Jamā Equity WEalth Long (JEWEL)

Equity Advisory Report

Q4 FY 2021-2022 Quarterly Results | May 31, 2022

Simply Grow Technologies Pvt Ltd

SEBI Registered Investment Advisor (Corporate) INA200015583

GoI-DIPP Regd. ISO9001 Certified. ISO270001 Certified

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About

Our Vision

To be India's most trusted and client-centric wealth advisory, helping in financial independence & well-being, preserving & growing wealth

Our Purpose

Enable smarter investing advised by industry experts & unbiased research powered by technology, operating on a transparent model.

Ram Kalyan Medury

Founder & CEO

Manoj Trivedi

Head Research

The Quarter That Was Q1FY23

With a lot of bad news factored in, and a few positive developments, markets moved up since our last update and gave investors reasons to smile. The Ukraine-Russia war is no longer grabbing headlines, with investors more concerned about commodity prices and interest rates, rather than the end of the war.

We are clearly not of the woods. The war has not ended and can take a turn for the worse. While fed interest rates are now factored in, the expectation that rate hikes will moderate may not materialize as inflation continues to be high and negative surprises can have a global impact. Covid continues, but it looks like its impact is now down to statistical analysis, but a fresh wave with a deadlier impact can derail everything.

Closer home, the RBI has been watchful of inflation and has not hesitated to increase interest rates without waiting for the formal announcement of monetary policy. Inflation seems to be ebbing but is still not within the targeted levels of RBI, which implies that we can see more rate hikes. The Current Account deficit has increased, but with Foreign Institutional Investors turning into net buyers, the Rupee seems to be stabilizing around 79- 80 to a dollar. Quarterly Corporate earnings have largely been on expected lines.

Overall, the outlook for India continues to be positive, the country faring much better in challenging circumstances. Robust GST Collections, increasing discretionary spending, and all-around economic activity bode well for the Indian economy. We will continue to face challenges, some old and some new, but the economy has shown resilience to stake claim for 2022 to be the decade of India.

Outlook

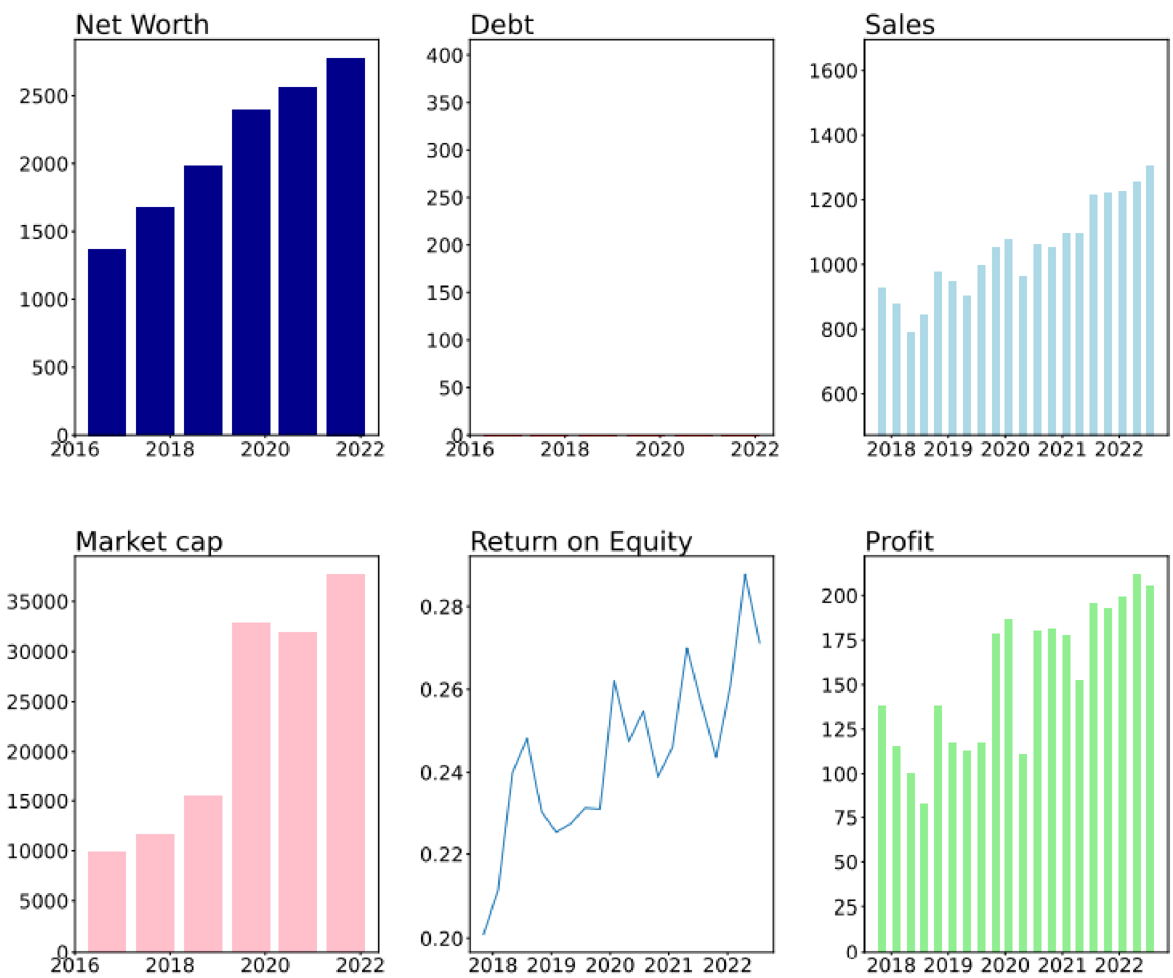
The markets have turned around and are once again testing previous highs. However, we believe that there can be intermittent slides based on global macro scenarios. The long term India story not just remains intact, but has become stronger. The boring mantra continues to be “stay invested”. Investors looking for debt instruments should take advantage of rising interest rates and increase exposure to debt funds with any fall in NAV.

Abbott India **Hold**

Abbott India Ltd, one of the leading MNC Pharma companies, owns close to 150 brands in Consumer Health, Gastroenterology, Metabolics, Women's health, Vaccines and other segments. Aided by a strong distribution network in Tier I cities, some of its brands enjoy a leadership position in their respective segments.

In Q1FY23, the company's top line recorded an increase of 7.06% YoY, but there was a marginal dip in Operating Profit Margins, which resulted in a muted profit growth of about 5% YoY.

A gradual shift in product mix, its usage of a digital platform, greater usage of its Goa plant, healthy cash position, along with the Company's ability to consistently come up with new products is expected to sustain its growth in the coming quarters.

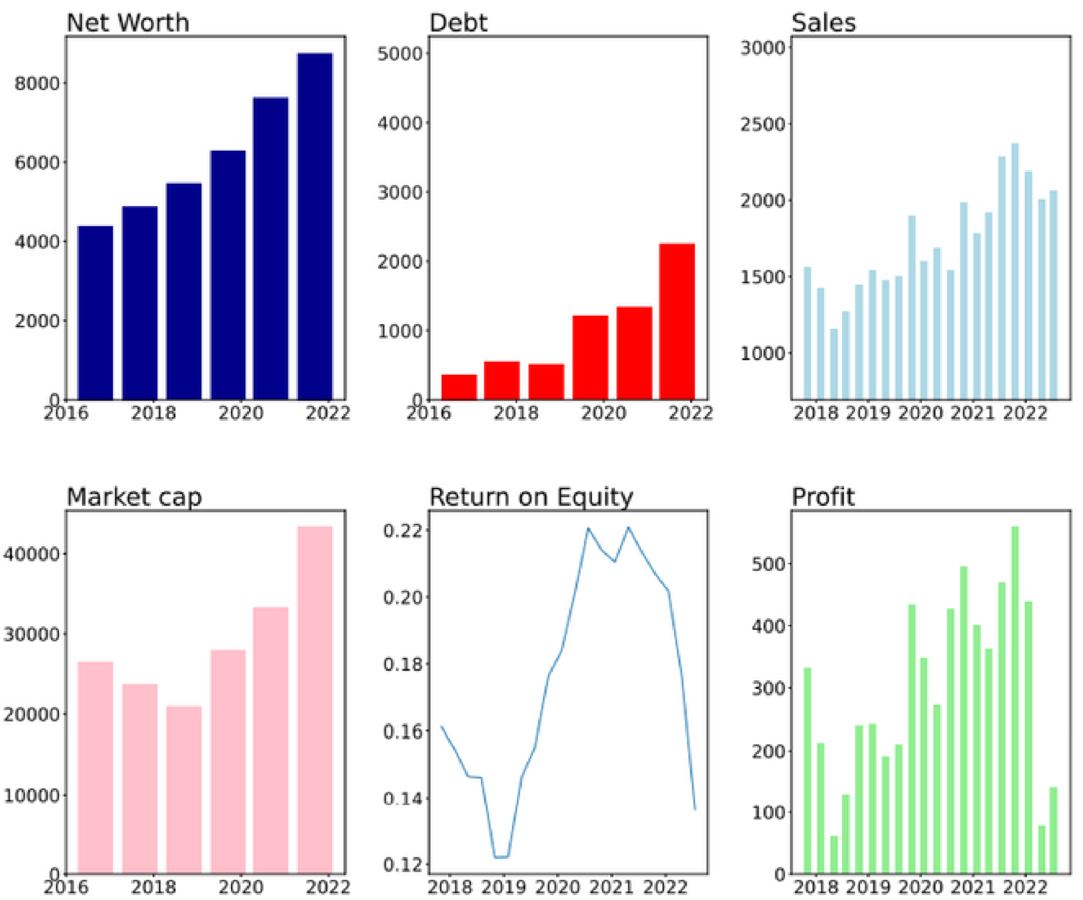


Alkem Laboratories Exit

Alkem Labs is a leading generic and speciality pharmaceutical company with a significant presence in branded drugs and generics, across acute and chronic therapies. The Company has 164 ANDAs filed and 140 final approvals.

For Q1FY23, Alkem reported Revenue and Net Profits of ₹2058 cr and ₹140 cr respectively, which is 10% and 70% lower YoY. The Company has recorded a steep fall in Operating Profit Margins due to price erosion in the US generics market, an increase in material as well as employee costs for the second quarter in a row. Short-term Borrowings have gone up in the previous quarter.

In view of disappointing financials, with numbers coming in below estimates for 2nd quarter in a row, we are taking a call to exit the stock. We would revisit the stock as the Company has great potential, which hinges on its ability to launch new products as well as price stability in respect of existing products.



Asian Paints **Hold**

A state-of-the-art supply chain system, cutting-edge technology, and a dedicated R&D team focus on innovation to introduce new products into the Indian market through its 70,000-plus dealer network makes Asian Paints the market leader in the Indian paint manufacturing industry. Apart from manufacturing Decorative, Automotive and Industrial paints, it also produces Wall Primar, Wood primers, Putty and Stainers etc.

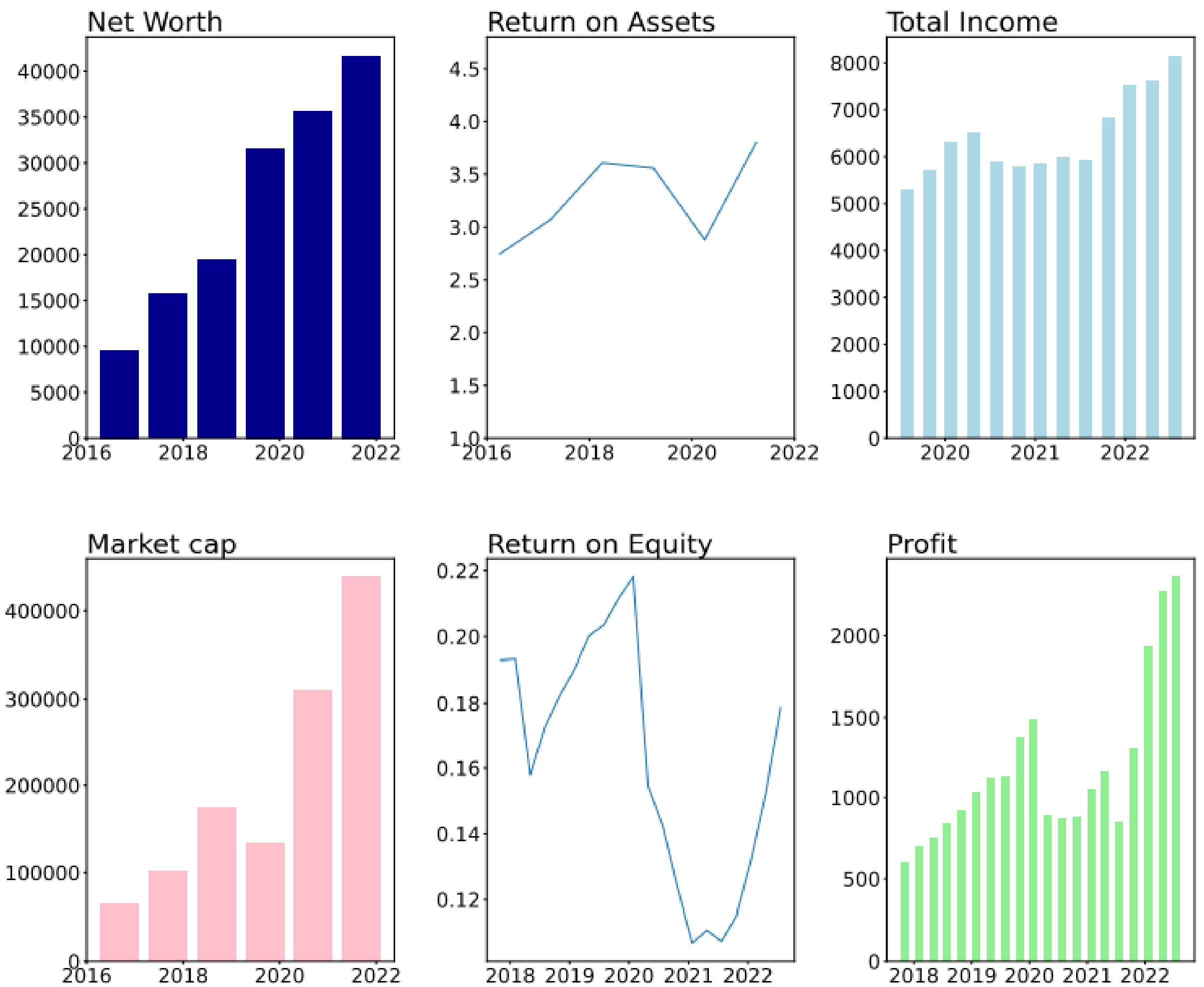
In Q1FY2023, net revenues increased 58.5% YoY from ₹ 4,786 cr to ₹7,586 cr with Net Profits going up 70.64% YoY from ₹596 Cr to ₹1,017 Cr, aided by an improvement in Operating Profit Margins in spite of the increase in raw material costs. While the Decorative paints business grew by 59% with volume growth of 37%, which was the highest in the last 6 quarters, the project and institutional business also maintained strong growth. There was greater demand in Tier1 and 2 towns than in Tier3 and 4 towns, on account of better product mix. The company is on its way to becoming a complete Home Décor player, with both Kitchen and Bathroom businesses consistently recording ₹100 cr every quarter.

