Business | Finance | Investing

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Attended the Alpha Ideas 20-20 Meet today in Mumbai. Sharing below the key takeaways from the 20 ideas presented by some experienced investors:

Disc: Nothing is a recommendation

#LearningLog

#1 Indostar (Investor First Advisors) x.com

Indostar Capital (Investor First Advisors)

1. Brookfield came in 2020
2. Standalone business
    a. Vehicle Finance - AUM 7550 Cr
    b. Housing Finance business - AUM 2500 Cr
3. What happened so far?
    a. In 2019, they bought IIFL vehicle finance, then ILFS and covid -which led to continuous losses
    b. But in FY23, they have returned to 2.4% ROA and 1.2% ROA in FY24
4. Capital has not been eaten away and now they are in a manageable position
5. Focus now is on retail portfolio with continuous reduction in corporate book
    a. Retail book now at 95% of total book
6. Sale of HFC subsidiary
    a. Transaction value approx. at 1750Cr
    b. Premium realized estimated to add to BV by Rs. 70 per share
    c. Expected to improve ROA in the medium term
7. Now it has become a monoline business solely into vehicle finance
    a. Ticket size has reduced meaningfully
    b. Far more granular book
    c. And expanding it with a ton of capital
8. Investment thesis
    a. Very strong capital base with low leverage at 2x
    b. HFC sale is another source of capital
    c. Sources of funds incrementally moving towards banks
    d. Granular mix – visible in lower LTVs and lower average ticket prices
    e. Establishment costs in place and in the numbers
    f. Disbursement growth starting to improve
9. Risks to thesis
    a. Delinquencies in CV book
    b. Diminution in the value of SRs
    c. Housing finance sale does not go through or gets delayed
    d. Cost of financing increases
    e. Liquidity and ALM mismatches
    f. Reduced promoter support

#2 Hawkins (Moneycurves Analytics) x.com

Hawkins (MoneyCurves Analytics)

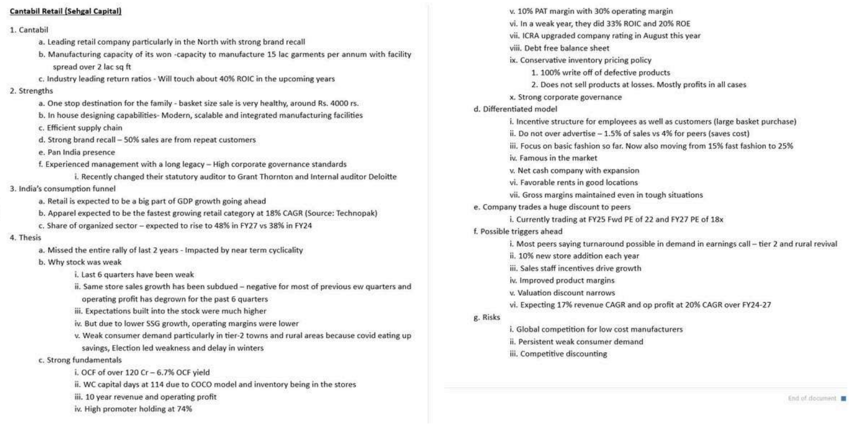
1. Kitchen appliances industry
    - i. Fragmented industry with unorganized players
        1. Hawkins and Stovekraft are in the economical category
    - g. Growth continues to remain a challenge
    - h. Hawkins reported a 10% growth and Stovekraft reported 8% growth – these were the 2 players out of total 4 who reported strong sales growth
    - i. Google trends
        - i. Showing that sales increase during Diwali
        - ii. People might go for brands, but lesser people are searching for Butterfly and Prestige brands
        - iii. But for Pigeon, there is a spike in the searches in the recent past
        - iv. Similarly for Hawkins, more people are searching for Hawkins brands
2. Who will benefit the most?
    - a. Hawkins has increased their gross block by 5x and Stovekraft by 3x
3. Hawkins
    - a. Pressure cookers and cookware segment
    - b. Cooker sales are 80% of total sales
    - c. 100% branded sales. NO white labeling
    - d. Launching 1st kitchen electric product – an electronic kettle
    - e. Inhouse product development and R&D. No imports
    - f. Domestic sales at approx. 90% and remaining are exports
    - g. 10000 dealers. No distributors. No stockists
    - h. New aggression – Launched 50+ new products in last 2 years
4. Margins
    - a. Hawkins has the highest gross profit margin
    - b. In terms of EBITDA margin, Hawkins and Prestige in the same range
    - c. ROCE of Hawkins stands at 36% (best in the industry)
5. What sets them apart?
    - a. Consistent sales growth – year after year
    - b. Undisputed quality leader – Passionate to bring the best products in market
    - c. Extremely brand conscious – High margins due to brand positioning unlike cost cutting
    - d. Sells products at 30-40% premium to competition. Less discounts.
    - e. Collection efficiency of 99.9% of dues
    - f. All potential factory workers have to run 5 kms under 33 minutes to get selected for job
    - g. No bribes – endorsed by the Joint General Manager of Canteen Store Department of Indian Military
    - h. Competitors are facing internal headwinds
6. Risks
    - a. No concrete evidence of demand revival. Google trends can change going forward
    - b. Aluminum and steel key raw materials
    - c. MFI industry facing headwinds – stress in the customer segment

