 years.
- Goa is a very strong market. The proposed hotel will be set up on the beachfront with 170 rooms and will be a luxury 5-star deluxe hotel. Beachfront properties continue to have attractive rates. Since all approvals are already in place, the time to start construction would be short.
- 90% of the office portfolio of 2.4mnsqft should be leased out by the end of the year. With leasing for the new towers picking up pace, the unabsorbed costs for these new assets would average out over the course of next few quarters.
- The company continues to invest in its growth and has a capex plan of ~Rs15bn for the next 7 quarters for the announced projects, which will be largely funded through internal accruals except investments for the Goa Hotel.
- The current pipeline is healthy with the Delhi Airport (Taj Brand) and Hyatt Regency at Airoli expected in the next 2-3 years, along with room addition at The Dukes Retreat and Marriott Hotel in Whitefield Bengaluru.
- The company has a very robust asset management process. It remains focused on the upper scale-to-luxury segment and has been diversifying outside Mumbai.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	11,285	14,173	17,865	21,002	24,357
EBITDA	4,528	5,846	8,244	10,027	12,069
EBITDA Margin (%)	40.1	41.2	46.1	47.7	49.6
APAT	1,833	2,782	4,233	5,596	7219
EPS (Rs)	8.9	13.5	19.4	25.7	33.1
EPS (% chg)	-	51.4	43.4	32.2	29.0
ROE (%)	12.7	16.4	16.5	15.7	17.2
P/E (x)	86.4	57.0	39.8	30.1	23.3

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.1	-4.9	-7.1	56.9
Rel to Nifty	-4.6	-13.0	-16.3	26.3

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Happiest Minds

Emkay
Your success is our success

Transformational changes to aid growth trajectory

CMP	MCap (Rs bn)	TP & Rating
Rs751	114	NA | NA

We hosted Sunil Gujjar (Head of IR), Happiest Minds

Key Meeting-Takeaways

- The transformational changes implemented will benefit the company starting FY25. These changes include establishing a new business unit focused on GenAI business called 'GBS', creating a new vertical organization structure comprising of six industry groups, integrating the Product Engineering and Digital Business services businesses into a single business unit called 'PDES', and acquiring three strategic assets – PureSoftware, Aureus Tech Systems, and Macmillan Learning.
- The company has lowered its FY25 revenue growth outlook to 30-35% (from 35-40%) factoring in softness in H1FY25 organic growth and closure timelines of acquisitions. It retained 20-22% adj. EBITDAM (incl. other income) guidance for FY25. The management is committed toward achieving its vision of US$1bn revenue by 2031 (~5x of FY24 revenue; implied revenue CAGR of ~22%), 30% of which will come from inorganic means.
- The management highlighted that client spends are getting impacted due to macro uncertainties. Demand environment may improve in CY25 with expected rate cut in the US, clarity on US election outcome, and macro stability.
- PureSoftware and Aureus have higher presence in the Healthcare and BFSI verticals. Hence, post their acquisition, the revenue contribution from Healthcare and BFSI verticals are expected to increase substantially.
- The GenAI business unit sees opportunities in contextual chatbots, learning simulators, contract management sentiment analysis, and content generation.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	6,982	7,734	10,937	14,308	16,267
EBITDA	858	1,910	2,516	3,525	3,359
EBITDA Margin (%)	12.3	24.7	23.0	24.6	20.6
APAT	827	1,625	1,856	2,356	2384
EPS (Rs)	5.4	10.7	12.2	15.5	15.7
EPS (% chg)	208.1	96.4	14.3	26.9	1.2
ROE (%)	117.6	41.9	30.6	31.3	20.6
P/E (x)	138.3	70.4	61.6	48.6	48.0

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-9.5	-7.7	-9.2	-15.9
Rel to Nifty	-8.2	-15.1	-17.8	-32.3

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KPIT Technologies

Your success is our success

Trucks and Off-highway equipment to be the new growth engine

CMP	MCap (Rs bn)	TP & Rating
Rs1,788	490	NA | NA

We hosted Sunil Phansalkar (Head of Investor Relations), KPIT Technologies

Key Meeting-Takeaways

- While the mobility industry is going through certain pressures on the demand and profitability fronts, the company is proactively investing in creating large and differentiated offerings to support clients reduce their costs and time-to-market.
- KPIT is investing in adjacencies (trucks and off-highway vehicles) and newer geographical markets. These investments are expected to create meaningful growth opportunities, paving the way for fair demand visibility in the medium term.
- KPIT intends to increase its spending in the US owing to expectation of gradual demand recovery. The growth is likely to be driven by: i) passenger cars led by OEM, ii) increasing engagement with global OEMs, and iii) new growth engine of off-highway equipment.
- The management has guided to achieve revenue growth within the range of 18%-22% with an EBITDA margin of over 20.5%. It intends to invest back any margin benefit in the form of R&D expense to create a solution for adjacencies.
- KPIT is focused on making Software Defined Vehicles (SDV) a reality. It is working on productivity and competency improvement, aided by AI, to offer differentiated offerings to clients.
- The management is considering the acquisition route to gain client access in the CV space.
- The management expects EVs to continue its growth momentum as benefit of input cost reduction is passed through to the end consumer.
- The company is looking to add another partner with minority stake in Qorix (JV with ZF).

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	21,562	20,357	24,324	33,650	48,715
EBITDA	2,802	3,071	4,385	6,329	9,908
EBITDA Margin (%)	13.0	15.1	18.0	18.8	20.3
APAT	1,538	1,411	2,800	3,805	5922
EPS (Rs)	5.6	5.1	10.2	13.9	21.6
EPS (% chg)	92.7	-8.3	98.4	35.9	55.7
ROE (%)	15.3	12.5	22.3	25.7	31.2
P/E (x)	318.6	347.3	175.0	128.8	82.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.2	19.4	9.2	58.6
Rel to Nifty	-2.8	9.9	-1.2	27.7

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Nazara Technologies

Your success is our success

New launches and IP partnerships to be the key growth driver

CMP	MCap (Rs bn)	TP & Rating
Rs922	71	NA | NA

We hosted Sudhir Kamath (Chief Operating Officer), Nazara Technologies

Key Meeting-Takeaways

- The initiatives taken in FY24 in the form of new publishing platform, new game launches, IP partnerships, acquisitions, and a healthy M&A pipeline are expected to yield results from FY25.
- The management is focused on driving profitable growth, led by both organic and inorganic (acquiring companies with good potential for scalability) growth. It targets to achieve a minimum of Rs3bn EBITDA by FY27, implying ~2.3x growth over FY24.
- Nazara is exploring growth opportunities like IP licensing to expand the game beyond the current user acquisition efforts. The company is focused on improving operating efficiencies through new product launches and cost optimization.
- The management believes that Nazara has a smaller presence in the US with large room for growth, hence it aims at expanding further in the US.
- WildWorks is looking to integrate popular IPs into Animal Jam to drive user acquisition and is working on a major new game to be launched in FY25.
- The management plans to license and integrate globally-popular kids IPs in the Kiddopia app (increased 48% stake recently) to boost subscriber numbers organically and grow Kiddopia beyond the constraints seen in the last few quarters due to challenges in scaling user acquisition.
- With the recently-announced acquisition of Fusebox, the management sees a large opportunity in building an IP-based global gaming business that benefits from Nazara's Indian base, where it can support global studios through enhanced user acquisition strategies, data analytics, live operations, and new initiatives like implementing its in-house AI playbook.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,475	4,542	6,217	10,910	11,383
EBITDA	-75	387	860	1,003	829
EBITDA Margin (%)	-3.0	8.5	13.8	9.2	7.3
APAT	-37	88	272	375	713
EPS (Rs)		1.1	3.6	4.9	9.3
EPS (% chg)	-	-	209.2	38.0	90.1
ROE (%)	-	1.5	3.2	3.5	4.1
P/E (x)	-	802.6	259.6	188.1	99.0