Despite challenges in respect of rising input costs and potential competition from the entry of large players, APL looks to be in shape to continue clocking impressive growth in revenue as well as profits.

Bajaj Finance — Hold

Headquartered in Pune, Bajaj Finance Ltd, with pan India presence in urban as well as rural areas, is engaged in the business of lending, across retail, SME and commercial customers, offering Consumer Durable Loans, Lifestyle Finance, Digital Product Finance, Personal Loans, Loan against Property, Small Business Loans, Home loans, Credit Cards, Two and Three-wheeler Loans, Construction Equipment Loans, Loan against Securities, Gold Loans and Vehicle Refinancing Loans.

In Q1FY2023, Revenues were up 38% YoY from ₹5,916 Cr. to ₹ 8,145 Cr, while Net Profits jumped 179% from ₹843 Cr to ₹2,356 Cr. Core AUM was up 31% YoY at ₹ 2,04,018 crore vs ₹ 1,56,115 crore as of Q1FY22. NII grew 48%YoY to ₹6,635 crore, Gross NPA fell to 1.25% while Net NPA was down to 0.51% as of Q1FY23. The Company is focussing on digitalisation with the objective of achieving a higher customer base, and efficiency of operations resulting in lower costs and better asset quality.

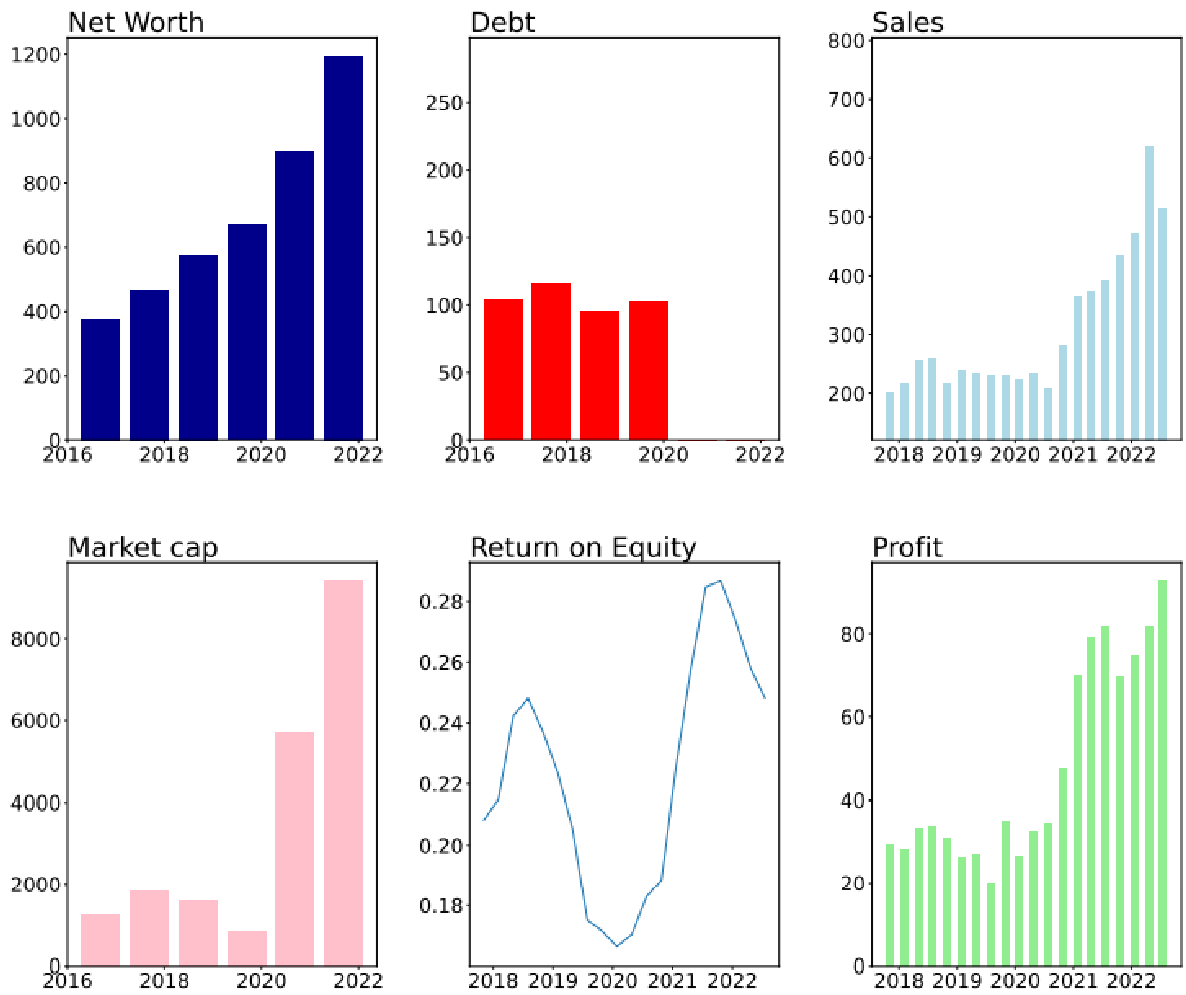


Balaji Amines **Hold**

Balaji Amines Ltd manufactures Methylamines, Ethylamines and Derivatives that are used in Pharma and Pesticide Industries.

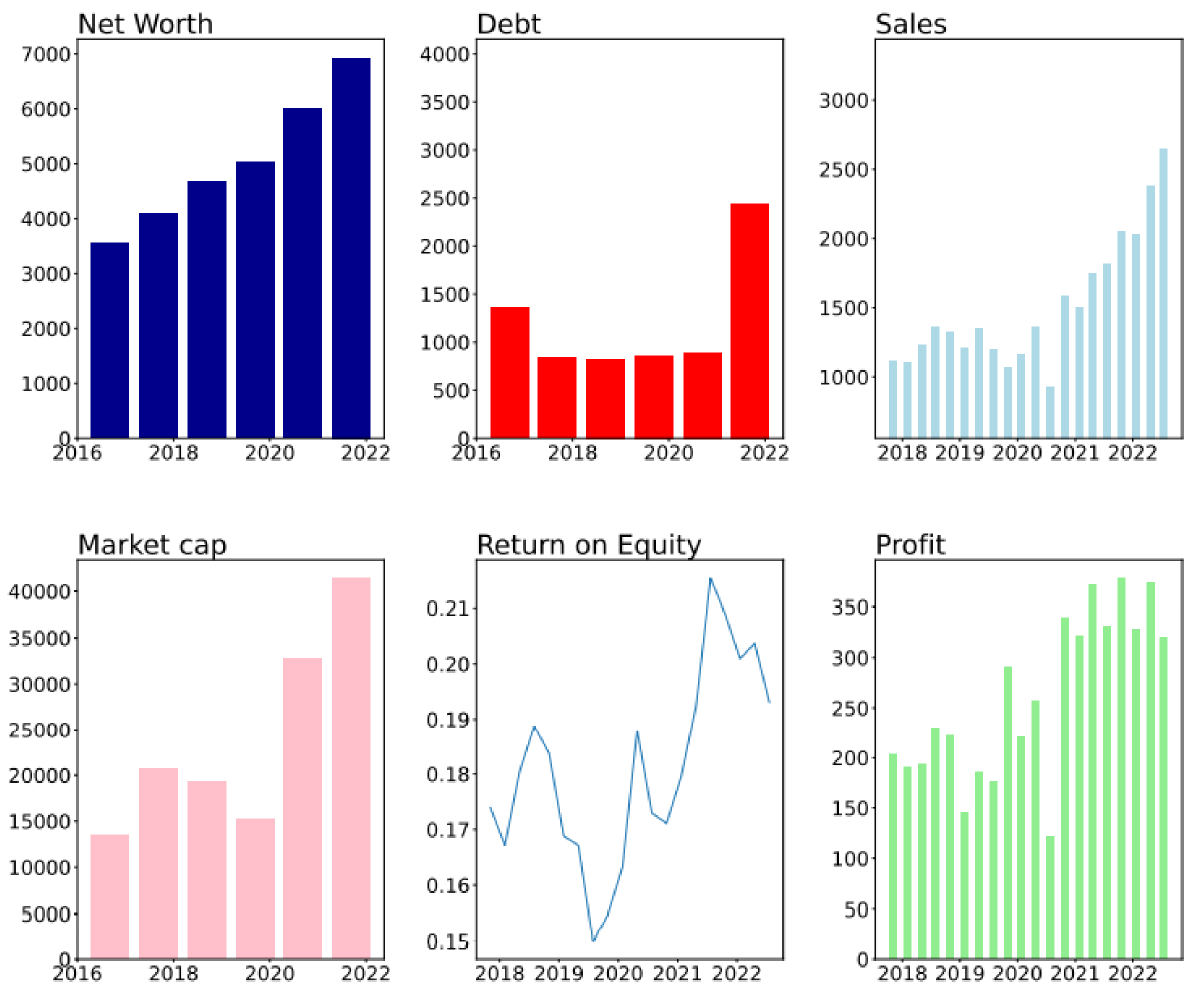
In Q1FY2023, net revenues increased more than 31% YoY from ₹ 392 cr to ₹515 cr, driven by higher price realisations from amines and speciality chemicals. Net Profits were up 13.41% YoY from ₹82 Cr to ₹93 Cr, with rising input costs contributing to a dip in Operating Profit Margin.

The commencement of its DMC plant in Q2FY2023, coupled with higher realisations, will boost revenues and also reduce costs. The Company has delivered consistent top-line and bottom-line growth over the years and is poised for further growth.



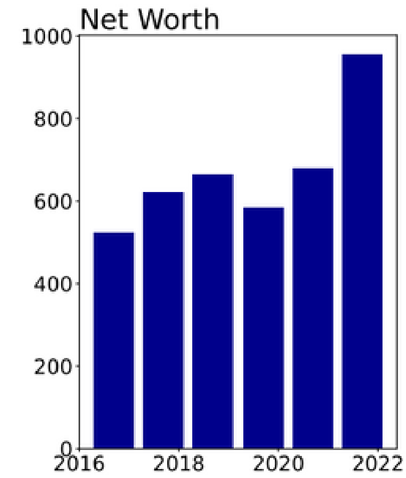
Balkrishna Industries Ltd, with 5 State of the Art production sites and 4 subsidiaries in Europe and North America and a worldwide distribution network, manufactures and sells Off-Highway Tyres across 160 countries in specialist segments such as agricultural, industrial and construction, earthmovers & port, mining, forestry, lawn and garden and All Terrain Vehicles (ATV), deriving close to 80% of its revenues from exports. The company enjoys a sustainable competitive advantage owing to its deeper understanding of its end-user segments.

