MARKET pulse

August 2023

Dear Investors,

MARKET PULSE, the monthly report from ACMIIL, aims to provide insightful perspectives on all aspects of the market, the Fundamental, Technical, and Derivatives. The report contents

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MARKET PULSE aims to capture the market in all its hues and colors and provides a range of information that helps in making wise investment decisions.

Regards,
Research Team
ACMIIL

Contents

Overall Outlook

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Domestic Market Update

The Indian equity Market continued positive momentum & closed 4th consecutive month in positive territory. Nifty and Sensex ended positive monthly closing of around 2.9% and 2.8% respectively. It's sustaining above break out levels after consolidating in the range for around 19 to 20 months & closed 2nd consecutive month above it. Broader market also continued positive momentum for 4th consecutive month. BSE Midcap and BSE Small cap remained outperformer. It ended monthly in positive territory with a sharp gain of around 5.7% and 7.3% respectively. FPI bought equity worth ₹ 13922.01 crore and DII sold worth ₹ 1184.23 crore for the month of July.

The recent earning season so far looking good except for a few sectors & specific company. It's showing growth in topline & bottom line and there is sharp improvements in EBITDA margin of companies which directly related to specific commodity prices. We already stated about scope of margin improvements due to sharp fall in commodity prices in general in our earlier outlook as well. The management commentary are also positive except for few sectors having global head winds like IT, chemicals etc.

India's PMI data (both Manufacturing and Service) is showing sharp uptick & came around 61.9 for the month of july. Its showing improvements due to new order inflow both from domestic & export. CPI for the month of june came around 4.80% which is showing uptick due to rise in food inflation. It can remain at such elevated levels due to rise in fruits, vegetables & grain prices. The monsoon development & arrival of new crop will be the key to moderate food inflation going forward.

RBI kept pause in policy rate in the June meeting. It's also suggesting softening stance regards to future interest rates hikes supporting growth. Their ultimate aim to target inflation below 4% and future policy action will be towards that aim & data dependent. Monsoon developments is to watch out in coming months to control food inflation.

Corporate earnings growth momentum, Strong GST collection, Capex cycle revival, Strong credit growth, strong domestic demand, softening commodity prices, stability in Rupee, Retail equity appetite through direct & Mutual fund investments these are the strong fundamental forces to drive equity market for higher levels targets in medium to long term.

The geopolitical concern (Russia- Ukraine war), Rise in Inflation & global slowdown due to high interest rates will be a uncertain risk that can hamper overall economic growth of the country.

We continue to bullish on some of the sectors like Auto and Auto Ancillary, Cements, Defense, Railways, consumer durables, FMCG, Capital goods and Engineering, Infrastructure, Construction, Banking and Financials etc. which are going to be outperformer in the rally ahead. Some of the laggard sectors also has some value buying opportunity to accumulate at lower levels includes Information Technology, Specialty Chemicals and Metals etc.

Finally, market is closed above breakout levels of around 18800-18750 levels. We are re-iterating same view for higher levels targets of around 21000 to 22000 levels in medium to long term perspectives.

Global Market Update

Global Indices particularly Dow Jones, S&P 500 and Nasdaq composite ended positive month & gained around 3.3%, 3.1% and 4% respectively. US market continued its positive momentum after break out from range on upside as expected. Short to medium term trend particularly looks positive on US market till it's proven otherwise.

S&P global composite PMI came 52.4 for the month of july. These numbers indicating sluggish growth due to decline in new order win & slowdown in manufacturing activity. The PMI numbers showing no improvements from last couple of months.

The US economy grew by an annualized 2.4% on quarter in Q2 CY 2023, well above estimate. The US economy is still resilience due to strong employment levels & consumer spending in spite higher interest cost. Many economist already commented that US economy may slow down in next year ahead of high interest cost but will not be going in to recession.

Federal Reserve increased policy rate by 25 bps (5.25% to 5.50%) range as widely expected in july meet. Fed governor indicated future course of any policy action is data dependent & want to evaluate earlier rate hikes effects on economy. Many analysts already stated as its close to pivot levels & end of hike in policy rate cycle. Their efforts to bring down inflation toward target range of 2% through policy action.

BOE & ECB also increased policy rate by 25 bps respectively in July meeting. BOE & ECB policy rates now stands at 4.25% & 5.25% respectively. Inflation in Eurozone and UK are showing sign of moderation on monthly basis.

The escalating geopolitical tensions raise serious concerns about the fragmentation of the global economy & the financial system. Economic slowdown worry due to rising interest scenario will continue to be a headwind for world economy.

Crude oil prices sharply inched in the month of july. Brent crude trading around $85.78 levels. It's trading near higher end of range. There is sharp supply cut by OPEC+ & voluntary monthly supply cut extension by Russia & Saudi Arabia for price stability is the main

Overall Outlook

reason behind sharp inch up in the crude oil prices. On the other hand, EIA & many global agencies is predicting increase in global demand in second half of CY23. It has strong resistance at $89 to $ 90 levels. Breaching of these levels due to any uncertain reason will lead to sharp rise in crude oil prices & its potential risk for global economies & particularly country like India.

Conclusively, Indian market remained outperformer in spite of being global headwinds. Market has given breakout from this timewise consolidation range on upside as expected. The structural long term equity bull market for India is intact driven by strong domestic driving forces as mentioned above. The corporate earning is improving in FY24 as expected & mentioned earlier. Its positive trigger for Indian equity markets.

We feel India is in a very good spot in this economic slowdown worry because of its favorable policy reforms and domestic growth. According to S&P Global, Overall big picture of multi-year growth upcycle in Indian economy is still intact. Capital accumulation and enhancement in physical and digital infrastructure will drive the Indian economy to average 6.7% growth over the next eight years, doubling its size to $6.7 trillion by FY31.

We continue to reiterate same view that these to BUY stock specific at current levels or any kind of decline or consolidation for 2 to 3 years Investment perspectives.

Global Indices Performance

Index	30-Jun-23	31-Jul-23	Change MoM
Dow Jones	34,408	35,559	3.3%
S&P 500	4,450	4,589	3.1%
Nasdaq	13,788	14,346	4.0%
CAC 40	7,400	7,498	1.3%
DAX	16,148	16,447	1.9%
FTSE 100	7,552	7,698	1.9%
Nikkei 225	33,189	33,172	-0.1%
Hang Seng	18,916	20,079	6.1%
Shanghai	3,202	3,291	2.8%
Nifty 50	19,189	19,754	2.9%
BSE Sensex	64,719	66,528	2.8%
Brent Crude ($)	75.1	85.2	13.5%
WTI Crude ($)	70.4	81.7	16.1%

Sources : Yahoo Finance /BSE

Domestic & Sectoral Indices Performance

Index	30-Jun-23	31-Jul-23	Change MoM
Nifty 50	19,189	19,754	2.9%
Nifty IT	29,563	29,928	1.2%
Nifty Next 50	43,750	45,287	3.5%
Nifty Bank	44,747	45,651	2.0%
NIFTY MIDCAP 100	35,754	37,721	5.5%
Nifty 500	16,430	17,059	3.8%
Nifty 100	19,100	19,679	3.0%
Nifty Midcap 50	10,127	10,823	6.9%
Nifty Realty	520	567	9.0%
Nifty Infra	5,739	6,115	6.6%
Nifty Energy	24,697	26,854	8.7%
Nifty FMCG	52,195	52,637	0.8%
Nifty MNC	21,840	22,491	3.0%
Nifty Pharma	13,768	14,992	8.9%
Nifty PSE	5,082	5,511	8.5%
Nifty PSU Bank	4,110	4,621	12.4%
Nifty Serv Sector	24,873	25,294	1.7%
India VIX	10.8	10.4	-3.6%
Nifty Auto	15,148	15,708	3.7%
Nifty Metal	6,209	6,758	8.8%
Nifty Media	1,744	2,062	18.2%

Sources : NSE

MARKET pulse

Accumulate

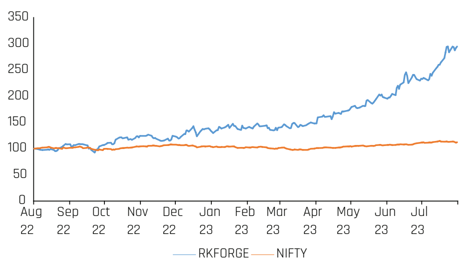
Key Data	
DATE	07.08.2023
Reco Price	560 - 570
Target	725
Upside	27.21%
Sector	Capital Goods - Castings & Forgings
Bloomberg Code	RMKF:IN
BSE Code	532527
NSE Code	RKFORGE
EPS (FY23)	42.7
Face Value (Rs.)	2.0
Market Cap (Mn)	90,009.8
Shares O/s (Mn)	160.0
Debt/Equity (x)	1.0
52-week High (Rs)	575.0
52-week Low (Rs)	175.5

Source : NSE. BSE

Shareholding pattern (June-2023)	%
Promoters	46.27
DIIs	4.20
FIIs	16.34
Public	33.19
Total	**100.00**

Source : NSE. BSE

Price Performance



Rebase to 100

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Ramkrishna Forgings Limited

Company Background

Ramkrishna Forgings Limited (RKFORGE) was incorporated in 1981, primarily engaged in the manufacturing and sale of forged components for automobiles, railway wagons & coaches, and engineering parts. Its products include rolled products, forged products, and machined products. RKFL is also a critical safety item supplier for screw coupling, bolster suspension, side frame keys, and draw gear assembly for railway coaches and wagons. The Company has manufacturing facilities in Gamaria, Adityapur industrial area, Baliguma, Dugni at Saraikela, Jamshedpur in Jharkhand, and Liluah in West Bengal. The Company's wholly-owned subsidiaries include Globe All India Services Limited, Ramkrishna Aeronautics Private Limited, and Ramkrishna Forgings LLC, USA.

RKFL manufactures forged and computer numerical control machined components for the automobile, railways, defense, oil & gas, and mining sectors. The company produces components for transmissions and axles, including shafts, gearboxes, crown wheels, pinions, spindles, and bearing rings for the automotive sector.

Outlook and Valuation

The company's growth will be driven by several factors: (1) robust management guidance, (2) organic and inorganic growth plans, and diversification strategies, (3) timely commissioning of new capacities, (4) management's focus on sustaining high operating margins, and (5) a widening product portfolio. We believe the company is well-positioned to capitalize on these opportunities. Looking ahead, **we expect the company's revenue to grow at a Compound Annual Growth Rate (CAGR) of 22% over FY23-FY26E.** Therefore, we recommend investing in Ramkrishna Forgings Limited, with a target price of Rs. 725 based on FY26E EPS of Rs. 42.7 and a forward PE valuation multiple of 17. **It appears to be a value buy with significant growth potential for medium to long-term investment. As a result, we recommend an ACCUMULATE rating for the long term.**

Financial Snapshot (Standalone)

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Sales	30,010.00	36,545.10	44,434.10	54,455.40	22.0%
EBITDA	6,680.40	8,281.40	10,158.00	12,557.80	23.4%
EBITDA Margin %	22.30%	22.70%	22.90%	23.10%	
PAT	2,356.00	3,650.20	5,003.80	7,016.40	43.9%
PAT Margin %	7.90%	10.00%	11.30%	12.90%	
EPS	14.7	22.2	30.4	42.7	
D/E (x)	1.0	1.4	0.9	0.6	

Source: Company, ACMIIL Retail Research

Company at a glance

- Manufacturer and supplier of a variety of auto and non-auto components.
- Global presence with footprints in North America and Europe.
- 2nd largest forging player in India with over 40 years of experience.
- Longstanding relationship with marquee customers.
- Continued focus on diversification with a foray into EV components.
- Promoter possessing multi-decade forgings industry experience

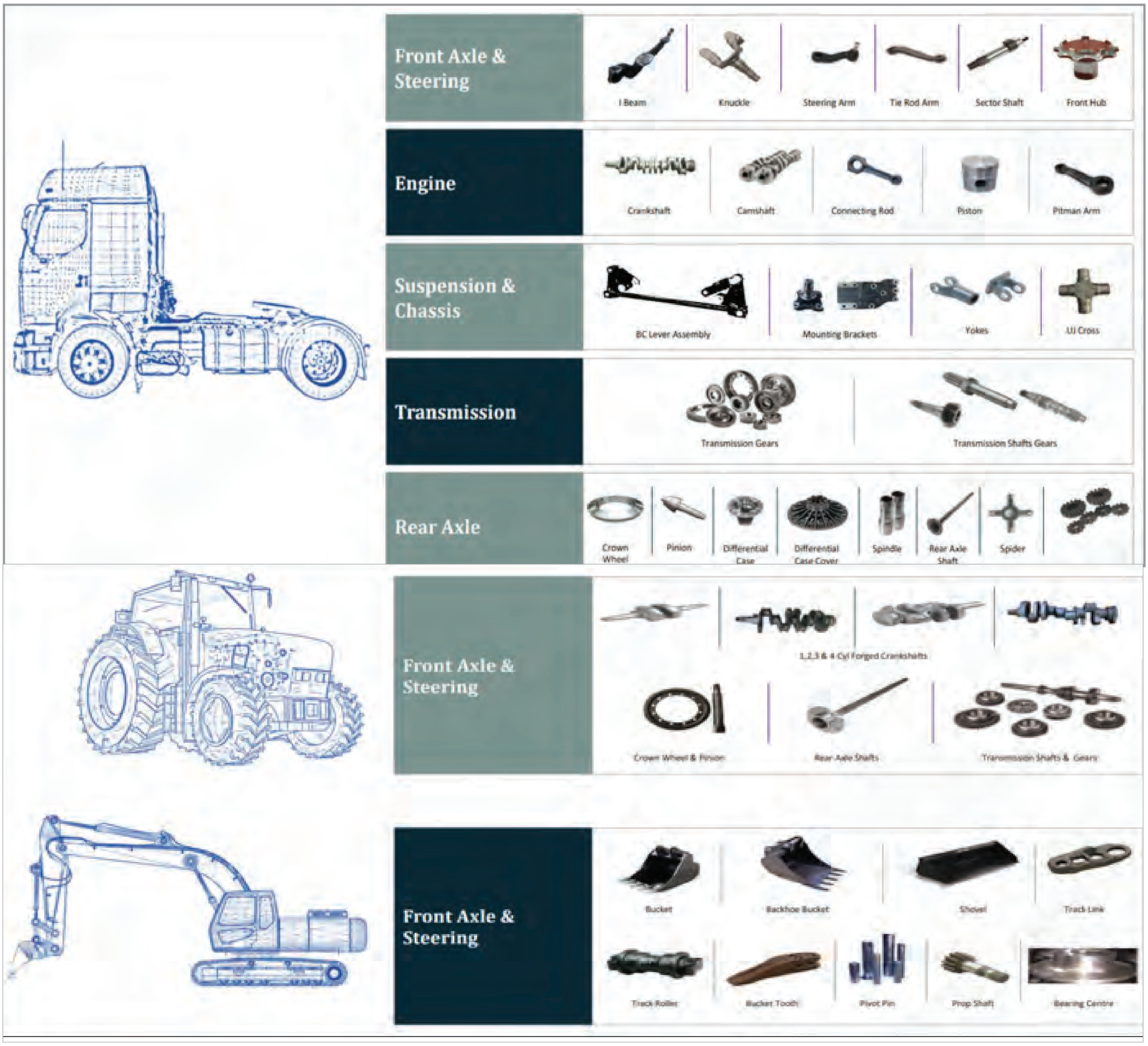
Investment Idea

Company Business and Products

The Company is primarily engaged in the manufacturing and sale of forged components of automobiles, railway wagons & coaches, and engineering parts.

