Q3FY23 RESULTS & CONFERENCE CALL

HIGHLIGHTS OF 71 STOCKS

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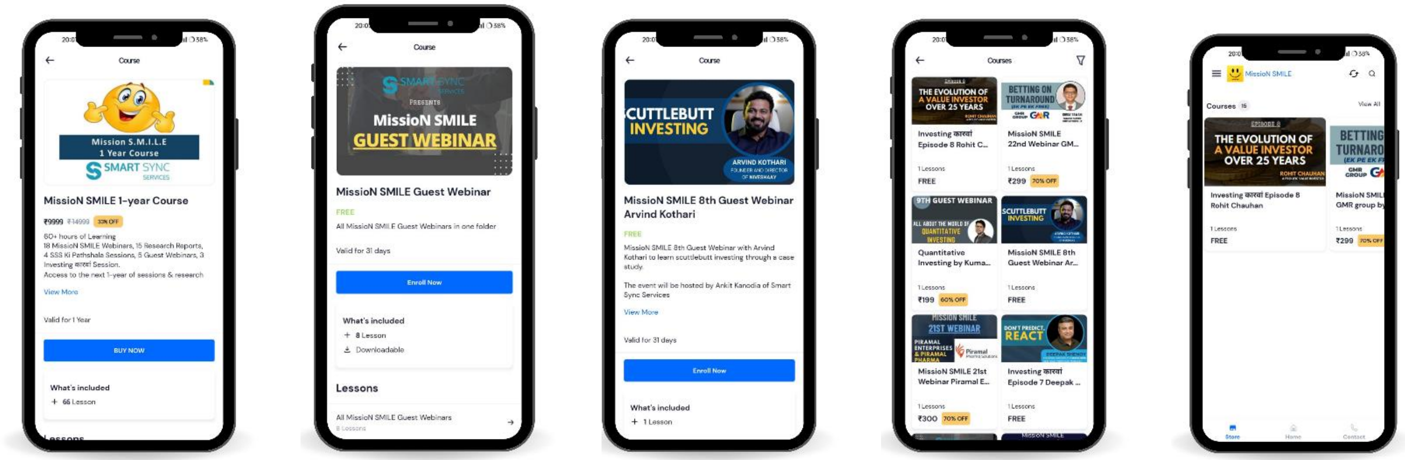

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Who We Are

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

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

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AUTO & AUTO ANCILLARIES
Balkrishna Industries Ltd

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 & tele handlers. 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	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**1,578**	**1,509**	**1,753**	**1,803**	**2,072**	**2,046**	**2,374**	**2,619**	**2,658**	**2,166**	**9,817**
% Growth YOY					*31%*	*36%*	*35%*	*45%*	*28%*	*6%*	
Expenses	1,038	1,030	1,203	1,292	1,534	1,589	1,871	2,175	2,231	1,896	**8,174**
EBITDA	**540**	**480**	**550**	**511**	**538**	**457**	**503**	**444**	**426**	**269**	**1,643**
Depreciation	104	105	106	107	111	118	120	129	137	149	**535**
EBIT	436	375	444	404	426	339	384	315	289	121	**1,108**
EBIT Margin	*28%*	*25%*	*25%*	*22%*	*21%*	*17%*	*16%*	*12%*	*11%*	*6%*	
Interest	4	2	3	3	2	2	3	3	5	14	**24**
Other Income	20	55	61	82	133	113	109	106	227	45	**487**
Profit before tax	**452**	**428**	**503**	**484**	**558**	**450**	**490**	**417**	**511**	**151**	**1,570**
PBT Margin	*29%*	*28%*	*29%*	*27%*	*27%*	*22%*	*21%*	*16%*	*19%*	*7%*	
% Growth YOY					*23%*	*5%*	*-2%*	*-14%*	*-8%*	*-66%*	
Tax	111	103	123	153	167	111	116	111	129	43	**398**
Net profit	**341**	**325**	**380**	**331**	**391**	**339**	**375**	**307**	**382**	**108**	**1,172**
% Growth YOY					*15%*	*4%*	*-1%*	*-7%*	*-2%*	*-68%*	

Detailed Results:

1. The company had a poor quarter with sales growth of only 6% while profit degrowth of 68%.
2. Sales volume stood at 66,840 MT, a de-growth of 5%.
3. Gross Cash and Cash equivalents of Rs. 2,082 Cr as on 31st December 2022.
4. EBIDTA margins stood at 19.1% Vs 24.4% YoY while PAT margins stood at 4.5% Vs 15.8%.
5. 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.
6. For the quarter ended Q3FY23, it had a net forex loss of INR 88 crores, which includes realized gain of INR 78 crores and an unrealized loss of INR 166 crores.

7. Gross debt stood at INR 3,464 crores at the end of 31st December '22, of which about 75% is related to the working capital debt.
8. The Board of Directors has declared a third interim dividend of INR 4 per share.

Investor Conference Call Highlights

1. The management explains that since The distribution channel is across the global market and has excess inventory, So with the slow lowering of raw material prices and improvement in delivery timelines owing to better availability of containers, led to a lower reordering cycle via this channel.
2. The management states that continues to face the challenges of destocking in Q4. However, the intensity of the situation is receding on a month-to-month basis.
3. Freight costs have decreased significantly which has been partially passed on to customers, however, the benefits were set off by higher costs of raw materials & lower volumes leading to negative effects of operating leverage.
4. On the carbon black front, The capex of the Carbon Black project along with the Power Plant has been completed & With the commissioning of 55,000 metric tons per annum, and power achievable capacity stands at 170,000 metric tons per annum. The advanced Carbon Black project of 30,000 metric tons per annum is on track and expected to commission the same by the end of the current quarter or the early part of next quarter.
5. On the capacity front, The capex for Brownfield capacity, for the addition of 25,000 MTPA at Waluj has commenced & is expected to be completed in the first half of the next financial year. Post completion of this Brownfield project, Waluj will have a total capacity of 55,000 metric tons at a single location. At a company level, the achievable capacity will increase back to 360,000 metric tons per annum by end of the first half of financial year '24.
6. For the 9 months of the financial year '23, 49% of the sales came from Europe, 21% from India, 19% from America, and the balance from the rest of the world.
7. In terms of channel contribution, 70% was contributed from the replacement segment while OEM contributed 28% with the balance coming from offtake.
8. In terms of category, the agricultural segment contributed 63%, while OTR, industrial, and construction contributed 34% and the balance came from other segments.
9. The company’s inventory days stand at 60-65 days while it strives for 45 days.
10. Interest in working capital stood at 3.5-4%.
11. The realization was reduced owing to a lower surcharge.
12. The company is unable to completely pass on the price increase.
13. The pricing difference between its competitors in the west of 10-15% remains.
14. The capex for 9M stood at 1300 Crs.
15. Low single-digit growth is expected in the off-highway tire segment.
16. The management expects at least 300 Bps EBITDA margins improvement in FY24 owing to lower RM costs & freight.
17. The lower Volumes in the US are primarily due to inventory correction.

18. The company hasn't lost any market share & expects higher benefits of operating leverage due to higher volumes coupled with interest & depreciation costs going down.
19. Carbon black contributed 5% of the total topline.
20. The tenure for long-term & short-term borrowings is 3 years & 6 months respectively.
21. The company's current market share stands at 5-6% & it targets 10%.
22. The overstocking at the current period stands at 5-10% of the volumes ordered by the distributors.

Analyst's View:

BKT is India's Leading player in the Global 'Off-Highway Tire (OHT)' Market.The company had a poor quarter on a YoY basis due to poor demand from the end users coupled with higher raw material, interest costs as well as forex losses. The company has a wide and comprehensive product portfolio and a 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. The company has a global reach as it does sales to over 160 countries through Distribution networks in the Americas, Europe, India, and the Rest of the World. It is India's Largest Off-Highway Tire Manufacturer. The 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

Financial Results & Highlights

Brief Introduction:

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

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

Quarterly Performance

CRAFTSMAN AUTOMATION LTD

Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**367**	**485**	**535**	**432**	**569**	**552**	**654**	**676**	**771**	**748**	**2,849**
% Growth YOY					*55%*	*14%*	*22%*	*57%*	*36%*	*36%*	
Expenses	266	345	385	326	426	425	501	512	601	589	**2,204**
EBITDA	**100**	**140**	**150**	**106**	**143**	**127**	**154**	**163**	**170**	**158**	**645**
Depreciation	48	55	50	49	50	52	54	53	55	54	**216**
EBIT	53	85	100	57	93	75	99	110	115	104	**429**
EBIT Margin	*14%*	*17%*	*19%*	*13%*	*16%*	*14%*	*15%*	*16%*	*15%*	*14%*	
Interest	21	26	30	22	18	20	24	25	23	30	**102**
Other Income	5	4	3	1	1	2	5	1	2	5	**13**
Profit before tax	**36**	**63**	**73**	**35**	**76**	**57**	**81**	**86**	**94**	**79**	**340**
PBT Margin	*10%*	*13%*	*14%*	*8%*	*13%*	*10%*	*12%*	*13%*	*12%*	*11%*	
% Growth YOY					*108%*	*-11%*	*11%*	*145%*	*24%*	*40%*	
Tax	11	21	26	12	26	20	29	31	33	28	**121**
Net profit	**25**	**42**	**47**	**23**	**49**	**37**	**51**	**56**	**61**	**51**	**219**
% Growth YOY					*98%*	*-12%*	*10%*	*143%*	*23%*	*39%*	

Detailed Results:

1. The Company has clocked a sale of Rs. 2195 crores as compared to Rs. 2206 crores in Full Fy22.
2. The Profit After Tax (PAT) for 9M was accounted for at Rs. 167 crores Vs 160 Crs for the full FY22.
3. The EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) for 9M of the company was valued at Rs. 499 crores.
4. Capex is at INR 249 crores, mainly the maintenance capex and technological improvement.
5. The debt-to-equity ratio stood at 0.82, whereas the EBITDA margins have reduced from 24 to 23.
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)was 23% as compared to 20% of the last year.
8. ROE, on the other hand, has shown an improvement as well to 18% in comparison to last year's 15%.
9. The value addition to its important business segments which are: -
    a. Powertrain Business- Rs. 249 crores.

b. Industry Engineering- Rs. 58.3 crores.
c. Aluminum Products- Rs. 61.5 crores.

10. For The nine months, the auto powertrain has grown by 39% from INR 817 crores to INR 1,134 crores.
11. Aluminum segment has grown from INR 385 crore to INR 544 crore. But on a quarter-to-quarter, there is some decline, in the aluminum segment
12. The industrial engineering segment has grown 48% year-on-year from INR 350 crore to INR 517 crore.
13. Storage business has achieved a turnover of INR 279 crore, thus reporting 48% growth.

Investor Conference Call Highlights

1. The aluminum segment reported margins contraction owing to lower prices & top-line reduction by 20 Crs.
2. The utilization of the aluminum segment stood at 60% for 9M due to lower offtake by 2-wheeler OEMs in the festive Q3 who contribute 70% of the total sales of the segment.
3. The idea behind the DR Axion acquisition is to get the benefits of its strong presence in PV segment coupled with expertise in EV segment.
4. The revenues from storage declined QoQ from 111 crs to 80 crs owing to the held-back of investments by the E-commerce player.
5. The acquisition will help in reducing capex costs in the aluminum division through increased capacity on gravity die casting and low pressure die casting, which is the only segment in which DR Axion is there.
6. Finance costs rose due to a hike in interest rates by 100-200 Bps, forex loss & new drawn-down loan of around Rs. 300 Crs which has been put in as FD.
7. The estimated capex for FY24 will be between INR 325 crores - INR 350 crores.
8. The management states that All powertrain business and aluminum business is pass-through although there can be a little delay due to quarterly or monthly contracts or because of the inventory, but on an annual basis, the company doesn't face any pressure in passing costs.
9. The cash conversion cycle stood at 59 days Vs 62 days YoY.
10. The management is focused on meeting its IPO time guidance of 20% growth annually.
11. The management is not guiding for any scope of margin expansion.
12. The management states that D/E is not the right metric to measure the company's risk profile as that will look very rosy, ideally, the company wants to maintain debt/EBITDA of 1.3X.
13. The benefits of new orders of 200 & 150 Crs in aluminium segment will flow in Q2 & H2 of FY24.
14. The company owing to its contract in Fy18/19 had to supply an equipment of 30 crs at zero margins in the current quarter leading to less EBIDTA.
15. The management is sticking to its guidance of 18% EBIDTA margins in aluminum biz once operation leverage kicks in.
16. The management states that After Toyota and Volkswagen, DR Axion is the Number 3 PV manufacturer for the last calendar year & No.2 in North american market for EV after Tesla.

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

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**2,134**	**2,828**	**2,940**	**1,974**	**2,250**	**2,881**	**3,193**	**3,397**	**3,519**	**3,721**	**13,831**
% Growth YOY					*5%*	*2%*	*9%*	*72%*	*56%*	*29%*	
Expenses	1,666	2,156	2,306	1,651	1,780	2,298	2,436	2,566	2,698	2,864	**10,564**
EBITDA	**467**	**672**	**634**	**324**	**470**	**582**	**757**	**831**	**822**	**857**	**3,267**
Depreciation	105	123	125	112	109	111	119	116	127	135	**498**
EBIT	362	549	510	212	360	471	638	715	694	722	**2,769**
EBIT Margin	*17%*	*19%*	*17%*	*11%*	*16%*	*16%*	*20%*	*21%*	*20%*	*19%*	
Interest	4	4	4	6	3	6	3	5	7	8	**23**
Other Income	100	156	183	122	118	128	172	82	193	256	**703**
Profit before tax	**459**	**702**	**689**	**328**	**476**	**593**	**806**	**792**	**880**	**971**	**3,450**
PBT Margin	*21%*	*25%*	*23%*	*17%*	*21%*	*21%*	*25%*	*23%*	*25%*	*26%*	
% Growth YOY					*4%*	*-16%*	*17%*	*142%*	*85%*	*64%*	
Tax	115	169	162	90	103	137	196	181	223	230	**831**
Net profit	**343**	**533**	**526**	**237**	**373**	**456**	**610**	**611**	**657**	**741**	**2,619**
% Growth YOY					*9%*	*-14%*	*16%*	*158%*	*76%*	*62%*	

Detailed Results:

1. The company achieved revenue growth of 29%.
2. EBITDA is up by 47% YoY.
3. PAT is up by about 62% on a YoY basis.
4. The total sales volume stood at 219,898 motorcycles in this quarter, which is up by about 31% YoY basis and 8.1% higher than the Q2 FY23, further segment breakup stood as -
    - Domestic volumes stood at 202,100 units, which is 34% YoY and 10% higher than Q2 FY23.
    - International volumes stood at 17,789 units in Q3, marking a growth of almost about 4.4% over last year.

5. The company registered its highest-ever market share of 8.1% in all motorcycles sold and nearly 33% of all motorcycles above the 125cc segment.

6. In the VECV segment, total sales in Q3 have been 18,162 units, up 13.2% from 16,044 units in Q3 FY22. Revenues from operations are ₹4,603.9 crores, up 27% from ₹3,625.7 crores in Q3 FY22 while EBITDA has been ₹304.95 crores, up 26.2% from ₹241.55 crores in Q3 FY22.

7. VECV saw EBITDA margins of 6.8%.

Investor Conference Call Highlights

1. The company made a strategic investment in Stark Future with an initial equity investment of Euros 50 million, translating to around 11% of the equity & this will be focused on EVs primarily.
2. The company launched the Super Meteor 650 & showcased it in Rider Mania, which is its Motoverse.
3. During the quarter, the company inaugurated a new CKD facility in Brazil, which is its third motorcycle assembly unit in the Americas region and our fourth across the globe coupled with signing an agreement to set up CKD units in Bangladesh and Nepal.
4. The management states that the International retail performance for the nine months of FY23 has been robust, having clocked a solid growth range from 37% to 48% across various regions.
5. The company achieved its highest-ever quarterly parts business of ₹295 crores, registering more than 20% growth over Q3 FY22.
6. The gross profit per bike has increased by about 2% versus the same quarter in the previous year expect this to improve as the commodity pressures reduce.
7. The Hunter is a major hit as per the management as it is bringing new young customers who want agile products without compromising on the audience of the Classic.
8. The contribution from subsidiaries was meager owing to inventory buildup & reversal of EBITDA as mentioned in the previous con calls.
9. The Super Meteor 650 is on the platform of a 650 twin engine which is a cruiser & will help in giving more offerings on the 650 platforms for its 350 existing consumers who want to do an upgrade.
10. The management expects the supply of Hunter 350 by 25-30% from the current run rate.
11. The company is not facing any major supply chain issues.
12. The company has enough capacity to service the demand for the near future, & any future increase will be through the debottlenecking route which is less capex intensive.
13. The company is cautiously optimistic about the demand for royal enfield owing to the uncertain macro environment.
14. In the international market, North America, Europe, and APAC region were its top focus, but Now LATAM is also added to this list post-launch of its CKD facility.
15. It is not expanding in the Indonesian market currently owing to some local content usage quota.

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 revenue & profit growth of 47% & 62% The company's recent launch- Hunter 350 motorcycle at an accessible price point has received good responses from the customers & overall market. It remains interesting to see how the company expands its global footprint with its all-new products and whether it can replicate its previous 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

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**374**	**358**	**421**	**275**	**419**	**389**	**490**	**445**	**525**	**442**	**1,901**
% Growth YOY					*12%*	*8%*	*16%*	*62%*	*25%*	*14%*	
Expenses	322	317	367	244	368	342	425	388	453	382	**1,648**
EBITDA	**53**	**42**	**55**	**31**	**51**	**47**	**65**	**56**	**72**	**60**	**253**
Depreciation	14	14	16	14	14	13	18	16	16	16	**65**
EBIT	39	28	39	17	37	33	47	40	57	44	**188**
EBIT Margin	*10%*	*8%*	*9%*	*6%*	*9%*	*9%*	*10%*	*9%*	*11%*	*10%*	
Interest	3	3	3	2	2	2	3	2	2	2	**8**
Other Income	-3	1	2	0	1	1	1	1	2	3	**7**
Profit before tax	**33**	**26**	**38**	**15**	**36**	**32**	**45**	**40**	**57**	**45**	**187**
PBT Margin	*9%*	*7%*	*9%*	*6%*	*9%*	*8%*	*9%*	*9%*	*11%*	*10%*	
% Growth YOY					*11%*	*22%*	*20%*	*158%*	*56%*	*42%*	
Tax	8	6	11	4	9	9	12	11	16	13	**51**
Net profit	**24**	**20**	**28**	**11**	**26**	**23**	**34**	**29**	**41**	**32**	**136**
% Growth YOY					*8%*	*17%*	*20%*	*167%*	*55%*	*37%*	

Detailed Results:

1. The company saw an excellent quarter with sales increasing by 14% YoY while PAT increased by 37%.
2. Q3FY23 product mix distribution stood as –

   A) Auto lighting –36.18%

   B) LED lighting – 35.59%

   C) Plastic molded parts – 11.35%

   D) Rear View mirrors – 11.92%

   E) Others – 4.96%

3. Revenue break up between segments –

   A) OEM's domestic – 89.52%

   B) Replacement market – 7.65%

   C) Exports – 2.83%

4. EBITDA margins for Q3 stood at 13.62% Vs 12.24% YoY.

Investor Conference Call Highlights

1. The management states that the recent proposal of custom duty exemption for the capital goods and the machinery used in the production of lithium cells for EVs is expected to promote EV industries and boost local manufacturing.
2. The LED shares as a percentage of the total automotive lighting have touched 50% this quarter, reflecting the trend towards the faster adoption of this technology. The management is guiding this number to reach 60% in the coming years.
3. During the quarter EV OEMs faced challenges relating to FAME-II incentives, however, management is confident that these are temporary hurdles and the industry will adopt and move forward swiftly.
4. During the quarter, the Company has made a capex of INR18.42 crores, largely in plant and machinery at the Hosur plant
5. Yamaha is a completely LED biz, while out of 50% of LED biz 43% comes from ICE & 7% EV.
6. The company expects sales of Hero as % of sales to ramp up significantly in the coming quarter.
7. The company saw stable revenues from the EV biz despite industry-wide turbulence due to exposure to more than 20 customers.
8. The company's margins increased due to the escalation clause with the customer.
9. Yamaha biz saw volume degrowth due to lower exports. However since the company is the sole supplier for its FZ series, it expects revenues to recover sharply.
10. The management when asked about biz wallets for FY22 stated that " The TVS, for headlamps we are having 73%, taillamps 69%, winker 82%, and for rearview mirror 55%. For Yamaha, headlamp is 91%, taillamp is 64%, winker is 5%, and rearview mirror is 32%. Suzuki, headlamps are 80%, taillamp is also 80%, winker is 23%, rearview mirror, we are sole supplier so 100%. For HMSI, headlamp is 40%, taillamp is 76%, winker is 85%, and rearview mirror is 100%. Apart from the rearview for RR and position lamp, we are 100% with Yamaha as well as Suzuki."
11. The company expects the 2-wheeler market to touch its peak volumes of FY19 in the coming quarter, coupled with good export opportunities in the form of the China+1 trend playing out for supplies to Thailand & Europe.
12. The company foresees LED penetration to reach 100% in the coming 5 years.
13. The company's capacity utilization is in the range of 75% for this quarter.
14. The company on a 9M basis outperformed the industry growth by more than 1000 Bps.
15. The company's capex no. for the current as well as the coming financial year will be in the range of 40-50 Crs as per the management.
16. The product development cycle remains between 1.5-2 years.
17. The cash balance as of December 31st stood at INR 207 Crs.
18. EV share for Q3 stood at 6%.
19. The company has 95 products under development which will be materialized in the coming years.
20. The company's order book stands at INR 850-900 Crs.
21. The market size of 2-wheeler stands at INR8000-9000 Crs & the company has a 33% market share currently.
22. The company's inventory levels have increased significantly due to requirements to give projections for 1 year Vs 6 months previously.

Analyst's View

Fiem industries had a decent quarter recording 15% 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

Financial Results & Highlights

Brief Company Introduction

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

	Quarterly Performance										
	LUMAX AUTO TECHNOLOGIES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**284**	**365**	**388**	**260**	**403**	**428**	**417**	**422**	**487**	**445**	**1,771**
% Growth YOY					*42%*	*17%*	*7%*	*62%*	*21%*	*4%*	
Expenses	254	327	345	245	358	383	372	377	435	398	**1,582**
EBITDA	**30**	**38**	**43**	**16**	**45**	**45**	**45**	**44**	**52**	**47**	**189**
Depreciation	8	9	9	9	9	10	11	11	12	12	**47**
EBIT	22	29	33	7	35	35	34	33	40	35	**142**
EBIT Margin	*8%*	*8%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*8%*	*8%*	
Interest	2	2	2	2	2	2	3	3	3	3	**12**
Other Income	3	7	3	3	3	3	2	4	8	7	**21**
Profit before tax	**23**	**34**	**35**	**8**	**36**	**35**	**33**	**34**	**44**	**39**	**151**
PBT Margin	*8%*	*9%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*9%*	*9%*	
% Growth YOY					*60%*	*6%*	*-4%*	*341%*	*22%*	*9%*	
Tax	7	8	10	3	10	10	8	8	11	11	**38**
Net profit	**15**	**23**	**21**	**3**	**23**	**22**	**21**	**22**	**29**	**23**	**95**
% Growth YOY					*52%*	*-7%*	*0%*	*540%*	*24%*	*8%*	

Detailed Results:

1. The company's revenue & EBITDA grew by 4% & 13.4% YoY.
2. EBITDA margins increase from 11.2% to 12.2%.
3. Customer-wise revenue mix Q3:-

A. Bajaj -25%
B. Aftermarket-22%
C. HMSI-8%
D. LIL-6%
E. MSIL-8%
F. TATA-6%
G. M&M-5%
H. Others-20%

4. Product-wise revenue mix Q3 -

A. Plastic modules - 24%
B. Aftermarket - 22%
C. Fabrication - 13%

D. Shifter - 16%
E. Lighting - 8%
F. Emission - 8%
G. Others - 10%

3) Segmental revenue mix Q3 -
A. 2/3W - 36%
B. Passenger car - 25%
C. Aftermarket - 22%
D. CV - 10%
E. Others - 6%

4) D/E stood at 0.03 while ROCE & ROE stood at 26.1% & 15.5%.

Investor Conference Call Highlights

1. The PV market grew by 22% YoY in January 2023, while the 2-wheeler market grew by 10%. The 3 wheeler & CV market also grew by 60% & 16% respectively in January.
2. During the quarter, the company helped launch the gear shifter system and the antenna feeder cable assembly for Toyota Hycross and the gear shifter for Maruti EECO in the passenger vehicle segment, along with Force Motors, Urbania, in the commercial vehicle segment.
3. In the two-wheeler segment, the company has been able to add plastic products for the Pulsar P150 model.
4. Lumax Mannoh Allied Technologies, the 55% subsidiary, which manufactures manual, AMT, and automatic gear shifter systems, contributed 16% to the total consolidated revenue.
5. Lumax Cornaglia Auto Technologies, the 50% subsidiary, manufacturing air intake systems and urea tanks commanding a 100% share of business with Volkswagen and Tata Motors, contributed 7% to the consolidated revenue.
6. Lumax Metallics Private Limited, the 100% subsidiary, manufacturing seat frames, contributed 4% to the total consolidated revenues. The company's application for a merger with Lumax Auto Technologies Limited has been approved by the Honorable NCLT.
7. Lumax Alps Alpine India Private Limited, a 50% subsidiary for the manufacturing and sale of electric devices and components, including software related to the automotive industry, has contributed 2% to the consolidated revenues.
8. The capex incurred during nine months is INR40 crores & the yearly capex guidance has been decreased from 75-80 crores to 50-60 crores owing to delays in product launches.
9. The company continues to maintain its volume share within Bajaj Auto.
10. The company's endeavor is to double the aftermarket revenue in a period of about three to four years. The network expansion in the last year is close to 15%.

11. The plastic modules saw sharp degrowth due to volume degrowth in Honda & Bajaj which are its main customers. Its order book for plastic stands at INR40-50 Crs.
12. The company expects strong growth in seat frame & chassis biz to continue owing to its presence in the premium KTM space & order wins in the EV segment.
13. Urea biz grew due to higher growth in Tata's volumes.
14. The current order book stands at 500 Crores & capacity utilisations stands at around 70%.
15. The company is on track to do double-digit revenue growth in the coming year as well & is targeting EBITDA margins of 12-13%.
16. The current quarter's growth was muted on a QoQ basis despite strong growth in the aftermarket segment owing to a decline in volumes of Bajaj Auto (18%-20%), HMSI (28% decline) & Maruti Suzuki (17% decline)& these companies contribute close to almost 40% of the business.
17. Lumax Yokowo & Lumax Ituran got into prestigious SOPs starting from the month of April and May 2024, which is when they start supplying to Honda Cars in terms of Lumax Yokowo and to Daimler in terms of Lumax Ituran.
18. The company is expecting very strong revenue growth across all its JVs.
19. The company's contribution from PV has already increased from 20% to 25% in a year, & the management is targeting a contribution of 33.33% in the coming period. The management is also targeting to increase the share of JVs from 25% to 33.333%.

Analyst's View

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 mediocre quarter with revenue growth of 4% owing to a slowdown in volumes of its key clientele. 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 a slowdown in the Auto segment due to the global crisis, penetrate the EV segment with a proper strategy & increase the profitability of its JV biz. However, Lumax Auto remains a solid small-cap auto ancillary stock to keep on one's watchlist

Sansera Engineering Limited

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.

	Quarterly Performance										
	SANSERA ENGINEERING LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**432**	**492**	**486**	**390**	**540**	**485**	**574**	**531**	**634**	**557**	**2,296**
% Growth YOY					*25%*	*-1%*	*18%*	*36%*	*17%*	*15%*	
Expenses	336	396	392	331	433	411	481	441	528	471	**1,920**
EBITDA	**96**	**96**	**94**	**59**	**107**	**75**	**94**	**90**	**106**	**87**	**376**
Depreciation	24	25	29	28	29	31	33	31	32	33	**128**
EBIT	73	71	65	31	78	44	61	59	75	54	**248**
EBIT Margin	*17%*	*14%*	*13%*	*8%*	*14%*	*9%*	*11%*	*11%*	*12%*	*10%*	
Interest	12	13	13	12	11	13	15	14	14	16	**59**
Other Income	2	9	11	6	2	1	7	2	2	7	**18**
Profit before tax	**63**	**67**	**63**	**25**	**69**	**32**	**53**	**48**	**63**	**44**	**207**
PBT Margin	*14%*	*14%*	*13%*	*6%*	*13%*	*7%*	*9%*	*9%*	*10%*	*8%*	
% Growth YOY					*10%*	*-53%*	*-16%*	*89%*	*-9%*	*39%*	
Tax	16	17	16	6	17	8	15	13	16	13	**57**
Net profit	**46**	**49**	**47**	**19**	**51**	**23**	**37**	**34**	**46**	**31**	**148**
% Growth YOY					*11%*	*-53%*	*-20%*	*83%*	*-10%*	*33%*	

Detailed Results:

1. The company had consolidated revenue growth of 16% YoY and profits grew by 31% YoY on a consolidated basis.
2. EBITDA margins stood at 16.6% Vs 15.6% YoY.
3. As of Dec-22, the order book with annual peak revenues stood at Rs 15.0 bn with auto ICE contributing Rs 7.34bn (49%), auto tech-agnostic adding Rs 4.52bn (30%), and non-auto accounting for Rs 3.16bn (21%).
4. Net debt stood at Rs. 6,787 Mln.
5. The company completed the construction of its new Aerospace and defense plant in Bengaluru. This plant will be fully operational by Mar-23 and has the potential to achieve a topline of up to Rs. 3,500 Mln, at a full capacity utilization level.
6. The auto segment contributed around 79% of order book in Q3 FY23, 12% of sales came from tech agnostic and xEV products contributed 18%.
7. Sales mix by geography:

8. Sales mix by end-user segments:

9. In terms of the 9MFY23 sales mix for the auto segment, covering both ICE as well as xEV and tech agnostic components:

a. 37% of sales came from the motorcycle segment

i. Scooters accounted for 14%

b. Passenger vehicles accounted for 26%

c. Commercial vehicles accounted for 11% of its top line

d. Aerospace contributed to about 4% of sales

e. The agriculture segment accounted for about 3%

f. Off-road sector contributed 3%

The geographical sales of 9M FY23:

g. India accounted for 73%

h. Europe 17%

i. US space customers 6%

j. Other foreign countries overall 4%

Investor Conference Call Highlights

1. The growth was largely driven by the domestic markets whereas international business was flat.
2. The company's r long-term target is to improve its contribution from the non-auto segment to 25%, and auto tech agnostic, xEV to 15%.
3. The finance cost for the quarter increased to Rs. 161.8 million as compared to Rs. 134.5 million in the corresponding quarter of FY '22, largely due to the increase in the interest rates coupled with a slight increase in the debt.
4. The company's quarterly sales mix split stood as India accounting for 69.2%. Europe for about 19%, the USA for 7.6%, and other foreign countries were 4.2% as a percentage of total sales.
5. Exports were lower owing to chip shortage & Ukraine crisis leading to Exports as % of revenues being reduced to 30%. However, the management expects this to go back to 35-36% levels in the coming years.
6. In the new facility, Two-thirds of the facility is meant for commercial Aerospace, and one-third is specifically kept for defense. The management has used only 4.5 acres out of the total land available for the current capex & can increase the capacity in the future by 120%.
7. The capex for 9M stood at INR 185 Crs.
8. The 37% contribution of motorcycles to total sales is split as 27% is domestic motorcycles and 8.2% or 8.3% is exports.
9. The company saw a revenue loss of INR 66 Crs (25%) sequentially in its domestic 2-wheeler biz & doesn't expect any recovery in Q4 on that front.
10. There is a total of 58 components that are under PPAP and under development on aluminum, which includes both domestic and export and also both two-wheeler as well as a passenger vehicle.
11. The company expects good revenue growth in TVS & Tata motors account considering the stabilization of their new relationship.
12. The company has retraced back from its plan of starting a greenfield facility in North America & would rather look at acquiring land on lease.

13. The impact of RM cost deflation on the quarter's revenue would be 2-3%.
14. The company expects PV & 2W industries to grow by 5 & 7% respectively while Sansera grows by at least 10%.

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 by growing revenues by 16% & PAT by 31%. A weak global macro environment has kept the export volume down, which is expected to come back from Q4 onwards. It remains to be seen how the company will be able to increase its non-auto businesses, ramp up its new aerospace & defense plant, 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 interesting to smallcap auto ancillary stock to watch out for.

SJS Enterprises

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-19	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	-	-	-	**74**	**100**	**92**	**104**	**103**	**117**	**106**	**431**
% Growth YOY					*#####*	*#####*	*#####*	*39%*	*17%*	*16%*	
Expenses	-	-	-	57	74	66	79	78	86	80	**323**
EBITDA	-	-	-	**18**	**26**	**26**	**25**	**26**	**31**	**26**	**108**
Depreciation	-	-	-	5	6	5	5	6	6	6	**23**
EBIT	-	-	-	12	20	20	20	20	25	20	**85**
EBIT Margin				*17%*	*20%*	*22%*	*19%*	*19%*	*22%*	*19%*	
Interest	-	-	-	1	1	1	1	1	1	1	**3**
Other Income	-	-	-	1	1	1	1	2	2	2	**8**
Profit before tax	-	-	-	**13**	**20**	**20**	**21**	**22**	**27**	**22**	**91**
PBT Margin				*17%*	*20%*	*22%*	*20%*	*21%*	*23%*	*20%*	
% Growth YOY					*#####*	*#####*	*#####*	*69%*	*33%*	*7%*	
Tax	-	-	-	3	5	5	5	5	7	6	**24**
Net profit	-	-	-	**10**	**15**	**15**	**15**	**16**	**20**	**16**	**67**
% Growth YOY					*#####*	*#####*	*#####*	*71%*	*31%*	*6%*	

Detailed Results:

1. The revenue & adjusted PAT growth for Q3FY23 was 16% YoY & 29% each.
2. The company outperformed the industry growth rate across all segments.
3. EBIDTA margins stood at 26.1% while NPM stood at 14.8%.
4. The company's business highlights for the quarter include:
   - added new marquee customers like Foxconn and IFB
   - won many new businesses from its customers like Mahindra, Tata Motors, Toyota, Whirlpool, Electrolux, Royal Enfield

Investor Conference Call Highlights:

1. The automotive segment grew by about 4% Y-o-Y, whereas SJS revenues in the Automotive segment grew 25%, surpassing the overall combined industry growth.

2. The company added sales representatives in Columbia which will help strengthen its presence in Latin America.

3. Exotech achieved FY22 full-year revenues in just 9M of FY23, with EBITDA margin improvement to 14% from 12.8% in FY22.

4. ROCE for 9M stands at 33% Vs 27% for FY22.

5. The two-wheeler and passenger vehicle shares of revenue have improved to 47% and 31%, while consumer durables witnessed a decline in revenue share to around 15% due to macroeconomic

headwinds, and rising inflation that led to subdued demand in Europe and North American markets.

6. The decline in exports impacted the sale of new-generation products and hence, the overall contribution of the new-generation products to revenues is around 11% to 12% for 9M FY23.

7. The company's free cash flow to EBITDA for 9M FY23 stands at a healthy rate of 53.4%.

8. For passenger vehicles, the company is working on products that will increase its kit value from a current INR 1,200 to INR 1,500 by almost 3 to 4 times.

9. For the two-wheeler industry, the company targets to increase the kit value from the current INR 300 to INR 500 by around 2 times with highly futuristic products.

10. For the consumer appliances, it targets to increase the kit value from the current INR 50 to INR 150 by around 3 to 4x with the addition of futuristic products.

11. The Board has passed an enabling resolution for fundraising, for an amount not exceeding INR 300 crores for future acquisitions.

12. As per management, the company's competitive edge is that it has a seamless design for manufacturing and delivery company coupled with very strong labor arbitrage in the export market.

13. The management believes that the company's involvement in early-stage product development also helps secure customers. Further, it competes on its capability to differentiate products and add value to the customers' product Vs price.

14. The product of Foxconn is already under development i.e. an optical plastic part for the 2-wheeler EV, and the company expects to see volume within the next year & further localization of contents in the future..

15. Although export sales have been weak, the company hasn't lost any clients.

16. The other expenses rose sharply owing to one-time provisions made in Exotech due to a rate amendment request from the customer.

17. The PE fund Everstone will look to exit at some point in the future but the Promoter(who has a 15% stake) will continue to work with the company & in fact his son has also joined the biz.

18. Geographical revenue distribution for the export market stands at 30-35% in Europe & Asia each, 8-10% in USA & balance from other countries. While the exports' contribution to overall revenues stands at around 7-8% Vs 12-13% in the previous year.

Analyst's View:

SJS is one of the leading players in the Indian decorative aesthetics industry. The company saw a mediocre quarter with revenue growth of 16% YoY owing to poor performance in exports market. The company is gearing up for a CAPEX of Rs 100 Cr to expand its chrome plating division to meet the additional demand & is passing a resolution to potentially raise up to INR300 crs for further acquisition.. 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.

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Syrma SGS

Financial Results & Highlights

Brief Company Introduction

Syrma is a technology-focused engineering and design company engaged in turnkey electronics manufacturing services ("EMS"), specializing in precision manufacturing for diverse end-use industries. They are leaders in high-mix low volume product management and are present in most industrial verticals

Its clientele includes TVS Motor Company Ltd., A. O. Smith India Water Products Pvt. Ltd., Robert Bosch Engineering and Business Solution Pvt Ltd., Eureka Forbes Ltd Limited, CyanConnode Ltd., Atomberg Technologies Pvt. Ltd., Hindustan Unilever Ltd., Total Power Europe B.V.

₹ Million

Particulars	Q3 FY22	Q2 FY23	Q3 FY23	% Change, QoQ	% Change, YoY
Total Revenue	**3,034**	**4,748**	**5,244**	***10.4%***	***72.9%***
Gross Profit	**1,051**	**1,450**	**1,419**	***(2.1%)***	***35.0%***
Margin %	***34.7%***	***30.5%***	***27.1%***	***(3.5%)***	***(7.6%)***
Operating Expenses	663	899	823	*(8.4%)*	*24.2%*
EBITDA	**388**	**551**	**596**	***8.2%***	***53.5%***
Margin %	***12.8%***	***11.6%***	***11.4%***	***(0.2%)***	***(1.4%)***
Depreciation and amortization	68	71	81	*14.4%*	*18.8%*
Finance Cost	22	63	64	*2.0%*	*195.5%*
PBT	**298**	**417**	**451**	***8.0%***	***51.1%***
Margin %	***9.8%***	***8.8%***	***8.6%***	***(0.2%)***	***(1.2%)***
Tax	96	128	108	*(15.0%)*	*12.3%*
PAT	**202**	**288**	**342**	***18.7%***	***69.6%***
Margin %	***6.7%***	***6.1%***	***6.5%***	***0.5%***	***(0.1%)***

Detailed Results:

1. Sales grew by 73% YoY while PAT increased by 70% YoY.
2. GPM dropped significantly from 34.7% to 27.1% YoY.
3. EBITDA margins stood at 11.4% Vs 12.8% YoY.
4. Export Revenue stood at 26% of Revenue from Operations.
5. Net debt stood at (559.6) Crs.
6. Net working capital days improved from 96 days to 80 days YoY while ROCE pre & post adjustment for Unutilised IPO proceeds & Goodwill stood at 13.4% & 22.5%.

7. Revenue growth for the segments stood as:-

Industry	Revenue (₹ million)			QoQ Growth	YoY Growth
	Q3 FY22	Q2 FY23	Q3 FY23		
Auto	634	903	1,076	19.2%	69.6%
Consumer	518	1,059	2,053	93.9%	296.5%
Healthcare	390	504	92	(81.7%)	(76.4%)
Industrials	1,166	1,770	1,614	(8.8%)	38.4%
IT and Railways	309	434	290	(33.2%)	(6.0%)
Total	**3,017**	**4,670**	**5,126**	**9.8%**	**69.9%**

8. Margins for the reported segments stood as-

Industry	Material Margin (%)	
	Q3 FY22	Q3 FY23
Auto	*19.1%*	*23.3%*
Consumer	*45.6%*	*19.2%*
Healthcare	*51.8%*	*45.1%*
Industrials	*33.3%*	*33.4%*
IT and Railways	*11.0%*	*15.0%*

Investor Conference Call Highlights

1. The company is building more ODM-type development with current and new customers.
2. As of December 31, 2022, the company has an order book of Rs.2100 Crores, which would be executed during CY2023 spilling over to CY2024.
3. The growth in a few sectors like healthcare and exports has been muted because of the recessionary conditions and inflation in Europe, however, the management continues to be bullish on the long-term prospects.
4. The gross material cost increased by 300 basis points to 73% quarter on quarter as a factor of softening of the export healthcare business coupled with higher growth & contribution of the consumer segment.
5. The company has deployed around Rs.35 odd Crores of capex during this quarter and expects to incur another Rs.40 Crores to Rs.60 Crores in Q4 of this financial year.
6. The. Inventory days have increased to 121 days from 108 days last quarter mainly on account of higher inventory built-up, as the company was expecting a Chinese New Year in the initial first two weeks of January. While On the receivables side, there is a saving of almost 12 days on a quarter-on-quarter basis & with trade payables stay flat.
7. The management expects a rebound to happen in Q1 of FY24 on the export front.
8. The consumer biz grew due to its entry into the fiber-to-home devices and the telecom PLI scheme. The management explains this growth is sustainable & that the industry is price sensitive leading to lower margins, but higher turnaround times ensure good returns on capital deployed.

9. The company sees good opportunities in EV mobility as well as the charging station segment & is witnessing good inquiries.
10. The margins in consumer materials have deteriorated due to a lower proportion of ODM (exports) from 26% to 11%.
11. The company's gross block currently stands at 400 Crs & expects to do a capex of 200-250 Crs in FY24.
12. The Gurgaon facility has a utilization of 50% while the Chennai facility was commissioned recently.
13. The company targets a ROCE of 25% internally.
14. The current asset turns to stand at 5.6X times while they are expected to be at 6-8X for the new biz.
15. Order book split involves 35-40% of exports. Industry-wise split involves 35%- 40% from the consumer sector, 20% plus from the auto sector,18% to 20% from the industrial and about 7% to 8% from the Healthcare sector.
16. The company targeted ODM contribution is 25%+.
17. The management expects to receive PLI benefits by Q3FY24.
18. Out of the total raise of around Rs.800 Crores, the company is expecting to use around Rs.300 Crores in the next year towards capex, 100 to 150 Crs towards working capital, and the balance for general corporate purposes.
19. The company doesn't expects Q4 to be the biggest quarter always since this is the case only for companies more dependent on Govt. orders.
20. The top 10 client concentration stands at 46-50%.
21. The consumer business comprises fiber-to-home telecom, wearables for 'Firebolt', controllers for water purification & ODM businesses like controllers for energy-saving devices, brushless DC motors, etc.
22. The major risk for the healthcare biz remains the recession in the West owing to its products being a discretionary spending types product coupled with possible dumping of products by China.
23. The current box build as a percentage of total sales is hovering at about 14% to 15%.
24. The management states that the stickiness of the customers is evident from their 20-30 years of relationships with the customers & the exports growing by 50% on a 9M basis despite a global slowdown is a testament to its superior biz model.
25. PCBA contributes 70% of revenues.
26. When new customers come in, it takes 12 to 18 months for high-volume production to start.
27. The management explains that in the semiconductor space, The passive components pressures have eased out, but microcontrollers continue to be a challenging area because passive components have a wider manufacturing base whereas microcontrollers and active components have a smaller manufacturing base.
28. The management is seeing freight costs easing YoY.
29. The company is outsourcing the products for box-build from outside vendors since they have been in a relationship for 20 years & haven't faced any problems due to this arrangement, further management believes doing backward integration is not a major issue however, the demand should offset the higher capex.

30. In the Short term, margins are lower because of the capex cycle which has been set in because of front loading of the expenses to make the organization future-ready however, the management targets low double-digit margins in the long term.
31. The company believes that Energy storage would be one of the biggest growth drivers for EV-related sectors & On the energy part energy conservation and energy efficiency are well placed with their own design on controllers for brushless DC motors for the fans and migrating it to other applications.

Analyst's View

The company reported a strong quarter with revenue growing by 70% despite exports remaining subdued due to global economic issues. The company has a strong biz model with exposure to different industries. It is also doing major capex which will further give impetus to growth.However, it remains to be seen how the company will be able to grow sustainably at this rate given the high valuations which seems to have baked in this underyling growth expectations, coupled with weak global demand scenario owing to war & semiconductor issues looming. However, given its strong growth prospects, it remains an interesting stock to keep track off.

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Cement

Dalmia Bharat

Financial Results & Highlights

Introduction

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

Quarterly Performance											
	DALMIA BHARAT LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**2,313**	**2,737**	**3,151**	**2,587**	**2,581**	**2,734**	**3,380**	**3,302**	**2,971**	**3,355**	**13,008**
% Growth YOY					*12%*	*0%*	*7%*	*28%*	*15%*	*23%*	
Expenses	1,614	2,052	2,384	1,920	1,960	2,323	2,698	2,713	2,594	2,710	**10,715**
EBITDA	**699**	**685**	**767**	**667**	**621**	**411**	**682**	**589**	**377**	**645**	**2,293**
Depreciation	299	326	327	297	303	302	334	312	332	325	**1,303**
EBIT	400	359	440	370	318	109	348	277	45	320	**990**
EBIT Margin	*17%*	*13%*	*14%*	*14%*	*12%*	*4%*	*10%*	*8%*	*2%*	*10%*	
Interest	73	94	61	60	50	46	45	47	54	69	**215**
Other Income	41	50	39	26	26	62	58	22	29	39	**148**
Profit before tax	**368**	**315**	**418**	**336**	**294**	**125**	**361**	**252**	**20**	**290**	**923**
PBT Margin	*16%*	*12%*	*13%*	*13%*	*11%*	*5%*	*11%*	*8%*	*1%*	*9%*	
% Growth YOY					*-20%*	*-60%*	*-14%*	*-25%*	*-93%*	*132%*	
Tax	136	132	-220	98	92	35	-239	64	-21	74	**-122**
Net profit	**232**	**182**	**627**	**227**	**198**	**84**	**595**	**196**	**46**	**204**	**1,041**
% Growth YOY					*-15%*	*-54%*	*-5%*	*-14%*	*-77%*	*143%*	

Detailed Results:

1. The company had a 23% YoY rise in revenues and a 143% YoY rise in PAT on a consolidated basis.
2. Volume increased 11.5% YOY to 6.3 MnT
3. EBITDA per ton stood at INR 1022.
4. Net Debt/EBITDA stood at 0.39x.
5. Added Renewable power capacity of 25 MW taking the total to 154MW.
6. The blended cement percentage has been 83.1%
7. Signed Definitive Agreement for the acquisition of the cement assets of Jaiprakash Associates Limited at an EV of INR 3,230 Cr

   ➢ Cement 5.2Mnt ➢ Clinker of 3.3Mnt ➢ Thermal Power 280MW (which includes 180MW in an SPV of which 57% stake is to be held by DCBL)

8. Cement capacity targets are given by the management:

a. Interim milestone of 49 million tons by March '24 (excluding Jaiprakash associate's acquired capacity)

b. Interim milestone of 70-75 million tons by financial year '27

c. The long-term goal of 110-130 million tons by 2031

9. Quarterly variable costs decreased by 8.3% QoQ due to the Moderation of fuel prices combined with efficiency measures.
10. The cost of borrowing has increased from 5.6% to 7.5% YoY.

Investor Conference Call Highlights

1. The company has been able to bring down its carbon footprint to 462 kg per ton of cement which is probably one of the lowest in the world cement sector as well which also matches the target it had given three years back.
2. The acquisition is for an enterprise value of INR3,230 crores.
3. The per kilocalorie for the quarter was around INR2,100 per million kilocalories.
4. The management expects the profitability to improve going forward since utilisations in the month of January were around 55% and it's improving. And prices in Western India, particularly in Maharashtra, are also stable.
5. The company is focused on keeping net debt to EBITDA below 2 and ensuring that its growth is funded with a very strong and well-capitalized balance sheet.
6. The power cost went down by 25% per ton due to a lower per kcal cost from 2.5 to 2.4 coupled with an increasing green power proportion which has increased to 24% from 15-17% in the previous quarter.
7. The company is witnessing improvement in pricing in the Eastern market aided by higher demand in the past few months.
8. The management is acknowledging the need for executive development & increased emphasis on succession planning owing to high growth targets set by the company which will need larger management bandwidth.
9. The trade Share percentage for the quarter was 60%.
10. The lead distance was around 310 kilometers. And on the fuel mix, it used about 70% pet coke and 16% coal.
11. Capacity utilization for the quarter stood at 58% & expect the number to be around 64-66% for FY23.
12. The company won't get any tax benefit out of its Jaypee acquisition due to the slump sale.
13. The freight cost increase was on account of the imposition of the busy season surcharge imposed by the Railways (which account for a 17% share of freight) from October onwards.
14. The premium proportion in this quarter was 22%.
15. The management states that there is no price increase in the month of January.

Analyst's View

Dalmia Bharat is one of the leading cement makers in India. The company has had a decent quarter with a 23% YoY rise in revenues. The company has done well to maintain Debt to EBITDA. 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

Financial Results & Highlights

Introduction

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

Quarterly Performance											
HEIDELBERGCEMENT INDIA LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**514**	**595**	**600**	**556**	**576**	**545**	**620**	**590**	**506**	**540**	**2,256**
% Growth YOY					*12%*	*-9%*	*3%*	*6%*	*-12%*	*-1%*	
Expenses	388	475	448	425	460	476	501	495	458	503	**1,958**
EBITDA	**126**	**120**	**152**	**131**	**116**	**68**	**119**	**95**	**48**	**37**	**298**
Depreciation	28	28	27	28	28	28	28	28	28	29	**113**
EBIT	98	92	125	104	88	40	91	67	19	8	**185**
EBIT Margin	*19%*	*16%*	*21%*	*19%*	*15%*	*7%*	*15%*	*11%*	*4%*	*2%*	
Interest	13	12	9	10	11	10	5	8	21	11	**45**
Other Income	10	12	15	11	14	12	12	10	11	11	**44**
Profit before tax	**95**	**92**	**130**	**104**	**91**	**43**	**98**	**69**	**10**	**8**	**185**
PBT Margin	*18%*	*15%*	*22%*	*19%*	*16%*	*8%*	*16%*	*12%*	*2%*	*1%*	
% Growth YOY					*-4%*	*-54%*	*-25%*	*-33%*	*-89%*	*-81%*	
Tax	32	28	-10	35	31	12	4	18	3	2	**27**
Net profit	**62**	**64**	**140**	**69**	**60**	**30**	**94**	**52**	**7**	**6**	**158**
% Growth YOY					*-5%*	*-52%*	*-33%*	*-25%*	*-88%*	*-82%*	

Detailed Results:

1. The company had a very poor quarter reporting flat revenue and 82% lower profit on YoY basis.
2. Volumes degrew by 3% YoY.
3. Cost increase by 9% which was only partially offset by a 2% price increase
4. The company delivered an EBITDA of Rs 339 per ton which is 44% lower due to higher fuel costs.
5. The company continues to operate on negative net operating working capital, and net debt stands at about 1.5 billion as of date.
6. Company's Green power % of total power is 33%.
7. The Company has been declared as the preferred bidder of c. 60 Mn T Limestone Mines block at Sukha Satpara adjoining to its existing Patharia mines in Central India, Premium to be paid is 100.5% of the limestone value assessed by IBM & Overall timeline for mining lease execution is 24-30 months.
8. Sales volume in terms of rail and road is 51-49.
9. The company's trade sale is 76% while the coal share of the power mix stood at 34%.