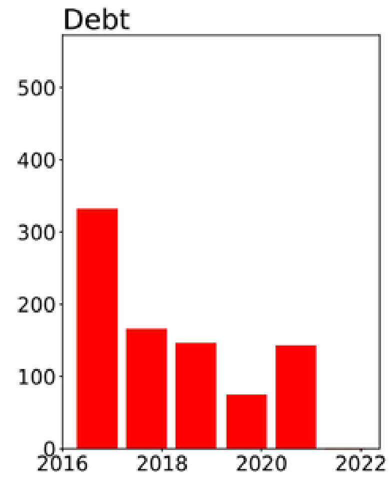
In Q1FY2023, Revenues were up 46% YoY from ₹1,813 Cr. to ₹ 2,646 Cr, but EBITDA margins were down 9.2% to 20.1% from 29.3%, resulting in Net Profits slipping lower by 3% from ₹331 Cr to ₹320 Cr. While margins are likely to be under pressure for one more quarter, demand continues to be steady despite concerns of a heat wave. The company is currently operating at 90% capacity and is likely to incur Capex to prepare for future demand. The company is likely to benefit from the depreciation in the Rupee.

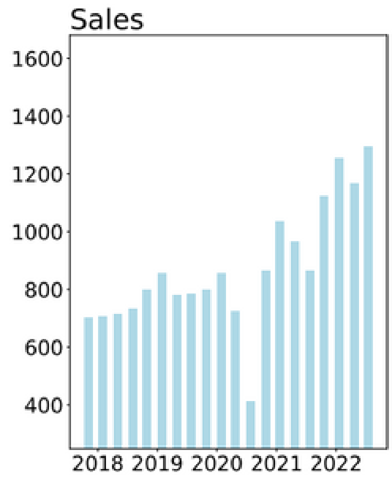


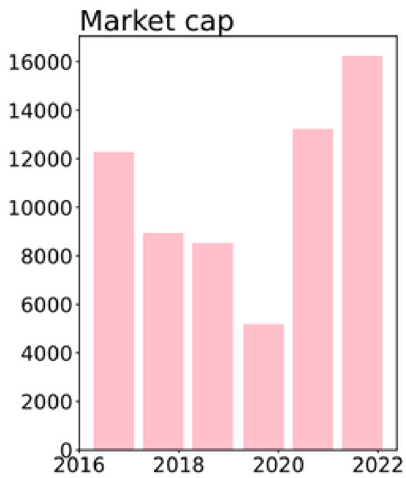
Incorporated in 1983, Blue Dart Express Ltd is South Asia`s premier courier and integrated express package distribution company. With a network of more than 35,000 locations in India servicing 200 plus countries and territories worldwide through the parent DHL, Blue Dart is a preferred service provider for priority, time-critical deliveries. It is a market leader with more than 50% market share of organized Air Express couriers.

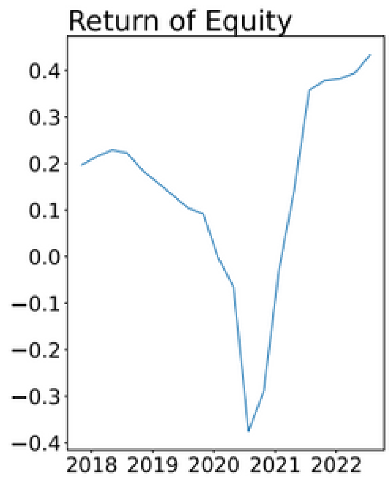
In Q1FY2023, Revenues were up 49% YoY from ₹865 Cr. to ₹ 1,293 Cr. Although Net Profits quadrupled YoY from ₹29 Cr to ₹117 Cr there was a marginal dip of 9%, mainly on account of a sharp increase in ATF prices and Employee costs. With capacity utilisation at 90%, the company is planning to add 2 more Boeing 737 aircraft to its existing fleet of 6, resulting in a 20% increase in capacity. The company is able to pass on cost increases and is confident of maintaining its EBIDTA margins and continuing its strong growth.

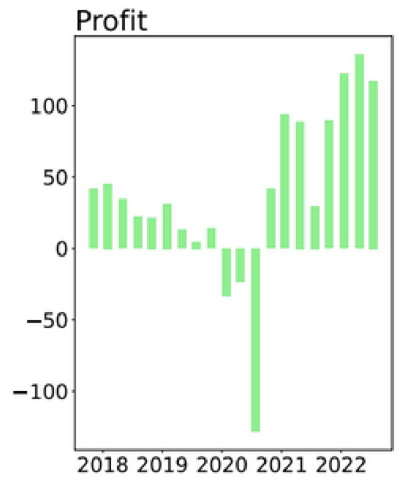






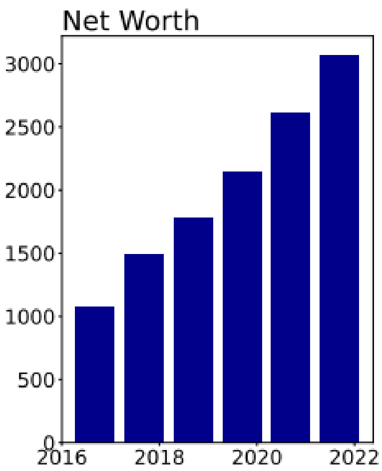


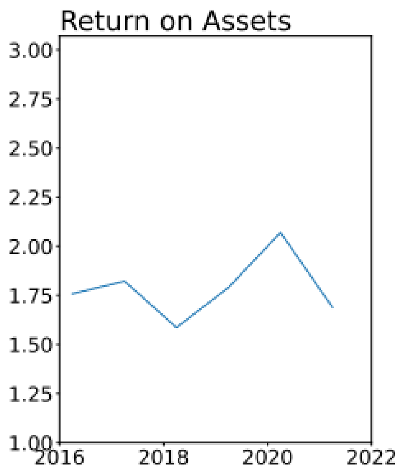


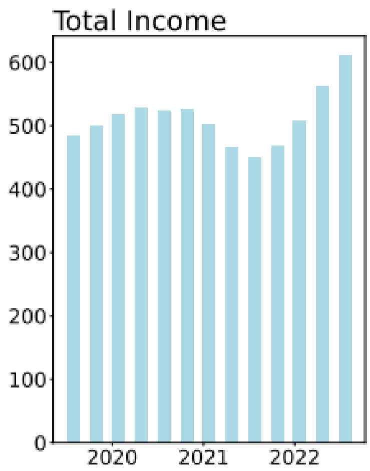


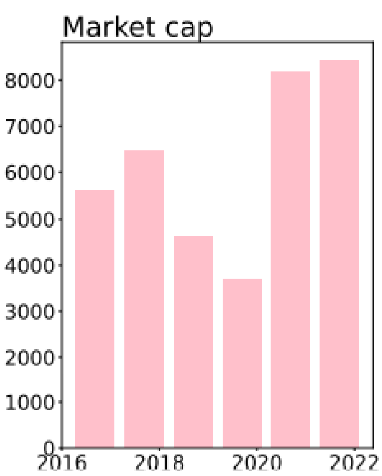
Can Fin Homes Ltd, the housing finance arm of Canara Bank, with 200 branches and 14 satellite offices across 21 states, is one of the dominant housing finance companies in India with a focus on Tier I and Tier II cities in South India. While the company provides non-housing loans, mortgage loans, site loans and commercial property loans, home loans constitute close to 90% of its AUM mix.

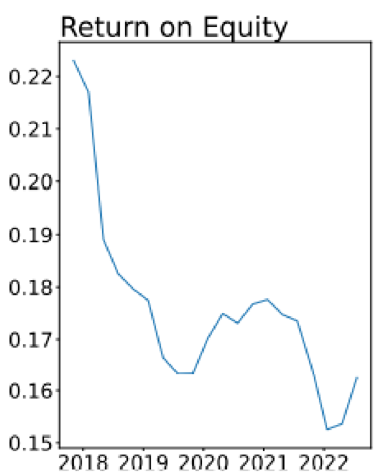
In Q1FY2023, Revenues were up 38% YoY from ₹451 Cr. to ₹ 611 Cr, but Net profits jumped close to 49% from ₹109 Cr to ₹162 Cr, aided by provision writebacks of ₹3.7Cr. Net Interest Margin (NIM) improved from 3.3% to 3.7%. Gross NPA and Net NPA improved from 0.90% and 0.57% in Q1FY2022 to 0.65% and 0.3% in Q1FY2023. Advances grew 24% YoY while disbursements jumped 93% YoY. The findings of the audit conducted of all branches for fraudulent accounts after a whistle-blower complaint received in the previous quarter has been fully provided for.

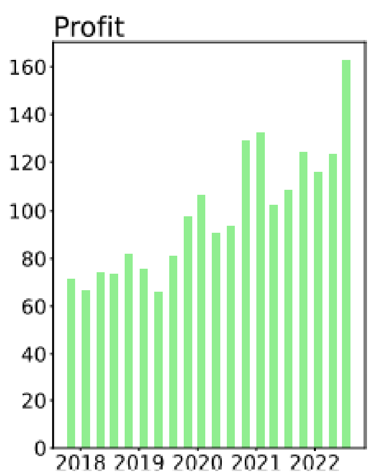












Cholamandalam Investment and Finance Company

Hold

Cholamandalam Investment and Finance Company (CIFCL), a part of the Murugappa group, with 873 branches and an AUM of over ₹42,900 crores, is a dominant player in the financial services industry with interests in vehicle finance, home loans, home equity loans, SME loans, loan against property, etc.

In Q1FY2023, Revenues were up 11.27% YoY from ₹2,461 Cr. to ₹2,745 Cr, but Net profits jumped 73% from ₹327 Cr to ₹566 Cr. Net Interest Margin (NIM) improved marginally from 7.4% to 7.5%. Disbursements in Q1FY2023 jumped 267% to ₹13,300 Cr. with all business segments, including the new businesses of CSEL (consumer and small enterprise loan) and (SBPL (secured business and personal loan) doing well. Gross NPA and Net NPA for Q1FY23 stood at 6.31% and 4.35%, as per the revised RBI norms, but remain relatively high.

Coromandel International Ltd. **Hold**

Incorporated in 1964, Coromandel International Ltd, with 16 manufacturing plants, is one of the leading private sector manufacturers of fertilizers, plant protection chemicals and speciality nutrients in the country, with a significant presence in South India. It is exploring 360-degree growth options by expanding geographically, introducing new products such as organic fertilizers and biopesticides and venturing into the retail business in the Agri and lifestyle segments.

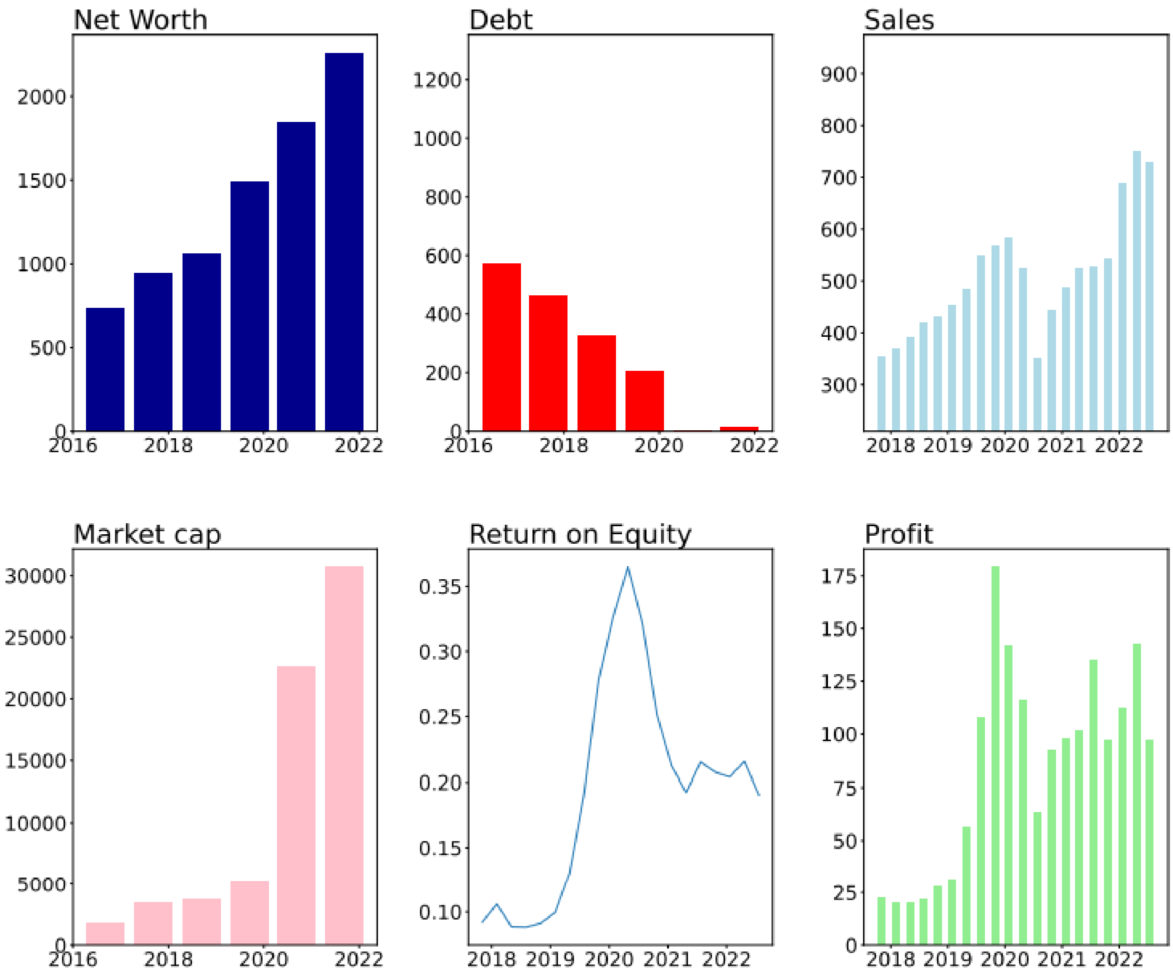
In Q1FY2023, Revenues were up 57% YoY from ₹3,645 Cr. To ₹ 5,722 Cr EBITDA increased by 42% YoY from ₹483 Cr to ₹685 Cr while Net Profits grew @51% YoY from ₹329 Cr to ₹496 Cr, aided by a 66% increase in sales of Nutrients and Allied Business. Aided by a normal monsoon, the company is likely to maintain a high sales growth using its expanded capacity, but margins may slide lower due to increased raw material costs.

