Q2FY23 Results & Conference Call Highlights of 72 Stocks

SMART SYNC SERVICES

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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 Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	10,535.92	9,080.50	16.03%	8,324.29	26.57%	34,353	29,017	18.39%
PBT	2,013.97	1,652.14	21.90%	1,544.67	30.38%	6,505	5,939	9.53%
PAT	1,530.00	1,274.55	20.04%	1,173.30	30.40%	5,018	4,554	10.19%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	10,536.56	9,080.50	16.04%	8,324.54	26.57%	34,428	29,017	18.65%
PBT	2,203.22	2,417.45	-8.86%	1,534.13	43.61%	7,615	6,241	22.02%
PAT	1,719.44	2,039.86	-15.71%	1,163.33	47.80%	6,165	4,857	26.93%

Detailed Results:

1. The company had a negative quarter with consolidated revenue growing by 16% but consolidated PAT falling by 15% YoY.
2. On the standalone basis, company had a good quarter with revenue increasing by 16% and PAT increasing by 20% YoY.
3. On the QoQ basis, company had a good quarter.
4. At a global level, Pulsar and Dominar increased their contribution in the portfolio of exports to 21% and the combined market share has also increased beyond 40%.
5. On a retail basis, motorcycles declined by about 5% in FY '22 and grew by 50% in Q1, but that is because of the base effect of COVID impacted Q1 in FY '22.
6. 60% of the company's portfolio in Q2 was 125cc plus segment as compared to only 46% in FY '20.
7. Bajaj Auto's market share is 72%
8. Market share in CNG-based products is 80% in Q2.

9. Electric scooter Chetak volumes grew by over 50% from about 6,200 units in Q1 to almost 10,000 units in Q2.
10. Top line crossed the very important milestone of INR 10,000 crores in a quarter for the first time.
11. Volumes growth is 23%.
12. EBITDA is INR 1,759 crores, up 26% YoY and 36% QoQ.
13. Operating margins expanded about 100 bps sequentially
14. Added about INR 2,500 crores of cash from operations in the first half of this year.
15. At the end of the quarter, our surplus cash stood at about INR 15,500 crores.
16. Export revenues is about INR 3,800 crores for Q2.
17. The company's motorcycle market share in FY22 is 19%.
18. CAPEX for the H1 is 340 crores.

Investor Conference Call Highlights

1. The company had made substantive R&D and supply chain effort in the last 5 months to broad-based vendors for critical components and reduce dependencies. This project was completed, resulting in the resumption of supplies to now almost 98% levels. There are still some remnant issues in the top-end models and some 3-wheelers, but the company will also get resolved within October, management stated.
2. The management stated, on the export side, the key issue in Quarter 2 was a dramatic downturn in several overseas markets, which, are mostly emerging market economies. While the motorcycle industry's pace of growth has slowed down in Q1, but in Q2, there was a dramatic double-digit fall in retail compared to the same period last year. These signs were visible by end of Q1. The root cause of this downturn has been a sharp appreciation of the US dollar causing two impacts, severe double-digit devaluation in most currencies leading to an increase in retail pricing in these markets and secondly, poor availability of the US dollar for trade.
3. The management stated recognizing the imminent fall in retails around April, May, as a prudent measure, they cut exports to bring distributor stock and their exposure down to manageable levels
4. The company is seeing some recovery in retail in both August and September after the low point in July.
5. Management stated ASEAN with the Philippines industry is reviving back to pre-COVID levels and hence, Bajaj Auto has registered its highest-ever sales in Q2 to emerge as a clear leader in the ASEAN market.
6. In domestic motorcycles, with the easing of supply chain constraints, volumes almost doubled sequentially to over 620,000 units in Quarter 2, therefore, the company is building back inventory across channels ahead of the festive.
7. The management stated the motorcycle industry appears to be bottoming out of the negative performance zone.
8. The overall industry performance is the consequence of 2 very distinct and opposite trends. While the entry commuter, which is largely the cheaper 100cc bikes is declining quite sharply and particularly in the rural areas, the 125cc plus segment is growing.
9. The company has made 2 important launches in quarter 2, the all Black dual-channel ABS Pulsar N160 and the CT 125 as well as a refresh of the Pulsar 125 is rolled out.
10. The company has gradually increased presence of EV in our 40 cities across the country. The company is also working towards expanding the EV portfolio to cover different emerging segments and geographies.

11. The management said supply chain visibility is much better, and they expect Q3 to be a lot better than Q2.
12. The company had supplies from the new vendor and that's coming in very handy for the business. That kicked in and allowed us to really build channel inventory that's significantly depleted and hit a low in the month of May.
13. The management stated focus for the next quarter will clearly be to build volume-led revenue momentum with a very strong emphasis on market share gain.
14. Pierer Bajaj or PBAG which is where the company has an indirect holding through wholly owned subsidiary, BAIHBV was not able to share its quarterly financials with the company, and they were only to be sharing it on a six-monthly basis and Bajaj auto will be consolidating the numbers of PBAG in the quarter ending September and the quarter ending March.
15. The management sees commodity prices and currency as tailwinds, expects both to come down.
16. The management expects quarter 3 in exports to be better than Quarter 2. On the realization front, they don't expect the realizations to be used for reducing prices so that they can offset the devaluation impact in the destination markets.
17. The management expect good demand from LATAM and Africa, and they stated ASEAN growth will now temper down a bit because of the pent-up demand.
18. Management stated there is no need for the company to price out for cost recovery.
19. The other operating income contains export incentives and the realization from selling those incentives.
20. The 3-wheeler ban in Egypt remains. The company is through its distribution partners over there and is in engagement with the Egyptian government to work out solutions to satisfy their requirements of cleaner fuel and better rate aesthetics and lessor congestion, etc.
21. On the EV side, the management stated 6,000 units per month is doable task. Earlier they had thought that they will go up to 100 cities by the end of the financial year, but they will be at around 85 or so because there was a period in Q2 takes you through the supply chain proceed.
22. The aspiration was 10,000 unit a month which has come down to 6,000 due to supply chain visibility, the company is facing the supply chain constraints.
23. The management stated the company is expanding its portfolio over the next 18 months. It is going for 3 or 4 introductions which will be in new segments, not the same segment, but it will be under the Chetak Umbrella.
24. In 3-wheeler, the management stated that they were expected to be in the market by this time, but trails and feedback took time, as they want to come up with a E-auto which stands out on all parameters and fulfill the needs of commercial guys.
25. The management stated CAPEX estimate for the full year is about INR 750 odd crores. 340 crores was done in H1.
26. Capex is going on clearly-established the EV facility for 2-wheelers, the EV facility for 3-wheelers in our Waluj Plant, for the expansion of a new site at Chakan facility for premium motorcycles and then routine Capex.
27. The market share in sport segment is 37-38%, with the supply chain going off, the management is seeing the market share approaching the sports segment to 40% level.
28. The overall piece mix has been adverse at an overall entity level purely because exports have been lowered, domestic has been higher. And within domestic, there's been a significant build back of the end commuter segment, this cause the gross margin to decrease by 120 bps.

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. The company has seen a good year for export volumes which continue to grow and contribute hugely to the topline and bottom line. The company continues to maintain market share despite industry decline. It has also seen a good uptick in Chetak sales and now plans to expand it to 85 cities in total by the end of FY23. The company has focus on EV for 3-wheeler segment and new introductions in EV space will be there in next 18 months. It remains to be seen how the company handles the transition from ICE to electric in both the 2 & 3-wheeler sectors and how long will the semiconductor shortage last for the auto industry. 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 Q2FY23

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.

	Quarterly Performance										
	BALKRISHNA INDUSTRIES LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**943**	**1,578**	**1,509**	**1,753**	**1,803**	**2,072**	**2,046**	**2,374**	**2,619**	**2,658**	**9,697**
% Growth YOY					*91%*	*31%*	*36%*	*35%*	*45%*	*28%*	
Expenses	702	1,038	1,030	1,203	1,292	1,534	1,589	1,871	2,175	2,231	**7,867**
EBITDA	**240**	**540**	**480**	**550**	**511**	**538**	**457**	**503**	**444**	**426**	**1,830**
Depreciation	102	104	105	106	107	111	118	120	129	137	**504**
EBIT	139	436	375	444	404	426	339	384	315	289	**1,326**
EBIT Margin	*15%*	*28%*	*25%*	*25%*	*22%*	*21%*	*17%*	*16%*	*12%*	*11%*	
Interest	3	4	2	3	3	2	2	3	3	5	**12**
Other Income	36	20	55	61	82	133	113	109	106	227	**555**
Profit before tax	**172**	**452**	**428**	**503**	**484**	**558**	**450**	**490**	**417**	**511**	**1,869**
PBT Margin	*18%*	*29%*	*28%*	*29%*	*27%*	*27%*	*22%*	*21%*	*16%*	*19%*	
% Growth YOY					*181%*	*23%*	*5%*	*-2%*	*-14%*	*-8%*	
Tax	41	111	103	123	153	167	111	116	111	129	**466**
Net profit	**132**	**341**	**325**	**380**	**331**	**391**	**339**	**375**	**307**	**382**	**1,403**
% Growth YOY					*151%*	*15%*	*4%*	*-1%*	*-7%*	*-2%*	

Detailed Results:

1. Gross Cash and Cash equivalents of Rs. 2,078 Cr as on 30th September 2022.
2. EBIDTA margins stood at 20.1% while PAT margins stood at 14.4%.
3. Revenue from operations increased by 35% while EBIDTA remained flat.
4. For the quarter, the company had a net forex gain of INR 168 crore. This includes a realized gain of INR 120 crore and an unrealized gain of INR 48 crore.

Investor Conference Call Highlights

1. BKT registered a sales volume of 78,872 metric tons.
2. India continues to be stable supported by a better economic environment backed by good monsoons. However, the global economic weakening coupled with a sharp uptick in interest rates has also reduced order placements by dealers and distributors.
3. The demand pattern in Northern America is better than in Europe although growth fears remain.
4. Due to the challenging macro environment, the company won't guide annual sales volume for this financial year.

5. The recent price correction in raw materials and logistic costs bode well for the company's profit margin, however, the benefits will kick in from early Q4.
6. With respect to the Waluj plant Capex, the management decided to continue operations at both plants along with the modernization of the old plant.
7. The earlier approved CAPEX of Rs. 350 crores for the modernization of the old plant will now be utilized at the new plant site to bring in economies of scale. This will be a brownfield capex expected to get completed by H1FY24.
8. The Waluj location will have an overall capacity of 55,000 tons per annum at a single site.
9. Accordingly, the current achievable capacity will stand reduced to 335,000 metric tons per annum and will increase back to the original number of 360,000 metric tons by the end of the first half of the next financial year post-commissioning of the Waluj Brownfield project.
10. The company completed the modernization, automation and technology upgradation CAPEX at its Rajasthan and Bhuj plants.
11. The CAPEX for Carbon Black continues to be on track & the commissioning of the 55,000 metric ton per annum Carbon Black project along with the power plant is expected during December. In addition, the advanced Carbon Black project of 30,000 metric tons will be commissioned during the Q4 of this financial year.
12. The company is not giving guidance for Europe due to uncertainty surrounding the Geopolitical scenario & severe winter.
13. ASP improved due to dollar movement, North American contributing increasing & favorable product mix.
14. The current inventory levels of the dealer stand at 3 months & the company expects them to de-stock to a level of 2 months.
15. The company incurred Rs.900 Crs Capex in H1 & expects to incur another Rs.300 Crs in H2.
16. The current inventory levels of dealers are higher due to demand tapering off because of geopolitical scenario coupled with lower shipping time.
17. The company doesn't hedge US dollars because it has a natural hedge because fo raw material & machinery purchases. It only hedges Euro.
18. The company's Carbon Black sales are approximately 5% of its turnover for the last quarter, which used to be about 3%.
19. The management expects the working capital cycle to decrease post-reduction in the freight period.
20. The company is strongly positioned to take advantage of a potential increase in demand in the replacement market in Europe as 70% of the company's channel is the replacement segment.
21. Logistic costs are down for the current quarter & management is hopeful of a further 25-30% drop in the costs.

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 Ltd Q2FY23

Financial Results & Highlights

Brief Company Introduction

Started as a small-scale business in Coimbatore, southern India, Craftsman Automation began its adventure in the year 1986. Since then, it has expanded to become a global leader in precision manufacturing.
The company produces a variety of parts and sub-assemblies on a supply and job-work basis in the automotive, industrial, and technical sectors in accordance with customer specifications The company's headquarter is located in Coimbatore; it has 12 plants including 10 satellite units across India.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	773.01	569.72	35.68%	677.14	14.16%	2,216	1,559	42.14%
PBT	93.88	75.86	23.75%	86.12	9.01%	248	147	68.71%
PAT	60.61	49.41	22.67%	55.58	9.05%	160	97	64.95%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	777.98	571.65	36.09%	678.27	14.70%	2,224	1,570	41.66%
PBT	96.06	76.54	25.50%	87.40	9.91%	252	149	69.13%
PAT	62.48	49.96	25.06%	56.64	10.31%	163	97	68.04%

Detailed Results:

1. The Company has clocked a sale of Rs. 1447 crores as compared to Rs. 1000 crores on H1 of the last year.
2. The Profit Before Tax (PBT) was reported at a staggering 180 crores which is 62% higher than the H1 of the last year.
3. The Profit After Tax (PAT) was accounted for at Rs. 116 crores which was 61% higher as compared to the H1 of the previous year.
4. The EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) of the company was valued at Rs. 337 crores which was approximately 31% higher than the H1 of the previous year.
5. The debt-to-equity ratio has slightly improved to 0.58, whereas the EBITDA margins have reduced from 24 to 23. An important note to keep in mind is that the EBIT has gone up to 16 (previously 15.)
6. Coming to PBT, it has been improving constantly and has reached to 12 as compared to previous quarter's 11. The Profit After Tax (PAT) has also increased from 7% to 8%.
7. Return on Capital Employed (ROCE) for H1 was 24% as compared to 20% of the last year.

8. ROE, on the other hand, has shown an improvement as well to 20% in comparison to last year's 15%.
9. The value addition to its important business segments which are: -
    a. Powertrain Business- Rs. 232 crores.
    b. Industry Engineering- Rs. 72 crores.
    c. Aluminum Products- Rs. 68 crores.
10. Auto Powertrain business segment has seen a tremendous growth of sale from Rs. 524 crores to a staggering Rs. 726 crores over H1 of the previous year.
11. Growth in the Industry Engineering business has been noticed as well; the sales had increased from Rs.234 crores to Rs. 353 crores.
12. The Industry Engineering business segment went up to Rs. 368 crores from the original Rs. 242 crores as compared to H1 of the last year.
13. The growth of CAPEX last year was about 40% and even now also, the CAPEX is more or less the same. However, it should also be noted that an additional 70 crores allocated for CAPEX are underway.
14. A notable increase in the storage was observed. Storage solutions for H1FY22 was 134 and for this year H1FY23 witnessed 199.
15. The current market capitalization of Craftsman Automation is Rs. 6486.52 crores and is currently ranked 14th within the auto and ancillary sector.

Investor Conference Call Highlights

1. The company stated (in accordance with the automotive business segment) that there are a lot of parts the company does business in and they including transmission parts, gearbox parts, etc. However, since the commodity prices have increased, the EBITDA figures will be lower and only the top line will increase.
2. The management spoke about its financial cost. They are able to borrow money because of our lenders, bankers, and other financial institutions at extremely low costs. The company always conducts a cost-benefit analysis. According to IndAS standards, the lease rentals that the company is paying are classified as depreciation and financial cost according to accounting standards, which is why the financial cost appears to be high. The Chairman of the company said,"70% is the actual financial cost, 30% is related to interest and depreciation" Currently, the long-term and short-term borrowing are approximately Rs. 720 crores.
3. The current set of customers and the current set of products are currently doing well. More products would be added later on but, there will be a slight delay/ gestation period to scale up the revenues, and the sales figures; hence, the company would see a good traction in the industry engineering segment.
4. The company ship mostly (it's industry engineering segment products) to North America, Europe, and Japan each year. Customers vary, and the intended use varies. As a contract manufacturer, the company make things in accordance with customer specifications. Moreover, the company produce fully finished devices that are checked here before being shipped overseas It is too diversified because of the end user.
5. The management states that the entry barrier is quite high, and in order to perform this type of high-end assembly, the company needs to have the necessary manufacturing infrastructure, a varied technical staff, and design and production capabilities. Therefore, the company don't have many rivals.

6. The company has not been actively adding clients there, but the business has been consistent; it has not been expanding rapidly, as you can see from our overall export revenue. However, the company believes there are some fresh opportunities for customer additions right now, albeit there will be some delay between product creation and real income.
7. Since, the prices of electricity are increasing in Tamil Nadu, weighing the alternatives for renewable energy, the company are deciding between third-party and captive sources due to the costs associated with wheeling and other cross-subsidies.
8. Therefore, entering into long-term contracts with any of the service providers or third-party power purchase agreements may not be sustainable for the company in the future because one won't be receiving any carbon credits, which may also become more valuable in the future.
9. The company stressed on its industrial engineering exports. The Chairman quoted, “Export per quarter is we are clocking around 40, 50 crores something like this, 40 crores on the industry engineering segment.” Hence, in the future the company may see more export of industrial engineering products and services.
10. The company spoke about its revenue mix in the auto powertrain segment of business. Rs. 385 crores were initiated in H1 for commercial vehicles whereas, farm sector vehicles (tractors) amounted to Rs. 125 crores and passenger vehicles amounted to Rs. 66 crores.
11. The company spoke about its aluminum products and how the prices of aluminum products went down which resulted in the prices of aluminum products.
12. The Company explained how the powertrain segment of the business has faced soaring commodity prices resulting in a depression of EBITDA numbers. Moreover, due to this reason the company would only let the top line go up.
13. The run rate of aluminum products clocked to around Rs. 196 crores in revenue for the last quarter. Hence, the company is at a steady run rate of Rs. 800 crores as their revenue from operations.
14. Early this year, the company received orders for electric vehicles from new startups. Some of the orders are for parts that are still being developed, while others are already in trial production, but altogether, the financial results are not that appealing.
15. The management clarified that the Rs. 190 crores did not take the EV orders into account. Moreover, the company said that they will account for that revenue in the following year but will start with the production and manufacturing from the current quarter.
16. The company can see a MAT implication post Q2 of this current financial year, hence, the company thought of writing the MAT credit off of their books or to make a decision to change their tax structure which would take place from the Q4 of the current financial year.
17. As of this quarter, the company, in consideration to its financial, is considering to switch into the new tax structure.
18. The management stated that they were receiving a lesser selling price in comparison to what we were buying when prices were steadily rising. Therefore, the average of the current quarter or the monthly quarterly or monthly correction; both on pricing and fundamentally where there haven't been any significant adjustments for a while. The aluminum prices soared up from Rs. 180 a kilo to Rs. 285 a kilo and that too within one year.
19. More than 60% of the energy the company uses is consumed in Tamil Nadu, while 40% is used by the rest of India.

Analyst's View

Craftsman Automation is a leading maker of engine parts in India. Having vertically integrated production capabilities, Craftsman Automation is a diversified engineering firm operating in three industry sectors: automotive powertrain and other, automotive-aluminum components, and industrial and engineering. 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 Q2FY23

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).

Quarterly Performance											
	EICHER MOTORS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**818**	**2,134**	**2,828**	**2,940**	**1,974**	**2,250**	**2,881**	**3,193**	**3,397**	**3,519**	**12,991**
% Growth YOY					*141%*	*5%*	*2%*	*9%*	*72%*	*56%*	
Expenses	880	1,666	2,156	2,306	1,651	1,780	2,298	2,436	2,566	2,698	**9,999**
EBITDA	**-62**	**467**	**672**	**634**	**324**	**470**	**582**	**757**	**831**	**822**	**2,992**
Depreciation	98	105	123	125	112	109	111	119	116	127	**474**
EBIT	-160	362	549	510	212	360	471	638	715	694	**2,518**
EBIT Margin	*-20%*	*17%*	*19%*	*17%*	*11%*	*16%*	*16%*	*20%*	*21%*	*20%*	
Interest	5	4	4	4	6	3	6	3	5	7	**21**
Other Income	114	100	156	183	122	118	128	172	82	193	**575**
Profit before tax	**-51**	**459**	**702**	**689**	**328**	**476**	**593**	**806**	**792**	**880**	**3,071**
PBT Margin	*-6%*	*21%*	*25%*	*23%*	*17%*	*21%*	*21%*	*25%*	*23%*	*25%*	
% Growth YOY					*-746%*	*4%*	*-16%*	*17%*	*142%*	*85%*	
Tax	5	115	169	162	90	103	137	196	181	223	**738**
Net profit	**-55**	**343**	**533**	**526**	**237**	**373**	**456**	**610**	**611**	**657**	**2,334**
% Growth YOY					*-530%*	*9%*	*-14%*	*16%*	*158%*	*76%*	

Detailed Results:

1. The company achieved the highest revenue of ₹3,519 crores for Q2, up by about 56.4% from ₹2,250 crores last year.
2. EBITDA is about ₹822crores, up by 75% YoY, against ₹470 crores last year.
3. . PAT stood at about ₹657 crores, which is the highest ever for EML, up by about 76% on YoY basis as against about ₹373 crores reported last year.
4. Company's market share on standalone basis stood at 30% Vs 26% YoY.
5. Margins for H1 stood at 24% Vs 19% YoY.
6. VECV saw margins improve from 3.9% to 5.8% YoY in H1 & Revenue increased by 70% YoY.

Investor Conference Call Highlights

1. The company started this quarter with the launch of the all-new Hunter 350 on its J-Series engine platform in Bangkok recently it also launched Super Meteor 650 on the Twin platform at EICMA 2022 in Italy.
2. The company's market share climbed up to 7% in the Americas as of now and 9% in APAC and about 10% in the EMEA region.
3. The company has 710 multi-brand outlets and about 175 exclusive stores outside India.
4. The CV industry is reporting a good show with industry for >3.5 tons has grown by 68% And the momentum continued even in October where the growth has been 15%.
5. The management is confident of seeing a new peak in the CV industry in the coming two-three years.
6. The company believes there exist several headwinds, especially in exports because of the global situation, especially the foreign exchange situation in some of the South Asian markets like Bangladesh, Nepal, and Sri Lanka.

7. The company's market share in the heavy-duty trucks segment combined with Eicher and Volvo trucks is at around 8.2%.
8. Market share in buses & light, medium duty trucks stands at 24-25% & 28-30% respectively.
9. The company introduced electric buses & executed 40 electric bus orders for Chandigarh city.
10. The company explains the motive behind Hunter was to develop a product for those consumers who love the brand Royal Enfield and wanted to associate with the brand Royal Enfield but wanted a motorcycle, which is a bit more accessible, slightly lower in weight compared to the motorcycles like Classic 350 and Bullet 650.
11. Hunter had an 18.2% first-time buyer rate Vs the previous average of 15% for Royal Enfield & is being adopted more by younger audiences.
12. The management expects the margins in Hunter to improve owing to commodity prices softening, value engineering activity & possible price hikes if the commodity doesn't ease.
13. The company expects good performance in the CV industry due to the pent-up replacement cycle coupled with the need for more productivity & cost reduction.
14. The management doesn't anticipate any problem in comfortably transitioning into OBD-IIA norms.
15. The management expects the impact of commodity deflation to flow in Q3.
16. The company doesn't feel the production is a constraint due to ample capacity coupled with semi-conductor shortages easing off.
17. The company's pricing strategy while introducing a new product is market-focused rather than cost-plus-focused.
18. The management explains that the company was a one-platform company because UC was the only platform but, now it has two platforms in the form of J-Series and P.

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 3,519 Cr, and increasing its revenue by 56% 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**67**	**374**	**358**	**421**	**275**	**419**	**389**	**490**	**445**	**525**	**1,848**
% Growth YOY					*308%*	*12%*	*8%*	*16%*	*62%*	*25%*	
Expenses	83	322	317	367	244	368	342	425	388	453	**1,608**
EBITDA	**-15**	**53**	**42**	**55**	**31**	**51**	**47**	**65**	**56**	**72**	**240**
Depreciation	14	14	14	16	14	14	13	18	16	16	**62**
EBIT	-29	39	28	39	17	37	33	47	40	57	**177**
EBIT Margin	*-43%*	*10%*	*8%*	*9%*	*6%*	*9%*	*9%*	*10%*	*9%*	*11%*	
Interest	3	3	3	3	2	2	2	3	2	2	**8**
Other Income	0	-3	1	2	0	1	1	1	1	2	**4**
Profit before tax	**-32**	**33**	**26**	**38**	**15**	**36**	**32**	**45**	**40**	**57**	**174**
PBT Margin	*-47%*	*9%*	*7%*	*9%*	*6%*	*9%*	*8%*	*9%*	*9%*	*11%*	
% Growth YOY					*-148%*	*11%*	*22%*	*20%*	*158%*	*56%*	
Tax	-8	8	6	11	4	9	9	12	11	16	**47**
Net profit	**-26**	**24**	**20**	**28**	**11**	**26**	**23**	**34**	**29**	**41**	**127**
% Growth YOY					*-142%*	*8%*	*17%*	*20%*	*167%*	*55%*	

Detailed results-

1) The company saw an excellent quarter with sales increasing by 25% YoY while PAT increased by 42% YoY.

2) Q2FY23 product mix distribution stood as –

   A) Auto lamp – 37.02%

   B) Auto LED lamp – 32.72%

   C) Plastic molded parts – 11.70%

   D) Rear View mirrors – 11.59%

   E) Others – 6.97%

3) Revenue break up between segments –

   A) OEM's domestic – 91.42%

   B) Replacement market – 5.97%

   C) Exports – 2.61%

4) EBIDTA margins for H1FY23 stood at 13.5% while PAT margins stood at 7.19%.

CONCALL HIGHLIGHTS -

1. The 2W industry's sales grew by 8% YoY while the company's sales grew by 25% during the same period.
2. The EV market has grown by 550% in H1FY23 to 2.7 lakh vehicles.
3. The company's LED mix stood at 47% & is targeting 60%.
4. The management expects the new models for Yamaha to be launched in the coming financial year.
5. The contribution of EVs to total sales stands at 5%.
6. The company doesn't have an aftermarket division due to contracts with OEMs to directly sell the products to them only coupled with the company's reluctance to engage in trading biz which its peers are doing.
7. The company's biz with Hero will involve supplying LED for new models which are mostly EV based.
8. The company is maintaining its guidance of clocking margins of 13%.
9. The management is working closely with a 4W customer & plans to announce the deal soon.
10. The management states that Lighting is a fairly technology-intensive industry where barriers to entry for a new entrant are very high due to high investments in technology & large gestation period to get a breakthrough.
11. The company is seeing softening of raw material prices.
12. The company's capacity utilization stands at 80% & it plans to add capacities in the southern belt due to increased opportunities in that region.
13. The company will incur CAPEX of Rs.50-75 Crs entirely by internal accruals.
14. The management states that the company's margins are better than the industry due to operational efficiency.
15. The management is giving guidance of 15-20% growth.
16. The company's margin profile in EV & ICE is similar.
17. The company is the sole supplier to EV OEMs like Ola, Bounce 22, Revolt & Okinawa.
18. 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: headlamp 80%, tail lamp 80%, blinker 23%, RVM 100%, and RR 100%.

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Analyst view:

Fiem industries had a decent quarter recording 25% revenue growth YoY. The management is confident of delivering a 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 EVs 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 Q2FY23

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 [1]
It has Partnerships with 7 Global players like Yokowo(Japan), JOPP(Germany), and a few others.

	Quarterly Performance										
	LUMAX AUTO TECHNOLOGIES LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**71**	**284**	**365**	**388**	**260**	**403**	**428**	**417**	**422**	**487**	**1,753**
% Growth YOY					*267%*	*42%*	*17%*	*7%*	*62%*	*21%*	
Expenses	83	254	327	345	245	358	383	372	377	435	**1,567**
EBITDA	**-12**	**30**	**38**	**43**	**16**	**45**	**45**	**45**	**44**	**52**	**187**
Depreciation	8	8	9	9	9	9	10	11	11	12	**45**
EBIT	-20	22	29	33	7	35	35	34	33	40	**142**
EBIT Margin	*-29%*	*8%*	*8%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*8%*	
Interest	3	2	2	2	2	2	2	3	3	3	**11**
Other Income	4	3	7	3	3	3	3	2	4	8	**17**
Profit before tax	**-19**	**23**	**34**	**35**	**8**	**36**	**35**	**33**	**34**	**44**	**148**
PBT Margin	*-27%*	*8%*	*9%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*9%*	
% Growth YOY					*-140%*	*60%*	*6%*	*-4%*	*341%*	*22%*	
Tax	-5	7	8	10	3	10	10	8	8	11	**37**
Net profit	**-12**	**15**	**23**	**21**	**3**	**23**	**22**	**21**	**22**	**29**	**93**
% Growth YOY					*-128%*	*52%*	*-7%*	*0%*	*540%*	*24%*	

Detail Results-

1. The company's revenue & EBIDTA grew by 21% & 25% YoY.
2. EBIDTA margins increase from 11.9% to 12.2%.
3. Product-wise revenue mix -

A. Plastic modules - 27%
B. Aftermarket - 19%
C. Fabrication - 14%
D. Shifter - 16%
E. Lighting - 7%
F. Emission - 7%
G. Others - 10%

3) Segmental revenue mix -

A. 2/3W - 41%
B. Passenger car - 25%
C. Aftermarket - 19%
D. CV - 9%
E. Others - 6%

4) D/E stood at 0.02 while ROCE & ROE stood at 27.4% & 16.7%.

Concall highlights -

1. The management states that the company is sitting on a healthy order book of around Rs.700 crores Majority of which is a new business, and out of which, approximately 75% to 80% is of joint ventures, which is in line with the earlier guidance of joint ventures and subsidiaries achieving 35% share of the total consolidated revenues.
2. During the quarter, the company made the following launches: the gear shifter for Toyota Hyryder, Maruti Grand Vitara, and Mahindra Scorpio Classic; and in the commercial vehicle segment, the urea tank for Tata Ace and Winger models.
3. The company is experiencing an increase in content per vehicle and kit value coupled with enhanced demand for premium products leading to higher margins & revenues.
4. The plastic integrated parts showed high growth due to good performance by Honda 2 wheeler & HMSI. The 4-wheeler contribution to this segment stood at 15%.
5. The company's performance in the gear shifter & shift towers division was aided by strong growth in Mahindra & Mahindra where M&M grew by 70% whereas the company grew by 115% due to the premiumization trend.
6. The growth in the lighting division was not as high as its end client- Bajaj's own growth due to the company's exposure to the Patnagar plant which saw a drop in volume.
7. The after-market segment is growing at a rapid pace due to an increase in channel partners, value migration towards organized segments & increase in the product line.
8. The management is targeting a 30-35% contribution from passenger cars & 2, and 3-wheeler segments each & the remaining comes from the after-market segment.
9. The company's CapEx guideline remains at about Rs.75-80 crores.
10. The company is looking for almost 70% share of the business of CV of its primary customer in urea tanks.
11. The company doesn't expect more than about 5% of its revenue to come from EVs.
12. The company is in the process of setting up a new plant for Lumax Cornaglia at Chakan near Pune, which expects to be commercialized by July next year.
13. The management expects 50% of the order book to come to P&L by FY24, 75% by FY25 & 100% by FY26.
14. The management is targeting 20-25% revenue growth for the full year which is much higher than industry numbers.
15. The company is optimistic about building a consolidated INR 150 crores per annum business in the Urea tanks segment.
16. The company is catering to only the 4W segment in the EV space but expects to onboard a new 2W client in Q4.
17. The full-year revenue forecast for Alps Alpine division is Rs.30-35 Crs whereas H1 contribution stood at Rs.16 Crs. This JV is in talks of RFQ worth Rs.375 Crs & management expects the bulk of this to materialize in the future.
18. The near-term outlook for Lumax FAE looks bleak due to Govt. regulation resulting in delays by OEMs regarding Oxygen sensor fitting.
19. The company has decided to focus purely on the advanced technology products in the Telematics segment.

Analyst views-

The company is one of the leading players in the automotive lighting & gear shift space with a strong presence in the aftermarket segment. The company reported a strong quarter with revenue growth of 21%. The company is confident it to grow its topline by 20% in the coming 3 years led by a healthy order book & maturity of its JVs. It remains to be seen how the company will tackle the inflationary environment coupled with the possibility of slow down in the Auto segment due to the global crisis & semiconductor shortage. However, Lumax Auto remains a solid small-cap auto ancillary stock to keep on one's watchlist.

Sansera Engineering Limited Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	580	482	20.25%	477	21.49%	1,762	1,368	28.80%
PBT	60	67	-10.98%	48	25.79%	171	132	29.55%
PAT	45	51	-11.46%	36	25.84%	128	98	30.61%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	636	542	17.40%	533	19.37%	2,004	1,572	27.48%
PBT	63	69	-8.73%	48	31.17%	178	146	21.92%
PAT	47	52	-9.48%	35	34.87%	132	110	20.00%

Detailed Results:

1. The company had a revenue growth of 17% YoY and profits fall by 9% YoY on the consolidated basis.
2. The company recorded highest-ever quarterly and half-yearly sales.
3. This quarter close to 3% of total sales came from the xEV segment
4. EBITDA margin for the second quarter stood at 17.1% against 20.1% in the second quarter.
5. Sales of auto segment soared by 20% year-on-year largely driven by growth in domestic markets
6. The auto segment contributed around 90% of sales in Q2 FY23, 10% of sales came from tech agnostic and xEV products versus 7% in the last Q2
7. In terms of the Q2 FY23 sales mix for the auto segment, covering both ICE as well as xEV and tech agnostic components:
    a. 39% sales came from the motorcycle segment
        i. Scooters accounted for 15%

b. Passenger vehicles accounted for 27%
c. Commercial vehicles accounted for 9% of our top line even that a significant portion of the sales of CV comes from our Swedish subsidiary, the company witnessed a subdued performance in Europe in this sector in this quarter.
d. Non-automotive segment contributed 10%
e. Aerospace contributed to about 4% of sales registering a strong growth of 41% year-on-year in the quarter
f. The agriculture segment accounted for about 4%
g. Off-road sector contributed 1% compared to 4% in last Q2

8. The geographical sales of Q2 FY23:

. India accounted for 77%
a. Europe 16%
b. US space customers 4%
c. Other foreign countries overall 3%

9. H1 FY23 highlights

. Total revenue surged by 25% on a year-on-year basis to 11,691 million; This includes approximately 3.5% of the material inflation passed on within the customers in the domestic region
a. For H1 FY23 EBITDA stood at Rs. 2,008 million with a margin of 17.2%.
b. The net profit for H1 FY23 stood at 817 million and registered a growth of 16% as compared to 706 million in the corresponding period in the previous year.
c. Cash from operations of about 1,299 million against Rs. 709 million last year
d. Invested about 1,282 million against the purchase of property plant and equipment
e. Net debt stood at Rs. 6,250 million the net debt to equity ratio was 0.56 against 0.57 for the year FY22.

10.

Investor Conference Call Highlights

1. The company has recently won an award from a global OEM with a peak annual revenue of Rs. 1,300 million, this contract would be for a time horizon of around 6 years starting from 2025. It can give around 700 crores of business, 130 crore annually.
2. The company has also secured a 6- year order from a well-known American company with a peak annual revenue of 250 million orders. This is in the non-auto space
3. EV Industry in India

a. EV penetration in India as per various surveys is just about 2.6% of the total automotive market and our government of India is targeting between 30%-35% of EV penetration by 2030.

4. Today Sansera has overall 12 xEV customers in all sectors including some marquee global names. The company's wealth of experience in ICE provides it with a solid foundation to grow in EV space.
5. In the two-wheeler scooter space today Sansera has six customers for tech-agnostic and xEV components vis-a-vis four customers in the traditional ICE components. Also, Sansera's peak content per vehicle for auto tech agnostic and xEV components in an EV scooter is about 1,827 versus Rs. 1,467 in our traditional ICE scooter.
6. The management stated production lines for two-wheeler xEV in hybrid PVs that are dedicated facilities for hybrid and electric components began mass production in Quarter 4 of FY22 and it is ramping up well.

7. The management stated a couple of customers in the EV two-wheeler space are getting Sansera prepared for mass production and as a result, they are anticipating accelerated growth of components in the coming quarters
8. The management expects momentum to continue and register a 35% to 40% growth in aerospace revenues this year.
9. On the CAPEX front, the new aerospace and defense facility is almost ready and is expected to get into operation by the fourth quarter. The mass production post all the approvals are expected to start from the year FY24.
10. The management stated on 30th September 22, the company's order book of the new business with an annual peak revenue stood at Rs. 14.2 billion with auto ICE contributing 6.94 billion 49% and auto tech agnostic adding 4.41 billion amounting to 31%. Non-auto accounts for 2.84 billion and contributes 20% to the sales order pipeline.
11. This order book continues to showcase the progress that the company is making towards a long-term vision of improving market share by participating in xEV opportunities and diversifying into technological agnostic components and focusing on non-auto sectors.
12. The company's aluminum forged and machine components continue to see very healthy traction. The management stated going forward growth will come in both auto and non-auto sectors.
13. The management stated export may continue to be a drag for the industry this year. They expect domestic sales to register higher growth.
14. The management stated the company's growth will be driven by new products like xEV and hybrid components for which mass production has already started.
15. On the non-auto side, the management expects a strong uptake in the aerospace and defense business next year. The last two or three years were rather dull for the sector, but now the demand has come back strongly.
16. The management did not expect any growth in export in this year, but going forward expectation is as things normalize the company should be back to between 35% and 38% of international revenue on our overall gross sales. Quarter 4 should be relatively strong for exports.
17. The management stated US continues to be a very focused market, they are adding a lot of business in US.
18. The management stated in Q3 margins can improve because some cooling down of raw material prices is there already.
19. The management expects that in Q3 the operational leverage will not be substantial because Q3 quarter will not be as strong as Q2 in terms of domestic volumes. So they expect that margin will continue to be towards 17% - 17.5% in this Q3, but Q4 they expect a good improvement in margins definitely and the operational leverage will also kick in, and also there will be recovery from exports.
20. The management stated the new orders that they are participating in are all orders which are going to be executed for the new platforms from calendar year 25-26-27.
21. The company's target of reaching 200 crores business in aerospace in next three years is intact
22. The management expect that in the coming years the Sweden growth will be back to normal revenues of like the previous years. Though they do not expect too much of change in volumes, but operating efficiency by increasing automation and increasing engineering efforts from India, they expect that they will maintain healthy double-digit EBITDA from Swedish facility from next year.
23. In H1, there is 1.9% is the margin deterioration. 1.3% is the optical impact of raw material about 0.4% was the effect of change in geographical mix
24. Almost 20% of our order book we have xEV components specifically.
25. The company now has 6 customers in Two-wheeler EVs, the volumes have started going up

26. Almost 100 crores of orders have been booked, in aluminum components for two-wheelers.
27. 18% of this order book is coming out of xEVs. 40% plus coming out of nonauto ICE I mean non-auto tech agnostic and EV.
28. The management stated the company has added Tata Motors as customers, the production of that has started there. The company has added Force Motors the production has started for that, added Volvo Eicher the production again has started for that.
29. The management expect that in the next two or three years none of customrs will be more than 10%. The biggest of the company's customers could be very close to double digit not more than that
30. The management stated the company should reach to 40% of revenue coming from nonauto and tech agnostic. It could be 25-15 or it could be 20-20 by next three to four years
31. The management stated they should reach on a medium term about 10% of global share of business.
32. Sansera belief is that it has three very clear principles:

. One is it should be engineering centric,

a. The second one is it should be scalable and

b. The third one is the ROCE and EBITDA should be around 20%.

33. The company work with both Boeing and Airbus through their Boeing directly and for Boeing and Airbus through their Tier-1 and Tier-2.

Analyst's View

Sansera is a leading smallcap Auto ancillary provider in India. The company has seen a dismal quarter with declining margins. The company has done well to secure new 2 wheeler EV customers and also expects to onboard more in the future. The rising inflation posts a big challenge to Sansera as steel and other commodities are the main raw materials for the company. Weak global macro environment has keep the exports volume down, which is expected to come back Q4 onwards. It remains to be seen how the company will be able to increase its non-auto businesses and whether it will be able to capture the rise in outsourcing in the auto sector manufacturing space in the future. Nonetheless, given its good innovation capabilities and its rising customer set, Sansera is an interesting smallcap auto ancillary stock to watch out for.

SJS Enterprises Q2 FY23

Financial Results & Highlights

Introduction

SJS Enterprises Ltd. (SJS) is one of the leading players in the Indian decorative aesthetics industry in terms of revenue. It offers a "design-to-delivery" aesthetics solutions provider with the ability to design, develop and manufacture a diverse product portfolio for a wide range of customers primarily in the automotive and consumer appliance industries.

	Quarterly Performance										
	S J S ENTERPRISES LTD										
Narration	Jun-19	Sep-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**-**	**-**	**83**	**74**	**57**	**71**	**66**	**73**	**74**	**82**	**295**
% Growth YOY					*#####*	*#####*	*-20%*	*0%*	*29%*	*15%*	
Expenses	-	-	54	56	41	50	44	52	51	57	**204**
EBITDA	**-**	**-**	**29**	**18**	**16**	**22**	**22**	**22**	**23**	**25**	**92**
Depreciation	-	-	4	4	4	4	4	4	4	4	**15**
EBIT	-	-	25	14	12	18	18	18	19	21	**76**
EBIT Margin			*30%*	*19%*	*22%*	*25%*	*27%*	*25%*	*26%*	*26%*	
Interest	-	-	0	0	0	0	0	0	0	0	**1**
Other Income	-	-	1	1	1	1	1	1	1	2	**6**
Profit before tax	**-**	**-**	**26**	**15**	**13**	**18**	**19**	**19**	**20**	**23**	**81**
PBT Margin			*31%*	*20%*	*23%*	*26%*	*28%*	*26%*	*27%*	*28%*	
% Growth YOY					*#####*	*#####*	*-28%*	*27%*	*53%*	*26%*	
Tax	-	-	7	4	3	5	5	5	5	6	**21**
Net profit	**-**	**-**	**19**	**11**	**10**	**14**	**14**	**14**	**15**	**17**	**61**
% Growth YOY					*#####*	*#####*	*-29%*	*28%*	*51%*	*26%*	

Detailed Results:

1. The revenue & PAT growth for Q2FY23 was 17.3% YoY & 30.7% each.
2. EBIDTA margins stood at 28% while NPM stood at 17.1%.
3. The company's business highlights for the quarter include:
   -added leading customers like Skoda Auto Volkswagen India for chrome plating parts in the PV segment and Atomberg Technologies for IML parts of consumer appliances segment
   - entered a new FMCG premium segment by adding John Distilleries as a customer for speciality decals.
   - .added BuymyEV and TI India in Q2,(SJS now supplies to 12 leading EV manufacturers in the country)
   -won new businesses with customers like TVS, Bajaj Auto, Royal Enfield, Mahindra & Mahindra, etc
   - working with OEMs for futuristic products, such as illuminated logos & cover glass technology for the automotive center stack displays.

Investor Conference Call Highlights:

1. The company's superior growth in the two-wheeler segment compared to the industry volumes was on account of its new business wins and market share gains.

2. For H1 FY23, SJS outperformed the market by growing at 38.9% on YoY basis in the automotive segment, whereas the two-wheeler plus four-wheeler combined industry production grew by 22.5%–Y-o-Y on the back of a strong recovery in the two-wheeler segment.

3. EBIDTA margins improved by 134 Bps primarily on account of higher sales, operational efficiency, and softening in the raw material prices.

4. The management maintains its FY23 outlook of around 25% revenue growth as well as its medium-term guidance over FY23 to FY25.
5. The management states that company was able to counter softness in export market through robustness of domestic demand.It is cautiously optimistic about the exports market to revive.
6. The company is looking at acquisition opportunities in Europe & US where due to current scenario, valuations are relatively cheaper.This will help the company to cater those products in the external market & help in margin expansion.
7. The management is targeting contribution of new age products to increase to 35-40% of total sales in future.
8. The management explains that it uses its relationships with other suppliers to get certain commodity products like optical plastics on which the company does further value addition & then supply to the end customers.
9. The management states that Exotech division benefitted from softening of raw material prices leading to EBIDTA margins of 17% but it still guides to maintain 14-15% margin.
10. The company has enough capacity to double its FY22 revenues.Further it has an option to do debottlenekcing exercise to increase capacity without major additional costs.
11. The management believes the company still commands a strong positioning in new age products like 3D Vs its peers because of its capability to produce coupled with strong relationships with the existing customers.
12. The management states that the new plant will take about 12 to 18 months to get on stream.
13. The management comments that Technically, it can build another facility and double the volume at Bangalore without investing in land.

Analyst's View:

SJS is one of the leading players in the Indian decorative aesthetics industry. The company saw a decent quarter with revenue growth of 17% YoY. The company is gearing up for a CAPEX of Rs 100 Cr to expand its chrome plating division to meet the additional demand. The management guides for an organic topline growth of 25% for the next 3 years. It remains to be seen whether the company will be able to match the management growth guidance and how will its export business pan out in the future. Given the company's strong position in its industry, SJS is an interesting small-cap stock to watch out for.

Rajratan Global Wire Q2FY23

Financial Results & Highlights

Brief Company Introduction

Rajratan Global Wire Ltd was established in 1989, it manufactures bead wire, high-carbon steel wire with specialization in TBW, which is bronze-coated and used in tyres and drawn steel wire (known as black wire), used in automobile, construction and engineering industries.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	152.56	141.31	7.96%	166.89	-8.59%	541.09	338.06	60.06%
PBT	21.74	24.83	-12.44%	31.06	-30.01%	89.99	47.46	89.61%
PAT	15.92	17.71	-10.11%	22.89	-30.45%	68.73	36.97	85.91%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	226.54	241.84	-6.33%	252.84	-10.40%	894.87	548.17	63.25%
PBT	31.09	43.61	-28.71%	45.71	-31.98%	152.64	66.26	130.37%
PAT	23.31	32.61	-28.52%	34.54	-32.51%	124.33	53.13	134.01%

Detailed Results:

1. The company reported poor quarterly results. Revenue is down by 6.33% YoY in consolidated terms.
2. The company's profits have dropped by 28% YoY in consolidated terms in Q2FY23.
3. After reporting amazing growth numbers in FY22, the company witnessed poor growth in Q2.

Investor Conference Call Highlights

1. This quarter witness lower demand of bead wire, mainly due to lower production of tyre companies in Thailand, who are majorly exporting their product tyres to Europe and America.
2. The company now has received environmental impact assessment approval for the expansion in Thailand, moving to 60,000 tons per annum capacity in November next month from 40,000 tons now.
3. The company is in talks with new customers in Korea, Vietnam and Europe to cater to from this expanded capacity.
4. The company has completed 50% of construction at Chennai, where it is setting up the greenfield facility for 60,000 tons per annum.
5. The management is confident to deliver 20% CAGR in volumes over the next three to five years.

6. Management stated due to weak economic conditions in US and Europe, which are major markets for Rajratan's customers, they are seeing lower demands. Thai tyre companies are working at only 50-60% capacity utilization.
7. Management has given the volume growth estimate of 10-15% for India business and 7-8% for the overall business for the year FY23, lowering the higher volume growth estimates given earlier.
8. Management has positive outlook for the business in long term given capacity created by tyre companies in India and Thailand.
9. Management stated 18-19% EBITDA margin is normal. This quarter was 17%. Drop is due to lower volume which lead cost of production up, and due to increase in energy cost.
10. Starting from Q3FY23, the company has regular supply orders to Michelin in Chennai plant from company's Indian facility.
11. The management stated they are open to supply to european customers from both India and Thailand. Thailand has the capacity plus little lower cost of steel. Chennai plant will also be open for those supplies.
12. Management stated they are not seeing any competitor building new capacities of bead wire in either in Thailand and India. And they are seeing many tyre capacities building up.
13. Management stated the Korean tyre companies were heavily dependent on Chinese bead wire. And Rajratan sees a very positive traction from them in terms of finding an alternate source of bead wire supplies. So for the same target, the company is discussing with three Korean tyre companies, for it's approval.
14. The company is also connecting with all tyre companies in Europe.
15. The management gave the reason for higher raw material as a percentage of sales despite of decreasing steel price, is that because the company is carrying some inventory of the higher price.
16. The management has given the flat volume growth for Thailand plant in FY23.
17. The company is exporting almost 40%, 45% of it's volumes from Thailand.
18. The management talked about their long term goal in Europe. They have appointed marketing manager in Europe to bring business. According to the management, European region bead wire requirement is 2,50,000 tons; if the company gets 15% market in next 2-3 years, 50% of Chennai capacity will be sold.
19. On the revenue front, management stated the revenue of Rs 1,800 crore in next 3-4 years, from 3 of its plants Pitampur India plant utilizing 80-85% capacity, which has gone up to 95% Thailand plant will be ready with 60,000 tons of capacity, assuming fully utilized Chennai capacity of 60,000 tons
20. The company will achieve the business plan of 10,000 tons of black wire in India, management stated. Black wire is 100% manufactured in plant at Pitampur in India.
21. Chennai plant will be benefit by the PLI scheme, where the company will receive 8% of revenue for the 5-years.
22. The company exports 300-400 tons bear wire a month to europe and little less than it to US.
23. The management is continue to have a projection of 7% to 8% growth in tyre business in India.
24. The management stated they don't plan to borrow heavily.
25. The company's realization per ton has dropped about 6% to 7% this quarter. Management stated this is because they have to pass decrease in steel price to their customers.
26. The company has done 45,000 in volume; the management expect this year volume to be 95,000-96,000 which is 7-8% growth from last year.

Analyst's View

Rajratan had a poor quarter with revenue down by 6% YoY and profit down by close to 28% YoY in Q2. The company expects good demand from export markets due to its low prices as compared to other exporters from China, Vietnam and others. But the company witness lower demand in Q2 mainly due to poor economic conditions in Europe and US. Last few months were difficult for the company due to unstable RM prices, higher energy costs, and lower demand. The management is optimistic for the company's future as it is EV agnostic in nature and should not be affected by the EV disruption movement. The management maintains that the company will be able to maintain its edge as the lowest cost manufacturer in the world for bead wire. It is also expecting to add to the Thai capacity and use 40% of the production from the Chennai unit for exports. It remains to be seen how the company will be able to retain its lowest cost manufacturer position and how the export market pans out for it. Nonetheless, given the company's strong market positioning in the domestic market and its inherent low cost manufacturing capacity, Rajratan is a good auto ancillary stock to watch out for.

Banks
HDFC Bank Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	46181.96	38754.16	19.17%	41560.27	11.12%	157263.01	146063.11	7.67%
PBT	14152.04	11882.63	19.10%	12180.11	16.19%	49015	41659	17.66%
PAT	10605.78	8834.31	20.05%	9195.99	15.33%	36961	31116	18.78%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	49182.1	41436.36	18.69%	44202.32	11.27%	167695	155885	7.58%
PBT	14956.4	12323.5	21.36%	12823.3	16.63%	50873	42796	18.87%
PAT	11162.59	9119.96	22.40%	9616.67	16.08%	38151	31857	19.76%

Detailed Results:

1. HDFC bank had a good growth quarter with revenue and profit increased by 21% and 22% respectively on a consolidated basis.
2. Advances growth of 23%, total deposits growth of 19% and retail deposits growth of 20.4%, core operating profit growth excluding bond sales of 16.6%, profit after tax increased by 20% delivering the return on asset of over 2%, and ROE of over 17%. Earnings per share reported in the quarters are 19.1 book value per share stands at Rs.456.2.
3. Total deposits amounted to 1673000 Crores, an increase of 4.3% over the prior quarter and up 19% over the prior year.
4. In retail deposits, the company has added 71,000 Crores during the quarter and 2,35,000 Crores since the prior year September.
5. Retail constitutes about 83% of total deposits.
6. CASA deposits recorded a growth of 15.4% year-on-year ending the quarter at 7,59,000 Crores with the CASA ratio at 45.4%.
7. Retail CASA grew by 19% and retail total deposits grew by 20.4% year-on-year.
8. Term deposits registered a growth of 22% year-on-year ending the quarter at 9,13,712 Crores.
9. Advanced were at 14,79,873 Crores grew by 6.1% sequentially and 23.4% over the prior year.
10. Retail advances grew by 21.4% year-on-year and 4.9% quarter-on-quarter.