The product portfolio includes:

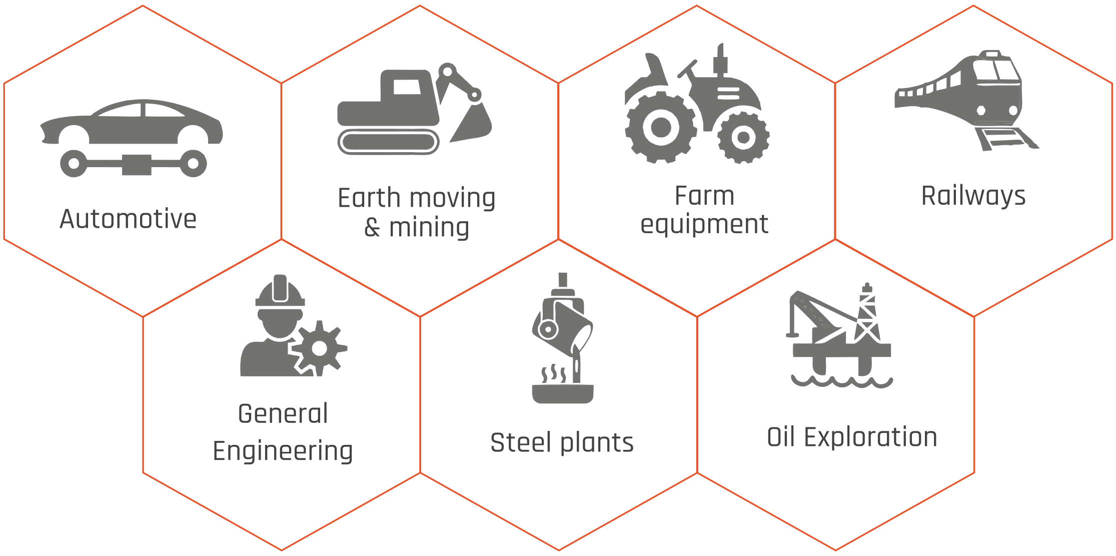
- **Forged Products:** This category includes products in the weight ranges of 2 kg to 200 kg, such as Crankshaft, I Beam, Knuckle, Diff Case, etc.
- **Rolled Products:** This category features a fully automated Ring Rolling Line, along with an ISO thermal Annealing line and CNC-controlled Vertical Machining Centers with Robo drills, providing full machining capabilities as per the customer's requirements.
- **Machined Products:** This category encompasses different types of Gear, Front hubs, Pitman arms, Prop Shafts, etc.



Industries Catered

Ramkrishna Forgings Limited has a rich experience of working across industries

Source: Company, ACMIIL Retail Research



Clientele

The company has a wide customer base including –

Source: Company, ACMIIL Retail Research

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Investment Rationale

Commercial Vehicle (CV) industry is on the path of a cyclical recovery.

We see strong underlying demand for CVs domestically. We also expect a strong improvement in M&HCV sales to continue, driven by a rise in e-commerce, agriculture, infrastructure, and mining activities. The demand remains stronger for both medium-duty and heavy-duty vehicles as most global OEMs and auto component suppliers maintain a positive outlook for the CV industry.

Beneficiary of strong demand and margin improvement with a better product mix.

We expect RKFL to benefit from the CV upcycle across geographies, led by improved prospects for CVs in India and globally. Global OEMs and tier-1 suppliers maintain a positive outlook for the CV segment. RKFL is committed to growing its business profitably and de-risking its business model by diversifying into new geographies and sectors and widening its product portfolio. The company's focus on increasing the share of value-added and critical components will help to improve realizations and EBITDA margins. The Company also targets to be net debt-free in the next three years with an improvement in operating performance.

Update on Contract with Railways.

In March 2023, the consortium of RKFL and Titagarh Rail Systems Limited (Titagarh) won a contract for supplying around 15,40,000 forged wheels to the Indian Railways annually for a period of 20 years. The investment is also likely to happen in a staggered manner. As per management, the Joint Venture (JV) with Indian Railways for forged wheels will require a capex of close to around 1,200 Crores, with a 51%-49% JV model (51% stake in JV of RK and balance 49% Titagarh rail systems) and share of finances, and expected business of close to around 28,000 Crores over the next 20 years. Production is set to start from the last quarter of FY 2026.

Diverse Customer Base with Global Penetration through Exports.

RKFL's largest customer, Tata Motors Limited (TML), has been the major contributor to revenue historically; however, the contribution from TML has reduced due to continuous diversification in the customer portfolio. Moreover, RKFL signs long-term contracts with export clients, which increases revenue visibility. RKFL also benefits from its preferred supplier status and maintains a high share of business with marquee clients both in domestic and export markets.

Expanding the EV Portfolio.

The Company is set to acquire up to 51% voting rights in TSUYO Manufacturing, which is a leading Mid-Drive BLDC, IPM, and AC Induction based motor topologies & a Make In-India start-up company engaged in powertrain solutions for electric vehicles. This will aid in expanding its facilities for the manufacturing of motors, controllers, E-axles, and differentials. The Company plans to invest around Rs. 100 Crores over the next 5 (five) years that will generate a turnover of around Rs. 500 Crores by the end of the fifth year.

Enhancing Product Portfolio.

The acquisition of JMT Auto by RKFL is poised to facilitate the company's expansion through diversification and enhanced market penetration. JMT Auto brings valuable prowess to the table within the automotive domain, boosting notable strengths in heat treatment, gear manufacturing, and the production of diverse components for the Oil and Gas industry.

Foraying into Newer Segments.

The company is in line with the focus that the acquisition with ACIL will help the company to foray into the Tractors and PV segments. It will be a forward integration that will enable the company to supply machined crankshafts, and camshafts for tractors, PV, HCV, LCV as well as two-wheelers. Besides, the company also manufactures various products that are used in Tractors and PV.

Acquisition with MAPL to give an edge.

RKFL is focusing on taking a 100% stake in Multitech Auto Pvt. Ltd. (MAPL), which is engaged in the business of manufacturing casting and bar draw facilities. The company offers a wide range of hi-tech, machined, heat-treated automobile components from bars, castings, primarily for brakes, gearboxes, axle, and suspension parts of commercial vehicles and railways. RKFL's strategic pursuit of acquiring casting was driven by the vision of evolving, within the coming two years, from a mere component supplier to a comprehensive assembly provider. This transition encompasses delving into product platforms, self-manufacturing castings, and seamless assembly integration with forging processes. It will also create opportunities of supplying castings to railways and other off-highway and other applications.

MAPL did the turnover of around INR 300 Crores in FY '23 & EBITDA margin of around 14% and RKFL paid around 205 crores for this acquisition. This acquisition marks significant step forward in the company's growth strategy. RKFL expecting additionally Rs. 500-600 crores to add on the consolidated topline and also improvement of EBITDA margin by 200 to 250 bps in next 2 years. It will also lead to expansion of its product line and fortifying its presence in the passenger vehicle, light commercial vehicle and heavy commercial vehicle segments.

Incremental Revenue growth from Non-Auto by FY26.

The Company's roadmap for getting into 30% non-auto business (Presently 21%) is intact in the next couple of years, and it will be able to achieve that on a stand-alone basis of RKFL. In terms of acquisition or investment, which they have made into this, this is basically getting into new platforms and new businesses or product lines rather than being a component supplier. The additional non-Auto Revenue will come from Railways 7% (Presently 3%), Oil & gas 3.5% (Presently 1.9%), Farm Equipment, mining or earth moving & Other Industries will contribute for Incremental 3.5% by FY26.

Additional Key Growth Drivers

- The company aims to capture 20% of the market share of trailer axle assembly in the next three years.
- RKFL has already commissioned a capacity of 23,800T, and the remaining 32,500T capacity would be commissioned by September 2023.
- The company has a scheduled capex of Rs. 300 crore-350 crore for FY2024, and RKFL targets to fund its future capex largely via internal accruals.
- With a capex of Rs. 125 crore, RKFL is adding a cold forging capacity of 25,000T. The cold forging capacity is expected to be commissioned by Q1FY2025. The cold forging capacity has been entirely booked by an OEM for the next seven years.
- Management is optimistic about outperforming the industry growth due to value addition and expansion of product bandwidth.
- With the acquisition of the casting facility, RKFL is aiming to become a system supplier from a component supplier.
- Management aims to outperform the underlying industry's growth and targets volume growth of 15-20% in the next three years.
- It secured an order of EUR 4.5 million from a European railway passenger coach manufacturer.
- The Company has signed the MOU with ePropelled (USA) to manufacture their patented Dynamic Torque SwitchingTM (eDTS) motor technology. This technology will provide the light EV manufacturers in India with an innovative energy-saving solution for the high-growth eMobility market.
- RKFL has successfully started dispatching warm forging processed parts to India's leading Axle manufacturer after commissioning its Warm Forging Plant. It expects to generate revenues of 75 crores from the same over the next 3 years.
- The government push towards Make in India to boost India's manufacturing capabilities for domestic consumption as well as export thrust will also drive growth for RKFL who is engaged in to casting & Forgings of components and also expanding product portfolios through organic & Inorganic growth strategies.
- The Major capex allocations by government of Rs 2 lakh crore on Railways in current budget of FY23/24 will be critical driver for growth in railway sector as a whole. Government will continue to spend on railways in coming years on locomotives, Vande Bharat trains etc. which will drive future growth of the company to enhance Revenue from Railway segments.
- There will be change in Tax rate of the company to 25% from earlier 30% from FY24 which will lead to significant jump in PAT margin in coming years.

Industry Overview

The Indian Automotive Industry, the fourth-largest sector in the country, is on the upswing, and all major producers are relocating their manufacturing to be near the upcoming biggest consumer markets. Currently, India is the world's third-largest casting producer. This will further open more opportunities for the casting and forging industries, both for domestic production and exports. The manufacturing processes of casting and forging are known to give intricate shapes to industrial components. The major difference between the two is that forging is extensively obtained with the usage of iron and steel metal. No industrial product can be considered complete without the processes of casting and forging. Both processes have been in existence since the beginning of the industrial revolution. However, forgings are preferred over casting because of better directional strength, high impact toughness, fatigue properties, and structural integrity.

Casting and forging are key engineering segments supplying various components to end-user industries such as Railways, Automobiles, Defense, Aerospace, Material handling, Construction equipment, and Mines. The Indian casting and forging sector has equipped itself to retain its prowess and accelerate revenue from the auto sector. Heavy expansion by way of organic and inorganic growth has been playing an important role in this industry.

The Indian automobile sector is currently moving towards growth in the new fiscal year with robust sales across all vehicle categories. The 'Make in India' program aims to raise the contribution of the manufacturing sector to 25% of the Gross Domestic Product by 2025. The Indian Automotive industry commands 22% of India's manufacturing GDP and 7% of India's overall GDP.

Investment Idea

The Automotive industry depends significantly on steel-forged metal components. Forged steel is used for demanding applications such as crankshafts, transmission gears, and bearings, and is essential in handling the torque and stress placed on these components. Intense competition among the key players is driving the demand for more attractive and lightweight vehicles in the country. The industry is looking at double growth rates spurred by imminent demand from emerging sectors, resulting in an increase in the set-up of foreign businesses in India, which will encourage export opportunities with a manufacturing hub in India.

Prospects for Indian Forging Sector:

The Indian forging industry is well recognized globally for its technical capabilities. With an installed capacity of about 40 lakh MT, the Indian forging industry has the capability to forge a variety of raw materials, as per the requirements of the user sector. The domestic forging industry comprises 85% of the MSME sector, employing over 3 lakh people directly and an equal number of people indirectly. Over the years, the Indian forging industry has evolved from being a labor-intensive industry to a capital-intensive manufacturing sector. Moreover, the introduction of Electric Vehicles will have a direct impact on the forging industry, reducing demand for movable parts used in vehicles.

As an essential de-risking strategy, the forging industry is focused on establishing its presence in the non-automotive domains such as infrastructure, defense, healthcare, and railways – some of these sectors are also high on the government's priority.

Prospects of the Small Commercial Vehicle (CV) Market:

Significant structural changes are transpiring in the domestic CV space currently. Moreover, it is expected that the sector will see a full play-out of these changes in the next 10 years. Some of the structural changes had started even before the pandemic, like axle load norms. The second was BS VI.

The CV industry will get into different segments more and more. With the government's sharpened focus on expressways (Delhi-Mumbai Expressway being the most recent among a host of others that are planned) and considerable private sector investment in multi-modal logistics parks across the country, demand for high-speed and heavy commercial vehicles is expected to increase. For intra-city distribution, medium or small trucks will come into the limelight. As a result, the hub-and-spoke model will become the new normal.