#3 NSE (Mr. Pritesh Vora) x.com

National Stock Exchange (Pritesh Vora)

1. Business model positives
    a. Emerging market secular play
        i. India projected to be the fastest economy and fastest GDP per capita growth
        ii. Healthy market cap to GDP ratio with India at 123% vs USA at 175%
    b. Best proxy to financialization of savings
        i. India gross household savings mix dominated by physical assets
        ii. But share of financial assets is now increasing
        iii. Increasing equity assets within financial assets – Strong SIP flows also continue
    c. Leader in duopoly market
        i. From 2014, NSE has continuously taken over market share from BSE
        ii. Winner takes it all in the next few years possibility
    d. F&O volumes shows resilience through years
        i. Consists large part of revenue mix
        ii. FY09 was only year where the volumes dipped, otherwise all years have shown positive growth
        iii. Even in the worst of times, F&O volumes have grown
    e. High CF conversion
        i. Core cash generation (CFO/EBITDA) in the range of 50% with EBITDA margins around 80%
2. Growth drivers
    a. Increasing penetration
        i. Active population only 2.9% of the total population
        ii. Developed economies are above 10% in equity markets
    b. Technology leading to wider reach
    c. Non-trading income has potential
        i. Revenue mix comparison with global exchanges
3. Financials and risk
    a. EPS has grown from 20rs, in 2014 to 200rs now
    b. More than 40% core cash generation margins consistently
4. F&O volumes keeping the government worried
    a. SEBI has proposed multiple changes to curb the F&O frenzy
    b. Ashish Nanda from Kotak expecting 20% impact on volumes
    c. Nithin Kamath expecting 60% volumes could be impacted, being conservative
5. Public listing looks closer than ever
    a. Sep-24 – NSE and BSE revise market fees
    b. Oct-24 – SEBI approved NSDL IPO, having 9% stake
6. Risks are further regulation on F&O volumes and Delayed IPO
7. Summary
    a. Secular business growth owing to favorable macro, increasing penetration, tech innovation with scope to grow ancillary business
    b. India listed MNC subs trade at median 1-2% earnings yield on sub 10% revenue CAGR with FCF margin at 49% and ROE of 35%

#4 Cantabil Retail (Sehgal Capital) x.com



Cantabil Retail (Sehgal Capital)

