SMART SYNC
SERVICES

Q1FY23 Results & Conference Call Highlights of 71 Stocks

Who We Are

Founded in 2017, **Smart Sync Services** is a SEBI Registered Investment Advisory Firm striving to make the investment journey towards financial freedom simpler for individual investors. SSS offer **fee-based Equity Advisory, Model Portfolio** and **Financial Planning** Services for retail and HNIs.

Moreover, SSS also provide their members with a learning platform, **MissioN SMILE**, which aims to harness the community with the required financial and behavioral tools. Armoring members with these tools of knowledge and wisdom can sustainably lead them towards speedy financial freedom. This enables them to guide their members on how to avoid financial imprisonment and give them control over their finances and life choices.

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AUTO & AUTO ANCILLARIES

Bajaj Auto Ltd Q1FY23

Financial Results & Highlights

Brief Company Introduction

Bajaj Auto Ltd has been one of the largest automobile players in India for a long time. They have been in operations since 1945. Bajaj Auto operates primarily in the entry-level and premium segment motorcycles along with small and large three-wheeler commercial vehicles segment. It is the largest three-wheeler manufacturer and third-largest motorcycle manufacturer in the world. They are now present in more than 70 countries around the world. Bajaj Auto also owns Force Motors and is a part-owner of the popular Austrian motorcycle brand KTM.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	8324	7715	7.90%	8263.7	0.73%
PBT	1545	1383	11.72%	1897.2	-18.58%
PAT	1173	1061	10.56%	1469	-20.13%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	8325	7715	7.90%	8236.7	1.07%
PBT	1534	1381	11%	1892.1	-18.92%
PAT	1163	1170	-1%	1526.2	-23.78%

Detailed Results:

1. The company revenue grew by 8% to Rs 8005 Cr YoY led by pricing and product mix.
2. EBITDA margin was at 16.6% an increase of 100 bps on YoY basis.
3. Company cash and bank balance stood at Rs 20,500 Cr this quarter.
4. Consolidated PAT and PBT are Rs 1534 Cr and Rs 1163 Cr respectively for this quarter.
5. In Q1 FY22, domestic two wheeler volume fell 8% to 3,14,418 units compared to Q1 FY21.
6. The volumes sold for the quarter stood at 9.3 lakh units
7. The YoY changes in volumes for Q1FY23 are as follows:

Domestic	YoY
Two-wheelers	-8%
CV	163%
Total	-1%

Export	YoY

Two-wheelers	-4%
CV	-48%
Total	-10%

Total	**YoY**
Two-wheelers	-6%
CV	-19%
Total	-7%

8. Domestic CV volume rose 163% to 38,418 units in this quarter.
9. Exports two wheeler volume fell 4% to 5,32,740 units and exports CV volume fell 48% to 48,070 units on YoY basis.
10. Company has announced a buyback of Rs 2,500 Cr.

Investor Conference Call Highlights

1. The ECU shortage had substantial impacted this quarter, with loss of production at 20-25% in domestic business and 10% loss in export business.
2. The Management expects to build inventory to normal level by Q2FY23.
3. In exports, company continue to grow its market share in LATAM & ASEAN and clocked highest ever sales of Dominar and Pulsar models in LATAM region.
4. Management states that devaluation of currency (affecting retail prices) and availability of USD is impacting few export markets.
5. Management anticipates challenges in few exports market like Africa which accounts for 50-55% of its export market.
6. Management states that the overall domestic 3W recovery, it is still at 50% of FY20 levels and will take time to reach full levels in selected markets due to unavailability of drivers and higher fuel cost.
7. Management expects domestic demand to grow up to 5% going forward, with 125cc-plus segment doing better than 100cc segment.
8. ECU shortage impacted domestic retail market share by 2 percentage points and led to inventory depleting to 3 weeks (v/s general stock of 6 weeks).
9. Company launched the all-new Pulsar N 160- equipped with a segment first dual channel ABS. The Pulsar 250, which was introduced last year, has been well received by customers and is steadily gaining market share.
10. Management states that the spares business now contributes 20% to overall company's turnover.
11. Total Exports for spares business stood at Rs 4,270 crores.
12. On EV front Bajaj Chetak sales doubled from 3,300 units in Q4 FY22 to over 6,200 units in Q1 FY23 and has expanded footprint to 27 cities in Q1FY23 vs 12 cities till Q4FY22.
13. The company has also commissioned new plant for Chetak at Akurdi, Pune. The new plant will have capacity of 0.5mn per annum. Alongside this plant, the company has set-up a R&D facility.
14. The Management aims on taking Chetak footprint across 100 cities.

15. The Company has also introduced e-3W which is under trail in Pune & Delhi.
16. Management states that e-3W's in Delhi are almost in par with CNG which provides penetration opportunity with rising CNG cost
17. The company is planning to enter in B2B segment where it aims to target e-commerce companies and leverage the technology of YULU

Analyst's View

Bajaj Auto has been a long-performing player in the automobile sector that has established itself as a dominant player in all the segments that it operates in both in India and abroad. Company has delivered a resilient performance & stable revenues growth of 8% to Rs 8005 Cr YoY; led by price hikes, favourable currency and product mix. As per management, domestic motorcycle demand is expected to continue on an uptrend as economic recovery takes, as inventory will normalising by Q2FY23. However, exports headwinds have emerged in Africa (50-55% of exports), where a sharp devaluation of currency is hurting demand. Going forward, company has seen a good uptick in Chetak sales and now plans to expand it to 100 cities in total. Company has commissioned new plant for Chetak at Akurdi, Pune. It remains interesting to see how the company handles the transition from ICE to electric in both the 2 & 3-wheeler sector. Nonetheless, given the company's position in export markets and its strong presence in all market segments in the two-wheeler market and three-wheeler markets, Bajaj Auto remains a pivotal auto sector stock to watch out for.

Balkrishna Industries Ltd Q1FY23

Financial Results & Highlights

Brief Company Introduction

Balkrishna Industries Limited (BKT) started its Off-Highway tire business in 1987. For over 30 years, BKT has successfully focused on specialist segments such as agricultural, construction and industrial as well as earthmoving, port and mining, ATV, and gardening applications. Company sells its tyres in 160+ countries through its distribution network in Americas, Europe, India & ROW. Company's tires find application in tractors, harvesters, irrigators, loaders, cranes, mining, handlers, dumps & telehandlers. Presently, agriculture tyres account for 64% of total volume sales, followed by off=the-road tyres (33%) & others (3%). Company has proposed a new CAPEX program worth 1,900 crores which includes debottlenecking & expansion of its Bhuj plant which would add capacities by 50,000 MTPA, setting up of another Carbon Black & Captive power plant.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	2,726	1,828	49%	2,432	12%	8,419	5,758	46%
PBT	429	485	-12%	488	-12%	1,954	1,531	28%
PAT	320	331	-3%	374	-14%	1,411	1,155	22%
Consolidated Financials (in Crs)								

	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	2619	1,803	45%	2,374	10%	8,295	5,783	43%
PBT	417	484	-14%	490	-15%	1,982	1,555	27%
PAT	307	331	-7%	375	-18%	1,435	1,178	22%

Detailed Results:

1. Gross Cash and Cash equivalents of Rs. 1,972 Cr as on 30th June, 2022.
2. For the quarter, the company had a net forex gain of INR 117 crore. This includes a realized gain of INR 91 crore and unrealized gain of INR 26 crore.
3. Gross debt stood at INR 2,752 crore at the end of 30th June 22, of which INR 2,251 crore is related to working capital debt.
4. Total capex of INR 1,322 crore on the ongoing capex program of INR 1,900 crore.
5. In the current quarter, the logistics costs have come at 14.2% of sales versus 7.1% in Q1FY22 and 13.8% in Q4FY22. Management expects relief in logistics costs towards the end of Q3/early Q4.
6. In the current quarter, Raw material costs have come at 46.6% of sales versus 42.8% in Q1FY22 and 45.3% in Q4FY22.

Investor Conference Call Highlights

1. Management expects the commissioning of 55,000 metric tons per annum of Carbon Black project, along with the power plant during Q3. The advanced Carbon Black project of 30,000 metric tons will be commissioned in Q4 of this financial year. Project Capex cost - Rs. 650cr.
2. Sales Volume guidance for FY23 stands at 320,000 – 330,000 MT.
3. Company continue to see a sustained uptick in demand for BKT tires. However, in Q2 they expect sluggish demand given macro challenges in Europe coupled with Heatwaves and inflationary trends in the USA.

4. The 50,000 MTPA brownfield tire plant at Bhuj- where project capex cost is Rs. 800cr and expect complete ramp-up in production in H2FY23.
5. Project Capex cost of Modernization, Automation and Technology Upgradation is Rs. 450cr and is expected to be completed by end H1FY23.
6. Management believes it is achievable capacity by the end of FY23 will be 360,000 MT p.a.
7. Other expenses have shot up almost significantly due to the power cost and some part of the branding.
8. The number of SKUs increased from 2,700 to 3,200.
9. Company keeps one month or 45 days inventory as well as materials in transit. So when the company imports the materials that have already been booked and are on the ship, the impact will be coming one quarter later.
10. Management expects raw material inflationary pressure in the second quarter as well.
11. Company sponsorship-related spend for the year is between INR 120 crore to INR 130 crore, and that is continuing.
12. Company had parked money in equity in FY22 because those times the debt rates were very, very low.
13. Employee expenses on a sequential basis have gone up by 20% as company had incremental new plants come up and they had to take the manpower fully on board.
14. The raw material and freight could not be majorly passed, as management stated that "When it goes up, you don't do a full pass on. When it goes down, you don't fully pass on."
15. Management guided that the carbon black plant will be having turnover of approximately INR 800 crore in this year, and margin will be at industry average.
16. BKT is the Title Sponsor of Continental Cup.
17. BKT is the Official Global Partner for the Spanish Football League "La Liga".
18. BKT is the Title Sponsor for the ITALIAN SERIE 'B' FOOTBALL CHAMPIONSHIP – THE NEWBORN - "SERIE BKT".
19. BKT is the Sponsor for the "LIGUE de Football Professionel (LFP)" in France.
20. BKT Is Official Tire Supplier for Rugby World Cup France 2023.
21. BKT is Premium Partner of EUROLEAGUE BASKETBALL.
22. BKT is the Official "OFF-HIGHWAY TIRE PARTNER" for KFC BIG BASH LEAGUE (THE AUSTRALIAN CRICKET LEAGUE).
23. BKT is the Official "OFF-HIGHWAY TIRE PARTNER" for KFC BIG BASH LEAGUE (THE AUSTRALIAN CRICKET LEAGUE).
24. Ranveer Singh is now the Brand Ambassador of BKT.

Analyst's View:

BKT is India's Leading player in the Global 'Off Highway Tire (OHT)' Market. Company has a wide and comprehensive product portfolio and deep understanding of the OHT market has led to capabilities to manufacture over 3,200 SKUs. BKT has built a resilient business model and is confident to withstand the near-term challenges to emerge stronger with a higher global market share. Company has global reach as it does sales to over 160 countries through Distribution networks in Americas, Europe, India and Rest of the World. It is India's Largest Off-Highway Tire Manufacturer. Company's brand recognition has grown and brand acceptability has grown. BKT is working on increasing its brand recognition and therefore aggressively looking for options available. Not only does the company want to be a low cost operator but also a branded player as well. With capex to control raw material cost and debottlenecking in place, it would be recommended to keep a watch on the updates.

Craftsman Automation Q1FY23

Financial Results & Highlights

Brief Introduction:

Craftsman Automation started the journey in the year 1986 as a small scale industry in the southern Indian city of Coimbatore, has grown to become a leader in precision manufacturing in diverse fields.

The co. manufactures several components and sub-assemblies on a supply and job-work basis according to client specifications in the automotive, industrial, and engineering segments. Headquartered in Coimbatore with 12 plants including 10 satellite units across India. The majority of its revenues come from auto ancillary parts.

	Quarterly Performance										
	CRAFTSMAN AUTOMATION LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**333**	**159**	**367**	**485**	**535**	**432**	**569**	**552**	**654**	**676**	**2,451**
% Growth YOY					*61%*	*171%*	*55%*	*14%*	*22%*	*57%*	
Expenses	248	116	266	345	385	326	426	425	501	512	**1,864**
EBITDA	**86**	**44**	**100**	**140**	**150**	**106**	**143**	**127**	**154**	**163**	**587**
Depreciation	48	39	48	55	50	49	50	52	54	53	**210**
EBIT	38	4	53	85	100	57	93	75	99	110	**377**
EBIT Margin	*11%*	*3%*	*14%*	*17%*	*19%*	*13%*	*16%*	*14%*	*15%*	*16%*	
Interest	35	30	21	26	30	22	18	20	24	25	**87**
Other Income	3	1	5	4	3	1	1	2	5	1	**10**
Profit before tax	**6**	**-25**	**36**	**63**	**73**	**35**	**76**	**57**	**81**	**86**	**299**
PBT Margin	*2%*	*-16%*	*10%*	*13%*	*14%*	*8%*	*13%*	*10%*	*12%*	*13%*	
% Growth YOY					*1181%*	*-238%*	*108%*	*-11%*	*11%*	*145%*	
Tax	3	-8	11	21	26	12	26	20	29	31	**106**
Net profit	**3**	**-17**	**25**	**42**	**47**	**23**	**49**	**37**	**51**	**56**	**193**
% Growth YOY					*1750%*	*-234%*	*98%*	*-12%*	*10%*	*143%*	

Detailed Results:

1. The company had a decent quarter with sales increasing by 57% YoY while PAT increasing by more than 2X due to lower base.
2. The company saw a rise in EBIDTA of 20% YoY to Rs.539 Cr.
3. The Automative powertrain segment saw a growth of 3% QoQ in Q1FY23 while EBIT stands at Rs.95 Cr Vs Rs.86 Cr QoQ.
4. The aluminium product segment clocked revenue growth of 3% QoQ while EBIT increased from Rs.11 Cr to Rs.20 Cr QoQ.
5. The Industrial engineering segment saw revenue increase by 4% QoQ while its EBIT increased from Rs.105 Cr to Rs.112 Cr.
6. The company's credit rating got upgraded to A+ with a stable outlook Vs A with a stable outlook.

Conference Call Highlights

1. The value adds for auto powertrain has been Rs.223 crores, aluminum products being Rs.71 crores, and industrial and engineering being at Rs.58 crores.

2. The lower costs of raw materials, pass through mechanism & higher contribution from value-adding products led to lower cost of material consumed.

3. The employee costs increased due to higher salary & bonus keeping in mind the trend of profitability & inflation.

4. The company saw a reduction of Rs.30 crores in long-term loans and Rs.80 crores increase in short-term loans.
5. The sales of storage solutions have been Rs.88 crores.
6. The company plans to incur CAPEX of Rs.225 Cr in FY23.
7. The management doesn't expect any QoQ growth in the powertrain segment.
8. The management states that the basic purpose of merging the auto aluminum and industry aluminum was to get benefits of synergy.
9. The company expects to lose around 15% of the Daimler portfolio by 2024 due to a shift in emission norms leading to the adoption of the Cummins engine.
10. The management expects the margins in I&E segment to hover around 10-11% which were reported in Q4.
11. The current capacity utilization stands at 70% & management expects this to increase this to 80% by Q2-Q3.
12. The company expects to reduce its debt by Rs.100 Crs in FY23 & improve Debt/EBIDTA to 1.17 Vs 1.33 YoY.
13. The company is seeing benefits of improved credit rating in the form of lower borrowing costs & better discounts from credit
14. The management states that On the automated solutions front, the company is fully booked for the next six months.
15. The management states that the company is supplying to almost all tractor manufacturers other than ITL.
16. The company expects the contribution of two wheeler biz in the aluminum segment to reduce from 50% to 30-40% in the coming year.

Analyst's View:

Craftsman Automation is a leading maker of engine parts in India. The company saw a decent Q4 with 57% YoY revenue growth & PAT growth of 140%% YoY due to a lower base. The management expects revenue & profits to grow by 20-25% for the next 3 years. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation, tensions in Eurozone and how long will it take for the non-core businesses to grow. Given the company's strong positioning and its rising segments, Craftsman Automation is a good auto ancillary stock to watch out for.

Eicher Motors Q1FY23

Financial Results & Highlights

Brief Company Introduction

Eicher Motors Limited is an Indian manufacturer of motorcycles and commercial vehicles. Eicher is the parent company of Royal Enfield, a manufacturer of middleweight motorcycles. In addition to motorcycles, Eicher has a joint venture with Sweden's AB Volvo - Volvo Eicher Commercial Vehicles Limited (VECV).

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	3341	2042	63.62%	3308	0.99%
PBT	764	356	114.63%	749	2.04%
PAT	580	267	117.14%	553	4.92%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	3446	2096	64.39%	3311	4.08%
PBT	758	367	107%	806	-5.92%
PAT	611	237	158%	610	0.11%

Detailed Results:

1. The company achieved highest revenue of Rs 3,397 Cr, up 72% YoY and 6.4% QoQ.
2. EBITDA for Q1 FY23 stood at Rs 831 Cr, an increase of 129% YoY and 9.8% QoQ, while EBITDA margin stood at 24.5% this quarter, up by 6% YoY and 0.8% QoQ
3. PAT for this quarter remained flat to Rs 611 Cr vs 610 Cr previous year quarter, due to the low other income and partially offset of state government grant.
4. In Q1 FY23 company sold 1,86,032 motorcycle up by 52.3% YoY and 2.1% QoQ
5. Company market share for 125cc+ segment is 36% vs 32.9% in the pervious quarter
6. Company continue to hold more than 85% market in 250cc+ segment.
7. The company has around 2,132 retail outlets in India.
8. VECV saw revenue rise by 140% YoY to Rs 3,934 this quarter and EBITDA margin stood at 5.3% vs 1.1% last year.
9. PAT for VECV is Rs 62 Cr vs loss of Rs 72 Cr last year.
10. Export volume for VCEV is up by 3.1% this quarter.

Investor Conference Call Highlights

1. Company launched all new Hunter 350 motorcycle at a price of Rs 1,49,900 for the younger audience (~an average age of 29-30).
2. In India Company sold 1,57,642 motorcycle up by 51% compare to pervious year
3. Company launched new variants for Meteor in three color this quarter
4. In International market, company dispatched 28,390 units, an increase of 62% YoY and 32% QoQ.

5. According to the management, the company does not anticipate any significant increases in material costs.
6. Company launch its first electric bus in the city of Chandigarh this quarter.
7. The company has received an order of 150 electric buses from Surat.
8. Company launched its next generation Volvo 9600 platform in India
9. According to the management, company planning for expansion of retail outlet in International market, as of now company has 850+ retail outlet.
10. The CV industry has increased its unit volume by 105,000 compared to the previous year's 40,000, bringing it closer to its earlier peak level.
11. According to the management, the company has taken price hike of Rs 3000 in their 350cc portfolio and Rs 5000 in Twins portfolio in this quarter.
12. The company maintained its market share of around 27.7% in Light and Medium and duty tuck segments, 7.4% in Heavy duty trucks and 28.6% in buses

Analyst's View

Eicher Motors has been one of the highest-rated auto companies in India. This was mainly on the back of their successful turnaround of Royal Enfield and the emergence of the mid-sized (250cc-750cc) motorcycle market. The company delivered a great quarter achieving highest revenue of Rs 3,397 Cr, and increasing its revenue by 72% YoY. The company recent launched of Hunter 350 motorcycle at an accessible price point has received good response from journalists all across the world largely due to lightweight & easy to ride features. It remain interesting to see how company expand its global footprints with its all-new products and whether it can replicates the success its pervious success. Nonetheless, given its resilient performance in its various segments and the strong brand and industry position of the company, Eicher Motors remains a critical stock to watch out for every auto sector investor.

FIEM Q1FY23

Financial Results & Highlights

Brief Company Introduction

Fiem Industries Ltd was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989, in New Delhi and was founded by Mr. J.K. Jain. It is engaged in the business manufacturing and supply of auto components like automotive lighting.

	Quarterly Performance										
	FIEM INDUSTRIES LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**322**	**67**	**374**	**358**	**421**	**275**	**419**	**389**	**490**	**445**	**1,742**
% Growth YOY					*31%*	*308%*	*12%*	*8%*	*16%*	*62%*	
Expenses	284	83	322	317	367	244	368	342	425	388	**1,523**
EBITDA	**39**	**-15**	**53**	**42**	**55**	**31**	**51**	**47**	**65**	**56**	**219**
Depreciation	14	14	14	14	16	14	14	13	18	16	**61**
EBIT	25	-29	39	28	39	17	37	33	47	40	**158**
EBIT Margin	*8%*	*-43%*	*10%*	*8%*	*9%*	*6%*	*9%*	*9%*	*10%*	*9%*	
Interest	3	3	3	3	3	2	2	2	3	2	**8**
Other Income	-0	0	-3	1	2	0	1	1	1	1	**3**
Profit before tax	**21**	**-32**	**33**	**26**	**38**	**15**	**36**	**32**	**45**	**40**	**153**
PBT Margin	*7%*	*-47%*	*9%*	*7%*	*9%*	*6%*	*9%*	*8%*	*9%*	*9%*	
% Growth YOY					*80%*	*-148%*	*11%*	*22%*	*20%*	*158%*	
Tax	-2	-8	8	6	11	4	9	9	12	11	**40**
Net profit	**22**	**-26**	**24**	**20**	**28**	**11**	**26**	**23**	**34**	**29**	**112**
% Growth YOY					*25%*	*-142%*	*8%*	*17%*	*20%*	*167%*	

Detailed results-

1) The company saw an excellent quarter with sales increasing by 62% YoY while PAT increased by 160% YoY.

2) Q1FY23 product mix distribution stood as –

   A) Auto lamp – 41.1%

   B) Auto LED lamp – 31.8%

   C) Plastic moulded parts – 10.9%

   D) Rear View mirrors – 11.2%

   E) Others – 5%

3) Revenue break up between segments –

   A) OEM's domestic – 90.74%

   B) Replacement market – 6.58%

   C) Exports – 2.68%

4) EBIDTA margins stood at 13.3% while PAT margins stood at 6.82%.

CONCALL HIGHLIGHTS -

1. The 2W industry's sales grew by 38.4% YoY while the company's sales grew by 52% during the same period.
2. The company is supplying to more than 20 customers in the EV segment which contributed to Rs18.5 Crs worth of revenues in Q1.
3. The management states that due to exports of Yamaha from the company side being lower because of the fulfillment of its export orders in Q4FY23, the company recorded a QoQ decline Vs industry rate.
4. The management states that headlamps have higher realizations than tail lamps.
5. In the EV car segment, the company is the sole supplier of head & tail lamps for Mahindra Reva.
6. The management expects Yamaha sales to be flat for the coming year.
7. The wallet share break of its top 4 customers is as follows-
   A. HMSI: headlamp- 40%, tail lamp 76%, side indicator 85%, and for rearview mirror 100% wallet share with HMSI and for RR and Position Lamp 100%.
   B. TVS: headlamp 73% and tail lamp 69%, blinker 82% and RVM 55%, License Lamp 50% and DRL is 100%
   C. Yamaha: headlamp 91%, tail lamp 64%, side indicator 5% and RVM 32%, position lamp 57%.
   D. Suzuki: head lamp 80%, tail lamp 80%, blinker 23%, RVM 100% and RR 100%.

8) The company's capacity utilization stands at 75%.
9) The management states that incentive schemes from Govt. Has helped bring EV two-wheeler prices closer to or at
par with ICE two-wheeler prices in some segments.
10) The company's LED mix stood at 44%.
11) The management states that it had 80 projects in the R & D phase along with 17 new projects that it won in the recent quarter.
12) the company is working on 4+ projects with Hero.
13) The management is targeting to maintain its current margin profile of 12.5-13%.

Analyst view:

Fiem industries had a decent quarter recording 60% revenue growth YoY led by the lower base. The management is confident of delivering 20% revenue growth rate for the next 3 years primarily due to a rebound in 2W sales coupled with a transition towards LED base lighting & increased penetration of EV's in the current automobile market. It remains to be seen how the company will maintain its margins given the global inflationary climate coupled with potential semiconductor shortage & auto slowdown. Nonetheless, Fiem industries is an interesting small cap stock to keep track of.

Lumax Auto Technologies Q1FY23

Financial Results & Highlights

Brief Company Introduction

Lumax Auto Technologies Ltd was incorporated in 1981 and is a part of the D.K. Jain Group of companies. It is engaged in the business of manufacturing and supplying Automotive Lamps, Plastic Moulded Parts, and Frame Chassis to two, three, and four-wheeler segments.It has Partnerships with 7 Global players like Yokowo(Japan), JOPP(Germany), and a few others.

Quarterly Performance											
LUMAX AUTO TECHNOLOGIES LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**273**	**71**	**284**	**365**	**388**	**260**	**403**	**428**	**417**	**422**	**1,669**
% Growth YOY					*42%*	*267%*	*42%*	*17%*	*7%*	*62%*	
Expenses	258	83	254	327	345	245	358	383	372	377	**1,490**
EBITDA	**14**	**-12**	**30**	**38**	**43**	**16**	**45**	**45**	**45**	**44**	**179**
Depreciation	8	8	8	9	9	9	9	10	11	11	**42**
EBIT	6	-20	22	29	33	7	35	35	34	33	**137**
EBIT Margin	*2%*	*-29%*	*8%*	*8%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	
Interest	2	3	2	2	2	2	2	2	3	3	**10**
Other Income	7	4	3	7	3	3	3	3	2	4	**12**
Profit before tax	**10**	**-19**	**23**	**34**	**35**	**8**	**36**	**35**	**33**	**34**	**140**
PBT Margin	*4%*	*-27%*	*8%*	*9%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	
% Growth YOY					*238%*	*-140%*	*60%*	*6%*	*-4%*	*341%*	
Tax	4	-5	7	8	10	3	10	10	8	8	**37**
Net profit	**6**	**-12**	**15**	**23**	**21**	**3**	**23**	**22**	**21**	**22**	**88**
% Growth YOY					*246%*	*-128%*	*52%*	*-7%*	*0%*	*540%*	

Detail Results-

1. The company's revenue grew by 62% YoY.
2. Product-wise revenue mix -

A. Plastic modules - 21%
B. Aftermarket - 19%
C. Fabrication - 15%
D. Shifter - 15%
E. Lighting - 10%
F. Emission - 7%
G. Others - 13%

3) Segmental revenue mix -

A. 2/3W - 38%
B. Passenger car - 24%
C. Aftermarket - 19%
D. CV - 8%
E. Others - 11%

4) D/E stood at 0.03 while ROCE & ROE stood at 22.4% & 12.8%.

Concall highlights -

1. The management believes that it is on track to achieve its guidance of 1/3rd contribution of sales coming from joint ventures.
2. During the quarter on May 3rd, 2022,
   the company has filed the draft scheme of merger with MPSC of its 100% subsidiary Lumax Metallics Private Limited with the company for efficient utilization and synergy of resources.

3. The management states that out of the total order book of Rs.600 Crs, Rs.150 Crs will come from the aftermarket segment & the remaining portion will be a mix of PV(50%), 2-3W (40%) & CV (10%).
4. The management states that new product launches coupled with channel expansion have helped the aftermarket division report flat results quarterly despite Q4 being a seasonally stronger quarter.
5. The company will see slower growth in oxygen sensors in the coming year due to a new notification passed by govt. As a result of lobbying efforts of OEMs which says that the OBDII CATCON implementation which is the catalytic converter is now postponed to 1st April 2025 rather than 1st April 2023.
6. The company has proposed a resolution to raise QIP of Rs.400 Crs in the future for better financial flexibility.
7. The company expects revenue growth of 20-30% & EBIDTA margins of 12% in FY23.
8. The total Capex for FY23 will be Rs.75 Crs out of which Rs.25 Crs will be for the PLI scheme.
9. The management states that since the company is working with Bajaj auto on its EV platform, it expects revenue growth to increase by 10% post Q3.
10. The management guides for revenue from the PLI scheme to flow from FY24.
11. The company's arrangements with OEMs allow it to compensate for increased raw material prices with a lag of 3-4 months.

Analyst views-

The company is one of the leading players in automotive lighting & gear shift space with strong presence in aftermarket segment. The company reported a strong quarter with revenue growth of 60%. The company is confident to grow its topline by 20% in the coming 3 years led by healthy order book & maturity of its JV's. It remains to be seens how the company will tackle the inflationary environment coupled with possibility of slow down in Auto segment due to global crisis & semiconductor shortage. However, Lumax Auto remains a solid small cap auto ancillary stock to keep in one's watch list.

Sansera Engineering Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

Sansera Engineering Ltd. Is an engineering-led integrated manufacturer of complex and critical precision forged and machined components catering to OEMs globally. It has 17 Integrated manufacturing facilities and strong in-house engineering capabilities. Company has a distinguished board and experienced management team and Professional leadership – CEO, CFO & Head of Operations. Sansera plans to continue to improve its market share, participate in the growing xEV opportunity and diversify into technology agnostic components and non-auto sectors. Sansera Engineering Ltd. Is a leading supplier of precision forged and machined components.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	475	335	27%	511	-7%	1351	1745	29.16%
PBT	48	22	118%	55	-12.7%	132	172	30%
PAT	36	17	111%	41	-12%	98	128	30.61%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	533	39.5	35%	574	-7.14%	1572	2004	27%
PBT	47.8	25.2	89%	53	-9.81%	146	178.3	22%
PAT	34.8	18.9	84%	37	-5.95%	109.8	131.8	20%

Detailed Results:

1. Sansera has reported a healthy set of numbers with a 35% year-on-year growth in top line of Rs. 5,329 million.
2. With better capacity utilization, the company's EBITDA margin improved from 16.3% (Q1FY22) to 17.3% (Q1FY23).
3. PAT for the quarter increased by 84% to Rs. 347.8 Mln and margin increased from 4.8% to 6.5%.
4. In Q1 FY 23, 89% of auto segments revenues included a 9% contribution from auto tech agnostic and xEV products was vis-a-vis 4% in Q1 FY22 and 6% in FY22.
5. In terms of current auto segment sales mix – motorcycles contributed to 36% of top line, passenger vehicles accounted for 27% of the top line, commercial vehicle accounted for 11% of top line, aerospace and agriculture accounted for 3% of the topline, off-road accounted for 4% of the top line and remaining 1% of the top line came from other segments.
6. In Q1 FY23, Auto-Tech Agnostic & xEV products contributed 9% of the topline vs 4% in Q1FY22 and 6% in FY22.
7. As on 31-Jul-22, our orderbook with annual peak revenues stood at Rs 11.1 bn, with auto ICE contributing Rs 5.3 bn/ 48%, auto tech-agnostic adding Rs 3.4 bn/ 31% and nonauto accounting for Rs 2.4 bn/ 22%.

Investor Conference Call Highlights

1. In line with the company's long term strategy, share of auto tech agnostic, xEV and non auto revenue improved by 4% to reach 20% of total revenue.

2. Company has added Tata Motors and Force Motors to its client list and this opens up opportunities to participate in various programs across PVs as well as CVs both in ICE and electric vehicle space.

3. Management expects exports to be weak primarily as a result of the war, the commodity price increase, energy cost increases, continued semiconductor challenges and also rising fear of inflation as well as recession.

4. Scooters accounted for 14% of the top line with a positive trend of increasing share of business of scooters in overall two-wheeler markets especially the EV scooter.

5. In terms of geographical sales mix for Q1 FY23 stands as follows India contributed 71%, sales to customers in Europe about 17% and USA 9%, other foreign countries contributed to 3% of total revenues.

6. Management believes growth will come on both auto and non-auto side.

7. Management expects to close about 30% to 40% growth in revenues in the aerospace sector this year.

8. Management expects technology agnostic and non-auto components to grow by around 50% in FY23, with their new facility coming on stream, aerospace & defense would be a major contributor to this growth.

9. Company has recently received order confirmations for xEV components from two two-wheeler manufacturers namely Ultraviolet and Hero Motors.

10. The main spoilsport in taking the sequential revenue down was, approximately about 17 crores worth of finished goods couldn't be dispatched although it was ready and cleared by export customers due to a logistic disagreement.

11. Though price increase was not part of the standard contract, the company was able to get some price increase and since sequentially if seen the volumes have slightly come down so that is a give and take impact between the gross margin and the overall cost structure.

12. In the company's line of business it is not very usual, but it is not uncommon also that the customers for various reasons can cancel a project.

13. 276 LOIs/Purchase Orders from 74 customers in the auto and 34 customers in the non-auto sector.

14. Sales Mix- India- 71% and international- 29%.

15. The critical applications of Sansera's products and stringent quality requirements, act as a strong competitive advantage for the company.

16. Largest supplier of connecting rods, rocker arms and gear shifter forks in two wheelers.

17. Largest supplier of connecting rods and rocker arms in light vehicles.

18. Most of the products are sold directly to OEMs in finished (forged and machined) condition, resulting in significant value addition by the company.

19. Over the years, the company leveraged its existing capabilities to manufacture precision components for several nonautomotive sectors and established its presence in the aerospace, off-road and agriculture sectors.

20. Top 5 customers constitute 54% of the total sales mix.

21. Company has improved capital and operating efficiency, reduced reliance on third party suppliers and high responsiveness to customer needs.

22. Company has automated facilities by installing 170 Robots across all facilities.

23. Sansera has 16 plants under operation across India, 1 in Sweden and 1 under construction in India All its facilities are located in close proximity to the client production facilities.

24. Company plans to deploy the automation capabilities across other manufacturing lines.

25. Management believes that Sansera focuses on providing high value-added and technology-driven components to capture shifts in customer preferences as well as evolving regulatory requirements, such as heightened emissions control standards. Further, this would increase opportunities for company to become a preferred supplier to their customers and consolidate position.

26. Management is not expecting any negative movement on margins. Even though their exports are not going to register significant growth.

Analyst's View:

Sansera manufactures and supplies a wide range of precision forged and machined components that are critical for engine, transmission and other systems for 2Ws, PVs and CVs. It also supplies components to the aerospace sector and for off-road vehicles. Company has created a unique value proposition for their customers. As a result, the company has added new customers and their existing customers are expanding their product basket. The domestic auto industry has been doing better thanks to rising demand, consumer confidence in rural areas easing semiconductor supply issues and declining commodity prices. The Indian auto-ancillary manufacturers are well positioned and appreciated for their work in the areas of robust component development, consistent quality and clear-cut price advantage. Besides, China Plus one strategy has also been helpful in acquiring more and more businesses. Sansera is well equipped to capture these growth opportunities with a long history of operational excellence. With the possibility of recession in Europe, the company may face few headwinds as it derives 17% of its revenue from Europe. Overall, seeing the company and the way it's positioned. It would be recommended to keep a watch on it. Any development on the electric vehicle, aerospace, defense sector can be immensely beneficial to the company as it has technology and it's not easy for a new player to settle here.

Banks
HDFC Bank Q1FY23

Financial Results & Highlights

Brief Company Introduction

HDFC Bank Ltd. is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has a base of 1,04,154 permanent employees as of 30 June 2019. HDFC Bank is India's largest private sector lender by assets. It is the largest bank in India by market capitalization as of March 2020.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	41560	36772	13.02%	41085.8	1.15%
PBT	12180	10306	18.18%	13044.7	-6.63%
PAT	9196	7730	18.97%	10055.2	-8.54%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	44202	38934	13.53%	43960.4	0.55%
PBT	12823	10642	20%	13689.9	-6.33%
PAT	9579	7922	21%	10443	-8.27%

Detailed Results:

1. The bank core revenues rose 19.8% YoY to Rs Rs27,181.4 in Q1 FY23.
2. NII grew up by 14.5% YoY to Rs 19,481 Cr, driven by growth in advances of 22.5% YoY and core NIM is of 4.0% on total assets.
3. Other grew up by 35.4% YoY. The breakup of other income is:
    1. Fees & Commissions: Rs 5,360.4 Cr vs 3,885.4 Cr last year.
    2. FX & Derivatives: Rs 1,259.3 Cr vs 1,198.7 Cr last year.
    3. Gain on sale/revaluation: Rs 1311.7 Cr vs 601 Cr last year.
    4. Miscellaneous Income: Rs 1080.2 Cr vs 60.35 Cr last year.
4. Operating expenses were up 28.7% YoY.
5. The core cost to income was at 38.6% in this quarter.
6. Pre-provision Operating Profit grew by 14.7% YoY to Rs 15,367.8 Cr.
7. Provisions and contingencies for the quarter were at Rs 3,187.7 Vs Rs 4830.8 in the previous year.
8. The Total Credit Cost ratio was at 0.91% vs 1.67% last year.
9. Standalone PBT & PAT rose to 18.2% and 19.0% respectively YoY in Q1 FY23.
10. Total Balance Sheet size grew by 20.3% YoY to Rs 2,109,772 Cr.
11. Total Deposits rose to 19.2% while CASA deposits rose to 20.1% YoY. Time deposits grew by 18.5% YoY.
12. Bank CASA deposits composed 45.8% of total deposits in Q1 FY23.
13. Total advances rose by 22.5% YoY to Rs 1,395,068 Cr.
14. Retail advances grew by 21.7% YoY while commercial and rural banking loans grew by 28.9% YoY and other wholesale loans grew by 15.7 % YoY. Overseas advances were at 3.5% of total advances

15. The bank maintained a CAR of 18.1%. with Tier I CAR at 17.1%.
16. GNPAs stood at 1.28 while NNPA was at 0.48% in Q1 FY23.
17. The bank maintained floating provisions of Rs 1451 Cr and contingent provisions of Rs 9630 Cr. Total provisions were at 170% of GNPAs.
18. The bank increased its network by 725 branches to 6378 in 3203 cities/towns in FY21.
19. HSL saw revenues decline to Rs 432.5 Cr vs Rs 455.6 Cr last year in this quarter. PAT was down to Rs 189 Cr vs Rs 251.1 Cr last year.
20. HDB Financial Services Net revenues grew 13% YoY. CAR was maintained at 20.3%

Investor Conference Call Details:

1. Bank Payment acceptance points have grown to 3.2 million a year-on-year growth of 42%
2. The bank has added 36 branches during the quarter and 250 more would be added. Gold loans now processed at over 2000 branches vs 1340 branches in prior quarter
3. The bank has ~3.2m payment acceptances, which grew 42% YoY.
4. SME loans are now being offered in 640 districts.
5. During this quarter company have added 10.9k employee and over past 12 month company have added 29k employee.
6. The bank has added 2.6m new liability relationships in Q1 FY23, which grew 59% YoY and 10% QoQ.
7. On cards business, bank has issued 1.2m new Credit Cards in Q1 FY23 – the highest ever and up 47% YoY. The total card base stand at 17.6 million
8. Cards spends grew 24% QoQ while payments business grew 27% YoY & 4.4% QoQ.
9. The bank has a market share of 22.4% in cards, 48.9% in card receivables, 27.7% in card spends and 47% in merchant acquiring volumes
10. During this quarter, bank let go wholesale advances of Rs.40,000-50,000 crore owing to pricing pressure
11. Company recently launched Xpress Auto Loan and loan volume has already more than 5% of the normal auto loans
12. According to management, a total of 75% of the PSL requirements have been met organically.
13. In Q1 FY23 bank has received a total of 231 million visits on their website, averaging 28+ million unique customers per month, an increase of 20% YoY.
14. Company's Balance sheet remains resilient, average LCR for this quarter at 108% Vs 120% in last quarter
15. Slippage ratio stood at 0.5% to Rs 7200 Cr in 1QFY23 and excluding Agri and one-offs, slippages stood at 38 bps.
16. Management states that cheque bounce rate across various retail product categories remain low compared to pre covid level in this quarter
17. According to management technology-related spends is likely to be 8-9% of total OPEX.
18. Management believe revolver rate is likely to rise gradually and revert back to pre-COVID levels over the course of time.

Analyst Views:

HDFC Bank is the biggest bank in the country by market capitalization. The bank deliver healthy Q1 led by strong sequential trends in Retail loans with NII grew up by 14.5% and 22.5% YoY growth in advances. Credit growth remain robust at 21.6% YoY vs 20.8% led by retail and commercial banking segments. . The bank plans to launch new apps and digital initiatives in next few years. It remains to be seen how the company will combat the rising competition in the payments space from tech majors like Paytm and consumer finance giants like Bajaj Finance and how will the announced merger with parent HDFC pan out. Nonetheless, given the bank's customer set, strong liquidity profile, and enduring brand image, HDFC Bank remains an indispensable banking stock for every investor.

Kotak Mahindra Bank Q1FY23

Financial Results & Highlights

Introduction

Kotak Mahindra Bank is an Indian private sector bank headquartered in Mumbai, Maharashtra, India. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, and wealth management. As of August 2022, it is the third-largest Indian private sector bank by market capitalization.

	Quarterly Performance										
	KOTAK MAHINDRA BANK LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**8,434**	**8,422**	**8,313**	**8,134**	**7,952**	**8,043**	**8,233**	**8,626**	**8,838**	**9,164**	**34,862**
% Growth YOY					*-6%*	*-4%*	*-1%*	*6%*	*11%*	*14%*	
Expenses	5,492	6,260	6,348	8,096	9,429	7,202	8,531	6,847	8,807	4,969	**29,153**
EBITDA	**2,942**	**2,162**	**1,964**	**38**	**-1,477**	**841**	**-297**	**1,780**	**31**	**4,195**	**5,709**
Depreciation	117	-	-	-	-	-	-	-	-	-	**-**
EBIT	2,825	2,162	1,964	38	-1,477	841	-297	1,780	31	4,195	**5,709**
EBIT Margin	*33%*	*26%*	*24%*	*0%*	*-19%*	*10%*	*-4%*	*21%*	*0%*	*46%*	
Interest	3,801	3,628	3,286	3,120	2,933	2,851	2,880	2,919	2,903	3,004	**11,707**
Other Income	3,651	3,901	5,236	6,537	7,773	4,529	7,109	5,550	7,960	2,495	**23,113**
Profit before tax	**2,674**	**2,435**	**3,914**	**3,455**	**3,364**	**2,519**	**3,931**	**4,411**	**5,087**	**3,686**	**17,115**
PBT Margin	*32%*	*29%*	*47%*	*42%*	*42%*	*31%*	*48%*	*51%*	*58%*	*40%*	
% Growth YOY					*26%*	*3%*	*0%*	*28%*	*51%*	*46%*	
Tax	723	595	981	879	810	725	990	1,073	1,229	974	**4,265**
Net profit	**1,905**	**1,853**	**2,947**	**2,602**	**2,589**	**1,806**	**2,989**	**3,403**	**3,892**	**2,755**	**13,039**
% Growth YOY					*36%*	*-3%*	*1%*	*31%*	*50%*	*53%*	

Detailed Results :-

1. The company had a great quarter with revenues rising at 14% YoY while PAT rose 53% YoY mainly due to the low base last year from high provisioning.
2. Consolidated CAR was at 24% with tier 1 capital at 23%.
3. Consolidated assets grew 27.7% YoY to Rs 3.37 Lac Cr in Q1 vs Rs 2.63 Lac Cr last year.
4. RoA was at 2.04% vs 1.49% last year.
5. Consolidated Book value per share was at Rs 502 per share.
6. 70% of the total PAT came from the bank, 8% from Insurance and 9% from Capital markets.
7. Standalone CASA was at 58.1% vs 60.2% a year ago.
8. Standalone NIM was at 4.92% vs 4.60% a year ago. NII grew to Rs 4697 Cr vs 3942 Cr last year.
9. Standalone CAR was at 22.8% with Tier I ratio at 21.6%.
10. The bank continues to carry COVID-19 provision of Rs 482 cr with 63 cr reversed this quarter.
11. Credit cost on advances for Q3FY22 were 16 bps annualised (excluding COVID reversal) Q4FY22: 15 bps.
12. Standalone GNPA was at 2.24% vs 3.56% last year and 2.34% in Q4.
13. The segments showing the biggest growth in customer assets were Home Loans which grew 46% YoY and SME which grew 25% YoY.
14. Average CA grew 19% YoY while SA and TD grew 8% and 16% YoY respectively.
15. Insurance AUM as on 31st Dec was at Rs 51,082 Cr, registering a growth 15% YoY. GWP grew 35.8% YoY while Group premium grew a whopping 78.3% YoY.
16. Kotak Securities saw an overall market share in Q3FY22 of 4.3% vs 2.4% last year.
17. Kotak Mahindra Capital saw many big issues so far including Star Insurance, Nykaa, Mapmyindia, and Rategain. It also did rights issues for Airtel and Indian Hotels.
18. Kotak Mahindra Prime acquired the car finance arm of Ford India in Q3.

19. Kotak AMC saw Overall Market share on AAUM rise to 7.43% in Q3FY22 vs 7.4% last year. PAT from the unit remained flat in Q1 to Rs 106 Cr. AMC AUM also remained flat at Rs 2.83 Lac Cr.

Investor Conference Call Highlights:

1. The company's net interest margins have gone up for the quarter and are now at 4.92%.
2. The company's ROA on a consolidated basis is in excess of 2% and credit cost is at 16 points annualized which is 4 basis points for the quarter.
3. Unsecured retail as a percentage of the banks' standalone advances have increased from 5.6% the previous year to 7.5%. The company plans to increase this to mid-teens over the next few quarters.
4. The capital adequacy of the group is at 24% including this quarter's profit, with a large part of it coming through CET 1.
5. Kotak Prime brought in 157 crores of post-tax profit against 79 crores a year ago. Microfinance business clocked in 56 crores of post-tax profit against 7 crores the previous year.
6. Kotak Life has a solvency ratio of 2.72% with a net-worth of Rs 4,500 crores.
7. Of overall loans and advances as much as 69% is on floating rates, with ELBR which is repo linked constituting 50% of the total advances book.
8. This quarter the company also acquired a small portfolio from DLL India in the agri and health equipment space which is a standard portfolio of 580 crores.
9. Slippages at the gross level for the quarter were at 1,435 crores. 781 crores of these slippages got upgraded or recovered in the same quarter itself.
10. Overall on a Y-o-Y basis the corporate segment along with the credit substitutes shows a Y-o-Y growth of close to 15%. While the Q-o-Q looks more moderate at 10% annualized.
11. The management continues to look at 15-20% kind of growth in the corporate segment and 25% growth in the SME segment.
12. In the vehicle finance business, demand is being driven by the replacement demand for the vehicles.
13. The company continues to grow its retail microfinance book with focus on semi-urban and rural markets with borrowers from the agri and allied industries.
14. In Unsecured retail, the company saw its best quarter in credit cards with acquisition of over 6 lac cards and the highest card spends in a quarter. Over credit card advances grew at 77% YoY.
15. The company is witnessing demand for unsecured business lending in the services sector mainly due to a rise in demand for capex across various industries.
16. On the digital side, the company has recently launched a Spendz account for Kotak customer's to manage their everyday expenses.
17. 98% of the SA transaction volumes are in digital or non-branch modes with an increasing trend in digital source retail asset products.
18. In insurance vertical, the individual new business APE grew by 44.6%.
19. The company has gone live with its new app NEO, which has been launched to acquire new customers for its securities vertical.
20. SIP inflows for the AMC business grew 34% YoY to Rs. 7.3 billion. The retail AUM stands at 49%.