The Indian Small Commercial Vehicle Market in the year FY2021 stood at USD 1909.91 million. The market is anticipated to grow further with a CAGR of 15.14% in the forecast years FY2023-FY2027, to achieve a market value of USD 4256.93 million by FY2027. As such, this market is anticipated to grow on account of increasing logistic services in the local market. Government initiatives, financial support, and increasing investments by manufacturing companies are further driving the growth of the Indian Small Commercial Vehicle Market in the upcoming five years.

Rapidly growing road and highway infrastructures, growing online shopping and shipping networks are further supporting the growth of the Indian Small Commercial Vehicle Market in the next five years. Increasing urbanization, growing small and medium businesses, increasing the transportation of products between local and regional destinations are substantiating the growth of the Indian Small Commercial Vehicle Market in the future five years.

Industry Growth Drivers

- The Indian metal casting market is expected to grow at a CAGR of 6.7% during 2023-2028.
- The growing preference for electric vehicles (EVs) among individuals, on account of rising environmental concerns, is propelling the market growth.
- The Indian Railways will continue to unearth opportunities for RKFL to strengthen its infrastructure, improve its services, and utilize its assets better with the objective of making its revenue stream more robust.
- The government's plan to clean India's MHCV fleet through a two-pronged policy-led strategy: i) Successfully establishing BSVI emission norms. This policy is framed to ensure that new vehicles adhere to stringent emissions, and ii) The second phase of Corporate Average Fuel Efficiency (CAFE) norms is slated for an April 2022 rollout. This policy aims to lower the existing fleet's emissions by taking old and polluting vehicles off the road.
- The Scrappage Policy in India, 2022 aims to pull out more than 6,80,000 MHCVs from the road which have reached the end-of-life (i.e., greater than 15 years old). This will lead to further growth in the CV segments as a whole.
- With the objective of strengthening the 'Make in India' resolve, the Government has announced PLI schemes for promoting multiple sectors, namely pharma, textiles, automotive, and auto-components, among many others. This initiative has garnered significant interest with firm investment proposals. This augurs well for the logistics sector and the commercial vehicle demand.

Investment Idea

- The government has strengthened its focus on infrastructural development within the country. It is facilitating an investment of Rs100 trillion. under the PM Gati Shakti plan which focuses on seven engines of growth. The project is aimed at easier inter-connectivity between road, rail, air, and waterways to reduce travel time and enhance industrial productivity. It is considered to be the government's integrated approach to developing modern railways, roadways, waterways, and airways.

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

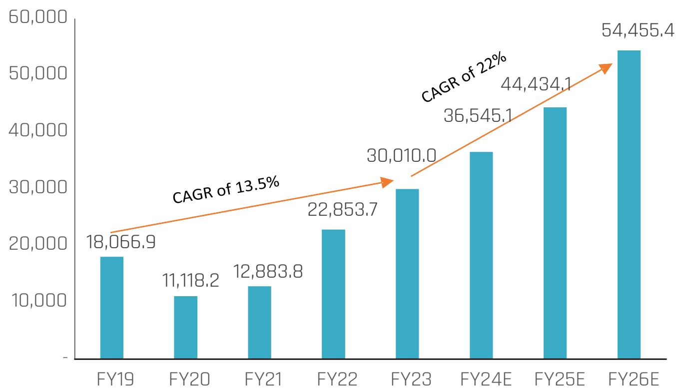


Exhibit 2: EBITDA & EBITDA Margin (%)

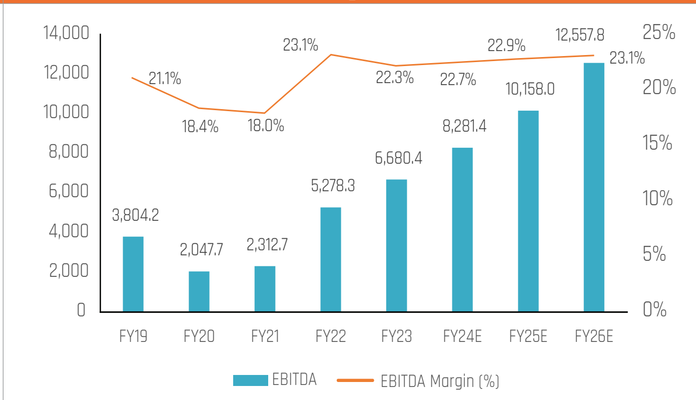


Exhibit 3: PAT & PAT Margin (%)

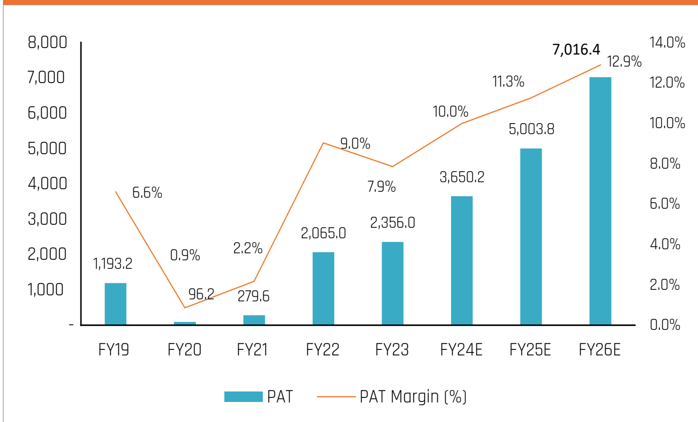


Exhibit 4: Segment Wise breakup

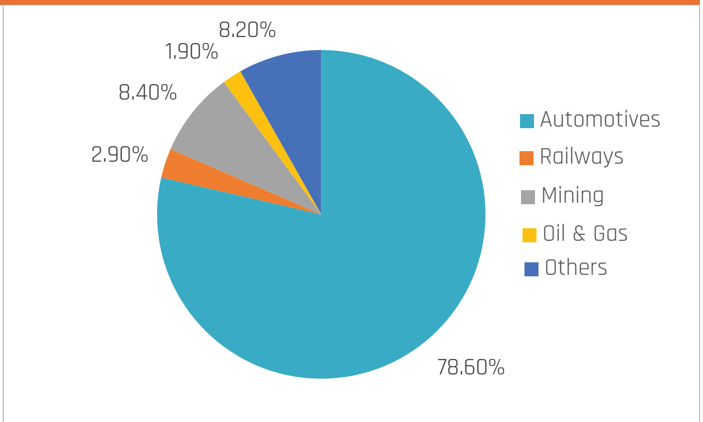
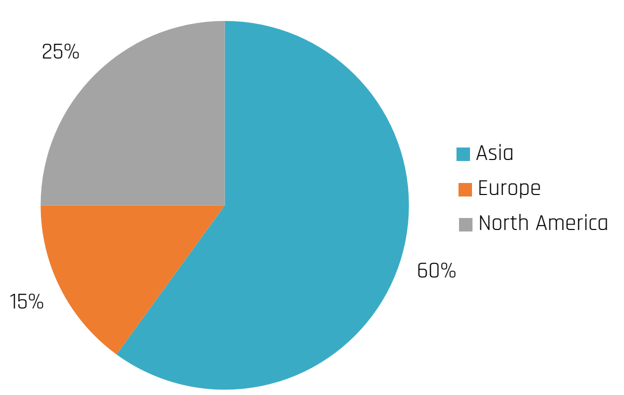


Exhibit 5: Location wise breakup



Source: Company, ACMIIL Retail Research

Investment Idea

Financial Statements

Standalone Profit & Loss Statement:

Particulars (in Mn.)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	18,066.9	11,118.2	12,883.8	22,853.7	30,010.0	36,545.1	44,434.1	54,455.4
Expenses	14,262.7	9,070.5	10,571.1	17,575.4	23,329.6	28,263.7	34,276.1	41,897.6
EBITDA	**3,804.2**	**2,047.7**	**2,312.7**	**5,278.3**	**6,680.4**	**8,281.4**	**10,158.0**	**12,557.8**
EBITDA Margin %	**21.1%**	**18.4%**	**18.0%**	**23.1%**	**22.3%**	**22.7%**	**22.9%**	**23.1%**
Other Income	28.5	57.0	38.3	16.1	37.7	85.0	11.0	15.0
Interest	800.0	758.9	773.4	942.1	1,149.6	1,080.9	893.4	720.8
Depreciation	1,208.3	1,201.6	1,162.8	1,690.6	2,013.5	2,418.6	2,603.9	2,496.9
Profit before tax	**1,824.4**	**144.2**	**414.8**	**2,661.7**	**3,556.5**	**4,866.9**	**6,671.7**	**9,355.1**
Tax	631.2	48.0	135.2	596.7	1,200.5	1,216.7	1,667.9	2,338.8
PAT	**1,193.20**	**96.20**	**279.60**	**2,065.00**	**2,356.00**	**3,650.16**	**5,003.81**	**7,016.35**
PAT Margin (%)	**6.6%**	**0.9%**	**2.2%**	**9.0%**	**7.9%**	**10.0%**	**11.3%**	**12.9%**
EPS ₹	**36.6**	**3.0**	**8.8**	**12.9**	**14.7**	**22.2**	**30.4**	**42.7**
D/E (x)	1.0	1.1	1.4	1.5	1.0	1.4	0.9	0.6

Source: Company, ACMIIL Retail Research

Risks and Concerns

- Economic slowdown due to external and internal factors can affect the overall GDP growth of the country.
- Any kind of unexpected change in government policies and regulations.
- Geopolitical tensions and supply chain disruptions lead to volatility in commodity prices and higher logistics costs. Such fluctuations in key raw material prices may impact the overall business and profitability of the company.
- Its major revenue source is the auto industry, and any kind of slowdown may affect the overall business of the company.

Accumulate

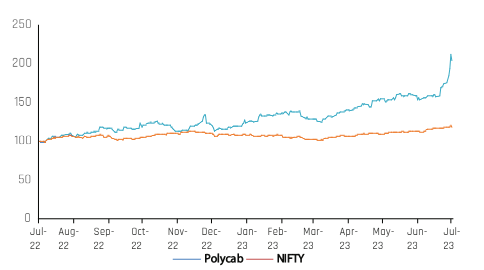
Key Data	
DATE	18.07.2023
Reco Price	3,970 - 3,990
Target	4,895
Upside	23%
Sector	Cables – Electricals
Bloomberg Code	POLYCAB:IN
BSE Code	542652
NSE Code	POLYCAB
EPS (FY23)	84.8
Face Value (Rs.)	10.0
Market Cap (Mn)	5,97,661.5
Shares O/s (Mn)	150.0
Debt/Equity (x)	0.0
52-week High (Rs)	4,010.1
52-week Low (Rs)	2,198.0

Source : NSE, BSE

Shareholding pattern (June-2023)	%
Promoters	65.99
DIIs	9.75
FIIs	9.66
Public	14.61
Total	**100.00**

Source : NSE, BSE

Price Performance



Rebase to 100

Polycab India Limited

Company Background

Polycab India Limited (POLYCAB) is an India-based manufacturer of wires and cables. The company is engaged in fast-moving electrical goods (FMEG) and also involved in engineering, procurement, and construction (EPC) projects. The company owns approximately 25 manufacturing facilities located across the states of Gujarat, Maharashtra, Uttarakhand, and the union territory of Daman. It operates through three segments.

The Wire and Cable segment is engaged in the manufacturing and selling of wires and cables. The Fast Moving Electrical Goods (FMEG) segment is involved in the production of fans, light-emitting diode (LED) lighting and luminaires, switches, switchgear, solar products, pumps, hohm, conduits, and domestic appliances.

The other segment comprises the engineering, procurement, and construction (EPC) business, which includes design, engineering, supply of materials, survey, execution, and commissioning of power distribution and rural electrification projects on a turnkey basis.

Outlook and Valuation

POLYCAB is the market leader in the wires and cables space with an extensive product portfolio and distribution reach, coupled with accelerated growth in the FMEG space, which augurs well for growth visibility. We believe the company will utilize the opportunity with its strong economic moat, like a robust distribution network and a wide range of product offerings that it has built over the years. Furthermore, the growth will be driven by factors such as the Government of India's increased spending on infrastructure, policies like "Housing for All", an increase in the absorption of real estate, an increase in per capita consumption of electricity, and improved rural electrification. We believe Polycab India Limited is well-placed to capitalize on these opportunities. **We expect the company's revenue to grow at a CAGR of ~13% over FY23-FY26E.** Hence, we recommend Polcycab India Limited with a target price of Rs 4,895 based on FY26E EPS of Rs ~ 122.67 with a forward PE valuation multiple of 40. **It looks like an attractive BUY with growth potential for medium to long-term perspectives. Hence, we recommend ACCUMULATE rating for the Medium-term investment.**

Financial Snapshot

Particulars (₹ in Mn)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Sales	1,41,077.80	1,58,712.53	1,79,345.15	2,03,556.75	13.00%
EBITDA	18,428.50	20,021.75	22,629.01	25,485.30	11.41%
PAT*	12,699.50	13,936.46	16,050.53	18,372.08	13.10%
PAT Margin %	9.00%	8.78%	8.95%	9.03%	
EPS	84.80	93.06	107.17	122.67	13.10%
D/E (x)	0.03	0.00	0.00	0.00	

Note: PAT* derrived after deducting minority interest.
Source: Company, ACMIIL Research

Company at a glance

- Manufacturer of wires and cables in India with a market share of around 22-24% of the organized market.
- Extensive distribution network of 4,300+ authorized dealers and 2,05,000 retail outlets across pan India.
- The Company has guided Rs. 20,000 crore Revenue by FY 2026 as part of its 'Project Leap' execution strategy.
- Strong reach and distribution in B2C business and increasing presence in white spaces for B2B business.
- High degree of backward integration and automation.
- Strengthening presence through alternate channels of sales such as Modern trade and E-commerce to increase penetration in Tier 1 & 2 cities.
- Robust products Portfolio with sector diversification.
- Current capacity utilization levels at 73-74%.

