SMART SYNC SERVICES

Q4FY23 Results

95 CONFERENCE CALLS & HIGHLIGHTS

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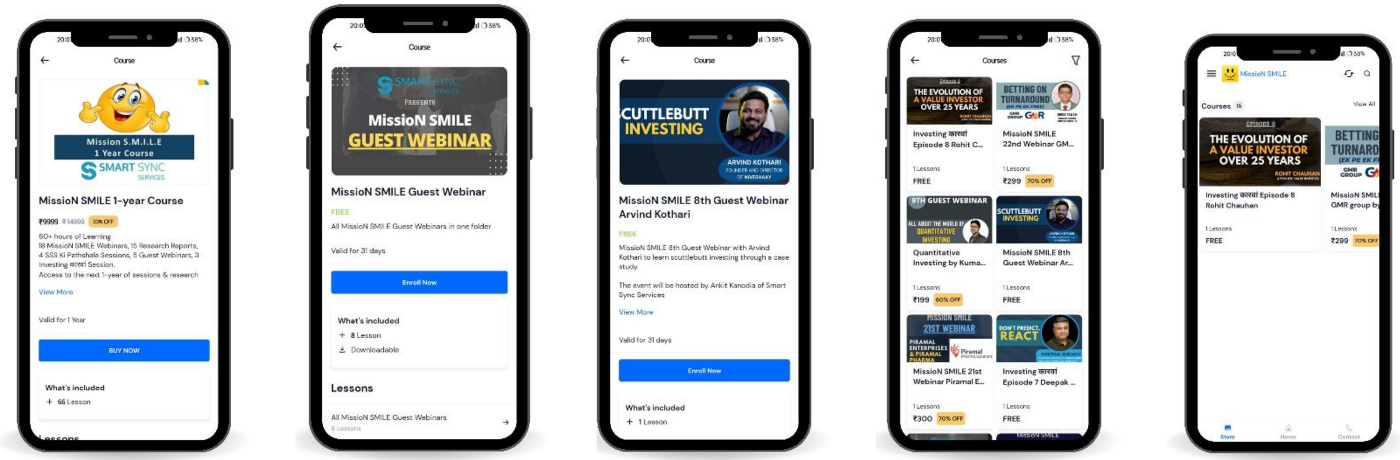

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Who We Are

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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Agro chemicals

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,162**	**1,197**	**1,194**	**1,354**	**1,356**	**1,395**	**1,543**	**1,770**	**1,613**	**1,566**	**6,492**
% Growth YOY					*17%*	*17%*	*29%*	*31%*	*19%*	*12%*	
Expenses	887	970	945	1,063	1,060	1,090	1,191	1,338	1,198	1,223	**4,950**
EBITDA	**275**	**227**	**249**	**292**	**297**	**305**	**352**	**432**	**415**	**343**	**1,542**
Depreciation	44	45	49	49	50	54	56	56	57	58	**226**
EBIT	231	183	200	242	246	251	296	376	358	285	**1,316**
EBIT Margin	*20%*	*15%*	*17%*	*18%*	*18%*	*18%*	*19%*	*21%*	*22%*	*18%*	
Interest	7	4	3	3	3	3	14	11	9	3	**37**
Other Income	39	44	31	28	26	21	32	33	51	51	**166**
Profit before tax	**264**	**222**	**228**	**267**	**269**	**269**	**314**	**398**	**400**	**333**	**1,444**
PBT Margin	*23%*	*19%*	*19%*	*20%*	*20%*	*19%*	*20%*	*22%*	*25%*	*21%*	
% Growth YOY					*2%*	*21%*	*38%*	*49%*	*49%*	*23%*	
Tax	68	43	41	37	47	65	52	63	48	52	**215**
Net profit	**195**	**180**	**187**	**230**	**223**	**204**	**262**	**335**	**352**	**281**	**1,230**
% Growth YOY					*14%*	*14%*	*40%*	*46%*	*58%*	*37%*	

Detailed Results:

1. The company witnessed good revenue growth of 12% YoY in consolidated terms in Q4.
2. The profits for the company were up for Q4 with a rise of 37%.
3. The EBITDA for the company grew 13% YoY in Q4 and the EBITDA margin rose 7 bps to 22%.
4. Gross margins rose by 74 bps to 45% in Q4.
5. Overheads increased by 13% YoY in Q4.
6. Exports saw a growth of 15% YoY in Q4 while domestic sales increased 1% YoY in the same period.
7. The Surplus cash net of debt is Rs. 32,343 million.
8. Its order book is at $1.8 billion.
9. The Board of Directors has considered a final dividend of Rs. 5.50 per share for FY22-23.
10. Improved working capital cycle decreased to 79 days Vs 103 days YoY.

Investor Conference Call Highlights:

1. The company's net working capital management improved significantly with the cash flow from operating activities rising to 3x of FY22 while the trade working capital in terms of number of days of sales reduced to 79 days vis-a-vis 103 days as on 31st March FY22.
2. The management talking about its recent acquisition in pharma CDMO & CRO space said "unique ability to build concrete offerings from abstract situations and leveraging our capabilities across the complex chemistries in the value chain and business processes will continue again to create a differentiated value proposition to our stakeholders".
3. In FY23, the domestic business grew at 12% with 8% volume growth and 4% price increase, respectively.
4. The Specialty chemical exports from India are slated to scale 10x between 2023 to 2030 in line with the growing consumption in the consumer, agri, and industrial space.
5. As per CRISIL, Indian Ag-Chem is slated to grow 10% to 12% in FY24 with exports accounting for 50%
6. Talking about the industry prospects, it also said that the China+1 phenomenon and the decline of the EU as a chemical industry powerhouse will support growth for India.
7. The management explains that the lower agrochemicals demand in the EU and China as well, but all this is more relevant to the generics and more matured products in the market.
8. The company insulates itself from this demand shock as PI is mainly engaged in the early-stage molecules & the demand scenario for such products largely remained unaffected given the inherent nature of its model. It regularly works with partners for the global requirement for their new molecules.
9. The management states that "PI's competitive advantage lies in technological edge, world-class infrastructure ensuring sustainable operations, and enduring relationships with global innovators/large MNCs".
10. The Company is confident to deliver an 18% to 20% growth momentum with better margins in FY24.
11. Total capex for FY23 stood at Rs.338.5 Crs.
12. The management explains that volume decline in Q4 was a part of the plan as more orders were disbursed in Q1 & Q3, while it has delivered above its guidance for the full year.
13. The company is currently not seeing any margin erosion.
14. The company's gross margin was lower by 2.5% due to the change in product mix coupled with higher provisions & one-off charges which are taken at the end of the year.
15. The management expects to do capex of close to Rs. 850 crore to Rs. 900 crore in the Ag-Chem business areas in the coming two years, while it is still evaluating the numbers for Pharma business and expects around Rs.10-12Mn capex.
16. The management explains that 60% of domestic biz happens in the first half of the financial year while the exports business is evenly skewed.
17. The expected tax rate for the coming two years Is 15-16%.
18. The company is looking for near-shoring opportunities to get strategic projects coupled with overall supply chain efficiency.

19. The nature of capex involves major part towards capacity expansion where it will put two more multi-product plants. The other part of this CAPEX is towards automation, qualitative improvement of these sites, R&D, and other technological upgradation of these plants.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw a good performance in Q4 on the back of sustained sales momentum in export markets. It had another decent quarter with 12% sales growth & PAT growth of 37%. It remains to be seen how the company will scale-up its new Pharma acquisitions, what challenges it will face in the 2 new segments of biochemicals and electronic chemicals, and whether the company will be able to match its guidance for growth of 18-20% 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	Jan-00	Jan-00	Jan-00	Jan-00	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	570	471	741	728	628	508	863	951	630	523	
% Growth YOY					10%	14542%	17%	31%	0%	3%	
Expenses	510	453	619	640	561	510	750	834	577	588	
EBITDA	60	18	122	-	-	-	-	-	-	-	
Depreciation	-	-	18	18	18	20	25	22	22	23	
EBIT	60	18	103	-18	-18	-20	-25	-22	-22	-23	
EBIT Margin	11%	4%	14%	-2%	-3%	-4%	-3%	-2%	-3%	-4%	
Interest	1	1	1	1	1	1	2	2	3	5	
Other Income	14	10	7	7	5	7	5	2	2	5	
Profit before tax	73	26	109	-11	-14	-13	-22	-22	-23	-23	
PBT Margin	13%	6%	15%	-2%	-2%	-3%	-3%	-2%	-4%	-4%	
% Growth YOY					-120%	-151%	-120%	93%	63%	72%	
Tax	16	3	27	20	14	-2	23	24	7	-19	
Net profit	46	8	82	56	40	-14	67	71	23	-69	
% Growth YOY					-13%	-272%	-18%	26%	-43%	389%	

Detailed Results:

1. The company's revenues for the quarter stood at Rs.523 crore as against Rs.508 crore generated during Q4 of FY '22, a growth of 3%.
2. The company's domestic revenues were flat. International revenue business reported a growth of 7%, driven by volume growth of 10% plus.
3. The company's seeds business generated revenue worth Rs.25 crore during the quarter, largely in line with the previous year
4. The company's EBITDA loss for the quarter stood at Rs.65 crore as against a loss of Rs.3 crore generated during the corresponding period last year. Loss for the quarter stood at Rs.69 crore as against a loss of Rs.14 crore garnered during Q4 of FY '22.

Investor Conference Call Highlights

1. The company stated that the industry demand was relatively less due to higher carryover inventory from the Kharif season and higher returns in insecticides.
2. The company stated Low pest pressure and erratic rainfall resulted in lower liquidation.
3. The company stated that the Rabi season has ended with 3% higher crop acreage YoY, but adverse weather conditions could impact yields.
4. IMD forecast a normal monsoon at around 96% of the LPA, but Skymet's forecast is below normal at around 94% of the LPA, raising concerns about monsoon rains.
5. Talking about business, the company stated that domestic market growth is soft due to high inventory levels, but international businesses reported growth.
6. The company stated that margins were low due to high stock levels globally and pricing pressure, resulting in an EBITDA loss of Rs. 65 crore for the quarter.
7. The company stated that gross margins remained lower due to high-cost volatility.

8. The company launched new products under the 9(3) and 9(4) categories and Crop Nutrition portfolio.
9. The company stated that it has expanded its distribution network to 60,000 retail footprints for the Crop Care business.
10. The company stated that it has once again started shipments of PEKK in the Contract Manufacturing segment after a gap of nearly two years
11. The company stated that revenues for the 4th quarter increased to Rs.523 crore, a 3% growth from the previous quarter, largely driven by volume growth and with price increases now anniversaries.
12. The company stated domestic revenues were flat, while international revenue business reported a growth of 7%, driven by volume growth of 10% plus.
13. seeds business generated revenue worth Rs.25 crore during the quarter, largely in line with the previous year.
14. Company EBITDA loss for the quarter stood at Rs.65 crore, mainly due to provisions and impairments recognized during the quarter, including inventory provisions of Rs.39.8 crore and projects worth Rs.23.6 crore impaired during the quarter.
15. The company's Gross margins were lower due to high-cost volatility, largely mitigated through agile pricing and procurement decisions.
16. The company's domestic business operated under a challenging environment, while the international business performed relatively well with a growth of 24.5% for the year.
17. The company states that Metribuzin volumes have started improving, and with Metribuzin and Pendimethalin both having secured technical equivalence, the company expects to win more customers in the coming years.
18. The seeds business continues to face a difficult environment, and the company has re-evaluated its strategy with a renewed focus on liquidation, cost reduction, and a more rigorous evaluation of new product development.
19. The company has spent approximately Rs.190 crore on capex during the year and expects FY '24 spending to be in the range of Rs.150 crore to Rs.180 crore.
20. The good news is that commodity prices in general have been good, which is positive for farm economics.
21. The company is taking action to increase volume growth and improve market efficiencies.
22. The company stated that new product development is its key area of focus, with a portfolio of products expected to be introduced in Q1, Q2, and beyond.
23. The company also plans to scale up some of the products launched in the last few years.
24. The company stated digitalization efforts, such as a monitoring app, are being used to guide field marketing activities.
25. The company aims to achieve volume growth despite dropping prices.
26. The company launched Project "Fit" in the seeds business and recalibrated its long-term sales plan. As a result of this, the company identified quite a few hybrids, especially in cotton, wherein stock levels are significantly higher than the future sales estimate.
27. According to the company, key challenges are going to be the timely collections in monsoon, the chairman later added "but maybe getting the El Nino effect late in the season, the Kharif is expected to take off in a nice manner. So we don't see any immediate issues."

Analyst's View

Rallis, a subsidiary of Tata Chemicals, has established a reputation of being a trusted solutions provider for agri-inputs, globally, with an accent on innovation, a thorough knowledge of farm science, and a penetrative distribution network. Rallis boasts of a robust product portfolio offering comprehensive crop care solutions, including formulations for crop protection and nutrition. It manufactures and markets a range of agri-inputs, which include pesticides, fungicides, insecticides, seeds, and plant growth nutrients. The product portfolio under each category covers a broad spectrum of crop-related requirements. The company has been in the business for more than 150 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working, Rallis India LTD is a good Agrochemical stock to watch out for.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**482**	**503**	**507**	**542**	**550**	**516**	**522**	**545**	**560**	**541**	**2,167**
% Growth YOY					*14%*	*3%*	*3%*	*0%*	*2%*	*5%*	
Expenses	96	107	126	131	135	123	132	140	146	130	**549**
EBITDA	**386**	**396**	**381**	**411**	**414**	**393**	**390**	**405**	**413**	**411**	**1,618**
Depreciation	14	14	14	14	13	13	14	13	13	13	**53**
EBIT	372	383	367	398	401	380	376	391	400	397	**1,565**
EBIT Margin	*77%*	*76%*	*72%*	*73%*	*73%*	*74%*	*72%*	*72%*	*71%*	*73%*	
Interest	2	2	2	2	2	2	2	2	2	2	**10**
Other Income	113	43	101	66	86	65	11	104	103	97	**316**
Profit before tax	**483**	**423**	**466**	**461**	**485**	**443**	**385**	**493**	**501**	**492**	**1,871**
PBT Margin	*100%*	*84%*	*92%*	*85%*	*88%*	*86%*	*74%*	*91%*	*89%*	*91%*	
% Growth YOY					*1%*	*5%*	*-17%*	*7%*	*3%*	*11%*	
Tax	113	107	121	117	125	99	71	129	131	116	**447**
Net profit	**369**	**316**	**345**	**344**	**360**	**344**	**314**	**364**	**369**	**376**	**1,424**
% Growth YOY					*-3%*	*9%*	*-9%*	*6%*	*3%*	*10%*	

Detailed Results:

1. Closing AUM stood at Rs.4,367 billion, with a market share of 11.1%.
2. Market share excluding ETF on quarterly average AUM basis stood at 12.5%, and on closing AUM basis at 12.5%
3. On debt, the market share for the quarter-end stood at 13.3%, while for liquid it was 12.8%.
4. Unique investors grew to 6.6 million in the current quarter as compared to 5.8 million for the quarter ended Mar 2022.
5. The company processed 4.53 million transactions, totalling to Rs.17.1 billion in the quarter of March 2023 versus 3.91 million transactions, totalling to Rs.14.3 billion in the month of September 2022.
6. SIP AUM as of 31st March 2023 stood at Rs.859 billion.
7. Contribution of equity oriented assets to a closing AUM for the quarter ended-March 2023 stood at 56.2%.
8. The company reported total revenue of Rs.24,826 million.
9. Operating revenue increased by 2% year-on-year.
10. The company reported operating profit of Rs.15,548 million versus Rs.15,375 million in 2022.
11. Profit after tax was Rs.14,239 million as compared to Rs.13,931 million last year which is an increase of 2% on YoY basis.

12. Operating profit margin as a basis point of AUM, stood at 35 basis points for year ended Mar '23 with operating revenue margin at 49 basis points, that is of AUM.
13. Other income is Rs.50 crores and it includes gains on the company's equity AUM.
14. For FY23, a final dividend of Rs. 48 per equity share was proposed by the board on April 25, 2023 which is subject to approval by the shareholders at the ensuing Annual General Meeting.
15. Dividend payout ratio for FY23 stands at 72% while it was 64% the previous year.

Investor Conference Call Highlights

1. QAAUM for the industry for Mar 23 was Rs. 40.5 Trillion a 6% growth on YOY basis. The net flows during the year in equity-oriented funds added up to Rs.1801 billion of which Rs. 1618 billion was in actively managed equity-oriented funds and balance Rs. 184 billion in equity-oriented index funds.
2. During the year, Industry collected approximately Rs. 342 billion via active equity NFOs, nearly 21% of net flows into actively managed equity-oriented funds during the year.
3. SIP flows for the industry continued their growth trajectory and came in at Rs. 143 billion for the month of March 2023 vs 123 billion a year ago.
4. Liquid fund QAAUM for the industry grew by 8% YOY adding Rs 0.42 trillion. Net outflows during the year were to the tune of Rs 510 billion.
5. Industry recorded 37.7 million unique investors at the end of the fiscal year. Individual investors contribution came in at 58% of the monthly average AUM for March 2023 and the folio count for individual investors increased to 145 million from 129 million a year ago
6. The company recorded 6.6 million unique investors at the end of the quarter ended March 2023.
7. The company's market share for quarterly average debt AUM including debt index funds was 13.3%. Quarterly average Liquid AUM market share stood at 13.1%.
8. The company launched two equity oriented thematic/sectoral funds and one long duration debt fund, generating healthy interest, particularly in March.
9. The management states that the first close of HDFC AMC Select AIF FOF on 31st March received commitments of Rs. 400 Crores, with further capital raising planned.
10. Q4 profit after tax reached Rs. 3,761 million, a YoY growth of 9%, while total revenue grew by 10% to Rs. 6,378 million.
11. The management states that employee costs remained flat this year at Rs. 3,127 million, and excluding non-cash charge on account of ESOP, it is at Rs. 2,726 million which is an increase by 9.5% YoY.
12. Other expenses on a yearly basis increased by 18% (Rs. 348 million), attributed to business promotion, travel, digital assets, and IT infrastructure.
13. The management attributes the yield difference to a shorter quarter and year-end adjustments for unabsorbed cost of B30 assets. The impact of B30 on the margin is minimal, one basis point.
14. The management explains that the increase in trade receivables are due to a change in payment cycles, which will normalize going forward.
15. The estimated costs for the ESOPs will be debited to the P&L account over the next three years for the value of approx 55 to 60 crores. 55% would be accounted in this FY, 30% the following year and the remaining after that.
16. The management states that the finance bill proposes an amendment in income tax laws effective April 1, '23. It states that investments in specified debt mutual funds with equity exposure not exceeding 35% of the total corpus in domestic equity shares will be treated as short-term capital assets.

17. Fresh investments made on or after April 1, '23 will not be eligible for cost indexation and concessional long-term capital gain tax rates. Investments made prior to March 31, '23 will not be affected by this amendment.
18. The company's market share in debt on QAAUM for Mar'23 stood at 13.3. The market share excluding debt index funds stands at 14.6. The management explains that the delays in launching debt index funds contributed to slight losses in the market share.
19. On a full year basis, the AMC yields on basis of asset class would be 70 basis points for Equity, 27 for Debt, and 13 basis points for Liquid.
20. The management expects the OpEx to remain at 14 basis points and does not expect it to reduce due to the various IT and digital spends this year.
21. The management states that all distribution partners are seeing an improving trend in growth.
22. Hybrid debt funds having between 35%-65% equity still continue to enjoy indexation benefits.
23. There are no anticipated material costs on the rolling out of the non-mutual fund business strategy.
24. The management plans to do few sector thematic NFOs in FY24 bearing minimum costs.
25. The management states that the direct plan TER of recently concluded NFOs are much healthier than NFOs launched a year back, and non-NFO flows are also coming in at a better margin.
26. The management states that the ESOPs are broad based, covering more than 50% of the company's people, with dilution less than 0.5% over a three-year vesting period.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**268**	**302**	**302**	**328**	**339**	**338**	**316**	**332**	**354**	**348**	**1,350**
% Growth YOY					*26%*	*12%*	*5%*	*1%*	*5%*	*3%*	
Expenses	122	136	125	135	126	130	137	138	141	140	**555**
EBITDA	**147**	**166**	**177**	**193**	**212**	**208**	**179**	**194**	**213**	**209**	**795**
Depreciation	8	7	7	7	6	7	7	7	8	8	**30**
EBIT	139	159	170	187	206	201	172	186	206	201	**765**
EBIT Margin	*52%*	*53%*	*56%*	*57%*	*61%*	*59%*	*54%*	*56%*	*58%*	*58%*	
Interest	1	1	1	1	1	1	1	1	1	1	**4**
Other Income	130	60	67	97	30	34	-17	82	62	40	**167**
Profit before tax	**269**	**218**	**236**	**283**	**235**	**234**	**155**	**268**	**266**	**239**	**928**
PBT Margin	*100%*	*72%*	*78%*	*86%*	*70%*	*69%*	*49%*	*81%*	*75%*	*69%*	
% Growth YOY					*-12%*	*8%*	*-35%*	*-5%*	*13%*	*2%*	
Tax	57	51	55	70	62	60	40	62	62	41	**205**
Net profit	**212**	**167**	**182**	**214**	**174**	**175**	**114**	**206**	**205**	**198**	**723**
% Growth YOY					*-18%*	*5%*	*-37%*	*-4%*	*18%*	*13%*	

Detailed Results:

1. Monthly SIPs touched an all-time high of INR 143 billion - an increase of 16%, while SIP folios rose by 20% to 64 million.
2. AUM increased by 3.5% YoY to INR 2,932 billion.
3. Systematic AUM rose by 15% to INR 673 billion
4. The company's annualized systematic transaction book is at INR 110 billion.
5. Quarterly flows increased by 25% to INR 32 billion.
6. On a gross basis, 2.6 mn systematic folios were added in FY23, making the total investor base 19.6 mn.
7. In the ETF segment, the company manages an AUM INR 700 billion and has a market share of 13.7%. The Gold ETF is the biggest fund in this category with AUM of INR 74 billion in assets.
8. Over 908,000 purchases were executed through digital assets - an increase of 5%.
9. For the quarter ended December 31, 2022, profit after tax was INR 1.98 billion - an increase of 13%.
10. Operating profit was at INR 2 billion.
11. In FY23, NAM India distributed its highest ever dividend with a payout ratio of 100%.
12. Tech FoF is in advanced stage of deployment. Nearly 70% of commitment raised has been deployed across 11 VC funds

Investor Conference Call Highlights :

1. The industry AUM grew by 5.5% in the year and is currently at Rs. 40.51 lakh crores, which is a historic high.
2. Investor interest in investing through systematic investment plans was very high with the SIP contribution for the year being at 1.56 lakh crores, 25% higher than last year, for the industry.
3. The monthly SIPs touched an all-time high of Rs. 14276 Crores per month while SIP folios were at 63.6 million, rising by 20%.
4. The company's equity market share excluding ETF has been stable for the past three quarters and is currently at 6.19%. Share of equity assets rose to 44% of total assets compared to 42% last year.
5. The company's B30 AUM is at Rs. 55,680 crores which has increased 16.4% YoY.
6. The company has performed well in the HNI category, its AUM increased by Rs. 15,994 Cr from Rs. 77,289 Cr which is up 25% YoY, and market share increased by 66 basis points.
7. The company continues to be the largest ETF player with an AUM of Rs. 70,024 Cr with a market share of 13.74%.
8. The company's share in the industry ETF folios is 61%. It has a 70% share of ETF volume on both NSE and BSE.
9. Digital purchase transaction rose up to 33 lakhs from 30 lakhs last year. Digital channel contributes 57% of the company's new purchase transactions.
10. The management sates that on a full year basis, the yields have moved down from 44 basis points to 42 basis points on the NAV side.
11. The yields have gone down YoY mainly due to three factors, replacement of old assets by new assets, cost of acquisition of new assets being higher than old assets and increase in sizes.
12. Other income fell this quarter due to impact in the company's fixed income schemes.
13. The company's yields stand as the follows, Equity yields in the range of high 70s to low 80s, Debt side around 23 to 30 basis points, and Liquid close to 15 to 20 basis points.
14. The company has seen its HNI market share go up by 66 basis points, with an overall increase in AUM of 25% compared to industry AUM of 11%.
15. The management states that this year the company has almost reached 100% dividend payout, which would remain in the 60%-100% range depending on evaluation of the situation by the board.
16. The management expects its effective tax rate to be 20%-23% in the future, depending on the income from other sources.
17. The net flow market share has stabilized and is higher than the AUM market share for the same period.
18. The management states that 1 in 3 investors in Indian Mutual Fund stays with Nippon due to their 70% market share in ETFs. There is also growth on the passive side led by many first time investors.
19. The management continues to explore inorganic opportunities, and plans to have higher focus on the non-mutual fund business during the next 3-4 years of the company.
20. The management acknowledges that the financial year has not been favourable due to various reasons such as maturing close-ended funds, slowdown in real estate offerings and delayed launch of new funds.
21. The management outlines three areas of opportunity for the non-mutual fund business as domestic fund raising(including real estate and long-short funds), international funds with a focus on attracting investors from Japan, and exploring inorganic opportunities
22. The management states that Government business (postal life) has mandated low margin fees, accounting for around Rs. 60,000 Crores in assets.

23. PMS and AIF net retention is around 100 basis points, while the offshore business ranges from 33 to 67 basis points depending on the mandate type.
24. The offshore business represents approximately $1.8 billion, with commitment in AIF around 800 million, primarily serving institutional mandates. Net realizations on the retail and offshore sides exceed 100 basis points.
25. The management discusses the direction of yields, aiming to maintain current levels in the range of 40 to 45 basis points on net yields for fixed income, with scope for improvement due to higher net carry.
26. Competitive pressure on NFOs has eased, as regulations allow only one scheme per category, and investors and distributors have learned from past experiences, preferring established and performing categories.
27. The management states that Nippon's focus is not to launch many NFOs, it is consolidating and scaling up based on the performance of existing funds.
28. The management explains that recent regulations mainly affect investments beyond three years, while shorter-term debt investments remain unaffected. April flows in the industry have been similar to the previous year, with around 60,000 odd Crores, indicating stability.
29. The management states that other expenses are expected to grow in line with AUM, with potential operating leverage as AUM increases. And the impact of GST and brokerages on the TER is uncertain, and the company will adapt to regulations once they are finalized.
30. The company does not plan to launch NFOs unless they offer a unique product with differentiated returns.
31. The overall other expenses are currently in the range of about 17 to 18 basis points of the current AUM.

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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AUTO & AUTO ANCILLARIES

Balkrishna Industries Ltd

Financial Results & Highlights

Brief Company Introduction

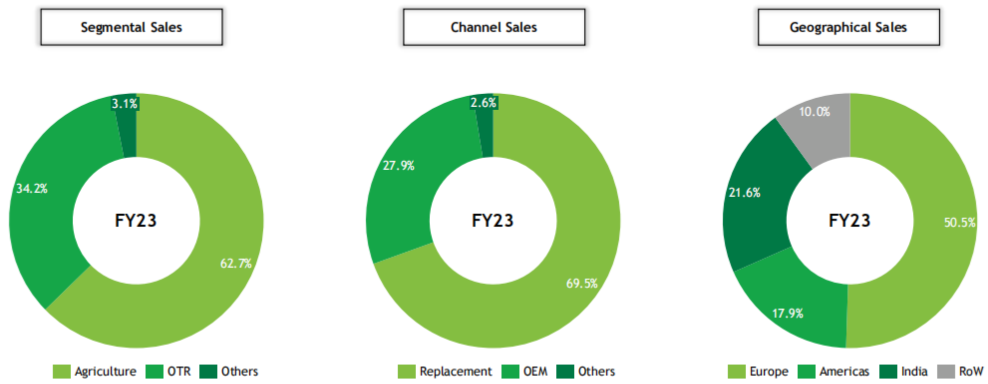
Balkrishna Industries Limited (BKT) started its Off-Highway tire business in 1987. For over 30 years, BKT has successfully focused on specialist segments such as agricultural, construction and industrial as well as earthmoving, port and mining, ATV, and gardening applications. Company sells its tyres 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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**1,509**	**1,753**	**1,803**	**2,072**	**2,046**	**2,374**	**2,619**	**2,658**	**2,166**	**2,317**	**9,760**
% Growth YOY					*36%*	*35%*	*45%*	*28%*	*6%*	*-2%*	
Expenses	1,030	1,203	1,292	1,534	1,589	1,871	2,175	2,231	1,896	1,837	**8,140**
EBITDA	**480**	**550**	**511**	**538**	**457**	**503**	**444**	**426**	**269**	**480**	**1,619**
Depreciation	105	106	107	111	118	120	129	137	149	156	**571**
EBIT	375	444	404	426	339	384	315	289	121	324	**1,048**
EBIT Margin	*25%*	*25%*	*22%*	*21%*	*17%*	*16%*	*12%*	*11%*	*6%*	*14%*	
Interest	2	3	3	2	2	3	3	5	14	26	**48**
Other Income	55	61	82	133	113	109	106	227	45	57	**434**
Profit before tax	**428**	**503**	**484**	**558**	**450**	**490**	**417**	**511**	**151**	**355**	**1,435**
PBT Margin	*28%*	*29%*	*27%*	*27%*	*22%*	*21%*	*16%*	*19%*	*7%*	*15%*	
% Growth YOY					*5%*	*-2%*	*-14%*	*-8%*	*-66%*	*-28%*	
Tax	103	123	153	167	111	116	111	129	43	95	**377**
Net profit	**325**	**380**	**331**	**391**	**339**	**375**	**307**	**382**	**108**	**260**	**1,057**
% Growth YOY					*4%*	*-1%*	*-7%*	*-2%*	*-68%*	*-31%*	

Detailed Results:

1. The company had a poor quarter with sales growth of negative 2% while profit degrowth of 31%.
2. Sales volume stood at 72,676 MT, a growth of 9% QoQ.
3. Gross Cash and Cash equivalents of Rs. 2,075 Cr as on 31st March 2023.
4. EBIDTA margins stood at 21.3% Vs 23.7% YoY while PAT margins stood at 11% Vs 15.4%.
5. For the quarter, the company had a net forex gain of INR 26 crore. This includes a realized gain of INR 23crore and an unrealized gain of INR 3 crore.
6. Gross debt stood at INR 3,254 crores at the end of 31st March '23, of which about 75% is related to the working capital debt.
7. The Board of Directors has declared a Final dividend of INR 4 per share.

8. The Volume Profile for the company for FY23 were as follows :-



Investor Conference Call Highlights

1. The management states that Q4FY23 has been a better quarter from a sequential point of view with an uptick in volumes, better demand from end markets, and partial clearing of high-priced raw materials. However, end markets, especially channel inventory situation, is not completely out of the woods.
2. The management states that it expects the channel led inventory issues to be resolved by June or July.
3. In Q4, the EBITDA margin is at 21.3%, which has improved sequentially. This has been due to better absorption of high-cost raw material inventory that they were carrying in the system and lower freight costs.
4. The management states that it has continued to make higher spending in brand building and marketing initiatives, which slightly impacted margins. Excluding these investments, margins would have been slightly higher in Q4.
5. In view of the long-term strategy of increasing market share, the investments are required to achieve the aspiration of 10% market share over the next few years. As sales volume increases, these spends, as a percentage of sales, will come down.
6. For FY24, the management remains positive. They states that they would be in a better position to discuss volume guidance in the next few months. On the margin front, multiple levers such as favourable raw material costs, better hedge rates, and complete normalization of logistic costs, will aid the improvement in margin profile.
7. In terms of end markets, the management expects Europe to normalize later during the year, while America and India will continue its FY '23 performance trajectory.
8. The advanced Carbon Black project of 30,000 metric tons per annum is running delayed, and is expected the same to be completed in H2.
9. The capex for the brownfield capacity addition of 25,000 metric tons per annum at Waluj has been completed. Full ramp up of production will reach over a period of 6 months. Now the Waluj location has a total capacity of 55,000 metric tons per annum.

10. The management states that at the company level, the achievable capacity stands back at the original 360,000 metric tons per annum.
11. For FY24, the estimated capex spend will be of INR550 crores to INR600 crores. Of this, routine maintenance capex will be INR250 crores to INR300 crores. The balance will be spent towards new product development like rubber tracks and giant solid tyres.
12. The capex will help to widen the product basket in the end market along with higher investments in brand building and marketing efforts, which are required to reach the market share goal of 10%.
13. The company crossed the historical mark of INR10,000 crores sales annually for the first time in history.
14. For Q4 financial year '23, the euro hedge rate was 86.50, while for financial year it was 85.30. Forward hedge rates for financial year '24 currently stand at around 88 to 89 levels.
15. The management states that the H2 volumes for USA going down sharply is a seasonal thing. It is confident of America continuing on its growth trajectory.
16. ASPs have come down 4% in the quarter, due to a combination of product mix and lower freight costs being passed through. Minor correction is expected more in the coming quarters.
17. The management expects RM costs to reduce by 1%-2% by the next quarter.
18. Indian market has grown 28% this year, with growth in both Agri and OTR tyres.
19. The interest costs has gone up from INR15 crores in Q2 to INR25 crores in Q4 due to the EURIBOR rate going up. It is now expected to stay in the same range. The current rate is around 4% approximately.
20. The management states that gross debt levels are planned to come down this FY.
21. The company capitalizes a very small part of the capex-related interest costs while most of it goes to the PnL.
22. The management does not plan to set up any plant outside India currently.
23. The company has got a good response for the ultra large tyres on mining side, and has a capacity of 5000 tons per year.
24. The Carbon Black sales to third party was 6% for FY23 with 85% to 90% capacity utilization.
25. The management gives a guidance of becoming a net-debt free company in the next 15-18 months. No new major capex expansion will be announced before that.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**485**	**535**	**432**	**569**	**552**	**654**	**676**	**771**	**748**	**786**	**2,980**
% Growth YOY					*14%*	*22%*	*57%*	*36%*	*36%*	*20%*	
Expenses	345	385	326	426	425	501	512	601	589	618	**2,321**
EBITDA	**140**	**150**	**106**	**143**	**127**	**154**	**163**	**170**	**158**	**168**	**659**
Depreciation	55	50	49	50	52	54	53	55	54	53	**215**
EBIT	85	100	57	93	75	99	110	115	104	114	**444**
EBIT Margin	*17%*	*19%*	*13%*	*16%*	*14%*	*15%*	*16%*	*15%*	*14%*	*15%*	
Interest	26	30	22	18	20	24	25	23	30	39	**117**
Other Income	4	3	1	1	2	5	1	2	5	4	**12**
Profit before tax	**63**	**73**	**35**	**76**	**57**	**81**	**86**	**94**	**79**	**80**	**339**
PBT Margin	*13%*	*14%*	*8%*	*13%*	*10%*	*12%*	*13%*	*12%*	*11%*	*10%*	
% Growth YOY					*-11%*	*11%*	*145%*	*24%*	*40%*	*-1%*	
Tax	21	26	12	26	20	29	31	33	28	10	**102**
Net profit	**42**	**47**	**23**	**49**	**37**	**51**	**56**	**61**	**51**	**70**	**238**
% Growth YOY					*-12%*	*10%*	*143%*	*23%*	*39%*	*37%*	

Detailed Results:

1. The Company has clocked a sale of Rs. 2980 crores in FY23 growing by 35% YoY.
2. The Profit After Tax (PAT) grew by 48% while EBITDA grew by 25% to 671 Crs.
3. The auto powertrain has grown by 32% while EBIT grew by 26%.
4. Aluminum segment has grown by 34% while EBIT grew by 26%.
5. The industrial engineering segment has grown 42% while EBIT grew by 89%.
6. Storage business has reported 49% growth.

Investor Conference Call Highlights

1. The company has acquired 76% equity of DR Axion India Private Limited for a cost of INR375 crores And this company is engaged in the manufacture of 1 million parts which primarily consists of cylinder heads and cylinder blocks.
2. The company in real value addition terms grew by 27%.

3. While EBITDA growth stood at 25%, the EBIT growth stood at 37% owing to only 10 Crs increase in Capex.
4. Further, PAT has increased by 48% owing to a shift in different tax regime where tax rates stood at 25% Vs the erstwhile 35%.
5. The debt to EBITDA stood at 1.48.
6. The ROCE has improved from 20% to 22.5%.
7. The powertrain segment did not perform very well owing to higher contribution from exports where margins were lower coupled with muted demand from Construction Machinery and farm sector.
8. The management states that the value addition for powertrain was INR241 crores, aluminum stood at INR79 crores, and industry engineering recorded INR73 crores.
9. Direct exports contribution to total engineering biz stood at 116 Crs.
10. Raw material costs as a % of sales were higher owing to change in product mix.
11. The company's margins in the aluminum segment rose significantly from 4% to 11% owing to the capacity utilization in terms of value addition to the total gross block increasing from 42% at the start of the year to 67% by the end of the year.
12. The company has started witnessing newer orders from the 2W-EV producers.
13. The company expects 20% valuation growth in each of the three segments in FY24 with revenues growing by around 25% on a standalone level & its acquired entity is expected to grow at 10-15% in the coming year.
14. The management explains that the Total industrial solution revenue for FY ’23 has been INR713 crores, & Out of that, the storage solutions have contributed INR376 million.
15. The EBITDA margins of DR AXION is expected to be around 15% in FY24.
16. The management is confident that the MHCV biz will grow in Q3 & Q4 while Q1 & Q2 will be flat.
17. The management expects the debt to come down by 200 Crs on a consolidated basis.
18. The company doesn’t believe that potentially banning diesel CV LCV will not be a major risk as people will then migrate towards CNG where its products will still be used.
19. The company ended FY23 with value addition as a % of gross block at 92%.
20. The company is seeing higher demand owing to the Make in India initiative coupled with the China+1 policy.
21. The powertrain segment is expected to grow on account of the addition of customers in the tractor segment, and passenger vehicle segment coupled with sales of higher tonnage off the highway CV & higher exports of vehicles that have higher horsepower.
22. The power segment mix in FY23 came as: Commercial vehicle 53%, off-highway 20%, tractor 15%, and passenger vehicles mainly SUV 10%.
23. The management states that the company’s real gross block is worth 3,600 Crs, however,25. the balance sheet showcases the same as 2,800 Crs.
24. The company believes there is a long runway of 6-10 years of growth with Craftsman owing to the manufacturing sector of India growing by leaps & bounds in the future.

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 company delivered strong results with revenue in terms of real value addition growing by 27% & profits by 48% YoY. 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**2,828**	**2,940**	**1,974**	**2,250**	**2,881**	**3,193**	**3,397**	**3,519**	**3,721**	**3,804**	**14,442**
% Growth YOY					*2%*	*9%*	*72%*	*56%*	*29%*	*19%*	
Expenses	2,156	2,306	1,651	1,780	2,298	2,436	2,566	2,698	2,864	2,871	**10,999**
EBITDA	**672**	**634**	**324**	**470**	**582**	**757**	**831**	**822**	**857**	**934**	**3,444**
Depreciation	123	125	112	109	111	119	116	127	135	148	**526**
EBIT	549	510	212	360	471	638	715	694	722	786	**2,917**
EBIT Margin	*19%*	*17%*	*11%*	*16%*	*16%*	*20%*	*21%*	*20%*	*19%*	*21%*	
Interest	4	4	6	3	6	3	5	7	8	8	**28**
Other Income	156	183	122	118	128	172	82	193	256	379	**910**
Profit before tax	**702**	**689**	**328**	**476**	**593**	**806**	**792**	**880**	**971**	**1,156**	**3,800**
PBT Margin	*25%*	*23%*	*17%*	*21%*	*21%*	*25%*	*23%*	*25%*	*26%*	*30%*	
% Growth YOY					*-16%*	*17%*	*142%*	*85%*	*64%*	*43%*	
Tax	169	162	90	103	137	196	181	223	230	251	**886**
Net profit	**533**	**526**	**237**	**373**	**456**	**610**	**611**	**657**	**741**	**906**	**2,914**
% Growth YOY					*-14%*	*16%*	*158%*	*76%*	*62%*	*48%*	

Detailed Results:

1. Q4 and full-year consolidated revenue reached record levels, with a 19% increase in Q4 revenue and 14% growth for the financial year.
2. EBITDA margin for Q4 stood at 24.5%, while the full-year margin was 23.8%, representing significant profitability growth.
3. Revenues for the year amounted to INR 18,952 crores, reflecting a substantial growth of 48.9% compared to the previous year.
4. EBITDA for the year reached INR 1,375 crores, demonstrating a remarkable 92.1% growth, with Q4 EBITDA at INR 619 crores.
5. Profit after tax (PAT) for the year was INR 579 crores, a significant increase from INR 111 crores in the previous year, with Q4 PAT at INR 319 crores.

Investor Conference Call Highlights

1. Eicher Motors had a successful financial year with a stellar performance.
2. The company stated that Royal Enfield achieved its best-ever sales of over 834,000 motorcycles, surpassing the pre-pandemic record. Royal Enfield also made significant progress in the international market, with over 100,000 unit sales in exports.

3. The company stated that CKD operations were started in Brazil, Argentina, Colombia, and Thailand, targeting high-potential markets.
4. The company stated two successful motorcycle launches took place this year: Hunter in Bangkok and Super Meteor 650 in Jaisalmer.
5. Eicher's commercial vehicle (VC) segment had an excellent year, with the highest-ever sales of Eicher trucks and buses (77,000 units).
6. The joint venture between Volvo and Eicher celebrated its 15-year anniversary, reaffirming their commitment to modernizing commercial transportation in India.
7. Eicher Motors declared a final dividend of INR37 per share, the highest-ever dividend, and approved a cash outlay of INR1,000 crore for capital expenditure, including EV manufacturing and product development.
8. Royal Enfield achieved strong sales performance, selling 214,685 motorcycles in Q4, an 18% increase compared to the previous year.
9. The domestic market share in the motorcycle segment (125 cc and above) grew to 33.5% in Q4, compared to 22.9% in the previous year.
10. The company stated that international markets showed momentum, surpassing 100,000 motorcycles sold for the first time and achieving 23% growth over the previous year.
11. The company stated that retail growth in international markets ranged from 27% to 45% across different regions in the financial year 2023.
12. Royal Enfield expanded its footprint in the Americas with a fourth CKD plant in Brazil and plans to launch CKD facilities in Bangladesh and Nepal.
13. The company stated that non-motorcycling businesses, such as spares, accessories, and apparel, experienced outstanding growth of 32% year-on-year.
14. The company stated that Royal Enfield is progressing steadily in its EV journey, focusing on developing uniquely differentiated electric motorcycles with the brand's DNA.
15. The company claimed that Royal Enfield has a strong lineup of motorcycles planned for 2024 and a robust growth plan for the future.
16. VECV achieved a 9% growth in overall sales, reaching 79,623 units of trucks and buses.
17. The CV industry as a whole experienced a 15% decline compared to its previous peak in the 3.5-tonne and above segment.
18. VECV successfully increased its market share in all product lines, with 31.5% in light and medium-duty trucks (5 to 18 tonnes) and 24.8% in buses.
19. The company stated that various factors contribute to improved gross margins, including raw material savings, pricing, and a favorable international mix.
20. The company's understanding is that they are not facing significant commodity inflation, although some fluctuations may require management.
21. The company has around 1,150 premium retail outlets outside India, including 207 exclusive stores and approximately 950 multi-brand outlets. None of the outlets are company-owned; they are all third-party stores.
22. The company has achieved a market share of 8% to 10% in the global middle-weight market across various markets.
23. The company stated that spare parts issues have been resolved, and retail outlet numbers are increasing, providing a solid foundation for international market growth.
24. The company stated that the domestic market is recovering, although it may not reach pre-pandemic levels completely.
25. Royal Enfield is seeing growth in the premium segment and expects good traction and growth with trending products like Hunter and Super Meteor.

26. Royal Enfield is investing in both ICE and EV segments, with a focus on product development for EVs.
27. The MD highlighted growth opportunities in the bus market, particularly from State Transport Undertakings and the school segment.
28. The CEO expressed positivity about the overall two-wheeler market in India, mentioning that it is slowly recovering and showing positive sentiments
29. A question was asked about production lag and potential supply constraints. The CEO stated that there are no issues with production and mentioned the successful ramp-up of the Hunter model.

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.

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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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**358**	**421**	**275**	**419**	**389**	**490**	**445**	**525**	**442**	**436**	**1,848**
% Growth YOY					*8%*	*16%*	*62%*	*25%*	*14%*	*-11%*	
Expenses	317	367	244	368	342	425	388	453	382	376	**1,599**
EBITDA	**42**	**55**	**31**	**51**	**47**	**65**	**56**	**72**	**60**	**60**	**249**
Depreciation	14	16	14	14	13	18	16	16	16	16	**63**
EBIT	28	39	17	37	33	47	40	57	44	45	**185**
EBIT Margin	*8%*	*9%*	*6%*	*9%*	*9%*	*10%*	*9%*	*11%*	*10%*	*10%*	
Interest	3	3	2	2	2	3	2	2	2	2	**7**
Other Income	1	2	0	1	1	1	1	2	3	5	**11**
Profit before tax	**26**	**38**	**15**	**36**	**32**	**45**	**40**	**57**	**45**	**47**	**189**
PBT Margin	*7%*	*9%*	*6%*	*9%*	*8%*	*9%*	*9%*	*11%*	*10%*	*11%*	
% Growth YOY					*22%*	*20%*	*158%*	*56%*	*42%*	*4%*	
Tax	6	11	4	9	9	12	11	16	13	9	**49**
Net profit	**20**	**28**	**11**	**26**	**23**	**34**	**29**	**41**	**32**	**38**	**140**
% Growth YOY					*17%*	*20%*	*167%*	*55%*	*37%*	*13%*	

Detailed Results:

1. The company achieved an annual revenue of INR 1858 crores, representing a growth of 18% year-on-year, EBITDA growth by 28% and the profit after tax by 46%
2. Q4 FY23 revenues were INR 433 crores, with a degrowth of 10.5% year-on-year.
3. Q4FY23 product mix distribution stood as –

   A) Auto lighting –32.17%

   B) LED lighting – 41.36%

   C) Plastic molded parts – 10.35%

   D) Rear View mirrors – 11.38%

   E) Others – 4.74%

4. Revenue break up between segments –

   A) OEM's domestic – 88.70%

   B) Replacement market – 7.49%

   C) Exports – 3.81%

5. EBITDA margins for Q4 stood at 13.91% Vs 12.98% YoY.

Investor Conference Call Highlights

1. Brought in a new Director and CEO Mr. Vineet Sahni (Ex-Lumax). He has a vast experience of over 35 years in the automotive industry. He will be driving the company's growth strategy in the 4-wheeler segment.
2. The 2-wheeler industry posted a year-on-year growth of 9.8% in production volumes and 17.7% in domestic sales volumes.
3. The EV customer base continues to grow and they now have 28 customers in this segment.
4. According to the management the EV industry has seen some slowdown due to the recent FAME subsidy challenges but the long-term growth remains intact.
5. Fiem has agreed with Gogoro India to expand its product portfolio in the 2-wheeler EV segment, Gogoro is Taiwan's largest EV 2-wheeler manufacturer and is a world leader in battery swapping technology.
6. The management plans to gradually indigenize in a phased manner, the hub motor assembly and motor control units.
7. Gogoro will provide the technical know-how and other support in setting up the manufacturing facilities as well as production, quality, and testing support for the above new product lines. This will significantly enhance the company's per-vehicle content from INR 15,000 to INR 18,000.
8. The decline in the Q4 revenue was due to the 25% drop in the production volume of their key customer, Honda.
9. During the year the company did a capex of 54 crores.
10. The Board of Directors has recommended a final dividend of INR30 per share for FY '22-'23.
11. Currently, the order book is at 950 crores.
12. Going to increase supply to the Hero group, supply started already for one of their models. For the second model supply will start by August.
13. The management is pretty confident of outperforming the industry.
14. The LED segment is at 49% which will be increasing to 60% in the next 2-3 years.
15. The management has maintained the margin guidance at 13.5%.
16. The management believes that it is too early to say anything about the growth expected from the 4-wheeler segment but they are very positive about it. And they expect to get a good customer response because of the CEO's experience and old relationship with the customers.
17. The business partnership with Gogoro has a huge opportunity.
18. The partnership business with Gogoro will have the same margin structure as that of Fiem.
19. The current capacity if utilized fully can generate up to 2300-2400 crores of topline.
20. The total EV percentage is currently at 5%.
21. Between FY22 and FY23, EV sales have gone up by 2.5x.
22. In the next few months, their supplies will start for TVS iQube.
23. According to the management, 280 crores of revenue was generated from Yamaha and 38.15 crores from Harley Davidson.
24. Domestic and export margins are the same.
25. The hub motor and motor controller will start contributing to the revenue from FY25.
26. The main reason for the margin to increase was price escalation.
27. Over the next 18 months, the management expects INR75 crores to INR100 crores capex to be done with an expected asset turnover of 2x.
28. According to management, double-digit growth seems very possible for the two-wheeler industry as rural demand is picking up with financing being available.

29. Wallet share for top 4 customers on a yearly basis for FY '23 TVS- headlamp (68%), tail lamp (86%), blinker (85%), rearview mirror (62%), DRL (100%) and license lamp (95%). Yamaha- headlamp (83%), tail lamp (63%), blinker (10%), rearview mirror (82%), and position lamp (50%). Suzuki- headlamp (71%), tail lamp (71%), blinker (4%), rearview mirror (100%), and license lamp (100%). HMSI- headlamp (40%), tail lamp (76%), blinker (85%), and rearview mirror (100%).

Analyst's View

Fiem industries did not post results as per their plan, recording 10.5%% revenue de-growth YoY. The management is confident of delivering a double digit- industry outperforming revenue growth rate for the next 2-3 years primarily due to a rebound in 2W sales coupled with a transition towards LED base lighting, a renewed focus on the 4-wheeler segment & 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.

Gabriel India Limited Q4FY23

Financial Results & Highlights

Brief Company Introduction

Gabriel India Limited is an Indian automotive manufacturing company specializing in suspension systems and components. It is a subsidiary of the Anand Group, one of India's leading automotive component manufacturers. Gabriel India is a renowned player in the automotive industry, known for its expertise in providing high-quality suspension solutions for various vehicle segments. Gabriel India primarily focuses on the manufacturing and supply of suspension systems, including shock absorbers, struts, and front forks for two-wheelers, passenger cars, commercial vehicles, and railways. They also offer a range of suspension components and systems for aftermarket sales.Gabriel India has a strong market presence in India and supplies its products to leading original equipment manufacturers (OEMs) in the automotive industry.

	Quarterly Performance										
	GABRIEL INDIA LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**535**	**578**	**452**	**590**	**606**	**684**	**721**	**803**	**711**	**737**	**2,972**
% Growth YOY					*13%*	*18%*	*60%*	*36%*	*17%*	*8%*	
Expenses	497	531	429	547	564	647	670	744	660	685	**2,758**
EBITDA	**38**	**47**	**23**	**43**	**42**	**38**	**51**	**59**	**51**	**52**	**214**
Depreciation	12	11	10	10	11	11	11	12	13	13	**49**
EBIT	26	36	13	33	31	27	40	47	39	39	**165**
EBIT Margin	*5%*	*6%*	*3%*	*6%*	*5%*	*4%*	*6%*	*6%*	*5%*	*5%*	
Interest	1	4	2	1	1	0	1	1	1	1	**5**
Other Income	8	9	4	4	6	11	6	3	2	6	**17**
Profit before tax	**33**	**41**	**16**	**36**	**37**	**38**	**44**	**49**	**39**	**45**	**178**
PBT Margin	*6%*	*7%*	*3%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	
% Growth YOY					*13%*	*-7%*	*181%*	*36%*	*6%*	*19%*	
Tax	8	12	4	11	11	11	12	13	10	11	**46**
Net profit	**25**	**29**	**12**	**25**	**26**	**27**	**33**	**37**	**29**	**34**	**132**
% Growth YOY					*4%*	*-7%*	*174%*	*47%*	*13%*	*25%*	

Detailed Results:

1. Gabriel India Limited achieved sales of INR 737 crores with an EBITDA of 7.1% and PBT of 6.1%.
2. The cash position improved to INR 300 crores, and the cash flow from operations increased to INR 115 crores.
3. The company had sales of INR 2,972 crores, which was a growth of 27% compared to the previous year.
4. The cash flow for the year was INR 136 crores, and capex incurred was INR 106 crores.
5. The Board recommended a final dividend of INR 1.65 per share, maintaining a dividend payout ratio of 28%.
6. The company gained market share in the domestic two-wheeler market, reaching 32%.
7. In exports, despite setbacks due to the Volkswagen Russia sale, they achieved over INR 100 crores in sales.

Investor Conference Call Highlights

1. The management stated that the industry faced challenges such as inflationary pressures, semiconductor supply issues, and price increases in two-wheelers due to factors like the implementation of OBD-2 norms and fuel cost increases.
2. The management stated that the company had a market share of 80% in the EV segment, with partnerships with top players like Ola, TVS, Ather, Ampere, and Okinawa. They also entered the e-bike market, supplying the first front fork to Hero Cycles for export to Germany.
3. The management mentioned that subsidies for electric vehicles (EVs) are expected to be tapered down and eventually withdrawn. However, they believe that the demand for EVs will remain strong due to factors such as shared comfort, low cost, zero maintenance, and compelling features.
4. The management discussed the localization of sunroof components. They mention that the glass will be bought from local glass makers, and there will be value addition in terms of PU encapsulation done in-house. They also mention that only a few OEMs currently import sunroofs, with Webasto of Germany being a major player.
5. The management expressed confidence in gaining market share in the 2-wheeler, 3-wheeler, and passenger car segments. They mention a strong relationship with key customers like HMSI and winning new business from companies like Suzuki.
6. The management briefly mentioned the Core 90 cost reduction program, which aims to maintain cost efficiency and sustain profitability amid inflationary pressures.
7. Gabriel India's export volume currently stands at around 4% of the total, and they aspire to achieve a double-digit export share in the future. The company is developing semi-active technology, which they believe will find traction in developed markets.
8. The addressable market for train suspension is not as large as indicated by the cost of the Vande Bharat train. While the suspension has a higher value per coach, it is not a significant portion of the overall cost, and the contribution per coach is smaller.
9. The Core 90 program has contributed approximately 1% to 1.5% improvement in margins in FY '23.
10. The company has passed on almost 95% of the commodity cost inflation to customers. However, due to the mathematical denominator effect, the margins may still be impacted by the overall commodity price increase.
11. The company is planning brownfield expansions in Khandsa and Chakan, involving minor expansions in capacity, machines, and store area. They are also considering a greenfield expansion in the south, potentially in the Chennai region, and in Sanand, Gujarat.
12. The current capacity of Gabriel India Limited is close to INR 4,000 crores, excluding the sunroof business.
13. The new sunroof joint venture is expected to start generating revenue from the first quarter of the next calendar year, with an estimated equity outlay of INR 50 crores to INR 60 crores.
14. The company is aiming for an improvement in gross margins, with a target of around 250-300 basis points increase. This improvement will come from factors such as operating leverage, renegotiating with suppliers and customers for price increases, softening commodity prices, product mix changes, and potential backward integration.

Analyst's View

Gabriel India is part of ANAND Group. From being a single-product company in 1961, we have transformed ourselves in line with changing market, technical and social trends and played a key role in limiting emissions of ride control products and fostering the cause of environmental protection. Company manufactures over 300 models of ride control products. Its products include shock absorbers, struts, front forks and others.Presently, the company owns 7 manufacturing facilities in Haryana, Madhya Pradesh, Tamil Nadu, Himachal Pradesh, Gujarat and Maharashtra.

Gabriel India Limited aims to be among the top five shock absorber manufacturers globally by 2025. The company has witnessed a rise in market share in the passenger car segment, serving renowned brands like Maruti, Honda, Tata Motors, and Volkswagen. They have also established a strong presence in the growing utility vehicle segment.

As a single-source supplier for commercial vehicles in the country, Gabriel India collaborates with various OEMs to provide a wide range of options. They have strategic plans to localize specific categories in the sunroof business, beginning with glass components. This phased localization process is outlined for the next three years. Additionally, Gabriel India recognizes opportunities for further localization and value addition, particularly in segments like two-wheelers, where improvement is possible.

Lumax Auto tech

Financial Results & Highlights

Brief Company Introduction

Lumax Auto Technologies Ltd was incorporated in 1981 and is a part of the D.K. Jain Group of companies. It is engaged in the business of manufacturing and supplying Automotive Lamps, Plastic Moulded Parts, and Frame Chassis to two, three, and four-wheeler segments [1]
It has Partnerships with 7 Global players like Yokowo(Japan), JOPP(Germany), and a few others.

	Quarterly Performance										
	LUMAX AUTO TECHNOLOGIES LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**365**	**388**	**260**	**403**	**428**	**417**	**422**	**487**	**445**	**493**	**1,847**
% Growth YOY					*17%*	*7%*	*62%*	*21%*	*4%*	*18%*	
Expenses	327	345	245	358	383	372	377	435	398	437	**1,647**
EBITDA	**38**	**43**	**16**	**45**	**45**	**45**	**44**	**52**	**47**	**57**	**200**
Depreciation	9	9	9	9	10	11	11	12	12	17	**52**
EBIT	29	33	7	35	35	34	33	40	35	40	**148**
EBIT Margin	*8%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	
Interest	2	2	2	2	2	3	3	3	3	7	**16**
Other Income	7	3	3	3	3	2	4	8	7	-4	**15**
Profit before tax	**34**	**35**	**8**	**36**	**35**	**33**	**34**	**44**	**39**	**29**	**147**
PBT Margin	*9%*	*9%*	*3%*	*9%*	*8%*	*8%*	*8%*	*9%*	*9%*	*6%*	
% Growth YOY					*6%*	*-4%*	*341%*	*22%*	*9%*	*-12%*	
Tax	8	10	3	10	10	8	8	11	11	6	**35**
Net profit	**23**	**21**	**3**	**23**	**22**	**21**	**22**	**29**	**23**	**19**	**93**
% Growth YOY					*-7%*	*0%*	*540%*	*24%*	*8%*	*-11%*	

Detailed Results

1. The company's revenue & EBITDA grew by 18% & 26% YoY.
2. EBITDA margins increase from 11.8% to 12.6%.
3. Customer-wise revenue mix Q4:-

A. Bajaj -24%
B. Aftermarket-20%
C. HMSI-8%
D. LIL-7%
E. MSIL-9%
F. TATA-6%
G. M&M-7%
H. Others-20%

4. Product-wise revenue mix Q4 -

A. Plastic modules - 26%
B. Aftermarket - 20%
C. Fabrication - 13%
D. Shifter - 16%
E. Lighting - 8%
F. Emission - 7%

G. Others - 10%

3) Segmental revenue mix Q4 -

A. 2/3W - 37%

B. Passenger car - 29%

C. Aftermarket - 20%

D. CV - 9%

E. Others - 4%

4) D/E stood at 0.2.

Investor Conference Call Highlights

1. The PV market grew by 27% for FY’23, while the 2-wheeler market grew by 19%. The 3-wheeler & CV market also saw a high growth of 33% .
2. During the quarter, the company helped launch the gear shifter system for Maruti Suzuki, Fronx and Jimny models, seat frames for Jeep Meridian, for two-wheelers, chassis and frames for Bajaj Pulsar 150 Twin Disc model in the passenger vehicle segment, along with telematic parts for the truck and buses for DICV, in the commercial vehicle segment.
3. Lumax Mannoh Allied Technologies, the 55% subsidiary, which manufactures manual, AMT, and automatic gear shifter systems, contributed 16% to the total consolidated revenue.
4. 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.
5. 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.
6. The capex incurred during FY '23 was around INR132 crores Vs the actual capex outlay of INR85 crores.
7. The urea tanks business saw sales of INR35 crores in FY '23, expecting a minimum 15% YoY growth for the next three years with high double-digit EBITDA margins.
8. The company won business from Maruti Suzuki, and 65% of the INR900 crores order book is from the passenger car segment.
9. Aftermarket business is expected to continue robust growth, aiming to double revenue in three to five years.
10. Overall, the company expects significant growth in FY '24, with a projected turnover of around INR3,000 to INR3,100 crores, and a growth rate of over 30%.
11. The fabrication revenues dropped from 18% to 13% due to Bajaj Auto's volume decline in export models.
12. The net debt post-acquisition of IAC is around INR 147 crores, with a debt-equity ratio of 0.2.

13. Joint ventures and the aftermarket are expected to contribute to the overall growth of 30% in FY '24.
14. The outlook for the oxygen sensor business includes an order book of INR 125 crores and expected revenue of INR 20 crores in FY '24.
15. The company's cash flow and repayment plans are robust, with no expected default on repayment of current liabilities.
16. Synergy benefits from the IAC acquisition include cross-selling of products, leveraging relationships, and expanding IAC's footprint.
17. The potential revenue for Ituran and Alps Alpine is expected to be triple-digit in the next 18 to 24 months.
18. The size of the tooling business of IAC is similar in terms of revenue and margins, around INR 40-45 crores in FY '23.
19. The interest cost will rise from INR 16 crores to INR 70 crores, with long-term interest cost at INR 41 crores.

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 strong quarter with revenue growth of 18%. The company is confident it to grow its topline by 30% in FY24 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 watch list.

Pricol Limited

Financial Results & Highlights

Brief Company Introduction

Pricol Limited is an Indian company that operates in the automotive industry. It specializes in the manufacturing and selling of instrument clusters and other allied automobile components. The company serves two main markets: OEMs and the replacement market. Company's product portfolio includes Driver information system (DIS) clusters, sensors & switches, pumps & mechanicals products, telematics (connected vehicle solutions) & auto electrical products. Company's client base includes Hero Motocorp, TVS Motors, Bajaj Auto, Ashok Leyland, Tata Motors and others. Presently, the company operates 9 manufacturing facilities across India and 1 in Indonesia.Its plants are located in Coimbatore, Chennai, Pune, New Delhi & Pantnagar (Uttarakhand).

	Quarterly Performance										
	PRICOL LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**462**	**446**	**316**	**407**	**407**	**414**	**445**	**516**	**474**	**523**	**1,959**
% Growth YOY					*-12%*	*-7%*	*41%*	*27%*	*16%*	*26%*	
Expenses	393	391	282	358	360	363	392	453	423	462	**1,730**
EBITDA	**70**	**55**	**34**	**49**	**47**	**51**	**54**	**62**	**51**	**61**	**228**
Depreciation	24	23	22	20	20	20	20	20	20	17	**78**
EBIT	46	33	12	29	27	31	33	42	31	44	**151**
EBIT Margin	*10%*	*7%*	*4%*	*7%*	*7%*	*7%*	*8%*	*8%*	*7%*	*8%*	
Interest	12	9	8	9	6	5	5	5	4	5	**18**
Other Income	0	1	4	2	1	2	1	10	1	2	**14**
Profit before tax	**34**	**24**	**8**	**23**	**23**	**27**	**30**	**48**	**27**	**41**	**147**
PBT Margin	*7%*	*5%*	*2%*	*6%*	*6%*	*7%*	*7%*	*9%*	*6%*	*8%*	
% Growth YOY					*-34%*	*12%*	*289%*	*111%*	*21%*	*51%*	
Tax	13	23	2	8	5	14	10	0	1	11	**22**
Net profit	**21**	**1**	**6**	**15**	**17**	**13**	**21**	**48**	**27**	**30**	**125**
% Growth YOY					*-19%*	*839%*	*247%*	*224%*	*54%*	*127%*	

Detailed Results:

1. For the fiscal year 2023, Pricol Limited achieved a revenue from operations of INR 19,028 million.
2. The company's EBITDA stood at INR 2,358 million, resulting in an EBITDA margin of 12.39%.
3. The company achieved a PAT margin of 6.04%.
4. Revenue from operations has grown by 26.26% over the corresponding quarter in the previous financial year.
5. cash profit has increased by 33.65% EBITDA by 14.06% and profit after tax by a record 126.87%.
6. The company has hit an EPS of 2.45.

Investor Conference Call Highlights

1. The management stated that some of the business highlights in this quarter have been significant production capacity enhancements in their tool room, plastic component, manufacturing shops and PCB assembly lines by adding new state of the art lines from top notch manufacturers in Japan.

2. The management stated that they are almost debt free and have a very favorable debt equity ratio.
3. The management stated that Pricol Limited has undertaken a CAPEX spend of approximately INR 600 crores. Over the next 7 to 8 quarters, the company plans to complete this spend, with INR 400 crores allocated for organic growth and INR 200 crores for inorganic growth.
4. The management acknowledges that it may not achieve its desired export targets. Currently, there is visibility to hit approximately INR 3,600 crores in exports.
5. The management is hopeful of reaching a top-line revenue of INR 4,000 crores through the inorganic spend. It expects a steady-state EBITDA of around 13%.
6. The management stated that they are focusing on three vehicle segments: two-wheelers, commercial vehicles, and off-road vehicles.
7. About 35% to 40% revenue will come from the ACFMS vertical.
8. The company has re-entered the passenger vehicle four-wheeler segment and currently holds a 70% market share in Tata Motors for the driver information system. The company is also in the process of entering other four-wheeler Indian-based OEMs.
9. The management stated that to reduce dependence on the cyclical automotive industry, the company plans to enter the instrumentation segment in the industrial sector.
10. Many of the company's products or solutions have a development cycle ranging from 18 to 24 months, starting from receiving the Letter of Intent (LOI) to production.
11. The management stated that EV sales account for approximately 7% to 8% of the company's driver information system and connected vehicle solution vertical. Pricol is working with around 22 EV vehicle makers in India.
12. The management stated that they have 100 % market share in TVS iQube.
13. The management stated that Pricol Limited's pricing strategy is determined based on the hardware and software components of its products. The company aims to be competitive with its pricing but does not charge a significant premium over competitors.
14. The management anticipates muted growth in the two-wheeler industry over the next two to three financial years due to global economic conditions. The company has internally assumed a growth rate of around 7.8% for two-wheelers in India.
15. The company is exploring non-automotive industrial instrumentation to improve profitability. This sector offers higher profitability compared to automotive instrumentation, which is currently a decade ahead in terms of technology.
16. The management expects the EV segment to grow at a faster rate compared to ICE vehicles in the two-wheeler industry.
17. The management states that ICE vehicles will not decline and may still see growth, particularly in the entry-level segment with launches like the Honda Shine.
18. The management anticipates an average growth rate of 5% to 8% for the two-wheeler industry as a whole over the next three years.
19. The planned CAPEX of 600 crores over the next 24 months will be primarily funded through internal accruals. However, Pricol may also take on around 200 crores of bridge capital as short-term debt to manage any timing mismatches between investment and cash flows.
20. The company competes with Minda in the driver information system (DIS) product segment. Pricol holds a significant market share in this segment compared to Minda.
21. The management anticipates muted growth in the two-wheeler industry over the next two to three financial years due to global economic conditions. The company has internally assumed a growth rate of around 7.8% for two-wheelers in India. However, the company's growth will primarily come from product premiumization, where the value per product increases, rather than relying solely on industry growth.

22. To support their future plans, Pricol intends to finance their capital expenditure (CAPEX) primarily through internal funds generated by the company. However, they remain open to utilizing short-term debt if necessary. By segregating their verticals, engineering ecosystems, supply chains, and manufacturing ecosystems, Pricol is strategically positioning itself to leverage opportunities that have the potential to significantly benefit their shareholders.

Analyst's View

Pricol Limited is engaged in the business of manufacturing and selling of instrument clusters and other allied automobile components to OEMs and replacement markets.

The business was started in 1974 and is headquartered in Coimbatore, Tamil Nadu. Pricol Limited had its highest ever annual and quarter 4 sales in the history of the company. Revenue from operations for FY23 was 19,028 million with an EBITDA margin of 12.39%. Pricol Limited has a clear order pipeline for the next three years, with a CAPEX spend of about 600 crores.

Pricol is actively engaged in collaborations with prestigious brands such as BMW, Harley Davidson, Triumph, Ducati, and KTM. This indicates their strong emphasis on enhancing their premium image and expanding into higher-end market segments. Pricol foresees promising growth in the electric vehicle (EV) sector, steady growth in the internal combustion engine (ICE) segment, and a moderate overall growth rate for the two-wheeler industry.

Pricol is proactively preparing itself to capitalize on potential partnerships or opportunities that can strengthen their presence in different geographical locations and technologies. Their goal is to enhance their market position and create additional value for their stakeholders. Nonetheless given growth opportunities and challenges it remains an interesting stock to keep track off.

RACL Geartech Ltd

Financial Results & Highlights

Brief Company Introduction

RACL Geartech Limited, formerly Raunaq Automotive Components Limited, is an India-based company, which is engaged in the automotive gears and components business. Established in the year 1989, the name of RACL Geartech Ltd. has garnered tremendous respect in the field of manufacturing automotive components that are used widely in Motorcycles & Scooters, 3 & 4 wheeler passengers & Cargo vehicles, Agricultural Machinery, Tractors, ATVs, Light & Heavy Commercial vehicles, etc. All plants are ISO certified for occupational health and safety, ISO 9000, and ISO 4,000 for the environment. The company has received recognition as one of India's best brands and certified by Great Places to Work.

Quarterly Performance

RACL GEARTECH LTD

Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Jan-00	TTM
Sales	**48**	**65**	**67**	**57**	**69**	**75**	**70**	**78**	**88**	**97**	
% Growth YOY					*42%*	*15%*	*4%*	*37%*	*27%*	*29%*	
Expenses	36	48	50	44	54	59	57	63	-	-	
EBITDA	-	-	-	**13**	**15**	**16**	**13**	**15**	**88**	**97**	
Depreciation	3	3	8	4	4	4	4	4	5	5	
EBIT	-3	-3	-8	9	12	12	9	11	83	92	
EBIT Margin	*-6%*	*-5%*	*-11%*	*16%*	*17%*	*16%*	*12%*	*14%*	*95%*	*95%*	
Interest	3	2	2	2	2	3	4	5	5	6	
Other Income	1	0	2	0	1	0	3	3	3	3	
Profit before tax	**-4**	**-6**	**-8**	**7**	**10**	**9**	**7**	**8**	**81**	**90**	
PBT Margin	*-8%*	*-9%*	*-11%*	*12%*	*14%*	*12%*	*10%*	*10%*	*92%*	*93%*	
% Growth YOY					*-346%*	*-260%*	*-193%*	*16%*	*719%*	*899%*	
Tax	3	3	2	2	3	1	2	2	3	4	
Net profit	6	9	7	5	7	8	5	6	10	12	
% Growth YOY					*18%*	*-17%*	*-33%*	*20%*	*51%*	*59%*	

Detailed Results:

1. This Quarter, the company clocked the highest sales ever i.e. 100 Crores with a growth of 33%.
2. The company has clocked in an EBITDA of 26.56 Cr. which is 62% YoY and 16% QoQ growth.
3. The company also attained 16.23 Cr. of Profit before tax this quarter, which is 81% YoY growth and 23% QoQ growth
4. The company also stated that the operating margins were 26.5% this quarter and the net profit margin was around 12%.

Investor Conference Call Highlights

1. The company has four plants, one of which is a legacy plant, and the other three were built in 2011, 2014, and 2018.
2. The company was recognized and certified by The Great Places to Work in March 2023 and received 91% in terms of the satisfactory index.
3. The company was recognized by Economics Time as One of India's best brands.
4. The company also stated that it is the single source supplier to Vespa (Scooter vehicle company)
5. During the Conference Call, the company also talked about the timeline of products and its product portfolio which consists of Rad Flanch, Foot Rest, Steering tube, Steering shaft assembly, Axle shaft, Balancer Shafts, Starter Motor Torque Limited, Park Lock Wheels, E-mobility parts.

6. During the Conference Call, the company also talked about its futuristic thought process and how its projected increase & decrease in certain segments like three-wheelers and Passenger cars have come true this year.
7. The company is focusing on sustainability as well as becoming climate conscious by monitoring SEO 2 emissions.
8. During the call, the company also stated that it generates 5% of its electricity from solar energy and plans to raise the bar to 50% in the next 3-5 years.
9. The company also talked about the CSR activities it has been doing and diverting some part of the profit, back to the society and environment. RACL Geartech Lt. runs a small school of students.
10. The Chairman and Managing Director also supported his plan of ramping up the investments to around 250 Crores in the next 4 years by giving suitable examples of the opportunities they have in their hand by big MNCs like ZF, BMW & KTM.
11. The Chairman and Managing Director also talked about the seasonality of the business by stating that the year is divided into two divisions Off road & On road and this leads to different production volumes each quarter. He also claimed that historically, the third quarter clocks the highest sales, the first is normal, and the second quarter ramps up.
12. The company will change its accounting standards and start its cash flow from PBT instead of PAT in the coming years.
13. The company also talked about its plans after achieving the milestone of 500 Crores and which includes heavy research and development and probable entrance into the aerospace and defense sectors.
14. The Chairman also talked about the firm work process of the company and that the company never invests any capital without having a confirmed order. Plant Shakti is only an exception as it is built on the basis of future projections.
15. The company doesn't believe in giving guidance for the coming year as it refers to that as a practice of 'private equity players, however, it is confident of maintaining decent growth like its previous years where it has historically grown at 20-25% per annum
16. The management believes that after the acquisition of escorts by Kubota, the competition for a vendor to this company will increase as the company was previously the sole supplier, however given its 15 years- of relationship with the company, it is confident of getting decent orders from the new entity
17. The company has no plans to raise funds through equity and is very comfortable with raising capital through debt, being confident about the firm work process of the company.

