

DIWALI PICKS

LARGE CAPS



DIWALI PICKS



- ❖ Britannia Industries Ltd. (BRIT)
- ❖ Cipla Ltd
- ❖ Hero MotoCorp
- ❖ ICICI Bank
- ❖ Ultratech



All stocks prices in this PPT are based 12 October 2022 closing levels.



Britannia Industries Ltd. (BRIT)

M-cap: US\$11.1bn; CMP: Rs3,798; TP: Rs4,600; Upside: 21.1%; Rating: Buy



- BRIT should be able to deliver double-digit (>16% earnings over FY22-26E) growth in the medium term (>19% earnings over FY22-25E itself), led by:-
 - 1) Strong runway of growth in Indian packaged foods industry: The Indian packaged food market is expected to be double and grow up to USD 70bn in the next 5-10 years, led by economic growth, demographic dividend and growing e-commerce. Category leaders should benefit from this tailwind.
 - 2) Moderate competitive pressure in the core category: BRIT has gained ~80bps market share in the last two years. Share gains have come from both smaller as well as from no. 2 player. Market share in urban markets is 39% and in rural market it stands at 27-28%. The share gain is on the back of improving distribution along with focused strategies to win in organized retail channels, focusing on core renovation & innovation, consistently drive upgrades through right products, sku's & communication and efficiencies. Even going ahead, these pillars will ensure that the company retains its market leadership.
 - 3) Increased focus on smaller towns: Rural distribution has gone up from 23,000 rural distributors to 27,000 rural distributors in 1QFY23. In Mar '22, direct reach has also gone up, from 23.7 to 24.9 lakh outlets. Hindi belt is growing 20% faster than rest of India in recent times but BRIT believes there is still some room for attention.
 - 4) New Product Developments (NPD's) contribution in FY22 stood at ~4.5%. While innovation took a back seat in last two years for the industry as the focus was on driving supply chain efficiencies via limited sku's. In a normalized environment, NPD's should pick-up. BRIT is targeting ~5% contribution from NPD's.
 - 5) Premiumization: Further introduction of premium range and acceptability of the premium products in a bigger way by consumer will gradually benefit BRIT,
 - 6) Normalization of commodity inflation and cost optimization: On the margin front, inflationary pressures have cooled-off from peak levels. Benefits should start accruing from 2H of FY23 if correction persist. This should lead to strong margin expansion over the next two years. We expect gross margin to touch previous levels (close to 41.9% which was achieved in FY21) by FY24 itself. We thus build 400bps/270bps expansion in Gross/EBITDA margin over FY22-25E.
- In the near term, we continue to believe that due to aggressive pricing actions, industry (incl. BRIT) will continue to witness a period of low volume growth (due to reduction in grammage), post which things should revert back to normal.
- Key monitorable: Rural growth outlook, sustainability of correction in commodity prices and level of ICD's to group companies
- The stock is trading at 50x/40x/36x FY23E/FY24E/FY25E EPS as we build in ~19% earnings CAGR over FY22-25E (looks slightly higher due to lower base, as FY22 saw bulk of inflationary pressure). We value the company at ~45x Sept'2024E EPS (3yr/5yr avg: 46x/48x) due to the structural opportunity in the packaged foods space, decent return ratios (even while it looks to have come-off in FY22), healthy dividend payout and potential addition of new categories going ahead.
- We have a Buy rating with target price (TP) of Rs4,600.

Britannia Industries Ltd

Income statement

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	1,31,361	1,41,363	1,62,957	1,73,962	1,87,224
% Growth	13.2	7.6	15.3	6.8	7.6
COGS	76,261	87,603	99,547	1,01,739	1,08,451
Staff costs	5,274	5,423	6,421	6,926	7,533
Other expenses	24,734	26,322	30,575	33,790	37,002
Total expenses	1,06,269	1,19,348	1,36,543	1,42,454	1,52,987
EBITDA	25,093	22,015	26,414	31,508	34,237
% growth	36.1	-12.3	20.0	19.3	8.7
EBITDA margin (%)	19.1	15.6	16.2	18.1	18.3
Other income	3,129	2,228	2,348	3,548	4,487
Interest costs	1,109	1,443	1,800	1,579	1,459
Depreciation	1,979	2,005	2,312	2,670	2,855
Profit before tax (before exceptional items)	25,134	20,795	24,649	30,806	34,410
Exceptional items	-6	-10	0	0	0
Tax	6,630	5,624	6,204	7,754	8,661
Rate of Tax (%)	26.4	27.0	25.2	25.2	25.2
PAT	18,639	15,248	18,445	23,052	25,749
Adj PAT	18,645	15,258	18,445	23,052	25,749
Adj PAT margin (%)	13.9	10.6	11.2	13.0	13.4
% Growth	31.3	-18.2	20.9	25.0	11.7

Balance sheet

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	241	241	241	241	241
Reserves	35,236	25,340	32,649	41,248	50,303
Minority Interest	363	275	275	275	275
Net worth	35,477	25,581	32,890	41,489	50,544
Total debt	21,057	24,812	22,812	19,812	18,812
Deferred tax liability	10	-509	-509	-509	-509
Total liabilities	56,906	50,159	55,469	61,067	69,122
Gross block	26,201	28,087	34,837	37,337	39,837
Depreciation	9,630	11,951	14,263	16,934	19,789
Net block	16,571	16,136	20,574	20,403	20,048
Intangible assets	1,359	1,396	1,396	1,396	1,396
Capital work-in-progress	1,165	5,357	5,357	5,357	5,357
Investments	27,808	17,624	18,952	26,754	36,949
Inventories	10,915	13,675	12,842	13,680	14,699
Debtors	2,573	3,319	3,595	3,717	3,973
Cash	2,113	1,849	2,408	2,565	2,756
Loans & advances	16,269	14,019	15,203	14,233	13,184
Other current assets	1,220	1,263	1,263	1,263	1,263
Total current assets	33,090	34,126	35,311	35,458	35,875
Creditors	13,148	12,852	13,968	15,075	16,098
Other current liabilities & provisions	9,939	11,627	12,153	13,226	14,405
Total current liabilities	23,086	24,479	26,121	28,301	30,503
Net current assets	10,003	9,647	9,190	7,157	5,372
Total assets	56,906	50,159	55,469	61,067	69,122

Cash flow

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
PAT	18,504	15,172	18,445	23,052	25,749
Depreciation	1,979	2,005	2,312	2,670	2,855
Other income	3,129	2,228	2,348	3,548	4,487
(Inc.)/dec. in working capital	-562	-3,273	16	1,190	976
Cash flow from operations	18,511	12,995	20,225	24,944	26,553
Capital expenditure (-)	-1,927	-5,763	-6,750	-2,500	-2,500
Net cash after capex	16,584	7,232	13,475	22,444	24,053
Dividends paid (-)	-28,238	-24,849	-11,436	-14,753	-16,994
Inc./(dec.) in investments	1,788	10,480	-328	-6,802	-9,195
Cash from financial activities	-22,437	-22,458	-15,236	-19,332	-19,453
Opening cash balance	1,229	2,114	1,849	2,408	2,565
Closing cash balance	2,114	1,849	2,408	2,565	2,756
Change in cash balance	885	-265	559	157	192

Key ratios

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Per share (Rs)					
EPS	77.4	63.3	76.6	95.7	106.9
Book value	147.3	106.2	136.5	172.2	209.8
DPS	144.9	69.0	47.5	61.2	70.5
Valuation (x)					
EV/sales	6.9	6.5	5.6	5.2	4.8
EV/EBITDA	36.1	41.8	34.7	28.7	26.1
P/E	49.1	60.0	49.6	39.7	35.5
P/BV	25.8	35.8	27.8	22.1	18.1
Return ratios (%)					
RoCE*	39.6	37.2	45.2	49.1	47.8
RoE	46.5	49.7	63.1	62.0	56.0
RoIC*	84.1	77.5	87.5	102.7	121.9
Profitability ratios (%)					
Gross margin	41.9	38.0	38.9	41.5	42.1
EBITDA margin	19.1	15.6	16.2	18.1	18.3
EBIT margin	17.6	14.2	14.8	16.6	16.8
PAT margin	13.9	10.6	11.2	13.0	13.4
Liquidity ratios (%)					
Current ratio	1.4	1.4	1.4	1.3	1.2
Quick ratio	1.0	0.8	0.9	0.8	0.7
Solvency ratio (%)					
Debt to Equity ratio	0.6	1.0	0.7	0.5	0.4
Turnover ratios					
Total asset turnover ratio (x)	2.3	2.8	2.9	2.8	2.7
Fixed asset turnover ratio (x)	7.4	6.6	6.3	6.8	7.4
Inventory days	44	51	49	48	48
Debtors days	8	8	8	8	7
Creditor days	58	54	49	52	52

Source: Company, Nirmal Bang Institutional Equities Research

Cipla Ltd

CMP: Rs1,108; Rating: Acc; M-cap: US\$11.4bn; TP: Rs1,268; Upside: 12%



- **What we like about the stock**
 - Robust product pipeline to provide strong visibility in the US market. ~28% of revenues comes from low competition respiratory segment
 - Continuous to achieve market beating growth across Rx, GX and OTC segment in the domestic market.
 - Second largest respiratory product portfolio globally with a dominating 22% market share in domestic respiratory therapy.
 - Third largest player in South Africa in both Rx and OTC market.
- **Strong Visibility in the US:** Strong growth visibility in the US which would be aided by continuous strong growth in Albuterol Sulfate, Brovana and Lanreotide 505(b)(2) along with expected launch of Advair, Abraxane Injection and Revlimid in 2HFY23. The company also possess strong pipeline of Respiratory and peptide products which would continue to drive the growth in the US market.
- **Market beating growth continuous in domestic market:** Strong chronic portfolio (~60% of Rx sales ex covid) continues to achieve market beating growth in Rx segment. Apart of Rx portfolio, it possesses India's largest and fast growing trade generics business serving patients in tier-2 and beyond along with strong OTC franchise of around dozen brands including Omnigel, Nicotine, Cofsils and Endura Mass (recently acquired).
- **Expect 9.1%/11.8%/16.6% Revenue/EBITDA/PAT CAGR over FY22-25E with 160 bps improvement in margins**
 - US (20% of sales) expected to grow 10% CAGR. The US sales will add over \$300mn.
 - India (45% of sales) is expected to grow at ~9% due to high base of Covid sales in FY22.
 - ~160 bps improvement in EBITDA margins will be mainly driven by improvement in products mix.
- **We are positive about the company mainly due to its strong India franchise, robust US pipeline, healthy margins and improving return ratios.**
- **Valuation – We recommend a “Accumulate” on Cipla with a price target of Rs. 1,268 based on 26x Sept'24 EPS.**

Income Statement (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	1,91,596	2,17,633	2,38,047	2,61,150	2,82,768
% growth	11.8	13.6	9.4	9.7	8.3
Raw material costs	73,519	84,956	89,268	97,931	1,04,624
Staff costs	32,518	35,299	41,063	44,396	48,070
R&D expenses	9,240	11,220	13,093	14,363	15,552
Other expenditure	33,794	40,631	43,325	47,007	50,898
Total expenditure	1,49,072	1,72,106	1,86,748	2,03,697	2,19,145
EBITDA	42,524	45,528	51,299	57,453	63,623
% growth	30.5	7.1	12.7	12.0	10.7
EBITDA margin (%)	22.2	20.9	21.6	22.0	22.5
Other income	2,660	2,809	3,809	5,223	7,069
Interest costs	1,607	1,064	749	599	449
Gross profit	1,18,077	1,32,677	1,48,779	1,63,219	1,78,144
% growth	6.0	12.4	12.1	9.7	9.1
Depreciation	10,677	10,520	11,083	11,873	12,663
Profit before tax & Exceptional Items	32,901	36,754	43,276	50,204	57,580
Exceptional Items	0	-1,821	0	0	0
Profit before tax	32,901	34,933	43,276	50,204	57,580
Tax	8,888	9,338	11,685	13,555	15,547
Effective tax rate (%)	27.0	25.4	27.0	27.0	27.0
Net profit before MI and Associates	24,013	25,595	31,592	36,649	42,034
Share of MI and Associates	-36	427	0	0	0
PAT after share of MI and associates	23,977	26,022	31,592	36,649	42,034
Reported PAT	24,049	25,168	31,592	36,649	42,034
Adjusted PAT	24,049	26,502	31,592	36,649	42,034
EPS (Rs)	29.8	32.8	39.2	45.4	52.1
% growth	51.8	10.2	19.2	16.0	14.7

