JM Financial India Conference 2024

India Rising – Resilience to Resurgence - Day 2

JM FINANCIAL

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JM Financial's flagship conference turned out to be successful with ~4,000 scheduled meetings, attended by 710+ institutional investors. Day 2 of the conference saw participation from ~80 companies, while over the two-day period of the conference 170 corporates spread across market-cap bands both in the listed and unlisted space participated. The companies that we hosted were spread across sectors like Banks, Asset Management Companies, Insurance, Internet, IT Services, Auto and ancillaries, Aviation, Consumer durables, FMCG, Retail, Telecom, Construction, Real Estate, Power, Utilities, Chemicals, Logistics, Oil & Gas, Pharma & Healthcare. In addition to the various company specific discussions, the corporates also provided an unique perspective on the demand scenario that is playing out in the economy, particularly on the green shoots that are appearing on the rural front. Key takeaways from the companies that presented at the conference today are included in this note.

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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Here are the key takeaways from the conversations at JMF Conference – Day 2

Automobiles – Vivek Kumar and Ronak Mehta

Bajaj Auto | Mcap USD 31.4bn | BUY

- Festive season started on a slower note. However, demand picked up significantly during the second half of the festive season leading to double-digit YoY growth for the industry.
- Full-year guidance for domestic 2W volume growth stands at 6-8% for FY25 (high base in 4Q). MBJAUT expects to outperform the industry in the 125cc motorcycle segment.
- On the exports side, the company expects the recovery to continue driven by healthy momentum in LATAM/ASEAN markets and revival in the African market.
- Dealer inventory stands at c.6 weeks and the company plans to bring it down to a normalised level of c.5 weeks.
- The company expects 25-30% growth in the E2W industry in FY25. Improved charging infrastructure can support the growth momentum. BJAUT plans to launch a new Chetak E2W in the near-term. Medium-term plan is to cover entire spectrum of price-points through multiple models / variants.

CIE Automotive India | Mcap USD 2.1bn | Not Rated

- In the domestic market, industry witnessed inventory correction led by festive season. Expects 2W/tractors to continue their growth momentum while PV could grow in mid-single digits during FY25.
- Continued delay in ramp-up of a few orders has impacted sales for the Indian market. However, the company expects to grow 5% above the industry in FY26.
- EU - CIE expects the EU market to continue to decline in 2HFY25 owing to slowdown in customers' EV purchase and reduced production by OEMs.
- CIE has maintained its margin despite the drop in sales in EU. It has guided for 15% / 17% EBITDA margin for the Europe / Domestic business.
- Subsidiary - Expects Metalcastello's monthly run-rate to improve to ~Euro 5.5mn/month in 2HCY25 from the current level of ~Euro 4.5mn/month.

Motherson Sumi Wirings India | Mcap USD 3.2bn | BUY

- MSWIL expects industry growth to continue over the medium term against the backdrop of rising capex by OEMs, development of road infrastructure and increased consumer spending.
- MSWIL continues to outperform the industry growth led by higher content per vehicle.
- Management believes that MSWIL has an edge over its competitors due to strong parentage and technology support from Sumitomo and SAMIL, end-to-end capabilities (incl. designing) and vertically integrated manufacturing operations (incl. in-house mfg. of wires, connectors, terminals, coverings) etc.
- Negotiation with customers for cost pass-through continues all the time. Expect profitability to improve with higher operating leverage / plant ramp-up. The company aims at maintaining 40%+ RoCE.
- The company added 2 new facilities of which one plant commenced operations in Jul'24. SOP for the other plant has got delayed by 6 months. For the full-year FY25, capex guidance stands at INR 2bn.

SJS Enterprises | Mcap USD 0.4bn | BUY

- Earlier, the company had limited TAM as it only catered to 2W industry. However, with entry into 4W, premiumisation, acquisition of walterpack & Exotech has increased TAM significantly.
- Has won multiple new businesses and will be part of most of the upcoming PV launches (incl. EVs).
- Cover glass - content per vehicle can range between INR 4k-5k depending upon the size. Received all pre-clearance certificates. And has earmarked a capex of INR 400mn. Expects to win the order in the near term.
- Exports form 8-9% of the revenue currently. Significant opportunity with global OEMs who are looking for reliable and financially stable supplier partners. Recent order wins in a large global OEM are expected to drive strong growth in the near-to-medium term.
- Inorganic opportunity: Target should have deep customer connects / differentiated product portfolio / technology advantage to be able to benefit out of cross-selling opportunities. Open to acquire stressed company if available at an attractive valuation.

Tata Motors | Mcap USD 33.7bn | BUY

- JLR: Expect 2H to be better both in terms of volumes and profitability. Production-related issues are normalising with improvement in supply chain. Profitability improvement is expected be led by higher operating leverage and favourable mix. Marketing spends are expected to gradually decline as the company runs-down the Jaguar ICE model.
- China continues to be a key market to JLR. Fierce competition from Chinese OEMs and tight credit environment with respect to dealer-financing remains a challenge. JLR has managed dealer-inventory relatively better in China (currently stands between 45-60days).
- Domestic PV: Upcoming EV launches - Harrier in FY25, Sierra in FY26 and Avinya in FY27. Further, the company also plans multiple facelifts of existing mid-sized SUVs. No plans to enter Hybrids as of now.
- Domestic PV inventory currently stands at a normal level of ~30days (came down from 45 days pre-festive).
- Domestic CV – Expect demand to improve going ahead with revival in Govt capex / infra spends. Expect 2HFY25 to be better than 1H.

Varroc Engineering | Mcap USD 0.9bn | Not Rated

- Growth guidance: Target to outperform the underlying industry going ahead. Premiumisation and rising EV penetration (12% of revenue mix currently) remain the key growth drivers. Expects low double-digit growth during FY25.
- Rigorous focus on cost reduction and driving efficiencies. Current PBT margin stands at c.4%. Targeting >5% PBT margin over next 1 year.
- India business continues to do well. Despite challenges in the overseas business, the company has been able to generate healthy FCFs in the recent qtrs. Expect these challenges to largely recede over next 1-2 qtrs. Focus is on winning new business in EU. China remains one of the key large markets. If the company wins the ongoing arbitration with the JV partner, it may or may not buy the JV partner’s stake in the plant. If the company loses the arbitration, it may have to pay the fine.
- Investment in EU R&D centre to continue for 1-2 years towards developing ADAS and electronic components for 4W business. Varroc is not capitalising (and charging to PNL) these expenses as a conservative policy.
- Capex guidance remains at INR 20bn-25bn p.a. (while depreciation run-rate currently stands at INR 30bn-32bn).
- Relationship with Bajaj Auto is strong. Don’t feel there is risk of customer concentration.

Asset and Wealth Managers - Raghvesh

360 One WAM | Mcap USD 5.01bn | Not Rated

- AUM reached INR 5.6L trln with AMC business AUM at ~15% of total AUM and ~85% for WM.
- Focus on global business and foray into HNI customer segment are the new initiatives taken.
- ET money (recently acquired) has 80k customers paying advisory fees and thus expects to monetise them better with existing products and expertise.
- Mgmt. intends to expand customer base from currently ~7,500 families to 8,000-10,000 in the near term.

Aditya Birla Sun Life AMC | Mcap USD 2.82bn | Not Rated

- Overall AUM crossed INR 4trln in 2Q25 with equity contributing 45%.
- Taken steps to improve fund performances – senior level recruitments, optimising allocations, taking bolder and bigger bets.
- New SIP registrations increased to 20.3mn in 2Q25 with SIP flows at 14.25bn in 2Q25 (+47% YoY).
- Distribution reached 300 locations with about 200+ physical branches and 95+ EM representatives.

Insurance - Raghvesh

Life Insurance Corporation of India | Mcap USD 66.04bn | BUY

- Non-par premium has increased to 13.9% from 12.4% in individual savings mix and the company intends to expand this further.
- VNB margins for 2Q25 were at 17.9%. Mgmt. expects the margin to improve as the share of non-par increases in the total mix.
- LIC intends to maintain the market share with growth coming from increasing customer wallet share
- Expects to increase share of banca channel to 5% with agency still dominating the distribution mix

NBFC – Sameer Bhise

Five-Star Business Finance | MCap USD 2.2bn | BUY

- Company moderated growth guidance for the year to 25% given then regulator's discomfort with accelerated growth.
- However, company continues to add branches and people to make sure it remains well-positioned to accelerate growth to 30% when the time is right.
- To pass on the benefits of lower borrowing costs, company has cut lending rates by 200bps starting Oct'24. Mgmt expects to maintain steady state spreads of 12-12.5% going forward.
- On the asset quality front, ~13% of their customers are over leveraged (3+ lenders), but only 1600 accounts (0.4%) have seen stress in collection. These are being monitored constantly but otherwise there is no cause for concern.
- Cost to income should remain steady at 35% (inc credit cost) with stable RoAs of 8%.