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	1.7	50.3	9.1	39.2
Rel to Nifty	3.2	38.3	-1.4	12.0

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Quess Corp

Sustaining robust growth; demerger to simplify structure

CMP	MCap (Rs bn)	TP & Rating
Rs683	102	NA | NA

We hosted Guruprasad Srinivasan (CEO) and Kamal Pal Hoda (CFO), Quess Corp

Key Meeting-Takeaways

- The GoI's focus on job and employment and financial assistance to companies adding jobs will give the company opportunities for growth. The recent budget announcements are positive directionally, but the fine print will provide exact details. Implementation of the labor laws is also positive for the industry and the company.
- Within BFSI, clients are attempting to balance their priority between transformation and cost-optimization projects. The company has ~70k associates in the manufacturing vertical and has already conducted 4 job spots with a few more in the pipeline.
- There are some green shoots in IT staffing with recovery expected in the second half of the year. GCCs continue to witness strong growth.
- The company is internally enhancing its leadership, refining processes, bolstering operational capabilities, and establishing a leadership position in their respective sectors, in the run-up to the demerger. A new CEO has been recently hired for the GTS segment. The company has received SEBI approval for the demerger and the NCLT approval should take another 7-8 months. The entire process should be completed in FY25. The focus remains on paring debt before the demerger.
- The company continues to take benefit of Section 80JJA deductions. While the previous claims have been disallowed, the company has contested it and hearings in the Tribunal should happen soon.
- Foundit should breakeven in FY25 after reporting losses in prior years, as it had made investments in product development and marketing.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	109,915	108,369	136,918	171,584	191,001
EBITDA	-176	4,494	5,549	5,888	6,663
EBITDA Margin (%)	-0.2	4.1	4.1	3.4	3.5
APAT	1,687	435	2,341	1,859	3002
EPS (Rs)	11.4	2.9	15.7	12.5	20.2
EPS (% chg)	-32.8	-74.2	438.1	-20.6	61.5
ROE (%)	6.7	1.9	9.8	7.4	10.9
P/E (x)	60.7	235.5	43.8	55.1	34.1

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	10.2	5.8	44.0	66.1
Rel to Nifty	11.9	-3.1	29.7	33.7

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SIS

Emkay
Your success is our success

Focusing on improving margins

CMP	MCap (Rs bn)	TP & Rating
Rs415	60	NA

We hosted Vineet Toshniwal (President, M&A) and Shweta Jain (AVP, M&A & IR)

Key Meeting-Takeaways

- Security business offers better stickiness as compared to the staffing segment. Security business are also more outcome based with clearly-defined SLAs. SIS has retention rates above 90%.
- The company does not work on fixed-price contracts. It can grow faster by offering lower-priced contracts, but it continues to grow in a disciplined manner focusing on the long term.
- The focus remains on improving margins in terms of cleaning up customer contracts and rationalizing SG&A costs. Margins in Facility Management should improve as old low-margin contracts get completed. International Business should remain at 4-4.5% margin. The management does not see downside risks from the current margins.
- The process for demerging the cash management business is currently underway with bankers having been appointed. There should be some more clarity surrounding this by the next quarter.
- The Indian security business has grown at 1.5-2x that of GDP. The segment can grow at the rate of 12% for SIS while the aim is to increase this to 15%. Facilities Management should grow faster at above 15%, whereas International growth should be slower.
- The company is well diversified across geographies within the country as well as in verticals. The flagship company focuses on the core industry with very little residential exposure.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	84,852	91,273	100,591	113,458	122,614
EBITDA	5,160	2,445	4,985	4,915	5,189
EBITDA Margin (%)	6.1	2.7	5.0	4.3	4.2
APAT	2,237	5,716	3,240	3,430	1875
EPS (Rs)	15.5	39.7	22.5	23.8	13.0
EPS (% chg)	3.8	155.5	-43.3	5.9	-45.3
ROE (%)	17.0	35.5	16.6	15.6	7.9
P/E (x)	26.7	10.5	18.5	17.4	31.9

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-7.1	0.6	-7.6	-10.8
Rel to Nifty	-5.7	-7.4	-16.4	-28.2

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Piramal Enterprises

Focusing on building a strong, profitable 'Growth Book'

CMP	MCap (Rs bn)	TP & Rating
Rs882	199	Rs1,000 | ADD

We hosted Sridharan (MD - PCHFL), Ravi Singh (Head- IR), and Ruchika Jain (AVP-IR)

Key Meeting-Takeaways

- The growth book now forms 82% of the overall AUM, and the management expects the legacy book (wholesale 1.0) to shrink to 10% by Mar-25.
- Overall asset quality remained robust, with >90DPD in retail restricted to 0.6% and NIM slippage in its wholesale 2.0 book.
- Margins are expected to remain under pressure for the next 2-3 quarters. The management informed that it has recently taken a rate hike of 25bps in Aug-24 and has been increasing the share of high-yield product in its secured HL and LAP segment which is expected to support overall NIM.
- With regard to its legacy book, the management stated that it sold one land parcel and used Rs2.6bn of management overlay in Q1.
- The management is confident that even if the credit cycle turns, the company will be better off on account of tis prudent customer selection and stringent underwriting policy. The approval ration in HL is ~25-27% compared with the industry average of 32-35%; in USL, the approval rate is only 15%.
- In terms of asset and liability mix, the management indicated that it targets maintaining a 60/40 mix of secured/unsecured in AUM, and a 50/50 fixed/floating rate borrowing mix.
- Regarding concerns around Micro Finance and Digital Lending, the management highlighted that PIEL is a multi-product company and hence a slow down in one product will be compensated with good growth in another product, thus keeping the overall growth trajectory intact.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net income	50,924	49,638	52,289	68,097	89,536
Adj. Net profit	99,686	-16,835	11,120	15,935	25,638
Adj. EPS (Rs)	79.7	-20.5	13.9	48.7	91.9
Adj. ABV (Rs)	1158.1	1029.9	1,064	1,114.3	1,194
RoA (%)	NA	NA	1.5	1.8	2.3
RoE (%)	NA	-NA	4.7	6.5	9.9
P/E (x)	11.1	NA	63.5	18.1	9.6
P/ABV (x)	0.8	0.9	0.8	0.8	0.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-5.9	6.3	-0.1	-13.9
Rel to Nifty	-4.5	-2.2	-9.6	-30.7

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Hindustan Oil Exploration Company