Company Business and Products

Polycab India Limited operates in the electrical industry and is the market leader in the Indian wires and cables industry. The company is present in the Fast Moving Electrical Goods (FMEG) sector and the Engineering, Procurement, and Construction (EPC) business, and it executes limited projects.

The product portfolio of different segments includes:

A) Wires & Cables

1. Wires

- House wires
- Green wires – High Resolution Resistance (HRR), Flame Retardant (FR), Low Smoke and Halogen (LSH) and Lead Free (LH)
- Industrial flexible wires
- Speaker wire

2. Cables

- EHV cables
- Fire survival cables
- Optical Fibre Cables (OFC)
- Jelly filled telephone cables
- High voltage cables
- LAN cables
- Power and control cables
- Instrumentation cables
- Co-axial cables
- Thermoplastic High heat Resistant Nylon coated cable

B) FMEG (Fast Moving Electrical Goods):

POLYCAB made inroads into the highly competitive FMEG market with an exhaustive range of products that cater to both home and institutional needs like -

- Fans and home appliances
- Solar Products
- Pumps, conduits and accessories
- Switches and Switchgears
- LED lighting and luminaries

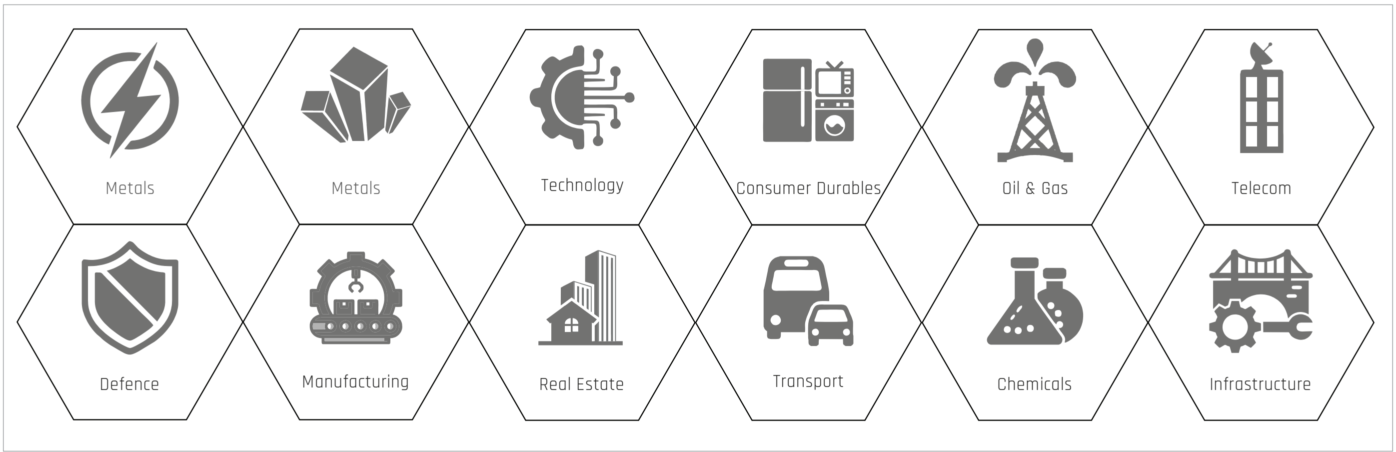
Investment Idea

C) Others

The company's Engineering, Procurement, and Construction (EPC) business provide electrical turnkey solutions comprising project management, onsite execution, and resource management through specialized erectors and financial management. Its solutions are largely provided for the transmission and distribution sectors, involving projects in extra high voltage and high voltage levels for various government utilities in India. The company supplies cables, wires, and conductors for these projects.

Industries Catered

POLYCAB has rich experience working across industries



Source: Company, ACMIIL Research

Investment Rationale

Promising Medium term business outlook

The company is confident of delivering a strong performance as it aims for industry-leading growth through both domestic and export channels, and by scaling up its B2C business. The Company intends to achieve revenues of Rs. 20,000 crore by FY2026E, following the "Project Leap" strategy, which aims to outpace industry growth. As a result, Polycab is well poised for sustainable and healthy growth in the medium term.

Demand from the residential market and increase in private capex to drive growth prospects

The company believes that there will be a structural uptick in demand from the residential market and an increase in private capex from sectors like steel and cement, which will drive further growth. Additionally, other areas such as data centers and capex led by the PLI scheme are also attracting significant investments, which bodes well for wires and cables players in the long term.

Premiumization Offerings & improvisation of efficiency with economies of Scale

The company is aligned with the strategy of focusing on improving margins through the premiumization of their offerings, leveraging brand building and product innovation efforts. Additionally, going forward, it will place greater emphasis on the product categories of switchgears and switches, where competition is lower, resulting in higher margins. In-house manufacturing and strong backward integration have always been their areas of focus, and these aspects will now start yielding benefits, including lower costs, economies of scale, enhanced product quality, and improved availability.

Governing and overseeing ESG initiatives

The company has finalized its ESG framework, which aligns with international ESG protocols, guidelines, and standards, along with the ESG charter. This ESG framework will be ingrained into the company's ethos, with all business decisions from now onwards being focused on sustainability based on the pillars of environmental, social, and governance principles.

FMEG – A key growth enabler in the long term

Currently, the company has a robust new product development pipeline aimed at strengthening and building a differentiated portfolio in the FMEG business. The company is expediting efforts to scale up the FMEG business through a realignment of its distribution strategy, which involves consolidating existing dealers/distributors and adding new dealers in new regions. The company has a significant opportunity to scale up its business, given its current market share in fans and switchgear & switches.

Investment Idea

Tie-up with Redington Limited to scale up telecom business

Polycab India has partnered with Redington Limited to expand its presence in the telecom sector, which currently constitutes a relatively small part of its business. Redington is a leading distribution and supply chain solutions provider, serving over 290 brands. Through this collaboration, Polycab's Optic Fiber Cables (OFC) will be distributed by Redington. The increasing number of mobile devices, growing adoption of Fiber to the Home (FTTH) connectivity, the surge in data centers, and the impending 5G transition are expected to drive the demand for OFC and other equipment in India over the coming years.

Ample business opportunities with sector diversification to give an edge

POLYCAB is excited to seize the opportunities that lie ahead and create value for their stakeholders. The Company has developed strategic plans to tap into the potential offered by multiple sectors, including defense, railways, the electric vehicle industry, data centers, and the telecommunications domain, among others. Looking ahead, the company's key growth catalysts include expansion in the B2C business, sustained demand in the B2B segment, and an expanding international presence. Their entry into the EHV segment also promises long-term growth potential.

Aggressive investments in brand building & maintaining Margin

The company's aggressive investments in brand building through advertisements and promotions would help deliver strong long-term growth. Furthermore, calibrated price revisions (in line with copper price movements) would enable the company to maintain its margins at a comfortable level.

Additional Key Growth Drivers

- POLYCAB is pursuing structured distribution addition planning and monitoring with a focus on technology to exemplify as well as simplify the entire process. It has reduced turnaround time for providing their products to end dealers or customers to generally almost less than 24 hours.
- The company's capex strategy is prudent and growth-centric, with plans to incur INR 6 billion-7 billion for this calendar year, which would be funded completely through internal accruals. This investment aims to support its target of ₹200 billion revenue by FY26. Two-thirds of the capex would be directed towards the C&W segment, mainly for capacity expansion in the emerging business and exports. The remaining balance is likely to be directed towards the FMEG business for de-bottlenecking and capacity expansion.
- It has initiated an integrated and structured approach for strategic key accounts across real estate, OEMs, Data centers, and special cables industries, making it easier to serve customers with custom or tailored solutions.It operates largely through its dealers and distributor's network and about 88-90% of its sales normally happen through this channel & Remaining 9% to 10% through institutions sales.
- The company on the continent to manufacture each and every type of cables that can be manufactured. And if we look at any particular infrastructure project, there will be a requirement for about 50 to 60 different types of cables, and Polycab is the only company that is able to provide all those different types of cables.
- It operates largely through its dealers and distributors network, with about 88-90% of its sales normally happening through this channel, and the remaining 9% to 10% through institutional sales.
- It has up to a 90-day window from its major suppliers of copper and aluminum to pass on price hikes. The volatility is passed on through periodic adjustments in selling prices.
- Its largest distribution channel and the number of SKUs it offers are unique advantages that have helped it become the largest cables and wires business in the country.
- Its aggressive in its international business and aims to achieve 10% plus of overall revenue through international operations by FY26.
- It has ~₹6481 crore worth of reserves on the balance sheet as of 31.03.2023. Apart from distributing dividends to shareholders, it can use these reserves to buy back shares and improve its RoE profile. The reserves can also be utilized for any inorganic opportunities for the overall growth of the company.

Industry Overview

India's growth story remains fundamentally sound, with the Economic Survey projecting a 7.0% increase in Gross Domestic Product (GDP) for FY23. This, along with a predicted GDP growth of 6.5% in FY24, indicates that India is well poised to enter a new phase of expansion.

The Indian government is helping upgrade one of the biggest drivers of economic growth – infrastructure. The recent Budget 2023-24, which announced a capex outlay of ₹10 trillion towards infrastructure, will give a significant boost to India's overall growth and development, improving various sectors of the economy.

Many Economic Key indicators, such as manufacturing PMI, services PMI, and core 8 industries, consistently remained above long-term averages, while growth momentum was visible in steel and cement output, GST collections, capacity utilization, and rising demand for electricity and travel. Additionally, double-digit credit growth, improvement in passenger vehicle sales, and a downward trajectory of inflation indicate positive momentum for the long-term GDP growth of the country.

A) Wires & Cables (W&C) industry

The Indian W&C (Wires and Cables) industry is estimated to have grown in the low teens in FY23, reaching a size of ₹680-730 billion, contributing to 40-45% of the Indian electrical industry. Sectors like Power, Railways, Infrastructure, Oil & Gas, Telecom, Real Estate, Renewables, Defence, Automobiles, etc., are the largest demand drivers for the industry. Organized players command a lion's share of the market, accounting for roughly 70%, while unorganized players largely dominate the rural geographies. The demand for the W&C industry is expected to be driven by factors such as the expansion and modernization of power transmission and distribution infrastructure, the upgradation and expansion of the railway network, increased investments in metro railroads, smart grid initiatives, and the development of smart cities.

B) Fast Moving Electrical Goods (FMEG)

FMEG industry (Fast-Moving Electrical Goods) refers to consumer electrical goods sold through various retail trade outlets and e-commerce platforms. These include fans, lights, luminaires, switches, switchgear, conduits, fittings, and so on. Over the years, the industry has evolved rapidly with the increasing participation of organized players and an emphasis on branding. Structural drivers like changes in demography, consumer behavior, technology, and rising disposable incomes have catapulted the growth of the organized FMEG sector in India.

C) Engineering Procurement and Construction (EPC)

EPC (Engineering, Procurement & Construction) is a prominent form of contracting agreement in the construction industry. EPC companies are involved in executing projects that encompass multiple engineering disciplines, with overall responsibility for the performance of a 'unit' or the whole plant. The key factors driving the growth of the engineering procurement and construction market include increasing demand for infrastructure development, rising industrialization and urbanization, and government initiatives to support infrastructure development.

Industry Growth Drivers

- The government has brought in much-needed reforms to the power distribution system and strengthened India's sub-transmission and distribution networks.
- The government targets the construction of 12 million and 28.5 million houses in urban and rural India, respectively, under its 'housing for all' scheme.
- India is planning to install 500 GW of renewable energy capacity by CY30, which is expected to involve an investment of at least ₹2.4 trillion. Moreover, India's energy demand is expected to increase in the coming decades due to its sheer size and enormous potential for growth.
- The Indian real estate sector demonstrated strong resilience to global uncertainties in 2022 and came out of a prolonged down cycle, registering growth across the entire real estate verticals, including residential, commercial, retail, and warehousing.
- The Indian telecom industry, currently the second-largest globally, is primed for substantial growth. This growth is propelled by factors such as government initiatives like BharatNet, affordable tariffs, increased accessibility, and the rollout of 5G coverage.
- The government of India has introduced the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) to expand electrification to all parts of India. As of 2023, a total of 290 million households have been electrified, with seven states reporting 100% household electrification.

