

10th Edition
Emerging
Conference 2023
Ideas

Udayan ▶ Udyog | Avasanrachana | Nivesha

The CUB series

The **CUB** series

Under the '**CUB**' series banner, we are covering small-cap companies with robust long-term growth potential.

Our endeavour is to recommend smallcap companies that are not widely covered. Despite low liquidity and small size of business, these companies have strong long-term fundamentals and sustainable structural growth drivers.

In our view, investment themes in equity markets play out over the long-term with potential pay-offs taking time to materialize.

By introducing the CUB series our objective is to identify quality small-cap companies in the early stages of their growth cycle.



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We hosted the management of Beta Drugs (BETADR) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 5. It is one of India's leading oncology players and ranks among the top 10 in the cytotoxic market. Equipped with three state-of-the-art manufacturing facilities, it produces and markets a wide range of oncology (anti-cancer) drugs that are available across major government and private hospitals. It expanded, upgraded, and received regulatory approvals from INVISA (Brazil)/INVIMA (Colombia) for its key facilities which will aid exports. It clocked a revenue/EBITDA/PAT CAGR of 35%/41%/34% over FY18–23. The management reiterated it will double revenue by FY26 and improve EBITDA margin on the back of higher exports. While we broadly retain our earnings estimates for FY24, FY25, and FY26 (revenue /PAT CAGR of 25%/32% over FY23–26E), better export visibility gives us comfort to roll over our valuation to FY26 earnings. Accordingly, our TP stands revised to INR1,500 (20x FY26E EPS) from INR1,325 earlier. Retain 'BUY'.

Key takeaways:

- The cytotoxic (oncology) market is one of the fastest growing in India and is currently pegged ~INR2,500cr. The number of patients being diagnosed with oncology ailments has been growing by 20% in India. BETADR has a market share of ~10% in India but expects to improve it further.
- It launched 22 new products, including 12 first few to launch (FFTL), in the domestic market in the past four years. It has a pipeline of 28 products, including ~10 new drug delivery systems (NDDS), to be launched in the next two years.
- It plans to launch four/six NDDS in FY24/FY25.
- BETADR has tied up with an Italian company for an innovative product, with exclusive rights for India and Nepal. It will still take six-to-eight months for registration and production.
- It has filed 30 dossiers in semi-regulated markets. It has prepared 127/113/27/130 dossiers for markets in Latin America/Africa/CIS/Asia which will be filed over the next couple of years. This should provide it a decent export revenue over the next three-to-four years.
- Its newly launched dermatology business (in FY23) is generating a monthly revenue of INR50lk. However, the management aims to increase the monthly revenue run-rate to INR1.25cr over the next four-to-five months. This implies an annual revenue of ~INR15cr from the dermatology business in FY25 (from INR6cr expected in FY24).
- It currently outsources the manufacturing of dermatology products but plans to produce in-house in the next couple of years.
- Its facilities are operating at 40–45% capacity utilisation and will be optimised in the next couple of years. Its current capacity has a peak revenue potential of ~INR500cr, which is achievable in the next three years.
- Except for maintenance capex, it does not have any major capex pending for FY25. However, the setting up of a dermatology facility is under consideration.
- It commands an EBITDA margin of ~35%/~16%/~31%/~21% in the branded business /CMO/exports/API. Consolidated margin is likely to improve as the focus is on exports and the branded business.
- In the long-run, it is eyeing the biosimilar business and aims to tap the US market, which has the potential to generate a revenue of INR800–1,000cr over the next seven-to-eight years.
- BETADR expects to maintain its R&D spend of ~1.5% going forward.

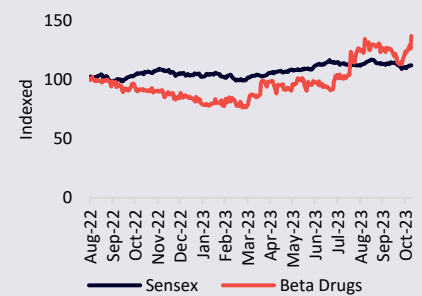
Key financials

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------|------|------|-------|-------|-------|
| Net revenue (INR cr) | 184 | 227 | 281 | 354 | 449 |
| Growth (YoY %) | 58 | 24 | 24 | 26 | 27 |
| EBITDA (INR cr) | 43 | 53 | 67 | 86 | 113 |
| Growth (YoY %) | 73 | 24 | 26 | 28 | 32 |
| Net profit (INR cr) | 25 | 31 | 41 | 54 | 72 |
| Diluted EPS (INR) | 26 | 32 | 43 | 56 | 75 |
| Diluted P/E (x) | 22 | 43 | 32 | 25 | 18 |
| EV/EBITDA (x) | 13 | 12 | 14 | 11 | 8 |
| RoACE (%) | 38 | 36 | 37 | 37 | 38 |

CMP: INR1,379
Rating: BUY
Target price: INR1,325

| Bloomberg: | BETADR:IN |
|----------------------|-----------|
| 52-week range (INR): | 600/1,020 |
| M-cap (INR cr): | 1,450 |
| Promoter holding (%) | 66.71 |

Relative price performance



[Previous report link](#)

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Financials

Income statement

| Year to March (INR cr) | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------------|------|------|-------|-------|-------|
| Income from operations | 184 | 227 | 281 | 354 | 449 |
| Direct costs | 94 | 106 | 130 | 162 | 205 |
| Power & Fuel | 3 | 3 | 4 | 5 | 7 |
| Employee costs | 16 | 23 | 31 | 39 | 47 |
| Other expenses | 28 | 42 | 49 | 62 | 77 |
| Total operating expenses | 141 | 174 | 214 | 268 | 336 |
| EBITDA | 43 | 53 | 67 | 86 | 113 |
| Depreciation and amortisation | 7 | 10 | 10 | 11 | 14 |
| EBIT | 35 | 43 | 57 | 75 | 99 |
| Interest expenses | 2 | 2 | 2 | 2 | 2 |
| Other income | 1 | 1 | 1 | 1 | 1 |
| Profit before tax | 34 | 41 | 56 | 73 | 98 |
| Provision for tax | 9 | 10 | 15 | 19 | 26 |
| Core profit | 25 | 31 | 41 | 54 | 72 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Profit after tax | 25 | 31 | 41 | 54 | 72 |
| Share from associates | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 25 | 31 | 41 | 54 | 72 |
| Equity shares outstanding (mn) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| EPS (INR) basic | 26 | 32 | 43 | 56 | 75 |
| Diluted shares (Cr) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| EPS (INR) fully diluted | 26 | 32 | 43 | 56 | 75 |
| Dividend per share | 0 | 0 | 0 | 0 | 0 |
| Dividend payout (%) | 0 | 0 | 0 | 0 | 0 |

Common size metrics- as % of net revenues

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------|------|------|-------|-------|-------|
| Operating expenses | 76.8 | 76.6 | 76.2 | 75.8 | 74.8 |
| Depreciation | 3.9 | 4.6 | 3.6 | 3.2 | 3.1 |
| Interest expenditure | 1.0 | 1.1 | 0.7 | 0.6 | 0.4 |
| EBITDA margins | 23.2 | 23.4 | 23.8 | 24.2 | 25.2 |
| Net profit margins | 13.5 | 13.5 | 14.7 | 15.3 | 16.1 |

Growth metrics (%)

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------|-------|------|-------|-------|-------|
| Revenues | 58.3 | 23.5 | 23.9 | 25.7 | 26.9 |
| EBITDA | 72.5 | 24.4 | 26.3 | 27.8 | 31.9 |
| PBT | 114.9 | 19.7 | 36.2 | 31.3 | 34.0 |
| Net profit | 111.6 | 23.7 | 34.7 | 30.4 | 34.0 |
| EPS | 111.6 | 23.7 | 34.7 | 30.4 | 34.0 |

Ratios

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|------------------------------|------|------|-------|-------|-------|
| ROAE (%) | 31 | 29 | 29 | 28 | 28 |
| ROACE (%) | 37.5 | 36 | 37 | 37 | 38 |
| Debtors (days) | 45 | 63 | 78 | 98 | 124 |
| Current ratio | 2 | 2 | 2 | 3 | 3 |
| Inventory (days) | 45 | 49 | 49 | 49 | 49 |
| Payable (days) | 32 | 40 | 50 | 63 | 80 |
| Cash conversion cycle (days) | 58 | 72 | 77 | 84 | 94 |
| Net Debt/EBITDA | 0 | 0 | 0 | 0 | -1 |
| Net debt/Equity | 0.0 | 0.0 | -0.1 | -0.2 | -0.3 |

Valuation parameters

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------|-------|------|-------|-------|-------|
| Diluted EPS (INR) | 25.8 | 31.9 | 43.0 | 56.1 | 75.2 |
| Y-o-Y growth (%) | 111.6 | 23.7 | 34.7 | 30.4 | 34.0 |
| Diluted P/E (x) | 21.9 | 43.2 | 32.1 | 24.6 | 18.3 |
| Price/BV(x) | 5.9 | 5.2 | 5.9 | 4.5 | 3.4 |
| EV/Sales (x) | 3.0 | 2.8 | 3.4 | 2.7 | 2.0 |
| EV/EBITDA (x) | 12.7 | 11.9 | 14.3 | 10.9 | 7.9 |
| Basic EPS | 25.8 | 31.9 | 43.0 | 56.1 | 75.2 |
| Basic PE (x) | 21.9 | 43.2 | 32.1 | 24.6 | 18.3 |

Balance sheet

| As on 31st March (INR cr) | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------|------------|------------|------------|------------|------------|
| Equity share capital | 10 | 10 | 10 | 10 | 10 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Reserves & surplus | 83 | 113 | 155 | 209 | 281 |
| Shareholders funds | 92 | 123 | 164 | 218 | 291 |
| Borrowings | 17 | 16 | 12 | 12 | 12 |
| Net Deferred tax | -1 | -1 | -1 | -1 | -1 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Sources of funds | 108 | 138 | 175 | 229 | 301 |
| Net block | 51 | 58 | 53 | 66 | 77 |
| Capital work in progress | 0 | 0 | 25 | 25 | 25 |
| Total fixed assets | 51 | 58 | 78 | 91 | 102 |
| Investments | 1 | 1 | 1 | 1 | 1 |
| Inventories | 22 | 31 | 38 | 48 | 61 |
| Sundry debtors | 45 | 63 | 78 | 98 | 124 |
| Cash and equivalents | 17 | 19 | 24 | 47 | 86 |
| Loans and advances | 4 | 6 | 6 | 6 | 6 |
| Other current assets | 0 | 0 | 0 | 0 | 0 |
| Total current assets | 89 | 119 | 146 | 199 | 277 |
| Sundry creditors and others | 32 | 40 | 50 | 63 | 80 |
| Provisions | 4 | 4 | 4 | 4 | 4 |
| Total CL & provisions | 36 | 44 | 54 | 67 | 84 |
| Net current assets | 54 | 74 | 92 | 132 | 193 |
| Misc expenditure | 3 | 5 | 5 | 5 | 5 |
| Uses of funds | 108 | 138 | 175 | 229 | 301 |
| Book value per share (INR) | 96 | 128 | 171 | 227 | 302 |

Cash flow statement

| Year to March | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------------|-----------|----------|-----------|-----------|-----------|
| Net profit | 34 | 41 | 41 | 54 | 72 |
| Add: Depreciation | 7 | 10 | 10 | 11 | 14 |
| Add: Misc expenses written off | -2 | -8 | -16 | 2 | 2 |
| Add: Deferred tax | 0 | 0 | 0 | 0 | 0 |
| Gross cash flow | 39 | 43 | 36 | 67 | 88 |
| Less: Changes in W. C. | -10 | -20 | -13 | -17 | -22 |
| Operating cash flow | 29.5 | 23 | 23 | 50 | 66 |
| Less: Capex | 19 | 18 | 25 | 25 | 25 |
| Free cash flow | 10 | 5 | -2 | 25 | 41 |

We hosted the management of Brand Concepts (BCONCEPT) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*' on December 6. This multi-brand retail platform for licenced fashion and lifestyle brands focuses on travel gear, bags, and accessories. It has a portfolio of globally recognised brands such as Tommy Hilfiger (TH), United Colors of Benetton (UCB), and Aeropostale, and its own in-house labels Sugarush and The Vertical. It has an omnichannel presence with over 40% revenue accruing from the online channel. It also sells its products via LFS, EBOs, and through distributors. The management is looking to acquire additional brands under its umbrella and expand its geographical footprint. Through its umbrella of brands and premium fashion product lines, it offers a good proxy to the fast-growing travel and leisure industry. The stock is not rated.

Key takeaways

- The company focuses on travel gear (~INR35,000cr industry in India) and has no plan to enter other categories. It doesn't have a licence for ladies' handbags under the TH brand.
- As it is required to seek approval for all aspects related to the product like design and material quality from the respective brands, the whole process from design to approval takes nine months.
- The channel mix will remain constant for the next two years as the management is comfortable with the current mix. Its focus will be growing all offline channels. Aeropostale is an online heavy brand while UCB is an omnichannel brand.
- It has more than 85 vendor partners in India and imports women handbags from China. As the local manufacturing supply chain for small leather goods (SLG) is mature, there is no need for it to manufacture for that category.
- Though China is the leader in luggage manufacturing, India is 10–15% cheaper than China in terms of cost (including transport). BCONCEPT has nurtured some manufacturing vendors for the luggage category in India by guiding and supporting them.
- In terms of pricing, TH is priced 15–20% lower than Samsonite and UCB/Aeropostale is at a premium to American Tourister and VIP/Safari. Marketing spends constitute 3–5% of sales. A minimum of ~3% is mentioned in brand contracts.
- Though CEO Mr Abhinav Kumar had earlier worked on the TH brand in 2004, he did not approach the brand till 2010 as BCONCEPT (incorporated in 2007) lacked the requisite distribution set-up.
- Its current business model does not require it to maintain a high working capital. It will fund growth through internal accruals only.
- It modified its own warehouses to serve the digital channel during the COVID-19 pandemic. Its warehouses now account for 37% of online sales (via e-commerce players).
- Initially, BCONCEPT created in-house brands for Amazon in anticipation that these would be acquired by the global e-commerce giant at a later stage. However, a management rejig at Amazon led to a change in its strategy. These brands now act as price feelers. BCONCEPT does not want to incur considerable marketing on these brands.
- The management is comfortable with eight to 10 brands under its umbrella.
- To fund its manufacturing plans, it raised funds through a preferential allotment. Construction of the new manufacturing facility will commence within 30-60 days and will take ~10 months to complete. It has sought NCLT's approval for its merger with IFF.

Valuation and view

Over the last three years, it clocked 32%/71% revenue/EBITDA CAGR and has turned profitable. With an experienced management, strong industry tailwinds, potential for scaling up new brands, and the addition of new brands, BCONCEPT can grow at a fast pace in the medium-to-long term. At the CMP, the stock is trading ~65x on TTM basis.

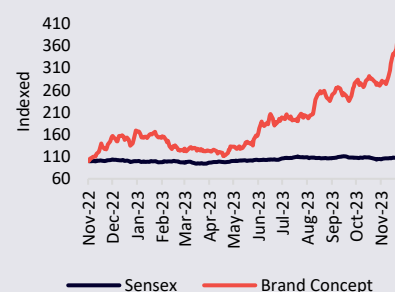
Key financials

| Year to March | FY21 | FY22 | FY23 |
|---------------------|-------|------|------|
| Revenue (INR cr) | 43 | 86 | 163 |
| Revenue growth (%) | -40 | 101 | 89 |
| EBITDA (INR cr) | -2 | 8 | 21 |
| EBITDA margin (%) | -4 | 9 | 13 |
| Net profit (INR cr) | -6 | 1 | 10 |
| P/E ratio (x) | NA | NA | 68.5 |
| RoACE (%) | -28.4 | 4.2 | 44.6 |
| RoAE (%) | -9.6 | 11.7 | 37.1 |

CMP: INR724
Rating: Not rated

| Bloomberg: | BCONCEPT:IN |
|----------------------|-------------|
| 52-week range (INR): | 187/666 |
| M-cap (INR cr): | 696 |
| Promoter holding (%) | 51.24 |

Relative price performance



[Presentation link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|-------|------|------|
| Income from operations | 43 | 86 | 163 |
| Direct costs | 24 | 46 | 85 |
| Employee costs | 8 | 11 | 16 |
| Other expenses | 13 | 21 | 41 |
| Total operating expenses | 45 | 78 | 142 |
| EBITDA | -2 | 8 | 21 |
| Depreciation and amortisation | 3 | 3 | 3 |
| EBIT | -5 | 5 | 18 |
| Interest expenses | 6 | 5 | 5 |
| Other income | 2 | 1 | 1 |
| Extraordinary items | 0 | 0 | 0 |
| Profit before tax | -9 | 1 | 13 |
| Provision for tax | -2 | 0 | 3 |
| Core profit | -7 | 1 | 10 |
| Extraordinary items | -0 | 0 | -0 |
| Profit after tax | -7 | 1 | 10 |
| Share from associates | 0 | 0 | 0 |
| Adjusted net profit | -7 | 1 | 10 |
| Equity shares outstanding (cr) | 1 | 1 | 1 |
| EPS (INR) basic | -5.5 | 0.7 | 9.7 |
| Diluted shares (Cr) | 1 | 1 | 1 |
| EPS (INR) fully diluted | (5.5) | 0.7 | 9.7 |
| Dividend per share | 0 | 0 | 0 |
| Dividend payout (%) | 0 | 0 | 0 |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|--------|------|------|
| Operating expenses | 104.0 | 91.0 | 87.0 |
| Depreciation | 6.5 | 2.9 | 2.1 |
| Interest expenditure | 13.1 | 5.6 | 3.0 |
| EBITDA margins | (4.0) | 9.0 | 13.0 |
| Net profit margins | (16.8) | 0.9 | 5.9 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|---------|---------|---------|
| Revenues | (40.0) | 101.4 | 89.4 |
| EBITDA | (140.5) | (550.6) | 174.1 |
| PBT | 548.9 | (111.6) | 1,164.8 |
| Net profit | 513.6 | (111.3) | 1,197.4 |
| EPS | 433.6 | (112.9) | 1,244.7 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|------|------|
| ROAE (%) | -28.4 | 4.2 | 44.6 |
| ROACE (%) | -9.6 | 11.7 | 37.1 |
| Debtors (days) | 292 | 128 | 72 |
| Current ratio | 2 | 2 | 2 |
| Debt/Equity | 1.7 | 1.4 | 0.9 |
| Inventory (days) | 186 | 95 | 69 |
| Payable (days) | 233 | 134 | 90 |
| Cash conversion cycle (days) | 246 | 88 | 51 |
| Debt/EBITDA | -17 | 3 | 1 |
| Adjusted debt/Equity | 1.5 | 1.2 | 0.7 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|---------|---------|---------|
| Diluted EPS (INR) | (5.5) | 0.7 | 9.7 |
| Y-o-Y growth (%) | 433.6 | (112.9) | 1,244.7 |
| CEPS (INR) | (2.9) | 3.1 | 12.9 |
| Diluted P/E (x) | (119.3) | 921.6 | 68.5 |
| Price/BV(x) | 39.7 | 38.4 | 25.4 |
| EV/Sales (x) | 17.0 | 8.4 | 4.4 |
| EV/EBITDA (x) | (423.1) | 93.1 | 33.9 |
| Diluted shares O/S | 1.1 | 1.1 | 1.1 |
| Basic EPS | (5.5) | 0.7 | 9.7 |
| Basic PE (x) | (119.3) | 921.6 | 68.5 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|-----------|
| Equity share capital | 11 | 11 | 11 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | 7 | 8 | 17 |
| Shareholders funds | 18 | 18 | 28 |
| Secured loans | 29 | 25 | 25 |
| Unsecured loans | 0 | 0 | 0 |
| Borrowings | 29 | 25 | 25 |
| Minority interest | 0 | 0 | 0 |
| Sources of funds | 47 | 43 | 53 |
| Gross block | 10 | 15 | 15 |
| Depreciation | 3 | 5 | 0 |
| Net block | 7 | 10 | 15 |
| Capital work in progress | 0 | 0 | 0 |
| Total fixed assets | 7 | 10 | 15 |
| Right of Use Assets | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 |
| Inventories | 22 | 22 | 31 |
| Sundry debtors | 34 | 30 | 32 |
| Cash and equivalents | 2 | 3 | 6 |
| Loans and advances | 10 | 10 | 11 |
| Other current assets | 0 | 0 | 0 |
| Total current assets | 68 | 66 | 79 |
| Sundry creditors and others | 27 | 32 | 40 |
| Provisions | 1 | 1 | 2 |
| Total CL & provisions | 28 | 33 | 42 |
| Net current assets | 40 | 33 | 38 |
| Net Deferred tax | 0 | 0 | 0 |
| Misc expenditure | 0 | 0 | 0 |
| Uses of funds | 47 | 43 | 53 |
| Book value per share (INR) | 17 | 17 | 26 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|---|-----------|----------|-----------|
| Net profit | -9 | 1 | 11 |
| Add: Depreciation | 3 | 3 | 3 |
| Add: Misc expenses written off/Other Assets | 5 | 5 | 5 |
| Add: Deferred tax | 0 | 0 | 0 |
| Gross cash flow | -1 | 8 | 19 |
| Less: Changes in W. C. | 0 | 4 | -7 |
| Operating cash flow | -2 | 4 | 27 |
| Less: Capex | 1 | -5 | -9 |
| Free cash flow | -2 | 9 | 36 |

We hosted the management of C P S Shapers (CPS) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. CPS is into the manufacture of shapewear (compression garments) for men and women like saree shapewear, sports bra, mini corsets, tummy reducer, denim, masks, and other shapewears under the brand name Dermawear and YDIS. It distributes its products via e-retail and offline channels. It has a first mover advantage in the Indian compression wear market. The stock is not rated.

Key takeaways

- The focus is on the shapewear category. It is the market leader in this category.
- It has 28 distributors spread across India.
- The raw materials required for shapewear are entirely different from that in innerwear. The fabrics content (spandex, cotton, nylon, and polyester) are designed as per its requirement.
- Sales through its own website stood at INR2cr in FY23. It expects sales to pick up to INR3.5cr in FY24.
- The company is also planning to introduce menswear denim shapewear.
- The revenue contribution from women and men is 85:15.
- Saree shapewear is its most sold product, with a 40% contribution to revenue.
- CPS does not believe in spending vast sums on promotion. It only engages in performance marketing. It incurs 2–3% of sales on marketing.
- The margin for distributors/retailers is 13% (plus an additional 5% is based on performance)/30%.
- Its competitor in this space is US-based Spanx. The management said that Jockey had tried to enter this space but didn't succeed.
- There are other players in the market like Miracle Suit and Spanx, but they don't understand the essential factors involved in production. They just source their product and sell it. CPS, on the other hand, has the requisite technical knowhow and understands the market.
- Sales are mainly from urban areas as the product has low market penetration.
- The objective of the company is to create brand awareness. CPS is looking to partner and associate with influencers to create awareness. Its marketing team consists of 15 people.
- It is investing in new tech to drive innovation in production. The management said that it can achieve a sales run-rate of INR100cr at its current facility. Capacity utilisation stands at 50%.

Valuation and view

CPS has grown aggressively over the years. With plans to expand its production facility and network, and launch innovative products in its portfolio, it has the first mover advantage in the shapewear market. At the CMP, the stock is trading at 37x earnings on a TTM basis.