1. Cantabil
    a. Leading retail company particularly in the North with strong brand recall
    b. Manufacturing capacity of its won -capacity to manufacture 15 lac garments per annum with facility spread over 2 lac sq ft
    c. Industry leading return ratios - Will touch about 40% ROIC in the upcoming years
2. Strengths
    a. One stop destination for the family - basket size sale is very healthy, around Rs. 4000 rs.
    b. In house designing capabilities- Modern, scalable and integrated manufacturing facilities
    c. Efficient supply chain
    d. Strong brand recall – 50% sales are from repeat customers
    e. Pan India presence
    f. Experienced management with a long legacy – High corporate governance standards
        i. Recently changed their statutory auditor to Grant Thornton and Internal auditor Deloitte
3. India's consumption funnel
    a. Retail is expected to be a big part of GDP growth going ahead
    b. Apparel expected to be the fastest growing retail category at 18% CAGR (Source: Technopak)
    c. Share of organized sector – expected to rise to 48% in FY27 vs 38% in FY24
4. Thesis
    a. Missed the entire rally of last 2 years - Impacted by near term cyclicality
    b. Why stock was weak
        i. Last 6 quarters have been weak
        ii. Same store sales growth has been subdued – negative for most of previous ew quarters and operating profit has degrown for the past 6 quarters
        iii. Expectations built into the stock were much higher
        iv. But due to lower SSG growth, operating margins were lower
        v. Weak consumer demand particularly in tier-2 towns and rural areas because covid eating up savings, Election led weakness and delay in winters
    c. Strong fundamentals
        i. OCF of over 120 Cr – 6.7% OCF yield
        ii. WC capital days at 114 due to COCO model and inventory being in the stores
        iii. 10 year revenue and operating profit
        iv. High promoter holding at 74%
        v. 10% PAT margin with 30% operating margin
        vi. In a weak year, they did 33% ROIC and 20% ROE
        vii. ICRA upgraded company rating in August this year
        viii. Debt free balance sheet
        ix. Conservative inventory pricing policy
            1. 100% write off of defective products
            2. Does not sell products at losses. Mostly profits in all cases
        x. Strong corporate governance
    d. Differentiated model
        i. Incentive structure for employees as well as customers (large basket purchase)
        ii. Do not over advertise – 1.5% of sales vs 4% for peers (saves cost)
        iii. Focus on basic fashion so far. Now also moving from 15% fast fashion to 25%
        iv. Famous in the market
        v. Net cash company with expansion
        vi. Favorable rents in good locations
        vii. Gross margins maintained even in tough situations
    e. Company trades a huge discount to peers
        i. Currently trading at FY25 Fwd PE of 22 and FY27 PE of 18x
    f. Possible triggers ahead
        i. Most peers saying turnaround possible in demand in earnings call – tier 2 and rural revival
        ii. 10% new store addition each year
        iii. Sales staff incentives drive growth
        iv. Improved product margins
        v. Valuation discount narrows
        vi. Expecting 17% revenue CAGR and op profit at 20% CAGR over FY24-27
    g. Risks
        i. Global competition for low cost manufacturers
        ii. Persistent weak consumer demand
        iii. Competitive discounting

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#5 JM Financial (Stalwart Advisors) x.com

JM Financial (Stalwart Advisors)

1. Common pattern in Suven Pharma, Gujarat Ambuja and Usha Martin
    a. Core segments were good
    b. Undervalued due to loss making segment, leverage, legacy
    c. Fixing capital misallocation
    d. Played out in M&M and Tata
2. JM Financial
    a. No wealth creation since 2008 despite capital markets booming
3. What went wrong
    a. Wholesale lending – Land & Construction – conservative lending but couldn't compete with banks on cost of funds
    b. Asset reconstruction company (ARC) – IRRs went for toss due to NCLT court delays
    c. These 2 segments blocked all the capital and but generated no returns, hence always got valued on P/B and not PB
    d. In May'24 concall, they said they are going to unwind these businesses
    e. To focus on core asset light businesses of capital markets
4. Can the mispricing go away?
    a. Current annual profitability of iBank – Rs. 700 Cr
    b. Capital markets are expected to have a golden decade
    c. Profit has potential to double over the next 4-5 years
5. Multiple triggers and optionalities
    a. RBI ban just got lifted – now can scale back
    b. Credit syndication/AIF – Shifting from BS to other people's money – leading to fee income
    c. Affordable housing finance – seeded it organically in 2017 – small houses in tier2 and beyond – Aiming to double and list in 3-4 years
    d. Wealth book – Rs. 1 lac Cr book, in Top 10 even when had no focus, aiming to be in top 3 going forward
    e. AMC – 1st private MAC in 90s. Aiming for 25000cr AUM in next 2-3 years from currently at 12500cr
    f. Broking – Large on institutional, now also eyeing for retail

#6 HIL Ltd. (Mr. Jiten Parmar) x.com

HIL Ltd. (Aurum Capital)

1. Our investment philosophy is value-oriented being patient and long-term investors
2. Current market scenario
    a. Healthy correction underway
    b. Markets had a lot of froth. Still has in many areas
    c. Valuations in some sectors are reasonable
3. Peak pessimism in HIL
    a. Few years of pain in the recent past
    b. Purely contrarian bet right now
    c. Good management
    d. Manageable debt levels
    e. Valuations look attractive
    f. Risk reward looks favorable – Heads I win big, Tails I don't lose much
    g. Whatever had to go wrong, has gone wrong in Q2
4. Revenue mix
    a. Roofing 34%, Flooring (Parador) 24%, Building solutions 16%, pipes and fitting 10%
5. Verticals
    a. Roofing solutions (Charminar Brand) continuously improving market share in the market
    b. Building solutions expected to grow steadily
    c. Flooring (Parador) – this is the pain point currently – Europe market has collapsed and fallen by 30-40% since 2018. Parador has not shrunk and has been able to improve market share
    d. Polymer solutions (Birla brand) – trying to scale this business
6. Other points
    a. Operating margins reducing, like the other peers
    b. Management commentary
        i. Talked in detail about the pipes business which is the key thesis about scale up and capex plans and bring back the EBITDA margin back to old levels
    c. Financials
        i. Market cap of Rs. 1850 Cr with LT debt at 320Cr
        ii. ROCE and ROE has collapsed to 1.9% and 2.6% (5 year ROE is 14%)
        iii. Decent promoter holding at 40%, no pledging
7. Key points to track
    a. 1 bn USD revenue in 3-4 years
    b. Roofing and building solutions business cycle turns
    c. 10% EBITDA margin in few years
    d. Pipes and fittings business grows to 1500cr. Pipe company valuations range from 4-8x sales
    e. Parador becomes profitable or is sold off
    f. If it does 800Cr EBITDA in 3-4 years, what value can the business get?
    g. When ROE and ROCE normalize, can there be a rerating?
8. Risks
    a. Parador
    b. Roofing and building solutions continue to struggle