Analyst's View :-

Kotak Mahindra Bank is the third-biggest private bank in the country by market capitalization. It has deservedly earned its stellar reputation over the years. The bank has seen good growth in the home loan space while the vehicle finance business has also seen a good recovery. The bank has also launched several new digital initiatives and will continue this momentum for 6 more months at least. It remains to be seen how the threat of inflation and rising interest rates will affect the bank and how long will it take for the bank to bring in operating leverage from its digital technology to compete with other players with its low branch density plan. Nonetheless, given the bank's track record and the capability and vision of the management over the years, Kotak Mahindra Bank remains a pivotal banking stock for every Indian investor.

Cement
Dalmia Bharat Q1FY23

Financial Results & Highlights

Introduction

Founded by Jaidayal Dalmia in 1939, Dalmia Bharat possesses India's fifth largest installed cement manufacturing operational capacity of 30.75 million tonnes per annum (MTPA). This capacity is spread across 13 state-of-the-art manufacturing plants in nine States. Dalmia Bharat contributes ~6% of the entire country's cement capacity. It has a brand portfolio of three marquee brands: Dalmia Cement, Dalmia DSP and Konark Cement. These brands are available as Portland Pozzolona Cement, Portland Slag Cement, Composite Cement, and Ordinary Portland Cement in select markets.

	Quarterly Performance										
	DALMIA BHARAT LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**2,483**	**1,901**	**2,313**	**2,737**	**3,151**	**2,587**	**2,577**	**2,734**	**3,380**	**3,302**	**11,993**
% Growth YOY					*27%*	*36%*	*11%*	*0%*	*7%*	*28%*	
Expenses	1,995	1,288	1,614	2,052	2,384	1,920	1,961	2,323	2,698	2,713	**9,695**
EBITDA	**488**	**613**	**699**	**685**	**767**	**667**	**616**	**411**	**682**	**589**	**2,298**
Depreciation	375	298	299	326	327	297	303	302	334	312	**1,251**
EBIT	113	315	400	359	440	370	313	109	348	277	**1,047**
EBIT Margin	*5%*	*17%*	*17%*	*13%*	*14%*	*14%*	*12%*	*4%*	*10%*	*8%*	
Interest	104	74	73	94	61	60	50	46	45	47	**188**
Other Income	56	55	41	50	39	26	39	62	58	22	**181**
Profit before tax	**65**	**296**	**368**	**315**	**418**	**336**	**302**	**125**	**361**	**252**	**1,040**
PBT Margin	*3%*	*16%*	*16%*	*12%*	*13%*	*13%*	*12%*	*5%*	*11%*	*8%*	
% Growth YOY					*543%*	*14%*	*-18%*	*-60%*	*-14%*	*-25%*	
Tax	41	108	136	132	-220	98	93	34	-239	64	**-48**
Net profit	**26**	**190**	**232**	**182**	**627**	**227**	**204**	**85**	**595**	**196**	**1,080**
% Growth YOY					*2312%*	*19%*	*-12%*	*-53%*	*-5%*	*-14%*	

Detailed Results:

1. The company had a 27.4% YoY rise in revenues& volumes and a 14% YoY fall in PAT.
2. Dalmia Bharat saw EBIDTA degrowth of 17.7% YoY% YoY while EBITDA stood at Rs 586 Cr.
3. Total Cement Capacity increased to 37 MnT while Total Clinker Capacity stood at 20.9 MnT.
4. Total renewable power capacity stood at 104 MW.
5. EBIDTA margins stood at 17.7%.
6. Quarterly variable costs increased by 37.2% YoY while logistics costs increased by 3.6%.
7. Net debt to EBITDA stands at -0.08X.

Investor Conference Call Highlights:

1. The management states that exit prices came in below the average prices for the quarter
2. The lead distance for the company during the quarter was 311 kilometers.
3. The management states that the company has emerged as probably the lowest cost producer with a total cost of Rs 4,360/T.
4. The company has commercialized 2 million tons of clinker and 1.1 million tons of cement.
5. The incentive receivable as on 30th June stood at Rs. 683 crores for the full year including Murli, & the company expects incentive accruals to be around Rs. 240 crores for FY23 and FY24 each.
6. The company reduced the gross debt by Rs. 131 crores and the closing debt on 30th June stands at Rs. 3,009 crores.

7. The company's CAPEX for Q1 stands at Rs. 525 crores & the budgeted CAPEX for the full year is in the range of Rs. 3000 to Rs. 3500 crores.
8. The company obtained approval to purchase existing wind turbine generators in Tamil Nadu hiring a capacity of 16.5 megawatts from Dalmia Bharat Sugar Industries Limited which has a power generation capacity of 7 megawatts.
9. The management believes that its power consumption of 64 units per ton of cement is one of the lowest in the Indian cement industry.
10. The cement: clinker ratio stood at 1.67.
11. The company is targeting 60% utilization levels in its Murli plant by the end of FY23.
12. The management believes that Adani's entry into the industry is a major positive as it will lead to more consolidation.
13. The management expects a 10% increase in slag prices.
14. Trade mix for the quarter stood at 63%.
15. The management states that it still expects headwinds in the industry coupled with margin compression especially in the current quarter due to monsoons.
16. The management believes that scale plays a significant role in maintaining the market share & participate in growing cashflows when the industry gets in a positive cycle. Thus the company is confident it to get benefits from its expansionary measures in the future & maintain a healthy balance sheet with Net Debt/ EBIDTA of 2.
17. The management states that land acquisition is a bigger risk than limestone availability.
18. The blended cement contribution stood at 82%.
19. The management targets EBIDTA margins of 25% in the coming time.

Analyst's View:

Dalmia Bharat is one of the leading cement makers in India. The company has had a decent quarter with a 27% YoY rise in revenues & maintained industry-leading cost efficiency. The company has done well to maintain Debt to EBITDA at negative levels. But the company has not been able to grow in terms of utilization level which has remained at 60% since 2019. It is planning to reach 100% blended cement sales by 2025 from the current 75%. It remains to be seen whether the company will be able to keep its debt low while trying to maintain its ambitious capacity growth, whether its expansion plans will bear fruit according to the management and board expectations & how it will weather the current inflationary climate. Nonetheless, given the strong brand image of the company, the efficient utilization of its plants, and the high EBITDA/ton and high carbon efficiency of its operations, Dalmia Bharat can prove to be a pivotal cement sector stock going forward.

Heidelberg Cement Q1FY23

Financial Results & Highlights

Introduction

HeidelbergCement India Limited is a subsidiary of HeidelbergCement Group, Germany. The Company has its operations in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh), and in Southern India at Ammasandra (Karnataka).

	Quarterly Performance										
	HEIDELBERGCEMENT INDIA LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**510**	**408**	**514**	**595**	**600**	**556**	**576**	**545**	**620**	**590**	**2,331**
% Growth YOY					*18%*	*36%*	*12%*	*-9%*	*3%*	*6%*	
Expenses	382	299	388	475	448	425	460	476	501	495	**1,932**
EBITDA	**127**	**108**	**126**	**120**	**152**	**131**	**116**	**68**	**119**	**95**	**399**
Depreciation	28	28	28	28	27	28	28	28	28	28	**112**
EBIT	100	81	98	92	125	104	88	40	91	67	**286**
EBIT Margin	*20%*	*20%*	*19%*	*16%*	*21%*	*19%*	*15%*	*7%*	*15%*	*11%*	
Interest	16	16	13	12	9	10	11	10	5	8	**34**
Other Income	17	10	10	12	15	11	14	12	12	10	**49**
Profit before tax	**101**	**74**	**95**	**92**	**130**	**104**	**91**	**43**	**98**	**69**	**301**
PBT Margin	*20%*	*18%*	*18%*	*15%*	*22%*	*19%*	*16%*	*8%*	*16%*	*12%*	
% Growth YOY					*30%*	*39%*	*-4%*	*-54%*	*-25%*	*-33%*	
Tax	34	26	32	28	-10	35	31	12	4	18	**65**
Net profit	**66**	**49**	**62**	**64**	**140**	**69**	**60**	**30**	**94**	**52**	**235**
% Growth YOY					*111%*	*40%*	*-5%*	*-52%*	*-33%*	*-25%*	

Detailed Results:

1. The company had reported revenue growth of 6% YoY and profit de-growth of 24.8% YoY.
2. The share of green power has risen to 30%.
3. Capacity utilization for this quarter was 72%.
4. The company's EBIDTA per tonne stands at Rs.855 per tonne which is down by 23% YoY.
5. Sales volumes decreased by 6% YoY whereas gross realizations increased by 13% YoY.
6. Total costs were up 24% YoY.
7. EBIDTA margins decreased by 747 bps to 16.1%. The biggest reason for this fall was the rise in power & fuel costs.
8. The company has a net cash balance of Rs.223.8 Cr.
9. MYCEM accounted for 23% of trade volumes.
10. The trade segment accounted for 83% of total sales.
11. The company Migrated to a concessional corporate tax rate of 25.17%.
12. Road volume stood at 45% while coal stood at 38% of the fuel mix.

Investor Conference Call Highlights:

1. The company clocked its highest share of green power - 30%.
2. The company expanded its services through WhatsApp for business & an application which will provide users information about the authorized dealers in the nearby radius & the prices being charged by different dealers which will reduce demand for duplicate goods & damage the reputation of the company.

3. The management states that the company has not experienced a single bad debt in its operational history & continued to maintain a negative working capital cycle despite the difficult liquidity situation in the market.
4. The company received SEZ Clearance Approval for Gujarat expansion & expects actual construction to start after 2 years post environmental clearances.
5. The company is expected to do a CAPEX of Rs.100 Cr in FY23.
6. The company is getting incentives from the Madhya Pradesh government of Rs.50 million per quarter & this is valid till February FY23.
7. The management states that the company's price growth relative to its competitors have been better due to higher contribution from the premium segment & reduction in the price differential between the trade & non-trade segment.
8. The management is taking internal steps to simplify the corporate structure by merging Zuari's cement with the company in the future.
9. The management states that prices in the central region remained flattish at around Rs.380-370 range.
10. The management believes that the availability of Russian coal at 25% cheaper rates than Indian coal will ease the prices of coal in the market.

Analyst's View:

Heidelberg Cement is one of the leading cement makers in South and Central India. It had a poor quarter with revenues increasing by 6% YoY but EBIDTA margins were down 400 bps to 20% due to higher input costs. The company is seeing good growth in its Mycem cement bags with their contribution to further increasing to 23% of the trade mix. Like everyone else in the cement industry, HCIL is also facing the threat of coal supply disruption with costs of its raw materials increasing drastically. The management is looking to maintain production at current levels and is planning to increase realization per tonne by passing on the cost increases to the customers in the coming quarter. It remains to be seen how the company will face the threat of recession along with increased competition from pan India players and the raw materials and power cost inflation. Nonetheless, given the strong brand image of the company, the efficient utilization of its plants, and the pricing power it has, Heidelberg Cement India can prove to be a pivotal cement sector stock going forward.

Orient Cement Q1FY23

Financial Results & Highlights

Brief Company Introduction

Orient Cement Ltd is primarily engaged in the manufacture and sale of Cement and its manufacturing facilities at present are located at Devapur in Telangana, Chittapur in Karnataka and Jalgaon in Maharashtra.

	Quarterly Performance										
	ORIENT CEMENT LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**655**	**410**	**478**	**605**	**832**	**691**	**613**	**618**	**804**	**714**	**2,748**
% Growth YOY					*27%*	*68%*	*28%*	*2%*	*-3%*	*3%*	
Expenses	530	312	364	468	629	505	479	500	651	612	**2,241**
EBITDA	**125**	**98**	**113**	**137**	**203**	**186**	**134**	**118**	**153**	**102**	**507**
Depreciation	34	35	35	36	36	35	36	37	37	36	**146**
EBIT	90	64	78	101	167	151	98	81	117	66	**361**
EBIT Margin	*14%*	*15%*	*16%*	*17%*	*20%*	*22%*	*16%*	*13%*	*15%*	*9%*	
Interest	28	27	26	24	16	16	15	16	5	8	**44**
Other Income	7	6	3	7	3	2	3	2	2	1	**9**
Profit before tax	**70**	**42**	**54**	**84**	**153**	**137**	**86**	**67**	**114**	**59**	**326**
PBT Margin	*11%*	*10%*	*11%*	*14%*	*18%*	*20%*	*14%*	*11%*	*14%*	*8%*	
% Growth YOY					*120%*	*225%*	*58%*	*-20%*	*-26%*	*-57%*	
Tax	26	17	19	30	54	48	29	24	41	22	**115**
Net profit	**44**	**26**	**35**	**54**	**100**	**89**	**57**	**44**	**73**	**37**	**211**
% Growth YOY					*127%*	*249%*	*63%*	*-19%*	*-27%*	*-58%*	

Detailed Results:

1. The company saw a weak quarter with revenue increasing by 3%.
2. PAT decreased by 58% on YoY basis.

Investor Conference Call Highlights

1. The company's Rajasthan mines are being restored which were a matter of disagreement in the past.
2. The company couldn't get the benefit of any operational leverage coupled with high input costs & no realization hike leading to dismal margin compression.
3. The cost per tonne rose by 100 to Rs.740 due to higher fuel costs.
4. The southern market especially the Telangana region was extremely lean & management sees further dampness in the region for the coming period.
5. The company's realizations have increased by only 2% YoY & less than 5% QoQ Vs input costs hike of 20% & 1% for the respective period.
6. The company saw a volume decline in the B2C segment, partly covered up by B2B.
7. The company's premium product 'Strongcrete' contributes 14-15% of the total trade segment.
8. The company's poor cashflow situation led to the company borrowing 160 crores from the banking system on the working capital side.
9. The blended cement contribution stood at 60%.
10. The company's volume break on the basis of the geographical market has been 9% in Central, 55% in West & 36% in South.
11. The rail's contribution to the total volume movement stood at 19% Vs 25% sequentially.
12. The company has delayed Devapur's brownfield expansion.

13. The management believes the cost of Greenfield capex will stand at Rs.1500-1600 Crs for a capacity of 2 Mn tonne
14. The company believes that it can strengthen the balance sheet if it sees good investment opportunities by diluting equity through rights issue Vs selling equity stake because the current lucrative valuations don't make sense to sell equity stake.
15. The company expects Capex to not be around the earlier guided levels of Rs.800 Crs & it expects it to lean towards Rs.500-600 Crs.
16. The management states that increasing competition has reduced its pricing power & since the company wants to maintain its brand positioning, it isn't decreasing its prices to garner larger volumes which is affecting its short term performance.
17. The premium charged on 'Strongcrete' has increased from Rs.35 to Rs.45.
18. The current trade:non trade mix stands at 60:40.

Analyst's View

Orient Cement is a leading cement maker in the West and South Zones. The company had a very weak quarter due to difficulty raising selling prices and input cost inflation. The company is set on its CAPEX plans with which it expects to increase capacity in 2024. It has also seen a good response to its premium offering. It remains to be seen how will the ongoing consolidation in the cement industry and the entry of Adani in the sector affect smaller players like Orient and whether the company's future plans will pan out according to expectations. Nonetheless, given its strong position in its native zones, and its good EBITDA/ton, Orient Cement is a good small-cap cement stock to watch out for.

Ultratech Cement Q1FY23

Financial Results & Highlights

Brief Company Introduction

UltraTech Cement Ltd. is the largest manufacturer of grey cement, Ready Mix Concrete (RMC), and white cement in India. It is also one of the crown jewels of the Aditya Birla Group, one of India's leading Fortune 500 companies.

The company has a consolidated capacity of 117.35 Million (including Bara) Tonnes Per Annum (MTPA) of grey cement. UltraTech Cement has 23 integrated plants, 1 clinkerisation plant, 27 grinding units and 7 bulk terminals, post the Century merger. Its operations span across India, UAE, Bahrain, Bangladesh and Sri Lanka. UltraTech Cement is also India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East.

In the white cement segment, UltraTech goes to market under the brand name of Birla White. It has a white cement plant with a capacity of 0.56 MTPA and 2 WallCare putty plants with a combined capacity of 0.8 MTPA. With 100+ Ready Mix Concrete (RMC) plants in 35 cities, UltraTech is the largest manufacturer of concrete in India. It also has a slew of speciality concretes that meet specific needs of discerning customers.

Quarterly Performance											
	ULTRATECH CEMENT LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**10,854**	**7,671**	**10,387**	**12,262**	**14,406**	**11,830**	**12,017**	**12,985**	**15,767**	**15,164**	**55,933**
% Growth YOY					*33%*	*54%*	*16%*	*6%*	*9%*	*28%*	
Expenses	8,411	5,594	7,689	9,160	10,715	8,522	9,302	10,566	12,695	12,069	**44,631**
EBITDA	**2,444**	**2,077**	**2,698**	**3,102**	**3,690**	**3,307**	**2,715**	**2,419**	**3,073**	**3,095**	**11,302**
Depreciation	678	651	677	674	698	660	677	674	703	695	**2,750**
EBIT	1,766	1,426	2,021	2,428	2,992	2,648	2,037	1,745	2,369	2,400	**8,552**
EBIT Margin	*16%*	*19%*	*19%*	*20%*	*21%*	*22%*	*17%*	*13%*	*15%*	*16%*	
Interest	506	394	358	356	377	326	230	182	206	216	**834**
Other Income	200	121	214	260	24	205	140	71	253	110	**574**
Profit before tax	**1,459**	**1,153**	**1,876**	**2,332**	**2,639**	**2,527**	**1,947**	**1,634**	**2,416**	**2,293**	**8,291**
PBT Margin	*13%*	*15%*	*18%*	*19%*	*18%*	*21%*	*16%*	*13%*	*15%*	*15%*	
% Growth YOY					*81%*	*119%*	*4%*	*-30%*	*-8%*	*-9%*	
Tax	-1,777	360	566	747	865	827	637	-76	-198	711	**1,075**
Net profit	**3,240**	**794**	**1,309**	**1,584**	**1,775**	**1,703**	**1,314**	**1,708**	**2,620**	**1,584**	**7,226**
% Growth YOY					*-45%*	*114%*	*0%*	*8%*	*48%*	*-7%*	

Detailed Results:

1. The company had a decent quarter with consolidated revenues rising 28% YoY while normalized PAT decreased by 7% YoY.
2. Sales volumes grew 16% YoY in Q1 while consolidated EBITDA decreased 8.8% YoY.
3. Power consumption/T of cement 73.9.
4. Blended mix stood at 70%.
5. Operating EBIDTA consolidated stood at Rs.1230 per MT.
6. Capacity utilization for Q1 stood at 83%.
7. Green power now accounts for 18.9% of total power demand.
8. Changes in operating costs in Q1 are as follows:
1. Logistics: Up 6% YoY to Rs 1253/ton. Accounts for 30% of the total operating costs.
2. Energy: Up 54% YoY to Rs 1573/ton. Accounts for 35% of total operating costs.

3. Raw Materials: Up 13% YoY at Rs 577/ton. Accounts for 14% of total operating costs.
9. Diesel Price higher by 6% YoY.
10. Energy cost rise by 54% YoY mainly due to a rise in petcoke/coal prices.
11. Raw material costs increased by 13% YoY due to an increase in fly ash, and gypsum prices
12. Other costs increased 11% YoY.

Investor Conference Call Details:

1. The management states that the good part about the current investment cycle is that demand is coming from urban housing.
2. The management states that UltraTech would require about 13 million tons to 15 million tons of fuel per annum from FY24. To meet this demand, the company is planning its procurement strategies, inventory management plans, alternate fuel plans, WHRS efficiency improvement plans to soften the impact of rising costs.
3. The management is targeting an IRR in excess of 15% from its 22 million capacity expansion plan as and when i.e. from FY26 onwards when they start delivering production, thus helping the overall balance sheet & return ratios.
4. The company has set an ambitious target of 200 million ton capacity.
5. The management believes that new demand will continue to surpass the new capacity addition.
6. The expected capex for FY23 is Rs.6,000 Cr.
7. The company's trade mix stands at 57% while the blended ratio stands at 70%.
8. The management believes the replacement cost (if greenfield capex is done) is $110-120 per ton.
9. The management expects cost pressures to remain for the next 2-3 quarters.
10. The company's EBIDTA of Rs.150 per ton for the overseas operation is due to losses suffered in Srilanka due to currency depreciation.
11. The management states that the company operates 260 railheads which gives it the benefit of lower costs in terms of movement through railway corridor.
12. The lead distance stands at 429 Km.
13. The realisation gap between trade & non-trade mix stands at Rs.15-20 which has reduced from the previous quarters due to structural efforts.
14. The management states that one should never look at all India full-year capacity utilization because cement is seasonal & so July, September and the peak summer months do pull down the overall cement consumption.
15. The company's 15% sales volumes come from UBS outlets which currently stand at 3,000 stores & the proportion is expected to increase in the coming years.
16. The management states that the company will keep on expanding at least till its lead distance reduces to 300 Km.

Analyst's View:

Ultratech Cement is the biggest cement maker in India. The company has done well in acquiring aging cement makers in India and integrating them and adding to the company's ever-growing market presence and reach in the country. Ultratech has performed better than the industry with sales growth of 28.3% while EBITDA fell 8.8% YoY. The EBITDA fall was due to rising input prices, especially energy costs. The company is looking to maintain a steady rate of capacity expansion in both grey and white cement. It also looking to develop its construction chemicals business a lot in the next few years to position itself as a complete building solutions provider. It remains to be seen how long the input cost inflation will go on and whether the projected rise in oil prices will hurt the demand for construction & infrastructure development more than anticipated and whether the management vision of rising utilization across the entire industry will happen or not. Nonetheless, given the company's leadership position in the industry, its wide distribution network across India, and its strong brand image, Ultratech Cement remains a pivotal cement sector stock for all Indian investors.

Chemical
Apcotex Q1FY23

Financial Results & Highlights

Introduction

Apcotex Industries Limited is one of the leading producers of Synthetic Lattices (VP Latex, Acrylic Latex, Nitrile Latex) and Synthetic Rubber (HSR, SBR) in India.

	Quarterly Performance										
	APCOTEX INDUSTRIES LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**116**	**60**	**129**	**165**	**187**	**185**	**243**	**251**	**277**	**307**	**1,078**
% Growth YOY					*62%*	*209%*	*88%*	*52%*	*48%*	*65%*	
Expenses	108	64	110	140	157	156	212	217	232	258	**919**
EBITDA	**8**	**-4**	**19**	**24**	**30**	**29**	**31**	**34**	**45**	**49**	**159**
Depreciation	4	4	4	4	3	3	4	4	4	4	**14**
EBIT	4	-8	15	21	27	26	28	30	42	45	**145**
EBIT Margin	*4%*	*-13%*	*12%*	*13%*	*14%*	*14%*	*11%*	*12%*	*15%*	*15%*	
Interest	0	1	1	1	1	1	1	1	1	1	**4**
Other Income	1	2	1	1	2	2	2	2	2	2	**7**
Profit before tax	**5**	**-7**	**14**	**21**	**28**	**28**	**29**	**32**	**42**	**45**	**148**
PBT Margin	*4%*	*-12%*	*11%*	*13%*	*15%*	*15%*	*12%*	*13%*	*15%*	*15%*	
% Growth YOY					*440%*	*-494%*	*100%*	*48%*	*51%*	*64%*	
Tax	2	-0	3	5	5	6	6	8	12	12	**38**
Net profit	**3**	**-7**	**12**	**17**	**23**	**22**	**22**	**24**	**31**	**34**	**111**
% Growth YOY					*636%*	*-428%*	*91%*	*43%*	*37%*	*54%*	

Detailed Results:

1. The company's quarterly revenue of Rs 307 Cr, up 65% YoY, on the back of strong volumes and an increase in realizations.
2. Quarterly Volumes grew 32% YoY.
3. The company earned EBIDTA of Rs.48.6 Cr at an EBIDTA margin of 15.9% growing 4 Bps YoY.
4. The company’s expansion project is expected to get completed by Q3 FY23.

Investor Conference Call Highlights:

1. The management states that it has been able to maintain its margins in the range of 15% due to its ability to pass on price hikes to customers.
2. The company is slated to commission its capex in Taloja & Walia plant in the coming quarter.
3. The management states that pricing in nitrile latex is higher than other latex products & its Capex in this space is targeted towards exports.
4. The export contribution to total revenues stood at 18-19%.
5. The company expects the numbers to jump in Q4 due to the ramp-up of nitrile latex capacity.
6. The revenue mix between rubber & latex is 45:55 & the company is running at full capacity in both divisions.
7. The company's Capex of Rs.180 Cr will be met by debt & internal accruals in a 50:50 ratio.
8. The company will look to invest in renewable energy & developing a direct feeder line for its Valia plant to avoid frequent trips which happen when power is sourced from the grid. This will also serve its ESG targets.
9. The company generates 10-15% of its revenues from the automobile(tyre) segment & 6% from medical gloves which is expected to increase post commercialization of its capex.
10. The company's average receivable days stand at 55 days which is in line with the industry standards as per the management.

11. The management states that downstream petrochemical & not crude is its main raw material.
12. The management believes that the company will be in a better position to deal with its foreign competitors even if anti dumping duty is removed.
13. The company added new territories in its existing states for Apcobuild.
14. The management states that the glove manufacturing industry is going through a slowdown post covid due to inventory pile up.
15. The company's volume growth stood at 32%.
16. The company is currently running at 100% capacity.
17. The management is targeting exports for its nitrile latex product.
18. The management states that industrial gloves is a much lesser market compared to medical gloves, thus the primary target would be on medical gloves.
19. The company expects peak long term debt of 110-115 Crs.
20. The management expects additional turnover of Rs.500 Crs from its new expansion.
21. The management states that Europe's slow down won't affect the company since its contribution to total revenues is very paltry & roughly 80% of total revenues is derived from India.
22. The management is confident of getting approval from the majority of its existing clients for the supply from the new plant.

Analyst's View:

Apcotex is one of the very few synthetic rubber makers in India. The company continued its good momentum from Q4. The management is aiming to expand the export outlook for Apcotex mainly through nitrile latex which is expected to rise to 70-75% of revenues in the next 2 years. It remains to be seen how the company will be able to preserve its margins if there is further RM inflation and what obstacles will it face in its export expansion. Nonetheless, given the company's industry-leading position in the domestic market, the prudent management of the company, and the management's optimism from its on-track Capex plans, Apcotex seems to be a good chemical stock to watch out for.

Galaxy Surfactants Q1FY23

Financial Results & Highlights

Brief Introduction:

Galaxy Surfactants is engaged in manufacturing of surfactants and other speciality ingredients for the personal care and home care industries. The Company produces a range of vital cosmetic ingredients, including active ingredients, ultra violet (UV) protection and functional products. Its products cater to various brands in the fast moving consumer goods (FMCG) sector and offers in various applications, including skin care, hair care, oral care, body wash, sun care, household cleaners and fabric care segments. Galaxy Surfactants is a global leader supplying a wide range of innovative products to over 1750+ customers in 80 countries.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	852	561	52.03%	775.1	9.96%
PBT	61	51	20.00%	58.2	5.15%
PAT	46	38	19.42%	42.6	6.81%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	1157	831	39.23%	1054.1	9.75%
PBT	123	93	32%	124.4	-1.37%
PAT	100	77	31%	98.4	2.03%

Detailed Results:

1. Consolidated revenues grew 39% YoY in Q1 FY23.
2. EBITDA for Q1 FY23 increased by 29% YoY while PAT Increased by 31% YoY.
3. Fatty Alcohol prices in this Quarter increased to an average price of $ 2,287/MT vs, average prices of $ 2,069/MT in Q1FY22.
4. PAT and PBT for Q1 FY23 quarter are Rs 123 Cr and Rs 100 Cr respectively
5. Volume growth in different geographies in Q1 is as follows:
    - India: Up 2.6% YoY
    - AMET: Down 21.3% YoY
    - Rest of the World: up 5.5% YoY
6. EBITDA/Ton in Q1 was at Rs 26,418.

Investor Conference Call Highlights

1. The company crossed the 100 Cr profit mark first time in this quarter.
2. Company launched a new product called Galseer Tresscon which based on green chemistry.
3. Management states supply side did improve in this quarter but not to pre pandemic level.
4. The management states that energy crisis in Europe and slow down remain worrisome for specialty care segment.
5. Management believe upcoming festival season will improve demand in Q2 FY23.
6. The company capacity utilization for specialty segment has been around 64% .

7. Company is planning to do capex of Rs 150 Cr per annum in the performance and specialty segment over the next two year.
8. Company introduced a product called GalEcoSafe having very low dioxane –less than 1 PPM, ahead of regulatory requirement and already launched in USA & Europe.
9. The management gave a guidance of maintaining EBIDTA per tonne of Rs.16000-18000 in the upcoming year.
10. Management states that, strong performance in the US is due to the product mix and the introduction of new products.
11. According to management, the revenue split between performance and specialty will be 60:40 or 55:45 over the next 5-10 year.

Analyst's View:

Galaxy Surfactants is one of the most consistent speciality chemical makers in India. The company had a strong quarter where the company grew its revenue by 39% YoY and clocked the highest ever EBIDTA per tonne of Rs. 26,418. Management expects to see difficulties in managing supplies as well as demand side due to high inflation & macro factors. Company has launched new products and planning to introduce more in the next few years. It remains to be seen how the RM inflation will pan out going forward and how the company will be able to cope in times of prolonged supply chain stress. Nonetheless, given the company's robust product portfolio and the ever-increasing list of both FMCG majors and niche speciality product makers, Galaxy Surfactants remains a good stock to watch out for in the speciality chemicals space.

PI Industries Q1FY23

Financial Results & Highlights

Introduction:

PI Industries Limited manufactures and distributes agrochemicals in India and internationally. The company offers agrochemicals, including insecticides, fungicides, and herbicides; specialty products; and generic molecules under various brands. It also provides research and development services comprising target discovery, molecule design, library synthesis, lead optimization, biological evaluation, and route synthesis; and custom synthesis and manufacturing solutions consisting of process research and development, analytical method development, synthesis of reference standards, structure elucidation and synthesis of impurities, physio-chemical studies and 5-batch analysis under GLP conditions, scale-up studies, safety data generation, waste categorization and treatability studies, process/plant engineering, and large-scale commercial production.

	Quarterly Performance										
	P I INDUSTRIES LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**855**	**1,060**	**1,158**	**1,162**	**1,197**	**1,194**	**1,354**	**1,356**	**1,395**	**1,543**	**5,649**
% Growth YOY					*40%*	*13%*	*17%*	*17%*	*17%*	*29%*	
Expenses	669	831	878	887	970	945	1,063	1,060	1,090	1,198	**4,410**
EBITDA	**186**	**229**	**280**	**275**	**227**	**249**	**292**	**297**	**305**	**346**	**1,239**
Depreciation	44	43	43	44	45	49	49	50	54	56	**209**
EBIT	143	187	237	231	183	200	242	246	251	290	**1,030**
EBIT Margin	*17%*	*18%*	*20%*	*20%*	*15%*	*17%*	*18%*	*18%*	*18%*	*19%*	
Interest	8	10	8	7	4	3	3	3	3	4	**13**
Other Income	8	13	34	39	44	31	28	26	21	28	**103**
Profit before tax	**142**	**190**	**263**	**264**	**222**	**228**	**267**	**269**	**269**	**314**	**1,119**
PBT Margin	*17%*	*18%*	*23%*	*23%*	*19%*	*19%*	*20%*	*20%*	*19%*	*20%*	
% Growth YOY					*57%*	*20%*	*1%*	*2%*	*21%*	*38%*	
Tax	31	44	45	68	43	41	37	47	65	52	**200**
Net profit	**111**	**146**	**218**	**195**	**180**	**187**	**230**	**223**	**204**	**262**	**919**
% Growth YOY					*62%*	*29%*	*6%*	*14%*	*14%*	*40%*	

Detailed Results:

1. The company witnessed good revenue growth of 29% YoY in consolidated terms in Q1.
2. The profits for the company were up for Q1 with a rise of 40%.
3. The EBITDA for the company grew 39% YoY in Q1 and EBITDA margin fell 185 bps to 22%.
4. Gross margins rose by 8 bps to 44% in Q1.
5. Overheads increased by 21% YoY in Q1. This was mainly due to a sharp increase in fuel and related utilities & shipping costs.
6. Exports saw a growth of 42% YoY in Q1 while domestic sales increased 4% YoY in the same period.
7. The surplus cash net of debt is Rs. 23,116 million. QIP funds remained invested into deposits and debt mutual funds with SLR philosophy while final deployment aligned with PI's longer-term growth strategy is underway.
8. 5 new products are scheduled to be launched in FY23 in the domestic biz while the Commercialization of 7 new molecules is planned in CSM exports.
9. During Q1, the company received regulatory approval for 1 insecticide while 1 new product was commercialized for CSM Exports.
10. The company has received 13 inquiries received in different stages. Its order book is at $1.4 billion.

Investor Conference Call Highlights:

1. The management is confident of delivering revenue growth of 20% with a positive trend in margins.
2. The export revenues growth of 42% was driven by volume growth of around 30%, coupled with favorable price and currency of around 12% while the domestic growth of 4% was mainly led by price.
3. The company's change in product mix & partial pass-through helped in increasing GPM by 8 Bps despite the inflationary trends.
4. The Inventory levels increased by Rs.1,523 million compared to the previous quarter due to supply chain disruption and to meet customer supply schedules. However, days per sale remain flat at 103 days.
5. The management states that in the light of increasing growth visibility, the company has decided to increase its CAPEX plan to Rs.600-650 Crs.
6. The company is confident about its growth due to the scale-up of its CSM export products coupled with the launch of new molecules.
7. The management states that it won't be majorly affected by the euro crisis since it is not very dependent on the region for raw materials.
8. The management while talking about PI says that "If you were to talk to me 10 years ago, the innovation was not the core idea. Today's innovation is becoming a Culture at PI, tomorrow it will be led by innovation."
9. The company expects growth in the domestic segment to come from Q2 due to the domestic biz being more reliant on new products for growth & the company is planning to add 6 new products from the second quarter.
10. The management states that the three tailwinds are the China Plus One factor, global challenges in manufacturing in the European segment & the cost at which innovation is happening, leading to looking at the return on capital coming from outsourcing.
11. The management further explains that While the front end is only growing at a single-digit i.e. the agrochemical industry, the value chain, i.e. manufacturing outsourcing has gone up at twice the rate leading to the confidence of doubling revenues in the next 3-5 years easily.
12. The company appointed Mr. Anil Jain who has joined as the Managing Director of PI Health Sciences and was previously CEO of the global API division of Sun Pharma.
13. The management is looking at an effective tax rate of 17.5% in the current fiscal.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw a good performance in Q1 on the back of sustained sales momentum in export markets. PI is already in talks about expanding into biochemical and electronic chemicals spaces. The company is also looking to start a new backward integration project which should help enhance capacity and operational efficiency for PI. It remains to be seen whether PI will be able to find a pharma acquisition opportunity in time to aid the commercialization of products in its new pharma segment, what challenges will it face in the 2 new segments of biochemicals and electronic chemicals, and whether the company will be able to match its medium-term guidance for growth in all segments. Nonetheless, given the company's strong track record, strong tailwinds of the industry, a good agricultural season, and opportunities arising from the China substitution phenomenon, PI Industries remains a pivotal agrichemical sector stock to watch out for.

Construction
KNR Constructions Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

KNR Constructions Ltd. incorporated in 1995, is engaged primarily in the construction of roads, bridges, flyovers and irrigation projects. KNR is one of the leading companies providing Engineering, Procurement and Construction (EPC) services. Company has successfully executed more than ~7,500 lane km Road Projects and Projects has been executed across 12 states in India. The services of the Co include construction of roads, highways, bridges and flyovers on EPC, BOT and Hybrid Annuity Model (HAM) basis. It also undertakes Irrigation projects, urban water infrastructure management and agriculture projects. Some of the customers of the Co include National Highways Authority of India (NHAI), Ministry of Road Transport & Highways (MoRTH), Government of Telangana, Karnataka State Highway Improvement Project (KSHIP), Madhya Pradesh Road Development Corporation Ltd (MPRDCL), etc. The co aims to add more business verticals to the organization in the fields of construction of Elevated Metro Rail and Railway Projects.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	890	740	20%	1010	-12%	2702	3272	21%
PBT	134	113	19%	180	-26%	381	578	52%
PAT	100	73	38%	112	-11%	244	381	56%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	980	807	21%	1102	-24%	2903	3605	24%
PBT	124	148	-16%	208	-40%	519	563	8%

PAT	90	108	-16%	140	-36%	382	366	-4%

Detailed Results:

1. KNR Constructions Ltd. has a strong EPC Order Book ₹ 8685 crores- Roads Sector ₹ 6376 crores (74%) and ₹ 2209 crores (26%).
2. Gross Block of Plant & Machinery ₹ 1375 crores.
3. The total order book position is Rs.9350.9 Crores including one new HAM project.
4. EBITDA for Q1 FY2023 witnesses a growth of 15% to Rs.165 Crores as compared to Rs.143 Crores in Q1 FY2022.
5. EBITDA margin in Q1 FY2023 stood at 18.5%.
6. The consolidated debt as of June 30, 2022, is Rs.1592 Crores as compared to Rs.1410 Crores as of March 31, 2022.
7. This quarter the company did around Rs.60 Crores of capex.
8. Consolidated cash- Rs.200 Crores.

Investor Conference Call Highlights

1. The working capital days came down to 60 days compared to 63 days in March 2022.

2. The pace stood at 22 kilometers per day compared to 25 kilometers per day on year-on-year basis and is expected to remain subdued in Q2 FY2023 as well as due to the ongoing incessant rain.

3. Management expects the current order book position remains healthy and provides a clear visibility of execution over the period of that next three years.

4. Outstanding are piling up and the payments are not realizing, company is a little bit slowing down on this

5. Company has completed widening to 4/6 lanes and strengthening of Existing two lane carriageway of NH – 5 in the State of Orissa for a length of 56.0 Kms with total contract value of work is Rs 231 crores.

6. Management guides of completing 40% of two Kerala HAM projects

7. 2.6 Millions Cubic Meters deep hard rock excavation was done in the work of four laning of Islam Nagar (KM 230.00) to Kadtal (KM 278.00) of Nagpur –Hyderabad Section on NH-7 in the State of Telangana.

8. Company has won New Projects- Six laning of Chittoor – Thatchur section (Package 3) in the state of Andhra Pradesh and Tamil Nadu on Hybrid Annuity Mode under Bharatmala Pariyojana- Rs 765 crores.

9. Management guided that healthy bidding may not happen unless the bid capabilities are in place.

10. Management stated that they are targeting about Rs.3000 Crores minimum order. They said that actually 2023 may not see a big jump, they have 2 years order visibility and will see some margin improvement in FY24.

11. Gross margins are down as the inflation of the input material prices have gone up like anything and there is a big uncertainty. The GST has gone up now.

12. There is not much addition in the irrigation item because in irrigation whatever machineries are required the company had already deployed so there is no addition in KSHIP. So depreciation should remain low.

13. Company is yet to receive Rs 850 crores from the government on the irrigation.

14. Management explained that projects are now in execution state so in the last quarter there were some design expenses actually. So other income has risen.

15. As of now, railway orders stopped focusing because there was huge tendering that was done in highways and urban infrastructure like flyovers and all others.

16. One better thing in irrigation project is that company has an escalation clause in a better way in this Telangana region this irrigation projects because they are directly there is the Chief Engineers Committee who will decide the ruling price on the bitumen, steel, cement, and all that so definitely it is going to be a bit of good prospects but because of nonpayment again things are under doldrum.

17. The appointed date for Chittoor to Thatchur project is expected to happen in the coming 40 days to 30 days.

18. Management expects irrigation may be per quarter it could be reduced by 50% also so Rs.150 Crores and they will be getting 40% of execution which they are expecting on three new projects and Q2 also they are expecting around about 20% to 25% this year only so with all that and balance in the projects which are now ongoing. They are estimated to achieve around Rs.3500 Crores plus.

19. Management expects the target for FY2024, is about 10% to 15% growth.

20. Though the company has receivable piling up, management estimates that they will receive all the receivable and definitely will again be zero debt company.

Analyst's View:

KNRCL, listed on the Bombay Stock Exchange and National Stock Exchange, provides EPC services, primarily for the roads and highways segment. It has executed infrastructure projects independently and through joint ventures (to leverage the extensive experience and execution capabilities of both parties). This has helped it bag orders in diverse regions and of large value. Management has significant experience and a strong track record in timely execution of projects. Company has a healthy financial risk profile and sustenance of healthy operating performance leading to net cash accrual of Rs 500-550 crore. KNRCL's business risk profile is expected to improve with scaling up of operations supported by its healthy execution capabilities and strong order pipeline. This along with steady accruals and realization of sale proceeds for its HAM projects is likely to keep the financial risk profile healthy. It is suggested to see the progression of the company and track the upcoming progression of remaining quarters this year.

Electronics

Amber Enterprises India Ltd Q1FY23

Financial Results & Highlights

Brief Company Introduction

Amber Enterprises India Ltd incorporated in 1956, has a 23.6% share in the total Room Air Conditioner market and is a prominent solution provider for the Air conditioner OEM/ODM Industry in India. Amber Enterprises India Ltd is the largest induction motor manufacturer for the HVAC industry in India. Company is the market leader in PCB manufacturing and Assembly. It is the 1st company to provide indigenized solutions for roof-mounted package units (RMPU) for Indian Railways and metro.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	1,432	574	149%	1,557	-8%	3,138	2,296	36%
PBT	19	10	90%	49	-61%	70	78	-10%
PAT	13	7	86%	32	-60%	48	52	-7.69%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	1,826	708	158%	1937	-5.7%	4,206	3,031	38%
PBT	59	16	268%	86	-31.39%	154	120	28%
PAT	43	11	283%	59	-27.11%	111	83	33.73%

*Contains Gain on disposal of discontinued operations.

Detailed Results:

1. On the operating profitability the company has clocked 377 crores in operating EBTDA in trailing 12 months ended on 30th June 2022 versus 326 in FY20.
2. In the motors division, motor division has grown by 131% in Q1 FY23 over Q1 FY22.
3. In the room AC division, RAC division has grown by 138% in Q1 FY23 over Q1 FY22.
4. The mobility application division grew by 91% in Q1 FY23.
5. On the revenue Q1 FY23 revenues stood at Rs. 1,826 crores versus 708 crores in Q1 FY22.
6. On the PAT Q1 FY23 PAT stood at Rs. 43 crores versus Rs. 11 crores in Q1 FY22.
7. On the net working capital days, the company was able to reduce it on a consolidated level from 76 to 37 days in the comparative quarters.
8. Gross debt is around 1,300 crores.

Investor Conference Call Highlights

1. On the new greenfield facility, SriCity plant will be operational during H2 FY23.
2. The quarter continued to bring challenges related to inflation, rising interest rates and foreign exchange fluctuations. With the recent revision in BEE ratings for the AC industry from 1st July 2022, there will be price increases across Air conditioners but with easing of commodity costs, we believe, demand will not be much impacted.
3. Management believes demand is returning to normal for Q1FY23, as they were able to surpass the pre-pandemic sales level.
4. Company was able to pass on the commodity price increase to our customers with a quarterly lag.
5. RAC and Components division is expected to grow faster than the industry growth rate in FY23
6. Motors division is expected to grow more than 30% in FY23
7. Electronics division is expected to grow more than 35% in FY23
8. Mobility Application division is expected to grow more than 15% in FY23
9. New Acquisitions: AmberPR and Pravartaka are expanding their manufacturing footprints in western and southern regions respectively and both the companies are expected to grow more than 25% in FY23.
10. Management expects ROCE to improve significantly from the current levels and is expected to be in the range of 17%-20% in the next 2-3 years' time. The expected improvement in ROCE is despite investments in growth capex.
11. The quarter however continued to bring challenges related to inflation, rising interest rates and foreign exchange fluctuations. The industry however witnessed some softening of raw material prices but it still continues to be higher than the pre-pandemic levels.
12. During the quarter the company was able to pass on the commodity price increase to customers that happens with the quarterly lag as a standard industry phenomenon.
13. Company's market share in value terms at OEM manufacturing level has increased from 21.2% in FY18, the year when it was listed, to 26.6% in FY22.
14. On the commercial side, company have added new products for commercial ductable ACs as well as Cassette ACs which they have started to offer to their existing customers now.
15. Company've added new big customers through brownfield expansion in south India. As informed earlier we have added Boat as a customer and have started supplies for new age applications like smart variables and hearables. This is a large business segment which is growing at a fast pace.
16. Company has also won some recycling of air conditioners businesses from Delhi Metro which we have accomplished this quarter.
17. Q2 and Q3 are off-season for the room AC sector.

18. 400 crores is what management will be investing this financial year, out of which some part is going into a greenfield facility at Sricity which will be getting over right now. Next year management expects it to be in the range of 150 to 175 crores.
19. Management has been able to pass on commodity increases on a quarterly lag basis every time.
20. Management guided that exports is a long-term strategy. The significant impact of exports should be visible in the balance sheet maybe 3 to 4 years from now.