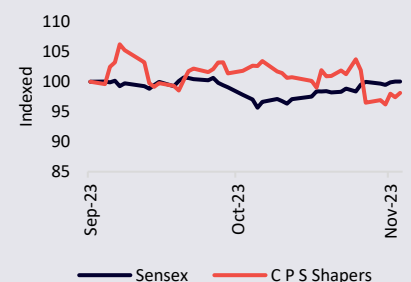
Key financials

| Year to March | FY21 | FY22 | FY23 |
|---------------------|-------|--------|-------|
| Revenue (INR cr) | 14 | 27 | 37 |
| Revenue growth (%) | -7 | 85 | 38 |
| EBITDA (INR cr) | 2 | 2 | 5 |
| EBITDA margin (%) | 11.3 | 9.2 | 13.1 |
| Net profit (INR cr) | 0 | 2 | 2 |
| P/E ratio (x) | NA | NA | 35 |
| RoACE (%) | 21.9 | 29.4 | 38.5 |
| RoAE (%) | -14.1 | -106.9 | 184.8 |

CMP: INR435
Rating: Not rated

| Bloomberg: | CPS:IN |
|----------------------|---------|
| 52-week range (INR): | 341/500 |
| M-cap (INR cr): | 86 |
| Promoter holding (%) | 71.29 |

Relative price performance



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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Income from operations | 14 | 27 | 37 |
| Direct costs | 5 | 13 | 15 |
| Employee costs | 4 | 5 | 7 |
| Other expenses | 4 | 6 | 10 |
| Total operating expenses | 13 | 24 | 32 |
| EBITDA | 2 | 2 | 5 |
| Depreciation and amortisation | 0 | 0 | 1 |
| EBIT | 1 | 2 | 4 |
| Interest expenses | 1 | 1 | 1 |
| Other income | 0 | 0 | 0 |
| Extraordinary items | 0 | 0 | 0 |
| Profit before tax | 0 | 1 | 3 |
| Provision for tax | -0 | -0 | 1 |
| Core profit | 0 | 2 | 2 |
| Extraordinary items | 0 | 0 | 0 |
| Profit after tax | 0 | 2 | 2 |
| Share from associates | 0 | 0 | 0 |
| Adjusted net profit | 0 | 2 | 2 |
| Equity shares outstanding (cr) | 0 | 0 | 0 |
| EPS (INR) basic | 7.1 | 32.7 | 11.6 |
| Diluted shares (Cr) | 0 | 0 | 0 |
| EPS (INR) fully diluted | 7.1 | 32.7 | 11.6 |
| Dividend per share | 0 | 0 | 0 |
| Dividend payout (%) | 0 | 0 | 0 |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 88.7 | 90.8 | 86.9 |
| Depreciation | 2.2 | 1.2 | 1.4 |
| Interest expenditure | 7.0 | 3.2 | 2.7 |
| EBITDA margins | 11.3 | 9.2 | 13.1 |
| Net profit margins | 2.5 | 6.1 | 6.6 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|---------|-------|--------|
| Revenues | (7.3) | 85.4 | 38.0 |
| EBITDA | (528.9) | 50.9 | 95.5 |
| PBT | (120.1) | 280.9 | 165.6 |
| Net profit | (121.5) | 361.9 | 49.2 |
| EPS | (121.5) | 361.9 | (64.5) |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|--------|-------|
| ROAE (%) | -14.1 | -106.9 | 184.8 |
| ROACE (%) | 21.9 | 29.4 | 38.5 |
| Debtors (days) | 56 | 36 | 26 |
| Current ratio | 2 | 2 | 3 |
| Debt/Equity | (3.8) | (13.5) | 3.1 |
| Inventory (days) | 140 | 75 | 90 |
| Payable (days) | 26 | 7 | 8 |
| Cash conversion cycle (days) | 170 | 104 | 108 |
| Debt/EBITDA | 5 | 4 | 2 |
| Adjusted debt/Equity | (3.6) | (13.3) | 3.0 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|---------|--------|--------|
| Diluted EPS (INR) | 7.1 | 32.7 | 11.6 |
| Y-o-Y growth (%) | (121.5) | 361.9 | (64.5) |
| CEPS (INR) | 13.3 | 38.9 | 14.1 |
| Diluted P/E (x) | 57.9 | 12.5 | 35.3 |
| Price/BV(x) | (8.7) | (28.9) | 25.7 |
| EV/Sales (x) | 2.0 | 1.1 | 2.6 |
| EV/EBITDA (x) | 17.8 | 12.2 | 20.0 |
| Diluted shares O/S | 0.1 | 0.1 | 0.2 |
| Basic EPS | 7.1 | 32.7 | 11.6 |
| Basic PE (x) | 57.9 | 12.5 | 35.3 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|----------|----------|-----------|
| Equity share capital | 1 | 1 | 2 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | -3 | -1 | 1 |
| Shareholders funds | -2 | -1 | 3 |
| Secured loans | 6 | 6 | 6 |
| Unsecured loans | 3 | 4 | 5 |
| Borrowings | 9 | 10 | 10 |
| Minority interest | 0 | 0 | 0 |
| Sources of funds | 6 | 9 | 14 |
| Gross block | 4 | 5 | 7 |
| Depreciation | 2 | 3 | 3 |
| Net block | 2 | 3 | 4 |
| Capital work in progress | 0 | 0 | 0 |
| Total fixed assets | 2 | 3 | 4 |
| Right of Use Assets | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 |
| Inventories | 6 | 6 | 9 |
| Sundry debtors | 2 | 3 | 3 |
| Cash and equivalents | 0 | 0 | 0 |
| Loans and advances | 1 | 1 | 2 |
| Other current assets | 0 | 0 | 0 |
| Total current assets | 9 | 9 | 14 |
| Sundry creditors and others | 4 | 4 | 4 |
| Provisions | 0 | 0 | 0 |
| Total CL & provisions | 4 | 4 | 5 |
| Net current assets | 5 | 5 | 9 |
| Net Deferred tax | 0 | 1 | -0 |
| Misc expenditure | -0 | -0 | -0 |
| Uses of funds | 7 | 9 | 12 |
| Book value per share (INR) | -47 | -14 | 16 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|---|----------|----------|-----------|
| Net profit | 0 | 1 | 3 |
| Add: Depreciation | 0 | 0 | 1 |
| Add: Misc expenses written off/Other Assets | 1 | 1 | 1 |
| Add: Deferred tax | 0 | 0 | 0 |
| Gross cash flow | 2 | 3 | 5 |
| Less: Changes in W. C. | -1 | -0 | -4 |
| Operating cash flow | 2 | 3 | 9 |
| Less: Capex | -0 | -1 | -1 |
| Free cash flow | 2 | 4 | 10 |

We hosted the management of Creative Graphics Solutions India (CGS) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. Founded by a first-generation entrepreneur Mr Deepanshu Goel in 2014, CGS manufactures digital flexo plates, conventional flexo plates, letterpress plates, metal back plates, and coating plates. It serves customers in India, Thailand, Qatar, Kuwait, Nepal, and Africa. It has facilities in Noida, Vasai (Mumbai), Pune, Chennai, Baddi (Himachal Pradesh), Hyderabad, and Ahmedabad. Domestic sales constitute 95% and exports 5%. CGS has been expanding its business through its wholly owned subsidiaries: CG Premedia and Wahren India. CG Premedia offers design adaptation and print production. Wahren India produces high-quality packaging like alu-alu, blister, tropical, child resistant foils, and pharmaceutical sachets. The stock is yet to list on the exchanges.

Key takeaways

- Flexography uses a flexible relief plate to print. It is a modern letterpress with high-speed rotary functionality that can print on plastic, metallic films, cellophane, and paper. It is widely used to print on non-porous substrates for food packaging and large areas of solid colour.
- There are a few players in India who have a presence in multiple locations. In India, the flexo market is growing in the high teens.
- The company caters to a range of FMCG players, including Johnson & Johnson, Tata Chemicals, Dabur, Himalaya Wellness Company, ITC, Mother Dairy, Amul, LG, MARS, and Patanjali Ayurved.
- As per the management, pharma companies globally have started adopting aluminium blister packaging owing to its reliability and regulatory compliance.
- The packaging industry is crucial for both consumer and pharma companies as it helps attract consumer attention, improve quality perception, and uses newer and more environment-friendly materials. These trends have led to a rapid adoption of flexographic printing.
- CGS' long-term partnerships with suppliers like DuPont, ESKO, and Eastman Kodak gives it an edge. Such arrangements improve price stability, supply-chain reliability, and cost efficiency, making it more cost competitive. It promotes strategic supplier relationships, which may lead to collaborative innovations and preferential treatment.
- Though the client onboarding pace is good in alu-alu foils, utilisation of recently added capacity can be much faster than anticipated.
- The flexo plates business is expected to clock 25–30% CAGR. The alu-alu foil business is expected to reach its peak revenue potential of INR300cr by FY25 (asset turn: 10x). The management expects consolidated revenue to touch INR420–450cr by FY25 (versus INR90cr in FY23).
- CGS filed its DRHP in October to raise INR45–50cr to meet the working capital needs of Wahren India.

Valuation and view

With a revenue/EBITDA/PATCAGR of 38%/75%/95% over FY21–23, CGS has demonstrated strong operational performance. The stock is yet to list on the exchanges and is not rated.

Key financials

| Year to March | FY21 | FY22 | FY23 |
|---------------------|------|------|------|
| Revenues (INR Cr) | 48 | 68 | 90 |
| Rev growth (%) | NA | 44 | 32 |
| EBITDA (INR Cr) | 5 | 10 | 15 |
| EBITDA margin (%) | 10 | 14 | 16 |
| Net Profit (INR Cr) | 2 | 5 | 9 |
| RoCE (%) | 22 | 35 | 28 |
| RoE (%) | 42 | 46 | 46 |

Unlisted

[Presentation link](#)

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Financials

Income Statement

| Year to March (INR Cr) | FY21 | FY22 | FY23 |
|-------------------------------|------|------|------|
| Income from operations | 48 | 68 | 90 |
| Direct costs | 29 | 39 | 51 |
| Gross Profit | 19 | 29 | 39 |
| Employee costs | 9 | 13 | 14 |
| Other expenses | 5 | 7 | 10 |
| Total Operating expenses | 43 | 59 | 76 |
| EBITDA | 5 | 10 | 15 |
| Depreciation and amortisation | 1 | 3 | 3 |
| EBIT | 3 | 7 | 12 |
| Interest expenses | 0 | 1 | 1 |
| Non-operating Income | 0 | 0 | 2 |
| Extraordinary Income | - | - | - |
| Profit before tax | 3 | 6 | 12 |
| Provision for tax | 1 | 2 | 3 |
| Profit after tax (before MI) | 2 | 5 | 9 |
| Share of Minority in profits | - | - | - |
| Profit after tax | 2 | 5 | 9 |
| Adjusted Profit after tax | 2 | 5 | 9 |
| Shares outstanding | 2 | 2 | 2 |
| Adjusted EPS | 1 | 3 | 5 |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 90 | 86 | 84 |
| Depreciation | 3 | 4 | 3 |
| Interest expenditure | 1 | 1 | 1 |
| EBITDA margins | 10 | 14 | 16 |
| Net profit margins | 5 | 7 | 10 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|------|------|
| Revenues | NA | 44 | 32 |
| EBITDA | NA | 104 | 51 |
| PBT | NA | 91 | 92 |
| Net profit | NA | 104 | 86 |
| EPS | NA | 104 | 86 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| ROE (%) | 41.9 | 46.1 | 46.1 |
| ROCE (%) | 22.0 | 34.7 | 27.9 |
| Debtors (days) | 161.3 | 134.0 | 118.1 |
| Current ratio | 1.2 | 1.2 | 1.5 |
| Debt/Equity | 1.6 | 0.8 | 1.1 |
| Inventory (days) | 2 | 6 | 21 |
| Payable (days) | 124 | 82 | 76 |
| Cash conversion cycle (days) | 39 | 58 | 63 |
| Debt/EBITDA | 1.9 | 0.8 | 1.5 |
| Adjusted debt/Equity | 1.6 | 0.8 | 1.1 |

Balance Sheet

| As on 31 st March (INR cr) | FY21 | FY22 | FY23 |
|---------------------------------------|------|------|------|
| Equity share capital | 1 | 1 | 1 |
| Reserves & surplus | 5 | 9 | 18 |
| Shareholders funds | 5 | 10 | 19 |
| Total Debt | 9 | 8 | 22 |
| Other Long Term Liabilities | 0 | 1 | 1 |
| Deferred Tax Liabilities | 0 | 0 | 0 |
| Minority interest | - | - | - |
| Sources of funds | 15 | 19 | 41 |
| Gross block | 12 | 16 | 32 |
| Depreciation | 1 | 4 | 7 |
| Net block | 11 | 12 | 25 |
| Capital work in progress | - | - | - |
| Total fixed assets | 11 | 12 | 25 |
| Investments | 0 | 2 | 4 |
| Inventories | 0 | 1 | 5 |
| Sundry debtors | 21 | 25 | 29 |
| Cash and equivalents | 1 | 1 | 1 |
| Loans and advances | 1 | 4 | 1 |
| Total current assets | 24 | 33 | 41 |
| Sundry creditors and others | 16 | 15 | 19 |
| Provisions | 4 | 10 | 6 |
| Total CL & provisions | 20 | 26 | 25 |
| Net current assets | 4 | 7 | 16 |
| Misc expenditure | - | - | - |
| Uses of funds | 15 | 19 | 41 |
| Book value per share (INR) | 3 | 6 | 10 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|---|------|------|------|
| Operating Profit After Tax Before WC char | 4 | 8 | 11 |
| WC Changes | (3) | (2) | (7) |
| CFO | 1 | 6 | 5 |
| CFI | (12) | (6) | (16) |
| CFF | 12 | (1) | 12 |
| Total Cash Flow | 1 | (0) | 0 |

We hosted the management of Dhampur Bio Organics in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*' on December 5. DBOL is one of India's leading integrated sugar companies with a growing presence in the agribusiness and bioenergy. It demerged from Dhampur Sugar Mills and listed in September 2022. It operates under two verticals: i) refined sugar, raw sugar, and renewable energy; and ii) biofuels and spirits, including ethanol, country liquor, and organic fertilisers. It has a total sugarcane crushing capacity of 29,500TCD, biofuel and spirits capacity of 312.5KLPD, and renewable energy capacity of 95.5MW. Revenue/EBITDA/PAT stood at INR1,342cr/INR62cr/INR12cr in H1FY24. PAT in H1FY24 was impacted by INR18.83cr of expenses due to a higher levy on molasses by the Uttar Pradesh government. While UP's molasses policy is impacting the ethanol business, the management is hopeful of achieving a decent growth in FY24 and FY25 on the back of higher cane crushing and multi-feed distillery capacities. DBOL is trading at 10x TTM earnings. The stock is not rated.

Key takeaways

- Sugar recovery in the first two months (October-November) of crushing in the current season is better as compared to a lower recovery last year due to pest infestation (gross recovery was 11.34% in Q3FY23). The management expects 7–8% higher crushing this season.
- It expects ~0.4% higher recovery in the current season (versus a gross recovery of 12.16% in FY23). Every 0.1% increase in recovery aids profitability by ~INR16cr.
- It increased distillery capacity to 350KLPD, commissioned a grain-based distillery of 100KLPD, and increased Rajpura sugar crushing capacity to 9500TCD in FY23.
- It expects sugar prices to stay firm and hover in the INR40–43/kg range. The sugar division normally achieves a break-even at INR35–36/kg.
- The management expects overall sugar production in SY24 to remain lower than SY23 (29mt in SY24 versus 32.8mt in SY23), which will keep sugar prices elevated.
- Though it started a grain-based distillery in Q1FY24, it is still evaluating whether to focus on grain-based ethanol.
- DBOL is incurring losses on molasses as the UP government has set a price of INR150/quintal for supplies to liquor companies as compared to the market price of INR800-900/litre. Even if it supplies ENA to fulfil the levy obligation, it can only recover the loss partially (ENA is supplied at INR400-500/quintal versus a market price of INR800-900/quintal).
- Moreover, the government does not distinguish between B-heavy and C-heavy molasses while fixing the quantity of levy. This policy takes away a significant portion of gains that would have accrued in a free market. As per the current molasses policy in UP, sugar mills must reserve 19% of production of molasses for liquor companies (both B and C-heavy). The levy obligation for country liquor will end in FY25, though it can't recover the current loss on levy molasses.
- The company's long-term power purchase agreement (PPA) of co-generation will end in FY27. Bagasse sales quantum in FY23 was INR54cr. The management expects it to be higher in FY24.

Valuation and view

Expansion in FY23 is likely to boost DBOL's ethanol production during the current season as sugarcane availability is expected to improve. However, we maintain our cautious view on the sector and DBOL as: i) the recent government announcement to curtail the production of B-heavy and syrup-based ethanol may take away part of the gains that would have accrued from higher ethanol prices; ii) greater availability of sugar may impact domestic prices, leading to a downward pressure on operating margin; and iii) a downside risk from the announcement of higher FRP for SY24.

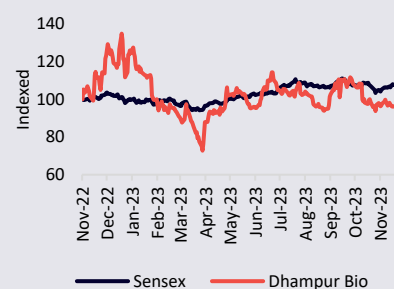
Key financials

| Year to March | FY22 | FY23 | H1FY24 |
|-----------------------|-------|-------|--------|
| Net revenue (INR cr) | 1,564 | 2,654 | 1,342 |
| Growth (YoY %) | | 70 | 29 |
| EBITDA (INR cr) | 183 | 205 | 62 |
| Net profit (INR cr) | 102 | 111 | 12 |
| Diluted EPS (INR) | 15 | 17 | 2 |
| Diluted P/E ratio (x) | 11 | 10 | 10 |
| EV/EBITDA ratio (x) | 10 | 9 | 6 |
| RoACE (%) | 15 | 13 | 4 |

CMP: INR146
Rating: Not rated

| Bloomberg: | DSM:IN |
|----------------------|---------|
| 52-week range (INR): | 116/229 |
| M-cap (INR cr): | 970 |
| Promoter holding (%) | 50.44 |

Relative price performance



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Financials

Income statement

| Year to March (INR crs) | FY22 | FY23 |
|------------------------------------|-------|-------|
| Income from operations | 1,564 | 2,654 |
| Direct costs | 1,132 | 2,083 |
| Power & Fuel | - | - |
| Employee costs | 74 | 108 |
| Other expenses | 176 | 259 |
| Total operating expenses | 1,381 | 2,450 |
| EBITDA | 183 | 205 |
| Depreciation and amortisation | 31 | 41 |
| EBIT | 151 | 164 |
| Interest expenses | 30 | 41 |
| Other income | 8 | 11 |
| Profit before tax | 129 | 135 |
| Provision for tax | 27 | 24 |
| Core profit | 102 | 111 |
| Extraordinary items | - | - |
| Profit after tax | 102 | 111 |
| Share from associates | - | - |
| Adjusted net profit | 102 | 111 |
| Equity shares outstanding (Crores) | 7 | 7 |
| EPS (INR) basic | 15 | 17 |
| Diluted shares (Cr) | 7 | 7 |
| EPS (INR) fully diluted | 15 | 17 |

Common size metrics- as % of net revenues

| Year to March | FY22 | FY23 |
|----------------------|------|------|
| Operating expenses | 88.3 | 92.3 |
| Depreciation | 2 | 1.5 |
| Interest expenditure | 1.9 | 1.5 |
| EBITDA margins | 11.7 | 7.7 |
| Net profit margins | 6.5 | 4.2 |

Growth metrics (%)

| Year to March | FY22 | FY23 |
|---------------|------|------|
| Revenues | 69.7 | |
| EBITDA | 12.1 | |
| PBT | 4.1 | |
| Net profit | 8.6 | |
| EPS | 8.6 | |

Ratios

| Year to March | FY22 | FY23 |
|------------------------------|------|------|
| ROAE (%) | 12% | 12% |
| ROACE (%) | 15% | 13% |
| Debtors (days) | 25 | 21 |
| Current ratio | 1.3 | 1.3 |
| Debt/Equity | 0.9 | 0.8 |
| Inventory (days) | 247 | 113 |
| Payable (days) | 39 | 23 |
| Cash conversion cycle (days) | 232 | 111 |
| Net Debt/EBITDA | 4.4 | 3.4 |
| Net debt/Equity | 0.9 | 0.7 |

Valuation parameters

| Year to March | FY22 | FY23 |
|--------------------|------|------|
| Diluted EPS (INR) | 15.4 | 16.7 |
| Y-o-Y growth (%) | | 8.6 |
| CEPS (INR) | 20 | 23 |
| Diluted P/E (x) | 10.7 | 9.9 |
| Price/BV(x) | 1.2 | 1.1 |
| EV/Sales (x) | 1.2 | 0.7 |
| EV/EBITDA (x) | 10.4 | 8.8 |
| Diluted shares O/S | 6.6 | 6.6 |
| Basic EPS | 15.4 | 16.7 |
| Basic PE (x) | 10.7 | 9.9 |

Balance sheet

| As on 31st March (INR crs) | FY22 | FY23 |
|-----------------------------|--------------|--------------|
| Equity share capital | 66 | 66 |
| Reserves & surplus | 812 | 922 |
| Shareholder's funds | 879 | 989 |
| Borrowings | 829 | 803 |
| Lease Liabilities | 6 | 7 |
| Net Deferred tax | 34 | 35 |
| Minority interest | 0 | 0 |
| Other Non-Current | 1 | 0 |
| Sources of funds | 1,748 | 1,834 |
| Gross block | 1,134 | 1,384 |
| Depreciation | 450 | 481 |
| Net block | 683 | 902 |
| Capital work in progress | 78 | 36 |
| Right of Use Assets | 6 | 7 |
| Total fixed assets | 768 | 945 |
| Intangible | 0 | 0 |
| Investments | 0 | 0 |
| Inventories | 1,057 | 819 |
| Sundry debtors | 108 | 154 |
| Cash and equivalents | 25 | 107 |
| Loans and advances | 2 | 0 |
| Other current assets | 30 | 44 |
| Total current assets | 1,222 | 1,125 |
| Sundry creditors and others | 232 | 219 |
| Provisions | 20 | 25 |
| Total CL & provisions | 252 | 243 |
| Net current assets | 970 | 881 |
| Other Assets | 10 | 7 |
| Misc expenditure | 0 | 0 |
| Uses of funds | 1,748 | 1,834 |
| Book value per share (INR) | 132 | 149 |

Cash flow statement

| Year to March | (INR crs) FY22 | (INR crs) FY23 |
|--------------------------------|----------------|----------------|
| Net profit | 102 | 111 |
| Add: Depreciation | 31 | 41 |
| Add: Misc expenses written off | 0 | 0 |
| Add: Deferred tax | 4 | 1 |
| Gross cash flow | 137 | 153 |
| Less: Changes in W. C. | 0 | -173 |
| Operating cash flow | 137.4 | -19.9 |
| Less: Capex | 0 | 250 |
| Free cash flow | 137 | -270 |

We hosted the management of Essen Speciality Films (ESFL) in our ‘Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan’ on December 6. This manufacturer and exporter of specialised plastic products in the home improvement and furnishing industry, supplies products to numerous Fortune 500 retailers and OEMs across more than 47 countries and to local traders and distributors. It has an online presence on platforms such as Amazon, Flipkart, Snapdeal, and JioMart. It has a presence in categories like: i) bath area and accessories, ii) artificial plants and flowers, iii) kitchen and dining, iv) storage and organisation, v) fitness and lifestyle, and vi) outdoor and utility all under one roof. ESFL has been a front runner in sustainability by offering products exclusively made from renewable feedstock-based polymers (Bio-PE and Bio-EVA) and recycled polymers (post-consumer GRS certified and RCS certified recycled materials).

Key takeaways

- ESFL is one of the few companies in India that are compliant with numerous local and global compliances. It is one of the few companies globally to manufacture TVOC-complaint puzzle mats for kids as per numerous European and North America standards.
- It is the world’s second/third largest manufacturer of non-adhesive shelf liners/PEVA shower curtain and liners. It generates ~35%/30%/20–25% revenue from shower curtains/shelf liners/table covers and artificial plants.
- It has tied up with big international retail chains like IKEA, Kmart Australia, and Walmart. While it has a long-standing relationship with IKEA, Kmart and Walmart have been its client for the last two-to-three years.
- The management said there is no similar Indian company supplying the products that it supplies to IKEA. It competes mainly with Chinese products and is cheaper by 10–15%.
- ESFL undertakes extrusion moulding, injection moulding, two-colour injection moulding, and compression moulding.
- It is looking to replace wooden product with products manufactured from municipal waste. EFSL’s products are 10% cheaper than wooden products.
- The management sees huge growth opportunities in its existing categories and does not plan to foray into any new segment anytime soon.
- EFSL is operating at a capacity utilisation of ~40%. It expects to improve capacity utilisation ahead. The management expects a higher margin as operating leverage kicks in, with an improvement in capacity utilisation.
- In terms of geographies, Europe contributes the highest share to revenue followed by the US. The management aims to leverage its geographical footprint to meet the sourcing requirements of its existing multinational customers as and when they enter new markets, thereby consolidating its position as a preferred supplier across geographies.

Valuations

At the CMP of INR208, the stock trades at a P/E ratio of 23.5x and an EV/EBITDA ratio of 15.2x on a TTM basis. The stock is not rated.