Investor Conference Call Highlights

1. The company's warehousing problems also added to its volume degrowth.
2. Higher costs of inventory led to margin contraction coupled with high fuel costs..
3. The company launched a new cement bag -Mycem Primo to fill in the gap between upper & lower-cost offerings.
4. The management believes that the benefits of lower GST will be passed on by the industry to the customers.
5. In the December quarter, the kilo calorific value was around Rs. 2.85 paise & is expected to reduce in the coming quarter.
6. The company expects to apply for ToR for Gujarat expansion in March.
7. Including Karnataka, the total clinker capacity of the company is 3.5 MTPA, and in Central India, it is 3.1 million tons which the company will increase by 2,00,000, 3,00,000 ton per annum clinker capacity by doing debottlenecking at Central India.
8. The company won't be producing LC3(calcined clay) cement since it is not closer to clay blocks, the company also believes that there needs to be high education given before selling this product.
9. The potential merger of the company with Zuari will take at least 1.5 years.
10. The freight & logistics issue hampered 10 days of sales in some busy markets.
11. 9MFY23 saw fuel costs rise by 40% YoY.
12. The company expects the initial capex in Gujarat to be 3 MTPA.
13. The company's demand growth rate expected in the Central region for FY24 is 7%.
14. The GST incentive withdrawal will lower profits per ton by 40 Rs.
15. The company has in the past been able to increase the life of its mines by 7 years through the use of sweeteners.
16. The capex for FY24 will stand at 55 Crs including 40 Crs for sustainable capex.
17. Prices of cement have risen by 125-130 rs in the South Vs Central region which has stayed flattish.
18. The lead distance stood at 350 Km.
19. The company is confident about growing its topline by 10% CAGR for the next 5 years.

Analyst's View

Heidelberg Cement is one of the leading cement makers in South and Central India. It had a poor quarter with revenues staying flat & PAT margins decreasing from around 5 % to 1% YoY 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 Q3. 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

Financial Results & Highlights

Brief Company Introduction

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

Quarterly Performance											
ORIENT CEMENT LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**478**	**605**	**832**	**691**	**613**	**618**	**804**	**714**	**615**	**732**	**2,865**
% Growth YOY					*28%*	*2%*	*-3%*	*3%*	*0%*	*19%*	
Expenses	364	468	629	505	479	500	651	612	583	642	**2,487**
EBITDA	**113**	**137**	**203**	**186**	**134**	**118**	**153**	**102**	**33**	**90**	**378**
Depreciation	35	36	36	35	36	37	37	36	37	37	**147**
EBIT	78	101	167	151	98	81	117	66	-4	53	**231**
EBIT Margin	*16%*	*17%*	*20%*	*22%*	*16%*	*13%*	*15%*	*9%*	*-1%*	*7%*	
Interest	26	24	16	16	15	16	5	8	11	10	**33**
Other Income	3	7	3	2	3	2	2	1	5	1	**9**
Profit before tax	**54**	**84**	**153**	**137**	**86**	**67**	**114**	**59**	**-10**	**45**	**207**
PBT Margin	*11%*	*14%*	*18%*	*20%*	*14%*	*11%*	*14%*	*8%*	*-2%*	*6%*	
% Growth YOY					*58%*	*-20%*	*-26%*	*-57%*	*-112%*	*-34%*	
Tax	19	30	54	48	29	24	41	22	-1	17	**79**
Net profit	**35**	**54**	**100**	**89**	**57**	**44**	**73**	**37**	**-10**	**28**	**129**
% Growth YOY					*63%*	*-19%*	*-27%*	*-58%*	*-117%*	*-37%*	

Detailed Results:

1. The company had another poor quarter with revenue rising by just 19% while profits falling by around 37% YoY.
2. The volumes in this particular quarter at 14.3 lakh tons, which is up 17% over last year.
3. Capacity utilisations were above 70% for the quarter.
4. EBITDA decreased by 25% YoY while EBITDA per ton stood at INR 640.

Investor Conference Call Highlights

1. The OPC: blended mix stood at 47:53.
2. The volumes for 9M stand at 4.05 million & the company plans to end the year with 5.8 million.
3. Realizations per ton stood at INR 5,100, just 1% up YoY.
4. The share of B2B to total sales stood at 51%.
5. The share of its premium brand StrongCrete to its total revenues was reduced by below 15%.
6. The energy mix share for coal:petcoke: AFR stood as 42:41:17.
7. The benefits of the waste heat recovery plant at Chittapur will be visible in Q1FY24.
8. The company has already booked fuel till May 2023 since it was running out of the same, hence any softening of petcoke prices going forward will not be available to the company.
9. The power and fuel cost per ton for Q3 is INR 1,578, i.e.35% higher Y-o-Y.
10. The cost saving from AFR stood at Rs.10 Crs for the quarter.
11. The working capital increased due to a higher share of B2B biz. The total debt including working capital stood at INR 403 Crs.
12. The company will require 15-18 months to complete capex whenever it initiates a plan for one.

13. The railway's share of total dispatch stood at 16%.
14. The company isn't facing any capacity constraints & can easily produce above 85% utilization levels as per management.
15. The management explains that B2C sales have always given higher contributions because the cost of production of PPC is lower and the prices remain attractive on the cost for PPC while B2B is largely about OPC and prices typically get negotiated by the large buyers very hard.
16. The management when asked about the lack of price increase by the industry despite higher costs states that "Frankly, I am too small a player to be able to answer that question. I just take the prices as they are in the market. Within relative terms, I try to get better prices compared to other brands. But the overall level of prices is what the market gives to us. "
17. Part of the reason for locking petCoke till May 2024 is the lack of potential suppliers in the market.
18. The Rajasthan project will take at least 3 years to commercialize.
19. The company expects industry growth of above 10% owing to a strong capex-focused Budget.
20. The company believes EBITDA of INR1000 is fairly achievable in the coming financial year.
21. The management states that pricing in B2B & B2C is similar, but margins are better in B2C.
22. The lead distance is a little above 300 days.
23. The per Kcal costs stood well below INR 2,200.

Analyst's View

Orient Cement is a leading cement maker in the West and South Zones. The company had a better Q2 which saw revenues rise by 19% YoY while profits fell 37% 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 a premium price and not reducing the prices. It remains to be seen how will the ongoing consolidation in the cement industry, the inflationary environment & lower demand from the B2C segment affect the company. Nonetheless, given its strong position in its native zones, and relatively good EBITDA/ton, Orient Cement is a good small-cap cement stock to watch out for.

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Chemical

Apcotex

Financial Results & Highlights

Introduction

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

Quarterly Performance											
	APCOTEX INDUSTRIES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**129**	**165**	**187**	**185**	**243**	**251**	**277**	**307**	**283**	**234**	**1,101**
% Growth YOY					*88%*	*52%*	*48%*	*65%*	*16%*	*-7%*	
Expenses	110	140	157	156	212	217	232	258	238	203	**932**
EBITDA	**19**	**24**	**30**	**29**	**31**	**34**	**45**	**49**	**45**	**31**	**170**
Depreciation	4	4	3	3	4	4	4	4	4	4	**15**
EBIT	15	21	27	26	28	30	42	45	41	27	**155**
EBIT Margin	*12%*	*13%*	*14%*	*14%*	*11%*	*12%*	*15%*	*15%*	*15%*	*12%*	
Interest	1	1	1	1	1	1	1	1	2	1	**5**
Other Income	1	1	2	2	2	2	2	2	2	2	**8**
Profit before tax	**14**	**21**	**28**	**28**	**29**	**32**	**42**	**45**	**42**	**28**	**157**
PBT Margin	*11%*	*13%*	*15%*	*15%*	*12%*	*13%*	*15%*	*15%*	*15%*	*12%*	
% Growth YOY					*100%*	*48%*	*51%*	*64%*	*46%*	*-13%*	
Tax	3	5	5	6	6	8	12	12	11	7	**42**
Net profit	**12**	**17**	**23**	**22**	**22**	**24**	**31**	**34**	**31**	**20**	**116**
% Growth YOY					*91%*	*43%*	*37%*	*54%*	*38%*	*-14%*	

Detailed Results:

1. The company had a poor quarter with revenue and profits decreasing by 6.7% and 14.3% on a YoY basis respectively.
2. Quarterly Volumes grew by 1% as capacity was fully utilized.
3. The EBITDA margins dropped to 13.07% due to

- Raw material and finished goods inventory losses in Q3-FY23 due to a sharp decline in prices • Lower margins mainly in some product categories due to weaker market demand and fall in ocean freight cost benefiting imported competition.

1. PAT margins were 8.71%.
2. Projects in Taloja and Valia are expected to be completed in Q4-FY23.
3. The company have declared an interim dividend of Rs. 2 per equity share.
4. 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.
5. Export contribution is 21-22% for the quarter.

Investor Conference Call Highlights

1. The sudden fall in oil prices which is imported by the company coupled with high inventory days that the company keeps owing to geopolitical uncertainty led to inventory losses in the current quarter.
2. The management indicates that in the last 2 years, it got a one-time benefit in the form of lower competition from imports due to high freight which has reduced in the current quarter & is expected to persist.
3. The management expects some consolidation in the glove industry in the coming time.
4. The company expects to reach 50,000-ton utilization in Nitrile latex capacity in a year Vs the previous guidance of 6 months as sales are directly related to relationship building.
5. Although the glove industry is going through its deepest downturn, the management is quite bullish in the long term with the growth in healthcare requirements across the globe as well as a shift from natural latex gloves to Nitrile Latex gloves, it is well positioned in terms of geography, raw material pricing, and new plants at a reasonable CAPEX compared to most of its competitors.
6. The company expects EBIDTA to improve from Q1.
7. Sales decreased due to lower realizations Vs lower volumes.
8. The delay in expansion was caused to a semiconductor shortage, which has now been resolved.
9. The company faces difficulty in passing price hikes in Formula-based pricing contracts where total contribution stands at 25%.
10. The company has been able to increase its margins in the past few years due to economies of scale & shift in product profile to specialty grades where margins are higher.
11. In the Valia plant, the entire power comes from a captive power plant whereas, in Taloja, the company is dependent on MSCB.
12. The company doesn't have any plan for a major capex other than maintenance capex of 15-18 Crs.
13. Taloja is a swing plant that can produce different types of products on the basis of demand. The revenue potential of the new capex of 200 Crs is 600-700 Crs.
14. The expected utilization of nitrile capacity for the whole year is 40% while full utilization will be achieved by the end of the year.
15. The company can do another 300 Crs of revenue in its new capex by doing incremental spending of 30-35 Crs.
16. The management explains that despite facing heavy competition from imports in 40-45% of its product category, it has been able to maintain volume share.
17. The management is confident of maintaining 20-25% ROCE on 5 year basis in its new capex despite margins being on the lower end.
18. The company expects the glove/nitrile latex market to grow by 12-15% in the coming period where the capacity of gloves is outpacing the capacity of latex.
19. The management explains that the two primary raw materials for latex is Butadiene (which is available near the plant of the company) and acrylonitrile (which is imported in large quantity at competitive rates) leading to no major raw material costs disadvantage.
20. The company's Taloja plant is highly automated leading to very low fixed costs.
21. The company has appealed for anti-dumping duty & expects a favorable judgment soon.
22. 40% of capex will be met through internal accruals.
23. The end user industry split stands as 15% to 20% would be paper and paper board, construction : 15%, carpet: 10%, carpet textile put together would be 10%- 12%, tyre would be another 10% and Nitrile Latex is 7-8% and the rest is all rubber products which includes footwear,

automotive, hoses, all different kinds of application from agriculture to auto to all different kinds of industrial hoses. Thus no single industry has more than 20% contribution.

24. The expected peak debt is 180 Crs.
25. The management states that "as long as we are price competitive and we assure them that we would be we have a high amount of stickiness with our customers. "
26. Exports have grown by 11% YoY & contribute 20% of total revenues.

Analyst's View

Apcotex is one of the very few synthetic rubber makers in India. The company had a poor quarter with sales & PAT degrowth. 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.

Clean Science & Technology

Financial Results & Highlights

Brief Company Introduction

Incorporated in 2003, Clean Science and Technology Ltd are one of the leading chemical manufacturers globally. It manufactures functionally critical specialty chemicals such as Performance Chemicals (MEHQ, BHA, and AP), Pharmaceutical Intermediates (Guaiacol and DCC), and FMCG Chemicals (4-MAP and Anisole).

Quarterly Performance											
CLEAN SCIENCE & TECHNOLOGY LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**140**	**125**	**134**	**146**	**153**	**181**	**205**	**234**	**248**	**237**	**924**
% Growth YOY					*9%*	*44%*	*53%*	*60%*	*62%*	*31%*	
Expenses	70	63	64	75	84	105	121	143	150	129	**542**
EBITDA	**70**	**63**	**70**	**71**	**69**	**76**	**84**	**91**	**98**	**108**	**381**
Depreciation	4	5	4	6	6	6	7	8	9	9	**33**
EBIT	66	58	66	66	63	70	77	83	89	100	**348**
EBIT Margin	*47%*	*46%*	*49%*	*45%*	*41%*	*39%*	*38%*	*35%*	*36%*	*42%*	
Interest	-	0	-	0	0	-	0	-	-	0	**0**
Other Income	8	7	6	7	9	7	7	11	3	12	**34**
Profit before tax	**74**	**65**	**71**	**72**	**71**	**78**	**84**	**94**	**92**	**112**	**382**
PBT Margin	*53%*	*52%*	*53%*	*49%*	*47%*	*43%*	*41%*	*40%*	*37%*	*47%*	
% Growth YOY					*-3%*	*20%*	*18%*	*30%*	*29%*	*44%*	
Tax	19	16	18	17	18	20	22	23	24	28	**97**
Net profit	**54**	**49**	**53**	**55**	**54**	**58**	**62**	**70**	**68**	**84**	**285**
% Growth YOY					*-1%*	*18%*	*18%*	*29%*	*28%*	*45%*	

Detailed Results:

1. The company revenue grew 31% YoY while PAT grew 45% YOY.
2. EBITDA margins improved from 42.7% to 46.1% YoY.
3. 9M revenues by segment & geography stand at-

Investor Conference Call Highlights

1. The company's manufacturing plants for HALS 701 and 770 in Unit 3 got commercialized in early December.
2. The ROCE stands at a very healthy number of 53.6%
3. China opening up is a major tailwind for the biz due to their high exposure.
4. The pharma biz grew slowly due to lower sales of PBQ.
5. EBITDA margins improved due to the correction of raw materials, power & fuel costs, & operational leverage.
6. In the MEHQ and BHA, capacity was increased by 50% in the month of April which should take care of 2 years of growth.
7. The management states that new growth will come from new segments of product, which is the HALS segment, the new products like PBQ, TBHQ, and other pharma and agro intermediates.

8. The company is confident of maintaining its share in the MEHQ segment.
9. The company expects to scale up HALS in the coming 6 months & one of its major advantages is its price competitiveness.
10. The company expects the utilization to be at least 50-60% in its 770 & 701 plants.
11. The company will have to price its chemicals at 5-10% less Vs BASF price to ensure demand for its products.
12. The QoQ numbers were lower since Q3 is a leaner quarter with the majority of revenues coming from exports which were also weak due to inventory destocking.
13. The company expects to get a small share of HALS chemicals through its better service in the form of specialized packing unlike bigger players & which is bullish since the market itself is expected to grow at 10%.
14. The management explains that in FY 24, in the parent company, there will be a small maintenance capex, but the majority of the capex will happen in the subsidiary company, which could be north of INR 150-odd crores.

Analyst's View

Cleanscience is one of the most talked about recent IPO stocks owing to its strong operational characteristics with a Handsome ROCE of 53% & EBITDA margins > 40%. The company delivered a strong performance YoY with revenue growth of 31% despite a poor export scenario. It remains to be seen whether the company will be able to maintain its growth journey which seems to have been baked in at current valuations, how will it compete with players like BASF in its new chemical like HALS & handle input price & other global economic uncertainties. Nonetheless, given its strong competitive advantage & operational efficiency, it remains an interesting stock to keep on one's watchlist.

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Fairchem Organics

Financial Results & Highlights

Brief Company Introduction

Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, for the last 25 years. The company's key oleo chemical products include Dimer Acid, Linoleic Acid, Palmitic Acid, and Monomer Acid, and nutraceutical products include Mixed Tocopherols and Sterol concentrate. Fairchem is one of the only manufacturers of Linoleic Acid and Dimer Acid in India, which are the major part of the overall revenues and have a large addressable market size in India.Its customers include marquee names like Asian Paints, Huber, Arkema, Kensing, ADM, Cargill etc.

	Quarterly Performance										
	FAIRCHEM ORGANICS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**95**	**107**	**159**	**139**	**168**	**158**	**178**	**225**	**169**	**102**	**674**
% Growth YOY					*77%*	*48%*	*11%*	*62%*	*0%*	*-35%*	
Expenses	80	86	132	106	136	137	159	185	159	99	**602**
EBITDA	**15**	**21**	**28**	**33**	**32**	**21**	**19**	**40**	**9**	**4**	**72**
Depreciation	2	2	2	2	2	2	2	2	2	2	**8**
EBIT	14	20	26	31	30	20	17	38	7	2	**64**
EBIT Margin	*14%*	*18%*	*16%*	*22%*	*18%*	*12%*	*9%*	*17%*	*4%*	*2%*	
Interest	2	2	2	2	2	2	2	2	2	1	**7**
Other Income	0	0	0	0	0	0	0	0	-	0	**1**
Profit before tax	**12**	**18**	**24**	**30**	**28**	**18**	**15**	**36**	**6**	**1**	**58**
PBT Margin	*13%*	*17%*	*15%*	*22%*	*17%*	*11%*	*9%*	*16%*	*3%*	*1%*	
% Growth YOY					*129%*	*0%*	*-37%*	*20%*	*-80%*	*-95%*	
Tax	3	5	5	8	7	5	4	9	2	0	**15**
Net profit	**9**	**13**	**19**	**22**	**21**	**13**	**11**	**27**	**4**	**1**	**43**
% Growth YOY					*131%*	*0%*	*-40%*	*21%*	*-81%*	*-95%*	

Detailed Results:

1. The company had a poor quarter with revenue and profits decreasing by 35% and 95% on a YoY basis respectively.
2. EBITDA margins dropped to 3.51% Vs 13.5% YoY for the quarter.
3. There was a lack of demand mainly from the Paint industry where the fall in volume was more than 35 %. This was the main reason for the fall in quarterly revenue & substantially eroded the margin in absolute terms.
4. There was an average fall of about 10 % on per unit realization vis-à vis the previous quarter while the raw material cost continued to fluctuate and tended to remain higher putting additional pressure on the margin.

Investor Conference Call Highlights

1. The Sales volume for this quarter in terms of metric tons was around 9,700 tons vis-à-vis around 14,800 tons in the previous quarter.
2. 8,700 tons was the raw material process quantity for the October-December quarter and 16,700 was the process quantity for the previous quarter that is July-September.

3. The management explains that since it supplies to the decorative paint segment, it reported major volume degrowth Vs paint cos which saw flat volumes due to higher contribution from the automotive paints segment as well.
4. Another reason for volume degrowth could be the use of old inventory by paint cos leading to fewer purchases from the company.
5. The company expects a better recovery in numbers in Q4 but it is still not getting that visibility from the paint companies for the long term.
6. The company is making a new product addition targeting the Epoxy industry to reduce dependence on the Paints industry.
7. The company expects its export plans to fructify in Q1 of FY24.
8. The company's sample has been under analysis for the last 1 year for the decorative paints segment of Birlas & JSW paints.
9. The combined contribution of its two main Fatty acids in terms of values was close to 70-75% of total revenues while Asian paints contribute 40% of total revenues.
10. The management states that the new capacity of dimer acids of Hyderabad-based 3F Manufacturing will replace imports (which contribute 35% of total volumes in India) Vs the company's share.
11. The management when asked about how the Russia-Ukraine war is affecting its biz stated that "Between Ukraine and Russia, they are the world's largest manufacturers of sunflower oil. So, that is the reason it is affecting, the overall commodity has become a little bit volatile because of that. So, once, we haven't seen this type of volatility in the last 25 years of our existence."
12. The raw material prices have been very volatile wherein the prices reached 2X pre-covid rate high & have currently hovered around 1.3X pre-covid rates.
13. The company's selling price is decided on a monthly basis.
14. The share of Tocopherol is 5% of total sales.
15. The company is delaying the Tocopherol project to focus on the new chemicals.
16. The company in the past has been continuously delaying the Tocopherol project owing to methanol-related restrictions in Gujarat state coupled with Corona & lack of focus on that biz due to niche market size.
17. Dimer is a low volume-high price product Vs Lineolic acid.
18. Dimer Acid value for 9 months was Rs. 130 crores and Linoleic Acid value for the 9 months was Rs. 234 crores.

Analyst's View

Fairchem organics is the leading producer of fatty acid derivatives commanding market leadership in India. The company has been witnessing a horror Fy23 where it has witnessed high double-digit revenue & PAT degrowth. The revenue degrowth is primarily due to the low growth of the decorative paints industry coupled with wild fluctuation in inputs ailing its margins. It remains to be seen how management will recover from the demand side shock coupled with uncertain input prices due to War. However, given its strong market positioning & past track record coupled with its management pedigree, it remains an interesting small-cap stock to keep track of.

PI Industries

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,158**	**1,162**	**1,197**	**1,194**	**1,354**	**1,356**	**1,395**	**1,543**	**1,770**	**1,613**	**6,322**
% Growth YOY					*17%*	*17%*	*17%*	*29%*	*31%*	*19%*	
Expenses	878	887	970	945	1,063	1,060	1,090	1,191	1,338	1,198	**4,817**
EBITDA	**280**	**275**	**227**	**249**	**292**	**297**	**305**	**352**	**432**	**415**	**1,504**
Depreciation	43	44	45	49	49	50	54	56	56	57	**222**
EBIT	237	231	183	200	242	246	251	296	376	358	**1,282**
EBIT Margin	*20%*	*20%*	*15%*	*17%*	*18%*	*18%*	*18%*	*19%*	*21%*	*22%*	
Interest	8	7	4	3	3	3	3	14	11	9	**37**
Other Income	34	39	44	31	28	26	21	32	33	51	**136**
Profit before tax	**263**	**264**	**222**	**228**	**267**	**269**	**269**	**314**	**398**	**400**	**1,381**
PBT Margin	*23%*	*23%*	*19%*	*19%*	*20%*	*20%*	*19%*	*20%*	*22%*	*25%*	
% Growth YOY					*1%*	*2%*	*21%*	*38%*	*49%*	*49%*	
Tax	45	68	43	41	37	47	65	52	63	48	**228**
Net profit	**218**	**195**	**180**	**187**	**230**	**223**	**204**	**262**	**335**	**352**	**1,153**
% Growth YOY					*6%*	*14%*	*14%*	*40%*	*46%*	*58%*	

Detailed Results:

1. The company witnessed good revenue growth of 19% YoY in consolidated terms in Q3.
2. The profits for the company were up for Q3 with a rise of 58%.
3. The EBITDA for the company grew 40% YoY in Q3 and the EBITDA margin rose 400 bps to 26%.
4. Gross margins rose by 73 bps to 47% in Q3.
5. Overheads increased by 4% YoY in Q3.
6. Exports saw a growth of 23% YoY in Q3 while domestic sales increased 2% YoY in the same period.
7. The Surplus cash net of debt is Rs. 28,966 million.
8. Its order book is at $1.8 billion.
9. The Board of Directors has considered an interim dividend of Rs. 4.50 per share for FY22-23.

Investor Conference Call Highlights:

1. The institutional sale remained subdued during the quarter due to higher channel inventory and hence reflected in the overall domestic revenue growth.

2. Its Branded products for crops including Cotton, Rice, Chili, Horticulture, and Wheat, have performed well coupled with a strong response for its new brands.
3. The management states that the company's ability to engage with global customers on a long-term relationship basis and understanding of complex chemistries are core advantages for the Company and its Customers.
4. The share of non-ag chem enquires rose to 25% of the total.
5. The company aims to commercialize up to 4 to 5 new molecules each year.
6. Exports revenue growth of 23% was driven by volume growth of around 9% and price and currency of around 14%. New innovative Agri brands launched recently also contributed to the growth.
7. The gross margin increased by 73 basis points to 47% partially due to cost pass-through and favorable product mix.
8. The Trade working capital in terms of Days of Sales was reduced to 90 days vs. 103 days on 31-Mar-22.
9. Total CAPEX for 9M FY23 stood at Rs. 2,585 million and the estimated CAPEX for the current year stands at around Rs. 5,000 million.
10. The expected Capex for FY24 is Rs. 8,000 million.
11. The company expects to maintain its current margins.
12. The company's 12% plus capacity debottlenecking of the existing assets by looking at various engineering and technological solutions helped its growth trajectory.
13. The company's concentration in the Innovators product portfolio has helped it grow despite various headwinds in the generics portfolio across the industry.
14. The expected tax rate on a full-year basis should be less than 15%.
15. The company has more than 60% of its products under the green category wherein the product under the green category is the one with green Ecoscale and low level of wastage.
16. The company plans to commercialize 2-3 non-ag-chem products in the coming FY.
17. In terms of growth, the management is still guiding for a 20% plus growth rate on a sustainable basis.
18. The other expenses were reduced owing to lower freight costs.
19. The company improved its throughput by 10-12% In the current year through technological improvements without doing any major capex leading to better capital efficiency.
20. The company has aspirations of getting non-ag chem contribution to close to 20-odd percent in the next 4-5 years.
21. The company is in an advanced stage of negotiations for acquiring a pharma company.
22. The management while screening molecules chooses only those that have the ability to become sizable by targeting multi-crop pest segments and wider geographies.

23. Out of the 15 plants, 3-4 are dedicated plants for which the company has long-term contracts & volumes are pretty high.
24. The company expects inventory issues in the coming year from a logistic & channel point of view.
25. The management intends to start its Pharma biz with the service in the CRO/CDMO model.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw a good performance in Q3 on the back of sustained sales momentum in export markets. It had another fantastic quarter with 19% sales growth & PAT growth of 58%. 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 of 20% in all segments despite the turbulent global economic climate. 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

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**725**	**570**	**471**	**741**	**728**	**628**	**508**	**863**	**951**	**630**	**2,952**
% Growth YOY					*0%*	*10%*	*8%*	*17%*	*31%*	*0%*	
Expenses	608	510	453	619	640	561	510	750	834	577	**2,671**
EBITDA	**117**	**60**	**18**	**122**	**88**	**67**	**-3**	**113**	**118**	**53**	**281**
Depreciation	20	11	15	18	18	18	20	25	22	22	**88**
EBIT	96	49	3	103	70	49	-22	88	96	31	**192**
EBIT Margin	*13%*	*9%*	*1%*	*14%*	*10%*	*8%*	*-4%*	*10%*	*10%*	*5%*	
Interest	1	1	1	1	1	1	1	2	2	3	**9**
Other Income	15	14	10	7	7	5	7	5	2	2	**16**
Profit before tax	**110**	**62**	**12**	**109**	**76**	**53**	**-16**	**91**	**95**	**30**	**200**
PBT Margin	*15%*	*11%*	*2%*	*15%*	*11%*	*8%*	*-3%*	*11%*	*10%*	*5%*	
% Growth YOY					*-30%*	*-14%*	*-239%*	*-17%*	*25%*	*-44%*	
Tax	27	16	3	27	20	14	-2	23	24	7	**53**
Net profit	**83**	**46**	**8**	**82**	**56**	**40**	**-14**	**67**	**71**	**23**	**147**
% Growth YOY					*-32%*	*-13%*	*-272%*	*-18%*	*26%*	*-43%*	

Detailed results –

1. The company had a poor quarter with revenue staying flat.
2. EBITDA margins came in at 8.5%, lower by 2.3%, owing to lower gross margin and an increase in other expenses
3. Profit for the quarter stood at INR 23 crore against INR 40 crore reported during the corresponding period last year.

Concall notes:-

1. Domestic demand was sluggish at the industry level owing to delays in sowing on account of the extended monsoons, and higher channel inventory due to slow offtake during the kharif season.
2. The domestic crop care business grew by 6.7%, primarily price driven while the crop nutrition business grew by 22%.
3. Exports revenue declined by 6.5%, chiefly due to inventory buildup at our customer end.
4. The company introduced one new 9 (3) pre-emergent wheat herbicide, Daksh Plus during the quarter.
5. The retail footprint reached 60,000 for the crop care business.
6. Metribuzin has seen a gradual pickup in sales, following the normalization of inventory.
7. In the contract manufacturing segment, the company expects PEKK shipments to commence in a small way from Q4 after a gap of two years.
8. Domestic biz saw revenue growth of 6.7% while international biz saw volume degrowth of 6.5%.

9. The company's actions in H1 to liquidate the high-price inventory coupled with shorter procurement cycles have helped to mitigate the impact at the gross margin level largely.
10. PBT has got impacted by the increased depreciation charge for the newly capitalized assets, coupled with higher interest expenses and lower other income.
11. Domestic biz volumes were lower owing to delayed sowing season owing to extended monsoon, coupled with high channel inventory.
12. Overall capex for the year would be INR 200 crore.
13. The management states that the prices of key materials are coming down, including some of the intermediates.
14. Metribuzin and Pendimethalin have technical equivalence in the EU which will aid sales in northern Europe in the coming period.
15. The management expects overall agrochemicals volume growth in the global market to be around 3% in Q1FY24.
16. The company expects to commission its 200 Cr capex in this financial year itself.
17. The management states that it will take two years to three years before it will be able to have any significant revenues coming from the contract manufacturing opportunities.
18. The company’s growth in domestic has largely been price-driven growth.
19. The company has been witnessing higher sales returns, especially in the Eastern region owing to the vagaries of monsoon.
20. The management is seeing good traction in the crop nutrition category & is targeting growth above the industry levels.
21. Receivables increased primarily due to a higher share of exports, stoppage of discounting of one of its key customers & money stuck in the domestic market due to kharif rainfall.

Analyst views-

Rallis is a Tata group company involved in the business of agrochemicals. The company saw a poor quarter with revenue staying flat. 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.

Electronics
Amber Enterprises India Ltd

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.

Quarterly Performance											
AMBER ENTERPRISES INDIA LTD											
Narration	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**408**	**765**	**1,598**	**708**	**587**	**974**	**1,937**	**1,826**	**750**	**1,348**	**5,861**
% Growth YOY					*44%*	*27%*	*21%*	*158%*	*28%*	*38%*	
Expenses	386	702	1,457	666	553	901	1,811	1,726	714	1,270	**5,521**
EBITDA	**22**	**63**	**141**	**42**	**34**	**74**	**125**	**99**	**37**	**79**	**340**
Depreciation	23	24	23	24	26	27	30	32	32	36	**131**
EBIT	-2	40	118	18	8	47	95	67	5	42	**209**
EBIT Margin	*0%*	*5%*	*7%*	*3%*	*1%*	*5%*	*5%*	*4%*	*1%*	*3%*	
Interest	12	9	10	9	6	12	19	21	24	29	**93**
Other Income	13	9	8	7	8	9	9	13	12	9	**43**
Profit before tax	**-1**	**40**	**116**	**16**	**10**	**43**	**86**	**59**	**-7**	**22**	**160**
PBT Margin	*0%*	*5%*	*7%*	*2%*	*2%*	*4%*	*4%*	*3%*	*-1%*	*2%*	
% Growth YOY					*#####*	*7%*	*-26%*	*274%*	*-175%*	*-48%*	
Tax	-3	12	40	5	2	10	27	16	-5	7	**45**
Net profit	**2**	**27**	**75**	**12**	**7**	**32**	**57**	**42**	**-3**	**14**	**110**
% Growth YOY					*348%*	*19%*	*-24%*	*238%*	*-140%*	*-56%*	

Detailed Results:

1. The sales growth stood at 38% while profits degrew by 56%.
2. GPM reduced from 18.3% to 17% while EBITDA% reduced from 7.6% to 6.6%.
3. Finance cost and Depreciation increased to Rs.29 Crs and Rs.36 Crs as compared to Rs.12 Crs and Rs.27 Crs. in Q3FY22, respectively. The increase in Finance cost and Depreciation is largely due to capex incurred during the period and increased interest rates.
4. 9M revenue & EBITDA growth for respective segments -
    a. RAC & Components division - 78% & 58%
    b. Electronics division - 91% & 139%
    c. Mobility division- 50% & 49%
    d. Motor division- 30% & 64%

Investor Conference Call Highlights

1. AC industry witnessed a change in the manufacturing landscape, wherein some of the big brands shifted their strategy from outsourcing RAC to in-house AC assembly with varied levels of backward integration in order to take benefits from the PLI scheme. This change in the strategy

of brands of in-house assembly of AC increased the requirement of components manufacturers, and Amber is one of the most preferred choices as per the management.
2. The company's strategy going forward is to maintain a share of 26% to 28% in the manufacturing footprint of the room AC industry.
3. The growth in the RAC division was fueled by a strong order book, new customer addition, and expansion in newer geographies like Chennai, SriCity, and Supa in Pune, and Pantnagar areas.
4. Electronics division is expected to grow at 50% in FY24.
5. The Commercial production of ILJIN Chennai commenced in December '22, and is expected to add four new customers in the ILJIN Chennai plant.
6. Order book for the mobility segment stands at more than INR 700 crores.
7. The motors division is expected to grow at 30-40% in the coming year owing to The strong order book with new product addition and geographical expansion.
8. Out of the total sales of the AC division i.e. INR 2,822 crores, INR 1,137 crores is the components share.
9. The company's capex for the financial year will stand at 625-650 Crs.
10. The gross margins of the standalone entity reduced owing to the addition of components & assembly biz which has lower margins.
11. The electronics biz is expected to grow at a rapid pace due to new customer additions in AC, fans, microwaves, refrigerators, washing machines, hearable and wearable, & 5G equipment.
12. The capex guidance for the coming year stands at around 250-275 Crs while the company plans to pay off a debt of around 300-350 Crs by the end of FY23.
13. In the 5G equipment segment, the company has started with the equipment such as BBU and RRH, antennas & EO&D devices.
14. THe company's peak revenue capacity will be 5X its gross block.
15. ESOP expense in Q3 is INR 7.32 crores.
16. The management expects operational leverage since the capacity utilization of new plants is only 25-30% currently.
17. The company strives to deliver a range bound of 30% plus absolute EBITDA number going forward.
18. The company was not affected by the COVID situation in China because it preplanned its shipment factoring the high probability of a covid wave.
19. The management summarized its capital allocation strategy by stating " largely, whenever we invest even INR 1 invested if any return is coming beyond 4 to 5-year range, we don't invest".
20. The company is on track to achieve the PLI incentive targets.

Analyst's View:

Amber Enterprise India Limited's (AEIL) strong operating profile, characterized 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

Financial Results & Highlights

Brief Company Introduction

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

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

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

	Quarterly Performance										
	BLUE STAR LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**902**	**1,124**	**1,612**	**1,052**	**1,240**	**1,506**	**2,248**	**1,970**	**1,576**	**1,788**	**7,582**
% Growth YOY					*37%*	*34%*	*39%*	*87%*	*27%*	*19%*	
Expenses	847	1,042	1,510	1,010	1,169	1,416	2,105	1,847	1,491	1,684	**7,127**
EBITDA	**55**	**82**	**102**	**42**	**71**	**91**	**143**	**123**	**86**	**104**	**456**
Depreciation	21	26	25	20	20	22	23	22	24	16	**85**
EBIT	34	56	77	22	50	68	120	101	61	89	**371**
EBIT Margin	*4%*	*5%*	*5%*	*2%*	*4%*	*5%*	*5%*	*5%*	*4%*	*5%*	
Interest	18	15	13	11	11	12	13	11	12	14	**50**
Other Income	6	9	41	8	8	14	7	11	9	5	**31**
Profit before tax	**23**	**50**	**104**	**19**	**47**	**70**	**114**	**101**	**58**	**80**	**352**
PBT Margin	*3%*	*4%*	*6%*	*2%*	*4%*	*5%*	*5%*	*5%*	*4%*	*4%*	
% Growth YOY					*108%*	*41%*	*9%*	*424%*	*21%*	*14%*	
Tax	7	13	36	7	16	23	38	26	15	22	**101**
Net profit	**15**	**37**	**68**	**13**	**31**	**48**	**76**	**74**	**43**	**58**	**251**
% Growth YOY					*105%*	*29%*	*12%*	*485%*	*36%*	*23%*	

Detailed Results:

1. The company had a consolidated revenue rise of 19% YoY.
2. PBT was up to Rs 80 Cr vs Rs 70 Cr last year.
3. EBIDTA grew from Rs.91 Cr to Rs.105 Cr YoY
4. Order book for the company was up 92% YoY to Rs 4245 Cr. for 9MFy23.
5. Carried-forward order book as of December 31, 2022, grew by 47.3% to a record Rs 4861.99 crore, compared to Rs 3301.33 crore as on December 31, 2021.
6. Capital Employed as on December 31, 2022, increased to Rs 1505.56 crore as compared to Rs 1107.41 crore as on December 31, 2021, owing to higher inventory holding to prepare Blue Star Limited January 31, 2023 for the upcoming season and mitigate supply chain risks and capital investments for manufacturing capacity expansion projects, at Wada and by the subsidiary Blue Star Climatech Limited at its plant at Sri City
7. Carried forward order book stood at Rs.4633 Crs for EMP & commercial Air-conditioning systems.

8. Capital employed increased from 569 Cr to 648 Cr.
9. Net borrowings were increased to Rs.396 Cr.
10. Segment revenue for the Electro-Mechanical Projects & Packaged Air Conditioning Systems was up 34% YoY in Q3.
11. Unitary products biz grew by 50% while professional electronics & industrial systems grew by 36%.
12. The company ended the quarter with a net borrowing of Rs 395.85 crore (debt-equity ratio of 0.36 on a net basis) as compared to a net borrowing of Rs 165.11 crore (debt-equity ratio of 0.18 on a net basis) as on December 31, 2021.

Investor Conference Call Highlights:

1. The management states that the risk management framework is comprehensive to handle challenges like capacity additions, competition in the room air conditioner business, the impact of inflationary pressure on project execution, etc.
2. The depreciation method has been changed from the 'written down value' method to the 'straight line method' with effect from October 1, 2022. This led to a lower quarterly depreciation charge of Rs 10.80 crore.
3. Major orders were received during the quarter from Bangalore Metro Rail Corporation Limited and Central Organisation for Railway Electrification in Electro-Mechanical Projects business.
4. Major orders received in Commercial Air-Conditioning Systems during the quarter were from Udaipur Cement Works Ltd., Reliance Projects & Property, etc.
5. In the export market, The pace of execution of projects and order inflow in Qatar witnessed a slowdown due to preparations and restrictions in the run-up to the FIFA World Cup while The operations of the joint venture in Malaysia continued to be impacted owing to a slowdown in construction and order finalizations amidst weak macroeconomic conditions in the country.
6. In the Cooling and Purification Products business, The new plant at Sri City commenced commercial production in January 2023 and is expected to aid improvement in margins going forward.
7. In the commercial refrigeration biz, major orders received during the quarter were from Reliance Retail, Dr. Reddy's Pharma, Milma, Hatsun Agro, and several proprietary agro customers.
8. In the Professional Electronics and Industrial Systems, revenues grew by 29% where Major orders were bagged from Arcelor Mittal Nippon Steel India Ltd., Indian Overseas Bank, Bharat Heavy Electricals Limited, ICICI Bank, and Hero MotoCorp to name a few.
9. The management highlighting the benefits of Sri City stated that "there is a leverage in terms of logistics and working capital, as compared to the 10 to 12 days of transit inventory, any of the locations in the south can be served overnight from Sri City".
10. In Electro-Mechanical projects, the company continues to maintain the margin outlook at 6% to 6.5%
11. In the cooling products segment, the company is targeting a share of 15% & EBITDA margins outlook for the segment remains unaltered at 8% to 8.5%
12. Some major trends in the industry include less than 7% AC penetration Vs the expected 25% level & PLI scheme promoting indigenization and capacity expansion.
13. The management explains that the company is the No. 1 player in the institutional segment and high-end residential customers and quite a few products that are required for that segment are premium, therefore under its Sri city facility, it will focus on bringing a different mix of products including affordable range.
14. The company's guidance of OPM of 8-8.5% factors in PLI, scale benefit, and operating leverage.
15. Since the company's Himachal facility is running at full utilization, therefore the Sri city facility will help in catering demand coupled with cost optimization. The facility is expected to break even in 3 years.

16. The management highlighted tremendous growth opportunities in the industry by stating that " If we consider room air-conditioners, a market size of Rs 17,500 crores looks very minuscule. The value of MEP projects getting finalized in a year is around Rs 6,500 crores which in our view is only 20% of what is required and the other 80% is an opportunity. That could drive consistent growth."
17. The company changed the depreciation policy since the expected life of its machine is 20 years, while using the WDV method leads to 70-75% depreciation being charged in the first year itself, therefore SLM will give a better representation of the value of assets & depreciation.
18. The company capitalized capacities at Sri City and Wada plants in the current year and the total capitalization is in the region of around Rs.280 crores.
19. The company does not have any plans to get into white goods & its strategy to deliver more shareholder value would be by widening product categories in which it is not present, indigenizing to improve margins, and expanding an international footprint that would create long-term value.
20. In the PLI scheme, PLI benefit is only for sheet metals and powder coating and the company has not invested in motors, drives, and plastic injection molding. It will look to source these components from entities that have the PLI benefit in those categories.
21. The company gained market share through an increased presence in certain underrepresented markets and widening the product portfolio.
22. The management states that around 15% of annual sales will be coming in this financial year from Sri City.
23. The company outsources only Window air-conditioners, which account for around 5% to 6% of its total sales.

Analyst's View:

Blue Star is one of the largest cooling solutions providers in the country. It is one of the biggest branded players in the RAC market. The company has seen an excellent quarter which saw good revenues growth of 19% YoY. The company remains confident of the prospects of its EMP business given the policy support for the rise of the infra sector. It remains to be seen how the pricing environment and competition will fare in the industry going forward and how will the new opportunities in the EMP and commercial AC spaces evolve. Nonetheless, given the company's strong market presence, its history of completing EMP projects, and its robust presence in semi-urban and rural India, Blue Star is a pivotal white goods stock to watch out for.

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Dixon Technologies

Financial Results & Highlights

Brief Introduction:

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

Quarterly Performance											
	DIXON TECHNOLOGIES (INDIA) LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,639**	**2,183**	**2,110**	**1,867**	**2,804**	**3,073**	**2,953**	**2,855**	**3,867**	**2,405**	**12,079**
% Growth YOY					*71%*	*41%*	*40%*	*53%*	*38%*	*-22%*	
Expenses	1,549	2,082	2,030	1,819	2,694	2,970	2,835	2,755	3,722	2,294	**11,605**
EBITDA	**89**	**101**	**80**	**48**	**110**	**103**	**118**	**100**	**145**	**111**	**474**
Depreciation	11	11	12	15	22	28	19	24	29	29	**101**
EBIT	78	89	68	33	88	75	99	76	115	82	**373**
EBIT Margin	*5%*	*4%*	*3%*	*2%*	*3%*	*2%*	*3%*	*3%*	*3%*	*3%*	
Interest	7	8	7	9	9	12	14	14	16	15	**59**
Other Income	0	0	1	0	1	1	2	0	1	4	**6**
Profit before tax	**72**	**82**	**61**	**24**	**80**	**63**	**87**	**62**	**100**	**70**	**320**
PBT Margin	*4%*	*4%*	*3%*	*1%*	*3%*	*2%*	*3%*	*2%*	*3%*	*3%*	
% Growth YOY					*12%*	*-22%*	*42%*	*157%*	*25%*	*11%*	
Tax	19	20	17	6	18	17	24	17	23	19	**82**
Net profit	**52**	**62**	**44**	**18**	**63**	**46**	**63**	**46**	**77**	**52**	**238**
% Growth YOY					*20%*	*-25%*	*42%*	*152%*	*23%*	*12%*	

Detailed Results:

1. The company had a poor quarter with revenues falling a massive 22% YoY while profit increased by 12%.
2. The EBITDA margin for the company has increased by 130 bps YoY to 3.5% in Q1FY23 & EBITDA has risen 108% YoY.
3. Segment-wise revenue performance in Q4 was as follows:
    1. Consumer Electronics: down -39% YoY (33% of Q1 revenues)
    2. Lighting Products: up 51% YoY (8% of Q1 revenues)
    3. Home appliances: up 262% YoY (9% of Q1 revenues)
    4. Mobile Phones: Up 327% YoY (46% of Q1 revenues)
    5. Security Systems: Up 75% YoY (5% of Q1 revenues)
4. The company had a cash conversion cycle of +1 day.

5. The company strengthened its balance sheet with a reduction in gross debt by Rs. 223 crores in the same period. The current net debt to equity stands at 0.06 as on 31st December 2022.

6. It had a ROCE of 26.3% and an ROE of 22.3%.

Investor Conference Call Highlights

1. The company is targeting to reduce debt by another Rs. 50 crores before March 31, '23 and save almost Rs. 22 crores in interest cost annually.
2. In consumer electronics, the company had 17% lower volumes as Diwali was 1 month earlier last year coupled with a significant correction in prices of open cells in the international market.
3. The company closed the ODM sublicensing rights with Google related to Android and Google TV, which has opened up a lot of opportunities with 60% to 65% of the Indian market on this platform. It should be able to roll out the same by Q1 of the next financial year.
4. The was able to increase operating margins in the lighting division, home appliances through a combination of reduction in input prices, calibrated pricing actions, inventory planning, and value engineering.
5. The company's new product categories in lighting include starting strips and rope lighting, which will be launched in March '23, In Q3, it completed the technology acquisition of Bluetooth mesh technology and a work-inprogress WiFi solution with smart lightning from Ibahn Illumination.
6. The company added new customers like Bosch, TCL, Onida & Chroma in fully & semi- automatic category.
7. The new plant for LED lighting components in Dehradun will be operational in March '23. The capital employed in this business has been reduced by Rs. 161 crores on account of huge focus on current investment.
8. The company got some large orders from Nokia for feature phones & working on 2 large customer acquisition in this verticals which can potentially add almost Rs. 6,000 crores in revenues annually.
9. For boAt brand,it had a revenue of Rs. 85 crores in Q3 and in 9 months, Rs. 230 crores of the current fiscal. Presently, it is manufacturing TWS and neck bands & will be adding more SKUs like Bluetooth speakers and smart watches which will be operational by March '23.
10. The weighted average selling price in Q3 stood at 11,500 Vs 16,000 YoY.
11. THe management expects 20% growth in volumes term in Q4 for television segment despite industry not growing owing to new client acquisition.
12. The management expects to clock revenue of 4000 Cr Vs previoud guidance of 5000 Crs for the fiscal year.
13. The poor show in lighting & mobile division was owing to - , the demand being slow, unit value has significantly reducing with the migration from driver-based technology to BOB, wherein there is a reduction in unit value of almost 15% to 18% coupled with an internal reason.
14. The management states that the key to growth in mobile divison is new customer acquisition & the company will be signing one new customer in Q4.
15. In Security surveillance systems, it will have a challenge for a quarter or so because of shifting the campus to a new site. So, there will be some additional costs And the volumes are going to be fairly steady with a single-digit growth.
16. The company believes the current order book is very strong across all segments other than lighting & mobile divison where the company is making strong recovery as well.
17. The company expects to clock year end revenues of 12,200-12,700 Crs with FY24 guideline of 19000-21000 Crs.

18. The volumes of Motorola has been weak despite maintaining market share in India owing to slowdown in exports.
19. For 9M, ODM as % of sales stood at 24% & contributed 48% of profits..
20. The guidance for mobile divison for FY24 stands at 8000 Crs.
21. The Xiaomi biz didn't perform as per expectations while growth in Samsung was strong.
22. The company expects margins in EMS & mobile biz to increase in the coming year owing to new clients.
23. The rate of interest on bills discounting is 7.5-8%.

Analyst's View:

Dixon Technologies is one of the foremost leaders in the electronics manufacturing and outsourcing industry in India. The company had a poor quarter with sales degrowing owing to slowdown in lighting & mobile division. The company is participating in multiple PLI schemes like mobile phone PLI, IT hardware PLI, AC components PLI, and Telecom products PLI. It has also added refrigerators to its ODM portfolio. The management has high expectations from all its newly formed JV. It remains to be seen how the company will tackle the slowdown the RM price situation pan out, and whether its export ambitions will bear fruit as expected. Nonetheless, given the list of marquee customers that the company has gained and retained over the years and its continuous efforts to expand existing capacities like consumer electronics, add new product lines, and participate in multiple PLI schemes, Dixon Technologies is cementing its place as a good growth story in the electronics manufacturing sector in India.

Exchange
BSE

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).

Quarterly Performance											
BSE LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**150**	**158**	**165**	**180**	**219**	**213**	**228**	**193**	**234**	**239**	**894**
% Growth YOY					*46%*	*35%*	*38%*	*7%*	*7%*	*12%*	
Expenses	112	118	115	116	136	135	144	137	184	165	**630**
EBITDA	**38**	**39**	**50**	**64**	**84**	**78**	**85**	**56**	**50**	**74**	**264**
Depreciation	14	15	15	12	12	12	13	10	12	17	**52**
EBIT	23	24	35	53	72	66	72	45	38	57	**212**
EBIT Margin	*15%*	*15%*	*21%*	*29%*	*33%*	*31%*	*31%*	*24%*	*16%*	*24%*	
Interest	2	3	3	4	5	5	8	8	7	6	**29**
Other Income	6	16	16	20	24	22	21	16	21	20	**78**
Profit before tax	**27**	**38**	**48**	**68**	**91**	**83**	**85**	**54**	**51**	**71**	**261**
PBT Margin	*18%*	*24%*	*29%*	*38%*	*41%*	*39%*	*37%*	*28%*	*22%*	*30%*	
% Growth YOY					*239%*	*120%*	*77%*	*-21%*	*-44%*	*-15%*	
Tax	-19	6	17	16	28	24	14	13	22	23	**72**
Net profit	**47**	**32**	**33**	**53**	**65**	**61**	**74**	**44**	**34**	**52**	**204**
% Growth YOY					*39%*	*89%*	*129%*	*-18%*	*-48%*	*-16%*	

Detailed Results:

1. Sales in Q3 grew by 12% YoY & consolidated PAT declined by 16%.
2. BSE's operational revenues have grown by 6% to INR204 crores from INR193 crores.
3. The profit decline is because of added contribution to the core settlement guarantee fund to the tune of INR16 crores at a consolidated level, which is an increase of 83% year-on-year coupled with an added contribution to the Equity and Currency Derivatives segment.
4. The clearing and settlement operational revenues increased by 57% to INR18 crores from INR11.6 crores while Treasury income from clearing and settlement funds has increased by 53% to INR22 crores from INR14 crores.
5. Other operating revenue, which includes data dissemination fees, training income, and software income has increased by 21% to INR18 crores from INR15 crores while Investment income increased by 70% to INR35 crores from INR20 crores.
6. For the quarter that ended December 31, 2022, the average daily turnover in the Equity Cash segment stands at INR4,234 crores, which is down 11% as compared to the previous quarter.
7. The average daily turnover in the Equity Derivatives segment stands at INR1.97 lakh crores, down 13% as compared to the previous quarter.
8. The average daily turnover in the Currency Derivatives segment stands at INR26,246 crores down 18% as compared to the previous quarter
9. EBITDA margin for Q3 was at 19% Vs 30% last year.