In view of consistent sales and profit growth as well as a high RoE, coupled with the company's strategic initiatives such as digitization, R&D focus and backward integration, we believe that the company is poised for greater growth in the years to come.

Deepak Nitrite Ltd. Hold

Deepak Nitrite Limited, a supplier of choice for several MNCs for its coveted Sustainability accreditations, is a prominent chemical manufacturing company, that manufactures Fine and Speciality Chemicals and Phenolics, catering to the needs of several industries. It is the only fully integrated Indian manufacturer of Optical Brighteners (OBAs).

In Q1FY2023, Revenues were up 13.29% YoY from ₹527 Cr. to ₹730 Cr, but Net profits declined by more than 28% YoY on account of a sharp 73% YoY increase in material costs and a drastic 79% fall in Other Income. While margins are likely to be under pressure over the near term, the Company is expected to clock higher revenues, particularly for Phenolics. The company is also entering into new chemistries and has committed to a capex of about ₹1500 Cr over the next 2 years.

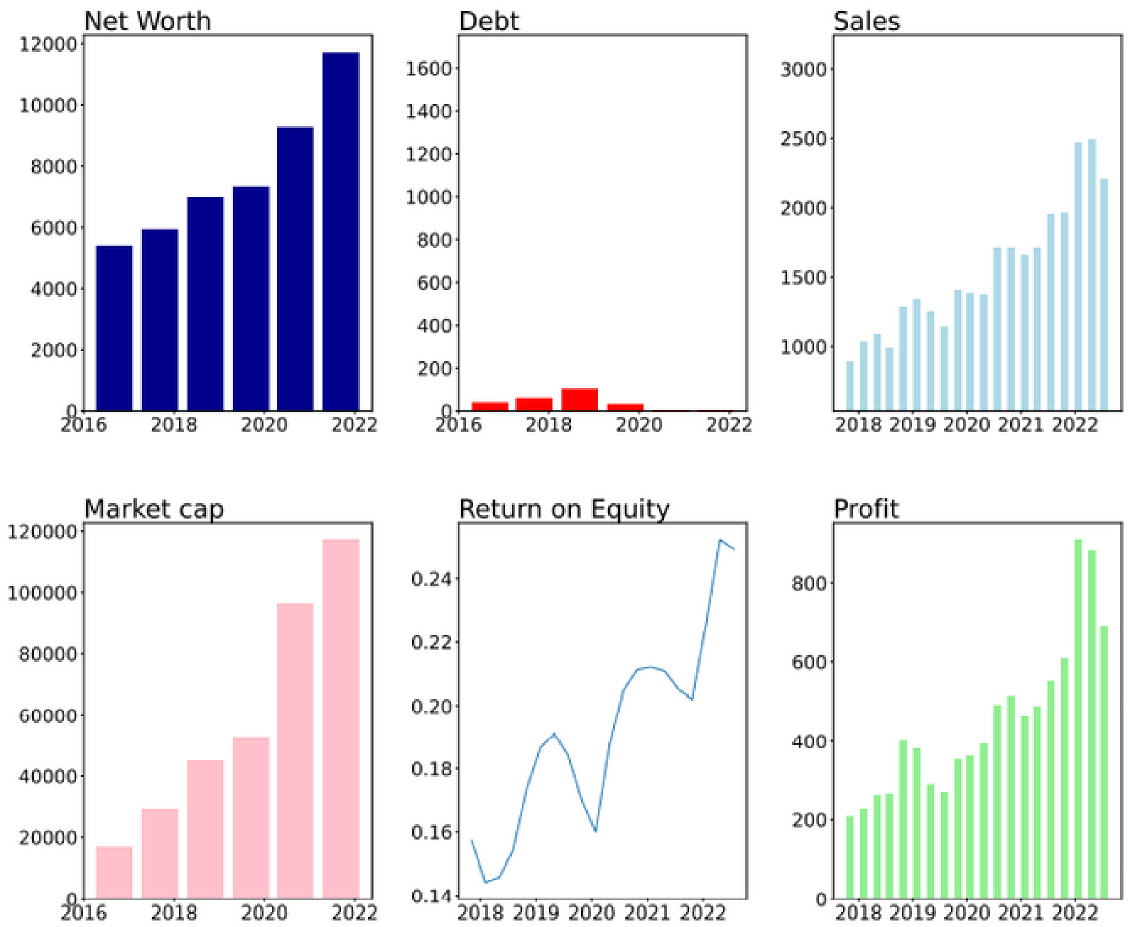


Divis Labs — Hold

Divis Laboratories Ltd, with a portfolio of 160 products across APIs, Intermediates and Nutraceutical ingredients, has a market presence in 95 countries with more than 2/3rd of its revenues coming from Europe and American continents. The Company also supports innovator pharma companies for their patented products business.

In Q1FY2023, Revenues were up 13% YoY from ₹1,950 Cr. to ₹2,204 Cr aided by a 22% increase in Custom Synthesis, 35% growth in Nutraceutical business and a 4% growth in generics. EBITDA was flat YoY and Operating Profit Margins reduced by 590 basis points YoY at 37.6% vis a vis 43. 5% in Q1FY22. Net profits increased by more than 25% YoY from ₹552 Cr to ₹692 Cr.

Raw material costs are likely to be up in the upcoming quarters but the company has the ability to pass on the additional costs to customers on contract renewal. New capacity created awaiting clearances is likely to add to topline growth.



Fine Organics

Buy

Fine Organics, the largest manufacturer of oleo chemical-based niche additives in India, among the six largest global players in polymer additives and a leading global player in speciality food emulsifiers, spanning 460 products, caters to the needs of customers such as Coca Cola, Britannia, Asian Paints, Parle, etc among others, through a network of close to 200 distributors across 75 plus countries all over the world.

In Q1FY2023, Revenues were up 209% YoY from ₹360 Cr. to ₹753 Cr with Operating Profit margins shooting up from 14% in Q1FY22 to 27% in Q1FY23 owing to a sharp fall in material costs. EBITDA margin was up at 27.3%, resulting in a 449% YoY growth in Net profits from ₹35 Cr to ₹157 Cr. The Company enjoys a loyal customer base and pricing power due to high entry barriers, resulting in consistently high performance.

Set up to meet the requirement of Indian Defence Forces, Hindustan Aeronautics is a "Navratna" PSU engaged in the design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures.

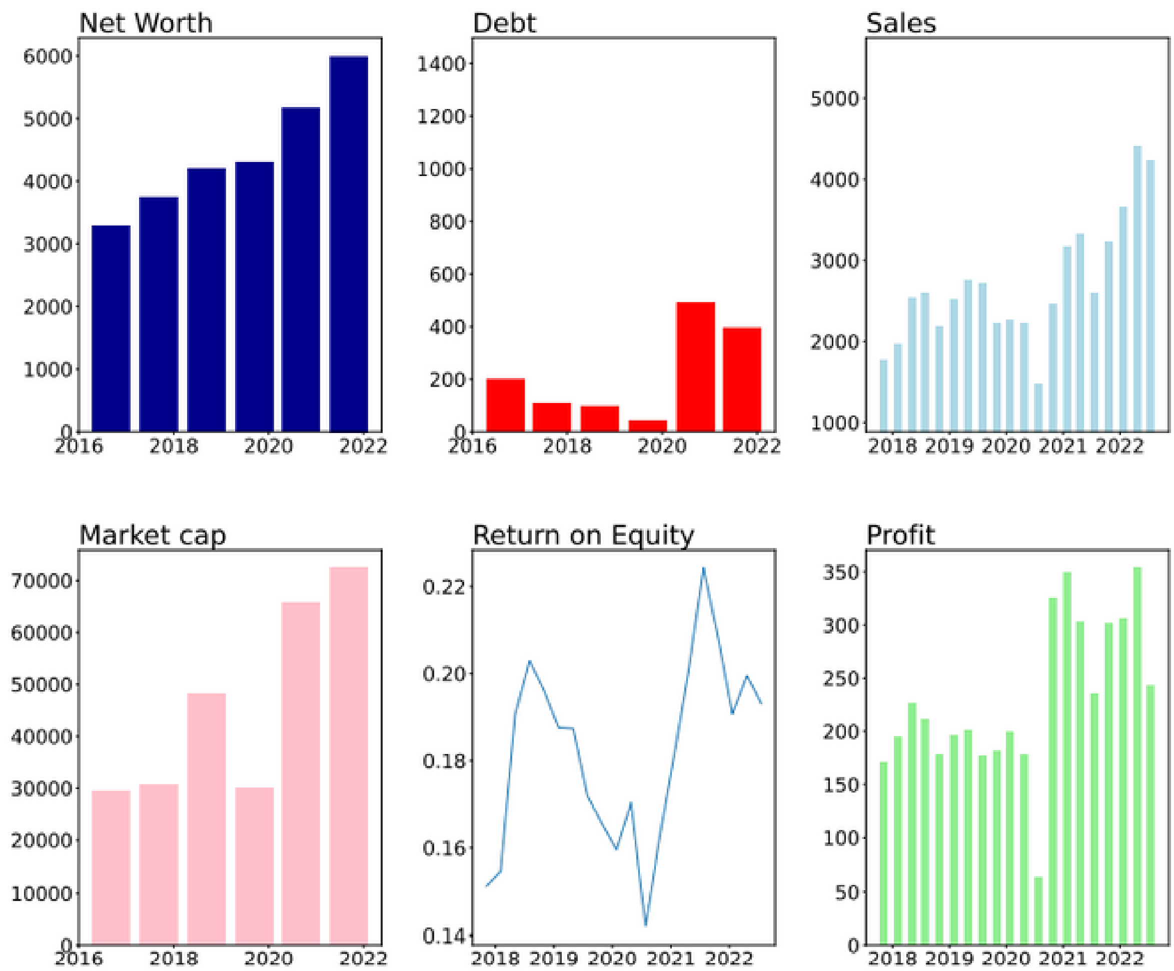
In Q1FY2023, Revenues were up 124% YoY from ₹1,616 Cr. to ₹ 3,623 Cr , while Net Profits tripled from ₹199 Cr to ₹607 Cr. The company has improved Operating Profit Margins and holds an order book of ₹85000 Crores for next 3 years. The focus on indigenisation and exports is expected to hold the company in good stead.

Havells Hold

Havells India Ltd (HAVELLS) is a leading player in electrical consumer goods in India. Its key verticals include switchgears, cables and wires, lighting fixtures and consumer appliances. Apart from ‘Havells’, HIL’s other major brands include Crabtree, Standard, Reo and Lloyd.

In Q1FY2023, Revenues were up 63% YoY from ₹2,598 Cr. to ₹4,230 Cr with revenue growth across all product categories. EBITDA growth was flat. OPM declined by 500bps YoY from 13.5% to 8.5% due to sharp volatility in commodity prices.Net profits remained muted, registering an YoY increase of just 3.42%.

Going forward, demand for products is likely to remain buoyant while input costs are expected to ease, which augurs well for the company.



With 6,378 branches, India's largest Private sector Bank by Assets, HDFC Bank, is a leader in Commercial Banking, with a focus on Retail as well as Wholesale Banking. It also provides custodial and Advisory services. The Bank has consistently delivered superior financial performance over the years.

