## Market snapshot

| Equities - India | Close | Chg .% | CYTD.% |
|---|---|---|---|
| Sensex | 72,748 | 0.1 | 0.7 |
| Nifty-50 | 22,056 | 0.1 | 1.5 |
| Nifty-M 100 | 46,502 | -0.4 | 0.7 |
| **Equities-Global** | **Close** | **Chg .%** | **CYTD.%** |
| S&P 500 | 5,149 | 0.6 | 8.0 |
| Nasdaq | 16,103 | 0.8 | 7.3 |
| FTSE 100 | 7,723 | -0.1 | -0.1 |
| DAX | 17,933 | 0.0 | 7.1 |
| Hang Seng | 5,848 | 0.5 | 1.4 |
| Nikkei 225 | 39,740 | 2.7 | 18.8 |
| **Commodities** | **Close** | **Chg .%** | **CYTD.%** |
| Brent (US$/Bbl) | 86 | 1.7 | 11.1 |
| Gold ($/OZ) | 2,160 | 0.2 | 4.7 |
| Cu (US$/MT) | 8,986 | 0.2 | 6.2 |
| Almn (US$/MT) | 2,227 | 0.1 | -5.1 |
| **Currency** | **Close** | **Chg .%** | **CYTD.%** |
| USD/INR | 82.9 | 0.0 | -0.4 |
| USD/EUR | 1.1 | -0.2 | -1.5 |
| USD/JPY | 149.2 | 0.1 | 5.8 |
| **YIELD (%)** | **Close** | **1MChg** | **CYTD chg** |
| 10 Yrs G-Sec | 7.1 | 0.03 | -0.1 |
| 10 Yrs AAA Corp | 7.6 | 0.02 | -0.2 |
| **Flows (USD b)** | **18-Mar** | **MTD** | **CYTD** |
| FIIs | -0.2 | 6.78 | -2.7 |
| DIIs | 0.27 | 1.83 | 6.3 |
| **Volumes (INRb)** | **18-Mar** | **MTD*** | **YTD*** |
| Cash | 846 | 1072 | 1213 |
| F&O | 2,75,752 | 3,46,197 | 3,92,883 |

Note: Flows, MTD includes provisional numbers.
*Average

## Today's top research idea

### AU Small Finance Bank: Laying strong foundation of a forever bank

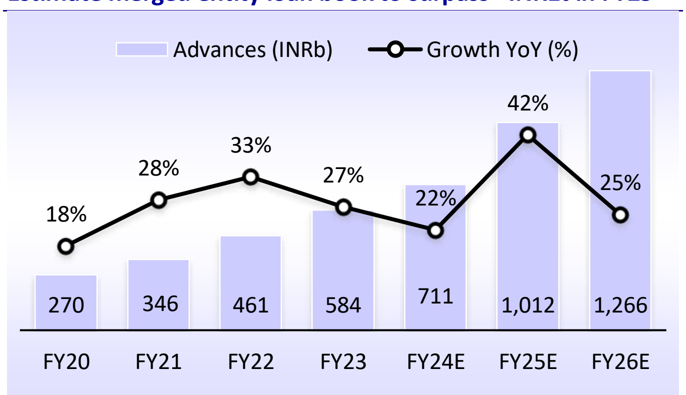
- The merged entity as the bank aspires to increase the size of its balance sheet to ~INR2t over the next three years. The merger with Fincare SFB will enable AUBANK to achieve sustainable growth, while stronger return ratios for Fincare will boost profitability, particularly as operating leverage improves. After the merger, the bank is expected to expand into new geographical areas and product segments, with robust growth in high-yielding Wheels, MFI, Gold and SBL segments. The merger with Fincare is anticipated to boost the bank's loan portfolio by ~16%.
- The bank has projected a robust CAGR of 25% for the combined entity, which should increase the size of its balance sheet to over INR1.5t by FY25E. The bank expects the merged entity to clock deposit growth of 23-25%, with retail deposits providing significant support. Following the merger, the bank's overall business mix is expected to be more diversified, with the concentration on Wheels reducing to 27.4% from 32% and the new segments MFI/Gold accounting for 7.5%/1.6% of the combined loan book.
- AUBANK aims to maintain the MFI mix below 10%. Cost ratios are projected to remain elevated at 63-64% in FY25E. The merger is estimated to bolster revenue growth by capitalizing on cross-selling opportunities, generating robust distribution income. We are optimistic about smooth execution, given the management's execution prowess and track record over the past couple of decades. We reiterate BUY on the stock with a TP of INR720 (2.7x FY26E BV).

## Research covered

| Cos/Sector | Key Highlights |
|---|---|
| AU Small Finance Bank | Laying strong foundation of a forever bank |
| Kajaria Ceramics | Industry tailwinds and gas price reduction to benefit |
| 9th Annual India Ideation Conference | Company meeting takeaways |

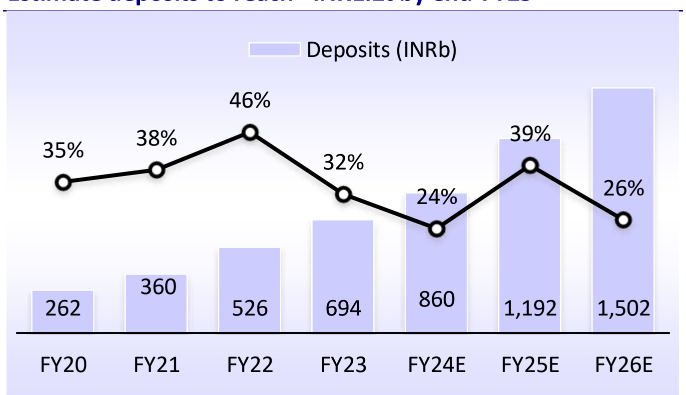
## Chart of the Day: AU Small Finance Bank (Laying strong foundation of a forever bank)

**Estimate merged entity loan book to surpass ~INR1t in FY25**




Data as on FY23, Source: Company, MOFSL

**Estimate deposits to reach ~INR1.2t by end-FY25**




Data as on FY23, Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

## In the news today

Kindly click on textbox for the detailed news link

1

### Tata Sons to sell 0.65% stake in TCS for $1.1 billion

The Tata Group holding company plans to sell TCS shares at Rs 4,001 apiece, a 3.6% discount to its closing share price on March 18

2

### India's compute infra less than 2 pc of global capacity: NVIDIA Asia South MD

While speaking at StartUp Mahakumbh, NVIDIA Asia South MD Vishal Dhupar on Monday said that the contribution of research from Indians abroad is around 12 per cent due to the availability of computing infrastructure.

3

### Aditya Birla Sun Life AMC promoters to sell up to 11.47% stake via OFS

Aditya Birla Capital and Sun Life (India) AMC Investments have granted approval today, March 18, for the sale of a maximum of 2.01 crore shares of Aditya Birla Sun Life AMC

4

### Tata Steel to shut coke ovens at Port Talbot plant

Tata Steel will shut down the coke oven operations at its facility at Port Talbot in the UK, following a decline in operational stability and as part of its restructuring exercise.

5

### Insurance sector attracted Rs 54,000 crore FDI in last 9 years: Financial Services Secretary Vivek Joshi

The government increased the permissible FDI limit from 26 per cent in 2014 to 49 per cent in 2015 and then to 74 per cent in 2021, he told PTI in an interview

6

### Govt allows urea imports by state-owned fertiliser companies till March' 25

The Directorate General of Foreign Trade (DGFT) in a notification, said that import of urea (for agriculture purpose) on government account shall be allowed either by designated state trading enterprises (STE) itself, or other entities authorised by the fertilizers department.

7

### Adani says report on bribery probe by US prosecutors is false

Bloomberg News reported last week — citing people with direct knowledge of the matter — that US prosecutors have widened their probe of the Adani Group to focus on whether an Adani entity may have engaged in bribery as well as the conduct of the conglomerate’s billionaire founder Gautam Adani.