10. BSE StAR MF, India's largest mutual fund distribution platform, continues to grow at a remarkable pace with a total number of transactions growing by 37% to reach 6.9 crores transactions during the quarter from 5 crores in the same period last year.
11. The platform continues to scale new peaks in terms of transactions with platforms processing a new high of 37.75 lakh transactions in a single day and a new monthly high of 2.44 crore transactions in December '22, and then once again with 2.5 crores transaction in Jan 2023.
12. India International Exchange is IFSC, the average daily trading turnover in India INX, the BSE-promoted international exchange at GIFT City, Gandhinagar stands at $18 billion with a market share of 95% for the quarter ended December 31, 2022.
13. BSE Ebix Insurance Broking where BSE holds a 40% stake through its subsidiary, BSE Investments Limited, is now integrated with 26 insurance companies. The total premium collected is INR17.1 crore for the nine months ended December 31, 2022, a growth of 84% from the same period last year.
14. BSE E-Agricultural Markets, a transparent commodity spot trading platform to facilitate spot commodities transactions across the value chain has now enrolled 1,220 members and executed trades worth INR43.7 crores in Agri and Steel segments on the platform during the quarter that ended December 31, 2022.
15. The Board of the BSE in the meeting held has approved the divestment of 2.5% of BSE's stake in Central Depository Services Limited, CDSL, towards meeting regulatory norms.

Investor Conference Call Highlights:

1. BSE continues to be the market leader for Fundraising by India Inc. with a share of 60% for equity public issues, and 84% for debt public issues having enabled issuers to raise INR3.9 lakh crores.
2. India INX has about $70 billion in medium-term notes established and about $50 billion of bond listings to date. India INX Global Access platform for investors wanting to invest in global securities has grown to reach a trading turnover of $7,369 million which is $7.4 billion for the quarter that ended December 2022.
3. The trading at Hindustan Power Exchange where BSE has a stake of 22.61% through its wholly-owned subsidiary, BSE Investments has been relatively modest and the exchange is continually onboarding new members and exploring new products to be launched, which can result in higher volumes going forward.
4. The settlement guarantee fund is dependent on many factors, which include volatility in markets, business volume increase, and the concentration of positions, and it is determined by an algo on a monthly basis. The hit taken in this quarter in P&L is a one-time loss. The management further explains that each SGF contribution increment over a period of time leads to an incremental revenue flow.
5. The interest, which is earned in the settlement guarantee fund remains in that fund and it is not considered income in standalone or consolidated accounts
6. The company is required to reduce its stake to 15% by 2nd October.
7. The utilization of cash received from the sale of investments in CDSL will be based on regulatory restrictions.
8. Higher investments in IT, hardware, and software resulted in higher depreciation.
9. The company's normal tax rate will be 33-35% since its focus is on earning taxable income which attracts the maximum tax rate to utilize the MAT credit.
10. The company plans to continue to grow its Star MF division organically due to tailwinds instead of selling the biz at the moment.
11. The management believes the share of Star MF of total transactions is 50%.

12. The company believes there is an existence of customer stickiness in Star MF owing to technology investments made at the early stages.

Analyst's View:

BSE is the largest stock exchange in the world in terms of listed entities. The company has been in this industry sector for close to 150 years and is still at the forefront of the industry in terms of technology and access to tradable products. The company has entered into multiple businesses and has proved it can turn them into profitable ones, BSE StAR MF being one example, but it would be interesting to watch whether the company can turn these new incentives into a profitable business. Despite having a mediocre quarter with a revenue rise of 12% 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

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**71**	**85**	**95**	**90**	**109**	**114**	**112**	**98**	**95**	**100**	**406**
% Growth YOY					*54%*	*34%*	*18%*	*9%*	*-13%*	*-12%*	
Expenses	13	13	14	14	13	16	17	17	16	17	**67**
EBITDA	**58**	**72**	**81**	**77**	**96**	**98**	**95**	**81**	**79**	**83**	**338**
Depreciation	4	4	3	4	4	4	4	4	5	5	**18**
EBIT	53	68	77	73	92	94	91	77	74	78	**321**
EBIT Margin	*76%*	*80%*	*81%*	*80%*	*84%*	*82%*	*81%*	*78%*	*78%*	*78%*	
Interest	1	1	0	1	0	1	0	1	1	1	**2**
Other Income	9	11	7	12	12	12	16	15	19	17	**67**
Profit before tax	**62**	**78**	**84**	**84**	**103**	**106**	**107**	**91**	**92**	**95**	**385**
PBT Margin	*87%*	*92%*	*88%*	*93%*	*94%*	*93%*	*95%*	*93%*	*97%*	*95%*	
% Growth YOY					*67%*	*35%*	*27%*	*9%*	*-10%*	*-11%*	
Tax	15	18	20	20	25	26	26	23	22	24	**94**
Net profit	**47**	**60**	**64**	**64**	**78**	**80**	**81**	**69**	**70**	**71**	**291**
% Growth YOY					*67%*	*33%*	*27%*	*8%*	*-10%*	*-11%*	

Detailed Results:

1. On a consolidated basis, PAT & PAT was down 11% YoY as the company witnessed a slowdown in growth.
2. 2.2% consolidated volume degrowth YoY was witnessed.
3. EBITDA decreased by 10.4% YoY.
4. Revenue breakup for Q2 included

A. Transaction fees – 86%

B. Admission & annual fees – 4%

C. Other income – 10%

5. Indian Gas Exchange traded 24.4 million MMBTU in terms of volume(a 560% rise) while PAT stood at 12.5 Crs..
6. India witnessed an increase in electricity consumption by 6.8% YoY to 343 BU.
7. IEX's market share in the following products in Q2:

0. DAM :- 100%

1. RTM:- 100%

2. Green Power:- 85%

3. TAM:- 55.2%

4. LDC:- 53.4%

Investor Conference Call Highlights:

1. In the quarter that ended December 2022, the price of e-auction coal continued to be high, While the quarterly average price premium declined from 293% in Q2 FY23 to 242% in Q3 FY 23, it was considerably higher as compared to 35% for the special forward e-auction price for the power sector in FY 22.
2. Continuing high spot e-auction coal prices led to the average clearing price in the Day-ahead market at Rs 4.56 in Q3 FY23, while lower from Rs.5.40 in the previous quarter, but still high to provide optimization potential for Discoms and Open Access consumers.
3. During the quarter, coal production increased by 8.7% YoY to 225mt, while coal dispatch to the power sector remained almost similar at 184 mt compared with the same period FY22. leading Inventories at power plants of 13 days.
4. The company is seeing good traction in long-term contracts having conducted more than 50 auctions. But since the price discovery in this auction is on the higher side because of supply-side constraints, many of these auctions have not resulted in a contract.
5. The management sees good scope for growth in long-term contracts as Almost 50 billion units of transactions are happening in less than one year contract for the trading companies.
6. Despite of increase in coal production, the majority of volumes are going towards PPA's for states to run their power plants, leading to lower volume on exchanges & higher prices.
7. The management explains that demands primarily come from A) DIscoms, B) states located far away from coal plants, & C) Industrial consumers. Therefore when clearing prices are high, demand comes only from Discoms leading to lower volumes.
8. The regulators have already issued the GNA regulations where they have addressed this issue and there will be no double charging. Only thing is that GNA regulations will be implemented after the finalization of the grid code and transmission charge-sharing regulations.
9. The present companies who have long-term PPAs(which contribute 85% of total contracts), after 25 years, are free to sell their power in the market having the option to sell the power under bilateral contracts, on a medium-term basis or short-term basis, but the Exchange is the most flexible option as per management.
10. The company is confident that its share of the green market will increase from 6% to 10% in the coming year.
11. The management doesn't see allowing trading companies to have any adverse impact on REC volumes.
12. The IGX share in the total gas volumes of the country stands at 1-1.5%.
13. The management expects volumes in IGX to rise due to a decrease in LPG prices.
14. Quarterly overheads at IGX stand at 5.5 Crs.
15. The SEB volumes on the Buy side are about 88% to 90%, and on the sell side, it is 65%.
16. The company states that it is witnessing deficit buying & therefore as the supply will improve and as the input cost goes down, it expects more buyers to come from the same SEBs.
17. The non-SEB volume is only 10% because prices are very high & As the prices will start to come down, this number is expected to go up to as high as 30%- 35%.
18. The INR12 Rs. price cap is expected to continue but management doesn't expect this to hamper IEX's volume.
19. The management expects TAM volumes to go down with the increase in coal supplies, and price moderating on the exchange platform.
20. The rise in coal prices is due to higher demand growth of 10% Vs earlier periods of 5-6% coupled with higher international prices.

21. The management states that ICX is going to be a global opportunity (That is why the name of this company is International Carbon Exchange) Because as of now, many European and American companies who have to comply with their ESG commitment, are buying these carbon credits & there is a good opportunity for sale from India, Southeast Asia countries and African countries.
22. The company currently has contracts for the delivery of up to three months & it is in talks with the regulators to approve the delivery of contracts of up to 11 months.
23. On the regulatory and policy front several developments took place:-
A) In early December the new REC regulations for RE generators were implemented. The new REC mechanism of no floor price and fungibility between REC is likely to increase liquidity in the market.
B) The trading of ESCerts is expected to start this month. Recently, CERC made amendments to define a Floor Price for trading Energy Savings Certificates, fixed at 10% of the price of one metric tonne of oil equivalent of energy consumed as notified by the Central Government.
C) The GNA regulations were notified in October 2022 and were partially implemented as the Grid Code is in the draft stage. The regulations are expected to be implemented before the end of FY23. Implementation of GNA will remove regulatory arbitrage which has led to the temporary shift in Volume from DAM to DAC and will be more conducive towards further market development within the country.
D) CERC issued the Deviation Settlement Mechanism and Related Matters Regulations, 2022 linking the DSM charges to the time block-wise price discovered on the Exchanges. This will discourage discoms to over-draw under DSM and will lead to an increase in RTM volumes on the Exchange.

24. REC market witnessed a de-growth of 68% on a YoY basis as compared to Q3 FY22 as Q3 FY22 had exceptionally high REC volumes of 38.3 lacs to fulfill the pent-up demand caused by a stay on REC trading by APTEL for almost a period of 16-months.

25 . In November 2022, IEX filed a petition for introducing the High-Price Day Ahead (HP-DAM) market to enable generators that have high variable costs of more than Rs. 12/ unit to participate in the market & it is expecting this to start by February 2023.

26 . The quarter saw IEX become India's first carbon-neutral Power Exchange, using market-based tradable instruments to offset its carbon emissions.

27 . During this quarter, 7 members including RIL, BP Exploration (Alpha), and Vedanta Limited, joined IGX.

28 . IGX launched GIXI – the first-ever nationwide price index to reflect benchmark natural gas prices for India. The IGX Price Index is developed with the purpose to derive a single price for the country in line with international benchmarks such as JKM, HH, WIM & TTF.

Analyst's View:

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for the 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 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, how will it grow its subsidiaries like ICX & IGX 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

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	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**322**	**296**	**332**	**326**	**337**	**423**	**376**	**509**	**507**	**535**	**1,927**
% Growth YOY					*4%*	*43%*	*13%*	*56%*	*50%*	*27%*	
Expenses	245	227	246	254	254	331	292	421	409	435	**1,556**
EBITDA	**78**	**69**	**85**	**72**	**82**	**93**	**84**	**89**	**98**	**101**	**371**
Depreciation	13	13	12	14	14	15	16	17	17	19	**69**
EBIT	65	56	73	58	69	78	69	71	80	82	**302**
EBIT Margin	*20%*	*19%*	*22%*	*18%*	*20%*	*18%*	*18%*	*14%*	*16%*	*15%*	
Interest	4	4	5	5	4	4	4	5	7	11	**28**
Other Income	0	4	3	0	0	1	3	0	0	0	**4**
Profit before tax	**61**	**56**	**72**	**54**	**65**	**75**	**68**	**67**	**73**	**71**	**278**
PBT Margin	*19%*	*19%*	*22%*	*16%*	*19%*	*18%*	*18%*	*13%*	*14%*	*13%*	
% Growth YOY					*6%*	*33%*	*-5%*	*24%*	*13%*	*-6%*	
Tax	14	9	23	10	15	16	15	14	15	-3	**42**
Net profit	**47**	**47**	**49**	**44**	**49**	**58**	**53**	**53**	**58**	**73**	**236**
% Growth YOY					*4%*	*24%*	*7%*	*20%*	*17%*	*25%*	

Detailed Results:

1. The company had a very good quarter with sales up 27% YoY and PAT up 25% YoY.
2. EBITDA margins stood at 15%.

Investor Conference Call Highlights:

1. The management explains that the FD per kg EBITDA will be 30% to 40% higher than the spray dried.
2. Capex for the FD capacity is somewhere between 4x to 4 5x higher per ton as compared to the spray-dried one.
3. The ROCE of the new capacity will be 40% less than the spray-dried one.
4. The timeline for the commissioning of new capex is Q3 of 24/25.
5. Management is expecting capacity utilization of 50-60% in freeze-dried from the first year itself.
6. Topline Volume growth stood at around 6-6.5% due to a shutdown in the India plant for maintenance for 20 days.
7. In Vietnam, the company is doing pre-commercial trials & plans to do commercial sales from the Vietnam capacity this quarter itself. And that's the reason it is staying on its guidance of 20% to 25% volume growth.
8. Its new facility is being established in Vietnam vs India as its customer wants territorial de-risking.
9. The green coffee prices have come down from 2,300 levels to around 1,900 levels. Going forward in the second half of this year, there are. expectations kf a further drop in raw material prices because of Brazil's crop.
10. Decrease in freight rates & stabilising of supply chain is helping in reducing inventory period.

11. Total debt post expansion will stand at 1,085 Crs.
12. The management is focused on exporting to new geographies which it was unable to do before owing to peak capacity utilisation levels.
13. The management explains that coffee market is expected to grow at 2.5%.where Nestle is the largest player after which, the company is the largest manufacturer.
14. The company believes it will be able to grow faster than industry due to addition of value added products coupled with its presence in vietnam & india where they have the freedom to buy raw materials from any country Vs Brazil, which is the largest manufacturer wherein they have the limitation of buying raw material oy from the country & therefore restricting its ability to make different kinds of coffee.
15. The company expects its outsourcing to reduce significantly given that Vietnam capacity has started its commercial operations.
16. The management claims that all the big producers in the world expect Nestle is a customer of the company.
17. The company is focusing on transitioning into a FMCG company.
18. The company is supplying in China through Vietnam & expect this region to be the fastest growing.
19. The peak utilisations for new capacity will be around 360 Crs.
20. The company expects to do approximately INR 250 crores, out of which INR 70 crores is private label and around INR 175-180 crores pure brand business.
21. The management states that its EBITDA growth will more or less follow the volume growth.
22. The company's share in global markets stands at 7-8%.
23. The management is seeing a trend wherein brands with manufacturing are shutting down because they feel it's easier, much more economical and safer to just procure from the other existing manufacturers.
24. The company states that because of the hikes in rate of interest & increase in the volume of working capital , the finance cost has gone up.
25. Depreciation has increased due to capitalization of the packing facility.
26. Blended tax rate stood at 12% & is likely to decrease in the coming period owing to larger production in tax free- Vietnam.
27. The management is guiding for a 15-20% volume growth in the coming year.
28. The company's margins in Vietnam are higher due to availability of raw materials in the country coupled with less transportation costs.
29. Working capital Finance costs stood at 6.5%.

Analyst's View:

CCL has already established itself in the wholesale coffee space for many years and its foray into branded sales through the Continental Coffee label has been very encouraging. The company has had a decent quarter despite the shutdown of its domestic plant with decent growth in Sales & profit. It also saw utilization of above 80% 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 how the company ramp up its utilisations in new capacity coupled 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.

Tata Consumer Products

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**2,781**	**3,070**	**3,037**	**3,008**	**3,033**	**3,208**	**3,175**	**3,327**	**3,363**	**3,475**	**13,340**
% Growth YOY					*9%*	*5%*	*5%*	*11%*	*11%*	*8%*	
Expenses	2,382	2,708	2,737	2,609	2,620	2,747	2,731	2,870	2,929	3,021	**11,551**
EBITDA	**400**	**361**	**300**	**399**	**413**	**462**	**444**	**457**	**434**	**454**	**1,789**
Depreciation	63	64	66	67	69	70	72	73	73	75	**293**
EBIT	337	297	234	333	344	392	372	384	361	379	**1,496**
EBIT Margin	*12%*	*10%*	*8%*	*11%*	*11%*	*12%*	*12%*	*12%*	*11%*	*11%*	
Interest	18	18	15	20	20	16	16	16	20	24	**76**
Other Income	2	13	-21	24	23	12	29	11	141	128	**308**
Profit before tax	**321**	**292**	**198**	**336**	**348**	**388**	**385**	**379**	**482**	**482**	**1,728**
PBT Margin	*12%*	*10%*	*7%*	*11%*	*11%*	*12%*	*12%*	*11%*	*14%*	*14%*	
% Growth YOY					*8%*	*33%*	*94%*	*13%*	*39%*	*24%*	
Tax	87	55	65	96	86	100	95	103	127	113	**438**
Net profit	**257**	**218**	**54**	**185**	**268**	**265**	**218**	**255**	**328**	**352**	**1,153**
% Growth YOY					*4%*	*21%*	*304%*	*38%*	*22%*	*33%*	

Detailed Results:

1. The consolidated performance was mediocre at 8% YoY growth in revenue while EBITDA declined by 2% YoY.
2. PAT was up 33% YoY.
3. The consolidated EBITDA margin was at 13.2% which was down by 140 bps YoY.
4. Q3 performance for the respective segments stood as followed-

In ₹ Cr (unless specified)	India Beverages	India Foods	US Coffee	International Tea	Tata Coffee (incl. Vietnam)	Consolidated
Revenue	1,218	947	380	549	364	3,475
Revenue growth	-5%	29%	11%	-1%	28%	8%
Constant currency growth			1%	2%	25%	7%
Volume growth	-5%	4%	-17%	0%	-9%	
Key Brands	Tata Tea, Himalayan, Grand	Tata Sampann, Tata Soulfull	Eight O'Clock	Tetley, teapigs, Good Earth		

5. The company has a net cash balance of Rs 2099 Cr as of December 2022.

6. Tata Tea saw a market share loss of 46 & 113 bps YoY on volume & value basis respectively while Tata Salt saw a market share gain of 90 bps YoY.

7. Growth biz grew by 53% & now contributes to 13% of branded biz.

8. Tata Starbucks saw 11 net new stores opening taking the total count to 311 stores across 38 cities.

9. In the international biz-

a. UK revenues grew 1% YoY
b. USA saw coffee revenue grow by 1% while tea degrow by 8% YoY.
c. Canada saw 5% revenue growth with a 1% growth in the specialty tea biz.

10. The total revenue & profit distribution for TCPL was:

   1. India Business: 70% & 77%
   2. Intl Business: 30% & 23%

11. The share of new modes of distribution stood as followed-

Investor Conference Call Highlights

1. The management explains that the primary reason for the softness in the Indian business was continued stress in rural and especially in tea, where there is a very high factor of seasonality.
2. The company expects significant movement from sub-distributors to distributors in the next 2 or 3 months as it seeks to improve direct coverage in semi-urban areas.
3. The company launched a full coffee variant,e iodized Rock salt variant for the value seeker, and relaunched Tata Soulfull Ragi Bites with extra creamy fill.
4. The management explains that since 40% of the spice market is concentrated in the South, it is taking steps to penetrate that market & entered the Karnataka market recently.
5. The company has witnessed lower growth in volumes across the portfolio owing to price hikes.
6. The effective tax rate is slightly lower because of the fact that the Joekels transaction is not liable to tax.
7. On the distribution side, the company is 10-12% behind its largest competitor in the Tea biz.

8. The strategy in the tea biz remains to focus on the gaps in the value side in rural Tamil Nadu & Eastern UP & some parts of Maharashtra on the volume side.
9. The company plans to add 35-40% of the total DSR base.
10. The management is confident about the long runway for growth in its Sampann category due to the lower penetration of pulses despite the potential rise in competition. This category is a lower-margin one.
11. The company's total selling points are 3.6 million which involves- 2.7 Mn for individual categories of tea & salt, Soulfull is about300,000 outlets & NourishCo is about 600,000 outlets.
12. The management states that in the growth category, Sampann is the biggest opportunity followed by NourishCo followed by Soulfull.
13. The company is targeting overall global simplification, which is already in place, where it aims to reduce from 43 to about 23- 25 operating entities.
14. The management expects mid-single-digit growth in its legacy salt & tea biz whereas a high growth in its food & beverage biz will help the company become a strong multi-category food and beverage company.
15. The Currency impacts us both in terms of a transaction as well as a translation where- it buys tea out of Kenya, which is priced in U.S. dollars. The drop in British Pounds and its inability to take quick pricing in that market meant that it had a transaction impact. And on top of that, the drop in the British Pound versus the Indian Rupee meant that there was a translation impact.

Analyst's View:

Tata Consumer Products has a very good product portfolio in diverse F&B segments and strong brands like Tata Tea under its umbrella. It also completed the acquisition of Tata SmartFoodz which would add Tata Q to the company's roster. The company is focused on expanding and enhancing the brand image for emerging brands like Tata Sampann, Soulfull, and Tata Coffee products, and premium flagship brands like Tetley. The current quarter was mediocre with lower volume growth owing to higher pricing coupled with margins eroding from 14.6% to 13.2% YoY. 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

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,803**	**1,331**	**2,241**	**2,450**	**2,398**	**1,734**	**2,827**	**4,955**	**3,177**	**2,214**	**13,173**
% Growth YOY					*33%*	*30%*	*26%*	*102%*	*32%*	*28%*	
Expenses	1,422	1,159	1,859	1,879	1,904	1,527	2,296	3,704	2,478	1,907	**10,385**
EBITDA	**381**	**172**	**382**	**571**	**495**	**208**	**531**	**1,251**	**699**	**307**	**2,788**
Depreciation	135	135	135	129	138	129	131	153	153	180	**617**
EBIT	246	38	247	442	356	78	400	1,098	546	128	**2,171**
EBIT Margin	*14%*	*3%*	*11%*	*18%*	*15%*	*5%*	*14%*	*22%*	*17%*	*6%*	
Interest	58	62	58	47	43	37	47	46	45	47	**186**
Other Income	3	6	6	24	37	1	9	10	11	9	**39**
Profit before tax	**192**	**-19**	**195**	**420**	**350**	**42**	**361**	**1,062**	**511**	**90**	**2,024**
PBT Margin	*11%*	*-1%*	*9%*	*17%*	*15%*	*2%*	*13%*	*21%*	*16%*	*4%*	
% Growth YOY					*83%*	*-322%*	*86%*	*153%*	*46%*	*114%*	
Tax	30	-12	58	101	93	9	90	260	116	8	**474**
Net profit	**153**	**-20**	**129**	**308**	**240**	**16**	**254**	**787**	**381**	**75**	**1,497**
% Growth YOY					*57%*	*-184%*	*97%*	*156%*	*59%*	*353%*	

Detailed Results:

1. The consolidated revenues for the current quarter increased by 27.7% YoY whereas PAT increased by 107.8% YoY.
2. The company saw an EBITDA rise of 48.1% YoY and a volume rise of 17.8% YoY in the quarter.
3. Net realization increased by 6% to Rs. 164 primarily due to price hikes in select SKUs, rationalized discounts/incentives, and improvement in the mix of smaller SKUs (250ml) especially the energy drink - Sting which has a higher net realization. Sting is now 9.6% of total sales volumes in India.
4. Depreciation increased by 16% in CY 2022 on account of the capitalization of assets and Finance costs remained almost flat in CY 2022.
5. CSD constituted 65%, Juice 5%, and Packaged Drinking water 30% of total sales volumes in Q4 CY22.
6. Gross margins reduced by 180 bps to 52.5% from 54.3% in CY2022 primarily because of an increase in preform prices by over 30% during the year.
7. EBITDA increased by 48.1% to Rs. 3,075.1 mn and EBITDA margins improved by 192 bps to 13.9% in Q4 CY2022.
8. Net debt stood at Rs. 34,096 million as on Dec 31, 2022, as against Rs. 30,053 million as on Dec 31, 2021. Net debt increased on account of Greenfield expansion in Rajasthan and Madhya Pradesh and brownfield expansion at 6 plants for CY 2023 in India. Debt/Equity stood at 0.64.

9. As on Dec 31, 2022, the CWIP of ~Rs. 6,066 mn is towards greenfield expansion in Rajasthan & Madhya Pradesh and brownfield expansion at 6 plants for CY 2023 in India. The net capex estimated for CY2023 is around Rs. 15,000 million (including CWIP).
10. Working capital days have remained stable at ~ 36 days as on Dec 31, 2022, while Inventory of finished goods has increased in preparation for the next season in order to avoid any stock-out situation.
11. The Board of Directors recommended a final dividend of Rs. 1.00 per equity share. With this, the total dividend declared for the year ended 31st December 2022 stands at Rs. 3.50 per equity share.

Investor Conference Call Highlights:

1. The EBITDA margins improved despite the GPM decreasing owing to operational leverage.
2. PAT grew by 107.8% to Rs.15,501 million driven by high revenue growth from operations, margin improvement, and transition to a lower tax rate in India.
3. During CY22, the Company invested in various expansion projects including Rs. 6,300 million primarily for greenfield expansion in Bihar and Jammu and brownfield expansions in India, Rs. 2,500 million in brownfield expansion in Morocco and Zimbabwe & Rs. 3,700 million for purchasing land for future capacity expansions for the year 2024-25.
4. In Morocco, it started operations in January for the distribution of the complete range of products. It wants to stabilize that business in the next 3 to 6 months and maybe once it stabilizes, it will talk to PepsiCo for India operations as well.
5. The inventory days rose as Instead of starting prebuilding in January and February, the company started prebuilding in December itself. Secondly, since resin prices are always at the lowest in November and December, the company prefers to pre-stock it as much as possible and that is another reason for the increase in inventory.
6. The company states that Q4 nos are much stronger YoY due to increased contributions from South & West territories.
7. The company currently touched 3 million distribution outlets & is targeting 3.5 million for the coming year.
8. The company is tripling its dairy unit capacity & expects a national roll-out in 2024.
9. The management states that its single-serve business which has higher margins is growing at a much faster pace than the multi-serve business.
10. The capital advances to equipment manufacturers stand at 450 Crs.
11. The management explains that the share of energy drinks in the total market has increased to 10-15% owing to explosive growth in 5-7 years because of attractive pricing for the customers.
12. The company is seeing decent growth in rural areas unlike other FMCG cos since the electricity and the power situation is getting better, its Visi Coolers are reaching leading to cold drinks being sold when they are cold, which is helping its growth in rural markets.

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 a strong performance in its Southern & western territories coupled with explosive growth in Sting. It remains to be seen what challenges the company will face in trying to maintain its growth momentum while setting up the new facility and how long will it take for the new brands like Cream Bell & others to start contributing meaningfully to the company's sales. Nonetheless, given the resilient sales network, the rising demand for the company's products, and the good potential of its products like Sting, Mountain dew, & Cream bell beverages, Varun Beverages is a good consumption stock to watch out for at present. However, the valuation at current levels does not provide an adequate margin of safety given the fact that the majority of the optimism has been baked in & management believes the growth in the current year was exceptional coupled with highest ever EBITDA margins which remain to be seen- whether sustainable or not.

Zydus Wellness

Financial Results & Highlights

Brief Introduction:

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

	Quarterly Performance										
	ZYDUS WELLNESS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**342**	**382**	**606**	**598**	**384**	**388**	**640**	**697**	**429**	**416**	**2,182**
% Growth YOY					*12%*	*2%*	*6%*	*17%*	*12%*	*7%*	
Expenses	315	332	460	457	353	356	498	549	413	387	**1,848**
EBITDA	**27**	**50**	**145**	**140**	**31**	**32**	**142**	**148**	**16**	**28**	**334**
Depreciation	6	6	6	6	6	6	6	6	6	6	**24**
EBIT	21	43	139	135	24	26	135	142	10	22	**310**
EBIT Margin	*6%*	*11%*	*23%*	*23%*	*6%*	*7%*	*21%*	*20%*	*2%*	*5%*	
Interest	31	10	9	6	7	6	6	4	3	4	**17**
Other Income	-95	-32	2	2	3	3	2	-1	1	1	**3**
Profit before tax	**-105**	**2**	**133**	**131**	**21**	**23**	**131**	**137**	**8**	**19**	**296**
PBT Margin	*-31%*	*0%*	*22%*	*22%*	*5%*	*6%*	*21%*	*20%*	*2%*	*5%*	
% Growth YOY					*-120%*	*1206%*	*-1%*	*5%*	*-61%*	*-15%*	
Tax	-	-	-0	-	-0	-1	-2	-0	-0	-0	**-2**
Net profit	**-105**	**2**	**133**	**131**	**21**	**23**	**133**	**137**	**8**	**20**	**298**
% Growth YOY					*-120%*	*1239%*	*0%*	*5%*	*-61%*	*-16%*	

Detailed Results:

1. Net sales growth of 7.3% on a consolidated basis during Q3.
2. Gross margins up by 60 basis points sequentially.
3. Volume growth at a YTD level is 13.3%, with a 6%+ volume growth and market shares at a five-year high.
4. Net debt as of December 2022 is 250 Crores.
5. Total income from operations grew by 7.1% to Rs.4156 million.
6. EBITDA degrew by 12.7% year-on-year basis to Rs.282 million.
7. PBT before exceptional items degrew by 15.0% year-on-year to Rs.193 million.
8. Reported net profit was down by 16.1% year-on-year to Rs.186 million.
9. Net debt as of December 2022 is 250 Crores

Investor Conference Call Highlights

1. The management stated that the inflation has moderated across key imports except that of milk, which remained at an elevated level even during the flush season. To mitigate the impact of inflation the company has already taken appropriate price increases, which will fully get reflected in Q4 of this financial year.
2. Price increases have absorbed most of the RM inflation while management believes the Long-term EBITDA margin target of plus 20%, 21%, or 22% will take at least a couple of years to achieve due to steep inflation.

3. The gross margins for non-milk-based products go up over 200 basis points sequentially while there is a drop in gross margins of Complan due to milk inflation.
4. Price increases have absorbed most of the RM inflation.
5. The management stated that other expenses grew by 17.4%, which was largely due to increase in cost of fuel like coal and husk, and also the statutory revision in the wage rate in the Northeastern belt where some of their manufacturing facilities are located and increase in manufacturing activities and preparation for the season.
6. On the Glucon-D front Q3 being a nonseasonal quarter for Glucon-D has limited contribution to the business.
7. On the Complan front the health food drinks category continued to witness slowdown and has degrown in low single digits at MAT level.
8. The management informed that Sugar Free Green continues to build on digital platforms with special campaigns during the T20 World Cup while Sugarlite looks to expand aggressively in its world space markets with TV plus multimedia approach of print both outdoor and digital.
9. Sugar Free Green and Sugarlite contribute 13% of the total sweeteners portfolio.
10. On the personal care front, Everyuth brand continued consistent performance delivering a double-digit growth on a three-year CAGR basis and building market share which was supported by TV and digital campaigns across its core portfolio of face scrub and body lotions range
11. The management stated that Nutralite DoodhShakti Probiotic Butter Spread was supported with digital and print media to drive awareness.
12. The management expects that better mix coupled with appropriate price increases will help them to mitigate the inflationary impact on business.
13. The investment in Glucon-D has not seen substantial lift as the company expected and therefore Glucon-D numbers are muted and lower.
14. The company's international business this year especially in last couple of quarters has been impacted especially on Complan because of supply issues in New Zealand in particular and demonetization in Nigeria, which is their largest market.
15. The management plans that, in the nine months, the 270 or 300 basis point loss in gross margin will be recouped with price increase.
16. The management stated that the increase in other expenses is led by the wage revision at their plant in the Northern Eastern belt and also there are husk and other fuel cost increases in one of the facilities in Uttar Pradesh.
17. The management states that inflation is extremely steep which affects not just the cost structures but also the demand and therefore even the operating leverage also becomes that much harder.
18. The management stated that on a market cap to sales basis this is probably the lowest level that our stock is trading and since demand is also subdued and the margins are also under pressure and valuations also are on the lower side resultantly.
19. The management states that they have seen a growth internally for the quarter on Complan while Nielsen continues to report negative growth for the category.
20. The management thinks that the biggest challenge for them to deal with is that the category of Nielsen has been degrowing and the only source of growth for the category has been low unit price tax which they under participate given the profit pools being lower in that part of the market.
21. The management stated that they have a B2B business on two fronts. One is food service which caters to the food operators. Sugar Free also participates in this business both from backend kitchen usage as well as for some of the café's and QSRs buying the sachets around it.
22. The company plans to remain B2C on Everyuth.
23. The management stated there are two parts of digital. One is the digital communication brand building which is across multiple platforms like search, videos, etc., YouTube, programmatic work

that they do as well as the fulfillment which is the sales part of e-commerce where they have a dedicated team who work very closely with some of these accounts.

Analyst's View

Zydus Wellness has been steadily growing all its six brands with new launches, investing behind brands through effective communication & enhancing distribution network. The company has strong market share in some of the smaller subcategories and being the leader, ZWL would be driving the category growth. It remains to be seen how the company will tackle current inflationary environment coupled with slowdown in its categories. Nonetheless, given its strong market positioning & competitive advantages, it remains an interesting FMCG stock to keep track off.

Healthcare & Pharma
Cadila Healthcare

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.

	Quarterly Performance										
	ZYDUS LIFESCIENCES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**3,659**	**3,633**	**3,670**	**4,025**	**3,760**	**3,640**	**3,864**	**4,073**	**4,135**	**4,362**	**16,434**
% Growth YOY					*3%*	*0%*	*5%*	*1%*	*10%*	*20%*	
Expenses	2,845	2,867	2,821	3,092	2,860	2,888	3,146	3,240	3,319	3,406	**13,112**
EBITDA	**814**	**767**	**850**	**933**	**900**	**752**	**718**	**833**	**815**	**956**	**3,322**
Depreciation	175	176	175	183	177	177	185	181	182	182	**730**
EBIT	639	590	674	750	722	575	532	652	634	774	**2,593**
EBIT Margin	*17%*	*16%*	*18%*	*19%*	*19%*	*16%*	*14%*	*16%*	*15%*	*18%*	
Interest	45	27	23	27	30	31	39	34	35	33	**141**
Other Income	-70	54	-125	54	2,443	54	64	55	50	39	**208**
Profit before tax	**524**	**617**	**526**	**777**	**3,135**	**598**	**558**	**673**	**648**	**781**	**2,659**
PBT Margin	*14%*	*17%*	*14%*	*19%*	*83%*	*16%*	*14%*	*17%*	*16%*	*18%*	
% Growth YOY					*499%*	*-3%*	*6%*	*-13%*	*-79%*	*31%*	
Tax	100	105	-206	142	136	109	109	118	137	195	**560**
Net profit	**473**	**527**	**679**	**587**	**3,002**	**500**	**397**	**518**	**523**	**623**	**2,061**
% Growth YOY					*534%*	*-5%*	*-41%*	*-12%*	*-83%*	*24%*	

Detailed Results:

1. Revenue grew by 20% YoY while PAT grew by 24%.
2. EBITDA for the quarter was up 27% YoY & 17% QoQ.
3. EBITDA margin for the quarter stood at 21.9%.
4. In India geography, which comprises the formulations and consumer wellness business, accounted for 40% of the total revenues during the quarter, and grew 13% year-on-year.
5. The formulations business in the India geography sustained strong momentum and posted revenues of Rs. 12.3 billion up 14% year-on-year. Excluding revenues from COVID-related products and divested brands during Q3 and for the first nine months of the current fiscal, the business delivered a robust growth of 16% and 12% respectively.
6. The US formulations biz US formulations business accounted for 46% of the consolidated revenues during the quarter with sales of Rs. 19.3 billion and registered a 13% growth sequentially mainly led by volume expansion in the base portfolio as well as seasonality.
7. Consumer wellness products business recorded revenues of Rs. 4.1 billion, up 8% year-on-year.
8. On the emerging markets front, the business posted revenues of Rs. 3.1 billion, up 15% year-on-year, excluding revenues from COVID-related products.

Investor Conference Call Highlights

1. EBITDA margin expanded in spite of a 180 basis points increase in R&D investment on a sequential basis as well as certain one-time REMS set-up costs during the quarter for an upcoming US launch.
2. The company's first new chemical entity, Lipaglyn continued to expand its reach by growing its patient base by 45% in 2022. The brand was ranked as the 59th largest brand in the Indian pharmaceutical market during Q3 FY23, a gain of 35 positions versus Q3 FY22.
3. In the consumer wellness division, Inflation, which hurt margins over the last few quarters, is cooling down in key inputs except milk, where it still remains high. However, the company has taken appropriate price increases to counter this, the impact of which will be reflected in the next quarter.
4. In the international division, the company launched 6 new products during the quarter. Recently, in the month of January 2023, it launched Topiramate extended-release capsules & became the first generic player to launch the product. It filed 9 additional ANDAs and received 14 new product approvals including 3 tentative approvals during the quarter. Approvals for the quarter include the receipt of final approval for the Estradiol transdermal system twice weekly. It is the first transdermal product approval from its Moraiya site.
5. In the emerging market front, the company filed its first ANDA from the newly constructed oral solids formulations manufacturing facility in Ahmedabad SEZ
6. In the international division, the company's wide product pipeline and focused BD&L efforts lend good visibility on new products, which is critical to offset the impact of price erosions in the base portfolio and boost growth prospects in US generics. This coupled with its nimble and agile supply chain and a network of regulatory-compliant manufacturing facilities equips it to capitalize on opportunities that keep arising in the US generics markets.
7. On the innovation front -
   - NCEs: initiated Phase II clinical trials in India for ZY19489, a novel potential single-dose anti-malarial drug candidate, Saroglitazar Magnesium is currently undergoing Phase II(b)/ III clinical trials for PBC indication for the US market & received approval from the Ministry of Health of Spain, Iceland, and Argentina to conduct Phase II(b)/ III clinical trials for PBC indication.
   - biologics and vaccines pipeline: initiated clinical trials in India for biosimilars of two monoclonal antibodies in the oncology space during the quarter & also received approval from DCGI to initiate Phase II clinical trial for one of its vaccines during the quarter.
   - Specialty front:wholly-owned subsidiary, Sentynl Therapeutics, launched an early access program for Nulibry to improve the global distribution network for the product and in turn, expedite delivery of life-critical medications to the patients across the world coupled with the filing of a new drug application for one of its products in the areas of metabolic disorder through 505(b)(2) route

8. The company expects Saroglitazar to become among the top 25 brands in the coming years.

9. The company believes the undiagnosed patients of diseases like NASH & NAFLD are very large & therefore it plans to double its fibro scans.

10. The company expects R&D as a % of sales to range between 7-9% in the coming period.

11. The management expects Q4 to be higher Vs Q3.

12. The company's current year capex of Rs.10 Bn primarily included expansion of the oral SEZ II facility, the ZTL, the transdermal area, the injectable line, a new plant for MR for WHO pre-qualification & And some API projects.

13. The company has been relatively unaffected by headwinds in the API segment since a majority of its products in the segment is for internal consumption.

14. The working capital requirements outpaced the sales growth owing to a shift in business mix towards USA & emerging markets.
15. In the Asacol HD, there is no competition currently, while REMS product has some limited competition.
16. 30 percent of its R&D spend is on clinical programs which currently doesn't yield any direct revenues.
17. On the Transdermal side, the company filed 9 products, out of which 6 are pending approval.
18. As of 31st December, gross debt was 1816 cr. and net debt is 604 cr.
19. The newborn screening testing i.e. CUTX101 had some good progress, however, approval is still pending and because it has been licensed in the product where it is manufactured by the licensing partner so until they are able to get through with the filing and approval, it still has to wait. But the exclusivity gets only triggered after launch.
20. The management when asked about the Typhoid Conjugate vaccine & its opportunity, stated - "both the PQ vaccines which are the MR and TCB, are a part of the global immunization plans including India immunization. The volumes that have been stated in terms of requirement are significant and large and as I said, we were looking at taking about an 11 to 20 percent share of that. If we are able to be successful with the pre-qualification and meet the timelines of the tenders, it would be meaningful and profitable."

Analyst's View:

Zydus Cadila is one of the leading pharmaceutical and wellness product makers in the country.The company reported a strong quarter with revenue & profit growth of 20%+. It is 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 & has already started receiving higher brand recognition. The Company continues to file new products in existing emerging market countries and enter new markets through partnerships to ensure long-term, sustainable growth for the business. It remains to be seen what the future holds for the pharma industry and how the company's foray into biosimilars pan out. Nonetheless, given the strong positioning of the company in various pharma and consumer product categories and its ever-increasing specialty product portfolio, Zydus Cadila is an important stock to watch out for in the pharma space.

Divi's Laboratories

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	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**1,749**	**1,701**	**1,788**	**1,961**	**1,988**	**2,493**	**2,518**	**2,255**	**1,855**	**1,708**	**8,335**
% Growth YOY					*14%*	*47%*	*41%*	*15%*	*-7%*	*-32%*	
Expenses	1,008	1,010	1,072	1,109	1,169	1,396	1,414	1,408	1,234	1,299	**5,355**
EBITDA	**741**	**691**	**716**	**852**	**818**	**1,097**	**1,104**	**847**	**621**	**408**	**2,980**
Depreciation	61	68	70	73	77	80	81	84	86	87	**337**
EBIT	680	623	646	779	741	1,017	1,023	763	535	322	**2,643**
EBIT Margin	*39%*	*37%*	*36%*	*40%*	*37%*	*41%*	*41%*	*34%*	*29%*	*19%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	14	19	24	36	19	17	52	88	80	114	**335**
Profit before tax	**693**	**642**	**669**	**814**	**760**	**1,034**	**1,076**	**851**	**615**	**436**	**2,978**
PBT Margin	*40%*	*38%*	*37%*	*42%*	*38%*	*41%*	*43%*	*38%*	*33%*	*26%*	
% Growth YOY					*10%*	*61%*	*61%*	*5%*	*-19%*	*-58%*	
Tax	174	171	167	257	153	131	181	149	122	129	**581**
Net profit	**520**	**471**	**502**	**557**	**606**	**902**	**895**	**702**	**494**	**307**	**2,397**
% Growth YOY					*17%*	*92%*	*78%*	*26%*	*-19%*	*-66%*	

Detailed Results:

1. Consolidated revenues fall by 32% YoY while profit fell by 66% YoY in Q3 FY23.
2. EBIDTA margins for Q3 FY23 stood at 23.8%.

Investor Conference Call Highlights

1. The company has capitalized INR275 crore for the first nine months of this financial year & has a capital work-in-progress of about INR575 crore as of the end of the quarter.
2. The Unit 3 facility near Kakinada has received the necessary clearances from government officials.
3. The management states that the Raw material procurement and availability have been stabilized and the material prices have slightly softened compared to the last quarter. However, the prices for some base metals like lithium and iodine have increased over the past quarters and it is expecting this trend to continue.
4. Export for the quarter continued to be around 87%, and export to Europe and America is about 69% of revenue for the quarter and 70% for the nine-month period.
5. The product mix for generics to custom synthesis is 55% and 45% for nine months, and it is 60% to 40% for the quarter.

6. The constant currency growth for the quarter has been negative 40%, while it has been negative 17% for a nine-month period.
7. The GPM decreased substantially as the raw material prices have gone up and there were pressures from the sales price of the API. However, management expects things to correct in the coming quarters as In several of the generics, it is seeing 50-70% of volumes improving & naturally when volumes improve, prices also improve.
8. The company is likely to do investments of 1000 Cr in the Kakinada facility.
9. The management states that instead of doing buyouts, it will plan to invest in new technologies in vapor phase chemistry, continuous flow chemistry, photochemistry, and in some of the newer compounds called gadolinium compounds.
10. The company sees vast opportunities in the Contrast media segment which is expected to grow globally at a minimum of 10% in the coming years.
11. The management is expecting strong Volumes in FY25 for NCE-based molecules which have a market of $20 billion products & patents will be expiring between FY23-25.
12. The higher costs of old inventory also led to margin erosion while its old products saw realizations fall by 5-10%.
13. PAT has decreased substantially due to a higher increase in other expenses in the form of plant maintenance costs to improve employee safety coupled with a higher tax rate of 29% Vs earlier rates of 15-18%.
14. The current capacity utilisations stood at 75%.
15. The company is commissioning 2 fast track projects & expects to fully ramp up in Q1Fy24.
16. The management explains that although the generics gross margin is more than the custom synthesis gross margin however Raw material price impact in custom synthesis is less as there is no pricing pressure from the customer.
17. The company's contracts don't have any pricing policy on a quarterly basis as It's driven by demand and supply from the customers.

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 a sales degrowth of 32% YoY while profits collapsed by 66%. 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 coupled with high pricing pressures & high-cost impact on margins. 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.

Gufic Biosciences

Financial Results & Highlights

Brief Company Introduction

Gufic Biosciences Limited is engaged in the manufacture of pharmaceuticals, medicinal chemicals, and botanical products. Gufic was in the business of manufacturing and marketing injectable products since the late 1970s. The group had earlier exited its API and formulations manufacturing division by selling its six major brands such as Mox (Amoxycillin) Injection, Zole (Miconazole Nitrate), etc. to Ranbaxy in 1997. The promoters then re-entered the pharmaceutical formulations segment through the incorporation of Gufic Biosciences Limited in 2000.

Gufic Biosciences has been manufacturing lyophilized injectables (their main business) for 40+ years

	Quarterly Performance										
	GUFIC BIOSCIENCES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**128**	**167**	**132**	**251**	**194**	**172**	**162**	**165**	**175**	**177**	**680**
% Growth YOY					*51%*	*3%*	*23%*	*-34%*	*-10%*	*3%*	
Expenses	99	139	108	205	158	139	131	132	142	144	**549**
EBITDA	**29**	**27**	**24**	**46**	**36**	**33**	**32**	**33**	**33**	**33**	**131**
Depreciation	5	3	4	4	4	4	4	4	5	5	**18**
EBIT	24	24	19	42	32	28	27	29	28	29	**113**
EBIT Margin	*19%*	*15%*	*15%*	*17%*	*16%*	*16%*	*17%*	*17%*	*16%*	*16%*	
Interest	4	4	3	1	2	1	1	1	2	2	**6**
Other Income	2	0	1	1	0	2	0	0	1	1	**2**
Profit before tax	**23**	**20**	**17**	**42**	**30**	**29**	**26**	**28**	**27**	**27**	**109**
PBT Margin	*18%*	*12%*	*13%*	*17%*	*16%*	*17%*	*16%*	*17%*	*16%*	*15%*	
% Growth YOY					*32%*	*40%*	*53%*	*-32%*	*-10%*	*-5%*	
Tax	6	5	4	10	7	8	6	7	7	7	**27**
Net profit	**17**	**15**	**13**	**31**	**23**	**21**	**20**	**21**	**20**	**20**	**82**
% Growth YOY					*35%*	*36%*	*57%*	*-33%*	*-13%*	*-3%*	

Detailed Results:

1. The company had a poor quarter with revenue and profits increasing by 3% and negative 3% on a YoY basis respectively.
2. The PAT margin for the current Q3 is 11.4%, Q3 of last year was 10.1% while the EBITDA margin for the current Q3 is 19.1% Vs INR19.7% YoY.

Investor Conference Call Highlights

1. With regards to new capex in Indore: focused all its energies on ensuring that it is on track with commercializing its Indore facility,

2. The company launched Sparsh - a division, where it completed its primary and secondary research on the field which involves reaching out to nearly 5000 hospitals where it maps the potential for around 100 and 150 molecules.
3. The company foresees the annual market of its new molecules to be around INR500 to INR600 crores and is targeting a 20% to 25% market share within the next year.
4. The company filed Amsterdam has started the process for registering dermal fillers & it received three-product approvals, one each from Colombia, Kenya, and the Philippines.
5. The revenues have been lower YoY owing to the higher base of the previous year because of one-time covid led revenues.
6. In the new molecules which were launched in December, the company will target 5 states in the initial phase, & is targeting a revenue rate of 100 Crs from FY24-25 onwards.
7. The margins have improved from 13% to 19-20% in the past 5 years owing to operational leverage.
8. The company's primary growth levers for 15-20% growth are lower penetration in the international market, followed by organic growth in the domestic market, & Indore facility kicking in which will ensure the total capacity of BofI becomes almost 2.5x.
9. The management expects revenue of the dual chamber back should start capturing from Q1 2024 post rationalization of MRP prices.
10. The company is eyeing its dydrogesterone tablets brand to become an INR 10 Crs brand within 2 years.
11. The Zarbot product is facing a tough time growing, unlike Tanex which has already become 4X YoY.
12. The company has passed 5 batches from Alicia to Gynecologists.
13. The CMO biz is seeing margin compression primarily due to inventory issues.
14. The working capital cycle has elongated priorly due to increased inventory & credit period in the CMO biz coupled with an increased channel in exports leading to higher investments in working capital.
15. The management states that the entire unit 1 of the Navsari factory, which is a legacy factory will be converted into infertility products manufacturing site.
16. India's contribution to formulations stands at 75% & is expected to reduce up to 60% due to higher growth of exports.

Analyst's View

Gufic biosciences is one of the most formidable pharma stocks owing to its presence in niche spaces like Ferticare, Botulinum Toxin range of products, immuno-oncology as well as CMO. The company reported a mediocre quarter owing to the higher base of the previous year because of covid related biz. It remains to be seen how the company will scale up its new Indore unit, and deal with increased working capital requirements, inventory destocking & macroeconomic headwinds. However, given its strong historical operating performance & promoter's experience, it remains an interesting small-cap stock to keep track of.

Gujarat Themis biosyn

Financial Results & Highlights

Brief Company Introduction

Gujarat Themis Biosyn Limited (GTBL) was incorporated in 1981 and it is engaged in manufacturing of APIs namely Rifamycin S and Rifamycin O. Rifamycin S is an intermediate for manufacturing drug Rifampicin (Antibiotic used for treatment of several types of bacterial infections, including tuberculosis, Mycobacterium avium complex, leprosy, and Legionnaires' disease). Rifamycin O is an intermediate for manufacturing drug Rifaximin (Antibiotic used for treatment of traveller's diarrhoea, irritable bowel syndrome, and hepatic encephalopathy). These are niche products. The company's manufacturing plant is located in Vapi, district- Valsad, Gujarat the same is CGMP approved.