Cash Flow Statement (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	23,755	34,508	35,996	45,145	61,777
Depreciation	17,665	-7,695	-7,540	-7,198	-10,454
Net Chg in WC	41,421	26,813	28,456	37,947	51,323
Taxes	-3,442	-2,660	-2,809	-3,331	-3,714
Others	-601	-686	1,295	0	0
CFO	11,747	10,677	10,520	11,360	11,977
Capex	-6,312	-8,888	-9,338	-11,908	-16,408
Net Investments made	42,812	25,256	28,123	34,069	43,179
Others	-13,975	-10,447	-10,171	-17,298	-14,112
CFI	28,837	14,810	17,953	16,770	29,066
Change in Share capital	1,471	2,308	-1,734	6,706	2,908
Change in Debts	-26,456	-13,145	-10,946	5,050	-2,235
Div. & Div Tax	6,188	10,039	14,012	19,285	47,812
Others	10,039	14,012	19,286	47,812	77,550
CFF	3,851	3,973	5,273	28,527	29,739
Total Cash Generated	3,973	5,273	10,847	16,801	23,127
Cash Opening Balance	10,039	14,012	19,285	30,132	46,932
Cash Closing Balance	14,012	19,285	30,132	46,932	70,059

Balance Sheet (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	1,613	1,614	1,614	1,614	1,614
Reserves	1,81,652	2,06,803	2,32,752	2,63,759	3,00,150
Net worth	1,83,265	2,08,417	2,34,366	2,65,372	3,01,763
Minority Interest	2,591	2,757	2,757	2,757	2,757
Net deferred tax liabilities	-181	-2,049	-2,049	-2,049	-2,049
Short-term loans	3,347	4,079	3,579	3,079	2,579
Long-term loans	12,028	4,162	3,162	2,162	1,162
Other Non Current Liabilities	4,754	4,103	4,352	4,622	4,892
Liabilities	2,05,804	2,21,470	2,46,168	2,75,944	3,11,105
Net Block	50,780	52,258	51,176	49,303	46,640
CWIP	5,708	3,829	3,829	3,829	3,829
Intangible Assets and Goodwill	48,356	48,408	48,408	48,408	48,408
Other Non Current Assets	11,433	14,752	15,349	16,024	16,656
Inventories	46,692	53,502	58,054	63,323	68,125
Debtors	34,457	34,244	37,456	41,092	44,493
Cash	14,012	19,285	30,132	46,932	70,059
Other current assets	36,934	40,244	49,944	59,868	69,669
Total current assets	1,32,095	1,47,275	1,75,586	2,11,216	2,52,347
Creditors	20,668	25,081	26,354	28,912	30,887
Other current liabilities	21,900	19,972	21,826	23,924	25,888
Total current liabilities	42,568	45,053	48,180	52,836	56,775
Net current assets	89,527	1,02,222	1,27,406	1,58,380	1,95,572
Total assets	2,05,804	2,21,470	2,46,168	2,75,944	3,11,105

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Profitability & return ratios					
EBITDA margin (%)	22.2	20.9	21.6	22.0	22.5
Net profit margin (%)	12.6	12.2	13.3	14.0	14.9
RoE (%)	14.1	13.5	14.3	14.7	14.8
RoCE (%)	12.4	12.5	13.5	14.0	14.2
ROIC (%)	14.3	15.3	17.1	19.2	21.4
Working capital & liquidity ratios					
Receivables (days)	70	58	55	55	55
Inventory (days)	86	84	86	85	85
Payables (days)	41	38	39	39	39
Current ratio (x)	3.1	3.3	3.6	4.0	4.4
Quick ratio (x)	2.0	2.1	2.4	2.8	3.2
Valuation ratios					
EV/sales (x)	4.6	4.0	3.6	3.2	2.8
EV/EBITDA (x)	20.9	19.3	16.7	14.5	12.6
P/E (x)	37.9	34.4	28.9	24.9	21.7
P/BV (x)	5.0	4.4	3.9	3.4	3.0

Hero MotoCorp

CMP: Rs2,550; Rating: Buy; M-cap: US\$6.2bn; TP: Rs3,161; Upside: 24%



- **Pure play on 2W cycle recovery:** We see HMCL to be a key beneficiary of the 2W cycle recovery and view the opening up of economy and improving sentiments in rural market due to improving cash flows and good harvest season will drive the growth for HMCL.
- **Strong volume CAGR of 13% over FY22-FY25E:** 2W industry volumes have declined by 28% from peak of FY19 to FY22. We expect volumes to improve and pick up pace as led by improving income levels in rural markets and improving urban markets. We expect replacement demand to kick in going forward which seems to be delayed due to consistent price hikes taken in last 2 years. Currently the average age of vehicle stands at 5.8 years as against 4.9 in FY19.
- **Early signs of demand recovery:** Volumes in Apr-May'22 displayed some early signs of demand recovery on the back of the strong wedding season and improving rural sentiments however over last 2 months there was some moderation in the demand. However, we expect a gradual volume uptick in entry level segment to continue on the back of improving rural cash flows and expectation of normal monsoon aiding for kharif crops. Furthermore, opening up of educational institutions and offices will also support the demand for 2 wheelers. Inventory levels stand at 6-7 weeks against ~8-9 weeks in March-end. Moreover, we see the competitive intensity declining with the withdrawal of CT100 thus improving the demand for HF deluxe (cheapest MC in the market)
- **Multiple levers for margin recovery:** EBITDA margins have come down by 250bps to 11.5% in FY22 versus FY19. Going further we expect EBITDA margin improvement mainly due to softening of commodity cost pressures and gradual relief in supply side issues, operating leverage will kick in once company achieves optimum volumes going ahead. Furthermore, HMCL's step toward premiumisation by not only introducing premium bikes but also premiumisation of entry level segment by introducing XTEC range will lead to further expansion of margins.

Financial summary	FY21	FY22	FY23E	FY24E	FY25E
Volume	5,786,374	4,944,150	5,716,231	6,395,774	7,147,287
YoY growth (%)	(9.7)	(14.6)	15.6	11.9	11.8
Total Revenue	308,006	292,455	349,469	404,184	463,236
YoY growth (%)	6.8	(5.0)	19.5	15.7	14.6
EBITDA	40,192	33,688	43,334	53,757	61,610
EBITDA margin (%)	13.0	11.5	12.4	13.3	13.3
Adjusted PAT	29,642	24,730	32,291	40,639	46,522
YoY change (%)	0.3	(16.6)	30.6	25.9	14.5

Hero MotoCorp

CMP: Rs2550; Rating: Buy; M-cap: US\$6.2bn; TP: Rs3,161; Upside: 24%



- **EV :** HMCL ownership of 35% stake in Ather and collaboration with Gogoro (First mover in Swappable battery technology) will aid HMCL's EV journey much better as compared to its competitors. It is going to launch its first EV product claimed to be a mass market product in Diwali to address the larger space of market, this product will be followed by a product in collaboration with Gogoro.
- **Attractive Valuation amid 2W recovery:** We value Hero Moto at 15x Jun'24E EPS and assign Hero Fincorp/Ather Rs96/Rs200 per share value to arrive at a TP of Rs3,364. We are building in EPS CAGR of 23% over FY22-25E, led by 13% CAGR growth in volume and 180bps margin expansion. The company is trading at FCF yield of 7% on FY24E numbers. We believe that the current market price is not adequately capturing the company's ability to gain from the 2W demand recovery and its capabilities to cash in on the EV transition. Moreover, we prefer HMCL over TVS and Bajaj as HMCL is trading at ~12x FY24 EPS while TVS is trading at 23x and Bajaj at 17x FY24E EPS.

Hero MotoCorp

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	308,006	292,455	349,469	404,184	463,236
% Growth	6.8	-5.0	19.5	15.7	14.6
Raw material	217,623	208,267	249,870	286,971	328,898
Gross margin (%)	29.3	28.8	28.5	29.0	29.0
Staff costs	18,987	19,354	20,968	23,039	26,404
Selling & distribution	5,933	4,094	8,387	10,105	11,581
Other expenses	25,270	27,051	26,909	30,314	34,743
Total expenses	267,814	258,767	306,135	350,428	401,626
EBITDA	40,192	33,688	43,334	53,757	61,610
% Growth	1.5	(16.2)	28.6	24.1	14.6
EBITDA margin (%)	13.0	11.5	12.4	13.3	13.3
Other income	5,799	5,569	6,186	6,630	7,122
Interest costs	218	258	258	100	100
Depreciation	6,769	6,498	6,773	6,814	7,419
Profit before tax (before exceptional items)	39,004	32,501	42,489	53,472	61,213
Exceptional items	(6,774)	-	-	-	-
Tax	9,404	9,362	7,771	10,102	12,425
Adj PAT	29,642	24,730	32,291	40,639	46,522
% Growth	(18.4)	(16.6)	30.6	25.9	14.5
Adj PAT margin (%)	9.6	8.5	9.2	10.1	10.0
EPS (Rs)	148.4	123.8	161.6	203.4	232.8
% Growth	0.3	-16.6	30.6	25.9	14.5
DPS (Rs)	105.0	95.0	110.0	115.0	130.0
Payout (incl. div. tax) (%)	82.8	89.8	79.6	66.2	65.3

Balance sheet - Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	400	400	400	400	400
Reserves	151,585	157,430	167,743	185,405	205,953
Net worth	151,984	157,829	168,143	185,805	206,353
Total debt	1,298.10	1,423.20	1,423.20	1,423.20	1,423.20
Deferred tax liability	4,041	3,833	3,833	3,833	3,833
Capital employed	157,323	163,085	173,399	191,061	211,609
Gross block	102,296	106,892	118,892	128,892	140,892
Depreciation	45,314	51,812	58,585	65,399	72,818
Net block	56,982	55,080	60,306	63,492	68,073
Capital work-in-progress	1,779	873	873	873	873
Intangibles	5,490	6,694	7,194	7,694	8,194
Investments	104,997	106,523	114,023	123,523	133,023
Inventories	14,696	11,227	10,532	14,396	16,499
Debtors	24,268	23,043	19,149	22,147	25,383
Cash	2,572	1,751	5,657	5,745	12,281
Loans & advances	892	402	481	556	637
Other current assets	9,938	11,547	12,125	13,095	14,142
Total current assets	52,364	47,970	47,943	55,939	68,942
Creditors	52,046	42,603	45,958	49,831	57,111
Other current liabilities & prov.	12,241	11,452	10,983	10,630	10,386
Total current liabilities	64,287	54,055	56,941	60,461	67,497
Net current assets	(11,923)	(6,085)	(8,998)	(4,522)	1,445
Application of funds	157,323	163,085	173,399	191,061	211,609

Cash flow - Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
OP/(loss) before tax	33,424	27,190	36,561	46,942	54,191
Depreciation & amortization	6,769	6,498	6,773	6,814	7,419
Other income	5,799	5,569	6,186	6,630	7,122
(Inc.)/dec. in working capital	11,775	(6,659)	6,818	(4,387)	569
Direct taxes paid	(9,249)	(7,979)	(10,197)	(12,833)	(14,691)
Extra-ordinary Items	0	0	0	0	0
Cash flow from op. (after E/O)	46,238	23,415	45,641	42,666	54,110
Capital expenditure (-)	(6,435)	(4,894)	(12,500)	(10,500)	(12,500)
Net cash after capex	39,803	18,521	33,141	32,166	41,610
Other investing activites	(22,770)	(1,527)	(7,500)	(9,500)	(9,500)
Dividends paid (-)	(20,979)	(18,981)	(21,978)	(22,977)	(25,974)
Inc./(dec.) in total borrowings	(137)	(133)	(258)	(100)	(100)
Others	1,957	96	0	0	0
Cash from financial activities	(19,159)	(19,018)	(22,236)	(23,077)	(26,074)
Opening cash balance	2,419	2,572	1,751	5,657	5,745
Closing cash balance	293	547	5,157	5,245	11,781
Change in cash balance	(2,126)	(2,024)	3,405	(411)	6,036

