

# CAPSTONE PROJECT

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Finance & Economics Club  
IIT Guwahati



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# CURRENT MARKET SCENARIO (JULY 2024)

## US FED INTEREST RATES

### Market Sentiment

- The market sentiment is currently bullish, reaching an all-time high.
- This follows a significant fall on June 4, the election results day.

### Post-Pandemic Metrics and Analysis

- Considering a period of 2-3 years for a clear analysis of post-pandemic metrics and charts.
- This period has seen varied performance across different sectors influenced by government policies and support.

### Sector Performance Overview

#### 1. High-Performing Sectors:

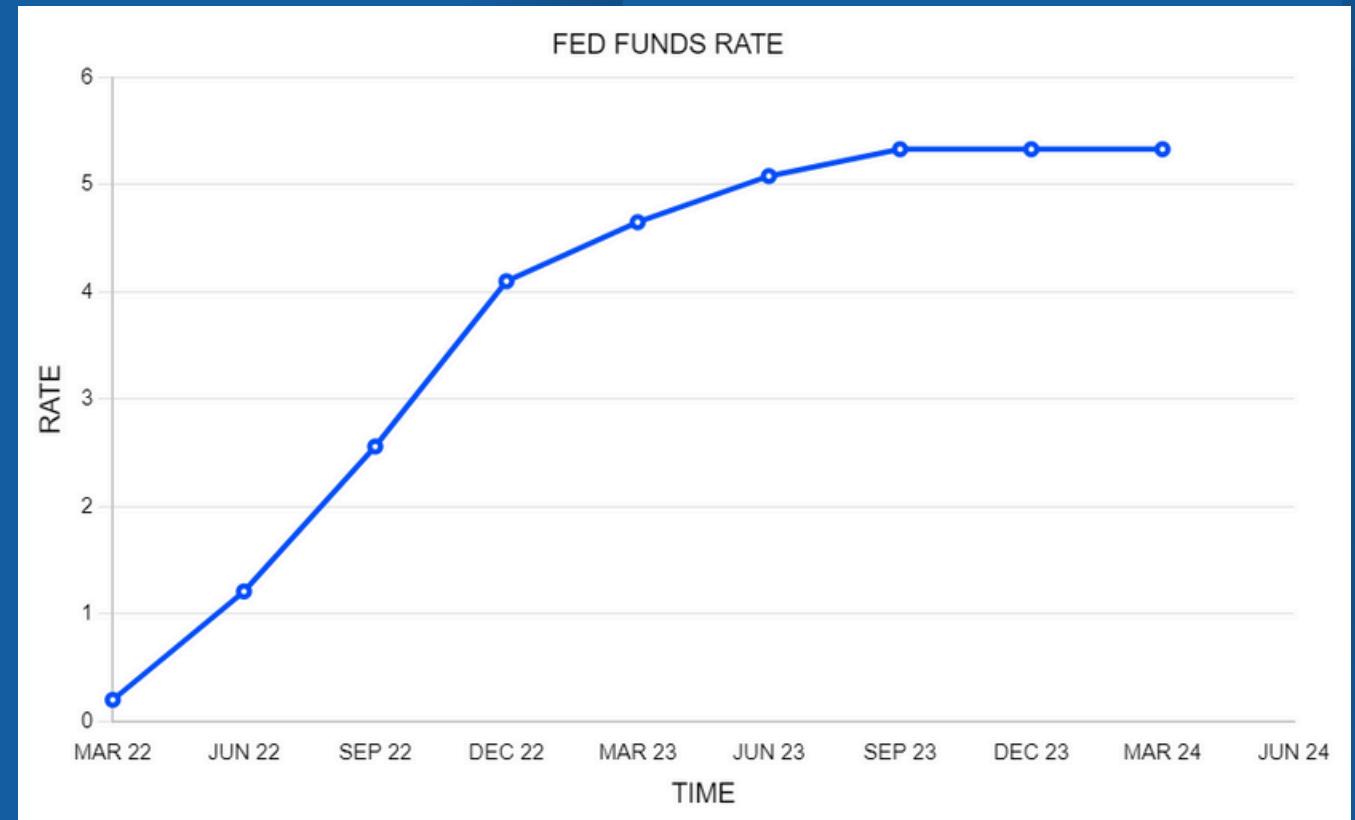
- Railway: Significant growth due to increased investment and government initiatives.
- Defence: Boosted by strategic government policies and increased spending.
- Infrastructure: Enormous performance driven by large-scale government projects.
- Public Sector Units (PSUs): Benefiting from privatization efforts and reforms.
- Renewable Energy: Surge in growth due to sustainability initiatives and government incentives.
- Banks (Public Sector): Improved performance thanks to government support and reforms.

#### 2. Minimal Growth Sectors:

- Information Technology (IT):
  - Experiencing minimal growth due to interest rate hikes imposed by the US Fed.
  - These interest rates are gradually decreasing quarter by quarter and are expected to decline further in the future, which could support growth in the IT sector.
- Private Banks: Limited growth, possibly due to higher competition and regulatory challenges.

### Commodity Prices

- The constant increase in commodity prices such as gold, silver, and crude oil indicates that further growth in the market may not be as steep as the growth observed in the last two years.



# IT SECTOR ANALYSIS AND STOCK SELECTION

## Current Performance:

- The Nifty IT index, a benchmark for leading Indian IT companies, is currently stagnant compared to 2022.
- This lack of growth contrasts with advancements in other market sectors, like the record highs recently reached by the Sensex and Nifty 50.

## Impact of Interest Rates:

- The Nifty IT lags behind the market due to US rate hikes in recent years, which can make growth stocks less attractive. However, the IT sector boasts strong long-term prospects fueled by rising tech demand across industries. This, coupled with potentially attractive valuations, suggests the sector could be poised for future growth.

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr. ↑	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %	ROE 5Yr %	Profit Var 5Yrs %	NPM Qtr %	NPM Ann %	52w High Rs.
1.	TCS	4179.00	31.69	1511998.81	1.31	12105.00	8.72	62613.00	5.44	64.28	43.77	8.21	19.33	19.42	4254.75
2.	Infosys	1714.50	27.38	711865.33	2.21	7975.00	30.04	37923.00	1.29	39.99	29.19	11.24	21.03	16.95	1733.00
3.	HCL Technologies	1578.75	26.04	428419.87	3.29	4259.00	20.56	28057.00	6.70	29.84	22.40	9.46	15.18	14.29	1697.35
4.	Wipro	558.55	26.81	292144.74	0.18	2858.20	-7.80	22208.30	-4.23	16.93	17.25	3.88	12.87	12.21	567.20
5.	LTI Mindtree	5483.60	35.37	162404.13	1.16	1100.70	-1.24	8892.90	2.32	31.17	29.25	24.77	12.38	12.91	6442.65
6.	Tech Mahindra	1495.00	62.05	146193.34	2.66	664.20	-40.86	12871.30	-6.17	11.88	16.80	-11.24	5.16	4.61	1526.65
7.	Oracle Fin. Serv.	10940.00	42.68	94862.71	2.15	560.12	16.86	1642.44	11.69	39.54	26.59	9.88	34.10	34.83	11159.75
8.	Persistent Sys	4775.00	68.72	73558.93	0.54	315.32	25.37	2590.53	14.91	29.17	21.14	26.93	12.17	10.90	4928.95
9.	PB Fintech.	1460.00	1033.74	66580.99	0.00	60.19	772.51	1089.57	25.37	1.75	-10.44	16.75	5.52	1.87	1544.15
10.	L&T Technology	5032.60	44.60	53259.58	1.00	329.30	2.05	2351.20	9.23	33.40	26.04	11.26	14.01	13.75	5884.95
11.	Mphasis	2733.90	33.53	51696.00	2.00	393.22	-2.98	3412.05	1.51	23.95	20.41	7.57	11.52	11.62	2837.60
12.	KPIT Technologi.	1842.05	85.34	50498.64	0.22	165.92	46.78	1317.80	29.53	38.36	22.86	49.45	12.55	12.24	1928.75

## Stock Selection and Justification

- Persistent Systems:**
  - Strong Growth Potential:** High valuation reflects the company's promising future prospects.
  - Excellent Financial Health:** Consistently strong profit ratios, minimal debt, and steady profit growth (26.9% CAGR over 5 years).
  - Consistent Performance:** Maintains a healthy dividend payout (37.5%) alongside impressive sales growth (median of 17.4% over 10 years).
- Wipro Ltd:**
  - Attractive Valuations:** Offers better market valuations compared to larger IT leaders like Infosys and TCS.
  - Diversified Services:** Provides a wide range of IT services and solutions across various industries, mitigating risk.
  - Growth Potential:** Actively pursues strategic initiatives to drive future growth and expand its market share.

## NIFTY IT PRICE AND PE



# WIPRO COMPANY ANALYSIS



## About:

- Global IT, consulting, and business process services company.
- 4th largest Indian player in global IT services behind TCS, Infosys, and HCL Technologies.

## IT Services Segment (~97% of revenues):

- Business Lines:
  - iDEAS: Domain and consulting, applications and data engineering, R&D, Wipro Digital.
  - iCORE: Cloud and infrastructure services, digital operations and platform, cybersecurity and risk services.

## Revenue Breakdown FY21:

- Sector-Wise: BFSI 31%, Consumer 16%, Health 14%, Energy, Natural Resources and Utilities 13%, Technology 13%, Manufacturing 8%, Communications 5%
- Regions: Americas 60%, Europe 26%, APMEA 14%
- Business Lines: iDEAS 57%, iCORE 43%

## Other Segments:

- IT Products (~1% of revenues): Complements IT services across various industries.
- ISRE (~2% of revenues): IT services to Government of India and related entities, focusing on consulting and selective SI projects.

## Client and Employee Profile:

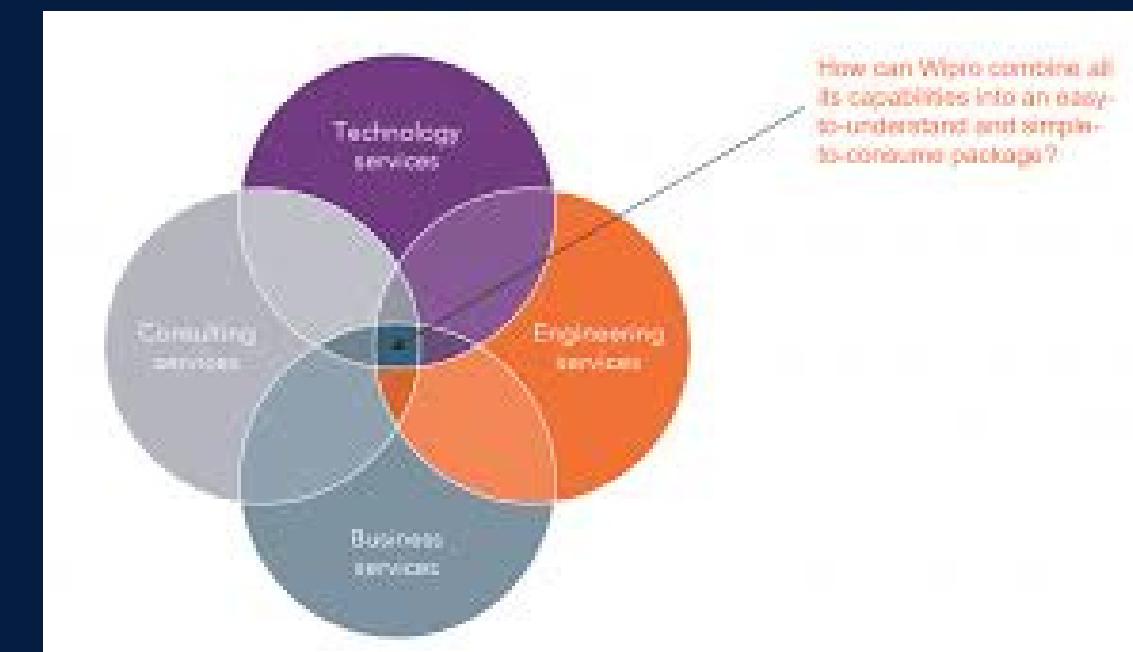
- Clients: ~1,100 globally, largest contributing 3% of revenues, top 5 contributing 12%.
- Employees: ~230,000, 23% attrition rate, 86% net utilization (Dec 2021).

## Acquisitions and Changes:

- CAPCO Acquisition (March 2021): Acquired for ~\$1.5 billion USD.
- Total Acquisitions: 26 companies primarily in IT.
- Demerger (FY13): Separated non-IT businesses into Wipro Enterprises Ltd (privately held by Azim Premji, ~10,800 crores of revenues in FY21).



**AZIM PREMJI**

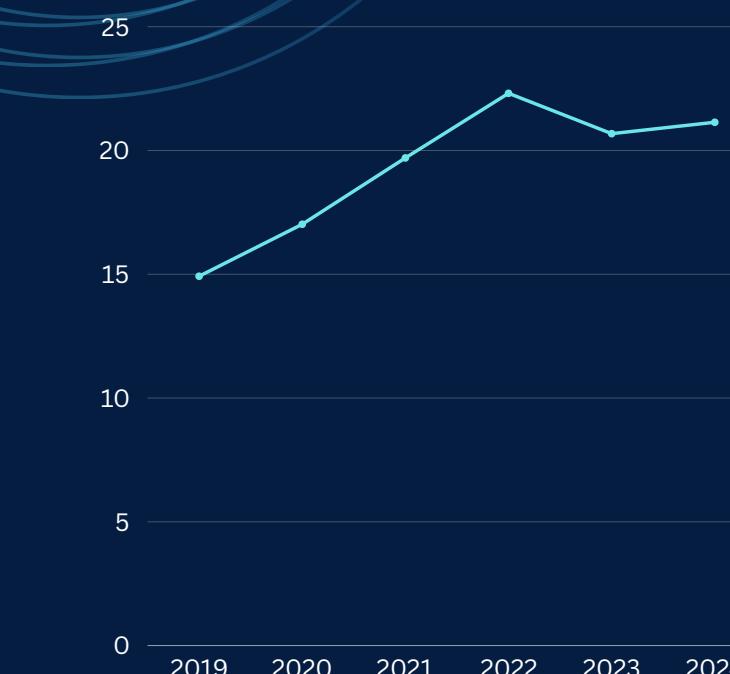


# FINANCIAL TRENDS

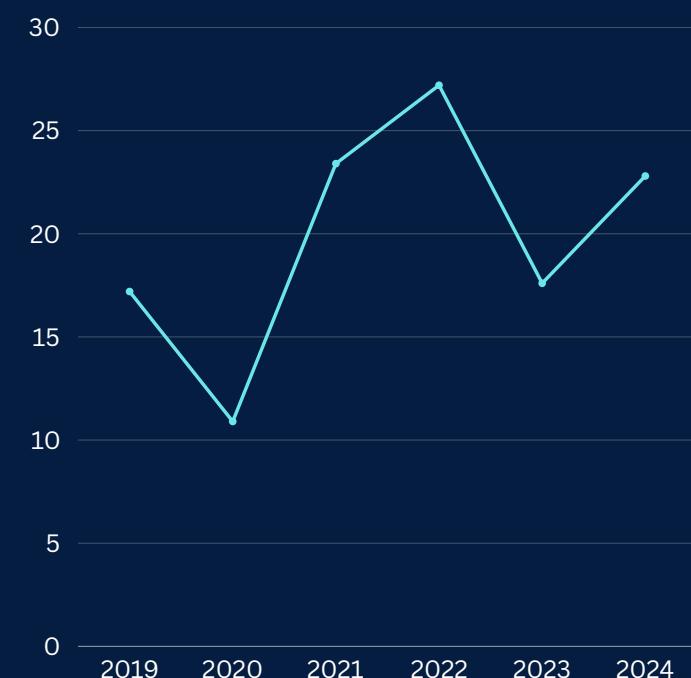
## RATIOS

<b>PE</b> <b>26.9</b>	<b>MKT.CAP(Cr)</b> <b>292798</b>	<b>ROCE</b> <b>16.9%</b>	<b>ROE</b> <b>14.3%</b>
<b>DEBT</b> <b>14465Cr</b>	<b>Debt/Equity</b> <b>0.22</b>	<b>EPS</b> <b>₹21.1</b>	<b>ROA</b> <b>9.46%</b>
<b>BOOK VALUE</b> <b>₹143</b>	<b>P/B</b> <b>3.92</b>	<b>PEG RATIO</b> <b>6.93</b>	<b>SALES GROWTH 3Yrs</b> <b>13.2%</b>
<b>PROMOTER HOLDING</b> <b>72.9%</b>	<b>PROFIT GROWTH 3yrs</b> <b>0.29%</b>	<b>PROFIT GROWTH 5yrs</b> <b>3.88%</b>	<b>INDUSTRY PE</b> <b>32.6</b>