Key financials

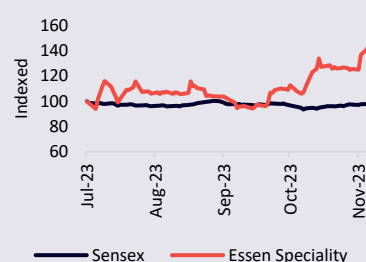
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 96 | 117 | 119 |
| Revenue growth (%) | 31.4 | 22.6 | 1.0 |
| EBITDA (INR cr) | 19 | 13 | 19 |
| Adjusted PAT (INR cr) | 9 | 5 | 13 |
| P/E ratio (x)* | 36.5 | 64.4 | 24.9 |
| Price/BV ratio (x) | 6.4 | 6.0 | 5.0 |
| EV/EBITDA ratio (x) | 23.5 | 36.2 | 23.0 |
| RoCE (%) | 16.8 | 9.5 | 15.8 |
| RoE (%) | 14.4 | 7.4 | 16.9 |

*Not measured (n.m.) as the denominator is negative

CMP: INR208
Rating: Not rated

| Bloomberg: | ESFL:IN |
|----------------------|---------|
| 52-week range (INR): | 124/226 |
| M-cap (INR cr): | 431 |
| Promoter holding (%) | 70.05 |

Relative Price Performance



[Presentation link](#)

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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Income from operations | 96 | 117 | 119 |
| Direct costs | 57 | 80 | 73 |
| Employee costs | 10 | 13 | 13 |
| Other expenses | 11 | 12 | 14 |
| EBITDA | 19 | 13 | 19 |
| Depreciation and amortization | 6 | 4 | 4 |
| EBIT | 12 | 9 | 15 |
| Interest expenses | 1 | 3 | 3 |
| Other income | 1 | 1 | 2 |
| Profit before tax | 12 | 7 | 14 |
| Provision for tax | 3 | 2 | 1 |
| Core profit | 9 | 5 | 13 |
| Extraordinary items | - | - | - |
| Profit after tax | 9 | 5 | 13 |
| Minority interest | - | - | - |
| Share from associates | - | - | - |
| Adjusted net profit | 9 | 5 | 13 |
| Equity share outConsoling (mn) | 16 | 16 | 16 |
| EPS (INR) basic | 6 | 3 | 8 |
| Diluted shares (mn) | 16 | 16 | 16 |
| EPS (INR) fully diluted | 6 | 3 | 8 |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 80.6 | 89.3 | 84.1 |
| Depreciation | 6.5 | 3.4 | 3.2 |
| Interest expenditure | 1.1 | 2.4 | 2.2 |
| EBITDA margins | 19.4 | 10.7 | 15.9 |
| Net profit margins | 9.5 | 4.4 | 11.3 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|-------|-------|
| Revenues | 31.4 | 22.6 | 1.0 |
| EBITDA | 28.1 | -32.6 | 50.1 |
| PBT | 13.5 | -44.3 | 108.1 |
| Net profit | 14.7 | -43.3 | 158.1 |
| EPS | 14.6 | -43.3 | 158.3 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| RoAE (%) | 14.4 | 7.4 | 16.9 |
| RoACE (%) | 16.8 | 9.5 | 15.8 |
| Debtors (days) | 54.3 | 44.8 | 52.0 |
| Current ratio | 3.6 | 4.6 | 4.2 |
| Debt/equity | 0.2 | 0.4 | 0.1 |
| Inventory (days) | 103.6 | 147.2 | 149.7 |
| Payable (days) | 98.3 | 67.2 | 64.0 |
| Cash conversion cycle (days) | 59.6 | 124.8 | 137.8 |
| Debt/EBITDA | 0.8 | 2.1 | 0.3 |
| Adjusted Debt/equity | 0.1 | 0.3 | 0.0 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|------|-------|-------|
| Diluted EPS (INR) | 5.7 | 3.2 | 8.4 |
| Y-o-Y growth (%) | 14.6 | -43.3 | 158.3 |
| CEPS (INR) | 9.6 | 5.7 | 10.7 |
| Diluted P/E (x) | 36.5 | 64.4 | 24.9 |
| Price/BV (x) | 6.4 | 6.0 | 5.0 |
| EV/Sales (x) | 4.6 | 3.9 | 3.6 |
| EV/EBITDA (x) | 23.5 | 36.2 | 23.0 |
| Diluted Shares O/S (mn) | 16.0 | 16.0 | 16.0 |
| Basic EPS (INR) | 5.7 | 3.2 | 8.4 |
| Basic P/E (x) | 47.2 | 83.3 | 32.3 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|-----------|
| Equity share capital | 1 | 16 | 16 |
| Reserves & surplus | 66 | 56 | 70 |
| Shareholders' funds | 67 | 72 | 86 |
| Secured Loans | 15 | 26 | 7 |
| Borrowings | 15 | 26 | 7 |
| Sources of funds | 82 | 98 | 92 |
| Gross block | 70 | 77 | 79 |
| Depreciation | 29 | 33 | 36 |
| Net block | 41 | 44 | 43 |
| Total fixed assets | 41 | 45 | 44 |
| Investments | 0 | 0 | 0 |
| Inventories | 16 | 32 | 30 |
| Sundry debtors | 14 | 14 | 17 |
| Cash and equivalents | 11 | 4 | 5 |
| Loans and advances | 21 | 22 | 12 |
| Total current assets | 62 | 73 | 65 |
| Sundry creditors and others | 15 | 15 | 13 |
| Provisions | 2 | 1 | 2 |
| Total CL & provisions | 17 | 16 | 15 |
| Net current assets | 45 | 57 | 49 |
| Net deferred tax | -5 | -5 | -2 |
| Other Assets | 1 | 1 | 1 |
| Uses of funds | 82 | 98 | 92 |
| Book value per share (INR) | 42 | 45 | 54 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Net profit | 9 | 5 | 13 |
| Add: Depreciation | 6 | 4 | 4 |
| Add: Others | 1 | 3 | 3 |
| Gross cash flow | 16 | 12 | 20 |
| Less: Changes in W.C. | 35 | 18 | -9 |
| Operating cash flow | -18 | -6 | 29 |
| Less: Capex | -6 | 0 | -5 |
| Free cash flow | -12 | -6 | 33 |

We hosted the management of GPT Infraprojects Ltd (GPT) in our ‘Nuvama Emerging Ideas Conference 2023: ‘The CUB Series — Udayan’ on December 6. Incorporated in 1980, this flagship company of Kolkata-based GPT Group operates in two segments: infrastructure and sleeper. It made inroads into the infra segment in 2004 and is now an established railway-focused player, engaged in the execution of civil and infra projects, especially large bridges and ROBs for the Indian Railways. In the sleeper segment, it manufactures and supplies concrete sleepers to the railways in India and Africa. Its manufacturing units are located in Panagarh (West Bengal), Ladysmith (South Africa), Tsumeb (Namibia), and Oseim (Ghana). GPT is the only Indian entity having a presence in several African (South Africa, Namibia, and Ghana) countries for its concrete sleeper business. It has strong project execution capabilities, a healthy financial base, and enviable growth prospects across all areas of operation. The stock is not rated.

Key takeaways

- The management has guided at 25% revenue growth for FY24 and FY25, with a book-to-bill ratio of ~3.5x (based on FY23 revenue). The infra/sleeper business constitutes 90%/10% of the order book. Given the similar growth rate in revenue in both businesses, we expect the 90:10 ratio to continue.
- It is confident of achieving 13% EBITDA margin in FY24 and FY25.
- Cash flow to EBITDA conversion is likely to exceed 100% (one of the highest) in FY24 on arbitration receivables.
- The Balance Sheet is being increasingly deleveraged with strong operating cash flows.
- Key infra contracts (Prayagraj, Ghazipur, Mathura, Jhansi, Nimtita, and Byculla) are driving a major part of its revenue.
- Before bidding for orders, the management ensures it has a secure line of funding. Normally, GPT undertakes mostly (~95%) central government or multilateral funded contracts. These contracts are mainly from railway PSUs (Rail Vikas Nigam and IRCON International) or the National Highways Authority of India (NHAI).
- It recently bagged an order worth INR739cr for construction of a new four-lane Prayagraj Southern Bypass, which should be executed over 13 months.

Valuations

At the CMP of INR148, the stock trades at a P/E ratio of 20.1x and an EV/EBITDA of 10.4x on a TTM basis.

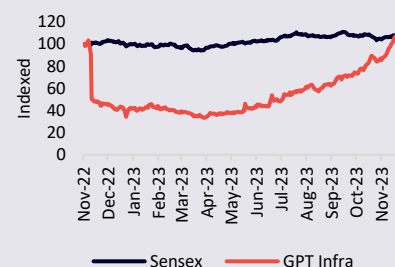
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenues (INR Cr) | 609 | 675 | 809 |
| Rev growth (%) | -1.4 | 10.7 | 20.0 |
| EBITDA (INR Cr) | 85.3 | 84.1 | 87.4 |
| Adjusted PAT (INR Cr) | 20 | 23 | 30 |
| P/E (x) | 21.2 | 18.8 | 29.0 |
| Price/BV(x) | 1.8 | 1.7 | 3.1 |
| EV/EBITDA (x) | 8.3 | 8.4 | 12.8 |
| RoACE (%) | 8.1 | 7.8 | 9.7 |
| RoAE (%) | 8.7 | 9.2 | 11.1 |

CMP: INR148
Rating: Not Rated

| Bloomberg: | GPT:IN |
|----------------------|----------|
| 52-week range (INR): | 43 / 148 |
| M-cap (INR cr): | 774 |
| Promoter holding (%) | 57.45 |

Relative Price Performance



[Presentation link](#)

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Financials

Income statement

| Year to March | FY21 | FY22 | FY23 |
|--------------------------------|-------|-------|-------|
| Income from operations | 609 | 675 | 809 |
| Direct costs | 422 | 464 | 574 |
| Power & fuel | 18.0 | 22.1 | 22.1 |
| Employee costs | 34 | 38 | 43 |
| Other expenses | 50 | 66 | 83 |
| Total operating expenses | 524 | 590 | 722 |
| EBITDA | 85 | 84 | 87 |
| Depreciation and amortisation | 22 | 20 | 19 |
| EBIT | 63 | 64 | 69 |
| Interest expenses | 39 | 39 | 37 |
| Other income | 6 | 4 | 5 |
| Profit before tax | 30 | 29 | 36 |
| Provision for tax | 10 | 9 | 7 |
| Core profit | 20 | 19 | 29 |
| Profit after tax | 20 | 19 | 29 |
| Share from associates | 1 | 4 | 1 |
| Adjusted net profit | 20 | 23 | 30 |
| Equity shares outstanding (Cr) | 2.9 | 2.9 | 5.8 |
| EPS (INR) basic | 7.0 | 7.9 | 5.1 |
| Diluted shares (Cr) | 2.9 | 2.9 | 5.8 |
| EPS (INR) fully diluted | 7.0 | 7.9 | 5.1 |
| Dividend per share | 2.5 | 3 | 2.5 |
| Dividend payout (%) | 35.8% | 38.1% | 49.0% |

Common size metrics- as % of net revenues

| Year to march | | | |
|----------------------|------|------|------|
| Operating expenses | 86.0 | 87.5 | 89.2 |
| Depreciation | 3.7 | 3.0 | 2.3 |
| Interest expenditure | 6.5 | 5.8 | 4.6 |
| EBITDA margins | 14.0 | 12.5 | 10.8 |
| Net profit margins | 3.3 | 3.4 | 3.7 |

Growth metrics (%)

| Year to March | | | |
|---------------|------|------|-------|
| Revenues | -1.4 | 10.7 | 20.0 |
| EBITDA | 8.0 | -1.4 | 3.9 |
| PBT | 56.3 | -3.7 | 25.5 |
| Net profit | 56.5 | 12.6 | 29.7 |
| EPS | 56.5 | 12.6 | -35.2 |

Profit & Efficiency Ratios

| Year to qarch | | | |
|------------------------------|-----|-----|------|
| ROAE (%) | 8.7 | 9.2 | 11.1 |
| ROACE (%) | 8.1 | 7.8 | 9.7 |
| Debtors (days) | 50 | 32 | 18 |
| Current ratio | 3.3 | 3.6 | 2.8 |
| Inventory (days) | 81 | 87 | 75 |
| Payable (days) | 125 | 102 | 121 |
| Cash conversion cycle (days) | 6 | 18 | -29 |
| Net Debt/EBITDA | 3.2 | 3.3 | 3.0 |
| Net debt/Equity | 1.2 | 1.1 | 0.9 |

Valuation parameters

| Year to qarch | | | |
|-------------------|------|------|-------|
| Diluted EPS (INR) | 7.0 | 7.9 | 5.1 |
| Y-o-Y growth (%) | 56.5 | 12.6 | -35.2 |
| Diluted P/E (x) | 21.2 | 18.8 | 29.0 |
| Price/BV(x) | 1.8 | 1.7 | 3.1 |
| EV/Sales (x) | 1.2 | 1.0 | 1.4 |
| EV/EBITDA (x) | 8.3 | 8.4 | 12.8 |
| Basic EPS | 7.0 | 7.9 | 5.1 |
| Basic PE (x) | 21.2 | 18.8 | 29.0 |

Balance sheet

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 29 | 29 | 58 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | 211 | 227 | 219 |
| Shareholders funds | 240 | 256 | 277 |
| Secured loans | 67 | 87 | 80 |
| Unsecured loans | 230.6 | 209.7 | 207.6 |
| Borrowings | 298 | 297 | 287 |
| Net Deferred tax | 4 | 4 | 1 |
| Minority interest | 3 | 2 | 0 |
| Sources of funds | 544 | 559 | 565 |
| Gross block | 210 | 229 | 262 |
| Depreciation | 102 | 123 | 128 |
| Net block | 108 | 106 | 134 |
| Capital work in progress | 1 | 2 | 7 |
| Total fixed assets | 109 | 108 | 141 |
| Unrealised profit | 0 | 0 | 0 |
| Investments | 26 | 28 | 25 |
| Inventories | 94 | 111 | 118 |
| Sundry debtors | 83 | 59 | 39 |
| Cash and equivalents | 21 | 21 | 26 |
| Loans and advances | 12 | 7 | 9 |
| Other current assets | 379 | 386 | 424 |
| Total current assets | 589 | 584 | 616 |
| Sundry creditors and others | 145 | 129 | 191 |
| Provisions | 35 | 32 | 26 |
| Total CL & provisions | 179 | 161 | 217 |
| Net current assets | 410 | 423 | 400 |
| Misc expenditure | 0 | 0 | 0 |
| Uses of funds | 544 | 559 | 565 |
| Book value per share (INR) | 82.4 | 88.0 | 47.6 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Net profit | 20 | 23 | 30 |
| Add: Depreciation | 22 | 20 | 19 |
| Add: Misc expenses written off | 0 | 0 | 0 |
| Add: Deferred tax | 1 | 3 | 5 |
| Gross cash flow | 43 | 46 | 54 |
| Less: changes in W.C. | 71 | 13 | -28 |
| Operating cash flow | -27 | 33 | 82 |
| Less: Capex | 18 | 20 | 38 |
| Free cash flow | -45 | 13 | 44 |

We hosted the management of Kamat Hotels (India) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 5. This flagship company of the Kamat Group operates a portfolio of 13 hotels across 11 cities, with an inventory of 1,510 keys (owned/leased/managed: 615/859/36) spread across premium and mid-premium segments. KHI operates under five brands — The Orchid (553 keys), IRA by Orchid (337), Fort JadhavGADH (58), Lotus Eco Beach Resort (121), and Mahodadhi Palace (33), which are a mix of four-star and five-star hotels. Driven by strong demand, sectoral tailwinds, and a low base, revenue/EBITDA grew 105%/198% in FY23 (INR299cr/INR113cr). Revenue grew 2% YoY to INR134cr in H1FY24 on a high base, displaying continued momentum. EBITDA/APAT fell 13%/70% YoY to INR42cr/INR4cr on higher staff and finance cost. At the CMP, the stock trades at a trailing 12-month EV/EBITDA of 7.7x. The stock is not rated.

Key takeaways

- KHI is targeting an inventory of ~2,200 rooms by FY25-end from 1,510 rooms as of September. Of this, 211 will be added in Q3 and Q4FY24 (Aurangabad/Jamnagar/Noida/Ayodhya: 33/45/62/50 in Q3 and 21 rooms in Pune in Q4). Another 252 rooms will be added in Q1FY25 (Dehradun/Chandigarh/Bhavnagar: 68/123/61). The rest will be added in the remainder of FY25 in states where it has an established presence.
- All the planned additions will occur under the revenue share leasing model (20–25% sharing with a minimum guarantee) as it allows KHI a greater control over operations without any upfront capex. The contract period ranges from 12–15 years.
- It does not intend to take on any debt for the room additions and all capex will occur from internal accruals.
- In a bid to turn asset light, KHI sold and leased back its flagship IRA by Orchid property in Mumbai, which freed up INR125cr. It intends to use this cash to repay NCDs which bear a coupon rate of 14%.
- Newly added hotels take three-to-six months to mature.
- KHI has ~4lk loyalty programme members, of which ~60% stay two times a year.
- Value extraction and premiumisation are the two key themes that the management is concentrating on. It plans to invest in renovation, which will drive brand repositioning and aid ARR growth.
- The management sees strong occupancy for at least four years, driven by greater consumption by corporates and individuals, constrained supply, and a preference for branded and luxury properties. It expects an annual ARR growth of 7–10%.
- KHI has guided at a revenue/EBITDA margin of INR400cr/30–35% in FY25.

Valuation and view

KHI is well geared for profitable growth led by: i) an expanding geographical presence, ii) improving Balance Sheet strength, and iii) industry-wide tailwinds in the form of strong occupancy and improving ARR on constrained supply. At the CMP of INR216, the stock trades at 8.2x EV/EBITDA on a TTM basis. The stock is not rated.

Key financials

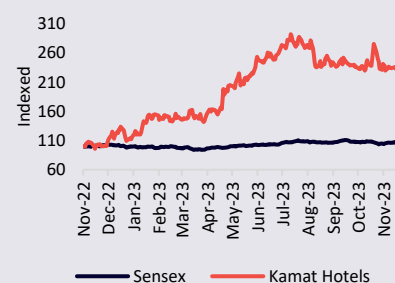
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 66 | 144 | 295 |
| Revenue growth (%) | -70 | 119 | 104 |
| EBITDA (INR cr) | 9 | 37 | 109 |
| Adjusted PAT (INR cr) | -39 | -15 | 75 |
| P/E ratio (x)* | n.m. | n.m. | 4.4 |
| Price/BV ratio (x)* | n.m. | n.m. | 2.1 |
| EV/EBITDA (x) | 14.2 | 16 | 5.8 |
| RoCE (%)* | n.m. | n.m. | 19.4 |
| RoE (%)* | n.m. | n.m. | 48.4 |

*Not measured (n.m.) as the denominator is negative

CMP: INR216
Rating: Not rated

| Bloomberg: | KHI:IN |
|----------------------|--------|
| 52-week range (INR): | 82 258 |
| M-cap (INR cr): | 544 |
| Promoter holding (%) | 61.47 |

Relative price performance



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Financials

| Income Statement | | (INR cr) | | |
|--------------------------------|------------|------------|------------|--|
| Year to March | FY21 | FY22 | FY23 | |
| Income from operations | 66 | 144 | 295 | |
| Cost of F&B | 7 | 15 | 24 | |
| Employee cost | 15 | 31 | 49 | |
| Other expenses | 35 | 61 | 113 | |
| Total operating expenses | 57 | 108 | 186 | |
| EBITDA | 9 | 37 | 109 | |
| Depreciation and amortisation | 18 | 17 | 15 | |
| EBIT | -9 | 20 | 93 | |
| Interest expenses | 50 | 50 | 22 | |
| Other income | 2 | 1 | 4 | |
| Profit before tax | -58 | -30 | 75 | |
| Provision for tax | -19 | -15 | 3 | |
| Core profit | -38 | -15 | 72 | |
| Exceptional items | 4 | - | 238 | |
| Profit after tax | -35 | -15 | 310 | |
| Minority interest | - | - | - | |
| Share from associates | -1 | -0 | 3 | |
| Reported net profit | -35 | -15 | 313 | |
| Equity shares outstanding (cr) | 2 | 2 | 3 | |
| EPS basic (INR) | -15 | -10 | 132 | |
| Diluted shares (cr) | 2 | 2 | 3 | |
| Fully diluted EPS (INR) | -15 | -10 | 132 | |

Common size metrics as a percentage of net revenue

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 87% | 75% | 63% |
| Depreciation | 27% | 12% | 5% |
| Interest expenditure | 76% | 35% | 7% |
| EBITDA margin | 13% | 25% | 37% |
| Net profit margin | -54% | -11% | 106% |

Growth metrics

| Year to March | FY21 | FY22 | FY23 |
|---------------|-------|------|-------|
| Revenue | -70% | 119% | 104% |
| EBITDA | -86% | 314% | 196% |
| PBT | -368% | 45% | 1157% |
| Net profit | -276% | 57% | 2149% |
| EPS | -247% | 38% | 1477% |

| Balance sheet | | (INR cr) | | |
|----------------------------------|------------|------------|------------|--|
| As of March 31 | FY21 | FY22 | FY23 | |
| Share capital | 24 | 24 | 25 | |
| Reserves | -183 | -205 | 129 | |
| Shareholders' funds | -159 | -181 | 154 | |
| Minority interest | - | - | - | |
| Borrowings | 64 | 441 | 327 | |
| Trade payables | 24 | 22 | 23 | |
| Other liabilities and provisions | 535 | 185 | 105 | |
| Total liabilities | 465 | 467 | 609 | |
| Net block | 324 | 318 | 335 | |
| Capital WIP | 6 | 1 | 2 | |
| Total fixed assets | 331 | 319 | 336 | |
| Non-current investment | 11 | 10 | 11 | |
| Cash and cash equivalents | 15 | 23 | 24 | |
| Sundry debtors | 6 | 10 | 9 | |
| Inventories | 2 | 2 | 4 | |
| Other assets | 101 | 102 | 226 | |
| Total assets | 465 | 467 | 609 | |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|-------------------------------|------|------|------|
| RoE # | n.m. | n.m. | 19% |
| RoCE # | n.m. | n.m. | 48% |
| Inventory days | 10 | 6 | 5 |
| Receivable days | 31 | 25 | 11 |
| Payable days | 133 | 55 | 28 |
| Cash conversion cycle (days) | -91 | -25 | -13 |
| Gross D/E ratio (x) # | n.m. | n.m. | 2.1 |
| Net D/E ratio (x) # | n.m. | n.m. | 2.0 |
| Interest coverage ratio (x) # | n.m. | 0.4 | 4.2 |

Not measured (n.m.) as denominator is negative

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-----------------------------------|-------|------|-------|
| Diluted EPS (INR) | -15.4 | -9.6 | 132.3 |
| Diluted P/E ratio (adjusted, x) * | n.m. | n.m. | 4.4 |
| Price/BV ratio (x) | n.m. | n.m. | 2.1 |
| EV/EBITDA ratio (x) | 14.2 | 16.0 | 5.8 |

*adjusted for exceptional gains

We hosted the management of Kilburn Engineering (KEL) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. KEL engineers and manufactures customised process equipment and offers industrial drying solutions and packages like rotary dryers, calciners, paddle dryers, fluid bed dryers, and VFBDs. It provides customised solutions and packages for air, gas, and liquids; and instrument utility gas drying. It offers standard products like tea dryers, withering systems, and dryers for the sugar and coconut industry. It recently fabricated critical equipment like silos and pressure vessels at customer sites. KEL has two manufacturing facilities in Maharashtra at Kalyan and Pune (M.E. Energy Pvt) and has more than 3,000 installations globally. It clocked a revenue/EBITDA margin of INR222cr/15.7% in FY23 and INR135cr/ 21.1% in H1FY24. The stock is not rated.

Key takeaways

- The management expects to end FY24 with an order book of ~INR300cr based on new (organic) orders of ~INR250cr in H2.
- The capex upcycle in key target industries like chemicals, speciality chemicals, pharma, oil and gas, and carbon black is resulting in enquiries of more than INR1,000cr and a robust deal pipeline.
- It is likely to close the M.E. Energy Pvt (MEE) acquisition by Q3FY24-end. Valuing MEE at an EV of ~7x FY24E EBITDA, the deal works out to INR99cr. Of this, INR76cr will be paid in cash and the balance via equity shares of KEL. The MEE promoter will thus become a growth partner by the lieu of its ~3% stake in KEL.
- MEE specialises in thermal engineering and provides waste heat recovery and re-utilisation systems like thermal oil heat exchangers, process integrated boilers, and air and gas coolers.
- Its ~60,000 sq. ft. manufacturing facility at Khed (Pune) will augment KEL's existing plant at Kalyan. MEE and KEL have many overlapping customers and thus will gain from synergies due to their complementary product set.
- The management reiterated its (organic) revenue guidance of ~INR300cr in FY24 (including contributions from MEE) and ~INR500cr in FY25 (including full-year consolidation of MEE).
- MEE clocked a revenue of INR45cr in FY23 and is likely to achieve ~INR75cr/INR125–150cr in FY24/FY25.
- Margin is dependent on the product mix. In the medium to long term, it aims to maintain EBITDA margin at 18–20%. MEE margin of ~15% will converge with KEL's margin by FY25.
- The board approved an issuance of 82lk equity shares and convertible warrants at INR165 (FV: INR10 and a premium of INR155) to fund the MEE buyout. This, along with internal cash flows, will make it almost net debt free by FY24 end (net debt, including/excluding short term borrowing, stood ~INR49cr/INR38cr at the end of FY23 and ~INR35cr/INR24cr at the end of H1FY24).

Valuation

At the CMP, the stock trades at a P/E ratio of 29x and an EV/EBITDA of 22x on a TTM basis. The stock is not rated.