L&T Finance | Mcap USD 4.1bn | HOLD

- The measures adapted by the company under Mr Sudipta Roy restricted RMs to focus on repeat customers which led to higher attrition due to pressure, as ~60% of new customers gets rejected by the company. This led to fresh additions in employees for a short term within last 1 year and thus decreased its exposure to LTF+3 customers from 6% in Q2FY24 to 0% in Q2FY24. While there was 2pps increase in its Only LTF customers. Thus, management believes that guardrails are unlikely to further affect the company anymore.
- Since LTF is not a specialised MFI lender, it can lend to customers with more than INR 3 lakh annual income. It classifies these customers in rural finance segment.
- In a maker-checker model, 10-12% of the customers get rejected at checker level while another 5-6% gets rejected at RCU level. This led to higher rejection rates for the company.
- Expect 3.5-3.7% credit costs for FY25. Management has set aside INR 9.75bn of management overlay, which can absorb some amount of credit costs which is expected to come in 2HFY25. In addition, management maintains 100% provisions on its NPAs in its MFI book.
- The company was affected by Bihar floods in Oct'24 which has affected its collection efficiencies in Oct and Nov. The CE has gone down from 99.8% in beginning of Q1FY25 to 9.6% in Q1FY25 end to 99.43% in Q2FY25 end. This CE is likely to go down maximum by 20bps further.

NBFC - MFI – Sameer Bhise

CreditAccess Grameen | Mcap USD 1.62bn | HOLD

- Company expects MFI pain to persist in H2, with delinquencies peaking in Q3 and then normalising in Q4.
- Mgmt. indicated that while earlier credit cycles were due to external issues beyond industry's control, this time around it is a self-inflicted crisis that has resulted in overleveraging of customers. However, corrective actions are now being taken across the board.
- Growth in Q1 was slower due to elections and heat waves, while in Q2 it was due to the adoption of the additional MF in guardrails.
- Company expects growth to moderate with overall growth for FY25 to be 20%. MFI is expected to grow 14-15%, with retail compensating for the rest.
- Cross cycle RoA is expected to be 4%, with good years at 4-5% and tough years like now at 2.5-3%.

Satin Creditcare Network | Mcap USD 193.5mn | HOLD

- Collection efficiency in 1HFY25 stands at 96.4% for top 4 states which account for 60% of total AUM. It stands at 92.2% for rest of the states. The GNPAs in these states have risen and the company is taking corrective actions in order to ensure better CEs going forward. The company has also deployed 1.1k employees for collections.
- The top 2 states (UP and Bihar) accounts for 40% of total book. The credit cost in these states is only 2%. vs overall 3.5% levels. Management revised its credit cost guidance to 4.5-5% from 3.5% earlier.
- The lending rates of the company has gone up materially since FY22 up to 22.88% (lowest interest rate offered now) to 24.98% (highest interest rate offered). The processing fees stands at 1-1.5% which is over and above the interest rates offered to the customers.

- Out of the total NPA pool, normally the company recovers 40% of this book while the remaining is written off. Currently, DPD1+ stands at 6.8%, 30+ at 5.2%, 60+ at 4.2% and 90+ at 3.8%.
- On the liabilities side, small lenders have stopped lending to the company temporarily while others continue to lend. However, there is no pricing pressure from the borrowers.

Private Banks – Sameer Bhise

Bandhan Bank | Mcap USD 3.2bn | BUY

- With new CBS (Core Banking Solution - Oracle Flexcube)in Sep'23, the bank has a better access to early warning signals on SMA, NPAs, etc.
- Slippages have reduced in FY25 as a result of such early warning signals and acting on them.
- The bank never disbursed to customers with loans from 2+ lenders, hence, more conservative than MFIN guardrails.
- Attendance in centre meetings have reduced to 60%-65% from 90%+ pre- Covid. Across the country, higher attendance corresponds to lower delinquency.
- Home loans are currently driven from 200 home loan centres (affordable focus, legacy Gruh), growth in segment to come from other (liability) branches.
- Looking at 55%-60% secured mix of book by FY27.

City Union Bank | Mcap USD 1.5bn | BUY

- Will maintain 10%+ growth through the year, looking at 14%-15% book growth for FY25.
- Guardrails remain in place - 50% sanction vs login, as earlier.
- Focusing on 4 products for growth.
  - Home Loans through builder channel,
  - LAP - through DSAs in North and West, and through own branches in South India.
  - Affordable housing - through own branches.
  - Micro LAP - through own branches.
- Maintain 1.5% RoA, 3.65% NIM target. Will see 0.05% to 0.07% NIM hit with a 25bps repo cut.
- Looking to raise PCR 60% by 1Q25, even though LGD remains 20% and the bank continues to see negative net slippages.

Yes Bank | Mcap USD 7.1bn | SELL

- CASA share for the bank has systematically increased for the bank over time despite stable CoD over several quarters. CA market share has improved from 70bps (March '20) to 2% (March '24) while SA market share has improved from 40bps (Mar '20) to 70bps (Mar '24).
- Bank expects to gradually increase RoAs from current 0.5% to 1% by focusing on a) improving margins by changing asset mix while simultaneously running down corporate book, and b) organically meeting PSL targets so as to prevent RIDF drag on margins.
- Further, healthy recoveries north of INR 4k cr are expected from SRs which will be used to write back earlier provisions giving additional boost to return metrics.
- Mgmt. acknowledged that C/I ratio has scope for improvement which the bank is optimising by right sizing the organisation.

Chemicals – Krishanchandra Parwani

Anupam Rasayan | Mcap USD 0.94bn | HOLD

- **Revenue mix of Pharma and Polymer to improve to 20% each by FY27:** The management aims to improve the share of pharma and polymer to 20% each whereas agrochem mix will be 50% and personal care around 7-10%
- **Strong demand in Agrochem to come from Q4FY25:** The company expects strong purchase orders from Q4FY25 and expects strong revenue growth in Agrochem and Pharma in FY26.
- **Agrochem prices to have bottomed out:** Since last 5-6months, the prices of RM and finished goods have been range-bound and are expected to remain at similar levels over next few months.
- **Management expects inventory levels to normalise over FY25-26:** The management indicated to improve its working capital cycle as it intends to bring down its inventory days to historical levels. The inventory levels were increased in 1HFY25 on account of anticipated revenue not materialising and new molecule launches.

PCBL | Mcap USD 1.75bn | BUY

- **Cross-selling opportunities available in Aquapharm:** In Saudi Arabia, Aquapharm currently only sells chemicals for desalination plant. Given Saudi is a big market for oilfield chemicals, company will use its expanded capacities of oilfield chemicals to supply to Saudi (for now it only supplies to the US).
- **Over the next 3-4 quarters, Aquapharm can clock INR 0.9bn-1.0bn quarterly EBITDA run rate:** On account of high lead time of 4-5 months, Aquapharm lost ~INR 0.6bn-0.7bn on account of high-cost inventories. Going forward, with low-cost inventories, and positive operating leverage, company expects Aquapharm EBITDA to reach INR 0.9-1.0bn over the next 3-4 quarters (from INR 0.5bn run-rate currently)
- **Anode part is largely similar regardless of the type of battery:** It was indicated that nanosilicons produced will help i) improve efficiency of batteries, ii) expedite the charging, and iii) improve number of charging cycle of EV batteries. Further, given Anode part will be largely similar even in the upcoming sodium ion batteries, nano silicon will continue to find use case even in the new age EV batteries.
- **USD 28mn will be the total investment for nano silicons:** Pilot plant (of 80TPA) for nano-silicons is under construction at a capex of USD 3mn. Company will start selling samples for approvals starting Mar-Apr'25. While awaiting approvals (~3-4 quarters approval cycle), company will spend USD 25mn for setting up 2,000TPA plant. In FY27, company expects to sell ~500TPA and ~2,000TPA in FY27 and FY28, respectively.
- **Over the next 5-7 years carbon black market will remain in short supply:** Company highlighted that companies in North America (Orion, Cabot, etc.) have shifted focus from traditional to specialty carbon black. Russia is not undertaking new projects while Chinese capacities are also getting consolidated. Company expects to take advantage of this large opportunity.

Consumer Durables – Deepak Agarwal

Havells India Ltd | Mcap USD 13bn | BUY

- Management remains bullish on the ECD segment with new portfolio addition like Air coolers, water purifier and grooming products gaining traction along with better festive demand.
- W&C's Tumkur (Karnataka) plant has been commissioned and expect ramp from Q3 onwards. With on-going strong industry tailwinds in W&C HAVL will invest c.INR 4.5bn for underground medium voltage cables.