Key ratios - Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Valuation (x)					
P/E	18.6	22.3	17.1	13.6	11.9
Cash P/E	15.2	17.7	14.1	11.6	10.2
EV/EBITDA	1.4	1.5	1.2	1.0	0.9
EV/Sales	11.1	13.2	10.0	7.9	6.6
P/BV	3.6	3.5	3.3	3.0	2.7
Dividend yield (%)	3.8	3.4	4.0	4.2	4.7
Return ratios (%)					
RoCE	24.9	20.1	24.7	28.0	29.0
RoE	19.5	15.7	19.2	21.9	22.5
Profitability ratios (%)					
EBITDA margin	13.0	11.5	12.4	13.3	13.3
PAT margin	9.6	8.5	9.2	10.1	10.0
Turnover ratios					
Debtors (days)	29	29	20	20	20
Inventory (days)	17	14	11	13	13
Creditors (days)	62	53	48	45	45
Asset turnover (x)	2.0	1.8	2.0	2.1	2.2
Leverage Ratio					
Debt/equity (x)	0.0	0.0	0.0	0.0	0.0

Source: Company, Nirmal Bang Institutional Equities Research; * Pre-tax

ICICI Bank

CMP: Rs882; Rating: Buy; M-cap: US\$74.7bn; TP: Rs1,079; Upside: 22%



- **One of the largest franchises with an enviable distribution network**
 - A large asset base of Rs14.2trn and a network of ~5,500 branches has helped generate not only asset growth, but also aided it in building a fee income profile. As a result, fee income formed 15% of total income in 1QFY23. In 1QFY23, fee income growth was 32% YoY.
 - In light of changing advances profile on account of corporate asset quality issues, the bank has been able to improve the share of retail portfolio from 57% as of FY18 to 62% in 1QFY23. Part of this success can be attributed to a reputed brand name as well as distribution strength/infrastructure to generate small ticket loans. Of the total retail portfolio, about half is accounted for by housing loans, which are secured in nature.
 - At the same time, the share of corporate lending has fallen. In the recent quarters, adjusting for the stressed corporates, the bank's corporate book has grown at a reasonably good rate.
- **Provides a play on the Indian financialisation theme:**
 - Based on our SoTP based fair value estimate for the consolidated banking entity, subsidiaries account for 19% of total value. All of the bank's meaningful subsidiaries (ICICI Pru Life, ICICI Lombard General Insurance, ICICI Securities and ICICI Pru AMC) have gained incredible scale/size and are leaders in their respective industries.
 - Subsidiaries have helped generate cross-sell culture, thereby enabling fee income traction at the bank.
 - In bad times, stakes in subsidiaries can be monetised to provide cushion against provisions.
- **ICICI Bank's corporate and retail NPLs both are well under control; credit cost improvement to aid profitability:**
 - The large corporate NPL cycle remains well behind us.
 - In terms of retail stress, post the 2006-08 retail NPL cycle, ICICI Bank has been very conservative with retail lending and even today the share of unsecured retail lending remains low. The recent push towards retail lending by ICICI Bank has been focused on higher-income clients (which are safer).
 - Total restructuring as of June'22 stood at 0.8%, which is lower compared to some of the other banks. The restructured portfolio is adequately provided for to the extent of 31%.
 - Non-NPA provision cover stands at 2.1% (of loans). With fresh slippage risks subsiding and the bank holding adequate provisions, credit costs should see a downward trend going forward.

ICICI Bank

Income Statement (Rs mn)						Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E	Growth (%)					
Interest Income	791,183	863,746	1,018,687	1,177,498	1,353,640	NII growth	17.2	21.7	20.4	15.3	14.8
Interest expense	401,288	389,085	447,147	518,494	597,211	Pre-provision profit growth	29.5	7.8	19.8	15.2	14.2
Net interest income	389,894	474,661	571,540	659,004	756,429	PAT growth	104.1	44.1	21.6	14.7	13.6
Non-interest income	189,685	185,175	215,002	247,704	283,628	Business (%)					
Net Revenue	579,580	659,836	786,542	906,708	1,040,058	Deposit growth	21.0	14.2	11.6	13.5	13.6
Operating Expense	215,608	267,333	316,198	365,093	421,577	Advance growth	13.7	17.1	17.8	15.3	15.3
-Employee Exp	80,918	96,728	116,855	136,395	159,202	CD	78.7	80.7	85.2	86.5	87.8
-Other Exp	134,691	170,606	199,344	228,698	262,375	CASA	46.3	48.7	47.6	47.1	46.5
Operating profit	363,971	392,502	470,344	541,615	618,480	Operating efficiency (%)					
Provisions	162,142	86,414	93,530	109,574	127,769	Cost-to-income	37.2	40.5	40.2	40.3	40.5
PBT	201,829	306,088	376,813	432,041	490,711	Cost-to-assets	1.9	2.0	2.1	2.2	2.2
Taxes	39,900	72,694	92,923	106,542	121,011	Spreads (%)					
PAT	161,929	233,394	283,890	325,499	369,701	Yield on advances	8.4	8.0	8.2	8.3	8.3
Balance Sheet						Yield on investments	5.9	5.6	5.8	5.8	5.8
						Cost of deposits	3.9	3.5	3.5	3.6	3.6
Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E	Yield on assets	7.3	7.0	7.2	7.4	7.4
Share capital	13,834	13,900	13,915	13,915	13,915	Cost of funds	4.1	3.5	3.6	3.7	3.7
Reserves & Surplus	1,461,258	1,691,220	1,937,126	2,213,800	2,528,046	NIMs	3.6	3.8	4.0	4.1	4.1
Shareholder's Funds	1,475,092	1,705,120	1,951,041	2,227,715	2,541,960	Capital adequacy (%)					
Deposits	9,325,222	10,645,716	11,878,583	13,487,887	15,318,015	Tier I	18.1	18.3	17.5	17.2	16.6
Borrowings	916,310	1,072,314	1,174,865	1,493,575	1,890,700	Tier II	1.1	0.8	0.8	0.8	0.8
Other liabilities	587,704	689,828	771,032	762,034	759,524	Total CAR	19.1	19.2	18.3	18.0	17.4
Total liabilities	12,304,327	14,112,977	15,775,520	17,971,210	20,510,199	Asset Quality (%)					
Cash/Equivalent	1,331,283	1,678,224	1,305,345	1,498,146	1,720,871	Gross NPA	5.3	3.8	3.4	3.2	3.2
Advances	7,337,291	8,590,204	10,122,996	11,670,574	13,454,742	Net NPA	1.2	0.8	0.7	0.8	0.8
Investments	2,812,865	3,102,410	3,444,789	3,911,487	4,442,224	Provision coverage	77.7	79.5	78.5	76.9	75.5
Fixed Assets	822,888	742,139	902,390	891,002	892,361	Slippage	2.5	2.9	2.0	1.7	1.7
Total assets	12,304,327	14,112,977	15,775,520	17,971,210	20,510,199	Credit-cost	2.4	1.1	1.0	1.0	1.0
						Return (%)					
						ROE	12.0	14.6	15.3	15.3	15.3
						ROA	1.4	1.8	1.9	1.9	1.9
						RORWA	2.1	2.8	3.0	2.9	2.8
						Per share (standalone)					
						EPS	23	34	41	47	53
						BV	214	245	280	320	365
						ABV	200	235	270	307	350
						Valuation					
						P/E	31.8	22.2	18.3	16.0	14.0
						P/BV	3.5	3.0	2.7	2.3	2.0
						P/ABV	3.7	3.2	2.8	2.4	2.1

Source: Company, Nirmal Bang Institutional Equities Research

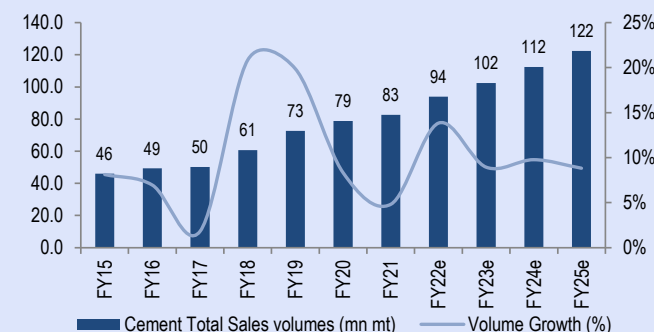
Ultratech

CMP: Rs6,088; Rating: Buy; M-cap: US\$21,504mn; TP: Rs8,581; Upside: 41%



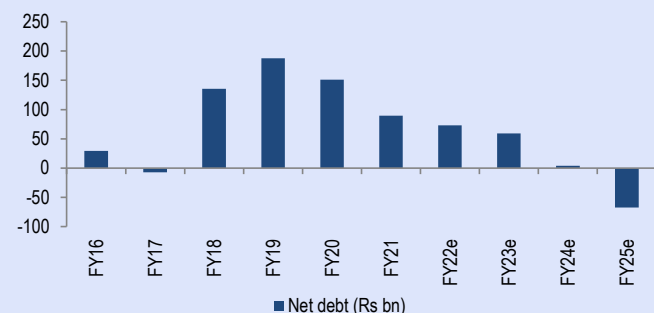
- **Largest cement player in the country** (~115mn mt domestic capacity which will increase to 154mn mt by FY25) with pan India presence, premium pricing and control over costs given the economies of scale.
- **Capacity addition at low costs to aid return ratios:** Ultratech is adding close to 42.5mn mt of capacity through greenfield and brownfield route which is coming up in 2 phases by FY25. The average cost of capex of phase 2 is US\$76/mt which will aid return ratios further.
- **Healthy Balance Sheet:** Despite large capacity additions, Ultratech is likely to be debt free by FY24/FY25 and will be able to generate at least Rs130-150bn operating cash flows every year.
- **Valuations:** The stock is currently trading at 10.5x FY25 EV/EBITDA which is 50% below its 5-year average.