Your success is our success

Charting growth while refining execution

CMP	MCap (Rs bn)	TP & Rating
Rs252	33	Not Rated

We hosted R Jeevanandam – MD, and G Josephin Daisy - Company Secretary

Key Meeting-Takeaways

- HOEC's net production stood at 2,443boepd in Q1FY25, while that for FY24 was 2,730boped. The management plans to boost production ~3-4x, to ~10,000boepd by FY28, largely driven by production growth in key assets such as Dirok and B-80. Besides, the company is seeing increased output from Kharsang, PY-1, and Cambay, largely supported by comprehensive workovers and well drilling efforts.
- HOEC currently has a 60% participating interest in B-80 and intends to acquire the remaining 40%. The company has operationalized well D1, and the blockage in the export line has been cleared. However, due to the waxy nature of the extracted oil (>19% wax content), asphalt formation occurs, necessitating continuous steam injection. The management plans to drill 4 additional wells in B-80, with 3 expected to be operational by FY27, potentially increasing production to ~8,000boepd.
- The management expects the NE gas grid to be operational by FY25-end which will alleviate demand constraints and allow production from Dirok to increase, from 22.65mmscfd in Q1FY25 to ~40mmscfd. workover for wells Dirok-1 and Dirok-2 is complete, while that for Dirok-4 is still in progress. After completion of the workover, Dirok could potentially produce up to 55mmscfd of gas.
- HOEC has completed the seismic study at PY-1 which shows varying outcomes; some estimates place total reserves at 125bcf, while other estimates see these at up to 500bcf. The study has been submitted for expert review, and once there is clarity on the reserves, the company will immediately commence drilling activities, as all necessary infrastructure is already in place. The company plans to drill 9 wells in Kharsang (including deeper prospects), to boost production. Further, 9 wells will be drilled after reviewing production data, while a deep exploratory well targeting Lower Griujan, Tipam, and Barail is also under consideration. Also, the company plans to drill 2 horizontal/ lateral wells each, in Asjol and North Balol, in FY25 for which it has obtained the necessary environmental clearance.
- Total capex target for the next 3 years is ~US$125mn, comprising of US$20mn for FY25 and US$50mn each for FY26 and FY27. The company intends to finance the capex entirely through internal accruals, without incurring any debt.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,021	1,139	1,557	5,589	7,491
EBITDA	1,246	410	439	3,001	3,079
EBITDA Margin (%)	61.7	36.0	28.2	53.7	41.1
APAT	1,066	340	543	2,051	1,965
EPS (Rs)	8.1	2.6	4.1	15.5	14.9
EPS (% chg)	(30.8)	(68.1)	59.7	277.5	(4.2)
ROE (%)	17.5	4.8	7.3	24.1	18.5
P/E (x)	31.2	97.9	61.3	16.2	16.9

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	8.4	30.9	36.4	5.9
Rel to Nifty	10.0	20.5	23.4	-14.8

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Mahanagar Gas

Charting a steady growth trajectory

CMP	MCap (Rs bn)	TP & Rating
Rs1,730	171	Rs2,100 | Buy

We hosted the senior management of MGL

Key Meeting-Takeaways

- Guidance on long-term volume CAGR is maintained at 6-7%, which is better than previous volume growth average of 5-6%. The company also expects double-digit growth in the I/C segment in FY25. Steady growth in the DPNG segment is expected to continue. The company's EBITDA/scm is expected to be in the Rs10-12 range.
- APM gas allocation stood at 69% in Q1, with a similar current run-rate. The company plans to keep adding HP-HT volumes, to counter lower APM allocation, and thereby keeping blended gas costs in the priority segment largely stable.
- MGL is witnessing >1,000 LCV additions per quarter, while the total LCV universe is ~28k. The management guides to mid-teens volume CAGR for UEPL, with volumes reaching 1.0-1.3mmscmd in the next 6-7 years, supported by infrastructure expansion and higher adoption. UEPL's unit EBITDA is similar to MGL's run-rate.
- MGL expects to add 200 MSRTC buses in the next 2 quarters, with per-day consumption run-rate per bus at 80-90kg. Total buses run by MSRTC are 17k, of which 6k buses touch MGL's GAs. Steady growth in the DPNG segment is expected to continue.
- FY25 target for CNG station additions in SA/UEPL is 50/25 vs. historical average of ~20 in SA. MGL operates 1 LNG station in Savroli which clocked 3k kg/day volumes in Q1; current run-rate is 4.1k kg/day and peak potential is 12-13k kg/day. MGL has now tied up with Baidyanath LNG to set up LNG stations hereon.

Financial Snapshot (Standalone)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	62,993	62,445	66,152	71,777	77,494
EBITDA	11,842	18,426	17,495	19,027	20,769
EBITDA Margin (%)	18.8	29.5	26.4	26.5	26.8
APAT	7,900	12,891	12,219	13,187	14,431
EPS (Rs)	80.0	130.5	123.7	133.5	146.1
EPS (% chg)	32.3	63.2	-5.2	7.9	9.4
ROE (%)	20.4	27.8	22.2	21.0	20.3
P/E (x)	21.6	13.3	14.0	13.0	11.8

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	2.0	31.3	16.1	75.5
Rel to Nifty	3.5	20.8	5.0	41.3

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Refer to important disclosures at the end of this report

Oil India

Your success is our success

Strong focus on production growth

CMP	MCap (Rs bn)	TP & Rating
Rs659	1,072	Rs700 | Buy

We hosted the senior management of Oil India

Key Meeting-Takeaways

- The management plans to drill 78/100 wells in FY25/26 vs 61 wells in FY24, with the 1st phase of IGGL likely to be by commissioned by Dec-24, supporting gas growth. OIL is operating 160-200 producing wells, with most producing both, oil and gas. The company witnessed 50-60% success rate in exploratory well drilling vs 30% run-rate considered by others.
- Production growth is attributed to improvement in drilling efficiency and better tech deployment, besides optimizing usage of rigs and saving 1-month idle time per rig for testing activities through the use of small workover rig, and using the main rig in another location. This has helped OIL to drill more wells using the same rigs. It has a fleet of 20 rigs currently.
- The NE region has a potential of 5.5bn toe, with total established reserves of ~2bn toe till date, and ~3.5bn toe yet to be discovered. The management believes there is gas demand of 3-3.5bcm in the NE region which it will cater. The balance would be supplied to mainland India (of the total target of >5bcm). Capex target for FY25 for SA/NRL is Rs68.8/96.6bn.
- Current physical progress of the NRL expansion is ~65%, with the management expecting completion by Dec-25-end. NRL has invested Rs190bn in the project till date, of the total cost of Rs280bn.
- The company awaits clarity from DGH, related to premium gas pricing for new wells and interventions; US$0.25/mmbtu APM gas price hike would be applicable from Apr-25, in line with the new domestic gas pricing guidelines.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	410,389	363,036	380,264	401,034	775,975
EBITDA	152,681	125,042	138,483	141,564	172,531
EBITDA Margin (%)	37.2	34.4	36.4	35.3	22.2
APAT	87,416	78,560	91,722	93,198	105,270
EPS (Rs)	53.7	48.3	56.4	57.3	64.7
EPS (% chg)	55.5	(10.1)	16.8	1.6	13.0
ROE (%)	25.3	20.0	17.5	15.8	16.2
P/E (x)	12.3	13.6	11.7	11.5	10.2