- In Switchgear, expect demand to start coming in Industrial as government spending increased however real estate demand has seen pick up.
- In Lighting, expect price pressure in the industry to bottom out by Q4. Currently c.60% is B2B and rest is B2C.
- In Lloyd, stock inventory remains low in Q2 also.
- Guided FY25- INR 10bn of which INR 3.5bn was done in H1FY25. In FY26 -INR 9bn.

Consumer – Mehul Desai

Gopal Snacks | Mcap USD 0.6bn | Not Rated

- Gujarat remains the core state contributing c.65% of revenue. Focus states include Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan and Chattisgarh and have overall monthly run rate of INR 350-370mn.
- Growth pillars for medium to long term which are getting built right now are - Talent addition (in sales/marketing/e-commerce & MT channel etc), product renovation, aggressive distribution expansion (expanding in GT as well as MT/e-commerce/ HORECA/railways) and increased product marketing spends (from c.1% of sales in FY25 to almost 2-2.5% of sales).
- In distribution, the strategy is to increase depth of distribution (range selling) in Gujarat market and increase numeric distribution outside Gujarat.
- In the near term, while revenue performance will continue to improve, margins are likely to see some impact on account of RM inflation (especially steep hike in Palm oil which is key RM for the company).
- By end of FY27, management is expecting revenue to be in the range of INR 21.5-22bn and EBITDA margin in the range of 14% to 14.5%.

Consumer Retail – Gaurav Jogani

Restaurant Brands Asia | Mcap USD 479mn | HOLD

- **Demand: (1) India:** Focus will be on 3 key priorities: (i) Grow dine-in traffic, (ii) Prioritise to be digital first brand, and (iii) Focus towards profitability. **(2) Indonesia** – Business continues to face impact of global headwinds
- **Store addition: (1) India** - Company has guided for addition of 55 stores in FY25 (total stores by FY25 - 510 and 700 by CY27). **(2) Indonesia** - no store will be added until the demand situation in the country improves.
- **Guidance:** Company targets to increase its gross margin to 69% by FY27
- **Delivery:** Company has hiked prices in the delivery segment to improve profitability, which has impacted consumer traffic in the segment.
- **Indonesia:** ADS stands at IDR 17 mn. Company has improved the product quality and offerings in its Indonesia business. Boycott trends have reduced and the newly formed government is taking actions to improve overall consumption.

Devyani International | Mcap USD 2.4bn | BUY

- **Demand/ growth trends:** Company has seen an overall slowdown in demand and consumption has been under pressure. Demand recovery is taking more time than expected.
- **Brand addition:** During 2Q, the company executed an exclusive master franchise agreement for three new brands – (i) Tealive, (ii) New York Fries, and (iii) Sanook

Kitchen. These brands will have small format stores with lower capex, which will help the company generate faster payback.

- **Brand Contribution Margin:** Company targets ~22% brand contribution margin in KFC, 10-12% margin in Pizza Hut, 20-21% margin in Costa Coffee, and 22-23% margin in Vaango.
- **SSSG** trends are similar to the recent quarters and also similar across tiers.
- **Store expansion:** The management aims to add (i) 100-110 KFC stores, (ii) 50-60 Pizza Hut stores, and (iii) 60-70 Costa Coffee stores in CY24.
- **Nigeria** currency is now stabilising and is generating cash profit. Company wants to convert all the promoter loans (major reason for loss) into equity.

Electronic Manufacturing Services – Deepak Agarwal

ASM Technologies | Mcap USD 0.2bn | Not Rated

- In current revenue, 80% is contributed design and 20% by DLM (design led manufacturing). Management aims to increase share from DLM to 60% in next 4-5 years.
- Have order visibility for 1.5/2 years.
- Plans to incur capex of INR 400/450mn in FY25. Aims to increase capex in coming years for planned investments. Have asset turns of 2/2.5x.
- Business has three growth opportunities – (1) mobile manufacturing (2) semiconductors and (3) solar.
- Q2 should be taken by representative of growth lying ahead.
- Key raw material includes 1) Metals, 2) Alloys, 3) Plastics and 4) Electronic Components
- Guidance: EBITDA margins for FY25 to be 12%.
- OSAT machines (ball wedge bonding equipment for back end) production is expected to begin 12 months.

Enterprises Tech – Abhishek Kumar

Whatfix | Unlisted

- The digital adoption category is more than USD 500mn addressable market but is expected to grow to USD 3bn by 2030.
- Whatfix provides in-app guidance and performance support for enterprises using web applications and software products.
- The company asserts that it has been awarded five patents by the US Patent Office, with an additional 18 patents in the works.
- As of 3QCY24, Company has ARR of USD 81 mn; 75% gross margins; -32% EBITDA.
- Company has reduced cash burn from USD 35-40mn in CY22 to USD 16mn cash burn in 3QCY24, mainly by keeping headcount flat by productivity improvement.
- Currently, Company has workforce of over 900 employees across Engineering and R&D (150+), Sales (85-90), Product (40-50) etc.
- Company has no competition in India and globally have a few small competitors. Whatfix is the largest player globally.

Healthcare – Amey Chalke

Biocon | MCap USD 4.6bn | BUY

- Generics: The company should see increased traction in 2HFY25 with the launch of Liraglutide in UK and Micafungin and Daptomycin in USA.
- GLP-1: The company believe their strength in fermentation-based manufacturing will be a key advantage in GLP-1 production. The company has Semaglutide and Tirzepatide among other products under development. Biocon are exploring combination of insulin and peptides.
- Biosimilars: Bevacizumab (mkt size USD 1.4bn in USA), Biocon will be the 5th or 6th to launch - the market has largely been formed. In Ustekinumab (USD 6-7bn in USA) BIOS is in the first wave of launches. Aspart launch subject to Malaysia plant clearance.
- Facilities: Malaysia site outcome is in Jan'25. The Bengaluru VAI will enable the company to launch Bevacizumab and Ustekinumab as and when the FDA approves
- Debt: Biocon has brought down debt by USD 250mn last year. The company aims to reach ~3.5x Net Debt/EBITDA levels. The company has different levers to bring it down debt levels, these include organic cash generation (internal accruals), Asset/stake sale, discussion with PE partners and Viatris to manage capital outflows. The recent bond/debt issuance has pushed debt maturity to 2029 as well as reducing interest cost on account of lower interest levels.

Concord Biotech | MCap USD 2.1bn | Not Rated

- Business across three segments - API (majority contribution to the revenue), Formulation, and CDMO (upcoming business line). Medium-term expectation is that API will contribute ~80% to the business and Formulation will contribute ~20%.
- One of Vietris' largest production capabilities globally for fermentation-based API production, no production of chemical synthesis-based APIs. The company will continue to focus on fermentation-based production only for the long-term. In APIs, the focus is on oncology, anti-infectives, and anti-fungal products.
- Capex plan of INR 2.5bn for setting up injectables, but as there is sufficient capacity across the four units no near-term growth capex plan. High barriers to entry for fermentation-based API production - High expertise required, ability to have economies of scale, and large capex requirement.
- CDMO development over the past 6-7 months - Have filed multiple RFPs and RFQs, the company is expecting significant revenue contribution from this business segment in the next 3-5 years.
- Most products across Concord's portfolio have low competition, with most competition being from Europe and South East Asia, giving the company a cost advantage. The company is a market leader in many of their products and is the only company in the world that makes the entire range of immuno suppressants.

Indoco Remedies | Mcap USD 0.3mn | Not Rated

- India: The company is looking to expand D2C segment and have made key hires from FMCG companies to strengthen this division. Oral care is a strength for the company with overall sales of INR 2.4bn
- USA: The management maintain that USA is an important geography and is making significant investment in the USA business. They are confident of getting out of the OAI at its Goa facility.
- Recent launches/approvals: Indoco recently launched Lofexidine tablets and has six month exclusivity for the same (USD 15mn market size). In Oct'24 the company has received approval for Varenicline tablets (0.5 mg and 1 mg strengths)

- Europe: The company should achieve its guidance of INR 3bn for FY25. They have a good order book in OSD segment
- Goa facility: The management clarified that there aren't any issues related to data integrity or products. Issues are related to the infrastructure for which Indoco has hired external consultants. At present the company is spending ~INR 45-50mn/qtr on remediation.