We expect 9% volume CAGR for UTCCEM over FY22-25e



Source: Company, Nirmal Bang Institutional Equities Research

Company to stay net debt free post expansion



Source: Company, Nirmal Bang Institutional Equities Research

Income Statement					
Y/E March Rsmn	FY21	FY22E	FY23E	FY24E	FY25E
Net Sales	4,47,258	5,25,988	5,89,094	6,52,760	7,03,113
Raw Material Consumed	70,624	79,650	89,383	1,01,071	1,13,300
Power & Fuel Cost	83,312	1,21,373	1,48,105	1,46,335	1,48,114
Employee Cost	23,530	25,347	26,524	27,766	29,077
Freight and Forwarding	1,00,433	1,17,123	1,35,263	1,45,527	1,55,215
Other expenses	53,680	67,429	73,675	78,806	87,811
Total Expenditure	3,31,579	4,10,922	4,72,950	4,99,504	5,33,518
Operating profit	1,15,679	1,15,066	1,16,144	1,53,256	1,69,596
Operating profit margin (%)	25.9%	21.9%	19.7%	23.5%	24.1%
Other Income	7,342	5,078	5,427	5,803	6,207
Interest	14,857	10,098	8,904	7,776	6,316
Depreciation	27,002	27,148	29,945	32,641	35,143
PBT	81,162	82,899	82,723	1,18,642	1,34,343
Exceptional items	5	5	5	5	5
PBT post exc items	81,167	82,904	82,728	1,18,647	1,34,348
Tax	25,387	25,930	22,336	32,035	36,274
Tax rate (%)	31.3%	31.3%	27.0%	27.0%	27.0%
PAT	55,780	56,974	60,391	86,612	98,074
EPS (Rs)	192.6	196.7	208.5	299.0	338.6

Balance Sheet					
YE March, Rsmn	FY21	FY22E	FY23E	FY24E	FY25E
Equity Capital	2,962	2,962	2,962	2,962	2,962
Reserves and Surplus	4,39,895	4,91,883	5,46,293	6,25,727	7,15,188
Networth	4,42,856	4,94,845	5,49,255	6,28,689	7,18,149
Total Debt	1,65,992	1,41,992	1,29,992	1,07,992	85,992
Deferred tax liability	49,120	49,120	49,120	49,120	49,120
Other non current liabilities	13,763	14,530	15,341	16,199	17,108
Trade Payables	32,679	40,845	48,016	49,864	53,485
Other Current Liabilities	92,277	94,047	95,958	98,011	1,00,210
Total Current Liabilities	1,54,773	1,60,708	1,65,790	1,65,691	1,67,512
Total liabilities	7,96,687	8,35,378	8,87,680	9,49,874	10,24,064
Net Block	4,90,245	4,87,135	5,44,962	5,32,321	5,77,179
CWIP	16,910	47,873	25,101	50,101	15,101
Investment	22,850	37,850	35,350	47,350	59,350
Other non current assets	93,734	89,298	85,664	82,680	80,224
Inventories	49,015	59,084	67,786	76,901	84,759
Sundry Debtors	33,085	40,350	46,805	53,652	59,716
Cash and Bank	2,855	243	1,259	4,529	32,046
Other current assets	87,994	73,546	80,753	1,02,341	1,15,689
Total Current Assets	1,72,948	1,73,222	1,96,603	2,37,422	2,92,211
Total Assets	7,96,687	8,35,378	8,87,680	9,49,874	10,24,064

Source: Company, Nirmal Bang Institutional Equities Research

Cash Flow Statement					
YE March, Rsmn	FY21	FY22E	FY23E	FY24E	FY25E
Profit before tax	81,167	82,904	82,728	1,18,647	1,34,348
Add : Depreciation	27,002	27,148	29,945	32,641	35,143
Add: Interest Exp	14,857	10,098	8,904	7,776	6,316
CFO b4 WC	1,23,026	1,20,149	1,21,576	1,59,064	1,75,807
Net change in Working capital	(19,912)	(12,950)	(10,283)	(15,648)	(11,451)
Tax paid	(25,387)	(25,930)	(22,336)	(32,035)	(36,274)
Net cash from operations	77,727	81,269	88,956	1,11,381	1,28,082
Capital expenditure	(17,663)	(55,000)	(65,000)	(45,000)	(45,000)
Sale of investments	(13,000)	5,000	(500)	(30,000)	(22,000)
Net cash from investing	(14,444)	(45,564)	(61,866)	(72,016)	(64,543)
Issue of shares	-	-	-	-	-
Increase in debt	(47,534)	(24,000)	(12,000)	(22,000)	(22,000)
Dividends paid incl. tax	(4,154)	(4,985)	(5,982)	(7,178)	(8,614)
Interest paid	(14,857)	(10,098)	(8,904)	(7,776)	(6,316)
Net cash from financing	(65,820)	(38,316)	(26,074)	(36,095)	(36,021)
Net Cash	(2,537)	(2,612)	1,016	3,270	27,517
Opening Cash	5,392	2,855	243	1,259	4,529
Closing Cash	2,855	243	1,259	4,529	32,046

Key Ratios					
YE March	FY21	FY22E	FY23E	FY24E	FY25E
Growth (%)					
Sales	6.2	17.6	12.0	10.8	7.7
Operating Profits	24.6	(0.5)	0.9	32.0	10.7
Net Profits	(4.0)	2.1	6.0	43.4	13.2
Leverage (x)					
Net Debt:Equity	0.26	0.23	0.18	0.08	(0.01)
Interest Cover(x)	7.79	11.39	13.04	19.71	26.85
Total Debt/EBITDA	1.43	1.23	1.12	0.70	0.51
Profitability (%)					
OPM	25.9	21.9	19.7	23.5	24.1
NPM	12.5	10.8	10.3	13.3	13.9
ROE	13.4	12.2	11.6	14.7	14.6
ROCE	17.0	16.7	16.1	20.1	20.7
Turnover ratios (x)					
GFAT	0.8	0.9	0.9	0.9	0.9
Debtors Turnover(x)	16	14	14	13	12
WC days	34	39	40	43	46
Valuation (x)					
P/E	25.2	30.9	29.2	20.4	18.0
P/B	3.2	3.6	3.2	2.8	2.5
EV/EBITDA	13.1	16.3	16.0	11.9	10.4
EV/mt (\$)	169.8	205.4	182.2	177.9	147.4

DIWALI PICKS

MID CAPS AND SMALL CAPS



DIWALI PICKS



- ❖ Ajanta Pharma
- ❖ Bata India
- ❖ CCL Products
- ❖ Federal Bank
- ❖ JK Lakshmi Cements
- ❖ INOX Leisure Ltd
- ❖ La Opala RG



All stocks prices in this PPT are based 12 October 2022 closing levels.

Ajanta Pharma

CMP: Rs1,249; Rating: Buy; M-cap: US\$2bn; TP: Rs1,491; Upside: 18%



- **Focused Branded Play**

- Founded in 1973, Ajanta is focus play in selected segments and geographies.
- ~73% of revenues comes from the branded generic from three geographies India (30% of FY 22 revenues), Africa (17%) and Asia (25%). Apart from this the company has presence in US and Africa Institutional business.
- In domestic market the company's key strategy is to remain focus on selected therapies CVS, Derma, Ophthal and pain, coupled with leveraging its R&D strength to launch new products including first in market products to drive growth. .
- In Asia and Africa the company has its own presence in selected countries.
- Ajanta is one of the few companies to spend 45% of R&D budget in branded generic to launch new first in market products.
- The company also has presence in US oral generic (21% of FY22 revenues) segment with focus on selected launches.

- **Strong domestic growth with focus play:** Ajanta domestic business grew 11.8% CAGR over FY18-22, consistently outpacing industry growth was mainly due to focused play on fast growing Derma, Ophthal, CVS and Pain segment with new launches of new products including first-in market products (launched 115 products over FY18-22). We expect Ajanta's domestic business to grow 12.1% CAGR over FY22-25E driven continuous market share gain in key segment and new launches
- **Branded segment continue to drive export growth:** Ajanta's export business grew 12.6% over FY18-22 mainly due to consistent growth in Asia and Africa and robust growth in US albeit on lower base. We believe, branded business will continue to grow led by market share gain in key geographies and new launches, however price erosion in the US and lumpiness in African tender business likely drag overall growth. We pencil in a 9.4% growth in export business over FY22-25E to Rs30.2bn.
- **Revenue/EBITDA/PAT CAGR of 10.2%/11.9%/12.9% over FY22-25E with 126bps improvement in EBITDA margin.**
- **We like company mainly due to focused branded player with consistently in growth.**
- **Valuation – We recommend a “BUY” on Ajanta Pharma with target price of Rs. 1,491 based on 20x Sep'24 EPS.**

Income Statement (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	28,897	33,410	37,423	40,975	44,756
% growth	11.7	15.6	12.0	9.5	9.2
Raw material costs	6,451	8,323	10,104	10,653	11,413
Staff costs	5,483	6,458	7,104	7,672	8,286
R&D expenses	1,390	2,040	2,245	2,458	2,685
Other expenditure	5,588	7,296	8,026	8,668	9,362
Total expenditure	18,911	24,117	27,479	29,452	31,745
EBITDA	9,986	9,293	9,944	11,523	13,011
% growth	46.1	-6.9	7.0	15.9	12.9
EBITDA margin (%)	34.6	27.8	26.6	28.1	29.1
Other income	260	1,157	1,403	1,164	1,483
Interest costs	83	102	91	91	91
Gross profit	22,446	25,087	27,319	30,321	33,343
% growth	16.2	11.8	8.9	11.0	10.0
Depreciation	1,161	1,253	1,277	1,393	1,417
Profit before tax & Exceptional Items	9,002	9,095	9,978	11,203	12,985
Exceptional Items	0	0	0	0	0
Profit before tax	9,002	9,095	9,978	11,203	12,985
% growth	34.8	1.0	9.7	12.3	15.9
Tax	2,463	1,968	2,095	2,353	2,727
Effective tax rate (%)	27.4	21.6	21.0	21.0	21.0
PAT before Minority Interest	6,539	7,127	7,883	8,851	10,259
Share of MI	0	0	0	0	0
Reported PAT	6,539	7,127	7,883	8,851	10,259
Adjusted PAT	6,539	7,127	7,883	8,851	10,259
% growth	39.0	9.0	10.6	12.3	15.9

Cashflow Statement (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	9,002	9,095	9,978	11,203	12,985
Depreciation	1,161	1,253	1,277	1,393	1,417
Net Chg in WC	(2,088)	(2,004)	(496)	(946)	(1,403)
Taxes	2,304	2,391	2,095	2,353	2,727
Interest	83	102	91	91	91
Others	(91)	(434)	-	-	-
CFO	5,763	5,621	8,755	9,389	10,364
Capex	(1,699)	(1,305)	(1,500)	(1,500)	(1,500)
Net Investments made	(1,066)	297	(500)	(500)	(500)
Others	(59)	267	-	-	-
CFI	(2,824)	(741)	(2,000)	(2,000)	(2,000)
Change in Share capital	(1,678)	(3,541)	-	-	-
Change in Debts	(626)	(164)	(0)	-	-
Interest Paid	(50)	(74)	(91)	(91)	(91)
Div. & Div Tax	(829)	(822)	(1,182)	(1,328)	(1,539)
CFF	(3,183)	(4,600)	(1,273)	(1,418)	(1,629)
Others	(5)	10	-	-	-
Total Cash Generated	(248)	289	5,481	5,971	6,734
Cash Opening Balance	2,024	1,775	2,064	7,545	13,516
Cash Closing Balance	1,775	2,064	7,545	13,516	20,250

Balance Sheet (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Share Capital	174	172	256	256	256
Reserves & Surplus	29,782	32,472	39,088	46,611	55,331
Net worth	29,956	32,644	39,344	46,867	55,587
Net deferred tax liabilities	421	463	486	511	536
Total Loans	16	16	16	16	16
Other Long Term Liabilities	407	403	415	427	440
Total Equities & Liabilities	30,800	33,527	40,261	47,821	56,579
Net Block	15,303	15,030	15,753	16,359	16,442
CWIP	1,082	1,529	1,029	529	529
Intangible Assets and Goodwill	108	90	90	90	90
Non-Current Investments	0	251	251	251	251
Other Non Current Assets	517	456	479	503	528
Inventories	7,665	7,911	8,861	9,542	10,423
Debtors	7,384	10,198	11,423	12,349	13,488
Cash	2,096	2,118	7,599	13,570	20,304
Investments	1,757	1,219	1,719	2,219	2,719
Other current assets	1,374	1,199	1,259	1,322	1,388
Total current assets	20,276	22,645	30,861	39,001	48,322
Creditors	3,739	3,272	4,842	5,388	5,886
Other current liabilities	2,748	3,202	3,359	3,524	3,697
Total current liabilities	6,486	6,474	8,201	8,912	9,582
Net current assets	13,790	16,171	22,660	30,089	38,739
Total assets	30,800	33,527	40,261	47,821	56,579

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Profitability & return ratios					
EBITDA margin (%)	34.6	27.8	26.6	28.1	29.1
Net profit margin (%)	22.6	21.3	21.1	21.6	22.9
RoE (%)	23.4	22.8	21.9	20.5	20.0
RoCE (%)	22.3	22.0	21.2	20.0	19.5
Working capital & liquidity ratios					
Receivables (days)	93	111	111	110	110
Inventory (days)	97	86	86	85	85
Payables (days)	47	36	47	48	48
Current ratio (x)	3.1	3.5	3.8	4.4	5.0
Quick ratio (x)	1.9	2.3	2.7	3.3	4.0
Valuation ratios					
EV/sales (x)	5.5	4.7	4.1	3.6	3.1
EV/EBITDA (x)	15.8	17.1	15.3	12.7	10.7
P/E (x)	24.7	22.7	20.5	18.3	15.8
P/BV (x)	5.4	5.0	4.1	3.5	2.9