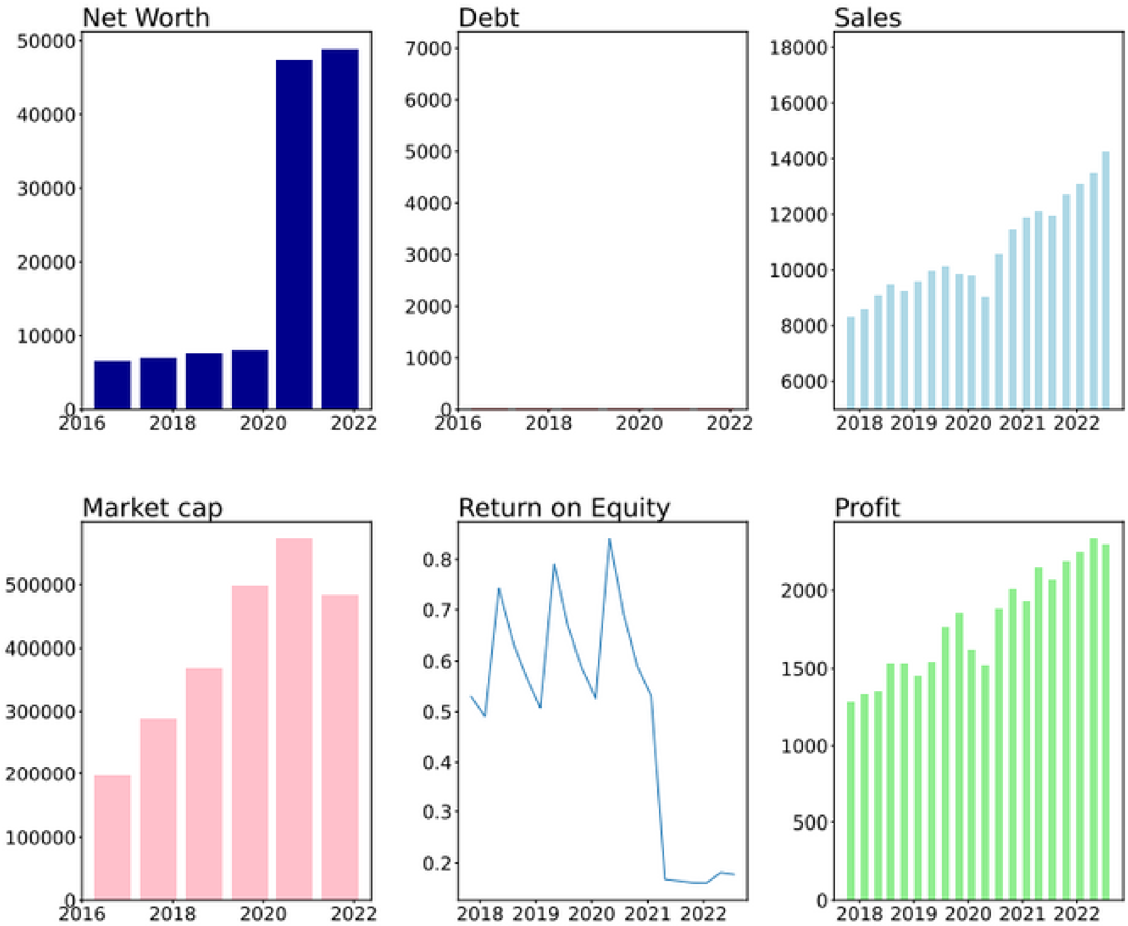
In Q1FY2023, net revenues increased 15.38% YoY from ₹ 30,483 cr to ₹35,172 cr with Net Profits going up 18.97% YoY from ₹7730 Cr to ₹9,196 Cr, in spite of Treasury loss of ₹1300 Cr. Loans were up 21.6%, while Deposits jumped 19.2% during the same period. Asset quality slipped marginally, with Gross NPAs rising 11 basis points and Net NPAs by 3 basis points, compared to Q4FY2022, mainly on account of the Agri sector. The Bank issued 12 lakh new credit cards during the quarter, recording a 47% growth QoQ.

The near-term focus is on the merger with parent HDFC Ltd, which remains on track. The bank is likely to sustain its strong growth rates, commanding premium valuations

Hindustan Unilever Limited **Hold**

HUL, India's largest FMCG Company owns 40 brands such as Surf, Rin, Wheel, Dove, Lux, Closeup, Fair & Lovely, Pond's, Lakme, Brooke-Bond, Tajmahal, Kissan, Knorr, Annapurna and Kwality Walls, to name a few, and is a market leader in Home Care, Beauty and Personal Care products, and Food and Beverages.

In Q1FY2023, Revenues were up 19.78% YoY from ₹11,915 Cr. To ₹,14,272 Cr while Net Profits inched up higher @11.06% YoY from ₹2061 Cr to ₹ 2,289 Cr, aided by price hikes in Beauty and Personal Care segment as well as the Home Care segment. Operating Profit Margins have dipped on account of an increase in the cost of inputs being more than the price hikes. As per management, margin pressures will continue in Q2FY2023. Most of the company products have gained market share in challenging environments.



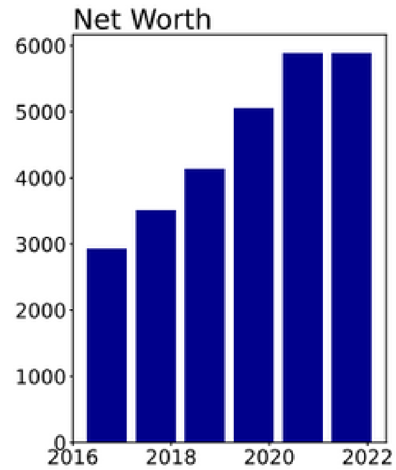
Note: ROE drop because of the addition of goodwill and consequent increase in net worth post-acquisition

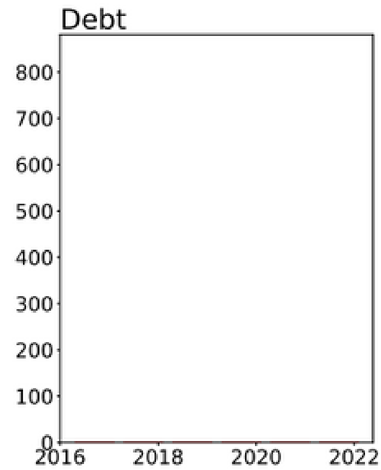
Indraprastha Gas

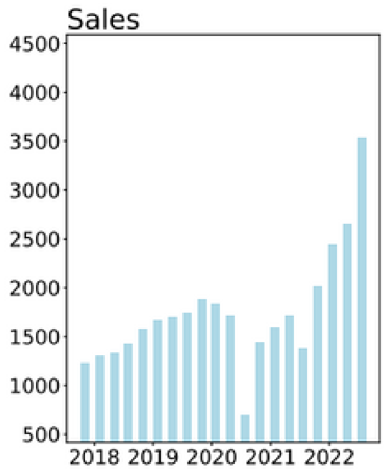
Buy

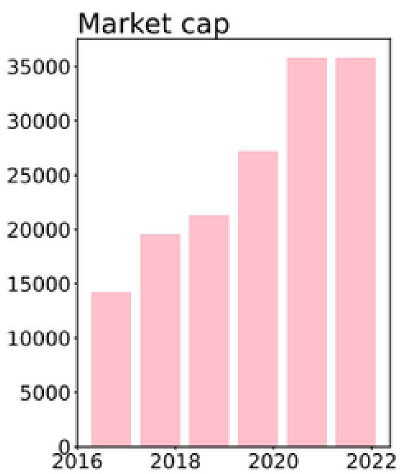
Indraprastha Gas Ltd is a pioneer and leader in the business of city gas distribution. It provides piped natural gas to about 19 lakh Residential and about 7400 commercial customers, apart from supplying Compressed Natural Gas (CNG) as auto fuel in Delhi and adjoining areas through 650 plus CNG stations.

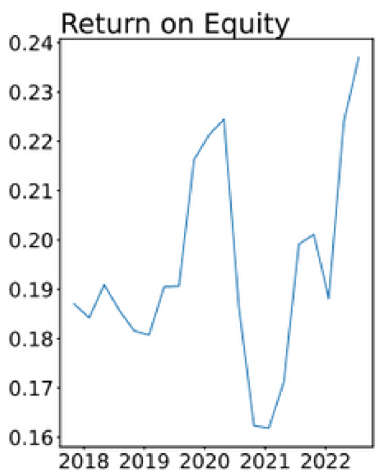
In Q1FY2023, Revenues were up 154% YoY from ₹1,257 Cr. to ₹3,194 Cr, aided by a 62.7% and 41.7% increase in PNG and CNG volumes respectively. Despite a sharp rise in Material Costs, EBITDA rose 62.1% YoY to ₹6,175 Cr from ₹ 3,809 Cr while Net Profit increased 72.5% YoY from ₹244 Cr to ₹ 421 Cr in Q1FY23. Environmental concerns, Regulatory Support, the ability to pass on price rises and the company's intent to expand geographically augur well for its future financial performance.

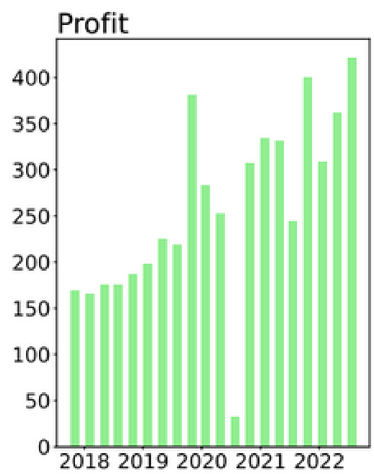












KPR Mill — Hold

K.P.R. Mill is one of the largest vertically integrated apparel manufacturing Companies in India. The Company produces Yarn, Knitted Fabric, Readymade Garments, and Wind power.

In Q1FY2023, Revenues were up 72% YoY from ₹765 Cr. to ₹1,313 Cr, aided by a 28% YoY growth in garment volumes and a near 39% increase in realization. The Commissioning of 10,000 TCD sugar and 230 KLPD ethanol capacity resulted in a 150% YoY increase in Sugar/Ethanol Revenues. Consequently, Net Profit increased 50.3% YoY from ₹149 Cr to ₹ 224 Cr in Q1FY23.

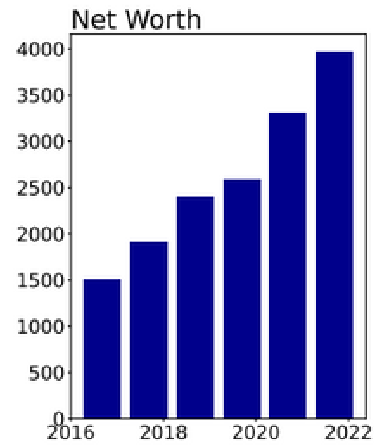
KPR’s ability to pass on price hikes, coupled with a shift to better product mix and demand from export markets on account of rupee depreciation, along with increase in Revenues and margins from increased capacity utilisation of Sugar/Ethanol are likely to result in significant increase in topline as well as bottomline in the coming quarters.

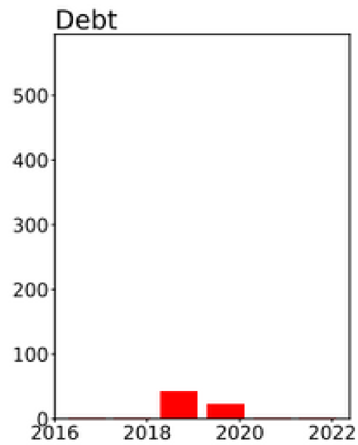
L&T Technology Services Ltd. **Buy**

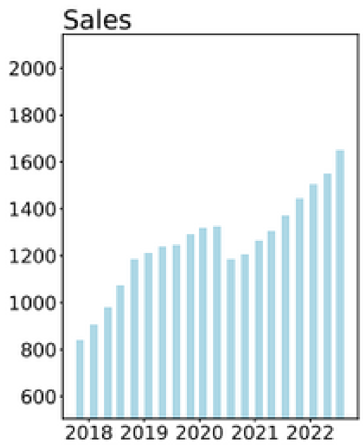
L&T Technology Services is a leading global pure-play Engineering, Research & Development (ER&D) services company. It offers design and development solutions throughout the product development chain and provides services in the areas of mechanical and manufacturing engineering, embedded systems, engineering analytics, and plant engineering.

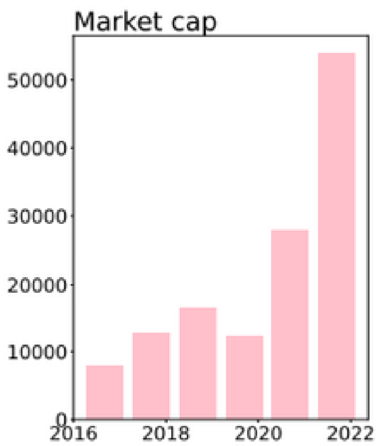
In Q1FY2023, Revenues were up 20% YoY from ₹1,373 Cr. to ₹1,650 Cr, supported by strong growth in Plant Engineering and Industrial Products, prompting the company to revise its FY23 Revenue growth guidance up by 100 basis points despite the challenging macro environment. EBIT increased 30.9% YoY from ₹2,623 Cr in Q1FY22 to ₹3,434 Cr in Q1FY23 while Net Profit increased 25.36% YoY from ₹209 Cr in Q1FY22 to ₹ 262 Cr.

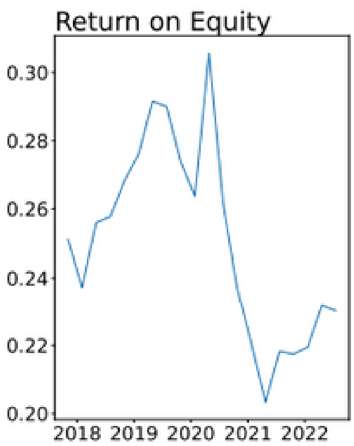
The Company is likely to benefit from a strong order book in the plant Engineering and transportation vertical but will see the pressure on margins in Q2FY23 in view of wage inflation. It plans to hire about 3000 freshers in the current fiscal.