IOL Chemicals and Pharmaceuticals | Mcap USD 0.2bn | Not Rated

- The company ventured into pharmaceuticals in 2000 with ibuprofen, started increasing capacity every year with backward integration. Currently, in-house raw material production accounts for 45% of the raw material costs for ibuprofen.
- Post 2018, IOL started diversifying into non-ibuprofen segment. Currently, non-ibuprofen segment contributes ~35% to the revenue from pharmaceutical business line.
- Currently, ~30% of the revenue is coming from exports and the rest is coming from domestic business. The company expects the revenue from exports to become 40-45% in the next few years as exports from non-ibuprofen segment start taking place.
- Chemicals business segment - While Ethyl acetate is 100% being sold to outside manufacturers, all other chemical products have captive consumption as well. Moreover, recent launches in Chemicals have been used for strengthening the company's backward integration.

Krsnaa Diagnostics | Mcap USD 0.4bn | BUY

- Krsnaa has a differentiated business model with a large TAM. The company is present in only 150 districts of which it provides both radio and patho services in only 50 districts. There is scope to participate in large tenders ahead.
- It is now transitioning to almost equal radio:patho player vs. radiology-focused pre-IPO.
- The company has spent INR 3bn capex recently which is yet to see full results.
- The company has tied up with United which will lower the capex outflow to 10% of equipment cost and balance will be funded by United (bal payable over 6 years) and not recognised as debt.
- Over time, technical qualifications have increased like Networth, patients served, NABH/NABL accreditation etc. and Krsnaa has a 100% technical qualification rate.

Max Healthcare Institute | Mcap USD 11.5bn | HOLD

- Brownfield expansion has given good results, capacity added in the past few years had full occupancy within 45-60 days. Although, there is a dilution of payer mix that comes initially with brownfield expansion, it provides ROCE from the beginning and significant EBITDA margins.
- When looking at potential acquisition options, the various factors the company keeps in mind is the city, the scalability of the facility, and any compliance or accessibility issues that might be present in the facility. Moreover, the company will not go for a facility having low bed capacity with no potential for brownfield expansion.
- ~32% of billing in hospitals is for drugs, 10-11% is for pathology and 5-6% is for radiology, this signifies that 45-50% of the price is controlled, and the rest is for services. Also, there are three tiers of pricing with tier I comprising hospitals similar to Saket, tier II comprising hospitals in Vaishali and Shalimar Bagh having ~95% of tier I pricing, and tier III comprising hospital in Lucknow and other non-NCR hospitals having ~85% of tier I pricing.

- One of the best RoCEs are from the Dehradun and Mohali facilities. Long-term plan to expand in 21 cities, this includes cities like Indore, Nagpur, and Kanpur.
- Recent acquisition - Jaypee Healthcare facility has an exceptional location advantage with ~15% revenue coming from international patients. This facility has a capex requirement of ~INR 1.5bn.

Vijaya Diagnostic | Mcap USD 1.3bn | BUY

- The company majorly focuses on B2C business with a very small share of the revenue coming from B2B business. Even in the B2B segment, there is a potential for patients from hospital tie-ups to become direct customers in future due to brand recognition in radiology.
- Continuous investment in technology, Vijaya has recently invested ~INR 40mn in IT systems to strengthen their technological backbone. Even after significant technology costs, the company is able to protect the EBITDA.
- Radiology is a business segment that is difficult to scale up due to technician dependence. Since customer experience is critical in B2C and the company has to uphold a high standard of quality, the major challenge for scaling up is the requirement of a skilled workforce.
- Even though the company has constantly delivered more than the guidance, they believe in a sustainable volume-driven growth of 15% YoY with ~13% growth coming from volume (3-4% from new centres and 8-9% from older clusters) and the rest coming from price.
- The first centre in Kolkata was able to reach break-even in 9 months, even after high competition in the city Vijaya was able to attract customers with cutting-edge equipment and specialised doctors. Currently, two hub centres have been operationalised in Kolkata with 5 more hubs in the pipeline.

Hotels – Sumit Kumar

Indian Hotels Company | Mcap USD 13.3bn | HOLD

- The company has unveiled its 'Accelerate 2030' strategy, under which aims to double its portfolio to 700+ hotels by FY30 with steady growth in traditional brands (Taj, Vivanta and SeleQtion) and a rapid scale-up in new businesses, comprising Ginger, Qmin, amã Stays & Trails and Tree of Life.
- There is huge scope to add Ginger hotels in India. Company has identified 700 districts or micro markets which can be potential market for Ginger
- Management fee is expected to cross INR 10bn on the back of 12-15% CAGR in managed rooms.
- Excess capital on balance sheet will be reinvested in asset management and upkeep of properties. The liquidity will also be used to fund the greenfield capex and build a pipeline which can go in the development mode, few years later. Management will be constructive on M&A front and will pursue niche opportunities in segments where existing portfolio does not have the presence (Example - Trees of Life).
- Demand-supply mismatch and the benefits of operating leverage are here to stay, thus enabling higher EBITDA margin. However, there is continuous need to re-invest capital back in the business
- IHCL has earmarked INR 7-8bn for capex in FY25 of which c. INR 3b is already spent. Capex will continue to be at 4-5% of revenue.

Juniper Hotels | Mcap USD 820mn | Not Rated

- The company has completed the acquisition of a 220-room luxury hotel in Bangalore. The cost of acquisition was INR 3.25bn, it is spread over 3.5 acres of land and it will be operational in 9 months.
- Completed Phase-1 of the Grand Hyatt Mumbai which includes launch of "The Grand Showroom" with c. 49,000sqft of high-end MICE space, Rooms & Serviced Apartments upgraded, Grand Club Lounge upgraded
- As on 30th Sep'24 the company had a net bank debt of INR 2.89bn; post 30th Sep'24 it raised INR 2.8bn acquisition debt. The estimated net debt post the above transaction is c. INR 6.3bn.
- Company is planning to add 1,000 rooms in its portfolio over the next one year and Bengaluru acquisition was part of it.
- Grand Hyatt Mumbai hotel contributes c. 45-50% of EBITDA and c. 25% of the Grand Hyatt Mumbai room inventory was under renovation during 2QFY25.

Industrials – Deepak Agarwal

Black Box | Mcap USD 1.2bn | Not Rated

- The company operates in over 35 countries, providing cutting-edge technology solutions and expert consulting services.
- Plans to concentrate on 300 top clients to drive growth.
- Increased focus on data center infrastructure due to rising CAPEX from hyperscalers and cloud providers.
- Anticipates a robust growth trajectory in the data center space driven by digital infrastructure demands.
- Delayed project execution due to hold-ups in decision-making processes impacting revenue growth.
- Management noted that the decision-making delays stem from high interest rates and supply chain issues, particularly in the data center sector.
- Management aims for sustainable operating margins of 10% in the future, with a current margin of 9%.
- Management remains confident about achieving ambitious revenue targets of $2 billion by FY'28.
- Plans to leverage existing relationships with marquee clients like Meta and Microsoft to expand in the data center and networking markets.

Dynamic Cables | Mcap USD 0.2bn | Not Rated

- Capex and Capacity Expansion: Ongoing CAPEX program on track, expected to complete by Q2 FY'26. Current gross block allows for sales of INR 9.5-10bn. New capex of c. INR 350mn-400mn expected to increase capacity by INR 2bn-2.5bn. Current capacity utilisation at 80-90%.
- New Product Development: Launching DC solar cables aimed at solar power plants. Anticipated growth in the semiconductor industry, data centers, and renewable energy sources over the next 5 years.
- Approximately 40% of revenue derived from the top five customers, with a variable mix.
- Future Outlook: Management optimistic about seizing growth opportunities with a robust order book and ongoing CAPEX programs. Plans for larger future capex to support growth beyond FY'26.
- Dynamic Cables aims for long-term growth of 18%-20% CAGR.

Harsha Engineers International | Mcap USD 0.5bn | BUY

- Overall weak demand largely from the US and Europe customers. Expect demand to normalised by Q4FY25 on the back of China+1, further consolidating market share with NEI and growth in value added products.
- Harsha is strengthening its strategies to improve the product mix in Romania by pursuing more cages both from existing customers and new customers' acquisition. However, management does not expect profitability to improve in FY25 but due to China contributing positively expect losses to be reduced in the international subsidiaries.
- Demand in the wind segment particularly from Europe continue to remain weak.
- Management expects demand to remain strong in solar business and hence the segment will remain profitable however the business will run independently.