Analyst's View

The company is in the business for more than 20 years now. Today with the growing success, the company has also expanded into sub-assemblies, Industrial Gears for Electrical Switch Gears & Circuit Breakers, Winches & Cranes. The company is reaching its heights and is globally proving its presence in the field of innovative engineering solutions for automotive components. The company also has a set of rules for working that enhances the fundamental strength of the company. Given the company's strong working and rising segments, RACL Geartech is a good automotive-engineering stock to watch out for.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**427**	**423**	**335**	**480**	**420**	**511**	**475**	**577**	**492**	**547**	**2,090**
% Growth YOY					*-2%*	*21%*	*42%*	*20%*	*17%*	*7%*	
Expenses	345	336	284	380	356	423	392	480	412	458	**1,742**
EBITDA	**82**	**87**	**51**	**100**	**64**	**88**	**83**	**97**	**80**	**89**	**348**
Depreciation	21	25	24	25	27	28	27	28	28	31	**114**
EBIT	60	62	27	75	37	60	56	69	51	58	**235**
EBIT Margin	*14%*	*15%*	*8%*	*16%*	*9%*	*12%*	*12%*	*12%*	*10%*	*11%*	
Interest	11	12	10	10	12	13	11	12	13	15	**51**
Other Income	8	7	5	2	2	8	2	3	7	7	**19**
Profit before tax	**57**	**58**	**22**	**67**	**27**	**55**	**48**	**60**	**45**	**50**	**203**
PBT Margin	*13%*	*14%*	*7%*	*14%*	*6%*	*11%*	*10%*	*10%*	*9%*	*9%*	
% Growth YOY					*-52%*	*-5%*	*116%*	*-11%*	*64%*	*-8%*	
Tax	14	16	6	17	7	14	12	15	12	13	**52**
Net profit	**42**	**42**	**17**	**51**	**20**	**41**	**36**	**45**	**32**	**37**	**150**
% Growth YOY					*-53%*	*-3%*	*115%*	*-11%*	*61%*	*-9%*	

Detailed Results:

1. The company registered a 78% increase in their auto-tech agnostic and xEV products.
2. The non-automotive segment grew by 50% in the quarter. This segment contributed to 14% of our sales.
3. Aerospace and defense business contributed about 4.9% of the company's sales, registering a strong 76% year-on-year growth in the quarter.
4. The company had an annual peak revenue of INR13.3 billion with auto ICE contributing to INR5.5 billion, which is about 41% of the total order book. Auto tech agnostic and xEV adding to 4.3 billion, which is about 33% of the total order book.
5. During Q4 FY '23, the company's total income stood at INR6,230 million, representing a 7% growth on a year-on-year basis and 10% increase sequentially.
6. The Q4 gross margins at 39%, had an impact of approximately 100 basis points by one-time year-end adjustments, including the inventory provisions and some customer-related costs.
7. Employee expenses saw an increase of about 9% on a year-on-year basis, which represents the annual increments and volume increases during the quarter as against previous year, in the same period.
8. Other expenses at INR 583 million were in line with the last quarter and represent our run rate.

9. EBITDA margin for Q4 FY '23 stood at about 16.2% versus 17.2% during Q4 FY '22.
10. Finance costs for the quarter increased to INR 173 million as compared to INR 147 million in the corresponding quarter in FY '22.
11. Cash profit after tax of INR 701 million in Q4 FY '23 was stable against the same for last year at INR701 million.
12. EBITDA stood at INR3,948 million with a margin of 16.8%.
13. Net profit was INR1,483 million as compared to INR1,319 million in the previous year.
14. Cash profit after tax of INR2,784 million versus INR2,516 million in the last year
15. Net cash from operating activities at INR2,558 million, which is 79% of the EBITDA for FY '23 as against 73% during FY '22.
16. The Board of Directors has recommended a dividend of 125% of the face value at INR2.5 per share for the financial year 2023.
17. Capex for this year stood at INR2,440 million.
18. In the current quarter (Q4), the company added approximately INR 2 billion worth of new orders, resulting in an overall order book of INR 13.3 billion.

Investor Conference Call Highlights

1. The company made an investment in MMRFIC, which is a research, design, and manufacturing entity, building subsystems for next-generation radars by leveraging machine learning with artificial intelligence and millimeter wave sensors with hybrid beam forming capabilities. The strategic investment in MMRFIC will help Sansera enter into high-technology space and have access to a strong R&D engineering team.
2. The management stated that EV two-wheeler demand is rising. Tech agnostic products performing well, strong order flow for aluminum forged components. All three press lines which they had commissioned were fully booked.
3. The company is adding another 2,500 ton plus for the aluminum components.
4. With the upcoming change in BS norms, the company's ICE sales registered a marginal decline of 3% during the quarter. This decline was seen across two-wheelers, three-wheelers, and passenger vehicles.
5. Performance for motorcycles was flat whereas xEV registered a growth. This segment contributed to about 75% of sales of which 33% sales came from the motorcycle segment.
6. Scooters accounted for 6% of the top line. Passenger vehicles accounted for 22% of the top line. Commercial vehicles, which accounted for 13% of the top line.
7. The management stated that a significant portion of sales has come from our Swedish subsidiary in this segment.
8. The management stated that the increase in finance cost was due largely due to an increase in the rate of interest that they have seen over this year and the higher working capital borrowings that they had to do for business expansion.
9. In terms of geographic sales mix for Q4 FY '23, it stood as follows: India 68.4%, Europe 18.5%, USA 9.2% and other foreign regions 3.9%, as a percentage of total revenues.
10. The company has initiated the construction of a new aluminum machining parts facility at an existing plant.
11. The management stated that the ramp-up of these orders typically takes two to three years for full maturity. The first year sees around 30% to 40% ramp-up, with 70% to 75% achieved in the second year. The third year is typically when full maturity is reached.

12. The company's MMRFIC technology, primarily focused on millimeter-wave radars, has been developed in-house.
13. The management expected meaningful revenues from MMRFIC technology to be between 18 to 24 months from now.
14. The company aims to collaborate with its existing aerospace clients to leverage their customer base and management capabilities for the commercialization of MMRFIC technology.
15. The estimated capex for the next financial year (FY24) is expected to be around INR 250 crores. This investment will primarily support projects related to delivering the new order book, focusing on non-auto and auto non-ICE categories.
16. The management mentioned that there was a slight impact of approximately 1% on the EBITDA margin for the current quarter due to certain costs. However, when added back, the full-year EBITDA margin would be slightly over 17%.
17. The company stated that more than 75% of their capex is focused on new sectors, including aerospace, tech agnostic, and xEV components. They have also initiated the construction of a new facility for aluminum forged and machined components. Additionally, a new 4,000-ton press line is being procured, with 50% of the capacity allocated for heavy engines and the remaining 50% for larger aluminum components.
18. The company has plans to establish a facility in North America by 2025 on a lease basis. The goal is to cater to specific customer requests and focus on final operations, assembly, and inspection in North America while sourcing majority forging and machining operations from India.
19. The company anticipates significant revenue generation from aerospace in FY24 and FY25, with a fully utilized new facility contributing revenue in the range of INR 350 crores to INR 400 crores.
20. The company's exports accounted for 28.4% of product sales in FY23, with a significant portion coming from India and international sales from the Sweden plant.

Analyst's View

Sansera Engineering Ltd is an engineering-led manufacturer of complex and critical precision engineered components across automotive and non - automotive sectors. The Co. has 17 manufacturing facilities, out of which 16, are in India located across the states of Karnataka, Haryana, Maharashtra, Uttarakhand, and Gujarat while one facility is set up in Sweden.

In the long term, Sansera Engineering aims to have its auto internal combustion engine (ICE) segment contribute to 60% of its top line, while non-auto and xEV (electric vehicle) segments each contribute 20%. This diversified portfolio strategy positions the company for sustained growth and adaptation to changing market trends. The company's resilient business model has proven successful in navigating challenging market conditions. Despite a weak domestic market in FY22, Sansera Engineering leveraged its strong performance in the export segment to achieve growth. However, in FY23, the company faced additional obstacles such as the Ukraine war, energy crisis, and chip shortage, resulting in a decrease in export contributions to revenue. Nonetheless, the company still achieved a commendable growth rate of approximately 17%.

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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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**83**	**74**	**57**	**71**	**66**	**73**	**74**	**82**	**71**	**69**	**296**
% Growth YOY					*-20%*	*0%*	*29%*	*15%*	*8%*	*-6%*	
Expenses	54	56	41	50	44	52	51	57	50	52	**209**
EBITDA	**29**	**18**	**16**	**22**	**22**	**22**	**23**	**25**	**22**	**18**	**87**
Depreciation	4	4	4	4	4	4	4	4	4	4	**16**
EBIT	25	14	12	18	18	18	19	21	17	13	**71**
EBIT Margin	*30%*	*19%*	*22%*	*25%*	*27%*	*25%*	*26%*	*26%*	*24%*	*19%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	1	1	1	1	1	1	1	2	2	3	**9**
Profit before tax	**26**	**15**	**13**	**18**	**19**	**19**	**20**	**23**	**20**	**16**	**79**
PBT Margin	*31%*	*20%*	*23%*	*26%*	*28%*	*26%*	*27%*	*28%*	*27%*	*23%*	
% Growth YOY					*-28%*	*27%*	*53%*	*26%*	*4%*	*-17%*	
Tax	7	4	3	5	5	5	5	6	5	4	**20**
Net profit	**19**	**11**	**10**	**14**	**14**	**14**	**15**	**17**	**14**	**12**	**59**
% Growth YOY					*-29%*	*28%*	*51%*	*26%*	*3%*	*-15%*	

Detailed Results:

1. SJS margin of EBITDA for the current quarter was 24.8%, impacted by product mix and export sales and the EBITDA stood at 27.18 Cr.
2. Overall, SJS achieved a consolidated revenue growth of 2.4% YoY in Q4 FY23 and 18.3% YoY for the full year FY23.
3. SJS maintained strong cash flow generation of INR 609.5 million for the year and has cash and cash equivalents of INR 1,648.2 million.
4. Net Profit stood at Rs 15.39 Cr, with a margin of 14.4% in Q4FY23.
5. In FY23, the company clocked its revenue at 433.05 Cr, a growth of 18.3% YoY
6. In FY23, EBITDA stood at Rs 1,167.8 Mn with EBITDA margins at 26.4%, an improvement of 75 bps and a growth of 25.2% YoY
7. In FY23, Net Profit stood at Rs 672.5 Mn, with a margin of 15.5%, an improvement of 127 bps YoY and a growth of 28.8% YoY.
8. Revenue contribution is as follows
    - 2W- 44.8%
    - PV- 32.5%
    - Consumer durables- 15.4%
    - Others- 7.3%

9. Strong Cash & cash equivalents position (including Investments) of ~Rs 1,648.2 Mn as on 31st Mar 2023

10. SJS delivered a strong performance for FY23, with 23.1% YoY growth in the 2-wheeler segment and 27.8% YoY growth in the passenger vehicle segment

11. Debt free company on net debt basis.

Investor Conference Call Highlights:

1. SJS Enterprises made an acquisition of Walter Pack India to reinforce its market leadership in the decorative aesthetics business.
2. The acquisition of Walter Pack India brings complementary and adjacent technologies of IMF, IMD, and IME, which have high growth potential and margin potential.
3. A 3-year service and technology support agreement has been signed with Walter Pack Spain for ongoing exchange of know-how.
4. The acquisition provides cross-selling opportunities and diversifies the end industry revenue split.
5. Walter Pack India had interim revenue of INR 1,200 million with healthy EBITDA margins of around 30% for FY23.
6. The acquisition is valued at approximately 7x FY23 EBITDA, with a total cash consideration of INR 2,393 million for a 90.1% stake.
7. SJS aims to close the acquisition in the next 3 to 4 weeks and expects it to be EPS accretive in the current year.
8. SJS plans to grow consolidated revenue by over 50% in FY24, with EBITDA and PAT expected to grow around 40%.
9. SJS won new businesses and customers, including Mahindra, Maruti Suzuki, TVS, Royal Enfield, Honda, Uno Minda, Atomberg, Godrej, Litemed, Samsung, Altigreen, and Hop.
10. SJS was certified as a Great Place to Work for the third time in a row among mid-sized organizations.
11. SJS aims for future growth in the PV segment, especially after the Walter Pack acquisition.
12. The company's medium-term goals include building mega customer accounts, expanding share of wallet, and delivering new technology products across end segments.
13. Key points from the investors conference call:
14. Consumer durables witnessed a declining revenue share of 15.4% due to macroeconomic headwinds and rising inflation impacting demand in Europe and North American markets.
15. Adverse geopolitical issues and macroeconomic challenges led to a decline in export business and impacted the sale of new generation products.
16. The overall contribution of new generation products to revenue is 9% to 10% for FY23.
17. Despite near-term challenges, the company remains confident in achieving medium-term growth targets in the consumer segment and maintaining a strong focus on exports.
18. The acquisition of WPI is expected to significantly increase the share of revenue from passenger vehicles and the consumer segment.
19. The acquisition also brings new technologies, such as 2K injection molding, laser decoration, and in-mold forming (IMF), which will provide a competitive advantage from a global perspective.
20. SJS aims to become a significant player in the automotive interior space, offering decorative trims and high-quality IP prints for dashboards.
21. The company's medium-term growth strategy includes winning new businesses, increasing wallet share with existing customers, expanding into new geographies, and adding premium products to the portfolio.
22. The guidance for revenue growth is 50%+ on a consolidated basis, including SJS, Exotech, and Walter Pack. The organic growth for SJS and Exotech together is expected to be around 20-25% for the next year.

23. The 2-wheeler industry, which was impacted by government regulations, has recovered, and there are no major challenges expected in the upcoming quarter.
24. Exotech is currently running at 80-90% capacity utilization, while Walter Pack and SJS are at around 60-65%.
25. The company's passenger vehicle growth exceeded the industry production volumes, and overall automotive 2-wheeler and 4-wheeler business grew by 3.6% YoY compared to a flat industry performance.
26. The company focuses on strategic customers that have the potential for 2x to 3x growth over the last 3 years.
27. EBITDA expected to grow at around 40%.
28. The company is an important supplier to Mahindra but does not provide specific details about supplying all Mahindra EV and passenger vehicle segments.

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 18.3% YoY. The company has been in the business for more than 25 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.

Capital Goods & Electrical Equipment

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**169**	**168**	**163**	**227**	**180**	**227**	**205**	**213**	**205**	**250**	**872**
% Growth YOY					*7%*	*35%*	*25%*	*-6%*	*14%*	*10%*	
Expenses	144	149	148	203	158	197	177	187	172	206	**742**
EBITDA	**24**	**19**	**15**	**24**	**22**	**31**	**28**	**26**	**33**	**43**	**130**
Depreciation	5	5	5	6	6	6	5	5	5	5	**21**
EBIT	19	14	10	19	16	25	22	21	28	38	**110**
EBIT Margin	*11%*	*8%*	*6%*	*8%*	*9%*	*11%*	*11%*	*10%*	*14%*	*15%*	
Interest	2	-0	1	0	0	1	1	0		0	**1**
Other Income	8	4	4	3	9	8	7	6	0	8	**21**
Profit before tax	**25**	**18**	**13**	**21**	**25**	**33**	**28**	**27**	**29**	**46**	**130**
PBT Margin	*15%*	*11%*	*8%*	*9%*	*14%*	*14%*	*14%*	*13%*	*14%*	*18%*	
% Growth YOY					*-2%*	*82%*	*113%*	*26%*	*16%*	*40%*	
Tax	4	3	3	5	5	8	7	7	9	11	**33**
Net profit	**21**	**15**	**10**	**16**	**20**	**25**	**21**	**20**	**20**	**35**	**97**
% Growth YOY					*-7%*	*60%*	*107%*	*24%*	*3%*	*43%*	

Detailed Results:

1. TD Power Systems Limited (TDPS) reported a 15% increase in total income on a standalone basis for the year ended March 31, 2023.
2. Profit after tax and comprehensive income increased by 66% compared to the previous year, resulting in the highest standalone profit since the company's inception.
3. Manufacturing revenues for the full year were INR 8.16 billion, with EBITDA margins of 16.58%.
4. On a consolidated basis, total income, including exceptional income, increased by 9%.
5. Profit after tax, including comprehensive and exceptional income, was INR 945 million.
6. The company has a strong cash position of INR 1.89 billion and is now debt-free

Investor Conference Call Highlights

1. The company stated that exports and deemed exports contributed to 58% of the generative business.
2. The company stated that the manufacturing order book, including operations, stands at INR 13.8 billion, with significant contributions from the railway business and export orders.
3. Order inflow for TDPS increased by 38% compared to the previous year, reaching INR 87 billion.
4. Order inflow from direct and deemed exports increased by 20% over the previous year.
5. The company is no longer in the projects business, and orders from the Japan branch will now be classified into the manufacturing segment.
6. TDPS plans to invest around INR 25 crores in automation, productivity improvement, and software for the design department.
7. The wind generator segment has seen a significant increase in the order book, both from the domestic market and export market.
8. In the export market, macro sectors like renewables and energy are driving the business.
9. Gas engines segment has robust orders, ensuring sustained demand for the current financial year.
10. TDPS recently won a big order to supply 20 generators to Ireland.
11. The hydro business is experiencing massive growth compared to the previous year, with a growth rate of 60-70%.
12. The main markets for TDPS are Nepal, Vietnam, and countries in Europe, with a focus on renewables driving the hydro business.
13. A large order was received for pre-connectors in the range of 5 to 14 megawatts, which will help establish TDPS in this segment and expand the market portfolio.
14. The six-month trial of motors with the Indian Railways will be completed next month, and TDPS expects a ramp-up in this business next year, aiming for INR 100 crore business in the next two years.
15. The Turkish government has revised incentives for local unit generators, making it attractive for end-users to buy major generators, which is expected to open up the market.
16. TDPS projects a growth rate of at least 20% in the current year, with a target of INR 100 crores in the manufacturing business
17. Manufacturing sales are projected to be around INR 970 crores to INR 1,000 crores, with an improvement in EBITDA margins based on operational leverage.
18. Sales in H1 are expected to be around INR 470 crores, with a significant portion in Q2 due to large machine deliveries.
19. TDPS targets a consolidated growth rate of around 20% for the overall business.
20. The exact guidance on EBITDA margin increase will be provided in the next quarter.
21. Volume growth of around 20% is expected in the financial year 2024.
22. Expected consolidated growth rate is around 20% for the overall business.
23. The company has a delivery cycle of three to twelve months.
24. The company typically achieves between INR 200 crores to INR 300 crores of book and bill within a year, depending on the year.
25. The balance of INR 50 crores is expected to be made up.
26. The company is focused on winning project-level businesses in the motors business, particularly for larger-sized motors in niche markets.
27. The company is working on larger-sized motors for special applications, particularly in the pump and wastewater treatment sectors.
28. Refurbishment side is going as per plan, and they expect to achieve their sales targets of 6% to 7%.

29. Margins are expected to improve incrementally with capacity utilization. Margins may temporarily dip to 16% when the new plant is established but are expected to stabilize around 16.5% to 17.5% EBITDA margin.
30. Overall, the motor segment margins are expected to be in line with the competition.
31. The 17% EBITDA margin includes other operational income but does not include treasury income.
32. Foreign exchange gains from forward bookings made in the previous year contributed to operational terms, but this year's gains are expected to be different due to the euro's strength.
33. The company has faced challenges in establishing Indian-made generators in the international market but has made progress with over 700 machines installed.
34. The business in Turkey is expected to be negligible for the current year, with an estimated value of around INR10 crores.

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. 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.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**170**	**190**	**149**	**195**	**212**	**228**	**233**	**245**	**240**	**295**	**1,013**
% Growth YOY					*24%*	*20%*	*56%*	*26%*	*13%*	*29%*	
Expenses	153	174	134	176	194	215	213	220	216	272	**922**
EBITDA	**17**	**16**	**15**	**18**	**18**	**13**	**20**	**24**	**24**	**23**	**91**
Depreciation	4	4	4	4	4	4	4	4	4	4	**16**
EBIT	14	12	11	14	14	9	16	20	20	19	**75**
EBIT Margin	*8%*	*6%*	*7%*	*7%*	*6%*	*4%*	*7%*	*8%*	*8%*	*7%*	
Interest	5	5	5	5	5	5	6	6	7	8	**26**
Other Income	0	1	0	1	1	0	1	-0	0	0	**1**
Profit before tax	**8**	**8**	**6**	**10**	**10**	**4**	**11**	**14**	**13**	**12**	**50**
PBT Margin	*5%*	*4%*	*4%*	*5%*	*5%*	*2%*	*5%*	*6%*	*6%*	*4%*	
% Growth YOY					*16%*	*-49%*	*89%*	*34%*	*40%*	*182%*	
Tax	2	1	2	3	2	0	2	5	4	3	**14**
Net profit	**6**	**7**	**4**	**7**	**7**	**4**	**9**	**9**	**10**	**9**	**36**
% Growth YOY					*13%*	*-45%*	*122%*	*20%*	*33%*	*134%*	

Detailed Results:

1. The company had a decent quarter with revenue and profits increasing by 29% and 134% on a YoY basis respectively.
2. EBITDA margins stood at 7.9% , thus rising by 224 Bps.
3. Revenue break up stood as- Industrial Switchgear: 53.4% of net revenues with EBITDA margins at 10.5%, Wires & Cables: 41% of net revenues & 5.5% margins , Building Electrical Products: 6% of net revenues & 2.6% margins.
4. Contribution from Exports stood at 27% while Exports revenue grew by 73% YoY in Q4FY23 driven by higher exports to Middle East Africa, and North & South America.
5. The board recommended a final dividend of Rs2.2 per equity share.

Investor Conference Call Highlights

1. The management stated that despite the headwinds, the company has crossed the 1000 Crs revenue milestone in FY23 owing to advanced engineering capabilities backed by a strong in-house manufacturing and R&D team, product innovation, strong technical collaboration, and long-standing customer relationships.
2. On the switchgear front, growth was driven by high-margin products like toroidal transformers, three-phase transformers, wire harnesses, rotary cam switches, and isolators. & All these comprised approximately 65% of the switchgear division sales.

3. To cater to the continuous demand, it has set up new manufacturing facilities strategically located at Hosur in Tamil Nadu.
4. Kaycee (the company's subsidiary) saw its top line grow 42% to Rs.42.3 crore from 29.8 crore last year while PAT grew 87% from 1.86 crore last year to 3.5 crore this year.
5. The company achieved its internal target of 12% ROC in FY23.
6. The EBITDA percentage for industrial switchgear for FY23 is at around 11.7%, wire, and cable is at 7% and the building segment is at 3%.
7. The company is projecting 20% & 25% top line & bottom line growth respectively.
8. The company expects its new products to generate around 1-2 Mn dollars in revenues in America in the first year & then scale to 20-25 Mn dollars of revenues.
9. The company will be launching EV chargers in Q2FY24.
10. The new funds raised are expected to be deployed in the new plant (12-15 Crs) & in its EV charging station JV (10-15 Crs).
11. The company's margins were reduced due to higher contribution from Wires & Harness business where it has lower margins.
12. The company's rationale for going into EV charging station is its aim to transform into a global electrical solutions provider, & since EV is going to be at the forefront in the coming 10-15 years & the company already has the inhouse products will be used in making the charger coupled with a JV partner, it is going forward with the charger plans.
13. Around 30% of the value of EV charger will be in-house components.
14. The company will not be doing any capex in the wire & harness division, however, it will incur some capex in dry-type transformers where asset turns are 4-4.5X currently.
15. The company's target product mix is 60% from the industrial switchgear business, 30% wire, and cable & 10% from building electrical.
16. The Margins of switchgear have reduced in the recent year owing to higher contribution from transformers.
17. The company has applied for some patents in technology rotary switch & cable ducts where it expects to get the same in 2-3 years.
18. The company's margins in wire business is lower Vs the peers owing to distribution through L&T along with high contribution from agri-segment which is more seasonal.
19. The company expects certain sales in Europe in the coming years in the charging space through its JV collaborator, while it plans on selling its chargers to players who are installing & running the charging stations in India.
20. The company expects the charging division to generate revenues of the 30-40 Crs in FY25 & scale this business to 500 Crs in the coming period owing to high adoption of EV.
21. The company's customer base in Toroidal transformer includes ABB, Schneider & Eaton.
22. The company has existing capacity of 100 chargers per month with revenue potential of 120 Crs per year.
23. The company has a 1.5 acre land available where it can do a capex in future.
24. The management states that it is a "Type-II indirect supplier to solar renewables. Any solar inverter manufacturer, or a solar park that is coming up means there are inverters being used. And we supply components to those inverter manufacturers".

Analyst's View

Salzer electronics saw a decent quarter with revenue growth of 29% due to good performance of industrial switch gears, wires & cables , & its newer products like dry transformers. . 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.

Capital Goods

Isgec Heavy Engineering Limited

Financial Results & Highlights

Brief Company Introduction

Isgec Heavy Engineering Limited is a leading engineering company based in India that specializes in manufacturing heavy industrial equipment and machinery. The company was founded in 1933 and has since become a globally recognized brand known for its high-quality products and services. Isgec Heavy Engineering Limited manufactures a wide range of heavy industrial equipment and machinery for various industries such as power, sugar, oil and gas, process plants, mining, defense, and aerospace like pressure vessels and reactors, boilers, sugar machinery and equipment, hydraulic presses and stamping machines, heavy-duty cranes, process equipment such as heat exchangers, columns, and towers Steel and alloy castings. In addition to manufacturing heavy industrial equipment and machinery, Isgec Heavy Engineering Limited also offers a range of services to its customers like engineering and design services, project management and execution, installation and commissioning of equipment, after-sales support and maintenance services and refurbishment and modernization of existing equipment

Quarterly Performance											
ISGEC HEAVY ENGINEERING LTD											
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,392**	**1,618**	**1,132**	**1,376**	**1,396**	**1,596**	**1,247**	**1,513**	**1,597**	**2,043**	**6,399**
% Growth YOY					*0%*	*-1%*	*10%*	*10%*	*14%*	*28%*	
Expenses	1,292	1,496	1,080	1,330	1,289	1,490	1,175	1,422	1,469	1,878	**5,944**
EBITDA	**101**	**122**	**51**	**46**	**107**	**107**	**72**	**91**	**128**	**164**	**455**
Depreciation	26	22	24	24	26	27	25	26	26	27	**104**
EBIT	75	100	27	22	81	79	46	65	102	138	**350**
EBIT Margin	*5%*	*6%*	*2%*	*2%*	*6%*	*5%*	*4%*	*4%*	*6%*	*7%*	
Interest	9	14	11	12	11	32	20	18	17	17	**73**
Other Income	31	10	2	3	7	1	4	3	1	6	**13**
Profit before tax	**97**	**96**	**18**	**14**	**78**	**48**	**30**	**49**	**85**	**126**	**290**
PBT Margin	*7%*	*6%*	*2%*	*1%*	*6%*	*3%*	*2%*	*3%*	*5%*	*6%*	
% Growth YOY					*-19%*	*-49%*	*64%*	*260%*	*9%*	*160%*	
Tax	32	27	5	4	26	9	12	21	19	33	**84**
Net profit	**66**	**63**	**14**	**11**	**47**	**38**	**18**	**30**	**63**	**86**	**196**
% Growth YOY					*-29%*	*-41%*	*31%*	*181%*	*34%*	*129%*	

Detailed Results:

1. Stand-alone financial revenue for Q4 FY '23: INR 1,425 crores, a 5% increase compared to the previous year.
2. Stand-alone profit before tax for Q4 FY '23: INR 84 crores, a 78% increase compared to the previous year.
3. Consolidated revenue for Q4 FY '23: INR 2,048 crores, a 28% increase compared to the previous year.
4. Consolidated profit before tax for Q4 FY '23: INR 126 crores, a significant increase compared to the previous year.
5. The order book is strong, with consolidated orders in hand as of March 31, 2023, at INR 8,321 crores. 79% of the consolidated order book is for project business, and 21% is for product business.
6. Segmental financial highlight-

- Manufacturing EBIT margin for FY23 stood at 6.9% and Q4FY23 stood at 8.9%
- EPC EBIT margin for FY23 stood at 4.4% and Q4FY23 stood at 3.8%
- Sugar & Ethanol EBIT margin for FY23 stood at 9.2% and Q4FY23 stood at 4.1%

Investor Conference Call Highlights

1. The company expects better margins in both the EPC (Engineering, Procurement, and Construction) and manufacturing segments in the coming year.
2. The company is conscious of taking projects with shorter durations to reduce risk and improve margins.
3. The company stated that A significant portion of the order book is from public sector undertakings (PSUs), where costs can be indexed and passed on.
4. The company expects debtors (receivables) to come down by the end of the current year.
5. The company stated that the construction of the Cavite Biofuel ethanol plant in the Philippines is progressing and expected to be completed by the end of the next quarter.
6. The company stated that the overall demand trend has improved, and the inquiry position for the company's products and solutions is good.
7. The domestic demand scenario for capital goods is optimistic, with both the public and private sectors investing in India.
8. The company stated that overseas inquiries are increasing, but decision-making is getting delayed due to factors such as financing challenges and uncertainties.
9. The company expects better margins in the coming year, with a focus on project duration, contingency margins, and passing on cost variations.
10. The manufacturing business has crossed the INR 2,000 crores annual revenue mark and is expected to continue double-digit growth.
11. The Philippines plant construction is ongoing, and the company plans to commission the plant by the end of the next quarter.
12. In the Philippines, there is a 10% blending requirement for ethanol in petrol, and the country's existing production is only about 5%, creating a demand for ethanol.
13. The pricing of ethanol in the Philippines is controlled and regulated by the government, with a 22 peso conversion margin. The estimated EBITDA per liter of ethanol is between 25% and 28%.
14. There are no major disruptions or slowdowns in orders from the oil and gas sector.
15. The company expects orders from sectors such as oil and gas, boilers, automobile, specialty chemicals, and cement.
16. The company stated that Hitachi subsidiary revenue is approximately INR 600 crores, with a profit margin of about 2%. The company expects an improvement in Hitachi's performance in the current financial year.
17. The company stated that the Eagle Press subsidiary in Canada had a challenging year due to low order bookings caused by the automotive sector's slowdown in the US. However, sales have improved recently, and the company expects a turnaround in the current year.
18. The profitability of the ethanol project should be seen in conjunction with the sugar plant. Factors such as higher sugar realization, less molasses production, and combined economics impact the ethanol plant's profitability.
19. The exposure from ISGEC's balance sheet to Cavite Biofuel is INR 304 crores, with INR 45 crores provided as an expected credit loss. The balance loan of INR 90 crores is yet to be borrowed.

20. The capital expenditure for the Philippines plant is expected to be around INR 110-115 crores. The company anticipates generating enough revenue and cash profits to pay off loans and recoup investments in 5-6 years.
21. The payback period for the equity investment in the Philippines plant is estimated to be 5-6 years.

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. It remains to be seen how profitable the new Philippines plant become in near future. Overall, ISGEC Heavy Engeneering Ltd. is an interesting stock to look out for.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**348**	**567**	**386**	**532**	**586**	**831**	**730**	**877**	**911**	**1,004**	**3,522**
% Growth YOY					*68%*	*47%*	*89%*	*65%*	*56%*	*21%*	
Expenses	308	492	356	486	535	753	674	809	825	896	**3,204**
EBITDA	**40**	**75**	**31**	**46**	**51**	**78**	**56**	**68**	**86**	**108**	**318**
Depreciation	6	5	5	5	5	7	6	7	7	9	**30**
EBIT	34	70	25	41	46	71	49	60	79	99	**288**
EBIT Margin	*10%*	*12%*	*7%*	*8%*	*8%*	*9%*	*7%*	*7%*	*9%*	*10%*	
Interest	1	1	1	1	1	1	1	1	1	2	**5**
Other Income	5	4	5	7	5	7	5	6	8	16	**36**
Profit before tax	**39**	**73**	**30**	**47**	**50**	**78**	**54**	**66**	**86**	**113**	**319**
PBT Margin	*11%*	*13%*	*8%*	*9%*	*9%*	*9%*	*7%*	*8%*	*9%*	*11%*	
% Growth YOY					*30%*	*7%*	*82%*	*41%*	*71%*	*45%*	
Tax	11	21	8	13	13	20	13	18	24	25	**79**
Net profit	**28**	**52**	**22**	**33**	**37**	**58**	**41**	**48**	**62**	**88**	**240**
% Growth YOY					*32%*	*11%*	*86%*	*44%*	*68%*	*53%*	

Detailed Results:

1. The company had consolidated income from operations of 10 billion in quarter 4 of FY23
2. Profit before tax (PBT): 1 billion
3. Profit after tax (PAT): 881 million
4. For the full year ended March 31, 2023 (FY23): Income from operations: 35 billion, PBT: 3 billion, PAT: 2.3 billion
5. Export revenue accounted for 17.4% of FY23 total revenue.
6. Bioenergy contributed 73.8% to the total revenue, engineering contributed 19.3%, and the PHS (Performance, Health & Safety) business contributed 6.9%.
7. Order intake during the quarter was 10 billion, with 76.5% from the domestic market.
8. Export order intake saw a 9% growth compared to the previous year.
9. Order backlog as of March 2023 was 34 billion, comprising 84.7% domestic orders.
10. Customer advances are around 700 crores, and retention money is estimated to be in the range of 110 to 120 crores.

Investor Conference Call Highlights

1. Praj Industries partnered with Indian Oil to power India's first commercial flight using a blend of indigenously produced sustainable aviation fuel (SAF).
2. The company plans to invest INR 200 crores, including setting up a pilot plant for polylactic acid (PLA) and R&D CAPEX. The PLA plant aims to demonstrate Praj's competence in the field and provide a viable solution. Additionally, a CAPEX of INR 100 crores for Praj GenX is expected to have significant revenue potential through the creation of a basic facility for module production.
3. The company is setting up a modern manufacturing facility under its new subsidiary, Praj GenX Limited, to address the growing demand for energy transition and climate action solutions.
4. Praj Industries is setting up a demo plant for Polylactic Acid (PLA), a type of bioplastic, with a capital expenditure of around Rs. 60 crores.
5. Praj Industries experienced a positive business performance, with a majority of orders received for ethanol plants based on starchy and sugary feedstocks.
6. The CPES (Critical Process Equipment & Systems) business and Praj GenX (a subsidiary addressing ETC opportunities) are experiencing a good pipeline build for inquiries and traction.
7. The company has experienced a delay in the US market due to clarifications required regarding laws and regulations. However, the delay is expected to be short-term, and inquiries for orders are still ongoing.
8. The CBG (Compressed Biogas) market activity level is still not very high, although there is increasing interest from customers.
9. The 100 crore investment for the demo plants will be capitalized as fixed assets and will not affect the profit and loss (P&L) statement. Depreciation and operating expenses related to these plants will be debited to the P&L.
10. The book-to-bill ratio has deteriorated in FY23.
11. The breakdown of feedstock-based orders within bioenergy for the quarter is similar to the yearly breakdown, with 60% on starchy feedstock and 40% on sugary feedstock.
12. Margins have improved due to a moderation in commodity price inflation and a focus on a healthier product mix.
13. There has been an increase in receivables, but in terms of days, the number has reduced from 86 days to 83 days.
14. The company is making new investments, such as the Praj GenX facility, which is expected to create a capacity equivalent to 30-40 times the investment made over time.
15. The company acknowledges the growing EV industry but believes that IC engine-based vehicles will coexist with EVs due to the existing vehicle park and infrastructure in the country.
16. Margins have remained around the 9% range, partly due to the volatility and increasing prices of steel raw material, but the management expects a better performance going forward as external adverse factors subside.

Analyst's View

Praj Industries Ltd, incorporated in 1985 and headquartered in Pune has a presence across the globe with more than 750 references in more than 75 countries. It began as a supplier of an ethanol plant, today it is a global company providing various solutions with a focus on the environment, energy, and agri-process industry. The company has received final approval for a CAPEX proposal of Rs. 200+ crores to set up a modern manufacturing facility for energy transition and climate action.

Praj Industries operates with a business model that emphasizes technology, engineering, manufacturing, and production. However, the company remains adaptable to changing market dynamics and new opportunities. One such opportunity is the Indian government's Ethanol Blended Petrol (EBP) program, which aims to achieve a 20% blend of ethanol in petrol. Praj Industries is well-positioned to benefit from this initiative due to its expertise and capacity in ethanol production. The program's increased demand for ethanol creates a significant opportunity for the company. Additionally, Praj Industries has ventured into the semiconductor sector by securing its first contract in semiconductor manufacturing facilities. These facilities require high purity water, similar to thermal applications. The company expects a positive demand outlook in this sector, including within the semiconductor supply chain.

Cement

Birla Corporation Ltd Q4FY23

Financial Results & Highlights

Brief Company Introduction

Birla Corporation Limited is the flagship Company of the M.P. Birla Group. It was first incorporated as Birla Jute Manufacturing Company Limited in 1919. The Company is primarily engaged in the manufacturing of cement as its core business activity. It has a significant presence in the jute goods industry as well. The Company had acquired 100% shares of Reliance Cement Company Private Limited (Reliance Cement), a subsidiary of Reliance Infrastructure Limited (RIL). After this acquisition, Reliance Cement has become a wholly-owned material subsidiary of Birla Corporation Limited. This acquisition provided Birla Corporation Limited with the ownership of high-quality assets, taking its total capacity from 10 MTPA to 15.6 MTPA. Presently, the cement capacity is 20 MTPA, following the Mukutban integrated unit project.

	Quarterly Performance										
	BIRLA CORPORATION LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,777**	**2,133**	**1,749**	**1,698**	**1,750**	**2,264**	**2,204**	**2,000**	**2,016**	**2,463**	**8,682**
% Growth YOY					*-1%*	*6%*	*26%*	*18%*	*15%*	*9%*	
Expenses	1,447	1,741	1,406	1,431	1,528	1,988	1,944	1,906	1,872	2,188	**7,910**
EBITDA	**330**	**392**	**344**	**267**	**222**	**277**	**259**	**94**	**144**	**274**	**772**
Depreciation	91	101	98	98	101	100	115	125	130	140	**510**
EBIT	239	291	245	169	122	177	145	-31	15	134	**262**
EBIT Margin	*13%*	*14%*	*14%*	*10%*	*7%*	*8%*	*7%*	*-2%*	*1%*	*5%*	
Interest	73	67	64	63	61	55	70	93	87	89	**339**
Other Income	46	-44	9	13	14	31	3	42	8	67	**120**
Profit before tax	**212**	**180**	**191**	**119**	**75**	**153**	**77**	**-82**	**-64**	**113**	**43**
PBT Margin	*12%*	*8%*	*11%*	*7%*	*4%*	*7%*	*4%*	*-4%*	*-3%*	*5%*	
% Growth YOY					*-65%*	*-15%*	*-60%*	*-169%*	*-186%*	*-26%*	
Tax	64	-70	49	34	14	42	15	-26	-15	28	**3**
Net profit	**148**	**249**	**142**	**86**	**60**	**111**	**62**	**-56**	**-50**	**85**	**41**
% Growth YOY					*-59%*	*-55%*	*-56%*	*-166%*	*-183%*	*-24%*	

Detailed Results:-

1. The company had an average performance with revenues at Rs. 2511 Cr growing 9% YoY.
2. The company witnessed a considerable hit in EBITDA with EBIT margins at 5%.
3. The company's PAT was at Rs. 85 Cr, down -24% YoY.
4. The company also witnessed growth in other income, with it being highest at INR 67 Cr.

Investor Conference Call Highlights:-

1. The management is excited and keen as this was Birla Corp's maiden conference call.
2. The management explained in depth the company's history and heritage, along with its journey right from Mr. Madhav Prasad Birla up till now.
3. The management gave an outline about the board of directors and their experiences.

4. The company hit EBITDA positive in the Mukutban plant, last fiscal year.
5. The management to supply the Durgapur plant with excess clinker from Mukutban, which will help to free up Maihar and Satna to supply to UP, the most profitable market for the company.
6. The EBITDA per ton for the company in Q4 was INR 615 vs INR 650 the previous year. This is mainly due to higher fuel costs. On a sequential basis, it grew by INR 240.
7. The management has plans to ramp up Mukutban steadily and profitably.
8. The management states that Mukutban plant exited the month of March at 1 lac tons and plans to exit the next year at 2 lac tons of cement.
9. On account of the specific projects taken, the management expects a saving of atleast INR 50 per ton.
10. The management expects the cost at the Mukutban plant to come down by another INR 300 to INR 400 per ton.
11. The company has already commissioned the WHRS at the Mukutban plant, and will be using maximum percentage of coal from its own captive mines. It is also working on AFR.
12. The company has also input tax credit incentives on its Mukutban plant, which will result in the incentives of INR 600 per ton accruing in the company's P&L account.
13. The management is working on putting up a second line at the Maihar plant with grinding capacities for additional clinker.
14. The company's power and fuel costs went up to INR 1500 per ton this year, with it averaging INR 1600 in the previous three quarters. The management was able to bring this down to INR 1300 per ton in the fourth quarter.
15. The management gives guidance that on a company level, power and fuel costs should be lower by INR 250 per ton by the next FY.
16. The total quantum of the incentive at the Mukutban plant is 100% of the project cost, which is about INR 2,300 crores, which is available for a period of 20 years.
17. During the year, the company has been able to ramp up the Kundanganj plant from 2 mn ton capacity to 2.7 mn ton through internal optimization.
18. Apart from Mukutban, all other plants are operating at close to 100% capacity utilization.
19. The company has outstanding incentives of INR 150 Cr in West Bengal, which will improve margins further.

Analyst's View

Birla Corporation is a leading mid-size cement maker that is well established in the North, Central and West regions. It has a great history with its business starting with Jute and over the years shifting primarily towards cement. The acquisition of RCCPL has proven to be beneficial for the company and the management has integrated both the entities satisfactorily over time. The capacity expansion over years upto the 20 million tonne mark is a great achievement for the company. Yet, the competition faced from the leaders in this sector and the legality issues that the company's management has faced makes the future uncertain. There also seem to be issues faced over maintaining margins, which peers manage to do better. Capacity expansion targets have also historically been delayed as per our tracking. Thus, keeping in mind of the various factors and points, it is recommended to let this company pass on and remain in the watchlist.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**2,737**	**3,151**	**2,587**	**2,581**	**2,734**	**3,380**	**3,302**	**2,971**	**3,355**	**3,912**	**13,540**
% Growth YOY					*0%*	*7%*	*28%*	*15%*	*23%*	*16%*	
Expenses	2,052	2,384	1,920	1,960	2,323	2,698	2,713	2,594	2,710	3,205	**11,222**
EBITDA	**685**	**767**	**667**	**621**	**411**	**682**	**589**	**377**	**645**	**707**	**2,318**
Depreciation	326	327	297	303	302	334	312	332	325	336	**1,305**
EBIT	359	440	370	318	109	348	277	45	320	371	**1,013**
EBIT Margin	*13%*	*14%*	*14%*	*12%*	*4%*	*10%*	*8%*	*2%*	*10%*	*9%*	
Interest	94	61	60	50	46	45	47	54	69	64	**234**
Other Income	50	39	26	26	62	58	22	29	41	427	**519**
Profit before tax	**315**	**418**	**336**	**294**	**125**	**361**	**252**	**20**	**292**	**734**	**1,298**
PBT Margin	*12%*	*13%*	*13%*	*11%*	*5%*	*11%*	*8%*	*1%*	*9%*	*19%*	
% Growth YOY					*-60%*	*-14%*	*-25%*	*-93%*	*134%*	*103%*	
Tax	132	-220	98	92	35	-239	64	-21	74	125	**242**
Net profit	**182**	**627**	**227**	**198**	**84**	**595**	**196**	**46**	**204**	**589**	**1,035**
% Growth YOY					*-54%*	*-5%*	*-14%*	*-77%*	*143%*	*-1%*	

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.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**605**	**832**	**691**	**613**	**618**	**804**	**714**	**615**	**732**	**876**	**2,938**
% Growth YOY					*2%*	*-3%*	*3%*	*0%*	*19%*	*9%*	
Expenses	468	629	505	479	500	651	612	583	642	737	**2,573**
EBITDA	**137**	**203**	**186**	**134**	**118**	**153**	**102**	**33**	**90**	**139**	**365**
Depreciation	36	36	35	36	37	37	36	37	37	36	**147**
EBIT	101	167	151	98	81	117	66	-4	53	103	**218**
EBIT Margin	*17%*	*20%*	*22%*	*16%*	*13%*	*15%*	*9%*	*-1%*	*7%*	*12%*	
Interest	24	16	16	15	16	5	8	11	10	10	**38**
Other Income	7	3	2	3	2	2	1	5	1	5	**12**
Profit before tax	**84**	**153**	**137**	**86**	**67**	**114**	**59**	**-10**	**45**	**98**	**192**
PBT Margin	*14%*	*18%*	*20%*	*14%*	*11%*	*14%*	*8%*	*-2%*	*6%*	*11%*	
% Growth YOY					*-20%*	*-26%*	*-57%*	*-112%*	*-34%*	*-14%*	
Tax	30	54	48	29	24	41	22	-1	17	31	**69**
Net profit	**54**	**100**	**89**	**57**	**44**	**73**	**37**	**-10**	**28**	**67**	**123**
% Growth YOY					*-19%*	*-27%*	*-58%*	*-117%*	*-37%*	*-8%*	

Detailed Results:

1. The company had an average quarter with revenue rising by just 9% while profits falling by around -8% YoY.
2. The volumes in this particular quarter at 17.2 lakh tons, which is up 6% over last year and up 20% QoQ.
3. Capacity utilisations were above 70% for the quarter.
4. EBITDA decreased by 20% YoY while EBITDA per ton stood at INR 840.
5. The board has recommended a final dividend of Rs. 1 per share (100%) for the year ended 31st March, 2023.
6. The company granted in-principle approval to the proposal for entering into Share Subscription cum Shareholders Agreement ("SSSHA") with Cleantech Solar India OA2 Pte. Ltd. and the Special Purpose Vehicle ("SPV").
7. This is incorporated for putting up solar power plants with capacity of 16 MWdc for Chittapur plant in the state of Karnataka and 5.5 MWdc for Jalgaon plant in the state of Maharashtra under Captive Scheme, for contributing towards 26% of the equity share capital of the SPV, amounting to ` 9.50 crore approximately.

Investor Conference Call Highlights

1. The management admits to having a very disappointing Q2 and soft H1, after which recovery was seen.
2. The management states that FY23 volumes were at 58 lakh tons, which were up 5% YoY. This was achieved with 60% contribution from trade sales.

3. B2C sales and prices slightly suffered in the market, which led the company to pivot leading to 9% de-growth in trade sales YoY and 29% growth in B2B sales.
4. B2B sales for the company are primarily OPC sales for the company, which does not include blending of fly-ash. OPC sales contribution have gone upto 43% currently.
5. The capacity utilization for the company for Q4 on a cement level stands at 80% with clinker capacity utilization being at 98%.
6. The management states that there is an impact on the efficiencies when more OPC is sold, as OPC consumes more fuel and power.
7. The trade sales were at 52% this quarter vs 61% the previous year.
8. The premium products are targeted only to the trade market, and are not offered to the B2B segment. The company's super premium brand, Strong Crete is up 17% YoY in volumes.
9. The company launched Orient Green, which is a premium brand, late during this year. This brand is priced INR 20 rupees less than Strong Crete.
10. In Q1 of the year, the management took the decision of increasing the premium gap of Strong Crete over PPC by another Rs. 10. Earlier it was sold at INR 35 plus PPC, which is now sold at INR 45 plus PPC, despite which there was a 17% growth in the brand.
11. For FY23, the full year capacity utilization at a cement level was 68% while on a clinker level was 78%.
12. The realisations for the company rose 3% for Q4 YoY and 3% for FY23 YoY. The company's total costs went up to INR 570 per ton from which INR 467 per ton is coming from power and fuel and INR 66 is coming from logistics costs.
13. The management plans to bring in more lower cost alternative fuels which are estimated to save INR 40 crores for the year with renewable power saving additionally INR 10 crore mainly in Jalgaon.
14. Renewable power for the company as a whole for the year has reached at 15%.
15. The management states a target of achieving renewable power contribution to the company of 35% by FY25.
16. The company will be again investing in a SPV to add 21.5 megawatts DC solar power at Jalgaon and Chittapur separately.
17. The company's Waste Heat Recovery project has achieved completion and the plant is currently under commissioning.
18. The company has increased its market exposure to Western India, with volumes going up to 61% in Q4 from 53% the previous year. On full year basis, the west is now 57% up from 54%.
19. The company's fuel mix for the quarter was at 53% domestic coal, 35% pet coke and balance was alternative fuels.
20. EBITDA per ton for the company is at INR 840 in Q4 up 31% from Q3, while on a YoY basis it is down from INR 958 last year by -12%.
21. The company has repaid 148 Cr debt this year, with project debt down to INR 240 Cr this year. The company also has working capital debt of INR 100 crore.
22. The company has received INR 57 crores of soft-loan from the Karnataka government which is interest-free for the next 10 years, for investment purposes. The repayment will start after 10 years in yearly installments.
23. For FY24, the management is targeting volumes in the range of 6.3 mn to 6.6 mn from about 5.8mn that the company did this year.
24. The company spent INR 130 crores for the full year on capex, including INR 28 crores in Q4.
25. The management plans to do a INR 1550 Cr to 1600 Cr capex at the Chittapur plant. Out of which INR 600 Cr is planned to be spent in this financial year, for setting up the kiln line.

26. The management also has plans for 100 crore capex on land acquisition in Rajasthan for a Greenfield project.
27. The management states that the total capex for the company this year would be INR 1000 to INR 1050 Crores.

Analyst's View

Orient Cement is a leading cement maker in the West and South Zones. The company had an average quarter with bottlenecks in capacities and low margins due to inflationary expenses, which saw revenues rise by 6% YoY while profits fell 8%. The company is set on its capex plans and is aggressive on expanding clinker capacities with which it expects to do a 1000 Cr+ capex 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, recent turnaround growth and expansion despite being a small player, and relatively good EBITDA/ton, Orient Cement is a good small-cap cement stock to watch out for.

Chemical

Clean Science & Technology

Financial Results & Highlights

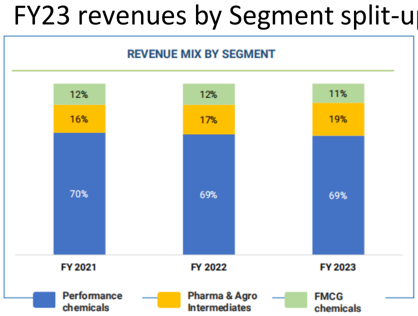
Brief Company Introduction

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).

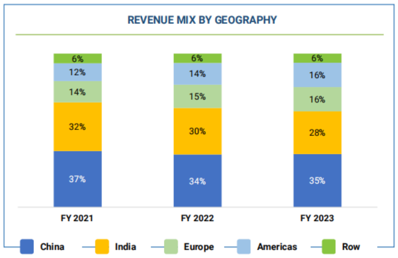
	Quarterly Performance										
	CLEAN SCIENCE & TECHNOLOGY LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**125**	**134**	**146**	**153**	**181**	**205**	**234**	**248**	**237**	**217**	**936**
% Growth YOY					*44%*	*53%*	*60%*	*62%*	*31%*	*6%*	
Expenses	63	64	75	84	105	121	143	150	129	112	**534**
EBITDA	**63**	**70**	**71**	**69**	**76**	**84**	**91**	**97**	**108**	**105**	**402**
Depreciation	5	4	6	6	6	7	8	9	9	10	**36**
EBIT	58	66	66	63	70	77	83	89	99	95	**366**
EBIT Margin	*46%*	*49%*	*45%*	*41%*	*39%*	*37%*	*35%*	*36%*	*42%*	*44%*	
Interest	0	-	0	0	-	0	-	-	0	0	**0**
Other Income	7	6	7	9	7	7	2	3	13	13	**30**
Profit before tax	**65**	**71**	**72**	**71**	**78**	**84**	**85**	**92**	**112**	**108**	**396**
PBT Margin	*52%*	*53%*	*49%*	*47%*	*43%*	*41%*	*36%*	*37%*	*47%*	*50%*	
% Growth YOY					*20%*	*17%*	*18%*	*29%*	*44%*	*28%*	
Tax	16	18	17	18	20	22	22	24	28	27	**100**
Net profit	**49**	**53**	**55**	**54**	**58**	**62**	**63**	**68**	**84**	**81**	**295**
% Growth YOY					*18%*	*17%*	*15%*	*27%*	*45%*	*29%*	

Detailed Results:

1. The company revenue grew 6% YoY while PAT grew 29% YOY.
2. EBITDA margins improved from 41.3% to 49.1% YoY.
3. FY23 revenues by Segment split-up as :-



4. FY23 revenues by Geography split-up as :-



5. The company ended the year FY23 with a debt-free balance and with a Cash balance of INR 300 crores.
6. Revenues from exports stood at 72%.

Investor Conference Call Highlights

1. The company's manufacturing plants for HALS, Hindered Amine Light Stabilizers 701 and 770 that got commercialized in unit 3 in mid-November, has stabilized and is ramping up as per scheduled time frame.
2. The company received a good response for HALS and recorded its maiden sales in Q4FY23.
3. CRISIL recently upgraded the company's long-term rating to CRISIL AA- Stable and reaffirmed the short-term rating to CRISIL A1+.
4. During the year, the board announced an interim dividend of 200%. In addition to this, the Board has recommended a final dividend of 300% also.
5. For FY '23, sales improvement was led by a combination of good volume growth and improved realization across all products.
6. The management states that new products now contribute to 9% of total revenues in FY '23 as compared to 4% in FY '22. Contribution from Americas and Europe region is also increasing steadily.
7. The company incurred capex of INR 191 crores during FY '23, with majority going towards new plants for HALS in Unit 3 and upgrading of existing equipment for efficiency improvement.
8. Of this, INR 65 crores were invested in the subsidiary Clean Fino-Chem, CFCL, and entire capex continues to be incurred through internal accruals only.
9. The construction activity at Clean Fino-Chem Limited is on track, various activities like site layout, initial civil construction, and allied activities are progressing well.
10. During the year, the company's third solar plant was capitalized with 5-megawatt capacity, taking the total solar capacity to 17.4 megawatts, helping in energy efficiency.
11. The management confirms that it has a new series of products and a strong R&D pipeline, with continued focus on diversifying the product portfolio and expanding geographical presence.
12. The management confirms that the CFCL project and all other projects will be commercialized as committed on time.
13. For FY24, there will be very small maintenance capex in the parent company. But in the subsidiary company (Unit 4), INR 180 crores is planned with the incremental capex being announced by Q3 or Q4. It will mainly be towards HALS.
14. The management clarifies that the initial commissioning in Unit 3 of HALS is 2000 ton, which in totality will go up to 15,000 ton in three to four years' time. The average realisation for it is close to 8$ to 10$.
15. The management clarifies that the volume growth was soft this quarter due to the de-stocking happening at a global MNC customer level, with freight costs having minimalized.

16. The management explains that RM prices are coming down, which also shall result in pass-through of the RM deflation.
17. The management clarifies that the company's inventory stands at less than 30 days. Thus, GM got impacted by the recent lower RM cost and a better product mix.
18. The management states that the total capex towards the entire 15,000 ton of HALS would be INR 300 crores.
19. The management explains that it has an option to replicate capacities of MEHQ, BHA etc. in Unit 4 if the capacities are getting fully utilized.
20. The PBQ product of the company is mainly at the agro side, which is facing slower business and is also resulting in unused capacities.

Analyst's View

Clean Science & Tech is one of the most talked about recent IPO stocks owing to its strong operational characteristics with a handsome growth of PAT at 29% & EBITDA margins > 40%. The company delivered a strong performance YoY in FY23 with revenue growth of 37% despite a poor domestic 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.

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. Q4 FY23 operational revenue: Rs. 152 crores, a growth of 48% over the previous quarter.
2. Q4 FY23 EBITDA: Rs. 19 crores, compared to Rs. 4 crores in the previous quarter.
3. Q4 FY23 EBITDA margin: 12.64%.
4. Q4 FY23 net profit after tax: Rs. 12 crores, compared to Rs. 60 lakhs in the previous quarter.
5. Q4 FY23 PAT margin: 7.83%.
6. Annual operational revenue for FY23: Rs. 648 crores.
7. Annual EBITDA for FY23: Rs. 72 crores.
8. Annual EBITDA margin for FY23: 11.17%.
9. Annual net profit after tax for FY23: Rs. 44 crores.
10. Annual PAT margin for FY23: 6.71%.

Investor Conference Call Highlights

1. The company stated that there is revival in demand from the paint industry, especially for linoleic acid and dimer fatty acid and there is a positive feedback from paint companies and expectation of sustained demand in the coming quarters.
2. The company installed capacity of 1,20,000 metric tons and expected utilization in the financial year 2025-26.
3. Metric tons processed for FY22-23: 67,000 tonnes. Q4 metric tons processed: 17,000 tonnes.

4. The company stated that Isostearic acid trial runs have started, with expected shipment to begin in Q2 FY24.
5. The company expects sales for FY24 to be around Rs. 750 crores.
6. The company stated that their targeted EBITDA margin: 15% plus or minus 1%.
7. The company stated that their expected volume for FY24: above 70,000 tonnes.
8. Introduction of a new product, isostearic acid, with applications in personal care, cosmetics, and lubricants.
9. The company stated that Dimer acid and linoleic acid are the prime products, accounting for over 70% of sales.
10. Sales volume for dimer acid is over 8,000 tonnes and for linoleic acid is over 24,000 tonnes for the entire year.
11. The oleochemicals segment, excluding dimer acid and linoleic acid, is not significant in terms of sales volume.
12. The industry size for the forward-integrated product is much larger than the company's capacity, which is around 6% of the industry.
13. The company stated that trial approvals for the product in the USA, Europe, and Japan are underway.
14. Despite past challenges like demand slowdown, raw material volatility, and inventory write-offs, the company expects the next two years to be normal.
15. Volatility in raw material prices, especially vegetable oil prices, has been observed in the last two years.
16. The creation of capacity and raw material price volatility are not directly related.
17. The company aims to achieve additional revenue through the manufacture of isostearic acid and development of another prime product.
18. With 100% capacity utilization, the company expects to achieve a turnover of over Rs. 1,000 crores.
19. The company is not currently facing significant risks from Chinese players and anticipates gaining market share from them in the future.
20. Isostearic acid production is concentrated in Europe and the US, with no major presence in China.
21. The competitive landscape for isostearic acid is not dominated by a single company, and the company's market share is expected to be around 5-6%.
22. Demand for the product in the US and Europe is positive, and the company has received a favorable response from buyers.
23. The company has not lost any customers and does not foresee significant competitive threats.
24. The global market size for the company's products is estimated to be around 50,000-55,000 tonnes, with a market value of approximately $400 million.
25. Initially, the company may need to price its products at a discount to competitors when entering developed markets.
26. The realization and sales volume projections indicate potential revenue growth in the future.

Analyst's View

Fairchem organics is the leading producer of fatty acid derivatives commanding market leadership in India. The company has witnessed a decent quarter with a growth of 48% in revenue when compared to its last quarter. The company has been in business for the last 25 years. It remains to be seen how the company capitalises the revival of demand in the paint industry, how the company deals with the steady rise in inflation and the results of the new capacity in near future. 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.

Jubilant Ingrevia Limited

Financial Results & Highlights

Brief Company Introduction

Jubilant Ingrevia is a leading global integrated pharmaceutical and life sciences company. It is a subsidiary of Jubilant Pharma Limited, formerly known as Jubilant Life Sciences Limited. Jubilant Ingrevia specializes in providing innovative solutions and services in the areas of pharmaceuticals, life sciences, performance materials, and specialty chemicals.

The company operates across the entire value chain, from research and development to manufacturing and distribution. It serves customers in various industries, including pharmaceuticals, agrochemicals, consumer goods, automotive, aerospace, and more. Jubilant Ingrevia focuses on delivering high-quality products and services while adhering to stringent regulatory standards.

The company's product portfolio includes a wide range of specialty chemicals, such as pyridines, picolines, and their derivatives, as well as various pharmaceutical intermediates and active pharmaceutical ingredients (APIs). These products find applications in the manufacturing of drugs, crop protection agents, flavors and fragrances, and other industrial applications.

Jubilant Ingrevia operates multiple manufacturing facilities globally, equipped with state-of-the-art infrastructure and technologies.

	Quarterly Performance										
	JUBILANT INGREVIA LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**-**	**684**	**1,145**	**1,223**	**1,286**	**1,296**	**1,166**	**1,304**	**1,158**	**1,145**	**4,773**
% Growth YOY					*#DIV/0!*	*89%*	*2%*	*7%*	*-10%*	*-12%*	
Expenses	-	567	863	1,027	1,074	1,153	1,025	1,151	1,007	1,043	**4,226**
EBITDA	**-**	**117**	**282**	**195**	**213**	**142**	**141**	**153**	**151**	**102**	**547**
Depreciation	-	22	32	31	30	31	31	31	30	30	**122**
EBIT	-	95	250	165	182	111	110	122	121	72	**425**
EBIT Margin		*14%*	*22%*	*13%*	*14%*	*9%*	*9%*	*9%*	*10%*	*6%*	
Interest	-	7	13	7	5	6	4	5	7	6	**22**
Other Income	-	-10	6	7	9	9	10	7	7	9	**33**
Profit before tax	**-**	**77**	**243**	**165**	**187**	**115**	**116**	**124**	**122**	**76**	**437**
PBT Margin		*11%*	*21%*	*13%*	*15%*	*9%*	*10%*	*10%*	*10%*	*7%*	
% Growth YOY					*#DIV/0!*	*48%*	*-52%*	*-25%*	*-35%*	*-34%*	
Tax	-	23	75	54	58	46	36	40	30	23	**129**
Net profit	**-**	**54**	**168**	**111**	**129**	**69**	**79**	**84**	**92**	**52**	**308**
% Growth YOY					*#DIV/0!*	*26%*	*-53%*	*-24%*	*-29%*	*-24%*	

Detailed Results:

1. The Specialty Chemicals business grew 29%.
2. The company experienced a year-on-year sales growth decline of -11.64% in quarter 4, amounting to 1145 crores.
3. The company was under the old tax regime during FY23, and the ETR is 29.6%.
4. Net debt at 31st March was INR312 crore and net debt-to-EBITDA ratio was at 0.54x on the basis of trailing 12 months EBITDA.
5. The net working capital percentage and number of days of working capital for Q4 FY23 on the basis of their trailing 12 months turnover were at 17% and 62 days, respectively.
6. The capital expenditure during the quarter was INR146 crore and for FY23 was approximately INR481 crore.
7. Board has recommended a final dividend of 250%, that is INR2.5 per equity share of the face value of INR1 each for FY23. This shall result in a cash outflow of INR 39.8 crore.

8. During the year, the company has already declared an interim dividend of 250%, that is INR2.5 per equity share of INR1 each and the total dividend for FY23 works out to 500%. That is INR5 per equity share of INR1 each amounting to INR 79.6 crore of cash outflow.
9. The division's margin and EBIT run rate has decreased from INR 60 crore to INR 70 crore to around INR 40 crore.

Investor Conference Call Highlights

1. The management stated that the Specialty Chemicals business recorded revenue growth mainly due to higher volume sales of both existing as well as new products.
2. The management informed that EBITDA for the year was lower than last year, mainly due to higher energy costs during the year and lower demand of agrochemical customers during H2.
3. Nutrition business has faced headwinds for Niacinamide, leading to lower volume as well as lower price realization.
4. Overall revenue was lower due to the price of Acetic Acid leading to lower price of Acetic Anhydride and headwinds they continue to face in Niacinamide business.
5. Chemical Intermediates segment EBITDA improved on a year-on-year basis due to better price realization of Acetic Anhydride.
6. The company plans to reduce overall energy cost by sourcing power from the grid at Gajraula starting in Q2. It plans to source power from renewable sources in the next financial year.
7. The company is investing in new cGMP-compliant facilities to produce cosmetic and food-grade Niacinamide and reduce dependency on global feed markets.
8. Chemical Intermediates business has recorded lower revenue during FY23 over last year, mainly due to lower prices of Acetic Acid, leading to lower price realization of Acetic Anhydride and Ethyl Acetate.
9. The management stated that the lower performance in Specialty Chemicals was not due to high inventory levels. Instead, it was a result of lower global agrochemical demand. Other suppliers may have been liquidating their material at lower prices, but the company is not carrying any extra inventory.
10. In Chemical Intermediates, there has been a volume growth of 7% to 8%. However, in Specialty Chemicals, the volume has remained flat in the fourth quarter. The Nutrition business has experienced a decline in volumes compared to the previous year, but there has been sequential volume growth in Niacinamide from Q3.
11. The management stated that the increase in other expenses can be attributed to higher freight expenses, warehousing charges, processing charges, and higher consumption of stores and displays.
12. The agrochemical sector contributes approximately 37% to 38% of the Specialty Chemical division's revenue.
13. The management anticipates improvement in profitability with the improvement in agrochemical demand. As customer demand for their well-suited products increases, the company expects to sell more and return to a normal situation, although it may not be immediate.
14. The management informed that the Specialty Chemical division operates with a combination of spot business and contractual terms.
15. The revenue in Specialty Chemicals has increased by 5% year-on-year, the volume has remained flat. This discrepancy can be attributed to the product mix, as the company sells around 40 different products, and the revenue composition can vary based on the mix of products sold during the quarter.

16. For FY24, the management expects a cash outflow of approximately INR 700 crore, while for FY25, it anticipates a capex of around INR 600 crore.
17. There have been improvements in power costs quarter-on-quarter, primarily due to decreased coal prices. The company is also looking into renewable energy sources such as solar and wind for long-term cost reduction.
18. In terms of Specialty Chemicals and CDMO (Contract Development and Manufacturing Organization) contracts, the volumes dispatched to customers may vary on a quarterly basis, but the overall contracts are being executed as planned.
19. The new GMP (Good Manufacturing Practice) facility is expected to contribute to the revenue of the CDMO business, with normalization anticipated in the second half of the year. The company anticipates further growth in CDMO revenue going forward.
20. The management stated that the Diketene derivatives plant is currently close to 65% utilization.
21. The capacity utilization of the Acetic Anhydride segment is around 85% to 90%, and with the newly commissioned plant, the company plans to gradually increase volumes over the next 1.5 to 2 years to achieve full utilization of the capacity.
22. The management believes that the poor demand is not due to China's recovery but rather an excess production of agrochemicals in the US, Europe, and Brazil, leading to lower demand in those regions.
23. The management expects the demand to normalize from H2 onwards, based on feedback from customers who anticipate utilizing their excess stock.
24. Regarding pyridines, while the demand for pyridine products is growing at a rate of 3% to 4%, new uses, such as in electronic circuit boards, are emerging, which command higher value pricing.
25. The new plants are not operating at 10% to 15% utilization. Most of the plants start with full operation, and volumes are expected to pick up over time.
26. The impact of Avian flu on the Nutrition business has subsided, leading to improved market dynamics. Both volumes and prices are expected to increase in the coming quarters.
27. The utilization of the food-grade acetic acid plant is expected to be around 50% in FY24.

Analyst's View

Jubilant Ingrevia, a global integrated Life Science products and Innovative Solutions provider serving, Pharmaceutical, Nutrition, Agrochemical, Consumer and Industrial customers with their customised products and solutions that are innovative, cost-effective and conforming to excellent quality standards.Jubilant Ingrevia's portfolio also extends to custom research and manufacturing for pharmaceutical and agrochemical customers on an exclusive basis.JVL has planned capex of ~Rs 2,050 crore over fiscal 2022 and 2025 towards expansion for diketene derivative products, expansion of facilities for crop protection chemicals, vitamin B3 products and acetic anhydride.

The company made a strategic decision to upgrade the capacity during the construction of their new GMP facility, which resulted in a delay but will bring long-term benefits. In the Niacinamide business and some other products in their Specialty Chemicals portfolio that cater to the agrochemical sector, they have experienced a temporary decline in volumes, revenue, and profitability. However, the management remains confident in their ability to regain momentum as the market situation improves. The Specialty Chemicals segment, particularly in the agro segment, has shown significant growth over the past two years, expanding from INR 300 crore to INR 700 crore. Unfortunately, the current quarter has been challenging due to weak demand from agrochemical customers, resulting in a performance gap.

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Atam Valves Ltd

Financial Results & Highlights

Brief Introduction:

Atam Valves Limited is a leading manufacturer of industrial and plumbing valves. The company has a strong presence in industries such as oil and gas, refineries, petrochemicals, chemicals, pharmaceuticals, marine, mining, water and wastewater, textile, sugar, and HVAC. The company has 500 SKUs and serves over 300 clients & top 15 clients contribute 80% of sales. The company has a 3% international presence in South Africa, USA, UK, and Indonesia.

Quarterly Performance												
ATAM VALVES LTD												
Narration	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales				4	4	7	7	11	11	20	49
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	145%	175%	193%	
Expenses				4	4	6	6	9	8	15	38
EBITDA	-	-	-	1	0	1	1	2	3	4	11
Depreciation				0	0	0	0	0	0	0	1
EBIT	-	-	-	0	0	1	1	2	3	4	10
EBIT Margin				9%	5%	11%	16%	17%	26%	22%	
Interest				0	0	0	0	0	0	0	0
Other Income				0	0	0		0		0	0
Profit before tax	-	-	-	0	0	1	1	2	3	4	10
PBT Margin				9%	2%	11%	15%	19%	25%	21%	
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	429%	2911%	492%	
Tax				0	0	0	0	0	1	1	2
Net profit				0	0	1	1	2	2	3	8
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	413%	3267%	432%	

Detailed Results:

1. Total revenue for Q4 FY23 stood at INR 19.82 crores (up 193%)
2. Total EBITDA for Q4FY23 stood at INR4.50 crores (up 369%)
3. Total PAT for Q4FY23 stood at INR3.30 crores (up 432%).
4. Total Revenue for FY23 stood at INR 49.25 crores, a growth of 141%
5. Total EBITDA for FY23 stood at INR 11.16 crores, a growth of 246%
6. Total PAT for FY23 stood at INR7.67 crores, a growth of 460%
7. Revenue contribution from business verticals:
    - Boilers- 30%
    - Domestic- 40%
    - Hydro projects- 10%
    - Other products- 20%
8. ROCE for the year stands at 40.02 vs 17.87 in FY22 and ROE stands at 30.69 vs 12.83 in FY22.

Investor Conference Call Highlights

1. The company plans to expand its presence in the United Arab Emirates, Saudi Arabia, Tanzania, Kenya, and Russia.
2. The company is entering the bathroom faucets and allied items business, planning to invest INR30 crores.

3. The global industrial valve market is estimated to be $80.4 billion in 2023, with a CAGR of 4.4%.
4. The global industrial boiler market is estimated to reach $23.5 billion by 2030, with a CAGR of 5.5%.
5. The company aims to achieve sustainable margins in the future due to expansion and product range.
6. The bill receivable days have increased due to steep sales growth but are expected to be reduced to 90 days with new initiatives.
7. The company's goal is to become the biggest brand in India and have a pan-India presence.
8. The company migrated to the main board of NSE and DSC from DSC SME on 10th May 2023.
9. The company anticipates revenue of at least INR25 crores from the new bathroom fittings range.
10. The company focuses on quality products and getting approval from major customers like NTPC, DPCL, HPCL.
11. The current capacity realization is INR65 crores to INR70 crores.
12. The company plans to have new land and a new project for expansion.
13. The first two quarters will be trading quarters, and after spending INR 30 crores, the company expects to generate up to INR 100 crores in top line revenue at 100% capacity utilization.
14. The existing segment of the company has an asset utilization of 20 to 25 times and a margin profile that is expected to be similar in the new business.
15. The new business is expected to have a trading margin of around 15% to 20% at the EBITDA level.
16. Debtor days for the new segment are expected to be around 80 to 90 days.
17. The company plans to sell its own brand in the new business initially, but may consider OEMs if there is unused capacity in the future.
18. The existing valve manufacturing facility can generate a turnover of INR 65 crores to INR 70 crores at 100% utilization.
19. The revenue contribution from the valves business is around 5% to 6% in the organized market.
20. The expected top-line growth is 25%, with 25 crores from the new business and the rest from the existing business.
21. The company anticipates margins of 15% to 20% in the faucet business and around 22% in the valve business.
22. Funding for the expansion will be through preferential equity.
23. The increase in sales in the current financial year was attributed to an expanded sales network, the introduction of new products, and stronger relationships with existing clients.

Analyst's View:

AVL is engaged in the manufacturing, production and sale of all types of valves, cocks, boiler mounting, pipe fittings, sanitary fitting, fabrication of steel and iron or non-ferrous metal and by-products. Adding to it Mr. Vimal Parkash Jain (Promoter) has around 4 decades of experience in the Valves industry. The company had a great quarter in terms of revenue, with a growth of 193%. It remains to be seen how the company executes its plan of expansion in different countries like the United Arab Emirates, Saudi Arabia, Tanzania, Kenya, and Russia, and entering into different business verticles. Given the strong working of the company and long term vision, Atam Valves Ltd. is an interesting stock to look out for.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**765**	**1,598**	**708**	**587**	**974**	**1,937**	**1,826**	**750**	**1,348**	**3,003**	**6,927**
% Growth YOY					*27%*	*21%*	*158%*	*28%*	*38%*	*55%*	
Expenses	702	1,457	666	553	901	1,811	1,726	714	1,270	2,799	**6,509**
EBITDA	**63**	**141**	**42**	**34**	**74**	**125**	**99**	**37**	**79**	**204**	**418**
Depreciation	24	23	24	26	27	30	32	32	36	39	**139**
EBIT	40	118	18	8	47	95	67	5	42	165	**279**
EBIT Margin	*5%*	*7%*	*3%*	*1%*	*5%*	*5%*	*4%*	*1%*	*3%*	*5%*	
Interest	9	10	9	6	12	19	21	24	29	37	**112**
Other Income	9	8	7	8	9	9	13	12	9	19	**53**
Profit before tax	**40**	**116**	**16**	**10**	**43**	**86**	**59**	**-7**	**22**	**146**	**220**
PBT Margin	*5%*	*7%*	*2%*	*2%*	*4%*	*4%*	*3%*	*-1%*	*2%*	*5%*	
% Growth YOY					*7%*	*-26%*	*274%*	*-175%*	*-48%*	*70%*	
Tax	12	40	5	2	10	27	16	-5	7	38	**56**
Net profit	**27**	**75**	**12**	**7**	**32**	**57**	**42**	**-3**	**14**	**104**	**157**
% Growth YOY					*19%*	*-24%*	*238%*	*-140%*	*-56%*	*82%*	

Detailed Results:

1. The sales growth stood at 55% while profits grew by 82% in Q4.
2. GPM in Q4 reduced from 13.8% to 13.6% while EBITDA% reduced from 6.9% to 6.8%.
3. Finance cost and Depreciation increased to Rs.37 Crs and Rs.39 Crs as compared to Rs.19 Crs and Rs.30 Crs. in Q4FY22, respectively. The increase in Finance cost and Depreciation is largely due to capex incurred during the period and increased interest rates.
4. FY23 Revenue & EBITDA growth for respective segments in Q4-
   a. RAC & Components division - 65% & 60%
   b. Electronics division - 82% & 95%
   c. Mobility division- 46% & 47%
   d. Motor division- 30% & 69%

Investor Conference Call Highlights:

1. The management states that Indian RAC market has grown to almost 8.4 million units in FY2022-FY2023.
2. Healthy growth is expected in the upcoming years owing to rise in temperatures, boom of residential sector, growing retail and hospitality sector, rising construction activities in the commercial and real estate space along with rampant expansion on SME and commercial hubs.