# AU Small Finance Bank

| BSE SENSEX | S&P CNX |
|---|---|
| 72,748 | 22,056 |

**CMP: INR570** **TP: INR720 (+26%)** **Buy**

## Laying strong foundation of a forever bank

**Guides for FY27 RoA of 1.8%**

**We attended AUBANK's analyst meet, wherein the management provided the outlook of the merged entity as the bank aspires to increase the size of its balance sheet to ~INR2t over the next three years. The merger with Fincare SFB will enable AUBANK to achieve sustainable growth, while stronger return ratios for Fincare will boost profitability, particularly as operating leverage improves. After the merger, the bank is expected to expand into new geographical areas and product segments, with robust growth in high-yielding Wheels, MFI, Gold and SBL segments. Moreover, since Fincare is a rural-focused SFB with 85% of its advances qualifying under the priority sector, the merger will enable AUBANK to not only meet its PSL target but also generate PSLC income in the long run. We believe that the bank's execution capability will play an important role in maintaining robust growth and asset quality while delivering healthy RoA. We are optimistic about smooth execution, given the management's execution prowess and track record over the past couple of decades. We reiterate BUY on the stock with a TP of INR720 (2.7x FY26E BV).**

### Loan growth to sustain at healthy ~25% CAGR after merger

As a franchise, AUBANK has not only experienced rapid growth but also upheld high asset quality standards. The merger with Fincare is anticipated to boost the bank's loan portfolio by ~16%. The bank has projected a robust CAGR of 25% for the combined entity, which should increase the size of its balance sheet to over INR1.5t by FY25E. This growth will be driven by strong performance in both new and existing product lines. The loan portfolio is expected to surpass INR1t by FY25E, fueled by 30% YoY growth in high-yielding segments. AUBANK anticipates steady growth of ~20% in VF and SBL, while the commercial, home loans, and MFI segments are poised to grow at a faster pace of around 30% annually.

### Liability growth steady with focus on retail deposits

Despite elevated competition, the bank views the merger as an opportunity to expand into new geographic areas and leverage Fincare's touchpoints, gaining access to untapped customer segments. This will aid growth in CASA deposits while maintaining sustainable costs. We are confident that the bank will increase its deposits by leveraging its brand, customer positioning, digital strategy, and leadership in its operating regions. The bank expects the merged entity to clock deposit growth of 23-25%, with retail deposits providing significant support. After the merger, we estimate a ~25% CAGR in deposits.

### Business mix to diversify; new product lines to open up growth avenues

The distinct asset compositions of AUBANK (focused on Wheels, SBL, Housing, and Commercial) and Fincare SFB (emphasizing MFI, SBL, and Gold) complement each other, filling the gaps in their respective product offerings. This expanded product suite not only provides avenues for growth but also enhances the merged entity's leadership position in the SFB sector. Following the merger, the bank's

**Stock Info**

| | |
|---|---|
| Bloomberg | AUBANK IN |
| Equity Shares (m) | 667 |
| M.Cap.(INRb)/(USDb) | 381.3 / 4.6 |
| 52-Week Range (INR) | 813 / 548 |
| 1, 6, 12 Rel. Per (%) | -2/-31/-32 |
| 12M Avg Val (INR M) | 1637 |
| Free float (%) | 74.5 |

**Financials & Valuations (INR b)**

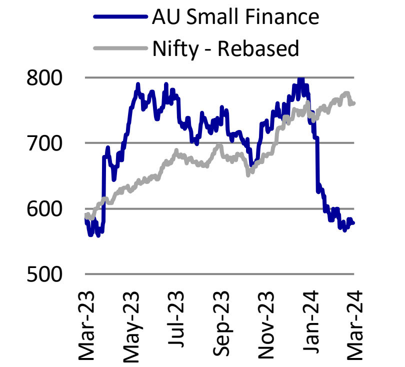
| Y/E March | FY23 | FY24E | FY25E |
|---|---|---|---|
| NII | 44.3 | 52.1 | 79.3 |
| PPoP | 20.2 | 25.3 | 37.4 |
| PAT | 14.3 | 15.5 | 20.8 |
| NIM (%) | 5.6 | 5.3 | 6.1 |
| EPS (INR) | 22.0 | 23.2 | 29.5 |
| EPS Gr. (%) | 22.3 | 5.4 | 27.2 |
| BV/Sh. (INR) | 164 | 182 | 226 |
| ABV/Sh. (INR) | 162 | 177 | 220 |
| **Ratios** | | | |
| RoE (%) | 15.5 | 13.4 | 14.4 |
| RoA (%) | 1.8 | 1.6 | 1.6 |
| **Valuations** | | | |
| P/E(X) | 26.0 | 24.6 | 19.4 |
| P/BV (X) | 3.5 | 3.1 | 2.5 |
| P/ABV (X) | 3.5 | 3.2 | 2.6 |

**Shareholding pattern (%)**

| As On | Dec-23 | Sep-23 | Dec-22 |
|---|---|---|---|
| Promoter | 25.5 | 25.5 | 25.6 |
| DII | 20.8 | 19.6 | 20.6 |
| FII | 41.1 | 41.7 | 39.6 |
| Others | 12.6 | 13.6 | 14.2 |

FII Includes depository receipts

**Stock Performance (1-year)**



overall business mix is expected to be more diversified, with the concentration on Wheels reducing to 27.4% from 32% and the new segments MFI/Gold accounting for 7.5%/1.6% of the combined loan book. AUBANK aims to maintain the MFI mix below 10%. The merger not only opens up opportunities for expansion into new geographical areas and product segments but also addresses Priority Sector Lending (PSL) requirements, including a more stringent Small and Marginal Farmer (SMF) segment, via high-yielding products like MFI, SBL, and Gold Loan.

### Strengthening its footing with strong pan-India presence

Through the merger, AUBANK aims to more than double its touchpoints to 2,352. Additionally, the bank plans to continue adding more touchpoints by the end of FY24. AUBANK currently lacks significant presence in the southern region and sees the merger as an opportunity to enhance its geographical diversification, leveraging Fincare's established presence in the south region. The acquisition will expand the bank's reach to nine states from the current four, with each state hosting over 100 touchpoints.

### Cost ratios to stay elevated; operating leverage to improve gradually

AUBANK focuses on sustainable growth through technology utilization, process optimization, and branch network expansion. The anticipated cost of the merger is INR3b, with ~INR2-2.25b expected to be realized within 6-9 months after the merger and the remaining spread over the subsequent two years. Consequently, cost ratios are projected to remain elevated at 63-64% in FY25E. The merger is estimated to bolster revenue growth by capitalizing on cross-selling opportunities, generating robust distribution income, and potentially benefiting from the AD-1 license. Additionally, an expected turnaround in the rate cycle and a gradual reduction in funding costs should contribute to margin improvement, enabling a gradual reduction in cost ratios from FY26 onward.

### Elevated funding costs to remain a drag on near-term margins

The bank has been transitioning toward high-quality products with lower yields. The proportion of fixed-rate assets in the bank's portfolio has decreased from 75% in FY22 to 62% currently. Going forward, the bank anticipates that the incremental cost of funds will stay high, which will remain a drag on margins. Despite an increase in funding costs, AUBANK has seen a decrease in lending yields, primarily due to changes in its business mix, although disbursement yields across segments have risen steadily. AUBANK expects to sustain NIMs at 5.5% over FY24; NIMs are likely to remain relatively stable in FY25E despite the merger.

### Estimate GNPA/NNPA ratios at ~2.0%/0.7% in FY26

AUBANK consistently maintains strict underwriting standards and employs internal origination and effective collections to ensure high asset quality. Despite facing challenges in asset quality, particularly in the cards segment in 3QFY24 due to faster normalization in delinquency rates, the bank has a strong track record of maintaining healthy asset quality. Fincare has shown improvement in asset quality, with NNPA decreasing to 0.77% in 3QFY24 by implementing measures like state-level capping at 15% and district-level capping at 2% to mitigate concentration risk.