ICE Make Refrigeration | Mcap USD 0.12bn | Not Rated

- The company aims to reach a revenue milestone of INR 5bn in FY25, driven by India's economic growth forecasted at over 7% by the IMF.
- Focus on innovation and efficiency is expected to enhance financial performance in upcoming quarters.
- The company is strategically positioned to capitalise on rising demand for cooling and cold chain storage solutions, both domestically and internationally.
- Ongoing projects include the installation of machinery for Continuous Puf Panel and Chest Freezer plants, with civil construction work underway for new facilities.
- Management is targeting an annual EBITDA margin of around 10%.
- A planned capex of INR 1bn is expected to enhance production capabilities across new facilities.

ideaForge Technology Ltd | Mcap USD 0.3bn | BUY

- The industry has been presenting a case for PLI 2.0, and the company is confident that it will be a game changer for startups, MSMEs, and established players.
- Development of larger platforms, the tactical UAV and the middle-mile logistics UAV are on track.
- Company received the DGCA's type certification for its Q6 V2 UAV, which will enable it to strengthen the offerings and solutions in the Indian civil sector.
- As a next step for scaling the DaaS business, ideaForge have recently initiated an initiative called FLYGHT Franchise, a franchise-owned, franchise-operated model for Drone-as-a-Service.
- Order book as on Sep'24 stood at INR 215mn. L1 pipeline of more than INR 3bn.
- Expects inflows to pick up from H2FY25 onwards.
- Gross margins were impacted due to revenue mix and is expected to improve going forward.

Rishabh Instruments | Mcap USD 0.12bn | Not Rated

- Product finds application in measuring the health of power finding application across various sectors such as factories, Substation, Data center, commercial buildings etc.
- Capex: Incurring capex of INR 1bn in next 2 years, towards capacity expansion.
- Current blended capacity utilisation stands at 60%
- TAM accounts of 2-3% of total power/electrical capex.

- Recently entered into Solar inverter business from 3kva to 300kva
- Components imports account for 60%.
- Foundry business EBITDA margin expected to expand in FY25 driven by company focus on improving cost.

Infrastructure – Vaibhav Shah

Dilip Buildcon | Mcap USD 740mn | Not Rated

- **Bid pipeline:** It stands robust at INR 2trln of which c.INR 1.1trln is from Highways while INR 900bn is from other sectors including Water, Irrigation, Urban Infra, tunneling etc
- **JJM update:** There have been payment challenges in 1H25. DBL expects the situation to improve in 2H25.
- **Order inflows have been weak in YTD** at c.INR 24bn. However, DBL is confident of meeting its order inflow guidance of INR 150bn given the anticipated pick-up in highway awarding in 2H25 and strong bid pipeline in other sectors as well
- **Gross debt increased** from INR 18.7bn in Mar'24 to INR 26.3bn in Sept-24 especially due to delay in payments in JJM projects and faster vendor payments by DBL.
- DBL now expects to be net debt free by FY27.

GR Infraprojects | Mcap USD 1.8bn | BUY

- **Execution to remain weak in FY25:** GRIL expects 5-10% YoY decline in revenues for FY25 to c.INR 70-74bn due to weak execution in 1H25 impacted by weaker executable order backlog and heavy monsoon. GRIL expects uptick in execution in FY26/27E.
- **GRIL's bid pipeline** stands strong at INR 1.5tn across verticals (Highways, Tunnel, Railways, T&D etc). GRIL has also submitted bids of INR 139bn where results are awaited.
- **Order Inflows:** GRIL has received order inflows of c.INR 70bn in YTD. The company has maintained its order inflow guidance of INR 200bn backed by strong bid pipeline and anticipated uptick in Highway awarding in 2H25.
- **Appointed date** is pending for 5 projects (including 4 HAMs) of c.INR 41bn. GRIL expects to receive AD for 3 projects in 3Q25 and remainder in 4Q25. Entire order backlog will be executable by Mar-25E.
- **Equity investments:** GRIL's pending equity requirement currently stands at INR 22bn, which is to be invested over FY25-27E.

GMR Airports Infrastructure | Mcap USD 9.6bn | Not Rated

- Delhi's new Terminal 1 began operations in Aug'24, increasing its passenger handling capacity to 100mn annually.
- Hyderabad Airport expansion work has been completed, boosting its capacity to 34mn pax per annum.
- Company expects SPP (Spend Per Pax) at DIAL to increase from c.USD 12 to c.USD 14-16 over next 3-5 years.
- GMR Airports signed a SPA with Fraport AG to acquire an additional 10% stake in Delhi International Airport (DIAL), raising its total shareholding to 74%.
- License Agreement was signed to develop and operate Duty-Free Outlets at Delhi Airport, with operations set to commence from Jul'25.

- GMR has entered into a concession agreement with MIHAN India Limited in Oct'24, to commence operations of Nagpur airport.

KEC International | Mcap USD 3.1bn | HOLD

- Order inflows have been robust at INR 135bn in YTD25. Additionally, KEC is L1 in orders worth INR 85bn. Accordingly, management is confident of meeting its annual order inflow guidance of INR 250bn for FY25E.
- KEC has a robust tender pipeline of INR 1.5tn of which T&D is c.40% while rest is from Civil, Renewables, Railways etc.
- EBITDA margin likely to improve in 2HFY25 with improved revenue mix (completion of legacy projects in Railways) and improved margins in the T&D business. Overall, KEC is guiding for EBITDA margins of 7.5% in FY25E (1H25: 6.1%) and 9-10% in FY26E.
- Investment in Cables business: KEC's aluminium conductor manufacturing plant is set to be commissioned in 3Q25. KEC to also invest INR 900mn towards E-Beam and Elastomeric cables production line (to commission in 4Q26E) and expects revenue of INR 28bn with EBITDA margin of 7.5-8% in FY27E.
- Railways business: KEC targets to complete legacy projects by Mar'25 and expects margins to improve in FY26 with better revenue mix. KEC is selectively bidding for railway projects due to high competition and elevated NWC levels.

Welspun Enterprises | Mcap USD 737mn | Not Rated

- Welspun has a pipeline of INR 3.6tn in water treatment but plans to participate selectively to mitigate counterparty risks.
- Strategic collaborations with global leaders like Veolia and Xylem are being pursued for municipal and domestic water solutions projects.
- Plans are underway to establish an O&M vertical, ensuring long-term profitability.
- Recent merger with Michigan Engineers brings advanced expertise in tunnelling and pipeline rehabilitation, enhancing project capabilities.
- Strategic partnerships are also being explored across tunnelling, roads, and railway sectors to drive future growth.

Internet – Sachin Dixit and Swapnil Potdukhe

Affle (India) | Mcap USD 2.6bn | SELL

- The management reiterated its medium-term intention of delivering 20%+ revenue growth, while delivering steady improvement in profitability.
- The decline in employee costs in recent quarters has been due to some cost rationalisation and increase in senior management churn in Jampp and YouAppi. Some of these costs are likely to come back in the upcoming quarters.
- The management mentioned that it will continue to invest in Gen AI powered capabilities and new product use cases.
- The company will focus on CTV and improve the customer journey by trying to do strategic partnerships with OEMs and other content partners wherever appropriate.

CarDekho | Unlisted

- CarDekho is the leading auto-tech player with operations in India and Southeast Asia.

- The company has Indian businesses across New Auto (advertising and lead generation), Finance (marketplace for vehicle loans), Insurance (primarily auto with rising mix of health/life) and Used Cars (classifieds) and has also replicated the new auto and finance business in Southeast Asia.
- The standalone business consists of 2 business segments, Auto media platforms (encompassing CarDekho, ZigWheels, BikeDekho and PowerDrift) and Rupyy (auto loans lending platform). CarDekho also holds a controlling stake in other ventures including InsuranceDekho and OTO (expansion of the lending business to South East Asia).
- InsuranceDekho is a digital insurance platform that operates with an extensive network of over 171k partners, serving customers across 98% of India's pin codes.
- Currently, loan penetration in New car segment is ~75-80% whereas in Used car segment it is ~15-20%, providing a large headroom for growth. Roughly INR 1,400-1.500 cr loan amount is disbursed through Rupyy platform on annualised runrate basis as of 2QFY25.

CarTrade | Mcap USD 750mn | BUY

- Globally, digital ad spends are ~45-50% whereas in India, it is still at ~15% hence a lot of potential to grow.
- CarTrade generates 85-90% of traffic organically. Rest 10-15% is via performance marketing.
- In Consumer business, 85% of revenue comes from New cars in which OEMs contribute ~65% and Dealers contribute ~35% whereas Used car revenue is 15% of total consumer segment revenue.
- The repossession business has bottomed out and in the next couple of quarters SAMIL should deliver reasonable performance.
- OLX has a robust brand recall with customers across different city tiers driving organic traffic to the platform. Also, OLX has limitless TAM as it basically handles all used products in India. It's the number one or leading place where any consumer can sell a used product or buy a used product. OLX now holds a monopolistic position in pre-owned classifieds with the sector.

