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Monthly Update

NS MULTI CAP THEME

Portfolio Performance, Trades and Strategy Update

Sep 2022

NS Multi Cap Theme Sep 2022

Performance

For month of Aug 2022, The NS Multi Cap theme is up by 2.7%. For the year, the portfolio is up by 5.2% in line with the benchmark Nifty 500 which is up by 5.3%. Such phases of flat market returns after sharp rise during 2020-21 is understandable and is a common event for stock market investors. We have always emphasized that while in the long term equity gives highest return but in-between it behaves non-linear. Importantly during the recent quarterly results, the NS Multi cap theme portfolio stocks reported topline growth of 38.9% YoY and 13.3% Net Profit margin while the Benchmark Nifty 500 reported topline growth of 34.4% YoY and Net Profit Margin of 9.5%.

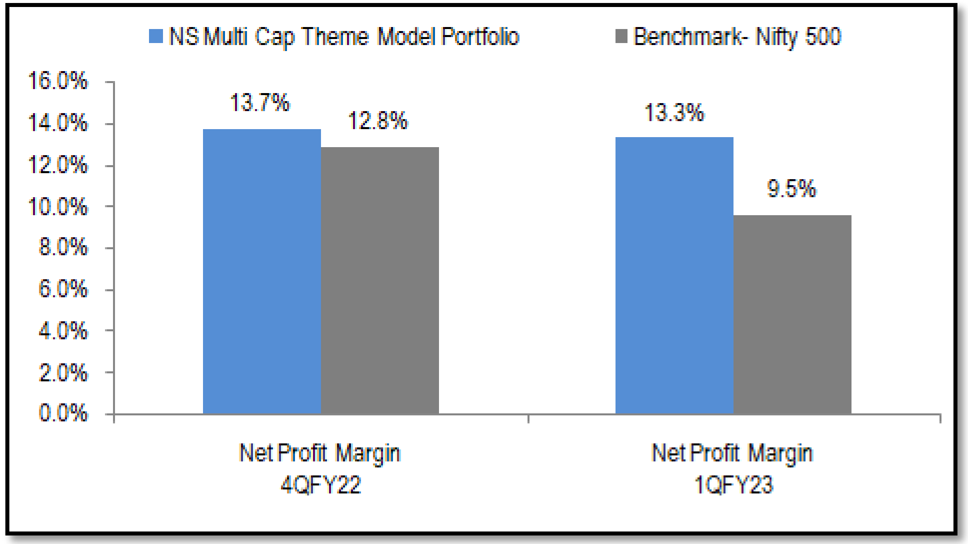
Trades

Auto major M&M has been bought in the portfolio with weight of 4% by selling Escorts. We are seeing strong order pipeline for M&M and more importantly the new management is focused on improved capital allocation and revamping other businesses of the company which should improve profitability and balance sheet strength. Escorts has been removed from the portfolio as we are seeing loss of market share for the company since the change in management strategy of increasing prices to protect margins. With reduced estimates going forward , Valuation at current prices offer lesser margin of safety.

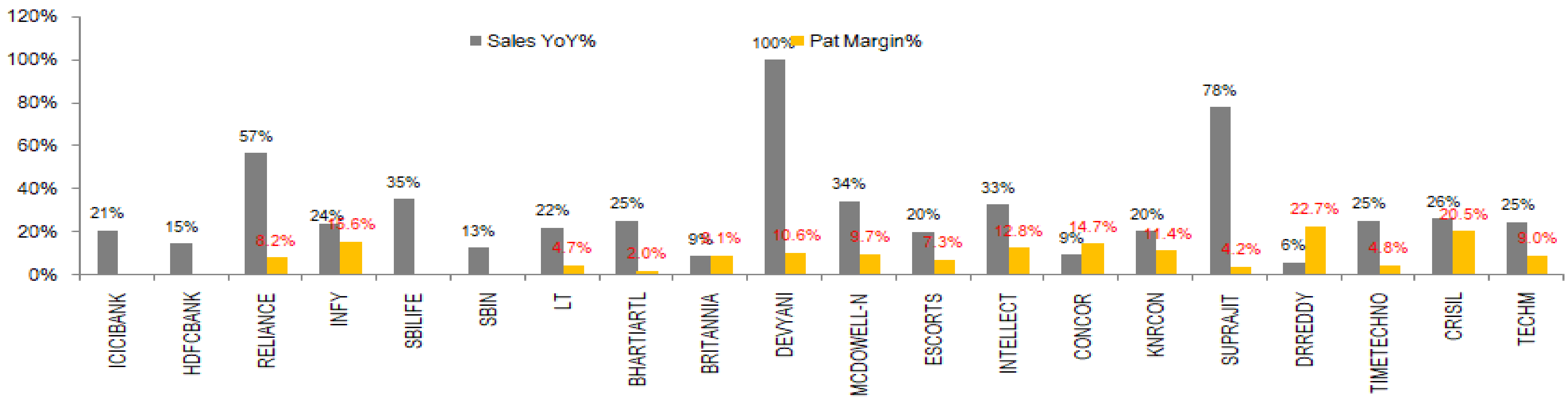
Strategy

India Inc faced multiple headwinds in the past 2 quarters and Q1FY23 results saw the maximum brunt of it. While India Inc. reported healthy top line (revenue) growth damage was most felt in the margins of companies owing to surge in Raw material prices, high freight and power costs, uncertainty on global budget spends leading to pricing pressure, higher outsourcing, chip shortage, currency issue, high interest rate led issues etc. We are looking for opportunities in Industrials- Manufacturing backed by PLI scheme and Defense. We plan to go overweight in the Banking space where we are confident of higher profitability led by higher credit growth and lower GNPA. Signs of revival in rural segment has not yet been witnessed and hence we are under/ normal weight in the relevant companies.