## EPS(Rs)



## P/E



## TRENDS

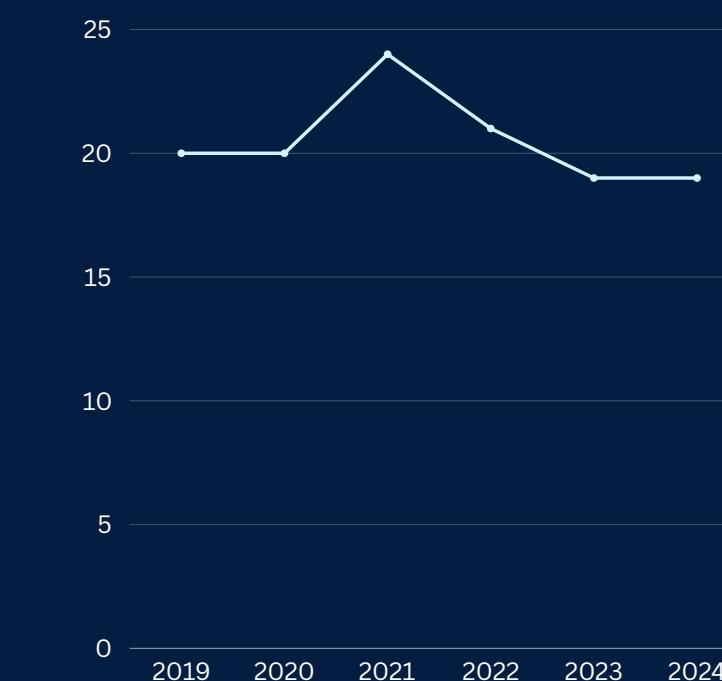


■ ANNUAL REVENUE(Cr)

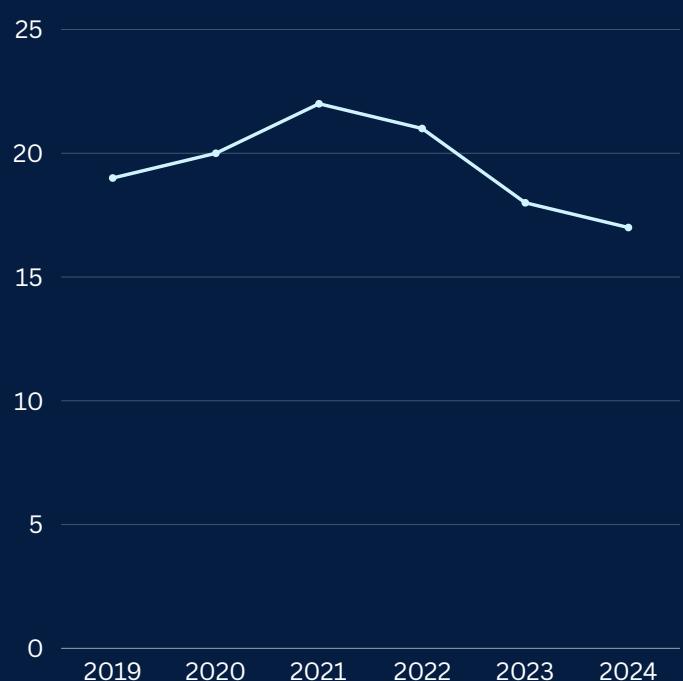


■ ANNUAL PROFIT(Cr)

## OPM%



## ROCE%



# PERSISTENT SYSTEMS COMPANY ANALYSIS



## 1. Business Focus and Partnerships:

- Persistent Systems provides software engineering and strategy services, with proprietary software and frameworks for integration and acceleration. The company partners with providers like Salesforce and AWS.

## 2. Digital Engineering Solutions:

- Offers complete solutions in Product & Platform Engineering, CX & Design-Led Transformation, Cloud-enabled Enterprise Modernization, Data & Artificial Intelligence, and Intelligent Automation.

## 3. Brand Strength and Key Industry Solutions:

- Named the fastest-growing Indian IT Services brand since 2020 with 268% growth, ranking 9th among Indian IT Services companies. Solutions span BFSI with cloud banking and insurance, healthcare with mobile tools and revenue management, and software development and innovation for other industries.

## 4. Revenue and Client Concentration:

- Q3FY24 revenue mix: BFSI 31%, Healthcare & Life Sciences 22%, Software, Hi-Tech, and Emerging Industries 47%. Geographic revenue: North America 80%, Europe 9%, India 10%, ROW 1%. Technology services contribute 70%, partnership operations 26%, and products segment 4%. Top 1 client: 9% of revenue; top 20 clients: 51%.

## 5. Global Presence and Infrastructure:

- Present in 21+ countries including the USA, Canada, Germany, Japan, and India, with significant built-up and leased facilities worldwide. As of FY23, owned built-up area of 128,368 m<sup>2</sup> and operates leased facilities in multiple countries.

## 6. Acquisitions, Order Book, and Key Partnerships:

- Q3FY24 Annual Contract Value was USD 392.1 million, with TTM ACV Bookings at USD 1,290.3 million. Key partners include AWS, IBM, Salesforce, Red Hat, Microsoft, and Google Cloud, boasting 15,500+ certifications. Recent corporate changes include a stock split and new leadership appointments.



**DR. ANAND DESHPANDE  
(MD&CEO)**



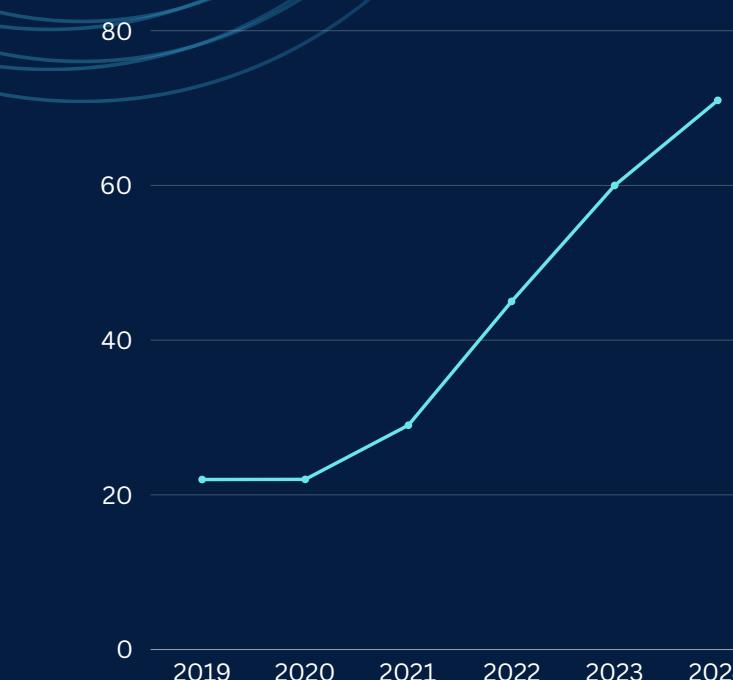
The map depicted is meant only to identify our global locations. No attempt is made to indicate political or geographical boundaries.

# FINANCIAL TRENDS

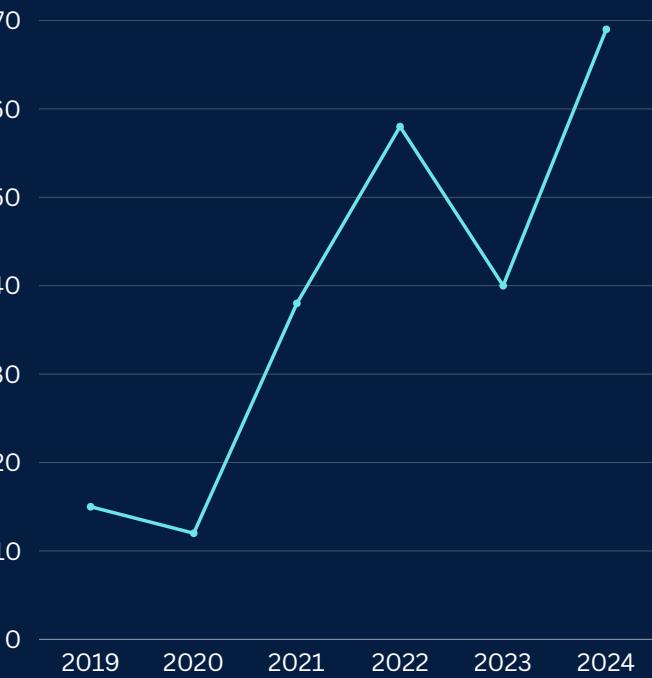
## RATIOS

PE <b>69.1</b>	MKT.CAP(Cr) <b>73908</b>	ROCE <b>29.2%</b>	ROE <b>24%</b>
DEBT <b>451Cr</b>	Debt/Equity <b>0.09</b>	EPS <b>₹71</b>	ROA <b>15.2%</b>
BOOK VALUE <b>₹322</b>	P/B <b>14.2</b>	PEG RATIO <b>2.24</b>	SALES GROWTH 3Yrs <b>32.9%</b>
PROMOTER HOLDING <b>31%</b>	PROFIT GROWTH 3yrs <b>32.9%</b>	PROFIT GROWTH 5yrs <b>26.9%</b>	INDUSTRY PE <b>32.6</b>