Investment Idea

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

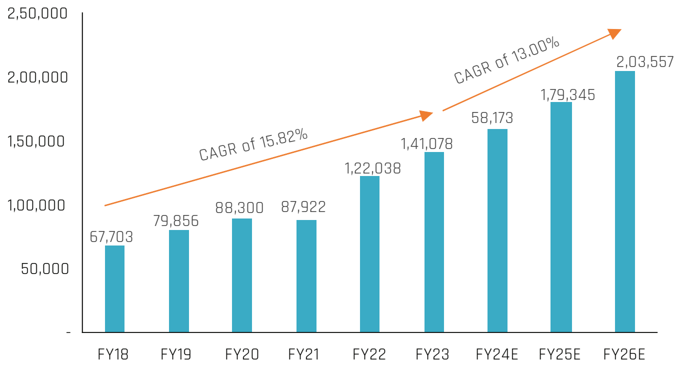


Exhibit 2: EBITDA & EBITDA Margin (%)

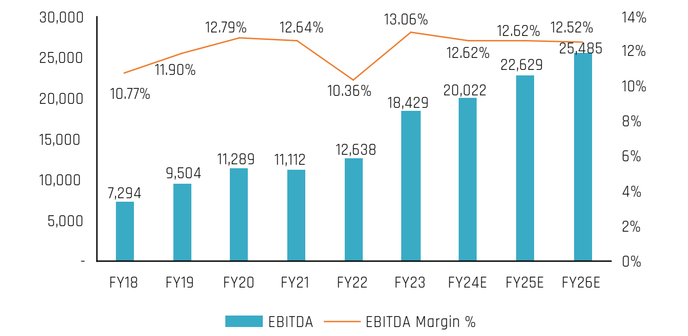


Exhibit 3: PAT & PAT Margin (%)

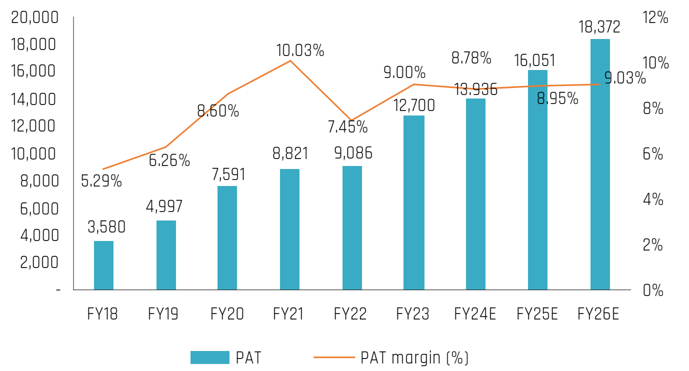


Exhibit 4: Segment wise break-up

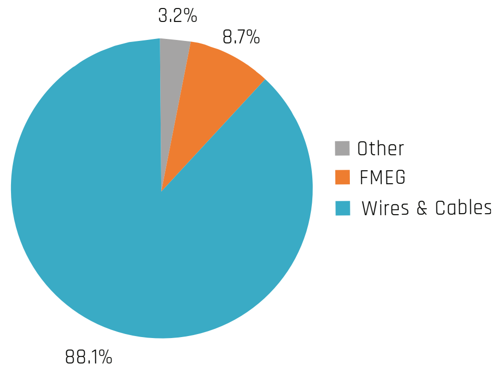


Exhibit 5: Location wise breakup

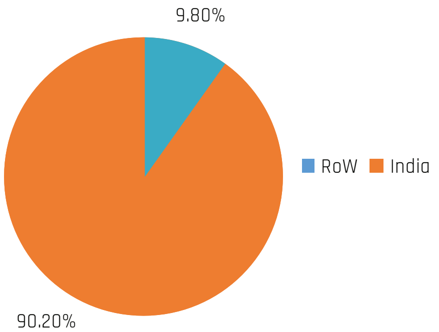
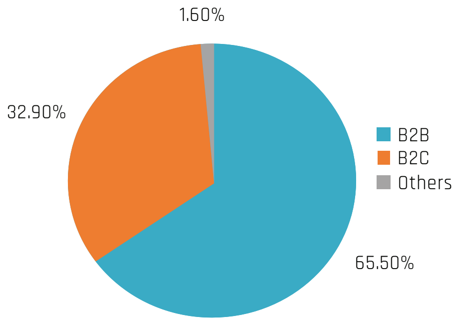


Exhibit 6: Distribution Channels



Source: Company, ACMIIL Research

Investment Idea

MARKET pulse

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (in Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	67,703.00	79,855.50	88,299.60	87,922.30	1,22,037.60	1,41,077.80	1,58,712.53	1,79,345.15	2,03,556.75
Expenses	60,409.05	70,351.10	77,010.20	76,810.80	1,09,399.30	1,22,649.30	1,38,690.78	1,56,716.14	1,78,071.44
EBITDA	**7,293.95**	**9,504.40**	**11,289.40**	**11,111.50**	**12,638.30**	**18,428.50**	**20,021.75**	**22,629.01**	**25,485.30**
Other Income	645.40	637.80	914.80	1,639.60	1,607.90	1,333.30	1,405.00	1,453.00	1,502.00
Interest	936.80	1,167.10	495.40	426.90	351.90	597.60	268.80	271.00	272.00
Depreciation	1,329.50	1,414.50	1,608.90	1,761.70	2,015.20	2,091.60	2,576.00	2,410.30	2,219.20
PBT	**5,667.90**	**7,560.60**	**10,099.90**	**10,562.50**	**11,879.10**	**17,072.60**	**18,581.95**	**21,400.71**	**24,496.10**
Tax	2,082.30	2,557.60	2,443.70	1,703.40	2,706.30	4,250.00	4,645.49	5,350.18	6,124.03
PAT*	**3,580.10**	**4,997.00**	**7,590.60**	**8,820.90**	**9,085.80**	**12,699.50**	**13,936.46**	**16,050.53**	**18,372.08**
PAT Margin (%)	5.29%	6.26%	8.60%	10.03%	7.45%	9.00%	8.78%	8.95%	9.03%
Number of Shares	141.21	141.21	148.88	149.12	149.44	149.77	149.77	149.77	149.77
Earning Per Share	**25.35**	**35.39**	**50.98**	**59.15**	**60.80**	**84.80**	**93.06**	**107.17**	**122.67**

Note: PAT* derrived after deducting minority interest.

Source: Company, ACMIIL Research

Balance Sheet:

Particulars (₹ in Mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Liabilities:									
Equity Share Capital	1,412.10	1,412.10	1,488.80	1,491.20	1,494.40	1,497.70	1,497.70	1,497.70	1,497.70
Reserves	22,064.10	27,057.50	36,875.40	46,048.30	53,943.00	64,813.70	72,750.16	86,800.69	1,05,172.77
Borrowings	8,003.00	2,724.20	1,570.60	2,825.00	1,181.50	1,914.70	299.00	300.00	305.00
Other Liabilities	13,001.80	25,089.20	19,671.00	19,782.50	17,500.10	26,015.20	41,047.91	33,521.75	49,750.03
Total	**44,481.00**	**56,283.00**	**59,605.80**	**70,147.00**	**74,119.00**	**94,241.30**	**1,15,594.77**	**1,22,120.14**	**1,56,725.50**
Assets:									
Net Block	**11,971.30**	**12,755.80**	**14,220.10**	**18,696.00**	**16,751.20**	**20,669.40**	**23,093.40**	**21,683.10**	**19,963.90**
Capital Work in Progress	1,359.90	1,930.00	2,411.80	990.50	3,754.50	2,507.70	3,507.70	4,507.70	4,007.70
Investments	315.50	293.90	654.80	6,349.50	7,733.10	13,505.00	13,505.00	13,505.00	13,505.00
Other Assets	30,727.90	38,136.80	39,506.00	38,797.80	41,809.00	50,606.80	67,873.23	63,766.56	83,414.62
Cash & Bank	106.40	3,166.50	2,813.10	5,313.20	4,071.20	6,952.40	7,615.45	18,657.78	35,834.28
Total	**44,481.00**	**56,283.00**	**59,605.80**	**70,147.00**	**74,119.00**	**94,241.30**	**1,15,594.77**	**1,22,120.14**	**1,56,725.50**

Source: Company, ACMIIL Research

Risks and Concerns

- Economic slowdown due to external and internal factors can affect the overall GDP growth of the country.
- Any unexpected change in government policies and regulations may impact the business environment.
- The slowdown in private capex could lead to muted order bookings.
- Geopolitical tensions and supply chain disruptions can result in volatility in commodity prices and higher logistics costs. Such fluctuations in key raw material prices may impact the overall business profitability of the company.
- The wires & cables and FMEG industry are highly fragmented and have many unorganized players, leading to high competitive intensity.

Investment Idea

Accumulate

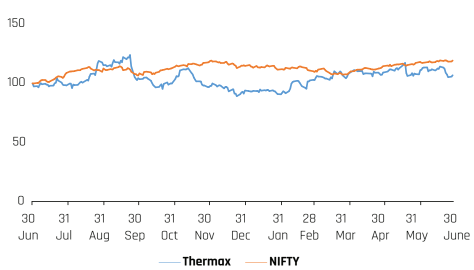
Key Data	
DATE	13.07.2023
Reco Price (Rs.)	2300-2325
Target Price (Rs.)	2,935
Sector	Capital Goods
BSE Code	500411
NSE Code	THERMAX
EPS (FY23)	37.79
Face Value (Rs.)	2.00
Market Cap (Mn)	2,76,389
52-week High/Low (Rs)	2,678.50 / 1,830.35

Source : NSE. BSE

Shareholding pattern (Mar-2023)	%
Promoters	61.99
DIIs	15.50
FIIs	12.35
Public	4.67
Others	5.49
Total	**100.00**

Source : NSE. BSE

Price Performance



Rebase to 100

Retail Research Desk
Email: retailresearch@acm.co.in

Thermax Limited

Company Background

Thermax Limited (THERMAX) is a multinational engineering conglomerate that is involved in clean air, clean energy, and clean water solutions. Headquartered in Pune, it has emerged as a leading conglomerate in the energy and environment sector. The company has strategically spread its operations to markets worldwide and catering to a gamut of industries. The Company's portfolio includes boilers and heaters, absorption chillers/ heat pumps, power plants, solar equipment, air pollution control equipment/ system, water and waste recycle plants, ion exchange resins and performance chemicals, and related services. THERMAX operates globally through 34 international offices, 22 domestic offices, and 14 manufacturing facilities of which 10 are in India and one each in Denmark, Indonesia, Poland, and Germany.

The company's presence spans in terms of installation in 90+ countries and it supports customers through an extensive sales and service network spread over Asia, South East Asia, the Middle East, Africa, Europe, and America. The group consists of 17 wholly-owned domestic subsidiaries and 20 wholly-owned overseas subsidiaries.

Outlook and Valuation

Thermax Limited provides equipment and services solutions in the areas of energy and environment which comprises heating, cooling, power, water & waste management, air pollution control, and chemicals. The company's focus on energy and environment-friendly solutions and products led to growth which is supported by changing emission norms and growing demand for green-energy solutions. The future of Thermax is closely aligned with the needs of a cleaner, greener, and healthier world. The Company is committed to its philosophy of 'Conserving Resources, Preserving the Future' with more sustainable projects in clean air, clean energy, and clean water. We believe Thermax Limited is well-placed to capitalize on these opportunities. Going ahead, **we expect the company's revenue to grow at a CAGR of ~9.3% over FY23-FY26E.** Hence, we recommend Thermax Limited with a target price of Rs 2935 based on FY26E EPS of Rs 58.7 with a forward PE valuation multiple of 50. **It looks like a value buy with growth potential for medium to long-term investment. Hence, we recommend ACCUMULATE rating for the long term.**

Financial Snapshot

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Sales	80,898.1	88,178.9	96,555.9	1,05,728.7	9.3%
EBITDA	5,973.3	6,789.8	7,724.5	8,881.2	14.1%
EBITDA Margin %	7.4%	7.7%	8.0%	8.4%	
PAT	4,507.0	5,060.3	5,896.6	6,996.6	15.8%
PAT Margin %	5.6%	5.7%	6.1%	6.6%	
EPS	37.8	42.5	49.5	58.7	15.8%
ROE %	11.6%	12.2%	13.2%	13.8%	
ROCE %	13.6%	14.9%	16.1%	17.4%	

Source: Company, ACMIIL Retail Research

Company at a glance

- Five decades of deep domain expertise in understanding the energy matrix and a team of dedicated engineers.
- Sales and Service Presence in 30+ Countries
- 3,767 Permanent Employees Globally
- The company has benefitted from clients' increasing focus on energy efficiency and carbon footprint reduction.
- Thermax is investing in green and clean technology and expanding its product portfolio.
- The company is setting up its first heat recovery waste to energy boiler in the UK.

Company Business and Products

Thermax Limited is an India-based company, which offers solutions to the energy, environment, and chemical sectors. It operates through four segments as below. The Company designs, builds, and commissions boilers for steam and power generation, turnkey power plants, industrial and municipal wastewater treatment plants, waste heat recovery systems, and air pollution control projects.

Segment	Businesses Covered
Industrial Products	Boilers & Heating equipment (small capacity), Absorption Chillers / Heat Pumps, Air Pollution Control Equipment/Systems, Water & Waste recycling. Including Associated Services and Engineering, Procurement and Construction (EPC).
Industrial Infra	EPC of Power Plants, Boiler & Heater (high capacity) Plants, Infra Projects, and Flue Gas Desulphurisation Projects (Includes Associated Services).
Green Solutions	Build, Own, and Operate (BOO) model of Green Solutions for Energy and Environment Utilities.
Chemical	Ion Exchange Resins, Performance Chemicals, Construction Chemicals, Water Treatment Chemicals, Oil Field Chemicals, Paper Chemicals, Construction Chemicals, and Related Services.

Source: Company, ACMIIL Retail Research

The product portfolio of different segments include:

1. Industrial Products:

The Company's Industrial Products segment comprises its largest portfolio. Under Clean Energy, this segment supplies packaged boilers and fired heaters, in addition to offering turnkey solutions for process heating using various heating media such as steam, thermic fluid, hot water, and hot air. Moreover, it provides biomass-fired equipment for the combustion of green fuels, including agricultural waste and industrial process waste. The segment also offers heat recovery solutions for clean energy production and is supported by steam engineering products and accessories. Furthermore, it specializes in providing air pollution control systems for both particulate and gaseous exhaust. The Company's expertise extends to offering comprehensive solutions for environmental protection, covering products and systems for air pollution control (APC) as well as retrofit and rebuild services.

2. Industrial Infra:

Industrial Infra covers Projects and Energy Solutions (P&ES) and Thermax Babcock & Wilcox Energy Solutions (TBWES) businesses. P&ES offers captive power plants, cogeneration systems, waste heat recovery power plants, and independent power plants in the utility space on an EPC basis. The business provides captive and independent power plants operating on a variety of renewable fuels. It also offers equipment and solutions based on conventional fuels (solid, liquid, and gaseous). Cogeneration is a system that produces heat and electricity in a single plant powered by a single energy source.

3. Green Solutions:

The Green Solutions segment includes Thermax Onsite Energy Solutions Limited (TOESL) which provides green utilities such as steam, heat, treated water, chilled water, and cogeneration power, along with other utilities on a long-term basis (build-own-operate model). The Company has recently entered into a partnership for green hydrogen projects for commercial and industrial customers in India. The production of green hydrogen at an industrial scale would be a major step forward in decarbonizing hard-to-abate industries such as refineries, fertilizers, and steel.

4. Chemical:

The Chemical segment manufactures and markets a wide range of specialty chemicals to help improve processes and water use efficiency across a spectrum of industries. Thermax is recognized as Asia's leading manufacturer and exporter of ion exchange resins and is a pioneer in water and wastewater treatment chemicals. It also manufactures construction and oil-field chemicals. With these specialty chemicals and its strong dealer network, it serves several industrial sectors and customers globally. The company has equipped with modern research, state-of-the-art manufacturing facilities, and qualified professionals to offer customized solutions. The USA is an important market for this business.