Greaves Cotton (Tushar Vora)

1. Stock has not done anything in the past 10 years
2. Company taking up a lot of initiatives, but we don't want to wait till the flight takes off
3. Business Model
    a. Pivoting from its core 3W diesel engines segment, Greaves today is a full fledged automative company, straddling core engineering business alongside electronic mobility ecosystem
    b. Key segments are Greaves finance, Electric mobility, Greaves technologies, Greaves retail, Greaves engineering, Excel
    c. Transitioning into a B2B2c player, leveraging on its engineering growth, manufacturing strong distribution presence and acquired capabilities on EV side, to create strong proposition for end customers
    d. Thesis is how it is transforming its core businesses
    e. Management taking up multiple initiatives to build an ecosystem of products
4. Why an unloved stock?
    a. Rich legacy but near term uncertain terminal value perception
    b. Deemed irrelevant in fast changing auto tech
    c. Lack luster growth
    d. EV business loss drags performance
    e. One of the lowest valuations and least institutionally owned
5. Financials
    a. Greaves cotton revenue CAGR less than 10% in past 10 years
    b. All acquisitions have been top class and have not done any foolish capex
    c. Net cash balance sheet
6. Why looking now?
    a. Big ships take time to turn – Always darkest before dawn
    b. Need to be patient, initiatives are there are outcomes will come
7. 10 things to remember
    a. Product diversification
    b. Sector diversification – railways, telecom, agri. Possibly underway in defense, aerospace etc
    c. Geographic diversification – exports rising
    d. Business model pivot
    e. Technological relevance
    f. Sharp focus on operational aspects
    g. Major management changes – every business has a key leader now
    h. Bold vision – vision for 15k revenue by 2030, culmination of efforts of several years
    i. Value addition
    j. Ecosystem approach
8. Financials
    a. Sharp ramp up in revenue and operating margins in FY22-24
    b. Margin profile has inched up
    c. EV business became EBITDA breakeven in FY23, before the FAME fiasco
    d. Must read 2QFY25 concall for the management's detailed plan

#8 Sunteck Realty (9 rays research) x.com

Sunteck Realty (9 rays research)

1. Zero debt company with inventory of ongoing projects of Rs. 6000Cr
2. Company is only specific to Mumbai and doesn't go beyond that – MMR being the most attractive retail market in India
3. Timely capital allocation for acquisitions – acquired more than 50mn sq ft & GDV of Rs. 37948 Cr
4. Gross development value is doubling every 3 years (FY27e GDV target of Rs. 52000 Cr)
5. Presence across Uber Luxury to aspirational Luxury
6. Dubai project to contribute Rs. 9000Cr to sales in 4-5 years
7. Commercial RE to provide annuity cash flows of Rs. 320 Cr from FY28E
8. Summary
    a. Should deliver 30% CAGR in pre-sale for next 3 years
    b. Aims to double GDV in 3 years
    c. Earnings to grow at 85% estimated
9. Risks
    a. Economic slowdown
    b. Changes in real estate policies
    c. Derating of entire sector

#9 KRN Heat Exchanger (Monarch AIF) x.com

KRN Heat Exchanger (Monarch AIF)