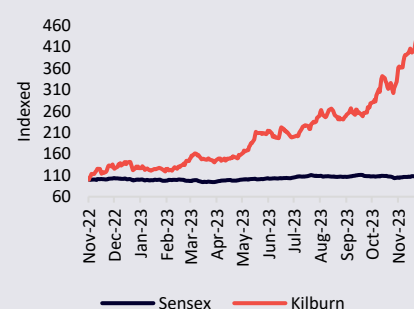
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|-------|------|
| Revenue (INR cr) | 88 | 123 | 222 |
| Revenue growth (%) | -33 | 39 | 80 |
| EBITDA (INR cr) | 7 | 13 | 35 |
| Adjusted PAT (INR cr) | -92 | 2 | 30 |
| P/E ratio (x) | NM | 110.3 | 11.2 |
| Price/BV ratio (x) | 1.4 | 2.3 | 3.2 |
| EV/EBITDA ratio (x) | 19.8 | 17.8 | 11.1 |
| RoACE (%) | 1.6 | 6.6 | 19.3 |
| RoAE (%) | NM | 2.6 | 33.7 |

CMP: INR281
Rating: Not rated

| Bloomberg: | KEL:IN |
|----------------------|--------|
| 52-week range (INR): | 73/295 |
| M-cap (INR cr): | 1,055 |
| Promoter holding (%) | 53.9 |

Relative price performance



[Presentation link](#)

[Previous report link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|---|------------|-----------|-----------|
| Income from operations | 88 | 123 | 222 |
| Direct costs | 41 | 63 | 122 |
| Employee costs | 16 | 14 | 19 |
| Other expenses | 24 | 33 | 46 |
| Total operating expenses | 81 | 110 | 187 |
| EBITDA | 7 | 13 | 35 |
| Depreciation and amortisation | 4 | 3 | 3 |
| EBIT | 3 | 10 | 32 |
| Interest expenses | 11 | 9 | 8 |
| Other income | 9 | 2 | 15 |
| Profit before tax | 1 | 3 | 39 |
| Provision for tax | -34 | 1 | 9 |
| Core profit | 35 | 2 | 30 |
| Minority Interest | 0 | 0 | 0 |
| Profit after tax | 35 | 2 | 30 |
| Extraordinary items & share of profit from associates | -127 | 0 | 0 |
| Reported net profit | -92 | 2 | 30 |
| Adjusted Net Profit | -92 | 2 | 30 |
| Equity shares outstanding (cr) | 2.8 | 3.4 | 3.6 |
| EPS (INR) basic | (32.5) | 0.5 | 8.4 |
| Diluted shares (Cr) | 2.8 | 3.4 | 3.6 |
| EPS (adj) fully diluted | (32.5) | 0.5 | 8.4 |
| Dividend per share | 0.0 | 0.0 | 1.0 |
| Dividend payout (%) | 0% | 0% | 12% |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|---------|------|------|
| Operating expenses | 92.1 | 89.4 | 84.3 |
| Depreciation | 4.6 | 2.3 | 1.2 |
| Interest expenditure | 12.8 | 7.2 | 3.6 |
| EBITDA margins | 7.9 | 10.6 | 15.7 |
| Net profit margins | (103.7) | 1.3 | 13.6 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|-----------|---------|---------|
| Revenues | (32.6) | 38.8 | 80.5 |
| EBITDA | (23.5) | 86.6 | 167.5 |
| PBT | (84.4) | 181.9 | 1,176.8 |
| Net profit | (1,874.4) | (101.7) | 1,843.5 |
| EPS | (933.9) | (101.4) | 1,762.1 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|---------|------|------|
| ROE (%) | (121.3) | 2.6 | 33.7 |
| ROCE (%) | 1.6 | 6.6 | 19.3 |
| Debtors (days) | 173 | 150 | 73 |
| Current ratio | 2.0 | 2.0 | 1.9 |
| Debt/Equity | 1.8 | 1.0 | 0.6 |
| Inventory (days) | 34 | 31 | 47 |
| Payable (days) | 90 | 75 | 42 |
| Cash conversion cycle (days) | 117 | 106 | 78 |
| Debt/EBITDA | 12.4 | 5.9 | 1.9 |
| Adjusted debt/Equity | 1.5 | 0.8 | 0.5 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|--------|-------|------|
| Diluted EPS (INR) | (32.5) | 0.5 | 8.4 |
| CEPS (INR) | (31.1) | 1.3 | 9.2 |
| Diluted P/E (x) | (0.7) | 110.3 | 11.2 |
| Price/BV(x) | 1.4 | 2.3 | 3.2 |
| EV/Sales (x) | 1.6 | 1.9 | 1.7 |
| EV/EBITDA (x) | 19.8 | 17.8 | 11.1 |
| Diluted shares O/S | 2.8 | 3.4 | 3.6 |
| Basic EPS | (32.5) | 0.5 | 8.4 |
| Basic PE (x) | (0.7) | 110.3 | 11.2 |
| Dividend yield (%) | 0% | 0% | 1% |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 28 | 34 | 36 |
| Reserves & surplus | 20 | 39 | 70 |
| Shareholders funds | 48 | 73 | 105 |
| Secured loans | 65 | 61 | 53 |
| Unsecured loans | 21 | 15 | 11 |
| Borrowings | 86 | 76 | 64 |
| Net Debt | 73 | 60 | 49 |
| Minority interest | 0 | 0 | 0 |
| Other liabilities | 12 | 12 | 0 |
| Sources of funds | 146 | 161 | 170 |
| Gross block | 49 | 44 | 46 |
| Depreciation | 4 | 3 | 3 |
| Net block | 45 | 42 | 43 |
| Capital work in progress | 0 | 0 | 1 |
| Total fixed assets | 45 | 42 | 44 |
| Other non-current assets | 46 | 46 | 40 |
| Inventories | 8 | 10 | 28 |
| Sundry debtors | 42 | 50 | 44 |
| Cash and equivalents | 13 | 16 | 16 |
| Other current assets | 48 | 68 | 91 |
| Total current assets | 111 | 145 | 179 |
| Sundry creditors and others | 55 | 71 | 91 |
| Provisions | 1 | 1 | 1 |
| Total CL & provisions | 56 | 72 | 93 |
| Net current assets | 55 | 74 | 86 |
| Uses of funds | 146 | 161 | 170 |
| Book value per share (INR) | 17 | 21 | 29 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------|----------|-----------|-----------|
| EBIT | -126 | 3 | 39 |
| Add: Depreciation | 4 | 3 | 3 |
| Add: Others | 130 | 9 | -3 |
| Gross cash flow | 8 | 15 | 38 |
| Less: Changes in W. C. | 3 | 16 | 19 |
| Operating cash flow | 5 | -1 | 20 |
| Less: Capex | 0 | -0 | 5 |
| Free cash flow | 5 | -1 | 15 |

We hosted the management of Knowledge Marine & Engineering Works (KMEW) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. Incorporated in 2015, KMEW is engaged in providing dredging services; owning and operating marine crafts; and repairing, maintaining, and refitting marine crafts and marine infrastructure. It derives ~90%/~10% of its revenue from dredging/port ancillary services.

Key takeaways

- KMEW's expertise lies in design and building fleets. It owns and operates 16 vessels, six dredgers, and 10 small marine crafts. It aims to operate 40 vessels by 2030.
- It has gained credibility and scale through execution of tenders through JVs. Given its current qualification, it can bid for tenders worth ~INR300cr. Potential JV partners agree to work with KMEW given its expertise in gauging the type of material that will be at the bottom of the water body as different materials require different vessels. It has been collecting data on soil content across India's coastline for over 20 years and has the requisite expertise in designing and operating the vessels.
- The management is looking at a rapid payback of 24–30 months. With the vessels operating for 20 years, it can earn a robust margin and repay any debt incurred for the asset within 24–30 months of execution of the tender.
- Pending order book stands ~INR600cr+ (INR450cr from Bahrain). KMEW has expressed interest in projects worth ~INR1,300cr+ and has an order win rate of over 50%. It only bids for orders with an EBITDA margin of more than 30%. Projects bid for are at various stages of approval and the management is awaiting decision on multiple bids. Competition in this space is limited to two-to-four players.
- KMEW faces less to no competition in shallow draft water dredging as the four global leaders, who account for 80% of dredging worldwide, do not participate in such tenders.
- There are also higher entry barriers in dredging tenders such as the number of contracts executed, average revenue over the past three years, and percentage cost of the tender as opposed to revenue.
- Indian dredging companies stand to benefit from the provision that if they are L2 (within a margin of 10% to a foreign entity), they can take up the tender by at the L1 bid price.
- Capex incurred for the Bahrain order is USD5mn (~INR41cr), and commercial operations should begin in December 2024. The management will decide on further capex for a vessel in the Bahrain region in the next two quarters. Capex for the next one year is expected to be ~INR60cr and it may take on debt to fund the additional capex. KMEW sees potential in the land reclamation business in Bahrain, aside from current sand mining orders.
- It sees growth opportunities in: i) the government's initiative of waste to wealth, which involves the monetisation of materials that are dredged; ii) sand mining in Bahrain; iii) dam desilting, where it has bid for five projects; iv) national waterway contracts; v) fishing harbours; and vi) rock dredging.

Valuations and view

KMEW's prudent business model, with capex being undertaken only on the receipt of new contracts, its 50% win rate, low competition, and execution capabilities bolster our confidence in its ability to capture market share in dredging and sand mining. It boasts a sustainable EBITDA/PAT margin of over 34%/20–25%. Its strong Balance Sheet and its ability to take on debt, if required, are expected to fuel growth. At the CMP, the stock trades at 17x FY25E EPS. The stock is not rated.

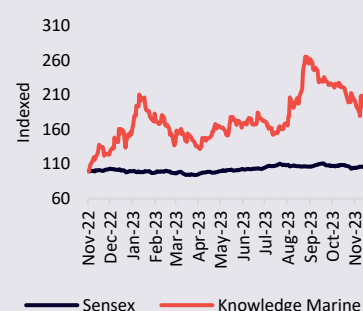
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 33 | 61 | 202 |
| Revenue growth (%) | 39 | 84 | 230 |
| EBITDA (INR cr) | 13 | 32 | 69 |
| Adjusted PAT (INR cr) | 7 | 20 | 47 |
| P/E ratio (x) | 5.5 | 8.7 | 20.7 |
| Price/BV ratio (x) | 1.4 | 3.7 | 7.3 |
| EV/EBITDA ratio (x) | 3.3 | 5.6 | 13.7 |
| RoACE (%) | 28.6 | 47.1 | 52.6 |
| RoAE (%) | 36.8 | 54.7 | 51.9 |

CMP: INR1,583
Rating: Not rated

| Bloomberg: | KMEW:IN |
|----------------------|-----------|
| 52-week range (INR): | 845/1,815 |
| M-cap (INR cr): | 1,710 |
| Promoter holding (%) | 67.09 |

Relative price performance



Presentation link

Previous Report link

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|---|-----------|-----------|-----------|
| Income from operations | 33 | 61 | 202 |
| Direct costs | 16 | 23 | 123 |
| Employee costs | 2 | 3 | 4 |
| Other expenses | 2 | 3 | 6 |
| Total operating expenses | 20 | 29 | 133 |
| EBITDA | 13 | 32 | 69 |
| Depreciation and amortisation | 2 | 2 | 4 |
| EBIT | 11 | 30 | 64 |
| Interest expenses | 2 | 2 | 2 |
| Other income | 0 | 1 | 1 |
| Profit before tax | 10 | 28 | 63 |
| Provision for tax | 3 | 7 | 16 |
| Core profit | 7 | 21 | 47 |
| Minority Interest | 0 | 1 | 0 |
| Profit after tax | 7 | 20 | 47 |
| Extraordinary items & share of profit from associates | 0 | 0 | 0 |
| Reported net profit | 7 | 21 | 47 |
| Adjusted Net Profit | 7 | 20 | 47 |
| Equity shares outstanding (cr) | 1.0 | 1.0 | 1.1 |
| EPS (INR) basic | 6.7 | 19.9 | 43.6 |
| Diluted shares (Cr) | 1.0 | 1.0 | 1.1 |
| EPS (adj) fully diluted | 6.7 | 19.9 | 43.6 |
| Dividend per share | 0.0 | 0.0 | 0.0 |
| Dividend payout (%) | 0% | 0% | 0% |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 60.5 | 47.0 | 65.9 |
| Depreciation | 6.2 | 4.0 | 2.2 |
| Interest expenditure | 5.1 | 4.1 | 1.2 |
| EBITDA margins | 39.5 | 53.0 | 34.1 |
| Net profit margins | 21.3 | 34.1 | 23.4 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|-------|-------|
| Revenues | 39.2 | 83.6 | 229.8 |
| EBITDA | 71.3 | 146.4 | 111.9 |
| PBT | 78.8 | 194.2 | 126.3 |
| Net profit | 51.7 | 195.8 | 131.1 |
| EPS | - | 195.8 | 119.0 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|-------|
| ROE (%) | 36.8 | 54.7 | 51.9 |
| ROCE (%) | 28.6 | 47.1 | 52.6 |
| Debtors (days) | 4 | 24 | 101 |
| Current ratio | 6.7 | 2.4 | 3.0 |
| Debt/Equity | 0.6 | 0.6 | 0.2 |
| Inventory (days) | 4 | 1 | 2 |
| Payable (days) | 5 | 37 | 47 |
| Cash conversion cycle (days) | 3 | -12 | 56 |
| Debt/EBITDA | 1.3 | 0.8 | 0.4 |
| Adjusted debt/Equity | 0.2 | 0.1 | (0.2) |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|------|------|------|
| Diluted EPS (INR) | 6.7 | 19.9 | 43.6 |
| CEPS (INR) | 8.7 | 22.3 | 47.6 |
| Diluted P/E (x) | 5.5 | 8.7 | 20.7 |
| Price/BV(x) | 1.4 | 3.7 | 7.3 |
| EV/Sales (x) | 1.3 | 3.0 | 4.7 |
| EV/EBITDA (x) | 3.3 | 5.6 | 13.7 |
| Diluted shares O/S | 1.0 | 1.0 | 1.1 |
| Basic EPS | 6.7 | 19.9 | 43.6 |
| Basic PE (x) | 5.5 | 8.7 | 20.7 |
| Dividend yield (%) | 0% | 0% | 0% |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|------------|
| Equity share capital | 10 | 10 | 11 |
| Reserves & surplus | 17 | 37 | 123 |
| Shareholders funds | 27 | 47 | 134 |
| Secured loans | 12 | 17 | 4 |
| Unsecured loans | 5 | 9 | 20 |
| Borrowings | 17 | 26 | 24 |
| Net Debt | 5 | 4 | -32 |
| Minority interest | 2 | 2 | 3 |
| Other liabilities | 2 | 3 | 5 |
| Sources of funds | 48 | 79 | 165 |
| Gross block | 32 | 60 | 70 |
| Depreciation | 5 | 7 | 11 |
| Net block | 28 | 53 | 59 |
| Capital work in progress | 3 | 2 | 8 |
| Total fixed assets | 31 | 54 | 67 |
| Other non-current assets | 0 | 5 | 12 |
| Investments | | | |
| Inventories | 0 | 0 | 1 |
| Sundry debtors | 0 | 4 | 56 |
| Cash and equivalents | 12 | 23 | 56 |
| Other current assets | 8 | 8 | 17 |
| Total current assets | 20 | 34 | 130 |
| Sundry creditors and others | 1 | 8 | 28 |
| Provisions | 2 | 7 | 15 |
| Total CL & provisions | 3 | 14 | 44 |
| Net current assets | 17 | 20 | 86 |
| Uses of funds | 48 | 79 | 165 |
| Book value per share (INR) | 26 | 46 | 124 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------|----------|-----------|-----------|
| EBIT | 9 | 28 | 63 |
| Add: Depreciation | 2 | 2 | 4 |
| Add: Others | 2 | 2 | 1 |
| Gross cash flow | 13 | 33 | 69 |
| Less: Changes in W. C. | 8 | -2 | 48 |
| Operating cash flow | 5 | 35 | 21 |
| Less: Capex | 3 | 24 | 11 |
| Free cash flow | 2 | 10 | 11 |

We hosted the management of Krishna Defence & Allied Industries in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. Incorporated in 1997, KRISHNDF started off as an engineering company manufacturing products for the dairy industry like milk cooling tanks and other equipment. It expanded its product portfolio by entering the defence sector with the strategy of indigenizing products that were being imported. It possesses comprehensive in-house capabilities in design, development, and manufacture of a wide range of products that find use in defence applications. Its defence offerings include specialised shipbuilding steel sections/profiles (bulb bars), armoured steel profiles, high alloy steel ballast bricks, special heating devices, and weld consumables. The stock is not rated.

Key takeaways

- KRISHNDF has been able to indigenize the production of bulb bars after spending four years on product development. Bulb bars, which is a major requisite for hull construction by shipbuilding companies, constituted ~INR30cr out of a total revenue of INR63cr in FY23. Product margins are in the mid to high teens and can witness an improvement (~500bp) due to an increase in utilisation levels to 80% by the end of FY24 (on existing capacity, led by higher turnover and orders) from 30–35% in FY23.
- KRISHNDF is an approved supplier of bulb bars. The market size for bulb bars is estimated to grow exponentially due to the massive rise in shipbuilding in India. It delivers bulb bars in the first stage of shipbuilding, when shipbuilding companies are flushed with advances from the Indian Navy. This mitigates delays and helps it realise payments within 45–60 days.
- Bulb bars manufacturing capacity stands at 2,400tpa, with an annual revenue potential of INR140–150cr. It is looking to raise capital to fund their capex and working capital.
- Welding consumables for underwater applications and ballast bricks used as a balancing and counterweight for critical naval applications, were both imported, but are now being supplied by KRISHNDF. The management expects 80,000k *Bukhari* units (a specialised room heating device that emits no carbon monoxide) to be procured in the next three years. It has secured a deal to supply 20,000 units within nine months.
- The dairy business is steadily generating an annual revenue of INR12–14cr. It is running on autopilot and is growing at 5–10% annually.
- It is also working on new products like the 76/62 SRGM ammunition and its components, defence electronics, and homeland security products. It is exploring business of manufacturing of fire-resistant composite doors and hatches for the Indian Navy through technology partnerships/JV.
- Total order book stood ~INR240cr, which is to be executed over 12–24 months. Management expects its addressable market size to grow to INR2,700cr over the next four years.

Valuations

At the CMP of INR317, the stock trades at 62x TTM EPS.

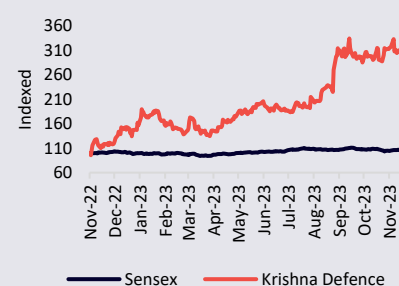
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 35 | 50 | 64 |
| Revenue growth (%) | - | 43 | 28 |
| EBITDA (INR cr) | 4 | 7 | 9 |
| Adjusted PAT (INR cr) | 2 | 2 | 5 |
| P/E ratio (x) | - | - | 29.2 |
| Price/BV ratio (x) | - | - | 3.8 |
| EV/EBITDA ratio (x) | - | - | 18.7 |
| RoACE (%) | 13.6 | 10.8 | 12.8 |
| RoAE (%) | 20.4 | 11.6 | 16.3 |

CMP: INR317
Rating: Not rated

| Bloomberg: | KRISHNDF:IN |
|----------------------|-------------|
| 52-week range (INR): | 127/325 |
| M-cap (INR cr): | 390 |
| Promoter holding (%) | 73.38 |

Relative price performance



[Presentation link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|---|----------|----------|----------|
| Income from operations | 35 | 50 | 64 |
| Direct costs | 16 | 21 | 33 |
| Employee costs | 7 | 9 | 9 |
| Other expenses | 8 | 13 | 12 |
| Total operating expenses | 31 | 43 | 55 |
| EBITDA | 4 | 7 | 9 |
| Depreciation and amortisation | 1 | 2 | 2 |
| EBIT | 3 | 5 | 7 |
| Interest expenses | 2 | 2 | 1 |
| Other income | 1 | 0 | 1 |
| Profit before tax | 3 | 4 | 7 |
| Provision for tax | 1 | 1 | 1 |
| Core profit | 2 | 2 | 5 |
| Minority Interest | 0 | 0 | 0 |
| Profit after tax | 2 | 2 | 5 |
| Extraordinary items & share of profit from associates | 0 | 0 | 0 |
| Reported net profit | 2 | 2 | 5 |
| Adjusted Net Profit | 2 | 2 | 5 |
| Equity shares outstanding (cr) | 4.2 | 0.8 | 1.1 |
| EPS (INR) basic | 0.4 | 2.9 | 4.6 |
| Diluted shares (Cr) | 4.2 | 0.8 | 1.1 |
| EPS (adj) fully diluted | 0.4 | 2.9 | 4.6 |
| Dividend per share | 0.0 | 0.0 | 0.0 |
| Dividend payout (%) | 0% | 0% | 0% |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 87.4 | 86.7 | 86.1 |
| Depreciation | 4.0 | 3.4 | 3.1 |
| Interest expenditure | 4.8 | 3.7 | 1.7 |
| EBITDA margins | 12.6 | 13.3 | 13.9 |
| Net profit margins | 5.3 | 4.9 | 8.3 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|-------|-------|
| Revenues | - | 42.5 | 27.5 |
| EBITDA | - | 50.5 | 33.4 |
| PBT | - | 33.4 | 91.3 |
| Net profit | - | 32.0 | 115.4 |
| EPS | - | 560.1 | 58.0 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|------|
| ROE (%) | 20.4 | 11.6 | 16.3 |
| ROCE (%) | 13.6 | 10.8 | 12.8 |
| Debtors (days) | 138 | 160 | 154 |
| Current ratio | 3.4 | 2.5 | 2.7 |
| Debt/Equity | 1.4 | 1.0 | 0.5 |
| Inventory (days) | 159 | 115 | 163 |
| Payable (days) | 70 | 102 | 129 |
| Cash conversion cycle (days) | 227 | 172 | 188 |
| Debt/EBITDA | 5.8 | 3.5 | 2.1 |
| Adjusted debt/Equity | 0.9 | 0.5 | 0.3 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|------|------|------|
| Diluted EPS (INR) | 0.4 | 2.9 | 4.6 |
| CEPS (INR) | 0.8 | 4.9 | 6.3 |
| Diluted P/E (x) | - | - | 29.2 |
| Price/BV(x) | - | - | 3.8 |
| EV/Sales (x) | - | - | 2.6 |
| EV/EBITDA (x) | - | - | 18.7 |
| Diluted shares O/S | 4.2 | 0.8 | 1.1 |
| Basic EPS | 0.4 | 2.9 | 4.6 |
| Basic PE (x) | - | - | 29.2 |
| Dividend yield (%) | - | - | 0% |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|-----------|
| Equity share capital | 4 | 8 | 11 |
| Reserves & surplus | 14 | 16 | 29 |
| Shareholders funds | 18 | 24 | 41 |
| Secured loans | 15 | 7 | 6 |
| Unsecured loans | 11 | 16 | 12 |
| Borrowings | 26 | 23 | 19 |
| Net Debt | 16 | 12 | 11 |
| Minority interest | 0 | 0 | 0 |
| Other liabilities | 0 | 0 | 0 |
| Sources of funds | 44 | 48 | 60 |
| Gross block | 19 | 24 | 25 |
| Depreciation | 9 | 11 | 13 |
| Net block | 10 | 14 | 12 |
| Capital work in progress | 3 | 0 | 2 |
| Total fixed assets | 13 | 14 | 14 |
| Other non-current assets | 1 | 4 | 4 |
| Investments | | | |
| Inventory | 15 | 16 | 28 |
| Sundry debtors | 13 | 22 | 27 |
| Cash and equivalents | 10 | 12 | 8 |
| Other current assets | 4 | 1 | 3 |
| Total current assets | 42 | 50 | 66 |
| Sundry creditors and others | 11 | 19 | 24 |
| Provisions | 1 | 1 | 0 |
| Total CL & provisions | 12 | 20 | 25 |
| Net current assets | 30 | 30 | 41 |
| Uses of funds | 44 | 48 | 60 |
| Book value per share (INR) | 4 | 29 | 36 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------|----------|-----------|-----------|
| EBIT | 3 | 4 | 7 |
| Add: Depreciation | 1 | 2 | 2 |
| Add: Others | 1 | 1 | 0 |
| Gross cash flow | 5 | 6 | 9 |
| Less: Changes in W. C. | 3 | 3 | 16 |
| Operating cash flow | 2 | 4 | -7 |
| Less: Capex | 1 | 4 | -1 |
| Free cash flow | 1 | -0 | -6 |

We hosted the management of MCON Rasayan India in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*' on December 6. Specialising in construction chemicals and building finishing products, its diverse portfolio includes powder and liquid forms under the 'MCON' brand. Operating in key states — Maharashtra, Gujarat, and Rajasthan, MCON has a robust presence through more than 100 distributors and over 1,300 retailers. It is actively expanding and is developing a third plant in Ambheti (Valsad), with a total capacity of 42,000t, operational by December-end. This aligns with government infra initiatives, indicating the potential for robust revenue growth. The stock is not rated.

Key takeaways

- The pivotal success drivers behind the MCON brand are its unwavering reliability and consistent performance since its inception. Operating on a distribution-centric business model, it places a strategic emphasis on delivering products at an affordable price point, underscoring a focused commitment to both reliability and accessibility in the market.
- MCON's product lines play a pivotal role throughout the entire life cycle of construction projects, be it new or existing. For new constructions, it offers a range of products such as ready-mix plasters, tile adhesives, paints, wall putty, and block adhesives. In the case of older or deteriorating structures, it provides solutions like micro concrete, polymer mortar, liquid polymers, epoxy mortars, crack fillers, and corrosive protection. Its comprehensive product offerings aim to enhance the strength and stability of existing structures, showcasing MCON's versatility in addressing diverse construction needs.
- With a major capex concluding by December, MCON total capacity will expand to 42,000mt. The new plant has dedicated capacities of 36,000mt/6,000mt for powder/liquid products.
- Its focus is on the institutional business. MCON's prestigious clientele include CIDCO, MHADA, MCGM, Indian Railways, PWD, BARC, and Maharashtra Housing Development Corporation, highlighting its commitment to high-profile partnerships.
- The management has guided at a sustained growth of 60–70% CAGR, maintaining an EBITDA margin of 11–12%. It is targeting a 30% share in value-added products. It anticipates a slight rise in net working capital days on entering new geographies and aligning with distributors' credit expectations.

Valuation and view

MCON's strategic direction, marked by proactive measures in product diversification and its steadfast commitment to capacity expansion, positions it on the path to robust and sustainable growth. The stock trades at 20.4x TTM earnings. The stock is not rated. Key risks associated with its performance include fluctuations in raw material prices and a slowdown in the economy.