Bata India

CMP: Rs1,786; Rating: Buy; M-cap: US\$ 2,906mn; TP: Rs2,240; Upside: 25.4%



- A consumer franchise where there is significant headroom for growth. It has the largest range of products from a price perspective and caters to the widest breadth of customers too from an age perspective. Over the last 5 years, it has enhanced its product portfolio, resorted to active marketing strategy, improved customer experience, enhanced its geographical reach and is focusing on ramping up its digital presence through its own website as well as online marketplaces with full range and assortment powered via omni-channel.
- With the whole economy being open, schools and colleges functioning normally, return to office culture restarting and no restrictions on festive and social gatherings the company is expected to grow faster than the pre-pandemic period of growth. With initiatives like better product mix, product reengineering, regional sourcing and judicious pricing the company is looking to expand the target audience and cater to a wider range of the population.
- Bata India's (BIL) revenue goal of achieving Rs50bn by FY25 implies a significant growth acceleration beyond FY23 (~13% CAGR). Even if BIL delivers a low teen growth, it would still imply an acceleration over the ~7.2% CAGR achieved over FY15-FY20. Unlike the solely ASP driven growth in the FY15-FY20 period, we believe that FY23-FY25 revenue acceleration would be a healthy mix of volume and price growth, with volumes coming very close to pre-pandemic levels starting this quarter.
- We believe the thrust on the sneaker segment is probably the first big strategic initiative which received massive success and BIL is attempting to further expand this line due to its faster than expected growth and results. The company is also looking to enter the premium fashion footwear for women as well as introduce low price entry points products in a bid to cater to a larger audience and recapture the customers they had lost due to price increases.
- After possibly cutting out unprofitable COCO stores, we believe there will a gradual addition to the COCO store number in the foreseeable future with a very large thrust on non-capex intensive channels like franchising (aim to reach 500 stores by FY24).
- We expect to witness continuity in strong performance on the back of optimization of retail network, cost-savings across operations and driving efficiencies in its value chain. We maintain our 'Buy' rating with a target price (TP) of Rs2,240, valuing BIL at 46x target PE multiple on Sep'24 EPS. 46x represents +1SD higher than pre-pandemic mean.

Particulars	FY20-FY25E CAGR
Revenue	7.4%
EBITDA	7.5%
PAT	15.8%
FDEPS	15.8%

1QFY23 Store Breakup	
COCO	68%
Franchise	17%
Shop in shop	15%

Bata India

Profit and Loss Statement (Rsmn)					
(YE March)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	17,085	23,877	34,222	38,671	43,698
-Growth (%)	-44.1	39.8	43.3	13.0	13.0
Raw material and Finished Goods purchase	8,375	10,868	14,906	17,015	19,227
Gross Margin	8,710	13,009	19,315	21,656	24,471
% of sales	51.0	54.5	56.4	56.0	56.0
Employee Expenses	3,398	3,787	4,111	4,646	5,250
% of sales	19.9	15.9	12.0	12.0	12.0
Rent Expense	113	0	0	0	0
% of sales	0.7	0.0	0.0	0.0	0.0
Other Expenses	3,577	5,037	5,923	6,575	7,298
% of sales	20.9	21.1	17.3	17.0	16.7
EBITDA	1,622	4,185	9,281	10,435	11,923
% of sales	9.5	17.5	27.1	27.0	27.3
Interest cost	1035	928	988	1047	1109
Depreciation	2648	2420	2648	2620	2637
Other income (net)	941	560	560	852	1,007
PBT	-1,120	1,397	6,205	7,620	9,184
-PBT margin (% of sales)	-6.6	5.9	18.1	19.7	21.0
Extraordinary item	-46.1				
Provision for tax	-273	367	1,579	1,943	2,342
Effective tax rate (%)	24.4	26.3	25.4	25.5	25.5
Net profit	-893	1,030	4,627	5,677	6,842
-Growth (%)	PL	LP	349.2	22.7	20.5
-Net profit margin (%)	(5.2)	4.3	13.5	14.7	15.7
Shares outstanding- Basic	128.5	128.5	128.5	128.5	128.5

Balance Sheet (Rsmn)					
(YE March)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	643	643	643	643	643
Reserves & surplus	16,938	17,504	20,587	24,337	28,929
Net worth	17,581	18,147	21,230	24,979	29,572
Lease Liabilities	10,323	10,942	10,631	11,184	11,675
Other liabilities	363	1,008	1,008	1,008	1,008
Total liabilities	26,540	28,067	30,840	35,142	40,226
Net block (incl. CWIP)	2,902	2,885	2,579	3,579	4,579
Right of use assets	8,294	9,207	8,459	8,295	8,170
Investments	1,832	1,899	3,899	5,899	7,899
Deferred tax asset - net	1,384	1,042	1,042	1,042	1,042
Other current assets (Inventories)	6,496	9,332	8,965	10,049	11,275
Debtors	794	717	1,138	1,285	1,453
Cash & bank balance	10,968	9,688	12,699	13,653	15,282
Loans and Advances	320	264	531	600	678
Total current assets	18,578	20,000	23,333	25,588	28,687
Total current liabilities	5,400	6,143	7,648	8,437	9,328
Net current assets	15,010	15,758	15,686	17,152	19,361
Total assets	26,542	28,069	30,841	35,144	40,227

Source: Company, Nirmal Bang Institutional Equities Research

Cash Flow (Rsmn)					
(YE March)	FY21	FY22	FY23	FY24E	FY25E
EBIT	(1,026)	1,765	6,633	7,815	9,286
(Inc.)/dec. in working capital	482	(2,028)	3,084	(513)	(579)
Cash flow from operations	(544)	(263)	9,717	7,302	8,707
Other income	941	560	560	852	1,007
Depreciation & amortisation	2,648	2,420	2,648	2,620	2,637
Financial expenses	(1,035)	(928)	(988)	(1,047)	(1,109)
Tax paid	273	(367)	(1,579)	(1,943)	(2,342)
Dividends paid	(514)	(7,005)	(1,542)	(1,928)	(2,249)
Extraordinary item	(46)	-	-	-	-
Net cash from operations	1,722	(5,583)	8,816	5,857	6,651
Capital expenditure	(214)	(316)	(150)	(1,472)	(1,486)
Net cash after capex	1,508	(5,899)	8,665	4,385	5,165
Inc./((dec.) in debt					
(Inc.)/dec. in investments	457	(67)	(2,000)	(2,000)	(2,000)
Equity issue/(Share Buyback)					
Cash from financial activities	457	(67)	(2,000)	(2,000)	(2,000)
Others	(637)	4,686	(3,654)	(1,432)	(1,536)
Opening cash	9,639	10,968	9,688	12,699	13,653
Closing cash	10,967	9,688	12,699	13,653	15,282
Change in cash	1,328	(1,280)	3,012	953	1,629

Ratios					
(YE March)	FY21	FY22	FY23	FY24E	FY25E
Per Share (Rs)					
EPS	-6.6	8.0	36.0	44.2	53.2
FDEPS	-6.6	8.0	36.0	44.2	53.2
Dividend Per Share	4.0	54.5	12.0	15.0	17.5
Book Value	137	141	165	194	230
Dividend Related (%)					
Dividend Yield	0.2	2.8	0.6	0.8	0.9
Dividend Payout Ratio (incl DT)	NM	680.1	33.3	34.0	32.9
Growth (%)					
Revenue	-44.1	39.8	43.3	13.0	13.0
EBITDA	-80.5	158.0	121.8	12.4	14.3
PAT	PL	LP	349.2	22.7	20.5
Margins (%)					
Gross Margin	51.0	54.5	56.4	56.0	56.0
EBITDA Margin	9.5	17.5	27.1	27.0	27.3
PAT Margin	-5.2	4.3	13.5	14.7	15.7
Return ratios (%)					
RoE	-4.6	5.8	23.5	24.6	25.1
Pre Tax RoCE	-3.7	6.6	23.3	24.4	25.3
Pre Tax ROIC	-6.4	11.7	43.2	52.4	56.9
Turnover Ratios					
Asset Turnover Ratio	0.6	0.9	1.1	1.1	1.1
Debtor Days	15	12	10	11	11
Inventory Days (of Total expenses)	142	159	120	120	121
Valuation ratios (x)					
PER	-291.7	239.9	53.4	43.5	36.1
P/BV	14.1	13.6	11.6	9.9	8.4
EV/EBTDA	149.7	58.4	25.8	22.7	19.6
EV/Sales	14.2	10.2	7.0	6.1	5.3

CCL Products

CMP: Rs498; Rating: Buy; M-cap: US\$804mn; TP: Rs700; Upside: 41%



We believe that demand for spray-dried coffee continues to remain healthy and because of the same, CCLP is mulling a greenfield expansion of 16KTPA expansion (likely in India). Vietnam capacity addition (>2x) is also on track and should start contributing to revenue from 4QFY23 per management. We believe that despite the near-term weakness on account of the Russia-Ukraine issue and muted demand for freeze dried coffee, underlying demand for spray dried coffee continues to be robust and CCLP's goal of clocking 50KTPA volume by FY25 is on track. We believe that these 2 new capacities could add >Rs4.5bn to the consolidated EBITDA at peak utilisation. As per our proforma estimates, CCLP is in a position to grow its EBITDA at >20% CAGR over FY22-26E. Overall, we are building in Revenue/EBITDA/APAT CAGR of 30%/26%/30% over FY22-25E on a consolidated basis.

- Small packs capacity expansion (increase by >3x) has been completed and management believes that ~50% of the capacity would be utilized for captive purposes and rest for exports. Volume share of small packs was similar to that of last year at ~20% (value share ~25%). Conversion from bulk packs to small pack orders in case of branded customers is a key growth driver. Realisation in small packs is higher than freeze-dried realisation.
- Decline in EBITDA/kg during FY22 was mainly on account of mix change in favour of spray-dried and increase in cost items like power & fuel, freight etc. 30% of the contracts in B2B business are on CIF basis.
- Demand for freeze-dried remains soft on account of downtrading in different regions across the world and capacity addition at the industry level. Premium of freeze-dried over spray-dried has narrowed down. Due to Russia issue and soft demand, freeze-dried utilisation was weak during FY22 and management expects recovery in FY23. Due to the Russia-Ukraine conflict, freeze dried shipments of ~700 tonnes during 4QFY21 to Russia got deferred to Apr'22.
- Vietnam capacity of 16,500 tonnes is expected to commission in 3QFY23 and management sounded confident in terms of utilisation of the same on account of strong demand for spray dried coffee. Capex for the same is estimated at USD30mn of which USD20mn will be funded through debt.