3. The AC industry reached to a market size of 8.4 million in FY2022-FY2023 and with the continuous rising demand for air conditioners, Amber looks forward towards an optimistic and steady growth in coming quarters.
4. The management states that this year many brands shifted their strategies to in-source assembly rather than outsourcing. While markets looked at this as a threat, Amber turned it into an opportunity by expanding offerings under the components and subassembly segment.
5. Owing to the raise in components and sub-assembly's businesses, Amber during the year expanded its market share in RAC industry and manufacturing footprint level in value terms to 29.4% in financial year FY2023 vis-a-vis 26.6% in FY2022.
6. The company is marching ahead in its export initiatives, and has started getting approvals from its export customers, expecting orders to flow in current financial year FY2023-FY2024.
7. The company closed the FY 2023 at a net debt level of Rs.588 crores at consolidated level.
8. During FY2023, the company did a capex of 698 Crores at consol. level that helped in increasing the profitability and improving the share of business in RAC segments and other divisions.
9. The management states that it is currently witnessing a muted Q1 FY2024 due to unseasonal rain in North India, however it hopeful to consistently grow the bottom line due to product mix change and operational efficiencies.
10. The components division has added new customers during FY2023. This division has also realigned its strategy to offer comprehensive solutions in components and subassemblies in tandem with the strategy of RAC customers to insource the assembly businesses.
11. On the mobility application division, which includes Sidwal for FY2023, revenue stood at Rs.422 Crores versus Rs.289 Crores in FY2022 marking a growth of 46%.
12. The mobility application division is having a strong order book of more than 700 Crores as of today. It commenced production of pantry systems for Vande Bharat Express increasing its wallet share and increasing in existing customers.
13. The mobility application division has done transfer of technology agreements in the plug door segments and gangway segment which will help in expanding their wallet share in the existing customers of railways and metros. Defense application for this division is seeing robust growth.
14. In the electronic division, the wearable segment has strong growth. The pilot lot of telecom products have also started. It has on boarded new customers in variable and telecom sectors and the room AC PCBA market share has crossed 20% of the complete RAC sector in PCBA.
15. The motors division is expanding BLDC Motors now in ODU, WACs and commercial segment of heating, ventilation and air-conditioning. It is at advanced stages to add marquee clients in exports and is also developing motors for newer application other than RAC segment.
16. The management explains that the lead time to onboard a customer is quite high in its business. And the company's Q4 revenues mainly jumped significantly due to new customers that the company was in touch with since two to three years.
17. The management is very bullish on the railway and defense sectors, as the Vande Bharat trains that are being launched are completely air-conditioned trains coming in high numbers.
18. The management gives guidance for the railway and defense sectors division revenues to double in the next three to four years.
19. The company did Rs. 698 crores capex in FY23, and the board has planned a Rs. 350 to 375 crores capex for FY24 which will be largely be spent on the four areas R&D and maintenance capex. It will also be used for expansion of the subsidiary business and in brownfield expansion in the components and sub-assembly segment.
20. Despite the unseasonal rains, the management is optimistic that the industry should be in a 10% to 15% range in the financial year end.

21. The management recommends investors to not look at the balance sheet in terms of margins and look at absolute EBITDA numbers and levels.
22. The management gives a guidance of delivering a 25% to 30% CAGR of absolute EBITDA numbers irrespective of the margins.
23. The management states that PICL is the leading company today in the motors front with about close to about 26% to 27% market share on the component side.
24. The management states that in sheet metal they are the largest in the country giving solutions in the sheet metal side with about 35% to 40% market share.
25. The management states that there have been no price hikes because commodities are stabilized now and everybody has adjusted all the inventories for BEE norms and it has been digested by the market making it a new normal now.
26. On PLI, the management comments that it has crossed threshold limits, on the incremental capex which was required and also the incremental sales, peaked both the part of the PLI eligibility. They are thus eligible this financial year to receive the first part of the PLI .

Analyst's View:

Amber Enterprises has a strong operating profile, characterized by its established market position as the leading original design manufacturer of room air conditioners. It had good growth in revenues at 55% while profits grew by 82% in Q4. 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 Amber has backward integrated into manufacturing key RAC components, which has supported its growth and profitability. Amber 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, growth and order book of the company, Amber Enterprises Ltd is definitely a key stock to keep in the watchlist.

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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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**2,183**	**2,110**	**1,867**	**2,804**	**3,073**	**2,953**	**2,855**	**3,867**	**2,405**	**3,065**	**12,192**
% Growth YOY					*41%*	*40%*	*53%*	*38%*	*-22%*	*4%*	
Expenses	2,082	2,030	1,819	2,694	2,970	2,835	2,755	3,722	2,294	2,909	**11,680**
EBITDA	**101**	**80**	**48**	**110**	**103**	**118**	**100**	**145**	**111**	**156**	**512**
Depreciation	11	12	15	22	28	19	24	29	29	32	**115**
EBIT	89	68	33	88	75	99	76	115	82	124	**397**
EBIT Margin	*4%*	*3%*	*2%*	*3%*	*2%*	*3%*	*3%*	*3%*	*3%*	*4%*	
Interest	8	7	9	9	12	14	14	16	15	15	**61**
Other Income	0	1	0	1	1	2	0	1	4	3	**8**
Profit before tax	**82**	**61**	**24**	**80**	**63**	**87**	**62**	**100**	**70**	**112**	**345**
PBT Margin	*4%*	*3%*	*1%*	*3%*	*2%*	*3%*	*2%*	*3%*	*3%*	*4%*	
% Growth YOY					*-22%*	*42%*	*157%*	*25%*	*11%*	*29%*	
Tax	20	17	6	18	17	24	17	23	19	31	**90**
Net profit	**62**	**44**	**18**	**63**	**46**	**63**	**46**	**77**	**52**	**81**	**255**
% Growth YOY					*-25%*	*42%*	*152%*	*23%*	*12%*	*28%*	

Detailed Results:

1. Consolidated revenues for the quarter ended March 31, 2023, were Rs.3070 Crores, a 4% growth compared to the same period last year.
2. Consolidated EBITDA for the quarter was Rs.158 Crores, a growth of 32% compared to the same period last year.
3. Consolidated PAT for the quarter was 81 Crores, a growth of 28% compared to the same period last year.
4. Margins improved by 110 basis points to 5.2% in the last quarter due to a change in sales mix, operating leverage, cost optimization, and efficiency measures.
5. Consolidated revenues for the full year 2022-2023 were 12,198 Crores, a growth of 14% compared to the previous year.
6. Consolidated EBITDA for the full year 2022-2023 was 518 Crores, a growth of 35% compared to the previous year.
7. Consolidated PAT for the full year 2022-2023 was 256 Crores, a growth of 34% compared to the previous year.
8. The company focused on cash conversion cycle and working capital management, resulting in a cash flow of 726 Crores from operations in 2022-2023.
9. The company's balance sheet strengthened with a gross debt to equity ratio of 0.14.

Investor Conference Call Highlights

1. The company aims to sustain strong revenue growth by acquiring new customers and targeting large accounts in the mobile business.
2. The company highlighted the expansion of facilities, backward integration strategies, partnerships with global brands, and participation in government initiatives such as the PLI scheme.
3. The mobile segment is expected to be a significant growth driver, with manufacturing for two large global brands set to start in Q3 or mid-Q3 of the current financiall year.
4. The company expects revenues from the mobile segment to exceed the government's PLI target of 6000 Crores for FY2023-2024.
5. The overall revenue growth is expected to be substantial, driven by existing and new client orders across segments.
6. Television segment:
    - Volume growth for television in 2021-2022 was 2.9 million, and it grew to 3.4 million in the last fiscal year, a 15% growth.
    - Budgeted volume growth for the current fiscal year is around 10%, targeting 3.8 million units.
    - The share of ODM (Original Design Manufacturer) in the television segment is expected to increase from the current 35% to almost 45-50% in the next 12 to 18 months.
    - Roll out of own ODM Google Solutions will further contribute to growth, but ramping up will take time.
7. Lighting segment:
    - Market has been flattish with competitive intensity.
    - Initiatives have been taken to expand the product portfolio, introduce new categories like ropes, and roll out professional lighting solutions.
    - Commercial production of new categories and smart lighting from Ibahn acquisition will contribute to revenue growth.
8. The company expects growth in the new category of hearables and wearables.
9. The company stated that Capex for 2023-2024 is estimated to be around 400 Crores.
10. The company aims to double revenue in the next three to four years.
11. The company expects growth to be much ahead of industry growth.
12. Mobile, washing machines, hearables and wearables, telecom devices, and Rexxam JV are expected to drive double-digit growth.
13. Margin expansion is anticipated with operating leverage, ODM focus, and backward integration.
14. The company stated that Apple's presence in mobile manufacturing in India is significant, and Indian manufacturers have an opportunity through partnership routes.
15. The company stated that the Chinese brands are looking to outsource base models and deepen manufacturing in India.
16. Stabilizing operations and contribution from new customers will take time and specific numbers are difficult to provide.

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 growing extremely slowly. Capex for 2023-2024 is estimated to be around 4000 Crores. It remains to be seen how the company will reap the benefits of the giant mobile manufacturers coming in India and the tremendous growth of mobile segment, wearables and hearables that it's expecting in future. Nonetheless, given that the company is focusing on acquiring and retaining new customers and its continuous efforts to expand existing capacities like consumer electronics and add new product lines,, Dixon Technologies is cementing its place as a good growth story in the electronics manufacturing sector in India.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**1,124**	**1,612**	**1,052**	**1,240**	**1,506**	**2,254**	**1,970**	**1,576**	**1,794**	**2,624**	**7,965**
% Growth YOY					*34%*	*40%*	*87%*	*27%*	*19%*	*16%*	
Expenses	1,042	1,510	1,010	1,169	1,416	2,111	1,847	1,491	1,690	2,445	**7,473**
EBITDA	**82**	**102**	**42**	**71**	**91**	**143**	**123**	**86**	**104**	**179**	**492**
Depreciation	26	25	20	20	22	23	22	24	16	23	**85**
EBIT	56	77	22	50	68	120	101	61	89	156	**407**
EBIT Margin	*5%*	*5%*	*2%*	*4%*	*5%*	*5%*	*5%*	*4%*	*5%*	*6%*	
Interest	15	13	11	11	12	13	11	12	14	18	**55**
Other Income	9	41	8	8	14	7	11	9	5	179	**203**
Profit before tax	**50**	**104**	**19**	**47**	**70**	**114**	**101**	**58**	**80**	**317**	**555**
PBT Margin	*4%*	*6%*	*2%*	*4%*	*5%*	*5%*	*5%*	*4%*	*4%*	*12%*	
% Growth YOY					*41%*	*9%*	*424%*	*21%*	*14%*	*178%*	
Tax	13	36	7	16	23	38	26	15	22	92	**155**
Net profit	**37**	**68**	**13**	**31**	**48**	**76**	**74**	**43**	**58**	**225**	**400**
% Growth YOY					*29%*	*12%*	*485%*	*36%*	*23%*	*196%*	

Detailed Results:

1. The company had a consolidated revenue rise in Q4 of 16% YoY Rs. 2624 Cr vs Rs. 2254 Cr the previous year.
2. EBIDTA for Q4 grew from Rs. 143 Cr at 6.3% margin in Q4FY22 to Rs. 179 Cr with 6.8% EBITDA margin in Q4FY23.
3. FY23 consolidated revenue for the company grew by 32% to Rs. 7977 Cr from Rs. 6064 Cr the previous year.
4. FY23 consolidated EBITDA stood at Rs. 493 Cr with 6.2% margin as compared to Rs. 346 Cr with 5.7% margin in FY22.
5. Q4FY23 PBT was at Rs. 146 Cr with 5.6% margin vs the previous year at Rs. 114 Cr with 5.1% margin.
6. FY23 PBT was at Rs. 385 Cr with 4.8% margin vs the previous year at Rs. 251 Cr with 4.1% margin.
7. The company switched to Straight-Line method of Depreciation effective from Oct 1, 2022.

8. The Capital Employed for the company as on Mar'23 was Rs. 1538 Cr vs Rs. 1088 Cr the previous year.
9. The working capital was employed due to Investments in Capacity expansion projects at existing plants and the new plant at Sri City.

10. Segment 1:- Electro-Mechanical Projects and Commercial Air Conditioning Systems :
    1. Q4FY23 Revenue grew by 10% at Rs. 1253 Cr vs Rs. 1140 Cr in Q4FY22
    2. Q4FY23 Result was at Rs. 99 Cr (7.9% margin) vs Rs. 76 Cr in Q4FY22 (6.7% margin)
    3. FY23 Revenue grew by 25% to Rs. 4016 Cr vs Rs. 3204 Cr in FY22
    4. FY23 Result was at Rs. 277 Cr (6.9% margin) vs Rs. 195 Cr in FY22 (6.1% margin)
    5. Expanded product portfolio and channel expansion enabled growth in revenue; demand from tier 3, 4 and 5 cities continued to be encouraging
    6. Business and economic activities in the Middle East markets continued to remain upbeat
    7. Carried forward order book for the segment was at Rs 4785 cr as of Mar 23 vs Rs 3034 cr as of Mar 22, a growth of 58%

11. Segment 2:- Unitary Products :
    1. Q4FY23 Revenue grew by 22% at Rs. 1268 Cr vs Rs. 1037 Cr in Q4FY22
    2. Q4FY23 Result was at Rs. 107 Cr (8.4% margin) vs Rs. 72 Cr in Q4FY22 (7.0% margin)
    3. FY23 Revenue grew by 39% to Rs. 3627 Cr vs Rs. 2612 Cr in FY22
    4. FY23 Result was at Rs. 282 Cr (7.8% margin) vs Rs. 156 Cr in FY22 (6.0% margin)
    5. With the early onset of summers, witnessed a surge in demand for our room air conditioners and grew by 20% as compared to Q4FY22
    6. Grew faster than the market and ended the year with RAC market share of 13.5%

12. Segment 3:- Professional Electronics and Industrial Systems :
    1. Q4FY23 Revenue grew by 33% at Rs. 103 Cr vs Rs. 78 Cr in Q4FY22
    2. Q4FY23 Result was at Rs. 20 Cr (19.2% margin) vs Rs. 14 Cr in Q4FY22 (18.5% margin)
    3. FY23 Revenue grew by 35% to Rs. 335 Cr vs Rs. 247 Cr in FY22
    4. FY23 Result was at Rs. 51 Cr (15.1% margin) vs Rs. 42 Cr in FY22 (17.2% margin)
    5. Major orders bagged from JSW Steel Limited, Tirumala Hospitals, Maruti Suzuki, Bharat Heavy Electricals Limited, HDFC Bank, to name a few

13. Dividend of Rs. 12 per share recommended by the Board.

Investor Conference Call Highlights:

1. The company is currently in its 80^{th} year of operation and on Sep 27, it will complete its 80^{th} year.
2. The management admits that there is a hit in operations due to unseasonal rains, which were predicted by IMD before.
3. The management gives a guidance of 20% for the full year market growth, despite the unseasonal rains and the festive season.
4. The management explains that the climatic peak of summer has shifted gradually, what used to be in May last week, it moved to May middle, then it started peaking in April last week. And this year it peaked around March last week, as per the management's guidance in an interview.

5. The management states that the IMD prediction about temperature shooting up in Delhi areas may help the Jan to June market grow by up to 25%, with atleast 20% growth expected.
6. The management clarifies that there is no excess inventory stocking or piling up, due to the West, East and South doing extremely well while the North battles with rains.
7. The board has declared a dividend of Rs. 12 per share and has also declared a bonus of 1:1. Post bonus, the dividend will stand restated at Rs. 6 per share.
8. During the quarter, the company sold a land parcel which has given a profit of 170 crores, net of tax around 139 crores.
9. The management states that 2022 is a milestone for manufacturing, by setting up the modern room air conditioner plant in Sri City, Andhra Pradesh and the ultra-automated deep-freezer plant in Wada.
10. The company's strategy will also work on targeting the middle class in Tier 3,4,5,6 areas for the light commercial segment.
11. In refrigeration, in addition to the affordable products, the management is looking at two main strategies in the deep freezer business and adjacent products.
12. The management states that the company's strategy for the MEP business to build the order book by first looking at the profitability factor of each order.
13. The management states that it is purposely and strategically diversifying its order book away from commercial buildings like IT, hotels, hospitals.
14. The management states the company's vision of becoming a globally significant air conditioning and refrigeration player in the future.
15. The Middle East business that the company entered in 2017, has grown into a $100 million business. The company is also setting more subsidiaries in the US and Europe.
16. The Blue Star Engineering and Electronics subsidiary is at Rs. 330 Cr revenue today, which is expected to grow to 1000 crores in the near future, which will immensely contribute to the bottom line.
17. The management has plans for the company to move into backward integration going forward.
18. The management states a market share goal for the company at 15% by FY25, which currently stands at 13.5%.
19. The company saw 40% of its sales coming through consumer finance schemes in FY23.
20. The 100 crore grant received by the company from MR. Advani has been allowed to be utlised for only additional R&D work.
21. The management states that the company shall have an annual capex of 250 to 300 crore for the next two years to build capacities in a modular manner.
22. The management's goal for next is 1 million units for which 6 lakh units will come from the Himachal Pradesh plant, 3 lakh from Sri City and 1 lakh outsourced products which will predominantly be window air conditioners.
23. The company's business in the middle east worth $100 million is entirely product exports from India which will continue going forward.
24. The management states that the benefit Sri City has that it can receive imports from the nearby ports easily, which will help it to cater to the southern region which will contribute to 45% of All India Sales.
25. The commercials building portfolio is currently one-third of the MEP business which used to be 80% a few years back. The company continues to focus on diversification.
26. The management has a positive view on ONDC and sees e-commerce sales going to 20% in FY24 and upto 25% in two to three years.

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 16% YoY. The company remains confident of the prospects of its EMP and MEP 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.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**87**	**101**	**98**	**119**	**128**	**139**	**171**	**139**	**138**	**146**	**594**
% Growth YOY					*46%*	*38%*	*76%*	*17%*	*8%*	*5%*	
Expenses	67	80	76	93	100	111	138	117	113	119	**487**
EBITDA	**20**	**20**	**21**	**26**	**28**	**28**	**34**	**22**	**25**	**26**	**107**
Depreciation	3	4	4	4	5	5	6	6	7	7	**26**
EBIT	17	17	18	22	23	23	28	16	18	19	**81**
EBIT Margin	*19%*	*16%*	*18%*	*18%*	*18%*	*17%*	*16%*	*12%*	*13%*	*13%*	
Interest	2	2	2	2	2	3	3	4	4	4	**15**
Other Income	0	5	3	3	2	2	0	0	0	1	**2**
Profit before tax	**16**	**19**	**18**	**22**	**23**	**22**	**25**	**13**	**14**	**16**	**68**
PBT Margin	*18%*	*19%*	*19%*	*19%*	*18%*	*16%*	*15%*	*9%*	*10%*	*11%*	
% Growth YOY					*47%*	*14%*	*35%*	*-43%*	*-39%*	*-26%*	
Tax	4	6	5	5	6	5	6	3	2	4	**15**
Net profit	**12**	**13**	**13**	**18**	**17**	**16**	**19**	**9**	**12**	**12**	**52**
% Growth YOY					*43%*	*25%*	*39%*	*-48%*	*-30%*	*-24%*	

Detailed Results:

1. Sales increased by 5% YoY while PAT went down by -24%.
2. EBITDA margins fell from 23.8% to 18.2%.
3. PAT margins decreased from 13.4% to 8.54%.
4. Domestic business has increased by 35.0% to Rs 131.6 cr for FY23 contributing 22.2% of revenue
5. Acquired 'The Tap Factory Ltd.' which will allow it to leverage its expertise in tap design and marketing to better serve its customer's needs in the kitchen and bathroom products offerings
6. The company's Demand revival in US & UK region, Europe is still lagging
7. Increased dealer network in the domestic market from 1,500+ to 3,100+ in FY23
8. Doubled orders from IKEA for the supply of quartz sinks
9. Completed Quartz Sinks expansion by 1.6 lac units to 10 lac units P.A.
10. Completed Steel sinks expansion by 90,000 units to 1,80,000 units P.A.
11. Incorporated wholly owned subsidiary in Dubai for marketing of kitchen appliances and bath products, will be operational by Q2FY24.
12. FY23 Product-Wise Revenue split was as follows:
    1. Quartz Sink – 52%
    2. Solid Surface Sinks – 25%
    3. Steel Sink – 13%
    4. Appliances & Others – 11%
13. For FY23, Exports were at 78% while Imports were at 22%.

14. The company has expanded to newer geographies – Australia, New Zealand, Gulf countries, Southeast Asia, China, Singapore, Turkey, Vietnam.
15. The company's dealer network crosses 3100+ and distributor network crossed 82.

Investor Conference Call Highlights:

1. The management states that price pressures were easing among most of the global economies. Further the oceans freight have normalized and the supply chains have also reverted to its means.
2. The management states that U.S. debt before remained a key threat to overall positive development witnessed over the last few months while India continues to be on the bright spot in the global economy.
3. The management states that in FY '23 the company surpassed its medium-term target of INR500 crores, which finally ended close to INR600 crores. The focused business approach and broadening of product offerings helps us to achieve the objectives.
4. The management states that the company is witnessing an increase in the inflow of export orders, and a few economies are showing signs of a rebound in demand.
5. The company recently renewed its contract with Karran USA for the supply of Quartz kitchen sinks worth $68 million, approximately INR550 crores over a 5-year period commencing from FY '24.
6. The management states that both Europe and U.K. are showing signs of recovery. However, the progress in Europe has been slow compared to the other markets.
7. The company is undertaking product expansion, team expansion, and launching a range of new models domestically. In addition, it is strengthening the marketing team and increasing efforts to increase brand visibility in India.
8. The company has doubled its capacity to manufacture steel sinks to 180,000. The additional capacity will be operational from June '23 onwards. On full capacity, its expect to generate revenues in the range of INR80 crores to INR90 crores.
9. The company recently made an agreement with IKEA for stainless steel sinks with the production to commence in the next 4 months' time.
10. In the built-in appliances and faucets division, greenfield project of capex in the appliances division, built-in appliances, kitchen hoods and hobs has been delayed by 3 to 4 months due to a high lead time of delivery of some critical machineries.
11. In the built-in appliances and faucets division, the company expects to commercialize the first phase of 100,000 units by end of Sep 23 and second phase of 100,000 units is expected by Q4 '24. In addition, the faucet assembly line of 10,000 units shall also be operational from Sep'23.
12. The company has incorporated a subsidiary in the United Arab Emirates in the name of Carysil FZ-LLC to cater to GCC markets. The subsidiary will focus on the sale of kitchen appliances and bath products. The subsidiary will be operational from quarter 2 FY '24
13. The management states that the U.K. operating subsidiaries, Carysil Products Limited, erstwhile Homestyle Products Limited and Carysil Surfaces Limited, erstwhile Sylmar

Technology Limited, have shown good growth in Q4 FY '23 and expect it to grow further in FY '24.

14. The company successfully implemented SAP ERP system to integrate various functions for better efficiency and controls.
15. The company went live on SAP from 3rd April 2023, and production and sales were operating at a lower scale compared to the normal capabilities in April 2023. This has led to a revenue shortfall in April 23.
16. The management is confident to achieve 15% to 20% growth in FY '24 irrespective of the rough patches in Q1 this year.
17. Sales volume for quartz sinks stood at 5.14 lakh units. Standard steel sales stood at 1.08 lakh units, and the kitchen appliances stood at 28,895 units in FY '23.
18. The company has incurred a capex of INR60 crores in FY '23. Gross debt of the company stood at INR220 crores.
19. The company has been gaining market share in Europe, benefitting from the high inflation and difficult times there.
20. In FY23, the company sold 513,280 Quartz sinks. Out of which, 20% were domestic sales.
21. The company is implementing the one-stop solution for India due to the demand from the domestic market.
22. The management states that out of the total revenue in the domestic market, 40% revenue is through the new product initiatives.
23. The management states that Sternhagen is not its focus category. It is a luxury brand, which is being put in the market to test. It's under making with less than 5% of resources and time being put in it.
24. The management states that it has been successful in doing the built-in appliances due to trust in the brand and its German engineered technology.
25. The management states that demand for Quartz has been reviving while big box retailers continue to de-stock. There is still a de-stocking problem present in the US and UK.
26. The management observes that there is potential to improve EBITDA margins. If 15% to 20% growth in top line mix comes as expected, then it would land back to original margins of EBITDA at around 20%.
27. The management states that it has gross margins in Quartz at around 48% to 49%. Steel sinks have a margin at around 35%. On the appliances side, it is at around 40% margin.
28. On the cost reduction side, the company is putting up a solar plant reduce the energy cost and doing the Kaizen program on a continuous improvement in the company.
29. The management states that the average price per sink, was between INR4,000 and INR4,500 between 2012 and 2017, and it has gone up to INR5,800 to INR6,000 on average currently.
30. The management assures that the company is on track to reach the target of 1000 crores in revenue by FY26, with an endeavour to maintain 25%-30% contribution from domestic.
31. The management states that the Indian markets are not fully matured for Quartz sinks, and it may take 5 to 10 years to mature.

Analyst's View

Carysil 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, Carysil remains an excellent real estate ancillary stock to watch out for.

Credit Rating Agency

CARE Ratings Ltd

Financial Results & Highlights

Brief Introduction:

Since its inception in 1993, CARE Ratings Ltd has established itself as one of India's leading credit rating agencies. CareEdge Ratings provides ratings for a variety of industries, such as manufacturing, infrastructure, and the financial sector, which includes banking, and non-financial services.The Company provides various credit ratings that helps corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk return expectations. The company has a market cap of 2,016 Crs.

	Quarterly Performance										
	CARE RATINGS LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**56**	**80**	**49**	**76**	**56**	**66**	**55**	**85**	**62**	**78**	**279**
% Growth YOY					*1%*	*-17%*	*11%*	*11%*	*11%*	*18%*	
Expenses	37	49	41	43	41	43	38	43	48	50	**180**
EBITDA	**18**	**31**	**9**	**34**	**15**	**22**	**16**	**42**	**14**	**27**	**99**
Depreciation	2	2	2	2	2	2	2	3	3	3	**11**
EBIT	16	29	7	32	13	20	14	39	11	24	**89**
EBIT Margin	*29%*	*36%*	*14%*	*41%*	*23%*	*31%*	*25%*	*47%*	*18%*	*31%*	
Interest	0	0	0	0	0	0	0	0	0	1	**1**
Other Income	8	6	7	6	7	7	8	8	12	10	**38**
Profit before tax	**24**	**34**	**14**	**37**	**20**	**27**	**21**	**48**	**23**	**34**	**126**
PBT Margin	*43%*	*43%*	*28%*	*49%*	*35%*	*42%*	*39%*	*56%*	*36%*	*44%*	
% Growth YOY					*-18%*	*-20%*	*52%*	*27%*	*15%*	*24%*	
Tax	5	8	2	10	5	4	7	13	6	14	**40**
Net profit	**19**	**26**	**11**	**27**	**15**	**23**	**14**	**34**	**16**	**20**	**84**
% Growth YOY					*-22%*	*-12%*	*24%*	*29%*	*10%*	*-14%*	

Detailed Results:

1. Revenue from operations grew by 13% compared to last year
2. Net profit was higher by 23% at Rs. 103.8 crores in FY23
3. 14% growth in ratings revenue, with the bank loan segment driving the growth during a period of higher inflation
4. Debt rated showed an increase of 78% in FY23 compared to FY22
5. In FY23, Total income stood at 285.9 Crs an increase of 13.39% & and in Q4FY23, it stood at 78.2 Crs, an increase of 0.14%.
6. In FY23, PAT stood at 103.8 Crs an increase of 36.3% & and in Q4FY23, it stood at 25.9 Crs, a decrease of 10.1%.

Investor Conference Call Highlights

1. The company stated that the Indian economy has held a relatively stable footing compared to other economies despite global challenges such as geopolitical conflicts, high commodity prices, inflation, and financial sector turmoil.
2. The domestic economy is estimated to have grown by 7% in FY23, supported by the rebound in services sectors and healthy performance of high-frequency indicators.

3. Consumption demand in the economy has been uneven, but recovery in rural demand is expected with moderating inflationary pressures and an upbeat Rabi harvest.
4. Investment in the economy has been steered by the government, with strong CAPEX growth budgeted for FY24, while private sector investment has been lackluster.
5. Retail inflation moderated to 5.7% in March, and the RBI decided to keep the policy Repo Rate unchanged at 6.5% after hiking rates in FY23.
6. Gross Bank Credit grew by 15% in FY23, driven mainly by the retail segment and services.
7. Corporate bond issuances grew by 32% in FY23, driven by financial institutions meeting credit demand amid tight liquidity conditions, while commercial paper issuances were lower.
8. Merchandise exports continue to face pressure from the global scenario, but lower imports have reduced the trade deficit. Services exports and remittances have supported a moderation in India's current account deficit.
9. Bank loans segment drove the growth in ratings revenue, with higher working capital requirements and bank debt being the principal source of funding.
10. CareEdge is focused on enhancing knowledge, productivity, and diversifying revenue streams to drive growth and success. The company is committed to continuous improvement and adaptability.
11. CARE Ratings' subsidiaries, CARE Advisory Research and Training (CART) and CARE Risk Solutions, have been witnessing traction and expanding their offerings.
12. CARE Ratings Africa Private Limited and CARE Ratings Nepal Limited reported growth in their respective markets.
13. The company is investing in training and incentive programs to make CareEdge one of the best places to work at.
14. The company's focus is on quality-led growth, knowledge dissemination, and expertise in various sectors is helping solidify its market position. The strategy is expected to sustain growth and strengthen the company's position in the future.
15. The company anticipates improved performance in the coming quarters and year.
16. When an analyst asked about the variation in the tax rate for FY21, FY22, and FY23, the company explained that the increase in the tax rate for FY23 is due to an impairment that disallowed a tax credit. The tax rate for FY24 is expected to be between 25% to 27%.
17. The company stated that the attrition level(rate at which people leave the company) for FY23 has significantly come down compared to the previous year and was around 28%.
18. The management stated that the major loss is from the Risk Management Solutions Subsidiary, while the Consulting Subsidiary has been closer to break-even. They mentioned the need for resource deployment and product development efforts and believes that as the products go to market, revenue generation will improve.
19. The company stated that the current year focus is on constructing products according to new norms and they are now in the go-to-market stage, expecting strong traction and revenue generation.
20. The company stated that the likely tax rate going forward can be in the range of 24% to 28% and they will be back to normal next year.
21. Sachin Gupta, Chief Rating Officer, mentioned that there is an improvement in stability rates and they are better off than the industry average in terms of rating stability
22. The company mentioned that historically, CARE has had strong rating stability in A, BBB, and BB categories, but faced mishaps in AA and AAA categories during 2017-2019. However, their recent performance is at par or better than some of the other rating agencies.
23. Pricing in the ratings business is driven by market dynamics, but credibility, expertise, and outreach are also important factors.

24. In the ESG space, around 100 new clients have been onboarded, and they are working on approximately 20+ assignments.
25. The Risk Management Solutions company has added marquee customers in Canada, UAE, and financial organizations.
26. Revenue booking for ESG offerings is spread across grading, assessments, and comprehensive services.
27. Accreditation with SEBI for ESG ratings providers is a developing phenomenon, and there are currently 4-5 AMFI empaneled entities.
28. The company stated that revenue growth has been seen across all segments, and it is not accurate to say that other products have declined.
29. Analytical-driven risk solutions are focused on credit risk, market risk, fraud analytics, early warning systems, network analysis, and industry-based analytics. The company stated that the products can be offered to non-financial organizations as well, but the focus is currently on the BFSI sector.
30. The cost increase under subsidiaries is due to investments in product development, practice and delivery, and sales teams.
31. The company aims to generate traction through a combination of product development and sales team augmentation.
32. Sales channels outside India will be explored based on opportunities, with a preference for direct business but openness to partnership model.

Analyst's View:

CARE Ratings Ltd. is a leading credit rating agency in the business. The company has been in the business for around 30 years. The company has had major changes in top level management for 4 years i.e. 2019-2022. SEBI imposed a penalty of 1 Cr rupees on the company for its lapses in giving credit rating to non-convertible debentures of IL&FS. The company looks forward to increasing its non rating business from 1-2% to 40-50%. It remains to be seen how the company captures the lost market share and deals with the steady increase in inflation. Given the strong vision and plan of action, CARE Ratings Ltd. is an interesting stock to look out for.

Crisil Ltd

Financial details & highlights

Brief company introduction

CRISIL Ltd is a globally diversified analytical Company providing ratings, research, risk, and policy advisory services. CRISIL is India's leading rating agency and the foremost provider of high-end research to large banks and leading corporations. The company has 3 businesses- Research business, Rating business, and advisory business. Crisil is a subsidiary of the American company S&P Global.

Quarterly Performance

CRISIL LTD

Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	597	495	529	571	706	595	669	683	822	715	
% Growth YOY					18%	20%	26%	20%	16%	20%	
Expenses	443	368	389	424	514	419	499	531	606	511	
EBITDA	154	128	139	147	193	176	169	151	216	203	
Depreciation	31	28	27	26	25	25	26	26	26	26	
EBIT	123	100	-	-	-	-	-	125	190	177	
EBIT Margin	21%	20%	0%	0%	0%	0%	0%	18%	23%	25%	
Interest	4	3	3	2	2	2	2	2	1	1	
Other Income	15	13	22	33	59	20	35	65	18	17	
Profit before tax	134	111	19	31	57	18	34	189	207	194	
PBT Margin	22%	22%	4%	5%	8%	3%	5%	28%	25%	27%	
% Growth YOY					-57%	-83%	73%	510%	261%	960%	
Tax	24	27	31	38	57	48	40	41	49	48	
Net profit	110	84	101	113	169	122	137	148	158	146	
% Growth YOY					53%	46%	36%	31%	-6%	20%	

Detailed results

1. The company clocked in a 14% growth in profit before tax and a 20% growth in profit after tax.
2. The company has clocked in 23.2% revenue growth in the last quarter of the financial year.
3. Income from operations was up 16.5% for the quarter and 20.3% for the year.
4. A final dividend of Rs 23 per share was recommended.

Conference call highlights

1. The company had a policy that allows it to not give any specific quantitative guidance on its future performance, operational details relating to specific business segments, and customer contracts details.
2. The company was recognized among the 100 best companies for women in 2022 for the seventh consecutive year and won the National CSR Award 2020 in the category of Corporate Awards for Excellence in CSR, which was announced in 2022.
3. The company has acquired a 100% stake in Peter Lee Associates (an Australian research and consulting firm). After this acquisition, the company expects itself to be the foremost player in the growing market of benchmarking analytics across financial services globally.
4. The company stated that the business environment of benchmarking and risk solutions is somewhat uncertain and turbulent.
5. The company finds currency risk and cybersecurity risk as the key risks.
6. The company stated that it is waiting for finer details regarding ESG details and look at it as a huge opportunity.
7. The company stated that this rating industry consists of 6-7 players and there is no sign of a decrease in competition.

8. The company achieved the second-highest volume of its tenure this year and the last quarter added substantial value.
9. The company stated that they are considering this period of 2-3 years as an investment period. Once they start seeing the results of the investments, the company will see a huge expansion of the margins in all of their business segments.
10. The company stated that the increased fragility of the global financial system is not contributing to the company's business.
11. When asked about the fluctuating employee cost on a QoQ basis, the company answered that employee cost is subjective to many variables such as head counts, incentives, bonuses, and long-term incentives.
12. When asked about the breakup of the decrease in margin from 24% in the same quarter last year to 21% this quarter, the company denied giving any breakup according to their policy.
13. The company stated that the growth they've achieves is 100% organic and there is no room for inorganic growth.
14. When asked why doesn't the company focuses on scaling up the Rating business as it has many more lucrative margins than the other business, the company emphasized the fact that they are trying to de-risk the business by acquisitions and trying to create moats around it.
15. The company stated that there has not been any exponential growth in the bond markets and once it starts growing, the rating business will grow automatically
16. The company stated that it is a highly competitive industry and every deal gets negotiated but CRISIL has a premium positioning in the market.
17. The company stated that it has a strong partnership with S&P and it provides rating service, data, and technology transformation.
18. When asked about the expansion in debtor days, the company stated that there was an issue in "timing", the customers who were supposed to make the payment in December, made it in January.
19. The company stated that it looks at Basel IV as a big opportunity.
20. In the GR&RS segment, about 30% to 35% of revenue is annuity revenue.
21. The company stated that it has no plans to deal with nonfinancial companies as of now.

Analyst's View

CRISIL is a leading, agile, and innovative global analytics company, driven by its mission of making markets function better. It provides ratings, benchmarks, analytics, and solutions to enable its clients to make decisions with conviction. The company has been in the business for more than 30 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working, CRISIL Ltd. is a good Consulting stock to watch out for.

Electronics

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.

Quarterly Performance											
SYRMA SGS TECHNOLOGY LTD											
Narration	Sep-20	Dec-20	Mar-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales				214	302	371	389	467	513	680	2,048
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	119%	70%	83%	
Expenses				193	265	346	356	420	465	620	1,861
EBITDA	-	-	-	20	37	25	34	47	48	59	188
Depreciation				3	7	7	7	7	8	9	31
EBIT				17	30	19	26	40	40	50	157
EBIT Margin				8%	10%	5%	7%	9%	8%	7%	
Interest				1	2	3	5	6	6	4	22
Other Income				2	2	8	2	8	12	22	44
Profit before tax	-	-	-	18	30	24	24	42	45	68	179
PBT Margin				9%	10%	7%	6%	9%	9%	10%	
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	129%	51%	181%	
Tax				7	10	7	7	13	11	25	56
Net profit				13	20	16	16	28	33	42	119
% Growth YOY					#DIV/0!	#DIV/0!	#DIV/0!	120%	68%	159%	

Detailed Results:

1. The net profit before tax (PBT) by about 61% in the same year.
2. The company repoeted profit after tax (PAT) increase by 61%
3. The order book as of March 31, 2023, stands at INR 3,000 crores, a significant increase from the previous year.
4. In terms of financials, total income grew by 63% to INR 2,092 crores in FY23.
5. The company reported that EBITDA showed a strong performance with INR 232 crores with 61.1% growth.
6. The company reported a tremendous increase in the Finance cost i.e. 170.3%
7. Total revenue for the last quarter was reported at 7,012 Million- increase of 33.7% QoQ & 84.8% YoY
8. Total EBITDA for the last quarter was reported at 808 Million- increase of 36% QoQ & 142% YoY

9. Total PBT for the last quarter was reported at 681 Million- increase of 51% QoQ & 180% YoY
10. Total PAT for the last quarter was reported at 429 Million- increase of 25% QoQ & 153% YoY.
11. Industry wise revenue divisions are as follows-
    - Auto- 4,029 Crs an increase of 60.2% YoY
    - Consumer- 6,597 Crs an increase of 156% YoY
    - Healthcare- 1,633 Crs an increase of 0.9% YoY
    - Industrials- 6,422 Crs an increase of 45.6% YoY
    - IT & Railways- 1,802 Crs an increase of 16.7% YoY
12. Industry wise material margins are as follows-
    - Auto- Margin stood at 22.1% at the end of FY23.
    - Consumer- Margin stood at 17.1% at the end of FY23.
    - Healthcare- Margin stood at 53.9% at the end of FY23.
    - Industrials- Margin stood at 29.9% at the end of FY23.
    - IT & Railways- Margin stood at 19.8% at the end of FY23.
13. EBITDA margin at the end of the FY23 stood at 11.1%
14. PAT margin at the end of the FY23 stood at 8.5%
15. ROCE stood at 15% in FY23 vs 16.8% in FY22.

Investor Conference Call Highlights

1. The company plans to focus on building a sustainable and profitable organization and has set up a subsidiary for design and development services.
2. The company expects revenue to grow by about 35% to 40% in the coming years and aims to sustain a doubledigit EBITDA.
3. The company maintained a net cash position of approximately INR 537 crores as of March 31, 2023.
4. They plan to deploy INR 200 crores to INR 260 crores for capital expenditures in FY24.
5. Syrma SGS aims to reduce net working capital by 5 to 10 days by the end of FY24.
6. The company has a diversified customer base in sectors such as automotive (both combustion and electric vehicles), refrigeration and air conditioning, industrial parks, electric charging infrastructure, and infrastructure electronics.
7. The company's consumer business, although with relatively lower margins, benefits from high volumes and efficiency on the production lines.
8. Working capital control in the quarter was impressive, with a target of reducing inventories to below 80 days. However, there is still progress to be made in reducing inventories.
9. The tax rate increase in the quarter was due to short provisioning in the previous nine months. On a fullyear basis, the tax rate is expected to be evenly distributed.
10. The IT business constituted around 7% of the revenue and is expected to benefit from the recently announced favorable IT policy. The margins in the IT business are in line with other products in the consumer space, and the value addition is higher due to the high unit value.

11. The company's focus is on delivering doubledigit EBITDA on a sustainable basis, and while gross margins may fluctuate quarteronquarter, there is no significant downside expected in the margins on a sustained basis.
12. Healthcare and industrial segments are expected to have robust growth, with industrial growing around 46% and healthcare growing in the early teens.
13. Margin differential between ODM (Original Design Manufacturer) and contract manufacturing business is expected to be around 2% to 5% on a longterm sustainable basis, leading to better EBITDA with improved material margin.
14. Fuji, one of the machine suppliers, is not setting up a PCB capacity according to the Managing Director. The company specializes in equipment and is expected to continue in that field.
15. The entry of Chinese companies into India is seen as an opportunity rather than a threat. It opens up possibilities for partnerships and manufacturing specialized products in India. The company believes it can benefit from this and expand its presence in verticals where it is currently not present.
16. The impact of EU's retaliatory tariffs on exports is not expected to have a significant adverse effect on the company. There is positive interest in sourcing from India, and major multinationals have shown interest in partnerships. The entry of companies like Apple into India changes the perception and can benefit the industry.
17. Apple's ecosystem shift to India may not directly impact the EMS (Electronics Manufacturing Services) industry, as Apple may continue working with Foxconn or Wistron for EMS. However, Tier two and Tier three companies entering India due to the positive perception created by Apple's entry can provide business opportunities for companies like the one in the conference call.
18. Manpower availability is seen as a challenge in the industry, but the company believes it can address it through attraction, engagement, and resolving attrition issues. Manpower availability will be a key factor going forward, as the electronics industry is expected to grow at a significant rate.
19. The dividend recommendation is seen as a way to reward shareholders who have invested in the company. The company has made profits and has adequate cash reserves to support the dividend payment. It aims to involve shareholders in the growth journey without compromising longterm objectives.
20. The company's vision is to be a designled engineering and electronics manufacturing company, maintaining doubledigit EBITDA growth, and being a responsible corporate citizen. It is focused on organic growth, diversifying its customer base, and spreading across industry verticals. The company is investing in building organizational structure to support the accelerated growth.
21. The company has received the ProductionLinked Incentive (PLI) for telecom and airconditioning, and expects positive impact from the recently announced IT PLI. It anticipates an exciting growth trajectory for the next few years with profitability, while acknowledging the challenges that come with rapid expansion.

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.

Engineering

Anup Engineering Limited

Financial Results & Highlights

Brief Company Introduction

The Anup Engineering Limited demerged from its holding company Arvind Limited in 2018. It manufactures Heat Exchangers, Reactors, Pressure Vessels, Columns & Towers, Industrial Centrifuges and Formed Components. The company's products are used in a wide range of process industries including Oil & Gas, Petrochemicals, LNG, Fertilizers, Chemicals, Pharmaceuticals, Power, Water, Paper & Pulp and Aerospace.

	Quarterly Performance										
	THE ANUP ENGINEERING LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**29**	**133**	**52**	**89**	**47**	**100**	**52**	**101**	**114**	**144**	**411**
% Growth YOY					*60%*	*-25%*	*0%*	*13%*	*142%*	*44%*	
Expenses	23	97	39	66	36	76	42	81	92	114	**329**
EBITDA	**7**	**35**	**13**	**23**	**11**	**24**	**9**	**20**	**23**	**30**	**83**
Depreciation	3	3	3	3	3	3	3	3	3	4	**13**
EBIT	4	32	10	20	8	21	6	18	19	27	**70**
EBIT Margin	*14%*	*24%*	*19%*	*22%*	*17%*	*21%*	*13%*	*17%*	*17%*	*19%*	
Interest	-	0	0	0	0	1	0	0	1	0	**1**
Other Income	1	1	0	1	0	2	0	0	0	0	**1**
Profit before tax	**5**	**33**	**10**	**20**	**8**	**23**	**7**	**18**	**19**	**27**	**70**
PBT Margin	*17%*	*25%*	*19%*	*23%*	*17%*	*23%*	*13%*	*17%*	*17%*	*19%*	
% Growth YOY					*67%*	*-32%*	*-34%*	*-14%*	*132%*	*18%*	
Tax	-4	6	2	5	2	-10	1	5	5	7	**19**
Net profit	**9**	**28**	**8**	**16**	**6**	**32**	**5**	**13**	**14**	**19**	**51**
% Growth YOY					*-33%*	*17%*	*-35%*	*-18%*	*129%*	*-40%*	

Detailed Results:

1. In the current year, the company has already booked over 150 crores in orders.
2. The revenue in Q4 of FY23 was 144.2 crores, a 44% improvement over the same quarter of the previous year.
3. The EBITDA in Q4 was 30.2 crores, a 26.8% improvement quarter-on-quarter.
4. For the whole year FY23, the company achieved a revenue of 411.3 crores, a growth of 42.7% compared to FY22.
5. The EBITDA for FY23 was 82.7 crores, a 20.1% improvement over FY22.
6. The PBT for FY23 was 70 crores, a 17% increase over the previous year.
7. The PATfor FY23 was 51.4 crores, a drop of about 17% due to a tax reversal in the last quarter of FY22.
8. Exports revenue accounted for 19% of the business in FY23, and the company aims to grow it to 30% in FY24.
9. The company announced a dividend of 150% (Rs. 15 per share).

Investor Conference Call Highlights

1. The company faced challenges in FY23 due to geopolitical uncertainties, supply disruptions, and volatility in raw material prices.

2. The working capital improved from 155 days to about 148 days.
3. The company maintained its position of being almost debt-free despite new investments.
4. The management stated that heat exchanger remains the dominant component in the product portfolio, accounting for about 74%.
5. The new facility in Kheda is ready, and the company expects it to boost revenue in Q3 and Q4, with the first dispatch expected in August 2023.
6. The management stated that in the first year of operation, the Kheda facility is expected to generate revenue of about 60 crores.
7. The conversion rate of inquiries to actual orders is currently between 15% to 20%, depending on the company's choices.
8. The working capital cycle for the company is elongated due to the nature of long-gestation projects and varying cycle terms.
9. The first phase of CAPEX for the Kheda facility is completed and capitalized at 87 crores.
10. The company plans to start Phase 2 CAPEX during the next financial year, with an estimated investment of 80 crores, which will be funded from internal accruals.
11. The management informed that other expenses have increased on a year-on-year basis due to royalty payments for licensed products, specifically the Helix changer and exchanger.
12. The increase in other expenses is not expected to be a one-off occurrence. It will continue based on the product mix, but the impact on margins is already factored into the cost sheet.
13. The company is transitioning from a domestic focus to an export-oriented approach, which is expected to increase winnability and reduce competition.
14. The company is implementing a hedging policy to protect against foreign exchange fluctuations as it expands its export business.
15. The management expects a higher win rate in the export market due to its competitiveness among the top four players in India.
16. The management stated that the overall market demand for the company's products, particularly in the oil and gas sector, has been strong, driven by CAPEX cycles, increased refining capacity, and the growth of petrochemicals and specialty chemicals.
17. The contingent liability of Rs. 175 crores consists of bank guarantees, including advance-based guarantees (ABGs) and performance bank guarantees (PBGs).
18. The ABGs and PBGs are proportional to the advances received and the order value, with PBGs typically ranging from 5% to 10% of the order value.
19. The company is focused on increasing the use of duplex or stainless steel materials, which provide higher returns and complexity compared to carbon steel.
20. The company is primarily focused on the US and Middle East markets for exports.
21. The borrowing for non-current liability is 30 crores, while the borrowing for current liability is 4 crores. The borrowing is related to the Kheda expansion project.
22. The cost of funds is 8.5%, and the company expects to receive a certain interest redemption subsidy from the Gujarat government, which will bring down the loan cost.
23. Anup Engineering specializes in customized static equipment for various industries and has a good track record of on-time delivery and quality.
24. The company sees opportunities in the refining sector as India aims to double its refining capacity, with potential projects worth billions of dollars. Anup Engineering's share of this opportunity is estimated to be around 2.5% to 3%.
25. The conversion rate of the bid pipeline is approximately 15% to 20%.

Analyst's View

The Anup Engineering Limited demerged from its holding company Arvind Limited in 2018. It manufactures Heat Exchangers, Reactors, Pressure Vessels, Columns & Towers, Industrial Centrifuges and Formed Components. Company has adopted a technology to fabricate and supply Helical Baffle Heat Exchanger for the global market, under license from Lummus Technology Heat Transfer B.V, Netherlands. Company has a manufacturing facility in Ahmedabad, It can manufacture equipment ranging from 20 MT to 450 MT. Despite the initial disruption caused by the COVID-19 pandemic, the company has seen a return to normalcy. It is now optimistic about the order flow and demand for the next 2 to 3 years, driven by announced CAPEX cycles. The company's strong track record in execution and customer trust have improved conversations and instilled confidence in future growth. By prioritizing exotic materials and proprietary items, the company aims to move up the value chain, leading to higher margins and reduced competition. With increased capacity and capability, the company has successfully pursued discerning orders from international clients, resulting in higher export volumes.

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Ice Make Refrigeration Ltd

Financial Results & Highlights

Brief Introduction:

Ice Make Refrigeration Limited is a leading supplier of cooling solutions and manufacturer of refrigeration equipment in India. Established in 1993, Ice Make Refrigeration Ltd. is engaged in the business of providing customized cooling solutions like Cold Rooms, Freezers, Commercial and Industrial Refrigeration Systems, Chilling Plants, etc.

	Quarterly Performance										
	ICE MAKE REFRIGERATION LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**33**	**54**	**32**	**48**	**49**	**77**	**65**	**67**	**67**	**114**	**312**
% Growth YOY					*46%*	*43%*	*100%*	*40%*	*36%*	*48%*	
Expenses	31	49	32	45	46	68	60	60	59	101	**280**
EBITDA	**2**	**5**	**-0**	**3**	**3**	**9**	**5**	**7**	**7**	**12**	**32**
Depreciation	1	1	1	1	1	1	1	1	1	1	**4**
EBIT	1	4	-1	2	2	8	4	6	6	11	**28**
EBIT Margin	*2%*	*7%*	*-3%*	*4%*	*4%*	*10%*	*7%*	*10%*	*9%*	*10%*	
Interest	1	0	0	0	1	1	0	0	1	0	**1**
Other Income	0	1	0	0	0	0	0	0	0	1	**1**
Profit before tax	**0**	**4**	**-1**	**2**	**2**	**7**	**4**	**6**	**6**	**12**	**28**
PBT Margin	*1%*	*8%*	*-3%*	*4%*	*3%*	*10%*	*6%*	*10%*	*9%*	*10%*	
% Growth YOY					*264%*	*77%*	*-474%*	*260%*	*244%*	*56%*	
Tax	0	1	-0	0	0	2	1	2	1	3	**7**
Net profit	**0**	**3**	**-1**	**1**	**1**	**6**	**3**	**5**	**4**	**9**	**21**
% Growth YOY					*747%*	*86%*	*-473%*	*246%*	*249%*	*56%*	

Detailed Results:

1. The company maintains a strong order book of around Rs. 68 crores and aims for a 25-30% annual growth rate.
2. Revenue stood at 114 Crs, growth of 47.93% in Q4FY23
3. The company maintained EBITDA margin at 11.3% in Q4FY23, slightly higher compared to 11.2% in Q3FY23 and 11.6% in Q4 FY22
4. The company was able to maintain high profitability resulting in 43.6% year-on-year growth in EBITDA in Q4 FY23 to Rs. 12.88 crores.
5. Net profit during Q4FY23 stood at Rs. 8.63 crores as against Rs. 5.53 crores in Q4FY22 witnessing a strong 56% year-on-year growth compared to Q3FY23 net profit was robust 94.8% growth.
6. Cost of goods sold COGS as a percentage to total income stood at 70.5% in Q4FY23.
7. Operating cash flow of the company stood at Rs. 24.34 crores in FY23 as against Rs. 8.31 crores in FY22.

Investor Conference Call Highlights

1. The company has experienced significant growth and achieved a market cap of Rs. 500 crores.
2. They have manufacturing units in Gujarat and Tamil Nadu, with an additional unit in West Bengal set to become operational soon.
3. Ice Make Refrigeration has received several awards and accolades for its industrial development, manufacturing, and excellence.
4. The company aims to expand the product offerings, maintain margins, and explore geographical expansions.

5. The company stated that A new project for continuous panels is underway, which will be operational by April 2024.
6. The company's CAPEX for FY24 is estimated to be around Rs. 60 crores.
7. The company stated that the Continuous panel is not only used in the ammonia business but also in big cold storage, cold chain, refrigeration, and infrastructure projects.
8. The business is not highly seasonal, and stability is expected throughout the year. Q4 may see more business, but overall growth is projected.
9. Raw material prices have been stable, and there is no significant reason for sudden increases. Prices are expected to remain balanced.
10. The profit margins are expected to be maintained, with projected growth in all verticals.
11. That company stated that the South market is good, but there is strong competition from local players. The company plans to increase its presence in the South market once the capacity of its existing plant is expanded.
12. Ice Make is not the only player in the continuous panel manufacturing industry in India. There are 13-15 production lines operated by multinational companies and domestic manufacturers.
13. Import of continuous panels is less due to shipping costs, and the domestic market is strong. Ice Make exports to surrounding countries but focuses primarily on the Indian market.
14. The revenue potential of the Continuous Panel project is expected to be over Rs. 200 crores in a single shift.
15. IceBest Private Limited, a subsidiary of Ice Make, will manufacture PUF panels for the Eastern market, catering to cold room requirements.
16. Ice Make has established products in the food processing industry, which contribute to the overall growth and revenue. The company expects significant growth in this segment.
17. The new Continuous Panel project will be commercialized in Q1 FY25, with machinery installation taking place until March.
18. In-house manufacturing of continuous panels may provide margin benefits, and the company aims for growth in both existing and new business segments.
19. Ice Make's main focus is on increasing the topline and market share, and operating leverage may be achieved with economies of scale in the future.
20. Ice Make has gained market share due to geographical reach and brand improvement. Overall industry growth has contributed to the company's success.
21. Transportation refrigeration has shown growth in the past few years, and the company expects continued growth with the support of local OEMs and geographical expansion.
22. Margin profile for transportation refrigeration is around 20-22%, and the company aims for growth in this segment.

Analyst's View:

Overall, the company expects stable business, consistent margins, and growth opportunities in various verticals. The focus is on expanding market share, improving brand presence, and leveraging geographical reach. The financial results for the quarter and fiscal year ended March 2023 have been strong, with double-digit profit growth and consolidated revenue crossing Rs. 300 crores. It remains to be seen how the company deals with the steady rise in inflation and how well the new continuous panel works. Given the strong working of the company, Ice Make Refrigeration Ltd. is an interesting stock to watch out for.

Finance

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**440**	**607**	**510**	**510**	**576**	**694**	**621**	**671**	**759**	**1,065**	**3,116**
% Growth YOY					*31%*	*14%*	*22%*	*32%*	*32%*	*54%*	
Expenses	351	317	268	224	206	267	209	236	228	311	**985**
EBITDA	**89**	**290**	**242**	**286**	**370**	**427**	**411**	**435**	**530**	**755**	**2,132**
Depreciation	5	7	6	6	6	7	7	8	8	12	**35**
EBIT	83	284	236	279	363	419	404	427	523	742	**2,096**
EBIT Margin	*19%*	*47%*	*46%*	*55%*	*63%*	*60%*	*65%*	*64%*	*69%*	*70%*	
Interest	179	186	196	183	193	217	226	221	259	346	**1,051**
Other Income	0	2	1	0	1	0	1	1	1	1	**3**
Profit before tax	**-95**	**99**	**41**	**97**	**172**	**203**	**179**	**207**	**264**	**398**	**1,048**
PBT Margin	*-22%*	*16%*	*8%*	*19%*	*30%*	*29%*	*29%*	*31%*	*35%*	*37%*	
% Growth YOY					*-280%*	*104%*	*341%*	*113%*	*54%*	*96%*	
Tax	-24	27	11	25	43	52	47	48	67	101	**263**
Net profit	**-72**	**72**	**30**	**72**	**129**	**151**	**133**	**159**	**197**	**297**	**785**
% Growth YOY					*-280%*	*109%*	*348%*	*120%*	*53%*	*96%*	

Detailed Results:

1. Achieved annual performance guidance with 26.7% YoY growth in AUM to INR 21,031 Crores, serving 42.6 Lakh customers.
2. Added over 12.3 lakh customers during FY '23, and 8.3% QoQ as it added nearly 5.5 lakh customers in Q4 FY '23 towards its pursuit of creating women entrepreneurs.
3. Collection efficiency remains normalized at 98.2% (excluding arrears) efficiency levels similar to the last quarter.
4. GNPA at 60+ DPD reduced to 1.21% in March 2023 from 1.71% in December 2022, while PAR 90 reduced from 1.34% in December 2022 to 0.96% in March 2023.

5. NIM improved further from 11.9% in Q3 FY '23 to 12.2% in Q4 FY '23, one of the most competitive in the microfinance industry, and is expected to remain in the range of 12% to 12.2% going forward.
6. Credit cost in Q4 FY '23 stood at INR 105 Crores, including INR 14 Crores management overlay on the legacy book of MMFL amounting to INR 131 Crores or 0.6% of total AUM.
7. PAT grew by 86.4% YoY and 37.5% QoQ to INR 297 crores during Q4 FY '23, resulting in ROA and ROE of 5.5% and 24%, respectively.
8. Anticipating a credit cost of 1.6% to 1.8% and aims to achieve a ROA of 4.7% to 4.9% and an ROE of 20% to 21% in FY '24.

Investor Conference Call Highlights:

1. The company crossed INR 20,000 crores AUM, becoming the first pure-play microfinance institution to achieve this milestone.
2. CreditAccess Grameen was the only NBFC (Non-Banking Financial Company) to feature in the top-five of the Fortune India Next 500 list.
3. The company recorded the highest-ever quarterly disbursement of INR 7,171 crore, supported by robust customer additions.
4. New customer additions and increased business from 500 plus branches were emphasized to improve productivity.
5. The company stated that the merger between CA Grameen and MMF (Madura Microfinance) was approved, and all operational and financial parameters will be reported on a consolidated basis.
6. The customer base grew 11.5% year-on-year, with 12.2 lakh consumers added during FY '23 and 8.3% quarter-on-quarter growth with nearly 5.5 lakh customers added in Q4 FY '23.
7. The company diversified its customer base, with 46% of new customers coming from outside the top three states.
8. The company's collection efficiency remained normalized at 98.2%, and asset quality was strong with GNPA (gross non-performing assets) at 1.21% and NNPA (net non-performing assets) at 0.42%.
9. The marginal and average cost of borrowing for Q4 FY '23 stood at 9.4% and 9.5% respectively.
10. The company aims for loan portfolio growth of 24% to 25% in FY '24, maintaining NIMs around 12.2%, and a credit cost of 1.6% to 1.8%.
11. The company aims for an ROE (return on equity) of 4.7% to 4.9% and an ROA (return on assets) of 20% to 21% in FY '24.
12. CreditAccess Grameen maintains a comfortable capital adequacy ratio of 23.6% as of March '23.
13. The company plans to have 10-12% of the non-microfinance book within the next four to five years.
14. The company stated that approximately 70-75% of customers have a power (indebtedness) of less than 40%
15. The branch expansion plans for the year are expected to be around 8-10% or 12% of the existing back site.
16. The company aims to maintain a cost-income ratio of 30-35% through optimal cost management and pricing based on risk.
17. The company has witnessed positive signals and reinforcement from geographies like Uttar Pradesh (UP) and plans to continue opening branches in border districts of UP, Rajasthan, Gujarat, Bihar, and other areas.

18. The company aims to achieve 8-10% portfolio growth from an increase in average ticket size in FY '24, driven by vintage and customer renewal.
19. The CEO mentioned that they have not conducted in-depth analysis based on income data yet, as it has only been two quarters. It will take more time to understand how debt is being managed in households.

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. 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	310	289	272	325	343	365	353	395	411	450	1,608
% Growth YOY					11%	26%	30%	22%	20%	23%	
Expenses	77	76	79	85	97	88	97	109	117	118	441
EBITDA	233	214	193	239	246	277	255	285	295	332	1,167
Depreciation	5	5	5	6	6	7	6	7	7	9	29
EBIT	227	208	188	234	240	270	249	278	288	323	1,138
EBIT Margin	73%	72%	69%	72%	70%	74%	71%	71%	70%	72%	
Interest	117	115	113	116	125	124	135	141	150	165	591
Other Income	0	2	0	1	0	0	0	0	1	1	2
Profit before tax	111	95	75	118	116	146	115	138	138	159	549
PBT Margin	36%	33%	28%	36%	34%	40%	33%	35%	34%	35%	
% Growth YOY					5%	54%	53%	16%	19%	9%	
Tax	25	7	15	26	26	30	25	31	31	32	119
Net profit	86	88	60	92	89	116	89	107	107	127	430
% Growth YOY					4%	32%	49%	16%	20%	10%	

Detailed Results:

1. Q4 FY '23 was the strongest quarter ever, with disbursements of INR 15,818 million, a 23% YoY growth.
2. For the full year, disbursements reached INR 50,245 million, a 39% YoY growth.
3. The company has maintained sufficient liquidity of INR 32,747 million as of March 31, 2023.
4. The average borrowing cost is 7.61%, and the company has raised INR 47,631 million at an average rate of 7.25% during the year.
5. The company had a good quarter with revenue growth of 30% YoY and 6% QoQ & PAT growth of 49% YoY and 30% QoQ.
6. AUM growth for the company was 24.8% YoY to Rs.1,41,667 Cr.
7. Disbursements for FY23 increased by 39.5% YoY to Rs.50,245 Cr.
8. Gross Stage 3 loans were decreased by 7 bps% YoY. Net stage 3 stood at 0.68%
9. Profit after tax increased by 19.8% YoY to INR 4,282.8 million in FY '23.
10. NIM in FY23 has gone up 5 bps YoY to 8.28%.
11. ROA for the year is down by 7 Bps to 3.51%
12. Product breakup was 69.9% Home Loans & 30.1% Other Mortgages Loans at the end of FY23.

13. 99.7% customers of company are retail customer where as remaining 0.3% corporate customers.
14. Around 60.1% of existing customers are self-employed while the rest are salaried.
15. The company has kept the yield spread at 13.12% at the end of the year.
16. Opex to AUM in FY23 is 3.68%.

(Numbers to be changed below from slide no. 26-29 from Investor ppt)

17. It has surplus funds of Rs.3065.2 Cr as of 30thJune 2022.
18. It maintained a CAR of 50.46% with Tier 1 capital 49.8%.
19. Book value per share was at Rs.367.9.
20. 1+DPD stood at 4.67%.
21. The company Incremental Q1 FY23 borrowings stood Rs. 898.4 Cr for 121 months at 5.65%.
22. The company maintained a positive ALM surplus across all time periods and has an average tenor of outstanding borrowings stood at 127 months for this quarter.
23. ICRA Limited upgraded the company's Long-Term credit rating from AA-/Positive to AA/Stable on 17th June 2022.

Investor Conference Call Highlights

1. The former MD, Sushil, has stepped down for personal reasons, and the Board appreciates his contributions.
2. Promoter shareholders have not sold any shares in the past two years and do not plan to sell any in the coming year.
3. The company has a deep and talented management team committed to long-term growth.
4. The company has implemented the Salesforce platform and is focusing on its technology evolution.
5. Assets under management (AUM) grew by 24.8% YoY to INR 1,41,667 million, excluding the impact of subsidies.
6. The company has a well-diversified borrowing mix, including term loans, assignment/securitization, NHB, and debt capital markets.
7. Gross Stage 3 assets stood at 0.92% and net Stage 3 assets at 0.68% as of March 31, 2023.
8. Total ECL provisioning, including COVID-19 impact and Resolution Framework 2.0, stood at INR 716.1 million.
9. The company has demonstrated strong asset quality and low credit costs during the COVID-19 period.
10. The cost of borrowing may increase in the next two quarters due to the recent rate hikes, but the company aims to maintain competitive pricing.
11. AUM growth trajectory remains strong, with new business growing around 40% YoY in FY '23.
12. The company is investing in technology, branches, and new products to support future growth.
13. The ideal loan mix in the near term includes a blend of home loans and non-home loans.
14. Management, employees, and board members own about 3.9% equity in the company as of March 31, 2023, excluding recent ESOPs.
15. The underwriting model will not undergo fundamental changes but will be supported by new technology tools to enhance efficiency and decision-making.

16. The company is focused on building skills, technology, and culture to integrate analytics into the system.
17. Deloitte has been engaged to help with the digital strategy roadmap exercise.
18. Salesforce has been rolled out to the entire organization, and further transformation is ongoing with Oracle Flex Cube and Oracle Fusion on Oracle Cloud
19. The company stated that most branches achieve break-even within six months, and 1-year-old branches provide a return on equity (ROE) of 12% or higher & Three-year-old branches deliver a ROE of approximately 20%.
20. The company has seen around 25% to 30% growth in Rajasthan and other states like MP, Gujarat, and Maharashtra in terms of disbursements.
21. PLR (Prime Lending Rate) was increased by 160 basis points, but the overall impact on the AUM (Assets Under Management) is not directly proportional due to the mix of fixed rate borrowing and fixed rate contracts.
22. The increase in interest rates takes time to translate into new business, and the impact on AUM yield may not be immediate.
23. PLR hikes are effective immediately for contracts with floating rates.
24. Technology investments are expected to accelerate growth in the next two years, improve TAT (Turnaround Time), and enhance operational efficiency and customer experience.

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 remains to be seen how the stepping down of the MD affects the company & whether the company will be able to sustain its lofty growth momentum. 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**6,656**	**6,851**	**6,742**	**7,731**	**8,537**	**8,626**	**9,281**	**9,970**	**10,784**	**11,360**	
% Growth YOY					*28%*	*26%*	*38%*	*29%*	*26%*	*32%*	
Expenses	2,662	2,747	3,035	3,236	3,040	2,691	3,023	3,128	3,305	3,378	
EBITDA	**3,995**	**4,104**	**3,707**	**4,496**	**5,497**	**5,935**	**6,258**	**6,842**	**7,479**	**7,982**	
Depreciation	80	90	89	95	97	104	111	121	119	134	
EBIT	3,915	4,014	3,618	4,401	5,400	5,831	6,146	6,722	7,360	7,848	
EBIT Margin	*59%*	*59%*	*54%*	*57%*	*63%*	*68%*	*66%*	*67%*	*68%*	*69%*	
Interest	2,363	2,196	2,254	2,398	2,535	2,568	2,645	2,971	3,351	3,592	
Other Income	2	4	1	1	2	3	2	2	2	5	
Profit before tax	**1,555**	**1,823**	**1,366**	**2,004**	**2,868**	**3,265**	**3,503**	**3,752**	**4,012**	**4,261**	
PBT Margin	*23%*	*27%*	*20%*	*26%*	*34%*	*38%*	*38%*	*38%*	*37%*	*38%*	
% Growth YOY					*84%*	*79%*	*156%*	*87%*	*40%*	*30%*	
Tax	409	476	363	523	743	846	907	972	1,039	1,103	
Net profit	**1,146**	**1,347**	**1,002**	**1,481**	**2,125**	**2,420**	**2,596**	**2,781**	**2,973**	**3,158**	
% Growth YOY					*85%*	*80%*	*159%*	*88%*	*40%*	*31%*	

Detailed Results:

1. Financial metrics showed core AUM grew 29% to INR2,47,000 crores
2. PAT was at an ever-high of INR3,158 crores, with a growth of 30% in Q4.
3. Gross NPA was the lowest ever in the history of the company, and net NPA came in at 34 basis points ending March '23.
4. Profit before tax grew 52%, and profit after tax grew by 53% to INR302 crores in the quarter gone by.
5. The financials are showing growth across various metrics, with core assets under management growing by 29%, total income growing by 32%, net interest income growing by 28%, operating expenses growing by 27%, loan losses growing by 22%, and profits growing by 31%.
6. ROE for the full year came in at 5.31%, and operating expenses to net interest income came in at 35.1%. ROE came in at 23.5%.

Investor Conference Call Highlights

1. Bajaj Finance Limited had an excellent Q4 FY '23, with core AUM growth of INR16,500 crores.
2. The company stated that all products and services are now live on the web and app platform, and the app platform alone has 35.5 million net users.

3. The company disbursed 29.6 million loans and added 11.6 million new customers, the highest-ever customer addition for the company.
4. The company is confident about growth and portfolio metrics for FY '24, with core AUM growth of 29% and opex-to-NIM at 35.1%.
5. The company stated that NII grew 28% and opex-to-NIM continues its downward trajectory.
6. The company added 19 locations and ended the year at 3,733 locations, with plans to add 150 new locations and over 300 stand-alone gold loan branches in Q1 alone.
7. The company stated that credit cost is under INR860 crores, with GNPA at the lowest ever at 94 basis points and net NPA at 34 basis points.
8. The company stated that all portfolios, including the auto finance portfolio, are green with 93.28% of the portfolio current.
9. The company stated that Capital adequacy remains strong with ROE at 23.46% and ROA in Q4 at 5.4%.
10. BHFL had a good quarter, with AUM up 30% to INR69,228 crores, driven by 24% growth in home loans.
11. The company stated that loans against property grew by 4%, LRD grew by 64%, and developer finance grew by 92% on a lower base.
12. The company stated that operating efficiencies were improved, with net interest income for BHFL growing 40%, and Opex-to-NII standing at 26.5% versus a year ago of 32.5%.
13. The company stated that asset quality remains rock-solid, with GNPA and NNPA at 22 basis points, which is one of the lowest in the industry.
14. The company stated that Bajaj Financial Securities is not a material subsidiary at this point in time.
15. The company has recommended a dividend of INR30 per equity share of 1,500%.
16. The company will publish a set of Web metrics that they will start to populate every quarter from Q2 onwards.
17. The company stated that there has been significant progress in the payments business, with new features like Contact Mapper capability and UPI Autopay functionality going live. The company continues to invest in the payments business, with new payment CLP, refer and earn functionality, and faster settlement for merchants going live.
18. The company is accelerating the deployment of QR codes, with a goal of deploying anywhere between 2.1 million to 2.5 million merchant QR codes of Bajaj Pay in FY '2
19. The company stated that Core assets grew 29%, total income grew 31%, NIM grew 32%, and loan losses de-grew 34%, resulting in a 64% growth in profits.
20. The company added 3.1 million new customers to the franchise in Q4, giving reasonable confidence that they can maintain 11 million to 12 million customer franchise growth in the near term.
21. The company is strongly positioned with respect to stage-wise ECL, with a PCR of 64% on Stage 3, 31% on Stage 2, and 80 basis points on Stage 1.
22. The company stated that personal loan disbursement growth is rapid, “which is a risk business, not a balance sheet business.”
23. The company stated that margin moderation is expected in FY '24 due to interest rate hikes, with a 40 to 50 basis points impact on NIM on a full-year basis.
24. The company stated that capacity planning has been closely looked at in the last 120 days.
25. The company has significantly ramped up staffing in the sales finance part of its business, and it has yielded significant results in the last 60-75 days. They expect to dispense 35 million loans in FY '24, which would be a 20% growth.

26. Bajaj Auto's announcement of applying for an NBFC license is not expected to have a significant impact on the company's business as it is only 5% of its balance sheet today and is essentially captive.
27. The company stated that India seems well placed to grow at 6% and above and consumer credit growth is strong.
28. The company expects to grow 28-29% on a consolidated basis with a focus on profitability in FY’24.
29. The appointment of two senior colleagues as board members is to augment the bench as the company grows larger and works towards delivering its long-range strategy.
30. The reasonable estimate for the company's subvention market share is between 60% to 65%, and it's likely to go back to that level in FY'24 in terms of value.
31. The company has 30 million banking customers currently every month, and 18 million to 19 million monthly active users on the digital app platform.
32. The company stated that the demand for home loans is slower due to higher interest rates and high inflation.
33. The company grew 24% in the quarter and 30% on a full-year basis,
34. The industry inventory level is at an all-time low, and the company has a lot of headroom to grow.
35. The CEO doesn't want to comment on competition but focuses on realizing the ambition of 100 million consumers and taking a disproportionate share of these consumers' payments in financial services, with a laser-sharp focus on the frictionless experience.

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.

Star Housing Finance Ltd

Financial Results & Highlights

Brief Company Introduction

Star Housing Finance is a rural-focused home finance company that is operational in semi-urban and rural geographies. Star HFL operates with an objective to enable homeownership among the first-time loan rakers and people who are new-to-credit home buyers from economically weaker sections and low-income group segments. Star HFL has been operational since 2009 and has transitioned to a professionally managed company since October 2019. And since then, it has focused on retail space in affordable housing segments.

Quarterly Performance											
	STAR HOUSING FINANCE LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**4**	**4**	**4**	**5**	**5**	**5**	**5**	**9**	**10**	**12**	
% Growth YOY					*14%*	*23%*	*19%*	*90%*	*111%*	*127%*	
Expenses	2	4	3	2	3	3	2	4	4	6	
EBITDA	**3**	**0**	**2**	**2**	**2**	**2**	**3**	**5**	**6**	**5**	
Depreciation	0	0	0	0	0	0	0	0	0	0	
EBIT	3	0	2	2	2	2	3	5	6	5	
EBIT Margin	*61%*	*3%*	*37%*	*47%*	*42%*	*44%*	*50%*	*58%*	*56%*	*46%*	
Interest	1	1	1	2	2	1	2	2	3	4	
Other Income	-	-	0	0	-	1	1	-	-	1	
Profit before tax	**1**	**-1**	**0**	**0**	**0**	**1**	**2**	**3**	**3**	**2**	
PBT Margin	*33%*	*-30%*	*7%*	*11%*	*8%*	*24%*	*31%*	*34%*	*28%*	*16%*	
% Growth YOY					*-74%*	*-199%*	*400%*	*494%*	*669%*	*50%*	
Tax	1	-0	0	0	0	0	0	1	1	-1	
Net profit	**1**	**-1**	**0**	**0**	**0**	**1**	**1**	**2**	**2**	**3**	
% Growth YOY					*-63%*	*-209%*	*467%*	*486%*	*547%*	*220%*	

Detailed Results:

1. The company stated that the gross loan book stood at INR 251.39 crores as of March 31st, 2023, as against INR 104.94 crores in March 2022, a growth of 140% year-on-year.
2. The total revenue for FY'23 is at INR 37.24 crores as against INR 19.26 in FY'22, 100% year-on-year growth.
3. The interest income and the net interest income in FY'23 stood at INR32.35 crores and INR 21.06 crores as against INR 17.97 crores and INR 11.8 crores respectively last year.
4. GNPA as of March 23 is at 1.68% as against 2.99% in March '22. And the NNPA as of March '23 is at 1.25% as against 2.41% in March 2022.
5. Employee expenses have been increased by 28% year-on-year because of investment in quality, and manpower to augment the growth plan and related expansion in operational geographies.
6. Total operating expense has increased by 51% and the reason being capacity creation for future AEM buildup expected growth, and the scale-up that has happened in FY '23.
7. The PBT increased by five times year-on-year, especially in the last 5 months. Adjusting for the exceptional non-cash expense related to ESOP, PBT has increased by 220% year-on-year

8. In FY 23, PAT increased by 10 times year-on-year. Adjusting for the exceptional non-cash expense, PAT has increased by 270% year-on-year.
9. During the year, the company has raised fresh token loans from 11 banks and financial institutions with a current outstanding of INR111.6 crores. The total outstanding borrowing accounted for INR 162.5 crores.
10. The pre-tax ROE stands at 9.4%, the pre-tax ROA at 4.54%, and leverage at 1.53 times.