Analyst's View:

Amber Enterprise India Limited's (AEIL) strong operating profile, characterised by its established market position as the leading original design manufacturer (ODM) of room air conditioners (RACs) and its components in India, integrated operations, and established relationships with reputed players in the RAC industry. The company has ~70% share of the total outsourced RAC manufacturing business in India. Its clientele includes several of the leading RAC brands, such as Voltas, Panasonic, Daikin, LG, Godrej, Whirlpool, Samsung, Toshiba and Bluestar, among others. In addition, over the years AEIL has backward integrated into manufacturing key RAC components, which has supported its growth and profitability. Further, AEIL was able to convert one of the customers from its refrigerant filling business (following the Government of India's (GoI's) ban on importing refrigerant filled ACs in October 2020) into opting for completely built units. The same is likely to provide additional contract manufacturing opportunities to the company over the medium term. AEIL received approvals under the Production Linked Incentive (PLI) scheme announced for the AC component sector—Rs. 100 crores for the electronics division in ILJIN Electronics Private Limited and Rs. 300 crores for the AC components division—which is likely to support its growth prospects in the near to medium term. Seeing the developments, it would be interesting to keep a watch on Amber Enterprises India Limited.

Blue Star Q1FY23

Financial Results & Highlights

Brief Company Introduction

Blue Star is India's leading air conditioning and commercial refrigeration company, with an annual revenue of over ₹5200 crores (over US$ 750 million), a network of 32 offices, 5 modern manufacturing facilities, 2800 employees, and 2900 channel partners. The Company has 5000 stores for room ACs, packaged air conditioners, chillers, cold rooms as well as refrigeration products and systems, along with 765 service associates reaching out to customers in over 800 towns.

The Company fulfils the cooling requirements of a large number of corporate, commercial as well as residential customers. Blue Star has also forayed into the residential water purifiers business with a stylish and differentiated range including India's first RO+UV Hot & Cold water purifier; as well as the air purifiers and air coolers businesses.

Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial products and systems, which is handled by a wholly owned subsidiary of the Company called Blue Star Engineering & Electronics Ltd.

Quarterly Performance											
BLUE STAR LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**1,299**	**626**	**902**	**1,124**	**1,612**	**1,052**	**1,240**	**1,506**	**2,248**	**1,970**	**6,964**
% Growth YOY					*24%*	*68%*	*37%*	*34%*	*39%*	*87%*	
Expenses	1,262	625	847	1,042	1,510	1,010	1,169	1,416	2,105	1,847	**6,537**
EBITDA	**37**	**1**	**55**	**82**	**102**	**42**	**71**	**91**	**143**	**123**	**427**
Depreciation	24	21	21	26	25	20	20	22	23	22	**88**
EBIT	14	-20	34	56	77	22	50	68	120	101	**339**
EBIT Margin	*1%*	*-3%*	*4%*	*5%*	*5%*	*2%*	*4%*	*5%*	*5%*	*5%*	
Interest	7	19	18	15	13	11	11	12	13	11	**46**
Other Income	6	9	6	9	41	8	8	14	7	11	**40**
Profit before tax	**12**	**-29**	**23**	**50**	**104**	**19**	**47**	**70**	**114**	**101**	**332**
PBT Margin	*1%*	*-5%*	*3%*	*4%*	*6%*	*2%*	*4%*	*5%*	*5%*	*5%*	
% Growth YOY					*746%*	*-165%*	*108%*	*41%*	*9%*	*424%*	
Tax	4	-10	7	13	36	7	16	23	38	26	**103**
Net profit	**9**	**-20**	**15**	**37**	**68**	**13**	**31**	**48**	**76**	**74**	**229**
% Growth YOY					*664%*	*-165%*	*105%*	*29%*	*12%*	*485%*	

Detailed Results:

1. The company had a consolidated revenue rise of 87% YoY.
2. PAT was up to Rs 74 Cr vs Rs 13 Cr last year.
3. EBIDTA grew from Rs.42.23 Cr to Rs.123.31 Cr YoY, its margins increased to 6.3% from 4%.
4. Carry forward order book for the company stood at Rs 3901 Cr.
5. Capital employed increased from Rs.969 Cr to Rs.1018 Cr on account of capital investments for the capacity expansion projects at Wada and Sri City.
6. Net borrowings in the previous year turned into a net cash balance this year at Rs.81 Cr in Q1.
7. Segment revenue for the Electro-Mechanical Projects & Packaged Air Conditioning Systems was up 57% YoY in Q1. Orders Booked in Q1 was at Rs 1366 Cr vs Rs 651 Cr last year.
1. The Carried-forward order book of the Electro-Mechanical Projects business was Rs 3655 Cr Vs Rs.3017 Cr.
2. Blue Star was able to maintain its position as number 1 position in Ducted Air Conditioning, number 2 in VRF and moved up to number 2 in Chiller product categories.
3. In the Unitary Products segment, the company saw revenue growth of 122% YoY in Q1.

4. Unitary Products saw segment revenue of 1124 crore vs 505 crores the previous year for Q1. Segment Results were at 91 crore vs 22 crore the previous year.
5. Professional Electronics and Industrial Systems reported a segment revenue of 53 crore vs 41 crore the previous year. Segment results were at 6 crore vs 6 crore the previous year.
6. The company grew its market share to 13.3%.
7. The commercial refrigeration business saw improvement in demand across all customer segments.
8. Mr. Neeraj Basur, Group CFO has to left Blue Star in the previous quarter.

Investor Conference Call Highlights:

1. Mr. Nikhil Sohoni has joined the company as its new Chief Financial Officer with effect from July 1, 2022 with over three decades of experience.
2. The management remains optimistic for FY23, though there are several headwinds facing the company, it believes the silver linings will help the company to move forward.
3. In the event of a slowdown, it takes time to impact the AC refrigeration industry and similarly the industry is the last to be impacted during a revival.
4. This is because, air conditioning comes in post the construction of the building and homes, and is one of the last few items to be equipped by the owners.
5. The company has redeemed June 2020 NCDs to the tune of 175 crore in June 2022.
6. In EMP business, order inflows from commercial buildings, factories, data center and infrastructure picked up during the quarter.
7. The company received major order from Bangalore Metro Rail Corporation worth 390 crore.
8. The company has gained market share in all categories and continued to maintain No 1 market position in Conventional and Inverter Ducted Air Conditioning Systems and well as Scroll Chillers and second position in VRFs and Screw Chillers.
9. Some of the major orders received during the quarter were from Reliance Industries, L&T – Railway Freight Corridor and Laxmi Diamonds.
10. The newly entered markets of Nigeria, Bangladesh and Nepal have responded well to the launch of the new and improved applied range of products.
11. The company has commenced the export of Deep Freezers to the Middle East.
12. Order Inflow in international business grew by 9% while revenue grew by 38% as compared to the previous year.
13. The company continued to maintain its leadership position in Deep Freezers, Storage water coolers and Modular cold rooms. It also launched a new range of visi-coolers with a wide capacity range.
14. The company received large orders in the commercial refrigeration business from Reliance Retail and Macleod Pharma and from several individual mushroom proprietors.
15. The newly constructed manufacturing facility at Wada commenced production during the quarter.
16. For unitary products, the company increased its prices in the month of April and will review its prices again in the end of August.
17. The BEE rating change did not result in any price increase, because the company had already launched future ready models in the quarters before.
18. The management gives a guidance of 6% EBITDA margins for the short term with a healthy cash flow.

Analyst's View:

Blue Star is one of the largest cooling solutions providers in the country. It is one of the biggest branded players in the RAC market. The company has seen an excellent quarter which saw good revenues growth. It saw a good resurgence in EMP business with segment revenues showing great growth. The demand for commercial refrigeration remains resilient and this demand is expected to continue from QSRs. The company remains confident of the prospects of its EMP business given the policy support for the rise of the infra sector. It also expects to preserve its market share of 15% in the RAC space and match the industry CAGR of 15-18%. The company is also commissioning additional capacity for the expected demand rise across RAC and commercial refrigeration segments. It remains to be seen how the pricing environment and competition will fare in the industry going forward and how will the new opportunities in the EMP and commercial AC spaces evolve. Nonetheless, given the company's strong market presence, its history of completing EMP projects, and its robust presence in semi-urban and rural India, Blue Star is a pivotal white goods stock to watch out for.

Dixon Technologies Q1FY23

Financial Results & Highlights

Brief Introduction:

Dixon Technologies (India) Limited is the largest home grown design-focused and solutions company engaged in manufacturing products in the consumer durables, lighting and mobile phones markets in India. Its diversified product portfolio includes Consumer electronics like LED TVs, Home appliances like washing machines, Lighting products like LED bulbs and tubelights, downlighters and CFL bulbs, Mobile phones like feature phones and smartphones, Security Surveillance Systems like CCTV & DVRs. The company manufactures and supplies these products to well-known companies in India who in turn distribute these products under their brands.

Quarterly Performance											
DIXON TECHNOLOGIES (INDIA) LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**857**	**517**	**1,639**	**2,183**	**2,110**	**1,867**	**2,804**	**3,073**	**2,953**	**2,855**	**11,685**
% Growth YOY					*146%*	*261%*	*71%*	*41%*	*40%*	*53%*	
Expenses	802	500	1,549	2,082	2,030	1,819	2,694	2,970	2,835	2,755	**11,254**
EBITDA	**56**	**17**	**89**	**101**	**80**	**48**	**110**	**103**	**118**	**100**	**431**
Depreciation	11	9	11	11	12	15	22	28	19	24	**93**
EBIT	45	8	78	89	68	33	88	75	99	76	**338**
EBIT Margin	*5%*	*1%*	*5%*	*4%*	*3%*	*2%*	*3%*	*2%*	*3%*	*3%*	
Interest	8	6	7	8	7	9	9	12	14	14	**49**
Other Income	-0	0	0	0	1	0	1	1	2	0	**4**
Profit before tax	**37**	**2**	**72**	**82**	**61**	**24**	**80**	**63**	**87**	**62**	**293**
PBT Margin	*4%*	*0%*	*4%*	*4%*	*3%*	*1%*	*3%*	*2%*	*3%*	*2%*	
% Growth YOY					*65%*	*1016%*	*12%*	*-22%*	*42%*	*157%*	
Tax	10	1	19	20	17	6	18	17	24	17	**75**
Net profit	**28**	**2**	**52**	**62**	**44**	**18**	**63**	**46**	**63**	**46**	**218**
% Growth YOY					*60%*	*1035%*	*20%*	*-25%*	*42%*	*152%*	

Detailed Results:

1. The company had a great quarter with Q1 revenues rising a massive 53% YoY while profit increased by 152%. This was mainly due to a low base the previous year.
2. The EBITDA margin for the company has increased by 90 bps YoY to 3.5% in Q1FY23 & EBITDA has risen 108% YoY.
3. Segment-wise revenue performance in Q4 was as follows:
    1. Consumer Electronics: down -26% YoY (33% of Q1 revenues)
    2. Lighting Products: up 51% YoY (8% of Q1 revenues)
    3. Home appliances: up 262% YoY (9% of Q1 revenues)
    4. Mobile Phones: Up 327% YoY (46% of Q1 revenues)
    5. Security Systems: Up 75% YoY (5% of Q1 revenues)
4. The company had a cash conversion cycle of -3 days.
5. It had a ROCE of 26.5% and ROE of 24.2%.

Investor Conference Call Highlights

1. Consolidated EBITDA for the quarter was at INR 101 crore vs 48 crore the previous year.
2. The company reported a foreign exchange loss of 12 crore during the quarter.
3. In LED televisions, Dixon has the largest capacity in India. They have a capacity of 6 million sets, which includes the backward integration in both LCM and SMT lines, and they service more than 35% of the India's requirement.
4. The management states that LED televisions has a strong order book in Q2. The company is also looking at exports to Southeast Asian markets.
5. The company is in active discussions with a large brand for ODM solutions.
6. As a backward integration plan, the company is also going to start indexation modelling for the mechanical televisions this year.
7. The company has got large orders from large global brands for manufacturing LED monitors and production commenced in April ’22 for Dell. For Samsung, the discussions are on.
8. In LED, bulb growth capacity of 300 million, which is 50% of the Indian requirement. have already expanded the annual capacity in battens to 64 million, against total annual requirement of 110 million and downlighters they have expanded to 24 million out of total Indian requirement of around 45 million.
9. The company has received the first export order from the UAE market, and is working for a large RFQ for an anchor customer from US market.
10. The company is in advanced plans for acquiring a smart lighting company which has cutting edge Bluetooth mesh technology and is in process for developing Wifi-based technology for smart LED lighting solutions.
11. The company has started investing under the PLI scheme for LED lighting components, which is primarily in the backward integration space and lighting.
12. In addition to Bosch, the company has also started manufacturing washing machines for Lloyd and Croma.
13. For Motorola, the company is also getting into backward integration and is setting up an LDS line in other strategy for deepening of manufacturing.
14. The company has started manufacturing Nokia’s feature phone business in addition to smartphones, and discussions are underway for ore business for smartphone for domestic and global markets.
15. In Security surveillance system, the order book for the segment looks very healthy and the company is going into further capacity expansion from 10 million per annum to 14 million per annum in next three months.
16. For this, the company is relocating its existing setup in Tirupati to Kopparthi electronic manufacturing cluster, where the company has taken 2 lac square feet constructed facility.
17. In telecom and networking equipments, the company has started manufacturing ONTs for Airtel and JV with Bharti’s Group. Current commercial production is 70k per month.
18. In addition to manufacturing laptops pre-sale, the company is also in final stages to close an agreement for manufacturing of tablets for a large global bank with production commencing in Q4.
19. The company’s JV with Rexxam to manufacture inverter controller board for air controllers is now operational in new manufacturing facility in Noida.
20. The company has formed a 50/50 JV with Boat for wearables and hearables by the name Imagine Marketing. Current production is 0.5 million devices per month which will be ramped up to 1.5 million devices in the next two months.
21. For refrigerators, the company has started construction on a 28 acre land in Greater Noida. Capacity is being created for 1.2 million DC refrigerators in 190 to 235 litres category.

22. The management states that in the lighting segment, even though input prices have softened, the effect will start reflecting from Q3 due to the previous inventory.
23. The management is confident of concluding export orders from UAE and EU in the current quarter for the lighting segment.

Analyst's View:

Dixon Technologies is one of the foremost leaders in the electronics manufacturing and outsourcing industry in India. The company had another great quarter despite challenges and margin contraction due to RM price increases and high shipping costs. The company is participating in multiple PLI schemes like mobile phone PLI, IT hardware PLI, AC components PLI, and Telecom products PLI. It has also added refrigerators to its ODM portfolio. The management has high expectations from all its newly formed JV. It has also seen the Samsung smartphones order rise to 1.5 million per month, highly increasing its chances of fulfilling the PLI scheme obligations. The company has also started passing the RM price increases to its customers and it expects margins to come back soon. It remains to be seen what obstacles it will face that may threaten to halt its growth momentum, how will the RM price situation pan out, and whether its export ambitions of Dixon will bear fruit as expected. Nonetheless, given the list of marquee customers that the company has gained and retained over the years and its continuous efforts to expand existing capacities like consumer electronics, add new product lines, and participate in multiple PLI schemes, Dixon Technologies is cementing its place as a good growth story in the electronics manufacturing sector in India.

Exchange
BSE Q1FY23

Financial Results & Highlights

Introduction

BSE was established in 1875 and is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 144 years, BSE has provided a capital-raising platform and provided platform for trading in equity, debt instruments, derivatives, and mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SMEs).

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	148	156	-5.50%	179	-17.43%
PBT	28	48	-42.41%	64	-56.72%
PAT	21	37	-42.32%	54	-60.37%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	198	186	6.46%	233	-15.15%
PBT	42	54	-23%	85	-50.59%
PAT	44	53	-18%	71	-38.03%

Detailed Results:

1. Sales in the Q1 has been muted, with consolidated revenues up 6.4 % YoY & consolidated PAT decline by 18%
2. EBITDA margin for Q1 was at 27% vs 26% last year & 30% in Q4FY22.
3. Average daily turnover in the Equity Cash segment declined and stand at 4,056 Cr in Q1 FY23 compared to 5,661 Cr in Q1 FY22.
4. Average daily turnover in the Equity Derivative segment declined and stood at Rs. 1.2 lakh crores in Q1 FY23 compared to 2.6 lakh Cr in Q1 FY22.
5. Average daily turnover in the Currency Derivative segment increased in Q1 FY23 by 4% compared to the previous quarter.
6. BSE Star MF saw MF revenue rise 51% in Q1 FY23 compared to the previous quarter while the Average Number of Orders rose 68% YoY while maintaining a market share of 86.7% in the same period.
7. In the services to corporates segment, listing fees grew by 15% while Book Building & other Services grew 62% in Q1 FY23 compared to the previous year.
8. The operational revenue of clearance and settlement increased by 98% to Rs. 17.1 crores in Q1 FY 23 from Rs. 8.63 crores to its previous year and income increased by 85% to Rs. 18.7 crores Q1 FY 23 from Rs. 10.2 crores to its previous year.
9. BSE Ebix Insurance Broking collected total premium has grown by 188% in Q1FY23 as compared to Q1FY22.
10. BSE subsidiary INX has grown its average daily turnover to USD 9.9 billion and maintained a market share of 92.2% in Q1 FY 23.

Investor Conference Call Highlights:

1. The company's net profit margin declined to 20% against 28% in its previous year due to a drop in investment income and a slowdown in transaction-based income
2. BSE has completed 10 years of operationalization in the SME segment, where it has a 60% market share.
3. The total number of investors registered with BSE stands at over 11 crores.
4. On the insurance distribution front BSE Ebix Insurance broking where BSE holds 40% has integrated with 23 insurance companies.
5. The company is in the process of the final regulatory approval from SEBI to launch electronic gold receipts or EGR to enable the trading of spot gold.
6. On July 6, 2022, the Hindustan Power Exchange, in which BSE holds a 22.61% stake, began operations with contingency market segments Intra-day and Day-ahead Contingency.
7. BSE E-Agriculture Market Limited (BEAM), an electronic spot platform for agriculture commodities, has enrolled 926 members and executed trades worth 17 crores in Q1 FY23.
8. The company is in the final process of the regulatory approval for setting to set up a KYC Registration Agency and a Trade Receivable Discounting System (TReDS) platform through its subsidiary BSE technology. And company need no additional capital infusion for these business
9. The company has raised its listing fee w.e.f. April 1'st 2022.
10. The company is in the process of hiring a new CEO and MD.

Analyst's View:

BSE is the largest stock exchange in the world in terms of listed entities. The company has been in this industry sector for close to 150 years and is still at the forefront of the industry in terms of technology and access to tradable products. The company has entered into multiple businesses and has proved it can turn them into profitable ones, BSE StAR MF being one example, but it would be interesting to watch whether the company can turn these new incentives into a profitable business. Despite having a subdued quarter with a revenue rise of only 4% YoY, BSE has long-standing brand value and its market execution experience, and the potential of its new businesses. BSE can turn out to be a dark horse wealth creator in the next few years.

Indian Energy Exchange Q1FY23

Financial Results & Highlights

Introduction

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution. In August 2016, the Exchange received ISO Certifications for quality management, Information security management, and environment management. The Exchange is now a publicly listed company with NSE and BSE. IEX is approved and regulated by the Central Electricity Regulatory Commission (CERC) and has been operating since 27 June 2008.

Quarterly Performance											
	INDIAN ENERGY EXCHANGE LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**69**	**66**	**71**	**85**	**95**	**90**	**109**	**114**	**112**	**98**	**433**
% Growth YOY					*37%*	*36%*	*54%*	*34%*	*18%*	*9%*	
Expenses	15	17	13	13	14	14	13	16	17	17	**63**
EBITDA	**54**	**49**	**58**	**72**	**81**	**77**	**96**	**98**	**95**	**81**	**370**
Depreciation	5	4	4	4	3	4	4	4	4	4	**17**
EBIT	50	45	53	68	77	73	92	94	91	77	**353**
EBIT Margin	*72%*	*67%*	*76%*	*80%*	*81%*	*80%*	*84%*	*82%*	*81%*	*78%*	
Interest	1	1	1	1	0	1	0	1	0	1	**2**
Other Income	10	14	9	11	7	12	12	12	16	15	**55**
Profit before tax	**59**	**58**	**62**	**78**	**84**	**84**	**103**	**106**	**107**	**91**	**407**
PBT Margin	*85%*	*88%*	*87%*	*92%*	*88%*	*93%*	*94%*	*93%*	*95%*	*93%*	
% Growth YOY					*42%*	*44%*	*67%*	*35%*	*27%*	*9%*	
Tax	12	15	15	18	20	20	25	26	26	23	**99**
Net profit	**47**	**43**	**47**	**60**	**64**	**64**	**78**	**80**	**81**	**69**	**307**
% Growth YOY					*35%*	*48%*	*67%*	*33%*	*27%*	*8%*	

Detailed Results:

1. On a consolidated basis, PAT was up 8% YoY while revenue for the quarter was up 9% YoY, as the company witnessed a slowdown in growth.
2. 10% volume growth YoY was witnessed across all markets in Q1 with FY22 seeing 37% YoY growth in volumes.
3. Operating Margins were at 82% for Q1 while EBIT margins were at 78% .
4. Revenue breakup for Q1 included
    A. Transaction fees – 82%
    B. Admission & annual fees – 5%
    C. Other income – 13%
5. Indian Gas Exchange sees volume de-growth with 4.7 million MMBTU traded in Q1 & 12.2 million MMBTU traded in FY22.
6. IGX achieved breakeven with PAT of Rs 1.2 Cr in Q1FY23.
7. Total electricity consumption in India has risen 17.7% YoY in Q1.
8. Final dividend of Rs.1 was announced in Q4 and with total dividend payout for the previous year at Rs. 2.
9. IEX's market share in the following products in FY22:
    0. DAM + TAM:- 94.1%
    1. RTM:- 99.9%
    2. Green Power:- 77.5%
    3. REC:- 72%

    4. ESCerts:- 97%
10. Average Daily Volume for the following products in Q1:-
    0. DAM + TAM :- 158 MU
    1. RTM :- 69 MU
    2. Green Power :- 17 MU
    3. REC :- 11.97 lac certificates

Investor Conference Call Highlights:

1. The energy markets during the quarter faced crisis globally. The heat wave in various parts of the world and the war upended the global energy markets. The increase in demand coupled with rising input costs led to high electricity prices.
2. Electricity consumption in Q1FY23 in India surged to 401 BU, translating into a 18% YoY growth on account of increased industrial activity and heatwave across the country.
3. The increase in electricity consumption and skyrocketing input costs, led to an increase in the prices on the exchange. The average Day Ahead Market prices increased to Rs 7.7 per unit during the quarter.
4. CERC issued order on 7th June 2022, approving the much-awaited Longer Duration Contracts for trading up to a period of 3 months. These contracts are called as Term Ahead Contracts.
5. This will facilitate the DISCOMS to cater their demand for longer duration within the short-term market and optimize their procurement cost. This will increase market share of Exchanges in the overall power market.
6. CERC issued Connectivity and General Network Access to the inter-State Transmission System Regulations, 2022 on 7th June 2022. This will Streamline transmission charges being paid by the market participants and simplify obtaining transmission access for carrying out transactions.
7. On 11th June 2022, CERC issued draft sharing of ISTS charges and losses regulations to ensure avoidance of duplication of transmission charges in collective transactions.
8. On 6th June 2022, MoP issued Final Electricity Rules 2022 for promoting renewable energy through Green Energy Open Access. As per the rules, consumers with contracted demand of 100 kW and above shall be eligible for green energy open access except for captive consumers.
9. If the discom doesn't establish payment security mechanism or continues to default for a period of 30 days from expiry of the notice, then GENCO's can sell 100% of the power through the Power Exchange. These regulations will help increase sell side liquidity on the power exchange and will be hugely beneficial for market development.
10. On 9th of May 2022, CERC issued terms and conditions for trade of renewable energy certificates. This will create fungibility of RECs issued irrespective of type of renewable technology and will provide flexibility to the RE generators to sell the power in the green markets or in DAM market and get REC.
11. The quarter begun on a challenging note for IEX with high input cost and capacity outages across the country due to shortage of coal. This led to a reduction in sell side liquidity on IEX.
12. In day ahead market IEX witnessed purchase bids of almost 25.9 BUs while the sell bids were only 17.3 BUs, leading to an increased clearing price of Rs. 7.7 per unit during the quarter and reduction in clearing volume to 11.3 BU in day ahead market.
13. Q1 of FY '23 the total volume at IEX stood at 23.4 BUs, a 10% year-on-year increase from 21.3 BU a year ago. Increase in volume was primarily driven by increase in electricity consumption in states like Uttar Pradesh, Andhra Pradesh, Punjab, Haryana, and Telangana.
14. The green market segments contributed 1.5 BU and our REC market contributed 11.97 lakh certificates, which is equivalent to 1.2 BU.

15. On 27th June 2022, IEX successfully launched longer duration contracts on the exchange. They have introduced any day single-sided contracts, daily and monthly contracts up to 90 days.
16. 4 new members were into IGX including OPAL, HPCL, SHELL, GSPC taking the total number of registered members to 30.
17. IGX achieved a profit of Rs 1.15 Cr during the quarter vs a loss of Rs -1.52 Cr in Q1 FY'22.
18. The quarter gone by has witnessed an unprecedented energy crisis. Going forward, the company expects energy crisis to ease with the initiatives taken by the Government and Regulators, and an increase in the coal production by CIL plus softening of input costs.
19. The management is seeing interest in the LDCs market but the problem that it is seeing is that distribution companies are not willing to enter into a purchase agreement at the high prices quoted by generation companies because they expect the prices to come down.

Analyst's View:

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. It has a very asset-light business model and a strong Balance Sheet. In the last several years it has done well by constantly adding new products and improving offerings for the participants on its platform. The company continues its growth march with another good quarter with volume growth and sales & profit growth. IEX saw a great rise in volumes mainly on the back of increased consumption in the country and the power shortage due to rising fuel costs. It has also received approval for long duration contracts and is planning to launch ESCERTs and GTAM very soon.. It remains to be seen whether the MBED development will pan out as the management expects and how IEX will fare with the addition of new rival exchanges in this space. It is still very early days in the power exchange market. However, as of date, IEX looks like a pivotal player in this industry.

FMCG
CCL Products Q1FY23

Financial Results & Highlights

Brief Company Introduction

CCL Products (India) is engaged in the manufacturing of instant coffee. The Company operates through the Coffee and Coffee related products segment. It is engaged in the manufacture of soluble instant spray dried coffee powder, spray dried agglomerated/granulated coffee, freeze-dried coffee and freeze concentrated liquid coffee.

	Quarterly Performance										
	CCL PRODUCTS (INDIA) LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**265**	**289**	**322**	**296**	**332**	**326**	**337**	**423**	**376**	**509**	**1,645**
% Growth YOY					*25%*	*13%*	*4%*	*43%*	*13%*	*56%*	
Expenses	194	226	245	227	246	254	254	331	292	421	**1,298**
EBITDA	**71**	**63**	**78**	**69**	**85**	**72**	**82**	**93**	**84**	**89**	**348**
Depreciation	11	13	13	13	12	14	14	15	16	17	**61**
EBIT	59	50	65	56	73	58	69	78	69	71	**287**
EBIT Margin	*22%*	*17%*	*20%*	*19%*	*22%*	*18%*	*20%*	*18%*	*18%*	*14%*	
Interest	4	5	4	4	5	5	4	4	4	5	**17**
Other Income	3	0	0	4	3	0	0	1	3	0	**4**
Profit before tax	**58**	**46**	**61**	**56**	**72**	**54**	**65**	**75**	**68**	**67**	**274**
PBT Margin	*22%*	*16%*	*19%*	*19%*	*22%*	*16%*	*19%*	*18%*	*18%*	*13%*	
% Growth YOY					*24%*	*17%*	*6%*	*33%*	*-5%*	*24%*	
Tax	15	7	14	9	23	10	15	16	15	14	**61**
Net profit	**42**	**38**	**47**	**47**	**49**	**44**	**49**	**58**	**53**	**53**	**213**
% Growth YOY					*17%*	*14%*	*4%*	*24%*	*7%*	*20%*	

Detailed Results:

1. The company had a very good quarter with sales up 56% YoY and PAT up 20% YoY.
2. While sales grew in a healthy manner, EBITDA margin received a huge hit at 17%.

Investor Conference Call Highlights:

1. The ROCE for the quarter was 16% while ROE was 17%.
2. The company achieved a volume growth of 25% during the quarter and the management keeps the same metrics as the guidance for the year.
3. The management gives a guidance of 25% volume growth along with a 10%-15% upside on the price resulting in a 40% value growth.
4. The company's current capacity is at 38,500 tonnes and is planned to increase to 55,000 tonnes by FY23. The management plans to commission this additional 16,000 tonnes in the last quarter of this year.
5. The management is confident of a 30% to 40% volume growth over the next 3-4 years.
6. Currently the company is using 10% of its capacity for its domestic branded business which is about 4000 tonnes. This is planned to be doubled over the next 2 to 3 years.
7. The management plans to double capacity to 70,000 tonnes in total over the next two and half years.
8. The green bean cost for the company has gone up by 50% to 60% in the last one year.
9. Whenever a contract is made, the company passes on all price increases in the green coffee to its customers and does not absorb anything.
10. The company has passed on all costs but the effect is not being seen currently in the PNL mainly due to the long term nature of the contracts.
11. Shipping costs for the company have come down a bit but are still higher than pre-covid and pre-Russia-Ukraine war.

12. The new capex that the board has approved will be up by the 4th quarter of FY24 with ROEs on this facility expected to be around 20%. Efficiency would be better mainly due to newer technology.
13. The capacity utilization for the company in Q1 was at 85%. The management states that this is the max level that the company can operate on in actuality.
14. The entire impact of price realizations implemented by the company will be felt always 3-4 quarters later.
15. The management states that the company is not at all sacrificing margins for volume growth. The margin reduction has occurred to an increase in the top line by price increases.
16. The company recently launched plant based protein foods a month ago, which are vegetarian but look like meat.
17. On the small pack unit, 30% is being utilized by the domestic market itself. Out of 12,000 tons capacity, another 20% by the international market. Capacity utilization for the unit is 50-55%.
18. The company makes 30-35% gross margins on the branded side and 20% on the bulk side.
19. The company has seen healthy growth in US small packs and is confident of growth in Europe.

Analyst's View:

CCL has already established itself in the wholesale coffee space for many years and their foray into branded sales through the Continental Coffee label has been very encouraging. The company has had a decent quarter with growth in Sales & growth in profit despite inflation pressures. It also saw utilization of above 85% at the plants. The company has seen a hit in gross margins due to the delays in shipments due to the Russia Ukraine war. Its capacity expansion plans for small packs in India and spray dried coffee in Vietnam remain on track. It remains to be seen whether the rising green coffee prices will result in any drop in order placement for CCL and whether the branded business will be able to maintain its growth momentum in other parts of India. Nonetheless, given the enormous market opportunity for the branded business in the domestic market, CCL products may turn out to be a dark horse in the global coffee industry in the years to come.

ITC Q1FY23

Financial Results & Highlights

Brief Introduction:

ITC Limited is an Indian multinational conglomerate company headquartered in Kolkata, West Bengal. Established in 1910 as the 'Imperial Tobacco Company of India Limited', the company was renamed as the 'India Tobacco Company Limited' in 1970 and later to 'I.T.C. Limited' in 1974. It has a diversified presence in FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. It has many famous brands under its stable like Wills, Classic, Gold Flake, Aashirvaad, Sunfeast, Bingo, Fiama, Vivel, Classmate and many others.

Quarterly Performance											
	ITC LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**11,782**	**10,478**	**12,077**	**13,080**	**14,342**	**13,247**	**13,757**	**17,108**	**16,556**	**18,489**	**65,910**
% Growth YOY					*22%*	*26%*	*14%*	*31%*	*15%*	*40%*	
Expenses	7,279	7,533	7,676	8,295	9,471	8,804	8,740	11,510	10,956	12,412	**43,618**
EBITDA	**4,504**	**2,946**	**4,401**	**4,785**	**4,871**	**4,444**	**5,018**	**5,598**	**5,599**	**6,077**	**22,292**
Depreciation	413	419	405	413	409	414	422	430	467	438	**1,756**
EBIT	4,090	2,527	3,996	4,372	4,463	4,030	4,596	5,168	5,132	5,639	**20,535**
EBIT Margin	*35%*	*24%*	*33%*	*33%*	*31%*	*30%*	*33%*	*30%*	*31%*	*30%*	
Interest	15	16	13	13	3	9	10	10	11	9	**39**
Other Income	668	925	582	546	579	447	469	422	499	321	**1,710**
Profit before tax	**4,743**	**3,436**	**4,565**	**4,905**	**5,039**	**4,467**	**5,055**	**5,580**	**5,620**	**5,950**	**22,206**
PBT Margin	*40%*	*33%*	*38%*	*37%*	*35%*	*34%*	*37%*	*33%*	*34%*	*32%*	
% Growth YOY					*6%*	*30%*	*11%*	*14%*	*12%*	*33%*	
Tax	817	869	1,147	1,317	1,222	1,124	1,291	1,462	1,361	1,488	**5,602**
Net profit	**3,857**	**2,511**	**3,368**	**3,527**	**3,755**	**3,276**	**3,714**	**4,057**	**4,196**	**4,390**	**16,356**
% Growth YOY					*-3%*	*30%*	*10%*	*15%*	*12%*	*34%*	

Detailed Results:

1. The company had a very good quarter with a 40% consolidated revenue growth YoY and a rise of 34% YoY in consolidated profits in Q1.
2. The Company EBITDA was up 41.5% YoY.
3. Cigarette segment saw revenue growth of 29% YoY. Segment EBIT also grew 30.1% YoY.
4. FMCG-Others segment grew 19.5% YoY in Q1. Segment EBITDA grew 19% over Q1FY22. EBITDA margin was at 7.8%.
5. Staples & Convenience Foods remained resilient while Hygiene products sales subdued. Out of home consumption saw strong growth. Education & Stationary products bounced back.
6. ITC e-commerce FMCG Q1FY23 Sales are 4x of FY20 levels.
7. Market and outlet coverage is at 2x and 1.3x respectively compared to last year levels. Stockists network in rural markets stands at 2.7x compared to last year.
8. ITC e-store now covers 15 cities with over 700 products in 45 categories.
9. New FMCG product launches during this quarter were Bingo differentiated flavours and textures, Aashirvaad spices and Aashirvaad Swasti.
10. In the personal care segment, Engage saw good resurgence with rise in mobility.
11. FMCG Cigarettes saw new varieties of additions to the portfolio.
12. The Hotels business saw strong sequential improvement in ARRs with occupancy ahead of pre-pandemic levels. Leisure travel, MICE and Weddings remained strong while business travel is coming back.
13. ITC Narmada, a luxurious 291-key property in Ahmedabad expected to be commissioned shortly.
14. Recently launched full stack ITC Hotels App with cutting edge user experience.

15. More properties to be launched soon under the Welcomhotel brand. Welcomhotel Brand footprint scaled up to 23 properties/2600 keys.
16. The company is looking to drive engagement and business through ITC Hotels app which provides food delivery, room reservation, loyalty benefits and offers for customers.
17. In the Paper & Paperboard business, the company saw revenues rise 43.3% YoY & an EBIT rise of 56%. It saw revenue driven by higher volumes and realization.
18. A greenfield project for Paper and Paperboard business in Nadiad, Gujarat is expected to be commissioned by Q2 FY23.
19. Agribusiness saw a great revenue increase of 82.7% YoY & an EBIT growth of 45.1% YoY driven by strong growth in Wheat, Rice & Leaf Tobacco exports.
20. ITC MAARS, a crop agnostic 'physical' full stack AgriTech platform was launched with 200+ FPOs in 7 states encompassing 75,000+ farmers.
21. ITC Infotech saw a bad Q1 with revenue of Rs 751 Cr while EBITDA of Rs 119 Cr in the same period.
22. EBITDA margin for ITC Infotech decreased to 19.5% in Q1FY23. It also saw negative PAT growth YoY.
23. ITC Infotech has also signed a ten-year strategic partnership agreement with PTC Inc, deepening its 20 year relationship with the company.

Analyst's View:

ITC has been one of the biggest conglomerates in the history of modern India. The company has done well to diversify into other FMCG segments and build many leading brands like Aashirvaad, Bingo, etc. The company has seen good performance in Q4FY22 with all segments reporting good growth especially the Paperboard business and the Agribusiness segment. The company is doing well in maintaining a leadership position in many of its brands and always introducing new products under these brands. The company has seen sharp recovery in its out of home consumption products and has seen consistent rise in EBITDA in the FMCG-Others segment. The hotel business is also on its way back with demand coming back and the company is looking to drive this business using digital means through its ITC Hotels app. It remains to be seen how the company will mitigate the effects of the systematic decline of the cigarette industry and how long will it take for the FMCG business to realize its value and start performing like the rest of the industry. Also, ITC Infotech will play a huge role in the upcoming years towards growth of ITC's bottom line. Nonetheless, given its history of building and maintaining durable brands, its leadership in various operating segments, and its mammoth cash-generating ability, ITC remains a critical stock to watch for any investor interested in the themes of FMCG and consumption, all the while providing a consistently high dividend yield every year.

Marico Q1FY23

Financial Results & Highlights

Brief Company Introduction

Marico Limited is one of India's leading consumer goods companies providing consumer products and services in the areas of health, beauty and wellness. With its headquarters in Mumbai, Maharashtra, India, Marico is present in over 25 countries across emerging markets of Asia and Africa. It owns brands in categories of hair care, skin care, edible oils, health foods, male grooming, and fabric care.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	2108	2072	1.74%	1812	16.34%
PBT	481	340	41.47%	341	41.06%
PAT	387	263	47.15%	293	32.08%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	2575	2552	0.90%	2185	17.85%
PBT	499	467	7%	332	50.30%
PAT	371	356	4%	251	47.81%

Detailed Results:

1. Consolidated revenues grew 1% YoY in Q1 FY23.
2. PAT grew by 4% YoY
3. EBITDA margin stood at 20.6%, up by 159 bps YoY, and EBITDA was up by 10% YoY.
4. Advertising & promotional spends increased by 14% YoY.
5. The volume market share of various divisions is at:
    1. Coconut Oils: 62%
    2. Parachute Rigids: 53%
    3. Saffola Oats : 43%
    4. Value-Added Hair Oils: 37%
    5. Post wash Leave-on Serums: 63%
    6. Hair Gels/Waxes/Creams: 55%
6. Parachute Rigids was down by 2% in term of volume and 9% in terms of value growth in this quarter, while the brand gained 90 bps in volume MS and 170 bps in value MS.
7. Value Added Hair Oils posted flattish volume growth and value growth of 5% YoY and the franchise its value market share by 60 basis points.
8. The Saffola brand comprising of Edible Oils and Foods, declined by 13% in terms of value.
9. The Saffola Oats franchise gained 420 bps in value market share.
10. Premium Personal Care and Digital-first portfolios delivered double-digit growth.
11. The annualized run rate of Digital brand portfolio is now around approx. Rs 200 Cr.
12. The international revenue growth breakup for Q1 FY23 is:
    1. Bangladesh: Up 10% YoY
    2. MENA: Up 27% YoY
    3. South Africa: Up 34% YoY

4. South East Asia: Up 34% YoY

13. International Business delivers double-digit of 18 % constant currency growth (CCG) for the sixth quarter in a row.

Investor Conference Call Details:

1. According to the management the decline in the quarter performance is because of macro factor, decreased in domestic volume and particularly decline of saffola oils
2. Management states that Saffola oils volumes declined by ~20% due to the high base of in home consumption and management except to stabilize by Q3 or Q4 quarter
3. In addition to the 6% price cut last year, company has been able to pass 2% incremental price at the end of this quarter.
4. The company honey category hold 22-23% in E-com, double-digit market share in modern trade (MT) and single digit in General trade (GT). Market share loss over the last two quarter is 1%.
5. Management intends to accelerate their digital growth by either organically or inorganically.
6. In digital brand portfolio, the management is expected to cross Rs 250 Cr ARR in Q2 and Rs 450-500 Cr ARR in FY 24.
7. Digital first brands, Beardo and Just Herbs, are scaling up in line with management expectations.
8. Management except Rs 850-1000 Cr revenue from food segment over the next couple of years
9. According to the management, company is focus on expanding its presence in the premium and super premium segment.
10. Parachute oil branded conversion slowed, while company continued to gain market share.
11. Over the coming year company will increase True Elements (~a brand under HW wellness) offline presence.
12. Over the medium term management expects double digit growth in Bangladesh.
13. Management states that it has successfully replicated its Bangladesh strategy in Vietnam and is confident of driving double-digit growth in both top line and bottom line over the next subsequent quarters.
14. Company has already taken a 5% price hike in VAHO segment and company is intending to do one more price.
15. Company aim to have consolidated operating margin of above 19% over the medium term
16. On ESF, front company is planning to achieve net zero emission by FY 2030 in domestic operation and FY 2040 in global operation.

Analyst's View:

Marico is one of India's leading FMCG companies with many market-leading brands like Saffola and Parachute. The company delivered weak quarter with a revenue rises of 1% YoY because of the macro factor and declined in domestic volume. While International business continue to deliver double digit growth in this quarter. The management aim to achieve 850-1000 Cr revenue from Food segment over the couple of years. Company also wants drive its growth in its digital brand portfolio by acquiring companies either organically or inorganically to reach sales of Rs 450-500 crores by FY24. It would be interesting to see whether management maintains guidance of deliver healthy revenue growth over the medium term. Nonetheless, given the company's solid standing in its core categories, its expansion plans for high-margin food categories, and its robust distribution network, Marico looks like a pivotal FMCG stock to watch out for.

Nestle Q2CY22

Financial Results & Highlights

Brief Introduction:

Nestle India is a subsidiary of NESTLÉ S.A. of Switzerland. The products offered by Nestlè in India range across categories such as milk and nutrition, chocolates and confectionary, beverages and prepared dishes and cooking aids.
Some of the famous brands of the company are Nescafe, Nestlè Every day, Sunrise, Maggi, Kitkat, Milkybar, Milkmaid, Nestea, Munch, Bar one, Polo and many more. Nestle is the market leader in various categories such as Infant Cereals (96.5%), Instant Pasta (65.2%), Instant Noodles (59.5%), White Chocolates and wafers (62.6%).

	Quarterly Performance										
	NESTLE INDIA LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**3,325**	**3,050**	**3,542**	**3,433**	**3,611**	**3,477**	**3,883**	**3,739**	**3,981**	**4,037**	**15,639**
% Growth YOY					*9%*	*14%*	*10%*	*9%*	*10%*	*16%*	
Expenses	2,532	2,303	2,658	2,656	2,681	2,629	2,935	2,874	3,056	3,217	**12,081**
EBITDA	**793**	**748**	**884**	**777**	**930**	**848**	**948**	**866**	**925**	**819**	**3,558**
Depreciation	91	92	91	96	94	95	96	106	104	102	**407**
EBIT	702	655	792	682	836	753	852	760	820	718	**3,151**
EBIT Margin	*21%*	*21%*	*22%*	*20%*	*23%*	*22%*	*22%*	*20%*	*21%*	*18%*	
Interest	41	41	40	42	54	52	52	44	36	37	**168**
Other Income	43	38	34	31	30	29	34	-209	21	19	**-135**
Profit before tax	**704**	**652**	**787**	**670**	**812**	**730**	**834**	**507**	**806**	**700**	**2,848**
PBT Margin	*21%*	*21%*	*22%*	*20%*	*22%*	*21%*	*21%*	*14%*	*20%*	*17%*	
% Growth YOY					*15%*	*12%*	*6%*	*-24%*	*-1%*	*-4%*	
Tax	178	166	199	187	210	192	217	121	212	185	**734**
Net profit	**525**	**487**	**587**	**483**	**602**	**539**	**617**	**387**	**595**	**515**	**2,114**
% Growth YOY					*15%*	*11%*	*5%*	*-20%*	*-1%*	*-4%*	

Detailed Results:

1. Total Sales for the company grew 12.7% YoY for H1 CY22.
2. Operating profit margin stood at 19.6% in H1 with Net Profit margin at 13.9%.
3. Operating profit margin and net profit margin have fallen -280 bps and -220 bps respectively QoQ.
4. Other income decreased due to lower average liquidities, partly offset by higher yields.
5. Contribution from various categories for H1 :
    1. Milk Products and Nutrition: 41.2%
    2. Prepared dishes and cooking aids: 32.4%
    3. Confectionery: 15.9%
    4. Powdered and liquid beverages: 10.5%
6. Products launched since 2015 now contribute to 5% of sales.
7. The company's ecommerce channel grew by 71% and now contributes to 6.3% of domestic sales.
8. The company's continued focus remains towards proliferation of Indian product portfolio in new markets, and channel expansion in United Kingdom and Australia.
9. Kitkat and Munch, both registered double-digit growth. Nescafe Classic and Sunrise also delivered double digit growth.
10. The management commentary remains firm to bullish while costs of packaging materials continue to increase amid supply constraints, rising fuel and transportation costs.

11. Confectionary registered the highest growth YoY at 24.4% followed by Powdered and Liquid beverages at 21.7% in H1.
12. Over 100 new products have been launched in the past 5 years.
13. Nestle has acquired the Pet Care business of Purina Petcare recently.
14. Pet care is a 4000 crore category growing at 25% cagr. Dog dry food consists of 75%.