NS Multi Cap Theme Portfolio Q1FY23 Result Review



Top Line Growth	YoY%	QoQ%
NS Multi Cap Theme Model Portfolio	38.9%	-0.8%
Benchmark- Nifty 500	34.4%	2.1%



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BHARTIARTL CMP: Rs 731/- Mkt Cap: Rs 4,06,422Cr

Airtel is a global telecommunications company with operations in 16 countries across South Asia and Africa and ranks amongst the top three mobile operators globally and its mobile network covers a population of over two billion people. Airtel's portfolio includes high speed 4G/4.5G mobile broadband, Airtel Xstream Fiber ,digital TV solutions through the Airtel Xstream 4K Hybrid Box, digital payments through Airtel Payments Bank as well as an integrated suite of services across connectivity, collaboration, cloud and security that serves over one million businesses.

- ❖ The Telecom Analytics market was valued at USD 4.12 billion in 2020 and is expected to reach USD 22.52 billion by 2026, at a CAGR of 32.75%.
- ❖ The company entered into partnership with Google where the latter would invest USD 1 Bn (USD700m in equity and USD300m) towards potential multi-year commercial agreements.
- ❖ Company sees huge opportunity in home business segment and will step up the investments and take it to 2,000 cities with 35m home passes in next three years.
- ❖ Industry has taken average tariff hike of 20% which is in line with Industry move to reach Rs 200 ARPU in medium term and Rs 300 in long term which will help to generate strong cash flow thus resulting in higher EBITDA M going ahead.
- ❖ Bharti enjoys highest ARPU as on March'22 of Rs 178 while the average industry ARPU stands at Rs 157.
- ❖ Nyxtra, Airtel's data center platform to launch new 38MW Hyper scale Data center in Chennai.

	FY21	FY22	FY23E	FY24E
Net Sales	64326	70642	86291	101370
EBITDA	27984	35091	44578	54004
PAT	(25198)	(3625)	4753	12168
ROE (%)	-33%	-5%	5.8%	13.0%
EV/S (X)	5.8	7.3	5.8	4.9
P/E (X)	NA	NA	84.5	33.0
EV/EBITDA (X)	13.3	14.7	11.2	9.2

Notes:

Company has re-prepaid the high-cost spectrum debt liability of Rs. 24,334 cr in last four months much ahead of scheduled maturities.

Bharti Airtel has acquired additional 4.7% stake in Indus Towers from Vodafone.

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BRITANNIA CMP: Rs 3648/- Mkt Cap: Rs 87,822 Cr

Britannia's product portfolio includes Biscuits, Bread, Cakes, Rusk, Dairy products, Salted snacks, Wafers and Croissant including Cheese, Beverages, Milk and Yoghurt. Britannia products are available across the country in close to 5 million retail outlets and reach over 50% of Indian homes. The company's current direct reach is 2.5 mn and Rural Preferred Dealers are 26000.

- ❖ The organized biscuit market in India is estimated at Rs 37,000 cr. with India being the largest producers of biscuit in the world. Cookies account for 35-40%, plain biscuits account for 25% while Cream biscuits and crackers each account for 15%.
- ❖ The Company's focus on driving efficiency through increasing distribution has led to market share gains and widening the gap between the largest competitor till FY22. Current direct reach stands at 25 lac outlets and targets to reach 30 lac outlets.
- ❖ Adjacent business is expected to deliver healthy growth led by better traction from Croissant, dairy drinks, bread & rusk.
- ❖ Current revenue from dairy business is at Rs 500 Crs (Winkin is Rs 100 Crs) and this is expected to reach Rs 2000 Crs in next 5 yrs.
- ❖ Dairy business being margin accretive, commercialization of company's dairy plant in Pune by 2HFY23 will further contribute in both topline and margin expansion.

	FY21	FY22	FY23E	FY24E
Net Sales	13136	14136	15126	16911
EBITDA	2509	2202	2299	2756
PAT	1850	1516	1580	1820
ROE (%)	52.2%	59.3%	44.1%	38.2%
EV/S (X)	6.8	5.5	5.8	5.2
P/E (X)	48.2	50.9	55.6	48.3
EV/EBITDA (X)	35.8	35.3	38.4	31.9

Notes:

The Prevailing inflationary trends across commodity baskets will be taken care through lower discretionary spends, cost saving measures and pricing action.

Group ICD stood at Rs. 698 cr. in FY22 vs. Rs. 941 cr. in FY21.

CONCOR   CMP: Rs 711/-   Mkt Cap: Rs 43,239 Cr

Container Corporation of India Limited (CONCOR) is under the ownership of Indian Railways, Ministry of Railway and GOI. Commenced operating from November 1989, CONCOR's business primarily (80%) comes from EXIM handling and the balance from domestic. Its core business is characterized by three distinct activities, that of a carrier, a terminal operator, and a warehouse operator.