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.2	59.5	98.2	253.8
Rel to Nifty	8.8	46.8	79.3	184.8

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Alembic Pharma

CMP	MCap (Rs bn)	TP & Rating
Rs1,062	209	N/A

We hosted Ajay Kumar Desai (SVP – Finance)

Key Meeting Takeaways

- India business performance in 1Q was impacted by heatwaves in some markets; new launches are seeing good traction; the Animal Health business is witnessing robust growth driven by a basket of strong brands
- Expect the US business to grow 10-12% in FY25; 1Q growth was higher on account of some lumpiness; US will see 10 new launches in 2Q (5 oral solids and 5 in other dosage forms)
- Seeing an uptick in supplies to the US from new facilities; expect more products from these facilities by the end of FY25; focusing on getting a few products launched from the general injectables facility
- The share of oral solids in US revenue will come down in the long run, though it will remain above 50%
- Continue to see double-digit price erosion in the US
- Growth in ROW markets in 1Q was impacted by supply constraints while the API business performance was impacted by a high base; expect an uptick in growth in both the segments in subsequent quarters
- See R&D spend of Rs5.5bn in FY25; expect a YoY improvement in EBITDA margin and see margins inching closer to the 18-20% range over the next 2-3 years on the back of an increase in the utilization of new facilities

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	46,058	53,931	53,058	56,526	62,286
EBITDA	11,794	14,803	8,742	6,775	9,324
EBITDA Margin (%)	25.6	27.4	16.5	12.0	15.0
APAT	8,619	11,413	5,182	3,459	6128
EPS (Rs)	43.8	58.1	26.4	17.6	31.2
EPS (% chg)	48.0	32.4	-54.6	-33.2	77.2
ROE (%)	29.0	27.5	10.1	7.2	13.3
P/E (x)	24.2	18.3	40.3	60.4	34.1

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.7	10.0	8.3	34.3
Rel to Nifty	9.3	1.3	-2.0	8.1

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Gufic Biosciences

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CMP	MCap (Rs bn)	TP & Rating
Rs344	34	N/A

We hosted Avik Das (Head - Investor Relations)

Key Meeting Takeaways

- Expect commercial production at the Indore facility to commence in Sep-2024; transfers from Navsari, for products with capacity constraints, to Indore have commenced; targeting Rs15bn revenue in 4-5 years
- In its direct-to-hospital distribution division, the company is entering new markets such as Tamil Nadu and expanding its product portfolio; the company will soon be launching contrast media products
- In the aesthetic dermatology division, the company's flagship product, Stunnox, is now ranked 2nd in the botulinum toxin market; expect further increase in the overall market size and market share
- In the Ferticare division, the company is focusing on new product development and field force expansion while maintaining its market share in key existing brands; Gufic Biosciences is currently the 4th largest player in the Rs45bn infertility market
- The company is working on a new potassium channel inhibitor which will compete in the Rs30bn market for proton pump inhibitors; has better long-term tolerability with similar efficacy vs proton pump inhibitors
- In CMO, the company is one of the largest manufacturers of lyophilized injections in India; plan to increase market share in contract manufacturing of other drug delivery systems

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,788	4,877	7,792	6,906	8,067
EBITDA	521	839	1,480	1,347	1,459
EBITDA Margin (%)	13.8	17.2	19.0	19.5	18.1
APAT	227	442	958	797	861
EPS (Rs)	2.3	4.4	9.6	7.9	8.6
EPS (% chg)	3.5	95.0	116.7	-16.8	8.1
ROE (%)	22.2	29.2	43.3	25.8	19.6
P/E (x)	152.1	78.0	36.0	43.3	40.0

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.5	5.3	3.9	20.9
Rel to Nifty	-2.0	-3.1	-6.0	-2.7

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J. B. Chemicals and Pharmaceuticals

CMP	MCap (Rs bn)	TP & Rating
Rs1,969	306	N/A

We hosted Jason D'Souza (EVP - IR, M&A, and ESG) and Ayush Garg (Manager - IR, M&A, and ESG)

Key Meeting Takeaways

- The domestic business now accounts for 60% of overall revenue vs 44% in FY21; expect the domestic business to continue to grow ahead of the broader market
- See mid-teens growth in the domestic business for the next 5-7 years; don't see the need for a significant expansion in field force
- The acquired portfolios are witnessing strong growth momentum; expect the ophthalmic business to scale up to Rs1.8bn in FY25
- 65% of the domestic cardiac portfolio is growing ahead of the market vs 35% 3-4 years ago
- The CDMO business saw muted performance in 1Q owing to a weak cough and cold season; expect the business to witness an uptick in 2HFY25 and deliver double-digit growth for the full year
- See EBITDA margin in the range of 26% to 28% in FY25; gross margin should be in the range of 65 to 66%
- Expect the South Africa business to post growth in 2HFY25; have rationalized the tender business over the last 5 quarters
- Do not plan to significantly scale up the US business (US$50-55mn in 3-4 years vs around 30-35mn currently)
- EBITDA-to-CFO conversion has improved meaningfully; expect to repay all outstanding debt by the end of FY25

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	17,747	20,425	24,242	31,493	34,842
EBITDA	3,676	5,604	5,435	6,958	8,969
EBITDA Margin (%)	20.7	27.4	22.4	22.1	25.7
APAT	2,593	4,010	3,573	4,069	5409
EPS (Rs)	16.7	25.8	23.0	26.2	34.9
EPS (% chg)	43.0	54.6	-10.9	13.9	32.9
ROE (%)	17.8	24.7	18.1	17.6	20.0
P/E (x)	117.8	76.2	85.5	75.1	56.5

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	12.5	9.5	17.5	47.2
Rel to Nifty	14.2	0.8	6.3	18.5

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Natco Pharma

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CMP	MCap (Rs bn)	TP & Rating
Rs1,459	261	N/A

We hosted Rajeev Menon (Manager - Investor Relations)

Key Meeting Takeaways

- See healthy Revlimid sales in 2Q; the ex-Revlimid business has also witnessed growth, as well as an improvement in margins; expect profit growth of 20% YoY in FY25
- Supplies to the US from the Kothur facility continue; the company has started moving key filings to the Vizag facility even as it continues remediation work at Kothur; injectables are being moved out to a CMO; all Revlimid strengths have been moved to the Vizag facility
- Sole FTF in Wegovy (weight loss); sole FTF in some strengths in Ozempic (diabetes); have a profit-sharing agreement with Mylan and the CMO partner (Stelis) for Semaglutide; all 3 filings in 1Q were FTFs
- Agrochem saw muted performance in 1Q owing to higher discounts; expect an uptick in upcoming quarters; would want agrochem to scale up to Rs250-300cr in 2-3 years
- Canada has seen its highest turnover ever; other subsidiaries are also doing well; have multiple filings across markets
- Dividend payout unlikely to increase; will retain cash (Rs30bn by the end of FY25) for a potential acquisition to expand presence into new markets outside India (Africa/Western Europe)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	19,150	20,521	19,448	27,071	39,988
EBITDA	5,826	6,062	2,635	9,356	17,514
EBITDA Margin (%)	30.4	29.5	13.5	34.6	43.8
APAT	4,483	4,171	1,374	7,009	13883
EPS (Rs)	25.0	23.3	7.7	39.1	77.5
EPS (% chg)	-29.3	-7.0	-67.1	410.1	98.1
ROE (%)	12.3	10.6	3.3	15.3	25.9
P/E (x)	58.3	62.7	190.2	37.3	18.8