## EPS(Rs)



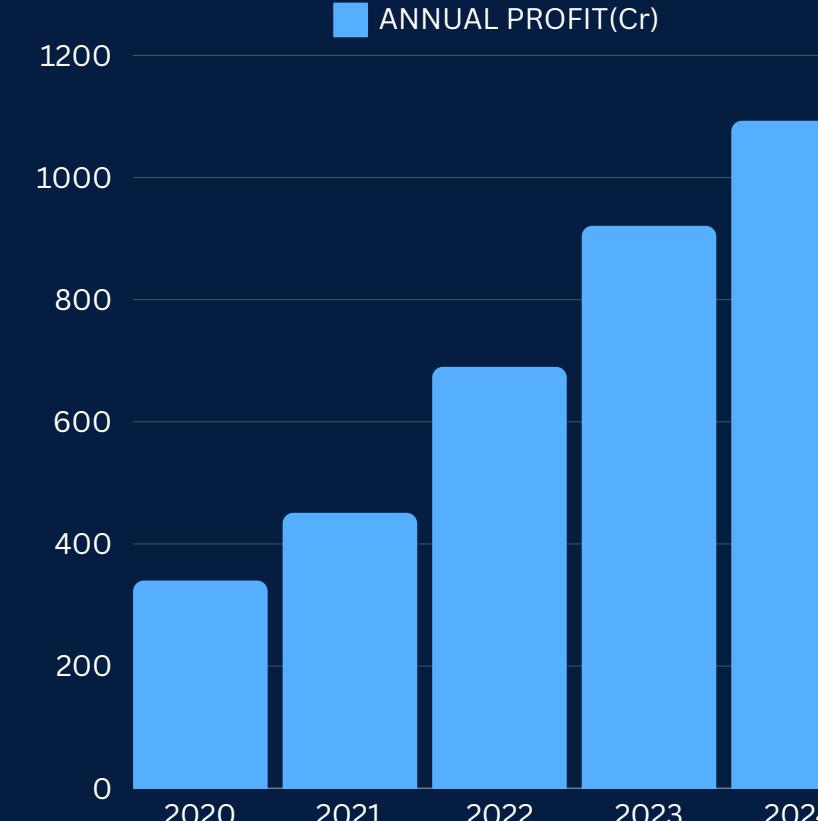
## P/E



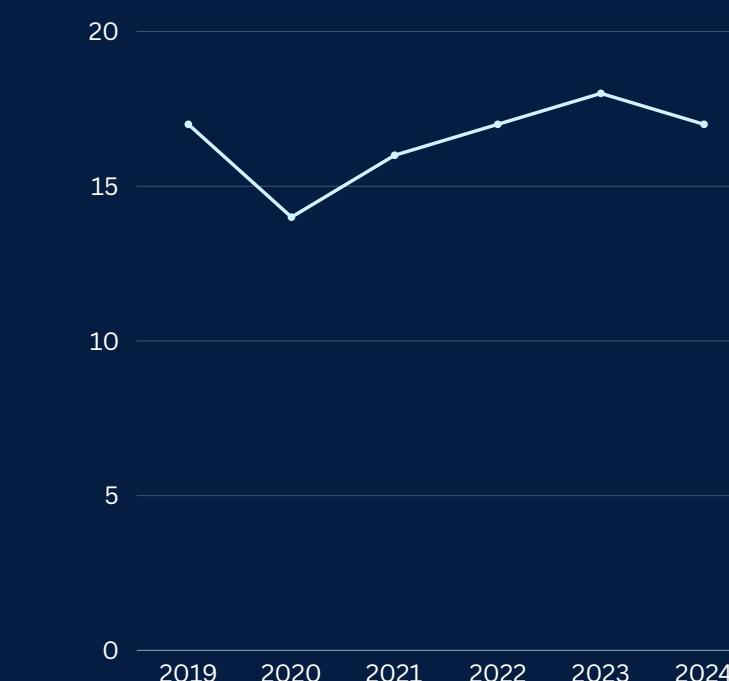
## TRENDS



## ANNUAL PROFIT(Cr)



## OPM%



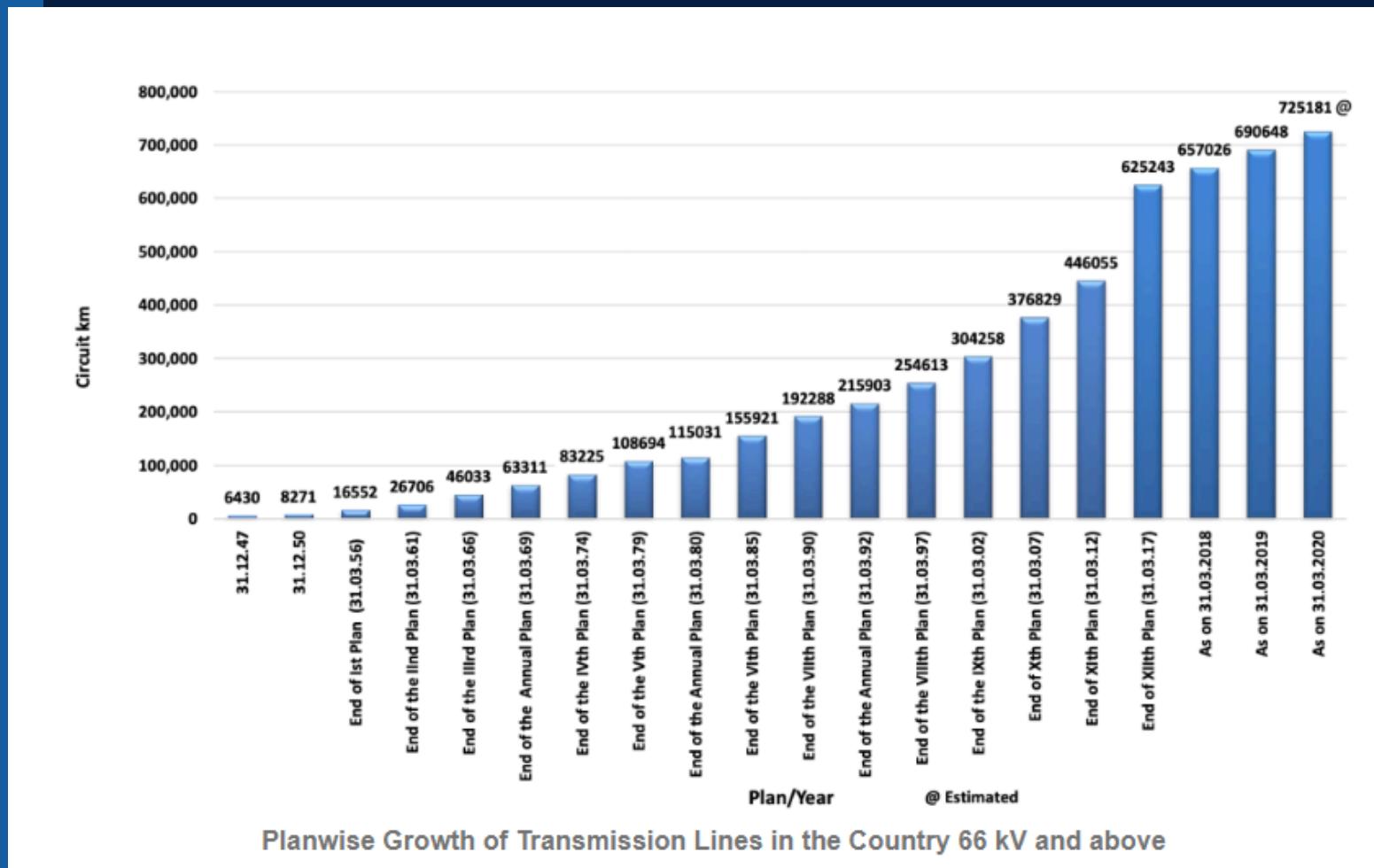
## ROCE%



# ENERGY SECTOR ANALYSIS AND STOCK SELECTION

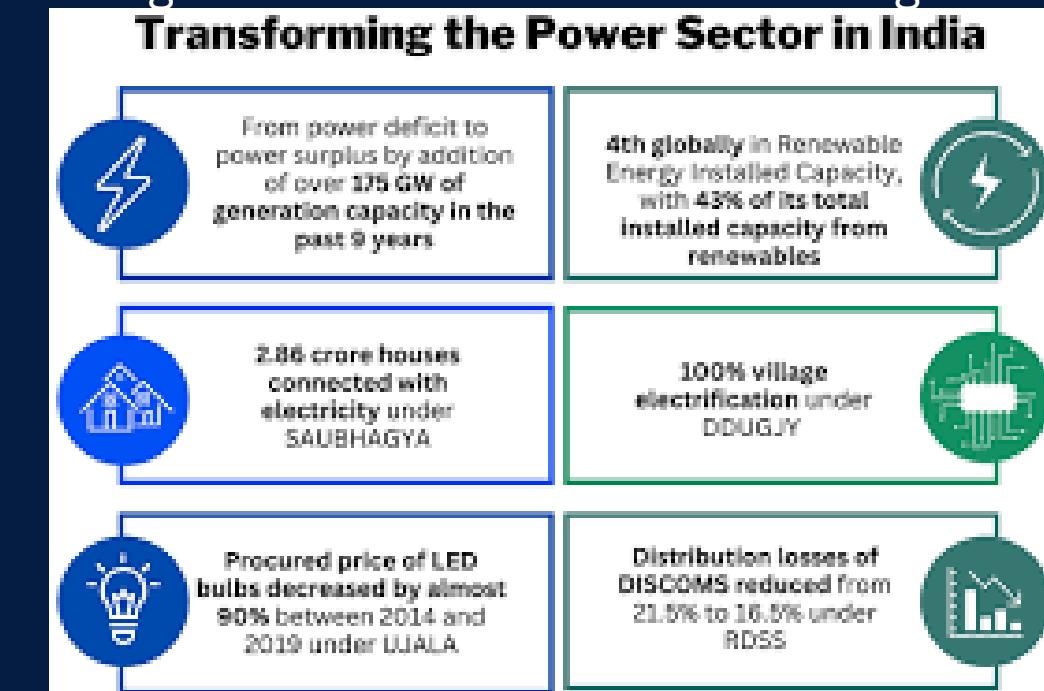
## Current Scenario:

- Rapid Growth: India's energy demand is rising due to population growth and economic development. Power generation increased by 6.8% to 1,452.43 billion kWh (as of Jan 2024).
- Renewable Push: There's a significant focus on renewables. India's installed renewable energy capacity (including hydro) stands at 182.05 GW (42.3% of total capacity) with ambitious targets of 450 GW by 2030.
- Coal Reliance: Coal remains dominant, but its share is decreasing. Thermal power plants saw improved load factors (73.7% in FY23). However, new capacity addition is subdued.
- Net Zero Goals: Major oil companies like ONGC are actively pursuing net-zero emissions. This aligns with India's climate change commitments..



## Investment Opportunities:

- **ONGC (Oil and Natural Gas Corporation):**
  - Undervalued with strong fundamentals.
  - Investing in renewable energy for net-zero by 2040 (potentially revised to 2023).
  - India's largest oil and gas exploration and production company.
  - Market leader with a dominant position in the domestic E&P sector.
  - Significant investments in renewable energy, including solar and wind power.
- **Power Grid Corporation of India (Power Grid):**
  - Diversified in power transmission, telecom, and consulting.
  - Promising future with rising renewable energy projects.
  - Innovation: World's 1st 400kV reactor using eco-friendly natural ester oil.
  - India's largest power transmission company, owning and operating most of India's interstate transmission network.
  - Strong financial performance with consistent dividend payouts.
  - Expanding into the telecom and consulting sectors





# ONGC COMPANY ANALYSIS

## 1. About and History:

- ONGC is the largest crude oil and natural gas company in India, contributing ~71% to domestic production. Established in 1956, it has discovered 8 out of 9 producing basins in India, including major sites in Gujarat, Assam, Rajasthan, Mumbai, and more recently in Bengal and Vindhyan.

## 2. Revenue and Production:

- FY21 revenue breakdown: Crude oil 70%, Natural gas 17%, Value-added products (LPG, Naphtha, Ethane-Propane, Butane, superior kerosene oil) 13%. Total production for FY21 was 45.35 MMTOE, including 22.53 MMT of oil and 22.82 BCM of gas, with 93.5% revenue from India and 6.5% from international trade.

## 3. Group Companies and Joint Ventures:

- Key subsidiaries: ONGC Videsh (international operations), HPCL, MRPL, and PMHBL. Major joint ventures include OPAL, OTPC, OTBL, IGGL, MSEZ, and Dahej SEZ Ltd. Associates include Petronet LNG Ltd and Rohini Heliport Ltd.

## 4. Drilling Operations:

- ONGC drilled 480 wells in FY21, with 100 exploratory and 380 development wells, including two ultra-deepwater wells. The average number of wells drilled over the past five years is 500, with a decrease due to the COVID-19 pandemic.

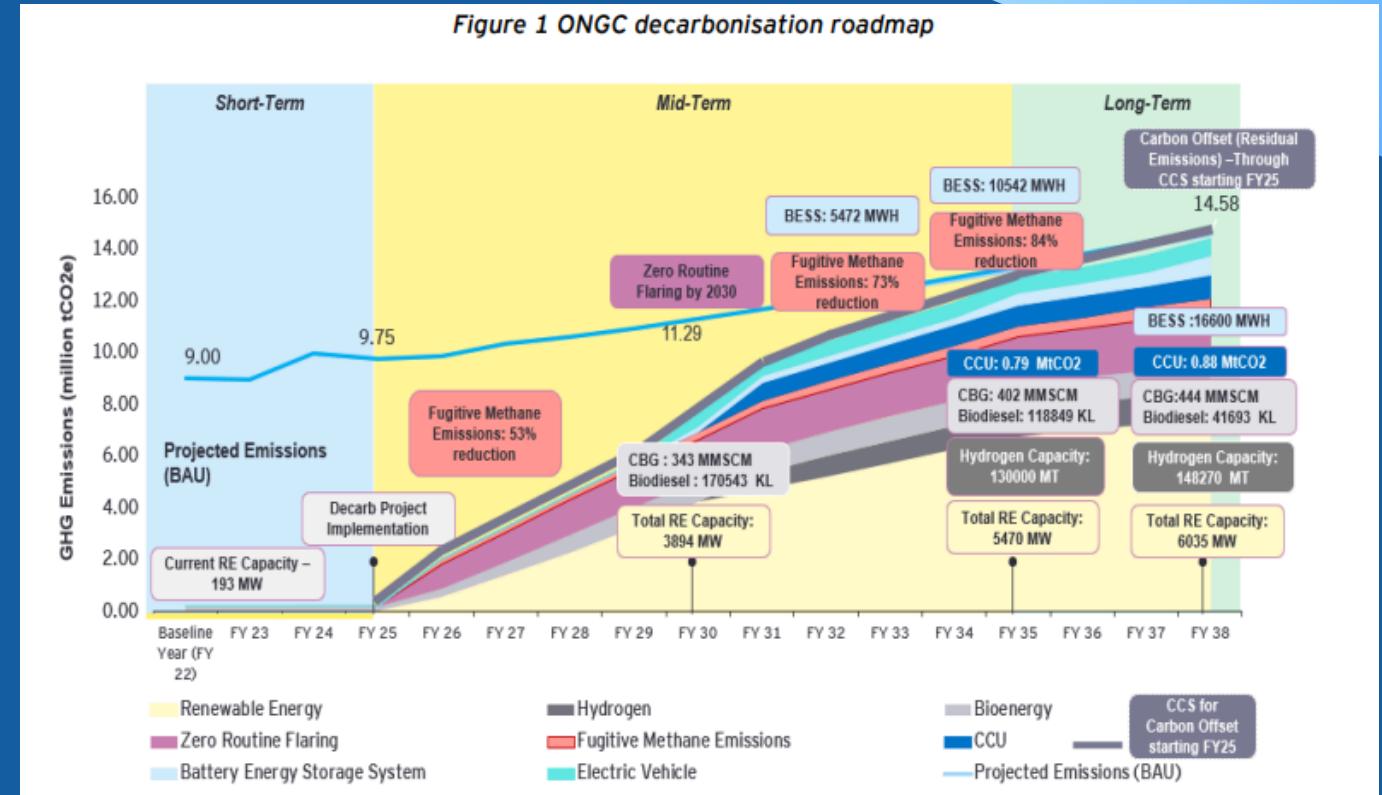
## 5. International Operations:

- ONGC Videsh operates 37 oil and gas projects in 17 countries, including Azerbaijan, Brazil, Colombia, Mozambique, Myanmar, Russia, and Vietnam. These projects encompass exploration and production activities across various international locations.

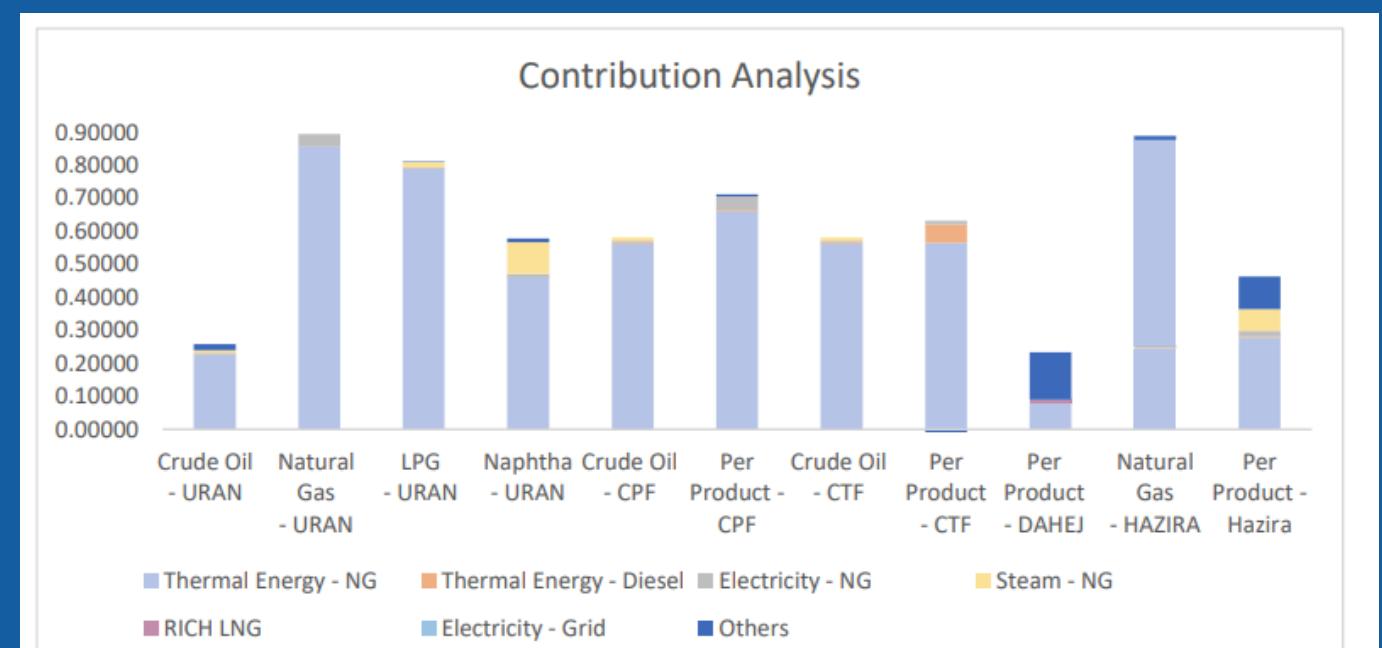
## 6. Capital Expenditure and Future Strategy:

- Average capital expenditure from FY17-21 was ~Rs. 2,84,635 Mn, with a notable spike in FY18 due to acquisitions. ONGC plans to spend Rs. 31,000 Cr in the next three fiscals (FY22-25) on exploration, aiming to sell stakes and collaborate with international oil firms for further development. The company also owns solar-based power plants and holds a 5% stake in the India Gas Exchange.