CCL Products

Income Statement					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	12,425	14,620	21,015	25,606	32,107
Growth YoY%	9.1	17.7	43.7	21.8	25.4
COGS	5,902	7,229	10,532	12,905	15,989
Gross margin %	52.5	50.6	49.9	49.6	50.2
Staff costs	795	977	1,367	1,575	1,956
Other expenses	2,750	3,104	4,887	5,864	7,506
EBITDA	2,978	3,311	4,230	5,262	6,656
Growth YoY%	4.2	11.2	27.8	24.4	26.5
EBITDA margin %	24.0	22.6	20.1	20.6	20.7
Depreciation	494	575	839	1,053	1,184
EBIT	2,483	2,736	3,391	4,209	5,473
Interest	170	164	179	201	230
Other income	34	41	50	78	106
PBT (bei)	2,348	2,613	3,262	4,085	5,350
PBT	2,348	2,613	3,262	4,085	5,350
ETR	22.4	21.8	18.7	14.6	15.2
PAT	1,823	2,044	2,652	3,487	4,535
Adj PAT	1,823	2,044	2,652	3,487	4,535
Growth YoY%	9.8	12.1	29.8	31.5	30.0

Balance Sheet					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	266	266	266	266	266
Reserves	10,607	12,241	14,097	16,538	19,713
Net worth	10,873	12,507	14,363	16,804	19,979
Long term debt	1,769	1,117	2,040	2,000	1,800
Short term debt	2,977	4,492	4,798	5,200	5,000
Total debt	4,746	5,609	6,838	7,200	6,800
Other non-current liabilities	553	774	774	774	774
Total Equity & Liabilities	16,172	18,890	21,976	24,778	27,553
Gross block	9,962	11,461	15,411	18,211	19,911
Accumulated depreciation	1,978	2,638	3,477	4,530	5,713
Net Block	7,984	8,822	11,934	13,681	14,197
CWIP	1,489	1,600	200	50	50
Other non-current assets	498	364	291	233	186
Investments	-	-	-	-	-
Trade receivables	2,986	3,196	5,379	5,992	6,918
Inventories	3,197	5,191	4,668	5,244	6,687
Cash & Cash equivalents	1,204	563	265	319	331
Other current assets	525	963	867	780	702
Total current assets	7,911	9,913	11,178	12,336	14,638
Trade payables	217	457	546	656	827
Other current liabilities	1,493	1,352	1,082	866	692
Total current liabilities	1,710	1,809	1,627	1,521	1,519
Total Assets	16,172	18,890	21,976	24,778	27,553

Source: Company, Nirmal Bang Institutional Equities Research

Cash Flow Statement					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
PBT	2,348	2,613	3,262	4,085	5,350
Depreciation	494	575	839	1,053	1,184
Interest	-	-	179	201	230
Other adjustments	41	270	-50	-78	-106
Change in Working capital	-915	-2,061	-1,745	-1,209	-2,293
Tax paid	-259	-390	-610	-598	-815
Operating cash flow	1,709	1,007	1,874	3,455	3,549
Capex	-1,546	-1,899	-2,550	-2,650	-1,700
Free cash flow	163	-892	-676	805	1,849
Other investing activities	19	-	122	136	153
Investing cash flow	-1,527	-1,899	-2,428	-2,514	-1,547
Issuance of share capital	-	-	-	-	-
Movement of Debt	902	916	1,229	362	-400
Dividend paid (incl DDT)	-266	-665	-796	-1,046	-1,360
Other financing activities	-	-	-179	-201	-230
Financing cash flow	636	251	256	-886	-1,990
Net change in cash flow	818	-641	-298	54	12
Opening C&CE	387	1,204	563	265	319
Closing C&CE	1,204	563	265	319	331

Key Ratios					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Per share (Rs)					
Adj EPS	13.7	15.4	19.9	26.2	34.1
Book value	81.7	94.0	108.0	126.3	150.2
DPS	4.0	5.0	6.0	7.9	10.2
Valuation (x)					
P/Sales	5.3	4.5	3.2	2.6	2.1
EV/sales	5.6	4.9	3.5	2.9	2.3
EV/EBITDA	23.4	21.5	17.2	13.9	10.9
P/E	36.3	32.4	25.0	19.0	14.6
P/BV	6.1	5.3	4.6	3.9	3.3
Return ratios (%)					
RoCE	17.2	16.2	17.2	18.6	21.6
RoE	18.1	17.5	19.7	22.4	24.7
Profitability ratios (%)					
Gross margin	52.5	50.6	49.9	49.6	50.2
EBITDA margin	24.0	22.6	20.1	20.6	20.7
PAT margin	14.6	13.9	12.6	13.6	14.1
Liquidity ratios (%)					
Current ratio	1.7	1.6	1.7	1.8	2.2
Quick ratio	1.0	0.7	1.0	1.1	1.2
Solvency ratio (%)					
Debt to Equity ratio	0.3	0.4	0.5	0.4	0.3
Turnover ratios					
Fixed asset turnover ratio (x)	1.3	1.4	1.6	1.5	1.7
Debtor days	83	77	74	81	73
Inventory days	85	105	86	71	68
Creditor days	7	17	17	17	17
Net Working capital days	162	165	143	135	124

Federal Bank

CMP: Rs121; Rating: Buy; M-cap: US\$3.2bn; TP: Rs149; Upside: 23%



- **Targeting 15% loan growth:** We think that over the years, Federal Bank has transformed its asset profile with a higher retail orientation. For example, retail loans are now 56% of total loans compared to 47% in FY18. At the same time, while the share of wholesale banking has come down, the bank has further focused on improving its exposure profile within the wholesale segment. This is reflected in the declining average ticket size (Rs59 crs in 4QFY22 vs Rs66 crs in 1QFY21). With the launch of new verticals, such as CV/CE, credit cards, coupled with pick-up in the existing businesses, we expect the bank to deliver 13-14% CAGR in loans going forward. Gold loans are expected to grow at 20-25%. Within corporates, focus has been on higher rated entities. The share of A/above entities stands at 78% compared to 71% in 1QFY19. The management commentary suggests that the momentum in corporate lending is likely to continue as corporates are now coming back to borrow from banks. We notice that corporate loan growth in 1QFY23 was strong QoQ for larger private sector banks as well. Even though the corporate lending landscape remains highly competitive from pricing standpoint, the bank has been able to extract other related business opportunities, resulting in higher wholesale fee income (up 19% YoY).
- **Superior liability profile:** The bank is well known for a highly granular, retailed deposit profile. Overall cost of deposits (CoD) for the bank is 4.2% in FY22. Going forward, the bank is looking at NIM expansion of 7-8bps and has guided for 3.25% NIM. We see a few levers for NIM expansion from hereon: (1) improving credit/deposit ratio (2) 64% loan book on floating rates should help mitigate interest rate risk (3) more aggressive stance/higher growth in unsecured lending.
- **Looking at further expansion in NIM:** The bank has stated that there is room for further 5bps expansion in NIM. Till recently, the bank had been guiding for a 3.2-3.3% range. For 1QFY23, the bank delivered NIM of 3.10%, up 4bps QoQ and 8bps YoY. The share of unsecured loans remains low as the bank is generally a more conservative lender. However, we see a few drivers of NIM expansion at the current juncture: (1) pick-up in personal loan disbursements, which are currently below pre-pandemic monthly run-rate of Rs1bn (2) likely increase in commercial banking yields as indicated by the bank (3) higher CASA ratio as the bank has been garnering customers through fintech partnerships.
- **Cost ratios expected to improve:** The bank expects cost/income ratio to improve to 50-51% in FY23 and a lower number over the medium term. Improving opex ratios will be a key contributor towards further ROA expansion.
- **Credit cost is expected to decline** to ~70bps. In the past, lumpy corporate slippages have been an issue with the bank. However, since FY20, the bank has taken multiple measures to reduce risky corporate exposure and has also increased the granularity of the corporate portfolio (reflected in lower ticket size). For several quarters now, we have not seen any lumpy corporate slippages. The OTR portfolio is also showing good repayment trends. Hence, we are positive that the bank is unlikely to throw up any major asset quality (negative) surprises.
- We expect the bank to register ROA/ROE of 1.2%/14.4% by FY25E, driven by margin expansion, improvement in opex ratios and lower credit costs. In light of this, the stock is currently trading at 1.0x FY25E ABVPS and we believe that the stock is trading at inexpensive valuation.

Federal Bank

Income Statement (Rs mn)						Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E	Growth (%)					
Interest Income	137,579	136,608	158,104	185,402	209,994	NII growth	19.0	7.7	19.7	16.3	14.0
Interest expense	82,242	76,988	86,766	102,444	115,443	Pre-provision profit growth	18.2	-4.6	23.6	16.8	16.8
Net interest income	55,337	59,620	71,337	82,959	94,552	PAT growth	3.1	18.8	33.0	25.0	17.8
Non-interest income	19,449	19,453	19,118	20,619	24,143	Business (%)					
Net Revenue	74,786	79,073	90,455	103,578	118,695	Deposit growth	13.4	5.2	15.3	12.5	12.5
Operating Expense	36,917	42,932	45,777	51,399	57,772	Advance growth	7.9	9.9	18.6	13.4	13.4
-Employee Exp	20,342	23,206	20,580	22,276	24,113	CD	76.4	79.8	82.1	82.7	83.4
-Other Exp	16,575	19,727	25,197	29,122	33,659	CASA	34.0	36.9	35.8	35.9	36.0
Operating profit	37,869	36,141	44,678	52,179	60,924	Operating efficiency (%)					
Provisions	16,496	10,780	11,058	10,213	11,507	Cost-to-income	49.4	54.3	50.6	49.6	48.7
PBT	21,373	25,361	33,619	41,966	49,417	Cost-to-assets	1.9	2.0	1.9	1.9	1.9
Taxes	5,470	6,463	8,492	10,563	12,438	Spreads (%)					
PAT	15,903	18,898	25,127	31,403	36,979	Yield on advances	8.5	7.8	8.0	8.2	8.2
						Yield on investments	6.4	6.1	6.1	6.1	6.1
Balance Sheet						Cost of deposits	4.8	4.2	4.2	4.4	4.4
Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E	Yield on assets	7.7	6.9	7.2	7.3	7.3
Share capital	3,992	4,205	4,207	4,207	4,207	Cost of funds	4.8	4.1	4.1	4.3	4.3
Reserves & Surplus	157,244	183,733	206,831	235,741	269,762	NIMs	3.1	3.0	3.2	3.3	3.3
Shareholder's Funds	161,236	187,938	211,038	239,948	273,969	Capital adequacy (%)					
Deposits	1,726,445	1,817,006	2,095,071	2,357,361	2,652,696	Tier I	13.8	15.4	15.1	14.9	14.8
Borrowings	90,685	153,931	154,084	177,803	210,434	Tier II	0.8	1.3	1.3	1.3	1.3
Other liabilities	35,308	50,588	83,297	94,677	102,255	Total CAR	14.6	16.7	16.4	16.3	16.2
Total liabilities	2,013,674	2,209,463	2,543,489	2,869,789	3,239,354	Asset Quality (%)					
Cash/Equivalent	195,914	210,104	209,171	235,770	266,271	Gross NPA	3.4	2.8	2.5	2.3	2.2
Advances	1,318,786	1,449,283	1,719,271	1,950,038	2,211,780	Net NPA	1.2	1.0	0.9	0.7	0.6
Investments	371,858	391,795	439,965	495,046	557,066	Provision coverage	65.1	66.3	66.5	70.2	72.3
Fixed Assets	4,911	6,339	6,913	6,903	7,200	Slippage	1.6	1.4	1.5	1.5	1.5
Other assets	122,201	151,942	168,170	182,032	197,038	Credit-cost	1.3	0.8	0.7	0.6	0.6
Total assets	2,013,674	2,209,463	2,543,489	2,869,789	3,239,354	Return (%)					
						ROE	10.4	10.8	12.6	13.9	14.4
						ROA	0.8	0.9	1.1	1.2	1.2
						RORWA	1.5	1.6	1.9	2.1	2.1
						Per share					
						EPS	8.0	9.0	11.9	14.9	17.6
						BV	80.8	89.4	100.3	114.1	130.2
						ABV	72.9	82.8	93.3	107.6	123.7
						Valuation					
						P/E	15.4	13.7	10.3	8.2	7.0
						P/BV	1.5	1.4	1.2	1.1	0.9
						P/ABV	1.7	1.5	1.3	1.1	1.0