The MFI segment is expected to see a change in policy mix, while the non-MFI segment is likely to mirror AUBANK's trends. Overall, stable asset quality ratios are anticipated for the merged entity, with GNPA sustaining at ~2%.

## All eyes on merger integration

The integration process between the two SFBs will be carefully monitored. Attrition is seen as a critical factor to watch out for, and attention will be given to adequately compensating current Fincare employees through retention bonuses to address concerns. The merging of two distinct cultures, especially the regional differences between North and South employees, is another area of focus. Challenges might arise in integrating HR and technology, as AUBANK operates on Oracle while Fincare uses FIS. Nevertheless, the bank has ruled out any extreme outcomes and expects a smooth transition. It is essential for the bank to prioritize a strategy that emphasizes strong asset quality, considering the need to establish provisioning buffers.

## Valuation and view: RoA to remain suppressed in near term; maintain BUY

- AUBANK has historically reported healthy RoA; however, it has compressed over FY24, primarily due to a decline in margins and a rise in credit costs.
- While the merger with Fincare is EPS, BV, and RoA accretive, aided by stronger return ratios in MFI, Gold, and SBL portfolios, the competition for liabilities and integration costs will largely offset any near-term benefits.
- However, we believe that RoA should gradually improve toward 1.7% by FY26E as the bank benefits from operating synergies and as the moderation in funding costs improves margins. The bank has guided FY27 RoA of 1.8% as it continues to make investments in building a forever bank in the first 10 years of its operations.
- By strategically incorporating ~7.5% of the rural-focused MFI portfolio into its loan book, the merger helps AUBANK diversify its lending portfolio while boosting overall yields. Moreover, Fincare's robust presence in southern India augments AUBANK's geographical footprint.
- We believe that the bank’s execution capability will play an important role in maintaining robust growth and asset quality metrics while delivering healthy RoA. We are optimistic about smooth execution, given the management’s execution prowess and track record over the past couple of decades. **We reiterate our BUY rating on the stock with a TP of INR720 (2.7x FY26E BV).**

# Kajaria Ceramics

| BSE SENSEX | S&P CNX |
|---|---|
| 72,748 | 22,056 |

Kajaria

| | |
|---|---|
| Bloomberg | KJC IN |
| Equity Shares (m) | 159 |
| M.Cap.(INRb)/(USDb) | 191 / 2.3 |
| 52-Week Range (INR) | 1524 / 1006 |
| 1, 6, 12 Rel. Per (%) | -5/-23/-16 |
| 12M Avg Val (INR M) | 297 |
| Free float (%) | 52.5 |

### Financial Snapshot (INR b)

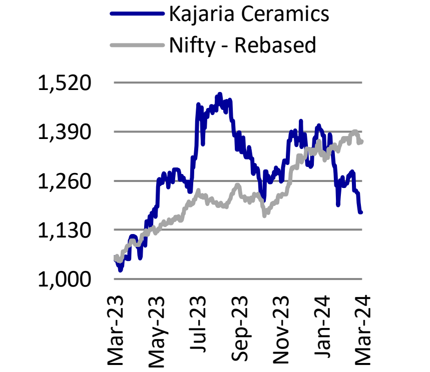
| Y/E MARCH | FY24E | FY25E | FY26E |
|---|---|---|---|
| Sales | 46.5 | 51.1 | 57.3 |
| EBITDA | 7.4 | 8.6 | 10.1 |
| Adj. PAT | 4.4 | 5.4 | 6.4 |
| EBITDA Margin (%) | 15.9 | 16.9 | 17.6 |
| Cons. Adj. EPS (INR) | 28.7 | 34.8 | 41.2 |
| EPS Gr. (%) | 34.1 | 21.5 | 18.3 |
| BV/Sh. (INR) | 159 | 173 | 193 |
| **Ratios** | | | |
| Net D:E | (0.4) | (0.4) | (0.4) |
| RoE (%) | 18.2 | 20.4 | 22.0 |
| RoCE (%) | 21.3 | 24.0 | 26.0 |
| Payout (%) | 52.3 | 57.4 | 48.5 |
| **Valuations** | | | |
| P/E (x) | 41.6 | 34.3 | 29.0 |
| P/BV (x) | 7.5 | 6.9 | 6.2 |
| EV/EBITDA(x) | 25.3 | 21.7 | 18.5 |
| EV/sales (x) | 4.0 | 3.7 | 3.3 |

### Shareholding pattern (%)

| As On | Dec-23 | Sep-23 | Dec-22 |
|---|---|---|---|
| Promoter | 47.5 | 47.5 | 47.5 |
| DII | 25.6 | 25.5 | 24.5 |
| FII | 18.3 | 18.5 | 18.6 |
| Others | 8.7 | 9.3 | 9.4 |

FII Includes depository receipts

### Stock's performance (one-year)




## CMP: INR1,199 TP: INR1,600 (+33%) Buy

## Industry tailwinds and gas price reduction to benefit

### Average energy price down ~7% as compared to 3QFY24 average

- Strong demand in the real estate sector and increased construction activity are anticipated to drive improvement in offtake for tiles in FY25. Domestic players should also benefit from Morbi players' higher focus on exports (Tiles exports from India grew ~40% YoY in 9MFY24). Kajaria Ceramics (KJC), as the largest player in the industry, should benefit when industry demand recovers.
- Spot LNG price is down ~44% as compared to 3QFY24, while the current Brent Crude is up 3.5% compared to 3QFY24. Recently, Gujarat Gas also reduced gas prices for ceramic manufacturers by ~8%. Based on the recent energy pricing trend, we estimate average fuel cost for KJC to decline ~7% QoQ in 4QFY24.
- KJC keeps on adding capacity and in FY24, the company expanded its tiles manufacturing capacity by ~6% to 86.47 msm. Further, it announced an acquisition of Tiles manufacturing facility at Morbi, Gujarat, having a capacity of 6 msm (likely to start contributing to revenues from Apr'24). It is also expanding capacities into bathware and plywood segments.
- While we maintain our earnings estimates for FY25-26, we expect 4QFY24 margins to be better than our earlier estimates (16.1% now vs. earlier assumption of 15.4%). We believe strong return ratios (RoE of 22%, ROCE of 26%, and RoIC of 31% in FY26E) and a healthy balance sheet will help KJC maintain premium multiple. We reiterate our BUY rating on the stock with a TP of INR1,600 premised on 40x FY26E EPS.

### Estimate double-digit volume growth of Tiles for KJC over FY24-26

- KJC's tiles volume grew at ~7% YoY in 9MFY24 and we estimate volume growth of ~6% in 4QFY24. However, given the continued strong demand for real estate and higher construction activities, tiles offtake should improve going forward. In the previous real-estate upcycle (FY08-12), KJC's volume CAGR stood at 17% over FY09-15. We estimate KJC's Tiles volume to register a CAGR of ~11% over FY24-26E. The management is confident of achieving 5-6pp higher volume growth than the industry.
- Tiles exports have slowed down in the past few months due to red sea crisis which led to increase in freight rates and transit time. Despite the red sea crisis, the monthly average tiles export at ~INR15.6b in Nov-Dec'23 (export data available till Dec'23) was ~17% higher than FY23 monthly average. During Apr-Dec'23, tiles exports from India grew 37% YoY to INR154b (export volume rose 40% YoY to 451m sq. mt. in this period).
- KJC's strong distribution network (1,840 operative dealers), supported by substantial branding and distribution initiatives should help it to achieve higher-than-industry volume growth.