Figure 1 ONGC decarbonisation roadmap



Contribution Analysis

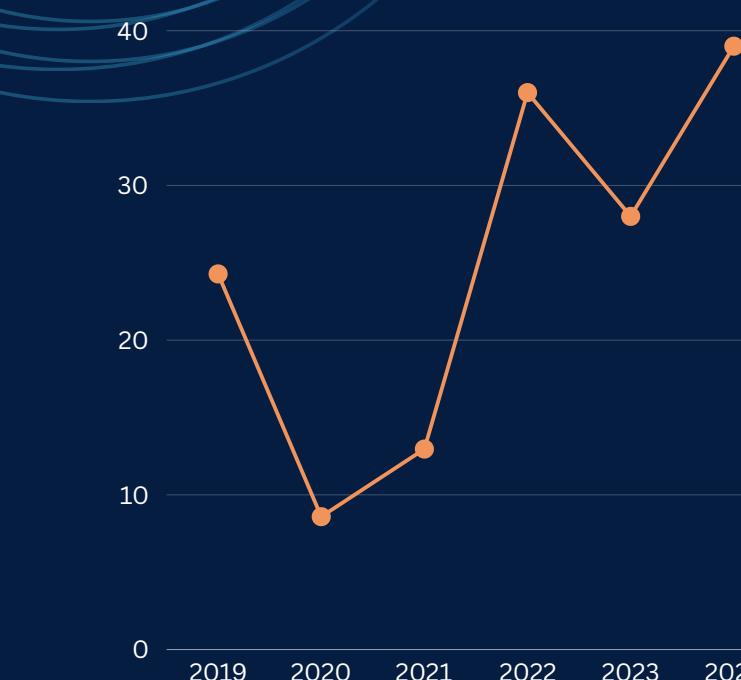


# FINANCIAL TRENDS

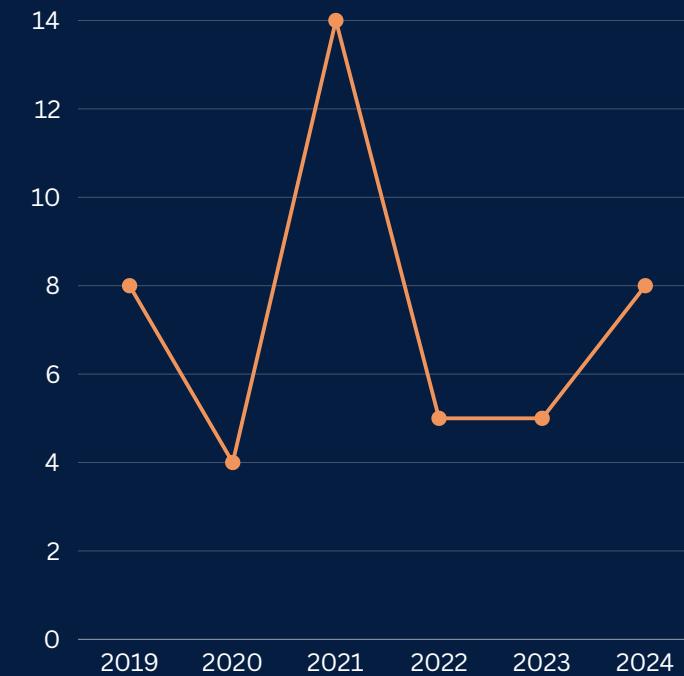
## RATIOS

PE <b>8.06</b>	MKT.CAP(Cr) <b>407349</b>	ROCE <b>18.4%</b>	ROE <b>16.3%</b>
DEBT <b>153181Cr</b>	Debt/Equity <b>0.45</b>	EPS <b>₹39.1</b>	ROA <b>8.81%</b>
BOOK VALUE <b>₹268</b>	P/B <b>1.23</b>	PEG RATIO <b>0.82</b>	SALES GROWTH 3Yrs <b>28.4%</b>
PROMOTER HOLDING <b>58.9%</b>	PROFIT GROWTH 3yrs <b>47.1%</b>	PROFIT GROWTH 5yrs <b>9.86%</b>	INDUSTRY PE <b>20.4</b>

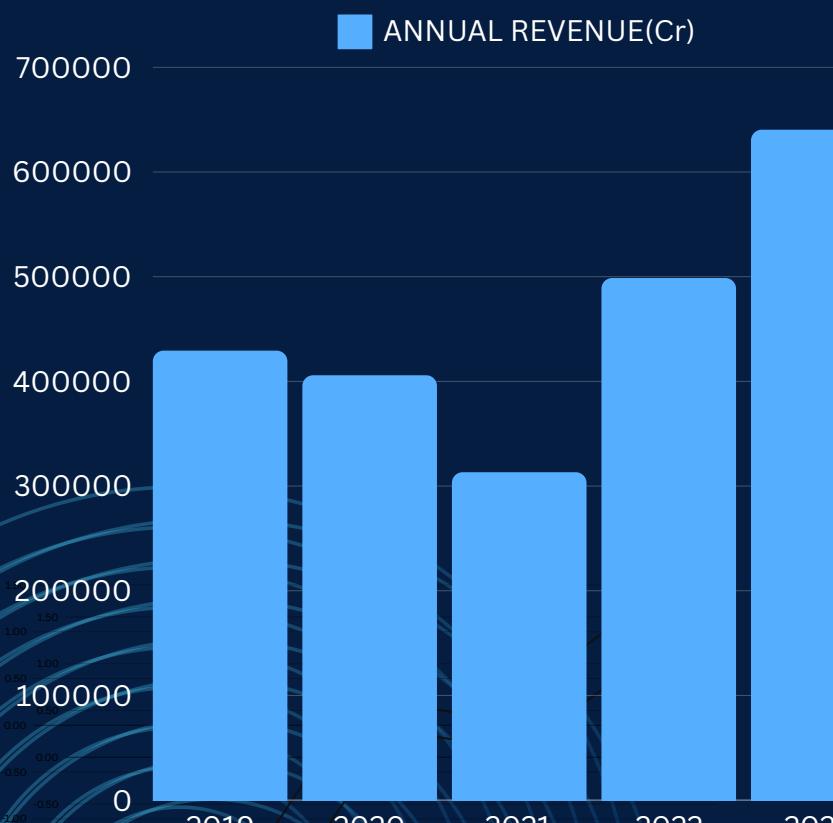
## EPS(Rs)



## P/E



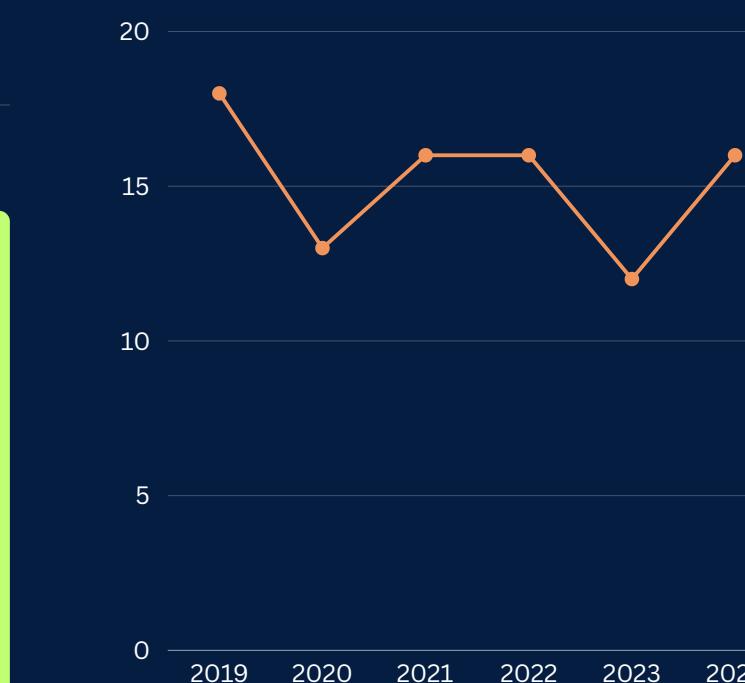
## TRENDS



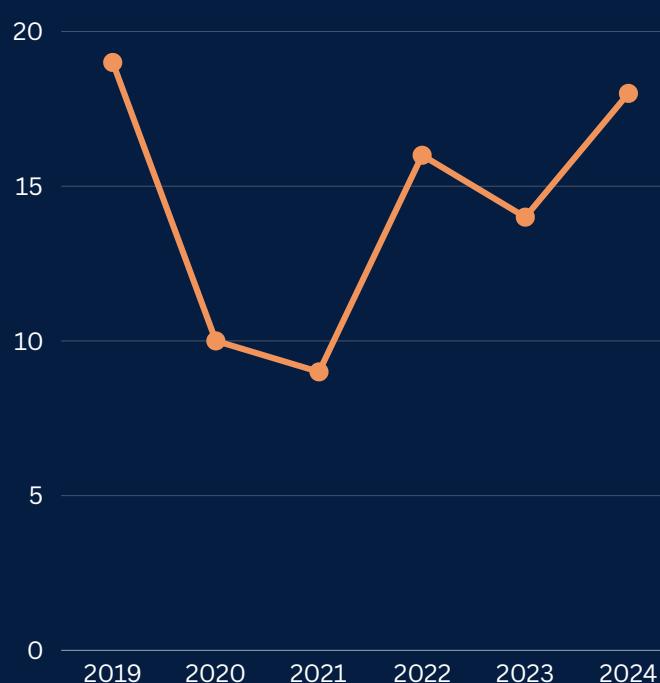
■ ANNUAL PROFIT(Cr)



OPM%



ROCE%



# POWER GRID CORPORATION OF INDIA LTD COMPANY ANALYSIS

## 1. About and Establishment:

- Power Grid Corporation of India Limited (PGCIL) is a Maharatna CPSU and India's largest electric power transmission company, with a 51.34% stake held by the GoI as of March 31, 2021. Incorporated in 1989, PGCIL was established to set up extra-high voltage alternating current and high-voltage direct current (HVDC) transmission lines.



## 2. Key Operations and Strategic Importance:

- PGCIL moves large blocks of power from central generating agencies to load centers within and across regions. Under the Ministry of Power, the company is engaged in planning, implementation, operation, and maintenance of the Inter-State Transmission System (ISTS), telecom, and consultancy services. It plays a vital role in India's power sector, owning 85% of the interstate transmission network and carrying 45% of power generated in India.

## 3. Operating Efficiency and Government Projects:

- PGCIL's strong operating efficiency, with system availability of 99.76% in FY21, surpasses CERC benchmarks. The company executes strategically important projects assigned by the GoI on a nomination basis, benefiting from government equity support and guaranteed loans from multilateral lending agencies.

## 4. EV Charging Infrastructure:

- PGCIL promotes e-mobility by adopting Electric Vehicles (EV) and installing fast EV charging stations nationwide. It operates 16 public EV charging stations in cities like Delhi, Gurugram, Hyderabad, and Bengaluru, with additional stations under development in various locations, supported by the FAME India scheme phase II.

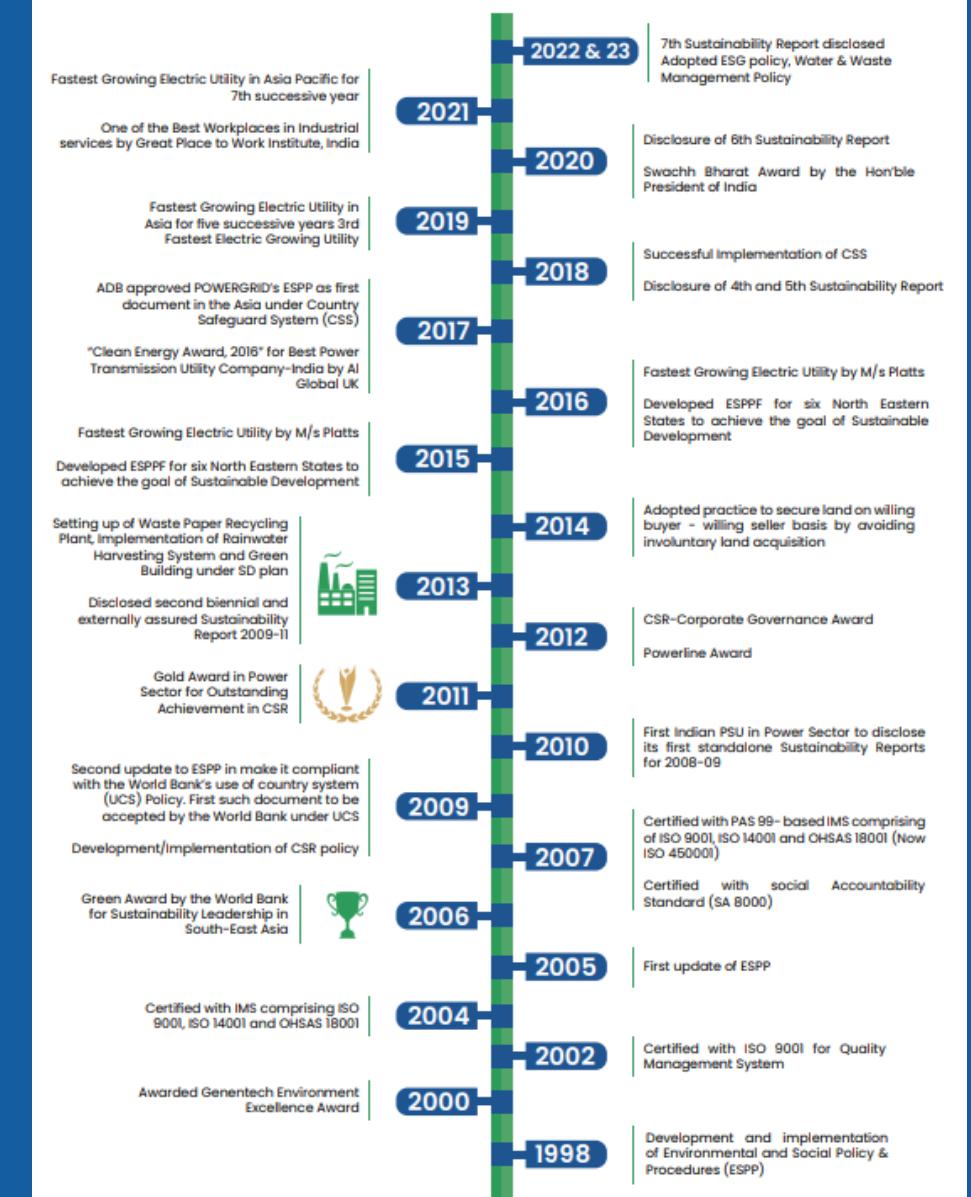
## 5. Revenue Breakdown and Transmission Capacity:

- In FY21, transmission charges constituted 89% of revenue, consultancy 1.2%, telecom 1.8%, and other sources 7%. PGCIL operates 172,192 ckm of transmission lines, 264 substations, and a transformation capacity of 469,607 MVA, maintaining over 99% system availability.

## 6. Telecom and Consultancy Services:

- PGCIL owns and operates a 74,109 km telecom network with a presence in 256 cities. It provides telecom services to various sectors using its pan-India fiber optic network. The company has a global consultancy presence in 21 countries, working with domestic clients like NHAI, CPSEs, and Indian Railways, and international clients including state-owned power utilities and multilateral funding agencies like the World Bank and ADB. Additionally, PGCIL monetizes TBCB assets through its listed InVit, freeing up capital for expansion projects.

## OUR SUSTAINABILITY JOURNEY SPANNING OVER THREE DECADES

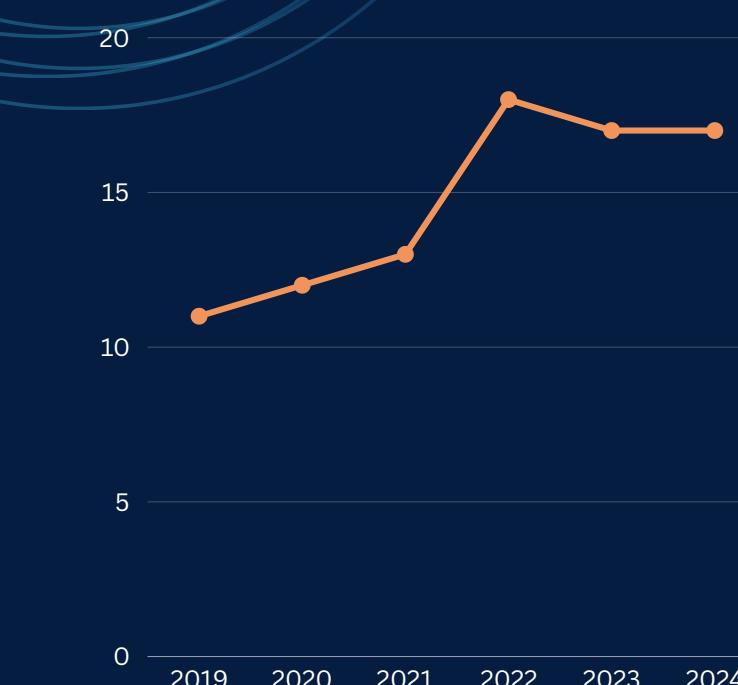


# FINANCIAL TRENDS

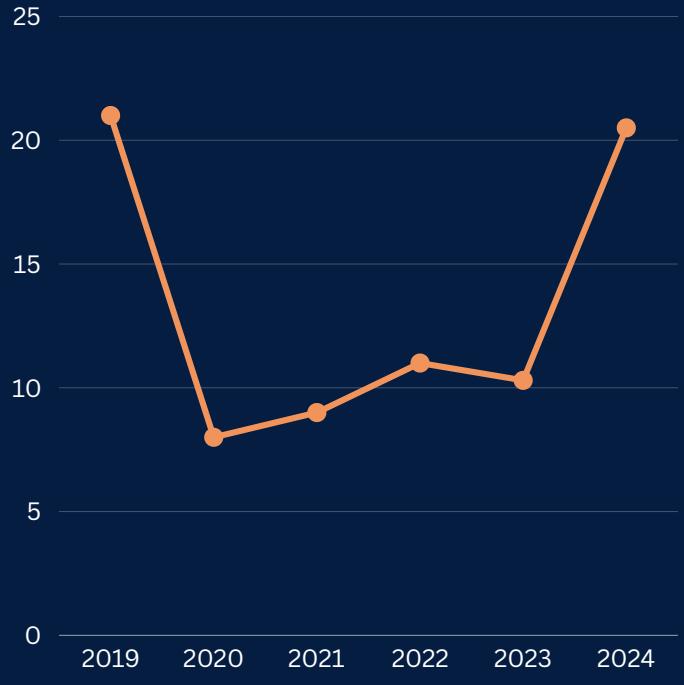
## RATIOS

<b>PE</b> <b>20.6</b>	<b>MKT.CAP(Cr)</b> <b>320406</b>	<b>ROCE</b> <b>13%</b>	<b>ROE</b> <b>18.3%</b>
<b>DEBT</b> <b>123516Cr</b>	<b>Debt/Equity</b> <b>1.42</b>	<b>EPS</b> <b>₹16.7</b>	<b>ROA</b> <b>6.21%</b>
<b>BOOK VALUE</b> <b>₹93.7</b>	<b>P/B</b> <b>3.63</b>	<b>PEG RATIO</b> <b>2.69</b>	<b>SALES GROWTH 3Yrs</b> <b>4.97%</b>
<b>PROMOTER HOLDING</b> <b>51.3%</b>	<b>PROFIT GROWTH 3yrs</b> <b>6.56%</b>	<b>PROFIT GROWTH 5yrs</b> <b>7.67%</b>	<b>INDUSTRY PE</b> <b>41.6</b>