InMobi | Unlisted

- InMobi is a gen-AI led ad-tech platform offering a variety of solutions for advertisers, publishers, and developers. Its core functions revolve around mobile advertising, data-driven insights, and technology tools.
- InMobi (ex-Glance) reported Sep'24 quarterly revenue of USD 55mn with EBITDA at USD 6mn. EBITDA margin stood at 11%. ~80% of InMobi revenue is derived from India, and ~20% of total revenue is from 'owned and exclusive' users.
- **Glance** was launched by InMobi as a lock screen-based content discovery platform for Android smartphones. Glance has a dual monetisation engine, with ~50% of revenue being derived from advertising and commerce each.
- Glance has ~400mn active users, with ~200mn daily active users. 95% of total revenue is mobile revenue; 70% of the total revenue is derived from North America.

Livspace | Unlisted

- The Interior Design industry is projected to grow from USD 138bn in 2023 to USD 211bn by 2032, exhibiting a CAGR growth of 5.5% during the forecast period.
- Livspace is the largest organised home interior brand with highest Top of the mind within the segment. Livspace's is well-positioned to take advantage of this booming

market through its continued investments in marketing and product development along with an innovative approach.

- The company uses a combination of data science, algorithms, and industrial designs to help customers explore and select from a wide variety of interior designs to match their tastes and budget. In addition to designing and consultation services for home interiors, Livspace also presents an extensive range of furniture and home decor products through its online platform.
- Pricing is decided by calculating sum of prices of all SKUs selected in the design whereas delivery timeline is the time to delivery of the slowest SKU.
- As of 2QFY25, Company has ARR of USD 180mn+; 54% gross margins and cash flow profitability.
- Company is currently present in 60 cities and expanding to 3-4 new cities every month. Company has 164 COCO stores with 35 FOFO stores in Tier III with plans to open 200-250 stores soon.

Meesho | Unlisted

- Meesho is the largest e-commerce player in India in terms of average daily orders with 4.5mn as of 1HFY25 and also in terms of total app downloads.
- India has significant untapped potential in e-commerce, with overall penetration at just 7%. High-growth categories with low penetration include groceries/staples (1%) and food & beverages (5%), presenting long-term opportunities for expansion.
- As of 2QFY25, the platform evolved from being dominated by women's apparel (53% in 4QFY21) to a more diversified portfolio, including Footwear and accessories (18%), Kitchen/home decor (18%), beauty/personal care (9%), and kids/baby care (10%) whereas Women apparel now contributes 30% of the total orders (451mn as of 2QFY25).
- Home and kitchen decor is fastest growing category for Meesho because 1) It is a highly long tail category and lesser-known brands in the market as of now 2) This category has low AOV products and much cheaper on Meesho compared to other offline platforms.
- Currently, company has ~1400 employee, out of which 900 are part of engineering team.

RateGain Travel Technologies | Mcap USD 950mn | Not Rated

- RateGain is a global provider of SaaS solutions in the hospitality and travel sector. Its primary focus is on front office customer facing commercial teams, helping them accelerate revenue generation through acquisition, engagement and retention, and wallet-share expansion.
- **Data as a service (DaaS):** Competitive pricing intelligence to customer base across OTAs, hotels, airlines, and car and cruise rentals, helping them in their pricing strategy and thus, optimisation of revenue.
- **Distribution:** A tech platform enabling hotels to communicate seamlessly with their demand partners i.e. OTAs and GDS, and showcase their pricing and inventory availability in real-time.
- **MarTech:** Focused and targeted digital marketing campaigns for hotels to drive direct traffic on their websites, thus, enabling higher returns on ad spends.
- The management mentioned that the company will continue to look at inorganic acquisitions as part of its growth strategy.

Zerodha | Unlisted

- Currently, the Zerodha group is dependent on broking as an income largely, which is highly correlated to capital market performance (possibly volatile), and highly regulated. With multiple regulatory changes introduced from SEBI around futures and options, Zerodha plans to diversify its group revenues over time by looking at new products & ventures, including: Insurance (partnered with Ditto), AMC (partnered with Smallcase), NBFC - LAS & LAMF, Advisory services, MTF, and via its Rainmatter initiative (seed fund that invests into fintech, health, climate & content startups);
- With respect to any changes in pricing - The team plans to see all the after effects of the changes introduced, and take a call on whether to make any changes to pricing after 6-18months;
- Competition wise, each broker focusing on and placing themselves differently - some towards building a super app that includes broking, mutual funds, payments, lending, some towards having a physical/sub-broker & RM lead model, and some towards building trader communities. There are also multiple new entrants incoming in the form of Internet/mobile companies, payment gateway/UPI platforms with large available online distribution.
- Ditto is the 2nd largest online only corporate agent with the top 3 insurers in India - w.r.t term life policies & health insurance policies;
- Looking to build out Zerodha as a diversified group - with holistic financial services & by making investments via Rainmatter.

IT Services – Abhishek Kumar

KPIT Technologies | Mcap USD 4.2bn | BUY

- **Demand and outlook:** The company reported that some deal closures and engagement ramp ups have been pushed out, they expect 2-3 quarters of delay and highlighted that none of the deals have been dropped. The company is facing headwinds in Europe with a client specific issue in US, they are seeing fast growth in Asia region. They expect growth to pick up after these delays subside. They are also seeing clients realigning strategy in terms of which powertrain to launch new models in. No effect on clients spend budgets are expected as the company’s solutions are relevant for every powertrain. The company expects to deliver a revenue CAGR of 18-20% over a 3-4 year period and sees no reason why revenue growth would be below 15%.
- **Service lines:** Management highlighted that the company has 23-24% of its revenue coming from EV, and 7-8% coming from ICE out the total 35% coming from powertrain. They enumerated their services lines such as architecture definition & consulting, Software, Integration and creation of platform and verification and validation. Architecture definition and consulting led growth in the recent years and is expected to lead growth going forward. Middleware and ADAS are expected to also drive growth going forward.
- **Acquisitions:** The company is planning acquisitions in Cost takeout, compliance and security areas. Potential candidates would be having revenue run rate of USD 40mn-50mn, with total consideration of USD 200mn-250mn paid out over multiple years. They expect these acquisitions to position them favourably to win deals from clients.
- **New growth areas:** The company is looking to partner with a Chinese software company to win business from China OEMs. They expect some revenues from this but not material. However, this is seen as an opportunity to showcase capabilities and win business from other OEMs. The company is also focusing on CVs, they are adding trucks and off-highway capabilities. They expect CV related growth in US and Europe and expect initial push from US.
- **Margins:** The company sees scope to improve margins in the range of 60-70bps every year. They expect to invest 3-4% of revenue in R&D. Offshoring and Pyramid optimisation are seen as margin levers going forward. A 3-5% offshoring shift is

expected and with pyramid improvement 3-4% cost per employee is expected to reduce over 2 years.

Wipro | Mcap USD 34.5bn | BUY

- **Demand:** Company said that there is a build-up in momentum, from a deal win standpoint. They highlighted that the demand situation is certainly better as compared to the same period last year. The outlook for demand has definitely improved, and if the momentum sustains, they believe they can return to growth. Trump re- election is expected to benefit demand as Trump is pro-growth, clients growing in US is good for IT services demand.
- **Margin Levers:** Management indicated that the margin levers going forward will be offshoring and Pyramid optimisation. Integration of newly acquired entities will also add to margins. Recently acquired entities will function independently, although their operations, HR, finance and such activities are being integrated to bring down costs. Currently acquisitions, are a headwind of 200 bps on margins, this is expected to subside with integration. Company is also moving some senior roles to India, if that role does not have a lot of client interaction this would add to margins. Company highlighted that revenue uptick will be a significant tailwind to margins, beyond the levers.
- **Hiring:** At 87%, utilisation is not a lever the company is looking at. They are not looking to hire either. They had rolled out offers and those candidates are being on-boarded currently. The company is shifting to a need-based hiring going forward rather than the campus hiring done before. The company will on-board and quickly train people when deals ramp up.
- **Verticals:** BFSI is one of the stronger verticals, with momentum building in US, Europe and discussions on new projects and ideas. Healthcare is another sector where the company expects to do well. In Tech, the company expects to do well and are seeing early signs of demand uptick. Consumer sector is uncertain, with travel doing well and CPG being a little uncertain. Q3 will be really important quarter for this sector.
- **Gen AI:** The company highlighted that new technology has historically been a positive for demand in IT services. As use cases for business expand and mature, the company would help client organisation utilise and benefit from them. Gen AI will improve productivity on the delivery side, this might benefit margins or be deflationary on revenue, it is still uncertain how it will pan out.