Investor Conference Call Highlights

1. The company stated that FY ’22, and ‘23 has been 100% plus year-on-year growth for it and this growth has been ably supported by the liability machinery and capital rates
2. The company stated that the gross loan book stands at INR250 crores plus, which is 140% plus year-on-year growth over FY ’21, and ‘22.
3. The company stated that its portfolio at risk is zero plus DPD. It has come down from 27 % as of March 31, 2022, to now 5% as of March 31, 2023.
4. The company stated that as of March 31, 2023, GNPA stands at 1.68% and NNPA stands at 1.25%.
5. The company stated that the loan book is spread across the geographies of Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, and Tamil Nadu.
6. Star HFL has doubled its presence during the year and now has 14 physical branches.
7. Star HFL had two successful rounds of capital raise in FY ’22, and ‘23, with a net worth above INR100 crores.
8. Star HFL now has an ecosystem of more than 6,500 shareholders, which is an increase from 530 odd shareholders back in 2019
9. The company stated that it has implemented an ESOP scheme this year.
10. The company stated that it has expanded and shall continue to expand to new geographies in the north and south in FY 23-24.
11. The company feels that the driver of rising income levels, nuclearization, and infrastructure development in rural India should see the next wave of demand for housing in rural and associated semi-urban geographies.
12. The company has the macro economical support of the government of India in rural housing is evident from the outlay of INR54,487 crores under the PMAY Grameen Yojana.
13. The company stated that 90% of business is sourced through the direct sales team, which is an in-house sales team deployed at the physical branches.
14. The company stated that it has been making efforts to digitalize its work which majorly consists of LMS suite to new software and API to decrease the time taken in processing.
15. The company is expecting a CAGR of 50% plus in 2027, which will enable the company to get a loan book of around INR2,000, INR2,500 odd crores.
16. The company stated that the capacity is already created for one more year of 100% year-on-year growth
17. The company’s current rendering is around INR15 crores to INR 18 crores of monthly disburses, and the company is expecting to go past around INR25 crores to INR30 crores on a steady state basis during this financial year.
18. The company stated that there has been a margin contraction in the balance sheet level, given that there has been an increasing repo rate cycle but it is expecting the margin contraction to be offset by the volume over FY 23-FY' 24.

19. The company stated that the Cost to income ratio will be decreased on an incremental level from now on.

20. The company is targeting ROE in the range of 18 to 22%. in around the year 25-26.
21. The company looks forward to increasing this leverage level to 2.5-3 times and bringing in capital at the same.
22. The company will be trying to get institutional capital this year.
23. The company stated that it is planning to achieve INR500 crores AUM by 31st March '23-'24
24. The company's PCR currently stands at around 48%

Analyst's View

STAR HOUSING FINANCE LTD. is a housing finance company that started in 2005, that provides home loans to Low and Mid-Income Group households It is registered as a Primary Lending Institution (PLI) under the Pradhan Mantri Awas Yojana (PMAY). The company has been in the business for more than 10 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working and rising segments, STAR HOUSING FINANCE LTD is a good housing finance stock to watch out for.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,644**	**1,622**	**1,563**	**1,532**	**1,484**	**1,481**	**1,502**	**1,696**	**1,714**	**1,772**	**6,684**
% Growth YOY					*-10%*	*-9%*	*-4%*	*11%*	*15%*	*20%*	
Expenses	394	440	451	526	572	584	568	587	575	587	**2,317**
EBITDA	**1,249**	**1,182**	**1,112**	**1,006**	**913**	**897**	**934**	**1,109**	**1,139**	**1,185**	**4,367**
Depreciation	41	44	43	41	56	58	49	46	53	56	**204**
EBIT	1,208	1,138	1,069	965	857	839	885	1,063	1,086	1,129	**4,163**
EBIT Margin	*74%*	*70%*	*68%*	*63%*	*58%*	*57%*	*59%*	*63%*	*63%*	*64%*	
Interest	557	524	493	492	531	495	505	528	566	589	**2,188**
Other Income	6	8	10	23	22	10	1	18	20	27	**66**
Profit before tax	**657**	**622**	**586**	**495**	**348**	**354**	**381**	**553**	**541**	**567**	**2,041**
PBT Margin	*40%*	*38%*	*38%*	*32%*	*23%*	*24%*	*25%*	*33%*	*32%*	*32%*	
% Growth YOY					*-47%*	*-43%*	*-35%*	*12%*	*55%*	*60%*	
Tax	174	154	150	125	87	93	99	143	147	151	**541**
Net profit	**482**	**468**	**437**	**370**	**261**	**261**	**282**	**408**	**392**	**413**	**1,496**
% Growth YOY					*-46%*	*-44%*	*-35%*	*10%*	*50%*	*58%*	

Detailed Results:

1. Manappuram Finance Limited recorded a consolidated net profit of INR415.3 crore in Q4 FY'23, a 59.1% improvement over the year-ago quarter.
2. Full-year consolidated profits grew by 12.91% to INR1,500.2 crores.
3. Consolidated assets under management (AEM) reached INR35,452.3 crore in Q4, a 17.2% increase over the year-ago quarter.
4. Consolidated AUM for QE Mar'23 was INR 355 bn representing 11.2% growth sequentially and 17.2% YoY growth
5. Gold Loan AUM has grown by 6% sequentially and de- grown by 2% YoY.
6. Net yields on Gold Loans is at 21% during this quarter vs 22.4% in Q3FY23 due to increasing in the tenor of Gold loan from 3 months to 6 months
7. Gold Loan LTV is at 60% as on 31st Mar 2023 (vs. 62% in QE Dec'22)
8. PAT for MFI business has increased to INR 993 mn in Q4 FY23 vs PAT of INR 705 mn in Q3 FY23

Investor Conference Call Highlights

1. The company stated that the microfinance subsidiary, Asirvad Microfinance, showed impressive growth with an AEM of INR10,042.9 crore, a 43.4% YoY growth.

2. Other sectors such as vehicle finance, home loans, and non-MFI verticals also reported growth.

3. The company aims to achieve a balanced and prudent growth strategy, diversifying its portfolio mix between gold loans and other segments.

4. The management addressed concerns about increasing competition and the emergence of new players, stating that India's underpenetrated financial market allows room for multiple players to coexist profitably.
5. The company has faced legal challenges related to a 12-year-old case involving its proprietary concern, Manappuram Farm. They have submitted all necessary requirements and received a stay order from the court, expecting the written order soon.
6. The company's liquidity position is strong, with cash and cash equivalents of INR3,000 crore and undrawn bank lines of INR2,949 crores.
7. The company stated that standalone borrowing costs decreased by 6 basis points in Q4 after a repo rate hike.
8. The gold loan business constitutes 56% of consolidated AEM, and the remaining 44% includes microfinance, vehicle finance, housing, and SME finance.
9. Asirvad Microfinance reported an AEM of INR10,040 crore, with a profit of INR99 crore in Q4.
10. Vehicle finance reported an AEM of INR2,445 crore, with a collection efficiency of 96.01%.
11. Home loans showed growth with an AEM of INR1,096 crores, a 29% YoY increase.
12. The company aims to increase its presence in MSME and personal loan segments.
13. Asset quality improved, with provisions decreasing in the standalone entity.
14. The company's capital adequacy ratio stands at 31.7%, and the net worth is INR9,645 crore at a book value of INR113.9.
15. The Board declared an interim dividend of INR0.75 for the quarter.
16. The management highlighted the company's strong capital position and well-positioned ALM (Asset Liability Management) across all buckets.
17. The company stated that there is a trade-off between gold loan growth and spreads/margins in the gold lending business.
18. Competitive intensity from banks has eased, but the trade-off between loan growth and spreads remains.
19. The company aims to operate at around 22% yield and expects a 10% growth in gold loan area.
20. Microfinance business requires capital infusion, and plans include raising capital from outside sources and subsidiary support.
21. Disbursements in the microfinance segment were around INR 7,000 crores for the full year.
22. Write-offs in the microfinance business for FY '23 were INR 113 crores.
23. Approximately 35% of the gold loan book is for INR 2 lakh ticket size loans.
24. The highest ticket size for gold loans is around INR 1 crore, but it is minimal in number.
25. The company expects to achieve a 22% average yield for gold loans by the end of Q1.
26. The company is confident about its legal case and expects a positive outcome.

27. An RBI inspection notice raised concerns about loan extensions, which the company is discussing and awaiting feedback on.
28. The proportion of loans between INR 1 lakh to INR 2 lakh has changed to 22% - 24%.
29. The yield for FY'24 is expected to reach around 22% by the end of the quarter.

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. 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**2,765**	**2,824**	**2,714**	**2,830**	**2,868**	**2,670**	**2,504**	**2,498**	**2,660**	**2,853**	**10,515**
% Growth YOY					*4%*	*-5%*	*-8%*	*-12%*	*-7%*	*7%*	
Expenses	485	512	421	501	527	450	473	426	531	690	**2,120**
EBITDA	**2,279**	**2,312**	**2,293**	**2,329**	**2,341**	**2,220**	**2,031**	**2,072**	**2,128**	**2,164**	**8,395**
Depreciation	14	15	11	13	14	16	13	14	15	17	**58**
EBIT	2,265	2,297	2,281	2,316	2,327	2,204	2,018	2,058	2,114	2,147	**8,337**
EBIT Margin	*82%*	*81%*	*84%*	*82%*	*81%*	*83%*	*81%*	*82%*	*79%*	*75%*	
Interest	946	951	982	979	953	921	942	903	914	941	**3,699**
Other Income	12	4	1	3	4	8	5	6	7	10	**29**
Profit before tax	**1,331**	**1,350**	**1,300**	**1,340**	**1,378**	**1,292**	**1,082**	**1,161**	**1,207**	**1,216**	**4,666**
PBT Margin	*48%*	*48%*	*48%*	*47%*	*48%*	*48%*	*43%*	*46%*	*45%*	*43%*	
% Growth YOY					*3%*	*-4%*	*-17%*	*-13%*	*-12%*	*-6%*	
Tax	340	354	329	346	349	332	280	294	305	314	**1,193**
Net profit	**991**	**996**	**971**	**994**	**1,029**	**960**	**802**	**867**	**902**	**903**	**3,474**
% Growth YOY					*4%*	*-4%*	*-17%*	*-13%*	*-12%*	*-6%*	

Detailed Results:

1. The company saw a mediocre quarter with consolidated revenue for Q4 growing 7% YoY and Profits de-grew 6% YoY.
2. The total number of branches stood at 5838.
3. The GLA growth for the company's different businesses was:
    a. Muthoot Finance: Up 9% YoY
    b. Muthoot Homefin: Down 2% YoY
    c. Belstar Microfinance: Up 42% YoY
    d. Muthoot Money: Up 87% YoY
    e. Asia Asset Finance: Down 19% YoY
4. Cash and cash equivalents for the company at the consolidated level were at Rs 77,702 Cr as of March 2023.
5. The consolidated interest income degrew 3% YoY.
6. The company has total funding of Rs 497,633 Cr through various means like debt, NCDs, etc.
7. The company has around 180 tonnes of gold kept as security.
8. The gold loan portfolio distribution is North @ 23%, South @ 48%, East @ 10%, and West @ 19%.
9. The company has 5.32 million active customers.
10. The company saw a net interest margin of 12.26% & an interest spread of 10.44% in Q4FY23.
11. ROA was at 1% in Q4FY23.

12. Opex to Average loan assets was at 4.57%. ROE was at 2.3%.
13. Muthoot maintained a CAR of 31.7% with 31.01% being Tier I.
14. The book value per share was Rs.524.56.

Investor Conference Call Highlights

1. The company stated that this quarter was All-time high gold loan growth in any Q4 of INR 5,051 crores.
2. The company had All-time high interest collection of any quarter of total INR 2,677 crores.
3. The company was certified as a Great Place to Work for the second year in a row and as India's Most Trusted Financial Services Brand for the seventh year in a row.
4. The company has launched Small Business Loans and micro personal loans to address credit access gaps in the MSME segment and cater to diverse financial needs.
5. Subsidiaries showed significant growth, with a 153% increase in disbursement in the quarter compared to the previous quarter.
6. The company has a plan to grow subsidiary disbursement by 400%.
7. Planned expansion of home finance network with 26 new branches.
8. Belstar Microfinance achieved a loan AUM of INR 6,192 crores and crossed INR 1,000 crores in net worth and revenue.
9. The company declared an interim dividend for the financial year '23 of 220% involving a payout of INR 883 crores.
10. The company raised INR 250 crores through a public issue of secured, redeemable NCD.
11. The company allocated more than INR 100 crores for the next financial year for corporate social responsibility initiatives.
12. The borrowing cost is expected to increase, with most banks currently at around 8.5% interest rate.
13. The company believes it can pass on any incremental borrowing costs to its customers without difficulty.
14. The trajectory of business in the last one-and-a-half months has been strong.
15. The company has been implementing marketing initiatives and outside market activities to acquire new customers and reactivate old ones.
16. The company stated that it is difficult to track customers who have left and returned to the company due to the nature of gold loans.
17. There have been no significant changes in product-level interest rates recently.
18. The company expects to open 100-150 branches per year.
19. The average ticket size increased from INR 70,000 in December to INR 75,040 in March.
20. Opex is expected to be around three-and-a-half percentage for the next fiscal year.
21. The company has raised concerns with the regulator regarding banks giving personal gold loans as agricultural gold loans.
22. The company expects to grow by 15% next year.
23. They anticipate operating expenses to be around three-and-a-half percentage for the full year FY '24.
24. The company has raised concerns about banks giving personal gold loans disguised as agricultural gold loans, but they haven't received any confirmation from the regulator regarding actions taken.
25. The company has lost interest in the practices and didn't provide information on whether they are still ongoing.
26. The company has a net increase in customer addition and adds around 3-3.5 lakh new customers every quarter.
27. The competition from other NBFCs and banks providing small-ticket personal and business loans does not significantly impact their gold loan business.

28. The company aims to maintain a spread of around 10% in the net interest margin (NIM) and expects it to stabilize at that level.
29. The proportion and average ticket size of the personal loan book are approximately INR544 crores and INR4 lakhs, respectively.

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 growth of 7% YoY and profit de-growth of 6% 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.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**4,438**	**4,494**	**4,648**	**4,698**	**4,828**	**5,082**	**5,145**	**7,583**	**7,795**	**7,966**	
% Growth YOY					*9%*	*13%*	*11%*	*61%*	*61%*	*57%*	
Expenses	1,181	1,240	1,886	1,194	1,477	1,299	1,350	2,108	2,082	2,341	
EBITDA	**3,257**	**3,254**	**2,762**	**3,504**	**3,351**	**3,783**	**3,795**	**5,475**	**5,713**	**5,626**	
Depreciation	37	32	33	33	35	35	35	57	61	427	
EBIT	3,221	3,222	2,729	3,471	3,316	3,748	3,760	5,418	5,653	-	
EBIT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Interest	-	-	-	-	-	-	-	-	-	-	
Other Income	-	-	-	-	-	-	-	-	-	-	
Profit before tax	**-**	**-**	**-**	**3,471**	**3,316**	**3,748**	**3,760**	**5,418**	**5,653**	**-**	
PBT Margin	*0%*	*0%*	*0%*	*74%*	*69%*	*74%*	*73%*	*71%*	*65030%*	*0%*	
% Growth YOY					*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*56%*	*70%*	*-100%*	
Tax	261	183	65	269	243	264	342	548	615	566	
Net profit	**0**	**757**	**170**	**774**	**686**	**1,091**	**967**	**1,576**	**1,799**	**1,285**	
% Growth YOY					*998607%*	*44%*	*469%*	*104%*	*162%*	*18%*	

Detailed results

1. Net interest income for Shriram Housing Finance grew by 3.84% year-on-year and 44.62% quarter-on-quarter, while profit after tax increased by 68.19% year-on-year.
2. The company has a total liability of Rs. 1,57,906 crores, with 23% through retail deposits, 22% through capital market borrowings, 26% through bank loans and institution loans, and 14% through securitization.
3. - Debt equity is at 3.65, which is the same as the previous quarter
4. PAT for Q4 FY '23 stood at 1,308.31 crores compared to 1,776.97 crores in Q3 FY '23.
5. Earnings per share stood at 34.94 as against 47.46 in Q3 FY '23 and 40.15 in Q4 FY '22.
6. Their net interest income in Q4 FY '23 showed a growth of 3.84% year-on-year and 44.62% quarter-on-quarter.
7. Net interest income for Q4 FY '23 was Rs.105.30 crores as against Rs.72.80 crores in Q4 FY '22 and Rs. 101.40 crores in Q3 FY '23.

Conference call highlights

1. The merger of Shriram Transport Finance and Shriram City Union Finance has been completed.
2. The company stated that the IT and HR functions have been fully integrated.
3. The company expects that the Indian economy is expected to grow at around 6.5% in the coming years, making it the fastest-growing major economy.
4. According to the government plans to invest Rs. 75,000 crores on major transport infrastructure projects for last-mile connectivity.

5. The sale of commercial vehicles grew by 11.6% in Q4, and the overall growth was 34.3% over the financial year '22.
6. The good GST collections and growth in the sale of commercial vehicles indicate positive economic activity.
7. The company stated that disbursement growth in Q4 FY '23 was 6.19% over Q3 FY '23, with disbursements for the full year at Rs. 1,11,848.44 crores, a significant increase over FY '22.
8. AUM as of March 31, 2023, grew by 4.61% over Q3 FY '23 to stand at 1,85,682.90 crores.
9. Net interest income for Q4 FY '23 grew by 0.41% over Q3 FY '23, while the net interest margin was 8.55%.
10. Profit after tax for Q4 FY '23 was lower than Q3 FY '23 but significantly higher than FY '22, standing at 1,308.31 crores.
11. The company stated that the subsidiary Shriram Housing Finance saw significant growth in disbursements and assets under management in FY '23 compared to FY '22.
12. Cost of Funds:

- Increased from 8.77% to 8.82% due to RBI policy rate increase
- Borrowing for the quarter: Rs. 20,000 odd crores
- Borrowing rate: close to around 9% through different sources

13. The company stated that ALM buckets have been positive and cumulative up to, ALM should be positive by Rs. 20,000 crore.
14. The company stated that the credit cost increased in Q4 FY '23 compared to Q3 FY '23 but remained within acceptable limits.
15. The company stated that Shriram Housing's assets under management grew significantly in FY '23 compared to FY '22.
16. Shriram Housing Finance is investing in expanding its distribution through the addition of branches in key focus states.
17. The company stated that the segmental disbursement numbers for the quarter and year are as follows: commercial vehicles at Rs. 12,182.30 crores, passenger vehicles at Rs. 5,592.10 crores, construction equipment at Rs. 1,945.70 crores, farm equipment at 623.30 crores, MSME 3,572.80 crores, two-wheelers Rs. 2,339.50 crores, gold Rs. 2523.30 crores, personal loan Rs. 2,250.10 crores, and others at Rs. 25 crores.
18. The intangible amortization for the quarter is Rs. 302.58 crores, and going forward, it will be Rs. 75 crores per quarter or Rs. 300 crores per annum.
19. The company stated that the credit cost is on the higher side despite reducing the COVID-related provisioning to Rs. 1,100 crores from the earlier Rs. 1,650 crores due to a stress testing of the loan portfolio, resulting in an additional hit of Rs. 295 crore.
20. The company is utilizing funds to provide waivers to customers impacted by COVID.
21. The company has recently done a private placement of a USC bond but is not planning to issue a dollar bond in the immediate future due to high landed costs.
22. The company will focus on onshore liquidity, including retail deposits and the domestic capital market.
23. The NIM on AUM has slightly increased to 8.55% despite flat net interest income on an absolute term and AUM growing by about 4-5% quarter-on-quarter.
24. The company stated that its cost-to-income ratio was 28.29% in this quarter as against 22.23% recorded in Q3. The cost-to-income ratio at the end of Q4 FY '22 was 20%.
25. Shriram Housing Finance Limited is a dominant player in southern states and Gujarat and plans to expand distribution in selected focused geographies.

26. The company is confident in its ability to grow its MSME and personal loan segments faster due to its network and access to more locations.
27. The company stated that there has been a high loan booking in the last quarter and last few days, which is expected to lead to high AUM growth.
28. The company stated that there has been a goodwill or intangible write-off of 300 crores or 295 crores, and the outstanding balance of this intangible is now 1,210 Crores
29. When asked a question about growth prospects and loan growth guidance, the company maintains its commitment to 15% growth despite potential merger synergies and cross-selling opportunities between branches.
30. The company stated that there will be an emphasis on improving net profits rather than top-line growth.
31. When asked a question about liabilities, specifically repayment of ECBs and domestic bond experiences. No clear response was provided by the company.
32. The company did a buyback of offshore bonds in the previous two quarters but hasn't done anything in the current quarter. They have maturities in July and August and are looking at those.
33. The company disbursed close to 1.2 million two-wheelers in the current financial year and expects this to grow by 10% to 12% depending on the industry's performance. The growth is coming from Bihar, UP, Madhya Pradesh, Rajasthan, and some Northeastern states like West Bengal, while there is degrowth in South markets.
34. The company will look at market opportunities for bond issuances, both domestic and offshore.
35. The company stated that the reported margins have not seen any compression, and on a sequential basis, they have expanded by three basis points. The accretion to the interest income has been significant in the last three quarters.
36. The effective tax rate will be around 30% for the next couple of years.
37. The company is scaling up its gold loan business.

Analyst's View

Shriram Finance is the flagship company of the Group which provides financial services such as commercial vehicle finance, passenger vehicle finance, SME finance, and retail lending (personal loans, gold loans, and two-wheeler loans). The company has been in the business for more than 40 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working, Shriram Finance is a good financial service stock to watch out for.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**3,169**	**3,402**	**2,909**	**1,574**	**3,816**	**4,163**	**2,097**	**1,894**	**3,232**	**2,132**	**9,354**
% Growth YOY					*20%*	*22%*	*-28%*	*20%*	*-15%*	*-49%*	
Expenses	1,278	1,624	1,359	130	1,646	2,987	515	3,783	2,238	1,318	**7,854**
EBITDA	**1,891**	**1,778**	**1,550**	**1,444**	**2,170**	**1,176**	**1,582**	**-1,889**	**994**	**813**	**1,499**
Depreciation	142	145	149	14	173	190	25	27	30	41	**123**
EBIT	1,749	1,633	1,401	1,430	1,997	986	1,557	-1,917	963	773	**1,377**
EBIT Margin	*55%*	*48%*	*48%*	*91%*	*52%*	*24%*	*74%*	*-101%*	*30%*	*36%*	
Interest	1,012	936	985	911	1,294	1,237	1,044	1,000	959	991	**3,994**
Other Income	263	270	253	6	434	426	7,787	687	110	24	**8,608**
Profit before tax	**1,001**	**966**	**669**	**525**	**1,137**	**174**	**8,301**	**-2,230**	**113**	**-194**	**5,991**
PBT Margin	*32%*	*28%*	*23%*	*33%*	*30%*	*4%*	*396%*	*-118%*	*4%*	*-9%*	
% Growth YOY					*14%*	*-82%*	*1141%*	*-525%*	*-90%*	*-211%*	
Tax	201	1,477	135	98	249	24	145	-694	-3,432	2	**-3,978**
Net profit	**780**	**-571**	**539**	**419**	**855**	**109**	**8,155**	**-1,536**	**3,545**	**-196**	**9,969**
% Growth YOY					*10%*	*-119%*	*1412%*	*-467%*	*315%*	*-279%*	

Detailed Results:

1. PAT for the quarter was a loss of INR 196 crores, mainly due to MTM loss on Shriram Investments.
2. Profit after tax (PAT) for FY '23 grew 5% YoY to INR 1,902 crores, excluding exceptional gains from the demerger of the pharma business.
3. Capital Adequacy Ratio of 31% on the consolidated balance sheet
4. Cash and liquid investments of INR 7,430 Cr (9% of Total Assets)

Investor Conference Call Highlights

1. Total assets under management (AUM) for Piramal Enterprises stood at approximately INR 64,000 crores.
2. Improved retail and wholesale mix to 50-50 from 33% retail and 67% wholesale in FY '22.
3. Retail AUM grew by 49% YoY to INR 32,144 crores.
4. Quarterly disbursements in the retail business grew by 34% QoQ and 361% YoY to INR 6,828 crores.
5. Wholesale 1.0 AUM reduced by 33% YoY to INR 29,000 crores.

6. Stage 2 and Stage 3 wholesale assets were reduced by 39% QoQ to INR 6,374 crores.
7. GNPA ratio reduced to 3.8% in the last quarter of FY '23 from 4% in the third quarter.
8. The company stated that Net interest income for FY '23 grew 21% YoY to INR 4,176 crores.
9. The company stated that the average borrowing cost reduced to 8.6% in FY '23 from 9.6% in FY '22.
10. Board recommended a dividend of INR 31 per share, subject to shareholders' approval.
11. The retail business focuses on housing loans, secured MSME loans, used car loans, and unsecured loans. Retail lending expansion with 95 new disbursement active branches, serving 515 districts across 26 states.
12. The wholesale business focuses on the resolution of Stage 2 and Stage 3 assets through monetization, settlements, enforcement, and portfolio sales.
13. The company stated that in the near term, the cost to assets may stay around 3.5% to 4% before gradually decreasing.
14. An analyst raises a question about the rationale behind growing wholesale book two while trying to reduce wholesale book one. The chairman explains that the wholesale book consists of different parts. Stage one represents assets with no stress and is seeing organic runoff. The focus is on resolving issues in stage two and stage three, while simultaneously building a more granular and diversified book in the wholesale business.
15. Credit cost for the quarter is INR300 crores, with 50-50 split between retail and wholesale segments.
16. There was a net loss of INR2,900 crores on recognition, provision reversal of INR2,500 crores, and a gain of INR130 crores on bond buyback.
17. SRs (investment instruments) worth INR3,600 crores are held, with no outstanding provisions. 63% haircut and 11% cash recovery have already been achieved.
18. The wholesale portfolio under Stage 3 is predominantly focused on real estate (RE), and a significant portion is for under-construction projects.
19. The company stated that margins are expected to stay around the current levels, with a potential increase in the cost of funds in Q1 due to repo rate increases. However, rates are expected to stabilize and potentially decline toward the end of the financial year.
20. The company stated that the operating margins have been relatively stable around 6.3%.
21. The company stated that while there might be a slight upward trajectory in the cost of funds, there is also a slight upward trajectory in yields. Overall, there is no significant concern in this regard.
22. The company stated that the credit cost in Q4 was around 1.9%. It is expected that the provisioning cycle for phase one wholesale is completed. Any provisions seen in the future will depend on the growth of the businesses rather than asset quality.

Analyst's View

Piramal Enterprises Ltd is one of India's largest diversified companies. Digital loan offerings have powered the company to significantly expand its customer franchise to ~2.6 million with an active customer base of over 1 million, providing it with substantial cross-sell opportunities. 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. It remains to see how the company performs in the future given the steady rise in inflation.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**296**	**332**	**326**	**337**	**423**	**376**	**509**	**507**	**535**	**520**	**2,071**
% Growth YOY					*43%*	*13%*	*56%*	*50%*	*27%*	*38%*	
Expenses	227	246	254	254	331	292	421	409	435	407	**1,671**
EBITDA	**69**	**85**	**72**	**82**	**93**	**84**	**89**	**98**	**101**	**113**	**400**
Depreciation	13	12	14	14	15	16	17	17	19	10	**64**
EBIT	56	73	58	69	78	69	71	80	82	103	**336**
EBIT Margin	*19%*	*22%*	*18%*	*20%*	*18%*	*18%*	*14%*	*16%*	*15%*	*20%*	
Interest	4	5	5	4	4	4	5	7	11	11	**34**
Other Income	4	3	0	0	1	3	0	0	0	2	**3**
Profit before tax	**56**	**72**	**54**	**65**	**75**	**68**	**67**	**73**	**71**	**95**	**305**
PBT Margin	*19%*	*22%*	*16%*	*19%*	*18%*	*18%*	*13%*	*14%*	*13%*	*18%*	
% Growth YOY					*33%*	*-5%*	*24%*	*13%*	*-6%*	*39%*	
Tax	9	23	10	15	16	15	14	15	-3	9	**36**
Net profit	**47**	**49**	**44**	**49**	**58**	**53**	**53**	**58**	**73**	**85**	**269**
% Growth YOY					*24%*	*7%*	*20%*	*17%*	*25%*	*62%*	

Detailed Results:

1. The company had a very good quarter with sales up 38% YoY and PAT up 62% YoY.
2. EBITDA margins stood at 18.82% for the quarter ended March'23, showing good recovery.

Investor Conference Call Highlights:

1. In the yearly performance on a year-to-year basis, the group has achieved a turnover of Rs.2071.21 Crores, crossing a milestone of 2000 Crores this year as compared to Rs.1462 Crores for the corresponding previous year.
2. The management states that remaining free-cash flows that are going to be available will be spent on ongoing projects and building freeze dried capacities.
3. The management states that the Russia-Ukraine war has had no impact on Green Coffee prices. The prices are globally moving upward as of now. This is resulting in the company investing more into working capital and inventory.
4. 50% - 60% of the company's volumes come from existing customers and remaining come from either new customers or adding new volumes to existing customers.
5. The revenue breakup for the company is as follows; CIS contributes 20-25% of volumes, Europe contributes 12-15%, North America contributes 12-14%, and the remaining bulk comes from domestic.

6. The management states that volume growth for the quarter and the year-end stood at a consistent level. It was indicated that they will end the year between 20-25% and they ended little above 20% volume growth and got another 20% value.
7. The management states that the annual turnover growth is around 40 to 41% and the guidance for the next year is close to this. They are looking to grow the volumes at around 20% overall.
8. The company has already started using the Vietnam capacity of 16000 metric tonne, and 50% of the new capacity is planned to be utilized this year
9. The management plans to have one more SD capacity in India of 16,000 tonne by this year end and a freeze dried capacity in Vietnam of 5500 metric by Q2 of next FY.
10. The management states that growth in Q4 was mainly driven by additional capacity created due to the Vietnam expansion and robust profit from the NCL unit this quarter.
11. The capacity utilization excl. the new added Vietnam capacity stands at 85% to 90%.
12. The company's freeze dried capacity is 100% volume for the next one-and-half years as it is seeing pressure demand from that segment. The board does not see any apparent demand contraction going forward.
13. In FY2023 the whole domestic business crossed a turnover of around 250 Crores and the pure brand out of this was between 150 to 160 Crores and the rest 80 Cr was bulk and private label.
14. The management gives a guidance of 30% to 40% for the whole domestic business.
15. The management explains that despite new coffee crops coming in, Robusta prices are rising due to high demand from Vietnam and Indonesia.
16. The management sees the current coffee prices going towards an all-time high, after which they are expected to slowly soften once new crops start coming in from Indonesia and subsequently from India regions.
17. Depreciation this quarter was lower at INR 10 crores vs 19 crores the previous quarter, as some of the old capacities have been completely depreciated and the new capacities added have been capitalized in March end.
18. EBITDA per kg for the quarter stands in the range of 90 to 100 for spray dried and 130 to 140 in the range of freeze dried, similar to the previous quarters.
19. For the branded business, projected sales for this year were around 170, but actual sales were slightly lower at 155-160 due to stock corrections and financial discipline.
20. For the branded business, going forward, the company aims for growth projections of 30-35% for the next two to three years.
21. The management gives the guidance for effective tax rate for FY24 at 25%.

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 good quarter with 38% growth in revenue and 62% growth in PAT, mainly driven by new addition of capacity in Vietnam. It also saw utilization of above 90% at the plants. 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 ramps up its utilisations in new capacity coupled with 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.

Jyothi Labs Ltd

Financial Results & Highlights

Brief Company Introduction

Jyothy Labs Limited was founded in 1983 by Mr. M. P. Ramachandran in Thrissur, Kerala. With a humble beginning as a single-unit, single-product manufacturing company. The Company has grown significantly to become a leading FMCG player with a pan-India presence and several household brands. The company has its presence in many segments such as fabric care, dishwash, personal care, and Household Insecticide Segment. It has a market cap of 7631 Crores.

Quarterly Performance											
JYOTHY LABS LTD											
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**477**	**495**	**525**	**585**	**539**	**547**	**597**	**659**	**613**	**617**	
% Growth YOY					*13%*	*10%*	*14%*	*13%*	*14%*	*13%*	
Expenses	397	424	462	519	478	489	537	579	528	526	
EBITDA	**80**	**71**	**63**	**67**	**61**	**57**	**60**	**80**	**84**	**91**	
Depreciation	14	15	14	14	14	15	13	13	12	12	
EBIT	-	-	-	-	-	-	-	-	-	-	
EBIT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Interest	-	-	-	-	3	-	-	-	-	-	
Other Income	-	-	-	-	-	-	-	-	-	-	
Profit before tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
PBT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
% Growth YOY					*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	
Tax	15	6	10	11	9	8	9	11	17	23	
Net profit	**55**	**29**	**41**	**45**	**38**	**38**	**48**	**65**	**67**	**59**	
% Growth YOY					*-30%*	*30%*	*18%*	*45%*	*75%*	*55%*	

Detailed Results:

1. Jyothy Labs delivered top-line growth of 12.8% for the March quarter and 13.2% for the full year FY'23.
2. Despite high input inflation, Jyothy Labs managed to grow its EBITDA by 57% for the quarter and 26% for the full year.
3. EBITDA margin for the quarter stood at 14.8% compared to 10.5% in the previous quarter.
4. The top-line growth for the quarter was 12.8%, with volume growth at 3.3% and value growth at 9.6%.
5. The volume growth for the quarter is 3.3% and for the full year, it's 3%.

Investor Conference Call Highlights

1. The company has achieved consistent double-digit growth for over 10 quarters and on a two-year and three-year CAGR basis.
2. The company has crossed 1.1 million outlets in terms of direct reach and has implemented the advanced distributor management system, Botree, to enhance sales efficiency.
3. Jyothy Labs is focused on execution to build scale and gain market share across brands.
4. Manufacturing capacities have been scaled up, including the addition of a detergent powder line at the Pithampur plant in Madhya Pradesh.
5. In April '23, Jyothy Labs launched three new variants of Margo Neem Naturals: Lemon, Jasmine, and Rose.
6. Jyothy Labs aims to significantly enhance its Margo franchise and increase its personal care share in the overall portfolio with the launch of new variants.

7. The company stated that rural markets are expanding more quickly than urban markets, and the company will focus on rural growth for long-term sustainability.
8. The company stated that it has a healthy P&L growth, a debt-free balance sheet, and a cash balance of INR 283 crores as of March 31, 2023.
9. The company is optimistic about its growth plan and aims for double-digit top-line growth in FY'23-24.
10. The fabric care category showed growth of 20.1% in the quarter and 29% for the full year, supported by strong value propositions and distribution focus.
11. The company stated that the dishwasher category performed well, with steady growth across all SKUs, driven by unique offerings and distribution efforts.
12. The company stated HI (household insecticides) segment had flat growth in the quarter, impacted by extreme weather conditions, but the company aims for better performance in the next year.
13. The personal care segment, particularly the Margo franchise, delivered good growth and introduced three new variants in April '23.
14. The focus is volume-led top-line growth, leveraging brand strength, distribution strategy, and direct reach.
15. The company aims to strengthen its rural footprint, enhance sales efficiency through technology, allocate higher resources for brand building, and scale up manufacturing capacity.
16. The focus for FY'23-'24 is on execution and building a larger scale for the business.
17. The laundry business recently merged with the core business, and the focus for the medium term is on consolidating the top line and building profitability.
18. The company is now in a net cash position and will conserve cash for future growth initiatives.
19. The tax rate for the quarter was higher at around 27%, but no specific explanation was provided. The company did not provide guidance on future tax rates.
20. The tax rate for the quarter was higher due to asset sales, but the annualized tax rate is around 20% and is expected to remain in a similar range in the next few years.
21. Competitive activity in the detergent space, including price cuts by the market leader, is being monitored, but no significant impact has been observed yet. Pricing actions will be taken based on market behavior and consumer demand.
22. The company is targeting double-digit growth for FY24, with a focus on distribution and volume-led growth, as well as increasing the number of outlets.
23. The company aims to continue its growth trajectory in distribution, but specific targets and geographies are not disclosed publicly.
24. Mid-sized brands like Mr. White and More Light have grown significantly over the past few years and now contribute more than INR 100 crores together.
25. The dishwash category is experiencing a temporary slowdown but is still expected to achieve double-digit growth in the coming year. Market share remains intact.
26. The expansion of Crisp & Shine post-wash products into new markets, such as Andhra Pradesh, has been well-received and is expected to generate good numbers.
27. The company stated that it is prepared to face challenges and believes it will continue to achieve growth.
28. The company stated that rural markets are a long-term growth strategy, with gradual improvement in growth seen in both rural and urban markets.
29. The company stated that there are currently no plans to venture into the dishwasher space, as dishwasher penetration in India is still very low. The focus is on growing the existing liquid and bar market.

30. The company aims to increase its market share and expects to outperform industry growth in most categories.
31. The company stated that there are plans to drive distribution to higher numbers and increase reach from 1.1 million to a higher number on a Pan-India basis.
32. When talking about geographies, the company stated that the South contributes 40% of the business, while the non-South contributes 60%. The geographical focus varies for each brand. The company is working towards increasing its presence and growth in the North and West regions.
33. Technology initiatives include implementing the DMS system called Botree, which simplifies scheme management for the sales team and channel partners.
34. The company has reached 100% of the villages with a population of about 10,000.
35. The company stated that the current share of the rural market is around 40%.
36. The effective tax rate for FY'24 and FY'25 is expected to be around 20%.

Analyst's View

The company is in the business for more than 45 years now. From manufacturing and selling a single product to a household name in the category, Jyothy Labs has come a long way. It is driven by a passion to touch and better lives with constant innovation. Today Jyothy Laboratories manufactures and distributes brands across product categories as diverse as Fabric Care, Household Insecticide, Utensil Cleaners, Fragrances, and Personal Care, besides marketing tea and coffee brands. Given the company's strong working, Jyothi Labs Ltd is a good FMCG stock to watch out for.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**3,070**	**3,037**	**3,008**	**3,033**	**3,208**	**3,175**	**3,327**	**3,363**	**3,475**	**3,619**	**13,783**
% Growth YOY					*5%*	*5%*	*11%*	*11%*	*8%*	*14%*	
Expenses	2,708	2,737	2,609	2,620	2,747	2,731	2,870	2,929	3,021	3,107	**11,927**
EBITDA	**361**	**300**	**399**	**413**	**462**	**444**	**457**	**434**	**454**	**512**	**1,856**
Depreciation	64	66	67	69	70	72	73	73	75	83	**304**
EBIT	297	234	333	344	392	372	384	361	379	429	**1,552**
EBIT Margin	*10%*	*8%*	*11%*	*11%*	*12%*	*12%*	*12%*	*11%*	*11%*	*12%*	
Interest	18	15	20	20	16	16	16	20	24	28	**87**
Other Income	13	-21	24	23	12	29	11	141	128	49	**328**
Profit before tax	**292**	**198**	**336**	**348**	**388**	**385**	**379**	**482**	**482**	**450**	**1,794**
PBT Margin	*10%*	*7%*	*11%*	*11%*	*12%*	*12%*	*11%*	*14%*	*14%*	*12%*	
% Growth YOY					*33%*	*94%*	*13%*	*39%*	*24%*	*17%*	
Tax	55	65	96	86	100	95	103	127	113	105	**447**
Net profit	**218**	**54**	**185**	**268**	**265**	**218**	**255**	**328**	**352**	**269**	**1,204**
% Growth YOY					*21%*	*304%*	*38%*	*22%*	*33%*	*23%*	

Detailed Results:

1. The consolidated performance was great at 14% YoY growth in revenue while EBITDA grew majorly by 15% YoY.
2. PAT was up 23% YoY.
3. The consolidated EBITDA margin was at 14.3% which was down by 50 bps YoY.
4. Q4 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	**1,286**	**960**	**377**	**607**	**352**	**3,619**
Revenue growth	8%	26%	6%	14% [6%]*	16%	14%
Constant currency growth			*-4%*	*12% [4%]**	*13%*	*12%*
Volume growth	3%	8%	-20%	3%	14%	

5. FY23 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	**5,051**	**3,666**	**1,489**	**2,100**	**1,360**	**13,783**
Revenue growth	1%	26%	15%	3% [1%]*	27%	11%
Constant currency growth			*7%*	*5% [3%]**	*25%*	*10%*
Volume growth	-1%	2%	-11%	-4%	3%	

6. The company has a net cash balance of Rs 2945 Cr as of March 2023.

7. Tata Tea saw a market share loss of 50 & 113 bps YoY on volume & value basis respectively while Tata Salt saw a market share gain of 76 bps YoY.

8. Growth biz grew by 53% & now contributes to 15% of branded biz.

9. Rebranded Tata Q to Tata Sampann Yumside for domestic markets and Tata Raasa for international markets.

10. NourishCo scaled to a net sales of INR 621 Cr in FY23, up from 180 Cr. In FY20.

11. Tata Starbucks saw net sales of 1087 Cr in FY23 with 333 total stores in 41 cities with 71 net new stores opened this year .

12. In the international biz-

a. UK revenues grew 8% YoY with value-market share for Everyday black being 19.1%.
b. USA saw coffee revenue grow by -4% while tea grew by 5% YoY.
c. Canada saw 5% revenue growth with a -12% growth in the specialty tea biz.

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

1. India Business: 70% & 71%
2. Intl Business: 30% & 29%

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

Modern Trade		E-commerce	
FY23 revenue growth	21% ↑	**FY23 revenue growth**	32% ↑
FY23 contribution to India revenue (ex. NourishCo)	14% ↑	**FY23 contribution to India revenue (ex. NourishCo)**	9% ↑
New SKUs on shelf in FY23	69	**NPD contribution in FY23**	10%

Investor Conference Call Highlights

1. The management states that beverage volume growth was good at 3%, despite all the price increases.
2. India Growth business now accounts for 15% of revenues from 6% when the management took over. They have grown 53% overall.
3. The company is on track to hit the target of 4 million outlets by Sep'23. It is current at 3.8 mn.
4. Alternate channels have given good growth with contribution from modern trade at 14% and E-Commerce at 9% with each growing 21% & 32% respectively.
5. The digital functioning of the company is completely on cloud and not on servers. The entire front-end has now been digitized.
6. The boards focus is to leverage the pipelines that are laid and the data that is gathered to move into the next phase of data-driven NPD, into things like web crawling, social listening to drive NPD, leveraging AI/ML to drive procurement, to take revenue growth management to the next level and sharpen spends on marketing.
7. The management has made significant process on its global simplification goal, and expect to complete a NCLT process in Q2 to thereby start the process of collapsing international entities.
8. The company has terminated their JV in Bangladesh to venture out on its own. In South Africa, they have upped their stake to take majority control.
9. NourishCo is a 600 Cr brand now, while Soulfull doubled in revenue last year while reaching 300k+ outlets.
10. In macro environment, there is slight downtrend in tea prices while coffee is stable.
11. The profitability of the international business is in line with the previous year, without any decline due to the price increases.
12. The company has changed its reporting disclosures by going to a statutory reporting of advertising or sales promotion.
13. The company took a 15% price increase in UK in Feb, which expected to result in Q1 and Q2.
14. Eight O'clock sales have been down 20% due to packaging strategy of smaller packs at the same price.
15. Salt margins for the company have back overall to the normative 32%-37% gross margins range.
16. The management has given a guidance of mid-single digits growth in volumes for the tea and salt business.
17. The management is mainly focusing in the North and West for NourishCo, with presence over 80% of the country. They have targeted to be close to a 4 digit number for valuations in FY24.
18. The INR 56 Cr losses from share of JV and associate is one-time for the current quarter only.
19. In the areas of currency, crude and inflation, the management expects a stable operating environment.
20. Starbucks JV is EBITDA positive and EBIT positive according to Ind AS reporting, but is PAT negative due to rapid expansion leading to interest and depreciation impact.
21. The company has started moving into higher double-digit market shares in specific modern trade accounts where it had placed Masala Oats Plus.
22. NourishCo's manufacturing footprint has expanded by 2x-2.5x YoY, and expansion for additional lines is also currently in place.
23. In the India Coffee business, the company has expanded to the distribution of entry level Rs2 packs.

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 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

Financial Highlights & Results

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**1,331**	**2,241**	**2,450**	**2,398**	**1,734**	**2,827**	**4,955**	**3,177**	**2,214**	**3,893**	**14,239**
% Growth YOY					*30%*	*26%*	*102%*	*32%*	*28%*	*38%*	
Expenses	1,159	1,859	1,879	1,904	1,527	2,296	3,704	2,478	1,907	3,095	**11,184**
EBITDA	**172**	**382**	**571**	**495**	**208**	**531**	**1,251**	**699**	**307**	**798**	**3,055**
Depreciation	135	135	129	138	129	131	153	153	180	172	**658**
EBIT	38	247	442	356	78	400	1,098	546	128	626	**2,397**
EBIT Margin	*3%*	*11%*	*18%*	*15%*	*5%*	*14%*	*22%*	*17%*	*6%*	*16%*	
Interest	62	58	47	43	37	47	46	45	47	63	**202**
Other Income	6	6	24	37	1	9	10	11	9	10	**40**
Profit before tax	**-19**	**195**	**420**	**350**	**42**	**361**	**1,062**	**511**	**90**	**573**	**2,236**
PBT Margin	*-1%*	*9%*	*17%*	*15%*	*2%*	*13%*	*21%*	*16%*	*4%*	*15%*	
% Growth YOY					*-322%*	*86%*	*153%*	*46%*	*114%*	*59%*	
Tax	-12	58	101	93	9	90	260	116	8	135	**518**
Net profit	**-20**	**129**	**308**	**240**	**16**	**254**	**787**	**381**	**75**	**429**	**1,672**
% Growth YOY					*-184%*	*97%*	*156%*	*59%*	*353%*	*69%*	

Detailed Results:

1. The consolidated revenues for the current quarter increased by 37.7% YoY whereas PAT increased by 61.8% YoY.
2. The company saw an EBITDA rise of 50.3% YoY and a volume rise of 24.7% YoY in the quarter.
3. Net realization increased by 10.4% to Rs. 173.7 primarily due to price hike in selected SKUs taken towards the end of base quarter last year and continued improvement in mix of smaller SKUs (250ml).
4. Sting is now 9.6% of total sales volumes in India.
5. Depreciation increased by 31% in Q1 on account of the capitalization of assets and Finance costs increased by 33% in Q1.
6. CSD constituted 71.2%, Juice 7.4%, and Packaged Drinking water 21.4% of total sales volumes in Q1 CY23.
7. Gross margins improved by 89 bps to 52.4% from 51.5% in Q1CY2023 primarily driven by marginal savings in raw material prices and improved product mix.
8. EBITDA increased by 50.3% to Rs. 7,980 mn and EBITDA margins improved by 172 bps to 20.5% in Q1 CY2023.
9. Net debt stood at Rs. 4000 as on Mar 31, 2023, as against Rs. 3409 Cr as on Dec 31, 2022. 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.

10. 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.
11. The Board recommended the split of existing equity shares of the Company from one equity share having face value of 10 each into two equity shares having face value of five rupees each which is subject to the approval of equity shareholders of the company.
12. The company has commissioned a new production facility at Kota, Rajasthan, as well as expanded its capacity through brownfield expansion at six existing locations.
13. In accordance to the company's international growth plans, construction of a new production facility at DRC has already started, which is expected to be operational before the year end.

Investor Conference Call Highlights:

1. The company commissioned a Greenfield Production Facility at District Bundi, Rajasthan and completed brownfield expansion in six facilities. A additional Greenfield plant in Jabalpur, MP is expected to be operational very soon.
2. Sting has achieved a significant share in the overall mix and helped to establish the company as a leader in the category. Thus, the boards focus now turns toward new performance like value-added dairy, sports drink, juice segments to sustain the growth momentum.
3. Sales volume has grown at a CAGR of 24% in five years, which is a testament of company's execution capabilities. Net revenue increased significantly at a 26.7% CAGR over a period of five years.
4. The company has production constraints for Tropicana and value-added dairy for which it is going to put up two plants in Maharashtra and UP in the coming year. The company is also doing a national roll-out for domestic dairy.
5. The management believes that Campa and Reliance will be a formidable competition, yet as the market is very large, there will be room for everybody.
6. The company usually locks-in inventory enough for six months for a season, which is why the inventory levels gave gone very high this quarter.
7. The capex guidance for the year remains same at INR 1500 Cr, which has been majorly spent.
8. Over 90% of the company's transactions have moved to the dollar in Zimbabwe, which is going to result in positive currency risk from the current quarter.
9. The management is confident on the outlook for Sports Drink and expect Gatorade to have a good momentum once the focus shifts towards it.
10. The company is yet to finalize the debt plan for the upcoming year as it is planning to put up another plant in Orissa.
11. Out of the 70,000-80,000 visi-coolers to be added, most have been added before the season.
12. Earlier Gatorade was only available in 500 ml for Rs. 50, while now 200 ml for Rs. 20 has also been added.
13. Sting is doing extremely well for the company due to the 400,000 distributors which were secured.
14. Growth in rural for the company has bounced-back, thus rural growth is slightly ahead of urban growth.
15. The ROCE for the company has been growing 200-250 basis points to 30%, the management gives a guidance of 100-225 basis points growth every year over the next few years.
16. The management states that dairy, juices and sports drink command similar margins as the base category if not better.
17. The management states that there has not been much volatility in sugar or in PET bottles, which are expected to stay in the similar range for the coming quarter.

18. The snacks contract manufacturing for Pepsico being done by the company has already witnessed complete utilization of the plant.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**382**	**606**	**598**	**384**	**388**	**640**	**697**	**429**	**416**	**713**	**2,255**
% Growth YOY					*2%*	*6%*	*17%*	*12%*	*7%*	*11%*	
Expenses	332	460	457	353	356	498	549	413	387	568	**1,918**
EBITDA	**50**	**145**	**140**	**31**	**32**	**142**	**148**	**16**	**28**	**145**	**337**
Depreciation	6	6	6	6	6	6	6	6	6	7	**25**
EBIT	43	139	135	24	26	135	142	10	22	138	**312**
EBIT Margin	*11%*	*23%*	*23%*	*6%*	*7%*	*21%*	*20%*	*2%*	*5%*	*19%*	
Interest	10	9	6	7	6	6	4	3	4	5	**16**
Other Income	-32	2	2	3	3	2	-1	1	1	-6	**-5**
Profit before tax	**2**	**133**	**131**	**21**	**23**	**131**	**137**	**8**	**19**	**126**	**291**
PBT Margin	*0%*	*22%*	*22%*	*5%*	*6%*	*21%*	*20%*	*2%*	*5%*	*18%*	
% Growth YOY					*1206%*	*-1%*	*5%*	*-61%*	*-15%*	*-4%*	
Tax	-	-0	-	-0	-1	-2	-0	-0	-0	-19	**-20**
Net profit	**2**	**133**	**131**	**21**	**23**	**133**	**137**	**8**	**20**	**145**	**310**
% Growth YOY					*1239%*	*0%*	*5%*	*-61%*	*-16%*	*9%*	

Detailed Results:

1. The company's net sales grew by 11.8% to INR 7,099 million during the quarter on -- year on-year basis, of which 4% is volume-led.
2. For the financial year 2023, the company achieved a growth of 12.8% year-on-year on net sales.
3. The gross margin for quarter 4 stood at 50.6% on net sales.
4. Total income from operations grew by 11.4% to INR 7,130 million.
5. EBITDA grew by 2.2% year-on-year to INR1,446 million.
6. The company continued to witness high inflation in alternative fuel and labour costs as a result of which other expenses grew by 36%.
7. Reported net profit was up by 9.0% year-on-year at INR1,453 million. Adjusting for exceptional items, the net profit was up by 14.4% year-on-year to INR1,525 million.
8. Annual consolidated financial highlights
   Total income from operations increased by 12.8% year-on-year to INR22,426 million during the year.
   EBITDA was down by 2.2% year-on-year to INR3,372 million.
   EBITDA margin as a percentage to total income from operations stood at 15.0%.
   Reported net profit was up by 0.5% to INR3,104 million.
   Adjusting for exceptional items, the net profit was up by 3.7%.
   Consolidated cash position stood at INR 1,081 million, including investments made in the liquid funds.
   Consolidated capex for the year was INR 489 million.
9. The Glucose powder category has grown by 10.7% at the MAT level.
10. The Health Food Drink category has degrown by 1.1 percent at MAT level.

11. Complan market share stood at 4.5% in the category as per the MAT March 2023 report Nielsen.
12. The peel off category has registered a growth of 4.5% at MAT level.
13. The Prickly heat powder category has grown by 13.4% at MAT level.
14. The absolute quantum of one-off expenses during the quarter was almost half of the increase in expenses.

Investor Conference Call Highlights

1. The management stated that the company has successfully increased prices and stabilized inflation for most imports, leading to improved gross margins in the fourth quarter compared to the previous year.
2. The management stated that the decision to temporarily outsource the manufacturing of Glucon-D to third parties added to the overall expense burden.
3. The management expressed confidence that the changes made to the manufacturing footprint, along with ongoing cost optimization initiatives, would lead to expense reductions in the upcoming quarters.
4. The management stated that during the quarter, the company focused on marketing initiatives to drive category growth and expand market share for its brands. Specifically, for Glucon-D, the brand's strong momentum throughout the financial year was maintained through consistent marketing efforts aimed at driving growth and attracting new consumers.
5. Glucon-D brand continues to maintain its number one position with a market share of 60.1% as per MAT March 2023 report of Nielsen, which is an increase of 159 basis points over the same period last year.
6. The management stated that Complan, within the health food drinks category, experienced a slowdown in line with the overall trend during the financial year.
7. The management stated that Sugar Free continues to maintain its leadership with a market share of 96% as per MAT March '23 report of IQVIA.
8. The face scrub category has registered a growth of 9.1% at MAT level. Everyuth Scrub continues to maintain its leadership position with market share of 41.9% in the facial scrub category which is an increase of 68 basis points over the same period last year as per MAT March 2023 report of Nielsen.
9. Everyuth peel off has maintained its number one position with a market share of 78.4% in the peel off, which is an increase of 7 basis points over the same period last year as per the MAT March 2023 report of Nielsen.
10. The management informed that Nycil has maintained its number one position with market share of 35.4% in the Prickly heat powder category, which is an increase of 157 basis points over the same period last year as per the MAT March 2023 report of Nielsen.
11. The management stated that Nutralite brand has delivered a robust growth for the financial year gone by, backed by well-planned digital and on-ground activations.
12. The international business of the company operates in about 25 countries, with the top 5 countries contributing more than 75% of the business. The brands Sugar-free and Complan account for about 75-80% of the international business. Supply issues in New Zealand and local economic issues in Nigeria affected growth in the past, but the management expects continued good growth momentum.
13. The management believes that sugar substitutes like stevia, sucralose, or aspartame offer lower calorie content than sugar, and they will work with regulators to ensure the best for consumers.

14. The management stated that new products launched in recent years constitute about 3.5% of the company's sales.
15. The management stated that Everyuth has been experiencing consistent double-digit growth, primarily driven by strong performance in segments such as scrubs and peel-off masks. The brand has expanded into tan removal and other skin benefits, with potential for strong double-digit growth in the future.
16. The company implemented price hikes of around 6.5% in the last quarter, which helped cover the gross margin decline compared to the previous year. However, further price increases may be necessary to reach previous margin levels due to inflationary pressures.
17. The management stated the increase in receivables was mainly due to year-end credit passed on to distributors and customers. The increase in inventory was a result of stock accumulation at the Uttarakhand factory, pending legal approval, and strategic backup for manufacturing.
18. The management stated that there is ongoing legal action regarding the Sugarlite brand rights, and the company expects the issue to be resolved as they progress through the higher court.
19. The company has already recovered the 200 basis points lost in FY '22. They expect a mix of cost reductions, including material price improvements and price increases, to contribute to gross margin recovery.
20. The management stated that the increase in other expenditure, specifically related to third-party manufacturing of Glucon-D, was driven by seasonal demand and the shutdown of the Sitarganj plant. The company tied up additional quantities to have a backup plan.
21. The company aims to maintain ad and sales promotion spend in the range of 12.5% to 13% of sales.
22. The management informed that the supply chain issues in New Zealand and the economic unrest in Nigeria had limited impact on the Complan business.
23. The company faced some inclement weather in March and April, impacting their summer product portfolio.
24. The management stated that rural consumers are showing a preference for lower-priced packs, including lower SKU packs. There is traction towards higher access packs, which are lower-priced packs.

Analyst's View

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. The company had net sales growth of 11.8% YoY in Q4 FY2023, with 4% volume-led. It achieved a growth of 12.8% YoY on net sales for the financial year 2023. Complan will be the most challenged product segment in terms of reaching previous gross margin levels.

The volume growth in the current quarter showed a positive trend, reaching approximately 4%. The demand environment has seen a slight improvement, giving the management confidence in the potential for further volume growth. However, due to factors such as weather fluctuations and other variables, it is challenging to provide precise predictions for future growth. During discussions, feedback was received regarding the absence of certain variants, specifically apricot and coffee, in the Everyuth brand. The management acknowledged this feedback and expressed a willingness to consider and expand the product portfolio to address customer preferences. To enhance control and efficiency, the company has successfully achieved 100% digitization of its field force. This digitization effort allows for targeted selling, improved SKU management, and better overall control. Furthermore, ongoing digitization initiatives in operations planning aim to optimize inventory planning and drive operational efficiency throughout the company.

Insurance

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,533**	**787**	**2,388**	**2,702**	**2,711**	**2,801**	**2,891**	**3,002**	**3,073**	**3,131**	**12,096**
% Growth YOY					*77%*	*256%*	*21%*	*11%*	*13%*	*12%*	
Expenses	1,848	2,065	2,668	2,942	3,479	2,918	2,605	2,882	2,793	2,996	**11,275**
EBITDA	**-315**	**-1,278**	**-280**	**-239**	**-768**	**-117**	**286**	**120**	**280**	**135**	**821**
Depreciation	-	-	-	-	-	-	-	-	-	-	**-**
EBIT	-315	-1,278	-280	-239	-768	-117	286	120	280	135	**821**
EBIT Margin	*-21%*	*-163%*	*-12%*	*-9%*	*-28%*	*-4%*	*10%*	*4%*	*9%*	*4%*	
Interest	-	-	-	-	-	-	-	-	-	-	**-**
Other Income	-2	0	0	7	0	1	2	1	2	1	**6**
Profit before tax	**-317**	**-1,278**	**-280**	**-232**	**-768**	**-116**	**288**	**121**	**282**	**136**	**826**
PBT Margin	*-21%*	*-163%*	*-12%*	*-9%*	*-28%*	*-4%*	*10%*	*4%*	*9%*	*4%*	
% Growth YOY					*143%*	*-91%*	*-203%*	*-152%*	*-137%*	*-218%*	
Tax	-75	-321	-71	-62	-190	-34	75	28	71	34	**208**
Net profit	**-242**	**-957**	**-210**	**-170**	**-578**	**-82**	**213**	**93**	**210**	**102**	**619**
% Growth YOY					*139%*	*-91%*	*-202%*	*-155%*	*-136%*	*-224%*	

Detailed Results:

1. The company had a decent quarter with revenue rising by 12% while the company turned healthy profits Vs losses YoY.
2. The combined ratio for the quarter improved to 91.3% Vs 98.4%.
3. Opex/GWP stood at 14.5% Vs 14.8%.
4. Quarterly Investment income improved from 1.8 Bn to 2.2 Bn YoY.

Investor Conference Call Highlights

1. Premium growth for April stood at 27%.
2. In Q4 '23, the health insurance industry, including PA, has grown by 25.4% driven largely by 28% growth in group health and 16% growth in retail health.
3. For 12M FY23The company's retail health has grown by close to 18% versus the industry's retail health growth of 15.3%, while for Q4, the segment grew by 16% vs the industry's 15.2% leading to a market share of 35%.
4. Star Health has registered close to 40% retail health acquisition market share in FY '23.
5. Agency business continues to contribute around 82% of the overall business with agency strength having increased to 6,25,860 agents, with a net addition of 16,165 agents in the Q4 of FY '23. For the full year FY '23, it added approximately 76,000 new agents over the previous year.

6. The company's app downloads have reached 2 million downloads while the Organic traffic to the website has grown by 95% in Q4 '23 over the same period last year, and 39% growth sequentially over Q3 of FY '23.
7. The average sum assured of new policies has increased by 13% on a year-on-year basis to INR9 lakh per policy. INR5 lakh sum insured and above now constitute 70% of the health insurance portfolio, which was 64% in the last financial year.
8. The premium from benefit products has grown by 53% in FY '23 over FY '22. The share of such products within the overall GWP has increased by 61 bps to 2.3% in FY '23 from 1.7% in FY '22.
9. The company launched two new products in quarter four, which is Star Special Care Gold (a product tailored specifically for individuals with disabilities and those who are HIV-positive) and Star Group Health Benefit Plus (critical illness covers up to 54 critical illnesses, to personal accident cover, hospital cash cover, and EMI protect due to hospitalization).
10. The company is working on a four-pronged approach to effectively manage claims outgrowth - 1)prudent claims settlement, based on its rich medical expertise and insurance system, 2) well-negotiated volume-based pricing arrangement with network hospitals, which gives it operating leverage in terms of lower average per claim, 3) technology-enabled fraud detection and mitigation And 4) risk-based pricing through micro-segmentation of the portfolio.
11. 73% of the number of paid claims in the financial year '23 are through cashless versus 63% in the previous financial year. In terms of the amount paid through cashless, it is 80% in FY '23 compared to 71% in FY '22.
12. The share of hospitals with proper pricing arrangement,i.e. the cashless claims is 67% versus 64% in FY '22.
13. There is a 1.3% incremental benefit of anti-fraud digital initiatives in terms of lower claims ratio in FY '23 versus FY '22 and the SaaS platform has assisted in 55% of those cases.
14. The expense ratio has fallen in FY '23 to 30.3% versus 30.8% for FY '22 on account of efficient cost control and management. For Q4 FY '23, the expense ratio has reduced to 29.4% from 30.3% in Q4 FY '22.
15. The investment assets have grown to INR13,392 crores in FY '23 versus INR11,373 crores in FY '22.
16. Solvency as on 31st March 2023 is 2.14 times compared to the regulatory requirement of 1.50 times.
17. The company is confident about beating the industry growth rate in the retail segment in the coming period.
18. The new ESOP's will be issued at market price leading to no impact on P&L.
19. Specialized products contribution came down due to certain underwriting costs however it is continuous to remain a key focus area for the company.
20. Retail growth was split equally between value & volume growth.
21. The company expects 55% to 60% value growth and 40% to 45% volume growth.
22. Around 2.5% of policies are coming from long term plans & the company plans to improve on that front.
23. The company's ROE stood at 12.4% due to a one time ESOP expense, otherwise, the company is confident of reporting ROE of 16-18% for the coming year, especially since it has recently taken price hikes.
24. The implementation of IFRS will lead to deferment of costs as well leading to a ROE increase by 300-400 points.
25. The investment in equities through ETF stood at 4.1% & it plans to increase this to 7% in the coming period.

26. The company believes that due to change in product & business mix coupled with new reforms regarding increasing the maximum number of tie-ups for corporate agents and Insurance Marketing Firms (IMF) to 9 (earlier 3) and 6 insurers (earlier 2 insurers) each, the combined ratio/ profitability is expected to improve.
27. Unexpired risk reserve (URR) was higher owing to higher growth.
28. The company signed up three banks in the last quarter, which includes India Post Payments Bank, Standard Chartered bank and ESAF Small Finance Bank & it strives to add more and more banks.
29. Company added 18,000 exclusive agents in the quarter.

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 clock ROE of 16-18% in the coming financial year. It remains to be seen how the company will be able to keep growing at a rate faster than industry given its products are priced at a premium to its competitors, coupled with high competition from other health insurance companies due to 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.

IT Software

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**72**	**79**	**88**	**97**	**106**	**196**	**127**	**131**	**240**	**231**	**730**
% Growth YOY					*47%*	*146%*	*45%*	*35%*	*127%*	*18%*	
Expenses	58	63	73	81	89	166	102	104	168	188	**562**
EBITDA	**14**	**17**	**15**	**16**	**17**	**30**	**26**	**27**	**72**	**43**	**168**
Depreciation	2	1	2	2	2	5	4	4	7	7	**22**
EBIT	12	15	13	14	15	25	22	23	65	36	**146**
EBIT Margin	*17%*	*19%*	*15%*	*15%*	*14%*	*13%*	*17%*	*18%*	*27%*	*16%*	
Interest	0	0	0	0	0	1	0	0	1	0	**2**
Other Income	5	1	4	1	0	6	1	2	13	4	**20**
Profit before tax	**17**	**15**	**17**	**15**	**15**	**30**	**23**	**25**	**77**	**39**	**164**
PBT Margin	*23%*	*19%*	*19%*	*16%*	*14%*	*15%*	*18%*	*19%*	*32%*	*17%*	
% Growth YOY					*-8%*	*97%*	*33%*	*64%*	*406%*	*30%*	
Tax	4	4	4	4	4	9	5	7	22	10	**45**
Net profit	**13**	**11**	**13**	**11**	**11**	**22**	**17**	**18**	**55**	**29**	**119**
% Growth YOY					*-10%*	*98%*	*34%*	*59%*	*386%*	*34%*	

Detailed Results:

1. The company had a mediocre quarter where although the revenue growth was 18% and PAT growth stood at 34%, it was aided by a one-time payment settlement of 28 Crs.
2. Excluding the one-time impact of Rs 28 crores, the revenue grew by approximately 9%, and the profit before tax dropped by 20%.
3. EBITDA margin stood at 18.7% in Q4FY23 as against 15.3% in Q4FY22, up by 333 basis points.
4. Net cash position stood at Rs 1,557 million vs Rs 1,796 million for FY22
5. The top 5 & 10 customer contributions stood at 34% & 46%.
6. Revenue by practice for Q4FY23:
    - Technology- 78.5%
    - Aero- 8.7%
    - Auto- 12.5%
    - Transport- 0.3%
7. Revenue by region stood as:
    - Asia: 41%
    - N.America: 11%
    - Europe: 48%

Investor Conference Call Highlights

1. The company recently completed its merger and integration, bringing all entities together effectively from April 1, 2022.
2. The company stated that Investments in digital transformation and data governance are contributing to growth.
3. The company plans to hire over 500 graduates for training in specific skills based on market demand.
4. The company stated that cost optimization efforts have resulted in improving margins.
5. The company resolved a previous payment issue with an engineering client, resulting in a one-time payment of approximately Rs 28 crores in the last quarter.
6. The overall business is growing at around 9% quarter-on-quarter in terms of revenue and margin.
7. The drop in profit before tax was mainly due to a decrease in forex gain compared to the previous quarter.
8. The company plans to continue its growth in the mid-to-high teens range and aims to reach a headcount of 10,000 employees by December 2025.
9. There is a strong focus on line, structure, and stress activity in mechanical engineering fleet.
10. The company's focus is on seeking opportunities in the $1 million to $10 million range, with larger and longer-term engineering side engagements.
11. Subcontractor costs have declined from 21%-22% in 2022 to around 15% in 2023.
12. The company stated that no specific plans for inorganic acquisitions yet, but considering smaller acquisitions similar to last year.
13. The company expects the overall business to double with the increase in headcount to 10,000 employees.
14. The resolution received from previous work efforts has boosted revenue and profit by Rs 28.2 crores.
15. The company expects the technology services and engineering services split to be 60% 40% by December 2025.
16. DSO (Days Sales Outstanding) has increased to 90 days from the previous average of around 78 days.

Analyst's View

Expleo solutions is an India-based software service provider primarily delivering software validation and verification services to the BFSI industry worldwide. The company completed its merger in this quarter. 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.

Saksoft Ltd

Financial Results & Highlights

Brief Company Introduction

Saksoft is a digital transformation partner that specializes in assisting its customers in automating, modernizing, and managing their IT systems. With almost two decades of experience, Saksoft operates across 16 locations, including the USA, Asia Pacific, UK, and Europe. The company has a strong workforce of over 2000 associates.

Saksoft focuses on various industry verticals, including FinTech, telecom and utilities, transportation and logistics, public sector, retail, and health tech. By serving these interconnected verticals, Saksoft can leverage cross-selling and upselling opportunities to its clients. The company offers a range of horizontal service offerings, including analytics, cloud solutions, legacy modernization, intelligent automation, application development, and testing.

	Quarterly Performance										
	SALZER ELECTRONICS LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**170**	**190**	**149**	**195**	**212**	**228**	**233**	**245**	**240**	**295**	**1,013**
% Growth YOY					*24%*	*20%*	*56%*	*26%*	*13%*	*29%*	
Expenses	153	174	134	176	194	215	213	220	216	272	**922**
EBITDA	**17**	**16**	**15**	**18**	**18**	**13**	**20**	**24**	**24**	**23**	**91**
Depreciation	4	4	4	4	4	4	4	4	4	4	**16**
EBIT	14	12	11	14	14	9	16	20	20	19	**75**
EBIT Margin	*8%*	*6%*	*7%*	*7%*	*6%*	*4%*	*7%*	*8%*	*8%*	*7%*	
Interest	5	5	5	5	5	5	6	6	7	8	**26**
Other Income	0	1	0	1	1	0	1	-0	0	0	**1**
Profit before tax	**8**	**8**	**6**	**10**	**10**	**4**	**11**	**14**	**13**	**12**	**50**
PBT Margin	*5%*	*4%*	*4%*	*5%*	*5%*	*2%*	*5%*	*6%*	*6%*	*4%*	
% Growth YOY					*16%*	*-49%*	*89%*	*34%*	*40%*	*182%*	
Tax	2	1	2	3	2	0	2	5	4	3	**14**
Net profit	**6**	**7**	**4**	**7**	**7**	**4**	**9**	**9**	**10**	**9**	**36**
% Growth YOY					*13%*	*-45%*	*122%*	*20%*	*33%*	*134%*	

Detailed Results:

1. The company achieved an annual revenue of INR 666 crores, representing a growth of 39% year-on-year.
2. The Q4 FY23 revenues were INR 182 crores, with a growth of 31% year-on-year.
3. The operating EBITDA for Q4 FY23 was INR 33 crores, with a growth of 46% year-on-year.
4. The full-year revenues for FY23 were INR 666 crores, with a growth of 39% year-on-year.
5. The company has cash reserves of about 195 crores and intends to use it for inorganic opportunities and acquisitions that are EPS accretive and capability-driven.

Investor Conference Call Highlights

1. The management stated that their key verticals include FinTech, telecom and utilities, transportation and logistics, public sector, retail, and health tech.
2. They acquired Terafast, a Chennai-based company specializing in cloud engineering, networking solutions, and DevOps automation.
3. The revenue from offshore business has improved their margins.
4. The company has a net debt-free balance sheet and healthy cash and cash equivalents.

5. The company expects to be less impacted by the IT slowdown in the US due to their focus on SMEs and niche markets.
6. Saksoft has set a target of $100 million in revenue by 2024-2025.
7. Saksoft has a significant exposure to the US market, with almost 50% of their revenues coming from there. They also have a sizable presence in the FinTech sector.
8. While there may be an impact on revenues due to potential slowdowns in the US market, Saksoft is working to mitigate the impact through their strategy, approach, and target market focus.
9. The management stated that the average contract size is not a meaningful measure for Saksoft, as their contracts vary in size, duration, and scope. Instead, it is more relevant to consider customers in different revenue ranges, such as those above $1 million and those between $0.5 million and $1 million.
10. Saksoft aims to grow its service offerings in India to support their US customers who are opening global capability centers in India.
11. The emergence of generative AI, such as Chat GPT, is expected to impact the IT industry. The lower-end development work may be driven by tools, but Saksoft's value proposition lies in architecture, code, quality, testing, and implementation.
12. Saksoft wants to maintain the same margin, but they are willing to compromise on margins if it enables growth. Their primary focus is on top-line revenue growth.
13. The company is open to both organic and inorganic acquisitions. They actively seek inorganic growth opportunities for capabilities and are hopeful about closing one or two acquisitions in the coming months or years.
14. Saksoft has around 22% attrition rate and plans to increase employee count in line with the revenue growth, targeting a 20% increase.

Analyst's View

Saksoft Ltd is engaged in providing business intelligence and information management solutions predominantly to mid-tier companies based out of the USA and UK. It was established in 1999 by Autar Krishna and his son Mr Aditya Krishna.The company is a leading Digital Transformation Solution Partner for clients across various countries. It provides services like application development, testing & quality control and solutions based on cloud, mobility and Internet of Things (IoT) along with Information Management (IM) and Business Intelligence (BI) solutions.