## EPS(Rs)



## P/E



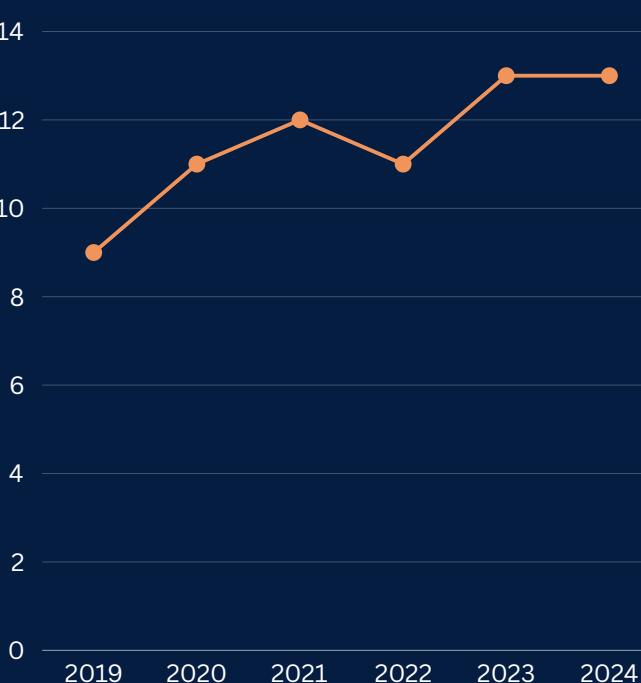
## TRENDS



## OPM%



## ROCE%



# PHARMA SECTOR ANALYSIS AND STOCK SELECTION

## Current Scenario:

- Growth Trajectory: The Indian pharmaceutical industry is expected to reach \$130 billion by 2030, driven by exports and domestic demand growth. (Source: IBEF)
- Export Strength: India is a leading exporter of pharmaceuticals, accounting for 20% of global volume and 60% of global vaccine demand. (Source: Invest India)
- Cost Advantage: Cost-effective manufacturing makes India competitive in the global market.
- Regulatory Focus: USFDA approvals are crucial for exports to the US, the biggest pharma market. (Source: USFDA)
- Innovation Push: Growth requires a focus on R&D, generic drugs, prescription medicines, and patent filing.



## Investment Opportunity: Dr. Reddy's Laboratories

- Competitive Advantage: Offers lower valuations compared to peers.
- Strong US Presence: Significant market share in the US, a key driver of growth.
- Diversified Portfolio: Presents a broad range of generic, prescription, and biosimilar medicines.
- R&D Focus: Invests in research and development, driving innovation and future growth.

## Justification for Selection:

- Dr. Reddy's combines affordability with a strong US presence, positioning it well for future growth.
- Its diversified portfolio caters to various market segments, reducing risk and offering long-term stability.
- The company's commitment to R&D strengthens its potential for future innovation and market leadership.

# DR REDDY'S LABORATORIES COMPANY ANALYSIS

## 1. Global Generics Segment:

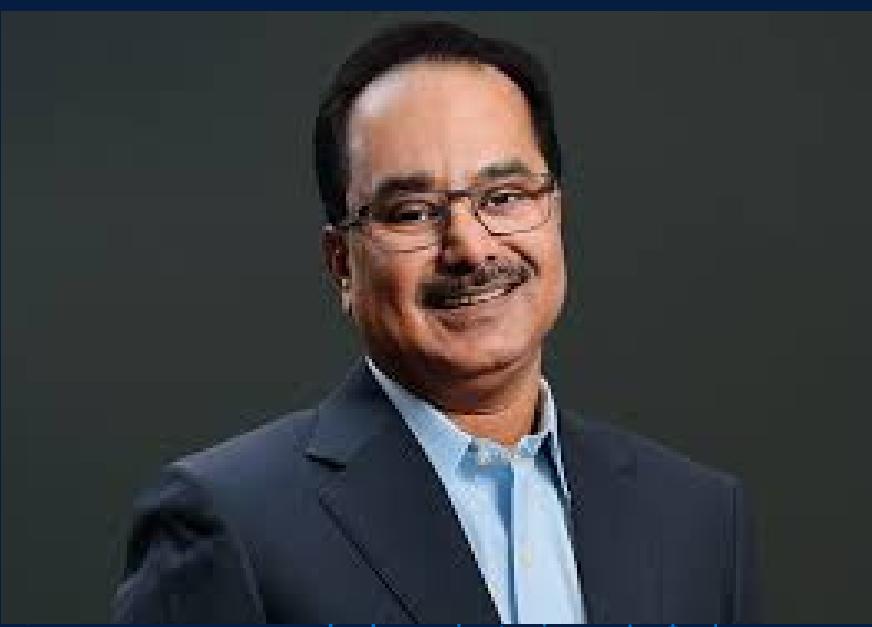
- Dr. Reddy's Laboratories offers over 400 high-quality generic drugs, which account for ~83% of revenues in FY22. The top revenue contributors are nervous system drugs (14%), gastrointestinal (13%), and anti-infective (10%). The company leverages its expertise in active ingredients, product development, regulatory knowledge, and supply chain management. In FY22, they filed 7 new ANDAs with the US FDA.

## 2. Pharmaceutical Services & Active Ingredients (PSAI):

- Representing 14% of FY22 revenues, Dr. Reddy's is one of the largest global manufacturers of APIs. It collaborates with leading generic formulators and supports its generics business for competitive market entry. In FY22, the company filed 139 DMFs worldwide, including ten in the US. Top revenue contributors in this segment are cardiovascular (25%), anti-infective (~18%), and pain management (14%).

## 3. Proprietary Products & Custom Pharmaceutical Services (CPS):

- Proprietary Products, comprising ~2% of revenues, focus on developing differentiated formulations for unmet patient needs. The company's subsidiary, Augene Discovery, specializes in novel cancer and inflammation therapeutics. Dr. Reddy's also has a significant CPS business, offering end-to-end product development and manufacturing services.



**GUNUPATI PRASAD(MD&CEO)**

## 1. Geographical Revenue and Market Focus:

- In FY22, the USA accounted for 37% of revenues, followed by India (22%), Russia (9%), and other regions (32%). Two customers from the Global Generics segment contributed approximately 15% of the total revenues. The company is increasingly focusing on niche products, injectables, and biosimilars to boost medium-term revenues and profitability.

## 2. R&D and Manufacturing Capabilities:

- Dr. Reddy's has 9 R&D facilities across India, the UK, Netherlands, and Malaysia. R&D expenses decreased from 13% of total revenues in FY18 to 8% in FY22. The company operates 23 manufacturing facilities globally, including 9 for APIs and 14 for formulations, with locations in Mexico, the UK, the USA, and China.

## 3. COVID-19 Initiatives and Strategic Moves:

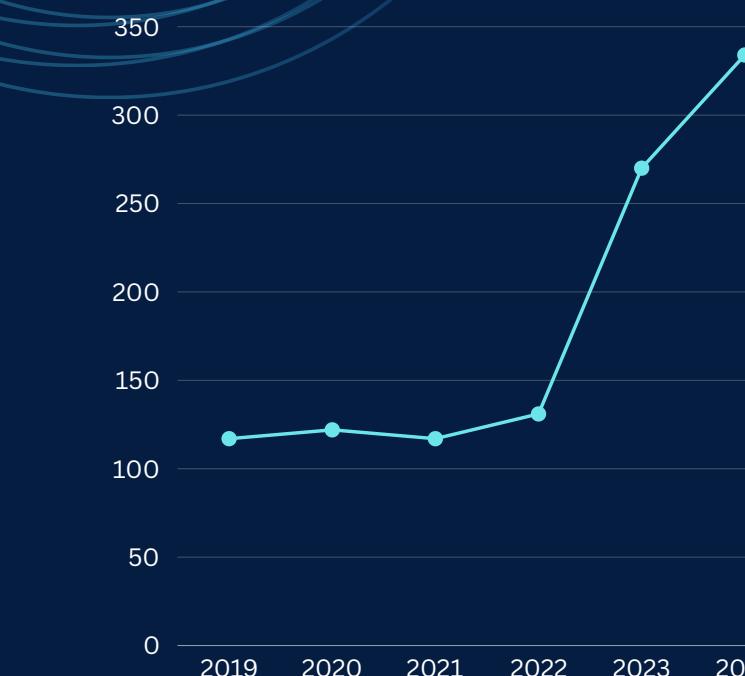
- During FY21 and FY22, Dr. Reddy's partnered with various entities to manufacture COVID-19 treatments like Remdesivir and launched the Sputnik-V vaccine in India. The company divested some proprietary product brands and acquired a portfolio of injectable products from Eton Pharmaceuticals to expand its affordable medication offerings. Dr. Reddy's has 36 subsidiaries supporting its operations.

# FINANCIAL TRENDS

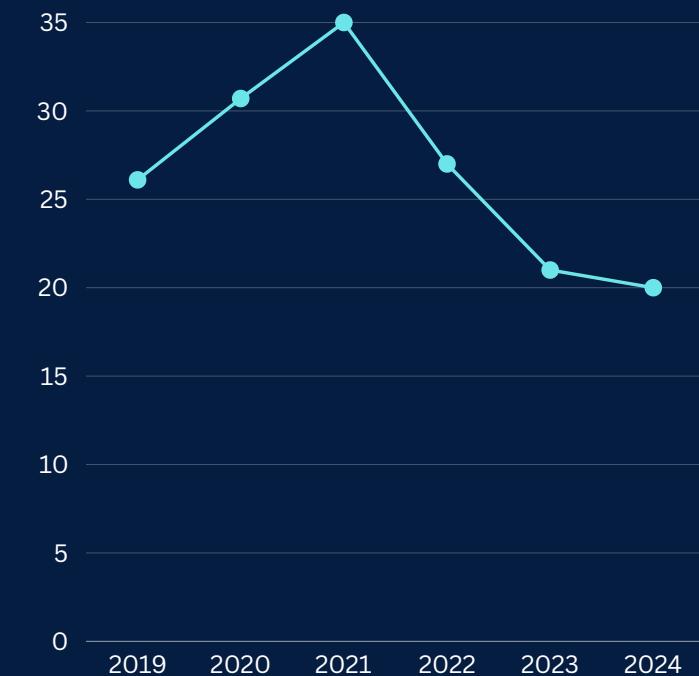
## RATIOS

PE <b>20.1</b>	MKT.CAP(Cr) <b>110859</b>	ROCE <b>26.5%</b>	ROE <b>21.4%</b>
DEBT <b>2002Cr</b>	Debt/Equity <b>0.07</b>	EPS <b>₹334</b>	ROA <b>15.5%</b>
BOOK VALUE <b>₹1684</b>	P/B <b>3.92</b>	PEG RATIO <b>0.82</b>	SALES GROWTH 3Yrs <b>13.7%</b>
PROMOTER HOLDING <b>26.6%</b>	PROFIT GROWTH 3yrs <b>41.3%</b>	PROFIT GROWTH 5yrs <b>24.4%</b>	INDUSTRY PE <b>37</b>

## EPS(Rs)



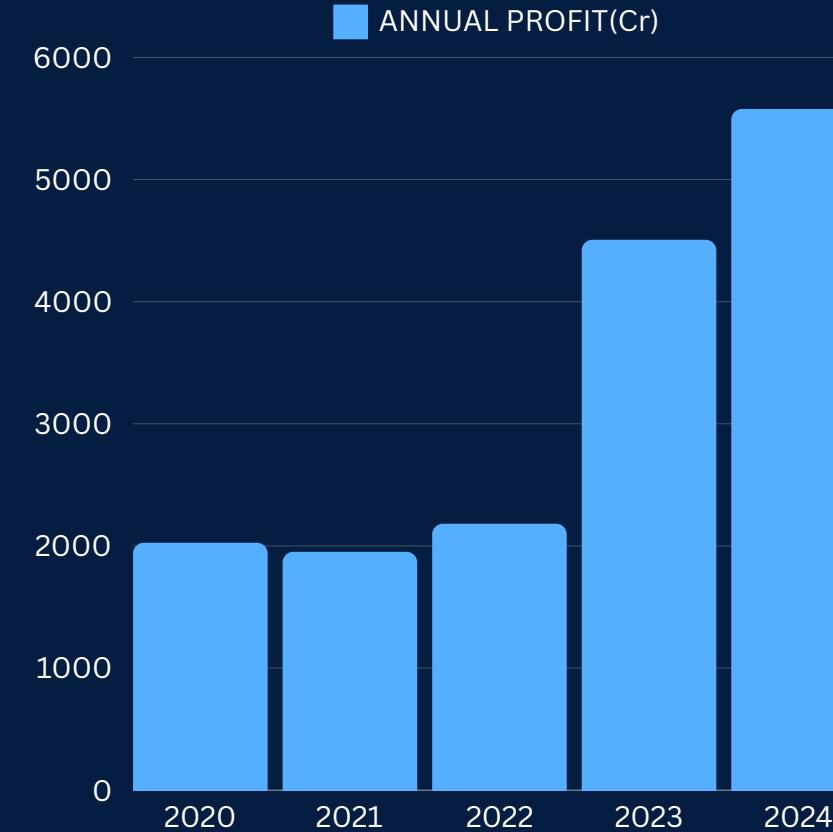
## P/E



## TRENDS

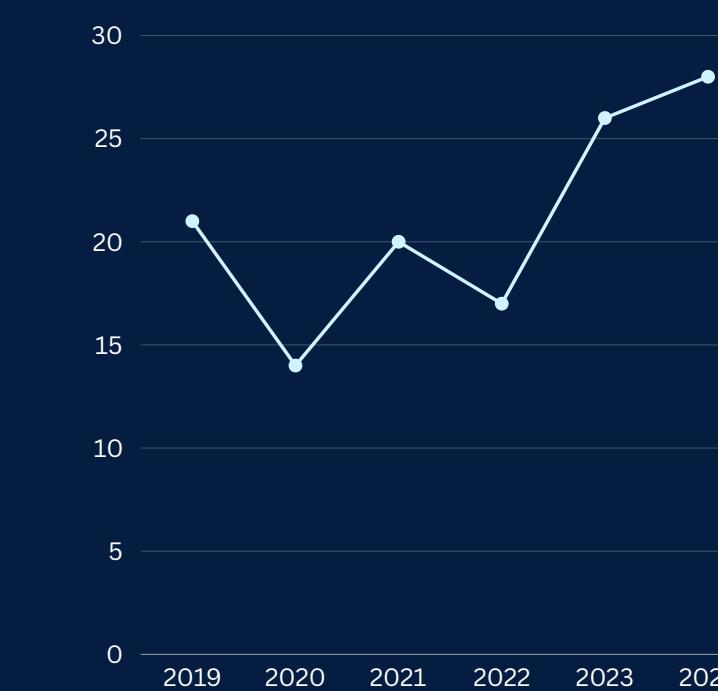


■ ANNUAL REVENUE(Cr)