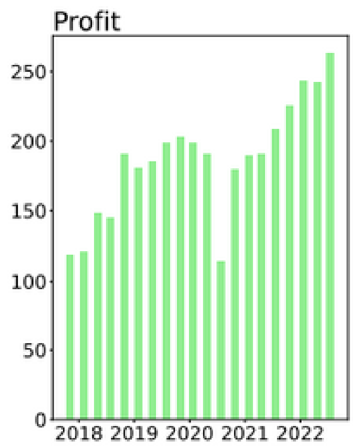








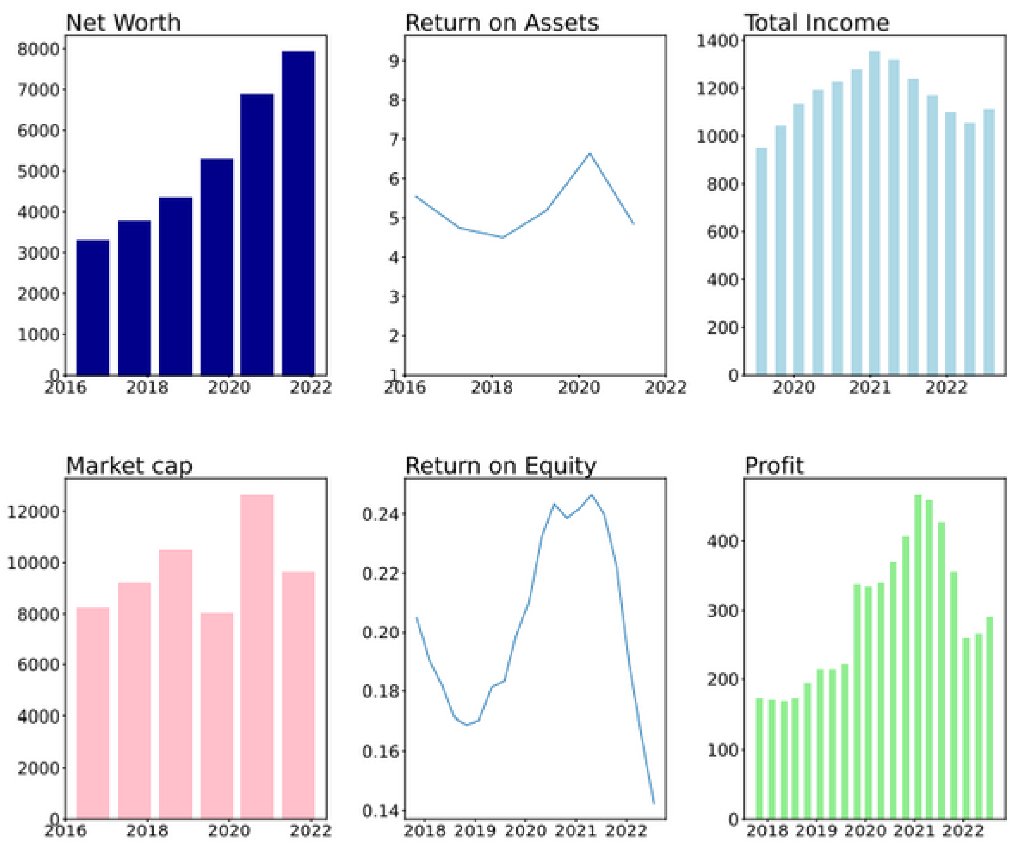




Manappuram Finance Limited is one of the leading NBFCs in India predominantly dealing in gold loans, with a strong pan-India presence of close to 4200 branches spread across 24 states and 4 union territories, serving more than 38 lakh customers. The company also provides a wide range of fund-based and fee-based services.

In Q1FY2023, Top line de-grew 10.34% YoY from ₹1,238 Cr. to ₹1,110 Cr, Net Interest Income declined 7% YoY from ₹10,285 Cr to ₹9,566 Cr, Net Interest Margins declined 3.2% from 16.3% in Q1FY22 to 13.1% in Q1FY23. As a result, Net Profit declined 31.76% YoY from ₹425 Cr in Q1FY22 to ₹290 Cr in Q1FY23.

The company has experienced negative YoY rates for four quarters in a row. Even as competitive intensity persists, a drastic improvement in margins appears unlikely. While the valuations are attractive and most negatives seem to be priced in, we feel that the current gold loan industry scenario does not merit a high weightage in our overall portfolio. We are exiting Manappuram in favour of Muthoot Finance in view of the latter's better financials.

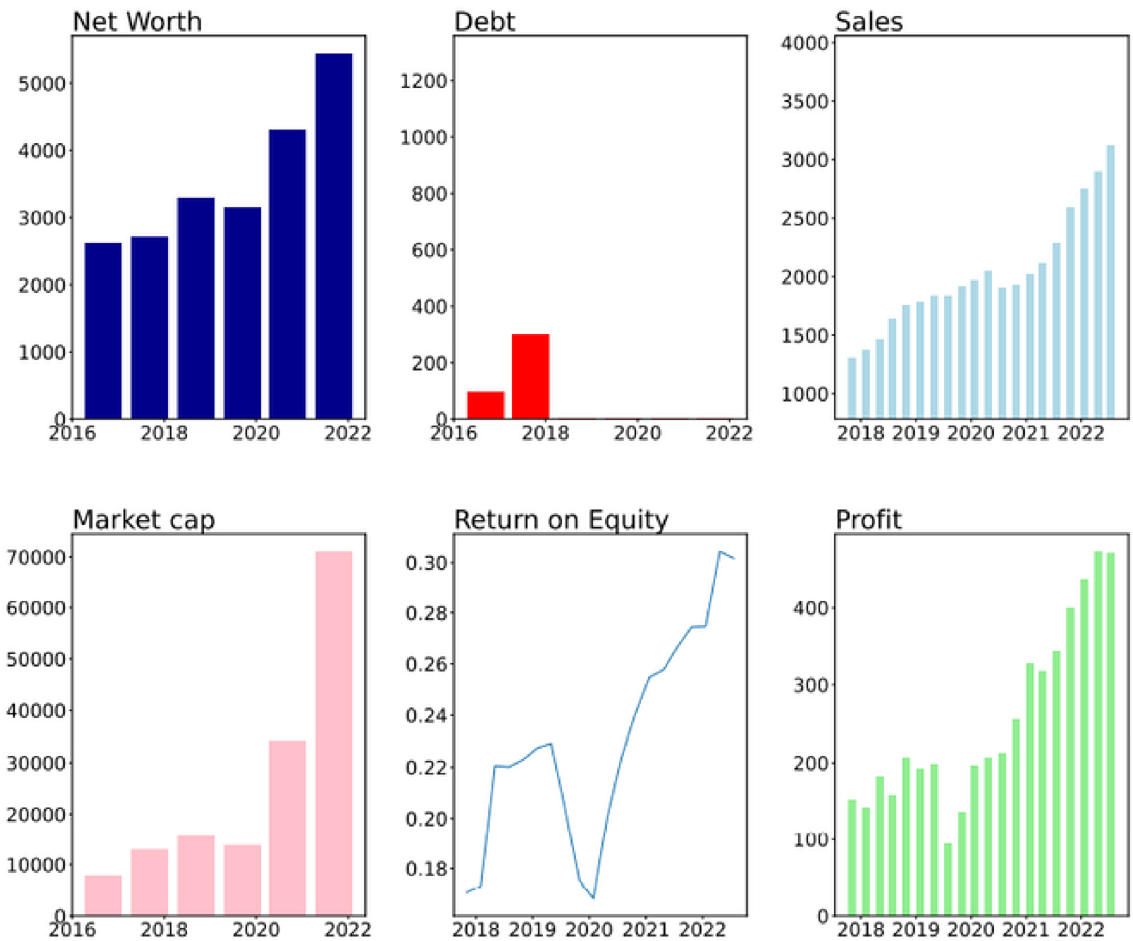


Mindtree **Hold**

Mindtree, incorporated in 1999, is a global IT consulting and implementation company, delivering best-in-class software development, application and infrastructure support across Retail, BFSI, Manufacturing, Travel and Hospitality, and Technology Media and Services (TMS) verticals to about 275 clients worldwide.

In Q1FY2023, Revenues were up 36% YoY from ₹2,292 Cr. to ₹ 3,121 Cr, while Net Profits grew at 37% YoY from ₹334 Cr to ₹472 Cr. The company has consistently clocked over 5% QoQ growth in Revenues and has managed to improve Operating profit margins despite wage inflation across the industry. Order book increased 13% to USD 570 million, with BFSI and Travel and Hospitality verticals recording robust growth, although RCM vertical performance was lacklustre.

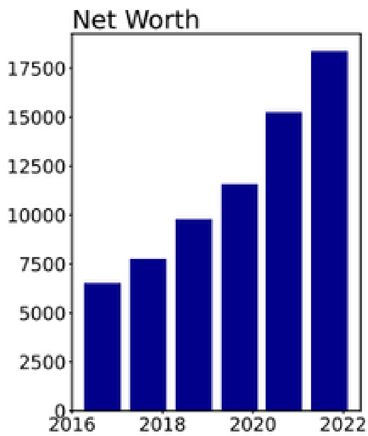
The merger with the company is yielding fruit as the company bagged a large deal in partnership with LTI, laying the foundation for further growth through diversified Service Offerings, Cross-selling opportunities and a wider talent pool.

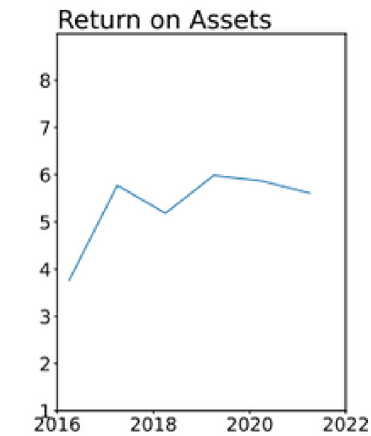


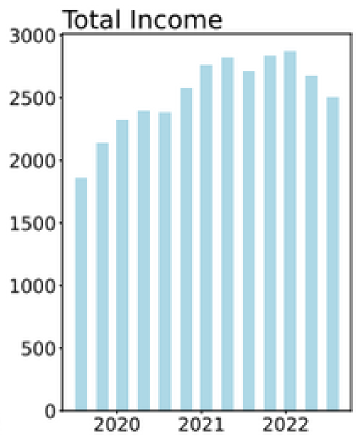
Muthoot Finance Ltd. is the largest gold loan NBFC in the country, with more than 4600 branches Pan India. In addition to financing gold transactions, the company offers foreign exchange services, money transfers, wealth management services, travel and tourism services, and sells gold coins.

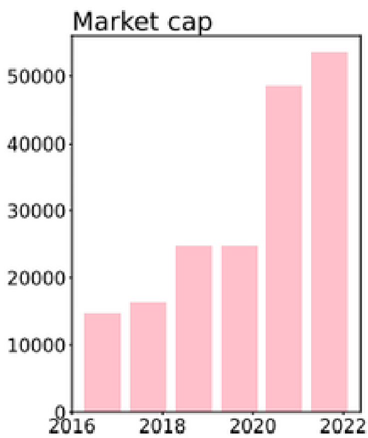
In Q1FY2023, Top line de-grew 7.74% YoY from ₹2,714 Cr. to ₹2,504 Cr, Net Interest Income declined 9.5% YoY, Net Interest Margins declined 2.19% from 12.93% in Q1FY22 to 10.74% in Q1FY23. As a result, Net Profit declined 17.4% YoY from ₹971 Cr in Q1FY22 to ₹808 Cr in Q1FY23.

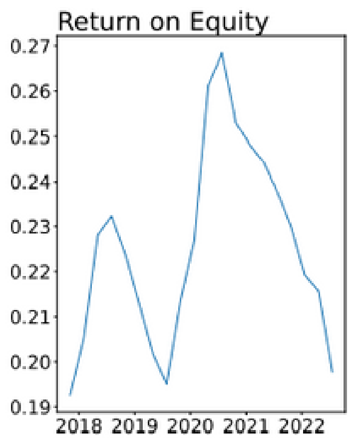
The company has experienced negative YoY rates for the second quarter in a row. However, AUM grew 8% YoY and there is a shift in interest rates from teaser rates to normal rates, which should arrest the fall in topline as well as the bottom line. Demand for gold loans continues to be high, but challenges of competitive intensity persist. We will watch this stock for one more quarter.