Subsidiaries:

- **Thermax Babcock & Wilcox Energy Solutions Limited (TBWES)**
  TBWES, a 100% subsidiary of Thermax, provides steam generation solutions for process and power needs, using fuel as well as waste heat. Additionally, it offers renovation and modernization along with upgrades for old boilers and furnaces. To expand its green portfolio in conjunction with the trend toward clean energy, TBWES has developed newer technologies and formed strategic partnerships focused on waste to energy, municipal solid waste (MSW) incineration, and waste heat recovery, all of which are gaining traction. One of the most recent additions is the newly-launched FlexiSource multifuel boiler.
- **Thermax Onsite Energy Solutions Limited (TOESL)**
  TOESL is a sustainable utility provider that uses the build-own-operate (BOO) business model to deliver utilities such as steam, heat, treated water, and cogeneration power.
- **First Energy Private Limited (FEPL)**
  First Energy Private Limited (FEPL), is commissioned as solar and solar-wind hybrid farms to fulfil Company's customers' captive renewable power requirements.

Other Key Overseas Subsidiaries:

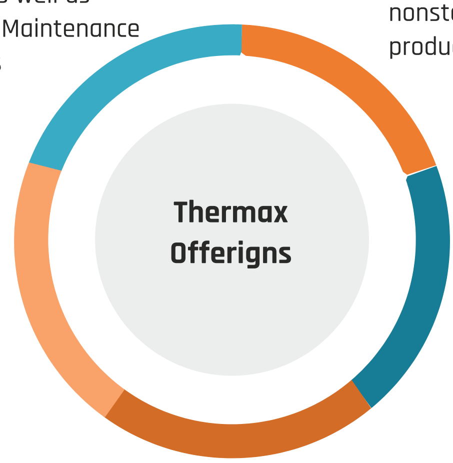
1. PT Thermax International, Indonesia (PT TII).
2. Thermax Europe
3. Danstoker Group
4. Thermax Inc., USA

Industries Catered

Thermax has a rich experience of working across industries –

Source: Company, ACMIIL Retail Research

Thermax Offerings



Source: Company, ACMIIL Retail Research

Investment Rationale

Adoption of Environmental Solution technologies

Private Capex revival with increased new investments by industries towards improving their sustainability performance with the adoption of environmental solution technologies. They are focused on minimizing carbon and water footprints and optimizing resource consumption with efficiency improvement solutions, renovation and modernization projects, and adopting energy-efficient technologies. Thermax with its heating, cooling, power, and diverse environmental solutions is well-positioned to address this need.

Capturing new opportunities

The company remains to capture opportunities in waste heat recovery, CFBC boilers, and biomass in both domestic and export markets. The Company is also contemplating opportunities across newer and green technologies such as solar, biomass, and green hydrogen which will provide the next leg of growth.

Ample growth opportunities

Industries such as steel and cement are undergoing capacity expansion, which bodes well for Thermax. The Indian Government's Union Budget announcement for infrastructure development and the PLI package will support demand in the coming years. The government's National Infrastructure Plan (NIP), which projects a total capital expenditure of ~Rs. 111 lakh crore during FY2020-2025, also augurs well for the growth of capital goods players. The significant allocation towards infrastructure is expected to provide healthy growth opportunities for the company.

Pursuing other alternate energy options

Thermax is also working on waste to energy, which is its forte. It has wide offerings and technological capabilities in desalination. The company has also solutions & Expertise in coal gasification, gas segregation and gas cleaning.

Diverse product portfolio and geographical presence leading to the stable revenue stream

Thermax is a leading player in several product segments, including vapor absorption chillers, low- and medium-capacity boilers, and electrostatic precipitators. Additionally, the company has been steadily expanding its global footprint, with approximately 25% of its revenue derived from overseas markets across various geographies.

Scope of margin improvement

The better product mix, revenue growth, and the softening of commodity prices, in general, are expected to lead to a high possibility of improving overall margins moving forward. The management anticipates a profit after tax (PAT) margin in the range of 6% to 8% in the coming years.

Growth in biomass

The company is in line with a plan to do better and establish itself as a leader in biomass, waste to energy, and municipal solid waste. The company is also focused on continuously innovating and staying ahead of the game for sustained growth. Thermax, with its range of solutions like biomass-fired boilers and heaters, municipal solid waste (MSW) boilers, multi-fuel-fired boilers, and electric boilers, is well positioned to address the need.

Bio-CNG Plant as another growth opportunity

Proposal by the Indian Government to establish 5,000 bio-CNG plants within five years, creating a potential market worth Rs. 25,000 crores. Moreover, the Ministry of New and Renewable Energy (MNRE) has also introduced a supportive Sustainable Alternative towards Affordable Transportation (SATAT) policy, which guarantees market-linked pricing and financial assistance. This presents a promising opportunity with a favorable environment for Thermax.

New Products

The Company is working on low-emission air pollution control in which they are developing multiple new products in absorption chiller for a larger industrial cooling business. Thermax will also be getting into industrial heat pumps, not just absorption-based heat pumps, but electrical heat pumps for multiple applications. Later in the year, Company is also planning to come out with a different RO product. This will be a vibrant space for Thermax where they want to continuously be investing & coming up with new things.

Green Hydrogen to give an edge

Currently, green hydrogen is in a nascent stage, Thermax wants to be an end-to-end EPC player in a hydrogen project. They have an interest in the electrolyzer and biomass to hydrogen side. Thermax recently entered the green hydrogen market in partnership with Fortescue Future Industries (FFI), an Australia-based green energy and green technology company, have signed an MOU to explore green hydrogen projects including new manufacturing facilities in India.

Leveraging its brand

The Company is in line with a focus on leveraging its brand to strengthen current relationships through new offerings, enhancing capital allocation, margin improvement, and seeking new development options with worldwide partnerships.

Additional Key Growth Drivers

- The company has a robust outstanding order book of around 9752 cr as of 31.03.2023 indicating Revenue visibility for coming Quarters.
- The Company has a large order pipeline in waste heat recovery for the cement and steel industries, besides orders for FGDs, waste to energy, and build-own-operate based solutions.
- Thermax has benefitted from clients' increasing focus on energy efficiency and carbon footprint reduction. The Company is investing in green and clean technology and expanding its product portfolio.
- The global and domestic shift towards renewable energy aligns well with the company's solutions in waste-to-energy, waste heat recovery, and renewables. These offerings cater to the needs of both local and international enterprises.
- The Company's technological know-how, customized solutions, and well-trained field engineering staff have aided the expansion of the Green Solution segment. It has a full-fledged in-house R&D setup, including testing equipment, prototypes, pilot plants, and shop floor plant installation to validate product performance.
- THERMAX is going to focus on urban and commercial segments to offer sewage recycling solutions with newer compact products based on membrane bioreactor (MBR) and sequential batch reactor (SBR) technologies.
- The Company's strong emphasis on zero liquid discharge (ZLD) systems with advanced multi-effect evaporators gives new avenues for future growth.
- THERMAX is having a continuous increase in demand for solvent-free and low total organic carbon (TOC) resins for ultrapure water applications in industries such as food, pharma, and electronics.
- The company has widened the market reach of water treatment chemicals by focusing on digitalization and remote monitoring of water treatment products and systems.
- THERMAX is in line with new business development collaborations and industrial associations, OEMs, process licensors, and consultants in important markets.
- Thermax plans to invest INR 500-600 crores of equity and INR 1,500-2,000 crores of additional debt in its Green Solutions and TOESL segments over the next two years.
- With India's commitment to COP26, aiming to reduce carbon intensity to less than 45% by the end of the decade and achieve net-zero carbon emissions by 2070, the company is well-positioned to seize opportunities in the emerging areas related to clean and sustainable energy.
- Tightened ESG standards, decarbonization, and energy transition would create opportunities for Thermax, with its expertise in heating, cooling, power, and diverse environmental solutions, putting it in a good position to capitalize.
- The company's state-of-the-art facilities in India, equipped with modularized equipment and offering significant value addition, are receiving positive responses from overseas customers.

Investment Idea

Industry Overview

India's Capital Goods manufacturing industry serves as a strong base for its engagement across sectors such as Engineering, Construction, Infrastructure, and Consumer goods, amongst others.

The engineering sector is the largest among the industrial sectors in India and holds immense strategic importance to the country's economy due to its close association with the manufacturing and infrastructure sectors.

India exports transport equipment, capital goods, other machinery/equipment, and light engineering products such as castings, forgings, and fasteners to various countries of the world.

The demand for services in the engineering sector is being driven by capacity expansion in various industries such as cement, automotive and auto ancillaries, electricity, mining, oil and gas, refinery, steel, chemicals, sugar, and consumer durables. India holds a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors. The engineering sector in India has experienced remarkable growth in recent years.

Furthermore, the Indian government's policies and reforms aimed at boosting manufacturing, such as the Make in India initiative and the Production-Linked Incentive (PLI) schemes, are beginning to show positive outcomes. These initiatives are expected to contribute to the overall sustainable GDP growth of the country throughout this decade, as noted by many experts.

In June 2023, India's Manufacturing Purchasing Managers' Index (PMI) recorded a robust figure of 58.5, reaching a level close to its highest point. This indicates strong manufacturing activities supported by overall demand and order inflow across various sectors. The government's budget for the current period included a capital expenditure (capex) outlay of 10 lakh crore, providing a significant impetus for the country's infrastructure and construction development. Such public capex initiatives and government policies are expected to stimulate private capex revival across industries and contribute to the overall GDP growth of the country.

The government has also introduced several policies aimed at promoting the adoption of environmental solution technologies in new capex projects across industries. In addition, incentives and schemes have been implemented to encourage the use of renewables and alternative energy sources in industries, along with importation benefits.

Industry Growth Drivers

- Emphasis on clean energy driving a shift in the energy mix, creating opportunities for Greenfield projects and brownfield replacements.
- Increasing demand for EPC, renewable energy, waste to energy, waste heat recovery plants, and biofuels due to focus on sustainability and energy-efficient solutions.
- Increase in demand for dry cooling solutions and adiabatic cooling towers on account of sustainability and water consumption regulations.
- Development of new air pollution control technologies to manage diverse versions of gaseous pollutants and enable agro-based fuel combustion.
- Energy transition and action on climate change are major priorities of governments globally.
- Increasing demand for EPC, renewable energy, waste to energy, waste heat recovery plants, and biofuels due to focus on sustainability and energy-efficient solutions.
- Increase in demand for dry cooling solutions and adiabatic cooling towers on account of sustainability and water consumption regulations.
- In FY 2022-23, as a part of government borrowing, sovereign green bonds are to be launched to fund green infrastructure.
- Enforcement of air pollution emission norms globally.
- Government's mandate to power companies on installation of FGD systems within a stipulated timeframe to mitigate SOx emissions.

Investment Idea

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

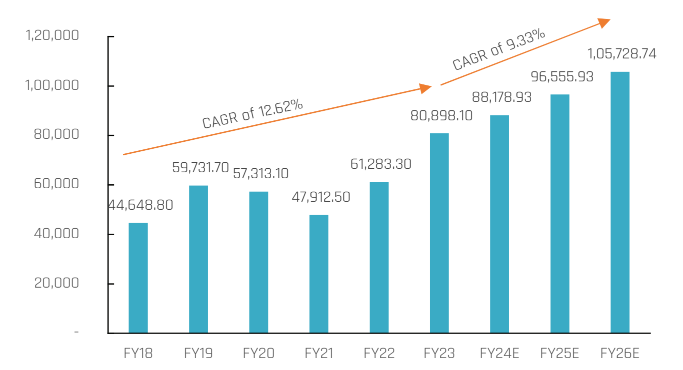


Exhibit 2: EBITDA & EBITDA Margin (%)

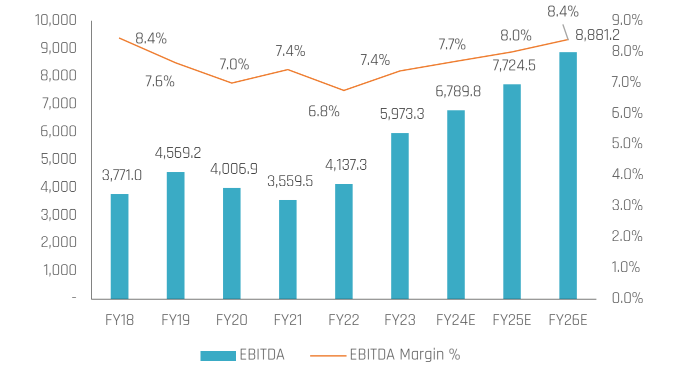


Exhibit 3: PAT & PAT Margin (%)