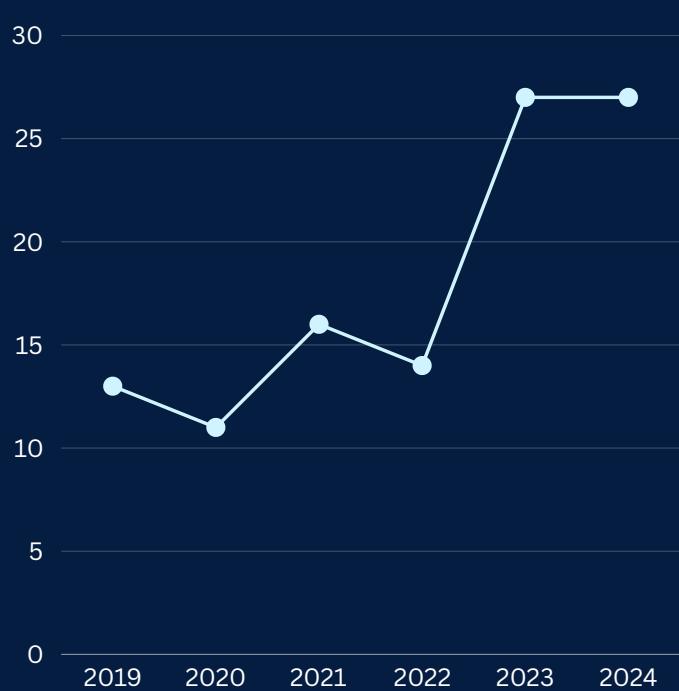


■ ANNUAL PROFIT(Cr)

## OPM%



## ROCE%



# FMCG SECTOR ANALYSIS AND STOCK SELECTION

## Current Scenario:

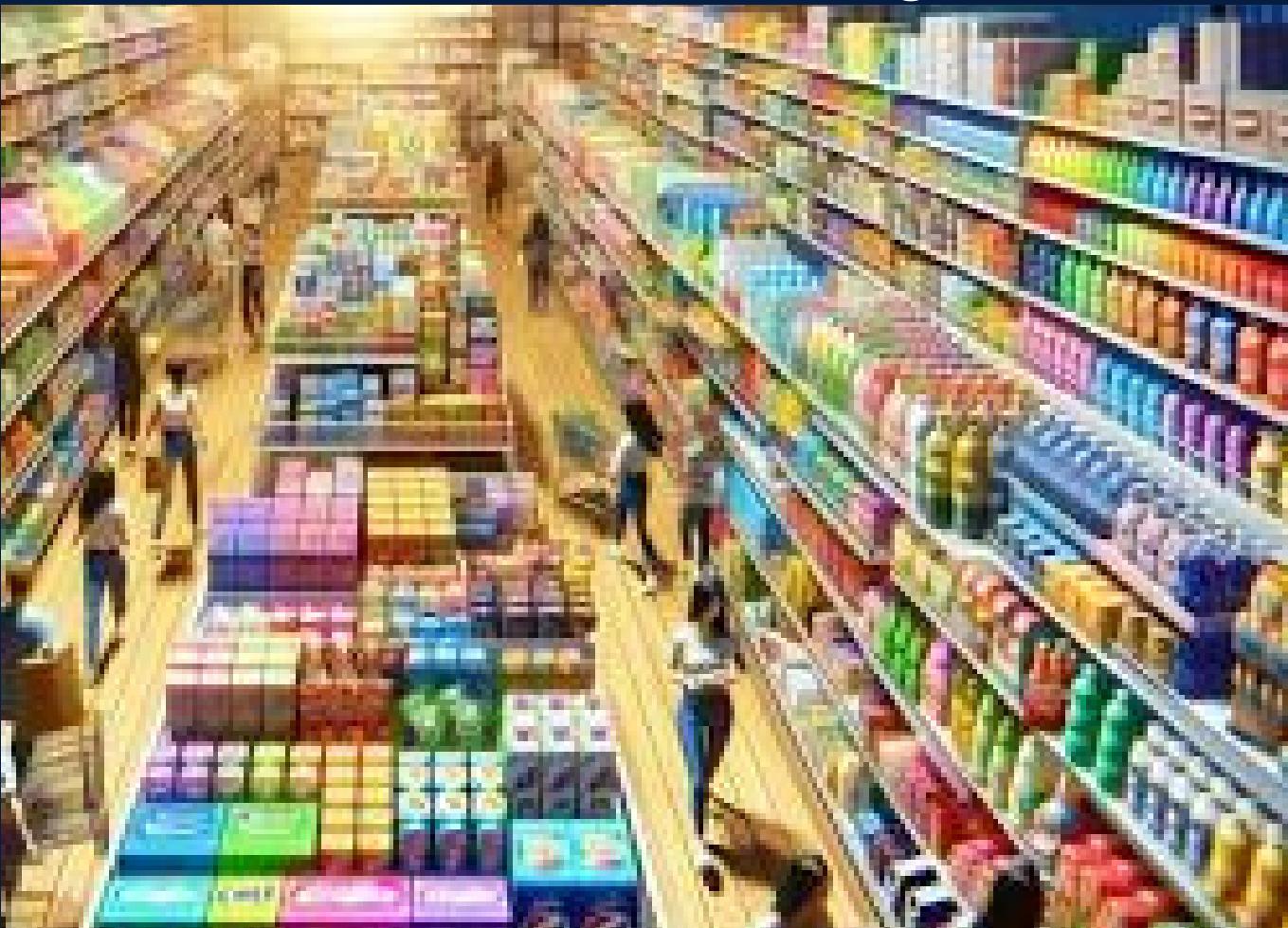
- Growth Potential: The Indian FMCG market is expected to grow at 4.5-6.5% in 2024, driven by rising disposable income and increasing rural consumption. (Source: NielsenIQ)
- Rural Boom: Rural areas are a key growth driver, contributing over 35% to total FMCG sales. (Source: IBEF)
- E-commerce Rise: Online channels are increasingly important, with e-commerce expected to account for 11% of FMCG sales in the near future. (Source: Groww)
- Brand Power: Strong brand recognition and distribution networks are crucial for success.

## FMCG as a Platform:

- Beyond Products: FMCG companies act as platforms, constantly innovating and adapting to consumer needs.
- Consumer Choice: Brands need to win consumer loyalty in a crowded marketplace.
- Distribution Strength: Widespread distribution ensures product accessibility across regions.
- Category Positioning: Effective product positioning within specific categories is essential.

## Investment Opportunity: Zydus Wellness

- Decent Valuation: Offers a good entry point compared to more expensive peers.
- Market Leading Products: Strong brand presence with leading products in various categories.
  - (Example: Glucon-D is the #1 brand in the glucose powder category) (Source: Zydus Wellness Investor Presentation)
- Brand Building Expertise: Proven track record of creating successful brands.
- Diversified Portfolio: Offers a range of products across healthcare, nutrition, and wellness segments.



# ZYDUS WELLNESS LTD COMPANY ANALYSIS

## 1. Integrated Consumer Company:

- Zydus Wellness operates as an integrated consumer company, covering the entire value chain in health and wellness products development, production, marketing, and distribution. Its product portfolio includes renowned brands like Sugar Free, Everyuth, and Nutralite .

## 2. Product Portfolio and New Launches:

- The company offers a variety of products under brands like Glucon-D, Complan, Sugar-Free, Nycil, Everyuth, and Nutralite, including glucose powder, face wash, scrubs, peel-off masks, and sugar substitutes. Recently, new variants such as Mango and Kachha Mango for Glucon-D and a body mist for Nycil were launched .

## 3. Market Leadership:

- Zydus Wellness holds a dominant market position with Glucon D having a 60% market share. Other leading brands include Sugar-Free, Nycil, and Everyuth Peel off and Scrub, all ranking first in their respective segments .

## 4. E-Commerce and Geographical Presence:

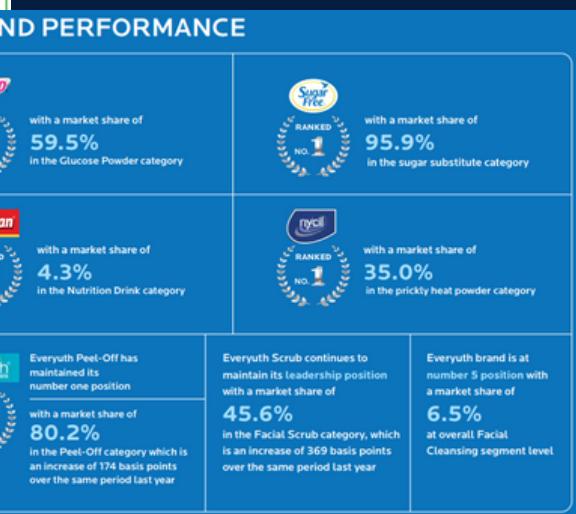
- Revenue from organized channels, including modern trade and e-commerce, increased from 18% in FY22 to 20% in FY23. The company has a significant international presence in over 25 countries, with the top 5 markets contributing ~80% of the business, and brands like Sugar Free and Complan making up ~90% of the international revenue .

## 5. Distribution Network:

- Zydus Wellness boasts a robust pan-India distribution network with over 1700 distributors and ~2000 field representatives. The network is supported by 24 integrated warehouses catering to both cold chain and ambient products .

## 6. Financial Highlights:

- The company ceased operations at its Sitarganj plant in FY23, incurring an expenditure of Rs. 10 crore. It also spent ~Rs. 49 crore on capital expenditure and reduced its debt by Rs. 89 crore, bringing consolidated debt down to Rs. 293 crore as of March 31, 2023, from Rs. 382 crore in FY22

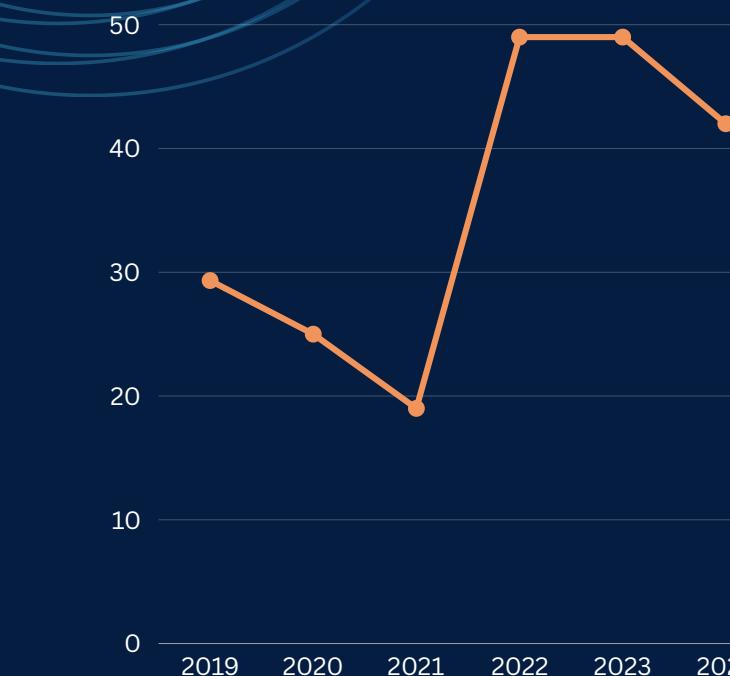


# FINANCIAL TRENDS

## RATIOS

PE	MKT.CAP(Cr)	ROCE	ROE
<b>49.8</b>	<b>13613</b>	<b>5.33%</b>	<b>5.32%</b>
DEBT	Debt/Equity	EPS	ROA
<b>329Cr</b>	<b>0.06</b>	<b>₹41.9</b>	<b>4.66%</b>
BOOK VALUE	P/B	PEG RATIO	SALES GROWTH 3Yrs
<b>₹842</b>	<b>2.54</b>	<b>4.28</b>	<b>7.64%</b>
PROMOTER HOLDING	PROFIT GROWTH 3yrs	PROFIT GROWTH 5yrs	INDUSTRY PE
<b>69.6%</b>	<b>3.61%</b>	<b>11.4%</b>	<b>38.9</b>

## EPS(Rs)



## P/E



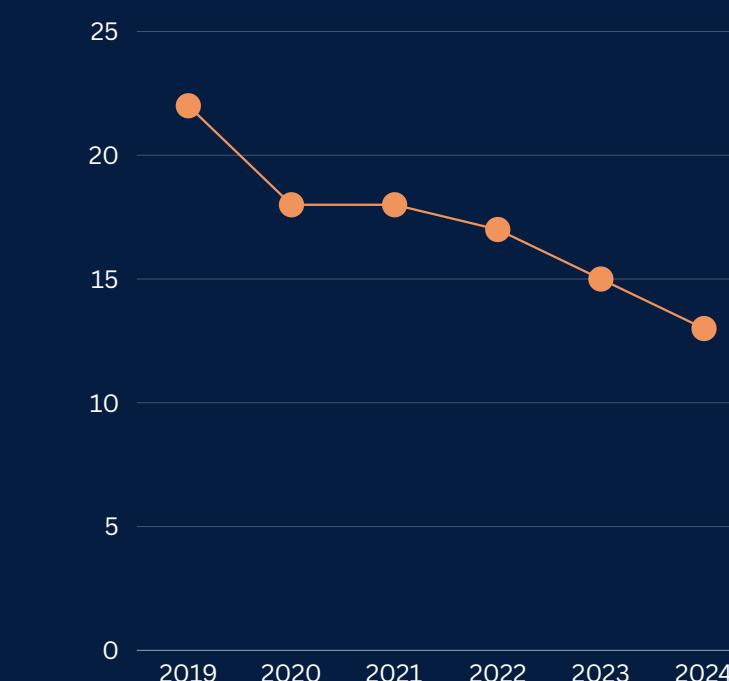
## TRENDS



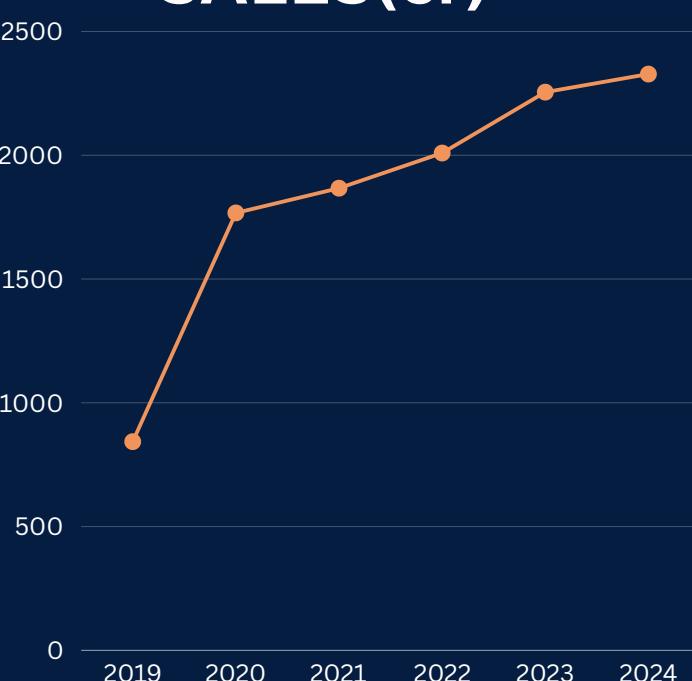
ANNUAL PROFIT(Cr)



OPM%



SALES(cr)



# BANKING SECTOR ANALYSIS AND STOCK SELECTION

## Current Scenario:

- Financial Inclusion: Small finance banks (SFBs) play a vital role in expanding financial services to underserved communities in rural and semi-urban areas. (Source: RBI)
- Growth Potential: The SFB sector is witnessing steady growth, with a combined profit exceeding Rs. 4,162 crore in FY2022-23. (Source: ESAF Bank)
- Digital Transformation: SFBs are embracing technology to improve efficiency and accessibility for customers. (Source: AU Small Finance Bank)
- Regulation: The Reserve Bank of India (RBI) sets strict guidelines to ensure SFBs remain financially stable.