- ❖ Government initiative towards Dedicated Freight Corridor(DFC) which is will be completed up to JNPT Port in the near term will help in shifting road traffic to rail.
- ❖ DFC from Mundra and Pipvav Port to Revari is operational from 1st August 2021.
- ❖ Currently, freight traffic through rail is just 27% which is expected to reach 33% by FY26.
- ❖ Initiatives such as Make in India, PLI schemes , etc. are helping in pushing manufacturing which in turn will increase volume and thereby will improve exports and imports.
- ❖ Containerization of food grains and bulk cement can help in growth of domestic segment.
- ❖ Management is optimistic about obtaining volume of 12 Mn tonnages alone from bulk cement and total domestic volume is expected to reach to 25 Mn tonnes in next 3-4 years.
- ❖Growth in double stacking is seen over last year by over 30% and in corresponding 9 months by over 45-50%.

	FY21	FY22	FY23E	FY24E
Net Sales	6385	7594	8345	9988
EBITDA	1033	1728	1952	2890
PAT	503	1063	1193	1496
ROE (%)	4.9%	9.9%	9.8%	10.8%
EV/S (X)	5.3	5.0	4.8	4.7
P/E (X)	72.4	38.5	36.3	29.0
EV/EBITDA (X)	32.8	22.0	20.6	16.1

Notes:

CONCOR will do long term lease of 35 years for the upfront payment of Rs 6000-7000 cr which will be funded through mix of debt and cash.

Capex guidance of Rs 8000-10000 Crs excluding LLF in next 3-4 years.

CRISIL CMP: Rs 3,351/- Mkt Cap: Rs 24,142 Cr

CRISIL is a market leader in rating business in India with a well-diversified business model. CRISIL has strong back up S&P. The company earned 67% of its revenue from Research Services while Ratings Services & Advisory Services business contributed ~26% and 7% respectively in CY21. Rating business is most profitable business for CRISIL with the operating margin ~ 40% followed by Research & Information business with ~16% margin.

❖ The steps towards nudging large corporates to raise 25% of their funding needs from bond market, persuading insurance & pension regulators to accord recognition to corporate bonds rated in 'A category', once fully implemented, will structurally enhance the bond market's role in India's financing landscape over time.

❖ Supply bottleneck situation in many industries is expected to start debt cycle going forwards considering deleveraged industry structure.

❖ CRISIL has well diversified business model which absorbs cyclicity in rating business.

❖ Free cash flows are used to strengthen the research business through acquisition. Latest the company acquired Greenwhich(26 Feb,2020) (paid 0.8xsales ~Rs 250 cr) with margin ~10% . The company expects to double margin in over 2-3 yrs.

❖ Has 8.9% stake in Care rating. Indirectly play on turnarounds in care ratings.

❖ Emergence of several credit rating issues with different credit rating agencies bodes well for Crisil. Strong parent capability & presence in the board is supporting the research business.

	CY20	CY21	CY22E	CY23E
Net Sales	1982	2301	2644	3152
EBITDA	511	611	719	851
PAT	355	466	523	617
ROE (%)	27.0%	26.6%	28.2%	27.8%
EV/S (X)	6.7	8.8	8.8	7.3
P/E (X)	39.3	48.8	46.4	39.3
EV/EBITDA (X)	26.2	33.1	32.5	27.1

DEVYANI CMP: Rs 185/- Mkt Cap: Rs.22,318 Cr

Devyani International is among the earliest and largest operators of quick service restaurants (QSRs) in India. It is the largest franchisee of Yum brands in India and operates brands KFC & Pizza Hut under its banner. In addition, DIL is also a franchisee of Costa Coffee in India.

❖ Food service is a key segment in the Indian economy, which accounted for US$ 56.5bn (Rs.4236 bn) in FY20, and is estimated to grow at a CAGR of 9% over FY20-FY25 to reach a market size of US$ 86.7bn (Rs.6505 bn).

❖ Rapid growth in QSR will be aided by increased urbanization supported by a younger population with rising income levels and excess disposable income.

❖ As on March'22, company operated 364 KFC stores, 413 Pizza Hut stores and 55 Costa Coffee stores in India. Added 246 net new stores in FY22. The company expects to follow the similar run rate for store addition ahead.

❖ For KFC, the management expects 5-6% SSSG on a sustainable basis.

❖ Long term focus remains on consolidating its presence in the key metro cities while tapping into smaller towns.

❖ It is also focusing more on small format stores which is better in terms of unit's economics as operating cost reduces leading to better per store profitability.

	FY21	FY22	FY23E	FY24E
Net Sales	1135	2084	3116	3985
EBITDA	187	472	732	936
PAT	(63)	155	310	364
RoE (%)	-55%	23%	31%	27%
P/E (X)	-273	135	72	61
EV/S (X)	19.8	10.0	7.1	5.5
EV/EBITDA (X)	120.6	44.3	30.3	23.5

Notes:

DIL is the largest franchisee of KFC in India, contributing ~57% to its overall topline.

Average capex is ~12m per store across its brand portfolio.

DRREDDY CMP: Rs 4,224/- Mkt Cap: Rs 70,271Cr

Dr Reddys Laboratories is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad. The Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients (APIs), Custom Pharmaceutical Services (CPS), generics, biosimilars and differentiated formulations.

❖The value of injectable molecules in 2020 which are expected to lose patent protection between 2021 and 2025 is approximately US$67.7 billion.

❖Pharmaceutical companies switching from Rx to OTC drugs especially in the U.S- In the past 30 years, the FDA has converted more than 700 prescription (Rx) products to OTC status. This number will only increase.