Investor Conference Call Highlights:

1. "The forces of inflation have clearly been much larger than what we are used to" by management.
2. The volume and mix based growth CAGR for the past five years has been 8.1%.
3. The company is seeing great growth in mega cities and metros with growth in double digits.
4. In the second quarter, from a growth of 16.4%, 8.5% is pricing and 7.9% is of volume.
5. The management took a call towards balancing pricing and balancing margin expectations rather than taking indiscriminate price increases.
6. "The day we start having volume declines that are sharp, irrespective of the value growth that I will show, irrespective of the profit growth that I will show, I will be having a system that is getting hollowed out and is getting eaten from within. And that is not a good situation." Management on growing volumes instead of focusing on margins.
7. The management sees softening in prices of edible oils and packaging materials in the coming quarters.
8. Maggi continues to grow strong showing 13.9% growth and Kitkat and Munch are also growing in double digits.
9. Today as a country we have about 30 million pets, growing at 11% pa. This provides a huge opportunity for Purina Petcare.
10. Wet cat food in the petcare foods category is growing at 35% per annum.
11. In 2018, the management had observed the petcare business to be evolving in India, it didn't expect it to grow so fast. But it now it sees it as a huge growth opportunity going forward.
12. Purina Petcare has mainly two brands for dog food, Supercoat and ProPlan and two brands for cat food that is Friskies and FancyFeast.
13. Supercoat is premium dry dog food whereas ProPlan is super premium dry dog food.
14. Friskies of Purina Petcare sells dry cat food and FancyFeast sells wet cat food.
15. The company has also launched Gerber, which is a nutrition product for the emerging toddler segment.
16. Gerber is a 90 year old experienced brand globally, which provides nutrition products for toddlers.
17. Gerber as a brand will help the company hugely because of its premium status, with very high per kg index price.
18. Maggi noodles has an index price of 100, average pet food has 140 whereas Gerber has of 700. This premiumization will benefit the company.
19. Gerber is in a 3500 crore toddlers nutrition market space.
20. The management has ensured to not do many aggressive price rises to ensure that there is no down trading or moving out of the brands by putting it completely out of reach in terms of affordability.
21. Currently Purina petcare is present in 64 towns with 50 distributors, present in a few thousand outlets.

Analyst's View:

Nestle has been one of the biggest players in the packaged foods space in India. They have a dominant market share in 7 out of their 8 major product categories. The company is grew at a rate of about 16% in domestic sales in the last quarter but faced problems in maintaining margins. And export sales have been flat YoY. That's a good enough growth performance considering its size, category and market penetration. The chances of a meteoric growth and exponential returns from this company are difficult considering their restricted room to grow domestically given their size and market share in the country. Given the significant brand and pricing power that Nestle enjoys, the company should not be hit hard from the high inflation as other food processing companies. The company still has significant room to grow their revenues by increasing exports given that exports count for a small percentage of total sales. However, at the current high valuations, it is necessary to tame return expectations from this company in the near term.

Tata Consumer Products Q1FY23

Financial Results & Highlights

Brief Company Introduction

Tata Consumer Products Limited (formerly Tata Global Beverages) is an Indian multinational non-alcoholic beverages company headquartered in Kolkata, West Bengal, India and a subsidiary of the Tata Group. It is the world's second-largest manufacturer and distributor of tea and a major producer of coffee.

Tata Consumer Products markets tea under the major brands Tata Tea, Tetley and Good Earth Teas. Tata Tea is the biggest-selling tea brand in India, Tetley is the biggest-selling tea brand in Canada and the second-biggest-selling in United Kingdom and United States.

In 2012, the company ventured into the Indian cafe market in a 50/50 joint venture with Starbucks Coffee Company. The coffee shops branded as "Starbucks Coffee - A Tata Alliance" source coffee beans from Tata Coffee, a subsidiary company of Tata Consumer Products.

	Quarterly Performance										
	TATA CONSUMER PRODUCTS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**2,405**	**2,714**	**2,781**	**3,070**	**3,037**	**3,008**	**3,033**	**3,208**	**3,175**	**3,327**	**12,744**
% Growth YOY					*26%*	*11%*	*9%*	*5%*	*5%*	*11%*	
Expenses	2,097	2,231	2,382	2,708	2,737	2,609	2,620	2,747	2,731	2,870	**10,967**
EBITDA	**308**	**483**	**400**	**361**	**300**	**399**	**413**	**462**	**444**	**457**	**1,777**
Depreciation	64	62	63	64	66	67	69	70	72	73	**284**
EBIT	244	421	337	297	234	333	344	392	372	384	**1,492**
EBIT Margin	*10%*	*16%*	*12%*	*10%*	*8%*	*11%*	*11%*	*12%*	*12%*	*12%*	
Interest	19	17	18	18	15	20	20	16	16	16	**69**
Other Income	-242	96	2	13	-21	24	23	12	29	11	**75**
Profit before tax	**-17**	**499**	**321**	**292**	**198**	**336**	**348**	**388**	**385**	**379**	**1,499**
PBT Margin	*-1%*	*18%*	*12%*	*10%*	*7%*	*11%*	*11%*	*12%*	*12%*	*11%*	
% Growth YOY					*-1275%*	*-33%*	*8%*	*33%*	*94%*	*13%*	
Tax	33	110	87	55	65	96	86	100	95	103	**384**
Net profit	**-122**	**346**	**273**	**237**	**74**	**200**	**286**	**290**	**239**	**277**	**1,092**
% Growth YOY					*-161%*	*-42%*	*5%*	*22%*	*222%*	*38%*	

Detailed Results:

1. The consolidated performance was good at 11% YoY growth in revenue while PAT was up 38% YoY.
2. EBITDA margin was at 13.8% which was up 40 bps YoY. EBITDA for the quarter grew 14%.
3. Overall, India's business grew 9% YoY with a business growth of 3% in beverages & 19% in foods.
4. India business A&P was up 48% YoY.
5. The company has a net cash balance of Rs 1896 Cr as of Jun 2022.
6. Tata Tea saw market share gain of 40 bps YoY and Tata Salt saw market share gain of 400 bps YoY.
7. The India Beverages business showed revenue growth of 3% YoY & volume growth of 1% YoY in Q1.
8. The India Foods business showed revenue growth of 19% YoY & volume growth of -3% YoY in Q1. Salt revenues grew by 20% in Q1 with Rock salt delivering growth of 75%. Tata Sampann portfolio also grew 6% in volumes.
9. NourishCo had revenue of Rs 183 Cr and saw 110% YoY revenue growth in Q1. Tata Water Plus (now rebranded to Tata Copper Water) sold 2.9x volumes in Q1.

10. The Tata Coffee division saw 25% revenue growth YoY in Q1. Plantation revenue grew by 31% and Extraction revenue grew 26% YoY in Q1. Vietnam plant operated with 99% capacity utilisation.

11. In the Starbucks JV, the company had 99% of stores operational. Sales have been rising each month since the opening-up post 3rd wave of COVID-19. The company increased its store count to 275 stores with 7 new stores and 4 cities added during the year.

12. The UK tea business saw revenue growth of 3% YoY in Q1. It maintained a market share of 19.1% in the everyday black tea segment. Teapigs revenue grew 16% YoY in Q1.

13. The USA coffee business saw a 15% YoY revenue growth in Q1. The tea business saw revenue decline -11% YoY in Q1.

14. In Canada, the company saw revenue growth of 14% YoY in Q1. It maintained a market share of 27.3%.

15. The total revenue distribution for TCPL was:

    1. India Business: 72%

    2. Intl Business: 28%

16. The company launched new innovations like Tata Sampann spices in the south, Tata ORS and Tata Cold brew iced tea in the US.

17. The company entered the protein foods category during the quarter, with plant-based meat market expected to reach USD 25 billion globally by 2030.

Investor Conference Call Highlights

1. The company has achieved a direct reach of 1.3 million outlets and wholesale coverage has gone up from 18,000 to 38,000.
2. The company has expanded the portfolio of NourishCo and has launched Tata ORS on a pilot basis in specific markets.
3. The management plans to make Soulfull as a base brand for breakfast cereals, mini meals and snacking.
4. The company has expanded the Himalayan brand into becoming a provenance brand. They have rolled out jams, preserves and honey.
5. The company has also entered the protein food products business seeing its huge potential in the country.
6. For alternative meat, the company has launched Tata Simply Better and the management sees huge potential in this brand.
7. The company has taken a price hike for Tata base Salt from 25 to 28 and expects margins to be back on track soon.
8. In Tata Sampann, 25% of spices mix comes from online and for pulses and spices it is 40% from online.
9. The total addressable market for Tata Sampann is 15500 crores in pulses and 60000 crores in spices.
10. In the salt business, salt prices were mainly taken up because of increase in and coal prices while brine remained stable.
11. The company had launched dry fruits six months ago under Tata Sampann and the products have performed extremely well giving a tough competition to competitors.
12. The inflationary situation in Europe continues to affect the international business of the company.

13. Teapigs continues to drive category growth in the USA and maintained momentum with its cold brew range. It emerged as the fastest growing specialty tea brand during the quarter.
14. Tata Salt Immuno with its category-first unique proposition of added Zinc is being rolled out Nation-wide post encouraging results in the pilot phase.
15. Tata Starbucks opened 7 new stores during Q1 and entered four new cities - Jalandhar, Anand, Nagpur, and Calicut. This brought the total number of stores to 275 across 30 cities.

Analyst's View:

Tata Consumer Products has a very good product portfolio in diverse F&B segments and strong brands like Tata Tea under its umbrella. It also completed the acquisition of Tata SmartFoodz which would add Tata Q to the company's roster. The company is focused on expanding and enhancing the brand image for emerging brands like Tata Sampann, Soulfull, and Tata Coffee products, and in premium flagship brands like Tetley. The margins in the tea business are normalizing which is resulting in a good revenue rise despite modest volume growth. The management is committed to maintaining a high A&P spend to enhance the brands of the company and to capitalize on the unbranded to branded transition for food and beverage products in India. It remains to be seen how the company will be able to weather the rising inflation concerns and how the company will fare against other branded players like ITC in the fast-rising branded staples category. Nonetheless, given the company's leadership position in its top brand segments, its enhanced distribution reach after the merger, and the incoming synergies and benefits from integration, Tata Consumer Products remains a good FMCG stock to watch out for.

Varun Beverages Q2CY22

Brief Company Introduction

VBL are the second largest franchisee in the world (outside US) of carbonated soft drinks ("CSDs") and non-carbonated beverages ("NCBs") sold under trademarks owned by PepsiCo and a key player in the beverage industry. They produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands sold include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess Soda, Sting and Gatorade. PepsiCo NCB brands sold by the company include Tropicana (100%, Essentials & Delight), Tropicana Slice, Tropicana Frutz, Seven-Up Nimbooz and Quaker Oat Milk as well as packaged drinking water under the brand Aquafina.

	Quarterly Performance										
	VARUN BEVERAGES LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**1,676**	**1,640**	**1,803**	**1,331**	**2,241**	**2,450**	**2,398**	**1,734**	**2,827**	**4,955**	**11,915**
% Growth YOY					*34%*	*49%*	*33%*	*30%*	*26%*	*102%*	
Expenses	1,405	1,262	1,422	1,159	1,859	1,879	1,904	1,527	2,296	3,704	**9,431**
EBITDA	**271**	**378**	**381**	**172**	**382**	**571**	**495**	**208**	**531**	**1,251**	**2,484**
Depreciation	135	124	135	135	135	129	138	129	131	153	**552**
EBIT	136	253	246	38	247	442	356	78	400	1,098	**1,932**
EBIT Margin	*8%*	*15%*	*14%*	*3%*	*11%*	*18%*	*15%*	*5%*	*14%*	*22%*	
Interest	87	74	58	62	58	47	43	37	47	46	**173**
Other Income	-41	3	3	6	6	24	37	1	9	10	**57**
Profit before tax	**8**	**182**	**192**	**-19**	**195**	**420**	**350**	**42**	**361**	**1,062**	**1,815**
PBT Margin	*0%*	*11%*	*11%*	*-1%*	*9%*	*17%*	*15%*	*2%*	*13%*	*21%*	
% Growth YOY					*2396%*	*131%*	*83%*	*-322%*	*86%*	*153%*	
Tax	-52	39	30	-12	58	101	93	9	90	260	**452**
Net profit	**55**	**141**	**153**	**-20**	**129**	**308**	**240**	**16**	**254**	**787**	**1,298**
% Growth YOY					*135%*	*119%*	*57%*	*-184%*	*97%*	*156%*	

Detailed Results:

1. The consolidated revenues for the current quarter increased by 102% YoY whereas PAT increased by 156% YoY.
2. The company saw an EBITDA rise of 119% YoY and a volume rise of 96% YoY in the quarter.
3. Realization per case improved driven by price hike in select SKUs and changes in SKU mix.
4. CSD constituted 73%, Juice 9%, and Packaged Drinking water 18% of total sales volumes in Q2 CY21.
5. Gross margins fell by 302 bps YoY to 50.5% due to increase in preform prices by 30%.
6. EBITDA margin improved by 194 bps to 25.2% in Q2 CY2022 led by higher realization and operating leverage from increased sales volume.
7. During H1CY22, the net capex included Rs 6,700 mn primarily for setting up of new greenfield production facilities in Bihar and Jammu and brownfield expansion at Sandila facility. The net capex includes capitalization of CWIP amounting ~ Rs. 5000 mn which was outstanding as of Dec'21.
8. Capacity utilization in India during the peak month was close to 90% driven by best ever sales volumes.
9. The board of directors have recommended a dividend of 2.5 per share. Total cash outflow would be Rs. 1624 mn.

Investor Conference Call Highlights:

1. On the profitability front, despite the inflationary raw material environment, the company witnessed little impact on its gross margins during the quarter because of early stocking of key raw materials and improvement in realizations.
2. VBL was recently awarded from PepsiCo as the best bottler in Africa, Middle East and South Asia(AMESA) region for the year 2021.
3. Working capital days reduced to 17 from 24 the previous year.
4. Out of 3 million total outlets, 2.6 mn are composite and 0.4 mn are dedicated to only Sting. The total mix includes 250k international outlets.
5. The company is in the process of setting up two large greenfield plants in Madhya Pradesh and Rajasthan. It is also adding more lines in Bihar and other more territories.
6. The company to add more 30% CSD/JBD PET capacity by the next year.
7. The company sold 262 million cases in Indian and 37.7 mn cases in International areas in Q2.
8. Sting has grown by 185% in H1 with the mix to the total volume being 7.2%
9. Dairy distribution is only restricted to the north due to production happening in only a single plant in Punjab. Dairy has been doing well in its respective regions.
10. The company is writing off RGB assets as and when needed, as the demand is heavily shifting from RGB to PET with the mix of glass being under 10%.
11. Capex for CY22 is already done as the season is over. Whatever spending will be done, will be for CY23 and will be parked in the capital work-in-progress and will be capitalized when the assets will be put to use.
12. The management believes that a lot of territories acquired by the company are still underpenetrated, leaving a huge scope of growth for the company. This makes the management confident of double-digit growth over the next few years.
13. The company is distributing juices in 60% - 70% of the total outlets.
14. The management expects PET raisin prices to ease down going ahead leading to better margins.
15. The management believes that the beverage industry should do a double-digit volume growth over the next few years.
16. In FY22, the company did 670 crore capex and plans to do 1200 crores in FY23, which will result in 30% additional capacity of CSD/JBD/PET capacity.
17. HoReCa and modern trade channels contribute to 9% of the sales.
18. The Sri Lankan environment and situation does not affect the company because Sri Lanks's contribution to sales is about 2%.
19. The management states that margins can be easily maintained over the next few quarters and may even improve if oil prices come down.
20. The management is open to expanding to any new geography, if PepsiCo offers. They are also in discussion with PepsiCo for new products in pipeline.
21. The manufacturing of Kurkure, which is a new tie-up with pepsico, will start by October-November end.

Analyst Views:

Varun Beverages have been one of the biggest bottlers in India and has been quite proactive in international expansion for some time now. The company has seen good YoY growth in the quarter with a sustained EBITDA margin despite falling gross margins due to higher preform prices. The company is witnessing strong performance in its exports division. VBL's efforts in deleveraging the balance sheet are resulting in significant finance costs reduction thus improving debt profile as well as PAT. It remains to be seen what challenges the company will face in trying to maintain its growth momentum while setting up the new facility and how long will it take for the new brands like Sting, Cream Bell & others to start contributing meaningfully to the company's sales. Nonetheless, given the resilient sales network, the rising demand for the company's products, and the good potential of its products like Sting, Mountain dew, & Cream bell beverages, Varun Beverages is a good consumption stock to watch out for at present. However, the valuation at current levels does not provide any margin of safety.

Zydus Wellness Q1FY23

Financial Results & Highlights

Brief Introduction:

Zydus Wellness operates as an integrated consumer Company with business encompassing the entire value chain in the development, production, marketing and distribution of health and wellness products. The product portfolio of the Company includes brands like Sugar free, Everyuth and Nutralite.

	Quarterly Performance										
	ZYDUS WELLNESS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**488**	**537**	**342**	**382**	**606**	**598**	**384**	**388**	**640**	**697**	**2,108**
% Growth YOY					*24%*	*11%*	*12%*	*2%*	*6%*	*17%*	
Expenses	383	415	315	332	460	457	353	356	498	549	**1,756**
EBITDA	**105**	**122**	**27**	**50**	**145**	**140**	**31**	**32**	**142**	**148**	**352**
Depreciation	7	6	6	6	6	6	6	6	6	6	**24**
EBIT	98	116	21	43	139	135	24	26	135	142	**328**
EBIT Margin	*20%*	*22%*	*6%*	*11%*	*23%*	*23%*	*6%*	*7%*	*21%*	*20%*	
Interest	35	35	31	10	9	6	7	6	6	4	**23**
Other Income	-2	2	-95	-32	2	2	3	3	2	-1	**7**
Profit before tax	**61**	**83**	**-105**	**2**	**133**	**131**	**21**	**23**	**131**	**137**	**312**
PBT Margin	*13%*	*15%*	*-31%*	*0%*	*22%*	*22%*	*5%*	*6%*	*21%*	*20%*	
% Growth YOY					*116%*	*57%*	*-120%*	*1206%*	*-1%*	*5%*	
Tax	-8	-6	-	-	-0	-	-0	-1	-2	-0	**-3**
Net profit	**69**	**89**	**-105**	**2**	**133**	**131**	**21**	**23**	**133**	**137**	**315**
% Growth YOY					*93%*	*47%*	*-120%*	*1239%*	*0%*	*5%*	

Detailed Results:

1. The company had a good quarter with a 17% consolidated revenue growth YoY and a PAT rise of 5%.
2. The Market shares for the company's brands as on June 2022 were:
    1. Glucon-D – 60.4%
    2. Complan – 4.8%
    3. Sugar Free – 95.5%
    4. Nycil – 34.2%
    5. Everyuth (Facial Cleansing) – 6.6%
    6. Everyuth (Scrub) – 41.8%
    7. Everyuth (Peel-off) – 76%

3. With the good onset of summer, Nycil brand witnessed a strong comeback and registered a double-digit growth.
4. Glucon-D witnessed double-digit growth led by revival in the market demand, which was absent during last two consecutive summers due to the pandemic.
5. Plan to enhance distribution infra to 3Mn+ reach and 1 Mn direct coverage over the next three years.
6. E-commerce continued good growth, contributing to 6.5% of the sales.
7. The company faced double digit inflation in most of its raw materials during the quarter.

Conference Call Highlights:

1. Inflation on palm oil and packing materials eased out during the first quarter.
2. The gross margin has improved 352 QoQ bps due to price increases, cost improvement measures and product mix. On YoY basis it fell by 70 bps due to inflation.

3. The company has ceased the operations of the Sitarganj plant to have leaner operations which are closer to consumers. The company has accounted Rs.29 million one-off expenditures for the same.
4. This quarter, the company saw products crossing 2.5 million stores with equal split between urban and rural.
5. The company's largest brand, Glucon-D crossed 60% market share for the first time in several years at an MAT level as reported by Nielson.
6. Glucon-D market demand was supported by strong media coverage with Pankaj Tripathi as the endorser to drive daily relevance for energy drinks synergized with consumer activisions.
7. On Complan front, health food drinks category saw a continued slowdown, which is further compounded by down trading to LUPs and lower-priced pouch packs.
8. On sweeteners front, the company continued to promote Sugar Free Green through Katrina Kaif along with various social media digital initiatives for Sugar Free brand.
9. Sugar Free brand did not see any growth during Q1 due to high base of Covid wave 2, which was led by high diabetic consumption.
10. Sugar Free brand witnessed healthy growth in distribution expanding to 497,000 outlets, which is an increase of 26,000 YoY.
11. Everyuth brand witnessed another strong double-digit quarter mainly due to TV and digital campaigns across its sub-segments.
12. Distribution of Everyuth products increased to 6.8 lac outlets from 6 lac outlets the previous year.
13. Nycil brand witnessed a strong comeback during the quarter and registered double digit growth. It maintained its No.1 position and improved availability by 16.5% 1.67 Mn outlets.
14. Nutralite brand registered double-digit growth during the quarter with Nutralite DoodhShakti dairy portfolio gaining good traction. The brand is also expanding presence of ghee into institutional channels.
15. For Complan, management is focused on growing and regaining market share through the nutrition route rather than competing in the pricing.
16. The management believes that for inflation pressures, the worst times have passed away with prices easing a bit.
17. The management gives a guidance of 20% operating margins for the year.
18. The management does not currently have any plans for inorganic growth and is focused on the growth opportunity that its brands have.

Analyst's View:

Zydus Wellness has long been a consistent wealth creator and has been at the forefront of the health and wellness industry in India for a long time. In their current product categories, they already have a significant standing in India and are also trying to expand their brands in international markets. The company has solid brands in categories with huge potential in both Global and International markets. All in all, Zydus Wellness looks like a good investment option given that they are leaders in most of their markets, especially to those investors seeking to invest in the theme of increasing consumption and in the health and wellness industry.

Healthcare & Pharma
Cadila Healthcare Q1FY23

Financial Results & Highlights

Brief Company Introduction

Zydus Cadila is a leading Indian Pharmaceutical company and a fully integrated, global healthcare products manufacturer. From formulations to active pharmaceutical ingredients and animal healthcare products to wellness products, Zydus has earned a reputation amongst Indian pharmaceutical companies for providing comprehensive and complete healthcare solutions. From a humble turnover of Rs. 250 crores in 1995, the group witnessed significant financial growth and registered a turnover of over Rs. 12,700 crores in FY19.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	1981	2123	-6.68%	2073	-4.43%	8160	7869	3.7%
PBT	432	486	-11.11%	346	24.85%	1164	1688	-31.0%
PAT	332	400	-17%	247	34.41%	858	1476	-41.9%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	4072	4001	1.8%	3943	5.4%	15490	14449	7.2%
PBT	684	803	-14.8%	573	19.4%	2838	2399	18.3%
PAT	518	587	-11.7%	397	30.4%	4487	2133	110.4%

*Contains Gain on disposal of discontinued operations.

Detailed Results:

1. EBITDA for the quarter stood at Rs. 8.33 billion down 14% year on year. EBITDA margin for the quarter stood at 20.5%.
2. Ex-COVID related business, total revenues grew 11% yoy
3. Net Profit for the quarter was Rs. 5.18 billion down 12% year on year.
4. Overall, the business recorded revenues of Rs. 11.3 billion, down 17% year on year on a high base.
5. Consumer Wellness business recorded revenues of Rs. 6.9 billion, up 18% year on year.
6. Research & Development (R&D) spend: at Rs. 2,842 mn.
7. Capex for the quarter: Rs. 2,828 mn.
8. Net cash: Rs. 5,628 mn (at 30-Jun'22) vs Rs. 569 mn (at 31-Mar'22).

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Investor Conference Call Highlights

1. Gross margins improved sequentially on the back of price increase, cost improvement measures and product mix.
2. Inflation showed signs of moderation as key input prices eased towards the end of the quarter.
3. Lipaglyn is now ranked as the 66th largest brand in the Indian Pharmaceutical Market during Q1 FY23, improving by 13 positions versus Q4 FY22.
4. Company has received 7 new product approvals (including 1 tentative approval) and launched 8 new products during the quarter.
5. Company's branded formulations business in India grew by 9% year on year.
6. In the Biotech space, company received marketing approval for the drug substance biosimilar Adalimumab from the Russian regulatory authority.
7. On the Speciality front, company wholly owned subsidiary Sentynl Therapeutics Inc. commenced commercial supply of Nulibry during the quarter.
8. Despite the pricing pressure that does continue in the US, because of base volume growth and new product introductions, company was able to deliver on this growth.
9. Company continues to file complex injectables every year. Company has a pipeline of at least another 5-6 molecules which are highly complex, which the company still hopes to file. But, company is filing 1-2 complex injectables every year.
10. Company is looking to launch Revlimid in the coming quarter.
11. Geographies where the company is expecting biosimilar approvals on the emerging market front, Latin American markets where management believes the opportunities could be sizable, and there they are also expecting 2-3 approvals.
12. Management believes that they have a pipeline through which they will make 30 to 35 new launches every year.
13. In terms of the US, yes there has been price erosion for them also, but because of volume expansion as well as new product launches, they have been able to still grow quarter-on-quarter.
14. Management expects that R&D investments to remain on an average of around 8% of revenue over the next three years.
15. Currently the company's immediate focus is only India and emerging markets, but meaningfully the company is developing one or two products from the global development point of view including developed markets, but they're far later in terms of the horizon.
16. Some long standing joint ventures or partnerships that company have had one is with Pfizer and it's a manufacturing partnership for some exclusive products for Pfizer to commercialize for them in the

different markets, which has been a longstanding partnership and the other one is partnership with Takeda, which is for intermediates and APIs for their global requirements and use both for the off patent molecules and for their patented molecules.

17. In the US, the business model that they have been strictly following is that they don't sell products at losses or at very low margins.
18. Moraiya is a well utilized facility about 65%-70%, but it varies depending on the products. USFDA inspected this facility from 26th July to 5th August,2022. Inspection concluded with four Form 483 observations, none of which were related to data integrity.
19. Management commented that Trade generics definitely will be one avenue of growth, which has a completely different distribution kind of network that exists and management do believe that as the market shifts or grows, they will also be able to capture growth there. Some of the very legacy old brands, which don't require a lot of sales promotion anymore are potential for being also driven by the trade generic side either on the SKU level or the brand level, so all of those things that company continue to evaluate and believe it will become a good business, it will account for 8%-10% of overall revenue and potentially can grow.
20. The new Ahmedabad SEZ plant has just started taking exhibit batches, which will then go for a USFDA audit when possible, and then commercialization, so there's no revenue driven out of that facility and it will be at least three years before we see substantial manufacturing happening.

Analyst's View:

Zydus Cadila is one of the leading pharmaceutical and wellness product makers in the country. Timely onset of summer and improved distribution reach helped to re-recruit consumers for summer heavy brands like Glucon-D and Nycil. Both brands grew in double digits during the quarter. The company is seeing demand decline for COVID-related drugs but the demand scenario for the in-house developed vaccine remains stable. It is also expecting good potential from its Saroglitazar Mg drug in the next 3 To 5 years which is said to be given a fast-track designation by the USFDA. Company has received marketing approval for the drug substance of biosimilar Adalimumab from the Russian regulatory authority. Company continues to file new products in existing emerging market countries and enter new markets through partnerships to ensure long-term, sustainable growth for the business. It remains to be seen what the future holds for the pharma industry and how the company's foray into biosimilars pan out. Nonetheless, given the strong positioning of the company in various pharma and consumer product categories and its ever-increasing specialty product portfolio, Zydus Cadila is an important stock to watch out for in the pharma space.

Divi's Laboratories Q1FY23

Financial Results & Highlights

Brief Introduction:

Divi's Laboratories Limited manufactures and sells generic active pharmaceutical ingredients (APIs) and intermediates for in the United States, Asia, Europe, and internationally. The company also undertakes custom synthesis of APIs and intermediates; and supplies a range of carotenoids, as well as markets vitamins to nutritional, pharma, food/beverage, and feed industries. In addition, it exports its products. The company was formerly known as Divi's Research Center and changed its name to Divi's Laboratories Limited in 1994. Divi's Laboratories Limited was founded in 1990 and is headquartered in Hyderabad, India.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	2294	1986	15.52%	2545.5	-9.88%
PBT	844	814	3.71%	1065.7	-20.80%
PAT	691	552	25.24%	883	-21.71%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	2343	1997	17.34%	2570.8	-8.86%
PBT	851	815	5%	1075.7	-20.86%
PAT	702	557	26%	894.6	-21.53%

Detailed Results:

1. Consolidated revenues rise to 17% YoY while profit saw a rise of 26% YoY in Q1 FY23.
2. In Annual figures revenue grew by 15.52% YoY and PAT grew by 25.2% YoY.
3. EBIDTA margins for Q1 FY23 stood at 40%.
4. Cash and bank balance of company stood at Rs 3431 Cr in this quarter

Investor Conference Call Highlights

1. The company had a Forex gain of Rs.56 Cr for the quarter and Rs.20 Cr last year.
2. The company's product mix for generics to custom synthesis stood at 47% and 53% respectively for the quarter.
3. The company nutraceutical business for this quarter is Rs 186Cr compare Rs 138 Cr last year.
4. The company constant currency growth for this quarter has been around 9%.
5. The Exports for this quarter accounted 90% of total sales where to regulated market accounted for 74% of total revenue.
6. Management states that company continue to face cost pressure and logistical challenges.
7. The company has completed the capacity expansion of generic API this quarter.
8. Company has filed DMG for 3 new API in multiple countries.

9. Company new multipurpose facility for custom synthesis is completed and ready to meet additional capacity for the projects under validation.
10. Company continue to experience price increase in raw material and slovents.
11. Management states there is no update on KaKinada and still waiting for government clearance.
12. After completing KaKinada, company is planning to take up Krishnapatnam project.
13. Company is utilizing 80-85% of capacity and still large capacity is available for future demand.
14. According to the management, company is expecting Rs 500-600 capex going forward in this year.
15. Management gave guideline of maintaining 40% EBITDA margin for FY23.
16. Company has completed all order for Molnupiravir and now waiting for fresh orders.
17. Management states that 6 drivers (Established Generics Portfolio, Generics with growth potential, the contrast media, Sartans, Future Generics & Custom Synthesis) is going to drive the growth engine over the next years.

Analyst's View:

Divi's Labs has been a celebrated API manufacturer in India for a long time. The company is doing well and differentiating itself from the rest of the Indian Pharma industry by continuing to hone its efforts in maintaining its dominance in the API industry and Custom Synthesis. Company saw a healthy sales growth of 17% YoY, despite facing challenges in logistics costs and rises in raw material prices. The product mix remained in favour of customer synthesis which accounted for 53% of revenues in Q1. Company has filed DMG for 3 new API in multiple countries. It will be interesting to see whether the company's six growth engines pan out according to management expectations and whether it will face any issues in its proposed expansion plans in Kakinada, which are currently in a final stage. Nonetheless, given the company's history of excellent performance and its standing in the global API industry, Divi's Laboratories remain a pivotal pharma stock in India, especially given the massive China substitution opportunity.

Hester Biosciences Q1FY23

Financial Results & Highlights

Brief Company Introduction

Hester Biosciences Limited (HBL) is a publicly traded Indian company headquartered in Ahmedabad, Gujarat, India. Hester is an animal and poultry vaccines manufacturing Company with plants situated in Gujarat and Nepal. The company currently has a 30% share of the poultry vaccines market in the country.

Quarterly Performance											
HESTER BIOSCIENCES LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**44**	**40**	**53**	**57**	**64**	**60**	**63**	**56**	**56**	**51**	**226**
% Growth YOY					*47%*	*51%*	*17%*	*-2%*	*-12%*	*-16%*	
Expenses	36	28	38	36	44	43	45	41	46	43	**175**
EBITDA	**7**	**12**	**16**	**21**	**20**	**17**	**18**	**15**	**10**	**7**	**50**
Depreciation	3	3	3	3	4	3	3	5	5	5	**18**
EBIT	4	9	13	18	16	14	15	10	5	2	**32**
EBIT Margin	*9%*	*22%*	*24%*	*31%*	*25%*	*23%*	*23%*	*18%*	*9%*	*5%*	
Interest	3	2	2	2	1	1	1	1	2	2	**5**
Other Income	5	1	0	1	-1	2	1	3	8	5	**17**
Profit before tax	**6**	**8**	**11**	**18**	**14**	**15**	**15**	**12**	**11**	**5**	**44**
PBT Margin	*14%*	*20%*	*20%*	*31%*	*22%*	*25%*	*24%*	*21%*	*20%*	*11%*	
% Growth YOY					*122%*	*95%*	*42%*	*-34%*	*-18%*	*-64%*	
Tax	1	3	4	5	4	4	4	3	2	2	**12**
Net profit	**3**	**6**	**7**	**12**	**10**	**12**	**11**	**8**	**8**	**4**	**31**
% Growth YOY					*254%*	*118%*	*59%*	*-31%*	*-20%*	*-68%*	

Detailed Results:

1. The company had a poor quarter with a 16% YoY drop in consolidated revenues and a 68% YoY drop in PAT at a consolidated level.
2. The EBITDA margin was at 18% in the current quarter vs 31% a year ago.
3. The standalone revenue growth in Q1 for the various segments is:
    1. Poultry Healthcare: down 22% YoY
    2. Animal Healthcare: Up 13% YoY

4. Vaccine sales fell by 30% YoY due to a higher base in the previous year due to a major disease outbreak coupled with adverse conditions in the form of high feed costs in the current quarter.
5. Sales of health products grew by 42% YoY.

6. Hester Nepal has seen a growth of 16% in Q1.
7. The Company is strengthening its new product vaccine pipeline by developing new vaccines like Classical Swine Fever (CSF), Sheep Pox, and an improved version of Brucella vaccines.

Investor Conference Call Details:

1. The management states that a 30% fall in vaccine lead to a substantial fall in profitability as vaccines are more profitable than animal healthcare products.

2. The higher base of the previous year also contributed to degrowth in the current numbers coupled with degrowth in the poultry industry.

3. The margins have compressed due increase in total remunerations coupled with higher travel costs & inability to pass input costs hike.
4. The management states that since The government of India has now allowed manufacturing and sale of the H9N2 avian influenza vaccine, it will lead to reduced demand for the Newcastle vaccine while the company will develop this new vaccine.
5. The company expects to commercialize its CAPEX on bulk antigen division by Q3 while its plans for fill finish have been delayed to Q4 due to delay in import equipment.
6. The company currently has 11 products in the market for the pet division & expects it to break even in the current FY itself.
7. The management states that vaccine manufacturers always have a larger size of capacity Vs the production due to the humongous costs of increasing capacity, so the company will be happy even if it clocks 20% utilization levels in Tanzania plant in FY23.
8. The company expects strong growth in lumpy skin disease vaccines due to an outbreak of the disease.
9. The company is currently working on improving its Brucella vaccine by acquiring technology from the govt. Of India.
10. The management is hopeful of achieving break-even for the Africa unit in Q2FY24.

Analyst Views:

Hester Bio had a weak quarter with a 16% fall in sales and a 60% fall in PAT due to weak industry demand. The company is making good inroads in the animal health products space and the poultry business remains resilient. It is also looking to expand into the pet healthcare space. FAO tenders have yet to come back to pre-pandemic levels but the management believes that it is slowly recovering. Hester is also looking to add capacity to its India operations which are expected to bring in incremental revenue of Rs 80-120 Cr. It remains to be seen how long the slowdown in animal vaccine tenders in India & from FAO continues coupled with poor demand for poultry vaccines and what challenges will the company face in ramping up production in Hester Africa once the plant is operational. Nonetheless, given its excellent technical expertise and the future potential of its international operations, and its upcoming foray into animal health products, Hester Biosciences remains a good small-cap stock to watch out for.

Syngene Q1FY23

Financial Results & Highlights

Brief Introduction:

Syngene International Limited, a contract research and manufacturing company, provides drug discovery and development services in India and internationally. The company serves start-up companies, pharma/biotech, agrochemical, chemical, nutrition, and animal health companies. It has partnerships with Bristol-Myers Squibb Co.; Baxter International Inc.; Amgen Inc.; Zoetis Inc.; GSK; Merck KGaA; Artelo Biosciences, Inc.; PharmAust Limited; HiMedia Laboratories; and Zumutor Biologics. The company was incorporated in 1993 and is based in Bengaluru, India. Syngene International Limited is a subsidiary of Biocon Limited.

	Quarterly Performance										
	SYNGENE INTERNATIONAL LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**607**	**420**	**517**	**584**	**658**	**594**	**610**	**640**	**759**	**645**	**2,652**
% Growth YOY					*8%*	*41%*	*18%*	*9%*	*15%*	*9%*	
Expenses	404	296	362	409	443	429	432	437	509	473	**1,851**
EBITDA	**204**	**124**	**155**	**176**	**215**	**164**	**177**	**203**	**249**	**172**	**801**
Depreciation	62	66	69	70	70	75	76	79	80	86	**321**
EBIT	141	58	86	106	145	90	101	124	169	86	**480**
EBIT Margin	*23%*	*14%*	*17%*	*18%*	*22%*	*15%*	*17%*	*19%*	*22%*	*13%*	
Interest	9	7	7	7	7	8	1	9	6	9	**26**
Other Income	21	15	14	17	53	12	-18	13	15	16	**25**
Profit before tax	**153**	**66**	**94**	**116**	**192**	**94**	**82**	**128**	**178**	**92**	**480**
PBT Margin	*25%*	*16%*	*18%*	*20%*	*29%*	*16%*	*13%*	*20%*	*23%*	*14%*	
% Growth YOY					*26%*	*43%*	*-12%*	*10%*	*-7%*	*-2%*	
Tax	33	8	10	14	32	17	15	24	31	19	**89**
Net profit	**120**	**58**	**84**	**102**	**161**	**77**	**67**	**103**	**147**	**73**	**390**
% Growth YOY					*34%*	*33%*	*-20%*	*2%*	*-8%*	*-5%*	

Detailed Results:

1. Consolidated revenues were up 9% YoY in Q1. Profit has fallen by 2% YoY in the same quarter due to higher tax rate & lower contribution from Remedisvir.
2. EBITDA margin for the period was at 28.5% with EBITDA growing 6% YoY.
3. The company signed a 10-year manufacturing deal with Zoetis worth up to $500Mn.

Investor Conference Call Highlights

1. The company's revenue growth for the quarter was muted due to a higher base in the previous year due to sales of Remedisvir.
2. The company's revenue & PAT growth (excluding Remedisvir) stood at 30% & 31% YoY.
3. The management states that due to a healthy demand environment, supported by rupee depreciation, it is raising guidance for the year from mid-teens to high teens.
4. The agreement with Zoetis to manufacture the drug substance for Librela will take Syngene into commercial manufacturing of large molecules, which is in line with its strategy to offer an end-to-end discovery development and manufacturing platform.
5. The company's overall investment in biologics has been about 550 million, and an asset turnover of around 1x is expected as it scales up the manufacturing.

6. The company plans to invest $30 million in the current year, taking the cumulative biologics investment to $80 million by end of this financial year.
7. The management states that wild swings in forex market will have an impact on EBIDTA margins because rupee depreciation improves the revenue line without any corresponding improvement in EBITDA, thereby reducing the reported EBITDA margin.
8. The company's Material costs decreased from 32.1% of revenue in the first quarter of last year to 24.6% in the first quarter of this year due to high raw material costs from Remdesivir in the previous year.
9. The company's Power costs increased from 2.2% of revenue in Q1FY22 to 2.6% in Q1 FY23 while staff cost as a percentage of revenue was flat at 28.2%.
10. Depreciation for the period was Rs.86 crores compared to Rs.75 crores in the same period last year & this increase of 15% on YoY basis is due to the new investments.
11. The tax rate stood at 20% Vs 18% YoY in line with the company's guidance of increased taxes due to removal of SEZ incentives.
12. The company is guiding on maintaining 30% operating margin despite the inflationary environment.
13. The management believes that the Zoetis deal marks an inflection point for its biologics business.
14. The company's capex distribution for FY23 stands at $50 million for research, $ 30 million for biologics & the remaining $20 million for others.
15. The management states that as it moves towards manufacturing, the overall inventory levels and the raw material costs will rise.
16. The management believes that the biologics division will grow bigger than the small molecules division in the coming 1-2 years.

Analyst's View:

Syngene is a fast-rising player in the CRMO space and has established itself well with its associations with industry leaders in the pharma space like Bristol-Myers Squibb, Amgen and others. The Company had a decent Q1 with a revenue increase (excluding contribution from Remedsvir) of 31% YoY The company expects the Mangalore API facility to get USFDA approval in the next 2 years. The management increased its guidance from mid –teen to high-teen revenue growthoetis. It remains to be seen whether the company will be able to maintain its growth momentum, how long will the elevated raw materials prices prevail and what challenges it will face when expanding into the API industry. Nonetheless, given its scientific capabilities, its associations with industry leaders for drug discovery, and its expanding reach in the global pharma space, Syngene is a pivotal midcap pharma stock to keep in mind for all investors.

Lifestyle
VIP Industries Q1FY23

Brief Company Introduction

VIP Industries Ltd is an Indian luggage maker which is the world's second largest and Asia's largest luggage maker. The company has more than 10,500 retail outlets across India and a network of retailers in 50 countries. VIP's products are imported in numerous other countries. It acquired United Kingdom luggage brand Carlton in 2004. It also owns the Aristocrat and Skybags brands which are very popular in India.

	Quarterly Performance										
	V I P INDUSTRIES LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**311**	**40**	**103**	**233**	**243**	**206**	**330**	**397**	**356**	**591**	**1,674**
% Growth YOY					*-22%*	*411%*	*221%*	*71%*	*46%*	*186%*	
Expenses	278	96	125	224	240	193	288	340	323	488	**1,440**
EBITDA	**33**	**-56**	**-22**	**8**	**3**	**13**	**42**	**57**	**33**	**103**	**234**
Depreciation	23	23	19	18	18	18	17	17	17	18	**70**
EBIT	10	-79	-41	-10	-15	-5	24	40	16	85	**164**
EBIT Margin	*3%*	*-195%*	*-40%*	*-4%*	*-6%*	*-2%*	*7%*	*10%*	*4%*	*14%*	
Interest	5	7	8	8	7	7	7	5	5	7	**24**
Other Income	6	18	5	10	16	14	7	9	6	22	**44**
Profit before tax	**10**	**-67**	**-44**	**-8**	**-6**	**2**	**25**	**44**	**16**	**100**	**184**
PBT Margin	*3%*	*-167%*	*-42%*	*-3%*	*-2%*	*1%*	*7%*	*11%*	*5%*	*17%*	
% Growth YOY					*-155%*	*-103%*	*-156%*	*-646%*	*-380%*	*5311%*	
Tax	1	-16	-8	-1	-2	-1	6	10	4	31	**51**
Net profit	**10**	**-51**	**-35**	**-7**	**-4**	**3**	**19**	**33**	**12**	**69**	**134**
% Growth YOY					*-140%*	*-105%*	*-152%*	*-578%*	*-428%*	*2631%*	

Detailed Results:

1. The company saw its revenue grow by a whopping 186% YoY whereas PAT grew by 2631% YoY.
2. The company currently has 20 branches in 4 regions with geographical coverage of 824 towns.
3. Revenue Split by Source for the quarter:
    1. Own manufacturing – 64%
    2. China – 11%
    3. 3P sourcing – 25%
4. Hard luggage accounted for 64% of revenues while soft luggage stood at 36% of the Uprights revenue. Uprights revenue was 71% of the total revenue for Q1.
5. Gross Margin for VIP was 50%, compared to 53% in the sequential quarter & 51% the previous year.
6. Brand Salience for Q1FY23 was:
    1. VIP – 23%
    2. Skybags – 30%
    3. Carlton – 4%
    4. Aristocrat + Alfa – 35%
    5. Caprese – 4%
    6. International – 5%
7. EBITDA margin was at 18% for Q1 vs 11% the previous quarter and 12% the previous year .
8. Category Salience for Q1FY23 was:
    1. Uprights – 71%
    2. Duffel Bags – 7%
    3. Bagpacks – 12%
    4. Ladies Hand Bags – 4%

   5. Export & Accessories – 6%
9. Q1FY23 had 38 new launches in Luggage and 127 in backpacks.
10. The company faced headwinds in terms of inflation and non-functional future group accounts.

Investor Conference Call Highlights

1. Q1 was the first disruption free quarter for the company, especially during the peak season which benefited the company a lot.
2. The company faced an approx 24% inflation over the same period last year. This is putting a pressure on profitability and in some cases acting as a demand dampener.
3. Going forward, the management is confident about the demand environment remaining stable, while inflation and the future group channel will continue to put pressure on the company.
4. The volume growth of this quarter has been 8% on a pre-covid base.
5. The management is comparatively seeing softness in the raw materials currently but there is still high inflation in other raw materials and components.
6. The company faced many disruptions on the raw materials front in China in Q1.
7. The company states that for now it will have to continue buying finished goods on the high fashion portfolio for Caprese and backpacks.
8. The company plans to add 120-150 EBOs during the year. Out of this, the company has added 21 stores in Q1 and signed up more 23 stores during the quarter.
9. The management is confident of maintaining the run rate of adding approx 35 EBOs every quarter to reach the goal of adding 150 EBOs during the year.
10. EBITDA margins have taken a hit compared to pre-pandemic levels mainly because of pressure on gross margins due to inflation.
11. The management gives a guidance of maintaining 18-20% EBITDA margins for the year.
12. The management is very optimistic and confident about the future.
13. The company is facing margin dilution in some cases due to consumer demand increasing in the value segment.
14. The value segment is witnessing a tailwind which the pandemic has got in with the unorganized market yielding into organized.
15. The management admits that it made a mistake by delaying the launch of the new collection of backpacks. This has led to the difference in backpacks salience pre-covid to now.
16. The management states that its business with domestic production is not very capex heavy with the payback period being 18-24 months. With that, the ROCE is 30%.
17. For the current year, the company has a capex plan of 50 crores to use for the Bangladesh and Nashik facility.
18. Currently exports stand at 5% of revenues with the company exporting to 20+ countries.

19. The management is focusing on the Middle East and GCC countries for growing exports. The company had a change of channel partner in UAE and recently entered the Saudi market.
20. The company has received interim payment of 15 crores for their fire insurance claim. The management expects 41-45 crore to arrive in total by Q3FY23.
21. In online performance, the company has grown by 50% on a 19-20 base.
22. The A&P spends for the year would be at 5%-5.5% of revenues.
23. The management explains that as the market moves towards the value end as consumer spend consciously, the company will be focused on getting its costs right and play the value segment too profitably.
24. The management states that compared to pre-covid, the competition has only intensified and they expect it to intensify more as penetration of the organized sector increases.
25. Seasonality of demand is still there but it is over a longer horizon, this is because of changing preferences from a summer vacation to mini-vacations, and marriage dates becoming more open and flexible than before.