Saksoft adopts a strategic approach to navigate the competitive landscape of the IT industry. The company's growth is primarily fueled by its strong presence in key sectors such as FinTech, transportation, logistics, health tech, and utilities. Instead of being a generalist, Saksoft focuses on carving out specific niches within these industries. By aligning their capabilities and efforts with the unique demands and challenges of these sectors, Saksoft has been able to achieve significant success. This targeted approach allows them to create market missions and establish a strong foothold in these competitive markets.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**477**	**518**	**558**	**595**	**635**	**682**	**726**	**763**	**818**	**838**	**3,145**
% Growth YOY					*33%*	*32%*	*30%*	*28%*	*29%*	*23%*	
Expenses	333	350	408	412	425	460	488	537	571	588	**2,183**
EBITDA	**144**	**168**	**150**	**184**	**211**	**221**	**238**	**227**	**247**	**250**	**961**
Depreciation	11	11	12	14	14	16	17	22	21	21	**81**
EBIT	133	157	138	170	197	205	221	205	225	229	**880**
EBIT Margin	*28%*	*30%*	*25%*	*29%*	*31%*	*30%*	*30%*	*27%*	*28%*	*27%*	
Interest	1	2	2	2	3	3	3	4	4	4	**16**
Other Income	15	7	18	2	7	18	10	19	19	26	**74**
Profit before tax	**146**	**162**	**154**	**171**	**200**	**220**	**228**	**219**	**240**	**250**	**937**
PBT Margin	*31%*	*31%*	*28%*	*29%*	*32%*	*32%*	*31%*	*29%*	*29%*	*30%*	
% Growth YOY					*37%*	*36%*	*48%*	*28%*	*20%*	*14%*	
Tax	41	47	41	46	49	60	43	45	45	49	**182**
Net profit	**105**	**115**	**113**	**125**	**151**	**160**	**185**	**174**	**195**	**202**	**755**
% Growth YOY					*43%*	*39%*	*63%*	*39%*	*29%*	*26%*	

Detailed Results:

1. The company saw its revenue rise by 22.9% YoY.
2. PAT increased by 25.9% YoY.
3. EBIDTA margins at 29.8%
4. EBIDTA grew by 12.8% YoY.
5. Constant currency revenue was up 1.6% QoQ.
6. Company's embedded product division (EPD) reported growth of 32.8% YoY while IDV grew by 52.8% YoY in constant currency terms, and SIS grew by 77.6% YoY.
7. Performance for the year end involved PAT growth at 37.4% , Revenue growth at 27.3%, EBIDTA margins at 30.6% & PBT margin at 29.1%
8. The revenue rise in different segments in the EPD business was–
    1. Automotive business: Up 27.4% YoY
    2. Media & communication business: 9.2% YoY
    3. Healthcare business: Up 20.5% YoY
9. Revenue distribution across different geographies is as follows:
    1. EU: 35.5%
    2. Americas: 41.4%
    3. India: 17.3%
    4. RoW: 5.8%

10. The top 5 client & top 10 accounted for 39.8% and 49.4% of sales respectively.

11. Attrition among employees was at 17.3%

12. The offshore mix was at 74.5% in Q4 vs 75.2% YoY.

13. Tata Elxsi has been chosen by Alps Alpine to establish a Global Engineering Centre (GEC) in Thiruvananthapuram. The GEC will focus on software-led innovation and engineering to support Alps Alpine's vision for future mobility.

14. Tata Elxsi has been chosen as the Strategic Partner for *'Left-Shift'* SDV product development strategy by a leading European OEM representing a multi-year multi-million USD long-term engagement.

15. Tata Elxsi has been selected by a leading Middle East telecom operator as a *Design-Led* consultancy and development partner for next-gen applications around 5G including Healthcare, IoT, and connected Digital Services.

16. Tata Elxsi was selected by a world-leading telecommunications products company for 5G broadband software and solution development that will power next-gen consumer devices.

17. Tata Elxsi has won a multi-million USD *Design Digital* deal to deliver consumer research and insights for the next generation of consumer devices and applications, by a world leading technology company.

Investor Conference Call Highlights

1. The management is proud of the company crossing the 3000 crore revenue milestone on a yearly basis.
2. The board of directors have recommended a final dividend of 606% for the financial year ending 31st March 2023. This represents a 42.6% increase over the previous year and corresponds to a payout ratio of 50% of PAT.
3. The company has made a strategic long-term deal with Alps Alpine in Japan to establish a global engineering center for developing next-gen mobility solutions in India and a multiyear SDV deal with a European OEM.
4. The management recognizes that an offshore centric and ownership driven delivery model is not only harder to execute but also requires almost three times the number of resources to deploy as compared to onsite deployment for the same impact on top line.
5. However, the management strongly believes that this is the only way to create long-term and sustainable value and the company is best positioned to deliver on this.
6. The company's Healthcare and Life Sciences business was impacted by the extension of regulatory deadlines, which cut into existing work and revenues but the business recovered from the setback within a quarter and is building a strong pipeline of deals with penetration into new marquee customers.
7. The company is seeing the success of key strategies deployed over the last two years with strong synergies between the EPD, IDV and SI divisions playing out well, seeing an increase in duration and size of deals leading from this up selling and cross selling.
8. The management is positive on the 5G opportunities and deals that are coming back.
9. The company is going to have a 4.5 crores of ESOP expense for the year.
10. The management explains that operating cash has been slightly muted this year mainly due to an impact on trade receivable. This is expected to be normalized by the next quarter.

11. Tata Elxsi has set up a global delivery center as part of a multi-year commitment. Tata Elxsi's prior relationship and successful project delivery have given Alps Alpine the confidence to trust them with this crucial offshore engagement.
12. The management states that despite expected impact from ESOPs, the company is targeting to operate in a PBT band of 28 to 29% using different levers including utilization.
13. The growth of Tata Elxsi has seen divergence between the top ten client bucket and those outside it, with growth outside the top ten being softer.
14. The growth discrepancy is attributed to some clients pausing or putting on hold their R&D initiatives due to a difficult macroeconomic situation. Despite these challenges, the company plans to continue growing its top ten accounts, which includes their top 20 clients, in the next financial year.
15. The management assures that the company is working to grow their top accounts, increase offshore work, and focus on select customers to strengthen their position in the market.
16. Regarding the Tata Technology IPO, the management states that the businesses are orthogonal, and the company does not see any impact on its business.
17. The management gives guidance that the current EBITDA margins are sustainable upto the next financial year.
18. The management does not see AI as a problem to the company as it is addressing very deep domain problems like recommendation engines that go into OTT products.
19. Employee costs for the company are up 4.5% QoQ, mainly due to increase in headcounts by the company.
20. The management guides an addition of 2200 headcount to the company from a hiring perspective.
21. The management states that apart from main verticals, it has been focusing on design business and within that on the course consumer electronics.
22. The management states that manufacturing is an area that the company is investing as in India there are lot of opportunities especially Industry4.0 and IOT solutions that exist.
23. The management states that the company has also been involved in the Gaganyaan project of ISRO and the company done some very fantastic work there.

Analyst’s View:

Tata Elxsi had another good quarter with revenue growth of 22.9% YoY and profit growth of 25.9% YoY in Q4FY23. The company continues to see good growth in all segments and recovery in the transport segment. The deal wins in the media and comms space have been very encouraging. The auto segment continues to recover and the opportunities for Tata Elxsi in this space are getting better with more and more auto players coming onto the EV and connected vehicles bandwagon. It has been hiring aggressively and is not expected to slowdown in its hiring trend according to the management. The company has also seen good growth in the auto sector for Tata Elxsi and it is looking to target 2 and 3-wheeler EVs in India with its service offerings. It remains to be seen how the company will be able to retain its top talent given the high attrition in the industry and what opportunities will the company explore to grow its new verticals. 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.

Tracxn Technologies

Financial Results & Highlights

Brief Introduction:

Founded in 2013, Tracxn Technologies provides market intelligence data for private companies. The company's extensive global database and customized solutions and features allow its customers to source and track companies across sectors and geographies to address their requirements. It is a data and software platform for the private markets globally, serving venture capital funds, private equity funds, investment banks, and Fortune 500 corporations.

Quarterly Performance											
TRACXN TECHNOLOGIES LTD											
Narration	Sep-20	Dec-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales			15	15	16	17	18	19	20	20	78
% Growth YOY					#DIV/0!	#DIV/0!	23%	28%	23%	19%	
Expenses			16	17	16	17	18	18	19	20	76
EBITDA	-	-	-1	-2	1	-0	0	1	1	1	3
Depreciation			0	0	0	0	0	0	0	0	0
EBIT	-	-	-1	-2	1	-0	0	1	1	1	2
EBIT Margin			-4%	-13%	5%	-1%	1%	5%	4%	3%	
Interest											-
Other Income			-0	-3	0	-0	1	1	5	1	8
Profit before tax	-	-	-1	-5	1	-0	1	2	6	1	10
PBT Margin			-5%	-32%	7%	-2%	5%	8%	31%	7%	
% Growth YOY					#DIV/0!	#DIV/0!	-217%	-132%	480%	-458%	
Tax										-23	-23
Net profit			-1	-5	1	-0	1	2	6	25	33
% Growth YOY					#DIV/0!	#DIV/0!	-217%	-132%	480%	-6722%	

Detailed results-

1. Revenue from operations for Q4 FY23 was 20.3 crore, a 19% YoY increase. Total income was 20.1 crore.
2. EBITDA for Q4 FY23 was 0.7 crore, with a margin of 3.4%. PAT for the same period was 1.2 crore, with a margin of 6.1%
3. For FY23, revenue from operations was 78.1 crore, a 23% YoY increase. Total income was 81.2 crore.
4. EBITDA for FY23 was 2.6 crore, with a margin of 3.3%. PAT for FY23 was 5.3 crore, with a margin of 6.8%.
5. Free cash flow generated in FY23 was 11.9 crore, a 143% YoY increase. Cash and cash equivalents stood at 60.3 crores.
6. In Q4FY23, EBITDA margin stood at 3.4%, an expansion of 4.4%.
7. In Q4FY23, PAT stood at 1.2 Crs, a growth of 290% YoY and PAT margin stood at 6.1%, an expansion of 4.3% YoY
8. International revenue:Indian revenue stood at 68:32

Investor Conference Call Highlights

1. The company stated that revenue growth primarily came from existing customers through expansion in the number of licenses or seats.
2. The company experienced an increase in employee expenses due to headcount growth for various growth initiatives.
3. Rental expenses increased due to capacity expansion as employees returned to the office.

4. Compliance and governance-related costs contributed to the increase in other expenses.
5. The company expects a lesser increase in expenses in the upcoming quarters, with a significant portion of incremental revenue going into the bottom line.
6. The company aims to be a pioneer in using generative AI technology both for user-facing experiences and back-end operations. They are currently working on projects that include user-facing initiatives, such as making it easier for users to query and access data through chat interfaces, as well as back-end projects for production and operations.
7. The company believes the private market is a significant opportunity, and technology enables them to provide valuable information and insights to customers.
8. Expansion into the listed side is not a current focus. The company sees ample opportunities in the unlisted space, including serving investment firms, VC/PE funds, and corporates for M&A and digital transformation needs. The company added that there may be modules relevant to listed players, but the core customer base remains in the private market and corporate segments.
9. When an analyst asked about the lower revenue-to-EBITDA conversion this year and whether it will revert to the 60%-65% range the company responded that they expect the revenue-to-EBITDA conversion to improve and go back to over 50% within a couple of quarters. They have taken steps to optimize costs, and leading indicators, such as headcount trends, show progress in that direction.
10. An analyst raised concerns about declining realizations in the current quarter despite increasing customer accounts and the company explained that while the average realized pricing has increased marginally from last year, the company focuses on acquiring new customers with smaller seat sizes while also working to increase seats within existing organizations. The overall average selling price (ASP) may remain in the same range, but they continue to aggressively grow the customer base.
11. The company stated that new customers are opting for fewer users initially, starting with 1 or 2 seats/licenses.
12. The revenue per customer account may recover next quarter, indicating that the current decrease is an aberration.
13. There is no pricing pressure or changes in pricing observed.
14. Tracxn has a limited number of competitors in the private market data space, with about five or six major players.
15. Tracxn's market share is currently in single digits, even with 1,200 accounts out of a potential 100,000 organizations.
16. Tracxn is not experiencing a slowdown in acquiring new customers or retaining existing customers due to the recession in the US.
17. The investment funding in the market indicates that the worst may be behind, and improvement is expected in subsequent quarters.
18. Tracxn generated increasing free cash flow and plans to utilize it for organic and inorganic growth, including potential dividends or buybacks.
19. The company has not yet formalized its dividend policy but plans to continue showing margin expansion and explore inorganic expansion in the future.
20. There is no immediate plan for strategic acquisitions.
21. The revenue from existing customers increased by 30% in FY23.
22. Existing customer addition was primarily driven by an increase in the user base rather than realization.
23. Buyback is of interest to the company, but no immediate plans have been finalized.

24. Tracxn has seen emerging use cases beyond private market investors, with corporates being equally significant. Use cases include M&A teams and innovation/digital transformation teams within corporations.

Analyst's View:

Tracxn Technologies Ltd. is a leading Data intelligence company and is ranked among the top five players globally in terms of the number of companies profiled offering data on private market companies across sectors. The company had a decent quarter with an increase in revenue by 19%. The company is optimistic about the opportunities that will arise in the private markets. It remains to be seen how the company deals with its new plan of action, which is to enter private markets rather than listed ones, steady rise in inflation and increase in expenses. Given the strong working and future plans, Tracxn Technologies Ltd. is an interesting stock to watch out for.

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Labware Products

Borosi Ltd

Financial Results & Highlights

Borosil Limited is an Indian company that operates in the glassware and laboratory equipment manufacturing industry. The company is known for its production of borosilicate glassware, which is highly resistant to thermal shock and is used in various applications such as laboratory equipment, consumer kitchenware, and solar glass.

	Quarterly Performance										
	BOROSIL LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**190**	**168**	**116**	**199**	**237**	**198**	**198**	**257**	**261**	**241**	**957**
% Growth YOY					*25%*	*18%*	*70%*	*29%*	*10%*	*22%*	
Expenses	157	136	103	156	202	162	172	219	240	204	**836**
EBITDA	**33**	**32**	**13**	**43**	**36**	**36**	**26**	**38**	**21**	**37**	**122**
Depreciation	8	8	7	7	7	6	6	6	6	12	**31**
EBIT	24	24	6	36	29	30	20	32	15	24	**91**
EBIT Margin	*13%*	*14%*	*5%*	*18%*	*12%*	*15%*	*10%*	*12%*	*6%*	*10%*	
Interest	0	0	0	0	0	0	0	0	0	1	**2**
Other Income	6	5	2	4	8	-1	7	4	18	5	**33**
Profit before tax	**30**	**29**	**8**	**39**	**36**	**28**	**26**	**35**	**33**	**28**	**122**
PBT Margin	*16%*	*17%*	*7%*	*20%*	*15%*	*14%*	*13%*	*14%*	*12%*	*12%*	
% Growth YOY					*19%*	*-1%*	*236%*	*-10%*	*-10%*	*-1%*	
Tax	9	11	12	14	12	-4	6	8	7	6	**28**
Net profit	**22**	**18**	**-4**	**25**	**24**	**32**	**20**	**27**	**25**	**22**	**94**
% Growth YOY					*10%*	*81%*	*-585%*	*7%*	*5%*	*-31%*	

Detailed Results:

1. Consolidated revenues from operations crossed INR 1000 crore mark for the first time, reaching INR 1027 crores, representing a growth of 22.3% over the previous year.
2. Consolidated EBITDA for FY23 was INR 138.3 crores, with an EBITDA margin of 13.5%.
3. Income from investments was INR 1.9 crores in FY23.
4. Profit before tax for FY23 was INR 96.7 crores, and consolidated PAT was INR 90.2 crores.
5. Borosil's consumer business achieved sales of INR 741.8 crores, a growth of 29.5% over FY22.
6. Opalware brand, Larah, achieved sales of INR 260.6 crores, growing by 18.7%.
7. Net sales for the scientific products division were INR 285.3 crores, a growth of 7% over FY22.
8. Consumer products' EBITDA margin was 11.4% in FY23, impacted by inflation in the cost of materials and power expenses.
9. Scientific products' EBITDA margin was 18.1%, affected by higher product development costs in LabQuest and lower margins in Klasspack.

Investor Conference Call Highlights:

1. Glassware product sales grew by 21.9%, while the non-glassware range recorded a growth of 46.2%.
2. Non-glassware sales now compromise about 62% of revenue, driven by the success of extending the Borosil brand.

3. Lab glassware sales grew by 20%, maintaining Borosil's market share of close to 65% in the organized lab glassware market.
4. Lab instrumentation sales under the brand LabQuest grew by 20.3%.
5. Klasspack sales were impacted, declining by 19% due to the drop in COVID-related demand.
6. The company had a net cash reserve of INR 90.4 crores as of March 31st.
7. Projects for increasing production capacity and reducing reliance on supply chains are underway.
8. Anticipated CAPEX investments for FY24 amount to INR 200 crores, including the commissioning of a new Pressware furnace and solar power implementation.
9. The estimated addressable market size for the acquisition is about 1500 crores globally.
10. The Indian market is growing disproportionately due to higher R&D spends in pharmaceutical and defense sectors.
11. The goal is to double the revenues from the acquisition, which could be achieved within 4 years, with a stretch target of 3 years.
12. Integration of Goel into Borosil's systems and processes will take approximately 6 months.
13. The new furnace coming online is expected to increase production capacity, but sales may take time to catch up.
14. The target is to sell 60%-70%-80% of the new production line in the current year and achieve full capacity utilization by the next year.
15. The backward integration of the tubing furnace is still in progress, and further updates will be provided in the next quarter.
16. The vials and ampules CAPEX is in line with the plan, and installations will be completed by the end of the year.
17. The Opalware capacity utilization was around 30%-35% in the last quarter, with a target of achieving 60%-70% capacity utilization.
18. The business has reported lackluster numbers with only 8% Y-o-Y growth in sales.
19. Exports in the scientific division grew by almost 50% in FY23, driven by quality improvements.
20. The focus is on cross-selling and upselling within the existing 20,000 retail outlets rather than aggressively increasing the number of outlets.
21. The goal is to increase penetration of more product ranges and SKUs within each range.
22. Flasks, OTGs, sandwich makers, and steel serving items have performed well.
23. The growth has been broad-based and not reliant on any one specific product.
24. The company has around 20 crores worth of legacy investments that will be sold in the next year or two.
25. The management states that the company's consumer glassware division aims to achieve capacity utilization 3 to 4 times higher than current sales. The margins for this division are expected to be similar to the Larah division, with the potential for improvement based on capacity utilization.
26. The management mentions that it's difficult to provide specific utilization targets for the coming years. He states that achieving 100% capacity utilization within 2 to 3 years would be a good achievement, but the timeline depends on various factors such as new product development, export sales growth, and customer adoption.

Analyst's View:

Borosil Limited is a supplier of laboratory glassware, microwavable 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. The acquisition of Goel Scientific Glass Works Limited is anticipated to generate synergies and broaden the product portfolio, facilitating the expansion of the business. By introducing new product ranges at premium prices, the company aims to enhance its premiumization strategy and drive further growth. Recent price increases have resulted in the product being perceived as overpriced in certain markets. However, with the upcoming production capacity, the company is poised to offer a significant price advantage, thereby regaining market share. It is important to note that the company maintains a long-term perspective, prioritizing sustainable business development and not becoming excessively preoccupied with short-term fluctuations in margins.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	60	68	69	76	71	85	69	71	61	82	283
% Growth YOY					17%	26%	-1%	-6%	-13%	-3%	
Expenses	30	33	32	38	38	41	37	39	35	43	153
EBITDA	31	35	37	38	33	44	31	33	27	39	130
Depreciation	3	3	5	5	5	7	6	7	7	8	29
EBIT	27	31	32	34	28	37	25	26	19	31	101
EBIT Margin	45%	47%	47%	44%	39%	44%	36%	36%	32%	38%	
Interest	1	1	1	2	1	0	0	1	1	2	4
Other Income	2	1	2	1	2	3	3	4	3	2	12
Profit before tax	28	32	33	34	29	39	27	29	22	31	109
PBT Margin	47%	47%	48%	44%	41%	46%	40%	40%	35%	38%	
% Growth YOY					2%	24%	-18%	-14%	-25%	-21%	
Tax	7	8	9	9	7	10	7	7	5	8	28
Net profit	21	24	25	25	21	29	20	21	16	23	81
% Growth YOY					2%	25%	-18%	-14%	-25%	-23%	

Detailed Results:

1. The company witnessed revenue degrowth of 0.05% FY22 vs FY23 & a growth of 34% on quarterly basis.
2. The EBITDA stood at 39.3 Crs in Q4FY23, a growth of 47%.
3. The EBITDA margins for Q4FY23 stood at 47.8% Vs 52.2%.
4. The PAT stood at 22.8 Crs, a growth of 42%.
5. The GP margin stood at 75.2%, negative 230 bps. PAT margin stood at 27.8%, a growth of 27.8%
6. Exports: Domestic stood at 33:67 for the year FY23.
7. Cash flow from operating activities was INR 100 crores, indicating a healthy conversion of profit to cash.

Investor Conference Call Highlights:

1. The company stated that the global life science industry has faced challenges due to the pandemic, but there are indications of recovery.
2. Tarsons Products Limited has shown resilience and outgrown the industry in terms of revenue growth.
3. The company is strategically positioned to capitalize on the growing demand for plastic labware products.

4. The company stated that the export opportunities present a significant market opportunity, and the company aims to increase its market share in international markets.
5. The company plans to commence commercial production at its Panchla manufacturing facility in Q2 FY '24.
6. The focus is on maximizing sustainable growth potential through strategic investments in new product development and expanding production capacity.
7. The company strated that revenue from export sales contributed around 30% for Q4 FY '23 and 33% for FY '23.
8. The company stated that No significant increase in labware demand or inventory stocking up has been observed due to mandatory testing of cough syrup exports or possible COVID waves.
9. The company stated that the increase in inventory days is primarily due to increased raw material stock, new product launches, and the need to keep stock for sample production and periodic repairs.
10. The Panchla facility is expected to contribute to revenue growth, but specific numbers were not provided.
11. The company has incurred INR 500-550 crores of capex for Panchla and Amta facilities, and the remaining capex to reach the INR 500 crores guidance was not mentioned.
12. The company is hopeful of maintaining similar margins in the future.
13. The company focuses on increasing costs year-over-year by adding more people, increasing salaries, and avoiding layoffs.
14. The company stated that some expenses may appear as costs in the P&L account, but the company sees them as investments.
15. Reusable and consumable segments have similar margins.
16. The company focuses on new segments based on market demand and is not concerned about specific ratios in the renewable or consumable segments.
17. The company stated that the Panchla plant has the capability to generate INR 500 crores in revenue at full capacity.
18. The Middle East market is growing, but the company does not have a dominant position there.
19. The global export opportunity size is approximately $8 billion, with a focus on developed countries for strong OEM relationships and developing countries for building a branded presence.
20. The company focuses on increasing the number of people to cover various areas rather than increasing the number of channel partners or distributors.
21. Revenue from replacement demand is generally higher than new demand for existing products.
22. The diagnostic sector is facing pressure, academia and research are affected by reduced government funds, the pharma segment is stable, and the biotech CRO space is growing.
23. Sequential growth in the last quarter primarily came from pharma, biotech, and CROs.
24. The company's dependence on the diagnostic sector is not more than 15%.

25. Revenue from new products like serological pipettes has shown significant growth, while PCR products have been affected by reduced COVID-related testing.
26. Revenue from PETG bottles has been low in Q4 FY '23.

Analyst's View:

The company had a good quarter with revenues increased by 34% owing to an industry-wide slowdown. The company is also focusing on expanding rapidly. It remains to be seen how the company will increase its presence in the export market & 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.

Lifestyle & Travel

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**17**	**19**	**7**	**26**	**27**	**27**	**32**	**44**	**45**	**42**	**163**
% Growth YOY					*56%*	*39%*	*349%*	*72%*	*70%*	*57%*	
Expenses	16	15	10	23	23	23	28	39	39	36	**142**
EBITDA	**1**	**4**	**-2**	**3**	**4**	**3**	**4**	**6**	**6**	**5**	**21**
Depreciation	0	2	0	1	1	1	1	1	1	1	**3**
EBIT	1	1	-3	2	3	3	3	5	5	4	**18**
EBIT Margin	*6%*	*7%*	*-39%*	*8%*	*12%*	*9%*	*10%*	*11%*	*12%*	*10%*	
Interest	1	2	1	1	1	1	1	1	1	1	**5**
Other Income	0	0	0	0	0	0	0	0	0	0	**1**
Profit before tax	**-0**	**-1**	**-4**	**1**	**2**	**2**	**2**	**4**	**4**	**3**	**13**
PBT Margin	*-1%*	*-5%*	*-50%*	*4%*	*8%*	*6%*	*8%*	*8%*	*9%*	*8%*	
% Growth YOY					*######*	*-250%*	*-168%*	*289%*	*101%*	*114%*	
Tax	-0	-1	-1	0	1	1	0	1	1	1	**3**
Net profit	**0**	**-0**	**-3**	**1**	**1**	**1**	**2**	**3**	**3**	**2**	**10**
% Growth YOY					*1522%*	*-290%*	*-174%*	*253%*	*98%*	*125%*	

Detailed Results:

1. Sales grew by 57% YoY while PAT increased by 126% YoY.
2. EBITDA margins rose to 12.5% by 31 bps.
3. Channel contribution FY23 stood as:-
    - A. Online - 47.2%
    - B. Large format stores - 15.7%
    - C. Licensor flagship/Tommy Hilfiger stores - 10%
    - D. Co. owned Co. operated outlet - 5.4%
    - E. Franchisee Owned & operated outlet - 4.2%
    - F. Dealer & distributor - 17.5%

Investor Conference Call Highlights

1. The company signed two brands in FY23 namely- United Colors of Benetton-UCB (heavyweight) and Aeropostale (lightweight).
2. The management believes that going forward, seasonality will play a big factor where Q4 will be the weakest owing to weak demand & end of the season sales leading to markdown of items.

3. The company took 6-8 months to get a contract with UCB after getting all the background checks & understanding of the positioning of its products Vis-à-vis Tommy Hilfiger.
4. The company's license with UCB will last till 2030 & is exclusively for India.
5. The management succinctly explains its biz model as followed "we operate in three categories: Travel Gear; Small Leather Goods; and Women Handbags; which in general is known as travel bags and accessories category Now, for these categories we take a license of a brand. When I say license, it is not only distribution. We design, develop, manufacture and retail. We control end-to-end, start-to-finish, the entire value chain & Whatever revenue that we generate, there is a certain royalty that goes to the brand on the sales that we do. So for our product categories, we are the exclusive licensee."
6. The management explains its own store's economics – "see in the metros, we are hitting an SSPD of almost between 85 to 90 SSPD, meaning, sales per square foot per day. We hit in certain cases, we hit more than 100 also. But on an average, we hit about 85, 88 key SSPD, which is considered a very, very healthy SSPD. So you can imagine 85 into 30. So you'd be doing about Rs. 2,600, Rs. 2,700 per square foot per month, right? So, if it is a 500 square feet store with Rs. 2,500, Rs. 2,600, Rs. 2,700, this thing. It will roughly translate to about Rs. 13 lakh to Rs. 15 lakh rupees of sales per month from a Tier 1 metro kind of a city. And in Tier 2, we hit about 65% to 70% of these numbers."
7. The capex for a franchisee store is around 40-50 Lakhs or Rs.3000 per SSPD in other words.
8. The product mix stood as follows: Small Leather Goods contributed 51%- 52% of overall sales, Travel Gear contributed about 46% of the sales mix and the rest was Women's Handbags.
9. The company saw an increase in gross margins, however, the contribution margins reduced owing to higher selling & distribution expenses due to higher activity in its own marketplace.
10. The two new brands are expected to generate revenues from Q3FY24 & the contribution will be close to 8% out of the 30% growth projections for FY24.
11. The company expects to end FY24 with 45-50 own stores thus adding around 15-18 new stores in the year.
12. The management emphasizes its strong financial management wherein they are able to make PAT of 6% at this scale when its peers couldn't even break even. Further, its debtor & inventory days has reduced significantly V-s-a-vis the previous year & its financial leverage indicators have also improved with the current ratio & debt/equity ratio standing at 1.39 & 0.9.
13. The company might raise funds in the near future to finance its new capex for its hard luggage manufacturing capacity.
14. The management while highlighting the size of the market opportunity stated that since the market for its products is between 25,000-50,000 Crs while the organized segment contributes only 6000 Crs of sales, it expects there is enough runway for the next 15 years where value migration can take place from unorganized to organized segment.
15. The company doesn't plan to forfeit its licensing focus & instead go deep into developing its own brand unless they are able to address from gap in the market which their offering can solve rather than starting own brand for namesake.

16. The company will be starting a quality assurance team soon to ensure high quality for its own manufacturing. The company recently launched an international warranty wherein, despite not having any international stores, company will put a QR code on the bag which will redirect to its quality assurance page & the customer can get a credit of the bag's amount on putting a photo of the product. This is expected to ensure improved customer experience with the brand.
17. The management believes that their own manufacturing will lead to higher margins, product differentiation, & better quality control.
18. The company's advertisement will be through online digital route Vs the TV medium.
19. The company won't be spending 8-10% of sales on marketing as it has already acquired franchises where it pays royalty due to their presence & hence the ad-spend will be solely on growing their categories. The Ad-spend for FY23 was around 3 Crs.
20. The license fee for FY23 stood at 16-17 Crs.
21. The company has received the new contract for Tommy Hilfiger.
22. The contribution margins in online segment are 4% higher where Myntra contributes 40% of the online sales while the company is also seeing good traction in Amazon & TataCliq.
23. The company's own portal- bagline has started generating decent revenues of around 13-15 lakhs per month.
24. The contribution margins for the newer brands will be lower Vs Tommy Hilfiger, however, the EBITDA margins are expected to be similar.
25. The management is focused on opening Company owned company operated stores in A+ locations due to its recent experience of getting very high ROI in these places.
26. The new capex will require around 20 Crs (excluding land) & the company also expects the sales from its subsidiary IFF overseas to the company to increase from 20% in FY23 to around 50% in FY24 with remaining being used for contract manufacturing.

Analyst's View

The company reported a strong quarter with sales & profits growing by 57% & 120% YoY, 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 UCB & Aeropostale will materialize. However, given its strong growth potential, this is an interesting stock to keep on one's watchlist.

Goldiam International Limited

Financial Results & Highlights

Brief Company Introduction

Incorporated in 1986, Goldiam International Ltd is engaged in the business of manufacturing and exporting gold and diamond jewelry to global retailers.The Co is a supplier of Natural diamond jewellery and Lab grown diamonds (LGD) and jewellery to global retailers, departmental stores and wholesalers. Its products include Engagement Rings, Wedding Bands, Anniversary Rings, Bridal Sets, Earrings and Pendants.

	Quarterly Performance										
	GOLDIAM INTERNATIONAL LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**157**	**129**	**151**	**166**	**218**	**152**	**135**	**85**	**178**	**135**	**533**
% Growth YOY					*39%*	*18%*	*-11%*	*-49%*	*-18%*	*-11%*	
Expenses	118	108	122	144	167	125	109	63	145	112	**429**
EBITDA	**39**	**21**	**29**	**22**	**51**	**28**	**26**	**23**	**33**	**23**	**104**
Depreciation	1	1	1	1	1	1	1	2	2	2	**7**
EBIT	38	20	28	21	50	26	24	20	31	21	**96**
EBIT Margin	*24%*	*15%*	*19%*	*12%*	*23%*	*17%*	*18%*	*24%*	*17%*	*15%*	
Interest	0	0	0	0	1	-0	0	0	-0	-0	**0**
Other Income	18	3	4	9	6	6	6	8	7	-0	**21**
Profit before tax	**56**	**22**	**32**	**29**	**55**	**33**	**31**	**28**	**39**	**21**	**117**
PBT Margin	*35%*	*17%*	*21%*	*17%*	*25%*	*21%*	*23%*	*33%*	*22%*	*15%*	
% Growth YOY					*-1%*	*47%*	*-5%*	*-4%*	*-30%*	*-37%*	
Tax	11	13	8	9	15	10	9	9	10	4	**32**
Net profit	**39**	**10**	**24**	**19**	**40**	**23**	**21**	**19**	**29**	**16**	**84**
% Growth YOY					*2%*	*135%*	*-10%*	*-4%*	*-28%*	*-29%*	

Detailed Results:

1. The company had a poor quarter with revenue reducing by 15% while PAT fell by 29%.
2. EBITDA margins reduced from 21.3% to 16.7%.
3. The company has proposed a buyback of ₹326.92 mn., which is up to 2% of the equity of the company.
4. The company has an order book size of ₹ 1,000 mn & This order book is expected to be executed in the next four-six months

Investor Conference Call Highlights

1. The company saw a decrease in sales in USA owing to recessionary conditions.
2. The share of lab-grown jewelry in the overall mix stands at 23% in FY23.
3. The management explained that although the economic situation in the USA hasn't completely stabilized, some green shoots are visible.
4. The value for one unit of lab-grown diamond jewelry for last year was about $1,100 and for natural diamonds, it was $530 per piece.
5. The management explains that people are preferring to buy lab-grown diamond jewelry right now because the natural diamond price of the jewelry for the same styling is 10 times higher priced.
6. The company's mantra for gaining a competitive advantage in the highly competitive lab grown space is to focus on the distribution end by internally consuming the LGD produced & then selling directly to the retailers in USA instead of wholesalers.
7. The management when asked about its strategy for entering the India market stated "The interesting thing about lab-grown is that we'll be using solitaire in our presentation to the Indian

consumers. Because of the cost of solitaire with our fully backward integration, we will be enhancing our margins when we sell domestically. So, we will be looking at mid-market jewelry segment anywhere from the price point of Rs.25,000 retail all the way to Rs.4,00,000 retail should be a price point."

8. The Russian companies are unable to distribute natural diamonds in India due to dollar payment issues, because of which the prices of diamond has increased & the retailers are delaying the purchase orders for the same due to very high prices.
9. The management will give more information about India business plans in Q2 concall, but it has guided for opening of its own stores in future.
10. The company doesn't has major differences in terms of yield per machine with peers.
11. The company's jewel fleet business has not gone as per plans & the company has pivoted where it will be used by the wholesale store owners as a sales tool to display the jewellery. The company has stopped any further investment in the development of the website & plans to add only new designs on the same.
12. The company is bullish on the increased presence of its online biz & explained the biz model- "All our online sales are B2B online sales, so we sell through our retailer's website, so for example, some of our large retailers, like brands of Cigna Jewelers, Walmart, JCPenney, etc., on their websites, we list our products and sales on those is what is counted over here."
13. The company's growth strategy is tilted toward increasing its wallet share with the existing 5-6 retailers instead of adding more retailers as it would lead to competition with its own designs & products.
14. The management believes that currently, there is no sizable organized domestic player in the LGD space.
15. The management when asked about the reason for the higher inventory stated "the main reason for the higher inventory, as was mentioned by the chairman was the inventory held for e-commerce as one requirement and also the requirement to consign a certain amount of lab-grown diamonds with retailers in the US as this new industry category gets pushed into their stores. So, these are the two main reasons for the high inventory this year."
16. The company sources the diamond seeds from players of Japan, Turkey and Germany. The pricing of these seeds has dropped by 15-20% recently.
17. The company has 100% capacity utilization for LGD.
18. The company will not receive any benefits for reduction of import duty on diamond seeds as its facility is located in SEZ, so it has not paid any duty historically.
19. The company is highly focused on the USA diamond market as it is more profitable, well structured, & higher market size as the country consumes more diamond on a per unit & per piece basis.
20. The management when asked about the rationale for lower premium on the buyback price stated- "since it's the phase of consolidation for the Company, so the Company should be able to conserve some more cash for future expansions".

Analyst's View

Goldiam International is among the leading jewelry exporters in the country with a strong presence in countries like the USA. The company's fortunes have improved significantly after the introduction of lab-grown diamonds which now contribute close to 25% of total revenues. The company saw a poor quarter with sharp revenue & profit degrowth of 15% & 29% respectively. The company is currently evaluating its entry into the Indian market & looking at growing its online presence. It remains to be seen how the company will tackle the current recessionary climate which is hurting its sales growth, coupled with higher competition in the LGD space from producers in Gujarat & Rajasthan & how will it allocate its surplus current investments & cash which are close to 250 Crs. However, given its strong past track record & growth opportunities in new geographies as well as in the LGD space, it remains an interesting stock to keep track of.

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Ethos Ltd

Financial Results & Highlights

Brief Company Introduction

Ethos Limited ("Ethos") was incorporated on November 5, 2007 and promoted by KDDL Limited. Ethos is India's largest luxury and premium watch retail player. thos is India's largest luxury and premium watch retail player having 13% share of the total retail sales in premium and luxury segment and 20% share when seen in the exclusive luxury segment in FY20. Ethos has 50 stores spread across 17 cities. Ethos Summit exclusively houses bridge to luxury, Luxury & High Luxury Brands, while Ethos Stores house the premium & fashion range as well. Ethos sell their products through (i) stores categorized as Ethos Summit Stores, multi-brand stores, Ethos Boutiques, Airport Store, CPO luxury watch lounge, and mono-brand boutiques, and (ii) via online channels.

Quarterly Performance											
	ETHOS LTD										
Narration	Sep-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales		123	89	134	195	159	174	178	230	208	789
% Growth YOY					#DIV/0!	29%	95%	32%	18%	31%	
Expenses		107	82	121	169	139	147	152	195	182	675
EBITDA	-	16	7	13	26	20	27	26	35	25	113
Depreciation		8	7	8	9	8	8	8	9	10	35
EBIT	-	8	-0	5	17	12	19	18	26	16	79
EBIT Margin		7%	0%	4%	9%	7%	11%	10%	11%	8%	
Interest		4	4	4	4	5	4	3	3	3	14
Other Income		2	5	3	3	3	2	4	4	5	15
Profit before tax	-	6	1	4	16	10	17	18	27	17	80
PBT Margin		5%	2%	3%	8%	6%	10%	10%	12%	8%	
% Growth YOY					#DIV/0!	64%	1136%	390%	69%	75%	
Tax		2	0	1	4	2	4	4	7	4	20
Net profit		4	1	3	12	8	13	14	21	13	60
% Growth YOY					#DIV/0!	79%	1288%	410%	71%	68%	

Detailed Results:

1. Omni-channel approach and strategic partnerships with Swiss brands will increase market share and improve margins.
2. Q4 FY '23 revenue from operations increased by 30.8% to INR 208 crores compared to INR 159 crores in the previous year.
3. EBITDA for Q4 FY '23 grew by 33.4% year-on-year (Y-o-Y) to INR 30.6 crores.
4. Profit after tax for Q4 FY '23 was INR 13.3 crores, showing a growth of 69.4% Y-o-Y.
5. Revenue for FY '23 stood at INR 788.5 crores, with a growth of 36.6% Y-o-Y.
6. EBITDA for FY '23 was INR 128.9 crores, showing a growth of 61.7% Y-o-Y.
7. Profit after tax for FY '23 was INR 60.3 crores, with a PAT margin of 7.5% compared to 4% last year.

Investor Conference Call Highlights

1. Temporary foreign exchange impact resulted in a decrease in gross margins, which is expected to be phased out with price corrections in Q1 FY '24.
2. Inventory days on 31st March '23 stood at 157 days of sales, gross debt was INR 8 crores, and cash and cash equivalents were INR 228.6 crores.
3. The company stated that India is recognized as one of the markets with the highest growth potential for premium and luxury goods.
4. The company stated that Retail expansion is happening not only in metro cities but also in Tier 2, Tier 3, and Tier 4 cities.

5. There is a sustained rise in the interest of the younger population (25-40 years) in mechanical watches.
6. Growing interest in the second-hand market and changing habits of buying and selling pre-owned luxury goods. The pre-owned market offers affordability and collectability, gaining popularity among the younger generation.
7. The Indian watch market is fast-growing, and Ethos Limited is confident in expanding and exploring this market.
8. Ethos Limited currently has 56 stores in 22 cities and plans to open 40 more locations in the next two years.
9. Ethos Limited is relatively new in the jewelry market and believes its expertise from the watch industry will help develop an effective strategy for jewelry markets
10. Revenue from the pre-owned watch segment (second movement) in FY '23 was INR 50 crores, showing a growth of 61% year-on-year.
11. Ethos Limited aims to continue store expansions and sales growth while focusing on profit growth and profitability.
12. Confident in the growth prospects for FY '24, with a target of achieving revenue growth between 25% and 30% for the year.
13. The company stated that previously, rapid growth was observed only in the high price segments, but now growth is happening across all segments.
14. Supply side constraints in the watch industry are easing, but there are still constraints for collectible and high-demand models.
15. Ethos Limited has exited the fashion watch segment below certain price points and is focused on higher-priced segments.
16. The brand Messika, which Ethos Limited has started with, is gaining traction, and there are plans to expand points of sale.
17. India is gaining importance for international and Swiss luxury brands, and Ethos Limited expects to receive allocations of hard-to-find pieces in the future.
18. The depreciation of the INR may lead to higher watch prices, which could impact consumer sentiment.
19. The management is satisfied with the current gross margins, which are ahead of projections and comparable to global luxury watch business margins.
20. SSG (same-store sales growth) for the previous year was 30%, which was an outlier. The steady target for the next three to four years is SSG growth between 12% and 15%.
21. The company remains open to exploring other segments in the future, but they are currently focused on their core expertise in the watch industry.
22. The company is targeting both new cities and new geographies within existing cities for opening new stores. Examples of new cities include Indore, Bhopal, Siliguri, Bhubaneshwar, Raipur, and Surat. They are also focusing on new locations within cities like Bangalore and Ahmedabad.
23. The company expects a stable gross margin range of 30% to 31% on a yearly basis, which is comparable to other international luxury watch retailers. There is a possibility that gross margins could increase slightly in the coming years, especially with the addition of more exclusive brands.
24. The company has not observed any similar slowdown in Swiss watch demand in India. They remain confident in the growth potential of the luxury watch segment.
25. The company's focus is on achieving profitability within the first year of store operations.
26. The company stated that Service revenue and the pre-owned business are separate entities. Currently, service revenue is not focused on as a profit center, but the goal is to structure the

service business as a profit center in the future. In the previous year, service revenues were estimated to be in the range of INR 6 crores to INR 7 crores.

27. The company has invested in the revived brand called Haute-Rive, which is created by a talented watchmaker. The brand specializes in highly specialized, collectible watches with high price points. The watches are expected to be available in about 12 to 18 months. This investment provides strategic information about high-end watchmaking, including supplier networks, influencer networks, and market trends.
28. Certified Pre-Owned- CPO revenue is INR 50.4 crores, showing a growth of over 60% compared to the previous year's revenue of INR 52.5 crores (billing).
29. The company stated that approximately 46% of the sales come from repeat customers

Analyst's View

Ethos Limited operates a chain of luxury watch boutiques. The Company retails new and used watches for men and women, as well as accessories such as bags, cufflinks, jewellery, wallets, and wolf watch boxes. The company has been in the business for more than 15 years. The company's performance in Q4 and FY '23 demonstrates its dominance in India's premium and luxury watch segments. It remains to be seen how the company deals with steady rise in inflation and changing trends in the watch business specifically. Given the company's strong positioning, Ethos is a good premium goods stock to look out for.

MHRIL

Financial Results & Highlights

Brief Company Introduction

Mahindra Holidays and Resorts India Limited is a leading player in the vacation ownership and leisure hospitality industry. Mahindra Holidays and Resorts is a vacation ownership company that offers members the opportunity to own and use vacation accommodation at its resorts located in India and abroad. The company also operates resorts on a time-share basis, providing holiday accommodation to non-members. Mahindra Holidays and Resorts is a subsidiary of the Mahindra Group, one of the largest diversified conglomerates in India. The company currently operates 102 resorts across India and other international locations such as Austria, Finland, France, Malaysia, Sweden, Thailand, and the United Arab Emirates.

Quarterly Performance											
MAHINDRA HOLIDAYS & RESORTS INDIA LTD											
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**489**	**465**	**371**	**546**	**553**	**543**	**605**	**598**	**602**	**712**	**2,517**
% Growth YOY					*13%*	*17%*	*63%*	*10%*	*9%*	*31%*	
Expenses	414	421	343	428	472	455	505	482	511	547	**2,045**
EBITDA	**75**	**44**	**28**	**118**	**81**	**88**	**100**	**116**	**91**	**165**	**472**
Depreciation	66	68	67	67	68	70	69	70	72	79	**290**
EBIT	9	-24	-39	52	13	18	31	46	18	86	**182**
EBIT Margin	*2%*	*-5%*	*-10%*	*9%*	*2%*	*3%*	*5%*	*8%*	*3%*	*12%*	
Interest	28	18	28	21	24	27	23	23	40	33	**119**
Other Income	26	31	47	47	31	40	32	29	23	24	**108**
Profit before tax	**7**	**-11**	**-19**	**78**	**20**	**32**	**40**	**53**	**1**	**77**	**171**
PBT Margin	*1%*	*-2%*	*-5%*	*14%*	*4%*	*6%*	*7%*	*9%*	*0%*	*11%*	
% Growth YOY					*188%*	*-393%*	*-304%*	*-33%*	*-93%*	*143%*	
Tax	8	-1	2	18	7	16	10	11	15	21	**57**
Net profit	**0**	**-10**	**-21**	**59**	**14**	**16**	**30**	**41**	**-12**	**56**	**115**
% Growth YOY					*7971%*	*-260%*	*-239%*	*-31%*	*-187%*	*247%*	

Detailed Results:

1. The company added 17,477 members in FY23, which is up +37% YoY, taking the cumulative membership base to 2,81,820 members as on 31st Mar'23.
2. The company added 372 rooms in FY23, taking the total room inventory to 4,940 rooms.
3. The company's PBT excl. one offs was Rs. 183 Cr for FY23 (+17% YoY) with a 14.4% PBT margin.
4. The company has Rs. 734 Cr (+70% YoY) Membership sales value with Rs. 4.2 Lakhs (+24% YoY) Average Unit Realization.
5. Resort Performance was at 84% occupancy in FY23, with 323 Cr highest ever resort revenue.
6. The company added 5,097 members in Q4, which is up +26% YoY, taking the cumulative membership base to 2,81,820 members as on 31st Mar'23.
7. The company added 256 rooms in Q4, taking the total room inventory to 4,940 rooms.
8. The company's PBT excl. one offs was Rs. 38 Cr for Q4 (+18% YoY) with a 11.5% PBT margin.
9. The company has Rs. 206 Cr (+33% YoY) Membership sales value with Rs. 4 Lakhs (+6% YoY) Average Unit Realization.
10. Resort Performance was at 85% occupancy in Q4, with Rs. 80 Cr (+40% YoY) highest ever quarterly resort revenue.
11. Member acquisitions through the Referral and Digital route was at 57% in FY23.
12. Cumulative member base was at ~2.82 Lakhs, including 85% fully paid.
13. The company's Member-to-room ratio improved further this year to 57.

14. The company introduced a new 15-year product in FY23.
15. FY23 Sales Value growth of 70% YoY on account of higher member additions and improved AUR of Rs. 4.2 lakhs vs Rs. 3.4 lakhs in FY22.
16. The company increased its overall room count to 4,940 keys by end of FY23 with addition of 372 rooms.
17. As on 31st Mar'23, the company has overall 135 destinations including 82 properties in India, 20 properties in South-East Asia & Middle East and 33 destinations in Europe across Finland, Sweden and Spain.
18. The total income breakup for Q4FY23 is INR 332 Cr split-up into :-
    1. Vacation Ownership :- Rs. 230 Crore
    2. Resort : - Rs. 80 Crore
    3. Others : - Rs. 22 Crore
19. The total income breakup for FY23 is INR 1275 Cr split-up into :-
    1. Vacation Ownership :- Rs. 874 Crore
    2. Resort : - Rs. 323 Crore
    3. Others : - Rs. 78 Crore
20. The company had deferred revenue of Rs. 5,326 Cr with a Net addition of Rs. 244 Cr in FY23.
21. The company had a strong cash position of Rs. 1,158 Cr with a strong Asset base of Rs. 2,350 Cr (including Land valued at Rs. 1,235 Cr and excludes Long-Term Leases valued at Rs. 381 Cr).
22. The company has 6 projects in total, planned for FY24 including Greenfield, Brownfield and Acquisition projects planned to increase 740 keys.
    1. Expansion Projects of 290 keys include a 72 key resort at Kandaghat, HP being expanded by 185 keys to make a 257-key flagship resort.
    2. 3rd phase of constructing 44 keys at Assonora, Goa in Oct'22 to make this a 244-key resort.
    3. Expansion of 62 keys at Puducherry to make it a 187 key resort. Construction expected to commence in Q1FY24.
    4. Greenfield expansion of 380 keys to include a 236 keys resort at Ganpatipule, MH with construction expected to commence in April'23.
    5. Construction also expected to commence for 141 keys Resort at Theog, HP.
    6. Acquisition and upgradation a 73 keys resort Tree House, Jaipur to be completed in Q1FY24

Investor Conference Call Highlights

1. The management states that the travel and the hospitality industry has witnessed significant demand for domestic leisure travel despite record airfares and soaring hotel tariffs.
2. The management comments that it is seeing more and more travellers visiting its resorts, staying in spacious accommodations resulting in a high occupancy and high member spends.
3. The management states that immersive family vacation experiences helped the company gain strong momentum in upgrades, resulting in the highest ever upgrades at INR 188 crores, up 71% for FY23 and INR 55 crores, up 41% for Q4.
4. The company expanded its presence in domestic locations through PPP projects, with the Himachal government in Janjheli, which is in Mandi district, and is a project that has been completed in record 7 to 8 months.
5. The company has expanded its presence by having an opportunity for its members to holiday in Lachung, Sikkim; Jambhughoda in Gujarat, Tirupati in Andhra Pradesh, Amba Ghat in Maharashtra, and some villa experiences for members in Goa and Panchgani.

6. The company continues to expand its international footprint across countries like Maldives, Cambodia, Vietnam, Abu Dhabi, Nepal and Chiang Mai.
7. The company expects to continue the momentum in inventory acceleration multiple Greenfield and Brownfield resorts including a few acquisitions for total 750 keys in FY24.
8. The company has received all permissions for starting the Ganpatipule project and the work has started already in April'23.
9. The Ganpatipule project will be a 236 keys resort that will come out on the side of the Arabian Sea Coast, with an investment of about INR 250 crores.
10. The company has finished acquiring land in Theog, and construction shall begin for this 141 keys resort.
11. The management has envisioned to do about 1600 keys in about three to four years its own investments with a capex outlay of roughly INR 1600 to INR 1700 crores. The investments will be done from internal accruals and the company will not have any borrowings for it.
12. The company's resort Madikeri, is India's first resort which is certified in all three categories, which is net zero on waste, energy and water.
13. The company has installed a cumulative capacity of 5.7 megawatts of Solar, across 22 resorts which is meeting 20% of the total energy demand.
14. The company plans to take Solar forward to 11.7 megawatts which will result in 40% of the total energy demand being served through solar in the company's resorts.
15. The management states that the turnaround process for HCR has already started with Q4 being a great quarter.
16. The company's total revenue in Finland has grown by 24% YoY in Q4, 18% YoY in FY23, despite Russia-Ukraine was and high inflation. This was mainly due to the strong domestic demand during the summer holiday season and the skiing season.
17. Q4 revenue from Timeshare has grown 57% YoY, driven by higher sales and better realizations, and Q4 SPA hotels revenue grew 19% YoY, driven by higher occupancies, improved ARRs and increase in F&B revenues, at the company's Finnish resorts.
18. HCR business witnessed a significant turnaround in Q4, delivering an Operating Profit of EUR 6.4 million and PAT of EUR 4 million.
19. The management states that while Real Estate in Finland continues to be under pressure due to higher interest rate scenarios, the timeshare business has picked up as it has a lower transaction price while allowing a partial ownership of a second home.
20. The company has added a few offerings as 'Club M Select' and 'Horizons Program' to meet the ever-changings demands of the travellers.
21. The management states that it keep close track on the average room rates, and does price corrections according to it in its package price.
22. The management states that the business model is structured in a way that the membership fee is used to build the resorts, annual fee is used to cover the maintenance while the company also makes margins on the F&B business.
23. The management states that it focused on getting the member in, which will lead to F&B revenues and increase in top-line by other resort spends.
24. The management states that the 5500 keys target will be crossed sooner than planned, and it has upped the game due to the governments 50 tourist destinations PPP models opportunity.
25. The management expects Q1 and Q3 to be soft for HCR due to the seasonal aspects.
26. The management is very positive of the travel prospects within Finland growing, with the winter skiing season already beginning to see bookings full.
27. The 15-year product was introduced in the second half of this FY, which received a good momentum and almost replaced customers of the 10-year product.

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 March '23 as well with occupancy at 85%. Forward bookings for the Winter Season remain 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.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**233**	**243**	**206**	**330**	**397**	**356**	**591**	**515**	**526**	**451**	**2,082**
% Growth YOY					*71%*	*46%*	*186%*	*56%*	*32%*	*27%*	
Expenses	224	240	193	288	340	323	488	443	453	386	**1,771**
EBITDA	**8**	**3**	**13**	**42**	**57**	**33**	**103**	**72**	**73**	**64**	**311**
Depreciation	18	18	18	17	17	17	18	18	18	20	**74**
EBIT	-10	-15	-5	24	40	16	85	54	55	45	**238**
EBIT Margin	*-4%*	*-6%*	*-2%*	*7%*	*10%*	*4%*	*14%*	*10%*	*10%*	*10%*	
Interest	8	7	7	7	5	5	7	7	7	8	**28**
Other Income	10	16	14	7	9	6	22	5	3	-43	**-13**
Profit before tax	**-8**	**-6**	**2**	**25**	**44**	**16**	**100**	**52**	**51**	**-6**	**197**
PBT Margin	*-3%*	*-2%*	*1%*	*7%*	*11%*	*5%*	*17%*	*10%*	*10%*	*-1%*	
% Growth YOY					*-646%*	*-380%*	*5311%*	*112%*	*16%*	*-140%*	
Tax	-1	-2	-1	6	10	4	31	9	7	-2	**44**
Net profit	**-7**	**-4**	**3**	**19**	**33**	**12**	**69**	**43**	**44**	**-4**	**152**
% Growth YOY					*-578%*	*-428%*	*2631%*	*134%*	*32%*	*-134%*	

Detailed Results:

1. Q4 revenues grew by 27% YoY at Rs. 451 Cr vs Rs. 356 Cr the previous year.
2. Q4 EBITDA margin stood at 15.1%, up 4.5% YoY with PBT being at Rs. 41 Cr, up 154% YoY.
3. FY23 consolidated revenues stood at Rs. 2081 Cr (up 61% YoY), EBITDA margins at 15.8% (up 2.1% YoY), PBT at Rs. 229 Cr (up 165% YoY) and PAT at Rs. 152 Cr (up 128% YoY).
4. The company's split for sourcing of goods for FY23 stands as:-
    1. Own Manufacturing :- 70%
    2. Controlled Manufacturing(In India) :- 20%
    3. China :- 7%
    4. 3P sourcing :- 3%

5. Q4 revenue reported an all-round growth of 27% YoY (volume 27%) and 45% over base (volume 40%).

6. Gross margins reported sequential improvement of 8.4% and YoY improvement of 4.6%, mainly on account of operational efficiencies combined with favorable raw material prices and ocean freight.

7. Q4 overall expense is at Rs. 196 Cr as compared to Rs. 157 Cr last year in line with increased operations.

8. Net Debt at on Mar'23 stood at INR 122 Cr vs 61 Cr the previous year. Working Capital Days went down to 89 days from 126 days the previous year.

9. Investments in own manufacturing were at INR 100 Cr in FY23, which is planned to go to INR 200 Cr in FY24.

10. The Channel Wise Revenue salience for Q4FY23 and FY23 stood at:-

Channel-wise revenue Salience (%)	Q4 FY20	Q4 FY22	Q4 FY23	YoY % Growth
General trade	26%	22%	22%	28%
Retail trade	15%	12%	11%	23%
Modern trade	31%	25%	29%	45%
Ecom	4%	11%	11%	32%
CSD CPC	15%	20%	16%	1%
Institutional	5%	7%	6%	16%
International	3%	3%	4%	54%

Channel-wise revenue Salience (%)	FY20	FY22	FY23	YoY % Growth
General trade	23%	20%	23%	85%
Retail trade	14%	10%	11%	81%
Modern trade	31%	28%	28%	60%
Ecom	9%	16%	14%	39%
CSD CPC	14%	17%	12%	19%
Institutional	6%	6%	7%	80%
International	3%	3%	4%	173%

11. The Brand Wise Revenue salience from brands from Q4FY23 and FY23 stood at:-

Brand-wise revenue Salience (%)	Q4 FY20	Q4 FY22	Q4 FY23	YoY % Growth
VIP	27%	23%	23%	23%
SKYBAGS	36%	33%	33%	26%
CARLTON	4%	5%	6%	53%
Premium & Mass Premium	**68%**	**62%**	**62%**	**27%**
ARISTROCRAT+ ALFA	27%	36%	35%	22%
CAPRESE	5%	2%	4%	90%

Brand-wise revenue Salience (%)	FY20	FY22	FY23	YoY % Growth
VIP	27%	23%	23%	65%
SKYBAGS	37%	33%	31%	50%
CARLTON	5%	5%	6%	84%
Premium & Mass Premium	**69%**	**61%**	**60%**	**58%**
ARISTROCRAT+ ALFA	25%	36%	36%	65%
CAPRESE	6%	4%	4%	71%

12. The Category Wise Revenue salience for Q4FY23 and FY23 stood at:-

Category-wise revenue Salience (%)	Q4 FY20	Q4 FY22	Q4 FY23	YoY % Growth
UPRIGHTS				
HARD LUGGAGE - UPRIGHT	36%	49%	49%	26%
SOFT LUGGAGE - UPRIGHT	29%	29%	25%	9%
DUFFEL BAGS	10%	9%	7%	0%
BACKPACKS	20%	10%	15%	98%
LADIES HAND BANGS	5%	2%	4%	89%

Category-wise revenue Salience (%)	FY20	FY22	FY23	YoY % Growth
UPRIGHTS				
HARD LUGGAGE - UPRIGHT	32%	46%	49%	69%
SOFT LUGGAGE - UPRIGHT	33%	30%	26%	41%
DUFFEL BAGS	10%	9%	8%	33%
BACKPACKS	18%	10%	13%	115%
LADIES HAND BANGS	6%	4%	4%	71%

Investor Conference Call Highlights:

1. The management states that fundamental cost efficiencies and the much-awaited softening of all input costs, helped the gross margins for Q4. Gross margins for Q4FY23 stood at 58%, with the gain of 843 basis points sequentially and 459 basis points YoY.
2. The company had to take the final hit of the Future group outstanding, with the charge-off in terms of doubtful being Rs. 23 Cr for the year.
3. The company faced an unfortunate incident of fire that burnt one of the factories in Bangladesh. While it has a full insurance cover for the quarter and for the year, the company has booked an exceptional loss of Rs. 47.2 Cr on account of loss due to fire.
4. The company invested INR 100 crore in manufacturing CAPEX during the year and plans to invest INR 200 Cr in the current FY.

5. The company's traditional trade distribution has crossed the 1,200 town mark in FY23. The management plans to continue its penetration to target covering all 50,000 population towns by the middle of next FY.
6. During the year, the modern trade channel had huge setbacks due to the closure of Future group accounts, the company covered up for the loss of stores and made up their growth through other store chains.
7. The company has gotten the firm BCG onboard for consulting, to accelerate the E-commerce growth.
8. The management is very positive about the overall current demand scenario and lead indicators for demand.
9. The management gives guidance in the range of 53% to 55% for the company gross margins.
10. The management gives guidance in the range of 17% to 18% for the company EBITDA margins.
11. In regards to a previous fire damage that the company had faced, the management states that the claim is expected to be received in the next two to three months.
12. The management explains that Capresse is a fundamentally positioned in the premium segment, and not in the luxury or super-premium segment. This is helping the company to trend more towards the masses while playing in the 2000 to 4000 ASP bracket.
13. The management explains that Q4 having the lowest revenues, did not see operating efficiencies kick-in along with a 12 Cr provision for doubtful debts, which made expenses higher.
14. The company has 8 factories in Bangladesh, out of them 1 got completely burned down to the fire incident. To cover-up, an outsourcing stopgap arrangement within India has been made along with accelerating pipeline of future capacities in Bangladesh.
15. The management states that the burnt Bangladesh factory will take time to get rebuilt, but in lieu of that, the space in other factories that were coming up have been made operational. There was a monetary issue of supplies for four to six weeks which has been covered up.
16. The management states that they have very aggressive and robust plans in the mid-premium and premium segment under the VIP Skybags and Carlton brand.
17. The 200 Cr capex guidance given for FY24 will be for manufacturing sites and for plant and machinery. 70% of it will be for Soft luggage mainly being backpacks and DFT.
18. The management is looking to enter the backpack segment priced below INR 1000 MRP. It sees the entire backpack area to be a very large growth area in the current FY and coming years for the company.
19. The management states that from a go-to-market point of view, it is aiming at making Capresse a very dominant Ecommerce brand initially.
20. The management sees the current FY to be mainly driven by backpacks and the premium side of the portfolio.
21. The management expects the in-house manufacturing to further improve working capital efficiency bringing it down from 90 to 75 days in the next 18-24 months.
22. Out of the 300 EBOs outlined by the company, the majority will be franchisee-led at 80%-85%.
23. For industry guidance, over the next two to three years the management expects overall growth rate at 8%-10%, with the organized sector having accelerated growth at an upward of 15% for the next few years.
24. The capex investment for FY24 will be a combination of both greenfield and brownfield in India and Bangladesh. The management is also looking in the north to put up an integrated plant.
25. The guidance for growth in the core luggage category is at 15% by the management.

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. It witnessed a good quarter with 24% YoY revenue growth and negative PAT due to booking a one-off loss.

At VIP, premium portfolios have started to kick in as the company has gone very high on driving the value portfolio. 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. VIP remains to be a very important company for the near future to track.

Wonderla Holidays

Financial Results & Highlights

Brief Company Introduction

Wonderla Holidays Limited operates amusement parks and resorts in India. It operates through Amusement Parks and resorts, 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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**5**	**33**	**4**	**17**	**48**	**58**	**149**	**66**	**114**	**99**	**428**
% Growth YOY					*882%*	*75%*	*3335%*	*284%*	*136%*	*70%*	
Expenses	15	31	14	21	34	38	58	47	57	56	**218**
EBITDA	**-10**	**3**	**-10**	**-4**	**14**	**20**	**91**	**19**	**57**	**42**	**210**
Depreciation	10	10	10	10	9	10	9	9	9	9	**35**
EBIT	-21	-8	-20	-13	5	11	82	11	49	33	**175**
EBIT Margin	*-417%*	*-23%*	*-459%*	*-76%*	*10%*	*18%*	*55%*	*16%*	*43%*	*34%*	
Interest	0	0	0	0	0	0	0	0	0	0	**0**
Other Income	1	1	1	1	2	1	3	4	4	14	**25**
Profit before tax	**-19**	**-6**	**-19**	**-12**	**6**	**12**	**85**	**14**	**52**	**47**	**199**
PBT Margin	*-391%*	*-19%*	*-436%*	*-70%*	*13%*	*20%*	*57%*	*22%*	*46%*	*48%*	
% Growth YOY					*-134%*	*-287%*	*-549%*	*-220%*	*707%*	*302%*	
Tax	-4	-1	-6	-3	2	3	21	4	13	12	**50**
Net profit	**-15**	**-5**	**-13**	**-9**	**5**	**9**	**64**	**11**	**39**	**35**	**149**
% Growth YOY					*-131%*	*-275%*	*-586%*	*-213%*	*756%*	*312%*	

Detailed Results:

1. The Company's footfall grew by 99%(from pre-covid), Revenue rose by 132%(from pre-covid) & EBITDA increased by 734% from the pre-covid level.
2. EBITDA margins rose to 43% in Q4FY23.
3. ARPU is up by 18% to Rs.1184.
4. A sharp uptick in Resort Performance with Revenue up 60% over FY20 registering Occupancy of 49%.

Investor Conference Call Highlights

1. The company saw fantastic results In FY23 with doubling up of high footfalls, revenues, EBITDA and PAT.
2. The company has been putting extra efforts for creating more occasions for visiting wonderla where it organized marquee musical events & festivities.
3. Footfalls for the quarter stood as follows: Bangalore park had 12 lakhs footfall having grown by 33%, Cochin park with 11.4 lakhs, grew by 47% and Hyderabad at 9.7 lakhs registered a growth of 37%.
4. The average ARPU for the year was Rs.1240 with a healthy growth in non-ticket revenue driven by strategic initiatives to gain higher wallet share via merchandise and F&B offerings.
5. The board of directors recently accepted the resignation of CFO Mr. Satish Seshadri.

6. The company expects the numbers to trend upwards in the coming year.
7. The company in line with its guidance of increasing APRU by 10-12% did a price hike of 11% recently.
8. The company expects margins to taper down owing to its new capex.
9. The management when asked about updates for Chennai park stated: “government orders says we have a two year construction period and then we have a 10 year tax holidays on the local entertainment tax, so we hope to finish construction within the next two years and then two years from now we hope to open this park to public”.
10. The split for ARPU between Ticket & Non-ticket stood at 75:25.
11. The company sells 5000 tickets per event in a park & these occur twice in a quarter.
12. The pilot project on wearable tech in Bangalore park will take close to 6-12 months for completion.
13. The key driver for Margin expansion in ticket to capex ratio.
14. The management expects the Odisha project to get completed in 2 years & expects to generate 5-6 lakh footfalls during the year one.
15. The company is bullish on Chennai capex since they don’t have to incur any capex on acquiring land, which will lead to higher ARPU to capex ratio. The expected ARPU will be 600-700 & the rides will be developed based on the city since it’s a Tier-2 city.
16. The expected capex for Chennai will range around 150 Crs.
17. The management commented on not participating in the restructuring of Imagica by acquiring it- “we were approached by Imagicaa. We just said we did not want to do Rs.500 Crores, 600 Crores capex that time during COVID and like I said we are doing more asset light kind of models now which is what we were more comfortable doing. Also like I said the Imagicaa was built with a different philosophy in mind they are very hi-fi on capex and so for us we have been getting into our standards would have been even more expensive after buying it we have to invest more so these are some of the reasons why we did not participate in that.”
18. The walk in: group ratio stood at 60:40.
19. The company will towards strengthening its management team by hiring CFO, Technology & HR head.
20. The company is in talks with Govt. of MP, Punjab, Gujarat & Goa under PPP arrangement & expects some announcement soon.
21. The additional capex in its existing projects will be around 10% of revenues i.e. approx 45 Crs.
22. The management when asked about acquiring a company said- “We are not very bullish on acquisition because you know an existing operator will obviously want that valuation for his assets and then buying it and then modifying into our standards again more capex so I think the main differentiating factor for a Wonderla park is our high efficiency in our capex so when we acquire another company and then modify it, our efficiency will vanish so we are not very unless there is a specific opportunity we are not that open to acquisition, we are more happy to do maybe management contracts and things like that so that we are exploring but that also is hard because this is a very tailor-made offering it is not something that we can, it is not like a hotel where I can buy and rebrand it as a Wonderla hotel, building a park usually we have to do it from scratch so it is harder to do it, I am not saying it is impossible but it is harder to do it”.

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. The company has got greenlight for Chennai project & will be able to launch the Odisha & Chennai park in the coming 2 years. 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. It remains to be seen how the company will tackle the reduction in revenge spending which will have a direct impact on the demand coupled with higher base & extraordinary margins in FY23 which are expected to taper down in FY24 owing to higher capex in the other projects.

However, given the resilience of the balance sheet & strong operational efficiencies lead by a quality management team, it remains a very interesting stock to keep track off.

New Age

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**31**	**31**	**22**	**32**	**34**	**36**	**35**	**37**	**42**	**43**	**157**
% Growth YOY					*12%*	*18%*	*56%*	*17%*	*22%*	*17%*	
Expenses	23	26	72	75	77	79	39	39	40	42	**160**
EBITDA	**8**	**5**	**-49**	**-44**	**-43**	**-43**	**-4**	**-2**	**2**	**1**	**-3**
Depreciation	1	1	1	1	1	1	1	2	1	2	**6**
EBIT	7	4	-50	-45	-44	-44	-5	-4	1	-1	**-9**
EBIT Margin	*23%*	*13%*	*-225%*	*-142%*	*-129%*	*-121%*	*-16%*	*-10%*	*1%*	*-1%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	6	7	7	8	7	10	7	18	15	16	**56**
Profit before tax	**13**	**11**	**-43**	**-37**	**-37**	**-34**	**2**	**14**	**16**	**15**	**46**
PBT Margin	*42%*	*36%*	*-194%*	*-118%*	*-108%*	*-94%*	*5%*	*38%*	*37%*	*36%*	
% Growth YOY					*-389%*	*-404%*	*-104%*	*-137%*	*-142%*	*-145%*	
Tax	2	1	1	3	-8	-2	-0	6	4	4	**14**
Net profit	**11**	**10**	**-44**	**-41**	**-29**	**-32**	**2**	**7**	**12**	**12**	**33**
% Growth YOY					*-362%*	*-410%*	*-104%*	*-118%*	*-140%*	*-137%*	

Detailed Results:

1. The revenue for the quarter is INR 116 crores. The net revenue for the year is INR 421 crores. Revenue has grown by 20% for the year.
2. Adjusted EBITDA was INR 124.9 crores for the year and INR 39.8 crores for the quarter. Adjusted EBITDA has grown by 28% during the year.
3. Profit after tax is INR 40.4 crores.
4. Adjusted PAT adjusted for ESOPs as well as deferred tax is approximately INR 80 crores for the year.
5. The company has no loans or any kind of debt with a strong cash balance, almost INR 1,100 crores in the company.
6. The total number of auction listings for the quarter amounted to 286,681, while the annual figure reached 1.1 million.
7. The company had a five-year compound annual growth rate (CAGR) of approximately 23%.
8. Cashless ESOPs is INR27 crores.
9. The OEM business grew by 29%.

10. The other expenses at consolidated levels was INR 24 crores last quarter and went up to INR 25 crores.
11. Other expenses on the consolidated level have increased slightly from INR 3 crores to INR 3.2 crores.

Investor Conference Call Highlights

1. The management stated that in March '23, the company auctioned 1.1 million vehicles.
2. The management thinks that in the past two quarters, they have encountered challenges primarily due to the increased supply of repossessed vehicles, resulting in a slight downturn, despite the markets showing signs of improvement.
3. The organic monthly unique visitors have reached approximately 34 million in quarter 4, as compared to 29.8 million in the same quarter of the previous year. This indicates a notable increase in the number of unique visitors per month.
4. The management highlighted that 86% of this growth in unique visitors is organic, emphasizing the strong performance of their consumer business.
5. The management stated that the significant organic growth in unique visitors has contributed to the leverage observed in the adjusted EBITDA of the consumer business, further enhancing its financial performance.
6. The management stated that an analysis of Google Trends reveals that their brand affinity reflects strong online search popularity. Notably, they maintain significant gaps compared to their competitors, with CarWale at an index of 83 versus the next at 21, and BikeWale at 90 versus 45. This demonstrates their continued strength and growth in online search popularity.
7. In the consumer group, the percentage of used car revenue has increased from 9% to 16% this year, while new car revenue decreased from 91% to 84%.
8. The used car business experienced significant growth of approximately 136%, while the new car business grew at a rate of around 26%, contributing to the overall growth of the consumer business.
9. The management stated that In consumer business, there has been a shift in the OEM (Original Equipment Manufacturer) - Dealers split. It was previously 65% OEM and 35% dealer, but it has improved to 61% OEM and 39% dealer, indicating a positive trend.
10. The management highlighted key metrics from Shriram AutoMall. The percentage of repo business has decreased from 69% to 55%, demonstrating a reduction in repossession supply as a proportion of their total business. Meanwhile, their retail business has experienced substantial growth, rising from 21% to 33%.
11. The management stated that EBITDA has exhibited significant growth, reaching a CAGR of 69% over the same five-year period.
12. The management stated that the OEM-dealer revenue mix was 62:38 for the quarter and 61:39 for the year.
13. The new car and used revenue mix was 16:84 for the quarter and similar quarter-on-quarter.
14. The management explained that in a scenario where supply surpasses demand, it benefits their operations by eliminating shortages in vehicles. The favorable condition arises when manufacturers and dealers do not require extensive advertising efforts.
15. The management stated that they observe a shift towards a market where demand exceeds supply, indicating a more robust and competitive landscape.
16. The management stated that their cost structures and unit economics are designed in a way that revenue growth often leads to a more significant increase compared to EBITDA. This pattern has

been consistently demonstrated throughout the year, with a 34% growth in net revenue resulting in a remarkable 92% growth in profit.

17. The management thinks that OEM advertising spend has gone down as a percentage of revenue due to COVID demand-supply mismatch, but trajectory on when it will lever is uncertain.
18. The company expanded their retail presence by introducing a new category of outlets called signature outlets, in addition to their existing AbSure outlets. Currently, they are operating close to approximately 90 outlets.
19. The management has reported a slight decrease in the volume of auction listings, particularly for repossessed vehicles. This decline can primarily be attributed to two key factors. Firstly, the improved state of the economy has allowed individuals to meet their loan payments, resulting in a decrease in the number of repossessions. Secondly, after conversing with their customers, the company discovered that the resale value of used cars and vehicles has increased. Consequently, individuals are opting to pay off their loans rather than surrendering their vehicles.
20. The management stated that the company adopts a conservative approach towards acquisitions and investments. However, it remains open to making such strategic moves if they offer strong synergies and meet high thresholds of potential benefits.
21. The management informed that other income includes treasury income, because they have large funds, which is about INR1,100 crores. These are found with highly conservative mutual funds and overnight funds, which in return, which is classified under the other income. Interest earned on these funds is 6%
22. The management stated that while user-generated content holds importance, it is not the primary or most visited content on their website. A significant portion of their visitors engage in comparative shopping, where they compare different cars for various reasons. One of the major reasons users come to their platform is to gain insights into which car to purchase.
23. The management informed that the retail could be C2B2B, or C2B, it could be customers coming to them, it could be customers coming through a very small broker or middleman to them either, both ways.
24. The management highlighted that approximately 13% to 14% of the advertising budget allocated by manufacturers and dealers is currently spent on digital platforms. In comparison, in many countries, this figure stands at around 40%. This indicates that over the next few years, there is significant potential for growth as the share of digital advertising expenditure by manufacturers and dealers is expected to increase to around 20%, 25%, or even 30%. This trend presents an opportunity for their platform's growth in the automotive industry.
25. The management stated that the availability of new cars has increased, accompanied by improved delivery processes, leading to a positive trend in the new car market. As a result of this development, there has been a notable improvement of 28% in the supply of used cars. This significant trend is highly beneficial for the used-car industry.
26. The management stated that the incremental EBITDA would mostly come from their advertising revenue growth, because of the leverage they have.

Analyst's View

CarTrade Tech Ltd is a multi-channel auto platform provider company with coverage and presence across vehicle types and Value Added Services. The company achieved highest ever revenue and adjusted EBITDA in Q4 and FY '23. Revenue grew by 20% for the year, adjusted EBITDA grew by 28% during the year. The is India's leading automotive platform with almost 200-plus physical locations. In Q4, CarTrade Tech Limited received 34 million unique customers every month, with 86% coming organically. The company is investing in product development and technology to support these future revenue streams.