❖ DRRD has a robust pipeline of 90 ANDAs pending approval, which would support its long-term aspirations in the US. Out of total, 87 ANDAs and 3 NDAs pending for approval; 44 are Para IV and 24 have first to file status.

❖Biosimilars are the next focus area for DRL; it has 6 products in the emerging market. There are around 9 biosimilars (mostly oncology and autoimmune diseases.) under different level of development.

	FY21	FY22	FY23E	FY24E
Net Sales	18420	20514	22054	24044
EBITDA	3870	3768	4757	5185
PAT	1952	2183	2932	3230
ROE (%)	11.1	11.4	13.5	13.2
EV/S (X)	3.8	3.2	3.0	2.6
P/E (X)	38.5	32.7	24.0	21.8
EV/EBITDA (X)	18.8	18.1	13.9	12.3

Notes:

US revenues getting slower, many injectible products getting off patented and that is the opportunity- 25% of DRL US sales is injectable.

Company launching products in Europe and Emerging countries already launched in US and hence leveraging its strengths.

HDFCBANK	CMP: Rs 1463/-	Mkt Cap: Rs 7,95,848 Cr

HDFC BANK is the largest private sector bank in India with the total assets base of Rs 20 Trillion and network of 6342 branches,15341 BC outlets, 18130 ATMs and 141579 employees. HDFC BANK offers complete suit of financial products to its clients through subsidiary (HDB Financial and HDFC Securities) and the products of its parent company HDFC Ltd.

❖ Over the last ten years, PSU banks have lost market share to more nimble and better managed private banks from 81% in 2009 to 66% in 2019. Private Bank currently hold around 15% Rural Market share and 33% Urban Market share.

❖ Under project Future Ready, it has identified commercial and rural banking (CRB) as new growth engine and is steadily becoming the largest lender in MSME financing.

❖ To capture the rural market share bank is running a sustainable livelihood initiatives wherein it is creating VLE centers with tie up with various organizations and these network will be used to offer products to citizens across country.

❖ HDFCBANK is well placed to manage its low risky exposure with the relatively strong PCR of 71%.

❖ Despite the aggressive expansion plan, cost ratio will decline by nearly 300 bps over the next 3-5 years. Use of digital and technology driven lending process will drive this cost reduction.

	FY21	FY22	FY23E	FY24E
NII	64880	72010	83911	104019
PPP	57362	64077	72197	87680
PAT	31117	36961	43297	51791
ADVANCES	1132837	1368821	1642585	1971102
DEPOSITS	1335060	1559217	1888029	2265635
NNPA (%)	0.40	0.32	0.33	0.31
ROE (%)	16.6	16.7	16.8	17.5
ROA (%)	1.9	1.9	1.9	1.9
P/B (x)	4.0	3.4	3.0	2.6

Notes:

Margin expansion would be aided by pick up in retail loan segment.

Pressure in auto segment will increase in the provisioning run rate.

ICICIBANK CMP: Rs 871/- Mkt Cap: Rs 5,95,469 Cr

ICICI Bank is the 2nd largest private bank in India with the total assets base of Rs 14113 Bn as on FY22. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. The bank has a network of 5,418 branches and 13626 ATMs across India.

❖ Credit Penetration in India is low at 62% vs developed economies like US, China, Singapore and Hong Kong of 121%, 147%, 316% and 314% respectively.

❖ Private Banks is gaining market share due to the consolidation happening in the PSU banks. ICICIBANK has deposit and advances market share of 5.8% and 6.7% in FY21, an increase of 20 bps and 50 bps over previous year respectively.

❖ Retail loan now constitute 68% vs 36% in FY12. From FY15-20 incremental lending to retail was 94% for ICICIBANK vs 51% for HDFCBANK. Corporate is now 27% vs 60% in FY12. It transformed from corporate to retail lending. This possess less risk of bulky slippages.

❖ NIM differential as compared to HDFCBANK has narrowed to 23 bps in FY22 vs 110 bps in FY16 due to majority of incremental lending to retail assets.

❖ Stressed assets peaked in FY18. GNPA declined from 8.8% in FY18 to 3.6% in FY22. Provisions as a % of PPP is likely to fall below 25% over the next 2 years from average of 54% (FY16-FY22).

	FY21	FY22	FY23E	FY24E
NII	38990	47466	56189	67408
PPP	36397	39250	45200	54139
PAT	16192	23339	27947	32749
ADVANCES	733729	859020	1013644	1196100
DEPOSITS	932522	1064572	1192522	1407177
NNPA (%)	1.14	0.76	0.66	0.61
ROE (%)	12.3	14.7	15.3	15.5
ROA (%)	1.4	1.8	1.9	1.9
P/B (x)	2.7	3.0	3.1	2.7

Notes:

Stress book (BB & below) has declined from Rs 13098 Cr in FY21 to Rs 10808 Cr in FY22.

Management guided for C/I ratio to decline in medium to long term.

Subsidiary provided value of Rs 130 per share

INFY	CMP: Rs 1522/-	Mkt Cap: Rs 6,11,529 Cr

INFOSYS is an IT services, consulting and business solutions organization. It is a global leader in next-generation digital services and consulting. It enable clients in 46 countries to navigate their digital transformation. With nearly four decades of experience in managing the systems and workings of global enterprises, INFY expertly steer through clients through their digital journey.