1. Warning - This is not a value pick and the stock is at all time high levels
2. Thesis summary
    a. Niche product which needs technical mastery
    b. Superlative journey till now in 7 years
    c. Strong growth path ahead without any PE investor
    d. High earnings CAGR coupled with superior margins
    e. Valuations not cheap due to run up post lisitng
    f. Risks are quality issue in product, unrelated diversification
3. Product
    a. Heat exchangers help to control the temperature, humidity and purity of the air
    b. Heat exchanger is critical equipment for HVAC&R industry
    c. HVAC category growing at 20% CAGR itself
        i. Industrial - Capex revival through policy measures and PLI schemes
        ii. Demand for data centers
        iii. Demand for railways and metros
    d. Heat exchanger is 10-12% of total HVAC value
4. Heat exchanger is a challenging industry to crack
    a. Limited players due to stringent quality requirements
    b. Bulge bracket MNC customers – Daikin, Schneider, Vertiv
    c. Scale and range
    d. Reliability and customer relationship
5. First generation promoter, bootstrapped till IPO
6. Wide range of products and marquee customers – export revenue now 15% of sales
7. Way ahead
    a. Mega expansion underway – 6x increase in capacity
        i. Capex of Rs. 350 Cr
        ii. Green facility
    b. Entering into newer products – Targeting new industries
    c. Well placed to capture opportunities in the export market
    d. New capacity to have high margins and solid return ratios
    e. Expected to deliver EBITDA CAGR of 55-60% over FY24-27E
        i. New capacity will be operational from FY26 start
        ii. Revenue contribution from exports
8. Risks
    a. Delays in ramp up of capacity from new facility
    b. Slowdown in demand from domestic and global HVAC&R industry
    c. Quality issues in products
    d. Key man risk – One man show of Mr. Santosh, the promoter
    e. Copper and aluminum are key raw materials

#10 Shankara Building Products (Fluid AI) x.com

Shankara Building Products (Fluid AI)

1. What we look at? Our AI engine has led us to-
    a. Hated stocks which have not performed for a long time
    b. Special situations
    c. Typically small and microcaps
    d. Margin of safety
2. Stock IPOed at Rs. 630, not at 600rs. But has doubled its topline - Now trading at 18x earrings
3. Marketplace business
    a. Has 90 stores in South and West India for selling building products
        i. Steel tubes 60%, steel flats 29% and sanitaryware 10%
    b. Management guiding for sales growth from low teens to 20% sales growth
4. Stellar sales growth in steel – Challenging times
    a. But the company is still doing well
    b. But low steel prices acting as restriction
5. Things are even better in non steel
    a. Improved EBITDA from 4% to 6%
    b. 10% of the business rowing at 30% CAGR
    c. This could be a 100cr business in few years and contribute strongly to profitability
6. Providing optionality with new products being sanitaryware, pipes, tiles etc
7. Retail customers continue to up average buys while store numbers remain the same
    a. Average ticket size continues to improve
    b. They are able to improve the prices
8. Geographic expansion from their base in the South
9. How would the demerged entities look on FY24
    a. Shankara marketplace
    b. Shankara manufacturing – ROE f only 1.5%
10. Triggers
    a. Product mix change
    b. Geographical expansion
11. Balance sheets of both businesses are equally heavy, but the market place business is efficient
12. Valuations offer ample of margin of safety
    a. Even if no growth with high ROCE or PE, should still get 30x PE
    b. Margin of safety of 75% at current valuation
13. Optionality
    a. Listing of inframarkets and Ofbusiness
    b. Shankara can also be a good acquisition for an Omni channel play
    c. Post demerger manufacturing business may turnaround
14. Technical
    a. Supportive technical
    b. Stock tested its support and bounced back strongly
    c. Pre demerger in a healthy uptrend
15. Risks
    a. SG Mart (APL Apollo) forms 37% of sales
    b. Paying lot of interest on receivables- management guiding to bring it down

#11 Sai Silk (Demeter Advisors) x.com

Sai Silks (Demeter Advisors LLP)

1. Overview
    a. Retailing of mostly sarees – both premium and value - with presence in southern India largely
    b. Driven by promoters who have worked in IT services prior to SSKL
    c. Pure consumer demand in segment – leading to poor stock performance
2. Brands are Kalamandir, Mandir (designer sarees), Varamahalakshmi, KLM Mall
    a. Varamahalakshmi is where they are trying to grow
        i. Premium ethnic sarees and handlooms for wedding and occasional wear
        ii. Highest revenue per sq ft right now among all the 4 businesses
3. Investment thesis
    a. Play on premiumization
        i. Growing retail presence
        ii. Expansion focused Varamahalakshmi with better unit economics
        iii. Weddings and festivities are major drivers of revenue
    b. Process orientation for a difficult to scale business
        i. Store experience - Ambience and learning culture for employees
        ii. Sourcing/design – purchase team travels extensively to study design trends
    c. Pricing opaqueness helps margins
        i. Handloom product, curated designs
        ii. In house analytics for price trends
    d. Inbuilt leverage in cost structure to drive margin expansion
        i. Sacling up Varamahalakshmi from 100k sqft to 250k sqft in 3 years
        ii. Lock up weavers for multiple years – allows for discounts
    e. Tech led inventory management
    f. Shift from unorganized to organized sector
4. Financials
    a. Expansion of Varamahalakshmi will lead to better unit economics
    b. Expectation of improvement in EBITDA margin from 14% to 19% in 3 years