## LNG price reduction will help improve margins

- Spot LNG price is down ~44% as compared to 3QFY24 average; however, the current Brent Crude price is up 3.5% as compared to 3QFY24 average. Gujarat Gas too reduced gas price for Morbi players by ~8% in Mar'24 beginning.
- Based on recent pricing trends, we estimate average fuel cost for KJC to decline ~7% QoQ in 4QFY24. This will drive improvement in OPM to 16.1% as compared to our earlier assumption of 15.4% in 4QFY24. However, we largely maintain our FY25-26 earnings estimates.
- We estimate revenue/EBITDA/PAT CAGR of 11%/17%/20% over FY24-26E. We estimate KJC's OPM to improve to 16.9%/17.6% in FY25/FY26 from 15.9% in FY24.

## Expansions in Tiles capacities to drive growth

- KJC expanded its tiles manufacturing capacity by 6% to 86.47 msm in FY24. These expansions included: 1) a combined expansion and modernization effort for larger tile sizes at its Sikandrabad plant, elevating the total capacity of the plant to 11.40 msm from 8.4 msm, and 2) modernization of the Galipur plant by replacing the existing kilns for production of larger tiles. The capacity of this plant also got increased to 40.42 msm from 38.50 msm.
- The company is setting up a 5.1msm capacity in Nepal through a JV with Ramesh Corp, Nepal, that will require an investment of ~INR900 by KJC (total project cost of INR1.81b). The project got slightly delayed and is now expected to be operational by Jun'24.
- Recently, it announced an acquisition of Tiles manufacturing facility at Morbi, Gujarat, having a production capacity of 6 msm at an investment of INR500m (acquiring 90% stake). It is upgrading some machinery at this plant and expects to start sales from Apr'24. Also, it is investing up to INR300m in its subsidiary, Kajaria Ultima, to purchase land in Morbi. The management will share further details of expansion and capex at this location in the coming quarters.

## Valuations attractive; reiterate Buy

- We estimate KJC revenue/EBITDA/PAT CAGR of 11%/17%/20% over FY24-26. We estimate its ROE/ROCE to improve to 22%/26% by FY26 vs. 18%/21% in FY24. KJC has been generating FCF since FY16, which is likely to continue going forward as well. The company turned net cash in FY19 and we expect it to remain so going ahead as well (net cash is estimated at INR3.8b in FY26 vs. INR1.8b in FY23) despite higher capex (INR10.2b over FY24-26).
- The stock is currently trading at an attractive valuation of 29x FY26E EPS (vs. 37x last five-year average one-year forward P/E). We reiterate our BUY rating on KJC with a TP of INR1,600 based on 40x FY26E EPS.

Please find below the key takeaways from the *9th Annual India Ideation Conference*

| Company | Takeaway |
|---|---|
| **AUTOMOBILES** | |
| **Happy Forgings** | ■ **Revenue:** Happy Forgings is confident of outperforming the underlying domestic industry, aided by newly on-boarded customers such as Tata Motors and Tata Cummins and new products such as front-axle beams.<br>■ **Cost:** The company is currently witnessing some impact due to the reversal in steel prices. The Red Sea crisis has also affected its performance; however, it is in discussion with customers and expects the issue to be a pass-through.<br>■ **Segmental:** Industrials and off-highway segments are expected to contribute 30% over the next three years. The current 14k-ton press line is operating at 50% utilization, which is expected to increase in the coming period. PVs are expected to contribute 8-10% of revenue in the next three years. It has already ordered a 3k-ton line for the PV segment.<br>■ **New subsidiary for machining:** The company is investing INR2b on a separate subsidiary, which will be specifically into machining. Against this investment, the company will get a 100% GST waiver. The company expects to get its clearance by Aug'24 and the subsidiary should be operational by Oct'25. |
| | |
| **MM Forgings** | ■ **Demand**: Revenue is expected to increase from INR14.1b in FY23 to INR16b in FY24, of which 35% would be export mix. Machined mix has increased to 60% from 25% a decade ago. **Product mix:** 78% from CVs, 12% from PVs and the balance from the off-highway segment. Production in FY24 is estimated to be 83k MT relative to installed capacity of 120k MT p.a.<br>■ **Production and capex:** MM Forgings expects to deliver about 95k MT production by FY25. It also targets revenue of about INR18b by FY25. Revenue growth would be largely driven by new order wins and increase in wallet share from existing customers, even as demand in the end-user industry is uncertain. Capex guidance stands at INR5b over the next two years.<br>■ **Diversification to EV powertrain:** After the acquisition of Abhinava Rizel (88% owned by MM Forgings), the company has now diversified into EV powertrain components. Abhinava's USP is in designing EV motors for PVs ground-up, for which there is no domestic competitor, as per the management. It has capabilities to design and develop motors from 3kw to 300kw and its motor has crossed about 15k km of testing. The company plans to get into designing of controllers as well in the next fiscal. It has recently got an order from off-highway OEM for motors. It aims to increase this segment's revenues to INR100b over the next 7-10 years. |
| **CAPITAL GOODS** | |
| **KEC International** | ■ **Domestic T&D:** There is a strong pipeline of ~INR300b for the next 3-4 years, fueled by investments in both renewable and thermal projects. There is a TAM of ~INR1.5-2.0t from PGCIL, while the renewables TAM is ~INR1.45t. These factors have led to a robust outlook for domestic T&D business, and the management believes that it can surprise.<br>■ **Civil segment**: Residential real estate is witnessing strong traction within Civil (30-35% of Civil OB). Water projects account for another 30-35% of the OB, |

| Company | Takeaway |
|---|---|
| | while the balance consists of metros (~15%) and public spaces (hospitals, data centers, etc). In addition to domestic T&D, Civil will be the key growth driver going ahead.<br>■ **Railways:** Segment weakness is on account of a) ordering activity shifting to divisional railways vis a vis rail PSUs earlier, b) rising competition from smaller EPC players and c) the government's focus on locomotives, station redevelopment, etc., where KEC lacks any meaningful presence. Spending on rail infra is expected to pick up in order to support the addition in high-speed train network.<br>■ **Guidance:** Order inflow for FY24 to be ~INR170-180b, while FY25 is expected to be ~INR250b. Margin to improve to 7.5-8% in FY25, while FY26 is expected to witness double-digit margin, primarily led by domestic T&D and Civil. |
| | |
| **Electrosteel Castings** | ■ **Margins:** The management expects current margins levels to be sustainable in the near term. Within the medium term, it expects EBITDA/MT of ~INR13,000.<br>■ **Industry Scenario**: The demand growth within the industry is expected to be ~13-14%, while the supply growth is just ~10-12%.<br>■ **Organic/Inorganic growth:** The management expects ~7-8% capacity addition for each year on a perpetual basis. It is open for acquisitions, preferably for stressed assets within the DI pipes segment. |
| | |
| **Apollo Micro Systems** | ■ The management **guided for revenue of INR3.5b/INR6.5b for FY24/FY25**. It targets to generate revenue of INR12-14b by FY27.<br>■ **The company will spend ~INR2-2.2b on capex** for increasing its total manufacturing capacity to ~0.35m sq. ft.<br>■ The current order book of the company stands at ~INR3.5b. The order book is expected to increase to ~INR8-9b by the end of FY25 (with exports order likely to account for ~25% of the order book) |
| | |
| **Kilburn Engineering** | ■ **Demand:** Domestic enquiry base for dryers (~80% of consol revenue) is ~INR10-12b. The company is yet to tap into the global TAM of ~USD2-3b. Industries such as carbon black and soda ash are expected to see strong traction over the next 4-5 years. There is a sizeable opportunity pipeline from cement WHRS as well (annual TAM of ~INR50b largely held by Thermax, ISGEC, and Thysenkrupp). Sunrise sectors such as API, fluorochem, EV, metal recycling too will be major growth drivers going ahead.<br>■ **Margin:** The company enjoys healthy margins of 18-20% due to technology, prudent RM hedging and other initiatives. The current margin is higher at 23% but the sustainable level is 18-20%. ME Energy (recent acquisition) has a lower margin profile and improvement will be driven by scaling up of the business.<br>■ **ME Energy:** Acquisition took place for a consideration of ~INR0.99b (cash component of INR230m and stock worth INR760m). ME Energy possessed the know-how, but was constrained by capital; however, now it will be able to expand its presence. ME has capabilities in both steam-based as well as oil and air-based WHRS. Major export regions are the US, Japan, Spain, France, Bangladesh, and Turkey. |