Analyst's View:

VIP has been the market leader in the soft and hard luggage segment in India for a long time now. The company is one of the biggest luggage manufacturers in the world by volume. Luggage sales in all segments are picking up with the value segment growing very well. The management is also confident that there are comparatively less issues regarding the supply of raw materials. It remains to be seen how VIP continues to strengthen its internals in the meantime and develop the eCommerce channel along with headwinds in the form of inflation & future groups' current financial health. Nonetheless, given the company's strong brand image, leadership position in the industry and the tailwinds supporting its journey along with the resilient balance sheet of the company, VIP Industries can be a pivotal mid-cap wealth creator to watch out for.

NBFC
Credit Access Grameen Q1FY23

Financial Results & Highlights

Brief Introduction:

CreditAccess Grameen Limited (formerly known as Grameen Koota Financial Services Pvt. Ltd.) is a microfinance institution providing a wide range of financial services to the rural poor and low-income households, particularly women. It is registered with the Reserve Bank of India under the NBFC-MFI category. The company provides loans primarily under the joint liability group (JLG) model. Its primary focus is to provide income generation loans which comprised 87.02% of its total JLG loan portfolio, as of March 31, 2018. It also provides other categories of loans such as family welfare loans, home improvement loans and emergency loans to existing customers.

CreditAccess Grameen is also an aggregator of the National Pension Scheme (NPS) of the Government of India. As of March 31, 2018, CreditAccess Grameen had 516 branches across 132 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Odisha, Kerala, Goa, and the union territory of Puducherry.

Quarterly Performance											
CREDITACCESS GRAMEEN LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**461**	**510**	**471**	**440**	**607**	**510**	**510**	**576**	**694**	**621**	**2,400**
% Growth YOY					*32%*	*0%*	*8%*	*31%*	*14%*	*22%*	
Expenses	259	236	169	351	317	268	224	206	267	209	**906**
EBITDA	**202**	**274**	**301**	**89**	**290**	**242**	**286**	**370**	**427**	**411**	**1,494**
Depreciation	5	5	6	5	7	6	6	6	7	7	**27**
EBIT	197	269	295	83	284	236	279	363	419	404	**1,467**
EBIT Margin	*43%*	*53%*	*63%*	*19%*	*47%*	*46%*	*55%*	*63%*	*60%*	*65%*	
Interest	167	184	191	179	186	196	183	193	217	226	**817**
Other Income	0	1	1	0	2	1	0	1	0	1	**2**
Profit before tax	**30**	**86**	**105**	**-95**	**99**	**41**	**97**	**172**	**203**	**179**	**651**
PBT Margin	*6%*	*17%*	*22%*	*-22%*	*16%*	*8%*	*19%*	*30%*	*29%*	*29%*	
% Growth YOY					*233%*	*-52%*	*-7%*	*-280%*	*104%*	*341%*	
Tax	7	22	27	-24	27	11	25	43	52	47	**166**
Net profit	**23**	**64**	**78**	**-72**	**72**	**30**	**72**	**129**	**151**	**133**	**485**
% Growth YOY					*217%*	*-53%*	*-8%*	*-280%*	*109%*	*348%*	

Detailed Results:

1. The company had a great quarter with a 22% YoY rise in revenues. The consolidated PAT was up 385% YoY mainly due to a low base the previous year.
2. GLP grew 23.3% YoY to Rs 15,615 Cr. Standalone GLP grew 22.3% YoY. MMFL GLP grew 28.8% YoY.
3. Disbursements grew 101.5% YoY with CAGL up 105.3% YoY and MMFL up 79.8% YoY.
4. The customer base fell -2.5% YoY & by -3.5% QoQ to 36.9 Lakh. The standalone customer base stood at 28.5 lakh while MMFL's customer base stood at 8.7 lakh.
5. The company wrote off 1.2 lakh borrowers in Q1FY23.
6. NII has risen 30.9% YoY to Rs 461.5 Cr. PPoP grew 33.9% YoY at Rs 289.7 Cr.

7. Provisioning for CAGL & MMFL stood at 2.73% & 4.33% respectively.
8. Overall RoA and RoE were at 3.1% and 13.4%.
9. GNPA & NNPA of CAGL stood at 2.54% & 0.77% respectively while the same for MMFL stood at 5.83% & 3.03%.
10. CRAR: CAGL 28.6% (Tier 1: 27.9%), MMFL 22.6% (Tier 1: 14.4%).
11. Collection efficiency at 97% for CAGL in March excluding. MMFL collection efficiency excluding arrears was at 97%
12. Standalone debt to equity was at 2.4 times. MMFL debt to equity was at 5.8 times.
13. Consolidated cost to income ratios was at 39.7% in Q1. Opex to GLP was at 4.7% in Q4.
14. WA cost of borrowing for CAGL was at 9% in Q1.
15. Consolidated cost of borrowings stood at 9%.
16. 121 new branches were CAGL opened in Q1 taking the total branches count to 1681.
17. NIM of standalone business stood at 11.2%. Consolidated NIM was at 11.2% while MMFL was at 9.9% in Q1.
18. Positive ALM mismatch with an average maturity of assets at 17 months and average maturity of liabilities at 21.8 months in CAGL.
19. IGL loans accounted for 94% of total loans.
20. No district accounts for >4% of the total loan portfolio currently.
21. Karnataka remains the biggest market for the company with 35.8% of GLP. Maharashtra comes in second with 21.2% of GLP and Tamil Nadu is third with 20.9% of GLP.

Investor Conference Call Highlights:

1. The management believes that the rural economy is poised for healthy growth over the next few quarters, owing to a healthy monsoon, improved agricultural output with higher price realizations, and a revival in overall economic activities.
2. The company has never witnessed any disruption in repayment discipline during a high inflationary environment or due to volatile macroeconomic factors in earlier years of experience.
3. Business momentum was muted during the first quarter, because historically, even during a stable period, growth has always been slower during the first half.
4. The managements main focus in Q1 was to maintain strong collections discipline and ensuring complete alignment with the new microfinance harmonized guidelines announced by RBI in March 2022.
5. The new process tech transition at MMFL took longer time as the company is operating on two technology platforms – 73% of the book on CA Grameen tech platform and remaining 23% on MMFL's old tech platform.

6. The consolidated borrower base declined QoQ as 1.2 lakh borrowers were written off during the quarter were 92k new ones were added. Renewal of loans for 1 lakh borrowers is under process which will be majorly addressed in Q2.
7. 56% of the new borrower addition on a consolidated basis came outside of the top 3 states during the first quarter steering the direction of future growth.
8. The company has recently received a credit rating upgrade to AA-/Stable, which is the highest notch in the microfinance industry from India Ratings.
9. The company continues to maintain a healthy liquidity position as on June 2022 with 1,542 crores. Another 3,755 crores undrawn sanctions and 5,393 cores of sanctions in pipeline.
10. The management expects 60-65% of the annual credit cost to be borne in H1FY23 and 35-40% to be borne in H2FY23.
11. From Q2, the company will stop using Fair Value through the OCI method and will shift to using the Amortized cost method from Q2FY23.
12. The yields in the current quarter had declined sequentially as the company had not disbursed many loans in April and May.
13. The overall portfolio should go up by 50-60 bps in this FY as the new increased impact comes in the latter half of this financial year.
14. The unique customer base is higher for the company than the main markets mainly because of the rural penetration. This leads to 50% of new customers in the new states.
15. For the liability strategy going ahead, the company plans to have 30-35% of international borrowings in two to three years' time which will be stable and long term.
16. The management maintains its guidance of 24%-25% of AUM growth for the year.
17. Currently for all the foreign borrowings of the company, 9.25%-9.75% is the average cost with repayment starting after three years.
18. The management forecasts that Karnataka, Maharashtra and Tamil Nadu which contribute 78-80% of the loan book today will come down to 60% to 65% in three years' time.
19. The management has given guidance of 4-4.2% ROA for the current FY.

Analyst's View:

Credit Access Grameen has emerged as one of the most reliable microlenders in the country. Their revolutionary JLG model has helped bring communities of borrowers together and helped reduce overall risk from their lending to a very large extent as seen in their low NPA numbers. The company has delivered a great Q4 performance which saw GLP, revenue, disbursement & profits growth. The company rising collection efficiency but a few states like Maharashtra are expected to remain subdued for some time where the company is charging higher rates due to higher risk in that region. The company remained conservative and focused on servicing existing customers which led to higher average loan outstanding, but it has been able to add new borrowers in the past few months. It remains to be seen whether the company will be able to come back to its pre-covid growth rate of 30-40% CAGR given the issues in the microfinance industry and how will the RBI rate hike affect the demand from its target market. Nonetheless, given its strong market position and exemplary operating and risk management practices, Credit Access Grameen remains one of the must-watch stocks in the Microfinance sector for any interested investor.

AAVAS Financiers Q1FY23

Financial Results & Highlights

Brief Company Introduction

Aavas Financiers Limited provides housing loans to customers belonging to low and middle income segments in semi-urban and rural areas in India. The company offers home loans for flats, houses, and bungalows, as well as resale properties; land purchase and construction loans, including finance for self-construction of residential house; and home improvement loans, which include loans for tiling or flooring, plaster, painting, etc. It also provides home equity loans; and micro, small, and medium enterprise loans for business expansion, purchase of equipment, working capital, etc., as well as balance transfer products. The company was formerly known as AU Housing Finance Limited .

	Quarterly Performance										
	AAVAS FINANCIERS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**234**	**233**	**270**	**310**	**289**	**272**	**325**	**343**	**365**	**353**	**1,385**
% Growth YOY					*23%*	*16%*	*20%*	*11%*	*26%*	*30%*	
Expenses	66	54	66	77	76	79	85	97	88	97	**367**
EBITDA	**169**	**180**	**204**	**233**	**214**	**193**	**239**	**246**	**277**	**255**	**1,018**
Depreciation	6	5	5	5	5	5	6	6	7	6	**25**
EBIT	163	175	199	227	208	188	234	240	270	249	**993**
EBIT Margin	*70%*	*75%*	*74%*	*73%*	*72%*	*69%*	*72%*	*70%*	*74%*	*71%*	
Interest	97	112	114	117	115	113	116	125	124	135	**499**
Other Income	1	0	0	0	2	0	1	0	0	0	**1**
Profit before tax	**66**	**63**	**85**	**111**	**95**	**75**	**118**	**116**	**146**	**115**	**495**
PBT Margin	*28%*	*27%*	*31%*	*36%*	*33%*	*28%*	*36%*	*34%*	*40%*	*33%*	
% Growth YOY					*43%*	*18%*	*40%*	*5%*	*54%*	*53%*	
Tax	6	13	18	25	7	15	26	26	30	25	**108**
Net profit	**60**	**50**	**66**	**86**	**88**	**60**	**92**	**89**	**116**	**89**	**386**
% Growth YOY					*46%*	*20%*	*39%*	*4%*	*32%*	*49%*	

Detailed Results:

1. The company had a good quarter with revenue growth of 30% YoY and 6% QoQ & PAT growth of 49% YoY and 30% QoQ.
2. AUM growth for the company was 23.7% YoY to Rs.11893.6 Cr as of 30th June 2022.
3. Disbursements for 3MFY23 increased by 136.5% to Rs.1093.6 Cr.
4. Gross Stage 3 loans were at 1,08%. Net stage 3 stood at 0.84%
5. NIM in Q1FY23 has gone up 74 bps YoY to 7.67%.
6. ROA for the quarter is up by 53 Bps to 3.17% while ROE was at 12.49%
7. Product breakup was 71.1% Home Loans & 28.9% Other Mortgages Loans.
8. Around 60.1% of existing customers are self-employed while the rest are salaried.
9. The company has kept the yield spread at a stable 5.77% in Q1.
10. Opex to AUM in 3MFY23 was at 3.56%.
11. It has surplus funds of Rs.3065.2 Cr as of 30th June 2022.
12. It maintained a CAR of 50.46% with Tier 1 capital 49.8%.

13. Book value per share was at Rs.367.9.
14. 1+DPD stood at 4.67%.
15. The company Incremental Q1 FY23 borrowings stood Rs. 898.4 Cr for 121 months at 5.65%.
16. The company maintained a positive ALM surplus across all time periods and has an average tenor of outstanding borrowings stood at 127 months for this quarter.
17. ICRA Limited upgraded the company's Long-Term credit rating from AA-/Positive to AA/Stable on 17th June 2022.

Investor Conference Call Highlights

1. The company has categorized 0.31% of up to 90 DPD assets as GNPA following RBI's notification dated 12th November 2021 to harmonize IRACP norms across all lending institutions.
2. The total no. of branches stood at 314 after 34 new additions in the current FY.
3. The management believes that the market is huge & it can continue to grow for the next 20-25 years sustainably.
4. The Opex numbers for the current quarter were relatively high due to a lower base of employee salaries in the previous FY, high expenditure being incurred towards digital & technology infrastructure & higher depreciation due to 30-35 branches being added every year.
5. The employee base for the current year stood at 5,222.
6. The management expects cost efficiency of 30-35 Bps in FY23.
7. The assets held for sale in March are Rs.23 Cr while the same stood at Rs.20 Cr in December.
8. The management expects ROE to improve by 100-150 Bps on a YoY basis.
9. The company invested Rs.15 Cr in AAVAS FINSERV as per the regulatory requirement of minimum capital.
10. The company's acquisition yields in the current fiscal for the housing & non-housing segment stood at 11.7% & 14.2%.
11. The management states that the company's efforts towards investing in technology will help it serve at a larger scale coupled with reduced TAT by around 50-75%.
12. The management maintains its growth guidance of 20-25% on a YoY basis.

Analyst's View:

Aavas Financiers is a fast-growing housing finance company in India. What sets it apart from the large housing finance players like HDFC, LIC Housing Finance & Repco is the space they cater to. The average ticket size of loans is less than 9 lacs against more than 14 lacs for others. Aavas caters to smaller towns where the population is less than 10 lacs. Aavas has a good quarter that saw both YoY growth and QoQ growth. It has also maintained AUM growth of >20% and improved its Q1FY23 NIM to 7.67%. The company continued its growth journey & total branches stood at 318. It remains to be seen whether the company will be able to sustain its lofty growth momentum and what challenges will it face when expanding into new states like Odisha where housing loan penetration is very low. However, stretched valuations may have factored in most of the positives. Nevertheless, it is a good business to track in the housing finance space, especially given its consistent and steady growth while maintaining good asset quality and underwriting standards.

Bajaj Finance Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

Bajaj Finance Limited is one of India's top NBFCs. It is the lending arm of Bajaj Finserv, which holds 52.5% stake in BFL. BFL is also an important piece of Bajaj Group, in the sense that it financed one-third of Bajaj Auto Ltd's 2-wheeler and 3-wheeler vehicles. Apart from vehicles finance, it has been a pioneer in consumer durable loans. It also offers SME Loans, Housing Loans, Rural Loans and Gold Loan. BFL is a deposit taking NBFC. It has the highest domestic credit rating of AAA/stable for its long term borrowing.

Consolidated Financials (in Rs. Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	9283	6743	38%	8627	7.6%	31640	26683	19%
PBT	3503	1366	156%	3265	7.2%	9504	5992	59%
PAT	2596	1002	159%	2420	7.2%	7028	4420	59%
BHFL Financials (in Rs. Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	1223	822	49%	1058	15.5%	3767	3155	19%
PBT	428	218	96%	267	60%	960	613	57%
PAT	316	161	96%	198	59.5%	710	453	57%

Detailed Results:

1. BFL added 2.73 million new customers. Highest ever customer addition in a quarter.
2. Core AUM grew 31% to Rs. 204,018 cr as against Rs. 156,115 cr last year.
3. Booked 7.42 million new loans, up 60% YoY.
4. Consolidated total income increased 38% YoY and 7.6% QoQ.
5. Added 82 new locations. Geographic presence stood at 3586 locations and over 138,900 distribution centres.
6. Deposit Book stood at Rs. 34102 cr. Net Deposits added in Q1 stood at Rs. 3302 cr.
7. Deposits share of total borrowings stood at 20%.
8. Opex to NII - 35.9% | Expected to remain between 35-36% for FY23.
9. Total Employee Headcount as of Q1FY23 - 37873
10. Capital Adequacy - Tier I: 23.84% | Total: 26.16%

11. Asset Quality- GNPA: 1.25% | NNPA: 0.51%

Stage 2 Assets: Rs. 3569 cr | Stage 3 Assets: Rs. 2539 cr

12. BHFL AUM was up 40% YoY at Rs. 57,425crs from Rs. 40,941 cr last year.

13. Segment-wise AUM Growth - Home Loan: 41% | LAP: 33% | Lease Rental Discounting: 43% | Developer Finance : 68%

14. BHFL disbursement grew 118% to Rs. 9255 cr in this quarter, compared to Rs. 4249 cr last year.

15. BHFL Geographic presence stood at 158 locations. Employee Headcount stood at 3567.

16. BHFL AUM Breakup - Home Loan: 63% | LAP: 11% | Lease Rental Discounting: 6% | Developer Finance: 4% | Rural: 3%

17. Opex to NII improved YoY from 27.2% last year to 26.8% this year.

18. Cost of Funds for BHFL was 6.28%. Liquidity Buffer of Rs. 3500cr as of June end.

19. Capital Adequacy of BHFL - 26.8%, was 27.2% last year.

20. Asset Quality of BHFL - GNPA: 0.27% | NNPA: 0.11%

21. Added 36,500 customers to Broking franchise. Total customers stood at 367,500.

22. BFSL Margin Trading Finance book grew to Rs. 741 cr from Rs. 200 cr last year.

Investor Conference Call Highlights

1. Core AUM of 204,000 cr is excluding the IPO Financing book.
2. Management confident of adding 9-10 million customers in FY23. Added highest ever customers this quarter at 2.73 million.
3. Revised deposit rates upward by 55-70bps in this quarter. The company is working on fastening its goal of achieving 25% share of deposits in the total borrowings.
4. New Loans given out of 7.42 million is the highest, excluding wallet loans which was stopped in 2020.
5. B2B disbursements up 83% [lower base due to Covid 2nd wave].
6. Launched new non-captive two-wheeler financing business in July 2022. Expected to do 3500 two-wheeler loans in its first month.
7. Out of the 33 million EMI card customers, 30 million were approved for two-wheeler financing.
8. Cost of funds - 6.64%. Expect to gradually rise QoQ due to impact of rate hikes.
9. Stage 2 Assets came down by Rs. 300 cr and Stage 3 Assets came down by Rs. 600 cr.
10. Ten Portfolios are in green and one is in yellow (two & three wheeler financing) in terms of credit quality.
11. App Platform Update - Sprint 1 to be live in August 2022, will inlcude full consumer application for personal loans, EMI-card, co-Branded CC and gateway to two-wheeler marketplace.

12. On payments front, additions to bill payments section and credit card category will be made and some authentication related regulatory changes will be done.
13. Next sprints on 15th November 2022 and 31st Jaunary 2023.
14. By March 2023, management is targeting the platform to offer end to end journey of all the products and services they provide.
15. App Metrics - 11 million download this quarter, expected downloads in FY23 to be around 53-55 million.
16. In app programs as of quarter end stood at 62, expected to cross 100+ by the end of the year.
17. UPI handles up till June end were 3.6 million, expect it grow to 12 million for the year.
18. The thought behind the app was to get more business, increase AUM and eventually reduce costs and help in managing the risk better. Digital EMI cards stand at 522,000 out which 70,000 came from the app.
19. Flexi Loan transactions per day for the quarter were 866,000 [pay in and pay out].
20. Investing in technology will keep Opex to NII elevated, from Q3FY23 gradual decrease in Opex to NII can be expected.
21. In rising rate environment, BFL is expecting a slowdown in Q3.
22. Improvement in GNPA is structural in nature according to the management. While write-offs (reduces GNPA) were there, majorly it was do to the underwriting efficiency.
23. Expect BHFL to fire in terms of growth as it completes its fifth year and has attained maturity in its operations.
24. Have been seeing interest rates go up and down 200-225bps over eight quarters.
25. Gold Loan branches stood at 155, plan to take the figure up to 232 standalone gold loan branches.
26. Seeing positive results from having standalone Gold loan branches. Aiding it with digital initiatives.
27. Exposure in Developer Finance between Rs. 25-35 cr. Will cap the upper limit at 10% of the assets.
28. More comfortable with LRD, have higher exposure of Rs. 400-500 cr in it. Competition is intense in the space due to the product being considered safe by lenders.
29. Have raised lending rates by 25-40bps, will pass on rate hikes gradually.
30. Originating Rs.1700-1800 cr in retail deposits each month. Lockin - 33 months at 7.1% rate.
31. Loan orgination through Bajaj Mall - 645,000 | Avg Ticket size: Rs. 23000
32. On the MSME [Rs. 2-15 cr] side, 65-70% borrowers are traders and 30-35% are manufacturers.
33. B2B segment growth driven by increase in value share and part of it due to inflation and higher prices, growth in both interms of volume and value.
34. Activation rates on Bajaj Finserv app are a lot higher. Similarly because of confidence in the product/service, customer feels easier to pay for a fee-product.
35. Deposits breakup - Public - 70% | Corporate: 30%
36. Loan against securities portfolio is volatile. Was 8000cr in 2018, went down to 3000cr in 2020.

Analyst's View:

With the kind of growth Bajaj Finance has presented in the past decade, it has become one of the best wealth generators for the investors. It has become a formidable force in consumer durable loans in particular. The deposit taking ability of BFL gives it an added advantage of having a lower cost and sticky liability franchise against its competitors. Throughout its history, BFL has been top-notch in its ability to underwrite risk and keep its asset quality in control. The trifecta in of Growth, Margins and Asset Quality is one the most difficult thing to maintain in lending business and BFL has been doing it consistently for years now. Its app platform whose work is in progress is already bringing in new customers to the franchise. Going ahead it can help in reducing customer acquisition costs and increase the opportunity to cross sell. Its subsidiaries, BHFL and BSFL are also performing well. The cost of such great attributes is high valuation. BFL has no margin of safety imbedded in its valuation. If the growth slows down for any reason or there is a negative impact on credit quality like it happened in 2020, there can be a steep fall in the multiple it trades on.

Manappuram Finance Q1FY23

Financial Results & Highlights

Brief Company Introduction

Manappuram Finance Ltd. is one of India's leading gold loan NBFCs. Today, it has 4208 (Including branches of subsidiary companies) branches across 28 states/UTs.

	Quarterly Performance										
	MANAPPURAM FINANCE LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**1,605**	**1,513**	**1,566**	**1,644**	**1,622**	**1,563**	**1,532**	**1,484**	**1,481**	**1,502**	**6,000**
% Growth YOY					*1%*	*3%*	*-2%*	*-10%*	*-9%*	*-4%*	
Expenses	460	413	421	394	440	451	526	572	584	568	**2,250**
EBITDA	**1,146**	**1,100**	**1,145**	**1,249**	**1,182**	**1,112**	**1,006**	**913**	**897**	**934**	**3,749**
Depreciation	44	44	42	41	44	43	41	56	58	49	**204**
EBIT	1,102	1,055	1,103	1,208	1,138	1,069	965	857	839	885	**3,545**
EBIT Margin	*69%*	*70%*	*70%*	*74%*	*70%*	*68%*	*63%*	*58%*	*57%*	*59%*	
Interest	581	567	571	557	524	493	492	531	495	505	**2,023**
Other Income	13	4	12	6	8	10	23	22	10	1	**56**
Profit before tax	**534**	**492**	**544**	**657**	**622**	**586**	**495**	**348**	**354**	**381**	**1,578**
PBT Margin	*33%*	*33%*	*35%*	*40%*	*38%*	*38%*	*32%*	*23%*	*24%*	*25%*	
% Growth YOY					*16%*	*19%*	*-9%*	*-47%*	*-43%*	*-35%*	
Tax	136	124	139	174	154	150	125	87	93	99	**404**
Net profit	**398**	**368**	**405**	**483**	**468**	**437**	**370**	**261**	**261**	**282**	**1,174**
% Growth YOY					*18%*	*19%*	*-9%*	*-46%*	*-44%*	*-35%*	

Detailed Results:

1. The company reported another set of poor results with consolidated revenue decreasing by 4% YoY and PAT falling by 35% YoY.
2. The company's ROE decreased by 1280 bps YoY to 12.6% & 30 bps QoQ whereas its ROA declined by 290 bps YoY to 3.1%.
3. The gold loan AUM increased by 1.5% sequentially while LTV stood at 65%.
4. The company's consolidated AUM was at Rs 308 Bn which increased 24.3% YoY and 1.65% QoQ basis.
5. Book value per share at the end of the quarter was Rs 101.3.
6. The company's consolidated cost of funds decreased by 1.75 YoY to 8.1%.
7. In the gold loan business, the Opex to AUM stood at 6% for Q1FY23.
8. The standalone business has a GNPA of 1.4% and NNPA of 1.3% while the net yield stood at 19.7% for Q1.
9. The CAR for the standalone business stands at 31%.
10. Gold AUM per branch stood at 56.9Mn.
11. The online gold loan division contributed 46% to the company's overall gold AUM in Q1.
12. Asirvad MFI saw a GNPA of 7.7% with NNPA at 1.9% for Q1. Opex to AUM for Asirvad was at 6%.
13. The cost of funds was 10%.
14. The company's housing finance business reported an AUM of Rs.874.8 Cr.
15. The company's vehicle finance business reported an AUM of Rs 1755 Cr

Investor Conference Call Highlights

1. The 10% of the company's loan book is in teaser loans
2. The management expects stronger growth in the coming quarter due to post monsoon season & school reopening driving higher spending

3. The yields were under pressure in the current quarter due to low yield product & auction loss.
4. The company expects the cost of borrowing to increase by 20-30 Bps in the coming quarter.
5. The management explains that when the gold price goes up, LTV in absolute amount goes up but the tonnage will decrease.
6. The company is targeting a ROA of 1.5% in its MFI biz for FY23 due to a fall in credit costs.
7. The overall yield in the MFI biz is 16%.

Analyst's View

Manappuram Finance has long been one of the most consistent players in the NBFC sector in India. The company has cemented its position as one of India's leading gold loan providers by growing its core business consistently. The company is currently struggling due to high competition from banks & poor demand in rural areas.. The management states that it views NBFCs as their main competition and these NBFCs should be in for a tough time given the rising rate scenario. It remains to be seen how the company would mitigate the possible risk of further decline in gold prices, the margin erosion from moving to a higher duration product, and the increased competition in this industry. Nonetheless, given the company's resilient customer base and gold loan AUM along with the rising star among MFIs in Asirvad Microfinance, Manappuram Finance seems like a pivotal finance stock to watch out for.

Muthoot Finance Q4FY22

Financial Results & Highlights

Brief Company Introduction

Muthoot Finance Limited operates as a gold financing company in India. It provides personal and business loans secured by gold jewelry, or gold loans primarily to individuals; micro finance; and loans to landlords. The company also offers gold coins, money transfer, foreign exchange, insurance, ATM, wealth succession, and housing finance services; mutual funds and non-convertible debentures; and wealth management services, including risk evaluation, client evaluation, value analysis, and consultancy. As of March 31, 2020, the company operated approximately 4,567 branches in 29 states. Muthoot Finance Limited was founded in 1887 and is headquartered in Kochi, India.

Quarterly Performance											
	MUTHOOT FINANCE LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**2,400**	**2,385**	**2,583**	**2,765**	**2,824**	**2,714**	**2,830**	**2,868**	**2,670**	**2,504**	**10,872**
% Growth YOY					*18%*	*14%*	*10%*	*4%*	*-5%*	*-8%*	
Expenses	523	378	449	485	512	421	501	527	450	473	**1,951**
EBITDA	**1,877**	**2,007**	**2,134**	**2,279**	**2,312**	**2,293**	**2,329**	**2,341**	**2,220**	**2,031**	**8,921**
Depreciation	12	10	11	14	15	11	13	14	16	13	**55**
EBIT	1,865	1,997	2,123	2,265	2,297	2,281	2,316	2,327	2,204	2,018	**8,866**
EBIT Margin	*78%*	*84%*	*82%*	*82%*	*81%*	*84%*	*82%*	*81%*	*83%*	*81%*	
Interest	770	872	924	946	951	982	979	953	921	942	**3,795**
Other Income	2	0	1	12	4	1	3	4	8	5	**20**
Profit before tax	**1,097**	**1,125**	**1,200**	**1,331**	**1,350**	**1,300**	**1,340**	**1,378**	**1,292**	**1,082**	**5,091**
PBT Margin	*46%*	*47%*	*46%*	*48%*	*48%*	*48%*	*47%*	*48%*	*48%*	*43%*	
% Growth YOY					*23%*	*16%*	*12%*	*3%*	*-4%*	*-17%*	
Tax	282	285	306	340	354	329	346	349	332	280	**1,306**
Net profit	**815**	**841**	**894**	**991**	**996**	**971**	**994**	**1,029**	**960**	**802**	**3,785**
% Growth YOY					*22%*	*16%*	*11%*	*4%*	*-4%*	*-17%*	

Detailed Results:

1. The company saw a weak quarter with consolidated revenue de-growing 5% YoY and Profits de-growing 17% YoY.
2. The consolidated gross loan assets for the company grew 9% YoY.
3. The total number of branches stood at 5667.
4. The GLA growth for the company's different businesses was:
    a. Muthoot Finance: Up 8% YoY
    b. Muthoot Homefin: Down 13% YoY
    c. Belstar Microfinance: Up 53% YoY
    d. Muthoot Money: Down 41% YoY
    e. Asia Asset Finance: Down 27% YoY

1. Cash and cash equivalents for the company at the consolidated level were at Rs 6614.5 Cr as of June 22.
2. The consolidated interest income grew 6% YoY.

3. Interest income in standalone businesses grew 6% YoY.
4. The company has total funding of Rs 45426.7 Cr through various means like debt, NCDs, etc.
5. The company has around 178 tonnes of gold kept as security.
6. The gold loan portfolio distribution is North @ 22%, South @ 50%, East @ 9%, and West @ 19%.
7. Average monthly disbursement and collection were at Rs.127 & 132 billion respectively
8. The company has 5.17 million active customers.
9. The company saw a net interest margin of 10.74% & an interest spread of 9.37% in Q1FY23.
10. ROA was at 5.59% in Q1.
11. Opex to AUM was at 3.3%. ROE was at 17.5%.
12. Muthoot maintained a CAR of 30.62% with 29.73% being Tier I.
13. The book value per share was Rs.456.48.
14. Muthoot Homefin saw NIM of 6.56% and cost to income ratio of 51.15%.

Investor Conference Call Highlights

1. The company received RBI approval for the opening of 150 new branches.
2. The company raised 643 crores through its 26th and 27th public issue of non-convertible debentures.
3. The management expects yields to come back to the old levels post-transition of the teaser loan book to the higher yield one in Q2.
4. The company expects the spread to revert back to 10%.
5. The auctions for the current quarter stood at Rs.1374 Crs.
6. The management explains that the company suffers only penal interest loss during auctions & thus, there is no effect on normal interest or principal amount recovery.
7. The company has hiked interest rates by 300 Bps post new RBI regulations.
8. The management states that it won't hike dividend payout because of the nature of the biz where higher capital retained will provide more cushion & strength during a downturn.
9. The management expects the new branches to mature in 2-3 years from where they will deliver at least Rs.5-6 Crs AUM.
10. The management states that it is cautious about adding new branches despite having adequate liquidity because its primary focus is the profitability of the new branches.
11. The management states that the company will never delve into digital lending & it only caters to digital collection & dispersal of money against physical gold.
12. The company added 3.14 lakh, new customers, during the quarter.
13. The company has Rs.10 Crs QoQ growth in advertisement expenses.

Analyst's View

Muthoot Finance is the leader in the gold loan industry. The company has cemented its market position by growing its core business consistently and maintaining its momentum. The company posted mediocre quarterly results with sales de-growth of 5% YoY and profit de-growth of 17% YoY. The management is expecting good growth in the coming quarters due to the further opening of the economy. It remains to be seen how the company would mitigate the risk of further decline in gold prices, the rising interest rate environment, and the increased competition in this industry. Nonetheless, given the company's resilient customer base, resilient brand image, and gold loan AUM, Muthoot Finance seems like a pivotal finance stock to watch out for.

Shriram Transport Finance Q1FY23

Financial Results & Highlights

Brief Company Introduction

Shriram Transport Finance is a part of Shriram Group. It was incorporated in 1979 to serve the financing needs of the small truck owners. In the beginning it found out the truck operator did not have enough equity to get a new vehicle financed, so they started pre-owned vehicle financing. It is a deposit taking NBFC. It also offers Business loans, Working Capital Loans and Life Insurance products.

Key Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	5145	4648	10.66%	5082	1.46%	19255	17422	10
PBT	1307	235	456%	1351	-3.2%	3549	3278	8.2%
PAT	967	170	468%	1091	-11.13%	2721	2499	8.8%
Key Metrics (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Networth	26787	23528	13.85%	25904	3.41%	25904	21540	20%
RoE %	14.64%	3.01%	-	16.9%	-	11.1%	12.5%	-
RoA %	2.51%	0.49%	-	2.9%	-	1.9%	2%	-

Detailed Results:

1. Interest income for the quarter stood at Rs. 5127 cr, growing 10.6% YoY and remaining flat at 1.46% QoQ.
2. Net Interest Income grew 25% YoY to Rs. 2641 cr and remained flat QoQ.
3. AUM grew at 9.5% YoY to Rs. 130,688 cr.
4. AUM Breakup - HCVs & CEs: 46.51% | M & LCVs : 27.79% | Passenger Vehicles: 20.98% | Tractors: 2.37% | Business Loans and WC Loans: 2.3%
5. New Vehicle share at 4.5%, used vehicles covers 95.5% of the vehicle AUM.
6. Branch Breakup - Urban: 214 | Rural: 1027 | Semi-Urban: 613 | Total: 1854
7. AUM Geography-wise Breakup - Urban: 34.8% | Rural: 51.2% | Semi-Urban: 14%
8. Asset Quality-
   Gross Stage 3 (%): 7% | Net Stage 3 (%): 3.52%
   Gross Stage (Amt): Rs.9061.7cr | Net Stage 3 (Amt): Rs. 4383.9cr
9. Capital Adequancy Ratio - Tier I: 20.62% | Total CRAR: 22.54%
10. Deposits grew 29.53% YoY, standing at Rs. 23,244 cr.
11. Cost-to-Income Ratio: 19.46%
12. Borrowing Profile-

Non-convertible Debentures: 18.73%
External Commercial Bonds: 17.39%
Term Loan: 18.81%
Public Deposits: 19.47%
Securitisation: 16.10%
Others: 9.5%

Investor Conference Call Details:

1. Scheme to approve the merger of Shriram Transport Finance and Shriram City Union Finance approved. Merger approved by exchanges, RBI and IRDA. CCI's approval is pending.
2. Promoter Group bought 2.85% shares from the open market. Total promoter shareholding increased to 29.3%.
3. Vehicle sale has bounced back compared to last year where it was disrupted due to the Covid 2nd wave.
4. Improvement in the collection: Q1FY23: 101.45% | Q1FY22: 91.04%
5. New Vehicle disbursement grew at 256%, while used vehicle disbursement grew at 31% YoY.
6. Credit cost stood at 2.09% for the quarter. [was 2.68% for the FY22]
7. Raised $250M from United States Development Finance Corporation. Total Borrowing in this quarter was Rs. 12600cr
8. Cost of Liabilities: 8.6% | Incremental cost of borrowing for bonds increased by 50bps and overall 15bps.
9. Excess liquidity stood at Rs. 18000cr against maturities of Rs. 8000cr in the coming three months.
10. Higher Liquidity built to buyback costlier debt, especially USD denominated debt.
11. Covid One-Time-Restructuring update: Advances restructured - Rs.1152crs, Outstanding amount as of Q1FY23 - Rs. 1163cr, 90+ DPD - 1.5%.
12. Excess provisions carried stands at Rs.6730 cr.
13. Effect of inflation: The rates are on contract and the EMI is fixed, so the customer knows the amount he has to pay. EMI neither goes up nor goes down.
14. Effect of higher fuel prices: Truck operators generally do not bear the rise in fuel costs, it gets passed on to the end consumer.
15. No concerns with raising debt, Priority sector securitisation has good demand, retail deposit mobilisation doing well. For the increased costs, management is confident of passing it to the end consumer.
16. Bank Loans: 75% MCLR Linked | 25% external benchmarks.
17. Securitization in % terms down from 17% to 16%, but the absolute amount has still increased. Management expects it to go back to 18-19% range. No case of higher collateral being asked for.

18. Peak sale of commercial vehicle was 1 million in 2019, which is yet to recover. In 2022, the sale was around 720,000 vehicles. Factors which affected the demand was the rise in steel prices and higher costs due to BS-6 norms.
19. Urban markets impacted a little due to inflation. Rural economy looking robust due to good monsoon, better realization of crops owing to price rises caused by geo-political tensions.
20. Demand for construction equipment is quite high, currently there is a long waiting periods for them.
21. STF still carrying close to Rs. 18,000 crores of Covid related provisioning.
22. Reduced the ticket size of business loans. So the number of disbursement has gone up but the volume remained low relatively.
23. Disbursement of working capital loan was paused due to Covid related fears last year, will go back in the current year and will target combined Business and WC loan share at around 5% next year.
24. Lending rate hiked by 25bps in June. NIMs expected to remain stable. [due to higher cost on incremental borrowing]

Analyst Views:

Shriram Transport Finance has been a pioneer in vehicle financing. The ability to accept public deposits can help it reduce its borrowing cost and gain a competitive edge against its competitors. Deposits share increased YoY from 17% to 19.5% this quarter. Although as of now the cost of deposits is not very different from the total cost of borrowing and thus does not help it lower its cost of deposits significantly. Another major drag on its funding cost is due to the their liquidity built-up. Going ahead, as this liquidity buffer is expended in buying back costlier debt, the drag will reduce.

Piramal Enterprises Ltd Q1FY22

Financial Results & Highlights

Brief Company Introduction

Piramal Enterprises Ltd is one of India's largest diversified companies. Its businesses are divided into two verticals i.e. financial services and pharmaceutical business. Company has brand presence in over 100 global markets and Team of over 10,000 people from 21 diverse nationalities. In the three decades of its existence, Piramal Group has pursued a twin strategy of both organic and inorganic growth. PCHFL acquired DHFL and got reverse merged into DHFL on September 30, 2021 and was subsequently renamed 'Piramal Capital and Housing Finance Limited' which continues to remain a wholly-owned subsidiary of PEL. Pirmal is in the process of demerging its pharma and finance business separately. The financial services contributed around 52% while the pharma segment contributed around 48% of consolidated revenue of PEL for FY22.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	513	513	-	574	-10%	1,825	2,226	21.9%
PBT	32	59	-45.76%	361	-91%	91	641	604%
PAT	28	53	-47.16%	316	-91%	40	572	1330%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	3,548	2,909	22%	4,163	-14.77%	12,809	13,993	9.24%
PBT	644	669	-0.74%	174	270%	3,456	2,510	-27.3%
PAT	496	539	-7.97%	109	394%	1,332	1,923	44.36%

Detailed Results:

1. Revenues have grown by 22% over the previous year in the same quarter and now stand at Rs.3,548 crores. In this, Financial Services grew by 33% year-on-year and Pharma revenues have grown by 9%.
2. Net profit stands at Rs.486 crores for this quarter.
3. Financial service- AUM grew 37% year-on-year to INR 64,590 crores with retail AUM growing 4.3x year on-year to a high of INR 22,267 crores. The share of retail loans has also increased to 37% from 12% as of June 2021.
4. The Pharma business grew 9% delivering revenues of INR 1,485 crores- India Consumer Healthcare and Complex Hospital Generics businesses grew 17% and 10% year-on year, the CDMO business delivered a moderate growth of 8% year-on-year.
5. EBITDA margin at 11% during the first quarter versus 12% in the same quarter last year.

Investor Conference Call Highlights

1. Management stated that as part of the transformation journey, they have also hired key top-quality senior talent to ensure that they have a best-in-class team to help them build a large diversified Financial Services Company.

2. CDMO business had seen subdued growth due to some execution related challenges and changes in order delivery schedules.

3. Despite moderate growth in CDMO business, an increase in the raw materials, packaging materials and operating costs.

4. The nature of the Pharma business is such that it generates a significant part of profits in the second half of the financial year. Last year, the second half contributed nearly 70% to our profitability.

5. Investment that has been done in their CDMO facility at Canada, has given the company about 35% additional capacity and they have got about 1.8 billion tablet capacity at the facility in Pithampur. Management expects that over the next couple of years, they should be able to adequately utilize these capacities.

6. Desflurane doesn't have approval from USFDA yet.

7. For non-real estate exposures, only one account valued -INR 100 crores has moved to Stage-3 during the course of this quarter.

8. Management is targeting a portfolio composition of ~45% housing, 20-25% MSME, about ~20% unsecured and whatever is left will be the other secured lending products.

9. Overall, at an FS-level management believe the kind of business that they are building two-thirds retail, one-thirds wholesale, multiproduct retail with the composition mentioned in point 8. They believe they should be able to deliver a high-2s to low-3s (%) kind of ROA.

10. CDMO injectable space over the couple of years CAPEX investments plan for FY23 and FY24 is about $200 million per annum. This would help in creating capacity. This includes expansion of antibody drug conjugate capacities at Grangemouth, high-potent API capacities at Riverview, and they are also looking at increasing capacities for their API facilities in India and for potent injectables at Lexington.

11. Management wants to build a diversified book. They are still at the stage where they will experiment with a lot of different products like gold loan, loan against securities etc.

12. The wholesale portfolio this quarter from DHFL, all the big lumpy stuff is going to go through a big long process of litigation etc. So, we will keep watching the space.

13. In FS, management clarified that they are committed to microfinance business, it's no longer in experimental mode.

14. Being an extremely well-capitalized company with a lot of spare capital available and as a group, they have had a rich tradition of successful M&A. Management would be open to something which is a good product fit and it checks the box on values and valuation.

15. POCI book is all retail books where markdown has been done by 65-odd percent to about INR 3,500 crores or thereabouts. If recoveries are greater than the mark, then you get P&L flow. If it's less than the mark, then you get a P&L hit.

16. Incremental embedded yield 12.6% is all disbursements ex of embedded finance and including embedded finance into it, the yield increases to 13.1%.

17. At the portfolio level, the average cost of borrowing is 8.8%.

18. Capital adequacy is at just over 25%.

19. Post the DHFL acquisition mix of retail has gone up from 12% to 37%.

20. There is a little bit of seasonality with the Q1 low and the Q4 high, right. But otherwise, our stabilization cost of DHFL etc., fully baked in and settled in this year.

Analyst's View:

PEL is the flagship company of the Piramal group. The group has presence in diversified businesses like financial services, pharma (CDMO, Critical Care, OTC) and real estate development and consulting (through a separate company). The Board of Directors has eminent persons from the industry providing their experience and governance to the group. Company has experience of lending in the real estate industry for over a decade and forayed into mortgage lending around five years back. Mr. Jairam Sridharan as the Managing Director has been appointed to scale retail finance business in the medium term and is in the process of building team, systems and process to undertake retail book expansion. While DHFL acquisitions have aided their retail book goal. There has been substantial reduction in exposure to the real estate segment in overall loan book and single group exposure of consolidated tangible net worth on a sustained basis which has led to improvement in asset quality. While demerger on track, it would bring in focus in their business. PEL would be an interesting company to keep a track off and look for upcoming updates hereon.

Network and Communications
Sterlite Technologies Q1FY23

Financial Results & Highlights

STL, Sterlite Technologies Limited (Formerly Sterlite Tech) is a digital technology multinational company having offices in India, China, US, SEA, Europe and MEA. It is listed on Bombay Stock Exchange and National Stock Exchange of India. It has more than 270 patents and serving customers in over 150 countries, including Fortune 100.

The company is specialized in optical fibre and cables, hyper-scale network design, and deployment and network software and offer bespoke integrated solutions for global data networks of CSPs, Telcos and OTTs. STL has also partnered with global telecom companies, cloud companies, citizen networks and large enterprises to design, build and manage such cloud-native software-defined network. It has strong global presence with next-gen optical preform, fibre and cable manufacturing facilities in India, Italy, China and Brazil and two software-development centres.

Quarterly Performance											
STERLITE TECHNOLOGIES LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**1,160**	**876**	**1,160**	**1,314**	**1,475**	**1,309**	**1,508**	**1,356**	**1,582**	**1,575**	**6,020**
% Growth YOY					*27%*	*49%*	*30%*	*3%*	*7%*	*20%*	
Expenses	947	755	959	1,085	1,219	1,077	1,246	1,406	1,494	1,461	**5,607**
EBITDA	**213**	**121**	**201**	**230**	**256**	**232**	**262**	**-51**	**88**	**114**	**413**
Depreciation	77	74	82	68	61	70	74	90	91	82	**338**
EBIT	136	47	119	161	194	162	187	-141	-3	32	**75**
EBIT Margin	*12%*	*5%*	*10%*	*12%*	*13%*	*12%*	*12%*	*-10%*	*0%*	*2%*	
Interest	59	50	50	50	53	49	57	66	69	69	**261**
Other Income	10	10	9	8	31	33	11	19	36	6	**71**
Profit before tax	**87**	**6**	**79**	**119**	**172**	**145**	**141**	**-188**	**-36**	**-31**	**-114**
PBT Margin	*7%*	*1%*	*7%*	*9%*	*12%*	*11%*	*9%*	*-14%*	*-2%*	*-2%*	
% Growth YOY					*98%*	*2179%*	*80%*	*-258%*	*-121%*	*-121%*	
Tax	13	4	24	33	50	38	36	-48	-11	-8	**-32**
Net profit	**80**	**6**	**58**	**87**	**124**	**116**	**106**	**-137**	**-22**	**-20**	**-74**
% Growth YOY					*55%*	*1842%*	*81%*	*-258%*	*-118%*	*-117%*	

Detailed Results:

1. The quarter saw a revenue growth of 20% YoY in consolidated terms while PAT crashed down by -117% YoY.
2. The order book for the remaining 9 months of FY22 is Rs. 4185 cr. and beyond that, it is Rs. 7022 cr. The open order book is at Rs 11639 Cr currently.
3. The company's net debt stood at Rs. 2782 cr.
4. The completion of various data network projects for the company are as follows:
    1. Bharatnet project in Telangana: 54%
    2. PSU – Network Modernization: 52%
    3. Modern Optical fibre rollout for large Indian telco: 5% (phase 2) (phase 1 completed)
    4. Fibre to the home rollout in U.K.: 5% (for all projects)
    5. Data center connectivity projects: 21 ongoing

5. R&D spending was at 53 Cr in Q1 and 241 Cr in FY22.
6. The client base revenue breakup in Q1 is as follows:
    1. Telcos: 86%

   2. Enterprises: 3%
   3. Citizen Networks: 7%
   4. Cloud Players: 3%
7. The order book spread across customer segments is as follows:
   1. Telcos: 63%
   2. Citizen networks: 22%
   3. Enterprises: 15%
   4. Cloud: 1%
8. The Geograhical Revenue distribution in Q1 was:
   1. Europe – 34%
   2. North America – 28%
   3. India – 27%
   4. RoW – 10%
9. STL plans to move towards net debt to equity of 0.5 times.
10. Market shares in Q1:
    1. Global ex-China OFC – 11%
    2. Europe OFC – 19%
    3. North America – 14%
11. Multi-million dollar, multiyear contract with a North American telco for optical fibre cable.
12. Enabling Netomnia to fiberize multiple cities with ultra-fast broadband in UK.