11. Card spending has grown 9% over the prior quarter.
12. Commercial and rural banking or MSME and PSL books continued their momentum with a year-on-year growth of 31% and quarter-on-quarter growth of 9.4%.
13. The company's SME businesses are present in 90% of the districts in the country, and rural business reach expanded to 1.42 lakh villages and is on track to reach the objective of 2 lakh villages according to the management.
14. Wholesale segment witnessed a strong growth year-on-year of 27% and quarter-on-quarter growth of 9%.
15. LCR for the quarter was at 118%, capital adequacy ratio is at 18% and CET one is at 16.3% including profits for the half year that ended September 30, 2022.
16. Net interest income for the quarter at 21000 Crores grew by 18.9% over the prior year and 7.9% over the prior quarter.
17. The core net interest margin for the quarter was at 4.1%; the prior year was also at 4.1% and the prior quarter was at 4%. Based on interest-earning assets, the core net interest margin was at 4.3%.
18. Cost to income ratio for the quarter was 39.2%.
19. Core Pre-provision operating profit grew by 16.6% year-on-year and 5.8% sequentially. POPP was at Rs.17,392 Crores. POPP for the quarter is 5.37 times of total provisions.
20. The GNPA ratio was at 1.23% as compared to 1.35% the prior year and 1.28% in the prior quarter. Core GNPA ratio is at 1.04.
21. Net NPA ratio was at 33 basis points, the prior year was at 40 basis points, and the preceding quarter was 35 basis points.
22. The slippage ratio for the current quarter is at 36 basis points or about Rs.5700 Crores
23. During the quarter recoveries and upgrades were about 2500 Crores or about 19 basis points.
24. Writeoffs in the quarter were about 3000 Crores are approximately 22 basis points.
25. There were no sales of stressed or written-off accounts in the quarter.
26. The total provisions reported were around 3200 Crores as against 3900 Crores for the prior year and 3200 Crores during the prior quarter. The provision coverage ratio was at 73% as against 71% in the prior year and it was at 73% in the prior quarter two.
27. At the end of the current quarter, contingent provisions and floating provisions remained close to the prior quarter level at 11000 Crores, and general provisions were 6800 Crores.
28. Total provisions comprising specific floating, contingent, and general provisions were about 171% of gross nonperforming loans.
29. Floating and contingent and general provisions were about 1.19% of gross advances as of the September quarter end.
30. the total annualized credit cost for the quarter was 87 basis points, the prior year was 130 basis points, and the prior quarter was 91 basis points.
31. Recoveries which are recorded as miscellaneous income amounted 22 basis points of growth advances for the quarter as against 23 basis points of the prior year as well as the prior quarter.
32. The total credit cost ratio net of recovery was at 64 basis points as compared to 103 basis points in the prior year and 68 basis points in the prior quarter.
33. Time deposits grew by 22% and HDFC Bank has a very low penetration of 14% to 15% of their customers with time deposits.
34. Fees and commission income constituting 3/4th of other income was at 5800 Crores and grew by 17% over the prior year and 8% over the prior quarter.
    a. Retail constitutes approximately 93% of the fees.
    b. The fixed and derivatives income at 948 Crores was higher by 9.3% compared to the prior year.

c. Trading and mark-to-market losses were 253 Crores loss. The mark-to-market losses are mainly from our AFS investments in our corporate bonds and PTCs due to rate moments in the front-end yield curve. The prior quarter was also at a negative 1312 Crores and the prior year was a gain of 676 Crores, which were then opportunistic from an investment portfolio.
d. Other miscellaneous income of 1098 Crores includes recoveries from written-off accounts and dividends from subsidiaries, excluding trading on mark-to-market losses, total other income at Rs.7849 Crores grew by 16.7% over the prior year.

Investor Conference Call Highlights

1. On the distribution expansion, HDFC bank added 121 branches and 248 ATMs during the quarter. Management stated that about 500 more branches are in various stages in the pipeline to be opened in the next few months.
2. The company has 15,691 business correspondence an increase of 73 over the prior quarter.
3. Gold loan processing is now offered in 2960 branches an increase of 900 branches in the current quarter and up 2.2 times over March 2022.
4. Payment acceptance points have grown by 269000 in the quarter to 3.5 million and have grown by over 1 million versus the prior year, a growth of 41%.
5. Wealth management has now been offered in 502 locations through a hub and spoke model, expanded by 145 new locations in the quarter.
6. The management plan to drive an increase in the market share through deepening in B30 City.
7. In customer franchise building, the company has acquired 2.9 million new liability relationships exhibiting a healthy growth of 22% over the prior year and 11% over the prior quarter.
8. Over the last five quarters, the company has steadily acquired over 2 million new customer liability relationships per quarter.
9. The company has issued 1.2 million cards and closed 2.4 million cards during the quarter. Total card base is now 16.3 million.
10. HDFC Bank One that is the customer experience hub was launched and the company migrated phone banking, virtual relationship banking, and telesales from this platform in the recent quarter. It enhances customer relationship management process using AML and conversations BOT enabling round-the-clock self service capabilities to human interaction
11. Phone banking voice support role out is underway across the country adding more cities along with multilingual support.
12. The company launched PayZapp 2.0 to closed user group for performance optimization and improved payment experiences, the management expect to broad base the role out shortly.
13. SmartHub Vyapar app the one stop merchant solution platform is adding more than 60,000 merchants every month. As of end September over 1.6 million small businesses are on the SmartHub platform.
14. In Q2 the company received a total of 261 million visits on website, averaging about 30 million unique customers per month with a year-on-year growth of around 12%.
15. Highlights on HDB Financial Services:
    a. Disbursements during the quarter which was at 9860 Crores registering a healthy growth of 29% year-on-year and 8.5% sequentially.
    b. Customer franchise grew to 10.4 million customers with a 6% addition during the quarter and an increase of 33% year-on-year.
    c. HDB Financial Services has started to augment the distribution network and opened four branches in the quarter taking it to 1407 branches spread across 1009 cities and towns.

d. The total loan book as of September end stood at 63112 Crores with secured loans comprising 75% of the total book.
e. The provision coverage ratio on secured and unsecured books stood at 46.5% and 92% respectively.
f. Profit after tax for the quarter that ended September 30, was 471 Crores as against 192 Crores for the quarter that ended last year same time.
g. Capital adequacy ratio at 20.8%

16. Highlights on HSL:

. HSL has 215 branches across 147 cities and towns as of the end of September.

a. HDFC Securities has grown its client with a year-on-year growth of 36% over the prior year September taking the overall client base to 4.14 million.

b. The total reported revenue for the quarter was at 468 Crores as against 489 Crores in the prior year and net profit after tax was at 191 Crores as against 240 Crores in the prior year.

17. On the margin side, management gave guidance that, earlier they have operated between 3.94% to 4.45%, which is a typical range, and when they operate at that range, the mix of products which is the retail mix between 53% to 55% and the wholesale mix, a wholesale component of that mix is 45% to 47%. Over the last two, or three years it is switched to retail is now at 45% wholesale is at 55%. That's why the NIM is on the lower end of the range. The wholesale book is floating assets and the retail book is mostly fixed.
18. The management stated there is a ramp-up going to happen in the second half of the branch build. At the moment more than 500 branches are in the pipeline in various stages of completion in the coming months to be open soon.
19. The company sees a good amount of traction coming on the transactor-driven spending, management stated customers who are spending have very good liquidity.
20. The revolver rates have not picked up, and are still not that 70%, 75% of the pre-COVID level so last quarter; this quarter revolvers have not picked up.
21. Management stated one to three months of revolver-type profile customers are slightly picking up.
22. Out of 1,61,000 employees, around 45,000 is the sales force.
23. The management stated HDFC bank generally has a 5-year period where it grows loans and deposits around 2.5 times and expects the same for the next 2023 to 2027 block.
24. The company has moved to 1.42 lakh villages now, which was 1 lakh 12-15 months ago, and it is on track to go to 2 lakh villages. They are opening up around 3000 branches originating the gold loan and they wanted to do around 5000 branches.

Analyst's View

HDFC Bank is the biggest bank in the country by market capitalization. The bank saw a good Q2 with 19% YoY growth in NII and 23% YoY growth in advances. It has seen good growth in the wholesale segment with rising demand for credit from PSUs and the like coupled with lower prepayments. The management has stated that the next leg of growth in NII will be coming from the retail segment with the company working to establish itself in the payment ecosystem in the country. It has increased the traction on its SmartHub Vyapar app, adding 60,000 merchants every month. 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**8,422**	**8,313**	**8,134**	**7,952**	**8,043**	**8,233**	**8,626**	**8,838**	**9,164**	**9,994**	**36,623**
% Growth YOY					*-4%*	*-1%*	*6%*	*11%*	*14%*	*21%*	
Expenses	6,260	6,348	8,096	9,429	7,202	8,532	6,847	8,807	4,969	9,391	**30,014**
EBITDA	**2,162**	**1,964**	**38**	**-1,477**	**841**	**-298**	**1,780**	**31**	**4,196**	**602**	**6,608**
Depreciation	-	-	-	-	-	-	-	-	-	-	**-**
EBIT	2,162	1,964	38	-1,477	841	-298	1,780	31	4,196	602	**6,608**
EBIT Margin	*26%*	*24%*	*0%*	*-19%*	*10%*	*-4%*	*21%*	*0%*	*46%*	*6%*	
Interest	3,628	3,286	3,120	2,933	2,851	2,880	2,919	2,903	3,004	3,374	**12,201**
Other Income	3,901	5,236	6,537	7,773	4,529	7,110	5,550	7,960	2,495	7,519	**23,524**
Profit before tax	**2,435**	**3,914**	**3,455**	**3,364**	**2,519**	**3,931**	**4,411**	**5,087**	**3,686**	**4,747**	**17,931**
PBT Margin	*29%*	*47%*	*42%*	*42%*	*31%*	*48%*	*51%*	*58%*	*40%*	*48%*	
% Growth YOY					*3%*	*0%*	*28%*	*51%*	*46%*	*21%*	
Tax	595	981	879	810	725	990	1,073	1,229	974	1,168	**4,443**
Net profit	**1,853**	**2,947**	**2,602**	**2,589**	**1,806**	**2,989**	**3,403**	**3,892**	**2,755**	**3,608**	**13,658**
% Growth YOY					*-3%*	*1%*	*31%*	*50%*	*53%*	*21%*	

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 23.9% 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 2.61% vs 2.36% last year.
5. ROE stood at 14.09% Vs 13.47
6. Consolidated Book value per share was at Rs 519 per share.
7. 72% of the total PAT came from the bank, 7% from Insurance and 7% from Capital markets.
8. Standalone CASA was at 56.2% vs 60.6% a year ago.
9. Standalone NIM was at 5.17% vs 4.45% a year ago. NII grew to Rs. 5099 Cr Vs Rs.4021 Cr last year.
10. Standalone CAR was at 22.6% with Tier I ratio at 21.5%.
11. Credit cost on advances for Q3FY22 were 26 bps annualised (excluding COVID reversal) Q1FY23: 16 bps.
12. The bank maintained o COVID-19 provision of Rs. 438 cr (Rs. 44 cr reversed in Q2FY23)
13. Standalone GNPA was at 2.08% vs 3.19% last year and 2.24% in Q1.
14. The segments showing the biggest growth in customer assets were Home Loans which grew 40% YoY , SME which grew 25% YoY & Consumer durables & credit cards at around 80% each.
15. Average CA grew 7% YoY while SA and TD grew 2% and 20% YoY respectively.
16. Insurance AUM was at Rs 53,785 Cr, registering a growth 13.8% YoY. GWP grew 11.5% YoY.
17. Kotak Securities saw an overall market share in Q2FY23 of 5.1% vs 2.4% last year.
18. Kotak AMC saw Overall Market share on AAUM rise to 6.31% in Q3FY22 vs 6.04% last year.

Investor Conference Call Highlights:

1. The company is seeing an improvement in the mix of unsecured retail, which includes all of unsecured retail plus microfinance, which has now moved to about 8.5% of the total lending book.

2. As interest rates have tightened, the co. saw some bleed, particularly in the savings account book mainly because of its high net worth and an affluent customer base who have moved their money out of the savings deposit rate to liquid and fixed income instruments offering short-term higher rates leading to lower CASA ratio.
3. Term deposits grew by 20% while Current accounts grew by 13%. Savings accounts within 10 lakhs grew well.
4. The company took an MTM hit of Rs.63 crore, HTM book continues to be at a low 36% of its total investment book & modified duration also continues to be low at 1.05 years.
5. The company closed the quarter with a total customer base of 36.6 million.
6. In the SME segment, the growth remained robust; YoY 25% and QoQ at 9%. The bank was very successful in acquiring New-to-Bank customers
7. The commercial vehicle industry saw strong demand & SOH grew by 26%.
8. The construction equipment industry saw strong demand from September onwards & SOH grew by 24%.
9. The tractor industry has seen an uptick in demand owing to better cash flows from the last harvest and the pickup of commercial deployment. SOH grew by 24%.
10. The microfinance business continues its growth momentum in Q2 & the portfolio almost doubled YoY.
11. With a drop in commodity prices, the co. saw a little reduction in the working capital in the commodity space. The cash flow of the customers, however, is quite comfortable and the CAPEX investments in this segment are seeing an uptick primarily in the processing capacity and for augmenting the Agri infrastructure, which is the warehouse, cold storage, supply chain, etc.
12. The co. saw a robust growth trajectory in consumer assets lending in this quarter clocking YoY growth of about 39% while the mortgage business lending grew by about 40% on a YoY basis.
13. The co. saw another good quarter on credit cards with the acquisition of over 7.25 lakh cards in the quarter. Spends using the card saw robust growth this quarter showing 93% growth on a YoY basis while credit card advances grew by 16% QoQ.
14. The company saw good traction in its agency business and a lot of retail customers have started using its platform to make Customs Duty, GST, and Taxes which shall help build flows and balances in the CASA accounts while Government business is also a key focus area.
15. The ADV for the total volume alone has reached 64.7 lakh crore, of which options is 63.47 lakh crore. This is compared to 30.4 lakh crore in the same period last year, which is more than a 2x increase just in options.
16. The company launched a trading platform-Kotak Neo sometime in the last quarter And in a short span of time, a large percentage of daily volume is happening there.
17. The share of credit substitutes which are shorter-term loans is increasing since it helps to optimize returns in terms of PSL costs, risk, and pricing.
18. TDs less than Rs.2 Crs is 60% of the total TDs.
19. The management believes that the current credit cycle is like a Cinderella time & taking a call on how long this positive credit cycle remains is very closely linked to the terminal rates of interest and the external account situation of the country. Therefore the company is having a singular focus on risk-adjusted returns & investing heavily in technology and also the growth of both the asset and liability business.
20. The company's strategy for granular growth in deposits is to make customer engagements easy & use the digital routes for acquiring more customers.
21. On being asked about lack of aggression in branch expansion, the management said "s that the density requirements of branches compared to the past maybe less, therefore branches are still needed. But

instead of being at a distance of 100 meters from your home, I'm sure people can live with a branch which is half a kilometer or a kilometer from the home".

22. The management explains that the absolute percentage level of CASA out of the total deposits, the cost at which the balance deposits delta cost goes up versus on the asset side, and the terminal rate at which the repo rate sort of slows down, are the three most important variables in terms of how the pricing and the spreads will go.

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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	121.00	144.00	-15.97%	40.00	202.50%	349	189	84.66%
PBT	89.00	9.00	888.89%	82.00	8.54%	195	34	473.53%
PAT	85.00	9.00	844.44%	67.00	26.87%	183	25	632.00%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	3,009.00	2,626.00	14.58%	3,324.00	-9.48%	11,441	10,291	11.17%
PBT	29.00	307.00	-90.55%	252.00	-88.49%	1,146	1,364	-15.98%
PAT	-21.00	92.00	-122.83%	64.00	-132.81%	1,165	1,185	-1.69%

Detailed Results:

1. The company had 15% YoY rise in revenues and a 123% YoY fall in PAT on the consolidated basis.
2. Volume increased 13.2% YOY to 5.8 MnT
3. EBITDA for the quarter stood at INR 379 crores, which translates to INR 656 per ton
4. Added Renewable power capacity of 24 MW
5. The blended cement percentage has been 82%
6. Cement capacity targets given by the management:
    a. Interim milestone of 49 million tons by March '24
    b. Interim milestone of 70-75 million tons by financial year '27
    c. The long-term goal of 110-130 million tons by 2031
7. Closing gross debt as on 30th of September stands at INR 3,287 crores, which is an increase of INR 147 crores during H1 this year. Net debt to EBITDA as of 30th September is 0.32 times.
8. Premium segment share is 20% of trade for Q2, it was 19% in Q1.

9. Lead distance is 308 kilometers.
10. Trade share is 64%
11. Fuel mix for Q2:
. Petcoke - 59%
a. Domestic coal - 14%
12. Currently, it's about 70 days of inventory on the balance sheet
13. Clinker ratio 1.71 for the company, it was 1.59 on YoY basis.

Investor Conference Call Highlights

1. The margin compression is due to energy inflation, which management expects to recover with energy costs coming down in the coming quarters.
2. During the quarter, the company has commercialized 4 megawatts of waste heat recovery system power (WHRS) and 20 megawatts of solar power, which takes total renewable energy capacity to 129 megawatts and which constitutes 24% of the power mix.
3. Another 173 megawatts of renewable power is on track to implement by March '23.
4. beyond this 173, the company has taken the Board's approval to further add 155 megawatts to renewable power.
5. These renewable energy additions will give additional savings from FY24, which can be around INR 5-6.
6. The management stated renewable as a percentage of total power mix which is 24% can go to 36% in two years.
7. South India has traditionally been an OPC market, and the company has increased blending to 63% as compared to 47% in Q2 last year. According to the management, the increase in the blending ratio is sustainable, because the company's focus on retail sales, focus on trade sales is yielding these results.
8. The company has been able to bring down its carbon footprint to 467 kg per ton of cement, which, according to the management, should be one of the lowest in the world cement sector.
9. The company has acquired one coal block and in times to come, that coal block will be able to give fuel security for the company's Eastern operations. In addition to this, the company is also working in a way on ensuring limestone security for a large number of years, and in each and every plant, the company has big limestone security.
10. Of the total CAPEX of INR 3,000 crores planned for FY '23, the company has spent about INR 1,200 crores in H1 and is on track to spend the planned capex in H2.
11. The management stated that they will be able to commission Bihar grinding unit by March '24.
12. During the quarter, the company received INR 84 crores as an incentive. And as of the quarter-end, INR 655 crores of incentive is receivable. 61 crores is accrued.
13. the per kilo cal fuel cost in Q2 is INR 2.52, it was 2.47 in Q1 and management expect it to reduce by around 10% in coming quarters.
14. Out of the total reduction in cash and cash equivalents, about INR 1,190 crores is because of the reduction in the value of the IEX share, and balance reduction is deliberately planned according to requirements.
15. Prices have gone up by INR 20-25 in Kerala, INR 10-15 in Tamil Nadu, and not much in Karnataka and Maharashtra. In East markets, only INR 5 here and there. (price increase are net of discounts).

16. For the CAPEX to come, the company has shared the capital allocation policy that net debt-to-EBITDA will not cross to 2:1, unless there is a strategic acquisition.
17. For FY '24 and FY '25, CAPEX should be around INR 3,500 crores to INR 4,000 crores.
18. In terms of the Murli, utilization would be between 55% to 60% for the whole year, the management stated.
19. The management stated for LC3 to become popular, it will take four years to five years; the company has been able to identify mines of clay; it is not currently in pipeline due to higher energy needs.
20. The management is expecting 14%, or 15% growth in the Northeast in the next three years.
21. Current utilization in the Northeast is 70%.
22. For the Bihar greenfield CAPEX, the company is almost close to the completion of the land acquisition, and the work should start.
23. The increase in raw material cost is due to the fly-ash price increase and also due to the higher use of fly-ash given a higher blending ratio.
24. The management stated they are expecting volume growth 1.5 times of the industry growth.
25. The company has a limestone mine in Madhya Pradesh. So that project is already started to develop. The company is also looking at buying some land in Uttar Pradesh. So the long-term vision is pan-India, the company is looking at organic and inorganic opportunities all across the country.

Analyst's View

Dalmia Bharat is one of the leading cement makers in India. The company has had a decent quarter with a 15% YoY rise in revenues. The company has done well to maintain Debt to EBITDA. 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%. The company is aggressive at adding more and more renewable energy. 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 will it 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 Q2FY23

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).

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	517.06	590.3	-12.41%	600.1	-13.84%	2346.03	2163.1	8.46%
PBT	9.8	90.9	-89.22%	69.3	-85.86%	335.1	391.2	-14.34%
PAT	7.01	59.5	-88.22%	51.6	-86.41%	252.2	314.9	-19.91%

Detailed Results:

1. The company had a very poor quarter reporting 12.41% lower revenue and 88% lower profit on YoY basis.
2. The company delivered an EBITDA of Rs 476 per ton which is 50% lower
3. The company continues to operate on negative net operating working capital, and net debt stands at about 109 million as of date.
4. Company's Green power % of total power is 34% as of the September quarter. Hence the company is less dependent on outside power.
5. Sales volume in terms of rail and road is 50-50.
6. The company's trade sale is 83%.
7. Every quarter the company has around 5 crores GST incentive.
8. Company has 6 million ton cement capacity currently, and capacity utilizations is around 80%.
9. Paid a dividend of 9 per share.

Investor Conference Call Highlights

1. The company has slipped on the volume by 19% on a year-on-year basis and 10% on a quarter-on-quarter basis due to weather-related problems in central India - UP and MP.
2. There is a significant increase in fuel costs.
3. The company has been able to save on power costs because it is now sourcing third-party power and green power which is a little cost-efficient on power.
4. Ammasandra plant operates 90% on green power.
5. The company has put up a power plant, thermal with this solar power plant in the Narsingarh plant.

6. The company is working on a little bit of debottlenecking of plants with a view to reducing fuel consumption, which will happen in the next year. The company will do a debottlenecking of Line 2 and Line 3 both starting with Line 3 first and then going to Line 2.
7. The debottlenecking will also add cement and clinker capacity. The management stated added capacity can be 3 lakh tons of clinker and 4.5 lakh tons of cement for both line 2 and line 3 put togather. They will start first phase in FY24 and second in FY25.
8. Consumption split of coal and petcoke is 31% and 69%. Petcoke consumption has increased due to cheaper costs.
9. The company has launched a new product called Mycem Primo, which's bag's price is 15 to 20 Rs higher than a normal bag. Management stated the target to increase the price of these bags by Rs. 5 to Rs. 7 every year. They started with Rs 20 and currently, it's Rs. 40 per bag, and next year they have a target to make it Rs 45 per bag.
10. The fuel consumption cost for the company is around Rs. 700-714 per Gigajoule; Rs. 3.13 per kilocalorie.
11. Gujarat expansion plan is in the process of getting environmental clearance. Management stated it may take next May/June to get it done. The plant is expected to start in FY27.
12. The management expects pend-up demand of cement in next 2-3 months.
13. The management gave CAPEX outlook:
    The company's replacement CAPEX is 50% of its costs and depreciation, it is about 50 crores. Another CAPEX will be there for line 2 and for debottlenecking of line 3 in FY24. The approx range given was 50-55 crores.
14. The management stated that after Diwali there should be some price increases the company should be able to push through which depends on the order books. If the company see the order books getting overflowing, it can charge higher price.
15. Management stated in central India, the total demand on market price is 58 million. They expect the demand growth of 8-8.5%, which comes around 5 million growth in the cement in Central India alone, in FY24 due to elections.
16. The company's Gujarat expansion plant will have capacity of 3.5 million tons in phase one, and another 3 million will be there in phase two. Management stated 200 million euros CAPEX spending for phase one.

Analyst's View

Heidelberg Cement is one of the leading cement makers in South and Central India. It had a poor quarter with revenues falling by 12% YoY & EBIDTA margins were down 10.8% to 9.4% from 20.2% due to higher input costs & fuel costs. 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 believes that input costs will remain at elevated levels even in the coming quarters and an increase in realizations is going to be an uphill task due to poor demand from the market. The company remained unable to pass on the rise in RM costs due to poor demand in Q2. It remains to be seen how the company will face 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 Q2FY23

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.

Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	620	616	0.65%	715	-13.29%	2,735	2,342	16.78%
PBT	-10	86	-111.77%	59	-117.06%	404	333	21.32%
PAT	-9	57	-116.68%	37	-125.37%	263	214	22.90%

Detailed Results:

1. The company had a poor quarter with revenue rising by just 0.65% and profits falling by around 117% YoY.
2. The volumes in this particular quarter at 1.24 million tons, which is 3% down over last year.
3. Last year in Q2, the company sold about 24,000 tons, and 25,000 tons of clinker, due to uncertain coal supplies, no clinker sales in Q2FY23.
4. The drop in cement sales in volume is about 10%.
5. Realization in Q2 is 4% higher year on year. But on a sequential basis is down 4%.
6. B2B sales or non-trade sales has risen to 45% which was 39% in the same quarter last year.
7. In Q2, pet coke cost has been Rs. 2,568 per million kilocalories. It was Rs. 1,500 last year.
8. Domestic coal, in this quarter, has been around Rs. 1,900 per million kilocalories from about Rs. 1330 year-on-year.
9. The fuel cost at Rs. 2,379 as the weighted average cost per million kilocalories of fuel that we've had, which is up from Rs. 1,336
10. For H1, the blended fuel cost is Rs. 2,358 per million kilocalories versus Rs. 1,296 of last year.
11. Rrenewable power is 18% of overall mix.
12. Taken a hit of about Rs. 1.8 crore maybe on account of one-time settlement in the old sales tax cases.
13. The company has paid Rs. 37 crore toward project debt in this quarter, total in H1 becoming Rs. 74 crore. So the project debt is now down to Rs. 236 crore and working capital borrowings at the end of the quarter or at Rs. 172 crore, which makes it a total debt of Rs. 408 crore. Another 38 crores interest-free loans from Karnataka government, hence total debt is 446 crores.
14. OPC from about 39% year-on-year, has gone up to 45%. PPC which was 61% last year is down to 55%.
15. Fuel mix for Q2 58% Pet coke 28% Domestic coal - which used to have between 35%, 40% 5-6% Imported coal Balance would be AFR.

Investor Conference Call Highlights

1. The company managed to migrate from SAP ECC volume to SAP S/4HANA on the cloud. The company is using the Google Cloud platform to host its dataOrient cement is perhaps the first cement company to have done this migration.
2. The company has launched another premium cement with the brand name Orient Green. This cement has about 15% less carbon footprint than the industry norms. And the byline also is 'responsible cement for the responsible you'.
3. The company's Strong Crete is today priced at Rs. 45 higher than its PPC. Orient Green is priced at Rs. 23 higher than PPC because some of the customers have been telling they're finding Rs. 45 premium to be a little too steep.
4. The company has currently launched Orient green cement only in a few districts of north Karnataka, as it's closer to the Chitapur plant where the company is producing the cement. Within the north Karnataka market, the company's average is 3 to 4 slabs per day from the time of launch.
5. The company faced heavy rainfall during the quarter. The management stated when rainfall happens, not only does the construction slows down, it also the mining of coal slows down, the gypsum availability goes for a toss, and the fuel they get is wet. The alternate fuels that they are using more and more during monsoon is very difficult to use them when they come wet. As it is, the calorific value is low. And when they come in wet form, it becomes very difficult to use them. The liquid hazardous waste that they were consuming became very short supply in these 3 months of monsoon. Moreover, transport costs have risen due to the unavailability of rakes due to rain.
6. In Telangana and Karnataka, which is the operating market of the company, there are no mega projects to support volume in Q2.
7. Maharashtra has supported the company in terms of demand. Maharashtra and the west as a whole, they're close to 55% against the normal 50%, 51%.
8. B2B sales went up. The management stated B2B market is all large customers who negotiate very hard and almost volumes are attractive, almost every cement manufacturer tries to book that order. So, the company gets prices, which are challenged and also they consume more of OPC, OPC being unblended costs more to make. So a higher proportion of non-trade sales and a higher proportion of OPC sales cost the company higher.
9. For the Chitapur plant, the company uses coal, but due to higher transportation costs, the company used petcoke and petcoke has suffered the highest inflation
10. At the Devapur plant, the company did not get enough of the higher quality domestic coal and for running the production, so the company has to use some of very expensive imported coal.
11. The entire fuel mix for the company as a whole has got driven in a way where the heavy costs or high inflation in the cost of petcoke has hurt the overall power and fuel costs.
12. The management stated waste heat recovery project at Chitapur which is under construction will be commissioning towards the end of the financial year.
13. EBITDA in Q2 is 37 crores compared to 157 crores last year in Q2, more than 72% drop.
14. The management stated this quarter, shortage of rakes was there, railway increased their demurrage charges to 400%, 500% if it crosses a certain number of hours. So, as a result of that from a 20% share of volume that the company moved using rakes last year, has actually fallen to 15% in this quarter this year.
15. No CAPEX apart from the waste heat recovery plant and the flyash handling system, both will be commissioned by end of this year. The management thinks no need for capacity increase now due to low demand and too low capacity utilization levels.

16. The management stated it does seem that the costs are beginning to see some softening. Alternate fuels availability will also improve, which will again help fuel mix towards cheaper fuel.
17. The management stated in the month of November, they were hoping that the volumes will start picking up post Diwali, post Chhath puja also got over towards the end of October, but they are still waiting for the kick in demand.
18. The management stated reason for no kick in demand it seems to be the unavailability of labor.
19. The management stated the company the land and environment approval for fourth plant at Devapur in hand, there they are only waiting for the demand to look better before start putting up more capacity because utilization has been low. Chitapur have all the land and the environment approval process is on, it won't take too long. In Rajasthan, the company has no land.
20. The management stated WHRS will lead to 30 crores of saving on power every year.
21. The management stated for Tiroda they still have not been able to make progress there because while the environment clearance application is under process.
22. On the competitive landscape, the management stated,
    a. Birla Corp, Dalmia and Shree Cement in south markets are coming with capacities, obviously when more capacities come, every new incumbent who put up a large CAPEX in an area, they will want to do something.
    b. So, Dalmia, they have invested money. As you said, Birla Corp has invested. So, they are beginning to push volumes. The challenge that Orient cement is having is do it start matching the low prices that competitiors are offering in the market to defend volumes or do it defend brand for the longer term
    c. Currently, Orient board is saying to keep staying on with branding because narrowing the price gap between Orient and the market leader will lead brand strategy and positioning for a toss.
    d. Chitapur capacity utilization has been a lot higher than our Devapur largely because the new capacities that are coming around the older plant
    e. So, the company is still believing that the way it has introduced branding and the power of branding to a small manufacturer; Orient will stick to its prices right now, not reducing them. As the management believe if they remain a commodity forever with these kind of capacities, they will never be able to sort of get goodthings.
    f. When your competition starts selling product at Rs. 20, Rs. 25 per bag lower than yours, the company would not sell the product for the same.
    g. The management stated other companies mentioned above are largely retaining B2B market with very low prices, so which is not a game that Orient Cement would want to play anymore.
23. The management stated the realizations should improve quarter to-quarter.
24. The management stated in FY24, the company will spend about Rs. 850 crore on CAPEX.
25. At Chitapur plant, it'll be nearly 3 months of inventory. At Devapur, we're keeping right now inventory between 2 to 3 weeks because the mines are close by, we pick up from there and then they go to our plant.
26. The management stated the Devapur expansion is linked to Tiroda grinding unit. Till Tiroda construction actually starts, starting Devapur too early would only be locking up the capital without any prospective utilizing the capacity.
27. The management stated to start the construction in Rajasthan it will take about 3 years.

Analyst's View

Orient Cement is a leading cement maker in the West and South Zones. The company had a tepid Q2 which saw revenues rise of 0.65% YoY while profits fell 117% YoY due to difficulty in raising selling prices and input cost inflation. The company is set on its capex plans with which it expects to increase capacity in 2024. The company is clear with its strategy to maintain its branch by selling at premium price and not reducing the prices. 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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	14,881.61	11,693.34	27.27%	15,312.33	-2.81%	51,275	43,977	16.60%
PBT	2,267.65	2,514.79	-9.83%	2,275.62	-0.35%	8,293	8,060	2.89%
PAT	1,554.02	1,681.06	-7.56%	2,453.89	-36.67%	7,066	5,342	32.27%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	15,272.70	12,034.71	26.91%	15,859.67	-3.70%	53,106	45,459	16.82%
PBT	2,293.42	2,526.94	-9.24%	2,255.84	1.67%	8,364	7,857	6.45%
PAT	1,582.02	1,700.03	-6.94%	2,453.83	-35.53%	7,334	5,462	34.27%

Detailed Results:

1. The company had poor quarter with consolidated revenue rising 27% but profits falling by 7% YoY.
2. The company increased about 4.5 million tons of capacity YOY.
3. On an increased capacity, company's domestic volumes have grown about 10%.
4. During the quarter the company has commissioned about 32 MW of renewable energy taking the total to 318 MW which makes it to 5.6% of company's total power consumption. An additional 5 MW WHRS was also commissioned.

5. The blending ratio has gone up to 1.41 as company's conversion ratio.
6. Blended cement has reached about 71% which helps the company meet targets to reduce our carbon emissions.
7. The company's channel partners spread is be close to 1,10,000 channel partners.
8. Region wise utilization:
   North ~ 85%
   Central ~ 70%
   East ~ 90%
   West ~ 60%+
   Ssouth ~ 75%+
9. Share of trade cement this quarter is 68%.
10. lead distance in this quarter was 428 kilometers.
11. Export volume in Q2 is 1 lakh ton.

Investor Conference Call Highlights

1. Excessive monsoons have been there almost all parts of the country, except maybe some areas like Tamil Nadu, Assam and Meghalaya, which saw lesser rains; delayed exit of monsoon has been causing some amount of pressure on cement consumption and construction activity.
2. Rising price of fuel is other problem carring from Q1. Coal and petcoke prices are also still very high.
3. The management given the view that fuel costs will remain high due to the ongoing geopolitical scenario, coal and petcoke prices are very high, they shouldn't increase further, Crude has softened a bit but depends upon govrnment, whether it decides to pass on the benefit to industrial consumers.
4. During this quarter, UltraTech has completed shutdown work on almost 19 of its kilns out of the total 43 kilns.
5. Maintenance costs have been higher because of inflationary pressure on refractory brick cost and other maintenance costs.
6. The management stated prices were under pressure towards the end of May '22 and they saw a continuous slide; Monsoons don't see any opportunity in increasing prices.
7. The management stated the season for cement industry is after Diwali, demand has been good, hence price increase can be attempted.
8. One negative aspect about the rising prices of fuel is large cash flows are getting blocked in costlier working capital, the company has increased inventories which has resulted in increase in our working capital. From 45 days, inventory days are increased to 55 days.
9. The management is confident that as volumes go up in the next 6 months, as the cost of purchase of fuel stabilizes, working capital will go back into the negative working capital zone before the end of this fiscal year.
10. The management stated this year and the next year definitely can be delivering a double-digit growt, because the first half itself UltraTech has recorded about an average of 14% growth despite a weak monsoon quarter. Demand starts picking up post November and March is a peak period. Definitely the company should be able to deliver double digit growth this year and next year as well.
11. Putty expansion that the comapny undertaken 4 lakh tons of additional capacity is under trial production and the management's estimate is to commercialize the plant before the end of october or mid- November.

12. According to management, imports from Rak White will further strengthen the brand presence in the country; The first shipment will happen during this quarter.
13. The company has been steadily growing our construction chemicals business which recorded revenues of about 132 crores, up from 82 crores last year.
14. During the reported period Ultratech commissioned Dalla brownfield expansion of 1.3 million tons ending this quarter at 115.85 million tons of capacity.
15. Pali, greenfield plant and Dhar brownfield expansion is almost ready to roll out production and commissioning of these plants should be in the October-December quarter according to the management.
16. Ultratech is on track to reach 131.25 million tons of capacity by the end of March '23, management stated.
17. All this capacity expansion is being met out of internal accruals and this year the management expect cash outflow on CAPEX of anywhere between 6000 crores to 7000 crores. 2900 or 3000 crores of cash has already been spent on CAPEX in the first half. The phase 2 expansion of 22.6 million tons which was announced last quarter, work has commenced almost 500 crores of spending has taken place on advanced payments, labor mobilization, some sites civil work has already started. This is going to take Ultratech to next milestone of 153 million tons of capacity by FY'25-26.
18. Out of 2nd phase expansion of 22.6 million tons, 3-4 million tons may commission in FY24.
19. Domestic coal for company is 7% to 8% only, rest is imported.
20. The management stated cargos of Russian coal mentioned in the last call has started getting into consumption in this quarter.
21. On the distribution front, the management stated they don't own fleet. Company's transporters continuously add fleet as in when wherever it is required.
22. In the second phase of growth the company has 2 bulk terminals already planned and any future requirement also bulk terminals will be planned.
23. On railway sidings, management stated they keep on adding wherever available whenever available. Last time they added beyond 260 rail heads.
24. On the ocean route front, the company has its own jetty at our Gujarat plant, bulk terminals, 279 railway sidings as of now. Bulk terminals along the coastline, there is Mumbai, that is JNPT and then it goes down to Mangalore, Cochin.
25. The management stated they will look at expanding network on the eastern side as well.
26. The management stated Region wise realization impact, east was the least impacted, north saw a decline, north and central were the leaders in decline. East was better placed, west was neutral. There was 2.5% grey cement realization decline.
27. The management stated there was a preponement of maintenance shutdown, which led maintainance cost higher by 80 crores mainly due to higher cost of procurement.
28. According to the management, east will be the best performing market in terms of demand and Ultratech is adding capacities in east. Company's capacity utilization in the east was the highest, and management belive industry players will continue to enjoy a good capacity utilization in east.
29. UltraTech's India realization seem to have outperformed the peers, the management gave the reason that value added product is continuously going up, it reached more than 18%, that is one area company is increasing our blended cement ratios, increasing our trade ratios as well. Moreover, brand name also plays out.
30. On the profitability or EBITDA per ton front, management gave region wise estimates; south would be the leader in profitability, followed by west and north catches up along with. East is at the last step in terms of profitability. Central and north would be behind south and west.

31. Fuel mix in klin:
    Indigenous coal - 5%
    Imported coal - 50%
    Pet coke - 40%
    Alternate fuel was about 5.2%.
32. TPP fuel mix:
    Indigenous coal - 56%
    Imported coal - 29%
    Pet coke - 5%
    Others 10%, lignite which is essentially an alternate fuel.
33. The management stated petcoke consumption which is 40% can go up to 50-60%.
34. The company is putting lowest additional capacity in west which is 1.8 million tons. Managament stated that enough capacity available in west.
35. Fuel cost per kcal is Rs. 2,489 per million kcal in Q2 as compared to 2,215 in the previous quarter and in Q2 FY22 it was 1,427.
36. The management stated about Rs. 100 a ton cost reduction they see in next couple of years on the variable side.
37. On white cement and putty like the RAK acquisition, management stated this quarter they will start. October-December quarter should be starting volumes.
38. Exports to srilanka have dropped down dramatically from a 1-1.5 lakh tons per months to 30,000 or 40,000

Analyst's View

Ultratech Cement is the biggest cement maker in India. The company has done well to acquire ageing cement makers in India and integrating them and adding to the company's ever-growing market presence and reach in the country. Ultratech has had a poor quarter in line with the industry with sales degrowth of -3.7% QoQ and EBITDA fell 37.2% QoQ and fell 29.5% 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. Good demand is expected in coming quarters. 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 Q2FY23

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.

	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	285.65	245.11	16.54%	308.20	-7.32%	1,305	1,105	18.10%
PBT	41.88	28.71	45.87%	45.26	-7.47%	455	353	28.90%
PAT	30.79	22.26	38.32%	33.55	-8.23%	357	289	23.53%

Detailed Results:

1. The company had a good quarter with revenue and profits growing by 16% and 38% on YoY basis respectively. On a QoQ basis, the numbers have decreased for Q2.
2. Quarterly Volumes grew by 5% over Q2-FY22 and 16% over H1-FY22
3. The EBITDA margins were reported at 15.96% for H1FY22.
4. PAT margins were 10.88%.
5. 5-6% volume growth YoY, 16% of revenue growth i.e. value growth for the quarter.
6. Sales mix:
   45% is our total solid rubber business which includes nitrile rubber, nitrile powder, nitrile PVC blend, and High Styrene Rubber 55% is latex, whereas out of 55%, 6-8% is nitrile latex.
7. Export contribution is 21-22% for the quarter.

Investor Conference Call Highlights

1. The company continues to run at nearly 100% capacity utilization.
2. The management stated both projects Valia and Taloja will be successfully completed in Q3 of FY23.
3. The project in Gujarat (Valia) facility is only for gloves and the project in the Taloja manufacturing unit is a swing, the company could make many other latexes.
4. The current thinking of the management is that they would first utilize the Valia plant's capacity for the glove industry. For the Taloja new plant, they will focus on other products that they already have for styrene butadiene, styrene-acrylic latex, for paper carpet construction.
5. The company is going to focus on manufacturing styrene butadiene latex because the management believes in the next year the glove industry is going to go through a tough time, the silver lining is styrene butadiene latex market has been extremely strong, whether it is in construction, carpet, paper.

6. Total capacity for both plants is 60,000. 50,000 is attributable to the Valia project only for gloves and 10,000 to Taloja will be converted to Styrene, butadiene latex. The management stated they will be focusing on Styrene, and butadiene latex for the next few quarters because the company is running at full capacity and this seems to be a higher demand for those products.
7. Earlier envision for 10,000 tons of nitrile latex in the Taloja plant, instead, management stated they will do much more of styrene butadiene latex than 10,000 tons. The company is still working through the details because the styrene butadiene latex, the cycle times are lower, and it will be able to manufacture more products from our Taloja plant.
8. The management stated the glove industry is going through the deepest downturn.
9. The management stated they have the ability to go up to 80,000 tons at minimal investment in the Valia plant; In Taloja as well they have left some place for additional capacity with minimal investment.
10. The management expected that the margins in the first year for latex capacity will be much lower than then what we had anticipated. It seems lower than pre-COVID margins as well.
11. The management expects the 60,000 tonnes of the capacity of latex, which is used in gloves, is a very small capacity compared to the 2 million tonnes of world capacity, hence it is not a challenge to sell this capacity. Management expects volume to come in the next 3-6 months.
12. The company always looks for a return on capital of 20-25%; in the current scenario it will be difficult to achieve but it is achievable in the long term.
13. The management talked about issues the company will be facing:
    a. The company's competition is import as for 40-45% of the company's product, there is no Indian manufacturer, and the company is benefited there due to higher freight costs, but they are 50-60% lower from their highs, slowly returning to normalcy. So that sort of benefit that the company had for a few quarters may not be there going forward.
    b. The company has a stock of higher-cost inventory, has increased its inventory days, and now the prices of their RM are coming down, which is going to play out in the next few quarters.
    c. Demand has cool off due to the macroeconomic global recession in Europe and probably in America, high-interest rates, war, and China's going down.
14. Management stated the lower revenue growth is mostly attributable to the realization coming off. On the volume front, the company is operating almost on 100% utilization, but Q2 in general, for the company, is like this because of the monsoon season, a couple of the company's customer industries like carpet, footwear, etc are a little slower.
15. The company has to rely on imports for RM sourcing as styrene is a major RM for the company and there's no Indian manufacturer providing the same. The company has been successful in quite a few raw materials of developing and working with suppliers to develop indigenous sources.
16. The management stated while they expect a more challenging environment, they are going to focus on market share, improving quality, and consistency, introducing some new products, focusing on all the approvals, customer approvals, and most importantly, focus on a healthy balance sheet.
17. The management stated if the gloves market stays under pressure for longer than expected, in this worst-case scenario they can use part of the latex manufacturing capacity at Valia towards captive NBR production, but for that, there is a reasonably sizeable investment required. NBR for the last many two-three years the company is running at full capacity.
18. For NBR, the company has sort of started the process of detail engineering of the plan, updates will be given next few months.

19. The company started selling specialty products to Asian paints, which they launched under the SmartCare brand of products and Apcotex is supplying to the construction chemical portfolio. There is no arrangement for getting any part of the distribution benefits from Asian paints.
20. The company's sweet spot for exports is the Middle East and Southeast Asia, where the freight cost is not a very large percentage of the total cost of the product.
21. The Valia plant is a Brownfield project, so lower fixed cost, and it's a highly automated plant, so management estimates the breakeven at the EBITDA level to come in a few months
22. The management stated company's competitors in Europe are facing a really tough and competing task, raw material prices in Europe for them are significantly higher than in Asia. Conversion or power and gas prices are currently significantly higher so the company has seen a lot of interest from not only European final customers but also customers in Asia, for specialty products, so the company has seen an opportunity to work with certain customers and developed certain specialty products that the company will not have in its range, within the same, styrene-butadiene, styrene acrylic, vinyl butadiene, VP latex range; the management also decided that current focus is at Taloja facility only on the company's current products and focus on nitrile latex from Valia.
23. Growth drivers according to the management:

. Nitrile latex will continue to be a growth driver, the issue is margin, not volumes.

a. Taloja facility, the company could make more styrene butadiene latex and styrene acrylic latex and so that's going to be another growth driver

24. The company's 8% to 10% of business is to the tyre industry and around 8% to 10% is to the auto industry.
25. Key raw materials for the company are Acrylonitrile and Butadiene, Butadiene is manufactured in India and it's very close to the company's plant; Acrylonitrile is all imported into India.
26. The management stated new capacities are expected to start contributing from Q4, but if CTO takes longer time, a major effect we will see in FY24.
27. New capacities are expected to contribute more than 500 crores of revenue.
28. Going forward, the management stated that exports will go higher; Because of nitrile latex for gloves which is largely for export, export should be much higher around 35 to 40% of total turnover.
29. The management stated they supply latex to the tyre industry, and it is a very small portion of the whole cost of the tyre, hence tyre companies generally don't move to other suppliers, even if they get the product at a 50% lower price.

Analyst's View

Apcotex is one of the very few synthetic rubber makers in India. The company had a good quarter with handsome growth in revenue and profits YoY but muted growth on a QoQ basis. 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. The company is facing problems due to the downturn in the gloves industry. It remains to be seen how the company will be able to preserve its margins if there is further RM inflation and what obstacles it will 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 Q2FY23

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.

	Quarterly Performance										
	GALAXY SURFACTANTS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**607**	**719**	**675**	**784**	**826**	**877**	**929**	**1,053**	**1,159**	**1,232**	**4,373**
% Growth YOY					*36%*	*22%*	*38%*	*34%*	*40%*	*40%*	
Expenses	517	597	555	666	718	806	853	908	1,011	1,100	**3,871**
EBITDA	**90**	**122**	**119**	**117**	**108**	**71**	**76**	**145**	**148**	**132**	**501**
Depreciation	16	17	17	24	17	18	18	18	19	20	**76**
EBIT	74	105	103	93	92	53	59	127	129	111	**426**
EBIT Margin	*12%*	*15%*	*15%*	*12%*	*11%*	*6%*	*6%*	*12%*	*11%*	*9%*	
Interest	5	3	2	3	3	4	3	3	4	6	**16**
Other Income	1	5	3	3	5	5	2	1	-2	1	**2**
Profit before tax	**70**	**106**	**103**	**93**	**93**	**54**	**58**	**124**	**123**	**107**	**411**
PBT Margin	*12%*	*15%*	*15%*	*12%*	*11%*	*6%*	*6%*	*12%*	*11%*	*9%*	
% Growth YOY					*33%*	*-49%*	*-44%*	*34%*	*32%*	*97%*	
Tax	13	24	18	14	16	12	12	26	22	23	**83**
Net profit	**56**	**82**	**85**	**79**	**77**	**42**	**46**	**98**	**100**	**84**	**328**
% Growth YOY					*36%*	*-49%*	*-46%*	*25%*	*31%*	*100%*	

Detailed Results:

1. Consolidated revenues grew 40% YoY in Q2.
2. EBITDA for Q2 increased by 75% YoY while PAT increased by 100% YoY.
3. EBITDA margin was 10.8% YoY Vs 8.6% YoY.
4. Fatty alcohol prices were at $1490/MT in Q2 vs. average prices of $1,828/MT in Q2FY22 & prices of $2287/MT in Q1 of FY23.
5. Volume growth in different geographies in Q2 is as follows:

a. India: Up 8.5% YoY
b. AMET: Down 16.8% YoY
c. Rest of the World: Up 13.6% YoY

6. In Q2, the volume increase in the performance surfactant division was 39% YoY while specialty care products increased 41% YoY.

Investor Conference Call Highlights

1. The management states that The local Egypt market which makes up approximately 33% to 45% of its total AMET volumes has been experiencing significant headwinds on account of currency depreciation, down trading, and cutback in demand.
2. The management states that the local Egypt market might take three to four quarters more to stabilize.

3. The management believes in ensuring sustainable growth volumes in the performance products segment, especially in an inflationary environment resulting in a correction of its EBITDA per metric ton.
4. The company's EBIDTA per metric ton got benefitted from the decline in volumes and reversal of multiple supply-led factors coupled with operational efficiency.
5. The company revised its EBITDA guidance for the year to Rs. 21,000 to 22,000 metric tons from Rs. 16,000 to 18,000 per metric ton.
6. The management aspires for a 2% to 3% volume growth in the remaining half of the year.
7. The company's long-term guidance remains a 6% to 8% volume growth with EBITDA growth being 300 to 400 bps above it and ROCE of a minimum of 22%.
8. The management believes the situation in Egypt with regard to currency devaluation, supply chain issues & negotiations with IMF is much better than that in 2016. Therefore the company is confident about the demand coming back soon.
9. The management states that if volumes pick up, especially in Europe, then the EBIDTA will revert back to 16000-18000 levels (most probably in the upper band) since EBIDTA is a derivative of the market.
10. The company is experiencing a slowdown in the global market as well due to macroeconomic inflation impacting the sentiment of consumption coupled with reinventorizing the pipeline by big box retailers like Walmart due to supply chain issues.
11. The company's receivables & inventory levels will start correcting in the coming quarter due to a fall in the prices of fatty acids from $2900 to $1500.
12. The management cautions that the sentiments from the customers are not bullish unlike last time & there have been delays in product commercialization projects.
13. The employee costs were higher due to the onboarding of new employees in its subsidiary where two projects were previously in pre capitalization stage. There has also been an increase in salary due to variable payout & commissions given in the current FY which were not present in the previous year.
14. The management states that the overall corporate tax rate in India is 25%, 25% in the US, and zero in Egypt.
15. The management based on its past experience, believes Turkey & Egypt markets to revive in the next 3-6 months.

Analyst's View:

Galaxy Surfactants is one of the most consistent specialty chemical makers in India. The company had a decent quarter although stress in AMET & Europe market remains. It is seeing tough demand scenario with Egypt & Turkey facing devaluation in currency coupled with import substitution taking place in that country. 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 specialty product makers, Galaxy Surfactants remains a good stock to watch out for in the specialty chemicals space.

PI Industries Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**1,060**	**1,158**	**1,162**	**1,197**	**1,194**	**1,354**	**1,356**	**1,395**	**1,543**	**1,770**	**6,065**
% Growth YOY					*13%*	*17%*	*17%*	*17%*	*29%*	*31%*	
Expenses	831	878	887	970	945	1,063	1,060	1,090	1,191	1,338	**4,679**
EBITDA	**229**	**280**	**275**	**227**	**249**	**292**	**297**	**305**	**352**	**432**	**1,386**
Depreciation	43	43	44	45	49	49	50	54	56	56	**216**
EBIT	187	237	231	183	200	242	246	251	296	376	**1,170**
EBIT Margin	*18%*	*20%*	*20%*	*15%*	*17%*	*18%*	*18%*	*18%*	*19%*	*21%*	
Interest	10	8	7	4	3	3	3	3	14	11	**31**
Other Income	13	34	39	44	31	28	26	21	32	33	**111**
Profit before tax	**190**	**263**	**264**	**222**	**228**	**267**	**269**	**269**	**314**	**398**	**1,250**
PBT Margin	*18%*	*23%*	*23%*	*19%*	*19%*	*20%*	*20%*	*19%*	*20%*	*22%*	
% Growth YOY					*20%*	*1%*	*2%*	*21%*	*38%*	*49%*	
Tax	44	45	68	43	41	37	47	65	52	63	**226**
Net profit	**146**	**218**	**195**	**180**	**187**	**230**	**223**	**204**	**262**	**335**	**1,024**
% Growth YOY					*29%*	*6%*	*14%*	*14%*	*40%*	*46%*	

Detailed Results:

1. The company witnessed good revenue growth of 31% YoY in consolidated terms in Q2.
2. The profits for the company were up for Q2 with a rise of 46%.
3. The EBITDA for the company grew 49% YoY in Q2 and EBITDA margin rose 295 bps to 24%.
4. Gross margins rose by 18 bps to 45% in Q2.
5. Overheads increased by 16% YoY in Q2.
6. Exports saw a growth of 29% YoY in Q2 while domestic sales increased 36% YoY in the same period.
7. The Surplus cash net of debt is Rs. 23,211 million.
8. Its order book is at $1.8 billion.