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- ❖ Worldwide IT spending is projected to total $4.4 trillion in 2022, an increase of 4% from 2021, and bump to $4.6 trillion in 2023, according to researcher Gartner. Within IT services and solutions, BFSI is the largest vertical, contributing to more than 50% of revenue and INFY's more than 30% of revenue comes from BFSI sector.
- ❖ Management guided of 13-15% revenue growth in CC term and EBIT margin 21-23% in FY23.The guidance has factored all the headwinds like increasing travel and facility cost, sub- con cost, onsite- offshore mix and increase compensation to employees.
- ❖ Revenue growth is aided by increase in average deal TCV which has gone up to $ 2400 Mn (FY19-22) compared to $ 700 Mn (FY15-18). This could further increase on account of robust demand and strong deal pipeline.
- ❖ As attrition stabilizes, dependence on subcontractors will reduce which will be one of the key levers to support margins.
- ❖ Compare to its peer INFY has reported better revenue growth from last 3 years.

	FY21	FY22	FY23E	FY24E
Net Sales	100472	121641	137586	154798
EBITDA	27889	31491	32745	37616
PAT	19423	22146	22550	26356
ROE (%)	25.4%	29.4%	26.4%	27.2%
EV/S (X)	5.5	6.4	4.5	3.9
P/E (X)	29.9	36.1	28.3	24.2
EV/EBITDA (X)	19.9	24.8	18.7	16.0

Notes:

Announced buyback of Rs 9200 Bn. In last 4 years INFY has paid almost 90% of it CFO as a dividend/Buyback.

Digital revenue contribution increased to 59.2% in FY22 from 48.5% in FY21 and 39% in FY20.

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INTELLECT CMP: Rs 587/- Mkt Cap: Rs 7,845 Cr

Intellect Design Arena Limited is a global leader in Financial Technology for Banking, Insurance and other Financial Services. Its full-spectrum suite of products is offered under focused lines of business: Global Consumer Banking (iGCB), Central Banking, Global Transaction Banking (iGTB), Risk, Treasury and Markets (iRTM), and Insurance (Intellect SEEC). Headquartered in Chennai , it serves in more than 95 countries with 30 plus global partners and 260 plus global banking clients.

- ❖ The company aspires to achieve 20% plus revenue growth from FY22 to FY25.
- ❖ License linked revenue is increasing and contributed around 57% in FY22 compared to 33% in FY15.
- ❖ Management is aspire to attain 60% Gross margin and 30% EBITDA Margin on back of transition from product to platform.
- ❖ Deal wins and pipeline is improving and company is acquiring premium clients which would aid the growth.
- ❖ Increase in revenue of license will make sure better margin as well as stability in revenue for Intellect going ahead.

	FY21	FY22	FY23E	FY24E
Net Sales	1497	1878	2230	2666
EBITDA	355	472	491	667
PAT	265	350	296	416
ROE (%)	18.8%	19.2%	14.2%	17.0%
EV/S (X)	6.4	5.0	3.7	3.0
P/E (X)	37.2	28.8	26.7	19.0
EV/EBITDA (X)	27.1	20.3	14.6	10.3

Notes:

Company is debt free with cash of Rs 159 Crs in FY22.
Implementation cycle has come down from 18-24 months to 6-12 months which is helping in better collection.

KNRCON	CMP: Rs 261/-	Mkt Cap: Rs 7,413 Cr

KNRCL is a multi-domain infrastructure project development company providing (EPC) engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management.

- ❖ Government capex allocation and push towards infrastructure in union budget will drive the sector. The target is to achieve a pace of constructing 100 kms/day of highway construction which is now 37 kms/day.
- ❖KNRCON reported strong order book of Rs 9,001 Crs as on March’22 backed by robust order inflow from HAM and EPC projects.
- ❖ The strong order book ensure the robust revenue growth over next 2-3 years.
- ❖ Along with the robust order inflow from Road, Irrigation projects, execution will be at peak during next 2 years.
- ❖ Strong relationship with Cube Highway will continue to support for the assets monetization.
- ❖There is a on-going concern on O/S receivables from Telangana government amounting Rs 650 Crs (billed & unbilled) which is expected to resolve in coming quarters.

	FY21	FY22	FY23E	FY24E
Net Sales	2703	3273	3565	4244
EBITDA	536	678	604	721
PAT	244	382	297	368
ROE (%)	13.1%	17.0%	11.7%	12.8%
EV/S (X)	2.1	2.4	2.1	1.7
P/E (X)	23.9	20.9	24.7	19.9
EV/EBITDA (X)	10.7	11.6	12.2	10.2

Notes:

Irrigation project pipeline, a high margin business for the company

KNRCON has Transferred its 49% stake in KNR Tirumala Infra Pvt Ltd and KNR Shankarampet Projects Pvt Ltd to Cube Highway and Infrastructure III Pte Ltd on Dec’21.Balance 51% stake sale for the above 2 projects will be completed on or before 30th June 2022.

LT CMP: Rs 1,905/- Mkt Cap: Rs 2,54,009 Cr

Larsen & Toubro (LT) Ltd is India-based technology, engineering, construction and manufacturing company. The company operates in 5 segments includes Hydrocarbon , IT & Technology Services, Financial Services, Developmental Projects and Others which comprising of Realty, Shipbuilding, Ready Mix Concrete, Mining and Aviation.