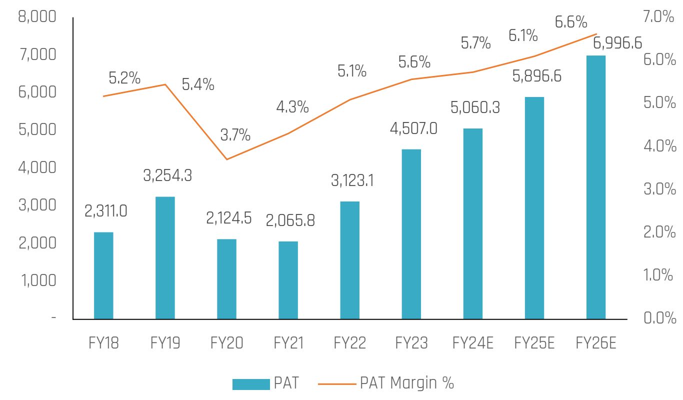


Exhibit 4: Segment Wise breakup

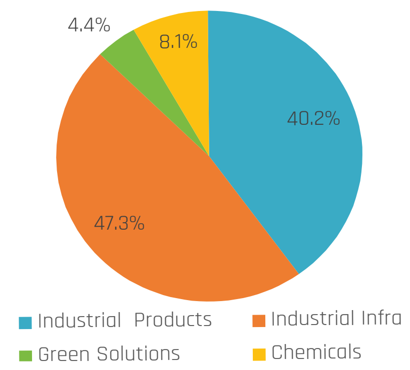


Exhibit 5: Product Wise breakup

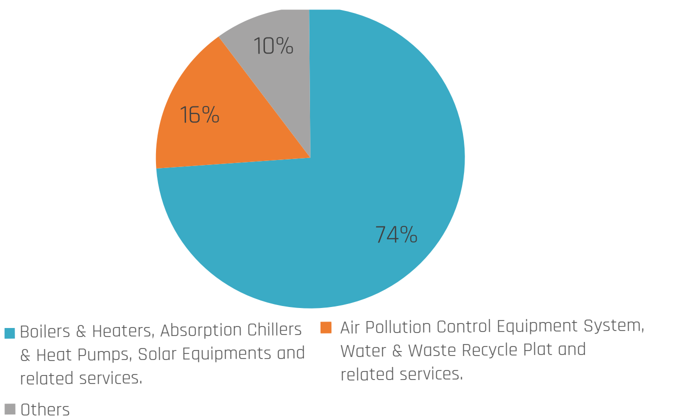


Exhibit 6: Location wise breakup

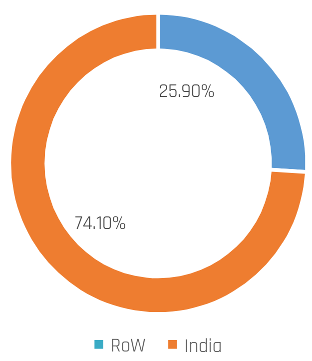


Exhibit 7: Q4 FY23 Order Book Status

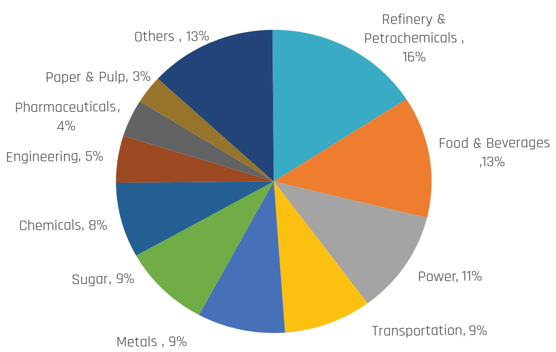
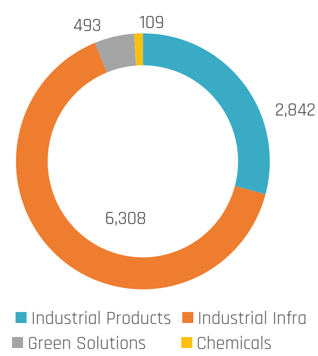


Exhibit 8: Order Book as on March 2023



Note: Total order book is 9,752 Cr.

Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (in Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	44,648.8	59,731.7	57,313.1	47,912.5	61,283.3	80,898.1	88,178.9	96,555.9	1,05,728.7
Expenses	40,877.8	55,162.5	53,306.2	44,353.0	57,146.0	74,924.8	81,389.2	88,831.5	96,847.5
EBITDA	3,771.0	4,569.2	4,006.9	3,559.5	4,137.3	5,973.3	6,789.8	7,724.5	8,881.2
EBITDA Margin %	**8.4%**	**7.6%**	**7.0%**	**7.4%**	**6.8%**	**7.4%**	**7.7%**	**8.0%**	**8.4%**
Other Income	1,150.4	597.9	1,054.9	544.5	1,347.8	1,601.8	1,762.0	1,936.0	2,129.6
Depreciation	824.4	920.2	1,166.3	1,145.7	1,132.4	1,168.6	1,303.2	1,275.9	1,228.5
Interest	128.5	143.2	150.2	206.4	251.7	375.9	501.5	522.5	453.5
PBT	3,968.5	4,103.7	3,745.3	2,751.9	4,101.0	6,030.6	6,747.1	7,862.1	9,328.8
Tax	1,657.5	849.4	1,620.8	686.1	977.9	1,523.6	1,686.8	1,965.5	2,332.2
PAT	2,311.0	3,254.3	2,124.5	2,065.8	3,123.1	4,507.0	5,060.3	5,896.6	6,996.6
PAT Margin %	**5.2%**	**5.4%**	**3.7%**	**4.3%**	**5.1%**	**5.6%**	**5.7%**	**6.1%**	**6.6%**
EPS	19.4	27.3	17.8	17.3	26.2	37.8	42.5	49.5	58.7
ROE %	8.51%	10.80%	7.02%	6.35%	8.94%	11.65%	12.27%	13.21%	13.82%
ROCE %	13.90%	13.05%	11.96%	8.27%	11.28%	13.63%	14.93%	16.11%	17.46%
Source: Company, ACMIIL Retail Research									

Balance Sheet:

Particulars (In. Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Liabilities:									
Equity Share Capital	225.2	225.2	225.2	225.2	225.2	225.2	225.2	225.2	225.2
Reserves	26,922.2	29,917.7	30,053.8	32,288.7	34,699.7	38,455.5	41,015.8	44,412.4	50,409.0
Borrowings	2,337.2	2,402.6	2,302.9	3,278.9	3,677.1	8,305.3	7,305.3	7,405.3	5,405.3
Other Liabilities	29,801.0	35,354.9	26,932.9	29,205.8	35,978.2	41,400.1	64,044.2	54,466.7	67,320.6
Total Liabilities	**59,285.6**	**67,900.4**	**59,514.8**	**64,998.6**	**74,580.2**	**88,386.1**	**1,12,590.5**	**1,06,509.6**	**1,23,360.0**
Assets:									
Net Block	9,726.8	13,118.6	12,829.8	12,420.4	11,947.4	12,481.7	13,178.5	12,902.6	12,424.1
Capital Work in Progress	1,033.7	401.2	560.0	241.6	443.2	4,337.7	2,337.7	1,337.7	587.7
Investments	14,717.3	8,293.4	8,752.0	2,344.6	14,765.3	16,260.8	18,760.8	21,260.8	22,260.8
Other Assets	30,867.9	42,396.6	32,558.1	30,600.0	37,889.3	43,990.1	59,231.0	52,565.1	63,485.3
Cash & Bank	2,939.9	3,690.6	4,814.9	19,392.0	9,535.0	11,315.8	19,082.6	18,443.3	24,602.1
Total Assets	**59,285.6**	**67,900.4**	**59,514.8**	**64,998.6**	**74,580.2**	**88,386.1**	**1,12,590.5**	**1,06,509.6**	**1,23,360.0**
Source: Company, ACMIIL Retail Research									

Risks and Concerns

- Economic slowdown due to external and internal factors can affect the overall GDP growth of the Country.
- Any kind of unexpected change in government policies and Regulations.
- The slowdown in private capex would lead to the muted order booking.
- Geopolitical tensions and supply chain disruptions leading to volatility in commodity prices and higher logistics costs. Such fluctuations in key raw material prices impact may impact the overall business & profitability of the company

Thermax Limited

Key Data	
Sector	Capital Goods
CMP (₹)	2,540.90
Target Price	2,935.00
BSE Code	500411
NSE Code	THERMAX
Face Value (₹)	2.00
Market Cap (Cr.)	30,276.42
52 Week High	2,727.05
52 Week Low	1,830.35
Source: NSE. BSE	

Q1FY24 Result Update

- Consolidated Q1FY24 numbers exceeded estimates led by strong sales and operating profits.
- Net profit came in flat as it was affected by a provision of ~Rs. 51 crore w.r.t. a litigation.
- The company expects order intake to grow y-o-y in FY24, albeit, it will be largely driven by base orders of Rs. 500 crore or less.
- Thermax expects profitability to further improve as execution of high-margin orders, scaling up of chemicals business and benign commodity prices come into play.
- We maintain a Buy on Thermax with a price target of Rs. 2,935, as we expect the company's new focus areas would yield results in the long term despite near-term headwinds. We build in a 9.3% revenue CAGR (FY23-FY26E). Further, a healthy balance sheet give us comfort.

Financial Snapshot

Particulars (in Cr.)	Q1FY24	Q1FY23	% Change	Q4FY23	% Change
Sales	1,933	1,654	16.9%	2,311	-16.36%
EBITDA	132	96	37.5%	200	-34.00%
EBITDA Margin %	6.8%	5.8%	100bps	8.7%	-190bps
PAT	60	59	1.7%	156	-61.54%
EPS (₹)	4.94	4.95		13.09	
Source: Company, ACMIIL Retail Research					

Gravita India Limited

Key Data	
Sector	Industrial Minerals - Non Ferrous Metals
CMP (₹)	697.00
Target Price	732.00
BSE Code	533282
NSE Code	GRAVITA
Face Value (₹)	2.00
Market Cap (Cr.)	4,805.04
52 Week High	706.65
52 Week Low	278.60
Source: NSE. BSE	

Q1FY24 Result Update

- Consolidated PAT of Rs. 52 crore, was broadly in line with our estimate as the decline in volume due to the closure of Mudra facility for 10-12 days (Cyclone Biparjoy) and higher interest cost/tax rate was largely offset by better margin from lead and plastic segments.
- Lead/plastics recycling EBITDA margin was up 4%/15% q-o-q to Rs. 20,958/Rs. 10,217 per tonne, while that from the aluminium vertical declined sharply by 24% q-o-q to Rs. 12,823/tonne.
- Aluminium margins declined due to the commissioning of the new aluminium plant, which was still in the stabilization phase.
- Management maintained robust 25%/35% volume/PAT CAGR over FY2024E-FY2027E, supported by capacity expansion for existing recycling verticals.
- Capex plan of Rs. 250 crore for new recycling verticals would provide the next leg of growth.
- We maintain our Positive view on Gravita India. The government's focus on circular economics could provide a sustained growth opportunity, while its focus on increasing non-lead/VAP business share to 25%+/50%+ would act as a key re-rating catalyst.

Financial Snapshot

Particulars (in Cr.)	Q1FY24	Q1FY23	% Change	Q4FY23	% Change
Sales	703	580	21.2%	749	-6.14%
EBITDA	58	16	262.5%	63	-7.94%
EBITDA Margin %	8.25%	2.76%	549bps	8.41%	(16)bps
PAT	53	45	17.8%	64	-17.19%
EPS (₹)	7.54	6.16		9.24	
Source: Company, ACMIIL Retail Research					

Results Update

Schaeffler India Limited

Key Data	
Sector	Auto & Industrial Component
CMP (₹)	3,045.00
Target Price	3,523.00
BSE Code	505790
NSE Code	SCHAEFFLER
Face Value (₹)	2.00
Market Cap (Cr.)	47,594.47
52 Week High	3,968.75
52 Week Low	2,554.75
Source: NSE, BSE	

Q1FY24 Result Update

- Schaeffler India Limited (Schaeffler) reported EBITDA at Rs. 342 crore against our estimate of Rs. 342.4 crore on 2.3% higher-than-expected topline.
- Management has shared an optimistic outlook for the domestic market and indicated its concern on export volume growth in H2CY2024.
- The wind energy segment has started showing early signs of green shoots.
- The company is continuing with the investment required to build up production expertise for export volumes.
- In the automotive segment, the company has won orders for (1) wheel bearings in the PV segment, (2) LV clutch systems in the CV segment, and (3) HD clutch systems in the MHCV segment.
- We maintain our Buy rating on Schaeffler India with a target price of Rs. 3,523 in expectation of sustenance in domestic demand, success in the high-value EV business, increased localization, and traction in the aftermarket segment.

Financial Snapshot

Particulars (in Cr.)	Q1FY24	Q1FY23	% Change	Q4FY23	% Change
Sales	1,829	1,749	4.6%	1,694	7.97%
EBITDA	342	322	6.2%	315	8.57%
EBITDA Margin %	18.70%	18.41%	29bps	18.60%	10bps
PAT	237	226	4.9%	219	8.22%
PAT Margin %	12.96%	12.92%	4bps	12.93%	3bps
EPS (₹)	15.18	14.44		14.03	
Source: Company, ACMIIL Retail Research					

Minda Corporation Limited

Key Data	
Sector	Auto Ancilliaries
CMP (₹)	290.70
Target Price	383.00
BSE Code	538962
NSE Code	MINDACORP
Face Value (₹)	2.00
Market Cap (Cr.)	6950.04
52 Week High	316.55
52 Week Low	187.00
Source: NSE, BSE	

Q1FY24 Result Update

- In Q1FY24 the domestic Auto Industry grew by ~2.3% YoY while Minda Corp. grew by ~6.4%.
- Going forward, demand is expected to pick up with the beginning of the festive season.
- The PV demand will be led by new launches and premiumization trends. The CV demand is expected to sustain with increasing economic activities on account of infra push by the government.
- Mechatronics and Aftermarket segment where it has contributed 48% of total revenues, up 4.3% YoY but down 4% QoQ to ~Rs513 Cr.
- The EBITDA Margin stood at 13.1% (vs. 12.6%/13.9% in Q1FY23/Q4FY23); the YoY growth in margins is due to better efficiencies in lockset and Die Casting division with smart keys forming 15% of the 2W lockset revenues.
- We continue to maintain a BUY on Minda Corporation Limited as it will be a beneficiary of product premiumization, EV growth, increased business from CV/PV OEMs and growth opportunities via organic and inorganic routes in the future.

Financial Snapshot

Particulars (in Cr.)	Q1FY24	Q1FY23	% Change	Q4FY23	% Change
Sales	1,075	1,010	6.4%	1,075	NA
EBITDA	115	107	7.5%	117	-1.71%
EBITDA Margin %	10.70%	10.59%	11bps	10.88%	420bps
PAT	45	52	-13.5%	122	-63.11%
PAT Margin %	4.19%	5.15%	(96)bps	11.35%	(716)bps
EPS (₹)	1.89	2.2		5.1	
Source: Company, ACMIIL Retail Research					

NIFTY

Chart as on 04/08/2023

NIFTY - WEEKLY CHART

- The index began the month of July on a positive note and continued its strong momentum throughout the series. As a result, the index registered a fresh lifetime high of 19,992. However, thereafter, the index witnessed profit booking. Finally, the index settled in the first week of August on a negative note at 19,517.
- On a weekly scale, the index is still holding above the ascending triangle pattern breakout. According to this pattern, the index could test 21,000-22,000 levels as long as it holds the support of 16,800.
- The immediate support for the index is placed close to 19,300-19,350. If the index sustains below that, then it could retrace back towards the major breakout zone of 19,000-18,900.
- On a weekly basis, the momentum indicator RSI is above the center point, but it is placed close to the overbought zone. Thus, in the short term, due to overbought conditions, consolidation or profit booking could be possible, but a buy-on-dips strategy needs to be adopted in Nifty for medium term.
- For the short term, 19,300 and 18,900 will serve as support levels, whereas 20,000 and 20,500 will serve as resistance levels.