Investor Conference Call Highlights:

1. The company commercialized one new molecule in non-agro-chem space.
2. The export revenue growth of 29% was driven by volume growth of around 25%, coupled with favorable price and currency of around 4%.
3. The Domestic revenue growth of 36% was mainly driven by volume growth of approximately 31% and a price increase of around 5%
4. The company's gross margin increased by 18 basis points to 45%, partially due to the cost pass-through and favorable product mix.

5. The Total Capex for the half year stood at INR 1,204 million meanwhile the budgeted CAPEX for FY23 is estimated at around INR 6,500 to INR 7,000 million.
6. Commercialized products in the last 3 years contribute 16-18% of CSM exports on an annualized basis.
7. The management explains that Capex is dependent on technology, efficiency and capacity enhancements, process disruption, and product and chemistries.
8. The company doesn't deal in spot orders.
9. The company has 2 SEZ units & it will continue to get the benefits of a low tax rate for at least the next 5 years.
10. The management expects to book the current order book revenue in the next 3-4 years timeframe.
11. The company is making healthy progress in terms of innovation & IP index, ESG initiatives, increased investments in more complex areas in chemistry & foray into the pharma segment.
12. The management states that 4 out of its 11 plants are working on a single product.
13. The company launched 5 new products which include- 2 products for horticulture, 1 for wheat, cotton & soyabean each.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw a good performance in Q2 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.

Rallis Q2FY23

Financial Results & Highlights

Brief introduction-

Rallis India, a Tata Group company Group Co., has a history of over 150 years. The company is into the manufacturing of Agrochemicals and is present across the value chain of agriculture inputs - from seeds to organic plant growth nutrients. Rallis is also in the business of contract manufacturing for global corporations.

	Quarterly Performance										
	RALLIS INDIA LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**663**	**725**	**570**	**471**	**741**	**728**	**628**	**508**	**863**	**951**	**2,950**
% Growth YOY					*12%*	*0%*	*10%*	*8%*	*17%*	*31%*	
Expenses	534	608	510	453	619	640	561	510	750	834	**2,655**
EBITDA	**128**	**117**	**60**	**18**	**122**	**88**	**67**	**-3**	**113**	**118**	**295**
Depreciation	18	20	11	15	18	18	18	20	25	22	**85**
EBIT	110	96	49	3	103	70	49	-22	88	96	**210**
EBIT Margin	*17%*	*13%*	*9%*	*1%*	*14%*	*10%*	*8%*	*-4%*	*10%*	*10%*	
Interest	2	1	1	1	1	1	1	1	2	2	**7**
Other Income	12	15	14	10	7	7	5	7	5	2	**20**
Profit before tax	**120**	**110**	**62**	**12**	**109**	**76**	**53**	**-16**	**91**	**95**	**223**
PBT Margin	*18%*	*15%*	*11%*	*2%*	*15%*	*11%*	*8%*	*-3%*	*11%*	*10%*	
% Growth YOY					*-9%*	*-30%*	*-14%*	*-239%*	*-17%*	*25%*	
Tax	28	27	16	3	27	20	14	-2	23	24	**59**
Net profit	**92**	**83**	**46**	**8**	**82**	**56**	**40**	**-14**	**67**	**71**	**164**
% Growth YOY					*-10%*	*-32%*	*-13%*	*-272%*	*-18%*	*26%*	

Detailed results-

1. The company saw its revenue grow by 31% YoY.
2. The crop care biz saw a growth of 18% while the seed care biz grew 12%.
3. Overall EBIDTA increased by 34%.
4. EBIDTA for crop care biz grew by 28% while that for seed care remained flat.

Concall highlights

1. The management states that delayed monsoon and erratic distribution impacted sowing, which was 1% lower compared to the previous year.
2. The company reported revenue growth of 31% over the previous year, driven largely by its international business.
3. The management states that while herbicides continued to perform well, especially in North India, sales of insecticides and fungicides remained muted.
4. In terms of the contract manufacturing segment, the company expects PEKK shipments to commence from Q4 of FY2023, after a gap of 2 years.
5. The company is making good progress in reducing its dependence on China's imports. It is now sourcing 100% of its requirement for 2 of its products locally,& for two of its more important intermediates, it is now sourcing 20% of the requirements locally and targeting sourcing 80% of the other intermediates locally by the year-end.
6. The domestic revenue was higher by 18.2%, primarily due to the price hikes undertaken earlier during the year while the Volumes during the quarter were largely the same.
7. The company's strategy continues to be focused on liquidation, cost optimization, and more robust evaluation of new product pipeline advancements.

8. The company used short-term borrowings to meet working capital requirements. However, the company expects the cash flow situation to gradually improve.
9. The company incurred CAPEX of Rs.100 Cr in H1 & plans to incur an additional Rs.150 Cr by the year-end.
10. The management states that it is in a better situation Than 3 months back in terms of high-cost inventory.
11. The company is seeing some pricing pressure in Brazil & south-Asian states.
12. The company is benefitting from the depreciation in the rupee due to its position as a net exporter.
13. The management states that some issues in the seeds business include a lack of scaling of its products replacing the existing variety which is going out of favor coupled with the poor performance of the vegetable seeds biz leading to its scaling back into the field crop biz segment.
14. The company is facing problems in terms of collections & liquidations, especially in eastern & western pockets. However, it doesn't view this as a major concern as collections will be made even though with an elongated cycle.
15. The management believes that the new CAPEX will start adding to the top line from FY24 with the commissioning of its MPP plant.
16. The company will see revenues flowing from its CMO projects in the next 2-3 years.
17. The management expects the share of exports to its crop care biz to increase from current levels of 33-35% to 40% in FY26.
18. The management states that ROCE will remain under pressure due to new CAPEX being incurred, but it targets high double-digit ROCE in the future.
19. The biggest product that the company exports into the Brazilian market is Acephate and it has also got registration for its Metribuzin-formulated product in the Brazilian market.
20. The margins in the international biz are currently lower vis-a-vis the domestic biz but they are expected to improve because of higher contributions from formulations.
21. The provisions in the seed biz for the H1FY23 stood at Rs.25 Crs.
22. The management expects a considerable amount of pressure in terms of the liquidation of agrochemicals in the market in H2 as well due to the high rollover of inventory.
23. In terms of capacity utilisations - the Acephate plant: is 100%, Pendimethalin:90%, Hexaconzole has been slightly lower because of a lot of inventory of Hexaconzole in the Vietnam and Chinese markets & PEKK plant is restarting after 2 years.
24. The capacity for Pendimethalin would be close to 5,000 tonnes per year and for Metribuzin, close to 3,000 tonnes per year.

Analyst views-

Rallis is a Tata group company involved in the business of agrochemicals. The company saw a decent quarter with revenue growing by 31%. The company is making strong waves in the export division however the seeds business is hurting its performance. The company is currently incurring a CAPEX in Dahej. It remains to be seen how the company will tackle the slowness in the seeds industry coupled with difficulty in liquidations & global macroeconomic instability. However given the potential growth prospects of the agrochemical industry, this remains a good stock to keep on the watchlist.

Construction
KNR Constructions Limited Q2FY23

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.

	Quarterly Performance										
	KNR CONSTRUCTIONS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**523**	**656**	**735**	**991**	**807**	**842**	**855**	**1,102**	**980**	**962**	**3,899**
% Growth YOY					*54%*	*28%*	*16%*	*11%*	*21%*	*14%*	
Expenses	392	485	558	769	604	664	715	823	769	698	**3,006**
EBITDA	**130**	**171**	**177**	**222**	**203**	**178**	**140**	**279**	**211**	**263**	**893**
Depreciation	49	50	45	46	34	39	43	48	41	45	**177**
EBIT	81	121	132	176	168	138	96	231	170	218	**716**
EBIT Margin	*16%*	*18%*	*18%*	*18%*	*21%*	*16%*	*11%*	*21%*	*17%*	*23%*	
Interest	29	39	39	27	30	35	39	43	55	45	**182**
Other Income	7	93	27	10	5	11	30	20	10	10	**70**
Profit before tax	**59**	**175**	**120**	**159**	**143**	**114**	**87**	**208**	**126**	**184**	**604**
PBT Margin	*11%*	*27%*	*16%*	*16%*	*18%*	*14%*	*10%*	*19%*	*13%*	*19%*	
% Growth YOY					*141%*	*-35%*	*-27%*	*31%*	*-12%*	*61%*	
Tax	17	20	29	72	40	44	45	68	34	85	**232**
Net profit	**47**	**158**	**98**	**105**	**112**	**80**	**50**	**139**	**90**	**115**	**394**
% Growth YOY					*141%*	*-49%*	*-49%*	*33%*	*-20%*	*43%*	

Detailed Results:

1. Standalone Revenue rose by 12% YoY while consolidated grew by 14%. KNR Constructions Ltd. has a strong EPC Order Book ₹ 8041.5 crores- Roads Sector ₹ 5920.1 crores and ₹ 2221.4 crores.
2. Gross Block of Plant & Machinery ₹ 1386.5 crores.
3. EBITDA for Q2 FY2023 witnessed a growth of 13% & 48% on a consolidated basis .
5. EBITDA margin in Q2 FY2023 stood at 22.3% & consolidated nos were 27.4%..
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. Net working capital stood at 54 days.
9. The consolidated debt as of September 30, 2022, is Rs. 1,864 crores as compared to Rs. 1,593 crores as of June 30, 2022.
10. The debt to equity on a consolidated basis as of September 30, 2022, stands at 0.74x as compared to 0.66x as of June 30, 2022.

Investor Conference Call Highlights

1. The percentage progress as of September 30th 2022 for HAM project is as follows; Magadi to Somwarpet 65.5%, Oddanchatram to Madathukulam is 81.9%, Ramanattukara to Valanchery is 9.4% and Valanchery to Kappirikkad is 11.5%
2. KNR Tirumala Infra Private Limited, a subsidiary company, has received a bonus amount of Rs. 8.13 crores, inclusive of taxes for early completion of the project by 52 days
3. The company received a letter of acceptance for the construction of four lane road from IDA Pashamailaram Industrial Park to ORR worth Rs. 34.26 Cr.
4. The total collection for the Bihar project that is Muzaffarpur to Barauni in Q2 FY23 and H1 FY23 has been Rs. 9.87 crores and Rs. 21.90 crores.
5. Client-wise, 57% of the order book is from third-party clients and the balance 43% is from captive HAM projects. The third-party order book or non-captive order book, which accounts for 57% of the total order book position, is skewed between the state government contracts worth 42%, whereas 11% is from central government and the balance 4% order book is from other private players.
6. The total order book position is Rs. 8,806.5 crores, including a new HAM project. With that, irrigation projects constitute 24%, roads constitute 28% and HAM constitutes 48%.
7. The company's receivables in irrigation stand at Rs.900 Crs & it expects to get Rs.50-60 Crs every month.
8. The mobilization advance figure is Rs. 62.71 crores, and retention is Rs. 207 crores. & Unbilled revenue is around Rs. 470 crores.
9. The company is targeting only 5% revenue growth in the coming quarter due to unseasonal rain in October & November.
10. Rs. 32 crores of revenue is an exceptional item in this quarter in revenue.
11. Employee costs increased due to the payment of the director's pending variable pay.
12. The management updates that the current environment of bidding is extremely aggressive in the industry.
13. The total amount of claims pending against NHAI is Rs.500 Crs (including interest).
14. The management updates that it won't be selling that Muzaffarpur-Barauni project & expects to be debt free by the end of FY23.
15. The company would be targeting to get around Rs. 3,000-4,000 crores in order inflow in the coming year.
16. The company is yet to receive any further notice from the IT department with regards to the raid conducted in March.
17. The CAPEX guidelines for FY23 stand at Rs.100-120 Crs with around 75 Crs already incurred in H1.
18. The management is confident of winnings coming through the Bharatmala project of the government.
19. The is targeting maintaining margins of 18-19% for the current & coming FY as well.
20. In the month of October 2022, the company completed the transfer of equity stakes in the following subsidiaries with Cube Highways and Infrastructure:-

A. KNR Tirumala Infra Private Limited - 1.37X returns
B. KNR Shankarampet Projects Private Limited - 1.26X returns
C. KNR Srirangam Infra Private Limited - 1.87X returns

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 Balance sheet strength.. 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 Q2FY23

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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	1,411	1,094	28.98%	1,848	-23.65%	5,377	3,842	39.95%
PBT	41	33	24.24%	91	-54.95%	196	98	100%
PAT	30	21	42.86%	67	-55.22%	128	66	93.94%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	1,576	1,240	27.10%	1,970	-20%	6,046	4,264	41.79%
PBT	58	47	23.40%	101	-42.57%	251	148	69.59%
PAT	43	31	38.71%	74	-41.89%	168	101	66.34%

Detailed Results:

1. Company's revenue grew +27.10 YoY vs down -20% QoQ on consolidated basis.
2. Company's PAT grew +38.71% YoY vs down - 41.89% QoQ on consolidated basis.
3. Company reported EBIDTA growth of 21% YoY.
4. Earnings per share grew 35% YoY.
5. Carried Forward Order Book as on September 30, 2022, grew by 30.06% to Rs 4,162.05Cr compared to Rs 3,185.91Cr as on September 30, 2021.
6. Net Borrowing as on September 30, 2022, was Rs 392.62 crores (debt equity ratio of 0.37) compared to Rs 44.34 crores as on September 30, 2021 (debt equity ratio of 0.05) owing to higher inventory

holding to mitigate continuing supply chain disruptions and capital investments for the manufacturing capacity expansion projects.

7. Consolidated Segment revenue growth for Q2FY23:

a. EMP & Commercial Air Conditioning Systems:- 32.6% YoY

b. Unitary Products:- 15.4% YoY

c. Professional Electronics and Industrial Systems Business:- 49.9%

8. H1FY23 Segment Financial Performance:

a. EMP and Commercial Air-Conditioning systems

1. Revenue Growth:- H1FY23 = Rs 1,753Cr vs H1FY22 Rs 1,229Cr Up +43%
2. Capital Employed:- H11FY23 = Rs 413Cr vs H1FY22 Rs 337Cr
3. ROCE:- H1FY23 = 62% vs H1FY22 = 33%

b. Professional Electronics & Industrial Systems

1. Revenue Growth:- H1FY23 = Rs 145Cr vs H1FY22 Rs 103Cr

c. Unitary Products

1. Revenue Growth:- H1FY23 = Rs 1,649Cr vs H1FY22 Rs 960Cr Up +72%
2. Capital Employed:- H11FY23 = Rs 721Cr vs H1FY22 Rs 486Cr
3. ROCE:- H1FY23 = 39% vs H1FY22 = 35%

9. Net Borrowing:- H1FY23 = Rs 393Cr vs H1FY22 = Rs 44Cr

10. Outlook

Company's VC&MD said "The demand for our products and solutions from the segments in which we are operating, continues to be good now. With the push in infrastructure investments and the commencement of the capacity expansion cycle in the manufacturing segment, we expect order inflows in the Projects segment to remain buoyant throughout the year. Besides, the low level of penetration of room ACs in India is expected to aid market growth in the Room Air Conditioner business going forward. Opportunity for our Commercial Refrigeration business is also expected to be robust with the growing investments in food processing and the organized retail sectors. We are hopeful that the softening of commodity prices and a few localization initiatives will enable us to partly mitigate the impact of depreciation of the Indian Rupee against the US Dollar. Against the backdrop of the above factors, I remain optimistic about the prospects for our businesses in H2."

Investor Conference Call Highlights

1.The company stated that B2B is still doing well, with record levels of order inflows and order finalizations. including a range of industries, including QSR, Metro Railway, Water Projects, and showroom.

2. Even tho commodity prices are softening, company said. Because we have purchased the raw materials at old rates, the advantage of the commodity price softening will occur in H2FY23

3. On H2FY23, the company is optimistic. due to India's low rate of RAC penetration. a rise in the consumption of residential real estate.

4. EBITDA Margins were 5.4% in Q2FY23 compared to 5.7% in Q2FY22. Due to increasing input prices in some divisions and greater spending, the operating margin declined in the second quarter of FY23.

5. The company aims to achieve a 14% market share soon.

6. Regarding the broader economy, the company stated that despite geopolitical uncertainties and the effects of the strengthening dollar, the Indian economy is still doing well. Both the public and private sectors' CAPEX is positive.

7. Comparing the Sri City factory to the Himachal facility will provide the company with a competitive advantage.

8. The company expects commercial refrigeration industry growth of 20% CAGR.
9. According to the company, the competitiveness is still quite strong. like always in the industry
10. The company keeps holding large amounts of inventory to support the summer season's revenue growth.
11. The company stated that its market share varied across the nation. As a result, it is spending money on distribution expansion and product repositioning to increase its market share in areas where it is currently underrepresented.

12. Segment wise update

a. Electromechanical Projects

The company said that overall pace execution is good. The company noticed a significant increase in inquiries and order finalizations in the factories, metro railway, and data centre segments. Tenders continue to pour into the infrastructure sector. For an integrated data centre project, the company secured its largest-ever order in Q2FY23.

b. Commerical Air Conditioning systems

Demand increased across all market segments, which increased CACS revenue. Company subsequently strengthened its positions in Tier 2, 3, and 4 towns, where these cities generated over 65% of the revenue. Company continues to hold the top spot in conventional and inverter ducted air conditioning systems, scroll chillers, and VRFs, while placing second in screw chillers and VRFs.

c. International Business

The company saw growth in every business segment. In order to serve new customer categories, the company significantly extended its offerings across markets. The company observed a significant demand for commercial refrigeration and air conditioning goods.

The company has established a fully owned subsidiary in the US. and received some orders from Tim Horton's, Americana, and Domino's.

d. Cooling and purification products

Despite the typically low demand quarter, room air conditioning business grew by 17%.

Company grew in line with the market and maintained it's Market share of 13.25%.

The Sri City project is progressing well and is expected to be open for production in Jan 2023.

e. Commerical Refrigeration business

The demand for commercial refrigeration products increased across all market segments as consumption levels returned to normal. The retail sector's demand for the items used in supermarket refrigeration remained positive. In this quarter, the demand for the hotel industry also increased.

The company kept up its position as a leader in deep freezers, storage water, and modular cold rooms.

f. Professional Electronics and industrial systems.

The company observed a significant increase in the demand for medical diagnostic tools as a result of post-COVID investments and growing public awareness. Data security solutions for the BFSI sector, as well as non-destructive testing services, continued to be in high demand.

Company got major orders from Arcelor Mittal, Jindal saw, Hdfc bank, Tata steel and ICICI Bank.

13. Company has started commercial production in its second plant in Wada in H1FY23.

14. .Company increased its net borrowings to Rs390Cr in Q2FY23 vs Rs40Cr in Q2FY22. The company has used this cash to hold higher inventories and capacity expansion plans.

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 also done well to establish itself as one of the leading commercial cooling and electromechanical project solutions providers in India. Furthermore, the company has also expanded into the still underpenetrated water purifier segment where the vast majority of the addressable market remains untapped. The current quarter results were decent considering that it is an off-season for a cooling solutions provider like Blue Star. Although the margins for the quarter were low due to higher advertising expenses from signing Virat Kohli as the brand ambassador, the management seems to think that this is a temporary blip and margins should normalize going forward. It remains to be seen how long the current slowdown in the real estate and infra sectors will continue as this has restricted growth in the commercial cooling solutions business. The heightened ad expenses from investing in Virat Kohli a brand ambassador are also yet to be justified as it will take some time for these ad efforts to solidify the brand image. Nonetheless, given its robust market positioning and the big potential for all forms of cooling solutions and products in a tropical country like India, Blue Star is a good cooling solution stock to watch out for.

Dixon Technologies Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	2,293	2,194	4.51%	1,504	52.46%	7,484	5,675	31.88%
PBT	77	80	-3.75%	52	-48.08%	200	206	-2.91%
PAT	59	62	-4.84%	39	51.28%	151	152	-0.66%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	3,867	2,804	37.91%	2,855	34.04%	10,697	6,448	65.90%
PBT	100	80	25%	62	61.29%	255	217	17.51%
PAT	77	63	22.22%	45	71.11%	190	160	18.75%

Detailed Results:

1. The company's revenue grew by +37.91`% YoY & +34.4% QoQ on the consolidated basis.
2. Company's PAT grew +22.22% YoY & 71.11% QoQ
3. EBITDA margins fell -0.2% from 4% in Q2FY22 to 3.8% in Q2FY23.
4. PAT margin for the quarter was 2.6%.
5. Segment wise revenue and operating performance in Q2FY23:
   1. **Consumer Electronics:**

a. Revenue:- +1% YoY & +61% QoQ

b. Operating Profit:- +19% YoY & +72% QoQ

Rev contribution:- 39% in Q2FY23 vs 53% in Q2FY22

OP contribution:- 29% in Q2FY23 vs 33% in Q2FY22

2. Lighting Products:

a. Revenue:- -27% YoY & +26% QoQ
b. Operating Profit:- -25% YoY & +43% QoQ
Rev contribution:- 8% in Q2FY23 vs 14% in Q2FY22
OP contribution:- 16% in Q2FY23 vs 29% in Q2FY22

3. Home Appliances:

a. Revenue:- +62% YoY & +42% QoQ
b. Operating profit:- +72% YoY & +58% QoQ
Rev contribution:- 9% Q2FY23 & 8% Q2FY22
OP contribution:- 22% YoY & 17% QoQ

4. Mobile & EMS Division:

a. Revenue:- +166% YoY & +22% QoQ
b. Operating profit:- +119% YoY & +29% QoQ
Rev contribution:- 41% Q2FY23 & 21% Q2FY22
OP contribution:- 29% Q2FY23 & 18% Q2FY22

5. Security Systems:-

a. Revenue:- +19% YoY & -10% QoQ
b. Operating profit:- -10% YoY & -30% QoQ
Rev contribution:- 3% Q2FY23 & 4% Q2FY22
OP contribution:- 3% Q2FY23 & 4% Q2FY22

6. The company have a cash conversion cycle of zero days.
7. Company had a ROCE of 27.3% & ROE of 23.9%.
8. Company did CFO of 234.3Cr in H1,FY22-23.
9. Company have a net debt of 139.9Cr with debt to equity of 0.13.

Investor Conference Call Highlights

1. The company reduced its FY23 revenue guidance from 17,000Cr to 15,000Cr.
2. Company gave guidance of 3.8%-4% EBITDA margins for FY23.
3. In Q2FY23, the company generated FCF of 50.4Cr.
4. The company stated that after the headwinds have passed, ROC should rise. In addition, the company anticipates a ROC of more than 40% in the next few years.
5. During the first six months of FY23, the company got 4 crore in benefits under the PLI scheme.
6. Company will start manufacturing TWS & Smartwatches for samsung in a dedicated plant.
7. The inverter controller board for air conditioners of the 40-60 JV with Rexxam is currently operational at Noida's production facility, with large EBITDA margins for both the domestic and international markets. This JV has a high earning potential. The company has agreed to invest 51 crores over a five-year period.
8. According to the company, the lighting segment has a new management team and the business is returning to normal margins of 8%+. The company has gained new customers. The company was able to cut their working capital intensity by 85 crores. In a few more quarters, the category will be back on track for typical growth.
9. The company plans to produce 1.7-1.8 billion washing machines, with 1.6-1.5 billion being semi-automatic. In the current fiscal year, 200k will be in the FATL category. The company also believes that the FATL will provide significant growth in the coming year. The company hopes to sell between 450k and 500k FATL units.
10. The company expects that growth in the semi-automatic washing machine market would be muted.

11. Companies are also chasing large RFQs for anchor clients in the US market for ceiling lighting.
12. Company said they have executed first export order in lightning products segment. Company also expects more repeat orders from this business.
13. On volumes

Company said:- "Our bulb numbers are around 43 million, baton was around again 4 million, downlighters was 1.4 million and then we had some smaller categories semi automatic washing machine we sold around 4.6 lakhs, a fully automatic washing machine we are now clocking a run rate of almost 20 to 23,000 so it was around 64000-65000 in this quarter, smartphones outside Samsung was around 10,00,000 feature phones outside Samsung was 13,00,000, smartphones for Samsung was around 26,00,000, feature phone for Samsung was around 33,00,000, CCTV was around 14,00,000, DVR was 3,00,000 so this is broadly the quantities that we sold and for both the variables and hearables we did around 2.3 million" LED TV volume increased by 55% to 11.6 lacs in Q2FY22, compared to 7.5 lacs in Q2FY22. However, revenue did not increase because the portfolio's selling prices dropped from Rs 18,000 to Rs 11,500.

Volumes for telecom O&D in modems for Airtel have reached a monthly manufacturing level of 100k.

14. The company is increasing its capacity for ceiling lights and LED lighting by 30 million, which would result in a revenue of 300 crores. In addition, the company is investing 6Cr in strip lighting, which has the potential to generate revenue of 50Cr.

15. When questioned why the revenue projection has been reduced, the company stated that the mobile market is slowing. Also, the price of open cells has corrected, resulting in lesser income for TV even while volumes are increasing.

16. In 5G company have two potential opportunities.

1) mobile phone Dixon is among the first few companies to start manufacturing of 5G phones for both domestic and export market.

2) In telecom devices company is already registered UNDER the telecom PLI scheme. Company gotten a new CEO for this business who earlier use to work in tejas Networks

17. The company anticipates that growth in the semi-automatic washing machine market would be muted.

18. Consumer Electronics

a. Because of the big ODM/JDMA business, operating margins increased by 50 basis points to 2.9%.

b. Volumes increased by 54% in the segment. Revenues are flat as open cell prices fall in the international market.

c. The company has the largest capacity in India, including background integration, LCM, and SMT lines, catering to 35%-38% of India's demand.

d. The firm received orders from Dell for monitors, and production has already begun. The company expects volumes of 0.2 million units.

e. In the last quarter, the business obtained ODM rights from Google for Android and Google TV. Because 65% of the Indian market is on this platform, there would be several prospects for the company.

f. In this area, the company is also establishing an injection moulding facility, which will be operational in Q4.

19. Lighting Product

a. Operating margins expanded by 1% to 8.2%, in line with the company's guidance.

b. Demand is normalising as a result of channel inventory clearance and cost reductions, which will boost revenue and profitability in the coming quarters.

c. With a capacity of 400 million, the company is India's largest ODM player in lighting. 44% of India's total requirement.

d. The capital employed in this business have been reduced to Rs 85Cr.

e. The company is expanding into new product categories such as lighting strips and rope lights, which will be introduced in Q4FY23.

f. From Q3FY23 onwards, the company will begin exporting lighting goods to clients in the UAE.

g. The company is in the process of acquiring a smart lighting company that is developing wifi-based technologies. This acquisition will be completed by Q1FY23.

h. Through the PLI scheme, the company has began investing in LED lighting components. The capacity is expected to be operational by Q4FY23.

20. Home appliances

a. The revenue for the quarter was Rs 363 crore, with an EBITDA of Rs 33 crore. Margins increased YoY and QoQ as a result of passing on commodity costs to customers.

b. According to the company, they presently have 160 semi-automatic models ranging from 6 kgs to 14 kgs with an annual capacity of 2.4 million and recorded the greatest ever output of about 1.6 lakhs in the month of. Aside from Bosch, the firm also produces equipment for Lloyd and Croma. In this area, it has begun to reach volumes of 22,000-25,000 per month.

c. The company is nearing the end of a contract with a major Japanese brand in the FATL category for both domestic and global markets.

21. Mobile phone and EMS division

a. The quarterly EBITDA was 42Cr, with a 2.7% operating margin.

b. In Q2, the company produced 1 million units for Motorola.

c. The company manufactures smart and feature phones for NOKIA as well as feature phones for ITEL.Company is also expecting of getting more business from NOKIA in coming months for domestic and global markets.

d. As previously stated, the company is on the verge of finalising a large order with a couple of brands for mobile phones for the domestic and export markets. Production for these brands is expected to begin in Q4FY23.

e. For the R&D head position for mobile devices, the company have hired a highly senior talent, and a new team and lab will be established in Hyderabad.

f. In Q2FY23, the company manufactured 3.3 million 2G phones and 2.6 million 4G phones for Samsung.

22. Security surveillance

a. The revenue for the quarter was 118Cr, with an EBITDA of 3.6Cr and an operating margin of 3.1%.

b. The company stated that the segment's order book is healthy.

c. Company is doing capacity expansion by increasing its capacity from 10 mil per annum to 14 mil per annum. And relocating its base from Tirupathi to Kopparthi in Andhra Pradesh.

d. The company has begun manufacturing in the O&D category. Airtel had placed big orders for the company's for HD Zapper set-top boxes. Production will begin in the Q2FY24.

e. As the government has extended the PLI scheme by a year, the company has opened a new facility for hybrid set-top boxes and other telecom products. The facility is scheduled to open in December 2022.

f. The company is also in talks with large global brands regarding manufacturing in this category.

23. Wearables & Hearables

a. India is the 3rd largest market globally and also one of the fastest growing.

b. Dixon & Boat JV have achieved a milestone of manufacturing 1 million devices per month. (of TWS).

c. The company is building a plant in nodia to produce neck bands and smartwatches. The factory will be operational in December.

24. In the first six months of FY23, the company spent 185 crores on capital expenditures, with a total capex of 330 crores planned.

Analyst's View

Dixon Technologies is one of the foremost leaders in the electronics manufacturing and outsourcing industry in India. The company has done well to scale up its different diverse divisions: lights, consumer appliances, mobiles, etc. It has also acquired many marquee customers along the way. The company has also managed to acquire global electronics conglomerates like Samsung as a customer in different business segments. The company is also looking to capitalize its expertise and market reach to expand into export markets where there is a lot of potential for growth, especially for an electronics ODM. It remains to be seen whether the way forward for the company in the export market will be as smooth as the domestic one. The company also imports a visible majority of its raw materials for its many divisions from China and the effects of the recent coronavirus scare will only be reflected if the trade shutdown persists for more than a quarter. Nonetheless, given the list of marquee customers that the company has gained and retained over the years and its outstanding cash-generating ability, Dixon Technologies is a thus a good growth-story in the outsourced manufacturing market of India.

Exchange
BSE Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	208	202	3.18%	142	47.13%	422	383	10.18%
PBT	79	86	-8.56%	28	184.11%	261	116	125.00%
PAT	56	63	-10.54%	21	162.94%	195	97	101.03%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	234	219	6.86%	193	21.50%	495	429	15.38%
PBT	36	73	-51.08%	43	-15.70%	327	153	113.73%
PAT	14	45	-68.30%	29	-50.53%	245	142	72.54%

Detailed Results:

1. The company's revenue grew by 7% YoY and profits fall by 68% YoY on the consolidated basis.
2. The clearing and settlement operational revenues increased by 67% to Rs. 16.9 crores from Rs. 10.2 crores.
3. Treasury income from clearing and settlement funds has increased by 71% to Rs. 22.9 crores from Rs. 13.4 crores.
4. Listing related income increased by 3% to Rs. 58.8 crores from Rs. 56.9 crores.
5. Other operating revenue, that is data dissemination fees, trading income, software income increased by 30% to Rs. 18.3 crores from Rs. 14 crores.
6. Investment income increased by 20% to Rs. 36.6 crores from Rs. 30.1 crores.
7. The operating EBITDA has reduced to Rs. 13.4 crores from Rs. 53.2 crores with operating EBITDA margin reducing to 7% from 28% earlier.
8. The net profit margin stands at 12% as against 28% earlier.
9. The total number of investors registered with BSE now stands at 11.7 crores.

10. For the quarter, BSE's average daily turnover in equity segment stands at Rs. 4,740 crores, growth of 17% as compared to the previous quarter
11. In the Equity Derivatives segment, the average daily turnover stands at Rs. 2.26 lakh crores, a growth of 88% as compared to the previous quarter.
12. In the Currency Derivative segment, the average daily turnover increased to be Rs. 32,161 crores as compared to Rs. 24,567 crores in the previous quarter, a growth of 31%.
13. In BSE StAR MF, the total number of transactions growing by 39% to reach 5.91 crores transaction during the quarter from 4.3 crores in the same period last year. Platform processed a high of 2.08 crores transactions for September 2022.
14. India INX
    a. Average daily trading turnover of USD 14.7 billion and a market share of 92.1% for the quarter ended September 30th, 2022
15. BSE EBIX Insurance Broking

. Integrated with 26 insurance companies.

a. The total premium collected is Rs. 13.2 crores for the half year ended September 30th, 2022, a growth of 78% from the same period last year.

16. BSE E-Agricultural Markets Limited

. Enabled 1,121 members and executed trades worth Rs. 11.7 crores in agri and steel segments on the platform during the quarter ended 30th September 2022

17. On a stand-alone basis, free cash is about Rs. 1,376 crores

Investor Conference Call Highlights

1. BSE enabled issuers to raise Rs. 3.7 lakh crores through issue of equity, bonds, commercial papers, municipal bonds, InvITs, etc
2. In Q2 FY '23, BSE has expanded its platform offerings to launch Electronic Gold Receipts and KYC KRA to service the Indian capital markets and the economy.
3. The management stated the lower profits are due to because of the added contribution to the core settlement guarantee fund to the tune of Rs. 36 crores at a consolidated level, which is an increase of 485% as compared to corresponding quarter last year.
4. There were lower numbers of IPOs in H1, the management expect IPO activity to pick up in the second half of FY 2023.
5. BSE has become India's first exchange to successfully launch Electronic Gold Receipts after receiving final approval from SEBI. A total of 4 new products based on electronic gold receipts, consisting of delivery units of 10 grams and 100 grams of 995 grade and 999 grade were made available to trade during the Muhurat session on 24th October 2022. The company has started charging for it right from day 1. Charges are Rs. 345 per crore.
6. Hindustan Power Exchange, where BSE has a stake of 22.61% through its wholly owned subsidiary, BSE Investments Limited has commenced operations with Contingency Market Segment(namely intraday and day ahead contingency), Day Ahead Market (DAM), Real-Time Market (RTM) and Green Day Ahead Market segment (G-DAM) segments
7. BSE Technologies Limited, a private-owned subsidiary of BSE, launched KYC Registration Agency (KRA), on 27th October 2022
8. The management stated during the last quarter, currency derivatives volumes increased significantly as compared to earlier periods. Because of that, it necessitated that the core SGF as determined and computed according to the guidelines of SEBI has increased. And that is why ICCL, a clearing corporation, had to make a contribution of Rs. 36 crores to core SGF.

9. In the last year 1 or 2 quarters, the company got some significant good deals in debt, basically in state development loans and also in fixed deposits. So, it has actually moved a lot of money from the mutual fund segment to basically debt and fixed deposits.
10. In the best-case scenario, the management expect a return of around 6.5% from debt investments.
11. BSE has hike in existing fees, Fees will increase marginally for all companies and some companies where the market cap is higher, the company has linked fees to the market cap for a highly capitalized company.
12. The management stated just to be in the competition, at least for the time being, the company won't be changing for INX. It continue not to charge, as done by competition.
13. The company has gone live with the KRA business. BSE is one of the KYC KRA participants now in the industry and the company is offering it's services.

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. After record breaking-turnover in FY '22, volatile market conditions have resulted in a slowdown during the first half of FY'23. 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 6% 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**66**	**71**	**85**	**95**	**90**	**109**	**114**	**112**	**98**	**95**	**419**
% Growth YOY					*36%*	*54%*	*34%*	*18%*	*9%*	*-13%*	
Expenses	17	13	13	14	14	13	16	17	17	16	**66**
EBITDA	**49**	**58**	**72**	**81**	**77**	**96**	**98**	**95**	**81**	**79**	**353**
Depreciation	4	4	4	3	4	4	4	4	4	5	**17**
EBIT	45	53	68	77	73	92	94	91	77	74	**336**
EBIT Margin	*67%*	*76%*	*80%*	*81%*	*80%*	*84%*	*82%*	*81%*	*78%*	*78%*	
Interest	1	1	1	0	1	0	1	0	1	1	**2**
Other Income	14	9	11	7	12	12	12	16	15	19	**62**
Profit before tax	**58**	**62**	**78**	**84**	**84**	**103**	**106**	**107**	**91**	**92**	**396**
PBT Margin	*88%*	*87%*	*92%*	*88%*	*93%*	*94%*	*93%*	*95%*	*93%*	*97%*	
% Growth YOY					*44%*	*67%*	*35%*	*27%*	*9%*	*-10%*	
Tax	15	15	18	20	20	25	26	26	23	22	**97**
Net profit	**43**	**47**	**60**	**64**	**64**	**78**	**80**	**81**	**69**	**70**	**299**
% Growth YOY					*48%*	*67%*	*33%*	*27%*	*8%*	*-10%*	

Detailed Results:

1. On a consolidated basis, PAT was up 3% QoQ & down 8% YoY while revenue for the quarter was up 0.3% QoQ & down 7% YoY, as the company witnessed a slowdown in growth.
2. 11% volume degrowth YoY was witnessed across all markets in Q2 .
3. EBIDTA decreased by 8.8% YoY & increased 1.5% QoQ.
4. Margins were at 63% for Q2 .
5. During the quarter, the Exchange traded 23.1 BU electricity volume versus 23.4 BU in Q1 FY'23. The volume comprised of 19.7 BU in the conventional power market, 1.5 BU in the Green Market segment and 19.14 lac Certificates in the Renewable Energy Certificates (REC) Market which is equivalent to 1.9 BU.
6. Revenue breakup for Q2 included
   A. Transaction fees – 80%
   B. Admission & annual fees – 4%
   C. Other income – 16%
7. Indian Gas Exchange traded 5.9 million MMBTU in terms of volume and the profit after tax was recorded at Rs 2.42 Cr. witnessing a growth of 111% on QoQ basis.
8. India witnessed an increase in electricity consumption by 6% YoY to 385 BU.
9. IEX's market share in the following products in Q2:
   0. DAM :- 99.5%
   1. RTM:- 100%
   2. Green Power:- 91.8%

3. TAM:- 49.1%
4. ESCerts:- 97%

Investor Conference Call Highlights:

1. The Government of India reduced the supply of coal through e-auction and increased the supply of coal to Gencos with long-term PPAs to manage the power crisis. This led to the E-auctioning quantity declining by 63% YoY in the first 5 months of FY23 which led to increasing in E-auction prices & decline in the availability of E-auction coal, however, coal situation is improving.
2. During the quarter, the domestic coal production increased by 10% YoY and the dispatch to the energy sector grew by 11% YoY
3. The Govt. brought in several policies & amendments in the acts like the Energy conservation act, the draft electricity amendment Rules 2005, etc, which will create a conducive environment for the power market.
4. Management believes that with a rationalization of power prices on the Exchange, the volumes are expected to improve in H2.
5. The company successfully added daily contracts for up to 90 days, weekly contracts for up to 12 weeks, and monthly contracts for up to 3 months to its existing Longer Duration Contracts portfolio. These new products now constitute nearly 40% of the total traded volume of electricity on the exchange.
6. The management expects H2 to be significantly better due to the better availability of coal.
7. The company expects the ancillary markets to be available through the exchange platform from 1st January 2023.
8. The company is actively working with Govt. for bringing derivative contracts because it believes that when derivatives are launched in the market, it will bring large volumes & liquidity & reduce the volatility in the price since the participants will have the option to hedge their position in the derivative market.
9. The DAC portion increased upwards of 50% due to single charging of transmission from either the buyer or seller unlike double charging taking place in DAM. However, the company expects this anomaly to get resolved post-introduction of GNA from 1st January.
10. RTM market is mainly improving because of the higher share of renewable generation taking place in the country & variability in the renewable generation.
11. The management states that if the n the availability of coal improves and prices go down further to maybe about INR 3.25 paisa to INR 3.40 paisa, then 1) distribution companies will meet their demand, 2) they optimize their cost and shut down their costly plants. And 3) it is viable even for industrial consumers to buy power from the exchanges.
12. The revenue fall was higher Vs volumes due to rebates on REC certificates & concessions in membership & client fees.
13. The management explains the carbon credit market where there will be a voluntary market involving companies buying these credits to comply with ESG initiatives & create branding & then there will be another compulsory market created & regulated by Govt.
14. The management states that the " draft national electricity plan projection is around 7% growth in the demand for the next five years which is a very high number & If the demand increase continues to happen, I'm sure a good part of the demand increase will come in the market."
15. The management states that even though the majority of renewable capacity is under PPA, their participation has started increasing in the exchange.

16. The company is confident of achieving 20% growth in volumes in the electricity segment if demand grows by 7-8% in the coming FY.
17. The management explains that " in a country like India, maybe we're talking about 7%, 8% kind of GDP growth, and our per capita consumption is only about 1,300, 1,400 units per year. The world average is more than 3,500, which is huge. There is a very high potential for power demand growth which is not happening because there's no incentive for distribution companies to supply more power".

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 saw a poor quarter & H1 due to volume, revenues & profit degrowth.. IGX 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 however IEX on a standalone basis saw lower volumes due to lack of supply in the market leading to higher price discovery.. 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**289**	**322**	**296**	**332**	**326**	**337**	**423**	**376**	**509**	**507**	**1,815**
% Growth YOY					*13%*	*4%*	*43%*	*13%*	*56%*	*50%*	
Expenses	226	245	227	246	254	254	331	292	421	409	**1,452**
EBITDA	**63**	**78**	**69**	**85**	**72**	**82**	**93**	**84**	**89**	**98**	**363**
Depreciation	13	13	13	12	14	14	15	16	17	17	**65**
EBIT	50	65	56	73	58	69	78	69	71	80	**298**
EBIT Margin	*17%*	*20%*	*19%*	*22%*	*18%*	*20%*	*18%*	*18%*	*14%*	*16%*	
Interest	5	4	4	5	5	4	4	4	5	7	**20**
Other Income	0	0	4	3	0	0	1	3	0	0	**4**
Profit before tax	**46**	**61**	**56**	**72**	**54**	**65**	**75**	**68**	**67**	**73**	**283**
PBT Margin	*16%*	*19%*	*19%*	*22%*	*16%*	*19%*	*18%*	*18%*	*13%*	*14%*	
% Growth YOY					*17%*	*6%*	*33%*	*-5%*	*24%*	*13%*	
Tax	7	14	9	23	10	15	16	15	14	15	**61**
Net profit	**38**	**47**	**47**	**49**	**44**	**49**	**58**	**53**	**53**	**58**	**222**
% Growth YOY					*14%*	*4%*	*24%*	*7%*	*20%*	*17%*	

Detailed Results:

1. The company had a very good quarter with sales up 50% YoY and PAT up 17% YoY.
2. While sales grew in a healthy manner, EBITDA margin recovered from its hit at 19%.

Investor Conference Call Highlights:

1. The company plans to add another 16000 tonnes of capacity to its already existing 37500 tonnes.
2. The management looks to maintain a healthy volume growth of 20%-25%, and to maintain this growth, the management is running up capacities in a fast and phased manner.
3. For the last three to four quarters, the company has also been outsourcing some quantities to fulfil its commitments.
4. The company is getting good growth with its bulk customers and is adding a lot of departmental stores.
5. The company is currently supplying to the top cold coffee and confectionary brands and is seeing fast growth in that area.
6. In the next quarter, the company will start doing trials for some near-term capacities coming into operation. The management expects to get some commercial volumes too.
7. The management gives a guidance of a similar margin profile in the coming quarters. They also stated that the margin profile will be exactly in line with volume growth.
8. Working capital requirements have largely gone up due to increase in volume, value of raw materials and value of business.
9. The management expects inventory days to go down towards the end of the year from 120 to 90.
10. The management is very confident on coffee as a product considering that it has seen recessions, pandemics, war and has survived during all these periods with volume increases.

11. In terms of product innovation, the company has developed capabilities to such an extent that it can offer the entire range of potential products like expresso coffee, instant format, cold brews, functional coffees, flavoured coffees etc.
12. The management states that no manufacturer can get this capability overnight and they had bought equipments from 30 different countries.
13. The company's current inventory is 100% against back-to-back contracts that the company has in place.
14. Overall consumption of instant coffee has largely been stable and is growing due to office demand.
15. The company has grown in the domestic markets by 30% to 40% and the management expects the momentum to continue for some period.
16. The quarter the company is selectively expanding into other zones like the North-east and West, which are smaller markets than the South but growing markets.
17. For the plant protein product, the company is now expanding into Chennai and Mumbai.
18. The management maintains the guidance of 200 crore plus top-line for the domestic business in FY23 out of which 70% will be branded and 30% will be non-branded.
19. In domestic, Q1 was 50 odd crore while Q2 was 60 odd crore. The management is very positive about the upcoming quarters with the season approaching.
20. In terms of retail touch points, the company is directly servicing 1,20,000 outlets out of which 80% are in the South. The company is looking to end the year with 1,40,000 direct outlets.
21. After the expansion in India and Vietnam, it would take the company 2 to 3 year to reach 85% capacity utilization.
22. Currently, the capacity utilization is at 100% of both freeze dried and spray dried in India. Outsourcing stands currently at 5% of quantity at 1500 to 2000 tonnes.

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 complete utilization and outsourcing 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**10,478**	**12,077**	**13,080**	**14,342**	**13,247**	**13,757**	**17,108**	**16,556**	**18,489**	**17,108**	**69,261**
% Growth YOY					*26%*	*14%*	*31%*	*15%*	*40%*	*24%*	
Expenses	7,533	7,676	8,295	9,471	8,804	8,740	11,510	10,956	12,412	10,849	**45,728**
EBITDA	**2,946**	**4,401**	**4,785**	**4,871**	**4,444**	**5,018**	**5,598**	**5,599**	**6,077**	**6,259**	**23,533**
Depreciation	419	405	413	409	414	422	430	467	438	462	**1,797**
EBIT	2,527	3,996	4,372	4,463	4,030	4,596	5,168	5,132	5,639	5,797	**21,736**
EBIT Margin	*24%*	*33%*	*33%*	*31%*	*30%*	*33%*	*30%*	*31%*	*30%*	*34%*	
Interest	16	13	13	3	9	10	10	11	9	13	**42**
Other Income	925	582	546	579	447	469	422	499	321	455	**1,696**
Profit before tax	**3,436**	**4,565**	**4,905**	**5,039**	**4,467**	**5,055**	**5,580**	**5,620**	**5,950**	**6,239**	**23,390**
PBT Margin	*33%*	*38%*	*37%*	*35%*	*34%*	*37%*	*33%*	*34%*	*32%*	*36%*	
% Growth YOY					*30%*	*11%*	*14%*	*12%*	*33%*	*23%*	
Tax	869	1,147	1,317	1,222	1,124	1,291	1,462	1,361	1,488	1,568	**5,879**
Net profit	**2,511**	**3,368**	**3,527**	**3,755**	**3,276**	**3,714**	**4,057**	**4,196**	**4,390**	**4,620**	**17,262**
% Growth YOY					*30%*	*10%*	*15%*	*12%*	*34%*	*24%*	

Detailed Results:

1. The company had a very good quarter with a 24% consolidated revenue growth YoY and a rise of 24% YoY in consolidated profits in Q2.
2. The Company EBITDA was up 27% YoY.
3. Cigarette segment saw revenue growth of 23.3% YoY. Segment EBIT also grew 23.6% YoY.
4. Stability in taxes, backed by deterrent actions by enforcement agencies, enabled continued volume recovery from illicit trade.
5. FMCG-Others segment grew 21% YoY in Q2. Segment EBITDA grew 15% over Q2FY22. EBITDA margin was at 9.5%.
6. Staples & Convenience Foods remained resilient while Hygiene products sales subdued. Out of home consumption saw strong growth. Education & Stationary products bounced back.
7. Rapid growth in e-commerce, quick commerce, modern trade and institutional channels.
8. 'Fiama' and 'Vivel' range of Personal Wash products performed well; Hygiene portfolio subdued but remained significantly above pre-pandemic levels.
9. 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.
10. ITC e-store now covers 14 cities with over 700 products in 45 categories.
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 drove entire growth.
13. ITC Narmada, a luxurious 291-key property in Ahmedabad launched in Aug'22.

14. Two launched during the quarter were Storii Shanti Morada, Goa and Storii Amoha Retreat Dharamshala.
15. Recently launched full stack ITC Hotels App with cutting edge user experience.
16. More properties to be launched soon under the Welcomhotel brand. Welcomhotel Brand footprint scaled up to 23 properties/2600 keys.
17. 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.
18. In the Paper & Paperboard business, the company saw revenues rise 25% YoY & an EBIT rise of 54%. It saw revenue driven by higher volumes and realization.
19. A greenfield project for Paper and Paperboard business in Nadiad, Gujarat was commissioned in Q2FY23.
20. Agribusiness saw a great revenue increase of 44% YoY & an EBIT growth of 16.6% YoY driven by strong growth in Wheat, Rice & Leaf Tobacco exports.
21. ITC MAARS, a crop agnostic 'physical' full stack AgriTech platform is scaled up with 460+ FPOs in 9 states encompassing 1.8+ lac farmers.
22. World-class manufacturing facility at Mysuru for export of Nicotine and Nicotine derivative products to US/EU is expected to be commission by Q4FY23.
23. New Spices factory at Guntur is expected to be commissioned shortly.
24. ITC Infotech saw a bad Q2 with revenue of Rs 821 Cr while EBITDA of Rs 211 Cr in the same period.
25. 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 Q2FY23 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 Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	2,040	2,044	-0.20%	2,108	-3.23%	7,857	6,683	17.57%
PBT	1,636	1,651	-0.91%	1,627	0.55%	1,413	1,311	7.78%
PAT	334	329	1.52%	387	-13.70%	1,163	1,106	5.15%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	2,515	2,444	2.91%	2,575	-2.33%	9,610	8,142	18.03%
PBT	400	405	-1.23%	499	-19.84%	1,601	1,523	5.12%
PAT	307	316	-2.85%	377	-18.57%	1,255	1,199	4.67%

Detailed Results:

1. Marico had a flat quarter by revenue growing by 3% anf profits falling by 3% YoY on the consolidated basis.
2. On the consolidated QoQ basis, revenue and profits fall by 2% and 19% respectively.
3. Parachute has delivered 4% volume growth
4. Saffola oils has delivered 8% volume growth
5. Value Added Hair Oils delivered 6% value growth
6. EBITDA margin for H1 is 19%.

Investor Conference Call Highlights

1. Industry highlights:
    a. The management stated there was little to no change in the operating environment for the FMCG sector in India during the quarter, due to persistent macro headwinds stemming from retail inflation holding firm, currency depreciation, and liquidity pressures.
    b. The sector declined in volumes for the fourth quarter in a row, led by a high single-digit decline in HPC while foods posted marginal growth.
    c. Rural has been underperforming urban for a while but holds the promise of the beginning of a recovery in H2 on the back of government interventions, reasonably good monsoons, and higher crop realizations
    d. The management stated both in urban and rural people are titrating on FMCG because they do not want to compromise on food; Having said that at the top end which is basically modern trade and e-com service brands are not impacted and slightly luxury or premium discretionary is not getting impacted. People are downtrading.
2. Parachute coconut oil

. The management stated the price of copra softened beyond their forecasts, so the company is in the midst of another round of pricing cuts in Parachute coconut oil

a. The management expects volumes to stabilize in H2 as the company continues to maintain a stronghold in market shares and remain comfortable on the margin front.

3. Saffola

. Saffola recovered smartly after the Q1 dip, as proactive pricing interventions in key packs synchronized with the moderation in vegetable oil prices.

a. On the profitability front, the company took one-time hits in this quarter as it cut prices substantially at one go, even while consuming higher-cost RM inventory.

b. The total impact of all these one-time measures was about 75 to 100 bps on consolidated EBITDA margins but led to stable Saffola edible oil growth in Q2 and in October. Once price stability sets in, we will balance volume growth and profitability at sustainable levels.

4. Value-added hair oils

. Value-added hair oils posted subdued growth as continuing headwinds in rural consumption showed up in the bottom of the pyramid segment even though the mid and premium segments did relatively better.

a. Volume growth in Q2 would have been flat if not for the pack size reductions done to effect price increases.