Quarterly Performance											
	GUJARAT THEMIS BIOSYN LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**27**	**24**	**23**	**32**	**35**	**19**	**29**	**45**	**48**	**28**	**150**
% Growth YOY					*29%*	*-24%*	*23%*	*39%*	*36%*	*51%*	
Expenses	12	14	15	16	17	9	16	22	23	16	**77**
EBITDA	**15**	**11**	**8**	**17**	**18**	**10**	**13**	**23**	**24**	**12**	**72**
Depreciation	0	0	1	1	1	1	1	1	1	1	**2**
EBIT	14	10	8	16	18	9	13	22	24	11	**70**
EBIT Margin	*53%*	*42%*	*33%*	*50%*	*51%*	*50%*	*44%*	*49%*	*50%*	*41%*	
Interest	0	0	0	0	0	0	0	0	0	0	**0**
Other Income	1	1	1	1	1	1	2	1	1	2	**6**
Profit before tax	**15**	**11**	**8**	**17**	**18**	**10**	**14**	**24**	**25**	**13**	**76**
PBT Margin	*55%*	*44%*	*35%*	*53%*	*53%*	*52%*	*48%*	*52%*	*53%*	*47%*	
% Growth YOY					*22%*	*-11%*	*70%*	*38%*	*36%*	*38%*	
Tax	4	3	2	4	5	2	4	6	6	3	**20**
Net profit	**11**	**7**	**6**	**13**	**14**	**7**	**10**	**18**	**19**	**10**	**56**
% Growth YOY					*21%*	*-5%*	*69%*	*38%*	*36%*	*38%*	

Detailed Results:

1. The company had a decent quarter with revenue and profits increasing by 51% and 38% on a YoY basis respectively owing to a lower base as well.
2. EBITDA margins stood at 43% while PAT margins stood at 34.82%.
3. The Board of Directors declared an interim dividend for the financial year 22-'23 of INR4.4 per equity share of the face value of INR 5 subject to shareholders' approval.

Investor Conference Call Highlights

1. The sales volume remained subdued due to the lower offtake of Rifa-S which is a tender-driven biz. Management expects the demand to revive in the coming two quarters & hence continued to build inventory in anticipation of demand.
2. The company has done about INR14 crores of capex so far, and another INR13 crores are in CWIP.
3. The management expects its API to block & R&D labs will be up & running by June-July.
4. R&D expenditure of about INR2.44 crores had a bearing on the profit margins.

5. The management states that despite a bit of lumpiness in revenue & margins in its current product, they are still one of the best products to be in owing to the extraordinary margins they generate.
6. The company is in process of incurring a capex of INR200 crores, including a CGMP R&D center and also an API facility, increasing its fermentation capacity from 450 cubic meters to another 550 cubic meters & expand its current product basket in terms of APIs.
7. The management is extremely cautious in selecting the product line its wishes to pursue since earlier, it was using an old facility with no depreciation charge, but now since it will be using a new facility, it will need a high gross margin product to meet the cost pressure.
8. The company doesn't see raw material prices as a major challenge at the moment.
9. The management explains its capex plan by stating that its capex plans are divided into three. One is the R&D. The second is our API block and the third is our fermentation block. The R&D capex and the API block should come through by June-July of this year, Six to nine months after that it should be able to commercialize some products from its API block. And the fermentation block- additional capacity will come through by June-July of the next financial year & so, from then it will start trial batches in the production of the additional fermentation products.
10. The management expects the new API block will help in achieving 25% to 30% growth.
11. The company's Rifa-O is not a tender-based product & it goes into the manufacturing of another API, which is used for gut infection.
12. The majority of raw materials are sourced locally & it doesn't have any long-term contracts for sourcing.
13. The company believes that due to its product pipeline will consist synthetic API, it will be able to get higher margins Vs other API players.
14. The management expects its R&D team to increase significantly once the R&D lab gets set up.

Analyst's View

Gujarat themis biosyn is one the leading player in niche API intermediates like Rifa-O&S. It reported strong revenue growth of 50% YoY however its volume growth in the Rifa-S segment was lower on account of slow tenders. The company is currently undergoing an ambitious capex of INR 200 crores & is targeting growth of 25%. It remains to be seen how the company will be able to scale its biz, deal with potential Chinese competition & maintain its extraordinary margins in the future. It remains an interesting small cap Pharm stock to keep on one's watchlist.

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Hester Biosciences

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	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**53**	**57**	**64**	**60**	**63**	**56**	**56**	**51**	**73**	**75**	**255**
% Growth YOY					*17%*	*-2%*	*-12%*	*-16%*	*17%*	*35%*	
Expenses	38	36	44	43	45	41	46	43	60	56	**206**
EBITDA	**16**	**21**	**20**	**17**	**18**	**15**	**10**	**7**	**13**	**19**	**49**
Depreciation	3	3	4	3	3	5	5	5	5	5	**20**
EBIT	13	18	16	14	15	10	5	2	8	14	**29**
EBIT Margin	*24%*	*31%*	*25%*	*23%*	*23%*	*18%*	*9%*	*5%*	*11%*	*18%*	
Interest	2	2	1	1	1	1	2	2	2	4	**9**
Other Income	0	1	-1	2	1	3	8	5	5	6	**24**
Profit before tax	**11**	**18**	**14**	**15**	**15**	**12**	**11**	**5**	**10**	**16**	**43**
PBT Margin	*20%*	*31%*	*22%*	*25%*	*24%*	*21%*	*20%*	*11%*	*14%*	*21%*	
% Growth YOY					*42%*	*-34%*	*-18%*	*-64%*	*-32%*	*37%*	
Tax	4	5	4	4	4	3	2	2	4	4	**12**
Net profit	**7**	**12**	**10**	**12**	**11**	**8**	**8**	**4**	**7**	**11**	**30**
% Growth YOY					*59%*	*-31%*	*-20%*	*-68%*	*-35%*	*32%*	

Detailed Results:

1. The company had a decent quarter with a 35% YoY rise in consolidated revenues and a 46% YoY rise in PAT at a consolidated level.
2. The EBITDA margin was at 26% in the current quarter vs 28% a year ago.
3. GPM reduced from 74% to 71% YoY.
4. The standalone revenue growth in Q3 for the various segments is:
    1. Poultry Healthcare: down 22% YoY
    2. Animal Healthcare: Up 202% YoY

4. Vaccine sales rose by 24% YoY.
5. Sales of health products grew by 36% YoY.

Investor Conference Call Details:

1. The company has supplied the Goat Pox Vaccine for the immunization of cattle in each and every state in the country.

2. The poultry industry continues to remain under a recessionary condition where the input costs are still above the revenues they achieved by selling the meat and the eggs.

3. The company had to write off expired poultry vaccine stock worth INR1.6 crores, which pulled down the gross margins.

4. The government of India has embarked on a national immunization program for sheep and goats against PPR & Hester has won the tender.

5. The commencement of the supplies of PPR was delayed because of governmental reasons. Nonetheless, the supply of vaccines has started from January 2023 & total value of the tender stands at 40 Crs.
6. The company has acquired the technology of Avian influenza and are in the process of commercializing this technology.
7. The company is in the process of acquiring the technology for the Lumpy Skin Disease vaccine.
8. The company is also working on developing a better version of the Brucella vaccine.
9. Expansion plans for fill-finish have been delayed from Q3FY23 to Q1FY24 which will double poultry vaccine capacity while the bulk antigen manufacturing facility has already commenced.
10. The company invested 100 Crs in the BSL-III plant to produce a drug substance for Covaxin, however, that opportunity seems to have perished now & the company will give more information about the capacity's utilization in the coming 3 months period.
11. The management states that on the animal side, the vaccine biz is dependent on Govt. tenders while the healthcare products division is not.
12. The company is taking efforts to promote its vaccines in the trade as well thereby reducing dependence on tenders.
13. The management expects the poultry industry to turn around soon.
14. The management, when asked about higher egg prices boosting the poultry vaccine demand said "whenever you supply lesser quantity at a higher price it does not mean that there is a boom in the industry."
15. The optimum capacity for the Tanzanian plant stands at 20 million while current sales are 1 million.

Analyst Views:

Hester Bio had a mixed quarter with a 35% rise in sales and a 46% rise in PAT due to rise in animal healthcare sales. 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 in a major way with FAO looking for funding for the tenders. 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

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 of 20%. Post the demerger, the entire pharmaceuticals business will get vertically demerged from PEL and consolidated under PPL, with the promoters holding a 35% stake, other shareholders holding 45%, and the balance of 20% being held by the Carlyle group.

Quarterly Performance											
PIRAMAL PHARMA LTD											
Narration	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-21**	**Dec-21**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	-	-	-	-	-	**1,578**	**1,539**	**1,482**	**1,720**	**1,716**	**6,457**
% Growth YOY					######	######	######	######	######	*9%*	
Expenses	-	-	-	-	-	1,381	1,314	1,465	1,547	1,629	**5,955**
EBITDA	-	-	-	-	-	**197**	**226**	**17**	**173**	**87**	**503**
Depreciation	-	-	-	-	-	138	147	162	166	164	**639**
EBIT	-	-	-	-	-	58	78	-145	6	-77	**-137**
EBIT Margin						*4%*	*5%*	*-10%*	*0%*	*-4%*	
Interest	-	-	-	-	-	49	50	62	83	95	**290**
Other Income	-	-	-	-	-	34	170	92	50	98	**410**
Profit before tax	-	-	-	-	-	**44**	**198**	**-115**	**-26**	**-74**	**-17**
PBT Margin						*3%*	*13%*	*-8%*	*-2%*	*-4%*	
% Growth YOY					######	######	######	######	######	*-269%*	
Tax	-	-	-	-	-	7	35	-6	11	17	**56**
Net profit	-	-	-	-	-	**37**	**163**	**-109**	**-37**	**-90**	**-73**
% Growth YOY					######	######	######	######	######	*-347%*	

Detailed Results:

1. The company registered a revenue growth of 11% in Q3.
2. CDMO business grew by 14% and 12% respectively during Q3 & 9M.
3. Complex Hospital Generics grew by 6% during the quarter and 9% for 9M.
4. India Consumer Healthcare businesses registered a robust growth of 37% for the quarter and 19% for 9M.
5. The normalized EBITDA margin during the quarter was 10% due to higher raw material costs, energy prices, wage inflation, and marketing costs.

6. The board of directors of the Company has approved the recommendation to allot equity shares for an amount up to Rs.1,050 crores.

Investor Conference Call Highlights

1. The capex that has gone live in the last few months includes a new In-Vitro lab at an Ahmedabad PDS site, capacity expansion at a peptide facility at Turbhe, and capacity addition at the Grangemouth facility in the US.
2. The company had a successful US FDA inspection at its Riverview facility in the US while At the Sellersville and Lexington facilities inspection, it received 483 with the VAI classification. The company continues to maintain a zero OAI status across its sites in the last 12- years.
3. In the Injectable Pain Management segment, performance was impacted by supply constraints at its CMO. It has 34 SKUs currently in the pipeline & launched two new products during the quarter
4. Power brands grew by 39% & contribute 41% to total consumer healthcare sales in the first nine months. Littles grew 66% YoY and Lacto Calamine grew 44% over the last year and nine months, powered by new launches and traction, and e-commerce.
5. The company spent about 15% of its revenue on media and trade promotion.
6. The company launched 21 new products, and 25 new SKUs during the nine months of FY'23. New products launched over the last two years contributed about 17% of consumer business sales. E-commerce currently contributes about 14% of total consumer business sales
7. CDMO's growth was impacted largely because of continued delays in decision-making by customers due to the macroeconomic environment and pipeline prioritization based on the limited availability of capital coupled with softer demand for generic API and the vitamins portfolio.
8. To address the muted revenue growth, the company is increasing the productive selling capacity of its business development team, increasing the number of proposals velocity and win rate, targeting new customers, and new markets in both our CDMO and CHG business, Capacity expanding to address the supply constraints in CDMO & hospital generics business, both in the injectable pain and inhalation anesthesia portfolios.
9. Capex for 9M stood at $100 Mn.
10. The company is not looking to dispose of its loss-making US & UK plants.
11. The company's margin erosion is majorly due to higher fixed costs & inflation in inputs & energy prices.
12. The company will plan to reduce its debt level post-Q2FY24.
13. The expected turnover for the new facilities for peptide as well as the new Riverview facility is up to 2.5 times.
14. The CDMO biz is equally split between Big pharma, Biotech & Generic Pharma.
15. The revenue from CBMO for 9M has mostly been from the generics segment.
16. The management explains that if they do successful completion of clinical trials of a molecule, then the company almost always pursues commercial production with the company only.
17. The management states that each of its 15 sites has separate capabilities & is not necessarily fungible.
18. The inventory levels are higher to service the demand for its biggest quarter i.e. Q4.
19. The company's rationale for the acquisition of A)CCPL was to ensure supply of critical input which was scarce in the market, B)Hemmo Pharmaceuticals was to enter into its molecules which have higher margins & C)Sellersville was to provide onshore services in North America.

Analyst's View

Piramal Pharma is the 4th biggest domestic player in CDMO. The company had a very poor quarter with major losses owing to lower revenue growth coupled with higher fixed costs & inflation in inputs. The company recently passed approval to raise up to 1050 Crores. It remains to be seen how the company will tackle the slowdown in decision-making by its CDMO customer coupled with the inflationary environment, weak demand in US & UK, high debt levels & lower equity valuation at the time of raising funds. However, given the company's strong pedigree & past track record coupled with decent growth prospects of the Indian CDMO industry, the company remains an interesting stock to keep track of.

Syngene

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**517**	**584**	**658**	**594**	**610**	**640**	**759**	**645**	**768**	**787**	**2,958**
% Growth YOY					*18%*	*9%*	*15%*	*9%*	*26%*	*23%*	
Expenses	362	409	443	429	432	437	509	473	552	556	**2,091**
EBITDA	**155**	**176**	**215**	**164**	**177**	**203**	**249**	**172**	**216**	**230**	**867**
Depreciation	69	70	70	75	76	79	80	86	90	95	**351**
EBIT	86	106	145	90	101	124	169	86	126	136	**516**
EBIT Margin	*17%*	*18%*	*22%*	*15%*	*17%*	*19%*	*22%*	*13%*	*16%*	*17%*	
Interest	7	7	7	8	1	9	6	9	12	14	**40**
Other Income	14	17	53	12	-18	13	15	16	15	17	**63**
Profit before tax	**94**	**116**	**192**	**94**	**82**	**128**	**178**	**92**	**129**	**139**	**539**
PBT Margin	*18%*	*20%*	*29%*	*16%*	*13%*	*20%*	*23%*	*14%*	*17%*	*18%*	
% Growth YOY					*-12%*	*10%*	*-7%*	*-2%*	*58%*	*9%*	
Tax	10	14	32	17	15	24	31	19	28	30	**107**
Net profit	**84**	**102**	**161**	**77**	**67**	**103**	**147**	**73**	**102**	**110**	**431**
% Growth YOY					*-20%*	*2%*	*-8%*	*-5%*	*53%*	*6%*	

Detailed Results:

1. Consolidated revenues were up 23% YoY in Q3. PBT grew by 9% & PAT by 6%.
2. EBITDA margin decreased by 220 bps to 30.9%.

Investor Conference Call Highlights

1. During the quarter, the company received regulatory approval for its commercial biologics operations from the USFDA, European Union's EMA, and the UK's MHRA.
2. In the discovery services, the number of scientists has increased to around 800 and the company expects the completion of an additional 24,000 square feet of lab space and a new compound management facility in the current quarter.
3. In the development services, the company completed the construction of a state-of-the-art, sterile fill-finish facility for small-scale clinical manufacturing & expects to start GMP production this quarter. This facility offers the ability to offer end-to-end solutions in drug product development and manufacturing for clinical supplies of small and large molecules.
4. The company successfully completed the USFDA, EMA, and MHRA regulatory audits for the commercial-scale biologics manufacturing facility.

5. The hedge rate revenue growth was in the high teens this quarter while Hedge losses during the quarter were INR16 crores.
6. The EBITDA growth was lower than the revenue growth, primarily due to fixed-cost manufacturing, which currently has lower margins because of lower scale and capacity utilization. In addition, there are inflationary pressures on other operating expenses.
7. During the quarter, staff costs increased by 12% year-on-year while other OpEx has seen a 33% increase YoY due to cost inflation as well as a step-up in business travel, sales promotion, and other overhead.
8. The Finance cost increased from INR9.4 crores to INR13.7 crores due to the recognition of the interest component on newly leased assets following lease accounting as per accounting standard IAS under 16 coupled with addition to the rising interest rate on borrowings.
9. The management believes that the slowdown in Biotech funding will be offset by the company's value proposition.
10. The fill-finish unit will be located in Bangalore & will have a clinical scale.
11. The total capex for the Mangalore unit stands at $85 million.

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 Q3 with a revenue increase (excluding the contribution from Remedsvir) of 23% YoY The company expects the Mangalore API facility to get USFDA approval in the next 2 years. 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.

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Lifestyle

Brand concepts

Financial Results & Highlights

Brief Company Introduction

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, a 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 Aeropostale and sells its in-house brands Sugarush and The Vertical.

Quarterly Performance											
BRAND CONCEPTS LTD											
Narration	Sep-17	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**13**	**17**	**19**	**7**	**26**	**27**	**27**	**32**	**44**	**45**	**148**
% Growth YOY					*91%*	*56%*	*39%*	*349%*	*72%*	*70%*	
Expenses	16	16	15	10	23	23	23	28	39	39	**129**
EBITDA	**-2**	**1**	**4**	**-2**	**3**	**4**	**3**	**4**	**6**	**6**	**19**
Depreciation	0	0	2	0	1	1	1	1	1	1	**3**
EBIT	-2	1	1	-3	2	3	3	3	5	5	**16**
EBIT Margin	*-17%*	*6%*	*7%*	*-39%*	*8%*	*12%*	*9%*	*10%*	*11%*	*12%*	
Interest	1	1	2	1	1	1	1	1	1	1	**5**
Other Income	0	0	0	0	0	0	0	0	0	0	**1**
Profit before tax	**-3**	**-0**	**-1**	**-4**	**1**	**2**	**2**	**2**	**4**	**4**	**12**
PBT Margin	*-21%*	*-1%*	*-5%*	*-50%*	*4%*	*8%*	*6%*	*8%*	*8%*	*9%*	
% Growth YOY					*-133%*	*#####*	*-250%*	*-168%*	*289%*	*101%*	
Tax	-1	-0	-1	-1	0	1	1	0	1	1	**3**
Net profit	**-2**	**0**	**-0**	**-3**	**1**	**1**	**1**	**2**	**3**	**3**	**9**
% Growth YOY					*-144%*	*1522%*	*-290%*	*-174%*	*253%*	*98%*	

Detailed Results:

1. Sales grew by 70% YoY while PAT increased by 98% YoY.
2. EBITDA margins rose to 14.1% by 20 bps.
3. Channel contribution 9M stood as:-
   - A. Online - 50.3%
   - B. Large format stores - 15.2%
   - C. Licensor flagship/Tommy Hilfiger stores - 8.3%
   - D. Co. owned Co. operated outlet - 4.2%
   - E. Franchisee Owned & operated outlet - 4%
   - F. Dealer & distributor - 17.9%

Investor Conference Call Highlights

1. The company recently signed with the brand Aeropostale for the Indian market in 3 categories: Travel Gear, small leather goods, and women's handbags coupled with an experimental category of socks.
2. The company believes Aeropostale to be a lightweight brand where the retail sales are expected to be between 50-100 Crs in FY25 while it will get only a 6 months window to sell in FY24 owing to the product approvals stage.
3. The management expects some pressures on margins owing to the signing of the new brand.
4. The management explains that GPM & EBITDA margins are 5% & 2% higher in online channels.
5. The company's marketing expense remains within the limit of 3-4% since it is in the biz of licensing & not brand building.
6. The management states that 20-25% of the online sales are contributed through its marketplace.
7. Leather goods & travel gear contribute 50% & 42% of the overall sales & management is more bullish on the growth of the travel gear segment.
8. The company is looking to strengthen its offline presence in the South by recently launching one store in Bangalore & Hyderabad coupled with its presence rising owing to Multi brand outlets.
9. The company is in the process of signing a new deal with now Reliance-owned central mall.
10. The company targets revenue growth of 30% in FY24 & 12-15 store openings.
11. The management explains that its rent: sales ratio is at par with its peers & hence it is profitable.
12. The capex for a lightweight brand is 4-5 Crs vs 10-15 Crs for a heavyweight.
13. Out of the 30 stores, 20 stores are of bagline & management is more concentrated in opening stores for this division.
14. The management explains that signing a deal for Aeropostale will allow the company to get into the ecosystem of ABG group which has $25 billion in sales & many brands, hence this is a big milestone for the company.
15. The company believes that since the enormous market size, it doesn't need to experiment a lot.
16. The management states that its channel mix is different from its peers since they have been in the biz for more than 3 decades Vs the company started its biz in FY12 only.
17. One major differentiating factor of the company is that it is a fashion accessories player Vs other brands being a core category players.
18. The average price of Tommy Hilfiger merchandise is more than twice of Aeropostale whose products range between Rs.800-1200.
19. The company is confident of the renewal of Tommy Hilfiger licensing, & at the same time, it doesn't have any restrictions in signing new players since it's a licensing company.
20. The overall nos. for the retail segment has slowed down post-Diwali due to travel as a category slowing down.
21. The company doesn't see its own brand contribution increasing in a short span as it is focused on building the biz profitably Vs doing blitzkrieg marketing activity.

22. IFF overseas (a group co.) is being outsourced their backpacks division & contributes 5-8% of total outsourcing while the company contributes 20% of their total revenues. The company is planning of merging this with the listed entity owing to its competence in manufacturing. This will also allow the company to produce backpacks 100% domestically.
23. The company believes itself to be the “Titan of this industry” owing to its similar biz model.

Analyst’s View

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 coupled with a renewal of their licensing policy & how the onboarding of new clients like Aeropostale will materialize. However, given its strong growth potential, this is an interesting stock to keep on one’s watchlist.

VIP Industries

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**103**	**233**	**243**	**206**	**330**	**397**	**356**	**591**	**515**	**526**	**1,988**
% Growth YOY					*221%*	*71%*	*46%*	*186%*	*56%*	*32%*	
Expenses	125	224	240	193	288	340	323	488	443	453	**1,708**
EBITDA	**-22**	**8**	**3**	**13**	**42**	**57**	**33**	**103**	**72**	**73**	**280**
Depreciation	19	18	18	18	17	17	17	18	18	18	**71**
EBIT	-41	-10	-15	-5	24	40	16	85	54	55	**209**
EBIT Margin	*-40%*	*-4%*	*-6%*	*-2%*	*7%*	*10%*	*4%*	*14%*	*10%*	*10%*	
Interest	8	8	7	7	7	5	5	7	7	7	**25**
Other Income	5	10	16	14	7	9	6	22	5	3	**36**
Profit before tax	**-44**	**-8**	**-6**	**2**	**25**	**44**	**16**	**100**	**52**	**51**	**219**
PBT Margin	*-42%*	*-3%*	*-2%*	*1%*	*7%*	*11%*	*5%*	*17%*	*10%*	*10%*	
% Growth YOY					*-156%*	*-646%*	*-380%*	*5311%*	*112%*	*16%*	
Tax	-8	-1	-2	-1	6	10	4	31	9	7	**50**
Net profit	**-35**	**-7**	**-4**	**3**	**19**	**33**	**12**	**69**	**43**	**44**	**169**
% Growth YOY					*-152%*	*-578%*	*-428%*	*2631%*	*134%*	*32%*	

Detailed Results:

1. The company had a 32% revenue growth over last year
2. gross margin sequential improvement of almost 1.3% and Y-O-Y improvement of 0.5%.
3. Q1 FY23 saw a 5% growth, thereafter in Q2 FY23 scaled it up to 25% and the company now (Q3 FY23) continues to be at 20% plus.
4. The management stated that the volume growth on the business has been quite good i.e. 25% year on year and almost 18% over base.
5. The organized sector share has increased from 45% in FY19 to 56% in FY22,

Investor Conference Call Highlights

1. The management states that the volume growth is happening on a completely altered supply chain at VIP.
2. The management talked about some exciting launches that happened in their portfolio during this quarter.
3. Skybags did a FIFA collection, VIP had a Highlander which is a rugged hard luggage and in Carlton, they launched a couple of premium soft luggage ranges and icing on the cake was their launch in Caprese with a range of products by Manish Malhotra.
4. Skybags did a FIFA collection which did very well. In VIP we had a Highlander which is a rugged hard luggage. In Carlton, we launched a couple of premium soft luggage ranges and icing on the cake was our launch in Caprese with a range of products by Manish Malhotra.

5. The management states that the company faced some challenges in Q1 FY23 because of the future group issue. It also stated that by the end of december a large part of the future group stores that got shut had started coming up.
6. the management stated that modern trade is moving beyond its expected numbers in the year and also above its base without future group
7. The company has launched its direct to consumer (D2C) website and have started to get green shoots on the whole D2C business of Caprese
8. The management states that in UAE the company is starting to get double digit market share in chains like Carrefour and Lulu because of channels.
9. The management talks about the category performance that hard luggage continues to dominate in the recent past, but they have started seeing some change of that in terms of soft luggage coming up and with their supplies picking up in soft luggage.
10. The management states that 73% of their volumes in Q3 FY23 were supplied by their own manufacturing facility in India and Bangladesh. In a way, this has been the highest ever ratio reported in any quarter.
11. The company's capacity has now increased to 65% since the pandemic and this year they would be investing almost Rs. 100 crore in this financial year only to increase their capacities. This is almost equally split between India and Bangladesh in terms of Rs. 50 crore reach
12. The management states that the reason for improvement of gross margin is largely the prices of raw material and ocean freight.
13. EBITDA margin flow through from above has been lower, one large reason other than increasing in advertisement is the provision the company did on all the future group doubtful debt that's almost taking out 1% out of the EBITDA
14. The management states that there is a seasonality factor that plays a major role in e-commerce driving the revenue up.
15. The management states that the lower tax rate is on account of the receipt of dividend from Bangladesh which they are in turn giving it back to their shareholders. The effective tax rate is going to be around 18% to 19% for the year.
16. The management claims that there is a higher demand in Tier 2 & Tier 3 and downward cities.
17. For the Caprese brand the company is looking at the mid premium and the slightly above range, so anywhere between Rs. 2000 to Rs. 4000 range is what will be the mid part of what the brand should have.
18. The management states that about 20%-25% will be outsourced within India and maybe have about 10% to 15% at the outer limit, this includes Caprese from China.
19. The company is targeting a gross margins of around 52% to 53% in FY24 and EBITDA of 20 %
20. the management states that the advertisement cost in Q3 FY23 was Rs 29 crore versus Rs 9 crore in Q3 FY22
21. The company will target to invest 5-6% of its sales in advertisements.
22. the management stated that the future group contribution modern trade was 44% pre COVID and now it's about 20%-22%
23. the company went strong in Vishal Mega Mart and some more entry into some more regional chain
24. The company is looking at manufacturing trolleys and wheels subsequently to further make itself more competitive.
25. The company is aiming to increase their intensity of spends in e-commerce with the other part of portfolio and pricing as well, so that is continuously happening.

Analyst's View

VIP Industries Limited is amongst Asia's leading manufacturers and suppliers of luggage, backpacks, and handbags and the market leader in the organized luggage segment.

At VIP, premium portfolios have started to kick in as the company has gone very high on driving the value portfolio. There used to be 279 big bazaars stores and today almost 235 stores are open i.e. 3/4th of those stores have come in, and therefore that's going to hopefully help the company in the coming quarter. The overall commodity and raw material prices are softening, the ocean freight is much lower than before, so it may not have kicked in into the business as of now, but it will as we go ahead. So on one side, the tailwind is prices coming down, on the other side the headwind is also the mix and the value category growing and the unorganized sector pushing the growth further progress in terms of backward integration.

NBFC
Credit Access Grameen

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**471**	**440**	**607**	**510**	**510**	**576**	**694**	**621**	**671**	**759**	**2,745**
% Growth YOY					*8%*	*31%*	*14%*	*22%*	*32%*	*32%*	
Expenses	169	351	317	268	224	206	267	209	236	228	**941**
EBITDA	**301**	**89**	**290**	**242**	**286**	**370**	**427**	**411**	**435**	**530**	**1,803**
Depreciation	6	5	7	6	6	6	7	7	8	8	**30**
EBIT	295	83	284	236	279	363	419	404	427	523	**1,773**
EBIT Margin	*63%*	*19%*	*47%*	*46%*	*55%*	*63%*	*60%*	*65%*	*64%*	*69%*	
Interest	191	179	186	196	183	193	217	226	221	259	**922**
Other Income	1	0	2	1	0	1	0	1	1	1	**2**
Profit before tax	**105**	**-95**	**99**	**41**	**97**	**172**	**203**	**179**	**207**	**264**	**853**
PBT Margin	*22%*	*-22%*	*16%*	*8%*	*19%*	*30%*	*29%*	*29%*	*31%*	*35%*	
% Growth YOY					*-7%*	*-280%*	*104%*	*341%*	*113%*	*54%*	
Tax	27	-24	27	11	25	43	52	47	48	67	**213**
Net profit	**78**	**-72**	**72**	**30**	**72**	**129**	**151**	**133**	**159**	**197**	**640**
% Growth YOY					*-8%*	*-280%*	*109%*	*348%*	*120%*	*53%*	

Detailed Results:

1. The company had a great quarter with consolidated PAT rising 53% YoY.
2. GLP grew 21.9% YoY while Standalone GLP grew 21.7% YoY. MMFL GLP grew 23.2% YoY.
3. Disbursements grew 2.7% YoY with CAGL up 4.6% YoY and MMFL down 5.9% 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 consolidated employee count increased by 8.6% to 16,807

6. The Active Borrowers stood at 39.39 Lakh (+5.3% YoY)
7. NII has risen 37.7% YoY to Rs 567 Cr. PPoP grew 38.7% YoY at Rs 380 Cr.
8. Provisioning for CAGL & MMFL stood at 1.94% & 2.57% respectively.
9. Overall RoA and RoE were at 4.6% and 18.8%.
10. GNPA & NNPA of CAGL stood at 1.5% & 0.4% respectively while the same for MMFL stood at 2.9% & 1.5%.
11. CRAR: CAGL 28.4% (Tier 1: 27.7%), MMFL 22% (Tier 1: 15%).
12. Collection efficiency at 98% for CAGL in March excluding. MMFL collection efficiency excluding arrears was at 95%
13. Consolidated debt to equity was at 2.9 times. MMFL debt to equity was at 5.6 times.
14. Consolidated cost-to-income ratios were at 36.3% in Q3. Opex to GLP was at 5% in Q3.
15. The cost of borrowing for CAGL was 10.2% in Q3.
16. The consolidated cost of borrowings stood at 9.6% while the portfolio yield stood at 19.6%.
17. Branches increased by 11.1% YoY for CAGL standalone taking the branch count to 1251.
18. NIM of standalone business stood at 12% while MMFL was at 10.4% in Q3.
19. Positive ALM mismatch with an average maturity of assets at 18.3 months and average maturity of liabilities at 25.4 months in CAGL.
20. IGL loans accounted for 96% of total loans.
21. Karnataka remains the biggest market for the company with 34.7% of GLP. Maharashtra comes in second with 21% of GLP and Tamil Nadu is third with 20.8% of GLP.

<u>Investor Conference Call Highlights:</u>

1. The Y-o-Y disbursement growth appears to be a little lower, because of a higher base on Q3 FY 22 where it already resumed growth encashing the opportunity of pent-up demand post-COVID 2.0
2. As a result of a higher write-off witnessed from the legacy book which is currently at 8% of MMFL book and 1.3% of the consolidated book, the estimated FY23 gross credit cost is at 2.3% - 2.4% while On a net basis, including bad debt recoveries, the credit cost should be in the range of sub 2.0% as per management.
3. The company reiterated its FY23 guidance of 4.0% - 4.2% ROA and 16.0% - 18.0% ROE.
4. The management while highlighting the positive impact of the budget stated that " A host of measures – i) Rs.2 Lakh Crores central govt. scheme to supply free food grain to all poor and priority households, ii) digital public infrastructure for agriculture, an agriculture accelerator

fund for increasing productivity and profitability, Rs.20 Lakh Crores agriculture credit target, iii) 66% increase in PM Awas Yojana corpus to Rs.79,000 Crores, iv) revamped credit guarantee scheme for MSMEs, etc., are aimed towards strengthening the rural ecosystem and will benefit the rural financing opportunity over coming years and are a big positive for the microfinance business."

5. The NCLT, Bengaluru Bench, has pronounced the order approving the Scheme of Amalgamation between CA Grameen and MMFL which means that it can now proceed toward the amalgamation of MMFL with CA Grameen and present its FY23 Annual Financials as a merged entity.
6. The company didn't do the complete write-off in the current quarter since it doesn't want to take an accelerated position & expects to do a complete write-off by Q4FY23.
7. The management states that among all the major players, its maximum customer overlap is only with Bhafin, which is about 14% - 15% Other than that, it is less than a 5% overlap.
8. The management reiterates that the strategic view of the promoter remains to keep holding a clear majority stake in the company above 55% - 60% over the long term despite minor dilutions.
9. Out of 9.05 lakh customers acquired in the last 12 months, about 47% of customers are acquired from the core geography of Karnataka, Maharashtra, and Tamil Nadu And the new to credit is between 25% - 30%.
10. The management states that when the branch is overgrown beyond 7- 8 thousand customers in a single location, it normally creates one more branch so that it can transfer and service better.
11. The management is seeing a good performance in Northern states especially Bihar, where it is getting 40% to 50% new to credit customers because it operates in Tier 3, and Tier 4 kind of traditional villages.
12. The company expects to grow at a CAGR of 20% to 25% over the next four to five years.
13. The company is piloting the following products- One is an individual loan for the matured customers, which is already piloted & located in about 192 branches, disbursing almost nearly a crore every day. 2) two-wheeler loan, 3) Loan Against Property book of almost Rs.5 Crores per month, 4) piloting gold loan in about five-seven branches.
14. The borrowing costs in Q4FY23 are expected to remain the same as it is planning to borrow the majority from the banks, local banks, and domestic borrowings.
15. The management states that with the legacy books getting cleaned up this year, it should be able to get about 1.5% to 1.6% of credit cost going forward.
16. The management expects the NIM to rise by 50-70 Bps in FY24 to 12.5%.
17. The company expects the share of the top 3 states to be less than 60% by the next 3 years timeframe if there is a stable environment.

18. The management explains that 60% to 65% of growth comes from existing borrowers, About 20% to 25% growth comes from new borrowers in the existing branches And the balance of 10% to 15% growth comes from the new customers from the new branches. Therefore, it is planning that about 10% to 15% or 12% to 15% will be the borrower growth &Then 20% to 25% will be the portfolio growth.

19. The management succinctly explains the huge market size for this form of lending -", if you look at the overall potential market. If you take any calculation, almost 170 million-odd customers are supposed to be within this threshold for microfinance lending. Even if you count 6-7 Crores or 60-70 Million in excess, you still have about 90 million to 100 million borrowers who are yet to get formal finance. So, a majority of them are rural. So, with all things in place, with the legitimate under the improved business environment. We believe that this will be a good opportunity for the sector to grow. We strongly believe we have a very long highway to grow here."

20. The company at a consolidated level has a capital adequacy of about 24% which is sufficient for the next four or five quarters after which it might do fundraising through the QIP route.

21. The company's internal policy is to maintain the overall liquidity of about 7% of the AUM, which will be ideally sufficient for a stable period.

22. The company's ideal borrowing mix for good ALM positioning is- 30%-35% international borrowing which is long-term and stable, 15% from BFIs in India or public NCD & 40%-45% will be stable domestic bank borrowings.

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 mediocre performance in the form of low disbursement growth due to a higher base & a subsequent write-off of the legacy book of MMFL. 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 deliver on its guidance of 20-25% CAGR for the next 4-5 years, how the market will perceive potential stake sales of promoters & 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

Financial Results & Highlights

Brief Company Introduction

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

	Quarterly Performance										
	AAVAS FINANCIERS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**270**	**310**	**289**	**272**	**325**	**343**	**365**	**353**	**395**	**411**	**1,524**
% Growth YOY					*20%*	*11%*	*26%*	*30%*	*22%*	*20%*	
Expenses	66	77	76	79	85	97	88	97	109	117	**412**
EBITDA	**204**	**233**	**214**	**193**	**239**	**246**	**277**	**255**	**285**	**295**	**1,112**
Depreciation	5	5	5	5	6	6	7	6	7	7	**27**
EBIT	199	227	208	188	234	240	270	249	278	288	**1,085**
EBIT Margin	*74%*	*73%*	*72%*	*69%*	*72%*	*70%*	*74%*	*71%*	*71%*	*70%*	
Interest	114	117	115	113	116	125	124	135	141	150	**550**
Other Income	0	0	2	0	1	0	0	0	0	1	**1**
Profit before tax	**85**	**111**	**95**	**75**	**118**	**116**	**146**	**115**	**138**	**138**	**537**
PBT Margin	*31%*	*36%*	*33%*	*28%*	*36%*	*34%*	*40%*	*33%*	*35%*	*34%*	
% Growth YOY					*40%*	*5%*	*54%*	*53%*	*16%*	*19%*	
Tax	18	25	7	15	26	26	30	25	31	31	**118**
Net profit	**66**	**86**	**88**	**60**	**92**	**89**	**116**	**89**	**107**	**107**	**419**
% Growth YOY					*39%*	*4%*	*32%*	*49%*	*16%*	*20%*	

Detailed Results:

1. The company had a good quarter with revenue & PAT growth of 20% YoY.
2. Sachinder Bhinder was elevated to the role of CEO (earlier CEO of Aavas' MSME Business).
3. Disbursements for 9MFY23 stood at 48.7%.
4. Gross stage 3 stood at 1.13%.
5. NIM improved by 12 Bps to 8.23%.
6. ROA for 9M improved by 6 bps to 3.43%.
7. Home loan: other mortgage loans stood at 29.9:70.1.
8. Self-employed: salaried stood at 60.3:39.7.
9. Q3 Cost of borrowings stood at 7.29% while yields stayed at 13.04% leading to a yield degrow of 11 bps to 5.75%.
10. Asset under management grew 23.3% year-on-year.
11. 9M OpEx stood at 3.75% while NIM stood at 8.23%.
12. ALM mismatch was positive(surplus) across all time frames.
13. Avg. tenor of O/S borrowings stood at 127 months.
14. 9M ROE stood at 13.59% while CAR stood at 49.22%.
15. Book value per share stood at Rs.398.4 .

Investor Conference Call Highlights

1. Sushil Agarwal will continue to be the Managing Director of the company, and continue to focus on its overall business strategy for the future.
2. After witnessing a 190 basis point increase in the repo rate in the first half of the year, RBI has further increased the repo rate by 35 basis points during the third quarter. Consequently, the company increased its prime lending rate by 125 basis points during the first 9 months of FY '23 and further increased 35 basis points with effect from January 5, 2023.
3. During the quarter, the company borrowed an incremental amount of INR 13,364 million at 7.15%.
4. Overall borrowing mix as on December 31, 2022, is 42.2% from Long-term loans from banks: 22.3% from assignment and securitization, 22% from National Housing Bank, and 13.5% from debt capital market.
5. Liquidity stood at INR 27,882 million as of December 2022 while Cash and cash equivalent balance of INR 14,682 million & Unavailed cash credit limit of INR 1,100 million, documented unavailed sanction from other banks of INR 12,100 million.
6. The management states that its non-home loan portfolio is around 28%-30%, And two-three years back most of this portfolio was LAP, and 3 years back, they started converting this into MSME. Now, 40% of that non-home loan portfolio is an MSME portfolio.
7. MSME portfolio is different from LAP because of tenure wherein the MSME portfolio is seven years while LAP can be up to 15 years. MSME portfolio can be used by business guys only, LAP can be used for personal use also & lastly, an MSME loan is basically a priority sector loan, so it gets funding accordingly.
8. The management is targeting 70-30 home loans and nonhome loans, most of which would be MSME loans.
9. The management is confident of growing despite competition due to its distribution and reach of up to 2,500 towns in Tier 2-5 regions.
10. Sachinder (the New CEO) has contributed towards building an MSME business in the parent company, coupled with involvement in affordable housing and some of the direct government-led businesses in the company.
11. The company's digital transformation project has a capital outlay of around INR 120 crores to INR 150 crores.
12. The company's new initiative will help to bring turnaround time down by 30%- 40% in the first phase and maybe second phase it can be further better out coupled with better customer experience & productivity enhancement.
13. Conversion of files to the digital version from hardcopy (used by underwriters) will lead to a cost saving of INR10-12 Crs per year.
14. In the LMS space, the company will be adopting Flex cube (which is used by large banks) which will help to scale its branch network.
15. In the ERP systems space, the company will adopt Oracle Fusion which will help in getting better cuts on profitability product-wise, branch-wise, people-wise & different segments-wise. It will also help in bringing IndAS accounting on a fully automated basis.
16. The company is also working on analytics, where it is creating an architecture that can sustain 100x growth on data from the current level with seamless integration and speedy decision-making.
17. The yield on NHL is around 14% and the home loan is around 12%, And they break even from the very first year since the company takes a 2% to 2.5% upfront fee on its loan book.

18. The average ticket size is around 11 lac and INR 1,200 crores disbursement has happened out of which 70% is about INR 8,400 crores i.e. around 9,000 cases are in the home loan category and around 3,000 cases in the non-home loan category.
19. In the current year, the company opened 7 branches and another 23 will be opened in this quarter.
20. The management expects Opex % to decrease from Q3FY24 by a trending 25-30 bps on a YoY basis.
21. The company will open 30-35 branches every year & open branches in 4 new states every 5 years. The company has already opened branches in Karnataka & Orissa & plans to open in 2 new states (currently it has penetrated 13 states) in the next 3-5 years.
22. The management explains its customer split by stating that “Aavas has more customer focus on business customers, the salaried customer is 39%, and 62% is self-employed. In the self-employed category we cater to around 40 profiles from kirana merchants to medical shops to hardware to halwai to cargo, so everything which you will see on the state, but mostly it's D2C business”
23. The company even in its MSME lending space funds against property, where normally 99% of securities are self-occupied residential properties in this segment.

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 Q3. It remains to be seen how the new CEO will lead the biz to new heights & whether the company will be able to sustain its lofty growth momentum and what challenges will it face when expanding into new states like Odisha where housing loan penetration is very low. However, stretched valuations may have factored in most of the positives. Nevertheless, it is a good business to track in the housing finance space, especially given its consistent and steady growth while maintaining good asset quality and underwriting standards.

Bajaj Finance Limited

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.

	Quarterly Performance										
	BAJAJ FINANCE LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**6,513**	**6,656**	**6,851**	**6,742**	**7,731**	**8,537**	**8,627**	**9,281**	**9,970**	**#####**	**38,662**
% Growth YOY					*19%*	*28%*	*26%*	*38%*	*29%*	*26%*	
Expenses	2,785	2,662	2,747	3,035	3,236	3,040	2,698	3,023	3,128	3,304	**12,153**
EBITDA	**3,728**	**3,995**	**4,104**	**3,707**	**4,496**	**5,497**	**5,929**	**6,258**	**6,842**	**7,480**	**26,509**
Depreciation	72	80	90	89	95	97	104	111	121	119	**456**
EBIT	3,657	3,915	4,014	3,618	4,401	5,400	5,824	6,146	6,722	7,361	**26,053**
EBIT Margin	*56%*	*59%*	*59%*	*54%*	*57%*	*63%*	*68%*	*66%*	*67%*	*68%*	
Interest	2,358	2,363	2,196	2,254	2,398	2,535	2,563	2,645	2,971	3,351	**11,530**
Other Income	7	2	4	1	1	2	4	2	2	2	**9**
Profit before tax	**1,305**	**1,555**	**1,823**	**1,366**	**2,004**	**2,868**	**3,265**	**3,503**	**3,752**	**4,012**	**14,532**
PBT Margin	*20%*	*23%*	*27%*	*20%*	*26%*	*34%*	*38%*	*38%*	*38%*	*37%*	
% Growth YOY					*54%*	*84%*	*79%*	*156%*	*87%*	*40%*	
Tax	341	409	476	363	523	743	846	907	972	1,039	**3,763**
Net profit	**965**	**1,146**	**1,347**	**1,002**	**1,481**	**2,125**	**2,420**	**2,596**	**2,781**	**2,973**	**10,769**
% Growth YOY					*53%*	*85%*	*80%*	*159%*	*88%*	*40%*	

Detailed Results:

1. AUM grew 27% to just a tad below 2 lakh 31,000 crore.
2. Opex to NII came in at 34.7
3. B2B disbursements were 16,026 crores on a year-on-year basis, up 6%.
4. Cost of funds went up, was 7.14, it increased by 23 basis points, but the overall NIM remained flat, it didn't dilute.
5. Deposits on the balance sheet grew by 3,562 crores, overall now it's 21% of the balance sheet.
6. Loan loss of 841 crores, 1.5% of average asset.
7. Capital adequacy remained pretty strong, Tier 1 capital was 23.3%.
8. For BHFL the quarter was a little slow.
9. Approvals grew 14% at 14,514 crores. Disbursements were 7,429, just a tad below 8,000 crores in Q3 last year.
10. It was in the quarter a de-growth but overall, AUM is still up 33% on a nine-month basis to 66,000 crore.
11. Cost of funds increased by 49 basis points
12. Profit in BFSL came in at 3 crores.
13. Balance sheet stack is now down to 9%.

Investor Conference Call Highlights

1. Core AUM growth was 12,476 crores, slightly shorter in the mortgage side of the business due to intense pricing pressures.
2. Liquidity buffer was strong at just a tad below 13,000 crores.
3. The management states that the deposit booking was slower than than the previous two quarters.
4. The management states that rate increases in Q3 have been slower than what it was in Q1 and Q2.
5. NII growth was 24% in comparison to 28% in Q3 last year. This decrease is due to deregulation of the earnings through IPO financing last year.
6. The company continues to hold 1,000 crores of management overlay for uncertainties at this point in time.
7. The company took a 41.5% stake in Snapwork Technologies to strengthen our technology roadmap.
8. Liquidity buffer was quite strong, as the company was expecting stronger divestment
9. Loan losses in Bajaj Housing Finance Ltd were down 50% YoY.
10. BHFL also holds a management overlay of 242-odd crores.
11. The management stated that They are clearly the lowest risk business in India in terms of mortgages.
12. The growth NPA in BFHL was 23 basis points and 10 basis points net NPA
13. BFSL added 77,000 customers, 24 locations.
14. BFSL upgraded their app and web platform and added 45 new features. They are planning to add another between 15 and 16 new features in Q4
15. Service requests are growing quarter- on-quarter, 22 to 25% in BFSL
16. Lastly BFSL had a benefit of the IPO financing on account of IPO allocation, they had a 7 crore one-time profit sitting in there.
17. Bajaj Finance Ltd is now adding 7,500 to 8,000 merchant QRs on a daily basis.
18. The company expects to start becoming visible at the point of sale universally in the next fiscal.
19. The company talked about its long strange strategy for the first time which is an annual five-year rolling strategy plan with an execution plan of 12 to 24 months.Strategy is to build an omnipresent financial services company. Wherever the consumer goes, goes to a branch, goes to an app, goes to web, goes to social, goes for reward, and eventually goes virtual, they want to be omnipresent, offering all our products and services.
20. The company forecast is that the total credit will grow from 149 lakh crore to 237 lakh crore and grow by 12.5% CAGR over the next five-year period
21. Bajaj+, which is so-called finance-plus, in Januaryrolled out, launched New Autos.
22. The company has invested the last four years in building out used cars though it has made less money. It is now among the top four, five monthly originators of used cars on the back of that.
23. The company launched its new business in June of 2-Wheeler open architecture
24. MFI, is a business that the company launched in a phased manner in Q4 and tractor in Q1. On the commercial side, emerging corporate business in Q3, B2B on QR and EDC in Q4
25. The seasonality that used to exist at a particular point in time in Q3 and Q1 for us, increasingly has gone away.
26. It would continue to generate disproportionately high customers to whom we excel in cross-selling.
27. Largest part of Bajaj Finance Ltd's Opex lines are salary increases because of new hiring.
28. The company plans on getting into MFI business and tractor financing.

29. The management states that 55% of the B2B loans are now digital.

Analyst's View

Bajaj Finance is a leading non-banking financial company in India with a strong market position and diversified product portfolio.It is forecast that the total credit will grow from 149 lakh crore to 237 lakh crore and grow by 12.5% CAGR over the next five-year period. . Profit per customer would continue to move in tandem and AUM per customer should continue to grow in line with nominal GDP, and return on equity should continue to sustain. The company's focus on digital innovation, customer-centric approach, and risk management practices have been key drivers of its success. However, like any financial institution, Bajaj Finance is also exposed to certain risks such as credit risk, liquidity risk, and market risk. There was a degrowth in Assets Under Management. Any adverse economic or regulatory changes could impact the company's performance.

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Five-Star Business Finance Limited

Financial Results & Highlights

Brief Company Introduction

Five-Star Business Finance Limited is a non-banking financial company headquartered in Chennai, India. The company provides a range of financial products and services to micro, small and medium-sized enterprises and individuals in India. It offers a wide range of financial products and services, including secured and unsecured business loans, working capital loans, machinery loans, trade finance, invoice discounting, and loan against property. The company also provides loans to individuals for personal and home-related expenses. It has a pan-India presence, with a network of 70 branches across 10 states in India, including Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, and Delhi. It has a robust risk management system in place, which includes credit appraisal, monitoring, and recovery processes. The company's asset quality is one of the best in the industry, with a low level of non-performing assets (NPAs).

	Quarterly Performance										
	FIVE-STAR BUSINESS FINANCE LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	-	-	-	302	308	317	326	338	361	387	1,411
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	12%	17%	22%	
Expenses	-	-	-	80	73	86	101	84	104	119	409
EBITDA	-	-	-	222	235	232	225	253	256	267	1,002
Depreciation	-	-	-	3	3	3	4	4	4	5	16
EBIT	-	-	-	220	232	229	221	250	252	262	986
EBIT Margin				73%	75%	72%	68%	74%	70%	68%	
Interest	-	-	-	86	78	72	63	65	61	63	252
Other Income	-	-	-	0	0	1	1	1	1	2	6
Profit before tax	-	-	-	134	155	157	159	186	193	202	740
PBT Margin				44%	50%	49%	49%	55%	53%	52%	
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	39%	25%	29%	
Tax	-	-	-	34	37	39	41	47	49	51	187
Net profit	-	-	-	100	118	118	118	139	144	151	552
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	40%	22%	28%	

Detailed Results:

1. The company has moved from INR 4,767 crores to INR 6,242 crores year on-year, registering a growth of 31%.
2. On Q-on-Q, the company has moved from INR 5,732 crores to INR 6,242 crores with one of the best Q-on-Q growth of 9%.
3. In disbursement the disbursement, the company has moved from INR 426 crores to INR 910 crores comparing year-on-year with 114% growth and comparing with Q-on-Q, from INR 802 crores to INR 910 crores with a healthy disbursement growth of 13%.
4. 90-plus has been flat, compared to last quarter, at 1.16%.
5. NPA stands at 1.45%.
6. The difference between 1.16% of 90-plus and NPA of 1.45% is 0.29% which is INR 18.10 crores of loans, which have been categorized as NPA even though it is less than 90 DPD as per the new circular which got kicked in from 1, October 2022.