BANKNIFTY

Chart as on 04/08/2023

BANK NIFTY - WEEKLY CHART

- The index started the July month on a cautious note but gradually picked up bullish momentum. As a result, the index registered a fresh lifetime high of 46,369 but was unable to sustain above it, leading to profit booking. Finally, the index settled in the first week of August on a negative note at 44,879.
- Technically, the index witnessed a rounding bottom pattern breakout on 29th May, but thereafter, it rallied and then retraced back to the previous breakout point. According to this pattern, the index could test levels of 49,000-50,000 in the medium term.
- The immediate support for the index is placed close to 44,200, where the fresh breakout occurred, and the 21-WEMA is placed near 43,717.
- The momentum indicator RSI on the daily scale is placed above the center point, but it is on the verge of forming a negative divergence.
- For the short term, 44,200 and 43,700 will act as support points, whereas 46,000 and 46,500 will act as resistance points.

TATA MOTOR DVR (TATAMTRDVR) LIMITED

Chart as on 04/08/2023

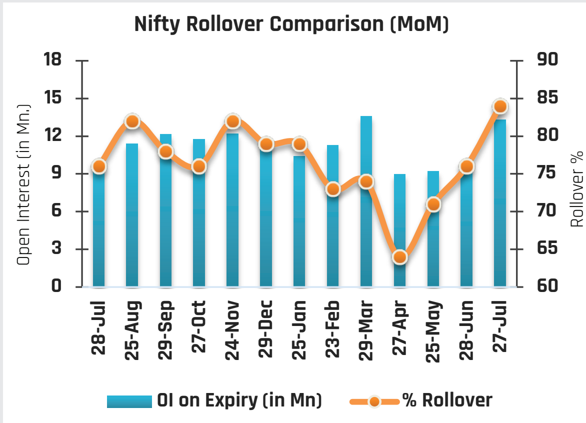
TATA MOTOR DVR- MONTHLY CHART

- On a monthly scale, the stock overcame the previous barrier and witnessed the breakout of the rounding bottom pattern, as highlighted in the above chart.
- The volume on breakout are higher than volume in consolidation, indicating buying interest build up near breakout zone.
- The recent breakout is placed close to 387 levels. Thus, any dips around 387 could offer a good entry point in the stock for the short term.
- The stock on a daily scale is respecting 21-DEMA support, which is placed near 373.
- The momentum indicator RSI on a monthly scale is placed above the centre point, indicating strength.
- Based on the above technical setup, we recommend to accumulate TATAMTRDVR in the range of 390-400 with a stop loss of 368 on a closing basis for the target of 440-460 in the short term.

Derivatives Report

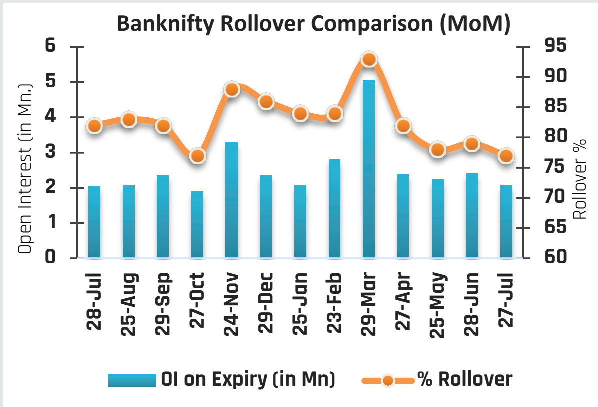
AUGUST SERIES VIEW

The Indian equity markets witnessed profit-taking after a strong rally, coupled with cautiousness following the Fed's decision to raise interest rates by 25 basis points. Despite the decline, Indian markets have experienced record highs, driven by robust economic growth, strong buying by foreign institutional investors (FIIs) and positive corporate earnings. Overall, the outlook for Indian markets remains positive, but there are some risks that investors should be aware of. Finally, Nifty railed more than 3% during the July series and closed at 19660 with gains of 688 points (EoE) indicating positive bias for the short term. On the expiry day, the Nifty futures rollover stood at 84%, which is higher as compared to the last three series average rollover of 70% indicating long position carry forward. Nifty will begin the August series with the open interest at 1.33 crore shares, compared to 0.99 crore shares at the commencement of the July series. Market-wide rollovers stood at 92% as compared to the average rollovers of 92% in the last three series. Going forward, monthly auto sales data, Rupee movement against the Dollar, bond yields, Q1FY24 earnings, Fiis flow, global cues, RBI policy, tensions between Russia and Ukraine, and crude oil price movement will dictate the trend on the bourses next month..



DERIVATIVES INDICATORS

The volatility index, India VIX, is cooled off by 3.49% and closed at multi-year lows of 10.51 vs. 10.89 levels of the previous month supportive for bulls. We expect volatility will remain continue due to global and economic data. Another leading derivatives indicator, Nifty PCR, opened on a lower note this month at 0.90 against last month's 1.41.

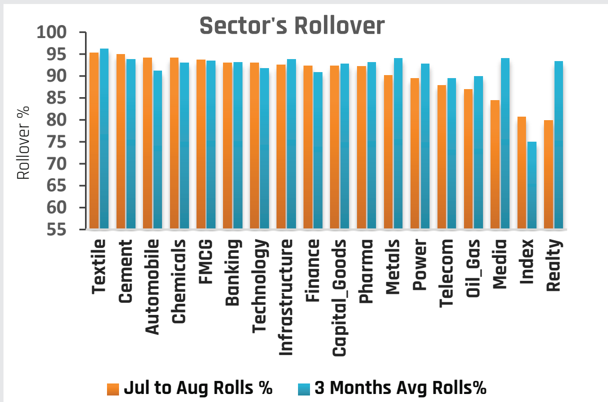


BANKNIFTY

The index saw low rolls of 77% as compared with the 3M average of 80%. BankNifty will start the August series with OI of 2.07 Mn shares as compared with OI of 2.43 Mn shares at the beginning of the July series. As per technical, support for the index stands around 44900 and 44000 whereas resistance stands at 46370 and 48000 for the short term.

SECTOR/STOCK ROLLOVER ACTIVITY

1. From the sectoral action, rollovers accelerated for **CEMENT, AUTOMOBILE, CHEMICALS, FINANCE, FMCG and TECHNOLOGY,** sectors in August expiry. However, low rollovers were seen in **MEDIA, OIL&GAS, REALTY, METALS, TELECOM** and **POWER** sectors stocks on expiry day as compared to three month's average as highlighted in the chart.
2. Within the Nifty50 space, index heavy weights such as **M&M, MARUTI, SBILIFE, HEROMOTOCO,** and **HCLTECH** saw aggressive rollover in the August series while low rolls were seen in **ONGC, HINDALCO, NTPC, SUNPHARMA** and **RELIANCE** compared with the 3M average rollover.
3. From the midcap space, **L&TFH, ICICIGI, DALBHARAT, DIXON,** and **SHRIRAMFIN** saw high rollovers whereas **DELTACORP, SUNTV, NATIONALUM, MGL,** and **RBLBANK** saw lower rollover compared with the 3M average..



Stocks to watch out based on Rollover Analysis:

POSITIVE	
COLPAL	Strong Rollover of 93% compared with 3 months average of 87%.
MARUTI	Strong Rollover of 93% compared with 3 months average of 90%.
ATUL	Strong Rollover of 93% compared with 3 months average of 81%.
SUNPHARMA	Rollover of 93% compared with 3 months average of 95%.
NEGATIVE	
VOLTAS	Rollover of 95% compared with 3 months average of 91%.
BANDHANBNK	Rollover of 90% compared with 3 months average of 93%.

Retail Research Call Performance

MT Medium Risk Calls												
Calls Performance	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Calls Activated	32	36	22	24	40	29	18	57	27	59	64	68
Successful	24	18	17	14	21	18	10	39	21	43	44	44
Unsuccessful	8	18	5	10	19	11	8	18	6	16	20	24
Succes Rate	75%	50%	77%	58%	53%	62%	56%	68%	78%	73%	69%	65%

MT High Risk Calls												
Calls Performance	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Calls Activated	44	53	24	20	24	13	10	19	15	9	11	20
Successful	31	32	16	14	13	7	8	12	11	7	8	15
Unsuccessful	13	21	8	6	11	6	2	7	4	2	3	5
Success Rate	70%	60%	67%	70%	54%	54%	80%	63%	73%	78%	73%	75%

Positional Calls												
Calls Performance	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Calls Activated	7	20	7	17	11	9	14	9	8	10	9	17
Successful	7	13	6	16	4	6	12	6	8	10	9	13
Unsuccessful	0	7	1	1	7	3	2	3	0	0	0	4
Success Rate	100%	65%	86%	94%	36%	67%	86%	67%	100%	100%	100%	76%

Momentum Call												
Calls Performance	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Calls Activated	19	22	13	11	20	12	16	12	15	10	7	13
Successful	16	16	9	6	11	6	10	6	12	7	3	10
Unsuccessful	3	6	4	5	9	6	6	6	3	3	4	3
Success Rate	84%	73%	69%	55%	55%	50%	63%	50%	80%	70%	43%	77%

Techno Funda												
Calls Performance	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Calls Activated	-	-	-	-	-	-	-	-	1	1	1	1
Successful	-	-	-	-	-	-	-	-	1	1	1	1
Unsuccessful	-	-	-	-	-	-	-	-	0	0	0	0
Success Rate	-	-	-	-	-	-	-	-	100%	100%	100%	100%

Event Calendar August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 • IN S&P Global Manufacturing PMI	2	3 • IN S&P Global Manufacturing PMI • IN S&P Global Services PMI	4 • US Employment Report	5 • BANKBARODA • PSB • BALRAMCHIN • AFFLE • FLUOROCHEM • APLAPOLLO • BALKRISIND
6	7 • US Fed Bowman Speech INDIACEM MAXHEALTH RBA POLICYBZR SPARC GNFC TATACHEM GLAND HLEGLAS RAMCOCEM SOBHA ERIS CAPPL INDIGOPNTS POLYMED EMAMILTD TORNTPHARM MEDPLUS GODREJCP JINDWORLD ALKYLAMINE RAINBOW KIMS WHIRLPOOL BAYERCROP	8 • INFIBEAM • COALINDIA • HINDALCO • IRCON • ADANIPORTS • MIDHANI • STARCEMENT • AARTIIND • LLOYDSME • GSFC • CHAMBLFERT • EPL • OIL • EIHOTEL • EUREKAFORBE • PRESTIGE • BRIGADE • HIKAL • HAPPSTMNDS • BORORENEW • SIEMENS • DATAPATTNS • SUVENPHAR • LINDEINDIA • PHOENIXLTD • GUJALKALI • BIRLACORPN	9 • SJVN • ZEEL • TATAPOWER • IRCTC • GRANULES • FDC • GPPL • NATCOPHARM • KALYANKJIL • BERGEPAINT • KIOCL • SUNTECK • PIIND • BHARATFORG • EIDPARRY • UNOMINDA • BATAINDIA • TRENT • VGUARD • MFSL • VARROC • JBCHEPHARM • RATNAMANI • ECLERX • VMART • ABBOTINDIA	10 • MSCI Quarterly Index Review • RBI Interest Rate Decision • US CPI • OPEC Monthly Report • MAZDOCK • GICRE • CAMPUS • RHIM • CONCOR • HEROMOTOCO • MEDANTA • PIDILITIND • CHEMPLASTS • IPCALAB • KRBL • GRASIM • TORNTPOWER • POLYPLEX • NUVOCO • GMM • AVANTI • ENDURANCE • PRINCEPIPE • ALKEM • LAOPALA • CHOLAHLDNG • SANOFI • PAGEIND • GRINFRA • BAJAJELEC • ESABINDIA • 3MINDIA • HONAUT	11 • Industrial Production YoY • Manufacturing Production YoY • NBCC • SAIL • MOTHERSON • NCC • LICI • APOLLOTYRE • BIOCON • IRFC • NHPC • NATIONALUM • NMDC • ONGC • RCF • ZYDUSLIFE • JINDALSTEL • VOLTAS • SUNTV • HAL • ELGIEQUIP • GLENMARKL • GODREJIND • COCHINSHIP • APOLLOHOSP • ABB • MUTHOOTFIN • TTKPRESTIG • TIMKEN • VINATIORGA • PFIZER	12 • RVNL • CROMPTON • AMARAJABAT • AUROPHARMA • FINCABLES • JKCEMENT
13	14 • IN WPI Inflation YoY • IN WPI Food Index YoY • IN WPI Manufacturing YoY • IN Inflation Rate YoY & MoM • HINDCOPPER • ITC • SWANENERGY • UFLEX • GRINDWELL • ASTRAZEN	15	16 • Manufacturing Production YoY, Industrial Production YoY and Inflation Rate YoY & MoM, US CPI Data , US Inflation Rate YoY and MoM	17	18	19
20	21	22	23 • PGHL	24	25	26
27	28 • PGHH	29 • GILLETTE	30	31 • Expiry of Near Month Derivative Contract • GDP Growth Rate YoY Q1 • Government Budget Value JUL		

Result Updates

Economic & Other Event

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Market Watch	Positional Calls
Investor First Magazine	Smart Delivery Calls
IPO/NCD/ETF/OFS/BOND	Investment Ideas
Market Pulse	Master Trades High Risk
RBI Monetary Policy	Master Trades Medium Risk
Union Budget Report	Techno-Funda
Weekly Derivative Synopsis	Top Mutual Fund Schemes
Rollover Snapshot	Portfolio Review
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