Investor Conference Call Highlights:

1. At a macro level, the management states that the overall digital infrastructure is growing at a rapid pace, with three clear themes playing out.
2. The first theme is the network creators including governments around the world that are investing heavily in creating digital infrastructure.
3. The second theme is that CAPEX investments are powering deployment of 5G, FTTX and data center deployments.
4. The third theme is that OPEN RAN is moving from pilot to initial deployments in 2022.
5. As per CRU, the global optical fiber cable demand is expected to reach 610 million by 2024, from about 500 odd million currently in 2021.
6. The STL focus markets of North America and Europe clearly have high potential for growth and are fast growing. And they also have the highest realizations globally.
7. The management expects cable prices to rise as cable demand continues to strengthen.
8. CRU has forecasts OFC prices to go up by 16% and 28% in North America and Western Europe.
9. China cable demand is growing sustainably and the management expects it to continue to grow in the short to medium term.
10. The management states that with the growth of protectionism in the world, local manufacturing is being preferred mainly for government projects. Large government projects in the USA on the infrastructure side, require 55% of the material to be sourced locally.
11. On all the three themes mentioned above, the management confidently reiterates that we are in a multi-year bill cycle across the globe. The three investment cycles are expected to continue over the next 7 to 10 year timeframe.
12. The management clarifies that its aim is to become the top 3 players in the fiber optical market globally in the medium term, and achieve leadership in this market over the longer term.
13. The company has increased its optical interconnect attach rate from 3% in FY21 to 11% in Q1.

14. In the second growth lever of globalizing the services business, the company has acquired and successfully integrated Clearcomm, which is a leader in optical network design, deployment and integration in the UK.
15. The management aims to increase the UK revenue contribution to 25% of the Global Business Services revenue by FY'24.
16. As the company is developing new solutions, its aims to expand its opportunity pipeline arising from 5G deployment in India. The company expects new deployment tenders to come through post 5G auctions which are likely to be in Q2FY23.
17. The management also expects a large BharatNet tender to come through in the second half, with a potential to generate significant order book for the India Services business.
18. In terms of R&D, at the end of this quarter, the company has 740+ patents.
19. The company invested Rs. 50 crore in Q1 for R&D. The management states that this trend is expected to continue going ahead.
20. The company launched its own 5G R&D center in Gurgaon recently with state-of-the-art equipment linked to Open RAN as well as pFTTx.
21. The company has successfully launched 8 product SKUs. It has announced general availability of its Garuda Small Cell, 5G Small Cell, pFTTx and Wifi 6.
22. The company is targeting general availability of a 5G Radio unit and Rake and therefore full portfolio in the current FY.
23. In Q1FY23, the company bought the balance 25% stake in China JV to ensure that fiber supply will increase to further serve the cable requirements, as those volumes are growing on a quarterly basis.
24. Lead time for shipping from India to US has come down from 70 to 55 days this quarter.
25. Container costs have come down slightly for the company from the peak, but the management doesn't expect the costs to go down even further and expects it to stabilize.
26. The overall CAPEX for the year is planned at 500 crores. The capex done in Q1 was 160 crores.

Analyst's View:

The company has had a bad quarter with a few major deal wins and rise in revenues. Sterlite has managed to grow its global OFC market share to 11%. The company has seen a negative EBITDA margin Q1 while the order book rising to Rs 11639 Cr. It has managed to bag key deals in Europe. The company is aiming to have sustained growth momentum due to the deal wins and the qualification as a PLI scheme-approved company. Its global recognition as an Open RAN vendor should also help it bag 5G orders in the future. It remains to be seen how fast the move towards 5G will take place in the company's principal geographies and whether the company will be able to maintain its planned trajectory to take advantage of this 5G movement. Nonetheless, given the company's capabilities in providing integrated and tailored network solutions, its expanded production capacity, and long-running order, Sterlite Technologies looks like a pivotal stock to watch out for in the communications technology space.

New Age Companies
CarTrade Tech Q1FY23

Financial Results & Highlights

Standalone financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	34.8	22.37	55%	36.4	-4.4%	157	113	38.9%
PBT	1.6	-43.3	NA	-34.1	NA	-152	20	-860.0%
PAT	1.68	-44.3	NA	-31.6	NA	-146	79	-284.8%
Consolidated financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	92.7	63	47%	105.8	-12.4%	359	281	27.8%
PBT	3.8	-44.7	NA	-21.4	NA	-119	47	-353.2%
PAT	2.57	-45.4	NA	-21.1	NA	-132	91	-217.5%

Detailed Results:

1. Consolidated Sales grew by 47% YoY while it declined 12.4% QoQ.
2. EBITDA margins: 13.4% | Adj EBITDA [excl ESOP]: 20%
3. Avg monthly unique visitors (UV) per quarter stood at 31.1 million out of which 84.7% were organic.
4. Total UV grew 14.7% YoY and 4.3% QoQ.
5. The auction listing for the quarter stood at 272,275 an increase of 28% YoY, while the volume sold increased 92% to 57,710 units. [Lower Base in Q1FY21 due to 2nd Covid Wave]
6. Conversion of listing to sold units: 21.2% [Calculated as Auction Listing/Volume Sold]
7. Remarketing Business [Shriram Automall] grew 52% to Rs.51 cr YoY and reported a positive PAT of Rs.2.8 cr.
8. CarWale and Bikewale way above their competition on Google Search Trends in relative terms, demonstrates higher brand recall and helps in incoming traffic.

Investor Conference Call Highlights:

1. There is a little seasonality in the business with Q1 being lower than other quarters.
2. Revenue Breakup - New Vehicle: 33% | Used Vehicle: 67% [New vehicle business grew 48%]
3. Dealer business grew 76% and contributed 40% to the Standalone [Consumer Group] revenue.
4. abSure outlets stand at 57 across 34 cities. Management is heavily focussing on this segment and working with manufacturers, dealers and lenders to complete the customer journey from research to one-click purchase on their platform. These initiatives are driving the expenses higher.
5. Benefited from lower marketing spends of competition, resulting in better traffic and search trends on Google.

6. Working on the franchise model of abSure to ensure that the customer experience remain smooth inspite of them not owning the whole experience. Inventory is owned by franchise, moneyback guarantee, quality assurance product owned by CarTrade. Management believes this asset-light model will help them scale faster and provide better unit economics.
7. Expect semi-conductor related supply chain issue to ease out over next couple of quarters. [Impacts new vehicle segment]
8. Expenses have only a small variable component, especially in the Remarketing segment. This leads to steeper operating leverage which cuts both ways and in case of lower revenue results in a sharper drop in margins.
9. Dealers are on subscription model. Manufacturers revenue can be from fees to generate leads, ad revenue, conversion models and so on.
10. Targeting 100 abSure outlets and aim to sell 10-20 vehicles per month from each outlet.
11. Remarketing business expected commission range : Rs.7500 - 8000
12. Supply from single user has higher margins compared to bigger suppliers. Offline has higher margins than online. Commercial vehicles have slightly higher margins.
13. ESOP expense range for the year: Rs.25-30cr.

Analyst's View:

CarTrade's asset light model can provide it an edge against its competitors who follow an asset-heavy model. While management believes that asset-light franchisee model would generate superior unit economics with an ability to scale faster, it would be too soon to pin hopes on it when it has yet to significantly add to the top-line. Apart from that the competition in the segment is intense. Neither the consumer nor the dealers are sticky. Will CarTrade be able to take advantage while its competitors try to optimize their costs and face senior management exits remains to be seen.

Easy Trip Planners Q1FY23

Financial Results & Highlights

Introduction

The company offers a comprehensive range of travel - related products and services under the flagship brand ''Ease My Trip''. It also provides end- to -end travel solutions, including airline tickets, hotels and holiday packages,rail tickets, bus tickets and taxis as well as ancillary value-added services such as travel insurance, visa processing and tickets for activities and attraction.

Standalone financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	87.7	34.8	152%	64	37%	247	151	63.6%
PBT	45	21.1	113%	33	36%	145	85	70.6%
PAT	33.6	15.7	114%	24	40%	107	62	72.6%
Consolidated financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	91.4	34.7	163%	65	40%	250	151	65.6%
PBT	44.4	20.8	113%	32	38%	143	83	72.3%
PAT	33.1	15.4	114%	23	44%	106	61	73.8%

Detailed Results:

1. Revenue growth of 163% YoY was on a low base due to Covid 2nd Wave last year.
2. Strong growth in Revenue of 40% and PAT of 44% on QoQ basis.
3. Gross Booking Revenue (GBR) reported stands at Rs. 1663 cr up 350% YoY [Covid effect] and 42% QoQ.
4. In % of GBR terms, discount to customers fell to 2.6% from 4.9% YoY, but in absolute terms it increased Rs. 44cr up from Rs.17cr last year.
5. As a % of GBR, Employee expense, Marketing expense and other expenses remained stable.
6. Operational Performance:
   - Flight Bookings - up 9% QoQ at 2.2M [30% Volume from International]
   - Hotel Nights - up 157% QoQ at 71,791
   - Trains, Buses & others - down 12% QoQ at 160,540

7. EBITDA Margins lower both YoY and QoQ at 49.7%, driven by higher employee expenses and other expenses. [Reason: Point 6 below]

8. Launched co-branded credit card in partnership with Standard Chartered Bank as a part of marketing initiative.

Investor Conference Call Details:

1. Set-up EaseMyTrip New Zealand as a wholly owned subsidiary.
2. GMV from Middle East Office stood at Rs.7 cr for the quarter. Majority of it is from air bookings.
3. ME operations started from April. Monthly GMV - April: 84 Lakhs | May: Rs. 1.2 cr | June Rs.5 cr.
4. Backoffice operations to be handled from India itself, unless issue of language barrier comes up, like in case of customer call centres.
5. At current quarter run rate, expect GBR to touch around Rs. 7000 cr.
6. Many International routes are still not operating. With more routes opening and relaxing of Covid-related rules will help the Flight bookings.
7. Expect to expand to 200 hotels in the next five years. Currently the figure stands at 23 Hotels.
8. Regarding YOLO acquisition: Aim to provide premium segment of buses. Will help bus operators to improve the condition of the bus, install GPS Trackers and as a whole provide a comfortable ride to customers.
9. YOLO revenues have started to come in from July.
10. This quarter take rate was at 5.3%. Adjusted revenue figure affected by discounts. [Adjusted revenue figure affected by discounts.]
11. When discounts are given, convenience charges levied and vice versa, this set-offs each other and take rates on net revenue basis are maintained around 5%.
12. Take rates of Industry has declined by 0.9% but EMT has been able to maintain theirs.
13. Payments Gateway charges to be looked at from GBR perspective because the charges are on the whole amount. Standard Rates 0.6% - 0.7%.
14. Increase in other expenses is due to growth in B2B segment where commissions are paid to agents.
15. Take rates on gross level are same for International and Domestic Flights. In absolute terms take rates are higher in international due to higher ticket prices. Higher margins will be driven by more business class bookings.
16. OTA Market Share would be around 20%. Market share is in part a function of discounts which have been decreasing for EMT on % of GBR basis. [Down from 4.2% in Q3FY22 to 2.6% this quarter]

17. With respect to competition from old player [Cleartrip] who is now backed by Flipkart - having sailed through many competition cycle, management is confident of protecting its market share and growing.
18. Confident of its bootstrapped DNA to defend against competition as well as grow in a sustainable way. [Was bootstrapped with just 15 lakhs in funds for first 5 years, with no outside funding from banks or VC/PEs]
19. Expect to grow 2x of the Airline Industry growth rate which is expected to grow at around 14% for the coming 2-3 years.

Analyst Views:

The company is backing on its ability to grow several verticals within its business which can provide it with its next leg of growth. It is focussing on its Hotel business and have a target to of 200 Hotels which they hope to achieve in the next 5 years, it is looking to expand services in the International market, the optimism of which is corroborated by the MoM growth in the Middle East business. For a growing businesses and new verticals, management's way of growing at break-even can be justified to an extent. The only thing probably supporting its high valuation currently is the growth leaving room for only a small margin of error. Going forward the thing to look out for would be the competition in the space and operating leverage playing out.

Map My India Q1FY23

Financial Results & Highlights

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	68	52.5	29.5%	66.6	2.1%	237.1	192.1	23.4%
PBT	34.7	25.8	34.5%	33.9	2.4%	115	79	45.6%
PAT	25.1	21.1	18.9%	23.5	6.8%	85.5	60.1	42.3%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	71.4	52.3	36.5%	68.6	4%	242	192.2	25.9%
PBT	33.7	24.9	35.3%	33.5	-	117	78.8	48.5%
PAT	24.2	20.6	17.5%	22.5	7.5%	87	59.8	45.5%

Detailed Results:

1. Consolidated Total Revenue grew 36.5% to Rs 71.4cr.
2. EBITDA Margins improved 140bps YoY from 44.6% to 46% in Q1FY23. Ebitda margins for the FY2022 were 43%.
3. PAT Margins shrunk to 34% from 39% last year. A part of which is attributable to increase in the effective tax rate.
4. Cash and Cash Equivalents stand at Rs. 392 cr.
5. Product Line growth - Map and Data grew 53.6% | Platform & IoT grew 47%
6. Product Line Revenue Breakup - Map and Data: 42% | Platform & IoT: 58%
7. A&M Market grew 65% YoY and C&E Market segment grew 37% YoY
8. Business Update - New additions
   - Multiple popular Online ordering, commerce and delivery tech companies
   - Footwear Brand, Steel Manufacturer, Marketing and Ad-Tech for Location Analystics Platform
   - Leading Bank and Broadband Provider for Workforce Management [Government Organisations]
   - National Survey & Mapping Government Agency for Drone Mapping
   - State Housing and Area Development Authority for Geospatial Solution
   - Smart City for Geospatial & IoT enabled Digital Transformation

Investor Conference Call Highlights

1. Open Order Book value at the beginning of the year - Rs. 699cr [up 85% YoY], conversion timeline to revenue: 3-4 years.
2. Hiring Senior Executives in APAC, US and Europe region to develop the business there.
3. Making investments with Mappls to get foreign revenues and business. Going to take 2-3 years for this business to show results.
4. With respect to Google Maps Street View partnership with Genesys International and Tech Mahindra - Management believes MMI's model where it collects data as well as provides product and platform has and edge over disjointed model where one partner collects data and other provides the product.
5. MMI also believes that its product is better with better technology, wider coverage and features like 3D Metaverse maps.
6. Will align investments into products and services with the market opportunities. Will continue to remain cost efficient.
7. Lumpiness in Map and Data because it is driven by contracts mainly on C&E. Some of it can be milestone based revenue.
8. New age business pay as per the usage, doing well from the point of view of the app usage.
9. Revenue under GTropy primarily driven by A&M segment [most customers were in logistics sector].
10. The State Road Transport corporation added from South India went live with IoT and Saas product. The buses are tracked using Gtropy. The citizens are also able to know the location of the bus, the route etc.
11. For logistics players or for corporates with trucks on ground - can track the vehicle, get info if it has deviated from the route, where has it reached and accordingly make arrangements at the warehouse or plants.
12. Other expense down QoQ due to lower legal fees and lower provisions against bad inventory.
13. Advertisement expense came down QoQ from Rs. 3.87 cr to Rs. 1.57 crs. Advertisement expenses can vary from quarter to quarter.
14. Took a 3% stake in Nawgati Tech, has video analytics product to detect congestion at petrol pumps and traffic on road to ensure better efficiency in traffic management or to analyze the flow in a place.
15. OEMs not willing to go to big-tech players to outsource their technology needs.
16. Have multiple product features that assist drivers like warning of a speed bumper ahead or change in speed limits etc. It is not a company from outside the ecosystem, it is a automotive tech company. These capabilities make it a good partener with OEMs.
17. Switching cost for OEMs is high due to integration at multiple levels with MMI. Also the new Google Solution is not currently meaningful for OEMs, it is more consumer focussed. [DRHP - 20 of the 22 top paying customers in 2021 continued in 2022, 90% of the customers who made up 80% of the Revenues were retained in the past 3 years]
18. Provides coverage from analytics and strategic planning to operations and field worforce management with digital transformation products which are API or low/no code products.

19. On Cash Balance - would like to keep some dry powder for the right opportunity, in either acquisition or investment in own R&D.
20. Revenue from Government - ~5%. Seeing a lot of oppurtunity and hence building up order book in this area. Expect minimal working capital issues.
21. Combined MMI platform offers products which 100+ small organisation offer separately. Ready to use products under one platform becomes a big differentiating factor from customer's point of view.
22. Focussing on the distribution of Mappls gadgets through retail and OEM dealerships. Cost of gadget is charged upfront, the services that comes with it are charged as a subscription.

Analyst's View

MapMyIndia has been executing well and has a long growth runway ahead of it in geo-spatial and digital maps market. With more and more IoT devices coming into play coupled with its pay per use model means that a large part of its growth is yet to come. Gtropy acquisition is likely to provide it a good headstart in the owned and logistic fleet device market. Even on the Government side, while the revenue share last year was 5%, management expects growth in this segment as well. Compared to other players its one-stop-shop platform also attracts enterprises because in this case they only have to deal with one instead of several. Cash balance of nearly Rs. 400cr provide it with enough M&A dry powder to scout and grab any suitable opportunity. Unfortunately, the good things mentioned above come at an expensive price, even after a 30% fall from its high, the margin of safety remains low.

Others

ACRYSIL Q1FY23

Financial Results & Highlights

Brief Company Introduction

Acrysil Ltd is **one the leading manufacturer and exporter of Composite Quartz Granite Kitchen Sinks in India** with Quartz Sink Capacity 10,00,000 sinks per annum. The company is engaged in the manufacture and sale of kitchen sinks in India. They offer granite kitchen sinks and stainless steel kitchen sinks. They market their sinks under the brand name 'Carysil' & “STERNHAGEN”. PAN India presence with 1,880 dealers, 80+ Galleries, 82+ Distributors. The company exports to 55+ countries worldwide. Company has a State of art Showroom cum Experience center in Ahmedabad & Mumbai.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	108	80.4	35%	112.9	-4%	402	255	57.6%
PBT	16.6	20.1	-10%	16.9	-2%	67	39	71.8%
PAT	12.3	14.2	-14%	12.5	-2%	51	26	96.2%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	171	99.3	73%	141	22%	494	318	55.3%

PBT	34	23.5	35%	22	13%	86	54	59.3%
PAT	18.7	13.5	39%	16	14%	65	39	66.7%

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Detailed Results:

1. Acrysil exports increased by 25% Y-o-Y to Rs.100 Crores for Q1 FY2023 contributing 72% of the revenue.
2. The company has maintained decent EBITDA margins in the 20%+ range with a strong profitability growth of 39% on a Y-o-Y basis. Slightly suppressed due to consolidation of Sylmar Technology Limited.
3. Debt level Rs.180 Crores on sanctioned basis and Rs.150 crores on utilized basis.
4. Domestic business has increased by 117% YoY to Rs. 38 crores for Q1 FY23 contributing 22.2% of the revenue.
5. Quartz Sink Volumes have touched 650,000 units in volume.
6. Company has maintained an EBIT Margin (%) of 16.3% vs 20.5% in Q1 FY22 and PAT After Tax Margin (%) 11.0% vs 13.6% in Q1 FY22.
7. In Q1 FY23, the dealer network stood at 1,880 and plans to increase by ~3,000 by the end of FY23.

Investor Conference Call Highlights

1) The Board of Directors have approved the change of the name of the company to “CARYSIL Limited” or “CARYSIL Technik Limited” or “CARYSIL Products Limited.

2) The total manufacturing capacity now stands at 10,00,000 units p.a.

3) Company has strengthened its presence in newer geographies of Australia, New Zealand, Singapore, Vietnam, Gulf countries and other Southeast Asian countries.

4) Company’s order to IKEA for supply of Quartz kitchen sinks has been doubled.

5) The management believes owing to stabilization of freight costs and softening of input costs, the company expects to maintain healthy margins and profitability going forward.

6) On a full year basis, the company will continue to witness healthy growth in overall business.

7) The Company is doubling production capacity of stainless steel sink from 90,000 units p.a to 180,000 units p.a with capex of Rs.11 crores. Commercial production for which is expected to commence by the end of September, 2022.

8) The company is observing strong demand for faucets and hence the company is starting an assembly line for kitchen faucets manufacturing with the capex of Rs.5 Crores with the capacity of 100,000 pieces per year. This project is expected to be completed by the end of December, 2022.

9) Capacity Expansion of Quartz Kitchen Sinks production capacity by an additional 200,000 units p.a at Bhavnagar with capex of ~Rs. 30 crores which is likely to be completed by Q3 FY23.

10) Brand promotion on TV and in print, along with exposure through sponsorship of events like Times Food and MasterChef Australia.

11) The board of directors have approved a 3MW (Three Megawatt) solar power plant to be set up with Bhavnagar, Gujarat for captive use in addition to the existing 0.44 megawatt solar power plant. Management expects to save around Rs.4 per unit in energy cost.

12) Introduced a new top-of-the-line brand titled 'Tek Carysil', featuring kitchen sinks, faucets and appliances that represent a revolution in design, style and quality.

13) Acrysil has signed Bollywood celebrity 'Vaani Kapoor' for new marketing campaign #TheHeartofMyHome for its 'Carysil' Brand.

14) Offers a wide range of cutting edge technology products to customers based on their needs.

15) Company has stated long term goal of achieving Rs 1000 crores in sales and has appointed Deloitte while company has achieved short term goal of Rs 300 crores.

16) Management believes once revenge travel is over internationally, this would help in demand coming back as people would focus more on homes.

17) Management commented that overall on the customer side, the company is not dependent on any particular customer.

18) Management stated that purely marketing spends is about 5% of domestic sales.

19) As a part of green initiative, Green sinks patent has been filed and this is getting some recognition by Grohe, Ikea and the large customers.

20) Management guided that India is the new country to quartz so it is growing quite rapidly and has more than 90% market share in India, people are saying Crysil means quartz.

Analyst's View:

Acrysil is one of the leading manufacturers of quartz sinks in India and a leading exporter of this product. Company has witnessed substantial demand in the domestic market and going ahead, expect momentum to continue in the domestic market. With an uptick in demand and expectations of having healthy margins, the company will continue to witness healthy growth in overall business. The association of Vani Kapoor will help create a brand recall for lifestyle products among the youth in the domestic market. The Company has always emphasized on the importance of manufacturing high quality new age products which are targeted towards meeting the increasing demand of quality and aesthetics. Plan to expand further by acquiring new customers and penetrating in new geographies. The company has a vision to build global brands. Once revenge travel is over and people will be back to their home, inflation tapering off, geopolitical situation slightly improving and Christmas season would lead people to focus on their homes, thereby demand may improve by then. Given the vast potential for the real estate sector and the company's strong competitive positioning, Acrysil remains a good real estate ancillary stock to watch out for.

Angel One Q1FY23

Financial Results & Highlights

Brief Introduction:

Angel One also known as Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (Source: CRISIL Report). It has a network of 11,000 Authorised Persons and has had more than 4.39 million downloads of the Angel Broking mobile application and nearly 1 million downloads of the Angel BEE mobile application as of June 30, 2020. It manages ₹ 132,540 million in client assets and over 2.15 million operational broking accounts as of June 30, 2020.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	680	468	45.2%	676	0.5%
PBT	238	157	51.5%	270	-11.8%
PAT	178	117	52.1%	202	-11.8%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	686	474	44.7%	685	0.1%
PBT	242	162	49.3%	274	-11.6%
PAT	181	121	49.5%	204	-11.2%

Detailed Results:

1. The company had a great quarter with 44% YoY growth in consolidated revenues and 49% YoY growth in consolidated profits.
2. It has a 10.6% share in NSE Active Client Base in Jun'23. Angel has a total client base of 10.4 million as of Jun '23 across 98% of pin codes in India.
3. Q1 saw the top 5 digital brokers hold around 70% share of Incremental NSE Active Clients. The top 5 brokers now have a share of 58% In Cumulative NSE Active Clients Base.
4. Overall equity market share of Angel has fallen to 20.8% in Q1FY23 vs 22.7% a year ago. F&O market share has fallen to 20.8% in Q1FY23 from 22.9% a year ago.
5. Cash market share has gone up to 13.9% vs 13.8% a year ago while commodity market share has risen to 44.6% vs 25.8% a year ago.
6. Total gross customer additions in Q1 were at 1.2 million.
7. 95% Of Gross Client Addition Contributed by Tier 3 & Tier 2 Cities in Q1FY23.
8. Around 92% Of Gross Clients Added Under Flat Fee Plan.
9. The total client base grew 13% QoQ. Average daily turnover grew 9% QoQ in Q1 while number of trades declined QoQ.
10. Segment revenue breakup was 69% from Gross Broking, 18% from Interest, 4% from Depository, 1% from distribution, 8% from ancillary transaction income and 1% from other income.
11. Gross Broking split was 81% from F&O, 14% from Cash, 4% from Commodity & 1% from Currency.
12. Cost to net income was at 52.9% for Q1FY23 vs 52.4% in Q1FY23.
13. The company's borrowings have fallen to Rs 1212.9 Cr in Jun'23 from Rs 1257.7 Cr in March'22.
14. Angel has cash and cash equivalents of Rs 4,875 Cr as of June 2023.
15. It had a book value of Rs 206 per share.

16. Angel announced an interim dividend of Rs 7.65 per share with a 35% dividend payout.

Investor Conference Call Highlights:

1. "As more first time investors are on-boarded, especially during such period of market correction, there is bound to be some inertia in their activity"
2. The company is preparing to take advantage of the maturing ecosystem, in which it sees contribution of investors increase as they mature.
3. The company has rolled out the first phase of the super app, to a limited set of clients on the iOS and web platforms.
4. The new super app is packed with features and upgrades to the existing one, like a new homepage, which is a centralized hub that contains all critical information required by the clients.
5. The company has further optimized client on-boarding journey by launching KYC 2.0, which is equipped with real-time validations and assimilates continuous feedback from clients.
6. The KYC 2.0 helps onboard clients faster, helping them drive more efficiency with a do-it-yourself account opening journey.
7. In Q4, the company had gone live with the direct mutual fund option on the Angel BEE app. Once it achieves stability of this product, they will migrate it to the super app as well.
8. On the IOS Super app version, the company has reached approx 30% active user base by June end, which comprises of both – migrated and new users.
9. Mr. Dinesh Radhakrishnan has joined in as the Chief Products and Technology officer. He has a 25 year experience with brands like Intel, Bloomberg and Ola. Dinesh will lead technology, product and design teams at Angel.
10. The full year incremental cost of the stock grants will be about Rs. 600 million for FY23. In line with the same, Q1Fy23 accounts for Rs. 130 million, 19% of the cost.
11. During the quarter, the company spent higher on client acquisitions leading to a higher OpEx.
12. The company's Cash and equivalents decreased by Rs. 48 billion, largely due to a decrease in the clients funds.
13. The Super App is built around an overall wealth management portfolio, looking at an overall lifetime value of customers from 5 to 10 years.
14. The management expects to have an activation rate of 50% on the Super app once a wide range of products are launched.
15. The tech cost for the company is between the range of 15-18% of the total net cost incurred.
16. The company's marketing expenses are expected to be curtailed over the next three months, mainly because of organic efforts kicking in.
17. The management states that in FNO and broking, there is scrutiny on Angel and all big brokers due to the major consolidation in the industry. This is being welcomed by the management.
18. The company can handle 2x to 3x of the current traffic and can onboard as many people as it can get due to the scalability aspect of the system.
19. Angel has the highest SLA in the industry at 99.95%, there is not a single stockbroker with this SLA.
20. The ARPU of the company has come down due to most users being new users and the management expects them to be very lucrative with increase in activity as time passes.
21. The management sees acquisition costs going down going forward as they acquire more customers with the cost plateauing up in the next two to three years.
22. The company's breakeven point for new clients is intact at six months and sometimes may get extended to seven months.
23. The company can moderate its expenses by 30% to 35% without doing much share efforts.
24. 34% of all new clients added to the exchange came to Angel One.

25. A big challenge the industry is facing is in educating new users about the product due to the complex nature of the product.

Analyst's View:

Angel Broking is one of the front runners of the online broking space in India. They have been in the broking business for over 25 years now and have time and again shown remarkable adaptability by pivoting its business model and transforming from a traditional physical broking house to an AI/ML-led digital-only broker that has its eyes set on becoming a fintech platform. The company continues to source almost 95% of its new additions from tier 2 & 3 cities and has also received a good response on the partial launch of its super app. The super-app which the company is launching will make a huge difference and will greatly improve customer experience. Angel is also looking to differentiate itself on service quality and customer journey and the ability to allow for small-ticket investment profiles which will be instrumental for expansion in Tier 2 and beyond cities. It remains to be seen what impact will the turbulent state of global markets will have on the broking industry and whether Angel will be able to maintain its growth momentum amidst the highly competitive space with seemingly everyone in the financial sector from traditional banks like HDFC Bank & NBFCs like Bajaj Finance to fintech unicorns like Paytm & Zerodha looking to get a slice of the pie and go a similar way to become fintech giants. Nonetheless, given the sustained momentum Angel has in this crowded space and the history of successful pivots along with the vision of the new tech-oriented CEO, Angel Broking may prove to be a reliable bet in the ever-rising fintech space.

Ashiana Housing Q1FY23

Financial Results & Highlights

Brief Company Introduction

Ashiana Housing Ltd. (AHL) is an Indian real estate development company established in 1986 with its head office in New Delhi, India. It is a real estate company recognized by Forbes as Asia's 200 Best Under A Billion (2010 and 2011) Ashiana Housing is a mid-income housing developer with primary focus on Kid Centric Homes, Senior Living, Care Homes (i.e. assisted living) and also comfort homes.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	67	29	133.57%	62.8	6.37%
PBT	12	-9	-	8.8	39.77%
PAT	10	-6	-	9.3	10.75%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	81	40	100.99%	78.3	3.70%
PBT	13	-9	-	7.7	67.53%
PAT	10	-6	-	6.3	63.49%

Detailed Results

1. Area Booking stood at 3.34 lakhs Sq. ft Vs 4.53 Lakhs QoQ.
2. Area constructed stood at 3.85 Lakh sq. ft Vs 5.07 Lakh sq.ft QoQ.
3. The value of area book went up to Rs 152.14 crores Vs Rs 52.2 crores last year.
4. The average realization for Q1 stood at Rs/Sq.ft 4557 Vs 4,093.
5. Area constructed higher was at 3.85 Lakhs Sq. ft. in Q1 FY23 vs 5.07 Lakhs Sq. ft. in Q4 FY22.
6. New land parcel acquired in Bhankrot, Jaipur of 8.08 acres in the quarter.
7. Total Revenue increased to Rs.81.22 Crs vs 78.28 Crs QoQ due to higher deliveries.
8. PAT stood at Rs 10.3 Cr in Q1 FY23 Vs 8.9 in Q4 FY22
9. TCI (Total Comprehensive Income) stood at Rs 10.29 Cr vs 9.22 Cr in previous quarter

Investor Conference Call Highlights

1. Management stand by guidelines and continue to target ₹1,100 crores of sales this year.
2. The company aims to achieve 15% RoE over the next few years
3. Company has received RERA of Phase-1 of Ashiana Amarah and going to launching in a couple of weeks.
4. The company intends to enter the Gurgaon market to leverage the strong demand in this segment
5. The management states that Average realization went up to Rs 4,557 per square foot vs Rs 3,460 last year, driven by increasing prices across projects in changing mix towards higher price projects.
6. Company bought new land parcel in Bhankrota Jaipur bring Total potential saleable area in this parcel of around 6.85 lakhs square foot.
7. The company is planning to add about ~25 lakh square foot this year

8. Management states that company has Rs 6,000 Cr potential inventory for sale.
9. The company expects a delay in the delivery of eight projects by one quarter.
10. Company launched Villas in Tarang, Bhiwadi and Shops in Amantaran, Jaipur.
11. The company plans to increase senior living projects and as a part of a future project for senior living, it has exclusively allocated 8.95 lakhs Sq. ft of land in Pune and 18.83 lakhs Sq. ft in Chennai.
12. Company has also planned to utilised 31 lakhs Sq. ft of land in Bhiwadi and 14.88 lakhs Sq. ft in Kolkata for premium homes and senior living projects

Analyst's Views

Ashiana Housing is a unique presence in the Indian real estate industry. The company saw sales of Rs 80Cr and PAT of Rs10 Cr. The projects are going ahead in time and the management expects a good response to the upcoming projects in the future. The management expects margin of 25-30% in the future for Ashiana project. It also expects to breach the Rs 1000 Cr sales mark in FY23 and it also to achieve 15% RoE in the next few years. It remains interesting to be seen how long will it take for the company to achieves its goal, given the rise of inflation and other macro factor. Nonetheless, given the evergreen nature of the real estate industry in India, the unique and cautious business model of Ashiana and the rising trend of senior living in India, Ashiana is a good real estate sector stock with a lot of potential in the future.

CRISIL Q2CY22

Financial Results & Highlights

Brief Company Introduction

CRISIL (formerly Credit Rating Information Services of India Limited) is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL's majority shareholder is Standard & Poor's, a division of McGraw Hill Financial and global provider of financial market intelligence.

Standalone Financials (In Crs)								
	Q2CY22	Q2CY21	YoY %	Q1CY22	QoQ %	H1CY22	H1CY21	YoY%
Sales	400	320	25%	347	15.2%	747	713	4.7%
PBT	108	112	-3.5%	109	-0.9%	217	308	-29.5%
PAT	92	93	-1.0%	87	5.7%	180	274	-34.3%
Consolidated Financials (In Crs)								
	Q2CY22	Q2CY21	YoY %	Q1CY22	QoQ %	H1CY22	H1CY21	YoY%
Sales	703	550	27.8%	615	18.45%	1318	1059	40.63%
PBT	177	131	35.1%	169	24.39%	346	241	60%
PAT	136	100	36%	121	24.19%	258	184	61.63%

Detailed Results:

1. The current quarter was good for the company with consolidated revenues rising by 27% YoY while profits rose 36% YoY.
2. The company performed better with such high growth driven by increased traction in bank loan ratings.
3. The board of directors has declared an interim dividend of Rs 8 per share.
4. CRISIL ratings revenue grew 16.5% YoY while the overall ratings business grew as lending activity improved in the period. The company also added new clients in this business. This was despite bond issuance in Q1 being -28% YoY lower than last year.
5. The ratings business also saw 16% YoY rise in segment profits with margin of 37.9% in Q2 vs 38.1 last year.
6. The research business grew 32.1% YoY in revenues in the quarter aided by increased engagements with key clients in the banking space.
7. The research division also saw segment profit skyrocket 38.9% YoY in Q2. It also saw margin improve to 23.6% from 22.5% a year ago.
8. The Advisory segment saw revenues in this division grew 9.7% YoY in the quarter with the Infrastructure Advisory business getting large wins from multilaterals and the Business Intelligence and Risk Solutions business increasing its overseas client footprint.
9. The segment however saw profits remain in Q2 with a margin of 11.1% vs 11.9% last year.
10. CRISIL saw forex gain of Rs 24.31 Cr in the current quarter vs forex gain of Rs 5.24 Cr last year.
11. GBA grew by closing new deals and signing up for new clients. India research witnessed demand for fixed-income and industry-research reports.

12. The Business Intelligence and Risk Solutions business in advisory benefitted from regulatory focus on credit risk, and saw traction for products built on its proprietary platforms.

Analyst's View:

CRISIL has been a trusted financial service and information provider for a long time. They have established themselves as a reputed name in their operational fields of ratings, research, and advisory. The company saw a good Q2 with YoY rise in both sales and margin in the ratings and research businesses. It also reported good profits for its advisory business as compared to losses the previous year. The infrastructure advisory business also saw large client wins. Coalition Greenwich continued its good momentum. It remains to be seen what the road is ahead for the core ratings business given the quantum of bond issuance is still below last year's levels. Nonetheless, given the company's industry position and its financial resilience, CRISIL remains a pivotal stock in the rating sphere.

IRCTC Q1FY23

Financial Results & Highlights

Brief Introduction:

Indian Railway Catering and Tourism Corporation (IRCTC) is a Mini Ratna (Category-I) Central Public Sector Enterprise under the Ministry of Railways, Government of India. IRCTC was incorporated on 27th September 1999 as an extended arm of the Indian Railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains, and other locations and to promote domestic and international tourism through the development of budget hotels, special tour packages, information & commercial publicity and global reservation systems

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	877	258	240.05%	717	22.32%
PBT	329	111	196%	283	16.36%
PAT	246	83	198%	214	14.72%

Detailed Results:

1. The company delivered a strong quarter with revenue rise by 250% YoY reaches to Rs 853 Cr and improving its QoQ growth by 23%
2. The Internet Ticketing segment saw a revenue of Rs 301 Cr reporting 2X growth YoY and 3% QoQ, while EBIT margin declined QoQ.
3. PAT and PBT were up by 198% and 196% respectively YoY.
4. The Catering segment saw a revenue of Rs 352 Cr reporting growth of 32.3% QoQ and 5x growth over YoY
5. The share of the Catering segment to overall revenue increased to 41.3% from 23.3% in Q1 FY22, an increase of 38.5% YoY.
6. The Rain Neer segment saw a revenue of Rs 83.6 Cr reporting growth of 61.2% QoQ and an EBIT margin of 11% versus a loss in Q4.
7. The tourism segment saw a revenue of Rs 115 Cr reporting growth of 43.8% QoQ and a positive EBIT margin of Rs 7.2 million after 9 quarters of incurring losses.
8. The cash and bank balances & the net worth of the company at the end of the quarter Q1 FY 23 is Rs.2175 Crores and Rs.2132 Crores respectively

Investor Conference Call Highlights

1. The number of ticketing booking in this quarter has been around 11.58 Cr i.e. an average of about 12.73 lakh per day.

2. As Indian Railway began to withdraw from the reserved segment, 2S class bookings fell from 38% to 26.9% in this quarter.

3. Management states that the catering expenses will remain at 75% percentage of revenue compare to 62-65% per covid level.
4. The convenience fee and non-convenience fee for this quarter is about Rs 207 Cr and Rs 101 Cr respectively.
5. According to the management, margins on entire catering business ranges from 14% to 18%.
6. On E-catering Segment Company saw a rise in orders of 35,000 per day compare to 21,000 per day to its previous quarter.
7. The monthly average revenue for E-catering increased to Rs 2.63 Cr vs 1.67 Cr in this quarter.
8. In air segment, IRCTC has booked 5500 tickets per day accounting a revenue of Rs 3 Cr.
9. IRCTC in air segment have increased its convenience fees from Rs 50 to Rs 100.
10. Tejas Train has generated a revenue of Rs 41 Cr and delivery a profit of about Rs 5 Cr.
11. In Rail Neer segment capacity utilization has been more than 70% in this quarter.
12. According to the management, company is going to open two rail neer plant with capacity of 2lakh litre by end of this year. Furthermore 3 more plants will be commissioned adding plant capacity to 19 lakh litre by FY 24
13. Total revenue from iPay was around Rs 27 Cr out of which IRCTC share Rs 10 Cr.
14. Bus ticketing revenue was Rs 4.95 Cr out of which IRCTC commission and convenience fees was Rs 32 lakh.
15. According to the management, IRCTC is in talk of MoU with seven states for State teertha.
16. The management states that the company has been awarded 23 contracts for retiring room and result of this is excepted in the upcoming quarter.

Analyst's View:

IRCTC is a unique PSU with massive cash flows and a strong balance sheet. The company has delivered a strong quarter with a revenue rise by 250% YoY and its business model has once again proven its resilient nature to scale up. As internet ticketing reaches its peak penetration of 81%, the company has been planning to expand its business in the travel & tourism business and add new capacity in the Rail neer segment. Nonetheless, given that IRCTC has a near-monopoly in its space and the resilient demand for its services and products in railway stations, IRCTC remains a good stock to watch out for investors betting on the railway's theme.

ISGEC Q1FY23

Financial Results & Highlights

Introduction:

ISGEC Heavy Engineering Ltd is a diversified heavy engineering company engaged in manufacturing and project business with an extensive global presence. It manufactures process plant equipment, presses, Iron & Steel castings & Boiler pressure parts. Company is present in 91 countries across 6 continents. It also undertakes turnkey projects for setting-up boilers, power plants, sugar plants, distilleries, factories and others. It also has strengths in the business of construction. Company has 6 manufacturing facilities in India and 2 overseas facilities. ISGEC is a large heavy engineering company that is involved in diverse and multiple industry sectors like power, refineries, and others.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	993	811	22.4%	1366	-27.3%	4470	4345	2.9%
PBT	40	19	110%	47	-15%	147	284	-48.2%
PAT	30	14	114%	35	-14%	113	218	-48.2%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	1250	1133	10%	1597	- 22%	5512	5477	0.6%
PBT	30	18	66.67%	48	-37%	158	356	-55.6%

PAT	18	13.8	31%	39	-54%	115	253	-54.5%

Detailed Results:

1) The consolidated order booking for Q1 of FY 2023 is INR 1,331 crores compared to INR 2,366 crores of order book in Q1 of last year.

2) The consolidated orders in-hand on 30th June, 2022, are INR 7,736 crores against INR 7,924 crores as on 30th June, 2021.

3) Total borrowing on a consolidated basis is INR 1,194 crores that as of 30th of June, 2022. This includes Philippines group of companies borrowing of about INR 273 crores.

4) Consolidated Revenue share of- Manufacturing (29% revenue), EPC (58% revenue) and Sugar and Ethanol contribute 13% to Revenue.

5) In Q1FY23 EBIDTA Margin- 6.0% and PAT Margin- 1.4%.

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Investor Conference Call Highlights:

1. Of the consolidated order book 73% is for project business and 27% for product businesses.

2. The order book for Isgec Hitachi Zosen is INR 792 crores of orders as on 30th June, 2022.

3. According to the management, manufacturing order book is very good at this point in time, actually booked for maybe 12 months now except orders where they cater to very short delivery orders, where the cycle time is 2 months or 3 months.

4. Even though the steel prices are low margins would not improve as the order has been done at the high steel price. So, there will be a lag of a couple of quarters before you see higher margins coming.

5. In Philippines plant company has started construction and getting good offers for it. So, in 12 months' time, company would hope either the plant is sold, or they would start to run the plant. While it is reporting losses currently, management don't see a huge financial impact.

6. Company lost money in one export order, it's a one-off loss. Impact of loss has been taken in the June quarter.

7. Management expects that the manufacturing business margin going forward in a normalized scenario would improve significantly between 8% and 9%.

8. Management said that in manufacturing, they are increasing order book by doing very marginal investments, like debottlenecking. In one particular area, they invested some amount of money to

increase the output. Being hit by COVID and the project businesses were becoming increasingly difficult because of COVID conditions, labor shortages at sites.

9. Management guided that debt level is high as there are some large duration PSU projects including the FGD projects which got extended due to covid and payments are linked to milestone, so borrowings should be coming down progressively over the next year.

10. Management hopes that as they are having milestone project borrowing is going to come down substantially over the next one year as milestone gets achieved.

11. Management think that export order book will build up progressively as travel has opened up.

12. CapEx should be about INR 40 crores this year as they are implementing IT system and CapEx of close to INR 20 crores on the manufacturing side to debottleneck and to increase production.

13. Management commented that there are a good number of projects coming up in the domestic sector. There is a lot of investments coming up by various refineries. The biggest growth is in the domestic sector for the kind of equipment Isgec Hitachi does. For Isgec Heavy, inquiry base for exports has picked up while order finalization is still slow and company is being selective in order booking.

14. Client concentration of about 18-20% where Indian Oil more than 10% of total order book and in the case of NTPC, it will be less than 10%.

Analyst's View:

ISGEC is a large heavy engineering company that is involved in diverse and multiple industry sectors like power, refineries, and others. Isgec is a significant global player across business areas in Manufacturing and EPC. Comfortably placed to counter the Cyclicality of any specific industry as the company is diversified across different sectors. Exports contributed 10% of revenue, and ~14% of the total orderbook Exports expected to pick up as travel has opened up after COVID. Nonetheless, given the company's strong track record, strong tailwinds of the industry, and sustained demand from its customer segments ISGEC remains a pivotal heavy engineering stock to watch out for. Management guided that the now no new major capex, with travels resuming exports may rise, debt level would go down in the near term and this would be favorable to the company. Overall, ISGEC is a candidate to keep a watch while the company is comfortably placed in the long term.