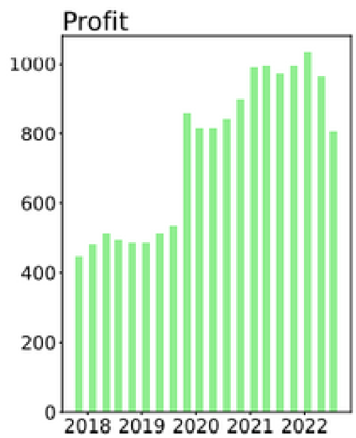










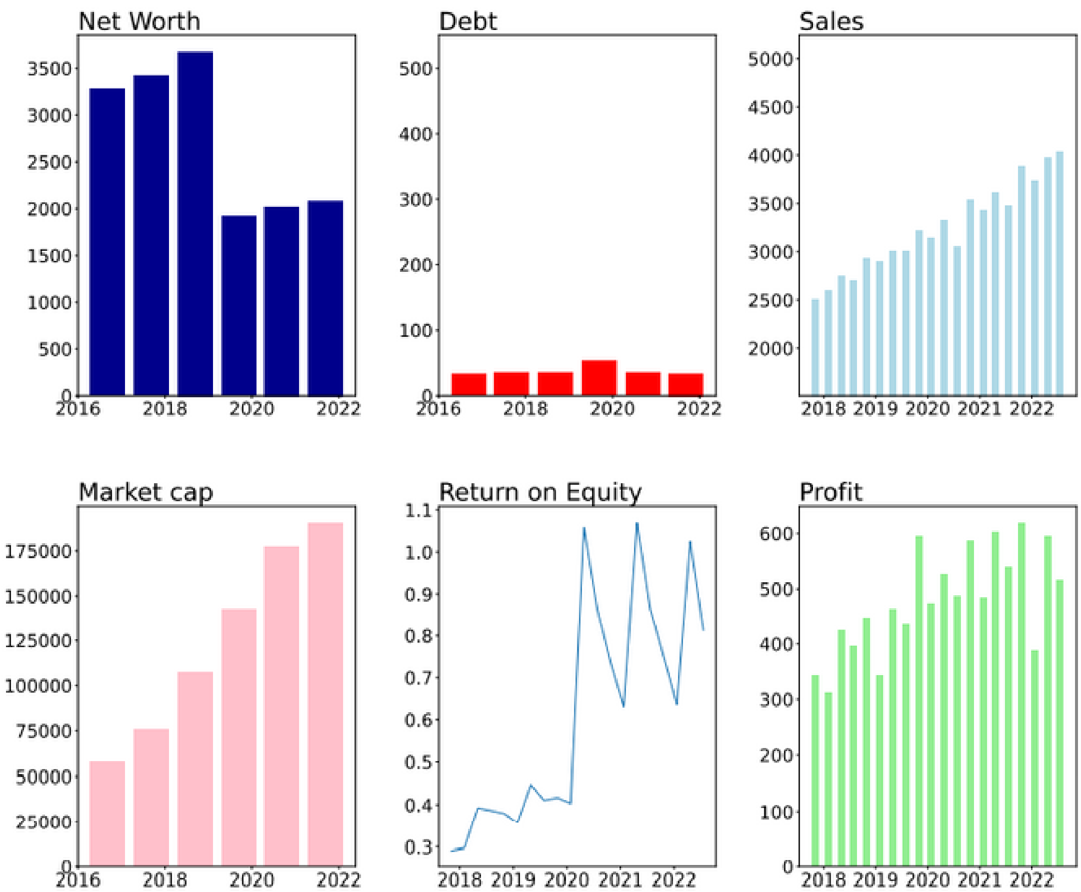


Nestle India — Exit

Nestle India is one of the largest food companies in India, owning super brands such as Maggi, Nescafe, Kitkat, Cerelac, and Munch, amongst others. The company has nine manufacturing facilities, including the newly commissioned plant in Sanand, Gujarat.

In Q1FY2023, Revenues were up 16% YoY from ₹3,477 Cr. to ₹4,037 Cr, with many of its established brands outperforming in volume terms. However, export growth was muted. EBITDA margin declined 409bp YoY due to an increase in material costs. Net Profit declined 4.45% YoY from ₹539 Cr in Q1FY22 to ₹ 515 Cr in Q1FY23.

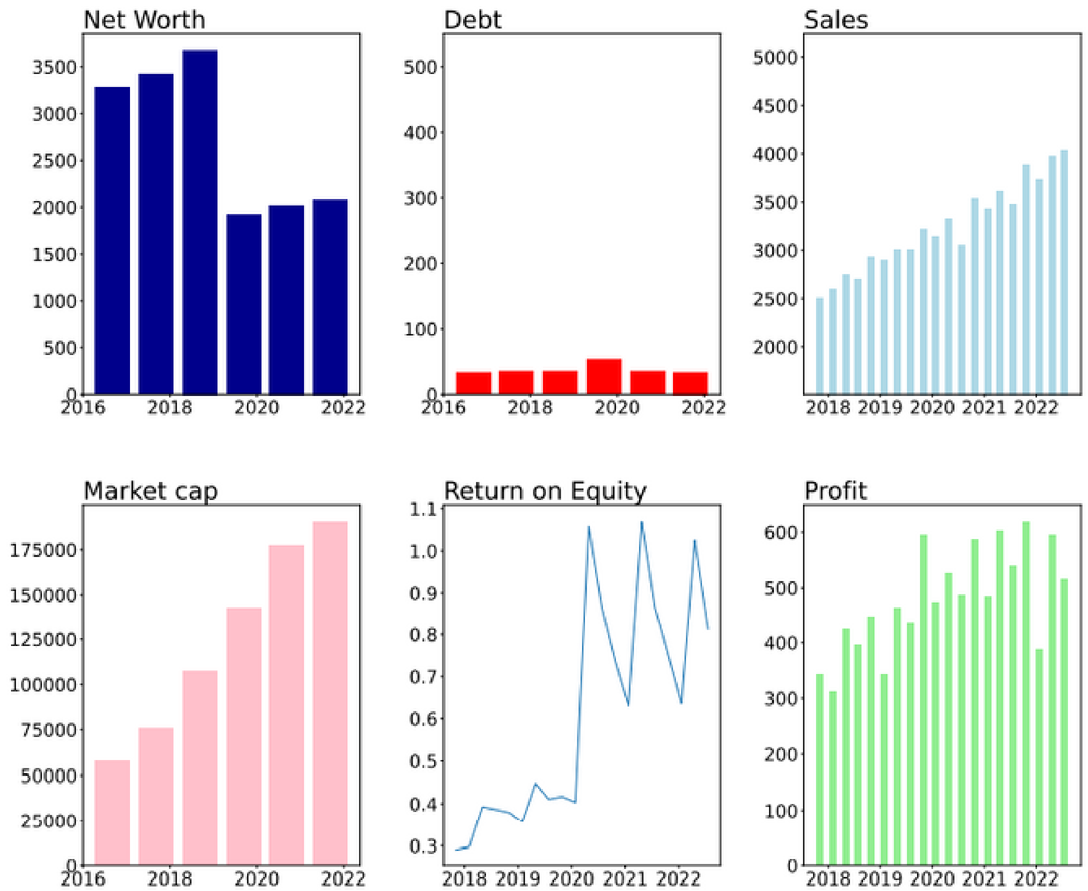
The company has forayed into Pet Care products through the acquisition of Purina Petcare and is also entering the toddler nutrition market by launching the Gerber brand, but the impact of this on the topline and more importantly, bottom-line, needs to be seen in future. The Company has been recording negative EBIT growth and Negative PAT growth for 3 quarters now. Margins are unlikely to improve without a softening of material prices. In view of the above, we are exiting the stock.



Page Industries — Buy

Incorporated in 1995, Page Industries Limited is the exclusive licensee of JOCKEY International Inc. for the manufacturing, distribution and marketing of the JOCKEY brand in India, Sri Lanka, Bangladesh, Nepal and the UAE. Jockey is the company's flagship brand and a market leader in the premium innerwear and leisure wear category. The brand is distributed in 2,852+ cities & towns and available in 113,715+ Multi Brand Outlets, 1,144+ Exclusive Brand Outlets (EBO) with an extensive presence in 3,026+ Large Format Stores, as also online. The company is also the exclusive licensee of Speedo International Ltd. for the manufacturing, marketing and distribution of the Speedo brand in India. Speedo brand is available in 1,074+ stores, 28+ EBOs and 10+ Large Format Stores, spread across 90+ cities.

In Q1FY23, revenues increased by 167% YoY to reach ₹1344 Cr, whereas Operating Income grew by 697% to ₹ 297.8 Cr, and PAT increased by 1790% to reach ₹ 207 Cr. These are clearly unusual numbers and demonstrate the rebound effect post-Covid. Normalising these numbers with trailing 12 month,or 24 month figures also does not reduce the stellar growth in performance.

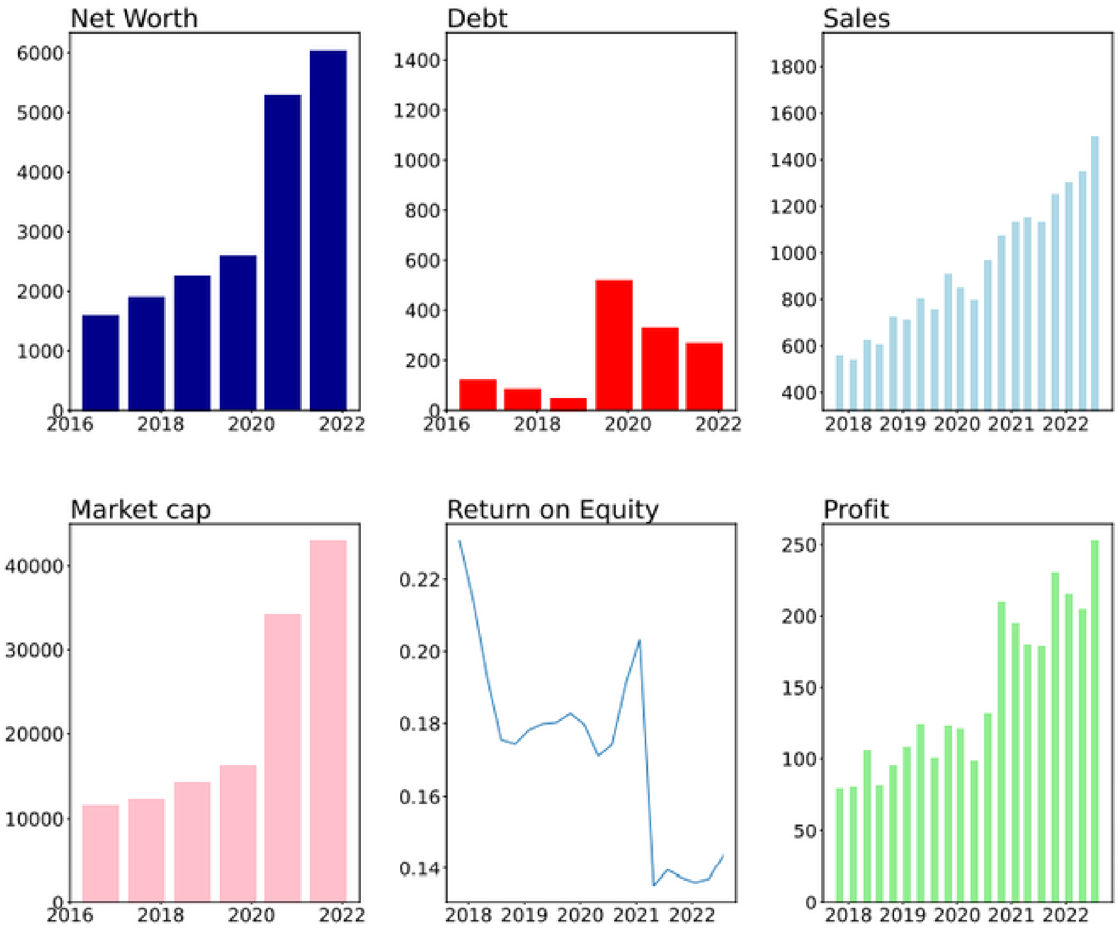


PI Industries — Hold

PI Industries are pioneers in the introduction of granular formulations in India and are the largest sellers in this segment. They have scaled into being the biggest producer of generic molecules like Profenofos, Ethion, and Phorate by focusing purely on service and not launching their own brands that could compete with their customers.

In Q1FY2023, Top line grew 33% YoY from ₹1,128 Cr. to ₹1,497 Cr, aided by strong volume (30%) and price (12%) growth in CSM (Custom Synthesis Manufacturing). EBITDA increased 38.9% YoY from ₹1,194 Cr to ₹1,543 Cr.;EBITDA margins improved by 160 basis points to 22.4% Net Profit went up by 41% YoY from ₹179 Cr in Q1FY22 to ₹252 Cr in Q1FY23.

A strong product portfolio and exclusive tie-ups with leading agro-chemical, pharmaceutical and fine chemical companies around the World, strong research and focus on operational efficiency augur well for the company to face any near term challenges of raw material inflation.