| Company | Takeaway |
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| | ■ **Competition:** Kilburn faces competition from Doright (China) and Andritz (Germany), apart from Walchandnagar Industries in India. Smaller players such as Thermal Systems have also started competing in the domestic market. Notably, Thermax, which earlier had a presence, has now vacated the space in favor of larger ticket-size opportunities. However, in the non-steam based applications, ME Energy has a monopoly. |
| | ■ **Guidance:** Consol revenue can clock in CAGR of ~25-30% for the next 3-4 years. FY25 revenue guidance stands at ~INR4.5b with margin at ~20%. The current share of dryers (~80% of revenue) can go to ~60% as ME Energy scales up. NWC days to broadly remain in the range of 60 days with FCF generation of ~INR800m. |
| **Non-Lending Financials** | |
| **360ONE WAM** | ■ **Flows -** 360ONE expects FY24 inflows at INR350-400b and is aiming for 20-30% growth (excluding the new business) in FY25. The new business can potentially add INR100b (~60% from the HNI segment and ~40% from global platform) in FY25. Over the next 2-3 years, 25% of the new net flows should come from the new business. |
| | ■ **Asset Management business -** Within the AMC business, Private Equity (PE) will continue to grow the fastest. Earlier in PE, 360ONE only had early-stage IPOs but now it has new offerings on the PE side. With present market cycles being quite volatile, the diversified strategies on alternates – across listed, unlisted, credit, and RE & Infra – allow 360ONE to endure these cycles with a higher resilience. |
| | ■ **Mid-market proposition (INR50m to INR250m)** – This is expected to launch in Apr'24. This segment will be more distribution-led than advisory-led. The margins here are broadly the same as a lot of the functions, including products, investments, compliance, platform, are already in place. The breakeven is very quick compared to the UNHI segment. |
| | |
| **Kfin Technologies** | ■ **Investments:** The company mainly spends on human resource and technology and will continue to do so. In 2019, the tech team consisted of only ~250 members, today it stands at ~1,000. It recently signed three medium-to-large-sized contracts in the tech space. **XAlt** is a game-changer initiative, which is a fully integrated transfer agency fund administration solution overlaid by digital CRM and analytics that will help to add significant value to clients. |
| | ■ **International issuer solutions:** Given the global opportunity in the MF RTA space, KFIN has expanded its business outside India, especially to Southeast Asia. It increased its client base from 8 clients in FY17 to 54 clients in 9MFY24. Further, the acquisition of Hexagram has aided in acquiring more clients to offer fund administration solutions and cross-sell value added services to the existing clients. The international issuer solutions offer unit economics aided by: a) limited pricing pressure, b) better yields, and c) higher AUM, leading to operational efficiencies. |
| | ■ **Guidance:** Overall revenue growth of 15% to 20% is anticipated, with an EBITDA margin of 40- 45%. If the foreign market is established in three years, it can grow between 47% and 50%. The revenue from MF business/issuer services/ international business is expected to report 15%/15%/25% CAGR over the next 3-5 years. |

| Company | Takeaway |
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| **Chemicals** | |
| India Pesticides | ■ **Sales volume:** The company has clocked sales volume of ~10k tons in 9MFY4 and expects to end FY24 with volume of ~12-14k tons. Further, it has guided for ~14-16k tons of sales volume for FY25.<br>■ **Capacity:** The company's current total capacity stood at ~20KTPA and it will incur a capex of ~INR4b for incremental manufacturing capacity of 15KTPA.<br>■ **Margins:** The management has guided for ~18-22% of EBITDA margin in FY25. |
| Styrenix Performance Materials | ■ **Capacity expansion in line with market growth:** India's ABS market demand is 300ktpa, while China's demand is 5,500ktpa; current production capacity is 85ktpa for Styrenix. The ABS market is expected to see a 10.2% CAGR in capacity, including the capacity expansion by Styrenix and the entry of a new player. However, it will not be enough to completely substitute imports.<br>■ **Expansion of product portfolio with increasing use cases:** Its versatile products cater to blow molding, extrusion, and injection molding, serving automotive, electronics, healthcare, construction, and leisure sectors. Automotive and electronics/appliances account for 30-35% of usage each. The company's future plans involve producing blends, selling directly to OEMs, and expanding product grades.<br>■ **Change of guard would pave way for future growth:** Under the new management, the company has increased production within existing capacity in 9MFY24 and has also planned significant capital expenditure (INR6.5b). Post this, Styrenix aims to double sales while maintaining stable RoCE by FY28. |
| **Consumer Durables** | |
| KEI | ■ **Higher revenue growth to sustain:** Industry demand prospects remain bright, led by government infrastructure activities (like data centers, electric vehicles, replacement of overhead cables with underground cables, etc.) and demand from the real estate sector. The industry has posted a CAGR of 15% in the last 15 years and the management aims to sustain a revenue CAGR of 16-17% over the next 15 years.<br>■ **Capex guidance:** Capex of INR5b is expected in FY24, which includes INR2b for brownfield expansion in Silvassa and Bhiwadi and INR3b for Greenfield project at Sanand, Gujarat. Brownfield expansion at Silvassa has partly been commissioned and the entire expansion will be completed by Mar'24. This project will have a total investment of INR1.1b and would provide revenue potential of INR10b (INR5b for cables and wires each). Bhiwadi expansion will entail a capex of INR1.1b and would provide revenue potential of INR8-9b for LT power cables. This project will be completed by 1QFY25. The first phase of its Greenfield project at Sanand will be completed in 1QFY26, while the second phase will be completed by 3QFY26. The company will invest INR17-18b over the next three years for this expansion, which would provide revenue potential of INR55b (including INR12b of EHV sales).<br>■ **View on margins, exports and retail sales** – Operating margins should improve to 12.5% from the current 11%, led by 1) price improvement in wires- KEI's price is 3-5% lower than competitors and this gap will be bridged in the next few years; and 2) the reduction in fixed overheads after the completion of brownfield expansions. Revenue from exports has increased and is estimated to be 13%/15% of revenues in FY24/FY25 vs. 10% of revenues in FY23. In the next 4-5 years, export should contribute 20% to KEI's |

| Company | Takeaway |
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| | total revenues. Retail sales have increased in the last few years and are expected to contribute 47% to revenues in FY24 vs. 44% in FY23 (and 29% in FY20). Retails sales should contribute 50% to revenues in the next two years. |
| **Cello World** | ■ The revenue from the writing instrument segment in FY24 is expected to be ~INR3.3-3.4b. At peak capacity utilization, the company can clock revenue of ~INR5.5b within the segment.<br>■ Going ahead, the management expects the stationery and consumer segments to drive the growth, while the furniture segment may experience relatively slower growth. Management aims to grow its revenue by 15-17% in FY25.<br>■ The company is rationalizing its existing distribution channels and intensifying efforts in online and modern trade channels. Within the writing instrument segment, it expects to expand its reach to ~150k outlets by FY25, from its current 60k outlets. |
| **Restaurant Brands Asia** | ■ **Demand environment:** The demand environment is healthy; however, the performance of QSR companies is being impacted by industry-wide higher store additions than the requirements. The company is focusing on accelerating traffic growth through the value segment. In 9MFY24, SSSG was 3.5%, impacted by a 2-3% decrease in average order value (AOV), while transaction growth was 6-7%. Over the medium term, SSSG is expected to be in the range of 6-8% (pegged at GDP growth rate), with a primary focus on enhancing traffic growth.<br>■ **BK India:** Strategic pillars: (1) value strategy – BK India's Tasty Meals at INR99 continues to be a key driver of dine-in traffic growth; (2) innovation – continues to build the Whopper franchise and enhance NPD (strengthened Chicken, launched premium wraps, and launched café offerings); (3) digital experience – BK India plans to implement the King's Journey model, encompassing self-ordering kiosks, app ordering, and table service in all of its stores by FY25 (already tested in a few stores); and (4) build a strong engaging brand for Gen-Z and millennials. Growth is driven by value strategy, which are not diluting the margin, as they impact AOV but improve traffic.<br>■ **Indonesia business -** Demand in Indonesia was impacted by geopolitical issues, such as the boycott of US brands, resulting 20-40% impact for many brands. The boycott has been benefiting the local players; however, the shift is slower than the initial expectation. The dine-in business is impacted, while the delivery business remains healthy. The management is focusing reduction in SG&A (targeting a 20-25% cut). The expansion of stores will proceed at a slower pace.<br>■ **Store expansion in India** – Despite ongoing market challenges, the management remains dedicated to expanding its network in a strategic manner. Currently, BK India has 452 stores, meets FY24 guidance. However, the company is looking to reduce the store openings to 50-55 in FY25 vs. 80 guided earlier. In the long term, the management is committed to adding 80 stores per year, aligning with the MFDA signed with BK Global. The guidance of 700 store additions by FY27 can be delayed by a year. |