- ❖ The National Infrastructure pipeline has been expanded to 9,335 projects with total envisaged investments of ~ Rs108 trillion between FY20 and FY25. Along with this, the capex outlay announced in the Union Budget has been stepped up by 35.4% to Rs 7.50 lakh Crs in FY23 and government push towards infrastructure development will be the key drivers.
- ❖ IT segment is continuously increasing its share in the pie and is expected to contribute~ 25-30% to the topline in next 4-5 years.
- ❖ Divestment of its non-core business will help to free up equity and management bandwidth will boost the overall RoE. Exploring various opportunities to divest its entire stake in Nabha Power Plant and remaining 51% stake of IDPL.
- ❖ Company continues to remains optimistic on defence sector on the back of multiple order inflows and healthy order book.
- ❖ Healthy order pipeline along with better execution and strong order book will drive the overall topline.

Standalone	FY21	FY22	FY23E	FY24E
Net Sales	87255	101000	114727	126556
EBITDA	8309	9055	10649	11990
PAT	3147	7879	7617	8916
ROE (%)	23.7%	11.3%	10.2%	10.7%
EV/S (X)	2.4	2.5	2.4	2.2
P/E (X)	16.4	31.8	35.3	30.1
EV/EBITDA (X)	25.6	28.3	26.3	23.1

Notes:

Commodity price headwinds and supply chain disruption to continue

Upsurge in Oil & Gas prices will lead to strong spending in Hydrocarbon activity.

As per the strategic plan of 5 years, company has targeted revenues and order inflow CAGR of 15% and 14% respectively over FY21-FY26 with a consolidated ROE of 18%.

Hyderabad metro’s bank loan of Rs 13000 Crs completely refinanced with NCD/commercial paper resulting in interest saving of ~ Rs90-100 Crs every quarter.

M&M CMP: Rs 1268/- Mkt Cap: Rs 1,57,481 Cr

MAHINDRA AND MAHINDRA LIMITED is the most diversified automobile company in India with presence across 2Ws, 3Ws, PVs, CVs & Tractors. It is the second largest player in UV segment and largest tractor manufacturer in India.

- Passenger Vehicle industry is poised to grow at strong double digits based on new product launches and increased personal mobility demand. The growth will be even stronger in Utility Vehicles with expansion in market size and increasing contribution in overall pie.
- The company has strong order pipeline of over 2 lakh units (majorly for XUV700 and Scorpio N) which gives volume visibility for next 2 years.
- New management team with focus to improve capital allocation and revamp other group businesses will improve overall group level profitability and return ratios.
- Management's strategy to position itself in both urban and rural markets with different products and brand logo will pave the way for growth going ahead.
- The tractor industry is expected to report flat to low single digit volume growth in FY23. However, it is expected to bounce back in FY24 and we expect around 10% volume growth based on recovery in rural market.

	FY21	FY22	FY23E	FY24E
Net Sales	44630	57446	69700	82173
EBITDA	6957	7042	9200	11915
PAT	984	4935	5504	7135
ROE (%)	2.8%	12.7%	12.9%	14.8%
EV/S (X)	0.6	0.9	1.5	1.2
P/E (X)	28.8	11.4	19.7	15.2
EV/EBITDA (X)	3.6	7.3	11.1	8.4

Notes:

The company raised around Rs.1,900 crores from British International Investment (BII) for its new EV company at a valuation of ~Rs.70,000 crores (USD 9.1 billion).

M&M has also launched two new platforms (BE and XUV) for its EV products and plans to launch 5 products between 2024-2026.

MCDOWELL-N CMP: Rs 809/- Mkt Cap: Rs 58,509Cr

MCDOWELL-N is a spirits company engaged in the business of manufacture, purchase and sale of alcoholic beverages with a net revenue over Rs cr. Mcdowell-N is a subsidiary of Diageo PLC. The company has strong brand presence with the brand like Johnnie Walker, Black Dog, Black & White, Vat 69, Antiquity, Signature, Royal Challenge, McDowell's No 1, Smirnoff, and Captain Morgan. Its product portfolio caters need of every segment from popular to luxury. The company has strong pedigree of management and follows strong business ethics.

- ❖ In India alcoholic beverage market size is estimated to be at USD 52.5 bn in 2021 with an expectation to grow at a CAGR of 6.8% till 2023.
- ❖ The Company is the market leader in the Indian spirits market with a volume market share of ~33% as of FY21.
- ❖ Premiumisation drive and focus on reshaping product portfolio in the Prestige & above (P&A) segment will further increase the segmental contribution. Contribution from P & A segment has increased from 63% in FY18 to 73% in FY22.
- ❖ In order to strengthen the fastest growing premium Gin segment in India, the company has acquired 22.5% stake in Nao spirits for Rs. 31.5 cr.
- ❖ Management guided of double digit top-line growth and mid to high teens margin.

	FY21	FY22	FY23E	FY24E
Net Sales	7889	9382	9795	10000
EBITDA	988	1511	1577	1740
PAT	310	770	1787	1162
ROE (%)	7.5%	15.7%	26.7%	14.8%
EV/S (X)	5.2	6.1	5.8	5.6
P/E (X)	130.3	74.2	32.9	50.7
EV/EBITDA (X)	41.4	37.6	36.1	32.1

Notes:

Higher focus on Prestige & Above segment, conducive state government policies, improved mobility & removal of Covid led restriction will drive growth ahead.

Will continue higher investments in Ad & P (7-8%)going forward.

RELIANCE CMP: Rs 2,623/- Mkt Cap: Rs 17,71,645 Cr

Reliance Industries Limited is an Indian multinational conglomerate company and private entity headquartered in Mumbai, India. RIL's diverse businesses include energy, petrochemicals, natural gas, retail, telecommunications, mass media, and textiles.