Source: Company, Nirmal Bang Institutional Equities Research

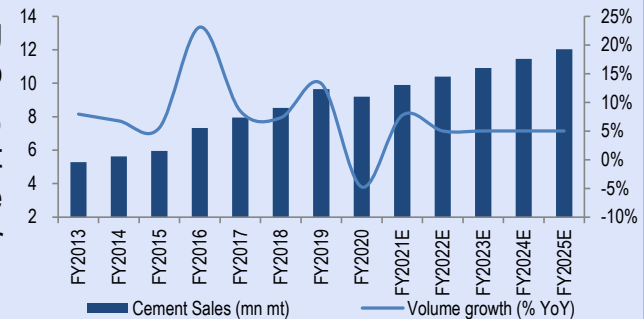
JK Lakshmi Cements

CMP: Rs551; Rating: Buy; M-cap: US\$787mn; TP: Rs786; Upside: 43%



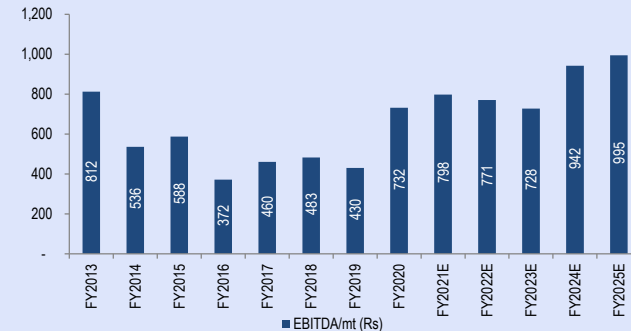
- **Strong rerating candidate:** JK Lakshmi Cement (JKLC) is one of the strong re-rating candidate in the midcap cement space as we believe that its profitability is likely to improve on account of various cost optimization measures undertaken by the company, along with moderate volume growth. With the commissioning of 10MW WHRS plant at Sirohi (Rajasthan) in 4QFY22, coupled with the increased use of alternative fuel, we believe that JKLC would be able to efficiently manage its costs and deliver a better performance once the higher energy costs return to normalcy.
- **Capacity expansion to be completed by FY24-** JKLC's subsidiary- Udaipur Cement Work Ltd.'s (UCWL) expansion plan worth Rs16.5bn to add 2.5mn mt capacity in Rajasthan is expected to be commissioned by FY24. Capex for the same would be funded by a mix of debt (Rs11bn) and promoter's fund (Rs1-1.1bn of internal funds and Rs4-4.5bn from Rights Issue). JKLC currently has ~14mn mt of capacity and this expansion is likely to increase the capacity to 16.5mn mt. The capacity will help the company to consolidate its position in more profitable northern markets.
- **Clinker mismatch to come down:** JKLC was facing clinker mismatch as its profitable north region was facing clinker deficit whereas less remunerating eastern region was facing excess clinker situation. As a result, JKLC was buying clinker in North whereas selling clinker in East, thereby resulting in weak profitability. The company has increased its clinker capacity in North (UCW) whereas clinker sales in east have been reduced. As a result, overall profitability of the company has improved.

Cement volume CAGR of 5% expected for FY22-25E



Source: Company, Nirmal Bang Institutional Equities Research

EBITDA/mt to bounce back



Source: Company, Nirmal Bang Institutional Equities Research

JK Lakshmi Cement

Income Statement					
YE March, Rsmn	FY21	FY22E	FY23E	FY24E	FY25E
Net Sales	43,847	50,408	54,660	58,532	61,089
Raw Material Consumed	10,839	12,383	13,262	14,204	15,212
Power & Fuel Cost	7,798	10,656	12,532	12,106	11,948
Employee Cost	3,270	3,264	3,360	3,458	3,559
Freight and Forwarding	8,832	10,428	11,497	11,468	11,440
Other expenses	5,212	5,663	6,065	6,496	6,957
Total Expenditure	35,950	42,395	46,716	47,732	49,116
Operating profit	7,898	8,013	7,944	10,800	11,973
<i>Operating profit margin (%)</i>	<i>18.0</i>	<i>15.9</i>	<i>14.5</i>	<i>18.5</i>	<i>19.6</i>
Other Income	745	673	716	764	817
Interest	1,425	1,155	1,017	907	797
Depreciation	1,942	1,980	2,059	2,152	2,231
PBT	5,275	5,550	5,583	8,505	9,762
Exceptional items	(309)	-	-	-	-
PBT post exc items	4,966	5,550	5,583	8,505	9,762
Tax	1,328	1,321	1,329	2,024	2,323
<i>Tax rate (%)</i>	<i>26.7</i>	<i>23.8</i>	<i>23.8</i>	<i>23.8</i>	<i>23.8</i>
PAT	3,638	4,229	4,255	6,481	7,439
EPS (Rs)	30.9	35.9	36.2	55.1	63.2

Balance Sheet					
YE March, Rsmn	FY21	FY22E	FY23E	FY24E	FY25E
Equity Capital	589	589	589	589	589
Reserves and Surplus	20,201	24,430	28,685	35,166	42,605
Networth	20,789	25,019	29,273	35,754	43,193
Total Debt	7,904	7,404	7,404	7,404	7,404
Deferred tax liability	641	641	641	641	641
Other non current liabilities	4,418	4,313	4,304	4,283	4,238
Trade Payables	3,962	4,673	5,149	5,261	5,414
Other Current Liabilities	8,899	8,147	7,641	7,153	6,482
Total Current Liabilities	13,001	12,960	12,930	12,554	12,036
Total liabilities	46,614	50,197	54,413	60,497	67,373
Net Block	26,620	25,614	25,554	24,903	24,172
CWIP	2,275	2,275	1,275	775	275
Investment	7,506	9,756	15,256	21,256	25,256
Other non current assets	855	980	1,061	1,134	1,183
Inventories	3,155	3,687	4,436	4,637	4,876
Sundry Debtors	537	899	917	928	1,086
Cash and Bank	3,591	4,702	3,495	4,322	7,902
Other current assets	1,642	1,850	1,985	2,108	2,189
Total Current Assets	9,358	11,572	11,266	12,428	16,487
Total Assets	46,614	50,197	54,413	60,497	67,373

Cash Flow -Y/E March (Rsmn)	FY21	FY22E	FY23E	FY24E	FY25E
Profit before tax	4,966	5,550	5,583	8,505	9,762
Add : Depreciation	1,942	1,980	2,059	2,152	2,231
Add: Interest Exp	1,425	1,155	1,017	907	797
CFO b4 WC	8,333	8,685	8,660	11,564	12,790
Net change in Working capital	1,613	(1,144)	(931)	(711)	(996)
Tax paid	(1,328)	(1,321)	(1,329)	(2,024)	(2,323)
Net cash from operations	8,618	6,220	6,400	8,829	9,471
Capital expenditure	(1,281)	(975)	(1,000)	(1,000)	(1,000)
Sale of investments	337	(2,250)	(5,500)	(6,000)	(4,000)
Net cash from investing	(795)	(3,349)	(6,581)	(7,074)	(5,049)
Issue of shares	-	-	-	-	-
Increase in debt	(3,926)	(500)	-	-	-
Dividends paid incl. tax	-	-	-	-	-
Interest paid	(1,425)	(1,155)	(1,017)	(907)	(797)
Net cash from financing	(4,547)	(1,760)	(1,026)	(928)	(842)
Net Cash	3,276	1,111	(1,207)	827	3,580
Opening Cash	314	3,591	4,702	3,495	4,322
Closing Cash	3,591	4,702	3,495	4,322	7,902

Key Ratios					
YE March	FY21	FY22E	FY23E	FY24E	FY25E
Growth (%)					
Sales	8.4	15.0	8.4	7.1	4.4
Operating Profits	17.5	1.5	(0.9)	35.9	10.9
Net Profits	54.7	16.3	0.6	52.3	14.8
Leverage (x)					
Net Debt:Equity	0.19	0.02	0.01	(0.07)	(0.21)
Interest Cover(x)	5.54	6.94	7.81	11.91	15.02
Total Debt/EBITDA	1.42	1.22	1.10	0.72	0.56
Profitability (%)					
OPM	18.0	15.9	14.5	18.5	19.6
NPM	8.3	8.4	7.8	11.1	12.2
ROE	19.2	18.5	15.7	19.9	18.8
ROCE	21.9	21.3	19.4	23.8	23.2
Turnover ratios (x)					
GFAT	1.2	1.3	1.4	1.4	1.4
Debtors Turnover(x)	62	70	60	63	61
WC days	11	10	12	13	14
Valuation (x)					
P/E	17.8	15.3	15.2	10.0	8.7
P/B	3.1	2.6	2.2	1.8	1.5
EV/EBITDA	8.7	8.2	8.2	5.8	4.7
EV/mt (\$)	66.0	62.8	62.5	50.7	45.3

INOX Leisure Ltd

CMP: Rs515; Rating: Buy; M-cap: US\$796mn; TP: Rs720; Upside: 40%



- After a record breaking 1QFY23, 2QFY23 is expected to be a one-off disappointment with 2HFY23 expected to continue to be strong on the back of better content suited for the audience and gradual bounce back of advertising revenues as footfalls start improving. The content includes 'PS-1', 'Vikram Vedha', 'Godfather', all of which are showing decent performance at the box office so far, 'Ram Setu', 'Thank God', 'Bhaijaan', 'Pathan' and Hollywood content like 'Black Panther- Wakanda Forever' and 'Avatar-2'.
- The merger, which received SEBI and stock exchange approval, is expected to be consummated by 4QFY23 once NCLT approval is in place as the CCI has rejected the objects raised by CUTS (consumer unity and trust society). This is expected to be a shareholder value accretive transaction, on the back of significant revenue synergies, cost optimization opportunities on capex and opex, steady increase in ATP and F&B pricing and expansion into Tier-2/ Tier-3 markets. The merged entity can deliver ~Rs18bn in EBITDA by FY24E and can command a higher multiple than either of them have had in their history.
- The combined entity of PVR INOX (as it has been named) would have about 50% share of the total Indian multiplex screens, which will rise going forward as the merged entity has tied up a large part of the retail real estate pipeline, with each having >1,000 screens lined up to open over the next 5-7 years. It would also mean a more calibrated screen opening plan with no other players (except probably Cinepolis) in the race.
- With OTT not being a deciding factor in order to visit theatres or not the burden lies on creators to provide better content, and this is being done as seen from our recent interaction with Ormax Media. Another consideration for consumers to take the theatrical experience include production scale and special effects like 3D or VFX. Film creators are now reworking their movies to cater to these consumer demands and this will reflect in releases from 2023.
- The strong pipeline of content to come in 2HFY23, a customer base that is thirsting to go out, higher ATP and SPH, advertising revenue slowly growing and the merger completion getting closer give us the confidence for the future of the company. Also, the recent correction of ~18% in the stock from its highs make it a good entry point in the current scenario.
- We have 'Buy' rating on INOX Leisure Ltd. with target price (TP) of Rs720, representing 12x Sept FY24E EBITDA multiple.