Praj Industries Q1FY23

Financial Results & Highlights

Brief Company Introduction

Praj Industries Limited operates in the field of bio-based technologies and engineering worldwide. It offers solutions for the ethanol industry, including multi-feed multi-product plants, modernization of existing plants, and renewable fuels comprising BioCNG, bio-butanol etc.; produces bio ethanol, bio butanol, bio chemicals, power, bio CNG, CO2, etc.; and operates bio-mobility platform that promotes the use of renewable resources to produce carbon neutral transportation fuel.

The company also provides high purity system solutions to the bio-pharmaceutical, biotech, cosmetics, healthcare, and F&B sector for sterile process water generation, water for injection, storage and distribution system, CIP/SIP, systems for core processes, wastewater treatment, etc.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	672	338	98.76%	746.1	-9.93%
PBT	54	22	147.69%	70.1	-23.68%
PAT	41	22	87.96%	52.1	-22.07%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	735	391	87.94%	836.5	-12.09%
PBT	54	30	82%	78	-30.51%
PAT	41	22	86%	57.6	-28.30%

Detailed Results:

1. The company delivered strong quarter with revenue rise by 89% YoY and stood at Rs 730 Cr in Q1 FY23 as compared to Rs 386 Cr in Q1 FY22
2. PBT and PAT for this quarter stood at Rs 54 Cr and Rs 41 Cr respectively
3. At end of the quarter, cash and bank balances stood at Rs 652 Cr.
4. Export revenue accounted for 16% in Q1 FY23.
5. Segment wise revenue breakup:
    - Bio Energy: 77%%
    - Engineering: 17.3%
    - Hi Purity: 5.7%
6. The order intake in this quarter stood at Rs. 1094 Cr, with 81 % coming from domestic market.
7. Total order intake distribution in Q1 FY23:
    - Bio Energy: 77.2%
    - Engineering: 17.3%
    - Hi Purity: 5.5%
8. The order backlog stood at Rs. 3241.7 Cr with 84.5% being domestic orders at end of this quarter.
9. EBITDA margin in Q1 FY23 was at 7.64%, down by 28 bps YOY.

Investor Conference Call Details:

1. Management expects another 400-500 crore-litre capacity to meet the EBP20 targets by 2025.
2. Management states that ethanol blending in India has crossed 10% mark in this quarter.
3. On 2G front, company is in the final stage of commissioning project with IOCL and it will begin its operation by the end of this year.
4. The company is commissioning its first project in Brazil based on low carbon and low energy intensity ethanol.
5. Praj was awarded with prestigious Golden Peacock Award in the Innovative Product and Service category for their ground-breaking product BIOSYRUP.
6. Praj was featured in THE NEXT 500 Fortune India in the Engineering sector.
7. According to the management, the beer consumption in brewery business has surpassed the pre pandemic levels
8. As global player are heavily investing in blue & green hydrogen project, company has added additional capacity at Kandla to cater this demand, which will helps CPES business of the company.
9. The management states that CBG products are in double digit IRR which makes them commercially attractive and enable banks to finance them.
10. The company has commissioned a CBG plant based on industrial effluent as a feedstock.
11. Management states that, in CBG segment company has not received any fresh order in this quarter
12. The company is going to see pressure on margin for at least one more quarter due to rising commodity prices.
13. In PHS segment, company made a few initial breakthrough in fermentation space.
14. Company is planning to address the demand of high purity water in pharmaceutical and semi-conductor industries.

Analyst's View

Praj is one of the global market leaders in the bio-based technologies and engineering space. Despite rise in commodity prices and macro factor, the company continues to deliver strong growth of revenue over 89% YoY in this quarter. Ethanol-blended diesel is also now up to BSIV norms and should become commercially viable once it can meet BSVI norms. It remains to be seen how long the momentum for Praj will continue and how long will it take for the 2G and ethanol-blended diesel to become commercially viable. Sustainable Aviation Fuel (SAF) space is also gaining traction on back of rising environment awareness and climate changes action. Nonetheless, given the company's strong track record, strong tailwinds of the industry, the ambitious govt target of reaching 20% blending by 2025, and the rising international acceptance of biofuels as a credible alternative for reducing emissions, Praj Industries remains a pivotal Pick & Shovel play on the ethanol and biofuel sector that every investor should watch out for.

SIS Q1FY23

Financial Results & Highlights

Introduction

Security & Intelligence Serv.(India)is directly and indirectly engaged in rendering security and related services consisting of manned guarding, training, and indirectly engaged in paramedic and emergency response services; loss prevention, asset protection and mobile patrols; facility management services consisting of cleaning, housekeeping and pest control management services in the areas of facility management; cash logistics services consisting of cash-in-transit, ATM cash replenishment activities and secure transportation of precious items and bullion; and alarm monitoring and response services consisting of trading and installation of electronic security devices and systems through its subsidiaries, joint ventures and associates.

	Quarterly Performance										
	SIS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**2,210**	**2,167**	**2,158**	**2,358**	**2,445**	**2,379**	**2,431**	**2,601**	**2,648**	**2,678**	**10,358**
% Growth YOY					*11%*	*10%*	*13%*	*10%*	*8%*	*13%*	
Expenses	2,074	2,046	2,028	2,211	2,322	2,259	2,309	2,471	2,524	2,557	**9,861**
EBITDA	**136**	**121**	**130**	**147**	**123**	**121**	**122**	**129**	**124**	**121**	**497**
Depreciation	33	29	28	28	29	27	26	28	30	29	**113**
EBIT	103	92	101	119	95	94	96	101	95	92	**384**
EBIT Margin	*5%*	*4%*	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	
Interest	39	37	33	29	28	25	25	25	25	25	**98**
Other Income	50	23	67	38	74	12	8	28	9	7	**53**
Profit before tax	**115**	**78**	**135**	**129**	**141**	**81**	**80**	**104**	**79**	**75**	**338**
PBT Margin	*5%*	*4%*	*6%*	*5%*	*6%*	*3%*	*3%*	*4%*	*3%*	*3%*	
% Growth YOY					*23%*	*4%*	*-41%*	*-19%*	*-44%*	*-8%*	
Tax	119	20	27	30	39	21	11	4	-18	-8	**-11**
Net profit	**-4**	**57**	**108**	**99**	**102**	**59**	**68**	**101**	**97**	**82**	**348**
% Growth YOY					*#####*	*4%*	*-37%*	*2%*	*-5%*	*39%*	

Detailed Results:

1. Consolidated sales grew by 12.6% YoY & 1.1% QoQ whereas PAT remained flat.
2. EBIDTA margins for the quarter were 4.5%.
3. OCF to EBIDTA was 4.2%
4. Net debt to EBITDA was at 1.5 times in Q1.
5. EBITDA for the quarter saw a 3% decline QoQ and flat growth on YoY basis.
6. Return on Equity for the period is 17.7%.
7. The Contribution towards group revenues & EBIDTA -

I. Security solutions India – 39.5% & 34.6% (EBIDTA% @4%)
II. Security solutions International – 45% & 49.2% (EBIDTA% @ 4.9%)
III. Facility management solutions – 15.9% & 16% (EBIDTA% @ 4.5%)
IV. Cash logistics EBIDTA% @ 14.4% (Highest Ever)

Investor Conference Call Highlights:

1. The management states that margins expanded by only 20 Bps due to higher start-up costs.
2. The management expects the gross margins to revert to 5.5-6%.
3. The management explains that OCF/EBIDTA of 50% is the firm's target and unlike other companies, the company shouldn't have a 100% rate otherwise that would mean fewer organic growth opportunities.

4. The management is guiding to maintain net debt/ EBIDTA of 1.5× even in coming years since that is beneficial for its ROE metric.
5. The company saw 8% QoQ growth in its cash biz & expects this year to be exciting for that segment in terms of revenue growth & margins.
6. The management believes that FY23 will be the best year of growth for FM segment in the company's history.
7. The management expects margins in international biz to go back to 4.5% while revenues to stabilize citing the low contribution of covid-related revenue being set off by regular business revival.
8. The Australian labor Govt. Have come up with a 4.5% wage hike which will be beneficial to the company's yield & revenue after 2-3 quarters.
9. The company avoids bodyguard services and others such as premium services because of lack of scalability and the personalization requirement being fairly high there.
10. The management states that the company is investing in the future of security through various means and also looking to enhance value-added to customers through the use of technology.
11. The management doesn't believe that the manpower element of security will fade despite growth in security-related technology.
12. The company's acquisition of Hendersen didn't turn fruitful since it was bought just before covid where the reported margins were very high Vs the recent times coupled with the fact that the company is loss-making. However, Management expects to turnaround the biz using $25 million surplus cash in the books of hendersen.

Analyst's View:

SIS is the market leader in security, cash logistics, and facilities management in India. The company saw a mixed quarter with revenues rising almost 12.6% YoY while profit was almost flat. The management states that it was mainly due to start-up costs undertaken in Q1. The management is expecting significant market expansion in the future for SIS from the anticipated demand for surveillance in upcoming infra projects and the ongoing construction boom. The company is also looking to expand its target market segments to include IT parks, and malls. The new business line of surveillance setup and maintenance only is also expected to do well in the future. It remains to be seen what obstacles SIS will face during expansion into new segments and whether international growth will come about as expected. Given the market leader status of the company in its operating segments of facilities management and security and the promise of an ever-increasing market opportunity due to the infra boom in India, SIS is a critical stock to look for in the security and facility management space.

QSR
Barbeque Nation Q1FY23

Financial Results & Highlights

Brief Company Introduction

Incorporated in 2006, Barbeque Nation is one of the leading casual dining chains in India. Barbeque Nation Hospitality Limited (BNHL) is a pioneer in "over the table barbeque" live grills embedded in dining tables. Having a significant presence in India's hospitality sector, Barbeque Nation is one of the most visited and widely recognised restaurant brands in the rapidly growing casual dining restaurant market of India. As on 31st March 2020, BNHL had a chain of 150 restaurants across 77 cities and towns in India. It is operating 6 restaurants in International markets of Middle east and Malaysia. Brands that company has are Barbeque Nation India, delivery segment, Toscano and Barbeque National International.

Standalone financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	276	86	220%	223	%	453	761	68%
PBT	16	-48	-	-3	%	-90	36	-
PAT	11	-36	-	-2	%	-70	-22	-
Consolidated financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	315	102	308%	257	22.5%	507	861	70%
PBT	21	-24	-	2	105%	-112	-32	-
PAT	15	-38	-	0.4	3750%	-90	-26	-

-

Detailed Results

1. Company's consolidated quarterly revenues crossed Rs. 300 Crores for the first time in the history of Barbeque Nation, which is around 3x of previous year Q1.
2. Net cash of Rs 66 crores.
3. The company reported a healthy EBITDA margin of 23.3%.
4. On a sequential quarter basis, the company grew 25.4% driven by growth in volume and average realization.
5. Company reported strong SSSG year-on-year of 182% as compared to the previous quarter of 19.8%.
6. Barbeque Nation's dine-in to delivery mix changed in favor of dine-in. Dine-in segment has grown around 6x versus the previous year and 32% versus the previous quarter.
7. Company reported a gross margin of 66.8%.
8. Company reported an EBITDA of Rs. 73.4 Crores in 1QFY2023 delivering a healthy margin of 23.3% while adjusted EBITDA was Rs 46 Crores, delivering 14.6% margin.
9. Incremental capex of around Rs 37 Crores have been done- Rs 3 Crores on maintenance capex and around Rs 34 Crores on new sites. Rs 3 Crores is the net increase in cash balance.

Investor Conference Call Highlights

1. Highest Revenue was driven by targeted efficiency projects, better cost management, calibrated price increase and change in business mix towards dine-in.
2. The company wants to build one of India's largest food service companies owning its restaurant brands.
3. Company has added nine new restaurants taking the total India network to 176 number of restaurants.
4. Management commented that their India business is growing by higher covers and higher realization per cover.
5. Management plans to cross 200 outlets of Barbeque Nation in India in this financial year.
6. International business is the highest margin business in our portfolio with store margins of over 25% plus, looking to add 2-3 restaurants this year.
7. Toscano business has grown by around 54% versus the previous quarter and plan is to add around five more restaurants this year. Toscano delivered healthy store margins of 23% plus in this quarter.

8. Total 195 restaurants as on June 30, 2022, around 80% restaurants are matured i.e. more than two years old. This matured portfolio delivered annualized sales of around Rs. 7 Crores per outlet with store margins of 21.5%.

9. Company has a robust under-construction pipeline and a strong pipeline of work-in-progress sites and is progressing well towards its target of 40 restaurants in FY2023.

10. Q2 is unfortunately the weakest quarter, this has Shravan, Shradh, even Durga Puja, Navratri, all in this quarter, this is actually not good for nonveg consumption in India and that impacts us definitely. The best quarter for company is Q3 followed by Q4, Q1 and then Q2.

11. Barbeque Nation is actually working on a dedicated delivery only online biryani brand. This is at a stage wherein this month company should pilot it in a few locations and depending on the success there will take it up pan India.

12. Management is exploring franchising in few of the geographies, but the lead timing one these are really very high.

13. Most of the IT corporates also are not fully back. So, weekday lunch business is still slightly lower than what company used to do on a pre-COVID basis. Apart from that, on the weekend side or on the friends and family segment side, management believes they are pretty much sorted here.

14. Company is planning to add up to 300 outlets in the next couple of years.

15. Management guided that they want to make delivery as at least 20% of your overall business. The focus first is to increase average daily sales from the existing network which is now close to 195, once this goes up and individually this can sustain in extension kitchen also then adding more extension kitchen is not a problem.

16. Management believes capex of around Rs.130 Crores to Rs.140 Crores for stores addition.

17. Employee attrition rate higher than the usual numbers during the COVID times, a lot of international hires, cruise lines etc. were not hiring - those avenues have opened up for a lot of people.

18. Company has taken around 4% to 5% price hike in the current quarter, which was actually taken in the month of April and May spread across the two months.

19. Management believes the inflation trends on COGS won’t put any significant risk to gross margins.

Analyst's Views

Barbeque Nation is one of the most recognizable casual dining restaurant chains in India. The company has done well to get back the dine-in sales to above pre-covid levels and to ramp up its delivery business which has seen 4.7 million cumulative downloads. The company has opened up 9 new units in Q1FY23 so far and 40 more are on the roadmap for this year. It remains to be seen what obstacles will the company face in expanding the new restaurant chain and whether it will be able to scale up its delivery business in competition to 3rd party delivery majors like Dominos, Swiggy and Zomato. With the reduction in the total debt, the annual interest and repayment obligation has reduced considerably, leading to the availability of internal accruals for opening new outlets. Nonetheless, given the good brand recall, wide geographical reach and the vast potential of the Indian Food Services sector, Barbeque Nation is an interesting stock to watch out for.

Restaurant Brands Asia (Burger King India) Q1FY23

Financial Results & Highlights

Brief Company Introduction

Burger King India Ltd is an international QSR chain in India. It started operations in 2014 and has established 328 restaurants across major cities. Restaurant Brands Asia has exclusive rights to develop, establish, operate, and franchise Burger King branded restaurants in India as a master franchisee.

Standalone Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	347	153.4	125.95%	278	24.63%
PBT	-23	-44.4	-48.87%	-13	71.97%
PAT	-23	-44.4	-48.87%	-13	71.97%
Consolidated Financials (In Crs)					
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Sales	502	N.A	-	409	22.74%
PBT	-51	N.A	-	-81	-37.16%
PAT	-48	N.A	-	-67	-29.10%

Detailed Results

1. The company revenue from operation grew by 125% YOY and 25.4% QoQ.
2. The company has achieved SSSG of 66% in Q1 FY22 ADS and 21% in FY22 ADS.
3. GPM improved by 120 basis points YOY to 66.4% in Q1 FY23 and 30 basis points in QoQ despite inflationary pressure.
4. Restaurant EBITDA stood at Rs 49.9 Cr; 14.8% for Q1 FY23 and improved by 410 basis points YoY.
5. Company EBITDA stood at Rs 33.2 Cr; 9.9% for Q1 FY 23 and improved by 880 basis points YoY.
6. As of 30 June 2022, Company has a total of 328 restaurants and 86 BK Cafe.
7. Company has 3.7 Mn App installs.
8. BK App Delivery revenue by 13% QoQ.
9. Indonesia's business revenue has increased by 16.2% QoQ
10. GPM for Indonesia has improved by 140 basis points over FY 22 to 59.9% in Q1 FY23

Investor Conference Call Highlights

1. The company has 19 restaurants under construction while 40 restaurants are in the pipeline.
2. The company opened 13 restaurants in Q1 FY23.
3. The company made an upfront investment for the development of a celebrity-led campaign which resulted in incremental marketing spending of 220 basis points in Q1 FY23
4. The ADS recovery in Indonesia business is 78% and Management expects to fully recover by September.

5. The company spends zero rupees on buying paid followers, so all of the followers on those social media are organic fans.
6. Because of the strong loyal base company has an engagement rate of 10-12% compared to an industry average of about 4-6%.
7. The company witnessed 14% QoQ growth in App traffic with an MAU of 753k.
8. The company's investment in the marketing campaign results in a 20% growth in dine-in traffic.
9. The company opened 51 BK Café in Q1 FY23 and brought a total of 129 Café.
10. Company has signed master franchise agreement for Popeyes in Indonesia and plan to open 300 restaurants in the first 10 year and as per requirement company has made initial investment of USD 5 million
11. The management expects to open 370 stores and 200 BK Cafés by the end of March 2023
12. The management expect SSSG to grow 25% by September.
13. The management outline four key growth driver for the business in long term a. Strong Value Proposition b. Differentiated & Relevant Menu c. Incremental sales & Occasions sales d. Digital Delivery Ecosystem
14. The company has opened the first 100% Veg BK restaurant in the world with a no garlic and no onion menu.
15. Company is planning to open more Freestanding Drive-through (FSDT) locations in Indonesia as they are better margin profiles compared to malls.

Analyst's Views

Burger King is one of the leading QSR chains around the world. Restaurant Brands Asia is the master franchisee of Burger King in India. The company has delivered a strong quarter with revenue rises of 125% YoY and 25% QoQ. Going forward BK Cafés are likely to be a key growth driver in addition to the business recovery in Indonesia. The company also faces a lot of competition from a historical player so it would be interesting to see how the company handles this challenge and expand its business. Nonetheless, given the high potential of the QSR sector, the strong brand of the Burger King franchise, and the rapid planned expansion of the company, Restaurant Brands Asia is a pivotal QSR sector stock to watch out for.

Devyani International Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

Devyani International is the largest Franchisee of Yum! Brands and operates the highest outlets of KFC, Pizza Hut, Costa Cofee and Vaango stores. in India, and the company is the largest operators of quick-service restaurants chain in India. It operates 1008 stores across 215 cities in India, as of June 30, 2022. Devyani International Ltd is part of RJ Corporation started by Ravi Kant Jaipuria in 1991. RJ Corp is a powerhouse multinational with thriving businesses in beverages (Varun Beverages) fast-food restaurants (KFC, Pizza Hut, Costa Coffee) retail, ice-cream, Livestock (Cream bell, Daima) healthcare (Medanta Afri care) and education with a presence across 26 Nations through its subsidiaries.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	634	311	104%	530	20%	999	1853	85%
PBT	68	40	70%	38	79%	-65	112	-
PAT	68	40	70%	79	-14%	-65	153	-
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	704.7	352.8	100%	590.7	19%	1198	2,084	74%
PBT	77.1	33.4	130%	42.5	81%	-82.4	123	-
PAT	74.8	75.9	-1.45%	-		-81.3	155	-

Detailed Results:

1. Company posted consolidated revenues of Rs. 705 Cr, nearly 2x the corresponding figure for the last year.
2. KFC contributed Rs. 425 Cr and Pizza Hut contributed Rs. 165 Cr.
3. PAT at Rs. 74.8 crores.
4. In Q1 FY23, Gross Margin stood 71.1%.
5. Company has reached an important milestone of 1,000 stores this quarter.
6. In FY23, company added 70 net new stores in the quarter, led by 27 stores in KFC, 23 stores in Pizza Hut and 14 stores in Costa Coffee.

Investor Conference Call Highlights

1. The non-metro store contribution within Core Brands has gone up to 52% now.

2. With current run-rate of store openings, plan to double store count in 4-5 years.

3. Tax charge expected from Q3' FY23 on strong profitability.

4. Net New Units at 70 in Q1. Margins maintained despite inflationary headwinds. Dine-in recovery in the business.

5. Core Brands Stores in- Total Metros- 427 (48%) and Total Non-Metros- 469 (52%).

6. In Q1FY23, ADS: Average Daily sales (Figures in '000)– KFC- 127, PH- 44 and Costa Coffee- 36.

7. KFC launched the popcorn nachos an innovative blend of tender chicken popcorns served on a bed of crunchy nachos. Pizza Hut launched the flavor fun pizza range just last week.

8. Notwithstanding the current economic situation, Company remains excited about the long-term potential of our brands and the food services sector in India.

9. Management stated that One needs to understand that even with 100 stores for KFC and 100 for Pizza Hut, the business is gravitating more towards KFC. The capex per store for KFC is higher than the capex per store for Pizza Hut. The ADS for KFC is almost 2.5 to 3 times the ADS of Pizza Hut. The return on investment is also better for KFC versus Pizza Hut. So, while let say even when headline number the additions looks similar, KFC as a brand is kind of becoming stronger in the overall portfolio that they have.

10. KFC margins looked more or less stable but in case of Pizza Hut (PH) margins are actually moving up, as in PH company took the price hike a little ahead of the input inflation.

11. Management wanted Pizza Hut as a brand, was to restructure the brand and to turn it around and then to start growing the brand. At the IPO stage that company talked to close large format stores replacing it with smaller format which worked very well for them. With this renewed strategy, they have opened lot of stores, and they are doing well while response also seems to be encouraging.

12. Management believes be competitively positioned as far as Starbucks is concerned and their coffee is loved by everybody in the country and the opportunity for coffee is very large - it is huge. Pricing would be done similar to Starbucks.

13. For Vaango, the speed of opening will be much faster than what they have been doing and store would be coming in the right location. Vaango seems to work well where there is a captive consumption.

14. Management stance on going forward, "QSR as a category is highly under penetrated in the country. And if you have to really cover the population and we have to grow the store count and we have to kind of, take the industry to a different level, then we have to be kind of reasonable in terms of our gross margin expectations, and yet ensure that it gives us a good ROI and return on equity for the investors."

15. Management take in Vaango's expansion company's bigger focus was on KFC and Pizza Hut as they were opening lot of stores. Vaango is giving them good margins, they will be focusing and opening all the new Vaangos in the territories and locations where it works for them.

16. Management aspires PH to have same kind of margin as KFC, but that is a long haul.

17. Company have managed to improve the delivery timelines, 70% to 80% of the orders are delivered within 30 minutes. Therefore, with higher penetration as they are opening the stores, delivery times automatically are becoming better.

18. Non-metro continues to be favorable as far as the rent to revenue ratio is concerned.

Analyst's View:

The company intends to create a leaner and profitable business due to which they have moved out of most concession agreements at Airports. The company is moving towards a leaner business model with a shift toward delivery model and smaller store formats for KFC and Pizza Hut. In line with its leaner business model strategy, the company has shut down airport concession stores and 61 non-performing stores to improve efficiencies in the business. Existing urban centers and the upcoming ones are expected to be the consumption hotspots, supported by increasing urbanization of our population and the growth in disposable income. Changing lifestyles should also provide strong tailwind for an increase in the frequency of non-home cooked food consumed by families. Management believes that they are well positioned and capitalized to leverage this opportunity. Company is in aggressive expansion mode of small format store and with more consumption of fast food and rising dine-in cult with lot of young population in the country, company seems to have the hunger to capitalize the most out of the this growing trend.

Jubilant Food works Q1FY23

Financial Results & Highlights

Brief Company Introduction

Jubilant FoodWorks Limited is an Indian food service company based in Noida, Uttar Pradesh which holds the master franchise for Domino's Pizza in India, Nepal, Sri Lanka and Bangladesh, for Popeyes in India, Bangladesh, Nepal and Bhutan, and also for Dunkin' Donuts in India. The company also operates two homegrown restaurant brands called Ekdum! and Hong's Kitchen. Jubilant FoodWorks is a part of the Jubilant Bhartia Group, owned by Shyam Sunder Bhartia and Hari Bhartia.

	Quarterly Performance										
	JUBILANT FOODWORKS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**909**	**388**	**816**	**1,069**	**1,038**	**893**	**1,116**	**1,211**	**1,176**	**1,255**	**4,758**
% Growth YOY					*14%*	*130%*	*37%*	*13%*	*13%*	*41%*	
Expenses	740	364	600	789	787	681	829	894	902	962	**3,588**
EBITDA	**169**	**25**	**216**	**280**	**251**	**212**	**287**	**317**	**274**	**293**	**1,170**
Depreciation	94	93	105	90	88	91	93	103	106	107	**409**
EBIT	75	-68	111	190	163	121	195	214	168	186	**761**
EBIT Margin	*8%*	*-18%*	*14%*	*18%*	*16%*	*14%*	*17%*	*18%*	*14%*	*15%*	
Interest	41	42	42	41	38	42	42	45	46	47	**181**
Other Income	8	13	31	16	13	11	8	11	12	11	**42**
Profit before tax	**42**	**-98**	**101**	**165**	**138**	**90**	**161**	**179**	**134**	**149**	**623**
PBT Margin	*5%*	*-25%*	*12%*	*15%*	*13%*	*10%*	*14%*	*15%*	*11%*	*12%*	
% Growth YOY					*228%*	*-192%*	*60%*	*8%*	*-3%*	*66%*	
Tax	10	-23	25	41	33	21	41	46	38	37	**161**
Net profit	**33**	**-74**	**76**	**124**	**105**	**70**	**120**	**134**	**97**	**113**	**464**
% Growth YOY					*218%*	*-194%*	*58%*	*8%*	*-8%*	*62%*	

Detailed Results

1. Consolidated Revenues in Q1 have increased by 44% YoY.EBITDA margins expanded by 49Bps YoY to 24.6%.
2. The company opened 58 new Domino's stores along with 2 new stores each for Popeyes and Hong's Kitchen.
3. Sales growth In Srilanka & Bangladesh stood at 83% & 49% respectively & opened one new outlet in both the countries.
4. GPM decreased by 52 Bps to 76.7% while PAT margins stood at 8.1%
5. Like-for-like (LFL) growth for the quarter stood at 28.3% YoY.
6. The company had 8.2 Mn app installs in Q1FY23.
7. Online ordering accounted for 97.7% of total delivery sales in Q1.

Investor Conference Call Highlights

1. The company came up with it own loyalty program-Domino's cheesy rewards wherein the customer will be provided with a free pizza after every sixth eligible order.
2. The company's srilankan operation has taken an impairment charge of INR 266 million in the quarter considering the crisis in the country.
3. The company launched a new product line- paratha pizza.
4. The company is on track to open 20-30 new stores of Popeyes in a quarter.
5. The company closed stores 9 stores in aggregate of Hongs,Dunkin donuts & Ekdum as it dabbled with a concept of DELCO where a single store outlet had all the three brands , but due to lack of good response in the form of expected revenues, company dropped the plan & shut these stores.

6. The management is focused on making Dunkin donuts a coffee first brand & thus repositioning it as Dunkin.
7. The management believes that because of acquisition of 100% in its Bangladeshi subsidiary, it expects the ramp up in the country to be quicker going forward.
8. The company took a price hike in April.
9. The management believes that product innovation helps in improving incremental consumption from existing customers coupled with classifying customers into several categories.
10. The company has sidelined its plan of national roll out of Hong's kitchen for the next 2-3 quarters & focus extensively in driving store economics in the NCR region.
11. The company is piloting a concept of supplying buns and cookies through the HoReCa channel.
12. The management states that it saw delivery growth in QoQ & YoY basis mainly due to increased volumes.
13. The company saw strong growth in dine in & is now close to 100% pre covid revenues when it comes to dine in.
14. The management is confident of maintaining the current levels of profitability of close to 25% despite the inflationary environment.
15. The impairment charge in Srilanka is accounting related due to depreciation currency & increase in interest rates which led to fall of some past investments made by the company.

Analyst's View

Jubilant Foodworks is the largest QSR player in India with the master franchise of Dominos. It also holds the licenses for Dunkin DOnuts and Popeye's Chicken. The company has seen impressive recovery post the pandemic and has seen Q1FY23 revenues rise 41% YoY. The company continues to focus on superior delivery times and shrinking operating areas to be able to deliver within 20 mins. The management is also very optimistic on the future of the Popeye's franchise in India and is building a custom delivery network for this brand. It remains to be seen what issues will the company face in expanding Popeye's, how will the cope up with increased competition coupled with inflationary environment and whether they will be able to compete in terms of delivery times with the other food delivery majors like Swiggy and Zomato. Nonetheless, given the strong market position of the company, the future potential of the QSR sector and the introduction of Popeye's in India, Jubilant Foodworks is a pivotal QSR and food services stock to watch out for.

Technology
Intellect Design Arena Q1FY23

Financial Results & Highlights

Brief Introduction:

Intellect Design Arena is a global leader in Financial Technology for Banking, Insurance and other Financial Services. It is positioned at the forefront of the digital transformation that global banks are looking for in a connected world. Intellect's robust iDigital platform enables products across four distinct lines of businesses: Global Consumer Banking (iGCB), Risk, Treasury & Markets (iRTM), Global Transaction Banking (iGTB), Central Banking and Insurance (Intellect SEEC). Deep banking domain expertise, coupled with investments of Rs 800 Crores over the last ten years in developing the world's first full spectrum of banking products has made Intellect the company with one of the most advanced technologies for financial institutions and global businesses.

	Quarterly Performance										
	INTELLECT DESIGN ARENA LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**358**	**346**	**372**	**382**	**398**	**408**	**452**	**508**	**509**	**541**	**2,011**
% Growth YOY					*11%*	*18%*	*22%*	*33%*	*28%*	*33%*	
Expenses	302	284	286	286	298	313	337	378	389	429	**1,533**
EBITDA	**56**	**62**	**86**	**96**	**100**	**95**	**115**	**130**	**121**	**113**	**479**
Depreciation	19	19	19	19	20	23	24	25	27	28	**103**
EBIT	37	43	67	77	80	73	92	105	94	85	**376**
EBIT Margin	*10%*	*13%*	*18%*	*20%*	*20%*	*18%*	*20%*	*21%*	*18%*	*16%*	
Interest	4	4	3	1	1	1	1	1	1	1	**4**
Other Income	9	8	2	10	11	16	0	11	26	10	**47**
Profit before tax	**42**	**47**	**66**	**86**	**90**	**88**	**91**	**115**	**120**	**93**	**418**
PBT Margin	*12%*	*14%*	*18%*	*23%*	*23%*	*22%*	*20%*	*23%*	*23%*	*17%*	
% Growth YOY					*113%*	*87%*	*36%*	*33%*	*33%*	*6%*	
Tax	1	5	7	6	8	14	11	14	24	24	**73**
Net profit	**41**	**43**	**59**	**80**	**82**	**74**	**80**	**101**	**95**	**69**	**345**
% Growth YOY					*100%*	*74%*	*34%*	*26%*	*16%*	*-7%*	

Detailed Results:

1. The company had a great quarter with consolidated revenues rising 33% YoY while PAT degrew 7% YoY.
2. License-linked revenues increased by 18% YoY. AMC revenues were up 28% YoY in Q1.
3. License revenue decreased by 3% while platform biz grew by 47%.
4. The gross margin was at 55.6% which is down 60 Bps YoY.
5. EBITDA margin decreased by 290 Bps YoY to 21.6% while EBIDTA grew by 17% YoY.
6. The Net Days of Sales Outstanding (DSO) is 114 days in Q1.
7. The current deal pipeline is sitting at Rs.6220 Cr. It has 64 destiny deals having an average deal size of Rs 47.9 Cr which accounts for 65% of total opportunities.
8. The company had 10 new deals including 5 in platform businesses.
9. The large deals in Q1 include -

A. A leading private sector bank in Africa signed on iGCB's Intellect Digital Core platform

B. signed a deal with one of the oldest serving banks in Tanzania for iGCB's Intellect Digital Lending Platform - iKredit360

C. One of the Top 5 banks in India has signed a large digital transformation deal for Intellect's WealthQube for managing the complete lifecycle of the bank's Wealth Management

D. One of North America's leading risk management and the insurance company has chosen iSEEC's Magic Submission

E. Two Quantum Central Banking Product Deal wins in this quarter

Investor Conference Call Highlights:

1. The company suffered a loss of one and a half $1Mn because of the currency drop in the Europe region.
2. The quarterly costs for the current quarter were higher due to the reinstatement of travel costs post-COVID, the tax rate of around 26%, and added costs of Platform and R&D.
3. The management explains that its license biz is not recurring whereas its platform & platform alike biz (where it charges a % of transaction fees) coupled with AMC is recurring biz.
4. The company incurs 5 million annually as an investment in its platform like GEM which requires at least 3-4 years to get 5-7 clients which will help in attaining break even.
5. The management expects growth of 50% in the US market due to strong traction for its Xponent & iGTB platform where this product can be installed/ new customers can be onboarded within 3 months.
6. In UAE, 7 out of 9 Top banks are the company's customers while it has 5 customers in Saudi.
7. The company has partnerships with 9 banks in Vietnam & Philippines, 7 banks in Malaysia & 4 in Indonesia.
8. The company saw a QoQ drop in Saas revenues due to higher volumes from GEM in Q4.
9. The capitalized amount for the quarter stands at Rs.35 Crs.
10. The company expects margins to range around 20-25% Vs earlier guidance of 25-30% due to higher investments.
11. The company aims to achieve a quarterly run rate of $100 million within the next 8-12 quarters.
12. The management believes that the attrition has cooled post-May due to lower hiring from startups.
13. The management believes that the company is an IP-led company And monetization of IP through new and innovative business models which is the core DNA of this organization.
14. The management is doing major investments which will affect its margins in the short term since it believes that "Being a young company like ourselves, our priority is obviously to populate the market with as many products and platforms as we can in the next few years"
15. The company is seeing healthy growth for Quantum across the global markets.
16. The management states that its core banking product is moving from phase 2 to phase 1. It is seeing strong traction in the form of 4 wins in the previous quarter.
17. The management isn't giving any guidance but it believes that the business is designed to deliver 20% growth annually.

Analyst's View:

Intellect Design Arena is a fast-rising disruptor in the world fintech space. The company's products are well received all over the world which is evidenced in the diverse set of geographies and financial institutions that they cater to. The company has had a poor quarter with 33% Yoy revenue growth and 7% Pat degrowth owing to currency impact & lower margins. Intellect is also looking to set up a Rs 100 Cr AIF to invest in growing fintech businesses that may leverage its platforms It remains to be seen how will the company maintain its growth momentum given the higher employee salaries, attrition rates and more travel-related expense which might hurt its margins. Nonetheless, given the acceptance of the company's products in all kinds of financial institutions worldwide and its high customer retention rate and accelerated implementation time for its projects, Intellect Design Arena remains a stock to watch out for in the financial software industry.

L&T Infotech Q1FY23

Financial Results & Highlights

Brief Introduction:

Larsen & Toubro Infotech Limited, a technology consulting and digital solutions company, provides information technology services and solutions in India, North America, Europe, the Asia Pacific, and internationally. The company operates through Banking, Financial Services & Insurance; Manufacturing; Energy & Utilities; High–Tech, Media & Entertainment; and CPG, Retail, Pharma & Other segments. It offers application development, maintenance and outsourcing, enterprise solution, infrastructure management, testing, digital solution, and platform-based solution services. It is a subsidiary of Larsen & Toubro Limited.

	Quarterly Performance										
	LARSEN & TOUBRO INFOTECH LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**3,012**	**2,949**	**2,998**	**3,153**	**3,269**	**3,463**	**3,767**	**4,138**	**4,302**	**4,523**	**16,729**
% Growth YOY					*9%*	*17%*	*26%*	*31%*	*32%*	*31%*	
Expenses	2,434	2,357	2,313	2,421	2,554	2,815	3,034	3,307	3,455	3,692	**13,488**
EBITDA	**578**	**592**	**686**	**732**	**716**	**648**	**733**	**831**	**846**	**831**	**3,242**
Depreciation	75	78	90	82	83	80	85	89	102	107	**382**
EBIT	503	514	596	650	633	568	648	743	745	724	**2,860**
EBIT Margin	*17%*	*17%*	*20%*	*21%*	*19%*	*16%*	*17%*	*18%*	*17%*	*16%*	
Interest	22	21	19	20	19	18	17	19	19	17	**73**
Other Income	70	66	37	69	103	122	111	100	134	144	**489**
Profit before tax	**551**	**559**	**613**	**699**	**717**	**672**	**742**	**824**	**860**	**851**	**3,276**
PBT Margin	*18%*	*19%*	*20%*	*22%*	*22%*	*19%*	*20%*	*20%*	*20%*	*19%*	
% Growth YOY					*30%*	*20%*	*21%*	*18%*	*20%*	*27%*	
Tax	124	143	156	180	171	175	190	211	222	217	**840**
Net profit	**427**	**417**	**456**	**519**	**545**	**496**	**552**	**612**	**637**	**634**	**2,434**
% Growth YOY					*28%*	*19%*	*21%*	*18%*	*17%*	*28%*	

Detailed Results:

1. The company had a great quarter with 30.6% YoY growth in consolidated revenues and 27.7% YoY growth in consolidated profits.
2. The constant Currency Revenue increase was at 2.9% QoQ and 26.6% YoY in Q1.
3. USD revenues saw a growth of 23.4% YoY & 1.7% QoQ.
4. EBITDA margin fell by 130 bps QoQ to 18.4% in Q1.
5. Revenue breakup in Q1 by vertical is:
    1. BFS: 34.2% (Up 31.5% YoY)
    2. Insurance: 13.7% (Up 16.1% YoY)
    3. Manufacturing: 14.4% (Up 18.3% YoY)
    4. Energy & Utilities: 8.8% (Up 19.7% YoY)
    5. CPG, Retail & Pharma: 10.2% (Up 17.1% YoY)
    6. Hi-tech, Media & Entertainment: 11.6% (Up 12.8% YoY)
    7. Others: 7.2% (Up 50.4% YoY)
6. Revenue breakup by Service Offerings is:
    1. ADM and Testing: 34.5% (Up 25.3% YoY)
    2. Enterprise Solutions: 28.6% (Up 14.9% YoY)
    3. Cloud Infrastructure & Security: 12.8% (Up 6.3% YoY)
    4. Analytics, AI & Cognitive: 13.7% (Up 44.3% YoY)
    5. Enterprise Integration & Mobility: 10.4% (Up 47.3% YoY)
7. Geographical breakup is North America @ 68.1%, EU @ 15.8%, RoW @ 8% & India @ 8.3%.

8. Top 5 clients account for 29% of revenue, Top 10 account for 40.4% of revenue & Top 20 account for 55.7% of revenue.
9. The company has added 29 new clients in Q1.
10. Effort Offshoring is at 84.9% while offshore revenues are at 61.3%.
11. Utilization including trainees is at 81.3% and excluding is at 81.8%
12. The attrition rate for the quarter stood at 23.8%.
13. Cash and Cash equivalents as of the end of Q1 were at Rs 410.3 Cr.
14. Recent deal wins of L&T Infotech are:
    1. Selected by a Global Fortune 500 energy company for management and implementation of a safety program across their operations
    2. - Chosen by a global organization present in over 130 countries involved with protecting human rights to transform their data management, collaboration and communication solutions, digital experience, and ERP landscape
    3. - Engaged by a Global Fortune 500 technology company to develop, support, and enhance solutions for products on their hybrid cloud and AI platforms
    4. - One of the largest financial institutions in the Middle East has selected LTI for a multi-year managed services contract to transform their channels landscape under the "Change the Bank" initiative
    5. - A Global Fortune 500 food and services company has chosen LTI for a managed services deal to provide support and enhancements for SAP applications, Anaplan, and other AWS Infrastructure and security apps –
    6. Selected by a full-service broker as a strategic partner for managing their mission-critical applications. LTI will perform development, maintenance, and production support services for applications while reducing cost and improving operational efficiency
    7. - Selected to set up automated and integrated governance, risk, and compliance (eGRC) solution for one of the largest Smart Cities coming up in the Middle Eastern region
    8. - Engaged by a Global Fortune 500 technology and manufacturing company to deploy a strategic sales solution across locations to ensure an efficient and smooth sales process
    9. - One of India's largest private sector banks has chosen LTI for managing their Security Operations Center (SOC) using analytics and artificial intelligence for advanced threat monitoring, detection, remediation, and risk management processes
    10. - Chosen by a key group member of an international financial organization to design and architect cloud-native enterprise applications on the Azure cloud platform
    11. - Selected by a large insurance and financial services provider for implementation of Guidewire InsuranceNow platform for several new products and services rollouts to increase efficiency

Investor Conference Call Highlights:

1. The management is very bullish about synergies between Mindtree and the company because of Mindtree's experience in the travel vertical & expertise in customer success coupled with the company's expertise in core modernization.
2. The management states that the current macroeconomic uncertainty is causing some short-term acceleration in demand as most clients want to follow through with their transformation agendas with the budgets that they are currently allocated which augurs well for the company's Q2.
3. The company is planning to hire at least 6,500 freshers in FY23.
4. The management continues to guide stable PAT margins in the range of 14% to 15%.

5. The company's operating margins decreased by 130 Bps QoQ due to an impact of -Negative 300 basis points due to higher employee cost post wage hikes, negative 70 basis points due to increased travel and visa costs which was partially offset by a benefit of 240 basis points coming from productivity benefits, INR depreciation, and absence of pass-through license revenue.
6. The company's Utilization without trainees was at 81.8% Vs 81.5% QoQ and utilization including trainees was at 81.3% Vs 80.1% in Q4.
7. The attrition rate stood at 23.8% Vs 24% QoQ.
8. The billed DSO stood at 61 days Vs 65 days QoQ.
9. The management sees large cross-sell & up-sell opportunities through the merger.
10. The management states that the company's employees are excited about the merger because they are now seeing that there is no redundancy i.e overlap of clients & thus no risk to their role. Also in the future, they have much better opportunities to grow together in the bigger organization.
11. The company is not seeing any slowdown from its BFSI clientele since they are at a multi-year technology modernization cycle which can't be paused midway.
12. The company saw growth of cloud infra and security service(CIS) to be slower for the current quarter due to seasonality in revenue booking.
13. The management believes that the gap between the demand for skilled employees capable in new areas of technology like cloud & their supply will exist globally at least for the next 1-2 years.
14. The management states that since 72% of its biz is B2B, it gives the company an edge over its competitors.
15. The company is seeing strong growth in the European market despite a slowdown due to its presence in right verticals, & good growth from the data and ERP segment.
16. The wage hike for 80-85% of employees are done in the April cycle & the remaining 10-15% involving senior employees got covered in July.

Analyst's View:

L&T Infotech is a major in the digital solutions space in India. The company has done well to maintain its presence in many end industries like BFS, Insurance, Manufacturing, etc, and focus on cloud and data products to drive growth soon. It has had a stellar Q1 with major deal wins. It expects the growth drivers for the IT industry to remain intact due to the demand for core digitization across various industries. LTI is looking to continue hiring as long as it is necessary while keeping the margin profile within the guided range of 14-15%. It remains to be seen how the company will be able to sustain its growth momentum and the increased competition in the tech space, & whether it will face any margin pressure due to the large hiring it is doing coupled with macro-economic issues. Nonetheless, given the company's ever-increasing roster of marquee clients and its focus on driving growth from cloud & data products, L&T Infotech is a pivotal technology stock to watch out for.

Persistent Systems Q1FY23

Financial Results & Highlights

Brief Introduction:

Persistent Systems Limited provides computer programming, consultancy, and related services. It operates through three segments: Technology Services, Alliance, and Accelerite (Products). The company engages in the provision of software products, services, and technology innovation in telecom and product lifecycle management domains, and digital practice; software development, professional, and marketing services; and telecommunication API gateway for defining, exposing, controlling, and monetizing telecom services to partners and application developers, as well as an Internet of Things service creation platform that allows enterprises to add a service layer to the basic APIs exposed to by connected devices, and to expose and monetize APIs. The company serves the banking, financial services, insurance, healthcare and life sciences, industrial, and software and technology industries.

	Quarterly Performance										
	PERSISTENT SYSTEMS LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**926**	**991**	**1,008**	**1,075**	**1,113**	**1,230**	**1,351**	**1,492**	**1,638**	**1,878**	**6,359**
% Growth YOY					*20%*	*24%*	*34%*	*39%*	*47%*	*53%*	
Expenses	799	846	841	893	925	1,028	1,127	1,241	1,357	1,545	**5,269**
EBITDA	**127**	**146**	**166**	**182**	**188**	**202**	**224**	**251**	**281**	**333**	**1,090**
Depreciation	42	44	44	46	42	35	37	43	51	65	**196**
EBIT	85	102	122	136	146	167	187	208	230	269	**894**
EBIT Margin	*9%*	*10%*	*12%*	*13%*	*13%*	*14%*	*14%*	*14%*	*14%*	*14%*	
Interest	1	1	1	1	2	2	2	3	5	8	**17**
Other Income	29	21	17	30	40	39	32	31	42	21	**126**
Profit before tax	**113**	**122**	**138**	**165**	**185**	**203**	**218**	**236**	**267**	**282**	**1,003**
PBT Margin	*12%*	*12%*	*14%*	*15%*	*17%*	*17%*	*16%*	*16%*	*16%*	*15%*	
% Growth YOY					*64%*	*66%*	*58%*	*43%*	*45%*	*39%*	
Tax	29	32	36	44	47	52	56	60	66	70	**252**
Net profit	**84**	**90**	**102**	**121**	**138**	**151**	**162**	**176**	**201**	**212**	**751**
% Growth YOY					*64%*	*68%*	*59%*	*46%*	*46%*	*40%*	

Detailed Results:

1. The company reported a phenomenal sales growth of 44.8% YoY in Q1.
2. PAT grew 40% YoY in Q1.
3. Geographical revenue breakup was:
    a. North America: 78.4%
    b. EU: 8.5%
    c. India: 11.3%
    d. RoW: 1.8%
4. EBIT margin was at 14.3% vs 13.5% a year ago.
5. Segmental growth (excluding top clients) was:

A. Healthcare & life sciences industry- growth of 40.6% YoY.
B. BFSI – growth of 58.3% YoY.
C. Software & Hi-Tech segments- growth of 58.6% YoY.