| Company | Takeaway |
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| **Utilities** | |
| Inox Wind | ■ **Setting up capacities with technology in focus:** With a 2.5GW capacity, Inox Wind has held 15-20% market share. It produces in-house blades and assembling products. Inox Wind is shifting its focus to launching 3MW products and has also licensed 4MW products to be launched in mid- CY25. The company is targeting specific locations in Gujarat and Rajasthan for 4MW products, while 3MW products offer broader applicability across India.<br>■ **Improved its financial position**: Inox Wind has slashed its debt from INR30b to INR5b in two years and aims for a net cash status by 1HFY25, supported by a INR13b equity raise. Its new 3MW product is three times more profitable at INR10m/MW gross profit, elevating revenue to INR70-80m/MW. Additionally, the credit rating upgrade by CRISIL has lowered credit costs for the company, strengthening its financial position.<br>■ **Right-to-win would be to provide end-to-end solutions:** Inox Green manages all O&M, with plans for a 6GW capacity by FY26 and 10GW in the long term. MNCs dominate equipment supply (50-60%), while Gamesa's India O&M sale reflects a shift toward holistic solutions due to limited EPC capabilities. |
| **ENTERTAINMENT** | |
| TIPS Industries | ■ **Guidance-** Expects healthy 30% revenue growth in the coming years and similar growth in PAT depending on content cost, while fixed costs are minimal. The company is currently holding INR 1.2-1.3b in cash reserves.<br>■ **Revenue breakup**- Digital account for 75% of revenue (in which Youtube/ OTT accounting for 65%/ 35% respectively). Remaining 25% contributed by TV broadcasting, publishing, sync rights, etc.<br>■ **Recreating songs-** The company exclusively holds the rights to recreate or remix songs. When granting permission for recreation, certain conditions apply, including that the ownership of the song will come back to the company after the recreation process.<br>■ **Content cost-** 30% of revenue is allocated toward content creation, with any associated costs written off in the same fiscal year. The company may pursue acquisitions (around 30% from TIPS Films) or opt for internal content creation.<br>■ **Perpetual rights-** The company purchases content upfront, with a payback period of 4-5 years. Additionally, the rights acquired are perpetual. |
| **Healthcare** | |
| KIMS | ■ **CAPEX underway for bed capacity expansion**: The company has guided to expand its bed capacity by 57% (1715) beds to 5,200 beds by the end of FY27. The expansion includes the commencement of the Nashik Hospital by May'24 and the Thane hospital by the end of FY25. KIMS would invest INR5.2b at the Thane hospital to accommodate 290 beds initially, with an option to expand the capacity by 100 beds by investing an additional INR800m. Overall, KIMS would be spending INR21b over the next three years.<br>■ **Calibrated framework for investment:** KIMS aims to achieve breakeven for new hospitals within 15-18 months, with an occupancy rate ranging from 25% to 35%. Furthermore, the company aims to attain a 1.5x asset turnover and EBITDA margin of 25%-30% within the next five years.<br>■ **Expanding offerings:** KIMS is actively expanding its presence in mother and child care, as well as oncology sector. |

| Company | Takeaway |
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| Entero Healthcare | ■ **Inorganic growth at reasonable valuation:** The company focuses on the expanding its footprint across India through both organic as well as inorganic routes. Entero tends to acquire distributors at mid-high single-digit EV/EBITDA multiple.<br>■ **Revenue growth guidance**: Entero remains well-positioned to deliver 50% YoY growth in revenue to INR60b for FY25.<br>■ **Margin expansion:** Entero is highly optimistic about enhancing gross margins by 100bp by refining product mix and increasing volume off-take. Moreover, the utilization of operating leverage would enable Entero to garner another 100bp margin expansion over the next two years. |
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| Yatharth Hospitals | ■ **Capex to be driven by internal accruals:** The company has guided to double the bed capacity over the next three years through green field/brown field expansions. It intends to expand in north Indian markets such as Delhi, UP, MP, and Haryana. Further, the management hinted at expanding its Noida extension hospital to 700 beds over the next three years.<br>■ **Developing international patient's ecosystem:** The company has provided guidance that over the next three years, revenue from international patients is expected to rise to 10%, primarily driven by the inauguration of Asia's largest international airport near the hospital. Furthermore, the company is actively working to establish an ecosystem conducive to international patients by forming partnerships with local hotels.<br>■ **Improving payer mix to drive better profitability:** The company has guided to improve payer mix by increasing contribution from self and insurance patient pool over the medium term.<br>■ **Building levers for robust growth in sales/EBITDA:** Considering bed additions, payer mix/case mix change, Yatharth has the potential to exhibit revenue CAGR of 25% over the next two to three years. |
| **Infrastructure** | |
| GMR Airports (GMR) | ■ GMR has revenue-sharing agreements for all its airports, with Hyderabad at 4%, Goa at 37%, and Delhi at 46% (Delhi agreement fixed until 2066). A significant portion (1/3rd) of Delhi Airport's revenue comes from aero revenue.<br>■ The percentage of transit passengers in Delhi has increased from 4% to 24%, which is expected to benefit the duty-free business. Hyderabad Airport is undergoing capacity expansion, from 12m to 34m passengers. Goa Airport surpassed 4m passengers in its first year of operations and has since increased its capacity to 7.5m passengers.<br>■ In the future, the holding company will be dissolved and all assets will be merged under the listed entity. After the merger, the diluted equity will consist of 10.6b shares, which would increase to ~13.8b shares after 20 years.<br>■ The company expects to handle 72m passengers in FY24 and anticipates a 10% increase in FY25. |
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| J Kumar Infraprojects (JKUMAR) | ■ **Order book:** JKUMAR's current order book stands at INR205b, encompassing ~40 projects.<br>■ **Large projects:** The company is in the process of constructing a 5km tunnel |