The company's Consumer group has done well, while the other group has faced headwinds.
The repossession industry is expected to face similar challenges in the coming months as it has experienced in the past six to eight months. However, the company is actively working on acquiring supply from alternative sources to ensure their growth at Shriram AutoMall.
On the consumer side of their business, there is a noticeable increase in the demand for used cars, which is a significant positive for their company. Additionally, they have successfully established a new retail segment and expanded their supply options at Shriram AutoMall. Despite the ongoing challenges in the repossession sector, they remain confident about their overall business prospects.
Nonetheless given growth opportunities and challenges it remains an interesting stock to keep track off.

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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**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**-**	**951**	**1,267**	**1,344**	**1,622**	**1,678**	**1,599**	**1,653**	**1,683**	**1,723**	**6,659**
% Growth YOY					*#DIV/0!*	*76%*	*26%*	*23%*	*4%*	*3%*	
Expenses	-	944	1,322	1,851	1,584	1,613	1,798	1,791	1,752	1,707	**7,048**
EBITDA	**-**	**7**	**-55**	**-507**	**39**	**65**	**-198**	**-138**	**-68**	**16**	**-389**
Depreciation	-	100	82	98	132	167	143	162	170	181	**657**
EBIT	-	-93	-137	-605	-94	-102	-342	-300	-238	-166	**-1,046**
EBIT Margin		*-10%*	*-11%*	*-45%*	*-6%*	*-6%*	*-21%*	*-18%*	*-14%*	*-10%*	
Interest	-	25	23	24	24	23	23	23	21	19	**86**
Other Income	-	32	50	36	35	47	57	102	93	67	**320**
Profit before tax	**-**	**-85**	**-110**	**-593**	**-83**	**-78**	**-308**	**-221**	**-166**	**-118**	**-812**
PBT Margin		*-9%*	*-9%*	*-44%*	*-5%*	*-5%*	*-19%*	*-13%*	*-10%*	*-7%*	
% Growth YOY					*#DIV/0!*	*-9%*	*180%*	*-63%*	*100%*	*51%*	
Tax	-	-	-	-	-	-	-	-	-	-	**-**
Net profit	**-**	**-85**	**-110**	**-593**	**-83**	**-78**	**-308**	**-221**	**-166**	**-118**	**-812**
% Growth YOY					*#DIV/0!*	*-9%*	*180%*	*-63%*	*100%*	*51%*	

Detailed Results:

1. The company reported Total Income for Q4 FY23 of ₹1,934.21 Crore down from ₹2,127.02 Crore year on year, a decline of 9%.
2. The company achieved revenues of 1,860 crores across business lines, which represents a growth of 2% over quarter 3.
3. Total Expenses for Q4 FY23 of ₹2,107.61 Crore down from ₹2,254.37 Crore year on year, a decline of 6.5%.
4. Consolidated Net Loss of ₹158.67 Crore, from the loss of ₹119.86 Crore in the same quarter of the previous year.
5. The Earnings per Share is -₹2.14, widens from -₹2.01 in the same quarter of the previous year.
6. The customers have over 27,000 active customers.
7. 57% of the company's revenue comes from customers who use more than two of their services; and the company continues to be very adequately capitalized with over 5,500 crores in cash and cash equivalents.
8. The company did 180 million shipments in quarter 4.
9. The company had a 17% volume growth in quarter 4 year on year, adjusted for Shopee volumes for the same time last year.

10. On the PTL business, revenues have grown from 277 crores in quarter 3 by about nearly 20% to 328 crores in quarter 4
11. In freight tonnage has increased from 258,000 tons of freight to 318,000 tons of freight in quarter 4.
12. The truckload business has grown 8% quarter on quarter from 102 crores of revenue to 110 crores of revenue approximately.
13. The supply chain services business has also grown 6% quarter on quarter from 178 crores to 188 crores of revenue.
14. The cross-border services business has declined 14% between quarter 3 and quarter 4, from 66 crores of revenue to 57 crores of revenue.
15. For financial ’22, it had an adjusted EBITDA of 1%. For FY23, the company will report an adjusted EBITDA of negative 5.6% for the year in sum.
16. The incremental revenue in the transportation business, which includes both express and PTL, is approximately 29 crores from quarter 3 to quarter 4. The incremental gross profit in the transport business, however, is 41 crores.
17. Adjusted EBITDA for the company stands at 6 crores after considering share-based payment expenses and lease rent.

Investor Conference Call Highlights

1. The management stated that the company did 180 million shipments in their core express parcel business in quarter 4, which represents a 5.6% growth over the seasonally high quarter 3 period.
2. The PTL business continues to recover strongly. The company delivered about 318,000 metric tons of freight, which represents nearly a 24% growth quarter on quarter from quarter 3 to quarter 4.
3. Infrastructure has remained stable at about 18 million square feet. The total number of gateways and automated sort centers now stands respectively at 94 gateways and 24 automated sort centers, 174 processing centers as well. Freight service centers continue to stand at 140.
4. Network service levels have improved significantly, with a rise from 89% to 93% compared to the same quarter of the previous year. This improvement is measured based on internal turnaround times.
5. The management feels that Profitability improvement is driven by three factors - Operating leverage in core transportation business, Customer contract evaluation and opening up of internal and third-party demand to brokers and fleet owners through their Full Truckload Exchange called Orion.
6. The express business continues to be 63% of total revenues.
7. The truckload business, the supply chain services business, and the cross-border business, together have seen 6% to 8% growth quarter on quarter and form about 20% of our total revenues.
8. The management stated that yield per parcel has decreased due to two main factors: a shift in the type of shipments towards lighter items and a decrease in the average weight of parcels in their network. This decrease in yield is not because of a change in pricing.
9. Yields in the air freight business have declined by close to 20%, leading to a decline in revenue overall; and the ocean freight business was affected seasonally by the Chinese New Year.
10. There’s also been a decrease in transport fixed costs between quarter 3 and quarter 4 of approximately 9 crores. This leads to a total increase in transport service EBITDA of about 50 crores.

11. There's also been a 17 crores swing in service EBITDA of the non-transport businesses, though quarter 3 was impacted by a 12 crores provision that we had to make in the supply chain services business.
12. The management stated that the entry of SHEIN into India and the development of the ONDC (One Nation One Domain One Challenge) platform are seen as positive developments for the industry.
13. The management informed that Delhivery has made a minority investment in Vinculum, an omnichannel SaaS company, to enhance their order and warehouse management capabilities. The investment in Vinculum will allow Delhivery to offer enhanced value propositions to direct-to-consumer brands and increase transportation volumes.The combination of Vinculum, Algorhythm , and Delhivery's capabilities will enable smarter inventory management and reordering processes.
14. Delhivery has seen improvements in freight costs, particularly in line-haul expenses, which have contributed to the overall improvement in volumes. The increased use of tractor-trailers, which are more efficient and cost-effective, has positively impacted line-haul costs.
15. The management states that the average realizations have come down to 65, primarily due to seasonality and changes in the mix of cargo weight, with heavy shipments decreasing in Q4 compared to Q3.
16. Factors contributing to the decrease in average realizations include the shift in heavy shipments and a decline in package weights in Q4 compared to Q3.
17. While the e-commerce industry has experienced slower growth, Delhivery expects growth to continue between 15% and 20% year-on-year, driven by players like SHEIN and Ajio, as well as Reliance's aggressive participation in e-commerce.
18. Delhivery plans to continue with its capex investment plans, targeting a level between 6% to 7% of revenue for the current financial year.
19. Delhivery has voluntarily churned out less profitable customers in the PTL business throughout the fiscal year. This has resulted in a gap in volumes compared to the previous year. Approximately one-third of the volume decline is attributed to churned customers.
20. The management stated that the yield reduction mentioned is primarily a seasonal phenomenon, with factors such as the shift in heavy cargo and package weight decline in quarter 4 compared to quarter 3. However, in the previous year's quarter 4, the yield reduction may not have been visible due to the distortionary factor of a specific customer. The seasonal trend from quarter 3 to quarter 4 is a common occurrence in their data over the past 11 years.
21. The management mentioned that the drop in PTL (Part Truckload) realization of almost 4% quarter-on-quarter is mainly due to mix shift. The mix across different segments, such as major accounts, SMEs, retail, and aggregators, can impact yields.
22. The management explained that the increase in unbilled receivables is due to the integration of SpotOn's billing system with Delhivery's billing system. This integration process took longer than expected, leading to an extended billing cycle.
23. The management informed that the current corporate overheads are at about 10.7% of revenue, but in the long term, they expect corporate overheads to settle between 3.5% and 4.5% of revenue, possibly up to 5%.
24. The management explains regarding the ESOP (Employee Stock Ownership Plan) expense, the annual performance cycle determines the grant, and it is part of Delhivery's compensation philosophy and retention policy. The May grant covers eligible employees who meet certain performance criteria. In this cycle, 1.99 million stock options were issued, which is consistent with historical trends.

25. The management explained the complexity of utilization across Delhivery's network, considering infrastructure, pickup and delivery stations, trucks, and hubs. Aggregate utilization is not a meaningful construct as it varies depending on individual hubs and their lifecycle. Trucks typically have a utilization range of 60% to 100%, while hubs vary between 80% and slightly over 100%.
26. The management stated that that investments typically include parcel sortation systems (cross-belt sorters and bag sortation systems), facility design, automation, furniture, fixture, electrification, and IT enablement. Delhivery leases the land and building for such facilities.
27. The management stated that the top five customers accounted for less than 40% of the company's revenue, indicating a decrease in customer concentration over time.
28. The company plans to allocate around 25% to 33% of its capital expenditure (capex) on Volvo installations and trailers. Approximately 10% to 15% of capex will be invested in the supply chain services business. The remaining capex will be split between automation (50%) and IT equipment and facility enablement (50%).
29. Delhivery has plans to set up new facilities, including a Bhiwandi mega-facility and a Bangalore mega-facility. These facilities will consolidate existing operations and introduce new automation technologies.

Analyst's View

Delhivery provides a full range of Logistics services, including delivery of express parcels and heavy goods, PTL freight, TL freight, warehousing, supply chain solutions, cross-border Express, freight services, and supply chain software. The company also offers value-added services such as e-commerce return services, payment collection and processing, installation & assembly services, and fraud detection. Delhivery is focused on improving their M&A integration process, managing risks effectively, and maintaining their position as a leading logistics company in the face of competition. Delhivery remains focused on maintaining market rates of growth, gaining market share, and leveraging their competitive advantages to grow faster than the market in some years. The company expects to gain market share and continue expanding capacity to handle increased volumes. The industry is experiencing a shift towards third-party logistics, driven by growth outside of large marketplaces and the cost-effectiveness of working with third-party partners.

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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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**44**	**66**	**31**	**57**	**86**	**59**	**84**	**104**	**130**	**111**	**430**
% Growth YOY					*95%*	*-11%*	*167%*	*84%*	*52%*	*88%*	
Expenses	17	25	13	23	34	30	42	66	73	64	**245**
EBITDA	**27**	**42**	**18**	**34**	**52**	**30**	**41**	**38**	**58**	**47**	**185**
Depreciation	0	0	0	0	0	0	0	0	0	0	**1**
EBIT	27	42	18	34	51	29	41	38	57	47	**184**
EBIT Margin	*61%*	*63%*	*57%*	*59%*	*60%*	*50%*	*49%*	*37%*	*44%*	*42%*	
Interest	1	2	0	0	1	1	0	1	1	1	**2**
Other Income	3	3	4	3	3	5	4	4	4	4	**16**
Profit before tax	**29**	**43**	**21**	**37**	**54**	**33**	**45**	**41**	**60**	**51**	**197**
PBT Margin	*67%*	*64%*	*68%*	*65%*	*63%*	*56%*	*54%*	*40%*	*46%*	*45%*	
% Growth YOY					*84%*	*-22%*	*113%*	*13%*	*12%*	*52%*	
Tax	7	12	5	9	14	9	11	11	16	13	**50**
Net profit	**22**	**31**	**16**	**27**	**40**	**24**	**34**	**31**	**45**	**38**	**147**
% Growth YOY					*80%*	*-23%*	*114%*	*12%*	*11%*	*58%*	

Detailed Results:

1. The company booked a revenue of INR 8050.6 Crores.
2. The company reported a significant growth of 116.7% in Gross Booking Revenues (GBR) in FY2023 compared to FY2022, reaching INR 3715.6 Crores.
3. Despite a weak quarter in Q4 FY2023, the company achieved sustained growth with an 83.0% year-on-year increase, reaching INR 2143 Crores.
4. Adjusted revenues in FY2023 grew by 68.6% to INR 675 Crores compared to INR 400 Crores in FY2022.
5. Easy Trip Planners experienced successful business operations in Dubai, surpassing INR 100 Crores in GBR within the first year.
6. The company maintained efficient cost management, with marketing spend as a percentage of GBR at 1% in FY2023.
7. In the air travel segment, Easy Trip Planners sold 1.15 Crores air tickets in FY2023, a significant increase from 70.9 lakhs in FY2022.
8. The hotel segment saw substantial growth, with a 121% increase in hotel night sales compared to FY2022.
9. Easy Trip Planners achieved consistent profitability, with an EBITDA of INR 191 Crores in FY2023, a 30.2% increase from the previous fiscal year.

Investor Conference Call Highlights

1. Easy Trip Planners expanded its presence by opening a franchise store in Patna, Bihar, to enhance customer service and cater to travel needs.
2. The launch of the EMT Royale program offered exclusive and personalized services to elite customers, strengthening customer experiences.
3. Strategic partnerships were formed with various entities, including UP Warriorz team in the Women's Premier League, Swiggy, HT Digital, Chennai Blitz, and the Andhra Pradesh government, boosting brand presence and exposure.
4. The company has experienced a significant increase in trade receivables primarily due to the growth of its B2B business and corporate business. The trade receivables have increased from INR 52 Crores to INR 155 Crores.
5. The company aims to achieve higher double-digit growth in its Gross Merchandise Value (GMV) for the coming year, following a growth rate of 116% in the previous year.
6. The company is making concentrated efforts to expand its overseas business. The average ticket size in overseas markets can be up to three times higher than in India, and the competition is manageable due to the absence of convenience fees charged by other OTAs.
7. The company expects its margins to improve as the cost of operations does not necessarily grow at the same rate as business expansion. Payment gateway charges are expected to diminish as UPI becomes more prevalent in the country.
8. The company anticipates employee costs to reduce as the business continues to improve, although marketing costs will remain around 0.9% to 1% of GMV.
9. The company aims for a minimum GMV growth of 50% for the current year.
10. The take rate (interplay between the company's take rate and customer discounts) has stabilized between 8.2% and 8.7% in the last five quarters, and the company expects this to continue in the future. The growth of the hotel sector, which has a higher take rate, has a minimal impact on the overall take rate due to its single-digit contribution to the company's revenue.
11. The cost items have not increased disproportionately compared to revenue growth. Employee costs, marketing and promotion costs, and discounts have remained stable or decreased on a yearly basis. The company has been able to achieve over 100% business growth even after reducing discounts significantly.
12. The company's current focus is to grow its hotel business at a break-even pace, which explains the notional loss reported. The commissions received from hotels are passed on to customers in the form of discounts.
13. The company has made acquisitions such as YoloBus and one in the hotel segment. The financials of these acquisitions may be included in future presentations to provide visibility on their performance.
14. The Spree Hospitality business is growing profitably, adding around 5 to 6 hotels every quarter. YoloBus is still in the early stages but has shown potential for breakeven. The company is waiting for YoloBus to achieve profitability before further expansion.
15. There is an outstanding receivable of INR 69 Crores from GoAir. The company is hopeful that GoAir will resume operations, and the outstanding amount will be adjusted with sales once operations restart.
16. The decrease in hotel revenue in the current quarter compared to the previous one is attributed to the cyclical nature of the travel business, with Q3 being stronger due to holiday seasons. The company's hotel business is growing at a break-even pace.

17. The fluctuation in PAT margins as a percentage of revenue is explained by the inclusion of discounts offered to customers. The company suggests looking at PAT as a percentage of Gross Booking Revenue (GBR) for a more accurate representation of profitability.
18. Employee expenses were higher in the quarter due to annual increments given in December, as per company policy.
19. Marketing expenses increased due to tie-up with the Woman Premium League, which was not present in the previous quarter.
20. The company experienced negative operating cash flow for the first time, attributed to increased trade receivables and advances given to airlines and hotels.
21. The segment contract liability on the balance sheet increased four times, representing advances received from ITQ and agents in the B2B business.

Analyst's View

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.

EaseMyTrip plans to grow its GMV in the higher side of double digits for the coming year and expects its GMV to grow by more than 50% for the corresponding year. The company is making concentrated efforts to grow its overseas business and expects to generate north of INR 700-800 crores from all the newer operational areas in the next couple of years.

The company's core focus continues to be on creating value, driving profitability, and delivering exceptional service to its customers. As part of its growth strategy, the company is exploring opportunities to expand its product offerings by introducing additional insurance products. With a large consumer base and a robust B2B network, the company aims to leverage these strengths to tap into the insurance market.

Map My India

Financial Results & Highlights

Brief Company Introduction

C E Info Systems Limited ("MapmyIndia") was incorporated on February 17, 1995. The company is a data and technology products and platforms company, offering proprietary digital maps as a service ("MaaS"), software as a service ("SaaS"), and platform as a service ("PaaS"). They are India's leading provider of advanced digital maps, geospatial software, and location-based IoT technologies.

	Quarterly Performance										
	C.E. INFO SYSTEMS LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**49**	**47**	**43**	**56**	**43**	**55**	**62**	**67**	**59**	**66**	**254**
% Growth YOY					*-11%*	*17%*	*43%*	*19%*	*38%*	*19%*	
Expenses	29	28	24	31	28	30	31	37	32	39	**139**
EBITDA	**19**	**19**	**19**	**26**	**15**	**25**	**31**	**30**	**28**	**27**	**115**
Depreciation	2	2	2	2	2	2	2	2	2	1	**6**
EBIT	17	17	17	24	13	23	29	29	26	25	**109**
EBIT Margin	*35%*	*35%*	*40%*	*42%*	*31%*	*42%*	*47%*	*43%*	*44%*	*39%*	
Interest	1	1	1	1	0	1	1	0	0	0	**2**
Other Income	13	9	9	14	6	11	6	7	11	11	**36**
Profit before tax	**30**	**25**	**26**	**37**	**19**	**34**	**35**	**36**	**36**	**36**	**143**
PBT Margin	*61%*	*52%*	*59%*	*65%*	*44%*	*61%*	*56%*	*53%*	*62%*	*55%*	
% Growth YOY					*-36%*	*37%*	*34%*	*-2%*	*92%*	*7%*	
Tax	7	4	5	11	3	10	10	10	7	9	**34**
Net profit	**22**	**20**	**21**	**25**	**16**	**24**	**25**	**26**	**30**	**28**	**109**
% Growth YOY					*-30%*	*15%*	*19%*	*4%*	*90%*	*17%*	

Detailed Results:

1. Consolidated Total Revenue & PAT for Q4 grew by 20.7% & 25.3% respectively.
2. EBITDA Margins stood at 41% in Q4FY23 which is up by 100 basis points YoY.
3. Product Line Growth - Map and Data grew 27% | Platform & IoT grew 28%
4. Product Line Revenue Breakup FY23 - Map and Data: 111.8 Cr | Platform & IoT: 169.7 Cr
5. A&M Market grew 2.1% YoY and the C&E Market segment grew 79% 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
- 1.9+ million new vehicles (4-wheelers, 2-wheelers and CVs, across ICE and EV segments), went built-in with MapmyIndia Mappls in FY23, up 46% from 1.3 million during FY22
- Multiple Go-lives in this year including the new MG Hector, Mahindra Scorpio-N & XUV400 Electric, Hero MotoCorp's OneApp, Tork Motors, Ola Electric and more…

Investor Conference Call Highlights

1. For 2023 , revenue went 41% to INR 282 Cr, while PAT went up 24% YoY to 108 Cr. Ebitda Margin for FY23 was maintained at 42%. The Map-led core business had a healthy margin of 52%.
2. The management is very positive on the IoT business due to the very large capacity of the total addressable market, with on-road vehicles being 280 to 300 mn.
3. For the nine months of last fiscal year, the EBITDA margin from the IoT led-business was 1%, which grew to 4% in Q4FY23, due to SaaS revenue kicking in.
4. The company sold 1.9 lakh IoT devices in FY23 which was 3x of FY22, beating the automotive industry growth by growing 40% YoY.
5. The management states that Q4 is weak when compared to the previous year due to the semiconductor shortage in Q3FY22, which pushed up Q4FY22 artificially.
6. The company's open order book has grown to Rs 918 Cr, up 31% from Rs. 699 Cr at the beginning of the year. This was based on annual new order bookings of INR512 crores, plus added 250 plus customers, B2B and B2B2C customers.
7. The management states that not all customer acquisitions reflect in the open order book as a lot of it is subscription-based or transaction-based, where they get paid based on the consumption, so that doesn't reflect in the open order book
8. The management states that in the coming year they are incubating some potentially large yet unlocked opportunities in the space of consumer app and gadgets with Mappls App and Mappls Gadgets, which are already getting great reviews online.
9. The management states that Google Maps was preloaded which resulted in the Competition Commission ruling against them, which will have a positive knock-on effect on MayMyIndia.
10. The company is also additionally incubating and exploring in the drone space. It has built up the capability of full stack, providing drone hardware, drone services and also drone-based data analytics and solution. It is doing this both organically and through inorganic investment.

11. The company's excluding-Cash ROCE is 122%. While, Cash has grown from INR 381 Cr to 485 Cr.
12. The management states that the Map-led business contributes majorly to the open orders, consisting of 700 Cr out of 900 Cr.
13. On customer diversification, the management states that 54 customers form 80% of the company's revenue. While earlier, it was 35 and the year before it was 25.
14. The company has started work with a bunch of new EV platforms of big 4 wheeler companies to whom it is upselling ADAS and connected services.
15. The company's fixed asset investments have gone up from INR 4 Cr to INR 15 Cr in FY23, mainly due to renting out of devices to customer for a fee per month, which is lucrative then selling the device upfront sometimes.
16. Out of the 250 customer additions, large majority are corporates with many automotive OEMs and strategic government organizations at center level.
17. The management states that there is a 6 months to 1 year lag for the SaaS revenues to mainly come-in as they are sold mostly as a bundle with the hardware, with subscription for the first year being free.
18. The management states that SaaS revenue this year of IoT, out of the INR60 crores, INR17 crores was SaaS revenue, INR42 crores is hardware.
19. The management sees lots of potential for upselling into newer vehicles, as developed countries on average have 50%-60% vehicles with maps, while in India the number is at just 9% - 10%.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**63**	**72**	**75**	**85**	**99**	**108**	**119**	**125**	**138**	**183**	**565**
% Growth YOY					*57%*	*51%*	*59%*	*47%*	*40%*	*70%*	
Expenses	67	71	73	81	90	93	107	107	115	151	**480**
EBITDA	**-4**	**1**	**2**	**4**	**9**	**15**	**12**	**18**	**23**	**32**	**85**
Depreciation	9	9	7	7	8	8	8	8	8	11	**36**
EBIT	-12	-8	-5	-3	1	7	4	9	15	21	**49**
EBIT Margin	*-19%*	*-10%*	*-7%*	*-4%*	*1%*	*7%*	*3%*	*7%*	*10%*	*12%*	
Interest	2	2	1	1	2	1	0	0	0	0	**2**
Other Income	3	7	6	3	1	6	8	7	1	5	**20**
Profit before tax	**-11**	**-3**	**-1**	**-1**	**0**	**12**	**11**	**16**	**15**	**26**	**67**
PBT Margin	*-18%*	*-4%*	*-1%*	*-2%*	*0%*	*11%*	*9%*	*13%*	*11%*	*14%*	
% Growth YOY					*-104%*	*-517%*	*-2070%*	*-1235%*	*3490%*	*109%*	
Tax	-0	3	1	1	0	1	3	3	1	-8	**-1**
Net profit	**-11**	**-6**	**-1**	**-2**	**0**	**12**	**8**	**13**	**13**	**34**	**68**
% Growth YOY					*-101%*	*-299%*	*-710%*	*-782%*	*14600%*	*191%*	

Detailed Results:

1. Q4 FY23 Revenue grew 70% YoY.
2. Annual recurring revenue stood at 565 Crs.
3. Gross Revenue retention: 90.1% for FY23 | Recurring Revenue: 75%.
4. EBITDA stood at 17.6%.
5. Revenue Breakup by Segment FY23 - MarTech: 209 Cr | DaaS: 161.8 Cr | Distribution: 194.3 Cr.
6. Revenue Breakup by Engagement - Subscription: 32.5% | Transaction: 25% | Hybrid: 42.5%
7. Revenue Breakup by Geography - North America: 56.1%| Europe: 30.1% | Asia-Pacific: 11% | Others: 2.9%.
8. Top 10 Customers Revenue Share: 32.2%
9. Employee Count: 713 | Employee Attrition: 21.1%
10. Cash Flow from Operating Activities FY23: Rs.84.6cr.

11. The company's cash and cash equivalent balance at the end of quarter was INR 341.3 crores, but it have deployed around INR 120 crores post the quarter for recent Adara acquisition in Q3.

Investor Conference Call Highlights

1. The management states that margin improvement has been strong at 17.6% EBITDA margin in Q4 and 15% for the full year, ahead of the guidance given at the time of the IPO of 200 to 300 basis points expansion from the 8.3% margin reported last year.
2. The management states that it had best quarter ever in terms of new contract wins and added a record 543 customers over the course of the year.
3. The company has completed the acquisition of Adara, the fourth acquisition in the past five years to build the world's most comprehensive travel intent and pricing data platform to help the travel industry improve their marketing ROI.
4. The management reports that the initial integration has gone off very smoothly with the Adara team pumped up with another great quarter of new business closings for them.
5. The company launched certain virtual concierge services the past year, the equivalent of chat gpt, which is called Engage AI to help its hotel partners to have an easier communication medium with their guests.
6. The company is exploring the use of generative AI to drive operational efficiencies within the organization to help solve for customer queries, extract data more efficiently and also specifically enhance certain products around brand engagement.
7. The company generated three times free cash flows as opposed to the previous year, with the free cash flow for the year being at INR 52 Cr.
8. The company posted another quarter of healthy growth across all three verticals front with an operating margin of 17.6% on the back of operating leverage and some cost optimization measure taken to drive healthier performance across business lines.
9. The management states that DaaS and Distribution, the high margin businesses, continue to witness good volume growth with existing clients, steady travel demand and continued monetization of new logos added in the past quarters.
10. RateGain has been at the forefront of using AI for the last decade and a half, using it for driving operational efficiency in products and engineering teams and to enhance outcomes for our customers.
11. Across DaaS distribution and MarTech business units, RateGain has been using AI to give actionable insights instantly from millions of rates to automatically recommending demand partners on our connectivity platforms, as well as tracking real-time travel intent for leading brands.
12. The management states that the key differentiator for the success of generative AI would be the quality of data it has to access for training its model. RateGain has a huge advantage over its peers as it has huge data lake with billions of price points that gives it an advantageous position.
13. The company was awarded the SaaS Startup of the Year by SaaS Boomi amongst 10,000 SaaS companies in India. SaaSBOOMi is an equivalent of NASSCOM for SaaS companies.

14. The new acquisition, Adara, which was loss-making before the acquisition, registered a 10.35% EBITDA for the quarter due to a successful integration that was completed in 75 days.
15. The managements guidance for the turnaround of the Adara business is 15% growth at a 15% EBITDA margin.
16. The management give a guidance of the effective tax rate being 16% to 17% for FY24.
17. The management gives a growth guidance for DaaS at 30%, Distribution at 15%, MarTech at 20% and expects Adara to grow by 55-56% next year.
18. In Pre-COVID, Adara was a $100 million business. The management sees it as a low-hanging fruit and plans to accelerate the growth numbers to bring it back to the 100 million number.

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 70% coupled with tremendous operating leverage playing out resulting in EBITDA margins rising to 17.5%. 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.

Other

SIS

Financial Results & Highlights

Brief Company Introduction

Security & Intelligence Serv.(India)is directly and indirectly engaged in rendering security and related services consisting of manned guarding, and 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**2,358**	**2,445**	**2,379**	**2,431**	**2,601**	**2,648**	**2,678**	**2,768**	**2,904**	**2,996**	**11,346**
% Growth YOY					*10%*	*8%*	*13%*	*14%*	*12%*	*13%*	
Expenses	2,211	2,322	2,259	2,309	2,471	2,524	2,557	2,658	2,778	2,861	**10,854**
EBITDA	**147**	**123**	**121**	**122**	**129**	**124**	**121**	**110**	**126**	**135**	**492**
Depreciation	28	29	27	26	28	30	29	33	34	39	**135**
EBIT	119	95	94	96	101	95	92	77	92	96	**357**
EBIT Margin	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	*3%*	*3%*	*3%*	
Interest	29	28	25	25	25	25	25	28	31	32	**115**
Other Income	38	74	12	8	28	9	7	10	4	21	**43**
Profit before tax	**129**	**141**	**81**	**80**	**104**	**79**	**75**	**59**	**66**	**85**	**285**
PBT Margin	*5%*	*6%*	*3%*	*3%*	*4%*	*3%*	*3%*	*2%*	*2%*	*3%*	
% Growth YOY					*-19%*	*-44%*	*-8%*	*-25%*	*-37%*	*8%*	
Tax	30	39	21	11	4	-18	-8	-8	-38	-8	**-62**
Net profit	**99**	**102**	**59**	**68**	**101**	**97**	**82**	**67**	**103**	**93**	**346**
% Growth YOY					*2%*	*-5%*	*39%*	*-1%*	*3%*	*-4%*	

Detailed Results

1. SIS Limited reported strong revenue growth, with consolidated revenues growing by almost 13% in FY '23.
2. EBITDA margins increased by 50 basis points over the last two quarters, and earnings per share for FY '23 were 7.1% higher than FY '22.
3. The company generated strong cash flow and reduced net debt-to-EBITDA ratio from 2.06x to 1.75x.
4. International business was flat, but compensated for one-time COVID-related contracts falling off
5. Consolidated OCF-to-EBITDA for the quarter at 144%, allowing the company to repay INR 83 crore of debt subsequent to the quarter end

Investor Conference Call Highlights

1. India Security segment grew by almost 20%, facility management grew by 36%, and the cash logistics joint venture grew by 38% over the previous year.
2. The focus is on increasing margins, and the trend of margin improvement is expected to continue.

3. The company aims to increase market share to 10% in India through organic development over several years and strategic M&A
4. Company has a target of 20% YoY growth, 20% return on equity, and >50% OCF EBITDA
5. SIS Limited has seen good client additions and increased business from existing clients across all segments.
6. The average contract duration is around three years, but the company has long-standing clients who have been with them for 10-20 years.
7. SIS Limited aims to increase its market share, currently below 5%, through organic development and strategic acquisitions to achieve a 10% market share in India.
8. The security market has grown by around 12-14% in the past year, and SIS has outperformed the market with 20% growth.
9. The company benefits from tax advantages under Section 80 JJA of the Income Tax Act, as explained in the earnings note.
10. Cash logistics business already delivers 14-15% EBITDA margin.
11. The company decided to stay away from the ATM side of the business, focusing on cash logistics in North and East India.
12. By operating in low-competition territories, the company has higher market share and greater density on each cash van route, leading to more margins per route per day.
13. The international security services business experienced a drop in margins due to the absence of COVID-related contracts.
14. Pre-COVID, the international business had 4-4.5% EBITDA margin, and it is expected to stabilize around that level.
15. The share of international business in overall revenues and EBITDA is decreasing, which may increase the blended margin of the SIS group.
16. The India Security business and India Facility management business are capable of delivering 6%+ EBITDA margin.
17. Around 85% of SIS operates in the services sector, with a 5-7% EBITDA margin.
18. The Solutions layer includes additional technology and can have EBITDA margins of up to 15%.
19. The VProtect business currently has a small monthly invoice value but delivers a 15%+ EBITDA margin.
20. The company aims to build up the alarm business to 50,000 connections in the near term.
21. The company has acquired a large contract from Vedanta, which includes manpower, drones, mobile app, CCTV-based video surveillance, and AI-based video analytics. This contract is expected to deliver an EBITDA margin of close to 10%.
22. The company operates in three layers: solutions, guarding business, and route-based solutions. Route-based solutions, such as cash logistics and pest control, have high gross margins (35-45%) and deliver 20%+ EBITDA margins.
23. The company is receiving income tax refunds from the income tax department, as reflected in the positive taxes number in the Q4 cashflow statement.
24. Receivables grew by 20% compared to revenue growth of 13%. The increase in receivables includes a GST component, and the delay in payment by certain clients contributed to a higher DSO (Days Sales Outstanding) in March, which decreased in April.
25. The company had more than AUD80 million of COVID-related contracts in the previous year, which were not present this year. The aim is to cover the drop-off in COVID revenue through growth in other areas.

26. The subsidiary in Singapore, Henderson, has implemented a turnaround strategy and has shown improvement in the bottom line over consecutive quarters. It may take a few more quarters to reach a profitable state.
27. FY'23 has been a year of significant growth for SIS. The India security business grew 20%, the FM business grew 36%, and the cash business grew 38% year-on-year. Despite a 10% revenue shrinkage due to lost COVID work in the international business, the overall growth rate was 0.7%.
28. SIS has achieved a strong year-end cash position. Despite rising interest rates in Australia, Singapore, and India, the company has recorded record collections. Debt repayment of AUD15 million in Australia was made after 31st March to control interest costs and strengthen the cash position.
29. SIS had a debt position of 2x EV/EBITDA, which was considered a red flag. However, the company has successfully reduced it to 1.7 times net-debt EBITDA. The aim is to keep the debt position in check, with a comfort zone around 1, avoiding under-utilization of the balance sheet or crossing the red threshold of over 2.
30. While the margins are not at the desired level of 6%, there has been a steady improvement in the last three quarters. Although the incremental improvement may not be significant, it is moving in the right direction. If the growth momentum continues and disruptions are minimal, operating leverage is expected to kick in, stabilizing SG&A and reflecting positively on the EBITDA margin.

Analyst's View

Overall, FY'23 has been a successful year for SIS, marked by significant growth, strong cash generation, debt reduction, and improving margins. The company is optimistic about future prospects if the growth trajectory continues and disruptions are minimized. The company will be focusing on margins in future and aims to increase market share to 10% in India through organic development over several years and strategic M&A. 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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Sanghvi Movers Ltd

Financial Results & Highlights

Brief Introduction:

Sanghvi Movers is engaged in the business of providing hydraulic and crawler cranes to various industries in the infrastructure sector and has a fleet of medium to large-size hydraulic truck mounted telescopic and lattice boom cranes and crawler cranes with lifting capacity ranging from 20 tons to 800 tons.

Quarterly Performance											
SANGHVI MOVERS LTD											
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**55**	**81**	**76**	**71**	**79**	**109**	**97**	**109**	**122**	**127**	**456**
% Growth YOY					*45%*	*35%*	*27%*	*55%*	*54%*	*16%*	
Expenses	43	41	45	35	44	74	49	52	47	50	**199**
EBITDA	**11**	**40**	**31**	**36**	**36**	**36**	**48**	**57**	**75**	**77**	**257**
Depreciation	31	32	30	30	29	29	29	31	31	31	**121**
EBIT	-20	9	1	6	7	7	19	27	44	46	**136**
EBIT Margin	*-36%*	*11%*	*1%*	*9%*	*8%*	*6%*	*20%*	*24%*	*36%*	*36%*	
Interest	6	5	4	4	5	4	3	4	4	5	**17**
Other Income	5	9	0	6	8	22	4	15	6	5	**30**
Profit before tax	**-21**	**12**	**-3**	**8**	**10**	**25**	**19**	**38**	**46**	**46**	**149**
PBT Margin	*-38%*	*15%*	*-4%*	*12%*	*12%*	*23%*	*20%*	*34%*	*38%*	*36%*	
% Growth YOY					*-148%*	*107%*	*-676%*	*361%*	*369%*	*84%*	
Tax	-8	4	-1	4	1	6	5	9	12	12	**37**
Net profit	**-13**	**8**	**-3**	**5**	**9**	**19**	**14**	**29**	**35**	**34**	**112**
% Growth YOY					*-168%*	*138%*	*-677%*	*538%*	*294%*	*82%*	

Detailed Results:

1. The company's revenue grew 16% YoY to Rs. 127 Cr while PAT rose up 82% YoY to Rs. 34 Cr.
2. The company completed a Capex of Rs. 162 Cr in FY23 as follows :-

Cranes Purchased till date :

Crane Model/ OEM	110 Ton	160 Ton	200 Ton	500 Ton	750 Ton	800 Ton	Total
Sany (Brand New)	2	3	2	0	2	2	11
Liebherr (Used)	0	0	0	1	0	0	1
Total	2	3	2	1	2	2	12

Other Assets Purchased till date:

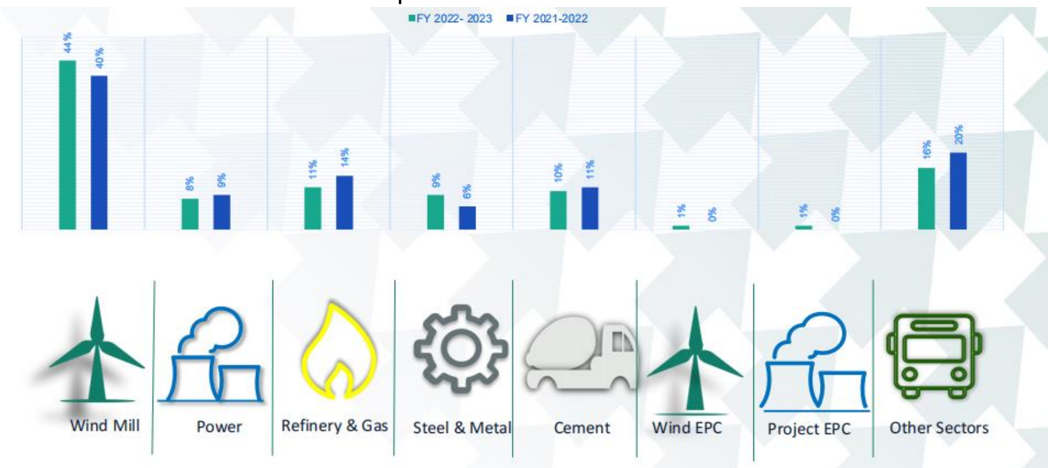
Crane Model/ OEM	Count
Prime Movers	37
Pick & Carry Cranes	22
Low Bed Trailers	3
Telehandler	6
Total	**68**

Capex	Amount in Crores
Capex for Cranes	141
Capex for Other fixed Assets	21
Total	**162**

3. The company's number for FY23 were as follows :-
    1. Total Turnover – Rs. 486 Crores
    2. Profit after Tax – Rs. 112 Crores
    3. Average Capacity Utilisation – 83%
    4. Avg. Blended Yield – 1.97% per month
    5. Net Debt – Rs. 161 Crores
    6. Net Debt to Equity Ratio – 0.19 : 1
    7. Avg. Borrowing Cost – 8.90% p.a.

8. Net Worth – 841 Crores

4. The sector wise revenue comparison of FY23 to FY22 is as follows :-



5. The order book position of the company as on 31st March, 2023 were as follows :-

Particulars	Rs. In Crores
Order Book as on 4th May 2023 to be executed during the period of 1 April 2023 To 31st March 2024	299.00
Order Book as on 4th May 2022 to be executed during the period of 1 April 2022 To 31st March 2023	236.00

6. The Revenue breakup for the company for FY23 is as follows :-

1. Income from Operations; Crane Rental – 444.98 Cr
2. Income from Wind EPC business – 5.20 Cr
3. Income from Project EPC business – 5.61 Cr

7. The details of Other Income for FY23 is as follows :-

Sr.	Particulars	Amount in Crores
1	Profit on Sale of Depot Land	9.01
2	Reversal of Provision for doubtful debts made earlier on recovery of monies	8.11
3	Profit on Sale of 7 Nos. Cranes	7.12
4	Bad Debts Recovered net of Bad Debts provided for current financial year	1.54
5	Profit on Sale of other Fixed Assets	2.10
6	Other income (interest on FDR, Gain on MF investment etc.,)	1.89
	Total :-	29.77

8. The Proposed Capex Plan for the company for FY24 stands as follows :-

Sr	Particulars	Amount in Crores
1	30 Nos. brand new cranes	237.00
2	10 Nos. Pick & Carry Cranes	3.00
3	8 x 6 Multi Axle Lines	6.50
4	6 Nos. Prime Movers	2.50
5	Other Fixed Assets	15.00
	Total	264.00

9. The Vietnam subsidiary company has received extension of suspension of business operations vide letter dated 14th December 2022. Total extension period is from 18 December 2022 to 18th December 2023.

Investor Conference Call Highlights

1. The management states that the consistent focus on debt reduction over the past three years has further strengthened the company's balance sheet. It has enabled to generate surplus cash for future capital expenditures and investment opportunities in allied businesses.
2. The EBITDA in FY23 has grown to 59%, which is an improvement of 12% over FY22 where the EBITDA was 47%.
3. The management states that in FY23, the wind industry added about 2.3 gigawatts of capacity addition. In the last financial year, it was a transition year as the industry has been laying the groundwork to achieve India's ambitious target of 140 gigawatts of renewable wind energy.
4. The target primarily involves building associated infrastructure and capabilities around metmass, grid infrastructure, substations, acquiring and developing sites.
5. Looking forward, the management states that it has order visibility and market pull for FY24 that the country may add 5 gigawatts of capacity addition in wind.
6. The management believes that offshore wind power is too expensive as compared to onshore power, with 25 to 40 gigawatts of additional untapped potential energy there at 140 metres. An this number crosses more than 100 gigawatts.
7. The management gives guidance of yields above 2% for FY24.
8. The company has proposed to increase the authorized share capital from INR10 crores to INR25 crores for long term possible needs.
9. The management states that the country is in capex upswing, which is expected to bring in demand to the company. In the refinery and petrochemical space, nearly 80 mtpa of capacity is being added either as an enhancement Brownfield or Greenfield project.
10. In thermal power sector, almost 25 gigawatts of capacity are at various stages of construction.
11. In steel sector, 13 mtpa of capacity addition is expected in this financial year. The cement industry plans to add about 80 mtpa by FY '24. Nearly every tier 1, tier 2, metro city has an elevated or underground metro under construction. These are all expected to increase demand for cranes and movers, thus the company is having a very big capex plan in FY24.
12. The management states that all the capex that has been committed, has already been backed by orders.
13. The management gives capacity utilization guidance for FY24 to be at more than 80%.
14. On order visibility, the management states that most of the projects are associated with are multi-year projects. Some of the order book is going into the next financial year as well.

15. The management sees good order visibility till the end of FY ‘24, with a healthy inquiry pipeline, and almost INR300 crores odd of order book, which needs to be executed in FY ‘23-’24.
16. The management states the gross block number of crane as of 31st March, 2023 as INR 2,300 Cr.
17. The management states an increase in the freight & manpower cost in Q4 was due to primarily the freight cost with certain cranes getting deployed with some other clients and the manpower cost, due to an increase in the manpower because of the deployment of additional cranes.
18. The management states that it is strategically looking at allied businesses with focus on driving both project EPC and wind EPC. Last year, was the first year, where they had started and going forward, they expect to add more revenue coming from those two verticals.
19. The management states that the EBITDA margins for both new business segments is 35% to 40%.
20. The management states that there has been a transition in the wind industry in the last two years, with OEMs now been focused on delivering product and not undertaking the execution of the project.
21. The customer of the OEM is an IPP, who doesn't have the project experience, to do a complete project execution in the wind industry. So the management see that as a scope for the company to get involved in the providing turnkey EPC services for the wind industry.
22. The management states that in project EPC, for the bigger projects such as fertilizer plants, refineries and petrochemicals; they provide a crane on a rental basis and also undertake allied activities such as equipment direction, alignment, engineering solutions, structural work etc.
23. The management states that the average age of the cranes fleet currently stands at 20 years.
24. The management states that the capex for FY24 is funded partly through internal accruals to the tune of 30% and the balance 70% will be availed by long term loans from the bank.
25. The management clarifies that for existing internal accruals, they don't need to liquidate any non-core assets to fund capex. There is sufficient cash flow generated through the business to fund the capex.

Analyst’s View:

Sanghvi Movers Ltd is one of India’s largest crane movers and the fifth largest in the world. The company reported good revenues up 16% YoY to Rs. 127 Cr while PAT rose up 82% YoY to Rs. 34 Cr. The management also has resumed having concalls after many years. The company is going through another heavy capex cycle with demand supported this time from all sectors, as compared to only the wind sector in the previous cycle. The company is also going into allied business which have proven success since the past few quarters. The risk of the company stands in terms of the debt accrual, which not done conservatively could lead to problems as seen in the past few years. Nonetheless, the company has done a good job over reducing its huge debt over the past few years and prepares to grow at a good pace over the short term. Thus, it is a must-track small cap company for risk-taking investors.

Paints

Kamdhenu Ventures Ltd

Financial Results & Highlights

Brief Introduction:

Kamdhenu Ventures is a recently de-merged company of the Kamdhenu Group. The Kamdhenu Group, Incorporated in 1994, with the flagship company being Kamdhenu Ltd. is engaged in the manufacturing, marketing, branding and distribution of TMT Bars, structural steel, paints and allied products under the brand name “KAMDHENU”. Kamdhenu Ventures is primarily engaged in the paints business, acting as a holding company for ‘Kamdhenu Colour and Coatings Limited’. Kamdhenu Ventures got de-listed from the main company on 24th January, 2023 and was listed on BSE & NSE.

	Quarterly Performance							
	KAMDHENU VENTURES LTD							
Narration	**Mar-20**	**Jun-20**	**Dec-21**	**Mar-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**-**	**-**	**-**	**-**	**64**	**70**	**71**	**205**
% Growth YOY				-	-	-	-	
Expenses	-	-	-	-	64	70	71	**204**
EBITDA	**-**	**-**	**-**	**-**	**1**	**-0**	**0**	**1**
Depreciation	-	-	-	-	1	1	1	**4**
EBIT	-	-	-	-	-1	-1	-1	**-3**
EBIT Margin					*-1%*	*-2%*	*-2%*	
Interest	-	-	-	-	1	2	1	**5**
Other Income	-	-	-	-	0	0	0	**0**
Profit before tax	**-**	**-**	**-**	**-**	**-2**	**-3**	**-2**	**-7**
PBT Margin					*-3%*	*-5%*	*-3%*	
% Growth YOY					-	-	-	
Tax	-	-	-	-	-0	-0	0	**0**
Net profit	**-**	**-**	**-**	**-**	**-2**	**-3**	**-2**	**-7**
% Growth YOY					-	-	-	

Detailed Results:

1. Consolidated revenues of the company stood at Rs. 70.8 Cr for the quarter and Rs. 259.5 Cr for the year.
2. Consolidated EBITDA for the company stood at Rs. 0.1 Cr for the for the quarter and a loss of Rs. 0.5 Cr for the year.
3. Consolidated PAT for the company was at a loss of Rs. 2.5 Cr for the quarter and a loss of Rs. 11.3 Cr for the year.
4. Gross Profit margins for the company stood at 34.3% for the quarter and 34.4% for the year. EBITDA margins stood at 0.1% for the quarter and -0.2% for the year.
5. Revenue Split for the company in FY23, on basis of segments stood as:-
    1. Water Based Products – 83%
    2. Solvent Based Products – 10%
    3. Powder Based Products – 7%
6. The Average Selling Price for the year was at Rs. 79 per Kg/Ltr vs Rs. 76 per Kg/Ltr the previous year.

7. The Revenue Split for the company for FY23, on basis of Geography stood as:-
   1. North – 43%
   2. East – 34%
   3. West – 11%
   4. South – 7%
   5. Centre – 6%
8. The Dealer Split for the company for FY23, on basis of Geography stood as:-
   1. North – 28%
   2. East – 36%
   3. West – 17%
   4. South – 10%
   5. Centre – 10%
9. The number of dealers for the company as on 31st March, 2023 stood at 4,071.
10. Board of Directors of the Company in their Board meeting held on 25th April 2023, have considered and approved raising funds to the tune of Rs.65.25 crores on allotment of 45 Lakhs Equity Shares of face value of Rs. 5 each, at an Issue Price of Rs. 145/- per Equity Share (including the premium of Rs. 140 per Equity Share), on preferential basis to the following QIBs:
    - Aidos India Fund Limited
    - Minerva Emerging Opportunities Fund Limited
    - Ebene Global Opportunity Fund.
11. Each of them have been allotted 15 lakh shares on a preferential basis. Out of the funds raised, Rs. 58 crores will be invested in Kamdhenu Colour and Coatings Limited (KCCL), a wholly owned subsidiary of the company by way of subscription of 58 lakh, 0.01% Optionally Convertible Redeemable Preference Shares of FV Rs.10 each at an issue price of Rs.100 per share of KCCL.

Investor Conference Call Highlights

1. The group company delivered a strong performance in FY23 in both steel and paint business. Brand sales turnover of FY '23 had increased by 32% year-on-year to INR21,000 with franchisee volume growing 21% year-on year to 29.8 lakh metric tons. The company has reported revenue growth of 22% year-on-year to INR732 crores for FY '23.
2. The management states that their focus of doing business continues to penetrate into existing markets, explore new markets and expand the dealer network in Tier 2, 3 and Tier 4 cities.
3. The company's strategy remains on manufacturing and sales of premium paint products and reduction in manufacturing of low end products -- low value products. In order to achieve this goal, they are outsourcing low-value products from contract manufacturing.
4. The 58 crores from the issue will be invested in Kamdhenu Colours and Coatings Limited. This will be used in working capital, marketing of the paint products, addition of fixed machines and tinting machines at dealer counters and reduction of GECL facility loan.
5. The company's plant utilization was around 25% throughout the year. It is now increasing production of value-based product in own plant and reducing the low-value product.
6. The management states that the gross margins on the high-value products are 40%.
7. The company was planning to raise funds of around INR 70 crore. The request is pending with NSE and BSE, if they get the approval from the NSE, the fund will be immediately released.
8. The management states that the market is moving towards the water-based products and people are getting the house painted with the water-based as it is eco-friendly. The use of the solvent based and powder based is gradually reducing.

9. The management states that it not seeing any competition with big players, as it is a well-known brand in Tier 2 and 3 cities where the presence of larger players is less. It is focusing on increasing its sales there.
10. The management states that 70% of sales come from Tier 2 and Tier 3 cities, and 30% from the metro and Tier 1 cities.
11. The management states that the raised funds for expansion, are going to reduce debt of the COVID loan or some working capital limit and also increase tinting machines, balance equipment for automation of machinery and also for the branding purpose.
12. The management states that it has sufficient capacity in the plant to make a product of high value to the tune to INR450 crores. They don't require to increase any capacity except do few automization.
13. The management states that the raised funds are going to be used in the current year itself.
14. The management states that the sectoral demand is 15% to 20% average growth per year. The paint market in India is huge at almost 40,000 crores.
15. The company's royalty income grew by 25% year-on-year in quarter 4 and FY '23 with INR382 royalty charged per ton.

Analyst's View:

Kamdhenu Ventures is a recently de-merged company of the Kamdhenu Group. It reported good revenues for the year, although the EBITDA was negative. It has been existent in the paint space for quite some time now but does not have a proven growth track record despite the high managerial experience in this field. It has issued preference shares recently to raise funds, although a red flag was that they were issued at a deep discount to the market price. Thus, considering the various factors about the company's performance and different aspects about the ways of functioning, Kamdhenu Ventures Ltd is a company to avoid tracking, with there being better existing competitors in the market.

Sirca Paints India Ltd

Financial Results & Highlights

Brief Introduction:

Sirca Paints India Limited (SPIL) is among the country's leading manufacturers of wood coating products. With its history dating back to more than 2 decades, the company fulfils emerging aesthetic wood finishes needs in India's growing furnishing market. The company is engaged in the manufacturing, sales and exports of wood coatings and other decorative paints under the brands 'Sirca', 'Unico, and others. With its newly commissioned manufacturing facility, SPIL is progressing on its journey to become a leading brand in the Indian wood coatings & paints market. With a vision to have a global footprint, the company is working towards exporting its products to neighbouring countries i.e. Nepal, Bangladesh and Sri Lanka catered by its state-of-the-art manufacturing facility at Sonipat.

Quarterly Performance											
SIRCA PAINTS INDIA LTD											
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**46**	**48**	**32**	**61**	**53**	**54**	**61**	**73**	**65**	**68**	**268**
% Growth YOY					*16%*	*14%*	*91%*	*20%*	*23%*	*26%*	
Expenses	37	38	29	47	41	45	46	54	51	55	**206**
EBITDA	**9**	**9**	**3**	**13**	**12**	**9**	**15**	**19**	**14**	**13**	**62**
Depreciation	1	1	1	1	1	1	1	1	1	1	**4**
EBIT	8	9	2	12	11	8	14	18	13	12	**57**
EBIT Margin	*17%*	*18%*	*7%*	*20%*	*20%*	*15%*	*23%*	*25%*	*20%*	*17%*	
Interest	0	0	0	0	0	0	0	0	0	-	**0**
Other Income	1	12	1	1	1	1	1	2	1	1	**5**
Profit before tax	**9**	**21**	**3**	**14**	**12**	**9**	**15**	**20**	**14**	**13**	**62**
PBT Margin	*19%*	*43%*	*9%*	*23%*	*23%*	*17%*	*25%*	*27%*	*22%*	*19%*	
% Growth YOY					*42%*	*-56%*	*419%*	*42%*	*16%*	*43%*	
Tax	2	5	1	4	3	3	4	5	4	4	**16**
Net profit	**6**	**15**	**2**	**10**	**9**	**6**	**12**	**14**	**11**	**9**	**46**
% Growth YOY					*44%*	*-59%*	*428%*	*42%*	*15%*	*53%*	

Detailed Results:

1. The company's revenue grew 26% YoY to Rs. 68 Cr while PAT rose up 53% YoY to Rs. 9 Cr.
2. The company has 1,823 dealers and distributors, 12 branches and depots, 27 sirca studios an d2 manufacturing facilities as on 31st March, 2023.
3. The company's customer split as of Q4 was 70% into Retail and 30% into OEMs.
4. The company's revenue for FY23 was at Rs. 267.75 crores with an EBITDA of Rs. 61.71 crores, having an EBITDA margin of 23% in FY23 vs 18.9% in FY22.
5. The company's EBITDA margin for Q4 was at 19.2% vs 17.4% the previous year.
6. The company faced some external challenges in Delhi NCR and Haryana region during January & February on account of ban in construction activities & spray painting to curb pollution related issues during the period. Sales momentum was regained in March.

Investor Conference Call Highlights

1. The company has launched one of the most globally renowned brands OIKOS in India. OIKOS specializes in decorative solid color finishes and texture paints which has been an area of interest for the company.

2. OIKOS is positioned as a luxury category product which will be a perfect fit for the existing business. OIKOS will be launched across the country through the existing distribution network while also creating a specific touch point exclusively for OIKOS.
3. The experience center for OIKOS will be aimed at enhancing the brand emission in India. And at present, such stores are already in pipeline in Delhi, Hyderabad, Bangalore and Raipur.
4. The management states that OIKOS will strengthen its wall paint portfolio and has the potential to be a very good category in itself. Thus, they have also decided to ultimately get into manufacturing of this range in India at the existing wall paint facility in a few quarters.
5. The company has signed a landmark manufacturing license and technical know-how agreement with Sirca S.P.A Italy.
6. The agreement is an extension of existing relations with the Sirca group, Italy, where the company has now acquired the rights to manufacture 10 different polyurethane wood coating products in India, which were earlier imported from Sirca S.P.A Italy.
7. Sirca S.P.A Italy will be providing the technical know-how in order to manufacture the products as per Italian quality standards. The products roughly make up 50% to 55% of the company's total revenue of Italian polyurethane proteins.
8. The management states that the agreement with Sirca S.P.A. Italy will allow to cut down the import bill, optimize greatly the inventory days of finished goods, increase manufacturing in India and strengthen operations on pan-India basis.
9. The company also has recently launched a new water based coating range, D'Aqua PU. This is a key launch in the luxury PU product kitty, in keeping with the global trends of transition from solvent-based coatings towards water-based coatings.
10. Net profit for the year stood at INR46.11 crores, a substantial increase of 66% over the previous year.
11. The company been carrying higher inventories, which is essentially large purchases from the Italian company for the products planned to be manufactured in India. The stock will run down in coming two quarters. Going forward, our inventory days are expected to be reduced.
12. The management states that they see the market moving from wallpapers to special texture paints, which are different from solid paints that is sold by most of the key decorative players in the country.
13. The management states that towards the decorative side, they have done a strategic tie up with OIKOS and they're going to start with the sale of special texture paints that is becoming popular globally and also in India.
14. The management states that the capacity peak can be at around INR 400 crores as the company moves forward and majority of the production switches from NC, Melamine to PU.
15. The management states that 70% of the company’s revenue still comes from imported products.
16. Currently for manufactured UNICO PU, the company is maintaining a capital cycle of 35 days, which is expected to be the same for the new products that will be manufactured domestically.
17. Once production of the products starts in India, the management expects cost saving at about 40 to 50 rupees per litre, with inventory days to be cut down by 50%.
18. The management maintains a guidance of 21% to 25% for EBITDA margins for the next two years.
19. The management states that cost savings earned from domestic manufacturing will be used for marketing and dealer expenses, maintaining EBITDA margins at the same level.
20. The margins for the retail and OEM sales are similar, and for decorative and industrial also it stands the same.
21. The management states that the margins for the polyurethane are much higher than for decorative.
22. The management states that in last 1 year, PU is becoming a commodity and no more a technology. Therefore recently, they have finally decided to manufacture the majority of the imported products also in India, which contributes to majority of the sales.

23. The management states that 70% of the total sales are coming from Northern India. Regions like Delhi, NCR, Punjab, Haryana, U.P., Rajasthan and M.P., and other 30% is coming combined from East, West and South.
24. The management states that almost 3% to 3.5% will be spent towards the distribution side on the total revenue and 5.5% on the advertisement side over the next few quarters.
25. The management plans a capex of INR5.5 crores for a wood coatings plant in Coimbatore, another INR5.5 crores of for a manufacturing plant in Shirwal and INR3.5 crores to INR4 crores on the capex of new wall paint expansion with OIKOS.
26. Altogether, approximately a INR15-odd crores capex is planned considering the growth in the manufacturing side of polyurethane and the OIKOS based water-based products in this year.
27. The management states that the challenges on the constructions bands are now all normal.

Analyst's View:

Sirca Paints India Ltd has made significant strides in expanding its product portfolio and manufacturing capabilities. The company's had good numbers with revenue growth at 26% YoY while PAT rose up 53% YoY. The launch of the globally renowned brand OIKOS in India, specializing in decorative solid color finishes and texture paints, showcases the company's strategic focus. The luxury positioning of OIKOS aligns well with the existing business, and the establishment of experience centers will further enhance the brand's presence. Additionally, the manufacturing license and technical know-how agreement with Sirca S.P.A Italy not only strengthens the company's operations but also reduces import bills and optimizes inventory days. The introduction of the water-based coating range, D'Aqua PU, reflects the company's commitment to global trends in environmentally friendly coatings. With upcoming domestic manufacturing facilities, cost savings and improved distribution expected which will drive further growth, Sirca Paints remains a key potential multi-bagger to look-out for.

Petrochem

Styrenix Performance Materials Ltd

Financial Results & Highlights

Brief Company Introduction

Styrenix which is the manufacturer, trades, and sells Engineering Thermoplastics was incorporated in 1973. It is a producer of Absolac (ABS) and Absolan (SAN) in India. ABS is a plastic resin produced from acrylonitrile, butadiene, and styrene, used for manufacturing home appliances, automobiles, consumer durables, and machinery. Absolan is a polymerized plastic resin produced from styrene and acrylonitrile and is mainly used for products such as lighting, stationery, novelties, refrigerators, and cosmetic packing. It also manufactures Polystyrene which is used for food service and packaging, refrigerator components, electronic goods housings, etc. Its products are used across industries such as Automotive, electronics, household, construction, healthcare, packaging, and toys/ sports/ leisure.

	Quarterly Performance										
	STYRENIX PERFORMANCE MATERIALS LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**485**	**637**	**455**	**588**	**512**	**624**	**650**	**550**	**557**	**615**	**2,372**
% Growth YOY					*6%*	*-2%*	*43%*	*-7%*	*9%*	*-1%*	
Expenses	341	409	328	464	429	483	529	510	508	549	**2,097**
EBITDA	**144**	**227**	**126**	**125**	**83**	**141**	**121**	**40**	**49**	**66**	**275**
Depreciation	9	9	9	10	9	9	9	10	9	10	**38**
EBIT	135	218	117	115	73	131	111	30	39	57	**237**
EBIT Margin	*28%*	*34%*	*26%*	*20%*	*14%*	*21%*	*17%*	*5%*	*7%*	*9%*	
Interest	3	5	3	2	1	2	1	1	1	1	**5**
Other Income	4	4	4	7	2	1	6	4	2	3	**15**
Profit before tax	**135**	**216**	**118**	**121**	**73**	**130**	**116**	**32**	**40**	**58**	**247**
PBT Margin	*28%*	*34%*	*26%*	*20%*	*14%*	*21%*	*18%*	*6%*	*7%*	*9%*	
% Growth YOY					*-46%*	*-40%*	*-2%*	*-73%*	*-45%*	*-55%*	
Tax	32	55	32	31	26	31	29	9	10	16	**64**
Net profit	**103**	**161**	**86**	**90**	**47**	**99**	**87**	**24**	**30**	**42**	**183**
% Growth YOY					*-54%*	*-39%*	*1%*	*-74%*	*-36%*	*-57%*	

Detailed Results:

1. The company achieved quarterly revenue of INR 615.3 crores as compared to INR 557.2 crores for Q3 FY23, and INR 623.9 crores for Q4 FY22.
2. Profit before tax in the current quarter stands at INR 58.22 crores as compared to INR 40.43 crores for Q3 FY23, and INR 130.09 crores in for Q4 FY22.
3. The year-to-date performance, revenue net of GST from operations stands at INR2,372.3 crores in the financial year ended March 2023 as compared to INR2,179 crores in the financial year ended March 2022. Profit before tax for the year ended March 2023 stands at INR247 crores as compared to INR442 crores for the year ended March 2022.
4. Performance specialties, profit before tax, and other unallocatable expenditure stands at INR40 crores in the current quarter as compared to INR30 crores in October to December 2022 and INR 91.9 crores in January to March 2022.

Investor Conference Call Highlights

1. Gross margin and EBITDA margin improved by 300 and 200 basis points, due to various cost efficiencies. Gross margin uptake will continue.

2. They have been able to increase their volumes in terms of sales. And that has helped in reducing the fixed costs. Having reduced fixed costs and bringing in several operating efficiencies, overall has helped them to increase margins.
3. Management is still studying the business and assets and believes that there is scope for improvement with the current assets. With some minor investments, they should be able to augment the output significantly (debottlenecking).
4. Management is already working on new expansion plans. They are planning to increase the capacity substantially and will reveal the plan in a few months.
5. There is a fairly good demand in India for their end-user industries.
6. The management acquired this business in November, still understanding the potential of the business.
7. Before new management took over, the capacity utilization was not more than, you can say, 60% or 55%. They believe that reaching close to 85-90% capacity is feasible based on whatever work they have done so far.
8. The applications of the products supplied are unique to the Indian conditions, the products need to be customized according to these conditions and this requires technical expertise.
9. In the EV segment also their products are the preferred choice.
10. The products need to be customized according to the needs of the customer.
11. Supply-demand mismatch (imports) may give the customers the needed incentive to switch from Styrenix to other suppliers.
12. India consumes around 2.5-3 lakh tons of ABS. Imports are close to 100,000-140,000 tons.
13. The management believes that it can defend its market against imports.
14. Almost all ABS is used in similar applications. However, the customizability of ABS is different between emulsion ABS and mass ABS.
15. customizability is key in the Indian market, which would still give emulsion ABS kind of a differentiator over mass ABS in the future as well.
16. As the plants and machinery are old, some minor renovation will need to be done.
17. Styrenix manufactures two types of polystyrene. One is the GPPS or General Purpose Polystyrene and the other is high-impact polystyrene. Other than the packaging, these products also go into, again, consumer durables, It goes into stationery and It goes into other areas.
18. They have already reached 80% capacity utilization right now (from 60-65% previously), currently doing some small debottlenecks. Reaching 100%, may require a very small capex.
19. In all four segments, there are specific advantages that they have in their product vis-a-vis the competition, where they believe they can do even more specialized work and increase the product mix towards higher margins products.
20. They have already started working on several new products and several new blends.
21. The product mix is roughly 65-35, 65% you can see specialized, and 35% is commoditized.
22. The raw material prices have also come down.
23. Management does not plan to do any significant capex this year except the debottlenecks and a very small capex.
24. Rarely has the company lost any of its marquee clients, only, in fact, the business has grown. So that just demonstrates that it is not very easy for importers to come in and replace.
25. Based on current market conditions and potential sentiments of the market going forward, management doesn't see any reason for significant downward pressure. They do believe they are in a kind of normalized situation now.
26. The company will reduce inventories.

Analyst's View

On August 1st, 2022, Shiva Performance Materials Private Limited (SPMPL) entered into a share purchase agreement with Ineos Styrolution APAC Pt (ISAPL was the holding company of INEOS Styrolution India Limited), under which SPMPL agreed to purchase all the equity shares held by ISAPL in the company i.e. ~61.19% of the equity capital of SIL at a price of ~₹600 per equity share totaling to ₹645.67 crores. On January 3rd, 2023, the company approved changing its name from INEOS Styrolution India Limited to Styrenix Performance Material Limited. On a yearly basis revenue and PBT decreased by 1.44% and 56%, indicating a huge margin reduction. Styrenix Ltd is engaged in the manufacturing of Engineering Thermoplastics and was incorporated in 1973. It is a producer of Absolac (ABS) and Absolan (SAN) in India. ABS is a plastic resin produced from acrylonitrile, butadiene, and styrene, used for manufacturing home appliances, automobiles, consumer durables, and machinery. As these industries are cyclical, the demand for Styrenix also goes through cycles, it is therefore really important to keep track of the auto and white goods sector performance. The company generated revenue from the sale of Specialties ~70% and Polystyrene ~30%. The current management has recently acquired the business and is still understanding it, although, in its limited time, it has already bettered the business by increasing volumes, reducing inventory, and talking about new capex plans.It remains to be seen how the new management takes control of this business and operates it, and if is able to walk the talk or not on its growth plans. The management needs to be given some time to execute all their plans and walk the talk.

Supreme Petrochem Ltd

Financial Results & Highlights

Supreme Petrochem Ltd is a petrochemical company based in India. It is a major manufacturer of polystyrene and expandable polystyrene in the country. The company was established in 1989 and has since grown to become one of the leading players in the Indian petrochemical industry.
Supreme Petrochem primarily focuses on the production of polystyrene, which is a versatile plastic used in various industries such as packaging, consumer goods, construction, automotive, and electronics. The company operates a state-of-the-art manufacturing facility in Nagothane, Maharashtra, which has a capacity to produce over 330,000 tons of polystyrene per year.

	Quarterly Performance										
	SUPREME PETROCHEM LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**930**	**1,269**	**1,048**	**1,191**	**1,296**	**1,498**	**1,485**	**1,235**	**1,180**	**1,387**	**5,287**
% Growth YOY					*39%*	*18%*	*42%*	*4%*	*-9%*	*-7%*	
Expenses	690	953	850	1,015	1,072	1,190	1,234	1,156	1,062	1,178	**4,629**
EBITDA	**239**	**316**	**197**	**176**	**224**	**307**	**252**	**79**	**119**	**209**	**658**
Depreciation	10	10	10	11	11	10	11	11	11	14	**47**
EBIT	229	306	187	165	214	297	241	67	108	195	**612**
EBIT Margin	*25%*	*24%*	*18%*	*14%*	*16%*	*20%*	*16%*	*5%*	*9%*	*14%*	
Interest	2	2	1	2	1	1	1	1	1	1	**4**
Other Income	6	6	8	5	8	9	12	12	14	21	**59**
Profit before tax	**233**	**311**	**194**	**168**	**221**	**305**	**252**	**78**	**121**	**216**	**667**
PBT Margin	*25%*	*25%*	*19%*	*14%*	*17%*	*20%*	*17%*	*6%*	*10%*	*16%*	
% Growth YOY					*-5%*	*-2%*	*30%*	*-53%*	*-45%*	*-29%*	
Tax	62	79	48	41	56	80	63	18	32	56	**169**
Net profit	**172**	**232**	**146**	**127**	**165**	**225**	**189**	**60**	**90**	**160**	**498**
% Growth YOY					*-4%*	*-3%*	*29%*	*-53%*	*-46%*	*-29%*	

Detailed Results:

1. Quarter 4 (Q4) Performance:
    a. Operational income of INR 1,317 crores, declining by 7% YoY but increasing by 17.5% QoQ.
    b. EBITDA reported as Rs. 209 crores, declining by 32% YoY but increasing by approximately 76% QoQ.
    c. EBITDA margin stood at 15.06% for the quarter.
    d. Net profit reported as Rs. 160 crores, declining by 29% YoY but increasing by 78% QoQ.
    e. PAT margin was 11.52% for the quarter.
2. Full Year (FY) Performance:

- Operational income for FY23 was Rs. 5,287 crores, increasing by 5% compared to FY2022.
- Operating EBITDA stood at Rs. 658 crores, declining by 27% YoY with EBITDA margins reported at 12.45%.
- Net profit stood at INR 498 crores, declining by 25% YoY with PAT margins at 9.42% during FY23.
- Total sales volume of manufactured products increased by 17.8% in Q4 FY23 and 4.8% for the full year compared to the previous periods.
- Domestic sales increased by 17.9% on a QoQ basis but remained relatively static YoY.

3. The Board recommended a final dividend of Rs. 7 per share.

Investor Conference Call Highlights:

1. Prices of the main raw material, styrene monomer, have remained stable since August 2022.
2. Brownfield expansion projects at Amdoshi plant Raigarh and EPS capacity in Tamil Nadu are complete.
3. Effective capacity for polystyrene now stands at 300,000 tonnes per annum, and expandable polystyrene capacity increased to 110,000 tonnes per annum.
4. The first phase of the mass ABS project with 70,000 tonnes per annum capacity is progressing as per schedule.
5. The company plans to incur about Rs. 430 crores in the current year on ongoing ABS project, EPS second phase expansion, and extruded polystyrene foam board second line, apart from normal capital expenditure.
6. Trading revenues for the year 2023 are expected to be around 22% to 23% of the total revenue. It is anticipated that trading revenues will remain stable within the range of 20% to 25% in the coming years.
7. The steep rise in spreads on a quarter-on-quarter basis for polystyrene and other segments was primarily due to increased demand during the peak quarter for consumer durables. This period sees a buildup of product inventory for summer sales, such as refrigerators and air conditioners.
8. The company plans to incur a capital expenditure of approximately Rs. 430 crores in the current year for ongoing projects, including ABS expansion, EPS second phase expansion, and extruded polystyrene foam board second line. A similar expenditure is expected for the following fiscal year.
9. The objective of the new capacity expansion is to tap into the export market and also meet the increasing demand in the domestic market.
10. The company is investing Rs. 850 crores in the mass ABS project, which will be completed in two phases. The ramp-up of the capacity is expected to take 2 to 3 years, and the payback period is estimated to be less than 4 years once the capacity reaches 90% utilization.
11. India's consumption of ABS (Acrylonitrile Butadiene Styrene) is estimated to be around 300,000 metric tons, with 45% of that being imported. The total capacity of the three major players in the industry is 140,000 metric tons. Even with the implementation of a new project and the expected growth in demand due to increased automobile consumption and electric vehicles (EVs), the capacity will still be insufficient to meet the total demand. Therefore, a portion of the demand will be met through imports.
12. While globally, around 90% of ABS capacities are based on emulsion technology and 10% on mass technology, the decision to choose mass ABS is based on its advantages. Mass ABS has a lower carbon footprint, lower utility and manpower consumption, and is considered a safer product due to its continuous process.
13. The conversion cost of mass ABS is expected to be lower compared to emulsion ABS, assuming the selling price remains the same. The company anticipates that they will have access to similar margins as the global market since all commodity and polymer prices are benchmarked with global landed prices.
14. The company does not import raw materials from China but rather sources them from Korea, Singapore, and the Gulf. This is due to China's limited styrene export capacity at the time.
15. The company has expanded its portfolio to include value-added grades, which now account for approximately 37% to 40% of their revenues. These grades command a premium in the market and contribute to better realizations and margins for the company.
16. Raw material prices have remained stable with small fluctuations in the range of 5% to 6%.

17. The company aims to maintain a cash cushion for planned capital expenditures and to navigate the cyclical nature of the industry.
18. The company has a wide geographical presence for exports, including countries in Asia, Europe, Africa, and the Americas.
19. The increase in operating margins is attributed to various factors such as high international deltas, increased demand, and higher volumes.
20. Imports have accounted for around 8% to 10% of the total consumption of polystyrene in the country, with negligible imports for EPS.
21. The OEM demand for the company grew by almost 15% last year. The total volume growth for the next year is expected to be around 17%, including both domestic and export sales.
22. The company is in talks with Versalis, and wherever possible, they will try to get their support. The extent of support will depend on Versalis' technology-sharing decisions.

Analyst's View:

Supreme Petrochem Ltd (SPL) is a petrochemical company engaged in the business of manufacturing Polystyrene, Compounds of Styrenics and other Polymers. The company's expanded polystyrene and expandable polystyrene capacities for the current quarter were not explicitly mentioned, but it is expected to reach approximately 60% utilization for the current fiscal year (FY24) and gradually increase thereafter. The company foresees a volume growth of around 15% to 16% in the 2023-24 fiscal year compared to the previous year, but specific projections for EBITDA and top-line growth were not provided. Despite the increased styrene monomer capacities in China, which may impact downstream products like polystyrene and EPS, the company remains optimistic about the Indian market's profitability. The surplus styrene production in China might help alleviate styrene availability concerns for Indian consumers. The company's profitability is influenced by factors such as demand, supply chain disruptions, freight rates, and the price difference between styrene monomer and finished products.