❖ Reliance Jio has taken 20% hike in tariff which is in line with Industry move, will help to generate strong cash flow. This will result into higher EBITDAM going ahead.

❖ Capex for the 5G is expected to roll out from FY23 and company has enough balance sheet strength to fund the capex requirement.

❖Reliance Retail over the last five years has created an ecosystem (online+offline) with massive scale (revenue and stores) which is well ahead of peers. The company added 2566 new stores in FY22 with overall stores crossing 15000 benchmark with coverage of 41.1 million square feet, which is well ahead of other Indian player. Strong store addition in retail business will continue to accelerate the business growth.

❖ The recent acquisitions in the green energy business will continue to add the technological capability, which will help to achieve 100 GW of solar panel manufacturing target.

❖ The traditional business will continue to grow in line with broader economy growth.

	FY21	FY22	FY23E	FY24E
Net Sales	466924	699962	861600	889900
EBITDA	80737	110460	145800	147100
PAT	49179	60630	78500	80000
ROE (%)	7.0%	7.8%	9.2%	8.6%
EV/S (X)	3.0	2.6	2.2	2.1
P/E (X)	25.7	27.6	21.5	21.1
EV/EBITDA (X)	17.5	16.5	13.2	12.9

Notes:

Post the tariff increase ARPU has increase to 152. In the medium term ARPU will be Rs 200 & Rs 300 in long term.

Jio Mart is integrated with WhatsApp, this will further speed up the retail business growth.

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SBILIFE CMP: Rs 1313/- Mkt Cap: Rs 1,30,032Cr

SBI Life is one of the leading private life insurance companies, offering a comprehensive range of savings and protection products through a strong distribution network. SBI Life Insurance Company Limited, is a joint venture between State Bank of India (SBI) (currently holds 55.5% stake) and BNP Paribas formed in 2001. SBI Life was the first private sector insurer to achieve breakeven in FY06.

❖ The life insurance industry in India has relatively low penetration of 3.2% (Premium as a % of GDP) as compared to other parts of the world.

❖ Being part of SBI group, it has vast opportunity to tap the group's large distribution network of 24000+ branches. It has tapped around 2% of the SBIs clients and hence potential for growth is long.

❖ With Individual APE market share of ~13.5% as of FY21, SBILIFE is the market leader among the private life insurers. Favourable demographics, increasing customer awareness about financial products, and the strong distribution network of its parent SBI should aid a strong performance for the company.

❖ SBILIFE has one of the lowest expense ratio among the peers at 8.5% in FY21.

❖ Margins are expected to improve with increasing share of protection and other high margin business, annuity products and increasing share of single premium policy sales.

	FY21	FY22	FY23E	FY24E
Net Premium	49768	58432	70139	84611
PAT	1456	1506	1648	1819
AUM	220871	267400	323549	390515
VNB	2660	3700	4593	5759
VNB Margin	23.2%	25.9%	26.6%	27.0%
EV	33386	39645	47122	56311
RoEV (%)	27.0%	18.7%	18.3%	19.5%
P/EV (x)	2.6	2.8	2.8	2.3

Notes:

It has comfortable Solvency ratio of 2.09

Apart from SBI, it has 12500 plus other banks partner branches selling its products.

Life insurance is expected to see strong recovery post pandemic.

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SBIN CMP: Rs 524/- Mkt Cap: Rs 4,58,770 Cr

SBI is largest bank in India with the total assets base of Rs 49876 Bn and network of 22266 branches, 68016 BC outlets and around 250000 employees. SBI provides a wide range of products and services to individuals, commercial enterprises, large corporates, public bodies, and institutional customers through its various branches and outlets, joint ventures, subsidiaries, and associate companies. Govt of India holds 56.9% stake in the bank.

❖ SBI holds market share of 22.6% and 23.6% in advances and deposits respectively in FY20. SBI is the only PSU bank which has been able to sustain its deposit market share of ~24% after the consolidation.

❖ SBI has the opportunity to cash on corporate lending story as most of the private lenders has shifted its focus towards retail lending.

❖ High provision cycle to end- SBI has provisioned on an average 72% of its PPP during FY15-22. Majority of stressed assets has been provided and the provisions to PPP is likely to fall around 30% in FY24 giving major boost to the bottom-line.

❖ The bank remains committed to deliver 15% RoE on a sustainable basis.

❖ As the digital economy is thriving, SBI is also moving forward with its technological developments and growing its presence in multi-channel platforms, keeping itself ahead in the curve. SBI YONO app has 4.83 Cr + registration in FY22.

	FY21	FY22	FY23E	FY24E
NII	110710	120708	136519	151974
PPP	70014	75292	78891	90255
PAT	20410	31676	36408	43351
ADVANCES	2449497	2733967	3062043	3429488
DEPOSITS	3681277	4051534	4476670	4970272
NNPA (%)	1.5	1.0	1.0	1.0
ROE (%)	8.4	11.9	12.3	13.2
ROA (%)	0.5	0.7	0.7	0.8
P/B (x)	1.3	1.6	1.5	1.4

Notes:

With CET 1 ratio of 9.4%, equity dilution is imminent as the growth picks up but management feels that they are comfortable on capital for growth.

However dilution will come with PAT CAGR of ~32% over FY20-24.