Zensar Technologies | Mcap USD 1.9bn | Not Rated

- **Demand:** Company expects the drag from largest client and vertical to come down, this would help them register growth. Revenue decline observed in Q3 would be lesser than last year. The company said discretionary spend remains cautious due to macro-economic and geopolitical uncertainties.
- **Margins:** Margins are expected to be in mid-teens. For FY25, margin guidance is in the range of 15-16%.
- **Verticals:** Demand trends show strength in BFSI, healthcare while TMT has been challenged due to client specific issues and unseasonal furloughs. Manufacturing and consumer services is expected to benefit from traction seen in supply chain integration of e-commerce and physical stores.
- **Headcount:** The company expects to hire once deals start ramping up and therefore hiring would go up in-line with revenues and not the other way around. Attrition has declined and the company sees the current levels as a good level of attrition.
- **Offshore delivery mix:** Offshore delivery mix is improving and the company aims to improve offshore mix, however they believe that offshoring is a lagging metric where client need and industry trend would lead to changes in the mix. Zensar indicated that offshore mix over 50% would take a lot of effort.

Media – Abhishek Kumar

Nazara Technologies | Mcap USD 824 mn | HOLD

- Acquisitions: The company expects to consolidate PokerBaazi in a 3-year timeframe. They are increasing stake in cash flowing subsidiaries to have full control and to utilise the cash flows for future acquisitions. They expect to do acquisition in the INR 500-2000 Mn ticker size, and some smaller tuck in acquisitions in the USD 1-5 Mn dollar scale as well.
- Management of subsidiaries: The company highlighted that they collaborate with the management of acquired entities and drive consensus with them. They want acquired entity management to focus on user experience, game design and content while the company assists them to execute, by providing support on operational aspects, technical aspects and with capital.
- Margins: The company highlighted that they will integrate acquired entities more closely to increase margins and that they are focused on margins on an overall entity level. The parent company will handle user acquisition, analytics, tech-side, development and cloud related activities and offshore these to reduce costs and increase margins.
- Game development: The company reiterated that they are not going to build out games from scratch. The strategy would be to pick the right gaming studios and winners early, those that are profitable and have the right product market fit, acquire them, optimize and grow them. The company highlighted how Fusebox games fits this strategy, it is an IP based game studio that has the right tech and expertise in narrative based games. Nazara would benefit from their expertise in future narrative based games and would help Fusebox in operations. Fusebox is set to launch Big brother in April/March next year, they expect it to be larger than Fusebox's Love Island game, potentially crossing the INR 1bn mark.
- IP based user acquisition: The company expects to close IP partnerships in the near future. IP partnerships are expected to drive down CACs, because of increased adoption, organic search and customer churn reducing. The Company is also focused on implementing a content refresh strategy and expanding games reach across geographies, languages and platforms.

Zee Entertainment Enterprises | Mcap USD 1.34bn | BUY

- Mr. Puneet Goenka's resignation as MD of the company while appointing him as CEO will allow him more bandwidth to focus entirely on his operational responsibilities while relinquishing some of his board responsibilities. This doesn't change anything in terms of strategy or financial goals of the company.
- Revenue growth: Subscription growth is in line with what was guided in 3QFY24 while advertising growth is still tepid due to macro challenges.
- Margin: Company is tracking ahead on what is targeted two quarters back. While most of the margin lever for margin expansion - less A&P spends, headcount calibration and reduced content acquisition cost are played out, expansion hereon will be driven by revenue growth. Margin expansion is structural and margins at these levels are quite sustainable,
- TV Viewership: Management believes despite some shift towards digital, TV still remains a major advertising avenue for FMCG companies. TV viewership (~90 mn) still has the highest reach and is important channel to reach rural India.
- Zee5: Zee5 was starting from scratch and competing against strong players in during FY20-22, thus spend on content and advertising was high. Given now it has built a content library and subscription base, it can still grow well with lesser speeds. Post covid content cost had gone up significantly high due to lower supply, now that is coming down as well. Company strategically selects content which costs low (moving away from

big star content) and do reasonably well. Volume of content acquisition is still the same. Data build over years is key to decision making in content selection process.

- **Zee Music:** Company is bigger in revenue than one of the other two listed player, with margin profile better as compared to industry average. Company has aggressively acquired content since 2010, however it lacks in terms of content acquisition in southern parts of country.

Metals & Mining – Ashutosh Somani

Lloyds Metals and Energy | Mcap USD 6.2bn | BUY

- EC approval status - TOR approved, public hearing to happen soon; EC expected to come in by Feb'25.
- Capex projects ahead of schedule - slurry pipeline commissioned; to save INR800/t in freight costs.
- Company has witnessed increase in iron ore realisation in 3Q.
- Company plans to remain debt-free going ahead and expects capex to be funded by internal accruals.
- 1.2 mtpa steel plant with Blast furnace, coke oven and wire rod to be commissioned in FY27.

Shyam Metalics and Energy | Mcap USD 2.8bn | BUY

- Company recently announced INR8bn capex to integrate backward (Aluminium stock) and forward (rolling capacity) in the aluminum foil segment by Mar'26.
- DI pipes capacity in Ramsarup will be fully operational by mid FY27 with an EBITDA/t of ~INR6k/t
- The captive power constitutes 82% of total power requirement which post expansion shall contribute to around 86% of the total power consumption.
- The company continues to focus on 200 and 400 series of stainless steel.
- Company expects capex of ~INR20bn to be capitalized in FY25 and the remaining capex of to be spread over the next 3 years.

Vedanta | Mcap USD 20.5bn | Not Rated

- Demerger on track; meeting with lenders to happen within the next few months and demerger is expected to be completed by 1QFY26.
- Deleveraging continues to be a key focus area for the company; Net Debt/EBITDA expected to come down to <1x in the near term (currently at ~1.5x).
- VRL debt stands at USD4.8bn at the end of 2Q; company expects to take it down to USD3bn over the next 3 years.
- Company expects CoP to come down over the next few years owing to the upcoming Bauxite and Coal mines; reduction of USD150/t in CoP expected from Bauxite mines in future.
- The company is well on track with capacity expansion of their Lanjigarh refinery train 1 and train 2 to be completed by Dec’24 and 1QFY26.

Oil & Gas – Dayanand Mittal

Gujarat Gas | MCap USD 3.7bn | BUY

- For CNG business, **APM allocation for priority segment was ~68% before the APM cut and this is expected to decline to ~50% post 2 quick successive rounds of APM cuts**. Management said the CNG price hike of INR 2-3/scm is required to offset these APM allocation cuts which they will take soon but gradually. **Don't see CNG price hike to impact volume as still the current difference with petrol is 47%** (though vs diesel the discount is only 15%).
- In regards to GSPC group arrangement approved by Board in Aug'24, **expect stock exchange approval in Nov'24 and post that will try to seek approval of SEBI post which it will be filed with MCA. Expect approval to be in place by Jul-Aug'25.**
- **Gujarat Gas Morbi volume has risen to 3.5mmcmd currently (vs 2.86mmcmd in 2QFY25, though still lower than 5.2mmcmd in 1QFY25) and expected to rise further during the quarter as it expects to continue to gain market share from propane as its gas price is only ~INR1-1.5/scm expensive** vs. propane (vs INR 3-4/scm expensive in 3QFY25). Decline in Morbi volume in 2QFY25 was also due to: **a)** shutdown of industrial units on account on holidays during festival season, **b)** impact of huge monsoon; and **c)** lower exports on account of weak export demand.
- Non-Morbi volume was 2.05mmcmd in 2QFY25, but expects it to grow by 0.5-1mmscmd in next 1-2 years from 6 demand centres like **Ahmedabad rural** where semi-conductor plants are being set up; **Boisar, Palghar, Pitampura** in Madhya Pradesh, **Batala** in Gurdasapur (Punjab) and **Dahej**.
- **Management reiterated for overall volume growth of 5-7% YoY for FY25** but will be contingent of spot LNG and propane price. **Further, it reiterated medium-term EBITDA margin guidance to INR 5-6/scm** adding that it's closely watching future propane prices and spot LNG price and is accordingly taking the decision on how to manage volume and margins.

Gulf Oil Lubricants India | MCap USD 0.6bn | Not Rated

- Management expects **company's sales volume to grow at 2-3 times the industry growth rate**, driven by the **market share gains**.
- Management sees **limited impact on demand for lubes due to slower EV penetration. Management expects limited EV penetration of 18-20% by FY28** (vs. 6-7% currently).
- Management added quoting industry experts that **Indian lubricants market will continue to grow at least over the next 10-15 years despite de-carbonization**.
- Management reiterated to **capitalise the emerging opportunities in EV value chain by making strategic investments in e-mobility and transforming the same to significant levels in the next 4-5 years**.
- Management also reiterated its **focus on premiumisation and better product mix** with expansion into high end premium products.