Pharma & Healthcare

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**1,701**	**1,788**	**1,961**	**1,988**	**2,493**	**2,518**	**2,255**	**1,855**	**1,708**	**1,951**	**7,768**
% Growth YOY					*47%*	*41%*	*15%*	*-7%*	*-32%*	*-23%*	
Expenses	1,010	1,072	1,109	1,169	1,396	1,414	1,408	1,234	1,299	1,463	**5,404**
EBITDA	**691**	**716**	**852**	**818**	**1,097**	**1,104**	**847**	**621**	**408**	**488**	**2,364**
Depreciation	68	70	73	77	80	81	84	86	87	87	**343**
EBIT	623	646	779	741	1,017	1,023	763	535	322	401	**2,020**
EBIT Margin	*37%*	*36%*	*40%*	*37%*	*41%*	*41%*	*34%*	*29%*	*19%*	*21%*	
Interest	0	0	0	0	0	0	0	0	0	0	**1**
Other Income	19	24	36	19	17	52	88	80	114	66	**349**
Profit before tax	**642**	**669**	**814**	**760**	**1,034**	**1,076**	**851**	**615**	**436**	**466**	**2,369**
PBT Margin	*38%*	*37%*	*42%*	*38%*	*41%*	*43%*	*38%*	*33%*	*26%*	*24%*	
% Growth YOY					*61%*	*61%*	*5%*	*-19%*	*-58%*	*-57%*	
Tax	171	167	257	153	131	181	149	122	129	146	**545**
Net profit	**471**	**502**	**557**	**606**	**902**	**895**	**702**	**494**	**307**	**321**	**1,823**
% Growth YOY					*92%*	*78%*	*26%*	*-19%*	*-66%*	*-64%*	

Detailed Results:

1. Consolidated revenues fall by -23% YoY while profit fell by -64% YoY in Q4 FY23.
2. EBITDA margins for Q4 FY23 stood at 25%.

Investor Conference Call Highlights

1. The management states that despite the market volatility, Divi's has maintained efficient and sustainable operations.
2. The management states that they have capitalized on new opportunities to fuel growth after a return to normalcy in the core API product portfolio and are actively pursuing six point strategic approach to unlock further growth potential.
3. The company's custom synthesis project in collaboration with big pharma's for contrast media production is progressing well and commercial manufacturing has started.
4. FY '22-'23 has been a year of significant progress for Divi's with all clearances obtained for Unit 3 facility near Kakinada. Construction activity on the 500 acres of land is progressing well and capex of

INR 1,200 crores to INR 1,500 crores for Phase 1 development is in the final stages of strategic refinement.

5. The company achieved stability in raw material procurement and availability leading to slight softening in material prices compared to the previous quarter.
6. As a conscious continuous effort made by the organization to develop and support domestic supplier base by geographically diversifying the sourcing risk, the dependency on China has been lower as compared to the previous year.
7. Exports for the quarter continues to be around 90% and the export to US and Europe is about 68% of the revenue for the quarter and 70% for the year.
8. The management states that product mix for generics to custom synthesis is 56:44 for the year and it is 59:41 for the quarter.
9. The company has a forex loss of INR 4 crores for the quarter while a gain of INR 130 crores for the year. Due to lower sales revenue during the quarter, constant currency growth for the quarter has been negative at -32%, while it has been negative at -21% for the year.
10. The company's nutraceutical business amounted to INR 150 crores for the quarter and INR 650 crores for the year.
11. The company has capitalized assets of INR 480 crores during the quarter and INR 745 crores for the year. The company has capital work in progress of INR 212 crores at end of the quarter.
12. As of 31st March, the cash on books is INR 4,136 crores, receivables INR 1,793 crores and inventories INR 3,000 crores.
13. The management states that raw material prices are coming down, with the benefit to be seen in the coming quarters.
14. The management gives guidance of going back to the 67% to 68% gross margin levels by the end of the financial year.
15. The management is very positive on Contrast media in the innovator business segment. The company has increased capacity and has qualifications under completion and growing for the Iopamidol, Iohexol in the regular generic products market.
16. The management states that it is building world-class plants to be as a supplier of contrast media active ingredients and expects to become the leader in two, three years just like naproxen and gabapentin.
17. The management states that Green Principles chemistry has become a must for the company to be able to do business in the US and Europe.
18. The management states that it does not feel any pricing or demand pressure for some of the generic products. For few APIs, the companies are having huge stocks which they are in process of finishing.
19. The management states that it expects the company to be growing at a double-digit growth continuing ahead.
20. The Unit 3, will begin soon with manufacturing the Nutraceutical APIs and some of advanced intermediates, helping to free up capacity from Unit 1 and Unit 2.
21. The freed up GMP, US FDA, European FDA inspected buildings in Unit 1 and Unit 2 will be able to take advantage to produce the required quantities of new opportunities of custom synthesis and other generic products.
22. In Unit 3, where the company is investing INR 1,200 crores to INR 1,500 crores; first to begin with, will start manufacturing the starting materials, the intermediates, nutraceutical APIs. In the second phase, it will enter into the APIs that usually take three to four years for the qualifications and US FDA inspection.
23. For Kakinada, the board estimates capex to be INR 1,200 crores to INR 1,500 crores for Phase 1; and with discussions in place to plan for the kind of investments in Phase 2. These will come from the INR 4,000-plus crores of reserves that exist.

24. The management states that the Kakinada greenfield project started ground clean-up last month and they expect it to commercialize by end of the calendar year '24.
25. The management states that in generic products, the company has mainly two growth engines, firstly being the traditional and the established products like naproxen, dextromethorphan, gabapentin where they have the 60% to 70% market.
26. The management states the second growth engine is other generic products where they are in 20%, 30% market and have increased the capacity substantially to become number 2 or number 1 in the market.
27. The management states that the overall capacity utilization for the year stands at 77% to 80%.

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 -23% YoY while profits collapsed by -64% YoY. 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 planned expansion in Kakinada, which are currently in the execution 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 remains a pivotal pharma stock in India, especially given the massive China substitution opportunity.

Gufic Biosciences Ltd

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**167**	**132**	**251**	**194**	**172**	**162**	**165**	**175**	**177**	**173**	**691**
% Growth YOY					*3%*	*23%*	*-34%*	*-10%*	*3%*	*7%*	
Expenses	139	108	205	158	139	130	132	142	143	141	**558**
EBITDA	**27**	**24**	**46**	**36**	**33**	**33**	**33**	**33**	**34**	**32**	**132**
Depreciation	3	4	4	4	4	5	4	5	6	6	**20**
EBIT	24	19	42	32	28	27	29	28	29	26	**112**
EBIT Margin	*15%*	*15%*	*17%*	*16%*	*16%*	*17%*	*17%*	*16%*	*16%*	*15%*	
Interest	4	3	1	2	1	1	1	2	2	3	**8**
Other Income	0	1	1	0	2	0	0	1	1	1	**3**
Profit before tax	**20**	**17**	**42**	**30**	**29**	**26**	**28**	**27**	**27**	**24**	**107**
PBT Margin	*12%*	*13%*	*17%*	*16%*	*17%*	*16%*	*17%*	*16%*	*15%*	*14%*	
% Growth YOY					*40%*	*54%*	*-32%*	*-10%*	*-5%*	*-9%*	
Tax	5	4	10	7	8	6	7	7	7	6	**27**
Net profit	**15**	**13**	**31**	**23**	**21**	**20**	**21**	**20**	**20**	**18**	**80**
% Growth YOY					*36%*	*57%*	*-33%*	*-13%*	*-3%*	*-11%*	

Detailed Results:

1. The company had a poor quarter with revenue and profits increasing by 7% and negative 11% on a YoY basis respectively.
2. The PAT margin for the current Q4 is 10.47%, Q4 of last year was 12.49% while the EBITDA margin for the current Q4 is 18.58% Vs 20.14% YoY.

Investor Conference Call Highlights

1. In Critical Care Division, the company has completed a detailed door-to-door market mapping for the various molecules that are offered by Sparsh Division. It surveyed almost 8000 hospitals and has commenced supplies of medicines to a few of those hospitals.
2. In Critical Care Division, the company received DCGI approvals for Biapenem and dual chamber bag. The launch of Ceftazidime+Avibactam was very successful and received good initial response. In the coming year market presence will increase in this particular product.

3. In Critical Care Division, the company plans to launch the novel once a week anti-infective Dalbavancin for the first time in India in H1 of the coming year. Both these molecules will also be offered to a select few CMO partners in the coming year.
4. The management states that on the penem front, most of the captive requirement now is being fulfilled by the facility at Navsari which was initially being outsourced.
5. The management states that it also plans to launch the oral form of Isavuconazole within the Critical Care division. The injectable form has already been launched. The launch went off very well.
6. In the Ferticare division, the launch of Dydrogesterone was successful. To increase presence in this particular market, there is a plan to launch a sustained release form of the same in the coming financial year.
7. The company has market leadership position in hMG and hCG and has now launched a more potent form of hMG which reduces the chances of failures of IVF cycle. And innovations like these will help solidify the position as a Top 5 player in the Infertility segment.
8. In other divisions, the trials for a new product which is derived from Boswellia Serrata has gone off well. This particular candidate will be used for management of asthma with plans to launch in the coming financial year.
9. The company's brand Sallaki continues to be a market leader in Boswellia Serrata products. The launch of new zinc-based multivitamin has contributed to the massmarket division.
10. In the Healthcare, Stellar and Spark division, the company plans to launch a novel analgesic in the coming year, Polmacoxib, a NSAID for relief of signs and symptoms in osteoarthritis.
11. The company has successfully completed a split phase trial between Stunnox and Botox. Stunnox continues to increase penetration in the market and Gufic 1 is now the second largest player in the Botulinum Toxin market in India. The process of registration for a range of fillers to complement and augment our basket of products in this category is initiated.
12. On the international business front, the ANVISA Brazil Audit was cleared successfully without any observations. The company also received four new registrations.
13. The management states that inventory has gone up due to the launch of Sparsh and dual-chamber bags.
14. The management states that efforts will be on to get dual chamber bags approved for Meropenem and Piperacillin Tazobactam also. Meropenem, the NPPA clarification has come one on 1st of April. In a month or two that Meropenem clarity is expected to come.
15. The management states that working capital has increased as normal payment terms have been stretched to 90 to 120 days in contract manufacturing as well as to export sales.
16. The management states that for Ceftazidime + Avibactam the patent went off in Jan end 2023, they have sold some only in the month of Jan all the way to March close to approximately 98000 to 99000 vials combining both contract manufacturing and domestic market also.

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 with 7% revenue growth and negative PAT growth 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**24**	**23**	**32**	**35**	**19**	**29**	**45**	**48**	**28**	**28**	**149**
% Growth YOY					*-24%*	*23%*	*39%*	*36%*	*51%*	*-2%*	
Expenses	14	15	16	17	9	16	22	23	16	13	**75**
EBITDA	**11**	**8**	**17**	**18**	**10**	**13**	**23**	**24**	**12**	**15**	**74**
Depreciation	0	1	1	1	1	1	1	1	1	1	**3**
EBIT	10	8	16	18	9	13	22	24	11	14	**72**
EBIT Margin	*42%*	*33%*	*50%*	*51%*	*50%*	*44%*	*49%*	*50%*	*41%*	*50%*	
Interest	0	0	0	0	0	0	0	0	0	0	**0**
Other Income	1	1	1	1	1	2	1	1	2	1	**6**
Profit before tax	**11**	**8**	**17**	**18**	**10**	**14**	**24**	**25**	**13**	**16**	**77**
PBT Margin	*44%*	*35%*	*53%*	*53%*	*52%*	*48%*	*52%*	*53%*	*47%*	*55%*	
% Growth YOY					*-11%*	*70%*	*38%*	*36%*	*38%*	*12%*	
Tax	3	2	4	5	2	4	6	6	3	4	**20**
Net profit	**7**	**6**	**13**	**14**	**7**	**10**	**18**	**19**	**10**	**12**	**58**
% Growth YOY					*-5%*	*69%*	*38%*	*36%*	*38%*	*19%*	

Detailed Results:

1. The company had a poor quarter with revenue decreasing by 2% while PAT increased By 19% on a YoY basis respectively owing to a lower base as well.
2. EBITDA margins stood at 52.98% while PAT margins stood at 41.5%.
3. The board has recommended a dividend of Rs.5 per share coupled with a proposal of a split of shares in the ratio of 5:1.

Investor Conference Call Highlights

1. The revenue growth was subdued for the quarter owing to the slowness in tenders.
2. The management states that Rifamycin-O continued to see decent demand in the market, leading to sufficient dispatches of this product. However, Rifa-S offtake remained on the lower side during the quarter since this is largely a tender-driven segment.
3. The company continued the production of Rifa-S to build inventory to be ready once the tenders open up entirely.

4. The company's 200 Crs capex plan is progressing well where it has capitalized 16 Crs, CWIP stands at 20 Crs & capital advances for the equipment stand at 10 Crs. The new warehouse, R&D, and API block is expected to be ready by September & The last leg of capex will be the new fermentation facility, which is expected to be ready by the end of the next calendar year.
5. Better realization and lower R&D investment of about 3 crores helped to improve the profit margins for the current quarter.
6. The management explains that it has a high R&D block in terms of cost as it is investing significantly in its CGMP pilot plant to ensure that they are able to receive approvals which will ensure that it can move forward with developing a full-fledged fermentation unit where Phase 1 itself costs around 80 Crs.
7. The management expects the Patent for Rifamycin in the US to expire in FY29 after which, it can start supplying the product in the US & other geographies like certain parts of Europe.
8. The management expects Inter-corporate deposits of 17 Crs where it earns decent interest to stay stable while the Other current assets have increased in the long term owing to higher interest rates in the market, & this amount will vary as per the expansion plans of the company.
9. The company is running at full capacity as it is using its capacity to increase the inventory in anticipation of future demand.
10. The management expects the API block to start giving revenues by the end of FY24.
11. The new WHO regulations regarding the preference of 3HP rifapentine-based treatment as compared to the current prevailing Rifampicin -based treatment regime is a major positive development for the business as the company's Rif-S will be required as an intermediate for the new drug, coupled with the fact that dosage required & the lower conversion ratio of Rifa-S to Rifapentine will ensure higher demand for the intermediate.
12. The company has 6 products in the R&D phase & expects this to scale up after September once the R&D unit is capitalized.
13. The company hasn't taken any plant shutdowns in the current FY which it normally did in the past as the management believed that the plant is in good condition.
14. The company isn't seeing any pricing pressures from China & is in fact seeing realizations improve.

Analyst's View

Gujarat themis biosyn is one the leading player in niche API intermediates like Rifa-O&S. It reported a mixed quarter with no revejue growth owinng to lack of tenders while profits rose owing to lower R&D costs coupled with higher realizations. 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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**57**	**64**	**60**	**63**	**56**	**56**	**51**	**73**	**75**	**67**	**266**
% Growth YOY					*-2%*	*-12%*	*-16%*	*17%*	*35%*	*19%*	
Expenses	36	44	43	45	41	46	43	60	56	56	**215**
EBITDA	**21**	**20**	**17**	**18**	**15**	**10**	**7**	**13**	**19**	**12**	**51**
Depreciation	3	4	3	3	5	5	5	5	5	5	**21**
EBIT	18	16	14	15	10	5	2	8	14	6	**30**
EBIT Margin	*31%*	*25%*	*23%*	*23%*	*18%*	*9%*	*5%*	*11%*	*18%*	*9%*	
Interest	2	1	1	1	1	2	2	2	4	1	**9**
Other Income	1	-1	2	1	3	8	5	5	6	3	**20**
Profit before tax	**18**	**14**	**15**	**15**	**12**	**11**	**5**	**10**	**16**	**8**	**40**
PBT Margin	*31%*	*22%*	*25%*	*24%*	*21%*	*20%*	*11%*	*14%*	*21%*	*13%*	
% Growth YOY					*-34%*	*-18%*	*-64%*	*-32%*	*37%*	*-26%*	
Tax	5	4	4	4	3	2	2	4	4	3	**12**
Net profit	**12**	**10**	**12**	**11**	**8**	**8**	**4**	**7**	**11**	**5**	**27**
% Growth YOY					*-31%*	*-20%*	*-68%*	*-35%*	*32%*	*-41%*	

Detailed Results:

1. The company had a decent quarter with a 19% YoY rise in consolidated revenues while PAT degrew by 37% YoY at a consolidated level.
2. EBITDA grew by 13% on a consolidated basis.
3. The standalone EBITDA margin was at 18% in the current quarter vs 20% a year ago.
4. GPM reduced from 68% to 67% YoY on a standalone basis.
5. The standalone revenue growth in Q4 for the various segments is:
    1. Poultry Healthcare: down 8% YoY
    2. Animal Healthcare: Up 100% YoY

Investor Conference Call Highlights

1. The dependence on the Poultry segment has reduced from 80% to 60% YoY.
2. The animal healthcare division saw an upward trend from Q4 with the LSD outbreak in cattle where the Government of India allows the usage of the goat pox vaccine to prevent the LSD in cattle. It has also acquired a technology for the LSD vaccine from the Indian Veterinary Research Institute Government of India & it expects the vaccine to be ready by FY2024.
3. The poultry healthcare division has been impacted with a degrowth of 8% in Q4, as the poultry industry continues to be under stress with the egg prices & meat prices being lower than the production cost which makes it very difficult for the farmers to invest into resources for rare birds and flocks.

4. The pet care division saw the launch of around 10 products in 15 territories in the past 3 quarters & the management targets the launch of 2 new specialized products in the coming quarter.
5. The company won a tender order for the supply of PPR vaccines of 40 Crs to Govt. of India.
6. The company has started marketing campaigns for LSD vaccines.
7. The company's antigen capacity expansion will be completed in Q1FY24, double the company's poultry capacity.
8. Hester Nepal did a turnover of Rs.12 Crores.
9. The company has begun the sales within Tanzania and has started the registration processes in other African countries with its joint venture called Thrishool Exim.
10. The company expects the sales in Hester Africa to start coming in a meaningful manner after 6-9 months once it receives the registrations.
11. The revenue potential of the African plant is $25 Mn which is very high compared to current turnover as the vaccine plants are required to be large by their nature.However, it will take 4-5 years to reach that turnover as per the management.
12. The revenue potential of the Nepal plant is 50 Crs.
13. Company's current cost of debt stands at 8%.
14. The company's total revenue potential stands at 600 Crs.
15. The company's poultry biz growth is expected to remain lower Vs animal healthcare in the long run due to the lower base.

Analyst's View

Hester Bio had a mixed quarter with a 19% rise in sales and a 37% fall 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 started coming up with the company receiving a decent order of 40Crs from the Indian Govt. While the management is confident of receiving more orders in the coming year & poultry cycle also rebounding from the current lows. 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.

NGL Fine-Chem Limited

Financial Results & Highlights

Brief Company Introduction

NGL Fine Chem, also known as NGL Fine-Chem Limited, is a company that operates in the specialty chemicals industry. It is based in India and is involved in the manufacturing and distribution of a wide range of fine chemicals and intermediates. NGL Fine Chem specializes in the production of specialty chemicals and intermediates used in various industries. Their product portfolio includes dyes, pigments, pharmaceutical intermediates, agrochemical intermediates, and other specialty chemicals. NGL Fine Chem emphasizes research and development to develop innovative products and stay at the forefront of the industry. Their R&D team focuses on process development, product improvement, and finding new applications for their chemicals.

	Quarterly Performance										
	NGL FINE CHEM LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**73**	**72**	**76**	**79**	**81**	**78**	**63**	**65**	**70**	**73**	**271**
% Growth YOY					*12%*	*9%*	*-17%*	*-17%*	*-14%*	*-7%*	
Expenses	51	51	53	62	69	68	63	60	62	62	**248**
EBITDA	**22**	**21**	**23**	**17**	**12**	**10**	**-1**	**5**	**7**	**11**	**22**
Depreciation	2	2	2	2	2	2	2	2	2	2	**8**
EBIT	20	19	21	15	10	8	-2	3	5	9	**14**
EBIT Margin	*27%*	*26%*	*28%*	*19%*	*12%*	*10%*	*-4%*	*4%*	*8%*	*12%*	
Interest	0	0	0	0	0	0	1	0	0	0	**1**
Other Income	4	3	5	5	4	2	4	4	3	3	**13**
Profit before tax	**23**	**21**	**26**	**19**	**14**	**10**	**1**	**7**	**8**	**11**	**27**
PBT Margin	*32%*	*30%*	*34%*	*24%*	*17%*	*13%*	*1%*	*10%*	*12%*	*15%*	
% Growth YOY					*-39%*	*-53%*	*-97%*	*-65%*	*-43%*	*11%*	
Tax	6	7	6	5	3	2	0	2	2	3	**6**
Net profit	**18**	**14**	**19**	**14**	**11**	**8**	**1**	**5**	**6**	**9**	**20**
% Growth YOY					*-38%*	*-45%*	*-97%*	*-65%*	*-44%*	*9%*	

Detailed Results:

1. Revenue from operations amounted to 73.89 Crores representing a 2.72% increase compared to the previous quarter and a 12.1% decrease year-on-year.
2. The EBITDA stood at 12.97 Crores reflecting a robust growth of 32.2% quarter-on-quarter and 22.7% year-on-year.
3. EBITDA margins improved to 17.55% recording an increase of 391 basis points quarter-on-quarter and 498 basis points year-on-year.
4. Profit after tax is 9.32 Crores marking a growth of 43.6% quarter-on-quarter and 35.66% year-on-year.
5. The management stated that for the next two quarters there is going to be a pressure on margins and the margins may move a little bit sideways plus minus 2%, 3% from where they currently are.

Investor Conference Call Highlights

1. The management stated that the company maintained a trajectory towards sequential recovery in the business.
2. The management stated that the ongoing European crisis and high inflation rates in certain countries have led to uncertainty among their customers, resulting in cautious behavior and inventory rationalization measures.

3. The company has also been impacted by currency crises in certain regions notably among countries such as Turkey, Bangladesh, Egypt and Pakistan.
4. The company introduced new product offerings and expanded their product portfolio to 24 products in the veterinary API segment and two in the human health segment.
5. The management stated that they have temporarily slowed down its capacity expansion plans due to available spare capacity at its current site.
6. The management informed that they have temporarily slowed down execution speed of capacity expansion plans
7. The management stated that currently, there are 26 products that have been commercialized and are being sold. An additional six products are still in the laboratory and pilot plant stages of development. The goal is to increase the total product line to 35 products within the next two years.
8. The management stated that Approximately 70-75% of the products are tropical disease products with limited demand in the US and Europe.Around 25-30% of the products have demand in the US and Europe.
9. The current capacity utilization of the existing plant is around 75-80%.
10. Revenue estimates for the new products range from 30 to 60 Crores for each product.
11. The management acknowledges that both Chinese and Indian companies are impacting the market with increased supply, and the company is facing pressure from competitors globally.
12. The existing capacity has a revenue potential of around 350-380 Crores.
13. The management stated that raw material prices vary across different products, with increases ranging from 200% to 350% compared to pre-COVID levels. However, prices have been decreasing, and they currently range from 50% to 75% higher than pre-COVID levels.
14. The company has plans for expansion and aims to register its products in Europe to access new markets. They expect to approach the European market through their new facility.
15. The company aims to achieve EBITDA margins of 17% to 23% and considers 25% margins virtually difficult to meet.
16. The company expanded its operations with the commissioning of the Tarapur facility and increasing outsourcing.
17. The management stated that the Tarapur expansion project had an initial planned investment of 100 Crores, but due to inflation, it increased to around 140 to 150 Crores. As of March 31, 2023, the company had spent 31 Crores on the project and had no debt.
18. The company is funding capital expenditure using internal accruals generated by business.

Analyst's View

Established in 1981, NGL Fine-Chem Limited manufactures and markets APIs, Intermediates and Finished Dosage forms for human and animal pharmaceutical products. It caters to various Indian and global companies with high quality and reliable products. The company has effectively stayed on track with their projected path of gradual recovery in their business, as they had previously expected and communicated. It is crucial to recognize that the demand for their products has remained relatively low. The operating conditions will continue to pose challenges in the coming two quarters. The speaker acknowledges the potential for increased outsourcing in the future if demand rebounds. The company views the current situation as a temporary setback resulting from heightened spending during the COVID period, rather than a lasting change.

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Piramal Pharma Limited

Financial Results & Highlights

Brief Company Introduction

Piramal Pharma is a global pharmaceutical company that operates in various segments of the healthcare industry. The company is known for its presence in contract development and manufacturing, as well as in the development and sale of generic and branded pharmaceutical products. Piramal Pharma has a strong track record of compliance and profitability, with a focus on expanding its Contract Research Organization (CRO) and Contract Development and Manufacturing Organization (CDMO) footprint in India. The company aims to enhance its technical capabilities and improve manufacturing processes to increase yields and efficiency.

	Quarterly Performance										
	PIRAMAL PHARMA LTD										
Narration	Sep-20	Dec-20	Mar-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	-	-	-	**1,578**	**1,539**	**2,131**	**1,482**	**1,720**	**1,716**	**2,164**	**7,082**
% Growth YOY					*#DIV/0!*	*#####*	*#DIV/0!*	*9%*	*11%*	*2%*	
Expenses	-	-	-	1,381	1,314	1,733	1,465	1,547	1,629	1,812	**6,453**
EBITDA	-	-	-	**197**	**226**	**398**	**17**	**173**	**87**	**351**	**628**
Depreciation	-	-	-	138	147	165	162	166	164	184	**677**
EBIT	-	-	-	58	78	233	-145	6	-77	167	**-48**
EBIT Margin				*4%*	*5%*	*11%*	*-10%*	*0%*	*-4%*	*8%*	
Interest	-	-	-	49	50	57	62	83	95	104	**344**
Other Income	-	-	-	34	170	97	92	50	98	32	**272**
Profit before tax	-	-	-	**44**	**198**	**273**	**-115**	**-26**	**-74**	**95**	**-120**
PBT Margin				*3%*	*13%*	*13%*	*-8%*	*-2%*	*-4%*	*4%*	
% Growth YOY					*#DIV/0!*	*#####*	*#DIV/0!*	*-160%*	*-137%*	*-65%*	
Tax	-	-	-	7	35	69	-6	11	17	45	**66**
Net profit	-	-	-	**37**	**163**	**204**	**-109**	**-37**	**-90**	**50**	**-186**
% Growth YOY					*#DIV/0!*	*#####*	*#DIV/0!*	*-202%*	*-155%*	*-75%*	

Detailed Results:

1. The company achieved a sequential revenue growth of 26% in Q4 compared to the previous quarter.
2. The EBITDA margin for Q4 was 17%, an improvement from the 10% reported in Q3.
3. In Q4, the company reported a YoY revenue growth of 2%. For the full year, the YoY revenue growth was 8%, with revenues reaching Rs. 7,082 crores.
4. The CDMO business experienced a 7% YoY growth in FY23.
5. Revenue contribution from differentiated offerings increased from 27% in FY21 to 37% in FY23.
6. Power brands witnessed a growth of 37% in FY23, contributing 42% to total healthcare sales.
7. Employee costs increased by 19% on a comparable basis, including hiring to operate new capacities. Other operating expenses grew by 18% primarily due to marketing spend and additional capacities.
8. Approximately 69% of the net debt of Rs. 4800 crores resides overseas.
9. The CAPEX spends in FY23 were around Rs. 965 crores, mainly on differentiated sites.

Investor Conference Call Highlights

1. The company cleared 36 regulatory inspections, including 4 US FDA audits, with positive outcomes.
2. The company held approximately 39% market share in the US market for sevoflurane, a leading product in the inhalation anesthesia portfolio.
3. E-commerce accounted for approximately 16% of the company's total consumer business sales.
4. The company invested Rs. 965 crores in FY23 towards expanding facilities, particularly in high-demand areas such as Riverview, Grangemouth, and Turbhe.
5. The company observed a significant pickup in order bookings in Q4, indicating improving demand and growth opportunities.
6. For the full year, there was 1% year-on-year growth. The current quarter's revenue growth was affected by softer demand for generic API and vitamins portfolio, low order book in the first 9 months, pipeline privatization, and execution issues at some facilities. However, there was a good pickup in order bookings in March, which will reflect in H2 FY24.
7. The growth was driven by healthy demand for inhalation anesthesia product sevoflurane and improved supplies from CMO for injectable pain management products.
8. Quarterly revenue growth was lower due to the discontinuation of sales of a COVID detection kit. Excluding this, the growth for the quarter was 15% and full-year growth was 19%.
9. The reported EBITDA includes the impact of intercompany transactions between PEL and PPL, while like-to-like financials eliminate this impact. The scheme of demerger and amalgamation also affected the comparability of financial results.
10. Other income was low due to a decline in FOREX gain. Tax liability was higher in Quarter 4 due to tax paid on dividends received from a joint venture company.
11. The rate of borrowing ranges between 6.5% to 8.5%. The company expects the proceeds from the rights issue to flow in by the end of Q2 FY24, which will be used to reduce debt.
12. The EBITDA for the full year included provisions for near expiry inventory and one-off provision for receivables.
13. The management mentioned that the quarter is typically the biggest quarter due to customers wanting to run down inventories at the end of the calendar year and reorder in the fourth quarter of the financial year.
14. Additionally, the opening of new capacities at Riverview and Turbhe during the quarter contributed to the growth recovery.
15. The focus is on improving the CRO (Contract Research Organization) and CDMO (Contract Development and Manufacturing Organization) footprint in India.
16. The discovery business is profitable and expanding capacity in the PDS (Pharmaceutical Development Services) business in Ahmedabad.
17. Nearshoring is a growing demand from customers, with sites in the US and UK seeing good demand for patented and innovative products.
18. The Morpeth and Lexington facilities have had execution challenges, but efforts have been made to address operational issues and improve customer experience.
19. Capacity expansions are underway, with Bethlehem in the US seeing short-term improvements and Dahej and Digwal in India being medium to longer-term expansions.
20. The demand for hospital generics exceeds supply, indicating successful commercial execution and market positioning.

Analyst's View

Piramal Pharma Limited (PPL) is part of the Piramal group of companies. The company operates through 3 major segments (1) Contract development and manufacturing organisations (CDMO), (2) Complex hospital generics (critical care), and (3) consumer healthcare (OTC).Company entered Pharma space back in 1988 with acquisition of Nicholas Laboratories and grew through a series of Mergers & Acquisitions and various organic initiatives. In 2010 the Domestic formulations business was sold to Abott for $3.7 billion and Diagnostic Services was sold to Super Religare Laboratories (SRL). The company focuses on increasing shots on goal, faster decision-making, and higher win rates. They've made personnel changes where needed and implemented cost control measures. With a strong compliance track record, the company has consistently been profitable. Measures for profitability improvement include cost optimization, operational efficiency, and aligning headcount with revenue. Strong order book and expected higher revenues in the second half should lead to improved profitability.

Syngene Ltd

Financial details & highlights

Brief company introduction

Syngene (established in 1993) as a Biocon subsidiary is India's first Contract Research Organization (CRO) which expanded later to be an integrated service provider offering end-to-end drug discovery, development, and manufacturing services on a single platform (CRAMS). The total research & manufacturing infrastructure for the company is spread across 1.9 million square feet across locations. The company caters to diverse end-user industries like Pharmaceuticals, Animal Health, Agrochemicals, Consumer Packaged Goods, and Chemicals/Polymers. It has 400+ active customers with engagements with 8 out of the top 10 global pharma companies. The company holds 400+ patents jointly with clients and has a base of 5200+ scientists. The company has a market cap of 27888 Crores.

Quarterly Performance

SYNGENE INTERNATIONAL LTD

Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	585	659	595	610	641	758	645	768	786	994	
% Growth YOY					10%	15%	8%	26%	23%	31%	
Expenses	408	443	430	433	438	508	472	552	555	680	
EBITDA	176	215	165	177	203	250	173	217	231	314	
Depreciation	70	70	75	76	79	80	86	90	95	96	
EBIT	107	145	90	101	125	170	87	126	136	219	
EBIT Margin	18%	22%	15%	17%	19%	22%	13%	16%	17%	22%	
Interest	7	7	8	1	9	6	9	12	14	10	
Other Income	17	53	12	-18	13	15	16	15	17	23	
Profit before tax	117	192	95	82	128	179	93	130	140	231	
PBT Margin	20%	29%	16%	13%	20%	24%	14%	17%	18%	23%	
% Growth YOY					10%	-7%	-2%	58%	9%	29%	
Tax	14	32	17	16	24	31	19	28	30	52	
Net profit	102	161	77	67	104	148	74	102	110	179	
% Growth YOY					2%	-8%	-4%	53%	5%	21%	

Detailed results

1. Syngene's fourth-quarter revenue from operations grew by 15% over the corresponding quarter last year.
2. The total revenue in quarter 4, crossed 100 million US dollars.
3. The company's EBITDA for the quarter was up 13%, Rs.365 Crores
4. The company's profit before tax is in the mid-teens translated to a profit after tax growth of 10% year-over-year
5. The reported EBITDA margin for the quarter was 34.3%, broadly at the same level as compared to the previous year of 34.5%.
6. The full-year EBITDA was at Rs.849 Crores versus Rs.736 Crores in the previous year an increase of 15%. Depreciation for the year increased by 13% in line with fixed asset addition.

Conference call highlights

1. The company stated that development services had a particularly strong quarter as it caught up on projects that were deferred from the previous quarter due to supply chain delays and other COVID-related disruptions in addition to underlying organic growth.
2. The company stated that total investment during the year was Rs.621 Crores, approximately $80 million
3. The company stated profit growth was depressed a little by a higher effective tax rate in the quarter compared to last year.

4. The company feels that there is a good demand in the marketplace for chemistry and biology as many of its Western clients came out of the pandemic and are getting back into their offices.
5. The company stated that there are some elements of seasonality to its quarterly performance and the fourth quarter is often the largest of the year. Later the CP added, "The growth is nicely balanced, driven by solid delivery across all four."
6. The company stated that in manufacturing services, biologics manufacturing continues to make progress.
7. The company will keep manufacturing Remdesivir till the pandemic persists.
8. The company stated that it had concluded phase three of the expansion for our Hyderabad facility with a lab capacity to employ 200 scientists which brings the total number in Hyderabad to around 600.
9. The company stated that In developmental services, it expects the "injectable fill-finish facility" to be completed in the first quarter of FY2023 and that will bring a new capability to the formulation business.
10. The company stated that it had expanded its biologics manufacturing capacity. The growing demands for biologic manufacturing have encouraged the company to continue to build capacity year-on-year.
11. When asked about future predictions, the company said that they are no longer counting on Remdesivir and it expects to deliver revenue growth in the mid-teens with an EBITDA margin of around 30% single-digit PAT growth
12. The company stated that in a challenging year, it grew its revenues by 19%, maintained margins above 30%, increased its net cash position, and ended up with a strong balance sheet
13. The company stated that revenue from operations for the fourth quarter grew by 15% versus the same quarter in the previous year.
14. The company stated that there was a particularly strong performance from the development services division. The company is looking forward to seeing sustained growth in the research business as it has upgraded its technology capabilities across platforms and therapeutic areas.
15. The company claimed that the manufacturing plant in Mangaluru is expected to be in a position to have key market regulatory approvals in the next 12 to 18 months. The company also stated that it considers this plant as a long-term asset that will provide a full return on investment once it has a proven regulatory track record and can attract a wider scope of projects.
16. The company stated that the expenditure on raw materials increased by 390 basis points.
17. The company stated that employment cost was reduced by 5% year-on-year due to a special bonus position that it made in Q4 last year to reward the staff for their efforts during the peak pandemic period.
18. The company stated that general overheads are up by 24% from Rs.89 Crores in Q4 FY2021 to Rs.111 Crores in the current quarter.
19. The company also made hedge gains, the hedge rate for 12 months was Rs.77 per US dollar against the spot rate of Rs.75.5 per US dollar and this delivered an improvement in margin by 50 basis points.
20. The company stated that the effective tax rate of FY2021 to 12% because of a favorable court order. The effective tax rate for FY2022 was around 18% and this increase in the effective tax rate provided a headwind for the PAT growth.
21. The company claimed it has a well-established position in the contract research market and a strong emerging presence in contract development and manufacturing services.
22. The business portfolio, a decade ago, 80% of the company's revenue came from the research business. Despite the strong and consistent growth in research services, the share of research

business now is 66% of revenue indicating a visible shift in Syngene's revenue mix towards development and manufacturing.

23. The renewal for five years of the contract with Amgen together with the 10-year contract extension signed with BMS in FY2021 provides good visibility on the future of these facilities.
24. The increase in raw material cost was offset by other cost elements, which increased less than the revenue growth.
25. The company stated that the other cost which consists of selling expenses, IT cost, maintenance expenditure, and other general overheads, declined from 12.7% of the revenue in FY2021 to 12.5% in FY2022 driven by effective management of discretionary cost despite inflationary pressure.
26. The company recorded an exchange gain of Rs.55 Crores for the full year versus a gain of Rs.17 Crores in the last year.
27. Total assets capitalized during the year were around Rs.512 Crores approximately $68 million.
28. Out of the total $80 million, the company invested approximately 70% in the research business, around 10% was invested in development services, another 10% was invested in the manufacturing business and the remaining investments were in common assets including added power grid capacity which is commonly used by all divisions
29. The company stated that its inventory levels have increased to Rs.179 Crores from Rs.60 Crores at the beginning of the financial year, this was by design to ensure that there is no disruption in client deliveries due to the supply chain delays and to compensate for the increased lead-time for materials in case of biologics. The company expects to continue higher levels of inventory.
30. With an improved growth trajectory, the company expects better operating leverage from FY2024.
31. The company is assuming an increased tax rate of 25% in future years.
32. The company stated that the level of business the company got from Remdesivir in Q1 last year is not expected to repeat again in Q1 of this year. Hence we may see a year-on-year decline in revenue in Q1. This will also likely depress the profit line for Q1.
33. The company stated that it expects FY2023 to be good for topline growth, and its margin structure looks very well compared to many of its competitors around the world.

Analyst's View

Syngene is an integrated research, development, and manufacturing organization providing scientific services from early discovery to commercial supply. The company's services cater to a wide range of industrial sectors, including pharmaceutical, biotechnology, nutrition, animal health, consumer goods, and specialty chemical companies. Its culture of scientific innovation is driven by the expertise of our highly qualified team of 5,200+ scientists and supported by state-of-the-art infrastructure and market-leading technology. The company has been in the business for more than 25 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working, SyngeneLTD is a good Pharmaceutical stock to watch out for.

Zydus Lifesciences Ltd Q4FY23

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. 17,000 crores in FY23.

	Quarterly Performance										
	ZYDUS LIFESCIENCES LTD										
Narration	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**3,633**	**3,670**	**4,025**	**3,760**	**3,640**	**3,806**	**4,073**	**4,135**	**4,257**	**5,011**	**17,475**
% Growth YOY					*0%*	*4%*	*1%*	*10%*	*17%*	*32%*	
Expenses	2,867	2,821	3,092	2,860	2,888	3,088	3,240	3,319	3,301	3,755	**13,615**
EBITDA	**767**	**850**	**933**	**900**	**752**	**718**	**833**	**815**	**956**	**1,256**	**3,860**
Depreciation	176	175	183	177	177	185	181	182	182	179	**723**
EBIT	590	674	750	722	575	532	652	634	774	1,077	**3,137**
EBIT Margin	*16%*	*18%*	*19%*	*19%*	*16%*	*14%*	*16%*	*15%*	*18%*	*21%*	
Interest	27	23	27	30	31	39	34	35	33	28	**130**
Other Income	54	-125	54	2,443	54	64	55	50	39	-566	**-422**
Profit before tax	**617**	**526**	**777**	**3,135**	**598**	**558**	**673**	**648**	**781**	**484**	**2,585**
PBT Margin	*17%*	*14%*	*19%*	*83%*	*16%*	*15%*	*17%*	*16%*	*18%*	*10%*	
% Growth YOY					*-3%*	*6%*	*-13%*	*-79%*	*31%*	*-13%*	
Tax	105	-206	142	136	109	109	118	137	195	137	**588**
Net profit	**527**	**679**	**587**	**3,002**	**500**	**397**	**518**	**523**	**623**	**297**	**1,960**
% Growth YOY					*-5%*	*-41%*	*-12%*	*-83%*	*24%*	*-25%*	

Detailed Results:

1. Revenue grew by 32% YoY while PAT went up by 126% YoY.
2. EBITDA for the quarter was up 75% YoY & 17% QoQ.
3. EBITDA margin for the quarter stood at 25.1% up 620 basis points YoY and 260 basis points QoQ.
4. In India geography, which comprises the formulations and consumer wellness business, accounted for 41% of the total revenues during the quarter, and grew 12% year-on-year.
5. The formulations business in the India geography sustained strong momentum and posted revenues of Rs. 12.8 billion up 11% year-on-year. Excluding revenues from COVID-related products and divested brands during Q4, the business delivered a robust growth of 12% respectively.
6. The US formulations biz US formulations business accounted for 46% of the consolidated revenues during the quarter with sales of Rs. 22.5 billion and registered a 58.3% growth sequentially mainly led by volume expansion in the base portfolio as well as seasonality.
7. Consumer wellness products business recorded revenues of Rs. 7 billion, up 11.8% year-on-year.
8. On the emerging markets front, the business posted revenues of Rs. 4.3 billion, up 30% year-on-year, excluding revenues from COVID-related products.

Investor Conference Call Highlights

1. US formulations business improved significantly during the year as the business grew sequentially every quarter on the back of volume expansion and meaningful new product launches throughout the year.
2. The balance sheet strengthened further as the company had a net cash position of Rs. 5.5 billion as on 31st March 2023 against the net cash of Rs. 0.6 billion as on 31st March, 2022.
3. The company's quarterly revenues crossed the Rs. 50 billion mark driven by robust performance across all segments.
4. The company's new chemical entity, the brand Lipaglyn continued to enhance the reach as it expanded the patient base by 37% during the year.
5. On the super speciality front, the company retained its leadership position in the nephrology segment while in the oncology space, it was the fastest growing company.
6. The management states that rural demand slowdown for the consumer wellness segment seems to be bottomed out, and recovery is now expected going forward.
7. With appropriate price increases across the portfolio undertaken over the last few quarters coupled with stabilizing inflation in key inputs except milk, the business registered improvement in gross margins, and was in line with the gross margin of Q4 FY22.
8. For the US Formulations business, growth during the quarter was driven by new launches and volume expansion in existing products. The company launched eight new products during the quarter.
9. New launches for the quarter include Topiramate extended-release capsules, which was the first generic launch of the product in the US market.
10. During the quarter, the company filed two additional ANDAs and received 28 new product approvals, including five tentative approvals.
11. During the quarter, the Moraiya formulations facility successfully completed the pre-approval inspection for transdermal patches by the USFDA.
12. The formulations facility located in Ahmedabad SEZ (known as SEZ 1 facility) was also inspected by the USFDA, which was a pre-approval as well as GMP inspection.
13. The company received 63 ANDA approvals during the year, the highest number of ANDA approvals received in a single financial year for the company.
14. On the NCE front, our lead molecule Saroglitazar Magnesium is currently undergoing a Phase II (b) clinical trial in NASH indication and a Phase II(b)/ III clinical trial for PBC indication for the US market.
15. During the quarter, approval from the regulatory authority of Turkey was received to conduct trials for NASH. The molecule is also undergoing clinical trials in the US for PCOS with NAFLD indications.
16. During the quarter, the US FDA also granted orphan drug designation status to the molecule ZYIL1 and NLRP3 inhibitor. The molecule achieved positive proof-of-concept in a Phase II clinical trial in patients with Cryopyrin Associated Periodic Syndrome known as CAPS.
17. On the vaccines front, on the global development front, the company submitted one of the dossiers of the vaccine to the WHO for the purpose of pre-qualification. The rabies vaccine has already received WHO pre-qualification.
18. The company's wholly owned subsidiary Sentynl Therapeutics continues to work with a licensing partner Cyprium Therapeutics to complete the NDA filing of CUTX-101 targeted at Menkes disease.
19. The management is very positive on the US formulations business, and expects growth even on the current high base in FY24.

20. The management gives the guidance for R&D spends to be at 8% - 8.5% of sales for FY24.
21. The majority of growth in US revenue is driven by the launch of new products. The management expects good value creation on the new products for the coming year.
22. The goodwill impairment done by the company, refers to the legacy business of Sentynl that was acquired by the company in 2017. Many products have been discontinued and no more products of the legacy business are continued.
23. Out of the 65 record approvals received by the company, 32 have been launched and 35 are planned to be launched this year as more approvals come-in.
24. The management states that Trokendi has faced competition, which is expected to come down. It has also launched Topiramate which is expected to add value in the next three months.

Analyst's View:

Zydus Cadila is one of the leading pharmaceutical and wellness product makers in the country. The company's revenue for the quarter went up by 35% and PAT went by 126%(excl.one offs). 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.

Platform

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**158**	**165**	**180**	**219**	**213**	**228**	**193**	**234**	**239**	**259**	**925**
% Growth YOY					*35%*	*38%*	*7%*	*7%*	*12%*	*13%*	
Expenses	118	115	116	136	135	144	137	184	165	132	**618**
EBITDA	**39**	**50**	**64**	**84**	**78**	**85**	**56**	**50**	**74**	**127**	**307**
Depreciation	15	15	12	12	12	13	10	12	17	21	**60**
EBIT	24	35	53	72	66	72	45	38	57	106	**246**
EBIT Margin	*15%*	*21%*	*29%*	*33%*	*31%*	*31%*	*24%*	*16%*	*24%*	*41%*	
Interest	3	3	4	5	5	8	8	7	6	6	**27**
Other Income	16	16	20	24	22	21	16	21	20	22	**78**
Profit before tax	**38**	**48**	**68**	**91**	**83**	**85**	**54**	**51**	**71**	**122**	**297**
PBT Margin	*24%*	*29%*	*38%*	*41%*	*39%*	*37%*	*28%*	*22%*	*30%*	*47%*	
% Growth YOY					*120%*	*77%*	*-21%*	*-44%*	*-15%*	*43%*	
Tax	6	17	16	28	24	14	13	22	23	34	**92**
Net profit	**32**	**33**	**53**	**65**	**61**	**74**	**44**	**34**	**52**	**91**	**221**
% Growth YOY					*89%*	*129%*	*-18%*	*-48%*	*-16%*	*22%*	

Detailed Results:

1. The consolidated revenue stream split-up (in Rs. Mn) for the company as on Mar'23 stood as :-
    1. Transaction charges :- 603
    2. Services to Corporates :- 768
    3. Other Revenue :- 477
    4. Treasury Income :- 199
    5. Other Securities Services :- 348
    6. Income from Investments :- 320
2. The Average Daily Turnover in Equity Cash for FY23 was Rs. 41,320 Mn vs Rs. 53, 961 Mn the previous year.
3. The Transaction Charges Income in Equity Cash for FY23 was Rs. 1,525 Mn split-up into 820 Mn special-rate and 705 Mn normal rate.
4. In Currency Derivatives Futures, ADTV stood at Rs. 1,85,693 Mn and Avg. Daily Contracts Traded stood at 2.30 Mn for FY23.
5. In Currency Derivatives Options, ADTV stood at Rs. 70,302 Mn and Avg. Daily Contracts Traded stood at 0.88 Mn in FY23.
6. In Currency Derivatives, the Transaction Charges Income grew 56% YoY to Rs. 97 Mn in FY23.
7. In Equity and Commodity Derivatives, the Avg. Daily Turnover for Equity Derivatives stood at Rs. 13,78,130 Mn and Avg. Daily Contracts traded stood at 1.5 Mn.

8. As of 31st March, 2023 BSE STAR MF Platform had 40 mutual funds registered, with 10,805 schemes available covering 731 cities. Registered investors stood at 133.42 Mn with 74,713 Network of Distributors.
9. In BSE STAR MF Platform, the number of orders grew 43% YoY to 265 Mn in FY23. Mutual Fund revenue grew 56% YoY to Rs. 786 Mn.
10. In Services to Corporates, the Listing Fees for FY23 stood at Rs. 2,328 Mn split-up into Annual Listing Fee at 1,688 Mn and Listing Processing & other listing fees at 640 Mn.
11. In Services to Corporates, the Book Building & Other Services revenue for FY23 stood at Rs. 576 Mn split-up into Book Building Fees at 447 Mn and Other Services Fees at 129 MN.
12. In India International Exchange IFSC, Avg. daily contracts traded grew 21% YoY to 706 thousand in FY23. Average Daily Turnover grew 29% to USD 13, 061 Mn in FY23.
13. 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 92.4% for the quarter ended March 31, 2023.
14. As on March 31, 2023: India INX's Global Securities Market has cumulatively established around USD 70 billion of Medium-Term Notes ("MTN") and listed around USD 50 billion of debt securities including masala bonds and green bonds.
15. 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 INR24.3 crore for FY23, a growth of 103% from the same period last year.
16. BSE E-Agricultural Markets, a transparent commodity spot trading platform to facilitate spot commodities transactions across the value chain has now enrolled 1,342 members and executed trades worth INR148 crores in Agri and Steel segments on the platform during FY23.
17. The Board of the BSE in the meeting held has approved in Q4 the divestment of 2.5% of BSE's stake in Central Depository Services Limited, CDSL, towards meeting regulatory norms.
18. The company's market share was as follows :-
    1. INDIA INX :- 92.4%
    2. STAR MF :- 87%
    3. BSE BOND :- 60%
    4. SME :- 58.2%
    5. Companies/ Securities Listed :- 71.8%
    6. Debt Listing :- 69.7%
    7. Interest Rate Derivatives :- 47.2%
    8. Currency Derivatives :- 14.1%
    9. Equity Cash :- 7.2%
    10. Equity Derivatives :- 0.9%
    11. Commodity Derivatives :- 0.1%

Investor Conference Call Highlights:

1. In equity cash segment, the company has reduced the tick size for scrips below 100 to Rs. 1 paisa from 5 paisa.
2. In currency derivatives, the company introduced new strike price feature of Rs. 10 paisa for USDINR contracts in addition to the Rs. 25 paisa strike prices.
3. In equity derivatives, the company is relaunching Sensex and Bankex derivatives contracts with lower lot sizes and expiry on Friday, which is expected to bring in more traction. The relaunch is happening on May 15, 2023.

4. BSE has discontinued the liquidity enhancement schemes that were on-going for derivatives with effect from April 1, 2023. It has also discontinued software and hardware infrastructure services that were being offered under technology program.
5. On the standalone level, BSE had incurred a cost of Rs. 32 crores in FY23 for schemes and services.
6. FY23 revenues were at Rs. 954 Cr as compared to Rs. 864 Cr in FY22, a growth of 10%. The net profit attributable to shareholders stands at Rs. 221 Cr from Rs. 251 Cr the previous year.
7. The management states that the decline in Net Profit is mainly due to the added contribution of Rs. 55 Cr to the core settlement guarantee fund, and increase of 89% YoY.
8. The board of directors have recommended a final dividend of Rs. 12 per share with a dividend pay-out ratio of 98.8%.
9. There was an increase in the other security services income, due to an increase in margins & deposits and overall clearing activity.
10. Other operating income for the company comprises of income from BSE Technology and BSE Institute.
11. The guidance for tax rate for FY24 is at 35%. The company has huge MAT, which is unutilized.
12. Operating cash flows were mainly negative this year due to this year being a bad year for capital markets and a hit from the core settlement guarantee fund.
13. On some of the segments where revenue is not being charged, the management plans to start charging after growth in market share and liquidity.
14. In terms of delivery percentages, 80% of total trades in respect of securities up to Rs. 100, results in delivery.
15. Reducing the tick size has resulted in lower impact cost for traders. Also, it has increased the company's market share in these securities from 9% to 11%.
16. The total cash in books of the company stands at Rs. 2200 crores, while free cash for shareholders stands at Rs. 1400 crores.

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. 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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**85**	**95**	**90**	**109**	**114**	**112**	**98**	**95**	**100**	**107**	**401**
% Growth YOY					*34%*	*18%*	*9%*	*-13%*	*-12%*	*-4%*	
Expenses	13	14	14	13	16	17	17	16	17	14	**64**
EBITDA	**72**	**81**	**77**	**96**	**98**	**95**	**81**	**79**	**83**	**93**	**337**
Depreciation	4	3	4	4	4	4	4	5	5	5	**19**
EBIT	68	77	73	92	94	91	77	74	78	88	**318**
EBIT Margin	*80%*	*81%*	*80%*	*84%*	*82%*	*81%*	*78%*	*78%*	*78%*	*83%*	
Interest	1	0	1	0	1	0	1	1	1	1	**2**
Other Income	11	7	12	12	12	16	15	19	17	23	**73**
Profit before tax	**78**	**84**	**84**	**103**	**106**	**107**	**91**	**92**	**95**	**110**	**389**
PBT Margin	*92%*	*88%*	*93%*	*94%*	*93%*	*95%*	*93%*	*97%*	*95%*	*103%*	
% Growth YOY					*35%*	*27%*	*9%*	*-10%*	*-11%*	*3%*	
Tax	18	20	20	25	26	26	23	22	24	27	**96**
Net profit	**60**	**64**	**64**	**78**	**80**	**81**	**69**	**70**	**71**	**83**	**293**
% Growth YOY					*33%*	*27%*	*8%*	*-10%*	*-11%*	*2%*	

Detailed Results:

1. On a consolidated basis, for fiscal year 2023 the revenue declined by 2.1% on a year-on-year basis from 484.4 Crores in FY22 to 474.1 Crores in FY23.
2. PAT at 305.9 Crores was lower by 0.9% on a year-on-year basis as compared to 308.6 Crores in FY22.
3. Revenue breakup for Q2 included
   A. Transaction fees – 80%
   B. Admission & annual fees – 4%
   C. Other income – 16%
4. IGX generated a total volume of 50.9 million MMBTU during FY23, a 319% year-on-year increase. A total of 2,355 trades were executed during this year, an increase of 400% on a year-on-year basis. The profitability of IGX for FY23 has increased to Rs.28 Crores from 1.75 Crores in FY22.
5. For the fiscal year 2023, IEX traded 96.8 BUs, a decline of 5% year-on-year, the day-ahead market price was Rs.5.96 per unit which was higher by 36% on a year-on-year basis.
6. TAM & DAC Volume increased over 115% and 240% YoY respectively in FY'23.
7. IEX's market share in the following products in Q2:
   0. DAM :- >99%
   1. RTM:- >99%
   2. Green Power:- 88.4%
   3. TAM:- 88.4%
   4. LDC:- 88.4%

Investor Conference Call Highlights:

1. For fiscal year 2023, the Board of Directors of the company announced a final dividend of Rs.1.
2. During the year the Board of Directors of the company approved the buyback of the equity shares from the open market amounting to Rs.98 Crores and this was completed successfully from January to March.
3. IEX plans to help build a vibrant gas market in India enabling the Government's aim of doubling their share of natural gas in the energy mix of the country.
4. There was a reduction in the availability of e-auction coal by over 50% to 53 million tonnes in FY23 in comparison to 108 million tonnes in FY22 leading to a higher premium of nearly 260%, recently the prices of e-auction coal have reduced to a premium of nearly 137% over the notified price in April 2023.
5. The average market clearing price for DAM for the fiscal increased by nearly 36% to Rs.5.96 per unit.
6. For gas also the prices have reduced to almost about $10 per MMBtu in May which is a drop of more than 100% on a year-on-year basis.
7. Section 11 of the Electricity Act was invoked thereby all imported coal-based power plants were asked to operate at full capacity with the option of selling unsold power on the power exchange.
8. General Network Access was notified during the year,& it will remove regulatory arbitrage which has led to a temporary shift of volume from DAM to DAC and will be more conducive towards further market development in the country, this will be effective from August 1, 2023.
9. IEX launched the much-awaited Term-Ahead market contracts with delivery up to 90 days. This contract enables customers to help risk against volatility in the spot market.
10. IEX commenced trade in the High Price Day-Ahead market after it was launched on March 9, 2023. This segment will bring more capacity to the spot market during the high-demand period.
11. Going forward with gradual improvement in domestic production of coal and improvement in coal inventory which is at 14 days compared to 11 days of last year and reduction in imported coal and gas prices, management expects rationalization of power prices on the exchange platform. This will enable cost optimization by DISCOMs and Open Access consumers and should result in higher volume on the exchange platform.
12. IEX has been certified as India's first carbon-neutral power exchange by using market-based tradable instruments to offset its carbon emissions.
13. The management expects good volume growth in the DAM market. Last year approximately 1.6 BU was done in 8 months, this year they are planning at least 5 BU in this segment. Already done 1 BU in two months, at this rate it should be more than 6 BU.
14. The employee cost HAS cOme down from 41 Crores to 34.5 Crores, it was majorly because some portion of the IGX cost was in the IEX cost for the nine months of last year, which was of significant value and secondly because of the higher profits last year there was a provision there for the variable scheme. So these were the two impacts there because of which we can see a gap in the cost.
15. There was a shift of investments into long-term products and secondly because of few initiatives the funds were parked into good-yielding products.
16. Management thinks there is a significant improvement in the supply side but it is not as it was two years back. But in the next two to three months with the increased coal supply to the IPPs, there should be further improvement in the supply side.
17. IEX has a better share in the day-ahead contingency market in comparison to the other two exchanges.

18. Last year there was more demand than supply that is why the prices were higher. This year they are expecting a much better situation because coal production targets are very high. The target is for 1 billion tonnes of coal production which is 12% more than last year. Whereas the electricity demand increase is expected to be only 5-6%, so increased coal availability in the market should lead to better liquidity on the sell side and lower price on the exchange platform.
19. The transactions happening in the DAC market are mainly because of the arbitrage available in the DAC market. Once that arbitrage is over there is no reason for the transaction to happen in the DAC market.
20. If the arbitrage situation persists IEX will lose market share.
21. IEX will be taking only supply-side bids and forwarding them to the NLDC who will take them based on the merit order, the transaction fee can be charged up to Rs 0.02. IEX does not intend to charge any fees as the scope of work is very less.
22. Now since the demand has increased, if there is a shortage of capacity maybe for 15 days or 1 month in this year, gas-based generation can also be utilized.
23. While higher input costs impacted their volumes last year, now going forward with increased coal production and cooling down of prices of input materials. IEX expects lower clearing prices and increasing optimization potential for Discoms and Open Access consumers, thereby supporting better volumes on their platform.

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 miniscule quarter on quarter growth of around 8% 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 leading player in this industry.

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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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**224**	**339**	**243**	**405**	**540**	**691**	**853**	**806**	**918**	**965**	**3,541**
% Growth YOY					*141%*	*104%*	*250%*	*99%*	*70%*	*40%*	
Expenses	130	194	132	193	261	412	532	501	592	640	**2,265**
EBITDA	**95**	**145**	**112**	**212**	**279**	**279**	**321**	**305**	**326**	**325**	**1,276**
Depreciation	10	19	11	12	12	14	14	19	10	11	**54**
EBIT	85	126	100	200	267	264	307	286	315	313	**1,222**
EBIT Margin	*38%*	*37%*	*41%*	*49%*	*50%*	*38%*	*36%*	*36%*	*34%*	*32%*	
Interest	1	4	4	2	2	3	2	5	5	4	**16**
Other Income	21	17	15	16	16	22	24	26	32	65	**148**
Profit before tax	**104**	**139**	**111**	**214**	**282**	**283**	**329**	**307**	**343**	**375**	**1,354**
PBT Margin	*47%*	*41%*	*46%*	*53%*	*52%*	*41%*	*39%*	*38%*	*37%*	*39%*	
% Growth YOY					*170%*	*103%*	*196%*	*44%*	*22%*	*32%*	
Tax	26	35	29	55	73	69	84	81	87	96	**348**
Net profit	**78**	**104**	**83**	**159**	**209**	**214**	**246**	**226**	**256**	**279**	**1,006**
% Growth YOY					*167%*	*106%*	*198%*	*43%*	*22%*	*30%*	

Detailed Results:

1. For the quarter ending March 2023, the company reported a revenue of Rs 965 crore. In Q3FY23, IRCTC reported revenue of Rs 918 crore (up 5.2% sequentially) and in the year-ago period, it reported revenue of Rs 691 crore (40% YoY growth).
2. Segment wise revenue distribution-

a. Catering segment revenue jumped from Rs 266 crore in Q4FY22 to Rs 396 crore in Q4FY23 - 48.8% growth.

b. Rail Neer revenue increased from Rs 54.6 crore to Rs 73.4 crore - a 34.8% jump.

c. Internet Ticketing segment revenue was muted - it stood at Rs 295 crore in Q4FY23, a marginal increase from Rs 293 crore in Q4FY22.

d. Tourism segment revenue jumped from Rs 54.2 crore to Rs 138.5 crore in Q4FY23 - a massive 155% growth.

e. State Teertha segment reported revenue of Rs 65.4 crore in Q4FY23 from Rs 25.8 crore in Q4FY22.

3. The company reported a profit of Rs 279 crore for the March 2023 quarter. Last year, the company has posted a net profit of Rs 214 crore, which translates to 30.4% YoY growth.

4. IRCTC reported EBITDA of Rs 324.6 crore in Q4FY34, up 16.5% from Rs 278.5 crore in the year-ago period.

5. The margins have declined in the March 2023 quarter - the company reported a margin of 33.6% compared to 40.3% in the year-ago period. Sequentially, the margins declined 190 basis points.
6. The company board has recommended a final dividend of Rs 2 per equity share of face value of Rs 2 each for FY23.

Investor Conference Call Highlights

1. IRCTC demonstrated a resilient business model during and post the COVID-19 pandemic.
2. The total capex for FY'23 was INR 135.4 crores.
3. The company stated that efforts are being made to improve the receivables cycle by implementing online payment systems.
4. IRCTC has contracts for 492 trains and 675 Train Side Vending touch screens.
5. The opportunity size for catering services is expected to increase with the addition of new trains, including Vande Bharat trains.
6. The Rail Neer segment has a current production capacity of 15.5 lakh liters per day
7. Plans are in place to improve the production and utilization levels of Rail Neer.
8. The company stated that other income has increased due to improved interest rates and FD rates.
9. IRCTC is providing hospitality services for the Vande Bharat trains.
10. The focus is on non-convenience fee resources for revenue growth in the Internet Ticketing business.
11. The company stated that Loyalty programs, CG integration, agent portion, and IT earnings are contributing to revenue growth.
12. The growth in the Internet Ticketing segment will come from both convenience fee and non-convenience fee sources.
13. Passenger bookings and travel are expected to increase as new trains are added and more customers switch to online ticketing.
14. The margin profile of non-convenience fee resources is expected to be better than convenience fee.
15. The growth in ticketing volume may be slower but there will still be some growth.
16. The company is focusing on transitioning customers from offline to online ticketing.
17. The Catering business is expected to have stable margins of 10-12%.
18. The company stated that Maharaja, a business in the tourism segment, performed well, generating revenue of nearly INR 55.38 crores compared to INR 2.84 crores the previous year.
19. The company expects further growth in the tourism business due to the addition of Bharat Gaurav in the seat.
20. The performance of the tourism segment is subject to seasonal variation and depends on state funding decisions.
21. In FY'23, a total of 43 crores tickets were booked.
22. The Bharat Gaurav train is projected to contribute INR 250 crores to INR 300 crores of revenue, compared to the previous INR 60 crores from Bharat Darshan and Pilgrim Special segments.
23. The Rail Neer business plans to start two new plants, increase production capacity, and improve operational measures. Production is expected to increase from 15.52 lakh liters to 17 lakh liters per day by the end of the financial year.
24. By '25, the company aims to meet 80% of the railway's water requirement, serving nearly 18.5 lakh liters per day.

25. Catering growth is anticipated through initiatives such as the Vande Bharat train fleet and tendering tenders. Incremental revenue growth projections are not provided, but a growth rate of more than 10% is expected.
26. The company is focusing on e-catering, with an increase in the number of meals provided, booking agents, food aggregators, and direct vendors.

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 40% 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 set the infrastructure for the non-convinenve fees and scale it up.. 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.

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**195**	**226**	**102**	**221**	**287**	**251**	**315**	**311**	**328**	**280**	**1,234**
% Growth YOY					*47%*	*11%*	*209%*	*41%*	*14%*	*12%*	
Expenses	154	181	120	180	221	206	244	252	266	240	**1,003**
EBITDA	**41**	**46**	**-18**	**41**	**66**	**45**	**70**	**58**	**62**	**40**	**231**
Depreciation	31	29	29	30	34	34	35	35	38	37	**145**
EBIT	10	16	-47	11	32	11	35	23	24	3	**86**
EBIT Margin	*5%*	*7%*	*-46%*	*5%*	*11%*	*4%*	*11%*	*8%*	*7%*	*1%*	
Interest	22	19	17	15	17	16	17	18	18	18	**72**
Other Income	11	11	7	9	5	6	3	5	3	1	**12**
Profit before tax	**-1**	**8**	**-56**	**4**	**19**	**0**	**21**	**10**	**9**	**-14**	**26**
PBT Margin	*-1%*	*4%*	*-55%*	*2%*	*7%*	*0%*	*7%*	*3%*	*3%*	*-5%*	
% Growth YOY					*######*	*-97%*	*-137%*	*133%*	*-54%*	*#####*	
Tax	0	2	-12	1	4	-0	5	3	2	-3	**7**
Net profit	**-1**	**6**	**-43**	**3**	**14**	**-0**	**15**	**7**	**7**	**-12**	**17**
% Growth YOY					*######*	*-101%*	*-136%*	*143%*	*-54%*	*#####*	

Detailed Results:

1. Barbeque Nation achieved annual revenue of over INR 1,000 crores, marking a milestone for the brand. Revenues grew by 43.4% in FY23.
2. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) grew by 49% in FY23.
3. Dine-in revenues grew by 61.6% to reach INR 1,066 crores.
4. Delivery revenue declined by 16.5% to INR 165 crores, primarily due to lower average order values.
5. Same Store Sales Growth (SSSG) for the year was 27.5%, driven by dine-in SSSG of over 40%.
6. Consolidated gross margin for the year was 66.3% compared to 64.6% in FY22.
7. Reported EBITDA for the year was INR 239 crores, with a reported EBITDA margin of 19.3%.
8. Adjusted EBITDA margin (pre-IND AS 116) was 10.3% in FY23, compared to 7% in FY22.
9. Cash flow from operations post lease expenses was INR 115 crores.
10. Q4FY23 revenue was INR 280 crores, a growth of 11.6%.
11. Dine-in revenues for Q4 were INR 241 crores, with positive dine-in SSSG of 2.1%.
12. Reported EBITDA for Q4 was INR 42 crores, with a margin of 15%.

13. Pre-IND AS 116 EBITDA for Q4 was INR 13 crores, with a margin of 4.6%.
14. Matured restaurants in the portfolio generated annualized revenue of INR 6.65 crores per outlet in FY23, with a 19% restaurant operating margin.
15. Toscano, international business, and delivery collectively accounted for approximately 25% of total revenues in FY23.

Investor Conference Call Highlights

1. The company closed the year with 39 new restaurant openings, totaling 216 restaurants in the network.
2. The company plans to open 20 new restaurants in FY24, focusing on driving same store sales growth and higher capacity utilization.
3. The company has expanded its portfolio by launching new brands such as Dum Safar and expanding its international business.
4. The current number of restaurants is 20, including Toscano and Barbeque International. The breakdown is as follows:

- Barbeque Nation: 12 restaurants
- Toscano: 5 restaurants
- Barbeque International: 3 restaurants

5. Barbeque Nation faces localized competition in their segment, particularly within a 500-meter radius of their operating areas.
6. While there may be an increase in casual dining restaurant players, the company believes that there is still room for multiple players in the market.
7. The management mentions that their repeat business numbers remain strong, and the decline in business was primarily seen in the new customer base.
8. Regarding EBITDA margins, Barbeque Nation targets around 16% in their matured portfolio and expects a 1% drag from the new portfolio, resulting in a long-term range of around 13-14% margins. They believe that as the demand picks up and they see a course correction in revenues per outlet, the margins will automatically start improving.
9. The company opened 36 Barbeque India stores in FY '23 and closed 8 stores overall for the year.
10. The decline in margins in the latest quarter compared to the previous quarters seems to be impacted by negative SSSG (same-store sales growth) and the proportion of revenue from new stores.
11. In terms of store opportunities, Barbeque Nation still sees growth potential, but they have taken a pause in opening new stores to focus on performance improvement in existing matured and new portfolios.
12. The store closures were mainly in Tier 2 and Tier 3 towns where sales per store were lower than expected. The company still believes in the growth potential of both metro Tier 1 and Tier 2, 3 towns.
13. The higher gap between Q4 and the full year in terms of sales per store and restaurant operating margins in FY23 is attributed to weaker demand. Barbeque Nation acknowledges that the demand environment has been worse than the full year, but they have seen improvements in demand in the first two months of the current year
14. Regarding the impact of store additions on margins, the management mentioned that the volumes did not decrease to the same extent in previous years compared to FY23.
15. The capex for the full year was approximately INR 145 crores. Out of that, around INR 7 crores was on account of an increase in capital work in process. The gross block for the year was around INR 140 crores, with INR 10 crores allocated for maintenance, INR 10 crores for specific projects, and the remaining INR 120 crores for opening new sites and renovations.

16. For the upcoming year, the company expects a capex of around INR 60 crores for 20 stores, along with additional amounts for maintenance and other projects, totaling approximately INR 80 crores.
17. The company's delivery business, led by Dum Safar, is growing and has achieved a monthly revenue of INR 2 crores across 150 outlets. The delivery segment is seen as an incremental revenue stream for the company, although it is still smaller than the dine-in business.
18. The AOV has been stable at around 500-odd for the past 4-5 quarters.
19. Both dine-in and delivery have shown improvement on a month-on-month basis, with an approximately 15-16% increase in April and May compared to the previous quarter.
20. The company is focused on creating new pockets of demand, such as the "Happy Monday, Tuesday" offer, to attract customers on weekdays and expand its customer base beyond the IT segment.
21. Meat costs have remained stable, and the company is not planning any price increases in the near term. The focus is on increasing volumes rather than raising prices.
22. While the demand has improved from the previous quarter, it is difficult to predict the future trend. The company is cautiously optimistic and sees positive signs but acknowledges the need for sustained performance in future quarters.

Analyst's View

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.

Barbeque Nation, the leading Indian food service casual dining restaurant brand, has achieved a significant milestone by surpassing INR 1,000 crores in annual revenue. This accomplishment establishes the brand's strong market presence and underscores its potential for future growth. Despite the prevailing demand softness across the industry, Barbeque Nation reported robust annual growth with a revenue increase of 43.4% and EBITDA growth of 49%. Looking ahead, Barbeque Nation anticipates a positive turnaround in the demand scenario over the next two quarters. The company remains confident in its long-term growth prospects, which will be driven by factors such as Same Store Sales Growth (SSSG), expansion initiatives, and the contribution of its diversified business verticals.

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	Jun-19	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	-	**321**	**298**	**357**	**435**	**400**	**489**	**525**	**526**	**514**	**2,054**
% Growth YOY						*24%*	*64%*	*47%*	*21%*	*29%*	
Expenses	-	301	287	344	384	380	460	500	497	487	**1,943**
EBITDA	-	**21**	**11**	**14**	**52**	**20**	**29**	**25**	**30**	**27**	**111**
Depreciation	-	57	57	58	59	59	70	67	68	80	**284**
EBIT	-	-36	-47	-44	-7	-39	-41	-42	-38	-52	**-173**
EBIT Margin		*-11%*	*-16%*	*-12%*	*-2%*	*-10%*	*-8%*	*-8%*	*-7%*	*-10%*	
Interest	-	22	23	23	23	27	23	24	26	32	**105**
Other Income	-	-2	5	5	3	-16	13	11	8	4	**36**
Profit before tax	-	**-60**	**-65**	**-62**	**-26**	**-82**	**-51**	**-55**	**-56**	**-80**	**-242**
PBT Margin		*-19%*	*-22%*	*-17%*	*-6%*	*-20%*	*-10%*	*-10%*	*-11%*	*-16%*	
% Growth YOY						*36%*	*-21%*	*-12%*	*111%*	*-2%*	
Tax	-	-	-	-	-	-	-	-	-	-	-
Net profit	-	**-48**	**-58**	**-48**	**-23**	**-67**	**-48**	**-50**	**-50**	**-73**	**-221**
% Growth YOY						*38%*	*-18%*	*4%*	*122%*	*9%*	

Detailed Results:

1. Same-store sales growth was 23.1% for the year ending March 23. And for Q4, it was 8.3%.
2. The revenues for FY '23, Rs. 1,439 crores vs Rs 943 crores in FY '22 a growth of 52.6%.
3. The revenues for Q4 FY'23 were Rs 365 crores versus Rs 268 crores in Q4 FY'22.
4. Gross profit continues to be 66.4% since the last three quarters and for FY23.
5. EBITDA in Q4 FY'23 is Rs 66 crores at 18.3% EBITDA margin against Rs 47 crores at 17.8% EBITDA margin. EBITDA margins have gone up by 50 basis points.
6. The company opened 88 new restaurants and closed 12 in FY23, taking the total count to 391 restaurants as on 31st March, 2023.
7. 240 BK Cafes were opened in FY23 taking the total count to 275.
8. On the Indonesian front, in Q4 FY '23 the revenue was IDR 276 billion (Indonesian currency) which is approximately Rs. 165+ crores.
9. The dine-in and delivery mix is such that, delivery is at 43% and dine-in is 57%.
10. EBITDA moved up from 8.2% to 10.4% on a pre-IndAS 116 basis.
11. Company-level EBITDA margin moved from 11.3% to 11.6%.
12. Employee rate expenses went up by 10.6%.

Investor Conference Call Highlights:

1. The company currently has 15 restaurants that are now under construction and 38 are in the pipeline as the growth story continues.

2. BK app revenues grew 327% year over year with 6.2 million apps installed, 107% growth over the last years installed. The company shall continue to spend on the app and continue to work with aggregate partners while servicing consumers both on dine in as well as delivery.
3. Store count is 186 in Indonesia as of March 31, 2023.
4. Popeyes in Indonesia has 10 healthy stores which are doing sales at two and a half to three times the volume of the Burger King business.
5. The company is going to build additional 25 to 30 stores for Popeyes in Indonesia towards the end of the year.
6. The management is very excited and positive about Indonesia and wants to lay the foundation for the next 5 to 10 years in the country.
7. The company has now got two new versions for Chicken in Burger King Indonesia. These are the revamped versions.
8. The management states that 60% to 70% sales in Indonesia are in the chicken area at an industry level.
9. The management continues to have focus to improve the dine-in share of the business because that is where they believe the customer experience is at its best.
10. At the company EBITDA level it was at 2.5% with cash generation of Rs.36 Crores.
11. The company launched the brand Popeye in Indonesia towards the later part of the year and spends in order to launch the brand stand at almost Rs.6 Crores to Rs.7 Crores.
12. The management expects that brand should do high teens in terms of store level EBITDA as the performance in FY2024 and start seeing meaningful numbers coming out.
13. The Indian business with the veg chicken, mutton whopper and indie tikka whopper are three variants which are designed specifically for Indian guests and they continue to be amongst the highest whopper selling markets in the Burger King world.
14. The company also launched a 100% veg restaurant that serves no onion and no garlic menu on the Vaishno Devi Pilgrimage
15. During the year, the company carried out an extensive training program for 100% of operators and 100% of crew members to make sure that they are retrained on products, bills and so on so that they are fully ready to deliver and create customer experience.
16. The management plans to reach 450 stores by FY2024 and has postponed its 700 stores target from December 2026 to FY2027.
17. The management gives a guidance of 10% SSSG growth by end of FY24. After which, a growth of 8% YoY is expected there-on.
18. The management gives a guidance of 67% Gross profit margins for FY24, after which it is expected to improve by further 2% over the next few years.
19. The management gives guidance of getting at cash breakeven in Indonesia by the end of FY24.
20. The company plans to get Popeye stores in Indonesia upto 25 stores by March, FY24.