#12 Welspun Corp (Oldpine Advisors) x.com

Welspun Corp (Oldpine Advisors)

1. Company's recent acquisitions and foray into – Sintex plastics, Ductile Iron pipes, ABC Shipyard, TMT pipes
   a. Because of these 4 segments, expecting growth to be multifold in next 3 years
2. Growth drivers
   a. Government pushing multiple initiatives relating to water infrastructure
   b. CGD projects to drive demand for ERW pipes
   c. Have received $80 billion orders towards water projects
   d. DI pipes and TMT bar volumes expected to double in the coming 3 years
3. Accredited by marquee customers
4. Business mix in terms of product/industry, region and exports
5. One competitive advantage being they are into all the products across value chain
6. Sintex – offering massive scope
   a. Good asset + scalable platform (Perfect value unlocking)
7. Working capital days have improved significantly
8. 1000 Cr free cash flow generation, majorly been used in repaying debt

#13 Arvind Smartspaces (Mr. Ishmohit Arora) x.com

Arvind Smartspaces (Ishmohit Arora)

1. Value retailers and regional jewelry stores seeing good boom in their regions
2. Framework- Theme, Valuation, Growth, Promoter (TVGP)
3. Promoters
   a. Found in 1931 as Arvind Mills. Sanjay Lalbhai's sons Punit and Kulin actively steer the business today
   b. Professionally managed demerged entities
   c. Wealth creation has happened across entities – Arvind smartspaces, Anup engineering, Arvind Fashion
4. How is the broader theme doing?
   a. Listed players are gaining market share
   b. Volume and price growth to drive the overall industry growth
   c. Inventory months are the lowest since 2008
5. About the business
   a. Company listed in 2015 through demerger
   b. 600Cr of funding available from HDFC Capital
   c. Asset light approach – Treat land as a raw material; No land banking; process industry approach
   d. Inflexion point - Another 75 Mn Sq Ft projects which are ongoing
   e. Ahmedabad, Gandhinagar major presence – 65% of the mix
      i. Bangalore 34% and Pune 1%
   f. Already clocked 37% CAGR from FY20-24
      i. Unrecognized cash flows of Rs. 2500 Cr
      ii. Even on pre-sale basis, P&L and BS will look good
   g. Company is currently net cash positive
6. Key growth drivers
   a. Planned project pipeline
   b. Completed projects
   c. Inventory pipeline
   d. Presales growth guidance
   e. Strategic local market presence
   f. Debt free company
7. Valuation
   a. Assumptions – Pre sales grow at 35%; imputed EBITDA margins of 28%; Good response to new launches
   b. Base case - Expecting market cap of Rs. 5600 Cr at 10x EV/EBITDA
8. Key risks
   a. Slow down in real estate sector
   b. Macro shock impacting large ticket purchases
   c. Natural calamities in regions where they are present in

#14 India Shelter Finance (Indvest Group) x.com

India Shelter Home Loans (Indvest Group)