Key financials

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|------------------------|-------|-------|-------|
| Revenue | 9 | 19 | 31 |
| EBITDA | 1 | 1 | 3 |
| EBITDA margin (%) | 10.2% | 7.4% | 8.6% |
| Net profit | 0 | 0 | 1 |
| P/E ratio (x) | 121.6 | 46.2 | 85.9 |
| EV/EBITDA ratio (x) | 109.2 | 73.0 | 39.3 |
| RoCE (%) | 13.8% | 15.0% | 14.7% |
| RoE (%) | 12.7% | 23.9% | 14.3% |

CMP: INR154
Rating: Not rated

| Bloomberg: | MCON:IN |
|----------------------|---------|
| 52-week range (INR): | 63/175 |
| M-cap (INR cr): | 97 |
| Promoter holding (%) | 66.65 |

Relative price performance

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Financials

Income Statement

| Year to March (INR Cr) | FY21 | FY22 | FY23 |
|----------------------------------|------------|------------|------------|
| Income from operations | 9 | 19 | 31 |
| COGS | 4 | 10 | 16 |
| Gross Profit | 5 | 8 | 17 |
| Employee costs | 1 | 2 | 4 |
| Other expenses | 3 | 6 | 9 |
| Total operating expenses | 8 | 18 | 28 |
| EBITDA | 1 | 1 | 3 |
| Depreciation and amortisation | 0 | 0 | 0 |
| EBIT | 1 | 1 | 2 |
| Other Income | 0 | 0 | 0 |
| PBIT | 1 | 1 | 2 |
| Interest expenses | 0 | 0 | 1 |
| Profit before tax | 0 | 1 | 2 |
| Provision for tax | 0 | 0 | 0 |
| Reported profit after tax | 0 | 0 | 1 |
| Extraordinary items | 0 | 0 | 0 |
| Adjusted Profit after tax | 0 | 0 | 1 |
| Equity shares outstanding (Cr) | 0.2 | 0.2 | 0.6 |
| Adjusted EPS (INR) | 1.3 | 3.3 | 1.8 |

Common Size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|-------|-------|-------|
| Operating expenses | 89.8% | 92.6% | 91.4% |
| Depreciation | 3.1% | 1.7% | 1.2% |
| Interest expenditure | 4.5% | 2.2% | 2.5% |
| EBITDA margins | 10.2% | 7.4% | 8.6% |
| Adj. Net profit margins | 2.1% | 2.6% | 3.6% |

Growth Metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|--------|--------|--------|
| Revenues | 0.1% | 114.0% | 61.6% |
| EBITDA | 26.0% | 55.4% | 87.4% |
| PBT | 116.7% | 165.4% | 121.7% |
| PAT | 111.1% | 163.2% | 126.0% |
| EPS | 42.1% | 163.2% | -46.2% |

Profit & Efficiency Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| ROE (%) | 12.7% | 23.9% | 14.3% |
| ROCE (%) | 13.8% | 15.0% | 14.7% |
| Debtors (days) | 147 | 98 | 121 |
| Inventory (days) | 98 | 82 | 77 |
| Payable (days) | 117 | 85 | 91 |
| Cash conversion cycle (days) | 128 | 96 | 107 |
| Net Debt/EBITDA | 3.72 | 5.11 | 3.06 |
| Net Debt/Equity | 1.92 | 3.05 | 0.61 |

Valuation

| Year to March | FY21 | FY22 | FY23 |
|------------------|-------|--------|--------|
| Adj. EPS (INR) | 1.3 | 3.3 | 1.8 |
| Y-o-Y growth (%) | 42.1% | 163.2% | -46.2% |
| Diluted P/E (x) | 121.6 | 46.2 | 85.9 |
| Price/BV(x) | 13.0 | 9.6 | 7.3 |
| EV/Sales (x) | 11.2 | 5.4 | 3.4 |
| EV/EBITDA (x) | 109.2 | 73.0 | 39.3 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------------|-----------|-----------|-----------|
| Equity share capital | 2 | 2 | 6 |
| Reserves & surplus | 0 | 1 | 7 |
| Shareholders funds | 2 | 2 | 13 |
| Total Debt | 3 | 7 | 8 |
| Provisions | 0 | 0 | 0 |
| Current Liabilities | 3 | 5 | 8 |
| Sources of funds | 8 | 14 | 30 |
| PP&E | 1 | 1 | 1 |
| CWIP | - | 1 | 6 |
| Other Intangible Assets | 4 | 5 | 6 |
| Investments | - | - | - |
| Inventories | 2 | 4 | 7 |
| Trade Receivables | 4 | 5 | 10 |
| Cash and Cash Equivalents | 0 | 0 | 0 |
| Other Assets | - | - | - |
| Uses of Funds | 8 | 14 | 30 |
| Book value per share (INR) | 12 | 16 | 21 |

Cash Flow Statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------------------|----------|----------|----------|
| Operating Profit Before WC changes | 1 | 1 | 3 |
| WC Changes | -1 | -3 | -8 |
| CFO | 0 | -2 | -5 |
| CFI | 0 | -1 | -5 |
| CFF | 0 | 4 | 10 |
| Total Cash Flow | 0 | 0 | 0 |

We hosted the management of Newjaisa Technologies in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. The Bengaluru-based IT refurbishing company began its operations in 2020. It is committed to providing high-quality, cost-effective, and environmentally sustainable IT solutions, with a focus on reducing electronic waste and contributing to the circular economy. The business model encompasses an end-to-end reverse supply chain for IT assets. It involves procuring used IT assets (laptops, desktops, and peripherals), refurbishing them to make them as close to new, and selling them directly to end-use customers (businesses or retail) at a significant discount to new products.

Key takeaways

- The refurbished laptop and desktop market is expected to clock 9.8% CAGR in value terms over 2023–33, driven by low PC penetration, a sharp rise in laptop prices, and conducive government policies.
- India currently doesn't allow the import of used electronics for domestic consumption. It allows companies to refurbish and then sell it in other countries. If India allows import and consumption of used electronics, it will provide a huge opportunity for companies like NEWJAISA.
- NEWJAISA is a full stack IT driven electronic refurbishment company. NEWJAISA provides scratchless units, genuine hardware and software, 14-days return policy, 1-year PAN India warranty, which makes it distinct from unorganized players. It has delivered to more than 19000 pin codes in India till March 2023. NEWJAISA's topline has grown at a CAGR of 66.76% in last three financial years.
- The company is mainly focusing on laptops and IT peripherals. Some of its laptop ratings on Amazon are more than 4.3, which is even better than that of some OEMs. Most of its assets are two-to-four years old.
- It sources ~80% of the total sourcing requirements from recyclers and ~20% directly from corporates. However, the management is working towards increasing the share of direct sourcing from corporates, which will help improve margin.
- In terms of customer segmentation, students, corporates, and other segments contribute ~33% each.
- It is looking to raise the share of revenue from its online channel to 30% and build its sales presence across Africa and South Asia.
- It plans to penetrate further into the laptop and IT peripherals market, followed by tablets and the international market. It is not focusing on entering new categories like mobile phones as the refurbishing process is very challenging due to the high number of SKUs.
- PAT margin fell in H1FY24 as it has invested heavily in headcount.

Valuations

At the CMP of INR163, the stock trades at a P/E ratio of 68.8x and an EV/EBITDA ratio of 52.9x on a TTM basis. The stock is not rated.

Key financials

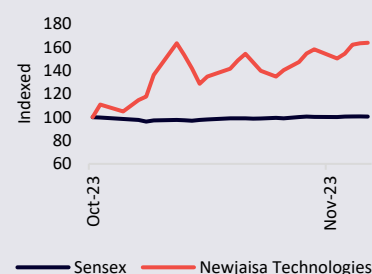
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|-------|-------|-------|
| Revenue (INR cr) | 10 | 28 | 45 |
| Revenue growth (%) | - | 190.5 | 59.5 |
| EBITDA (INR cr) | 1 | 3 | 9 |
| Adjusted PAT (INR cr) | 1 | 2 | 7 |
| P/E ratio (x)* | 480.8 | 199.0 | 53.8 |
| Price/BV ratio (x) | 708.9 | 205.7 | 56.4 |
| EV/EBITDA ratio (x) | 472.8 | 174.3 | 60.5 |
| RoCE (%) | 93.7 | 89.0 | 82.7 |
| RoE (%) | 202.7 | 110.6 | 114.1 |

*Not measured (n.m.) as the denominator is negative

CMP: INR163
Rating: Not rated

| Bloomberg: | NEWJAISA:IN |
|----------------------|-------------|
| 52-week range (INR): | 63/171 |
| M-cap (INR cr): | 526 |
| Promoter holding (%) | 69.35 |

Relative Price Performance



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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-------------------------------|------|------|------|
| Income from operations | 10 | 28 | 45 |
| Direct costs | 6 | 19 | 25 |
| Employee costs | 1 | 2 | 5 |
| Other expenses | 1 | 4 | 6 |
| EBITDA | 1 | 3 | 9 |
| Depreciation and amortization | - | 0 | 0 |
| EBIT | 1 | 3 | 9 |
| Interest expenses | 0 | 1 | 1 |
| Other income | - | 0 | - |
| Profit before tax | 1 | 2 | 8 |
| Provision for tax | 0 | 1 | 1 |
| Core profit | 1 | 2 | 7 |
| Extraordinary items | - | - | - |
| Profit after tax | 1 | 2 | 7 |
| Minority interest | - | - | - |
| Share from associates | - | - | - |
| Adjusted net profit | 1 | 2 | 7 |
| Equity share outStanding (mn) | 22 | 22 | 22 |
| EPS (INR) basic | 0 | 1 | 3 |
| Diluted shares (mn) | 22 | 22 | 22 |
| EPS (INR) fully diluted | 0 | 1 | 3 |
| Dividend per share | - | - | - |
| Dividend payout (%) | - | - | - |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 88.4 | 89.2 | 80.3 |
| Depreciation | - | 0.1 | 0.1 |
| Interest expenditure | 1.1 | 1.9 | 1.2 |
| EBITDA margins | 11.6 | 10.8 | 19.7 |
| Net profit margins | 7.8 | 6.5 | 15.2 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|-------|-------|
| Revenues | - | 190.5 | 59.5 |
| EBITDA | - | 172.1 | 190.4 |
| PBT | - | 147.0 | 231.6 |
| Net profit | - | 142.7 | 271.4 |
| EPS | - | 141.6 | 270.0 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| RoAE (%) | 202.7 | 110.6 | 114.1 |
| RoACE (%) | 93.7 | 89.0 | 82.7 |
| Debtors (days) | 30.8 | 19.3 | 46.9 |
| Current ratio | 3.1 | 4.4 | 4.1 |
| Debt/equity | 2.2 | 0.7 | 0.8 |
| Inventory (days) | 39.8 | 66.2 | 185.8 |
| Payable (days) | 47.2 | 20.7 | 63.9 |
| Cash conversion cycle (days) | 23.4 | 64.9 | 168.8 |
| Debt/EBITDA | 1.5 | 0.6 | 0.8 |
| Adjusted Debt/equity | 0.3 | 0.7 | 0.6 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|-------|-------|-------|
| Diluted EPS (INR) | 0.3 | 0.8 | 3.0 |
| Y-o-Y growth (%) | - | 141.6 | 270.0 |
| CEPS (INR) | 0.3 | 0.8 | 3.0 |
| Diluted P/E (x) | 480.8 | 199.0 | 53.8 |
| Price/BV (x) | 708.9 | 205.7 | 56.4 |
| EV/Sales (x) | 54.6 | 18.9 | 11.9 |
| EV/EBITDA (x) | 472.8 | 174.3 | 60.5 |
| Diluted Shares O/S (mn) | 22.1 | 22.2 | 22.3 |
| Basic EPS (INR) | 0.3 | 0.8 | 3.0 |
| Basic P/E (x) | 699.5 | 288.2 | 77.6 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|-------------|
| Equity share capital | 0.0 | 0.4 | 0.4 |
| Reserves & surplus | 0.7 | 2.2 | 8.9 |
| Shareholders' funds | 0.7 | 2.6 | 9.3 |
| Secured Loans | 1.0 | 1.5 | 7.2 |
| Unsecured Loans | 0.6 | 0.4 | 0.2 |
| Borrowings | 1.6 | 1.8 | 7.4 |
| Other liabilities | 0.0 | 0.0 | 0.1 |
| Sources of funds | 2.4 | 4.4 | 16.8 |
| Gross block | 0.2 | 0.3 | 0.5 |
| Depreciation | 0.0 | 0.0 | 0.1 |
| Net block | 0.2 | 0.3 | 0.4 |
| Total fixed assets | 0.2 | 0.3 | 0.4 |
| Inventories | 0.7 | 3.5 | 12.8 |
| Sundry debtors | 0.8 | 1.5 | 5.7 |
| Cash and equivalents | 1.4 | 0.1 | 1.4 |
| Loans and advances | 0.2 | 0.2 | 1.6 |
| Total current assets | 3.1 | 5.3 | 21.6 |
| Sundry creditors and others | 0.8 | 1.1 | 4.4 |
| Provisions | 0.2 | 0.1 | 0.9 |
| Total CL & provisions | 1.0 | 1.2 | 5.3 |
| Net current assets | 2.1 | 4.1 | 16.3 |
| Other Assets | 0.1 | 0.1 | 0.1 |
| Uses of funds | 2.4 | 4.4 | 16.8 |
| Book value per share (INR) | 0.3 | 1.1 | 4.2 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|-------|-------|-------|
| Net profit | 0.75 | 1.82 | 6.76 |
| Add: Depreciation | - | 0.02 | 0.04 |
| Add: Others | 0.11 | 0.54 | 0.54 |
| Gross cash flow | 0.86 | 2.38 | 7.34 |
| Less: Changes in W.C. | 0.74 | 3.24 | 10.90 |
| Operating cash flow | 0.12 | -0.86 | -3.56 |
| Less: Capex | 0.21 | 0.02 | 0.11 |
| Free cash flow | -0.09 | -0.88 | -3.67 |

We hosted the management of Oriana Power (ORIANA) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*' on December 5. It specialises in providing solar energy solutions to industrial and commercial customers. It offers low carbon energy solutions by installing on-site solar projects such as rooftop and ground-mounted systems, as well as off-site solar farms. Its business operations are divided into two segments: capex and a renewable energy service company (RESCO). It offers engineering, procurement, construction (EPC), and operation of solar projects under the capex model. Customers incur capex, and ORIANA takes care of EPC and operations on behalf of the client. Since June 2017, it has delivered projects with a capacity of over 100MWp across various locations in India under this model. Under the RESCO model, it operates through 18 subsidiaries. It provides solar energy solutions on a BOOT (build, own, operate, and transfer) basis, allowing clients to reap the benefits of solar energy without an upfront investment. It takes care of all investments, commissioning, and maintenance. In lieu of that, it sells power to end-consumers through a long-term power purchase agreement (typically for 25 years). This business provides it annuity income post recovery of the initial investment. Revenue/EBITDA/PAT stood at INR64cr/INR11.3cr/INR5.7cr in H1FY24. The stock is not rated.

Key takeaways

EPC segment

- ORIANA is the leader in floating solar installations (three/two projects delivered/WIP).
- Order book stood at 65MW (~INR260cr) as of November, which is executable by March 2024. The commercial and industrial segment (C&I) constitutes ~90% of the order book. The order book is equally split between the government and private sector.
- The order book has a realisation of ~INR4cr/MW and a PAT margin of 9.5–10%.
- It plans to bid for 300–350MW projects annually. The current bid pipeline stands ~300MW. It has a historical hit ratio of 25–30%. It has a RoCE/EBITDA margin benchmark of 35%/18%. The execution timeline is six-to-nine months.
- At present, it imports 60–70% of its solar panels from China. Though solar panel prices in China has plummeted, ORIANA will not reap any benefits of this decline as any price fluctuation is passed on the end-consumer. Imports may decline to 30–40% once ALMM regulations are implemented from April 2024.
- It is planning to develop a 250MW captive solar park in Rajasthan for sale over the next two years, with a revenue/EBITDA potential of INR1,000cr/INR150–160cr.

RESCO segment

- ORIANA has a capacity of 35MWp under RESCO and plans to develop another 100–110MWp over the next two years using its IPO proceeds (~INR60cr). The current tariff is INR4/unit. At peak tariff, a capacity of 135MW can generate a revenue of ~INR470cr.
- The targeted IRR for a RESCO investment is 15–17%.

Others

- The management sees a sustainable EBITDA margin of 15–17%.
- The government is targeting solar installations of 350GW over the next five years, of which C&I will constitute 70–100GW. Of this, only 7GW has been delivered till date, leaving room for the industry to clock 28–30% CAGR for the next four-to-five years.

Valuations

At CMP of INR437, the stock trades at a P/E ratio of 76.3x and an EV/EBITDA of 42x on a **FY23 EPS basis and diluted equity after its IPO in August**.

Key financials

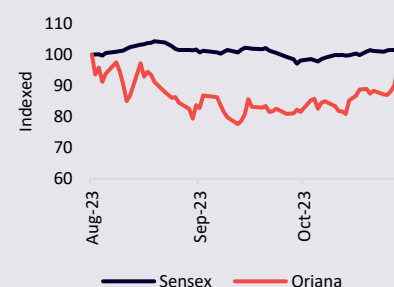
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|-------|-------|-------|
| Revenues (INR Cr) | 34 | 124 | 135 |
| Rev growth (%) | 57.3 | 269.6 | 8.8 |
| EBITDA (INR Cr) | 30.1 | 111.1 | 115.2 |
| Adjusted PAT (INR Cr) | 1 | 7 | 11 |
| P/E (x) | 186.3 | 39.2 | 27.5 |
| Price/BV(x) | 27.5 | 18.8 | 9.0 |
| EV/EBITDA (x) | 43.6 | 23.6 | 18.5 |
| RoACE (%) | 6.8 | 22.5 | 16.3 |
| RoAE (%) | 22.3 | 71.8 | 45.4 |

CMP: INR437

Rating: Not rated

| Bloomberg: | ORIANA:IN |
|----------------------|-----------|
| 52-week range (INR): | 272/440 |
| M-cap (INR cr): | 838 |
| Promoter holding (%) | 61.41 |

Relative price performance



Mehul Mehta

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Income from operations | 34 | 124 | 135 |
| Direct costs | 26 | 105 | 104 |
| Power & fuel | 0 | 0 | 0 |
| Employee costs | 1 | 3 | 4 |
| Other expenses | 3 | 3 | 7 |
| Total operating expenses | 30 | 111 | 115 |
| EBITDA | 3 | 13 | 20 |
| Depreciation and amortisation | 0 | 1 | 1 |
| EBIT | 3 | 12 | 18 |
| Interest expenses | 1 | 2 | 3 |
| Other income | 0 | 1 | 1 |
| Profit before tax | 2 | 11 | 16 |
| Provision for tax | 2 | 4 | 5 |
| Core profit | 1 | 7 | 11 |
| Extraordinary items | 0 | 0 | 0 |
| Profit after tax | 1 | 7 | 11 |
| Share from associates | 0 | 0 | 0 |
| Adjusted net profit | 1 | 7 | 11 |
| Equity shares outstanding (Cr) | 0.3 | 0.6 | 0.7 |
| EPS (INR) basic | 2.3 | 11.2 | 15.9 |
| Diluted shares (Cr) | 0.3 | 0.6 | 0.7 |
| EPS (INR) fully diluted | 2.3 | 11.2 | 15.9 |

Common size metrics- as % of net revenues

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|------------------------|------|------|------|
| Operating expenses | 89.9 | 89.7 | 85.5 |
| Depreciation | 0.9 | 0.7 | 0.9 |
| Interest expenditure | 2.1 | 1.5 | 2.5 |
| EBITDA margins | 10.1 | 10.3 | 14.5 |
| Net profit margins | 2.1 | 5.6 | 7.9 |

Growth metrics (%)

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|------------------------|-------|-------|------|
| Revenues | 57.3 | 269.6 | 8.8 |
| EBITDA | 70.0 | 273.5 | 53.5 |
| PBT | 36.1 | 333.1 | 50.8 |
| Net profit | -10.0 | 861.1 | 53.8 |
| EPS | -88.3 | 375.9 | 42.3 |

Profit & Efficiency Ratios

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|------------------------------|------|------|------|
| ROAE (%) | 22.3 | 71.8 | 45.4 |
| ROACE (%) | 6.8 | 22.5 | 16.3 |
| Debtors (days) | 148 | 74 | 99 |
| Current ratio | 1.2 | 1.4 | 1.5 |
| Inventory (days) | 48 | 5 | 21 |
| Payable (days) | 142 | 80 | 82 |
| Cash conversion cycle (days) | 54 | -2 | 39 |
| Net Debt/EBITDA | 4.2 | 2.3 | 3.5 |
| Net debt/Equity | 2.9 | 2.0 | 2.1 |

Valuation parameters

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|------------------------|-------|-------|------|
| Diluted EPS (INR) | 2.3 | 11.2 | 15.9 |
| Y-o-Y growth (%) | -88.3 | 375.9 | 42.3 |
| Diluted P/E (x) | 186.3 | 39.2 | 27.5 |
| Price/BV(x) | 27.5 | 18.8 | 9.0 |
| EV/Sales (x) | 4.4 | 2.4 | 2.7 |
| EV/EBITDA (x) | 43.6 | 23.6 | 18.5 |
| Basic EPS | 2.3 | 11.2 | 15.9 |
| Basic PE (x) | 186.3 | 39.2 | 27.5 |

Balance sheet

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|------------|
| Equity share capital | 3 | 6 | 7 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | 2 | 8 | 26 |
| Shareholders funds | 5 | 14 | 33 |
| Secured loans | 17 | 29 | 70 |
| Unsecured loans | 0 | 0 | 0 |
| Borrowings | 17 | 29 | 70 |
| Net Deferred tax | 1 | 2 | 2 |
| Minority interest | -0 | 0 | 0 |
| Sources of funds | 23 | 46 | 104 |
| Gross block | 19 | 29 | 32 |
| Depreciation | 0 | 1 | 3 |
| Net block | 19 | 28 | 29 |
| Capital work in progress | 0 | 0 | 46 |
| Total fixed assets | 19 | 28 | 75 |
| Unrealised profit | 0 | 0 | 0 |
| Investments | 0 | 6 | 10 |
| Inventories | 3 | 1 | 6 |
| Sundry debtors | 14 | 25 | 37 |
| Cash and equivalents | 3 | 0 | 2 |
| Loans and advances | 5 | 15 | 14 |
| Other current assets | 0 | 0 | 0 |
| Total current assets | 25 | 42 | 58 |
| Sundry creditors and others | 10 | 23 | 23 |
| Provisions | 11 | 6 | 16 |
| Total CL & provisions | 21 | 30 | 40 |
| Net current assets | 4 | 12 | 18 |
| Misc expenditure | 0 | 0 | 0 |
| Uses of funds | 23 | 46 | 104 |
| Book value per share (INR) | 15.9 | 23.2 | 48.5 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Net profit | 1 | 7 | 11 |
| Add: Depreciation | 0 | 1 | 1 |
| Add: Misc expenses written off | 0 | 0 | 0 |
| Add: Deferred tax | 1 | 1 | 0 |
| Gross cash flow | 2 | 9 | 12 |
| Less: changes in W.C. | 2 | 10 | 5 |
| Operating cash flow | 0 | -1 | 7 |
| Less: Capex | 14 | 10 | 49 |
| Free cash flow | -14 | -11 | -42 |

We hosted the management of Pyramid Technoplast (PYRAMID) in our ‘Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan’ on December 5. Founded in 1997, PYRAMID is a prominent industrial packaging company known for its polymer-based moulded products. It specialises in rigid intermediate bulk containers (IBCs), polymer drums, and mild steel drums used by the chemical, agrochemical, specialty chemical, and pharma industries.

It operates seven manufacturing units with a polymer drum/IBC/mild steel (MS) drum capacity of 22,818mtpa/420,000 units/10,800mtpa. It enjoys a robust network of domestic and international distributors and vendors. It uses fully automated machines with advanced blow moulding technologies. Line 1 (120,000 units p.a.) at Unit 7 of its IBC plant in Bharuch (Gujarat) started commercial production in September and is running at 30% capacity utilisation. Revenue/EBITDA/PAT compounded annually at 24%/26%/37% over FY21–23. The stock is not rated.

Key takeaways

- The IBC segment enjoys a PAT margin of 10%, or 2x that of polymer as well as MS drums. Capex for IBC products is also 2x that of the other two products.
- Over the last five years, the IBC market has grown by 5x.
- Given the high freight cost to export its products, its revenue is essentially from the domestic market.
- As per its long-term agreements with customers, gross profit per mt is kept constant by passing on the increase or decrease in raw material prices at the start of every month.
- The top five customers constitute ~18% of revenue based on TTM.
- It is negotiations with a seller to acquire land in Maharashtra for ~INR15cr to expand its IBC capacity.
- Revenue is estimated to grow at 20% CAGR over next 3 years..
- In case of the IBC business, PYRAMID and Time Technoplast are running neck-to-neck with ~40% market share each. The balance share is with regional players.

Valuations

At the CMP of INR191, the stock trades at a P/E ratio of 22.1x and an EV/EBITDA of 13.6x on a TTM basis.