| Company | Takeaway |
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| | with a diameter of 14 meters, which is set to be completed over the next few years. This tunnel will be the largest in India. Another significant project for the company is the INR36b Chennai project, which involves the construction of a 26-meter wide road spanning 21kms. |
| | ■ **Guidance:** Profit margin, currently at ~14%, is expected to increase gradually. The company's asset turnover has increased as it is leveraging existing assets for multiple projects, resulting in an asset turnover of 4x. Depreciation, as a percentage of sales, is expected to remain stable. |
| **Logistics** | |
| **Transport Corporation of India (TRPC)** | ■ **Freight:** The share of LTL/FTL in the Freight division stood at 37%/63% in 9MFY24. The management remains optimistic about increasing LTL's share to 40% by FY25 and improving margins of the LTL segment by 100-200bp in the next two years. In the Freight business, TRPC is looking to grow at 12-15% in near to medium term. |
| | ■ **Supply Chain**: The growth momentum remained intact in the supply chain division amid varied upward trends in the automotive sector. After the general election, it is anticipated that auto segments, like tractors and equipment handling machines, will see healthy growth, with the provision of incentives for the rural economy and infrastructure development. TRPC is looking at 20% growth in this segment. |
| | ■ **Seaways:** The company has decided to cancel its planned acquisition of two vessels/ships due to the current concerns over the shipbuilding industry's economic stability. The cancellation of agreement carries no financial obligations for either party, now or in the future. TRPC would continue to look for a second-hand ship to build on its capacity. It expects 15% growth driven by improved realizations. |
| **NBFC- Lending Financials** | |
| **Aavas Financiers** | ■ **Better efficiency and productivity from technological transformation –** With the company's technological transformation nearing completion, Aavas expects improvement in efficiency and ability to scale up. There will only be a ~10-12% increase in manpower and branches relative to a CAGR of 20-25% in AUM. |
| | ■ **Borrowing costs have nearly peaked out –** The management said that the CoB has increased marginally in 4QFY24 and expects it to peak out by 1QFY25. |
| | ■ **Disbursement momentum improving with higher stability in sales officers –** Aavas management noted that the disbursement momentum improved in Feb'24 and that it expects this momentum to sustain in Mar'24 as well. |
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| **India Shelter Finance** | ■ **Small-ticket mortgage loans with presence in Tier II-IV markets:** India Shelter Finance has a presence in 15 states. The ticket size in both home loans and LAP is in the vicinity of ~INR1m, with the self-employed customer segment forming ~72% of the mix and LTV in the range of 51-52%. |
| | ■ **Technology is one of its important enablers –** Salesforce is considered the best utility for financial services companies. The company does not expect any need for tech upgrade in the next 3-4 years. Various applications and tools make it more operationally agile and help it improve productivity. |
| | ■ **Conservative underwriting with a focus on risk mitigation –** The company |

| Company | Takeaway |
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| | has guided for credit costs of ~40bp and expects operating leverage benefits to kick in with higher scalability. It has a legal team of 40-45 employees spread across the country. The company evaluates whether a property can be repossessed under SARFAESI before financing the property. Records of the properties have to be available with SROs for financing by the company. |
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| **Fedbank Financial Services** | ■ **Parentage a big advantage –** The company is rated AA+ and has one of the finest borrowing costs among its peer NBFCs. With a presence across gold loans, small-ticket and middle-ticket LAP and unsecured business loans, it aspires for a ~25% AUM CAGR over the next 3-5 years.<br>■ **Gold loans provide a hedge against cyclicality in other product segments and vice versa –** While the sourcing is in-house for gold loans and small-ticket LAP, other products like middle-ticket LAP and unsecured business loans are sourced through DSAs. The company has levers for operating leverage and expects an improvement in the RoA profile, which, along with higher leverage, will result in better RoE.<br>■ **Technology upgrade will be completed in FY25 –** FedFina will embark on technological stack transformation in Apr'24 and expects the entire exercise to be completed in FY25. This will eventually lead to an improvement in the opex profile, which will further translate into an improvement in RoE. |
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| **Vastu Housing Finance** | ■ **Financial strategy and IPO contemplation -** Vastu Housing Finance expects to scale up to consolidated AUM of ~INR90b by Mar'24 (including a wholly-owned NBFC subsidiary focused on used LCV/SCV, tractors and used cars). The self-employed customer segment accounts for ~81% of its AUM. Vastu has a net-worth of INR32b and is currently in the middle of a capital raise, which will include both primary and secondary markets. It has no intention of pursuing an IPO immediately but will wait for the right time to take the company public.<br>■ **Technological innovation -** Vastu prioritizes technological innovation and operational efficiency. With a dedicated technology team of 75-80 employees, the company has developed a digital platform, PULSE, which has reduced the turnaround time to 3-4 days. It has also enhanced customer experience through a seamless paperless process.<br>■ **Liability profile** – The company has a credit rating of AA- (Stable), with a marginal CoF of ~8.4% and weighted avg. CoF of ~8.5%-8.6%. It operates uniquely with a 100% floating-rate asset book and focuses on ALM with PLR as the benchmark. Though Vastu has been conservative in debt market borrowings, it recently raised ~INR2b for its NBFC entity. It plans to gradually increase its bond borrowings when interest rates decline. |
| **REAL ESTATE** | |
| **Brookfield RIET** | ■ **Leasing:** The company expects the leasing environment to remain buoyant. While hiring has stagnant or declined marginally, the overall headcount has surged by 60% compared to pre-covid levels. However, substantial office space is yet to be occupied. Physical offices are now operating at 70-75% capacity across assets, reflecting a robust return-to-trend.<br>■ **Guidance:** The company has reported record leasing for two consecutive quarters and expects the momentum to continue. It expects gross leasing of |

| Company | Takeaway |
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| | 2.0-2.4msf over the next five quarters, including (4QFY24). Unscheduled expiries are largely behind, and with scheduled expiries amounting to 0.8msf (0.4msf renewed out of 1.2msf), the management expects occupancy to rise to ~88% by the end of FY25. It aims for optimized occupancy of >95% by FY26. |
| | ■ **NOI and DPU set to rise:** The company currently has a NOI run rate of INR18b, which is expected to increase to INR20-22b over the next 2-2.5 years as the company fills up the vacant space. The run-rate can further inch-up with an expected increase in in-place rentals, resulting in an increase in DPU to >INR6/share from INR4.5-4.75/share currently. |
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| Mahindra Lifespace | ■ **BD and launches:** The pipeline continues to remain strong at INR50-60b, of which, ~60% is in MMR and 20% each in Bengaluru/Pune. The current project pipeline, including Thane has a GDV of INR175b and the company has to achieve INR30b worth of new BD each year to achieve INR80-90b pre-sales by FY28. |
| | ■ **Thane:** The management expects the project to be launched in 18 months. While the Thane market has predominantly been a residential market, the commercial segment of the project can do well if it manages to offer attractive rents, while maintaining desired profitability. |
| | ■ **Cashflows:** The company believes that the total incremental outlay for BD over the next five years could be INR50b and the current project portfolio (excluding Thane) can generate INR43b of OCF. It has paid INR4b for the recent land purchased in Bengaluru and INR0.75b is yet to be paid (out of INR1.5b) for the new land acquired in Pune in 2QFY24. |
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| Sunteck Realty | ■ **Business development:** The company currently has INR300b worth of pipeline and the management is confident of doubling it over the next three years. Post signing of the redevelopment project in Bandra, the company is actively looking for similar projects in this micro-market and is at an advanced stage of acquiring another society adjacent to its Napean Sea project. |
| | ■ **Strong launches in FY25**: Sunteck is gearing up with a strong launch pipeline extending beyond FY24, which includes new project launches at Nepean sea road and Bandra in 2HFY25, along with new phases at Naigaon, Vasai, Mira Road, and ODC. |
| | ■ **Scaling up annuity segment:** Sunteck's two office assets near BKC are fully leased and can generate INR700m of rental income from FY25. The company will also start the development of 1msf office space at ODC, which could be completed in three years. Hence, the company expects the annuity portfolio to generate INR3b of rental income from FY28. |
| **RETAIL** | |
| Arvind Fashion | ■ **Guidance:** Expecting around 15% revenue growth, with 5-7% stemming from SSSG and the remainder from new store additions. |
| | ■ **Current environment:** In 4QFY24, expect revenue to grow in high single digits and EBITDA margins to improve YoY. There is no visibility of demand recovery. |
| | ■ **Brand-wise performance:** The USPA segment constitutes a INR25b business, accounting for 50% of the total revenue. Within this segment, footwear alone contributes INR2.5b and is projected to reach INR5b in the next three years. |