1. Snapshot
    a. Provides affordable housing loans to self employed
    b. Minimum overlap with microfinance customers
    c. 100% secured portfolio with 52% loan to value ratio, 98% loans secured against self occupied residential properties
    d. Average ticket size is Rs. 10 lacs
    e. AUM of Rs. 7000 Cr
    f. Majority customers earn Rs. 30k-60k per month
    g. LAP is % of the total book while 60% is affordable housing
    h. Chairman is ex-Gruh Finance MDCEO Mr. Sudhin Choksey
    i. Significant growth in AUM and profit in the past 10 years (PAT CAGR of 68% in 10 years)
    j. Strong underwriting process involving tedious process for the lender
2. Financial case
    a. AUM expected to grow at 30%
    b. Cost to assets expected to come down 20bps every year
    c. At CMP, PE is 12x FY27 EPS, which we feel is very attractive
    d. Looking at PE or PEG because consistent PAT and huge longevity of growth
    e. Peer comparison
        i. Trades at a slight discount due to lower ROE (recent capital raise through IPO)
    f. Trading a multiple of 20x on FY28 EPS, we arrive at a TP of 1260/- - implies a 25% IRR for 3 years
    g. Even in the bear case, we expect to get a 12% CAGR for next 3 years
3. About Affordable housing
    a. Most of the customers here earn in cash – mechanics, tailors, pharmacies etc
    b. No banks are willing to lend to their customers due to minimal documentation
    c. "Income assessment" is a tedious long process due to low documentation of income – so banks are not interested
    d. Market could be as high as 35 lac Cr rs. Government initiatives such as "housing for all", PMAY and CLSS is creating awareness
    e. SARFAESI also helps in recovery of NPAs
4. Why India Shelter?
    a. Underwiring completely different from sales
    b. No sourcing through DSAs – Full in house sourcing
    c. Highly scalable tech enabled model
    d. One of the lowest turnaround times
    e. Huge opportunity to scale up even in existing states
    f. Massive operating leverage as the recently added branches mature
    g. Good liability franchise with lenders like HDFC Bank, Kotak etc
5. Key risks
    a. Negative regulatory action
    b. % ownership by private equity
    c. Asset quality issues

#15 E2E Networks (Sincere Syndication) x.com

E2E Networks (Sincere Syndication)

1. Stock from the high growth industry of Generative AI and Cloudtech
2. Confluence of innovation, cost arbitrage, economic policy push
3. E2E was selling its products at 40-50% discount than what AWS sells
4. Global AI market size growth growing at 25-30% CAGR including
    a. India market to grow at similar 25-30% CAGR
5. E2E market share is at 0.13% in India
6. Beyond the ordinary – E2E
    a. Focus on high computing capabilities (GPU:CPU Mix 90:10)
    b. Pioneering where few dare to compete globally
    c. Offers services at substantial discount compared to global peers
    d. Data security policy tailwinds
    e. Market positioning from channel checks suggest quality is similar to that of AWS at much lesser cost
    f. What took AWS billions of dollars to build was built by a few million by E2E
    g. Much better revenue growth and EBITDA margins than AWS and Azure
7. L&T acquired stake in E2E recently, to be used for their data center plans

#16 Saregama (InvesQ Investment) x.com

Saregama India (InvesQ investment)

1. Been tracking the media sector closely for the past 15 years
2. Music streaming industry overview
    a. 15x in 10 years in global streaming revenue and 24x paid subscribers in 10 years
    b. Paid subscriber penetration is very low in India at 1%
    c. Meaningful ad supported growth – 4x ad supported ARPU since 2017
3. Growth drivers
    a. Increase in number of users
    b. Access to music content in various forms
4. Platforms include streaming partners, broadcasting partners video streaming social media platforms etc
5. Market share
    a. T series holds 37% of total content, Saregama 19% and Tips at 11%, Sony 9% etc.
    b. Revenues are largely from ad based revenue and paid subscriptions
6. Management thought process - Investing cash flows in growing catalogue of content, which is impacting the P&L right now
    a. Revenues are expected to come with a lag, but this is a heavy investment phase right now
    b. Topline has been phenomenal, but bottom line has been subdued due to capex
7. Financials
    a. Expecting ROE of 17-18% in FY27 and FY28 with 23x PE on FY28E

#17 MOIL (Mr. Digant Haria) x.com

MOIL (Digant Haria)

1. Investment argument
    a. Good long term visibility of demand
    b. From zero growth for 15 years – to fastest growing PSU in India
    c. From grossly efficient to mildly efficient
    d. Almost a monopoly – yet a low cost producer
    e. No unrelated investments till now – better long term ROEs
2. MOIL (Manganese basics)
    a. Manganese is used in production of steel (additive in steel making process)
    b. MOIL extracts ore from its mines, sells to ferro manganese producers
    c. Fortunes linked to that of steel industry, which is slated to grow
    d. India produces 40% of its consumption of manganese
    e. Major reserves are Orrisa (32%), Karnataka (25%) and MP-MH region
    f. Government of India is the biggest driver of this company
    g. Exploration now started in Gujarat and Chhattisgarh to find new reserves
    h. Price fluctuation
        i. Manganese Ore is a global commodity
        ii. Prices determined by global demand supply
        iii. Being lowest cost producer is extremely important, which MOIL is
3. Analyzing a mining company
    a. Demand outlook
        i. Domestic strong on infra, global uncertain on china, but strong on US
        ii. NO problem for MOIL due to import substitution, expanding steel production
    b. Selling price
        i. Seiling price currently at below average number
        ii. Based on ore price, MOIL makes a PAT of Rs. 2-3 per kg, currently slightly below equilibrium
    c. Production volumes
        i. 2008-23 was stagnant, **FY24 30% volume growth**, FY25E 14% growth
        ii. Stated vision to reach 35 lac tons by FY30 i.e. 12% volume CAGR
        iii. Productivity, new exploration, JVs in full swing
        iv. Last steel ministry calls every month to check whether production is on target, to ensure import substitution
    d. Efficiency gains
        i. Improved technology (vertical shafts)
        ii. Manpower productivity
        iii. Production guidance from existing mines revised from 20 lac to 25 lac tons
        iv. Existing mines yielding more output
4. Fastest growing mining company
    a. Production in lac tons has increase from 13 to 18 lac tons in FY24. Expected to grow till 27 lac tons in FY27E
5. Optionality
    a. They also make EMD (used in lithium ion batteries etc) which China dominates
    b. This will be a 200/kg product
6. Valuation
    a. At CMP, Valuations are reasonable at Fwd PE of 7-9x
7. Risks
    a. Not a buy and hold company
    b. Cyclical industry