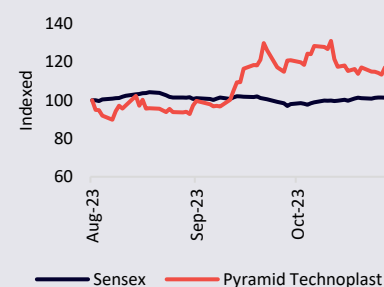
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenues (INR Cr) | 313 | 400 | 480 |
| Rev growth (%) | 21.0 | 27.8 | 19.9 |
| EBITDA (INR Cr) | 28.7 | 42.2 | 49.9 |
| Adjusted PAT (INR Cr) | 16 | 26 | 32 |
| P/E (x) | 4.8 | 2.9 | 18.7 |
| Price/BV(x) | 1.5 | 1.0 | 5.6 |
| EV/EBITDA (x) | 4.2 | 3.2 | 13.0 |
| RoACE (%) | 19.3 | 23.3 | 21.9 |
| RoAE (%) | 38.0 | 41.4 | 34.7 |

CMP: INR191
Rating: Not Rated

| Bloomberg: | PYRAMID:IN |
|----------------------|------------|
| 52-week range (INR): | 155/ 239 |
| M-cap (INR cr): | 733 |
| Promoter holding (%) | 74.94 |

Relative Price Performance



[Presentation link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Income from operations | 313 | 400 | 480 |
| Direct costs | 230 | 299 | 363 |
| Power & fuel | 0.0 | 13.2 | 15.6 |
| Employee costs | 16 | 16 | 18 |
| Other expenses | 39 | 31 | 34 |
| Total operating expenses | 285 | 358 | 430 |
| EBITDA | 29 | 42 | 50 |
| Depreciation and amortisation | 4 | 4 | 5 |
| EBIT | 25 | 38 | 45 |
| Interest expenses | 4 | 5 | 4 |
| Other income | 2 | 2 | 2 |
| Profit before tax | 22 | 35 | 43 |
| Provision for tax | 7 | 9 | 11 |
| Core profit | 16 | 26 | 32 |
| Profit after tax | 16 | 26 | 32 |
| Share from associates | 0 | 0 | 0 |
| Adjusted net profit | 16 | 26 | 32 |
| Equity shares outstanding (Cr) | 0.4 | 0.4 | 3.1 |
| EPS (INR) basic | 39.8 | 66.9 | 10.2 |
| Diluted shares (Cr) | 0.4 | 0.4 | 3.1 |
| EPS (INR) fully diluted | 39.8 | 66.9 | 10.2 |

Common size metrics- as % of net revenues

| Year to march | | | |
|----------------------|------|------|------|
| Operating expenses | 90.8 | 89.5 | 89.6 |
| Depreciation | 1.3 | 1.1 | 1.0 |
| Interest expenditure | 1.4 | 1.2 | 0.8 |
| EBITDA margins | 9.2 | 10.5 | 10.4 |
| Net profit margins | 5.0 | 6.5 | 6.6 |

Growth metrics (%)

| Year to March | | | |
|---------------|-------|------|-------|
| Revenues | 21.0 | 27.8 | 19.9 |
| EBITDA | 59.4 | 47.0 | 18.2 |
| PBT | 176.3 | 58.8 | 22.5 |
| Net profit | 159.0 | 68.0 | 22.2 |
| EPS | 159.0 | 68.0 | -84.8 |

Profit & Efficiency Ratios

| Year to qarch | | | |
|------------------------------|------|------|------|
| ROAE (%) | 38.0 | 41.4 | 34.7 |
| ROACE (%) | 19.3 | 23.3 | 21.9 |
| Debtors (days) | 75 | 68 | 59 |
| Current ratio | 1.9 | 3.0 | 2.5 |
| Inventory (days) | 35 | 45 | 46 |
| Payable (days) | 67 | 39 | 49 |
| Cash conversion cycle (days) | 43 | 74 | 56 |
| Net Debt/EBITDA | 1.6 | 1.4 | 1.0 |
| Net debt/Equity | 0.9 | 0.8 | 0.5 |

Valuation parameters

| Year to qarch | | | |
|-------------------|-------|------|-------|
| Diluted EPS (INR) | 39.8 | 66.9 | 10.2 |
| Y-o-Y growth (%) | 159.0 | 68.0 | -84.8 |
| Diluted P/E (x) | 4.8 | 2.9 | 18.7 |
| Price/BV(x) | 1.5 | 1.0 | 5.6 |
| EV/Sales (x) | 0.4 | 0.3 | 1.4 |
| EV/EBITDA (x) | 4.2 | 3.2 | 13.0 |
| Basic EPS | 39.8 | 66.9 | 10.2 |
| Basic PE (x) | 4.8 | 2.9 | 18.7 |

Balance sheet

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 4 | 4 | 31 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | 46 | 73 | 76 |
| Shareholders funds | 50 | 76 | 107 |
| Secured loans | 22 | 10 | 19 |
| Unsecured loans | 29.7 | 53.5 | 37.8 |
| Borrowings | 51 | 64 | 56 |
| Net Deferred tax | | | |
| Minority interest | 0 | 0 | 0 |
| Sources of funds | 101 | 140 | 164 |
| Gross block | 77 | 79 | 98 |
| Depreciation | 25 | 29 | 34 |
| Net block | 53 | 50 | 65 |
| Capital work in progress | 0 | 2 | 7 |
| Total fixed assets | 53 | 52 | 72 |
| Unrealised profit | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 |
| Inventories | 22 | 37 | 46 |
| Sundry debtors | 64 | 75 | 77 |
| Cash and equivalents | 5 | 4 | 6 |
| Loans and advances | 0 | 0 | 0 |
| Other current assets | 10 | 15 | 25 |
| Total current assets | 101 | 131 | 154 |
| Sundry creditors and others | 42 | 32 | 49 |
| Provisions | 11 | 11 | 13 |
| Total CL & provisions | 53 | 43 | 62 |
| Net current assets | 49 | 88 | 92 |
| Misc expenditure | 0 | 0 | 0 |
| Uses of funds | 101 | 140 | 164 |
| Book value per share (INR) | 127.7 | 195.9 | 34.3 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Net profit | 16 | 26 | 32 |
| Add: Depreciation | 4 | 4 | 5 |
| Add: Misc expenses written off | 0 | 0 | 0 |
| Add: Deferred tax | 1 | 0 | 1 |
| Gross cash flow | 20 | 31 | 37 |
| Less: changes in W.C. | 17 | 41 | 2 |
| Operating cash flow | 4 | -10 | 35 |
| Less: Capex | 7 | 4 | 24 |
| Free cash flow | -3 | -14 | 11 |

We hosted the management of Rockingdeals Circular Economy (ROCKINGD) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. This B2B re-commerce player began its operations in 2005. It is engaged in bulk trading of excess inventory, open boxed inventory, re-commerce products, and refurbished products in several categories such as small home appliances, apparel and footwear, kitchenware and household, speaker and mobile accessories, and large appliances.

Key takeaway

- ROCKINGD deals in more than 18 different categories (fashion, home appliances, mobile, speakers, etc.). Its top brands include Bajaj Electricals, ZARA, Boat. It added Dyson, Whirlpool of India, Puma, and Skechers, and plans to add an additional four-to-five brands.
- Fashion and appliances contribute ~40% each in terms of revenue, with the remaining categories forming ~20%. Fashion is the highest gross margin category, but margin varies from brand to brand.
- The company generates a majority of its revenue by supplying these products to over 1,000 associate partners. It also sells its products via online marketing platforms like Snapdeal and ShopClues. It is also working on setting up its own website, which is likely to start very soon.
- The company has three warehouses, one is leased by the company and two are owned by a group company. It is planning to set up two more warehouses one in Guwahati and another in Mumbai to provide faster delivery and improve inventory turnover.
- It is setting up an e-waste management plant to provide end-to-end solutions in the electronics category. This plant is likely to come on stream from FY24. This will help improve sourcing for its refurbished products and boost overall margin going forward.
- From FY24, it has decided to focus on deals that offer better profitability and margin vis-à-vis its earlier strategy of entering into low margin/quantum deals. It is likely to continue with this strategy as it has helped improve its performance in Q1FY24.
- ROCKINGD sold ~1lk/~60,000 units in FY23/Q1FY24. The management sounded confident of selling ~5lk units by the end of FY24, at an average selling price of INR1,500. It will maintain EBITDA margin similar to FY23 levels.

Valuations

At the CMP of INR282.5, the stock trades at a P/E ratio of 103.6x and an EV/EBITDA ratio of 63.5x on a FY23 basis. The stock is not rated.

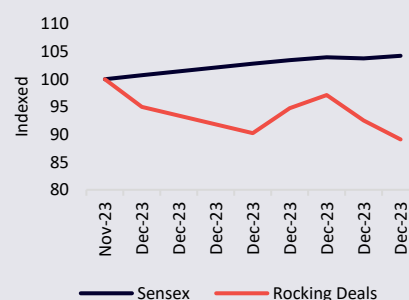
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|----------|-------|------|
| Revenue (INR cr) | 10.6 | 14.8 | 15.0 |
| Revenue growth (%) | - | 40.5 | 1.2 |
| EBITDA (INR cr) | 0.6 | 0.3 | 2.6 |
| Adjusted PAT (INR cr) | -0.0 | 0.1 | 1.5 |
| P/E ratio (x)* | -7,008.6 | 723.3 | 67.3 |
| Price/BV ratio (x) | 29.6 | 29.7 | 23.1 |
| EV/EBITDA ratio (x) | 257.8 | 507.7 | 63.5 |
| RoCE (%) | - | 1.0 | 23.7 |
| RoE (%) | - | 2.7 | 25.0 |

*Not measured (n.m.) as the denominator is negative

CMP: INR283
Rating: Not rated

| Bloomberg: | ROCKINGD:IN |
|----------------------|-------------|
| 52-week range (INR): | 270/315 |
| M-cap (INR cr): | 159 |
| Promoter holding (%) | 65.01 |



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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-------------------------------|-------|-------|-------|
| Income from operations | 10.56 | 14.83 | 15.01 |
| Direct costs | 7.37 | 12.74 | 10.66 |
| Employee costs | 1.31 | 0.70 | 0.51 |
| Other expenses | 1.24 | 1.07 | 1.27 |
| EBITDA | 0.63 | 0.32 | 2.57 |
| Depreciation and amortization | 0.38 | 0.23 | 0.25 |
| EBIT | 0.26 | 0.09 | 2.32 |
| Interest expenses | 0.38 | 0.41 | 0.44 |
| Other income | 0.14 | 0.50 | 0.17 |
| Profit before tax | 0.02 | 0.18 | 2.05 |
| Provision for tax | 0.04 | 0.04 | 0.51 |
| Core profit | -0.01 | 0.14 | 1.54 |
| Profit after tax | -0.01 | 0.14 | 1.54 |
| Adjusted net profit | -0.01 | 0.14 | 1.54 |
| Equity share outStanding (mn) | 3.68 | 3.68 | 3.68 |
| EPS (INR) basic | -0.04 | 0.39 | 4.20 |
| Diluted shares (mn) | 3.68 | 3.68 | 3.68 |
| EPS (INR) fully diluted | -0.04 | 0.39 | 4.20 |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 94.0 | 97.8 | 82.9 |
| Depreciation | 3.6 | 1.6 | 1.7 |
| Interest expenditure | 3.6 | 2.7 | 2.9 |
| EBITDA margins | 6.0 | 2.2 | 17.1 |
| Net profit margins | -0.1 | 1.0 | 10.3 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|------|----------|---------|
| Revenues | - | 40.5 | 1.2 |
| EBITDA | - | -49.3 | 699.4 |
| PBT | - | 739.8 | 1,017.8 |
| Net profit | - | -1,068.9 | 974.2 |
| EPS | - | -1,068.9 | 974.2 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| RoAE (%) | - | 2.7 | 25.0 |
| RoACE (%) | - | 1.0 | 23.7 |
| Debtors (days) | 143.9 | 85.5 | 54.1 |
| Current ratio | 1.5 | 2.0 | 4.5 |
| Debt/equity | 0.7 | 0.7 | 0.5 |
| Inventory (days) | 242.5 | 145.3 | 172.8 |
| Payable (days) | 222.2 | 118.7 | 1.8 |
| Cash conversion cycle (days) | 164.1 | 112.2 | 225.1 |
| Debt/EBITDA | 5.9 | 11.7 | 1.4 |
| Adjusted Debt/equity | 0.7 | 0.6 | 0.5 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|-----------|----------|-------|
| Diluted EPS (INR) | -0.0 | 0.4 | 4.2 |
| Y-o-Y growth (%) | - | -1,068.9 | 974.2 |
| CEPS (INR) | 1.0 | 1.0 | 4.9 |
| Diluted P/E (x) | -7,008.6 | 723.3 | 67.3 |
| Price/BV (x) | 29.6 | 29.7 | 23.1 |
| EV/Sales (x) | 15.5 | 11.0 | 10.9 |
| EV/EBITDA (x) | 257.8 | 507.7 | 63.5 |
| Diluted Shares O/S (mn) | 3.7 | 3.7 | 3.7 |
| Basic EPS (INR) | -0.0 | 0.4 | 4.2 |
| Basic P/E (x) | -10,781.0 | 1,112.7 | 103.6 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-------------|-------------|--------------|
| Equity share capital | 0.12 | 0.12 | 0.12 |
| Reserves & surplus | 5.27 | 5.27 | 6.81 |
| Shareholders' funds | 5.39 | 5.39 | 6.93 |
| Secured Loans | 0.69 | 0.68 | 0.37 |
| Unsecured Loans | 3.04 | 3.09 | 3.15 |
| Borrowings | 3.73 | 3.77 | 3.51 |
| Sources of funds | 9.12 | 9.16 | 10.45 |
| Gross block | 6.53 | 6.21 | 5.67 |
| Depreciation | 2.21 | 2.14 | 1.75 |
| Net block | 4.32 | 4.07 | 3.92 |
| Total fixed assets | 4.32 | 4.07 | 3.92 |
| Investments | 0.01 | 0.01 | 0.01 |
| Inventories | 4.90 | 5.07 | 5.05 |
| Sundry debtors | 4.16 | 3.47 | 2.22 |
| Cash and equivalents | 0.16 | 0.30 | 0.06 |
| Loans and advances | 4.68 | 0.80 | 0.79 |
| Total current assets | 13.90 | 9.65 | 8.13 |
| Sundry creditors and others | 4.49 | 4.14 | 0.05 |
| Provisions | 5.02 | 0.67 | 1.77 |
| Total CL & provisions | 9.51 | 4.81 | 1.82 |
| Net current assets | 4.40 | 4.84 | 6.31 |
| Net deferred tax | 0.23 | 0.21 | 0.20 |
| Other Assets | 0.17 | 0.03 | 0.01 |
| Uses of funds | 9.12 | 9.16 | 10.45 |
| Book value per share (INR) | 14.66 | 14.65 | 18.85 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|-------|-------|-------|
| Net profit | -0.01 | 0.14 | 1.54 |
| Add: Depreciation | 0.38 | 0.23 | 0.25 |
| Add: Others | 0.38 | 0.41 | 0.44 |
| Gross cash flow | 0.74 | 0.78 | 2.23 |
| Less: Changes in W.C. | - | 0.30 | 1.71 |
| Operating cash flow | - | 0.49 | 0.53 |
| Less: Capex | - | -0.49 | -0.40 |
| Free cash flow | - | 0.97 | 0.93 |

We hosted the management of Saakshi Medtech & Panels (SAAKSHI) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. This diversified company is engaged in the manufacture of: i) electrical control panels (ECPs) and cabinets that find use in elevators, air compressors, the renewable energy industry, oil and gas exploration, electric vehicle charging stations, etc.; and ii) medical x-ray systems used in the healthcare industry. It also involved in the fabrication of locomotives. It has a wire harness division for captive consumption in ECPs and for supply to the air compressor industry. Its comprehensive solutions include design, process engineering, and manufacturing (including fabrication, assembly, and testing facilities). It operates through three manufacturing facilities in Pune, spread ~9,600 sq. meters. Revenue stood at INR122cr/INR61cr in FY23/H1FY24, with an EBITDA margin of 17%/16%.

Key takeaways

- SAAKSHI's diverse product range finds use in: i) the healthcare industry; ii) the industrial and engineering vertical in renewable energy; iii) locomotives; iv) elevators; v) air compressors; vi) diesel generators; and vii) electric vehicle charging stations.
- The Indian medical devices market has the potential to clock 37% CAGR and touch USD50bn by 2025. Regulation is increasing in the domestic X-ray market, with manufacturers now requiring CDSCO approval. The company is CDSCO approved.
- Its assembled white-label medical X-ray system comprises of an X-ray machine, imaging system, generator, and mechanics. The company aims to enter into distribution agreements with one of the OEM companies. It also plans to manufacture an X-ray machine under its own brand.
- Its electrical control panels and cabinets are used in wind turbines mainly in sensors and gears. SAAKSHI is gaining good traction for these products from customers in the wind segment. With the installation of high-capacity wind turbines, the management expects to garner a higher revenue per turbine.
- The company is involved in the fabrication of high-level assembly (HLA) to be installed in high-power locomotives. HLA involves the manufacturing and assembly of sensor box, battery boxes, sand boxes, dynamic brake weldments, resistor boxes, oil tank assemblies, and snow plough.
- The company intends to expand its fabrication operations in the aerospace industry and act as a Tier III supplier. It has partnered with GE Aerospace to supply sub-components. The management expects its aviation division to gain greater traction given its proximity to clients in Pune. Its tie-up with L&T Defense is expected to provide a greater impetus to revenue from the aerospace segment.
- SAAKSHI recently inked a long-term pact with Wabtec India Industrial Pvt for the supply of HLA (valid up to 2027) and Otis Elevator Company (India) for supply of electrical control panels to control the movement of lifts (valid up to June 2024). It is also in discussion with a couple of prospective clients in Pune for elevators. These agreements are likely to provide near term revenue visibility.
- Most segments, in which the company operates in, offer high-entry barriers as there are a lot of processes that need to be followed while onboarding customers.

Valuations

At the CMP of INR234, the stock trades at a P/E ratio of 32.8x and an EV/EBITDA ratio of 17.7x on a TTM basis. The stock is not rated.

Key financials

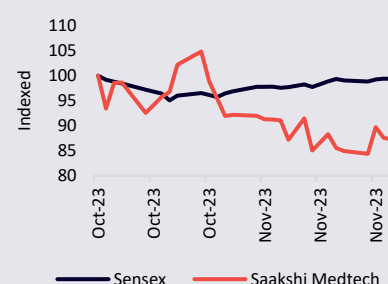
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 60 | 92 | 122 |
| Revenue growth (%) | -2.4 | 53.2 | 33.3 |
| EBITDA (INR cr) | 6 | 16 | 21 |
| Adjusted PAT (INR cr) | 2 | 9 | 12 |
| P/E ratio (x)* | 3.1 | 35.3 | 26.7 |
| Price/BV ratio (x) | 22.3 | 15.0 | 10.6 |
| EV/EBITDA ratio (x) | 80.1 | 29.8 | 22.7 |
| RoCE (%) | 10.5 | 31.4 | 32.9 |
| RoE (%) | 11.0 | 37.6 | 34.3 |

*Not measured (n.m.) as the denominator is negative

CMP: INR234
Rating: Not rated

| Bloomberg: | SAAKSHI:IN |
|----------------------|------------|
| 52-week range (INR): | 146/294 |
| M-cap (INR cr): | 414 |
| Promoter holding (%) | 73.63 |

Relative Price Performance



[Presentation link](#)

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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-------------------------------|------|------|-------|
| Income from operations | 59.8 | 91.6 | 122.1 |
| Direct costs | 40.6 | 60.2 | 79.4 |
| Employee costs | 7.5 | 9.2 | 13.2 |
| Other expenses | 5.8 | 6.5 | 8.9 |
| EBITDA | 5.9 | 15.6 | 20.5 |
| Depreciation and amortization | 1.7 | 1.7 | 2.7 |
| EBIT | 4.2 | 13.9 | 17.9 |
| Interest expenses | 1.5 | 1.3 | 1.5 |
| Other income | 0.5 | 0.1 | 0.1 |
| Profit before tax | 3.1 | 12.7 | 16.6 |
| Provision for tax | 1.0 | 3.3 | 4.2 |
| Core profit | 2.1 | 9.4 | 12.4 |
| Extraordinary items | - | - | - |
| Profit after tax | 2.1 | 9.4 | 12.4 |
| Minority interest | - | - | - |
| Share from associates | - | - | - |
| Adjusted net profit | 2.1 | 9.4 | 12.4 |
| Equity share outStanding (mn) | 0.3 | 13.0 | 13.0 |
| EPS (INR) basic | 81.0 | 7.2 | 9.5 |
| Diluted shares (mn) | 0.3 | 13.0 | 13.0 |
| EPS (INR) fully diluted | 81.0 | 7.2 | 9.5 |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 90.2 | 83.0 | 83.2 |
| Depreciation | 2.8 | 1.9 | 2.2 |
| Interest expenditure | 2.5 | 1.4 | 1.2 |
| EBITDA margins | 9.8 | 17.0 | 16.8 |
| Net profit margins | 3.5 | 10.3 | 10.1 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|-------|-------|------|
| Revenues | -2.4 | 53.2 | 33.3 |
| EBITDA | -48.3 | 166.2 | 31.9 |
| PBT | -59.3 | 305.8 | 30.8 |
| Net profit | -64.5 | 347.1 | 31.8 |
| EPS | -64.4 | -91.1 | 32.0 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|-------|
| RoAE (%) | 11.0 | 37.6 | 34.3 |
| RoACE (%) | 10.5 | 31.4 | 32.9 |
| Debtors (days) | 89.6 | 69.6 | 68.7 |
| Current ratio | 2.4 | 2.0 | 2.0 |
| Debt/equity | 1.1 | 0.5 | 0.5 |
| Inventory (days) | 95.1 | 80.9 | 108.8 |
| Payable (days) | 98.3 | 85.2 | 100.8 |
| Cash conversion cycle (days) | 86.3 | 65.4 | 76.7 |
| Debt/EBITDA | 3.8 | 1.1 | 1.0 |
| Adjusted Debt/equity | 1.0 | 0.5 | 0.4 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|-------|-------|------|
| Diluted EPS (INR) | 81.0 | 7.2 | 9.5 |
| Y-o-Y growth (%) | -64.4 | -91.1 | 32.0 |
| CEPS (INR) | 146.5 | 8.5 | 11.6 |
| Diluted P/E (x) | 3.1 | 35.3 | 26.7 |
| Price/BV (x) | 22.3 | 15.0 | 10.6 |
| EV/Sales (x) | 7.8 | 5.1 | 3.8 |
| EV/EBITDA (x) | 80.1 | 29.8 | 22.7 |
| Diluted Shares O/S (mn) | 0.3 | 13.0 | 13.0 |
| Basic EPS (INR) | 81.0 | 7.2 | 9.5 |
| Basic P/E (x) | 214.0 | 47.9 | 36.3 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|-----------|-----------|-----------|
| Equity share capital | 3 | 3 | 3 |
| Reserves & surplus | 18 | 27 | 40 |
| Shareholders' funds | 20 | 30 | 42 |
| Secured Loans | 21 | 16 | 20 |
| Unsecured Loans | 1 | 0 | 0 |
| Borrowings | 22 | 16 | 20 |
| Other liabilities | 0 | 0 | 3 |
| Sources of funds | 42 | 46 | 65 |
| Gross block | 33 | 39 | 50 |
| Depreciation | 12 | 13 | 16 |
| Net block | 22 | 26 | 34 |
| Capital work-in-progress | 0 | 0 | 0 |
| Total fixed assets | 22 | 26 | 34 |
| Investments | 0 | 0 | 0 |
| Inventories | 11 | 13 | 24 |
| Sundry debtors | 15 | 17 | 23 |
| Cash and equivalents | 3 | 1 | 3 |
| Loans and advances | 3 | 4 | 6 |
| Total current assets | 31 | 36 | 56 |
| Sundry creditors and others | 11 | 14 | 22 |
| Provisions | 2 | 4 | 6 |
| Total CL & provisions | 13 | 19 | 28 |
| Net current assets | 18 | 18 | 28 |
| Net deferred tax | 0 | 0 | 0 |
| Other Assets | 3 | 3 | 3 |
| Uses of funds | 42 | 46 | 65 |
| Book value per share (INR) | 776 | 23 | 33 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Net profit | 2 | 9 | 12 |
| Add: Depreciation | 2 | 2 | 3 |
| Add: Others | 1 | 1 | 1 |
| Gross cash flow | 5 | 12 | 16 |
| Less: Changes in W.C. | 5 | 1 | 8 |
| Operating cash flow | 0 | 11 | 8 |
| Less: Capex | -3 | 2 | 6 |
| Free cash flow | 3 | 9 | 2 |

We hosted the management of SEAMEC in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 5. SEAM is a subsidiary of HAL Offshore, which is a part of the M.M. Agarwal group. HAL Offshore operates in a similar space as SEAM and is a leading end-to-end solutions provider of underwater services. It also provides EPC services to the Indian oil and gas industry. SEAM operates in the niche business of providing highly skilled services that require specialised vessels and a well trained and experienced crew. Through its subsidiaries, it has diversified into the bulk carrier charter business. It derives ~85%/~15% of revenue from offshore services (support vessels)/bulk carrier charter business. The stock is not rated.

Key takeaways

- SEAM owns and operates five DSVs, one barge, and three dry bulk carriers. It recently signed two MoUs for two new vessels for ~USD7mn each. The increase in its fleet size is in alignment with the management's vision to reduce the overall age of its fleet as demonstrated by capex over the last two-to-three years.
- As the average duration of fixed rate contracts entered into is three-to-five years, SEAM was operating at lower legacy rates. However, 50% of its DSV and barge fleet are expected to sign revised contracts in FY24 (two completed, with one due in December). These along with new vessels will benefit from improved charter-hire rates.
- Seamec III/II are expected to be scrapped in FY25/FY26. It is expected to replace these with new vessels which will fetch higher charter rates, aiding revenue ahead.
- SEAM's association with ONGC spans decades and has been its preferred partner in maintaining its oil fields. ONGC contributes ~70% to SEAM's total revenue. ONGC is expected to invest ~USD4bn over the medium term, and any new facilities will provide vessel deployment opportunities for SEAM.
- The volatility in crude oil prices has not impacted SEAM as this has been taken care by its clients who avail its charter-hire services. Volatility in prices may impact the client's capex decisions. However, this is unlikely due to thrust on domestic production to reduce export dependency.
- It possesses the necessary certifications to work with ONGC. Its specialised workforce has the technical ability to make the necessary modifications to suit ONGC's needs. Its well-trained crew and diving team have extensive experience in handling complex activities, ensuring seamless operations for ONGC, and giving them a leg up over peers.
- The bulk carrier business is part of its aim to diversify and is expected to constitute ~10% of revenue going forward. It also ventured into tunnel construction and bagged an INR27cr project in Vapi (Gujarat) via the JV route. Parent, HAL Offshore has a rich EPC experience. It has also set up a wholly owned subsidiary — Seamec UK Investments — to pursue large oil and gas business in Europe and Africa.

Valuation and view

The last eight quarters were muted for SEAM due to unplanned dry docking of vessels, a difficult monsoon season, and lower legacy charter rates on some vessels. However, the business is on the cusp of a turnaround, led by: i) better charter-hire rates, ii) capex over the past two-to-three years to replace ageing vessels that will benefit from better charter rates, iii) fleet expansion, and iv) a mutually beneficial relationship with ONGC. We expect a revenue/PAT CAGR of 20%/74% over FY23–26. The stock is trading at 14x FY26 EPS.