5. The company is focused on expanding its presence in the premium and super-premium segments.
6. Food

. Food bounced back to healthy broad-based growth in Q2

a. The company continues to log share gains in oats and soya chunks categories.

b. The company also expanded plant-based protein offerings with the launch of Saffola Soya Bhurji and added a new Saffola Masala Oats variant with a crunch to the oats franchise, which also contains millets.

c. During the quarter, the company also restaged Saffola Honey with the launch of two variants; Saffola Honey Active, at a more accessible price, and NMR-tested Saffola Honey Gold at a premium for the enhanced assurance of purity.

d. The management expects to aggressively restart the market share gain journey in this category with this dual portfolio study.

e. The company will continue to invest in broadening its presence in the honey category.

f. The current revenue run rate of the food franchise keeps the company on track to reach revenues of Rs. 650 Crores in FY2023 and aspire to hit Rs. 850-1000 Crores mark in FY2024.

7. Premium Personal Care

. Premium Personal Care has been growing at a healthy pace sequentially and is now above pre-COVID levels.

a. The management stated Beardo and Just Herbs continue to meet internal growth targets.

b. The digital brand's portfolio is nearing 250 Crores in ARR and the company continue to chase the Rs. 450 to 500 cr. mark by FY2024.

8. International Business:

. In international business, the company has delivered double-digit constant currency growth for the seventh quarter in a row.

a. Bangladesh has been resilient amidst challenging macro circumstances with healthy growth in the core and sustained ramp-up in the hair care and baby care portfolio.

b. Vietnam has been gaining momentum as the HPC category growth in the region has been buoyant.

c. The management has been witnessing stable growth in the Middle East and North Africa since the last 18 months.

d. The management believes MENA represents a sizeable opportunity and they are investing to grow in the region.

e. The management stated in the international business, they are confident of maintaining the growth momentum in the coming quarters.

9. A&P spends continues to invest in the long term health of franchises and in the diversification of the portfolio. With a combined annual run rate of nearly Rs. 1200 Crores, Foods, Premium personal care, and digital-first brands are gaining heft at an encouraging pace, the management stated.
10. The company is taking measured efforts to build a dedicated GTM for foods and premium personal care which will help scale these franchises disproportionately.
11. The management maintains aspiration to deliver 18% to 19% EBITDA margin in FY2023.
12. The management stated soya nuggets is currently center of plate, they want to convert this from center of plate into a snacking option
13. The company cut the Saffola prices around 18% from the peak and Parachute around 8% price drop in India business, which is not the case in Bangladesh.
14. The manaement stated downtrading is happening in HPC because in this kind of category there is no titration in usage.
15. The management stated in Q2, they have not seen any increase in STR in Saffola, and as a practice given the kind of volatility they also do not want to increase STR but hope as the price stabilizes they will be able to do it but only when there is stability in the system.
16. The management stated there may be deflation in parachute in coming quarters.
17. Premium personal care business has now crossed the pre-COVID levels, and the gross margin is significantly higher than the rest of the portfolio
18. The management stated in terms of scale up, soya nuggets have happened.
19. In terms of the smaller ones the company is now starting to sequentially grow significantly in noodles and in peanut butter, and mayonnaise.
20. The digital brand had a target of Rs.400 Crores to Rs.500 Crores by FY2025, that should be achieved according to the management.
21. The management stated Beardo is one of virtual cycle of growth and both Just Herbs and True elements are scaling up well, they believe Fittify is another brand which has the potential for scaling up.
22. The volume growth expectation for H2 is a mid single digit kind of a number.

23. The management believes that in terms of scale after oats and Masala oats, soya nuggets and honey are the biggest.
24. The management stated as far as input costs are concerned, that should ease out and therefore may be international business will add the gross margins sequentially; Having said that they think a significantly good EBITDA as far as international business is concerned.The management stated as far as parachute is concerned, once the pricing settles down and and the company has been taking price drops in line with this one maintaining margins, they believe the volume growth will start inching up.
25. The management stated as far as value added hair oil is concerned, the company will continue to gain market share and this will mirror the overall BPC or the HPC growth.
26. The management stated as far as edible oil is concerned, they think it has stabilized. The volatility will be lower going forward and the management is confident of giving high single digit growth in Saffola also over the medium term.
27. The company will continue to aggressively grow foods. It will diversify digital brands

Analyst's View

Marico is one of India's leading FMCG companies with many market-leading brands like Saffola and Parachute. Inflation and macro concerns lead to lower volume growth in both urban and rural.. The company's core franchise is doing well while emerging segments like Beardo and Foods business is on track and has reached Rs 100 Cr and Rs 500 Cr sales in FY22 respectively. The management maintains guidance to deliver healthy revenue growth over the medium term. Marico also wants to expand its digital footprint by acquiring companies either organically or inorganically to reach sales of Rs 450-500 crores by FY24. The company expects recovery ease out on input cost side and expects recovery from urban and rural markets. It remains to be seen how the management expectations will play out and what difficulties it will face in building its digital consumer brands, and what challenges will inflation bring up in its international territories. 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 Q3CY22

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**3,050**	**3,542**	**3,433**	**3,611**	**3,477**	**3,883**	**3,739**	**3,981**	**4,037**	**4,591**	**16,348**
% Growth YOY					*14%*	*10%*	*9%*	*10%*	*16%*	*18%*	
Expenses	2,303	2,658	2,656	2,681	2,629	2,935	2,874	3,056	3,217	3,580	**12,727**
EBITDA	**748**	**884**	**777**	**930**	**848**	**948**	**866**	**925**	**819**	**1,011**	**3,621**
Depreciation	92	91	96	94	95	96	106	104	102	98	**410**
EBIT	655	792	682	836	753	852	760	820	718	913	**3,211**
EBIT Margin	*21%*	*22%*	*20%*	*23%*	*22%*	*22%*	*20%*	*21%*	*18%*	*20%*	
Interest	41	40	42	54	52	52	44	36	37	37	**153**
Other Income	38	34	31	30	29	34	-209	21	19	31	**-138**
Profit before tax	**652**	**787**	**670**	**812**	**730**	**834**	**507**	**806**	**700**	**906**	**2,920**
PBT Margin	*21%*	*22%*	*20%*	*22%*	*21%*	*21%*	*14%*	*20%*	*17%*	*20%*	
% Growth YOY					*12%*	*6%*	*-24%*	*-1%*	*-4%*	*9%*	
Tax	166	199	187	210	192	217	121	212	185	238	**755**
Net profit	**487**	**587**	**483**	**602**	**539**	**617**	**387**	**595**	**515**	**668**	**2,165**
% Growth YOY					*11%*	*5%*	*-20%*	*-1%*	*-4%*	*8%*	

Detailed Results:

1. Total Sales for the company grew 18.2% YoY for Q3 CY22.
2. Operating profit margin stood at 22% in Q3.
3. The quarter ended with highest ever sales and sales growth during a quarter.
4. The company is focusing on enhancing consumer outreach by launching a D2c platform on trial basis in the Delhi NCR region initially.
5. During the quarter, the company witnessed strong volume and mix evolution with broad based double digit growth across all categories.
6. The D2C platform, 'www.mynestle.in' will focus on curated product bundles, personalized gifting, subscriptions and discounts.
7. The Board of Directors have declared second interim dividend for 2022 of INR 120/- per equity share (Face value INR 10/- per equity share) amounting to INR 1157.0 crore, which will be paid on and from 16 November 2022. This is in addition to the first interim dividend of INR 25.00 per equity share paid on 6 May 2022.
8. The e-commerce channel showed strong acceleration with growth being largely fuelled by new, emerging formats such as 'quick commerce' and 'click & mortar' and contributed 7.2% to the quarterly sales.
9. The Organized trade channel continued to witness strong growth across customers and categories in the wake of high footfalls and the Out-Of-Home channel grew at a robust pace driven by faster channel reopening and business led initiatives.

10. MAGGI aided huge growth during the quarter with larger expansion in export areas.
11. Milk Products and Nutrition group also performed well with strong growth witnessed in the MILKMAID brand. Strong growth in Nescafe Classic, Sunrise and vending mixes.
12. The Company had entered into a business transfer agreement dated 18th August 2022 for the acquisition of the Pet Food Business as a going concern on a slump sale basis from Purina Petcare India Private Limited.
13. In terms of the business transfer agreement, the business has been acquired by the Company after the end of the quarter i.e. with effect from 1st October 2022.
14. Based on the valuation report of the registered valuer (PwC) an amount of INR 142.13 crore (after adjusting for change in net asset position between 31st March 2022 and 30th September 2022) was paid to Purina Petcare India Private Limited after the reporting date as a consideration for the acquisition of the Pet Food Business.
15. The management is witnessing early signs of stability in prices of a few commodities such as edible oils and packaging materials. However, fresh milk, fuels, grains and green coffee costs are expected to remain firm with continued increase in demand and volatility.

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 18% in domestic sales in the last quarter with double digit growth in all categories. That is a good 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**2,714**	**2,781**	**3,070**	**3,037**	**3,008**	**3,033**	**3,208**	**3,175**	**3,327**	**3,363**	**13,074**
% Growth YOY					*11%*	*9%*	*5%*	*5%*	*11%*	*11%*	
Expenses	2,231	2,382	2,708	2,737	2,609	2,620	2,747	2,731	2,870	2,929	**11,277**
EBITDA	**483**	**400**	**361**	**300**	**399**	**413**	**462**	**444**	**457**	**434**	**1,797**
Depreciation	62	63	64	66	67	69	70	72	73	73	**288**
EBIT	421	337	297	234	333	344	392	372	384	361	**1,509**
EBIT Margin	*16%*	*12%*	*10%*	*8%*	*11%*	*11%*	*12%*	*12%*	*12%*	*11%*	
Interest	17	18	18	15	20	20	16	16	16	20	**68**
Other Income	96	2	13	-21	24	23	12	29	11	141	**193**
Profit before tax	**499**	**321**	**292**	**198**	**336**	**348**	**388**	**385**	**379**	**482**	**1,633**
PBT Margin	*18%*	*12%*	*10%*	*7%*	*11%*	*11%*	*12%*	*12%*	*11%*	*14%*	
% Growth YOY					*-33%*	*8%*	*33%*	*94%*	*13%*	*39%*	
Tax	110	87	55	65	96	86	100	95	103	127	**425**
Net profit	**328**	**257**	**218**	**54**	**185**	**268**	**265**	**218**	**255**	**328**	**1,066**
% Growth YOY					*-43%*	*4%*	*21%*	*304%*	*38%*	*22%*	

Detailed Results:

1. The consolidated performance was good at 11% YoY growth in revenue while PAT was up 22% YoY.
2. EBITDA margin was at 13% which was down 100 bps YoY. EBITDA for the quarter grew 4%.
3. Overall, India's business grew 9% YoY with a business growth of -2% in beverages & 29% in foods.
4. The company has a net cash balance of Rs 2013 Cr as of Sep 2022.
5. Tata Tea saw market share gain of 46 bps YoY and Tata Salt saw market share gain of 128 bps YoY.
6. The India Beverages business showed revenue growth of 1% YoY & volume growth of 0% YoY in Q2.
7. The India Foods business showed revenue growth of 24% YoY & volume growth of -1% YoY in Q2. Salt revenues grew by 27% in Q2 with Rock salt delivering growth of 43%. Tata Sampann portfolio also grew 37% in volumes.
8. NourishCo had revenue of Rs 138 Cr and saw 64% YoY revenue growth in Q2. Tata Water Plus (now rebranded to Tata Copper Water) sold 1.9x volumes in Q2.

9. The Tata Coffee division saw 39% revenue growth YoY in Q2. Plantation revenue grew by 73% and Extraction revenue grew 26% YoY in Q2. Vietnam plant operated with 99% capacity utilisation.
10. In the Starbucks JV, the company had 99% of stores operational. The company increased its store count to 300 stores with 25 new stores and 6 cities added during the year.
11. The UK tea business saw revenue growth of -7% YoY in Q2. It maintained a market share of 19.2% in the everyday black tea segment. Teapigs revenue grew -16% YoY in Q2.
12. The USA coffee business saw a 16% YoY revenue growth in Q2. The tea business saw revenue growth of 9% YoY in Q2.
13. In Canada, the company saw revenue growth of 16% YoY in Q2. It maintained a market share of 27.3%.
14. The total revenue distribution for TCPL was:
    1. India Business: 72%
    2. Intl Business: 28%
15. The company launched new innovations like Tata Sampann spices in the south, Tata ORS and Tata Cold brew iced tea in the US.
16. The company expanded in 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 management is positive about the company's volume market share gains in both tea and salt.
2. For tea, the volume share is up while value share is down because the company has given up some pricing to make sure the volume momentum does not stop.
3. The company's growth businesses like Ready-to-drink, Sampann and Soulfull are on a very good trajectory growing 50% consistently since the last few quarters.
4. In Ready-to-eat, the company is relaunching and revamping the entire business including the entire marketing mix.
5. Relaunched Ready-to-eat in india under the brand name, Tata Sampann Yumside and internationally as Tata Raasa.
6. Group net profit is up 36% mainly because of a one-time gain on a disputed litigated land sale of Tata Coffee.
7. The company is on-route to hit its target of 1.5 million outlets by March 23 beforehand as the company has already reached 1.4 million direct outlets.
8. Modern Trade continues to go from strength-to-strength up by 18%. E-commerce which was at 7.5% of sales in FY22 is at 9.2% currently growing 40%. NPD contribution was at 11%.
9. The management states that it will continue to put money behind its brands. The A&P spends for the first half increased to 6.4% of sales from 6.1% the previous year.
10. Premiumization continues to be a focus, Tata Tea Gold Care, launched 24 months back is at 5% of total sales.
11. The company entered another category of Hing through Sampann. Sampann spices is planned to be launched into the south which is 40% of India's market for spices.
12. This quarter the company got into the health supplement space with GoFit.
13. The pound depreciating against the dollar is creating a currency issue for the company.

14. The management states that Tea prices have been on a secular downtrend and are expected to continue trending downwards for the short term. Coffee prices are stable on an overall level.
15. The company has taken price increases in International markets, but it is coming with a lag upto the next quarter.
16. Tata Q was mainly relaunched to reflect consumer feedback on product and branding and bring it under the Tata Sampann brand name which will help sales.
17. The ready-to-eat category has different branding for India and International due to a copyright issue on the brand Tata Raasa in India.
18. The management is very positive about the ready-to-eat category as it is a nice profitable business with good margins having a market of 1500 crores, growing double digits every year.
19. In the US markets, the company has taken a price increase of 22% from September onwards, while in the UK it was 7%.

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. 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 Q3CY22

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**1,640**	**1,803**	**1,331**	**2,241**	**2,450**	**2,398**	**1,734**	**2,827**	**4,955**	**3,177**	**12,693**
% Growth YOY					*49%*	*33%*	*30%*	*26%*	*102%*	*32%*	
Expenses	1,262	1,422	1,159	1,859	1,879	1,904	1,527	2,296	3,704	2,478	**10,005**
EBITDA	**378**	**381**	**172**	**382**	**571**	**495**	**208**	**531**	**1,251**	**699**	**2,688**
Depreciation	124	135	135	135	129	138	129	131	153	153	**567**
EBIT	253	246	38	247	442	356	78	400	1,098	546	**2,121**
EBIT Margin	*15%*	*14%*	*3%*	*11%*	*18%*	*15%*	*5%*	*14%*	*22%*	*17%*	
Interest	74	58	62	58	47	43	37	47	46	45	**176**
Other Income	3	3	6	6	24	37	1	9	10	11	**30**
Profit before tax	**182**	**192**	**-19**	**195**	**420**	**350**	**42**	**361**	**1,062**	**511**	**1,976**
PBT Margin	*11%*	*11%*	*-1%*	*9%*	*17%*	*15%*	*2%*	*13%*	*21%*	*16%*	
% Growth YOY					*131%*	*83%*	*-322%*	*86%*	*153%*	*46%*	
Tax	39	30	-12	58	101	93	9	90	260	116	**475**
Net profit	**141**	**153**	**-20**	**129**	**308**	**240**	**16**	**254**	**787**	**381**	**1,439**
% Growth YOY					*119%*	*57%*	*-184%*	*97%*	*156%*	*59%*	

Detailed Results:

1. The consolidated revenues for the current quarter increased by 32% YoY whereas PAT increased by 59% YoY.
2. The company saw an EBITDA rise of 41.3% YoY and a volume rise of 24% YoY in the quarter.
3. Increase in net realization is primarily driven by higher mix of smaller SKUs (250ml) especially the energy drink - Sting which has higher net realization, and its mix is increasing in the sales volumes.
4. Quarterly sales volume was 190 mn cases in Q3 vs 300 mn cases the previous quarter and 153 mn cases the previous year.
5. CSD constituted 70%, Juice 5%, and Packaged Drinking water 25% of total sales volumes in Q3 CY22.
6. Gross margins increases by 90 bps YoY to 53.7% despite inflationary raw material environment.
7. EBITDA margin improved by 138 bps to 22% in Q3 CY2022 led by higher realization and operating leverage from increased sales volume.
8. The main driver of growth during the quarter was Sting which performed exceedingly well across all geographies.
9. The company launched some product in the value added Dairy segment which received a good response with the management being confident of improving contribution from these new launches going ahead.
10. In testimony of strong relationship between Varun Beverages Limited and PepsiCo Inc., Board of Directors approved the proposal to enter into an agreement by Varun Beverages Morocco SA (a wholly owned subsidiary of the Company) to distribute & sell "Lays, Doritos and Cheetos" for PepsiCo wholly owned subsidiaries in the territory of Morocco with effect from January 2023.

11. As per the co-manufacturing agreement dated 28th February 2022, the manufacturing plant in Kosi, Uttar Pradesh commenced the trial production of Kurkure Puffcorn for PepsiCo India Holdings Private Limited.

Investor Conference Call Highlights:

1. The company's India business delivered an organic volume growth of 22% while International grew by 31%. This was mainly contributed by strong performance of Sting.
2. Realization per case improved by 6.8% to Rs. 167 per case in Q3CY22 primarily driven by a higher mix of smaller SKUs .
3. The morrocoy snacks business of Pepsico in which VBL has entered was an already existing business of 150 crore. VBL has acquired distribution rights for the products of Lays, Doritos and Cheetos.
4. The cumulative nine months average mix of Sting is 8.5% while the mix in the last quarter was more than 12%.
5. Sting is currently reaching everywhere with a distribution of 2 million plus outlets. It is currently having the highest penetration of any of the company's products.
6. Tropicana is also doing extremely well. The only constraint faced is a constraint of production due to which Pathankot facility distribution has gone up to only 15% of total outlets, which is expected to be resolved by next year.
7. There is a 25%-30% difference in realization in the domestic business. This is largely contributed by Sting which has a realization higher by 65%.
8. In International business, the major growth has come from Morocco, wherein not much growth has come in from CSD but from water, as water is growing much faster in Morocco.
9. The company is looking at a 1200-1300 crore greenfield and brownfield capex this year which would split in half-half. This is expected to be commissioned before the season by February.
10. The management maintain a EBITDA margin guidance of 21% for the year.
11. The management sees resin pricing cooling down and sugar prices remaining stable for the short term.
12. The net debt on the company's books currently stands at about 2,300 crore.
13. The company plans to grow in Africa by stabilizing one country at a time and the management is very positive about the company's growth prospects in Africa.
14. For the time being, VBL is only distributing and selling the 150 crore existing Lays, Doritos and Cheetos business in Morocco.
15. The company has a first mover advantage in the energy drinks market with Sting and is seeing competition trying to counter it.
16. Tropicana and Dairy are both done in the same plant, so the company is adding one more plant next year. That will double the capacity for Dairy as well as Tropicana.
17. In the current season, the company could not supply much of dairy due to capacity constraints, which is expected to be the same during the next season too.
18. The capacities for Dairy are expected to come in after the season. Currently, dairy distribution is restricted to the north region.
19. The company shifted to the new tax regime in the second quarter of this year. The blended tax rate would be 22.5% which would be an advantage of 3% in the overall tax rate of the company.
20. The distribution rights for the company in Morocco can pave the way for a much larger snacking business in the future.
21. Zimbabwe is doing extremely well for the company. The peak season for the country is October to December which is expected to bring in huge sales.
22. The company currently is not open and not looking for any private label business manufacturing.

23. The company is adding 40000-50000 chilling equipments each year and has reached to three million dealers. Every year this is expected to go up by 10% and the carrying size with these dealers is also expected to go up 5%-7% every year.
24. The capex being planned is for all PET and the expected capacity to be added is 20% of total capacity.

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. Sting has been a huge proven success for the company carrying forward growth. 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 ventures like 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 higher 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 provide little margin of safety.

Zydus Wellness Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	70	56	24.51%	66	7.02%	232	181	28.25%
PBT	14	-2	808.42%	8	80.00%	5	-188	102.77%
PAT	15	-2	831.68%	8	85.91%	13	-182	106.97%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	431	387	11.32%	699	-38.34%	2,020	1,876	7.67%
PBT	8	21	-60.95%	137	-93.98%	306	112	172.72%
PAT	8	21	-60.55%	137	-93.82%	309	119	160.14%

Detailed Results:

1. The company's revenue grew by 11% YoY and profits fall by 60% YoY on the consolidated basis.
2. The QoQ numbers are poor, revenue and profits falling by 38% and 94% respectively on the consolidated basis.
3. Volume growth of 5% in Q2
4. EBITDA degrew by 46.8% year-on-year to INR 163 million
5. Glucon-D has maintained its number one position with a value market share of 60.0% in the glucose powder category at a MAT September level, which is an increase of 157 basis points over the same period last year
6. The Sugar Free brand continues to maintain its leadership with a market share of 95% as per MAT September '22 report of IQVIA.
7. 25% of our annual sales comes from rural

Investor Conference Call Highlights

1. Industry highlights
    a. Consumer sentiments have gradually started to improve in urban areas, however, higher input costs have continued to impact the industry.
    b. Moreover, pick-up in rural demand has been slower than urban areas, which has resulted in down-trading.
    c. Rural demand which contributes 25% of the total net sales has been a subdued.
    d. The management expect revival in consumer demand on completion of normal monsoon and increased government spending. They also expect good demand led by festive season in the coming quarters. The company expects to improve margin on a sequential basis, the impact of which will be partially seen in the coming quarter with full impact being captured in the quarter 4 of the financial year.
2. The management has seen some level of volatility and the increase in milk prices remains unabated and has hurt the gross margin of dairy-related products, which is what's reflected in the company's numbers as well.
3. The management stated some key inputs continued to remain high and have worsened the impact due to weakening INR and negatively impacted gross margins.
4. The company's expenses has risen, which was largely driven by increase in the cost of fuel hike like coal and husk and also the statutory revision in wage rate in Northeastern belt where some of our manufacturing facilities are located.
5. The company continued our investments on advertising and marketing
6. Complan front, the management stated the health food drinks category continued to witness slowdown and similar trend was reflected for Complan as well. The category has been showing degrowth for last three quarters at an overall level as reported by Nielsen. However, with the company's interventions in terms of sachets and pouches launched in key markets and some in the pipeline, which will help it participate in a larger buyer of HFD market.
7. The management stated green shoots are already visible in terms of increasing market share of Complan, specifically in some channels like Modern Trade, E-commerce. Brand market share stood at 4.6% in HFD category as per MAT September 2022 report of Nielsen.
8. On the sweeteners front, the management stated Sugar Free brand continued to face headwinds of higher base and registered a flattish growth during the second quarter; its direct distribution has doubled during the quarter on a sequential basis.
9. The company's new initiatives over the last three years on Sugar Free Green and Sugarlite contribute to now 14% of the sweeteners business, thus making zydus more future-ready.
10. On the personal care front,

. Everyuth brand registered another quarter with a double digit growth. The brand was supported by TV and digital campaigns across its sub-segments like face wash, scrubs and peel-offs.

a. Everyuth Scrub continues to maintain its leadership position with market share of 41.8% in the facial scrub category, which is an increase of 269 basis points over the same period last year.

b. Everyuth peel-off has maintained its number one position with a market share of 75.7% in the peel-off category.

c. Everyuth brand is at a number five position with a market share of 6.5% at overall facial cleansing segment. This covers face wash, face scrub and peel-off, all the facial cleansing segments. We are taking the benefit of prolonged monsoon in some parts of the country.

11. Nycil brand registered a strong double-digit sales growth supported by TV campaigns. Nycil has maintained its number one position with a market share of 35% in prickly heat powder category, which is an increase of 47 basis points over the same period last year.
12. On the dairy and spreads category front,

. The management stated Nutralite continued to build momentum in overall business and delivered a double-digit growth in quarter gone by.

a. Nutralite DoodhShakti dairy portfolio, which includes butter, spreads and ghee has delivered a good performance backed by increased distribution drive, festival-specific digital activations and online recipe videos endorsed by celebrity Shilpa Shetty.

13. The management stated top end of the market, both in direct distribution, even the organized state which typically ends up selling larger packs, have done better than sub stockist, super-stockist business, which caters to largely the lower pops strata in rural. And that confirms with the fact that there is being a muted offtakes across the board, which is what you were also saying. So clearly, the company sees a better offtake from the more affluent, more upper segments.
14. The management stated largely, growth thesis is based on what we already have in the market. The innovation and renovation is the key and they will keep doing that.
15. The company has target of increasing the outlets by 60%. The management stated there is a steady plan of taking it up and one new innovation or model which the company want to test, which will help the company expand our coverage without taking a relevant increase in cost to serve.
16. The management stated key roles with new outlets will be, the growth, driving growth of NPDs, which otherwise do not go through the indirect channel.
17. The sachets of Complan, which used to be about 12% to 15%, now occupy 27% of the whole category.
18. The management stated that Nutralite will be amongst the top four, five brands and will be sizable enough.
19. Directly, indirectly, a large portfolio has a currency impact. Majorly the sweeteners, it has oils, flavors, fragrances. So there's a wide range of products which get impacted at overall level. Sweeteners in particular is direct.
20. The company has already initiated price increases more than 2% across portfolio to maintain gross margins. The gross margin contraction was largely from milk portfolio. Milk is majorly used in the Complan and Nutralite DoodhShakti.
21. The management stated the milk is the largest in RM and palm oil will be about third or fourth of total RM for the company.
22. Average realization per gram on HFD market is actually declining on the industry level.
23. face wash may have grown decently, but peel-off and scrub has grown faster and that's why growth for the entire personal care is higher of double-digit.
24. The company has faced about 8% inflation in RM basket. Sequential basis, it is about 3.5%. About 200 basis points has happened because of COGS.
25. The management stated by fourth quarter, they should certainly be able to fully catch up on margin front.

Analyst's View

Zydus Wellness has long been a consistent wealth creator and have 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 resident portfolio to overseas markets. Now with the acquisition of Heinz India, they have acquired a number of sector leading brands in other categories than their own, thus significantly expanding their product portfolio. This also signals the great ambition the firm and its management possess, and their willingness to take bold steps to go further ahead on their mission path. It remains to be seen whether the benefits from the acquisition will be as good as promised, but there is a high chance of a good integration given that both operate in different categories, thus reducing chances of market share cannibalization. All in all, Zydus Wellness looks like a good investment option given their soon to be expanded portfolio, especially to those investors seeking to invest in the theme of increasing consumption and in the health and well ness industry.

Healthcare & Pharma
Cadila Healthcare Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	2,508.0	2,078.3	20.68%	2,032.6	23.39%	8,161	7,869	3.70%
PBT	600.1	91.1	558.73%	432.3	38.82%	1,164	1,689	-31.07%
PAT	451.1	14.1	3099.29%	331.5	36.08%	858	1,476	-41.88%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	4,179.1	3,813.1	9.60%	4,138.6	0.98%	15,490	14,449	7.20%
PBT	642.8	858.1	-174.91%	681.0	-5.61%	2,838	2,399	18.29%
PAT	522.5	3,002.3	-117.40%	518.3	0.81%	4,618	2,185	111.36%

Detailed Results:

1. The company's revenue grew by 10% YoY and profits fell by 117% YoY on the consolidated basis.
2. Standalone numbers are good with revenue and profits growing on health pace.
3. Reported EBITDA for the quarter was Rs. 8.2 billion, down 9% year on year. However, adjusting for the COVID-related inventory provision during the current quarter, the EBITDA margin stood at 22.6%, which is an improvement of 210 bps on a sequential basis.
4. India geography which comprises formulations and consumer wellness business accounted for 43% of the total revenues during the quarter, and grew 11% year on year, adjusted for COVID-related revenues in the formulations business last year.
5. The formulations business in India geography, the business registered an improvement in growth during the quarter as it grew by 11% year on year. H1 FY23 growth for the business was 11% as well.

6. Consumer wellness business recorded revenues of Rs. 4.2 billion, up 12% year on year. Growth during the quarter was led by GluconD, Nycil, and Everyuth brands.
7. US formulation business for 43% of the consolidated revenues during the quarter, with sales of Rs. 17.1 billion and grew by 10% on a sequential basis.

Investor Conference Call Highlights

1. The management remains confident in achieving a 20% plus EBITDA margin for the current fiscal, backed by growth visibility across key businesses, coupled with various cost optimization initiatives.
2. The company gained market share and improved ranking in core therapies viz. cardiovascular, gynecology, respiratory and gastrointestinal during the quarter on a year-on-year basis.
3. The company launched 10 new products during the quarter, including the gRevlimid which is Lenalidomide, which aided the growth momentum. The company received 15 new product approvals, including 2 tentative approvals during the quarter. (US formulation business)
4. The management stated monetization of the internal pipeline along with BD & L efforts will be the key drivers of the US generics business. The specialty portfolio is likely to scale up over the medium term and become a niche and sustainable growth pillar as well.
5. On the biologics front, the company launched Ujvira, the first ADC last year. The molecule has gained significant traction in the first year of launch itself and is one of the leading brands of formidable oncology franchise.
6. On the NCE front, during the quarter, the company submitted the results for the hepatic impairment study of Saroglitazar magnesium in NASH and normal PBC patients to the US FDA. The hepatic impairment studies of the molecule in cirrhotic cholestatic patients is ongoing, and which is likely to be completed by end of FY23.
7. The company achieved a positive proof of concept in phase 2 trial for NCE ZYIL-1, an NLRP3 inhibitor, in patients with Cryopyrin-Associated Periodic Syndrome (CAPS), which is a rare, lifelong, auto-inflammatory condition. The study demonstrated rapid clinical improvement and remission within days when CAPs patients with flare-ups were treated with ZYIL-1.
8. The company received regulatory approval in India to initiate phase 2 clinical trials for antimalarial drug candidate ZY19489. We also commenced our phase 4 clinical trial of Desidustat in India, in patients with chronic kidney disease-induced anemia. The trial will enroll 1,000 plus patients, half of them being dialysis dependent, and the remaining half being independent of dialysis.
9. On the speciality front, the company's wholly-owned subsidiary Sentynl Therapeutics Inc. received marketing authorisation in the EU for Nulibry® for the treatment of Molybdenum Cofactor Deficiency (MoCD) Type A. It is the first and only treatment in Europe to treat patients with MoCD type A.
10. On the regulatory compliance front, the US FDA issued an EIR with a VAI status for Moraiya formulations manufacturing facility which was earlier in a warning letter. The inspection now stands successfully closed.
11. Still have some important launches that are still from Moraiya. Obviously, the whole transdermal franchise is going to be important in terms of the commercialisation of that. Also, there are some small molecules like Softgel and others which were filed out of Moraiya, which will see some positive traction going froward. Moraiya has close to 30 pending approvals. The company would see an uptick in the number of approvals.

12. The US FDA has also inspected new animal health formulations facility located in Ahmedabad SEZ between 23rd September 2022 to 29th September 2022, which concluded with two Form 483 observations. The company submitted the response to the FDA in the month of October.
13. The management stated there are certain input costs which have started easing out, and the kind of product launches the company is coming with, margin improvement will come in coming quarters and they think EBITDA margin above 20% is achievable.
14. The company is planning to launch the Trokendi XR in Quarter 4 of FY23 which will be an important launch.
15. Out of 1100 crore R&D budget, about 2/3rd of R&D investment is in generics, biosimilars and others, and about 1/3rd of this is in the current NCE programs. The management stated going forward, they will see maybe a mix which is more driven towards NCEs, but that's the current mix.
16. Currently the company is at 7-8% R&D expense as a percentage to sales. The management stated maybe in the next 3 years it will be in 8% plus range.
17. The animal health business is targeted towards the USA. The company filed a lot of ANADAs. It is a new business.
18. On Asacol HD, the management don't see any immediate competition, over the next 3 to 6 months.
19. Provisions for write off of COVID related products are total 120 crores in this quarter. Earlier we had 40 crores in the previous quarter. All inventory is now written off.
20. Currently on vaccines business, current business is only limited to private market vaccines which is flu vaccine and the Typhoid Conjugate vaccine. Going forward important vaccines will be there in the pre-qualification of three vaccines. One is Rabies, followed by MR and Typhoid conjugate. So these three vaccines will become part of the global vaccines which the tenders are not before 24, 25, 26. So they are sometime away and before that they have to get pre-qualified also for this. So the major uptick for this is 25, 24-25 will be an uptick on the volumes and business. Till then the company is going to participate in the private market and the India public market through MR and Typhoid Conjugate vaccine and the Rabies vaccine.
21. The management are seeing very strong market share gains in the NAFL indication, and they aspire to make it into the top 25 brands of India very soon.
22. On the price erosion, the management stated there will always be a very competitive intensity in the US. So they believe that single digit price erosions is something that they expect.

Analyst's View

Zydus lifescienses is one of the leading pharmaceutical and wellness product makers in the country. The company has done well to maintain good growth in the branded business while the consumer wellness and India Business were mostly flat YoY. 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. The company is also looking to concentrate on biosimilars and is said to have enough capacity for biosimilar demand for the next 2-3 years. It remains to be seen what the future holds for the pharma industry and how will 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 speciality product portfolio, Zydus Cadila is an important stock to watch out for in the pharma space.

Divi's Laboratories Q2FY23

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.

Quarterly Performance											
DIVIS LABORATORIES LTD											
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**1,730**	**1,749**	**1,701**	**1,788**	**1,961**	**1,988**	**2,493**	**2,518**	**2,255**	**1,855**	**9,121**
% Growth YOY					*13%*	*14%*	*47%*	*41%*	*15%*	*-7%*	
Expenses	1,030	1,008	1,010	1,072	1,109	1,169	1,396	1,414	1,408	1,234	**5,451**
EBITDA	**700**	**741**	**691**	**716**	**852**	**818**	**1,097**	**1,104**	**847**	**621**	**3,669**
Depreciation	56	61	68	70	73	77	80	81	84	86	**330**
EBIT	644	680	623	646	779	741	1,017	1,023	763	535	**3,339**
EBIT Margin	*37%*	*39%*	*37%*	*36%*	*40%*	*37%*	*41%*	*41%*	*34%*	*29%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	17	14	19	24	36	19	17	52	88	80	**237**
Profit before tax	**661**	**693**	**642**	**669**	**814**	**760**	**1,034**	**1,076**	**851**	**615**	**3,576**
PBT Margin	*38%*	*40%*	*38%*	*37%*	*42%*	*38%*	*41%*	*43%*	*38%*	*33%*	
% Growth YOY					*23%*	*10%*	*61%*	*61%*	*5%*	*-19%*	
Tax	169	174	171	167	257	153	131	181	149	122	**583**
Net profit	**492**	**520**	**471**	**502**	**557**	**606**	**902**	**895**	**702**	**494**	**2,992**
% Growth YOY					*13%*	*17%*	*92%*	*78%*	*26%*	*-19%*	

Detailed Results:

1. Consolidated revenues fall by 3.6% YoY while profit fell by 18.5% YoY in Q2 FY23.
2. EBIDTA margins for Q2 FY23 stood at 33.4%.

Investor Conference Call Highlights

1. The company experienced minimal to no disruption to customer shipments while some concerns remained regarding labor shortage.
2. Raw material procurement and availability issues are slightly stabilized and prices for some raw materials marginally reduced compared to the previous quarter, while for a few like Toluene, Lithium & Iodine, it continues to increase.
3. Exports for the quarter accounted for 87% where Exports to the US and Europe accounted for 68% of our revenue for the quarter and 71% for the half-year period.
4. Product mix for generics to customs synthesis is 57% and 43% respectively for the quarter and 52% to 48% for half year.
5. The company had a Forex gain of Rs. 31 crores for the quarter and Rs. 87 crores for the half year.
6. The company's constant currency growth for the quarter has been negative at 13% for the quarter & 2% for H1.
7. The company capitalized assets of Rs. 89 crores during the quarter and Rs. 200 crores for half a year.
8. The management is optimistic about the custom synthesis business however the big fast-track project opportunities depend on the rise of Covid. The management further expects the margins to remain

at the current levels for the next 2 quarters due to lower revenue & higher raw material costs, however, it expects to tough margins in the range of 30's once revenue starts rising again.

9. The company expects the patents to expire between FY23-25 for new molecules while the company made DMF filing.
10. The management is confident of reaching pre-covid levels in its therapeutic segment in the near future.
11. The company believes that it has established a new benchmark by delivering hundreds of tons in its fast-track project within a year. Hence it is confident of getting new projects based on its performance during the covid period.
12. The current utilization stands at 80-83%.
13. The company is still experiencing pricing pressures in its generic API segment. However, it believes that since one of the other 2 big players is leaving the space, the company will benefit from that event in the future.
14. The management states " how big is the dream, I am not dreaming, the dreamer is the big pharma, so we think they are quite big compounds" on being asked about the custom synthesis business's prospects.
15. The management explains that in Sartans, the company is backward integrated (unlike its peers). & make its own Ortho Tolyl Benzonitrile, which is the starting material using a new technology called photochemistry.
16. The company developed a cost-effective way of deriving iodine which is the key raw material of custom media & since Iodine prices rose from $15 to $80, this helped company attract two large players in the custom media segment.
17. The 2 markets for custom media are CT scan & MRI scan, of which the MRI segment is larger & company is making a new entry in the MRI market (being already present in the CT scan market before).
18. The management believes that the long-term trend of the China+1 policy & shift from the US/Europe to India due to lack of capacity will ensure long-term favourable growth for custom synthesis irrespective of the current global tensions.
19. The management states that its backward integration efforts ensured that the company could maintain its margins, otherwise dependence on China for materials(whose prices increased by 20-40%) would have troubled the existence of the business.

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. The company saw a weak quarter with sales degrowth of 3.6% YoY while profits collapsing by 18%. It will be interesting to see whether the company's six growth engines(Established Generics Portfolio, Generics with growth potential, the contrast media, Sartans, Future Generics & Custom Synthesis) pan out according to management expectations and whether it will face any issues in its proposed expansion plans in Kakinada, which are currently in the 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**40**	**53**	**57**	**64**	**60**	**63**	**56**	**56**	**51**	**73**	**236**
% Growth YOY					*51%*	*17%*	*-2%*	*-12%*	*-16%*	*17%*	
Expenses	28	38	36	44	43	45	41	46	43	60	**190**
EBITDA	**12**	**16**	**21**	**20**	**17**	**18**	**15**	**10**	**7**	**13**	**46**
Depreciation	3	3	3	4	3	3	5	5	5	5	**20**
EBIT	9	13	18	16	14	15	10	5	2	8	**25**
EBIT Margin	*22%*	*24%*	*31%*	*25%*	*23%*	*23%*	*18%*	*9%*	*5%*	*11%*	
Interest	2	2	2	1	1	1	1	2	2	2	**7**
Other Income	1	0	1	-1	2	1	3	8	5	5	**20**
Profit before tax	**8**	**11**	**18**	**14**	**15**	**15**	**12**	**11**	**5**	**10**	**39**
PBT Margin	*20%*	*20%*	*31%*	*22%*	*25%*	*24%*	*21%*	*20%*	*11%*	*14%*	
% Growth YOY					*95%*	*42%*	*-34%*	*-18%*	*-64%*	*-32%*	
Tax	3	4	5	4	4	4	3	2	2	4	**11**
Net profit	**6**	**7**	**12**	**10**	**12**	**11**	**8**	**8**	**4**	**7**	**27**
% Growth YOY					*118%*	*59%*	*-31%*	*-20%*	*-68%*	*-35%*	

Detailed Results:

1. The company had a mediocre quarter with a 17% YoY rise in consolidated revenues and a 12% YoY drop in PAT at a consolidated level.
2. The EBITDA margin was at 22% in the current quarter vs 30% a year ago.
3. The standalone revenue growth in Q1 for the various segments is:
    1. Poultry Healthcare: down 14% YoY
    2. Animal Healthcare: Up 140% YoY
4. Vaccine sales rose by 24% YoY.
5. Sales of health products grew by 36% YoY.

Investor Conference Call Details:

1. The management states that the poultry industry is going through a down period for the last two years due to higher costs of feed & lower prices of meat & eggs in the market because of which the poultry healthcare division reported negative growth for Q2 & H1FY23.
2. The company is the main supplier of lumpy skin disease vaccine & has supplied 80-85% of the goat pox vaccine used to immunize cattle against lumpy skin disease.
3. The company's margins have decreased due to higher sales of health products which have lower margins coupled with high promotion expenses.
4. The management is hopeful of the possible inclusion of Lumpy skin disease in the government's national immunization program where a vaccine will need to be administered every year.
5. The company's PPR vaccine production has been delayed due to the utilization of capacity for catering to the demand for the goat pox vaccine.

6. The company's two divisions in the petcare segment are Therapeutics and Specialty Nutrition with the former being more active in the first half of the year & latter in the second half.
7. The company was currently targeting metro cities for its healthcare division but it will start to penetrate Tier-II cities in the coming period.
8. The company will look at biologicals for the pet division eventually.
9. The company's capacity expansion for bulk antigen & fillers to double the capacity will be completed by Q4.
10. The company's exports were lower to countries like Egypt & Nigeria due to high restrictions on international remittances in their country.
11. The management has pitched for acquiring the technology for making lumpy skin disease vaccine to the Govt. coupled with registering the vaccine in Hester Africa to meet the increased demand in the future.
12. The management believes that the company will be able to supply pet care products with similar qualities as its global peers at a cheaper rate to the customers.
13. The company will be looking at creating a state-of-the-art animal testing facility in the coming financial year.
14. The management states that registration for health products requires less time than vaccines.
15. The management reiterates that even if FAO commits to 10% of its original plans, the company's capacity will fall short to meet the demands.

Analyst Views:

Hester Bio had a mixed quarter with a 16% rise in sales and a 12% fall in PAT due to weak industry demand from poultry vaccine which was compensated by a rise in animal healthcare sales which is of a lower margin profile leading to falling in EBIDTA margins. 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.

Piramal Pharma Ltd Q2FY22

Financial Results & Highlights

Brief Company Introduction

Piramal Pharma Limited (PPL) is part of the Piramal group of companies. The pharmaceutical product portfolio of the company can be categorized into contract development and manufacturing organizations (CDMO), complex hospital generics (critical care), and consumer healthcare (OTC). The company has a presence in more than 100 countries and has manufacturing plants in India, the UK, and North America. Around 76% of the company's overall revenue in FY21 came from North America, Europe, and Japan. The entire pharma business was earlier operated under Piramal Enterprises Limited until February 2020. However, in March 2020, the Board of Directors of PEL approved the transfer of the entire pharmaceutical business to its wholly-owned subsidiary, Piramal Pharma Limited. Furthermore, on October 7, 2021, the Board of PEL approved the demerger of PPL into a separate listed entity. PEL owns 80% in PPL and the Carlyle group holds the balance 20%. Post the demerger, the entire pharmaceuticals business will get vertically demerged from PEL and consolidated under PPL, with the promoters holding 35% stake, other shareholders holding 45%, and the balance 20% being held by the Carlyle group.

	Reported Financials					Comparable Financials				
Particulars	Q2FY23	Q1FY23	QoQ Change	Q2FY22	YoY Change	Q2FY23	Q1FY23	QoQ Change	Q2FY22	YoY Change
Revenue from Operations*	1,720	1,482	16%	1,578	9%	1,720	1,482	16%	1,621	6%
CDMO	940	770	22%	886	6%	940	770	22%	925	2%
CHG	562	508	11%	500	12%	562	508	11%	500	12%
ICH	227	211	7%	192	18%	227	211	7%	188	21%
EBIDTA	219	89	146%	214	2%	219	157	39%	210	4%
EBIDTA Margin	13%	6%		14%		13%	11%		13%	
PAT	-37	-109		37		-37	-60		30	
PAT Margin	-2%	-8%		2%		-2%	-4%		2%	

	Reported Financials			Comparable Financials		
Particulars	H1FY23	H1FY22	YoY Change	H1FY23	H1FY22	YoY Change
Revenue from Operations*	3,202	2,889	11%	3,202	2,983	7%
CDMO	1,710	1,531	12%	1,710	1,643	4%
CHG	1,069	968	11%	1,069	963	11%
ICH	438	390	12%	438	368	19%
EBIDTA	308	363	-15%	376	367	3%
EBIDTA Margin	10%	13%		12%	12%	
PAT	-146	9		-97	10	
PAT Margin	-5%	0%		-3%	0%	

Detailed Results:

1. The company registered a revenue growth of 9% in Q2 & 11% in H1.
2. CDMO business grew by 6% and 12% respectively during Q2 & H1.
3. Complex Hospital Generics grew by 12% during the quarter and 11% for the first half.
4. India Consumer Healthcare businesses registered a robust growth of 18% for the quarter and 12% for the first half of the financial year despite the high base of the last financial year, where the business grew close to 50% YoY.
5. Normalized EBITDA margin during the quarter and the first half of the year was 13% and 12%, respectively, nearly at the same levels as the previous year.

Investor Conference Call Highlights

1. The US FDA recently concluded the Good Manufacturing Practices (GMP) inspection of Piramal Pharma's Riverview, Michigan facility, completed successfully last week with 483 observations.

2. Historically, H2 has always been much stronger than H1, with about 55% of total revenue, and 66% of the EBITDA being booked in H2.
3. In the CDMO biz, slower decision-making by customers owing to the macroeconomic environment is leading to some lag in the order book.
4. During the first six months of the financial year, the company successfully created about 20 regulatory inspections and more than 100 customer audits.
5. The company committed about $157 million of growth-oriented CAPEX investments across various sites like Aurora, Pithampur, Riverview, Grangemouth, and Mahad, which is expected to be completed over the next 18 to 24 months.
6. In the inhalation anesthesia portfolio, the company is one of the few players in the world that has the capability to manufacture all four generations of inhalation anesthesia products. It has also vertically integrated with in-house manufacturing to make starting materials at its specialty fluorochemicals facility in Dahej.
7. . The Inhalation Anesthesia portfolio continues to perform well in is the USA market along with the Intrathecal portfolio which continues to command a leading market share in the US.
8. In the Injectable Pain Management segment, the company saw good performance in markets like Japan, South Africa, and the UK which was offset by supply constraints in other markets. The company has 37 SKUs currently in the pipeline where it launched two products during the quarter including a prefilled syringe in Germany and is expected to launch h eight SKUs in various target markets in the second half.
9. The company's power brands contributed 42% to consumer healthcare sales during the first half & grew by 40% in H1.
10. The company continues to reinvest its profits in the consumer business to grow its power brands. It spent about 15% of its revenues on media and trade promotion.
11. The company launched 10 new products and 11 new SKUs during Q2 FY'23. New products launched since April '20 contribute about 15% of consumer business sales.
12. The company's generic production includes generic APIs produced by the company for direct sale & a CDMO arrangement where it produces both APIs and formulations.
13. The split between API & formulations in the CDMO biz is 60:40.
14. In the CDMO biz, management expects the top line to have mid-teens growth in H2 and that will lead to improvement in the overall operating margins due to fixed cost leverage.
15. The management explains that the company would see a more protracted time, from RFP intake to RFP decision this year Vs prior years Since the customers are becoming more prudent in terms of cashflows & capita allocation due to funding dry leading to decisions being made only after positive results from the trial. This has resulted in the company also seeing a bit more late-stage proposals coming in than perhaps in earlier years.
16. The company expects the CDMO biz to grow at a faster pace Than the historical rate due to the higher number of late-stage clinical programs & early commercial work being dealt with by the co.
17. In complex health generics, the strategy for growth will be growing the inhalation anesthetics segment due to limited competitors & wide market opportunity, gaining control over the supply chain & continuing to sell other pharma products in the pipeline through the marketing channel of the inhalation products .
18. The company saw margin erosion due to higher sales of the consumer products division at nil EBIDTa with a focus on growing topline & lower sales from CDMO leading to negative effects of operating leverage.

19. The company is currently serving its tender obligation by selling products through Piramal enterprises as the contract was won in the name of that company, However, post the end of this financial year, PPL will start directly applying in its own name.
20. The max debt that the company is looking for is in the range of 4-4.5X of EBITDA.
21. The management said that “, it's difficult for them to gain share because it requires specific capabilities and a particular channel strategy” when asked about a US generic player launching Sevoflurane by the end of this year.
22. The company saw an increasing number of inquiries in particular at the recent CPHI Conference due to the China+1 strategy.
23. The market size for 37 SKUs under development is USD 7 billion.

Analyst’s View:

PPL is a part of the Piramal group focused on providing pharma solutions. The company had a mediocre quarter with Revenue growing by 9% YoY whereas PAT de-growing to loss territory. The H2 is expected to be relatively better. It remains to be seen how the company will handle the slowdown in Big pharma spending owing to funding dry & Global macroeconomic & political instability. However, considering the growing requirement for development services, especially with complex regulatory processes for newer drugs, high entry barriers, limited competition for the complex hospital generics (provides sustainable growth over the longer term), and the rising contribution from the fast-growing consumer segment, it is a decent stock to keep in your watchlist.

Syngene Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**420**	**517**	**584**	**658**	**594**	**610**	**640**	**759**	**645**	**768**	**2,811**
% Growth YOY					*41%*	*18%*	*9%*	*15%*	*9%*	*26%*	
Expenses	296	362	409	443	429	432	437	509	473	552	**1,971**
EBITDA	**124**	**155**	**176**	**215**	**164**	**177**	**203**	**249**	**172**	**216**	**840**
Depreciation	66	69	70	70	75	76	79	80	86	90	**335**
EBIT	58	86	106	145	90	101	124	169	86	126	**504**
EBIT Margin	*14%*	*17%*	*18%*	*22%*	*15%*	*17%*	*19%*	*22%*	*13%*	*16%*	
Interest	7	7	7	7	8	1	9	6	9	12	**36**
Other Income	15	14	17	53	12	-18	13	15	16	15	**59**
Profit before tax	**66**	**94**	**116**	**192**	**94**	**82**	**128**	**178**	**92**	**129**	**527**
PBT Margin	*16%*	*18%*	*20%*	*29%*	*16%*	*13%*	*20%*	*23%*	*14%*	*17%*	
% Growth YOY					*43%*	*-12%*	*10%*	*-7%*	*-2%*	*58%*	
Tax	8	10	14	32	17	15	24	31	19	28	**102**
Net profit	**58**	**84**	**102**	**161**	**77**	**67**	**103**	**147**	**73**	**102**	**425**
% Growth YOY					*33%*	*-20%*	*2%*	*-8%*	*-5%*	*53%*	

Detailed Results:

1. Consolidated revenues were up 26% YoY in Q2. Profit before exceptional items grew by 11% YoY in the same quarter due to higher tax rates & lower contributions from Remedisvir.
2. EBITDA margin for the period was at 29.6% with EBITDA growing 22% YoY.

Investor Conference Call Highlights

1. The company incurred an exceptional item involving a one-time downward adjustment of Rs.25 crores in the second quarter of last year on account of the government's decision during that quarter to cap the Services Export Incentive Scheme (SEIS) Scheme for research and development services at Rs.5 crores cap for the financial year.

2. The management states that the company's proprietary integrated drug discovery platform, SynVent continued to gain traction & that portfolio currently stands at 18 integrated programs.

3. The company anticipates manufacturing of the drug substance for Zoetis to begin in the fourth quarter of this financial year.

4. The company's small molecule manufacturing facility in Mangalore is on track to obtain the key regulatory approvals around the mid of the next financial year.