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	23.2	47.4	64.9	76.8
Rel to Nifty	25.0	35.6	49.2	42.3

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Dollar Industries

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Growth expected to improve in coming quarters; Project Lakshya improving business health

CMP	MCap (Rs bn)	TP & Rating
Rs476	27	NA | NR

We hosted Ajay Kumar Patodia (Chief Financial Officer)

Key Meeting-Takeaways

- DOLLAR maintained its annual guidance of 12-13% growth despite muted Q1 trends. Sales in Q1 were impacted due to implementation of SAP-ERP which led to billing-related issues. DOLLAR indicated ~Rs400-450mn sales will spillover in Q2 due to this impact and the issue is resolved for now.
- Project Lakshya is already rolled out in 13 states and the company has plans to launch the same in MP, HP, and Jharkhand this year. In the initial launch states ~85-90% distributors have been converted to Project Lakshya giving DOLLAR a better control over its channel inventory. However, challenges remain for non-Lakshya distributors with regards to lowering of inventory days and implementation of DMS.
- The contribution of Project Lakshya distributors stood at 26.3% in FY24 up from 18.6% in FY23. It aims to take this contribution to 65-70% range by FY26, aiding in market share gains and working capital improvement.
- DOLLAR aims to open 100-120 EBOs by FY26, led by focus on premiumization and increase share of high-margin products to ~33%. With better control on inventory in EBO, working capital days are likely to optimize to 125-130 from ~150 currently.
- DOLLAR's marketing expense is likely to remain at 6-6.5% range; however, the company's marketing strategy has changed with more focus on promoting the main 'DOLLAR' brand instead of sub-brands. Changes have been reflected in product designs as well for the same.
- With stable input costs DOLLAR remained confident of achieving sustainable gross margin of ~34% and EBITDA margin of 11.5-12% by FY26.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	9,671	10,370	13,425	13,938	15,723
EBITDA	1,036	1,365	2,187	936	1,581
EBITDA Margin (%)	10.7	13.2	16.3	6.7	10.1
APAT	573	853	1,471	524	902
EPS (Rs)	10.1	15.0	25.9	9.2	15.9
EPS (% chg)	-22.1	48.8	72.3	-64.4	72.3
ROE (%)	13.1	17.1	24.4	7.6	12.1
P/E (x)	47.1	31.6	18.4	51.6	29.9

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-8.3	-19.9	0.3	19.2
Rel to Nifty	-6.9	-26.3	-9.2	-4.0

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DP Abhushan

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Network expansion to boost growth

CMP	MCap (Rs bn)	TP & Rating
Rs1,302	29	NA | NR

We hosted Santosh Kataria (Chairman & Managing Director)

Key Meeting-Takeaways

- DP Abhushan projects sales to be ~Rs30/38bn for FY25/26. Although recent margins have been better due to natural hedging policy, EBITDA margin is expected to be in the 5-6% range. It aims to clock Rs1.8bn PAT by FY28.
- DP Abhushan expects 3 new store adds in FY25 mainly in Ratlam (MP), Neemuch (MP), and Ajmer (Raj.). Ratlam showroom is expected to be the flagship ranging at 8-10ksqft. Most of the stores remain on rental basis including new additions and it is paying ~Rs80-100 per sqft in rent. It maintained its guidance to reach the 20 store count by FY28 vs 8 stores currently. It plans to expand in existing regions and foray in Tier 2/3 cities of new regions like Chhattisgarh and Gujarat in upcoming five years.
- DP Abhushan reported a subdued growth in Q1 (~7%) led by Bhopal/Ujjain/Indore stores delivering 18%/17%/12% growth, whereas Udaipur de-grew ~15%. Demand trends are likely to improve going ahead with expectation of better festive/wedding demand in H2.
- Old gold sale program contributes ~20-25% of sales whereas gold saving scheme forms 3-5%. It maintained its guidance to achieve 15% studded share gradually in 3-4 years vs 6% currently.
- Being majorly in Tier 2/3 cities, wedding jewelry contributes >50%. New SIS model in Indore showroom to cater specifically to wedding customers and provide them differentiated experience/hospitality has aided in charging better making charges. It plans to roll out more of the same concept.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	8,086	12,182	17,314	19,751	23,400
EBITDA	343	513	750	785	1,002
EBITDA Margin (%)	4.2	4.2	4.3	4.0	4.3
APAT	167	274	406	453	619
EPS (Rs)	7.5	12.3	18.3	20.4	27.8
EPS (% chg)	41.5	64.4	48.1	11.6	36.5
ROE (%)	27.2	32.9	34.5	28.4	29.5
P/E (x)	173.6	105.6	71.3	63.9	46.8

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-3.7	1.9	84.7	253.6
Rel to Nifty	-2.3	-6.2	67.1	184.6

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Sapphire Foods

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KFC driving EBITDA growth; PH revival to take some time

CMP	MCap (Rs bn)	TP & Rating
Rs1,536	98	Rs1,700 | ADD

We hosted Sanjay Purohit (CEO) and Vijay Jain (CFO)

Key Meeting-Takeaways

- Sapphire acknowledged that dine-in slowdown is throughout the industry, and it is also witnessing the same. It has focused on menu innovation and value/lunch offerings to improve growth in this channel for KFC and is also conducting trials with coffee as well to gain back lost ADS. Coffee market seems to be booming in India and Sapphire sees a huge opportunity in that space to increase eating out occasions/fill portfolio gaps.
- Q1 was a weak quarter for KFC and Sapphire usually waits for 2-3 quarters of sub-par performance before adopting a cautious approach for the brand, like it did for PH. However, it expects trends to improve in H2 with the onset of festive season. KFC's opportunity for expansion remains high with China having >10k outlets and an India-like population.
- KFC is focusing on value offers (Snacker@99/Lunch@149) and new launches (Intl. Burger range, Rolls, and Krushers) to gain traction. Efforts for digitization are also continuing with Kiosks installed at 40% of KFC's outlets. PH revival is a long journey and the launch of Melts@169 along with higher commercial marketing has aided in 17% sequential uplift vs the typical 6-8% uplift in Q1.
- Yum brands has been able to enjoy favorable terms with aggregators basis its high store count and brand of portfolios benefiting Sapphire.
- KFC expansion is expected to pick up in the coming quarters with a target of crossing the 500-store mark by Q3FY25 (vs 442 stores at Q1-end). PH expansion is expected to remain muted in FY25.
- With multiple brands, SAPPHIRE remains confident of growth in the medium term without having the need to search for new growth levers.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,656	25,943	29,448	35,839	43,691
EBITDA	4,284	4,613	5,337	7,070	8,993
EBITDA Margin (%)	18.9	17.8	18.1	19.7	20.6
APAT	2,332	520	588	1,297	2,042
EPS (Rs)	36.7	8.2	9.3	20.4	32.0
EPS (% chg)	407.1	-77.7	13.2	120.5	56.9
ROE (%)	20.6	4.0	4.3	8.9	12.5
P/E (x)	41.9	187.9	166.0	75.3	48.0