6. The total contract value (TCV) for the quarter stood at $394 million and the annual contract value (ACV) stood at $263 million.
7. The new booking for the quarter involved TCV of $230.3 million of which ACV component was $139.8 million.
8. New employee additions of 3039 lead to the total employee base of 21,638 people.
9. Blended Utilisation rate stood at 79.5%.
10. Attrition stood at 24.8%.

11. The number of customers in >$5 million category stood at 26 while customers between $1 to 5 million category increased from 93 to 104 on QoQ basis.
12. top 10 clients' contribution to the total revenues stood at 40.7%.

Investor Conference Call Highlights:

1. The current quarter was the first full quarter of consolidation for Data Glove, while MediaAgility was consolidated for a period of nearly 2 months from May 4, 2022.
2. The company's EBIT margin expanded by 30 basis points on a sequential basis despite various headwinds, including continued supply-side challenges, higher travel cost, higher amortization, and visa cost, which happens once a year in Q1.
3. The margin expansion was primarily due to revenue growth & a positive currency impact.
4. The company brought in a total of 3,039 new employees, including 545 from its acquisition of MediaAgility which brings the total employee base to 21,638 at the end of June 2022.
5. The company added 1,950 fresh graduates who are undergoing training in various technology and business areas and will be deployed over the next 3 to 6 months. The company further expects to add another 1,350 fresh graduates in Q2 as a part of its fresher hiring program.
6. The utilization for the quarter stood at 79.5% Vs 80.6% for Q4. This utilization excludes the freshers added during the quarter.
7. The treasury income for the quarter was Rs. 89 million Vs Rs.251 million in the previous quarter while ForEx gain was INR 42 million Vs INR 120 million.
8. The Marginal increase in DSO was due to specific collections spilling over to the first week of July.
9. The management states that the company is not looking to pursue acquisitions for the next 3 to 6 months.
10. The management expects the capex/sales % to come down in the current year from the previous year's level of 7% which was higher due to the investment of Rs.110 Cr in Pune facility.
11. The company's key levers for margin expansion in the future are an increase in utilization rates, subcontracting costs, broad basing of employee costs with freshers starting to become a part of the billable workforce & distribution of its SG&A expenses with its acquired companies.
12. The company's contribution from its top client is decreasing due to the unwinding of its IP contract which the management believed was not very profitable & so the restructured contract is 30-35% of the previous contract.
13. The management states that the company is not witnessing a slowdown in Europe in contrast to its competitors due to lower scale of the revenue.
14. The company is not witnessing challenges in its BFSI vertical currently.
15. The management states that the major reason behind its healthy order book growth is the sourcing of long-term projects with customers.

Analyst's View:

Persistent System is a fast-rising player in the digital transformation space. It has seen good growth in recent years and is looking to capitalize on this momentum. The company experienced another strong quarter, with YoY revenue growth of 45% and PAT growth of 40% in consolidated terms. It has won several large digital engineering and enterprise modernization deals. These deals reinforce the differentiated value that the company delivers to both technology companies and enterprise clients. The company has recently made new acquisitions which are expected to enhance its expertise and exposure to the BFSI and cloud solutions segments. It remains to be seen whether the demand situation will persist as per management expectations, whether the company will be able to reduce its attrition rate which is above the industry average and how long will it take for the new acquisitions to get fully integrated coupled with macro-economic issues. Nonetheless, given its fast rise in recent years and its big presence in North America & its various Alliances, and the market potential for enterprise modernization, Persistent Systems remains a key technology stock to watch out for.

Ramco Systems Q1FY23

Financial Results & Highlights

Brief Company Introduction

Ramco Systems Limited operates as an enterprise software company in India, the Americas, Europe, APAC, the Middle East, and Africa. The company offers Ramco Aviation Software, an enterprise-wide M&E/MRO software to address the needs of airlines, heli operators, MROs, and business aviation segments; Ramco VirtualWorks, a software meta-model that captures data required to generate and deliver solutions in various technology platforms; and Ramco DecisionWorks for analytics/reporting. It also provides Ramco ERP on Cloud, a suite of products that covers enterprise functions, such as manufacturing; financial, supply chain, human capital, customer relationship, enterprise asset, and project management; process control; analytics; advanced planning and optimization; and connectors. In addition, the company offers Ramco Human Capital Management, HR and talent management, and payroll software; and Ramco Logistics Software, cloud-based software that covers the needs of third-party logistics, freight forwarders, and parcel/courier service providers.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	71	69	2.9%	73	-2.73%	290	354	-18.1%
PBT	-26	-6	-	-19	-	-58	81	-171.6%
PAT	-26	-6	-	-15	-	-50	44	-213.6%
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	120	140	-14%	125	-4%	540	641	-15.7%
PBT	-50	-6	-	-29	-	-73	108	-167.6%

PAT	-51	-9	-	-26	-	-73	57	-228.1%

Detailed Results

1. This quarter booking is close to $22 million, which seemed to be on the rising trend.

2. As at end of the quarter cash flow is negative and has a loan of Rs.46 Crs.

3. For this quarter the company has provided $2 million as provision for bad debt.

Investor Conference Call Highlights

1) The result for this quarter is a reflection of the low bookings due to increase in manpower cost due to the attritions and increase in manpower.

2) Management guided that the booking seems to be on the path of rise again.

3) Management stated that markets are opening and that should start showing in results. Consequently, opening up of Asia - around 30% of order booking close to $6 million had come from Asia Pacific, almost all countries apart from greater China and Hong Kong, most of the geographies deals are moving, discussions happening, and a lot of demonstrations with customers in person.

4) Company has closed around 5 'million $ deals' in this quarter vs 13 million $ deals in the entire last year and the 5 million plus deals in this quarter are from Fortune Companies.

5) Quality of deals has improved as average deal size for this quarter stood at around $1.2 million per deal which in the last two quarters had dropped below $500k.

6) The business model change that company have picked up on the annuity or direct license without any deferred payment model means they are moving cash collection and revenue very closer, so that there is no gap in-between and the unbilled revenue portion would start improving. This would also lead to recurring revenue improving with this change and will also not carry the risk at the company's end.

7) From QoQ basis, company loss $3 million more - $1 million is consequent to drop in the revenue from the previous quarter, $1 million is because of the increase in employee costs and $1 million due to exchange fluctuations.

8) To tackle attrition the company had to make some salary corrections and have to make retention payments and bonuses. Company had identified the top 20% of the people in the company and for them, apart from this retention, they have also provided ESOPs which has

resulted in increased costs and these measures had the impact of around $1 million increase in the wage.

9) Company used to get the licenses on deferred payment models which resulted in mismatch between the revenue recognition in the cash inflow. So now they are persuading customers to go either for a pure license model i.e. normal subscription model or an annuity model so that is what is referred to as a structural adjustment.

10) Management believes in the current year, first they will break even and then start looking into showing good growth because their annuities would have started kicking off in two to three quarters time from now.

11) Company built up the capacity to 2200 plus the number of people which they can easily service $25 million.

12) Due to COVID, the company had to increase onsite delivery capabilities because mobility across the globe was a challenge. They had resorted to a more heavy onsite workforce. Thus, India based resources will be working again from India which would save some amount of cost though, the number of employees will remain the same.

13) Company is not looking for any of the debt or equity rising activity at this level; rather , the attempt is to actually retire this temporary debt.

14) Management believes that they should be able to manage the working capital level.

15) When a company gets an order, it takes anywhere between three months to eight months to go live and then realize the full potential of the order booking; sometimes even 12 months because the project may be large.

16) In AAD business, that is mostly in MRO and the engineering, take care of in the segment of helicopter, fixed wing, then MRO and now the company has started dealing in eVTOL and drones as well. So, they almost cover the breadth of the market in MRO and the entire gamut of things there - that is for the aviation segment.

17) Company is getting a good license order from defense/aviation or an HRP or logistic subscription order or a payroll processing order, which will be annuities.

18) Management expects travel cost to be around $1.5 million per quarter, similar to the run rate that was before the COVID times.

Analyst's Views

RSL is a leading cloud-based technology company with global operations and is a fast-growing enterprise software player disrupting the market with its multi-tenanted cloud and mobile-based enterprise software in HCM and Global Payroll, ERP, and M&E MRO for Aviation. It is part of the reputed Ramco Group of companies, a business conglomerate with interests in cement, cotton, synthetic yarn, cement software solutions, clean energy and biotechnology, among others. It had a similarly bad FY22 with the annual order booking shrinking to $65 million from $109 million last year. The management remains bullish on the opening up of these geographies which should help the company get back on track. It remains to be seen how it will take for Ramco to regain its earnings momentum and what challenges it will face in coming times. Ramco has an extensive track record of nearly three decades and established presence in the ERP segment. Nevertheless, Ramco Systems is one stock to watch out for in the IT product space due to its unique proposition and its wide reach in terms of geographies.

Tata Elxsi Q1FY23

Financial Results & Highlights

Introduction

Tata Elxsi provides product design and engineering services to the consumer electronics, communications & transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for the media and entertainment industry.

	Quarterly Performance										
	TATA ELXSI LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**439**	**400**	**430**	**477**	**518**	**558**	**595**	**635**	**682**	**726**	**2,638**
% Growth YOY					*18%*	*39%*	*38%*	*33%*	*32%*	*30%*	
Expenses	330	308	312	333	350	408	412	425	460	488	**1,784**
EBITDA	**109**	**93**	**118**	**144**	**168**	**150**	**184**	**211**	**221**	**238**	**854**
Depreciation	11	11	11	11	11	12	14	14	16	17	**61**
EBIT	98	82	107	133	157	138	170	197	205	221	**793**
EBIT Margin	*22%*	*20%*	*25%*	*28%*	*30%*	*25%*	*29%*	*31%*	*30%*	*30%*	
Interest	1	1	1	1	2	2	2	3	3	3	**11**
Other Income	13	13	4	15	7	18	2	7	18	10	**37**
Profit before tax	**110**	**94**	**110**	**146**	**162**	**154**	**171**	**200**	**220**	**228**	**820**
PBT Margin	*25%*	*23%*	*26%*	*31%*	*31%*	*28%*	*29%*	*32%*	*32%*	*31%*	
% Growth YOY					*47%*	*64%*	*56%*	*37%*	*36%*	*48%*	
Tax	28	25	31	41	47	41	46	49	60	43	**199**
Net profit	**82**	**69**	**79**	**105**	**115**	**113**	**125**	**151**	**160**	**185**	**621**
% Growth YOY					*40%*	*65%*	*59%*	*43%*	*39%*	*63%*	

Detailed Results:

1. The company saw its revenue rise by 30% YoY & 6.5% QoQ.
2. PAT increased by 62.9% YoY & 15.4% QoQ.
3. EBIDTA grew by 58.8% YoY & 7.6% QoQ.
4. Constant currency revenue was up 33.2% YoY.
5. The company reported EBIDTA margins at 32.8% and PAT margins at 25.1%.
6. The company's embedded product division (EPD) reported growth of 38% YoY.
7. The revenue rise in different segments in the EPD business in CC was–

a. Automotive business: Up 46.3% YoY
b. Media & communication business: 27.8% YoY
c. Healthcare business: Up 47.6% YoY

8. The design business (IDV) saw a fall in revenue of 12.8% YoY in Q1 while the SIS business grew 38.1% YoY.
9. Revenue distribution across different geographies is as follows:

a. EU: 32.9%
b. Americas: 42.8%
c. India: 18%
d. RoW: 6.2%

10. The top 5 & top 10 clients accounted for 40% and 48.3% of sales respectively.
11. Attrition among employees was 19% Vs 20.8% QoQ.
12. The offshore mix was at 74.9% vs 75.2% in Q1.
13. The company won many new deals including

a. A global tier 1 supplier selected Tata Elxsi for its next-generation e-powertrain development

b. A multi-million-dollar deal wins from an automotive OEM in APAC region for the development of a full vehicle simulator that will enable the creation of a digital twin and accelerate new vehicle development

c. awarded a large multi-year deal for smart network operations transformation by a leading North American MSO

d. One of the world's leading AdTech companies selected Tata Elxsi to support the development of a next-gen digital content monetization platform for addressable advertising across ad formats and devices

e. won a design-led New Product Development (NPD) deal from a Global Healthcare company for development of a Radiation Therapy machine

f. a Design-Digital deal for the development of an Augmented Reality (AR) based solution for a leading global medical devices company

Investor Conference Call highlights:

1. The management states that growth was predominantly volume-led.
2. The company's net employee addition during the quarter was 771, which is more than double the net addition of Q4 FY22.
3. The company's attrition rate has dipped marginally to 19% as compared to the previous quarter.
4. The company is taking the initiative to increase engagement with future design thinkers and to encourage young innovators to think out of the box to bring sustainable solutions to the market by launching - iGNITE, a global design and innovation contest for sustainable design, coinciding with the World Industrial Design Day on 29th June.
5. The company is not seeing any slowdown in clients' investments in technology despite macroeconomic worries.
6. The company is reporting margin expansion despite inflationary pressures in the form of wage hikes through several levers like operational leverage, price hike from clients & SG&A optimization.
7. The management is expecting to hire 3000-3500 freshers & 1000-1500 laterals in FY23.
8. The company's net impact of change in forex rates on the bottom line is negligible due to the inverse movement of currency.
9. The management states that it has expanded capacity in Trivandrum where the company has moved into the SEZ office space which has helped to reduce the tax rate.
10. The management expects the margins to remain in the same range for the near future.
11. The company's revenue contribution from new clients stood at 1.5% while existing clients were 98.5% in line with its strategy of deeper account mining.
12. The company launched its digital health platform -' TEngage' in March.
13. The company believes that in case companies look at a lower cost of services due to recession, then the company would be a great advantage Because it is predominantly offshore, operating on very competitive rates & delivering ownership and assurance of the objectives that the customer has or the outcome that the customer has in mind.

Analyst's View:

Tata Elxsi had another good quarter with revenue growth of 30% YoY and profit growth of 63% YoY in Q3. The company continues to see good growth in all segments and recovery in the transport segment. The deal wins in the media and comms space have been very encouraging. The auto segment continues to recover and the opportunities for Tata Elxsi in this space are getting better with more and more auto players coming onto the EV and connected vehicles bandwagon. It has been hiring aggressively and is expected to continue this hiring trend for the rest of FY23. It remains to be seen how the company will be able to retain its top talent as attrition in the industry & the company is rising and what opportunities will the company explore to grow its new verticals coupled with macro-economic issues. Nonetheless, given the company's strong technological capabilities and its resilient performance in the last year, Tata Elxsi remains a good technology stock to watch out for, particularly given the rising demand for its services in the media & communications spaces.

Travel

Mahindra Holidays & Resorts India Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

MHRIL is a leisure focused business in the hospitality sector of the Mahindra Group, focused on family vacations and has been around for 25 years. Started in 1996, MHRIL is a direct B2C business and the company's flagship brand is "Club Mahindra Holidays". It is the largest leisure hospitality player in the country. Present in 84 destinations, 4,600 rooms. Today the company has a Cumulative Member Base of 2,69,445, out of which 3,807 members have been added this quarter. It has been recognized as India's Best Workplace in Hotels 8- Resorts - Since 2021 and has been Ranked #20 as India's Best Companies to Work For.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	288	197	46%	259	11.12%	822	961	16.9%
PBT	45	41	9.75%	59	-23.7%	169	204	20.7%
PAT	34	30	13.34%	44	-22.72%	126	151	19.8%
Consolidated Financials (in Crs)*								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	213	304	43%	278	9%	878	1028	17%
PBT	69	84	22%	71	18%	255	301	18%
PAT	37	45	24%	33	36%	139	160	15%

* excluding one off items

Detailed Results:

1. Total income was the highest ever at Rs. 637 crores, up by 52%, the operating income went up by 63%, the EBITDA has grown by 75.3% and the margin has also grown from 18% to 20.7%.
2. Sales value including upgrades were at about Rs. 146 crores in Q1 FY23 versus Rs. 20 crores in Q1 FY22.
3. Generated highest ever resort revenue of Rs. 84 crores.
4. PAT of Rs. 30 crores which is an improvement of Rs.51 crores over Q1 FY22.
5. PBT margin at 14.9% is higher than prior to the pandemic which was 10.7%, PBT also grew by 24% YOY, if you were to exclude the one-offs- note this is on full scale of operations.
6. Free cash flow- around Rs. 45 crores
7. Cash position- Rs. 1,172 crores- cash increased on the back of high resorts revenue, member additions and better upgrade revenue- MHRIL have been driving higher down payments, lower EMI tenure from member additions.
8. Finance cost of Rs. 6.8 or Rs. 6.9 crores- finance and depreciation costs because they are directly and due to the increase in room inventory. Finance cost under Ind-AS 116 only reflects the rentals that MHRIL pays for lease resorts and this is not a financing cost and have not taken a debt at the standalone level.
9. Deferred revenue stands at Rs. 5,135 crores and continues to be zero debt at a standalone level.
10. Net debt levels after making the partial loan repayment is around Rs.700 crores now at the total Group level constituting most of it is Euro denominated.

Investor Conference Call Highlights

1. Referral and digital contributed to about 58% of the sales.

2. Added about 3,807 members and these memberships came at a higher average unit realization.

3. Increase in sales and marketing expenses- due to the brand building.

4. The other expenses and rents have increased in line with the resort income and scale of operations.

5. Optimized manpower by training them to do multiple jobs within the resort.

6. In July 2022 provided a loan of €25 million to one of subsidiaries in Mauritius. This is an investment SPV to take advantage of the weakening euro (euro to rupee equation was extremely favorable in favor of rupee) and this loan that has been used by the Mauritius company to pay the debt that is there at the Euro level in Mauritius. This has helped us to reduce debt at a consolidated level.

7. In July, MHRIL had an occupancy of 82%. August and September are also looking good.

8. Company has also achieved the distinction of crossing 100,000 room nights in each month of the quarter. The total number of room nights that were occupied during the quarter was 316,000 room nights.

9. Management believes that “We are no longer in Mahindra Holidays a cyclical business.”

10. Target is to achieve another 1,000 to 1,200 room addition in the next 24 to 30 months through acquisition, greenfield and expansion of their existing resorts without taking any debt as the company has ample cash to fund it.

11. Experiencing very high website traffic of almost 2 to 3 million each month.

12. Management is very confident of maintaining higher spends from members by constantly providing differentiated offerings.

13. The ARRs in the leisure destinations are probably at an all-time high.

14. Horizons program- a tie up with about 360 hotels and resorts both in India and abroad. People are sometimes using this program to exchange their room at night with a property which could be in a city or a location where MHRIL is not present.

Analyst's View:

The occupancies of the hospitality industry touched 65% in the month of May. Domestic air travel reached a robust 22.7 million passengers in the month of May. Management expects this quarter also to be good in terms of occupancies. Mahindra Holidays & Resorts India Ltd is having resort occupancy of 89% which is almost equal to precovid levels and has also recorded highest ever resort income. Management believes that MHRIL is no longer a cyclical business. MHRIL has added 800 rooms over from 2020 onwards still the occupancy has increased. MHRIL is focusing on data science to understand propensity to buy membership, propensity to refer and propensity to pay on time and propensity to spend at resort. Company is experiencing very high website traffic of almost 2 to 3 million each month and referral and digital contributed to about 58% of the sales. Seeing the tailwinds in travel and tourism industry and bullish the management guidance assisted with strong balance sheet and robust operating cash flows to which supports growth in addition of room inventory without any recourse to debt, MHRIL seems to be well positioned to ride the tailwind comfortably.

Thomas Cook (India) Limited Q1FY23

Financial Results & Highlights

Brief Company Introduction

The company set up its first office in India in 1881. Thomas Cook (India) Ltd is a leading integrated Travel and Financial services Company in India, part of the Fairfax group which owns 72.34% stake in Thomas Cook India. The company is spread across 25 countries across 5 continents and has an integrated business model that creates value through scale and flexibility. Business is uniquely positioned to provide customer centric experiences & value driven service and offering. The company has three major business segments, namely Travel and Related Services, Financial Services and Strategic and Portfolio Investments.

Standalone Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	297	197	50.7%	79.36	274%	187	286	53%
PBT	5.9	-33.9	-	-38.4	-	-56	-123	-
PAT	1.03	-16.27	-	-35.08	-	-14	-82	-
Consolidated Financials (in Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY21	FY22	YoY%
Sales	976	288	139%	522	87%	795	1888	137%
PBT	-2.3	-124.7	-	-51.7	-	-416	-323	-
PAT	-5.8	-93.7	-	-51.2	-	-254	-229	-

Detailed Results:

1. Cash and Bank balances- Rs 850 crores as on 30th June,2022
2. The company reported Rs. 9762 mn of income from operations, which is a growth of 87% quarter-on-quarter.
3. At a PBT level, losses after considering the MTM losses narrowed to Rs. 23 mn vis-a-vis Rs. 518 mn in the last quarter.
4. Loan book at overall consolidated level is over Rs. 4,736 mn.
5. Sterling Holiday Resorts Ltd. average room rate has gone up to Rs. 6,900 in Q1 FY '23 with higher volumes at 73% occupancies.
6. Revenue from Operations in Rs mn from different segments- Forex- Rs 479, Travel & Related Services- Rs 6,750, Sterling Resorts- Rs 1,025 and Digiphoto Entertainment Imaging Ltd- Rs 1,507

Investor Conference Call Highlights

1. Income grew substantially as the company was able to cut down our cost by 33% as compared to the pre-pandemic.

2. Management stated that they have overshot their own guidance in 3 out of the 4 quadrants of business that they operate.

3. On the foreign exchange side, volumes grew about 40% on a quarter-on-quarter basis, which reflects about 66% recovery to the pre pandemic level.

4. Retail is a high-yield business.

5. The corporate FX side of the FX business saw about 60% recovery in the current quarter.

6. A very strong comeback, as the card volumes actually grew 2x from about $80 million to about $154 million.

7. The corporate travel side of the business is a cash guzzler so management has infused a lot of technology into the business to bring efficiency in that process and to ensure that company stays very lean as far as the order book is concerned.

8. The B2B holiday side of the business, which is MICE- management expects to end the year at close to about 80%, 85% recovery for the full year.

9. On the international side, there are 2 parts to it- the short haul and the long haul- the long haul continues to be really subdued because of challenges relate to visa, management guidance for the full year is about 65% to 70% recovery.

10. Company continue to invest in technology to make the entire experience for the customer very seamless.

11. Sterling Holiday Resorts Ltd.- revenues in excess of Rs. 100 crore in a quarter for the first time and an EBIT of Rs. 324 mn.

12. Sterling Holiday Resorts Ltd- renewed growth strategy that involves- scaling up of the hotel and leisure guest business at our resorts, increasing spend in terms of average room rates and food and beverage spend and increasing cash generation in the membership business.

13. In the membership business, the focus continues on driving profitable sales and improving cash generation from the membership business by constantly improving on-site sales, which is a zero-based fixed cost sales, and lower variable cost sales channel.

14. On-site sales have actually grown from 15% in Q1 FY 20 to 44% in Q1FY23, resulting in an increased average unit realization, with a growth of over 7%, since the pre-pandemic level.

15. Company has increased our down payments to 47% as against 33% in the pre-pandemic level, thus resulting in improved cash flows.

16. In Digiphoto Entertainment Imaging segment, the company is doing a huge investment and have appointed one of the big 5 firms, Tech Mahindra to develop needed technology.

17. Management expects their next quarter i.e, Q2 FY '23, as a bundle of service recovery to be close to about 95% on the domestic side of it.

18. Management stated that the travel business has a great deal of seasonality and is very country specific too.

19. For Destination Management Specialists (DMS) segment management stated that they are paying for the cost of those businesses, but they're not generating any revenue or generating very little revenue once the business picks up there will be no significant cost that will be incurred. So, again, the revenues will translate straight into profitability.

20. The company is being cautious by not spending tons of money and trying to lose money in terms of gaining market share.

21. Management guided that being an asset-light business, CapEx is not likely to be significant. Only capex needed is technology upgrades.

22. Management guided that being in the discretionary category that companies operate under, even with an inflationary economy across the globe, people are not stopping as they have saved enough over the last 2 years and are ready to go out on travel.

23. To reduce the impact of the inflationary cost during Q1, the company got efficient through menu engineering that did not impact the customer.

24. Management sounded cautiously optimistic about the DMS segment stating that they are witnessing early stages of long haul while the pace of queries are only increasing day by day across these territories.

Analyst's View:

TCIL is a leading integrated travel and travel-related services company with operations in 25 countries, across five continents through its Indian and global subsidiaries and key investments. The key factors driving this recovery, has been the retail business and specific within the retail, education forex and travel related forex has actually started to bounce back. External challenges in the form of supply side, from an airline point of view, supply from a visa point of view, and these continue to be a challenge. The pent-up demand continues to be very, very high and that is auguring very well for the domestic business. The company is focusing on transformational growth through Customer Focus, Innovative Products & Services, Technology Drive Agile, Resilient and Responsive Support for our People. Seeing the challenges in travel and tourism worldwide, the financial strength of the company remains robust and has been able to withstand the last 2 years. Company seems to be in a stage of turnaround but would recommend being cautiously optimistic of the happenings.

Wonderla Holidays Q1FY23

Financial Results & Highlights

Brief Company Introduction

Wonderla Holidays Limited operates amusement parks and resorts in India. It operates through Amusement Parks and Resort, and Other segments. The company's amusement parks offer land, water, high thrill, and kid rides. It operates three amusement parks in Kochi, Bengaluru, and Hyderabad; and the Wonderla resort in Bengaluru under the brand name Wonderla. The company operates Wonder Kitchen, a food takeaway outlet. It also sells merchandise, cooked food, packed foods, etc. The company was incorporated in 2002 and is based in Bengaluru, India. Collectively the company has >220 acres of land available for future development within our existing parks.

Consolidated Financials (In Crs)								
	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	FY22	FY21	YoY%
Sales	152.3	4	3800%	54	281%	133	44	202.2%
PBT	94	-19	-	12	783%	-12	-66	81.8%
PAT	64	-13	-	9	711%	-9	-49	81.6%

(Note- Management has compared Q1FY20 numbers because of lockdown and travel restrictions in between)

Detailed Results

1. The Company registered Revenue Growth of 26% with a Revenue of Rs152.3 crores in Q1FY23, as compared to Rs 121.3 crore in Q1FY20.

2. EBITDA in Q1FY23 increased by 30% YOY from Rs 72.28 crore in Q1FY20 to Rs 94.2 crore in Q1FY23 on account of cost efficiency initiatives and overwhelming footfalls in all the parks

3. PBT margin stood at 56% in Q1FY23.

4. Ticket revenue grew by 26% and non-ticket revenue grew by 31% in Q1FY23 compared to Q1 FY 20

5. Cash- Rs 200 crores.

6. ARPU INR 1,300 and Footfall 1.1 Million+ 24% Growth

Investors Conference Call Highlights

1. Highest ever quarterly footfalls, revenue, EBIDTA and PAT since inception two decades ago.
2. Management seems to be confident to surpass pre-covid business levels in full FY23.
3. Robust growth across the park; footfall surpasses pre-pandemic levels.
4. Overall Footfall Grew by 24% compared to Q1 FY 20.
5. Wonderla launched a new ride Mystic Saucer in our Kochi park, offering more excitement and thrills to customers.
6. The Company is leveraging its digital media marketing and scaling its customer connect.
7. The Company is implementing innovative marketing activities and launching attractive offers separately to encourage walk-in and group footfalls.
8. At Bangalore, Highest ever Occupancy @ 80% 6,047 rooms vs 4,611 rooms (FY20).
9. The company has signed an agreement with the Odisha government for the development of an amusement park project in Bhubaneshwar. Wonderla is planning to invest Rs 125 crore funded mainly by internal accruals and with some level of debt if needed. Wonderla would be adopting an asset light approach by leasing a large parcel of land.
10. Management expects 3-4 million footfalls by FY25.
11. Management is going for judicious pricing, slowly improving pricing and would now take care of inflation part of it.
12. As per management, there is no problem in increasing prices as there is no similar offering and that wouldn't affect footfall as well.
13. Q2 and Q4 would be slightly moderated while Q1 and Q3 would see a good set of numbers.

Analyst's View

Wonderla Holidays is India's leading amusement park operator and has diversified businesses: Resorts, Theme Parks, Water Parks and Restaurants. This business has strong entry barriers because of high Capex and long gestation cycle. Wonderla has been able to manage its operations well over the years and create a niche space for itself. As we see, the numbers of Q1FY23 is at all-time high in many metrics while footfalls are increasing and the Orissa project ready to be initiated by the Government with excellent support and favorable terms, Wonderla's management expects to beat FY20 numbers this year. The company is focusing on digital front and marketing by targeting relevant audiences and also trying to better optimize things by using data analytics. With a brand recall value, management seems to be confident to pass on inflation. With all the factors in consideration, Wonderla is going to get the benefit from travel and tourism. However, Wonderla has the resilience of the balance sheet and has survived through the tough times and now it seems the things are more in the favor of Wonderla.

AMC
HDFC AMC Q1FY23

Financial Results & Highlights

Brief Company Introduction

HDFC Asset Management Company Limited (HDFC AMC) is Investment Manager to HDFC Mutual Fund, the largest mutual fund in the country. HDFC AMC has a diversified asset class mix across Equity and Fixed Income/Others. It also has a countrywide network of branches along with a diversified distribution network comprising Banks, Independent Financial Advisors and National Distributors.

Quarterly Performance											
HDFC ASSET MANAGEMENT COMPANY LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**476**	**411**	**456**	**482**	**503**	**507**	**542**	**550**	**516**	**522**	**2,130**
% Growth YOY					*6%*	*23%*	*19%*	*14%*	*3%*	*3%*	
Expenses	104	95	91	96	107	126	131	135	123	132	**521**
EBITDA	**372**	**316**	**366**	**386**	**396**	**381**	**411**	**414**	**393**	**390**	**1,609**
Depreciation	13	14	14	14	14	14	14	13	13	14	**54**
EBIT	358	303	351	372	383	367	398	401	380	376	**1,555**
EBIT Margin	*75%*	*74%*	*77%*	*77%*	*76%*	*72%*	*73%*	*73%*	*74%*	*72%*	
Interest	2	2	2	2	2	2	2	2	2	2	**9**
Other Income	-27	80	114	113	43	101	66	86	65	11	**228**
Profit before tax	**330**	**380**	**463**	**483**	**423**	**466**	**461**	**485**	**443**	**385**	**1,774**
PBT Margin	*69%*	*92%*	*101%*	*100%*	*84%*	*92%*	*85%*	*88%*	*86%*	*74%*	
% Growth YOY					*28%*	*23%*	*0%*	*1%*	*5%*	*-17%*	
Tax	80	78	125	113	107	121	117	125	99	71	**412**
Net profit	**250**	**302**	**338**	**369**	**316**	**345**	**344**	**360**	**344**	**314**	**1,362**
% Growth YOY					*27%*	*14%*	*2%*	*-3%*	*9%*	*-9%*	

Detailed Results

1. The company had a flat quarter with revenues up 3% YoY.
2. PBT in Q1 is down -17% YoY and PAT is down -9% YoY.
3. QAAUM for the company was at Rs 4153 billion which was down -0.4% YoY. Closing AUM was also down -5% YoY at Rs 3966 billion. Market share in both was at 11% & 11.1% respectively.
4. The breakup of closing AUM for HDFC by segment is as follows:
    1. Equity: 49.8% vs industry average of 46.5%
    2. Debt: 30.5% vs industry average of 24.7%
    3. Liquid: 16.6% vs industry average of 14%
    4. Others: 3% vs industry average of 14.8%
5. Market share in Actively Managed Equity Oriented AUM for HDFC was at 11.5%. Actively managed QAAUM saw a rise of 14% YoY while Closing AUM saw a rise of 6% YoY.
6. Market share in Debt QAAUM was at 13.6% and QAAUM & Closing AUM have fallen -19% and -23% YoY respectively.
7. Market share in liquid funds was at 13.1% by QAAUM which was down -5% YoY. Closing AUM for liquid funds was down -5% YoY.

8. The number of individual accounts rose 13% YoY while individual MAAUM grew 4% YoY. The company's share of unique investors in the industry fell to 17% in Q2 vs 22% last year.
9. The company also maintained a long tenure SIP book with 85% of order book having flows over 5 years and 76% having flows over 10 years.
10. The distribution of Total AUM across different channels saw the following changes:
    1. Direct: 42.1% vs 46.9% a year ago
    2. HDFC Bank: 5.7% vs 5.4% a year ago
    3. Banks: 10.4% vs 9.6% a year ago
    4. MFDs: 27.4% vs 25.6% a year ago
    5. National Distributors: 20% vs 17.8% a year ago.
11. The company also maintained its position as 2nd biggest player in B-30 markets with an 11.4% market share. The company has a total of 228 branches with 150 in B30 cities and 80,000+ empanelled distribution partners. The company now has customers in 99% of pin codes in India
12. The company has seen 80% of transactions in Q1FY23 by electronic means as compared to 76% in FY21.
13. Operating margin was at 36 bps of AUM in Q1 vs 36 bps in FY21.

Investor Conference Call Highlights

1. AUM of debt index funds for the industry stood at 23 billion the previous year which is now at 417 billion.
2. During the quarter, industry saw equity flows at Rs. 783 billion, lower than 968 billion reported in the previous quarter but higher than 251 billion reported in the previous year.
3. Debt plus Liquid ETF now account for Rs. 606 billion this quarter vs 399 billion the previous year.
4. The management states that the company enjoys a favourable asset mix as compared to the industry and also favourable ratio in terms of AUM from individual to non-individual investor.
5. The company's market share in B-30 AUM is 11.4% which makes it a distant number 2.
6. The company has approvals for the launch of 9 ETFs, though some of them need some kind of date extension as clarified by AMFI recently.
7. The company proposes to launch of these ETFs during the coming quarter.
8. In terms of Sectoral and Thematic Funds, as mentioned during the previous quarter, the company has four funds awaiting clearance and the same will be launched over time subject to those approvals coming by.
9. The company has also filed for a fund tracking the MSCI Emerging Markets Index.
10. In Category 2 AIF, the company has filed PPM with Sebi in early June.
11. The company is launching a fund of funds which would invest across the entire spectrum right from early-stage VC funds to mid-markets/growth funds to buyout funds.
12. In terms of the company's wholly owned subsidiary in GIFT, they are progressing well and hope to go live over the next couple of quarters.
13. Other income for the quarter is materially lower due to lower MTM gains in debt mutual funds on account of increase in interest rates as well as the MTM loss attributable to market volatility on mandatory equity mutual fund investments.

14. Employee cost for the quarter was at Rs. 780 Million vs Rs. 835 Million the previous year.
15. Prashant Jain has resigned from his position of Chief Investment Officer after working in the company for 19 years.
16. Prashant Jain will be replaced by Chirag Setalvad to lead the Equity team and Shobhit Mehrotra for the Fixed Income team.
17. The management states that the merger of HDFC Bank and HDFC can be neutral to positive for the company as it will make the company part of a larger entity with a deep distribution network.
18. The management states that there will be an upward trajectory in the dividend payout ratio coming ahead.

Analyst's View

HDFC AMC is a leading mutual fund house in India. It is the market leader in actively managed equity funds space and a trusted mutual fund provider for individual investors which is evident in its high individual account numbers and AUM. The company had a flat quarter due to muted inflows as the rest of the industry saw good inflows due to many NFOs. The major focus for HDFC AMC is to maintain & consolidate its position as one of the leading SIP book holders in India while launching new products in the passive space to cover its portfolio gaps. The management has admitted that although market share has been falling for HDFC AMC in the past few quarters, the company is working to introduce new funds to address gaps in its product portfolio and this should see it recapture lost market share. It has seen a good response to its first international fund and the BFSI sectoral fund. The company is looking to launch a total of 9 ETFs soon. It remains to be seen whether the company will be successful in reversing its market share loss with its current set of actions and how will it maintain its hold over the industry given rising competition from tech-enabled players like Zerodha. However, given the company's strong past track record and its leadership position in the industry, the medium and long-term outlook for HDFC AMC remains intact.

Nippon Life India AM Q1FY23

Financial Results & Highlights

Brief Company Introduction

Nippon Life India Asset Management Limited (NAM India) is the asset manager of Nippon India Mutual Fund (NIMF). It is engaged in managing mutual funds including exchange traded funds (ETFs); managed accounts, including portfolio management services, alternative investment funds and pension funds; and offshore funds and advisory mandates. Nippon Life Insurance Company are the promoters of NAM India and currently hold 73% of its total issued and paid-up equity share capital. Equity Shares of NAM India are listed on BSE Limited and National Stock Exchange of India Limited.

Quarterly Performance											
NIPPON LIFE INDIA ASSET MANAGEMENT LTD											
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**255**	**215**	**241**	**251**	**280**	**281**	**304**	**315**	**314**	**295**	**1,228**
% Growth YOY					*10%*	*30%*	*26%*	*26%*	*12%*	*5%*	
Expenses	96	110	108	108	120	111	119	111	112	120	**462**
EBITDA	**159**	**105**	**133**	**143**	**160**	**170**	**185**	**204**	**202**	**175**	**766**
Depreciation	8	10	8	8	7	7	6	6	7	7	**26**
EBIT	150	95	125	136	153	163	179	198	195	168	**740**
EBIT Margin	*59%*	*44%*	*52%*	*54%*	*55%*	*58%*	*59%*	*63%*	*62%*	*57%*	
Interest	0	1	1	1	1	1	1	1	1	1	**4**
Other Income	-113	99	62	123	55	61	88	31	34	-7	**146**
Profit before tax	**37**	**192**	**186**	**257**	**207**	**223**	**266**	**228**	**228**	**160**	**882**
PBT Margin	*15%*	*89%*	*77%*	*103%*	*74%*	*80%*	*87%*	*72%*	*73%*	*54%*	
% Growth YOY					*457%*	*16%*	*43%*	*-11%*	*10%*	*-28%*	
Tax	25	43	45	56	50	52	65	59	58	39	**221**
Net profit	**12**	**150**	**141**	**202**	**157**	**171**	**200**	**169**	**171**	**121**	**661**
% Growth YOY					*1225%*	*14%*	*43%*	*-16%*	*8%*	*-29%*	

Detailed Results:

1. Revenues were flattish with being up 5% YoY in Q1. Profits for the company fell -29% YoY.
2. As of 30th June 2022, AUM was at Rs 3.31 trillion.
3. Mutual Fund QAAUM was at Rs 2,794 billion which was up 16% YoY.
4. Mutual Fund QUAAUM market share was at 7.4%, up 16 basis points YoY in Q1.
5. NIMF now has the largest investor base in the industry. It added over 1.3 million investor folios in Q1 totalling upto 18 million folios.
6. Equity assets were at 42% of total AUM. Retail Assets were lower YoY at is 27% of NIMF AUM.
7. Fixed income (Debt + Liquid) assets have decreased largely YoY and account for 37% of total AUM.
8. Digital transactions now account for 55% of total purchases. Digital lumpsum registrations contributed to 63% of the total new lumpsum purchases registered in Q1.
9. The company enjoys a market share of 14% in ETF space with an AUM of Rs 601 bn. It also has a volume share of 74% and a 60% share of folios in the ETF space.
10. B30 assets accounted for 11.7% of overall MF AUM.
11. The overall distribution mix was 56% direct and 44% distributed assets. In distributed assets, Banks were at 22%, National Distributors were at 20% and MF Distributors were at 58%.
12. The offshore business has an AUM of Rs 101 bn.
13. NIAIF has raised commitments of Rs 47 bn as of June ’22.

Investor Conference Call Details

1. The quarter saw significant market volatility owing to the continued geopolitical uncertainty, high crude oil prices, increasing inflation and weakness in currency coupled with FII outflows. In the past too, we have witnessed that global sentiment and local economic indicators had an impact on the Indian asset management industry.
2. The industry assets declined marginally by 2% in this quarter after witnessing a positive momentum for seven quarters. The decrease was mainly due to the fall in equity as well as fixed income assets, while ETFs rose.
3. As on June 2022, no category of equity in the company has more than 16% of the total assets. Majority of the funds are jointly-managed, and no individual fund manager manages more than 23% of equity assets.
4. In volatile markets, folios with lower ticket size have demonstrated longer vintage and better stickiness. 13% of SIP folios have continued for more than five years as against the industry number of 9%.
5. The Gold ETF of Nippon is the biggest fund in the category with assets of Rs. 68 billion.
6. Excluding the EPFO allocation, which rose to two specific mutual funds, Nippon is now the largest ETF player in the country.
7. The company has a presence across 275 locations across the country with 85,500 distributors empanelled with them.
8. In FY22, NAM India distributed the highest ever dividend, with a payout ratio of 96%. Over the last eight financial years, NAM India has distributed a cumulative dividend of Rs. 34 billion.
9. The company reported an other income loss of 18 crores mainly due to fall in the markets and reductions in the 10 year G-sec yield. This has affected the holdings of the company.
10. In terms of our overall yield, some of the fixed income or debt assets have seen shrinkage and that money has come in terms of ETF as well as the liquid.
11. The company has maintained its equity composition of 42%, while debt has declined and has gone into ETF and liquid.
12. The company is facing a downward pressure on yield which the management expects will continue for a few quarters because of the slew of new players that have come in.
13. The management expects money flows to return to debt due to interest rate changes.

Analyst's View:

Nippon India Life Asset Management is one of the leading asset managers in the country. The company has done well to bounce back after the rebranding last year. The company saw a flat performance in Q1. The company continues to have a good hold in the ETF space which has seen good growth in market share in terms of ETF folios. It remains to be seen whether the company will be able to maintain its hold over the rapidly rising ETF space and how the landscape of the mutual fund industry changes with the influx of new tech-driven players like NAVI & Zerodha. Nonetheless, given the company's market positioning and its competitive advantage in the ETF and AIF space, Nippon Life India Asset Management is a must-watch stock for every investor interested in the AMC space.

Paints

Kamdhenu Paints Q1FY23

Financial Results & Highlights

Brief Company Introduction

Incorporated in 1994, Kamdhenu Ltd. is engaged in the manufacturing, marketing, branding, and distribution of TMT Bars, structural steel, paints, and allied products under the brand name "KAMDHENU".

	Quarterly Performance										
	KAMDHENU LTD										
Narration	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	TTM
Sales	**236**	**83**	**136**	**183**	**222**	**113**	**216**	**227**	**185**	**191**	**819**
% Growth YOY					*-6%*	*35%*	*58%*	*24%*	*-17%*	*70%*	
Expenses	227	76	127	170	202	104	202	212	175	176	**764**
EBITDA	**9**	**7**	**9**	**14**	**20**	**9**	**14**	**14**	**10**	**15**	**54**
Depreciation	2	2	2	2	2	1	2	2	1	1	**7**
EBIT	7	5	7	11	18	8	12	12	9	14	**47**
EBIT Margin	*3%*	*6%*	*5%*	*6%*	*8%*	*7%*	*5%*	*5%*	*5%*	*7%*	
Interest	3	4	4	3	3	1	3	3	1	1	**7**
Other Income	0	1	1	1	-10	1	1	0	0	0	**1**
Profit before tax	**3**	**2**	**4**	**10**	**6**	**8**	**10**	**10**	**8**	**14**	**42**
PBT Margin	*1%*	*2%*	*3%*	*5%*	*2%*	*7%*	*5%*	*4%*	*5%*	*7%*	
% Growth YOY					*70%*	*296%*	*159%*	*3%*	*51%*	*77%*	
Tax	1	0	1	2	2	2	2	2	3	3	**11**
Net profit	**2**	**1**	**3**	**7**	**4**	**6**	**8**	**8**	**5**	**10**	**31**
% Growth YOY					*70%*	*285%*	*204%*	*7%*	*39%*	*80%*	

Detailed results:

1. The company saw quarterly revenue growth of 70% while PAT growth of 80%.
2. EBIDTA grew by 7% YoY for Q4.
3. D/E stood at 0.31.
4. Revenue growth in the paints segment increased by 65% YoY.
5. The company is targeting EBITDA of Rs 100 cr in Steel Business by FY24
6. Revenue growth from own facility in the steel segment stood at 73% & the same from royalty through franchise sales grew by 28 % YoY.

Concall highlights –

1. The management states that the company enhanced its capabilities by adopting new technologies like converting steel commodities into high-yield strength vendors with TMT steel bars to be 4% lesser in weight and 20% stronger than other regular TMT steel bars.
2. Instead of the demerger of the paint business from Kamdhenu Limited, its shareholders will get an equal number of equity shares of Rs. 5 each to be issued by Kamdhenu Ventures Limited, a 100% holding Company of Kamdhenu Colour and Coatings Limited (paints division).
3. The company generates 60% of revenues from the East and North, 15% from the South, and 25% from the West.
4. The company incurred a promotion expense of Rs.14 Cr in its steel division in Q1.
5. The company is targeting a royalty income of Rs.110 Crs in FY23.

6. The management states that since it operates in the secondary market, except for local market dealing related fluctuations, all the significant price increases are passed on to the end customer.
7. The company did a price hike of Rs.10,000 Rs YoY leading to Rs.62,000.
8. The company's capacity utilization in its steel & paint plants stands at 80% & 40% respectively.
9. The listing of demerged entity is slated to take place in September/ October & promoters will hold 59% of kamdhenu ventures.
10. The company did a price hike of 2-3% in the current quarter in the paints segment in line with its competitors.
11. The company is targeting revenue of Rs.1000 Cr in the paints segment & is thus looking for strategic investment.

Analyst views –

Kamdhenu is one of the leading players in TMT bars segment coupled with a strong footprint in rural areas for its paints segment. The company's demerger got commissioned recently with 6th September being the record date for demerger. The rationale for demerger was to find strategic investors for paint segment coupled with valuation rerating. It remains to be seen how the company will tackle increasing competitive intensity in the paint segment led by new entrants like Grasim & Astral coupled with inflationary climate & potential global crisis. However, given its demerger & strong growth prospects, Kamdhenu is an interesting small cap stock to keep track of.