5. The company invested close to US$30 million out of the US$100 million budget for the current FY. Half of that CAPEX went into research services, 30% into biologics, and the remainder into common infrastructure, safety-related improvements, replacement of old equipment, etc.
6. Revenue growth excluding Remdesivir stood at 31% YoY.
7. The depreciation of the rupee versus the US dollar strengthened the top line without commensurate benefit on the bottom line because the company booked hedge losses as a part of expenses.
8. The material cost As a percentage of revenue from operations stood at 25.9% compared to 27.5% last year(which was high due to raw materials for Remdesivir). The current material cost is below the 27% guidance, and this will move up to the guidance level with the increasing share of manufacturing in its revenue.
9. Staff cost increased by 15% YoY, and was at 28.4% of revenue from operations as compared to 31% in the second quarter of last year. The YoY increase is due to an increase in headcount, salary increases, and changes in the mix of the employee base.
10. The direct cost which primarily includes power and utility costs increased 39% YoY and is now at 3.7% of the revenue from operations for the quarter compared to 3.4% for the corresponding period in the previous year. The increase is mainly on account of higher fuel prices for natural gas used for steam generation and high-speed diesel used for power backup.
11. Other expenses which include travel, conveyance, repairs, maintenance, digitization, automation, and selling expenses increased by 32% YoY.
12. Hedge losses during the quarter were Rs.19 crores reflecting the difference between the average spot rate during the quarter to the hedge rate.
13. Other income for the period increased from Rs.12.9 crores to Rs.15.4 crores, an increase of 20% on the back of increasing yield on investments and fixed deposits.
14. Profit before tax increased by 15% YoY, the lower growth as compared to EBITDA and EBIT is on account of higher interest rates and currency translation losses.
15. The effective tax rate for the quarter was around 21.5% compared to 18.5% during the same period last year due to an increasing share of biz coming from non-SEZ locations.
16. The management states that the entry of international innovators in India like Baxter won't affect the company's business as they will work together given the company's scale of operations & expertise in the local market.
17. The management expects to benefit from funding dry-out in the Biotech space in the US since the startups will look to partner with Syngene to get the benefit of cost arbitrage & still maintain the quality Vs global peers & help reduce the cash burn.
18. The company's Synvent platform is an integrated value chain offering to the clients on demand & the management defines it as a "fully integrated drug hunting, drug discovery, drug development platform & series of interlinked interconnected services".
19. The management believes that the company's strong relationships with leading universities help in sourcing talent & innovation.
20. The effective tax rate will move from 21.5% to 25% by FY25-26.

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 Q2 with a revenue increase (excluding the contribution from Remedsvir) of 26% 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 growth. 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**40**	**103**	**233**	**243**	**206**	**330**	**397**	**356**	**591**	**515**	**1,859**
% Growth YOY					*411%*	*221%*	*71%*	*46%*	*186%*	*56%*	
Expenses	96	125	224	240	193	288	340	323	488	443	**1,595**
EBITDA	**-56**	**-22**	**8**	**3**	**13**	**42**	**57**	**33**	**103**	**72**	**264**
Depreciation	23	19	18	18	18	17	17	17	18	18	**70**
EBIT	-79	-41	-10	-15	-5	24	40	16	85	54	**194**
EBIT Margin	*-195%*	*-40%*	*-4%*	*-6%*	*-2%*	*7%*	*10%*	*4%*	*14%*	*10%*	
Interest	7	8	8	7	7	7	5	5	7	7	**24**
Other Income	18	5	10	16	14	7	9	6	22	5	**43**
Profit before tax	**-67**	**-44**	**-8**	**-6**	**2**	**25**	**44**	**16**	**100**	**52**	**212**
PBT Margin	*-167%*	*-42%*	*-3%*	*-2%*	*1%*	*7%*	*11%*	*5%*	*17%*	*10%*	
% Growth YOY					*-103%*	*-156%*	*-646%*	*-380%*	*5311%*	*112%*	
Tax	-16	-8	-1	-2	-1	6	10	4	31	9	**53**
Net profit	**-51**	**-35**	**-7**	**-4**	**3**	**19**	**33**	**12**	**69**	**43**	**158**
% Growth YOY					*-105%*	*-152%*	*-578%*	*-428%*	*2631%*	*134%*	

Detailed Results:

1. The company saw its revenue grow by a huge 56% YoY whereas PAT grew by 134% YoY.
2. The company currently has 20 branches in 4 regions with geographical coverage of 1072 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 67% of revenues while soft luggage stood at 33% of the Uprights revenue. Uprights revenue was 75% of the total revenue for Q2.
5. Duffel Bags contributed 8% of the total revenue while Backpacks contributed 12%.
6. Gross Margin for VIP was 48.1%, compared to 49.9% in the sequential quarter & 47.1% the previous year.
7. Brand Salience for Q2FY23 was:
    1. VIP – 21%
    2. Skybags – 32%
    3. Carlton – 6%
    4. Aristocrat + Alfa – 37%
    5. Caprese – 4%
    6. International – 5%
8. EBITDA margin was at 14.8% for Q2 vs 18.3% the previous quarter and 14.4% the previous year .
9. Category Salience for Q2FY23 was:
    1. Uprights – 75%
    2. Duffel Bags – 8%

   3. Bagpacks – 12%
   4. Ladies Hand Bags – 4%
10. Q2FY23 had 38 new launches in Luggage and 127 in backpacks.
11. Company's market share stood at 43% in the branded market in Q2FY23
12. The company faced headwinds in terms of inflation and non-functional future group accounts.

Investor Conference Call Highlights

1. The company's strategy involving increasing the number of exclusive retail outlets has worked for the company beneficially.
2. The company stands at a lower retail outlet count as compared to the previous year but has witnessed a growth in total revenue indicating a higher store throughput.
3. The headwind in terms of future group not being active has been nullified as the demand has been caught very well in other modern trade chain stores.
4. The board is not actively pursuing international business in its mega strategy and is focusing on just getting an inroad in some geographies.
5. The company has expanded well in the middle east and more 7-8 countries. The international business currently stands at 5% of the total business as compared to 2.5% pre-covid era.
6. The management states that the pent up demand witnessed recently is now middling-out. It was majorly contributed by a shift from the unorganized to the organized sector.
7. The company is majorly focusing on premiumization of the brands and is having new launches for VIP and Skybags.
8. For advertising of Skybags, VIP is connecting to GenZ through social media and other ways.
9. The management states that gross margins witnessed minor erosions due to raw material costs and freight costs being at their peak in Q2FY23 which are expected to go down going ahead.
10. The management plans to keep gross margins in the range of 50%-55% going ahead.
11. The management states that an increase in the share of sales of Aristocrat brand will not affect the gross margins due to reductions in cost and increase in efficiency. The company can thus continue to play the value market share gain.
12. The management states that the industry has been growing more on the value side and the value will grow faster going forward because of the unorganized to organised shift.
13. The company has very aggressive plans for the Capresse brand. This includes being supremely active in the e-commerce area and activating physical channels and exclusive outlets.
14. The company is continuously investing to increase its capacity in Nashik and Bangladesh. Currently, the company has invested to increase capacity base by 25%, covering for next year's growth in sales.
15. The management sates that organized players will have more advantage than unorganized players going forward compared to pre-covid for various reasons.

16. The management states that the company is pursuing both market share and margins and projects 18%-20% EBITDA margins range for the longer period.
17. The management maintains its revenue guidance for FY23 at 2000 crores.
18. Benefit from reduction in crude oil and raw material prices have an effect on the company's financial lagging upto five to six months.
19. There were no further price hikes in the company's products post the March hike.
20. The company has a capex plan of INR 100 crore for FY23 and its own manufacturing stands currently at 65%, which will increase to 75% by the end of FY23.

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 and expected to grow very fast with the continuous shift from the unorganized sector to the organized sector. The management is also very 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 grow the eCommerce channel along with headwinds in the form of competition and price wars. 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.

Brand concepts Q2FY23

Financial Results & Highlights

Brief Introduction of Company

Brand Concepts Ltd specializes in the manufacturing of bags, backpacks & fashion accessories for the Indian & International markets. The Co. manufactures trendy backpacks like laptop bags, duffle & gym bags, rucksacks and school backpacks. Handbags, Clutches, Men's belts & wallets, Luggage Bags etc. The company works with brands like Tommy Hilfiger, AND, Global Desi & HEAD and also sells its in-house brands Sugarush and The Vertical.

Quarterly Performance											
BRAND CONCEPTS LTD											
Narration	Jun-17	Sep-17	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**11**	**13**	**17**	**19**	**7**	**26**	**27**	**27**	**32**	**44**	**129**
% Growth YOY					*-35%*	*91%*	*56%*	*39%*	*349%*	*72%*	
Expenses	11	16	16	15	10	23	23	23	28	39	**113**
EBITDA	**-0**	**-2**	**1**	**4**	**-2**	**3**	**4**	**3**	**4**	**6**	**17**
Depreciation	0	0	0	2	0	1	1	1	1	1	**3**
EBIT	-0	-2	1	1	-3	2	3	3	3	5	**14**
EBIT Margin	*-4%*	*-17%*	*6%*	*7%*	*-39%*	*8%*	*12%*	*9%*	*10%*	*11%*	
Interest	1	1	1	2	1	1	1	1	1	1	**5**
Other Income	0	0	0	0	0	0	0	0	0	0	**1**
Profit before tax	**-1**	**-3**	**-0**	**-1**	**-4**	**1**	**2**	**2**	**2**	**4**	**10**
PBT Margin	*-13%*	*-21%*	*-1%*	*-5%*	*-50%*	*4%*	*8%*	*6%*	*8%*	*8%*	
% Growth YOY					*157%*	*-133%*	*#####*	*-250%*	*-168%*	*289%*	
Tax	-0	-1	-0	-1	-1	0	1	1	0	1	**2**
Net profit	**-1**	**-2**	**0**	**-0**	**-3**	**1**	**1**	**1**	**2**	**3**	**7**
% Growth YOY					*201%*	*-144%*	*1522%*	*-290%*	*-174%*	*253%*	

Detailed Results:

1. The revenues grew by 71% YoY while PAT increased by 250% YoY.
2. EBIDTA margins rose by 208 Bps to 12.7%.
3. Channel contribution stood as :-
    - A. Online - 51.5%
    - B. Large format stores - 14.3%
    - C. Licensor flagship/Tommy Hilfiger stores - 9%
    - D. Co. owned Co. operated outlet - 4.9%
    - E. Franchisee Owned & operated outlet - 4.9%
    - F. Dealer & distributor - 15%

Investor Conference Call Highlights

1. The management states that the company's working capital cycle is better than its peers like VIP & Safari.
2. The management explains its prudence in account management citing eg. Future group where the company incurred minuscule losses despite the high amount initially owed by the group to the company.
3. The company believes that due to faster growth of the end-user industry Pre- covid & now post covid recovery, the company will be able to generate business of Rs.400-500 Crs from Tommy Hilfiger itself in the next 4-5 years.

4. The company made a decision not to sign any licensing agreement with the Indian brand & focus solely on foreign cos, but licensing can be a bit tricky there.
5. The company's promoter's past working relationship with Tommy coupled with its infrastructure & previous works on IPs of Spiker & Rockies coupled with licenses of Disney & cartoon network led to the contract between them.
6. The company's current contract with Tommy will end in December 2023, & it is currently in the renegotiation stage for a new contract.
7. The product split stood as small leather goods @ 50%, Travel gear @ 40-45% & remaining from Women's handbags whose contribution was reduced post exit from the Global desi venture.
8. The company believes that its exposure to only the premium segment Vs VIP & Safari's Mass segment ensures it can maintain higher margins despite the inflationary climate.
9. The management explains the market segmentation as " one is a commodity after commodity it is a mass brand. A commodity is you're unbranded, then you have a mass brand, then you have a mass premium, then you have a premium, then you have a bridge to luxury and then you have a luxury".
10. The company is currently catering to the premium segment & at best it might go lower to the mass premium segment where margins might get compromised but revenue growth will be stronger.
11. The management believes that due to its small size & larger market opportunity, it targets QoQ growth Vs seasonality-wise revenue growth.
12. The management explains that Co's unlisted subsidiary - IFF Offshore is selling the company's shares to cover up for losses it suffered during the Covid period.
13. The company is making serious considerations with regard to the merger of its unlisted subsidiary which is a manufacturing-driven unit Vs company's product development & brand management competence, onboarding of new brands
14. The management is confident of onboarding a new client by the end of this calendar year.
15. The business growth drivers include market growth, an increase in no. of stores from 27 to 100 by FY25-26 (since safari & VIP already has more than 400 stores each)
16. The company got awarded as the best brand in Myntra for the travel and leather accessories category.
17. Tommy's contribution to revenue stands at around 80% & the company aims to reduce this to 25% in the long run.
18. The company's dependence on any one supplier is not more than 25-50%.
19. The management explains that even though the EBIDTA margins in E-commerce are less, the contribution margins are more than 2-6% in comparison to other channels.
20. The management explains that risk of Tommy moving to some other players like Samsonite & VIP is very less as long as VIP & the likes would want to take over the brand Vs taking only the franchisee & their chance of moving is highly unlikely as long as the franchise partner is delivering to its promise since it is a huge company & Rs.200-300 Crs sales won't make a big dent to Tommy.
21. The company ended its agreement with Global desi since it believed that a Kurti brand selling Handbag(a western category) won't work outside their storefront & therefore they won't be able to expand in this category & end up just funding their store inventory.
22. The company doesn't expect to incur a loss in case of onboarding a new brand since its incremental fixed costs won't be very high & chances of loss are therefore less other than a situation of possible inventory realization at high discounted prices.
23. The management explains that the company has a very solid & experienced team & therefore there is less keyman risk.

24. The company explains that the difference between lightweight & heavyweight brands is the potential of retail revenues of around 50 & 100 Crs each or wholesale revenue of 100 & 200 Crs each per annum in the future.
25. All the products sold under the Tommy Hilfiger brand are designed by the company itself.

Analyst views -

The company reported a strong quarter backed by the travel sector revival & increased presence in the Online marketplace. With the travel sector expected to do well in the coming period coupled with small penetration by the company, the management has set lofty targets of 30% CAGR for the next 3 years. It remains to be seen how the company will deal with competition from bigger players like VIP & Safari coupled with its huge exposure to a single client i.e. Tommy Hilfiger. However, given its strong growth potential, this is an interesting stock to keep on one's watchlist.

NBFC
Credit Access Grameen Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**510**	**471**	**440**	**607**	**510**	**510**	**576**	**694**	**621**	**671**	**2,562**
% Growth YOY					*0%*	*8%*	*31%*	*14%*	*22%*	*32%*	
Expenses	236	169	351	317	268	224	206	267	209	236	**919**
EBITDA	**274**	**301**	**89**	**290**	**242**	**286**	**370**	**427**	**411**	**435**	**1,643**
Depreciation	5	6	5	7	6	6	6	7	7	8	**28**
EBIT	269	295	83	284	236	279	363	419	404	427	**1,614**
EBIT Margin	*53%*	*63%*	*19%*	*47%*	*46%*	*55%*	*63%*	*60%*	*65%*	*64%*	
Interest	184	191	179	186	196	183	193	217	226	221	**856**
Other Income	1	1	0	2	1	0	1	0	1	1	**2**
Profit before tax	**86**	**105**	**-95**	**99**	**41**	**97**	**172**	**203**	**179**	**207**	**761**
PBT Margin	*17%*	*22%*	*-22%*	*16%*	*8%*	*19%*	*30%*	*29%*	*29%*	*31%*	
% Growth YOY					*-52%*	*-7%*	*-280%*	*104%*	*341%*	*113%*	
Tax	22	27	-24	27	11	25	43	52	47	48	**189**
Net profit	**64**	**78**	**-72**	**72**	**30**	**72**	**129**	**151**	**133**	**159**	**572**
% Growth YOY					*-53%*	*-8%*	*-280%*	*109%*	*348%*	*120%*	

Detailed Results:

1. The company had a great quarter with consolidated PAT rising 195% YoY.
2. GLP grew 24% YoY while Standalone GLP grew 23.1% YoY. MMFL GLP grew 28.8% YoY.
3. Disbursements grew 12.5% YoY with CAGL up 6.8% YoY and MMFL up 52.8% YoY.
4. The customer base grew 1.2% YoY & by 3% QoQ to 37.98 Lakh. The standalone customer base stood at 29.96 lakh while MMFL's customer base stood at 8.3 lakh.
5. The company wrote off 1 lakh borrowers in Q2FY23.
6. NII has risen 39.9% YoY to Rs 516 Cr. PPoP grew 52.9% YoY at Rs 334 Cr.
7. Provisioning for CAGL & MMFL stood at 2.46% & 3.35% respectively.

8. Overall RoA and RoE were at 4% and 16%.
9. GNPA & NNPA of CAGL stood at 2.17% & 0.77% respectively while the same for MMFL stood at 4.37% & 2.27%.
10. CRAR: CAGL 25% (Tier 1: 24.1%), MMFL 22.5% (Tier 1: 14.8%).
11. Collection efficiency at 98% for CAGL in March excluding. MMFL collection efficiency excluding arrears was at 94%
12. Standalone debt to equity was at 2.7 times. MMFL debt to equity was at 5.7 times.
13. Consolidated cost-to-income ratios were at 38.2% in Q2. Opex to GLP was at 5.1% in Q2.
14. WA–cost of borrowing for CAGL was at 8.8% in Q2.
15. The consolidated cost of borrowings stood at 9.2% while the disbursement rate stood at 20.8%.
16. Branches increased by 9% YoY for CAGL opened in Q2 taking the total branches count to 1684.
17. NIM of standalone business stood at 12%. Consolidated NIM was at 11.2% while MMFL was at 10.4% in Q2.
18. Positive ALM mismatch with an average maturity of assets at 17.9 months and average maturity of liabilities at 22.6 months in CAGL.
19. IGL loans accounted for 96% of total loans.
20. Karnataka remains the biggest market for the company with 27.6% of GLP. Maharashtra comes in second with 20.3% of GLP and Tamil Nadu is second with 22.5% of GLP.

Investor Conference Call Highlights:

1. The company is aiming to achieve 25%-30% from foreign funding. During this financial year,it received sanctions of around USD 195 million from prominent foreign financial institutions and governing bodies including Blue Orchard, International Finance Corporation (IFC), syndicated loan by HSBC and United States, and the International Development Finance Corporation (DFC).
2. In Q1 FY2023, India Ratings upgraded its credit rating from A+/Stable to AA-/Stable, and ICRA upgraded its rating outlook from A+/Stable to A+/Positive. This was followed by CRISIL upgrading the rating outlook to A+/Positive from A+/Stable in Q2 FY2023.
3. The company is planning to raise up to Rs.1,500 Crores in multiple tranches over the coming year & This issue will be the first public NCD issue to be launched by any NBFC-MFI.
4. The company's marginal cost increased by 50 bps in the last six months and the average cost of borrowing increased by 30 bps in the last six months however the costs decreased QoQ due to liability management.
5. The company is targeting branch addition of 10-12% on base.
6. The NIM expansion is because of increased pricing, lesser derecognition & reduction of negative carry because of higher liquidity maintenance.
7. The management expects NIM to remain in the range of 12-12.5% for the current FY.

8. The ECB's cost is around one percent more than the normal cost of borrowing but Since it is three years of funding, therefore because outfit's long-term nature & stability, Management is willing to pay an extra 1%.
9. The company's guidance is customer growth of about 10-12% and portfolio growth of about 24-25%.
10. The management believes that it has a competitive edge by pricing lower and borrowing at a lower price Vs its peers leading to a retention rate of almost 85%.
11. The company incurred a loss of 4.5% annually during the two Covid struck years.
12. The reduction in customers in Madura is due to a write-off of a large number of customers during the last 2 years. However, the management expects improved numbers in the coming 2 quarters.
13. The management explains that Microfinance involves lending to people whose income should not be more than Rs.3 lakhs. It also involves evaluating all the borrowings of the family and the outflow should not be more than 50% of the household income.
14. The company's customer profile involves about 43% of its customers being unique for Grameen, about 39% of the customers have one other lender and the balance has either two or three lenders.

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 Q2 performance which saw GLP, revenue, disbursement & profits growth. 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 Q2FY23

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 .

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	395.08	325.46	21.39%	352.88	11.96%	1,305	1,105	18.10%
PBT	137.79	118.32	16.46%	114.67	20.16%	455	353	28.90%
PAT	106.82	92.12	15.96%	89.22	19.73%	357	289	23.53%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	395.18	325.45	21.43%	352.95	11.96%	1,305	1,105	18.10%
PBT	137.55	118.03	16.54%	114.43	20.20%	455	353	28.90%
PAT	106.64	91.90	16.04%	89.04	19.77%	357	289	23.53%

Detailed Results:

1. The company had a good quarter with revenue growth of 21% YoY and 12% QoQ and PAT growth of 16% YoY and 20% QoQ.
2. During the quarter, the company's long term credit rating was updated from AA minus positive outlook to AA stable outlook by CARE in line with the ICRA.
3. In Q2 FY2023, the company disbursed Rs.1146.7 Crores, registering a 27% year-on-year growth and achieving 89% of the disbursement done in strong Q4 last year.
4. In H1, the company has disbursed around Rs 2300 crores.
5. Rs.7200 Crores is a floating rate loan and Rs.5300 on a fixed side, out of which Rs.1300 Crores is getting reset this year.
6. PAT growth of 29% year-onyear for H1 FY2023.
7. 1 + DPD stood at 4.45% with an improvement of 22-basis point from first quarter.
8. 90 day past due stood at 0.93% in September 2022, Gross Stage 3 is 1.10% in September 2022.

9. During the quarter, company borrowed an incremental amount of Rs.9467 million at 7.55% as of September 2022, average cost of borrowing stood at 6.99% on an outstanding amount of Rs.109711 million.
10. As on September 30, 2022 total number of live account stood at Rs.166639 that is 23% year-on-year growth
11. Total number of branches was 321, 24 new branches added in last 12 months.
12. Employee count 5702, 23% year-on-year growth.
13. Asset under management grew 24% year-on-year to Rs.125437 million as on September 30, 2022.
14. During the half year, we borrowed Rs.18451 million at an average rate of 6.62%.
15. Assets Quality and Provisioning: 1 day past due stood at 4.45%, Gross Stage 3 stood at 1.10%, Net Stage 3 stood at 0.84% as on September 30, 2022;
    a. Gross Stage 3 of 1.10% includes 0.17% up to 90 day DPD assets, which have been categorized as GNPA following RBI notification dated November 12, 2021.
16. Liquidity of Rs.28370 million as on September 30, 2022, cash and cash equivalent of Rs.13270 million, un-availed CC limit of Rs.1100 million, document un-availed sanction limited from other banks Rs.14000 million.
17. ROA was 3.42%, ROE was 13.44% for H1 FY2023.
18. As on September 30, 2022, the company has a net worth of Rs.30314 million, book value per share stood at Rs.383.6.

Investor Conference Call Highlights

1. The company has increased prime lending rate by 75-basis point during H1 FY2023 and further increase of 50-basis point with effect from October 5, 2022.
2. The management stated they will continue strategy of controlling early delinquencies and strive to maintain 1+ DPD below 5% and 90 day past-due below 1%.
3. The company continued to maintain zero exposure to commercial papers.
4. Product-wise breakup of AUM:
   Home loan 70.9%,
   Other mortgage loans 29.1%;
5. Occupation-wise breakup AUM:
   Salaried 39.8%,
   Self-employed 60.2%.
6. Overall borrowing mix as on September 30, 2022
   41.8% from term loans,
   23% from assignment and securitization,
   20.5% from National Housing Bank,
   14.7% from debt capital markets.
7. During FY2022, resolution plan was implemented for certain borrower accounts as per RBI's Resolution Framework 2.0 dated May 5, 2021. Some such accounts with an outstanding amount of Rs. 1012.5 million as on September 30, 2022 have been classified as Stage 2 and provided for as per the regulatory guidelines. The ECL provisioning including that for COVID-19 impact as well as Resolution Framework 2.0 stood at Rs. 649.1 million as on September 30, 2022.
8. The management stated from April 1, 2022 they have stock mark in cases AFS which was earlier whenever any asset repossessed in the sarfaesi, they used to mark AFS and it will go away, but

now AFL will remain in the book, so this Stage 3b amount is an addition, otherwise it is around 0.9.

9. This year the company is spending a lot much amount on the digital transformation and last quarter, the company started implementing LOS which is SFDC and now it has signed up for LMS which is core banking system, and for accounting software also which is now called ERP in the banking parlance, so the company is shifting to Oracle Fusion which is used by the large banks. Once all these things we will be maintained in six to nine months, we will see again the downward trend of opex.
10. The management stated they will open 35 branches this year; they opened 7 in H1, rest will be there in H2.
11. The management stated in next three years if the balance sheet gets double, so the company will be spending money for leadership development like this year it has tied up with IIM Ahmedabad, company's 35 officers got that training and certification and this will be a second line, third line creation in the organization, so continuous investment in people process and technology.
12. In Q2, the company not borrowed any money from NHB, but it has got sanctioned of around Rs.900 Crores from NHB for the next fiscal year.
13. The company has been able to reduce attrition rate in Q2 by 20%.
14. The company's BT-out have come down, earlier it was around 0.6% per month which has reduced to now 0.5%.
15. The management expects and is okay with 20-25% yearly growth in AUM.
16. The company's HL pricing is around 11.7% to 12% and non-HL rates are from 14% to 14.25% average, these are new business rate.
17. The management stated mostly in a normal year 40% to 45% disbursement happen in first half and another 55% to 60% in second half.
18. The management stated 1% to 1.25% kind of applications come in every month in BT-out and the company has a strong team and DNA at branch head level and everybody KRA is linked to the customer that good customer should always be with the company. So out of 1.25% around 0.25-0.3% customers where the company want them to go, because they will then continuous delinquency; another 0.5% may be 60% may need to offer the rate, 40% the company need to offer either grievance redressal or maybe if they want some top up, the company provide that.
19. Breakup of loan book by ticket size:
    72% customers are less than 10 lakh
    23% are between 10 to 25 lakh
    4% to 5% customers are more than 25 lakhs
20. The company's home loan fixed rate is 12% and floating rate is 10%; between fixed and floating, the differential on average would be 200 to 300-bps.

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 FY22 NIM to 8.23% and 8.17% in Q2. The company continued its growth journey & added 34 new branches in the current fiscal. 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.

Angel One Q2FY23

Financial Results & Highlights

Brief Company Introduction

Angel One Limited (formerly Angel Broking Limited) (AOL) was incorporated in 1996. The company is engaged in retail broking in equity, commodity, and currency segments. The company is a Fin-Tech entity that provides a one-stop shop for broking & advisory services, margin trading facility, loans against shares, and financial products distribution to retail clients under the brand "Angel One". The company has 11.3% share in India's demat accounts having 11.6 million total clients and a 4.2 million NSE active client base.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	712.8	531.6	34%	664.9	7%	2281.4	1289.7	77%
PBT	283.6	177	60%	238.7	19%	823	398.1	107%
PAT	212.09	178.3	19%	132.4	60%	614.8	290.3	112%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	745.9	536.1	39%	684.5	9%	2305	1298.9	77%
PBT	285.7	179.4	59%	242.6	18%	836.7	411.1	104%
PAT	213.6	134.3	59%	181.6	18%	624.8	296.8	111%

Detailed Results:

1. The company had a good quarter with revenue growth of 39% YoY and 9% QoQ & PAT growth of 59% YoY and 18% QoQ.
2. 70% of gross revenues, 5.2 billion is contributed by broking revenue, which can further be split between F&O, cash, commodity and currency segments contributing 82%, 13%, 4%, 1% respectively in broking revenue.
3. Demate market share as of September 2022 is 11.3% from 7.5% in March 2021.
4. Q2 FY'23 operating margin came at 52.4%.
5. Turnover market share of 21%.
6. Active ratio declined by approximately 250 bps quarter-on-quarter
7. Board has approved 35% of the quarter's consolidated post-tax profits as the second interim dividend to shareholders
8. Share of total net income from flat fee clients to the consolidated total net income grew 1.5x to 85% in Q2 FY'23 from 58% in Q2 of FY'21.
9. Consolidated earnings per share stood at Rs 25.6 per equity share on a quarterly basis.
10. The period ending client funding book was at Rs 16.7 billion

11. Borrowings increased to Rs 30 billion at the end of the quarter
12. Annualized average return on equity stood at 45.5%.
13. Continued investments in development of the Super-App and augmentation of our IT infra, that is data center in DR site, led to an increase in our fixed assets by Rs 540 million to Rs 2.2 billion as of September 2022. Management stated that the borrowing is temporary in nature.

Investor Conference Call Highlights

1. India added another 6 million-plus demat accounts during the quarter, thus expanding its demat base to approximately 103 million as of September 2022; with 435 million unique PAN card holders as of March 2019, management says enough growth opportunity available.
2. Angel one continues to onboard over 1 million clients per quarter, for the last 6 consecutive quarters, with more than 93% coming from Tier 2, 3, and beyond cities.
3. The company garnered about 19% share in incremental demat accounts opened in India during Q2 FY'23.
4. The company rolled out the first phase of its Super-App on iOS, which is Apple, and the web platform to a limited set of clients, which was progressively offered to the entire iOS population.
5. The average revenue per client at the end of the quarter stood at Rs 430 for the quarter, which is declining from Q2FY21 at Rs 714. Management states the major reason for this is new entrants coming into the market with lower ticket sizes.
6. Management has given the objective of operating business on a 45% to 50% operating margin
7. Management has given guidance on the cost for employee stock options for FY'24 around Rs 47 crore. And for FY'23 in the range of about Rs 25 crore, Rs 30 crore.
8. The company's acquisition of new customers in Tier 2, and Tier 3 cities is entirely digital.
9. Management stated the reason for increasing average average daily turnover and decreasing ARPU, that is ARPU is calculated on the entire base, new customers increase the base, and they may not be immediately trading.
10. Management stated 90% of marketing expense of the company is elastic and depend on market conditions.
11. Management expect the current split between cash and F&O to be same for the next 2 quarters.
12. Super-app launch will be done by FY'23 and in FY'24 company would start getting benefit of the app launch.
13. The reason management gave for the high market share in the commodity segment is that Angel one was the first entrant in terms of providing options on a mobile, mobile platform, and web platform.
14. Company's 80%-84% of the clients are less than 1 lakh in exposure, and about 10% or 11% are between 1 lakh to 5 lakhs.

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 their 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. Angel continued its great run with a 39% YoY rise in revenues and a 59% YoY rise in profits. The company continues to source almost 95% of its new additions from tier 2 & 3 cities and is focussing on the launch of the super app in the next few quarters. The super-app that the company is going to launch 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.

Bajaj Finance Limited Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	8,606.26	6,811.58	26.35%	8,148.19	5.62%	27,871	23,546	18.37%
PBT	3,335.19	1,767.62	88.68%	3,176.29	5.00%	8,586	5,363	60.10%
PAT	2,472.24	1,305.77	89.33%	2,355.92	4.94%	6,350	3,955	60.56%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	9,972.63	7,734.90	28.93%	9,284.55	7.41%	31,640	26,683	18.58%
PBT	3,752.29	2,004.45	87.20%	3,502.76	7.12%	9,504	5,992	58.61%
PAT	2,780.65	1,480.99	87.76%	2,596.25	7.10%	7,028	4,420	59.00%

Detailed Results:

1. The company had an excellent Q2 with consolidated revenue increasing by 29% YoY & PAT growth of 88% YoY.
2. AUM growth of ₹ 14,348 crore in Q2. AUM came in at Rs. 2,18,000 crore, up 31%. Did 6.76 million loans, that is a growth of 7% on a year-on-year basis.
3. OpEx to NIM came in at 35.9%.
4. PAT came in at Rs. 2,781 crores, a year-on-year growth of 88%.
5. ROE came in at just a tad below 23.6%
6. Overall capital adequacy remains at 25%
7. Net NPA came in at 44 basis points
8. NII grew 31%
9. Sales finance grew 29%, urban B2C 31%, rural sales finance 33%, rural B2C 34%, SME lending grew 32%, securities lending 67%, commercial lending 36%, and mortgages 31%.
10. Overall B2B disbursements grew 15%
11. The new customer acquisition is 2.61 million customers.

12. Cost of funds because of strong ALM management came in at 6.91% in H1.
13. The balance sheet has grown virtually to Rs. 28,000 crores in H1.
14. The company added Rs. 5,320 crore deposits last quarter.
15. GNPA stood at 117 basis points, and NNPA at 44 basis points.
16. Added 1,600 employees sequentially between Q1 and Q2 in the quarter across all the 3 entities, with higher addition in BFSL and in BFL
17. BHFL:
    a. Balance sheet up 42% to just a tad below Rs. 63,000 crore
    b. Home loans grew 37%, loan against property 37%, lease rental discounting 72% and developer finance 68%.
    c. Home loan is 60% of the balance sheet, loan against properties 11%, LRD is 15%, DF is 7%, rural is 4%, and others 3%
    d. The cost of funds came in at 6.63%.
    e. Capital adequacy at 24.6%.
    f. Net profit of Rs. 306 crores, a growth of 84%.
    g. Loan loss and provisions are at 30 crores versus Rs. 61 crores a year ago.
    h. Management overlay of Rs. 242 crores
    i. GNPA 24 bps, NNPA 1 bps

Investor Conference Call Highlights

1. The total number of users now across the app is 26 million
2. 2-wheeler and 3-wheeler businesses are still in a degrowth mode, the management stated that by quarter 4, even that business should be back to growth mode.
3. Management stated customer franchises are just a tad below 63 million, on course to get to 68 million, 69 million customers by end of the year.
4. The company has added 99 locations, standing at just a tad below 3,700 locations and 143,500 distribution points.
5. The management stated between volume and margin, they protect margin.
6. The management stated there's a reasonable chance that the company will exit the year at a deposit book of close to Rs.48,500 crore to 50,000 crores.
7. Loan loss and provisions in the last 2 quarters have been between Rs. 725 crores, and Rs. 750 crores. The management expects this number to exit at between Rs. 750 crores to Rs. 825- odd crore on a quarterly run rate basis, between 135 to 145 basis points.
8. Web platform, on track for Web=App by March '23.
9. The management stated they will add a total 10-11 million customers this year.
10. Last year the company sold 2.23 million various other products, which are non-lending products. This year the run rate is at 1 million in the first half.
11. Out of the total 39,423 headcounts, about 9,500 people are in recovery and collection channels.
12. The management said earlier they had 4 key lenders/competitors, now there are 16, but Bajaj finance is doing everything to defend its market share and it has done it successfully.
13. The management stated next year in addition to the B2B volumes the company move close to around Rs. 50-odd thousand crores of GMV.
14. Management guided on the importance of omnipresence; they said in the credit business, cash will remain important, which means branches will remain important. cash and the debt

management infrastructure will remain important. They want to take more products to more geography.

15. The company has the ambition to have 100 million consumers.
16. Out of the new loans booked, 62.3% of the loans have been given to existing customers.
17. The management stated the company will see greater momentum in physical infrastructure, over the next 9, to 12 months.

Analyst's View

Bajaj Finance is one of the fastest-growing NBFCs in India today. The company has done well to bounce back quickly from the post-COVID situation and has seen good traction across most categories. The current quarter was good for the company with PAT rising 88% YoY revenue growth of 29% and AUM growth of 31% YoY. The company's focus on building an omnichannel framework and app ecosystem is the immediate concern as it will also help it harness its potential through digital transformation. The company is also building a technology stack to monetize its strong franchise. The management has also stated that the immediate focus for Bajaj Finance is to scale up its payments and financial services businesses and it is not looking to become a commercial bank for the near future at least. It remains to be seen how the current situation evolves with the several new RBI regulations indicating similar compliances for NBFC & Banks in India and what obstacles will the company face in scaling up its digital payments business. Nonetheless, given the company's strong market position, the management's drive to derive new opportunities through the use of data and technology, and its strong balance sheet position, Bajaj Finance remains a pivotal NBFC stock for all Indian investors.

Manappuram Finance Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**1,513**	**1,566**	**1,644**	**1,622**	**1,563**	**1,532**	**1,484**	**1,481**	**1,502**	**1,696**	**6,164**
% Growth YOY					*3%*	*-2%*	*-10%*	*-9%*	*-4%*	*11%*	
Expenses	413	421	394	440	451	526	572	584	568	587	**2,312**
EBITDA	**1,100**	**1,145**	**1,249**	**1,182**	**1,112**	**1,006**	**913**	**897**	**934**	**1,109**	**3,852**
Depreciation	44	42	41	44	43	41	56	58	49	46	**209**
EBIT	1,055	1,103	1,208	1,138	1,069	965	857	839	885	1,063	**3,644**
EBIT Margin	*70%*	*70%*	*74%*	*70%*	*68%*	*63%*	*58%*	*57%*	*59%*	*63%*	
Interest	567	571	557	524	493	492	531	495	505	528	**2,059**
Other Income	4	12	6	8	10	23	22	10	1	18	**51**
Profit before tax	**492**	**544**	**657**	**622**	**586**	**495**	**348**	**354**	**381**	**553**	**1,636**
PBT Margin	*33%*	*35%*	*40%*	*38%*	*38%*	*32%*	*23%*	*24%*	*25%*	*33%*	
% Growth YOY					*19%*	*-9%*	*-47%*	*-43%*	*-35%*	*12%*	
Tax	124	139	174	154	150	125	87	93	99	143	**422**
Net profit	**368**	**406**	**482**	**468**	**437**	**370**	**261**	**261**	**282**	**408**	**1,213**
% Growth YOY					*19%*	*-9%*	*-46%*	*-44%*	*-35%*	*10%*	

Detailed Results:

1. The company reported another set of poor results with consolidated revenue increasing by 12% YoY and PAT growing by 10.7% YoY.
2. The company's ROE for Q2 increased to 18.6% & whereas its ROA increased to 4.6%.
3. The gold loan AUM increased by 2.1% YoY while LTV stood at 66%.
4. The company's consolidated AUM was at Rs 307 Bn which increased 7.9% YoY and 1.65% QoQ basis.
5. The book value per share at the end of the quarter was Rs 105.8.
6. The company's consolidated cost of funds stood at 8.1%.
7. In the gold loan business, the Opex to AUM stood at 7% for Q2FY23.
8. The standalone business has a GNPA of 2% and NNPA of 1.8% while the net yield stood at 22.1% for Q2.
9. The CAR for the standalone business stands at 32%.
10. Gold AUM per branch stood at 53Mn.
11. The online gold loan division contributed 47% to the company's overall gold AUM in Q2.
12. Asirvad MFI saw a GNPA of 8.8% with NNPA at 1.7% for Q2. Opex to AUM for Asirvad was at 6%.
13. The cost of funds was 7.8% & standalone borrowings at 7.6%.
14. The company's housing finance business reported an AUM of Rs.921.6 Cr.
15. The company's vehicle finance business reported an AUM of Rs 1885.5 Cr

Investor Conference Call Highlights

1. The management states that NBFC and MFIs are expected to see a 30% year-on-year growth in their loan book in 2022-2023 on the back of a resurgence in demand for microloans, especially from Tier-3 cities.

2. The management believes the company is right on track to become a diversified NBFC which is evident from a contribution of 37% from non-gold loan verticals.

3. The company's current leverage stands at 3 times.
4. The company is currently holding excess liquidity to meet the redemption of the 3- year secured fixed rate loan issued in the gold bond market which is due in January 2023
5. The company's Gold loan yields improved to 21.9% in Q2 FY2023 versus 19.4% in Q1 FY2023 which was largely driven by the rationalization of low-yielding schemes rolled out in H2 FY2022.
6. The management states that the company has reached the end of the COVID-related provisioning cycle in Asirvad & thus profits improved to Rs.56 Cr Vs a loss of Rs.8 Cr QoQ.
7. In September 2022, Asirvad had an equity infusion of Rs.250 Crores from the parent, Manappuram Finance through a rights issue.
8. The yield rationalization program involved a reduction in the contribution of low-yield products to total growth from 35% to 25%.
9. The company expects the gold loan portfolio to remain flat & high yield share in the mix to increase to 85% from the current levels of 70-75%.
10. The management expects growth of high-yield gold loans to be 5-10% in the coming quarters owing to rural demand despite the company's rates being 200-300 bps higher than Muthoot & target 21-22% yields.
11. The company's employee cost has increased owing to higher salary & addition of 1500 new employees in non-gold biz.
12. Auction during the quarter stood at Rs.190 Crs.
13. The company's lending breakup based on ticket size stood at 78% for >2 lakhs & 22% for <2 lakhs along with 7% for >5 lakhs.
14. The management is confident of decreasing NPA in the housing division from 4% to 3% due to an uptick in rural demand.
15. The company is working with regulators to get branch expansion approval & meanwhile is using its subsidiary Asirvad to facilitate gold loans in areas where the parent doesn't have branches.
16. The management is committed to its long-term guidance of 20% CAGR in the standalone book & 20% ROE level.
17. The gold loan AUM based on ticket size stood at 57% above 1 lakh & 43% below 1 lakh.

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 its 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**2,385**	**2,583**	**2,765**	**2,824**	**2,714**	**2,830**	**2,868**	**2,670**	**2,504**	**2,498**	**10,540**
% Growth YOY					*14%*	*10%*	*4%*	*-5%*	*-8%*	*-12%*	
Expenses	378	449	485	512	421	501	527	450	473	426	**1,876**
EBITDA	**2,007**	**2,134**	**2,279**	**2,312**	**2,293**	**2,329**	**2,341**	**2,220**	**2,031**	**2,072**	**8,664**
Depreciation	10	11	14	15	11	13	14	16	13	14	**56**
EBIT	1,997	2,123	2,265	2,297	2,281	2,316	2,327	2,204	2,018	2,058	**8,608**
EBIT Margin	*84%*	*82%*	*82%*	*81%*	*84%*	*82%*	*81%*	*83%*	*81%*	*82%*	
Interest	872	924	946	951	982	979	953	921	942	903	**3,718**
Other Income	0	1	12	4	1	3	4	8	5	6	**23**
Profit before tax	**1,125**	**1,200**	**1,331**	**1,350**	**1,300**	**1,340**	**1,378**	**1,292**	**1,082**	**1,161**	**4,913**
PBT Margin	*47%*	*46%*	*48%*	*48%*	*48%*	*47%*	*48%*	*48%*	*43%*	*46%*	
% Growth YOY					*16%*	*12%*	*3%*	*-4%*	*-17%*	*-13%*	
Tax	285	306	340	354	329	346	349	332	280	294	**1,254**
Net profit	**841**	**894**	**991**	**996**	**971**	**994**	**1,029**	**960**	**802**	**867**	**3,658**
% Growth YOY					*16%*	*11%*	*4%*	*-4%*	*-17%*	*-13%*	

Detailed Results:

1. The company saw a mediocre quarter with consolidated revenue for H1 de-growing 6% YoY and Profits de-grew 13% YoY.
2. The consolidated gross loan assets for the company grew 6% YoY.
3. The total number of branches stood at 5750.
4. The GLA growth for the company's different businesses was:
    a. Muthoot Finance: Up 4% YoY
    b. Muthoot Homefin: Down 13% YoY
    c. Belstar Microfinance: Up 53% YoY
    d. Muthoot Money: Down 17% YoY
    e. Asia Asset Finance: Down 20% YoY

1. Cash and cash equivalents for the company at the consolidated level were at Rs 6431.1 Cr as of September 22.
2. The consolidated interest income degrew 7% YoY.

3. The company has total funding of Rs 46809.5 Cr through various means like debt, NCDs, etc.
4. The company has around 177 tonnes of gold kept as security.
5. The gold loan portfolio distribution is North @ 23%, South @ 48%, East @ 9%, and West @ 20%.
6. The company has 5.21 million active customers.
7. The company saw a net interest margin of 12.34% & an interest spread of 11.99% in Q2FY23.
8. ROA was at 7.35% in H1FY23.
9. Opex to AUM was at 3.45%. ROE was at 24.87%.
10. Muthoot maintained a CAR of 31.96% with 31.07% being Tier I.
11. The book value per share was Rs.478.95.
12. Muthoot Homefin saw NIM of 6.57% and cost to income ratio of 52.86%.

Investor Conference Call Highlights

1. The company opened 24 new branches & plans to open another 126 branches by the end of December.
2. The company has now been classified as an upper-layer NBFC, one of the top 16 NBFCs in the country.
3. the incremental yield for gold loans for the quarter stood at 13.3% & yield on the portfolio for the quarter stood at 17.3%.
4. The borrowing costs as of September stood at 7.98% & the management expects this to remain the same in the coming quarter.
5. The company expects to incur advertisement expenses as per the budget.
6. The company has applied with RBI for credit cards but the talks are in the premature stages.
7. The management explains that it takes 1-2 years for a new branch to stabilize.
8. The management is standing with its guidance of 10% growth in FY23 despite low growth in the current quarter.
9. The company won't face the drag of teaser loans in the coming quarter.
10. The management explains that tonnage in the current quarter is similar to Q1 since tonnage is inversely related to gold prices.
11. The company is hopeful of increasing its ROA & ROE in the coming period.
12. The auctions in the current quarter stood at Rs.578 Crs.
13. The management believes that the company's service to the customers gives it an edge over banks.
14. The yields have not improved despite the transition of teaser loans into high-yield ones due to the redemption of loans in Q1 & lack of benefit of higher rate notes in Q2.
15. The management is seeing good growth in MFI lending space & is very bullish going forward.
16. The company's borrowings from banks increased from 47% to 56% due to lower rates offered by them.

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 6% YoY and profit de-growth of 14% 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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	5,351.28	4,702.81	13.79%	5,149.26	3.92%	19,274	17,436	10.54%
PBT	1,440.70	1,040.65	38.44%	1,306.88	10.24%	3,549	3,278	8.27%
PAT	1,066.87	771.24	38.33%	965.27	10.53%	2,708	2,487	8.87%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	5,351.28	4,702.81	13.79%	5,149.26	3.92%	19,274	17,436	10.54%
PBT	1,440.70	1,040.65	38.44%	1,306.88	10.24%	3,549	3,278	8.27%
PAT	1,066.87	771.24	38.33%	965.27	10.53%	2,721	2,498	8.93%

Detailed Results:

1. The company had a good quarter with revenue growing by 14% and profits growing by 38% YoY on the consolidated basis.
2. The company clocked a disbursement growth of 19.51% to Rs.17,769 crores against 14,868 crores in the same period of the previous year as against Rs.16,670 cores in Q1 of this year
3. The used vehicle disbursement increased by 15.27% to Rs.16,502 crores as against Rs.14,317 crores in the same period of the previous year as against Rs.15,754 crores.
4. The new Vehicle disbursement has gone up by 106% to Rs.1020 crores as against Rs.493 crores in the same period the previous year and as against Rs.784 crores in the Q1FY23
5. Overall, AUM grew by 11.18% on line with the guidance of 12% to Rs.135,249 crores compared to Rs.121,646 crores in the previous year and increased by 3.49% against the previous quarter of Rs.130,688 crores.
6. The net interest income increased by 22.85% to Rs.2693.96 crores against Rs.2192.82 crores in the same period the previous year and a marginal increase of Rs.2641.74 crores against the previous quarter.

7. The net interest margin improved to 6.98% against 6.44% in the same period the previous year and 6.91% in the previous quarter.
8. The EPS stood at 39.44 against 28.71 in this quarter.
9. The Gross Stage 3 declined by 7 basis points to 6.93% against 7.82% in the previous year and 7% in the previous quarter.
10. The net Stage 3 stood at 3.48% compared to 4.18% in Q2FY22 and 3.52% in Q1FY23.
11. The credit cost for the current quarter stood at 1.67% against the 2.68% full year.
12. The cost-to-income ratio marginally increased to 31.12% in this quarter against the 20.73% recorded in the same period the previous year.
13. The average collections of the September quarter were 100.13% of the total demand as against 99.03% of the corresponding quarter last year and 101.45% in the Q1 of the previous year.
14. For Q2 the company has mobilized 17,000 crores over gross mobilization.
15. The total debt outstanding as of September is Rs.125,586 crores.
16. The cost is marginally up compared to Q1 by 10 basis points down by 16 basis points YoY.
17. The company has liquidity of close to around Rs.2700 crores.
18. Liabilities for the next three months are Rs.13,000 crores so there will be a sufficient cushion for managing liabilities for the next six months also, management stated.
19. The leverage ratio is at around 4.51% with excess liquidity being utilized leverage ratio showed slightly a drop below 4.5%.
20. HQLA is at 188% versus 191% in the previous quarter.
21. The employee count has increased in Q2 by 1056 employees, currently having 26776 employees as of September 30th.
22. The out fronting as of September 30th was Rs.683 crores.
23. The coverage ratio was 51.57% as against 51.62% and Stage 3 improved to 83.29% as against 82.49% in the previous quarter and Stage 2 was 9.78% as against 10.51% in the previous quarter.
24. The company maintained a coverage ratio of 3.29% as against 3.21% in the Stage 2 asset and a covering ratio of 8.84% as against 9.18% in the Stage 2 asset.
25. The PD was 7.35% as against the previous quarter of 7.34% in Stage 1 and 21.62% as against 21.75% in Stage 2
26. LGD was 44.75% as against 43.76%
27. The capital adequacy was at 22.48% and tier 1 was 20.59% and tier 2 was at 1.89% the company continued to have the COVID-related overlay of Rs.1741 crores as against close to Rs.1830 crores in the previous quarter.

Investor Conference Call Highlights

1. The government has announced a national logistic policy aiming to achieve quick last-mile delivery to end transport-related challenges. The policy focuses on key areas such as process engineering, digitalization, and multimodal transport. It is a crucial move as high logistics costs impact the competitiveness of domestic goods in the international market.
2. Along with PM Gati Shakti which is a national master plan for multimodal connectivity and part of NIP spent of USD 1.35 trillion targets with a vision to develop technologically enabled integrated cost efficient resilient sustainable trusted logistic ecosystem in the country for accelerated and inclusive growth. According to the management, this is highly positive for the transportation and logistics industry and for our business.
3. Industry stats:

a. The commercial retail sales of the auto industry increased by 39.48% to 231,880 units in Q2 as against 166,251 units in Q2FY22 and a 3.37% increase QoQ.
b. The heavy and medium commercial vehicles showed maximum growth of 48.93% with 79,650 unit sales against 53,481 units. A significant portion of these heavy commercial vehicles is dumpers and tippers which the demand is coming from the infrastructure industry.
c. LCV numbers also showed good growth of 35% to 152,230 units compared to 112,770 units sold in Q2, last year.
d. Tractor sales have been almost on par with last year's half-year number with 319,642 numbers against 350,250 numbers, a marginal increase.
e. The earth mowing and constructional equipment showed significant growth again for the first half of this year with 42,530 units being sold against 32,398 units.

4. The update on the merger, the company has received approval from all the regulators like NSE, BSE, and RBI. Then NCLT convened the Shareholders, Secured Creditors, and Unsecured Creditors meeting, IRDA, CCI. The final order of the NCLT was heard on October 19th, this month and the management expects the order in a week's time. The growth outlook remained at the original guidance of 15% for the combined entity.
5. The company announced the buyback of offshore bonds in August and it did buyback close to around 256 million bonds which were maturing in 2025 and some part in October 2022.
6. The company has announced a buyback of the July 2023 bond with a capital of 250 million.
7. The incremental cost of borrowing is up by around 50-70 basis points, so the management expects the overall cost of liabilities to go up in the next quarter.
8. The management stated the cost to income has marginally increased in the current quarter primarily due to a one-time hit of Rs.65 crores because of the settlement of certain sales tax litigations in which the company had offered for the amnesty schemes and in the one-time visit which RBI had permitted last year.
9. The management stated on a new vehicle, quarter-on-quarter lending is going up because the company lends to existing customers who have already used vehicles. When they want to upgrade their vehicle, then the company funds them. The company don't have a direct arrangement with any OEM or a dealer point for lending to the new vehicle business directly to a new customer.
10. The company carries an interest margin of 7% and maintains the same.
11. On the used vehicle, the company hs increased lending rates because as the liability cost goes up then the company pass it on the fresh contract, it increased rates by around 25-50 basis point depending upon the segments. Normally, the smaller ticket the lending rate increase will be much higher.
12. The company's field team is 16,000 people total out of 25,000 and there are another 4000 people in the supervisory level.
13. The management stated on a standalone basis, they should maintain a 12% growth rate in H2. For the combined entity, management has the guidance of 15%.
14. The management stated normally, securitization demand is huge in Q3 and Q4. So, they think the company should go beyond, Q1&Q2 numbers and last year's quantum which was 14,000.
15. The management stated the company has a headroom to improve NIM because it is carrying six months of liquidity which they aim to decrease to 5 and 4 and 3 gradually. So, the company has an opportunity to improve the margins apart from increasing the lending rate for the new contracts.
16. The company's total offshore debt is close to around Rs.25,000 crores. Bonds typically are 3 to 3.5 years. Landed cost including hedging is 9%.