Ports and Logistics – Vaibhav Shah

TVS Supply Chain Solutions | USD 940mn | BUY

- Integrated Supply Chain Solutions (ISCS) segment margins are expected to remain at 10-10.5% in the near term, compared to higher margins in the previous year (led by one-off consultancy income).
- Network Solutions (NS) segment margins to reach 4-4.5% by 4Q25, but management expects to meet their medium-term target of 7%.

- Management expects revenue momentum for both businesses to continue and expects QoQ improvement to continue. Consolidated revenue is expected to grow by 12-15% for FY25E.
- New order worth INR 22bn is expected to contribute peak annual revenue of USD 30mn.
- Company maintained 4% PBT margin guidance for FY27 and expects YoY improvement in PBT margins over FY25-27.

Power - Sudhanshu Bansal

NHPC | Mcap USD 9.4bn | BUY

- **Project Commissioning:** The company expects commissioning of 8X250MW Subansiri Lower by Mar'25 (3 units) and progressive completion by 1QFY27. There is a delay in commissioning of 4X200MW Parbati-II from Dec'24 to Feb'25. The 3X40MW Rangit-IV is expected to commission by 3QFY26.
- **Teesta Floods Impact:** The Teesta plant will incur loss of Revenue/PAT of around INR 1bn/ INR 0.5bn each quarter up till it becomes operational (likely till Dec'25).
- **Renewable portfolio:** NHPC has 1290MW/ 5000MW of renewable projects under construction as owner/ intermediary out of ownership portfolio it expects to commission 400MW/ 890MW during FY25/FY26. In addition to these, the company has 1,400MW/ 17,760MW of RE projects under pipeline or tendering as owner/ intermediary.
- **Capex:** Capex of INR 48bn has been incurred during H1FY25 against the planned Capex of around INR 117bn for FY25, excluding any potential Capex for pumped storage projects.
- **Pumped Hydro Storage:** The company has signed MoUs for 16,790MW of PSP with various state governments. PFRs for 640MW Indrasagar Omkareswar, 800MW Tekwa-2, 1500MW Satpura-2, 600MW Kengadi, 1800MW Savitri pumped hydro storage project (PSP) are under various stages of approval with CEA/States. The company expects to begin construction of 640MW Indrasagar Omkareswar in early FY26.
- **REIA (Renewable Energy Implementing Agency):** As REIA, company has tendered 9GW of renewable capacity out of which PPA for 7GW have been signed.

Real Estate - Sumit Kumar

Keystone Realtors | Mcap USD 1.1bn | BUY

- The company has already launched two-third of the targeted projects in terms of GDV in 1HFY25 and remains fully confident of achieving sales guidance of INR 30bn. Planning to launch projects in Bandra West, Bandra East and Chembur in 2HFY25.
- Actively looking for opportunities in Prabhadevi, Mahim, Matunga and Chembur. For plotted segment, evaluating 50-acre land in Alibaug.
- There are few legacy projects which are dragging margins in P&L and these projects will continue till FY26. Adjusted for these projects company continue to generate desired margins.
- While Mumbai will remain the focused markets, company keeps evaluating projects in Pune and Bangalore. With significant infrastructure development currently ongoing, new markets are opening up around MMR.
- Over the last 4 quarters, the company has added about 17 projects with an estimated GDV of INR 160bn. The acquisitions will continue to be asset light with focus on profitability. It expects QIP money to be deployed in over 12-18 months but does not want to assign a fixed timeline for deployment.

Phoenix Mills | Mcap USD 6.5bn | HOLD

- Management believes Thane can absorb additional large retail mall and they have had extensive discussion with brands that are keen to look at this micro-market. Construction of Thane mall will commence in 6 months and will take 4 years to complete.
- Consumption so far in 3QFY25 has been very strong and remains to be seen how it sustains for reminder of the quarter.
- On track to launch the 0.25msf new retail space in Palladium, Mumbai over next few days.
- Office towers in Bengaluru are fully ready and leasing interest is also very strong. But it's taking longer than expected time to get the OC.
- Land in Bengaluru, Coimbatore and Chandigarh were acquired for INR 2.3bn, INR 3.7bn and INR 9bn. The company is actively looking for land in Jaipur, Hyderabad, Noida and Gurugram.
- Commenced pre-leasing at Asia tower Bengaluru which will soon receive OC and has an active leasing pipeline of 0.2msf. Pune office asset is expected to receive OC in 6 months and marketing/site visits are under way.

Saas – Abhishek Kumar

Amagi Media Labs Pvt. Ltd. | Unlisted

- Amagi is a global leader in SaaS technology providing end-to-end cloud-managed live and on-demand video infrastructure for TV and OTT. Company designs tech which enables TV networks and content owners to launch, manage, distribute and monetize live, linear, and on-demand channels across cable, OTT & Free-Ad supported Streaming (FAST) platforms worldwide.
- **Business model:** Amagi offers three business models: SaaS, 'Bring your own license,' and Fully Managed Service, catering to the entire content and broadcast value chain. Services include 24x7 linear channel creation, distribution to TV and OTT platforms, server-side ad insertion, programmatic ad sales, and cloud-based disaster recovery.
- **Funding:** Amagi has raised a total of USD. 341 mn. Last fund raise in November 2022 was at a valuation of USD 1.4bn. General Atlantic, Accel, Norwest ventures partners, Premji Invest, Mayfield, Nadathur are some of the marquee investors in the company.
- **Founders: Baskar Subramanian, Co-Founder & CEO** - Prior to Amagi, Baskar co-founded ImpulseSoft, a wireless technology company, which was later acquired by NASDAQ-listed SiRF. He started his career as a software engineer at Texas Instruments. **Srinivasan KA, Co-Founder -** Before Amagi, Srini co-founded the wireless audio company ImpulseSoft, which became a market leader and was later acquired by the American semiconductor company SiRF. Earlier, he started his career at Texas Instruments as a software engineer.

Sugar – Krishanchandra Parwani

Triveni Engineering and Industries Ltd. | USD 0.94bn | Not Rated

- **Sugar production volume to improve in SS25:** The management highlighted the sugar production to improve on account of improvement in crushing volume in SS25 as the current season has seen decent monsoons. However, management hasn't given any crushing guidance but is optimistic on crop yield.
- **Cane development programme to further aid production:** The company's cane varietal program is expected to yield positive result as it will improve the sugar recovery rate in the coming season. Thus, company expects both higher crop yield and higher recovery rate in SS25 will lead to higher sugar production for TEIL.

- **Government targets to achieve 18% blending in ESY25 and 20% blending in ESY26:** The management is quite optimistic on government's target to achieve 18% blending rate in the current ethanol year and 20% blending rate in next year. In addition, the management is optimistic on blending ratio improving beyond 20% as is the case in Brazil, which has existing blending rate of 35%.
- **Revised Ethanol pricing and favorable feedstock mix (vs. LY) to improve distillery segment revenue and profitability:** As per the company, the revised ethanol prices are expected anytime soon which will improve the distillery segment revenue. During FY25, the company expects distillery volume of 21crs litrs with 50-50% mix of molasses and maize respectively (vs. 40-60% mix of molasses and maize respectively). The improved feedstock mix is expected to improve the profitability of distillery segment.
- **Government Aatmanirbhar Bharat and exports opportunity post expiration of Lufkins agreement are key drivers for Triveni's engineering business: With the INR 1.8bn of recent capex in the engineering business,** TEIL's high speed gears business is all set to tap on opportunity arising from the defence industry. Further, post the expiration of Lufkins agreement, the company is tapping on opportunity in exports market in Europe and US which was restricted in the Lufkins agreement.

Telecom – Dayanand Mittal

Tata Communications | MCap USD 5.9bn | Not Rated

- Management reiterated that **macro challenges continue to exist with slower decision-making at the enterprise level.**
- Management shared that company has **gained market share in Core-connectivity segment** and expects **low to mid-single digit growth in the segment** with **Red Sea issue expected to be largely behind in 2HFY25.**
- Management expects to **achieve EBITDA margin of 20% for FY25 and reiterated its ambition of getting the EBITDA margin improved to 23-25% by FY27**. Further, management also **maintained their ambition of doubling of data revenue to INR 280bn by FY27** (vs. ~INR 140bn in FY23).
- Management said the **recent divestment in its payment (ATM) business for INR 3.3bn and sale of Chennai land parcel worth INR 7.5-8.5bn** will help company to reach closer to its **desired level of Net debt-to-EBITDA of less than 2x**.
- Management added that it is continuing the **strategic review of non-core assets/subsidiaries (including 26% stake in Data Centre business) which may not fit in with company's long-term plans**. Further, an internal team is working to clear hindrances (like title issues in property) in monetisation of such non-core assets.

APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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