Analyst's View

Burger King is one of the leading QSR chains around the world. Restaurant Brands Asia is the master franchisee of Burger King in India. The company grew by 29% YoY in revenues while PAT went down by 9% YoY. BK Cafe continues to expand rapidly and was perhaps one of the fastest-growing cafe concepts in the year. The BK app is also seeing good traction and orders coming in while dine-in sales are expected to grow faster 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.

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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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**379**	**433**	**353**	**516**	**624**	**591**	**705**	**747**	**791**	**755**	**2,998**
% Growth YOY					*65%*	*36%*	*100%*	*45%*	*27%*	*28%*	
Expenses	296	316	296	388	477	451	540	581	617	604	**2,342**
EBITDA	**83**	**117**	**57**	**128**	**148**	**140**	**165**	**166**	**174**	**151**	**656**
Depreciation	51	54	48	53	56	65	64	66	71	78	**279**
EBIT	32	62	9	75	92	75	101	100	103	72	**377**
EBIT Margin	*8%*	*14%*	*2%*	*15%*	*15%*	*13%*	*14%*	*13%*	*13%*	*10%*	
Interest	49	27	32	33	30	32	33	35	38	42	**147**
Other Income	57	27	-10	4	5	-0	9	-7	-1	11	**13**
Profit before tax	**39**	**62**	**-33**	**47**	**67**	**42**	**77**	**59**	**65**	**41**	**242**
PBT Margin	*10%*	*14%*	*-9%*	*9%*	*11%*	*7%*	*11%*	*8%*	*8%*	*5%*	
% Growth YOY					*71%*	*-32%*	*-331%*	*25%*	*-3%*	*-3%*	
Tax	0	-0	-0	1	1	-33	2	2	-6	-19	**-21**
Net profit	**44**	**61**	**-29**	**46**	**63**	**76**	**74**	**59**	**72**	**61**	**265**
% Growth YOY					*44%*	*24%*	*-356%*	*29%*	*14%*	*-21%*	

Detailed Results:

1. The company clocked highest ever revenue at ~Rs. 3,000 Cr ; 44% YoY growth in FY23
2. FY23 Brand wise revenue-
   - KFC – Rs. 1,990 Cr ; 42% YoY growth
   - PH – Rs. 706 Cr ; 32% YoY growth
   - Costa – Rs. 102 Cr ; 148% YoY growth
3. The company reported highest ever consolidated EBITDA at Rs. 655 Cr ; 38% YoY growth in FY 23
4. Consolidated Reported EBITDA margin at 21.9% vs 22.8% in FY22
5. The company reported PBT at Rs. 242 Cr ; 96.5% YoY growth in FY23
6. The company clocked sales at Rs. 755 Cr which is 28% growth on YoY basis for Q4.
7. Steady performance from Core Brands in Q4-
   - KFC – Rs. 444 Cr (26% YoY)
   - PH – Rs. 170 Cr (16% YoY)
   - Costa – Rs. 33 Cr (142% Y
8. The company reported the Gross Margin – 69.6% vs 69.3% in Q3 FY23
9. Consolidated Reported EBITDA at Rs. 151 Cr in Q4.
10. The company reported EBITDA margin at 20.0% in Q4.
11. PAT stood at Rs. 60 Cr in Q4.

Investor Conference Call Highlights

1. Devyani International (D.I.L.) demonstrated strong growth momentum in its first full year post-listing.
2. D.I.L. operates 1243 stores across various brands and countries, more than double the store count of three years ago.
3. KFC and Pizza Hut crossed important store milestones of 500 stores each, while Costa Coffee reached 100 stores.
4. D.I.L. India received the exclusive restaurant growth award at the International Financial Conference in Singapore.
5. Innovative product development and execution rigor through partnerships have contributed to growth.
6. Value offerings like KFC Lunch and Rolls have seen strong initial traction, and premium products have been well received.
7. The company stated that inflation impacted consumer sentiment and demand in the second half of the financial year, but performance remained resilient.
8. D.I.L. opened 305 net new stores in FY23, with 66 added in the fourth quarter alone.
9. The company continues to actively pursue new trade areas in metro cities and upcoming locations.
10. Confidence in D.I.L.'s brands and the Indian market remains strong, with signs of inflation stabilizing.
11. Consumer spending is expected to rebound in the second half of the coming fiscal year.
12. D.I.L. is committed to maintaining financial discipline and operational excellence to capture growth opportunities.
13. The store distribution in India is shifting in favor of non-metro destinations, aligning with the potential growth in the QSR sector.
14. The company stated that gross margins slightly decreased due to inflation and input costs, but brand contribution margins remained healthy.
15. Cost controls limited the impact on operating EBITDA, which showed a year-on-year increase.
16. KFC India's revenue grew by 45% in FY23, with lower gross margins due to sustained inflation in raw materials.
17. KFC India added 29 net new stores in the quarter, with higher revenue despite the impact of festival timings and fewer operating days
18. ADF (Average Daily Footfall) for the quarter was 106,000 with a year-on-year growth of 1.9%.
19. Gross margins for the quarter stood at 68.6%.
20. Lower areas and higher store operating costs led to a brand contribution margin of 17.5% in the quarter.
21. Pitha Bhatt in India added 93 net new stores this year, surpassing the 500 store mark and reaching a count of 506 stores.
22. Gross margins came in slightly lower at 74.4% in FY23 compared to 75.6% the previous year.
23. Brand contribution margin saw a small dip to 14.5% compared to 16.3% last year.
24. The company stated that milk prices escalated during the year, but price increases were not passed on to the customers.
25. During the quarter, Pitha Bhatt India added 23 net new stores, with revenue at 170 crores, a 60% year-on-year growth.
26. The company stated that efforts are being made to improve the performance and margins of the value layer brand.

27. Costa Coffee crossed the 100-store milestone in FI23, adding 57 stores during the year to reach a total of 112 stores. Revenue for Costa also crossed 100 crores per month, with ADS (Average Daily Sales) improving to 35%.
28. Gross margin for Costa was lower at 79% in FY23 due to inflation in coffee and milk prices.
29. KFC experienced a 100 basis point expansion in gross margins in Q4, primarily led by lower chicken prices.
30. The company is optimistic about the coffee category and plans to expand Costa Coffee in metros and tier-one cities.

Analyst's View

The company saw a decent quarter with revenue growing by 44% while PBT grew by 97% YoY margin. 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.

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**1,069**	**1,038**	**893**	**1,116**	**1,211**	**1,176**	**1,255**	**1,301**	**1,332**	**1,270**	**5,158**
% Growth YOY					*13%*	*13%*	*41%*	*17%*	*10%*	*8%*	
Expenses	789	787	681	829	894	902	962	990	1,045	1,052	**4,049**
EBITDA	**280**	**251**	**212**	**287**	**317**	**274**	**293**	**312**	**286**	**218**	**1,109**
Depreciation	90	88	91	93	103	106	107	115	133	132	**486**
EBIT	190	163	121	195	214	167	186	197	154	87	**623**
EBIT Margin	*18%*	*16%*	*14%*	*17%*	*18%*	*14%*	*15%*	*15%*	*12%*	*7%*	
Interest	41	38	42	42	45	46	47	50	52	53	**201**
Other Income	16	13	11	8	11	12	11	27	10	20	**67**
Profit before tax	**165**	**138**	**90**	**161**	**179**	**134**	**149**	**175**	**111**	**53**	**489**
PBT Margin	*15%*	*13%*	*10%*	*14%*	*15%*	*11%*	*12%*	*13%*	*8%*	*4%*	
% Growth YOY					*8%*	*-3%*	*66%*	*9%*	*-38%*	*-60%*	
Tax	41	33	21	41	46	38	37	43	31	25	**136**
Net profit	**124**	**105**	**70**	**120**	**134**	**97**	**113**	**132**	**80**	**29**	**353**
% Growth YOY					*8%*	*-8%*	*62%*	*9%*	*-40%*	*-71%*	

Detailed Results:

1. The company had a poor quarter with revenue rising by 8.2% YoY and profits degrowing by 42% YoY on a standalone basis.
2. Like for like growth (LFL) stood at (0.6%).
3. Opened 56 new Domino's stores, one new store for Popeyes & Hong's kitchen, & net 3 store addition in Dunkin'.
4. Total 1,816 Domino's stores across 393 cities in India.
5. App installs at 8.5 million and own asset contribution to delivery sales were at its highest ever level this quarter.
6. Domino's Cheesy Rewards - The cumulative enrollment grew to over 13.6 million since its national launch in May 2022.
7. Dominos LFL growth was 0.3% & LFL ADS stood at 86,197.
8. Delivery: Dine-in split was 36.4:63.6.
9. Gross margins at 75.3%, lower by 160 bps year-on-year .
10. The EBITDA margin came in at 20.1%, lower by 490 bps year-on-year.
11. PAT margin was at 6.7%.
12. International markets
    a. In Sri Lanka, the company delivered system sales growth of 14.1%. The growth was driven by Dine-in and Takeaway channels. The Own app contribution to Delivery Sales was 70%. Opened one new store taking the network strength to 48.

b. In Bangladesh, system sales grew by 51.6%, and opened four new stores taking our store count to 17. The Own app contribution to Delivery Sales was 83%, an increase of 16% points year-on-year

Investor Conference Call Highlights

1. The management gave a comparison of its raw materials prices Vs covid levels as follows:- cheese prices have increased by 40%, flour prices have increased by 28%, and chicken and paper box prices have increased by 30%.
2. It expects cheese prices to stay elevated for the coming 2 quarters.
3. The company became the first food service company in India to surpass a turnover of Rs. 5,000 crores in the fiscal year '22-'23.
4. The gross margin was at 75.3% which was driven by a series of timely interventions on the food cost line items, focus on data-led efficiencies in the operating model, and partially helped by deflation in some commodities.
5. Considering the significant change in the economic environment in Sri Lanka, the company has taken an impairment charge of Rs. 200 million in this quarter.
6. Domino's LFL and SSG growth came in at 8.9% and 6% for FY23.
7. The company recently launched a 20-minute service guarantee in Bangalore owing to which, Bangalore became one of its fastest-growing like-for-like revenue growth cities in Q4 2023.
8. The company introduced and expanded the range of Pizza Mania where, the value range now has 13 offerings, starting at Rs. 49 & going all the way up to Rs. 169.
9. 44% of the new stores opening in this year were in the existing cities serving a white space while it opened 84 new split stores.
10. For Popeyes, the recent launch of the Hot & Messy range which offers fried chicken in two delectable sauces, is an example of its ability to Indianize the international offering and grow the bone-in-chicken category. The management also states that it will continue to cover the South systematically and look to spread out from there.
11. The company is building its largest multi-brand commissary in Bangalore. Once it's fully scaled up, it would be able to serve more than 750 stores in the region.
12. The company filled a critical position in the leadership team with the joining of Mr. Sameer Batra as Chief Business Officer for Domino's India.
13. The company is targeting: 200-225 new Domino's India stores & 30-35 new Popeyes stores in FY24.
14. The management when asked about the negative impact of its inability to deliver the orders in 20 mins, said- "the margin don't go down, and we do get more deliveries per hour from the same rider, right? And so riders actually should make more money because, see, the way this has happened is we have about 175 stores in Bangalore. We have only guaranteed 20 minutes when we believe the right time from the store to the customer location is about 7 to 8 minutes. So if you add 7 to 8 and 7 to 8 minutes of reverse leg, theoretically, you can do 4 deliveries per hour, right? And we are obviously not at 4. So there is huge headroom to be more efficient". Further, they explained that this improves the net promoter score (NPS) leading to higher LFL growth.
15. The management is less affected by the source from which pizza is ordered as long as the customer is satisfied, however, it believes that it is able to give the best user experience through its own app.

16. The management is continuing with the store expansion spree as it believes that the demand slowdown is transitory & when the demand picks up or the sentiment picks up, it will be the fastest off the blocks, both in terms of driving the growth and also expanding the margin pool.
17. The company believes that the primary determent of margins rising for the company will be higher LFL growth.
18. The company’s Rs.49 offering is a big opportunity for introducing new people to its platform as well as up-sell & cross-sell its products.
19. The management explains the three pillars of the biz are consumer value proposition, product quality & delivery.
20. The company’s focus area to grow the Dine-in biz is 1) to have inviting stores, wherever the stores are older, 2) to have a better dine-in experience in terms of the staff being more courteous, being more proactive to customers, and 3) help the customer navigate inside the store, order quickly, & be efficient.
21. The management when asked about the reasons for the slow rollout of Popeye’s stores said- “we offer antibiotic-free chicken and fresh chicken, right, which is not frozen. So that takes time to build the back-end supply chain. Like for all our products, we want to fully have traceability and visibility from the origination point to the point when we serve the customers. We want to have a good control. That's what takes time more than opening a store. Actually opening store is the easiest part, but fulfilling it, making sure the quality remains, it takes time. So you will see a faster pace of store expansion going forward.”
22. The management expects capex for FY24 to stand at around 700-800 Crs with around 250 Crs being incurred for investments in Mumbai commissary.
23. The company is planning to expand from the 4 delivery apps to the ONDC channel in the coming time.
24. The company is very bullish towards expansion in Bangladesh while it is cautious about Sri Lanka owing to the current macro-economic environment in the country.

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 8% while PAT falling by 42% on a standalone level. 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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Sapphire Foods India Ltd

Financial Results & Highlights

Brief Company Introduction

Sapphire Foods is a prominent food and beverage company based in India. Established in 2015, Sapphire Foods has rapidly grown to become one of the largest franchisees of Yum! Brands in the country. Yum! Brands is a global fast-food company that owns popular brands such as KFC, Pizza Hut, and Taco Bell. Sapphire Foods operates a vast network of KFC and Pizza Hut outlets across India, Nepal, and Sri Lanka. With a focus on delivering high-quality food and exceptional customer service, the company has gained a strong foothold in the Indian food industry.

Sapphire Foods has non-exclusive rights to operate restaurants under three of Yum’s brands: KFC, Pizza Hut, and Taco Bell in India, Sri Lanka, and Maldives. As of Dec. 2022, the company owned and operated 325 KFC restaurants in India and Maldives, 274 Pizza Hut restaurants in India, Sri Lanka, and the Maldives, and 2 Taco Bell restaurants in Sri Lanka.

	Quarterly Performance										
	SAPPHIRE FOODS INDIA LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**334**	**341**	**303**	**414**	**508**	**497**	**546**	**563**	**596**	**560**	**2,266**
% Growth YOY					*52%*	*46%*	*80%*	*36%*	*17%*	*13%*	
Expenses	275	285	269	358	393	397	436	460	479	462	**1,837**
EBITDA	**59**	**56**	**34**	**57**	**115**	**100**	**110**	**103**	**117**	**98**	**428**
Depreciation	48	58	53	51	51	58	61	63	68	72	**264**
EBIT	11	-2	-19	5	63	42	49	40	49	26	**164**
EBIT Margin	*3%*	*-1%*	*-6%*	*1%*	*12%*	*8%*	*9%*	*7%*	*8%*	*5%*	
Interest	19	20	17	19	18	23	20	21	22	25	**87**
Other Income	11	9	11	9	8	10	6	7	7	11	**31**
Profit before tax	**3**	**-13**	**-26**	**-4**	**53**	**29**	**36**	**27**	**34**	**12**	**108**
PBT Margin	*1%*	*-4%*	*-8%*	*-1%*	*10%*	*6%*	*7%*	*5%*	*6%*	*2%*	
% Growth YOY					*1579%*	*-314%*	*-239%*	*-755%*	*-36%*	*-57%*	
Tax	0	0	1	1	2	2	-3	0	1	-123	**-125**
Net profit	**3**	**-14**	**-26**	**-5**	**51**	**27**	**38**	**27**	**33**	**136**	**233**
% Growth YOY					*1557%*	*-292%*	*-247%*	*-638%*	*-36%*	*411%*	

Detailed Results:

1. The company generated revenue of INR 22.6 billion for the year.
2. The company delivered an adjusted EBITDA of INR 2.6 billion and margin of 11.7% for FY '23.
3. The company had a deferred tax credit of INR 125 crores this quarter.
4. The company delivered adjusted PAT of INR 1.4 billion at 6.2% PAT margin.
5. In quarter 4 consolidated sales were INR 5.59 billion. It grew by 13% year-on-year.
6. Consol restaurant EBITDA remained flat year-on-year in absolute terms. Margin was 16.2%, down 210 basis points over last year.
7. India restaurant EBITDA grew in absolute terms by 19% and margin was 16.5%, down50 basis points primarily due to Pizza Hut.
8. Console EBITDA post IndAs was INR1.03 billion or 18.4% and that declined Y-o-Y by 1% down 260 basis points.
9. Consol adjusted EBITDA was INR56 crores or 10.1%, which declined year-on-year by 11%, and largely on account of the Sri Lanka impact.
10. Consol PAT came in at INR136 crores or 24.2%, due to a deferred tax credit of INR125 crores in this quarter.

11. Consol adjusted PAT before this DTC, Deferred Tax Credit, is INR 187 million or INR19 crores, 3.3% in quarter 4 of FY '23.
12. For Pizza Hut, SSSG was minus 4% for the quarter.
13. In Pizza Hut, overall revenue grew by 18% to INR122 crores for the quarter, and gross margins dropped by 50 basis points. Restaurant EBITDA came at 8.6%, which is a drop of 290 basis points over previous year.
14. Pizza Hut had 67 store additions in the last 1 year, that's 30% on a previous year's base.
15. In Sri Lanka
    SSSG for the quarter was minus 3%.
    The company had 19 store additions in the last 1 year, that's 20% on the previous year's base.
    The revenue in Sri Lanka Rupees witnessed a growth of 10% overall. However, when accounting for the translation effect to Indian Rupees, there was a decline of 27% for the quarter.
    The gross margin dropped by 390 basis points year-on-year and overall restaurant EBITDA was 14.2%.
16. The ESOP cost for the year is expected to be between 0.7% to 0.8% of revenue.

<u>Investor Conference Call Highlights</u>

1. The management stated that there was an addition of 164 new restaurants, KFC, Pizza Hut and in Sri Lanka.
2. The management stated that in Sri Lanka, despite challenges, the company grew revenue by 48% in Lankan Rupee terms. Their restaurant EBITDA remained flat in LKR terms despite 100% inflation.
3. The management stated that the same-store sales were challenged due to post-Diwali '22 effects. Additionally, India's GDP growth rate declined from over 7% in the first half of April to 4.4% in October-December.
4. The management stated that KFC and Pizza Hut launched strong product innovation and increased marketing investments in April to gain differential momentum.
5. The management stated that in Q4 FY '23, the company expanded with 28 new restaurants—16 KFC and 12 Pizza Hut. However, they adopted a more cautious approach in Sri Lanka, with no new restaurant expansion planned for the next 12 months.
6. The company's primary focus is on strengthening the fried chicken category through improved taste, value, customer experience, and accessibility, all aimed at driving demand.
7. The management stated that core product innovation is the primary contributor, but they also explore other innovations. For instance, they introduced Chizza as a core innovation and experimented with chicken popcorn with Maggi and popcorn Nachos in the past year.
8. The management thinks that value is crucial in the QSR industry, encompassing entry value and abundant value. The launch of chicken rolls in April, starting at INR 99, has generated significant interest and traction.
9. The management informed that KFC achieved a record-breaking opening of 78 stores. Meanwhile, although Pizza Hut experienced negative same-store sales growth (SSSG), the positive growth in same-store transactions was attributed to the significant value proposition.
10. The company had an excellent first half on Pizza Hut. There has been a slowdown in Pizza Hut's performance after Diwali.
11. The management stated that Pizza Hut has achieved positive same-store transaction growth (SSTG) due to their focus on offering big value plays to customers.

12. The management believes that building top-of-mind awareness is a priority for Pizza Hut. They are utilizing digital advertising and mass entertainment television to sustain their marketing presence.
13. The management talked about Pizza Hut having launched a native app and a self-ordering QR code-based dine-in digital solution to provide a frictionless customer experience. These initiatives have received a good response from consumers.
14. The management stated that they have invested in 2 technologies: Dragontail and HutBot to help them drive operational excellence.
15. The management stated that the Sri Lankan Rupee has appreciated marginally against the dollar, operating at a range of LKR 320 to LKR 330 compared to the previous rate of LKR 360 to $1. This can potentially have a positive impact on the business's financials.
16. In Sri Lanka, The business has experienced a high impact on customer spending due to economic challenges. There has been a significant drop in transactions, resulting in lost business.
17. The management stated that there is a general softness observed on food aggregator platforms, including Zomato and Swiggy, which are the largest partners for Yum. This indicates a broader trend of weakness or lower demand in the category.
18. Approximately 85% of orders from Pizza Hut are delivered within 30 minutes, and around 93-94% are delivered under 40 minutes.
19. The management stated that the approximate per-store capex for KFC is INR 2 crores, while for Pizza Hut, it is around INR 1.5 crores per store. These figures include factors such as inflation and reflect the investments required for each brand's store development.
20. The management informed that around INR 40 crores has been allocated for refurbishments, resizing, and major refurbishment projects. The remaining capex includes maintenance, IT, and warehouse-related expenses.
21. The management mentions that there is a divergence in trends between KFC and Pizza Hut. This indicates that the two brands are experiencing different performance outcomes.
22. The management explains that in Sri Lanka, Pizza Hut's same-store sales growth (SSSG) is -3% and transaction decline is in high double digits. This indicates a significant impact on the business, likely due to pricing actions taken in response to inflation.
23. The management explained the reason for the difference in gross margin performance compared to another QSR player - inflation in key components such as chicken and dairy has impacted their brands. Chicken saw high inflation in H1, while dairy experienced significant inflation across the board, affecting Pizza Hut's margins.
24. The management stated that ADS is influenced by both seasonality and the addition of new stores. New stores typically start at around 75% to 80% of the overall brand average in their first year and take 3 to 4 years to scale up. Therefore, as more new stores are added, it impacts the overall ADS. Q4 was also impacted by the Navratri festival in March.
25. KFC has implemented a roughly 3.5% price increase. The company is increasing its marketing investments but believes that the increase in sales should offset the impact on restaurant EBITDA.
26. Quarter 1 experiences a positive growth in absolute terms compared to the Jan-March quarter. An uplift of 5% to 15% is anticipated when compared to Q4, although predicting the exact outcome is challenging due to various incidents or reasons that have occurred over the past three years.

Analyst's View

Sapphire Foods is one of the largest franchisees of Yum! Brands Inc. in the subcontinent, and operates more than 400 KFC, Pizza Hut, and Taco Bell restaurants across India, Sri Lanka, and the Maldives. Sapphire Foods India Limited reported their best-ever annual performance in FY '23 with INR 22.6 billion in revenue, INR 2.6 billion in adjusted EBITDA, and INR 1.4 billion in adjusted PAT. In Q4 FY '23, the company reported consolidated sales of INR 5.59 billion, with India restaurant sales growing at 23%, and same-store sales being challenged post-Diwali '22.

KFC and Pizza Hut launched strong product innovation and increased marketing investments in April to gain differential momentum. Overall weak consumer demand conditions have affected the industry, but trusted large brands tend to do better in these conditions.

Pizza Hut aims to offer great value in the pizza category and plans to invest in television, digital, and higher marketing spends to enhance brand awareness. In the case of KFC, the launch of value range innovations like chicken rolls is expected to help drive transaction growth. These value offerings cater to both brand loyalists and new customers, attracting them to KFC.

The company believes that it can sustain the Q4 levels of gross margins in the near future. Inflation is seen in the range of 3% to 5% across the overall raw material basket. They expect to manage this inflation through price increases and cost efficiencies.

Nonetheless given growth opportunities and challenges it remains an interesting stock to keep track off.

Westlife Foodworld Ltd

Financial Results & Highlights

Brief Company Introduction

Westlife Development Limited is a company that operates the master franchise of McDonald's restaurants in West and South India through its subsidiary, Hardcastle Restaurants Pvt. Ltd. The company is one of the largest quick-service restaurant chains in India, with a strong presence in major cities and towns.
Westlife Foodworlds focuses on providing customers with a wide range of menu options that cater to various tastes and preferences. They offer popular McDonald's products such as burgers, fries, chicken items, wraps, beverages, and desserts. The company emphasizes high-quality food, efficient service, and maintaining a clean and welcoming dining environment.

Quarterly Performance											
	WESTLIFE FOODWORLD LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**325**	**358**	**259**	**385**	**477**	**455**	**538**	**572**	**611**	**556**	**2,278**
% Growth YOY					*47%*	*27%*	*108%*	*49%*	*28%*	*22%*	
Expenses	281	311	257	341	397	392	451	477	509	468	**1,904**
EBITDA	**44**	**47**	**3**	**44**	**79**	**63**	**87**	**96**	**102**	**89**	**374**
Depreciation	35	34	33	34	35	35	36	37	39	41	**152**
EBIT	9	13	-31	11	45	28	51	59	64	47	**222**
EBIT Margin	*3%*	*4%*	*-12%*	*3%*	*9%*	*6%*	*10%*	*10%*	*10%*	*9%*	
Interest	21	20	20	20	21	21	22	23	23	25	**93**
Other Income	12	3	6	4	4	13	2	5	8	6	**20**
Profit before tax	**0**	**-5**	**-45**	**-6**	**28**	**21**	**32**	**42**	**48**	**28**	**149**
PBT Margin	*0%*	*-1%*	*-17%*	*-2%*	*6%*	*5%*	*6%*	*7%*	*8%*	*5%*	
% Growth YOY					*19800%*	*-552%*	*-171%*	*-815%*	*72%*	*35%*	
Tax	0	2	-11	-1	7	5	8	10	12	8	**38**
Net profit	**0**	**-6**	**-33**	**-4**	**21**	**15**	**24**	**32**	**36**	**20**	**112**
% Growth YOY					*18827%*	*-337%*	*-171%*	*-814%*	*75%*	*31%*	

Detailed Results:

1. The company had annual sales of INR 22.7 billion, backed by 36% same-store sales growth.
2. Average unit volumes crossed INR 66 million with nearly 60% of sales driven through digital.
3. EBITDA margin was at 17.3%, while ROCE stood at 31% with a strong financial position.
4. Sales during the quarter grew by 22% year-on-year on the back of same-store sales growth of 14%.
5. On-premises business gained significant traction by growing 38% year-on-year.
6. The company successfully added 18 new restaurants during the quarter and achieved the annual target of 35 new restaurants.
7. The company experienced a sequential expansion of 170 basis points in gross margins between the third quarter and fourth quarter.
8. The company's general and administrative (G&A) expenses remained stable at around 6% in FY '23.
9. The gross margin for the quarter has increased to 71.9% due to the regrouping of expenses. The like-to-like gross margin should be around 68.2%.
10. The management stated that the company's focus is currently on fried chicken in South India, but the introduction of the chicken platform in West India may be considered in the future.

Investor Conference Call Highlights

1. The management highlighted the success of its bricks and clicks Omni channel strategy, which combines dine-in and convenience channels.
2. The company plans to add 40 to 45 new restaurants in the upcoming fiscal year.
3. The company has implemented a strong succession plan, elevating Saurabh Kalra, the COO, to MD as of March 2023. Additionally, Rohit Kumar and Sohail Nalwalla have joined the team as the CHRO and supply chain Head, respectively.
4. The company attributes its performance to a robust value proposition, relevant offerings, and consistent investments in modernizing its restaurants.
5. The management stated that their off premise business continued to rise steadily on a high base, contributing over 40% of the business.
6. McDelivery platform continued to grow at 1.5x the growth of third-party operators. They introduced their new McDelivery app in March.
7. The company updated its dividend distribution policy to maintain around a 25% dividend pay-out ratio, balancing shareholder rewards with sufficient capital for growth.
8. The management mentions that their typical capex range is between INR 200 crores to INR 250 crores.
9. The company provides a range of INR 3 crores to INR 4 crores for store capex, depending on the type of restaurant (e.g., Drive Thru, McCafe) and design standards.
10. The company aims to add 40 to 45 new restaurants in the next fiscal year.
11. The company aims to have EOTF features in all new stores that are opened. Currently, they have 220 EOTF restaurants, covering approximately 72% of their total restaurants.
12. The management acknowledges inflationary pressures, particularly in the cost of milk and cheese.
13. The management stated that the main drivers for top-line and bottom-line growth in the next 2 to 3 years are identified as core categories (burgers, chicken, coffee), digital initiatives, and a growth pipeline. They believe there is still significant potential to leverage McCafe and EOTF, as consumers are still becoming familiar with these offerings and their benefits.
14. Payroll and employee benefits have seen improvement year-on-year, with a decrease from 9.1% to 8.9% as sales volume increases and incremental costs decrease.
15. The management stated that the company is assessing the new opportunity of ONDC (Open Network for Digital Commerce) and considering how it could be applied and utilized in their business.
16. The management stated that McDonald's aims to maintain a high percentage of breakfast sales in the QSR industry and plans to invest in breakfast as the market expands.
17. The management stated that the company typically takes price hikes of 2% to 3%, depending on the situation and inflation levels.

Analyst's View

Westlife Development Limited focuses on establishing and operating McDonald's restaurants across West and South India, through its wholly owned subsidiary Hardcastle Restaurants Pvt Ltd (HRPL).
Today, It manages 319 McDonald's restaurants and 223 McCafé outlets in West and South India in easily accessible and popular locations like malls, high-streets, shopping complexes and residential areas' after outlet presence. It employs close to 10,000 employees. Co. intends to increase its store count to 580-630 by 2027. Capex is typically between INR 150 crores to INR 225 crores, with 60% to 80% going towards building new restaurants.

The company is dedicated to enhancing the customer experience and driving sales growth through innovative menu offerings. They employ various strategies, including limited-time offers, new platforms (such as fried chicken), and seasonal promotions, to engage with consumers and keep their menu fresh and exciting. To drive sales growth over the next 2 to 3 years, the company will focus on their core products like burgers, chicken, and coffee, and aim to double down on average unit volume growth in these categories. They will also prioritize digital initiatives to enhance convenience and meet the evolving needs of customers. McDonald's sees opportunities for growth in the McCafe and Experience of the Future categories. As consumers become more comfortable with these offerings, they anticipate continued sales growth and aim to capitalize on these initiatives.

Reality

Ashiana Housing Q4FY23

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 a primary focus on Kid Centric Homes, Senior Living, Care Homes (i.e. assisted living), and also comfort homes.

	Quarterly Performance										
	ASHIANA HOUSING LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**80**	**78**	**38**	**58**	**51**	**75**	**80**	**87**	**130**	**111**	**407**
% Growth YOY					*-36%*	*-5%*	*111%*	*50%*	*153%*	*48%*	
Expenses	71	84	44	63	55	68	65	92	120	103	**379**
EBITDA	**9**	**-5**	**-6**	**-6**	**-4**	**6**	**15**	**-5**	**10**	**8**	**28**
Depreciation	2	2	2	2	2	1	2	2	2	2	**8**
EBIT	6	-7	-8	-8	-6	5	13	-7	8	6	**20**
EBIT Margin	*8%*	*-9%*	*-22%*	*-14%*	*-12%*	*7%*	*16%*	*-8%*	*6%*	*5%*	
Interest	2	2	2	1	1	1	1	1	1	1	**3**
Other Income	10	3	1	3	-0	4	1	5	5	6	**18**
Profit before tax	**14**	**-6**	**-9**	**-6**	**-7**	**8**	**13**	**-3**	**13**	**11**	**34**
PBT Margin	*18%*	*-8%*	*-23%*	*-11%*	*-14%*	*10%*	*16%*	*-3%*	*10%*	*10%*	
% Growth YOY					*-153%*	*-223%*	*-250%*	*-57%*	*-272%*	*49%*	
Tax	1	-1	-2	-1	-4	1	3	-1	4	1	**6**
Net profit	**13**	**-6**	**-6**	**-6**	**-4**	**6**	**10**	**-2**	**9**	**10**	**28**
% Growth YOY					*-130%*	*-212%*	*-262%*	*-68%*	*-336%*	*65%*	

Detailed Results

Quarterly results-

1. Value of Area Booked recorded at INR 435.82 Crores (Q4FY23) vs 485.29 Crores (Q3FY23).
2. Area booked was 8.59 Lakh Sq Ft in Q4 FY23 vs 9.03Lakhs Sq. ft in Q3FY23
3. Area constructed was 5.08 lakhs sq ft in Q4FY23 vs 3.42 lakh Sq. ft. (Q3FY23) and 5.07 lakh Sq. ft. (Q4FY22).
4. EAC was 5.08 Lakh Sq Ft in Q4 FY23 vs 3.42 lakhs Sqft in Q3 FY23
5. Total Revenue reported at INR 116.94 Crs (Q4FY23) vis a vis INR 135.31 Crs in Q3FY23.
6. PAT increased to INR 10.38 Crores in Q4FY23 from INR 9.05 Crores in Q3FY23.
7. TCI also improved to INR 10.51 Crores in Q4FY23 from INR 9.29 Crores in Q3FY23 .Sales Value for FY23 was INR 1313.43 Crores vs INR 573.25 Crores for FY22, YoY increase of 129%.

Annual results-

1. Booking increased by 75% from 14.76 Lakhs Sq. ft. (FY22) to 25.86 Lakhs Sq. ft. (FY23).

2. Sales Price improved to INR 5,080 psf (FY23) vs 3,883 psf (FY22), an increase of 31% YoY, driven by increasing prices acrossprojects and changing mix towards higher priced projects.
3. Equivalent Area constructed(EAC) for the year was 16.73 Lakhs Sq. ft. (FY23) vs 16.20 Lakhs Sq. ft. (FY22).
4. Pre-tax operating cash flows was positive at INR 84.84 Crores (FY23) vs positive at INR 165.05 Crores (FY22).
5. Total Revenue increased to INR 425.19 Crores (FY23) vs INR 233.59 Crores (FY22), YoY increase of 82%.
6. Total Comprehensive Income positive at INR 28.78 Crores (FY23) vs. negative INR 6.56 Crores (FY22) .

Investor Conference Call Highlights

1. The company launched five new projects in the last year, totaling 29.46 lakh square feet.
2. The company handed over 10.51 lakh square feet in FY 23, compared to 8.86 lakh square feet in FY 22.
3. The company acquired new land parcels in Jaipur, with a potential saleable area of 6.5 lakh square feet and 4 lakh square feet, and in Manesar, Gurugram, with an approximate saleable area of 10.3 lakh square feet.
4. The company is expecting sales value of INR 1,500 crores for FY 24.
5. The gross margins on new projects are expected to be around 30%.
6. Most projects are priced in the range of INR 4,000 to INR 6,000 per square foot.
7. Some projects, like Jodhpur and Bhiwadi general housing, are priced below INR 4,000 per square foot.
8. Bhiwadi senior living is priced around INR 4,500 per square foot, while Pune and senior living in other locations are priced above INR 5,000 and INR 6,000 per square foot.
9. The lack of supply in Gurgaon has contributed to price increases in the market.
10. Prices across different geographies, including Jaipur and Bhiwadi, range between INR 4,000 to INR 6,000 per square foot.
11. Land prices have increased due to demand for plotted developments, and this has impacted overall pricing.
12. The company expects a wider price bracket in the future, with different projects and locations influencing the price points.
13. The target gross profit margin is 30%, with sales and marketing expenses around 4% to 4.5% of revenue.
14. The company aims for a PAT margin of 13% to 15% after accounting for taxes and other costs.
15. The current land bank potential is estimated at around INR 5,500 crores in sales value.
16. The company is considering a buyback but hasn't made any firm decisions yet.
17. The hotel investment is generating around 15% returns on invested capital.
18. The company is disposing of other assets to optimize capital allocation.
19. The pre-launch process has been activated for a project in Bhiwadi, which is located in the industrial area of Bhiwadi.
20. The company stated that the EBITDA margins have been low due to depressed volumes and higher operational costs compared to sales prices.
21. The company is targeting INR 1,500 crores worth of area booked in FY '24, with realizations between INR 5,000 crores and INR 5,500 crores.
22. Land prices have increased by around double since FY '20, and sale prices have increased by 20% on the base but up to 40-50% in some places.

23. The company aims to increase the scale of the company to about twice its current size within a five-year timeframe.
24. Builders plan to address affordability concerns by reducing flat sizes.

Analyst's Views

Ashiana Housing is a unique presence in the Indian real estate industry. The company has seen a decent year with an increase in revenue of 182%. The company is investing heavily for the purpose of exapansion by launching new projects. 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.

Specialty Chemicals

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	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**TTM**
Sales	**165**	**187**	**185**	**243**	**251**	**277**	**307**	**283**	**234**	**256**	**1,080**
% Growth YOY					*52%*	*48%*	*65%*	*16%*	*-7%*	*-8%*	
Expenses	140	157	156	212	217	232	258	238	203	222	**921**
EBITDA	**24**	**30**	**29**	**31**	**34**	**45**	**49**	**45**	**31**	**34**	**159**
Depreciation	4	3	3	4	4	4	4	4	4	4	**15**
EBIT	21	27	26	28	30	42	45	41	27	30	**143**
EBIT Margin	*13%*	*14%*	*14%*	*11%*	*12%*	*15%*	*15%*	*15%*	*12%*	*12%*	
Interest	1	1	1	1	1	1	1	2	1	1	**5**
Other Income	1	2	2	2	2	2	2	2	2	1	**7**
Profit before tax	**21**	**28**	**28**	**29**	**32**	**42**	**45**	**42**	**28**	**31**	**146**
PBT Margin	*13%*	*15%*	*15%*	*12%*	*13%*	*15%*	*15%*	*15%*	*12%*	*12%*	
% Growth YOY					*48%*	*51%*	*64%*	*46%*	*-13%*	*-28%*	
Tax	5	5	6	6	8	12	12	11	7	8	**38**
Net profit	**17**	**23**	**22**	**22**	**24**	**31**	**34**	**31**	**20**	**23**	**108**
% Growth YOY					*43%*	*37%*	*54%*	*38%*	*-14%*	*-25%*	

Detailed Results:

1. The company had a poor quarter with revenue and profits decreasing by -8% and -25% on a YoY basis respectively.
2. FY23 Financials for the company were as follows :-
    1. Operational Revenue – INR 1080 Cr vs 956 Cr the previous year
    2. EBITDA – INR 158.5 Cr
    3. EBITDA margin – 14.7% vs 14.6% the previous year
    4. PAT – INR 107.9 Cr
    5. Net Profit Margin – 10%
3. Q4FY23 Financials for the company were as follows :-
    1. Operational Revenue – INR 256 Cr
    2. EBITDA – INR 34.1 Cr
    3. EBITDA margin – 13.32%
    4. Net Profit – INR 23.2 Cr
    5. Net Profit margin – 9.06%
4. The company crossed INR 1000 cr in Annual Revenue and INR 100 cr in PAT for the first time.
5. Q4FY23 margins were impacted due to overall pressure on demand in Nitrile latex, while NBR margins returned to normalcy due to fall in import freight.
6. CAPEX update as on 31st Mar'23 :-
    1. Multi-purpose Latex plant at Taloja commissioned with a capacity of 35,000 MTPA.

  2. Nitrile Latex plant at Valia commissioned with a capacity of 50,000 MTPA

7. The company has declared a final dividend of Rs. 3.50 per share.

Investor Conference Call Highlights:

1. The management states that for Q4, on a YoY basis the volumes are flat, while for FY23 the volumes are up 8% YoY.
2. The management explains that Q4 EBITDA decline is also due to high cost raw materials and chemical inventory which is being carried on in the books. This is expected to be exhausted by April and May.
3. Nitrile latex market continues to be extremely weak due 20%-30% lesser demand after covid, due to weak glove market. Nitrile margins are therefore lower than pre-covid levels.
4. The management admits that being a new entrant it is difficult to get premium margins for the nitrile business. Overall, it is still bullish about the business for the long term.
5. ApcoBuild has seen fantastic growth in the year. The management gives a guidance of 25%-30% for the growth of ApcoBuild for FY24.
6. The management states there will not be much increase in the fixed costs due to the commissioning of the new plants.
7. The company is not facing any competition intensity in the latex business due to it being mainly a regional business. Although, the company is facing issue in NBR due to lower freight rates.
8. The company has seen a 28% growth in export volume in the fourth quarter and a 16% growth for the year FY23. They compete with European companies in some of the export markets.
9. The management states that they can add up to 600-700 crore top line with the latex capacities that the company has added.
10. The management states that the construction and waterproofing market in India has been growing significantly, with double-digit growth over the past 5-6 years. They expect this trend to continue over the next 5-10 years.
11. The management states that they are predominantly an Asian company, manufacturing in India and catering to India and Asia. They are observing the growth in Asia and assessing where new capacities are coming up.
12. The management states that they finished the year with strong numbers and are satisfied with their performance. However, they acknowledge that their projects were delayed by a few months.
13. The management states that depreciation and interest will increase over the next two quarters due to the large CAPEX they have done in the last quarter. This will affect PBT numbers, but they will focus on EBITDA numbers.
14. The management states that they have a treasury for potential non-organic acquisition growth or partnerships. They also want to have some liquidity for quick expansion decisions.
15. The management states that they are looking at new products and are waiting to see if the current CAPEX cost will make sense in terms of returns. They will announce decisions about investments when the time is right.
16. The management states that they have converted their 10,000-ton nitrile latex capacity in Taloja to a 35,000-ton multipurpose latex plant. This plant can make nitrile latex and other current products, and the demand for these is very strong.

17. The management states that they expect to reach 100% plus capacity utilization for the new plant at some point in the following financial year.
18. The management states that they have outsourced their treasury and wealth management to experts. They have invested about 70% in equity, which is broken up into equity mutual funds and some CMS.
19. The management states that they are looking to grow both organically and inorganically. They are evaluating opportunities all the time and are looking to grow through a new product pipeline.
20. The management states that they are mostly in South East Asia and the Middle East, with about 80-85% of their sales in this region. The rest is in Europe, China, America, and South America.
21. The management states that they are growing quite well in the Southeast Asia and Middle East markets. Europe, North America, and Japan are not strategic markets for them due to the distance and time it takes to ship products.
22. The management states that textiles, which was a very small part of their business 5 years ago, is now becoming a larger part of their business and a strong industry for them.
23. The Taloja plant is expected to reach full utilization on a monthly basis in FY25.
24. The management states that for NBR, the company continues to be the sole manufacturer in India, with capacity running at full. 15% to 20% capacity is expected to be freed up by March as nitrile latex is being made in the NBR reactor .

Analyst's View:

Apcotex is a great small-cap company present in the latex and rubber area. It is a market leader for some of its products and has been in the industry for quite many years now. Its recent capacity expansion plans seem to be getting delayed, yet the plants that have been commissioned are expected to add greatly to the top-line. Seeing how well the market has placed the company in terms of its share price growth over the last few years, Apcotex definitely remains an important company to track with a huge future potential.

Steel

Bharat Wire Ropes Ltd

Financial details & highlights

Brief company introduction

Bharat Wire Ropes Limited is a leading manufacturer of specialty wire rope slings and wire strands with a wide range of products serving various industries. The company has two manufacturing plants, one in Atgaon, Maharashtra with a capacity of 6,000 metric tons per annum, and a state-of-the-art facility in Chalisgaon, Maharashtra with a capacity of 66,000 metric tons per annum. The company exports its products to over 50 countries across 6 continents and also caters to government, semi-government, private organizations, and multinational companies.

Quarterly Performance											
BHARAT WIRE ROPES LTD											
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	64	69	78	94	104	134	133	150	144	162	
% Growth YOY					*62%*	*95%*	*70%*	*59%*	*39%*	*0%*	
Expenses	-	-	-	-	-	-	-	-	-	-	
EBITDA	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	-	-	-	-	-	-	-	-	-	
EBIT	-	-	-	-	-	-	-	-	-	-	
EBIT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Interest	24	-36	5	6	6	6	4	5	7	6	
Other Income	0	0	0	0	0	0	0	0	0	0	
Profit before tax	-24	36	-5	-6	-6	-6	-4	-5	-6	-6	
PBT Margin	*-37%*	*53%*	*-7%*	*-6%*	*-6%*	*-4%*	*-3%*	*-4%*	*-4%*	*-4%*	
% Growth YOY					*-76%*	*-116%*	*-28%*	*-10%*	*11%*	*2%*	
Tax	-5	10	1	0	1	2	4	5	6	19	
Net profit	-14	28	2	1	3	8	12	15	19	16	
% Growth YOY					*-123%*	*-73%*	*573%*	*1336%*	*515%*	*106%*	

Detailed results

1. In the fourth quarter of FY23, the company reported consolidated revenues of 162 crores, a YoY growth of 21%, and a QoQ growth of 12.5%.
2. The EBITDA margins for the quarter were reported at 28.16%, showing significant growth both yearly and quarterly.
3. Net profits for the quarter were 16 crores, a YoY growth of 106%, but a QoQ decrease of 16% due to additional deferred tax provisions.
4. For the financial year 2023, consolidated revenues reached 589 crores, a strong YoY growth of 43%.
5. The EBITDA for the year was around 139 crores, a growth of over 100% YoY with EBITDA margins at 23.56%.
6. Net profit for the year was 62 crores, a YoY growth of 354%, with a note that an additional tax provision of 8.4 crores was made due to changes in the tax structure.
7. The Managing Director, Mr. M.L. Mittal, highlights that the company achieved its highest-ever quarterly and yearly revenues in Q3 FY23 and FY20.
8. The EBITDA margin reported this quarter is around 28% and higher than the market leader in the industry.

Conference call highlights

1. The company stated that strategic efforts have been made to enhance marketing, productivity, and plant utilization while focusing on sustainable operations.
2. The company stated that volume increased by 13% YoY.
3. The company stated that currently operating at a 60% to 62% capacity utilization level
4. The company stated that there was an improvement in realizations by 30% in FY23 due toincreased steel prices.
5. The company stated that there was improved profitability due to increased sales realizations, cost optimizations, and a reduction of interest costs.
6. The company stated that there is a strong and healthy balance sheet.
7. The company stated that improved credibility with customers resulted in consistent repeat orders.
8. The company is switching to solar power for sustainability, aiming to reduce carbon footprints and energy costs by 30% to 40% in the coming years.
9. The company is expecting 15% to 20% volume growth on the consumability side over the next 3 to 5 years to achieve a rated capacity of 72,000 tons per annum.
10. Anticipating increased demand from the Indian infrastructure development plans, including a $15 billion investment in roadway construction to be completed in the next 5 years.
11. The company is planning to invest in new product developments with a target ROCE of at least 25% to 30%.
12. The company is expecting improved margins with incremental volume growth due to operational efficiency, reduced production costs, and higher sales prices for specialized products.
13. The company is not significantly exposed to commodity price fluctuations due to effective inventory management.
14. The company stated that its products have a competitive advantage due to their high gross contribution.
15. The company stated that the elevator market has stringent entry barriers and a rigorous approval process, which can take years to navigate.
16. The company issued Compulsorily Convertible Equity Instruments (CCPs) worth 382 crores to the bankers, which will convert into equity after 13.5 to 20 years based on prevailing market prices. Management has the option to buy out the CCPs at a deep discount of 9% anytime after April 1, 2023. The company considers the CCPs as equity instruments, not liabilities.
17. The company has received a subsidy under the PSI scheme of the Government of Maharashtra, amounting to 30 crores last year. The total eligibility for subsidy is 435 crores, and the current deadline for subsidy receipt is October 25.
18. The company expects to receive around 44 crores in subsidy over the next 15 to 18 months.
19. The company stated that the subsidy received is considered part of the revenue from operations and is accounted for as revenue.
20. The company stated that production volume for Q4 of FY23 was 11,298 metric tons, while sales volume was 10,689 metric tons.
21. The company has a production capacity of 72,000 tons, but the volumes for the previous year were around 39,000 tons.The company acknowledges that achieving 100% of the installed capacity is challenging due to various factors such as equipment balance, process efficiency, and logistics.
22. The improvement in average selling prices (ASPs) is expected as the company focuses on adding more sophisticated products and competing with global giants.
23. The company's power purchase agreement (PPA) for solar energy is signed at Rs. 4.40 paisa per unit, compared to the current payment of Rs. 9-10 paisa per unit to the government.

24. The energy cost for the last financial year (FY22-23) was 51 crores 12 lahks, compared to 39 crores in the previous year (FY21-22).
25. The company's focus is on pricing its products rather than offering discounts.
26. The company expects a growth rate of 15% to 20% in terms of volume.
27. The company is constantly working on adding value-added products to its portfolio, with a target of adding a couple of products every quarter.
28. The company stated that the order book reduction of 30 crores is not due to seasonality but rather the bunching of orders in the export market and the timing of tender execution.
29. The company stated that the EBITDA margin is directly dependent on steel prices, productivity, and sales realizations.
30. In the previous year, the company achieved a gross margin of Rs. 59,000 per ton, EBITDA margin of Rs. 36,000 per ton, and PAT margin of Rs. 16,000 per ton. The company is confident in maintaining similar margins in the future, taking into account variations in energy and steel prices.
31. The company is taking measures to mitigate risks, particularly in energy costs. They are addressing power cost increases by installing solar power systems.
32. The expected contribution of high-margin products in total revenue for FY23 is projected to be around 8% to 10%, but a complete breakdown will be available after the completion of the second and third quarters.
33. The company sees excellent opportunities and a large market size in India.

Analyst's View

Bharat Wire Ropes Limited is engaged in the business of manufacturing Steel Wire, Wire Ropes, Strands, and Slings.It is known as one of the largest manufacturers of Steel Wire rope in India and globally. The company has been in the business for more than 30 years now. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong working, Bharat Wire Ropes Ltd. Ltd. is a good Infra stock to watch out for.

Textile

Sportking India Ltd

Financial Results & Highlights

Brief Company Introduction

Sportking India Limited, a part of the Sportking Group, is a textile manufacturing company engaged in the production of Yarns (Cotton Yarn, Synthetic Yarn, Blended Yarn), fabrics and garments. The Co. owns 3 manufacturing facilities in Ludhiana and Bathinda.Sportking India has a vertically integrated business model, encompassing spinning, knitting, dyeing, processing, and garment manufacturing. It has state-of-the-art manufacturing facilities located in various parts of India, including Punjab, Himachal Pradesh, and Madhya Pradesh. In terms of market presence, Sportking India has an extensive distribution network comprising exclusive brand outlets, multi-brand outlets, and large format retail stores across India. It also exports its products to several countries, contributing to its global reach.

	Quarterly Performance										
	SPORTKING INDIA LTD										
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**351**	**413**	**450**	**524**	**587**	**593**	**606**	**552**	**513**	**534**	**2,205**
% Growth YOY					*67%*	*44%*	*35%*	*5%*	*-13%*	*-10%*	
Expenses	291	312	325	369	424	439	472	503	473	478	**1,926**
EBITDA	**60**	**102**	**125**	**155**	**163**	**154**	**134**	**49**	**40**	**56**	**279**
Depreciation	13	13	13	11	10	10	10	10	14	14	**48**
EBIT	47	89	112	144	153	144	124	39	26	42	**231**
EBIT Margin	*13%*	*22%*	*25%*	*27%*	*26%*	*24%*	*21%*	*7%*	*5%*	*8%*	
Interest	8	8	9	6	4	10	9	6	6	2	**23**
Other Income	5	-18	2	10	6	6	1	-26	5	2	**-18**
Profit before tax	**44**	**64**	**106**	**147**	**155**	**140**	**116**	**7**	**25**	**42**	**190**
PBT Margin	*12%*	*15%*	*24%*	*28%*	*26%*	*24%*	*19%*	*1%*	*5%*	*8%*	
% Growth YOY					*255%*	*120%*	*10%*	*-95%*	*-84%*	*-70%*	
Tax	13	19	27	37	39	36	33	7	7	11	**58**
Net profit	**30**	**44**	**79**	**110**	**116**	**104**	**83**	**0**	**18**	**31**	**132**
% Growth YOY					*283%*	*135%*	*5%*	*-100%*	*-84%*	*-70%*	

Detailed Results:

1. Revenue for the FY 23 is INR 2,205 crores, a growth of 2% year to year. For quarter four of FY 23, revenue increased by 4% on a quarter-to-quarter basis to INR532 crores.
2. EBITDA for FY 23 is INR279 crores with a margin of 13%. EBITDA for quarter four, increased by 39% on a quarter-to-quarter basis to INR56 crores.
3. Margin for quarter four Increased to 100 basis point to 10%.
4. Profit after taxes for the quarter four , increased by 71% on quarter-to-quarter basis to INR31 crores.
5. Net cash from operating activities for FY 23 is INR 520 crores, up from INR96 crores for the last financial year 21-22.
6. Also there is substantial reduction of short term borrowings by INR265 crores as on 31st March 23 as compared to the last year 31st March 22.
7. The average realization for quarter four is INR 260.86.
8. Average cost of debt right now is about 5% to 7%.

9. The capacity utilisation was around 96%. which would be amongst the top in the industry. A lot of industry had gone for 50% to 60% capacity cuts.
10. Depreciation in this quarter was around INR14 crores.

Investor Conference Call Highlights

1. The company has successfully commissioned two additional capacity projects in the last one year. This has taken the overall production capacity of the company to 3,78,576 spindles.
2. On the industry side, the company is witnessing some green shoots in export demand and decline in input cost inflation.
3. There is some better demand from China after a long time, and the loading of the premium of domestic cotton over international cotton prices are some positive indicators that will support the domestic sector in competing internationally.
4. The management stated that they are yet to see sufficient rationalization in raw material input costs, and are monitoring it closely.
5. The management informed that the production quantity as a whole as a company for last year FY 21-22 was 59,855 metric tons which increased to 61,769 metric tons in the last one year. And the quarter four volume was about 17,390 metric tons vis-a-vis quarter three of this year at 15,761 metric tons.
6. The management expressed its opinion that the demand has not fully recovered compared to one year ago, particularly from Europe and America. Destocking is still ongoing, but there have been benefits for the Indian cotton industry due to issues faced by competing nations. The Indian market has improved significantly in the past couple of years, and it is expected that demand will pick up in the next three to four months as the destocking period nears its end.
7. The management stated that the textile companies have faced significant challenges with raw material due to two main reasons. Firstly, there was a crop failure leading to a shortage of cotton and minimal closing stock. Secondly, the imposition of a 10% import duty has increased the cost of cotton, making it relatively more expensive compared to previous years. This has resulted in a higher premium for Indian cotton.
8. The management of Sportking India Ltd disclosed their capital expenditure (capex) plans for FY '24, with a significant portion allocated to the construction of a solar plant. They mentioned that approximately 50% of the planned expenditure for the solar plant has already been utilized.
9. The management explained that the decision to initiate a buyback despite having debt on the balance sheet is driven by the absence of dividend distribution. Recognizing this, they deemed it appropriate to reward shareholders through the buyback program. Furthermore, the company's debt and debt-equity ratios are comfortably below 0.5, ensuring their ability to finance the buyback.
10. The management expects their run rate from 17,390 tons to increase to around 21,000 metric tons.
11. Last quarter capacity utilization was 97.3%.
12. The management has indicated that the proportion of captive generation currently stands at approximately 67%, with expectations for it to increase to approximately 11% to 12% of their total consumption following the addition of the new plant.
13. The management stated that during the fourth quarter, cotton prices witnessed a moderation to INR 179, while the overall average was recorded at INR 163.51.

14. The capital expenditure (capex) cost per spindle for the initial period was reported at INR 40,000, while it increased to approximately INR 46,000 per spindle. Moreover, for the latter period, the capex cost per spindle rose to around INR 48,000.
15. The company's sales composition reveals that cotton yarn constitutes a significant proportion, exceeding 50% at 52%. Additionally, cotton blended yarn accounts for approximately 40% of the sales, while synthetics contribute approximately 10% to the overall sales.
16. The company produces a wide range of value-added yarns, including slob yarns, dyed yarns, and melange yarns. However, their realization is relatively low, approximately 60 or below. This can be attributed to the inclusion of some lower-grade yarns, which brings down the average. The company primarily focuses on coarse counts, ranging from 8s to 40s, which could contribute to their overall lower realization.
17. The management stated that the subsidy from Bhatinda plant is going to be with them for the next 13 years.
18. The management stated that this year's cotton arrival pattern has deviated significantly from historical norms, marking an unprecedented occurrence. Farmers have exhibited resistance towards delivering cotton in the same volume and scale as observed in the previous year.
19. Around 31, March, 50% of the crop was still to come. So the company had to change their buying cycle according to the arrivals.
20. The management anticipates a reduction of approximately INR 70 crores to INR 100 crores in long-term debt in the foreseeable future.
21. The company procures 100% polyester from domestic suppliers. Cotton is sourced from, from within India and from international markets also for specific yarn requirements.
22. The management thinks that one of their USPs is cost efficiency.
23. The management stated that Bangladesh continues to be their number one destination for their exports. The company exports almost 50% of their exports to Bangladesh.
24. Value added proportion is around 10 - 15 %.

Analyst's View

Sportking, a prominent textile conglomerate in India, has solidified its position as a leader in the industry over the past three decades. The textile sector in India is poised for significant growth and transformation, primarily driven by various factors. The government's proactive efforts to establish Free Trade Agreements (FTAs) with key economies such as the EU, UK, Canada, and others will undoubtedly contribute to this positive trajectory. Additionally, the economic crisis in Pakistan has inadvertently generated some demand, further stimulating the industry in recent quarters.

The ongoing global shift in supply chains, characterized by the "China plus one" strategy, is another crucial factor that continues to shape the landscape. This strategic adjustment presents substantial opportunities for companies like Sportking. As a result, an improvement can be anticipated in the company's performance and overall industry growth in the coming quarters.

Moreover, the government has launched several initiatives to bolster the textile sector, making it more competitive on the global stage. These efforts aim to uplift the industry and provide it with ample opportunities for growth. Therefore, we expect the company's margins and spreads to remain stable in the next couple of quarters.

While the textile sector faces challenges related to demand and supply over the past six to eight months, competition does not pose a significant threat at the moment.

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Rajratan Global Wire Ltd

Financial Results & Highlights

Brief Company Introduction

Rajratan Global Wire Ltd was established in 1989, it manufactures bead wire, high-carbon steel wire with a specialisation in TBW, which is bronze-coated and used in tyres and drawn steel wire (known as black wire), used in automobile, construction and engineering industries. It was in the early nineties that Rajratan graduated from the traditional business of Iron & Steel trading and ventured into manufacturing bead wire for tyres. The automobile boom in India was of course the prime reason behind this futuristic step which was taken after much contemplation. Rajratan Global Wire Ltd., incorporated in the year 1988, is a Small Cap company (having a market cap of Rs 4,032.23 Crore) operating in the Metals - Ferrous sector.

Quarterly Performance											
RAJRATAN GLOBAL WIRE LTD											
Narration	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	159	184	182	241	222	248	251	225	200	219	
% Growth YOY					*39%*	*35%*	*38%*	*-7%*	*-10%*	*-11%*	
Expenses	133	151	146	190	174	200	199	187	162	186	
EBITDA	26	32	36	51	47	48	53	38	38	34	
Depreciation	4	4	4	4	4	4	4	4	5	5	
EBIT	23	29	32	-	-	-	-	-	-	-	
EBIT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Interest	-	-	-	-	-	-	-	-	-	-	
Other Income	-	-	-	-	-	-	-	-	-	-	
Profit before tax	-	-	-	-	-	-	-	-	-	-	
PBT Margin	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
% Growth YOY					*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*0%*	
Tax	-	-	-	11	-	-	-	-	-	-	
Net profit	-	-	-	-	-	-	-	-	22	-	
% Growth YOY					*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	

Detailed Results:

1. The company’s operating Revenue dropped by 11% YoY to Rs. 21943 Lakhs.
2. The company's EBITDA was lower by 29% YoY to Rs. 3380 Lakhs and EBITDA margin lower by 381 bps at 15.40%.
3. The company's PBT lowered by 36% YoY at Rs. 2580 Lakhs.
4. The company’s PAT lowered by 45% YoY to Rs. 2027 lakhs.

Investor Conference Call Highlights

1. The company did not have a great year in terms of business, particularly in Thailand business. It has achieved satisfactory results in India Business (55,000-60,000 Tons in sales)
2. Ukraine-Russia War and America’s recession have affected Thailand’s business, reducing sales by 5000 Tons (35,000 Tons, the previous year)
3. The company claims that this year was full of learning and in the upcoming financial year, the company will use these learnings to capture a bigger market share by using full capacity and moderating prices in Thailand.
4. The company is projecting a growth of around 15% in India.

5. The company states that it is optimistic about the upcoming year and when comparing this year's performance with the global competitors, the chairman claims that he is satisfied with the company's performance.
6. The company stated that to win the competition coming from the new Chinese company and other probable companies, the company will find a balance between decreasing the selling price and optimizing the cost of production to earn a decent margin.
7. The company was able to have an EBITDA margin of 14-15% in Thailand and above 18% in India in FY22.
8. The company is expecting an 18% EBITDA margin and 15-20% of overall business growth in FY24.
9. The company stated that it is the only supplier to Michelin Ltd.(Tyre production company) in India, but this opportunity will not bring a substantial increase in business for the company.
10. ATMA- Automotive Tyre Manufacturer Association has stated that the tyre market will increase to a minimum of 165,000 Crores in 2030 from 65,000 Crores in 2023 which is a bullish sign for the company.
11. The company is also in business discussions with companies like Bridgestone, Continental and Goodyear.
12. The company has started a marketing office in Europe for the last three months.
13. The company is building a production plant in Chennai too.
14. The company states that even though it's a highly competitive business, it has certain advantages like profitability because of the low cost of production.
15. The company has invested its resources in adapting digitalisation and has converted Rajaratan Pitampur Mother Factory into a digital factory.
16. Ceat Ltd. has again chosen Rajaratan to become the partner in their Grand Deming Journey.
17. The company states that the only major challenge it sees is a delay because of the consequences of geopolitical problems.
18. The company aims to fulfil 15% of global demand in future and is doing 8% in present.
19. The company states that the price of raw materials increased this quarter which decreased the margins even though the volume increased by 20% in India.
20. The company stated that it will not claim any kind of Production Linked incentive for the Chennai plant in FY24.
21. The company stated that the majority of capex will be dedicated to the Chennai plant and minimal will be dedicated to the Thailand plant.
22. The company justified the reason behind substantial gross profit in Thailand by stating the lower volume factor and the price pressure.
23. The company stated that it is very confident about China not decreasing the prices of the products any more and things not going South further.
24. The company expects a 10% domestic demand increase in FY24.
25. The company has also seen imports coming from Vietnam and Malaysia last year to the tune of 20,000 tons- 25,000 tons
26. The market share of the company in Thailand dropped to 18-17% from around 25% this quarter. The reason behind this drop was the 5 Chinese companies with deep pockets who buy in huge quantities and a main customer- Sumitomo operating at a lower level.
27. The company is very confident about the Chinese companies not entering the Indian markets because of trade difficulties and logistics.
28. The company is expecting their USA and Europe-based customers will resume buying again in the upcoming financial year.
29. The company achieved an 8.5% EBITDA margin in quarter 4 in Thailand.

30. The company stated that it has an excellent order book for the upcoming Quarter 1.
31. The company stated that there are no disruptive changes in the technology being used as of now.
32. The company stated that there will be no major changes with respect to incoming Electrical vehicles' age.
33. The company stated that it has installed a capacity of 60,000 tons of bead wire in Thailand, 60,000 tons of bead wire, and 10,000 tons of other wire in India.
34. The company claims that it will be the 4th or 5th largest company globally after having a capacity of 1,80,000 tons.
35. The Chennai plant will start operating in the second half of FY24.

Analyst's View

Rajratan Global Wire Ltd. is a leading manufacturer and supplier of bead wire in India and also the only manufacturer of bead wire in Thailand. With a comprehensive group production capacity the company has earned a reputation of being one of the most trusted and preferred brands around the globe. Rajratan Global Wire Ltd. operates in the Metals - Ferrous sector. The management has learnt imperative things this year and is prepared for the upcoming financial years strategically. It remains to be seen how the company's near-term performance will pan out given the steady rise in inflation. Given the company's strong positioning and its growing market, Rajratan Global Wire Ltd. is a good Metal stock to watch out for.

Wood Panel Industries

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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**100**	**133**	**195**	**104**	**110**	**133**	**191**	**113**	**123**	**167**	**594**
% Growth YOY					*10%*	*0%*	*-2%*	*9%*	*12%*	*26%*	
Expenses	84	111	149	84	96	115	155	98	108	152	**513**
EBITDA	**16**	**22**	**46**	**20**	**14**	**18**	**36**	**15**	**15**	**15**	**81**
Depreciation	3	4	4	4	4	4	5	6	6	6	**24**
EBIT	12	19	43	16	10	14	31	9	9	9	**57**
EBIT Margin	*12%*	*14%*	*22%*	*16%*	*9%*	*11%*	*16%*	*8%*	*7%*	*5%*	
Interest	1	1	1	1	1	1	1	2	3	3	**9**
Other Income	1	1	1	2	1	0	1	1	1	1	**4**
Profit before tax	**12**	**18**	**43**	**18**	**10**	**13**	**30**	**8**	**7**	**7**	**52**
PBT Margin	*12%*	*13%*	*22%*	*17%*	*9%*	*10%*	*16%*	*7%*	*5%*	*4%*	
% Growth YOY					*-20%*	*-26%*	*-30%*	*-54%*	*-33%*	*-49%*	
Tax	3	1	10	6	3	4	8	2	2	2	**14**
Net profit	**9**	**17**	**33**	**12**	**7**	**9**	**22**	**6**	**5**	**5**	**37**
% Growth YOY					*-19%*	*-48%*	*-33%*	*-52%*	*-35%*	*-47%*	

Detailed Results:

1. The company saw average revenue numbers in Q4 at Rs. 167 Cr with growth of 26% YoY due to there being subdued demand on-ground for the roofing business in rural areas.
2. PAT numbers in Q4 were at Rs. 5 Cr going down by -47% on a YoY basis.
3. EBITDA margins went down by 479 bps to 8.74% in Q4.
4. PAT margins stood at 2.83% in Q4.
5. The Board has recommended a final dividend of Rs 1.5 per equity share of the face value of Rs 10/- that leads to a cumulative dividend of Rs 4 each for the financial year ending 31st March, 2023.
6. The stabilization of operations at the Perundurai plant resulted in higher expenditure that has also impacted EBITDA negatively.
7. The capacity utilization for FY23 stood at 71%. The management envisages improvement in the capacity utilization levels in FY24 along with favourable industry scenario which will lead to an uptick in the topline and bottom-line going forward.
8. FY23 performance highlights were as follows :-
    1. Total Income – Rs. 597.2 Cr vs Rs 546.3 Cr the previous year
    2. EBITDA – Rs. 84.4 Cr vs Rs. 104 Cr the previous year

3. PAT – Rs. 37.1 Cr vs Rs. 61.8 Cr the previous year

9. The capex update as on 31st March, 2023 is as follows :-

Location	Orissa	Maharashtra
Product Type	Asbestos Corrugated Sheet	Non-Asbestos Cement Boards
Capacity (MTPA)	1,20,000	72,000
CAPEX (Rs in Cr)	95	95
Source of Fund	Internal Accruals & Debt	Internal Accruals & Debt
Products Catering to	East Market	Western & North India
Remarks	• Company is in process of setting up a new unit	• Activities related to setting up a new unit for manufacturing of Non-Asbestos Cement Boards have been initiated • Land has been identified and acquisition is in process
Rational	To enter unrepresented markets of Orissa, Jharkhand, West Bengal & Bihar	To expand its existing market in Western India, Exports and to enter unrepresented market of North India

Investor Conference Call Highlights:

1. The management states that the raw material prices continues to be at elevated levels due to inflationary pressure across the globe.
2. The management states that the overall demand for roofing product remains sluggish across the country largely due to an uptick in the inflation prevailing in the rural economy.
3. The management states that were able to pass on prices partially. However, the industry still remains under margin pressure with it hampering the overall performance.
4. In Q4 FY23 the capacity utilization was 80% whereas it was 71% for the full year FY23.
5. The management states that capacity expansion in Maharashtra for non-asbestos cement board plant having capacity of 72,000 metric ton have been initiated. Land has been identified and land acquisition is in process.
6. The company is also in the process of setting up a new unit in Orissa state for manufacturing asbestos corrugated sheet of 1,20,000 metric ton per annum.
7. The shares of Sahyadri Industries listed on the National Stock Exchange on 6th April 23.
8. The management states that growth in revenues in Q4 is contributed by the volume in the NFS from Perundurai plant which is now getting stabilized.
9. The management states that the company has taken around 2% to 2.5% in price hikes in Q4.
10. The management is not seeing good enough first quarter demand despite first quarter being the best quarter for the company and the industry.
11. The management is hopeful that the subdued demand till April and May should get compensated in June and July due to delayed monsoons.
12. On PBT margins, the management states that considering the present circumstances of the market it is expected to be in line of the current margins for the next few quarters.
13. The ratio for the non-asbestos division for the quarter is 21:79 and 22:78 for the year.
14. The management states that inventory days were high due to the geopolitical situation which resulted in carrying of fiber. The inventory days are slowly expected to come down moving ahead.

15. In the non-asbestos part of the business the company is selling flat sheets from the new plant while in the old two plants they are selling the value-added products.
16. The management states that for the upcoming board capacity next year, it will take 2.5 years to reach 85% capacity. As it starts it will touch 50% capacity.
17. The management states that the gross margins on the three major product lines are the same.
18. The management states that the contribution from the NFS out of the total revenue pie of Rs 580 crore is at 21% for FY23.
19. The current long term borrowing for the company is Rs. 42 Cr, with the cost of funds linked to the MCLR.
20. The utilization levels for the Perundurai plant last year was 41% which is expected to go to 60%-65%.
21. The company has already spent 30 Cr in capex for the Wada project with 65 Cr left.

Analyst's View

Sahyadri is the market leader in Maharashtra for AC sheets market. It reported an average quarter with revenue growth & PAT degrowth 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 galvanised 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 watchlist.

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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	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	TTM
Sales	**124**	**170**	**131**	**172**	**177**	**180**	**235**	**246**	**234**	**237**	**952**
% Growth YOY					*43%*	*6%*	*80%*	*43%*	*32%*	*32%*	
Expenses	99	136	105	147	144	160	200	207	195	196	**797**
EBITDA	**25**	**35**	**26**	**24**	**33**	**20**	**35**	**40**	**39**	**41**	**155**
Depreciation	7	6	6	6	6	6	6	6	4	4	**20**
EBIT	19	29	21	19	27	14	30	34	36	36	**135**
EBIT Margin	*15%*	*17%*	*16%*	*11%*	*15%*	*8%*	*13%*	*14%*	*15%*	*15%*	
Interest	1	1	2	2	2	2	2	1	4	1	**8**
Other Income	0	1	0	4	-4	7	0	0	0	1	**1**
Profit before tax	**17**	**28**	**19**	**21**	**21**	**19**	**28**	**32**	**32**	**36**	**128**
PBT Margin	*14%*	*17%*	*15%*	*12%*	*12%*	*11%*	*12%*	*13%*	*14%*	*15%*	
% Growth YOY					*23%*	*-33%*	*44%*	*56%*	*47%*	*90%*	
Tax	5	5	5	6	6	3	7	8	8	9	**32**
Net profit	**13**	**23**	**14**	**15**	**16**	**16**	**21**	**24**	**24**	**27**	**96**
% Growth YOY					*25%*	*-30%*	*51%*	*61%*	*54%*	*63%*	

Detailed Results:

1. The company had a decent quarter with consolidated revenues rising 32% YoY while PAT increased by 63% YoY.
2. Sales volumes grew from 2.3Mn sheets in Q4FY22 to 2.73 Mn in Q4FY23.
3. EBITDA margins stood at 17.1% while the contribution margin stood at 45.1%.
4. Sales growth during the quarter was led by the export market, which was INR 151 crore and saw 36% YoY growth. Further, domestic sales also witnessed a significant uptick on a YoY basis, clocking sales of INR 86 crore (24.6% YoY growth.
5. The working capital cycle stands at 93 days for the quarter (vs. 96 days for Q4FY23), due to an increase in receivables and inventory holding days and a decrease in payable days.
6. Net debt stood at INR 21 crore on 31st December 2022 while Net worth stood at INR 412 crore.

Investor Conference Call Details:

1. The company has reached about 80% capacity utilization level in the laminates division.
2. It has started modular expansion at the existing facilities that will increase its capacity by up to 40%. This will entail a total Investment of INR 40 Cr.
3. Board has approved the proposal for setting up a plant for the manufacture of laminates in its wholly-owned subsidiary company M/s Stylam Panels Limited. The total cost of the project will be 150 crores.
4. The company has filed for anti-dumping duty in Acrylic surfaces as it believes Koreans are dumping this in the Indian market owing to the subsidies they receive.
5. The company added a new machine in the Acrylic segment as it believes the market is huge.

6. The company's new 150 Crs capex is planned to be done in FY24 itself as it already has a land & subsidiary to start that business where it will produce value-added laminates for exports purpose with the expected sales of 500 Crs in peak capacity.
7. The current plant post 40% brownfield expansion will have a minimum revenue potential of 1200-1300 Crs.
8. The company is able to maintain its pricing in the market Vs peers despite a reduction in Raw material prices as it previously increased the prices marginally Vs its peers, hence, this stability & expansion in margin is being seen.
9. In the exports segment, Europe contributed 40-45% while the US contributed 5%.
10. The CFO stood at 95 Crs, therefore the company expects internal accruals to contribute close to 65% of the new capex.
11. The receivable days have improved from 66 days to 48 days.
12. The management is expecting the margins in the new capacity to be higher owing to the size being different & less competition in that particular product segment.
13. Volumes in Southern India grew by 40-45%.
14. Margins are expected to rise owing to lower container costs in export markets, coupled with better brand presence in the domestic market & higher contribution from value-added products.
15. The company is seeing higher demand from the new housing segment & expects the coming quarter to be very good in the domestic market owing to higher brand awareness.

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 64% YoY. The company recently announced a new brownfield & greenfield capex of 40 & 150 Crs respectively which will ensure growth in the coming period. 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.

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