17. The management stated repossession as a source for business activity has come down because the resale values of vehicles are good. Automall has more focus on the market business rather than the repossessed vehicle from the NBFC or bank.
18. On the merger of Shriram Transport and Shriram City Union, the management stated that they have done Pilot 1 with around 50 branches. Then, they scaled it up to 1200 branches across both companies. So, pilot 1 and pilot 2 is completed. Now post-merger it will be for all the branches, so the high-ticket lending or high-ticket business-like, SMEs and heavy commercial vehicles that is something which will be done more centrally but all other smaller tickets like two-wheeler, gold, and the LCVs and tractors all things should be able to do in all the branches.
19. There will be no trading period for SCUF but not for STFC, that will be maybe 10-15 days depending upon the regulatory requirement.
20. The management stated Stage 2 will remain range bond in between 10%-12%.
21. Current IRR range in Used CVs ranges any way between 14-18 it all depends upon the vintage of the vehicle and also ticket size. The higher the vintage, the lower the ticket size, the higher the rate. The weighted average differential between New and Used will be around 300 basis points.
22. Shriram City Union adds around 20-21% of Shriram transport's debt to the merged entity. The management stated that post-merger they will try to reduce costs. It should around Rs.14,000 - Rs.15,000 crores of overall liquidity to be maintained post-merger.
23. The company has not opened any branches in the last quarter. The management stated going forward post-merger they will look at opportunities to open more branches or using the existing network of the combined entities.
24. According to the management, borrowing costs for the next quarter will go up anywhere between 8-10 basis points.
25. The management has given guidance of 2% as the credit costs for the full year.
26. Rs.5000-Rs.6000 crores is excess liquidity currently on the balance sheet.

Analyst's View

Shriram Transport finance has been a pioneering vehicle finance NBFC in the Indian financial markets. Its role and journey have been immense. After an entire sectoral slowdown in the last few years, it now is growing in healthy double digits with high disbursements while keeping its financial health and ratios stable. Various upcoming impactful government policies and the said merger hold great potential for the growth of the company and its shareholders. The merger especially would put the company's situation as a wide lending umbrella having various businesses under it. Having a proven track record over the past few decades with a strong parent company and management, Shriram Transport Finance is a must-add to the watchlist, while watching it compete with other well-known big lenders for the top lending positions.

Piramal Enterprises Ltd Q2FY22

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)					
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %
Sales	476	620	-23.23%	476	-0.09%
PBT	-200	190	-205.09%	11,571	-101.73%
PAT	-51	150	-133.62%	11,549	-100.44%
Consolidated Financials (in Crs)					
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %
Sales	1,956	1,601	22.20%	2,121	-7.76%
PBT	-2,230	493	-552.47%	8,300	-126.87%
PAT	-1,536	426	-460.25%	8,155	-118.84%

Detailed Results:

1. The company's consolidated revenue grew by 22% and profits fall by around 460% on the YoY basis.
2. Wholesale AUM reduced by 13% to Rs. 38,908 crore
3. Total AUM has grown 35% from the prior year due to the DHFL merger, and it is now Rs. 63,780 crores
4. Retail loans are now 43% of the overall loan book as compared with 12% pre-merger.
5. Total provisions as a percentage of wholesale AUM increased to 13.1% from 8.8% last quarter
6. There was a net loss of Rs. 1,536 crores during the quarter as compared with Rs. 395 crore of recomputed net profit for the 2nd Quarter of FY'22 for the demerged financial services entity.
7. Capital Adequacy Ratio of 23% & Net Debt to Equity ratio of 2 times

8. Average cost of borrowings stood at 8.8% for the quarter. 78% of liabilities are fixed in nature.
9. This previous quarter the company raised about Rs. 1,000 at about 8.55% average.
10. Rs. 360 crores of prudential write-offs was done during the quarter.
11. Provision coverage ratio in Stage-3 is 60% at an overall level, and at about 74% to 75% at the wholesale level.
12. Retail Business
    a. Retail now already at 43% of the overall loan book, the company is now much closer to stated target of having 50% of total loan book as retail in the near term.
    b. Average ticket size of nearly 12 lakhs
    c. Quarterly disbursements grew across all the product categories by eight times year-on-year and 62% quarter-on-quarter to reach Rs. 3,973 crores; ahead of earlier stated guidance of Rs. 2,500 crores to Rs. 3,000 crores by the 3 rd Quarter of FY'23.
    d. 12% retail AUM growth
    e. In the one year since the DHFL acquisition, opened 64 new branches and shut down 22 branches resulting in branch network growing to 343 branches.
    f. Present PAN India across 293 cities and towns in 27 states of India. The company aim to be present at 1,000 locations through 500 to 600 branches over the next five years.
    g. NonMortgage Loans had a 42% share in our overall retail disbursements.
13. Wholesale business

. Rs. 5,888 crores worth of assets moved from Stage-1 to Stage-2

a. Exposure to the Top 10 accounts is 33% and reduced since March 19th by Rs. 6,050 crores. And no account exceeds 10% of net worth as of September 2022

b. Wholesale AUM has reduced by 13% in the last one year to Rs. 38,908 crores

c. Stage-1 loan book is much more granular as the average ticket size of the Stage-1 wholesale book is lower at Rs. 187 crores per loan.

d. Over 90% of the Stage-1 wholesale book is into asset backed SPV OPCO loans in real estate.

e. Stage-1 book largely excludes Promoter HoldCo. Corporate Lending Transactions. Over 78% of the Stage-1 real estate book is with large and medium developers. And over 60% of the Stage-1 real estate book has limited on low completion risks.

Investor Conference Call Highlights

1. Given that this was the first quarter post demerger Rs. 5,888 crores worth of assets were moved from Stage-1 to Stage-2, largely completing the asset recognition cycle. The management believes that the company is now largely well-provided for Stage-2 and Stage-3 assets. An additional provision was created of Rs. 2,255 crores and a fair value loss were taken of Rs. 1,076 crores on our wholesale book during the quarter. The moved assets are largly real estate assets.
2. The management stated performance in retail AUM has been driven by various endeavors they took in the last few quarters:

a. Addition of new branches

b. Adding multiple new products to diversify our retail portfolio

c. Activation of branches to sell multiple products.

d. Growth in the customer base through the Digital Lending business enabling in cross sell opportunities

3. Retail business

. The company launched multiple new products, now offering 11 retail products

a. During the quarter the company has also launched branch led personal loans to salaried individuals in Tier-2 and Tier-3 towns.

b. Nearly 82% of our branches are selling products beyond just the Home Loans.

c. Hence, not only Housing and Secured MSME loans disbursements grew 5x in the last 12 months. But also, the disbursements under the Non-Mortgage Loan categories have seen much higher traction, though from a low base to Rs. 1,677 during the quarter.

d. 20 live partnerships with FinTech, OEMs and aggregators under digital embedded finance business.

e. Digital offerings have enabled to significantly expand our customer franchise to 2.2 million, giving the company substantial cross-sell opportunity.

f. The company achieved cross sell disbursement of Rs. 945 crores over the last year. The asset quality of the acquired DHFL book remains in line with expectations. The company continues to make recoveries from the POCI book.

4. Wholesale business

. The company will be increasing its focus on recoveries, monetization of the Stage-2 and Stage-3 loans, which will further moderate the wholesale book size in the short term.

5. The management believe that this is an opportune time to build the real estate book. Real estate lending is a large market of Rs. 4.5 lakh crores, with supply of credit significantly lower than the demand, offering significant growth potential.
6. The management stated From a cyclical perspective, we believe it's a good time to build up the real estate book as the developer consolidation has resulted in a better-quality ecosystem.
7. Within the corporate mid-market lending book, the company has already built a book of Rs. 804 crore with an average ticket size of Rs. 50 crores.
8. The management continues to remain committed to FY2027 aspirations, doubling the AUM from FY2022 levels with strong growth in retail disbursement, keeping the net debt to equity 3.5 to 4.5 times.
9. Stage-1 part of book is roughly Rs. 27,000 crore in size. The management stated this is very high-quality book. Stage-1 assets are 130 plus odd loans. This is really a granularpart of wholesale portfolio. These assets are well secured in terms of the underlying loan structure and security structures.
10. There are three buckets of issues that are there when it comes to moving 5900 crores of assets from Stage-1 to Stage-2

. One is where the parent entities of these companies where the group essentially is in some sort of financial distress, while the particular specific project might not be.

a. Second category of issues is where a resolution is possible, either through sale or through some sort of other resolution mechanism. But that will come with a little bit of a haircut.

b. The third category is where genuinely there have been some amount of movement of the market against the borrower, though they have not really kind of defaulted on payments yet, but their cash flow seem weak.

11. The management stated other efforts that are going on is to consolidate and reduce the size of the wholesale book overall over the next few quarters. So, between now and March, certainly the overall books will reduce they expect some of the reduction to come from Stage-2, a little bit from Stage-1 as well.
12. Rs. 11,000 crore portfolio in wholesale that is sitting in Stage-2 and Stage-3, and about Rs. 4,400 crores of provision. So, 40% is, the company has covered on that Stage-2 and Stage-3 book.
13. Net Rs. 100 crores POCI gains in the quarter.
14. The management stated gross yields are not materially different between the accounts on Stage-1 and Stage-2.

15. The interest reversal this quarter on account of the movement to Stage2 is around 230 crores.
16. Tthe steady state retail book credit cost that the company has is around 1.5% to 2%.
17. There two broad sort of connecting themes on retail front

. Serving what the company call the budget customer of Bharat, that's the core underlying theme, which says the budget customer of Bharat, what are the various products that the customer might need

a. The second, connecting theme is that from a capability standpoint, where the management believe the company is differentiated versus many other competitors are, is on tech and analytics, where the company has a world class team. And given the company's ability to set up a particular kind of tech architecture and a particular kind of analytic workbenches is significantly different from what even the most tech advanced banks and NBFCs out there are able to do, because they have legacy problems, which Piramal don't have.

18. The management explained for microfinance, in microfinance, a credit person of Piramal sitting in a central location can see a video that the sales RM on the ground is taking of the village or of the hut of the borrower. And as the video is streaming, an AI engine is here, which is reading every image that is coming through and identifying assets that the potential client owns, running it through in ML model, and instantly figuring out what the potential credit rating of that client is and giving that as advice to the credit person sitting in the central office.

Analyst's View

Piramal Enterprises had a poor Q2 with a 22% YoY rise in revenues however profitability took a deep dive. The company completed a demerger of its pharma business from the financial services business. The company sees real estate financing a segment to watch for the coming future. Moreover, the company is well placed to reduce its wholesale business and make it 50-50 between wholesale and retail in near future. It remains to be seen how long it will take for the new business segments in financial services to scale up for PEL and how it manages their weak assets and their aim to focus on retail business.

New Age Companies
CarTrade Tech Q2FY23

Financial Results & Highlights

Brief Company Introduction

CarTrade Tech Ltd is a multi-channel auto platform provider company with coverage and presence across vehicle types and Value-Added Services. The company operates various brands such as CarWale, CarTrade, Shriram Automall, BikeWale, CarTradeExchange, Adroit Auto, and AutoBiz. The platform connects new and used automobile customers, vehicle dealers, vehicle OEMs, and other businesses to buy and sell different types of vehicles. The company offers a variety of solutions across automotive transactions for buying, selling, marketing, financing, and other activities.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	54.93	39.13	40.38%	42.02	30.72%	157	113	38.94%
PBT	13.93	-37.31	137.34%	1.60	770.63%	-152	20	-860.00%
PAT	7.47	-40.58	118.41%	1.68	344.64%	-146	79	-284.81%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	102.49	88.08	16.36%	92.77	10.48%	359	281	27.76%
PBT	13.75	-30.59	144.95%	3.79	262.80%	-119	47	-353.19%
PAT	5.57	-35.34	115.76%	3.31	68.28%	-132	91	-245.05%

Detailed Results:

1. The company had a good quarter with consolidated revenue growing by 16% YoY and 10% QoQ and PAT growing 116% YoY and 68% QoQ. The high growth YoY numbers are due to losses in Q2FY22.
2. The company has grown revenues by about 30%, adjusted EBITDA grew by 47%, and the adjusted PAT grew by 80% in H1.
3. The company has now 190 plus physical locations including automalls and abSure outlets.
4. Consolidated adjusted EBITDA margin is 30% versus 20% the previous quarter.
5. The car new business in half has grown by 31%.
6. The Used Car business has grown by 160% year-on-year for the first six months, although it's at a smaller base.
7. OEM dealer has grown by 33%

8. Dealer business has grown by 59%
9. In the company consumer group, the dealer business is about 40% of the business and the OEM is about 60%
10. The average monthly unique visitors stand at 37 million
11. The company auctioned 304,000 vehicles. But the growth rate of auction listings is only 12% in H1 and volume has grown by about 30% in H1
12. OEM grew by about 21% and dealers grew by 47% quarter-on-quarter.
13. The growth in retail is about 51% in Q2.

Investor Conference Call Highlights

1. Last quarter, the company recorded 37 million unique visitors on its platforms, which is the highest consumer traffic in a quarter. 86.6% of them still come organically.
2. The dealer business is growing at a faster rate than OEM business and Used is going faster than New.
3. Even though the Group has grown by 31% year-on-year for the first six months, Shriram Automall has had a tough quarter with the growth of only 9% in the last quarter, and that's been highlighted due one of the company's segments, which is auction of repossessed vehicles, which has been close to flat for the quarter.
4. For the repossess business, the management stated that if money is lent against vehicles, repossession is going to be required to be done. And the rate of repossession is unlikely to go down in the medium to long term. So, this is a short-term cyclical issue, not a long-term structural issue.
5. The management stated their focus is on the retail side of its business or supply of vehicles for auction, which is a big fast-growing segment for them and it is 30% of its business.
6. The management stated when there is a shortage of vehicles and customers have to wait, generally, manufacturers spend less money or dealers spend less money on advertising.
7. Giving an update on abSure, the management stated that the company has got about 62 locations now. And the company's objective has been to keep growing the locations and get to about another, maybe between 100 by the end of the year. Focus had earlier been to roll out locations. Now the focus is really on operational efficiency and customer experience within the location and within the abSure model itself. What is the customer's experience when they buy a vehicle? And that whole experience of booking it online and picking up the vehicle. So, the focus is on the certification product, the warranty, the money-back guarantees, and all of that. And there we find we made a lot of progress.
8. The company is now working on franchise viability. How many cars does the company need to sell to break even? How does the company make profits? How does it make sure that franchisees are having a very healthy business? And then of course, how does the company make a sufficient return from this business?
9. The objective is to keep growing and get to 100 outlets of abSure by the end of the year, each one doing 15 to 25 cars a month.
10. The management explains the stable marketing expense that with the car industry growing, more and more users come to the company automatically, and 87% of traffic is organic. And that's reflected in the 37 million users.
11. The company has Rs 1,000 crore cash on a balance sheet, and the intent is to look at investments and acquisitions in the company's ecosystem. Over the last six months, the company has

aggressively looked for acquisitions but has not yet zeroed down on a particular acquisition in the investment area.

12. The management discussed the growth driver for the ad business. Over the years, out of ad spend for OEM or dealers, the digital ad part is growing, and the overall budget of ads is also growing, so two growth drivers.

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 the 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 Q2FY23

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.

	Quarterly Performance										
	EASY TRIP PLANNERS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**4**	**10**	**44**	**66**	**31**	**57**	**86**	**59**	**84**	**104**	**333**
% Growth YOY					*782%*	*470%*	*95%*	*-11%*	*167%*	*84%*	
Expenses	8	13	17	25	13	23	34	30	42	66	**172**
EBITDA	**-5**	**-3**	**27**	**42**	**18**	**34**	**52**	**30**	**41**	**38**	**161**
Depreciation	0	0	0	0	0	0	0	0	0	0	**1**
EBIT	-5	-3	27	42	18	34	51	29	41	38	**160**
EBIT Margin	*-136%*	*-30%*	*61%*	*63%*	*57%*	*59%*	*60%*	*50%*	*49%*	*37%*	
Interest	-	0	1	2	0	0	1	1	0	1	**2**
Other Income	8	12	3	3	4	3	3	5	4	4	**16**
Profit before tax	**4**	**9**	**29**	**43**	**21**	**37**	**54**	**33**	**45**	**41**	**174**
PBT Margin	*102%*	*89%*	*67%*	*64%*	*68%*	*65%*	*63%*	*56%*	*54%*	*40%*	
% Growth YOY					*486%*	*311%*	*84%*	*-22%*	*113%*	*13%*	
Tax	1	3	7	12	5	9	14	9	11	11	**45**
Net profit	**3**	**6**	**22**	**31**	**16**	**27**	**40**	**24**	**34**	**31**	**129**
% Growth YOY					*514%*	*340%*	*80%*	*-23%*	*114%*	*12%*	

Detailed Results:

1. Revenue growth of 68% YoY.
2. Strong growth in Revenue of 40% and PAT of 44% on QoQ basis.
3. Gross Booking Revenue (GBR) reported stands at Rs. 1977 cr up 121% YoY and 42% QoQ.
4. Air segment booking increased by 52%.
5. In % of GBR terms, discount to customers fell to 3.1%% from 4.9% YoY, but in absolute terms, it increased to Rs. 60.6cr up from Rs.44.2cr last year.
6. As a % of GBR Marketing expenses increased to 1.5% from 0.9% while other expenses remained stable.
7. Operational Performance:
   - Flight Bookings - up 52% YoY
   - Hotel Nights - up 70% YoY at 77,919
   - Trains, Buses & others - up 12% YoY at 137,326

7. EBITDA Margins stood at 35.9% Vs 61.7% due to high one off marketing expenses

Investor Conference Call Details:

1. The company launched launched 'Travel Utsav' festival between October 6th and 23rd of October, which helped record the highest gross sales of> Rs.555 crores for the Company.
2. The Company became a Co-Powered sponsor of Asia Cup Cricket 2022 which had an estimated collective viewership of more than 4.9 billion.
3. EaseMyTrip became the presenting partner for Road Safety World Series Tournament of 2022.
4. The company spent one-time costs of Rs. 13 crores on these marketing initiatives.
5. The company is taking various initiatives to increase its presence abroad including partnering with SpiceJet Airlines through its Thai subsidiary to sell tickets and other services to customers in Thailand.
6. The management expects marketing expenses to remain at 0.6-0.9% of GBR in the future Vs 1.5% in the current quarter.
7. The revenue from the hotel segment decreased despite an increase in bookings due to higher discounts provided to the customers.
8. The company targets flight: non-flight revenue split of 70:30 after which it plans to start focusing on profits in the non-flight segment by decreasing the discounts offered.
9. The seasonally strong quarters are Q1 & Q3 due to vacations. Despite that, the company grew 20% QoQ owing to a market share increase.
10. The company's trade receivables increased by Rs.45 Crs due to higher shares from corporate & travel agents as a part of its long-term strategy.
11. The liability increased by Rs.70 Crs on account of advances received from ITQ & GDS which provides some part of the commission to be received by the company in advance.
12. The Payment gateway charges are directly proportional to the GBR & this corollary is expected to decrease due to the increased adoption of UPI.
13. The company expects to make good grounds & potentially disrupt foreign markets owing to higher service & convenience fees charged by the incumbent firms.
14. The company is seeing good progress in its acquisitions with A) Spree hotels increasing from 12 to 27 properties post acquisition & generating 20-30 lakhs profits on a monthly basis & B) the valuation of Yolo bus increasing to Rs.100 in the last funding round vs Rs.2 Crs at which the company was acquired.

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 Q2FY23

Financial Results & Highlights

	Quarterly Performance										
	C.E. INFO SYSTEMS LTD										
Narration	Jun-19	Sep-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**-**	**-**	**49**	**47**	**43**	**57**	**43**	**57**	**65**	**76**	**242**
% Growth YOY					*#####*	*#####*	*-11%*	*20%*	*50%*	*35%*	
Expenses	-	-	29	29	25	31	28	32	35	46	**141**
EBITDA	**-**	**-**	**20**	**19**	**18**	**26**	**16**	**25**	**30**	**30**	**101**
Depreciation	-	-	3	2	2	2	2	2	2	2	**8**
EBIT	-	-	17	16	16	24	14	22	28	29	**93**
EBIT Margin			*35%*	*34%*	*38%*	*43%*	*31%*	*39%*	*43%*	*37%*	
Interest	-	-	1	1	1	1	0	1	1	1	**2**
Other Income	-	-	13	9	9	13	9	12	6	8	**34**
Profit before tax	**-**	**-**	**30**	**24**	**25**	**37**	**22**	**34**	**34**	**36**	**125**
PBT Margin			*61%*	*51%*	*58%*	*65%*	*50%*	*59%*	*52%*	*47%*	
% Growth YOY					*#####*	*#####*	*-27%*	*40%*	*35%*	*-4%*	
Tax	-	-	8	5	4	12	3	11	10	10	**34**
Net profit	**-**	**-**	**22**	**19**	**21**	**25**	**19**	**23**	**24**	**25**	**91**
% Growth YOY					*#####*	*#####*	*-14%*	*18%*	*17%*	*0%*	

Detailed Results:

1. Consolidated Total Revenue & PAT for H1 grew by 41% & 8% respectively..
2. EBITDA Margins stood at 40.1% in Q2FY23. Ebitda margins for H1 were 42.8%.
3. Cash and Cash Equivalents stand at Rs. 430.6 cr.
4. Product Line growth - Map and Data grew 32% | Platform & IoT grew 49%
5. Product Line Revenue Breakup - Map and Data: 59.4 Cr | Platform & IoT: 81.9 Cr
6. A&M Market grew 55% YoY and C&E Market segment grew 29% YoY
7. Business Update - New additions
   - • New large 4-wheeler EV OEM signed up
   - • Market-leading vehicles from leading brands continue to go live embedded with our solutions
   - Multiple large cement and dairy companies signed up for using IoT & Logistics SaaS solutions
   - • Multiple BFSI/fin-tech companies for Workforce management & automation
   - • E-commerce, FMCG and fin-tech companies for Geospatial Analytics
   - • Health-tech, fin-tech, retail/FMCG & voice-assistant app developers for APIs

Investor Conference Call Highlights

1. The company acquired a 76% stake in Gtropy, An IOT-based company which will help the company to tap a vast market of 20 Crs plus vehicles in an accelerated manner.
2. EBIDTA of core biz remained at 50%, but the acquisition led to EBIDTA declining to 42.8% on a consolidated basis.
3. Other reasons for margin declines include higher marketing expenses & investments in product developments like Realview 360-degree and Metaverse 3D maps.

4. The company also invested INR 10 crores for a 26% stake in a company Kogo, a gamified social travel commerce platform, which will open up new markets and new use cases.
5. PAT margins were negatively affected due to lower other income & higher effective tax rates.
6. The company in coming years targets EBIDTA margins of not less than 40%.
7. The company A&M revenues excluding Gtropy grew by around 40% which is in line with the PV industry's growth.
8. API's contribution to C&E stood at around 50%.
9. The 3 components of Gtropy biz are pure device, pure Saas & device-led SAAS.
10. The management is targeting a strategy of providing devices to its B2B customers like cement & dairy cos at lower margins & then generating recurring high-margin revenues through Saas offering.
11. The management explains that Gtropy gets the benefit of the muscle power of Mapmyindia to extend its offering widely & the company gets the benefit of Gtropy by neutralizing the shortfall in its IoT revenues.
12. The company's end objective of working with Govt. is to be part of population-scale platforms since, the government has big plans for digital transformation, Geospatial and IoT, and maps, the areas where the company can play a critical role.
13. The company's tie-ups with Govt. include the ULIP project, which is the Unified Logistics Interface Platform government announced with National Logistics Policy & partnership with U.P. police.
14. The company is not seeing any slowdown in E-commerce & Fintech space in the C&E segment.
15. The management states that the majority of EV two-wheelers are looking at its NCASE product.
16. The management explains that the auto OEM business is mostly a volume-based business while the fixed price normally comes in the C&E side and is use case driven.
17. The Gtropy's revenues doubled QoQ to Rs.24 Crs out of which Rs.8 Crs was attributable to a Saas offering made to Mapmyindia.
18. The management believes that the company is unique Vs its global peers due to its highly technology-oriented and cost-efficient strategy.
19. The company's framework while evaluating an acquisition is whether it will get us more customers they will enhance the product portfolio or that it can upsell to its existing customers.
20. The company plans to monetize its KOGO acquisition by continuing to sell to its OEM customers as add-on solutions & direct-to-consumers monetization opportunities.
21. The management on being asked about a potential advertising-led business model commented "t I don't want to preclude anything for the long-term future. What we are strong procurement of, is user privacy. We don't believe in this ad user targeting and mining, that's the Google route, which we are not a fan of."

Analyst's View

MapMyIndia has been executing well and has a long growth runway ahead of it in geospatial 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. A cash balance of nearly Rs. 400cr provides it with enough M&A dry powder to scout and grab any suitable opportunity.Given its strong growth prospects, it remains an interesting stock to keep track of.

RateGain Travel Technologies Q2FY23

Financial Results & Highlights

Brief Company Introduction

RateGain Travel Technologies Ltd is the leading distribution technology company globally and the largest Software as a Service (SaaS) provider in the travel and hospitality industry in both domestic and international travel markets. The firm offers travel and hospitality services across different verticals like hotels, airlines, online travel agents, meta-search companies, package providers, car rentals, cruises, and ferries.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	32.3	24.2	33.47%	30.9	4.53%	73	93	-21.57%
PBT	2.6	0.7	261.11%	3.4	-22.39%	3	-6	-
PAT	1.9	0.4	382.50%	2.3	-14.22%	2	-6	-
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	131.4	87.7	49.83%	127.0	3.46%	367	251	46.13%
PBT	15.6	-1.3	1100.00%	11.0	41.82%	11	-25	-
PAT	12.9	-1.8	616.67%	8.4	53.39%	8	-29	-

Detailed Results:

1. The company had a good quarter with revenue growing by 49% and profits are almost 600% up.
2. Out of revenue growth of 49%, organic is around 33%, rest is inorganic.
3. The growth in the H1 of FY23 stands at 52.7% with the company posting a total revenue of 243.9 Crores in H1 for this year
4. The company has posted its highest adjusted EBITDA margin of 15.2% in the past few years against 8.4% in Q2 FY22.
5. Adjusted EBITDA margin to 12.8% in the first half of FY23
6. The adjusted EBITDA for the quarter grew at an impressive 170% to 18.9 Crores against 7 Crores posted in the same quarter last year.
7. The adjusted PAT has grown 5.3 times to 19.6 Crores in Q2 FY23 compared to 3.7 Crores in Q2 FY22. The adjusted PAT for H1 stands at 34.4 Crores.
8. The distribution segment accounted for 35% of total revenue with a recurring revenue of 99.2%.
9. MarTech business has recurring revenue of 99% contributing 38% of overall revenue for Q2.
10. The recurring revenue for DaaS business was 98.3% and contributed to 27% of the revenue in the second quarter.
11. Annual recurring revenue stands at 483.4 Crores almost 20% above the pre-COVID levels.

12. Recurring revenues for the quarter stood at 99% and 76% revenues were in subscription in nature.
13. Gross revenue retention and net revenue retention stood at 90% and 105% respectively.
14. New contract wins posted healthy year-over-year growth of 12.5% and came in at 21.2 Crores and with that the company saw an improvement in LTV to CAC which remained at 12.2 for H1, the marked improvement over 8.9 reported in Q1.
15. Employee headcount was flat sequentially with the revenue per employee saw 12% increase over last year at 78 lakhs.
16. Pipeline increased by 10% to 314 Crores as compared to last year.
17. Cash from operations saw a marked improvement in H1, generated 1.4x of cash generated in the entire fiscal year of 2022.
18. Attritions are currently around 22% to 24%. The average tenure of employees in is more than four years.

Investor Conference Call Highlights

1. The management stated the standout for the company this quarter is the operating leverage kicking in with expansion in our operating margins to a 10-quarter high of 15.2%
2. The management announced the launch of our latest AI-powered offering developed in-house at RG Labs called Engage AI. This is a virtual concierge tool that will be available to hotel guests on their preferred messaging app like WhatsApp right from the time of booking to the culmination of their stay. This tool will assess them with virtual check-in and checkout, answer their simple queries about making reservations at a restaurant or a spa of their choice and get personalized recommendations for shopping and tours, and activities thus enabling the hotels to engage better with their audience and also grab a share of all their travel spends. The company already live in some properties and in talks with some large clients.
3. Industry highlights given by the management
    a. In terms of global travel trends, they continue to see that the demand remains strong despite growing concerns on macro headwinds.
    b. Volumes in reservations continue to remain strong with a strong holiday season coming up in key destinations globally.
    c. The global health travel index released by Skift continues to hold steady and many geographies are at or above pre-COVID levels now.
4. The management stated their big customers like the big OTAs, the biggest car rental companies, and hotel companies have reported record Q2 performance in terms of revenue and profit, and given the need for digitization and record profits, we continue to see robust demand for our products.
5. The company built up a healthy pipeline of 315 Crores.
6. Distribution segment

. Volume growth continues to be strong on the back of robust recovery across the mid-size hotel chain segment and pickup in GDS business which is a parameter of business travel.

a. The company closed some good deals this quarter in terms of pairings between popular OTAs and large hotel chains and some of the parings from previous quarters are scaling out well.

b. The company will continue to invest and scale new products like Content AI that will enable it to position distribution vertical with a 10x differentiator.

7. MarTech business

. Growth within this segment continues to be driven by an increase in existing engagements as customers are looking to include our metasearch product.

8. DaaS business

. The company's new adjacent sub-vertical within the travel space which is vacation rentals has been seeing some good traction and is a promising new growth segment.

a. One of the company's new products on the DaaS which is Rev AI continues to perform well and has seen strong traction within the car rental space and it has recently completed integrations with some of the largest CRS systems on large car rental companies which will allow it to make further inroads with these franchises of these car rental companies.

9. The management stated on M&A they have a robust pipeline and they are looking to consummate if the value is right. These opportunities spread across strengthening existing business lines of DaaS, Martech and Distribution.
10. The management expects to continue the company's growth at around 30% year-over-year and the margins level would be similar to Q2.
11. The management stated the net retention rate will continue to see improvement as their Q4 is the highest quarter and the volumes are pretty high in Q4, so they continue to see improvement from Q2 to Q4.
12. The management stated Q3 and Q4 are sort of the big quarters for us so H2 is bigger than H1
13. On the employee expense front, the management stated it should remain flat at least in Q3, Q4 might see a slight increase but not materially.
14. The management stated tech markets, especially in the US have crashed it has created some very interesting opportunities for RateGain so when they look at our pipeline since the beginning of the year it has been pretty robust.
15. The company is in a conversation with various opportunities since the valuation has also kind of tapered off and is actively looking for inorganic growth, and it would be over and above this 30% revenue CAGR guideline organically.
16. Going forward the management expects between 200 to 300 basis points expansion in margins every year, getting to about 20% to 25% by FY25.
17. The majority of the company's clients are one year, it is an auto-renewal clause like one can terminate the service at the end of the year if you do not do then you are auto-renewed for another year, which is the subscription nature of the contract.
18. The management stated attrition will go back to 16% to 18% attrition rate in the coming quarters, then the average cost of employees will also reduce.
19. At the end of Q1, the company was sitting at about 2300 customers and added about 200 customers, and lost about 50 so the net addition was about 150 customers; so customer addition was roughly about 6%, 7%, and quarterly revenue growth it is similar sort of 4% to 5%.
20. The management stated everything that they do is basically targeted to the same midmarket and enterprise market level of hotels, that is over a million hotels but the key market is the 3,00,000 hotels that are part of this midmarket in the enterprise segment, and in that sense, the TAM is large but the company is still at sort of initial days and it just launched this product Engage AI.
21. Q3 in terms of new bookings have some very good momentum and in terms of new booking, this should be a very strong quarter for the company as per the management.
22. The management sees the 15% EBITDA margin for the Q3 quarter and exceeding that in Q4 as well.
23. The company has a volume-based pricing model, like more rooms connected to more channels means more transactions, and as the number of bookings or transactions increases, it gets a higher realization as a result. Similarly in DaaS business, information enables the customer to be more competitive so the more data that they get from the company, the more it is able to charge.
24. A lot of the growth in business is not really from cross-sell, a lot of it is upsell. Upsell for net retention rate is 110%.

25. From the IPO, the inorganic expansion will be utilized. The strategic investment into AI-led products that utilization has already started and general purpose will utilize as part of the M&A or the organic investment into the AI-led products.

Analyst's View

RateGain Travel Tech has a lot of growth ahead of it. Access to data helps it derive deep insights and serve customers with more optimized solutions, be it in rate parity, bookings, or marketing. As it expands the business, this moat can be expected to widen. Apart from that, there is customer stickiness as well with 7 of the Top 7 customers being with them for more than 10 years, which makes one believe that they might be doing something right there. It can also be an attractive acquisition target for a large global SaaS player looking to expand in the Travel space. The company got operating leverage kick-in and margin expansion during the Q2. The company is highly correlated with the travel industry, so its performance is largely dependent on how Hospitality and Travel Industries perform, and like most tech companies, RateGain also faces the risk of competition in developing better tech products in a constantly evolving space.

Others

ACRYSIL Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	83	97	-15.01%	109	-23.85%	402	255	57.65%
PBT	6	16	-60.93%	17	-61.45%	67	39	71.79%
PAT	5	13	-62.52%	12	-61.36%	51	26	96.15%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	139	122	14.03%	171	-18.65%	494	318	55.35%
PBT	13	24	48.00%	25	-48.96%	86	54	59.26%
PAT	9	18	47.22%	19	-49.97%	65	39	66.67%

Detailed Results:

1. H1 FY2023, domestic revenues have increased by 58% Y-o-Y to Rs.71 Crores. The company aims to achieve a turnover of Rs.300 Crores in the domestic market in the next two to three years.
2. Export sales is down by approximately 21% on a Y-on-Y basis. 20% growth in domestic market on Y-o-Y basis.
3. Increase dealer count to 2200 as on September 30, 2022 with an aim to increase it to 3,000 by end of 2023.
4. Sales volume for Quartz Sinks stood at 297,252 units, stainless steel sinks stood at 58,294 units, and kitchen appliances stood at 15,668 units.
5. Appointed Vaani Kapoor as the brand ambassador.
6. Current margins of appliances are 40%, which the management expect to go to 50%.

7. Sylmar Technology (the company merged with Sylmar technology in Q2)
    a. In Q2, achieved turnover of £3.6 million against last year, £3.19 million, growth of 14.8%.
    b. EBITDA is £588000 against last year, £505000, growth of 16.5%
    c. PBT £534000 against last year corresponding £440000, a growth of 21.3%
    d. PAT £433000 against last year £371000, a growth of 16.8%.

Investor Conference Call Highlights

1. The export market is witnessing a periodic slowdown due to higher inventory levels maintained due to the COVID period by Carysil's customers.
2. The management stated the high inventory levels built up by the company's sales channels are getting liquidated slowly hence, they expect ordering levels for Quartz Sinks to increase from Q4 FY2023 onwards.
3. The management stated Indian market has high demand of quartz sinks. And the company has enough capacity to fulfill the demand.
4. The company has doubled its supply to IKEA and sales to Grohe is increasing year-on-year basis.
5. The management stated the company has started working on the faucet assembling line for 10,000 units and supply will start from Q4 FY2023 onwards. The company has witnessed good inquiries for procurement of faucets by export customers as well as premium customers like IKEA and Grohe.
6. The company has received orders from France and other countries for new PVD sinks and other under mount sinks.
7. Given the current global operating environment, the Board has decided to postpone the expansion of an additional 200,000 capacity of Quartz Sinks. The company has kept the infrastructure ready, and invested in the buildings and infra, and land. So the company has invested, around Rs 20 Crores. Now this infrastructure, the company will use for built-in appliances till it get the further boost in the Quartz Sink.
8. The company has decided to utilize the resources for the manufacturing /assembling of approximately 200,000 built-in kitchen appliances. This expansion will take place in 2 phases i.e. 100,000 units in Q1 FY2024 and a balance of 100,000 units in Q3 FY2024.
9. The company plan to do more assembling than manufacturing. So the total capex on the first phase for the 100,000 is expected to be around Rs 10 Crores. Revenue potential is approximately Rs 50 Crores to Rs 60 Crores from the first phase, the total will be about Rs 120 Crores with the Phase I, Phase II of 200,000 units.
10. The management stated peak revenue will come in FY2025.
11. The capacity expansion of Steel Sinks by an additional 90,000 sinks is expected to complete by December 2022.
12. The company has filed a patent for green sinks technology, which will be manufactured from organic materials with Charcoal, spinach, and beetroot. The pigmentation is natural and sustainable and the company will soon launch in the Paris exhibition on November 19, 2022.
13. The company is in process of developing a new type of sinks, which will have double the strength compared to the existing sinks without any further increase in manufacturing costs. The improved sink will result in reduced packaging costs. This will also lead to reduced packaging size which will allow shipping of more sinks per container, thereby reducing shipping costs. The management expects to complete this invention by the end of December 2022, and the supplies will start in January 2023.
14. The company is launching the Carysil and Sternhagan brands in Dubai in December 2022.

15. In order to strengthen its foothold in the export market the company acquired a separate Gulf head for export business.
16. The company has also appointed, a chief of staff to oversee foreign operations and another business head for overseas institutional sales.
17. The management stated the current ongoing geo-political tensions and energy crisis in Europe give a strong opportunity for Carysil on a medium to long-term basis. The Economies of Germany, Italy, and the rest of Europe, excluding France, continue to suffer from the energy crisis. As a result, their production costs have grown up to a very large level.
18. Currently, 3 million to 4 million sinks are being manufactured in that area around Germany and Italy. The rise in cost and the inability to manufacture as compared to levels and to sustain escalating cost inflation levels will ultimately work to Carisil's advantage. Carysil has tremendous potential to enter the market and bridge this supply gap, ultimately leading to an expansion of its customer base across the globe.
19. The management stated the company is already talking to a few companies, and 1 or 2 customers have already moved to Carysil.
20. Standalone sales were down by 12% primarily because of the lower export sales.
21. Last quarter, the company had around Rs 2 Crores 85 lakh exchange gain, which in the current quarter is a loss of Rs 2.5 Crores exchange.
22. The management stated the company is well equipped to expand to 1.5 million units capacity from 1 million of quartz sink within 6 months at any time.
23. The management stated globally, about 5 million sinks of Quartz Sinks have been manufactured, and Schock technology has almost 80% market share.
24. In India, which average price of quartz sink is to 5500 and steel sinks about 4000. So there is approximately about 20% - 25% difference between the steel sink and the granite sink.
25. The management expect input cost and freight cost to go down, and gross margin to improve.
26. The management stated Carysil was already around 20% to 25% cheaper than suppliers in Europe before this crisis hit, and now it should be more competitive by 35% to 40%.
27. The management stated Sylmar Technology does not carry on inventory. It is on made to order business. So even with this crisis in UK, order book situation is still strong. It makes kitchen and the bathroom platforms, fabricated, based on orders at the site.
28. The management stated in built-in appliances, margins could be better than the quartz sinks. Currently the company has only a trading margin. Now with the manufacturing margin coming, margin profile will also increase.
29. The management stated about Built-in-appliances market
    a. Total built-in-appliances market in India is about Rs 3300 Crores
    b. Out of it, 50% of the market is shared between Elica, KAFF, Siemens, Bosch, Faber and Carysil.
    c. Carysil is into more of a premium segment, which is potential market of Rs 1500 Crores, given other is unorganized segment.
    d. The whole appliance industry is growing about 15% year-on-year
30. There is about 8% to 10% decline in secondary sales.
31. The management stated in the long-term, they see the India versus export revenue will be about 50%:50.
32. The management stated they are appointing new team for India. They are expanding sales team organization across the board. They are planning to double our sales force in India.
33. The management stated within the next 60 to 90 days, they plan to at least have a 50% increase in sales force, and by March, they plan to double the sales force right now. In the mid-term to

long-term which is around 3 to 5 years, they plan to have a dealer network of about 5000 dealers across India.

34. The management stated strategy for distributors will come into play by a quarter in January when they finalize AOP for next year because the strategy decision will have to come that the company will have to appoint direct dealers with the showrooms or have more distributors for displays. So that is a separate strategy for built-in appliances and sinks.
35. The company has filed a patent for the SuperX technology, where the sink is going to have double the strength, the customers are going to prefer to have SuperX technology, which is going to be launched in France and Dubai in the next month's time, the management stated.
36. The management stated that Schock is not going to give technology rights into any other partner, Carysil has 90% market share in India in terms of quartz sinks, so that is the competitive advantage.
37. As far as IKEA is concerned, the company has tied up with them for the stainless sink and will be starting there from Q4. The company has an opportunity for stainless steel sink for the UK market. Have tied up and also will be starting in Q4.
38. The company is very confident of achieving Rs 1000 Crores in sales within the next 2 to 3 years.

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. Due to weak macro conditions in Europe, the company's export witness slowdown. 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.

Ashiana Housing Q2FY23

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.

	Quarterly Performance										
	ASHIANA HOUSING LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**36**	**47**	**80**	**78**	**38**	**58**	**51**	**75**	**80**	**87**	**293**
% Growth YOY					*5%*	*22%*	*-36%*	*-5%*	*111%*	*50%*	
Expenses	37	49	71	84	44	63	55	68	65	92	**280**
EBITDA	**-1**	**-2**	**9**	**-5**	**-6**	**-6**	**-4**	**6**	**15**	**-5**	**13**
Depreciation	2	2	2	2	2	2	2	1	2	2	**8**
EBIT	-3	-4	6	-7	-8	-8	-6	5	13	-7	**5**
EBIT Margin	*-9%*	*-8%*	*8%*	*-9%*	*-22%*	*-14%*	*-12%*	*7%*	*16%*	*-8%*	
Interest	2	3	2	2	2	1	1	1	1	1	**4**
Other Income	2	3	10	3	1	3	-0	4	1	5	**9**
Profit before tax	**-3**	**-4**	**14**	**-6**	**-9**	**-6**	**-7**	**8**	**13**	**-3**	**10**
PBT Margin	*-10%*	*-9%*	*18%*	*-8%*	*-23%*	*-11%*	*-14%*	*10%*	*16%*	*-3%*	
% Growth YOY					*149%*	*54%*	*-153%*	*-223%*	*-250%*	*-57%*	
Tax	-0	-2	1	-1	-2	-1	-4	1	3	-1	**-0**
Net profit	**-3**	**-2**	**13**	**-6**	**-6**	**-6**	**-4**	**6**	**10**	**-2**	**11**
% Growth YOY					*93%*	*151%*	*-130%*	*-212%*	*-262%*	*-68%*	

Detailed Results

1. Booking stood at 4.9 lakhs Sq. ft Vs 3.34 Lakhs QoQ.
2. Value of Area Booked recorded at Rs. 240.19 Crores (Q2FY23) vs Rs. 152.14 Crores (Q1FY23)
3. Area constructed stood at 4.38 Lakh sq. ft Vs 3.85 Lakh sq.ft QoQ.
4. Sales and Other income increased to Rs.91.72 Crores in Q2FY23 Vs Rs. 81.2Crores in Q1FY23.
5. PAT was recorded at negative Rs. 1.81 Crs for Q2FY23 Vs Rs. 10.3 Crores inQ1FY23.
6. Pre-Tax Operating Cash Flow was at negative Rs. 1.05 Crs for Q2FY23 vs positive Rs. 27.72 Crs for Q1FY23

Investor Conference Call Highlights

1. The company launched its first premium house project in Pune named Ashiana Malhar in Marunji and achieved 80 bookings till September 2022.
2. Phase 3 of Ashiana Anmol was also launched in the quarter and 106 bookings were achieved in the quarter.
3. The value of the area booked went up to Rs.240.19 Crores versus 152.14 Crores in the first quarter.
4. The company saw an improvement in realization price at Rs.4,904 per square foot in the second quarter as compared to Rs.4,557 per square foot in the first quarter of FY 2022-23 which was driven by increasing prices across projects and change in mix towards higher price projects.
5. The company handed over 2.07 lakh square feet in the second quarter out of which 1.63 lakh square feet were delivered in Shubham Phase 3.
6. The management believes that the market in Gurgaon should remain good for a while.
7. The response to the Pune project is not as good as Gurgaon's due to high competition.
8. The company is looking to launch another 1.5 million square feet in the second half of this financial year.

9. The management states that the company is on track to get to Rs.1,100 Crores of area booked this year.
10. The management states that except Malhar & Anmol (which are low-margin projects), all the other projects have sufficient margins & prices can be increased in line with an increase in construction costs.
11. The company is confident of delivering Ashiana Sehar and Ashiana Aditya Phase 1 in the current financial year.
12. The company's term sheet for developing senior living in Noida fell through because it found the market frothy in terms of land prices and challenging regulatory scenarios.
13. The operating cash flow was negative due to collections being offset by high construction costs & marketing spending.
14. The company tries to maintain gross margins of 30% in each of its projects.
15. The management continues to target a 15% economic ROE.
16. The company has a land inventory of 5-7 years if it keeps working at the same pace.
17. The company got a great response for Ashiana Amarah in Gurgaon, & seeing the pace of selling, management believes that real estate investors are back in the Gurgaon region.

Analyst's Views

Ashiana Housing is a unique presence in the Indian real estate industry. The company has seen a decent recovery with sales growth of 50% YoY. But the projects are going ahead in time and the management expects a good response to the upcoming projects in the future. The company launched Ashiana Amarah & received a great response with all the projects getting sold out on day 1 itself. It remains to be seen how long will it take for the company to recover and come back to pre-covid levels of performance and what impact will the rising inflation have on the real estate sector and Ashiana. 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.

IRCTC Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	831.8	421.0	97.57%	877.0	-5.16%	1,952	862	126.58%
PBT	307.5	213.7	43.89%	329.3	-6.63%	890	258	245.43%
PAT	226.0	158.6	42.54%	245.5	-7.93%	664	187	254.87%

Detailed Results:

1. The company's revenue grew by 97% YoY and profits grew by 42% YoY.
2. On the QoQ basis, the Q2 was muted due to seasonality effects - low tourism in the quarter.
3. EBITDA margin is 37.8%, 20 bps improvement QoQ.
4. Revenue decline is driven by reclined in Catering business
5. Internet Ticketing segment
    a. Revenue of 300 crore, 13.2% growth YoY
    b. EBITDA margin of 84.2% versus 84.5% QoQ and 83.1% YoY
6. Catering segment
    . Revenue of 334 crore down by 5% QoQ, YoY it grew 4.7 times.
    a. EBITDA margin of 10.6% versus 12% QoQ
    b. Decrease in revenue is due to less passangers travel during Q2.
7. Rail Neer
    . Revenue of 72.1 crores, decline of 13.2% QoQ and growth f 75% YoY
    a. EBITDA margin of 7.5% versus 11% QoQ and 6.8% YoY
8. Tourism segment
    . Revenue of 99.1 crores, decline of 13.9% QoQ and growth of 2.6 times YoY
    a. Loss in EBITDA due to less passenger travel in Tejas.
9. Cash and bank balance is 1900 crore
10. H1 profits for Tejas is 9.3 crores. Occupancy in Tejas was low in last 2 months, but in october it has gone up.

Investor Conference Call Highlights

1. The sleeper class has contributed to 46% and 2As has been nearly 13%, average for, July, August, September. In this quarter, the overall percentage ticketing has been almost 82% instead of 81%, it is 81.93%.
2. The number of ticket booked in the entire quarter has been INR 10.69 crores.Average is nearly INR 3.5 crores in each month. Revenue received in this particular quarter from the Ticketing Segment, convenience fee, is 200.32 crores.
3. In 450 trains the company has a pentry cars. And vending, where there is no pantry car, they are now 715 trains are there, where IRCTC has been able to place the contract. And nearly for the 200 more trains but tender is in the pipeline which is going to be finalized within a week or so.
4. The management stated September is considered as a lean period, October is a festival period. All festivals in the Eastern India, Northern India and the Western of India fallen in this period. So the company is going to have a good number.
5. Earlier the company used to have nearly 36 to 37 – 39% of the 2S booking. But as now it has now reduced to 13%. But the overall earning in the convenience fee in that segment has remained the same. Revenue from the convenience fee has been compensated by the volume gains of the festival booking, which is going to happen for the 120 days before.
6. The management stated margins in the Rail Neer has been impacted because petroleum prices have gone up. So the company can only gain by volume.
7. The management stated in Catering business, our margins are more or less same. The company is going to have a long-term contract -- five years instead of short term contracts, there will be more margins. All tender of the TSG trains are gradually in the pipeline, 700 awarded, 200 in the pipeline…
8. The company has already opened Una plant and Simhadri plant for Rail neer, all licensing work has been done. And the first two bottles have been produced. The company is just refining the quality of the water over there. Once the quality of the water is settled, and because this is a unique kind of a plant where it is making water from steam, so it is an association with the NTPC Simhadri.
9. IRCTC capacity is to produce 15.52 lakh bottles a day. And other plants, Bhusawal, Bhubaneswar are going to be live this year. With this, there would be further adding two capacity of 1.44 lakh bottles. So that is going to be making capacity near 17.5 lakh bottle a day. And by the end of '23 or the beginning of the very next fiscal, other two plants will also be there in final commissioning stage. So achievement of 18.4 lakh bottles a day would be achieved in the beginning of the next financial year.
10. Ticketing fee revenue in H1 is 601 crores, 67% of is from the convenience fee and 32% is from non-convenience fee.
11. 13% of total revenue is coming from the agent business and iPay is contributing 6% of the total revenue.
12. IRCTC has tied up with the Karnataka State Tourism, for operating their train. The company is also going to have a tie up with the other state government for operating their train
13. The management stated in Tourism, 7% to 8% margin is working in this segment as competition is high
14. In the hotel, the company is going to bring an aggregator, the moment it get an aggregator, hotel bookings are going to rise. And in the bus IRCTC is doing pretty fine, up to October rather, did a

revenue of nearly INR 10 crores in the bus alone up to in this financial year and where have covered 22 states and state transport also tied up individually with eight transport also.

15. The management stated October to March is a season of travel. So luxury tourism also for Maharaja is on the track and is still running. Golden Chariot will start its first operation on 20th of November. And all other Deluxe train is going to be on the track very soon because things are now improving. They are also going to operate, revive our Baddish sector very soon.
16. Air ticketing segment booked, in the month of July, August and September, the company had booked around 1,29,000, 1,39,000, and 1,68,000 segments respectively. And the company has also increased convenience fee from INR 50 to INR 100. So income from booking gross booking amount has particularly been more and INR 5 crores revenue, is registered from this particular segment. It is a pure revenue commission.
17. Occupancy level in this particular financial year for the Ahmedabad Tejas is nearly 83% and Lucknow Tejas is nearly 73%, 73.9% or 74%. And overall revenue from both the Tejas up to September '22 is INR 74 crores.
18. On the catering segment, the revised pricing advantage may see only in Q4.
19. The management stated for Rail neer, capacity utilization for Q2 was 75%, in summer it was 90%. Coming winter is generally not a good months for Rail neer as requirement goes less.
20. INR 250 crores CAPEX, for acquiring new office.
21. If IRCTC has to make any changes to the pricing or to the content of Rail neer or Catering segment, it has to take approval of the Ministry of Railways.
22. On the bookings from third party website, IRCTC charge extra 12 rs per ticket. Around 20% bookings come from third party websites.
23. 33% of total bookings is UPI bookings.

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 97% YoY and its business model has once again proven its resilient nature to scale up. The Q2 was lean quarter in nature, all the festival season and travel peak comes in October to December, hence we may see healthy Q3 numbers. 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 Q2FY23

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.