7. Incremental cost of borrowing has moved from 8.5% last year to 8.7% this year with the increase of 20 bps even though repo rate has moved from 4% to 6.25% with an increase of 225 bps.
8. Cost of borrowing on the book has come down from 10.50% in last year to 10.35% now
9. The company has moved from INR 118 crores of PAT to INR 151 crores of PAT, registering a 28% growth year-on-year. And from INR 144 crores to INR 151 crores, Q-on-Q, with registering a growth of 5%.
10. On a year-on-year basis, loan base has represented a growth of 24% from about INR 2.15 lakhs.
11. AUM has been at about 31% year-on-year and 9% quarter-on-quarter.
12. NIM is at a very healthy number of about 18.55% for the quarter.
13. Year-to-date, the NIM has improved to 17.91%
14. Cost to income stands at a very healthy number of about 35.56% for the first nine months as compared to 35.62% for the nine months ended December 2021.
15. The restructured book as a proportion of overall AUM stands at 1% at INR 62 crores.
16. Cost to income ratio is at 38%.

Investor Conference Call Highlights

1. The management stated that the disbursement growth has been led by increase in the number of branches.
2. The management informed that they have added close to 89 branches last year and about 17 branches during the quarter. So as of now, the total branches stands at 369 branches for Five Star.
3. The management stated that NPA has been changed which is in line with RBI circular dated 12, November 2021 which got implemented from 1, October, 202.
4. The company has raised more than INR 1,000 crores in a single quarter which is the first of its kind in Five Star. They have raised over INR 1,050 crores of incremental debt at an all-in cost of about 9.1%
5. The management thinks that their growth has been both branch-led as well as customer-led, with a very minimal increase in ticket sizes.
6. The management stated that NIM is at a healthy number due to lower leverage but a large part of it is also being on the back of lower funding costs.
7. The management stated that a healthy cost to income is because of a return of assets of 8.64% year-to-date and a return on equity of 14.66%.
8. The management informed that banks contribute about 56% of their debt and they have diversified their borrowings, across non-convertible debentures, market linked debentures.
9. The management stated that their borrowing cost has actually gone up by about 42 basis points despite the fact that RBI has raised their repo rate by about 225 basis points.
10. The company is clocking a collection efficiency of over 98% in the last six quarters with four quarters showing over 100% in collection efficiency.
11. The company holds about 44.78% provision on the Stage 3 assets and 1.66% provision on overall AUM.
12. The management thinks that the overall provision coverage on the AUM will gradually start normalizing in the coming quarters.
13. The management stated that 30-plus stands at 12.1%.
14. SMA 1, which is one to 30 stands at about a little over 7%, 31 to 60, which is SMA2, stands at 5.42%, 61 to 90 stands at 5.23%, and NPA stands at 1.45%.

15. The management stated that they had a credit cost of about a little over close to 100 basis points, about 94 basis points because that was also the time post first wave, second wave, they were consciously building more provisions that had started normalizing.
16. The management informed that almost 85% of our loans get sanctioned for a seven-year tenure.
17. The company was at INR 3.5 lakh average ticket size which has come down to INR 2.5 lakhs during COVID consciously.
18. The management stated that their bulk of the branches are in states where they already have a very-very significant and a strong presence. So, they are consolidating our positions in the core states of the South.
19. The management explained the division of their clients in three segments. The first segment are people who are single shop owners. Second category is the self-employed individuals and third category is self-employed individuals, not doctors and engineers, but more in the category of plumbers, painters, masons.
20. Five Star has always relied on 100% in-house collections, meaning that they handle all collections internally rather than outsourcing it to third-party agencies. Additionally, the person who originates the business is responsible for collections, which makes them more accountable and responsible.
21. At Five Star, there are three core verticals. The first is sourcing. The second is underwriting and the third is collections. These three define who a lender is and across the three verticals, we will not have anything which is outsourced.
22. The management stated that the net interest margins are inflated to some extent because of lower leverage.
23. The management stated that the thumb rule that they have is that if an officer is doing business and collection on an average, he can handle about 100 accounts. So the moment it crosses the per officer level of 100 accounts, they will start adding more and more officers as per the need in the branch. So they have branches which have more than 12-13 officers at this point of time.
24. Attrition at officer level in a branch is about 28-29% overall, largely in line with the industry.
25. The management stated that they are in talks with SIDBI to get a fresh line. On the international side, they have had monies that they have raised from institutions like Responsibility in the past. The ECB that they are currently carrying on book is given by the Swedish development, sovereign fund, Swedfund.
26. The management stated that what they see as a salary , both fixed and variable for a field officer is about INR 20,000, INR 25,000. So that's like 1 lakh to 1.25 lakh. The branch manager will be getting anywhere around INR 40,000 to INR 50,000. So that's 1.75 lakh. Each of the other people on a broad basis, the credit operations support and cashier, the average salary will be about INR 20,000.
27. The management informed that about 7% of our portfolio comes from non-south, 93% of the portfolio is within the south.
28. The management stated that a bulk of the collateral that they take is a self-occupied residential property and are backed by document.

Analyst's View

Five Star Business Finance offers loans and other financial services to small and medium-sized enterprises (SMEs) in India, which could be a promising area for growth given the country's large and growing SME sector. The underwriting model of the company recognises those customers with the ability and willingness to repay the loans by studying their character, cash-flow and collateral. Considering that the business targets those from low-middle income groups, lack of documentation can severely hinder the company's efficiency. The company aims to continue to build slowly and steadily about 50 to 60 branches per year which would add to the growth. A lot of this market opportunity is also concentrated in states like South India like Tamil Nadu, Andhra, Telangana, Rajasthan, Madhya Pradesh, Maharashtra and all that. So it is a very huge market out there in terms of opportunity for Five Star Business Finance. The company has been constantly developing on the technological front by implementing APIs which enhance data accuracy.

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Manappuram Finance

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,566**	**1,644**	**1,622**	**1,563**	**1,532**	**1,484**	**1,481**	**1,502**	**1,696**	**1,714**	**6,394**
% Growth YOY					*-2%*	*-10%*	*-9%*	*-4%*	*11%*	*15%*	
Expenses	421	394	440	451	526	572	584	568	587	575	**2,315**
EBITDA	**1,145**	**1,249**	**1,182**	**1,112**	**1,006**	**913**	**897**	**934**	**1,109**	**1,139**	**4,079**
Depreciation	42	41	44	43	41	56	58	49	46	53	**206**
EBIT	1,103	1,208	1,138	1,069	965	857	839	885	1,063	1,086	**3,873**
EBIT Margin	*70%*	*74%*	*70%*	*68%*	*63%*	*58%*	*57%*	*59%*	*63%*	*63%*	
Interest	571	557	524	493	492	531	495	505	528	566	**2,094**
Other Income	12	6	8	10	23	22	10	1	18	20	**49**
Profit before tax	**544**	**657**	**622**	**586**	**495**	**348**	**354**	**381**	**553**	**541**	**1,828**
PBT Margin	*35%*	*40%*	*38%*	*38%*	*32%*	*23%*	*24%*	*25%*	*33%*	*32%*	
% Growth YOY					*-9%*	*-47%*	*-43%*	*-35%*	*12%*	*55%*	
Tax	139	174	154	150	125	87	93	99	143	147	**483**
Net profit	**406**	**482**	**468**	**437**	**370**	**261**	**261**	**282**	**408**	**392**	**1,344**
% Growth YOY					*-9%*	*-46%*	*-44%*	*-35%*	*10%*	*50%*	

Detailed Results:

1. The company reported a decent quarter with revenue growing by 15% while PAT grew by 50% YoY.
2. The company's ROE for Q3 decreased to 17.2% whereas its ROA decreased to 4.2%.
3. The gold loan AUM increased by 2.1% YoY while LTV stood at 66%.
4. The company's consolidated AUM was at Rs 319 Bn which increased by 4.9% YoY and 4% QoQ basis.
5. The book value per share at the end of the quarter was Rs 109.6.
6. The company's consolidated cost of funds stood at 8.5%.
7. ROA & ROCE for standalone biz stood at 4.4% & 14.8% for Q3.
8. In the gold loan business, the Opex to AUM stood at 7% for q3FY23.
9. The standalone business has a GNPA of 2% and NNPA of 1% while the net yield stood at 22.5% for q3.
10. The CAR for the standalone business stands at 32%.
11. Gold AUM per branch stood at 51.3Mn.
12. The online gold loan division contributed 47% to the company's overall gold AUM in q3.
13. Asirvad MFI saw a GNPA of 6.7% with NNPA at 1.7% for q3. Opex to AUM for Asirvad was at 7%.
14. Asirvad saw PBT growth of 41% & ROE improving to 20%.
15. The cost of funds at Asirvad was at 10.1% for q3.
16. The company's housing finance business reported an AUM of Rs.1000.48 Cr.
17. The company's vehicle finance business reported an AUM of Rs 2112.1 Cr.
18. ALM is well positioned across all buckets.
19. The Board has declared an interim dividend of 75 paise during the quarter.

Investor Conference Call Highlights

1. The company expects the gold loan portfolio to pick up from Q4.
2. The management expects GNPA in the affordable housing segment to reduce since it is making attempts to sell its real estate assets.
3. The promoter's daughter has been appointed as an Executive Director & will be trained to take over the succession of the company.
4. In SME lending, the company is going towards micro factors where the average ticket size is around 6 lakhs, which is mostly secured by mortgages. So, there it is lending around 150- 60 crores per month.
5. In NBFC lending, it is lending to different sectors of NBFCs where the average yield is around 13.3% while avg. ticket size is 12 crores.
6. The ticket size & its proportion in the gold loan segment stands as follows: up to 1 lakh, 44%.1 to 2 lakh, 23%. 2 to 3 lakh, 10%. 3 to 5 lakh, 8%. And above 5 lakh, 15% as on quarter.
7. The management feels tonnage growth is an insignificant criterion as the average redemption period is around two-and-a-half months & so the borrowing made is much lower than the cashflows of customers since they want to redeem within a short timeframe.
8. In stage three, the LGD stands at 67%, and in stage two it is around 15%- 14.5% & the management is seeing collection efficiency improving Month-on-month basis.
9. The company has completely stopped the teaser rate scheme.
10. The auction for the current quarter stood at INR 353 Crores.
11. The company expects to reach an ROE of 20% in a few quarters.
12. The management states that its current gold loan branches stand at 3,985 & are increasing by around 100 branches quarterly.
13. The consolidated AUM to gold loan stood at 58% & is expected to reduce to 50% in the coming 2 years.
14. The company plans to raise funds in the Asirvad biz in the coming time when the market situation improves through private equity or listing in stock exchanges.
15. The company's target audience is the lower income group who wants to get funds and pay back the same in a shorter time period so that they don't miss their work & this is a major advantage Vs banks.

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 reported a decent quarter owing to a strong turnaround in operations of Asirvad which generated a PAT of 70 Crs in the current quarter. The company is currently struggling due to high competition from banks & poor demand in rural areas in the gold loan segment. 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 which might see a potential IPO in the coming 2 years, Manappuram Finance seems like a pivotal finance stock to watch out for.

Muthoot Finance

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**2,583**	**2,765**	**2,824**	**2,714**	**2,830**	**2,868**	**2,670**	**2,504**	**2,498**	**2,660**	**10,331**
% Growth YOY					*10%*	*4%*	*-5%*	*-8%*	*-12%*	*-7%*	
Expenses	449	485	512	421	501	527	450	473	426	531	**1,880**
EBITDA	**2,134**	**2,279**	**2,312**	**2,293**	**2,329**	**2,341**	**2,220**	**2,031**	**2,072**	**2,128**	**8,451**
Depreciation	11	14	15	11	13	14	16	13	14	15	**57**
EBIT	2,123	2,265	2,297	2,281	2,316	2,327	2,204	2,018	2,058	2,114	**8,394**
EBIT Margin	*82%*	*82%*	*81%*	*84%*	*82%*	*81%*	*83%*	*81%*	*82%*	*79%*	
Interest	924	946	951	982	979	953	921	942	903	914	**3,679**
Other Income	1	12	4	1	3	4	8	5	6	7	**27**
Profit before tax	**1,200**	**1,331**	**1,350**	**1,300**	**1,340**	**1,378**	**1,292**	**1,082**	**1,161**	**1,207**	**4,742**
PBT Margin	*46%*	*48%*	*48%*	*48%*	*47%*	*48%*	*48%*	*43%*	*46%*	*45%*	
% Growth YOY					*12%*	*3%*	*-4%*	*-17%*	*-13%*	*-12%*	
Tax	306	340	354	329	346	349	332	280	294	305	**1,211**
Net profit	**894**	**991**	**996**	**971**	**994**	**1,029**	**960**	**802**	**867**	**902**	**3,531**
% Growth YOY					*11%*	*4%*	*-4%*	*-17%*	*-13%*	*-12%*	

Detailed Results:

1. The company saw a mediocre quarter with consolidated revenue for Q3 de-growing 7% YoY and Profits de-grew 12% YoY.
2. The consolidated gross loan assets for the company grew 7% YoY.
3. The total number of branches stood at 5810.
4. The GLA growth for the company's different businesses was:
   a. Muthoot Finance: Up 6% YoY
   b. Muthoot Homefin: Down 11% YoY
   c. Belstar Microfinance: Up 39% YoY
   d. Muthoot Money: Up 24% YoY
   e. Asia Asset Finance: Down 19% YoY

1. Cash and cash equivalents for the company at the consolidated level were at Rs 6119.1 Cr as of December 22.
2. The consolidated interest income degrew 7% YoY on a 9M basis.

3. The company has total funding of Rs 44304.6 Cr through various means like debt, NCDs, etc.
4. The company has around 175 tonnes of gold kept as security.
5. The gold loan portfolio distribution is North @ 17%, South @ 59%, East @ 7%, and West @ 17%.
6. The company has 5.23 million active customers.
7. The company saw a net interest margin of 11.86% & an interest spread of 11.99% in Q3FY23.
8. ROA was at 6.27% in Q3FY23.
9. Opex to AUM was at 3.7%. ROE was at 18.32%.
10. Muthoot maintained a CAR of 33.29% with 32.41% being Tier I.
11. The book value per share was Rs.501.59.
12. Muthoot Homefin saw NIM of 7.61%.

Investor Conference Call Highlights

1. The company will complete the opening of its 150th new branch by March.
2. The company raised 422 Crores through the 28th and 29th public issues of the secured redeemable non-convertible debentures and also launched a marketing campaign showcasing the message 'Put Your Goal To Work'.
3. The company will not be affected by its inclusion in Upper layer NBFC except for the disclosure increase.
4. The management is seeing competitive intensity reducing & believes double-digit growth to return post 3-4 quarters.
5. The company is targeting the gold loan biz to grow by 10% in FY24 & has a long-term target of increasing the share of the Non-gold portion from 13% to 20%.
6. The company hired new CEO for Homefin biz which will help grow the book coupled with its experience (especially in the COvid cycle) in the Personal loans segment will also help boost the numbers of Personal & MSME loans.
7. The company's edge over its new competitors lies in its experience in dealing with frauds- A) the company has its own appraisers for gold Vs banks that use third parties, B) the company started the loan at home to help its customers to get their gold to Muthoot & the company sends its own staff Vs banks who use third parties, c) a team of 1000 audit staff who goes around 5000 branches and ensures that the quality, quantity, purity, etc., are met coupled with a 13 layer security systems in its branches to prevent all sorts of robbery, burglary, etc.
8. The ticket size distribution stood as: Less than 1 lakh will be about 41%, between 1 lakh and 3 lakh it will be 35% and above 3 lakh it will be 24%.
9. The LTV dropped from 69% to 65% owing to increase in gold prices.
10. The teaser rate loans have completely migrated from the books.
11. The auction number during the quarter stood at Rs.225 Crs.
12. The microfinance biz saw PAT decrease owing to writing off legacy notes.
13. The company doesn't plan to demerge any of its entities in the future.
14. The incremental cost of Borrowings is 8.3-8.5%.
15. The management explains online gold loans involve only the remittance of money in the online form, otherwise, all the inspection, collection of gold, etc takes place through physical branches.

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 7% YoY and profit de-growth of 12% YoY. The management is expecting good growth in the coming quarters due to the further opening of the economy as well as the maturity of new branches & reduction in competitive intensity. It remains to be seen how the company would mitigate the risk of further competition, the rising interest rate environment, and the slow demand environment. 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.

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Shriram Transport Finance

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.

	Quarterly Performance										
	SHRIRAM FINANCE LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**4,348**	**4,438**	**4,494**	**4,648**	**4,698**	**4,828**	**5,082**	**5,145**	**7,583**	**7,808**	**25,617**
% Growth YOY					*8%*	*9%*	*13%*	*11%*	*61%*	*62%*	
Expenses	1,136	1,181	1,240	1,886	1,194	1,477	1,299	1,350	2,108	2,098	**6,854**
EBITDA	**3,212**	**3,257**	**3,254**	**2,762**	**3,504**	**3,351**	**3,783**	**3,795**	**5,475**	**5,710**	**18,763**
Depreciation	32	37	32	33	33	35	35	35	57	61	**187**
EBIT	3,180	3,221	3,222	2,729	3,471	3,316	3,748	3,760	5,418	5,649	**18,576**
EBIT Margin	*73%*	*73%*	*72%*	*59%*	*74%*	*69%*	*74%*	*73%*	*71%*	*72%*	
Interest	2,263	2,236	2,288	2,498	2,435	2,397	2,404	2,458	3,305	3,235	**11,401**
Other Income	4	5	4	4	5	4	6	4	11	1	**22**
Profit before tax	**920**	**989**	**938**	**235**	**1,041**	**923**	**1,351**	**1,307**	**2,124**	**2,415**	**7,197**
PBT Margin	*21%*	*22%*	*21%*	*5%*	*22%*	*19%*	*27%*	*25%*	*28%*	*31%*	
% Growth YOY					*13%*	*-7%*	*44%*	*457%*	*104%*	*162%*	
Tax	236	261	183	65	269	243	264	342	548	615	**1,770**
Net profit	**689**	**734**	**757**	**170**	**774**	**686**	**1,091**	**967**	**1,576**	**1,799**	**5,433**
% Growth YOY					*12%*	*-7%*	*44%*	*469%*	*104%*	*162%*	

Detailed Results:

1. On the operational metrics, there is a disbursement growth of Rs. 29,245.26 crores as against Rs. 22,931.70 crores in the same period of the previous year and as against Rs. 25,789.32 crores in Q2 financial year '23.
2. Assets under Management stands at Rs. 1,77,498.17 crores as compared to Rs. 1,56,848.63 crores in the previous year, an increase by 13.17% as compared to Rs. 1,59,358.20 crores in quarter 2 FY '23.
3. Net interest income stands at Rs. 4,427.88 crores as against Rs. 2,387.97 crores in the same period of previous year and as against 4,104.86 crores in Q2 FY '23.
4. Net interest margin was 8.52% as against 6.65% in the same period of previous year and 8.26% in Q2 FY '23.
5. Profit after tax stands at 1,776.97 crores in quarter 3 FY '23, compared to 680.62 crores in quarter 3 FY '22 and as against 1,555.11 crores in Q2 FY '23.
6. Earnings per share stood at 47.46 Rs. as against Rs. 25.26 in the quarter Q3 FY '22 and Rs. 41.53 in Q2 FY '23.
7. The credit cost for the current quarter stood at 1.75% as against 1.73% for Q2 FY '23.
8. The cost to-income ratio was 22.29% in this quarter as against 24.5% recorded in Q2 FY '23.

9. For the subsidiary, Shriram Housing Finance Limited, they registered a disbursement growth of 30.33% to Rs. 1,001 crores as against 768 crores in the same period last year and as against 1,049 crores in Q2 FY '23.
10. Shriram Housing's assets under management grew by 55.84% to 7,178.16 crores as compared to Rs. 4,606.15 crores the previous year and by 9.66% as compared to 6,545.92 crores in Q2 FY '23.
11. Profit after tax for Shriram Housing increased by 27.19% to Rs. 36.38 crores in Q3 FY '23 compared to 28.60 crores in Q3 FY '22 and as against Rs. 34.03 crores in Q2 FY '23.
12. Their earnings per share stood at Rs. 1.12 as against Rs. 0.88 in the quarter Q3 FY '22.
13. The overall liquidity is Rs. 17,400-odd crores.
14. The leverage ratio is down from 3.9 to 3.63 in the current quarter.

Investor Conference Call Highlights

1. The management stated that Shriram Finance Limited has completed its merger process and is now a combined entity.
2. The management stated that out of 2,900 branches, in 85% of the branches, they have at least run one additional product.
3. The management explained the breakup of liabilities. Total liabilities as of December stood at Rs. 1,53,228 crores, broken up into 27% through the term loan, bank loans route, around 23% from FD, retail FD, 24% is through the domestic bond market, capital market. Securitization is close to 13% and external commercial borrowing, including the bond and loan is at around 12%.
4. The management stated that Inflation numbers have come down, which should help in moderating liability costs.
5. The management informs that the auto industry showing buoyancy in demand, with Commercial Vehicle sales up by 16.6% and three-wheeler sales up by 67%
6. The management states that the GNPLs are different due to the acquisition of Shriram City Union Finance's loan outstanding
7. The management does not expect the cost of borrowing to increase next quarter.
8. The management expects an increase in securitization volumes and in their bond offerings.
9. The management stated that the expense related to merger is around INR 19 crores, and it will be deferred over a period of five years.
10. The management stated that the current nine months profit minus dividend that they already paid, there will be a difference of around INR 2,800 crores which is on account of the goodwill and intangibles that they have created, which is kept as an asset. 1,300 is the goodwill and 1,500 is the intangibles.
11. The management informs that RoA is 3% on a long-term basis, and RoE would be anywhere between 16% to 18%.
12. The company is trying to reach out for SME business in the geographies which they have not been servicing till now like Southern and Western part. But there may not be a significant shift in overall ratios.
13. The management stated that the HR integration cost was about Rs. 60 crores, Rs. 70 crores, branding and advertisement cost of about Rs. 70 crores.
14. The management stated that there should be 25 to 30 basis point benefit, which will come out of repricing of Shriram City Union liabilities.

15. The management stated their objective that the insurance cross-sell is done to help the customers to get better claims and quicker claims. The earnings out of it, the commission occurring out of the insurance, whatever is statutorily available or can be given, that they are getting from the insurance companies, both life and the general business.
16. The management informed that on the COVID provisioning, they had created a provision of Rs. 2,850 crores in Shriram Transport books.

Analyst's View

Shriram Finance is a leading NBFC in India, offering a diverse range of financial products and services to a broad customer base. With its vast network and strong credit ratings, the company has established itself as a trusted financial partner for individuals and SMEs across the country. SFCL's focus on rural and semi-urban areas gives it a competitive advantage over other NBFCs in India. Moreover, the company's credit ratings, which are consistently among the highest in the industry, have given investors confidence in its financial stability. However, like other NBFCs in India, SFCL faces risks related to asset quality, liquidity, and funding. Given its strong market positioning & competitive advantages, it remains an interesting stock to keep track off.

Piramal Enterprises Ltd

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.

	Quarterly Performance										
	PIRAMAL ENTERPRISES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**3,302**	**3,169**	**3,402**	**2,909**	**1,574**	**3,816**	**4,163**	**2,097**	**1,894**	**3,232**	**11,385**
% Growth YOY					*-52%*	*20%*	*22%*	*-28%*	*20%*	*-15%*	
Expenses	1,302	1,278	1,624	1,359	130	1,646	2,987	515	3,783	2,238	**9,523**
EBITDA	**2,000**	**1,891**	**1,778**	**1,550**	**1,444**	**2,170**	**1,176**	**1,582**	**-1,889**	**994**	**1,862**
Depreciation	139	142	145	149	14	173	190	25	27	30	**273**
EBIT	1,861	1,749	1,633	1,401	1,430	1,997	986	1,557	-1,917	963	**1,590**
EBIT Margin	*56%*	*55%*	*48%*	*48%*	*91%*	*52%*	*24%*	*74%*	*-101%*	*30%*	
Interest	1,156	1,012	936	985	911	1,294	1,237	1,044	1,000	959	**4,241**
Other Income	127	263	270	253	6	434	426	7,787	687	110	**9,010**
Profit before tax	**832**	**1,001**	**966**	**669**	**525**	**1,137**	**174**	**8,301**	**-2,230**	**113**	**6,359**
PBT Margin	*25%*	*32%*	*28%*	*23%*	*33%*	*30%*	*4%*	*396%*	*-118%*	*4%*	
% Growth YOY					*-37%*	*14%*	*-82%*	*1141%*	*-525%*	*-90%*	
Tax	204	201	1,477	135	98	249	24	145	-694	-3,432	**-3,956**
Net profit	**628**	**780**	**-571**	**539**	**419**	**855**	**109**	**8,155**	**-1,536**	**3,545**	**10,274**
% Growth YOY					*-33%*	*10%*	*-119%*	*1412%*	*-467%*	*315%*	

Detailed Results:

1. Retail AUM grew 29% year-on-year to Rs. 27,896 crores
2. Wholesale 1.0 AUM reduced 20% year-on-year to Rs. 35,101 crores.
3. Net profit of Rs. 3,545 crores during the quarter as compared with the net profit of Rs. 888 crores in the same quarter of last year
4. Net debt to equity stands at 1.3x with consolidated capital adequacy ratio of 31%.
5. Disbursements grew by 593% on a year-on-year basis and 29% on a quarter-on-quarter basis to Rs. 5,111 crores
6. Average cost of borrowings improved to 8.4% for the quarter as against 9.1% in Q3 FY22 and 8.8% in the Q2 FY23, despite a rising interest rate environment.
7. Cash and cash equivalent is Rs. 6,032 crores at the end of this quarter
8. 3% annualized OPEX to assets.

Investor Conference Call Highlights

1. The company created a one-time additional provisioning buffer of Rs. 1,073 crores on Stage-1 and Stage-2 assets of the Wholesale 1.0 AUM. With this provision, they have adequately provided toward Wholesale 1.0 AUM, and are in the process of reducing their Wholesale 1.0 AUM in line with their strategy through a combination of various means such as accelerated repayments, settlements, etc.
2. The company continued to deliver on its strategic priority of achieving an AUM mix of two-thirds of retail and one-third of wholesale.
3. Retail AUM now accounts for 43% of the overall AUM as compared with 33% in the Q3 FY22.
4. The company is close to achieving its near-term target of having 50% retail composition of total AUM.
5. The key transactions leading to the gains were: 1) Rs. 3,328 crores on account of reversal of an income tax provision, 2) Rs. 1,106 crores on account of restructuring our Shriram Capital Group and bond buyback.
6. The company is in the process of reducing its Wholesale 1.0 AUM in line with its strategy through a combination of various means such as accelerated repayments, settlements, etc.
7. The company has added 74 new disbursement active branches.
8. The company's target is to serve 1,000 locations through 500 to 600 branches over the next 5 years
9. The management states that Nearly 67% of their branches are now selling products beyond just the home loans.
10. The management states that the housing and secured MSME loan disbursements grew 387% in the last 12 months and disbursements under the unsecured loan category grew by 46% from the previous quarter and stood at Rs. 2,215 crores during the quarter.
11. The company launched 2 new products – Budget Housing in the housing loan category and LAP Plus in the MSME loan category. As there is focus on the Bharat market, they also launched a maiden brand campaign to build the brand – Piramal Finance – in their target segment.
12. Digital-embedded finance disbursements grew to Rs. 1,238 crores, contributing to 6% of the AUM in retail.
13. The company has received cross-sell disbursements of Rs. 1,862 crores in the last 1 year.
14. The company has launched a new innovation hub in Bengaluru to accelerate the development of next-generation lending solutions and analytics.
15. The management states that because they changed their stance towards the asset resolution last quarter and sort of consistently executed their resolution strategy, they have seen a significant reduction in the wholesale book.
16. The management states that within the new real estate lending business, they have deals worth Rs. 697 crores outstanding as of December 2022. Within the corporate mid-market lending business, they have already built a book of Rs. 1,174 crores diversified across industries.
17. The management states that because of the additional buffer that they are taking in Stage-1 and Stage2 assets as well as overall provisioning, our coverage ratio is going up quite significantly across these stages.
18. The management states that since it is not a business that is about AUM building this business will always be single-digit percentages of AUM.
19. The management states its aim to exit the Shriram Group.
20. The interest reversal of the company was Rs. 58 crores during the quarter.
21. From 2 years the investors have been experiencing a downhill in returns

22. The management states that on the home loan side, on the retail business, over the last 4 to 5 quarters the company has raised interest rates of about 50 basis points on the portfolio and 30 basis points in terms of new originations.
23. the management states that their Stage-2 and Stage-3 assets are today lower than what they were in the previous quarter
24. the company stated that there is one specific non-real estate sector asset that had moved during the quarter to Stage-3, which had been credit impaired and which has been provided for significantly to the extent of 75-odd percent, which has caused the change in the numbers, as you see, between Stage-2 and Stage-3.
25. The management states that About 50% of this business is at roughly Rs. 1 lakh ticket size and greater than 1-year duration. The rest of the business is short-duration small-ticket business.
26. The management states that the only increase would be in the form of one resolution that they have done and that too related to some security-related increase.
27. The company thinks that the best way to resolve an asset is to actually sell it, and they might get the right opportunity to do that
28. The management states that OPEX is very limited to their internal staff, etc. Apart from that, the rest of it is all acquisition costs that we share with the partner. also the company gives the partner a revenue share in the form of origination fee or a skim on the interest based on risk performance of the tranche, etc

Analyst's View

Piramal Enterprises Ltd is one of India's largest diversified companies.Digital loan offerings have powered the company to significantly expand their customer franchise to ~2.6 million with an active customer base of over 1 million, providing the company with substantial cross-sell opportunities. The business, in the go-to state will likely have run rate credit costs in the 1% to 2% range. Credit cost metrics might look more suppressed because of the heavy level of provisioning that's there right now and the fact that the wholesale book is degrowing.. The way the economics of this business work is that on a net-net basis, that makes an ROA of upwards of 4% on this business and so it's a small part of the AUM pie but it makes a very strong ROAs and also gives the company a massive customer base. The company has Increased the provisions combined for the stage categories to Rs. 4,600-odd crores from Rs. 4,400-odd crores, which the management believes it adequate for the underlying assets for the time being. There is no expectation for any further provisions or losses to come beyond what they already have provided for, for this category of asset

As the company continues to make investments in the retail business, and continue to expand its branches and staff size, etc., which should continue for another year or so, the OPEX to assets is expected to go up a little. The company continues to get recoveries from old DHFL NPAs.

New Age Companies
CarTrade Tech

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 Company provides research services to customers looking for new and used cars / two wheelers and connects them with dealers, OEMs and other partners to sell and buy cars. In addition, it engages with financing and automotive ancillary companies to offer their products and services. It Facilitates sales of pre-owned vehicles of retail customers, banks and other financial institutions, insurance companies, OEMs, leasing companies, and fleet and individual operators by organising online offline auctions and offering remarketing services.

	Quarterly Performance										
	CARTRADE TECH LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**57**	**77**	**82**	**53**	**78**	**89**	**93**	**83**	**88**	**97**	**361**
% Growth YOY					*35%*	*15%*	*13%*	*55%*	*13%*	*9%*	
Expenses	47	53	66	101	111	117	119	80	80	87	**366**
EBITDA	**10**	**24**	**16**	**-48**	**-33**	**-28**	**-26**	**2**	**8**	**11**	**-5**
Depreciation	1	5	5	1	7	6	6	7	7	7	**28**
EBIT	9	19	11	-49	-40	-34	-32	-4	1	3	**-32**
EBIT Margin	*16%*	*24%*	*13%*	*-92%*	*-51%*	*-39%*	*-35%*	*-5%*	*1%*	*3%*	
Interest	5	1	1	5	2	2	2	2	2	2	**7**
Other Income	6	9	10	10	11	14	13	10	15	19	**56**
Profit before tax	**10**	**27**	**19**	**-45**	**-31**	**-22**	**-21**	**4**	**14**	**20**	**16**
PBT Margin	*18%*	*35%*	*24%*	*-84%*	*-39%*	*-25%*	*-23%*	*5%*	*16%*	*21%*	
% Growth YOY					*-393%*	*-184%*	*-210%*	*-108%*	*-145%*	*-190%*	
Tax	-0	3	3	1	5	-4	-0	0	8	6	**15**
Net profit	**7**	**18**	**13**	**-45**	**-38**	**-23**	**-26**	**3**	**3**	**13**	**-7**
% Growth YOY					*-634%*	*-229%*	*-294%*	*-106%*	*-109%*	*-156%*	

Detailed Results:

1. The company, in a 9-month period, had a revenue growth of 23%, adjusted EBITDA growth of 30% and adjusted PAT by 43%.
2. It also achieved the highest ever revenue close to 116 crores for the quarter and 9 months close to 311 crores.
3. It also achieved the highest ever adjusted EBITDA in a quarter which is 36.6 crores which is almost by about 85.1 now over the 9-month period.
4. PAT is 14 crores for the quarter by adjusted PAT, adjusted for ESOP, and deferred tax which is deferred tax for ESOP is for 9 months approximately 52 crores.
5. The company is debt free and continues to have strong cash balances approximately over 1,000 crores.
6. Dealer shares of this business has been going up over the last year now about approximately 38% of consumer business comes from dealers and 62% in the last quarter came from OEMs
7. The number of vehicles auctioned are almost more than approximately 1.1 million annualized, traffic is 35 million unique visitors per month for the last quarter, organic continuous which is unpaid or traffic the company does not pay for is 87.6 which is again healthy in the last quarter.

Investor Conference Call Highlights

1. The company states that the fundamentals of the business remain the same where increase in revenue does not have proportional increase in cost just as the nature of the business.
2. Management explains its revenue model - On the consumer business it monetizes car manufacturers and dealers who have step products for sale for new cars and used cars for sale to consumers and they monetize both of them for advertising a lead revenue, the transaction revenues are insignificant here. On the auction side of the business where there are sellers and buyers auctioning vehicles it is all transaction revenue.
3. The company thinks that the growth rates would be much lower than this 25%, 28% in the car industry next year.
4. Management thinks that the supply will be higher than demand and that will become a little more favourable for the business because then dealers and car manufactures can spend heavily on advertising.
5. The management believes that the dealer growth rate may continue to possibly outgrow the manufacturer growth rate.
6. There was a decrease in unique visitors quarter on quarter because of the seasonal phenomena as October and September are heavy buying seasons in India
7. The management states that Absure, which is one part of their used car business, is an insignificant part of the business as it is an early stage business. This business is volatile as well because there are other businesses which are more stable.
8. The management is planning to grow its business by focusing on other vertices by becoming more and more widespread out from supply sources now rather than some part coming from the repossessed.
9. there was a degrowth of 9% in the remarketing business because of their valuation business which is a low margin business because of increase in variable cost such as cost of inspection. the company claims that this increase in variable cost would not be there in the next quarter
10. The company hardly spends 13-14% of manufacturer's , dealer's money on digital advertising.
11. Dealer business is growing at a faster rate than OEM business because more and more dealers are coming on the platform both for new cars and used cars.
12. the company states that they make better margins on retail just because the supply is more fragmented
13. The ESOP cost is roughly 27 crores a year and that is impacted in quarterly accounts and will probably be the same next year.
14. The management thinks that the product launches are highly positive for their business whether it is EV or ICE vehicle.
15. The management states that the revenue of the company is not dependent on the number of consumers coming to the platform. It is highly dependent on the amount of money manufactures and car manufacturers or vehicle manufacturers and dealers spend on digital advertising .

Analyst's View

The company offers a variety of solutions across automotive transactions for buying, selling, marketing, financing, and other activities.Cartrade tech is the only profitable digital automotive platform company among their key peers. The company generates the majority of its revenue from Commission charges (61% of the revenue), followed by Website service fees (36%), and the remaining ~3% from the sale of used cars. The company had an increase in net profit in this quarter by 33.33%. The company faced degrowth of revenue and increase in expense. The company will expand its OEM business because of digital integration. The co. generates a major part of its income through remarketing platforms in which they have faced difficulties repossessions volumes coming down. Since the supply will be more than demand it would be favourable for the company for expansion.

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Delhivery Limited

Financial Results & Highlights

Brief Company Introduction

Delhivery is a leading logistics and supply chain services company in India that provides a range of services including last-mile delivery, warehousing, express logistics, freight forwarding, reverse logistics, and cross-border services. It was founded in 2011 by Sahil Barua, Mohit Tandon, Bhavesh Manglani, Suraj Saharan, and Kapil Bharati.

Delhivery has a wide network of more than 100,000 delivery partners who use their own vehicles to deliver packages to customers' doorsteps. The company's technology platform optimizes the delivery routes, minimizes delivery times, and ensures high levels of customer satisfaction. Delhivery's warehousing services include fulfillment centers, distribution centers, and cross-docking facilities.

Quarterly Performance											
DELHIVERY LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	-	-	951	1,267	1,344	1,622	1,678	1,599	1,653	1,683	6,614
% Growth YOY					#DIV/0!	#DIV/0!	76%	26%	23%	4%	
Expenses	-	-	944	1,322	1,851	1,584	1,613	1,798	1,791	1,752	6,953
EBITDA	-	-	7	-55	-507	39	65	-198	-138	-68	-340
Depreciation	-	-	100	82	98	132	167	143	162	170	642
EBIT	-	-	-93	-137	-605	-94	-102	-342	-300	-238	-982
EBIT Margin			-10%	-11%	-45%	-6%	-6%	-21%	-18%	-14%	
Interest	-	-	25	23	24	24	23	23	23	21	91
Other Income	-	-	32	50	36	35	47	57	102	93	300
Profit before tax	-	-	-85	-110	-593	-83	-78	-308	-221	-166	-772
PBT Margin			-9%	-9%	-44%	-5%	-5%	-19%	-13%	-10%	
% Growth YOY					#DIV/0!	#DIV/0!	-9%	180%	-63%	100%	
Tax	-	-	-	-	-	-	-	-	-	-	-
Net profit	-	-	-85	-110	-593	-83	-78	-308	-221	-166	-772
% Growth YOY					#DIV/0!	#DIV/0!	-9%	180%	-63%	100%	

Detailed Results:

1. The company delivered about 1,822 crores of revenue in Q3FY23, which was growth 1.5% vs of quarter 2 when of about 1,780 crores of revenue.
2. Sequentially from the last year, revenue is lower by about 170 crores, driven largely by the PTL business.
3. Incremental gross margins were 50%.
4. EBITDA margins improved from minus 7% in quarter 2 to minus 3.7% in quarter 3.
5. The company delivered about 170 million shipments, which is about 5.6% growth quarter-on-quarter in their e-commerce express delivery business.
6. 26,000 customers continue to depend on Delhivery for multiple services, with over 58% of the company's revenue coming from customers who use two or more of our services across business lines.
7. The company continued to cover the entire country with 18,510 pin codes under direct coverage of Delhivery.
8. The company has about 26,845 active customers who continue to buy services from them across business lines.

9. The company has 17.9 million square feet of real estate in Q3FY23 as per plan, with 92 gateways; 22 automated sort centers; 172 processing centers; 2,750 express delivery centers; and 150 freight service centers.
10. The team size continues to remain about 52,800 people across the country.
11. Short shipments have dropped from 0.2% when the integration began to nearly 0.05% as of January.
12. On express parcel, between quarter 2 financial '23 and quarter 3, the company has seen growth quarter-on-quarter of about 7%.
13. On the PTL side, revenues have declined from quarter 3 of last year and from quarter 2 of this year. The company closed quarter 3 at 277 crores of revenue versus 293 crores in the previous quarter.
14. Freight tonnage has been at 258,000 tons for quarter 3 versus 286,000 tons for quarter 2.
15. The truckload business has grown to 102 crores of revenue in Q3FY23 versus 103 crores in Q2FY23. The business has grown 33% over the last year.
16. The supply chain services business has grown to 178 crores in Q3FY23, more or less flat versus quarter 2; but 33% again higher than the same period last year.
17. The cross border services businesses declined year-on-year and sequentially from 96 crores of revenue to 66 crores of revenue.
18. Service EBITDA has grown from 86 crores to 139 crores. So service EBITDA margins have improved from 4.8% in Q2FY23 to 7.6% in Q3FY23.
19. Corporate overheads have dropped from 12% to 11.3% as of quarter 3.
20. The incremental gross profit that we've seen in transportation is 58 crores.
21. The total freight, handling and servicing cost as a percentage of revenue has declined by nearly 6%, from 83.2% in quarter 1 to 77.4% in quarter 3.
22. Line haul, which is the company's trucking expense, has reduced from 37% in quarter one, to 33.4% in quarter 3.
23. Manpower expenses have dropped from 13.8% to 11.7%.
24. There are three categories of expenses that are added back. The first is, 5 crores of finance cost on borrowings. The second is lease adjustments due to AS 116, where the company expends the leases versus capitalizing them, which has a net impact of 5 crores. And an add-back of non-cash recurring costs, which include depreciation and amortization, which stood at 157 crores for quarter 3; and ESOP expenses which have declined from 95 crores in quarter 3 last year, to 67 crores this year.
25. The cash PAT has now improved to positive 1.8% as of Q3FY23.
26. The adjusted cash PAT was 34 crores for this quarter.
27. There is a cost schedule as well that has been given where the expected cost of time-based stock options that have been granted will cost about 143 crores in FY24.

Investor Conference Call Highlights

1. The management stated their objectives for this quarter. The first was to continue on the operational and financial integration of SpotOn, which was a PTL network that they acquired last year. And the second was to maintain and grow market share in their two critical transportation verticals and set te=hem up well for quarter 4 and beyond.
2. The company was able to achieve both the objectives stated above

3. The management stated that the operating leverage in the business has remained intact, while service standards have improved.
4. The company delivered 258,000 tons of truckload freight in Q3FY23.
5. The company operates about 18 million square feet of logistics infrastructure.
6. The management stated that through their partnerships with FedEx, Aramex and other global players, they continue to allow Indian customers of theirs to access the rest of the world.
7. The management stated that the network footprint optimization has continued in quarter 3.
8. The management expects to continue to drive capacity utilization across their operations, especially in the mid-mile operation.
9. The management stated that tonnage continues to remain below the numbers that they were at in Q4FY22.
10. The company's network service levels, as experienced by customers, continue to be in the 95% range.
11. The management stated that they continue to add new clients that are key verticals that they operate in, which are auto and auto spare parts; healthcare; home furnishing; beauty and personal care; and consumer electronics.
12. The auto, industrial and consumer segments have stayed somewhat flat sequentially, owing to seasonality in the underlying business, but have grown 33% from the same time last year.
13. The management informed that they completed the acquisition of Algorhythm Technologies in January 2023. Algorhythm has a suite of supply chain software products, which will enhance their SCS offering with inventory management and transport optimization solutions.
14. The management told the revenue breakup. Express continues to be their major business, form 66% of revenues; PTL is today 15% of revenues; and their newer businesses, which include their supply chain services, truckload services and cross border form the remainder, which is about 20%.
15. The management stated that there has been an increase in network speed, an increase in service precision, and an improvement in service quality, as evidenced by the reduction in network shortages.
16. The management believes that the reason for the increase in truckload business is seasonality.
17. The management states that the reason for decline in cross border services business is driven by a compression of yields in both the air freight and the ocean freight markets globally. Another reason is that volumes in the ocean freight business have grown significantly over this financial year. And there has been a shift away from air freight volumes toward ocean freight volumes in the same period.
18. The management states that the key driver of adjusted EBITDA continues to be massive incremental gross margins in the transportation business.
19. The management stated that there was a little atypical between quarter 2 and quarter 3, because the sale impact came in because of which the 6% Q-o-Q shipment growth in 3Q even adjusted for Shopee, appears to be slower than historical trend.
20. The management expects that the ecommerce volumes should grow in sort of the 15% to 20% range. They also think that if some of the inflationary pressures ease, and depending on how individual players react, there can be growth rates which are higher than that as well.
21. The management explained that as the PTL volumes continue to grow, their overall unit economics will get significantly better. And the fundamental reason is because their mid-mile utilizations of the hubs and the trucks will improve drastically as volumes go up.
22. The management informed that they do a significant portion of their business from large enterprises, where rates are not 14 to 20 rupees per kilo.

23. The management explained the unit economics of the PTL business. There are fundamentally two large costs. The first is pickup and delivery costs, which typically will range for most players between about 15% to 20% of yield; and there is line haul, which is the trucking cost, which will typically be anywhere from 35% to 40% depending on the specifics of the load that they carry. Outside of which, there are the costs of handling the load, which is the manpower costs, which will again typically be in the range of about 5% to 7% for most players.
24. The management states its views that this creates a gross margin opportunity between 25 and 30% in the PTL business. And then depending on the underlying infrastructure strategy, could yield EBITDA margins in the range of anywhere from 14% at the lower end to 20% at the upper end.
25. The management stated that one of the major reasons for the lower service EBITDA margins is, they do a larger proportion of their trucking now on 46-foot container trucks compared to the same time last year when it was much, much smaller.
26. The management expects that the incremental margins will remain high, because the trucks will essentially be able to absorb the excess load that's coming in.
27. The management continues to see 50% incremental margins across the network.
28. The management predicts that they are probably at least a quarter or two away before incremental margins start normalizing because they have, this year, expanded their overall fleet of tractor-trailers; and they continue to run their mega facilities in Tauru, Bhiwandi and Bangalore and have expanded some capacity.
29. The management stated that their competitors do not have a current or a future ability to meet their cost structure. The competitor's inability to meet their cost structure is not driven by a lack of volume. It is driven by an underlying structure of the network, and so Delhivery's costs are not achievable. In that situation, we really don't have any need to price any lower than we are at this point in time.
30. The management stated that on PTL volumes, the start of October was muted for the quarter because there was unseasonal rain in Gurgaon. And as a precautionary measure at their Tauru facility, they had taken down the total amount of load that was being transacted both with Tauru as an origin, as well as with Tauru as a cross-docking or destination location.
31. The management stated that in a logistics business, service quality and cost per shipment are the top process level KPIs/priorities.
32. The management stated that in e-commerce, the shipment volume and count may be high, but the tonnage is very low. So the movement to the larger facilities and the larger truck sizes is really driven by the freight business.
33. The company is evaluating other possible revenue streams for the IP that they have created. And they will look at other markets to see whether this IP can be monetized.
34. The management informed that in quarter 3, there is a 12 crore write-off that they have taken. It's a conservative provision that they have made in quarter 3 for one of their customers who is not in the transportation segment. So it doesn't affect the PTL and the express businesses in any way.
35. The management stated that one of the important structural changes that they have made are, of course, to bolster the infrastructure across their key hubs as these hubs have gotten consolidated. There is a significant improvement in service quality as they consolidate locations.
36. The management stated that their technology systems and their monitoring have been significantly upgraded in the last four months. In the express space, for instance, they have seen misrouting of parcels reduced by nearly 40% with a new data science tool that they launched in the later part of last quarter.

37. The management stated that the 59 crores higher revenue they have generated in their express parcel and PTL business combined in quarter 3 versus quarter 2, no meaningful incremental line-haul cost was incurred for this revenue. Now that is getting driven from improved utilization of trucks and a higher portion of tractor-trailers in the network.
38. The management stated that there is a very significant shift that is happening away from unorganized players towards organized players. The top 10 players form less than 20% of the market.
39. There has been a shift from non-express part truckload to express part truckload. As the quality of roads has improved; as the average form factor of trucking has improved; as people have invested in Grade A infrastructure and automation, again, not just Delhivery, multiple players in this space, there has been a shift from non-express to express which is again a good news for the organised players.
40. The management stated that since their capacity utilizations are significantly higher, a decline in volumes is not necessarily going to immediately translate into a drop or a reduction in their cost-per-shipment because they will adjust capacities accordingly.
41. The management explained that vehicle rental cost is a combination of intra-city vehicle that is hired to either pick up goods from customer doorstep or to deliver goods to the consignee; and to deliver goods to the consignee and for movement of goods between the various facilities of Delhivery; plus it also includes payments to agents and vendors who do deliveries for us on a per-parcel basis.
42. The management stated that they have seen about 29 crore of improvement in the last quarter,from cost optimization measures. This has included two or three things. One of them actually has been prevention of revenue leakage, which comes from weights.
43. The management thinks that one of the advantages that they have because they do dynamic routing is, we have the ability to route consignments through weight-capturing locations. And so that has also had an impact on our yield.
44. The management stated that they have the cost structure that allows them to pass on efficiency gains to customers while maintaining extremely healthy gross margins at a business line level and at a client level. So they will not push up realizations because they have no need to.
45. The management informed that after adding the cash payout or the rent paid out against the capitalized leases to the rent as well, then the total rent for the quarter has increased on a year-on-year basis from 118 crores rupees about 134 crores rupees.
46. The management stated that primarily the rent is getting increased on two counts. One is an annual inflation in rent, which typically ranges between 6 and 9% for our facilities. And the remaining bit is about expansion of offices.
47. The management stated that highway infrastructure has improved, so they do see improvement in service time and therefore, improvement in utilization of their vehicles. As an example, wear and tear and damage of the trucks reduces as the quality of expressways increases.
48. The management stated that the PTL business does not see seasonality in February. Typically, there is an annual seasonality where March, obviously, is the big month because it’s year end and quarter end, but there’s also an intra-quarter seasonality where the end of the month is significantly larger than the first two weeks of the month.

Analyst's View

Delhivery continues to have a leading market share as an independent third-party logistics player in this space. They continue to operate one of the largest networks in the country. Corporate costs remaining broadly constant going forward can be foreseen.

Most of the fixed costs of the business have also scaled as volumes have grown between quarter 1 and quarter 3. So overall, the profitability trend has been positive in quarter 2 and in quarter 3. And going forward, this trend can be expected to continue.

The shift that is happening away from unorganized players towards organized players.So that's one big shift that is positive and the headroom for growth is massive, not just for Delhivery but for all organized large-scale players who have the ability to invest and build capacity will continue to gain share.,. We are not limited by growth in the market.

On the LTL side, as volumes continue to grow, margins in that business will keep improving. Since the company runs a highly-efficient fleet of trucks, which is the 46-foot tractor-trailer truck and their ability to actually fill those trucks up to their maximum axle load limit, there is an opportunity for them to gain supernormal margins even by sheer design of their trucking. So that's something that can be seen as a positive movement.