End of document

#18 Atlantaa (Mr. Ankit Kanodia) x.com

Atlantaa (SmartSync Services)

1. Less than 500Cr market cap
2. Past, present and future
    a. Moved away from Highway EPC projects
    b. Currently some projects under arbitration and they are recovering arbitration money – in annual report, mentioned that they are not going to do EPC anymore due to high competition
    c. Focus will only be on real estate sector going ahead
3. Snippets from annual report
    a. 600Crs of arbitration money stick in one project – they have put this in FY23 annual report
    b. Management will receive managerial compensation on arbitration proceeds
4. Promoter confidence
    a. Promoter shareholding increased from 62% to 75%
5. Risk
    a. Pending arbitration and litigations
    b. Past lapses and CG issues
    c. Execution issues
6. Valuation
    a. Cash and cash equivalents of Rs. 120Cr+
    b. Land of 70Cr+
    c. Existing projects of 400Cr+
    d. And whole company currently available at 420 Cr market cap

#19 PG Electroplast (Mr. Vivek Mashrani) x.com

PG Electroplast (Vivek Mashrani)

1. Overview
    a. Specialises in ODM, OEM etc.
    b. Industries served are Acs, Washing machines, LED TV, air coolers, consumer electronics etc.
2. Thesis
    a. Mega tailwinds and trends
        i. AC sector itself expected to grow at 18% CAGR
        ii. Acs have now become a necessity than a luxury
        iii. Low penetration in india at 1/5th of the global average
        iv. Regulatory tailwinds are also in place
    b. Price action volume
        i. Number of institutional investors entering into this Rs. 3000Cr market cap company
        ii. Domestic as well as foreign investors
    c. Competitive advantage – Moat
        i. Second largest RAC finished goods supplier to OEMs/brands
        ii. Long standing relationships with established customers (like Carrier, Daikin and Blue Star)
        iii. Cost leadership through vertical integration and backward integration in manufacturing
    d. High ROCE – Emerging and quality
        i. Improved asset utilization to improve profitability ratios
    e. Improvements in company
    f. New – company getting into new things
        i. Strategic JV with Jaina Group – Expanding PGEL's Reach in IT Hardware and TV manufacturing
    g. Strong promoter
    h. Future growth guidance
        i. Consistently achieved its targets and revised its FY25 guidance upwards and have said they have order books to meet this till Mar'25
    i. Risks
        i. Competitive intensity increases with big brands doing inhouse work
        ii. Unfavorable climatic conditions
        iii. Regulatory changes
        iv. Technology advancements

#20 HBL Engineering and Atul Ltd (Mr. Abhishek Basumallick) x.com

HBL Engineering AND Atul Ltd. (Abhishek Basumallick)

1. HBL Engineering
    a. History and management
        i. Specialized battery manufacturer which diversified into several engineering and electronics products
        ii. Dr AJ prasad in Chairman and MD – Key man risk
    b. Products/services – batteries, railway safety systems, artillery fuses
    c. Foundational levers of business
        i. 2nd largest Ni-Cd battery producer globally
        ii. HBLs PLT batteries preferred for data centers
2. Atul Ltd
    a. Capex
        i. Capex of Rs, 2000Cr over FY22-25 is expected to contribute to additional sales of Rs. 2300Cr
    b. Valuation
        i. Market cap to sales 6.86
        ii. EV/EBITDA 31
        iii. PE 46
        iv. P/B 4.1

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