Quarterly Performance											
ISGEC HEAVY ENGINEERING LTD											
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**1,071**	**1,345**	**1,392**	**1,618**	**1,132**	**1,376**	**1,396**	**1,596**	**1,247**	**1,513**	**5,751**
% Growth YOY					*6%*	*2%*	*0%*	*-1%*	*10%*	*10%*	
Expenses	979	1,204	1,292	1,496	1,080	1,330	1,289	1,490	1,175	1,422	**5,375**
EBITDA	**92**	**140**	**101**	**122**	**51**	**46**	**107**	**107**	**72**	**91**	**376**
Depreciation	27	26	26	22	24	24	26	27	25	26	**104**
EBIT	65	114	75	100	27	22	81	79	46	65	**272**
EBIT Margin	*6%*	*8%*	*5%*	*6%*	*2%*	*2%*	*6%*	*5%*	*4%*	*4%*	
Interest	13	14	9	14	11	12	11	32	20	18	**81**
Other Income	4	7	31	10	2	3	7	1	4	3	**14**
Profit before tax	**57**	**107**	**97**	**96**	**18**	**14**	**78**	**48**	**30**	**49**	**205**
PBT Margin	*5%*	*8%*	*7%*	*6%*	*2%*	*1%*	*6%*	*3%*	*2%*	*3%*	
% Growth YOY					*-68%*	*-87%*	*-19%*	*-49%*	*64%*	*260%*	
Tax	15	29	32	27	5	4	26	9	12	21	**68**
Net profit	**41**	**77**	**66**	**63**	**14**	**11**	**47**	**38**	**18**	**30**	**132**
% Growth YOY					*-67%*	*-86%*	*-29%*	*-41%*	*31%*	*181%*	

Detailed Results:

1) The consolidated sales for Q2 stood at 1515 Cr with EBITDA at 93 Cr and EBITDA margins at 6.2% vs 3.6% the previous year.
2) The PAT for Q2 stood at 285 Cr vs 101 Cr the previous year. PAT margin stood at 1.9% vs 0.7% the previous year.
3) On an overall basis, the diversified consolidated revenue contributors for the quarter were :-
   1) Manufacturing :- 29%
   2) EPC :- 58%
   3) Sugar and Ethanol :- 13%
4) As of 30th September 2022, the order book stood at 776.2 Cr with composition of :-
   1) Refineries – 27%
   2) Power – 26%
   3) Steel Cement & Aluminium – 14%
   4) Sugar – 12%
   5) Chemicals/Petrochemicals & Fertilizers – 7%

6) Railways – 3%
7) Others – 11%

5) Consolidated order book composition is also split-up into :-
   1) Sector Wise :-
      (1) PSU & Government – 57%
      (2) Private – 43%
   2) Geography Wise :-
      (1) Exports – 11%
      (2) Domestic – 89%
   3) Segment Wise –
      (1) Projects – 23%
      (2) Manufacturing – 77%
6) The diversification across geographies was with a presence in 91 countries across 6 continents. Exports for FY22 contributed 10% of revenue with 11% of order book. Exports are expected to pick up as travel opens up.
7) Segmental EBIT margins Financial Highlights for Q2 :-
   1) Manufacturing – 8.6%
   2) EPC – 4%
   3) Sugar – 9%
8) Highlights of New Orders booked in Q2 :-
   1) 2 Wet Flue Gas Desulphurisation System for leading power company
   2) Order for Gas Boilers from a leading gas company
   3) Order for Dry Sorbent Injection Package from State Run Power generation company
   4) Cement Waste heat recovery boilers from some of the major cement companies
   5) Reactor Purge Bin for a gas company
   6) Ethanol Plant for a sugar and agro product company based out of South India

Investor Conference Call Highlights:

1) The standalone result profitability is closer to normal both for the manufacturing and the EPC segment, results are also contributed by dividends from subsidiary companies.
2) The management states that the consolidated results the profitability is better because of better profits in ISGEC Heavy Engineering Limited and profit with Eagle Press & Equipment Company Limited.

3) Of the consolidated order book 77% is for project business and 23% for project businesses as on 30th Sept 2022.
4) The order book includes Rs. 832 crores for export orders which is about 11%. The overall demand trend is encouraging as the inquiry position continues to be good, export inquiries have picked up. Mostly South East Asia, Africa and Central America.
5) The order book for ISGEC Hitachi Zosen is INR 801 crores of orders as on 30th June, 2022. As per the management, the performance of Isgec Hitachi Zosen for the Quarter 2 was not very good because the amount of billing done was less, however the production was good.
6) The revenue is recognized on the sale of goods basis at Isgec Hitachi Zosen. And equipment was not listed- the shipment was in the buyer's port but the buyer was not ready for the shipment.
7) Of the total order book 44% is coming from the PSU sector, largely central PSUs and two orders from state PSUs. While there are no issues in collecting receivables which are due, most of PSU sector orders are for a longer duration and have payment terms which are linked to milestones. The management is looking at shorter duration orders and better cash flows.
8) Moreover, many PSU orders have price variation clauses which permit variations for changes in steel price based on the index, cement price, labor index and fuel. Some of them also have further variations allowed for copper, nickel and aluminum. The company is able to pass on only about 40%, 50% of the price variation (increase as well as decrease).
9) All the private sectors and export orders are at fixed price.
10) The consolidated debt is Rs. 1,177 crores as of 30th of September across all the group companies.
11) In terms of term loans, about Rs. 100 crores of term loans are for the Saraswati Sugar Mills which is for the ethanol plant that was established in December last year and Eagle Press has term loan outstanding of about Rs. 30 crores. The other term loan is for the Cavite Biofuel Philippine plant. The rest of the borrowing is working capital borrowing.
12) The construction at the Cavite Biofuel Ethanol plant in the Philippine has started and is expected to be completed by July 2023. The company is working on developing the feedstock and preparation for running the plant from August 2023. There is a quarterly cost about Rs. 8-9 crores per quarter which is largely for salaries. This quarter there was a large payment for insurance of the plant also and there has been some impact of the currency depreciation between peso, dollar, and rupee, according to the management.
13) The capex to complete the plant is Rs. 180 crores and is being borrowed on loan in Philippines.
14) The annual ethanol production capacity is about 42 million liters and so the expected revenue from the sale of ethanol biproducts is about Rs. 320 crores a year. But the price is fixed by the Philippine government, and they take into account the price of molasses and the price of sugar cane and based on that the price of ethanol changes every 15 days.
15) The plant can run both on sugarcane and on molasses. The management expects after about three years, the plant to run 210 days on sugarcane and 120 days on molasses.
16) Going forward the margins are expected to continue to improve because the raw material prices are stabilized, for manufacturing segment 8%-9% is sustainable, EPC segment 5%-6% is sustainable.

17) Philippines plant construction has started, and the company is on schedule to meet the target date. It is expected to be completed by July 23, and expected to start operations Aug 23.
18) There is a quarterly cost about Rs. 8-9 crores per quarter which is largely for salaries. This quarter there was a large payment for insurance of the plant also and there has been some impact of the currency depreciation between peso, dollar, and rupee.
19) The capacity of the Ethanol distillery will be increased from 100 KLPD to 150 KLPD with a capex of Rs. 12.5 crores for the 50 KLPD expansion. It is a work in progress; and will get operational sometime by the end of January 2023.
20) The capex & demand cycle sentiment is slowly turning to positive.. Power sector is seeing increasing demand while automobile is still slagging.
21) There are lot of uncertainties because of the Ukraine war and demand in Europe almost finishing and there are expected recessionary conditions in Europe and North America.
22) The management clarifies, "we will be going to 150 and we will be reducing the number of days the distillery will run which will give us efficiencies in operations and will pay back. However, if our distillery can use various raw materials and if it is found to be economical depending on the sugar price and ethanol price we could extend the season, but as of now if this is more for operational efficiency and to reduce the cost of production of unit of ethanol."
23) The management states that they are targeting an increase in the manufacturing turnover by 15%, while projects business is certainly expected to have positive single digit growth.
24) The execution timeline for FGD is typically 36 to 50 months. The execution timeline for equipment for refineries and petrochemical can vary: if it is ISGEC it is normally anywhere between 10 to 14 months while if it is a joint venture with Hitachi Zosen it could go up to 21 months. Sugar plants and ethanol plants are normally anywhere between 12 months to 14 months and on the process side generally the cycle times are lower.

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 11% 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 Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	820.51	468.56	75.11%	671.21	22.24%	2085.6	1111.7	87.60%
PBT	81.19	37.84	114.56%	53.48	51.81%	213.9	96.6	121.43%
PAT	64.08	26.67	140.27%	53.48	19.82%	49.5	25.4	94.88%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	882.74	539	63.77%	735.35	20.04%	2369.5	1330.4	78.10%
PBT	65.78	46.77	40.65%	54.23	21.30%	204.88	113.1	81.15%
PAT	48.13	33.34	44.36%	41.26	16.65%	150.25	81	85.49%

Detailed Results:

1. The company witnessed healthy revenue growth of 68% YoY in consolidated terms in Q2.
2. Profit of the company increased by 44% YoY in consolidated terms.
3. Export revenues accounted for 17% of Q2FY23.
4. Revenue breakup
   Bio-energy - 74.7%
   Engineering - 19.5%
   PHS business - 5.7%
5. The order intake during the quarter was Rs. 981 crores, with 92.8% from the domestic market.
   Breakup of the total order intake:
   Bio-energy - 85.1%
   Engineering - 10.8%
   PHS business - 4.1%

6. The order backlog as of September 2022 is at Rs. 3346 crores comprising of 87.5% of domestic orders. Cash in hand as on Sept 30, 2022, is Rs. 514 Crores.

Investor Conference Call Highlights

1. Management states that India's EBP 20 program is marching ahead of its target. Biofuels are having an increasingly important role to play as they address a multitude of issues across the economic, social, and environmental spectrum.
2. The introduction of flex-fuel vehicles, ethanol-driven power generators, diesel blending programs, etc. are likely to drive future demand beyond EBP 20.
3. In the 2021-22 sugar marketing year, India exported 11.2 million tons of sugar indicating that India has enough sugary feedstock for sustainable ethanol production
4. The availability of starchy and cellulosic feedstock will ensure India can address higher ethanol demand in near future.
5. The US Government passed the Inflation Reduction Act (IRA) which has significant provisions to support the advancement of biofuels across different modes of mobility. As a result of this low-carbon ethanol is likely to emerge as an interesting business opportunity.
6. With the announcement of blending mandates in Canada & Mexico, the company's market development activities are finding good traction to lead generation.
7. The company's first project in Brazil is on schedule for commissioning at the end of this year.
8. During trials at a few select plants in Brazil, the company has successfully demonstrated the performance of its PE solutions.
9. On the 2G front, Praj's plant at IOCL Panipat was unveiled by the Prime Minister in Aug 22. This plant will benefit more than 1,00,000 farmers and shall create1500 jobs for rural youth.
10. 2G ethanol has a higher potential to displace GHG emissions than 1G. This plant will eliminate around 3,20,000 metric tons of CO2 every year, equivalent to replacing 63,000 cars on road annually. 2G plant will address the serious concerns arising due to Stubble burning.
11. Management states on the international front, discussions are progressing favorably for establishing 2G plants in Europe. Russia Ukraine war and Energy Crisis in Europe will further propel the need for 2G ethanol which is the most sustainable fuel alternative.
12. The company's R&D is working on a program to find an optimal solution for addressing the need of customers who are seeking solutions for different varieties of agricultural residues.
13. On the CPES front, the energy transition phenomena is driving development of blue & green hydrogen projects along the globe, creating interesting business opportunities for this business.
14. The company's ability to Modularize engineering solutions across the technology platforms is helping it to create a significant competitive advantage.
15. Praj's additional capacity at Kandla is now fully operational and they are exploring further capacity enhancement.
16. On the brewery front, management stated the beer consumption levels have crossed the pre-pandemic levels and the company is experiencing a healthy flow of inquiries from India as well as Africa. The new capacity formation is expected to catch speed in the latter part of FY23.
17. The company's Zero Liquid Discharge business sees good business potential mainly from the private sector and management expects few important contracts likely to conclude in H2 of FY 23.
18. On PHS business front, management states their strategy of focusing on High-Capacity fermenters space is receiving a positive response from customers

19. On the RCM front, Praj has entered into an MoU with ICT to establish a Center Of Excellence & Innovation (COEI) for Biopolymers. This center will undertake research, promote the academic pursuit, and explore developing biodegradable plastic.
20. Management states that payable days have been reduced mostly due to early payments for cash discounts.
21. Management states that lower margins are mainly contributed by a lower share of exports. Previously exports used to have a share of 25%-30% which is not the case due to faster domestic market growth.

22. Domestic sales have given the EPC component it is not on the A and B components but the C component also plays a role there. And that component naturally carries little margin as compared to the supply component.
23. In the last call, the management mentioned that 1,000 crores liter ethanol capacity expansion will be needed; they are done with 500 crores currently.
24. The management states that currently, 20% ethanol blending is in place for all road vehicles that run on petrol. The first flex-fuel vehicle also has strong hybrid connections which they believe is the ideal solution for India. It was also launched recently by an auto company. Flex fuel vehicles will drive demand as they will no longer be limited to 20% and can go all the way up to 85%.
25. Management states that railways and vehicle automotives under mobile diesel engines can be another business opportunity by an application of ethanol in the engines.
26. So several avenues will open based on application and telecom towers, there are many, many of those which are currently running on diesel, but they can very sustainably shift to ethanol, and one is the EBP-20 program, but all of these will also start to drive, is an opportunity even bigger in size.
27. The management stated the bigger opportunity is going to be the lignocellulosic feedstocks, which is why they are so positively looking forward to commissioning and handing over the IOCL project.
28. On the CBG front, management stated they have started seeing some activities developing due to the recent supportive policy by the UP government. Supply chains have local issues, depending on location, financing wise everything is placed.
29. Management stated they are trying to get orders from the international market in H2 to get improved on the margin side.
30. Average execution period for an outstanding order book is 12 to 15 months stated by the management.
31. Company is having more than 66% market share.
32. The management stated the existing capacity, which has in-house and outsourced both are good enough to take care of the current order book. The expansion of the existing Kandla facility was for export business.

Analyst's View

Praj is one of the global market leaders in the bio-based technologies and engineering space. The company is witnessing good revenue and profit growth, order book on hand, and margin pressure due to RM volatility and revenue mix. It is seeing a drastic rise in starchy feedstock orders which would reduce the dependence on sugar for making ethanol and also reduce the seasonality from Praj's revenues. The management has stated that the 2G ethanol technology is now IRR positive and it should become commercially viable soon. Ethanol-blended diesel is also now up to BSIV norms and should become commercially viable once it can meet BSVI norms. The management expects the CBG or biogas opportunity to be at Rs 5000 Cr but gasification at the plant level remains a challenge for the industry. 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. 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 Q2FY23

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	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**2,167**	**2,158**	**2,358**	**2,445**	**2,379**	**2,431**	**2,601**	**2,648**	**2,678**	**2,768**	**10,695**
% Growth YOY					*10%*	*13%*	*10%*	*8%*	*13%*	*14%*	
Expenses	2,046	2,028	2,211	2,322	2,259	2,309	2,471	2,524	2,557	2,658	**10,210**
EBITDA	**121**	**130**	**147**	**123**	**121**	**122**	**129**	**124**	**121**	**110**	**484**
Depreciation	29	28	28	29	27	26	28	30	29	33	**120**
EBIT	92	101	119	95	94	96	101	95	92	77	**364**
EBIT Margin	*4%*	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	*3%*	
Interest	37	33	29	28	25	25	25	25	25	28	**101**
Other Income	23	67	38	74	12	8	28	9	7	10	**54**
Profit before tax	**78**	**135**	**129**	**141**	**81**	**80**	**104**	**79**	**75**	**59**	**318**
PBT Margin	*4%*	*6%*	*5%*	*6%*	*3%*	*3%*	*4%*	*3%*	*3%*	*2%*	
% Growth YOY					*4%*	*-41%*	*-19%*	*-44%*	*-8%*	*-25%*	
Tax	20	27	30	39	21	11	4	-18	-8	-8	**-30**
Net profit	**57**	**108**	**99**	**102**	**59**	**68**	**101**	**97**	**82**	**67**	**347**
% Growth YOY					*4%*	*-37%*	*2%*	*-5%*	*39%*	*-1%*	

Detailed Results:

1. Consolidated sales grew by 14% YoY & 3.3% QoQ whereas PAT remained flat.
2. India business revenue posted organic growth of 21.7% YoY and 8.8% QoQ, Facility Management Solutions business revenue grew by 40.1% YoY and 10.1% QoQ organically, and Cash Logistics Solutions revenue grew by 41.5% YoY and 4.2% QoQ.
3. EBIDTA margins for the quarter were 4%.
4. OCF to EBIDTA was -27.8%
5. Net debt to EBITDA was at 1.7 times in Q2.
6. EBITDA for the quarter saw a 10.8% decline YoY.
7. Return on Equity for the period is 18%.
8. The Contribution towards group revenues & EBIDTA -

I. Security solutions India – 41.6% & 46.5% (EBIDTA% @4.4%)
II. Security solutions International – 42% & 34.5% (EBIDTA% @ 3.3%)
III. Facility management solutions – 17% & 19% (EBIDTA% @ 4.4%)
IV. Cash logistics EBIDTA% @ 17.2%

Investor Conference Call Highlights:

1. The management states that international biz margins were depressed due to reversion back to pre covid levels coupled with an unusually high minimum wage increase of 4.6% in Australia.. However,

this impact is a temporary phenomenon as the wage increase gets passed on to clients with a time lag.

2. The management further explains that this large wage hike is actually better for the company as it will help boost absolute revenues and earnings when it gets passed out to the client.
3. The company is experiencing a sharp growth in facility management biz posts covid due to increased awareness of sanitation & hygiene.
4. The margins in the facility management division were lower in the current quarter due to the onboarding of new clients which involves incurring upfront startup costs. The company expects the margins to revert back to 6% EBIDTA post 2-3 quarters from current levels of 4.5%.
5. The management states that the opening up of the aviation sector in Australia for private security will be a mega opportunity for the company. It is currently waiting for the regulations to be clarified and additional roles beyond just boarding pass checking to be handed over to private securities before making a formal entry into this segment.
6. The management explains that SDS is a strategic acquisition where the company is involved in higher-end services like paramedics and other such health and safety-related services, which are in high demand now in evolved markets like Australia. The company currently has EBIDTA margins of 5% & the management expects this to increase post-integration with SIS.
7. In terms of valuations, SDS was acquired at less than 5 times EV/EBIDTA & is currently profitable.
8. The company expects that in the Australian division, the new development of a 4.6% wage hike and incremental price hike on select customers, which are relatively lower margins will more than adequately cover up for the revenue gap, which exit of COVID-related contracts have resulted.
9. The management states that the company has a very sticky business where the majority of the contract is long-term in nature & gets rolled over ensuring a consistent annuity-like revenue stream.
10. The company internally targets OCF/EBIDTA of 50%, ROE of 20% & revenue growth of 20%.
11. The company has Rs.20 Crs software & development asset which is used to provide more visibility in terms of cost structure, site profit structure & aid decision-making.
12. The management believes that the Indian market will see a wage hike in the coming period due to subdued wage hikes during the covid period, which will affect one quarter negatively but then increase the revenues & earnings positively & also lead to value migration towards organized segments.
13. The management states that man-tech solutions are a high-margin business for the company where there is no requirement for manpower. Tender-based contracts have double-digit EBIDTA while negotiated direct contracts have mid-high teen EBIDTA.
14. The company's Hendersen acquisition failed as Covid disrupted its post-acquisition integration plans coupled with the loss of contracts leading to losses. However, the company has 27 million dollars in its purse (which was received from Govt. of Singapore) to rebuild the biz.

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 14% YoY while profit was almost flat. The management states that it was mainly due to start-up costs undertaken in Q2. 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 Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	274	206	33.33%	278	-1.55%	761	453	67.99%
PBT	8	5	65.96%	16	-50.00%	36	-90	-
PAT	6	4	59.55%	11	-50.39%	-22	-70	-
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	312	229	36.07%	318	-1.83%	861	507	69.82%
PBT	10	4	134.88%	21	-51.44%	-32	-112	-
PAT	8	3	125.45%	16	-52.94%	-26	-90	-

Detailed Results:

1. The company had a good quarter with revenue growth of 36% and profits growth of 125% YoY on the consolidated basis.
2. QoQ performance looks muted, with revenue and profits falling by 2% and 53% respectively.
3. Added 10 new stores during the quarter taking the total store count to 205 stores. Out of these 10 restaurants, 7 were added in metro and Tier 1 markets and 3 were added in Tier 2 cities.
4. Of 205, Barbeque Nation India network has 186 restaurants, Toscano has 13 restaurants and the international portfolio includes 6 restaurants.
5. Same-store sales growth of 23.4%.
6. Dine-in business has grown by 61% on a year-on-year basis. Dine-in business growth was partially offset by a 23% year-on-year decline in delivery revenues.

7. Gross margins improved by over 40 basis points during the quarter as compared to the previous year and dropped by 70 basis points as compared to the previous quarter
8. The reported EBITDA margin was 19.3% as compared to the reported EBITDA margin of 22.6% in the same quarter of the previous year. Core EBITDA growth of 39.1% versus the previous year.
9. The share of box business has declined and the share of a-la-carte orders have increased
10. Barbeque India's revenue grew year-on-year by 38%. Revenue from Toscano's business doubled compared to the same period last year. And international business recorded year-on-year revenue growth of 28%.
11. The consolidated gross margin for the quarter was 66.1% compared to 65.6% in Q2 FY22.
12. On a sequential basis, gross margin declined by 70 bps, largely led by input cost inflation.
13. Net cash flow from operating activities of INR 135 crores during first half of this fiscal year.
14. Overall app downloads increased to around 5.1 million and the share of Barbeque Nation India revenue from its own digital assets has gone to around 28.7% in Q2 FY23.
15. In H1 basis, international businesses at a corporate level delivered 18% pre-Ind AS margin.

Investor Conference Call Highlights

1. The management remains confident of achieving the guidance of 40 stores for FY23, this should include 33 to 35 Barbeque Nation restaurants in India, around 4 to 5 Toscano restaurants, and 1 to 2 Barbeque Nation in the international business, again, primarily the Middle East.
2. The company has around 16 restaurants under construction and an equally strong pipeline of sites under evaluation.
3. While delivery business volumes have increased on a year-on-year basis, average order values (AOV) have come down due to the change in product mix.
4. The management stated the Biryani brand 'Dum Safar' was launched during the second half of the quarter across 25 locations. The initial response to this product has been very encouraging and the company plans to launch Dum Safar across all restaurants in a phased manner by the end of FY23. As on September, it is in around 25 outlets. As on October, in around 42 outlets. By end of December, the company will try and go to around 75 and try to be in all the outlets by end of this financial year.
5. The management are seeing a moderation in some of the input costs and believe that the gross margins should marginally expand during the second half of the year.
6. The management stated after a few quarters of sequential decline in delivery, they are seeing an uptick in overall daily delivery sales and believe that going forward, the delivery business would start contributing to overall growth.
7. The company has also not taken any structural price hikes during the quarter, which improved operating efficiencies and enabled the company to manage gross margins better.
8. As the company enters a seasonally stronger second half of the business, the management remains confident of delivering the average annualized revenue of INR 7 crores per restaurant with around 21% restaurant operating margin in a mature portfolio. The drag should not be more than 1% point.
9. The matured portfolio delivered 6.67 crore revenue per store with an operating margin of 19.2% in Q2.
10. The management stated for the 40 restaurants that the company is opening up, CAPEX for maintenance, and some towards the Biryani project, there will be approximately INR 135 crores of CAPEX in this financial year. And based on the growth plan for next year and assuming that it

remains at between say, 40 to 45 restaurants next year also, the CAPEX would be anywhere between INR 135 to INR 150 crore.

11. The management stated in long term, the company will be at an AOV of between INR 500 to 550 and then focus on growing the transaction volumes in the delivery business.
12. The management stated original INR 50 crores to INR 55 crores per quarter run rate on delivery is achievable from Q1FY24.
13. The management stated almost 25% of the company's portfolio is less than one year old. That too in a seasonally weaker quarter and also the portfolio is more skewed towards metro markets, where the initial losses are slightly more than Tier 2 / Tier 3 sites. And that's why once this portfolio of 40 restaurants sort of goes through their initial cycle of two years, this will start delivering the same return as the mature portfolio.
14. The management stated for the new store, 0 to 6 months typically flattish or very low single-digit margins. For the entire first year, they would look at around 7% to 8% margins. Second year, they look at store margins of around 14%-15% and third year it will come to around 21%.
15. In value terms one box business is equal to 1.5 a-la-carte order.
16. Menu re-engineering, delivery rating, and managing delivery from the same restaurant in an efficient manner are the kind of strengths that the company building around delivery business.
17. The management stated between last year, the second quarter, and this second quarter, pricing would have gone up by around 7- 8%. This quarter, the company has not taken any price hikes. Did around 4.5% price hike in Q1. The company is not planning to do any incremental price hikes in the second half.
18. The management stated festive season is not really good for them as their major business is non-veg, hence October was leaner for them, and they expect the kick-in demand in December.
19. On the meat front, the management stated there's one commodity, which is fish, which is largely imported. That pricing was higher in Q2 as compared to Q1. Also across other businesses, for example, International business, gross margin was down by around 1.5%. In Middle East business, largely most of the items are imported, and there were some input cost hikes. Similarly, in the Toscano business, there was some marginal increase in the cost. So the gross margin declined between, Q1 and Q2, across all three verticals. The impact was lowest for Barbeque India and pretty much highest for international. The new shipment that the company got in the month of September is at lower pricing. So that gives some confidence in the H2 margin.
20. The company has only opened two stores of Toscano this year. And they hope to do two more. One is under construction and one more will go in the construction in the next few days.
21. The management stated in terms of stores opening for International business, the company is only doing it from the profit that it is getting from that business. So this year may be one happening and maybe two more in the subsequent year.
22. Comparing revenue from the dine-in business pre-COVID same quarter, on the same matured portfolio, it is pretty much the same today. It's flat. So price hikes have offset some of the lower footfalls.
23. Rent paid in Q2 is 62 crores, 10% of the topline.
24. The management stated pricing in some of the markets like Bombay Delhi, Bangalore, is different than what the company charge in some of the other locations. Pricing can be different within the same city also.
25. Same-store sales growth of around 5-7% CAGR over three years, with almost two years of COVID, around 10% of this came from delivery and the balance came from the pricing.
26. The management's hope is that volumes will come back as IT further opens up and our corporate business moves up.

27. The management stated when they launched it in late 2018, the business was contributing hardly INR 40 lakhs per month. And they are excited about that business being approximately INR 200 crores, soon.
28. On the cloud kitchen front, the management stated first, they have to fix the ADS growth in our existing outlet and bring it to a point that it at least does not bleed money in extension kitchens. Once it's reached that point, adding cloud kitchens is not a big problem for. These are 600 sq. feet of outlets this can be done quickly. And that they will do once delivery ADS sort of comes back.
29. The management stated in a normal year, the Q3 ADS is 12-15% higher compared to the Q2 ADS in terms of total sales. Per store basis, this should be around 10% higher.

Analyst's View

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 5.1 million cumulative downloads. The company has opened up 10 new units in Q2FY23 and 21 in H1 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) Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	376	250	50.56%	347	8.42%	964	523	84.39%
PBT	-13	-20	34.65%	-23	41.85%	-93	-174	46.58%
PAT	-13	-20	34.65%	-23	41.85%	-93	-174	46.58%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	535	362	47.86%	502	6.61%	1,513	1,038	45.73%
PBT	-55	-62	11.72%	-51	-8.27%	-235	-282	16.63%
PAT	-55	-62	11.72%	-51	-8.27%	-235	-282	16.63%

Detailed Results:

1. The company's revenue grew by 48% YoY on the consolidated basis.
2. Revenue growth in H1 is 78.4% over last year
3. ADS growth for Indian business is 6%
4. SSSG was 27% positive and half yearly, it was 32% over the last year
5. Gross profit maintained a 66.4% gross profit
6. Gross profit in H1 was 66.4% against 65.3% last year, 110 basis point improvement
7. The company build total 18 new restaurants in the quarter. Net growth is 6 restaurants
8. The company has 33 restaurants in pipeline that are in construction. Has another 60 that are ready to go into the construction.
9. Added 94 Cafes, totalling to 180 Cafes
10. Revenue growth of 33% quarter-on-quarter on BK app
11. 4.7 million app installs, which is again, 26% growth over the last quarter.
12. Liquidity stands at INR 0.60 crores.
13. Opened 31 stores in H1 compared to 9 stores in H1 last year.

14. Delivery is at 43% and dine-in is 57%
15. ADS move from INR 1.2 lakhs to INR 1.27 lakhs, total 9% growth. ADS has improved over the last 3 quarters from 1.04 lakhs to 1.20 lakhs to 1.27 lakhs.
16. Digital traffic saw almost 20% improvement in the pre-to-post campaign periods.
17. Store level EBITDA moved up to 8.2%.
18. The Stunner menu volumes grow by 50% ever since the company launched the offering.
19. Indonesia
    a. Revenue of INR 156.7 crores, this is a 2.9% over the Q1 numbers INR 152.3 crores.
    b. Average daily sales still remain in the region of around 98,000

Investor Conference Call Highlights

1. Basically, two things the company is doing in Indonesia.
    a. The first one is menu architecture. The company has aligned the menu architecture like it build in all markets with a very strong entry level like in India, the company has a stunner menu, which is about INR 50 that the company advertise which is to draw and build traffic into the business. The company has a similar parallel developed for Indonesia. It is called the goto menu. Moreover, the company has built a beautiful laddered menu as it do here in India and then a premium menu on the other side
    b. The company shifted to moving into building restaurants, freestanding restaurants with drive-through
2. The management stated the work on product development on Popeyes is complete. The company has finished testing the products. The company started construction on a couple of sites. It is planning to open about 5 sites before the end of this fiscal year.
3. The company opened 94 cafes this quarter, the company is confident to give 250 cafes by end of this year, by which time will have 390 Burger Kings.
4. The target is 470 stores for FY24 or FY25
5. The management given the target to get to 67% gross margin for the year and taking it to 68% the year after.
6. Despite the headwinds like delivery mix has reduced in favor of dine in and input cost inflation, BK has been able to improve gross margin by 100 bps. The management gave the reason that the company has a standard menu, which is up to INR 50, then it has a classic menu anything between INR 51 to INR 100, and then Whopper, INR 101 to INR 150, and then the Kings collection at INR 150 to INR 200. The company's ability to first acquire a customer at a standard level and then keep migrating them across classic, Whopper and Kings collection is something which is playing out to advantage.
7. The company open its stores within clusters. The company repeated this in the past that 70% of all new stores opened in the same city. So the delivery truck which delivers the good to other stores also deliver to new stores, hence a leverage comes by way of distribution cost.
8. The management stated reason for the same EBITDA margin despite of improved ADS

. As the company open more stores, more cafes, they need to record training expense, which has kick in due to high number of stores. People cost is 150 bps higher.

a. The early morning breakfast where the store opens at 7 am, will start kicking with the time passes, hence ADS will improve with the lag.

9. The management stated as ADS keep growing, there is a disproportionate operating leverage that kicks in. One, gross margin; two, rent; three, people cost per utility. All of this next year will give a store level EBITDA margin, which will be significantly better
10. In the eight years, the company has closed maybe 6%, 7% of our restaurants.
11. The management stated a lot of CAPEX investment happens at the kitchen when new stores opens and in the furniture, almost 2/3 of the CAPEX is recovered when the company choose to shut down the restaurant.
12. The current threshold of stores are all being opened at about 10% rent to revenue plus 18% GST.
13. Four lever of operating mentioned by the management

. Improvement in gross margins

a. As ADS improves, rent as a percentage of revenue will come down.

b. The company's people costs is about 150 to 200 bps higher than peers. As ADS improves, people cost as a % of revenue will decline

c. Utility cost and corporate cost are also operating leverage the company can enjoy.

14. The management stated as ADS growth goes more aggressive than the rest or growth, all these operating leverage are coming into play.
15. The management don't expect absolute corporate costs to go higher than about 10% every year.
16. The management believe that they will further take gross margin of Indonesia business to closer to 60% by the end of this year.
17. The management give the guidence of 25% SSSG on the annual basis.
18. Average inflation on the CAPEX side has been around 4% to 5%
19. The company spend around INR 3.2-odd crores for the purpose of setting up a store, that's the high Street stores, which is the company's strategy way forward. And this also includes the incremental spend that goes for setting of the cafe, which is in the region of about INR 20 lakhs to INR 35 lakhs.
20. The management stated one thing which is currently not helping cost given that they have a large part of the company's - almost 60% of portfolio is in mourn, unfortunately, the Bollywood movies are not doing well. So the management is hoping that with this festive quarter coming a little bit of the Bollywood movie doing well, the company should be in a much better position
21. The company has opened breakfast for all stores, except malls.

Analyst's View

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 seen impressive growth and a blockbuster IPO just over a years ago. It saw revenues rise 48% YoY and decrease in losses of 11% YoY. The BK app is also seeing good traction and orders coming in while dine-in sales are expected to revive going forward. It remains to be seen what challenges will the company face in its expansion in both India and Indonesia, and how will the rising competition in the QSR space in India pan out for it. 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 Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	675	465	45.14%	641	5.24%	1,853	999	85.49%
PBT	60	40	48.51%	68	-11.24%	112	-65	272.31%
PAT	60	40	48.51%	68	-11.24%	153	-65	335.38%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	752	521	44.26%	714	5.35%	2,084	1,198	73.96%
PBT	59	47	24.63%	77	-23.87%	123	-82	249.27%
PAT	57	47	22.15%	75	-23.96%	155	-81	290.65%

Detailed Results:

1. The company had a very good quarter with revenue rising by 44% and profits rising by 22% YoY on the consolidated basis.
2. On the QoQ basis, Q2 was stable with revenue rising by 5% and profits falling by 24%.
3. Opened 88 net new stores in the quarter, the highest ever
4. At the end of Q2, the total store count stood at 1,096 stores across the portfolio, with a split of 52% in the non-metros and 48% in the metro cities.
5. Gross Margins at 70.2% were 90 bps lower than the previous quarter.
6. Consolidated brand contribution margin is at 19.6% versus 20.5% in the previous quarter.
7. Pre-IndAS EBITDA at INR113 crore for the quarter, a growth of 42% on a y-o-y basis.
8. The pre-IndAS EBITDA margin came in at 15.1% versus 16.1% in the previous quarter.
9. Post-IndAS EBITDA was INR166 crore for the quarter, with margins at 22.1% versus INR123 crore a year ago, which again reflects a 34% y-on-y growth.

10. CAPEX per store is 13.5 million, and about the same number will be there for coming stores according to the management.
11. H1FY23
    a. Added 158 net new stores in H1
    b. Gross margins at 70.6% and brand contribution margins at 20%
    c. Reported EBITDA on a consolidated basis for the six months stood at INR330 crore, representing a 22.7% margin.
    d. Profit after tax for the half-year stood at INR132 crore.
12. KFC

. KFC with 32 new additions reached a mark of 423 stores at the end of the quarter.

a. ADS was INR121,000 with a healthy SSSG of 13%.

b. Revenues at INR443 crore for KFC remained robust and have grown 4% sequentially and 47% on a year-on-year basis.

c. The quarter saw the full impact of raw material pricing increases and this led to lower gross margins at 67.9% versus 69% in the previous quarter.

d. Brand contribution margin was in line with the performance on the gross margins for KFC.

e. On-premise consumption remains steady at 64% for the quarter

13. Pizza Hut

. Pizza Hut added 30 new stores to reach a total of 466 stores.

a. ADS improved marginally to INR45,000 with SSSG at 3%.

b. Revenues came in at INR181 crore, growing 36% year-on-year basis.

c. Higher input prices and the impact of changing product mix impacted the gross margins a little bit. Gross margins came in at 74.5% versus 76.2% in the previous quarter.

d. Brand contribution margins were 17% versus 17.5% in the previous quarter.

e. On-premise consumption remained steady for Pizza Hut at 45%.

14. Costa Coffee

. Costa Coffee added 19 new stores to reach a total of 88.

a. Revenues grew to INR22 crore.

b. Gross margins came in at 79.6% primarily due to higher input costs.

c. Brand contribution at INR4 crore and brand contribution margins at 19.6%, were lower due to the significant addition of new stores during the quarter.

d. The ADS at the brand level was INR31,000, reflecting dilution due to new store additions.

Investor Conference Call Highlights

1. The company continued to focus on consolidating its presence in metro cities, along with the expansion in non-metro towns.
2. The management stated that continued retail inflation seems to have impacted consumer demand to some extent in the staples and discretionary categories.
3. The management stated although the inflation in input cost is stabilizing, the overall pricing levels continue to remain higher on a year-on-year basis. The company has managed to take some judicious price corrections during early part of the financial year to protect the margins partially and is hoping that inflation will cool off, which may lead to enhanced consumer demand.
4. The company launched peri-peri Chicken in KFC.
5. The company is also investing in making business future-ready with the launch of all digital “KFC Smart Restaurants”.

6. The management stated this slight impact in gross margins is the result of consistently high input inflation. While the company has taken price corrections over the course of the year for brands, the same has not been enough to offset the entire margin impact because of the increase in raw material and packing material prices.
7. The PBT for the quarter was lower than the previous quarter because of the significant currency impact in Nigeria and higher IndAS adjustment as a result of the new store openings.
8. The management is intact with their target of 250 stores, and hope to breach that by some amount.
9. The management stated due to input cost inflation in H1, volume/demand was lower, but as the company increased prices, there is a trade-off between volume and pricing.
10. The management stated basic input costs have already started coming down. Chicken prices are down. Oil prices are down, and even gas prices have been reduced. So they are expecting input costs to cool off.
11. The management stated lower SSSG of 3% in Pizza Hut is due to a combination of pricing impact, plus some price dilution due to Fun Flavour Pizza.
12. On the KFC Smart Store, the management stated the CAPEX will not significantly change. The company is trying to digitize the stores by minimizing the orders taken at the counter, whereby the consumers can actually go to the kiosk and order on their own. The company has seen that the APC tends to grow a little compared to the APCs in a non-digital store.
13. The company has opened one KFC Smart Store in Gurgaon and another in Bangalore.
14. The company is looking at adding about 40 to 50 stores of Costa Coffee. The near to medium-term objective for Costa is to reach an ADS close to INR40,000.
15. The management stated that the profitability in the non-Metro markets is stronger than the Metro markets because obviously, rentals costs and staff costs are lower, and the utility costs are lower. The company is bullish on non-metro and the management believes non-metro is the future.
16. The management stated Vaango is still not a destination brand, the big priority is KFC, Pizza Hut, and Costa as of now; the company remains bullish about the brand. There is no other Indian QSR brand that is available in the market, and therefore, Vaango, in the future can become a sizable category.
17. The company doesn't see employee costs rising as of now.
18. The management stated all fryers are imported for KFC; All of the ovens are imported for Pizza Hut; INR depreciation impact is there but it is negligible.
19. The company has seen about 9% to 10% inflation in the CAPEX level, because not just the imported equipment, there is some increase in the air conditioning plants also.
20. For Costa Coffee, on the brand contribution level, the normal margin profile is about 28% to 30%.
21. The management stated the breakeven of Costa Coffee stores happens in the first six months. But it takes almost about 15 to 18 months for a store to fully mature.
22. After every five years, the company typically do minor refurbishment. Minor refurbishment basically is the customer area where we will change the upholstery, and do a new job on the paint and polish and look and feel and all of that. Major refurbishment is done once in 10 years, which will also include the kitchen area as well.
23. The company has not taken any price increase in Q2, which could have a small 0.5% to 1%. The majority of the price increase was taken in Q1.
24. The management stated whenever the company opens a new store, they typically try and work to make the store successful in about 18 to 24 months period. Beyond that, they would take the call around store closure.

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 a delivery model and smaller store formats for KFC and Pizza Hut. Existing urban centers and the upcoming ones are expected to be consumption hotspots, supported by the increasing urbanization of our population and the growth in disposable income. Changing lifestyles should also provide a 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. The company is in an aggressive expansion mode of small format stores and with more consumption of fast food and a rising dine-in cult with a lot of young population in the country, the company seems to have the hunger to capitalize the most out of this growing trend.

Jubilant Food works Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	1,297	1,110	16.85%	1,251	3.69%	4,372	3,339	30.94%
PBT	162	162	-0.18%	138	17.74%	589	309	90.61%
PAT	119	122	-1.94%	101	18.04%	437	233	87.55%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	1,312	1,126	16.55%	1,266	3.65%	4,437	3,385	31.08%
PBT	175	161	8.60%	149	16.84%	581	306	89.87%
PAT	132	120	9.76%	113	16.82%	418	230	81.74%

Detailed Results:

1. The company had a good quarter with revenue rising by 17% YoY and profits rising by 10% YoY on the consolidated basis.
2. Opened 134 new Domino's stores in the first half and on track to achieve the store guidance of opening 250 stores in FY23.
3. Added 76 new Domino's stores and entered 22 new cities during the quarter. Total 1,701 Domino's stores across 371 cities in India.
4. App installs at 9.0 million and own asset contribution to delivery sales were at its highest ever level this quarter.
5. Domino's Cheesy Rewards - The cumulative enrollment grew to over 7.2 million since its national launch in May 2022.
6. Served more than three crore customer orders in this quarter
7. Added the highest ever net new stores in this quarter
8. Dominos growth in revenue was 8.4%
9. Gross margins at 76.2%, lower by 200 bps year-on-year and 50 bps quarter-on-quarter

10. EBITDA of Rs. 3,125 million, an increase of 9.2% versus the prior year. The EBITDA margin came in at 24.3%, lower by 170 bps year-on-year and 30 bps quarter-on-quarter.
11. PAT margin was at 9.3%.
12. International markets
    a. In Sri Lanka, the company delivered system sales growth of 37%. The growth was driven by Dine-in and Takeaway channel. The Own app contribution to Delivery Sales was 71%, an increase of 7% points year-on-year. Opened four new stores taking the network strength to 40.
    b. In Bangladesh, system sales grew by 42%, and opened one new store taking our store count to 11. The Own app contribution to Delivery Sales was 75%, an increase of 11% points year-on-year
13. EV penetration in delivery fleet has reached 31% as against 19% by end of March 2022
14. Customer repeat rates for Popeyes stores are very healthy more than 30%
15. In this quarter, an overall enrollment of 7 million from loyalty program, roughly 1/3 of the company's orders in September are coming from enrolled.
16. OLO contribution to delivery sales for India is 98%.

Investor Conference Call Highlights

1. The management stated the Dine-in and Takeaway sales has shown strong recovery and they continue to see further opportunity for growth in this channel.
2. On the demand side, the management stated economic activity remains resilient. They are witnessing a sustained revival in demand in the foodservice industry after the impact of covid over many quarters in last two years.
3. On the cost side, the management stated the inflationary headwinds continue to persist and is driven by food and energy inflation. Within dairy products, the prices for cheese which is one of key ingredient were at a price level not seen in last 10 years.
4. During the quarter, the company became the first QSR Company to launch menu innovation dedicated to East India. The company's team worked with a panel of renowned chefs to create an amalgamation of pizza with authentic regional taste loved by the locals.
5. For the first time, the company combined authentic local flavours like Kasundi, Kosha and Malai on pizza. Similar regional menu innovation in form of No Onion and No Garlic range was launched in Gujarat in West India.
6. The Board in meeting, approved a restructuring exercise with regards to international operations where all international operations will now be held in a step down subsidiary – Jubilant FoodWorks International Luxembourg. The exercise will result in simplification of structure without any change in ultimate ownership over the said subsidiaries.
7. The management stated Hong's Kitchen is iterating the service and there is very steady growth in orders and also customer repeat rates. It's truly building up of India's First Chinese QSR brand.
8. The management stated in the new onboarding journey, the company reduced the number of steps for a new user to reach the home page from five to one.
9. Added two new stores in Popeyes, taking the network strength to 8 stores. The company is getting encouraging customer feedback and sensing the huge opportunity ahead, building pipeline and will step up store additions in H2, the management stated.

10. In Dunkin', the company is pivoting to coffee-first and opened three new outlets with coffee cues, across Delhi, Noida and Gurugram till date with one new store added during the quarter. The initial response has been encouraging.
11. The company had instituted two rounds of price increases, one earlier this year and one towards the end of last year. Currently, it is not looking at any further price increase.
12. The management stated because of the lower operating costs, profitability tends to be slightly higher and better in tier-three and tier-four cities.
13. The management stated store expansion is actually not having any negative impact on overall margins. What is causing an impact on margin and dilution in EBITDA is largely coming from commodity inflation, inflation not just in commodities, but across line, like very high level of inflation in fuel, minimum wages have gone up etc.
14. The company is seeing order growth and volume growth. But consumers are downtrading to some extent and also reducing item per order.
15. The management stated through loyalty programme, they are able to recruit more consumers, that will help drive growth and therefore pays back to the program. And the more important benefit is the frequency increase of existing customers, which again pays back to the program. The other benefit that they are seeing of the programs is that also the churn.
16. The management stated the company is not adding stores to drive delivery from 30 min to 20 min. The reason the company is opening more stores in the existing town is because of the growth opportunity in the white spaces which are already existing in these towns. So, there are two levels of growth.
    a. One is of course as we have seen rapid urbanization in India, and therefore, the city peripheries will continue to grow. And therefore, enough and more white spaces still remaining in existing towns where we can open a domino store.
    b. Second, the company has also been following a strategy of fortification in these towns. Whenever a store reaches a level of demand that it is not able to cater fully and the store KPIs start deteriorating in terms of the operational KPIs, the company look at splitting the store and open another store in the same vicinity. In most cases, when they split the store, the operating KPIs of the mother store becomes significantly better.
17. The management have already started seeing signs of some level of moderation and stabilization in input costs. If costs stays same for Q3, the margin profile in Q3 will be same as Q2.
18. The management believe by the end of this financial year, Dunkin', Hong's and Popeyes, will be ready to scale faster.
19. Out of 250 stores the company want to open, split stores are broadly 1/3 of the total stores.
20. The company has not seen any significant inflation on the rental side
21. The management stated there are two different playbooks. On Hong's, they are building the playbook, on Popeyes there is an existing playbook that they are customizing to India. So, therefore Popeyes should be faster than developing grounds-up invention.
22. Per store CAPEX have seen a marginal increase which is in line with inflation; the company has seen about 8% to 10% increase per store
23. The management stated overall, the company would be close to Rs.650 to 700 crores in terms of overall spend CAPEX this year, because

. The company will continue to invest in store expansion

a. The company is also building commissary and large part of investment about close to Rs.200 crores will go into new commissary that the company is building in Bangalore,

b. Some amount of investment in usual maintenance and digital assets that the company is building.

24. Digital agenda discussed by the management:

. Firstly, there is an element of digital applications to acquire new customers, engage them through loyalty programs, and make sure that they can track their orders - the full fulfillment, acquisition, and engagement piece.

a. Second, what goes inside the store or in the kitchen also needs to be digitized and automated. How the company manage stores, inventory, point of sale systems, how the manpower and store manager is operating the store; There is big room to digitize those processes.

b. Third, automation in production lines, in warehousing, where the company is using advanced robotics for storing and taking out materials. Of course, there is room to make sure the company's logistics forward and the middle mile planning, that can be more data driven

25. The company is looking at opening Popeyes stores in two more cities in the South. One of them should go live in this quarter, and one more towards the end of Q4.
26. This quarter itself, the company has planned to launch more products. It should be in November itself.

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 FY22 revenues rise 31% 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 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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	348	313	11.18%	362	-3.87%	1,255	1,003	25.11%
PBT	25	76	-67.11%	61	-59.02%	233	264	-11.74%
PAT	17	56	-69.64%	41	-58.54%	207	202	2.48%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	528	452	16.81%	541	-2.40%	1,878	1,497	25.75%
PBT	29	91	-68.13%	93	69.82%	413	290	51.72%
PAT	46	80	-42.50%	69	-33.33%	350	265	32.08%

Detailed Results:

1.The company's revenue grew by +16.8`% YoY & down -2.40% QoQ on the consolidated basis.
2.Company's PAT fell -42.50% YoY & -33.33% QoQ
3.EBITDA margins fell from 26% in Q2FY22 to 16% in Q2FY23.
4. Gross margin for the quarter was 56%.
5. Currency wise revenue mix:

a) USD:- 36%
b) INR:- 27%
c) GBP:- 20%
d) CAD:- 8%
e) EURO:- 3%
f) Others:- 6%

1. Segmental growth:

a) Platform revenue: +33% YoY
b) icense: -22% YoY
c) AMC: +10% YoY
d) Licence linked revenue: +7% YoY
(Licence+Platform+AMC)
e) ARR: +22% YoY
(On Annualised Basis)

2. Days of sales outstanding (DSO) by geography:
a) Global: 115
b) India: 164

3. Some deal wins in Q2FY23:
1) A leading North America insurance technology company helping commercial insurance brokers and carriers accelerate workflows through its open data platform selects Intellect's Magic Submission to turn broker submissions into fully structured carrier opportunities.
2) A FinTech company licensed by the Saudi Central Bank as the first company to provide micro-financing services to consumers across the Kingdom has chosen Intellect Debt Management platform (IDM), iTurmeric and ARX.
3) A top 10 Canadian bank signed up for Payments to enable their customers for Payment Tracking & Real Time Rail and PSH-C Release 3.0 Web Logic & Non-Intrusive Ops Release.
4) One of the fastest-growing private wealth management firms in India has chosen Intellect's digital wealth platform to accelerate business expansion and improve operational efficiencies through STP.
5) One of the largest banks in the Gulf region with over $118 billion in assets and presence in 12 countries has gone live with Intellect Debt Management to optimize their collection process while enhancing customer experience.
6) Fastest go-live at a central bank in Oceania, replacing their legacy system with a fully functional and function-rich treasury system, Capital Cube, in just 11 months.
9. Cash & Cash Equivalent for the quarter was 501Cr vs 257Cr in Q2FY22

Investor Conference Call Highlights

1. Mangement acknowledge the disappointment among investors for the Q2FY23 results with that mangement also said that we are a license revenue company.
2. Company guided for above 20% margins for full year.
3. The company stated that $6 million may have flowed into the quarter but could not owing to non-contracting. This is a one-time occurrence in which earnings are on the low side.
4. Due to the shift from product to platform, growth will be slower for the next two to three years.
5. According to the company,the cost structure may increase by 2 million to 3 million every quarter due to the additional personnel requirements and DTM platform.
6. Revenues associated with licences (License+SAAS+AMC). 53% of revenue mix, or 277 crore, recorded YoY growth of 8.1%. The license-related revenues were moderate.
7. The company stated the following factors are affecting its growth:
   i) the demand environment is slowing down ii) customers are taking longer to make decisions.
   ii) transaction sizes have either shrunk or customers are requesting stretched transactions to get money on their side save up.

8. It was mentioned that the customer review process has changed for vendors where decision making used to be fairly quick (through dance and theater sessions), while customers now require on-site validation and go through the product for some time before making the final decision . Intellect also noted that Destiny Deals take even longer to close due to the longer customer selection process, which takes around four to six months. It also notes that the timeframe is longer as it is now targeting big deals and competing with some of the big contenders like Thought Machine & Temenos
9. The company stated that deal conversion is slowing down (44% today vs. 50% a few quarters ago), even while the funnel is consistent at US$818 million, up 1.6% QoQ. Nine platform transactions were among the 14 new contracts company secured during the quarter. Destiny deals for the company climbed by two during the quarter, bringing the total to 66. However, from US$6.2 mn in Q1FY23, the average size of destiny deals shrank to US$5.5 mn.
10. The company stated that they used to spend about 120 crore annually on R&D. However, because to the rupee's decline versus the dollar, it is now showing | 150 crore. The company invested | 35–40 crore this quarter, which is consistent with their earlier predictions.
11. The company stated that, while the funnel remains stable at US$818 million, up 1.6% year on year, deal conversion is slowing (44% currently vs. 50% a few quarters ago). During the quarter, Intellect won 14 new deals, including nine platform deals. During the quarter, the company's destiny deals increased by two, bringing the total to 66. However, the average size of destiny deals fell to US$5.5 million in Q1FY23 from US$6.2 million in Q1FY23.
12. While licencing revenues (which are lumpy in nature) decreased 21.8% YoY to 68 crore, SAAS revenues (22.6% of the mix) grew 35.4% YoY to 119 crore. AMC revenue increased by 10.6% year over year to $90 crore, while implementation revenue increased by 27.9% year over year to $251 crore.
13. 12.The company stated that, while the funnel remains stable at US$818 million, up 1.6% year on year, deal conversion is slowing (44% currently vs. 50% a few quarters ago). During the quarter, Intellect won 14 new deals, including nine platform deals. During the quarter, the company's destiny deals increased by two, bringing the total to 66. However, the average size of destiny deals fell to US$5.5 million in Q1FY23 from US$6.2 million in Q1FY23.

Analyst's View

Intellect Design Arena is a good player in the digital transformation space especially for financial institutions. They have been on a consistent growth path for last several quarters. The revenues of the company have been consistently growing and the high customer retention rate further emphasizes their service and product quality and overall stickiness of their offerings. Considering the current pipeline of orders, their execution capability and reasonable valuation, we believe it seems to be an interesting investible idea.