Easy Trip Planners

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**10**	**44**	**66**	**31**	**57**	**86**	**59**	**84**	**104**	**130**	**378**
% Growth YOY					*470%*	*95%*	*-11%*	*167%*	*84%*	*52%*	
Expenses	13	17	25	13	23	34	30	42	66	73	**211**
EBITDA	**-3**	**27**	**42**	**18**	**34**	**52**	**30**	**41**	**38**	**58**	**167**
Depreciation	0	0	0	0	0	0	0	0	0	0	**1**
EBIT	-3	27	42	18	34	51	29	41	38	57	**166**
EBIT Margin	*-30%*	*61%*	*63%*	*57%*	*59%*	*60%*	*50%*	*49%*	*37%*	*44%*	
Interest	0	1	2	0	0	1	1	0	1	1	**2**
Other Income	12	3	3	4	3	3	5	4	4	4	**16**
Profit before tax	**9**	**29**	**43**	**21**	**37**	**54**	**33**	**45**	**41**	**60**	**180**
PBT Margin	*89%*	*67%*	*64%*	*68%*	*65%*	*63%*	*56%*	*54%*	*40%*	*46%*	
% Growth YOY					*311%*	*84%*	*-22%*	*113%*	*13%*	*12%*	
Tax	3	7	12	5	9	14	9	11	11	16	**47**
Net profit	**6**	**22**	**31**	**16**	**27**	**40**	**24**	**34**	**31**	**45**	**133**
% Growth YOY					*340%*	*80%*	*-23%*	*114%*	*12%*	*11%*	

Detailed Results:

1. Revenue growth of 52% YoY.
2. Adjusted Revenue grew by 29% while PAT grew by 4% for the quarter.
3. Gross Booking Revenue (GBR) reported stands at Rs. 2267 cr up 75% YoY.
4. In % of GBR terms, discount to customers stood at 3.1% of GBR, but in absolute terms, it increased to Rs.70.1cr up from Rs.60.6cr last year.
5. As a % of GBR Marketing expenses increased to 1.5% from 0.9% while other expenses remained stable.
6. Manpower costs as a percentage of GBR has slightly increased to 0.6% of GBR as compared to the corresponding quarter's level of 0.5% of GBR
7. Operational Performance:
   - Flight Bookings - up 31% YoY
   - Hotel Nights - up 88% YoY
   - Trains, Buses & others - down 7%

8. Consolidated EBITDA Margins stood at 42.1% Vs 61%.

Investor Conference Call Details:

1. The company's Travel Utsav Festival Sales were a great success exceeding Rs. 555 crores between October 6th and 23rd.

2. Recently, the Company introduced a robust referral-based reward program, EMT Pro, that aims to reward loyal with a refer now and earn forever scheme.

3. The company Company launched 2.0 Self-Booking tool for corporates which uses AI, Machine Learning, and Data Mining technologies to become more efficient and resourceful.

4. During the quarter the Company collaborated with MobiKwik Zip, India's leading "buy now, pay later" platform to enable users to book their travel today and pay at a later date, all the while gaining attractive discounts

5. The company signed a GSA with Go First to exclusively sell, promote and market passenger tickets to passengers in Saudi Arabia.

6. On the marketing front, the company became the official travel partner for the first World Tennis League held in Dubai and the official travel partner for IIFA Awards 2023 to be held in Abu Dhabi.

7. The company acquired Gujarat's GIFT city-based Nutana Aviation which leases charter aircraft, enabling operators to run efficiently, along with providing charter booking services to its clients. The acquisition will add a new revenue stream and help develop EaseMyTrip into a comprehensive travel ecosystem.

8. In order to strengthen its hotel booking portfolio, the company recently acquired a majority stake in CheQin. CheQin is a first-of-its-kind real-time marketplace for hotel booking, which allows travelers to bargain directly with the hoteliers over the prices of the room.

9. During the quarter, 84% of total volumes were sold in B2C segments, 14% in the B2B2C segment, and the remaining in B2E segments.

10. The employee expenses have risen owing to higher additions due to acquisition.

11. The other expenses rose due to higher commissions paid for the B2B2C segment.

12. The management believes the listing on the stock exchange has helped in improving the company's brand image & reputation leading to higher market share despite lower discounts.

13. The company's rationale for the Nutanna acquisition was to capture the market of $2 to $3 billion, which exists for non-scheduled aircraft.

14. The management states that CheqIn (its new acquisition) will provide technology that could be of tremendous use, specifically for the last-minute booking, when a hotel is occupied 80% to 90%, and if they can get an additional last-minute booking at a substantially higher/lower price as well.

15. The management, when asked about sustaining margins, said "The EBITDA margin should continue to go up because the revenues can increase exponentially, but the cost should only go up algorithmically and that is why internet companies are valued so better."

16. Spree hospitality is profit-making, and at the time of acquisition, it had about 12 hotels. And now it has about 28 hotels in its portfolio & The target is to keep adding five new hotels every quarter.
17. The management is very bullish on the Indian travel ecosystem is that there is no other country in the world which can say that there are 66 new airports that are going to come in the next decade, except for India.
18. The company is targeting PAT of 500 Crs in the next 3-4 years.
19. Air travel portion to total revenues stood at 89%.
20. The company operates its hotel business in a very unique way, through channel partnerships with aggregators, which enables it to provide the best room rates in the industry, because of this its hotel business is increasing manifold on a year-to-year basis. It is a huge differentiator as this model itself allows to keep adding more and more aggregators so that prices keep going down, Not because of heavy discounting but because there are multiple parties who are contesting for its business by reducing their price for any particular hotel via the aggregator model.
21. The quarter's profit for spree stood at 30 lakhs.
22. The promoters put in only Rs.15 lakh of their own capital in the Company during the first five years of EaseMyTrip.
23. The company is the only OTA in India, that runs its own call center.
24. The management states that " having an extra insurance that people would get their money back if they fall sick, 100% money would be refunded by EaseMyTrip is that it's absolutely a big reason why people are switching to EaseMyTrip over others"

Analyst Views:

Ease my trip is the second largest OTA player in air travel booking segment.It reported mediocre results with revenues growing decently while margins collapsing due to higher expenses. It recently acquired two companies namely CheqIn & Nutanna which will help in improving its exisitng service profile.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 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

Financial Results & Highlights

Quarterly Performance											
C.E. INFO SYSTEMS LTD											
Narration	Jun-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	-	**49**	**47**	**43**	**57**	**43**	**57**	**65**	**76**	**68**	**266**
% Growth YOY					*######*	*-11%*	*20%*	*50%*	*35%*	*56%*	
Expenses	-	29	29	25	31	28	32	35	46	40	**153**
EBITDA	-	**20**	**19**	**18**	**26**	**16**	**25**	**30**	**30**	**28**	**113**
Depreciation	-	3	2	2	2	2	2	2	2	2	**8**
EBIT	-	17	16	16	24	14	22	28	29	26	**105**
EBIT Margin		*35%*	*34%*	*38%*	*43%*	*31%*	*39%*	*43%*	*37%*	*38%*	
Interest	-	1	1	1	1	0	1	1	1	1	**3**
Other Income	-	13	9	9	13	9	12	6	8	11	**36**
Profit before tax	-	**30**	**24**	**25**	**37**	**22**	**34**	**34**	**36**	**36**	**138**
PBT Margin		*61%*	*51%*	*58%*	*65%*	*50%*	*59%*	*52%*	*47%*	*53%*	
% Growth YOY					*######*	*-27%*	*40%*	*35%*	*-4%*	*64%*	
Tax	-	8	5	4	12	3	11	10	10	6	**37**
Net profit	-	**22**	**19**	**21**	**25**	**19**	**23**	**24**	**25**	**30**	**102**
% Growth YOY					*######*	*-14%*	*18%*	*17%*	*0%*	*60%*	

Detailed Results:

1. Consolidated Total Revenue & PAT for Q3 grew by 56% & 60% respectively.
2. EBITDA Margins stood at 41.1% in Q3FY23.
3. Product Line Growth - Map and Data grew 51% | Platform & IoT grew 78%
4. Product Line Revenue Breakup 9M - Map and Data: 164.9 Cr | Platform & IoT: 44.1 Cr
5. A&M Market grew 45% YoY and the C&E Market segment grew 76.3% YoY.
6. New biz wins in C&E included:
   - A multi-year extension of the contract with Big Tech company Large Marketing/Ad Agency customer upsold on Micro-Geodemographic Analytics Data Set
   - 2 Large Bank & Fin-tech companies signed up for workforce & workflow monitoring, management & automation solutions
   - Large F&B restaurant chain signed up for geospatial analytics for store expansion & planning
   - Multiple tech-enabled companies - Used car platform, D2C meat/food delivery brand, enterprise CRM SaaS company – signed up for APIs/SDKs
   - Smart City wins for a solution consisting of Drone Data Acquisition, Enterprise GIS, Integration with the Command and Control Centre, and a Digital Address System
   - State Government wins for Drone Data Acquisition & processing for Large Scale Mapping, Ambulance Monitoring for Medical Emergencies, etc
7. New biz wins in A&M included:
   - Large, new 4-wheeler EV OEM entrant into the Indian market signed up for NCASE solution
   - Large 4-wheeler OEM upsold on ADAS use case of NCASE solution
   - Large 2-wheeler OEM signed up for NCASE solution
   - Multiple 2-wheeler EV OEM startups signed up for NCASE solution

- Taxi Cab company signed up for a Video Telematics solution to monitor their cabs and also ensure the safety of their drivers and customers.
- The high-value goods-carrying company signed up for fleet security solution consisting of GPS + Online MDVR + ELock with multiple sensors on the same vehicle

Investor Conference Call Highlights

1. The effective tax rate was lower than 25% in Q3, due to the reason of nil tax on the unrealized gain of Rs. 4.23 crores towards the revaluation of investments carried at fair market value under the head of other income coupled with the lesser rate of tax applicable on capital gains than on business income.
2. The management explains that the high growth in the IoT business compresses margins initially, as device hardware has lower margins, but starts creating high-margin SaaS revenue in the future, typically 12 months down the road.
3. Out of the total 44.1Crs of revenue from the IOT biz, the sale of Map data and services including royalty, annuity, software, and projects called MaaS, PaaS, SaaS, and subscription contributed Rs. 12.4 crores.
4. Margins were aided by lower marketing expenses.
5. The sales for the company have outperformed the automotive OEM industry volume growth.
6. The new products introduced include the core foundation map, Geo analytics data set, the 3D Metaverse, 360-degree real view maps, HD maps such as NCASE for automotive digital transformation platform, APIs and SDKs, Geospatial Platform, and drone-based solutions.
7. The company is increasing its focus on consumer B2C apps.
8. The management explains the seasonality where Q1 and Q3 are typically lower than Q2 and Q4.
9. The company invested up to Rs. 7 crores for a 20% stake in a drone company called Indrones this company because it requires drones for its own mapping activities, it's synergistic with the overall offering of geospatial and IoT also help offer various solutions to various set of customers.
10. Google has received orders against anti-competitive practices & is unable to get relief in any court. The management will shape its biz strategy for the B2C app post clarity on the situation.
11. OLA is still using the company's maps & management believes this is unlikely to change as it's difficult for any company (including Ola which recently acquired a stake in mapping co.) to build its own map system.
12. The measurement criteria for its investments is the lower of the latest valuations at which funding was raised & the fair market valuation report it receives.
13. The dividend policy depends on A) cash needed for its portfolio investments, B) additional investment opportunities in the areas related to its business & C) normal & safe requirements for the business of the company.

Analyst's View

MapMyIndia has been executing well and has a long growth runway ahead of it in the 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. 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. It remains to be seen how the company will be able to grow its B2C app,field competition/loss of revenues from its existing customers like OLA who are planning to make their own maps devices & whether it will be able to grow at the current pace which the recent valuations seem to have already baked in. However, Given its strong growth prospects, it remains an interesting stock to keep track of.

RateGain Travel Tech

Financial Results & Highlights

Brief Company Introduction

Founded in 2004 and headquartered in India, RateGain Travel Technologies Limited (NSE,BSE: RateGain) is a provider of SaaS solutions and one of the world's largest processors of electronic transactions and price points for travel and hospitality. It works in more than 100 countries with its 2,200+ customers—including 8 Fortune500 companies, 23 out of top 30 hotel chains, 25 out of top 30 OTAs, all top 10 car rentals, and some of the largest travel management companies, cruise lines, and airlines—to help them accelerate revenue generation through acquisition, retention, and wallet share expansion.

	Quarterly Performance										
	RATEGAIN TRAVEL TECHNOLOGIES LTD										
Narration	Jun-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	-	**63**	**72**	**75**	**85**	**99**	**108**	**119**	**125**	**138**	**490**
% Growth YOY					*######*	*57%*	*51%*	*59%*	*47%*	*40%*	
Expenses	-	67	71	73	81	90	93	107	107	115	**422**
EBITDA	-	**-4**	**1**	**2**	**4**	**9**	**15**	**12**	**18**	**23**	**68**
Depreciation	-	9	9	7	7	8	8	8	8	8	**33**
EBIT	-	-12	-8	-5	-3	1	7	4	9	15	**35**
EBIT Margin		*-19%*	*-10%*	*-7%*	*-4%*	*1%*	*7%*	*3%*	*7%*	*10%*	
Interest	-	2	2	1	1	2	1	0	0	0	**2**
Other Income	-	3	7	6	3	1	6	8	7	1	**21**
Profit before tax	-	**-11**	**-3**	**-1**	**-1**	**0**	**12**	**11**	**16**	**15**	**54**
PBT Margin		*-18%*	*-4%*	*-1%*	*-2%*	*0%*	*11%*	*9%*	*13%*	*11%*	
% Growth YOY					*######*	*-104%*	*-517%*	*######*	*######*	*3490%*	
Tax	-	-0	3	1	1	0	1	3	3	1	**8**
Net profit	-	**-11**	**-6**	**-1**	**-2**	**0**	**12**	**8**	**13**	**13**	**46**
% Growth YOY					*######*	*-101%*	*-299%*	*-710%*	*-782%*	*######*	

Detailed Results:

1. Q3 FY23 Revenue grew 40% YoY.
2. Annual recurring revenue stood at 553.7 Crs.
3. Gross Revenue retention: 90.4% for 9M | Recurring Revenue: 98.7%.
4. EBITDA stood at 16.6%.
5. Revenue Breakup by Segment 9M - Martech: 37.5% | DaaS: 26.1% | Distribution: 36.4%
6. Revenue Breakup by Engagement - Subscription: 33.7% | Transaction: 23.5% | Hybrid: 42.8%
7. Revenue Breakup by Geography - North America: 55.2%| Europe: 31.1% | Asia-Pacific: 10.6% | Others: 3.1%
8. Top 10 Customers Revenue Share: 34.6%
9. Employee Count: 640 | Employee Attrition: 23.7%
10. Cash Flow from Operating Activities 9M: Rs.29.2cr.
11. The company's cash and cash equivalent balance at the end of quarter was INR 432.8 crores, but it have deployed around INR 120 crores post the quarter for recent Adara acquisition.

Investor Conference Call Highlights

1. On a run rate basis, annual recurring revenue exceeded its pre-COVID ARR by 27%.
2. The management states that RateGain is performing very well on the rule of 40 which is a benchmark for SaaS businesses. It is currently at 57%, which is an aggregate of the 17% EBITDA-plus 40% growth.
3. Talking about its ADARA acquisition strategy & plans, the management said It fits in perfectly with the vision of RateGain to build an integrated RevMax platform and allows its customers to do guest acquisition, guest engagement and retention and wallet share expansion. The initial integration plan is well underway, and the focus is to make this business EBITDA positive in the next couple of quarters and map out the GTM road map, first capturing the low-hanging fruit, which is to recapture and reactivate the existing one lost relationships.
4. The company had the best ever quarter in the history of RateGain with new contract wins recorded at over INR49.3 crores, a 22% growth over Q3 of last year.
5. In the distribution segment, it witnessed healthy volume growth in the past quarter with demand across OTA channels and the midsized hotel chain segment.
6. In Martech, continues to make inroads into the APAC and Middle East region and has onboarded multiple properties with innovative brand engagement and paid distributor solutions.
7. The DaaS business unit grew at a strong pace on the back of increased volume demand and expansion with our existing enterprise customers.
8. The company is seeing tremendous operating leverage wherein, operating cost grew by 29% leading to EBITDA rising from 9.76% to 16.58%.
9. Other income was reduced by INR 6 crores this quarter, primarily due to an unrealized forex loss of INR 4.5 crores.
10. At the start of the year, the management had given a guidance of 30% growth and 12.5% EBITDA margins, and it is well on course to beat the guidance by a good margin.
11. In terms of guidance for Q4, it will be able to consolidate Adara financials for this quarter for two months and 20 days as it completed the transaction around the 10th of January & expects 5% EBITDA in the quarter.
12. Due to the opening of China, cross-border travel is expected to grow strongly by 50%.
13. Due to the company's substantial ability to cross-selling, a decent chunk of new order wins, were with some of its existing customers buying some of the new products.
14. In terms of deal wins for this quarter, 63% came out of distribution around 25% from DaaS, and 12% from Martech.
15. The company is seeing good Cashflows which will fund its existing operations while its treasury balance will be utilized solely from an M&A perspective.
16. The LTV to CAC was very high for Q3 at 22.8 since distribution contributed a major chunk, which has got less retention and a high gross margin.
17. The company's Martech offering involves s brand management, brand monitoring, and engagement and Paid Digital Media for Luxurious hotels on Social media domains.

18. The QoQ growth in Martech was lower owing to the pruning of lower-margin hotel accounts signed during the covid period.
19. The guidance for Q4 is 30% revenue growth YoY & 18-19% EBITDA margins.
20. The company has a dedicated team similar to a VC for M&A & it has the policy to pay only 1.5-2X sales multiple for any acquisition.
21. The first release of the company's platform is out & the company is seeing good traction.
22. The amortization costs are expected to remain at the current levels for the next 2-3 years.
23. The company recently elevated its prices & thus doesn't expects to clock revenue growth of 50% levels.

Analyst's View

RateGain Travel Tech has a lot of growth ahead of it which is evident from its recent quarter where revenues grew by 40% coupled with tremendous operating leverage playing out resulting in EBITDA margins rising from 10% to 16%. The company recently acquired ADARA at a very attractive valuation & is expected to bolster its PDM offering. 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 is highly correlated with the travel industry, so its performance is largely dependent on how Hospitality and Travel Industries perform like most tech companies, RateGain also faces the risk of competition in developing better tech products in a constantly evolving space.

Others

ACRYSIL

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.

	Quarterly Performance										
	CARYSIL LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**76**	**87**	**101**	**98**	**119**	**128**	**139**	**171**	**139**	**138**	**587**
% Growth YOY					*58%*	*46%*	*38%*	*76%*	*17%*	*8%*	
Expenses	60	67	80	76	93	100	111	138	117	113	**478**
EBITDA	**16**	**20**	**20**	**21**	**26**	**28**	**28**	**34**	**22**	**25**	**109**
Depreciation	3	3	4	4	4	5	5	6	6	7	**24**
EBIT	13	17	17	18	22	23	23	28	16	18	**85**
EBIT Margin	*17%*	*19%*	*16%*	*18%*	*18%*	*18%*	*17%*	*16%*	*12%*	*13%*	
Interest	2	2	2	2	2	2	3	3	4	4	**14**
Other Income	2	0	5	3	3	2	2	0	0	0	**3**
Profit before tax	**13**	**16**	**19**	**18**	**22**	**23**	**22**	**25**	**13**	**14**	**74**
PBT Margin	*17%*	*18%*	*19%*	*19%*	*19%*	*18%*	*16%*	*15%*	*9%*	*10%*	
% Growth YOY					*76%*	*47%*	*14%*	*35%*	*-43%*	*-39%*	
Tax	3	4	6	5	5	6	5	6	3	2	**17**
Net profit	**9**	**12**	**13**	**13**	**18**	**17**	**16**	**19**	**9**	**12**	**56**
% Growth YOY					*88%*	*43%*	*25%*	*39%*	*-48%*	*-30%*	

Detailed Results:

1. Sales increased by 8% YoY while PAT degrew by 30%.
2. EBITDA margins fell from 23.8% to 18.3%.
3. PAT margins decreased from 13.4% to 8.7%.
4. The company expanded its capacity for Steel sinks by 90,000 units P.A, bringing its total capacity to 1,80,000 units P.A. commercial production to begin from March 23.
5. The company proposed to incorporate a wholly-owned subsidiary in Dubai (UAE) to cater to the GCC market for the sale of Kitchen and Bath Products. Therefore, Carysil plans to open a showroom and warehouse in Dubai.

6. Carysil has begun commercial production of green sinks made from organic materials such as charcoal, spinach, and beetroot & further introduced a super strength sink which is priced at a premium of 20% compared to quartz sinks.

7. Increase dealer counts to 2800 as on December 31, 2022.

Investor Conference Call Highlights

1. The management is receiving feedback from its major customers that the destocking happening is quite successful and gradually reaching the optimum levels. It has started to receive good orders for its quartz sinks in the U.S. and UK markets, etc.
2. The ongoing inflation energy crisis and cost escalation in Europe presented an opportunity to briefly supply gap, which will ultimately lead to an expansion of the customer base across the growth
3. It is enhancing its focus on the growing demand in the domestic and emerging markets around the world and gradually ramping up its distribution and dealer networks.
4. The company is seeing good demand for PVD sinks & since the price of the PVD is higher than the prices of the handmade and the quartz sink, they will be contributing to higher validation and revenue.
5. The company's faucet assembly line of 100,000 faucets is starting on a pilot basis, & will get full-fledged commercial products in quarter one of FY 23 onwards.
6. The sales volume of Quartz, Stainless steel & kitchen appliances improved by 14%, 11% & 45% respectively.
7. The company is confident of QoQ's growth in volumes in Q4.
8. The company expects margin improvement in Carysil surface due to lower freight costs while it also expects the better performance of subsidiaries Vs its guidance.
9. The surfaces biz is unaffected by the destocking trend as production is based on actual orders only.
10. The company in its kitchen appliances space will be focused on the kitchen hoods and hobs, & since its built-in appliances will be produced through in-house assembling and manufacturing, it will give the company a better competitive edge than the competitors.
11. The company's project sales are approximately 20% of its total sales & the management expects the Granite sink and steel sink quantity to double in the next three years.
12. The destocking in the domestic market is over & inventory levels with dealers have again reached back to 2 months levels.
13. The company's price differential Vs its European peers is about 35% which makes it confident about closing in on major key players with whom, discussions are currently taking place.
14. The company's rationale behind getting into ceramics is higher realizations Vs quartz coupled with gross margins of around 80%. It intends to target the premium segment.
15. Quartz sinks saw higher volumes decline due to destocking happening in the export market Vs stain steel sink which has a major presence in domestic only.
16. The management believes that the price of the Quartz sink is the only issue behind its lower penetration & management expects this to change in the future.
17. The entire revenue potential of all its capacity post capex stands as 600 Crs for Quartz, 80-90 Crs for stainless steel & 100 crs for kitchen appliances.
18. The current capacity utilization for the Quartz sink stood at 65%

19. The management, when asked about its rationale for diversifying in other areas, said "we want to have a one-stop solution to our customers because we have such a huge reach across India, pan-India, we just cannot afford the overhead by selling quartz."
20. The management is targeting to clock the 1000 Crs turnover mark in FY24.

Analyst's View

Acrysil is one of India's leading manufacturers of quartz sinks and a leading exporter of this product. The company has witnessed substantial demand in the domestic market and going ahead, expects 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 the overall business. Due to weak macro conditions in Europe, the company's export witnessed a slowdown coupled with a destocking trend affecting the volume growth. It is doubling its capacity for stainless steel & plans to expand further by acquiring new customers and penetrating new geographies.. Given the vast potential for the real estate sector and the company's strong competitive positioning, Acrysil remains an excellent real estate ancillary stock to watch out for.

Ashiana Housing

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	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**47**	**80**	**78**	**38**	**58**	**51**	**75**	**80**	**87**	**130**	**371**
% Growth YOY					*22%*	*-36%*	*-5%*	*111%*	*50%*	*153%*	
Expenses	49	71	84	44	63	55	68	65	92	120	**345**
EBITDA	**-2**	**9**	**-5**	**-6**	**-6**	**-4**	**6**	**15**	**-5**	**10**	**27**
Depreciation	2	2	2	2	2	2	1	2	2	2	**8**
EBIT	-4	6	-7	-8	-8	-6	5	13	-7	8	**19**
EBIT Margin	*-8%*	*8%*	*-9%*	*-22%*	*-14%*	*-12%*	*7%*	*16%*	*-8%*	*6%*	
Interest	3	2	2	2	1	1	1	1	1	1	**3**
Other Income	3	10	3	1	3	-0	4	1	5	5	**15**
Profit before tax	**-4**	**14**	**-6**	**-9**	**-6**	**-7**	**8**	**13**	**-3**	**13**	**31**
PBT Margin	*-9%*	*18%*	*-8%*	*-23%*	*-11%*	*-14%*	*10%*	*16%*	*-3%*	*10%*	
% Growth YOY					*54%*	*-153%*	*-223%*	*-250%*	*-57%*	*-272%*	
Tax	-2	1	-1	-2	-1	-4	1	3	-1	4	**7**
Net profit	**-2**	**13**	**-6**	**-6**	**-6**	**-4**	**6**	**10**	**-2**	**9**	**24**
% Growth YOY					*151%*	*-130%*	*-212%*	*-262%*	*-68%*	*-336%*	

Detailed Results

1. Booking stood at 9.03 lakhs sq. ft Vs 4.9 Lakhs QoQ.
2. The value of the Area Booked was recorded at Rs. 485.29 Crores (Q3FY23) vs Rs. 240.19 Crores (Q3FY22).
3. The average realization price improved to ₹ 5,373 per sq. ft. in Q3 FY '23 vis-a-vis ₹ 4,904 per sq. ft. in Q2 FY '23.
4. The area delivered stood at 3.6 Lkh sq. ft.
5. The area constructed stood at 3.42 Lakh sq. ft Vs 4.38 Lakh sq. ft QoQ.
6. Sales and Other income increased to Rs.135 Crores in Q3FY23 Vs Rs. 91 Crores in Q2FY23.
7. PAT has recorded at Rs. 9.29 Crs for Q2FY23 Vs Rs. (1.31) Crores in Q2FY23.
8. Pre-Tax Operating Cash Flow was at Rs. 35.6 Crs for Q3FY23 vs negative Rs. 1.05 Crs for Q2FY23

Investor Conference Call Highlights

1. The Deliveries commenced in Daksh with 2.99 lakhs sq. ft. delivered in Phase 1.
2. The company's current trajectory indicates the construction of 20 - 25 lakhs sq. ft. zone annually from next year onwards.
3. The construction volumes for the current quarter were lower owing to the ban in NCR for construction, delays in the launch of projects coupled with challenges on construction manpower and supply chain.
4. The company's two big project launches for Q4 are Ashiana Ekansh in Jaipur and Ashiana Prakriti in Jamshedpur.

5. The company has 5 projects planned for the coming year which include two in Jaipur, one for Senior Living in Chennai, one at Mahindra World City, and another at Nemili. And another, namely, Ashiana Amodh in Pune, is also a Senior Living project.
6. The company is seeing the price of land correcting especially in the Gurugram region.
7. The company's expected launch is 1 million sq. feet for Q4 & 3 million for Fy24.
8. The company's current land inventory is sufficient for the coming 3-4 years, however, it will keep bidding conservatively for future growth.
9. The project Ashiana Advik in senior living which was newly launched has been launched at a higher price than Ashiana Nirmay leading to a realization bump of 7-8% coupled with a higher contribution from Gurugram.
10. Even though the management is relatively pleased with Ashiana Malhar's performance in Pune, it believes Ashiana Amodh (senior living project) will leave a much greater dent in the Pune market in the coming period.
11. The key project on which deliveries happened in this quarter was Ashiana Daksh.
12. The company expects to clock a blended GPM of 30% in the coming 2-3 years.
13. Since the company missed out on a few deliveries, the ROE would still be in the high single digits for FY24.
14. The company appreciates that it operates in a cyclical biz, but due to expanding of senior living & success in projects in Gurugram & Rajasthan, the company is confident of delivering 20-25% growth in pre-sales numbers.
15. The company's value of area booked for senior living is expected to grow from current levels of 150 Crores to 300-400 Crs in the coming 3-4 years.
16. The senior living biz is less cyclical in terms of operations coupled with having 3-5% higher margins Vs general housing.

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 150% YoY. The company launched Ashiana Amarah & received a great response with all the projects getting sold out on day 1 itself & its senior housing projects are also seeing strong traction. 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 handle the cyclicality and impact of the rising inflation on the real estate sector and Ashiana. Nonetheless, Given the unique and cautious business model of Ashiana and the rising trend of senior living in India coupled with a strong project launch pipeline, Ashiana is a good real estate sector stock to keep in one's watchlist.

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Borosil Ltd.

Financial Results & Highlights

Brief Company Introduction

Borosil Limited is a supplier of laboratory glassware, microwaveable kitchenware, and opal ware in India. It sells and markets microwavable and flameproof kitchenware and glass tumblers through more than 15,000 retail outlets, and has three manufacturing facilities.

The company conducts its operations in two business segments—namely, scientific & industrial products and consumer products

Quarterly Performance											
	BOROSIL LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**139**	**205**	**184**	**138**	**222**	**260**	**220**	**216**	**271**	**281**	**988**
% Growth YOY					*59%*	*27%*	*20%*	*57%*	*22%*	*8%*	
Expenses	120	170	151	120	175	221	180	189	233	259	**861**
EBITDA	**19**	**35**	**33**	**18**	**47**	**39**	**40**	**27**	**38**	**21**	**127**
Depreciation	8	10	9	8	9	9	8	8	8	8	**32**
EBIT	11	25	23	9	39	30	32	19	30	13	**94**
EBIT Margin	*8%*	*12%*	*13%*	*7%*	*17%*	*12%*	*14%*	*9%*	*11%*	*5%*	
Interest	0	0	1	0	0	0	1	0	0	1	**1**
Other Income	2	6	5	2	4	8	-0	7	4	18	**28**
Profit before tax	**13**	**31**	**28**	**11**	**42**	**38**	**31**	**26**	**34**	**30**	**121**
PBT Margin	*9%*	*15%*	*15%*	*8%*	*19%*	*15%*	*14%*	*12%*	*12%*	*11%*	
% Growth YOY					*225%*	*23%*	*12%*	*144%*	*-20%*	*-20%*	
Tax	4	9	9	13	15	13	-3	7	8	7	**19**
Net profit	**9**	**22**	**19**	**-2**	**27**	**25**	**34**	**19**	**25**	**23**	**102**
% Growth YOY					*188%*	*14%*	*85%*	*-916%*	*-6%*	*-6%*	

Detailed Results:

1. The company had a poor quarter with revenue increasing by 8% while PAT decreasing by 6% YoY.
2. EBITDA before exceptional items stood at 7.6% Vs 18%.
3. The scientific division saw-

BOROSIL Category wise sales (Scientific)

INR Crore

Category	Q 3 FY22	Q 3 FY23	Growth %	YTD Dec FY22	YTD Dec FY23	Growth %
Laboratory Glassware	38.5	48.5	26.0%	103.7	131.8	27.1%
Lab Instrumentation	4.1	5.6	36.1%	13.3	16.5	24.1%
Pharma Packaging	22.9	19.3	(15.6)%	67.2	54.7	(18.7)%
Total Scientific	65.5	73.4	12.1%	184.3	203.0	10.2%

4. The consumerware biz saw-

BOROSIL Category wise sales (Consumerware)

INR Crore

Category	Q3 FY22	Q3 FY23	Growth %	YTD Dec FY22	YTD Dec FY23	Growth %
Glassware	45.3	50.2	10.7%	108.8	137.8	26.7%
Non Glassware	79.4	90.1	13.4%	157.5	235.0	49.2%
Opalware	69.9	67.0	(4.2)%	169.3	192.4	13.7%
Total Consumerware	194.6	207.2	6.5%	435.5	565.3	29.8%

<u>Investor Conference Call Highlights</u>

1. The Company received an insurance claim (net of WDV) of INR 9.3 crores as a full settlement of the claim in respect of the loss of property due to a fire at the Company's warehouse in Bharuch. During the corresponding period in the previous year, it had made a provision of INR 6.5 crores for the loss of property at the Company's warehouse due to fire and flood. During the third quarter, the Company also disposed of one of its non-core assets which were held for disposal the gain on the same is INR 13.5 crores, and the same is recognized under the head of other income.
2. The company had an annualized operating ROCE of 17.2%.
3. The decline in EBITDA margin in the consumer ware division was due to a shifting in product mix towards non-glassware products which comprise about 63% of sales of the Borosil brand, which excludes Lara, which traditionally has lower margins, higher marketing expenses, fixed costs & EBITDA margin on Lara which is its Opalware range of products was much lower than normal.
4. The Company is expanding its capacity from 42 to 84 tons per day by putting up an additional furnace. This furnace will go onstream from 2nd January of 2023 from a commercial production point of view.
5. Due to a lack of operations of its own furnace, the company in its LARA segment did higher procurement of large volumes of whiteware from outside leading to lower margins. However, this was a strategic move to retain the customers & both the furnaces will be operational in Q4FY23 leading to the restoration of margins.
6. The company continues to enjoy about 70% of the lab glass organized market and expects to get a fair share of any growth in demand from the pharma and educational institution sectors.
7. The new products introduced include filter papers, QR-coded glassware, and multi-port caps which have got good traction.
8. In the LabQuest division, it achieved a sale of INR 16.5 crores while it expects the addressable serviceable market to be about INR 225 crores and grow at 10% to 12% a year. Recent products introduced by the Borosil Technologies teams include pilot lab reactors, bottle-top dispensers for hazardous acid, as well as products in the nutrition and environment category.
9. The 18.7% decline in Klasspack sales was due to a higher base because of Covid-led buying. The margins also faced issues with input price increased by over 25% and this necessitated price increases which have also had a negative impact on sales
10. The company also took a decision at Klasspack to go for camera inspections for all its products which led to higher process rejections as it continues to raise the bar on specifications and the automated camera-based quality control will help improve its customer outreach in the future.

11. On the capex front- The expansion in Lara capacity at an estimated project cost of INR 195 crores was commissioned on December 22 and commercial production started in January '23 while The new Borosilicate Pressware facility of 25 tons per day at an estimated investment of INR 115 crores is estimated to be commissioned in the second half of Q2 FY 24.
12. The management expects the Demerger process to get completed by June'23.
13. The company is quite confident about the opal ware division despite the capacity of competitors increasing & plans to scale the exports biz which has a tailwind in the form of high energy costs in Europe.
14. The management believes believe the worst is over in terms of cost pressures.
15. In the opal ware biz, post completion of the capex & 100% ramp-up, the revenue can go to 400-420 Crs.
16. The marketing spending on the consumer ware division stood at 7%.
17. The total capex of 625 Crs will get completed by March 2024.
18. The new furnace will get utilisations of 40-50% from day 1 & the company targets 100% utilisations by FY24-25.
19. The turbing costs have now been reduced substantially owing to the cooling of freight costs.
20. The glassware division has seen low growth in the last 3 years owing to very high input costs which are being passed on to the customers leading to lower growth. However, management expects the value proposition to improve post-production in its own facility.
21. The company expects to achieve the previous level of margins within a few quarters, however, the margins will grow further post higher utilisations of its new facility.
22. The tailwinds for Opalware include the revival of HoReCa, replacement demand in the form of change from steel and plastic to melamine & shutdown of its competitors in Europe.

Analyst's View

Borosil Ltd is one of the market leaders in all its respective segments which are also witnessing strong growth respectively. The company had a very poor quarter with sales growing by a meager 6% while margins crashed down from 17% to 10%. It remains to be seen how the company will be able to scale up its new capex, clock back its past margins, defend against cost pressures & grow its biz given the large operational leverage/ deleverage that plays out in the biz. Nonetheless, given the strong heritage of promoters, competitive strengths of the biz, strong tailwinds & expected rationalization of cost pressures, it remains an interesting stock to keep track off.

IRCTC

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

	Quarterly Performance										
	INDIAN RAILWAY CATERING & TOURISM CORPORATION LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**89**	**224**	**339**	**243**	**405**	**540**	**691**	**853**	**806**	**918**	**3,267**
% Growth YOY					*357%*	*141%*	*104%*	*250%*	*99%*	*70%*	
Expenses	94	130	194	132	193	261	412	532	501	592	**2,037**
EBITDA	**-6**	**95**	**145**	**112**	**212**	**279**	**279**	**321**	**305**	**326**	**1,230**
Depreciation	9	10	19	11	12	12	14	14	19	10	**57**
EBIT	-15	85	126	100	200	267	264	307	286	315	**1,173**
EBIT Margin	*-16%*	*38%*	*37%*	*41%*	*49%*	*50%*	*38%*	*36%*	*36%*	*34%*	
Interest	1	1	4	4	2	2	3	2	5	5	**15**
Other Income	63	21	17	15	16	16	22	24	26	32	**104**
Profit before tax	**47**	**104**	**139**	**111**	**214**	**282**	**283**	**329**	**307**	**343**	**1,263**
PBT Margin	*53%*	*47%*	*41%*	*46%*	*53%*	*52%*	*41%*	*39%*	*38%*	*37%*	
% Growth YOY					*358%*	*170%*	*103%*	*196%*	*44%*	*22%*	
Tax	14	26	35	29	55	73	69	84	81	87	**322**
Net profit	**33**	**78**	**104**	**83**	**159**	**209**	**214**	**246**	**226**	**256**	**941**
% Growth YOY					*386%*	*167%*	*106%*	*198%*	*43%*	*22%*	

Detailed Results:

1. The company's revenue grew by 70% YoY and profits grew by 22% YoY.
2. EBITDA margin is 35.5% Vs 37.8% QoQ.
3. Internet Ticketing segment
    a. Revenue stable at 300 crore
    b. EBITDA margin of 84.2% versus 84.8% YoY
4. Catering segment

Revenue of 394 crores up by 17.9% QoQ.
EBITDA margin of 10.7% versus 10.6% QoQ

5. Rail Neer

Revenue of 75.1 crores, an increase of 4.3% QoQ, and growth of 50% YoY
EBIT margin of 11.8% Vs 7.5% QoQ

6. Tourism segment

Revenue of 147.8 crores, a rise of 49% QoQ
EBIT margins improved to 10.8%.

7. Cash and bank balance is 2,133 crore
8. Interim dividend stood at 3.5 Crs.

Investor Conference Call Highlights

1. Due to the introduction of new trains in the mobile catering segment i.e. the pre-paid train tickets type, the margins are lower while the overall turnover is higher. This is leading to lower profit growth vis-a-vis sales growth.
2. The company is taking several steps to grow its catering biz such as a tie-up with 3rd party agents like Paytm, Goibibo, etc as well as using WhatsApp booking to aid growth & ultimately improve profitability.
3. The company has seen its opt-out of meal % in trains spike from 10% to 20% & is taking efforts to reduce this loss of revenue through initiatives like WhatsApp booking.
4. The total revenues from internet ticketing for 9M stood at 911 Crs where 604 Crs came from convenience & 307 Crs came from non-convenience.
5. No. of tickets booked per day in Q3 stood at 11.3 lakhs.
6. The management believes that due to the introduction of the Bharat Gaurav series which will add the number of rakes by 10, the number of tourist trains run per year will increase from 150 to 300 yielding an additional revenue of 200 Crs.
7. The company is witnessing an increase in the production cost of the Rail Neer because of the increase in the pet cost & is therefore planning about increasing the rates.
8. The management states that since the level of catering is expected to increase as a % of total revenues, the margins will be decrease.
9. The depreciation rates has reduced YoY due to a write back of provisions made before.
10. The profits of 9M for Tejas stood at 17 Crs.
11. The utilisation for Rail Neer stood at 70% & the company plans to commision two new plants in the current financial year.
12. Share of UPI stood at 32% & the company is targeting to increase the % of non-convenience to total internet ticketing from 33% to 50%.
13. The sleeper class contributed 44% of sales followed by third AC which is 26.8%, 13% is Second S and second AC is 6%.
14. The company is still in works with RBI regarding its observations on becoming a payment aggregator, & expects this divison to close the year with revenue of 81 Crs & profits of 12 Crs.
15. The management explains that it plans to grow the air & bus booking segment but also states that “ focusing only on the bus and air may not be appropriate because we are a mass tourism leader we have to see the masses first”.

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 of 70% YoY and its business model has once again proven its resilient nature to scale up. It remains to be seen how the company will be able to scale its tourism biz as well a grow profitably given the expected increase in contribuion of catering segment where margins are lower compared to the ticketing segment. Nonetheless, given that IRCTC has a near-monopoly in its space and the resilient demand for its services and products in railway stations, IRCTC remains a good stock to watch out for investors betting on the railway’s theme.

ISGEC

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,345**	**1,392**	**1,618**	**1,132**	**1,376**	**1,396**	**1,596**	**1,247**	**1,513**	**1,597**	5,952
% Growth YOY					*2%*	*0%*	*-1%*	*10%*	*10%*	*14%*	
Expenses	1,204	1,292	1,496	1,080	1,330	1,289	1,490	1,175	1,422	1,469	**5,556**
EBITDA	**140**	**101**	**122**	**51**	**46**	**107**	**107**	**72**	**91**	**128**	**397**
Depreciation	26	26	22	24	24	26	27	25	26	26	**105**
EBIT	114	75	100	27	22	81	79	46	65	102	**292**
EBIT Margin	*8%*	*5%*	*6%*	*2%*	*2%*	*6%*	*5%*	*4%*	*4%*	*6%*	
Interest	14	9	14	11	12	11	32	20	18	17	**87**
Other Income	7	31	10	2	3	7	1	4	3	1	**8**
Profit before tax	**107**	**97**	**96**	**18**	**14**	**78**	**48**	**30**	**49**	**85**	**213**
PBT Margin	*8%*	*7%*	*6%*	*2%*	*1%*	*6%*	*3%*	*2%*	*3%*	*5%*	
% Growth YOY					*-87%*	*-19%*	*-49%*	*64%*	*260%*	*9%*	
Tax	29	32	27	5	4	26	9	12	21	19	**61**
Net profit	**77**	**66**	**63**	**14**	**11**	**47**	**38**	**18**	**30**	**63**	**148**
% Growth YOY					*-86%*	*-29%*	*-41%*	*31%*	*181%*	*34%*	

Detailed Results:

1. The stand-alone revenue for Q3 FY '23 is INR 1,103 crores compared to INR 1,119 crores in Q3 FY '22.
2. The stand-alone revenue for the 9 months ended 31st December 2022 is INR 3,261 crores, which is about 5% higher compared to INR 3,105 crores for the 9 months ended 31st December 2021.
3. The consolidated revenue for Q3 FY '23 is INR 1,598 crores, which is about 14% higher compared to INR 1,403 crores for Q3 F '22.
4. The stand-alone profit before tax for Q3 FY '23 is slightly higher at INR 53 crores against INR 50 crores for Q3 FY '22.
5. For the 9 months ended 31st December 2022, the profit before tax is INR 150 crores, which is about 50% higher compared to INR 100 crores for the 9 months ended 31st December 2021.
6. For 9 months ended 31st December 2022, the consolidated revenue was INR 4,363 crores, which is 11% higher compared to INR 3,915 crores for that of 31st December 2021.
7. The consolidated profit before tax for Q3 FY '23 is INR 85 crores compared to INR 78 crores for Q3 FY 22.
8. The consolidated profit before tax for the 9 months ended 31st December 2022 is INR 164 crores as compared to INR 110 crores for the 9 months ended 31st December 2021.

9. The consolidated order booking for Q3 of FY '23 is INR 1,388 crores compared to INR 893 crores of orders booked in Q3 of last year. The consolidated order book on hand as on 31st December 2022 is INR 7,752 crores compared to INR 7,224 crores as on 31st December 2021.

Investor Conference Call Highlights

1. The management stated that the consolidated profit is better because of higher profits in ISGEC stand-alone and in Saraswati Sugar Mills Ltd.
2. The management informed that of the consolidated order book, 74% is for the project business and 26% is for the product business.
3. The management stated that the Philippines project, construction is progressing at the Cavite Biofuels ethanol plant in the Philippines.
4. The management expects to complete the Philippines project by July 2023 and make it operational in August 2023.
5. The management explained that the order book for the Power segment is like 23% but 2 years back, it was more than 36%. And for refineries that has gone up from 10% to 26%.
6. The management expects that the money stuck in a few orders like FGD will be released in the next 6 to 8 months.
7. The management stated that the sustainable level of EBIT margin would be 8 %.
8. The management stated that the consolidated debt across all the companies is INR 1,064 crores as of 31st of December 2022 out of which INR 350 crores is related to the Philippines plant.
9. The management informed PSU is 44% of the order book and 56% was private.
10. The management expects the revenue growth in FY'24 to be in the range of 10% to 15%.
11. The management stated that the technology is indigenized to a very large extent. There is very little that they purchase for these technologies that they purchase from abroad.
12. The management stated that INR 1,150 crores of retention which are largely from the projects business.
13. The management explained that for the manufacturing business, the investment is largely in the inventories and the work in progress. Inventories include raw material and work in progress. There is some amount of investment in receivables, and there is some amount of investment in retentions. There is presently more investment in the EPC business.
14. The management stated that they are booking new fresh orders in the areas of different kinds of boilers, for sugar machinery and distilleries as well as air pollution control equipment.
15. The management informed that There is a loss in this quarter in Eagle Press. That gets consolidated to manufacturing of machinery and equipment.
16. For Hitachi Zosen which is a subsidiary of Isgec Heavy Engineering Limited , the company has done about INR 150 crores in revenue and about INR 4 crores in profit.

Analyst's View

ISGEC Heavy Engineering is a well-known company that's all about heavy engineering and manufacturing of industrial products like process equipment, boilers, and pressure vessels. They have a solid reputation and a lot of experience in the field, making them a great investment opportunity. They have a diverse product range, strong brand image, and strong relationships with clients from a variety of industries. Of course, there are also some challenges to consider, such as the ups and downs of the heavy engineering industry, competition from both domestic and international players, and the risk that comes with relying too much on a few key clients or industries. But things are looking up. The company is experiencing an overall increase in demand and has been receiving more export inquiries lately. The ethanol plant capacity is being increased. And that will, help in reducing it will not really change the revenue very much, but it will reduce the fuel cost, it will reduce some of the costs. To that extent next year, ethanol will show a better margin.

Praj Industries

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.

	Quarterly Performance										
	PRAJ INDUSTRIES LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**260**	**348**	**567**	**386**	**532**	**586**	**829**	**730**	**877**	**910**	**3,345**
% Growth YOY					*105%*	*68%*	*46%*	*89%*	*65%*	*55%*	
Expenses	243	308	492	356	486	535	751	674	809	824	**3,058**
EBITDA	**18**	**40**	**75**	**31**	**46**	**51**	**78**	**56**	**68**	**86**	**288**
Depreciation	6	6	5	5	5	5	7	6	7	7	**27**
EBIT	12	34	70	25	41	46	71	49	60	79	**260**
EBIT Margin	*5%*	*10%*	*12%*	*7%*	*8%*	*8%*	*9%*	*7%*	*7%*	*9%*	
Interest	1	1	1	1	1	1	1	1	1	1	**3**
Other Income	4	5	4	5	7	5	7	5	6	8	**27**
Profit before tax	**16**	**39**	**73**	**30**	**47**	**50**	**78**	**54**	**66**	**86**	**284**
PBT Margin	*6%*	*11%*	*13%*	*8%*	*9%*	*9%*	*9%*	*7%*	*8%*	*9%*	
% Growth YOY					*198%*	*30%*	*7%*	*82%*	*41%*	*71%*	
Tax	4	11	21	8	13	13	20	13	18	24	**75**
Net profit	**11**	**28**	**52**	**22**	**33**	**37**	**58**	**41**	**48**	**62**	**209**
% Growth YOY					*193%*	*32%*	*11%*	*86%*	*44%*	*68%*	

Detailed Results:

1. The company delivered a strong quarter with revenue rise by 55% YoY.
2. PAT grew by 68% YoY.
3. At end of the quarter, cash and bank balances stood at Rs 604 Cr.
4. Export revenue accounted for 17% in Q3 FY23.
5. Segment-wise revenue breakup:
    - Bio Energy: 72.7%%
    - Engineering: 19.6%
    - Hi Purity: 7.7%
6. The order intake in this quarter stood at Rs. 3380 Cr, with 87.5 % coming from the domestic market.
7. Total order intake distribution in Q1 FY23:
    - Bio Energy: 77.2%
    - Engineering: 17.3%
    - Hi Purity: 5.5%
8. The order backlog stood at Rs. 3241.7 Cr with 84.5% being domestic orders at end of this quarter.

9. EBITDA margin in Q1 FY23 was at 7.64%, down by 28 bps YOY.

Investor Conference Call Details:

1. The company successfully commissioned Asia's largest single train 510 KLPD syrup to an ethanol plant where all performance parameters were achieved within 72 hrs of plant commissioning
2. The company is building a large-scale commercial CBG plant for one of the leading business conglomerates in India while its MoU with Axens of France, for Sustainable Aviation Fuel projects, to decarbonize the aviation sector in India is yet another milestone development as per the management.
3. The management states that Around 75% of the orders came for ethanol plants based on the starchy feedstock & it expects this to shift towards sugary feedstock going forward.
4. On the international biz front, the company recently completed an engineering audit for a few ethanol plants in the USA which are expected to help ethanol producers finalize their investment decisions for deploying the company's low-carbon ethanol technology solutions.
5. On the 2G front, pre-commissioning activities are underway at IOCL Panipat plant while On the international front, in Europe, discussions are advancing in a positive way with various prospects regarding its technology offering
6. As for CBG, its first rice straw-based commercial plant is in the final stages of commissioning & the mechanical completion is expected by end of March 2023.
7. The company is witnessing increasing traction for offerings in the High-Capacity fermenters, which accounts for 20% of the total OB this year. It also booked its first order in the Semiconductor sector.
8. To address the growing opportunity basket from Energy Transition and Climate Actions agenda, the company is planning to set up a new subsidiary with an investment of Rs. 100 crores.
9. In the CBG plant development biz, the focus is on only the processing part of that plant, which is almost 50% to 55% of any Greenfield CBG project.
10. The company's rationale for capex is "demand is increasing not only for the equipment, but the modularization is actually taking a very definitive state and it believes that the demand which it is witnessing, its existing facility at Kandla will not be sufficient to serve that kind of a demand".
11. The management believes that since its old order book was hampered by inflation due to its nature being a fixed-cost base, it is expected to get over by Q1Fy24, therefore the margins should trend upwards in the coming financial year.
12. The Govt. commitment to investing 10,000 Crs in CBG penetration is a major positive, however, the company is closely monitoring the developments before taking any major action.
13. The company's increased focus on margins lead to the company being very selective (especially in new segments) leading to a market share reduction from 60% to 50%.
14. The market share scenario in CBG will be different Vs ethanol since there are more players in the CBG segment.
15. The management based on its experience in SIAM's auto expo believes that the percentage of flex fuel vehicle is going to be on the higher side, which will add to the demand which is required for ethanol.
16. The management explained its MOU with Axens by stating - "there are 2 parts, first leg and second leg. The second leg is related to SAF manufacturing. We have joined hands with Axens, where we will be using Axens technology for the conversion of whether isobutanol to SAF or conversion of ethanol to SAF. So, that's the leg where Axens is going to play a role. We are going to play a role in isobutanol and ethanol. And that ethanol is going to be low-carbon ethanol. So, it's a change where both of us are going to play a role first part by Praj; second part by Axens."