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-1.0	11.0	13.1	13.5
Rel to Nifty	0.5	2.1	2.3	-8.6

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Senco Gold

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Growth trends improve in Q2; big duty cut favorable for the long term

CMP	MCap (Rs bn)	TP & Rating
Rs1,099	85	Rs1,400 | BUY

We hosted Suvankar Sen (MD & CEO) and Sanjay Banka (CFO)

Key Meeting-Takeaways

- Senco remained confident of 18-20% growth for FY25 with ~11-12% growth contributed via SSG, and the balance from network expansion. With a healthy pipeline for both COCO/FOFO formats it will add 18-20 stores in FY25. International expansion is expected to occur in a calibrated manner; however, SENCO remains open toward franchisee-led opportunity to accelerate.
- Industry outlook is encouraging given the recent duty cut announcement in Union Budget; SENCO also witnessed an increase in footfall/frontloading of wedding-related buying after that. Shift to organized is likely to continue given favorable regulations. However, customs duty is already paid for gold metal loans and a 900bps duty cut will give a Rs0.5bn hit to P&L, which shall be distributed over the next 2-3 quarters.
- Gross margin is expected in the 14-15% range with EBITDA in the 7-8% range for FY25. Margins are expected to improve gradually with SENCO aiming to improve its stud ratio by ~100bps to 12% in FY25.
- SENNES is witnessing good traction but has not reached breakeven yet; sales are expected at ~Rs0.5-1bn in the current year. Natural diamond category is witnessing impact from LGD but is limited to higher caratage only.
- The overall gold hedging for Q1 was ~95%, in line with its risk management policy. The management will continue its current policy to avoid price volatility-related losses.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	40,774	52,414	63,197	74,900	88,452
EBITDA	3,166	3,755	5,289	6,072	7,312
EBITDA Margin (%)	7.8	7.2	8.4	8.1	8.3
APAT	1,585	1,810	2,916	3,106	3810
EPS (Rs)	22.9	23.3	37.5	40.0	49.0
EPS (% chg)	18.0	1.6	61.1	6.5	22.7
ROE (%)	19.0	15.7	19.8	18.1	18.7
P/E (x)	48.0	47.2	29.3	27.5	22.4

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	13.7	27.2	44.2	170.8
Rel to Nifty	15.4	17.1	30.5	118.0

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Westlife Foodworld

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Vision 2027 is intact; some green shoots but not yet out of the woods

CMP	MCap (Rs bn)	TP & Rating
Rs800	125	Rs875 | REDUCE

We hosted Chintan Jajal (Head - Investor Relations and Strategy)

Key Meeting-Takeaways

- WESTLIFE maintained its 'Vision 2027' guidance for store expansion at 45-50 annual additions with focus more on the southern region due to under-penetration. EBITDA margin is likely to see expansion to 18-20%. Margin is expected to continue tracking an improving trajectory with pickup in SSG and given cost controls. To offset the cost inflation, WESTLIFE plans to take a 3-4% price hike every year.
- WESTLIFE, in line with other QSR players, has faced continued demand challenges in the past 4-6 quarters led by weak macros and impact of external factors; WESTLIFE expects better traction in H2 with further strengthening of its value platform. It has already started seeing green shoots with arrest in the earlier declining eating-out trends.
- It has a continuous focus on menu refresh with the recent launch of entry-level McChicken Fiesta burger to fill portfolio gaps and value combos of 1+1 burger at Rs69. Seasonal launches like mango-flavored desserts in Q1 also gained good traction. The pilot launch of cookies/brownies on the McCafé platform has now rolled out to all outlets and the company expects McCafé to contribute 17-18% to Store AOV by 2027.
- The impact of global actions of McDonald's franchisees around the Israel-Palestine war, which started in Q3FY24, has been prolonged (vs initial expectations). However, baring the impact, SSG would have dipped 2-3% vs the reported dip of ~7%.
- The MyMcDonald's Rewards program continues to gain good traction and the management expects it to boost consumer-ordering frequency.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,775	23,918	25,743	30,408	35,199
EBITDA	3,815	3,693	3,610	5,266	6,393
EBITDA Margin (%)	16.7	15.4	14.0	17.3	18.2
APAT	1,116	692	310	1,259	1,809
EPS (Rs)	7.2	4.4	2.0	8.1	11.6
EPS (% chg)	-	-38.0	-55.2	305.8	43.7
ROE (%)	21.7	12.0	5.2	19.5	24.6
P/E (x)	111.8	180.2	402.2	99.1	69.0

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-6.3	-3.6	-2.5	-13.9
Rel to Nifty	-4.9	-11.3	-11.8	-30.7

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Aarti Pharmalabs

Multiple growth levers and customer support

CMP	MCap (Rs bn)	TP & Rating
Rs580	53	NA | NR

We hosted Rashesh Gogri - MD

Key Meeting-Takeaways

- The company has several ongoing capex projects in the xanthine derivatives products segment, along with a number of products in the pipeline, the CDMO/CMO business, at the commercial production stage. While xanthine products continue to ramp-up, we expect the margin-accretive CDMO/Intermediate business products to drive the outlook for the company.
- The management stated it is seeing strong traction in the xanthine derivatives space, as the company is the industry leader in the product; despite Chinese competition, the outlook remains bright. However, the management confirmed that pricing has been lower due to aggressive pricing by China; hence, the company is balancing contract and spot basis product supplies.
- In the CDMO/CMO segment, the company is presently working with 18 customers on 53 projects, of which 27 projects are in the commercial stage at the customer's end and 26 are in different stages of development at the customer's end.
- The management informed that the Atali Project, which is primarily focused on CDMO/CMO and intermediate manufacturing, is running on schedule, and the management expects it to be completed by Q4FY25-end.
- The Solar power plant coming up at Akola in Maharashtra will cater to one-third of the company’s power requirement in Maharashtra and reduce manufacturing expenses.

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	-	-	9,410	15,113	15,021
EBITDA	-	-	1,798	3,083	3,462
EBITDA Margin (%)	-	-	19.1	20.4	23.0
APAT	-	-	1,067	1,717	2007
EPS (Rs)	-	-	11.8	18.9	22.1
EPS (% chg)	-	-	-	60.9	16.8
ROE (%)	-	-	16.6	12.6	13.1
P/E (x)	-	-	49.3	30.6	26.2

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.7	-6.2	14.5	68.2
Rel to Nifty	-3.3	-13.7	3.6	35.4

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Ami Organics

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New dedicated plant ramp-up is the key

CMP	MCap (Rs bn)	TP & Rating
Rs1,220	50	NA | NR

We hosted Abhishek Patel - VP (Strategy)