## Business Models:

- Microfinance: SFBs primarily focus on providing microloans to small businesses and individuals.
- Deposit Mobilization: Attracting deposits from customers allows SFBs to fund their lending activities.
- Value-added Services: Some SFBs offer additional services like insurance and remittances.

## Investment Opportunity: Ujjivan Small Finance Bank

- Attractive Valuation: Ujjivan offers a potentially undervalued option compared to other SFBs.
- Strong Microfinance Focus: Ujjivan's core expertise in microfinance provides a stable customer base. (Source: Ujjivan SFB Investor Relations)
- Established Track Record: The bank has a proven track record of success in the microfinance segment.
- Digital Adoption: Ujjivan is actively adopting digital solutions for enhanced customer service.

## Justification for Selection:

- Ujjivan's focus on microfinance, a core strength of SFBs, offers a strong foundation for future growth.
- The bank's potential undervaluation presents an attractive entry point for investors.
- Ujjivan's established presence and digital initiatives contribute to its long-term prospects.

# UJJIVAN SMALL FINANCE BANK LTD COMPANY ANALYSIS

## 1. Mission and Origin:

- Ujjivan Small Finance Bank Limited, originally Ujjivan Financial Services Limited (founded in 2005), aims to provide financial services to economically active but underserved segments. It focuses on building financial inclusion for the unserved and underserved in India.

## 2. Business Segments:

- The bank operates through three main segments: Retail Banking, which includes lending and deposits from retail customers; Treasury, which involves net interest earnings from investments and money market activities; and Wholesale Banking, which covers interest earned on loans to corporates and financial institutions.

## 3. Extensive Network:

- Ujjivan serves approximately 82 lakh customers through 729 branches with a workforce of 21,796 employees across 321 districts in 26 states and union territories.

## 4. Loan Book and Disbursements:

- As of 9MFY24, the total gross loan book was ~Rs. 27,700 crore. This includes Group loans (56%), Affordable Housing (16%), Micro Individual Loans (16%), MSE (5%), FIG Lending (5%), and Others (3%). The bank disbursed ~Rs. 5700 crore in Q3FY24, acquiring 2.5 lakh new customers in the quarter and 7.8 lakh in 9MFY24.

## 5. Asset Quality and Collections:

- The bank maintained a GNPA of 2.1% and an NNPA of 0.16% in Q3FY24. Collections were robust with NDA collections at ~100% and cashless MB collections at ~40%. The secured loan book stood at 28.3% in Dec'23, with advancements in affordable housing and MSME segments through partnerships with fintechs for supply chain finance.

## 6. Deposit Mix and Geographical Presence:

- Total deposits were ~Rs. 30,000 crore, composed of Bulk TD (31%), Retail TD (43%), CASA (25%), and CD (1%). CASA stood at ~Rs. 7500 crore, split into Current Accounts (9%) and Savings Accounts (91%). The bank's operations were geographically distributed with North (36%), South (31%), East (17%), and West (16%), with top states being Karnataka, Maharashtra, Tamil Nadu, and West Bengal. Additionally, the bank saw digital transactions surge to 6 crores in Q4FY23 from 3.5 crores in Q4FY22 and is undergoing a reverse merger with Ujjivan Financial Services, targeted for completion by January 30, 2024.

### Our Resources

 **Financial Capital**  
We maintain a prudent mix of deposits, equity, loans, and investments, which facilitates sustainable growth and returns to our shareholders.

 **Manufactured Capital**  
Our technology infrastructure, combined with our widespread network of branches, ATMs, and digital channels, ensures a smooth and seamless delivery of services to our valued customers.

 **Intellectual Capital**  
Bias for innovation and the development of products and services that offer superior banking experiences to our customers set us apart.

 **Social and Relationship Capital**  
We are dedicated to social empowerment and fostering banking and financial services accessible to all.

 **Human Capital**  
We take pride in our skilled and diverse workforce, bringing valuable experience and a range of expertise to our team.

 **Natural Capital**  
We are committed to minimising our impact on natural resources through our responsible operations and business practices.

 Total Deposits: ₹ 31,462 Crores

 Advances: ₹ 29,780 Crores

 Shareholders' Fund: ₹ 5,613 Crores

 Investments: ₹ 9,766 Crores

 Creating a seamless service experience through a blend of physical and digital channels

 Utilising ATMs, and other touchpoints

 Implementing responsive and scalable cores and supporting IT systems

 Introducing innovative digital initiatives and systems

 Building and enhancing brand reputation

 Developing forward-thinking internal policies

 Establishing a robust risk management framework

 Streamlining processes through automation

 CSR Expenditure: ₹ 6.34 Crores

 Aligned towards ESG

 Employee Base: 22,566

 Women Employees: 4,410

 Average Training Hours: 35.27

 Employee Engagement Initiative

 Talent Management: 34 Hours/Employee Training

 New Infrastructure has been fitted with Sensor-based Taps

 16.69 MT of Electronic Devices were disposed through Authorised Recyclers and 1.2 MT of the Electronic Devices were re-used, i.e., Donated Towards the Digital Literacy of the Government School Students

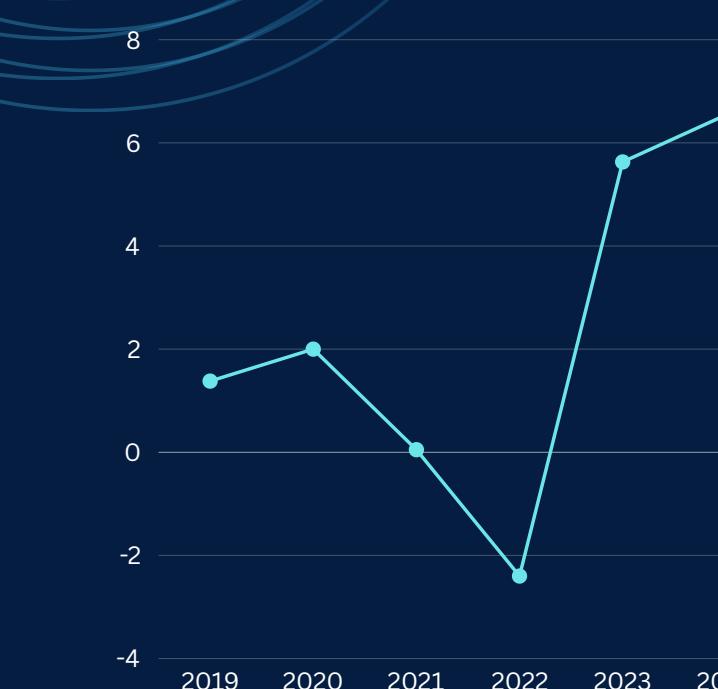
 Waste segregation at source, measurement, and responsible disposal of dry and wet wastes at corporate and all the regional offices.

# FINANCIAL TRENDS

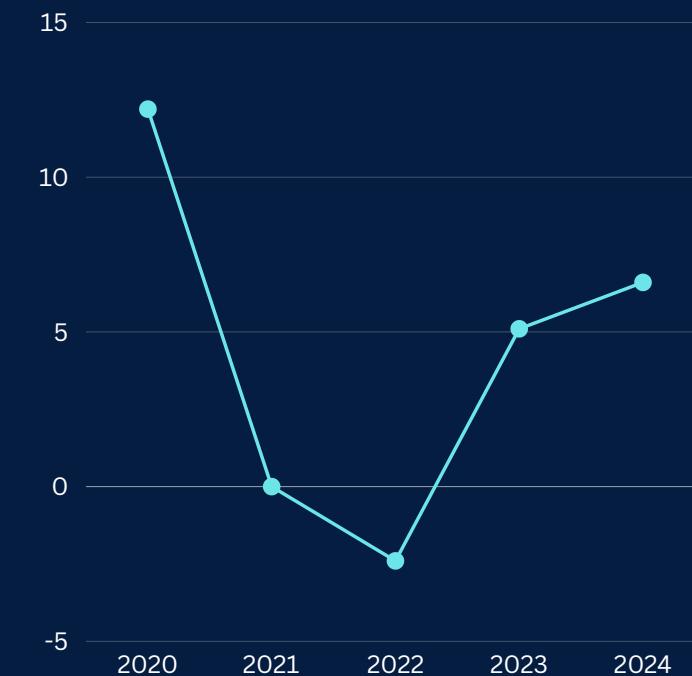
## RATIOS

PE <b>6.55</b>	MKT.CAP(Cr) <b>8399</b>	ROCE <b>11.1%</b>	ROE <b>26.7%</b>
DEBT <b>33633Cr</b>	CASA <b>26.5%</b>	EPS <b>₹6.54</b>	ROA <b>3.48%</b>
BOOK VALUE <b>₹28.7</b>	P/B <b>1.52</b>	PEG RATIO <b>0.15</b>	SALES GROWTH 3Yrs <b>26.5%</b>
PROMOTER HOLDING <b>0%</b>	PROFIT GROWTH 3yrs <b>424%</b>	PROFIT GROWTH 5yrs <b>45%</b>	INDUSTRY PE <b>12.1</b>

## EPS(Rs)



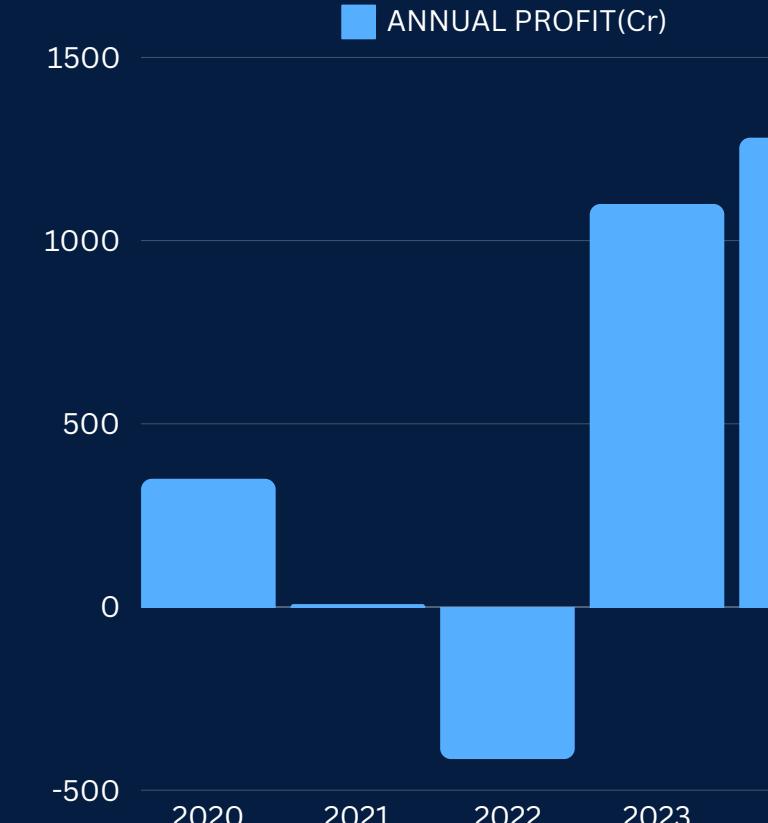
## P/E



## TRENDS

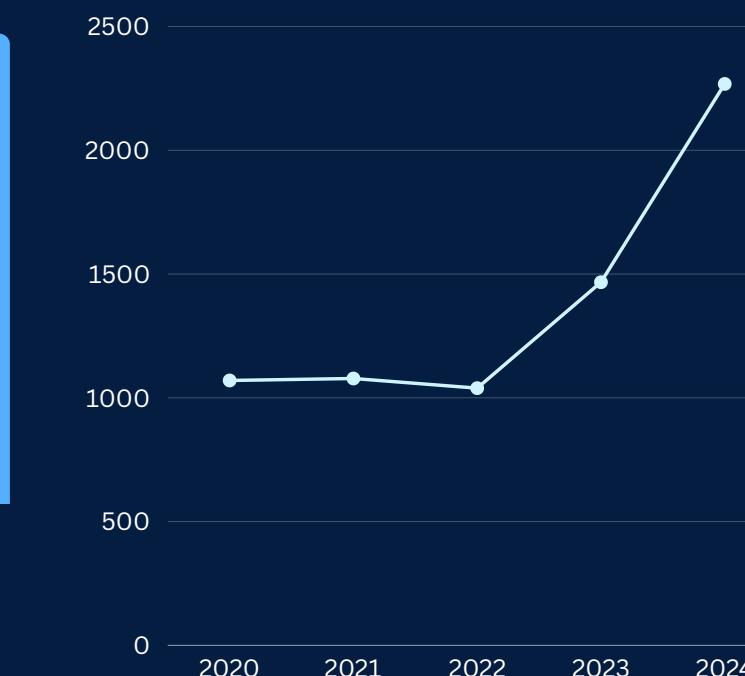


■ ANNUAL REVENUE(Cr)

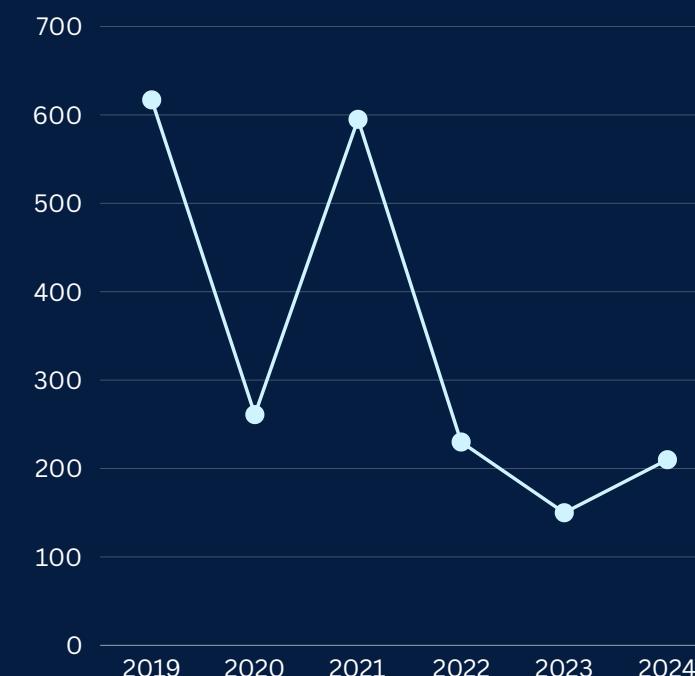


■ ANNUAL PROFIT(Cr)