17. The company's growth framework stands as - in the short term, ethanol is going to play a big role; short to medium term role in the Bioenergy segment, CBG will play a major role & from medium to long term, SAF is going to play a big role.
18. The ethanol blending levels stand at 12% currently.
19. The additional 8% blending will require 450-500 million liters, translating to 100-150 plants which will have a revenue potential of 10,000 Crs out of which Praj targets 6,000 Crs.
20. The RCM biz opportunity is expected to take a long term to materialize.

Analyst's View

Praj is one of the global market leaders in the bio-based technologies and engineering space. The company delivered another stellar quarter with revenue growth of over 55% YoY in this quarter. Ethanol-blended diesel is also now up to BSIV norms and should become commercially viable once it can meet BSVI norms. It remains to be seen how long the momentum for Praj will continue, management scale up its new capex and how long will it take for the 2G and ethanol-blended diesel to become commercially viable. Sustainable Aviation Fuel (SAF) space is also gaining traction on the back of rising environmental awareness and climate change action. Nonetheless, given the company's strong track record, strong tailwinds of the industry, the ambitious govt target of reaching 20% blending by 2025, and the rising international acceptance of biofuels as a credible alternative for reducing emissions, Praj Industries remains a pivotal Pick & Shovel play on the ethanol and biofuel sector that every investor should watch out for.

SIS

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**2,158**	**2,358**	**2,445**	**2,379**	**2,431**	**2,601**	**2,648**	**2,678**	**2,768**	**2,904**	**10,998**
% Growth YOY					*13%*	*10%*	*8%*	*13%*	*14%*	*12%*	
Expenses	2,028	2,211	2,322	2,259	2,309	2,471	2,524	2,557	2,658	2,778	**10,517**
EBITDA	**130**	**147**	**123**	**121**	**122**	**129**	**124**	**121**	**110**	**126**	**481**
Depreciation	28	28	29	27	26	28	30	29	33	34	**126**
EBIT	101	119	95	94	96	101	95	92	77	92	**356**
EBIT Margin	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	*3%*	*3%*	
Interest	33	29	28	25	25	25	25	25	28	31	**108**
Other Income	67	38	74	12	8	28	9	7	10	4	**31**
Profit before tax	**135**	**129**	**141**	**81**	**80**	**104**	**79**	**75**	**59**	**66**	**279**
PBT Margin	*6%*	*5%*	*6%*	*3%*	*3%*	*4%*	*3%*	*3%*	*2%*	*2%*	
% Growth YOY					*-41%*	*-19%*	*-44%*	*-8%*	*-25%*	*-37%*	
Tax	27	30	39	21	11	4	-18	-8	-8	-38	**-72**
Net profit	**108**	**99**	**102**	**59**	**68**	**101**	**97**	**82**	**67**	**103**	**350**
% Growth YOY					*-37%*	*2%*	*-5%*	*39%*	*-1%*	*3%*	

Detailed Results:

1. Consolidated sales grew by 12% YoY & whereas PAT remained flat with 3% growth.
2. Security Solutions – India, had a q-o-q increase over Q2 FY23 of 4.6% and a y-o-y increase of 21.0% over Q3 FY22; b. Security Solutions – International, had a q-o-q increase over Q2 FY23 of 5.0% and a y-o-y decrease of 2.2% over Q3 FY22 (6.1 % and -1.2% growth respectively on a constant currency basis); and c. Facility Management Solutions had a q-o-q increase of over Q2 FY23 of 5.5% and a y-o-y increase of 35.2% over Q3 FY22.
3. a. Security Solutions – India reported EBITDA of 4.9% which was a q-o-q increase of 50 bps. b. Security Solutions – International reported EBITDA of 4.0% which was a q-o-q increase of 70 bps; and c. Facility Management Solutions reported EBITDA of 4.0% which was a q-o-q decrease of 40 bps.
4. EBITDA margins for the quarter were 4.4%.
5. OCF to EBIDTA was 1.1%
6. Net debt to EBITDA was at 2.06 times in Q3.
7. EBITDA for the quarter saw a 2.6% decline YoY.
8. The return on Equity for the period is 16.7%.
9. The Contribution towards group revenues & EBITDA -

I. Security solutions India – 41.4% & 46.2% (EBITDA% @4.9%)
II. Security solutions International – 42% & 38.2% (EBITDA% @ 4%)
III. Facility management solutions – 17.1% & 15.6% (EBITDA% @ 4%)
IV. Cash logistics EBITDA% @ 15.2%

Investor Conference Call Highlights

1. Currently, only 6% of the company's customers who are in Security use Facility Management services & the company is taking efforts to increase cross-sell opportunities through a monthly lead exchange program.
2. The company's VProtect business, which does alarm monitoring, has roughly 13,000-plus connections now & has secured another 7,000 connections from banks which will have an EBITDA of 20% plus.
3. The management explains that all its contracts have an automatic price escalation clause on a pro-rata basis, although there's always a time lag as it starts paying first, and then puts up invoices to customers.
4. The management when asked about the moat for the biz stated " this industry does not have barriers to entry. It's fairly easy for somebody to set up a security company or a facility management company. But the barrier is to scale. And I'll give you the statistics. There are more than 15,000 licensed private security businesses in India, but only two of them have revenues of more than ₹2,000 crores. Less than 200 of them have revenues of more than ₹200 crores."
5. The company's moat can be summarized as A) a network of branches serving across 650 districts of the country, B) a very robust supply chain with 14 residential training academies to supply trained manpower across the country at short notice & C) Automated systems to handle 250,000 employees.
6. The company's India security biz has seen a turnaround in performance with EBITDA improving from 3.8% to 4.9% in 3 quarters & the management is confident of clocking 6% in coming quarters.
7. No single client contributes more than 1% of total revenues.
8. The management states that the company's past record shows that the company in recession free, & will be able to grow at 2X GDP growth in FY23.
9. The company's bottom line got the benefit of 80JJAA where a deduction is available for hiring new employees.
10. The company's margins in Facility management decreased owing to one-off costs in the current quarter.
11. The company expects the net Tax Rate to be Zero owing to deductions.
12. The management states that international biz will deliver a low single-digit growth in FY22 which is very decent considering the temporary 50 million worth of temp contracts that exited the system in April making the base very high for FY21.
13. The Hendersen biz is reporting losses however, the biz is steadily picking up.
14. The lower OCF/EBITDA was a one-off event due to payroll cycle changes.
15. The company's brand operates separately as they cater to the specialized service requirement.
16. The company's cash biz is the second largest in the company & is growing faster than the market leader. The management also sees an opportunity of spinning this segment in the future to create value for shareholders.
17. The management maintains that growth is coming despite any major price revisions, & it also expects price revisions to take place which is evident from Gujarat's latest judgment of a 30% wage hike after a gap of 8 years.

Analyst's View

SIS is India's market leader in security, cash logistics, and facilities management. The company saw a mixed quarter with revenues rising almost 13% YoY while profit was almost flat. The management states that it was mainly due to start-up costs undertaken. The company is reporting strong numbers & is expected to clock pre covid margins in the coming quarter. 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.

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Salzer Electronics

Financial Results & Highlights

Brief Company Introduction

Salzer Electronics Limited is engaged in offering Total and Customised Electrical Solutions in switchgear, Wires & Cables, and the Energy Management business. It is also involved in manufacturing CAM Operated Rotary switches & Wire Ducts in India. The Co's Client base includes Alstom, BHEL, Indian Railways, Siemens, L&T, Schneider, Nuclear Power Corporation, GE Energy, etc. The Co is the largest manufacturer of Cam Operated Rotary Switches with a 25% share.

Quarterly Performance											
	SALZER ELECTRONICS LTD										
Narration	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**150**	**170**	**190**	**149**	**195**	**212**	**228**	**233**	**245**	**240**	**946**
% Growth YOY					*30%*	*24%*	*20%*	*56%*	*26%*	*13%*	
Expenses	131	153	174	134	176	194	215	213	220	216	**865**
EBITDA	**19**	**17**	**16**	**15**	**18**	**18**	**13**	**20**	**24**	**24**	**81**
Depreciation	4	4	4	4	4	4	4	4	4	4	**16**
EBIT	15	14	12	11	14	14	9	16	20	20	**65**
EBIT Margin	*10%*	*8%*	*6%*	*7%*	*7%*	*6%*	*4%*	*7%*	*8%*	*8%*	
Interest	6	5	5	5	5	5	5	6	6	7	**23**
Other Income	0	0	1	0	1	1	0	1	-0	0	**2**
Profit before tax	**9**	**8**	**8**	**6**	**10**	**10**	**4**	**11**	**14**	**13**	**43**
PBT Margin	*6%*	*5%*	*4%*	*4%*	*5%*	*5%*	*2%*	*5%*	*6%*	*6%*	
% Growth YOY					*14%*	*16%*	*-49%*	*89%*	*34%*	*40%*	
Tax	3	2	1	2	3	2	0	2	5	4	**12**
Net profit	**7**	**6**	**7**	**4**	**7**	**7**	**4**	**9**	**9**	**10**	**31**
% Growth YOY					*13%*	*13%*	*-45%*	*122%*	*20%*	*33%*	

Detailed Results:

1. The company had a decent quarter with revenue and profits increasing by 13% and 33% on a YoY basis respectively.
2. EBITDA margins stood at 9.9% Vs 8.35% YoY.
3. Revenue break up stood as- Industrial Switchgear: 57.86% of net revenues, Wires & Cables: 34.60% of net revenues, Building Electrical Products: 7.54% of net revenues.
4. Contribution from Exports stood at 28.34% while Exports revenue grew by 45.6% YoY in Q3 FY23 driven by higher exports to Middle East Africa, and North & South America.

Investor Conference Call Highlights

1. The margins rose mainly on account of an increase in sales from higher-margin industrial switchgear products.
2. The 3 Phase Dry-Type Transformer grew about 174% year-on-year in the quarter and about 138% in the 9 months, while Wire Harness grew 8% year-on-year during the quarter to INR 16.16 crores and 5.8% year-on-year in the 9 months ended FY '23.

3. The Wire & Cable division revenue declined close to 10% year-on-year in the quarter, mainly on account of a slowdown in the agri segment, leading to lower sales volumes where High inflation led to lower spending in rural markets that resulted in degrowth in this segment.
4. The Raw material prices have begun to stabilize because of this, the company is seeing the benefits of price hikes in the form of better margins quarter-on-quarter and year-on-year.
5. The company recently set up a new manufacturing facility in a rented space in Hosur, Tamil Nadu to manufacture wire harnesses and transformers with an initial investment of INR 15 crores. The new facility is spread over 30,000 square feet out of which, 15000 will be utilized in Phase 1 & full commercial production will start from March-April.
6. The company expects its India-built fast chargers for Indian EV markets to be ready for testing, approval, and also for sales by June-July 2023.
7. The company's subsidiary Kaycee Industries saw revenues increase by 24% year-on-year to INR 10 crores with margins of 11.4% EBITDA and 8.4% PAT level. The management expects Kaycee to continue to grow at a 30% to 35% level over the coming quarters.
8. The company continues to target achieving a consolidated revenue of INR 1,000 crores and an INR 40 crores PAT for FY '23.
9. Margins in the cable & wires division reduced by around 100 Bps in Q3 sequentially owing to copper price fluctuations.
10. The commercialization of electric chargers (which are in the prototype stage) is getting delayed from march to July owing to the difficulty in the absorption of technology and sourcing of various components for the product since the components are not available in India.
11. The company is going slow on the auto conversion kits since it doesn't see any bright scope for the same.
12. The management explains that operating leverage for the building products division will kick in post turnover of 100-120 Crs where EBITDA margins will rise to 8-10% from current levels of 2.5% with an expected turnover of 70 Crs for FY23.
13. The company plans to make 50-100 chargers a month in the first year with 8 lakhs ASP, but the management believes that this could be scaled up to 700-800 Crs in the future.
14. The government's thrust on capex in the budget should bode well for the company as per the management.
15. The Hosure capex will incrementally add to 25% of revenue growth in the future.
16. Working capital days stood at 130 where Inventory is at around 95 days, while the debtor is around 75 days.
17. The current capacity utilization segment-wise is between 65% and 80%.
18. The company's existing capacity for Wire Harnesses and Toroidal Transformers was fully utilized owing to the company being a preferred supplier with various customers across the world including various OEMs which is translating to higher demand.
19. The company's gross margins have reduced in the past several years owing to higher contributions from the Wires & Cables division.
20. The company's share in EV charger JV stands at 26% with rights to go up to 50%.
21. The company is guiding for a 20% growth in FY24 with the majority coming from industrial switchgear products.
22. The company believes that the working capital days can reduce to 105-110 days within the next 3 quarters.
23. The company has a benchmark of working capital debt to be not more than 20-25% of revenues.
24. The company EV charges have an import components share of 60% & will be solely used for 4-wheelers.
25. The company's internal ROCE target stands at 18% & it strives to achieve it in the next 2 years.

26. The company's wire harness biz couldn't grow as per expectations owing to its customers facing a lot of chip shortage issues where they scaled down their production to a large extent.

Analyst's View

Salzer electronics saw a decent quarter with revenue growth of 14% primarily due to industrial switch gears whereas its Wire & cables biz perform poorly. The company is venturing into the production of EV chargers through the JV route with a 26% stake. It remains to be seen how the company will counter wild fluctuation in prices of commodities like copper, scale up the biz to get operational leverage, develop & commercialize its new products & reduce its working capital cycle to improve returns on capitals. Nonetheless, given its strong positioning, Strong tailwinds, and Promoter pedigree coupled with their renewed investments in biz through preferential allotment of shares at a higher price Vs market rates, Salzer seems like a good stock to keep on one's watchlist.

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Sahyadri industries Ltd.

Financial Results & Highlights

Brief Company Introduction

Established in 1947, SIL is engaged in providing building material products for interior and exterior building systems and roofing solutions. SIL got listed on the stock exchange in year 2006-07. It operates through five manufacturing plants located across four states ' Maharashtra, Gujarat, Tamil Nadu and Andhra Pradesh, and sells its products under the brand names - Swastik, Cemply and Ecopro through a network comprising over 3,000 distributors. The company also operates nine windmills in Maharashtra and Rajasthan.

	Quarterly Performance										
	SAHYADRI INDUSTRIES LTD										
Narration	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**91**	**100**	**133**	**195**	**104**	**110**	**133**	**191**	**113**	**123**	**560**
% Growth YOY					*14%*	*10%*	*0%*	*-2%*	*9%*	*12%*	
Expenses	72	84	111	149	84	96	116	155	98	107	**477**
EBITDA	**19**	**16**	**22**	**46**	**20**	**14**	**17**	**36**	**15**	**16**	**83**
Depreciation	4	3	4	4	4	4	4	5	6	6	**21**
EBIT	15	12	19	43	16	10	13	31	9	9	**62**
EBIT Margin	*17%*	*12%*	*14%*	*22%*	*16%*	*9%*	*10%*	*16%*	*8%*	*7%*	
Interest	1	1	1	1	1	1	1	1	2	3	**8**
Other Income	3	1	1	1	2	1	1	1	1	1	**3**
Profit before tax	**17**	**12**	**18**	**43**	**18**	**10**	**13**	**30**	**8**	**7**	**57**
PBT Margin	*19%*	*12%*	*13%*	*22%*	*17%*	*9%*	*9%*	*16%*	*7%*	*5%*	
% Growth YOY					*4%*	*-20%*	*-30%*	*-30%*	*-54%*	*-33%*	
Tax	5	3	1	10	6	3	4	8	2	2	**17**
Net profit	**12**	**9**	**17**	**33**	**12**	**7**	**8**	**22**	**6**	**5**	**41**
% Growth YOY					*0%*	*-19%*	*-51%*	*-33%*	*-52%*	*-35%*	

Detailed Results:

1. The company saw moderate revenue growth of 12% YoY due to subdued demand for the roofing business in rural areas.
2. PAT degrew by 35% on a YoY basis.
3. EBITDA margins degrew by 70 bps to 13.1%.
4. PAT margins stood at 3.8%.
5. The company declared an interim dividend of INR 2.5 per equity share of the face value of INR 10 each for FY '23.

Investor Conference Call Highlights

1. The raw material costs are at elevated levels on the back of the inflationary trend prevailing in the economy. However, it has been able to pass on the partial increase in cost to its customers.
2. The stabilization of operations at the Perundurai plant resulted in increased expenditure, which impacted the bottom line.
3. The 9M capacity utilization was 66% with flagship product having a high capacity utilization than roofing products.
4. The capacity utilization will go to around 77% to 80% in Q4.
5. The company is on track to do revenue of INR 575 crores to INR 600 crores.

6. For capacity expansion in Maharashtra state for manufacturing of non-asbestos cement board, the plant having a capacity of 72,000 metric ton have been initiated & land has been identified and land acquisition is in process.
7. The Company is also in the process of setting up new unit in Orrisa state for manufacturing asbestos corrugated sheets of 120,000 metric tons.
8. The management states that utilisation levels for the current year were low due to low sales in Q1(their highest quarter) owing to unseasonal monsoon. The company in general gets hugely affected by monsoon due to its high concentration towards rural areas.
9. Forex had a negative impact of 9% coupled with 6-7% impact on costs of raw material due to Ukraine war. The company however passed 60-70% of the cost increase to customer.
10. The company doesnt hedge foreign currency imports.
11. The finance costs increased due to commissioning of new capacity coupled with higher working capital by 100 Crs.
12. The supplier of fibre has pricing power due to the duopoly market structure.
13. The company is engaging on only FOB contracts Vs COF in exports to avoid profits burn due to fluctuation of sea freight.
14. The Maharashtra capacity is expected to come live in Q4FY24.
15. The pricing in exports & domestic market is similar.
16. The revenue mix of asbestos and non asbestos for Q3 and 9M FY ’23 is 78:22.
17. The company’s annual marketing budget will be Rs.5 Crs.

Analyst’s View

Sahyadri is the market leader in Maharashtra for AC sheets market. It reported a mediocre quarter with sluggish revenue growth & PAT de-growth due to poor demand scenario & higher inflation costs coupled with forex fluctuations & finance, depreciation costs impacting the bottom-line severely.
It remains to be seen how the company will deal with shift from AC roofing to galvanized iron (GI) roofing sheets, Scaling up new capex, sluggish demand scenario & raw material inflation. However, given its strong market presence & relatively high capex for its size, the company remains an interesting small cap stock to keep in one’s watch list.

Star Health

Financial Results & Highlights

Brief Company Introduction

Star Health & Allied Insurance Ltd (Star) is India's first Standalone Health Insurance provider and is the largest private health insurer in India with a market share of 15.8% in the Indian health insurance market in FY21 with leadership in the attractive retail health segment.

	Quarterly Performance										
	STAR HEALTH & ALLIED INSURANCE COMPANY LTD										
Narration	**Jun-19**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	-	**1,533**	**787**	**2,388**	**2,702**	**2,711**	**2,801**	**2,891**	**3,002**	**3,073**	**11,766**
% Growth YOY					#####	*77%*	*256%*	*21%*	*11%*	*13%*	
Expenses	-	1,848	2,065	2,668	2,942	3,479	2,918	2,605	2,882	2,793	**11,197**
EBITDA	-	**-315**	**-1,278**	**-280**	**-239**	**-768**	**-117**	**286**	**120**	**280**	**569**
Depreciation	-	-	-	-	-	-	-	-	-	-	-
EBIT	-	-315	-1,278	-280	-239	-768	-117	286	120	280	**569**
EBIT Margin		*-21%*	*-163%*	*-12%*	*-9%*	*-28%*	*-4%*	*10%*	*4%*	*9%*	
Interest	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-2	0	0	7	0	1	2	1	2	**6**
Profit before tax	-	**-317**	**-1,278**	**-280**	**-232**	**-768**	**-116**	**288**	**121**	**282**	**575**
PBT Margin		*-21%*	*-163%*	*-12%*	*-9%*	*-28%*	*-4%*	*10%*	*4%*	*9%*	
% Growth YOY					#####	*143%*	*-91%*	*-203%*	*-152%*	*-137%*	
Tax	-	-75	-321	-71	-62	-190	-34	75	28	71	**140**
Net profit	-	**-242**	**-957**	**-210**	**-170**	**-578**	**-82**	**213**	**93**	**210**	**435**
% Growth YOY					#####	*139%*	*-91%*	*-202%*	*-155%*	*-136%*	

Detailed Results:

1. The company had a decent quarter with revenue rising by 13% while the company turned healthy profits Vs losses YoY.
2. The combined ratio for the quarter improved to 94.8% Vs 135% YoY.
3. Opex/GWP stood at 16.5%.

Investor Conference Call Highlights

1. In Q3, the health insurance industry including personal accidents has grown by 24.6% driven by 32% growth in group health and 17% growth in retail health.
2. For nine months in 2023, the company's retail health growth is 19.4% versus the industry retail health growth of 14.9%.
3. In Q3 FY '23 Star Health registered a 34% market share in retail health, which is 3x the second-largest player in the industry.
4. Star Health has registered a 42% retail health acquisition market share in nine months of FY '23 with Agency business contributing around 82% of the overall business for the company.
5. The company's agency strength has increased to 609,695 with an addition of approximately 23,700 agents in Q3 FY23. It is on course to add 80,000 to 100,000 agents in the current financial year.

6. The premium from corporate channels like banks has grown by 49%.
7. The company is focusing on the premiumization of its policies and the average sum assured of new policies has increased by 13% yearly to 8.8 lakhs per policy.
8. The company implemented a hike in its flagship product, the Family Health Optima to combat the structural rise in medical inflation post-COVID of approximately 25% premium increase effective from 1st February.
9. The premium from benefit products has grown by 70% in 9M on a YoY basis. The share of such products within overall GWP has increased by 79 bps to 2.3% in nine-month FY ’23 from 1.6% in nine-month FY ’22.
10. The Rural business has grown by 48% during the quarter on a YoY basis. The number of rural agents has also grown by 69% to 3,861 agents in this particular quarter.
11. The app downloads stood at 1.85 million downloads with The Star Power customer-facing app now available both on the Android and iOS platforms.
12. The premium collected directly from the website, as well as through third-party web aggregators and online brokers has grown by 27% Y-o-Y and now accounts for close to 10% of overall GWP in nine months FY ’23. The Organic traffic to the website has grown by 44% in Q3 FY ’23 of the same period last year and 14% sequentially over Q2 FY ’23.
13. The management explained its 4-prolonged claims settlement strategy as “ Number one, prudent claims settlement based on rich medical wisdom and insurance expertise. Well-negotiated volume-based pricing arrangement with network hospitals, which gives us operating leverage in terms of lower average claim size. The technology enabled fraud detection and mitigation. The fourth one is risk-based pricing through micro-segmentation of the portfolio.”
14. 80% of the amount in these nine months of FY ’23 is settled in claims through cashless where Cashless turnaround time remains around 90% within two hours.”
15. The share of hospitals with pricing arrangements stood at 76% Vs 64% YoY.
16. The company’s anti-fraud digital initiative led to a 1.2% incremental benefit in terms of lower claims ratio in Q3 of FY ’23 compared to Q3 of FY ’22.
17. The claims ratio in quarter three of FY ’23 has improved to 63.7% versus 104.6% in quarter three of FY ’22 and this was 68.2% for quarter two of FY ’23.
18. The Solvency as on December 31, 2022, is 2.17 times compared to the regulatory requirement of 1.50 times.
19. The share of Family Health Optima (FHO) to the total book stood at 46%.
20. The company is seeing strong growth in the bancassurance biz & expects its network to increase due to a new rule where banks are allowed to have tie-ups with nine insurance companies each.
21. The company’s current year growth will look muted due to its strategic decision of reducing the share of the group biz coupled with Q1 degrowth(in line with industry performance due to higher base effect). However, in the retail segment, it is comprehensively beating the industry in FY22 & expects to grow in the coming year by 20%.
22. The management doesn’t expect to lose a high number of agents due to the composite license scheme since it has a very strong presence in the market.
23. The company aspires to increase the share of benefits plans from the current level of 2% to 10%.
24. The management while explaining the seasonality of the biz said “loss ratio of 62.4% is only for the month of Jan. For quarter three it is 63.7%. So there is seasonality and cyclicity also in the business. So monthly ratio cannot be a guiding factor for decision making”
25. The company takes a price revision, not in anticipation but based on experience to achieve sustainable ICR for each and every product. And the price increases are taken considering that they will be sustained for three years.

26. The management states that the price hike is being well accepted by the market and that's being reflected in the initial results since it is seeing significant positive growth in new business for the third quarter.
27. The company's price hike of 25% is not uniform across the country & varies based on geography.
28. The company's strategy is to do quality growth of 18-20% while maintaining a combined ratio of 93-95%.
29. The management while answering an analyst said that the combined ratio of Care health(92% of H1FY23) is not a correct comparison due to different accounting policies wherein they follow the 50% accounting method Vs the company's 1/365 days.
30. The company's Opex is equally split between fixed & variable costs.
31. The management explains that by giving additional services to the customer, it offers more than just reimbursing a claim.
32. The company expects the share of the bancassurance biz to grow to 20% from current levels of 10%.
33. The management states that health insurance is the toughest biz to crack, & since it has done that, it gives them the confidence to do well in life insurance as well in the future as & when they venture.
34. The management believes that since health insurance is an engagement product Vs a commodity product, a price hike won't have a major effect on its market share as having the best servicing is it's USP Vs having the lowest cost.

Analyst's View

The company is the largest standalone health insurance company with strong operating metrics Vs its peers. The company saw a decent quarter & expects to grow by 20% in the coming financial year. It remains to be seen how the market will absorb its price hike in FHO products, coupled with high competition from other health insurance companies due to either their lower pricing or better partnerships with banks & other channels. However given its strong market presence & good growth prospects in the industry, Star health remains an interesting stock to keep on one's watchlist.

Stylam Industries

Financial Results & Highlights

Brief Company Introduction

Stylam Industries is engaged in the manufacturing of decorative laminates under the brand name "STYLAM" and exports its products primarily to European and South East Asian countries. It manufactures a wide range of high-quality decorative laminates, specialty surfaces, PU+ lacquer coating, solid surfaces and compact laminates. The Co. is the largest Laminate Producing group in India. About two-third of revenues are derived from exports to over 65 countries; the balance is derived from presence across the Indian subcontinent.

	Quarterly Performance										
	STYLAM INDUSTRIES LTD										
Narration	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	**115**	**124**	**170**	**131**	**172**	**177**	**180**	**235**	**246**	**234**	**895**
% Growth YOY					*50%*	*43%*	*6%*	*80%*	*43%*	*32%*	
Expenses	91	99	136	105	147	144	160	200	207	195	**761**
EBITDA	**24**	**25**	**35**	**26**	**24**	**33**	**20**	**35**	**40**	**39**	**134**
Depreciation	6	7	6	6	6	6	6	6	6	4	**21**
EBIT	19	19	29	21	19	27	14	30	34	36	**113**
EBIT Margin	*16%*	*15%*	*17%*	*16%*	*11%*	*15%*	*8%*	*13%*	*14%*	*15%*	
Interest	2	1	1	2	2	2	2	2	1	4	**10**
Other Income	1	0	1	0	4	-4	7	0	0	0	**8**
Profit before tax	**18**	**17**	**28**	**19**	**21**	**21**	**19**	**28**	**32**	**32**	**111**
PBT Margin	*16%*	*14%*	*17%*	*15%*	*12%*	*12%*	*11%*	*12%*	*13%*	*14%*	
% Growth YOY					*16%*	*23%*	*-33%*	*44%*	*56%*	*47%*	
Tax	4	5	5	5	6	6	3	7	8	8	**25**
Net profit	**14**	**13**	**23**	**14**	**15**	**16**	**16**	**21**	**24**	**24**	**86**
% Growth YOY					*8%*	*25%*	*-30%*	*51%*	*61%*	*54%*	

Detailed Results:

1. The company had a decent quarter with consolidated revenues rising 32% YoY while normalized PAT increased by 50% YoY.
2. Sales volumes grew from 2.4 Mn sheets in Q3FY22 to 3.01 Mn in Q3FY23.
3. EBITDA margins stood at 16.8% while the contribution margin stood at 44.1%.
4. Sales growth during the quarter was led by the export market, which was INR 154 crore and saw 35.3% YoY growth and 6.2% QoQ degrowth. Further, domestic sales also witnessed a significant uptick on a YoY basis, clocking sales of INR 80 crore (26.8% YoY growth and 2.7% QoQ degrowth).
5. The working capital cycle stands at 96 days for the third quarter (vs. 82 days for Q2FY23), due to an increase in receivables and inventory holding days and a decrease in payable days.
6. Net debt stood at INR 47 crore as on 31st December 2022 while Net worth stands at INR 385 crore.

Investor Conference Call Details:

1. Management states the Inability to get containers from Russia which it sells to Ukraine via Poland lead to a revenue shortfall of 2-3%.
2. Management states that solid acrylic which is an import substitute product generated decent sales of Rs.7.5 Crs in the current quarter & expects to double in Q4.

3. The company is confident about booking higher margins in the coming period due to the use of new Raw material stock which the company got at a reduced price.
4. Plant utilization stood at 80%.
5. Maintenance capex per year will stand at Rs.10-15 Cr.
6. The management states that the effect of Global supply chain issues is minimal on the company as it doesn't produce anything without advance payment.
7. Quarterly Domestic volumes increased from 9.05 lakhs to 12.15 lakh sheets YoY.
8. The company has 200 distributors in the domestic market.
9. Management explains that 60-65% of its turnover is from branded goods while in the non branded segment, its customers include ThyssenKrupp who use in their elevators and escalators & hence don't need any brand.
10. The current share of value-added products stands at 5-7%, however, the management is hopeful of increasing this share to 25-30% in 3 years timeframe.
11. The management is targeting to clock 1800-2000 Crs from its existing capacity in the coming years.
12. The total capex on the railing sheet has been around 50-65 Crs.
13. The management believes that the credit period in the domestic laminates segment will reduce in the coming years as brand recognition increases.
14. The govt is also planning to impose an anti-dumping duty in the acrylic sheets segment which will benefit the company.
15. The company is not facing any logistics issues.

Analyst's View:

Stylam is one of the largest laminate players in the country with a vast presence in the export market. It reported stellar performance with revenue growth of 32% & profit growth of 50% YoY. It remains to be seen how the company will be able to ramp up its domestic & acrylic product revenues coupled with the potential softening of demand in Europe. However, it remains an interesting stock to keep on one's watchlist.

Tarson products

Financial Results & Highlights

Introduction:

Tarsons Products Ltd. (TPL) is an Indian labware company engaged in the designing, development, manufacturing, and marketing of 'consumables', 'reusables', and 'others' including benchtop equipment, used in various laboratories across research organizations, academia institutes, pharmaceutical companies, Contract Research Organizations, Diagnostic companies, and hospitals. Tarson is one of the top three labware manufacturing companies in India and has a market share of 9-12% of the labware market in India. The company's clientele includes Emami, Himalaya, HUL, Lupin, Mankind, Nestle, Patanjali, Sun Pharma, Anchor, etc.

	Quarterly Performance										
	TARSONS PRODUCTS LTD										
Narration	Jun-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**42**	**60**	**68**	**69**	**76**	**71**	**85**	**69**	**71**	**61**	**286**
% Growth YOY					*81%*	*17%*	*26%*	*-1%*	*-6%*	*-13%*	
Expenses	30	30	33	32	38	38	41	37	39	35	**151**
EBITDA	**12**	**31**	**35**	**37**	**38**	**33**	**44**	**31**	**33**	**27**	**135**
Depreciation	3	3	3	5	5	5	7	6	7	7	**27**
EBIT	8	27	31	32	34	28	37	25	26	19	**107**
EBIT Margin	*20%*	*45%*	*47%*	*47%*	*44%*	*39%*	*44%*	*36%*	*36%*	*32%*	
Interest	1	1	1	1	2	1	0	0	1	1	**3**
Other Income	2	2	1	2	1	2	3	3	4	3	**12**
Profit before tax	**9**	**28**	**32**	**33**	**34**	**29**	**39**	**27**	**29**	**22**	**117**
PBT Margin	*22%*	*47%*	*47%*	*48%*	*44%*	*41%*	*46%*	*40%*	*40%*	*35%*	
% Growth YOY					*259%*	*2%*	*24%*	*-18%*	*-14%*	*-25%*	
Tax	2	7	8	9	9	7	10	7	7	5	**30**
Net profit	**7**	**21**	**24**	**25**	**25**	**21**	**29**	**20**	**21**	**16**	**87**
% Growth YOY					*257%*	*2%*	*25%*	*-18%*	*-14%*	*-25%*	

Detailed Results:

1. The company witnessed revenue degrowth of 13% YoY in consolidated terms in Q3.
2. The profits for the company were down for Q3 with a rise of 25%.
3. The EBITDA margins for Q3FY23 stood at 43.5% Vs 46.9%.
4. Exports: Domestic stood at 66:34.

Investor Conference Call Highlights:

1. The overall industry is slowing down on the back of current recessionary trends and aftereffects of the COVID pandemic. The company witnessed a slowdown across its end markets, including diagnostics, academia as well as research institutes. However, management expects this to be a temporary phenomenon.
2. The revenue decreased owing to industry degrowth coupled with a higher base of the previous year because of covid related products.
3. The outperformed industry growth in the current quarter.

4. Margins decreased on account of a change in product mix as well as reverse operating leverage going out on account of a dip in revenues for the current quarter. They were also impacted on account of higher sales promotional, marketing, and travel expenses for their participation in various shows and exhibitions.
5. The company's new Panchla facility will enable it to serve a completely new segment of the plastic labware industry. While in Amta, West Bengal, it is expanding in some key products as well as building a fulfillment center to consolidate its warehouse operations into a single centralized unit to better manage its inventories and achieve cost synergies. It also aims to do backward integration in the same facility.
6. The management believes that the Indian plastic labware market is at a very nascent stage with huge potential in the export markets.
7. The company is less concerned about the demand slowdown's impact on new capacity utilizations due to it being temporary in nature coupled with the majority of its expansion being for new products which it never made before as against products in which it is expanding capacities.
8. The management states that the industry is saturated at this point with a lot of pent-up stock owing to the huge artificial demand led by COVID.
9. The company sees sales of PET bottles get delayed till March of FY23 owing to large internal approvals requirements.
10. The Panchla capex will be completed by May.
11. The company's capacities are not fungible & each is specialized for the production of a particular product only.
12. The company normally expects capacity ramp-up to take 3-5 years depending on industry conditions.
13. The company doesn't have any orders for its new capacity since it will produce new products which will be needed to be marketed first to its customers for feedback.
14. The company is seeing pressures in the diagnostics space owing to the entry of new entrants leading to price erosion for diagnostics cos & since the company doesn't want to indulge in high-discount products, it is seeing volume degrowth.
15. The company is refraining from giving any guidance owing to the volatile environment.
16. The company's export market strategy is to find agents & representatives while the company will continue to do biz from Kolkata.
17. The company doesn't cater to biotech and CRO because it doesn't have a product line to approach them on a very large scale.
18. The global market size for labware & related products which the company is addressing through its existing plus new products in the future is INR 50,000 Crs while the Indian market size is 1,200 Crs.
19. The top 3 export customers contribute 40% of total export revenues.
20. The Amta facility is currently under construction and should be completed by the month of July and August.
21. In FY22, covid led products contributed about 15% of total revenues.

22. The depreciation & the 500 Crs capex will hit the P&L numbers in the form of fixed costs in the coming quarter.

Analyst's View:

The company had a tough quarter with revenues plunging by 15% owing to an industry-wide slowdown coupled with a higher base of the previous year because of covid led slowdown. Although the management believes that the current situation is an anomaly, the company is refraining from giving any guidance owing to the volatile environment. It remains to be seen how the company will increase its presence in the export market, tackle the slowdown in the end-user industry, deal with possible margin erosion, especially from the diagnostics segment & ramp up its new capacity considering the gloomy demand environment. However, due to its strong market positioning & industry growth tailwinds in the long term, Tarsons remains an interesting stock to keep on one's watchlist.

TD power systems

Financial Results & Highlights

Brief Company Introduction

TDPS, based in Bengaluru, commenced operations in 2001 and manufactures AC generators with capacities up to 200 MW. The company also executes turbine-generator islands for steam turbine power plants with capacities up to 52 MW.The TDPS group is among the leading AC generator manufacturers in the 1-50 megawatt (MW) segment in India. Over the years, the group has been able to partially offset the slowdown in domestic demand, by expanding into the overseas market and building relationships with key multinational original equipment manufacturers (OEMs). TDPS has five wholly owned subsidiaries - DF Power Systems Pvt Ltd in India, TD Power Systems (USA) Inc in USA, TD Power Systems Japan Ltd in Japan, TD Power Systems Europe GmbH in Germany and TD Power Systems Jenerator Sanayi Anonim Sirketi in Turkey

	Quarterly Performance										
	TD POWER SYSTEMS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**183**	**169**	**168**	**163**	**227**	**180**	**227**	**205**	**213**	**205**	**850**
% Growth YOY					*24%*	*7%*	*35%*	*25%*	*-6%*	*14%*	
Expenses	155	144	149	148	203	158	197	177	187	172	**732**
EBITDA	**28**	**24**	**19**	**15**	**24**	**22**	**31**	**28**	**26**	**33**	**117**
Depreciation	5	5	5	5	6	6	6	5	5	5	**21**
EBIT	22	19	14	10	19	16	25	22	21	28	**96**
EBIT Margin	*12%*	*11%*	*8%*	*6%*	*8%*	*9%*	*11%*	*11%*	*10%*	*14%*	
Interest	1	2	-0	1	0	0	1	1	0	-	**2**
Other Income	2	8	4	4	3	9	8	7	6	0	**22**
Profit before tax	**23**	**25**	**18**	**13**	**21**	**25**	**33**	**28**	**27**	**29**	**116**
PBT Margin	*12%*	*15%*	*11%*	*8%*	*9%*	*14%*	*14%*	*14%*	*13%*	*14%*	
% Growth YOY					*-7%*	*-2%*	*82%*	*113%*	*26%*	*16%*	
Tax	4	4	3	3	5	5	8	7	7	9	**30**
Net profit	**19**	**21**	**15**	**10**	**16**	**20**	**25**	**21**	**20**	**20**	**86**
% Growth YOY					*-14%*	*-7%*	*60%*	*107%*	*24%*	*3%*	

Detailed Results:

1. The company saw revenue increase by 14% while PAT grew by 3%.
2. Manufacturing saw revenue growth of 7.4% while Projects biz grew by 97.4%.
3. Consolidated EBITDA margins grew from 12.7% to 15.5% YoY while PAT margins reduced by 94 Bps to 9.9%.
4. Total order inflow during the quarter grew by 37%.

Investor Conference Call Highlights

1. The Manufacturing order book, including Turkey operations, is INR 13.73 billion, which is INR 5.05 billion for the manufacturing business, INR 8.47 billion for the railways business, and INR 0.21 billion for the Turkey business.
2. Order inflow from the domestic market is INR 2.66 billion compared to INR 1.7 billion, an increase of 56% and order inflow from export is INR 3.4 billion versus INR 2.42 billion, an increase of 40%.

3. The company is no longer in the project's business. Hence, going forward, all orders booked by a branch office in Japan will be classified under the manufacturing segment, which comprises generator sales, spare parts, and other related jobs.
4. The company expects EBITDA for the year-end to be at 16% & Foreign exchange gains have been included in this EBITDA calculation.
5. The outlook for steam turbine & Hydro is very strong & the coming year is expected to be the strongest performance yet.
6. The company expects e expect at least 100 megawatts of total orders in the gas turbine segment from the fracking industry for the next financial year.
7. The management is expecting the aftermarket business to be in the region of 7% to 8% of next year's sales.
8. The management expects operating leverage to kick in post-1000 Crs of turnover.
9. All the subsidiaries except TDPS Turkey were profitable, & will suspend manufacturing operations in Turkey by 31st May 2023.
10. The GPM increased owing to a number of service jobs and aftermarket jobs in Q3.
11. Exports are 60% of the total order inflow.
12. The strong capex cycle in India & increase in Renewables coupled with low penetration in Europe gives the company confidence about sufficient room to grow.
13. The company expects strong orders to flow in FY25 if its customer wins the 12,000 horsepower railway contract.
14. In the motors segment, the company will focus on Niche areas like Synchronous motors & these will be for very special applications in the nuclear power industry or in the thermal power industry for very large motor pumps Vs small mass market motor biz.
15. The company will completely shut down the turkey biz in a year if the macroeconomic environment doesn't improve.
16. The company doesn't expect to touch its FY12-13 peak margins through any measure other than operating leverage.
17. The company currently has a manufacturing capacity of INR 1,400 crores to INR 1,500 crores from the existing plants without much capex.
18. 95% of the sales internationally are primarily for renewables Vs 50% for India.
19. The company's standalone biz grew by 20% on a 9M basis while consolidated revenues grew by only 10% due to negligible Turkey biz.
20. In the traction motors biz with railways, the company is currently under the qualification stage & if its current motors pass the 6-month test period, then the company will eligible to participate in tenders.
21. The railway's biz will have better contribution margins vs existing margins provided the company becomes a Category 1 / 2 supplier.
22. The company's projection for the coming year doesn't factor in potential railways biz.
23. Several growth opportunities in the future include nuclear power, irrigation projects & specialized motors for compression in the LNG pipeline space.
24. The management when asked about current industry dynamics said "all the companies in the power business are doing well. And everybody has the capacity. So we're not seeing new players coming in. But it's good that these industries have suffered for so long and are doing well, and I hope it continues for a longer time".

Analyst's View

TD power systems are seeing strong growth owing to favorable industry tailwinds in the form of capex cycle revival, shift towards renewable energy, higher contribution from high margin aftermarket biz & strong spending from Indian railways. The company saw a decent quarter with Revenue growth of 14%. It remains to be seen how the company will tackle this inflationary climate, the poor performance of its turkey subsidiary & high competition in the Railways segment coupled with the lack of any major capacity addition plans to service the potential demand in the future. Nonetheless, given its strong market positioning & promoter's experience coupled with strong tailwinds, it remains an interesting company to keep track of.

QSR
Barbeque Nation

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.

	Quarterly Performance										
	BARBEQUE-NATION HOSPITALITY LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**76**	**195**	**226**	**102**	**221**	**287**	**251**	**315**	**311**	**328**	**1,205**
% Growth YOY					*190%*	*47%*	*11%*	*209%*	*41%*	*14%*	
Expenses	80	154	181	120	180	221	206	244	252	266	**969**
EBITDA	**-4**	**41**	**46**	**-18**	**41**	**66**	**45**	**70**	**58**	**62**	**235**
Depreciation	30	31	29	29	30	34	34	35	35	38	**142**
EBIT	-34	10	16	-47	11	32	11	35	23	24	**93**
EBIT Margin	*-45%*	*5%*	*7%*	*-46%*	*5%*	*11%*	*4%*	*11%*	*8%*	*7%*	
Interest	22	22	19	17	15	17	16	17	18	18	**70**
Other Income	12	11	11	7	9	5	6	3	5	3	**17**
Profit before tax	**-45**	**-1**	**8**	**-56**	**4**	**19**	**0**	**21**	**10**	**9**	**40**
PBT Margin	*-59%*	*-1%*	*4%*	*-55%*	*2%*	*7%*	*0%*	*7%*	*3%*	*3%*	
% Growth YOY					*-110%*	*-1731%*	*-97%*	*-137%*	*133%*	*-54%*	
Tax	-9	0	2	-12	1	4	-0	5	3	2	**9**
Net profit	**-36**	**-1**	**6**	**-43**	**3**	**14**	**-0**	**15**	**7**	**7**	**29**
% Growth YOY					*-108%*	*-1673%*	*-101%*	*-136%*	*143%*	*-54%*	

Detailed Results:

1. There was a marginal decline in same store sales growth by 1.2%.
2. In Q3 FY2023 consolidated revenue from operations were Rs.328.2 Crores, delivering a year-on-year growth of 14.5% and sequential growth of 5.7%.
3. Dine in business grew by 4.4% led by volume growth. Delivery business has seen a growth of 15% on sequential basis entirely led by volume growth.
4. Gross margins improved by 60 basis points.
5. EBITDA margin for the quarter was Rs. 63 Crores.
6. EBITDA margin was 19.2% as compared to reported EBITDA margins of 24.5% in the same quarter of the previous year.
7. Consolidated gross margin for the quarter was 66.7% compared to 66.1% in Q2 in FY2023.
8. The new restaurants reported margins of 5.3% with average annualized revenue of around Rs.4.5 Crores.
9. Revenue from Toscano business increased by around 45%
10. International business recorded year-on-year revenue growth of around 23% with very strong margins.

11. Nine-month capex is approximately Rs.110 Crores that the company has incurred.

Investor Conference Call Highlights

1. The management stated that of the existing 212 restaurants, Barbeque Nation India network has 192 restaurants, Toscano has 14 restaurants and international portfolio has six restaurants.
2. The management stated that currently around 14 restaurants are under construction and they are confident of achieving their target of 40 new restaurants during FY2023.
3. The management stated that the growth in revenue from operation was led by 18% growth in dine-in business driven by both increase in dine-in volumes and prices.
4. The management stated that their margins were impacted by a higher mix of new and yet mature restaurants coupled with lower than expected SSSG growth of the matured portfolio.
5. The management stated that on a year-to-year basis, their delivery segment has declined by 3% led again by decline in average order value which was offset by increasing number of transactions in the delivery segment.
6. The management stated that Dum Safar, their new Biryani brand is now available at over 50% of their network and it continues to generate strong traction with customers.
7. The company's SSSG in the core dine-in segment was positive 1.7%. While SSSG in the delivery segment, it was negative.
8. The management stated that the improvement in gross margin was driven by operating efficiencies and stable input cost.
9. The management stated that of the total 5.1% decline in margins, approximately 190 basis points (bps) was due to lower SSSG and impact of negative operating leverage and around 220 bps was impacted due to change in revenue mix between matured and new stores.
10. The management stated that Overall app downloads have increased to around 5.4 million.
11. The share of Barbeque Nation India revenues from its own digital assets was 27.6% in Q3 FY2023.
12. The management stated that for the new stores, in the first six months it was almost break even post that end of year one, it reached to around 7% to 8%. At the end of say year two it will be around 15% and the year three it reaches to around 20% to 21%.
13. The management stated the reason for the closure of the three stores. Two of them were shut down because the company did not see that expansion in margins and the biggest issue was the management bandwidth that it used to take. Another store was shut down because the location of that particular site was an issue.
14. The management stated that the restaurants in tier three cities have not done that great.
15. Out of 40 sites that the company opened this year around 37 of these are from Barbeque Nation, three are coming from Toscano and none from international.
16. The management stated that the month on month ADS on the bucket of Dum Safar is approximately Rs. 7,000 now. This is per day right so they think on all fronts they are seeing some traction on this business.
17. The management told the distribution of the capex which is divided in broadly three categories. So, approximately Rs.90 Crores has gone into new restaurants, around Rs.10 Crores have gone into regular maintenance capex and another Rs.10 Crores have gone into two of their specialized projects one is Biryani brand Dum Safar and other in water projects that they have taken up this year.
18. The management stated that they hosted some campaigns to target specific customer groups and specific day parts to increase the attraction like Happy Monday and Tuesday offers etc.

Analyst's View

Barbeque Nation is one of the most recognizable casual dining restaurant chains in India.The company is confident of achieving their target of 40 new restaurants during FY2023. The company has also gained traction on its digital platform. It remains to be seen what obstacles will the company face in expanding the new restaurant chain, generate meaningful SSSG to ensure operating leverage kicks in & margins are maintained 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)

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.

	Quarterly Performance										
	RESTAURANT BRANDS ASIA LTD										
Narration	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**TTM**
Sales	-	-	321	298	357	435	400	489	525	526	1,940
% Growth YOY					#DIV/0!	#DIV/0!	24%	64%	47%	21%	
Expenses	-	-	301	287	344	384	380	460	500	497	1,836
EBITDA	-	-	21	11	14	52	20	29	25	30	104
Depreciation	-	-	57	57	58	59	59	70	67	68	263
EBIT	-	-	-36	-47	-44	-7	-39	-41	-42	-38	-159
EBIT Margin			-11%	-16%	-12%	-2%	-10%	-8%	-8%	-7%	
Interest	-	-	22	23	23	23	27	23	24	26	100
Other Income	-	-	-2	5	5	3	-16	13	11	8	16
Profit before tax	-	-	-60	-65	-62	-26	-82	-51	-55	-56	-243
PBT Margin			-19%	-22%	-17%	-6%	-20%	-10%	-10%	-11%	
% Growth YOY					#DIV/0!	#DIV/0!	36%	-21%	-12%	111%	
Tax	-	-	-	-	-	-	-	-	-	-	-
Net profit	-	-	-48	-58	-48	-23	-67	-48	-50	-50	-215
% Growth YOY					#DIV/0!	#DIV/0!	38%	-18%	4%	122%	

Detailed Results:

1. Same-store sales growth was 28.1% for the 9 months ending in December. And for Q3, it was 8.6%.
2. The revenues for 9-month FY '23, Rs. 1,074 crores Rs 670 crores in FY '22, So, this is a growth of 59.2%.
3. The revenues for Q3 FY'23 were Rs 370 crores versus Rs 368 crores in Q2 FY'23.
4. Gross profit continues to be 66.4% since the last three quarters.
5. EBITDA in Q3 FY'23 is Rs 71 crores which is 19.2 % against Rs 60 crores which is 16.5 %. So EBITDA has gone up by 270 basis points
6. In the Burger King upfront there was an increase in revenues by 16% this quarter.
7. On the Indonesian front, in Q3 FY '23 the revenue was IDR 296 billion (Indonesian currency) which is approximately Rs. 156 crores.
8. The dine-in and delivery mix is such that, delivery is at 42% and dine-in is 58%.
9. Gross profit continues to remain at 66.4%.
10. EBITDA moved up from 8.2% to 10.4% on a pre-IndAS 116 basis.
11. Company-level EBITDA moved from 3.2% to 4.2%.
12. Employee rate expenses came down by 1.2%.
13. The company continues to still remain at an overall ADS in terms of Indian rupee terms of 96,000 to 98,000 INR basis.
14. Rs. 23 crores is a steady state run-rate for non cash. Including cash and noncash, Rs. 22.5 crores, Rs. 23 crores is the run rate.