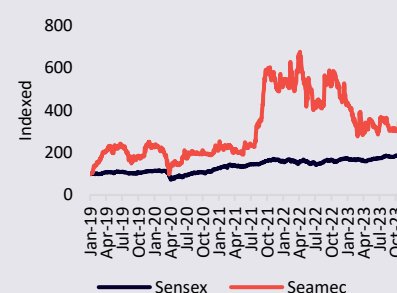
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 257 | 350 | 437 |
| Revenue growth (%) | -33 | 36 | 25 |
| EBITDA (INR cr) | 67 | 129 | 126 |
| Adjusted PAT (INR cr) | 99 | 83 | 33 |
| P/E ratio (x) | 11.4 | 40.8 | 46 |
| Price/BV ratio (x) | 1.7 | 4.5 | 1.9 |
| EV/EBITDA ratio (x) | 17.6 | 27.1 | 11.9 |
| RoACE (%) | 1.2 | 4.8 | 1.6 |
| RoAE (%) | 16.1 | 11.8 | 4.3 |

CMP: INR922
Rating: Not rated

| Bloomberg: | SEAM:IN |
|----------------------|-----------|
| 52-week range (INR): | 562/1,100 |
| M-cap (INR cr): | 2,345 |
| Promoter holding (%) | 72.05 |

Relative price performance



[Presentation link](#)

[Previous report link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|---|-----------|------------|------------|
| Income from operations | 257 | 350 | 437 |
| Direct costs | 128 | 133 | 205 |
| Employee costs | 53 | 60 | 76 |
| Other expenses | 8 | 27 | 30 |
| Total operating expenses | 190 | 221 | 311 |
| EBITDA | 67 | 129 | 126 |
| Depreciation and amortisation | 57 | 84 | 112 |
| EBIT | 10 | 45 | 14 |
| Interest expenses | 5 | 6 | 7 |
| Other income | 39 | 46 | 20 |
| Profit before tax | 44 | 85 | 28 |
| Provision for tax | 7 | 1 | -6 |
| Core profit | 37 | 84 | 34 |
| Minority Interest | 0 | 0 | 1 |
| Profit after tax | 37 | 83 | 33 |
| Extraordinary items & share of profit from associates | 62 | 0 | 0 |
| Reported net profit | 99 | 84 | 34 |
| Adjusted Net Profit | 99 | 83 | 33 |
| Equity shares outstanding (cr) | 2.5 | 2.5 | 2.5 |
| EPS (INR) basic | 38.8 | 32.7 | 13 |
| Diluted shares (Cr) | 2.5 | 2.5 | 2.5 |
| EPS (adj) fully diluted | 38.8 | 32.7 | 13 |
| Dividend per share | 1 | 0 | 0 |
| Dividend payout (%) | 3% | 0% | 0% |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 74 | 63.1 | 71.1 |
| Depreciation | 22 | 24 | 25.6 |
| Interest expenditure | 1.9 | 1.8 | 1.6 |
| EBITDA margins | 26 | 36.9 | 28.9 |
| Net profit margins | 38.5 | 23.9 | 7.7 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|-------|-------|-------|
| Revenues | -33.1 | 36.1 | 25.1 |
| EBITDA | -60.4 | 93.5 | -2.1 |
| PBT | -68 | 91.2 | -67.4 |
| Net profit | -26 | -15.6 | -60.3 |
| EPS | -26 | -15.6 | -60.3 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|------|
| ROE (%) | 16.1 | 11.8 | 4.3 |
| ROCE (%) (adj. for cash) | 1.2 | 4.8 | 1.6 |
| Debtors (days) | 112 | 41 | 88 |
| Current ratio | 3.5 | 5.7 | 2.7 |
| Debt/Equity | 0.1 | 0.2 | 0.2 |
| Inventory (days) | 29 | 29 | 34 |
| Payable (days) | 50 | 25 | 50 |
| Cash conversion cycle (days) | 91 | 45 | 73 |
| Debt/EBITDA | 1.1 | 0.9 | 1.1 |
| Adjusted debt/Equity | 0.1 | 0.1 | 0 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|------|------|------|
| Diluted EPS (INR) | 38.8 | 32.7 | 13 |
| CEPS (INR) | 61 | 65.7 | 57 |
| Diluted P/E (x) | 11.4 | 40.8 | 46 |
| Price/BV(x) | 1.7 | 4.5 | 1.9 |
| EV/Sales (x) | 4.6 | 10 | 3.4 |
| EV/EBITDA (x) | 17.6 | 27.1 | 11.9 |
| Diluted shares O/S | 2.5 | 2.5 | 2.5 |
| Basic EPS | 38.8 | 32.7 | 13 |
| Basic PE (x) | 11.4 | 40.8 | 46 |
| Dividend yield (%) | 0% | 0% | 0% |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 25 | 25 | 25 |
| Reserves & surplus | 637 | 723 | 765 |
| Shareholders funds | 662 | 748 | 790 |
| Secured loans | 35 | 72 | 47 |
| Unsecured loans | 40 | 51 | 90 |
| Borrowings | 76 | 123 | 137 |
| Net Debt | 48 | 99 | -18 |
| Minority interest | 2 | 3 | 1 |
| Other liabilities | 44 | 48 | 18 |
| Sources of funds | 784 | 921 | 947 |
| Gross block | 538 | 743 | 1,013 |
| Depreciation | 247 | 332 | 428 |
| Net block | 291 | 411 | 585 |
| Capital work in progress | 0 | 2 | 0 |
| Total fixed assets | 291 | 413 | 585 |
| Other non-current assets | 309 | 278 | 166 |
| Inventories | 20 | 28 | 41 |
| Sundry debtors | 79 | 40 | 106 |
| Cash and equivalents | 28 | 24 | 155 |
| Other current assets | 133 | 189 | 12 |
| Total current assets | 260 | 280 | 314 |
| Sundry creditors and others | 74 | 49 | 117 |
| Provisions | 0 | 0 | 1 |
| Total CL & provisions | 75 | 49 | 117 |
| Net current assets | 185 | 231 | 196 |
| Uses of funds | 785 | 922 | 947 |
| Book value per share (INR) | 261 | 295 | 311 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------|----------|-------------|-------------|
| EBIT | 106 | 85 | 28 |
| Add: Depreciation | 57 | 84 | 112 |
| Add: Others | -26 | -18 | -5 |
| Gross cash flow | 137 | 151 | 134 |
| Less: Changes in W. C. | 30 | 57 | 81 |
| Operating cash flow | 106 | 94 | 53 |
| Less: Capex | 102 | 195 | 258 |
| Free cash flow | 4 | -101 | -205 |

We hosted the management of Sky Gold (SKYGOLD) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. SKYGOLD is one of the leading jewellery companies based in Mumbai. It designs, manufactures, and markets gold jewellery. It specialises in light-weight jewellery (22 Carat gold). It works on a B2B model with leading retailers like Malabar Gold & Diamonds, Kalyan Jewellers, Joyalukkas, GRT Jewellers, and Samco Gold. It also works with large wholesalers. Its products are available at more than 2,000 showrooms across India. The jewellery is manufactured at its 81,000 sq. ft. facility in Navi Mumbai. It operates in three categories: plain gold jewellery, studded jewellery, and Turkish jewellery. It boasts of a monthly gold processing capacity of 750kg. It has a library of more than five lakh designs of rings, bracelets, bangles, fancy pendants, earrings, etc. The stock is not rated.

Key takeaways

- The company boasts of ~31k designs and mainly caters to the 25–45 years age group.
- It has a team of 50 designers, most of whom hail from Kolkata.
- It manufactures lightweight jewellery. Its most sold items are rings, lockets, etc. It does not manufacture jewellery costing more than a INR11k.
- The company is working on adding 1,000 designs per month and has an acceptance rate of 75–80%.
- Of its monthly manufacturing capacity of 750kg, it is utilising 250kg (90%/10% of it is 22/18 Carat). Its manufacturing facility is spread across 81,000 sq. ft.
- The management said is not interested in going online or increasing its retail presence. Its focus is on adding more corporates.
- The company is not facing any problems with respect to funds or labour.
- It is in talks with Tanishq to add them as customers. The audit of its facilities and products has been completed. It is awaiting the final approval. The deal with Tanishq can boost revenue by INR100cr in the first year itself. It is also in talks with Reliance.
- It earns a gross margin of 5–7% over the price of gold. Revenue is not net of loss. Loss during the process is 1%, and the management aims to reduce it to 0.7–0.8%.
- Inventory turnover and receivables stand at 25–30 days and the management is working to lower it to five-to-seven days in both cases.
- It expects to boost exports to 30%.
- It manages to carve out a margin given its low cost. Its machines are imported from Turkey, Italy, and Germany, and has a life span of 10–15 years.
- The management is targeting a revenue of INR5,000cr within the next two years.
- The lead time for delivering the goods after receiving an order is seven to 10 days, which is extremely low as compared to 30 days for its competitors.

Valuation and view

At the CMP, the stock is trading at ~42x earnings on a TTM basis. The stock is not rated.

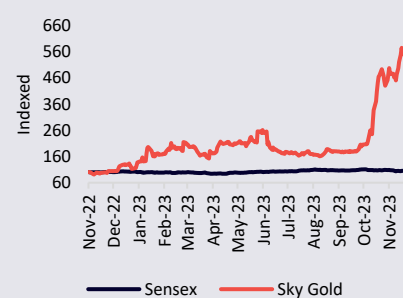
Key financials

| Year to March | FY21 | FY22 | FY23 |
|---------------------|------|------|------|
| Revenue (INR cr) | 796 | 786 | 1154 |
| Revenue growth (%) | 10 | -1 | 47 |
| EBITDA (INR cr) | 11 | 20 | 36 |
| EBITDA margin (%) | 1.3 | 2.6 | 3.1 |
| Net profit (INR cr) | 5 | 17 | 19 |
| P/E ratio (x) | 10 | 3 | 52 |
| RoACE (%) | 8.7 | 12.9 | 16.7 |
| RoAE (%) | 9.7 | 26.3 | 21.3 |

CMP: INR1,179
Rating: Not rated

| Bloomberg: | SKYGOLD:IN |
|----------------------|------------|
| 52-week range (INR): | 206/931 |
| M-cap (INR cr): | 964 |
| Promoter holding (%) | 26.45 |

Relative price performance



[Presentation link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|-------|
| Income from operations | 796 | 786 | 1,154 |
| Direct costs | 780 | 757 | 1,104 |
| Employee costs | 2 | 3 | 5 |
| Other expenses | 3 | 5 | 8 |
| Total operating expenses | 785 | 765 | 1,117 |
| EBITDA | 11 | 20 | 36 |
| Depreciation and amortisation | 0 | 1 | 1 |
| EBIT | 10 | 19 | 35 |
| Interest expenses | 6 | 8 | 11 |
| Other income | 2 | 11 | 1 |
| Extraordinary items | 0 | 0 | 0 |
| Profit before tax | 6 | 22 | 25 |
| Provision for tax | 1 | 5 | 6 |
| Core profit | 5 | 17 | 19 |
| Extraordinary items | 0 | 0 | 0 |
| Profit after tax | 5 | 17 | 19 |
| Share from associates | 0 | 0 | 0 |
| Adjusted net profit | 5 | 17 | 19 |
| Equity shares outstanding (cr) | 1 | 1 | 1 |
| EPS (INR) basic | 9.0 | 31.6 | 17.3 |
| Diluted shares (Cr) | 1 | 1 | 1 |
| EPS (INR) fully diluted | 9.0 | 31.6 | 17.3 |
| Dividend per share | 2 | 2 | 3 |
| Dividend payout (%) | 23 | 5 | 16 |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 98.7 | 97.4 | 96.9 |
| Depreciation | 0.1 | 0.1 | 0.1 |
| Interest expenditure | 0.8 | 1.0 | 0.9 |
| EBITDA margins | 1.3 | 2.6 | 3.1 |
| Net profit margins | 0.6 | 2.2 | 1.6 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|--------|-------|--------|
| Revenues | 10.2 | (1.2) | 46.8 |
| EBITDA | (18.6) | 92.7 | 79.0 |
| PBT | (19.8) | 258.3 | 15.3 |
| Net profit | (17.5) | 251.7 | 9.9 |
| EPS | (17.5) | 251.7 | (45.1) |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|------|
| ROAE (%) | 9.7 | 26.3 | 21.3 |
| ROACE (%) | 8.7 | 12.9 | 16.7 |
| Debtors (days) | 11 | 20 | 21 |
| Current ratio | 299 | 36 | 52 |
| Debt/Equity | 1.4 | 1.2 | 1.5 |
| Inventory (days) | 31 | 35 | 27 |
| Payable (days) | 0 | 1 | 1 |
| Cash conversion cycle (days) | 42 | 54 | 48 |
| Debt/EBITDA | 7 | 5 | 4 |
| Adjusted debt/Equity | 1.4 | 1.2 | 1.3 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|--------|-------|--------|
| Diluted EPS (INR) | 9.0 | 31.6 | 17.3 |
| Y-o-Y growth (%) | (17.5) | 251.7 | (45.1) |
| CEPS (INR) | 9.8 | 33.6 | 18.7 |
| Diluted P/E (x) | 10.0 | 2.9 | 51.6 |
| Price/BV(x) | 0.9 | 0.6 | 1.0 |
| EV/Sales (x) | 0.2 | 0.2 | 0.2 |
| EV/EBITDA (x) | 11.5 | 6.9 | 6.2 |
| Diluted shares O/S | 0.5 | 0.5 | 1.1 |
| Basic EPS | 9.0 | 31.6 | 17.3 |
| Basic PE (x) | 10.0 | 2.9 | 51.6 |
| Dividend yield (%) | 2.3 | 1.7 | 3.0 |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 5 | 5 | 11 |
| Preference Share Capital | 0 | 0 | 0 |
| Reserves & surplus | 47 | 71 | 87 |
| Shareholders funds | 52 | 77 | 98 |
| Secured loans | 73 | 92 | 146 |
| Unsecured loans | 0 | 0 | 0 |
| Borrowings | 73 | 92 | 146 |
| Minority interest | 0 | 0 | 0 |
| Sources of funds | 126 | 169 | 245 |
| Gross block | 8 | 8 | 11 |
| Depreciation | 3 | 3 | 4 |
| Net block | 5 | 5 | 6 |
| Capital work in progress | 0 | 0 | 0 |
| Total fixed assets | 5 | 5 | 6 |
| Right of Use Assets | 0 | 1 | 0 |
| Investments | 25 | 45 | 68 |
| Inventories | 68 | 74 | 85 |
| Sundry debtors | 23 | 43 | 67 |
| Cash and equivalents | 0 | 1 | 18 |
| Loans and advances | 4 | 5 | 4 |
| Other current assets | 0 | 0 | 0 |
| Total current assets | 96 | 124 | 174 |
| Sundry creditors and others | 0 | 3 | 3 |
| Provisions | 0 | 0 | 0 |
| Total CL & provisions | 0 | 3 | 3 |
| Net current assets | 95 | 120 | 171 |
| Net Deferred tax | 0 | -2 | -3 |
| Misc expenditure | -0 | -1 | 2 |
| Uses of funds | 126 | 168 | 245 |
| Book value per share (INR) | 97 | 143 | 91 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|---|-----------|-----------|-----------|
| Net profit | 4 | 18 | 18 |
| Add: Depreciation | 0 | 1 | 1 |
| Add: Misc expenses written off/Other Assets | 4 | -3 | 10 |
| Add: Deferred tax | 0 | 0 | 0 |
| Gross cash flow | 8 | 16 | 29 |
| Less: Changes in W. C. | -12 | -25 | -34 |
| Operating cash flow | 21 | 41 | 63 |
| Less: Capex | -2 | -1 | -2 |
| Free cash flow | 22 | 41 | 65 |

We hosted the management of SoftTech Engineers (SOFTTECH) in our ‘Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*’ on December 6. Founded by Mr Vijay Gupta in 1996, SOFTTECH offers a wide array of software products and solutions for architecture, engineering, and construction (AEC) verticals. These products cater to the entire construction lifecycle: planning a layout, approval, budgeting, area calculation, and execution of the plan. To penetrate the international market, this Pune-headquartered company has incorporated subsidiaries in the US, Middle East, Singapore, the UK and Finland. The stock is not rated.

Key takeaways

- SOFTTECH has a portfolio of five products: RuleBuddy, AutoDCR, PWIMS, Opticon, BIM DCR. STRUDS and SEPL – ESRGSR were sold to CSC UK in 2010–11.
- These products cover the entire value chain of pre-construction, construction, and post-construction and form the backbone of its new platform — CIVIT, which aims to connect all stakeholders and application products.
- It posted a revenue of INR65cr in FY23. Around 70–80% of revenue accrues from 800 government municipalities across 18 states. As the total number of government municipalities stands at ~4,500, it has scope to boost its reach ahead. It is working on a height based permitting system with the Airports Authority India Limited and has signed on for two smart city projects.
- It aims to grow its revenue by ~3x to ~INR200cr by FY26 from INR65cr in FY23 (split equally between domestic and international), with more than 25% EBITDA margin and ~50% of revenue expected to be recurring in nature. The management expects a strong jump in overseas revenue from FY25, with over USD10m expected in FY26.
- Its strategy for growth includes: i) increasing SaaS revenue to scale up; ii) integration of BIM and GIS (BIM/GIS: building information management/geographic information system); iii) expanding overseas (through subsidiaries); and iv) forging global pacts.
- It has demonstrated proof of concept in the US. It intends to partner with a large tech company that will use its products and integrate it with their own to deliver it in the US.
- SOFTTECH has pivoted its business model to SaaS (per user/use/sq. ft., as per permit approval, etc.) from a one-time license fee. It has already migrated government bodies in Maharashtra and Uttar Pradesh to the SaaS model.
- Previous revenue recognition under a one-time license fee used to result in a large build-up of unbilled revenue and stress its working capital. Pivoting to SaaS can boost revenue and operating cash flow, improve its working capital, and lower financing costs.
- SOFTTECH receives its share of revenue at the time of application when offered as a SaaS. Hence, the counterparty to the transaction becomes developers, helping it diversify from government entities.
- Under the new business model, it recoups the amount it used to charge as license fee in two-to-three years.

Valuations and view

Based on management’s FY26 revenue estimate of USD25mn (INR200cr) and historical PAT margin, we expect an EPS of INR15.4. At the CMP, the stock trades at 15x FY26E EPS. The stock is not rated.

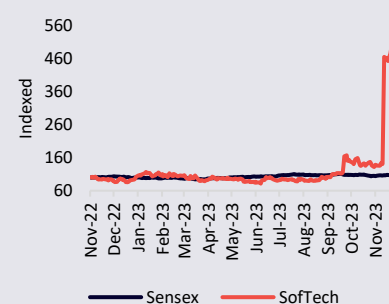
Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Revenue (INR cr) | 42 | 57 | 65 |
| Revenue growth (%) | -28 | 38 | 14 |
| EBITDA (INR cr) | 11 | 15 | 19 |
| Adjusted PAT (INR cr) | 3 | 5 | 4 |
| P/E ratio (x) | 35.6 | 21 | 37.4 |
| Price/BV ratio (x) | 1.4 | 1.2 | 1.4 |
| EV/EBITDA ratio (x) | 11.8 | 8.8 | 9.5 |
| RoACE (%) | 5.4 | 6.7 | 6.6 |
| RoAE (%) | 4 | 6.4 | 4.1 |

CMP: INR237
Rating: Not rated

| Bloomberg: | SOFTTECH:IN |
|----------------------|-------------|
| 52-week range (INR): | 122/288 |
| M-cap (INR cr): | 240 |
| Promoter holding (%) | 32.05 |

Relative price performance



[Previous report link](#)

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Financials

Income statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|---|-----------|-----------|-----------|
| Income from operations | 42 | 57 | 65 |
| Direct costs | 5 | 6 | 9 |
| Employee costs | 11 | 13 | 17 |
| Other expenses | 15 | 23 | 20 |
| Total operating expenses | 31 | 42 | 46 |
| EBITDA | 11 | 15 | 19 |
| Depreciation and amortisation | 6 | 8 | 10 |
| EBIT | 5 | 8 | 9 |
| Interest expenses | 2 | 3 | 4 |
| Other income | 1 | 2 | 1 |
| Profit before tax | 4 | 7 | 6 |
| Provision for tax | 2 | 2 | 3 |
| Core profit | 3 | 5 | 3 |
| Minority Interest | -0 | -0 | -0 |
| Profit after tax | 3 | 5 | 4 |
| Extraordinary items & share of profit from associates | 0 | 0 | 0 |
| Reported net profit | 3 | 5 | 3 |
| Adjusted Net Profit | 3 | 5 | 4 |
| Equity shares outstanding (cr) | 0.9 | 1.0 | 1.0 |
| EPS (INR) basic | 2.9 | 4.9 | 3.8 |
| Diluted shares (Cr) | 0.9 | 1.0 | 1.0 |
| EPS (adj) fully diluted | 2.9 | 4.9 | 3.8 |
| Dividend per share | 0.0 | 0.0 | 0.0 |
| Dividend payout (%) | 0% | 0% | 0% |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 73.6 | 73.4 | 70.4 |
| Depreciation | 13.2 | 13.3 | 16.0 |
| Interest expenditure | 5.8 | 5.0 | 6.0 |
| EBITDA margins | 26.4 | 26.6 | 29.6 |
| Net profit margins | 6.2 | 8.3 | 5.3 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|--------|------|--------|
| Revenues | (28.3) | 38.2 | 13.8 |
| EBITDA | (22.1) | 39.1 | 27.0 |
| PBT | (57.5) | 61.2 | (2.8) |
| Net profit | (57.6) | 79.2 | (21.7) |
| EPS | (57.8) | 67.0 | (21.7) |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|------|------|
| ROE (%) | 4.0 | 6.4 | 4.1 |
| ROCE (%) | 5.4 | 6.7 | 6.6 |
| Debtors (days) | 293 | 185 | 146 |
| Current ratio | 5.6 | 5.9 | 8.2 |
| Debt/Equity | 0.5 | 0.4 | 0.4 |
| Inventory (days) | 0 | 0 | 0 |
| Payable (days) | 74 | 58 | 33 |
| Cash conversion cycle (days) | 219 | 126 | 113 |
| Debt/EBITDA | 2.9 | 2.1 | 2.1 |
| Adjusted debt/Equity | 0.5 | 0.4 | 0.4 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|------|------|------|
| Diluted EPS (INR) | 2.9 | 4.9 | 3.8 |
| CEPS (INR) | 8.7 | 12.4 | 14.1 |
| Diluted P/E (x) | 35.6 | 21.0 | 37.4 |
| Price/BV(x) | 1.4 | 1.2 | 1.4 |
| EV/Sales (x) | 3.1 | 2.3 | 2.8 |
| EV/EBITDA (x) | 11.8 | 8.8 | 9.5 |
| Diluted shares O/S | 0.9 | 1.0 | 1.0 |
| Basic EPS | 2.9 | 4.9 | 3.8 |
| Basic PE (x) | 35.6 | 21.0 | 37.4 |
| Dividend yield (%) | 0% | 0% | 0% |

Balance sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 9 | 10 | 10 |
| Reserves & surplus | 60 | 75 | 94 |
| Shareholders funds | 70 | 85 | 104 |
| Secured loans | 20 | 16 | 9 |
| Unsecured loans | 12 | 15 | 31 |
| Borrowings | 32 | 32 | 40 |
| Net Debt | 32 | 31 | 39 |
| Minority interest | -0 | -0 | -1 |
| Other liabilities | 5 | 3 | 8 |
| Sources of funds | 106 | 120 | 151 |
| Gross block | 25 | 35 | 44 |
| Depreciation | 5 | 7 | 10 |
| Net block | 20 | 28 | 34 |
| Capital work in progress | 0 | 0 | 0 |
| Total fixed assets | 20 | 28 | 34 |
| Other non-current assets | 22 | 24 | 35 |
| Inventories | 0 | 0 | 0 |
| Sundry debtors | 33 | 29 | 26 |
| Cash and equivalents | 0 | 1 | 1 |
| Other current assets | 44 | 52 | 67 |
| Total current assets | 78 | 81 | 94 |
| Sundry creditors and others | 13 | 13 | 11 |
| Provisions | 1 | 1 | 1 |
| Total CL & provisions | 14 | 14 | 11 |
| Net current assets | 64 | 68 | 82 |
| Uses of funds | 106 | 120 | 151 |
| Book value per share (INR) | 74 | 83 | 101 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|------------------------|----------|-----------|----------|
| EBIT | 4 | 7 | 6 |
| Add: Depreciation | 6 | 8 | 10 |
| Add: Others | 2 | 2 | 5 |
| Gross cash flow | 11 | 16 | 22 |
| Less: Changes in W. C. | 6 | 4 | 15 |
| Operating cash flow | 5 | 12 | 7 |
| Less: Capex | 4 | 2 | 0 |
| Free cash flow | 2 | 10 | 7 |

We hosted the management of Synergy Green Industries (SYGIL) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — *Udayan*' on December 5. SYGIL manufactures wind turbines and other large precision castings. It started as a greenfield foundry project in 2011 and entered commercial operations in June 2012. Windmill parts contribute 75–80% to total revenue, with other casting products constituting the rest. Its product portfolio includes hub; mainframe; bearing housing for wind industry; torque arm; housing and planet carrier for wind gear boxes; and general engineering application castings for mining, plastic injection, pumps, and machine tool industry. It has a liquid metal capacity of 40mt and a 60mt handling facility designed to produce large size critical iron castings (ranging from 500kg to 30mt) for a single wind turbine piece, gear box, and general engineering.

Key takeaway

- Global wind installations are projected to clock 15% CAGR over 2022–27e owing to the growing focus on renewable energy by governments.
- India's wind installations are forecasted to grow at a 35% CAGR over 2023–25. The strong momentum in domestic market is on the back of the scrapping of the reverse bidding mechanism and ~8GW of annual demand of renewable purchase obligation over 2023–30 as outlined by the Ministry of New and Renewable Energy.
- Global casting demand is pegged ~110mt per year, led by the automobile industry (32% share), with China/India contributing ~45%/~10% to overall global demand. Demand for large castings (over 3mt) is ~10% of total demand. Though the wind industry contributes ~1% to total demand, it is likely to double over the next five years.
- SYGIL has the capabilities to produce very large critical iron castings for a single wind turbine piece, gear box, and general engineering. Though, it is focused on harnessing the strong tailwinds in the wind sector, which requires large sized forged components, it also has the capabilities to meet the casting requirements of non-wind sectors, which is a very big market. Hence, it can easily diversify and reduce dependence on wind sector.
- Given the strong demand, SYGIL is planning to incur a capex of ~INR150cr over the next two years. It is planning to set up a brownfield foundry at a capex of INR50cr, which will increase its foundry capacity by 50%. It aims to increase its overall forging capacity to 1lk mt by FY27 from the expected capacity of 45,000mt by the end of FY24.
- It is planning to incur an outlay of ~INR70cr/INR30cr for setting up an in-house machining/renewable power captive power plant. This, along with operating leverage, will help expand its EBITDA margin by 4–6%.
- The management has marginally trimmed its FY24 revenue guidance to INR340cr from INR360cr owing to a 50% drop in revenue from Siemens Gamesa due to their internal issues. However, EBIDTA for the year is projected to be at INR45.0cr, unchanged from earlier guidance, due to improved contribution margins.
- Considering the CAPEX investments, management guidance for revenue growth is projected to be around 20-25% and attaining the EBIDTA margins up to 16-18% over the next two-to-three years.