Key Meeting-Takeaways

- Pharma intermediates account for 80% of the revenue, which comes from 3 sub-segments, viz. Originator/Innovator (45%), Generics (50%), and CDMO (5%). Clinical trial revenues account for only 4-5% of the total revenue.
- Margins are similar in both, the innovator and generics segments.
- API manufacturers are largely in India and Europe, and then Israel and Korea. The US is more of a formulations market. In exports, a major part of the sales is contracted, while domestic sales are on spot basis with a 3-4-month PO timeline.
- The company has set-up a CDMO facility at Ankleshwar with capex of Rs3.1bn, of which Rs2.5bn was capitalized in FY24. There are total 3 blocks, one of which is dedicated toward a European customer. The company's Ankleshwar facility is completely automated with DCS systems. The reactors are designed specifically for the dedicated plant.
- The Specialty Chemicals segment contributes ~20% of the revenue. Through its Israel-based customer, the company got an opportunity to enter the electrolytes segment with 2 products – vinylethylene carbonate (VEC), and fluroethylene carbonate (FEC) with capacity of 2,000MT each.
- Also, AMI has acquired 55% stake in Delhi-based entity Baba Fine Chemicals, which supplies semiconductor chemical to a US-based customer.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	2,396	3,406	5,201	6,167	7,175
EBITDA	410	802	1,052	1,226	964
EBITDA Margin (%)	17.1	23.5	20.2	19.9	13.4
APAT	281	541	719	838	619
EPS (Rs)	6.9	13.2	17.6	20.5	15.1
EPS (% chg)	20.5	92.8	32.9	16.5	-26.2
ROE (%)	28.9	38.8	20.9	15.0	9.7
P/E (x)	177.8	92.2	69.4	59.5	80.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-11.1	0.5	11.1	-6.2
Rel to Nifty	-9.8	-7.5	0.5	-24.5

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Insecticides India

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Newer products, formulations, and demand uptick to lead the way

CMP	MCap (Rs bn)	TP & Rating
Rs874	26	NA | NR

We hosted Rajesh Aggarwal - MD

Key Meeting-Takeaways

- Current demand across the domestic market is seen as strong for most agrochem players. Going ahead, we believe FY25 could prove to be a bumper year for the company, as margins are expected to keep improving over the next couple of quarters as well.
- The company is gradually reducing the contribution of the lower-margin generic products and increasing premium products in its portfolio. The is on account of generics having considerably low margins, at 10% or below, while premium products have high margins, at >35%.
- The company has 10-12 products in the focus 'Maharatna' category and around 32 products in the Maharatna category, apart from the generic product portfolio. The products that generates sales of more than Rs350mnpa on net basis is categorized as Focus Maharatna. Margins for both, Maharatna and Focus Maharatna products, are in the similar ~35% range.
- The mgmt said that demand during this year's kharif season is seen as fairly high across all regions, where the company markets its products. With demand anticipated to be highly robust, the management expects 14-16% margins for FY25, if the Q1FY25 status quo is maintained.
- The management stated that prices of several Herbicide, Insecticide, and Fungicide products have already bottomed out, and are seen tracking a gradual uptrend in the current season.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	13,632	14,202	15,040	18,013	19,664
EBITDA	1,559	1,426	1,697	1,219	1,626
EBITDA Margin (%)	11.4	10.0	11.3	6.8	8.3
APAT	872	1,014	1,084	633	1011
EPS (Rs)	29.5	34.3	36.6	21.4	34.1
EPS (% chg)	-29.2	16.3	6.9	-41.6	59.8
ROE (%)	12.5	13.1	12.8	7.1	10.5
P/E (x)	29.7	25.5	23.9	40.9	25.6

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	19.8	55.3	57.8	89.7
Rel to Nifty	21.6	42.9	42.7	52.7

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JG Chemicals

Geographical expansion under way

CMP	MCap (Rs bn)	TP & Rating
Rs319	12	NA | NR

We hosted Anirudh Jhunjhunwala, and Anuj Jhunjhunwala

Key Meeting-Takeaways

- The tyre industry, which accounts for 70% of the rubber industry, contributes to nearly 80% of revenue. The company is catering to the top-10 global/all the top-11 Indian tyre manufacturers. The company holds ~60% market share for zinc oxide in the domestic tyre industry.
- The company has two plant locations—West Bengal and Andhra Pradesh—which produce zinc oxide, ingots, zinc sulphate, and other chemicals.
- Currently, the company is importing zinc in different forms from global galvanizers, and recycles the zinc. Nearly 70% od zinc oxide is made from recycled zinc, with the balance 30% being virgin/primary zinc. The company aims to bring down this 30% share going forward, to reduce energy consumption and the CO_2 footprint. This will be done by setting up feasible procurement channels.
- Globally, zinc oxide is used in rubber tyres (50%), ceramics (25%), and in other applications (25%). This mix is different for the Indian market where rubber tyres contribute 70%, ceramics 20%, and other applications 10%. The company plans to buy 10 acres of land in Gujarat at ~Rs200-250mn, to start its ceramics vertical.
- Hindustan Zinc is one of the company's vendors.
- Soil in the southern region is not rich in zinc. Thus, there are several unorganized players marketing zinc sulphate. With addition of zinc sulphate in the company's AP capacity, the management is positive about gaining market share in the agro segment with ramp-up over the years.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,994	4,353	6,128	7,846	6,677
EBITDA	195	438	567	759	435
EBITDA Margin (%)	4.9	10.1	9.3	9.7	6.5
APAT	129	225	391	543	322
EPS (Rs)	3.3	5.7	10.0	13.8	8.2
EPS (% chg)	-	73.7	73.8	38.9	-40.7
ROE (%)	15.2	23.2	29.9	30.1	10.5
P/E (x)	96.6	55.6	32.0	23.0	38.8

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	30.5	30.4		
Rel to Nifty	32.5	20.0		

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Meghmani Organics

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Gradual ramp-up should turn the tides

CMP	MCap (Rs bn)	TP & Rating
Rs87	22	NA | NR

We hosted Gurjant Singh Chahal - CFO

Key Meeting-Takeaways

- The company outlook appears cautiously optimistic. With demand recovery under way, new product launches in the crop nutrition segment, and the potential anti-dumping duty from China, Meghmani is poised for growth. Management focus on high-value products, ongoing investments in capacity expansion, and debt reduction can help put the company on the path to profitability Q2FY25 onward.
- In crop nutrition, 8 new products were launched which have become a one stop solution for farmers for enhancing productivity. Crop protection constitutes about 66% of the total revenues in Q1FY25, while balance 34% comes from the pigment segment.
- After seeing continuous loss for 4-5 quarters, the company anticipates profitability Q2 onward. In H2FY25, titanium dioxide would run at ~70% capacity. Nano urea being a new concept with huge capacity is expected to run at ~40% capacity utilization.
- Titanium dioxide demand in India is 400KT, of which 75% is imported. The company is currently on a learning curve and aims to match the imported product quality. The company will turn EBITDA-positive at 60% utilization, along with import parity pricing.
- The company received registration from the government of Nigeria for nano-urea, as there are no subsidies for urea in such nations.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	6,996	16,367	24,985	25,526	15,663
EBITDA	1,041	2,825	3,785	3,410	-203
EBITDA Margin (%)	14.9	17.3	15.1	13.4	-1.3
APAT	877	1,810	2,982	2,234	-1073
EPS (Rs)	3.4	7.1	11.7	8.8	-4.17
EPS (% chg)	-	106.4	64.8	-25.1	-
ROE (%)	8.9	16.8	22.6	14.2	-
P/E (x)	25.3	12.2	7.4	9.9	-

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	7.8	4.4	6.0	11.3
Rel to Nifty	9.4	-4.0	-4.1	-10.4

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PI Industries

Your success is our success

Biologicals and Pharma product portfolio to expand

CMP	MCap (Rs bn)	TP & Rating
Rs4,334	658	Rs3,900|REDUCE

We hosted Rajnish Sarna - Joint Managing Director

Key Meeting-Takeaways

- The management maintained its FY25 revenue growth guidance of 15% for FY25 (lower, given macro contingencies), its gross margin range of 50-51%, and its EBITDA margin range of 25-26%.
- JMD Sarna suggested that there are initial signs of improvement in agchem demand which is leading to momentum in new enquiries and possible conversions. Also, the company is focusing on capacity expansion, in line with its strategy.
- PI is building a strong CRDMO platform in its pharma business, leveraging integrated service facilities and its global business development team. The management continues to actively evaluate inorganic growth opportunities for de-risking the existing agchem portfolio, on growing cash balances.
- The management is currently changing leadership teams in Pharma across segments and synchronizing other initiatives, leading to higher overheads.
- The Domestic segment de-grew 8% YoY due to delayed monsoons which will result in spill-over to Q2 with pick-up in rainfall and kharif plantation.