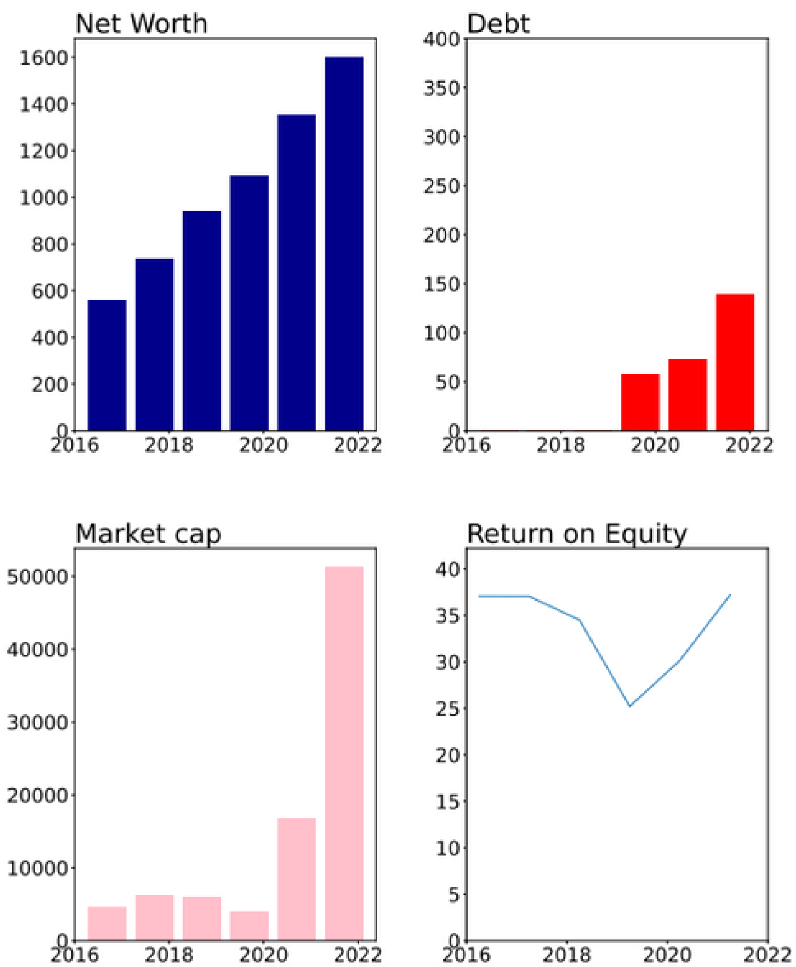


Tata Elxsi **Hold**

Tata Elxsi, is one of the world's leading providers of end-to-end solutions across Design, Software Development, Support, Services and System Integration, spanning Automotive, Media, Communications and Healthcare verticals.

In Q1FY2023, Revenues were up 30% YoY from ₹558 Cr. to ₹ 726 Cr, with a 6.5% QoQ growth, while Net Profits grew @63.72% YoY from ₹113 Cr to ₹185 Cr, aided by growth in transportation and medical & healthcare verticals. Operating Profit Margins increased on account of strong execution capabilities, which is likely to result in continued and consistent growth.

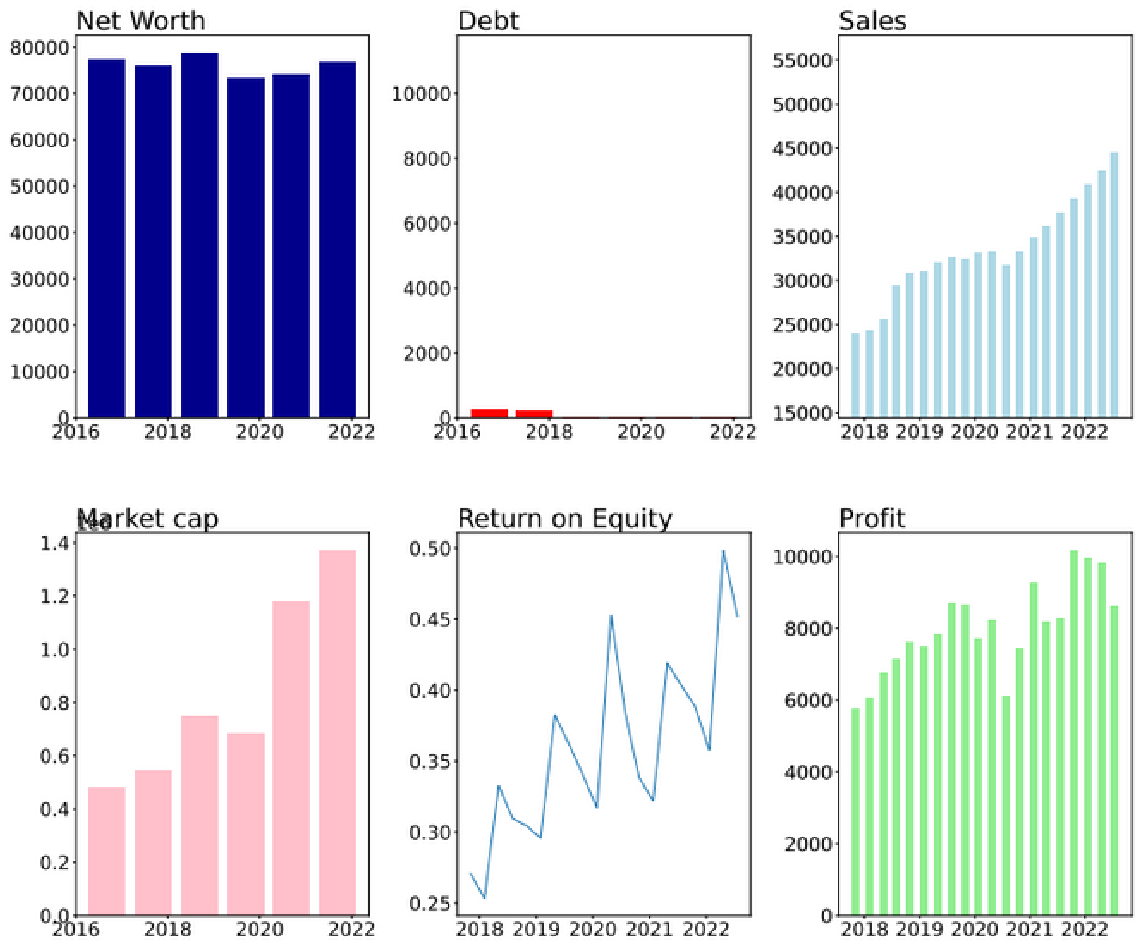
The company has doubled its earnings in 2 years and given its comfortable cash flow position, it is poised to repeat the performance of doubling the EPS in the next two to three years to come.



Tata Consultancy Services (TCS) is an Indian multinational information technology (IT) services and consulting company. TCS is the largest India-based IT services company in the world by market capitalisation operating in 149 locations across 46 countries.

In Q1FY23, the company posted YoY revenue growth of 17.9% taking them to a massive Rs 45,195 Cr. However, there has been a slowdown in the operating income, which grew only 4.98% to Rs 11,829 Cr; PAT also grew at 3.71% to Rs 8,588 Cr. The company reported weak er margins, in fact, the operating profit margin % is the lowest in the last three years. This is corroborated by the slowdown in operating income and earnings growth in a similar timeframe.

The attrition rate is also higher at 19.7% (LTM basis) almost three times compared to what it was a year ago. The company's rate of rise in attrition percentage is higher than the other IT majors. We prefer to be cautious about the company and recommend an exit due to the concerns of increased costs due to wage pressure.



Founded in 1928 by Mr T.T. Krishnamachari, the TTK Group is a leader in the manufacture and distribution of a wide range of products in 3 major segments - Pressure Cookers & Pans, Non-stick Cookware and Kitchen Electric Appliances. The company enjoys a high brand recall and a market share of ~60% in the outer-lid pressure cooker, ~15% in the inner-lid pressure cookers within the organized market, and about ~25% in the Induction cooktop space. They have a network of 65,000 outlets including 16,000 direct touch points in India.

In Q1FY2023, the company's standalone revenue was at ₹606 Cr having grown by 68% YoY driven by a strong performance in the domestic market (+72% YoY growth). The Operating profit improved by 89% to ₹83 Cr and PAT by 111% YoY to ₹57.6 Cr. The operating margin came at 13.8% up from 10.95% in the previous year's corresponding quarter. Sequentially, however, margins dipped by about 250 bps due to higher commodity prices.

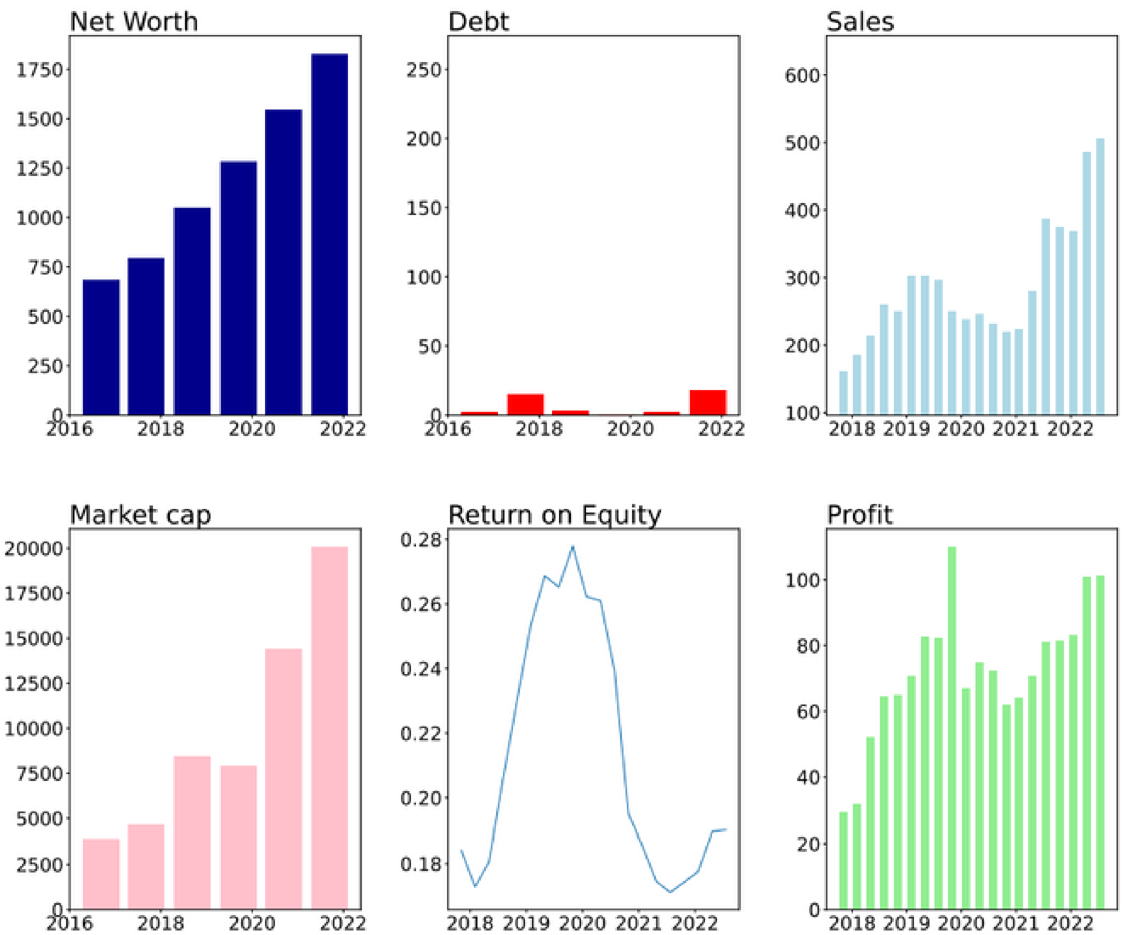
The management is optimistic about margins improving with a softening of commodity prices . Post-pandemic, the E-Commerce revenue share is relatively lesser compared to sales in physical stores. The company continues to drive its distribution network into non-metro cities & tier-II cities to tap higher growth.

Vinati Organics — Hold

Vinati Organics is a leading manufacturer of speciality chemical and organic intermediaries with a market presence spanning over 35 countries in the world. It has become the world's largest producer of Iso Butyl Benzene (IBB) and the world's second-largest producer of Acrylamide tertiary-butyl sulfonic acid (ATBS).

In Q1FY2023, the Top line grew 31% YoY from ₹386 Cr. to ₹506 Cr, despite a decline in IBB revenue, led by higher volumes for higher purity grades of ATBS. EBITDA was up 28.9% YoY at ₹131 Cr. Margins fell by 50bps YoY from 26.3% to 25.8% due to higher other expenses & logistics costs. Net Profit went up by 24% YoY from ₹81 Cr in Q1FY22 to ₹101 Cr in Q1FY23.

Strong demand for its Key products, capacity expansion and new product launches are expected to keep up the Revenue momentum despite macro challenges while softening material and freight costs, along with the company’s ability to pass on input costs to customers will protect margins.



Legend

View	Inference
Buy	Indicates that this may be added to the portfolio
Accumulate	The relative % holding of the stock in the portfolio may be increased. This would result in buy transactions.
Hold	The stock may be retained in the portfolio. However relative to other stocks, this may require some buy or sell transactions, to arrive at the desired relative % holding.
Sell	The stock may be exited from the portfolio
Reduce	The relative % holding of the stock in the portfolio may be decreased. This would result in sell transactions.

Note:

1. Numbers for debt, net worth, market cap, sales, profit are in crores
2. Ratios such as return on equity are in percentages.
3. Growth numbers are usually referred to on a Year or Year basis.

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