Valuations

At the CMP of INR315.8, the stock trades at a P/E ratio of 53.4x and an EV/EBITDA ratio of 14.0x on a TTM basis. The stock is not rated.

Key financials

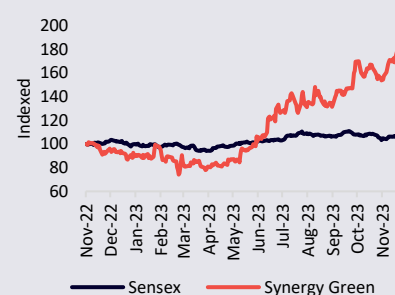
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|-------|-------|-------|
| Revenue (INR cr) | 199 | 284 | 290 |
| Revenue growth (%) | -4.2 | 42.6 | 2.1 |
| EBITDA (INR cr) | 24 | 24 | 26 |
| Adjusted PAT (INR cr) | 3 | 1 | 1 |
| P/E ratio (x)* | 120.1 | 270.9 | 444.1 |
| Price/BV ratio (x) | 8.7 | 8.5 | 8.3 |
| EV/EBITDA ratio (x) | 18.2 | 18.8 | 17.1 |
| RoCE (%) | 15.9 | 11.9 | 12.2 |
| RoE (%) | 7.5 | 3.2 | 1.9 |

*Not measured (n.m.) as the denominator is negative

CMP: INR316
Rating: Not rated

| Bloomberg: | SYGIL:IN |
|----------------------|----------|
| 52-week range (INR): | 109/321 |
| M-cap (INR cr): | 446 |
| Promoter holding (%) | 74.02 |

Relative Price Performance



[Previous report link](#)

[Presentation link](#)

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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|-------------------------------|------|------|------|
| Income from operations | 199 | 284 | 290 |
| Direct costs | 71 | 123 | 125 |
| Employee costs | 21 | 23 | 24 |
| Other expenses | 83 | 113 | 114 |
| EBITDA | 24 | 24 | 26 |
| Depreciation and amortization | 9 | 11 | 12 |
| EBIT | 16 | 13 | 14 |
| Interest expenses | 11 | 12 | 14 |
| Other income | 1 | 1 | 0 |
| Profit before tax | 5 | 3 | 1 |
| Provision for tax | 2 | 2 | -0 |
| Core profit | 3 | 1 | 1 |
| Extraordinary items | - | - | - |
| Profit after tax | 3 | 1 | 1 |
| Minority interest | - | - | - |
| Share from associates | - | - | - |
| Adjusted net profit | 3 | 1 | 1 |
| Equity share outstanding (mn) | 14 | 14 | 14 |
| EPS (INR) basic | 2 | 1 | 1 |
| Diluted shares (mn) | 14 | 14 | 14 |
| EPS (INR) fully diluted | 2 | 1 | 1 |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 87.8 | 91.5 | 90.9 |
| Depreciation | 4.3 | 3.7 | 4.1 |
| Interest expenditure | 5.7 | 4.1 | 4.9 |
| EBITDA margins | 12.2 | 8.5 | 9.1 |
| Net profit margins | 1.6 | 0.5 | 0.3 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|-------|-------|-------|
| Revenues | -4.2 | 42.6 | 2.1 |
| EBITDA | 8.3 | -1.2 | 9.4 |
| PBT | -15.7 | -41.9 | -77.4 |
| Net profit | -4.2 | -55.7 | -39.0 |
| EPS | 41.0 | -55.7 | -39.0 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|-------|-------|
| RoAE (%) | 7.5 | 3.2 | 1.9 |
| RoACE (%) | 15.9 | 11.9 | 12.2 |
| Debtors (days) | 52.9 | 41.6 | 27.8 |
| Current ratio | 1.6 | 1.5 | 1.7 |
| Debt/equity | 1.5 | 1.6 | 1.6 |
| Inventory (days) | 271.1 | 179.6 | 183.7 |
| Payable (days) | 326.1 | 215.4 | 166.2 |
| Cash conversion cycle (days) | -2.1 | 5.9 | 45.4 |
| Debt/EBITDA | 2.7 | 3.0 | 2.8 |
| Adjusted Debt/equity | 1.4 | 1.6 | 1.5 |

Valuation Parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|-------|-------|-------|
| Diluted EPS (INR) | 2.3 | 1.0 | 0.6 |
| Y-o-Y growth (%) | 41.0 | -55.7 | -39.0 |
| CEPS (INR) | 8.3 | 8.5 | 9.1 |
| Diluted P/E (x) | 120.1 | 270.9 | 444.1 |
| Price/BV (x) | 8.7 | 8.5 | 8.3 |
| EV/Sales (x) | 2.2 | 1.6 | 1.5 |
| EV/EBITDA (x) | 18.2 | 18.8 | 17.1 |
| Diluted Shares O/S (mn) | 14.1 | 14.1 | 14.1 |
| Basic EPS (INR) | 2.3 | 1.0 | 0.6 |
| Basic P/E (x) | 120.1 | 270.9 | 444.1 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|------------|------------|------------|
| Equity share capital | 25 | 25 | 25 |
| Preference share capital | 0 | 0 | 0 |
| Reserves & surplus | 19 | 20 | 21 |
| Shareholders' funds | 44 | 45 | 46 |
| Secured Loans | 61 | 60 | 63 |
| Unsecured Loans | 4 | 11 | 10 |
| Borrowings | 65 | 72 | 73 |
| Minority interest | 0 | 0 | 0 |
| Other liabilities | 3 | 4 | 5 |
| Sources of funds | 111 | 120 | 124 |
| Gross block | 119 | 140 | 145 |
| Depreciation | 56 | 64 | 76 |
| Net block | 63 | 76 | 69 |
| Capital work-in-progress | 3 | 7 | 11 |
| Total fixed assets | 66 | 83 | 80 |
| Unrealized profit | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 |
| Inventories | 53 | 61 | 63 |
| Sundry debtors | 29 | 32 | 22 |
| Cash and equivalents | 4 | 2 | 6 |
| Loans and advances | 17 | 14 | 9 |
| Other current assets | 0 | 0 | 0 |
| Total current assets | 103 | 109 | 100 |
| Sundry creditors and others | 64 | 73 | 57 |
| Provisions | 0 | 1 | 1 |
| Total CL & provisions | 64 | 73 | 58 |
| Net current assets | 39 | 35 | 42 |
| Net deferred tax | 1 | 0 | 0 |
| Other Assets | 5 | 3 | 2 |
| Misc expenditure | 0 | 0 | 0 |
| Uses of funds | 111 | 120 | 124 |
| Book value per share (INR) | 31 | 32 | 32 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|--------------------------------|------|------|------|
| Net profit | 3 | 1 | 1 |
| Add: Depreciation | 9 | 11 | 12 |
| Add: Misc expenses written off | 0 | 0 | 0 |
| Add: Deferred tax | 0 | 0 | 0 |
| Add: Others | 11 | 12 | 14 |
| Gross cash flow | 23 | 24 | 27 |
| Less: Changes in W.C. | 14 | -2 | 3 |
| Operating cash flow | 9 | 25 | 24 |
| Less: Capex | -4 | 3 | -19 |
| Free cash flow | 13 | 23 | 43 |

We hosted the management of Vasa Denticity (DENTALKA) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. The company is engaged in the marketing and distribution of a comprehensive portfolio of dental products, which encompasses consumables, instruments, equipment, and accessories. These products are designed for diagnosis, treatment, and prevention of dental conditions. It conducts its operations through its online platform dentalkart.com. Its online channel hosts a wider array of dental products, representing ~340 domestic and international brands. It also maintains a portfolio of over 30 proprietary brands, which are either manufactured or sourced from third-party suppliers according to its specified requirements. To facilitate efficient distribution, it operates from multiple distribution hubs: Farrukhnagar (Gurugram, 19,000 sq. ft.), Bengaluru (4,000 sq. ft.), and Mumbai (3,000 sq. ft.).

Key takeaways

- DENTALKA is a registered online marketing and distributing company of dental products. It has over 15,000 dental products: consumables, instruments, and equipment, and accessories.
- It generated ~67%/~26%/~7% of its total revenue from consumables/equipment/instruments in H1FY24.
- The dental market (including consumables, instruments, equipment, and accessories) is currently pegged at INR15,000–16,000cr (8–10% CAGR). DENTALKA's current addressable market is INR4,000–5,000cr. It aims to capture the entire market over the next three-to-four years via with product launches.
- The share of its own brand has been rising in the last three years and has risen to 48% from ~45% in FY23. The management aims to boost it further over the next two-to-three years as it has a better gross margin vis-à-vis other brands.
- The company has three warehouses in Delhi, Bengaluru, and Mumbai. It is working to set up two more warehouses in Assam and Kolkata. New warehouses will help reduce the delivery timeline further, which fell to 5.28 days in H1FY24 from 5.88 days in H1FY
- It recently entered into an exclusive agreement with Baldus Sedation Company, a prominent nitrous oxide sedation system manufacturer based in Germany. This deal designates DENTALKA as the sole dealer for the sales of nitrous oxide sedation systems in the Indian market. With this exclusive agreement, its addressable market will increase by ~INR800cr.

Valuations

At the CMP of INR720, the stock trades at a P/E ratio of 107.4x and an EV/EBITDA ratio of 81.9x on a TTM basis. The stock is not rated.

Key financials

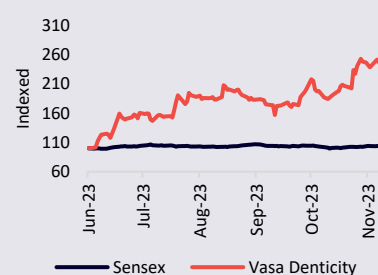
| Year to March | FY21 | FY22 | FY23 |
|-----------------------|---------|-------|-------|
| Revenue (INR cr) | 40.1 | 76.9 | 123.3 |
| Revenue growth (%) | 31.7 | 92.0 | 60.3 |
| EBITDA (INR cr) | 0.5 | 5.6 | 10.4 |
| Adjusted PAT (INR cr) | 0.3 | 5.0 | 7.6 |
| P/E ratio (x)* | 2,666.7 | 185.5 | 121.8 |
| Price/BV ratio (x) | 1,921.9 | 201.3 | 72.8 |
| EV/EBITDA ratio (x) | 2,355.1 | 207.0 | 111.4 |
| RoCE (%) | 22.9 | 91.2 | 75.9 |
| RoE (%) | 75.9 | 157.7 | 70.4 |

*Not measured (n.m.) as the denominator is negative

CMP: INR720
Rating: Not rated

| Bloomberg: | DENTALKA:IN |
|----------------------|-------------|
| 52-week range (INR): | 211/730 |
| M-cap (INR cr): | 1,153 |
| Promoter holding (%) | 69.62 |

Relative Price Performance



[Presentation link](#)

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Financials

Income Statement

| Year to March (INR cr) | FY21 | FY22 | FY23 |
|--------------------------------|------|------|-------|
| Income from operations | 40.1 | 76.9 | 123.3 |
| Direct costs | 33.8 | 57.7 | 92.9 |
| Employee costs | 1.7 | 4.7 | 8.0 |
| Other expenses | 4.2 | 8.9 | 12.0 |
| EBITDA | 0.5 | 5.6 | 10.4 |
| Depreciation and amortization | 0.1 | 0.3 | 0.5 |
| EBIT | 0.4 | 5.3 | 9.8 |
| Interest expenses | 0.1 | 0.5 | 0.4 |
| Other income | 0.1 | 0.2 | 0.5 |
| Profit before tax | 0.5 | 5.0 | 9.9 |
| Provision for tax | 0.1 | 0.0 | 2.4 |
| Core profit | 0.3 | 5.0 | 7.6 |
| Profit after tax | 0.3 | 5.0 | 7.6 |
| Adjusted net profit | 0.3 | 5.0 | 7.6 |
| Equity share outConsoling (mn) | 12.2 | 12.9 | 12.8 |
| EPS (INR) basic | 0.3 | 3.9 | 5.9 |
| Diluted shares (mn) | 12.2 | 12.9 | 12.8 |
| EPS (INR) fully diluted | 0.3 | 3.9 | 5.9 |

Common size metrics - as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 98.8 | 92.7 | 91.6 |
| Depreciation | 0.2 | 0.4 | 0.4 |
| Interest expenditure | 0.1 | 0.6 | 0.3 |
| EBITDA margins | 1.2 | 7.3 | 8.4 |
| Net profit margins | 0.8 | 6.5 | 6.2 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|---------------|-------|---------|------|
| Revenues | 31.7 | 92.0 | 60.3 |
| EBITDA | 113.0 | 1,038.8 | 85.5 |
| PBT | 400.0 | 1,013.3 | 98.4 |
| Net profit | 266.7 | 1,412.1 | 52.1 |
| EPS | 237.5 | 1,337.9 | 52.3 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|------|-------|------|
| RoAE (%) | 75.9 | 157.7 | 70.4 |
| RoACE (%) | 22.9 | 91.2 | 75.9 |
| Debtors (days) | 6.9 | 6.5 | 2.9 |
| Current ratio | 1.6 | 1.8 | 2.1 |
| Debt/equity | 3.3 | 0.6 | 0.1 |
| Inventory (days) | 30.1 | 62.8 | 69.9 |
| Payable (days) | 42.5 | 55.7 | 35.6 |
| Cash conversion cycle (days) | -5.5 | 13.6 | 37.2 |
| Debt/EBITDA | 4.0 | 0.6 | 0.1 |
| Adjusted Debt/equity | 1.4 | 0.3 | 0.0 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|-------------------------|---------|---------|-------|
| Diluted EPS (INR) | 0.3 | 3.9 | 5.9 |
| Y-o-Y growth (%) | 237.5 | 1,337.9 | 52.3 |
| CEPS (INR) | 0.3 | 4.1 | 6.3 |
| Diluted P/E (x) | 2,666.7 | 185.5 | 121.8 |
| Price/BV (x) | 1,921.9 | 201.3 | 72.8 |
| EV/Sales (x) | 28.8 | 15.0 | 9.4 |
| EV/EBITDA (x) | 2,355.1 | 207.0 | 111.4 |
| Diluted Shares O/S (mn) | 12.2 | 12.9 | 12.8 |
| Basic EPS (INR) | 0.3 | 3.9 | 5.9 |
| Basic P/E (x) | 3,494.4 | 231.1 | 151.9 |

Balance Sheet

| As on 31st March (INR cr) | FY21 | FY22 | FY23 |
|-----------------------------|----------|----------|-----------|
| Equity share capital | 0 | 0 | 13 |
| Reserves & surplus | 0 | 6 | 3 |
| Shareholders' funds | 1 | 6 | 16 |
| Secured Loans | 2 | 1 | |
| Borrowings | 2 | 3 | 1 |
| Other liabilities | 0 | 0 | 1 |
| Sources of funds | 3 | 9 | 18 |
| Gross block | 1 | 1 | 3 |
| Depreciation | 0 | 0 | 1 |
| Net block | 0 | 1 | 2 |
| Total fixed assets | 0 | 1 | 2 |
| Inventories | 3 | 10 | 18 |
| Sundry debtors | 1 | 1 | 1 |
| Cash and equivalents | 1 | 2 | 1 |
| Loans and advances | 2 | 4 | 4 |
| Total current assets | 6 | 17 | 25 |
| Sundry creditors and others | 4 | 9 | 9 |
| Provisions | 0 | 1 | 3 |
| Total CL & provisions | 4 | 10 | 12 |
| Net current assets | 2 | 8 | 13 |
| Net deferred tax | 0 | 0 | 0 |
| Other Assets | 0 | 1 | 3 |
| Uses of funds | 3 | 9 | 18 |
| Book value per share (INR) | 0 | 4 | 12 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|------|
| Net profit | 0 | 5 | 8 |
| Add: Depreciation | 0 | 0 | 1 |
| Add: Others | 0 | 0 | 0 |
| Gross cash flow | 0 | 6 | 9 |
| Less: Changes in W.C. | 1 | 5 | 5 |
| Operating cash flow | 0 | 1 | 3 |
| Less: Capex | 0 | 0 | 1 |
| Free cash flow | 0 | 1 | 2 |

We hosted the management of Vascon Engineers (VSCN) in our 'Nuvama Emerging Ideas Conference 2023: The CUB Series — Udayan' on December 6. VSCN is a Pune-based construction and engineering company. Till date, it has delivered more than 200 civil construction projects spanning more than 50mn sq. ft. It has an order book of INR2,476cr, of which ~87% relates to government civil contracts such as hospitals, police stations, and offices. It entered the real estate segment in FY18 and has launched eight projects till date, spread over 1.7mn sq. ft. in Pune, Talegaon, and Coimbatore.

In the near term, four launches are lined up with a saleable area/GDV of 1.6mn sq. ft./~INR1,794cr. In H1FY24, revenue grew 1% YoY to INR422cr. Revenue from EPC/real estate/building management system stood at INR297cr/INR11cr/INR114cr (up 3%/down 35%/flat YoY). EBITDA fell 7% YoY to INR25cr, with margin contracting by 48bp YoY to 5.9%. PAT fell 3% YoY to INR33cr. The Balance Sheet is healthy with a net D/E ratio of 0.08x. At the CMP, the stock trades at a TTM P/E of 16.2x and EV/EBITDA of 13.1x. The stock is not rated.

Key takeaways

EPC segment

- As of November, VSCN had an external order book of ~INR3,000cr (September/March: INR2,476cr/INR1,739cr).
- The orders have an execution period of around three years, and VSCN is able to execute a third of the orders at the beginning of the year.
- It is targeting an external closing order book of INR3,200cr in FY24, of which it will be able to execute ~INR1,050cr over FY25 (TTM EPC execution: INR671cr).
- The current EPC order book carries an EBITDA margin of 8–10%, which is sustainable.
- Typically, VSCN maintains a bank guarantee of 10–15% of the order book. It has a bank guarantee limit of INR350–400cr. Going forward, it plans to add a limit of INR100cr annually, lending it a strong runway for growth.
- VSCN has a bid-to-success ratio of less than 5%.
- The management follows a RoCE benchmark of 15% while bidding for EPC projects.

Real estate segment

- It has a two-acre land parcel in Powai, for which it is yet to finalise a development plan.
- Its Thane land parcels spans across 150 acres, which are non-contiguous. The land is owned under a JV in which VSCN holds a share of 45%. The parcels are valued at INR6cr per acre (indicative).

Clean room EPC segment

- While the business is poised to achieve a revenue of ~INR300cr, with a margin of ~12% in FY24, VSCN is looking to sell its stake in the business as it is not complimentary to its core EPC and real estate segments.

Valuation and view

While a healthy growth in the EPC order book and execution will drive revenue growth in FY25, the impact of growth in the real estate segment will be visible only from FY26. Margin will expand as share of real estate revenue rises. Overall leverage will stay healthy on steadily improving cash flows. At the CMP of INR73, the stock trades at a TTM P/E ratio of 16.2x.

Key financials

| Year to March | FY21 | FY22 | FY23 |
|-----------------------|------|------|-------|
| Revenue (INR cr) | 506 | 657 | 1,019 |
| Revenue growth (%) | -3 | 30 | 55 |
| EBITDA (INR cr) | -13 | 23 | 118 |
| Adjusted PAT (INR cr) | -40 | 36 | 99 |
| P/E ratio (x)* | n.m. | 14.2 | 5.4 |
| Price/BV ratio (x) | 0.5 | 0.6 | 0.6 |
| EV/EBITDA ratio (x) | n.m. | 25.7 | 5 |
| RoCE (%) | -3 | 1 | 10 |
| RoE (%) | -6 | 4 | 11 |

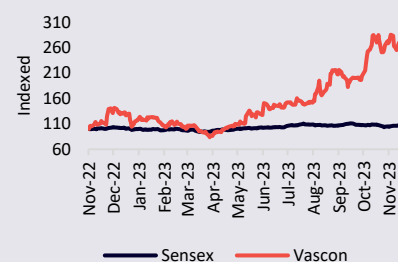
*Not measured (n.m.) as the denominator is negative

CMP: INR73

Rating: Not rated

| Bloomberg: | VSCN:IN |
|----------------------|---------|
| 52-week range (INR): | 24/85 |
| M-cap (INR cr): | 1,623 |
| Promoter holding (%) | 32.2 |

Relative price performance



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Financials

Income Statement

| Year to March (INR Cr) | FY21 | FY22 | FY23 |
|-------------------------------|------|------|-------|
| Income from operations | 506 | 657 | 1,019 |
| Cost of construction | 402 | 518 | 789 |
| Employee costs | 59 | 70 | 69 |
| Other expenses | 58 | 46 | 45 |
| Total Operating expenses | 519 | 634 | 902 |
| EBITDA | -13 | 22 | 117 |
| Depreciation and amortisation | 12 | 11 | 12 |
| EBIT | -25 | 12 | 105 |
| Interest expenses | 27 | 24 | 13 |
| Other income | 12 | 53 | 11 |
| Exceptional item | - | - | - |
| Profit before tax | -40 | 40 | 103 |
| Provision for tax | 0 | 4 | 4 |
| Profit after tax | -40 | 36 | 99 |
| Share of Minority in profits | - | - | - |
| Adj. profit after tax | -40 | 36 | 99 |
| Shares outstanding | 18 | 22 | 22 |
| Adjusted EPS | -2 | 2 | 4 |

Common size metrics- as % of net revenues

| Year to March | FY21 | FY22 | FY23 |
|----------------------|------|------|------|
| Operating expenses | 103 | 97 | 89 |
| Depreciation | 2 | 2 | 1 |
| Interest expenditure | 5 | 4 | 1 |
| EBITDA margins | -3 | 3 | 11 |
| Net profit margins | -8 | 5 | 10 |

Growth metrics (%)

| Year to March | FY21 | FY22 | FY23 |
|-----------------|------|------|------|
| Revenues | -3 | 30 | 55 |
| EBITDA | -125 | 267 | 423 |
| PBT | -200 | 201 | 156 |
| Adj. Net profit | -201 | 189 | 177 |
| Adj. EPS | -203 | 178 | 155 |

Ratios

| Year to March | FY21 | FY22 | FY23 |
|------------------------------|-------|------|------|
| RoAE (%) | -5.6 | 4.8 | 11.5 |
| RoACE (%) | -2.7 | 1.2 | 10.3 |
| Debtors (days) | 118 | 90 | 78 |
| Inventory (days) | 331 | 286 | 169 |
| Payable (days) | 174 | 156 | 130 |
| Cash conversion cycle (days) | 276 | 221 | 117 |
| Debt/Equity | 0.3 | 0.2 | 0.2 |
| Debt/EBITDA | -16.0 | 7.4 | 1.2 |
| Adjusted debt/Equity | 0.2 | 0.1 | 0.0 |

Valuation parameters

| Year to March | FY21 | FY22 | FY23 |
|--------------------|--------|-------|-------|
| Diluted EPS (INR) | -2.3 | 1.8 | 4.5 |
| Y-o-Y growth (%) | -202.7 | 177.5 | 155.1 |
| Diluted P/E (x) | n.m. | 13.4 | 5.5 |
| Price/BV(x) | 0.5 | 0.6 | 0.6 |
| EV/Sales (x) | 0.9 | 0.9 | 0.6 |
| EV/EBITDA (x) | n.m. | 26.4 | 5.0 |
| Diluted shares O/S | 18.2 | 21.7 | 21.7 |
| Basic EPS | -2.3 | 1.8 | 4.5 |
| Basic PE (x) | n.m. | 13.4 | 5.5 |

Balance Sheet

| As on 31 st March (INR cr) | FY21 | FY22 | FY23 |
|---------------------------------------|------------|------------|--------------|
| Equity share capital | 182 | 217 | 217 |
| Reserves & surplus | 517 | 594 | 694 |
| Shareholders' funds | 699 | 811 | 912 |
| Total Debt | 215 | 165 | 142 |
| Other Long-Term Liabilities | 16 | 13 | 9 |
| Deferred Tax Liabilities | -7 | -7 | -6 |
| Minority interest | 10 | 13 | 13 |
| Sources of funds | 933 | 995 | 1,069 |
| Gross block | 263 | 262 | 293 |
| Depreciation | 164 | 168 | 176 |
| Net block | 99 | 94 | 117 |
| Capital work in progress | - | - | - |
| Total fixed assets | 99 | 94 | 117 |
| Investments | 81 | 76 | 83 |
| Inventories | 459 | 514 | 473 |
| Sundry debtors | 164 | 162 | 218 |
| Cash and equivalents | 80 | 98 | 108 |
| Loans and advances | 295 | 397 | 468 |
| Total current assets | 998 | 1,173 | 1,266 |
| Sundry creditors and others | 356 | 454 | 540 |
| Provisions | 20 | 35 | 33 |
| Total CL & provisions | 377 | 489 | 574 |
| Net current assets | 621 | 684 | 692 |
| Other Assets | 132 | 140 | 177 |
| Uses of funds | 933 | 995 | 1,069 |
| Book value per share (INR) | 38 | 37 | 42 |

Cash flow statement

| Year to March | FY21 | FY22 | FY23 |
|--|------|------|------|
| Operating Profit After Tax Before WC chang | 17 | 40 | 124 |
| WC Changes | 44 | -4 | -10 |
| CFO | 70 | 33 | 104 |
| CFI | 6 | -13 | -32 |
| CFF | -72 | -22 | -44 |
| Total Cash Flow | 4 | -1 | 28 |

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Nuvama Wealth and Investment Limited (Formerly known as Edelweiss Broking Limited) ("NWIL" or ("Research Entity") a company duly incorporated under the Companies Act, 1956 (CIN No U65100GJ2008PLC077462) having its Registered office situated at 201 to 203, Zodiac Plaza, Xavier College Road, Off C G Road, Ahmedabad, Gujarat - 380009. It is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of NWIL and its Associates (list available on www.nuvamawealth.com) are organized around five broad business groups: Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance

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