| Company | Takeaway |
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| | Meanwhile, both Tommy and CK segments are growing in double digits and have higher EBITDA margin than USPA. However, their gross margins are similar/slightly lower than that of USPA. Notably, USPA maintains gross margins above 60% vs. 50-52% of the company level. |
| | ■ **Rationalizing stores:** Closing small stores (~500sqft) and opening larger stores (1,500-2,000sqft stores). Plans to open 150-200 stores every year and a large part through FOFO |
| | ■ **Leverage position:** The company is sitting at INR4.5b gross debt and INR3b net debt. |
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| **Electronic Mart India** | ■ **Guidance:** Revenue growth of 15-20% is anticipated, alongside expansion within the existing market for 12-14 months. Post-Diwali this year, the company is planning to extend operations into West UP, Sonipat.<br>■ **Store addition:** On a company level, the plan is to add 30-40 stores annually. In Delhi, it has 13 EBO and 1 MBO stores and expects to add 5 stores by 4QFY24 and 7 in the next financial year, mostly before 2QFY25. The company expects to reach 20-30 stores in Delhi in the next 12-15 months.<br>■ **SSSG:** The typical age range for a mature store age is 3-5 years. During this time, a store stabilizes, yet it is expected to maintain 10-12% SSSG for mature stores, while new stores may exhibit a higher growth rate of 12-15%. This trajectory is anticipated to continue, with SSSG expected to exceed 10%, driven primarily by 80% contribution from volume and 20% from ASP.<br>■ **Store economics:** Expect a South/Delhi store to clock INR300m/INR200m in the first year, respectively, and take 12-18 months/20-24 months to breakeven. Store EBITDA in South India/Delhi stands at around 7-8%%/3-4%.<br>■ **Delhi model -** Average store size is 7-8k sqft vs. 12-13ksqft in South. Currently, Delhi store is EBITDA breakeven and once it reaches a store revenue of INR400-500m, it can achieve mid-single digit EBITDA margin. |
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| **Sai Silk Kalamandir** | ■ **Current environment:** Expect a continued weakness in demand recovery in 4QFY24 and 1QFY25. However, owing to a lower base in 1QFY24, it's unlikely for SSSG to turn negative. The company aims to achieve a single-digit growth in revenue for 4QFY24, reaching close to INR3.5b. The company expects to register flat revenue/EBITDA/PAT for FY24.<br>■ **Store addition:** Store count stands at 60 (6.5 Lakh sqft in 15 cities) and expects to add 10 stores in 1HFY25 and an additional 6-7 stores in 2HFY25. Targets to end FY25 area by 7.4-7.5 Lakh sqft.<br>■ **Finance cost to reduce:** Financing costs are expected to decrease as working capital loans reduced to INR1.55b from INR2.3b. The company currently holds a long-term debt of INR400m and INR3.5b in cash reserves. It expects to be debt free by FY26E.<br>■ **Inventory day's improvement:** Expects inventory days to improve by 15-20 days due to cluster approach. Furthermore, gross margins are expected to widen, led by lower cash discounts, bulk buying, VML expansion, and a decrease in payable days (currently at INR830m vs. INR2.3b in Sep'23). |
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| **Dollar Industries** | ■ **Demand and pricing trends:** The demand trend is improving on MoM, with further improvement likely during the upcoming summer season. With the |

| Company | Takeaway |
|---|---|
| | recent increase in yarn prices (key RM, 45% of total RM), Dollar plans to increase prices by 5% in Apr'24 (industry-wide trend). Dollar with a wide product basket for men, women and kids is better placed among peers; however, the men's innerwear segment still accounts for the bulk of revenue (~80%). The innerwear industry is still dominated by unorganized players and is growing at an 8% CAGR. Technology upgrade has helped improve the efficiency of channel partners, leading to better ROI. GT forms 89% of revenue, with ecommerce and exports contributing 5-6% each. |
| | ■ **Project Lakshya:** The company has been working with Vector Consultants for the last three years to implement Theory of Constraints (TOC) for an efficient distribution model. The program's name is Project Lakshya. Out of 150,000 retailers who have adopted the new system, 68% are actively using it. In this project, the company directly engages with the retailers and focuses on a pull-based model. The direct access to retailers gives lower working capital requirement, better assortment, and real-time consumer trend. The incentive program for retailers has also become more effective. Revenue from Project Lakshya was 30% in 9MFY24. Inventory days have declined to 65 (vs. >100 earlier) at locations where the project is implemented. The management plans to expand the project to two more states in 1QFY25. Four out of 12 states have been completed, including Maharashtra. Rajasthan's revenue has increased to INR1,500m from INR800-900m. Dollar has successfully added ~290 distributors (out of total 1,400) and aims to add more. Project Lakshya's revenue contribution is ~30% currently, and the company aims to achieve 60% in the next couple of years. |
| | ■ **Outlook:** The management anticipates FY26 revenue of INR20b with 13-14% EBITDA margin. FY24/FY25 EBITDA margin is expected to be ~10%/12-13%. |
| **Staffing** | |
| UDS | ■ In terms of revenue growth, both IFM and BSS businesses should grow 18-22% in the long term. In the short term, it expects BSS to outpace IFM in revenue growth. Revenue growth should be 3x higher than economic growth. |
| | ■ Airport ground handling provides a massive growth opportunity. Currently, it has 200 airports under operations and would add 60 more in the next 2-3 years. Except Indigo, UDS serves almost all the aircraft carriers. It is not into the delivery or core cargo space. UDS operates in the niche logistics space. |
| | ■ It sees a broader scope for improvement in Athena and Denave. Microsoft alone contributes 40% to Denave business. However, UDS does not see similar potential of growth in the employee verification, mail room management, and warehouse management businesses. |
| | ■ The employee verification business provides a broader scope in terms of volume. GCCs are seeing robust growth, with every single company growing exponentially, and UDS is benefitting directly as companies want to hire fulltime direct employees and need background verification as a service. |
| **Technology** | ■ |
| CMS Info Systems | ■ The management sees a strong opportunity in cash logistics. Cash usage in India is massive, with cash withdrawals from ATM exceeding the debit and credit card usage together. Despite having the UPI services, cash usage continues to increase. People in metro cities continue to rely on cash usage to meet their daily expenses. Currently, banks operate 82k ATMs. |

| Company | Takeaway |
|---|---|
| | ■ CMS Info expects three growth drivers: 1) bank outsourcing, 2) retail banking, and 3) remote monitoring. There is a large addressable market that is yet to be outsourced on the digital front, led by the increase in usage of technology in addressing client queries. |
| | ■ The mature and tech savvy economies (such as the US) are more likely to hold the privacy and expenses control which would lead to have higher cash usage. Additionally, the governments are also bringing laws that would limit retailers from prohibiting customers' cash usage. |

## CEAT: India is in a good position in tyre space; Kumar Subbiah, CFO

- India can compete well with China
- Tyre industry is competitive globally
- Government anti-dumping has helped in keeping level playing field
- Have enough capacity to manufacture EV tyres

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## Thermax: Energy transition will be a significant contributor; Ashish Bhandari, MD

- Textile, chemicals & pharma are segments where India has been gaining from China
- Energy demand will be a significant contributor
- Around 2/3rd of Thermax business will be from newer areas
- See uncertainty around the future of coal

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## IRB Infra: All BOT projects are being executed by private investments; Anil Yadav, CFO

- Ferrovial will be acquiring 24% in private investment at value of INR 6,600 cr
- Deal happening at 2.5x BV of 10 assets
- Valuation of private investments translates into INR 41-42k cr
- 51% in private investments is held by IRB ranging from INR 20-24k cr

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## Century Plyboards: Will be more competitive in the International market; Keshav Bhajanka, Executive Director

- Customers product preference have moved towards branded products
- Post covid demand for our products are robust
- Will be more competitive in the international market
- People are realizing the importance of quality

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|---|---|
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| SELL | < - 10% |
| NEUTRAL | > - 10 % to 15% |
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