L&T Infotech Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	4,559	3,427	33.3%	4,217	8.11%	14,406	11,566	24.55%
PBT	834	677	23.19%	805	3.60%	3,010	2,392	25.84%
PAT	620	497	24.75%	599	3.51%	2,261	1,788	26.45%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	4,873	3,767	28.40%	4,523	6.94%	15,669	12,370	26.67%
PBT	901	742	21.43%	851	5.88%	3,097	2,588	19.67%
PAT	680	552	23.55%	634	7.26%	2,298	1,938	18.58%

Detailed Results:

1. The company's revenue grew by +28.40% YoY & +6.94% QoQ on the consolidated basis.
2. The constant currency revenue growth was +4.6% QoQ & +21.6% YoY.
3. USD Revenue grew +3.6% QoQ & +18.1% YoY
4. Company reported PAT growth of +23.55% YoY & +5.88% QoQ.
5. Company added 2,215 employees in this quarter.
6. Company reported EBITDA Margins of 19.5% in Q2 vs 18.4% in Q1.
7. In Q2FY23 Company's attrition rate was 24.3% vs 23.8% in previous quarter
8. Revenue breakup in Q2FY23 by vertical is:
   1. BFS: 34.2% (+24.3% YoY & +3.7% QoQ)
   2. Insurance: 13.7% (+14.1% YoY & +3.8% QoQ)
   3. Manufacutring: 14.3% (+8.2% YoY & +2.7% QoQ)
   4. Energy & Utilities: 9.6% (+27.5% YoY & +13.2% QoQ)
   5. CPG, Retail & Pharma: 10% (+17.2% YoY & +2% QoQ)
   6. Hi-Tech, Media & Entertaiment: 10.6% (+0.5% YoY & -4.8% QoQ)
   7. Others: 7.6% (+42.9% YoY & +8.5% QoQ)

9. Revenue breakup by Service offerings is:
   1. ADM & Testing: 34.5% (+15.8% YoY & +0.4% QoQ)
   2. Enterprise Solutions: 28.6% (+11.3% YoY & +3.9% QoQ)
   3. Cloud Infrastructure & Security: 12.8% (+7.3% YoY & +2.9% QoQ)
   4. Anlytics AI & Cognitive: 13.7% (+41.34YoY & +9.6% QoQ)
   5. Enterprise Intergration & Mobility: 10.4% (+34.6% YoY & +6.2% QoQ)

10. Geographical breakup is :

a. North America:- 69%

b. Europe:- 15.5%

c. ROW:- 8.1%

d. India:- 7.4%

11. Top 5 clients account for 29.4% revenue,Top 10 account for 40.7% of Revenue & Top 20 account for 54.8% of revenue.

12. Utilization inculding traniness is at 80.3% and excluding is at 82.1%.

13. The company won many new deals Including

a. Selected by a leading health care system based in North America as strategic partner for transformation programs involving cyber security, clinical experience, enterprise data management, governance and digital business technology.

b. Selected by a Global Fortune 500 multinational information technology company to design and implement SAP and data solutions to improve business KPIs. LTI will also provide consulting and architectural guidance to build a technology roadmap.

c. Selected by the newly formed division of a leading property and casualty insurer to implement Duck Creek solutions for their producer, policy and billing functions and to ensure data analytics and insights

d. Chosen by a leading petrochemical company for a managed services deal involving outsourcing of support operations for their enterprise applications by streamlining processes and building efficiencies through transformation initiatives

e. A refinery and petrochemical company has selected LTI for an end to end outsourcing and managed services deal resulting in improved efficiency, lower costs, better customer experience and compliance with National Cyber Authority requirements

f. Selected by a leading media & entertainment major to implement a new buying & invoicing system and enable related procurement processes and solutions to integrate with existing SAP applications

Investor Conference Call Highlights

1. The company closed significant deals in Q2 FY 23 with a net tcv of $80 million.
2. The pipeline of large deals is still $2 billion, as it was in Q1.
3. Company guided PAT margins of 14%-15% in FY23.
4. Company reported CFO of 360.8Cr with 53.1% conversion of net income.
5. Company announced the opening of a joint insurance innovation lab with AWS in Hartford, Connecticut.
6. On the supply side, the company stated that there will be no hiring slowdown in Q3.

7. On the demand front, the company reported that it continues to observe challenging economic indicators characterised by high infiltration and geopolitical problems.
8. Company said all the offices in india are now open with hybrid model.
9. Company announced the opening of a joint insurance innovation lab with AWS in Hartford, Connecticut.
10. Company said attrition see softness in hiring premiums and cool-off in resignation. In H2 attrition numbers can moderate.
11. Company said It will take some more quarters to close the supply/demand gap in some in-demand and specialised skills.
12. Although decreasing, the attrition rate is still greater than the average.
13. By Q4 of FY23, the majority of Mindtree & lti's integration activities should be finished.
14. BFSI now accounts for 48% of the total portfolio, according to the company. BFS grew 29.1% on a currency-adjusted basis. The company has a strong pipeline with major customers
15. Insurance grew 11.8% year-on-year at constant currency. The insurance vertical has improved in recent quarters. Led by the addition of new leadership to lead the U.S. insurance business.
16. The company reported that they are observing caution in the manufacturing vertical.Clients are looking to cut back on their discretionary spending due to the high rate of inflation.
17. Constant currency growth for the energy and utilities sector was 29.9% YoY. The demand is still quite strong.
18. The company said, media and HI-TECH sales were flat year over year. due to the transition of one of our major engagements from entirely onsite to offshore.
19. The company has a positive outlook on the BSFI vertical and said that it will be a growth driver.
20. According to the company, the hi-tech vertical has a strong pipeline. Growth is unaffected.
21. Company said cash flow generation was weak due to incentive payment on which there was TDS liability there was also a premium payment in one insurance policies. Company is confident that the cash flows will pull back in Q3.
22. A new facility expansion in 2QFY23 had an impact on the conversion of FCF to PAT.
23. The company said, the integration of Mindtree and lti would result in one-time expenses in Q3 and Q4.

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 in the near future. It has had a good Q2 with deal pipeline rising 22% YoY with much key deal wins. The management has also been perceptive in identifying offshoring and creating new operating and sales models as a good source for improving performance and bring in cost savings. It remains to be seen how the company will be able to sustain its growth momentum and the increased competition in the tech space. 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 Q2FY23

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.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	1,225	847	44.63%	1,102	11.6%	3,575	2,480	44.15%
PBT	233	208	12.2%	231	0.87%	912	668	36.53%
PAT	175	152	15.13%	175	----	686	505	35.84%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	2,049	1,351	51.67%	1,878	9.11%	5,711	4,188	36.37%
PBT	296	218	35.78%	282	4.96%	924	609	51.72%
PAT	220	162	35.80%	212	3.77%	680	451	50.78%

Detailed Results:

1. The company's revenue grew by +51.6% YoY & +9.1% QoQ on the consolidated basis.
2. Company reported PAT growth of +23.55% YoY & +5.88% QoQ
3. USD Revenue grew +40.2% YoY & +5.8% QoQ
4. EBIT margin was at 14.6% in Q2FY23 vs 13.9% in Q2FY22
5. Company added 837 employees in this quarter.
6. TTM attrition was at 23.7%
7. Geographical revenue breakdown:

a. North & Central America:- 78.6%
b. India:- 11.5%
c. Europe:- 8.3%
d. Row:- 1.6%

8. Segmental growth was:

a. Software, Hi-Tech and emerging industries:- 74% YoY
b. Banking, Finacial Services & Insurance:- 50.2% YoY
c. Healthcare & Life Sciences:- 29.6% YoY
9. Client Contribution:
a. Top 1:- 8.7%
b. Top 5:- 26.9%
c. Top 10:- 36.7%
d. Top 20:- 48.4%
10. Some deal wins in Q2FY23:

Software, Hi-Tech and emerging industries

a. Establishing a professional services Center of Excellence for a leading connected enterprise software company
b. Developing a multi-lingual OTT video streaming mobile application for a leading digital media tech company.

Banking, Financial Services & Insurance

a. Establishing a professional services Center of Excellence for a leading connected enterprise software company.
b. Designing an integration platform to structure APIs and ensure seamless services for the customers of a pioneer in embedded investing

Healthcare & Life Sciences

a. Leveraging industry and platform expertise to support the automation Center of Excellence of a biopharmaceutical services company.
b. Building next-generation data platform through transformative data-driven solutions for a biotechnology company.
11. The order booking for the quarter ended on September 30, 2022, was at $367.8 million in Total Contract Value (TCV) and at $271.2 million in Annual Contract Value (ACV).

Investor Conference Call Highlights

1. Company achieved it's guidance of $1 billion annualized run rate, doubling it's revenue in last 3 years.
2. Company hired 3,000 freshers in last two quaters and with this company ended there fresher hiring program for the year.
3. The operational CapEx for the quarter was 51.9Cr. As of September 30, there was INR 1571.9Cr in cash and investments on the books, up from INR 1,479.1Cr at June 30.
4. Company said ACV bookings are close to about $1.1 billion on TTM Basis and TCV bookings are $1.5 billion.
5. Company said we saw some stabilization in Attrition rate over the past 3 quaters.
6. Company said utilization in Q2FY23 was 79.9% up from 79.6% in Q1 FY23.
7. Company expects TTM attrition to moderate in second half of FY23.
8. Company said Even though our client base has shown good traction for our services, new business has been secured, and a new logo has been added, we continue to monitor the macroeconomic environment and actively stay in touch with our clients to help them prioritise their technology spending for transformation and optimization.
9. Over the previous few quarters, the constant rise in the number of clients we have in the US$1 million-US$5 million and US$5 million-US$10 million categories has helped lessen client concentration.
10. Should currency not be playing another volatile type of thing, the company stated that we are confident in to maintain the margins at current levels.

11. Because of the ongoing revenue reduction, the revenue mix for the top customer is decreasing. According to the company, changes in quarterly results are a result of internal decisions regarding the order in which specific tech expenditures should be prioritised. The company added that it has been working with this client for the past 18 years and that they will continue to do so in some of their future programmes.
12. On the margin front company said:

1.We had an annual pay raise during the quarter that went into effect in July.
This impacted the margin by 230 basis points.
2.Higher CSR spending and the provision for doubtful Debts have each had a 20 basis point and a 10 basis point impact, respectively. These were mainly offset by stronger IP-led revenue, which increased the margin by 80 basis points, favourable currency, which increased the margin by 90 basis points, and higher services revenue.

13. The majority of banks and insurance firms in the US are attempting to cut costs since they anticipate a moderate recession, according to the company. As for their exposure to the mortgage industry, the company stated that it is little.
14. Company normally gives employees a business performance bonus during this quarter. Additionally, there is the insurance expenditure, which is a yearly occurrence. The other factor is related to the large inclusion of fresher ingredients. Company received a large payout as a result of the licences. Therefore, the operational cash flow was smaller since these three expenditures were essentially bundled together at the beginning of the year.
15. On the microeconomics side management said:

1. Customers are closely monitoring the macroeconomic environment and there are discussion about cost optimization.
2. Our first priority is to be close to our clients, to remain relevant for their transformation and optimization activities, and to make efforts to assit them in staying competitive in their respective businesses.
3. Long-term and bigger deals are also possible in the current environment provided one can adapt to the shifting client demand.
4. Company said as we go forward, we are cautiously optimistic about our growth potential and concentrated on doing well in the changing macroeconomic environment.

16.Company will be active for M&A in the market in the next few months.

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 and aim to reach revenues of $1 billion in the next 4 years. The company had a decent quarter with much large deal wins. It is also looking to increase its offshoring quantum which should yield cost savings in the long term. The company is also looking to introduce many cross-sell opportunities between its tech services and alliance verticals. It remains to be seen whether the company will be able to maintain its current momentum and whether its strategic acquisitions will prove to be as useful as projected. Nonetheless, given its fast rise in recent years and its big presence in North America & its various Alliances, Persistent Systems remains a key technology stock to watch out for.

Ramco Systems Q2FY23

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.

	Quarterly Performance										
	RAMCO SYSTEMS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**145**	**160**	**171**	**150**	**140**	**141**	**126**	**124**	**120**	**119**	**488**
% Growth YOY					*-3%*	*-12%*	*-26%*	*-17%*	*-15%*	*-16%*	
Expenses	100	116	119	120	129	136	134	134	151	159	**578**
EBITDA	**45**	**44**	**52**	**30**	**12**	**5**	**-8**	**-10**	**-31**	**-40**	**-90**
Depreciation	17	17	17	17	19	19	19	19	19	20	**77**
EBIT	28	26	35	13	-7	-14	-27	-29	-50	-61	**-167**
EBIT Margin	*19%*	*17%*	*20%*	*9%*	*-5%*	*-10%*	*-22%*	*-24%*	*-42%*	*-51%*	
Interest	3	3	2	1	1	1	1	1	1	2	**6**
Other Income	3	5	3	3	2	4	2	1	1	1	**5**
Profit before tax	**28**	**29**	**36**	**15**	**-6**	**-11**	**-27**	**-29**	**-50**	**-62**	**-168**
PBT Margin	*19%*	*18%*	*21%*	*10%*	*-4%*	*-8%*	*-21%*	*-23%*	*-42%*	*-52%*	
% Growth YOY					*-122%*	*-139%*	*-175%*	*-297%*	*733%*	*449%*	
Tax	14	12	18	7	3	1	-2	-3	0	-2	**-6**
Net profit	**14**	**17**	**18**	**7**	**-9**	**-13**	**-25**	**-26**	**-51**	**-60**	**-163**
% Growth YOY					*-165%*	*-177%*	*-241%*	*-458%*	*468%*	*368%*	

Detailed Results

1. The consolidated income of Ramco Systems Limited stood at USD 15.14m (Rs 119.8cr) while the net loss after tax for the quarter amounted to USD 7.64m (Rs. 60.3cr).

2. Quarterly order booking stands at USD 17.32m

Investor Conference Call Highlights

1. The company poor quarter due to lower bookings in the previous quarter coupled with higher employee costs.
2. Asia recorded around 35% of total bookings & management is confident about the demand uptrend in the market post-opening up.
3. The company's current attrition rate for the H1 stood at around 14% and it is expected to taper to around 24% annually which was the pre-COVID level.

4. The company made investments for the adoption of the DevOps on the CI / CD and test automation and RPA which will help in improving implementation in the coming quarters.
5. The management explains that its HRP solutions involve Asian-pacific countries which were shut down for a while coupled with unexpected downtime in order booking leading to poor performances. However, management is bullish on demand from Asia reviving.
6. The management is confident of seeing deal flow in the Aviation Air Force and Defense business in the coming 2 quarters.
7. The Unexecuted order book stands at USD 181 million.
8. The total pipeline is USD 580 million.
9. HRP biz reports as per employee, per month basis(PEPM), which is akin to Saas model ensuring that current revenues are recurring in nature.
10. The AMC revenues have not grown because of a lack of growth in licenses.
11. The company doesn't expect any upward increase in employee costs.
12. The company is seeing healthy progress in its Oracle & Workday program.
13. The management is seeing some decision delays and a slowdown in the USA market which represents 25% of total revenues.

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 Q2FY23

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.

Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	763	595	28.24%	726	5.10%	2,471	1,826	35.32%
PBT	219	171	28.07%	228	-3.95%	745	512	45.51%
PAT	174	125	39%	185	-5.95%	550	368	49.46%

Detailed Results:

1. The company's revenue grew by 28.24% YoY & 5.10% QoQ on the consolidated basis.
2. Company reported PAT growth of 39% YoY & down -5.95% QoQ.
3. Company added 1532 employees highest in any quarter.
4. Company reported EBITDA Margins of 29.7% Up 23.4% YoY Down -4.9% QoQ.
5. In Q2FY23 Company's attrition rate dipped marginally from 19% in previous quarter to 18.7% in current quarter.
6. Embedded product design (EPD) division grew +3.1% QoQ in constant currency & +29% +29% YoY
7. Contribution from EPD business includes :
   a) Automotive: +34.2% YoY & +4.6% QoQ (cc).
   b) Media & Communication: +19.5% YoY & +1% QoQ (cc).
   c) Healthcare & Medical Devices: +45.1% YoY & +5.1% QoQ (cc).
8. Industrial Design & Visualization (IDV) segment saw Growth of +15.4% YoY & +15.5% QoQ (cc).
9. System Intergration & Support (SIS) segment saw Growth of +41.7% YoY & +26% QoQ (cc).
10. Revenue contribution by geographics:
    a) Americas:- 43.2%
    b) Europe:- 34.1%
    c) India:- 16.6%
    d) Rest of World:- 6.1%
11. Client Concentration:-

Q2 FY22	Q1FY23	Q2FY23
Top 10 48%	Top 10 48.3%	Top 10 48.1%
Top 5 36.6%	Top 5 40%	Top 5 39.9%

12. The company won many new deals Including
    a. Multi million-dollar automotive deal win from a automotive company for autonomous driving and drive experience.
    b. Selected by a global leader in transportation systems for Train Design and Systems Engineering. A key deal win in the rail industry, leveraging our core strengths in transportation technologies.
    c. Strategic deal win with a leading operator in EMEA for our Connected Device Diagnostics and Operations automation platform iCX. This will be delivered in a SaaS model, with extended managed services from SIS division for platform support.
    d. Selected by a leading service provider for a multi million-dollar engagement which leverages capabilities of our award-winning platform QoEtient – a cloud-based video DevOps platform as a packaged Automation-as-a-Service.

Investor Conference Call Highlights

1. Company added highest Quarterly headcounts at 1532.
2. Company said there demand outlook is positive.
3. The company did 1500-1100 campus hiring and the rest was lateral
4. In the second quarter, the company started three new centers in Bangalore, Calicut (Kozhikode) and an expansion in Chennai.
5. Management said Margins got impacted due to all time high Quarterly additions of headcounts.
6. The company saw supply side challenges in Q2 mainly in mid-management level to senior level delivery managers. The company has taken proactive measures and invested in resources that will help them for six 4-6 quarters.
7. The company stated that it lost revenue in Q2 because of supply side pressure.
8. The company said freshness takes 6-9 months to complete the training to work fully. In Q3 the company will target 200-250 freshs to get billed.
9. The company will focus on taking utilization back to above 80%. Focusing on not Going for bulk hiring. The company also mandated hybrid work for employees from 1 Oct.

10. Employee utilisation in Q2 was between 68% and 70%. which, in this quarter, might reach almost 80%. Because of the expected increase in headcount in Q3–Q4, the company could need to add office space.

11. Margin impact & gain breakdown QoQ:-

    a) Campus = 120 basis points

    b) lateral + onsite = 60 basis

    c) Facility Expansion = rest of the impact

    d) Currencies = +30 basis points

12. In media & communication some projects got postponed. The company also said Industry is getting affected due to high inflation in the US and macro issues in Europe .This can continue for next 1-2 Quarter. The company indicated that Clients are cautious with their spending.
13. No deferment seen in automotive , medical, IDV and SI Segments.The company continues to close deals in these segments.
14. Top coustomers in Europe aren't preventing any commited investments. Mangement do not see troubles in on going projects. Slowness may be visible in new opportunities in which company is going. Overall coustomers are little cautious.
15. Company said momentum in automotive is continuing. with large Opportunities already signed off now it is a question of how to handle supply side. Where company is investing.
16. In communication segment company see lot of opportunities there and company is also Investing in 5G.
17. The company stated that there growth is a mixture of industry growth and market share gains.
18. Speaking of the pli programme, the company stated that it is in talks with businesses to assist it in designing its products in India. Overall PLI is postive for the company.

Analyst's View

Tata Elxsi has been one of the few Indian companies that have focused exclusively on advanced technologies and integrated product design. They have reaped the reward for this in recent years. But their dependence on the automobile industry has slowed their growth in the last year. But the company is making reassuring statements that they will be trying to use their auto industry experience to pursue deals in various other industry segments like railroads and aviation. It remains to be seen what time it will take in this transition. Moreover, newer industries while creating newer opportunities will also bring newer challenges for Tata Elxsi. Nonetheless, Tata Elxsi is still a good investment option for anyone to evaluate in the theme of advanced technologies like autonomous cars and IoT to name a few.

Travel

Mahindra Holidays & Resorts India Limited Q2FY23

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)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	301.79	265.23	13.78%	304.21	-0.80%	961	822	16.91%
PBT	41.70	54.89	-24.03%	45.43	-8.21%	204	169	20.71%
PAT	30.90	40.55	-23.80%	33.63	-8.12%	151	126	19.84%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	627.16	593.28	5.71%	637.02	-1.55%	1,028	868	18.43%
PBT	52.53	78.14	-32.77%	39.64	32.52%	301	255	18.04%
PAT	41.39	59.76	-30.74%	29.82	38.80%	160	139	15.11%

Detailed Results:

1. The company's revenue grew by 6% YoY and profits fall by 31% YoY on consolidated basis.
2. The revenue fall by 1.55% and profits grow by 39% QoQ on consolidated basis.
3. The company has added ~4,400 members. This is a 12% year-on-year growth
4. AUR stands at INR 4.4 lakhs
5. 18 new DSAs being added during the quarter
6. 57% of our member acquisition came through referral and digital routes in Q2 FY23.
7. October '22 occupancy closed at about 82.5%.
8. In H1 FY23, the company has added 200+ keys and compared to Q2 last year, the company has added 500 rooms in just one year.
9. Occupied room nights have touched 100,000 room nights a month. This is the highest ever occupied room nights in quarter 2, which is a growth of 27% on a year-on-year basis.
10. The Q2 VO income grew by about 16% on a Y-o-Y basis by INR 29 crores, largely driven by higher sales, better sales mix.

11. Value of the membership sales grew by 93% on a Y-o-Y basis
12. Q2 resort income at INR 68 crores
13. EBITDA is up by 12.4% on a Y-o-Y basis, excluding one-offs.
14. EBITDA margin is at 27.5%.
15. PBT margin is 14%, expansion of 270 bps YoY
16. PAT margin is 10.2%, 300 bps up on YoY basis
17. H1 performance
    a. Total income at INR 606 crores standalone basis, 30% Y-o-Y
    b. Resort income at INR 152 crores, which is up 130.6% on Y-o-Y basis
    c. EBITDA for H1 is at about INR 167 crores, up 17.2% Y-o-Y
    d. EBITDA margin at a 27.6%
    e. PBT grew 14% Y-o-Y, margin at 14.4%.
    f. PAT margin at 10.6%, which is up by 360 basis points versus pre-pandemic (H1 FY20).
18. Cash position is at a INR 1,018 crores
19. Deferred revenue stands at INR 5,200 crores. Deferred revenue for the quarter has increased by INR 63 crores, which is the highest ever
20. Generated INR 230 crores of operating cash in H1
21. Member to room ratio is 58
22. In terms of room nights, 55% is owned and 45% is leased
23. Holiday Club Resorts

. Spa hotels delivered 70% occupancy during the quarter

a. Revenue growth on is 14%

b. EBITDA growth is 23% year-on-year

c. The timeshare sales has grown by 12%.

d. The revenue from spa hotels has increased by 16%.

e. The total turnover has increased by about 8% as reported.

f. Consolidated EBITDA margin at 23.2%

Investor Conference Call Highlights

1. The management stated the leisure accommodation continues to garner high ARRs, RevPARs at a very significant premium, almost double, compared to business hotels.
2. Mahindra Holidays achieved 79% occupancy during the quarter versus 73% in the same quarter last year; occupancy is 6 percentage points higher, even though the company expanded room inventory by 500 keys over the past year
3. In this quarter, the company has added 2 new resorts, totaling 116 keys through new resort in Mount Abu and Kathmandu, and extension of existing resort in Sikkim, in Gangtok.
4. The management is confident of achieving about 84% to 85% occupancies for the quarter, October, November, December.
5. Through Club Mahindra Horizons, the company has partnered with 400+ hotels and Club M Select provides an increased level of access and new benefits to our members.
6. AUR increase has also been due to better sales mix, a bit of price increase and Corporate Sales of INR 24 crores.
7. Cumulative member base is 2,74,000 approximately, of which 85% of the members are fully paid.
8. On in-resort sales, during this quarter, three new on-site sales location were added: one at Gir, another at Jaisalmer, third one at Khajuraho.

9. Total resort count is now 86 with 4,700+ keys; the management stated they are on a track to deliver their guidance of 5,500+ keys earlier than FY25.
10. The company has commenced construction to expand existing resort at Kandaghat, Shimla by 185 keys and after expansion this will become one of the biggest resorts of approximately 230+ keys at one location.
11. The company await final approval for another 240 key greenfield resort at Ganpatipule, which is overlooking the Arabian sea
12. In November, the company will be able to add 24 rooms through Janjheli project in HP
13. The highest ever Q2 resort income of INR 68 crores which is a growth of 34% Yo-Y. The management stated this would have only come through three means: number one, increase in inventory; number two, increase in occupancy on the expanded base; and number three, higher spends by members on our unique food and beverage offerings and activities.
14. The company has increased investment in Rocksport to 23.4% as on September'22. The management believe this will help them to increase customer engagement avenues, including driving vacation traffic of local tourists to resorts because of the unique offerings. It will help the company to drive in-resort sales and of course through cross-selling of products.
15. Solar power is installed at 21 resorts now with 4 megawatt capacity.
16. The aim is to achieve carbon neutrality by 2040 through EP100.
17. The management stated the employee benefit expenses have increased, driven by the headcount increase due to higher sales operations and additional room inventory.
18. The management stated rent has increased in line with additional rooms -- and this is lease rent; in the last year, Q2 FY22 received major waivers, that's why the increase looks larger because of the reduced base in Q2 FY22 due to the waivers.
19. The management expects the consolidated results in Q3 and Q4 to be significantly better than last year.
20. The managament stated the seasonality at least as far as member additions are concerned, is more or less ending.
21. The management stated they are focusing on higher down payment paying members
22. The management stated as far as traction is concerned, Horizon has seen good traction. Club M Select is picking up, and Rocksport in the resort is seeing very good traction.
23. In the total income, F&B segment dominants, and spa and other holiday activities have small share.
24. Member to room ratio is 58 which used to be 72 earlier; the management gave the reason that members accumulate nights by not going on a tour
25. HCR is now profitable; HCR has generated about EUR 33-odd million of cash in the last five years. And the management believe that the moment Russia-Ukraine situation clears up, they see them back to the peak levels.

Analyst's View

The occupancies of the hospitality industry touched 82% in the month of October. Domestic air travel reached a robust 20.5 million passengers. Management expects Q3 and Q4 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 have 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 57% 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 Q2FY23

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.

Quarterly Performance											
	THOMAS COOK (INDIA) LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**85**	**116**	**236**	**357**	**288**	**330**	**748**	**522**	**976**	**1,222**	**3,468**
% Growth YOY					*239%*	*184%*	*216%*	*46%*	*239%*	*270%*	
Expenses	211	210	310	417	397	413	737	530	940	1,180	**3,387**
EBITDA	**-126**	**-93**	**-74**	**-60**	**-109**	**-82**	**11**	**-8**	**36**	**42**	**81**
Depreciation	40	38	36	33	32	33	33	31	30	31	**126**
EBIT	-166	-132	-110	-93	-141	-115	-22	-38	6	10	**-44**
EBIT Margin	*-196%*	*-113%*	*-47%*	*-26%*	*-49%*	*-35%*	*-3%*	*-7%*	*1%*	*1%*	
Interest	15	17	14	16	12	16	16	17	20	19	**72**
Other Income	46	26	35	41	28	21	2	4	12	13	**31**
Profit before tax	**-136**	**-123**	**-89**	**-68**	**-125**	**-110**	**-36**	**-52**	**-2**	**5**	**-86**
PBT Margin	*-160%*	*-106%*	*-38%*	*-19%*	*-43%*	*-33%*	*-5%*	*-10%*	*0%*	*0%*	
% Growth YOY					*-8%*	*-11%*	*-59%*	*-24%*	*-98%*	*-104%*	
Tax	-28	-23	-23	-47	-31	-25	-12	-0	4	5	**-4**
Net profit	**-94**	**-90**	**-59**	**-10**	**-83**	**-74**	**-23**	**-49**	**-6**	**1**	**-77**
% Growth YOY					*-11%*	*-18%*	*-61%*	*369%*	*-93%*	*-101%*	

Detailed Results:

1. The Company registered Revenue Growth of 270%YoY with a Revenue of Rs1222 crores Vs 330 Crs.
2. PAT improved to 4.8 Crs Vs -110 Crs YoY.
3. operating free cash flow in Q2 FY3 registered a growth of 160% as compared to pre-pandemic levels, which was at INR 5 crores in Q2 FY20 to INR 13 crores in Q2 FY23.
4. Recovery Vs pre covid & YoY growth-
   - A. Foreign exchange - 82 & 149%
   - B. Travel services overall - 78 & 309%
   - C. Travel services India - 83 & 355%
   - D. Travel services destination management services - 100 & 452%
   - E. Leisure hospitality & Resorts biz - 141 & 27%
   - F. Digital imaging & solutions - 130 & 100%

Investors Conference Call Highlights

1. The company expects FY23 to be a profitable year at the group as well as standalone levels.
2. The management observed that for domestic and short-haul travel, the Indian Ocean territory still represents the primary destination of travel, both in the corporate as well as in retail areas.

3. Revenue from operations for the foreign exchange business improved by 33% as compared to the previous quarter from INR 48 crores to INR 64 crores consequently, the EBIT improved by 83% from INR 11 crores to INR 20 crores.
4. In the retail segment, the company is currently at about 95% of the pre-pandemic level. This 95% constitutes about 130% recovery on the student segment, which has been the frontrunner for the business and has registered a 60% quarter-on-quarter growth.
5. The retail performance was also aided by a recovery on the travel side.
6. In the retail portfolio in foreign exchange biz,18% of total transactions are going through the digital route.
7. The number of active customers in the corporate FX segment has moved up to about 85% of the pre-pandemic numbers Vs 56% in the previous quarter.
8. The company believes digitization in the foreign exchange business helped in cost savings.
9. The company's entire card portfolio that Thomas Cook distributes through its own stores and its managed distribution is about 24%, which was roughly about 16% at the pre-pandemic level, which signifies market share gains.
10. The management states that "it is the first card issuing company in the country or in the FX space, which has done a tie-up on the KrisFlyer program, which is the Singapore Airlines' frequent flyer program, where people buying tickets on Singapore Airlines can now or buying foreign exchange at Thomas Cook will get miles on the KrisFlyer program".
11. In the corporate travel segment, International traffic constitutes about 60% of the volumes and 40% of the value comes from the domestic side.
12. The MICE segment saw the recovery rate improve from 45% to 87% QoQ.
13. In the B2C holiday, segment company experienced a poor quarter due to high airfares coupled with more destinations like Sri Lanka, Bhutan, New Zealand & Japan opening.
14. The company tweaked its strategy in its product portfolio to focus on more short-haul, easy visa destinations, which will aid volume growth. From a recovery point of view, the company was at about 45% recovery to the pre-pandemic level and its expectation for the next quarter is about 65%.
15. On the destination management front, the Middle East, and East Africa has returned to profitability, and South Africa and North America have broken even & headed back to profitability. India and Asia i.e.SITA and Asian Trails, have been slow to recover due to the source markets of their business Europe and the United States are still not traveling long haul but restricting their travel to local destinations.
16. In the case of Allied TPro (the business in North America) the company entered into a special arrangement with Germany's largest tour operator called REWE to manage its incoming business into North America.
17. On DEI, the company returned to profitability last year & is focused on diversification initiatives like a geographical expansion to places like Saudi Arabia.
18. The Sterling continued its profitable streak and has had a profitable half year, recording an EBITDA of INR 55 crores for the first half ended 30th September 2022, and added INR 15 crores for the second quarter of this financial year which is a reflection of the company's renewed growth strategy, which involves 1) scaling of the resort business, the resort spends, average room rates at resorts and improved guest ratios and 2) improved efficiencies in the membership vertical.
19. The key factors that propelled the growth in the hotel biz were growth in volumes to 53% occupancy as against 46% of the same period last year and a healthy average room rate growth which increased from INR 3,705 in Q2 FY 20 to almost INR 5,718 in Q2 FY23.
20. The food & beverage revenues improved from Rs.11 Crs in Q2FY20 to Rs.16 Crs in Q2FY23 due to focusing a lot on its customer spending at its resorts through experiential dining options.

21. The On-site sales in the resort biz crossed the 50% mark this quarter Vs 31% YoY. Strengthening of sales channels resulting in increased average unit realization with a growth of almost 11% over the same period last year and higher down payments in this business of 46% directly correlating to operating free cash flow improvement of 39% in Q2 FY22.
22. Sterling Resorts is the only hospitality company to have launched a unique proprietary platform called Sterling One that enables its channel partners in the length and breadth of the country and employees of corporate clients and access to our resorts availability in real-time and make reservations with preapproved rates at a click of a button. This has helped the company expand its width and depth of distribution in Tier-2 and Tier-3 towns across these channels, thus not adding fixed costs to it. It generated almost Rs.8 Crs of business using this platform since July of 2022.
23. The delta in EBIT of Sterling resorts in Q2 FY22 versus Q2 FY23 was on account of a one-time cancellation of all dormant members of around 3,500 in Q2 coupled with higher employee costs of around Rs 6.8 Cr due to performance-related payment obligation to employees.
24. Digiphoto biz saw a fall in profitability due to seasonality effects in the middle east coupled with high biz exposure to China.
25. The company is working on a balloon project which is going to be set up at the Hotel Atlantis.
26. The management is confident of the margins increasing to 2.5-3% Vs present margins of 0.5% once the recovery rate increases from current levels of 75% to 100%.
27. The company has no intentions of IPO of sterling hotels separately.

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 have been the retail business, and specifically within the retail, education forex, and travel-related forex has actually started to bounce back. External challenges in the form of the supply side, from an airline point of view, supply from a visa point of view and 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. The company seems to be in a stage of turnaround & is an interesting mid-cap stock to keep on one's watchlist.

Wonderla Holidays Q2FY23

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.

	Quarterly Performance										
	WONDERLA HOLIDAYS LTD										
Narration	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	TTM
Sales	**0**	**0**	**5**	**33**	**4**	**17**	**48**	**58**	**149**	**66**	**321**
% Growth YOY					*#####*	*9461%*	*882%*	*73%*	*3335%*	*284%*	
Expenses	12	9	15	31	14	21	34	38	58	47	**177**
EBITDA	**-12**	**-9**	**-10**	**3**	**-10**	**-4**	**14**	**20**	**91**	**19**	**145**
Depreciation	10	13	10	10	10	10	9	10	9	9	**37**
EBIT	-22	-22	-21	-8	-20	-13	5	10	82	11	**108**
EBIT Margin	*#####*	*#####*	*-417%*	*-23%*	*-459%*	*-76%*	*10%*	*17%*	*55%*	*16%*	
Interest	0	0	0	0	0	0	0	0	0	0	**0**
Other Income	2	2	1	1	1	1	2	2	3	4	**10**
Profit before tax	**-21**	**-20**	**-19**	**-6**	**-19**	**-12**	**6**	**12**	**85**	**14**	**118**
PBT Margin	*#####*	*#####*	*-391%*	*-19%*	*-436%*	*-70%*	*13%*	*20%*	*57%*	*22%*	
% Growth YOY					*-8%*	*-41%*	*-134%*	*-287%*	*-549%*	*-220%*	
Tax	-6	-5	-4	-1	-6	-3	2	3	21	4	**30**
Net profit	**-15**	**-16**	**-15**	**-5**	**-13**	**-9**	**5**	**9**	**64**	**11**	**88**
% Growth YOY					*-9%*	*-41%*	*-131%*	*-275%*	*-586%*	*-213%*	

Detailed Results

1. The Company's footfall grew by 32%, Revenue rose by 62% & EBIDTA increased by 169% from the pre-covid level.
2. EBIDTA margins rose from 13% in Q2FY20 to 33% in Q2FY23.
3. The footfall breakup in Q2FY22 was: Bengaluru- 35% , Hyderabad – 18%, Kochi – 38%
4. ARPU is up by 22%, including a 20% increase in SPH.

Investors Conference Call Highlights

1. The company's innovative marketing campaigns like during Ganesh Chaturthi, Onam, Daughters Day, Grandparents Day, Independence Day, etc led to a significant rise in footfall & an improvement of 1,800 basis points from 58% in the corresponding COVID quarter of FY 20 to 76% in Q2 FY '23.
2. The Kochi Park hosted the first-ever sunburn festival in the city, an electronic music festival headlined by globally famous DJ Nucleya
3. The management expects fixed costs like employee salaries etc, which were cut down by Rs.3.5 Crs per month will be brought back coupled with inflation leading to higher costs in the coming months.
4. The company is positive of the government of Tamil Nadu helping it waive that LBT issue.

5. The company is working on a technical project upgradation in Bangalore which is a pilot project & will cost Rs.5 Cr. This will help the company understand customer patterns, ride usage, etc. The company is looking to implement this by Q2FY24.
6. The company's CAPEX requirement for Chennai is INR 330 crores, of which the company has already invested close to INR 115 crore & will incur more once tax exemption dispute with the govt. Is settled.
7. The company's Capex requirement in Odisha is Odisha is about INR 120 crores, and it has already invested about INR 7-8 crores.
8. The management is bullish on Hyderabad whose contribution to total revenues has already increased from 20% to 27% post covid.
9. The company will take not more than 24 months to complete the Chennai project once the approval is received.
10. In a bid to improve non-ticket revenues, the company is revamping its restaurants & resorts & add new rooms in the same to meet increased demand.
11. The company's focus post the next 3 years after adding two new parks will be to ensure the number of footfalls would have at least gone up by a factor of 1.5x-1.6x, ARPU to compound by 7% per year & a 5-7% price hike every year.
12. The mix between groups & walk-ins has shifted from 42:58 in the pre-covid period to 23:77 post covid. The management expects group contribution to be increasing in Q3.
13. The management explains that retail footfall is priced for a full ticket while groups get 20-30% discounts if they have more than 20 people.
14. The Walk-in vs group percentage in H1 - Hyderabad was 86-14; Kochi was 58-42; and Bangalore was 85-15. And overall is 77-23
15. The Walk-in vs group percentage in Q2 - Hyderabad was 81-19; Kochi was 68-32; Bangalore was 81- 19, and overall was 76-24.
16. Online contributions to total sales has improved from 5% to 20%.
17. The company's NPS has been more than 90% despite higher volumes.

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 Q2FY23 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 Q2FY23

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.

Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	648.93	608.4	6.66%	532.9	21.77%	2433.2	2201.74	10.51%
PBT	493.13	461.37	6.88%	384.98	28.09%	1855.29	1748.95	6.08%
PAT	364.13	344.38	5.73%	314.19	15.89%	1393.13	1325.76	5.08%

Detailed Results:

1. The company had a good quarter with revenues and profits up 21.77% and 15.89% QoQ respectively.
2. Revenue and PAT are higher by 6.25% and 5.42% on YoY basis.
3. HDFC AMC closed the quarter with an AUM of Rs.4,222 billion or Rs 4.22 lakh crore, which is 3% lower compared to 4.35 lakh crore in September 2021.
4. Market share in quarterly average AUM on an overall basis, and excluding ETF was 11% and 12.3%, respectively, almost similar to June 2022.
5. Market share of actively managed equity-oriented AUM stood at 11.5%, same as that of quarter-ended June 2022.
6. Quarterly average market share in debt and liquid category was more or less constant at 13.7% and 13.2%, respectively.
7. The company processed 3.91 million transactions, totaling to Rs.14.3 billion in month of September 2022, up from 3.73 million transactions, totaling up to Rs.12.8 billion in month of June 2022.

Investor Conference Call Highlights

1. The company propose to launch a Thematic Fund, Business Cycle Fund sometime in November.
2. During the September quarter, the company launched six ETF, including a Silver ETF. In the current month, company closed two more Smart Beta ETFs.

3. The company will have enhanced level of activity in alternative space over the next several quarters. The company now have couple of strategies live on PMS side and also recently launched our CAT-II AIF fund-of-funds, which is investing across VC and PE funds. And in line with this, the company has launched India Ascent Strategy in addition to the All Cap Strategy that it launched last quarter. So, HDFC AMC has ambitious plan on the non-mutual fund business side, both PMS and alternatives.
4. Debt funds have seen outflows in recent quarters, but management stated they see a big opportunity in selling their debt products if interest rate stabilizes on this levels.
5. Company's revenue yield has improved for last 2 quarter, which is mainly due to asset class mix. Revenue yields on debt fund and liquid side will be stable according to management.
6. Company's book margins are at a substantial premium to the flow margin, and the new business is happening at lower margins. Management stated that the pace of dilution of yields may slow down going forward as the gross flows as a percentage of AUM may be lower as compared to the last year. Company always make sure that the loss in yield should get compensated by favorable asset mix.
7. Management stated with the improvement in scheme performance, they are seeing uptick in market share and flows, both in the SIP as well as in the lump sum flows, across all channels like, MFDs, large nation distributors, banks, fintechs.
8. Employee cost for the company have increased 21% in 2 quarters.
9. Company has got approvals to launch various debt index funds.
10. On a YoY basis, on debt AUM side, company's market share was 14.6% on quarterly average, which is 13.7% this quarter.
11. Management gave the break-up of new SIP inflows of the first half on FY23
    Mutual fund distributor - 15%
    National distributors - 20%
    Direct - 10%
    Fintech - 33%
    Bank - rest ~22%
12. Management's assumption is that persistency is lower on fintech channel relative to most of the other channels.
13. Industry Liquid and debt ETF adds up to 68,000 crores, of this 68,000 crores, Edelweiss Mutual fund which runs the Bharat Bond ETF, is about 50,000 crores. On the debt index fund side, the AUM stands at around Rs.57,500 crores.
14. HDFC AMC's PMS AUM had sharp decline, which was due to one large institutional investor has taken money off the table.
15. Management stated the total ESOP cost of FY23 will be 40 crores.
16. Company will be launching Debt ETFs, which will have lower yields than the current blended yield on the overall open-ended debt schemes. On the industry level, yield is around 10-20 bps.

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 an ok quarter having constant market share in al segments. 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 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. Company is entering into non-mutual fund business, launching new products on AI and PMS side. 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 Q2FY23

Financial Results & Highlights

Brief Company Introduction

Nippon Life India Asset Management Limited (NAM India) is the asset manager of Nippon India Mutual Fund (NIMF). Nippon Life India Asset Management Limited (NAM India or the Company) is one of the largest asset management companies in India with over 26 years of track record, and a total AUM of Rs. 3.46 lakh crore as on March 31, 2022. The Company is promoted by Nippon Life Insurance Company, one of the leading private life insurers in Japan, with assets of over US$ 774 bn as on March 31, 2021. The Company is involved in managing (i) mutual funds (ii) managed accounts, PMS, AI funds, and pension funds, (iii) offshore funds, and advisory mandates.

Standalone Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	309	304	1.64%	294.6	4.89%	1428.42	1325.66	7.75%
PAT	196.6	200.4	-1.90%	121	62.48%	711.21	649.39	9.52%
Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	331.6	327.9	1.13%	316.1	4.90%	1535.63	1419.34	8.19%
PBT	267.6	282.8	-5.37%	154.6	73.09%	988.67	877.03	12.73%
PAT	206.1	213.7	-3.56%	114.1	80.63%	743.37	679.39	9.42%

Detailed Results:

1. Revenues were flattish with being up 1.13% YoY and 4.9% QoQ in consolidated terms.
2. Profits have -3.56% growth YoY but have grown by 80% QoQ.
3. FY22 performance was decent with revenue growth of 8.19% YoY and PAT growth of 9.42% YoY.
4. AUM increased by 7% to Rs. 2,851 billion or 2.85 lakh crores.
5. The company added 1.6 million folios in H1.
6. The company's share of the industry's unique investors was stable at 37% with a base of more than 13 million investors.
7. Nippon India Mutual Fund annualized systematic transaction book is at Rs. 108 billion.
8. Quarterly flows increased by 36% to Rs. 26 billion.
9. On a gross basis, over 481,000 systematic folios were added in Q2.
10. The company's systematic AUM rose by 11% to Rs. 555 billion.
11. 53% of the company's SIP AUM has continued for over five years vis-à-vis 22% for the industry.
12. 14% of SIP folios have continued for more than five years as against the industry average of 10%.

13. In the ETF segment, the company manages an AUM of Rs. 638 billion and has a market share of 14%. The company's share in the industry's ETF folios rose to 60%. In Q2, the company added 108,000 investors and accounted for 92% of the total industry's ETF additions.
14. As of September 2022, the company has over 87,200 distributors impaneled with it. The MFT base rose to 87,000, with the addition of nearly 1,700 distributors in this quarter.
15. Operating profit, as a ratio of average assets under management, was 26 basis points in Q2 FY2023 as compared to 25 basis points in Q1 FY2023.
16. In FY2022, NAM India distributed its highest-ever dividend with a payout ratio of 96%.

Investor Conference Call Highlights

1. Currently, less than 3% of the population invests in mutual funds. In the last 24 months alone, the base of unique investors grew to 36 million - an increase of 69%.
2. Monthly SIP flows touched an all-time high of Rs. 130 billion - an increase of 67%, while SIP folios increased to 58 million - a rise of 75%
3. Management stated three reasons for the better realization in this quarter.
    a. Due to better asset mix, i.e. higher equity share
    b. Marginal increase in realization of debt schemes, as the yields go up in these categories, the company's propensity to charge slightly higher improves
    c. Improvement in the realization of ETF due to some regulatory interventions of requiring only one basis point to be kept aside for investor education.
4. NAM has collaborated with the DWS group to provide portfolio management and advisory services in the European market for Indian government bonds.
5. The launch of the product with DWS is in line with our strategy to grow our non-mutual fund business and offshore business.
6. The company has no plan to launch new schemes as of now..
7. For different distributors the company shares the different amount of fees, which range between 55 to 70% of our TER.
8. Management stated SIP inflow channel mix:
   60% from MFDs
   40% from Fintech partners

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 Q2. 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 to 60%. The company is focused on expanding digitally and will not be doing a big physical branch expansion going forward. The management has also stated that the new products should have lower yields than before but the company can make up for the drop with operating leverage at large scale. 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 Q2FY23

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".

Consolidated Financials (in Crs)								
	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %	FY22	FY21	YoY%
Sales	192	154	24.26%	191	0.17%	843	629	34.04%
PBT	11	10	7.20%	13	-19.42%	35	21	67.29%
PAT	8	8	9.18%	10	-18.15%	26	15	74.59%

Detailed Results:

1. Company has reported a revenue growth of 24% year-on-year to 191 crore for Q2 FY23 for H1 FY23 revenue stood at 382 crore delivering a growth of 44% year-on-year.
2. The company's profits grew by 9% YoY.
3. Steel volume including franchise route have stood at 6.8 lakh metric ton in Q2 FY23 as compared to 6 lakh metric ton in Q2 FY22 a year-on-year growth of 13%
4. TMT volume from own facility stood at 26,785 MT in Q2 FY23 as compared to 25,190 MT in Q2 FY22 a year-on-year growth of 6%.
5. Total brand turnover for Q2 FY23 stood Rs. 4,916 crore as compared to 3,792 crore in Q2 FY22 a growth of 30% year-on-year basis.
6. Royalty income to franchise stood at Rs. 26.2 crores in Q2 FY23 as compared to Rs. 22.5 crores in Q2 FY22 a growth of 16% year-on-year basis. The volume in the Q2 was 6.82 lakh metric ton as against 6.02 lakh in the last year Q2. Royalty charged is Rs. 384 per metric ton average for 6 month.
7. Revenue from own facility was up by 24% to 155.8 crores in Q2 FY23 as compared to 125.5 crores in Q2 FY22.
8. Total sales from steel business stood at Rs. 191.3 crores for Q2 FY23 as compared to Rs. 152.7 crore for Q2 FY22 a growth of 25% year-on-year basis.
9. EBITDA stood at Rs. 12.2 crores in Q2 FY23 as compared to Rs. 10.7 crores in Q2 FY22 a growth of 14%.
10. The total sales from paint business for Q2 FY23 stood at Rs. 64.4 crore as compared to 62.9 crore in Q2 FY22 achieved a growth of 2% year-on-year basis
11. Overall volume from own manufacturing and outsourcing stood at 8,519 KL in Q2 FY23 as compared to 8,351 KL for Q2 FY22 the year-on-year growth of 2% .
12. H1 financials

a. H1 FY23 steel volume grew by 21% to 14.1 lakh metric tons.
b. TMT volume grew by 21% to 51,214 MT.
c. Total brand turnover grew by 40% year-on-year to 10,225 crores.
d. Royalty income grew by 22% to 53.8 crores. For H1 last year the volume was 11.66 lakh metric ton and this year it is 14.12 lakh metric ton.
e. Revenue from own facility grew by 44% to 308.40 crores.
f. Total sales from steel business grew by 44% year-on-year to 382.5 crores. Volume increase to 22%, in term of value it is increased to 44%.
g. EBITDA grew by 10% to 27.6 crores.
h. Paint business sales grew by 24% in to 119.1 crores. 92 crore from own manufacturing and around 27 crore from the outsourcing business.
i. Volume from own manufacturing and outsourcing and it grew by 16% year-on-year to 15,601.

13. Branding and promotion expenses for Q2 was 12.5 crore jointly spent by Kamdhenu as well as its franchise unit.
14. Sales mix 12% is from the South, 20% from the West, One-third portion from North, and One third portion from East.
15. Currently, 80% capacity utilization is in the steel business for the company's own plant, Franchise is around 60% capacity utilization. Paint business it is around 35%.

Investor Conference Call Highlights

1. Industry highlights gave by the management
   a. Indian demand remains a bright spot in the major steel market as domestic consumption is seeing growth at a high single-digit rate over the next 12 months to 15 months.
   b. The steel industry is poised for growth on the back of the construction sector which is going to be a Pan India driver of steel demand in the country. This would be driven by strong government trust for infrastructure development and housing for all
   c. The demand for the TMT bar has also been picking up on account of demand from the infrastructure and the essential projects which will be huge.
   d. Demand for decorative paints has been witnessing strong traction over the past few quarters and we expect this momentum to continue on the back of the shortening of the painting cycle, housing demand, and consumer preference to build pucca houses.
   e.
2. The management stated the raw material prices have been very volatile and have seen a sharp rise, but now the prices seem to be stabilizing gradually.
3. The management stated with the wide portfolio of products from TMT bars, structural steel and color quoted profile sheet the company is well established to cater any demand going ahead.
4. The company further plan to expand franchise and dealer network and also enhance the steel TMT capacity by increasing annual production capacity from 38 lakh metric tons to 50 lakhs metric tons through franchise route by FY24.
5. The company has an increased focus on own manufacturing and franchise business along with a recouped business strategy of reducing B2B trading sales which leads to lower working capital hereby enhancing capital efficiency.
6. The focus of paint business continues to penetrate into existing markets, explored new markets and expand the dealer network in Tier-2, Tier-3 and Tier-4 cities.

7. The company's strategy remains on manufacture and sales of premium paint products and reduction in manufacturing of commoditized products. In order to achieve this goal, the company is outsourcing low value product from contract manufacturers adhering to stringent quality standards.
8. Kamdhenu Ventures Limited has received an in-principle approval from BSE and NSE on 3rd November and 7th November 22 respectively for listing of equity shares pursuant to the scheme of arrangement. The company is raising funds to the tune of Rs. 70 crore this will help to reduce debt and make the company debt free.
9. Pursuant to scheme of arrangement become effective, the paint business of Kamdhenu Limited have been transferred to and vested with Kamdhenu Colour and Coatings Limited with effect from 1st April 2022 being the appointed date. Therefore, the company is not required to disclose the consolidated financial with effect from 1st April 2022 onwards.
10. Kamdhenu is only working for the decorative segment and decorative paints and the managemet stated demand for paint business is continuously growing, Q2 was a rainy season, hence demand of low price items were there, but the management expect Q3 to be much better.
11. The management stated Kamdhenu is converting unorganized sector into organized sector and inorganic and organic both growth comes from the market.
12. In the past whatever capacity the company has build up in that more than 50%, 60% contribution is of old franchise.
13. The management stated the company won't be doing any CAPEX plan in steel business, and in the paint business at a level it will utilize existing capacity then thereafter if they achieve the turnover of 500 to 600 crore then they are planning to have the another plant, but in the next one year or two year there is no CAPEX plan.
14. The management stated they are planning to raise the fund of around 200 crore in the paint business for repositioning of brand and making some CAPEX for the future after one year or two years and also some working capital. They are planning to raise the fund by inducing some strategic investors.

Analyst's View

Kamdhenu Limited is into multiple business comprises of decorative paints and TMT bars. Q2 was difficult for the company in terms of demand due to rainy season lead to higher demand in low price products and lower demand in premium products, yet the company had a revenue growth of 24% YoY. Kamdhenu has been increasing and expanding its distribution network in India. It remains to be seen how the company sustain and increase its market share in presence of gaints like Asian paints and Tata steel. Nevertheless, it is good business tu track due to their ability to sell premium product with sustained revenue growth.