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SUPRAJIT CMP: Rs 341/- Mkt Cap: Rs 4,697 Cr

SUPRAJIT is one of the largest 2 wheeler automotive cable manufacturer globally and it is headquartered in Bengaluru. It holds 70% market share in domestic OEMs. The company operates in 3 verticals automotive cables, automotive lamps and non automotive cables. Exports contributes around 40% of revenues. The company has total 21 manufacturing plants.

- The cable aftermarket segment is largely unorganized (~70%) and provides ~Rs.1900 crores of opportunity going ahead. The company holds around 70% market share of organized sector.
- The company is expected to benefit from shift from China. It has seen continuous addition in client base both in automotive and non-automotive segment which will drive the growth.
- Kongsberg acquisition will open up US passenger vehicle market and also provides cross selling opportunity for Suprajit.
- Suprajit Technology Center has an order book of over Rs.100 crores and it will garner better margin profile going ahead as it will cater to technologically advance products and EVs. Currently this is in initial phase and will take 1-2 years to reach significant revenue contribution.
- After recent price correction, the stock looks attractive at current valuations level.

	FY21	FY22	FY23E	FY24E
Net Sales	1641	1840	2754	3126
EBITDA	237	260	270	397
PAT	143	173	126	222
RoE (%)	14.4%	16.0%	10.8%	16.3%
P/E (X)	27.0	27.4	37.3	21.3
EV/S (X)	2.3	2.5	1.8	1.5
EV/EBITDA (X)	16.1	17.6	18.1	12.0

Notes:

The demand in 2 wheeler industry is impacted. Passenger vehicle and aftermarket growth will be comparatively higher going ahead.

There could be structural shift in margins due to Kongsberg acquisition as it commands lower margins compared to Suprajit. However, it may offset by cross selling opportunity in US.

TECHM CMP: Rs 1086/- Mkt Cap: Rs 1,00,259Cr

Tech Mahindra is an Indian multinational company that provides information technology (IT) and business process outsourcing (BPO) services. The Mahindra Group is a USD 20.7 billion federation of companies that enables people to rise through innovative mobility solutions, driving rural prosperity, enhancing urban living, nurturing new businesses and fostering communities.

- The communication sector contributes around 40% to the company's revenue and going forward transformation of service providers and 5G roll out would be the growth driver .
- The BFSI spend in IT is about 7-8% and TECHM is continuously focusing on this segment and revenue contribution has also increased from 13% in FY17 to around 16% in FY22.
- Company is focusing on Insurance segment as the sector is going through significant digital transformation driven by emergence of new business models and with recent acquisition of CTC business performance will improve.
- Strong deal wins and robust pipeline would help in achieving double digit growth in FY23.
- Management's three year plan of Repair, Rally and Rise would help the company to emerge stronger.
- Company is focusing towards margin improvement through cost optimization and is confident about achieving EBIT margins of around 15% in FY23.

	FY21	FY22	FY23E	FY24E
Net Sales	37855	44646	51706	58474
EBITDA	6796	8020	8480	9531
PAT	4352	5627	5376	6350
RoE (%)	17.5%	20.9%	18.6%	20.0%
P/E (X)	19.9	23.4	17.7	15.0
EV/S (X)	2.0	2.8	1.7	1.5
EV/EBITDA (X)	11.2	15.6	10.5	9.3

Notes:

Net cash flow from operation is Rs 5285 Cr for the FY22.
Net new deal wins in FY21 stood at USD 3.28Bn and the quarterly run rate is expected to be in between $ 700 Mn- $1000 M .

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TIMETECHNO CMP: Rs 121/- Mkt Cap: Rs 2,710 Cr

Time Technoplast Ltd is a leading manufacturer of polymer products. It has Strong presence in Asia & MENA regions with presence in 10 different countries outside India with 14+ recognized brands and works with >900 institutional customers globally. The company's portfolio consists of technically driven innovative products catering to growing industry segments like, Industrial Packaging Solutions, Lifestyle Products, Automotive Components, Healthcare Products, Infrastructure / Construction related products, Material Handling Solutions & Composite Cylinders.

❖ Shift from steel drums to polymer drums, gradual shift from metal cylinders to composite cylinders (CC) and shift to bulk from small packaging through intermediate bulk containers (IBC) will remain the key growth drivers for the Company as it is the largest producer of polymer drums, 2nd and 3rd largest producer of CC and IBC.

❖ Management has guided to take the revenue to Rs.5000 cr. with EBITDA margin in the range of 14.5%-15.5% with an ROCE of 20% by 2025.

❖ Company's focus on increasing the contribution from value added products (Composite cylinder, Intermediate bulk containers etc. through better penetration) to 32%, currently stands at 22% will lead to margin expansion going ahead.

❖ The Company's strategy of passing the input inflation has helped in maintaining stable gross margin in the range of 29.5%-30.5% over the years and the same strategy ensure margin protection ahead.

	FY21	FY22	FY23E	FY24E
Net Sales	3005	3650	4147	4645
EBITDA	387	506	560	664
PAT	106	192	225	301
ROE (%)	5.6%	9.3%	9.9%	11.9%
EV/S (X)	0.5	0.4	0.7	0.6
P/E (X)	12.9	7.5	12.1	9.1
EV/EBITDA (X)	4.0	3.2	5.3	4.2

Notes:

Currently has Tender for supplying 1.5 million cylinders in the next 24 months from one of the largest gas company.

Expect composite cylinder to become next growth driver for the company.

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