Particulars	FY20-FY25E CAGR
Revenue	14.5%
EBITDA	18.1%
PAT	25.6%
EPS	25.6%

Revenue Breakup (1QFY23)	% of Revenue
NBOC	64%
F&B	25%
Advertisement	4.6%
Other Revenues	6.4%

***all numbers are pre-IndAS 116*

INOX Leisure Ltd

Profit and Loss Statemen (YE March)	FY21	FY22	FY23 E	FY24E	FY25E
Net Sales	1,060	6,839	23,758	31,334	37,412
<i>Growth (%)</i>	(94)	545	247	32	19
Exhibition Cost (Distributor Share)	264	1,964	6,130	7,733	8,977
Food & Beverages Cost	79	427	1,449	2,077	2,361
Employee Benefits Expense	867	949	1,573	2,093	2,745
Property Rent, Conducting Fees	1,130	2,540	4,118	4,669	5,673
CAM, Power & Fuel, R&M and Other Expenses	1,180	2,040	6,349	8,372	10,065
Total Expenses	3,520	7,919	19,619	24,944	29,821
EBITDA	(2,460)	(1,080)	4,138	6,390	7,592
<i>% of sales</i>	(232.1)	(15.8)	17.4	20.4	20.3
<i>Growth (%)</i>	PL	LP	(483)	54	19
Depreciation & Amortization	1,120	1,160	1,389	1,725	2,039
EBIT	(3,580)	(2,240)	2,750	4,665	5,553
<i>% of sales</i>	(337.8)	(32.7)	11.6	14.9	14.8
Impairment Loss on PPE	-	-	-	-	-
Other income (net)	423	218	270	267	344
Interest	174	110	50	23	17
Exceptional Items	40.0	-	-	-	-
PBT	(3,371)	(2,132)	2,969	4,909	5,880
<i>PBT margin (%)</i>	(318.1)	(31.2)	12.5	15.7	15.7
Tax	(796)	(520)	743	1,227	1,470
Tax pertaining to earlier years					
<i>Effective tax rate (%)</i>	23.6	24.4	25.0	25.0	25.0
Net profit	(2,575)	(1,612)	2,226	3,682	4,410
<i>Growth (%)</i>	PL	LP	65.4	19.8	
Net profit margin (%)	(243.0)	(23.6)	9.4	11.7	11.8

Balance Sheet (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	1,125	1,222	1,222	1,222	1,222
Reserves & surplus	5,205	5,704	7,930	11,611	16,021
Net worth	6,329	6,926	9,152	12,833	17,243
Interest in Inox Benefit Trust	-	-	-	-	-
Long term borrowings	1,047	1,206	1,206	500	500
Deferred Tax Liabilities (Net)	-	-	-	-	-
Other Long-term liabilities	67	11	11	11	11
Lease Liabilities	26,593	27,598	27,598	27,598	27,598
Long term provisions	167	153	153	153	153
Total liabilities	34,202	35,894	38,120	41,096	45,505
Goodwill on consolidation	232	209	209	209	209
Net Fixed Assets	9,983	9,546	11,546	14,046	17,046
Long term loans and advances	4,766	5,488	3,871	4,701	5,545
Long-term investments	1	-	-	-	-
Other non-current assets	277	300	300	300	300
Cash & cash equivalents	774	558	2,658	3,133	4,543
Right of use Assets	21,164	21,348	21,348	21,348	21,348
Total Current assets	646	2,349	3,452	3,751	4,055
Total current liabilities	3,640	3,904	5,265	6,394	7,541
Net current assets	(2,994)	(1,555)	(1,813)	(2,643)	(3,487)
Total assets	34,202	35,894	38,120	41,096	45,505

Cash Flow (Rsmn) (YE March)	FY21	FY22	FY23E	FY24E	FY25E
EBIT	-3,580	-2,240	2,750	4,665	5,553
(Inc.)/dec. in working capital	-611	50	257	830	844
Cash flow from operations	-4,190	-2,190	3,007	5,495	6,396
Other income	423	218	270	267	344
Depreciation & amortisation	1,120	1,160	1,389	1,725	2,039
Financial expenses	174	110	50	23	17
Tax paid	-796	-520	743	1,227	1,470
Dividends paid	0	0	0	0	0
Net cash from operations	-2,026	-401	3,872	6,237	7,293
Capital expenditure	726	1,307	2,763	3,403	4,053
Net cash after capex	-2,752	-1,708	1,109	2,834	3,240
Inc./(dec.) in debt	182	160	0	-706	0
(Inc.)/dec. in investments	-1	-1	0	0	0
Equity Issuance	3,501	3,000	0	-0	0
Cash from financial activities	3,682	3,159	0	-706	0
Others	-604	-1,666	991	-1,652	-1,516
Opening cash	447	774	558	2,658	3,133
Closing cash	773	559	2,659	3,134	4,858
Change in cash	326	-215	2,100	476	1,724

Ratios (YE March)					
Per Share (Rs)	FY21	FY22	FY23E	FY24E	FY25E
FDEPS	-21.1	-13.2	18.2	30.1	36.1
Dividend Per Share	0.0	0.0	0.0	0.0	0.0
Book Value	52	57	75	105	141
Return ratios (%)					
RoE	-41.0	-24.3	27.7	33.5	29.3
Pre Tax RoCE	-30.5	-19.1	19.7	26.2	24.5
Pre-Tax ROIC	-32.2	-21.7	25.2	34.7	32.0
Turnover Ratios					
Asset Turnover Ratio	0.0	0.2	0.6	0.8	0.8
Debtor Days	15	15	21	20	19
Working Capital Cycle Days	-1,031	-83	-28	-31	-34
Solvency Ratios					
Net Debt/Equity	0.1	-0.1	-0.3	-0.3	-0.3
Net Debt/EBITDA	-0.2	0.6	-0.7	-0.6	-0.7
Valuation ratios (x)					
PER	-24	-38	27	16	14
P/BV	9.6	8.7	6.6	4.7	3.5
EV/EBTDA	-24.8	-55.5	14.0	8.9	7.3
EV/Sales	57.6	8.8	2.4	1.8	1.5
M-cap/Sales	57.2	8.9	2.6	1.9	1.6

Source: Company, Nirmal Bang Institutional Equities Research

La Opala RG

CMP: Rs362; Rating: Buy; M-cap: US\$488mn; TP: Rs500; Upside: 38%



La Opala RG's (LOG) last 4 quarters' revenue performance has shown a lot of promise after 3-4 years of under-delivery, in our view. While a strong brand equity has played a big role in LOG's growth over the years, we believe that distribution ramp-up could be a game changer for the company. Our channel checks in Mumbai and select markets in North India also support our thesis. LOG's retail distribution reach was hovering around 12k over the last 5 years, which suddenly increased to 20k outlets in FY22. LOG's efforts on expanding the distribution reach and its quality through appointment of dedicated people to head different channels have started to yield the desired results. Peers like Cello and Borosil have ramped up distribution/leveraged existing distribution for opalware and hence could scale up their businesses in relatively less time. We believe that there are multiple industry tailwinds for the opalware industry, such as increased costs of other tableware categories, distribution expansion headroom, affordability & durability vis-à-vis Bone China, conscious shift from plastic to glass and multiple gifting occasions. While LOG's ~10x earnings growth over the last 10 years was mainly a function of margin expansion (topline grew only ~3x), we believe that future growth would be a function of category growth and diversification. If we take a 10 years' view, we believe that the category can potentially grow ~10x and LOG, even if maintains ~30% share, should be able to grow its earnings ~9x over the same period. LOG's intent to move beyond opalware is also positive as Borosilicate and other future categories, if any, could be scaled up by leveraging existing distribution network and brand equity. Gifting currently has a major share in overall opalware sales; however, creative advertising focusing on durability and affordability vis-à-vis steel could change the current consumer perception. We believe that LOG is at the cusp of a strong growth cycle and expect Revenue/EBITDA/APAT CAGR of 22%/25%/26% over FY22-25E.

- **Shifting focus towards distribution and marketing activities:** LOG did not expand its overall distribution reach meaningfully over the past decade (retail reach was hovering ~10k-12k outlets). Post appointment of two dedicated distribution and marketing heads, distribution reach expanded to 20k in FY22. We believe that widening of the distribution network should continue to act as an additional growth driver going forward. Apart from distribution related initiatives, LOG has upped the ante by spending aggressively on marketing activities from FY23 (5% of sales vis-à-vis <1% of sales in the past).
- **Capacity addition with further room to expand and diversification:** LOG's new capacity of 11KTPA (46% of the existing opalware capacity) was commissioned in 1QFY23. During our latest site visit, it was informed that there is still further room to expand the capacity through line balancing activity and LOG has already created infrastructure to double the capacity (effective potential addition of 15.5KTPA). Also, product diversification by entering Borosilicate is a welcome move, wherein LOG can leverage its existing distribution in order to grow. Domestic manufacturing capability is an edge that LOG has when it comes to Borosilicate glass.

LA Opala RG

Income Statement					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	2,113	3,227	4,279	5,033	6,233
Growth YoY%	-21.8%	52.7%	32.6%	17.6%	23.8%
COGS	570	632	813	956	1,153
Gross margin %	73.0	80.4	81.0	81.0	81.5
Staff costs	401	531	715	830	1,035
Other expenses	458	841	1,108	1,253	1,652
EBITDA	684	1,223	1,643	1,993	2,394
Growth YoY%	-34.6	78.8	34.4	21.3	20.1
EBITDA margin %	32.4	37.9	38.4	39.6	38.4
Depreciation	122	137	149	193	229
EBIT	562	1,086	1,494	1,800	2,165
Interest	3	41	5	5	5
Other income	81	192	355	322	351
PBT (bei)	640	1,237	1,844	2,117	2,511
PBT	640	1,165	1,844	2,117	2,511
ETR	22.5	23.6	21.0	25.2	25.2
PAT	496	874	1,457	1,584	1,879
Adj PAT	496	945	1,457	1,584	1,879
Growth YoY%	-41.2	90.7	54.1	8.7	18.6

Balance Sheet					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	222	222	222	222	222
Reserves	6,436	7,183	8,203	9,311	10,627
Net worth	6,658	7,405	8,425	9,533	10,849
Long term debt	-	125	-	-	-
Short term debt	11	15	15	15	15
Total debt	11	140	15	15	15
Other non-current liabilities	307	335	335	335	335
Total Equity & Liabilities	6,975	7,880	8,775	9,883	11,199
Gross block	2,164	2,311	3,111	3,911	4,411
Accumulated depreciation	1,122	1,228	1,377	1,570	1,799
Net Block	1,042	1,083	1,734	2,341	2,612
CWIP	796	1,083	867	693	555
Intangible and others	112	110	110	110	110
Other non-current assets	104	72	145	159	175
Investments	4,612	5,351	5,369	5,906	6,862
Trade receivables	378	324	469	552	683
Inventories	297	366	586	689	854
Cash & Cash equivalents	43	44	61	44	30
Other current assets	33	30	80	80	80
Total current assets	752	764	1,196	1,365	1,647
Trade payables	130	191	254	298	370
Other current liabilities	312	393	393	393	393
Total current liabilities	442	584	647	692	763
Total Assets	6,975	7,880	8,775	9,883	11,199

Cash Flow Statement					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
PBT	640	1,165	1,844	2,117	2,511
Depreciation	122	137	149	193	229
Interest	3	41	5	5	5
Other adjustments	-71	-92	-355	-322	-351
Change in Working capital	330	32	-353	-141	-225
Tax paid	-191	-276	-387	-533	-632
Operating cash flow	833	994	903	1,319	1,537
Capex	-463	-431	-583	-627	-361
Free cash flow	370	563	320	692	1,175
Other investing activities	-330	-319	264	-230	-620
Investing cash flow	-792	-750	-319	-856	-982
Issuance of share capital	-	-	-	-	-
Movement of Debt	-38	129	-125	-	-
Dividend paid (incl DDT)	-	-	-437	-475	-564
Other financing activities	10	-373	-4	-5	-5
Financing cash flow	-29	-244	-566	-480	-569
Net change in cash flow	12	0	18	-17	-14
Opening C&CE	31	43	44	61	44
Closing C&CE	43	44	61	44	30

Key Ratios					
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Per share (Rs)					
Adj EPS	4.4	8.4	12.9	14.0	16.6
Book value	58.9	65.5	74.6	84.4	96.0
DPS	2.8	-	-	3.9	4.2
Valuation (x)					
P/Sales	19.4	12.7	9.6	8.1	6.6
EV/sales	18.1	11.8	8.7	7.5	6.0
EV/EBITDA	56.0	31.1	22.7	18.9	15.6
P/E	82.5	43.3	28.1	25.8	21.8
P/BV	6.1	5.5	4.9	4.3	3.8
Return ratios (%)					
RoCE	9.2	15.3	18.7	20.0	21.2
RoE	8.2	13.4	18.4	17.6	18.4
RoIC	18.6	34.1	40.0	36.6	39.1
Profitability ratios (%)					
Gross margin	73.0	80.4	81.0	81.0	81.5
EBITDA margin	32.4	37.9	38.4	39.6	38.4
PAT margin	22.6	27.7	31.4	29.6	28.5
Liquidity ratios (%)					
Current ratio	8.3	7.1	6.6	6.8	7.0
Quick ratio	7.6	6.5	5.7	5.9	5.9
Solvency ratio (%)					
Debt to Equity ratio	0.0	0.0	0.0	0.0	0.0
Turnover ratios					
Fixed asset turnover ratio (x)	2.0	3.0	2.5	2.1	2.4
Debtor days	65	37	40	40	40
Inventory days	51	41	50	50	50
Creditor days	22	22	22	22	22
Net Working capital days	94	56	68	68	68

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