## INTEREST



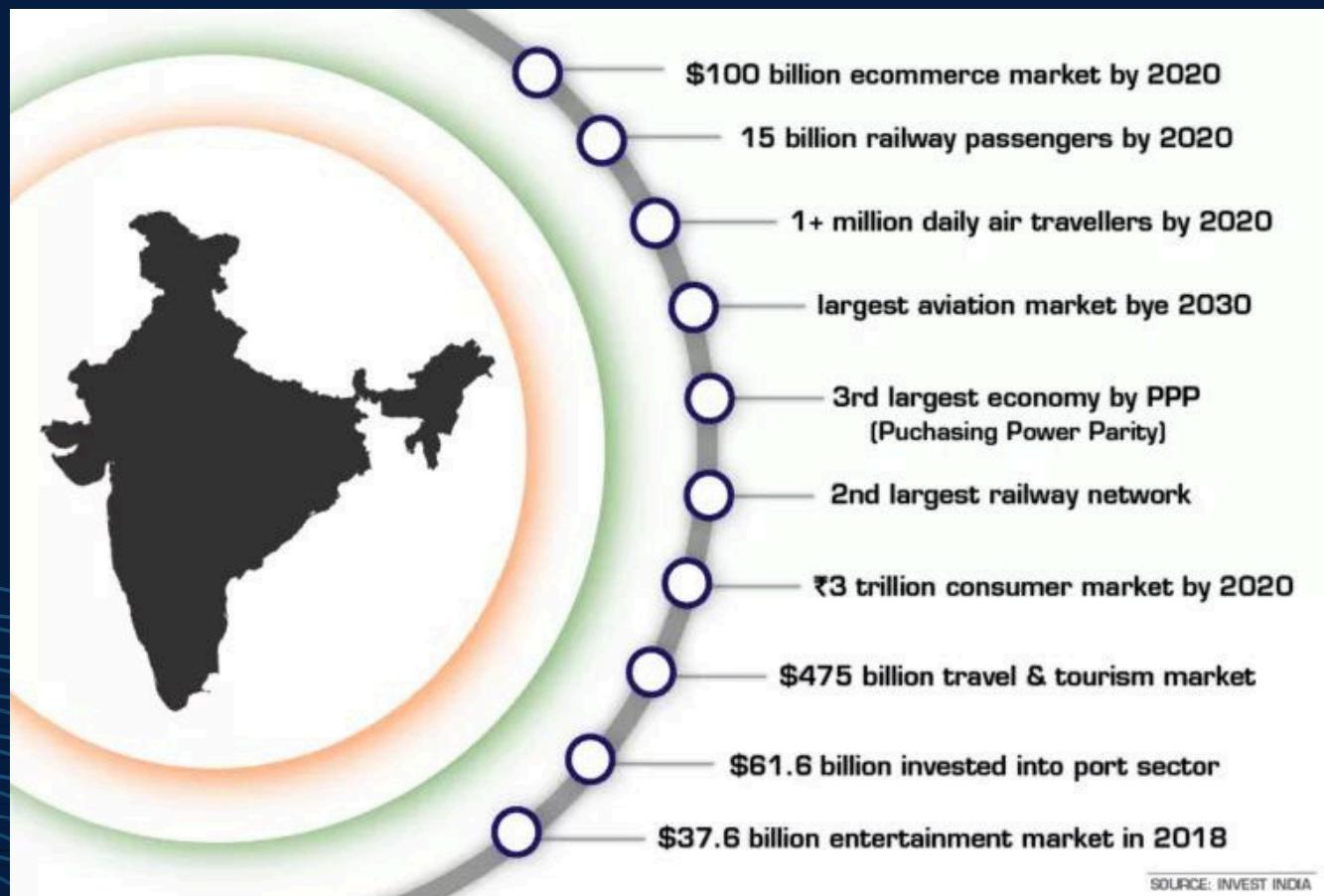
## NET CASH FLOW



# INFRASTRUCTURE SECTOR ANALYSIS AND STOCK SELECTION

## Sector Overview and Government Initiatives

- Robust Growth: India's infrastructure sector is a key driver of economic growth, with significant investments from both public and private sectors.
- Government Focus: The government has prioritized infrastructure development through initiatives like the National Infrastructure Pipeline (NIP) and Gati Shakti Master Plan.
- Investment Surge: Public-private partnerships (PPPs) are being encouraged to accelerate infrastructure projects.
- Digital Push: Emphasis on digital infrastructure to enhance connectivity and efficiency.



## KPI Green Energy: A Promising Investment

- Strong Growth Trajectory: KPI Green Energy has demonstrated consistent and robust profit growth in recent years.
- First Mover Advantage: The company is well-positioned as a pioneer in the renewable energy sector.
- Diversified Portfolio: A balanced mix of renewable energy projects ensures a stable revenue stream.
- Government Support: The government's push for renewable energy creates a favorable environment for the company.

## Justification for Selection

While the current valuation might appear high, KPI Green Energy's strong fundamentals and growth prospects justify the premium. The company's alignment with the government's clean energy initiatives and its proven track record make it a compelling investment choice in the long term.

# KPI GREEN ENERGY LTD COMPANY ANALYSIS

## 1. Business Model:

- KPI Green Energy Ltd, part of KP Group, develops and maintains renewable power facilities, including solar and wind-solar hybrid projects. The company operates as an Independent Power Producer (IPP) and offers Engineering, Procurement, and Construction (EPC) services to Captive Power Producers (CPPs) under the 'Solarism' brand.

## 2. Operations and Capacity:

- The company operates primarily in Gujarat, managing solar power projects in Bharuch, Kutch, Surendranagar, and Bhavnagar. It boasts an installed capacity of over 158 MW in the IPP segment and more than 287 MW in EPC/CPP projects.

## 3. Service Segments:

- IPP: Supplies solar energy under third-party sale agreements, maintaining grid-connected solar power projects.
- CPP: Develops, transfers, operates, and maintains grid-connected solar power projects for customers, offering power evacuation infrastructure and land.
- Industrial Plot Sales: Sells land parcels for solar power development, leasing them back for 25 years to generate rental income.

## 4. Revenue Breakdown FY23:

- The revenue sources are primarily from the sale of Captive Power Projects (85%), followed by the sale of power (14%), with minimal contributions from plot sales (0.5%) and other income (0.5%).

## 5. Order Book and Clients:

- The CPP/EPC order book reached ~Rs. 512 crore as of February 2023. Notable projects include a 500 MW solar park in Uttarakhand and several orders totaling 524 MW by 9MFY24. The clientele includes major companies like Cadila Healthcare, Colourtex, and Meghmani Organics.

## 6. Financial Activities and Future Outlook:

- KPI Green Energy raised Rs. 300 crore through a QIP in Q3 FY24 and issued bonus equity shares at a 1:2 ratio. The company aims to expand its capacity to 1000 MW by 2025, with a focus on both IPP and CPP segments, targeting 250 MW in IPP and 750 MW in CPP. The strategic shift includes developing wind-solar hybrid projects for enhanced flexibility and grid stability.



**KPI GREEN ENERGY LIMITED**

**312+ MW**

Cumulative capacity energised till FY23

**846+ MW**

Cumulative Power evacuation capacity

**1374+ acre**

Land bank (Owned + Leased)

**₹1876+ crore**

Market capitalisation

**₹647 crore**

Consolidated Total revenue

**₹141 crore**

Consolidated Profit before Tax

**₹2.85**

Dividends paid in total during the FY23

**26.10 MW**

First Hybrid IPP Project energized

**[ICRA] A-**

Credit Rating upgraded

**1000 MW**

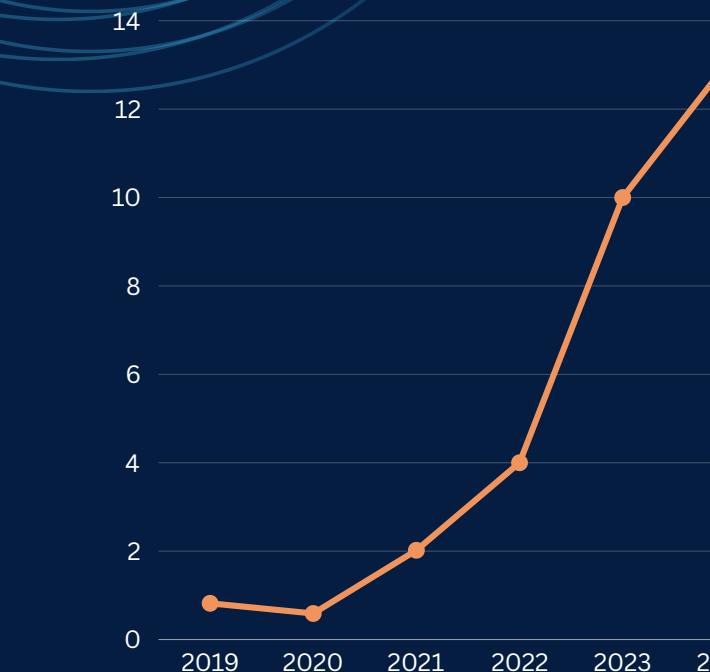
Ambitious Target by 2025

# FINANCIAL TRENDS

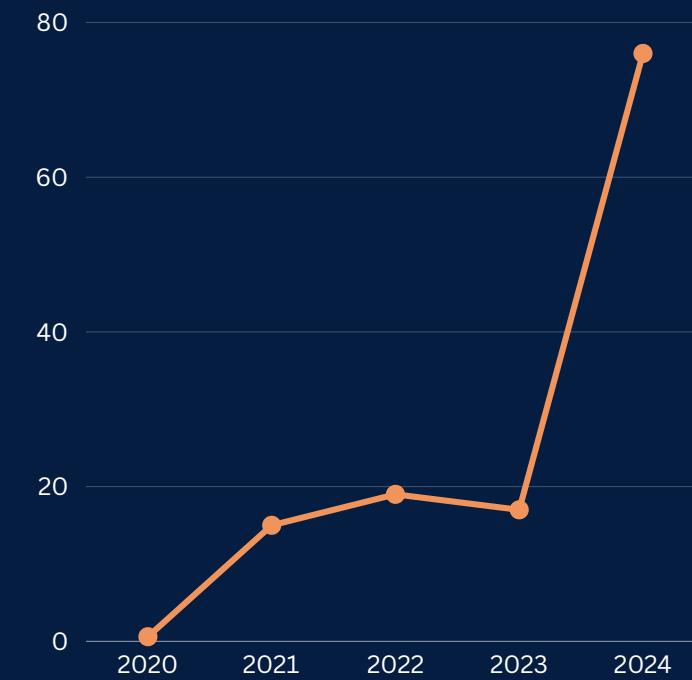
## RATIOS

PE <b>75.7</b>	MKT.CAP(Cr) <b>12259</b>	ROCE <b>21.6%</b>	ROE <b>29.6%</b>
DEBT <b>1036Cr</b>	Debt/Equity <b>1.24</b>	EPS <b>₹13.4</b>	ROA <b>8.77%</b>
BOOK VALUE <b>₹69.3</b>	P/B <b>14.7</b>	PEG RATIO <b>0.75</b>	SALES GROWTH 3Yrs <b>116%</b>
PROMOTER HOLDING <b>53.1%</b>	PROFIT GROWTH 3yrs <b>94.5%</b>	PROFIT GROWTH 5yrs <b>101%</b>	INDUSTRY PE <b>75.7</b>

## EPS(Rs)

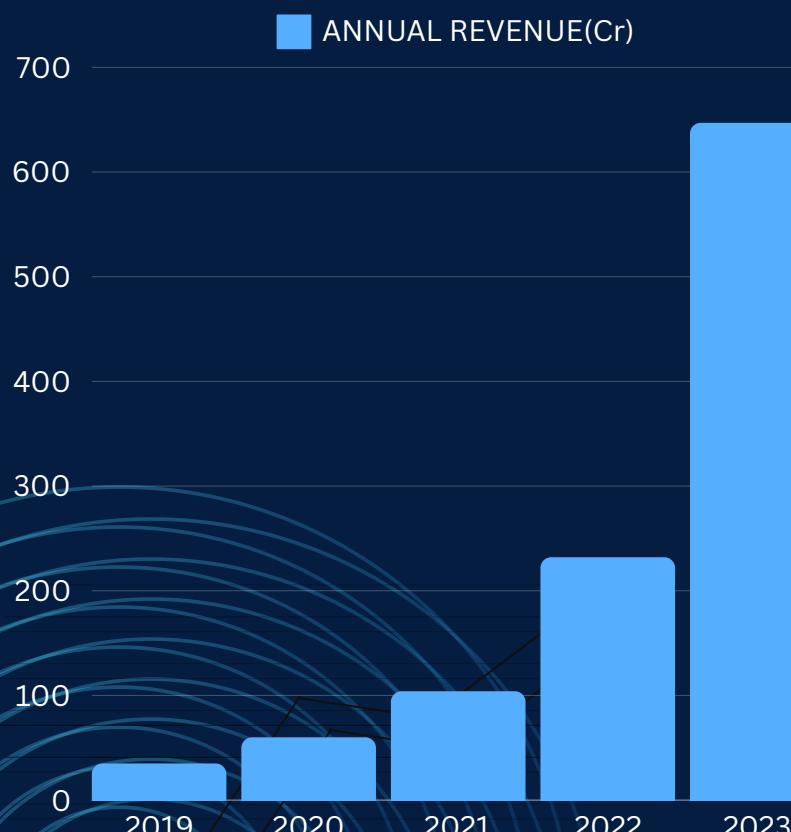


## P/E

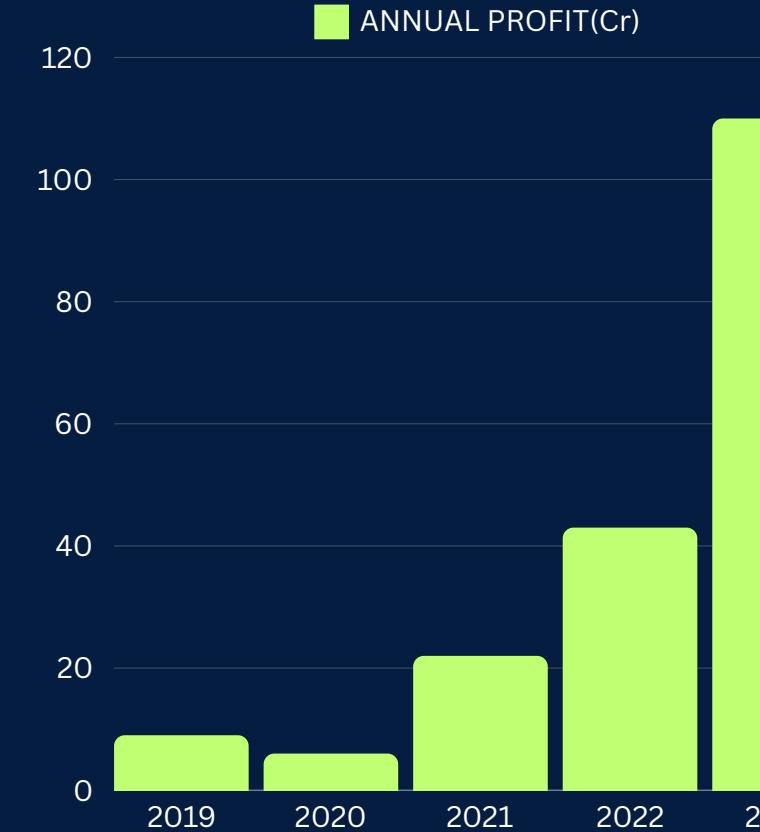


## TRENDS

■ ANNUAL REVENUE(Cr)



■ ANNUAL PROFIT(Cr)



## OPM%



## ROCE



# BUDGET ALLOCATION

## 1. Overview

- Total Budget: INR 10 Lakhs
- Investment Allocation: INR 9 Lakhs (Equities), INR 1 Lakh (Debt/Gold)
- Investment Methodology: Market capitalization and estimates from free float market capitalization were used to determine allocation proportions.
- Rationale: Maintain a liquid buffer for potential market downturns and value buying opportunities.

## 2. Portfolio Allocation

- **Large-Caps (58%): Prioritized for stability and dividend income.**
- ONGC: INR 225,000 - Strong fundamentals, cheap valuation, and stability.
- Dr. Reddy's: INR 150,000 - Growth potential in the pharma sector.
- Power Grid Corporation: INR 125,000 - Stable income from power transmission.
- Wipro: INR 100,000 - IT sector recovery potential.

## 3. Small & Mid-Caps (42%): Higher risk, higher potential return.

- Persistent Systems: INR 50,000 - Exposure to the IT services sector.
- Zydus Wellness: INR 100,000 - Growth potential in the FMCG sector.
- Ujjivan Small Finance Bank: INR 50,000 - Participation in the growing SFB sector.
- KPI Green Energy: INR 50,000 - High-growth potential in renewable energy but with higher risk.

## 4. Investment Rationale

- Diversification: Spread investments across sectors to reduce risk.
- Value Investing: Prioritize undervalued stocks with strong fundamentals (ONGC).
- Growth Investing: Allocate funds to companies with high growth potential (Dr. Reddy's, KPI Green Energy).
- Risk Management: Maintain a cash buffer for market corrections and potential investment opportunities.

## 5. Key Considerations

- Market Volatility: The small and mid-cap allocation reflects a higher risk appetite.
- Sector Analysis: Continuous monitoring of sector trends is essential.
- Rebalancing: Periodic review of portfolio allocation to align with market conditions.

**THANK YOU**