Financial Snapshot (Consolidated)

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	64,920	76,658	87,187	99,104	1,12,478
EBITDA	15,421	20,147	23,032	26,265	28,981
EBITDA Margin (%)	23.8	26.3	26.4	26.5	25.8
APAT	12,295	16,815	16,771	19,012	21,384
EPS (Rs)	81.0	110.8	110.6	125.3	141.0
EPS (% chg)	45.7	36.8	-0.3	13.4	12.5
ROE (%)	18.5	21.1	17.7	17.1	16.5
P/E (x)	53.5	39.1	39.2	34.6	30.7

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	11.1	18.2	26.8	15.5
Rel to Nifty	12.7	8.8	14.7	-7.0

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Ashiana Housing

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CMP	MCap (Rs bn)	TP & Rating
Rs351	35	NA | NA

We hosted Vikash Dugar, CFO

Key Meeting-Takeaways

- While Ashiana Housing operates in the mid-to-premium residential housing and senior living segments, it clearly sees senior living as the primary growth driver for the next 3-5 years with projects under execution in Panvel, Noida, and Bengaluru among others. The company has indicated that incremental capital allocation will be toward senior living, and will be geographically split across their four major markets – Gurgaon, Jaipur, Chennai, and Pune.
- The company's strategy is to construct projects outside city centers as land prices are cheaper which improves project economics. It also deliberately does not consume the entire FSI available, and instead, provides a lot of green space, open areas, and amenities, further increasing their attractiveness to clients.
- ASFI also takes care of operations and maintenance (O&M) for their projects, but the aim is not to make money from this. Rather, it is to handhold clients and provide quality services as this helps in word-of-mouth publicity and referrals. While brokers provide some sales for their standard residential housing projects, the senior living piece is almost entirely sold on the back of referrals, making it an extremely important factor.
- ASFI is guiding for Rs20bn in pre-sales for FY25 and has 10-11mnsqft in their pipeline – which are either new projects under construction, new phases for existing projects, or land parcels. One of its main targets over the next three years is to deliver 15% post-tax ROE.
- In general, ASFI only considers project underwriting where 30% or higher gross margins are possible. Overheads amount to 7-8% while sales and marketing costs account for 4-5% (although, this is expected to reduce to 3-3.5% soon). With tax at 25%, this leaves a PAT margin of 10-15%.

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,036	2,420	2,217	4,074	9,382
EBITDA	-304	9	-132	280	966
EBITDA Margin (%)	-10.0	0.4	-6.0	6.9	10.3
APAT	-164	-61	-31	271	834
EPS (Rs)				2.7	8.3
EPS (% chg)	-	-	-	-	208.1
ROE (%)	-	-	-	3.6	10.9
P/E (x)	-	-	-	130.4	42.3

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-16.1	-4.3	16.0	74.0
Rel to Nifty	-14.9	-11.9	5.0	40.1

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Dilip Buildcon

Your success is our success

The management streamlining business by setting up InvIT; coal MDOs expected to provide sustained cash flows of ~Rs8-10bnpa

CMP	MCap (Rs bn)	TP & Rating
Rs511	75	NA | NA

We hosted Rohan Suryavanshi (Strategy Head) and Gautam Jain (Head IR)

Key Meeting-Takeaways

- Dilip Buildcon became debt-free on standalone basis within 2 years post-Covid. During FY24, the company paid off debt of Rs8.8bn; going ahead, they will be reducing Rs4-5bn of debt during FY25. They target to become net-debt free by end of FY25. Debt rose during Q1FY25 on account of delay in payments from the government.
- Dilip Buildcon won an MDO (mine development operation) order for extracting coal at Siarmal Mine located in Jharkhand. They won the order for extracting coal at pre-determined prices. The company extracted 7.4mnmt against the targeted 5mnmt during FY24. By FY29, the company will ramp up its operations to attain maximum coal production of 50mnmt. Siarmal coal mine is the 5th largest mine globally. The management is ramping up activities by purchasing all-electric equipment, the electric equipment are being designed by Dassault. The target is to provide 1,091mnmt cumulatively during the 25 year concession period; coal reserves at the mine is ~1,500mnmt. Total capex in the coming 4-5 years is Rs26-27bn (Equity:Debt - Rs5bn:Rs21bn). Revenue is expected to be Rs30bn at peak capacity.
- Pachhwara coal mine is the second MDO order won by the company. Punjab government will be purchasing the coal at Rs1,170/mt, which will increase in line with inflation. The concession period extends for 55 years. Unlike Siarmal coal mine, no capex will be conducted by the company on this mine. Transportation cost is going to be relatively higher than Siarmal since the distance from the mine to the drop-off point is 40kms (Siarmal mine distance: 6kms). The management projects an EBITDAM of 20%. Across both the mines, the management projects a revenue of ~Rs35-40bn; they aim to make ~Rs8-10bn in terms of EBITDAM.
- Dilip will be setting up an InvIT with Alpha in the proportion of 74:26. A total of 18 projects are projected to be transferred to the InvIT in the coming 2-3 years. Dilip Buildcon will be investing Rs22bn equity and should be getting ~Rs40bn from the InvIT and ~Rs12-15bn worth of cash from Alpha for their 26% stake. The projects will be going into the InvIT in phases; 8 projects will be going into InvIT during FY25 having equity of ~Rs10bn and debt of ~Rs30bn. Once all the projects are transferred into the InvIT, the expected value is going to be ~Rs110-120bn (50:50 between debt and equity).

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	97,249	101,683	95,664	106,436	120,119
EBITDA	20,675	21,286	7,149	9,566	14,211
EBITDA Margin (%)	21.3	20.9	7.5	9.0	11.8
APAT	3,137	2,483	-4,887	-2,799	642
EPS (Rs)	21.5	17.0			4.4
EPS (% chg)	-43.3	-20.8	-	-	-
ROE (%)	10.5	7.6	-	-	1.5
P/E (x)	23.8	30.1	-	-	116.6

Source: Company, Emkay Research (Based on closing share price as on 14-Aug-2024)

Price Performance (%)

	1M	3M	6M	12M
Absolute Returns	-4.4	16.9	12.4	72.4
Rel to Nifty	-2.9	7.6	1.7	38.8

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

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