Investor Conference Call Highlights

1. The management states that they continue to maintain a decent gross margin despite all the inflationary pressures on their business.
2. The company had 379 restaurants as of 31st December 2022, opened a net of 45 restaurants in Q3 FY '23
3. The management stated that there were 5.5 million app installs which is 17% growth over last quarter in the installs.
4. The management stated that Indonesia business now has 2 elements. One is the Burger King Indonesia business and the other one is the launch of Popeyes.
5. The management stated that in Q3 the loss was at IDR 34 billion over the Q2 where the loss was IDR 31 billion. This loss was actually only IDR 22 billion. The other IDR 12 billion that is added on there is the launch of their Popeyes restaurant in Indonesia.
6. The company is planning to build the Whopper franchise for which the product level work is already completed.
7. The company wants to double its chicken business that is bone in chicken concept as it is 30% of the burger king sales at present in Indonesia. For this the company aims to offer 2 levels of chicken, a spicy and a base classic level.
8. The management also stated the further plans of the company is to build a premium layer by offering premium burgers.
9. The management believes that Popeyes launch in Indonesia was one of the best Popeyes launches that there has been globally for Popeyes. The 4 stores that they have opened, they are doing IDR 60 million ADS. The management also expects to do a very, very high ADS compared to Burger King.
10. The management stated that despite the 5% reduction in ADS because of some headwinds they have still been able to maintain overall revenue trajectory because of the growth in cafes as a business as well as the store openings.
11. For the winter season, the company launched some limited time season specials such as cinnamon flavor drinks, Masala Chai, which now completes their hot beverage portfolio in the Cafe menu.
12. The company aims to continue to build a brand focused on millennials and Gen Z through a variety of engaging programs on social media.
13. The management states that their aim is to achieve 25% same-store growth for this year. And next year, they continue to currently maintain a 7% to 10% SSG.
14. The management stated the reasons for ADS drop from 127,000 to 120,000. One is that the traffic was softer in the month of December specifically. Another is that mall traffic was also muted.
15. the company remains confident of delivering a 7% to 10% same-store growth for next year
16. The management stated that the increase in corporate SG&A is on account of how the ESOP grants that were done during the quarter, it's a non cash adjustment to the number. The impact of that is anywhere between Rs. 1.5 crores to Rs. 2 crores.
17. The management stated that the marketing fund goes up by about 40%.
18. The management stated that the dine-in business takes a little while to build and they did a lot of marketing. This year, they spent a lot of money on local store marketing to introduce these restaurants in the communities.

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. BK Cafe continues to expand rapidly and was perhaps one of the fastest-growing cafe concepts in the last year. The BK app is also seeing good traction and orders coming in while dine-in sales are expected to revive going forward. Because of the strategies that the company is planning in Indonesia it is expected that additional traffic coming in, additional sales coming in. It is expected that very, very strong numbers will be delivered by Popeyes in FY '24. 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

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.

Quarterly Performance											
DEVYANI INTERNATIONAL LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**230**	**379**	**433**	**353**	**516**	**624**	**591**	**705**	**747**	**791**	**2,834**
% Growth YOY					*124%*	*65%*	*36%*	*100%*	*45%*	*27%*	
Expenses	208	296	316	296	388	477	451	540	581	617	**2,189**
EBITDA	**22**	**83**	**117**	**57**	**128**	**148**	**140**	**165**	**166**	**174**	**645**
Depreciation	66	51	54	48	53	56	65	64	66	71	**265**
EBIT	-44	32	62	9	75	92	75	101	100	103	**380**
EBIT Margin	*-19%*	*8%*	*14%*	*2%*	*15%*	*15%*	*13%*	*14%*	*13%*	*13%*	
Interest	42	49	27	32	33	30	32	33	35	38	**138**
Other Income	18	57	27	-10	4	5	-0	9	-7	-1	**1**
Profit before tax	**-68**	**39**	**62**	**-33**	**47**	**67**	**42**	**77**	**59**	**65**	**243**
PBT Margin	*-30%*	*10%*	*14%*	*-9%*	*9%*	*11%*	*7%*	*11%*	*8%*	*8%*	
% Growth YOY					*-169%*	*71%*	*-32%*	*-331%*	*25%*	*-3%*	
Tax	-1	0	-0	-0	1	1	-33	2	2	-6	**-35**
Net profit	**-67**	**44**	**61**	**-29**	**46**	**63**	**76**	**74**	**59**	**72**	**281**
% Growth YOY					*-169%*	*44%*	*24%*	*-356%*	*29%*	*14%*	

Detailed Results:

1. The company had a very good quarter with revenue rising by 27% and profits rising by 14% YoY on a consolidated basis.
2. Opened 81 net new stores in the quarter.
3. GPM & EBITDA margins stood at 69.3% & 22% respectively.
4. KFC

a. KFC had 38 new additions
b. ADS was INR116,000 with a healthy SSSG of 13%.
c. Revenues grew 27.9% on a year-on-year basis.
d. The gross margins stood at 67.6%.
e. The brand contribution margin stood at 19.7%
f. On-premise consumption remains steady at 64% for the quarter

5. Pizza Hut

. Pizza Hut added 17 new stores.
a. ADS decreased by 6% YoY.
b. Revenues grew by 18.9%.
c. GPM & Brand contribution margins stood at 73.6% & 14.1%.
d. On-premise consumption remained steady for Pizza Hut at 43%.

6. Costa Coffee

. Costa Coffee added 15 new stores.

a. Revenues grew by 106% with ADS at 37,000.

b. Gross margins came in at 77.8% primarily due to higher input costs.

c. Brand contribution at INR4 crore and brand contribution margins at 19.6%.

Investor Conference Call Highlights

1. The Inflationary situation has somewhat moderated but costs for some of its key raw materials like milk and cheese continue to remain elevated and are still witnessing some inflationary trends.
2. The management expects margins to stabilize in the coming two quarters.
3. The company recently brought back “Chizza” at KFC, to strong consumer reception and uptick.
4. A combination of mix change, deleverage because of lower ADS and investments made in business suppressed the brand contribution margins.
5. The performance of KFC was decent due to the sheer under-penetration of chicken in India.
6. Pizza hut saw a margin decrease owing to cost inflation coupled with a new product- Fun Flavor which is a margin-dilutive product leading to the downtrading of the product.
7. The company is sticking to its guideline of 250-300 yearly store additions & share of KFC would be higher.
8. The company has started opening flagship stores for KFC as a brand that will be of larger size & expanded menu, & it is targeting 10% of KFC’s new store additions to be of this type.
9. The company sees margins stabilizing in KFC whereas PH will continue to have margin pressure for the coming quarter.
10. The company doesn’t plan to take any price hike in the KFC segment.
11. The management was hesitant in the past about expanding Costa due to its acquisition by Coke making the atmosphere uncertain, however, post signing a new contract during the IPO, the company has again started focusing on expanding this brand.
12. The company’s strategy has shifted from larger to smaller size stores Costa Coffee in the past 4-5 years.
13. The current 20% SSSG numbers for Costa were primarily due to higher volumes.
14. The management expects larger store size will result in ADS number improving for KFC.
15. The company targets at least four to five new cities every quarter for the opening of KFC stores.
16. The majority of Costa stores are Metro city dominated & the targeted breakeven period for all its stores is 6-12 months.

Analyst’s View

The company saw a mediocre quarter with sales growing by 37% while PAT grew by only 14% due to margin dilution. 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 & is seeing good tailwinds from a long-term perspective. It remains to be seen how the company will weather the inflationary climate coupled with subdued demand & ambitious store expansion plans.

However, due to its strong promoter pedigree & tailwinds, it remains an interesting stock to keep track of.

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Jubilant Food works

Financial Results & Highlights

Brief Company Introduction

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

	Quarterly Performance										
	JUBILANT FOODWORKS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**816**	**1,069**	**1,038**	**893**	**1,116**	**1,211**	**1,176**	**1,255**	**1,301**	**1,332**	**5,064**
% Growth YOY					*37%*	*13%*	*13%*	*41%*	*17%*	*10%*	
Expenses	600	789	787	681	829	894	902	962	990	1,045	**3,900**
EBITDA	**216**	**280**	**251**	**212**	**287**	**317**	**274**	**293**	**312**	**286**	**1,164**
Depreciation	105	90	88	91	93	103	106	107	115	133	**460**
EBIT	111	190	163	121	195	214	168	186	197	154	**704**
EBIT Margin	*14%*	*18%*	*16%*	*14%*	*17%*	*18%*	*14%*	*15%*	*15%*	*12%*	
Interest	42	41	38	42	42	45	46	47	50	52	**194**
Other Income	31	16	13	11	8	11	12	11	27	10	**59**
Profit before tax	**101**	**165**	**138**	**90**	**161**	**179**	**134**	**149**	**175**	**111**	**569**
PBT Margin	*12%*	*15%*	*13%*	*10%*	*14%*	*15%*	*11%*	*12%*	*13%*	*8%*	
% Growth YOY					*60%*	*8%*	*-3%*	*66%*	*9%*	*-38%*	
Tax	25	41	33	21	41	46	38	37	43	31	**149**
Net profit	**76**	**124**	**105**	**70**	**120**	**134**	**97**	**113**	**132**	**80**	**421**
% Growth YOY					*58%*	*8%*	*-8%*	*62%*	*9%*	*-40%*	

Detailed Results:

1. The company had a good quarter with revenue rising by 10.3% YoY and profits degrowing by 35% YoY on a consolidated basis.
2. Opened 60 new Domino’s stores & four new stores for Popeyes.
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 9.4 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 10.6 million since its national launch in May 2022.
6. Dominos LFL growth was 0.3% & LFL ADS stood at 86,197.
7. Delivery: Dine-in split was 37.5:62.5.
8. Gross margins at 75.5%, lower by 210 bps year-on-year and 70 bps quarter-on-quarter.
9. EBITDA of Rs. 3,125 million, an increase of 9.2% versus the prior year. The EBITDA margin came in at 22%, lower by 460 bps year-on-year and 230 bps quarter-on-quarter.
10. PAT margin was at 6.7%.
11. International markets

a. In Sri Lanka, the company delivered system sales growth of 24.9%. The growth was driven by Dine-in and Takeaway channel. The Own app contribution to Delivery Sales was 53%. Opened seven new stores taking the network strength to 47.

b. In Bangladesh, system sales grew by 43%, and opened two new stores taking our store count to 13. The Own app contribution to Delivery Sales was 79%, an increase of 14% points year-on-year

12. OLO's contribution to delivery sales for India is 98.3%.

Investor Conference Call Highlights

1. On the cost side, the company is seeing high inflation in dairy products like cheese as well as in wheat flour & wages.
2. In Domino’s, revenue growth was order-driven
3. On Popeyes, the management states that “ India is the first market for Popeyes globally and the only chicken QSR player in India to move chicken marination in preparation to a centralized facility, which ensures consistent high-quality, high fill rates to the store, which significantly improves the consistency of taste visibly translating into higher repeat rates for the brand.”
4. During the quarter, the company closed two stores of Hong’s kitchen and relocate them to nearby locations that will offer both dine-in and takeaway.
5. The company is sunsetting its two businesses, i.e. ChefBoss and Ekdum!.
6. The company is making attempts to bolster its high value-for-money quotient with an intent to attract new customers to dine in & the launch of Everyday Value at INR49 as a dine-in-only promotion is a step forward in that direction.
7. The management on its 20-minute delivery proposition states that “Elevated consumer experience through reduced delivery time is globally proven to deliver better customer satisfaction and leads to increased frequency across Domino’s markets.”
8. The new CEO’s 3 core strategy framework is A) build a multi-brand multi-cuisine foodservice organization B) Technology and data sciences & C) operational excellence.
9. The management At this stage would not like to take any further price increase and continue to drive value proposition because the focus will be more on bringing volume and growth back to the levels that they were anticipating.
10. The management states that it is not wedded to a number of store openings & will open new stores only if they expect the right payback of capital expenditure.
11. The management is very cautious while deploying capital for splitting the store since splitting the store is possibly the easiest decision to make & so to be more stringent & quality focused, if the store is not reaching capacity in the peak hours, then it doesn’t split the store.
12. The company says that its Rs49 offering will also have similar margins to its other products, & its current margins of 75% are a function of high inflation & should improve going forward irrespective of higher dine-in contribution provided cost inflation reduces.
13. The new CEO did about 500 customer interaction & 200 store visits to learn about customer expectations & gaps which needs to be plugged in.
14. The company is refraining from giving any guidance due to the uncertain commodity cycle.
15. The company is targeting a dine-in contribution of 40% as it also reduces the burden on splitting the store.
16. The demand trend continued to be weak in December & January.
17. The company believes that its 20-minute delivery & high gross margin even in its Rs49 product proposition is a structural advantage available to the company due to its scale & brand network.

18. The company doesn't plan to cut its delivery charge & instead wants to focus on product innovation.
19. The company's EBITDA margins target in the medium term is 23-25% Post IND-AS.
20. The depreciation for the current quarter involved one-time accelerated depreciation of the closure of Ekdum! & Chefboss which caused depreciation to rise by 20%.
21. The paybacks on investment are less than two years for stores in Tier-3 cities due to lower operating costs.
22. The company has identified close to 600 towns in India in the Tier-3 segment where the company has an opportunity to open stores in the future.
23. The company expects a very high capex in the coming 2-3 years for expanding its commissary in Bengaluru which will entail Rs250 Crs of investments & the majority of other capex will be targeted towards store expansion. The capex for the current FY will stand at Rs700 Crs.
24. The company is not seeing any margin pressure because of the cheesy-rewards program.

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 tough times with revenue rising by only 11% while PAT falling by 35%. 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 about the future of 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, tackling rising costs of commodity 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.

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Technology
Divi's Laboratories

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**1,749**	**1,701**	**1,788**	**1,961**	**1,988**	**2,493**	**2,518**	**2,255**	**1,855**	**1,708**	**8,335**
% Growth YOY					*14%*	*47%*	*41%*	*15%*	*-7%*	*-32%*	
Expenses	1,008	1,010	1,072	1,109	1,169	1,396	1,414	1,408	1,234	1,299	**5,355**
EBITDA	**741**	**691**	**716**	**852**	**818**	**1,097**	**1,104**	**847**	**621**	**408**	**2,980**
Depreciation	61	68	70	73	77	80	81	84	86	87	**337**
EBIT	680	623	646	779	741	1,017	1,023	763	535	322	**2,643**
EBIT Margin	*39%*	*37%*	*36%*	*40%*	*37%*	*41%*	*41%*	*34%*	*29%*	*19%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	14	19	24	36	19	17	52	88	80	114	**335**
Profit before tax	**693**	**642**	**669**	**814**	**760**	**1,034**	**1,076**	**851**	**615**	**436**	**2,978**
PBT Margin	*40%*	*38%*	*37%*	*42%*	*38%*	*41%*	*43%*	*38%*	*33%*	*26%*	
% Growth YOY					*10%*	*61%*	*61%*	*5%*	*-19%*	*-58%*	
Tax	174	171	167	257	153	131	181	149	122	129	**581**
Net profit	**520**	**471**	**502**	**557**	**606**	**902**	**895**	**702**	**494**	**307**	**2,397**
% Growth YOY					*17%*	*92%*	*78%*	*26%*	*-19%*	*-66%*	

Detailed Results:

1. Consolidated revenues fall by 32% YoY while profit fell by 66% YoY in Q3 FY23.
2. EBIDTA margins for Q3 FY23 stood at 23.8%.

Investor Conference Call Highlights

1. The company has capitalized INR275 crore for the first nine months of this financial year & has a capital work-in-progress of about INR575 crore as of the end of the quarter.
2. The Unit 3 facility near Kakinada has received the necessary clearances from government officials.
3. The management states that the Raw material procurement and availability have been stabilized and the material prices have slightly softened compared to the last quarter. However, the prices for some base metals like lithium and iodine have increased over the past quarters and it is expecting this trend to continue.
4. Export for the quarter continued to be around 87%, and export to Europe and America is about 69% of revenue for the quarter and 70% for the nine-month period.

5. The product mix for generics to custom synthesis is 55% and 45% for nine months, and it is 60% to 40% for the quarter.
6. The constant currency growth for the quarter has been negative 40%, while it has been negative 17% for a nine-month period.
7. The GPM decreased substantially as the raw material prices have gone up and there were pressures from the sales price of the API. However, management expects things to correct in the coming quarters as In several of the generics, it is seeing 50-70% of volumes improving & naturally when volumes improve, prices also improve.
8. The company is likely to do investments of 1000 Cr in the Kakinada facility.
9. The management states that instead of doing buyouts, it will plan to invest in new technologies in vapor phase chemistry, continuous flow chemistry, photochemistry, and in some of the newer compounds called gadolinium compounds.
10. The company sees vast opportunities in the Contrast media segment which is expected to grow globally at a minimum of 10% in the coming years.
11. The management is expecting strong Volumes in FY25 for NCE-based molecules which have a market of $20 billion products & patents will be expiring between FY23-25.
12. The higher costs of old inventory also led to margin erosion while its old products saw realizations fall by 5-10%.
13. PAT has decreased substantially due to a higher increase in other expenses in the form of plant maintenance costs to improve employee safety coupled with a higher tax rate of 29% Vs earlier rates of 15-18%.
14. The current capacity utilisations stood at 75%.
15. The company is commissioning 2 fast track projects & expects to fully ramp up in Q1Fy24.
16. The management explains that although the generics gross margin is more than the custom synthesis gross margin however Raw material price impact in custom synthesis is less as there is no pricing pressure from the customer.
17. The company's contracts don't have any pricing policy on a quarterly basis as It's driven by demand and supply from the customers.

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 a sales degrowth of 32% YoY while profits collapsed by 66%. 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 coupled with high pricing pressures & high-cost impact on margins. 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.

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Expleo solutions

Financial Results & Highlights

Brief Company Introduction

Expleo Solutions Ltd is an India-based software service provider primarily delivering software validation and verification services to the BFSI industry worldwide.

In FY22, Company initiated the process of merger of Expleo India Infosystems Private Limited (EIIPL), Expleo Technologies India Private Limited (ETIPL), Expleo Engineering India Private Limited (EEIPL), and Silver Software Development Centre Private Limited (SSDCPL) with Expleo Solutions Limited (ESL). Co. has filed with NCLT and expects to close this transaction in FY23

	Quarterly Performance										
	EXPLEO SOLUTIONS LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**74**	**72**	**79**	**88**	**97**	**106**	**114**	**127**	**131**	**135**	**507**
% Growth YOY					*32%*	*47%*	*43%*	*45%*	*35%*	*28%*	
Expenses	56	58	63	73	81	89	89	102	104	104	**398**
EBITDA	**18**	**14**	**17**	**15**	**16**	**17**	**25**	**26**	**27**	**31**	**109**
Depreciation	1	2	1	2	2	2	2	4	4	4	**14**
EBIT	16	12	15	13	14	15	23	22	23	28	**95**
EBIT Margin	*22%*	*17%*	*19%*	*15%*	*15%*	*14%*	*20%*	*17%*	*18%*	*20%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	1	5	1	4	1	0	3	1	2	12	**17**
Profit before tax	**17**	**17**	**15**	**17**	**15**	**15**	**25**	**23**	**25**	**39**	**111**
PBT Margin	*23%*	*23%*	*19%*	*19%*	*16%*	*14%*	*22%*	*18%*	*19%*	*29%*	
% Growth YOY					*-12%*	*-8%*	*61%*	*33%*	*64%*	*154%*	
Tax	5	4	4	4	4	4	6	5	7	10	**29**
Net profit	**13**	**13**	**11**	**13**	**11**	**11**	**19**	**17**	**18**	**29**	**82**
% Growth YOY					*-12%*	*-10%*	*70%*	*34%*	*59%*	*154%*	

Detailed Results:

1. The company had a decent quarter with revenue growth of 28% and PAT growth of 150%.
2. EBITDA margin stood at 23.3% in Q3FY23 as against 17.7% in Q3FY22, up by 559 basis points.
3. Net cash position stood at Rs 1,599 million vs Rs 1,633 million for Q3FY22.
4. The top 5 & 10 customer contributions stood at 43% & 59%.
5. Revenue by practice:
    - Insurance: 23.8%
    - Cards & payments: 35.8%
    - Capital markets: -
    - Data: 3.9%
    - Banking: 36.4%
6. Revenue by region stood as:
    - Asia: 45.8%
    - N.America: 4.1%
    - Europe: 50.1%

Investor Conference Call Highlights

1. The company is in the final leg of the merger & expects it to happen within 2-4 weeks.
2. The major contributor to 610 Bps PAT rise QoQ was forex gains of 9.5Crs vs Loss of 1.5 Crs in Q2.
3. DSO dropped to 74 days compared to 80 days in the previous quarter and the cash balance has increased from Rs 108 Crores to Rs 159 Crores.
4. The Revenue for the nine months ending for the other two unlisted companies is around Rs 273 Crores and PBT is Rs 41 Crores while DSO was longer at 95-100 days due to its services being on the engineering side.
5. The digital revenue's share as % of total revenues stood at 32.5% & the company expects it to end at 38% for the year ending.
6. Attrition on volumes basis stood at 27-28% & management expects this to reduce to 20%.
7. As of December 31, 2022, the outstanding loan to the related party stood at Rs 63 Crores.
8. The average yield on the treasury lying outside of India would be in the range of 5% plus & it can be withdrawn easily within 3 three days to fund any acquisition.
9. The company's new customer revenues have increased from previous levels of low single digits to 10-12% in the recent quarter.
10. The management expects the margin to be closer to the 19% to 20% range and post the merger it will be closer to the 16% to 18% range.
11. The company has been hiring close to around 180 to 200 people on a month-on-month basis over the last 12 months and net of attrition the addition will be in the range of around 40 to 50 people.
12. The company targets reducing DSO days to 65-70 days post-merger for all the entities.
13. Currently, the billable headcount is around 1,700 for the listed companies and 1,500 for the unlisted company and the total headcount for the company is around 3,850 & the target for next year stands at 5000 employees.
14. Talking about the group's share of revenues for 9 months, management stated " for the Listed entity it is around 18% and for the unlisted entity, for Pune, its around 85% of the revenue, and for engineering 15% to 20% comes from the group company.
15. The company is confident of 15-20% revenue growth post-merger as well.
16. The company sends any cash above 2.5X of operating expenses/working capital to the foreign treasury.
17. The company expects significant growth in the aero, defense, and space segments.
18. The Indian listed company will act as an executor for large contracts signed by the Parent company & would thus not have any 5-10 million dollars sort of clientele. But since 30% of the revenue comes from the group biz, the company in a way will still benefit from the growth of the group biz as a whole.
19. The company is targeting a headcount of 10,000 by FY25.

Analyst's View

The company saw a very decent quarter with revenue & PAT growth of 28% & 154% YOY. The merger plans are on track & should get completed by the end of FY23. It remains to be seen how the company will tackle the recessionary climate in the form of delays in spending by BFSI companies coupled with supply-led attrition issues & small scale of the company's operations. Nonetheless, given the parents group strong scale of 1.2 billion dollars coupled with strong market positioning & growth plans, the company remains an interesting small-cap IT stock to keep track of.

Tata Elxsi

Financial Results & Highlights

Introduction

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

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

Detailed Results:

1. The company saw its revenue rise by 28.69% YoY & 7.15% QoQ.
2. PAT increased by 28.96% YoY & 11.71% QoQ.
3. EBITDA grew by 17.08% YoY & 8.97% QoQ.
4. Constant currency revenue was up 3.5% YoY.
5. The company reported EBITDA margins at 30.2% and PAT margins at 23.3%.
6. The company's embedded product division (EPD) reported growth of 19.8% YoY and 1.6% QoQ.
7. The revenue rise in different segments in the EPD business in CC was–

a. Automotive business: Up 7.3% QoQ and 30.9% YoY
b. Media & communication business: grew 9.8% YoY while -2.6% QoQ (degrowth)
c. Healthcare business: Up 18.3% YoY while -1.9% QoQ (degrowth).

8. The design business (IDV) saw a rise in revenue of 61.8% YoY and 19.0% QoQ while the SIS business grew 58.4% YoY and 9.3% QoQ.
9. Revenue distribution across different geographies is as follows:

a. EU: 34.7%
b. Americas: 42.8%
c. India: 16.2%
d. RoW: 6.3%

10. The top 5 & top 10 clients accounted for 38.4% and 48.0% of sales respectively.
11. Attrition among employees was 18.4% Vs 8.7% QoQ.
12. The offshore mix was at 75.4% vs 75.2% in Q2.
13. The contract type mix comprised of 50.1% fixed price and 49.9% time and material contracts vs 49.6% fixed price and 50.4% time and material in Q2.

14. The company won many new deals:
- Selected by a global OEM software organization for a Software Defined Vehicle (SDV) program.
- Selected to set up an offshore center of excellence for EV system development for a leading US EV system supplier.
- Won a design-led New Product Development (NPD) deal from a Global medical devices company for development of a home renal care platform.
- A leading broadcaster in EMEA selected Tata Elxsi to develop, integrate and deploy a next generation AdTech platform for streaming video services.
- Selected to design, integrate and set up AR/VR based safety training and worker productivity training centers across multiple manufacturing plants for a global industrial leader.

Investor Conference Call highlights:

1. The management states that the revenue from top 5 customers has grown. However, the next 5 and the next 20 have grown more than the top 5. So the growth was primarily driven by customers outside the top 5.
2. In a few cases, the company has had furloughs and the impact of furloughs is also factored into the revenues, hence, to that extent, the company witnesses a slowdown in the top 5.
3. The management says that their investments in hiring and training a large number of fresh engineers who joined them in the last quarter and before are bearing fruits as they get on boarded into customer projects.
4. The management believes that both the Media and Communication and healthcare verticals will continue to be soft for a quarter or two.
5. Compared to the Media and Communication vertical, the management is a lot more bullish on the healthcare vertical and believe that they should be able to recover much faster.
6. The next wage hike is currently planned for Q1 next year.
7. The company will cover up the ESOP introduction volume's impact on margin with its operational excellence.
8. Due to the strong hiring in Q2, it was assumed that some employee costs would pass through in the current quarter. However, as per the management, the top line growth, the utilisation of the fresh hires into billable projects and reducing the headcount of more expensive consultants and replacing them with their permanent employers have offset the employee costs.
9. As per the management, IDV is a small business and it will be misleading if you one looks at it from a quarter-to-quarter basis because of a lot of project-based engagements. And hence there is still a little bit of volatility due to delays with new projects coming in and going out .
10. According to the management the company has started to cull the number of customers they work with by building a base of fairly dependable customers.
11. According to the management, the company can handle any kind of connected vehicle needs.
12. The management firmly believes that any inorganic growth activity should not decelerate their current performance.
13. The management says that hiring about 400 - 500 freshers per quarter will continue for over the next four quarters. And laterals will be added depending on the business.
14. Europe contributes revenues to the automotive vertical while the US does so for the media and health verticals.

15. As per the management, the macroeconomic situation that is affecting them in the MCV and the HLS business is more US-centric. Hence the slightly lower growth as compared to the EU.
16. About the recovery, the management is closely watching the media vertical and will continue to wait and watch with a potential pick up maybe in a couple of quarters for the vertical.
17. There is lesser order book visibility in this business because large funnels are breaking into smaller funnels. This was noticed in at least the top 10 accounts. The market is very cautious.
18. As per the management the demand outlook is pretty strong. The automotive business and the entire design business continue to see a very strong order book. Media and Communication is a little muted.
19. The medical or healthcare business is a long lead cycle business and decisions are pretty slow. It takes anywhere between three to four quarters to six quarters before large deals are signed..
20. All products had to be EU MDR certified by 2024. However, the commission there relaxed the deadline from 2024 to 2027. And hence, their revenues are spread out and it looks like they have dipped a little bit.

Analyst's View:

Tata Elxsi had another good quarter with revenue growth of 29% YoY and profit growth of 29% YoY in Q3. The company saw really good growth in the design segment while the media and healthcare segments experienced degrowth on a quarterly basis. The deal wins in the media and comms space have been very encouraging. The three major verticals compensate for each other, when one does the heavy lifting and the other/s experience slowdown bringing about a competent synergy. There are several things brewing in the company from future order book growth to new verticals. It had been hiring aggressively and the trend brought about better utilisation and conversions. It remains to be seen how the company will be able to retain its top talent as attrition in the industry & the company is rising and what opportunities will the company explore to grow its new verticals coupled with macro-economic issues. Nonetheless, given the company's strong technological capabilities and its resilient performance in the last year, Tata Elxsi remains a good technology stock to watch out for, particularly given the rising demand for its services in the media & communications spaces.

Travel
Mahindra Holidays & Resorts India Limited

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.

	Quarterly Performance										
	MAHINDRA HOLIDAYS & RESORTS INDIA LTD										
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**481**	**489**	**465**	**371**	**546**	**553**	**543**	**605**	**598**	**602**	**2,348**
% Growth YOY					*14%*	*13%*	*17%*	*63%*	*10%*	*9%*	
Expenses	388	414	421	343	428	472	455	505	482	511	**1,953**
EBITDA	**94**	**75**	**44**	**28**	**118**	**81**	**88**	**100**	**116**	**91**	**395**
Depreciation	66	66	68	67	67	68	70	69	70	72	**281**
EBIT	28	9	-24	-39	52	13	18	31	46	18	**114**
EBIT Margin	*6%*	*2%*	*-5%*	*-10%*	*9%*	*2%*	*3%*	*5%*	*8%*	*3%*	
Interest	16	28	18	28	21	24	27	23	23	40	**113**
Other Income	29	26	31	47	47	31	40	32	29	23	**124**
Profit before tax	**41**	**7**	**-11**	**-19**	**78**	**20**	**32**	**40**	**53**	**1**	**125**
PBT Margin	*8%*	*1%*	*-2%*	*-5%*	*14%*	*4%*	*6%*	*7%*	*9%*	*0%*	
% Growth YOY					*91%*	*188%*	*-393%*	*-304%*	*-33%*	*-93%*	
Tax	12	8	-1	2	18	7	16	10	11	15	**52**
Net profit	**25**	**0**	**-10**	**-21**	**59**	**14**	**16**	**30**	**41**	**-12**	**75**
% Growth YOY					*140%*	*7971%*	*-260%*	*-239%*	*-31%*	*-187%*	

Detailed Results:

1. Operating cash in this quarter went up to INR 377 for 9 months FY23 from INR 252 crores for the 9-month period FY22.
2. The company increased its deferred revenue by INR 60 crores on a quarter-on-quarter basis and its deferred profits by INR 152 crores.
3. Operating profit growth delivered the highest ever income at INR 336 crores, which is 18% up on a Y-o-Y basis
4. The highest ever EBITDA at about INR 99 crores, which is 17% on a year-on-year basis.
5. EBITDA margins have expanded compared to pre-pandemic levels and stand at a healthy 29.3% in Q3, which is up 300 basis points.
6. EBITDA is up by 18% Y-o-Y, obviously, excluding one-offs.
7. Membership sales value of INR 188 crores is up by 20% Y-o-Y.
8. profit before tax on a 9 months basis, it is at INR 145 crores, which is a 17% Y-o-Y movement over the same period last year.

9. Cash position stays extremely healthy at INR 1,089 crores, which is up by INR 71 crores during the quarter

Investor Conference Call Highlights

1. The management stated a significant improvement in members who are paying higher down payment at the time of enrolment.
2. In the 9 months FY '23, the company expanded our inventory by 300+ keys.
3. The company plans to achieve guidance of 5,500+ rooms by FY '25.
4. The average unit realization is up to about INR 4.5 lakhs in Q3 FY23 versus INR 4.2 lakhs in Q3 FY22.
5. The management stated that the company is also working towards the sustainability of the environment. Nine of Mahindra Holidays resorts are green resorts, platinum certified by IGBC.
6. The forex movements such as the rupee depreciating against euro and Thai baht had adverse impacts. Total mark-to-market impact at the consolidated PBT level, in Q3, has been about INR 35.66 crores.
7. The employee benefit expenses increased due to the additional headcount on account of higher room inventory, resumption of full scale of operations and annual increment.
8. The management stated that the sales and marketing expenses increased largely due to the spends on brand marketing because of the focus of building a brand.
9. Depreciation increased due to capitalization of rooms at our Goa, Assonora and Ashtamudi Resorts.
10. The management expected the cost to increase as they accelerated room inventory and member additions.
11. The company has been tightly managing operating costs, and also it used alternative energies like solar power to also save costs
12. The company stated the reason for members spending more on per available room night basis. People are spending more because we have created during this holiday season, lot of festive opportunities it used
13. The management stated their strategies that lead to customer retention. They company hosted food festivals to create new experiences, which increases the average per cover, APC, that keeps moving up when people spend because, as in resorts, families come, and they do look at food as a very integral part of their holiday experience
14. The company is using a lot of data science and analytics capabilities to understand the pattern and requirements of the customers and also to get the right person on the table.
15. The company is aiming to increase our member addition rate by adding 100 odd rooms every quarter.
16. Since the company had a lot of businessmen as their customers the company is going to focus on corporate in a big way.
17. The DSA program did not do very well during the pandemic.
18. The company is focusing on being able to sell digitally, particularly to small towns by creating a new interface.
19. 9 months membership addition has jumped by 42%
20. The management stated that they are planning to work with Finnair to make Finland a destination. They have launched a flight from Mumbai to Helsinki direct, which wasn't there. So there is work going on to visit Finland.
21. Timeshare sales in Finland continue to be robust. People continue to invest in buying Timeshare. They continue to holiday despite the situation of high inflation.
22. The company is focused on ensuring that the debt levels come down, which are coming down and ensuring that the EBITDA levels keep moving up.

23. The company has used its member base and monetized them more by creating this Horizon product.
24. The company paid off EUR 25 million of debt in July when the euro INR ratio had come down to INR 79.91.

Analyst's View

Mahindra Holidays & Resorts India Has established itself as a market leader in the family holiday business. Some of the key brands under the Mahindra Resorts and Holidays umbrella include Club Mahindra, Zest, and Mahindra Homestays.

The momentum in occupancy has continued in January '23 as well with occupancy at 86%. Forward bookings for February, March and even April remained very, very strong. And based on these signs as the year continues to play out it is expected that occupancies will continue to build.

This is a business which in the time to come, should generate significantly positive EBITDA. And with the lower debt levels, there will be a significant enterprise value. They have flexed their costs down, the margins are improving. The company is aiming to accelerate its travel tech platform, to monetize the existing member base which will increase the revenue. The company has also been expanding its presence in new markets and exploring new partnerships and collaborations. These strategies may help position the company for continued growth and success in the future.

Wonderla Holidays

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	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**0**	**5**	**33**	**4**	**17**	**48**	**58**	**149**	**66**	**113**	**386**
% Growth YOY					*9461%*	*882%*	*73%*	*3335%*	*284%*	*134%*	
Expenses	9	15	31	14	21	34	38	58	47	57	**200**
EBITDA	**-9**	**-10**	**3**	**-10**	**-4**	**14**	**20**	**91**	**19**	**56**	**187**
Depreciation	13	10	10	10	10	9	10	9	9	9	**36**
EBIT	-22	-21	-8	-20	-13	5	10	82	11	48	**151**
EBIT Margin	*#####*	*-417%*	*-23%*	*-459%*	*-76%*	*10%*	*17%*	*55%*	*16%*	*42%*	
Interest	0	0	0	0	0	0	0	0	0	0	**0**
Other Income	2	1	1	1	1	2	2	3	4	5	**13**
Profit before tax	**-20**	**-19**	**-6**	**-19**	**-12**	**6**	**12**	**85**	**14**	**52**	**164**
PBT Margin	*#####*	*-391%*	*-19%*	*-436%*	*-70%*	*13%*	*20%*	*57%*	*22%*	*46%*	
% Growth YOY					*-41%*	*-134%*	*-287%*	*-549%*	*-220%*	*707%*	
Tax	-5	-4	-1	-6	-3	2	3	21	4	13	**41**
Net profit	**-16**	**-15**	**-5**	**-13**	**-9**	**5**	**9**	**64**	**11**	**39**	**122**
% Growth YOY					*-41%*	*-131%*	*-275%*	*-586%*	*-213%*	*756%*	

Detailed Results:

1. The Company's footfall grew by 28%(from pre-covid), Revenue rose by 62%(from pre-covid) & EBITDA increased by 121% from the pre-covid level.
2. EBITDA margins rose from 38% in Q3FY20 to 52% in Q3FY23.
3. The footfall breakup in Q3FY22 was: Bengaluru- 42%, Hyderabad – 23%, Kochi – 19%
4. ARPU is up by 27%.
5. A sharp uptick in Resort Performance with Revenue up 71% over FY20 registering the Highest Occupancy of 72%.

Investor Conference Call Highlights

1. The company continues to gain wallet share and grow non-ticket revenue, exciting initiatives have helped it to improve merchandise sales in SPH to 23% growth per head.
2. The company is envisaging a capex of INR 350 crore to INR 400 crore for projects in Chennai and project in Bhubaneswar. In The Chennai project, it is still waiting for a waiver on the tax.
3. The Odisha project is slated to get completed by 2025.
4. The company expects to grow by 15-20% in the coming year with footfalls growing by 6-8%.

5. The management believes current margins are extraordinary & normalized margins will range between 40-42%.
6. Online booking contribution stood at 15-20%.
7. Walk-in: Group split stood at 44:56.
8. The current investments in Bhubaneshwar & Chennai stand at 30 & 10 Crs respectively.
9. The company has incurred a capital investment of 1Cr on making wearables which will help with the seamless digital journey, payment gateway for F&B, retail inside the park, And some type of queue management.
10. The management expects to do a price hike of 8-12% in the coming year.
11. The company's current strategies include digital marketing over traditional marketing, 2 activities per park per month for both the walk-ins and groups, strengthening the institutional sales side & working with tour operators.
12. In terms of capacity, Chennai will be similar to Bangalore and Bhubaneswar will be about half of it.
13. The average footfalls for Kochi capacity for the quarter stood at 3.16 lakhs & ARPU stood at 1,100.
14. The management explains that Q1 is the best quarter while Q2 is the worst.

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 the 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. The company reported stellar revenue growth coupled with extraordinary margin expansion. It is focusing on the 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 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 things are more in the favor of Wonderla.

AMC
HDFC AMC

Financial Results & Highlights

Brief Company Introduction

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

Quarterly Performance											
HDFC ASSET MANAGEMENT COMPANY LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**456**	**482**	**503**	**507**	**542**	**550**	**516**	**522**	**545**	**560**	**2,142**
% Growth YOY					*19%*	*14%*	*3%*	*3%*	*0%*	*2%*	
Expenses	91	96	107	126	131	135	123	132	140	146	**541**
EBITDA	**366**	**386**	**396**	**381**	**411**	**414**	**393**	**390**	**405**	**413**	**1,601**
Depreciation	14	14	14	14	14	13	13	14	13	13	**54**
EBIT	351	372	383	367	398	401	380	376	391	400	**1,547**
EBIT Margin	*77%*	*77%*	*76%*	*72%*	*73%*	*73%*	*74%*	*72%*	*72%*	*71%*	
Interest	2	2	2	2	2	2	2	2	2	2	**9**
Other Income	114	113	43	101	66	86	65	11	104	103	**284**
Profit before tax	**463**	**483**	**423**	**466**	**461**	**485**	**443**	**385**	**493**	**501**	**1,821**
PBT Margin	*101%*	*100%*	*84%*	*92%*	*85%*	*88%*	*86%*	*74%*	*91%*	*89%*	
% Growth YOY					*0%*	*1%*	*5%*	*-17%*	*7%*	*3%*	
Tax	125	113	107	121	117	125	99	71	129	131	**430**
Net profit	**338**	**369**	**316**	**345**	**344**	**360**	**344**	**314**	**364**	**369**	**1,391**
% Growth YOY					*2%*	*-3%*	*9%*	*-9%*	*6%*	*3%*	

Detailed Results:

1. AUM stood at Rs.4,481 billion, with a market share of 11.2%.
2. Market share excluding ETF on quarterly average AUM basis stood at 12.5%, and on closing AUM basis at 12.7%
3. On debt, the market share for the quarter-end stood at 13.5%, while for liquid it was 14.9%.
4. Unique investors grew to 6.3 million in the current quarter as compared to 6.1 million for the quarter ended September 2022.
5. The company processed 4.13 million transactions, totaling to Rs.15.7 billion in the month of December 2022 versus 3.91 million transactions, totaling to Rs.14.3 billion in the month of September 2022.
6. SIP AUM as of 31st December 2022 stood at Rs.848 billion.
7. Contribution of equity oriented assets to a closing AUM for the quarter ended-December 2022 stood at 54.5%.
8. The company reported total revenue of Rs.18,448 million.
9. Operating revenue increased by 2% year-on-year.
10. The company reported operating profit of Rs.11,600 million versus Rs.11,595 million for the nine months of last fiscal.

11. Profit after tax was Rs.10,478 million as compared to Rs.10,496 million last year which is an increase of 3% on YoY basis.
12. Operating profit margin as a basis point of AUM, stood at 36 basis points for the nine months ended December '22 with operating revenue margin at 50 basis points, that is of AUM.
13. Other income is Rs.100 crores and it includes gains on the company's equity AUM.
14. Dividend payout ratio for the last financial year was just a shade under 65%.

Investor Conference Call Highlights

1. The management stated that the industry crossed the milestone of Rs.40 trillion and closed the quarter with AUM of Rs.39.9 trillion and equity AUM of Rs.20.1 trillion.
2. The management stated debt funds continue to witness outflows. Debt funds for the industry experienced an outflow of Rs.152 billion.
3. The management mentioned that individual folios for the industry crossed 140 million mark and individual investors contributed 57.8% to industry's monthly average AUM for December '22.
4. The management stated that inflows through SIPs continued on their upward trajectory to be at Rs.135.73 billion for the month of December 2022.
5. The management stated that they have launched a thematic fund, that is, HDFC Business Cycle Fund. The fund saw healthy interest both from distribution partners and investors. They got over 110,000 applications and the AUM of Rs.23.4 billion during the NFO.
6. The management informed that in their product lineup, last year, they had eight NFO, this year in the last two quarters, there were like 16 NFOs.
7. The company also launched multiple debt index funds.
8. The management informed that their wholly owned subsidiary, that is HDFC AMC International (IFSC) Limited, in GIFT City, they have on boarded two experienced and eminent independent directors; Mr. Shyamak Tata (ex-Chairman of Deloitte India) and Mr. Vijay Karnani (ex co-chief executive officer of Goldman Sachs India operations and head of securities division).
9. The management explained that interest rates have been inching up over the last several quarters and given the pressure from the competing instruments like deposit rates have gone up, there has been pressure on the overall net flows.
10. The management stated that post Rs.5,000 crores of AUM, multiple of every Rs.5,000 crores does dilute overall TER by two, three basis points.
11. The management stated that during this quarter they saw three of their large funds; balanced advantage, mid cap opportunities, and flexi cap, crossing that hurdle which were nearly half of their overall AUM.
12. The company tends to rationalize commissions on new flows into the funds, but that impact will be visible only over a period of time. The management believes that it is neither practical nor prudent to keep adjusting book commissions based on this AUM change.
13. The management stated that the commission that they pay on flows is higher than that of books.
14. The management agreed that there has been dilution. Earlier the gross flows as percentage of the beginning of the year AUM was 45% approx. In the current year, the same is somewhere in the early 20s.
15. The management stated that a low direct TER, which is due to high commissions, hurts their distribution fraternity in the medium to longer term.
16. The management believes that given the SIP book and a huge under penetration of equity products in household balance sheets and plus the mark-to-market would be much faster in equity compared to debt. And then so, logically equity should grow faster than the debt AUM.

17. The management thinks that there is a lot of potential for them to grow on the fixed income side as the number of folios on the fixed income in industry, out of the 14 crores folios, less than 6% are in fixed income and liquid funds.
18. The management stated that the expenses CAGR over three years, excluding CSR, it's about 7%-odd.
19. The management stated that their expenses are partly attributed to expenses that they incur for NFO, driving user experience by refreshing their digital assets, some expenses towards setup of subsidiaries in GIFT, new schemes in passive funds, IT infrastructure etc.
20. The management stated that the yield for debt did not have much change, some money that has moved to debt index funds actually does put some additional pressure, but otherwise, the product margins on a standalone basis are very much similar to what it has been in the last few quarters, there is not much change.
21. The company did not see any major MTM loss on the debt portfolio.
22. The management explained that out of the 5,500-crore their unique investors as identified by PAN, grew to 6.3 million in December '22, against 6.1 million in September '22. So, that's a growth of about 0.2 million investors as against industry growth of about 0.7 million which is roughly almost 30%-plus share. odd of the company's asset book, 300 crores are in equity.
23. The management stated that for Business cycle NFO, almost 30% of the customers were new.
24. The management stated that operating revenue has just gone up by 2%-odd for the nine months period. But if we compare Q3 FY '22, and '23, again, the increase has just been about 2% despite a 15% growth in the equity AUM.
25. The management informed that margin has got diluted despite the asset mix changing in favor of equity.
26. The management stated that for the nine months period, the cost is up by 10% because of cost inflation on the employee side.
27. The management stated that as more products come into the recommendation list with improvement in the engagement, over a period of time they expect better flows.
28. The management said that in the nine months ending December '22, in the growth of the SIP count, 60% has come from B-30.

Analyst's View

HDFC Asset Management Company is one of the leading mutual fund companies in India, managing a diverse range of mutual funds across equity, debt, and hybrid categories. It is a subsidiary of HDFC Bank, one of the largest private sector banks in India.

The vindication of their stance on portfolio construction is getting well recognized both by their distribution partners as well as clients, and they should further enhance marketability of their products. Top-tier performance coupled with new product launches, expansion of the company's product offering both on the active as well as passive side, significantly enhancing marketing and communication efforts, further deepening of engagement with their distribution partners, and strengthened digital platform tech capabilities should help the company further. The asset mix keeps improving. There can be some more pressure on the yield on an overall basis assuming that the debt piece will come back a bit in FY'24. The growth has been fairly healthy in terms of the SIP AUM. However the cost will increase due to the cost inflation on the employee side. This coupled with the fact that margins have been eroding owing to higher share of index funds is one of the major long term headwind for the biz.

Nippon Life India AM

Financial Results & Highlights

Brief Company Introduction

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

Quarterly Performance											
NIPPON LIFE INDIA ASSET MANAGEMENT LTD											
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	TTM
Sales	**241**	**251**	**280**	**281**	**304**	**315**	**314**	**295**	**309**	**330**	**1,248**
% Growth YOY					*26%*	*26%*	*12%*	*5%*	*2%*	*5%*	
Expenses	108	108	120	111	119	111	112	120	120	121	**474**
EBITDA	**133**	**143**	**160**	**170**	**185**	**204**	**202**	**175**	**189**	**209**	**774**
Depreciation	8	8	7	7	6	6	7	7	7	8	**28**
EBIT	125	136	153	163	179	198	195	168	182	202	**746**
EBIT Margin	*52%*	*54%*	*55%*	*58%*	*59%*	*63%*	*62%*	*57%*	*59%*	*61%*	
Interest	1	1	1	1	1	1	1	1	1	1	**4**
Other Income	62	123	55	61	88	31	34	-7	74	59	**160**
Profit before tax	**186**	**257**	**207**	**223**	**266**	**228**	**228**	**160**	**255**	**259**	**903**
PBT Margin	*77%*	*103%*	*74%*	*80%*	*87%*	*72%*	*73%*	*54%*	*82%*	*79%*	
% Growth YOY					*43%*	*-11%*	*10%*	*-28%*	*-4%*	*14%*	
Tax	45	56	50	52	65	59	58	39	58	61	**216**
Net profit	**141**	**202**	**157**	**171**	**200**	**169**	**171**	**121**	**197**	**198**	**687**
% Growth YOY					*43%*	*-16%*	*8%*	*-29%*	*-2%*	*18%*	

Detailed Results:

1. Monthly SIPs touched an all-time high of INR 136 billion - an increase of 20%, while SIP folios rose by 25% to 61 million.
2. AUM increased by 3% to INR 2,928 billion.
3. Systematic AUM rose by 15% to INR 583 billion
4. The company’s annualized systematic transaction book is at INR 123 billion.
5. Quarterly flows increased by 45% to INR 29 billion.
6. On a gross basis, 561,000 systematic folios were added in Q3.
7. In the ETF segment, the company manages an AUM INR 683 billion and has a market share of 14%. The Gold ETF is the biggest fund in this category with AUM of INR 67 billion in assets.
8. Over 902,000 purchases were executed through digital assets - an increase of 19%.
9. For the quarter ended December 31, 2022, profit after tax was INR 2.1 billion - an increase of 18%.
10. Operating profit was at INR 2 billion.
11. Operating profit, as a ratio of average assets under management, was 28 basis points in Q3 FY23 as compared to 26 basis points in Q2 FY23
12. In FY22, NAM India distributed its highest ever dividend with a payout ratio of 96%.
13. Gross realization has been 43 basis points in the Q3 FY23, and it was 42 basis points last quarter.

Investor Conference Call Highlights

1. The management stated that in Q3, Indian equity markets remain range bound with a positive bias driven by strong corporate earnings, superior growth, economic growth versus peers and, peaking of inflation expectations.
2. The management believes that with the ongoing global uncertainties, FII outflow and a weak INR USD outlook also impacted the growth momentum and led to some volatility but despite all this the asset management industry maintained its growth momentum, driven by higher retail awareness and improved access of mutual fund products across the length and breadth of the company.
3. The management stated that the industry assets rose by 5%, mainly driven by higher equity and ETF assets.
4. The base for unique investors grew by 20% to 37 million.
5. The management stated that they added 2 million folios the last 9 months and continue to have the largest base in the mutual fund industry.
6. The company's share of industry unique investors was largely stable at 36% with a base of more than 13 million investors.'
7. The management stated that in volatile markets, folios with lower ticket size have demonstrated longer vintage and better stickiness.
8. The management stated that 14% of their SIP folios have continued for more than 5 years against industry which is 11%.
9. The company's share in industry's ETF folios rose to 61%. . In Q3, it added 137,000 investors and accounted for 99% of the total ETF folio additions in the industry.
10. The company rolled out the Nippon India Mutual Fund WhatsApp Channel, a real-time comprehensive transaction and service suite for their investors.
11. The management stated that the Business Easy 2.0 app is aimed at driving more meaningful engagement, attention and growth through advisory, detailed analytics and smart insights.
12. In Q3, the digital platform contributed to 59% of the company's total new purchase transactions.
13. The management stated that Nippon India Mutual Fund has a well diversified enabled distribution base with a wide presence through 270 locations across the country.
14. The company began to integrate ESG aspects into various areas of planning, operation, fund management, risk and governance.
15. The management stated that they have been able to marginally increase its yields on the debt and the ETF side, which has helped it to maintain the run rate.
16. The management stated the 3 reasons for the outflows debt funds across the industry
    - To avoid any MTM losses that may rise out of returns
    - There is some competition from bank deposits because bank deposit rates have moved up
    - Because of the rising interest rates, a lot of corporate treasuries have preferred to repay their loan credits to the banks.

17. The management stated that most of the company's money has come from B30 cities.

18. The management stated that their SIP book has grown from roughly around INR 650 crores to more than INR 1,000 crores per month. So all those things aggregate into equity sales. And the margin expansion is happening because of that.

19. The management stated that on the SIP gross folio share, the company used to be at 5.4% of the industry and they are now 8.5%. On a net basis, they almost have 12% incremental folio share.

20. The management stated that the small cap fund, which has doubled in the last 2 to 3 years, the total TER drop because of these reverse telescopic rates, the company's TER chargeability has gone down by 15 basis points.

Analyst's View

Nippon Life India Asset Management is one of the leading asset management companies in India. Nippon Life India Asset Management has a strong track record of performance, with many of its mutual funds delivering attractive returns to investors. The company has a robust distribution network, with a presence in over 300 cities in India. AMCs are increasingly losing control over the customer interaction layer of the business. This would deplete their stickiness with customers, while these digital partners accrue more power. This trend can hurt profit margins.

However, growing financial awareness, differentiated and transparent product suite and innovative digital strategies are expected to be the key drivers for the growth of the industry in future as well.

The company's ETF average daily volumes across key funds remain far higher than the rest of the industry. Nippon's digital-centric strategies are also the keystone for sustainable growth and profitability.

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